

*Amtex Limited*

Lead Manager,  
Arranger and  
Book Runner



AKD Securities  
Limited

Initial Public Offer of 61 million Ordinary  
Shares (25.26% of the Total Paid Up  
Capital of the Company) through  
**BOOK BUILDING PROCESS**

*Book Building Portion of the Issue  
comprises of 42.70 million Ordinary Shares  
of Face Value of PkR10 each at a floor price  
of PkR13 per share (70% of the Issue)*

Bidding Period: Feb 24<sup>th</sup>, 2010 to Feb 26<sup>th</sup>, 2010 (Both days  
inclusive)

Timings: 9.00 a.m. to 5.00 p.m.



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# Executive Summary



- Initial Public Offering (“**IPO**”) of 61mn Ordinary shares and not offer for sale
- The Company will issue 42.7 million Ordinary shares (70% of the total issue size) through the Book Building process to Institutional Investors and High Net Worth Individuals (“HNWI”) at the strike price determined through the Book Building process with remaining 18.3 million Ordinary shares (30% of the total issue size) being issued to General Public. The floor price for the issue has been set at PkR 13 per share
- The aim of listing is to inject additional equity into the Company for working capital requirement and balance sheet optimization.
- The management of Amtex Limited have appointed AKD Securities Limited as the Lead Manager, Arranger and Book Runner for the Transaction and legal counsel for the Transaction is Mohsin Tayebaly & Co





# *Executive Summary*



- This presentation intends to solicit interest of Financial Institutions and High Net Worth Individuals (“HNWI”) to participate in the Book Building Process
- The contents of this presentation have been prepared in consultation with the management of the Company, Industry data & information extracted from the Preliminary Prospectus





# Book Building Overview



- Book Building rules were first notified in *April 2008* by the Karachi Stock Exchange (Guarantee) Limited
- Book Building is a process whereby investors bid for a specific number of shares at various prices
- The Lead Manager & Book Runner (“**LM & BR**”), with the consent of the Company’s management, has set a floor price at PkR13.00 per share which is the minimum bidding price an investor can bid at
- An order book of bids from investors is maintained by the BR, which is then used to determine the cut off/strike price through the “**Dutch Auction Method**”
- **Strike Price** – is the price at which total issued quantity is fully subscribed. It may be higher than the floor price
- A bid by a potential investor can be a “Limit Bid”, “Strike Bid” or a “Step Bid”
  - a. **Limit Price:** Maximum price an investor is willing to pay
  - b. **Step Bid:** A series of limit bids at increasing prices
  - c. **Strike Order:** A bid for the specified number of shares at strike price





# Book Building Procedure – Key Features



- The Book Building investors would include HNWIs and Financial Institutions only
- HNWI's minimum bid should not be less than PkR1,000,000
- **Any step bid cannot be in more than 4 steps and any one step should not be less than PkR 100,000. The sum of all 4 step bids should be at least equal to PkR 1,000,000**
- BR shall not collect less than 25% of application money as margin from institutions and 100% for HNWIs
- Color of the book will be displayed online at [www.akdsecurities.net](http://www.akdsecurities.net). *Identities of all the investors would be kept confidential as per regulation*
- Successful bidders will be intimated within **2 working days** of closure of the bidding period and has to deposit the margin money within **7 working days**, else the deposited margin money will be forfeited
- The margin money of the unsuccessful bidders would be refunded within **3 working days**





# Book Building Procedure – Key Features



- Offer to general public shall be equal to or at a discount to the final determined strike price through the Book Building Process
- **Allotment of shares would be on time proportionate basis**
- Final allotment to be made after receipt of full subscription money and completion of public subscription





# Book Building - Example



- **Quantity being offered:** 42.7 million shares
- **Floor price:** PKR13.0 per share
- **Bidding Period:** 3 Consecutive days

Bidder	Category of Order	Bid Price (PKR per share)	Number of shares in Millions	Cummulative Number of Shares	
Institution - A	Limit Price	22.00	20.00	20.00	Required quantity complete
Institution - B	(i) Step Order	20.00	5.00	25.00	
	(ii) Step Order	19.00	5.00	30.00	
	(iii) Step Order	18.00	30.00	60.00	
HNWI - C	Limit Price	17.00	15.00	75.00	Would not be allotted shares as bid price is below strike price
Institution - D	Limit Price	16.00	10.00	85.00	
HNWI - E	Strike Order	xx.xx	10.00	95.00	

HNWI would be allotted shares at the strike price

Strike Price determined through the Dutch Auction Method





# Bidding Information



## Bid Collection Center

### **Karachi Office:**

AKD Securities Limited  
6th Floor, Continental Trade Centre,  
Block 8, Clifton, Karachi.  
Phone: 00-92-21-111-253-111  
Contact Person – Faraz Abdul Ghaffar

### **Islamabad Office:**

M-4, Islamabad Stock Exchange  
Building,  
101-E, Fazle-Haq Road,  
Blue Area, Islamabad.  
Phone: 00-92-51-111-253-111  
Contact Person - Mr. Khalid Hussain

