

# M.I. CEMENT FACTORY LIMITED

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

**Disclaimer:**

The contents of this presentation are entirely based on disclosures made by the company. Therefore, DSE does not assume any responsibility on the authenticity of the facts and figures presented thereof.

**Brief Overview of the Company:**

- |  |                     |
|--|---------------------|
| 1. <b>Date of Incorporation</b>        | : 31 December 1994  |
| 2. <b>Converted to Public Ltd. Co.</b> | : 31 December 1994  |
| 3. <b>Year of Commencement</b>         | : 2000              |
| 4. <b>Authorized Capital</b>           | : Tk. 5,000 million |
| 5. <b>Paid up Capital (Pre IPO)</b>    | : Tk. 700 million.  |
| 6. <b>Financial year</b>               | : July-June         |

**Details of the Issue:**

Particulars	No. of Ordinary Shares	Face Value (Tk.)	Proposed Indicative Price	Capital in Taka
Pre-IPO Paid up capital	70,000,000	10	93	700,000,000
IPO	30,000,000	10		300,000,000
Paid up capital after IPO	100,000,000	10		1,000,000,000

**Capital Structure:**

Particulars	No of shares	Amount
Authorized Capital	500,000,000	5,000,000,000
<b>Paid up share Capital prior to IPO</b>	Shares	Amount
Issued & fully paid up capital as on 31 December 2009	20,000,000	200,000,000
Shares issued other than cash	7,344,000	73,440,000
Bonus Share Issue	42,656,000	426,560,000
<b>Total</b>	<b>70,000,000</b>	<b>700,000,000</b>
Ordinary share capital after IPO		
Issued & fully paid up capital as on date	70,000,000	700,000,000
<b>IPO (Initial Public Offering)</b>	<b>30,000,000</b>	<b>300,000,000</b>
<b>Total Capital after IPO</b>	<b>100,000,000</b>	<b>1,000,000,000</b>

**Issue Manager** : Alliance Financial Services Limited  
**Auditor** : ACNABIN

## **Company at a glance**

MI Cement Factory Limited (MICFL) was founded by 2 leading business groups of the country, namely Molla Group and Jahangir & Others Group. The group sponsors started their business in 1965 through trading of construction materials such as Cement, MS Rod, Steel Structure and gradually expanded its business into manufacturing and trading of construction materials such as Cement, Mild Steel. MS Rod, MS Bar, MS Angel, Billet' CI Sheet. They have also diversified their business in Iodized Salt and Power Generation. Annual turnover of the Groups in 2008-09 was approximately BDT 18 billion.

M.I. Cement Factory Limited laid down its foundation stone on December 11, 1998 and the plant, equipped with the world famous O'Sepa Separator, went into operation with its production capacity of 600 metric tons. It marketed the product with the brand name of Crown Cement. Following such investment, due to its relative remarkable preference by the consumers in the market, M.I. Cement Factory Limited set up the consequent 2nd and 3rd units that finally led to rise of production capacity to 2800 metric tons per day. Currently, MICFL decided to undertake 4th unit of the plant in order to enhance the capacity to 5800 metric tons per day. After this expansion the company will be able to place itself within top five companies of the country in terms of production capacity.

M.I Cement Limited was incorporated as a public limited company in 31 December 1994 under Companies Act 1994.

### **Nature of Business**

The principal activities of the company are manufacturing and marketing of Ordinary Portland Cement and Portland Composite Cement under "CROWN CEMENT" brand.

