

# Keya Cotton Mills Limited

(If there is any contrary information please communicate with DSE through e-mail: [listing@dsebd.org](mailto:listing@dsebd.org))

## Disclaimer:

The contents of this presentation are entirely based on disclosures made by the company. Therefore, DSE does not assume any responsibility on the authenticity of the facts and figures presented thereof.

## Brief Overview of the Company

1. Date of Incorporation : 15<sup>th</sup> June, 2004
2. Commencement of Business : 2006
3. Authorized Capital : Total Tk. 1,000.00 million (100.00 mn ordinary Shares of Tk. 10 each)
4. Paid up Capital (Pre IPO) : Total Tk. 247.04 million

## Details of the Issue

Description	Ordinary Shares	Face Value per share	Offer Value In Taka	Premium per share (Tk.)	Premium in Taka	Capital in Taka
Pre-IPO Placement	–	–	–	–	–	–
Public Offering	5,000,000	10	15	5	25,000,000	50,000,000

## Paid up Capital after IPO

Particulars	No. of Ordinary Shares	Face Value (Tk.)	Capital in Taka
Pre-IPO Paid up capital	24,700,000	10	247,000,000
IPO	5,000,000	10	50,000,000
Paid up capital after IPO	29,700,000	10	297,000,000

\* The face value of ordinary shares has been reduced from Tk. 100 to Tk. 10 each by the decision of an EGM held on September 13, 2008.



03	Mrs. Khaleda Pervin	<ul style="list-style-type: none"> <li>• Keya Detergent Limited</li> <li>• Keya Spinning Mills Limited</li> <li>• Keya Cosmetics Limited</li> <li>• Keya Soap Chemicals Ltd.</li> <li>• Keya Knit Composit Limited</li> <li>• Khaleque &amp; Co. (Pvt.) Ltd.</li> <li>• Khaleque Knitting &amp; Garments Inds (Pvt.) Limited</li> <li>• Keya Yarn Mills Limited</li> </ul>	<ul style="list-style-type: none"> <li>• MD</li> <li>• Director</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> </ul>
04	Mr. Masum Pathan	<ul style="list-style-type: none"> <li>• Keya Detergent Limited</li> <li>• Keya Spinning Mills Limited</li> <li>• Keya Cosmetics Limited</li> <li>• Keya Soap Chemicals Ltd.</li> <li>• Keya Knit Composit Limited</li> <li>• Khaleque &amp; Co. (Pvt.) Ltd.</li> <li>• Khaleque Knitting &amp; Garments Inds (Pvt.) Limited</li> <li>• Keya Yarn Mills Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> <li>• Do</li> </ul>
05	Alhaj Md. Akkas Ali Pathan Representative of Khaleque Knitting & Garments Ind. (Pvt.) Ltd.	<ul style="list-style-type: none"> <li>• Keya Cosmetics Limited</li> <li>• Keya Detergent Limited</li> <li>• Keya Spinning Mills Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Director</li> <li>• Do</li> <li>• Do</li> </ul>

### **Ownership of the Company's Security Shareholding structure as on 30.06. 2008**

<b>Sl. No.</b>	<b>Name of the shareholder</b>	<b>Status</b>	<b>No. of shares subscribed</b>	<b>% of holdings</b>
01	Keya Spinning Mills Limited	Shareholder	1,116,000	45.2%
02	Khaleque Knitting & Garments Ind. (Pvt.) Ltd	Shareholder	910,000	36.8%
03	Keya Cosmetics Ltd	Shareholder	394,000	16.0%

### **List of shareholders who owns below 5% share of the Company**

<b>Sl. No.</b>	<b>Name of the shareholder</b>	<b>Status</b>	<b>No. of shares subscribed</b>	<b>% of holdings</b>
01	Mr. Abdul Khaleque Pathan	Managing Director	30,000	1.2%
02	Mrs. Feruza Begum	Chairman	5,000	0.2%
03	Mrs. Khaleda Pervin	Director	5,000	0.2%
04	Mr. Masum Pathan	Director	5,000	0.2%
05	Khaleque & Co.( Pvt.) Ltd.	Shareholder	5,000	0.2%
	Total		2,470,000	100%

