



Company Background

Oryza Agro Industries Limited is a feed manufacturer. Its main business is Manufacturing and Marketing of fish feed and poultry feed. The company has got incorporated as a private company and started its commercial operation from March 1, 2015. It converted into a Public Limited Company on August 22, 2017.

According to the Bangladesh Poultry Industries Central Council (BPICC), no. of registered feed mills is 261 and 135-140 companies renewed licences from the Department of Livestock Services. Besides, more than 200 feed mills are unregistered. 7 players namely Nourish Poultry Feed, ACL, Kazi Farms, Provita Feed, Aftab Feed, New Hope Feed, and Aman Feed have captured more than 70% market share. So, the competition is of oligopolistic nature and often smaller firms are price takers. Based on revenue, the company currently has about 1% market share

Sponsors and Directors own 59.1% of shares now which in post QIO would stand at 50.6%. Sponsors have experience in Textile industry as well as Agro based industry.

QIO Details

Oryza Agro Industries Limited will raise BDT 100.0 million through qualified investors offering (QIO) under fixed price method. The fund will be used mainly for raw material purchase and short term loan repayment.

Only eligible investors (EI) can buy the company's shares. Individual investors shall also be considered as Qualified Investor (QI) but he/she will have to maintain a minimum investment of BDT10Mn at market price (the close price of both exchanges, whichever is higher) in matured listed securities as on August 25, 2021.

The breakdown of the QIO proceeds is shown below:

Use of QIO Proceeds	Mn BDT	% of Proceed
Raw material purchase	85.4	85%
Payment of Short term loan from Sonali Bank	12.0	12%
Sub Total	97.4	97%
QIO Expenses	2.6	3%
Total	100.0	100%

Key Points

- ORYZAAGRO operates in feed industry. According to prospectus, the feed industry currently has a turnover of BDT 100Bn (USD 1.16Bn) and is growing at a CAGR of 10%. It is a backward linkage industry to three other industries: Poultry, Livestock and Fisheries. Poultry industry However is the major driver for feed industry with annual demand for poultry feed of 5.08Mn MT. Poultry Feed Demand is increasing at a CAGR of 10%. Livestock and fisheries industries are growing at a CAGR of around 20% but there is deficit in the supply side with annual production of 2.79Mn MT, Department of Livestock Services (DLS) however reports 3.62% CAGR in last 10 years for poultry industry and 3.49% CAGR for the three industries combined (poultry, livestock and fisheries)
- According to industry officials, annual demand for feed in Bangladesh is now 6.3-6.4Mn Tons and production in 2020 surpassed that demand. In 2020 total commercial feed production reached 6.57Mn Tons. Of that, poultry feed production was 4.45Mn Tons, fish feed 1.59Mn Tons and cattle feed was 0.53Mn Tons. The feed industry has witnessed a 161% jump in production over the last seven years. The poultry sector consumes 62.9% of feed, cattle 14% and fish 23%. The industry's CAGR was hovering around 12%-15% until the pandemic hit.
- Notable competitors in the industry are Aman Feed Poultry feeds Limited, Master Feed Poultry feeds Limited, National Feed Mills Limited, Agro Industrial Trust, Rupsha Poultry Feed Limited, BRAC Poultry feeds Limited, Paragon Poultry feeds Limited, Surma Poultry feeds Limited, Kazi Poultry feeds Limited, Provita Poultry feeds Limited, Aftab Poultry feeds Limited, Nourish Poultry feeds Limited, Saudi Bangla Poultry feeds Limited, New Hope Poultry feeds Limited,
- ORYZAAGRO had a revenue of BDT 1.03Bn in 2020, implying it currently has a market share of around 1%.
- Current production capacity Fish feed 34,944 Ton/year and Poultry Feed 12,480 Ton/year. Annualized utilization level are 74.1% and 37.1% for fish feed and poultry feed respectively.
- ORYZAAGRO experienced revenue growth of 4.2% CAGR during 4 years from 2017-20. The company's overall revenue comes from two segments: Fish feed and Poultry Feed. Fish Feed segment contributes ~85% of the total revenue, while Poultry Feed segment contributes the rest to the overall topline.
- In recent years (2019 and 2020), Gross Profit Margin (GPM), Operating profit margin (OPM) and Net Profit Margin (NPM) seems to be stable around 17.5%, 12% and 8.5% respectively. The impact of pandemic seems to be negligible on the financial performance.
- The company plans to pursue competitive pricing to capture market share. In that case, revenue level might decline slightly which might be offset by cost efficiency driven margin gains. The company has already shown a track record of improving margins. GPM improved from 15.6% of 2016 to 17.6% of 2020; OPM improved from 9.5% of 2016 to 11.8% of 2020. Such margin gains translated 4.2% revenue CAGR into 8.6% NPAT CAGR in last 4 years (2017-2020).
- The company has no cash dividend history in the last five years.
- As per Bangladesh Securities and Exchange Commission's (BSEC) requirement, ORYZAAGRO can issue bonus shares for three years after it is listed on the SME platform.
- Lock In period is 1 year for sponsors as well as existing shareholders
- Company's Managing Director M. Azhar Rahman is also the founder and Managing Director of listed company VFS Thread Dyeing Limited (VFSTDL). Besides, he is also managing director of VFS Apparels and Designs Limited and Deccolete Collections Limited.

