

IPO Note on Intraco Refueling Station Limited

Key IPO Facts

| | |
|---|---|
| IPO Size (BDT mn) | 300.0 |
| IPO Size (Shares mn) | 30.0 |
| Offer Price Per Share (BDT) | 10 |
| Authorized Capital (BDT mn) | 1,000.0 |
| Pre-IPO Paid up Capital (BDT mn) | 4,50.0 |
| Post IPO Paid up Capital (BDT mn) | 7,50.5 |
| Year End | June |
| Sector | Fuel & Power |
| Revenue in 2016-17 (BDT mn) | 9,93.4 |
| Net Profit in 2016-17 (BDT mn) | 61.3 |
| Total Assets (BDT mn) | 9,42.8 |
| Retained Earnings (BDT mn) | 174.2 |
| Latest Anlzd. Post IPO EPS (Q3-2017-18) | 0.57 |
| | 12.75 |
| Issue Date of Prospectus | February 18, 2018 |
| Issue Manager: | AFC Capital Limited & Asian Tiger Capital Partners Investments Limited |

Source: BASL Research and Company Prospectus

Company Overview

Intraco Refueling Station Ltd (IRSL), incorporated in 2007, operation of CNG Refueling Station in different places in Bangladesh. The principal services of the company are selling gas through CNG re-fueling stations. IRSL is selling Compressed Natural Gas (CNG) from its CNG re-fueling stations. Natural Gas is the main raw materials which the Company has compressed the Natural Gas by used latest technology and sells to the retail customer. The company is also trying to engage LPG & LNG business in Bangladesh.

Corporate Profile

| | |
|-----------------------------|---|
| Incorporation | 27th March 2007 |
| Commercial Operation | 16th June 2008 |
| Key People | Chairman: Mr. H.M. Hakim Ali MD: Mr. Mohammed Riyadh Ali |
| Factory Location | Chandpur, Narayangonj, Comilla Good CNG Refueling Station Ltd. M Hye & Co CNG Refueling Station Ltd. Nessa & Sons Ltd. Absar & Elias Enterprise Ltd. East End Automobiles Ltd. |
| Subsidiary/Associate | |

Source: BASL Research and Company Prospectus

Products and Services

| Name of Principal Products | Markets |
|----------------------------|----------------------------|
| CNG refueling | Local Market in Bangladesh |

Source: BASL Research and Company Prospectus

IPO Plan

Net proceeds from Initial Public Offering (IPO) will be used for 4 x 50 MT (4 X 100,000 LTR) LPG Satellite Plant with filling hall

equipments, Cylinder (12.5 kg), Road Tanker, Mover, Weighting Bridge, Truck (Nitol Tata), Truck Fabrication, Diesel Generator (250KVA), Sub-station(400KVA), Construction (Factory Shed, Store Room & Office Building), Freight and clearing charge, Electrical work (main/sub/motor panes, DB, Controls etc.) and for IPO Expenses

| Particulars | BDT (mn) | As (%) |
|----------------------------------|--------------------|-------------|
| LPG Storage & Distribution Plant | 279,600,000 | 93% |
| IPO Expenses (Detailed) | 20,400,000 | 7% |
| Total | 300,000,000 | 100% |

Source: BASL Research and Company Prospectus

Capacity & Utilization

The company has projected that Capacity will be increased as new plants and machineries will be introduced. Capacity utilization will be almost same.

| Product | Capacity | Existing (2017) | Forecasted | | |
|----------------|-------------------|-----------------|-------------|-------------|-------------|
| | | | 2017-18E | 2018-19E | 2019-20E |
| CNG Refuelling | Installed (m3) | 8,100,180.0 | 8,181,182.0 | 8,999,300.0 | 9,449,265.0 |
| | Utilization (m3) | 6,701,994.0 | 6,708,569.0 | 7,379,426.0 | 7,842,890.0 |
| | Utilization (%) | 83% | 82% | 82% | 83% |
| LPG | Installed (kgs) | - | - | 9,600,000.0 | 9,600,000.0 |
| | Utilization (kgs) | - | - | 3,888,000.0 | 5,054,400.0 |
| | Utilization (%) | - | - | 41% | 53% |

