

Circuit Breaker
50% in First Two Days

Free Float (Post IPO)
31.1% (45.2 mn Shares)

Annualized EPS
BDT 1.19 (Post IPO)

IPO Summary

| | |
|---|----------------|
| Authorized Number of Shares, mn | 250.0 |
| Authorized Capital, BDT mn | 2,500.0 |
| Pre IPO Number of Shares, mn | 100.0 |
| Pre IPO Paid Up Capital, BDT mn | 1,000.0 |
| Post IPO Number of Shares, mn | 145.2 |
| Post-IPO Paid Up Capital, BDT mn | 1,452.4 |
| Face Value (BDT) | 10.0 |
| New shares Issued through IPO, mn | 45.2 |
| IPO Size including Premium, BDT mn | 452.4 |
| Offer Price, BDT (with premium) | 27.0 |
| IPO Market Lot (no lot maintained in trading) | 200.0 |
| Directors Holding (post IPO), % | 37.1% |
| Pre IPO General Holding, % | 32.8% |
| Free Float, % | 31.1% |
| Financial Year End | June |
| Listing Date | 9th March 2021 |
| Annualized PAT, BDT mn | 173.2 |
| Annualized EPS, BDT (Pre IPO) | 1.73 |
| Annualized EPS, BDT (Post IPO) | 1.19 |
| P/E, X (Pre IPO @ Offer Price) | 15.6 |
| P/E, X (Post IPO @ Offer Price) | 22.6 |

Issue Manager: NRB Equity Management
Auditor: Ashraf Uddin & Co.

| Use of IPO Proceeds | Amount | % of Total Amount |
|------------------------|----------------|-------------------|
| Expansion of Business | 980.0 | 65.3% |
| Repayment of Bank loan | 460.4 | 30.7% |
| IPO Expense | 59.6 | 4.0% |
| Total | 1,500.0 | 100% |

Price Multiple based on theoretical price (Post IPO basis)

| Theoretical Market Price and PE | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|--|
| Based on Annualized EPS of December 2020- BDT 1.20 | | | | | | | | |
| Price | 27 | 40.5 | 60.75 | 65.75 | 70.75 | 75.75 | 80.75 | |
| PE | 22.50 | 33.75 | 50.63 | 54.79 | 58.96 | 63.13 | 67.29 | |

Latest Margin Ratio

| | 2018A | 2019A | 2020A |
|-------------------------|-------|-------|-------|
| Gross profit margin | 32.1% | 32.1% | 32.2% |
| Operating margin (EBIT) | 26.6% | 26.5% | 26.2% |
| Net margin | 14.9% | 13.5% | 15.2% |

Lub-rref (Bangladesh) Limited

This IPO short note is initiated on Lub-rref (Bangladesh) Limited (DSE Ticker: LRBDL) with no assigned rating. The company will be listed with the bourses on Tuesday, 9th March 2021 under "N" category. LRBDL raised BDT 1,500.0 million through IPO and the fund will be utilized for Expansion of Business (65.3%), Repayment of Bank loan (30.7%) and IPO Expense (4.0%).

The capital structure of the company is mostly financed through Equity .The company has interest bearing liabilities of BDT 1,337.9 mn; as of June 2020, the debt to equity and debt to assets ratio of the company was only 38.8% and 25.2% respectively. Debt to capital ratio was 0.279x (27.9% of the capital base was financed through debt).

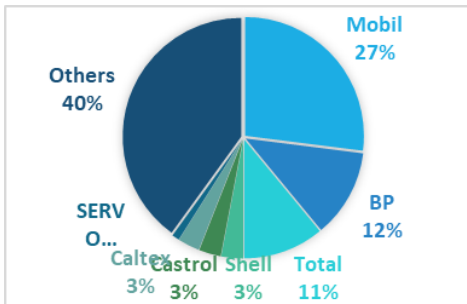
On Post-IPO basis, the company is going to be listed with trailing ROE and ROA of 2.2% and 3.8% respectively (including IPO fund). It will be trading at 15.6x PE, 0.34X PBV (at offer price of BDT 27.0).

