

Company Background

Master Feed Agrotec Limited is a feed manufacturer. Its main business is Manufacturing & Marketing of poultry feed, fish feed, cattle feed and also engage farming Poultry and Fish. "Master Hatchery and Poultry Feed Limited" was incorporated on 20th June, 2011 as a private limited company. It changed its name to "Master Feed Agrotec Limited." on 01 July, 2018. and was converted into a public limited company on 15 October 2018.

According to the Bangladesh Poultry Industries Central Council (BPICC), no. of registered feed mills is 261 and 135-140 companies renewed licences from the Department of Livestock Services. Besides, more than 200 feed mills are unregistered. 7 players namely Nourish Poultry Feed, ACI, Kazi Farms, Provita Feed, Aftab Feed, New Hope Feed, and Aman Feed have captured more than 70% market share. So, the competition is of oligopolistic nature and often smaller firms are price takers. Based on revenue, the company currently has about 1% market share

Sponsors and Directors own 45.8% of shares now which in post QIO would stand at 39.0%. Sponsors have experience in Tech as well as Agro based industry.

QIO Details

Master Feed Agrotec Limited will raise BDT 100.0 million through qualified investors offering (QIO) under fixed price method. The fund will be used as working capital.

Only eligible investors (EI) can buy the company's shares. Individual investors shall also be considered as Qualified Investor (QI) but he/she will have to maintain a minimum investment of BDT10Mn at market price (the close price of both exchanges, whichever is higher) in matured listed securities as on September 02, 2021.

The breakdown of the QIO proceeds is shown below:

Use of QIO Proceeds	Mn BDT	% of Proceed
Working Capital	97.4	97.4%
Sub Total	97.4	97.4%
QIO Expenses	2.6	2.6%
Total	100.0	100%

Key Points

- MASTERAGRO operates in feed industry. According to prospectus, the feed industry currently has a turnover of BDT 100Bn (USD 1.16Bn) and is growing at a CAGR of 10%. It is a backward linkage industry to three other industries: Poultry, Livestock and Fisheries. Poultry industry However is the major driver for feed industry with annual demand for poultry feed of 5.08Mn MT. Poultry Feed Demand is increasing at a CAGR of 10%. Livestock and fisheries industries are growing at a CAGR of around 20% but there is deficit in the supply side with annual production of 2.79Mn MT, Department of Livestock Services (DLS) however reports 3.62% CAGR in last 10 years for poultry industry and 3.49% CAGR for the three industries combined (poultry, livestock and fisheries)
- According to industry officials, annual demand for feed in Bangladesh is now 6.3-6.4Mn Tons and production in 2020 surpassed that demand. In 2020 total commercial feed production reached 6.57Mn Tons. Of that, poultry feed production was 4.45Mn Tons, fish feed 1.59Mn Tons and cattle feed was 0.53Mn Tons. The feed industry has witnessed a 161% jump in production over the last seven years. The poultry sector consumes 62.9% of feed, cattle 14% and fish 23%. The industry's CAGR was hovering around 12%-15% until the pandemic hit.
- Notable competitors in the industry are Aman Feed Poultry feeds Limited, Oryza Agro Industries Limited, National Feed Mills Limited, Agro Industrial Trust, Rupsha Poultry Feed Limited, BRAC Poultry feeds Limited, Paragon Poultry feeds Limited, Surma Poultry feeds Limited, Kazi Poultry feeds Limited, Provita Poultry feeds Limited, Aftab Poultry feeds Limited, Nourish Poultry feeds Limited, Saudi Bangla Poultry feeds Limited, New Hope Poultry feeds Limited,
- MASTERAGRO had a revenue of BDT 1.05Bn in 2020, implying it currently has a market share of around 1%.
- Feed Mill Unit (Yearly): 48,048 Metric Ton; Poultry Unit (Yearly): 270 Metric Ton & Fisheries Unit (Yearly): 110 Metric. Ton. Annualized utilization level are 68.57%, 91.43% and 91.42% for feed mill, poultry and fish units respectively.
- MASTERAGRO experienced revenue growth of 37.0% CAGR during 4 years from 2017-2020. The company's overall revenue comes from three segments: Feed segment contributes 93.6% of the total revenue, while the Poultry and fish segment contribute 2.4% and 4% to the overall topline. Gross Profit margins for the feed, poultry and fish segments are 12.7%, 13.4% and 13.6% respectively.
- In recent years (2019 and 2020), Gross Profit Margin (GPM), Operating profit margin (OPM) and Net Profit Margin (NPM) seems to be stable around 12.8%, 9.8% and 7.0% respectively. The impact of pandemic seems to be negligible on the financial performance.
- The company plans to pursue competitive pricing to capture market share. In that case, revenue level might decline slightly which might be offset by cost efficiency driven margin gains. Despite decline in GPM improved from 13.4% of 2016 to 12.8% of 2020, OPM improved slightly from 9.3% of 2016 to 9.9% of 2020 due to decreased opex. Significant improvement however was in PBT margin (from 5.2% of 2016 to 8.5% of 2020) driven by lower financial expenses as% of revenue. Effective tax rate also declined from 26.1% of 2016 to 14.9% of 2020 because of revised tax structure from 2015: For feeds on 1st 10 Mn income, tax rate is 3%, for next 20 Mn tax rate is 10% and for remaining\ the rate is 15%. For both poultry and fish farming on 1st 10 Mn income, tax rate is 0%, for next 20 Mn tax rate is 5% and for remaining\ the rate is 10%. Since about 93.6% of MASTERAGRO's revenue comes from feed segment, effective tax rate therefore hovers around 15%. Increased OPM and EBT margins resulted in NPM to improve from 3.9% to 7.3%.
- High revenue CAGR along with margin gains translated 37.0% revenue CAGR into 60.5% NPAT CAGR in last 4 years (2017-2020).
- The company has no cash dividend history in the last five years.
- As per Bangladesh Securities and Exchange Commission's (BSEC) requirement, It cannot issue bonus shares for three years after it is listed on the SME platform.
- Lock In period is 1 year for sponsors as well as existing shareholders
- Company's Managing Director Md. Kabir Hossain and Chairperson Asma Akter Sumie and are husband and wife. They also hold same positions in Master Computer Limited, Independent Director Sheikh Karimuzzaman is also independent director of Advent Pharma, Independent Director Mohammed Salim is also independent director of Advent Pharma and Dutch Bangla Bank.

