



# IPO Note on

## Sea Pearl Beach Resort and Spa Limited

IPO Size: 150 mn

Offer Price: BDT 10

DSE Ticker: SEAPEARL

Sector: Travel & Leisure

11.3 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)	2000
Pre-IPO Paid up Capital (BDT mn)	1000
Post IPO Paid up Capital (BDT mn)	1150
Year End	June
Revenue Size in 2017-18 (BDT mn)	467
Net Profit in 2017-18 (BDT mn)	46
Total Assets (BDT mn)	4,787
Retained Earnings (BDT mn)	1,940
Ann Post-IPO EPS (as per Q3, 2018-19)	0.71
Post-IPO NAV per Share (as per Q3, 2018-19)	10.95
Issue Date of Prospectus	Mar 28, 2019

Issue Managers: Banco Finance and investment limited & Prime Bank investment Limited

Source: BASL Research and Company Prospectus

### IPO utilization Plan

Particulars	BDT (mn)	As (%)
Interior, finishing, furniture & fixture	106,827,300	71.22%
Acquisition of land	26,660,000	17.77%
IPO Expenses	16,512,700	11.01%
<b>Total</b>	<b>150,000,000</b>	<b>100%</b>

Source: BASL Research and Company Prospectus

### IPO Shareholding Composition

Category	(%)	No. of Stocks
<b>Eligible Investors (EIs)</b>	MF & EI (10%)	1,500,000
	Other EIs (40%)	6,000,000
	NRBs (10%)	1,500,000
<b>General Public</b>	Gen. Public (40%)	6,000,000
<b>Total</b>		<b>15,000,000</b>

Source: BASL Research and Company Prospectus

### Company Overview

Sea Pearl Beach Resort & Spa Limited (the owner of "Royal Tulip Sea Pearl Beach Resort & Spa Cox's Bazar"), a luxury resort & hotel in Bangladesh, started its commercial operation from 17 September, 2015. The principal activities of the Company are carrying out Resort & Hotel business. There is a franchise Agreement between Sea Pearl Beach Resort & Spa Limited and GT Investment BV, a limited liability company Netherlands to carried out the business activities. The resort is operated by Europe's Louvre Hotels Group, which is allied with Golden Tulip Hospitality Group operating in the upper- and luxury segments of the market. This group is based in France and a major player in global hotel and resort industry and currently managing and franchising more than 1100 hotels in nearly 50 countries throughout the world. Prime Bank and other nine lenders raised Tk 85 crore in syndicated loans in 2010 for construction of the resort.

### Corporate Profile

Incorporation	May 26, 2009
Commercial Operation	Sep 17, 2015

#### Chairman

Lucy Akhtary Mahal is the Chairperson of Sea Pearl Beach Resort and Spa Limited and has been in business for more than 35 years. At first, she entered into construction business in 1984. she has a long experience in managing hotel and resort industry and presently she is holding 2.04% share of the company.

#### Managing Director

Md. Aminul Haque is the Managing Director Sea Pearl Beach Resort and Spa Limited. He has almost 35 years of experience in this industry. Currently he is holding 2.30% share of the company. After successfully completing his education he entered into business arena in 1984 and has excellent business record as recognition of his contribution.

Project Location	Inani, Cox's Bazar
Subsidiary/Associate	None

Source: BASL Research and Company Prospectus

### Revenue Composition

Product & Services	Revenue Contribution
Room Revenue	51.22%
Food & Beverage Revenue	41.28%

Source: BASL Research and Company Prospectus

## Capacity Utilization

### Current Capacity

Product	Capacity (Room)	2018-19	2015-16	2016-17
Rooms and Suites	Installed	81,249	1000	1000
	Utilization	49,660	18867	31741
	Utilization (%)	61.12	18.87	31.74

### Projected Capacity

Rooms and Suites	Installed	87,965	130,355	145,270
	Utilization	55,770	87,816	99,123
	Utilization (%)	63.40	67.37	68.23

