



# IPO Note on Associated Oxygen Limited

IPO Size: 150 mn

Offer Price: BDT 10

DSE Ticker: AOL

Sector: Fuel & Power

15.0 million shares are tradable on debut trading day

## IPO Summary

IPO Size (BDT mn)	150
IPO Size (Shares in mn)	15
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	1,100
Pre-IPO Paid up Capital (BDT mn)	800
Post IPO Paid up Capital (BDT mn)	950
Year End	June
Revenue Size in 2018-19 (BDT mn)	401.06
Net Profit in 2018-19 (BDT mn)	109.40
Total Assets 2018-19 (BDT mn)	1602.17
Retained Earnings 2018-19 (BDT mn)	589.86
Annualized. Post-IPO EPS (Q3, 2019-20)	1.49
Post-IPO NAV per Share (Q3, 2019-20)	17.33
Issue Managers: BD Finance Capital Holdings Limited	

Source: BASL Research and Company Prospectus

## IPO utilization Plan

Particulars	BDT (mn)	As (%)
Construction of Store Shed & New Plant Shed	68.16	45.44%
Acquisition of new Plant & Machineries	42.40	28.27%
Loan Repayment	20.00	13.33%
IPO Expenses	19.44	12.96%
<b>Total</b>	<b>150.00</b>	<b>100%</b>

Source: BASL Research and Company Prospectus

## IPO Shareholding Composition

Category	(%)	No. of Stocks
<b>Eligible Investors (EIs)</b>	MF & CIS (10%)	1,500,000
	Other EIs (30%)	4,500,000
	NRBs (10%)	1,500,000
<b>General Public</b>	Gen. Public (40%)	7,500,000
<b>Total</b>		<b>15,000,000</b>

Source: BASL Research and Company Prospectus

## Company Overview

Associated Oxygen Limited (AOL), started its journey in 1990, is a one of the modern garment composite mill in Bangladesh. The principal activities of the company are manufacturing and supplying of industrial and medical gases, welding gas product ancillary equipment and ancillary equipment. In

addition to Oxygen, AOL installed an additional facility for compressing waste Nitrogen into commercial-grade Nitrogen and over the years upgraded all its facilities. AOL can now supply Oxygen and Nitrogen in liquid and gaseous forms to Industries and Hospitals through its own sales network.

## Corporate Profile

Incorporation	June, 1990
Commercial Operation	December, 1992

### Chairman

Md. Nizam Uddin Chowdhury, Chairman of Associated Oxygen Limited was born in 1948, in a respectable Muslim family. His Father Name is Late Md. Gulam Hossain Chowdhury. He has completed B. Com from Chattagram. He has wide experience in oxygen plant & Re-rolling business from 2007. He is looking after the whole activities of the company. He is serving AOL from inception.

### Managing Director

Mrs. Ismat Jahan, Managing Director of Associated Oxygen Limited was born in 1979. She obtained a Masters of Business Administration. She is serving AOL from 2008. She is looking after the business of the company.

Factory Location	Sitakunda, Chattagram
Subsidiary/Associate	None

Source: BASL Research and Company Prospectus

## Capacity Utilization

### Current Capacity (Million in M3)

Product		2016-17	2017-18	2018-19
Oxygen Gas	Installed	8.23	8.63	9.93
	Utilization	6.45	7.40	9.04
	Utilization (%)	78.41%	85.77%	90.99%

### Projected Capacity

Product		2019-20	2020-21	2021-22
Oxygen & Nitrogen Gas	Installed	10.73	11.74	14.38
	Utilization	9.50	10.54	12.19
	Utilization (%)	88.40%	89.81%	84.77%

Source: BASL Research and Company Prospect

## Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	% held	No. of Shares
Md. Nizam Uddin Chowdhury	7.22%	6,861,600
Mrs. Ismat Jahan	19.13%	18,176,324
Azmine Mahatab Chowdhury	2.23%	2,122,322
Fahim Chowdhury	2.06%	1,963,940
<b>Total</b>	<b>30.66%</b>	<b>29,124,186</b>

Source: BASL Research and Company Prospectus

## Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	29,124,186	October 25, 2023
Private Placement Holders	50,875,814	October 25, 2022
Institution & MF (Post-IPO)	7,500,000	October 25, 2020
Public (Post-IPO)	7,500,000	October 25, 2020
<b>Total</b>	<b>95,000,000</b>	

Source: BASL Research and Company Prospectus

## Industry Insights

Industrial gases and welding products are the key products in different construction and medical sectors in the country. The demand of industrial gases and welding products is on rises for many years of industrialization in Bangladesh. Industrial Gases are used mainly in Chemicals, Ship Breaking, Electronics, Food & Beverage, Glass, Laboratories, and Steel & Metals Industries etc.

