

Modern Poly Industries Limited

(If there is any contrary information please communicate with DSE through email: listing@dsebd.org)

Disclaimer:

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Brief Overview of the Company:

- | | |
|---------------------------------|---------------------|
| 1. Date of Incorporation | : 21 September 1999 |
| 2. Converted to Public Ltd. Co. | : 3 August 2009 |
| 3. Year of Commencement | : 01 July 2003 |
| 4. Authorized Capital | : Tk. 1,000 million |
| 5. Paid up Capital (Pre IPO) | : Tk. 504 million. |
| 6. Financial year | : January-December |

Details of the Issue:

Particulars	No. of Ordinary Shares	Face Value (Tk.)	Capital in Taka
Pre-IPO Paid up capital	50,400,000	10	504,000,000
IPO	30,000,000	10	300,000,000
Paid up capital after IPO	80,400,000	10	804,000,000

Issue Manager : Alliance Financial Services Limited

Auditor : A Wahab & Co.

Modern Poly Industries Limited Company at a glance

Corporate Status and Background

T.K. Group is one of the largest conglomerates having 47 concerns throughout the country. The Group began its journey in 1972 in commodity trading. The entrepreneurial spirit of the founders helped the business grow and new ventures were launched in manufacturing and marketing of consumer and industrial products. Over the years the group has emerged as one of the leading industrial group in Bangladesh with core strengths in edible oils and fats and also having successfully diversified into other business categories i.e.; Steel Galvanizing, Cold Rolling, Paper, Cement Bags, Particle Board, Finished Leather and Tea Plantations employing over 4500 people. Major brands of T.K. Group are Pusti (Edible Oil, Flour Mills, Milk) Premier Cement etc.

Modern Group started its journey with the establishment of Modern Hatchery Limited in the year 1998 by the family members of Mr Abul kalam, Managing Director of T K Group of industries, Due to affiliation with the age old T K Group and having long exposure in the management of T K group, the shareholders of Modern Group could be visionary from the very beginning and expanded its business in different sectors like shrimp, yarn, trading, power, etc. during the short span of 12 years. Now the group has annual turnover of Tk 2,350 million and placed them as the leader in the synthetic yarn and shrimp hatching sectors of the country.

Use of proceeds:

The proceeds from the issuance of shares will be utilized for acquisition of 83.13% shares of similar yarn manufacturing company Modern Fibre Industries Limited (MFIL), established recently under the same management having latest technology. Balance amount shall be utilized for repayment of bank loan of both the MPIL and MFIL.

Board of Directors:

SI No	Name	Position
1	Mr.Abul Bashar Chowdhury	Chairman
2	Mr. Abu Sufian Chowdhury	Managing Director
3	Mr. Abul Mashud Chowdhury	Director
4	Mohammed Mustafa Haider	Director
5	Miss Rizwana Afroze	Director
6	Miss Farzana Afroze	Director

Directors Ownership in other Companies:

Sl. No.	Name	Name of other company where the Director is involved	Position
1	Mr. Abul Bashar Chowdhury	Modern Hatchery Limited Mutual Shipping Limited Asia Insurance Limited Novegra Network Solutions Limited Modern Fibre Industries Limited Modern Properties Limited Masud & Brothers Happy Enterprise	Chairman Chairman Chairman Chairman Chairman Managing Director Proprietor Proprietor
2	Mr. Abu Sufian Chowdhury	Modern Hatchery Limited Novegra Network Solutions Limited Modern Fibre Industries Limited Modern Properties Limited Mutual Shipping Limited Abu Sufian & Brothers	Managing Director Director Managing Director Director Director Proprietor
3	Mr. Abul Mashud Chowdhury	Novegra Network Solutions Limited Modern Hatchery Limited Modern Fibre Industries Limited J.k. Enterprise Uni-Trade	Managing Director Director Director Proprietor Partner
4	Mohammed Mustafa Haider	Samuda Chemical Complex Limited	Managing Director
5	Miss Rizwana Afroze	Samuda Chemical complex Ltd. Samuda Power Ltd Samuda Peroxide Ltd	Director Director Director
6	Miss Farzana Afroze	Samuda Chemical Complex Limited	Chairman

