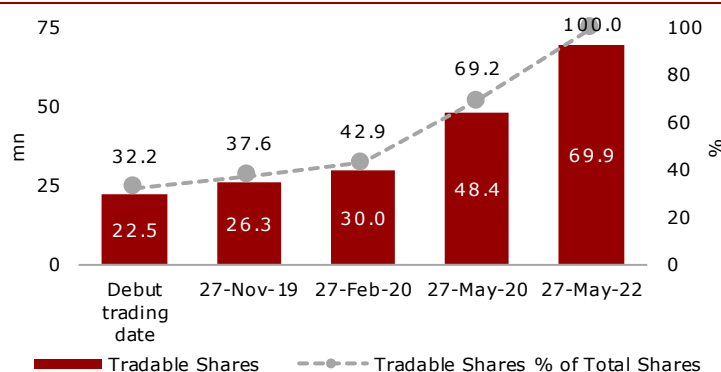


New Line Clothings Limited

Issued 30mn shares at offer price of BDT 10

We initiate an IPO note on New Line Clothings Limited (NEWLINE) with no assigned rating. The company plans to raise BDT 300mn through initial public offering (IPO) under fixed price method. The fund would be utilized for acquisition of plant & machinery (39.2%), long-term loan repayment (30.0%), extension of factory building (25.5%) and IPO expenses (5.3%). In FY18, gross profit margin (GPM), EBIT margin and net profit margin (NPM) stood at 18.9%, 10.4% and 3.6% respectively. Return on equity (ROE) and return on asset (ROA) stood at 5.7% and 2.6% in FY18. Presently, NEWLINE doesn't have any subsidiary or associate company.

Lock-in Provision



Source: IPO Prospectus

- Pre-IPO shares of NEWLINE (39.9mn) is classified into two categories - sponsors & directors and public. In post-IPO basis, total number of shares would increase by 30.0mn to 69.9mn. Of post-IPO shares: sponsors & directors, institution, and general public would hold 21.5mn, 15.0mn, and 33.4mn shares respectively.
- Out of shares issued at IPO (30mn), 75.0% (22.5mn) 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 32.2%. All shares purchased by general public (15.0mn) and 50% shares of institutional investors (7.5mn) purchased at IPO would be tradable on that day.
- On 27 November 2019, tradable shares will increase by 3.75mn shares and on 27 February 2020, tradable shares will increase by further 3.75mn shares. On 27 May 2020, tradable shares will increase by 18.35mn shares and on 27 May, 2022 shares of sponsors and directors will become tradable, increasing total tradable shares by 69.9mn.

IPO Summary

IPO type	Fixed Price
DSE ticker	NEWLINE
Face value (BDT)	10
Offer price (BDT)	10
Authorized capital (BDT mn)	1,000

Issue manager	1. Banco Finance & Investment Ltd.
	2. Sandhani Life Finance Ltd.
	3. Southeast Bank Capital Services Ltd.

Underwriters	1. AIBL Capital Management Ltd.
	2. Sandhani Life Finance Ltd.
	3. Southeast Bank Capital Services Ltd.

Auditor	Shiraz Khan Basak & Co.
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Pre-IPO paid-up capital (BDT mn)	399.0
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IPO size at offer price (BDT mn)	300.0
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Post-IPO paid-up capital (BDT mn)	699.0
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Pre-IPO number of shares (mn)	39.9
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IPO issue size (no. of shares in mn)	30.0
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Post-IPO number of shares	69.9
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Tradable shares at debut trading Day (mn)	22.5
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Shareholding Structure	Pre-IPO			Post-IPO		
	Shares (mn)	BDT Mn	%	Shares (mn)	BDT Mn	%
Sponsors	21.5	215.5	54.0%	21.5	215.5	30.8%
Institute	-	-	-	15.0	150.0	21.5%
Public	18.4	183.5	46.0%	33.4	333.5	47.7%
Total	39.9	399.0	100.0%	69.9	699.0	100.0%

Utilization of IPO proceed

Particulars	BDT mn	%
Acquisition of plant & machinery	117.7	39.2%
Long term loan payment	90.0	30.0%
Extension of factory building	76.4	25.5%
IPO expenses	15.9	5.3%
Total	300.0	100.0

Annualized EPS (BDT)	Offer price (BDT)	Theoretical market price (BDT)							
1.12	10.0	15.0	20.0	25.0	30.0	35.0	40.0	45.0	
Trailing P/E (x)	8.9	13.4	17.9	22.3	26.8	31.2	35.7	40.2	

Financials summary

Particulars (BDT mn)	FY16	FY17	FY18
Revenue	1,607	2,082	2,132
EBITDA	203	215	288
EBIT	145	152	223
Net profit after tax	51	74	76
Total assets	2,475	2,729	2,930
Total liabilities	1,290	1,467	1,595
EPS (post IPO) (BDT)	0.72	1.06	1.08
OCF/share (post IPO) (BDT)	0.72	1.33	1.14
NAV per share (post IPO) (BDT)	16.95	18.05	19.10

