

BRAC EPL Research (research@bracepl.com)
 Dec 22, 2021

 Subscription Start: Dec 23, 2021
 Subscription End: Dec 29, 2021

IPO Details

BD Thai Food & Beverage Limited will raise BDT 150.0 million through initial public offering (IPO) under fixed price method. The fund will be used for acquisition of machinery & equipment, construction of building, other civil works and for IPO expenses.

General Public would be allowed to subscribe BDT 10,000 for a single application, subject to maintaining capital market investment of BDT 20,000. Under "Institutional" quota, eligible investors (EI) would have to maintain a minimum capital market investment of (i) BDT 5.0 Mn for approved pension funds, recognized provident funds and approved gratuity funds; and (ii) BDT 10.0 Mn for other EIs. The cut-off date for minimum investment is December 14, 2021.

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn BDT	% of Proceed
Acquisition of Machinery & Equipment	94.2	62.8%
Building & Civil Work	31.8	21.2%
Land & Land Development	13.0	8.7%
Sub Total	139.0	92.7%
IPO Expenses	11.0	7.3%
Total	150.0	100%

Company Brief

BD Thai Food & Beverage Limited is a concern of BD Thai Group, and commenced its commercial operation in January, 2013. The company is engaged in processing of different kinds beverage & confectionary items. They are marketing their products under the brand name "Nectar" and distributing the products through 260 dealers. The company generated ~70.0% of total revenue from selling mustard oil in FY18.

The company's corporate office is located at Banani in Dhaka, and the production unit of the company is located at Dhamrai, Dhaka on 363.0 decimals of land. Total floor space is 126,500 square feet. The daily processing capacities of the company are 50 tons fruit juices, 150 tons water, 75 tons carbonated soft drinks and 23 tons of sweet confectionaries. BD Thai imports key raw materials namely PET resin chips and gum base from India, while flavoring, colors & others are imported from Singapore, New Zealand, UK and China.

Product details

The company is involved in manufacturing and marketing of food and beverage items. BD Thai Food has the following products: mustard oil, flavoured drinks, drinking water, Sunfire carbonated beverage, hard & soft candy, fried peas & dal, bakery items, spices etc. The company does not market any imported confectionary & beverage products.

Competitive landscape

BD Thai Food operates in the industry segment that is heavily dominated by some of the following key players: Pran, Square Food & Beverage, Danish Foods, Bashundhara, Meghna Group, and Olympic Industries.

Industry Outlook

The food and beverage segment has high growth potential, as the market is growing at 8.0%+ per year. The government is also offering attractive export cash incentives for exporting agro-based products from Bangladesh. Biscuits are fast becoming the snack of choice for Bangladeshi consumers, enabling the market to grow 15.0% per year, according to industry insiders. Around 5,000 bread and baked goods makers, including 100 automatic and semi-automatic bakeries, are operating in the segment.

IPO Summary

		BDTHAIFOOD
DSE Ticker		BDTHAIFOOD
IPO Proceeds	(BDT Mn)	150.0
New Shares Issued	Mn	15.0
Pre-IPO No. of Shares	(Mn)	66.5
Post IPO No. of Shares	(Mn)	81.5
Pre-IPO Paid-up Capital	(BDT Mn)	665.0
Post-IPO Paid-up Capital	(BDT Mn)	815.0
Face Value (BDT)		10.0
Accounting Year End		June
Auditor		Shiraz Khan Basak & Co.
Issue Manager		BLI Capital Ltd UniCap Investments Ltd
Sector		Food & Allied
GICS Mapping		30202030

Income Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Revenue	575	695	763	820	549
Gross Profit	176	221	243	228	162
Operating Income	137	156	171	147	120
Financial Expenses	94	89	88	75	67
Profit Before Tax	43	65	79	70	52
Income Tax Expense	33	29	28	27	11
Profit After Tax	10	36	51	43	40
Pre-IPO EPS	0.15	0.54	0.77	0.65	0.61
Post IPO EPS	0.12	0.44	0.63	0.53	0.50

Balance Sheet

Mn BDT	2016A	2017A	2018A	2019A	2020A
Total Non-Current Assets	761	916	988	1,141	1,144
Property, Plant & Equipment	761	916	988	1,141	1,144
Total Current Assets	354	555	738	894	973
Inventories	229	312	372	522	536
Cash And Cash Equivalent	11	14	65	20	18
Total Assets	1,115	1,471	1,726	2,035	2,117
Total Shareholder's Equity	389	524	862	906	946
Share Capital	365	365	665	665	665
Share Money Deposit	8	13	-	-	-
Retained Earnings	17	53	104	147	188
Non-Current Liabilities	366	387	421	469	492
Long Term Loan (Non-Current)	336	330	342	368	383
Current Liabilities	360	560	443	661	679
Short Term Loan	341	469	339	551	590
Long Term Loan (Current)	-	36	35	33	29
Total Liabilities	726	947	864	1,130	1,171
Total Shareholder's Equity and Liabilities	1,115	1,471	1,726	2,035	2,117

Cash Flow Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Operating Activities	77	28	81	-13	59
Investing Activities	-80	-98	-109	-194	-45
Financing Activities	4	73	80	162	-17
Net Cash Flow	1	2	51	-45	-2

Ownership Structure

Sponsors and Directors own 60.15% of the pre-IPO shares, which would be 49.08% of post-IPO shares. Placement shareholders held 39.85% of pre-IPO shares, which would be 32.52% of post-IPO shares.

