



Company Background

M.L. Dyeing (MLDL) is an export-oriented yarn dyeing company located at Bhaluka, Mymensingh. The principal product of M.L. Dyeing Limited (MLDL) is dyed yarn, and the main activities of the Company are dyeing and processing yarn for 100% export oriented sweater industries in Bangladesh.

MLDL was incorporated in March, 2001 as a private limited company and commenced commercial operation in 2002. The company converted to a public limited one on June, 2010. MLDL currently does not have any subsidiary or holding company.

The current installed capacity of the company for yarn dyeing is about 9000 tonne per year whereas the actual utilization rate is 81.69%. According to the management, over the next three years, the total capacity and production are expected to grow at a CAGR of 6.15% and 7.69% respectively after the new equipment is installed. Currently, around 700 people are working in this company as full-time employees.

IPO Details

MLDL will raise BDT 200.0 million as IPO proceeds through fixed price method by offering 10.0 million ordinary shares of BDT 10.0 each. Proceeds from initial public offering (IPO) will be used for Acquisition of Machineries & Equipment and for IPO expenses. The break down of IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Acquisition of Machineries & Equipment	178.3	89.2%
IPO Expenses	21.7	10.9%
Total	200.0	100.0%

Key Points

- M.L. Dyeing Limited recorded 6.3% and 28.0% decline in revenue in 2014 and 2015 respectively. The selling price per unit of the company's products has been decreasing in the international market after 2013-2014. Company management then diversified their products, increased capacity & credit facilities. From 2016, the sales have been increasing. According to the management, as the company will keep increasing the credit facilities, the sales revenue are expected to grow. The company has reported a top line CAGR of 10.3% over the last three years with an average gross profit margin of 20.3%. The bottom line CAGR was 6.0% with an average net profit margin of 16.1%.
- Some of the competitors of MLDL are Ring Shine Limited, Dongbeng Limited, Belly Yarn Dyeing Limited, FM Yarn Dyeing Limited, Queen South Textiles Mills Limited, Anlima Yarn Dyeing Limited, Shepherd Industries Limited, Tung Hain Knitting & Dyeing Limited, Nurani Dyeing Sweater Limited and Dragon Sweater & Spinning Limited. Among the major players in this market, Dragon Sweater & Spinning Limited (DSSL), Tung Hai Knitting & Dyeing Limited (TUNGHAI), Queen South Textiles Mills Limited (QUEENSOUTH), Anlima Yarn Dyeing Limited (ANLIMAYARN) and Shepherd Industries Limited (Shepherd) are listed in the stock exchange.
- QUEENSOUTH reported the highest sales revenue of BDT 3,265 million in 2016-17 among all the listed yarn dyeing companies followed by SHEPHERD (BDT 1,175.0 million), DSSL (BDT 950.8 million) and TUNGHAI (BDT 728.7 million). MLDL reported a sales revenue of BDT 2,295.7 million during that period.
- MLDL is raising IPO proceeds primarily for acquiring capital equipment. 89.2% of the IPO proceeds will be utilized for acquisition of machinery and equipment. These acquisitions are expected to increase the efficiency of the company's manufacturing line which is expected to increase the revenue from 2019.
- Main raw materials for MLDL are yarn and chemicals. For better quality assurance and steady production, the company depends on both foreign and local suppliers. As the numbers of suppliers of raw materials are plenty in the market, there is no possibility of disruption. However, MLDL procures a good amount of raw materials from foreign suppliers of China (Yarn), Taiwan (Chemicals), Singapore (Chemicals) and Thailand (Yarn). Therefore, any fluctuation of currency and raw material prices in international markets will impact the company's COGS, and hence the margins.
- MLDL has no subsidiary nor holding company, so there is no such risk which might affect the parent company's balance sheet. However, MLDL has an investment in associate (R.N. Spinning Mills Ltd.) which is expected by the management to do well in upcoming years. The core business of R.N. Spinning Mills Ltd. is to produce 100% Acrylic and Cotton yarn for 100% export oriented dyeing/textile industries.

