

LSI INDUSTRIES LIMITED

(If there is any contrary information please communicate with DSE through email: listing@dsebd.org)

Disclaimer:

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Brief Overview of the Company:

1. Date of Incorporation : September 02, 1998
2. Converted to Public Ltd. Co. : July 06, 2008
3. Year of Commencement : June 01, 1999.
4. Authorized Capital : Tk. 1,200 million
5. Paid up Capital (Pre-IPO) : Tk. 850 million
6. IPO Size : Tk. 300 million
7. Paid up Capital (Post-IPO) : Tk. 1,150 million
8. Financial year : July-June

Financial Structure:

(Amount in BDT)

Authorized Capital	1,200,000,000
Issued & Fully Paid Up capital: 85,000,000 ordinary Shares @ Taka 10.00 each	
<i>Issued as on 02.09.1998 Tk.20,000</i>	
<i>Issued as on 23.03.2002 Tk.9,980,000</i>	
<i>Issued as on 07.05.2009Tk.490,000,000</i>	
<i>Issued as on 15.06.2010Tk.325,000,000</i>	
<i>Issued as on 30.06.2010 Tk.25,000,000</i>	850,000,000
Proposed IPO (Initial Public Offering)	300,000,000
Total Paid up capital after IPO	1,150,000,000

Issue Manager : AAA Consultants and Financial Advisers Ltd.

Auditor : Hoda Vasi Chowdhury & Co.

Use of Proceed and implementation Schedule:

Utilization of Fund		Amount in BDT (Crore)	Projected starting Time
A.	Business Expansion (Investment in LSI Industries Ltd):		Within six months after receiving IPO Fund
	a) Building improvement	3.00	
	b) Purchasing and installation of machineries	17.00	
B.	Business Expansion (Investment in Su Jin Industries Ltd):		Within eight months after receiving IPO Fund
	c) Land Development	13.00	
	d) Purchasing and installation of machineries	15.00	
	e) Construction of store room for raw materials	40.20	
C.	Payment of Tax @ 3.00% on Share premium	1.80	Within one month after receiving IPO Fund
Total		90.00	

Capacity and Utilization:

Total yearly Production Capacity(based on 12 hours /day production) and Current Utilization of capacity of the Company is as under as per audited accounts:

As per audited

accounts

Items	Yearly capacity	*Utilization (%)
Velcro tape	5,000,000 MTS	82
Belt and tape	3,600,000 PCS	76
Woven tape	360,000 KGS	90
Knitting tape	24,000,000 YDS	72
Metal zip. Close end	30,000,000 PCS	90
Metal zip. Open end	5,400,000 PCS	70
Nylon zipper, close end	36,000,000 PCS	70
Nylon zipper, open end	12,000,000 PCS	80
Vision zip, close end	15,000,000 PCS	60
Vision zip, open end	8,000,000 PCS	60
Metal button all aeries	3,000,000 GRS	90
Zinc alloy button/ring/slider	5,000,000 DZS	92
Plastic molding items	2,000,000 DZS	86
Coating, plating, dyeing	1,500,000 KGS	84
Copper wire factory	450,000 KGS	46

Zinc alloy factory	550,000 KGS	60
Molding factory	1,380 SETS	96
Cnc mold	4,000 SETS	92
Rubber badge	3,600,000 PCS	26

*The above data sourced from 6 months audited accounts has been annualized.

On an average Capacity utilization was about 74.84% (yearly) in the last accounting period mainly due to:

- a) Nature of business
- b) Seasonality

Company at a glance

Corporate Status and Background

LSI Industries Limited has been incorporated as a company with the Registrar of Joint Stock Companies & Firms; having head office at Jabbar Tower, 12th Floor, 42 Gulshan Avenue, Gulshan-01, Dhaka-1212 and factory located at Dhaka Export Processing Zone (DEPZ), Savar, Dhaka. It is engaged in manufacturing, selling and exporting of Multi types of Garment Accessories. It was incorporated as a Private Limited Company on 02 September 1998 and started commercial operation since 01 June 1999. Subsequently, it has been converted into Public Limited Company on 06 July 2008.

