

# PROSPECTUS LEGACY FOOTWEAR LIMITED

(A JOINT VENTURE PUBLIC COMPANY LIMITED BY SHARES)

Public Issue of 1,500,000 Ordinary Shares of Tk. 10 Each (At Par) Amount Tk. 15,000,000.00

Offered Price: Tk. 10 Each (At Par) Total Amount Tk. 15,000,000.00

Manager to the Issue: AAA Consultants & Financial Advisers, Amin Court, 4th Floor, 62-63, Motijheel C/A, Dhaka-1000

## REGISTERED OFFICE:

64, Bijoy Nagar, Kakrail, Dhaka

## Opening Date of Subscription

7th November 1999

## UNDERWRITERS:

AAA Consultants & Financial Advisers  
Capital Market Services Ltd.  
Swadesh Investment Management Ltd.  
MRM Securities Ltd.  
Mohammadi Securities Ltd.  
Tasnim Securities Ltd.  
49 Members, Dhaka Stock Exchange Ltd.

## FACTORY

Vannara, Mouchak,  
Kaliakoir, Gazipur

## Closing Date of Subscription

16th November 1999

If you have any queries about this document, you may consult your stock broker or dealer, bank manager, lawyer, professional accountant or other professional adviser

## LEGACY FOOTWEAR LIMITED

(A JOINT VENTURE PUBLIC COMPANY LIMITED BY SHARES)

### PROSPECTUS

PUBLIC OFFER OF 1,500,000 ORDINARY SHARES

OF TK. 10.00 EACH AT PAR TOTALING TK. 15,000,000.00

Underwriting Commission @ 2.5% on Tk. 15,000,000.00 aggregating Tk. 375,000.00

OPENING DATE FOR SUBSCRIPTION: 7<sup>TH</sup> NOVEMBER, 1999

CLOSING DATE FOR SUBSCRIPTION: 16<sup>TH</sup> NOVEMBER, 1999

### Fully Underwritten By:

Name of Underwriters	Address
AAA Consultants & Financial Advisers	Amin Court, 4th Floor, 62-63, Motijheel C/A, Dhaka-1000. Phone: 9559602, 9567726.
Capital Market Services Ltd.	Suit No. 702 (7th Floor), 28, Dilkusha C/A, Dhaka-1000. Phone: 9562715, 9666499.
Swadesh Investment Management Ltd.	3/1, Bijoy Nagar, VIP Road, Dhaka-1000. Phone: 9345853-4.
MRM Securities Ltd.	Sena Kalyan Bhaban, Suit # 1312, 195, Motijheel C/A, Dhaka-1000. Phone: 880-2-9553144.
Mohammadi Securities Ltd.	9/E, Motijheel C/A, 2nd Floor, Dhaka-1000. Phone: 9667370, 9560690.
Tasnim Securities Ltd.	9/E, Motijheel C/A, 2nd Floor, Dhaka-1000. Phone: 9667370, 9560690.
49 Members, Dhaka Stock Exchange	9/F, Motijheel C/A, Dhaka-1000. Phone: 9564601-7 Ext. 603, 9551407. (Please see Section "Plan of Distribution")

### Manager to the Issue

AAA Consultants & Financial Advisers  
Amin Court, 4th Floor, 62-63, Motijheel C/A, Dhaka-1000

Date of Publication of the Prospectus: 26<sup>th</sup> October, 1999 in the Daily Star

"CONTENT OF THE PROSPECTUS AND EXCHANGE COMMISSION HAS BEEN OBTAINED FROM THE ISSUING COMPANY. THE ISSUING COMPANY IS RESPONSIBLE FOR THE CONTENT OF THE PROSPECTUS. THE EXCHANGE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS. ANY OF ITS OFFICERS OR EMPLOYEES WHO MAY BE RESPONSIBLE FOR THE CONTENT OF THE PROSPECTUS OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITHIN THE PROSPECTUS, SHALL BE RESPONSIBLE FOR THE SAME. THE EXCHANGE COMMISSION'S RESPONSIBILITY IS LIMITED TO THE FACT THAT THE PROSPECTUS HAS BEEN REGISTERED WITH THE EXCHANGE COMMISSION AND THAT THE EXCHANGE COMMISSION HAS NOT FOUND ANY REASON TO REJECT THE PROSPECTUS. THE EXCHANGE COMMISSION DOES NOT MAKE ANY INVESTMENT DECISION."

