

Company Background

Coppertech Industries Ltd. (CTIL) is the largest copper product manufacturer in Bangladesh. The company is engaged in manufacturing and marketing of copper bar, copper rod, copper strip, copper wire, copper pipe, and copper tube. The core markets for the product of the company are power plants, AC & fridge manufacturing factories and workshops, engineering workshops, electronic product producers and other local customers.

Coppertech Industries Ltd. was established on October 16, 2012 as a private limited company. The company started its commercial operation in June 2014. It was converted into a public limited company on May 31, 2018. The registered office of CTIL is situated at Nwabpur Road, Dhaka. The corporate office is located at Mohakhali DOHS, Dhaka and the factory is located at Madhabpur, Hobiganj. Coppertech Industries Ltd. is a single entity and it has neither any holding company nor any subsidiary.

Rashida Abbas and Abbasi Adam Ali are the sponsors of the company. They hold 6.1% (post-IPO) and 8.0% (post-IPO) of the shares of the company respectively. Mr. Zulfikar Ali is serving as the chairman of the company who holds 9.3% (post-IPO) of the shares. Mr. Abbasi Adam Ali is the Managing Director of the company. He has several years of working experience in the Engineering Industry of Bangladesh. The managing director and three other directors are relatives.

CTIL's product wise revenue contribution is provided below:

Copper Product Types	Bar	Strip	Wire	Tube	Pipe	Rod
Revenue Contribution	38.5%	17.8%	15.7%	11.3%	9.2%	7.6%

IPO Details

Coppertech Industries Ltd. will raise BDT 200M as initial public offering (IPO) through fixed price method by offering 20.0 million ordinary shares of BDT 10.0 each. According to the CTIL management, they have planned to establish another unit of production facility that will double their production capacity. Management of CTIL has estimated the total expansion cost of the factory will be around BDT 120M which will be funded through IPO. CTIL has a BDT 286.7M loan outstanding with Social Islami Bank Limited. CTIL plans to repay BDT 65M of that loan subject to regulatory approval. The break down of the use of IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Plant & Machinery with Installation	65.0	32.5%
Bank Loan repayment	65.0	32.5%
Building and other civil work	55.0	27.5%
Sub Total	185.0	92.5%
IPO Expenses	15.0	7.5%
Grand Total	200.0	100.0%

Key Points

- Copper made products are used as core ingredients for different sectors' finished products like. Copper bar is used in power plants (e.g. transmission equipment), copper tube & pipe are used in air cooler and refrigerator, and copper strip & rod are used in transformers. The demand for consumer electronics like air cooler, refrigerator, and other electronic products is increasing rapidly. The increase in per capita income, the growth of middle class population and rapid urbanization are going to impact the consumer demand of the country. The consumer electronics sector is expected to reach BDT 200 billion in 2022 from its current value of BDT 140 billion. Moreover, the power sector in Bangladesh is going through a huge capacity increase. The installed capacity is expected to increase to 60 GW by 2041 from the current capacity of 20 GW. Access to electricity is expected to reach 100% by 2021 which will increase the demand for consumer electronics as well; as electricity is a prerequisite for the use of electronic products. Both power and electronic household manufacturers heavily depend on copper made products. So, the copper industry has an immense scope of growth riding the wave of increased demand in the consumer electronics sector and capacity increase of the power sector.
- CTIL started generating profit from 2015. It recorded an astounding 136% top-line CAGR and 203% bottom line CAGR during 2015-18. The company has significantly increased its PPE in the last few years which contributed to revenue growth. The increasing demand and capacity expansion indicates that CTIL may generate significant growth in the future as well unless subjected to a decrease of demand due to competition or any other external factors.
- The primary raw materials of Coppertech Industries Ltd. are copper cathode & copper scrap. The company procures raw materials from both overseas market and local market. There is no concentration of supplier and buyer for CTIL. So, uncertainty regarding the supply of raw materials and demand for finished goods is mitigated. The company has gas generators to ensure uninterrupted electricity supply. It also has a sufficient source of water to meet its daily water requirement.
- CTIL is one of the first movers in the industry and so have opportunities to capture a large share of expected growth in the industry. The major competitors for the company are MRS Industries Ltd (a company of BRB group) and RR Imperial Limited. One of the weaknesses of the company is its distribution system. CTIL's factory is located only in Hobiganj and its distribution channel is not efficient to cover the other part of Bangladesh. The company has only four warehouses at Dhaka, Chittagong & Sylhet. Even though CTIL sales to other companies, the company needs to broaden its distribution channel.
- The net profit margin reduced in 2018 due to higher financial expenses. The high finance cost is expected to decrease in the future as the current capacity expansion is going to be financed by IPO which will reduce the requirement of any long term loan and reduce interest expense on the current outstanding loans. Moreover, CTIL can obtain debt at a lower cost in the future as their credibility increases. The ROA & ROE decreased in 2018 due to BDT 305M addition in share capital.

Comparable & Trading Multiples

There is no exact comparable company for CTIL in DSE. Trailing P/E multiples of other listed stocks in the Engineering sector are given:

DSE Ticker	Market Cap (BDT Mn)*	TTM Earnings*	P/E
BSCABLES	14,870.2	1,498.1	9.9x
AZIZPIPES	869.4	3.3	263.4x
GPHISPAT	12,282.4	686.9	17.9x
RSRSTEEL	4,938.0	708.2	7.0x

*Source: DSE, BEPL Research, Capital IQ

Company Summary

Post IPO No. of Shares (Mn)	60
Post-IPO Paid-up Capital (Mn BDT)	600
Pre-IPO Paid-up Capital (Mn BDT)	400
New Shares Issued (Mn)	20
IPO Proceeds (Mn BDT)	200
Face Value	10
Market Lot	500
Free Float	33.33%
Accounting Year End	June
Auditor	Ahmad & Akhtar
Issue Manager	MTB Capital Ltd.

