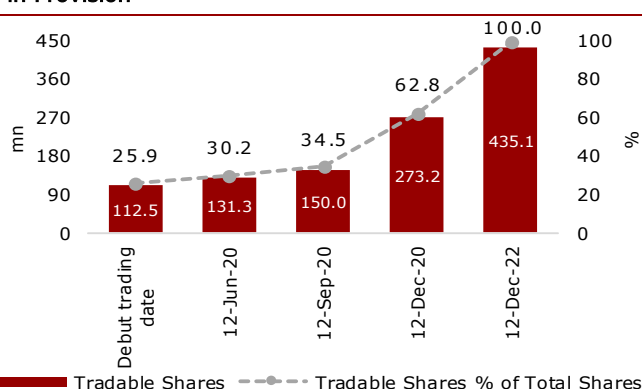


Ring Shine Textiles Limited

Issued 150mn shares at offer price of BDT 10

We initiate an IPO note on Ring Shine Textiles Limited (RINGSHINE), a deemed exporter of dyed yarn and polar fleece fabrics, with no assigned rating. The company plans to raise BDT 1,500mn through initial public offering (IPO) under fixed price method. The fund would be utilized for acquisition of machinery & equipment (64.3%), loan repayment (33.3%) and IPO expenses (2.4%). In FY18, gross profit margin (GPM), EBIT margin and net profit margin (NPM) stood at 15.8%, 9.7% and 5.5% respectively. Return on equity (ROE) and return on asset (ROA) stood at 8.4% and 4.6% in FY18. Presently, RINGSHINE doesn't have any subsidiary or associate company.

Lock-in Provision



Source: IPO Prospectus

- Pre-IPO shares of RINGSHINE (285.1mn) is classified into two categories - sponsors & directors and public. In post-IPO basis, total number of shares would increase by 150.0mn to 435.1mn. Of post-IPO shares: sponsors & directors, institution, and general public would hold 137.2mn, 75.0mn, and 222.8mn shares respectively.
- Out of shares issued at IPO (150mn), 75.0% (112.5mn) shares will be tradable on the first trading date which implies that total tradable shares as % of total shares will be 25.9%. All shares purchased by general public (75.0mn) and 50% shares of institutional investors (37.5mn) purchased would be tradable on that day.
- On 12 June 2020, tradable shares will increase by 18.8mn shares and on 12 September 2020, tradable shares will increase by further 18.8mn shares. On 12 December 2020, tradable shares will increase by 123.2mn shares and on 12 December 2022, shares of sponsors and directors will become tradable, increasing total tradable shares by 161.9mn.
- Bangladesh Securities and Exchange Commission (BSEC) has increased the lock-in period on 24mn placement shares of RINGSHINE owned by Universe Knitting as the Managing Director of RINGSHINE is also the chairman of Universe Knitting. So, the placement shares of Universe Knitting would be considered as sponsor/director holding.

Ring Shine Textiles Limited | Textile

IPO Summary

IPO type	Fixed Price
DSE ticker	RINGSHINE
Face value (BDT)	10
Offer price (BDT)	10
Authorized capital (BDT mn)	4,400

Issue manager	AFC Capital Limited CAPM Advisory Limited
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Underwriters	AFC Capital Limited Asian Tiger Capital Partners Investments Limited Banco Finance and Investment Limited EBL Investments Limited Lankabangla Investments Limited
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Auditor	Mahfel huq & Co.
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Pre-IPO paid-up capital (BDT mn)	2,851
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IPO size at offer price (BDT mn)	1,500
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Post-IPO paid-up capital (BDT mn)	4,351
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Pre-IPO number of shares (mn)	285
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IPO issue size (no. of shares in mn)	150
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Post-IPO number of shares (mn)	435
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Tradable shares at debut trading Day (mn)	112.5
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Shareholding Structure	Pre-IPO			Post-IPO		
	Shares (mn)	BDT Mn	%	Shares (mn)	BDT Mn	%
Sponsors	137.2	1,372.3	48.1	137.2	1,372.3	31.54
Institute	0.0	0.0	0.0	75.0	750.0	17.24
Public	147.8	1,478.2	51.9	222.8	2,228.2	51.22
Total	285.1	2,850.5	100.0	435.1	4,350.5	100.0