Ownership of Company's Securities

The Company's shareholding position as on 31 December 2009 is as follows:

Sl. No.	Names	Position	Number of Shares	Percentage (%)
1	Modern Hatchery Ltd.	Shareholder	43,380,000	86.07%
2	Mr. Abul Bashar Chowdhury	Chairman	780,000	1.55%
3	Mr. Abu Sufian Chowdhury	Managing Director	780,000	1.55%

4	Mr. Abul Masud Chowdhury	Director	780,000	1.55%
5	Mrs. Khaleda Begum	Share Holder	1,560,000	3.10%
6	Mohammed Mustafa Haider	Director	1,560,000	3.10%
7	Miss Rizwana Afroze	Director	780,000	1.55%
8	Miss Farzana Afroze	Director	780,000	1.55%
		Total	50,400,000	100

Performance at a Glance:

Tk. in million

Modern Poly Industries Limited

Particulars	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009
Turn Over (Sales)	981.08	1266.47	1347.57	1448.48	1005.43
<i>Growth</i>		29.09%	6.40%	7.49%	-30.59%
Cost of goods sold	889.50	1141.70	1215.95	1305.74	842.57
<i>Growth</i>		28.35%	6.50%	7.38%	-35.47%
Gross profit	91.58	124.77	131.62	142.74	162.86
<i>Growth</i>		36.24%	5.49%	8.45%	14.10%
Operating Expense	10.06	20.32	19.30	26.73	20.07
<i>Growth</i>		101.99%	-5.02%	38.50%	-24.92%
Financial Expense	31.23	9.21	8.75	3.28	0.156
<i>Growth</i>		-70.51%	-4.99%	-62.51%	-95.24%
Operating Profit	81.52	104.46	112.33	116.01	142.79
<i>Growth</i>		28.14%	7.53%	3.28%	23.08%
Net Profit	53.51	96.76	106.64	108.63	126.92
<i>Growth</i>		80.83%	10.21%	1.87%	16.84%
Total Assets	615.40	542.47	637.05	775.42	1504.71
<i>Growth</i>		-11.85%	17.44%	21.72%	94.05%
Net Assets	77.90	448.44	555.08	663.71	1341.67
<i>Growth</i>		475.66%	23.78%	19.57%	102.15%
NAV per share	8655.56	49826.67	61675.56	73745.56	26.62
<i>Growth</i>		475.66%	23.78%	19.57%	-99.96%
NAV per share (restated)	1.55	8.90	11.01	13.17	26.62
<i>Growth</i>		475.66%	23.78%	19.57%	102.15%
EPS*	5945.56	10751.11	11848.89	12070.00	2.52
<i>Growth</i>		80.83%	10.21%	1.87%	-99.98%
EPS (restated)	1.06	1.92	2.12	2.16	2.52
<i>Growth</i>		80.83%	10.21%	1.87%	16.84%

EPS has been calculated considering face value of Tk. 1000 up to 31.12.2008 and for the period ended on 31.12.09 face value is Tk. 10

TANGIBLE ASSETS PER SHARE

(As per audited accounts as on 31 December 2009)

Particulars	Amount (Tk.)
Fixed Asset	888,844,675
Investment	100,000,000
Current Assets	515,864,664
Total Assets	1,504,709,339
Less: Current Liabilities	163,040,853
Net Assets	1,341,668,486
Number of Shares	50,400,000
Net Tangible Asset Value Per Share	26.62

Description of Property

MPIL owns different categories of Fixed Assets the list of which is detailed below allowing with written down value:

(As per audited accounts)

Sl No.	Name of the Assets	Written Down Value (as at 31 December 2009)
1	Land and Land Development	301,996,275
2	Factory Building	115,350,989
3	Plant and Machinery	433,502,566
4	Power Line Fittings & Equipments	7,963,231
5	Air Conditioner & Refrigerator	1,643,427
6	Vehicles	2,350,050
7	Tube-well	43,988
8	Furniture and Fittings	493,216
9	Office Equipments	990,891
10	Tools & Equipments	29,899,991
Total		894,234,624

Revaluation of Assets

The Company has made revaluation of its assets in FY 2008 which have been reflected in the financial Statements of the Company. Particulars of the valuer and summary of report are as follows:

Name of Valuer : Syful Shamsul Alam & Co.
Qualification : A firm of Chartered Accountants
Work done : 31 December 2008
Reason for Revaluation : To incorporate the fair present value of the major assets of the company into the financial statements.