Comparable & Trading Multiples

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

DSE Ticker	Market Cap *	TTM Earnings*	P/E
SHEPHERD	4,235.4	166.7	26.6x
DSSL	3,094.7	261.9	12.6x

* in BDT Million

Company Summary

Post IPO No. of Shares (Mn)	160.4
Post-IPO Paid-up Capital (Mn BDT)	1604.1
Pre-IPO Paid-up Capital (Mn BDT)	1404.1
New Shares Issued (Mn)	20.0
IPO Proceeds (Mn BDT)	200.0
Face Value & Offer Price (BDT)	10.0
Market Lot	500.0
Free Float	12.5%
Accounting Year End	June
Auditor	Mahfel Huq & Co..
Issue Manager	NBL Capital and Equity Management

Income Statement

Mn BDT	2013	2014	2015	2016	2017
Revenue	2,538	2,379	1,713	1,924	2,296
COGS	(1,692)	(1,726)	(1,455)	(1,653)	(2,027)
Gross Profit	846	653	258	271	268
Operating Expenses	(24)	(25)	(25)	(27)	(31)
Operating Profit	822	628	233	243	237
Financial Expense	(95)	(47)	(27)	(16)	(7)
Other Income	1	1	1	1	1
Share from Associate	62	81	11	(27)	26
EBT	790	664	218	200	257
Income Tax Expense	110	93	31	34	35
NPAT	681	570	187	166	222
Basic EPS (BDT)	4.85	4.06	1.33	1.18	1.58

Balance Sheet

Mn BDT	2013	2014	2015	2016	2017
Non-Current Assets	1,824	1,799	2,338	2,224	2,110
Property, Plant and Equipment:	1558	1452	1966	1892	1752
Investment in Associate	266	347	359	332	358
Current Assets:	1,444	1,796	1,377	1,206	1,517
Inventory	521	825	576	463	615
Trade & other receivables	893	937	744	694	839
Advance & Deposits	13	12	14	35	37
Cash and Cash Equivalents	16	22	43	14	25
Total Asset	3,268	3,595	3,714	3,430	3,627
Share Holders' Equity:	2,535	3,105	3,292	3,107	3,329
Share Capital	702	1404	1404	1404	1404
Retained Earnings	1833	1701	1888	1703	1925
Non-Current Liabilities:	207	118	98	111	118
Long Term borrowing	207	113	0	0	0
Deferred tax liability	0	6	98	111	118
Current Liability	525	371	325	212	179
Trade & other Payables	204	77	104	140	89
Current portion of long term loan	108	108	102	0	0
Short term borrowing	56	81	79	32	31
Creditors and Accrued	10	11	12	7	9
Provision for income tax	147	94	28	34	51
Total Liabilities	732	489	422	323	297
Total Equity and Liabilities	3,268	3,595	3,714	3,430	3,627

Cash Flow Statement

Mn BDT	2013	2014	2015	2016	2017
Operating Activities	344	143	813	565	35
Investing Activities	161	(20)	(643)	(429)	(16)
Financing Activities	(510)	(117)	(149)	(165)	(8)
Net Cash Flow	(6.1)	5.8	21.0	(29.1)	11.3

Ratios

	2013	2014	2015	2016	2017
Gross Profit Margin	33%	27%	15%	14%	12%
EBIT Margin	32%	26%	14%	13%	10%
Net Profit Margin	27%	24%	11%	9%	10%
Revenue Growth	N/A	-6%	-28%	12%	19%
Gross Profit Growth	N/A	-23%	-60%	5%	-1%
EBIT Growth	N/A	-24%	-63%	4%	-2%
NPAT Growth	N/A	-16%	-67%	-11%	34%
Debt to Asset	11%	8%	5%	1%	1%
Net Debt to Equity	14%	9%	4%	1%	0%
Return on Asset	20%	17%	5%	5%	6%
Return on Equity	24%	20%	6%	5%	7%
Effective Tax Rate	-14%	-14%	-14%	-17%	-14%

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

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

International Trade and Sales

Ahsanur Rahman Bappi	Head of International Trade & Sales (Acting)	bappi@bracepl.com	01730 357 991
----------------------	---	--	---------------

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