

IPO Details

Best Holdings Limited (BESTHLDNG) will raise BDT 3,500.0 Mn through Initial Public Offering (IPO) under book building method. The fund would be utilized for building and other civil works of the ongoing resort, purchase of local machinery and equipment for the project, and repayment of existing bank loan.

General Public would be allowed to subscribe minimum BDT 10,000, subject to maintaining minimum capital market investment of BDT 50,000. The Bangladesh Securities and Exchange Commission (BSEC) has removed restrictions on general investors' IPO applications for BESTHLDNG shares. As a result, general public can now apply for IPO worth BDT 10,000 or its multiple.

The company will offer 15% of the total shares to BESTHLDNG's employees and others. From the balance, the company will offer 20% of the shares to Eligible investors excluding mutual funds and CIS, 5% to Mutual Funds & CIS, 70% to General Public excluding NRB, and 5% to Non-resident Bangladeshi (NRB).

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn USD	Mn BDT	% of Proceed
Building & Other Civil Works	16.0	1760.9	50.3%
Machinery & Equipment	4.1	450.0	12.9%
Repayment of Bank loan	10.5	1156.1	33.0%
IPO Expenses	1.2	133.0	3.8%
Total	31.7	3500.0	100.0%

USD-BDT exchange rate of 110.25 considered.

Industry Outlook

Hospitality:

In FY21, the hospitality sector contributed BDT 387 Bn to the GDP, a significant jump from BDT 120 Bn in FY10, marking 3.23 times increase. Household income which driving this growth, rose at a CAGR of 9.9% over the past 11 years. During this period, new hotel established more than 1.5 times in Bangladesh, standing at 0.44 Mn in FY21 from 0.27 Mn in FY10.

Real Estate

Real estate sector's share in GDP grew to 8.57% in FY 2022-23 compared to 6.79% in FY14. This growth is attributed to factors such as urbanization, improved living standards, and increased purchasing power. Besides, Bangladesh is gradually shifting from a predominantly rural to an urbanized nation, with a current urbanization rate of 40.0%, projected to reach 58.0% by 2050 according to the United Nations. Consequently, the real estate sector is expected to experience significant growth.

Company Brief

Starting business in 2009, BESTHLDNG has primary presence in hospitality sector, owning a 5-star hotel (Le Meridien) in Dhaka. It also has presence in construction and Agri sector. BESTHLDNG's portfolio ranges from construction of numerous large-scale residential apartments, commercial complex, development & construction of national infrastructure and agricultural project. The company is also developing a collection of private luxury villas in Bhaluka, Mymensingh.

Key Projects Detail

Projects	Nature	Status
Le Meridien	Hospitality	In Operation
Bhaluka Agro Project	Agriculture	In Operation
The Muslin	Hospitality	Upcoming
Bashundhara Project	Residential	Upcoming
Luxury Villa Project	Residential	Upcoming

Source: Company Reports

Competitive landscape

The key listed competitors of BESTHLDNG are Unique Hotel & Resorts PLC (UNIQUEHRL), Sea Pearl Beach Resort & Spa Limited (SEAPEARL),

IPO Summary

DSE Ticker	BESTHLDNG	
IPO Proceeds	(BDT Mn)	3,500.0
New Shares Issued	(Mn)	125.1
Pre- IPO No. of Shares	(Mn)	925.6
Post IPO No. of Shares	(Mn)	1,050.6
Pre-IPO Paid-up Capital	(BDT Mn)	9,255.8
Post-IPO Paid-up Capital	(BDT Mn)	10,506.3
Face Value (BDT)		10.0
Accounting Year End		June
Auditor		ARTISAN
Issue Manager	ICB Capital Management Limited, Shanta Equity Limited	
Underwriter	AAA Finance & Investment Limited, Janata Capital & Investment Limited, Prime Bank Investment Limited, Sonali Investment Limited	
Sector	Travel & Leisure	
GICS Mapping	25301020	