Nature of Business

LSI Industries Limited is a 100% export oriented engaged in manufacturing, selling and exporting of garment accessories like metal button, metal buckle and d-ring, metal alloy item, plastic item of garment accessories, special yarn-dyed tape, rubber badges, zipper series and belt & other caps accessories. During the period the Company added a new product line for manufacturing and selling mould & dices, brass wire, zinc alloy raw materials and established a marketing network to ensure the upward trend of business.

Principal Products

The company has been set up to produce garment accessories like metal button, metal buckle and d-ring, metal alloy item, plastic item of garment accessories, special yarn-dyed tape, rubber badges, zipper series and belt & other caps accessories. During the period the Company added a new product line for manufacturing and selling mould & dices, brass wire, zinc alloy raw materials.

Market of the Products

LSI Industries Limited is a 100% export oriented garment accessories manufacturing Company that exports their products to garments industries located in Dhaka & Chittagong Zone. Around 4,500 listed industries are their potential buyers. About more than 600 garments factories are importing the accessories from them.

Relative Contribution of the Product/Services Contributing More than 10% of Total Revenues

The Company has 6 main products contributing more than 10% of total revenue are as below:

Sl	Producers	Percentage (%)
1.	Metal Button series	33
2.	Metal Zipper	10
3.	Belt	10
4.	Zinc Alloy series	12
5.	Nylon & Vislon Zipper	15
6.	Brass wire & Mould	10

Associates, Subsidiary/ Related Holding Company

LSI Industries Limited has 3(three) subsidiary companies as under as per audited accounts:

Name of Subsidiary	Shareholding by LSI Industries Ltd.	Percentage (%)	Core Area of Business
Lasting Spring Metal industries Limited	296,555	77.00	Manufacturing, selling of plastic products for

			industries and household use
Su Jin industries Limited	342,000	95.00	Manufacturing, selling and exporting of garment accessories and plastic products for industries and household use
Perfect Beverage & Food (Bangladesh) Limited	99,000	90.00	Producing, purchasing and selling of food and beverage items

Distribution of Products/Services:

The Company supplies its products from its own factory premises at customers' own risk against delivery order. The distribution process is as per the following table:

Step	Particulars
1	Issuing of Pro forma Invoice based on Order received from Garments factory / buying house.
2	Receiving L/C from Buyers & provide Export documents
3	Delivery of the goods to buyer's CNF agent from own factory premises under Export documentation procedure of BEPZA & Customs authority.

Competitive Conditions in the Business:

The Company has already earned good name & fame in the manufacturing of 100% export oriented garment accessories for its quality and large product line. The following are the major competitors/players of garment accessories production in Bangladesh:

Sl. No.	Producers
1.	YKK Bangladesh Ltd.
2.	Pacific Zipper (HHH)
3.	Fabian Group
4.	BHT Industries Ltd.
5.	Yester Accessories Ltd.

Sources and Availability of Raw Materials and the Name of the Principal Suppliers:

Basic raw materials like Copper, Zinc, Yarn, Electroplating Chemicals etc. used for production process are procured from mainly foreign sources as follows:

Sl. No.	Name Of Suppliers
1	E-Home Lace Industries Co. Ltd.
2	Zhejiang Sunflow Holding Group Co. Ltd.
3	Tennant Metal Pty
4	Everprosperous International Industries Ltd.
5	Grauer & Weil(India) Ltd.
6	Tianmeng Agricultural Materials Chain Co. Ltd.
7	Tong Horng Metal Industrial Co., Ltd.

Sources of and requirement for power, gas & water:

All required utility facilities are available at the project site and those are stated below:

Power & Gas:

Total requirement of power of the project is about 2,882 KW, entire consumptions is met up from Rural Electrification Board (REB). There are 6(six) diesel generators made in Japan, Mitsubishi of different capacities like Generator # (1) 300 KVA, (2) 250KVA, (3) 250KVA, (4) 250 KVA, (5) 152 KVA & (6) 65KVA.

Water:

Demand of water is met up through BEPZA water supply.

Contract with Principal Suppliers/Customers:

There is no contract with principal suppliers or customers other than the normal course of business.

Material Patents, Trademark, Licenses or Royalty Agreements:

The Company has no Material Patents, Trademark, Licenses or Royalty Agreements.