## Performance at a Glance:

		(Tk. In million)			
Particulars	30-06-2005	01-02-06 to 30-06-06	Annualized	30-06-07	30-06-08
Operating Revenue		427.07	1024.97	1161.87	1409.96
Growth				13.36%	21.35%
Gross Profit		73.02	175.25	241.50	288.79
Growth				37.80%	19.58%
Operating Expenses		18.13	43.51	145.51	159.77
Growth				234.41%	9.80%
Operating Profit		54.89	131.74	95.99	129.02
Growth				-27.13%	34.41%
Profit before Tax		52.28	125.47	91.50	122.91
Growth				-27.08%	34.33%
Net Profit after tax		31.37	75.29	54.90	73.74
Growth				-27.08%	34.32%
Total Assets	128.1	1817.52		1921.44	1991.60
Growth		1318.83%		5.72%	3.65%
Net Assets	125.00	312.99		411.49	513.68
Growth		150.39%		31.47%	24.83%
NAV per share (considering face value of Tk. 100)	1250.00	3129.90		4114.90	207.97
Diluted NAV per share (considering face value of Tk. 10)	5.06	12.67		16.66	20.80
Growth		150.39%		31.47%	24.83%
EPS (considering face value of Tk. 100)		313.70	752.88	549.00	29.85
Diluted EPS (considering face value of Tk. 10)		1.27	3.05	2.22	2.99
Growth				-27.08%	0.34
Diluted EPS (considering post-IPO paid-up capital and face value of Tk. 10)		1.06	2.53	1.85	2.48
Growth				-27.08%	34.32%
Shareholders Equity	125.00	312.99		411.49	513.68
No. of ordinary Shares	100000	100000		100000	2470000
No. of Shares after IPO					29700000

<b>Particulars</b>	<b>30-06-05</b>	<b>01-02-06 to 30-06-06</b>	<b>Annualized</b>	<b>30-06-07</b>	<b>30-06-08</b>
Shareholders Equity	125.00	312.99		411.49	513.68
No. of ordinary Shares	100000	100000		100000	2470000
No. of Shares after IPO					29700000
ROE		24.05%	24.05%	13.34%	14.36%
ROA		4.14%	4.14%	2.86%	3.70%
Net Profit Margin		7.35%		4.73%	5.23%
Asset Utilization		56.39%	56.39%	60.47%	70.80%
Equity Multiplier	1.02	5.81		4.67	3.88
Short-term Debt	3.10	492.83		431.18	597.36
Long-term Debt		1011.70		1078.78	880.56
Total Debt	3.10	1504.53		1509.96	1477.92
Total Debt to Total Asset	2.42%	82.78%		78.58%	74.21%
STD to Total Capital	2.42%	27.12%		22.44%	29.99%
LTD to Total Capital	0.00%	55.66%		56.14%	44.21%
Interest Expense		13.81		136.74	149.24
EBIT		66.09		228.24	272.15
Time Interest Earned Ratio		4.79		1.67	1.82
Operating Efficiency Ratio		4.25%		12.52%	11.33%

## Use of Proceeds

The proceeds of IPO will be used for repayment of long-term liabilities and lease liabilities as mentioned below:

Name of lender	Loan amount taken	Date of Loan Taken	Rate of Interest	Outstanding Balance as on 30.06.08
Phoenix Leasing & Investment Ltd.	85,000,000.00	15/02/07	18.00% p.a	65,254,830.00
LankaBangla Finance & Investment Ltd.	50,000,000.00	25/05/08	17.50% p.a	44,189,335.00
<b>Total</b>				<b>109,444,165.00</b>

