

PROSPECTUS



DYNAMIC TEXTILE INDUSTRIES LTD.

PUBLIC COMPANY LIMITED BY SHARES

FINANCED BY INTERNATIONAL FINANCE CORPORATION (IFC)/WORLD BANK AND SAUDI
BANGLADESH INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED (SABINCO).
FOR PUBLIC ISSUE OF ORDINARY SHARES OF TK. 41,040,000 (AT PAR)

SUBSCRIPTION OPENS : 29TH JUNE, 1994.

SUBSCRIPTION CLOSES : 8TH JULY, 1994

PUBLIC ISSUE FOR 410,400 ORDINARY SHARES OF TK. 100/- EACH TOTALING TK.41,040,000 (TAKA FORTY ONE MILLION & FORTY THOUSAND)

MANAGER TO THE ISSUE: SAUDI-BANGLADESH INDUSTRIAL & AGRICULTURAL INVESTMENT COMPANY LIMITED (SABINCO).

REGISTERED OFFICE:

12-13, MOTIJHEEL COMMERCIAL AREA
RAHMAN CHAMBER (FIRST FLOOR)
DHAKA-1000, BANGLADESH

AUTHORISED CAPITAL

TK. 1,000,000,000 DIVIDED
INTO 10,000,000 ORDINARY
SHARES OF TK. 100/= EACH

PROSPECTUS

DYNAMIC TEXTILE INDUSTRIES LIMITED

Consent of the Securities & Exchange Commission has been obtained to the issue of Shares under the Securities & Exchange (Amendment) Act 1993 by an order of which a complete copy is open to public inspection at the Registered Office of the company. It must be distinctly understood that in giving this consent, the Commission does not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

A dated and signed copy of this Prospectus has been filed for registration with the Registrar of Joint Stock Companies Bangladesh as required under section 92 (2) of the Companies Act, 1913.

Application is being made to the Dhaka Stock Exchange Limited for admission of the Shares of the Company for dealing on the market and for their quotation on the Dhaka Stock Exchange Limited. If for any reason, the application for listing is not accepted by Dhaka Stock Exchange Limited, the Company undertakes to publish in the press a notice to that effect within seven days of the date of rejection by DSE, and thereafter to refund the subscription money to any applicant who may apply in writing for such refund within thirty days of the date of such application.

THE SUBSCRIPTION LIST OF 410400 ORDINARY SHARES OF TK 100/- EACH BEING HEREBY OFFERED WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 29TH JUNE, 1994 AND WILL CLOSE ON 8TH JULY, 1994 AT THE CLOSE OF BANKING HOURS.

PART-I

1. SHARE ISSUE

Issue of 3,055,950 ordinary Shares of 100 Taka each at par	TK 305,595,000.00
	TK 305,595,000.00

OUT OF THE ISSUE

a) 1,008,000 Ordinary Shares of Tk 100/- each have already been subscribed and paid in cash in full by the sponsors.	TK 100,800,000/-
b) 275,000 Ordinary Shares of Tk 100/- each have already been subscribed and paid in cash in full by SABINCO.	TK 27,500,000/-
c) 300,000 Ordinary Shares of Tk 100/- each have already been subscribed in cash in full by MBIFC A/C COMMON-WEALTH EQUITY FUND LTD.	TK 30,000,000/-
d) 225,000 Ordinary Shares of Tk 100/- each have already been subscribed and paid in cash in full by REGENT MOUGAL FUNG LTD.	TK 22,500,000/-
e) 125,000 Ordinary Shares of Tk 100/- each have already been subscribed in cash in full by SOMERS NOMINEES (FAR EAST) LTD.	TK 12,500,000/-
f) 50,000 Ordinary Shares of Tk 100/- each have already been subscribed in cash in full by BANQUE NATIONALE DE PARIS (SWITZERLAND) LTD.	TK 5,000,000/-
g) 20,000 Ordinary Shares of Tk 100/- each have already been subscribed in cash in full by SMITH NEW COURT FAR EAST LTD.	TK 2,000,000/-
h) 280,000 Ordinary Shares of Tk 100/- each have already been subscribed and paid in cash in full by BANQUE INDOSUEZ LUXEMBOURG A/C HIMALAYAN FUND N. V. C. SHARES.	TK 28,000,000/-
i) 362,350 Ordinary Shares of Tk 100/- each have already been subscribed in cash in full by W. I. CARR FE LTD. and other foreign investors.	TK 36,235,000/-
j) 410,400 Ordinary Shares of Tk 100/- each are being hereby offered to the General Public for subscription in cash.	TK 41,040,000/-
	TK 305,595,000/-

