PROSPECTUS

APEX WEAVING & FINISHING MILLS LIMITED

Productivity Consultants (APC). The main factory building covering about 160.000 sft shall consist of (I) Weaving section (II) Printing, Dyeing & Finishing section (III) Sizing & Warping area (IV) Yarn godown (V) Boiler room (VI) Electric sub-station (VII) Finished goods godown (VIII) Stitching section and (IX) Office. In addition housing of labour, under ground and overhead tank, boundary wall, internal road, sewage and other facilities will also be constructed.

6 MACHINERY AND EQUIPMENT:

Total cost of the machines of the project is Tk. 44,91,48,000.00. Out of which L/C has been opened for 10 million NGL. Which is equivalent of Tk. 22,00,00,000.00 (approx). This includes total Finishing and Printing Unit Machines.

Weaving section: The weaving unit will be equipped with SULTZER shuttleless projectile loom of 100" to 130" working width. These looms will be obtained from a running factory and will be reconditioned before delivery. These loom are expected to have an economic life of over 25 years. The sizing and warping machinery will also be obtained from the same factory. The sponsors have signed a contract with a factory for these machinery.

Printing, Dyeing & Finishing section: All the machinery of this section will be procured brand new. This section will consist of singeing & desizing machine, continuous open width bleaching range, stenters, rotary printing machine, high temperature loop ager, colour kitchen, rotary engraving system, dark room equipment, image processing system, Open width jet dyeing machines, Open width jigger dyeing machines, laboratory equipment, calendering machines and all necessary auxiliary equipment.

Stitching section: All equipment for the stitching section will be procured new. It will consist of about 100 stitching machines, cutting machines, irons and folding machines.

Utilities: The project will have four 450 KW gas generators for prime power generation, a 10 tons/hour steam boiler, 2 million KCal/hour oil boiler, 25 cuM/hour process water treatment plant, 100 HP air compressors and 25 cuM/hour waste water treatment plant.

7 ERECTION AND INSTALLATION:

The Weaving and Finishing machinery will be installed and commissioned under the supervision of technical experts from the machinery suppliers. They will be assisted by a team of local technicians and skilled workers. Several foreign technical experts will be brought in for testing, training and trial run. The project consultant will supervise the erection, installation and trial production. The technology involved in the stitching are already available in the country and thus will not require any foreign technical experts.

8 RAW MATERIALS:

The raw material for weaving unit is yarn, which is an internationally standardised commodity and are available from many foreign and local sources. The raw material for the finishing unit are greige fabric, dyes and chemicals. Dyes and chemicals are also internationally standardised commodities with many sources. However, greige fabric is not an internationally standardised commodity and the supply sources are limited with three main suppliers, India, China and Pakistan. At present Pakistan is a major supplier of greige fabric.

9 TECHNICAL STAFF AND PRODUCTION WORKERS:

During the first two years of operation of the project, the total manpower requirement is 668, of which 536 persons would be associated directly with production, 75 persons will be associated with maintenance and 57 persons will be technical and administrative staff of the company. The sponsors have already entered into contracts with all the major machinery suppliers for personnel training at the supplier's factories and as well as at the project during and after installation of the machinery. Foreign training will be conducted for a period of 6 - 10 weeks and local training will be conducted for 3 months. In addition, the project consultant will be retained for at least one year after commencement of commercial production.

10 TRANSPORT:

For carrying raw materials and finished goods, the project plans to use hired transport services. However, for transporting small volume of raw material, machinery, parts etc. the project will procure two pickup vans. In addition for transporting company staff and for day to day operations two micro buses will be procured.

11 THE MARKET :

The growth rate for the global textile industry is estimated at approximately 2% annually up to the year 2000. Of the total world manufactured exports, world apparels export constitute only about 5%. Western Europe, North America and Japan have been experiencing a negative growth rate in apparels during last several decades. On the other hand, exports of apparels is very important for the economies of the developing countries. For example, in 1991-92 Bangladesh exported apparels worth Taka 40 billion, which is approximately 54% of Bangladesh's total export earnings.