Utilization of IPO proceed

Particulars	BDT mn	%
Acquisition of machinery & equipment	964.0	64.3
Loan repayment	500.0	33.3
IPO expenses	36.0	2.4
Total	1,500.0	100.0

Annualized EPS (BDT)	Offer price (BDT)	Theoretical market price (BDT)						
		15.0	20.0	25.0	30.0	35.0	40.0	45.0
1.84	10.0	20.0	25.0	30.0	35.0	40.0	45.0	

Trailing P/E (x)	5.4	8.2	10.9	13.6	16.3	19	21.8	24.5
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Textile Sector P/E (x)	16.16
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Financials summary

Particulars (BDT mn)	Jun'16	Jun'17	Jun'18
Revenue	4,262	8,812	9,995
EBITDA	898	1,393	1,445
EBIT	438	915	974
Net profit after tax	237	510	554
Total assets	11,134	11,196	12,078
Total liabilities	5,674	5,226	5,474
EPS (post IPO) (BDT)	0.55	1.17	1.27
OCF/share (post IPO) (BDT)		1.3	0.0
NAV per share (post IPO) (BDT)	12.55	13.72	15.18

Analyst

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Research Associate
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COMPANY BACKGROUND

RINGSHINE is a deemed exporter of dyed yarns and polar fleece fabrics. Dyed yarn and polar fleece fabrics contributes 70.9% and 29.1% respectively to total revenue. The company was incorporated on December 28, 1997 as a private limited company and started its commercial operation on August, 1998. Later, the company was converted to public limited company on June 8, 2017.

INDUSTRY

The primary textile sector (PTS) is producing yarn and fabric needed for ready-made garment sector (RMG). PTS is the backbone of clothing industries because it provides the backward linkage for both the woven and knit sector. Around 90% yarn demand for knit RMG and 35-40% yarn demand for woven RMG are met by PTS. Local fabric demand and the yarn demand for handloom are also met by PTS. Demand for quality cloth also increases in domestic markets as wages and living standards rise. The retail market size of clothing in Bangladesh is nearly USD 8.0bn a year, according to industry insiders. However, the prices of yarn fell drastically due to multiple reasons such as misuse of bonded warehouse facility, smuggled yarn, and cheap Indian yarn that is often imported through trade mis-invoicing. As a consequence, unsold yarns are piling up at warehouses.

On the other hand, the demand of locally made fabrics has been rising both in the domestic and international arena. Bangladeshi apparel producers use 12 billion meters of fabrics yearly for making the export-oriented garment items. Local weavers can supply 3 billion meters of fabrics, and the rest imported from India and China.

NATURE OF BUSINESS

The company manufactures and markets gray and finished fleece fabrics of various qualities and dyed yarn to the garment industry in Bangladesh. The major raw materials are yarn and chemical.

BOARD OF DIRECTORS

Sl. No.	Name	Designation
1	Sung Jye Min	Chairman
2	Sung Wey Min	Managing Director
3	Hang Siew Lai	Director
4	Hsiao Hai He	Director
5	Sung Wen Li Angela	Director
6	Sung Chung Yao	Director
7	Sheao Yen Shin	Director
8	Hsiao Liu Yi Chi	Director
9	Chuk Kwan	Director
10	Md. Neamul Hasan Kamal	Independent Director
11	Md. Hussain Shah Jawed	Independent Director
12	Mohammad Monirul Hoque	Independent Director