QIO Summary

Post QIO No. of Shares (Mn)	67.2
Post-QIO Paid-up Capital (Mn BDT)	671.5
Pre-QIO Paid-up Capital (Mn BDT)	571.5
New Shares Issued (Mn)	10.0
QIO Proceeds (Mn BDT)	100.0
Face Value (BDT)	10
Market Lot	N/A
Free Float	N/A
Accounting Year End	June
Auditor	ARTISAN
Issue Manager	AT Capital & NBL Capital

Income Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Revenue	299.3	444.4	506.2	914.6	1,054.8
Cost of Materials	259.1	383.9	437.2	797.8	920.3
Gross Profit	40.2	60.5	69.0	116.8	134.6
Operating Expenses	12.4	20.1	17.6	27.9	30.5
Operating Income	27.8	40.4	51.4	88.9	104.0
Financial Expenses	13.4	12.6	13.1	12.0	10.5
Profit before Contribution to WPPF	15.6	28.3	38.8	78.1	94.4
Contribution to WPPF	-	-	-	3.7	4.5
Profit Before Tax	15.6	28.3	38.8	74.4	89.9
Income Tax Expense	4.1	4.1	5.7	12.5	13.4
PAT	11.5	24.2	33.1	61.9	76.5
Pre-QIO EPS	0.20	0.42	0.58	1.08	1.34
Post QIO EPS	0.17	0.36	0.49	0.92	1.14

Balance Sheet

Mn BDT	2016A	2017A	2018A	2019A	2020A
Total Non-Current Assets	187.7	203.3	248.0	327.4	312.0
Property, Plant and Equipment	176.6	177.2	181.1	311.6	307.6
Capital Work in Progress	11.1	26.1	64.1	15.4	3.3
Total Current Assets	128.5	214.0	259.3	525.9	642.9
Inventories	38.7	103.9	127.3	244.8	306.0
Accounts Receivables	87.9	106.5	112.4	255.7	308.5
Advance, Deposits And Payments	0.9	1.1	14.5	7.9	19.1
Cash And Cash Equivalent	0.9	2.5	5.1	17.5	9.4
Total Assets	318.8	417.3	507.3	853.3	954.9
Total Shareholder's Equity	157.5	213.8	328.6	695.5	781.3
Share Capital	1.0	1.0	97.5	550.0	571.5
Share Money Deposit	142.4	174.5	159.8	12.1	-
Retained Earnings	14.1	38.3	71.4	133.3	209.8
Non-Current Liabilities	51.1	52.3	84.8	78.8	79.6
Long Term Loan net off Current Portion	48.8	47.0	76.9	66.3	64.2
Deferred Tax Liability	2.3	5.3	7.8	12.5	15.1
Current Liabilities	110.2	151.2	94.0	79.0	94.0
Short Term Loan	15.0	15.0	18.7	14.3	12.3
Current Portion of Long Term Loan	11.4	13.2	16.4	18.3	20.3
Trade Payables	51.0	75.9	41.3	17.6	17.9
Current Portion of Lease Liability	-	-	-	-	0.5
Liabilities for expenses	32.8	47.2	17.6	28.9	43.0
Total Liabilities	161.3	203.6	178.7	157.8	173.6
Total Equity and Liabilities	318.8	417.3	507.3	853.3	954.9

Cash Flow Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Operating Activities	(17.0)	(1.3)	2.4	(186.8)	0.5
Investing Activities	(2.7)	(29.2)	(72.1)	(86.2)	(6.5)
Financing Activities	20.0	32.1	72.4	285.3	(2.2)
Net Cash Flow	0.2	1.6	2.6	12.4	(8.1)

Ratios

	2016A	2017A	2018A	2019A	2020A
Gross Margin	13.44%	13.61%	13.63%	12.77%	12.76%
Operating Margin	9.3%	9.1%	10.2%	9.7%	9.9%
PBT Margin	5.2%	6.4%	7.7%	8.1%	8.5%
Effective Tax Rate	26.1%	14.6%	14.7%	16.7%	14.9%
Net Margin	3.9%	5.4%	6.5%	6.8%	7.3%
Revenue Growth	0.0%	48.5%	13.9%	80.7%	15.3%
Operating Profit Growth	0.0%	45.5%	27.3%	72.9%	17.0%
Total Net Profit Growth	0.0%	110.1%	36.7%	87.2%	23.5%
Debt to Asset	23.6%	18.0%	22.1%	11.6%	10.2%
Net Debt to Equity	47.2%	34.0%	32.5%	11.7%	11.3%
Return on Asset	3.6%	6.6%	7.2%	9.1%	8.5%
Return on Equity	7.3%	13.0%	12.2%	12.1%	10.4%

IMPORTANT DISCLOSURES

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