

Taufika Foods and Agro Industries Limited

IPO Size: 300 mn

Offer Price: BDT 10

DSE Ticker: LOVELLO

Sector: Food & Allied

30 million shares are tradable on debut trading day

IPO Summary

| | |
|-------------------------------------------------------------------------------------|--------|
| IPO Size (BDT mn) | 300 |
| IPO Size (Shares in mn) | 30 |
| Offer Price Per Share (BDT) | 10 |
| Authorized Capital (BDT mn) | 1,000 |
| Pre-IPO Paid up Capital (BDT mn) | 550 |
| Post IPO Paid up Capital (BDT mn) | 850 |
| Year End | June |
| Revenue Size in 2019-20 (BDT mn) | 943 |
| Net Profit in 2019-20 (BDT mn) | 62 |
| Total Assets 2019-20 (BDT mn) | 1,883 |
| Retained Earnings 2019-20 (BDT mn) | 637,48 |
| Annualized. Post-IPO EPS (FY2019-20) | 0.64 |
| Post-IPO NAV per Share (FY2019-20) | 12.10 |
| Issue Manager: Banco Finance and Investment Limited & Sandhani Life Finance Limited | |

Source: BASL Research and Company Prospectus

IPO utilization Plan

| Particulars | BDT (mn) | As (%) |
|---------------------------------|---------------|-------------|
| New plant & machinery | 90.37 | 30.12% |
| Freezer Purchase | 57.85 | 19.28% |
| Vehicles Purchase | 20.56 | 6.85% |
| Investment in Depot to Increase | 13.22 | 4.41% |
| Bank Loan Repayment | 90.00 | 30.00% |
| IPO Expenses | 28.00 | 9.33% |
| Total | 300.00 | 100% |

Source: BASL Research and Company Prospectus

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

IPO Shareholding Composition

| Category | (%) | No. of Stocks |
|---------------------------------|-------------------|-------------------|
| Eligible Investors (EIs) | MF & CIS (10%) | 3,000,000 |
| | Other EIs (30%) | 9,000,000 |
| | NRBs (10%) | 3,000,000 |
| General Public | Gen. Public (50%) | 15,000,000 |
| Total | | 30,000,000 |

Source: BASL Research and Company Prospectus

Company Overview

Taufika Foods and Agro Industries Limited, started its journey in 2011. The company is an Ice-cream manufacturer and supplier in Bangladesh. It has launched its first ever brand namely "Lovello ice cream" for its customers in Bangladesh in the year 2016. Lovello is catering its customers with a wide variety and ranges of products and also with some unique and noble items like Mini cone, Mini Chocobar and Kulfi. At the same time Lovello has positioned themselves at no. 3 in the market through their products and service in less than 3 years of time. Their products are made of using finest raw materials from Denmark and European sources along with some quality local supply.

Corporate Profile

| | |
|----------------------|------------------|
| Incorporation | August 07, 2011 |
| Commercial Operation | January 02, 2016 |

Chairman

Ms. Shamima Nargis Haque, (born in 1970) is an entrepreneur and holds an academic degree in Economics. She has been involved with Taufika Foods and Agro Industries Limited as its Chairman. She plays vital role in the case of taking critical decision for the company.

Managing Director

Md. Ekramul Haque has completed his academic career in Civil Engineering from KUET. He has 24 years' experience in different business sector in Bangladesh. He is currently acting as a Chairman for Taufika Energy Co. Limited and Sharika Enterprise Ltd. and Chairman of Taufika Engineering Ltd. as well. He has visited many countries in connection with business and has gathered sufficient required knowledge to run a business smoothly and profitably

| | |
|-----------------------------|--------------------|
| Factory Location | Valuka, Mymensingh |
| Subsidiary/Associate | None |

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

| Name of Directors and Sponsors | % held | No. of Shares |
|--------------------------------------------------------|-------------------|---------------|
| Md. Ekramul Haque | 33,000,000 | 38.82% |
| Ms. Shamima Nargis Haque | 2,900,000 | 3.41% |
| Muhsinina Taufika Ekram | 2,050,000 | 2.41% |
| Taufika Engineering Ltd. (Represented by Kawser Ahmed) | 11,550,000 | 13.59% |
| Total | 49,500,000 | 58.24% |

Source: BASL Research and Company Prospectus

Lock-In Free Shares & Period

| Type | Lock-in Shares | Lock-in Free Date |
|-----------------------------|-------------------|-------------------|
| Directors/Sponsors | 49,500,000 | February 10, 2024 |
| Private Placement Holders | 5,500,000 | February 10, 2023 |
| Institution & MF (Post-IPO) | 12,000,000 | February 10, 2021 |
| Public (Post-IPO) | 18,000,000 | February 10, 2021 |
| Total | 85,000,000 | |

Source: BASL Research and Company Prospectus

Capital Raising History

(Value in mn)

| Date | No. of Share by Cash | No. of Share by Bonus | Paid-up Capital |
|-----------------------|----------------------|-----------------------|-----------------|
| Time of Incorporation | 0.1 | 0 | 1.0 |
| 3-May-17 | 5.3 | 0 | 53.0 |
| 3-Jun-18 | 0.1 | 0 | 0.5 |
| 15-Nov-18 | 1.1 | 0 | 11.0 |
| 27-Aug-19 | 48.5 | 0 | 484.6 |
| Total | 55.0 | 0 | 550.0 |

