

IPO Note on

IPO Note - Lub-rref (Bangladesh) Limited

IPO Size: 1,500 mn

Public Offer Price: BDT 27

DSE Ticker: LRBDL

Sector: Fuel & Power

45.24 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	1,500
IPO Size (Shares in mn)	45.24
Cut-Off Price	30
Offer Price Per Share (BDT)	27
Authorized Capital (BDT mn)	2,500
Pre-IPO Paid up Capital (BDT mn)	1,000
Post IPO Paid up Capital (BDT mn)	1,452.43
Year End	June
Revenue Size in 2018-19 (BDT mn)	1,533.943
Net Profit in 2018-19 (BDT mn)	207.63
Total Assets 2018-19 (BDT mn)	3,627.44
Retained Earnings 2018-19 (BDT mn)	1,137
Annualized. Post-IPO EPS (FY2020-21)	1.20
Post-IPO NAV per Share (FY2019-20)	34.68
Issue Manager: NRB Equity Management Limited	
Register to the Issue: BetaOne Investments Limited	

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT (mn)	As (%)
Plant & Machineries	980.00	68.04%
Repayment of Bank loan	460.43	31.96%
Total	1,440.43	100%

Source: BASL Research and Company Prospectus

The Plant & Machineries project is to be implemented within 24 months after receiving IPO Fund.

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF & CIS (50%)	22,621,544
	NRBs (10%)	4,524,300
General Public	Gen. Public (40%)	18,097,300
Total		45,243,144

Source: BASL Research and Company Prospectus

Company Overview

Lub-rref (Bangladesh) Limited is a lubricants manufacturer and supplier of quality lubricants products in the Country. It was incorporated on 18th November 2001 as a public' Limited Company by shares registered under the Companies Act 1994 and commenced its commercial operation in the year 2006. The company import Base Oil and additives to blend lube oil of various formulations to cater to the needs of the automobile and industrial sectors. The company produces around 35 formulations in a modern and fully equipped plant with the help of a most modern laboratory which includes atomic absorption equipment and marketing products under the "BNO Lubricants" Brand.

Corporate Profile

Incorporation	November 18, 2001
Commercial Operation	November 18, 2006

Chairman

MRS. RUBIYA NAHAR

Mrs. Rubiya Nahar was born in 1956. She completed her Graduation from Chittagong University. Mrs. Rubiya Nahar started her business career since the establishment of Grease House Limited, one of the pioneer company in the manufacturing of lubricants & greases. She was the Managing Director of Grease House Limited and acquired vast experience in running and managing the Company.

Managing Director

MR. MOHAMMED YOUSUF

Mohammed Yousuf started his career as a lecturer in a college very early after completing his education. He set up grease manufacturing project in Chittagong under the name & style 'Grease House Limited'. He is also an active member of NLGI of the USA and Industrial member of Society of Teratology & Lubrication Engineering (STLE), USA. Mr. Mohammed Yousuf was the Managing Director of FUCHS Bangladesh Limited. He established FUCHS-GHL Lubricants Bangladesh Limited in the year 1998, a joint Venture Lube and Grease Blending Plant with FUCHS Petrolub AG of Germany as Managing Director for 4 years. After separation from FUCHS he established Lub-rref (Bangladesh) Limited, a state of the art project for the production of new generation Lube Base Oil through Hydro finishing of both Refinery by-products & Spent Petroleum Oils as feedstock.

Factory Location

BSCIC Industrial Estate, Block-A, Sagarika Road, Chittagong

Source: BASL Research and Company Prospectus

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Revenue Composition

Particulars	BDT (mn)	As (%)
Lub-Blending Oil	Mono Grade	52.89%
Tarnsformer Oil	Industrial Grade	21.30%

Source: BASL Research and Company Prospectus

Capacity Utilization

Current Capacity

Product		2016-17	2017-18	2018-19
Blending Unit	Installed	12,550	12,550	12,550
	Utilization	6,283	6,992	12,550
	Utilization (%)	50.06%	55.71%	72.19%
Re-refining Unit	Installed	4,407	4,527	4,527
	Utilization	4,048	4,102	9,060
	Utilization (%)	91.85%	90.61%	93.22%

Projected Capacity

Product		2019-20	2020-21	2021-22
Blending Unit	Installed	12,550	12,550	12,550
	Utilization	9,966	9,555	10,701
	Utilization (%)	79.41%	76.14%	85.27%
Re-refining Unit	Installed	4,527	8,814	8,814
	Utilization	4,342	8,380	8,425
	Utilization (%)	95.91%	95.08%	95.59%

