

### QIO Details

Krishibid Feed Limited (KFL) will raise BDT 220.0 million through qualified investors offering (QIO) of 22.0 Mn shares under fixed price method. The fund would be utilised for building and other civil construction, purchase of plant & machinery, diesel generator and delivery van, and repayment of bank loan.

Primarily, the eligible investors (EI) are allowed to subscribe the company's shares. Individual investors can also apply as Qualified Investor (QI) but would have to maintain a minimum investment of BDT 5.0 Mn at market price (the close price of both exchanges, whichever is higher) in matured listed securities as on September 30, 2021. Subscription would start on October 10, 2021 and will continue till October 14, 2021.

The breakdown of the QIO proceeds is shown below:

Use of QIO	Mn BDT	% of Proceed
Building and other Civil Construction	50.0	22.7%
Plant and Machineries	40.9	18.6%
Bank Loan Repayment	56.8	25.8%
Diesel generator	28.5	12.9%
Delivery van	40.7	18.5%
<b>Sub Total</b>	<b>216.9</b>	<b>98.6%</b>
QIO Expenses	3.1	1.4%
<b>Total</b>	<b>220.0</b>	<b>100%</b>

### Company Brief

Krishibid Feed Limited (KFL), a part of Krishibid Group, is a manufacturer and distributor of all kinds of poultry, fish, and cattle feeds. It can also manufacture, distribute, export, and import all kinds of agro feeds. It was incorporated on November 09, 2010 as a private limited company and started commercial operation from January 01, 2012. It was converted into a public limited company on April 03, 2017. The factory of KFL is located in Nishinda Bazar, Bhaluka, Mymensingh. It has annual feed production capacity of 38,800 M. Ton, while its capacity utilization level was 55.85% in FY21 (FY20: 58.97%).

### Product details

KFL sells product in following feed categories: 1. Poultry Feed - Layer Feed and Broiler Feed 2. Fish Feed - Sinking Pellets and Floating Feed 3. Cattle Feed - Dairy Feed and Beef Feed 4. Shrimp Feed.

### Competitive landscape

According to the Bangladesh Poultry Industries Central Council, total number of registered feed mills is 261 while more than 200 feed mills are unregistered as of 2021. Nourish Poultry Feeds, ACI, Kazi Farms, Provita Feed, Aftab Feed, New Hope Feed, and Aman Feed are the top incumbents in the industry, and cumulatively hold ~70% of the total market share. Other major competitors of KFL are National Feed and Quality Feeds. KFL operates as a mid-sized player in the industry, pursuing cost leadership strategy. Among the types of feeds manufactured, poultry feed holds 63% of the market share, whereas cattle feed and fish feed hold 14% and 23% respectively.

The nature of competition is oligopolistic and often smaller firms are price takers. The entry barriers for new entrants are high, primarily owing to high capital requirement, economies-of-scale, ability to withstand price-volatility of raw materials, and competition coming from poor-quality feed manufacturers.

### Industry Outlook

In Bangladesh, the market size of commercial feed production stood at 5.03 MT (million tonnes), with an estimated market turnover of USD 2.5 billion. Commercial feed production experienced ~25% growth in the last decade owing to the augmented protein demand.

### QIO Summary

DSE Ticker		KFL
QIO Proceeds	(BDT Mn)	220.0
New Shares Issued	(Mn)	22.0
Pre- QIO No. of Shares	(Mn)	27.5
Post QIO No. of Shares	(Mn)	49.5
Pre-QIO Paid-up Capital	(BDT Mn)	275.0
Post-QIO Paid-up Capital	(BDT Mn)	495.0
Face Value	(BDT)	10.0
Accounting Year End		June
Auditor		Ashraf Uddin & Co. Chartered Accountants
Issue Manager		MTB Capital Ltd.
Sector		Miscellaneous
GICS Mapping		30202010