## DECLARATION

### DECLARATION ABOUT THE RESPONSIBILITY OF THE DIRECTORS AND OFFICERS OF THE COMPANY "LEGACY FOOTWEAR LIMITED" IN RESPECT OF PROSPECTUS

This prospectus has been prepared, seen and approved by us, and we collectively and individually accept full responsibility for the authenticity and accuracy of the statement, information given in the prospectus, documents, financial statements exhibits, annexures, papers submitted to the Commission in support thereof, and confirm, after making all reasonable inquiries, that all conditions and requirements concerning this public issue and prospectus have been met, and that there are no other information or documents the omission of which make any information or statements therein misleading, for which the Commission may take any civil, criminal or administrative action against us as it may deem fit.

We also confirm that full and fair disclosure has been made in this prospectus, to enable the investors to make an informed decision for investment.

Sd/- (Shahnaz Sultana) Director  
Sd/- (Quazi Aziz Ahmed) Director  
Sd/- (Quazi Rafi Ahmad) Director  
Sd/- (Samina Naz) Director

Sd/- (Toni Luca) Director  
Sd/- (Anwar Hossain) Company Secretary  
Sd/- (S. M. Morshed Rahman) Manager (Finance & Accounts)

### DECLARATION ABOUT FILING OF PROSPECTUS WITH THE REGISTRAR OF JOINT STOCK COMPANIES

A dated and signed copy of this prospectus has been filed for registration with the Registrar of Joint Stock Companies and Firms, Bangladesh, as required by Section 138(1) of the Companies Act 1994 vide RJC's Receipt No 0032773 dated 25<sup>th</sup> October, 1999.

### DECLARATION BY THE ISSUE MANAGER ABOUT THE APPROVAL FROM SEC FOR ANY MATERIAL CHANGES

In case of any material changes in any, agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Commission.

For Manager to the Issue

Sd/- Managing Partner  
AAA Consultants & Financial Advisers

### DECLARATION BY THE ISSUER ABOUT THE APPROVAL FROM SEC FOR ANY MATERIAL CHANGES

In case of any material changes in any, agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Commission.

For Issuer

Sd/- Managing Director  
Legacy Footwear Limited

### DUE DILIGENCE CERTIFICATE

To: Securities and Exchange Commission, Dhaka.

Dear Sir,

Sub: Public Offer of 1,500,000 Ordinary Shares of Taka 10/- each at par by Legacy Footwear Limited.

We, the under-noted Issue Manager(s) to the above mentioned forthcoming issue, state as follows:

1. We, while finalizing the draft prospectus pertaining to the said issue, have examined various documents and other materials as relevant for adequate disclosures to the investors.

2. On the basis of such examination, and the discussion with the Company, its directors and other officers and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the Company.

WE CONFIRM that

the draft prospectus forwarded to the Commission is in conformity with the

documents, materials and papers to the issue;

b. all the legal requirements connected with the said issue have been duly complied with;

c. the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well informed decision as to investment in the proposed issue.

For Manager to the Issue

Sd/- Managing Partner  
AAA Consultants & Financial Advisers

### DUE DILIGENCE CERTIFICATE

To: Securities and Exchange Commission, Dhaka.

Dear Sir,

Sub: Public Offer of 1,500,000 Ordinary Shares of Taka 10/- each at par by Legacy Footwear Limited.

We, the under-noted Underwriter(s) to the above mentioned forthcoming issue, state as follows:

1. We, while underwriting the above mentioned-issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant for our underwriting decision.

2. On the basis of such examination, and the discussion with the Company, its directors and other officers, and other agencies, and the contents of the documents and other materials furnished by the Company, and our underwriting agreement(s) dated June 17 and 28, 1999.

WE CONFIRM that

a. all information as is relevant for our underwriting decision has been received by us and that the draft prospectus forwarded to the Commission has been approved by us;

b. we shall take up on payment any under-subscribed securities against the above-mentioned public issue within 15(fifteen) days of calling up thereof by the issuer.

c. this underwriting commitment is unequivocal and irrevocable.