Analyst

Anik Mahmood
 Research Associate
 anik.mahmood@ucb.com.bd

COMPANY BACKGROUND

NEWLINE was incorporated on May 23, 2000 as a private limited company and started its commercial operation on March 1, 2007. Later, the company was converted to public limited company on September 30, 2013. NEWLINE is a 100% export oriented woven garments manufacturer. The manufacturing facility is located at Kaliakair, Gazipur. The company manufactures various kinds of woven garments for both ladies and gents including trousers, shirts, children wear, gents wear, female wear, jackets, sportswear, denim garments etc. The major buyers - G. guldenpfennig GmbH (Germany), Lidl Hong Kong Ltd. (Hong Kong) and Simple Approach Ltd. (Hong Kong) - contributed 44.1%, 26.4% & 12.1% respectively to the company's total revenue in FY18.

PRODUCT

The company manufactures ladies and gents trousers, jackets & vests, work wear, trekking jeggings, leggings uniforms, sports wear, jeans, denim garments, trousers, cargo pants cargo shorts, Bermuda shorts, skirts trousers, shirts and blouse/tunica etc. The company exports its products to Germany, UK, Netherland, Canada, Spain, Australia, Denmark, Check Republic and France.

CAPACITY UTILIZATION

The existing installed capacity in Woven Garments is 84 lac pcs per annum. The company utilized 77% of its total capacity during FY18.

BOARD OF DIRECTORS

Sl. No.	Name	Designation
1	Osman Khadem	Chairman
2	M. Zakir Chowdhury	Managing & CEO
3	Md. Asif Rahman	Director
4	Mashiul Haq Chowdhury	Director
5	Maruful Haque Chowdhury	Director
6	Ali Mostafa	Director
7	Md. Saiful Islam Helaly	Independent Director
8	Syed Kamal Uddin	Independent Director

IPO PROCEEDS UTILIZATION

Use of proceeds	Schedule	BDT (mn)
Acquisition of Plant & Machinery	W/I 6 months after receiving IPO Fund	117.7
Long-term loan repayment	W/I 01 Month after receiving IPO fund	90.0
Extension of factory building	W/I 12 months after receiving IPO Fund	76.4
IPO Expenses	As and when required	15.9
Total		300.0

COMPETITORS

Sl. No.	Company	Listing Status in DSE
1	E.H Fabrics Ltd.	Non-listed
2	Hasan Tanvir Fashion Wear Ltd.	Non-listed
3	Reza Fashion Ltd.	Non-listed
4	Shagor Garments Ltd.	Non-listed
5	Nipa Fashion Wear Limited	Non-listed
6	Hwa Well Textiles (BD) Limited	Listed
7	Tosrifa Industries Limited	Listed
8	Envoy Textiles Limited	Listed
9	Desh Garments Limited	Listed
10	Generation Next Fashions Limited	Listed

KEY SUPPLIERS

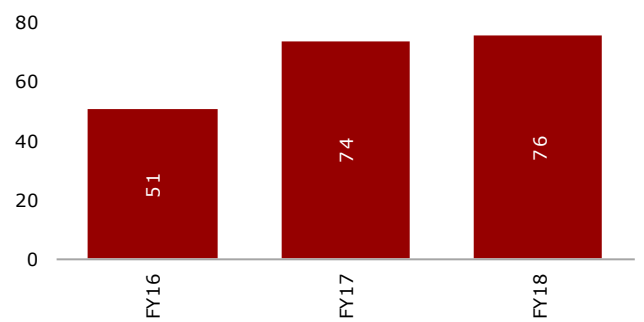
Sl. No.	International Suppliers	Raw materials procured	Country of Origin
1	Shanghai Hua Shen Import & Export Co. Ltd.	Fabrics	China
2	Shanghai SBS Zipper Mfg. Co. Ltd.	Zipper	China
3	Wujiang M.G Textile Co. Ltd.	Fabrics	China
4	Suzhou Laisheng Imp. & Exp. Co. Ltd.	Fabrics	China
5	CMZ Zipper(Wuxi) Co. Ltd.	Metal Zipper	China
6	Shanghai East Dragon Zipper Technology Co. Ltd.	Zipper	China
7	Abacus (China) Enterprises	Button	Hong Kong
8	High Hope(HK) Co. Ltd	Fabrics	Hong Kong
9	Liberty Mills Ltd.	Fabrics	Pakistan

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)	FY16	FY17	FY18
Revenue	1,607	2,082	2,132
Cost of goods sold	1,300	1,752	1,729
Gross profit	307	330	403
Administrative & selling expenses	104	114	115
EBITDA	203	215	288
Depreciation & amortization	58	64	65
EBIT	145	152	223
Financial expenses	78	80	136
Other income	1	18	6
Profit before WPPF	68	90	92
WPPF	3	4	-
Profit before Tax	65	86	92
Tax Expenses	15	12	17
Current year	12	11	14
Prior year	1		
Deferred tax	2	1	3
Net profit after tax	51	74	76
No of shares (mn) - Pre IPO			39.9
No of shares (mn) - Post IPO			69.9
EPS (BDT) - Pre IPO	1.27	1.85	1.90
EPS (BDT) - Post IPO	0.72	1.06	1.08

