



Market Price: BDT 90.90 (August 09, 2021)

Intrinsic Value: BDT 127.5

## EXCHANGE DATA MATRIX

(DSEX: MJLBD)

Market Capitalization	BDT 28.57 B (0.524%)
Paid up Capital	BDT 3.17 B
Authorized Capital	BDT 10 B
No. of Shares	316.75 M
Free Floating Shares	90.18 M
Last 12 months avg. turnover	8.44 M
52 weeks price range	BDT 69.50 - 93.10
Sector P/E	13.59
Market P/E	19.59

## MJLBD AT A GLANCE

MJLBD is a company that is cooperatively owned by Jamuna Oil Company, a subsidiary of government-owned Bangladesh Petroleum Corporation, and EC Securities Limited, a subsidiary of East Coast Group.

- ❖ **Founded:** 1998 in Dhaka, Bangladesh
- ❖ **Chairman:** Md Anisur Rahman
- ❖ **Managing Director:** Ajam J Chowdhury (23 years of experience)
- ❖ **Revenue Generator:** Selling of Lube Oil, Oil Products, and Petrochemicals.
- ❖ **Subsidiaries:**
  1. Omera Petroleum Limited
  2. Omera LPG
  3. Omera Cylinders Limited
  4. MJL & AKT Petroleum Company

## GLOBAL LUBRICANT INDUSTRY

The global lubricants market includes the sales of base oil. There are three types of base oil i.e. Mineral Oil, Synthetic Oil, and Bio-based Oil. The product type includes Engine Oils, Hydraulic Fluids, Process Oils, General Industrial Oils, Gear Oils, Greases, and Metalworking Fluids. These oils are used in motor vehicles, light-duty vehicles, medium- and heavy-duty vehicles, motorcycles, manufacturing, off-highway equipment, construction machinery, mining machinery, agricultural machinery, transportation equipment,

marines, railroads, aerospace, and other markets. The leading companies in the lubricants industry are BP, Chevron, ENEOS, Exxon Mobil, Shell, and TOTAL. The lubricants market size is projected to reach USD 182.6 Billion by 2025 from USD 157.6 Billion at a CAGR of 3%.

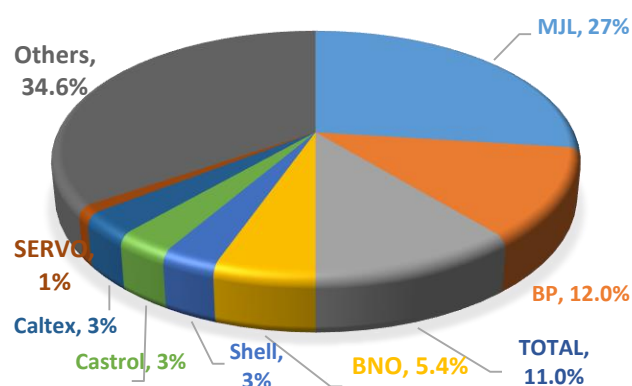
Mineral oil was the largest segment of the lubricants market and engine oil to be the largest type segment in the global lubricants market. The automotive sector is the largest end-users in the global lubricants market. The increasing number of on-road vehicles is the major factor for the growth of this segment. Bio-based lubricants are gaining the most popularity as they produce a cleaner, less toxic work environment for engine and hydraulic system workers. Except for the emergence the bio-based lubricants, other factors such as capacity expansions and product development, will have a significant impact on the growth of the lubricants market size during the forecasted period.

## BANGLADESH LUBRICANT INDUSTRY

The lubricants industry size in Bangladesh is around BDT. 70 Billion. It is expected to grow with an estimated CAGR of 5%. As our country is developing day by day, the lifestyles of the people are moving towards betterment. Their economic conditions are improving. With the rapid growth of population and the country being converted into a developing country, the industries and transportation system are expanding. Therefore, the demand for lubricants is growing in a parallel way. There are two segments of the lube market in Bangladesh. One is the automotive sector and another one is the industrial sector. Of the total demand for lubricants available in our market, 70% is in the automotive sector and the rest 30% in the industrial sector. While diving the automotive sector 32% of the demand was in the passenger vehicle segment, 62% in the commercial vehicle segment, and the rest 6% in the motorcycle segment. The lube market is dominated by the top seven players – MJL Bangladesh (Exxon Mobil), Navana Petroleum (Caltex/Chevron), Trade Service International (Total), Rahimafrooz (BP),

Ranks Petroleum (Royal Dutch Shell PLC). They hold above 50% of the total market. Mobil leads with 27%, it is followed by British Petroleum (BP) which has the market share of 12%, French multinational TOTAL has the market share of 11%, BNO lubricants with 5.4% while Shell, Castrol, and Caltex enjoy 3% each. SERVO sits at the bottom with 1% of the total market.