Source: BASL Research and Company Prospectus

Shareholding Structure

Share Holding:

| Shareholder Type | No. of Stocks | | Post IPO Holding (%) |
|--------------------|-------------------|-------------------|----------------------|
| | Pre-IPO | Post-IPO | |
| Director & Sponsor | 22,881,800 | 22,881,800 | 30.51% |
| Institutional | 1,800,000 | 13,800,000 | 18.40% |
| Mutual Fund & CIS | - | 3,000,000 | 4.00% |
| Individual | 20,318,200 | 32,318,200 | 43.09% |
| NRBs | - | 3,000,000 | 4.00% |
| Total | 45,000,000 | 75,000,000 | 100.00% |

Source: BASL Research and Company Prospectus

IPO Shareholdings:

| Category | Percentage (%) | No. of Stocks |
|---------------------------------|----------------------------|--------------------|
| Eligible Investors (EIs) | 10% for Mutual Funds & CIS | 30,000,000 |
| | 40% for Other Els | 120,000,000 |
| General Public | 10% for NRBs | 30,000,000 |
| | 40% for Other Gen. Public | 120,000,000 |
| Total | | 300,000,000 |

Source: BASL Research and Company Prospectus

Lock-in Period

| Share Holding Type | Lock-in Share | Lock-in Free Date |
|---------------------------|-------------------|-------------------|
| Directors/Sponsors | 22,881,800 | February 18, 2021 |
| Private Placement Holders | 22,118,200 | February 18, 2019 |
| Institutions (Post-IPO) | 7,500,000 | May 18, 2018 |
| | 3,750,000 | August 18, 2018 |
| | 3,750,000 | November 18, 2018 |
| Public (Post-IPO) | 15,000,000 | May 18, 2018 |
| Total | 75,000,000 | |

* Issue of prospectus date is on February 18, 2018.

* 22,500,000 Shares will be tradable on 1st trading day.

Source: BASL Research and Company Prospectus

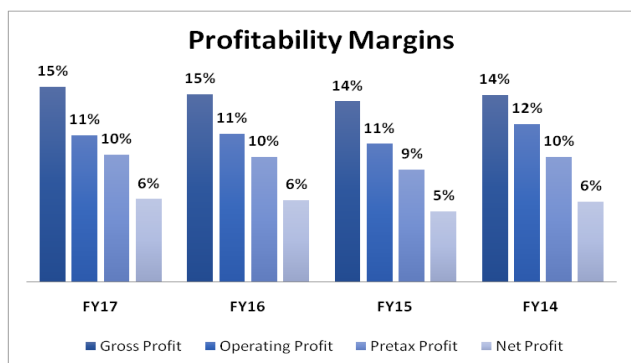
Industry Insights

Compressed Natural Gas (CNG) is an important vehicular fuel in Bangladesh and the natural gas transmission and distribution network is well developed. Technical experts have suggested the use of Compressed Natural Gas (CNG) as an alternative fuel for automobiles since it is less hazardous, environment friendly and is quite cost effective. Navana CNG Limited, Navana CNG Limited, Shohag Motors, Anudip CNG are the key competitors of IRSL.

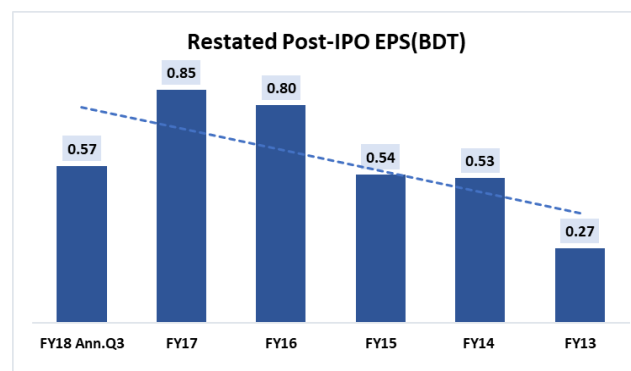
CNG consists mostly of methane and is drawn from gas wells. CNG vehicles store natural gas in high-pressure fuel cylinders at 3,000 to 3,600 pounds per square inch. An odorant is normally added to CNG for safety reasons. CNG activities in Bangladesh have been increased and it is very popular to the people. As per Website of Rupantarita Prakritik Gas Company Limited (RPGCL), up to fiscal year 2014-15, 589 CNG filling stations, 180 CNG conversions workshops are established and 259,050 vehicles are using CNG as a vehicular fuel and lots of manpower are involved in this sector.

