

Circuit Breaker
50% in First Two Days

Tradeable in Day 1
387.7 mn

Annualized Diluted EPS
0.29

IPO Summary

IPO Snapshot	
Authorized Number of Shares, mn	6,000.0
Authorized Capital, BDT mn	60,000.0
Pre IPO Number of Shares, mn	4,714.1
Pre IPO Paid Up Capital, BDT mn	47,141.4
Post IPO Number of Shares, mn	5,237.9
Post-IPO Paid Up Capital, BDT mn	52,379.3
New shares Issued through IPO, mn	523.8
<i>Employees of Robi</i>	<i>136.1</i>
<i>General Shareholders</i>	<i>387.7</i>
IPO Size including Premium, BDT mn	5,237.9
Offer Price, BDT (no premium)	10.0
Face Value (BDT)	10.0
IPO Market Lot, Shares	500.0
Directors Holding (post IPO), %	90.0%
IPO Shareholder	10.0%
Financial Year End	December

- Issue Manage: IDLC Investments Limited
- Auditor: Hoda Vasi Chowdhury & Co. Chartered Accountants

Use of IPO Proceeds	Amount	% of Total Amount
Network Expansion	5,157.7	98%
IPO Expenses	80.2	2%
Total	5,237.9	100%

Price Multiple based on theoretical price (Post IPO Basis)

Theoretical Market Price and PE Based on Annualized EPS of June 2020- BDT 0.29							
Price	10	15	20	25	30	35	40
PE,x	34.1	51.1	68.2	85.2	102.3	119.3	136.4

Latest Margin Ratio

Margin	2018	2019	H1 2019-20
Gross Profit Margin	29.3%	37.2%	40.4%
Operating Profit Margin	-0.9%	11.6%	16.7%
EBITDA Margin	32.1%	44.9%	16.7%
Net Profit Margin	3.2%	0.2%	2.1%

Robi Axiata Limited

This IPO short note is initiated on Robi Axiata Limited (DSE Ticker: ROBI) with no assigned rating. The company will be listed with the bourses on Thursday, 24th December 2020 under "N" category. ROBI raised BDT 5,237.9 million through IPO and the fund will be utilized for Network Expansion (98%), and IPO Expense (2%)

The capital structure of the company is mostly financed through Debt .The company has interest bearing liabilities of BDT 21,928.4 mn; as of June 2020, the debt to equity and debt to assets ratio of the company is 82.2% and 31.6% respectively. Debt to capital ratio was 45.1x (45.1% of the capital base was financed through debt).

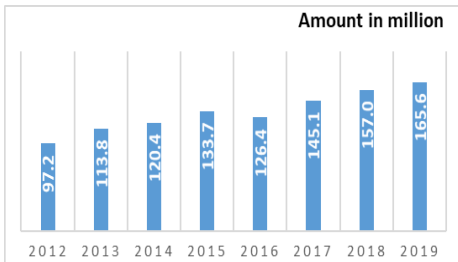
On Post-IPO basis, the company is going to be listed with trailing ROE and ROA of 2.4% and 0.9% respectively (including IPO fund). It will be trading at 34.1x PE, 0.80x PBV (at offer price of BDT 10.0).

According to the recent discloser, The net profit of the company for 9 Month of 2020 stood at BDT 1,160.32 million. As of September 2020, Per IPO EPS Stood at BDT 0.24, Whereas Post IPO EPS was recorded BDT 0.22.

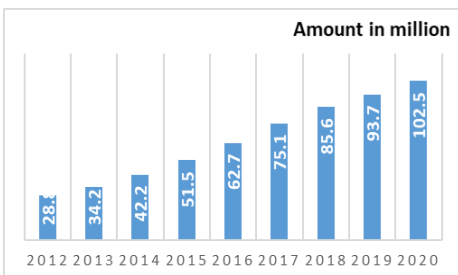
Comparison between listed peer company (post-IPO basis)