### Income Statement

BDT Mn	2016A	2017A	2018A	2019A	2020A
<b>Revenue</b>	385.6	503.7	778.6	899.2	848.7
<b>Gross Profit</b>	107.0	129.3	200.8	234.7	221.9
<b>Operating Income</b>	80.5	89.2	154.3	187.7	182.0
Financial Expenses	37.1	39.3	97.9	120.0	123.2
<b>Profit Before Tax</b>	41.4	47.6	53.7	64.5	56.0
Income Tax Expense	6.4	10.4	7.8	10.4	8.2
<b>PAT</b>	35.0	37.2	45.8	54.1	47.8
<b>Pre-QIO EPS</b>	1.27	1.35	1.67	1.97	1.74
<b>Post QIO EPS</b>	0.71	0.75	0.93	1.09	0.96

### Balance Sheet

BDT Mn	2016A	2017A	2018A	2019A	2020A
<b>Total Non-Current Assets</b>	507.2	394.9	610.2	700.5	681.2
Property, Plant and Equipment	382.9	388.9	466.0	663.8	663.4
<b>Total Current Assets</b>	256.5	675.8	987.0	1,153.6	1,160.2
Inventories	69.6	75.2	206.2	283.0	282.3
Cash And Cash Equivalent	3.8	62.5	19.8	13.9	3.1
<b>Total Assets</b>	763.7	1,070.6	1,597.2	1,854.2	1,841.4
<b>Total Shareholder's Equity</b>	152.1	189.3	285.2	414.3	462.0
Share Capital	100.0	100.0	150.0	275.0	275.0
Share Money Deposit	-	-	50.0	-	-
Retained Earnings	52.1	89.3	85.2	139.3	187.0
<b>Non-Current Liabilities</b>	156.3	106.3	294.6	232.4	303.3
Long Term Borrowings	147.3	91.9	274.6	204.2	269.3
<b>Current Liabilities</b>	455.3	775.0	1,017.5	1,207.6	1,076.1
Short Term Loan	368.9	665.5	786.1	990.4	871.0
Current Portion of Long Term Loan	27.1	67.4	66.0	91.4	35.2
<b>Total Liabilities</b>	611.6	881.3	1,312.1	1,439.9	1,379.4
<b>Total Shareholder's Equity and Liabilities</b>	763.7	1,070.6	1,597.2	1,854.2	1,841.4

### Cash Flow Statement

BDT Mn	2016A	2017A	2018A	2019A	2020A
<b>Operating Activities</b>	26.7	2.7	30.7	4.4	176.0
Investing Activities	(154.5)	(186.3)	(400.6)	(115.4)	(3.3)
Financing Activities	123.8	242.3	327.3	105.0	(176.1)
<b>Net Cash Flow</b>	(3.9)	58.7	(42.7)	(6.0)	(10.8)

### Ratios

Growth	2016A	2017A	2018A	2019A	2020A
Revenue	n/a	30.6%	54.6%	15.5%	-5.6%
Operating Profit	n/a	10.8%	72.9%	21.7%	-3.0%
Net Profit	n/a	6.3%	23.2%	18.0%	-11.7%

### Ownership Structure

Sponsors and Directors currently own 62.29% of the pre-QIO shares, which would stand at 34.61% of post-QIO shares. Five of the sponsor & directors are sister concerns of Krishibid Feed's parent company Krishibid Group (combined pre-QIO ownership 30.7%, post-QIO 17%). ABACI Investments Limited, as an institutional shareholder, holds 26.65% of pre-QIO shares (please see adjacent shareholding table for details).

### Financial Performance

In 2020, due to the disruption caused by the Covid-19 pandemic, KFL experienced 5.6% decline in sales revenue, 3.0% decline in operating profit, and subsequently 11.7% decline in net profit. The company's Gross Margin, Operating Margin and Net Profit Margin was 26.1%, 21.4% and 5.6% in 2020. During 2016-20 period, KFL experienced growth in revenue, operating profit and net profit at 4-year CAGR of 21.8%, 22.6% and 8.1% respectively. Total interest-bearing loans stood at BDT 1,175.5 million in FY20 (FY19: BDT 1,286.0 million). Debt-to-Equity ratio stood at 2.54x in FY20 (FY19: 3.10x), while Net debt-to-EBITDA ratio stood at 5.5x in FY20 (FY19: 6.0x).

### Dividend History

The company has never declared cash dividend. It declared 50% stock dividend for the year ended June 30, 2018. As per Bangladesh Securities and Exchange Commission's (BSEC) requirement, it cannot issue stock dividend for three years after it is listed on the SME platform.