### **Lahore Office:**

AKD Trade  
Room No. 512/513, 5th Floor,  
Lahore Stock Exchange Building,  
Lahore.  
Phone: 00-92-42-111-253-111  
Contact Person – Ehsan Ahmad Qureshi

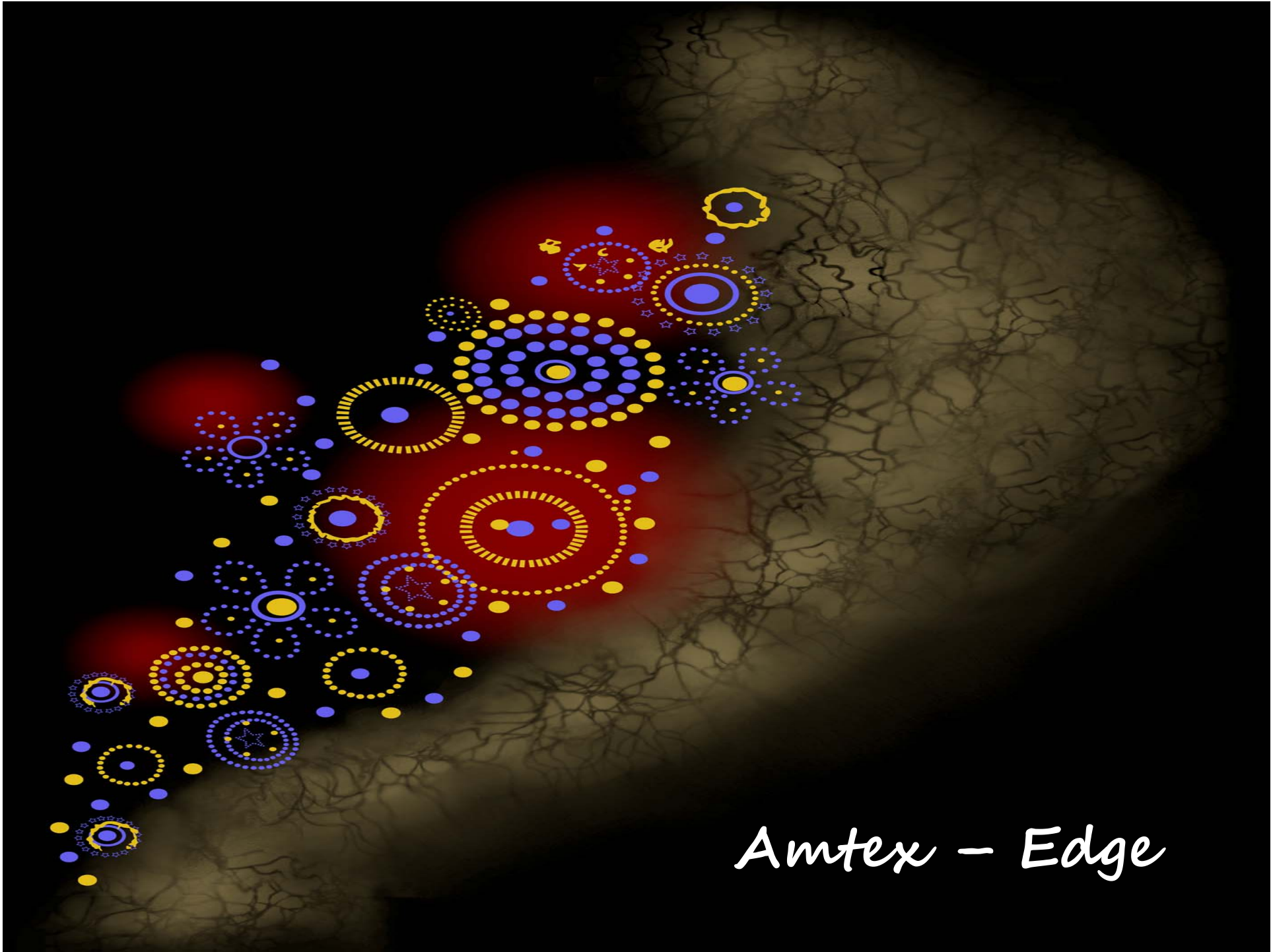
## **Bankers to the BB portion**

- Bank AlFalah Limited

## **Book Building Form**

- Annexure A





*Amtex - Edge*



# Amtex Edge

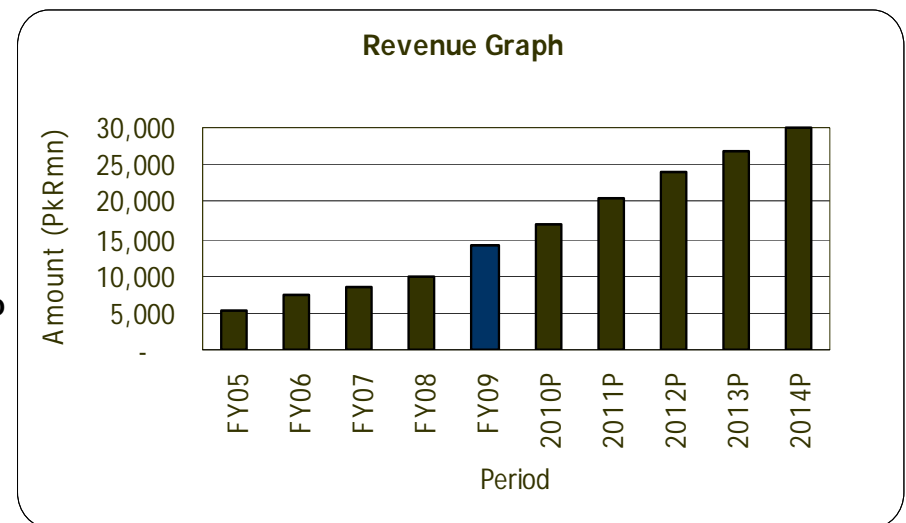


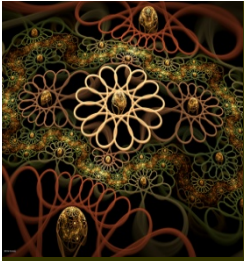
## ▪ Exponential Growth

- Almost 2 decades established history
- Achieved countless milestone in the process
- Positioned for growth with a revenue compound annual growth rate (CAGR) of 27% for over last 4 years

The following points give Amtex distinctive niche over its Competitors:

- ✓ Direct to Store
- ✓ Research and Development
- ✓ Diversified market & Portfolio
- ✓ Strong Outsourcing capability
- ✓ Additional duty drawback of 1%





# Amtex Edge



## ▪ Direct to Retailer (Model difficult to emulate)

- Direct to Retailer is essentially a model whereby the role of intermediary is eliminated.
- However, switching to DTR is not just a simplistic adoption of a model but a quantum leap in supply chain management system
- It requires not just adhering to new technology and up-gradation of existing IT infrastructure to conform to the strict requirement of the retailer/buyer but it also involves a philosophy and cultural change.