Consent of the eligible institutional investors regarding Indicative price

10 Institutional Investors have consented to the proposed indicative price of Tk. 64/- each, including premium of Tk. 54/- per share. The following table illustrates the list of Eligible institutional investors (EIIs) consenting to the indicative price:

Sl. No.	Name of the Organization	Category
1	One Bank Limited	Bank
2	Southeast Bank Limited	Bank
3	Mutual Trust Bank Limited	Bank
4	Fareast Islami Life Ins. Co. Ltd.	Insurance Company
5	Continental Insurance Limited	Insurance Company
6	Peoples Insurance Limited	Insurance Company
7	Fareast Finance & Investment Limited	Financial Institution
8	LankaBangla Finance Limited	Financial Institution
9	Bangladesh Mutual Securities Ltd.	Merchant Bank
10	BancoTrans word (Bangladesh) Ltd.	Merchant Bank

Description of the Acquiring Company

Project description

Modern Fibre Industries Limited incorporated on 17 January 2005 and it has gone to commercial operation on 10 July 2008. MFIL is a latest technology based company and envisages having the following products:

- POY (Partially Oriented Yarn)
- DTY (Drawn Texturised Yarn)
- FDY (Fully Drawn Yarn)

Background of the project

MPIL was established in 1999 with a vision to produce world-class quality yarn for the quality consumers. It has also carried the vision to establish itself as best quality provider with very competitive price. Bearing in mind that the lifeline of such project is modernization with latest technology, the management has taken initiative to establish a world class quality diversified synthetic yarn under the name of Modern Fibre Industries Limited having a capacity of 12,950 tons per annum on 24 hrs operation basis. Instead of expansion under MPIL separate company was formed to avail the tax holiday benefit for 5 years. The company has gone into commercial operation on 10 July 2008.

Rationale for take-over

To strengthen the competitive position of Modern poly in the yarn market and to become dominant player in the yarn market, the management has decided to take over the ownership of MFIL through acquisition of 99% of its share holdings from their existing shareholders.

The following benefits will be derived from acquisition of ownership of MFIL:

- i) The company is already in production, which took 1½ year to establish. The management of this company has invested nearly Tk 100 Million as equity and established its product in the market.
- ii) They will be able to produce world class yarn with latest technology
- iii) Profitability of MFIL will be higher than MPIL. EPS has been conservatively considered in the workings for financial projections.
- iv) Due to significant increase in aggregate production capacity the company will be able to minimize the risk of price war.
- v) Becoming the largest synthetic yarn producer of the country with best technology of the world

Justification of pricing

As a consideration of acquisition, the company has negotiated with the shareholders of MFIL to pay at fair price at current value. As per calculation of fair price of both the companies based on financials of 31 December, 2009 and as certified by a leading firm of Chartered Accountants "Syful Shamsul Alam & Co.", the sponsors of MFIL are eligible to havetimes of share capital. Since the company has shareholding of 16.42% with the MFIL, consideration is fixed at Tk.....million against shares of Tkmillion ,representing 83.13% shares of MFIL. This will enhance the company's ownership to 99.55% of MFIL. This amicable decision has been arrived at in view of the fact that both the MPIL & MFIL are benefited equally from this take over.

