

BANGLADESH CERAMIC INDUSTRY

SECTOR REVIEW AND PERFORMANCE
ANALYSIS OF SELECTED LISTED COMPANIES



Sector Overview

No. of Ceramic Manufacturers

70

Total Investment (USD Bn)

1.70

Production Growth in last 10 years (%)

200%

Contribution to GDP

0.21%

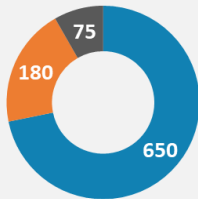
Yearly Export In FY'22 (USD Mn)

41

Export to Countries

50+

Domestic Market Consumption(\$mn)

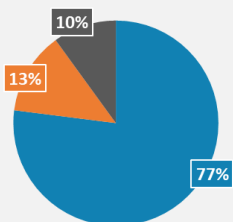


Tiles

Sanitary ware

Tableware

Segment Wise Market Share



Tiles

Sanitary Ware

Tableware

An Overview of the Ceramic Industry in Bangladesh

Ceramics industry is a booming manufacturing sector in Bangladesh which started its journey in 1958 with the establishment of a small manufacturing plant for porcelain tableware by Tajma Ceramic Industries in Bagura. At present, there are 70 ceramic manufacturers are in operation in the country out of which, 32 companies are producing tiles, 20 are producing tableware, and 18 are producing sanitary ware.¹ According to Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA), the demand for ceramic products increased by 22% in last five years and the yearly domestic market consumption of ceramics products stands at USD 905mn, in which the share of the tiles industry is around USD 650mn while that of the tableware and the sanitary ware, respectively, is USD 180 mn and USD 75 mn. In the previous 10 years, the sector has seen a 200% growth in production, with annual manufacturing capacity reaching 308mn and 19mn pieces in the tableware and sanitary ware segments, respectively, whereas the annual tiles manufacturing capacity stands at 207mn square meters. Moreover, the total local and foreign investment in the ceramic industry has been USD 1.70 bn in the last 30 years in which tiles received 62% of the total investment followed by table ware and sanitary ware with 23% and 15% of the total investment respectively. At present, around 52,000 people are directly employed in this sector whilst the indirect involvement is over half a million. The industry can cater 96% of tableware, 77% of tiles and 89% of the sanitary ware demand through local production.²

Rapid urbanization, booming real estate and a rise in people's disposable income are the key drivers of the local ceramic Industry

Bangladesh is one of the fastest growing economies in the world with economic growth averaging 6%-7% from 2011 to 2021. According to IMF, the GDP of the country is projected to grow by 6% in FY'23. On the other hand, income per capita increased to USD 2,824 in fiscal year 2021-22.³ At present, around 25% of the population (40 million people) in the country belong to the middle-class bracket which is projected to grow to 33% by 2030.⁴ In addition, according to The World Bank, the country has seen rapid urbanization over the past ten years with average YoY growth of around 3.37%, and 56% of its inhabitants are projected to live in urban areas by 2050. And this expanding middle class population with higher purchasing power and the ongoing rapid urbanization, has fueled the country's real estate boom. As ceramic is one of the major backward linkage industry of the construction sector, this boom has also played a crucial role in the development of this sector.

¹ t.ly/bangladesh_ceramic_crisis

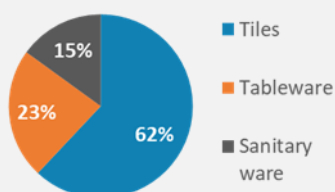
² <https://www.tbsnews.net/economy/stocks/rak-ceramics-reports-stellar-growth-q2-282184>

³ <https://www.tbsnews.net/economy/capita-income-increases-2824-531822>

⁴ <https://thefinancialexpress.com.bd/views/bangladeshs-rising-middle-class-myths-and-realities-1614610680>

Large Conglomerates setting footprint in the Ceramic industry

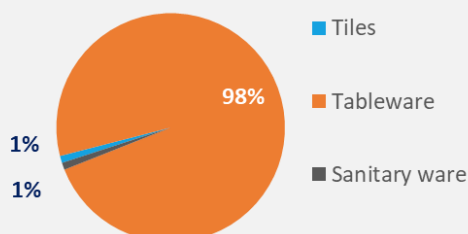
Segment Wise Investment (%)



Total Investment : USD 1.07bn

In the past six years, ceramic sector got around USD 400 mn investments from five large companies such as Sheltech, DBL and Greatwall Ceramic – raising the total market investment to USD 1.70 bn. According to Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA), about 20 new companies including manufacturing giants like Meghna Group, Akij Group and PRAN-RFL Group are going to invest around USD 1.0 bn in ceramic industry considering the prospects of local demand.⁵ On the other hand, ceramic sector has also lured foreign investments mainly from China and the Middle East through several joint venture partnerships including Fu-wang Ceramics industry Ltd, BHL Ceramic co. Ltd, Star Porcelain Ltd, South East Union Ceramic Ind. Ltd and Sun Power Ceramics Co. Ltd. etc.