Directors and their Involvement with other Organizations:

Name	Designation with LSI	Entities where they have Interest	Position
Lee Kuei Tzu	Chairman	Su Jin Industries Ltd	Chairman
Tsai Pi Feng	Director	Su Jin Industries Ltd	Shareholder
Wu Li Chuan	Director	Lasting Spring Metal Ind. Ltd. Su Jin Ind. Ltd. Jin Su Ind. Ltd. Young Zhen Metal Industries Ltd. Perfect Beverage & Food (Bangladesh) Ind. Ltd. Forever Prosperity International Company Ltd.	M.D. M.D. M.D. M.D. Chairman Director
Chen Wei Ting	Director	Su Jin Ind. Ltd.;	Director
Chen Chin Li	Director & Managing Director	Jin Su Industries Ltd. Young Zhen Metal Industries Ltd. Lasting Spring Metal Ind. Ltd. Perfect Beverage & Food (Bangladesh) Ind. Ltd. Forever Prosperity International Company Ltd.	Chairman Chairman Chairman M.D. M.D.

Family Relationship among the Directors

Name of the Director	Position in the Company	Relationship
Lee Kuei Tzu	Chairman	Self
Tsai Pi Feng	Director	Sister in Law
Wu Li Chuan	Director	Spouse of M.D.
Chen Wei Ting	Director	Daughter of Tsai Pi Feng
Chen Chin Li	Managing Director	Spouse of Wu Li Chuan

Ownership of the company securities (as on 31 December 2010)

Sl. No.	Name In Full	Position	Shareholding	% of Shares
1	Ms. Lee Kuei Tzu	Chairman	23,265,132	27.37%
2	Ms. Tsai Pi Feng	Director	13,013,070	15.31%
3	Chen Chin Li	MD	19,639,168	23.10%
4	Ms. Wu Li Chuan	Director	15,670,180	18.44%
5	Chen I Hao	Shareholder	4,415,140	5.19%
6	Ms. Chen Wei Ting	Shareholder	3,300,000	3.88%
7	Chen Kuan Wei	Shareholder	3,300,000	3.88%
8	Other Shareholders		2,397,310	2.82%
	Total		85,000,000	100.00%

Performance at a Glance:

(Tk. in million)

Particulas	30.06.07	30.06.08	30.06.09	30.06.10	As on 31.12.10	Annualized
Turn Over (Sales)	560.74	836.97	888.35	763.11	574.19	1148.38
<i>Growth</i>	31.45%	49.26%	6.14%	-14.10%		50.49%
Cost of goods sold	409.99	595.10	639.99	455.1	372.55	745.1
<i>Growth</i>	15.74%	45.15%	7.54%	-28.89%		63.72%
Gross profit	150.75	241.87	248.36	308.01	201.64	403.28
<i>Growth</i>	108.30%	60.44%	2.68%	24.02%		30.93%
Operating Expense	103.08	61.68	79.29	81.31	50.29	100.58
<i>Growth</i>	563.32%	-40.16%	28.55%	2.55%		23.70%
Operating Profit	47.67	180.19	169.07	226.70	151.35	302.7
<i>Growth</i>	-16.12%	277.99%	-6.17%	34.09%		33.52%
Non-operating income	211.87	0.24	-0.02	5.47	0.3	0.6
<i>Growth</i>	8583.20 %	-99.89%	-108.33%	-27450.00 %		-89.03%
Financial Expenses	13.32	18.61	27.31	13.28	12.4	24.8
<i>Growth</i>	-18.68%	39.71%	46.75%	-51.37%		86.75%
Net Profit before tax	246.22	161.82	141.74	218.89	139.25	278.50
<i>Growth</i>	474.07%	-34.28%	-12.41%	54.43%		27.23%