Major Financial Highlights of MFIL

	2009 Taka	2008 Taka
Property & Assets		
Fixed Assets -At cost less depreciation	792,765,950	750,131,645
Current Assets	359,574,404	357,488,475
Preliminary expenses & Pre Production revenue Ex.		10,545,458
Total Property & Assets	<u>1,152,340,354</u>	<u>1,118,165,578</u>
Equity & Liabilities		
Shareholders' Equity		
Share Capital	609,000,000	9,000,000
Share Money Deposit	-	100,000,000
Tax Holyday Reserve	33,262,994	
Revaluation Reserve	86,807,044	
Retained Earnings	51,201,315	(108,362)
	780,271,353	108,891,638
Long Term Loan	179,360,344	403,389,169
Current Liabilities	192,708,657	17,094,252
Current Account with Sister Concern	-	588,790,519
Total Equity & Liabilities	<u>1,152,340,354</u>	<u>1,118,165,578</u>

Profit & Loss Accounts

	2009 Taka	2008 Taka
Sales	891,676,853	399,849,332
Less: Operating Expenses	<u>734,981,801</u>	<u>359,711,881</u>
Gross Profit	156,695,052	40,137,451
Less :Operating Expenses	<u>27,421,601</u>	<u>9,079,182</u>
Profit from Operation	129,273,451	31,058,269
Less :Financial Exp.	<u>46,115,966</u>	<u>30,103,566</u>
	83,157,485	954,703
Preliminary Expenses Written off		1,171,717
	<u>83,157,485</u>	<u>(217,014)</u>
Add: Other Income	2,264,297	108,652
	<u>85,421,782</u>	<u>(108,362)</u>
Less Loss on Fire		<u>56,812,499</u>

Less Reserve for Tax Holyday	85,821,782	(56,920,861)
Provision for income tax	33,262,994	
Insurance Claim Receivable	849,111	
		56,812,499
Net Profit after Income Tax	51,309,677	(108,362)
Net Profit /Loss Carried forward	108,362	
Retained Earnings	51,201,315	(108,362)

Determination of offering price

The Issue Price will be determined by the Company in consultation with the MPILs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Tk. 10 and Issue Price is Tk.64/- including premium Tk. 54/-. Investors should read the following summary with the risk factors and the details about our Company and its financial statements.

Indicative Price for Book Building Purpose

Method 1: Share price on Net Asset Value (NAV) per share

Sl. No.	Particulars	Amount in Taka
1.	Share Capital	504,000,000
2.	Revaluation Surplus	551,035,697
3.	Un-appropriated Profit	286,632,789
	Total Shareholders' Equity	1,341,668,486
	Number of Ordinary Shares	50,400,000
	Net Assets Value per Share	26.62

Net Asset value of 2005, 2006 and 2007 was Tk. 15.45, Tk. 15.78 and Tk. 19.90 respectively. In 2008 NAV was Tk. 13.17, it was due to capital raise from 9 million to 504 million. In the year 2009 NAV shows Tk. 26.62, where NAV shows a positive and steady growth. The increasing trend of NAV per share reflects that MPIL has been consistently investing in fixed assets, which is extremely important to maintain profit growth in a continuously fluctuating business environment. Considering the capital intensive nature of MPIL, NAV would be one of the powerful indicator of profitability and sustainability of the company.

Method 2: Earning-based-value per share

Earning based valuation methodologies are more appropriate for any mature company. MPIL have already proved their market potentiality, strength of company's asset and as well as growth of market share.

We set out below the calculation of five-year historical average Earning Per Share (EPS) as of 31 December 2009

Year	Earnings after Tax (Tk.)
2009	126,921,763
2008	108,631,177
2007	106,635,762
2006	96,757,863
2005	32,106,512
Average Net Income	94,210,615
Current share outstanding	50,400,000
Average Earning per Share (EPS)	1.87

The average price to earnings ratio (P/E) for all companies listed on the Dhaka Stock Exchange during the same five-year period from 2005-2009 was Tk 17.32 ,as we illustrate in the calculation bellow:

Market P/E (month end)	2005	2006	2007	2008	2009
January	16.94	13.26	16.29	23.36	17.24
February	16.81	12.73	16.28	23.48	16.78
March	17.54	13.27	15.67	23.07	15.55
April	13.97	12.73	15.03	23.94	16.31
May	15.43	11.06	16.4	24.75	15.96
June	15.51	10.66	17.28	22.8	18.44
July	13.32	11.37	18.95	19.78	17.53
August	14.11	13.32	19.87	19.96	17.5
September	14.36	13.78	19.79	20.65	18.21
October	14.24	13.25	22.7	18.72	20.38
November	14.03	13.6	23.29	17.06	25
December	13.85	14.51	23.58	18.42	25.65
Total	180.11	153.54	225.13	255.99	224.55
Yearly average	15.01	12.80	18.76	21.33	18.71
5 years average					17.32

An implied offer price based on five-years average EPS of MPIL and five-years average Dhaka stock Exchange P/E ratio of 17.32 X average price to earnings ratio (P/E) of Tk1.87 per share.