Source: BASL Research and Company Prospectus

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

Name of Directors and Sponsors	% held	No. of Shares
Shamim Enterprise, Director	40.40%	46,458,000
Md. Aminul Haque, Managing Director	2.30%	2,650,000
Lucy Akhtary Mahal, Chairman	2.04%	2,350,000
Md. Ekramul Hoque, Director	2.09%	2,400,000
Others	53.17%	46,142,000
<b>Total</b>	<b>100%</b>	<b>100,000,000</b>

Source: BASL Research and Company Prospectus

## Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	53,858,000	July 16, 2022
Private Placement Holders	46,142,000	July 16, 2020
Institutions (Post-IPO)	3,750,000	July 16, 2019
	1,875,000	Jan 16, 2020
	1,875,000	April 16, 2020
Public (Post-IPO)	7,500,000	April 16, 2019
<b>Total</b>	<b>115,000,000</b>	

Source: BASL Research and Company Prospectus

## Industry Insights

Bangladesh is full of natural beauty. Rivers, coasts and beaches, archaeological sites, religious places, hills, forests, waterfalls, tea gardens surround it. Significant number of domestic and foreign tourists visit to observe the beauty of nature, the country and its tourist attraction sites. Bangladesh's tourism sector has grown with the pace of the country's economic growth in the past decade, as more and more people are having sizeable disposable income. According to different tour operators, the number of domestic tourists rose to 70 lakh in 2017 from 60 lakh a year earlier. The tourism board recorded 778,143 inbound tourists last year and the country made revenue of \$97.05 million from foreign tourists.

The worldwide travel & tourism industry continued to see strong growth throughout 2015 and international tourist arrivals are predicted to grow by 3-4% per year, to reach 1.8 billion in 2030, according to the UNWTO report. The market has grown at an average of 3.7 per cent over the past five years and is projected to grow by an average of 4.9 per cent over the next five years, with Asia and Pacific regions recording the fastest growth rate. According to an estimate 9,000 international standard rooms will be available in Bangladesh in next 5 years. In this connection initial contacts have been signed by some leading international chains already for construction of hotels and resorts in Dhaka, Chittagong, Cox's Bazar and Sylhet.

The direct contribution of Travel & Tourism to GDP was BDT193.0 billion (2.1% of total GDP) in 2012, which was 7.7% in 2013, 296.6 billion taka (1.9 % of total GDP) in 2014 and is forecast to grow by 6.1 percent per annum to 566.3 billion taka (1.9 percent of total GDP) by 2025. Furthermore, in 2014, the total contribution of tourism to employment, including jobs indirectly supported by this industry was 3.6 percent of total employment which equals to 1,984, 000 jobs. By 2025, tourism is forecast to support 2,492,000 jobs (3.6 percent of total employment).

The government has enacted a Tourist Resort Act in 2010 to safe guard the interest of the tourist areas. Tourism can only be sustainable if it is carefully managed so that probable negative effects on the host community and the environment are not permitted to outweigh the financial benefits

## Financial Highlights (BDT mn)

Financials	FY16	FY17	FY18	FY18-19(6m)
Sales	75	332	469	286
Operating Profit	(6.1)	143	186	139.65
Profit After Tax	(28.7)	30	46	34
Assets	3,904	4,129	4,787	4,902
Short Term Debt	226	284	126	22
Long Term Debt	2,465	3,203	3,495	3,664
Equity	34	87	1,048	1,081
Dividend (C/B) %	-	-	-	-
<b>Margin Ratio (%)</b>				
Gross Profit	65%	80%	78%	80%
Operating Profit	-8%	43%	40%	49%
Pretax Profit	-59%	14%	18%	18%
Net Profit	-38%	9%	10%	12%
<b>Growth (%)</b>				
Sales		344%	41%	71%
Gross Profit		447%	39%	78%
Operating Profit		-2460%	30%	242%
Net Profit		-205%	80%	109%
<b>Profitability (%)</b>				
ROA	-1%	1%	1%	1%
ROE	-85%	35%	4%	3%
<b>Debt Ratio</b>				
Debt Ratio	69%	84%	76%	75%
Debt-Equity	7962%	4028%	346%	341%
Int. Coverage	-0.8	0.3	0.5	0.4
<b>Valuation</b>				
Rstd. EPS(BDT)	-0.42	0.44	0.67	0.49
Post-IPO NAVPS	0.3	0.8	9.1	9.4

