

Circuit Breaker
50% in First Two Days

Free Float (Post IPO)
35.3% (30.0 mn Shares)

Annualized EPS
BDT 0.64 (Post IPO)

IPO Summary

Authorized Number of Shares, mn	100.0
Authorized Capital, BDT mn	1,000.0
Pre IPO Number of Shares, mn	55.0
Pre IPO Paid Up Capital, BDT mn	550.0
Post IPO Number of Shares, mn	85.0
Post-IPO Paid Up Capital, BDT mn	850.0
Face Value (BDT)	10.0
New shares Issued through IPO, mn	30.0
IPO Size including Premium, BDT mn	300.0
Offer Price, BDT (no premium)	10.0
IPO Market Lot (no lot maintained in trading)	500.0
Directors Holding (post IPO), %	58.2%
Pre IPO General Holding, %	6.5%
Free Float, %	35.3%
Financial Year End	June
Listing Date	10-Jan-21
Annualized PAT, BDT mn	54.8
Annualized EPS, BDT (pre IPO)	1.0
Annualized EPS, BDT (post IPO)	0.64
P/E, X (post IPO @ Offer Price)	15.5
Price /BV, X (post IPO @ Offer Price)	0.65

Issue Manager: BANCO FINANCE AND INVESTMENT LIMITED
Auditor: Islam Quazi Shafique & Co.

Use of IPO Proceeds

Particulars	BDT mn	% of Proceed
Acquisition of Plant & Machinery	90.4	30.1%
Freezer Purchase	57.8	19.3%
Vehicles Purchase	20.6	6.9%
Investment in Depot to Increase	13.2	4.4%
IPO Expenses	28.0	9.3%
Bank Loan Repayment	90.0	30.0%
Total	300.0	100%

Price Multiple based on theoretical price (post IPO basis)

Theoretical Market Price and PE
Based on Annualized EPS of Dec 2020- BDT 0.64

Price	10	20	25	30	35	40	45	50
PE	15.6	31.3	39.1	46.9	54.7	62.5	70.3	78.1

Latest Margin Ratio

Margin Ratios	FY2018	FY2019	FY2020
Gross Profit Margin	41.6%	41.8%	41.4%
Operating Profit Margin	26.7%	27.2%	25.6%
EBITDA Margin	38.9%	39.1%	38.3%
Net Profit Margin	5.5%	6.7%	6.6%

Source : IPO Prospectus, DSE and CBC Research , February 2021

Taufika Food and Agro Industries Limited

This IPO short note is initiated on Taufika Food and Agro Industries Limited (DSE Ticker: LOVELLO) with no assigned rating. The company will be listed with the bourses on Wednesday, 10th February 2021 under "N" category. LOVELLO raised BDT 300.0 million through IPO and the fund will be utilized for Acquisition of Plant & Machinery (30.1%), Freezer Purchase (19.3%), Vehicles Purchase (6.9%), Investment in Depot to increase (4.4%), Bank Loan Repayment (30%) and IPO Expense (9.3%).

The capital structure of the company is mostly financed through Debt .The company has interest bearing liabilities of BDT 953.9 mn; as of June 2020, the debt to equity and debt to assets ratio of the company was only 169.4% and 54.3% respectively. Debt to capital ratio was 0.57.6x (57.6% 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 4.4% and 3.7% respectively (including IPO fund). It will be trading at 15.5x PE, 0.65X PBV (at offer price of BDT 10.0).

According to the recent discloser, The net profit of the company stood at BDT 54.8 million in the first half of FY2021. For the same period, Per IPO EPS Stood at BDT 0.5, Whereas Post IPO EPS was recorded BDT 0.32.

Company Overview

Taufika Food and Agro Industries Limited was incorporated in Bangladesh as a private limited company on August 07, 2011 and was converted into a public limited company on July 08, 2019. It is one of the four business houses under Taufika Group. It started its commercial production and marketing of LOVELLO ice cream on January 02, 2016.

