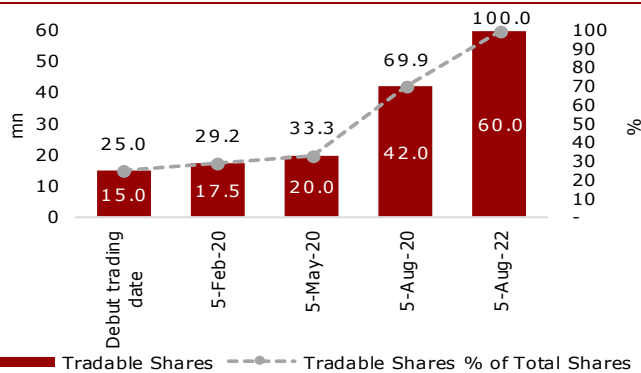


# Coppertech Industries Limited

## Issued 20mn shares at offer price of BDT 10

We initiate an IPO note on Coppertech Industries Limited (COPPERTECH) with no assigned rating. The company plans to raise BDT 200mn through initial public offering (IPO) under fixed price method. The fund would be utilized for acquisition and installation of plant & machinery (32.5%), bank loan repayment (32.5%), building and other civil work (27.5%) and IPO expenses (7.5%). In FY18, gross profit margin (GPM), EBIT margin and net profit margin (NPM) stood at 32.5%, 22.3% and 7.8% respectively. Return on equity (ROE) and return on asset (ROA) stood at 8.5% and 3.3% in FY18. Presently, COPPERTECH doesn't have any subsidiary or associate company.

### Lock-in Provision



Source: IPO Prospectus

- Pre-IPO shares of COPPERTECH (40.0mn) is classified into three categories - sponsors & directors, institutional and public. In post-IPO basis, total number of shares would increase by 20.0mn to 60.0mn. Of post-IPO shares: sponsors & directors, institution, and general public would hold 18.0mn, 10.0mn, and 32.0mn shares respectively.
- Out of shares issued at IPO (20mn), 75.0% (15.0mn) shares will be tradable on the first trading date which implies that on debut trading day total tradable shares as % of total shares will be 25.0%. All shares purchased by general public (10.0mn) and 50% shares of institutional investors (5.0mn) purchased at IPO would be tradable on that day.
- On 5 February 2020, tradable shares will increase by 2.5mn shares and on 5 May 2020, tradable shares will increase by further 2.5mn shares. On 5 August 2020, tradable shares will increase by 22.0mn shares and on 5 August 2022, shares of sponsors and directors will become tradable, increasing total tradable shares by 18.0mn.

### IPO Summary

IPO type	Fixed Price
DSE ticker	COPPERTECH
Face value (BDT)	10
Offer price (BDT)	10
Authorized capital (BDT mn)	700
Issue manager	MTB Capital Ltd.
Underwriters	MTB Capital Ltd. AAA Finance & Investment Ltd.
Auditor	AHMAD & AKHTAR Chartered Accountants
Pre-IPO paid-up capital (BDT mn)	400
IPO size at offer price (BDT mn)	200
<b>Post-IPO paid-up capital (BDT mn)</b>	<b>600</b>
Pre-IPO number of shares (mn)	40
IPO issue size (no. of shares in mn)	20
<b>Post-IPO number of shares</b>	<b>60</b>
<b>Tradable shares at debut trading Day (mn)</b>	<b>15</b>

Shareholding Structure	Pre-IPO			Post-IPO		
	Shares (mn)	BDT Mn	%	Shares (mn)	BDT Mn	%
Sponsors	18.0	180.4	45.1	18.0	180.4	30.07
Institute	2.0	20.0	5.0	12.0	120.0	20.00
Public	20.0	199.6	49.9	30.0	299.6	49.93
<b>Total</b>	<b>40.0</b>	<b>400.0</b>	<b>100.0</b>	<b>60.0</b>	<b>600.0</b>	<b>100.0</b>

### Utilization of IPO proceed

Particulars	BDT mn	%
Plant & Machinery with Installation	65.0	32.5
Bank Loan Repayment	65.0	32.5
Building and Other Civil Work	55.0	27.5
IPO Expenses	15.0	7.5
<b>Total</b>	<b>200.0</b>	<b>100.0</b>