Particulars		ROBI	GP
Revenue, Annualized	BDT Million	75,037.3	143,656.3
Net Profit After Tax, Annualized	BDT Million	1,536.4	34,516.8
Total Equity (Including IPO Fund)	BDT Million	65,243.2	42,244.3
Total Assets	BDT Million	169,961.2	150,131.1
Number of Share	Million	5,237.9	1,350.3
Sponsor & Director share holding	%	90.0%	90.0%
Free Float Shares	%	10.0%	10.0%
Paid up Capital	BDT Million	52,379.3	13,503.0
Market Capitalization	BDT Million	52,379.3	447,624.5
EPS Annualized	BDT ps	0.29	25.56
NAVPS(Including IPO Fund)	BDT ps	12.46	31.29
Price Per Share (Offer Price)	BDT ps	10.0	331.5
Gross Profit Margin	%	37.2%	94.1%
Operating Profit Margin	%	11.6%	46.4%
Net Profit Margin	%	0.25%	24.0%
ROE (Annualized)	%	2.4%	81.7%
ROA (Annualized)	%	0.9%	23.0%
Interest bearing liabilities	BDT Million	53,651.7	27,067.6
Cash	BDT Million	3,772.3	5,704.3
Debt/Equity	%	82.2%	64.1%
Debt/Assets	%	31.6%	18.0%
Debt/Capital	%	45.1%	39.1%
P/E (Annualized)	X	34.1	13.0
P/BV	X	0.80	10.60
P/S	X	0.70	3.12
EV/EBITDA	X	5.31	5.2
Cash Dividend	%	-	130%
Dividend Yield	%	-	3.9%

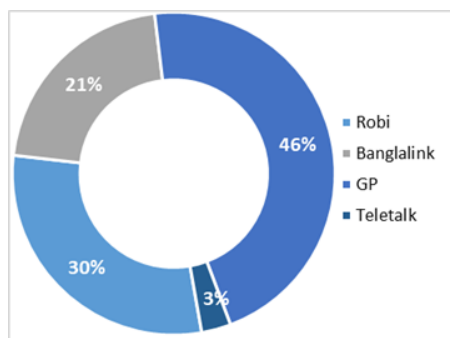
Increasing Trend in Mobile Phone Subscribers



Increasing Trend in Mobile Internet Subscribers



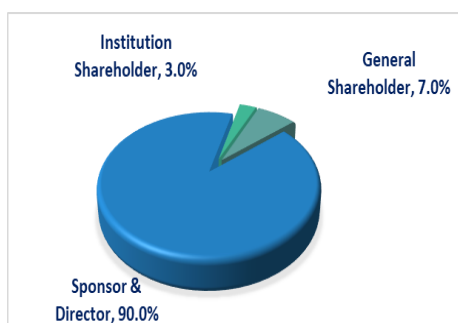
Market Share of Telecom Companies



Pre IPO Shareholders

Name of Shareholders	No. of Share in mn	% of Post-IPO	Lock-In
Axiata Investments (Labuan) Limited	3,238.30	61.8%	3 Years
Bharti International (Singapore) Pte. Limited	1,475.83	28.2%	3 Years
Total Pre-IPO Share Holding	4,714,139,061	90%	

Post IPO Shareholding Structure



Industry Overview

Bangladesh is the world's 9th largest mobile market; about 51% of its population are unique subscribers. The number of new mobile internet subscribers grew by 33 million (20%) in last the decade. Among the four key players of the market, GP dominates with 46% market share. It is followed by Robi with 30% market share, Banglalink with 21% and Teletalk with 3% market share.

To facilitate industry growth and monitoring anticompetitive activities, some major policies have been imposed by BTRC. For example,

Significant Market Power (SMP) Regulation: Formed in late 2018, the SMP Regulation restricts certain anticompetitive activities for companies with over 40% market share (applicable to only Grameenphone) to prevent the creation of a monopoly.

Separation of the Tower Industry: The government awarded licenses to four tower sharing companies in 2018 to take over all the existing towers of carriers. Operators have been banned from building new towers so they can focus their investment on technology and improving network quality and range instead.

Mobile Number Portability (MNP) Services: Mobile users will be allowed to retain their phone numbers while switching carriers under the MNP services.

To continue the growth of the internet subscriber base, the rational move for operators is to boost their internet revenues as their call revenues have been declining due to competition from services like Whatsapp, Skype and Messenger which provide free voice and video call services. The connections penetration is projected to grow from 100% in 2020 to 103% in 2025, smartphone adoption from 40% to 69%, subscriber penetration from 54% to 59% and percentage of subscribers connected to mobile internet from 25% to 38% during the period 2019-2025.

Company Overview

Robi is the second largest mobile network operator in Bangladesh by holding around 30% market share of the telecom industry. The Company started its operation in 1997 with the brand name "Aktel" and rebranded itself as "Robi" in 2010. On November 2016, the company merged with Airtel Bangladesh Limited and continued its operation as Robi Axiata Limited (Robi). Currently, Axiata holds a 68.69% stake in the company and Delhi-based Bharti Airtel owns the remaining 31.31% share.