### **Directors Ownership in other Companies:**

<b>Name of the directors</b>	<b>Name of the Company</b>	<b>Relationship</b>
1. Md. Jahangir Alam	Crown Power Generation Limited. GPH Ispat Ltd. Premier Cement Mills Ltd Jahangir and others Ltd. GPH Power Generation Limited Premier Power Generation Ltd.	Chairman Managing Director Director Managing Director Managing Director Director
2. Al-Haj Khabiruddin Molla	Crown Power Generation Limited Molla Salt (triple refined) Industries Ltd Ahmed Hossain & Co.	Managing Director Managing Director Proprietor
3. Md. Alamgir Kabir	Crown Power Generation Limited GPH Ispat Ltd Premier Cement Mills Ltd Jahangir and Others Ltd. GPH Power Generation Premier Power Generation Limited	Director Director Director Director Director Director
4. Md. Molla Mohammed Maznu	Crown Power Generation Limited M.M. Salt Industries Limited Molla Salt (triple refined) Industries Ltd	Director Director Director
5. Md. Mizanur Rahman Molla	Crown Power Generation Limited Molla Salt (triple refined) Industries Ltd M.M. Salt Industries Limited	Director Director Proprietor

6. Md. Almas Shimul	Crown Power Generation Limited GPH Ispat Ltd. GHP Power Generation Limited Jahangir & Others Ltd.	Director Director Director Director
---------------------	--	--

### **Ownership of Company's Securities as on 31st December 2009**

<b>Sl. No</b>	<b>Names of the Shareholders</b>	<b>Status</b>	<b>Total No. of Share Issued</b>	<b>Shareholding Position</b>
1	Md. Jahangir Alam	Chairman	1,550,500	22.15%
2	Al-Haj Khabiruddin Molla	MD	1,400,000	20.00%
3	Md. Alamgir Kabir	Director	969,500	13.85%
4	Md. Molla Mohammed Maznu	Director	700,000	10.00%
5	Md. Mizanur Rahman Molla	Director	700,000	10.00%
6	Md. Almas Shimul	Director	490,000	7.00%
7	Al-Haj Abdur Rouf	Shareholder	175,000	2.50%
8	Mrs. Al-haj Rokeya Begum	Shareholder	700,000	10.00%
9	Md. Ashrafuzzaman	Shareholder	175,000	2.50%
10	Md. Abdul Ahad	Shareholder	140,000	2.00%
	<b>Total</b>		<b>7,000,000</b>	<b>100%</b>

## Performance at a Glance:

Tk. in million

Particulars	30.06.2005	30.06.2006	30.06.2007	30.06.2008	30.06.2009	31.12.2009	Annualized
Turn Over (Sales)	947.69	1156.37	1433.98	1927.19	2290.36	1360.62	2721.24
<i>Growth</i>		22.02%	24.01%	34.39%	18.84%		18.81%
Cost of goods sold	833.97	1014.14	1257.60	1717.28	1893.23	1121.97	2243.94
<i>Growth</i>		21.60%	24.01%	36.55%	10.25%		18.52%
Gross profit	113.72	142.23	176.38	209.91	397.13	238.65	477.3
<i>Growth</i>		25.07%	24.01%	19.01%	89.19%		20.19%
Operating Expense	69.14	57.79	69.30	39.53	54.08	43.48	86.96
<i>Growth</i>		-16.42%	19.92%	-42.96%	36.81%		60.80%
Financial Expense	49.34	48.42	52.08	53.08	103.14	32.49	64.98
<i>Growth</i>		-1.86%	7.56%	1.92%	94.31%		-37.00%
Operating Profit	51.94	84.44	107.08	201.27	400.85	210.1	420.2
<i>Growth</i>		62.57%	26.81%	87.96%	99.16%		4.83%
Net Profit	2.60	36.03	54.99	95.31	187.73	111.55	223.1
<i>Growth</i>		1285.77%	52.62%	73.32%	96.97%		18.84%
Total Assets	625.06	596.16	745.16	1607.39	1521.36	1782.13	
<i>Growth</i>		-4.62%	24.99%	115.71%	-5.35%		
Net Assets	278.49	314.42	372.82	552.59	740.32	1104.42	
<i>Growth</i>		12.90%	18.57%	48.22%	33.97%		
NAV per share	139.25	157.21	186.41	276.30	370.16	157.77	
<i>Growth</i>		12.90%	18.57%	48.22%	33.97%		
NAV per share (restated)	39.78	44.92	53.26	78.94	105.76	157.77	
<i>Growth</i>		12.90%	18.57%	48.22%	33.97%		
EPS	1.30	18.02	27.50	47.66	93.87	15.94	31.87
<i>Growth</i>		1285.77%	52.62%	73.32%	96.97%		-66.05%
EPS (restated )	0.37	5.15	7.86	13.62	26.82	15.94	31.87
<i>Growth</i>		1285.77%	52.62%	73.32%	96.97%		18.84%