Source: BASL Research and Company Prospectus

Capacity Utilization

| Current Capacity (Liter) | | Value in Thousand | | |
|----------------------------|-----------------|-------------------|---------|---------|
| Product | Installed | 2018-19 | | |
| | Utilization | 18,044 | | |
| Ice Cream | Utilization (%) | 10,826 | | |
| | | 60% | | |
| Projected Capacity (Liter) | | | | |
| Product | Installed | 2019-20 | 2020-21 | 2021-22 |
| | Utilization | 18,044 | 21,566 | 23,560 |
| Ice Cream | Utilization (%) | 12,992 | 15,590 | 18,708 |
| | | 72% | 72% | 79% |

Source: BASL Research and Company Prospectus

Industry Insights

The ice-cream industry of Bangladesh is a fast-growing industry which is rising by 12% rate per year. However, it is anticipated that the growth rate to rise by additional 15% by the end of year 2019 and is expected to rise continuously as per market study. Overall worth of the ice cream market of Bangladesh is Tk.1200 crore. Ice-cream market of this great nation expanded because of addition of Bangladesh rural customer and rise in per capita income. Upon massive electrification throughout the country, particularly in rural Bangladesh, use of refrigerators in rural areas, led to a market development in suburbs and villages.

Other than that, a development in the socio-economic front influenced food habits of millions, helped in expanding ice-cream market, which led to surpassing neighboring India, and even compete with global market in terms of market size. Compared with overall GDP, Bangladesh's ice-cream industry is at par with Europe and overall global market.

Currently 79% share of the country's Tk1,200 crore ice-cream market are held by three out of six companies. Among them, branded ice creams is the most popular, occupying more than 85% of the total market share, while premium ice-creams which are expensive than those of branded ones account for nearly 15-20% of the market. The branded ice-cream market size is growing fast because marketing for branded ice cream is concentrated in the mega cities due to issues regarding electricity, cold chain, and rise in income level of the consumers. Other than that change in social structure and food habits boosted branded ice cream demand. Igloo and Polar are two established names in the industry who hold two-thirds (66%) of the market share and other four companies, combined, hold 79% of the total market share. Currently, Igloo is the market leader and holds 38% of the market share since it is the most popular impulse and take-home ice cream in Bangladesh and its available at 20,000 retail outlets. Other than that, growth of the country's ice cream market has also seen a boost in employment and contributing 0.064% of the gross domestic product (GDP). However tariffs on imported raw materials office-cream need to be rationalized.

The major competitors of the Company are Abdul Monem Ltd. (Igloo Ice Cream), Dhaka Ice Cream Industries Limited (Polar Ice Cream), Kwality Ice Cream, Savoy Ice Cream, Bangladesh Milk Producers Co-operative Union Limited (Milk Vita).

Financial Highlights (BDT mn)-

| Financials | FY17 | FY18 | FY19 | FY19-20 |
|--------------------------|----------|---------|--------|---------|
| Sales | 479 | 779 | 923 | 943 |
| Operating Profit | 120 | 208 | 251 | 241 |
| Profit After Tax | 3 | 43 | 62 | 62 |
| Assets | 1,094 | 1,589 | 1,628 | 1,883 |
| Short Term Debt | 333 | 487 | 320 | 272 |
| Long Term Debt | 590 | 65 | 719 | 681 |
| Equity | 39 | 352 | 425 | 701 |
| Margin Ratio (%) | | | | |
| Gross Profit | 38.2% | 41.6% | 41.8% | 41.4% |
| Operating Profit | 25.1% | 26.7% | 27.2% | 25.6% |
| Pretax Profit | 6% | 10.6% | 9.9% | 9% |
| Net Profit | 0.5% | 5.5% | 6.7% | 6.6% |
| Growth (%) | | | | |
| Sales | 633.1% | 62.8% | 18.5% | 2.2% |
| Gross Profit | 796.2% | 96.9% | 19.0% | 1.3% |
| Operating Profit | 10809.1% | 73.3% | 20.6% | -3.9% |
| Net Profit | 114.4% | 1601.6% | 44.9% | 0.7% |
| Profitability (%) | | | | |
| ROA | 0.3% | 3.2% | 3.8% | 3.5% |
| ROE | 21.9% | 21.7% | 15.9% | 11.0% |
| Debt Ratio | | | | |
| Debt Ratio | 65.7% | 55.1% | 48.6% | 39.0% |
| Debt-Equity | 1834.5% | 248.8% | 186.1% | 104.8% |
| Int. Coverage | 1.3 | 1.6 | 1.6 | 1.6 |

Source: BASL Research and Company Prospectus



Valuation

| Relative Valuation | Multiple | Fair Value |
|----------------------|----------|------------|
| Industry Forward P/E | 24.2 | 15.50 |
| Market Forward P/E | 17.4 | 11.10 |

| Pricing Sensitivity at Different PE | Value |
|-------------------------------------|-------|
| Stock at 15x PE | 10 |
| Stock at 20x PE | 13 |
| Stock at 25x PE | 16 |
| Stock at 30x PE | 19 |
| Stock at 35x PE | 22 |
| Stock at 40x PE | 26 |

First Three Days Circuit Breaker and Price

| Day | Circuit | Price |
|------------|---------|-------|
| First Day | 50% | 15 |
| Second Day | 50% | 22.5 |
| Third Day | 10% | 24.70 |

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

Latest Declaration:

As per un-audited Q2 financial statements, profit after tax is, the Company reported profit after tax of BDT 27.40mn for the 6 (six) months (July-December 2020) period ended on 31 December 2020 which was BDT 32.09mn registering 14.62% negative growth over the same period of last year. Post-IPO EPS was BDT 0.32 for 6 (six) months (July-December 2020) period ended on 31 December 2020 and NAV per share was BDT 12.10 as of December 2020.

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