

DEL SECURITIES

L I M I T E D

A Subsidiary of Dhaka Bank Limited

DBSL Research

Update - 4th February, 2013

Rating - BUY

Fair Value Estimate: Tk. 65

Sector - FUEL & POWER (Electricity Supply)

Secured revenue structure and tax exemption make the company lucrative for investment

Company Summary

IPO Offer Price (BDT)	40.00
Sector Mkt. Cap ((BDT Mn)	196,412
Post IPO Paid Up (BDT Mn)	1,063
Company Mkt. Cap (BDT Mn)	42,512
IPO Proceeds (BDT Mn)	1,200
Red. of Pref. Share (BDT Mn)	1,154
Credit Ratings	AA, St-2

Investment Highlights

- Under private sector power generation policy of Bangladesh, the Company generates electricity and supplies it to REB and to BPDB from Rugganj power plant (RPP) and Jangalia power plant (JPP) respectively through designated PBSs and local power grid.
- After signing a PPA, there is no competition to sell the company's generated electricity. So currently, the Company has no competitors in the industry.
3. All dues relating to import of machineries and equipments from abroad has already been settled. Any devaluation of foreign currency may have impact on procurement of spare parts from foreign country. The foreign currency fluctuation effect will be very minimal to the overall profitability of the Company.

Revenue & Profit (BDT Mn)

	2011	2010	2009
Total Revenue	1,145	1,142	611
Operating Profit	551	593	295
Compr. Income	395	314	118

Profitability (%)

	2011	2010	2009
Gross Margin	53%	56%	56%
Operating Margin	48%	52%	48%
Net Margin	35%	28%	19%
Debt Service Cov. (x)	1.47	1.10	1.88
Interest Coverage (x)	3.30	2.11	1.66

Investment Risks

- It takes almost 45 days to cash receivables from REB and BPDB which slughters its payment obligation to gas distribution company. Drastic increase in receivables in future may hamper the liquidity condition of the company.
- The main raw material for generating electricity is natural gas. An increase in gas price will have direct impact on the Gross Income of the company.

Per Share Ratio (BDT)

	2011	2010	2009
EPS	5.18	4.74	2.04
NAV	20.38	34.08	15.23

Financial Statement's Focus Points

Electricity is the only product of the company that contribute 100% to the total revenue. Financial performance of this company appears to be good and revenue is almost secured by the Power Purchase Agreement (PPA). The increase in Net Profit margin is due to reduction of finance cost. The EPS of the company is 5.18 with Net profit of 395 million in 2011 compared to EPS of 4.74 and Net Profit of 314 million in 2010. As per private sector power generation policy, the Company is exempted from income tax for a period of 15 years from the date of commercial operation which will expire on February, 2024. The Debt-Equity ratio of the company improved in 2011 compared to 2009 and 2010 due to issuance of bonus share and repayment of project loan. The interest coverage ratio is quite good and stood at 3.30 times in 2011.

Other Important Ratios (%)

	2011	2010	2009
ROE	25%	26%	13%
ROA	12%	9%	3%
Debt to Equity	1.14:1	1.79:1	3.02:1
Dividend		15B, 5C	15B
Dividend Yield		5%	

Growth (%)

	2011	2010	2009
Net Revenue	0.29%	86.95%	
Operating Income	-6.96%	100.71%	
NPAT	25.73%	166.67%	
Total Asset	-0.32%	-5.78%	
NAV	-40.20%	123.77%	

Company Insight

Summit Purbanchol Power Company Limited (SPPCL) is a subsidiary of Summit Power Limited, the first Bangladeshi Independent Power Producer in private sector. The other corporate sponsor shareholder is Summit Industrial and Mercantile Corporation (Pvt.) Ltd. SPPCL started its commercial operation from 09 June 2009 and from 25 June 2009 for Rugganj Power Plant located at Narayananj and for Jangalia Power Plant located at Comilla respectively having installed capacity of 33 MW each.

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

STRONG BUY	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%
BUY	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%
HOLD	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%
NEUTRAL	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%
SELL	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%
STRONG SELL	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

RESEARCH & DEVELOPMENT UNIT	CONTACTS	HEAD OFFICE								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">MD. ABDULLAH ABU SYADE</td> <td style="width: 50%; text-align: center;">PRINCIPAL OFFICER</td> </tr> <tr> <td style="text-align: center;">MD. RABIUL HASSAN</td> <td style="text-align: center;">PRINCIPAL OFFICER</td> </tr> </table>	MD. ABDULLAH ABU SYADE	PRINCIPAL OFFICER	MD. RABIUL HASSAN	PRINCIPAL OFFICER	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">Tel-95650101,9569846</td> <td style="width: 50%; text-align: center;">ADAMJEE COURT (1st FLOOR), 115-120, Motijheel</td> </tr> <tr> <td style="text-align: center;">EXT: 119,114</td> <td style="text-align: center;">C/A, DHAKA-1000</td> </tr> </table>	Tel-95650101,9569846	ADAMJEE COURT (1st FLOOR), 115-120, Motijheel	EXT: 119,114	C/A, DHAKA-1000	
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