## TANGIBLE ASSETS PER SHARE

Particulars	31-12-2009 Taka	30-06-2009 Taka
Share Capital (As on B/S)	700,000,000	200,000,000
Share Money deposits	-	84,456,000
Revaluation Reserve	263,570,090	-
General Reserve	-	28,338,312
Retained Earnings	140,851,783	427,525,557
<b>Net Assets</b>	<b>1,104,421,873</b>	<b>740,319,869</b>
Less: Intangible Assets (Preliminary Expenses)	-	-
Net Tangible Assets	1,101,421,873	740,319,869
Total Ordinary Shares	7,000,000	2,000,000
Net tangible assets per share ( Tk. 100 per Share)	157.346	370.160
Net tangible assets per share ( Tk. 10 per Share)	15.73	37.01

### Description of Property

The Company owns the following fixed assets at written down value as on 30 June 2009 & December 31, 2009.

(As per audited accounts)

Name of the Assets	Written Down Value As at 31 December 2009	Written Down Value As at 30 June 2009
<b>a. At Cost</b>		
<b>Factory</b>		
Land & Land Development	163,678,824	161,041,910
Factory & Building Unit-I & II	72,750,831	74,616,237
Factory & Building Unit- III	51,621,937	52,920,577
Plant & Machineries (Unit-I & II)	81,465,135	85,752,774
Capital Machinery -Unit-III	242,870,552	255,653,212
Fly Ash Unloading System	28,608,611	30,114,328
Electric Tools	5,401	5,839
Generator	1,073,516	1,192,796
Electric Equipment	10,836,170	11,714,778
Water Pump	184,496	204,996
Jetty & Jetty Construction	18,449,153	19,315,550
Electric Fan	58,178	59,890
Grabe Crane	769,802	832,219
Sundry Assets	603,345	652,265
Electronic Weigh Bridge	1,196,995	1,294,049
Quality Control Equipment	1,139,035	1,081,389
Pay Loader	4,386,990	4,742,692
Weigh Feeder	4,331,767	4,682,991
Wheel Loader	3,683,076	3,981,703
Service Silo	12,914,803	13,961,950
Pump House	642,876	85,814
Laboratory Instrument	968,005	1,010,652
Boundary Wall	6,539,700	6,496,327

<b>Total</b>	<b>708,779,199</b>	<b>731,414,937</b>
<b>Administrative</b>		
Air Conditioner	547,303	427,679
Office Decoration	1,101,327	1,159,292
Office Equipment	1,626,139	1,757,988
Motor Vehicles	6,100,597	6,595,240
Computer & Accessories	1,231,312	1,270,324
Furniture & Fixture	1,700,546	1,768,394
Construction of Mosque	263,646	270,406
<b>Total</b>	<b>12,570,870</b>	<b>13,249,323</b>
Selling & Distribution		
Cargo Vessel	2,506,519	2,638,441
Covered van	38,230,159	41,329,902
Motor Cycles	865,486	688,661
Bulk Carrier	18,168,014	19,641,097
Ramp Construction	35,977	37,870
Service Silo	2,412,880	2,539,874
Truck Open	2,906,304	3,141,950
<b>Total</b>	<b>65,125,339</b>	<b>70,017,794</b>
<b>Total (Unit I+II+III)</b>	<b>786,475,408</b>	<b>814,682,054</b>
<b>b. Revaluation</b>		
Land & Land Development	201,793,090	
Factory & Building Unit-I & II	43,218,530	
Factory & Building Unit- III	18,558,470	
<b>Total</b>	<b>263,570,090</b>	
<b>Total Assets (a+b)</b>	<b>1,050,045,498</b>	<b>814,682,054</b>