Segment wise Export (%)



Yearly Production Capacity



Ceramic has the potential to be one of the largest export sectors in Bangladesh

Bangladeshi ceramics products are exported to more than 50 countries including the UK, the USA, Italy, Spain, Norway, France, Netherlands, and Australia. Ceramic exports stood at USD 41.31 mn in FY'22 (Source: EPB) which is expected to increase significantly as Bangladesh enjoys duty- and quota-free access to developed nations, whereas Chinese ceramics products, a major player in this sector, pays additional duties to access such markets (for example, 12% duties for the EU market), indicating the industry's potential to improve export competitiveness. Additionally, Bangladesh has emerged as a viable option for investors looking to develop their ceramic enterprises because of the availability of skilled manpower and relatively low labor cost. The US has increased duties on \$200 billion worth of Chinese, including ceramics, giving the Bangladeshi ceramics industry a chance to benefit from this opportunity.⁶ On top of that, ceramics exporters enjoy various incentives like vat exemption on export goods, bonded warehousing facility, cash incentive etc.⁷

No VAT imposition on export goods.

Bonded warehousing facility for large import of materials

Import duty exemption on capital machineries

10% cash incentive on export value etc.

⁵<https://www.tbsnews.net/economy/industry/large-conglomerates-expanding-ceramic-footprints-367366>

⁶<https://www.floordaily.net/floorfocus/ceramic-update-as-duties-on-chinese-tile-necessitate-a-sourcing-shift-in-the-us-market-wh>

⁷<https://bida.gov.bd/ceramics#>

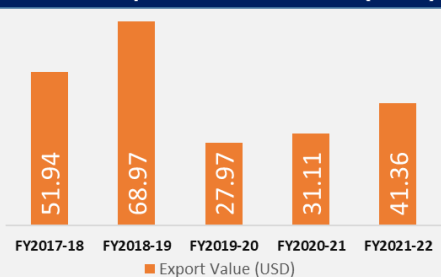
1 | Ceramics Industry in Bangladesh

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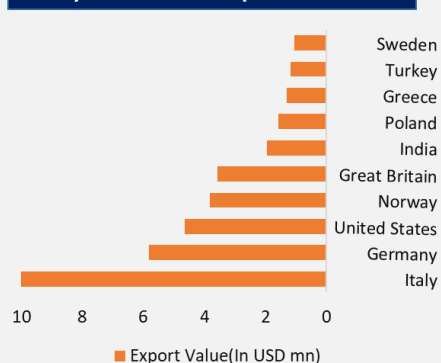
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Top brands from different part of the world are importing ceramics products from Bangladesh

Historical Export Value of Ceramics (in mn)



Country wise Ceramics Export Value in FY'22



Crude oil Brent (\$/bbl)



Natural Gas, Europe (\$/mmbtu)



Energy crisis, geopolitical instability and unfavorable tax policy are the major challenges for the ceramic industry

Ceramic industry needs both gas and electricity to run its production units and generate temperatures ranging between 500 and 1500 degrees Celsius for baking clay into bricks or tiles. The recent gas crisis caused severe adverse effects on ceramic industry. At present, due to low pressure in supply, production has plunged by 50%.⁸ On the other hand, the ceramic industry is facing significant difficulties as a result of increased energy costs. Generally, fuel cost accounts for around 20% -22% of the total expenditures on ceramic products (Source: BCMEA). Gas prices have been raised by 400% in the previous ten years. The most recent rise in gas prices occurred in June 2022, when the price rose by 18% from an average weighted price of BDT 9.80 per cubic meter to BDT 11.56 per cubic meter.⁹ This was the eighth increase in gas prices during the previous ten years. On top of that, the Bangladesh Energy Regulatory Commission (BERC) has decided to increase the price of electricity at the wholesale level by 19.92 % to price per unit of BDT 6.20, from BDT 5.17 earlier.¹⁰ Amid the post pandemic inflationary pressure, this increase in energy prices will have a significant impact on ceramic manufacturers since it will increase the cost of production and force the manufacturers to raise prices, which might put their price competitiveness at danger.

Domestic ceramic industry has also been severely affected because of the Russia-Ukraine conflict which led the global supply chain disruption and energy crisis. Ukrainian clay is at the top of global demand for manufacturing ceramic products.¹¹ On the other hand, Russia is the main supplier of gas to the world market. According to Bangladesh Ceramic Manufacturers and Exporters Association (BCMEA), Soil material and natural gas account for 40% to 42% of the total production cost in the ceramics industry which is heavily dependent on import for raw materials. Around 90% of the raw materials are sourced from abroad. Due to which ceramic manufacturers are facing challenges as manufacturers are unable

⁸ [shorturl.at/odegv](https://www.tbsnews.net/bangladesh/energy/18-gas-price-hike-likely-order-sunday-433114)

⁹ <https://www.tbsnews.net/bangladesh/energy/18-gas-price-hike-likely-order-sunday-433114>

¹⁰ <https://www.thedailystar.net/environment/natural-resources/energy/news/bulk-electricity-price-goes-1992-3175276>

¹¹ <https://www.tbsnews.net/economy/industry/surging-prices-disrupted-supply-clay-ukraine-worry-ceramic-makers-384379>

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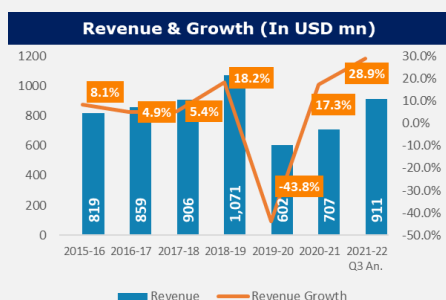
Fu Wang Ceramic Industries Ltd. (FUWANGCER)

Company Description

Company Fundamentals	
Market Capitalization (BDT mn)	2,371.0
Authorized Capital (mn)	5,000.0
Paid-up Capital (mn)	1,362.7
52 Weeks' Moving Range	14.9– 21.3
Current Price	17.4
Forward P/E	72.5

Fu-Wang Ceramic Industries Ltd. is engaged in the manufacturing and marketing of tiles. The company owns and operates two industrial units for manufacturing of various types and sizes of Ceramics Floor Tiles & Glazed Wall Tiles and sales thereof.