Its corporate head office is located at Plot-80, Road-2, Banani (Chairman Bari), Dhaka -1213, Bangladesh, Registered office Plot-01, Road-11, Block-G, Banani, Dhaka-1213 and its factory is located at Bashile, Kathali, 6 No. Valuka Union Parishad Valuka, Mymensingh.

LOVELLO has come out with a variety of extra ordinary mouthwatering Ice Creams considering the demand and taste of the consumers of all classes and segments . Some of the major products are, Hidden Heart (3 Flavors in 1), Heart Beats (2 flavors in 1), Toffly Beats, Hazzle Beats, Sixty-Nine Doubler flavor Lolly, 50ml mini cup, 750ml container.

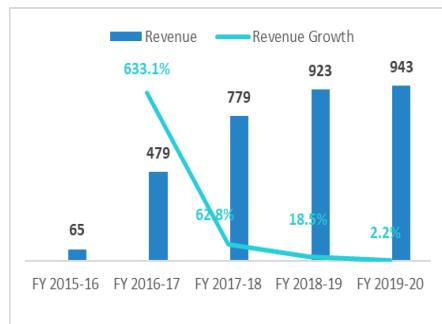
According to the website the company has over 22,000 retail outlets covering all over the country. The company has a target to achieve larger market share with diversified product line.

Industry Outlook

Bangladesh has been experiencing high socio-economic development in the recent decade. This rise in per capita income and higher purchasing power has resulted in a shift in food consumption preferences and rising demand for ice cream. The ice cream industry in Bangladesh is worth BDT 120 mn at present and has been growing by 12% annually. However, the COVID-19 pandemic hit this industry hard due to rumors about ice cream consumption facilitating the transmission of the virus.

The potential market size for the ice-cream industry in Bangladesh is around BDT 20,000 mn of which only BDT 12,000 mn is being covered by the existing companies. The top 5 market players, Igloo, Polar, Bellissimo & Za'N Zee, Bloop and Kwality have

Revenue Growth

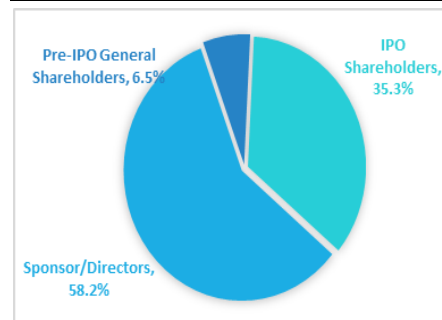


98% market share. The other companies, including LOVELLO, have the remaining 2% market share. An existing market gap of BDT 80,000 mn along with the growth in demand of ice-cream of 20% per year, gives opportunities for huge sales expansion.

Key investment positives

- The market size for the ice-cream industry in Bangladesh is around BDT 200 mn. Only BDT 120 mn is being covered by the existing companies. A large expansion potential exists because of this gap of BDT 800 mn in the market paired with the growth in demand of ice-cream of 20% per year.
- Under the brand name LOVELLO, the company has maintained a Steady increase of sales. Moreover, distribution network is being used to position LOVELLO strongly in the market. A strong brand visibility has already been established due to the variations of their offerings.
- The company does not have any negative earnings and declining turnover or profitability since start of its commercial operation. The three year revenue CAGR of the company is 25.4%.
- They are currently utilizing only 60% of their total production capacity. This gives rise to opportunities for output expansion in the future.
- Since the company is profitable as well as highly leveraged, it generates a high return on equity. In FY 2019-20, its ROE was 11.0%.
- As of June 2020, the company has interest bearing liability of BDT 953.9 million. After the repayment of 90 million from the IPO fund and due to the Cap based interest rate, the effective interest rate is expected to go down at 9% which is currently at 16%. As a result the post IPO EPS is expected to increase by BDT 0.91 in upcoming years.

