



IPO Note on Coppertech Industries Limited

IPO Size: 200 mn

Offer Price: BDT 10

DSE Ticker: COPPERTECH

Sector: Engineering

15 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	200
IPO Size (Shares in mn)	20
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	700
Pre-IPO Paid up Capital (BDT mn)	400
Post IPO Paid up Capital (BDT mn)	600
Year End	June
Revenue Size in 2017-18 (BDT mn)	526
Net Profit in 2017-18 (BDT mn)	41
Total Assets (BDT mn)	1248
Retained Earnings (BDT mn)	82
Ann. Post-IPO EPS (As per Q3, 2018-19)	0.77
Post-IPO NAV per Share (Q3, 2018-19)	11.91
Issue Date of Prospectus	Mar 04,2019
Issue Managers:	MTB Capital Limited

Source: BASL Research and Company Prospectus

IPO utilization Plan

Particulars	BDT (mn)	As (%)
Plant & Machinery	65,000,000	32.50%
Bank Loan repayment	65,000,000	32.50%
Building and other civil work	55,000,000	27.50%
IPO Expenses	15,000,000	7.50%
Total	200,000,000	100%

Source: BASL Research and Company Prospectus

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF & EI (10%)	2,000,000
	Other EIs (40%)	8,000,000
	NRBs (10%)	2,000,000
General Public	Gen. Public (40%)	8,000,000
Total		20,000,000

Source: BASL Research and Company Prospectus

Company Overview

Coppertech Industries Ltd(CIL) is engaged in manufacturing and marketing of different types of Copper Bar, Copper Rod, Copper Strip, Copper Wire, Copper Pipe and Copper Tube and it is the largest manufacturer of Copper based product in Bangladesh. The core markets for the product of the company are power plants, AC fridge manufacturing factory and workshop, engineering workshop, electronic product producer and other local customers. Over the years, the company has experienced a high growth rate of existing copper products sale in line with the large market demand. In order to meet the growing market demand, Coppertech Industries Ltd. plan to expand the existing copper product line. CIL products are popular due to its high quality products, effective management, efficient marketing strategy and strong marketing team and practice of good business ethics among channel partners and customers. The Company procures Main raw materials - Copper Cathode & Copper Scrap from overseas market and local market.

Corporate Profile

Incorporation	Oct 16, 2012
Commercial Operation	June ,2014

Chairman

Mr. Zulfiker Ali the chairman of Coppertech Industries Ltd. He started his business as a small retailer and supplier of automobile spare parts in 1984. He has diversified involvement in different growing sector due to his involvement in various renowned project of Bangladesh govt. Currently he is holding 14% of shares.

Managing Director

Mr. Abbasi Adam Ali is the Managing director of the Company. He has several years of working experience in Engineering Industry of Bangladesh. After completing his Bachelor of Commerce, he worked in several supplies businesses in both local and foreign projects. However he worked for Steeltech Industries Limited", the most successful steel business company in Bangladesh, for a long time and achieved expertise in metal industries.

Factory Location	Sylhet
Subsidiary/Associate	None

Source: BASL Research and Company Prospectus

Capacity Utilization

Current Capacity(M Ton)				
Product	Capacity	2016-17		
Copper Bar	Installed	1100		
	Utilization	867.17		
	Utilization (%)	78.83		
Copper Tube & Pipe	Installed	500		
	Utilization	274.68		
	Utilization (%)	54.94		
Forecasted Capacity(M Ton)				
		2019-20	2020-21	2021-22
Copper Bar	Installed	1100	1375	2020
	Utilization	900	1150	1717
	Utilization (%)	81.82%	83.64%	85.00%
Copper Tube & Pipe	Installed	500	625	930
	Utilization	300	350	605
	Utilization (%)	60.00%	56.00%	65.00%

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	% held	No. of Shares
Mr. Zulfikar Ali ,Chairman	9.33%	5,600,000
Mr. Abbasi Adam Ali, Managing, Director	8.00%	4,800,000
Mrs. Rashida Abbas, Director	6.13 %	3,680,000
Mr. Mustafa Shoeb , Director	2.05 %	1,230,000
Mr. Shoeb Adam Ali , Director	2.05%	1,230,000
Mr. Dr. Abul Basher , Director	2.50 %	1,500,000
Total	30.06%	18,040,000

Source: BASL Research and Company Prospectus

Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	18,040,000	August 05, 2022
Private Placement Holders	21,960,000	August 05, 2020
	5,000,000	August 05, 2019
Institutions (Post-IPO)	2,500,000	February 05, 2020
	2,500,000	May 05, 2020
Public (Post-IPO)	10,000,000	August 05, 2019
Total	60,000,000	

