

Rangpur Dairy & Food Products Limited

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

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Brief Overview of the Company

1. Date of Incorporation : March 16, 2004
2. Date of Commercial operation : April 14, 2007
3. Authorized Capital : Tk. 1,000.00 mn
4. Paid up Capital (Pre-IPO) : Tk. 236.59 mn

Details of the Issue:

Description	No. of Ordinary Shares	Face Value in Taka	Offer Price	Premium	Capital in Taka
Public Offering	16,341,400	10	25	15	163,414,000

Paid-up Capital after IPO:

Particulars	No. of shares	Face Value (Tk)	Premium (Tk)	Premium Amount (Tk)	Amount (Tk.)
Authorized capital (as on 30 April 2010)	100,000,000	10	-	-	1,000,000,000
Issued & fully paid up capital as on 30 April 2010	19,715,500	10	-	-	197,155,000
Bonus Share Issued on 29 September 2010	3,943,100	10	-	-	39,431,000
Paid-up capital prior to IPO	23,658,600	10	-	-	236,586,000
To be issued as IPO	16,341,400	10	15	245,121,000	163,414,000
Paid-up capital after IPO	40,000,000	10	-	245,121,000	400,000,000

Issue Manager : Alliance Financial Services Limited

Auditor : Syful Shamsul Alam & Co.

Company at a Glance

Rangpur Dairy & Food Products Limited commonly known as RD Milk was incorporated in Bangladesh on March 16, 2004 with registration no- C-52012(2307)/2004, as a Private Limited Company under The Companies Act 1994. It has started commercial operation on 14th April, 2007 by establishing its factory at Salaipur, Baldipur, Rangpur on 935 decimal land owned by the Company. The location of the factory is on the Dhaka-Rangpur Highway and 15 KM to the Rangpur Municipality. The company was established under the EEF assistance of Bangladesh Bank and project loan from NCC bank. Presently authorized capital of the Company is BDT 1,000 Million and paid up capital stands at BDT 236.586 Million. Two entrepreneurs of diverse background are the major sponsors of the Company. The Company introduced UHT technology with Aseptic Pouch Packaging for the first time in Bangladesh in manufacturing and marketing of fresh milk, flavored milk and other by-products. In 2008 it introduced candy production under the same brand name. Its annual milk processing capacity is 21.90 million liters under two shifts of operation. The brand names of the products are "RD" Milk.

Nature of Business:

To produce or manufacturer Ultra High Temperature or UHT Fresh milk, pasteurized and flavored milk, ghee, butter, milk candy and chocolate candy and milk products and marketing the same in the domestic market.

Major Milestones of the Company:

2004	: Incorporated as Private Limited Company
2005	: Approval of EEF fund
2007	: Started commercial operation with 9,500 Ltr./per day
2008-09	: Expansion of production capacity to 17,000 Ltr./day; packing capacity: 25,000 Ltr./day
2008	: Introduction of Candy production
2010	: Conversion to Public Limited company

Principal products and services:

The project introduced a range of products from local fresh milk. Products are:

UHT Fresh Milk: UHT processed market milk is produced under extreme hygienic condition supported by latest processing technology to enhance the shelf life of the final product up to 3 to 6 months without cooling chain. This advance process technology has allowed the product to be marketed in sub urban or rural area where there is not enough cooling facility.

UHT Flavor milk: The plant is also processed Mango and Banana Milk adding real fruit compound from ORANA A/S , Denmark. Demands of these nutritious products are also increasing very fast. The company has planned to launch more such products of local market taste such as Jack Fruit Milk, Caramel Milk, Coffee Milk etc.

Ghee & Laccha shemai: The project can also produce Ghee & Laccha shemai of local taste to cater the consumer requirement of products making out of fresh milk.

Candy: Realizing the fact that Candy has a big market in the country and growing very fast, RD introduced candy items in its product line.

Production capacity and current utilization as on 30 April 2010:

	<u>2010</u>	<u>2009</u>
Installed Capacity :	(4 months)	(12 months)
Processing Stage (Ltr.)	7,300,000	21,900,000
Packaging Stage (Ltr.)	3,000,000	9,000,000
Production (In Ltr.)	2,044,000	6,197,727
Capacity utilized (%)		
Processing Stage (Ltr.)	28%	28%
Packaging Stage (Ltr.)	68%	69%

Description of Property:

The Company owns the following fixed assets at written down value as on 30 April 2010.
(As per audited accounts)

Name of the Assets	Written Down Value as at 30 April 2010
Land and Land Development	109,815,539
Factory Building	98,886,660
Furniture and Fixture	3,713,750
Vehicles	17,231,740
Plant and Machinery	166,549,911
Electrical Installation	13,588,884
Office Equipments	1,568,457
Factory Equipment	9,594,626
Software	290,000
Generator	3,944,192
Total	425,183,759

A) All the above-mentioned assets are situated at Company’s factory site at Salaipur, Baldipuku, Rangpur-5460

B) All the assets of the Company are in its own name.