- Under the DTR model the Company has established efficient inventory management system and setup local and international warehouses in various locations to facilitate the retailers and cut down the delivery lead-time.
- This, for Amtex, has translated into higher margins as they are able to charge higher spreads which were earlier pocketed by the importers (middlemen/intermediaries).
- Cost effective business model due to:
  - ✓ Long run
  - ✓ Repeat orders
  - ✓ Learning curve effect
  - ✓ Economies of scale





## ▪ DTS in a Nut Shell





# *Amtex Edge*



- **Research and Development**

- Research and Product Development (R&D) Department has been a key factor in Amtex success
- A leading Product Development Department at both national and regional level
- Niche in developing innovative design/fabrics and excelling in value added Products





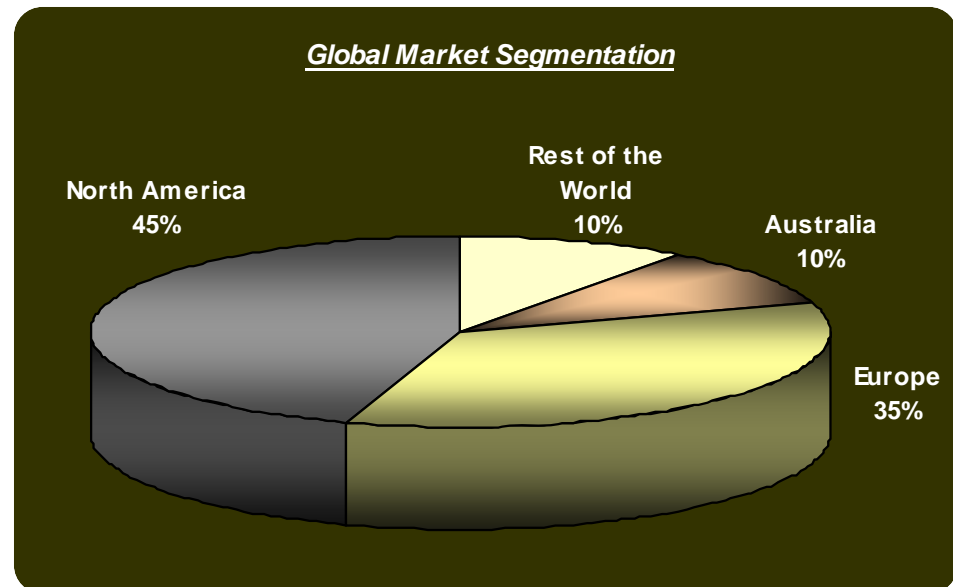
# Amtex Edge



## ▪ Diversified Markets

At Amtex, business orientation is heavily tilted towards direct dealing with Retailers instead of intermediaries/importers. The current exposure of the Company is 80% towards Retailers with remaining 20% being with intermediary. Amtex's export destinations are mainly USA, Europe and Australia. Currently the Company's global market segmentation is as follows:

- ✓ North America
- ✓ Europe
- ✓ Australia
- ✓ Rest of the world



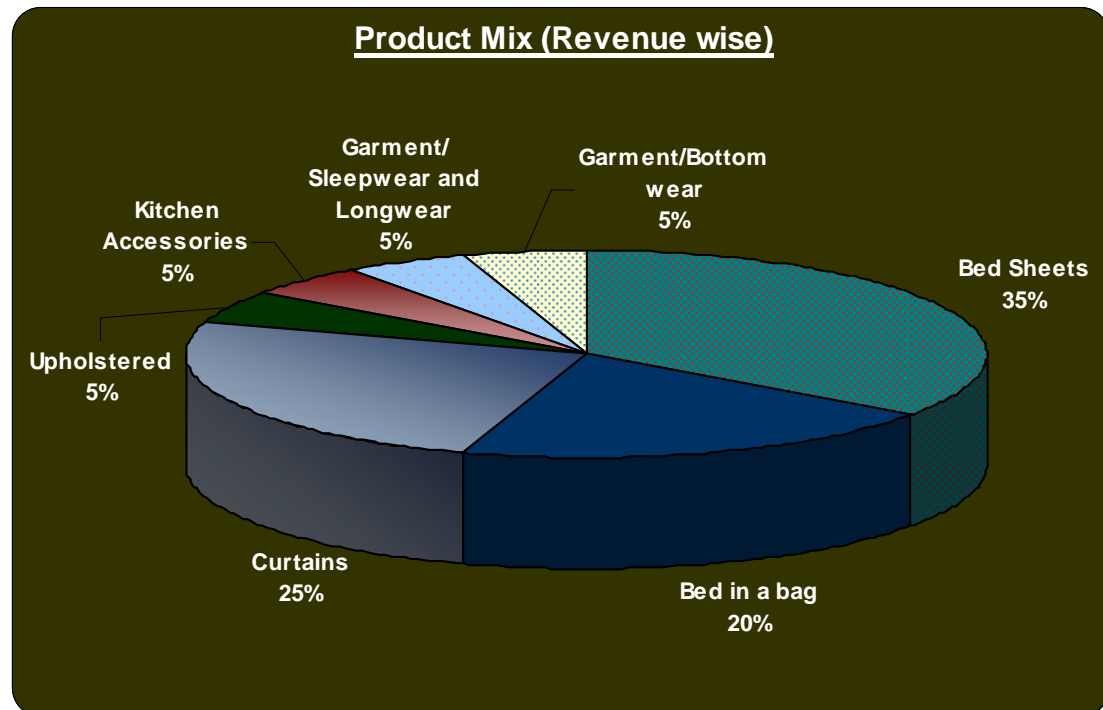


# Amtex Edge



- **Diversified Product mix**

The Company not just has proper market segmentation but as a policy, Company's exposure to any particular client does not exceed 10% of the overall sales. Furthermore the Company has a diversified portfolio of products which makes up the overall sales as reflected in the given chart





# Amtex Edge



## ▪ Diversified Clientele

Markets	Client's Name
USA	<ul style="list-style-type: none"><li>✓ Bed Bath and Beyond</li><li>✓ Linen and Things</li><li>✓ JC Penny Corporation</li><li>✓ Target Corporation</li><li>✓ Sears Holding Corporation</li><li>✓ Wal – Mart Stores</li></ul>
Europe	<ul style="list-style-type: none"><li>✓ Marks and Spencer</li><li>✓ Next</li><li>✓ Carrefour</li><li>✓ IKEA</li></ul>
Australia	<ul style="list-style-type: none"><li>✓ Logan and Mason</li><li>✓ Pillow Talk</li><li>✓ Myers</li><li>✓ Target</li></ul>





# Amtex Edge



- **Strong Outsourcing Capability**

- Long history and entrenched relationship with the industry players
- Extensive network of reliable vendors whom Amtex consider as Partners
- Sizeable amount of work is being outsourced to reliable business concerns hence saving in **Capex** and **reducing fixed cost**
- Strong quality control at all levels of outsourcing





## Future Plans



- Forward integration through acquisition of mid tier **retail chain** or **brand**
- Achieve the target of **USD 1 BN** sale
- Possibility of **equity** partnership with international retailers
- Listing in **International** markets



# *Amtex - Financial Highlights*





# Financial Highlights Valuation Summary



## Valuation Attractiveness

Fair Valuation		Sector Multiple	Amount in PkR
DCF based Fair value			37.54
P/E based Fair value	EPS Rs. 5.17 (FY10)*	8.15 (Sector P/E Multiple)**	42.16
P/B based Fair value	BVPS Rs. 38.44 (FY10)*	0.51 (Sector P/B Multiple)**	19.60
<b>Simple Average Fair value in PkR</b>			<b>33.10</b>

\*Fully diluted (Post IPO shares)

\*\* Source : AKD Research





# Financial Highlights

## Valuation Summary



### Discounted Cashflow Methodology

- Based on the DCF Methodology, the fair value of AML computes to PkR 37.54 per share, thus the Offer price of PkR 13 per share represents a discount of **65.37%** on the DCF value

### Market based Multiple

#### ✓ P/E Multiple

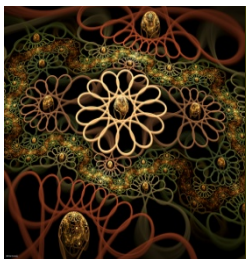
- Based on the FY10 EPS of PkR 5.17\* (fully diluted post IPO), the offer price presents a PE multiple of 2.5x. If compared with the Average Composite Sector multiple for the last 3 years of 8.15x, the fair value of AML share comes to PkR 42.16, which represents a significant discount of **69.17%**.