2. CONDITIONS OF OFFER AND ALLOTMENT OF SHARES:

- It is prescribed in the consent order that:
- 20% of public issue i.e. shares of Tk 82,08,000 (Taka eighty two lacs and eight thousand) only shall be offered to the Investment Corporation of Bangladesh and 10% i.e. Tk 41,04,000 (Taka forty one lacs and four thousand) only shall be offered to other approved financial institutions. Any part of the shares offered to the Investment Corporation of Bangladesh and other approved financial institutions if not picked up by them may be offered to the general public at par.
 - After deducting shares subscribed by the Investment Corporation of Bangladesh and other approved financial institutions the basis of allotment of shares to the general public should be as follows:
 - Minimum application for Shares to be made for 20 units i.e. Tk 2,000/- worth of shares. Application for minimum shares shall be fully accommodated if the issue offered to General Public is sufficient for the purpose. If the amount applied for by such applicants is in excess of the issue offered to General Public, the distribution shall be made by lottery among the applicants in the presence of authorised representatives of the Securities and Exchange Commission and a member of the Board of the Company.
 - In case of any difficulty with respect to implementation of (a) above, the allotment of shares to applicants will be made in such manner as may be determined by the Securities and Exchange Commission.
 - There is no founder's management or Deferred Shares. It is also not presently intended to issue any Preference Shares.
 - The MINIMUM SUBSCRIPTION On which Directors will proceed for allotment is 100% of the present Shares issue that is the amount which in the opinion of the Directors, must be raised in order to provide required fund for the project.

5. DIRECTORS' OPINION:

In the back-drop of Company's possessing a modern plant capable of producing quality yarn to meet local demand gap being met by the imports; and the sustained tremendous growth in garment/textile sector, the Directors are convinced that the products of DTIL will have reasonable market and the Company will have good earning potential. In the opinion of the Directors, considering the Company's prospects, it is expected that the investors will get adequate return on their investment.

PART-II

UNDERWRITING:

Out of the public offering of shares, Tk 41,000,000 has been underwritten by SABINCO and Tk 40,000 by the Managing Director. SABINCO has already extended the amount as bridging loan for implementation of the project and will have the option to convert above mentioned bridging loan into shares in their favour to the extent the shares hereby offered to the public are under-subscribed.

COMMISSION TO BANKERS TO ISSUE:

Commission at the rate of 1% will be paid to the Bankers to the Issue for the services to be rendered by them.

BROKERAGE:

The Company will pay brokerage @ of 1% of the value of the shares allotted to the Members of the Dhaka Stock Exchange Limited on application bearing their rubber stamp.

PRELIMINARY EXPENSES:

The preliminary expenses inclusive of brokerage, underwriting commission, additional commission and commission to the Bankers to the Issue are not expected to exceed Tk 3.00 million against this public issue.

MANAGER TO THE ISSUE FEE:

Manager to the Issue fee will be paid to SABINCO @ 2% of this total issue of Tk 41,040,000.00.

TAX HOLIDAY (SECTION 45 OF INCOME TAX ORDINANCE 1984):

The company's income, profit and gains from its industrial activities qualify for exemption from tax as provided under Section 45 (2A) (2B) (2C) of the Income Tax Ordinance 1984 for a period of 9 (nine) years with effect from the commencement of commercial production.

EXEMPTION FROM TAX (SECTION 44 OF INCOME TAX ORDINANCE 1984):

Application is being made to the National Board of Revenue (NBR) for declaration under Section 44 of the Income Tax Ordinance 1984 whereby such income of an assessee as may be invested in the shares of the company will remain exempted from tax as provided under that section.

