

| Saiham Cotton Mills Limited (DSE : SAIHAMCOT) |        |
|---|--------|
| Current Price (December 18, 2014)             | 17.30  |
| Total Number of Share (mn)                    | 135.25 |
| Free Float (%)                                | 49.54% |
| Forward PE– SAIHAMCOT*                        | 9.56X  |
| Trailing PE – SAIHAMCOT*                      | 11.69X |
| Forward PE – Textile                          | 17.06x |

\* Based on Annualized Earnings of the latest declared quarter

| Financials (BDT mn)** | 2013  | 2014  | 6M, 2015**<br>(unaudited) |
|-----------------------|-------|-------|---------------------------|
| Revenue               | 1,982 | 1,881 | 1,375                     |
| Gross profit          | 377   | 294   | 172                       |
| Operating profit      | 338   | 251   | 144                       |
| Net profit after tax  | 259   | 200   | 113                       |
| Total assets          | 4,399 | 5,050 | 5,122                     |
| Total equity          | 3,195 | 3,269 | 3,367                     |

| Growth (%)           | 2013 | 2014 | 6M, 2015 |
|----------------------|------|------|----------|
| Net revenues         | 15%  | -5%  | -2%      |
| Net profit after tax | 14%  | -23% | -8%      |

| Per share (BDT)               | 2013  | 2014  | 6M, 2015 |
|-------------------------------|-------|-------|----------|
| Restated EPS                  | 1.92  | 1.48  | 0.84     |
| Restated Book Value per Share | 23.62 | 24.17 | 24.89    |

| Others                  | 2013 | 2014 | 6M, 2015 |
|-------------------------|------|------|----------|
| Gross profit margin     | 19%  | 16%  | 13%      |
| Operating profit margin | 17%  | 13%  | 11%      |
| Net profit margin       | 13%  | 11%  | 8%       |
| ROA                     | 6%   | 4%   | 2%       |
| ROE                     | 8%   | 6%   | 3%       |
| Stock Dividend          | -    | -    | -        |
| Cash Dividend           | 10%  | 10%  | -        |

\*\* Accounting year May - April

| 3 years'<br>CAGR | Peers     |           |           |           |
|------------------|-----------|-----------|-----------|-----------|
|                  | SAIHAMCOT | SQUARETEX | MALEKSPIN | MATINSPIN |
| Revenue          | 1%        | 10%       | 7%        | -2%       |
| NPAT             | 0%        | 5%        | 16%       | 4%        |

Source: Financial Statements of SAIHAMCOT, SQUARETEX, MALEKSPIN and MATINSPIN; Research, IDLC Investments Limited.

#### 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

Saiham Cotton Mills Limited (DSE: SAIHAMCOT) was incorporated as a private limited company in May 2002. Later on, in 2010, the company was converted to a public limited company. The company was listed in DSE in 2012. 50.46% of total shares of SAIHAMCOT are held by its sponsors. The company produces 100% export oriented cotton yarn, serving as a backward linkage to Ready-Made Garments industry.

#### Key Revenue Drivers & Company Insight

SAIHAMCOT earns from manufacturing and marketing cotton yarn to 100% export oriented Textile industries. The yarns are used as inputs to Knitting and/or Garments industries. The success of the business therefore, depends on the performance of RMG industry of the country. Recent slowdown in garments export, resulting from compliance issues is taking a toll on SAIHAMCOT's business.

During last 3 years the company posted a CAGR of 1% in top line and 0% in bottom line, while most of the peers performed better.

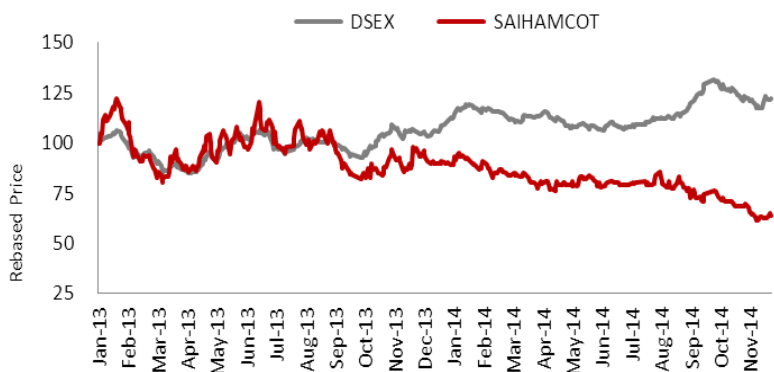
The company recently has increased its production capacity by almost 85%, which is operational since June 2014.

#### Financial Performance

Revenue fell by 5% in 2014, while Net Profit after Tax was slashed by 23%, primarily from lower gross margin. The fall in margin prolonged in FY 2015, fueled by deteriorating cotton prices. During 6M 2015, revenue fell by 2% due to lower yarn price, while Net Profit after Tax fell by 8%.

The company has recently availed a foreign loan of USD 11.08 mn at 3 months LIBOR + 4.5% and enjoying standard local FDR rate from the lien on the loan. As a result, financial performance of the company has improved.

**Recently, the company has reported consolidated net profit after tax (excluding non-controlling interests) of Tk. 113.34 million with consolidated EPS of Tk. 0.84 for the period of six months (May'14 to October'14) as against Tk. 122.32 million and Tk. 0.90 respectively for the same period of the previous year.**



Source : DSE; Research, IDLCIL

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