



IPO Note on Ring Shine Textiles Limited

IPO Size: 1500 mn

Offer Price: BDT 10

DSE Ticker: RINGSHINE

Sector: Textile

112.5 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	1500
IPO Size (Shares in mn)	150
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	4400
Pre-IPO Paid up Capital (BDT mn)	2851
Post IPO Paid up Capital (BDT mn)	4351
Year End	June
Revenue Size in 2017-18 (BDT mn)	9,995
Net Profit in 2017-18 (BDT mn)	554
Total Assets 2017-18 (BDT mn)	12,078
Retained Earnings 2017-18 (BDT mn)	3,754
Annualized. Post-IPO EPS (Q1, 2019-20)	1.84
Post-IPO NAV per Share (Q1, 2019-20)	20.17
Issue Managers: AFC Capital Limited & CAPM Advisory Limited	

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT (mn)	As (%)
Acquisition of Machineries & Equipment	964,000,000	64.27%
Loan Repayment	500,000,000	33.33%
IPO Expenses	36,000,000	2.40%
Total	1,500,000,000	100%

Source: BASL Research and Company Prospectus

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF & CIS (10%)	15,000,000
	Other EIs (40%)	60,000,000
General Public	NRBs (10%)	15,000,000
	Gen. Public (40%)	60,000,000
Total		150,000,000

Source: BASL Research and Company Prospectus

Company Overview

Ring Shine Textiles Ltd. (RSTL), started its journey in 1997, is a one of the modern garment composite mill in Bangladesh. The principal activities of the Company is to manufacture and market of gray and finished fleece fabrics of various qualities and dyed yarn to 100% export oriented Garments industries in Bangladesh. Currently, the company has the capacity of the plant at Dying of 2,75,40,000 Kgs of Acrylic & Cotton based yarn, Spinning of 51,00,000 Kgs of Acrylic yarn, Knitting of 1,21,60,000 Kgs of Fleece fabric, and Dying and Finishing of 1,30,00,000 Kgs of Fleece fabric.

Corporate Profile

Incorporation	December, 1997
Commercial Operation	August, 1998

Chairman

Mr. Sung Jye Min, a Singapore national, is the Chairperson of the company enrolling vastly experiences in Textile Industry. He is well-reputed Businessman and highly qualified professional with proven record of success in marketing and project management. He visited many countries in connection with business and has gathered sufficient knowledge required to run a business smoothly and profitably.

Managing Director

Mr. Sung Wey Min Mr. Sung Wey Min is a visionary entrepreneur investor and philanthropist. He is vastly experienced in the textile and dying sector. He is an Indonesian national with dynamic leadership quality. Under the leadership of Sung Wey Min, Ring Shine Textiles Limited enjoyed huge business growth. Mr.Min's Innovative business idea and ability to respond promptly to the contemporary changes in modern era's fashion and tastes are the keys to the success of Ring Shine Textiles Limited. He is energetic and dynamic.

Factory Location	DEPZ, Ganakbari, Savar
Subsidiary/Associate	None

Source: BASL Research and Company Prospectus

Revenue Composition

Product & Services	Revenue Contribution
Yarn	70.89%
Polar Fleece	29.11%

Source: BASL Research and Company Prospectus

Capacity Utilization

Current Capacity (Million in Kgs)

Product		2015-16	2016-17	2017-18
Dyed Yarn	Installed	27.54	27.54	27.54
	Utilization	18.86	19.04	22.54
	Utilization (%)	68.47%	69.14%	81.85%
Spinning	Installed	5.10	5.10	5.10
	Utilization	4.78	4.87	4.97
	Utilization (%)	93.65%	95.40%	97.39%
Fleece fabric Knitting	Installed	12.16	12.16	12.16
	Utilization	8.67	8.96	9.35
	Utilization (%)	71.28%	73.65%	76.93%
Fleece fabric Dyeing & finishing	Installed	13.00	13.00	13.00
	Utilization	8.71	8.84	8.97
	Utilization (%)	67.04%	68.01%	69.01%