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	No. of Shares	% held
Mrs. Rubiya Nahar	3,455,140	2.38%
Mr. Mohammed Yousuf	29,567,544	20.36%
Mr. Salauddin Yousuf	3,247,520	2.24%
Ms. Israt Jahan	3,123,495	2.15%
Mr. Ahmed Hossain	3,509,300	2.15%
Alhaj Musharraf Hossain	10	-
Md. Jashim Uddin	2,143,292	1.48%
Ms. Nusrat Nahar	8,800,000	6.05%
Total	45,046,301	37.07%

Source: BASL Research and Company Prospectus

Lock-In Free Shares & Period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	53,846,301	March 09, 2024
Private Placement Holders	46,153,699	March 09, 2023
Institution & MF (Post-IPO)	18,097,258	March 09, 2021
Public (Post-IPO)	27,145,886	March 09, 2021
Total	145,243,144	

Source: BASL Research and Company Prospectus

Note: Southeast Bank Limited and Southeast Bank Capital Service Limited holds 83,00,000 shares and 5,100,000 shares respectively under private placement.

Industry Insights

Lubricants are majorly used in the industrial sector for the proper functioning of machines. They are also used in an automobile for smooth functioning and longevity of engines and other components. Lubricants are available in liquid, semi-fluid, or solid state, and possess various characteristics, such as, high viscosity index, high level of thermal stability, low freezing point, and high boiling point, all of which help to reduce friction between surfaces of machine parts and the rate of wear, without compromising operational efficiency. The increase of total demand of global lubricants demands mainly expected from the region of India & Asia – Pacific. In particular, the consumption in this region is expected to be increased by about 10% during 2015-2017. The Asian share in total global consumption of lubricants is expected to range around 43% in 2017. Asia-Pacific is the fastest growing lubricants market, at a cumulative annual growth rate (CAGR) of 3.0% (approx.) between 2014 and 2019. Asia-Pacific, Middle East & Africa regions are expected to drive the lubricants raw materials market in the recent future. These markets together accounted for around 51.0% of the total market. The growing automotive sector and industrial production have led to an enhanced demand for lubricants. The motor vehicles, Power and the Marine sector in these regions have a high share in the lubricants market.

Asia's emerging markets Bangladesh including Vietnam, Indonesia, India and the China market is the largest for lubricants comprising more than 56.0% of the total Asia-Pacific market. The market in China for lubricants is estimated to grow at a higher rate in the next five years due to increasing industrial activities in the country. On the other hand India became 5th largest energy consuming country. It surpassed the top lubricants market, the U.S. in the recent past and is projected to continue to dominate the lubricants

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market. The North American and Western Europe market has reached its mature stage, and hence, will register a sluggish growth. The top companies in the lubricants in the global market are Exxon Mobil, Shell, BP, Total, Conoco Philips and ELF-Fina. In this sector, they are being called seven sisters united as they are dominating players and fixing the price at their will globally.

Demand, Production and Import Quantities

Country	Demand (Lakh)	Production (Lakh)	Import (Lakh)
Bangladesh	1.2	0.16	1.04
India	1323	432	891
Japan	2973	-	2973
China	3236	1852	1384
South korea	1256	-	1256
Usa	10947	4065	6881
Italy	1051	584	467
France	1086	-	1086

Source: BASL Research and Company Prospectus

It is estimated that the sector-wise yearly consumptions of lubricants in Bangladesh- for Automotive Sector 65%, Industrial sector 30% and Marine & others 5%. It has been observed that, around 85% of total demand is supplied by Seven Sisters and other foreign brands. As such there is an ample opportunity to replace the foreign brand by a national brand "BNO Lubricants" in the greater interest of local industries in Bangladesh. In persuasion to the same, last couple of decades, the management of Lub-rref (Bangladesh) Ltd. has put utmost efforts for acquiring Advanced Technology and Technical Know-How, Manpower Development, setting up of a R & D Laboratory etc. Furthermore, in order to reduce foreign dependency on import of base fluid for Lubricants Lub-rref (Bangladesh) Ltd. has also taken initiative to set up State-Of-The-Art Base Oil Refinery which will fulfill local demand and make the country export lead one, the first time in the history of this sector.