## MARKET SHARE



Some notable local lubricants are BNO Lubricants, Gulf Oil Bangladesh Limited, REPSOL Bangladesh, Oleum Lubricants, Lubricants ASIA limited, etc.

## MJL BANGLADESH OVERVIEW

With a vision of Bangladesh being one of the few countries in the region for blending high-quality lubricants, MJL Bangladesh has been operating its business successfully for over two decades. To retain its market leadership, MJL focuses on long-term business sustainability and selling productivity with consistent growth potential. It promises to support its customers with unsurpassed technical expertise for continuous value addition while ensuring and maintaining product integrity.

## Intrinsic Value

Dividend Discount Model	BDT 132.5
Residual Income Based Model	BDT 143.2
Earning Based Model	BDT 102.9
Discounted Cash Flow	BDT 135.1
Number of Shares Outstanding (M)	316.752
<b>Average Value per Share</b>	<b>BDT 127.5</b>

## Key Valuation Toolkit

Revenue growth	7.2%
Discount rate	8.77%
Perpetual growth rate	2.5%

## Note

According to the calculated intrinsic value of the company found above, MJLBD is undervalued along with its current market price. There may be potential return on buying the share at this current price level.

## INVESTMENT INSIGHTS

### INVESTMENT MERITS

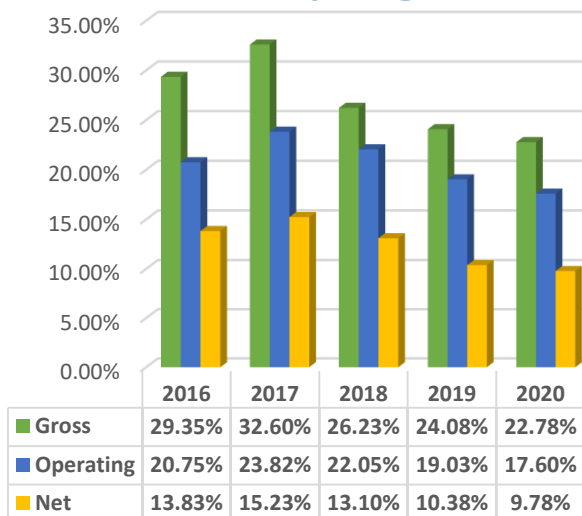
MJLBD is engaged in the blending and marketing of lubricants and grease products. At present, MJLBD can produce around 150,000 barrels of blended lube a year and imports about the same quantity of finished lube oil, which is mostly absorbed by the domestic market. Some notable investment qualities are -

- ✓ It is the market leader in the lubricant industry.
- ✓ Return on equity is much higher than its cost of equity.
- ✓ Its' retention rate is high enough for which the company can go for bigger investments soon.
- ✓ Cash conversion cycle has been declined.
- ✓ It holds a constant good dividend rate.
- ✓ Debt to equity ratio has reduced significantly

### INVESTMENT CONCERNS

- × ROE and ROA have declined.
- × Profit margins have declined.
- × Liquidity ratios have decreased.
- × Inventory turnover has declined.
- × With the growth of lubricant industries in Bangladesh, this market is becoming more competitive.