IPO PROCEEDS UTILIZATION

Use of proceeds	BDT (mn)	(%)
Acquisition of machinery & equipment	964.0	64.3
Loan repayment	500.0	33.3
IPO expenses	36.0	2.4
Total	1,500.0	100.0

COMPETITORS

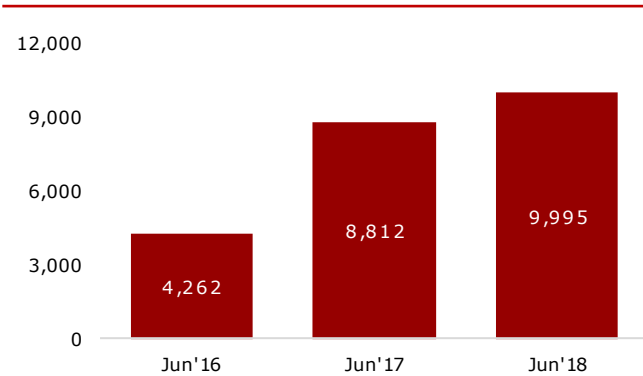
Sl. No.	Company	Listing Status in DSE
1	Queen South Textiles (BD) Limited	Listed
2	M.L. Dyeing Limited	Listed
3	Shepherd Industried Limited	Listed
4	Nurani Dyeing & Sweater Limited	Listed
5	Anlima Yarn Dyeing Limited	Listed

KEY SUPPLIERS

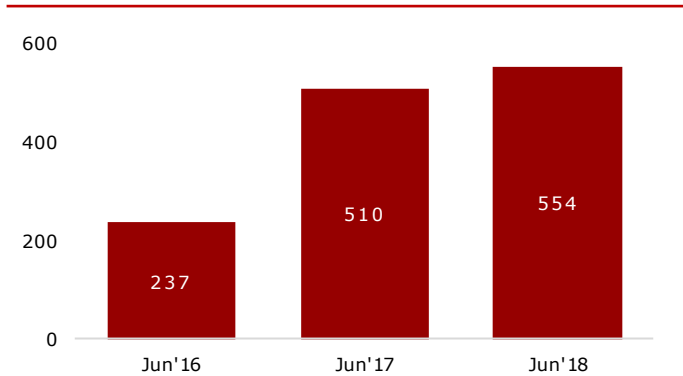
Sl. No.	Name of Major Suppliers	Raw Materials	Country of Origin
1	Jiangsu GTIG Hubo Co. Ltd.	Yarn	China
2	R. N. Spinning Mills Ltd.	Yarn	Bangladesh
3	Jiangsu GTIG EASTAR Co. Ltd.	Yarn	China
4	Jiangsu Guotai Int'l group Guohua Corp. Ltd.	Yarn	China
5	Nadeem Textile Mills Limited	Yarn	Pakistan
6	Thai Acrylic Fibre Co. Ltd	Tow	Thailand
7	Everest Chemicals Ltd.	Chemicals	China
8	T and T Industries Corporation	Chemicals	Taiwan
9	Taiwan Surfactant Corp.	Chemicals	Taiwan
10	Vimin Chemical Industrial Corp.	Chemicals	Taiwan

PERFORMANCE ANALYSIS

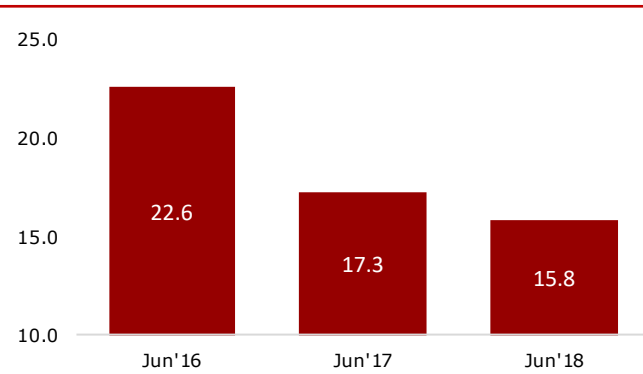
Revenue (BDT mn)