Offer price = Five years historical EPS X DSE P/E ratio
= 32.38

Method 3: Projected Earning per Share

Another valuation methodology is to determine our share price based on projected earnings per share. The projection included herein has been prepared solely by us and are based on a variety of assumptions and predictions, past performance and future trends. These projections are forward-looking statements that involve inherent risks and uncertainties. A number of factors, including without limitation, change of market condition, regulatory policy, economic environment, political developments and regional and global economic events or circumstances including relating to us specifically, could cause actual results or outcomes relating to us to differ materially from those set forth in these projections.

For the pricing of the public offering, we have considered our future business performance and its possible effect on our financial performance. We expect that, this indicator will help us to justify our offering price.

Year	EPS
2010	2.76
2011	3.84
2012	4.30
Average	3.63

The average price to earnings ratio (P/E) for all companies listed on the Dhaka Stock Exchange during last 12 months (January 2009 to December 2009) was Tk 18.71, as we illustrate in the calculation below:

Month	P/E Ratio
January,09	17.24
February,09	16.78
March,09	15.55
April,09	16.31
May,09	15.96
June,09	18.44
July,09	17.53
August,09	17.50
September,09	18.21
October,09	20.38
November,09	25.00
December,09	25.65
Total	224.55
Average	18.71

An implied offer price, based on last 12 months average of Dhaka stock Exchange P/E ratio of 18.71 X average projected EPS of MPIL of Tk 3.63 per share.

$$\begin{aligned} \text{Offer price} &= \text{DSE P/E ratio} \times \text{average projected EPS} \\ &= \text{Tk. } 67.98 \end{aligned}$$

Method 4: Valuation with reference to average market price of similar stocks

Based on average P/E ratio of five similar companies, the price stands at Tk. 129.55 per share.

Offer price = EPS of MPIL as on 31 December 2009 X Average P/E ratio of similar company.

AVERAGE PRICE/BOOK VALUE OF THE SYNTHETIC INDUSTRY

We have adopted following measures to find out the representative Price/Earning (P/E) for valuation of MPIL

1. We have analyzed the distribution of P/E multiples of the companies listed with Bangladesh stock exchange(s) categorized under different pertinent parameters. A company may appear in more than one category if it qualifies to be included in those categories.

2. We have considered only manufacturing and marketing companies in each category to make the comparison more relevant.

3. In order to remove the impact of regular price variations we have considered six months' average price of the comparables in determination of their P/E multiples covering a period of 1 July, 2009 to 31 December, 2009. The price of the comparables at Dhaka Stock Exchange is used for the purpose

4. During the calculation of P/E, we have considered only the companies listed with Dhaka Stock Exchange having positive Price Earning.

5. Finally, the representative P/E multiple is determined by calculating the weighted average P/E ratio of the average P/E multiples of each category of comparables.

AVERAGE PRICE/BOOK VALUE OF THE SIMILAR INDUSTRY

Company Name	6- Month Avg. Market Price (Tk.)	EPS (Tk.)	P/E
Beximco Synthetic	442.83	3.41	129.86
Prime Textile	385.42	10.59	36.39
Square Textile	101.95	4.91	20.76
Saiham Textile	321.92	11.52	27.94
HR Textile	263.63	11.34	23.254
Average			47.64

AVERAGE PRICE/BOOK VALUE RATIO OF THE COMPANIES HAVING EQUITY OF BDT 400 MILLION TO BDT 800 MILLION

Company Name	Equity (million)	6- Month Avg. Market Price (Tk.)	EPS (Tk.)	P/E
Jamuna Oil	450	350.03	11.36	30.81
Heidelberg Cement BD. Ltd.	565	1782.29	104.86	17.00
Eastern Housing Ltd	621	667.29	18.28	36.50
National Housing Limited	520	982.13	18.50	53.09
S Alam Cold Storage Ltd.	533	792.29	22.86	34.66
Average				34.41