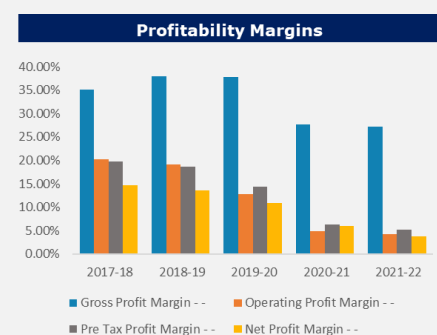
Incorporation: May 31, 1995.
Listed in DSE: May 1998
Key Personnel: Mr. Javed Opgenhaffen, Chairman (2.0%); Mrs. Hasna Opgenhaffen, Managing Director (2.0%);
Head Office: Ga-64, (3rd Floor), Configure Bepari Tower, Middle Badda, and Progoti Dhaka; Postal Code: 1212
Business Line: Manufacturing & Marketing of Ceramic & Homogeneous Floor & Wall Tiles.



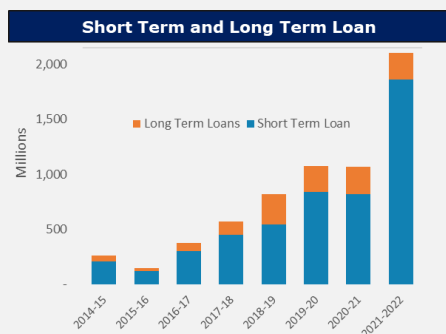
Shareholding Pattern (%)

Dated On	Sponsor/ Director	Institute	Foreign	Public
Nov 30, 2022	30.00	1.00	0.40	68.60
Oct 31, 2022	30.00	1.00	0.40	68.60
Jun 30, 2022	27.83	7.25	0.40	64.52

Investment Positives



- Fu Wang ceramics has planned to invest BDT 6,500 mn in order to set up a tiles manufacturing factory adjacent to its existing factory which will increase its production capacity by 59mn sft (Current Production Capacity: 40mn sft).¹⁷
- Fu Wang ceramics showcased resilient performance during the pandemic outbreak. After witnessing a marginal fall of 1.62% in revenue (FY'20), the company rebounded strongly with a stellar growth of 31% and 9.84% in FY'21 and FY'22, respectively.
- Total investment of capital work in progress on machineries increased significantly reaching at BDT 295 million in FY'22 against that of BDT 1 million in the same period previous year, primarily due to its ongoing BMRE project. Further capital expenditure can be expected to occur due to the proposed capacity expansion plan of 59mn sft.



Investments Concerns

- EPS declined by 25% to BDT 0.06 in Q1 FY'23 from BDT 0.08 in the same period of previous year due to 50% hike in operating expenses.
- Operating profit and NPAT margin of Fu Wang Ceramics have consistently declined over the period of last seven years (FY'16 to FY'22), falling to 4.3% & 3.7% in FY'22 respectively from 13.9% & 15.8% in FY'16.
- NPAT is consistently declining since FY'17. Over the period of last seven years (FY'16 to FY'22), NPAT declined by 21.3% CAGR, and stood at BDT 31mn in FY'22 against that of BDT 132mn in FY'16.

¹⁷ <https://www.thedailystar.net/business/economy/news/fu-wang-ceramic-announces-tk-650cr-expansion-3111151>

- Due to high inventory conversion period, the operating efficiency ratios of the company reached to a concerning stage in FY'22 with a cash conversion cycle stands at 1,104 days, which was 314 days in FY'16, forcing the company to seek short term loans in order to manage its working capital.
- The company's long-term and short-term debt both increased substantially from BDT 24mn & 120mn in FY'16 to BDT 243mn & 1,860mn in FY'22, respectively, with a seven-year CAGR of 46.6% and 57.9%, which in turn boosting the financial expenses (7year CAGR 35%) of the company to BDT 125mn in FY'22.
- The company's debt to equity ratio in FY'22 stands at 1.31 times as opposed to 0.11 times in FY'16. On the other hand, times interest earned ratio declined to 1.32 in FY'22 from that of 6.70 in FY'16.
- In FY'22, the external auditor published a qualified opinion regarding the financials of the company as they were unable to verify the inventories worth BDT 1.83bn claimed in its most recent annual financial statement "due to a lack of proper schedule, documents, reports and haphazard position of inventories."¹⁸
- The chairman and managing director of Fu Wang ceramics occupy the same position in SS Steel which has planned to acquire South East Union Ceramics Industries Ltd. As the company compete in the same market, it may raise conflict of interest in future.¹⁹

