Chapter VII
APPLICATION FOR SUBSCRIPTION & ALLOTMENT

A Application for shares may be made for a minimum lot of 50 (fifty) ordinary shares to the value of Tk 5,000 or any multiple thereof and should be made on the company's printed forms. Application forms and prospectus may be obtained from the registered office of the company, DSE, CSE or from any of the Bankers to the Issue. If adequate number of forms are not available, intending investors may have the same printed / photocopied / cyclostyled / typed.

B In the case of a joint application by two persons, each party must sign the application form. Correspondence will be made with the person whose name appears first. Joint application from more than two persons will not be accepted.

C Application must be in full name of individuals or limited companies or trusts or societies and not in the name of firms, minors or persons of unsound mind. Application from insurance, financial and market intermediary companies must be accompanied by Memorandum and Articles of Association and Certificate of Incorporation.

D An applicant can submit not more than two applications, one in his own name and another jointly with another person. In case an applicant makes more than two applications, those in excess of two applications shall not be considered for allotment purpose.

E Bangladeshi nationals including Non-Resident Bangladeshi nationals residing / working abroad and foreign nationals shall be entitled to apply for shares.

F Payment for subscription by investors other than Non-Resident Bangladeshis may be made to the branches/offices of the Banks mentioned below in cash /cheque/pay order/bank draft. The cheque / pay order / bank draft shall be made payable to the bank to which it is sent and be marked "**A/C Rahima Food Corporation Ltd.**" and shall bear the crossing "**A/C Payee Only**" and must be drawn on a bank in the same town as the bank to which the application form is deposited.

G All completed application forms together with remittance for the full amount payable on application should be lodged by investors other Non-Resident Bangladeshis with any of the following Bankers to the Issue:

BANKERS TO THE ISSUE

1. **ARAB BANGLADESH BANK LTD.**
   Principal Branch, Dhaka
   Nawabpur Branch, Dhaka
   New Elephant Road Branch, Dhaka
   Kakrail Branch, Dhaka
   Mirpur Branch, Dhaka
   Agrabad Branch, Chittagong
   CDA Avenue Branch, Chittagong
   Khulna Branch
2. **ISLAMI BANK BANGLADESH LTD.**
   Local Office, Dhaka
   Foreign Exchange Branch, Dhaka
   Farm Gate Branch, Dhaka
   Mouchak Branch, Dhaka
   Mirpur Branch, Dhaka
   Agrabad Branch, Chittagong
   Khulna Branch
   Bogra Branch
3. **INVESTMENT CORPORATION OF BANGLADESH**
   Head Office, Dhaka
   Chittagong Branch
   Rajshahi Branch
   Khulna Branch
   Barisal Branch
   Sylhet Branch
4. **IFIC BANK LIMITED**
   Federation Branch, Dhaka
   Shantinagar Branch, Dhaka
   Elephant Road Branch, Dhaka
   Dhanmondi Branch, Dhaka
   Gulshan Branch, Dhaka
   Agrabad Branch, Chittagong
   Comilla Branch
   Rajshahi Branch
   Jessore Branch
   Kushtia Branch
   Khulna Branch
   Barisal Branch
   Mymensingh Branch
   Sylhet Branch
5. **NATIONAL BANK LTD.**
   Dilkusha Branch, Dhaka
   Foreign Exchange Branch, Dhaka
   Mohakhali Branch, Dhaka
   Kawran Bazar Branch, Dhaka
   Motijheel Branch, Dhaka
   Dhanmondi Branch, Dhaka
   Agrabad Branch, Chittagong
   Narayanganj Branch, Narayanganj
6. **NATIONAL CREDIT & COMMERCE BANK LTD.**
   Motijheel Branch, Dhaka
   Moghbazar Branch, Dhaka
   Mirpur Branch, Dhaka
   Babubazar Branch, Dhaka
   Bangshal Branch, Dhaka
   Agrabad Branch, Chittagong
7. **PRIME BANK LTD.**
   Motijheel Branch, Dhaka
   Mohakhali Branch, Dhaka
   Islami Banking Branch, Dhaka
   Khatungnj Branch, Chittagong
8. **UNITED COMMERCIAL BANK LTD.**
   Local Office, Dhaka
   Islampur Branch, Dhaka
   Malibagh Branch, Dhaka
   Mohammadpur Branch, Dhaka
   Foreign Exchange (Dilkusha) Br., Dhaka
   Tongi Branch, Tongi
   Agrabad Branch, Chittagong
   Jubilee Road Branch, Chittagong
9. **RUPALI BANK LTD.**
   Local Office, Dhaka
   Foreign Exchange Branch, Dhaka
   Rupali Sadan Branch, Dhaka
   Cantonment Branch, Dhaka
10. **JANATA BANK**
   Local Office, Dhaka
   Foreign Exchange Corporate Branch, Dhaka
   Motijheel Corporate Branch, Dhaka
   Kamal Ataturk Avenue Corp. Br., Dhaka
   Satmasjid Road Branch, Dhaka
   Laldighi East Corporate Branch, Chittagong
   Sheikh Mujib Road Corp. Br., Chittagong
11. **SOUTH EAST BANK LTD.**
   Principal Branch, Dhaka
   Imamgonj Branch, Dhaka
   Agrabad Branch, Chittagong
12. **ANZ GRINDLAYS BANK**
   Uttara Branch, Dhaka
   Chittagong Main Branch, Chittagong