Shareholding Structures (post-IPO basis)



Shareholding Structures in detail (post-IPO basis)

Shareholders	% Hold	No of Shares
Sponsor/Directors	58.2%	49,500,000
Pre-IPO General Shareholders	6.5%	5,500,000
IPO Shareholders	35.3%	30,000,000
Total Share (post IPO basis)	100.0%	85,000,000
Name of Directors & Sponsors	% Hold	No of Shares
Md. Ekramul Haque,	38.82%	33,000,000
Ms. Shamima Nargis Haque,	3.41%	2,900,000
Muhsinina Taufika Ekram, Director	2.41%	2,050,000
Taufika Engineering Ltd.,	13.59%	11,550,000
Total Directors & Sponsors Holding	58.2%	49,500,000
Abu Taher Mohammad Amanullah	1.2%	1,000,000
Md. Abdus sultan	0.9%	725,000
Zakir Hossain	0.1%	100,000
Kazi Amdadul Haque	1.2%	1,060,000
Rizvi Kaiser	0.0%	10,000
Md. Saiful Islam Helaly	1.2%	1,045,000
Mizanur Rahman	0.0%	5,000
Tahmina Chowdhury	0.2%	205,000
Masuma Khatun	0.3%	255,000
Hosne Ara Begum	1.3%	1,095,000
Total PRE IPO General Shareholders Holding	6.5%	5,500,000

Key risk and challenges for the company

- The ice-cream industry's sales have a seasonal impact. Peak season is considered from mid of February to mid of November and off peak season is considered from mid of November to mid of February in a year.
- The COVID-19 pandemic negatively impacted ice-cream demand growth which adversely affected the business of the company.
- The company is highly leveraged. In FY 2019-20, its debt to equity ratio was 169.4% and its interest bearing liabilities were worth BDT 953.9 mn.
- Despite having a high gross profit margin, its net profit margin is low due to the high finance cost. It reported a net profit margin of 6.6% in FY 2019-20.

Board and management

The board of Taufika Food and Agro Industries Limited consists of 5 members, including chairman, managing director, 2 directors and 1 independent director. The directors and sponsor's hold 58.2% of the share (on post IPO shares of 85.0 million).

Ms Shamima Nargis Haque is the chairman of Taufika Food and Agro Industries Limited. Born in 1970, Ms Shamima is an entrepreneur and holds an academic degree in Economics. She has a key role in the company's critical decision making.

Md. Ekramul Haque is the managing director of Taufika Food and Agro Industries Limited. After obtaining his education in civil engineering from KUET, he obtained 24 years of experience in various business sectors of Bangladesh. This also included him travelling to many countries which gave him a deep understanding of smooth and profitable business operations. He is currently the chairman for Taufika Energy Co. Limited, Sharika Enterprise Ltd. and Taufika Engineering Ltd. as well.

