

IPO Note on

Index Agro Industries Limited

IPO Size: 500 mn

Public Offer Price: BDT 50

DSE Ticker: INDEXAGRO

Sector: Miscellaneous

8.25 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	500
IPO Size (Shares in mn)	45.24
Cut-Off Price	62
Offer Price Per Share (BDT)	50
Authorized Capital (BDT mn)	1,000
Pre-IPO Paid up Capital (BDT mn)	390
Post IPO Paid up Capital (BDT mn)	472.54
Year End	June
Revenue Size in 2019-20 (BDT mn)	4,047
Net Profit in 2019-20 (BDT mn)	264
Total Assets 2019-20 (BDT mn)	3,245
Retained Earnings 2019-20 (BDT mn)	1,666
Annualized. Post-IPO EPS (FY2020-21)	5.54
Post-IPO NAV per Share (FY2020-21)	56.12
Issue Manager: AFC Capital Limited & EBL Investment Limited	

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT (mn)	As (%)
Building & Civil Construction	175.4	35.1%
Plant & Machineries	299.6	59.9%
IPO Expenses	25	5.0%
Total	500	100%

Source: BASL Research and Company Prospectus

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	EIs, MFs & CIS (47.17%)	3,893,265
General Public	Gen. Public & NRBs' (52.83%)	4,360,384
Total		8,253,649

Source: BASL Research and Company Prospectus

Revenue Composition

Particulars	BDT (mn)	As (%)
Feed	2,843.818	52.89%
Poultry & Hatchery	1,482.352	21.30%

Source: BASL Research and Company Prospectus

Company Overview

Index Agro Industries Limited (IAIL), incorporated in Bangladesh on September 13, 2000, started its commercial operation on July 01, 2004. The principal activities of this Company are manufacturing and marketing of poultry feed, fish feed and producing Day Old Chicks (DOC). Index Agro Industries Limited has no subsidiary company but it has an associate company named X-Ceramics Ltd. where the issuer holds 24.39% shares. X-Ceramics Ltd. is engaged in manufacturing ceramic tiles in Bangladesh.

Corporate Profile

Incorporation	September 13, 2000
Commercial Operation	July 01, 2004

Chairman

MR. MD. MAZHERUL QUADER

Md. Mazherul Quader is an architect who had started his business by establishing Index Architects Ltd., back in 1977. He was born in 01 August 1946. He is the Son of diplomat Late Dr. M. Abdul Quader and Late Syeda Kamrunnesa. Mr. Quader has been involved with over 330 projects at home and abroad. Some of his remarkable works are: 33 storied office building for Petro Bangla as associate of ECA; 24 storied Head Office Building for BRAC (BRAC Centre), 15 storied Hamid Tower for Hamid Fabrics Ltd., 15 storied Aarang Plaza, 20 storied Janata Tower etc. Also, while working abroad he was entrusted to design few Commercial & Residential buildings including Police Head Quarter in UAE. He has 41 years of rich and diversified experience in the business sectors such as Building & Infrastructure, Consultancy & Construction, Real Estate ceramics; agro based industries such as Poultry Breeding & Hatchery, Animal Feed etc.

Managing Director

MR. MAHIN BIN MAZHER

Mr. Mahin Bin Mazher, Managing Director of the Company has been involved in the business for more than 22 years. The Company also appointed professional General Manager who is a veterinary professional with 30 years of cross functional experience in well-known companies related to poultry & livestock industries.

Factory Location

Feed Mill- Mymensingh, Valuka.
Breeder Farm & Hatchery- Gazipur
Hatchery- Mithapukur, Rangpur
Breeder Farm- Sherpur, Bogra

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Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	No. of Shares	% held
Md. Mazherul Quader	3,900,000	8.25%
Mahin Bin Mazher	3,900,000	8.25%
Mrs. Khurshid Mazher	1,950,000	4.13%
Mrs. Esha Mahin	1,950,000	4.13%
Mehzabin Mazher	1,950,000	4.13%
Index Holdings Limited	9,750,000	20.63%
Index Construction Limited	3,900,000	8.25%
Total	27,300,000	57.77%

Source: BASL Research and Company Prospectus

Lock-In Free Shares & Period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	27,300,000	April 07, 2024
Other Shareholders	11,700,000	April 07, 2024
Institution & MF (Post-IPO)	3,893,265	April 07, 2021
Public (Post-IPO)	4,360,384	April 07, 2021
Total	47,253,649	

Source: BASL Research and Company Prospectus

Industry Insights

Poultry sector includes farms producing birds for meat and eggs and supporting firms of the commercial poultry farms that are Feed, medicine and raw material producer. Specialized hatcheries deliver chicks from the incubator to commercial growers, who are mostly marginal farmers producing broilers. Large-scale Day Old Chick (DOC) producers are now virtually monopolized the poultry industry. At present, many local animal feed producers are operating in Bangladesh. Economies of scale in the production process have been the key in this business. Smaller commercial ready feed makers are hence facing survival risks in the face of competition from larger, more efficient top producers.