### Consent of the eligible institutional investors regarding Indicative price

12 institutional investors have consented to the proposed indicative price of Tk 93/- each, including premium of Tk.83/- 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	Indicative Offer (Tk.)
1	Banco Trans World (Bangladesh) Limited	Merchant Bank	93
2	Mercantile Securities Limited	Merchant Bank	87
3	Bangladesh Mutual Securities Limited	Merchant Bank	93
4	Asia Insurance Limited	Insurance Company	93
5	Janata Bank Limited	Bank	93
6	United Commercial Bank Limited	Bank	93
7	One Bank Limited	Bank	93
8	Swadesh Investment Management Limited	Merchant Bank	93
9	IIDFC Capital Limited	Merchant Bank	93
10	Rupali Insurance Limited	Insurance Company	93
11	Shahjalal Islami Bank Limited	Bank	93
12	Mercantile Bank Limited	Bank	93

## Determination of Offering Price

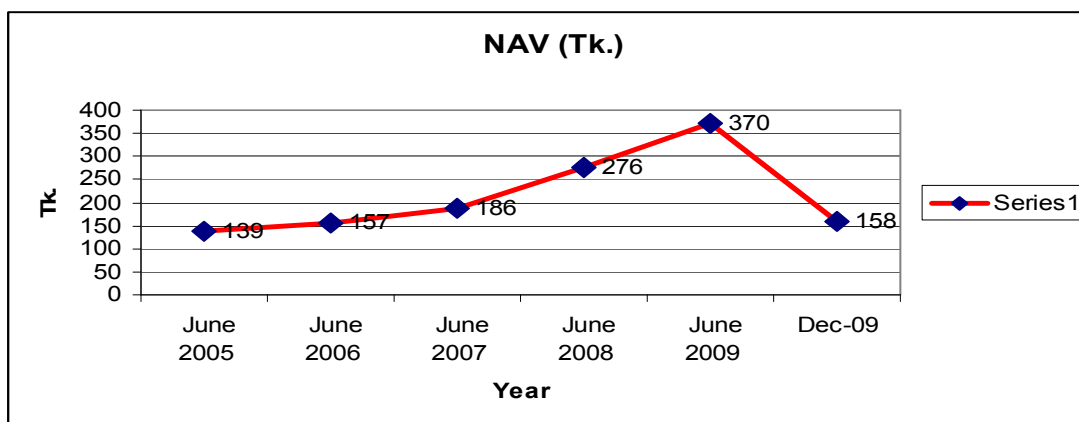
The Issue Price will be determined by the Company in consultation with the MICFLs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Tk. 10 and the Issue Price is Tk. [ ] times the face value. Investors should read the following summary with the risk factors beginning from page iii and the details about the Company and its financial statements included in this Draft Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risk factors.

### Indicative Price for Book Building Purpose (may be revised)

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

Particulars	31-12-2009 (Taka)
Shareholders' fund	700,000,000
Revaluation Reserve	263,570,090
Retained Earnings	140,851,783
Net Assets	1,104,421,873
Total Ordinary Shares	7,000,000
Net Assets per share ( Tk. 100 per Share)	157.77
Net Assets per share ( Tk. 10 per Share)	15.78

Net Asset value of 2005-2006, 2006-2007, 2007-2008 and 2008-2009 was Tk. 139 Tk. 157, Tk.186, Tk. 276 and Tk. 370 respectively where share price was Tk 100 each. Which shows a positive and steady growth. The increasing trend of NAV per share reflects that MICFL has been consistently investing in fixed assets, which is extremely important to maintain profit growth in a competitive business environment. In the interim session NAV shows Tk 158, this is due to increase capital from Tk.200 million to Tk. 700 million. Considering the capital-intensive nature of MICFL, 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. We set out below the calculation of five-year historical average Earning Per Share (EPS) as of 31 December 2009