H A Non-Resident Bangladeshi (NRB) can apply for shares either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee (including a bank or a company) by paying out of a foreign currency deposit account maintained in Bangladesh, for the value of shares applied for. The value of shares applied for may be paid in Taka, U.S. Dollar or U.K. Pound Sterling at the rate of exchange mentioned in the Share Application Form. Refund against oversubscription of shares shall be made in the currency in which the value of shares applied for was paid by the applicant. Share Application Forms against the quota for NRBs shall be sent by the applicant directly along with a draft or cheque to the company at its registered office. Copies of Application Forms and Prospectus shall be available with Bangladesh Embassy / High Commission in U.S.A., U.K., Saudi Arabia, U.A.E., Qatar, Kuwait, Oman, Bahrain, Malaysia and South Korea.

I The subscription money collected from investors (other than Non-Resident Bangladeshis) by the bankers to the issue will be remitted to the **STD A/C No. 04000701, National Credit & Commerce Bank Ltd., Motijheel Branch, 6, Motijheel C/A, Dhaka-1000.**

J The subscription money collected from Non-Resident Bangladeshis in US Dollar or UK Pound Sterling shall be deposited in "FC Account for IPO". In case of oversubscription, refund shall be made by the company out of the "FC Account for IPO". The company shall open only one "FC Account for IPO" in US Dollar or UK Pound Sterling with a bank on approval of the prospectus by the SEC, and close these accounts after refund of oversubscription, if any.

K Public subscription money from the public offer cannot be utilised for the purpose for which money has been raised until allotment to the successful applicants and refund to the unsuccessful applicants have been made by the company.

APPLICATION NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS AND THE INSTRUCTIONS PRINTED IN THE APPLICATION FORM ARE LIABLE TO BE REJECTED.

ALLOTMENT

The company reserves the right to accept any application in whole or in part. Where any application is not accepted in full, the balance money received on application will be refunded, without interest, to the applicant by account payee cheque bearing account number, bank and branch name mentioned in the application form. Where allotment is made in whole or in part in respect of joint applicants, the allotment letter will be despatched to the person whose name appears first on the application form, notwithstanding that the shares have been allotted to the joint applicants. Where a joint application is accepted in part, the balance of any amount paid on application will be refunded withour interest to the person named first on the application form.

Successful applicants will be notified of allotment by despatch of Letter of Allotment within 40 (forty) days of closing of subscription lists. Share Certificates will be issued within 90 (ninety) days of the date of allotment letters. Interest at 5% above bank rate will be paid to the unsuccessful applicants where application money is refunded after 40 (forty) days, for which the directors, in addition to the company, shall be responsible.

Chapter VIII
PROJECT DESCRIPTION

PROJECT PROFILE:

Rahima Food Corporation Ltd. has been refining and selling the highest quality refined soybean and palm oil since 1991. The refinery plant was initially financed by the sponsors themselves, with a mix of equity and unsecured loans. The company has no long-term debt on its books.

To take advantage of the growing demand by increasingly health-conscious consumers for quality branded product and in order to maintain quality control on the company's premium products down the distribution channel, RFCL has finalised plans for a strategic downstream expansion into a vegetable ghee plant and bottling facility.