For Underwriter(s)

Sd/- AAA Consultants & Financial Advisers  
Capital Market Services Ltd.  
Swadesh Investment Management Ltd.  
MRM Securities Ltd.  
Mohammadi Securities Ltd.  
Tasnim Securities Ltd.  
49 Members, Dhaka Stock Exchange Ltd.  
(Please see Section "Plan of Distribution")

### AVAILABILITY OF PROSPECTUS

The Prospectus may be obtained from the Company, the Underwriters and the Stock Exchange named below:

Company	Contact Person	Tel. No.
Legacy Footwear Ltd. 64, Bijoy Nagar, Kakrail, Dhaka.	Shafiqul Islam Accounts Officer	404384
AAA Consultants & Financial Advisers, Amin Court, 4 <sup>th</sup> Floor, 62-63, Motijheel C/A, Dhaka-1000.	Sharmin Naseem Financial Analyst	9559602, 9567726
Capital Market Services Ltd. Suit No. 702 (7 <sup>th</sup> Floor), 28, Dilkusha C/A, Dhaka-1000.	Md. Zakir Hossain Market Analyst	9562715, 9666499
Swadesh Investment Management Ltd. 3/1, Bijoy Nagar, VIP Road, Dhaka-1000.	Md. Sayedur Rahman Asstt. Vice President	9345853-4
MRM Securities Ltd. Sena Kalyan Bhaban, Suit # 1312, 195, Motijheel C/A, Dhaka-1000.	Md. Akhtuzzaman Senior Executive	880-2-9553144
Mohammadi Securities Ltd. 9/E, Motijheel C/A, 2 <sup>nd</sup> Floor, Dhaka-1000.	Mofizur Rahman Officer	9667370, 9560690
Tasnim Securities Ltd. 9/E, Motijheel C/A, 2 <sup>nd</sup> Floor, Dhaka-1000.	Abdul Hakim Manager	9667370, 9560690
Shahid Khan & Co., Dhaka Stock Exchange, 9/F, Motijheel C/A, Dhaka-1000.	Syed Rezauddin Ahmed Accounts Officer	9564601-7 Ext. 603, 9551407

Prospectus is also available on the web site (www.secd.org) of the Securities and Exchange Commission (SEC).

Prospectus is also available with the 49 Members of Dhaka Stock Exchange Limited.

## RISK FACTORS

### a) Poor Financial Condition

The Company requires finance through IPO to pay off Bridge Loan, to complete civil works at factory site and to meet working capital requirement for smooth functioning.

### b) Industry Risk

Bangladesh has not long industrial experience in footwear. The unit falls under this new industrial sector.

### c) Currency Risks

Any adverse fluctuation in the exchange rate of Taka may increase foreign exchange liability of the Company.

### d) Market and Technology Related Risks

Marketing the product of this project depends upon fashion trend and choice of users of importing countries. On the other hand, technology involves with the production is of technical nature.

### e) Potential or Existing Government Regulations

Any imposition of duties or taxes either on finished product or on the basic raw material by the Government of Bangladesh in future may have adverse effect on profitability of the Company.

### f) Potential Changes in Global or National Policies

Withdrawal of GSP facilities in importing countries may adversely affect Company's turnover and profitability.

### g) No Operating History

The Project has no operating track record till the Balance Sheet date of 30-04-99 as it is newly established one and has started commercial production from June, 1999.

### MANAGEMENT PERCEPTION ABOUT RISK AND WAYS AND MEANS OF REDUCTION OF SUCH RISKS

a) After infusion of working capital the project will be capable of touching optimum production. Besides, repayment of Bridge Loan will reduce debt-service load. Therefore, these will keep the project in a healthy financial position. Moreover Company has started commercial production from June 1999 and successfully produced and exported 7,200 pairs of shoes in July 1999, the value of which is US \$ 53,280.00. No production and sale were made in August and September 1999. Up coming orders are also being negotiated. The Company has a production and sale target for the year 1999-2000 for an amount of 225,000 pairs of shoes which is equivalent to 50% of the annual capacity.

b) Bangladesh has a good prospect in export oriented Footwear Industry as there is availability of labour at a very competitive rate. Simultaneously, quality leather for footwear is available in our country which can ensure more value addition in export. Therefore, management foresees favourable picture of the project.

c) Adverse fluctuation in the exchange rate of Taka may be adjusted with the sales price of the Company's finished product.