<b>Year</b>	<b>Net Profit After Tax (Tk.)</b>
December, 2009 (annualized)	223,095,828
June, 2009	187,731,805
June, 2008	95,314,883
June, 2007	54,991,942
June, 2006	36,027,019
<b>Total</b>	<b>597,161,477</b>
Average of Net Profit	119,432,295
No. of Shares	7,000,000
<b>Average EPS (Tk. 100 per Share)</b>	<b>17.06</b>
<b>Average EPS (Tk. 10 per Share)</b>	<b>1.71</b>

The average price to earnings ratio (P/E) for all companies listed on the Dhaka Stock Exchange during the same five-year period from 2004-2008 was Tk. 17.32, as illustrated in the calculation below:

<b>Market P/E (month end)</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
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
<b>5 years average</b>					<b>17.32</b>

Source: DSE monthly Review as on 31 December 2009

An implied offer price based on five-years average EPS of MICFL and five-years average Dhaka stock Exchange P/E ratio of 17.32 X average prices to earnings ratio (P/E) of Tk.1.706 per share.

$$\begin{aligned}
 \text{Offer price} &= \text{Five years historical EPS X DSE P/E ratio} \\
 &= 1.71 \times 17.32 \\
 &= \text{Tk. 29.62}
 \end{aligned}$$

### **Method 3: Projected Earning per Share**

Another valuation methodology is to determine the share price based on projected earnings per share. The projection included herein has been prepared on the basis of 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, could cause actual results or outcomes to differ materially from those set forth in these projections.

For the pricing of the public offering the future business performance and its possible effect on the financial performance have been considered. This indicator will help us to justify the offering price.

Year	EPS
2009-2010	4.56
2010-2011	5.59
2011-2012	9.02
Average	6.39

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 bellow:

Month, 2009	P/E Ratio
January	17.24
February	16.78
March	15.55
April	16.31
May	15.96
June	18.44
July	17.53
August	17.50
September	18.21
October	20.38
November	25.00
December	25.65
Total	224.55
<b>Average</b>	<b>18.71</b>

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 MICFL of Tk. 6.39 per share.

$$\begin{aligned}
 \text{Offer price} &= \text{DSE P/E ratio X average projected EPS} \\
 &= 18.71 \times 6.39 \\
 &= \text{Tk. 119.56/-}
 \end{aligned}$$

**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 207. 60 per share.

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

**AVERAGE PRICE/EARNINGS OF THE CEMENT INDUSTRY**

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

1. We have analyzed the distribution of P/BV 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.

#### A. AVERAGE P/E RATIO OF THE RELATED COMPANIES

<b>Company Name</b>	<b>6-Month Avg. Price</b>	<b>EPS</b>	<b>P/E Ratio</b>
Heidelberg Cement BD.	1782.29	104.86	17.00
Lafarge Surma Cement	493.08	3.04	162.20
Meghna Cement	901.75	10.28	87.72
Aramit Cement	435.38	1.72	253.13
	<b>Average</b>		<b>130.01</b>

#### B. AVERAGE P/E RATIO OF THE COMPANIES HAVING EQUITY OF BDT 500 MILLION TO BDT 900 MILLION

<b>Company Name</b>	<b>Capital</b>	<b>6-Month Avg. Price</b>	<b>EPS</b>	<b>P/E Ratio</b>
Summit Alliance Port Ltd.	879	2106.42	19.93	105.69
Eastern Housing Ltd.	621	667.29	18.28	36.50
National Housing	520	982.13	18.50	53.09
S Alam Cold Rolled Steel	533	792.29	22.86	34.66
Square Textile	706	101.95	4.91	20.76
		<b>Average</b>		<b>50.14</b>

#### C. C. AVERAGE P/E RATIO OF THE COMPANIES HAVING NPAT OF BDT 100 MILLION TO BDT 300 MILLION

<b>Company Name</b>	<b>NPAT</b>	<b>6-Month Avg. Price</b>	<b>EPS</b>	<b>P/E Ratio</b>
Singer Bangladesh	153.08	2382.63	68.22	34.93
Atlas Bangladesh	223.89	480.98	16.79	28.65
Padma Oil Company	234.19	1127.27	23.90	47.17
Glaxo SmithKline	142.95	552.32	11.87	46.53
Reckitt Benckiser (Bd.) Ltd.	165.62	980.72	35.05	27.98
		<b>Average</b>		<b>37.05</b>