Income tax	0	0	1.63	3.68	5.54	11.08
Net profit after tax	246.22	161.82	140.11	215.21	133.71	267.42
<i>Growth</i>	<i>474.07%</i>	<i>-34.28%</i>	<i>-13.42%</i>	<i>53.60%</i>		<i>24.26%</i>
Total Assets	1,034.56	1,302.55	1,313.85	1,802.88	3,847.54	
<i>Growth</i>	<i>58.39%</i>	<i>25.90%</i>	<i>0.87%</i>	<i>37.22%</i>	<i>113.41%</i>	
Net Assets	684.23	833.99	999.51	1,389.31	1,521.07	
<i>Growth</i>	<i>165.71%</i>	<i>21.89%</i>	<i>19.85%</i>	<i>39.00%</i>	<i>9.48%</i>	
NAV per share	684.23	833.99	19.99	16.34	17.89	
<i>Growth</i>	<i>165.71%</i>	<i>21.89%</i>	<i>-97.60%</i>	<i>-18.24%</i>	<i>9.48%</i>	
NAV per share (Considering IPO))	5.95	7.25	8.69	12.08	13.23	
<i>Growth</i>	<i>165.71%</i>	<i>21.89%</i>	<i>19.85%</i>	<i>39.00%</i>	<i>9.48%</i>	
EPS	246.22	161.82	2.80	2.53	1.57	3.15
<i>Growth</i>	<i>474.07%</i>	<i>-34.28%</i>	<i>-98.27%</i>	<i>-9.65%</i>		<i>24.26%</i>
EPS (Considering IPO)	2.14	1.41	1.22	1.87	1.16	2.33
<i>Growth</i>	<i>474.07%</i>	<i>-34.28%</i>	<i>-13.42%</i>	<i>53.60%</i>		<i>24.26%</i>

Contd.

Particulars	30.06.07	30.06.08	30.06.09	30.06.10	As on 31.12.10
Shareholders' Equity	678.78	832.05	994.77	1387.36	1521.07
No. of Shares	1,000,000	1,000,000	50,000,000	85,000,000	85,000,000
No. of Shares (Proposed IPO)					30,000,000
Post IPO Shares					115,000,000
ROE	36.27%	19.45%	14.08%	15.51%	8.79%
ROA	23.80%	12.42%	10.66%	11.94%	3.48%
Net Profit Margin	43.91%	19.33%	15.77%	28.20%	23.29%
Asset Utilization	54.20%	64.26%	67.61%	42.33%	14.92%
Equity Multiplier	1.51	1.56	1.31	1.30	2.53
Short-term Debt	350.33	468.56	314.34	413.57	505.12
Long-term Debt	5.45	1.94	4.74	1.94	
Total Debt	355.78	470.5	319.08	415.51	505.12
Total Debt to Total Asset	34.39%	36.12%	24.29%	23.05%	13.13%
Interest Expense	13.32	18.61	27.31	13.28	12.4
Net Profit Before Tax	246.22	161.82	141.74	218.89	139.25
EBIT	259.54	180.43	169.05	232.17	151.65
Interest Coverage Ratio	19.48	9.70	6.19	17.48	12.23

Particulars	30.06.07	30.06.08	30.06.09	30.06.10	As on 31.12.10
Current Assets	529.5	812.05	796.66	1212.48	1418.12
Current Liabilities	350.33	468.56	314.34	413.57	505.13
Current Ratio	1.51	1.73	2.53	2.93	2.81
Quick Ratio	0.40	0.62	0.83	1.08	1.29
Current Asset- Inventories	139.75	289.14	259.47	447.19	650.33

Description of Property

The Company has set up its plant at plot # 61-72, Dhaka Export Processing Zone (Extn. Area), Savar, Dhaka to run the operations and the Company's present registered office is situated at Jabbar Tower, 12th Floor, 42 Gulshan Avenue , Gulshan-01, Dhaka-1212.

The Company possesses the following fixed assets at written down value as per audited accounts:

(Amount in BDT)

Particulars	Written down value as at 31st December 2010
Factory office building	103,783,016
Plant and machinery	312,179,478
Electric equipment	2,262,105
Office equipment	13,312,914
Furniture & fixture	3,337,844
Motor vehicle	1,219,340
Total 31 December 2010	436,094,696
Total 30 June 2010	436,129,589
Total 31 December 2009	458,124,621

1. All Properties of the Company are **mortgaged to the lending Institutions namely Prime Bank Ltd.and HSBC Limited**. All the machines are purchased in brand new condition.
2. Any of the above assets has not been taken on lease basis.
3. The factory building is constructed on lease hold land at DEPZ.

Material Commitment for Capital Expenditure

The Company has a commitment on the implementation of software named SAP ERP with Aspic Consulting Co. Ltd. amounting Tk. 2,741,711.00. The proceeds from Initial Public Offering will be utilized for expansion of existing establishment of the company and new project under subsidiary. The detail of the utilization of the fund in this respect is available under the head Use of Proceeds.

