

GPH Ispat Limited (DSE: GPHISPAT)

Current Price (February 11, 2016)	42.9
Total Number of Share (mn)	124.7
Free Float (%)	40.4%
Annualized PE* – GPHISPAT	16.7x
Trailing PE* – GPHISPAT	18.6x
Annualized PE – Engineering	17.1x

*Based on annualized earnings of HY, 2016.

Financials (BDT mn)	2014	2015	HY 2016** (Unaudited)
Revenue	4,711	5,988	2,906
Gross Profit	890	902	470
Operating Profit	735	732	360
Net Profit After Tax	279	292	170
Total Asset	5,846	6,004	7,538
Total Equity	1,931	2,045	2,215

**Year ends on April 30

YoY Growth (%)	2014	2015	HY 2016
Net Revenue	-12.6%	27.1%	13.3%
Net Profit After Tax	11.5%	4.9%	8.2%

Per Share (BDT)	2014	2015	HY 2016
Restated EPS	2.2	2.3	1.4
Book Value Per Share	15.5	16.4	17.8

Others (%)	2014	2015	HY 2016
Gross Profit Margin	18.9%	15.1%	16.2%
Operating Profit Margin	15.6%	12.2%	12.4%
Net Profit Margin	5.9%	4.9%	5.9%
ROA	5.2%	4.9%	-
ROE	14.9%	14.7%	-
Stock Dividend	5.0%	-	-
Cash Dividend	15.0%	17.0%	-

Source: DSE; Quarterly & Annual Reports of GPHISPAT and Research, IDLC Investments Ltd.

3 years ¹ CAGR	Peers			
	GPHISPAT	BSRMLTD	BSRMSTEEL	RSRMSTEEL
Revenue	10.9%	-17.8%	-4.3%	-2.5%
NPAT	4.8%	22.2%	27.9%	20.5%

Source: Financial Statements of GPHISPAT, BSRMSTEEL, RSRMSTEEL; Research, IDLC Investments Limited.

Terminologies

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

Company Profile

GPH Ispat Limited (DSE: GPHISPAT) is one of the leading integrated steel manufacturing companies in Bangladesh, engaged in manufacturing of M.S. Rod & M.S. Billet. The company was established in 2006 as a private limited company. Subsequently, commercial operation of the company commenced in 2008. After being converted into a public limited company in 2009, it was listed in DSE and CSE in 2012. GPHISPAT acquired 10% equity stake in GPH steels Limited but the respective company is not operational yet.

Key Revenue Drivers & Company Insight

Primary product of GPHISPAT is M.S. Rod, which is heavily used in construction industry. Demand for M.S. Rod, is therefore aligned with real estate and infrastructural development activities in the economy. The company also produces M.S. Billet, core raw material of M.S. Rod. It consumes most of its Billet, and sells the remaining. During 2015, revenue grew by 27.1% YoY riding on higher production level, with total capacity utilization standing at 72.7% against 55.9% in 2014.

GPHISPAT has taken capacity expansion project to increase its billet production capacity to 1.01 mn tons from existing 0.17 mn tons/annum. In line with the expansion, the yearly production of MS Rod and medium section product will also increase to 0.76 mn from existing capacity of 0.12 mn tons. The capacity expansion project cost is estimated to be BDT 17,000 mn. The cost is to be financed by issuing BDT 2,620 mn worth of right share and the rest by loan.

Financial Performance

Increased export sales and sales of M.S Billet in local market helped revenue to grow by 27.1% YoY in 2015. On the other hand bottom line fell by 6.6% YoY as profit margins declined.

Gross Profit Margin (GPM) declined to 15.1% in 2015 from 18.9% in 2014. Fall in GPM took its toll in Operating Profit Margin (OPM), trimming it down to 12.2% in 2015 from 15.6% in the year before. However, Net profit margin (NPM) fell relatively less lower to 4.9% from 5.9% the year before, as deferred tax add back helped bottom line.

During HY 2016, revenue grew by 13.3% YoY as infrastructure construction activities picked up. GPM boosted to 16.2% as raw material price declined, but higher operating costs kept OPM at the same level of last year's at 12.4%. Nevertheless, lower tax bill boosted NPM to 5.9%, helping the company register an 8.2% YoY growth, during the period.

Recently, the company has reported net profit after tax of Tk. 170.2 mn with fully diluted consolidated EPS of Tk. 1.4 for the period of six months (May' 15 to Oct' 15) as against Tk. 157.4 mn and Tk. 1.3, respectively for the same period of the previous year.



Source: DSE and Research, IDLC Investments Limited