Annualized EPS (BDT)	Offer price (BDT)	Theoretical market price (BDT)								
0.77	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0		
Trailing P/E (x)	12.9	19.4	25.8	32.3	38.7	45.2	51.6	58.1		

### Financials summary

Particulars (BDT mn)	Jun'16	Jun'17	Jun'18
Revenue	87	335	527
EBITDA	32	103	156
EBIT	15	74	117
Net profit after tax	8	36	41
Total assets	569	1,148	1,248
Total liabilities	538	1,011	766
EPS (post IPO) (BDT)	0.13	0.59	0.68
OCF/share (post IPO) (BDT)	-0.2	0.2	0.2
NAV per share (post IPO) (BDT)	0.51	2.27	8.04

Analyst

Shadman Sadique Kamal

Research Associate

shadman.kamal@ucb.com.bd

## COMPANY BACKGROUND

COPPERTECH was incorporated on October 16, 2012 as a private limited company and started its commercial operation on June, 2014. Later, the company was converted to public limited company on May 31, 2018. The main business of the Company is to producing copper made products those are used in power generation, producing the electronic product, electric transmission, plumbing and raw materials of Fridge and Air Condition. Copper Bar, Copper Strip and Copper Wire contributes 38.5%, 17.8% and 15.7% respectively.

## INDUSTRY

Main copper produce products are the Copper Bar, Copper Rod, Copper Strip, Copper Wire, Copper Pipe & Copper Tube. Copper products mainly use in air cooler, refrigerator, transformer, electric wire, plumbing works, building construction works, power plant, etc. The recent increasing demand for the air cooler, refrigerator and electric products has in turn increase the demand for copper made products in Bangladesh. In addition, as part of Government initiative to develop power sector, government is focusing on new power plant development. Hence, the demand and use of copper bar are increased significantly.

## PRODUCT & CUSTOMER

The Company is engaged in manufacturing and marketing of Copper Bar, Copper Rod, Copper Strip, Copper Wire, Copper Pipe and Copper Tube. The core markets for the product of the Company are power plants, AC Fridge manufacturing factory and workshop, engineering workshop, Electronic product producer and other local customers.

## BOARD OF DIRECTORS

Sl. No.	Name	Designation
1	Zulfikar Ali	Chairman
2	Abbasi Adam Ali	Managing Director
3	Rashida Abbas	Director
4	Mustafa Shoeb	Director
5	Shoeb Adam Ali	Director
6	Dr. Abul Basher	Director
7	Md. Abu Taleb	Independent Director
8	Dr. Mohammad Tareq	Independent Director

## IPO PROCEEDS UTILIZATION

Use of proceeds	Schedule	BDT (mn)	
Plant & Machinery with Installation		65.0	32.5
Bank Loan repayment		65.0	32.5
Building and other civil work		55.0	27.5
IPO Expenses		15.0	7.5
<b>Total</b>		<b>200.0</b>	<b>100.0</b>

## COMPETITORS

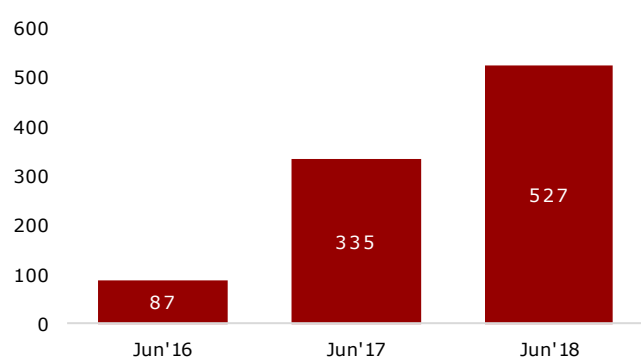
Sl. No.	Company	Products	Listing Status in DSE
1	MRS Industries Limited	Copper Bus Bar	Non-listed
2	RR Imperial Limited	Copper Strip	Non-listed