Loans taken from or given to its holding/parent or subsidiary company

The company has given loan to its subsidiary concern as under:

(As

per audited accounts)

Name of related party	Relationship	Nature of transactions	Transactions during the period	Outstanding balance as at 31 December 2010
Lasting Spring Metal Industries Limited	Subsidiary	Loan Interest on loan Sales/ Receivable	5,322,106 2,661,785 30,148,680	91,845,180 30,148,680
Su Jin Industries Limited	Subsidiary	Loan Interest on loan	1,016,000 332,764	12,440,913
Perfect Beverage & Food (Bangladesh) Limited	Subsidiary	Loan payment	50,000	50,000

Operating Lease

The company has established its head office and other offices on leased accommodation as under:

Name of Office and Address	Area (sft.)	Rent per Sft.	Period of Lease	Monthly Amount
Factory: 61-72, DEPZ, Ganakbari, Dhaka-1349	22,948.59 sqm	USD 2.20/sqm(yearly)	15-11-2000 to 14-11-2030	USD 4,207.24
Corporate Office Jabbar Tower (12 th Floor) 42 Gulshan Avenue, Gulshan-1, Dhaka	8,000 sft	BDT 75.00 (Monthly)	01-08-10 to 31-07-2015	BDT 6,00,000
Marketing Office 57, As-Salam Tower (8 th Floor) Agrabad C/C, Chittagong	7,200 sft	BDT 35.00 (Monthly)	01-09-07 to 31-08-2012	BDT 2,52,000

Financial Lease/ Loan commitment

The company has entered in to following Financial Lease/ Loan commitment during last five years:

Name of Bank & A/C No.	Type of loan	Amount of loan	Rate of interest	Sanction Date	Amount of installment (Monthly)	Outstanding Balance 31.12.10
Prime Bank Ltd.	Long Term Loan	USD270,000	LIBOR+3.5%	05-March-08	USD 11,250	NIL
HSBC	Long Term Loan	USD457,740	SIBOR+4%	During 2006-07	USD	NIL

Future Contractual Liabilities:

The company has no plan to enter into any contractual liabilities within next one year other than the normal course of business.

Future capital expenditure:

Capital expenditure has been planned to be incurred by the Company in near future for expansion of the project. The proceeds from Initial Public Offering will be utilized for expansion of the project and Detail information in this respect is available under the head Use of Proceeds & Implementation Schedule of page no. 7 of the prospectus.

VAT, Income Tax, Customs Duty or other Tax Liability:

1. **VAT:** The Company pays VAT in times and submits return accordingly. The company has no VAT liability as on 31 December, 2010 as per VAT clearance certificate.
2. **Income Tax:** Year wise income tax status of the Company is depicted below:

Accounting Year	Assessment Year	Status
2005-2006	2006-2007	As per certificate given by DCT of Company circle-12, Zone-4, dated 13.04.2011 there is no tax outstanding up to Income Tax year 2008-2009 from 1999-2000
2006-2007	2007-2008	
2007-2008	2008-2009	
2008-2009	2009-2010	As per certificate given by DCT of Company circle-12, Zone-4, dated 20.03.2011 income tax paid.
2009-2010	2010-2011	Return submitted

3. **Custom duty:** The Company imports various Raw Materials i.e. Copper, Zinc, Yarn, Electroplating Chemicals etc. under bonded facilities for export and there is no Custom duty liability in this respect.

Revaluation of Company's Assets & Summary thereof:

The company made no revaluation of its assets and liabilities up to date.

Certain Relationship and Related Transactions:

The Company does not have any transaction during the last two years or any proposed transaction between the Issuer and any of the following persons, except as mentioned below as per note no. 28 (Related Party Transaction) of the Auditors' Report:

Name of related party	Relationship	Nature of transactions	Transactions during the period	Outstanding balance as at 31 December 2010
Lasting Spring Metal Industries Limited	Subsidiary	Loan Interest on loan Sales/ Receivable	5,322,106 2,661,785 30,148,680	91,845,180 30,148,680
Su Jin Industries Limited	Subsidiary	Loan Interest on loan	1,016,000 332,764	12,440,913
Perfect Beverage & Food (Bangladesh) Limited	Subsidiary	Loan payment	50,000	50,000
Young Zhen Metal Industries Limited	Common Directors	Loan Interest on loan Sales	5,713,003 1,291,911 143,071,305	48,691,555 143,071,305
Forever Prosperity International Company Limited	Common Directors	Loan Interest on loan	155,080	5,324,399
Jin-Su Industries Limited	Common Directors	Loan Interest on loan	182,152	6,253,879