#### D. AVERAGE P/E RATIO OF THE COMPANIES HAVING EPS 15% TO 50%

<b>Company Name</b>	<b>EPS%</b>	<b>6-Month Avg. Price</b>	<b>EPS</b>	<b>P/E Ratio</b>
Libra Infusion Limited	34.93%	1867.67	34.93	53.47
BOC Bangladesh	20.62%	406.00	20.62	19.69
Eastern Cable	15.09%	740.67	15.09	49.08
Shine Pukur Ceramics Ltd	21.40%	81.30	2.14	37.99
Rangpur Foundry	20.70%	115.13	2.07	55.62
		Average		43.17

### 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	130	0.25	32.50
B. Average price/book value ratio of the companies having equity of BDT 500 million to BDT 900 million	50.14	0.25	12.53
C. Average price/book value ratio of the companies having NPAT of BDT 100 million to BDT 300 million	37.05	0.25	9.26
D. Average price/book value ratio of the companies having EPS of 15% to 40%	43.17	0.25	10.79
		1.00	65.08

### FINDINGS AND CALCULATION OF REPRESENTATIVE PRICE/BOOK VALUE MULTIPLE

Based on average P/E ratio of six similar companies, the price stands at Tk.132 per share.

**Offer price = Annualized EPS of MICFL based on 31 December 2009 X Average P/E ratio of similar company**

$$= 3.20 \times 65.08$$

$$= 207.60$$

Average Price Calculation

Particulars	Amount (Tk.)
Method 1: Share price based on Net Asset Value (NAV) per share	15.78
Method 2: Earnings based value per share	29.62
Method 3: Projected Earnings per Share	119.56
Method 4: Valuation with reference to average market price of similar stocks	208.26
<b>Average price</b>	<b>93.31</b>

The face value of the shares of the Company is Tk. 10/- per share and the issue price is Tk.93/- per share is of the Company. MICFL believes that the issue price of Tk. 93/- is justified in view of the above qualitative and quantitative 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 & management's perception about the risks**

Investors should be aware that there are risks associated with a particular investment in the company. These risks may result in loss of income or capital investment. Investors should carefully consider all the risks and uncertainties associated to the company along with all the information provided in this prospectus before taking decision to invest in shares of M I Cement Factory Limited.

### **Sourcing of raw materials**

Main raw material of cement is the clinker which is imported from different sources. The company's business is dependent upon its ability to source sufficient clinker at competitive price for its operations.

### ***Management perception***

The company has bilateral arrangement with a group of independent suppliers of raw materials. Therefore, it is expected that the company will have smooth flow of raw materials. Besides, clinker can also be procured from local sources .

### **Distribution network**

Many strong producers of cement including multinationals are competing in the domestic market but the Company depends on its own distribution network for the sale of its products.

### ***Management Perception***

The company's products are currently marketed through a distribution network comprising of around 61 (sixty) distributors/dealers/commission agents and 56 (fifty six) market organizers who in turn sell the products to end users such as contractors, retailers, and other similar groups. The company also markets its products directly to institutions and corporate bodies. Since the distributors/dealers/commission agents have day-to-day contact with customers, the company is exposed to the risk of its distributors/dealers/commission agents failing to adhere to the standards set for them in respect of sales and after-sales service, which in turn could affect customer perception of the company's brands and products. If the competitors of the company provide better commercial terms to the dealers, they may be persuaded to promote the products of the competitors instead of the company.

### **Rise in Input Costs may affect profitability**

The input costs of the products of the company may increase due to various reasons, such as increased cost of raw materials and other variable costs that adversely affect the input costs. In such case, if the company is not able to pass on such increase to the consumers because of competition or otherwise, it may affect the profitability of the Company.