The Equity of MPIL (BDT 504 Million as on 31 December 2009) falls within the above Equity range

AVERAGE PRICE/BOOK VALUE RATIO OF THE COMPANIES HAVING NPAT OF BDT 80 MILLION TO BDT 200 MILLION

Company Name	NPAT(Million)	6- Month Avg. Market Price (Tk.)	EPS (Tk.)	P/E
Singer BD. Limited	153.08	2382.63	68.22	34.93
Glaxo Smithkline Bd. Ltd.	142.95	552.32	11.87	46.53

Rekitt Benckiser Bd. Ltd.	165.62	1047.23	35.05	29.88
National Tubes Ltd.	85.44	1990.46	56.90	34.98
Summit Alliance Port Limited	175.19	2106.42	19.93	105.69
Average				50.40

The NPAT of MPIL (BDT 131 Million as on 31 December 2009) falls within the above NPAT range

AVERAGE PRICE/BOOK VALUE RATIO OF THE COMPANIES HAVING EPS OF BDT 1.5 TO BDT 5.00

Company Name	6- Month Avg. Market Price (Tk.)	EPS (Tk.)	P/E
Eastern Lubricants Ltd.	741.52	4.18	177.40
Beximco Pharma Ltd.	160.92	3.61	44.57
Keya Cosmetics Ltd.	72.97	3.01	24.24
Sinepokur Ceramics Ltd.	94.22	2.14	44.03
Ambee Pharma	239.85	3.17	75.66
Average			73.18

The EPS of MPIL (BDT 2.61 as on 31 December 2009) falls within the above EPS range

Average P/E ratio of Similar Company

Categories of Comparable Companies	Avg. P/E Ratio	Assigned Weight	Weighted P/E Value
A. Average p/e ratio of the related companies	47.64	0.25	11.91
B. Average price/book value ratio of the companies having equity of BDT 400 million to BDT 800 million	34.41	0.25	8.60
C. Average price/book value ratio of the companies having NPAT of BDT 80 million to BDT 200 million	50.40	0.25	12.60
D. Average price/book value ratio of the companies having EPS of BDT 1.5 to BDT 5.00	73.18	0.25	18.30
		1.00	51.41

FINDINGS AND CALCULATION OF REPRESENTATIVE PRICE/BOOK VALUE MULTIPLE

Based on average P/E ratio of six similar companies, the price stands at Tk. 129.55 per share.

Offer price = EPS of MPIL as on 31 December 2009 X Average P/E ratio of similar company

$$= 2.52 \times 51.41$$

$$= 129.55$$

Average Price Calculation

Particulars	Amount (Tk.)
Method 1: Share price on Net Asset Value (NAV) per share	26.62
Method 2: Earnings based value per share	32.38
Method 3: Projected Earning per Share	67.98
Method 4: Valuation with reference to average market price of similar stocks	129.55
Average price	64.13

The face value of the shares of the Company is Tk. 10/- per share and the issue price is Tk. 64 per share is of the Company where premium is Tk.54. MPIL believes that the issue price of Tk. 64 is justified in view of the above factors. See the section titled "Risk Factors" and "Financial Statements" of this Prospectus, including important profitability and return ratios, as set out in the Prospectus.

RISK FACTORS AND MANAGEMENT'S PERCEPTION ABOUT RISKS

An industry involves both external and internal risk factors having direct as well as indirect effects on the investments by the shareholders. Before making any investment decision, investors should take the risk factors into consideration. The assessable risk factors, both external and internal, and management's perception thereabout are enumerated below:

a) Interest rate risks:

Interest/financial charges are paid against any kind of borrowed fund. Rising of interest rate increases the cost of fund and consequently there may have impact on profitability.

Management's Perception: The Company does not have any project loan and borrowed funds are required only for the working capital. Hence, the impact of financial expenses is very insignificant for the company. However the company being one of the units of modern group maintains good relationship with the banks to enjoy very competitive rates of interest.

b) Exchange rate risks:

(i) The Company imports raw materials against payment of foreign currency. Unfavorable volatility or currency fluctuations may affect the profitability of the Company.