Income Statement

Mn BDT	FY19A	FY20A	FY21A	FY22A	FY23A
Turnover	3,739	2,840	1,240	2,624	3,365
Vat	(343)	(249)	(86)	(234)	(372)
Net Turnover	3,396	2,591	1,153	2,390	2,992
Cost of Goods Sold	(499)	(457)	(387)	(515)	(622)
Gross Profit	2,898	2,134	766	1,875	2,370
Operating Expenses	(847)	(948)	(611)	(838)	(1,040)
Operating Profit	2,050	1,185	155	1,037	1,330
Financial Expenses	(228)	(105)	(50)	(23)	(25)
Profit Before WPPF	1,837	1,222	284	1,138	1,368
WPPF	-	(58)	(13)	(54)	(65)
Profit before Tax	1,837	1,165	271	1,083	1,303
Income Tax	(862)	(227)	140	(68)	(161)
Profit After tax	976	938	411	1,016	1,142
Pre-IPO EPS	1.05	1.01	0.44	1.10	1.24
Post-IPO EPS	0.93	0.89	0.39	0.97	1.09

Balance Sheet

Mn BDT	FY19A	FY20A	FY21A	FY22A	FY23A
Non-Current Assets:	47,226	72,789	74,795	62,359	66,132
PPE	46,318	65,045	65,942	53,876	54,784
Current Assets:	8,490	4,938	4,021	7,644	7,182
Inventories	288	98	73	65	71
Accounts Receivable	1,450	792	931	903	823
Advance & Deposits	6,120	3,761	2,933	6,247	5,997
Cash	632	284	64	325	117
Total Assets	55,715	77,727	78,816	70,002	73,314
Shareholders' Equity:	26,552	57,988	57,696	51,338	52,151
Share Capital	88	8,770	9,063	9,256	9,256
Share Premium	0	14,522	15,268	16,326	16,326
Retained Earnings	2,952	1,948	2,407	3,206	4,185
Accum. Reserve fund	19,863	31,497	29,707	22,550	22,384
Non-Current Liabilities:	20,973	15,204	17,999	17,316	19,026
Long Term Bank Loan	4,504	1,175	3,916	4,504	5,923
Deferred Tax Liability	4,469	6,663	6,446	4,855	4,912
Convertible Secured Bond	12,000	7,367	7,637	7,957	8,192
Current Liabilities:	8,190	2,762	1,345	1,347	2,088
Short Term Bank Loan	686	255	281	173	570
Current Portion of Loan	2,219	1,502	443	333	581
Trade and other Payables	3,910	688	489	619	759
Accruals & Provision	1,353	172	109	114	133
Total Liabilities	29,163	17,966	19,345	18,662	21,114
Equity & Liabilities	55,715	77,727	78,816	70,002	73,314
Pre-IPO NAVPS	28.69	62.65	62.33	55.47	56.34

Source: Prospectus

and Eastern Housing Limited (EHL), currently trading at TTM P/E of 9.1x, 16.2x, and 11.5x respectively.

Ownership Structure

Sponsors and Directors currently own 74.8% of the pre-IPO shares, which in post-IPO would stand at 65.9%. Placement shareholders own 25.2% of the pre-IPO shares, which in post-IPO would stand at 34.1%.

To note, BESTHLDNG has convertible debt securities amounting BDT 6,500 Mn, out of this, investors have right to convert 25% into equity. Details are given in convertible secured bond segment.

Pricing

Pre-IPO EPS in 2023 was BDT 1.24, whereas post-IPO EPS would be BDT 1.09. Pre-IPO NAVPS was BDT 56.34 in 2023, whereas post-IPO NAVPS would stand at BDT 49.64. Offer price for EIs is BDT 35.0 and for general investors BDT 24.0, implying **Pre-IPO P/E of 8.1x and Pre-IPO P/NAV of 0.01x**.

Financial Performance

Net Revenue increased at a CAGR of 3.7% over the last three years, while Net Profit grew at a 5.0% CAGR. In FY23, NPAT increased owing to higher revenue. The company maintained average gross margin of 74.7% over the last three years, while Net Profit Margin averaged 38.8%. Debt ratios have deteriorated, signalling increasing debt burden. The post-IPO loan repayment plan would marginally reduce debt from the balance sheet.

Convertible Secured Bond

BESTHLDNG has convertible debt securities amounting to BDT 6,500 Mn as of June 30, 2023. Out of this, the investors have rights to convert BDT 1,625 Mn (25% of debt securities) into equity. The conversion strike price will be: (face value of the equity share+ average market value of the equity shares)/2. The average market price of the share will be the daily average close price of the preceding 6 months, adjusted for any declaration and/or record date. The investors may/may not be exercising their rights during the tenure of the bond. For tenure & other information, kindly refer the company's prospectus, pages 44 & 222.

