



### Company Background

Energypac Power Generation Ltd. (EPGL) was incorporated in 1995. EPGL is involved in diversified businesses in the power & energy and commercial automobile sector. EPGL is engaged in power plant maintenance, sales of gas and diesel generator, CNG refueling station, marketing and sales of JAC branded commercial vehicles, spare parts installation, etc. Moreover, EPGL has recently entered into the local LPG industry with the brand name G-Gas. The company is also working to provide complete steel construction solutions for commercial and non-commercial infrastructures.

EPGL's Solo Revenue Breakdown 2018	Revenue Contribution
Sales of pickup van	31.5%
Sales on LPG	24.5%
Sales of goods (vehicle, generator and low voltage accessories)	23.6%
EPC (Engineering, Procurement and Construction) revenue	9.7%
Others	10.7%

Besides, the company has three different subsidiaries, and all of them are in the power generation and distribution business. **EPGL has an ownership claim of 161MW combined.**

Subsidiary Name	Capacity	Type	Operation Start	Total Ownership	Power Purchase Agreement
Energypac Confidence Power Venture	11MW	-	Jan 2009	90.0%	15 Years
EPV Chittagong	108MW	IPP	Jan 2015	91.0%	15 Years
EPV Thakurgaon	115MW	IPP	-	45.9%	15 Years

### IPO Details

EPGL will raise BDT 1,500 mn as initial public offering (IPO) through book building method. The fund will be used for the LPG Project Expansion, Loan Repayment, and IPO expenses.

The breakdown of the IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
LPG Project Expansion	960.0	64.0%
Loan Repayment	495.0	33.0%
<b>Sub Total</b>	<b>1,455.0</b>	<b>97.0%</b>
IPO Expenses	45.0	3.0%
<b>Total</b>	<b>1,500</b>	<b>100%</b>

### Key Points

- As per the Bangladesh Power Development Board (BPDB) daily power generation report, EPV Chittagong is consistently facing issues like low demand, engine problem, etc. since April 2015.
- EPGL has been assembling JAC branded pickups, and gas and diesel-based generators in its local plant since 2015. The plant has an annual capacity of 1,200 pickups and 300 generators. As the economy recovers from the COVID-19 pandemic, we expect both pickup and generator sales to escalate gradually. EPGL also sells JCB branded heavy construction machineries and equipment in Bangladesh. In 2017, the company commenced steel structure manufacturing and marketing under the brand name Steelpac. EPGL's steel processing factory has an annual capacity of 12,000 MT.
- Pickup sales contributed 17% of EPGL's consolidated top-line in 2018. Pickup sales in the industry slumped by 3.1% and 8.7% in 2018 and 2019 respectively. In 2020, the situation is likely to be worse due to the COVID-19 pandemic. In the first half of 2020, pickup sales in the industry declined by 26.8%, and we expect this industry to recover slightly in the second half of the year. Moreover, ~70% of commercial vehicle sales incur on an accrual basis. Local pickup drivers may not be able to pay their monthly EMIs on time due to the countrywide economic slump. Certainly, it will increase EPGL's bad loan provision, working capital requirement, and interest expense. EPGL had a total interest-bearing loan of BDT 16,304 mn at the end of 9M 2019.
- Sales of heavy construction machineries and equipment are directly connected to large government and private projects. Though the annual development programme (ADP) spending hit a four-year low in 2020 mainly due to the outbreak of COVID-19, we believe, it will pick up fast in the next year and so will the sales of these construction materials.
- While the Government of Bangladesh (GoB) is becoming more concerned about the depletion of natural gas, liquefied petroleum gas (LPG) has emerged as an alternative to natural gas. LPG is likely to be popular as an alternative automobile fuel due to its cost-effectiveness and environment friendliness. The current LPG industry size is 0.9 mn MT, and it is expected to reach 2.0 mn MT by 2025, implying a CAGR of 15.3%. **To grab the opportunity, EPGL entered into the local LPG industry in October 2017.** However, the major challenge of the industry is that companies can't directly control the retail LPG price due to the high bargaining power of the dealers and distributors. While Bashundhara LP Gas, the market leader in the industry, has a total storage capacity of 3,000 MT and a daily refill capacity of 50,000 cylinders, EPGL has a total storage capacity of 3,000 MT and a daily refill capacity of ~3,500 cylinders. Another storage facility of EPGL is under construction. The planned storage capacity of the new facility is 2,000 MT.
- Sales almost tripled in 2018 due to the start of LPG business in 2017. From 2015 to 9M 2019, EPGL's consolidated gross and net profit margins shrank by 950 bps and 529 bps, respectively. The COVID-19 pandemic may further squeeze the margins for EPGL in 2020.
- EPGL and its subsidiaries are highly leveraged. The company had 2.5 times more debt than its equity investment in 9M 2019. The company initially borrowed fund at an average rate of 12.5%. However, the implementation of the single-digit interest rate in 2020 is likely to be advantageous for the company.