The incremental growth of industries in the country, real estate development and medical facilities in the country are widening the scope of use of the gases like Oxygen, Acetylene, Nitrous oxide etc. Rather the consumption of such gases is growing at a much higher pace. Development of any country now is measured with different yardsticks and most significant is the use of oxygen. Consumption of oxygen has become an indicator of industrialization in the country as it is directly related to the growth of the use of metal and metallurgy. Growth in the real estate sector, human medical service, livestock medical service, aquaculture cannot be made without an increase in the use of oxygen and some other gases. Whatever, Ship breaking activities in Bangladesh are concentrated in Sitakund (Bhatiary to Barwalia), just north of Chittagong city on the Bay of Bengal.

Based on the present development demand for Oxygen Gases along with industrial gases are increasing day by day. This is a positive indication of a good future of Oxygen plant

in Bangladesh. As the present, the oxygen gas & Nitrogen gas market is increasing day by day

Associated Oxygen Limited operates in a highly competitive environment. The major oxygen sector competitive companies of Associated Oxygen Limited are presented below:

## Major Competitors

Linde BD Limited  
KROL Oxygen Limited  
Spectra Oxygen Limited  
Median Oxygen Plant Limited  
Oxycon Limited  
Sima Oxygen Limited  
SL Oxygen Limited

Source: BASL Research and Company Prospectus-

## Financial Highlights (BDT mn)-

Financials	FY17	FY18	FY19	FY19-20(9m,An.)
Sales	269	311	401	494
Operating Profit	114	133	188	239
Profit After Tax	86	107	109	142
Assets	852	1,148	1,602	1,769
Short Term Debt	27	20	20	14
Long Term Debt	30	27	21	21
Equity	679	969	1,390	1,496
Dividend (C/B) %				
<b>Margin Ratio (%)</b>				
Gross Profit	59%	59%	63%	63%
Operating Profit	43%	43%	47%	48%
Pretax Profit	40%	41%	42%	44%
Net Profit	32%	35%	27%	29%
<b>Growth (%)</b>				
Sales		16%	29%	23%
Gross Profit		16%	37%	23%
Operating Profit		17%	41%	27%
Net Profit		17%	35%	30%
<b>Profitability (%)</b>				
ROA	10%	9%	7%	6%
ROE	13%	11%	8%	7%
<b>Debt Ratio</b>				
Debt Ratio	7%	4%	3%	2%
Debt-Equity	8%	5%	3%	2%
Int. Coverage	13.2	15.9	11.2	14.4
<b>Valuation</b>				
Rstd. EPS(BDT)	0.91	1.13	1.15	1.12
Post-IPO NAVPS	7.1	10.2	14.6	15.8

Source: BASL Research and Company Prospectus



# IPO Note on Ring Shine Textiles Limited

## Investment Rationale

- AOL has planned to invest BDT 110.6 million to purchase new plant & machineries and construct store shed with the IPO proceeds. The company projects that the revenue may reach BDT 517 million within 2021-22, or 29.14% increase against the year 2018-19.
- The company also aims to reduce the loan of BDT 20 million out of BDT 35.5 million, that will largely ease financial expense burden and advance its bottom line profitability.
- The company has been maintaining the growth in revenue for last five years (Over 15% growth in any individual year).

## Risk Factors

- Because of pandemic effect of Covid-19, industrial and economic activities put negative impact on earning of the company. Industry leader, market share 94%, Linde BD's EPS decreased by 74.09% in the 2nd quarter (Apr-Jun).
- The company raised large amounts of Capital private placement. Before the two years of IPO.
- 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

Relative Valuation	Multiple	Fair Value
Industry Forward P/E	13.2	19.7
Market Forward P/E	15.1	22.6
Latest Post-IPO NAV (Q3-2019-20)		17.3
Pricing Sensitivity at Different PE		Value
Stock at 15x PE		22
Stock at 20x PE		30
Stock at 25x PE		37
Stock at 30x PE		45
Stock at 35x PE		52
Stock at 40x PE		60