Trial production is expected to start by - January-February, 1998 and commercial production by end of February, 1998. The cost of the expansion projects will be Tk 100 million, to be raised from the capital markets through an initial public offering for the same amount.

Vanaspati Plant

Core machinery and equipment, of European standard, will consist of an oil intake plant, emulsification frame, crystallisation frame and a mounting frame. The maximum achievable annual capacity of the plant will be between 3,240 and 3,600 MT of vanaspati products.

Bottling Plant

Main machinery and equipment, of European standard, will consist of a pressurised filling plant with an automated sealing and labelling unit. The filling unit can be calibrated with the output flow of refined oil. The installed capacity of the bottling plant will 30 bottles per minute based on 2.0 litre sized bottle. This plant can bottle refined soybean, corn, and sunflower oil.

FACILITIES OF THE EXISTING REFINERY

The existing facilities of the refinery plant will easily combine in integrate the aforesaid expansion projects. A brief description of the facilities are as follows:

a) Land:

The existing edible oil refinery project is located on a plot of land measuring about 7.08 bighas at Uttar Rupshi, Rupganj, Narayanganj. The project site is well connected by road and river communication. The Sitalakhya river, which flanks the southern extremity of the project site, provides an excellent channel for delivery of crude oil via tankers from Chittagong port. Infrastrucutural facilities like gas, power, telecommunication and water are well provided in the locality.

b) Buildings and Civil Works:

The major buildings include factory building, warehouse, boiler room, administrative quarters, guard rooms, sanitary facilities, power room, drum shed etc. covering about 50,000 sft. The factory is located in a 3 level building with total floor area of 32,000 sft. The generator and power room is of pucca construction with brick wall and CI sheet roof, and occupies 5,200 sft. The main factory building is R.C.C. type structure with metal case frame and concealed wiring.

c) Plant and Machinery:

The plant and machinery for the existing refinery was procured from Tirtiaux, a Belgian manufacturer, under the guidance of professional consultants. The plant is fully computerised and has a contineous physical refining capacity of 120 MT crude oil per day. The capacity can be expanded upto 200 MT per day. The plant includes all required accessories with power generator, modern testing equipment and integrated quality control equipment.

d) Utilities:

i) Power: The required power load for the existing refinery is 325 kW per annum. The company has a 150 kVA transformer and its own 100 kVA standby generator.

ii) Gas: The natural gas requirement per annum is 65,000 cubic meter, which is provided by Titas Gas Transmission & Distribution Ltd.

iii) Water: Daily requirement of 25,000 gallons of water for cleansing and bleaching during refinement of crude soybean and crude palm oil is provided by the company's own deep tube-well. There is also a water tower within the project.

e) Production Mix:

The annual production capacity of the refinery unit in metric tons on the basis of 8 hour working shifts, i.e. 3 shifts per day and 300 working days a year, is given below:

	Product & By-product	Average Mix	Daily Capacity	Annual Capacity
1	Soybean	70.32%	84.38	25,314.01
2	Palm Oil	26.44%	31.73	9,519.10
3	Fatty Acid	1.73%	2.08	624.09
4	Earth	1.43%	1.72	515.04
5	Oil Froth	0.08%	0.09	27.76
	Total	**100.00%**	**120.00**	**36,000.00**

f) Production Capacity:

For the financial projection purpose the capacity utilisation of the existing refinery unit has been assumed at 35% for FY1997E, 45%, 50%, 55%, and 60% for the consecutive years. The additional capacity usage over the years will feed mostly refined soybean oil to the vanaspati and bottling units.

g Transportation:

The CDSO and CPO arrive by river transport from Chittagong and is pumped directly into the storage tanks from the company's own jetty on Sitalakhya River, which remains navigable round the year. All other raw materials are delivered on site by suppliers' transport and refined oils are collected from the plant by buyers' transport. The company owns a micro bus for transporting factory personnel and a jeep for senior executives.