### Comparable & Trading Multiples

Trailing P/E multiples of other listed comparable stocks in the Fuel & power and Engineering sector are given:

DSE Ticker	Mcaps (BDT Mn)*	LTM Earnings (BDT Mn)*	LTM P/E*	Mcaps/MW (BDT Mn)*
IFADAUTOS	12,325	581	21.2x	-
MJLBD	28,666	1,852	15.5x	-
SUMITPOWER	45,492	5,664	8.0x	62
KPCL	19,871	1,207	16.5x	75
DOREENPWR	8,584	1,002	8.6x	49
GBBPOWER	1,537	83	18.5x	70
BARKAPOWER	6,822	519	13.2x	66

\*As of 17 September 2020, Source: DSE, BEPL Research

### Company Summary

Pre-IPO Paid-up Capital (Mn BDT)	1,498.7
New Shares Issued (Mn)	N/A
IPO Proceeds (Mn BDT)	1,500
Face Value	10
Market Lot	N/A
Free Float	N/A
Accounting Year End	June
Auditor	Howladar Yunus & Co.
Issue Manager	LankaBangla Investments Limited

### Income Statement

Mn BDT	2015A	2016A	2017A	2018A	9M 2019A
Revenue	3,133	3,480	4,546	12,444	11,002
Cost of revenue	(2,171)	(2,572)	(3,507)	(9,972)	(8,670)
<b>Gross profit</b>	<b>962</b>	<b>908</b>	<b>1,039</b>	<b>2,472</b>	<b>2,332</b>
A&D expense	(619)	(684)	(647)	(1,068)	(1,098)
Others	(4)	(57)	38	(31)	0
<b>Operating profit</b>	<b>339</b>	<b>167</b>	<b>430</b>	<b>1,373</b>	<b>1,235</b>
Net finance income	(13)	(35)	(78)	(758)	(719)
Provision for WPPF	-	(7)	(17)	(22)	(21)
Others	52	72	92	16	14
<b>Profit before tax</b>	<b>378</b>	<b>197</b>	<b>426</b>	<b>609</b>	<b>509</b>
Income tax	(109)	(47)	(122)	(156)	(148)
<b>Profit after tax</b>	<b>269</b>	<b>150</b>	<b>305</b>	<b>454</b>	<b>360</b>
Profit attributable to equity holders	269	150	304	438	353
<b>Restated EPS - Pre IPO</b>	<b>1.79</b>	<b>1.00</b>	<b>2.03</b>	<b>2.92</b>	<b>2.35</b>

### Balance Sheet

Mn BDT	2015A	2016A	2017A	2018A	9M 2019A
PPE	2,191	2,281	11,322	17,229	16,878
Capital work in progress	176	293	1,688	215	1,783
Others	958	1,013	176	710	365
<b>Non-current Assets</b>	<b>3,324</b>	<b>3,587</b>	<b>13,186</b>	<b>18,154</b>	<b>19,026</b>
Others	698	956	1,156	1,601	2,965
Trade receivables	2,520	1,974	2,983	4,716	4,928
Inventories & WIP	639	705	1,687	3,033	3,510
Cash and cash equivalents	1,429	1,712	2,870	2,464	2,565
<b>Current Assets</b>	<b>5,286</b>	<b>5,348</b>	<b>8,696</b>	<b>11,815</b>	<b>13,968</b>
<b>Total Assets</b>	<b>8,611</b>	<b>8,936</b>	<b>21,883</b>	<b>29,969</b>	<b>32,994</b>
Share capital	1,499	1,499	1,499	1,499	1,499
Share premium	932	932	932	932	932
Revaluation reserve	1,399	1,346	1,970	2,241	2,241
Others	954	977	1,234	1,496	1,777
<b>Total Equity</b>	<b>4,784</b>	<b>4,753</b>	<b>5,634</b>	<b>6,167</b>	<b>6,449</b>
Term loan	198	129	4,470	5,011	8,598
Deferred tax liability	-	54	82	182	182
<b>Non-current liabilities</b>	<b>198</b>	<b>183</b>	<b>4,552</b>	<b>5,193</b>	<b>8,780</b>
Bank overdraft	1,051	1,354	1,734	2,185	2,538
Trade payables	478	398	561	1,867	2,701
Other payables	147	129	338	2,235	2,375
Short term bank loan	922	1,123	3,236	2,595	3,048
Term loan- current portion	114	159	4,718	7,268	4,685
Others	917	838	1,111	2,459	2,418
<b>Current Liabilities</b>	<b>3,629</b>	<b>4,000</b>	<b>11,697</b>	<b>18,609</b>	<b>17,765</b>
<b>Total Liabilities</b>	<b>3,826</b>	<b>4,183</b>	<b>16,249</b>	<b>23,802</b>	<b>26,546</b>
<b>Total Equity and Liabilities</b>	<b>8,610</b>	<b>8,936</b>	<b>21,883</b>	<b>29,969</b>	<b>32,994</b>

### Cash Flow Statement

Mn BDT	2015A	2016A	2017A	2018A	9M 2019A
Operating Activities	-	221	126	1,719	1,564
Investing Activities	-	(297)	(2,634)	(3,902)	(653)
Financing Activities	-	56	3,286	1,327	(1,047)
<b>Net Cash Flow</b>	<b>-</b>	<b>(20)</b>	<b>778</b>	<b>(857)</b>	<b>(136)</b>

### Ratios

	2015A	2016A	2017A	2018A	9M 2019A
Gross Profit Margin	30.7%	26.1%	22.9%	19.9%	21.2%
Op. Profit margin	10.8%	4.8%	9.5%	11.0%	11.2%
Net Profit Margin	8.6%	4.3%	6.7%	3.6%	3.3%
Revenue Growth	-26.7%	11.1%	30.6%	173.8%	17.9%
NPAT growth	-33.2%	-44.1%	102.9%	48.9%	6.0%
Receivable Turnover	1.2x	1.8x	1.5x	2.6x	2.2x
Inventory Turnover	3.4x	3.6x	2.1x	3.3x	2.5x
Debt to Asset	26.5%	30.9%	64.7%	56.9%	57.2%
Net Debt to Equity	17.9%	22.1%	200.3%	236.6%	252.8%
Return on Asset	3.9%	1.9%	2.0%	4.6%	3.7%
Return on Equity	5.6%	3.2%	5.4%	7.4%	5.6%
Effective Tax Rate	29.0%	23.8%	28.6%	25.5%	29.2%

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