Financial Performance

The pandemic had severely impacted BD Thai Food's performance in FY20. Prior to the pandemic, the company's revenue grew at 3-yr CAGR of 12.6% in FY19, while efficiency in operating expenses contributed to net profit growth of 62.3% (3-yr CAGR). In FY20, revenue declined 33.0% YoY, while net profit after tax declined 6.9% YoY. Gross profit margin averaged at 29.7% in the last three years (FY18-FY20), while operating profit margin averaged 20.7%. Both Debt-to-Asset and Debt-to-Equity ratios were stable in FY19 and FY20, indicating moderate impact of leverage on the capital structure. However, the financial expenses offset a significant portion of the operating profit, resulting in very low net profit margin.

Dividend History

BD Thai Food has not declared any cash or stock dividend in the last five years.

Pricing

Pre-IPO EPS in FY20 was BDT 0.61, whereas post-IPO EPS would be BDT 0.50. Pre-IPO NAVPS was BDT 14.23 in FY20, whereas post-IPO NAVPS would stand at BDT 11.61. Offer price per share is BDT 10.0, implying a pre-IPO P/E of 16.4x and pre-IPO P/NAV of 0.70x.

Lock-in requirements

All of the Pre-IPO number of shares (66.5 Mn) held by sponsors, directors & placement shareholders have lock-in provision for 3 years, which is 81.6% in terms of post-IPO number of shares. In addition, 2.25 Mn of IPO shares offered to the employees of BD Thai Food would be subject to lock-in period for 2 years.

Listing Conditions

As per Bangladesh Securities and Exchange Commission's (BSEC) requirement, it cannot issue stock dividend for the next **four years** following the first trading day. All sponsor shareholders and directors of the company would not receive any kind of dividend unless its EPS reaches BDT 1.0 or more.

ESG Footprints

Environment Footprints:

No such reporting is provided as of yet.

Social Footprints

No such reporting is provided as of yet.

Corporate Governance

Mr. Zahid Maleque is the minister of Health & Family Welfare. Mr. Rahat Maleque & Ms. Cynthia Maleque are his children. Dr. Kazi, Mrs. Rubina & Mr. Ryan are also their family members. The family owns 36.09% of pre-IPO shares (29.45% of post-IPO shares), followed by Sunlife Insurance (13.58% of post-IPO shares) and BD Thai Aluminium (6.05% of post-IPO shares). BD Thai Aluminium Ltd. and Sunlife Insurance Company Ltd. are the two listed sister concerns of BD Thai Food.

Once listed, BD Thai Food and Beverage Limited will trade in DSE & CSE and will be placed in the "N" category.

Ratios

	2016A	2017A	2018A	2019A	2020A
Growth					
Revenue	n/a	20.9%	9.9%	7.4%	-33.0%
Operating Profit	n/a	13.7%	9.7%	-13.8%	-18.4%
Net Profit	n/a	252.2%	43.1%	-15.2%	-6.9%
Profitability					
Gross Margin	30.7%	31.8%	31.8%	27.8%	29.4%
Operating Margin	23.8%	22.4%	22.3%	17.9%	21.8%
Net Margin	1.8%	5.2%	6.7%	5.3%	7.4%
Return on Asset	1.0%	2.8%	3.2%	2.3%	2.0%
Return on Equity	2.6%	6.8%	5.9%	4.8%	4.3%
Liquidity					
Current Ratio (x)	1.0	1.0	1.7	1.4	1.4
Quick Ratio (x)	0.3	0.4	0.8	0.6	0.6
Leverage					
Debt to Asset	60.8%	56.7%	41.4%	46.8%	47.3%
Debt to Equity (x)	1.7	1.6	0.8	1.1	1.1
Coverage					
Interest Coverage (x)	1.5	1.7	1.9	2.0	1.8
Net Debt /EBITDA (x)	3.9	4.3	3.1	5.0	6.1
Activity					
Asset Turnover (x)	0.4	0.5	0.5	0.4	0.3
Inventory Turnover (x)	2.6	1.8	1.5	1.3	0.7
Receivable Turnover (x)	31.8	11.1	6.8	5.3	2.7
Payables Turnover (x)	135.3	16.1	18.3	24.8	18.2
Cash-Cycle (days)	146	215	270	326	604

Significant Shareholders

Name of Shareholders	Designation	No. of Shares (Mn)	Pre-IPO Shareholding	Post-IPO Shareholding
Mrs. Rubina Hamid	Chairman	7.1	10.68%	8.71%
Mr. Md. Rabiul Alam, FCS (Representing Sunlife Insurance Company Ltd)	Director	11.1	16.64%	13.58%
Mr. Md. Joynal Abedin, FCA, (Representative director of BD Thai Aluminium Ltd)	Director	4.9	7.42%	6.05%
Dr. Kazi Aktar Hamid	Director	2.8	4.18%	3.41%
Mr. Rahat Maleque	Director	2.2	3.32%	2.71%
Mr. Ryan Hamid	Director	2.1	3.19%	2.60%
Mr. Zahid Maleque	Sponsor Shareholder	9.3	13.98%	11.41%
Ms. Cynthia Maleque	Sponsor Shareholder	0.5	0.74%	0.61%
Mr. Muhammad Mohiuddin	Independent Director	-	-	-
Advocate Abdus Salam	Independent Director	-	-	-
Placement Shareholders		26.5	39.85%	32.52%

IMPORTANT DISCLOSURES

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