### Pricing

Pre-QIO EPS in 2020 was BDT 1.74, whereas post-QIO EPS would be BDT 0.96. Pre-QIO NAVPS was BDT 16.80 in 2020, whereas post-QIO NAVPS would stand at BDT 9.33. Offer price per share is BDT 10.00, implying a **pre-QIO P/E of 5.7x and pre-QIO P/NAV of 0.6x**.

### Lock-in requirements

Lock-in period is **1 year** for sponsors as well as existing shareholders.

### ESG Footprints:

#### Environment Footprints:

KFL has been actively engaged in continuous research & innovation for animal health and cost efficiency. Besides, it also monitors water quality to maintain fish health and manages waste effectively within governmental and environmental requirements.

#### Social Footprints

Through producing quality feed, it is indirectly contributing to healthier poultry, cattle and fish and promoting safe consumption of meat, which has an increasing demand. The company has 146 employees as on June 30, 2020. It has established a Workers' Profit Participation Fund (WPPF) and shares profit regularly.

#### Corporate Governance

At present, KFL's board is primarily consisted of nominated directors from shareholding sister concerns. Among existing directors, Mrs. Asma Khaton (Krishibid Foundation) and Md. Alamgir (Krishibid Firm Ltd.) are married to each other. Dr. Md. Musherraf Husain (2.32% of post-QIO shares) also holds director position in several concerns of Krishibid Group.

**Once listed, Krishibid Feed Limited will trade in the SME Platform in DSE & CSE.**

### Ratios

	2016A	2017A	2018A	2019A	2020A
<b>Profitability</b>					
Gross Margin	27.76%	25.68%	25.79%	26.10%	26.14%
Operating Margin	20.89%	17.72%	19.81%	20.87%	21.44%
Net Margin	9.08%	7.38%	5.89%	6.02%	5.63%
Return on Asset	4.58%	4.06%	3.44%	3.13%	2.58%
Return on Equity	23.01%	21.78%	19.32%	15.47%	10.90%
<b>Liquidity</b>					
Current Ratio	0.6x	0.9x	1.0x	1.0x	1.1x
Quick Ratio	0.4x	0.8x	0.8x	0.7x	0.8x
<b>Leverage</b>					
Debt to Asset	71.14%	77.04%	70.54%	69.36%	63.84%
Debt to Equity	3.6x	4.4x	4.0x	3.1x	2.5x
<b>Coverage</b>					
Interest Coverage	2.2x	2.3x	1.6x	1.6x	1.5x
Debt Coverage	1.6x	1.6x	1.6x	1.1x	1.6x
<b>Activity</b>					
Asset Turnover	0.6x	0.5x	0.6x	0.5x	0.5x
Inventory Turnover	5.1x	5.2x	4.1x	2.7x	2.2x
Receivables Turnover	2.7x	2.8x	3.2x	3.0x	2.6x
Payables Turnover	4.9x	10.0x	6.8x	13.3x	18.5x
Cash-Cycle (days)	133	161	146	227	284

### Significant Shareholders

Name of Shareholders	Designation	No. of Shares	Pre-QIO Ownership	Post-QIO Ownership
Krishibid Firm Ltd.	Director & Sponsor	3,750,000	13.64%	7.58%
Glorious Lands and Developments Ltd.	Director & Sponsor	1,173,300	4.27%	2.37%
Krishi Foundation	Director & Sponsor	1,173,300	4.27%	2.37%
Krishibid Multipurpose Co-operative Society Ltd	Director & Sponsor	1,150,000	4.18%	2.32%
Krishibid Properties Ltd.	Director & Sponsor	1,183,300	4.30%	2.39%
Prof. Dr. Md. Mostafizur Rahman	Director & Sponsor	1,150,000	4.18%	2.32%
Fatima Farid	Director & Sponsor	1,150,000	4.18%	2.32%
Dr. Md. Musherraf Husain	Director & Sponsor	1,150,000	4.18%	2.32%
ABACI Investments Limited (MDA)	Shareholder	7,328,000	26.65%	14.80%

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