Statement of Financial Position

Particulars (BDT mn)	FY16	FY17	FY18
Property, plant & equipments	984	1,064	1,052
Non current assets	984	1,064	1,052
Inventories	695	782	797
Accounts receivables	495	512	655
Advance, deposits and prepayment	255	275	331
Cash and bank balances	47	96	95
Current assets	1,491	1,665	1,877
Total assets	2,475	2,729	2,930
Share capital	399	399	399
Revaluation surplus	465	443	418
Retained earnings	321	420	518
Shareholder's equity	1,185	1,262	1,335
Long term loan	287	225	194
Deferred tax liabilities	92	90	90
Non current liabilities	379	315	284
Accounts & other payables	6	2	1
Accrued Expenses	15	12	11
Bank Overdraft	27	19	170
Current portion of long term loan	127	110	120
Short term bank credits	614	872	847
Deferred L/C liabilities	20	12	11
Provision for WPPF	21	25	25
Provision for financial expenses	61	71	81
Provision for income tax	19	30	44
Current liabilities	911	1,152	1,311
Total liabilities	1,290	1,467	1,595
Total liability & owners equity	2,475	2,729	2,930
BVPS (Pre IPO)	29.70	31.63	33.46
BVPS (Post IPO)	16.95	18.05	19.10

Statement of Cash Flows

Particulars (BDT mn)	FY16	FY17	FY18
Operating cash flow	50	93	80
Investing cash flow	(86)	(144)	(59)
Financing cash flow	80	100	(21)
Net changes in cash	44	49	(0)
Cash & cash equivalents (beginning)	2	47	96
Cash & cash equivalents (ending)	47	96	95
OCF per share (BDT) (Pre-IPO)	1.26	2.33	2.00
OCF per share (BDT) (Post-IPO)	0.72	1.33	1.14

Key Ratios

Growth YoY	FY17	FY18
Revenue growth (%)	29.5	2.4
Gross profit growth (%)	7.3	22.2
EBITDA growth (%)	6.2	33.6
EBIT growth (%)	4.2	47.1
Net profit growth (%)	46.2	2.4

Margins	FY16	FY17	FY18
Gross profit margin (%)	19.1	15.8	18.9
EBITDA margin (%)	12.6	10.3	13.5
EBIT margin (%)	9.0	7.3	10.4
PBT margin (%)	4.1	4.1	4.3
Net profit margin (%)	3.1	3.6	3.6

Per share data	FY16	FY17	FY18
EPS (BDT) - Pre IPO	1.27	1.85	1.90
EPS (BDT) - Post IPO	0.72	1.06	1.08
BVPS (BDT) - Pre IPO	29.70	31.63	33.46
BVPS (BDT) - Post IPO	16.95	18.05	19.10
OCFPS - Pre IPO (BDT)	1.26	2.33	2.00
OCFPS - Post IPO (BDT)	0.72	1.33	1.14

Return and valuation	FY16	FY17	FY18
Return on equity (%)	4.3	5.9	5.7
Return on assets (%)	2.0	2.7	2.6
Debt-to-equity (%)	90.8	98.0	100.5

DuPont Analysis	FY16	FY17	FY18
Net profit margin (%)	3.1	3.6	3.6
Total asset turnover (x)	0.65	0.76	0.73
Equity multiplier (x)	2.1	2.2	2.2

Cash conversion analysis	FY16	FY17	FY18
Days receivables outstanding	112	90	112
Days inventory outstanding	195	163	168
Days payables outstanding	2	0	0
Cash conversion cycle (days)	306	252	280

Efficiency	FY16	FY17	FY18
Receivable turnover (x)	3.2	4.1	3.3
Inventory turnover (x)	1.9	2.2	2.2
Payables turnover (x)	232.4	915.2	1247.6

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

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Contact Us

Research Team

Rajib Kumar Das	Head of Research	rajib.das@ucb.com.bd	+880 1730 797 728
Anika Mafiz	Research Associate	anika.mafiz@ucb.com.bd	+880 1701 205 006
Zarif Ibne Arif	Research Associate	zarif.arif@ucb.com.bd	+880 1701 205 072
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

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

Office Premises

Head Office

6, Dilkusha C/A
1st Floor
Dhaka- 1000
Bangladesh

Corporate Office

Bulus Center (Level-2)
Plot-CWS(A)-1, Road No-34
Gulshan Avenue
Dhaka-1212
Bangladesh

DSE Extension Office

Room # 633, 9/E DSE Annex
Building (5 th Floor)
Motijheel C/A, Dhaka 1000
Bangladesh

Chattogram Office

Ayub Trade Center
1269/B SK Mujib Road (4th Floor)
Agrabad C/A, Chattogram
Bangladesh

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