The market players in the lubricant industry are as follows:

Listed Companies:

Company Name	Sales Volume	"Market Share in 2019
MJL Bangladesh Limited	10,457,322,693	86.94%
Eastern Lubricants Limited	7,600,000	0.06%
Lub-rref (Bangladesh) Limited	1,562,967,795	12.99%

Source: BASL Research and Company Prospectus

Non-listed Companies:

Sl. No	Company Name	Brands
1	Megna Petroleum Ltd.	BP
2	Padma Oil Company	Total
3	Gulf Oil Bangladesh Ltd.	Gulf
4	Rahimafrooz Distribution Ltd.	Castrol
5	Petroleum Ltd.	Conoco
6	Fuchs Lubricants Bangladesh Ltd.	Fuchs
7	Navana Petroleum Ltd.	CALTEX
8	Ranks Petroleum Ltd.	Shell
9	Pacific Oil	SINO
1	Megna Petroleum Ltd.	BP
2	Padma Oil Company	Total
3	Gulf Oil Bangladesh Ltd.	Gulf

Source: BASL Research and Company Prospectus

Financial Highlights (BDT mn)-

Financials	FY17	FY18	FY19	FY20
Sales	465	1,187	1,376	2,045
Operating Profit	73	207	273	408
Profit After Tax	62	151	205	277
Financial Expenses	3,096	4,160	4,651	5,047
Assets	831	620	599	673
Total Debt	782	749	744	754
Equity	1,342	2,589	2,984	3,193
Dividend (C/B) %				
Margin Ratio (%)				
Gross Profit	30%	32%	32%	32%
Operating Profit	16%	17%	20%	20%
Net Profit	13%	13%	15%	14%
Growth (%)				
Sales		155%	16%	49%
Gross Profit		174%	15%	49%
Operating Profit		185%	32%	50%
Net Profit		185%	30%	35%
Profitability (%)				
ROA	2%	4%	4%	4%
ROE	5%	6%	7%	7%
Debt Ratio				
Debt Ratio	52%	33%	29%	28%
Debt-Equity	120%	53%	45%	45%
Int. Coverage	1.4	1.6	2.6	2.4
Valuation				
Rstd. EPS(BDT)	0.42	1.04	1.41	1.43
Post-IPO NAVPS	9.2	17.8	20.5	22.0

Source: BASL Research and Company Prospectus

Stock Pricing

Pricing Sensitivity at Different PE	Value
Stock at 15x PE	18
Stock at 20x PE	24
Stock at 25x PE	30
Stock at 30x PE	36
Stock at 35x PE	42
Stock at 40x PE	48

First Three Days Circuit Breaker and Price

Day	Circuit	Price
First Day	50%	40.50
Second Day	50%	60.70
Third Day	10%	66.70

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

As per un-audited Q2 financial statements, profit after tax is Tk. 58.97 million and basic EPS of Tk. 0.59 for the 3 (three) months (October-December 2020) period ended on 31 December 2020 against profit after tax of Tk. 51.93 million and basic EPS of Tk. 0.52 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. 0.41. Moreover, profit after tax is Tk. 86.61 million and basic EPS of Tk. 0.87 for the 6 (six) months (July-December 2020) period ended on 31 December 2020 against profit after tax of Tk. 76.59 million and basic EPS of Tk. 0.77 for the same period of the previous year. However, Post-IPO EPS would be Tk. 0.60 for 6 (six) months (July-December 2020) period ended on 31 December 2020. Pre-IPO Net Asset Value (NAV) per share with revaluation (considering Pre-IPO paid up shares) would be Tk. 35.37 as on 31 December 2020 and the same would be Tk. 34.68 (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 100,000,000 which was same for the same period of the previous year and Post-IPO paid-up number of shares would be 145,243,144.

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Statement of Profit or Loss and Other Comprehensive Income

Financials	FY16	FY17	FY18	FY19
Revenue	465,050,539	1,186,777,624	1,375,933,622	1,533,942,711
Cost of goods sold	324,391,213	801,905,596	933,851,840	1,040,883,326
Gross profit	140,659,326	384,872,028	442,081,782	493,059,385
Operating Expenses	17,231,254	48,554,336	57,598,644	57,225,162
Financial Expenses	50,796,845	129,302,713	111,704,269	129,844,567
Operating Income	72,631,227	207,014,979	272,778,869	305,989,656
Non-Operating Income	649,807	1,597,765	12,630,446	9,791,702
Net Profit Before Tax & WPPF	73,281,034	208,612,744	285,409,315	315,781,358
Provision for WPPF			13,590,920	15,037,208
Net Profit Before Tax	73,281,034	208,612,744	271,818,395	300,744,150
Current Tax	1,645,879	7,729,414	12,788,768	35,710,818
Deferred Tax	10,093,908	50,290,962	54,525,300	57,403,279
Net Profit after Tax	61,541,247	150,592,368	204,504,327	207,630,053
Total Comprehensive Income	61,541,247	151,984,396	524,665,623	208,754,472
Restated Earnings Per Share (EPS)	0.42	1.04	1.41	1.43