Robi Axiata has reached the milestone of five crore subscribers in October 2020 which is a clear evidence of the operator's growing influence in the local market. Robi was the first operator to introduce GPRS and 3.5G services in the country and it is the first company to launch 4.5G service in all the 64 districts of the country.

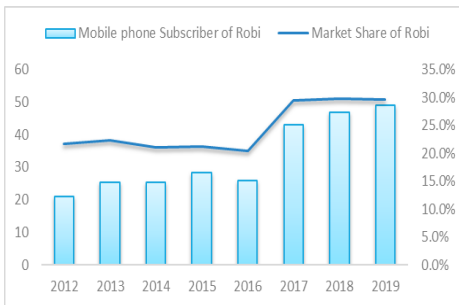
Alongside the core operation, Robi Axiata Limited has involved itself in various socio-economic development such as, creating the largest online school "Robi-10 Minute School" Moreover, it is also leading in the new frontier of Digital Services by creating the premiere ecommerce platform for all digital gadgets. Such innovative services will help the company to capture larger market share of the industry in the upcoming days.

Holding Company

Axiata Group Berhad

Axiata has been establishing itself as an emerging Asian telecommunications leader with about 120 million mobile subscribers spanning across Malaysia, Indonesia, Sri Lanka, Bangladesh, Cambodia, India, Singapore, Iran, Pakistan and Thailand. It is listed on the stock exchange Bursa Malaysia.

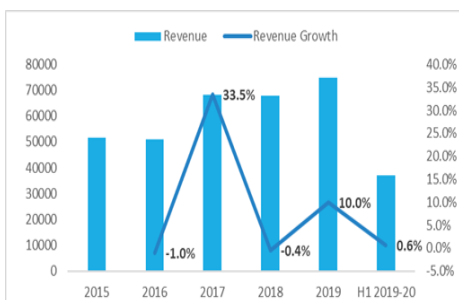
Mobile Phone Subscribers of Robi over the years (in million)



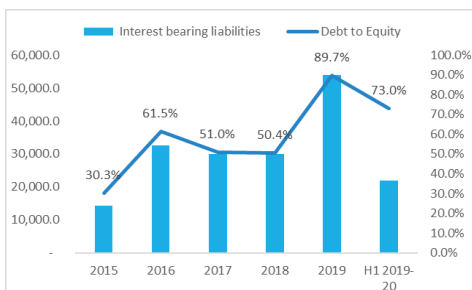
Profit Margin of Robi in Recent Times

Profit Margin	2018	2019	H1'2020
Gross Profit Margin	29.3%	37.2%	40.4%
Operating Profit Margin	-0.9%	11.6%	16.7%
EBITDA Margin	-0.9%	25.5%	16.7%
Net Profit Margin	3.2%	0.2%	2.1%

Revenue Growth of Robi in Over the Years



Debt to Equity Ratio of Robi



Bharti Airtel of India

Bharti Airtel Limited is the world's 4th largest global mobile service provider and an established global telecommunications service leader with about 307 million customers across 20 countries in Asia and Africa. Its offerings include 2G, 3G wireless services, mobile commerce, fixed line services, high-speed DSL broadband, IPTV, DTG, enterprise services and international long-distance services to carriers. Its headquarters are in New Delhi, India.

Key investment positives

- As the second largest telecom company of the country, Robi holds around 30% market share which is in increasing trend based on the lower pricing policy and different offers by the operator.
- The imposition of SMP condition on GP, the largest telecom operator of the country, enables Robi to capture larger market share of the industry. According to the regulation, Customers can migrate from GP to any other operator after 60 days of migrating to GP. Whereas, while migrating from other operator, they have to wait for 90 days.
- After the implementation of the tower sharing regulation, Robi will also get the network coverage in remote areas without increasing further cost. So it will be an advantage for Robi.
- The company will utilize around 98% of the IPO fund (5,157.7 million) for network expansion.
- Robi managed to have a steady revenue growth over the last few years. The 3 Years CAGR of the company is 13.5%.
- The profit margin of the company has been increasing in the last four years. As of 2019, the Gross Profit Margin of the company was 37.2% and the Operating Profit margin was 11.6%.
- The company has successfully maintained a steady cash flow. The three year average operating cash flow per share (Post IPO basis) of the company stood at around BDT 4.14.
- After getting listed the company will get reduction of 5% corporate tax rate which is expected to increase their EPS by BDT 0.03.