Projected Capacity

Product		2018-19	2019-20	2020-21
Dyed Yarn	Installed	27.54	27.54	27.54
	Utilization	23.12	23.57	24.17
	Utilization (%)	83.92%	85.52%	87.73%
Spinning	Installed	5.10	5.10	5.10
	Utilization	4.99	5.01	5.03
	Utilization (%)	97.82%	98.21%	98.60%
Fleece fabric Knitting	Installed	12.16	12.16	12.16
	Utilization	10.17	10.21	10.87
	Utilization (%)	83.62%	83.94%	89.38%
Fleece fabric Dyeing & finishing	Installed	13.00	13.00	13.00
	Utilization	9.13	9.57	10.03
	Utilization (%)	70.21%	73.60%	77.13%

New Project - Capacity (Million in meter)

Denim Fabric	Installed	-	17.60	17.60
	Utilization	-	8.80	15.84
	Utilization (%)	-	50.00%	90.00%

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	% held	No. of Shares
Sung Wey Min	6.52%	18,591,650
Hsiao Hai He	5.14%	14,651,900
Sung Wen Li Angela	5.24%	14,938,450
Sung Chung Yao	5.19%	14,785,000
Sheao Yen Shin	5.18%	14,771,800
Hsiao Liu Yi Chi	5.22%	14,883,700
Chuk Kwan	5.24%	14,927,970
Sung Jye Min	3.42%	14,893,750
Hang Siew Lai	3.40%	14,790,000
Total	31.54%	137,234,220

Source: BASL Research and Company Prospectus

Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	137,234,220	December 12, 2022
Private Placement Holders	147,820,600	December 12, 2020
	37,500,000	December 12, 2019
Institutions (Post-IPO)	18,750,000	June 12, 2020
	18,750,000	September 12, 2020
Public (Post-IPO)	75,000,000	December 12, 2019
Total	435,054,820	

Source: BASL Research and Company Prospectus

Industry Insights

Bangladesh is the second largest ready-made garments (RMG) exporting country in the world next to China. The apparels account for more than 81 per cent of Bangladesh's total merchandise export. In 2017-18 Bangladesh received 83.49% of total export earnings from Readymade Garments (Woven and Knitwear). According to the data of Export Promotion Bureau (EPB), the country's overall exports grew 5.81 percent in the outgoing fiscal year 2017-18 (FY18) to \$36.67 billion from \$34.65 billion of the fiscal year 2016-17 (FY17) mainly due to the higher shipment of garment products. In FY17, the country earned \$28.15 billion by exporting garments items.

The success of the garment industry very much depends on how effectively RMG sector linkages operate backward and forward. Supporting basic textile industries such as spinning, weaving/ knitting, dyeing and finishing industries are known as backward linkage industries. So the knit sector which belongs to the backward linkages industry is a sub-sector of Bangladesh's textile and clothing industry and also one of the largest knit garments manufacturing industry in the world. The sector is producing top quality knit garments for global fast fashion brands. Like many other sub-segments of the textile and apparel industry, the knit sector in Bangladesh has been suffering from profitability crisis.

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The revenue size of related listed companies engaged in same industries in Bangladesh are:

Revenue Composition

Major Competitors	Turnover (mn)
Ring Shine Textiles Limited	9,995
Queen South Textiles (BD) Limited	2,791
Nurani Dyeing & Sweater Limited	876
M.L. Dyeing Limited	1,798
Anlima Yarn Dyeing Limited	142
Shepherd Industried Limited	2,131

Source: BASL Research and Company Prospectus

Financial Highlights (BDT mn)