#### ✓ P/B Multiple

- Based on the FY10 BVPS of PkR 38.44\* (fully diluted post IPO), the offer price presents a P/BV multiple of 0.34x. If compared with the Average Composite Sector multiple for the last 3 years of 0.51x, the fair value of AML share comes to PkR 19.60, which represents a discount of **34%**.

*\* Based on 241mn shares (post IPO paid up capital) and does not include the impact of growth in earning from IPO*





# Financial Highlights

## Key Assumptions



Factors	Assumptions	Description
WACC	15.83%	$WACC = W_e * K_e + (K_d * (1-T) * W_d)$
Cost of Equity (Ke)	16.70%	$CAPM = R_f + (Equity\ Beta * MRP)$
Cost of Debt (Kd)	15.00%	SBP Policy Discount Rate + 250 Basis Points
Equity Beta (B)	0.70	Beta Equity for the Composite sector
Risk free Rate (Rf)	12.50%	SBP Policy Discount Rate
Market Risk Premium (MRP)	6.00%	Standard Convention by Consensus Analyst
Target Gearing (Wd)	0.47	Average Debt to Equity (Year 2010-14)
Corporate Tax rate (T)	1.00%	Corporate Tax Rate





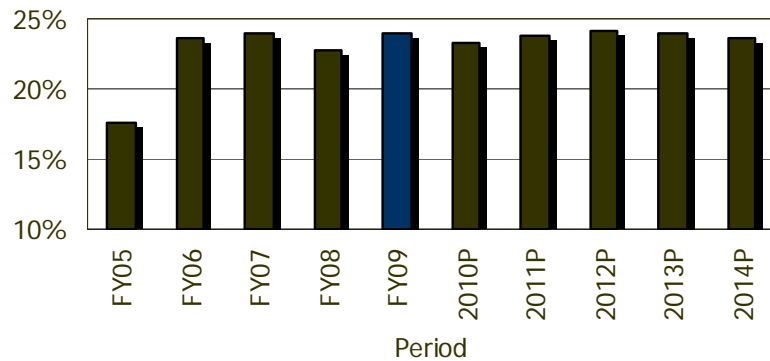
# Financial Highlights

## Key Ratios

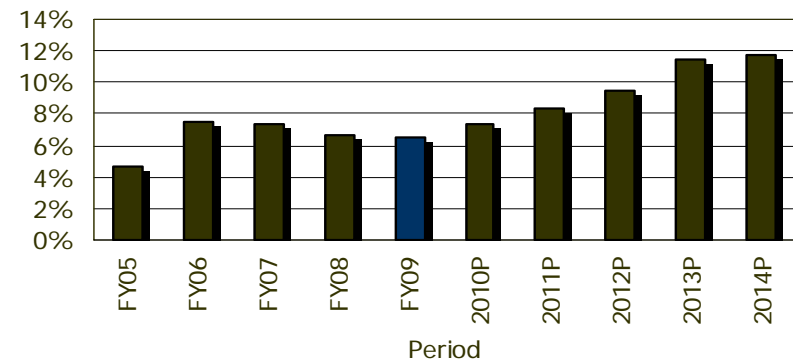