Income Statement

Mn BDT	2014A	2015A	2016A	2017A	2018A
Revenue	4.1	39.8	87.0	334.6	526.7
Cost of Goods Sold	(3.8)	(29.9)	(65.0)	(249.8)	(390.4)
Gross profit	0.3	9.9	22.0	84.8	136.2
Administrative expenses	(2.2)	(3.6)	(4.5)	(6.4)	(9.5)
Selling & Distributing expenses	-	(1.8)	(2.3)	(4.8)	(9.5)
Profit from operation	(1.9)	4.5	15.2	73.5	117.2
Financial Expenses	(1.4)	(6.6)	(7.8)	(23.2)	(60.5)
Add: Non-operating Income	-	4.4	4.7	4.4	9.6
WPPF	-	-	-	-	(3.2)
Net Profit before Tax	(3.3)	2.3	12.2	54.7	63.1
Income Tax Expenses	-	(0.8)	(4.3)	(19.2)	(22.1)
Net Profit after tax	(3.3)	1.5	7.9	35.6	41.0
Diluted EPS (BDT)	(0.08)	0.04	0.20	0.89	1.03
Diluted EPS—Post IPO (BDT)	(0.05)	0.02	1.13	0.59	0.68

Balance Sheet

Mn BDT	2014A	2015A	2016A	2017A	2018A
Non-Current Assets	41.1	177.0	444.8	801.6	786.6
Property, Plant & Equipment	41.0	102.0	284.1	504.4	786.6
Capital work in progress	0.1	75.0	160.7	297.2	0.0
Current Assets	6.0	36.9	124.3	346.2	461.6
Inventories	2.1	23.4	97.6	267.3	320.4
Accounts receivable	0.0	9.5	10.9	27.9	27.0
Advance, Deposits and Payments	2.5	4.0	13.9	33.3	57.9
Cash & Cash Equivalent	1.4	0.0	1.9	17.7	56.3
Total Assets	47.1	214.0	569.1	1,147.8	1,248.2
Shareholders' Equity	21.7	23.2	30.9	136.4	482.5
Share Capital	25.0	25.0	25.0	95.0	400.0
Retained earning	(3.3)	(1.8)	5.9	41.4	82.5
Non-Current Liabilities	11.4	94.0	137.7	299.8	276.5
Long Term Loan	-	89.1	130.6	264.8	220.2
Deferred Tax Liabilities	-	-	-	-	9.0
Lease Loan	14.0	4.9	7.1	35.0	47.4
Current Liabilities	14.0	96.8	400.5	711.5	489.2
Current Maturity of Term Loan	10.6	29.4	19.6	64.2	81.8
Accounts Payable	-	17.4	50.6	108.2	52.5
Share Money Deposit	-	-	95.0	45.0	0.0
Short Term Borrowings	-	43.8	208.8	387.9	261.4
Creditors & Accruals	3.4	6.2	26.4	106.3	93.5
Total Equity and Liabilities	47.1	214.0	569.1	1,147.8	1,248.2

Cash Flow Statement

Mn BDT	2014A	2015A	2016A	2017A	2018A
Operating Activities	0.7	(2.6)	(12.2)	13.0	11.0
Investing Activities	(26.2)	(140.5)	(272.0)	(386.1)	(23.9)
Financing Activities	20.6	141.8	286.1	388.9	51.5
Net Cash Flow	(5.0)	(1.3)	1.9	15.8	38.6

Ratios

	2014A	2015A	2016A	2017A	2018A
Gross Profit Margin	6.3%	24.9%	25.3%	25.3%	25.9%
Op. Profit margin	-46.6%	11.2%	17.5%	22.0%	22.3%
Net Profit Margin	-80.0%	3.7%	9.1%	10.6%	7.8%
Revenue Growth	-	871.6%	118.4%	284.6%	57.4%
NPAT growth	-	(169.2%)	435.4%	349.9%	15.3%
Receivable Turnover	0.0x	8.4x	8.5x	17.3x	19.2x
Inventory Turnover	2.0x	3.1x	1.4x	1.8x	1.8x
Debt to Asset	0.5x	0.8x	0.6x	0.7x	0.5x
Net Debt to Equity	0.5x	0.8x	0.6x	0.6x	0.4x
Return on Asset	-	1.1%	2.0%	4.1%	3.4%
Return on Equity	-	6.6%	29.3%	42.5%	13.3%
Effective Tax Rate	N/A	35.0%	35.0%	35.0%	35.0%

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BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Deputy Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Md. Sakib Chowdhury	Research Analyst	sakib.chowdhury@bracepl.com	01709 641 247
S. M. Samiuzzaman	Research Analyst	sm.samiuzzaman@bracepl.com	01708 805 224
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Ahmed Zaki Khan	Research Associate	zaki.khan@bracepl.com	01708 805 211
Md. Rafiqul Islam	Research Associate	mrafiquislam@bracepl.com	01708 805 229
Md. Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales	bappi@bracepl.com	01730 357 991
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BRAC EPL Research

www.bracepl.com

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142

Gulshan Avenue, Dhaka – 1212

Phone: + (880)-2-9852446-50

Fax: + (880)-2-9852451-52

E-Mail: research@bracepl.com