C) 246 decimal project land (out of 935 decimals) along with plant & machinery, factory building etc. are mortgaged with NCC Bank Limited against its project loan. Besides, registration of land measuring 53 decimals is yet to be completed.

D) No re-conditioned or second-hand plant & machinery is used by the Company.

E) No property is taken under lease.

Revaluation of Assets:

The Company has made revaluation of its assets in FY 2009 which have been reflected in the financial Statements of the Company. Particulars of the valuer and summary of report are as follows:

Name of Valuer : Online Survey & Inspection Company

Qualification : Licensed Certified Surveyor, Government of Bangladesh

Work done : Major Clients are as follows:
(i) Pubali Bank Limited (ii) Dhaka Bank Limited
(iii) Sadharan Bima Corporation
(iv) Republic Insurance Company Limited (v) Aramit Ceme
(vi) HRC Group (vii) PHP Group (viii) Modern Fibre
Industries Limited

Reason for Revaluation : The price of Land & Land Development have been increased substantially during the last few years due to high inflationary trend and increase the value of other materials. In this circumstance, the management of Rangpur Dairy & Food Products Ltd. has decided to revalue Land & Land Development of the company to have the actual present value of the assets.

Itemizing Separately showing comparison:

Particulars	Asset Value Before Revaluation(Tk.)	Revalued Amount(Tk.)	Revaluation Surplus(Tk.)
Land and Land Development	33,485,923	105,339,154	71,853,231
Factory Building	54,287,026	9,15,46,100	37,259,074
Total (Tk)	87,772,949	196,885,254	109,112,305

Transactions between holdings/subsidiary/associate Company and the Issuer:

Company name	Relationship	Nature of Transaction	Amount (Tk.)	Year
Concrete and Steel Technology Limited	Sister concern	Working Capital	6,714,700	2010
Concrete and Steel Technology Limited	Sister concern	Working Capital	51,784,081	2009
Concrete and Steel Technology Limited	Sister concern	Working Capital	56,644,852	2008
Concrete and Steel Technology Limited	Sister concern	Working Capital	131,647,924	2007

Information about Directors:

Sl. No.	Name of the Directors	Present Position
1	Mr. S. M. Fakhar-uz-Zaman	Chairman
2	Mr. M. A. Kabir	Managing Director & Director
3	Mr. Shah Fahad Zaman	Director
4	Mr. Md. Mizanur Rahman	Director
5	Mr. Amitabha Bhowmik	Director
6	Mr. Md. Yer Ali	Director
7	Mr. Abdul Awal	Director

** As per Articles of Association of the company, one-third of the directors or if their number is not three or multiple of three then the number nearest to one-third shall retire from office by rotation at the Annual General Meeting.

Involvement of Directors with other Companies:

Name	Company Name	Relationship
Mr. S. M. Fakhar-uz-Zaman	PowerTrade Engineering Ltd. PowerTrade Building Products Ltd. TranSwitch Engineering Ltd. Concrete & Steel Technologies Ltd. BSMC Power Systems (Bangladesh) Ltd. German-Bangla Bicycles Ltd. Plus Distribution Co. (Pvt.) Ltd. Power Trade Associates Limited Power Trade Bidisha Consortium	Managing Director Managing Director /CEO Managing Director /CEO Chairman Chairman Managing Director Director Chairman Director
Mr. M. A. Kabir	Bidisha International Ltd Energy Plus Ltd Powertrade Bidisha Consortium Concrete & Steel Technologies Ltd. BSMC Power Systems (Bangladesh) Ltd. GermanBangla Bicycles Ltd. Plus Distribution Co. (Pvt.) Ltd. Power Trade Associates Limited	Managing Director Director Director Managing Director Director Director Managing Director Managing Director
Mr. Shah Fahad Zaman	N/A	N/A
Mr. Mohammad Mizanur Rahman	Engineering & Support Services	Proprietor
Mr. Amitabha Bhowmik	Hover Construction Ltd. Seven Plus Development Ltd.	Director Director
Mr. Mohammad Yer Ali	N/A	N/A
Mr. Abdul Awal	Bangladesh Multi Securities & Services Ltd. Diplomat Properties Limited	Managing Director Chairman Managing Director

	Source Edge Limited Bangladesh Mutual Securities Limited People's Radio Limited Icon Infotech Limited	Director Managing Director Managing Director
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Shareholding structure for 5% or more as on 30 April 2010:

Sl. No.	Names	Position	Number of Shares	Percentage (%)
1	Mr. S.M.Fakharuzaman	Chairman	4,303,920	18.19%
2	Mr. M.A.Kabir	Managing Director & Director	4,303,920	18.19%