Except the above the Company neither entered into any transaction nor proposed any transaction during the last 02 (two) years between the issuer and any of the following persons:

- (a) Any Director or Executive officer of the issuer.
- (b) Any director or officer.
- (c) Any person owning 5% or more of the outstanding share of the issuer.
- (d) Any member of the immediate family (including spouse, parents, brothers, sisters, children, and in-laws) of any of the above persons.
- (e) any transaction or arrangement entered into by the issuer or its subsidiary for a person who is currently a Director or in any way connected with a Director of either the issuer company or any of its subsidiaries/holding company or associate concerns, or who was a Director or connected in any way with a Director at any time during the last three years prior to the issuance of the prospectus.
- (f) The company did not take or give any loan from or to any Director or any person connected with any Director nor did any Director or any person connected with any Director.
- (g) Any director holding any position, apart from being a director in the issuer company, in any company, society, trust, organization, or proprietorship or partnership firm.

(h) There were no facilities whether pecuniary or non-pecuniary enjoyed by the Directors except the Managing Director as mentioned in note 25.1 of the audited accounts.

Shareholders Shareholding of 5.00 % or More of the Company:

There is no shareholders shareholding of 5% or more except the following shareholder of the company:

Name	Designation	Shareholding	Percentage (%)
Chen I Hao	Shareholder	4,315,140	5.07

Net Tangible Asset per Share:

Audited financial statements of the Company as at 31 December 2010

Particulars	31 December 2010 Taka
Represented by	
Share capital	850,000,000
Share Premium	175,000,000
Retained earning	149,080,118
Special reserve	346,987,744
	1,521,067,862
Application of fund	
Property, plant and equipment	436,094,696
Investments	7,375,550
Inter-company loans	164,605,926
Current assets	
Inventories and consumables	767,786,968
Goods in transit	20,805,345
Trade receivables	483,726,496
Advances and deposits	133,306,021
Cash and cash equivalents	12,492,288
	1,418,117,119
Less: Current liabilities	
Trade payables	32,746,410
Other payables	62,807,422
Current portion of long term loan	
Short term loan	169,415,300
Bill finance	229,160,325
Income tax liabilities	9,228,177
Provident fund	1,767,795
	505,125,429
Net current assets	912,991,690
	1,521,067,862

Net Tangible Assets per ordinary Share(Tk.)	17.89
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From the above calculation it appears that Net Tangible Assets Value per Share is Tk.17.89 which is higher than the offering price.

Determination of Offering Price

The issue price at Tk. 30 each including a premium of Tk. 20 per share is justified as details below:

(I) Net asset Value Per Share (NAV)

The offering price of the common stock of LSI Industries Limited has been determined by assessing the Net Asset Value (NAV). The financial calculations are presented from the audited accounts as at 31 December, 2010.

NAV is also equivalent to the Equity Based Value per Share which is depicted below:

Particulars	Amount(BDT)
Share capital	850,000,000
Share premium	175,000,000
Retained earnings	149,080,118
Special reserve	346,987,744
Total Shareholders' Equity	1,521,067,862
Total number of shares	85,000,000
Equity Based Value Per Share	17.89

(II) Earning Based Value per share

(Amount in BDT)

Period	Net Profit After Tax	Earnings Per Share
July 2010-December2010	133,702,829	1.57
2009-2010	215,203,031	2.53
2008-2009	140,113,799	2.80
2007-2008	116,822,652	161.82
2006-2007	246,198,306	246.20
2005-2006	42,890,306	42.89
Average	62,714,713	83.24

The weighted average net profit after tax for the last 5.50 years stands at Tk. 162,714,713 and the weighted average EPS stands at Tk.83.24. The Price Earning Multiple (PE) at issue price of Tk. 30.00 each including a premium of Tk. 20.00 per share stands at PE 0.36 as opposed to the present PE of Textile Industry 52.44 (as per DSE record) as on 30.12.2010. On the basis of price earnings multiple of 52.44 of Textile sector as on 30.12.2010, the earning based value of shares of the Company stands at Tk.4365.10 (52.44 x 83.24), a price much higher than the price offered.