APPROVAL UNDER INSURANCE ACT:

Application has been made to Controller of Insurance, for the Purpose of "Approved Investment" under Clause (3A) of Section 2 of the Insurance Act, 1938 for insurance companies registered in Bangladesh.

PART-III

APPLICATION FOR SUBSCRIPTION:

- Application for shares may be made for any number subject to a minimum of 20 (Twenty) shares valuing Tk 2000/- and should be made on the company's printed forms. Application Forms and the prospectus may be obtained from the Registered Office of the company, the Dhaka Stock Exchange Limited or from any of the Bankers to the Issue. If adequate forms are not available, intending investors may have the same printed/cyclostyled/ photocopied/hand written.
- All completed application forms together with remittance for the full amount payable on application should be lodged with any of the following BANKERS TO THE ISSUE:
 - JANATA BANK:** Dhaka - Local Office, Foreign Exchange Corporate Branch, Imamganj Corporate Branch, Chittagong Laldighi East Corporate Branch, Khulna KD Ghose Road Corporate Branch, Rajshahi Main Branch and Sylhet Corporate Branch.
 - SONALI BANK:** Dhaka-Dilkusha C/A, Ramna, Sadarghat, Chittagong K. C. Dey Road, Khulna, Rajshahi and Sylhet.
 - INVESTMENT CORPORATION OF BANGLADESH:** Dhaka Head Office, Chittagong, Rajshahi, Khulna, Sylhet and Barisal.
 - INTERNATIONAL FINANCE INVESTMENT & COMMERCE BANK LIMITED:** Dhaka - Dhanmondi, Federation Branch, Shantinagar, Chittagong, Khulna and Rajshahi.
 - THE CITY BANK LIMITED:** Dhaka - Principal Office, Gulshan Branch, Imamganj and Chittagong.
 - ARAB-BANGLADESH BANK LIMITED:** Dhaka - Principal Branch, Karwan Bazar, Motijheel, Agrabad, Chittagong, Sylhet Modhuban Branch, Rajshahi, Khulna and Barisal.
- The subscription money collected by the Bankers to the Issue will be remitted to the company's authorised account with JANATA BANK, Corporate Branch, Janata Bhaban, 110, Motijheel Commercial Area, Dhaka for the purpose.
- Payment may be made to one of the above mentioned Bankers to the Issue in Cash or by Cheque/Pay Order or Bank Draft. The Cheque/Pay Order or Bank Draft shall be made payable to the Bank to which it is sent and be marked DYNAMIC TEXTILE INDUSTRIES LIMITED and shall bear the Crossing "ACCOUNT PAYEE ONLY."
- Joint application for more than two persons will not be accepted. In the case of a joint application each party must sign the application form.
- Application signed under a Power or Attorney must be accompanied by the Certified copy/Photostat of the instrument under which the power has been given.
- Application must be in full name of individuals/Limited Companies. APPLICATION NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS IS LIABLE TO BE REJECTED.

ALLOTMENT:

The Company reserves the right to accept any application

in whole or in part. Successful applicants will be informed of allotment by despatching Letters of Allotment within 45 (Forty-five) days of closing of subscription list. The shares certificate will be issued within 90 (ninety) days from the date of Letter of Allotment. Where application is not accepted in full or in part, the money received on application will be refunded to the applicant within 45 (forty-five) days of closing of subscription list by cheque without interest. Interest at 1% per month and 2% per month will be paid to the unsuccessful applicants where application money is not refunded after 45 days but within 120 days after 120 days of the date of closing of subscription list and thereafter respectively.

Bangladeshi nationals including non-resident Bangladeshi nationals residing/working abroad and foreign nationals shall be entitled to apply for the shares.