Key investment Negatives

- The net profit of the company has been fluctuating over the years. The Pre IPO EPS of the company was BDT 0.04 which is diluted to BDT 0.03 (Post IPO basis).
- Tax rate for the company is vulnerable as it changes with the change in regulations. Recent increase in maximum tax on turnover is adversely affecting Robi and other market players rather than GP.
- The profitability ratio of the company is very low. As of June 2020, the trailing ROA and ROE of the company was 0.2% and 0.6% respectively.
- The company has a high Debt to Equity ratio. As of June 2020, the Debt to Equity ratio of the company was 89.3%.

Financials of Robi Axiata Limited

Income Statement							
BDT mn	2015	2016	2017	2018	2019	H1 2018-19	H1 2019-20
Year End	December	December	December	December	December	December	December
Revenue	51,627.7	51,131.4	68,255.5	67,982.3	74,811.7	36,878.2	37,103.7
Cost of goods sold	33,524.0	45,566.6	52,829.5	48,063.0	46,973.6	23,168.3	22,119.3
Gross Profit (Loss)	18,103.8	5,564.8	15,426.0	19,919.3	27,838.1	13,709.9	14,984.4
Operating Expenses	13,280.1	14,120.2	18,242.2	20,535.3	19,179.3	9,167.4	8,770.6
Operating Profit	4,823.6	(8,555.4)	(2,816.2)	(616.1)	8,658.9	4,542.5	6,213.8
Financial Expenses	(485.5)	(809.3)	(1,326.4)	(2,971.1)	(5,054.8)	(3,282.3)	(2,708.6)
Foreign Exchange gain (loss)	144.0	24.0	(677.4)	(182.1)	(167.1)	(83.1)	4.1
Contribution to WPPF and Welfare Fund	(250.2)	-	-	(134.0)	(189.5)	(59.1)	(168.5)
Non-operating income	522.2	(92.0)	164.4	30.3	541.5	63.7	19.3
Net Profit before Tax	4,754.1	(9,432.7)	(2,571.7)	2,679.7	3,789.0	1,181.7	3,360.1
Current Tax	1,415.9	470.3	566.8	1,190.4	2,916.2	1,749.9	2,588.6
Deferred Tax (Income)/ Expenses	935.9	(2,971.9)	(3,033.9)	(658.1)	703.7	-	-
Provision for Tax	2,351.8	(2,501.6)	(2,467.1)	532.3	3,619.9	1,749.9	2,588.6
Net Profit after Tax	2,402.2	(6,931.1)	(104.6)	2,147.3	169.1	(568.2)	771.5
PAT to CS	2,402.2	(6,931.1)	(104.6)	2,147.3	169.1	(568.2)	771.5

Balance Sheet							
BDT mn	2015	2016	2017	2018	2019	H1 2018-19	H1 2019-20
Property, Plant & Equipment	62,897.3	78,739.6	91,128.1	99,182.2	100,540.0	NA	104,386.5
Intangible assets	23,176.5	34,260.9	30,197.7	29,451.9	23,862.4	NA	21,696.7
Right-of-use asset	-	-	-	-	26,913.1	NA	25,615.3
Deferred tax assets	-	-	463.7	1,586.4	3,031.6	NA	1,491.0
Non-Current Assets	92,468.6	119,395.3	125,299.0	130,220.5	154,347.1	NA	153,189.6
Inventory	87.6	132.5	210.8	282.7	244.4	NA	293.1
Trade & other receivables	4,398.9	8,088.1	9,743.8	7,121.0	7,932.4	NA	6,382.8
Advances, deposits & pre-payments	2,456.8	1,792.0	5,122.1	3,992.6	4,574.1	NA	5,960.5
Short term investments - FDRs	-	-	-	353.0	353.6	NA	363.0
Cash & cash equivalent	1,837.1	4,014.3	1,725.4	2,644.2	4,517.0	NA	3,772.3
Current Assets	8,780.6	14,026.9	16,802.1	14,393.6	17,621.5	NA	16,771.7
Total Assets	101,249.2	133,422.2	142,101.2	144,614.1	171,968.6	NA	169,961.2
Long-term Bank Loan	3,859.2	10,657.3	8,094.0	11,154.1	7,227.0	NA	3,903.6
Lease Finance	-	-	-	452.6	30,744.0	NA	29,910.6
Asset retirement obligation	7.7	546.8	429.2	364.5	374.3	NA	365.3
Employee benefits	-	-	142.8	227.6	363.4	NA	259.3
Other non-current liability	-	1,931.6	3,173.9	3,497.3	3,698.1	NA	3,919.4
Total non-current liabilities	17,357.8	16,948.1	11,839.8	15,696.2	42,406.8	NA	38,358.2
Accounts & Other Payables	19,828.8	29,328.6	40,941.8	38,458.3	41,287.5	NA	38,814.1
Current portion of Long Term Loan	2,921.4	2,687.2	3,140.0	4,959.2	6,832.4	NA	7,074.9
Short Term Bank Loan	7,500.0	19,217.8	18,700.0	13,412.8	7,350.0	NA	10,950.0
Current Portion of Lease Finance	3.1	-	-	57.7	1,766.6	NA	1,812.6
Provision for Income Tax	4,465.2	4,124.8	3,746.0	4,035.2	5,914.2	NA	5,256.3
Intercompany payables - edotco BD	197.8	443.7	3,012.2	5,307.2	3,626.0	NA	4,277.1
Intercompany payables - Axiata Group Berhad	1,681.9	1,687.1	1,801.5	1,854.4	1,590.0	NA	1,690.3
Subscribers' security deposit	132.7	307.7	249.0	241.4	245.4	NA	246.9
Deposit against employee share purchase plan	-	-	-	-	1,360.8	NA	1,395.3
Current Liabilities	36,730.9	57,796.8	71,590.5	68,326.3	69,973.0	NA	71,517.5
Share Capital (Paid up)	35,356.1	47,141.4	47,141.4	47,141.4	47,141.4	NA	47,141.4
Retained Earnings	11,804.5	4,873.4	4,867.0	6,787.8	5,785.1	NA	6,281.7
Other reserves	-	6,662.4	6,662.4	6,662.4	6,662.4	NA	6,662.4
Shareholders' equity	47,160.5	58,677.2	58,670.8	60,591.6	59,588.9	NA	60,085.5
Total Equity & Liabilities	101,249.2	133,422.2	142,101.2	144,614.1	171,968.6	NA	169,961.2