Financials of Taufika Food and Agro Industries Limited

Income Statement	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Year End	June	June	June	June	June
Revenue	65.3	478.5	779.0	922.9	942.9
Cost of goods sold	44.9	295.5	455.1	537.5	552.4
Gross Profit (Loss)	20.4	183.0	323.8	385.4	390.5
Operating Expenses	21.5	63.0	115.8	134.5	149.3
Operating Profit	(1.1)	120.0	208.1	250.9	241.2
Financial Expenses	15.8	94.4	126.2	161.1	155.1
Finance Income	-	-	(5.2)	-	-
Other Income	-	(3.2)	-	(6.1)	(3.5)
Net Profit before Tax	(16.9)	28.8	82.9	91.3	85.2
Current Tax	0.4	1.4	8.7	23.2	21.7
Deferred Tax (Income)/ Expenses	-	24.8	31.6	6.5	1.5
Provision for Tax	0.4	26.3	40.3	29.6	23.2
Net Profit after Tax	(17.3)	2.5	42.5	61.6	62.1
PAT to CS	(17.3)	2.5	42.5	61.6	62.1
Depreciations	-	-	94.8	109.6	119.5
EPS (Pre IPO basis), BDT	(0.32)	0.05	0.77	1.12	1.13
EPS (Post IPO basis), BDT	(0.20)	0.03	0.50	0.73	0.73
Balance Sheet					
BDT mn	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Property, Plant & Equipment	696.7	808.2	1,014.1	1,062.4	904.3
Intangible Assets	-	0.4	0.8	1.0	0.7
Capital work-in-progress	-	75.8	6.4	11.6	-
ROU Assets	-	-	-	-	272.0
Investment	-	-	-	-	12.1
Non-Current Assets	696.7	884.4	1,021.3	1,075.0	1,189.1
Inventory	86.7	112.8	171.3	218.9	264.6
Trade & other receivables	22.3	50.0	140.6	220.2	268.8
Advance, Deposits & Prepayments	29.0	20.2	34.3	50.0	55.6
Cash & cash equivalent	15.6	26.6	221.8	58.8	104.6
Current Assets	164.9	209.6	568.0	552.8	693.6
Total Assets	861.6	1,093.9	1,589.3	1,627.8	1,882.7
Deferred Tax Liability	-	24.8	56.4	62.9	64.7
Loan from Director	14.2	-	-	-	-
Long-Term Loan	351.2	385.3	389.7	470.5	462.4
Lease Loan	96.8	204.3	259.9	249.0	219.0
Total non-current liabilities	462.2	614.4	706.0	782.3	746.1
Current Portion of Long-term Loan	100.4	84.0	85.2	134.4	132.1
Current Portion of Lease Loan	24.2	44.6	56.8	62.2	56.7
Short-Term Loan	135.2	204.7	344.5	123.4	83.7
Inter Company Loan	101.5	77.6	0.4	-	-
Trade & Other Payables	38.5	27.6	21.1	52.3	91.2
Liabilities for Expenses	15.5	0.1	8.4	14.1	15.8
Share Money Deposit	-	-	270.0	-	-
Provision for WPPF	-	-	4.1	8.7	8.8
Provision for Income Tax	0.4	1.8	10.6	25.5	47.2
Current Liabilities	415.6	440.3	801.0	420.7	435.6
Share Capital (Paid up)	1.0	54.0	54.5	65.5	550.0
Retained Earnings	(17.3)	(14.8)	27.7	89.4	151.1
Share Money Deposit	-	-	-	270.0	-
Shareholders' equity	(16.3)	39.2	82.2	424.8	701.1
Total Equity & Liabilities	861.6	1,093.9	1,589.3	1,627.8	1,882.7

Financials of Taufika Food and Agro Industries Limited

Key Indicators

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Debt Burden					
Interest bearing liabilities	823.5	1,000.5	1,136.5	1,039.5	953.9
Debt to Capital	102.0%	96.2%	93.3%	71.0%	57.6%
Debt to Equity	-10743.3%	8760.8%	1872.5%	410.0%	169.4%
Debt to Assets	142.7%	102.3%	84.7%	64.6%	54.3%
EBIT/Interest, X	(14.1)	0.8	0.6	0.6	0.6
BVPS (restated - post IPO basis), BDT	-0.19	0.46	0.97	5.00	8.25
Margin					
Gross Profit Margin	31.3%	38.2%	41.6%	41.8%	41.4%
Operating Profit Margin	-1.7%	25.1%	26.7%	27.2%	25.6%
EBITDA Margin	-1.7%	25.1%	38.9%	39.1%	38.3%
Net Profit Margin	-26.5%	0.5%	5.5%	6.7%	6.6%
COGS as % of Revenue	68.7%	61.8%	58.4%	58.2%	58.6%
Effective Tax Rate	-2.3%	91.3%	48.7%	32.5%	27.2%
Growth					
Revenue Growth	NA	633.1%	62.8%	18.5%	2.2%
Gross Profit Growth	NA	796.2%	76.9%	19.0%	1.3%
Op. Profit Growth	NA	-10809.1%	73.3%	20.6%	-3.9%
PAT Growth	NA	-114.4%	1601.6%	44.9%	0.7%
Return and valuation					
ROE, %	226.1%	21.9%	70.1%	24.3%	11.0%
ROA, %	-3.0%	0.3%	3.6%	3.8%	3.5%
PE, X (post IPO basis)	NM	339.93	19.98	13.79	13.70
P/BV, X (post IPO basis)	NM	21.70	10.34	2.00	1.21
Dividend History					
Cash dividend (as % of paid-up cap)	Nil	Nil	Nil	Nil	Nil
Stock dividend (as % of paid-up cap)	Nil	Nil	Nil	Nil	Nil

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