d) The Company has a joint venture agreement with ENGENHARIA, P. E. MADEIRA S. A., PORTUGAL, which is technically competent in the sector and has a world wide marketing network of leather craft and footwear. According to the agreement, joint venture partner will provide relevant information in improvement or in connection with the latest fashion trend and mechanical and technical development so as to enable the Company to keep in touch of the latest trends. Salient feature of this agreement is given in the Section "Description of Business".

e) Bangladesh is signatory of WTO agreement according to which tariff barriers would be gradually lowered. Bangladesh is pursuing this policy strongly. Meanwhile, Government has declared 10% export incentive for leather products in the current fiscal budget.

f) In case of withdrawal of GSP facilities the sector will not be affected in marketing as our country's product will remain competitive due to its cheap labour and energy as well as availability of good quality leather.

g) The Company is sharing experience of its joint venture partner ENGENHARIA, in production, technical know how and marketing, as mention in the Section of "Description of Business".

### USE OF PROCEEDS

Sources: The total funds from all sources of IPO for the project is Tk. 35.0 million. The break down is as follows:

Sources of Fund	Tk. in '000
Private Placement	20,000
Initial Public Offering(IPO)	15,000
Total	35,000

### Uses:

Use of Proceeds	(Tk. in '000)
Building & Civil Works	5,358
Repayment of Bridge Loan	10,330
IPO Expenses	3,558
Others	1,645
Working Capital	14,109
Total Uses of Fund:	35,000

### IMPLEMENTATION SCHEDULE

Item of Works	Date of Completion	Target date of Completion	Percentage of Completion (%)
a. Acquisition of Land	28.10.96	—	100%
b. Development of Land	31.03.99	—	100%
c. Construction of Factory Building	31.03.99	—	100%
d. Other Civil Works (Factory Office, Staff Quarters, etc.)	31.03.99	3 months after IPO	30%
e. Opening of Letters of Credit	14.08.97	—	100%
f. Shipment/Delivery	Dec. 1997	—	100%
g. Erection & Installation	Dec. 1998	—	100%
h. Acquisition of other Fixed Assets	31.03.99	3 months after IPO	56%
i. Trial Operation	—	May, 1999	100%
j. Commercial operation	—	June, 1999	100%

### Details of IPO expenses are shown as follows:

Particulars	Taka in Lacs
Manager to the Issue fee	5.25
Underwriting Commission	3.75
Fees to Securities & Exchange Commission	1.05
Brokerage Commission	1.50
Banker to the Issue (say, 3 times of IPO)	1.13
Printing of prospectus and forms	1.50
Advertisement in two daily news papers (full prospectus)	7.50
Advertisement of abridged version of prospectus and notices, etc.	1.50
Listing fee to DSE & CSE	4.40
Stamp Fee	2.80
Post Issue Expenses	3.70
Others	1.50
Total	35.58

### COMPANY BACKGROUND & THE PROJECT

Legacy Footwear Limited (LFL) was incorporated as a Joint Venture Public Limited Company on the day of July 23, 1996. The Authorized capital of the Company is Tk. 200.00 million comprising of 20,000 million Ordinary shares of Tk. 10/- each. The share denomination price was Tk. 100.00 at the time of incorporation and subsequently it was converted at Tk. 10.00 by passing a special resolution in the EGM held on 21.03.99.

The Paid up Capital was raised from Tk. 2,000,000 to Tk. 37,500,000.00 as follows:

Items	According to Memorandum	Return of Allotment Dt. 20.06.98	Return of Allotment Dt. 20.12.98	Total
No. of Shares in Taka	2,000,000	23,000,000	12,500,000	37,500,000

The project envisaged setting up of an Export Oriented Leather Shoe manufacturing Industry in Bangladesh with the joint collaboration of M/S. Engenharia, P. E. Madeira, S. A. Portugal in the form of equity participation as well as technical and marketing assistance. Legacy will sell and Engenharia will market and arrange to purchase entire production of leather footwear produced by Legacy Footwear Ltd. according to Joint Venture Agreement made between Legacy Footwear Ltd. and ENGENHARIA, P. E. MADEIRA S. A. Portugal.

### THE PRODUCT

The proposed product is a non-traditional export item. At the very beginning of the evaluation of human civilization, shoes were being used as the ornamental thing. But it has become a necessity of every day life with the increase of population, change of time and increase in the standard of living with increase income of people. It is an indispensable item in the developed countries. The project has been designed for manufacturing 450,000 pairs of complete leather footwear for ladies and gents at the following product-mix at 100% capacity utilization.

