

R.N. Spinning Mills Limited

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

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Brief Overview of the Company :

1. Date of Incorporation : 04th November, 2004.
2. Year of Commencement of Business: July, 2007
3. Authorized Capital : Total Tk. 1500 million (15 million ordinary Shares of Tk. 100 each)
4. Paid up Capital (Pre IPO) : Total Tk. 673.01 million.

Details of the Issue :

Description	Ordinary Shares	Face Value per share	Offer Value In Taka	Capital in Taka
Pre-IPO Paid up-capital	6,730,156	100	–	673,015,600
Public Offering	3,000,000	100	100	300,000,000

Paid up Capital after IPO :

Particulars	No. of Ordinary Shares	Face Value (Tk.)	Capital in Taka
Pre-IPO Paid up capital	6,730,156	100	673,015,600
IPO	3,000,000	100	300,000,000
Paid up capital after IPO	9,730,156	100	973,015,600

History of Paid up Capital:

Year	Issued, Subscribed & Paid up Capital (in million Taka)	Sources of Capital
At the time of Incorporation (2004)	2.00	Issued on cash
04.06.2006	200.00	do
05.06.2006	34.56	Issued to Mr. Kim
15.01.2007	0.10	do
31.01.2008	204.20	Issued 2,042,000 ordinary share @ Tk. 100 each to ML Dyeing Limited
28.02.2008	232.15	2,321,500 ordinary Shares @ Tk.100 each issued against purchase of capital machinery from Mr. Kim
Total	673.01	

Issue Manager: AAA Consultants & Financial Advisers ltd.
Auditor: A. WAHAB & Co.

Nature of business:

The principal activities of the Company are to carry on the business of Textile Spinning Mills to produce 100% synthetic yarn for 100% export oriented dyeing/textile industries and export thereof.

Principal product and services:

The company has been set up to produce 100% synthetic/acrylic yarn.

Board of Directors and their involvement in other organization:

Sl. No	Name	Status	Name of the Organizations
1	Al-Haj Mustafizur Rahman	Chairman	Chairman: M/S M.L. dyeing Limited M/S FAR Apparel Limited
2	Md. Abdul kader Faruk	Managing Director	Chairman: M/S M.L Hotel Tower Ltd

			Chong Won ARS Sweater Ltd Managing Director: M/S M.L. dyeing Limited M/S FAR Apparel Limited
3	Mr. Abdul Quayum Mamun	Director	Managing Director: Chong Won ARS Sweater Ltd Director: M/S FAR Apparel Limited.
4	Mrs. Shirin Faruk	Director	Director: M/S M.L. Hotel Tower Ltd Chong Won ARS Sweater Ltd.
5	Mr. Kim Jong Suk	Director	-
6	Mr. Abid Mostafizur Rahman	Director	Managing Director: M/S M.L. Hotel Tower Ltd

Shareholding structure:

Sl. No.	Name of the shareholder	Status	No. of shares subscribed	% of holdings
01	Al-Haj Mustafizur Rahman	Chairman	600	0.009
02	Md. Abdul kader Faruk	Managing Director	19000	0.282
03	Mr. Abdul Quayum Mamun	Director	400	0.006
04	Mrs. Shirin Faruk	Director	20,00,000	29.717
05	Mr. Kim Jong Suk	Director	2,667,156	39.63
06	M.L. dyeing Limited Represented by Mrs. Jaheda khondoker	Sponsors shareholder	2,042,000	30.341
07	Mr. Abid Mostafizur Rahman	Director	1000	0.015
	Total		6,730,156	100%

Performance at a Glance:

(Figures in million Taka)

Particulars	01.07.07 to 31.12.07	Annualized 2007	31.12.08
Turn Over (Sales)	376.95	753.9	1,041
<i>Growth</i>			38.02%
Cost of goods sold	331.21	662.42	893.29
<i>Growth</i>			34.85%
Gross profit	45.73	91.46	147.21
<i>Growth</i>			60.96%
Operating Expense	20.22	40.44	13.06
<i>Growth</i>			-67.71%
Operating Profit	25.52	51.04	134.15
<i>Growth</i>			162.83%
Net Profit after Tax	8.50	17.00	82.46
<i>Growth</i>			385.06%
Total Assets	1441.16	1441.16	1932.23
<i>Growth</i>			
Net Assets	245.17	245.17	763.98
<i>Growth</i>			211.61%
NAV per share	103.59	103.59	113.52
<i>Growth</i>			9.58%
EPS	3.59	7.18	12.25
EPS (Diluted)	1.26	2.53	12.25
<i>Growth</i>			384.97%
Restated EPS (Considering Post IPO paid-up capital)	0.87	1.75	8.47