### ■ Profitability Ratios

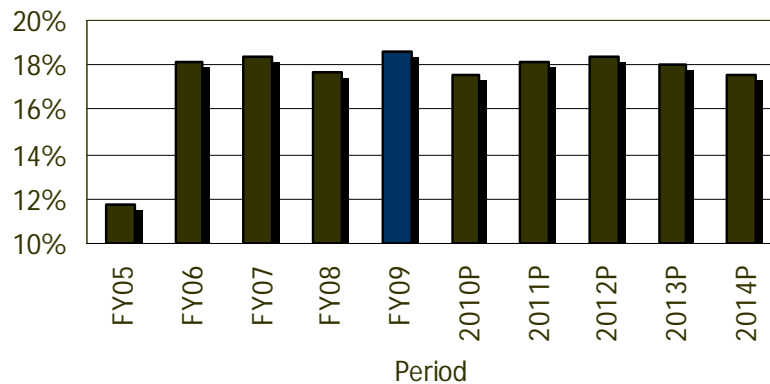
GP Margin Graph



Net Margin Graph



Operating Margin Graph





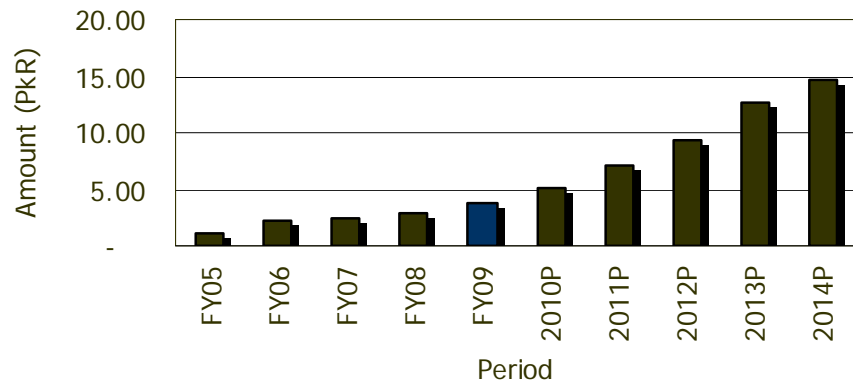
# Financial Highlights

## Key Ratios

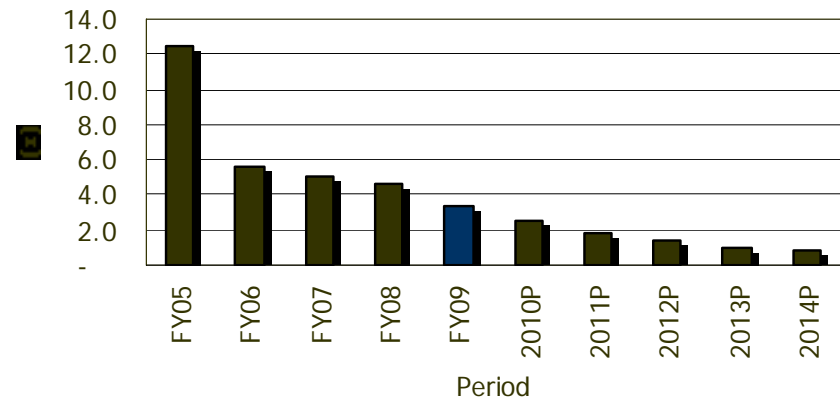


### Investors Ratios

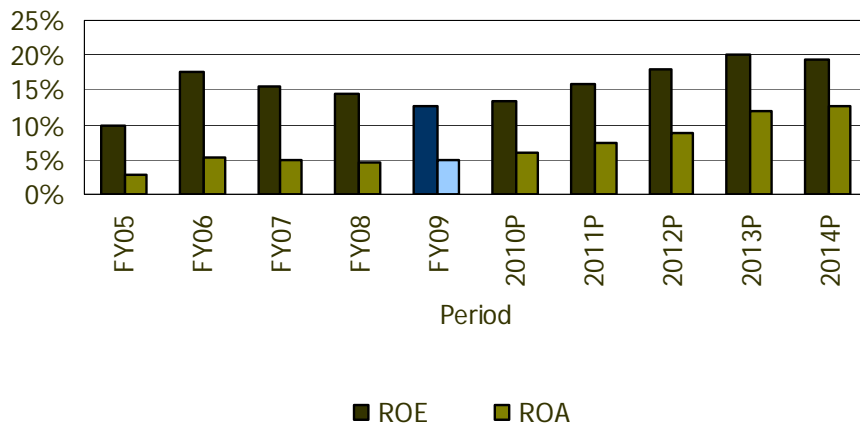
EPS Graph



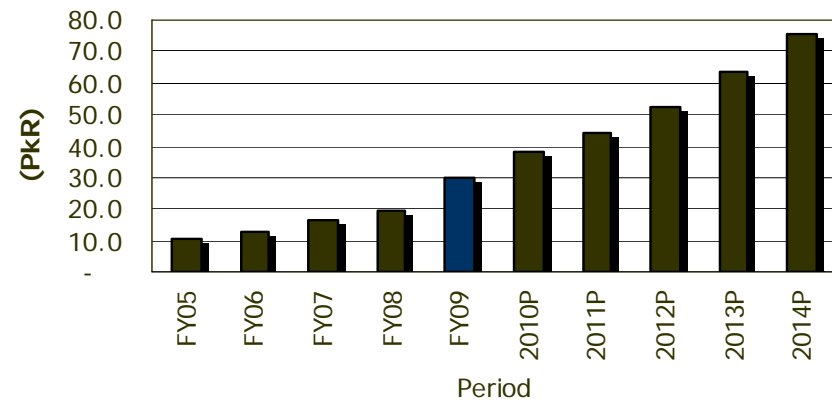
PER (x) Graph

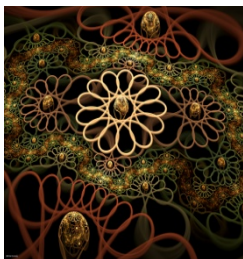


ROE vs. ROA



Book Value (PKR) Graph





# Financial Highlights

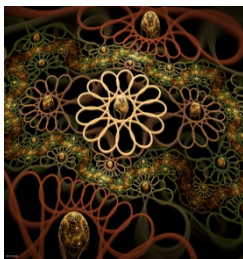
## Key Ratios - 1



Key Ratios	FY05	FY06	FY07	FY08	FY09	2010P	2011P	2012P	2013P	2014P
Sales Growth	42.0%	36.8%	13.4%	20.0%	40.6%	19.7%	21.8%	15.9%	12.7%	12.2%
COGS Growth	39.0%	26.8%	12.9%	21.8%	38.3%	20.9%	20.9%	15.4%	13.1%	12.6%
GP Margin	17.6%	23.6%	23.9%	22.7%	24.0%	23.3%	23.8%	24.2%	23.9%	23.6%
Operating Margin	11.8%	18.2%	18.4%	17.7%	18.6%	17.6%	18.1%	18.4%	18.0%	17.6%
NP Margin	4.7%	7.5%	7.3%	6.7%	6.5%	7.4%	8.3%	9.4%	11.4%	11.8%
NPAT growth	70.9%	120.8%	10.3%	9.4%	36.9%	35.7%	37.2%	31.5%	36.4%	15.6%



