



Company Background

Ring Shine Textiles Ltd. (RSTL) is engaged in manufacturing and marketing of gray and finished fleece fabrics of various qualities and dyed yarn to the garment industry of Bangladesh. Ring Shine Textiles Ltd. was incorporated on December 28, 1997 as a private limited company. The company started its commercial operation in August 1998. It was converted into a public limited company on June 08, 2017. The registered office and factory of Ring Shine are situated at Dhaka EPZ, Savar. The corporate office is located at Gulshan, Dhaka. RSTL is a single entity and it has neither any holding company nor any subsidiary.

Mr. Sung Jye Min, Mr. Sung Yau Min, Ms. Hang Siew Lai, and Ms. Goh Geok Sian are the sponsors of the company. Mr. Sung Yau Min and Ms. Goh Geok Sian transferred all their shares to the two remaining directors and resigned from their posts in March 2002. Mr. Sung Jye Min is serving as the chairman of the company and Mr. Sung Wey Min is the Managing Director of the company. They hold 3.42% and 4.27% of the shares (Post-IPO) respectively. All of the directors except for the independent directors are relatives.

Ring Shine's product wise revenue contribution is provided below:

Particulars	Yarn	Polar Fleece
Revenue Contribution	70.9%	29.1%

Ring Shine's production capacity and utilization in FY 2018 are provided below:

Product Name	Installed Capacity (Mil. Kg)	Actual Production (Mil. Kg)	Capacity Utilization
Dyed yarn	27.5	22.5	81.8%
Spinning	5.1	5.0	97.5%
Fleece fabric knitting	12.2	9.4	76.9%
Fleece fabric dyeing & finishing	13.0	9.0	69.0%

IPO Details

Ring Shine Textiles Ltd. will raise BDT 1,500 Mn as initial public offering (IPO) through fixed price method by offering 150 million ordinary shares of BDT 10.0 each. The fund raised through IPO will be used for the acquisition of machinery & equipment for a denim fabric manufacturing project, loan repayment, and IPO expenses.

The proposed project will install 17.6 million meter production capacity of denim fabric knitting, dyeing, and finishing. The total cost of the project is BDT 964 million which will be completely financed by IPO.

The loan repayment consists of partial repayment of BDT 280 million of Dhaka Bank and BDT 220 million of Woori Bank.

The breakdown of the IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Acquisition of Machineries & Equipment	964	64.3%
Loan Repayment	500	33.3%
Sub Total	1,464	97.6%
IPO Expenses	36	2.4%
Grand Total	1,500	100.0%

Key Points

- The primary textile sector (PTS) is producing yarn and fabric needed for the readymade garment sector (RMG). PTS is the backbone of clothing industries because it provides the backward linkage for both the woven and the knit sector. The outlook of the textile sector is closely linked with the outlook of the RMG sector. Currently, the outlook of the RMG sector can be considered positive. Bangladesh has been maintaining a stable global market share of ~6.4% in RMG export. Outlook for Bangladesh seems positive as lots of orders are expected to move to Bangladesh from China due to US-China trade war. The country's apparel exports to USA in the first half of 2019 registered the highest growth among its competitors. The RMG sector of our country enjoys export incentives. Moreover, with minimum wage being increased and compliance being ensured by accord & alliance the outlook for this sector looks promising.
- As Ring Shine is situated in EPZ, it enjoys a lot of extra benefits and has to follow compliances set by the authority. The new project proposed by the company will allow it to gain additional revenue from new customers as it is introducing a new product line. With a positive industry prospect, the sales outlook of the company seems promising. But the company's spinning product facility is almost fully utilized. So, no sales growth can be captured from that product category.
- Ring Shine's Net Debt to Equity and Return on Equity decreased in 2018 as the whole amount of share money deposit got transferred to share capital. All other ratios have been relatively constant throughout the past five years. Even with respect to its peers, all the ratios are similar.
- RSTL's business model absolves itself from being dependent on any single supplier. The utility requirements are of significant importance for the company. But as the company is situated in DEPZ, utility disruption is unlikely. Ring shine has a captive power station as a contingency plan in case of any disruption.
- Ring Shine's 24% of total revenue comes from Shine Fashion Co. (Pvt.) Ltd. and Avant Garde Fashion Ltd. A few members of the board of directors of RSTL also sit in the board of these two companies as well. So, in addition to the concentration risk, RSTL faces concerns over unfair pricing as well.

Comparable & Trading Multiples

Trailing P/E multiples of other listed comparable stocks in the Textile sector are given:

DSE Ticker	Market Cap (BDT Mn)*	LTM Earnings (BDT Mn)*	LTM P/E
QUEENSOUTH	3,360.0	216.4	15.5x
HWAWELLTEX	2,122.4	139.7	15.2x
SHEPHERD	5,041.5	165.7	30.4x
MLDYEING	5,543.8	312.9	17.7x

*Source: DSE, BEPL Research

Company Summary

Post IPO No. of Shares (Mn)	435
Post-IPO Paid-up Capital (Mn BDT)	4,351
Pre-IPO Paid-up Capital (Mn BDT)	2,851
New Shares Issued (Mn)	150
IPO Proceeds (Mn BDT)	1,500
Face Value	10
Market Lot	500
Free Float	34.48%
Accounting Year End	June
Auditor	Mahfel Huq & Co
Issue Manager	AFC Capital Limited CAPM Advisory Limited

