ALLIANCE CAPITAL ASSET MANAGEMENT LIMITED

Fact Sheet: Golden Harvest Agro Industries (GHAIL)

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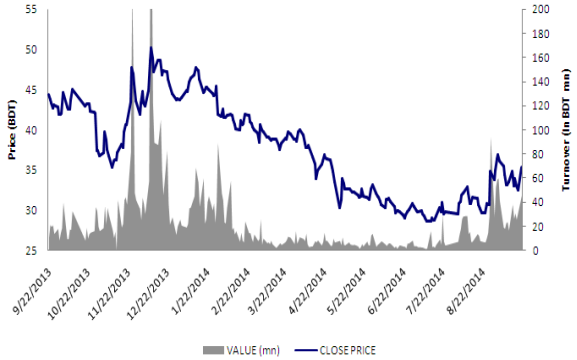
Golden Harvest Agro Industries (DSE Ticker: GHAIL) (Figures in BDT mn where applicable)	
Current Market Price (BDT) (29/9/2014)	33
52 Week's Range	28.4-51.8
Authorised Capital	1,000.0
Paid up Capital	819.0
Year of Incorporation	2004
Year of Listing	2013
Year End	June
Number of Shares Outstanding	81.9
Market Cap	2,702.7
Market Cap (In USD mn)	348.7
Free Float	65.0%
Public Holding	45.0%
Institutional Holding	19.9%
Foreign Holding	0.01%
Last Year's Dividend	10%C & 5%B
Dividend Yield	3.0%

Financials	2012	2013	Q3 2014
Revenue	558.7	625.7	504.3
Gross Profit	254.9	280.7	252.5
EBITDA	158.7	261.0	
Net Profit After Tax	78.3	148.2	135.9
Total Asset	1,549.4	2,614.3	3022.7
Total Equity	958.3	1,995.3	2012.3
EPS	1.0	1.8	1.2

Performance Analysis	2012	2013	Q3 2014
Sales Growth		12.0%	-1.40%
Gross Margin	45.6%	44.9%	50.1%
EBITDA Margin	28.4%	41.7%	
Net Profit Margin	14.0%	23.7%	18.8%
Total Asset Turnover	0.4x	0.2x	0.2x
Fiinancial Leverage	1.6x	1.3x	1.5x
Debt to Equity Ratio	0.5x	0.2x	0.4x
Return on Assets (ROA)	5.1%	5.7%	3.1%
Return on Equity (ROE)	8.2%	7.4%	4.7%
Return on Invested Capital (ROIC)	5.6%	6.1%	3.4%

Valuation	2012	2013
Last Audited P/E	35.3x	19.5x
EV/EBITDA	18.3x	11.1x
Price to Book Value	1.6x	1.4x

GHAIL Price & Turnover



Company Profile

Golden Harvest Agro Industries (Ticker: GHAIL) is predominantly known as the company having the first ever frozen food processing plant. The company is also the largest frozen food manufacturer and supplier in the country and has an extensive network of temperature controlled fleet of transport system with over 18,000 Retail outlets all over Bangladesh. GHAIL was incorporated in 2004 and was listed in 2013. Sponsors/directors own 35%, institutions own 20% and the rest of 45% is publicly owned. The company has a wholly owned subsidiary named Golden Harvest Ice Cream.

Key Revenue Drivers and Insights:

The major product of GHAIL is the frozen food i.e. half processed foods and their product portfolio includes more than 75 products including French fries, samosa, chicken nuggets, fish balls, dal puri and many more. Its revenue pie is composed of 3% export and 97% local sales according to the reported numbers in 2013 annual report. The export destinations of GHAIL are USA, UK, UAE, Canada etc. GHAIL's focus is on domestic sales. Already established distribution network and cold storage facility give GHAIL a cost advantage that drives the company in earning a decent EBITDA margin.

Financial Performance

The company registered a 12% revenue growth and quite obviously the majority of it is driven by 15.8% local sales growth. Its gross profit margin declines slightly in 2013 but still the average gross profit margin remains at 45%. Normalized EBITDA margin of GHAIL was 28.7% in 2013 and it remained quite stable. Its leverage level has been brought down in 2013 from 1.6 times to 1.3 times. It seems GHAIL's leveraging up for the ice cream project should not be a problem as it witnessed an interest coverage ratio of 2.9 and 3.7 times in 2012 and 2013 respectively. The profitability of the company looks quite decent in terms of Return on Assets, Return on Equity and Return on Invested Capital. ROA increased to 5.7% from 5.1%, ROE decreased to 7.4% from 8.2% due to less impact of leverage and ROIC increased to 6.1% from 5.6% in 2013 compared to 2012.GHAIL reported 3rd quarter (Ended on March'14) consolidated profit after tax of BDT 29.02mn and an EPS of BDT 0.35 against BDT 57.76mn and BDT 0.71 respectively for the same period last year resulting in YoY 49.76% decline.

Expansion Plan:

The subsidiary of GHAIL, Golden Harvest Ice Cream has already started the commercial operation from September 18, 2014 with a Premium Ice Cream Plant with a capacity to Produce 24,000 Liter of Ice Cream per day and all the Brand new State of the Art European Machineries including a Packaging Line will be imported from Sweden. . It has also completed its inauguration of its cold chain project on September 12, 2014 half of which will be used for ice cream project.

Syndicated Loan Drawdown:

To finance the ice cream project, GHAIL has drawdown a syndicated loan amounting BDT 1500mn from Banks and Financial institutions where United Commercial Bank is the lead arranger. Other participants are Meghna Bank, NRB Global Bank, Uttara Finance and Fareast Finance. The loan includes BDT 700mn long term loan and BDT 800mn working capital loans where the average rate of the long term loan is around 14% with tenure of 5 years. We believe this loan will uptick its leverage position from 1.3 times to 2 times and the newly established ice cream project is supposed to grab some momentum and contribute to the company's top line growth since it has a widespread cold storage and distribution network.

Analyst's Comment: Although the profit declined in Q3'14 for GHAIL, it is our estimate that the bad news have already been incorporated in price and expansion plans with introduction of ice cream and already established cold storage chain are likely to contribute positively to the top line and on its margins going forward. Growth drivers, high EBITDA margin and decent dividend declaration are its upsides. However, strategies to attain a sustainable top line growth and to capture market share through either the strategy of cost leadership or product differentiation are its key concerns.