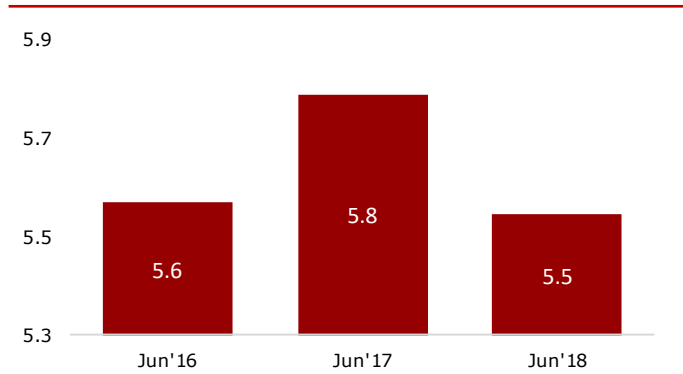
Net profit after tax (BDT mn)



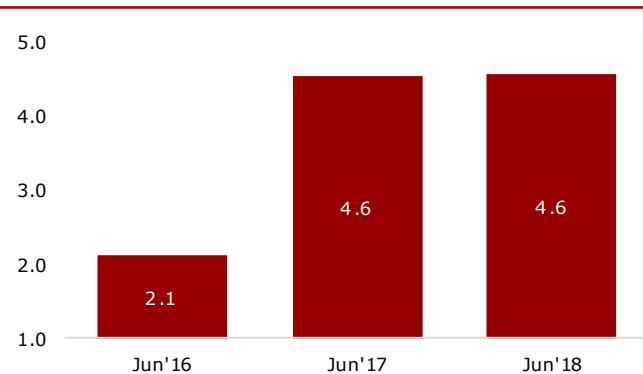
Gross profit margin (%)



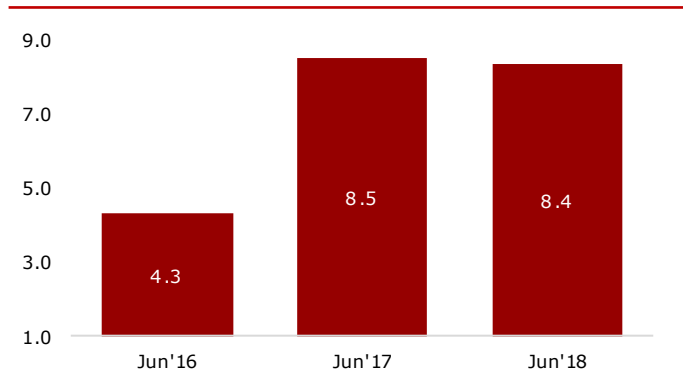
Net profit margin (%)



ROA (%)



ROE (%)



Source: Prospectus

FINANCIALS

Statement of Comprehensive Income

Particulars (BDT mn)	Jun'16	Jun'17	Jun'18
Revenue	4,262	8,812	9,995
Cost of goods sold	3,299	7,287	8,413
Gross profit	963	1,526	1,583
Operating expenses	64	133	137
EBITDA	898	1,393	1,445
Depreciation & amortization	461	478	472
EBIT	438	915	974
Financial expenses	165	322	329
Foreign exchange gain/(loss)	3	2	3
Other income	5	7	6
Profit before Tax	280	602	653
Tax Expenses	43	92	99
Current year	34	69	81
Deferred tax	10	22	18
Net profit after tax	237	510	554
No of shares (mn) - Pre IPO			285
No of shares (mn) - Post IPO			435
EPS (BDT) - Pre IPO	0.83	1.79	1.94
EPS (BDT) - Post IPO	0.55	1.17	1.27