Over the years' modern techniques have been implemented for poultry rearing that led to gradual development of farms and hatcheries with high technology and environment-

controlled systems. There has been constant development and growth in the industry as of now and it plays one of the most important roles in the contribution to the agricultural economy. Considering this major role, the government has given top priority to this sector and encouraged private sector to come up with more investment in the field of Poultry, Dairy, Fisheries, and Agriculture etc. The industry has posted an annual growth of around 20% during last one and a half decades.

The Value of global feed industry business is around USD 400 billion a year with more than 31000 feed mill companies in the world. Current global capacity is around 980 million tons whereas in Asia there are around 13,736 manufacturers with capacity of over 350 million tones. Bangladesh, being a small country in Asia, is gradually

increasing the dimension and horizon of the feed milling industry with the total investment for the poultry sector of the country is more than BDT 5,000 Crore and more than 130,000 Poultry Farms have been established in the rural areas throughout the country. The industry has been successful in providing employment opportunities to the rural population. About 6,000,000 people are directly and indirectly involved in the poultry sector for their livelihood.

Major competitors of the Company are "Aman Feed Limited

National Feed Mills Limited, Quality Feed Limited, Paragon Feed Mill Limited, Nourish Poultry & Hatchery Ltd, Provita Feed Mill Limited, New Hope Feed Mill (BD) Ltd, Kazi Feed Limited, ACI -Godrej Agrovet (Pvt) Ltd, Aftab Feed Products Limited, Advance Poultry & Fish Feed Ltd, C.P. Bangladesh Company Ltd.

The three listed company's revenue amounts along with Index Agro are presented below:

Name	Revenue (FY19)
Index Agro Industries Ltd.	4,326.17
Aman Feed Ltd.	1,955.99
National Feed Mills Ltd.	211.65

Source: BASL Research and Company Prospectus

Financial Highlights (BDT mn)-

Financials	FY18	FY19	FY20	FY21 (Q1)
Sales	4,325	4,326	4,047	4,174
Gross Profit	598	673	608	643
Operating Profit	394	471	423	454
Profit After Tax	265	276	264	285
Financial Expenses	98	158	135	143
Assets	2,538	3,181	3,245	3,328
Total Debt	798	1,133	923	931
Equity	1,481	1,756	2,021	2,092
Retained Earnings	1,051	1,328	1,595	1,666
Margin Ratio (%)				
Gross Profit	13.8%	15.6%	15%	15.4%
Operating Profit	9.1%	10.9%	10.5%	10.9%
Net Profit	6.1%	6.4%	6.5%	6.8%
Growth (%)				
Sales	20.8%	0.0%	-6.5%	3.1%
Gross Profit	16.5%	12.5%	-9.8%	5.8%
Operating Profit	13.5%	19.4%	-10.1%	7.3%
Net Profit	23.6%	4.0%	-4.1%	7.7%
Profitability (%)				
ROA	11.1%	9.6%	8.2%	8.7%
ROE	19.7%	17%	14%	13.8%
Debt Ratio				
Debt Ratio	31.5%	35.6%	28.4%	28.0%
Debt-Equity	53.9%	64.5%	45.7%	44.5%
Int. Coverage	309	2.03	2.18	2.21
Valuation				
Rstd. EPS(BDT)	5.61	5.84	5.60	6.03
Post-IPO NAVPS	38.0	45.0	51.8	53.6

Source: BASL Research and Company Prospectus

Stock Pricing (Relative Valuation)

Particulars	Fair Value
Peer Forward PE	82.10
Market Forward PE	61.82
Pricing Sensitivity at Different PE	Value
Stock at 15x PE	83.10
Stock at 20x PE	110.8
Stock at 25x PE	138.5
Stock at 30x PE	166.2
Stock at 35x PE	193.9
Stock at 40x PE	221.6

First Three Days Circuit Breaker and Price

Day	Circuit	Price
First Day	50%	75.00
Second Day	50%	112.50
Third Day	10%	123.75

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

Latest Declaration: As per un-audited Q2 financial statements, profit after tax is Tk. 59.87 million and basic EPS of Tk. 1.54 for the 3 (three) months (October-December 2020) period ended on 31 December 2020 against profit after tax of Tk. 78.58 million and basic EPS of Tk. 2.01 for the same period of the previous year. However, Post-IPO basic EPS for the 3 (three) months (October-December 2020) period ended on 31 December 2020 would be Tk. 1.27. Moreover, profit after tax is Tk. 131.06 million and basic EPS of Tk. 3.36 for the 6 (six) months (July-December 2020) period ended on 31 December 2020 against profit after tax of Tk. 141.12 million and basic EPS of Tk. 3.62 for the same period of the previous year. However, Post-IPO EPS would be Tk. 2.77 for 6 (six) months (July-December 2020) period ended on 31 December 2020. Pre-IPO Net Asset Value (NAV) per share (considering Pre-IPO paid up shares) would be Tk. 55.17 as on 31 December 2020 and the same would be Tk. 56.12 (considering Post-IPO paid up shares). Pre-IPO weighted average paid-up number of shares for 3 (three) months (October-December 2020) and 6 (six) months (July-December 2020) period ended on 31 December 2020 was 39,000,000 which was same for the same period of the previous year and Post-IPO paid-up number of shares would be



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