### ***Management Perception***

The company constantly endeavors to procure raw materials and packing materials at the lowest prices using its long-term association with the suppliers and constant development of new sources of the same. The Company also follows prudent pricing policy to keep the costs under check. The risk on account of price fluctuation in raw material is reduced to a significant extent by passing incremental raw material cost to the prices of finished products thereby insulating the Company from fluctuations in raw material prices. Profitability will depend upon the extent up to which the company is able to pass on the burden of rise in the price of raw material to the consumers.

### **Future results of the Company may be adversely affected if the Company fails to implement the proposed expansion:**

The company has undertaken very optimistic expansion plan and expected to complete within one year. In case of failure to implement as per schedule the company will suffer significantly in terms of profitability, cost overrun as well as market share.

### ***Management Perception***

The sponsors have in-depth knowledge & skills in setting up & implementation of similar projects. Besides, the company has a group of skilled and experienced personnel to ensure timely implementation of the project.

### **Cement market is highly competitive**

Some of the competitors of the Company are larger than the Company and have vast financial resources that may enable them to deliver products on more attractive terms or to invest large amounts of capital into their business, including greater expenditure for better and more efficient production capabilities. These competitors may limit the opportunity of the Company to expand its' market share and may compete with it on pricing of products. The business, financial condition and prospects of the Company could be adversely affected if it is unable to compete with its competitors and sell cement at competitive prices.

#### ***Management Perception***

With increased thrust and emphasis given by the Government and private sector to construction activities and infrastructure development, the demand for cement is going to be fast increasing. The Company therefore foresees growing demand for its products. With the proposed expansion and strengthening financial condition due to the public issue the company will be in a very strong position to be competitive in the market.

### **Non-availability of power could disrupt the operations for the proposed project.**

Power is essential for operating the plant which comes either from PDB or from captive source operated by Gas. Interruption of supply of power/gas will reduce the production which will ultimately increase the cost of production and make the company uncompetitive.

#### ***Management Perception***

The existing unit is connected to H. T. (11 KV & 33 KV) power line with connected load of 7.00 MW. The proposed unit will require another 8.00 MW load connection from 132/33 KV and 33 KV H. T. line. The sponsors of the project have already applied to the authority for permission of additional load connection which is expected to be accorded very soon. Besides, the company has 3.61 M.W. power from a gas based captive power plant for one unit (1400 MT) to meet its requirement during any power supply interruption and also for constant use.

### **Delay/failure of the public issue may adversely affect the implementation**

Proposed expansion would be funded from this Public Issue and any delay/failure of the public issue may adversely affect the implementation.

#### ***Management Perception***

The Company requires significant fund to finance its proposed expansion. It has already secured necessary fund from banks under a syndication and accordingly agreement has been signed with supplier (CHMC) and L/C for major machineries to be opened very soon. In case the issue is delayed//not raised, the bank loan/debt will continue.

### **Sustained growth depends on its ability to attract & retain skilled Personnel**

Company's sustained growth depends on its ability to attract & retain skilled Personnel and failure would adversely affect the growth prospects.

#### ***Management Perception***

The Company has devised a sound human resource policy to develop and retain its key management personnel & talents and has been able to retain significant part of its manpower talent. Operational efficiency of the company would be ensured through

sponsors' direct involvement & their experience in cement sector, ready succession and experienced management team.

### **Foreign Exchange rate risk**

The project may face some degree of foreign exchange rate fluctuation risk as the Company imports raw materials against payment of foreign currency.

#### ***Management Perception***

Exchange rate of used currency is almost stable for the last couple of years. Main raw materials for the project are clinker, gypsum, slag fly ash and lime stone. All the raw materials will be imported. Market price is usually adjusted based on the cost of raw materials.

### **Market and technology-related risks**

In the global market of 21st century, developed technology, products and services render obsolete the old service and product strategy. So, the existing organization may not be able to cope up with the future needs and demands.

#### ***Management Perception***

The management of MICIL is very much aware of this issue and they are already well-equipped with a pool of technical personnel to maintain the installed production facilities.