Financial Highlights (In Mn)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover	837	473	573	595	586	767	843
Gross profit	243	186	201	226	221	212	229
Operating profit	116	99	116	114	75	38	36
Financial Expenses	21	23	27	55	91	111	125
Profit after Tax	132	73	84	81	64	46	31
Total Asset	1,573	1,903	2,141	2,507	2,902	3,169	4,118
Total Debt	206	374	569	819	1,072	1,070	2,104
Total Liabilities	291	548	702	988	1,334	1,574	2,513
Total Equity	1,282	1,355	1,439	1,520	1,568	1,595	1,606
Retained Earnings	148	118	89	81	129	156	167
Cash and Cash Equivalents	13	19	20	10	6	10	5
Gross Profit Margin	29.0%	39.4%	35.1%	37.9%	37.8%	27.6%	27.2%
Operating Profit Margin	13.9%	21.0%	20.2%	19.1%	12.8%	4.9%	4.3%
Pretax Profit Margin	19.3%	20.5%	19.7%	18.6%	14.3%	6.3%	5.3%
NPAT Margin	15.8%	15.4%	14.7%	13.6%	10.9%	6.0%	3.7%
Return on Assets (ROA)	8.5%	4.2%	4.2%	3.5%	2.4%	1.5%	0.9%
Return on Equity (ROE)	10.9%	5.5%	6.0%	5.5%	4.1%	2.9%	2.0%
Growth (%)							
Turnover	23.7%	-43.5%	21.2%	3.9%	-1.6%	31.0%	9.8%
Gross profit	49.5%	-23.2%	8.0%	12.2%	-2.1%	-4.1%	8.0%
Operating profit	92.4%	-34.9%	14.0%	16.1%	-2.5%	-15.5%	-0.2%
Profit after Tax	284.8%	-45.1%	15.8%	-3.9%	-21.2%	-27.2%	-32.1%
Liquidity Ratio							
Current Ratio	3.22	2.17	1.99	1.85	1.54	1.49	1.13
Quick Ratio	1.03	0.67	0.55	0.44	0.47	0.42	0.28
Cash Ratio	0.06	0.04	0.04	0.02	0.01	0.01	0.002
Valuation Ratio							
Basic EPS (BDT)	1.29	0.64	0.68	0.59	0.47	0.34	0.23
Restated EPS (BDT)	0.97	0.53	0.62	0.59	0.47	0.34	0.23
NAV per share (BDT)	12.52	12.03	11.61	11.15	11.50	11.70	11.78

¹⁸ <https://www.tbsnews.net/economy/stocks/auditor-denies-validate-fu-wang-ceramics-purchases-inventories-541858>

¹⁹ <https://www.tbsnews.net/companies/ss-steel-acquire-southeast-union-ceramics-182413>

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Monno Ceramics Ltd. (MONNOCERA)

Company Description

Company Fundamentals	
Market Capitalization (BDT mn)	4,376.0
Authorized Capital (mn)	1,000.0
Paid-up Capital (mn)	377.2
52 Weeks' Moving Range	94.2 - 147.9
Current Price	114.40
Forward P/E	715

Monno Ceramic is a ceramic tableware manufacturer and considered as a pioneering industry in Bangladesh. The Company owns and operates modern ceramic wares factory and produces high quality porcelain tableware products and sells them in the local as well as international markets.

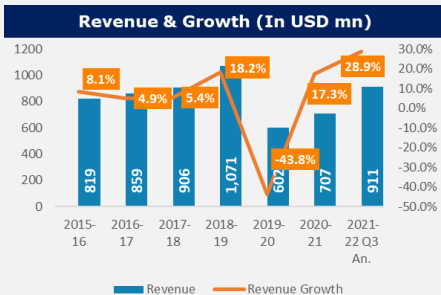
Incorporation: 21st April, 1981.

Listed in DSE: Since 1983.

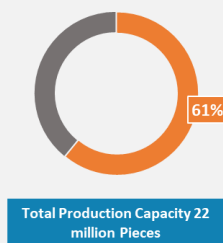
Key Personnel: Mrs. Afroza Khanam, Chairman (11.28%); Mr. Rasheed Maymunul Islam, Managing Director (2.01%);

Head Office: Monno Ceramic Industries Ltd. Islampur, Purba Panchash, Dhamrai-1350 Dhaka,

Products: Dinner Set, Coffee Set, Tea Set, Soup Set, Tea Cup & Saucer, Coffee Cup & Saucer, Tea Pot, Sugar Pot, Milk Pot, Flower Vase, Coffee Mug, Soup Spoon, Salt Pot, Casserole, Salad Bowl, Oval Platter, Tray, etc.



Capacity Utilization in FY'21



Shareholding Pattern (%)

Dated On	Sponsor/ Director	Institute	Foreign	Public
Dec 31, 2022	44.06	12.49	0.14	43.31
Nov 30, 2022	48.30	11.84	0.17	39.69
Jun 30, 2022	48.30	12.24	0.06	39.40

Investment Positives:

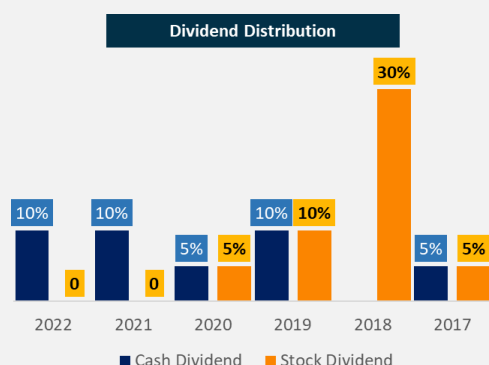
- Following a 43.7% revenue decline in FY'20 amid the pandemic slump, the company witnessed a significant recovery in its topline and posted a growth of 17.3% and 28.9% YoY in FY'21 and First 9'M 2022(Annualized), respectively.
- Monno Ceramics posted a phenomenal performance in its bottom-line in FY'21 & 9'M FY'22 (Ann.). During the period, NPAT grew by of 87.34 % and 53.67% to BDT 33 mn and 52 MN, respectively.
- The company has observed a decreasing trend in its non-current borrowings which stood at BDT 130mn in FY'21 against BDT 230mn in FY'15. Additionally, the company has decided to sell off its unused land and use the sales proceeds (BDT 200mn) to pay off of its debt which will reduce its financial expenses by 30% and positively impact the EPS by BDT 0.55 given everything is constant.
- The company reported significant improvement in working capital efficiency. In 9M FY'22, the cash conversion cycle was reduced to 145 days against 236 days in previous year signifying improvements in its working capital management.
- Monno ceramics exports tableware to more than 13 countries in the world. Exports contributed around 20% of the company's total turnover against which the company enjoys 10 % cash incentive and tariff waiver which positively impact the profitability the company. In FY'21, the company exported ceramic products worth BDT 140mn against which the company received cash subsidy of BDT 14mn.
- The company is regular in paying cash dividend to its shareholders. Cash dividend distribution ranged between 5%-10% in last four years.

Investment Concerns

- EPS declined by 19% to BDT 0.04 in Q1 FY'23 against that of BDT 0.21 in the same period of previous year.
- Currently, Monno Ceramics is being traded with a forward P/E ratio of 715 which is much higher than its listed peer companies.
- Previously, all the directors of the company were penalized by the regulatory body for manipulating financial statements and non-complying BSEC regulations raising major concerns on the corporate governance of the company²⁰.

Financial Highlights (In Mn)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Q3'22 Ann.
Turnover	819	859	906	1,071	602	707	911
Gross profit	152	159	169	200	110	132	192
Operating profit	3	4	17	56	(10)	11	64
Financial Expenses	61	80	80	74	66	70	70
Profit after Tax	2	3	53	73	18	34	52
Total Asset	3,215	3,208	3,099	3,135	3,171	3,237	4,232
Total Debt	773	748	544	531	553	630	636
Total Liabilities	949	951	801	983	1,033	1,073	1,101
Total Equity	2,266	2,257	2,298	2,152	2,138	2,164	3,132
Reserves	2,027	2,018	2,047	1,826	1,779	1,787	2,754
Cash and Cash Equivalents	18	16	8	15	12	9	25
Profitability (%)							
Gross Profit Margin	18.5%	18.5%	18.6%	18.6%	18.3%	18.7%	21.1%
Operating Profit Margin	0.4%	0.5%	1.9%	5.3%	-1.6%	1.5%	7.1%
Pretax Profit Margin	0.4%	0.5%	7.8%	8.6%	3.0%	1.4%	6.7%
NPAT Margin	0.3%	0.3%	5.9%	6.8%	3.0%	4.8%	5.7%
Return on Assets (ROA)	0.1%	0.1%	1.7%	2.3%	0.6%	1.1%	1.4%
Return on Equity (ROE)	0.1%	0.1%	2.3%	3.3%	0.8%	1.6%	2.0%
Growth (%)							
Turnover	8.1%	4.9%	5.4%	18.2%	-43.8%	17.3%	28.9%
Gross profit	8.2%	5.1%	5.9%	18.3%	-44.8%	19.7%	45.7%
Operating profit	16.1%	30.9%	11.8%	-16.9%	-66.3%	-5.3%	64.2%
Profit after Tax	-29.0%	24.5%	1854.6%	36.8%	-75.1%	87.3%	53.7%
Liquidity Ratio							
Current Ratio	1.25	1.12	1.25	1.34	1.33	1.25	0.95
Quick Ratio	0.76	0.66	0.71	0.87	0.80	0.75	0.53
Cash Ratio	0.03	0.02	0.01	0.02	0.02	0.01	0.03
Valuation Ratio							
Basic EPS (BDT)	0.09	0.11	2.11	2.02	0.50	0.90	1.38
Restated EPS (BDT)	0.06	0.07	1.41	1.93	0.48	0.90	1.38
NAV per share (BDT)	94.70	89.83	91.46	59.91	59.50	57.37	83.01



²⁰ <https://www.businessinsiderbd.com/markets/news/2585/tk15cr-penalty-slapped-on-monno-directors-welfare-foundation>

Company Description

Company Fundamentals	
Market Capitalization (BDT mn)	18,359.8
Authorized Capital (mn)	6,000.0
Paid-up Capital (mn)	4,279.6
52 Weeks' Moving Range	40.1– 63.3
Current Price	42.9
Forward P/E	24.9

RAK Ceramics (Bangladesh) Ltd is a UAE-Bangladesh Joint Venture Company engaged in the manufacturing and marketing of ceramics tiles, bathroom sets, and all types of sanitary ware. It is the country's largest and renowned tiles and sanitary ware brand. It operates through the following segments: Ceramics and Sanitary Ware, Power and Security Services etc. The Ceramics and Sanitary Ware segment manufactures and markets ceramics tiles, bathroom sets, and all types of sanitary ware. The power segment sets up power utilities and operates power-generating plants, transmission system, and distribution system and sells the generated electric power to any legal entity. The Security and Services segment provides security guarding, cleaning services, termite and pest control services, and manpower technical training.

