

# IPO Note on Energypac Power Generation Limited

IPO Size: 1,500 mn

Public Offer Price: BDT 31

DSE Ticker: EPGL

Sector: Fuel & Power

40.29 million shares are tradable on debut trading day

## IPO Summary

IPO Size (BDT mn)	1,500,000
IPO Size (Shares in mn)	40,29
Cut-Off Price	35
Offer Price Per Share (BDT)	31
Authorized Capital (BDT mn)	5,000
Pre-IPO Paid up Capital (BDT mn)	1,498.70
Post IPO Paid up Capital (BDT mn)	1,901.95
Year End	June
Revenue Size in 2019-20 (BDT mn)	10,974
Net Profit in 2018-19 (BDT mn)	582
Total Assets 2018-19 (BDT mn)	35,856
Retained Earnings 2018-19 (BDT mn)	2,554
Annualized. Post-IPO EPS (FY2019-20)	3.8
Post-IPO NAV per Share (FY2019-20)	40.0
Issue Manager: LankaBangla Investments Limited	
Register to the Issue: ICB Capital Management Limited	

Source: BASL Research and Company Prospectus

## IPO utilization Plan

Particulars	BDT (mn)	As (%)
LPG Carrier & Accessories	262.28	17.49%
Import of LPG Cylinders	521.88	34.79%
LPG Cylinders	175.71	11.71%
Loan Repayment	500.00	33.33%
Estimated IPO Expenses	40.13	2.68%
<b>Total</b>	<b>1,500.00</b>	<b>100%</b>

Source: BASL Research and Company Prospectus

The project is to be implemented within 18 months after receiving IPO Fund.

## IPO Shareholding Composition

Category	(%)	No. of Stocks
<b>Eligible Investors (EIs)</b>		20,146,766
MF & CIS (50%)		9,000,000
NRBs (10%)		4,029,300
<b>General Public</b>	Gen. Public (50%)	20,146,766
<b>Total</b>		<b>30,000,000</b>

Source: BASL Research and Company Prospectus

## Company Overview

Energypac Power Generation Limited (EPGL), incorporated in 1995, is one of the leading Power Engineering Companies in Bangladesh. engaged in diversified business including trading of standby and base load generators, JAC brand automobiles, John Deere brand agro machineries equipment, JCB brand construction machineries and material handling equipment and operation of CNG station along with aftermarket service. The company is also engaged in EPC Contracts (Engineering, Procurement and Construction), operation and installation of CNG refueling station and conversion kits and providing installation and maintenance services to power plants. The LPG bottling & distribution plant is located near Mongla sea port. The Company has three subsidiaries namely Energypac Power Venture Limited, EPV Chittagong Limited and EPV Thakurgaon Limited (sub-subsidiary of EPGL).

## Corporate Profile

Incorporation	July 15, 1995
Commercial Operation	July 15, 1995

### Chairman

#### Mr. Rabiul Alam

Mr. Rabiul Alam has graduated in Electrical Engineering from BUET in 1984. He is a dynamic professional businessperson with more than 33 years of experience in business. By dint of his leadership, EPGL achieved a massive expansion— both vertically and horizontally. A number of companies have been set up during the process, and all of those are successfully running.

### Managing Director

#### Mr. Humayun Rashid

Under the leadership of Mr. Rashid the company remarked as a power engineering company of Bangladesh. He earned his Bachelor Degree from University of Dhaka in the year 1982. His 32 Years of experience in Business of Manufacturing and Distribution of different types of Transformers, Electrical T & D Products, EPGL established itself as a major Power and Energy solution provider.

### Factory Location

Engineering -Sripur, Gazipur.  
LPG- Dacope, Khulna.

Source: BASL Research and Company Prospectus

### Subsidiary & Associates

#### Energypac Power Venture Limited:

EPGL holds 90% share holding in Energypac Power Venture Limited (EPVL). EPVL has an 11 MW power plant located at Hobigonj, Sylhet, Bangladesh with 15 years of power supply agreement with REB.

#### EPV Chittagong Limited:

With 10% direct holding and 81% indirect holding, total ownership in ECPV Chittagong Limited stands at 91% and hence classified as a subsidiary of EPGL. The plant has a 15 years of power supply agreement with (Bangladesh Power Development Board) BPDB for 108 MW agreed capacity as an Independent Power Producer (IPP).

#### EPV Thakurgaon Limited (Sub-Subsidiary):

EPGL holds 45.9% Share [Indirect Holding] in EPV Thakurgaon Limited. The concern has been implementing a 115 MW IPP (Independent Power Producer) having 15 years of PPA agreement with Bangladesh Power Development Board (BPDB). BPDB signed power purchase agreement with the company on 15 November 2019.

