

SONARGAON TEXTILES LIMITED

A Public Company Limited by Shares

Public issue of 248,000 Ordinary Shares of Taka 100 each

MANAGER TO THE ISSUE
FIRST CAPITAL SECURITIES LTD.

PROSPECTUS

SUBSCRIPTION OPENS:
APRIL 03, 1995
SUBSCRIPTION CLOSURE:
APRIL 12, 1995

REGISTERED OFFICE
SENA KALYAN BHABAN (10TH FLOOR)
195, MOTIHEEL C/A, DHAKA-1000
BANGLADESH

FACTORY LOCATION
RUPATOLI
BARISAL

AUTHORISED CAPITAL
TAKA 200,000,000 DIVIDED
INTO 2,000,000 ORDINARY
SHARES OF TAKA 100 EACH

UNDERWRITTEN BY
ICB LED CONSORTIUM AND
92 MEMBERS OF DSE UNDER THE LEAD
MANAGERSHIP OF MR A. R. ATIQUE

PART I

SHARE CAPITAL

	Taka
1. SHARE ISSUE	
Issue of 992,000 Ordinary Shares	99,200,000
2. OUT OF WHICH	
A. 496,000 Ordinary Shares are fully paid in cash by the Sponsors at Tk. 100 each	49,600,000
B. 248,000 Ordinary Shares of Tk.100 each have been subscribed and paid by following overseas investors	
[1] 74,400 Ordinary Shares have been subscribed and paid in full in cash by KASB & Co. A/C Faisal Finance (Switzerland) S.A.	7,440,000
[2] 25,000 Ordinary Shares have been subscribed and paid in full in cash by KASB & Co. A/C Rana Investment Company, Saudi Arabia	2,500,000
[3] 131,600 Ordinary Shares have been subscribed and paid in full in cash by KASB & Co. A/C Destier Management Ltd., Channel Islands, UK.	13,160,000
[4] 17,000 Ordinary Shares have been subscribed and paid in full in cash by Baring Brothers (Guernsey), UK.	1,700,000
C. 248,000 Ordinary Shares at Tk. 100 each are being offered to General Public for subscription in cash	24,800,000
	99,200,000

CONDITION OF OFFER AND ALLOTMENT OF SHARES:

- [a] Investment Corporation of Bangladesh (ICB) Unit/ Mutual Funds banks shall have the right of preferential allotment to the extent of 20% of the local issue (49,600 Shares) and employees of Sonargaon Textiles Limited shall have the right of preferential allotment of Shares for 5% of the local issue (12,400 Shares). No employee shall, however, be allotted ordinary share of more than 100 shares. Any part of such allotment not taken up by them shall be allotted to general public as determined by the SEC or if over subscribed then the basis of allotment will be determined by the SEC.
- [b] After deducting shares subscribed by ICB and employees of Sonargaon Textiles Limited, the basis of allotment of shares to general public shall be as follows:
186,000 ordinary shares of Tk. 100 each are being offered to the general public as follows:
- [i] 50% of shares i.e., 93,000 ordinary shares are being offered to the applicants for 50 shares.
 - [ii] 10% of shares i.e., 18,600 ordinary shares are being offered to the applicants for exceeding 50 but up to 500 shares.
 - [iii] 10% of shares i.e., 18,600 ordinary shares are being offered to the applicants for exceeding 500 but up to 1000 shares.
 - [iv] 10% of shares i.e., 18,600 ordinary shares are being offered to the applicants for exceeding 1000 but up to 5000 shares.
 - [v] 20% of shares i.e., 37,200 ordinary shares are being offered to the applicants for over 5000 shares for financial institutions, insurance companies and financial and market intermediary companies.
- [1] The applicants of minimum lot of 50 shares shall be accommodated fully if the subscription is within Tk. 9,300,000. In case of over subscription the allotment shall be made by lottery among such applicants.
- [2] Allotment amongst applicants for lots other than minimum lot shall be made proportionately in case of over subscription.
- [c] In case any difficulty arises with respect to implementation of 3 (b) [1] & [2] above the allotment of shares to applicants shall be made in such manner as may be determined by the SEC.
- [d] Application must not be for less than 50 shares and must be for multiple of 50 shares. Any application not meeting this criterion will not be considered for allotment purpose.
4. There are no founder's management or deferred shares. It is also not presently intended to issue any preference shares.
5. No payment has been or is intended to be made to the promoters, Directors or other persons for promotion of the Company.
6. The minimum subscription on which the Directors will proceed to allotment is the full amount of the present issue as that is the amount which in the option of the Directors must be raised in order to provide required fund for the project.

