



IPO Note on

Walton Hi-Tech Industries Limited

IPO Size: 1000 mn

Offer Price: BDT 252, Cut-off Price: 315

DSE Ticker: WALTONHIL

Sector: Engineering

2.238 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	1000
IPO Size (Shares in mn)	29.28
Public Offer Price Per Share (BDT)	252
Intuitional Cut-off Price	315
Authorized Capital (BDT mn)	6,000
Pre-IPO Paid up Capital (BDT mn)	3,000
Post IPO Paid up Capital (BDT mn)	3,029
Year End	June
Revenue Size in 2018-19 (BDT mn)	51,773
Net Profit in 2018-19 (BDT mn)	13,761
Total Assets 2018-19 (BDT mn)	103,428
Retained Earnings 2018-19 (BDT mn)	38,587
Annualized. Post-IPO EPS (Q3, 2019-20)	25.29
Post-IPO NAV per Share (Q3, 2019-20)	267.01
Issue Managers:	AAA Finance & Investment Limited
Registrar:	Prime Bank Investment Limited

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT	As (%)
BMRE for Existing Project	625,000,000	62.50%
Loan Repayment	330,000,000	33.00%
IPO Expenses	45,000,000	4.50%
Total	570,000,000	100%

Project Implementation Period: One year of fund received

Source: BASL Research and Company Prospectus

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF & CIS (10%)	511,000
	Other EIs (50%)	868,367
General Public	NRBs (10%)	309,795
	Gen. Public (30%)	1,239,181
Total		2,928,343

Source: BASL Research and Company Prospectus

Company Overview

Walton Hi-Tech Industries Limited (WHIL), incorporated in 2006, started its business operation from 2008. Walton Hi-Tech Industries Limited is the first complete manufacturer Bangladeshi company in Electrical & Electronics Industry. From early 2008, WHIL started manufacturing of Refrigerator, Freezer, Air Conditioner and Compressor and now onward expanding its operation in Television, Home & Electrical Appliances. Walton has become the most trusted and prestigious Brand in the consumer E&E industry in Bangladesh through its strong manufacturing base, quality products, competitive price, extensive market coverage. As a result, within a very short period of time, Walton has captured substantial market share and positioned itself as the most dominant performer in the electronics sector of Bangladesh.

The Company has a factory measuring approximate 5,886,473 sft. and the yearly production capacity of the plant is 2,000,000 units of Refrigerators, 100,000 units of Air Conditioners, 1,500,000 units of Compressors, 600,000 units of Television, 2,000,000 units of Electrical Appliances Product (EAP) and 1,500,000 units of Home Appliances Product (HAP). It is notable that in the second quarter of 2017, the company has started manufacturing of Compressors-first ever in Bangladesh and only second country among the SAARC.

The product portfolio of Walton Hi-Tech Industries Limited includes Refrigerator (Frost & Non-Frost), Freezer, Air Conditioner, Compressor, Television, Electrical Appliances Items (Fan, Switch Sockets & LED Bulb etc.), and Home Appliances Items (Blender, Rice Cooker, Gas Stove, Washing Machine, Electric Dry Iron, Microwave Oven, Pressure Cooker, Induction Cooker and many more) which are marketed mainly under the Brand names of WALTON and MARCEL. The products are being marketed under 'Walton' and 'Marcel' Brand in the market. Walton has extensive market coverage across the country having more than 13,500 POS (Point of Sale) by establishing different form of distribution channels such as Walton Plaza, Walton E-Plaza, Exclusive Distributors, Dealers, Sub-Dealers, Corporate Sales, International Business Unit (IBU), ODM (Original Design Manufacturer), OEM (Original Equipment Manufacturer) mainly.



IPO Note on Walton Hi-Tech Industries Limited

Corporate Profile

Incorporation September, 2006

Commercial Operation 2008

Sponsor & Chairman: S M Nurul Alam Rezvi

S M Nurul Alam Rezvi, the founder Chairman of Walton Hi-Tech Industries Limited, was born on 5th April 1958 in a renowned business family. Mr. Rezvi studied in science and. He always tries to convey technical know-how to the engineers to make better and sustainable development of Bangladesh. Dynamism, leadership, commitment, sincerity, vision and farsightedness of Mr. Rezvi have placed Walton in largest Electrical & Electronics Brand in Bangladesh. S M Nurul Alam Rezvi has been selected as a Commercially Important Person (CIP) by the Government of People's Republic of Bangladesh for the year 2013.