TECHNICAL ASPECTS OF THE EXISTING REFINERY :;

a) Technology and Manufacturing Process: In brief, the following processes are involved in the refining of crude vegetable oil:

i Refining
ii Bleaching
iii Deodorising
iv Cooling
v Storage

The refining plant uses physical refining process and has been designed specifically for the company's requirements by the Tirtiaux, a renowned Belgian refining plant supplier. As part of the turnkey installation arrangement, Tirtiaux sent its own technicians to Bangladesh to provide intensive training to local personnel to orient the latter with the intricacies of the plant. The plant is fully automated and computerised and human involvement is minimal, required only for supervisory purpose. At present, the refinery is operating smoothly with 100% guaranteed quality control.

b) Production Personnel: The Production and Technical team consists of the following personnel:

i Production Manager
ii Production Supervisor
iii Chemical Engineer
iv Line Supervisor
v Mechanic
vi Electrician
vii Skilled Labour
viii Unskilled Labour

c) Raw Materials Requirement: Based on 100% capacity utilisation, 8 hour working shifts, i.e. 3 shifts per day and 300 working days a year, the raw material requirement and unit price is given below (inclusive of the expansion units):

Imports			
Items	Quantum unit	C&F Rate per unit	Imported Price per unit †
CDSO	25,557 MT.	$ 600.00	Tk 35,077.02
CPO	9,610 MT.	$ 450.00	Tk 25,876.49
Phosphoric Acid	70 MT.	$ 610.00	Tk 35,077.02
Filter Bag	35 pcs	$ 3.15	Tk 181.25
Bleaching Earth	528 MT	$ 350.00	Tk 20,126.16

† Inclusive of import duties and all incidental expenses

Local Procurements		
Items	Quantum unit	Price per unit
Citric Acid	35 MT.	Tk 50,000.00
Caustic Soda	2 MT	Tk 30,000.00

d) Fuels, Lubricants and Grease: The annual requirement of lubricants and grease is about 15,000 litre and 2,500 kg respectively.

e) Residue and Waste Disposal: The refinery unit generates some solid wastes in the form of fatty acid, oil froth, bleaching earth, sweeping oil etc. These are sold as by-products. The refinery also generates some effluents that contain insoluble solids. These are discharged to a waste water treatment arrangement and then the residual water is drained off in the nearby river. The company has obtained NOC from the pollution authority.

FACILITIES FOR THE EXPANSION UNITS

The requisite facilities for the aforesaid expansion units will integrate with those of the existing refinery plant. A brief description of the facilities to be set up are as follows:

a) Land & Location:

The expansion programme will require additional land of 0.5 bigha. This land will be provided from the sponsors freehold land adjacent to the existing refinery.

b) Buildings and Civil Works:

In addition to the existing civil establishment the company is going to expand its building area by 13,248 sft for the expansion units. The vanaspati factory building will cover 4,000 sft, the ware house in the ground floor will cover 500 sft. The civil supports for the vanaspati unit will require 6,478 sft. The bottling unit will cover 2,000 sft inclusive of all civil supports.

c) Plant and Machinery:

Additional imported machinery required for expansion are (a) vanaspati unit: oil-intake plant, emulsification frame, crystallisation frame and a mounting frame, (b) bottling facility: fully automatic bottle unscrambler machine, rotary inside bottle air cleaner, mono bloc rotary filler and press capper, rotary labeller machine, bottle conveyor. Local equipment will consist mainly of storage vessel, tanks and steel structures.

d) Utilities:

i) **Power:** The required power load for the expansion units is 120 kW per annum. This will be provided by REB.

ii) **Gas:** The natural gas requirement per annum is 25,000 cubic meter.

iii) **Water:** The refinery's existing water procurement facility will be capable of meeting the additional water requirements of the expansion units. However water storage facilities will have to be erected.

e) Production Capacity:

Vanaspati unit: 5.4 - 6.0 MT per day, on the basis of 1.5 shifts (8 hour/shift) per day, 300 working days a year, and a 0.955 process loss factor. **Bottling plant**: installed capacity of 30 bottles per minute based on 2.0 litre sized bottle. The refinery can supply at ease the required quantities of refined oil. For the financial projection purpose, the rated capacity utilisation of the expansion units has been assumed at 55% for FY1998E, 60%, 65%, and 70% for the later consecutive years.

f) Transportation:

In addition to the existing vehicles the company will require two pick ups, one microbus and a sedan for the expansion units.

g) Human Resources

The current manpower and that which is required for the expansion units are as follows:

Department	Refinery	Expansion
Production	60	13
Administration	10	13
Total	70	26

TECHNICAL ASPECTS OF THE EXPANSION PROJECTS:

a) Technology and Manufacturing Process: The following covers the vegetable ghee production process:

i) Neutralisation
ii) Bleaching
iii) Filtering
iv) Hydrogenation
v) Steering
vi) Cooling
vii) Filtering
viii) Blending

Technology transfer, technical assistance, servicing, and training for the above will be imparted by the vanaspati plant suppliers, Harper Overseas Inc., of Switzerland, who will also supply the bottling plant. Manufacturing process for the bottling plant is comparatively simple: RSO from the refinery will be bottled using pressurised filling machine, then the bottles will be capped, sealed and labelled. The whole process will be automatic, without human touch.

b) Production Personnel: The Production and Technical team consists of the following personnel:

i) Production Manager
ii) Production Supervisor
iii) Chemical Engineer
iv) Line Supervisor
v) Mechanic
vi) Electrician
vii) Skilled Labour
viii) Unskilled Labour

c) Raw Materials Requirement: Based on 100% capacity utilisation, 8 hour working shifts, i.e. 3 shifts per day and 300 working days a year, the raw material requirement and unit price is given below:

Vanaspati Unit-Imports			
Items	Quantum unit	C&F Rate per unit	Imported Price per unit †
Bleaching Earth	23 MT	$ 350.00	Tk. 20,126.16

† Inclusive of import duties and all incidental expenses.

Local Procurements			
Items	Quantum unit		Average Price per unit
Banaspati Unit	Salt	13 MT	Tk. 9,000.00
	Caustic Soda	54 MT	Tk. 30,000.00
	Ghee Flavor	180 kg	Tk. 5,000.00
	Nickel	400 kg	Tk. 150.00
	Tin-new/recycled	112,500 pcs	Tk. 10.00
Bottling Unit	2 Litre Bottle	2,304,000 btls	Tk. 22.30
	Vitamin Solution	4,608 kg	Tk. 5,000.00

d) Fuels, Lubricants and Grease: The annual requirement of lubricants and grease is about 15,000 litre and 2,500 kg respectively.

e) Residue and Waste Disposal: The waste and effluents generated by the expansion units will be taken care of by the existing waste disposal arrangement.

CAPITAL COST ESTIMATES FOR THE EXPANSION UNITS

The total cost of the expansion projects is estimated at Tk 100,000,000 including an initial working capital of Tk 19.00 million (for the expansion units) as summarised below:

Cost of the Project — Amount in Taka

Particulars	Existing Unit Refinery Plant	Expansion Units: Vanaspati	Bottling Plant	Expansion Cost	Total Cost
Land & Land Development	10,100,000	2,550,000	—	2,550,000	12,650,000
Building & Civil Works	7,115,216	5,345,599	2,014,051	7,359,650	14,474,867
Machinery & Equipment	36,789,489	40,702,250	8,405,438	49,107,688	85,897,176
Furniture & Fixtures	614,243	605,790	50,000	655,790	1,270,033
Transport Vehicle	554,544	1,070,000	300,000	1,370,000	1,924,544
Preliminary Expenses	—	7,200,960	150,000	7,350,960	7,350,960
Marketing and Promotion Expenses	—	—	10,000,000	10,000,000	10,000,000
Contingencies	—	2,142,024	460,553	2,602,577	2,602,577
Investment	6,250,000	—	—	—	6,250,000
Net/Initial Working Capital	66,142,034	9,608,055	9,395280	19,003,335	85,145,369
Total Cost of the Project	127,565,525	69,224,679	30,775,321	100,000,000	227,565,525

Amount in Taka

Means of Finance	Refinery Plant	Expansion Units	Total
Shares Capital	100,002,000		100,002,000
Public Issue		100,000,000	100,000,000
Reserve and Surplus	27,563,525		27,563,525
Total	127,565,525	100,000,000	227,565,525

INDUSTRY OVERVIEW

The Edible Oil Refining Industry in Bangladesh

Of the 72 or so edible oil refinery and vanaspati manufacturing units in the country, only 40 units are operational. Most of these are characterised by outdated technology, frequent breakdowns, inferior quality products, chronic working capital shortages, and under-utilisation of installed capacity. The resulting higher production costs have continually squeezed profit margins. The lion's share of the industrial edible oil market is controlled by a select few modern units. A modern, computerised physical refining plant, minimum process loss, and low labour overhead due to small work force gives RFCL considerable cost advantage over rivals.