PART-IV

RIGHTS OF SHAREHOLDERS:

- In terms of the relevant provisions of the Companies Act, 1913 and the Articles of Association of the Company shareholders shall have the usual voting right in person or by proxy in connection with, among others, election of Directors and Auditors and other usual agenda of General Meeting, Ordinary or Extra-Ordinary.
- Transfer of Shares: In terms of the relevant provisions of the Companies Act, 1913, Articles of Association of the Company and other relevant rules in force, the shares of the Company are freely transferable. No transfer shall be made to an infant or persons of unsound mind.
- Dividend Policy: The Company will follow a dividend policy which will allow it to provide a fair return to its shareholders and simultaneously allow for building up retained earnings and reserves that would permit the adequate growth of the Company.
- Periodical Information: The Directors shall present the Financial Statements as required under the Law and International Accounting Standard. Financial Statements will be prepared in accordance with International Accounting Standard consistently applied throughout the subsequent periods and presented with the objective of providing maximum disclosure as per law to the shareholders regarding the financial and operational position of the Company.

PART-V

PROJECT DESCRIPTION:

The Company was incorporated on 31st October, 1989. The Company has been sponsored jointly by Mr. Sultan Rashid a Canadian national and Mr. Mustaque Alam Chowdhury, a local businessman. The mill is jointly financed by International Finance Corporation (IFC), a member of World Bank Group, Saudi-Bangladesh Industrial and Agricultural Investment Company Limited (SABINCO) and foreign investors.

The Shareholders of the Company are:	TK 100.80 million
Sponsors Group	TK 27.50
Sabinco	TK 136.255
Foreign Investors	

and balance Tk 41.04 million is to be issued to general public. In pursuance of the National Investment Policy, Securities and Exchange Commission has accorded permission for the same.

The mill has got the capacity to produce 2.37 million Kgs of different counts of yarn from 10s, 20s, 30s, 40s, 60s, 80s and after expansion the production capacity will be increased to 3.55 million Kgs per year.

EXISTING PLANT & MACHINERY

The mill is now equipped with new machinery from Japan, England, China, Pakistan and India which are briefly described below:

Japan Origin - 6 nos Draw Frames, 1 set Silver Lap Former, 4 sets Comber, 3 sets Simplex, 2 sets Auto Coner.

China Origin - 2 sets Blow Room, 30 nos. Ring Frames, 2 sets Open End and Rotor.

England Origin - 15 nos Carding Machine
1 set Cone Winder and Humidification Plant from India and Electric Sub-station from Pakistan.

AN OVERVIEW OF THE PROJECT:

The Mill is located at Dhamshur, P. S. Valuka, Dist. Mymensingh about 76 K.M. from Dhaka City beside Dhaka Mymensingh Road. The first phase of the project with 14 400 spindles and 400 rotors has successfully gone into trial production in November 1993 and the products due to excellent quality are well received in the market.

The second phase of the project, for installation of 2600 KW Gas Power Generators and addition of 8,064 spindles and 400 rotors along with latest quality control laboratory has been proposed mainly because of following reasons

- Addition of spindles and rotors would make the unit fully balanced by utilising excess capacity in the preparatory section and civil works already completed in first phase.
- Addition of spindles and rotors would increase installed annual capacity by over 50% from 2.37 million kgs to 3.55 million kgs. This increase can be achieved with an incremental investment of only 31%. Therefore, incremental benefit will be much higher than incremental cost making project more profitable.
- Since commencing production the unit has been able to sell all its products and is unable to meet market demand. It never had any stock of finished goods nor any credit sale. This situation demonstrates that increased production can be sold without any difficulty.
- Installation of 2600 KW gas generators to replace BPDB electric supply source would not only ensure steady power supply but would also save cost. It has been estimated that cost of electricity generated from gas generators would be less than the cost at which power is available from BPDB.
- The existing infrastructural facilities, i.e. factory building, ancillary civil works and part of the back process are sufficient for the proposed expansion. However, new building for gas generators is required to be constructed.
- The expansion also includes latest Uster and other quality control equipment to monitor quality at all

stages of production to maintain the top quality of the yarn. As per the financing plan the estimated cost of the total project is constituted of equity of Tk 305 million and debt of Tk 266 million. The sponsors and their associates, SABINCO and foreign investors have already contributed Tk 100.80 million, Tk 27.50 million and Tk 136.255 million. Tk 41.04 million of the equity is currently being offered to the public.