S M Shamsul Alam, Sponsor & Vice-Chairman
S M Shamsul Alam, is the founding Managing Director of Walton Hi-Tech Industries Limited, was born on 17th August 1963. He has completed his graduation in Business Administration and applied his knowledge throughout his business from which Bangladesh is being benefited. He joined in his family business of Electrical & Electronics sector with a visionary dream to thrive Bangladesh forward in the field of engineering & technology and making products that require cutting edge technologies with skilled manpower.

S M Shamsul Alam, Sponsor & Vice-Chairman

S M Ashraful Alam, Sponsor & Managing Director: S M Ashraful Alam, one of the visionary founder Director of Walton Hi-Tech Industries Limited and its incumbent Managing Director, was born on 2nd July 1965. He has completed graduation & post-graduation from the University of Rajshahi in 1986 & 1987 respectively and then joined in his family business of Electrical & Electronics sector with a boundless dream to transform Bangladesh technologically and empower the people with introducing cutting-edge technology in the country.

Sponsor & Managing Director: S M Ashraful Alam

Factory Location Chandra, Kaliakoir, Gazipur

Subsidiary/Associate None

Companies Under common management and Ownership
Walton Micro-Tech Corporation
Walton Digi-Tech Industries Limited
Walton Plaza
Walton E-Plaza
Walton Corporation Limited
Walton Shipping & Logistics
Walton Agro Farm and Industries
R. B. Group of Companies Limited
Skyroute Media Limited
Walton Chemical Industries Ltd.
Walton Motor Industries Limited

Product Segment	Annual Production Capacity
Refrigerator (Frost & Non-Frost)/Freezer	2,000,000
Air-Conditioner	100,000
Compressor	1,500,000
Television	600,000
Electrical Appliances Product (EAP)	2,000,000
Home Appliances Product (HAP)	1,500,000

Source: BASL Research and Company Prospectus

	2019	As (%)	2017	As (%)
Local Market Net Sales				
Refrigerator	45,498	87.9%	30,827	96.5%
Air Conditioner	2,251	4.3%	1,098	3.4%
Others	3,964	7.7%	-	0.0%
Export Market Net Sales				
All Products	60	0.1%	6	0.0%
Grand Total	51,773	100%	31,931	100%

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	% held	No. of Shares
S M Nurul Alam Rezvi	10.89%	33,000,000
S M Shamsul Alam	19.81%	60,000,000
S M Ashraful Alam	21.79%	66,000,000
S M Mahbul Alam	17.83%	54,000,000
S M Rezaul Alam	12.87%	39,000,000
S M Monjurul Alam Ovee	9.90%	30,000,000
Tahmina Afrose Tanna	2.97%	9,000,000
Raisa Sigma Hima	2.97%	9,000,000
Total	99.03%	300,000,000

Source: BASL Research and Company Prospectus

Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	300,000,000	September 23, 2023
Private Placement	-	-
Institutions (Post-IPO)	689,684	September 23, 2020
	344,842	March 23, 2021
	344,842	June 23, 2021
Public (Post-IPO)	1,548,976	September 23, 2020
Total	302,928,343	

Source: BASL Research and Company Prospectus

Capacity Utilization

Current Capacity

Product		2017	2018	2019
Refrigerator	Installed	1,500,000	1,500,000	1,750,000
	Utilization	1,416,445	1,225,038	1,851,058
	Utilization (%)	94%	82%	106%
Air Conditioner	Installed	50,000	50,000	50,000
	Utilization	22,532	22,081	50,903
	Utilization (%)	45%	44%	102%
Compressor	Installed	-	1,000,000	1,000,000
	Utilization	-	200,000	697,315
	Utilization (%)	-	20%	70%
Television	Installed	-	-	300,000
	Utilization	-	-	273,277
	Utilization (%)	-	-	91%

Projected Capacity

Product		2020	2021	2022
Refrigerator	Installed	2,000,000	2,150,000	2,300,000
	Utilization	1,800,000	1,935,000	2,070,000
	Utilization (%)	90%	90%	90%
Air Conditioner	Installed	100,000	125,000	150,000
	Utilization	90,000	112,500	135,000
	Utilization (%)	90%	90%	90%
Compressor	Installed	1,500,000	1,750,000	2,000,000
	Utilization	1,350,000	1,575,000	1,800,000
	Utilization (%)	90%	90%	90%
Television	Installed	600,000	750,000	900,000
	Utilization	540,000	675,000	810,000
	Utilization (%)	90%	90%	90%

Source: BASL Research and Company Prospectus

Industry Insights

The Electrical & Electronics (E&E) industry of Bangladesh has been depending on the imported products until the local companies started investing in manufacturing plants for producing E&E products in the country. The market is growing at a rapid rate of 20%, which is the ultimate reason for the local companies to go for capital investment in the sector. As the Bangladesh economy is taking advances in GDP growth and improved the living standard of people, the E&E sector is also making rapid progress and contributed BDT 10,000 (Ten thousand) Crore in the country's GDP. This sector has created employment for 1 (one) million people.