Lock-in Requirements

Lock-in period is 3 years for directors and sponsors, who hold 65.9% of post-IPO shares. IPO shares offered to the employees of BESTHLDNG (15.0% of post-IPO shares) are subject to 2 years of lock-in period.

ESG Footprints:

Environment Footprints:

No such reporting is provided yet.

Social Footprints

BESTHLDNG actively engages in CSR, supporting underprivileged families with food, shelter, education, employment, and healthcare for self-sufficiency. Le Meridien Dhaka focuses on housing for underprivileged families and collaborates with Marriott International for charity runs benefiting Room to Read Bangladesh.

Corporate Governance

The board of BESTHLDNG consists of 13 members including 3 independent directors. The Chairman, Mr. Amin Ahmad entrepreneurial career of over 32 years. Managing Director Mr. Hasan Ahmad and the director/sponsor Ms. Afra Anjum, Mrs. Ummey Kulsum, and Mr. Amin Ahmad are related and altogether hold pre-IPO ~36% of total shares.

Besides, Rupali Bank Limited, Agrani Bank Limited, and Sonali Bank Limited hold pre-IPO ~22% of total shares. Other banks may become shareholders if they convert their debt securities into shares.

Once listed, Best Holdings Limited will trade in DSE & CSE and will be placed in the "N" category.

Cash Flow Statement

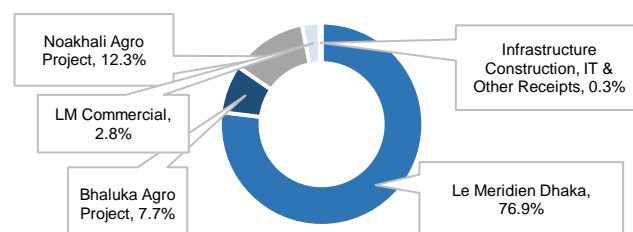
Mn BDT	FY19A	FY20A	FY21A	FY22A	FY23A
Operating Activities	477	3,020	99	1,370	1,825
Investing Activities	(3,811)	(10,008)	1,794	(3,573)	(3,871)
Financing Activities	3812	6633	(2114)	2468	1838

Ratios

	FY19A	FY20A	FY21A	FY22A	FY23A
Growth					
Net Revenue	20.8%	-23.7%	-55.5%	107.3%	25.2%
Operating Profit	25.9%	-42.2%	-86.9%	568.3%	28.2%
Net Profit	-25.2%	-3.9%	-56.2%	147.1%	12.4%
Profitability					
Gross Margin	85.3%	82.4%	66.4%	78.5%	79.2%
Net Margin	28.7%	36.2%	35.6%	42.5%	38.2%
Return on Equity	3.8%	2.2%	0.7%	1.9%	2.2%
Liquidity					
Current Ratio	1.0x	1.8x	3.0x	5.7x	3.4x
Quick Ratio	1.0x	1.8x	2.9x	5.6x	3.4x
Leverage					
Debt to Asset	34.8%	13.2%	15.6%	18.5%	20.8%
Debt to Equity	0.73x	0.18x	0.21x	0.25x	0.29x

Source: Prospectus and BRAC EPL Research

Revenue Breakdown



Source: Prospectus and BRAC EPL Research

Convertible Secured Bond

Particulars (June 30, 2023)	BDT Mn
Southeast Bank Ltd.	2,000
Mercantile Bank Ltd.	1,000
Trust Bank Ltd.	1,000
National Credit and Commerce Bank Ltd	1,000
Investment Corporation of Bangladesh	1,500
Total	6,500

Source: Prospectus

Key Shareholding Details

Name	Position	No. of shares (Mn)	Pre-IPO share-holding	Post-IPO share-holding
Amin Ahmad	Chairman	243.3	26.3%	23.2%
Hasan Ahmad	Managing Director	30.1	3.3%	2.9%
Ummey Kulsum	Sponsor	30.4	3.3%	2.9%
Afra Anjum	Director	30.2	3.3%	2.9%
Capital Banani One Limited	Director	119.1	12.9%	11.3%
Rupali Bank Limited	Director	46.2	5.0%	4.4%
Agrani Bank Limited	Director	76.9	8.3%	7.3%
Sonali Bank Limited	Director	76.9	8.3%	7.3%
Shadman Hasan Khan	Shareholder	5.2	0.6%	0.5%

Source: Prospectus and BRAC EPL Research

IMPORTANT DISCLOSURES

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BRAC EPL Stock Brokerage Limited

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