## KEY SUPPLIERS

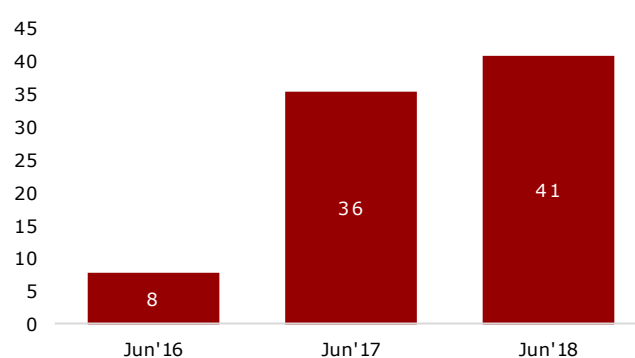
Sl. No.	Name of Major Suppliers
1	Vedanta Ltd
2	Tata International Singapore PTE Ltd.
3	Marubeni Asean PTE Ltd.
4	Business Connection
5	Posco Dawoo
6	G-Steelmet Pte Limited
7	Omni International Corporation PTE Ltd.
8	Rizwan Enterprise
9	M/S Mousumi Enterprise
10	Jahangir & Brothers

## PERFORMANCE ANALYSIS

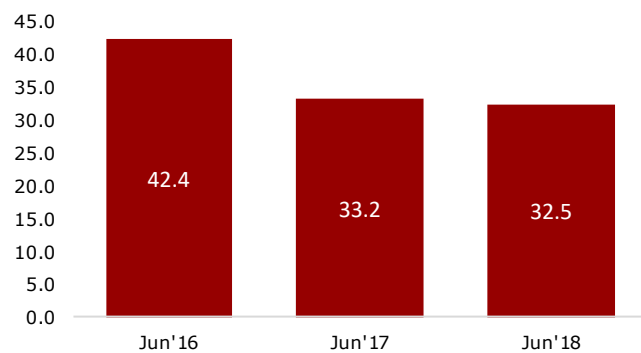
### Revenue ( BDT mn)



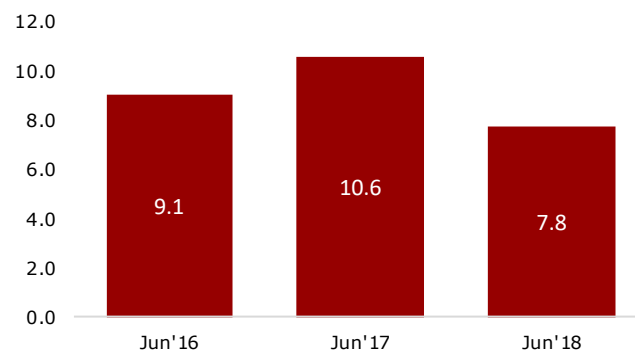
### Net profit after tax ( BDT mn)



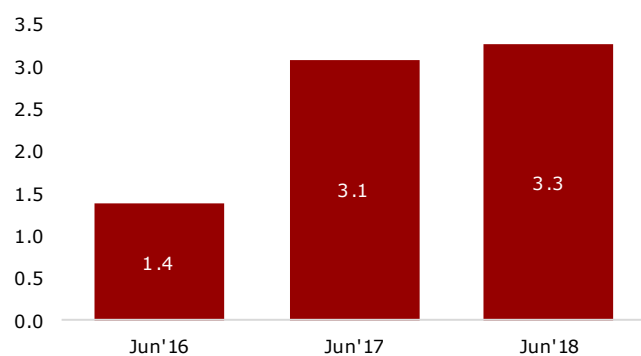
### Gross profit margin (%)



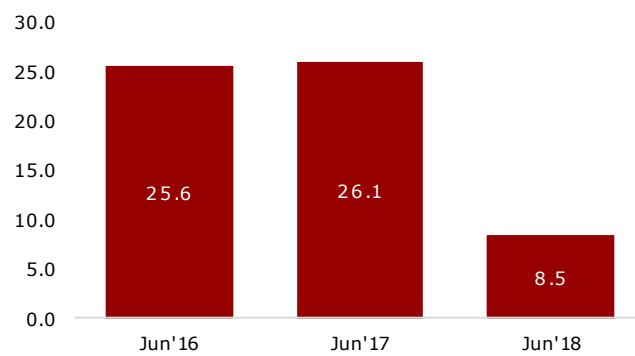
### Net profit margin (%)