Financials	FY16 (Jan-Jun)	FY17	FY18	FY19 (9M)
Sales	4,262	8,812	9,995	7,653
Operating Profit	438	915	974	741
Profit After Tax	237	510	554	420
Assets	11,134	11,196	12,078	12,424
Short Term Debt	3,610	3,340	3,798	3,688
Long Term Debt	162	76	-	-
Equity	2,789	3,299	6,605	7,025
Dividend (C/B) %				
Margin Ratio (%)				
Gross Profit	12%	12%	11%	11%
Operating Profit	10%	10%	10%	10%
Pretax Profit	7%	7%	7%	6%
Net Profit	6%	6%	6%	5%
Growth (%)				
Sales		107%	13%	2%
Gross Profit		108%	6%	1%
Operating Profit		109%	6%	1%
Net Profit		115%	9%	1%
Profitability (%)				
ROA	2%	5%	5%	3%
ROE	9%	15%	8%	6%
Debt Ratio				
Debt Ratio	34%	31%	31%	30%
Debt-Equity	135%	104%	57%	52%
Int. Coverage	1.4	1.6	1.7	1.7
Valuation				
Rstd. EPS(BDT)	0.55	1.17	1.27	0.97
Post-IPO NAVPS	6.4	7.6	15.2	16.1

Source: BASL Research and Company Prospectus

Note: The growth for FY19 for data of nine months has been annualized.

Investment Rationale

- The company is showing a positive in revenue and profitability margin over the last few years.
- As the company has long experience in backward industry of ready-made garments specially yarn and dyeing business, it has undertaken an expansion project of setting up a 100% export oriented denim fabrics manufacturing Project to meet up the growing demand for various thickness, color & types of denim fabrics for the export oriented garments industry in Bangladesh. For this purpose, the company has raised fund of BDT 964 mn which will be financed through IPO. The company is expecting to add the new production line with a capacity of 17,600,000 Meter. These will escalate profitability for the company.
- Debt ratio and Debt to ratio of the company is decreasing over years. In the third quarter of FY2019 Debt ratio of the company stood at 30% while it was 34% in FY2016 whereas the Debt to Equity ratio was 52% against 135%

Risk Factors

- The growth of profitability for last three years is showing a down trend. Return on equity and asset is lower than industry average.
- Though the company has over 20 years of experience in the textile industry but there are some strong brand and market leader in the local industry. So, the risk of substitute product is high.
- The garments industry of Bangladesh is exporting its product on large scale to European countries. In recent time, the economy of Europe is having slow in nature. The business performance of the company may be impacted negatively with the decreasing turnover in recent time.
- The devaluation of currency of competitive countries is make more competitive to customers. Our export is severely affected due to this factor.
- The price of raw materials of the company went high with slight devaluation of BD currency. Besides, the increased wages of labor and other utility services is decreasing the gross margin of the industry
- 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.
- The Company will utilize IPO fund for production of denim fabric which is a new line of product. The company may face any adverse situation for introduction of this new line of product.



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Stock Pricing

Relative Valuation	Multiple	Fair Value
Industry Forward P/E	12.3	22.7
Peer Forward P/E	15.7	29.0
Price to Book Value	1.2	24.7
Market Forward P/E	12.6	23.2
Latest Post-IPO NAV (Q1-2019-20)		20.2
Last twelve months avg. Price of Peer Companies		28.6
Pricing Sensitivity at Different PE		Value
Stock at 15x PE		28
Stock at 20x PE		37
Stock at 25x PE		46
Stock at 30x PE		55
Stock at 35x PE		64
Stock at 40x PE		74

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

Note: DSSL, SHEPHERD, HWAWELLTEX, NURANI, QUEENSOUTH and MLDYEING are considered as peer companies of EKCL.

As per relative valuation, the fair value of RSTL ranges from 22.7 to 29.0. And the last twelve months average price of peer companies is 28.6.