*\*Ratios have been computed on post IPO no of shares*



# Financial Highlights

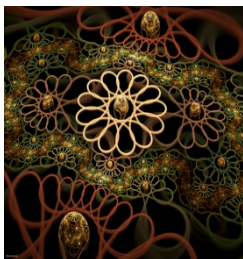
## Key Ratios -2



Key Ratios	FY05	FY06	FY07	FY08	FY09	2010P	2011P	2012P	2013P	2014P
ROE	9.8%	17.8%	15.4%	14.4%	12.7%	13.5%	16.0%	17.8%	20.1%	19.4%
ROA	2.9%	5.4%	4.8%	4.4%	5.1%	6.1%	7.3%	8.6%	11.9%	12.6%
EPS	1.05	2.31	2.55	2.79	3.81	5.17	7.10	9.33	12.72	14.70
EPS Growth	70.9%	120.8%	10.3%	9.4%	36.9%	35.7%	37.2%	31.5%	36.4%	15.6%
PER (x)	12.4	5.6	5.1	4.7	3.4	2.5	1.8	1.4	1.0	0.9
BVS (PKR)	10.7	13.0	16.6	19.4	30.0	38.4	44.5	52.4	63.2	75.7
P/BVS (x)	1.22	1.00	0.78	0.67	0.43	0.34	0.29	0.25	0.21	0.17
No of Shares (Post IPO)	241	241	241	241	241	241	241	241	241	241

\* Ratios have been computed on post IPO no of shares





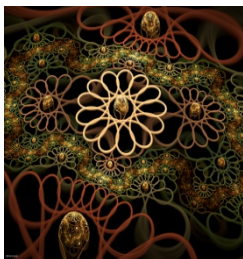
# Financial Highlights

## Projected Income Statement



Condensed Income Statement (PKR mn)										
	FY05	FY06	FY07	FY08	FY09	2010P	2011P	2012P	2013P	2014P
Net sales	5,397	7,382	8,370	10,043	14,120	16,907	20,594	23,879	26,901	30,171
Cost of sales	(4,447)	(5,641)	(6,370)	(7,761)	(10,731)	(12,976)	(15,685)	(18,100)	(20,466)	(23,047)
Gross profit	950	1,741	2,000	2,283	3,389	3,931	4,910	5,779	6,435	7,125
Operating expenses	(314)	(400)	(476)	(524)	(761)	(954)	(1,186)	(1,393)	(1,595)	(1,827)
Operating Profit	635	1,341	1,524	1,758	2,628	2,978	3,724	4,386	4,840	5,298
Other Income	-	-	12	22	5	-	-	-	-	-
Financial charges	(332)	(718)	(846)	(1,021)	(1,578)	(1,559)	(1,805)	(1,894)	(1,500)	(1,447)
Profit before tax	304	624	690	759	1,055	1,418	1,919	2,491	3,340	3,851
Taxation	(51)	(66)	(75)	(86)	(134)	(169)	(206)	(239)	(269)	(302)
Net Profit	252	557	615	673	921	1,249	1,713	2,253	3,071	3,549





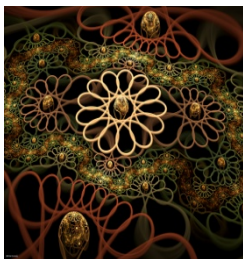
# Financial Highlights

## Projected Balance Sheet



Condensed Balance Sheet (Pkr mn)										
	FY05	FY06	FY07	FY08	FY09	2010P	2011P	2012P	2013P	2014P
Current assets	4,804	6,476	9,106	11,354	12,395	14,876	18,237	20,779	20,559	23,156
Fixed assets	3,785	3,901	3,790	3,903	5,658	5,449	5,382	5,307	5,219	5,116
<b>Total assets</b>	<b>8,589</b>	<b>10,377</b>	<b>12,896</b>	<b>15,257</b>	<b>18,053</b>	<b>20,325</b>	<b>23,619</b>	<b>26,085</b>	<b>25,778</b>	<b>28,272</b>
Current liabilities	4,799	6,474	7,368	9,387	9,781	10,314	12,463	13,237	10,430	9,907
Long-term Loans	1,210	766	1,525	1,194	1,032	728	416	194	84	83
<b>Total Liabilities</b>	<b>6,009</b>	<b>7,239</b>	<b>8,893</b>	<b>10,581</b>	<b>10,812</b>	<b>11,041</b>	<b>12,879</b>	<b>13,431</b>	<b>10,513</b>	<b>9,990</b>
Tier 1 Equity	1,426	2,041	2,986	3,706	4,770	6,812	8,269	10,183	12,794	15,811
Surplus on Rev. of Assets	1,155	1,097	1,017	969	2,471	2,471	2,471	2,471	2,471	2,471
<b>Total Equity</b>	<b>2,581</b>	<b>3,138</b>	<b>4,003</b>	<b>4,676</b>	<b>7,241</b>	<b>9,283</b>	<b>10,740</b>	<b>12,654</b>	<b>15,265</b>	<b>18,282</b>
<b>Total Equity and Liab</b>	<b>8,589</b>	<b>10,377</b>	<b>12,896</b>	<b>15,257</b>	<b>18,053</b>	<b>20,325</b>	<b>23,619</b>	<b>26,085</b>	<b>25,778</b>	<b>28,272</b>