Performance at a Glance (continue):**(Figures in million Taka)**

Particulars	01.07.07 to 31.12.07	31.12.08
Shareholders Equity	245.17	763.98
No. of Shares	2,366,656	6730156
ROE	3.47%	10.79%
ROA	0.59%	4.27%
Net Profit Margin	2.25%	7.92%
Asset Utilization	26.16%	53.85%
Equity Multiplier	5.88	2.53
Short-term Debt	311.75	431.81
Long-term Debt	447.72	299.91
Total Debt	759.47	731.72
Total Debt to Total Asset	52.70%	37.87%
STD to Total Asset	21.63%	22.35%
LTD to Total Asset	31.07%	15.52%
Interest Expense	18.00	55.58
EBIT	26.51	138.04
Time Interest Earned Ratio	1.47	2.48

Particulars	01.07.07 to 31.12.07	31.12.08
Current Assets	320.11	583.61
Current Liabilities	311.75	431.81
Current Ratio	1.03	1.35
Quick Ratio	0.61	0.70
Current Asset - (Inventories + Advances, Deposits & Prepayments)	190.86	301.68

Net Tangible Asset per Share:
as on 31.12. 2008 (as reported by the company):

Particulars	Amount in Taka
Fixed Assets less Depreciation	1,344,310,362.00
Security deposit	4,308,243.00
Current Assets	583,603,481.00
Total Assets(A)	1,932,227,086.00
Preferential creditors	436,527,000.00
Long term loan	299,913,555.00
Creditors and Acc	10,304,846.00
Bills payable	44,256,051.00
Short term loan from bank	377,249,838.00
Total liabilities (B)	1,168,251,290.00
Net Assets (A-B)	763,975,796.00
Number of Share	6,730,156
Net Assets value per share	114

Use of proceeds:

The proceeds from IPO will be used for loan repayment and expansion of Business activity of the company details of which are as follows:

Payment of Long Term Loan (A):

Name of lender	Loan amount taken(TK)	Date of Loan Taken	Rate of Interest	Outstanding Balance as on 31.12.08(TK)
SIBL (Payment against import of machinery to retrieve liability of 360 days deferred machinery L/C)	68,500,000	08/10/08	N/A	68,500,000
The City bank Limited (Mid term project investment)	134,000,000	20/06/06	14%	169,337,768 (Repayment due from 31/01/09)
The City bank Limited (Short term project investment)	97,963,000	19/10/06	14%	62,075,787
Sub Total				Tk. 299,913,555

For expansion business activity (B):

Construction of office building, Godown in factory premises and tiles fitting in factory floor.	TK. 54,800,000
Total (A+B)	Tk. 354,713,555

Dividend Information:

The company did not declare any dividend so far.

Description of Fixed Assets:

RN Spinning Mills Limited

Fixed Asset Schedule (as on December 31, 2008)

Particulars	Cost			Rate	Depreciation			Written Down Value 31.12.08
	Balance as on 01.01.08	Addition during the period	Balance as on 31.12.08	%	Balance as on 01.01.08	Charged during the Year	Balance as on 31.12.08	
Leasehold Land & Land Development	49,026,916		49,026,916	3.3%	816,298	1,632,596	2,448,894	46,578,022
Building	271,734,842	2,852,622	274,587,464	2.5%	3,396,686	6,744,112	10,140,797	264,446,667
Plant & Machinery	559,263,388	313,109,373	872,372,761	10%	27,963,169	53,752,991	81,716,160	790,656,602
HAVC(Humidification plant)	25,335,525		25,335,525	10%	1,266,776	2,406,875	3,673,651	21,661,875
Generator	170,243,605		170,243,605	10%	8,512,180	16,173,143	24,685,323	145,558,283
Fork lift	3,205,820		3,205,820	10%	160,291	304,553	464,844	2,740,976
Electrical Installation	53,253,140	142,000	53,395,140	10%	2,662,657	5,066,148	7,728,805	45,666,335
Furniture & Fixture	352,849		352,849	10%	17,642	33,521	51,163	301,687
Mixture Machine	343,015		343,015	20%	34,302	61,743	96,045	246,970
Office Equipment	522,410	21,400	543,810	10%	26,121	50,699	76,820	466,990
BY-cycle	4,900		4,900	20%	490	882	1,372	3,528
Cookeries	57,228	2,100	59,328	20%	5,723	10,511	16,234	43,094
Boiler	3,466,350		3,466,350	10%	173,318	329,303	502,621	2,963,729
Transformer	1,372,300	160,000	1,532,300	10%	68,615	138,369	206,984	1,325,317
Air Compressor	19,644,489		19,644,489	10%	982,224	1,866,227	2,848,451	16,796,039
Water & Gas Installation	3,903,096	236,000	4,139,096	10%	195,155	382,594	577,749	3,561,347
Chiller	1,390,500	109,500	1,500,000	10%	69,525	137,573	207,098	1,292,903
Total	1,163,120,373	316,632,995	1,479,753,368		46,351,172	89,091,837	135,443,009	1,344,310,362