Statement of Financial Position

Particulars (BDT mn)	Jun'16	Jun'17	Jun'18
Non-current assets	6,257	6,136	6,146
Property, plant and equipment	6,145	6,057	6,068
Investment	77	79	78
Capital work in progress	35	-	-
Current assets	4,877	5,059	5,933
Inventories	2,456	2,676	2,935
Accounts receivable	2,280	2,229	2,854
Advances, deposit and prepayments	83	67	53
Advance income tax	25	64	66
Cash and cash equivalents	32	24	24
Total assets	11,134	11,196	12,078
Shareholder's equity	5,459	5,970	6,605
Share capital	99	100	2,851
Retained earnings	2,690	3,200	3,754
Share money deposit	2,671	2,670	-
Non-current liabilities	655	591	533
Long Term Bank Loan	162	76	-
Deferred Tax Liabilities	493	515	533
Current liabilities	5,020	4,635	4,941
Accounts Payable	1,441	1,131	929
Current Portion of Term Loan		70	
Short Term Bank Loan	3,447	3,264	3,798
Provision for Income Tax	34	69	81
Outstanding Liabilities	97	100	133
Total liabilities	5,674	5,226	5,474
Total liability & shareholder's equity	11,134	11,196	12,078
BVPS (Pre IPO)	19.15	20.94	23.17
BVPS (Post IPO)	12.55	13.72	15.18

Statement of Cash Flows

Particulars (BDT mn)	FY17	FY18
Operating cash flow	549	13
Investing cash flow	-357	-481
Financing cash flow	-199	468
Net changes in cash	-7	0
Cash & cash equivalents (beginning)	32	24
Cash & cash equivalents (ending)	24	24
OCF per share (BDT) (Pre-IPO)	1.93	0.05
OCF per share (BDT) (Post-IPO)	1.26	0.03

Key Ratios

Growth YoY	Jun'16	Jun'17	Jun'18
Revenue growth (%)	-48.2	106.8	13.4
Gross profit growth (%)	-34.8	58.5	3.7
EBITDA growth (%)	-31.7	55.0	3.8
EBIT growth (%)	-48.8	109.0	6.4
Net profit growth (%)	-49.3	115.0	8.6
Margins	Jun'16	Jun'17	Jun'18
Gross profit margin (%)	22.6	17.3	15.8
EBITDA margin (%)	21.1	15.8	14.5
EBIT margin (%)	10.3	10.4	9.7
PBT margin (%)	6.6	6.8	6.5
Net profit margin (%)	5.6	5.8	5.5
Per share data	Jun'16	Jun'17	Jun'18
EPS (BDT) - Pre IPO	0.83	1.79	1.94
EPS (BDT) - Post IPO	0.55	1.17	1.27
BVPS (BDT) - Pre IPO	19.15	20.94	23.17
BVPS (BDT) - Post IPO	12.55	13.72	15.18
OCFPS - Pre IPO (BDT)		1.93	0.05
OCFPS - Post IPO (BDT)		1.26	0.03
Return and valuation	Jun'16	Jun'17	Jun'18
Return on equity (%)	4.3	8.5	8.4
Return on assets (%)	2.1	4.6	4.6
Debt-to-equity (%)	0.7	0.6	0.6
DuPont Analysis	Jun'16	Jun'17	Jun'18
Net profit margin (%)	5.6	5.8	5.5
Total asset turnover (x)	0.4	0.8	0.8
Equity multiplier (x)	2.0	1.9	1.8
Cash conversion analysis	Jun'16	Jun'17	Jun'18
Days receivables outstanding	195.3	92.3	104.2
Days inventory outstanding	210.4	110.8	107.2
Days payables outstanding	123.5	46.8	33.9
Cash conversion cycle (days)	282.2	156.3	177.5
Efficiency & Solvency	Jun'16	Jun'17	Jun'18
Receivable turnover (x)	1.9	4.0	3.5
Inventory turnover (x)	1.7	3.3	3.4
Payables turnover (x)	3.0	7.8	10.8
Interest coverage (x)	2.7	2.8	3.0

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

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