Source: BASL Research and Company Prospectus

### Capacity Utilization

#### Current Capacity

Product		2016-17	2017-18	2018-19
Jac Car Assembling (Units)	Installed	900	900	900
	Utilization	468	675	765
	Utilization (%)	52%	75%	85%
Generator Assembling (Units)	Installed	300	300	300
	Utilization	72	195	225
	Utilization (%)	24%	65%	75%
LPG Bottling (MT)	Installed	-	30,000	30,000
	Utilization	-	20,401	36,109
	Utilization (%)	-	68%	120.36%

#### Projected Capacity

Product		2019-20	2020-21	2021-22
Jac Car Assembling (Units)	Installed	900	1,100	1,200
	Utilization	765	990	1,080
	Utilization (%)	85%	90%	90%
Generator Assembling (Units)	Installed	300	300	300
	Utilization	240	300	350
	Utilization (%)	80%	100%	116.66%
LPG Bottling (MT)	Installed	50,000	95,792	95,792
	Utilization	41,525	62,265	67,054
	Utilization (%)	83.05	65%	70%

Source: BASL Research and Company Prospectus

### Revenue Composition

Particulars	BDT (mn)	As (%)
Power Division	1,240.20	13.60%
Motor Vehicles	1,664.13	18.25%
LPG	3,499.95	38.39%
EPC	1,094.22	12.00%
<b>Total</b>	<b>9,116.41</b>	<b>100%</b>

Source: BASL Research and Company Prospectus

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

Name of Directors and Sponsors	% held	No. of Shares
Md. Rabiul Alam	6,054,983	4.04%
Mr. Humayun Rashid	6,054,983	4.04%
Mr. Enamul Haque Chowdhury	6,054,983	4.04%
Mr. Nurul Aktar	6,054,983	4.04%
Mr. Rezwanaul Kabir	6,054,983	4.04%
Energypac Engineering	72,659,790	48.48%
<b>Total</b>	<b>102,934,705</b>	<b>38.21%</b>

Source: BASL Research and Company Prospectus

### Lock-In Free Shares & Period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	102,934,705	January 19, 2024
Shareholders (transferred from Directors)	970,000	January 19, 2024
Private Placement Holders	45,964,945	January 19, 2022
Institution & MF (Post-IPO)	20,146,783	January 19, 2021
Public (Post-IPO)	20,146,783	January 19, 2021
<b>Total</b>	<b>190,163,216</b>	

Source: BASL Research and Company Prospectus

## Industry Insights

Power generation in Bangladesh heavily dependent on natural gas from local extraction. Moreover import of capital machineries and subsidized petroleum negatively impact on the foreign exchange. Power and Energy Sector Development Roadmap (2010-2021) target to produce 20,000 MW by 2021. However, to ensure overall and balanced development of this sector, the GOB has undertaken various plans including balanced development in generation, transmission and the distribution system to achieve a desired level of reliability of supply towards re

aching the per capita consumption to 600 Kw.

Automotive industry in Bangladesh is largely dominated by importing reconditioned and new vehicles mostly from Asian countries like Japan, China, India and few from Europe and USA. However, different private endeavor grabs distributorship of different vehicle brands. From the statistics it is identified that the country has around 20 companies that sell around 10,000 unit buses and commercial Vehicles a year, and the market is growing by 10-15 percent annually.

A rapid growth of the consumption of Liquefied Petroleum Gas (LPG) in Bangladesh has been observed over the last few years as households, commercial entities and vehicles being the major drivers. In 2015, LPG consumption in Bangladesh was only 250,000 metric ton (MT) which reached at 800,000 MT in 2019. Bangladesh's existing LPG demand is estimated at around 2 million MT per year, with half of it is currently being met by kerosene and wood due to deficiency of LPG.

The natural gas reserves of Bangladesh is 11.47 trillion cubic feet (TCF) as of January 2019, which can roughly meet the demand till 2025. With 23 operational gas fields, the country produces about 2,700 million cubic feet gas per day (mmcf) against a steady demand of 3,700 mmcf, leaving a shortage of 1,000 mmcf as of 2018.

According to World LPG Association (WLPGA), Bangladesh is going to be one of the fastest-growing LPG market across the world and estimated demand for the fuel might reach up to 3.0 million MT by 2025. Since the industry is largely import dominated and 98% of the bulk demand is imported, the import forecast can give an impression about the growth of the LPG market in the coming years.

## Financial Highlights (BDT mn)-

Financials	FY17	FY18	FY19	FY20
Sales	4,546	12,444	14,399	10,974
Operating Profit	1,039	2,472	3,313	3,214
Profit After Tax	430	1,373	1,844	1,969
Financial Expenses	268	856	1,246	1,347
Assets	21,883	29,969	32,037	35,856
Total Debt	14,157	17,058	17,466	22,289
Equity	5,634	6,167	6,889	7,768
Dividend (C/B) %	5%/0%	5%/0%	5%/0%	5%/0%
<b>Margin Ratio (%)</b>				
Gross Profit	22.9%	19.9%	23%	29.3%
Operating Profit	9.5%	11.0%	12.8%	17.9%
Net Profit	6.7%	3.6%	3.3%	5.3%
<b>Growth (%)</b>				
Sales	30.6%	173.8%	15.7%	-23.8%
Gross Profit	14.4%	137.9%	34.0%	-3.0%
Operating Profit	158.1%	219.2%	34.3%	6.8%
Net Profit	102.9%	48.9%	5.8%	21.2%
<b>Profitability (%)</b>				
ROA	2.0%	1.7%	1.5%	1.7%
ROE	5.9%	7.7%	7.4%	7.9%
<b>Debt Ratio</b>				
Debt Ratio	65%	57%	55%	62%
Debt-Equity	251%	277%	254%	287%
Int. Coverage	18.2	55.2	66.0	67.3
<b>Valuation</b>				
Rstd. EPS(BDT)	1.6	2.3	2.5	3.0
Post-IPO NAVPS	37.3	45.2	48.2	40.0

