

**Circuit Breaker**  
**50% in First Two Days**

**Free Float (Post IPO)**  
**17.5% (8.3 mn Shares)**

**Annualized EPS**  
**BDT 5.55 (Post IPO)**

#### IPO Summary

Authorized Number of Shares, mn	100.0
Authorized Capital, BDT mn	1,000.0
Pre IPO Number of Shares, mn	39.0
Pre IPO Paid Up Capital, BDT mn	390.0
Post IPO Number of Shares, mn	47.3
Post-IPO Paid Up Capital, BDT mn	472.5
Face Value (BDT)	10.0
New shares Issued through IPO, mn	8.3
IPO Size including Premium, BDT mn	82.5
Offer Price, BDT (with premium)	50.0
IPO Market Lot (no lot maintained in trading)	100.0
Directors Holding (post IPO), %	57.8%
Pre IPO General Holding, %	24.8%
Free Float, %	17.5%
Financial Year End	June
Listing Date	7-Apr-21
Annualized PAT, BDT mn	262.1
Annualized EPS, BDT (pre IPO)	6.72
Annualized EPS, BDT (post IPO)	5.55
P/E, X (pre IPO @ Offer Price)	7.4
P/E, X (post IPO @ Offer Price)	9.0

**Issue Manager: AFC Capital Limited**  
**EBL Investments Limited**  
**Auditor: FAMES & R Chartered Accountants**

#### Price Multiple based on theoretical price (Post IPO basis)

##### Theoretical Market Price and PE

Based on Annualized EPS of December 2020- BDT 5.55

Price	50	75	112.5	117.5	122.5	127.5	132.5
PE	9.03	13.54	20.31	21.21	22.11	23.01	23.92

Use of IPO Proceeds	Amount	% of Total Amount
Expansion of Business	175.4	35.1%
Machineries and Equipment	299.6	59.9%
IPO Expense	25.0	5.0%
<b>Total</b>	<b>500.0</b>	<b>100%</b>

#### Latest Margin Ratio

Growth Analysis	2017A	2018A	2019A	2020A
Gross profit margin	14.3%	13.8%	15.6%	15.0%
Operating margin (EBIT)	9.7%	9.1%	10.9%	10.5%
Net margin	6.0%	6.1%	6.4%	6.5%

#### Index Agro Industries Limited

This IPO short note is initiated on Index Agro Industries Limited (DSE Ticker: INDEXAGRO) with no assigned rating. The company will be listed with the bourses on Wednesday, 7th April 2021 under "N" category. INDEXAGRO raised BDT 500.0 million through IPO and the fund will be utilized for Expansion of Business (35.1%), Machineries and Equipment (59.9%) and IPO Expense (5.0%).

The capital structure of the company is mostly financed through Equity. The company has interest bearing liabilities of BDT 923.1 mn; as of June 2020, the debt to equity and debt to assets ratio of the company was only 45.7% and 28.4% respectively. Debt to capital ratio was 0.313x (31.3% of the capital base was financed through debt).

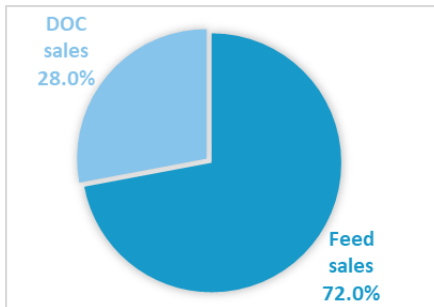
On Post-IPO basis, the company is going to be listed with trailing ROE and ROA of 9.9% and 7.0% respectively (including IPO fund). It will be trading at 9.03x PE, 0.74X PBV (at offer price of BDT 50.0).

According to the recent disclosure, The net profit of the company stood at BDT 131.06 million in the first half of FY2021. For the same period, Per IPO EPS stood at BDT 3.36, Whereas Post IPO EPS was recorded BDT 2.77.