Up to the middle of 1980, the big four East Asian suppliers of apparels had been Hong Kong, Korea, Taiwan and China. However the dominance of the four suppliers are on the decline. The general trend and expectation is that there will be a natural evolution away from the high concentration of apparel exports from the newly industrialised countries to the developing countries like Pakistan, India, Vietnam, Sri Lanka, Bangladesh.

Bangladesh has several advantages which clearly enhances its competitiveness. Bangladesh has one of the cheapest sources of labour and cheapest energy source as compared to other potential textile nations. One of the biggest advantages of Bangladesh is that there are no quotas for export of fabric and yarn any where in the world. Western European countries accord liberal treatment to imports from Bangladesh through the Generalised System of Preference (GSP). This allows up to 15% tariff-free entry of imports, provided the product has gone through at least three stages of production in Bangladesh. With GSP benefits, Bangladeshi products will be very competitive in price, provided the high quality standards can be maintained. This puts it at a much more favorable position than its main competitors India and Pakistan.

In both USA and Canada, 10% of the garment quota is reserved for garments made from locally produced fabrics. However, garment makers are not able to utilise these quotas fully because of an inadequate supply of good quality, locally produced fabrics. Nevertheless, the reserved quotas have encouraged garment makers to increase their usage of domestically produced textiles. Implementation of GATT will require that garments exported from Bangladesh undergo at least three stages of production. In order to continue to export garments and textiles under GATT rules and to increase the benefits from the export of apparels, Bangladesh must create backward linkage industries i.e. production of fabric and yarn. Bangladesh Government has also been encouraging entrepreneurs to set up fabric manufacturing projects.

For Home Textiles, Bangladesh is one of the very few non-quota exporters to all the developed countries. This status puts Bangladesh in a unique position to develop its Home Textile Industries to an international standard. At present, there are only two Bed Linen finishing factories in Bangladesh producing about 50,000 meters of finished fabrics per day from greige fabric from Pakistan. Both the projects are booked with export orders for the next several years.

Sponsors performance and Market Outlook :

The sponsors of this project are already managing three 100% export oriented projects, viz., Apex Foods Limited (AFL), Apex Spinning & Knitting Mills Limited (ASKML) and Amam Sea Food Industries Limited (ASFIL) in Bangladesh.

AFL, a public limited company has an annual export turnover of US$ 21 million. It is one of the largest exporters of Frozen Foods to the markets of North America, Europe, Japan and newly industrialised countries. AFL has received several recommendations and trophies for product quality and export turnover. Most recently, it has received the President's Export Trophy for 1988-89, awarded in 1993.

ASKML, also a 100% export oriented public limited company, is a vertically integrated knitting, Dyeing, Finishing and Garments factory. ASKML is exporting to the markets of North America and Europe. The projected yearly export turnover of ASKML is US$ 10 million.

ASFIL is a recently acquired Public Limited and DSE listed company. The project was in the sick Industries list for several years. After investigation and analysis the sponsors have taken over ASFIL in October 1994. ASFIL has already started full production and export.

All three companies are listed with Dhaka Stock Exchange and the share price has highly appreciated.

Based on these and other business relationships, the sponsors have created an extensive marketing network in the developed countries, which are also the potential markets of the proposed venture. The existing marketing collaboration of the sponsors in these countries will serve as the distribution network for the products of this project.

PART -VI

1. COST OF PROJECT :

(Tk '000')

PARTICULARS	Local Currency	Foreign Currency	Total Cost
Land & Land Development	8,275	0	8,275
Building & Other Civil Works	53,803	0	53,803
Plant Machinery & Utilities	18,062	431,086	449,148
Pre operating cost Transport, Erection Insurance, Import Expanses Installation, Training & Others	22,897	0	22,897
Furniture & Fixture	2,500	0	2,500
Vehicles	3,000	0	3,000
Preliminary & IPO Expanses	9,603	0	9,603
Interest During Construction Period	22,047	0	22,047
INITIAL WORKING CAPITAL	68,958	0	68,958
CAPITAL COST OF PROJECT	209,145	431,086	640,231

2. MEANS OF FINANCE :

(Tk '000')