Financials of Robi Axiata Limited

Key Indicators								
Debt Burden	2015	2016	2017	2018	2019	H1 2018-19	H1 2019-20	
Interest bearing liabilities	14,283.8	32,562.2	29,934.0	30,036.5	53,920.1	NM	53,651.7	
Debt to Capital	23.2%	35.7%	33.8%	33.1%	47.5%	NM	47.2%	
Debt to Equity	30.3%	61.5%	51.0%	50.4%	89.7%	NM	178.6%	
Debt to Assets	14.1%	27.8%	21.7%	21.0%	34.1%	NM	63.1%	
EPS (restated - pre IPO basis), BDT	0.46	-1.32	-0.02	0.41	0.03	-0.11	0.15	
No. of Shares	3,535.6	4,714.1	4,714.1	4,714.1	4,714.1	4,714.1	4,714.1	
Basic EPS	0.68	-1.47	-0.02	0.46	0.04	-0.12	0.16	
EPS (restated - post IPO basis), BDT	0.46	-1.32	-0.02	0.41	0.03	-0.11	0.15	
BVPS (restated - post IPO basis), BDT	9.00	11.20	11.20	11.57	11.38	NA	11.47	
Margin								
Gross Profit Margin	35.1%	10.9%	22.6%	29.3%	37.2%	37.2%	40.4%	
Operating Profit Margin	9.3%	-16.7%	-4.1%	-0.9%	11.6%	12.3%	16.7%	
EBITDA Margin	9.3%	-16.7%	-4.1%	32.1%	44.9%	12.3%	16.7%	
Net Profit Margin	4.7%	-13.6%	-0.2%	3.2%	0.2%	-1.5%	2.1%	
COGS as % of Revenue	64.9%	89.1%	77.4%	70.7%	62.8%	62.8%	59.6%	
Effective Tax Rate	49.5%	26.5%	95.9%	19.9%	95.5%	148.1%	77.0%	
Growth								
Revenue Growth	NM	-1.0%	33.5%	-0.4%	10.0%	NM	0.6%	
Gross Profit Growth	NM	-69.3%	177.2%	29.1%	39.8%	NM	9.3%	
Op. Profit Growth	NM	-277.4%	-67.1%	-78.1%	-1505.5%	NM	36.8%	
PAT Growth	NM	-388.5%	-98.5%	-2153.2%	-92.1%	NM	NM	
Return and valuation								
ROE, %	5.1%	-13.1%	-0.2%	3.6%	0.3%	NA	2.6%	
ROA, %	2.4%	-5.9%	-0.1%	1.5%	0.1%	NA	0.9%	
PE, X (post IPO basis)	21.80	NM	NM	24.39	309.77	NM	67.90	
P/BV, X (post IPO basis)	1.11	0.89	0.89	0.86	0.88	NM	0.87	
Dividend History								
Cash dividend (as % of paid-up cap)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Stock dividend (as % of paid-up cap)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	

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