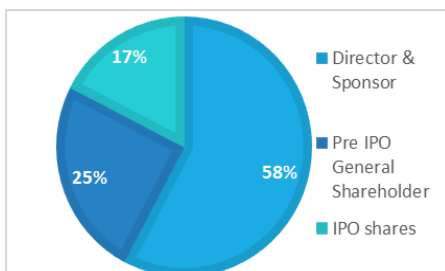
#### Comparison between listed peer companies

Particulars		INDEXAGRO	NFML
Revenue	BDT Million	4,047.1	762.8
Net Profit After Tax	BDT Million	264.4	14.7
Total Equity	BDT Million	2,020.7	1,092.1
Total Assets	BDT Million	3,245.4	1,737.6
Number of Share	Million	39.00	85.6
Sponsor & Director share holding	%	57.8%	30.4%
Free Float Shares	%	17.5%	69.6%
Paid up Capital	BDT Million	390.0	855.9
Market Capitalization	BDT Million	1,950.0	1,369.4
EPS	BDT ps	6.78	0.17
NAVPS	BDT ps	51.81	12.76
Price Per Share (Offer Price)	BDT ps	50.0	16.0
Gross Profit Margin	%	15.0%	13.56%
Operating Profit Margin	%	10.5%	11.16%
Net Profit Margin	%	6.5%	1.93%
ROE	%	13.1%	1.3%
ROA	%	8.1%	0.8%
Interest bearing liabilities	BDT Million	923.1	503.1
Debt/Equity	%	45.68%	46.07%
Debt/Assets	%	28.4%	29.0%
Debt/Capital	%	31.36%	31.54%
P/E (post IPO)	X	9.0	93.1
P/BV	X	0.97	1.25
P/S	X	0.48	1.80
EV/EBITDA	X	5.51	18.25
Cash Dividend	%	-	2%
Dividend Yield	%	-	2.3%

### Revenue Breakdown



### Post IPO Shareholding



### Production Capacity

Category of Shareholders	Shares in Million	Post IPO %
Director & Sponsor	27.3	57.8%
Pre IPO General Shareholder	11.7	24.8%
IPO shares	8.3	17.5%
<b>Total Shares</b>	<b>47.3</b>	<b>100.0 %</b>

Director & Sponsor	Position	Shares in Million	Post IPO %
Md. Mazherul Quader	Chairman	3.9	8.3%
Mahin Bin Mazher	Managing Director & Director	3.9	8.3%
Mrs. Khurshid Mazher	Sponsor	1.95	4.1%
Mrs. Esha Mahin	Sponsor	1.95	4.1%
Mehzabin Binte Mazher	Sponsor	1.95	4.1%
Index Holdings Limited	Director	9.75	20.6%
Index Construction Limited	Director	3.9	8.3%
<b>Total Director Holding</b>		<b>27.3</b>	<b>57.8%</b>

### Company Overview

Index Agro Industries Limited (IAIL) was incorporated in Bangladesh on September 13, 2000 as a private limited company and started its commercial operation on July 01, 2004. IAIL was converted as a public limited company by shares under the companies Act, 1994 on March 31, 2015. The principal activities of this Company are manufacturing and marketing of poultry feed, fish feed and producing Day Old Chicks (DOC).

Index Agro Industries Limited has no subsidiary company but it has an associate company named X-Ceramics Ltd. where the issuer holds 24.39% shares. X-Ceramics Ltd. is engaged in manufacturing ceramic tiles in Bangladesh.

### Key Investment Positives

- The feed industry is growing at an average rate of around 10.0%. Moreover, protein consumption in Bangladesh is comparatively far below than the other countries. Considering the market demand, there is more room to grow the feed industry in Bangladesh. So, there is huge opportunity for the company to increase more market share.
- The revenue of Index Agro Limited registered a 5-year average growth of 10.2% (2015-2020 period). However, the average net profit growth was 10.9% in the same time horizon.
- The company has remained stable in maintaining decent profit margin. In FY'2019-20, the company generated 15.0% GPM, 10.5% OPM and 6.5% NPM which is comparatively higher than the peer companies.
- Interest expense of the company may decrease due to the implementation of lending rate at 9% from over 11%, which will help the company to increase the bottom-line growth.
- Return numbers of the company is acceptable considering the industry. The 5-year average ROE and ROA of the company are 18.0% and 9.5% respectively.