HIGHLIGHTS:

- Issue of Ordinary Shares at par from a viable textile unit. Textile industry has been identified as Thrust Sector for growth in Bangladesh.
- No gestation period since first phase just commissioned and the planned expansion to be completed in next 6/8 months assures immediate returns.
- Easy liquidity as the shares will be listed at Dhaka Stock Exchange.
- Assured market because of quality of product.
- In addition to Sponsors equity of Tk 100.80 million, several reputable foreign investors and local financial institution have already invested in equity to the extent of Tk 163.755 million.

RISK FACTORS:

Any of the following factors might affect the profitability of the Company:

- Any changes in the prices of main raw materials viz Raw Cotton, Polyester, Viscose.
- Any imposition of duties/taxes by the Government of Bangladesh in the future.
- Any adverse fluctuation in exchange rate of the Taka will increase the foreign exchange liability.

MATERIAL CONTRACTS

The following are the material contracts not being contracts in the ordinary course of business which have been entered into by the Company:

- Investment Agreement dated 25th October 1991 between International Finance Corporation (IFC) and Dynamic Textile Industries Limited (DTIL).
- Investment Agreement dated 6th October 1991 between Saudi-Bangladesh Industrial and Agricultural Investment Company Limited (SABINCO) and Dynamic Textile Industries Limited (DTIL).
- Underwriting-cum-Advance Agreement dated 13th November 1991 between Saudi-Bangladesh Industrial and Agricultural Investment Company Limited (SABINCO) and Dynamic Textile Industries Limited (DTIL).

Copies of the aforementioned contracts and documents may be inspected on any working day during office hours at the Company's Registered office.

COST OF THE PROJECT

Project cost estimates for the first phase and the proposed expansion are as follows:

	As on 31.12.93	Additional Cost Expansion		Total	Total Cost of project
		F.C.	L.C.		
Land & Site Development	3,924			3,924	3,924
Building & Civil Works	75,725	7,000	7,000	82,725	82,725
Imported equipment	318,706	114,495	9,160	432,361	442,361
Local equipment	15,134	3,100	3,100	18,234	18,234
Installation	9,915	2,500	2,500	12,415	12,415
Furniture & Fixture	2,699			2,699	2,699
Working Capital	9,339			9,339	9,339
	435,442	114,495	21,760	571,697	571,697

FINANCING PLAN

The financial plan for the total project including proposed expansion is as follows:

Long Term Debt:	(Amount in '000) Taka	
IFC	176,097	
Sabinco	90,005	
Total Long Term Loan	266,102	
Equity		
Sponsors	100,800	
Sabinco	27,500	
Bridge Finance & Underwriting Advance	41,040	
Foreign Investors	136,255	
Total equity	305,595	
Total Debt and equity	571,697	
Debt/Equity Ratio	46.5:53.5	

PROJECTED BALANCE SHEETS

	Taka in '000				
	Year-1	Year-2	Year-3	Year-4	Year-5
ASSETS					
Cash and bank balance	111,175	235,439	361,631	457,801	554,943
Investment	15,610	32,512	49,428	66,518	83,776
Other current	9,339	9,339	9,339	9,339	9,339
Fixed asset (net)	528,409	494,460	460,511	426,562	392,593
	664,533	771,750	880,909	960,220	1,040,651
LIABILITIES & EQUITIES					
Liabilities					
IFC Long term loan	150,817	125,537	100,257	74,977	49,697
Sabinco Long term loan	79,056	68,107	57,158	46,209	35,280
Short-term loan	25,000	54,285	85,292	85,292	85,292
	254,873	247,929	242,707	206,478	170,269
Equity					
Paid-up capital (Promoters)	100,800	100,800	100,800	100,800	100,800
SABINCO equity	27,500	27,500	27,500	27,500	27,500
Shareholders/Pvt. Placement	136,255	136,255	136,255	136,255	136,255
Public issue/Bridge loan	41,040	41,040	41,040	41,040	41,040
Retained earnings	104,065	218,226	332,807	448,147	564,807
	409,660	523,821	638,202	753,742	870,402

FIXED ASSETS COVERAGE (TIMES) : 2.30 2.55 2.93 3.52 4.62

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