# Financial Highlights

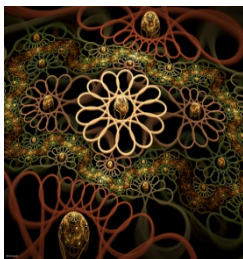
## Projected Cashflow Statement



### Condensed Cashflow Statement (Pkr mn)

	FY05	FY06	FY07	FY08	FY09	2010P	2011P	2012P	2013P	2014P
Cashflow from Operating Activities	(524)	(533)	(1,607)	(1,533)	155	(544)	(991)	312	3,688	1,580
Cashflow from Investing Activities	3	(175)	(182)	(423)	(496)	(93)	(247)	(252)	(252)	(249)
Cashflow from Financing Activities	813	676	1,730	2,056	111	853	1,281	36	(3,464)	(1,307)
Net change in cash	292	(32)	(60)	100	(229)	217	42	96	(28)	23
Beginning cash balance	72	365	333	273	373	144	361	403	499	470
Ending cash balance	365	333	273	373	144	361	403	499	470	494



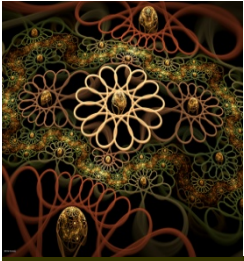


# Financial Highlights

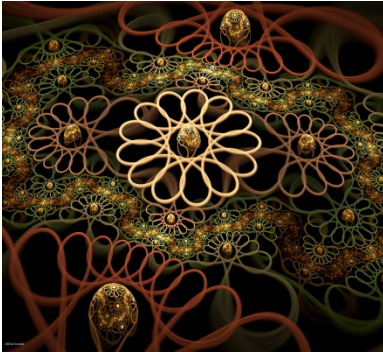
## Key Assumptions



Key Assumptions	FY05	FY06	FY07	FY08	FY09	2010P	2011P	2012P	2013P	2014P
<b>Sales Growth (Category wise)</b>										
Bed Sheets (Growth in Units)	0.00%	169.83%	27.31%	3.54%	8.86%	13.00%	18.00%	10.00%	7.00%	5.00%
Bed Sheets (Price Increase)	0.00%	2.33%	-15.82%	18.16%	37.84%	5.50%	2.00%	2.00%	2.00%	2.00%
Bleached/Dyed/Printed Fabric (Growth in Units)	0.00%	-22.73%	-12.64%	60.00%	-2.11%	10.00%	13.00%	5.00%	5.00%	5.00%
Bleached/Dyed/Printed Fabric (Price Increase)	0.00%	9.75%	8.44%	-3.41%	-13.55%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>COGS Growth (Category wise)</b>										
FABRIC Qty (Growth %)	0.00%	47.29%	26.48%	101.64%	62.24%	20.00%	19.00%	14.10%	3.00%	5.00%
Fabric cost per MTR (Inc %)	0.00%	7.61%	4.93%	-14.66%	10.80%	12.00%	8.12%	7.80%	6.00%	6.53%
Yarn(Growth in Units)	0.00%	-6.85%	50.25%	-11.41%	-1.51%	5.00%	8.00%	1.00%	1.00%	1.00%
Yarn cost per KG (Inc %)	0.00%	1.13%	-2.20%	3.87%	12.18%	15.00%	10.00%	10.00%	5.00%	3.00%
<b>Balance Sheet Assumptions</b>										
Debtor days	44	59	97	131	103	103	125	128	90	90
Inventory days	231	253	297	279	220	220	200	190	190	190
Creditor days	49	28	27	28	20	20	22	22	22	22
<b>General Assumptions</b>										
PKR Depreciation (%)	N/A	N/A	N/A	N/A	N/A	3.00%	3.00%	3.00%	3.00%	3.00%
Inflation rate (%)	N/A	N/A	N/A	N/A	N/A	6.00%	5.50%	5.50%	5.50%	6.00%
Terminal Growth rate	3.00%									



# *Annexure A*



*Amtex Limited*

**Lead Manager,  
Arranger and  
Book Runner**



**AKD Securities  
Limited**

*Thank You*