### Key Risk and Challenges for the Company

- Epidemic of Livestock such as Avian influenza (Bird Flu), Pasteurella multocida (Fowl Cholera) is one of the major business risk for any poultry as it has forced to shut down thousands of poultry farms of Bangladesh in the recent past.
- The company is facing working capital pressure since FY2019 as the operating cash conversion cycle increased to 116 day in FY 2019 and was increased to 130 days in FY 2020. which was only 78 days in FY 2018.
- Due to the COVID 19 pandemic, the price of the main raw materials of the company such as Soybean increased significantly in the international market. And the company imports 60% of the raw materials from the international market,. So the overall production cost is expected to increase in the upcoming quarters.

### Financials of Index Agro Industries Limited

BDT mn	2015A	2016A	2017A	2018A	2019A	2020A
<b>Income Statement</b>						
Revenue (Net)	2,494.3	3,218.7	3,579.9	4,324.6	4,326.2	4,047.1
Cost of Goods Sold (COGS)	2,112.6	2,775.7	3,066.5	3,726.3	3,652.8	3,439.5
<b>Gross Profit</b>	<b>381.7</b>	<b>443.0</b>	<b>513.4</b>	<b>598.4</b>	<b>673.4</b>	<b>607.6</b>
Operating Expenses	108.6	123.1	165.9	204.1	202.4	184.3
<i>Depreciation &amp; Amortization</i>	-	-	-	126.7	135.5	-
<b>EBIT</b>	<b>273.1</b>	<b>319.9</b>	<b>347.5</b>	<b>394.3</b>	<b>471.0</b>	<b>423.2</b>
Interest Expense	110.3	125.9	110.4	98.0	157.9	135.0
Share of Profit from Associate		13.3	11.8	18.2	23.5	22.9
Other Income	4.6	5.2	6.8	6.8	6.8	6.8
<b>Net Profit/(Loss) Before Tax</b>	<b>159.5</b>	<b>203.1</b>	<b>244.1</b>	<b>306.9</b>	<b>328.2</b>	<b>303.8</b>
Tax (net)	2.0	23.6	29.6	41.7	52.4	39.4
<b>Net Profit (NPAT)</b>	<b>157.4</b>	<b>179.5</b>	<b>214.5</b>	<b>265.2</b>	<b>275.7</b>	<b>264.4</b>
EPS	4.04	4.60	5.50	6.80	7.07	6.78
<b>Balance Sheet</b>						
BDT mn	2015A	2016A	2017A	2018A	2019A	2020A
<b>Assets</b>						
Property, Plant & Equipment	743.5	821.0	880.2	840.0	895.4	842.5
Capital Work in Progress	-	100.2	-	108.3	-	-
Parent Stocks	41.3	59.6	65.7	97.6	125.4	129.0
<b>Non-current Assets</b>	<b>968.5</b>	<b>1,189.8</b>	<b>1,173.6</b>	<b>1,298.6</b>	<b>1,303.8</b>	<b>1,284.1</b>
Inventories	564.3	494.2	374.5	458.2	883.3	891.3
Trade & Other Receivables	296.1	345.6	444.0	518.5	618.5	601.5
Advances, Deposits & Pre-payments	22.7	75.1	84.2	162.5	267.7	321.6
Cash & Cash Equivalents	40.6	89.9	180.2	99.8	108.0	146.9
<b>Current Assets</b>	<b>923.7</b>	<b>1,004.9</b>	<b>1,083.0</b>	<b>1,239.1</b>	<b>1,877.4</b>	<b>1,961.3</b>
<b>Total Assets</b>	<b>1,892.2</b>	<b>2,194.7</b>	<b>2,256.6</b>	<b>2,537.6</b>	<b>3,181.2</b>	<b>3,245.4</b>
<b>Liability &amp; Equity</b>						
<b>Liability</b>						
Liabilities for Expenses	34.8	58.6	95.4	131.6	175.9	200.8
Short Term Loan	627.0	741.0	723.6	639.3	1,009.6	834.7
Current Portion of Long Term Loan	92.7	75.9	25.2	18.1	32.6	49.9
Trade Payable	129.96	150.37	100.15	80.84	65.49	48.60
<b>Current Liabilities</b>	<b>884.5</b>	<b>1,025.9</b>	<b>944.3</b>	<b>869.8</b>	<b>1,283.6</b>	<b>1,134.1</b>
Long term loan	153.4	129.9	53.5	140.8	90.9	38.4
Deferred Tax Liability	32.9	38.0	43.4	46.5	50.5	52.2
<b>Non-current Liabilities</b>	<b>186.3</b>	<b>167.9</b>	<b>96.9</b>	<b>187.3</b>	<b>141.4</b>	<b>90.6</b>
<b>Total Liabilities</b>	<b>1,070.8</b>	<b>1,193.8</b>	<b>1,041.2</b>	<b>1,057.1</b>	<b>1,424.9</b>	<b>1,224.7</b>
Share Capital	390.0	390.0	390.0	390.0	390.0	390.0
Retained Earnings	384.9	566.7	783.4	1,050.7	1,328.4	1,594.8
Revaluation Reserves	46.5	44.1	41.9	39.8	37.8	36.0
<b>Shareholder's Equity</b>	<b>821.4</b>	<b>1,000.9</b>	<b>1,215.3</b>	<b>1,480.5</b>	<b>1,756.3</b>	<b>2,020.7</b>
<b>Total Liabilities &amp; Equities</b>	<b>1,892.2</b>	<b>2,194.7</b>	<b>2,256.6</b>	<b>2,537.6</b>	<b>3,181.2</b>	<b>3,245.4</b>
NAVPS	21.1	25.7	31.2	38.0	45.0	51.8