Source: BASL Research and Company Prospectus

## Investment Rationale

- The Company will increase production capacity of LPG Bottling plant (one shift=8H) to 95,792 MT by 219% from existing capacity of 30,000 MT within 2021-22. Revenue from LPG segment grew by 114% in 2018-19 over last year.
- EPGL has successfully entered in LPG market in 2017 under the brand name of G-GA and the LPG bottling & distribution plant is located near Mongla sea port. Besides, construction of a Daughter Station with a storage capacity of 1,200 MT at Rupganj, Nayarganj is in progress. The Company will finance of BDT 959.87 million to implement the project by using IPO proceeds.
- EPGL is going to enhance its capacity of LPG storage and bottling plant with the proceeds from IPO. Energypac aims to include the industrial customers segments and users of LPG or similar products in bulk quantity. LPG bottling capacity will be increased to 95,792 MT from existing 30,000 MT per annum.

# IPO Note on

## Energypac Power Generation Limited

- Energypac operates 30 LPG gas stations at various private filling stations and the company has received approval to set up 300 LPG refueling stations across the country and it has already entered into an agreement with the Padma Oil Company for 100 stations.
- With the 5% VAT exemption from on import of Industrial generators (as capital machineries), the company enjoys low cost for local assembling.
- The Company will increase production capacity of JAC Car (a Chinese state-owned automobile and commercial vehicle manufacturer) Assembling unit to 1,200 Units or by 33% from existing capacity of 900 units within 2021-22.
- EPGL has signed a contract with Sylhet Gas Fields Limited for designing, commissioning, procurement, construction, commissioning and handing over of one skin mounted 4,000 BDL/day capacity condensate fractionation Plant & associated facilities at Bahubol, Habigonj on Turn-Key-Basis under JVAC with PT.ISTANA KARANG LAUT of Indonesia. Total contract value is BDT 1.18 billion. The share of EPGL in this consortium is 52.40%.
- EPGL has also been awarded with a captive power plant project of Essential Drugs Company Limited. Total size of the contract is BDT 800 million.
- For more diversification, EPGL has started to assemble of its own brand Diesel Generator and has a plan to assemble and manufacture ATS, Canopy, LT Panel, Genset Trailer, control panel, Elevator etc.
- EPGL has also added Steelpac brand for designing, manufacturing and erecting of pre-engineered steel buildings, aiming to provide complete steel constructions to industrial, commercial and residential steel buildings.
- EPGL partnered with Sojitz Corporation and Japan Development Institute (JDI) have signed a MoU with BEZA for completion of the commercial jetty and the industrial park at proposed Bangabandhu Industrial Park at Mirsarai. The project value is approximately BDT 42.5 billion in the initial stages. Bangladesh Economic Zone Authority (BEZA) has already allotted 50 acre of land to Energypac. The project is expected to be completed by 2021. The company also intends to set up power generation plant at Mirsarai Economic Zone.
- The Company will repay its bank loan of BDT 500 million out of its total loan of (both long term and short term) BDT 17,465 million as of June 2019 within one month from its IPO proceeds.

### Risk Factors

- The company is highly debt burdened company. Financial expenses eat up significant of its operating profit. As of June2019, debt to total asset ratio stood at 54.5%. High interest eats-up an around 67% of its operating profit Any increase in interest rate will have

severe negative impact on the financial position of the company.

- The Company availed long term loan for different expansions which will be incurring more financial expenses in the coming years.
- The industries EPGL operates in manufacturing segment is highly competitive. Bad market practices, cheap Chinese brands and replication of products makes the businesses tougher.
- A number of large players are investing heavily in LPG industry, which will hamper future business potential of the companies with severe price competition.
- The Company is highly exposed to foreign exchange risk as it imports 80% of raw materials from abroad. Thus, fluctuation in foreign currency and change in import duty of the raw materials may have significant negative impact on its earnings.
- Many of customers lacks of knowledge about the pre-fab structures. This often disheartens potential customers to use this kind of buildings.
- 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	19.6	27.44
Market Forward P/E	16.4	22.96
Pricing Sensitivity at Different PE		Value
Stock at 15x PE		21
Stock at 20x PE		28
Stock at 25x PE		35
Stock at 30x PE		42
Stock at 35x PE		49
Stock at 40x PE		56

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

### First Three Days Circuit Breaker and Price

Day	Circuit	Price
First Day	50%	46.50
Second Day	50%	69.80
Third Day	10%	76.80

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



# IPO Note on Energypac Power Generation Limited

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