According to the recent discloser, The net profit of the company stood at BDT 86.6 million in the first half of FY2021. For the same period, Per IPO EPS Stood at BDT 0.87, Whereas Post IPO EPS was recorded BDT 0.60.

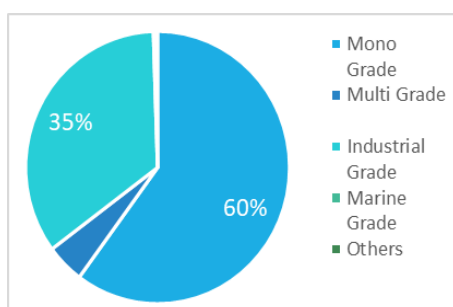
Comparison between listed peer companies (post-IPO basis)

| Particulars | | Lub-Rref | MJLBD |
|--|-------------|----------|----------|
| Revenue (trailing 12 month) | BDT Million | 1,690.5 | 20,352.8 |
| Net Profit After Tax (trailing 12 month) | BDT Million | 256.3 | 1,901.0 |
| Total Equity | BDT Million | 3,450.4 | 11,337.5 |
| Total Assets | BDT Million | 5,308.4 | 33,044.8 |
| Number of Share | Million | 145.24 | 316.8 |
| Sponsor & Director share holding | % | 37.1% | |
| Free Float Shares | % | 31.1% | 100.0% |
| Paid up Capital | BDT Million | 1,452.4 | 3,167.5 |
| Market Capitalization | BDT Million | 3,921.6 | 25,133.2 |
| EPS (Post IPO) | BDT ps | 1.76 | 6.00 |
| NAVPS (Post IPO) | BDT ps | 23.76 | 35.79 |
| Price Per Share (Offer Price) | BDT ps | 27.0 | 79.3 |
| Gross Profit Margin | % | 23.2% | 21.2% |
| Operating Profit Margin | % | 21.1% | 16.3% |
| Net Profit Margin | % | 25.3% | 9.3% |
| ROE (trailing) | % | 7.4% | 16.8% |
| ROA (trailing) | % | 4.8% | 5.8% |
| Interest bearing liabilities | BDT Million | 1,337.5 | 1,400.5 |
| Debt/Equity | % | 38.8% | 12.35% |
| Debt/Assets | % | 25.2% | 4.2% |
| Debt/Capital | % | 27.9% | 10.99% |
| P/E (trailing) | X | 15.3 | 13.2 |
| P/BV | X | 1.14 | 2.22 |
| P/S | X | 2.32 | 1.23 |
| EV/EBITDA | X | 7.8 | 6.65 |

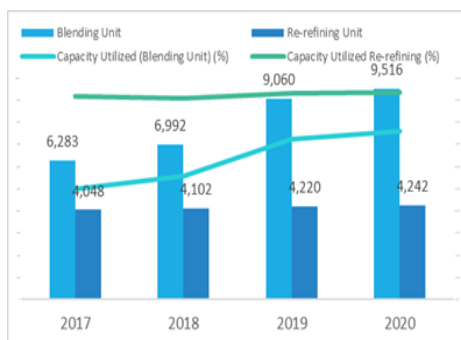
Market Share of Key Market Player



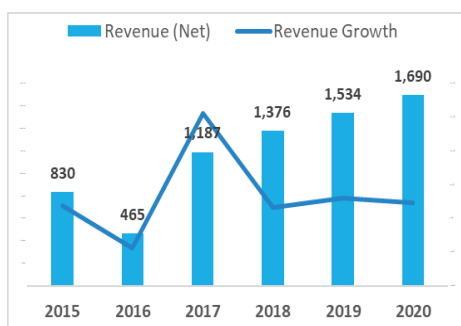
Revenue Brakedown



Production Capacity



Revenue Growth



Company Overview

Lub-rref (Bangladesh) Limited, the country's lubricant recycling pioneer, is engaged in blending and marketing of lubricant and grease product in the local market and overseas. The company markets its products under the brand name "BNO Lubricants". It was incorporated on 18th November 2001 as a public Limited Company and commenced its commercial operation in the year 2006.

