

Square Textiles Ltd. (DSE: SQUARETEXT)

Current Price (29/01/2014)	90.90
Total Number of Share (mn)	147.86
Free Float (%)	38%
Forward PE* – SQUARETEXT	15.50x
Trailing PE *– SQUARETEXT	15.96x
Forward PE – Textile Sector	16.49x

*Based on latest earning disclosure

Financials (BDT mn)	2012	2013	9M, 2014** (Unaudited)
Net Revenue	8,742	8,164	5,994
Gross Profit	1,375	1,322	1,027
Operating Profit	1,043	1,038	821
Net Profit After Tax	837	837	650
Total Asset	8,870	8,512	8,861
Total Equity	5,331	5,958	6,339

** Year ends on December

Growth (%)	2012	2013	9M, 2014
Net Revenue	-7%	-7%	2%
Net Profit after Tax	2%	0%	1%

Per share (BDT)	2012	2013	9M, 2014
Diluted EPS	5.66	5.66	4.40
BVPS	36.06	40.29	42.87

Others	2012	2013	9M, 2014
Gross Profit Margin	16%	16%	17%
Operating Profit Margin	12%	13%	14%
Net Profit Margin	10%	10%	11%
Return on Assets (ROA)	9%	10%	7%
Return on Equity (ROE)	17%	15%	11%
Stock Dividend	15%	10%	-
Cash Dividend	18%	20%	-

3 years'	Peers			
	SQUARETEXT	MALEKSPIN	MATINSPIN	SAIHAMCOT
CAGR				
Revenue	10%	7%	-2%	-1%
NPAT	5%	27%	4%	-8%

Source: DSE; Financial Statements of SQUARETEXT, MALEKSPIN, MATINSPIN, SAIHAMCOT and Research, IDLC Investments Ltd.

Terminologies

Free Float : % of total shares not owned by Sponsors/ Directors, and Govt.
Forward PE: Based on Annualized Earnings of the latest declared quarter
Trailing PE: Based on Latest 12 Months Earnings

Company Profile

Square Textiles Limited (DSE: SQUARETEXT) was incorporated as a public limited company in 1994. It started its commercial operation in 1997 as a manufacturer and marketer of 100% cotton ring spun yarn. In 2002, it was listed in DSE and CSE. 61.61% of total shares of SQUARETEXT are held by the sponsors.

The company is a concern of Square group, one of the leading business conglomerates in Bangladesh. It has two subsidiaries, Square Yarns Limited and Square Texcom Limited.

Key Revenue Drivers & Company Insight

SQUARETEXT manufactures and markets cotton yarn, primarily to export oriented garments industry. The company acquires its core raw material, cotton from international market and converts it into yarn. Since the company's product is used in export oriented garments industry, its selling is considered deemed export.

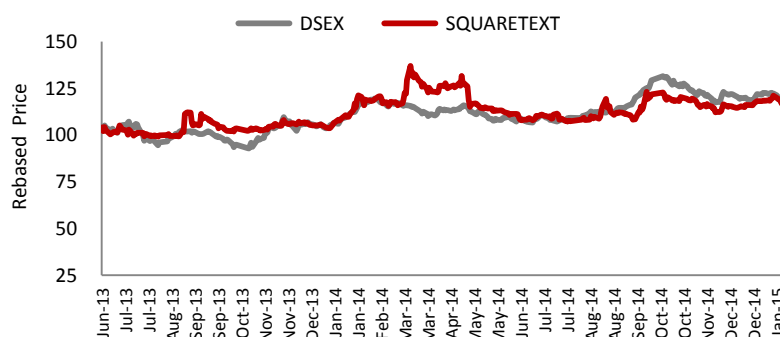
The company currently has 59,472 spindles and 3,960 rotors capable of producing about 24 mn kg of yarn. In 2013, SQUARETEXT operated at 85% capacity utilization rate. In that period, the company generated revenue BDT 8,164 mn which was second highest among the listed textile companies in DSE. But the revenue was 7% lower than that of 2012, due to political unrest and lower export demand.

Financial Performance

Revenue is in downtrend for last two years, due to higher revenue base in 2011. However, profit sustained during the period. Gross, Operating and Net Profit Margin stayed at 16%, 13% and 10%, respectively in 2013, almost same as a year before. However, ROE fell to 15% in 2013, from 17% in 2012, due to naturally higher equity base.

The company slightly improved in terms of both growth and profitability during 9M, 2014. Revenue and profit both rose by 2% and 1% YoY, respectively.

Recently, the company has reported consolidated net profit after tax (excluding non-controlling interests) of Tk. 650.15 million with consolidated EPS of Tk. 4.40 for the period of nine months (Jan'14 to Sep'14) as against Tk. 644.88 million and Tk. 4.36 respectively for the same period of the previous year.



Source : DSE; Research, IDLCIL

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