Sl No.	Items of Product	Percentage	Percentage wise Production
01	Dress Shoe	10%	45,000
02	Casual Shoe (Ladies & Gents)	15%	67,500
03	Ladies Court Shoe	15%	67,500
04	Boot (Ladies)	25%	112,500
05	Moccasin	10%	45,000
06	Slippers	10%	45,000
07	Sandal (Ladies & Gents)	5%	22,500
08	Uppers	10%	45,000
Total		100%	450,000

### Utilization of Capacity

Capacity utilization is projected to be in

Year 1	Year 2	Year 3	Year 4	Year 5
50%	55%	60%	60%	60%

### PRODUCT DIVERSIFICATION

The plant is capable of producing mentioned products above in different capacities, which can meet buyer's specification and requirement.

### SCOPE OF BUSINESS

LFL is very much fortunate to find an experienced and reputed Joint Venture Partner viz Engenharia of Portugal especially because of the fact that, recently 95% duty has been imposed on European Shoe Importers if they import the same from China and 20% duty has been imposed on it, if it is to import from India, Sri Lanka, etc. whereas Bangladesh is enjoying GSP benefits without any quota for the EEC market.

### DISTRIBUTION CHANNEL

Legacy will sell and Engenharia will market and arrange to purchase entire production of leather footwear produced by Legacy Footwear Ltd. according to Joint Venture Agreement made between Legacy Footwear Ltd. and ENGENHARIA, P. E. MADEIRA S. A. Portugal.

### COMPETITIVE CONDITION IN BUSINESS

The following table exhibits the past five years export performance of leather footwear from Bangladesh:

Year	Taka in Million	US \$ in Million
1994-95	503.031	12.541
1995-96	782.412	19.130
1996-97	757.151	17.782
1997-98	1934.26	42.63
July '98-May '99	2281.87 Million	47.58

### Source: Export Promotion Bureau

Very recently, export of footwear from Bangladesh increased manifold. The value of export of footwear from Bangladesh in 1994-95 was Taka 503.031 million which increased to Tk. 1934.26 million in 1997-98 and again increased to Tk. 2281.87 million registering an annual average increase of 78.97% which is quite encouraging. The importers of Bangladesh footwear are France, former USSR, Japan, Belgium, Germany, the Netherlands, UK, Sweden, Canada, USA, Poland, China, Italy, Ireland, Korea Rep., Saudi Arabia, Spain, UAE, Nigeria and Sri Lanka. Japan ranks the highest in respect of import of footwear from Bangladesh followed by France, Russia and Germany.

### COMPARATIVE ADVANTAGE OF BANGLADESH

Bangladesh have some advantage over the present exporters of footwear. Type of skilled and semi-skilled workers needed for this type of industry is available in the country and little effort will be necessary to train them. The comparative cost of the skilled workers here is cheaper than similar workers in the developed and semi-developed countries.

### SOURCES AND AVAILABILITY RAW MATERIALS

The main raw materials of the project are leather, leather sole, leather lining, PU Fabric, rubber sole and different kind of chemicals etc. Leather, leather sole and leather lining are to be procured locally from different tannery situated at Hazaribagh, Dhaka. Besides, some other raw materials are made locally and to be procured locally from time to time. Procurement of remaining raw materials i.e. inner lining, outer sole, heel and toe stiffener, threads, elastics, tapes laces and adhesives etc. are to be procured from abroad. Procurement of raw materials either locally or imported receive very careful consideration of the deceived specification and cost effectiveness of the end product. The Company has established relationship with suppliers of raw materials in Japan, Germany, Italy, Taiwan, South Korea, Indonesia, Hong Kong and India. The principal suppliers of raw materials are (a) Bay Tanneries Ltd., 21, Hazaribagh, Dhaka, (b) Apex Footwear Ltd., Dhaka Chamber Building, 65-66, Motijheel C/A, Dhaka-1000. (c) Lampo Macchine International, VIA Naremmara, 49, LOC LA STELLA VINCI, ITALY.

In order to optimize cost and quality, constant efforts are being taken to diversify sources of materials. The main of Packing and Raw Materials are given below:

SL NO.	Items	Quantity/year	Source
1	Inner lining	459,000 pairs	Imported
2	Outer sole	459,000 pairs	do-
3	Inner sole	459,000 pairs	do-