The company currently furnishes 60% of its customers with responsibly recycled lubricants, while the remaining 40% is made out of imported base oil – the key raw material for lubricants. The company produces around 35 formulations in a modern and fully equipped plant situated in Chattogram. The existing production capacity of the Blending Unit is 12,500 MT and Re-refining Unit is 9,516 MT.

The company has wide range of customers from different sectors of the country such as Engine Oil, Generator Oil, Marine Engine Oil, Automotive Gear Oil, Hydraulic Oil, Compressor Oil, Industrial Gear Oil, Machine Oil, Transformer Oil, Grease, laboratory services etc. Apart from the local market, products are also being exported to Nepal.

Industry Outlook

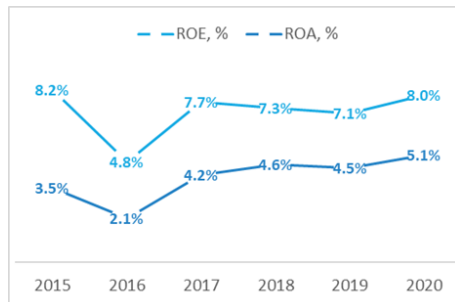
The local lubricant market is growing at a rapid rate, by 5% to 7% per annum fueled by increased economic activities, rising power sector, vibrant transportation and mobility sector and ease of getting finance. The size of the local lubricant market stood at about BDT 5,000 crore to BDT 6,000 crore in 2018-19 fiscal year. The annual lubricant demand reached at 1.75 lakh tons in the 2018-19 fiscal year which is expected to touch two lakh tons in the 2019-20.

According to industry information, there are more than 100 lubricant brands in Bangladesh. Imported brands dominate the market by meeting 60% of the local demand, leaving the rest around 40% to local brands. The top five players, MJL Bangladesh (27%), Navana Petroleum (12%), Trade Services International (11%), Rahimafrooz (BP) and Ranks Petroleum (Royal Dutch Shell PLC) account for about 50% of the total market share while the remaining half is split up between other brands.

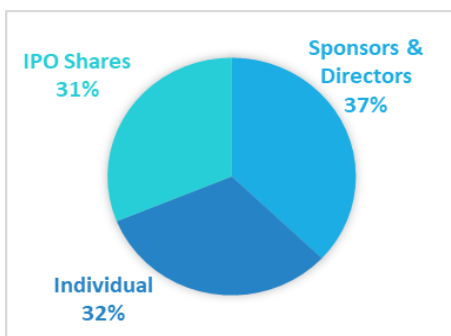
Key Investment Positives

- With the rise in number of vehicles and power plants in service the market for various petroleum products has expanded at an average rate of about 6% in the last eight years. So, there is ample opportunity for the company to grow with the increased demand.
- Among the two units, the production capacity of the Blending Unit is 12,550 MT and the capacity utilization is 75%. On the other hand, the production capacity of the Re-refining Unit is 4,527 MT and the capacity utilization is 93.7%. It is expected that with the expansion of business the production capacity of the company will increase and so the profitability.
- Despite of belonging in highly competitive industry the company was able to maintain a stable revenue growth over the last five years. The CAGR revenue and net profit was 15.3% and 21.9% respectively for last five years.
- The profit margin of the company is comparatively higher than the industry average. The gross profit margin and net profit margin of the company is 32.2% and 15% respectively whereas the peer average is 24% and 11% respectively.
- The Debt to equity ratio of the company is comparatively lower than the listed peer companies. As of June 2020, the debt to equity ratio of the company was 41.7%.