Performance at a Glance

Tk. in million

Particulars	31-Dec-07	31-Dec-08	31-Dec-09	30-Apr-10	31-Dec-10
	12 Months	12 Months	12 Months	4 Months	Annualized
Sales	117.11	243.54	292.77	97.50	292.51
<i>Growth</i>		107.96%	20.21%	-	-0.09%
Cost of goods sold	80.15	182.11	214.12	69.41	208.24
<i>Growth</i>		127.21%	17.58%	-	-2.75%
Gross profit	36.96	61.43	78.65	28.09	84.27
<i>Growth</i>		66.22%	28.03%	-	7.15%
Less: Operating Expenses	18.50	24.29	27.39	8.26	24.79
<i>Growth</i>		31.36%	12.75%	-	-9.50%
Profit from operations	18.46	37.13	51.26	19.83	59.48
<i>Growth</i>		101.16%	38.03%	-	16.05%
Less: Financial Expenses	9.26	10.17	10.21	2.63	7.89
<i>Growth</i>		9.86%	0.36%	-	-22.74%
Net profit before Tax	9.24	27.03	41.57	17.27	51.80
<i>Growth</i>		192.61%	53.78%	-	24.59%
Provision for Tax	-	-	0.01	-	-
Net Profit after Tax	9.24	27.03	41.57	17.27	51.80
<i>Growth</i>		192.61%	53.76%	-	24.60%
Total Assets	333.43	390.70	409.46	527.18	527.18
<i>Growth</i>		17.18%	4.80%	28.75%	28.75%
Total Liabilities	127.03	157.27	131.05	122.39	122.39
<i>Growth</i>		23.80%	-16.68%	-6.60%	-6.60%
Net Assets	206.39	233.43	278.41	404.79	404.79
<i>Growth</i>		13.10%	19.27%	45.39%	45.39%
NAV Per Share	10.47	11.84	14.12	20.53	20.53
<i>Growth</i>		13.10%	19.27%	45.39%	45.39%
Revaluation Reserve	-	-	-	109.11	109.11
NAV (without revaluation reserve)	10.47	11.84	14.12	15.00	15.00
EPS	0.47	1.37	2.11	0.88	2.64

Restated EPS (after adjusting Stock Dividend)	0.39	1.14	1.76	0.73	2.19
No. of Shares	19,715,500	19,715,500	19,715,500	19,715,500	19,715,500
Stock Dividend (2009)	-	-	3,943,100	-	-
No. of Shares (after adjusting Stock Dividend)	23,658,600	23,658,600	23,658,600	23,658,600	23,658,600

Tangible Assets per Share

(As per audited accounts as on April 30, 2010)

Particulars	Amount (Tk.)
Share capital	197,155,000
Share money Deposit	3,414,000
Revaluation Reserve	109,112,305
Retained Earnings	95,105,508
Net Assets	404,786,813
Number of Shares	19,715,500
Net Tangible Asset Value Per Share	20.53

Determination of Offering Price

Five very commonly used valuation methods applied to obtain the issue price. These methods are also indicated in the Securities & Exchange Commission (Public Issue) Rules, 2006 for determination of offer price at premium. Again the prices from all the five methods have been averaged to minimize influence of any unusual factor, if any, in obtaining the weighted average price as under:

Particulars	Amount (Tk.)
Method 1: Net Asset Value (NAV) per share	20.53
Method 2: Historical Earnings based value per share	31.76
Method 3: Projected Earnings based value per Share	62.59
Method 4: Valuation with reference to average market price of similar stocks (P/E)	91.73
Method 5: Valuation with reference to average market price of similar stocks (P/BV)	93.00
Average price	59.92

Although the above weighted average price stands much higher the offer Price of the company fixed at Tk 25 /- against face value is Tk. 10./- per share. Rangpur Dairy and Food Products Limited believes that the issue price of Tk.25./- is well justified on the basis of different valuation method. See the section titled "Risk Factors" and "Financial Statements" of this Prospectus, including important profitability and return ratios, as set out in the Prospectus.

RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT RISKS

An industry involves both external and internal risk factors having direct as well as indirect effects on the investments by the shareholders. Before making any investment decision, investors should take the risk factors into consideration. The assessable risk factors, both external and internal, and management's perception thereabout are enumerated below:

Interest rate risks

Interest/financial charges are paid against any kind of borrowed fund. Rising of interest rate increases the cost of fund and consequently there may have impact on profitability.

Management's Perception

The Company has borrowed funds (Short term as well as Long term) from NCC Bank Limited. The company pays interest on the said loans and debt to equity ratio for the company is 16.75% as on 30 April 2010 and the interest cover is more than 7 times during first four months of 2010. However the company has planned to repay the entire term loan from the proceeds of the proposed public issue.