Bangladesh is densely populated country. Urban living people are increasing drastically and right now around 35% people of the country have been living in urban areas. Hence, demand for LPG and CNG is very high. Currently there is no specific study on demand and supply for the LPG and CNG. So, it is quite difficult to provide data in this regard. Recently Government has adopted a policy not to connect with natural gas due to shortage of Gas. Hence, demand is very high for LPG as far as household usage is concerned. LPG bottles have become the first choice to these consumers. High population density in urban areas will require numerous LPG bottles. Besides household usage, there is huge demand in industry and transport sector.

Financial Information (BDT mn) and Key Ratio



Source: BASL Research and Company Prospectus



Source: BASL Research and Company Prospectus

Figure BDT mn

| Financials | FY17 | FY16 | FY15 | FY14 |
|------------------|------|------|------|------|
| Sales | 993 | 942 | 745 | 638 |
| Operating Profit | 113 | 108 | 80 | 78 |
| Profit After Tax | 64 | 60 | 41 | 40 |
| Assets | 943 | 861 | 528 | 478 |
| Long Term Debt | 134 | 128 | 370 | 363 |
| Equity | 638 | 574 | 65 | 24 |
| Dividend (C/B)% | - | - | - | - |

Margin Ratio

| | | | | |
|------------------|-----|-----|-----|-----|
| Gross Profit | 15% | 15% | 14% | 14% |
| Operating Profit | 11% | 11% | 11% | 12% |
| Pretax Profit | 10% | 10% | 9% | 10% |
| Net Profit | 6% | 6% | 5% | 6% |

Growth (%)

| | | | | |
|------------------|-----|-----|-----|-----|
| Sales | 5% | 26% | 17% | 58% |
| Gross Profit | 10% | 31% | 13% | 75% |
| Operating Profit | 5% | 35% | 2% | 65% |
| Net Profit | 7% | 47% | 2% | 95% |

Profitability Ratio

| | | | | |
|-----|-----|-----|-----|------|
| ROA | 7% | 7% | 8% | 8% |
| ROE | 10% | 10% | 63% | 166% |

Debt ratio

| | | | | |
|---------------|------|-----|------|------|
| Debt Ratio | 8% | 9% | 16% | 18% |
| Debt-Equity | 11% | 14% | 129% | 364% |
| Int. Coverage | 11.3 | 8.7 | 5.4 | 4.8 |

Valuation

| | | | | |
|----------------|------|------|------|------|
| Rstd. EPS(BDT) | 0.93 | 0.87 | 0.59 | 0.58 |
| Post-IPO NAVPS | 9.3 | 8.4 | 0.9 | 0.3 |

Source: BASL Research and Company Prospectus

Investment Rationale

- The company is in planning to invest in fixed assets in order to launch LPG project establishing LPG Satellite Plant by using IPO proceeds for its new project. The company purchased two vacant land measuring 1,142.50 decimals at Mongla and 25.00 decimal at Bhola and applied to related authority for establish a CNG refueling Station at Bhola and an LPG Bulk Storage & Distribution plant (liquid form) at Mongla. These will generate additional revenue for the company in near future.
- The revenue increased gradually in last five years due to increase of market demand and investment in subsidiary company to installed new plant.
- As per prospectus, due to new product line and expansion it is forecasted that **the net sales or revenue of the company will be increased around 71 percent on within FY 2020-2021.**
- The product demand is high since innumerable vehicles run on CNG. **The company will run LPG business from its IPO proceeds. There will be higher demand of LPG in near future because of scarcity of gas crisis.**
- The Company has purchased these compressors for establishing new filling station. Due to policy of the government, the company could not establish new filling station. When permission is got, the company will install these compressors and get revenue from establishing new station.
- No seasonal aspects adversely affect the business of IRSL.