The Refrigerator industry is one of the important sub-sectors of the E&E industry. Mainly Freezer, Frost & Non-Frost

Refrigerators are sold in the market. In 2008, the Refrigerator market demand was 300,000 pcs. and the average market price was BDT 60,000. Over the period, the demand has been increasing and reached to more than 2,600,000 pcs. in 2018-19 with more than 600% growth compared to 2008. On the other hand, the market price went down to BDT 25,000 and make the product affordable for all. The locally-produced fridges are rapidly capturing the market and the share of imports has fallen from 19% to 15% in the last three years. The market share of domestic refrigerators was 85% while the share of imported refrigerators was only 15%. The growth in demand has risen by 44.45% in 2018-19 after encountered negative growth at a rate of (10%) in last FY2017-18 due to liquidity crisis in overall economy resulted from low flow of remittance, foreign currency fluctuation, higher interest rate, in addition heavy monsoon rains upstream trigger floods in northeast Bangladesh during that period.

The market size of Refrigerators in Bangladesh is about BDT 7,000 (Seven thousand) Crore per annum and it is expected to grow for the next few years. Due to the lower price and availability of refrigerator sales and distribution centres in the farthest corners of the country have changed the buying behavior of customers of the product.

The Air Conditioner (AC) is another rapidly growing product segment in the E&E sector. Due to the rapid urbanization in the country and recent climate changes due to global warming has magnified the usage of Air Conditioner (AC) in Bangladesh. In Air Conditioner market, the seasonal hike is during the summer season when heat induces customers to purchase ACs. As Bangladesh is a country where summer lasts for a longer period of time and prices are more or less affordable, people even from the middle and lower-middle classes are buying ACs these times. This is attributable to the government's continuous support and increase in production of electricity.

The compressor is one of the advanced & sophisticated technological industries in the world. Refrigeration Compressor is the core part of the Refrigeration system, its performance is the most important index of the Refrigeration system. The major use of a Refrigeration Compressor is in the process of food preservation. Bangladesh has emerged as the 15th Compressor manufacturing country in the world and 2nd in SAARC. At present only Walton manufacturing Compressors in Bangladesh. Annual market demand for Compressor is nearly 3.0 million pcs. in the last FY2018-2019 to make new Refrigerators, AC and repair the old ones as well as another commercial purpose.

Financial Highlights (BDT mn)

Financials	FY16	FY17	FY18	FY19
Sales	26,566	31,931	27,330	51,773
Operating Profit	7,651	9,551	5,892	16,900
Profit After Tax	6,215	7,345	3,523	13,761
Assets	33,273	52,911	82,362	103,428
Short Term Debt	11,795	21,344	11,265	19,208
Long Term Debt	2,396	4,801	9,392	6,290
Equity	16,929	24,274	59,217	72,978
Dividend (C/B) %				
Margin Ratio(%)				
Gross Profit	35%	36%	29%	40%
Operating Profit	29%	30%	22%	33%
Pretax Profit	25%	25%	14%	29%
Net Profit	23%	23%	13%	27%
Growth (%)				
Sales	27%	20%	-14%	89%
Gross Profit	33%	23%	-29%	162%
Operating Profit	24%	19%	-51%	287%
Net Profit	24%	18%	-52%	291%
Profitability (%)				
ROA	19%	14%	4%	13%
ROE	37%	30%	6%	19%
Debt Ratio				
Debt Ratio	43%	49%	25%	25%
Debt-Equity	84%	108%	35%	35%
Int. Coverage	7.1	5.0	1.8	9.2
Valuation				
Rstd. EPS(BDT)	20.52	24.25	11.63	45.43
Post-IPO NAVPS	55.9	80.1	195.5	240.9

Source: BASL Research and Company Prospectus

Stock Pricing		
Relative Valuation	Multiple	Fair Value
Industry Forward P/E	11.4	385.8
Peer Forward P/E	26.2	884.3
Price to Book Value	6.7	1789.9
Market Forward P/E	12.4	419.0
Latest Post-IPO NAV (Q3-2019-20)		267.0
Last twelve months avg. Price of Peer Companies		175.7
Pricing Sensitivity at Different PE		Value
Stock at 15x PE		506
Stock at 20x PE		674
Stock at 25x PE		843
Stock at 30x PE		1012
Stock at 35x PE		1180
Stock at 40x PE		1349

Source: BASL Research, Dhaka Stock Exchange Ltd and Company Prospectus

Note: SINGERBD is considered as peer company of WHIL

As per relative valuation, the fair value of WHIL ranges from 385.8 to 1789.9. And the last twelve months average price of peer companies is 267.

