

R.N. Spinning Mills Limited

Updated on: 01.04.2012

Company Snapshots

| | |
|-------------------------------------|---|
| Close Price | : Tk. 37.70 |
| Sector | : Textile |
| Sector Market Capitalization | : Tk.50,959 Million |
| Company Market Capitalization | : Tk. 10,791 Million |
| Free Float Capitalization | : Tk. 4,078 Million |
| Paid Up Capital | : Tk. 3,270 Million |
| Reserve & Surplus | : Tk. 761 Million |
| 52 Week High/Low | : Tk. 20.1/96 |
| EPS (HY-annualized: Right Adjusted) | : Tk. 3.70 |
| NAV | : Tk. 21.01 |
| Sectorial P/E | : 24.98 Times |
| P/E Based On Current Earnings | : 9.19 Times |
| Shareholding Composition | : 62.21% Sponsors, 37.79% Public |

Investment Highlights:

1. 10 year tax rebate from the year of production that will continue for next 5 years from now.
2. The Company totally exempted from VAT.
3. Company Debt equity ratio is well below i.e. 0.18.
4. Impressive ROA & ROE i.e. 33.16% & 65.83% respectively in 2011 (Annualized).
5. Products are derived from Acrylic fiber, a byproduct of oil not cotton that's why the earnings are very much unaffected.
6. The revenue growth was slower in the last quarter due to natural cyclical of Acrylic yarn demand.
7. The additional 22000 spindles for the production of Slub yarn will go for full capacity production in first half of 2012.
8. Slub yarn is the mixture of cotton and synthetic yarn and mainly used in the highly fashionable segments and it is expected that like US economy EU market will also recover from its current state and thus the demand for high end fashion wear will increase.

Industry Outlook:

Bangladesh has already become one of the major suppliers of clothing in EU market, the sector also has remarkable contribution to GDP (around 10%) as around 77% of the export earnings come from this sector. At this moment 100% demand for raw materials for knit RMG are being met by local sources. Spindle capacity increased to 7.60 million having yarn production capacity of 640,000 tons. Loom capacity also increased to 5000 million having fabric production capacity of 1600 million meters. Most of the companies in this sector have been affected due to the recent cotton price movement, which has been hurting the spinning companies of Bangladesh for a while. In addition to that current downtrend in imported yarn price forced spinning mills to sell their inventory at low rate.

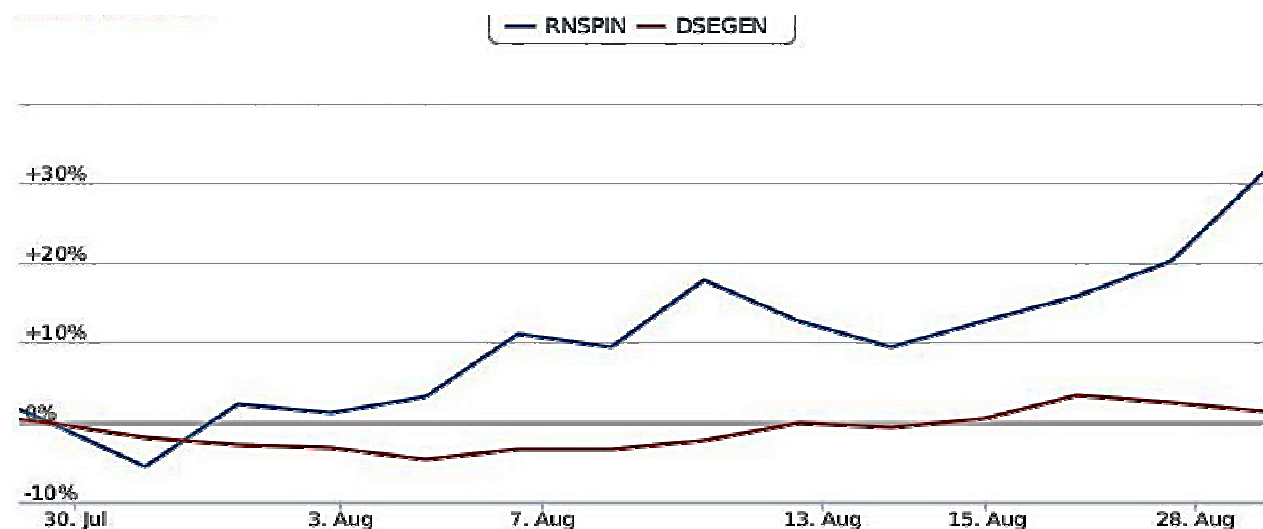
Company Summary:

R.N. Spinning Mills Limited is one of the leading companies in the carded acrylic / synthetic yarn market of Bangladesh. Company situated in Comilla Export Processing Zone by acquired by lease 32 industrial plots and measuring 32,000 sq. meters. The company owns a large factory for manufacturing 100% export oriented synthetic/acrylic yarn from acrylic fiber and sales thereof. The company serves as a backward linkage in our textile sector especially for sweater industry as a supplier of acrylic yarn. The company is operating with 30000 spindles and annual production capacity of 11,574 tons of Acrylic yarn but it utilized around 72% of total production capacity. In Bangladesh, to meet the total demand of acrylic yarns, the country have to depends on almost import from abroad. Among the local producer of the country of acrylic yarn, around 40% (around 6% of total demand) are contributed by R.N. Spinning Mills Limited.

| Particulars | March 31, 2012 | Dec 31, 2011 | Dec 31, 2010 | Dec 31, 2009 | Dec 31, 2008 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Export | 823,986,526 | 2,880,611,405 | 2,085,432,500 | 1,147,456,701 | 1,040,508,594 |
| Less: COGS | 519,865,287 | 1,883,018,862 | 1,504,777,659 | 925,862,295 | 893,295,153 |
| Gross Profit | 304,121,239 | 997,592,543 | 580,654,841 | 221,594,406 | 147,213,441 |
| Less: Operating Expenses | 7,387,698 | 24,624,705 | 18,457,275 | 36,046,905 | 13,058,512 |
| Operating Income | 296,733,541 | 972,967,837 | 562,197,566 | 185,547,501 | 134,154,929 |
| Less: Other Operating Expenses | 236,587 | 246,069 | 248,532 | 103,580 | 29,555 |
| Net Operating Income (EBIT) | 296,496,954 | 972,703,768 | 561,949,034 | 185,443,921 | 134,125,374 |
| Less: Financial Expenses | 4,787,641 | 37,540,839 | 25,241,650 | 70,085,130 | 55,587,251 |
| Net Operating Profit | 291,709,313 | 935,162,929 | 536,707,384 | 115,358,791 | 78,538,123 |
| Add: Other Non- Operating Income | 1,578,945 | 8,867,388 | 41,864,879 | 24,474,112 | 3,922,440 |
| Net Profit before Income TAX | 293,288,258 | 944,030,317 | 578,572,263 | 139,832,903 | 82,460,563 |
| Provision for Taxation | - | - | - | - | - |
| Net Profit after Income TAX | 293,288,258 | 944,030,317 | 578,572,263 | 139,832,903 | 82,460,563 |
| Dividend on Preference Share | 9,821,858 | 39,287,430 | 39,287,430 | 19,643,715 | - |
| Profit for Ordinary Shareholder | 283,466,400 | 904,742,887 | 539,284,833 | 120,189,188 | 82,460,563 |

Market Price Movement:

R.N. Spinning Mills Limited listed with two stock exchanges at par. The price fluctuation in DSE for last month is shown below



From the graph it is obvious that the price movement is negatively correlated for the R.N. Spinning Mills Limited with the DGEN. The total spinning sector is experiencing turnaround currently but as the company revenue growth and earning prospect are much better than its peer companies. So we expect the price of the share will go up in long run.