- Since the company is concentrating in selling refueling gas and almost 90% of sales are paid in cash, there is less credit risk.
- The company has five subsidiaries, all of them are in profitable in operation.

Risk Factors

- **The government is in restrictive mood in expansion of CNG stations because of Potential Gas Crisis. So, there is a chance of shrinking refueling gas business through natural gas.**
- The industry is very competitive. There is huge rivalry among the competitors to get the market share as maximum as possible.
- The company's sales growth is very fluctuating. Therefore, any decline in sales revenue will impact decline in everything including profitability ratio.
- **The statutory clearance for the LPS project from various other regulatory authorities is time consuming and complex process. So, the proposed project may not be cleared from particular entity.**
- **There will be no revenue up to 15 to 18 months after getting IPO proceeds for the new project as the projects needs to be implemented after 15 to 18 months.**
- Any kind of change in economic recession, and entrance of new technology, changes in government monetary & industrial policy, increasing competition, power supply disruption and political unrest may affect the business of the Company.

Stock Pricing based on Relative Valuation

| | Post-IPO Annualized EPS/NAV | Multiple | Fair Value |
|----------------------------------|-----------------------------|----------|------------|
| Industry Forward P/E | 0.57 | 18.2 | 10.4 |
| Peer Forward P/E | 0.57 | 17.3 | 9.9 |
| Price to Book Value | 12.75 | 2.0 | 25.6 |
| Market Forward P/E | 0.57 | 16.6 | 9.5 |
| Latest Post-IPO NAV (Q3-2017-18) | | | 12.8 |
| Average Price of Peer Companies | | | 80.1 |
| Pricing Sensitivity | | | |
| Stock at 15x PE | 0.57 | 15 | 9 |
| Stock at 20x PE | 0.57 | 20 | 11 |
| Stock at 25x PE | 0.57 | 25 | 14 |
| Stock at 30x PE | 0.57 | 30 | 17 |
| Stock at 35x PE | 0.57 | 35 | 20 |
| Stock at 40x PE | 0.57 | 40 | 23 |

***AFTABAUTO, IFADAUTO & NAVANACNG has been considered as the peer companies of IRSL.*

Source: BASL Research and Company Prospectus

As per relative various valuation, the fair value of IRSL ranges from 9.9 to 25. The stock may be trading around 11 at 20 PE multiple and around 23 at 40 PE multiple. And NAV per share is BDT. 12.75 as per Q3, 2017-18.

| Income Statements (Amount in BDT mn) | | | | | |
|--------------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| Particulars | FY17 | FY16 | FY15 | FY14 | FY13 |
| Revenue | 993,352,993 | 941,933,826 | 745,167,843 | 637,633,994 | 402,564,242 |
| Cost of goods sold | 842,863,052 | 804,684,578 | 640,693,870 | 545,213,739 | 349,837,786 |
| Gross profit | 150,489,941 | 137,249,248 | 104,473,973 | 92,420,255 | 52,726,456 |
| Operating expenses | 37,311,035 | 29,126,191 | 24,641,590 | 14,249,115 | 5,221,466 |
| Administrative & Selling Expenses | 37,311,035 | 29,126,191 | 24,641,590 | 14,249,115 | 5,221,466 |
| Profit from Operation | 113,178,906 | 108,123,057 | 79,832,383 | 78,171,140 | 47,504,990 |
| Add: Other Income | 2,632 | 340,761 | 80,794 | 77,671 | 104,080 |
| Less: Financial Expenses | 10,043,432 | 12,370,031 | 14,871,629 | 16,413,504 | 16,290,148 |
| Contribution to WPPF | 4,911,338 | 4,575,895 | | | |
| Net Profit before Tax | 98,226,768 | 91,517,892 | 65,041,548 | 61,835,307 | 31,318,922 |
| Income Tax Expenses | 34,379,369 | 31,859,860 | 24,393,231 | 22,135,659 | 10,953,042 |
| Current Tax | 17,060,618 | 12,993,105 | 12,733,236 | 22,135,659 | 10,953,042 |
| Deferred Tax | 17,318,751 | 18,866,755 | 11,659,995 | | |
| Net Profit after Tax | 63,847,399 | 59,658,032 | 40,648,317 | 39,699,648 | 20,365,880 |
| EPS (Post-IPO) | 0.93 | 0.87 | 0.59 | 0.58 | 0.30 |