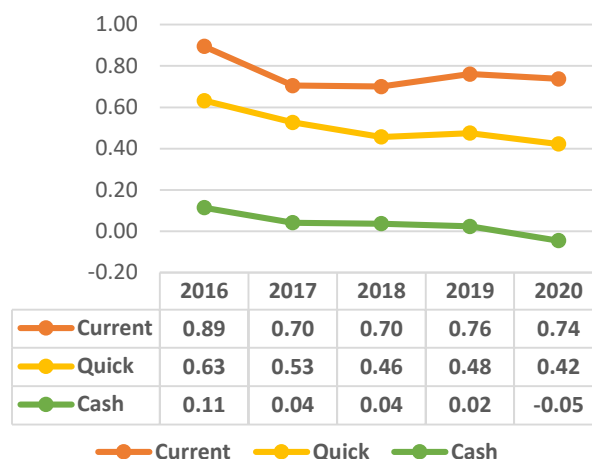
### Profitability Margins



■ Gross ■ Operating ■ Net

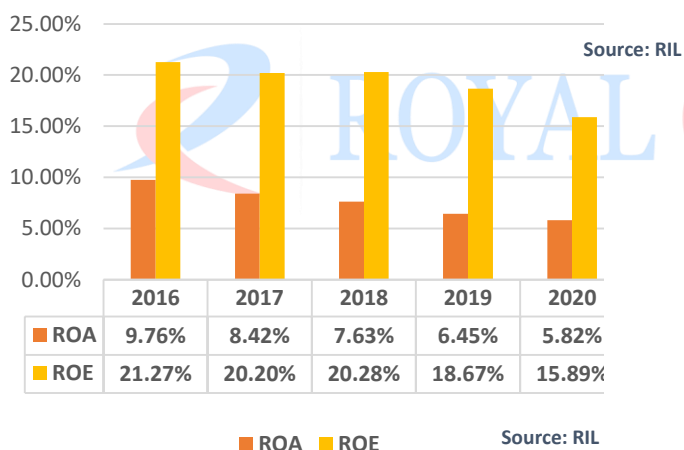
Source: RIL

### Liquidity Ratios



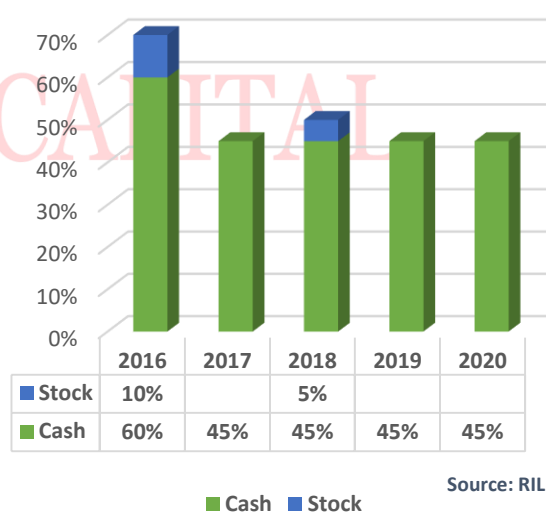
Source: RIL

### ROA & ROE



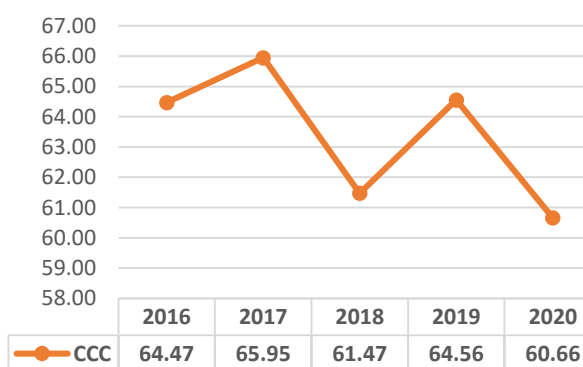
Source: RIL

### Dividend History



Source: RIL

### Cash Conversion Cycle



Source: RIL

### Disclaimer

This document is prepared by the research team of Royal Capital Limited. This is based on the publicly provided information by MJL Bangladesh Limited and our research. We do not rely on any insider information.

This report does not influence the investors to buy and sell the equity.

## Company Metrics

	2018	2019	2020	2021-F	2022-F	2023-F
Profitability	Gross Margin	26.23%	24.08%	22.78%	24.36%	25.86%
	Operating Margin	22.05%	19.03%	17.60%	19.25%	20.75%
	Net Margin	13.10%	10.38%	9.78%	11.86%	13.02%
	Return on Assets	7.63%	6.45%	5.82%	7.09%	7.62%
	Return on Equity	20.28%	18.67%	15.89%	19.06%	19.93%
Liquidity	Current Ratio	0.70	0.76	0.74	0.71	0.80
	Quick Ratio	0.46	0.48	0.42	0.44	0.53
	Cash Ratio	0.04	0.02	-0.05	-0.02	0.00
	Operating Cash Flow Ratio	0.25	0.15	0.25	0.23	0.24
Efficiency	Assets Turnover	0.63	0.65	0.59	0.62	0.61
	Inventory Turnover	7.21	6.62	6.22	6.48	6.39
	Days of Sale Outstanding	27.07	24.77	27.35	25.47	25.59
	Days of Inventory Outstanding	50.63	55.15	58.71	56.28	57.12
	Days of Payable Outstanding	16.23	15.36	25.40	26.27	21.17
	Cash Conversion Cycle	61.47	64.56	60.66	55.49	61.66
Valuation	Net Assets Value per Share(restated)	78.41	86.03	91.57	103.36	116.87
	Earnings per Share(restated)	7.60	6.65	5.83	7.57	8.65
	Operating Cash Flow per Share	11.47	6.69	11.41	12.13	14.79
	Free Cash Flow per Share	-1.39	3.44	9.89	6.03	8.75

\*\* Annual Report of MJL BANGLADESH LIMITED.

\*\*Forecasted data are estimated from the historic trend of the company and own research of Research Innovation Lab.