

Company Background

SK Trims & Industries Limited is involved in manufacturing of all kinds of Swing Thread, Elastic, Poly, Carton, Photo Card, Back Board, Bar Code, Hangtag, Tissue Paper, Gum Tape etc. for export oriented garment industry. Its registered office and factory are located in Tongi, Gazipur.

SK Trims & Industries Ltd. was incorporated on June 01, 2014 as a private limited company. At the time of incorporation, its name was SK Thread & Industries Ltd. The Company changed its name from SK Tread & Industries Limited to SK Trims & Industries Ltd. on April 25, 2016. Subsequently the Company converted from private to public limited company on August 13, 2017. There is no subsidiary company of SKTIL.

IPO Details

SKTIL will raise BDT 300.0 million as IPO proceeds through fixed price method by offering 30.0 million ordinary shares of BDT 10.0 each. Proceeds from initial public offering (IPO) will be used for acquisition of machinery and equipment and construction of building and other civil works. The break down of IPO proceeds utilization is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Acquisition of Machineries and Equipment	127.3	42.4%
Construction of Building and other Civil Works	148.9	49.6%
IPO Expense	23.8	8.0%
Total IPO Proceeds	300.0	100.0%

Key Points

- SKTIL has reported a top line CAGR of 56.1% over the last 3 years with an average gross profit margin of 21.7%. The bottom line CAGR was 82.3% with an average net profit margin of 11.1%. Its closest competitors are Olympic Accessories Limited (OAL), KDS Accessories Limited (KDSALTD), and Bengal Windsor Thermoplastics Limited (BENGALWTL). Olympic & KDS have similar gross profit margin and net profit margin to SKTIL. BENGALWTL has higher gross profit margin and net profit margin than the rest. The possible reason behind higher margin of BENGALWTL is its narrower product portfolio than the rest. It allows BENGALWTL to achieve economies of scale but puts it into risk of any disruption of demand. SKTIL has seen much higher growth compared to its peers in last 3 years. Only KDS showed positive CAGR in the last 3 years among the peer companies. SKTIL's smaller size compared to its peers helped it in securing a higher growth.
- The IPO proceeds will be used in purchasing machineries. This will facilitate in increasing the capacity of the company which may consequently increase revenue of the company in the future. SKTIL has a capacity of 4,300 M. Ton with an utilization of 71.12%. SKTIL projected that it would have a capacity of 7,856 M. Ton by June 2020.
- SKTIL has a large number of suppliers from around the world. Their suppliers are mainly from China, Vietnam, Japan, Germany, Taiwan, and South Korea. This allows it to avoid any kind of disruption in supply of raw materials.
- SKTIL only focuses on exports which allows it to avoid uncertainties in domestic demand and grab opportunities provided by foreign clients all around the world. Its experience may allow it to pursue more foreign clients as this sector has promising growth.
- Dependency on foreign suppliers and foreign clients puts SKTIL in a vulnerable position due to exchange rate risks.

Comparable & Trading Multiples

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

DSE Ticker	Market Cap *	Revenue**	***P/E
OAL	2,373.4	1,465.3	15.82x
KDSALTD	3,519.5	2,487.8	23.63x
BENGALWTL	2,753.4	904.8	20.16x

*In BDT Million. On May 20, 2018

**In BDT Million. From Last Audited Financial Statements

***From TTM earnings and price on May 20, 2018

Company Summary

Post IPO No. of Shares (Mn)	70.0
Post-IPO Paid-up Capital (Mn BDT)	700.0
Pre-IPO Paid-up Capital (Mn BDT)	400.0
New Shares Issued (Mn)	30.0
IPO Proceeds (Mn BDT)	300.0
Face Value & Offer Price (BDT)	10.0
Market Lot	500.0
Free Float	42.9%
Accounting Year End	June
Auditor	AHMAD & AKHTAR
Issue Manager	Imperial Capital Limited & BMSL Investments Limited

Income Statement

Mn BDT	2015	2016	2017
Revenue	188.5	349.4	459.0
COGS	(147.4)	(273.5)	(359.9)
Gross Profit	41.1	75.8	99.1
Operating Expense	(18.1)	(21.8)	(28.3)
Profit from Operations	23.0	54.0	70.7
Other Income	-	0.2	0.6
Finance Cost	(3.5)	(4.3)	(3.7)
Contribution to WPPF	-	-	(3.2)
Profit before Income Tax	19.4	49.9	64.4
Income Tax Expenses	(3.4)	(8.8)	(11.4)
Net Profit after Tax	16.0	41.1	53.1
EPS	0.40	1.03	1.33
Restated EPS	0.23	0.59	0.76

Balance Sheet

Mn BDT	2015	2016	2017
Non-current Assets:	93.8	146.2	393.5
Property, Plant & Equipment	93.8	146.2	393.5
Current Assets:	80.0	139.4	197.8
Inventories	46.6	58.5	71.6
Trade & Other Receivables	29.2	75.9	92.0
Advance, deposit & pre-payments	3.6	4.8	9.4
Cash & cash equivalent	0.6	0.3	24.8
Total Assets	173.8	285.6	591.3
Shareholders Equity:	22.1	63.4	511.5
Share Capital	5.0	5.0	400.0
Retained Earnings	17.1	58.3	111.3
Other Comprehensive Income/Loss	-	0.1	0.2
Non-Current Liabilities:	73.1	100.8	10.4
Share Money Deposit	23.9	49.0	-
Deferred Tax Liability	2.3	5.3	10.4
Long Term Loan	2.0	1.5	-
Vendor's Account	45.0	45.0	-
Current Liabilities:	78.5	121.4	69.4
Short Term Borrowings	74.2	102.7	31.7
Trade & Others Payables	0.8	9.5	15.6
Liabilities for Expenses	3.5	9.3	18.9
Liabilities for WPPF	-	-	3.2
Total Liabilities	151.7	222.2	79.8
Total Equity & Liabilities	173.8	285.6	591.3
Net Asset Value (NAV) per Share	0.55	1.58	12.79

Cash Flow Statement

Mn BDT	2015	2016	2017
Operating Activities	4.3	13.7	57.9
Investing Activities	(21.3)	(62.6)	(261.1)
Financing Activities	12.4	48.6	227.7
Net Cash Flow	(4.6)	(0.3)	24.5

Ratios

	2015	2016	2017
Gross Profit Margin	21.8%	21.7%	21.6%
Operating Profit margin	12.2%	15.5%	15.4%
Net Profit Margin	8.5%	11.8%	11.6%
Revenue Growth		85.4%	31.4%
Operating Profit Growth		135.1%	31.0%
NPAT Growth		156.8%	29.0%
Debt to Asset	43.8%	36.5%	5.4%
Net Debt to Equity	341.7%	164.0%	1.3%
Return on Asset	9.2%	17.9%	12.1%
Return on Equity	72.4%	96.3%	18.5%

IMPORTANT DISCLOSURES

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