Convertismly, If we consider average EPS of the last 2.5 years 2.76 (1.57+2.53+2.80/2.5) and PE 15 (though PE of Textile sector is 52.44 as on 30.12.2010) the earning based value of shares of the Company stands Tk.41.40 (15.00 x 2.76), a price higher than the price offered.

(III) Projected Earnings Based Value Per Share:

Period	Projected Earning Per Share (Amount in BDT.)
June 30, 2011	3.45
June 30, 2012	3.30
June 30, 2013	4.21
Average EPS	3.65

The weighted average EPS for the next 3 years stands at Tk.3.65 If we consider the share price of the Company on the basis of price earnings multiple of 52.44 Textile sector as on December 30, 2010 the earning based value of per share of the Company stands at Tk.191.40, a price much higher than the price offered for rights shares.

(IV) Average market price of similar stock

Market price per share at the last trading day of preceding 12 months(April 2010 to March 2011) is given in the following table that remained far above the offer price of Tk. 30.00 each including premium Tk. 20.00 per share.

From the above record it is very clear that average market price of similar stocks is 82.05. So, offer price of Tk. 30.00 each including premium Tk. 20.00 per share of LSI Industries Limited is much lower than its expected market price. Hence the offer price is quite justified.

(V) Projected Equity Based Value/ Book Value per Share

Projected Equity Based Value/ Book Value per Share of Tk.30.00 each including a premium of Tk.20.00 per share of the Company is as under:

(Amount in BDT)

Period	Equity Based Value Per Share
June 30, 2011	19.78
June 30, 2012	24.75
June 30, 2013	26.71
Average	23.74

From the foregoing as summed up below the determination of the offer price Tk. 30.00 each including premium Tk. 20.00 per share is quite justified.

Justification of Offering Price Under Different Methods	BDT
Net Asset Value per share	17.89
Earning Based Value per Share	41.40
Projected Earnings Based Value Per Share	191.40

Average Market Price	82.05
Projected Equity Based Value/ Book Value Per Share	23.74
Average	71.30

From the above analysis, it appears that the ordinary share of Tk. 30.00 each (including a premium of Tk. 20.00 per share) by the Company is quite justified and reasonable and also familiar and attractive to the Shareholders.

Risk factors and management's perception regarding risk

Any investment always associates with both internal and external risks factors having both direct and indirect effect on the investments made by the investors. Among those risks some can be averted, others are beyond control, which may cause loss. Before making any investment decision, investors need to consider the associated risk factors, the risk premium and management perception. If any of the following risks actually happens in the business, operational results and financial conditions could suffer and investors could loose their investments partly or fully. The management of LSI Industries Ltd perceives the following risk factors, both external and internal, which are enumerated hereunder:

(a) Industry Risk

The garments industry is the largest industrial sub-sector in Bangladesh. It contributes largely in the country's export earnings and created over 4 million employment opportunities. LSI is a backward linkage industry producing accessories for garments products in the Country. Accessories industry in Bangladesh is an emerging sub-sector with vast local demand for its different product lines. Locally produced garments accessories products now play a significant role in this sector, which has been dominated by imports so far. Local competition of accessories industries affects the price of LSI products that adversely affects the business, its financial conditions and results of operation.

The company has successfully entered into the market by vertical integration to complete all process inside owned factory. From CNC molding, automated machinery, coating/electro plating/dyeing, and all the wastage (copper/brass/zinc/plastic) are recycled inside owned factory to reproduce fresh raw material like brass wire, zinc alloy, and plastic grain. Accordingly it has helped to reduce production lead time and cost as well as quality assurance. There is a huge opportunity to capitalize the demand – supply gap in the accessories industry of the country. Still 90% local garments exporters import accessories from Hong Kong, China and Taiwan at a higher price than LSI. The force, which is helping the company for its strong existence, is emergence of backward linkage. Furthermore, the Company is implementing the world's top automated management customized software SAP ERP , SAP ERP is an integrated enterprise resource planning (ERP) software cover all corporate and production related management), that reduce at least 30% industry risk from the competitors and already

established company's proactive management advantage in Bangladesh.

(b) Interest Rate Risk

Interest/financial charges are paid against any kind of borrowed fund. Volatility in money market and increased demand for loan presses interest rate structure to be fixed at high. Raising of interest rate increases the cost of fund for a company, which has borrowed fund, and consequently profit is squeezed.