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

## First Three Days Circuit Breaker and Price

Day	Circuit	Price
First Day	50%	15
Second Day	50%	22.5
Third Day	10%	24.70

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

### Statement of Profit or Loss and Other Comprehensive Income

Financials	FY17	FY18	FY19	FY19-20(9M)
<b>Revenue</b>	268,929,929	311,420,858	401,057,043	370,476,443
Cost of goods sold	110,270,216	127,791,655	149,869,453	137,920,748
<b>Gross profit</b>	<b>158,659,713</b>	<b>183,629,203</b>	<b>251,187,590</b>	<b>232,555,695</b>
Administrative Expense	22,884,241	26,992,944	32,595,788	26,598,989
Selling & Distribution Expense	21,420,221	23,401,906	30,136,783	26,747,778
<b>Operating Income</b>	<b>114,355,251</b>	<b>133,234,353</b>	<b>188,455,019</b>	<b>179,208,928</b>
Financial Expenses	6,521,420	6,742,192	9,754,178	7,412,960
Other non-operating Income	48,358	39,888	70,064	98,540
<b>Net Profit Before Tax &amp; WPPF</b>	<b>107,882,189</b>	<b>126,532,049</b>	<b>178,770,905</b>	<b>171,894,508</b>
Provision for WPPF			8,512,900	8,185,453
<b>Net Profit Before Tax</b>	<b>107,882,189</b>	<b>126,532,049</b>	<b>170,258,005</b>	<b>163,709,055</b>
Current Tax	8,067,898	8,492,125	14,900,202	37,677,564
Deferred Tax	13,815,392	10,541,483	45,955,901	19,620,605
<b>Net Profit after Tax</b>	<b>85,998,899</b>	<b>107,498,441</b>	<b>109,401,902</b>	<b>106,410,886</b>
Restated Earnings Per Share (EPS)	<b>0.91</b>	<b>1.13</b>	<b>1.15</b>	<b>1.12</b>

Source: BASL Research and Company Prospectus

### Statement of Financial Position

Financials	FY17	FY18	FY19	FY19-20(9M)
<b>Assets:</b>				
<b>Non-Current Assets</b>	<b>754,524,632</b>	<b>1,009,472,256</b>	<b>1,393,758,011</b>	<b>1,442,886,777</b>
Property, Plant & Equipment	753,583,632	976,529,839	1,393,758,011	1,356,935,303
Capital Work-In-Progress	941,000	32,942,417	-	85,951,474
<b>Current Assets</b>	<b>97,116,823</b>	<b>138,752,400</b>	<b>208,413,349</b>	<b>325,638,343</b>
Inventories	25,142,584	30,591,046	46,143,408	49,527,747
Accounts Receivable	47,000,578	75,350,607	146,643,461	206,904,434
Advances, Deposits & Prepayments	24,453,105	31,908,077	14,695,560	24,790,190
Cash & Cash Equivalents	520,556	902,670	930,920	44,415,972
<b>Total Assets</b>	<b>851,641,455</b>	<b>1,148,224,656</b>	<b>1,602,171,360</b>	<b>1,768,525,120</b>
<b>Shareholders Equity &amp; Liabilities:</b>				
Shareholders' Equity	<b>679,032,794</b>	<b>969,001,235</b>	<b>1,389,860,666</b>	<b>1,496,271,552</b>
Share Capital	1,200,000	99,945,380	800,000,000	800,000,000
Retained Earnings	430,057,244	480,458,765	589,860,666	696,271,552
Share Money Deposit	247,775,550	388,597,090		
<b>Liabilities:</b>				
<b>Non-Current Liabilities</b>	<b>106,766,849</b>	<b>114,639,526</b>	<b>154,093,793</b>	<b>174,380,289</b>
Long Term bank Loan	29,957,292	27,288,486	20,786,852	21,452,742
Deffered Tax Liability	76,809,557	87,351,040	133,306,941	152,927,547
<b>Current Liabilities</b>	<b>65,841,813</b>	<b>64,583,897</b>	<b>58,216,900</b>	<b>97,873,279</b>
Accounts Payable	15,023,542	13,577,167	14,641,178	14,082,994
Current portion of secured Term Loan	27312000	20,256,000	20,256,000	14422272
Liabilities for Expenses	23,506,271	30,750,730	23,319,722	69,368,013
<b>Total Liabilities:</b>	<b>172,608,662</b>	<b>179,223,423</b>	<b>212,310,693</b>	<b>272,253,568</b>
<b>Total Shareholders' Equity &amp; Liabilities:</b>	<b>851,641,456</b>	<b>1,148,224,658</b>	<b>1,602,171,359</b>	<b>1,768,525,120</b>

Source: BASL Research and Company Prospectus



# IPO Note on Ring Shine Textiles Limited

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