	Local Currency	Foreign Currency	Total Finance	Percent of Equity	Percent of Total Cost
EQUITY :					
Sponsors	0	140,000	140,000	40.00	21.87
Foreign Investors	0	100,000	100,000	28.57	15.62
Local Public / Institutions	110,000	0	110,000	31.43	17.18
TOTAL EQUITY	110,000	240,000	350,000	100.00	54.67
DEBT :				Percent of Debt	
Sonali Bank Term Loan	0	169,226	169,226	58.31	26.43
IPDC Term Loan	8,140	21,860	30,000	10.34	4.69
Interest During Construction Period	22,047	0	22,047	7.60	3.44
Sonali Bank Working Capital	68,958	0	68,958	23.76	10.77
TOTAL DEBT	99,145	191,086	290,231	100.00	45.33
TOTAL FINANCING	209,145	431,086	640,231		100

3 PROJECTED BALANCE SHEET

Taka in '000'

	Const Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
FIXED ASSETS							
Fixed Assets	561,670	561,670	561,670	561,670	561,670	561,670	561,670
Less: Accumulated Depreciation		53,807	107,614	161,421	215,228	269,035	322,242
Net Fixed Assets	561,670	507,863	454,056	400,249	346,442	292,635	239,428
Preliminary Expenses	9,603	7,682	5,761	3,840	1,919	0	0
CURRENT ASSETS							
Finished Goods	0	43,325	52,519	62,924	69,934	73,372	76,996
Raw Materials	0	43,241	52,970	63,565	70,914	74,460	78,183
Chemical	0	23,349	28,603	34,323	38,292	40,206	42,217
Packing Materials	0	1,303	1,596	1,915	2,137	2,244	2,357
Stores & Spares	0	2,389	2,389	3,582	3,582	3,582	3,582
Stock In Process		15,229	18,621	22,345	24,925	26,167	27,476
Accounts Receivable	0	22,463	28,759	34,536	38,661	40,715	42,750
Misc Debtors	0	11,320	12,329	13,392	14,282	15,008	15,805
Cash & Bank Balances	0	96,397	278,601	420,075	606,152	814,648	1,046,416
Total Current Assets	0	259,016	476,387	656,657	868,879	1,090,402	1,335,782
TOTAL ASSETS	571,273	774,561	936,204	1,060,746	1,217,240	1,383,037	1,575,210
CURRENT LIABILITIES							
WPF	0	4,711	7,842	10,583	13,017	14,376	15,868
Dividend Payable	0	0	70,000	70,000	70,000	70,000	70,000
Tax Payable	0	0	0	0	0	0	0
Bank Borrowing (*)	0	113,474	129,820	156,233	173,912	182,523	191,492
Total Current Liabilities	0	118,185	207,662	236,816	256,929	266,899	277,360
LONG TERM LIABILITIES							
IPDC Term Loan	30,000	30,000	30,000	26,250	22,500	18,750	15,000
Sonali Bank Term Loan	169,226	169,226	169,226	148,073	126,919	105,766	84,613
IDCP	22,047	17,637	13,228	8,818	4,408	0	0
Total Long Term Liabilities	221,273	216,863	212,454	183,141	153,828	124,514	99,611
EQUITY							
Paid-up Capital	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Retained Earnings		62,659	95,262	161,553	256,538	365,136	488,766
Tax Holiday Reserve		26854	70827	129237	199945	276487	359472
Total Equity	350,000	439,513	516,089	640,790	806,483	991,623	1,198,238
TOTAL EQUITY & LIABILITIES	571,273	774,561	936,205	1,060,747	1,217,240	1,383,036	1,575,209

(*) Including Sonali Bank Working Capital

These are not acctuals but forecasts only. Actuals may vary from forecasts.