Statement of Profit or Loss and Other Comprehensive Income

Financials	FY15	FY16	FY17	FY18	FY19
		26,566,298,95	31,931,044,07	27,329,731,16	
Revenue	20,995,870,005	1	3	4	51,773,237,116
		17,376,435,12	20,584,695,55	19,322,738,20	
Cost of goods sold	14,091,364,464	6	1	9	30,805,628,408
			11,346,348,52		
Gross profit	6,904,505,541	9,189,863,825	2	8,006,992,955	20,967,608,708
Operating expenses	991,430,303	1,539,177,891	1,795,562,149	2,114,852,887	4,067,567,881
Administrative Expenses	523,926,458	639,624,590	685,292,171	677,328,535	828,966,191
Selling & Administrative Expenses	467,503,845	899,553,301	1,110,269,978	1,437,524,352	3,238,601,690
Operating Income	5,913,075,238	7,650,685,934	9,550,786,373	5,892,140,068	16,900,040,827
Non-Operating Income	182,609,956	138,902,379	149,257,973	40,268,392	98,188,942
Financial Expenses	501,481,979	877,881,092	1,462,372,055	1,929,374,572	1,493,855,820
Net Operating Profit	5,594,203,215	6,911,707,221	8,237,672,291	4,003,033,888	15,504,373,949
Contribution to WPPF	266,390,629	329,128,915	392,270,109	190,620,661	738,303,521
Net Profit Before Tax	5,327,812,586	6,582,578,306	7,845,402,182	3,812,413,227	14,766,070,428
Income tax expenses	302,241,012	373,359,775	430,808,606	217,688,463	848,151,353

Source: BASL Research and Company Prospectus

Statement of Financial Position

Financials	FY15	FY16	FY17	FY18
Assets:				
Non-Current Assets	8,643,123,019	14,211,488,479	23,273,823,672	58,696,298,063
Property, Plant & Equipment	7,317,456,592	9,464,360,715	18,623,423,060	54,862,816,863
Intangible Assets	25,256,363	23,464,087	44,016,640	39,844,314
Long Term Investment	100,000,000	100000000	280,000,000	793,862,675
Other Non-Current Assets	1,200,410,064	4618248733	4,326,383,972	2,999,774,211
Deferred Tax		5414944		
Current Assets	11,658,624,142	19,061,475,692	29,637,013,951	23,665,691,884
Inventories	4,410,789,225	9,184,915,305	16,075,153,633	12,304,993,861
Accounts Receivable	2,796,029,008	4,358,471,782	8,913,997,928	8,376,550,686
Advances, Deposits & Prepayments	2,757,512,575	3,911,688,925	1,611,833,003	940,843,187
Short Term Investment	952,089,560	827,294,811	1,318,307,645	901,717,714
Cash & Cash Equivalents	742,203,774	779,104,869	1,717,721,742	1,141,586,436
Total Assets	20,301,747,161	33,272,964,171	52,910,837,623	82,361,989,947
Shareholders Equity & Liabilities:				
Shareholders' Equity	10,714,645,830	16,929,279,305	24,274,097,681	59,216,928,765
Share Capital	100,000,000	100,000,000	100,000,000	3,000,000,000
Retained Earnings	10,614,645,830	16,829,279,305	24,174,097,681	24,797,308,063
Revaluation Reserves				31,419,620,702
Liabilities:				
Non-Current Liabilities	748,801,262	2,396,208,315	4,865,799,177	10,024,196,097
Long Term bank Loan	696,787,990	2,345,832,800	4,756,626,163	9,372,083,072
UNDP Fund	52,013,272	50,375,515	44,812,757	19,625,000
Deferred Tax Liability			64,360,257	632,488,025
Current Liabilities	8,838,300,069	13,947,476,551	23,770,940,765	13,120,865,085
Accounts Payable	261,979,302	528,479,787	481,141,872	361418639
Short term loan	7,106,849,022	11,084,895,809	20,015,287,276	8,220,973,654

Source: BASL Research and Company Prospectus



IPO Note on Walton Hi-Tech Industries Limited

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