Source: BASL Research and Company Prospectus

## Investment Rationale

- The company is showing an increasing trend in profitability margin over the last three years along with a topline growth of 71% sales growth in the latest year.
- Debt ratio and Debt to Equity ratio of the company is slightly decreasing over the years. In the year of 2017, short term debt and long-term high interest-bearing loan has been paid off through issuing comparable low interest-bearing bond, which reduced the interest burden of the company. Debt ratio of the company stood at 84% while it was 76% in 2017-18. Moreover, the company is also able to maintain a stable growth in ROA for the last three years.
- With the IPO proceeds, SEAPEARL to spend BDT 106 mn in interior, finishing furniture and fixture work for 157 room. As a result of this expansion project, the occupancy is expected to increase by rate 67.37%, 68.23% and 68.67% in the next three years.
- Tourism project is hovering faster at Cox's bazar through last ten years. Sea Pearl Beach Resort and Spa Limited has procured 1490 decimal land at Bandarban. At

present the land is vacant and will be used for expansion of business in near future.

## Risk Factors

- The company has raised capital 325 crore Tk. from ICB through issuance of SPBRSL 20% convertible bond to increase momentum of the business in 2017. In this regard major risk is associated with the company as because 108 crore Tk. (Principle +interest) per year has to be paid off from the year 2020 to 2025. If the company fails to manage smooth cash flow during the said period from its operational activities, then it will face a great business risk and the sustainability of the business will be threatened in future.
- There is a Franchise agreement between GT Investment BV and Sea Pearl Beach Resort and Spa Limited. If Management of SPBRSL does not fulfill the said clause in line with the above agreement or any breach of the said requirement Golden Tulip possesses the right to terminate this agreement. Moreover, there is a seasonality effect on this business.
- 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	25.9	18.3
Peer Forward P/E	21.3	15.1
Price to Book Value	0.7	7.5
Market Forward P/E	15.3	10.8
Latest Post-IPO NAV (Q3-2018-19)		11.0
Last twelve months avg. Price of Peer Companies		40.7
<b>Pricing Sensitivity at Different PE</b>		<b>Value</b>
Stock at 15x PE		11
Stock at 20x PE		14
Stock at 25x PE		18
Stock at 30x PE		21
Stock at 35x PE		25
Stock at 40x PE		28

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

\*\*PENINSULA and UNIQUEHRL are considered as peer companies of SEAPEARL.

As per relative valuation, the fair value of SEAPEARL ranges from 7.5 to 18.3. And the last twelve months average price of peer companies is 40.7.



# IPO Note on Sea Pearl Beach Resort and Spa Limited

<b>Statement of Profit or Loss and Other Comprehensive Income</b>				
<b>Financials</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Revenue	74,597,418	331,565,052	468,895,376	286,007,830
Cost of goods sold	26,352,768	67,712,481	102,054,551	58,323,265
<b>Gross profit</b>	<b>48,244,650</b>	<b>263,852,571</b>	<b>366,840,825</b>	<b>227,684,565</b>
Operating expenses	0	0	0	0
Administrative Expenses	52,531,537	117,591,372	176,765,201	83,922,743
Selling and Distribution Expenses	1,774,442	3,228,186	4,214,397	4,107,365
<b>Operating Profit</b>	<b>-6,061,329</b>	<b>143,033,013</b>	<b>185,861,227</b>	<b>139,654,457</b>
Financial Expenses	38,098,942	96,464,826	97,940,475	88,061,269
Other Income	0	0	0	3,819,423
<b>Profit Before Contribution to WPPF Fund</b>	<b>-44,160,271</b>	<b>46,568,187</b>	<b>87,920,752</b>	<b>55,412,611</b>
Contribution to WPPF & Welfare Fund	0	0	4,186,702	2,638,696
Provision for loss on investment in shares	0	0	0	0
<b>Net Profit Before Tax</b>	<b>-44,160,271</b>	<b>46,568,187</b>	<b>83,734,050</b>	<b>52,773,915</b>
Income tax expenses	15,456,095	16,298,866	37,642,100	19,271,749
<b>Net Profit after Tax</b>	<b>-28,704,176</b>	<b>30,269,321</b>	<b>46,091,950</b>	<b>33,502,166</b>
Restated Earnings Per Share (EPS)	-0.42	0.44	0.67	0.49