Source: BASL Research and Company Prospectus

Industry Insights

Copper industry is a promising sector of the country which has a very good possibility with attractive upward growth rate. Bangladesh's copper industry is going from strength to strength as the use of copper product is increasing significantly. Main copper made products are the Copper Bar, Copper Rod, Copper Strip, Copper Wire, Copper Pipe &

Copper Tube. As a result of its excellent electrical conductivity, copper's most common use is in electrical equipment such as wiring and motors. Presently, copper is used in building construction, power generation and transmission, electronic product manufacturing, and the production of industrial machinery and transportation vehicles.

Copper made products are principal ingredients for different industries finished products like the Copper bar which is used in power plant, copper tube and pipe used in air cooler and refrigerator, copper strip and roused in the transformer. One of the main use of copper made products are cooler & refrigerator. In other area of the economy for example, Marine sector, Chemical industry, Processing industry, Equipment manufacturing industry, Railways etc. copper based product is used. Is Bangladesh can meet the demand it will be able to export to export refridgera5to and other product in abroad. So, there is an immense scope to extend the market and build a new market.

Financial Highlights (BDT mn)

Financials	FY15	FY16	FY17	FY18
Sales	40	87	335	527
Operating Profit	4	15	74	117
Profit After Tax	1	8	36	41
Assets	214	569	1,148	1,248
Short Term Debt	29	228	452	343
Long Term Debt	94	138	300	268
Equity	23	31	136	4,082
Dividend (C/B) %	-	-	-	-
Margin Ratio (%)				
Gross Profit	25%	25%	25%	26%
Operating Profit	11%	17%	22%	22%
Pretax Profit	6%	14%	16%	12%
Net Profit	4%	9%	11%	8%
Growth (%)				
Sales		118%	285%	57%
Gross Profit		122%	286%	61%
Operating Profit		241%	384%	59%
Net Profit		435%	350%	15%
Profitability (%)				
ROA	6%	5%	1%	1%
ROE	1%	1%	3%	3%
Debt Ratio				
Debt Ratio	58%	64%	66%	49%
Debt-Equity	532%	1186%	551%	127%
Int. Coverage	0.2	1.0	1.5	0.7
Valuation				
Rstd. EPS(BDT)	0.02	0.13	0.59	0.68
Post-IPO NAVPS	0.4	0.5	2.3	8.0

Source: BASL Research and Company Prospectus

Investment Rationale

- The company is showing an increasing trend of sales in the recent year along with a 57% topline growth in the latest year.
- The company has planned to establish another unit of production facility which will double their production capacity. Management has estimated total expansion cost of the factory will be around BDT 12.00 crore and to expect increase the capacity by 25-30% and 50-60% in the next two years. The sales growth will be 8%, 29% and 23% in next three years.
- As the industry is new in our country the demand is increasing day by day because of the other companies are using copper as raw material. When local industry will be more promising, Coppertech industry will be able to grab first mover advantage and to enhance the market share.

Risk Factors

- The company is highly levered company. With the IPO proceed it will pay 65 mn or 32.5% of the loan. Debt ratio and Debt to ratio of the company is increasing over years except the latest year. Dependence on debt and highly leveraged causes huge interest burden of the company and it will affect the bottom line of the company.
- In Coppertech's IPO prospectus, "anomalies" have been found in accounts of receivable, cash and debt of the financial statement. Its outstanding credit has been shown more than the actual amount while repayment of interest rose unnaturally even after a drop in the amount of loan. According to the prospectus, the company's receivable cash was about Tk 28 million in the beginning of 2018-19 financial year. The receivable amount at the closing was shown Tk 27 million, but it should have been Tk 90.8 million, since it sold goods worth about Tk 526.6 million and collected Tk 503.6 million while advance sales stood about Tk 39.9 million in that fiscal year. So the bank statements that the company submitted with IPO documents showed a number of unusual and suspicious transactions on share money deposit (money for selling shares) that raised question about its paid-up capital formation. As it was a controversial IPO, the DSE had initially declined to list Coppertech as the bourse.
- Most of the raw materials used by Coppertech Industries Ltd. are imported from Singapore, Korea, India and Netherlands against payment of foreign currency, the raw material price of the copper is uncertain because of the world economies bumpy ride movement
- 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

Relative Valuation

Stock Pricing		
Relative Valuation	Multiple	Fair Value
Industry Forward P/E	16.4	12.7
Market Forward P/E	14.6	11.3
Price to Book Value	2.2	26.0
Latest Post-IPO NAV (Q3,2018-19)		11.91
Pricing Sensitivity at Different PE		Value
Stock at 15x PE		12
Stock at 20x PE		15
Stock at 25x PE		19
Stock at 30x PE		23
Stock at 35x PE		27
Stock at 40x PE		31

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

As per relative valuation, the fair value of Coppertech Industries Ltd ranges from 11.3 to 26.