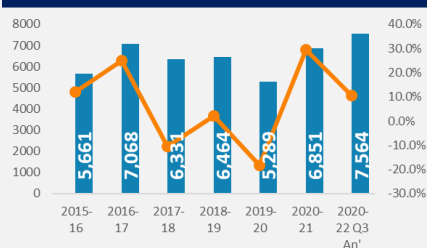
• Incorporation: July 19, 2003.
• Key Personnel: Abdallah Massaad, Chairman; SAK Ekramuzzaman, Managing Director (3.95%);
• Head Office: Ga-64, (3rd Floor), Configure Bepari Tower, Middle Badda, Progoti Dhaka; Postal Code: 1212
• Products: Gress Porcelain, Salt & Pepper, Glaze Rustic, High Tech Porcelain, Glaze Polish, Double Charge, Ceramics Red Body, Ceramics White Body, Hard Rock, Washbasin, Toilet Seat, Water Closet, Wall Hung Toilet, Pedestal Washbasin.
• Subsidiaries: RAK Power Pvt. Ltd, RAK Security and Services (Pvt.) Limited.

Shareholding Pattern (%)				
Dated On	Sponsor/ Director	Institute	Foreign	Public
Nov 30, 2022	72.08	16.25	0.00	11.67
Oct 31, 2022	72.08	16.17	0.00	11.75
Dec 31, 2021	72.10	18.56	0.59	8.75

Investment Positives

- RAK Ceramics posted a resilient topline growth in FY'21 (29.54%) and 9M FY'22 (10.41%). In FY'21, RAK ceramics reported 32.63%, 67.84%, 27.66% growth in sales of tiles, décor and sanitary ware segments, respectively.
- RAK Ceramics is the market leader in the Tiles (jointly with Akij Ceramics) and sanitary ware segment with a market share of 16% and 30%, respectively.
- After witnessing 58.80% de-growth (FY'20) in the bottom line, RAK Ceramics bounced back strongly from the pandemic shock and posted a staggering 191% YoY net profit growth to BDT 905mn in FY'21 which was BDT 311mn in the same period of previous year.
- The company has no non-current borrowing. The debt-to-equity ratio of the company stood at 0.06 in FY'22 showcasing the companies' ability to raise low-cost debt for future large-scale projects.
- RAK Ceramics Limited has decided to invest BDT 9,025mn to build a new tiles factory in order to produce import substitute premium category tiles which would increase its tiles production capacity by 15,000 square meter per day and generate BDT 930mn profit a year on an average which will make a positive impact of BDT 2.17 in EPS given everything remain constant. The Company has also decided to invest in the faucets business by establishing a new factory with a manufacturing capacity of 1,500 pieces per day at a cost of BDT 950mn.

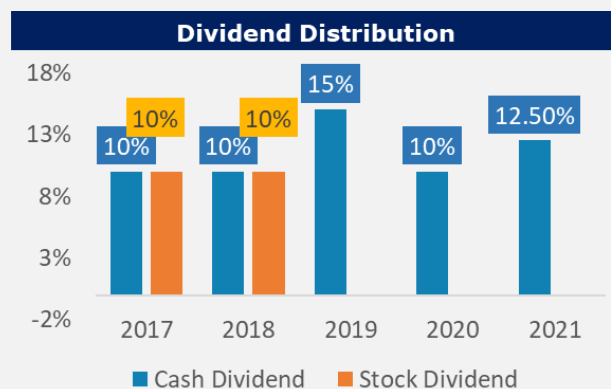
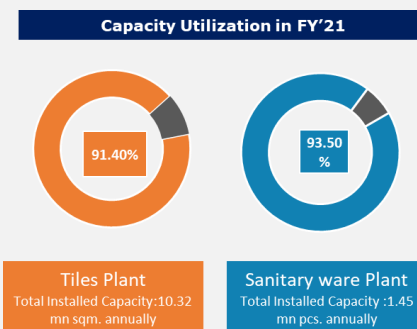
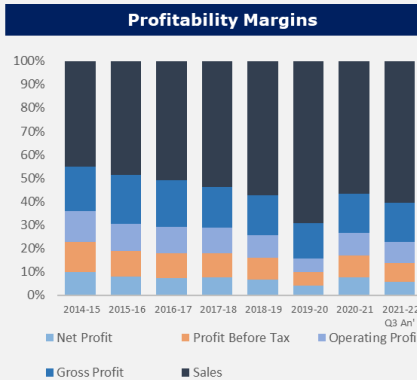
Last Seven Years Total Revenue & Growth



- The company is regular in paying cash dividend to its shareholders. Cash dividend distribution ranged between 10%-15% in last ten years.
- The company has introduced various premium brands in sanitary segment (e.g., RAK-Valet, RAK-Des, RAK-Urban, RAK-Sahara, RAK-Compaq). As the premium ceramic products market is mainly dependent on import, these new products will help the company to penetrate into this segment and tap the price competitive advantage. Moreover, in order to expand their sales footprint, RAK ceramics launched a 10,000 sft exclusive signature Showroom in Dhaka and added 34 dealers over the last three years.