Statement of Financial Position

Financials	FY16	FY17	FY18	FY19
Assets:				
Non-Current Assets	2,306,320,414	2,883,322,598	3,356,504,608	3,627,445,483
Property, Plant & Equipment	2,306,320,414	2,883,322,598	3,356,504,608	3,627,445,483
Current Assets	790,019,665	1,276,972,042	1,294,612,446	1,419,884,171
Inventories	196,593,883	394,096,791	490,787,134	515,046,937
Accounts Receivable	301,640,755	350,533,704	346,224,382	407,670,496
Advances, Deposits & Prepayments	138,523,739	281,759,388	278,687,677	351,515,545
Related Party Current Accounts	141,426,472	176,845,436	48,180,000	67,526,936
Cash & Cash Equivalents	11,834,816	73,736,723	130,733,253	78,124,257
Total Assets	3,096,340,079	4,160,294,640	4,651,117,054	5,047,329,654
Shareholders Equity & Liabilities:				
Shareholders' Equity	1,342,037,535	2,588,979,412	2,984,337,610	3,193,092,083
Share Capital	285,313,480	700,000,000	1,000,000,000	1,000,000,000
Share Premium			458,500,000	458,500,000
Revaluation reserve	304,797,679	631,121,062	603,645,902	597,274,195
Retained Earnings	553,262,794	709,358,350	922,191,708	1,137,317,888
Share Money Deposit	198,663,582	548,500,000		
Liabilities:				
Non-Current Liabilities	895,679,226	912,904,578	996,471,549	1,062,096,527
Long Term bank Loan	782,120,023	746,868,483	742,895,373	753,066,795
Lease Liabilities - current		2,185,930	1,459,486	634,182
Deferred Tax Liability	113,559,203	163,850,165	252,116,690	308,395,550
Current Liabilities	858,623,318	658,410,650	670,307,895	792,141,046
Non-Current Liabilities	895,679,226	912,904,578	996,471,549	1,062,096,527
Long Term bank Loan	782,120,023	746,868,483	742,895,373	753,066,795
Lease Liabilities - current		2,185,930	1,459,486	634,182
Deferred Tax Liability	113,559,203	163,850,165	252,116,690	308,395,550
Current Liabilities	858,623,318	658,410,650	670,307,895	792,141,046
Current portion of secured Term Loan	78,000,000	78,000,000	78,000,000	234,000,000
Lease Liabilities - current		1,147,716	1,147,716	1,147,716
Short Term Loan	753,292,674	542,149,034	521,423,550	439,170,175
Provision for Contribution to WPPF			13,590,920	15,037,208
Accounts Payable	78,000,000	78,000,000	78,000,000	234,000,000
Income Tax Payable	7,534,990	10,370,086	12,516,851	28,294,927
Liabilities for Expenses	9,595,053	17,324,467	30,113,234	65,824,051
Total Liabilities:	10,200,601	9,419,347	13,515,624	8,666,969
Total Shareholders' Equity & Liabilities	1,754,302,544	1,571,315,228	1,666,779,444	1,854,237,573



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BASL Research Team

Mr. Shariful Alam Chowdhury
Head of Research & Investments

tushar@basl-bd.com, tusharbd@bloomberg.net

Mr. Shohidul Islam
Research Analyst

shohidul@basl-bd.com, shohidulbd@bloomberg.net

BASL Networks

Head Office

Hadi Mansion (2nd Floor)
2, Dilkusha Commercial Area
Dhaka-1000, Bangladesh
Phone: +88-02-9515826-28
Fax: +88-02-9567884

Dhanmondi Branch

Meher Plaza (1st Floor),
House # 13/A, Road # 05
Dhanmondi, Dhaka - 1207
Phone: +8802-8624874-5

Mirpur Branch

Nishi Plaza, plot # 01,
Avenue-04, Section-06, Block-C
Mirpur, Dhaka - 1216
Phone: +88-02-9013841

Uttara Branch

House # 79/A, (4th Floor),
Road # 07, Sector # 04
Uttara Model Town, Dhaka-1230
Phone: +88-02-8958371

Banani Branch

Nur Empori, Plot # 77 (1st Floor),
Road No # 11, Banani,
Dhaka-1213
Phone: +8801716180767

Bijoynagar Extension

Prime Tower (3rd Floor), 180-
181
Dhaka-1213
Phone: +8801811408385

Khulna Branch

28, Sir Iqbal Road (1st Floor)
Khulna
Phone: +88-041-731208-9

For International Trade & Sales, please call at +8801993111666, +880 02 9515826, Ext: 101 at Business hour. For further query, write to us at research@basl-bd.com.

For further query, write to us at research@basl-bd.com.