**Financials of Index Agro Industries Limited**

<b>Key Metrics</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>
<b>Growth Analysis</b>						
Revenue Growth	-	29.0%	11.2%	20.8%	0.0%	-6.5%
COGS	-	31.4%	10.5%	21.5%	-2.0%	-5.8%
Gross Profit Growth	-	16.1%	15.9%	16.5%	12.5%	-9.8%
Ope. Profit (EBIT)	-	17.1%	8.6%	13.5%	19.4%	-10.1%
EBITDA Growth	-	22.1%	7.4%	50.9%	19.7%	-29.1%
PAT growth	-	14.0%	19.5%	23.6%	4.0%	-4.1%
<b>Margin Analysis</b>						
	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>
Gross profit margin	15.3%	13.8%	14.3%	13.8%	15.6%	15.0%
Operating margin (EBIT)	10.9%	9.9%	9.7%	9.1%	10.9%	10.5%
EBITDA	10.6%	10.1%	9.7%	12.1%	14.5%	11.0%
Net margin	6.3%	5.6%	6.0%	6.1%	6.4%	6.5%
<b>Return Analysis</b>						
	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>
ROIC (or ROI), %	15.5%	15.4%	15.8%	15.6%	14.8%	13.3%
ROE, %	38.3%	19.7%	19.4%	19.7%	17.0%	14.0%
ROA, %	8.3%	8.8%	9.6%	11.1%	9.6%	8.2%
<b>Debt Analysis</b>						
	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>
Interest Bearing Liabilities, BDT mn	873.1	946.9	802.3	798.2	1,133.1	923.1
Cash & Cash Equivalent, BDT mn	40.6	89.9	180.2	99.8	108.0	146.9
Debt/Equity (book)	213%	104%	72%	59%	70%	49%
Debt/Assets	46%	46%	36%	33%	40%	29%
Debt/Capital	34.0%	32.7%	28.5%	25.9%	28.2%	23.9%

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