Internal Restructuring

The edible oil refinery industry is at present undergoing rapid structural changes, triggered in part by the withdrawal of quota restrictions imposed in the early 90's and the imminent easing of import duty structure. The older units are increasingly failing to utilise capacity due to higher costs and inferior refining quality, while the modern units are enjoying better capacity utilisation especially in the face of an increasingly quality-conscious market. Capacity adjustments / substitutions between the older and modern units are expected to accelerate, providing the basis for a higher growth rate and larger market share for the modern units. RFCL is set to be the major beneficiary of this trend.

MARKET OVERVIEW

Market Structure

Almost all of the edible oil consumed in Bangladesh is produced and refined by local companies. There is a minimal import of refined oil. Industrially refined edible oil (currently soybean and palm only) accounts for 57% of the 700,000 MT. per annum domestic edible oil market. The remaining 43% is held by the cottage industry produced oils, mainly mustard, rape seed, and groundnut. The annual demand for vanaspati products is roughly 25,000 MT. Over the years there has been a substitution of the industrial oils for cottage oils and this trend is expected to continue ensuring a higher growth rate for the industrially refined oils.

Market Demand

The present per capita consumption of edible oil in Bangladesh is less than 3 kg, compared to 5 kg in India, 8 kg in Sri Lanka and 9 kg in Pakistan. Thus, Bangladesh has a lot of catching up to do. Given the similarity in development pattern and socio-cultural backgrounds, any rise in Bangladesh's per capita income will give a very substantial boost to the demand for edible oil. Demand for soybean and palm oil is expected to grow at the minimum rate of 8% per annum from 1997 onwards. Actual growth is likely to be much higher due to continued substitution of soybean and palm oil for mustard, rape seed and other indigenously produced oils.

Furthermore, the Bangladesh government's trade liberalisation policies are expected to lead to reduction of duties on import of crude soybean and palm oil. Any relaxation in duties will prompt a tremendous surge in demand for these oils. RFCL, unlike its competitors, can capitalise in such a situation as it is in a position to readily expand capacity, giving greater cost efficiency, without compromising on quality.

Market Potential for Packaged Products

As quality perception among consumers continue to grow, demand for quality branded products, such as bottled oil, vanaspati, and others, will definitely increase. This segment of the market is set to show vibrant growth in the foreseeable future.

RFCL's proposed entry into branded bottling and vanaspati products is extremely well timed. At present, there are a few brands of reasonable quality, like Postman (Dhaka Vegetable Oil), Tripti (Bengal Food), Dalda (Lever Brothers) but compared to the potential demand, supply is significantly limited. RFCL with its recognised leadership in quality can achieve potentially spectacular results in this segment of the market.

Pricing of Output

The company follows a steady pricing policy subject to cost, demand situation and competitive position. RFCL products command a premium price for its quality excellence. The pricing is highly elastic on import price variation, exchange rate fluctuations, and dumping of refined soybean oil from overseas.

The following prices have been adopted for the purpose of financial analysis:

Output	Unit	Price per Unit
Refined Soybean Oil (RSO)	MT.	Tk. 41,091/MT.
Refined Palm Oil	MT.	Tk. 31,740/MT.
Vanaspati/Vegetable Ghee	Kg.	Tk 880/16 Kg container
Bottled RSO	Litre	Tk. 120/2 Litre bottle
By-Product		
Fatty Acid	MT.	Tk. 15,056/MT.
Oil Froth	MT.	Tk. 5,000/MT.
Wasted Bleaching Earth	MT.	Tk. 263/MT.

* The above prices are averages and a 5% price escalation factor for each year is used in computation of revenue.

Marketing

The sponsors have allocated a Tk. 1 crore budget for advertising and promotional expenses of introducing vanaspati and bottled RSO product. Aggressive campaigns will be launched using the electronic and print media. Outdoor campaigns will utilise billboards, placards and murals in strategic location. Roadshows will be organised to promote the products of the expansion units. The sponsors are confident that these measures will ensure in increasing RFCL's market share of edible oil products.