The management of the Company is always aware of interest rate is higher in Bangladesh which is connected to the higher cost to reduce profit. Hence, the company is taking measure to control the financial expense. The Company is not enjoying any long term loan facility which is mitigating the long term interest rate risk. The Company is availing short term loan facility with LIBOR + Country Risks which minimized the cost of fund and built the better capacity to control the fluctuation of interest rates.

(c) Exchange Rate Risk

If exchange rate is increased against local currency, opportunity is created for getting more revenue against sale in local currency. On the other hand if exchange rate goes down margin is squeezed in local currency.

The products of the company are sold against foreign currency and payments for raw materials are also made in foreign currency. The exchange rate of the country traditionally witnessed upward trends, which makes ample opportunity of export. It notes that in case of LSI's earnings is made only by export in the currency of US Dollars and payment is also made from earnings US dollars. As the Company is 100% export oriented and in future it will be the same, volatility of exchange rate will have no material impact on profitability of the Company.

(d) Market and technology related Risk

(i) Market Risk:

In the global market of 21st century, developed technology, products and services render obsolete the old service and product strategy. So, the existing organization may not be able to cope up with the future needs and demands.

(ii) Technology related Risk:

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

LSI enjoys leadership position in garments accessories due to its huge line products The Company management know it is difficult to avoid the market and technology related risk, but the management In Taiwan base, so can make the best of utilizing the abundant manpower and material resources from Bangladesh, Taiwan, and China to minimize the market and technology related risk. For example, technology is very advanced from Taiwan, and raw

material is competitive in China. The company will focus on getting direct nomination from foreign master buyers especially from European and US master buyers to reduce slow season to make balance between supply and demand, and the company also already increased production capacity and stabilize quality development. The company is continuing modernization program of its machinery and equipments.

(e) Potential or existing government regulations

The Company operates under companies act, taxation policy adopted by NBR, Security and Exchange Commission (SEC)'s rule 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. Unless adverse policies are taken, which may materially affect the industry as a whole; the business of the Company will not be affected.

LSI management is very keen in investment plan and decisions, which is expected to produce positive result. It can also be expected that the Government will not create any situation leading to abrupt losses of investments, especially when industrial output is showing signs of rapid growth. Government is continuing focus on the growth of accessories Industry to boost up the export of RMG.

(f) Potential changes in global or national policies

The Company's product lines consist of metal brass and alloy button series, all kinds of zippers, belt, tape, elastic, Velcro tape, plastic products and other garment /cap/shoe accessories which are mostly based on imported raw materials. The scarcity of raw materials due to changes in international market could affect the production and profitability. Law and order situation and political unrest may also jeopardize Company's operations and adversely affect profitability.

The management of the company is always concerned about the prevailing and future changes in the global and national policy and shall response appropriately and timely to safeguard the company's interest. The work force of LSI is well trained, experienced and remunerated and most of them live in the surrounding areas of the respective plants. Furthermore the company itself produces main raw material (brass wire/zinc alloy) in the same premise, and inventory is good for 90 days production demand Therefore, management believes that political instability will have a less force to hamper the key operations of the company.

(g) Operational risk

Shortage of power supply, labor unrest, unavailability or price increase of raw materials, natural calamities like flood, cyclone, earthquake etc. may disrupt the production of the Company and can adversely impact the profitability of the Company.

The Company always provide competitive compensation package to its employees and maintain a healthy workers management relationship. The

project of the Company is situated at a high land and protected area of BEPZA where there was no record of flood. The factory building has strong RCC foundation, RCC floor, pre-fabricated steel structure and RCC buildings to withstand wind, storm, rain etc. along with good drainage facility. The Company's products have a good reputation in the market and always takes pragmatic steps to convince the customers to share a portion of the increased burden of cost increase and company do not compromise with quality of the products. Risks from these factors are also covered through Insurance.

(h) History of non operation, if any

Is there any history for the Company to become non-operative from its commercial operation?

The Company is in commercial operation since 01 June 1999 and it has no history of non operation till now. The Company has an independent body that is operated by its Memorandum & Articles of Association and other applicable laws Implemented by the Government. Besides, the Company's financial strength is satisfactory. It has very experienced Directors and Management team to make the Company more efficient and stronger. So, the chance of becoming non-operative for the Company is minimal.