Income Statement

Mn BDT	2014A	2015A	2016A*	2017A	2018A
Revenue	7,930.3	8,233.0	4,261.8	8,812.5	9,995.3
Cost of Goods Sold	(7,036.0)	(7,212.5)	(3,755.0)	(7,759.9)	(8,879.5)
Gross profit	894.3	1,020.5	506.7	1,052.6	1,115.8
Operating Expenses	(156.7)	(165.6)	(68.9)	(137.6)	(141.9)
Operating Profit	737.5	855.0	437.8	915.0	974.0
Financial Expenses	(333.6)	(311.0)	(164.9)	(322.1)	(329.4)
Non Operating Income	16.1	7.7	7.4	8.8	8.9
Net Profit before Tax	420.1	551.6	280.4	601.7	653.5
Income Tax Expenses	(64.7)	(83.6)	(31.1)	(91.6)	(99.3)
Net Profit after tax	355.3	468.0	249.2	510.1	554.2
Diluted EPS (BDT)	1.2	1.6	0.9	1.8	1.9
Diluted EPS—Post IPO (BDT)	0.8	1.1	0.6	1.2	1.3

Balance Sheet

Mn BDT	2014A	2015A	2016A*	2017A	2018A
Non-Current Assets	6,491.9	6,320.7	6,256.9	6,136.4	6,145.8
Property, Plant & Equipment	6,419.7	6,245.7	6,144.7	6,057.0	6,067.7
Investment	72.2	75.0	76.8	79.5	78.1
Capital work-in-progress	-	-	35.4	-	-
Current Assets	3,862.1	4,314.4	4,876.8	5,059.1	5,932.6
Inventories	1,830.3	2,093.5	2,456.3	2,675.6	2,935.4
Accounts receivable	1,819.3	2,054.2	2,280.2	2,228.7	2,854.1
Advance, Deposits and Payments	112.4	83.1	83.4	66.9	52.7
Advance Income Tax	67.8	46.2	25.2	63.9	66.0
Cash & Cash Equivalent	32.3	37.5	31.6	24.2	24.4
Total Assets	10,354.0	10,635.1	11,133.7	11,195.5	12,078.4
Shareholders' Equity	2,083.6	2,551.6	2,788.9	3,299.3	6,604.6
Share Capital	99.2	99.2	99.2	99.5	2,850.5
Retained earning	1,984.4	2,452.4	2,689.7	3,199.8	3,754.0
Share Money Deposit	2,670.5	2,670.5	2,670.5	2,670.2	-
Non-Current Liabilities	449.6	483.0	654.8	591.2	532.9
Long Term Loan	-	-	162.2	76.5	-
Deferred Tax Liabilities	449.6	483.0	492.6	514.8	532.9
Current Liabilities	5,150.4	4,930.0	5,019.5	4,634.8	4,940.9
Current Portion of Term Loan	-	-	-	70.4	-
Accounts Payable	1,569.1	1,527.3	1,441.4	1,130.9	929.1
Short Term Borrowings	3,494.6	3,267.0	3,447.5	3,263.8	3,797.5
Provision for Income Tax	21.5	50.2	33.5	69.4	81.1
Outstanding Liabilities	65.1	85.6	97.1	100.3	133.1
Total Equity and Liabilities	10,354.0	10,635.1	11,133.7	11,195.5	12,078.4

Cash Flow Statement

Mn BDT	2014A	2015A	2016A*	2017A	2018A
Operating Activities	(172.5)	566.2	(170.1)	548.9	13.4
Investing Activities	(39.9)	(333.5)	(178.5)	(357.4)	(480.9)
Financing Activities	151.1	(227.6)	342.7	(199.0)	467.6
Net Cash Flow	(61.3)	5.1	(5.8)	(7.5)	0.2

Ratios

	2014A	2015A	2016A*	2017A	2018A
Gross Profit Margin	11.3%	12.4%	11.9%	11.9%	11.2%
Op. Profit margin	9.3%	10.4%	10.3%	10.4%	9.7%
Net Profit Margin	4.5%	5.7%	5.8%	5.8%	5.5%
Revenue Growth	1.7%	3.8%	3.5%	3.4%	13.4%
NPAT growth	-10.4%	31.7%	6.5%	2.3%	8.7%
Receivable Turnover	5.1x	4.3x	2.0x	3.9x	3.9x
Inventory Turnover	4.3x	3.7x	1.7x	3.0x	3.2x
Debt to Asset	0.3x	0.3x	0.3x	0.3x	0.3x
Net Debt to Equity	1.7x	1.3x	1.3x	1.0x	0.6x
Return on Asset	3.5%	4.5%	4.6%	4.6%	4.8%
Return on Equity	20.6%	20.2%	18.7%	16.8%	11.2%
Effective Tax Rate	15.4%	15.2%	11.1%	15.2%	15.2%

*2016 data is for Jan-Jun 2016. Before 2016 year end was December
The ratio for 2016 is calculated on annualized basis.

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