## Determination of offering price

1. Net Assets Value (NAV) per share as on 30th June, 2008 (as reported by the company):

1.	Fixed Assets less Depreciation	1,257,217,799
2.	Current Assets	628,220,551
3.	Investment	100,289,003
4.	Other Assets	5,874,846
<b>Total Assets (A)</b>		<b>1,991,602,199</b>
1.	Current Liabilities	597,357,858
2.	Long Term Liabilities	880,564,773
<b>Total Liabilities (B)</b>		<b>1,477,922,631</b>
<b>Net Assets Value (A-B)</b>		<b>513,679,568</b>
Numbers of Outstanding Shares		2,470,000
<b>Net Assets Value Per Share (in Taka)</b>		<b>207.97</b>

The Company split up its ordinary shares in to Tk. 10.00 each from Tk. 100.00. After split of ordinary share total numbers of share outstanding has come to 24,700,000 as well as the adjusted **Net Assets Value (NAV) per share is Tk. 20.797.**

## 2. Earning Based Value Method:

<b>Particulars</b>	<b>30.06.06</b>	<b>30.06.07</b>	<b>30.06.08</b>
Profit After Tax (in million Tk.)	75.29 (annualized)	54.90	73.74
Diluted EPS (in Taka), Considering face vale of Tk. 10	3.05 (annualized)	2.22	2.99
Diluted EPS (in Taka), considering post-IPO paid-up capital and face value of Tk. 10	2.53 (annualized)	1.85	2.48
<b>Average EPS (diluted considering post-IPO paid-up capital) of last 3 (three) years is Tk. 2.28</b>			
<b>Current Price Earning (P/E) ratio of Textile sector is 12.51</b>			
<b>Earning based value per share (last three years avg. EPS x P/E) will be Tk. 28.52</b>			

### **Risk factors & Management perceptions about the risks**

The Company is operating in a field involving a great deal of external/internal risk factors and the management of Keya Cotton Mills Limited perceives the risk factors which are as follows simultaneously: -

#### **Interest rate risks**

Interest rate risk arises due to fluctuation of interest rate in money market. Volatility in money market and increased demand for loan presses on interest rate structure to be fixed in high. Rising of interest rate increases the cost of fund for a company, which have borrowed fund, and consequently profit is squeezed.

#### **Management perception**

Although the company has availed loan facilities from financial institutions, management of the Company is expectant that interest rate fluctuation will not deeply affect profitability of the company. On the other hand, the company is going to raise fund from capital market for repayment of loan which will further reduce their interest rate risk exposure.

**Exchange rate risks**

Devaluation of local currency against major international currencies affects business performance of import based companies or companies borrowed in foreign currency adversely.

**Management perception**

Import of the machinery/raw materials may be affected by the local currency devaluation.

**Industry risks**

The company is operating in a highly competitive industry. Textile is the largest industrial sub-sector in Bangladesh. It contributes highest in the country's total export earnings, gives employment to over four million people, meets the second basic need for clothing of the country and contributes around 50% of the industrial value addition. But after phasing out of the MFA, the global textile trade is now free from quota restriction. The phasing out of MFA has created a tough competitive environment, where Bangladesh is now competing the countries like China, India, Pakistan, Indonesia, Thailand, Vietnam etc. countries that is very strong in production of textile goods. All sectors of the textile industry face many of the same challenges. These problems include lack of power, obsolete technology, low capacity utilization, lack of machinery maintenance, a workforce that is not adequately trained, problems with labor unrest and militancy, political unrest causing disruption such as hartals, and a lack of working capital.