Management's Perception: Company is fully aware of the risks related to currency fluctuations and as a prudent management company always takes steps to hedge all major currency dealings to safeguard the interest of the Company.

(ii) Significant part of the products of the company are also exported and hence sold against foreign currency. If exchange rate increases against local currency an opportunity is created for getting more revenue against sale in local currency. On the other hand if exchange rate goes down margin is squeezed in local currency.

Management's Perception: Exchange rates of the country traditionally witness upward trend, which creates ample opportunity for export. On the other hand, the

management perceives revaluation of the local currency i. e. down trend of exchange rate will have little impact on the profitability of the Company.

c) Industry risks:

The phasing out of MFA has created a tough competitive environment in the export market, where Bangladesh is now competing against countries like China, India, Pakistan, Indonesia, Thailand, Vietnam etc. These countries are traditionally very strong in production as well as export of textile goods.

Management's Perception: The textile industry of Bangladesh has successfully coped with the post MFA competitive situation. The force, which is helping this sector for its strong existence, is the emergence of backward linkage industry. Backward linkage industries are providing strong support by minimizing the lead-time and cost of production. The Company is a backward linkage industry. Producing yarn assures better stability and existence for the Company

d) Market & Technology related risks:

(i) Market Risks:

Among the functional areas in a yarn company, the role of marketing is the most crucial. Proper implementation of the marketing tools as well as identifying new clients is critical for ensuring continued success of the Company. Continuous changes on preference in the garment and textile market will force the Company to catch the trend for which the Company has to produce yarn commensurate with the international demand and changed trend.

Managements Perception: The Company set its focus mainly in country's export market through inland back-to-back letter of credits. The sales of the Company takes place through direct contact with the customers (Knitting & weaving industries) by understanding their needs. The Company also has established relationship with potential buyers across the country and expects to find market for its capacity despite competition prevailing in the sector.

(ii) Technology related Risks:

Technology always plays vital role for the existence of any industrial concern. Innovation of new and cost effective technology may render the existing technology obsolete, which may cause negative impact on the performance of the Company.

Management's Perception: The project is equipped with modern machinery and technology and to cope up with the pace in the modern textile world, the Company is frequently upgrades its machinery. Moreover the company has decided to acquire almost 100% ownership of newly established company Modern Fibre Industries limited engaged in producing similar synthetic products with the latest technology.

e) Potential or existing Government regulations:

The Company operates under The Companies Act, taxation policy adopted by NBR, regulations of Securities and Exchange Commission (SEC) and rules adopted

by other relevant regulatory organizations. Any abrupt changes in the policies formulated by those bodies may leave adverse impact on the business of the Company.

Management's Perception: Unless any adverse policies are taken, which may materially affect the industry as a whole; the business of the Company will not be affected. Government emphasizes on the growth of yarn Industry to boost up the export. Yet the promoters and the sponsors have always endeavored to convince the policy makers for adopting favorable terms & conditions for the industry, which will eventually help the yarn manufacturers of Bangladesh to compete with the low cost locations in the global arena.

f) Potential changes in global or national policies:

The performance of the company may be affected by the political and economical instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general.

Management's Perception: These are inherent and unforeseen risks which are common for all types of business enterprises. The management of MPIL, being a unit of Modern group, has the depth and maturity to withstand any such challenges.

g) Non-operating history:

There is no history of non operation in case of MPIL.

Management's Perception: The management of MPIL believes in continuous growth and success of the Company and therefore formulates policy strategies to make it the best performing company in Bangladesh in its field of operation.

h) Operational Risks:

i) Shortage of power supply, labor unrest, natural calamities like flood, cyclone, earthquake etc. may disrupt the production of the Company and can adversely impact on the profitability of the Company.

Managements Perception: Captive power plant managed by the group is adequate to meet the company's power requirement, in addition to PDB's standby line. The Company always provide competitive compensation package to its employees and maintain a healthy worker management relationship. The factory is situated at PAB Road, Charpatharghata, P.S:- Karnafully, Chittagong at highway on a high land where there was no past record of flood.