Exchange rate risks

The Company imports packaging materials against payment of foreign currency. Unfavorable volatility or currency fluctuations may affect the profitability of the Company.

Management's Perception

Company is fully aware of the risks related to currency fluctuations. Costs of imported materials are small element of total cost of production and common to the whole industry.

Industry risks

Competitive market for dairy products

Dairy food industry in Bangladesh is very much competitive particularly the Dhaka market where major RD milk products are sold. The demand, supply, consumption, competitive scenario, etc. are the triggering factors for successful operation of the company.

Management Perception

With the increased thrust and emphasis given by the Government in this sector and increasing health consciousness of public, the demand for dairy products is fast increasing. The Company therefore foresees growing demand for its products. With the proposed expansion and strengthening financial condition due to the public issue the company will be in a very strong position to be competitive.

Sourcing of raw materials

Main raw material of the company is the fresh milk which is collected through chilling centers established within Rangpur Division. Other large competitors like Aarong, Pran, Milk Vita. Akiz have also chilling centers to collect milk from the same area. The

company's business is dependent upon its ability to source sufficient milk at competitive prices for its operations.

Management perception

Chairman of the company comes from Rangpur area where he has very strong network among the farmers around the chilling centers. Furthermore the Company has firm understanding with the group/ society of independent suppliers of raw materials. Since inception, the company enjoyed smooth flow of raw materials and expected to continue the same. Furthermore, the company has also arrangement with small local farms for sourcing milk.

Operational Risks

Disruption in supply of power at chilling centers and the factory, shortage in treated water, flawed machineries, etc. may disrupt the company's operational activities which in turn will affect the quality of milk, profitability and goodwill of the brand.

Managements Perception

The Company has adequate power backup from own fuel generator and collects required water from water treatment plant. It has all the latest brand new machineries and equipment and there are low possibilities of such failure.

Supply Chain Risk

Products of the company are mainly distributed through supply chain. Any failure within the supply chain may have significant impact on the company's delivery of products to the customers concerned and hence may affect the profitability.

Managements Perception

Milk is brought to the nearby Chilling centers for refrigeration within 6 hours of collection of milk by the farmers. After this process, milk is transported to the factory for pasteurization and homogenization wherefrom the by products are created in line with the main products, which go through Ultra High Temperature (UHT) and packing before storage and the delivery.

The company employs experienced workers and employees at every stages of the process as mentioned above, to monitor closely and report back to the head office for effective reporting and subsequent control. Furthermore, the company always puts constant efforts to keep the waste and failures to the lowest level while ensuring that the consumers are provided with safe & quality products at a reasonable price throughout the year.

Non-operating history

Any interruption in the operations of the company affects the company's image as a going concern. This is crucial for every company to operate its business activities in an ongoing basis. Failure to do so would result in loss in profitability in the long run as the fundamentals of the company are also influenced by such factors.

Management's Perception

There is no history of non operation in case of Rangpur Dairy Milk.

Market & Technology related risks

Technology always plays vital role for the existence of any industrial concern. Innovation of new and cost effective technology may render the existing technology obsolete, which may cause negative impact on the performance of the Company.

Management's Perception

Company has established the plant having latest technology and state of the Art machineries from Denmark. Usually this kind of plant has 25 to 30 years of economic life.

Potential or existing Government regulations:

The Company operates under The Companies Act, taxation policy adopted by NBR and rules adopted by other relevant regulatory organizations. Any abrupt changes in the policies formulated by those bodies may leave adverse impact on the business of the Company.

Management's Perception:

Major benefit derives from exemption of VAT and income tax as dairy products except Mango milk, Banana milk and candy. It is expected that govt will not bring major adverse change in the relevant laws, exemptions since it is a priority sector for nutrition of common people. In case of any major adverse effects it will be common for the whole industry.

Natural disaster may disrupt the normal operation

The major raw material is milk which is provided by our poor farmers who have no adequate safe place to protect their cows/buffalos from the natural disaster such as Flood, Cyclone, High-tide, Tsunami, etc. So it may cause an enormous damage to the milky animals and hence affect the flow of raw materials for the company.

Management's Perception

The project is located in Rangpur, a naturally dry area, which is much safer than coastal places like Barisal, Khulna, Cox's Bazar, etc. If any such disaster takes place, the whole dairy industry will be affected to a certain extent and therefore this would not involve the company alone but the industry as a whole.

Implementation of New project & Expansion/ BMRE of Factory

The company proposed to invest its IPO proceeds for implementation of its new projects (establishment of cold storage) and develop other infrastructure facilities to increase production capacity. Any new project carries some inherent risks and may not be successful or may take long time to secure desired profitability.

Management's Perception

RD started its commercial operation on 14th April, 2007 and subsequently increased its production capacity by addition of different milk based products. It is expected that the proposed expansion can be done smoothly based on experience of the sponsors in establishing similar project.