PART II

UNDERWRITING, COMMISSION, BROKERAGE, TAXES

UNDERWRITING:

The public offering of 248,000 Shares has been underwritten by Financial Institutions and 92 members of DSE as shown below:

Name of the Underwriters	Number of Shares	Amount in Taka
1. ICB led consortium	206,216	20,621,600
2. The members of DSE	41,784	4,178,400
	248,000	24,800,000

The following are the detail of names of DSE members and allocation of shares to each of them as undertaken:

NAMES OF MEMBERS	MEMBER NUMBER	No. OF SHARES UNDERWRITTEN	AMOUNT (TK.)
A.R. Atique	145	470	47,000
M.A. Quayum	38	454	45,400
Md. Azizul Haq	34	454	45,400
M/s Khurshid Alam Co.	167	454	45,400
Khwaja Abdul Quddus	37	454	45,400
Nur-e-Alam Siddique	182	454	45,400
Hemayet Uddin Ahmed	136	454	45,400
Kazi Firoz Rashid	29	454	45,400

"Consent of the Securities & Exchange Commission has been obtained to the issue of capital under the Securities & Exchange Ordinance, 1969 as amended in 1994 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 Securities & Exchange Commission does not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statement made or opinion 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 by section 138(1) of the Companies Act, 1994.

Application will be made to Dhaka Stock Exchange Limited within ten days of the first issue of prospectus for admission of the Shares of the Company for dealing on the market and for their quotation on the Dhaka Stock Exchange. If for any reason, the application for listing is not accepted by Dhaka Stock Exchange Limited, within six weeks of the closure of the subscription list, the allotment against applications in response to the prospectus shall be void, and the subscription money received from the applicants shall be refunded within 30 (thirty) days of the expiry of the said six weeks. In case of failure to refund the subscription money to the applicants within the said 30 days, the directors, in addition to the company, shall be responsible collectively and severally to refund the money with interest at 5% above the bank rate.

THE SUBSCRIPTION LIST OF 248,000 ORDINARY SHARES OF TAKA 100 EACH BEING HEREBY OFFERED WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON APRIL 03, 1995 AND WILL CLOSE ON APRIL 12, 1995 AT THE CLOSE OF BANKING HOURS.

HIGHLIGHTS

- * The Company is one of the medium size spinning mills in Bangladesh with an installed capacity of 14,400 spindles which will increase to 24,960 spindles by July 1995. The company started production at the end of 1992 and is currently operating at 80% capacity.
- * The company's sales are expected to grow from Tk.228.8 million (US\$ 5.72 million) in 1995 to Tk.312.15 million (US\$ 7.8 million) in 1999.
- * The EPS of the Company is forecasted at Tk. 24 per share in 1995 increasing to Tk. 53 in 1999. Expected average EPS growth is 18% per year.
- * The recent tariff rationalization policy of GOB eliminating / reducing duties on imported raw materials and chemical equipments would maximise profitability due to reduced cost.
- * The company produces high count of yarn primarily for sale in the domestic market and partly to export oriented textile sector.
- * Bangladesh imports significant quantity of yarn because domestic production has not been able to keep pace with the rapid increase in domestic demand. Imports are likely to decrease as domestic production increases.
- * The Company is exempt from corporate income tax until 2002.
- * The company also intend to procure 6(Six) ring frames and two high speed rotors, which will be equivalent to add 3,680 spindles to enhance the total capacity of the project at 28,640 spindles in phases. (The effect of this proposed expansion plan at a later stage has not been taken into account of this offering/expansion).

DIRECTORS' OPINION

The Company has been making steady progress in a qualitative and quantitative fashion as evident by the financial result. In December 1993 it made net profit of Tk. 1.57 million and Tk. 8.99 million upto October 1994. The performance of 1994 consists of ten months only.

We expect the expansion will further boost the performance of the Company due to the economy of scale. Well diversified yarn count products will feed both the local market as well as booming garment export sector thereby reducing the risk of dependence on any one market. Moreover with the passage of time more and more knit and woven textile unit are being set up for backward linkage of Garment Export Industry. These units are booking locally manufactured yarn in advance at a premium price for claiming 25% cash benefit incentive given by the government. Furthermore 15% GSP is also enjoyed by the European importers if they import garments with locally manufactured yarn and fabric. These two scenario will further boost the demand of locally manufactured yarn.

The Company's product is well known in the market by the brand name 'Lion' and we are of the opinion that the prospect of our Company is very promising. The shares are offered to the public at a discount to the book value (the current book value of the Company is Tk. 127.27 per share). And at a PER of only 4.17 time 1995 earnings, it is by far the best valued stock. We are in the opinion that the investors will get adequate growth and return on their investment.

In the opinion of the Directors the resources of the underwriters are sufficient to discharge their respective underwriting commitment.