Statement of Profit or Loss and Other Comprehensive Income

Financials	FY16 (Jan-Jun)	FY17	FY18	FY18-19(9M)
Revenue	4,261,760,650	8,812,496,183	9,995,341,888	7,652,625,181
Cost of goods sold	3,755,029,630	7,759,914,862	8,879,495,885	6,804,634,231
Gross profit	506,731,020	1,052,581,321	1,115,846,003	847,990,950
Operating expenses	68,901,629	137,571,798	141,894,982	107,123,815
Operating Income	437,829,391	915,009,523	973,951,021	740,867,135
Financial Expenses	164,919,909	322,075,873	329,350,169	252,684,824
Foreign Exchange Gain (loss)	2,501,980	2,154,187	2,751,428	2,464,034
Net Operating Profit	275,411,462	595,087,837	647,352,280	490,646,345
Other Income	4,939,363	6,632,017	6,134,886	5,255,223
Net Profit Before Tax	280,350,825	601,719,854	653,487,166	495,901,568
Income tax expenses	43,040,496	91,584,381	99,250,052	75,436,280
Net Profit after Tax	237,310,329	510,135,473	554,237,114	420,465,288
Restated Earnings Per Share (EPS)	0.55	1.17	1.27	0.97

Source: BASL Research and Company Prospectus

Statement of Financial Position

Financials	FY14	FY15	FY16	FY17
Financials	FY16 (Jan-Jun)	FY17	FY18	FY18-19(9M)
Assets:				
Non-Current Assets	6,256,912,215	6,136,428,560	6,145,787,670	5,935,534,641
Property, Plant & Equipment	6,144,655,493	6,056,953,013	6,067,669,198	5,857,261,951
Investment	76,838,013	79,475,547	78,118,472	78,272,690
Capital Work-In-Progress	35,418,709			
Current Assets	4,876,797,977	5,059,109,254	5,932,562,724	6,488,200,375
Inventories	2,456,340,909	2,675,549,823	2,935,448,666	3,054,210,846
Accounts Receivable	2,280,238,312	2,228,680,619	2,854,106,381	3,241,052,640
Advances, Deposits & Prepayments	83,390,453	66,854,553	52,663,788	41,871,419
Advance Income Tax	25,186,501	63,861,646	65,983,151	121,524,183
Cash & Cash Equivalents	31,641,802	24,162,613	24,360,738	29,541,287
Total Assets	11,133,710,192	11,195,537,814	12,078,350,394	12,423,735,016
Shareholders Equity & Liabilities:				
Shareholders' Equity	2,788,867,339	3,299,302,812	6,604,588,126	7,025,053,414
Share Capital	99,200,000	99,500,000	2,850,548,200	2,850,548,200
Retained Earnings	2,689,667,339	3,199,802,812	3,754,039,926	4,174,505,214
Share Money Deposit	2,670,504,200	2,670,204,200		
Liabilities:				
Non-Current Liabilities	654,800,198	591,232,782	532,885,033	535,312,422
Long Term bank Loan	162,221,660	76,453,212		
Deferred Tax Liability	492,578,538	514,779,570	532,885,033	535,312,422
Current Liabilities	5,019,538,455	4,634,798,020	4,940,877,235	4,863,369,180
Accounts Payable	1,441,426,680	1,130,849,607	929,089,574	894,024,961
Current portion of secured Term Loan		70,440,000		
Short term loan	3,447,470,772	3,263,833,894	3,797,524,748	3,688,038,556
Provision for Income Tax	33,501,924	69,383,349	81,144,589	154,153,480
Outstanding Liabilities	97,139,079	100,291,170	133,118,324	127,152,183
Total Liabilities:	5,674,338,653	5,226,030,802	5,473,762,268	5,398,681,602
Total Shareholders' Equity & Liabilities	11,133,710,192	11,195,537,814	12,078,350,394	12,423,735,016

Source: BASL Research and Company Prospectus



IPO Note on Ring Shine Textiles Limited

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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

Tanzin Naher
Research Associate

tanzin@basl-bd.com

BASL Networks

Head Office

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

Modhumita Extension Office

158-160 Modhumita Building
(5th Floor)
Motijheel C/A, Dhaka-1000
Phone: +88-01819118893

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

Bijoyagar Extension

Prime Tower (3rd Floor),
180-181
Dhaka-1213
Phone: +8801716180767

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.