**Management perception**

The textile industry in Bangladesh has grown in an unplanned manner and a critical demand-supply gap has arisen for both yarn and fabric. The crisis will naturally deepen unless appropriate backward linkages, the incorporation of the fundamental steps in the textile industry all through to the RMG industry, can be built to meet the rapidly approaching challenges in the global textile market. As the population is growing and the standard of living is increasing in Bangladesh, the demand for textiles is increasing rapidly. This presents an urgent need to dramatically increase capacities in spinning, weaving, knitting, dyeing, printing and finishing sub-sectors. This will require the adoption of the most modern and appropriate technology to ensure quality products at

competitive prices. In recent years, there has been a great deal of private initiative regarding investment in the backward linkage industries, taking advantage of the low cost of labor and power in the country and high local demand. The private sector investment in this sector, further boosted by government's various incentives, is likely to take the backward linkage industries to a better position where they can provide the necessary competitiveness to the entire textile industry to survive successfully in the free world market.

### **Market and technology related risks**

#### **(i) Market related risks**

Serving as a backward linkage, the spinning industry depends heavily on export-oriented knitting and weaving industries. Any fall in demand of the latter in the export market will naturally cause shrinking of the market for spinning industry.

#### **Management perception**

The country enjoys Most Favored Nation status and has signed bilateral trade and investment treaties with 16 countries in North America, Asia and Europe. Investors can also take advantage of the generalized-system of preference (GSP) which allows duty-free access to the European Markets. Since 1990, the Government has embarked on a highly successful macroeconomic, stabilization program with balance of payments much improved, foreign exchange reserves and export earnings increased.

#### **(ii) Technology related Risk:**

Technology always plays vital role for existence of any industrial concern. Innovation of new and cost effective technology may obsolescence existence technology, which may cause negative impact.

#### **Management perception**

The project is equipped with world's modern and latest machinery and technology and to cope with the pace in harmony with modern textile world the Company is continuing modernization program of its machinery.

#### **Potential or existing government regulations:**

The Company operates under companies act, taxation policy adopted by NBR, Security and Exchange Commission (SEC)'s rules and rules adopted by other

regulatory organizations. Any abrupt changes of the policies formed by those bodies will impact the business of the Company adversely.

**Management perception**

Unless any adverse policies are taken, which may materially affect the industry as a whole; the business of the Company will not be affected. Government emphasizes on the growth of Yarn Industry to boost up the export of RMG. Yet the promoters and the sponsors have endeavor to convince the policy makers for adopting favorable terms & conditions, which will eventually help the yarn manufacturers of Bangladesh to compete with the low cost locations in the global arena.

**Potential changes in global or national policies**

The performance of the company may be affected by the political and economical instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

**Management perception**

The company can prosper in a situation of political stability and a congenial business environment. Political turmoil and the disturbance are bad for the economy and so also for us.

**Operational Risk**

Difficulty in raw material import, increase of raw material price, strikes or other disruption within production premise may hinder regular flow of operational activities.

### Comparative Performance Analysis:

Particulars	Keya Cotton Mills Ltd.	Apex Spinning	Delta Spinners	Metro Spinning	Square Textiles Ltd.
	30.06.2008	31.03.2008	30.06.2008	2007-08	2007
Turnover (Tk. in mn)	1,409.96	1,718.68	846.41	682.63	2,541.54
Cost of Goods Sold (Tk. in mn)	1,121.17	1,527.22	754.51	528.53	1,958.70
Gross Profit (Tk. in million)	288.79	191.46	91.90	154.10	582.85
Selling & admin. Expen.(Tk. in million)	10.53	113.02	35.23	29.76	61.77
Operating Profit (Tk. in million)	129.02	56.44	32.74	124.34	415.05
Net Profit after Tax (Tk. in million)	73.74	66.39	26.50	15.55	352.45
Diluted NAV per Share (In Taka)	20.80	476.59	348.32	17.90	51.24
Diluted EPS per share (In Taka)	2.99	56.93	20.40	3.05	8.94
ROE	14.36%	16.58%	4.98%	14.48%	17.44%
ROA	3.70%	6.70%	1.58%	1.64%	10.12%
Face Value	10	100	100	10	10
Issue Price	15	150	100	10	10
Market Price (22.01.09)	N/A	497.50	157.50	40.20	109.60
Year of Listing	N/A	1994	1995	2002	2002