M.A. Huq Hawlader	102	454	45,400
A.B.S. Safdar	124	454	45,400
Khalilur Rahman Chowdhury	74	454	45,400
Md. Shahiqur Khan	39	454	45,400
Md. Rakibur Rahman	142	454	45,400
Ataul Hoq	73	454	45,400
Asoke Das Gupta	89	454	45,400
M. Abdul Rashid	35	454	45,400
Abdur Rahman	78	454	45,400
Abdul Haque	77	454	45,400
Lailun Nahar Khram	65	454	45,400
Adarsha Securities (Pvt) Ltd.	12	454	45,400
Securities Promotion & Management	146	454	45,400
Moazzem Hossain Chowdhury	156	454	45,400
Md. Shoukat Ali	66	454	45,400
Ali Securities Co.	105	454	45,400
Amin Ullah	83	454	45,400
Sunrise Agencies	177	454	45,400
Amm Iqbal Ali	112	454	45,400
A.S. Shahudul Huque Bulbul	32	454	45,400
Dewan Suhel Afzal	85	454	45,400
Saiful Islam	162	454	45,400
Abdullah Al-Ahsan	193	454	45,400
Shamsul Huda	117	454	45,400
Sohel Pervez	169	454	45,400
M. M. Afzal Hossain Chowdhury	151	454	45,400
Syed Tareque Md. Ali	48	454	45,400
Harunur Rashid	5	454	45,400
Sayed Shahedul Alam	173	454	45,400
Mostaque Ahmed Sadeque	15	454	45,400
Md. Shahidullah (Shyamol) & Co.	3	454	45,400
Mohd. Shahid Ullah	44	454	45,400
S. Shafique Ahmed	57	454	45,400
Md. Yusuf	45	454	45,400
Jobaier Hossain	93	454	45,400
Md. Feroz Khan	191	454	45,400
Md. Mostafa Zubair	52	454	45,400
Md. Rezaul Karim	157	454	45,400
M. Shamsul Alam	4	454	45,400
Jamal Ahmed	97	454	45,400
Md. Shahjahan	195	454	45,400
Jahanara Begum	138	454	45,400
Haji Mahammad Ali Hamed	165	454	45,400
Mohd. Jamilur Rahman	154	454	45,400
Abdul Hamid Bhuiyan	190	454	45,400
M/s Mohammadullah & Shabbir Ahmed	141	454	45,400
Shahed Abdul Khaleque	123	454	45,400
A.P.M. Shamsuddin	159	454	45,400
Biswa Nath Saha	81	454	45,400
Md. Shafiqur Rahman	153	454	45,400
Azizur Rahman	189	454	45,400
M/s. Shetu Corporation Ltd.	183	454	45,400
M/s. Litmond Ltd.	160	454	45,400
Rakhi Das Gupta	94	454	45,400
Syed Tawfiq Hossain Ali	49	454	45,400
Yunus Khan	68	454	45,400
M/s. United Securities Consultants	11	454	45,400
Ahmed Iqbal Hasan	114	454	45,400
Md. Shakil Rizvi	149	454	45,400
Dastagir Md. Adel	17	454	45,400
M/s. A. K. M. A. Razzak & Sons	184	454	45,400
Prof. Md. Amjad Hossain	122	454	45,400
Hosne Ara Begum	2	454	45,400
Md. Nabiul Karim	115	454	45,400
M. A. Mumin	111	454	45,400
Saiful Islam Chowdhury	113	454	45,400
Kazi Enayetur Rahman	135	454	45,400
M/s. Md. Atiqul Haque & Co.	18	454	45,400
Md. Favezur Rahim	126	454	45,400
Enayetur Rahman	16	454	45,400
Md. Sahidullah	91	454	45,400
Khwaja Ghulam Rasul	10	454	45,400
Khurshid Azam	47	454	45,400
Md. Abdul Mannan	86	454	45,400
Abdul Latif Miah	80	454	45,400
Md. Talha	69	454	45,400
M. Shamsul Huq	106	454	45,400
Mohammed Harun Bhuiyan	143	454	45,400
Qazi Kamal	98	454	45,400
Md. Abdullah Bokhari	43	454	45,400
Al-haj Md. Mookbul Hossain	164	454	45,400
M/s. Aninda Associates	26	454	45,400
Hamed Ali Chowdhury	63	454	45,400
Kamal Edbar	54	454	45,400
			4,178,400

If and to the extent the Shares hereby offered to the public shall not have been subscribed and paid for in cash in full, the underwriter shall within 15 days of being duly called upon by the Company to do so, subscribe or procure subscribers to subscribe and pay for in cash in full, the shares that are not so subscribed.

UNDERWRITING COMMISSION:

The underwriters will be paid an underwriting commission at the rate of 2.5% of the nominal value of shares underwritten by it. Simultaneously with calling upon the underwriters to subscribe and pay for any number of shares, the Company shall pay to each underwriter an additional commission at the rate of 2.5% of the nominal value of the shares required to be subscribed by it.

COMMISSION TO THE BANKERS TO THE ISSUE:

Commission at the rate of 1/4th of 1% of the nominal value of shares will be paid to the bankers to the issue for services to be rendered by them in connection with the collection of subscription money etc.

BROKERAGE:

The Company will pay brokerage @1% of the value of Shares allotted to the members of Dhaka Stock Exchange Limited on applications bearing their rubber stamp. Neither the brokerage to the brokers nor the commission to the bankers shall be payable in respect of the Shares taken by the underwriter.

PRELIMINARY EXPENSES:

The Preliminary expenses of the Company inclusive of brokerage, underwriting commission, additional commission and commission to the bankers to the issue are not expected to exceed Tk. 3,900,000.