Statement of Profit or Loss and Other Comprehensive Income

Particulars	FY15	FY16	FY17	FY18
Revenue	39,835,353	87,009,993	334,610,426	526,653,242
Cost of goods sold	29,921,324	65,027,104	249,828,657	390,413,536
Gross profit	9,914,029	21,982,889	84,781,769	136,239,706
Operating expenses	5,447,405	6,772,417	11,237,016	19,024,843
Selling & Administrative Expenses	1,816,862	2,312,210	4,847,004	9,540,188
Operating Profit	4,466,624	15,210,472	73,544,753	117,214,863
Financial Expenses	6,614,591	7,774,121	23,240,540	60,548,906
Non-Operating Income	4,420,348	4,730,675	4,430,596	9,593,677
Other Income	0	0	0	0
Profit Before Contribution to WPPF & Welfare Fund	2,272,381	12,167,026	54,734,809	66,259,634
Provision for workers' profit participation and welfare funds	0	0	0	3,155,221
Net Profit Before Tax	2,272,381	12,167,026	54,734,809	63,104,413
Income tax expenses	795,333	4,258,459	19,157,183	22,086,545
Current Tax	795,333	4,258,459	19,157,183	13,122,951
Differed Tax				8,963,594
Net Profit after Tax	1,477,048	7,908,567	35,577,626	41,017,868
Restated Post IPO Earnings Per Share (EPS)	0.02	0.13	0.59	0.68

Source: BASL Research and Company Prospectus

Statement of Financial Position

Financials	FY15	FY16	FY17	FY18
Non-Current Assets	177,042,608	444,786,041	801,550,827	786,604,429
Property, Plant & Equipment	102,011,668	284,050,519	504,362,671	786,604,429
Capital Work in Process	75,030,940	160,735,522	297,188,156	
Current Assets	36,914,410	124,268,097	346,215,952	461,559,027
Advances, Deposits & Prepayments	4,004,737	13,876,007	33,335,584	57,851,497
Cash & Cash Equivalents	19,843	1,873,034	17,698,659	56,329,772
Inventories	23,375,263	97,642,807	267,297,507	320,351,093
Deposit for BB L/C	0	0	0	0
Accounts Receivable	9,514,567	10,876,249	27,884,202	27,026,665
Total Assets	213,957,018	569,054,138	1,147,766,779	1,248,163,456
Shareholders' Equity	23,195,449	30,866,355	136,443,981	4,082,461,849
Share Capital	25,000,000	25,000,000	95,000,000	4,000,000,000
Revaluation reserve	0	0	0	0
Retained Earnings	(1,804,551)	5,866,355	41,443,981	82,461,849
Non-Controlling Interest	0	0	0	0
Non-Current Liabilities	93,978,332	137,736,182	299,786,825	276,489,641
long-term loan	89,118,392	130,606,436	264,834,286	220,166,421
Lease Loan	4,859,940	7,129,746	34,952,539	47,359,626
Deferred Tax Liability	0	0	0	8,963,594
Current Liabilities	96,783,237	400,451,601	711,535,972	489,211,966
Current portion of long-term loan	29,364,941	19,602,539	64,181,229	81,801,005
Liabilities for Expenses	0	0	0	0
Accounts Payable and Other Payables	17,411,115	50,641,667	108,176,856	52,466,242
Bank Overdraft	80,107,500	60,299,138	27,355,511	19,075,766
Short term loan	0	208,834,952	387,918,741	261,407,104
Provision for tax Liabilities	-	6,914,802	19,102,022	29,827,651
Provision for Financial Expenses	41,398,813	51,398,813	61,398,813	71398813
Share Money Deposit	43,825,298	95,000,000	45,000,000	
Creditors & Accruals	6,181,883	26,372,443	106,259,146	93,537,615
Total Liabilities:	190,761,569	538,187,783	1,011,322,797	765,701,607
Total Shareholders' Equity & Liabilities	2,130,655,261	2,246,790,798	2,474,950,499	2,728,724,681

Source: BASL Research and Company Prospectus



IPO Note on Coppertech Industries Limited

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