Profitability Ratios



Shareholding Structures (post-IPO basis)



Shareholding Structures in detail (post-IPO basis)

| Category of shareholders | Shares | Post-IPO |
|--------------------------|---------------|---------------|
| Sponsors & Directors | 53.8 | 37.1% |
| Individual | 46.2 | 31.8% |
| IPO Shares | 45.24 | 31.1% |
| Total | 145.24 | 100.0% |

| Director Holding | Shares | % of Post-IPO |
|-------------------------------|-------------|---------------|
| Muhammed Yousuf, MD | 29.6 | 20.36% |
| Mrs. Rubiya Nahar, Chairman | 3.5 | 2.38% |
| Israt Jahan, Director | 3.1 | 2.15% |
| Md Salauddin Yousuf, Director | 3.2 | 2.24% |
| Mr. Ahmed Hossain, Nominated | 3.5 | 2.42% |
| Md. Jashim Uddin, Sponsor | 2.1 | 1.48% |
| Ms. Nusrat Nahar, Sponsor | 8.8 | 6.06% |
| Total | 53.8 | 37.07% |

| Pre IPO General Shareholder | Shares | Percentage |
|-----------------------------|-------------|---------------|
| Southeast Bank Limited | 8.3 | 5.71% |
| Southeast Bank Capital | 5.1 | 3.51% |
| BLI Capital Ltd. | 2.5 | 1.72% |
| Social Islami Bank Ltd | 2 | 1.38% |
| Mr. Md. Lutfor Rahman | 1.5 | 1.03% |
| F. A. Trading Corporation | 1.5 | 1.03% |
| Mujibur Rahman | 5 | 3.44% |
| Others | 20.3 | 13.94% |
| Total | 46.2 | 31.78% |

- Apart from the local market, Lub-rref is also planning to capture other regional markets like Nepal, Myanmar and Eastern provinces of India.

Key risk and challenges for the company

- The company is operating in a very competitive market. Around 50% of the market share is held by the top five market players and remaining half is split up between other brands.
- The profitability ratio of the company is comparatively lower than the peer company. As of June 2020, the ROA and ROE of the company is 5.1% and 8.0% respectively.
- As the key raw material of the company, Base oil is imported, the profitability of the company is highly dependent on the price of Base oil in the international market.

Board and management

The board of Lub-rref (Bangladesh) Limited consists of 7 members, including chairman, managing director, 3 directors and 2 independent director. The directors and sponsor's hold 53.8% of the share (on post IPO shares of 145.2 million).

Mrs. Rubiya Nahar is the chairperson of Lub-rref (Bangladesh) Limited. Born in 1956, Mrs. Nahar completed her graduation from Chittagong University and worked at one of the pioneers in lubricants and greases, Green House Limited where she eventually held the position of Managing Director.

Mr. Mohammed Yusuf is the managing director of Lub-rref (Bangladesh) Limited. He was born in 1950 and obtained his Master's degree from Chittagong University. After pursuing a teaching profession till 1976, Mr. Yusuf jointly founded Homeland Chemical Industries Limited, set up Green House Limited as a grease manufacturing project in Chittagong, and established FUCHS-GHL Lubricants Bangladesh Limited as a joint venture. Mr. Yusuf established Lub-rref (Bangladesh) Limited.

He attended various training programs and seminars, such as the management training conducted by ZDH & Techno net Asia and Bangladesh Petroleum Corporation (BPC) Training Institute, in many countries including Bangladesh, Jeddah, Saudi Arabia, Shanghai, Australia and Germany. Besides these, Mr. Yusuf is one of the founders of National Association of Small & Cottage Industries of Bangladesh (NASCI) and is also serving as a patron of some Socio-Economic, Cultural, Philanthropic and Sports organizations.