Distribution

Since 1991, RFCL has sold its products in bulk quantity to the large commodity wholesalers of Dhaka. After taking delivery from the factory premises, these wholesalers distribute the oils nation-wide through an established channel of smaller wholesalers and retail outlets. After the expansion units are operational, the bulk sales of RSO and RPO will continue to be sold by the existing arrangement. Vanaspati and bottled RSO products will be sold through dealers in addition to the existing wholesalers. The company foresees no problem in marketing its existing and future output.

Chapter IX
FINANCIAL FORECASTS

(These are forecasts, not actuals. Actuals may vary from forecasts. Prospective investors should read the forecasts and their assumptions carefully before forming any opinion thereon.)

Assumptions Underlying the Financial Projections

a. Capacity utilisation of the existing refinery unit at 35% for FY1997E, 45%, 50%, 55%, and 60% for the consecutive years. Capacity utilisation of the expansion units at 55% for FY1998E, 60%, 65%, and 70% for the consecutive years.
b. The cost of raw materials and other inputs has been computed with a 5% escalation factor for each year. The selling price has also been computed with a similar 5% escalation factor.
c. Rates of depreciation are same as those used for historical financial accounts. Preliminary expenses are amortised at 10%.
d. Insurance premium per year estimated at 1% on value of net fixed assets. Insurance during construction period has been calculated @ 1.0% of the machinery and building value.
e. Other expenses such as power, fuel, wages, and salaries have been calculated as per the prevailing market rates.
f. General and administrative expenses have been estimated as per the prevailing market rates.
g. The expansion units will enjoy the 5-year tax holiday. Tax holiday on existing refinery unit will end in 1998.

Earnings Projections

The Earnings Projection shows that the project can earn a substantial amount of Net Income and pay the shareholders sizeable dividend and still maintain healthy retained earnings. The dividend rate for each year is shown at the end of the projected earnings statement.

Projected Cash Flow Statement

The projected Cash Flow Statement indicates that the project will have substantial fund generation at the end of each year. The project will be able to meet all its operational expenses, repay its short-term debt obligations, provide substantial returns to the sponsors and build a reasonable reserve.

Projected Balance Sheet

The projected balance sheet of the project also shows that the project will be able to maintain a healthy liquidity position and growth in assets throughout its operational life.

RAHIMA FOOD CORPORATION LTD
PROJECTED BALANCE SHEET
AS ON JUNE 30 OF

Taka million

Particulars	Actual Sep'96	Forecasts 1997	1998	1999	2000	2001
Fixed Assets	77.68	141.33	141.33	141.33	141.33	141.33
Less: Depreciation	22.51	25.24	33.60	42.11	49.78	56.69
Net Fixed Assets	55.17	116.09	107.73	99.22	91.55	84.64
Investments	6.25	6.25	6.25	6.25	6.25	6.25
Preliminary Expenses		17.35	14.60	11.85	9.10	6.35
Current Assets:						
Cash	0.93	26.03	31.56	65.63	110.19	161.91
Stock	39.23	40.93	78.77	104.26	122.41	141.27
Book Debts	15.56	18.22	33.30	41.20	48.34	55.31
Loan to Associated Companies	72.67	68.92	63.92	58.92	53.92	48.92
Advances, Deposits & Prepayments	29.34	36.34	49.57	49.91	55.31	61.38
Total Current Assets	157.74	190.44	257.13	319.92	390.17	468.78
Total Assets	**219.17**	**330.13**	**385.71**	**437.24**	**497.07**	**566.01**
Current Liabilities:						
Creditors	2.09	0.68	3.12	4.91	5.51	6.14
Bank Loans and Advances	89.29	77.74	83.91	78.00	73.50	69.00
W.P.P & W. F.	0.22	1.41	4.76	9.04	14.23	20.37
Total Current Liabilties	91.60	79.84	91.79	91.95	93.24	95.52
Net Current Assets	**66.14**	**110.60**	**165.34**	**227.97**	**296.93**	**373.26**
Net Assets Employed	**127.57**	**250.29**	**293.92**	**345.29**	**403.83**	**470.50**
Financed by:						
Paid up capital	100.00	200.00	200.00	200.00	200.00	200.00
Revenue Reserve	5.62	21.17	56.07	93.19	134.78	181.10
Tax Holiday Reserve	21.94	29.12	37.85	52.09	69.05	89.40
Total Equity	127.57	250.29	293.92	345.29	403.83	470.50