

COMPANY SNAPSHOT

Ticker	OIMEX
Offer Price per Share (BDT)	10.0
Face Value per Share (BDT)	10.0
Shares Issued (Mn)	15.0
Funds Raised (BDT Mn)	150.0
Pre-IPO Paid-up Capital (BDT Mn)	308.92
Post-IPO Paid-up Capital (BDT Mn)	458.92
Post-IPO No. of Shares (Mn)	45.89
Issue Manager	MTB Capital Ltd.
Issue Date of Prospectus	7 August, 2017
Last Audited EPS (Restarted on Post-IPO Basis)	1.40
Annualized EPS (Restated on Post-IPO Basis)	1.41
NAVPS (Post-IPO Basis)	11.06

Utilization of Proceeds	% of IPO Funds Raised
Capital Machinery & Equipment	56.7%
Repayment of Loan	33.3%
IPO Expenses	10.0%

Financials (BDT Mn)	2013	2014	2015	2015-16	2016-17A
Revenue	98	127	387	410	455
Gross Profit	26	34	115	122	135
EBIT	21	27	106	107	115
NPAT	8	12	59	64	65
Total Asset	213	232	497	666	757
Total Fixed Asset	68	63	120	264	279
Long Term Debt	14	9	8	50	70
Short Term Debt	67	72	63	80	72
Retained Earnings	15	27	86	150	199
Total Equity	126	138	379	459	508

Growth Data	2012-13	2013-14	2014-15	2015-16	2016-17A
Revenue	3.5%	28.5%	205.6%	6.1%	10.8%
Gross Profit	66.3%	28.3%	242.0%	5.9%	10.8%
EBIT	71.7%	31.1%	284.9%	1.6%	7.3%
EBT	231.9%	40.9%	405.3%	4.3%	6.7%
Net Profit	231.9%	46.5%	396.2%	9.0%	0.5%
Fixed Assets	440.6%	-7.4%	88.9%	121.2%	5.4%
Total Asset	140.6%	8.8%	114.0%	34.1%	13.7%

Profitability Ratios	2012-13	2013-14	2014-15	2015-16	2016-17A
Gross Profit Margin	26.6%	26.5%	29.7%	29.7%	29.6%
EBITDA Margin	21.2%	21.7%	38.5%	30.7%	11.7%
EBIT Margin	21.2%	21.7%	27.3%	26.1%	25.3%
Net Profit Margin	8.2%	9.4%	15.2%	15.7%	14.2%
ROA	5.4%	5.3%	16.2%	11.0%	9.1%
ROE	12.2%	9.0%	22.8%	15.3%	13.3%
ROIC	5.5%	5.6%	17.5%	12.2%	10.2%

Leverage Ratios	2012-13	2013-14	2014-15	2015-16	2016-17A
Debt to Equity	0.6	0.6	0.2	0.3	0.3
Debt to Total Assets	0.4	0.3	0.1	0.2	0.2
Times Interest Earned	2.6	3.0	8.0	9.8	9.4

Efficiency Ratio	2012-13	2013-14	2014-15	2015-16	2016-17A
Asset Turnover	0.7	0.6	1.1	0.7	0.6
Inventory Turnover	1.5	1.8	3.3	1.9	1.5
Receivables Turnover	6.4	3.4	5.3	3.5	3.1
Payable Turnover	444.2	328.0	1,067.6	973.0	1,153.5
Cash Conversion Cycle	292.3	312.2	179.5	296.4	356.4

All figures other than ratios, share prices and percentages are in BDT millions. Data for 2017 is annualized from 3 financial quarters i.e. 9 months.

Company Description

Oimex Electrode Limited (Oimex) is a manufacturer of welding consumables established in 2005 and operational from 2010 with its factory located at Daulatpur, Kushtia. The company was converted to a public limited company in 2014. The core base of the company's clientele is composed of engineering workshops, developers and other local customers. The revenue contribution of the company is composed as follows:

Product Category	Revenue Contribution
Nails	51.52%
G.I. Wire	34.48%
Welding Electrode	13.99%

Brand Name	Description
Welding:	
Hardmelt B650	Rutile coated hardfacing electrode useful for mixer & scrapper blades, agricultural components etc.
Jessore Royal E6012	General purpose MS Electrode used in steel structure, windows, truck & bus etc.
Mega Ferro E6012	Rutile Coated Dynamic Loading Electrode used in steel structure, windows, truck & bus etc.
Mega FS E6012	Rutile Coated Static Loading Electrode used in steel structure, windows, truck & bus etc.
Mega Marine E6013	Medium Coated Rutile Electrode used in marine quality steel, shipbuilding and bridge-building
Royal Speed E6012	Medium Coated Rutile Electrode used in storage tanks, boilers, railway coaches and automobiles
Nails:	
Tiger Nails	General Purpose
Wires:	
G.I. Wires	General Purpose

Business Performance

Oimex has witnessed steady revenue growth over the years with the unusual growth over 2013-15 explained by improved capacity and access to working capital. Stable gross margins have been maintained while net profit margins have improved as a result of declining debt to equity. Capacity utilization has also risen significantly from only 36% in 2014 to nearly 90% by the end of 2016 while overall installed capacity has also risen steadily. The consistent asset growth of the company has been met by subsequent increases in both liabilities and equity with several significant capital raisings in the past. The most significant capital raising was in mid-2015 where BDT 21.08 crore was raised. This has enabled Oimex to grow its business without adversely affecting debt to equity despite higher debt in absolute value terms.