Financials of Lub-rref (Bangladesh) Limited

| BDT mn | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Income Statement | | | | | | | |
| Revenue (Net) | 704.3 | 830.0 | 465.1 | 1,186.8 | 1,375.9 | 1,533.9 | 1,690.5 |
| Cost of Goods Sold (COGS) | 494.3 | 584.9 | 324.4 | 801.9 | 933.9 | 1,040.9 | 1,145.8 |
| Gross Profit | 210.0 | 245.1 | 140.7 | 384.9 | 442.1 | 493.1 | 544.7 |
| Operating Expenses | 38.0 | 46.7 | 17.2 | 48.6 | 76.4 | 86.3 | 101.9 |
| <i>Depreciation & Amortization</i> | - | - | - | - | 125.2 | 163.6 | 198.9 |
| EBIT | 172.0 | 198.4 | 123.4 | 336.3 | 365.7 | 406.8 | 442.7 |
| Interest Expense | 90.3 | 109.0 | 50.8 | 129.3 | 111.7 | 129.8 | 121.6 |
| Other Income | - | - | - | - | 18.8 | 29.0 | 38.0 |
| Net Profit/(Loss) Before Tax | 82.4 | 106.7 | 73.3 | 208.6 | 271.8 | 300.7 | 346.5 |
| Tax (net) | 8.5 | 11.5 | 11.7 | 58.0 | 67.3 | 93.1 | 90.2 |
| Net Profit (NPAT) | 73.9 | 95.2 | 61.5 | 150.6 | 204.5 | 207.6 | 256.3 |
| Basic EPS | 2.6 | 3.3 | 2.2 | 2.2 | 2.0 | 2.1 | 2.6 |
| Balance Sheet | | | | | | | |
| BDT mn | 2014A | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
| Assets | | | | | | | |
| Property, Plant & Equipment | 1,882.4 | 2,076.6 | 2,306.3 | 2,883.3 | 3,356.5 | 3,627.4 | 3,929.9 |
| Non-current Assets | 1,882.4 | 2,076.6 | 2,306.3 | 2,883.3 | 3,356.5 | 3,627.4 | 3,929.9 |
| Advance, Deposit and Prepayments | 158.1 | 141.3 | 138.5 | 281.8 | 278.7 | 351.5 | 365.7 |
| Accounts Receivable | 254.1 | 333.3 | 301.6 | 350.5 | 346.2 | 407.7 | 430.2 |
| Related Party Current Accounts | 77.6 | 90.5 | 141.4 | 176.8 | 48.2 | 67.5 | 31.9 |
| Closing Stock (Inventory) | 143.9 | 205.9 | 196.6 | 394.1 | 490.8 | 515.0 | 527.8 |
| Cash and cash equivalent | 13.5 | 14.1 | 11.8 | 73.7 | 130.7 | 78.1 | 22.8 |
| Current Assets | 647.3 | 785.0 | 790.0 | 1,277.0 | 1,294.6 | 1,419.9 | 1,378.5 |
| Total Assets | 2,529.7 | 2,861.6 | 3,096.3 | 4,160.3 | 4,651.1 | 5,047.3 | 5,308.4 |
| Liability & Equity | | | | | | | |
| Liability | | | | | | | |
| Long-Term Loan-Current Portion | 286.0 | 146.3 | 78.0 | 78.0 | 78.0 | 234.0 | 33.1 |
| Lease Liabilities- Current Portion | 1.6 | 0.0 | - | 1.1 | 1.1 | 1.1 | 0.8 |
| Short-Term Bank Loan | 295.7 | 604.6 | 753.3 | 542.1 | 521.4 | 439.2 | 464.6 |
| Current Liabilities | 608.5 | 774.4 | 858.6 | 658.4 | 670.3 | 792.1 | 681.8 |
| Long-Term Loan-Non-Current Portion | 682.9 | 744.7 | 782.1 | 746.9 | 742.9 | 753.1 | 839.1 |
| Lease Liabilities-Non-Current Portion | - | - | - | 2.2 | 1.5 | 0.6 | - |
| Non-current Liabilities | 843.5 | 848.2 | 895.7 | 912.9 | 996.5 | 1,062.1 | 1,176.3 |
| Total Liabilities | 1,452.0 | 1,622.6 | 1,754.3 | 1,571.3 | 1,666.8 | 1,854.2 | 1,858.1 |
| Share Capital | 285.3 | 285.3 | 285.3 | 700.0 | 1,000.0 | 1,000.0 | 1,000.0 |
| Retained Earnings | 387.3 | 488.8 | 553.3 | 709.4 | 922.2 | 1,137.3 | 1,400.3 |
| Revaluation Reserves | 248.0 | 307.7 | 304.8 | 631.1 | 603.6 | 597.3 | 591.5 |
| Share Premium | - | - | - | - | 458.5 | 458.5 | 458.5 |
| Share Money deposit | 157.1 | 157.1 | 198.7 | 548.5 | - | - | - |
| Shareholder's Equity | 1,077.7 | 1,239.0 | 1,342.0 | 2,589.0 | 2,984.3 | 3,193.1 | 3,450.4 |
| Total Liabilities & Equities | 2,529.7 | 2,861.6 | 3,096.3 | 4,160.3 | 4,651.1 | 5,047.3 | 5,308.4 |
| NAVPS | | 43.4 | 47.0 | 37.0 | 29.8 | 31.9 | 34.50 |

