

# DBL SECURITIES

L I M I T E D

A Subsidiary of Dhaka Bank Limited

## DBSL RESEARCH

Update - February 12, 2013

**Rating - Strong Buy**

Fair Value Estimate: **BDT 75**

Sector - Cement (Construction Material)

**Low IPO price but negative growth in industry may affect company's future earnings**

## Company Summary

IPO Offer Price (BDT)	22.0
No. of share issued in IPO (In Mn)	12.0
Pre IPO Paid Up (BDT Mn)	934.5
Post IPO Paid Up (BDT Mn)	1054.5
IPO Proceeds (BDT Mn)	264.0
L/C Repayment (BDT Mn)	
Manger to the Issue	Full IPO Amount Alliance Finance

## Investment Highlights

1. The company expands its capacity by 100% in November, 2012 and its total capacity reaches to 2.4mn per annum after the expansion.
2. All the existing machineries are in good condition to produce cement for another 15 years.
3. Premier Cement has its own power producer subsidiary which ensures its smooth power supply for production of cement.
4. Its total export stands in second position in among its competitors in 2011 and also experiences positive growth in recent days.
5. As its raw material supply solely depends on import, the recent depreciation of USD against BDT will decrease its cost of production thus increase profitability.
6. Proposed giant infrastructural projects will expedite the growth of cement sector.

## Revenue & Profit (BDT Mn)

	2010-11	2009-10	2008-09
Sale Revenue	3428.08	1862.27	1364.80
Gross Profit	635.65	403.58	307.23
Operating Income	498.10	351.77	263.86
Net Income	326.51	177.16	125.99

## Financial Position (BDT Mn)

	2010-11	2009-10	2008-09
Total Asset	4127.94	1878.86	1119.38
Non Current Asset	2223.95	997.09	595.2
Short term Loan	1674.86	593.39	384.41
Equity	2045.82	978.81	551.21

## Profitability (%)

	2010-11	2009-10	2008-09
Gross Profit Margin	18.54%	21.67%	22.51%
Operating Margin	14.53%	18.89%	19.33%
Net Margin	9.52%	9.51%	9.23%

## Per Share Ratio (BDT)

	2010-11	2009-10	2008-09
EPS	4.05	2.21	3.15
NAV	21.99	18.49	13.78

## Other Important Ratios (%)

	2010-11	2009-10	2008-09
ROE	16.00%	19.00%	23.00%
ROA	8.00%	10.00%	12.00%
Dividend	60% B	3% C	1.13% C
Debt to Equity	0.82:1	0.59:1	0.60:1

## Growth (%)

	2010-11	2009-10	2008-09
Sales Revenue	84.08%	36.45%	-8.51%
Operating Income	41.60%	33.32%	
EPS	83.26%	-29.84%	197.17%
NPAT	84.30%	40.61%	
Total Asset	119.70%	67.85%	
NAV	18.93%	34.18%	

## Investment Risks

1. The industry faced big trouble in raw material management as the USD rate increased to its record level in FY2011-12.
2. The infrastructural works as well as growth in real estate sector remained stagnant in FY2011-12 which contributed negatively for the cement industry.
3. Company increased its capacity in line with superb growth of FY2010-11 but that capacity might remain unused in future for negative growth in construction sector.
4. The cement industry is highly competitive and PMCL is still placed below top 5 cement producer of the industry that indicates its higher competition risk as well as limits its future growth.

## Financial Statement's Focus Points

1. Business performance of PCML has improved in FY2010-11 from previous year and mainly contributed by increased capacity as well as utilization of that capacity.
2. Turnover of the company substantially increased due to the increase in sales volume as well as comparative increase of market price.
3. Overall financial performance of the company has been found to be good and improving slightly. The turnover growth is 84.08% higher in FY2011 than FY2010 but the gross profit margin experienced slight negative turn due to increased cost of raw materials.
4. Though the operating margin experienced negative growth but net margin experienced slight positive growth due to lower current tax expenses. Cost of goods sold as well as selling & distribution expenses increased in FY2010-11 but administrative expenses and finance cost decreased in FY2010-11.

## Company Insight

Premier Cement Mills Limited (PMCL) is one of the leading, innovative cement manufactures in Bangladesh. The company was incorporated in 2001 and commenced its commercial production in 2004. It's sponsors are from T.K group, Seacom Group and GPH Group. Currently the company is the producer of portland composite cement. The PMCL has increased its production capacity to 8000MT per day in 2012 from 4000MT previously. The company has investment in two other companies namely Premier Power Generation Limited and National Cement Mills Limited.

## TERMINOLOGY

Net Profit After Tax (NPAT): Profit available to the common shareholders of the company.  
 Book Value Per Share (BPS)/Net Asset Value (NAV) per share: Net Asset Value/ Number of Outstanding Common Stocks  
 Return on Asset (ROA): Net Profit after Tax/ Average Asset  
 Return on Equity (ROE): Net Profit after Tax/ Average Equity  
 Free Float : % of total shares not owned by Sponsors/Directors,and Govt.

## RATING CRITERIA & DEFINITION

<b>STRONG BUY</b>	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
<b>BUY</b>	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
<b>HOLD</b>	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
<b>NEUTRAL</b>	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside potential between 0% to -10%
<b>SELL</b>	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside between -10% to -20%
<b>STRONG SELL</b>	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside potential in excess of -20%

## CONTACTS

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