Year	Installed Capacity				Utilization
2014	5,140				35.7%
2015	5,874				87.5%
2016	7,342				89.9%
Year	Forecasted Capacity				% Increase
2017	10,756				46.5%
2018	14,341				33.3%
2019	17,926				25.0%
DuPont Analysis	2012-13	2013-14	2014-15	2015-16	2016-17A
EBIT Margin	21%	22%	27%	26%	25%
Interest Burden	62%	67%	87%	90%	89%
Tax Burden	62%	65%	64%	67%	63%
Net Profit Margin	8%	9%	15%	16%	14%
Asset Turnover	0.65	0.57	1.06	0.71	0.64
Leverage	2.26	1.69	1.41	1.39	1.47
ROE	12%	9%	23%	15%	13%
Commonsize IS (BDT Mn)	2012-13	2013-14	2014-15	2015-16	2016-17A
Revenue	100%	100%	100%	100%	100%
COGS	73%	73%	70%	70%	70%
Gross Profit	27%	27%	30%	30%	30%
EBIT	21%	22%	27%	26%	25%
EBT	13%	14%	24%	23%	23%
NPAT	8%	9%	15%	16%	14%
Commonsize BS (BDT Mn)	2012-13	2013-14	2014-15	2015-16	2016-17A
Net PPE	32%	27%	24%	40%	37%
Other Non-Current Assets	0%	0%	5%	7%	8%
Current Assets	68%	73%	71%	53%	56%
Total Assets	100%	100%	100%	100%	100%
Current Liabilities	34%	37%	22%	22%	21%
LT Debt	7%	4%	2%	8%	9%
Other LT Liabilities	0%	0%	1%	2%	2%
Total Liabilities	41%	40%	24%	31%	33%
Paid Up Capital	0%	0%	17%	46%	41%
Retained Earnings	7%	12%	17%	23%	26%
Other Equities	52%	47%	42%	0%	0%
Total Equity	59%	60%	76%	69%	67%
Total Equity & Liabilities	100%	100%	100%	100%	100%
Relative Valuation	Fundamentals		Multiples		Price
Sector Forward P/E	1.41		24.08		33.95
Market Forward P/E	1.41		16.28		22.95
Date	Lock-In Free Shares			Explanation	
6-Nov-2017	11,250,000			50% of EIs & 100% of Public	
7-Feb-2018	1,875,000			25% of EIs	
7-May-2018	1,875,000			25% of EIs	
7-Aug-2018	11,750,000			Placement Shares	
9-Aug-2010	19,142,000			Sponsor Shares	

Use of Proceeds

BDT 5 crore, accounting for one third of the funds raised will be used to partially repay a working capital loan obtained from Islami Bank at 14% interest. BDT 8.5 crore will be spent on plant and machineries, of this BDT 2.48 crore will be spent on machineries for nail products, BDT 3 crore on machineries for G.I. Wires and BDT 3.02 crore on machineries for welding electrodes. Overall, capacity will be increased 144.2% over phases in 3 years.

Industry

Although Oimex operates across three different product categories, all the products of the firm are vitally linked to the performance of the construction industry of the country. The performance of the welding is especially important to the performance of the electrodes segment of Oimex Electrode Limited. There are two welding companies listed in the bourses- Linde Bangladesh Limited and BD Welding Limited. However, no significant study has been done on the market for *tarkata* nails, which is the main product segment of the company. However, real estate and construction can logically be assumed to a value driver. The real estate market has been stagnant for several years with many unsold flats although the industry is experiencing a slow recovery. Government construction of infrastructure also lags behind expectations due to slow implementation of ADP.

Investment Positives

- Consistent and healthy growth in revenues over the years
- Gross profit margins have remained stable.
- Net profit margins have improved as a result of declining levels of debt.
- Capacity utilization is currently high and overall capacity will increase by 144% in phases over 3 years.
- As the capacity will be increased in phases, positive impacts can be noticed within a reasonable duration from the investment.
- Financial expenses will decline further after repayment of loans.

Investment Negatives

- Share prices reached on debut trade and early days of trading are usually overly optimistic and tend to adjust over time.
- There are a large number of placement shareholders in Oimex who will be free to sell their shares within 9 months from debut trade. This may result in a strong sell volume.
- The value driving industries of construction and welding materials have remained largely stagnant and recovery has been slow.
- The industry is highly competitive and it may hard for Oimex to retain such high capacity utilization post its expansion.