Source: BASL Research and Company Prospectus

## Statement of Financial Position

Financials	FY16	FY17	FY18	FY18-19
<b>Non-Current Assets</b>	<b>3,858,199,628</b>	<b>3,890,057,369</b>	<b>3,976,048,507</b>	<b>4,214,057,754</b>
Property, Plant & Equipment	985,360,383	1,829,024,264	2,825,715,149	2,815,975,193
Capital Work-In-Progress	2,745,579,867	2,214,225,057	1,505,295,604	1,764,147,340
Deferred Tax Assets	15,456,095	-	-	-
Intangible assets	-	-	-	-
Preliminary Expenses	-	-	-	-
Pre-Operating Expenditures	196,606	-	-	-
<b>Current Assets</b>	<b>157,353,469</b>	<b>85,927,027</b>	<b>456,269,528</b>	<b>322,186,860</b>
Stock of Construction Material	15,380,536	19,580,024	25,417,104	23,638,887
Inventories	1,177,014	4,250,966	20,502,060	26,867,989
Trade and Other Receivables	-	-	-	1,050,287
Accounts Receivable	2,977,846	7,163,467	69,711,187	63,200,375
Advances, Deposits & Prepayments	125,245,355	44,014,405	109,674,605	119,485,147
Cash & Cash Equivalents	12,572,718	10,918,165	230,964,572	87,944,175
<b>Total Assets</b>	<b>3,904,038,420</b>	<b>4,129,176,348</b>	<b>4,787,280,281</b>	<b>4,902,309,393</b>
<b>Shareholders' Equity</b>	<b>33,795,824</b>	<b>86,565,145</b>	<b>1,047,657,095</b>	<b>1,081,159,261</b>
Share Capital	62,500,000	85,000,000	1,000,000,000	1,000,000,000
Other Comprehensive Income	-	-	-	-
Revaluation Surplus	-	-	-	-
Retained Earnings	(28,704,176)	1,565,145	47,657,095	81,159,261
Non-Controlling Interest	-	-	-	-
<b>Non-Current Liabilities</b>	<b>2,974,828,495</b>	<b>3,690,713,031</b>	<b>3,523,101,485</b>	<b>3,710,095,971</b>
Non-current portion of term loan	2,465,329,000	3,202,870,765	22,362,448	14,742,189
SPBRSL 20% convert. Secured Bond	-	-	3,472,159,066	3,649,624,974
Share Money deposit	509,499,495	486,999,495	-	-
Deferred Tax Liability	-	842,771	28,579,971	45,728,808
<b>Current Liabilities</b>	<b>895,414,102</b>	<b>351,898,172</b>	<b>216,521,699</b>	<b>111,054,161</b>
Current portion of secured Term Loan	653,781,767	147,543,985	12,819,436	13,877,982
Short term loan	130,123,928	136,714,545	113,385,751	8,286,381
Accounts Payable	95,500,329	58,203,186	49,108,173	42,079,882
Liabilities for Expenses	-	-	-	0
Accruals and Provisions	16,008,078	9,436,456	41,208,339	46,809,916
<b>Total Liabilities</b>	<b>3,870,242,597</b>	<b>4,042,611,203</b>	<b>3,739,623,184</b>	<b>3,821,150,132</b>
<b>Total Shareholders' Equity &amp; Liabilities:</b>	<b>3,904,038,421</b>	<b>4,129,176,348</b>	<b>4,787,280,279</b>	<b>4,902,309,393</b>

Source: BASL Research and Company Prospectus



# IPO Note on Sea Pearl Beach Resort and Spa Limited

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