Financials of Lub-rref (Bangladesh) Limited

| Key Metrics | 2015A | 2016A | 2017A | 2018A | 2019A | 2020A |
|--------------------------------------|---------|---------|---------|---------|---------|---------|
| Growth Analysis | | | | | | |
| Revenue Growth | 17.9% | -44.0% | 155.2% | 15.9% | 29.3% | 22.9% |
| COGS | 18.3% | -44.5% | 147.2% | 16.5% | 29.8% | 22.7% |
| Gross Profit Growth | 16.7% | -42.6% | 173.6% | 14.9% | 28.1% | 23.2% |
| Ope. Profit (EBIT) | 15.4% | -37.8% | 172.5% | 8.7% | 21.0% | 21.1% |
| EBITDA Growth | 24.9% | -42.5% | 172.3% | 45.0% | 84.4% | 43.9% |
| PAT growth | 28.8% | -35.3% | 144.7% | 35.8% | 37.9% | 25.3% |
| Margin Analysis | | | | | | |
| Gross profit margin | 29.5% | 30.2% | 32.4% | 32.1% | 32.1% | 32.2% |
| Operating margin (EBIT) | 23.9% | 26.5% | 28.3% | 26.6% | 26.5% | 26.2% |
| EBITDA | 26.0% | 26.7% | 28.5% | 35.6% | 40.6% | 41.7% |
| Net margin | 11.5% | 13.2% | 12.7% | 14.9% | 13.5% | 15.2% |
| Return Analysis | | | | | | |
| ROIC (or ROI), % | 7.5% | 3.8% | 7.1% | 6.9% | 6.7% | 7.1% |
| ROE, % | 8.2% | 4.8% | 7.7% | 7.3% | 7.1% | 8.0% |
| ROA, % | 3.5% | 2.1% | 4.2% | 4.6% | 4.5% | 5.1% |
| Interest Bearing Liabilities, BDT mn | 1,495.6 | 1,613.4 | 1,370.4 | 1,344.9 | 1,428.0 | 1,337.5 |
| Cash & Cash Equivalent, BDT mn | 14.1 | 11.8 | 73.7 | 130.7 | 78.1 | 22.8 |
| Debt/Equity (book) | 129.1% | 125.0% | 69.7% | 48.3% | 48.9% | 41.7% |
| Debt/Assets | 55.5% | 54.2% | 37.8% | 30.5% | 30.9% | 26.7% |
| Debt/Capital | 35.4% | 35.3% | 25.7% | 23.7% | 23.6% | 21.8% |

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