4 PROJECTED CASH FLOW

Taka in '000'

	Const Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
SOURCES OF FUND							
Operating Profit		128,445	190,192	241,896	284,023	303,220	322,722
Add Back Depreciation		53,807	53,807	53,807	53,807	53,807	53,207
Funds Generated From Operations		182,252	243,999	295,703	337,830	357,027	375,929
Capital Stock	350,000						
Sonali Bank Term Loan	169,226						
IPDC Term Loan	30,000						
IDCP	22,047						
Increase In Bank Borrowing	0	113,474	16,346	26,413	17,679	8,611	8,969
TOTAL SOURCES	571,273	295,726	260,345	322,116	355,509	365,638	384,898
APPLICATION OF FUNDS							
Investment In Fixed Assets	561,670						
Preliminary Expenses	9,603						
Interest Expense		32,300	33,853	34,691	33,392	31,785	30,239
REPAYMENTS							
Sonali Bank Term Loan		0	0	21,153	21,153	21,153	21,153
IPDC Term Loan		0	0	3,750	3,750	3,750	3,750
IDCP		4,410	4,410	4,410	4,410	4,410	0
WPF			4,711	7,842	10,583	13,017	14,376
Dividend			0	70,000	70,000	70,000	70,000
Tax Payable			0.00	0	0	0	0
Increase in Current Asset	0	162,619	35,167	38,796	26,145	13,027	13,612
TOTAL APPLICATION FUNDS	571,273	199,329	78,141	180,642	169,432	157,142	153,130
Cash Surplus / (Deficit)	0	96,397	182,204	141,474	186,077	208,496	231,768
Add Opening Balance		0	96,397	278,601	420,075	606,152	814,648
Cumulative Cash Surplus	0	96,397	278,601	420,075	606,152	814,648	1,046,416

These are not acctuals but forecasts only. Actuals may vary from forecasts.

5. LIQUIDITY & LEVERAGE RATIOS :

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Current Ratio	2.19	2.29	2.77	3.38	4.09	4.82
L-T Debt / Equity Ratio	0.49	0.41	0.29	0.19	0.13	0.08
Total Debt / Total Assets	0.43	0.45	0.40	0.34	0.28	0.24
Debt Services Coverage Ratio	4.78	6.12	4.42	5.43	5.58	6.54
Gearing	76%	81%	66%	51%	39%	31%

6. PROFITABILITY INDICATORS :

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Gross Profit / Sales	15.79%	17.95%	18.88%	19.73%	19.99%	20.25%
Operating Profit / Sales	14.30%	16.53%	17.51%	18.37%	18.62%	18.87%
Return on Sales	6.97%	8.92%	9.87%	10.67%	10.97%	11.32%
Dividend	0.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Earnings Per Share (Tk.)	25.57	41.87	55.63	67.34	72.89	79.03
Net Asset Value Per Share Tk.	123.38	145.81	181.99	229.88	283.32	342.35
Price earning Ratio at issue price (Tk. 100)	3.91	2.39	1.79	1.49	1.37	1.27

7. PROJECTED INCOME STATEMENT

Taka in '000'

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Capacity Utilization	60 %	70 %	80 %	85 %	85 %	85 %
Total Revenue	898.51	1,150.36	1,381.45	1,546.44	1,628.58	1,710.01
Cost Of Goods Sold	756.66	943.88	1,120.58	1,241.38	1,303.04	1,363.66
Gross Profit	141.85	206.47	260.87	305.06	325.54	346.35
Operating Expenses	13.40	16.28	18.97	21.04	22.32	23.63
Operating Profit	128.44	190.19	241.89	284.02	303.22	322.72
Financial Charges	32.30	33.85	34.69	33.39	31.78	30.23
Amortization	1.92	1.92	1.92	1.92	1.91	
Profit Before (W.P.F.)	94.22	154.41	205.28	248.71	269.51	292.48
Other Income (Interest)		2.41	6.37	11.63	17.99	24.88
W.P. Fund	4.71	7.84	10.58	13.01	14.37	15.86
Pre Tax Profit	89.51	146.57	194.70	235.69	255.14	276.61
Tax holiday reserve	26.85	43.97	58.41	70.70	76.54	82.98
Dividend		70.00	70.00	70.00	70.00	70.00
RETAINED EARNINGS	62.65	32.60	66.29	94.98	108.59	123.63
CUMMULATIVE RETAINED EARNINGS	62.65	95.26	161.55	256.53	365.13	488.76

These are not acctuals but forecasts only. Actuals may vary from forecasts.