Investment Concerns

- Some local newspapers reported that RAK ceramics is allegedly purchasing land for its future projects from its Managing director at a price higher than its fair value.²¹ Moreover, The managing director of RAK ceramics has been accused of various controversies including forced eviction²², money laundering²³ etc. Such allegations against a key management personal of the company raises serious concerns on the corporate governance standard of the company. On top of that, according to the red hearing prospectus of Star Ceramics Ltd, the managing director (Shareholding in RAK 3.95%) of the company holds 35% share in Star Ceramics which operates in the same business line of RAK ceramics ltd. It may raise conflict of interest in future.
- In Q3 FY'22, EPS declined by 37% to BDT 0.29 as against that of BDT 0.46 in the same period of previous year because of 26% hike in operating expenses.
- Over the period of last seven years (FY'16 to FY'22), the company witnessed significant decline in its gross profit margin, operating profit margin and NPAT margin, falling from 42.6%,23.5% & 16.2% in FY'16 to 29.7%, 18.3% and 13.7% in FY'22, respectively.
- Several large companies such as DBL Ceramic, Akij Ceramic, and Sheltech Ceramic have invested heavily in their tiles manufacturing considering the prospects of local demand. Sheltech, for example, has been setting two more plants in Bhola with total investment of BDT 700 crore with a daily tiles manufacturing capacity of 0.42 mn sq.-ft. Therefore, RAK ceramics might face stiff competition in the local market.²⁴



²¹ <https://www.risingbd.com/economics/news/473120>
²² <https://www.newagebd.net/article/182959/articlelist/323/index.php>
²³ <https://bdnews24.com/bangladesh/acc-sues-khaledas-former-aide-falu-ekramuzzaman-for-money-laundering>
²⁴ <https://dailycountrytodaybd.com/story/sheltech-ceramics--a-success-story-in-setting-up-industries,-employment-in-bhola>

Financial Highlights (In Mn)

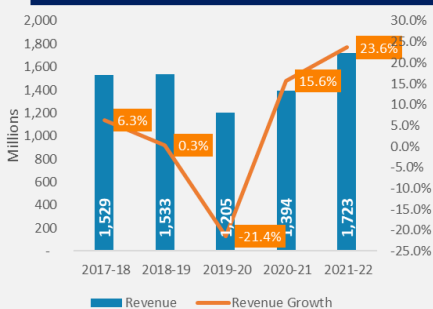
Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Q3'22 An.
Turnover	5,661	7,068	6,331	6,464	5,289	6,851	7,606
Gross profit	2,409	2,817	2,013	1,908	1,167	2,033	2,256
Operating profit	1,332	1,482	1,285	1,097	470	1,210	1,394
Financial Expenses	40	101	39	27	20	10	130
Profit after Tax	915	1,018	891	754	311	905	1,042
Total Asset	11,158	11,791	12,187	12,760	12,515	14,008	14,350
Total Debt	771	566	548	310	119	129	435
Total Liabilities	4,715	5,046	5,335	5,194	5,405	5,492	6,507
Total Equity	6,112	6,456	6,993	7,355	7,023	7,501	7,396
Retained Earnings	1,270	1,445	1,629	1,601	1,270	1,747	1,643
Cash and Cash Equivalents	803	1,382	830	1,499	1,949	2,277	1,626
Profitability%							
Gross Profit Margin	42.6%	39.9%	31.8%	29.5%	22.1%	29.7%	29.7%
Operating Profit Margin	23.5%	21.0%	20.3%	17.0%	8.9%	17.7%	18.3%
Pretax Profit Margin	22.4%	20.0%	19.4%	16.2%	8.5%	16.8%	17.6%
NPAT Margin	16.2%	14.4%	14.1%	11.7%	5.9%	13.2%	13.7%
Return on Assets (ROA)	8.4%	8.9%	7.4%	6.0%	2.5%	6.8%	7.4%
Return on Equity (ROE)	15.1%	16.2%	13.2%	10.5%	4.3%	12.5%	14.0%
Growth (%)							
Turnover	11.9%	24.8%	-10.4%	2.1%	-18.2%	29.5%	11.0%
Gross profit	11.4%	16.9%	-28.5%	-5.2%	-38.8%	74.2%	11.0%
Operating profit	-7.2%	15.6%	-17.6%	-15.1%	-59.8%	168.1%	24.4%
Profit after Tax	-16.4%	11.2%	-12.5%	-15.3%	-58.8%	191.4%	15.1%
Liquidity Ratio							
Current Ratio	1.63	1.59	1.66	1.71	1.67	1.68	1.62
Quick Ratio	1.05	1.07	1.05	1.17	1.29	1.21	1.09
Cash Ratio	0.19	0.29	0.17	0.29	0.37	0.36	0.24
Basic EPS (BDT)	2.14	2.38	2.08	1.76	0.73	2.12	2.44
Restated EPS (BDT)	2.59	2.62	2.08	1.76	0.73	2.12	2.44
NAV per share (BDT)	17.3	16.6	16.3	17.2	16.4	17.5	17.3
Valuation Ratio							
Basic EPS (BDT)	2.14	2.38	2.08	1.76	0.73	2.12	2.44
Restated EPS (BDT)	2.59	2.62	2.08	1.76	0.73	2.12	2.44
NAV per share (BDT)	17.3	16.6	16.3	17.2	16.4	17.5	17.3

Shinepukur Ceramics Ltd. (SPCERAMICS)

Company Fundamentals

Market Capitalization (BDT mn)	6,319.5
Authorized Capital (mn)	5,000.0
Paid-up Capital (mn)	1,469.7
52 Weeks' Moving Range	24.5 - 58.9
Current Price	43.0
Forward P/E	107.5

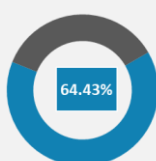
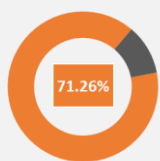
Revenue



Revenue Breakdown



Capacity Utilization in FY'22



Price Volume Movement



Company Description

Shinepukur Ceramics Ltd. is a Bone China & Porcelain tableware manufacturer and exporter of Bangladesh. It is engaged in manufacturing and marketing of high quality Porcelain and high value added Bone China Tableware, which it sells in the local as well as international markets.