Risk Factors and Management Perception Regarding Risks:

The Company operates in a field involving some internal /external risk factors and among those some are avertable; others are beyond control, which may be causes of loss. The management of R.N. Spinning Mills Limited perceives the risk factors which are as follows simultaneously:-

(a) Industry Risk

Textile industry is a highly competitive industry but the largest industrial sub-sector in Bangladesh. Its contributes is the highest in the country's total export earnings, gives employment to over four million people and contributes around 50% of the industrial value addition. The company faces a number of aggressive competitors within the country as well as after phasing out of the MFA. The global textile trade is now free from quota restriction. So the textile industry of Bangladesh is now facing competition from China only which is very strong in production of textile goods.

The company has successfully entered in to the market by offering better quality products at competitive terms as well as the textile industry of Bangladesh has also successfully coped with the post MFA competitive situation. The force, which is helping the sector for its strong existence, is emergence of backward linkage industry. Backward linkage industries are supporting for minimizing lead-time and cost of production. The Company is a first state of backward linkage industry of Acrylic yarn producing that facilitates for better existence.

(b) Interest Rate Risk

Interest/financial charges are paid against any kind of borrowed fund. Volatility in money market and increased demand for loan presses interest rate structure to be fixed at high. Raising of interest rate increases the cost of fund for a company, which has borrowed fund, and consequently profit is squeezed.

The management of the Company is always aware of interest rate, which is connected to the cost of fund of the Company. The Management prefers procuring the long-term fund with minimum fixed interest rate and the short-term fund with reasonable competitive rate. On the other hand management of the Company is emphasizing on equity based financing.

(c) Exchange Rate Risk

If exchange rate is increased against local currency 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.

The products of the company are sold against foreign currency and payments for raw materials are also made in foreign currency. The exchange rate of the country traditionally witnessed upward trends, which makes ample opportunity of export. It notes that in case of R.N. Spinning Mills Ltd. earnings is made only by export in the currency of US Dollars and payment is also made from earnings US dollars. As the Company is 100% export oriented and in future it will be the same, volatility of exchange rate will have no impact on profitability of the Company and exchange rate risk factor minimize to foreign business transaction.

(d) Market and technology related Risk

(i) Market Risk:

Among the functional areas in a yarn company, marketing exerts the sheerest part of importance. Proper implementation of the marketing tools as well as identifying new clients will ensure the success of the project. The continuous changes on preference in the garment and textile markets will force the company to catch the trend, for which the company has to produce yarn for International demand.

The company sets its focus only on export market of the country through inland back-to-back letter of credits. The management is trying to sell through direct contact with the customers (RMG & Knitting industries) in the selected regions 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. Further, the commercial banks and financial institutions provide a thrust in the textile sector as they provide credit facilities to RMG & Knitting industries to acquire the yarn for their final products.

(ii) Technology related Risk:

Technology always plays a vital role for existence of any industrial concern. Innovation of new and cost effective technology may obsolescence existent technology, which may cause negative impact.

The project is equipped with world's modern and latest machineries and technology and to cope with the pace in harmony with modern textile world, the Company is continuing modernization program of its machinery.

(e) Potential or existing government regulations:

The Company operates under companies act, taxation policy adopted by NBR, Security and Exchange Commission (SEC)'s rule and rules adopted by other regulatory organizations. Any abrupt changes of the policies formed by those bodies will impact the business of the Company adversely. Unless 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 of RMG. Yet the promoters and the sponsors have to endeavor to convince the policy makers for adopting favorable terms & conditions, which will eventually help the yarn manufacturers of Bangladesh to compete with the firms in 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.

The company can prosper in a situation of political stability and a congenial business environment. Political turmoil and disturbance are bad for the economy and so also for this sector. This is why WTO and Asian Development Bank emphasize development of textile sector in chalking out their respective policies. The Company is always aware of all types of turmoil and even though if the smooth supply of raw material (TOW) is hampered or faces any kind of disruptions it will produce it in future and try to keep the production smooth.

(g) Operational risk:

Shortage of power supply, labor unrest, unavailability or price increase of raw material, natural calamities like flood, cyclone, earth quack etc. may disrupt the production of the Company and can adversely impact the profitability of the Company.

The compensation as well the benefit package will restrain the employees to leave their assignment and go for any employee movement for higher

benefit packages. The project of the Company is situated at a high land where less amount of flood is recorded. The factory building has strong RCC foundation, RCC floor, pre-fabricated steel structure to withstand wind, storm, rain etc. along with good drainage facility. The risks from these factors are also covered through Insurance. The company is also facilitated to keep a rational reserve for any future price escalation of the raw materials.