### ROA (%)



### ROE (%)



Source: Prospectus

## FINANCIALS

### Statement of Comprehensive Income

Particulars (BDT mn)	Jun'16	Jun'17	Jun'18
<b>Revenue</b>	87	335	527
Cost of goods sold	50	223	355
<b>Gross profit</b>	<b>37</b>	<b>111</b>	<b>171</b>
Administrative & selling expenses	3	4	6
Selling and distribution expenses	2	4	9
<b>EBITDA</b>	<b>32</b>	<b>103</b>	<b>156</b>
Depreciation & amortization	17	29	39
<b>EBIT</b>	<b>15</b>	<b>74</b>	<b>117</b>
Financial expenses	8	23	61
Non-operating income	5	4	10
<b>Profit before WPPF</b>	<b>12</b>	<b>55</b>	<b>66</b>
WPPF	0	0	3
<b>Profit before Tax</b>	<b>12</b>	<b>55</b>	<b>63</b>
<b>Tax Expenses</b>	<b>4</b>	<b>19</b>	<b>22</b>
Current year	4	19	13
Prior year	0	0	0
Deferred tax	0	0	9
<b>Net profit after tax</b>	<b>8</b>	<b>36</b>	<b>41</b>
No of shares (mn) - Pre IPO			40
No of shares (mn) - Post IPO			60
<b>EPS (BDT) - Pre IPO</b>	<b>0.20</b>	<b>0.89</b>	<b>1.03</b>
<b>EPS (BDT) - Post IPO</b>	<b>0.13</b>	<b>0.59</b>	<b>0.68</b>

### Statement of Financial Position

Particulars (BDT mn)	Jun'16	Jun'17	Jun'18
Property, Plant and Equipment	284	504	787
Capital Work in Progress	161	297	0
<b>Non-current assets</b>	<b>445</b>	<b>802</b>	<b>787</b>
Inventories	98	267	320
Accounts Receivable	11	28	27
Advances, Deposit and Prepayments	14	33	58
Cash and Cash Equivalents	2	18	56
<b>Current assets</b>	<b>124</b>	<b>346</b>	<b>462</b>
<b>Total assets</b>	<b>569</b>	<b>1,148</b>	<b>1,248</b>
Share Capital	25	95	400
Retained Earnings	6	41	82
<b>Shareholder's equity</b>	<b>31</b>	<b>136</b>	<b>482</b>
Long Term Loan	131	265	220
Lease Loan	7	35	47
Deferred Tax Liabilities	0	0	9
<b>Non-current liabilities</b>	<b>138</b>	<b>300</b>	<b>276</b>
Current Maturity of Term Loan	20	64	82
Accounts Payable	51	108	52
Share Money Deposit	95	45	0
Short Term Borrowings	209	388	261
Creditors & Accruals	26	106	94
<b>Current liabilities</b>	<b>400</b>	<b>712</b>	<b>489</b>
<b>Total liabilities</b>	<b>538</b>	<b>1,011</b>	<b>766</b>
<b>Total liability &amp; shareholder's equity</b>	<b>569</b>	<b>1,148</b>	<b>1,248</b>
<b>BVPS (Pre IPO)</b>	<b>0.77</b>	<b>3.41</b>	<b>12.06</b>
<b>BVPS (Post IPO)</b>	<b>0.51</b>	<b>2.27</b>	<b>8.04</b>

## Statement of Cash Flows

Particulars (BDT mn)	FY16	FY17	FY18
Operating cash flow	-12	13	11
Investing cash flow	-272	-386	-24
Financing cash flow	286	389	52
Net changes in cash	2	16	39
Cash & cash equivalents (beginning)	0	2	18
<b>Cash &amp; cash equivalents (ending)</b>	<b>2</b>	<b>18</b>	<b>56</b>
<b>OCF per share (BDT) (Pre-IPO)</b>	<b>-0.31</b>	<b>0.33</b>	<b>0.27</b>
<b>OCF per share (BDT) (Post-IPO)</b>	<b>-0.20</b>	<b>0.22</b>	<b>0.18</b>