8. SALES PROJECTION :

(Tk '000')

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Capacity Utilization	60 %	70 %	80 %	85 %	85 %	85 %
Number of Sets ('000')	2,625	3,063	3,500	3,719	3,719	3,719
Add: Opening Inventory	0	131	153	175	186	186
Less: Closing Inventory	131	153	175	186	186	186
Total Sales	2,494	3,041	3,478	3,708	3,719	3,719
Export	80.66	84.69	88.93	93.37	98.04	102.95
Average Price per set	360.27	378.28	397.20	417.06	437.91	459.81
Sales Revenue	898,513	1,150,360	1,381,454	1,546,449	1,628,589	1,710,018
TOTAL SALES REVENUE	898,513	1,150,360	1,381,454	1,546,449	1,628,589	1,710,018

9. COST OF GOODS SOLD :

(Tk '000')

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Raw Material	518,895	633,485	760,127	847,794	889,974	934,473
Chemical & Dyes	120,967	148,185	177,822	198,383	208,302	218,717
Sizing	8,874	10,871	13,045	14,554	15,281	16,045
Packing	15,638	19,156	22,988	25,647	26,929	28,275
Utilities	25,220	27,990	30,759	32,143	32,143	32,143
Overheads	17,752	17,827	22,681	22,764	22,851	22,942
Maintenance	9,553	9,553	14,328	14,328	14,328	14,328
Direct Labour	29,280	32,208	35,429	38,972	42,869	47,156
Depreciation	53,807	53,807	53,807	53,807	53,807	53,207
TOTAL MANUFACTURING	799,986	953,082	1,130,986	1,248,392	1,306,484	1,367,286
Add: Opening Inventory		43,325	52,519	62,924	69,934	73,372
Total	799,986	996,407	1,183,505	1,311,316	1,376,418	1,440,658
Less: Closing Inventory	43,325	52,519	62,924	69,934	73,372	76,996
COST OF GOODS SOLD	756,661	943,888	1,120,581	1,241,382	1,303,046	1,363,662

10. YEARLY PRINCIPAL PAYMENT OF LOAN :

(Tk '000')

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
IPDC Term Loan	0	0	3,750	3,750	3,750	3,750
Sonali Bank Term Loan	0	0	21,153	21,153	21,153	21,153
Interest During Construction Period	4,410	4,410	4,410	4,410	4,410	0
YEARLY PRINCIPAL PAYMENT	4,410	4,410	29,313	29,313	29,313	24,903

11. YEARLY INTEREST PAYMENT SUMMARY :

(Tk '000')

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
IPDC Term Loan	3,752	3,752	3,634	3,164	2,696	2,226
Sonali Bank Term Loan	17,768	17,768	17,768	17,768	17,491	16,381
Bank Borrowing	10,780	12,333	13,289	12,460	11,598	11,632
YEARLY INTEREST PAYMENT	32,300	33,853	34,691	33,392	31,785	30,239

ASSUMPTIONS:

Capacity Utilization 1st Year of Operation	60 %
Capacity Utilization 2nd Year of Operation	70 %
Capacity Utilization 3rd Year of Operation	80 %
Capacity Utilization 4th & subsequent Years of Operation	85 %
Dividend 1st Year of Operation	0 %
Dividend 2nd & subsequent Years of Operation	20 %
Tax Holiday reserve first 7 years of Operation	30%
Income tax from 8th year of Operation	18 %
Other Income: Interest on Tax holiday reserve	9 %
Yearly increase in sales price	5 %
Yearly increase in raw material cost	5 %

Depreciation on Factory Building	5%
Depreciation on Plant Machinery	10%
Depreciation on Furniture's and office equipment	10%
Depreciation on Vehicles	20%
Amortization	5 years

	Interest Rate	Repayment Period	Grace Period
Interest on Term loan IPDC	12.5 %	8 Years	2 Years
Interest on Sonali Bank Term Loan	10.5 %	8 Years	2 Years
Interest on Working Capital Loan	9.0 %	-	-

Stock of Raw Materials	1 Month
Stock of Spare & Accessories	3 Months
Work In Process	5 Days
Finished Good Stock	7 Days

Continued