Source: BASL Research and Company Prospectus

| Statement of Financial Position (Amount in BDT mn) | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Particulars | FY17 | FY16 | FY15 | FY14 | FY13 |
| Assets: | | | | | |
| Non-Current Assets | 859,982,009 | 644,550,030 | 477,529,788 | 431,167,919 | 279,241,289 |
| Property, Plant & Equipment | 740,282,547 | 514,670,920 | 365,279,288 | 318,917,419 | 203,092,889 |
| Stock of Machineries | 89,620,000 | 89,620,000 | 112,250,500 | 112,250,500 | 76,148,400 |
| Capital Work-In-Progress | 30,079,462 | 40,259,110 | | | |
| Current Assets | 82,794,261 | 216,942,962 | 50,466,266 | 46,911,860 | 56,243,415 |
| Inventories | 11,023,248 | 5,588,793 | 2,936,522 | 4,443,692 | 5,149,160 |
| Accounts Receivable | 11,477,851 | 11,458,375 | 12,303,464 | 10,166,226 | 3,353,156 |
| Advances, Deposits & Prepayments | 43,169,465 | 177,797,468 | 25,125,088 | 20,847,393 | 35,927,525 |
| Cash & Cash Equivalents | 17,123,697 | 22,098,326 | 10,101,192 | 11,454,549 | 11,813,574 |
| Total Assets | 942,776,270 | 861,492,992 | 527,996,054 | 478,079,779 | 335,484,704 |
| Shareholders Equity & Liabilities: | | | | | |
| Shareholders' Equity | 637,751,735 | 573,904,337 | 64,554,495 | 23,906,180 | -11,387,971 |
| Share Capital | 450,000,000 | 450,000,000 | 300,000 | 300,000 | 300,000 |
| Retained Earnings | 174,232,812 | 112,943,888 | 58,556,045 | 19,609,561 | -13,584,844 |
| Non Controlling Interest | 13,518,923 | 10,960,449 | 5,698,450 | 3,996,619 | 18,968,773 |
| Liabilities: | | | | | |
| Non-Current Liabilities | 133,809,539 | 127,956,839 | 370,149,868 | 363,348,445 | 272,075,488 |
| Share Money Deposit | | | 249,712,963 | 249,712,963 | 182,051,745 |
| Deferred Tax Liability | 82,086,547 | 64,767,796 | 43,862,734 | 32,202,739 | |
| Long Term Loan | 51,722,992 | 63,189,043 | 76,574,171 | 81,432,743 | 90,023,743 |
| Current Liabilities | 171,214,999 | 159,631,817 | 93,291,691 | 90,825,155 | 74,797,186 |
| Current Portion of Long Term Loan | 19,708,755 | 17,318,271 | 6,772,903 | 5,603,903 | 10,738,720 |
| Trade & Others Payables | 57,333,698 | 61,550,701 | 44,062,271 | 51,291,233 | 23,574,647 |
| Liabilities For Expenses | 8,429,195 | 7,395,046 | 7,400,115 | 6,448,060 | 4,039,747 |
| Workers' Profit Participation Fund | 8,759,186 | 7,940,087 | | | |
| Current Account with Sister Concern | | | | 5,158,794 | 13,297,629 |
| Dividend Payable | | 2,798,984 | | | |
| Provision for Income Tax | 76,984,165 | 62,628,728 | 35,056,402 | 22,323,165 | 23,146,443 |
| Total Equity & Liabilities: | 942,776,273 | 861,492,993 | 527,996,054 | 478,079,780 | 335,484,703 |
| Post-IPO Net Asset Value (NAV) per share | 9.3 | 8.4 | 0.9 | 0.3 | -0.2 |

Source: BASL Research and Company Prospectus

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