## Key Ratios

Growth YoY	Jun'16	Jun'17	Jun'18
Revenue growth (%)	118.4	284.6	57.4
Gross profit growth (%)	141.6	201.6	53.9
EBITDA growth (%)	205.1	224.1	51.6
EBIT growth (%)	240.5	383.5	59.4
Net profit growth (%)	435.4	349.9	15.3

Margins	Jun'16	Jun'17	Jun'18
Gross profit margin (%)	42.4	33.2	32.5
EBITDA margin (%)	36.5	30.8	29.6
EBIT margin (%)	17.5	22.0	22.3
PBT margin (%)	14.0	16.4	12.0
Net profit margin (%)	9.1	10.6	7.8

Per share data	Jun'16	Jun'17	Jun'18
EPS (BDT) - Pre IPO	0.20	0.89	1.03
EPS (BDT) - Post IPO	0.13	0.59	0.68
BVPS (BDT) - Pre IPO	0.77	3.41	12.06
BVPS (BDT) - Post IPO	0.51	2.27	8.04
OCFPS - Pre IPO (BDT)	-0.31	0.33	0.27
OCFPS - Post IPO (BDT)	-0.20	0.22	0.18

Return and valuation	Jun'16	Jun'17	Jun'18
Return on equity (%)	25.6	26.1	8.5
Return on assets (%)	1.4	3.1	3.3
Debt-to-equity (%)	11.9	5.5	1.3

DuPont Analysis	Jun'16	Jun'17	Jun'18
Net profit margin (%)	9.1	10.6	7.8
Total asset turnover (x)	0.2	0.3	0.4
Equity multiplier (x)	18.4	8.4	2.6

Cash conversion analysis	Jun'16	Jun'17	Jun'18
Days receivables outstanding	45.6	30.4	18.7
Days inventory outstanding	409.6	291.6	222.0
Days payables outstanding	212.4	118.0	36.4
Cash conversion cycle (days)	242.8	204.0	204.4

Efficiency & Solvency	Jun'16	Jun'17	Jun'18
Receivable turnover (x)	8.0	12.0	19.5
Inventory turnover (x)	0.9	1.3	1.6
Payables turnover (x)	1.7	3.1	10.0
Interest coverage (x)	2.0	3.2	1.9

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<b>Recommendation Type</b>	<b>Holding period (if not otherwise mentioned)</b>	<b>Absolute Return Potential</b>
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

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## Contact Us

### Research Team

<b>Rajib Kumar Das</b>	<b>Head of Research</b>	<b>rajib.das@ucb.com.bd</b>	<b>+880 1730 797 728</b>
Md. Nazmus Sakib	Research Associate	nazmus.sakib@ucb.com.bd	+880 1701 205 073
Anik Mahmood Ibne Anwar	Research Associate	anik.mahmood@ucb.com.bd	+880 1701 205 074
Shadman Sadique Kamal	Research Associate	shadman.kamal@ucb.com.bd	+880 1701 205 096

### Institutional & Foreign Trade

<b>Sonchoy Saha, CFA</b>	<b>Head of Institutional Sales</b>	<b>sonchoy.kumer@ucb.com.bd</b>	<b>+880 1755 615 313</b>
Tahmidur Rahman	Senior Executive Officer	tahmid@blomberg.net rahman.tahmidur@ucb.com.bd	+880 1726 995 520

### Office Premises

Head Office	Corporate Office	DSE Extension Office	Chattogram Office
6, Dilkusha C/A 1st Floor Dhaka- 1000	Bulus Center (Level-2) Plot-CWS(A)-1, Road No-34 Gulshan Avenue	Room # 633, 9/E DSE Annex Building (5 th Floor) Motijheel C/A, Dhaka 1000 Bangladesh	Ayub Trade Center 1269/B SK Mujib Road (4th Floor) Agrabad C/A, Chattogram

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