QIO Summary

Post QIO No. of Shares (Mn)	69.1
Post-QIO Paid-up Capital (Mn BDT)	690.9
Pre-QIO Paid-up Capital (Mn BDT)	590.9
New Shares Issued (Mn)	10.0
QIO Proceeds (Mn BDT)	100.0
Face Value (BDT)	10
Market Lot	N/A
Free Float	N/A
Accounting Year End	June
Auditor	Kazi Zahir Khan & Co
Issue Manager	Imperial Capital & City Bank Capital

Income Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Revenue	873.2	980.5	1,134.7	1,176.8	1,031.3
Cost of Materials	(736.9)	(814.2)	(940.7)	(976.2)	(849.9)
Gross Profit	136.2	166.3	194.0	200.7	181.4
Operating Expenses	(52.9)	(54.6)	(57.9)	(60.5)	(59.8)
Operating Income	83.3	111.7	136.1	140.2	121.6
Financial Expenses	(5.1)	(32.9)	(30.5)	(16.6)	(12.7)
Profit before Contribution to WPPF	78.3	78.8	105.5	123.6	108.9
Contribution to WPPF	(3.7)	(3.8)	(5.0)	(5.9)	(5.2)
Profit Before Tax	74.5	75.1	100.5	117.7	103.7
Income Tax Expense	(11.0)	(11.0)	(14.9)	(18.3)	(15.3)
PAT	63.6	64.0	85.6	99.4	88.4
Pre-QIO EPS	1.08	1.08	1.45	1.68	1.50
Post QIO EPS	0.92	0.93	1.24	1.44	1.28

Balance Sheet

Mn BDT	2016A	2017A	2018A	2019A	2020A
Total Non-Current Assets	444.9	425.6	519.9	486.7	446.7
Property, Plant and Equipment	444.9	421.0	496.6	486.6	444.4
Capital Work in Progress	-	4.6	23.3	-	1.6
Total Current Assets	286.4	404.2	538.9	660.3	806.5
Inventories	93.2	129.0	144.6	162.0	164.8
Accounts Receivables	188.3	258.4	351.1	447.7	569.0
Advance, Deposits And Payments	3.8	6.1	22.3	38.1	50.0
Cash And Cash Equivalent	0.2	6.2	4.3	3.2	3.6
Total Assets	731.2	829.8	1,058.8	1,147.1	1,253.2
Total Shareholder's Equity	490.5	580.2	820.8	920.2	1,008.6
Share Capital	3.0	3.0	99.6	590.9	590.9
Retained Earnings	80.3	144.3	229.9	329.3	417.7
Share Money Deposit	407.3	432.9	491.3	-	-
Non-Current Liabilities	180.5	154.0	137.5	122.5	114.2
Deferred Tax Liability	9.8	14.6	20.7	24.7	27.1
Long Term Loan net off Current Portion	170.7	139.3	116.8	97.7	87.1
Current Liabilities	60.2	95.7	100.5	104.4	130.5
Accounts Payable	36.5	31.1	25.1	11.1	12.5
Short Term Loan	-	14.5	12.6	10.4	11.8
Current Portion of Long Term Loan	6.9	22.0	22.4	23.2	25.4
Provision and Accruals	13.8	18.9	22.4	31.2	38.7
Provision for Income Tax	3.0	9.2	18.0	28.4	41.4
Total Liabilities	240.7	249.6	238.0	226.9	244.7
Total Shareholder's Equity and Liabilities	731.2	829.8	1,058.8	1,147.1	1,253.3

Cash Flow Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Operating Activities	16.9	8.9	4.1	32.3	9.1
Investing Activities	(405.7)	(22.9)	(137.0)	(13.0)	(0.3)
Financing Activities	388.8	23.9	131.0	(20.4)	(8.4)
Net Cash Flow	(0.1)	10.0	(1.9)	(1.1)	0.4

Ratios

	2016A	2017A	2018A	2019A	2020A
Gross Margin	15.60%	16.96%	17.10%	17.05%	17.59%
Operating Margin	9.5%	11.4%	12.0%	11.9%	11.8%
PBT Margin	8.5%	7.7%	8.9%	10.0%	10.1%
Net Margin	7.3%	6.5%	7.5%	8.4%	8.6%
Revenue Growth	0.0%	12.3%	15.7%	3.7%	-12.4%
Operating Profit Growth	0.0%	34.0%	21.8%	3.0%	-13.3%
Total Net Profit Growth	0.0%	0.7%	33.8%	16.1%	-11.1%
Debt to Asset	24.3%	21.2%	14.3%	11.5%	10.0%
Net Debt to Equity	36.2%	29.2%	18.0%	13.9%	12.0%
Return on Asset	8.7%	8.2%	9.1%	9.0%	7.4%
Return on Equity	13.0%	12.0%	12.2%	11.4%	9.2%
Effective Tax Rate	14.7%	14.7%	14.8%	15.5%	14.8%

IMPORTANT DISCLOSURES

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