Incorporation: 26 January, 1997.

Listed in DSE: 18th November 2008.

Key Personnel: Mr. A S F Rahman, Chairman (11.28%); Mr. Salman F Rahman, Vice Chairman (2.01%);

Head Office: 17 Dhanmondi, Road No. 2, Dhaka – 1205.

Products: porcelain, Plain Porcelain (Classical Porcelain, normally domestic use), Ivory China (Creamy colored Porcelain, Domestic/Hotel use), Hi-Alumina (Hotel ware), Satin China (White Porcelain, suitable for hotel/domestic use), Bone China.

Shareholding Pattern (%)

Dated On	Sponsor/ Director	Institute	Foreign	Public
Nov 30, 2022	50.00	6.26	0.14	43.74
Oct 31, 2022	50.00	6.66	0.00	43.34
Jun 30, 2022	50.00	5.04	0.00	44.96

Investment Positives

- Shinepukur ceramics is one of the largest ceramics exporters in Bangladesh. In FY'22, the company exported ceramics products worth ≈USD 18.23mn which is around 40% of country's total ceramics export (USD 41.31mn). Export comprises of 56% (BDT 962mn) of the company's total revenue (BDT 1,722mn), highest among its listed peers, against which the company enjoys cash incentives, income tax exemptions & import tariff waivers which decreases the company's overall expenses and makes positive impact on the profitability of the company. In FY'22, about 23% of the company's overall gross profit came from cash subsidies against exports.
- After a pandemic induced downturn (sales declined by 21%) in FY'20, the company reported revenue growth of 16% and 24%, respectively, in FY'21 and FY'22. With an 18% market share, Shinepukur ceramics currently dominates the tableware segment in the domestic market.
- Gross Profit and NPAT grew by 22% & 47% respectively in FY'21 while it grew by 27% and 25% respectively in FY'22.
- The total non-current borrowing of the company declined to BDT 143mn in FY'22 which was BDT 472mn in FY'17 (declined by 6 year CAGR of 21%). Shinepukur ceramics also witnessed a substantial decline (declined by 6 year CAGR of 17.6%) in the financial expenses of the company to BDT 76mn in FY'22 which was BDT 200mn in FY'17.
- Riding on 36% revenue growth, the company reported a stunning 400% increase in EPS in Q1 FY'23, rising to BDT 0.10 from BDT 0.02 during the same period the previous year.

Investment Concerns

- After showcasing a phenomenal growth of 43.3% in local sales in FY'21, Shinepukur ceramics failed to keep the momentum as the company witnessed a 10% decline in local sales in FY'22.
- The company is facing stiff competition in local and international market which will get more intense in coming years due to intense competition in global market and advent of new tableware manufacturers in Bangladesh with larger capacity. Akij ceramics, for example, invested BDT 200cr to set up a tableware manufacturing plan with an annual capacity of 1.25 lakh pieces.²⁵

Financial highlights (in mn)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover	1438	1529	1533	1205	1394	1723
Gross profit	326	346	340	186	227	289
Operating profit	224	236	231	93	136	181
Financial Expenses	200	151	134	81	79	76
Profit after Tax	8	62	63	32	46	58
Total Asset	6,471	6,516	6,623	6,416	6,557	6,364
Total Debt	1384	1396	1364	1213	1265	1214
Total Liabilities	2302	2301	2355	2141	2055	1731
Total Equity	4,169	4,215	4,268	4,275	4,502	4,633
Reserves	-186	-125	-62	-30	-13	8
Cash and Cash Equivalents	19	11	26	8	26	24
Profitability (%)						
Gross Profit Margin	22.7%	22.7%	22.2%	15.4%	16.3%	16.8%
Operating Profit Margin	15.6%	15.5%	15.1%	7.7%	9.8%	10.5%
Pretax Profit Margin	1.6%	5.3%	6.0%	0.9%	3.9%	5.8%
NPAT Margin	0.6%	4.0%	4.1%	2.6%	3.3%	3.4%
Return on Assets (ROA)	0.1%	0.9%	1.0%	0.5%	0.7%	0.9%
Return on Equity (ROE)	0.2%	1.5%	1.5%	0.7%	1.0%	1.3%
Growth (%)						
Turnover		6.31%	0.29%	-21.40%	15.64%	23.62%
Gross profit		5.57%	-2.21%	-59.72%	46.33%	33.27%
Operating profit		6.22%	-1.70%	-45.40%	22.20%	27.39%
Profit after Tax		642.19%	1.89%	-49.62%	46.80%	25.01%
Liquidity Ratio						
Current Ratio	0.56	0.62	0.71	0.76	0.76	0.89
Quick Ratio	0.18	0.18	0.23	0.20	0.23	0.28
Cash Ratio	0.01	0.01	0.01	0.00	0.02	0.02
Valuation Ratio						
Basic EPS (BDT)	0.06	0.42	0.43	0.21	0.32	0.39
Restated EPS (BDT)	8.18	8.50	8.85	8.90	10.45	11.34
NAV per share (BDT)	28.37	28.68	29.04	29.09	30.63	31.53

²⁵ <https://www.thedailystar.net/business/news/akij-enters-tableware-market-2927201>

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