



Market Price: BDT 48 (October 06, 2021)

Intrinsic Value: BDT 67

EXCHANGE DATA MATRIX (DSEX: SUMITPOWER)

Market Capitalization	BDT 51.26 B (0.9%)
Paid up Capital	BDT 10.68 B
Authorized Capital	BDT 15 B
No. of Shares	1068 M(approx)
Free Floating Shares	393 M(approx)
Last 12 months avg. turnover	137.49 M
52 weeks price range	BDT 36.50 - 58.40
Sector P/E	15.72
Market P/E	20.11

SUMITPOWER AT A GLANCE

Summit Power Limited(SPL) is a subsidiary of Summit Group which is the largest infrastructure conglomerate of Bangladesh. SPL owns and operates 15 power plants in different locations across Bangladesh.

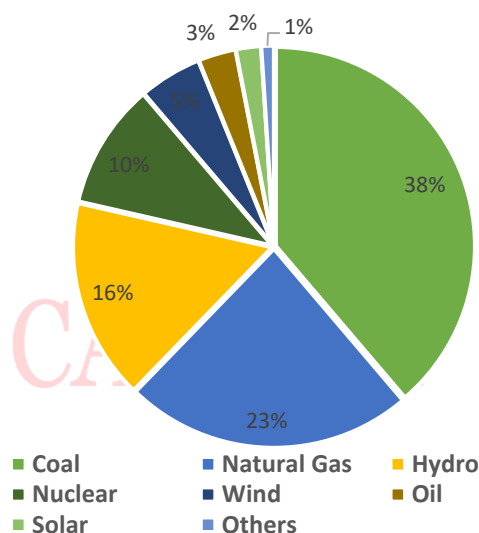
- ❖ **Founded:** March 30, 1997
- ❖ **Chairman:** Muhammed Aziz Khan (25 years of experience)
- ❖ **Revenue Generator:** Power generation.
- ❖ **Subsidiaries:** 1. Summit Barisal Power Limited (SBPL), 2. Summit Narayanganj Power Unit II Limited (SNPUIL), 3. Summit Gazipur II Power Limited (SGIPL), 4. Ace Alliance Power Limited (AAPL), 5. Summit Chittagong Power Limited (SCPL)
- ❖ **Equity Investment:** 1. Khulna Power Company Limited(KPCL)- 17.64%, 2. Summit Meghnaghat Power Company Limited(SMPCL) – 30%.

GLOBAL ELECTRIC POWER INDUSTRY

Electricity is not a natural resource. Electricity generation is the method of producing electric power from the sources of primary energy. It is produced in power stations by electromechanical generators primarily driven by heat engines which are fueled by combustion, nuclear fission, and kinetic energy of flowing water and wind.

Total electricity generation was 26.7 PWh (Peta Watt per hour) in 2018 of which 38% was from Coal, 23% was from Natural gas, 16% from hydro, 10% from nuclear, 5% from wind, 3% from Oil, 2% from Solar, 2% from Biofuels and the remaining 1% from the others. It is growing at a 2.5% CAGR for the last few years. It has reached around 28.1 PWh by 2020.

Electricity Generation



The electric power industry is split up into four processes. These are electricity generation, transmission, distribution, and retailing. Electricity generation is the initial part of the electric power industry. It is often government-owned and operated in most countries. Some private companies also take part in the generation of electricity. The top five electricity-producing countries in the world are China (28%), United States (16%), India (6%), Russia (4%), Japan (3.7%) in 2020.

BANGLADESH ELECTRIC POWER INDUSTRY

Electricity coverage in Bangladesh is almost 99% in 2021. It has an installed capacity of 24,000 MW. Bangladesh needs to install 34,000 MW in total by 2030 to sustain its economic growth of over 7%. The energy sector of Bangladesh is booming as

several new power plants will be added to the production of electricity. Rooppur Nuclear Power Plant is expected to go into operation by 2023 which is the first-ever nuclear power plant in Bangladesh. It has a capacity of 2.4 GW. The country's biggest solar power plant is going to be set up in Madarganj Upazila of Jamalpur and it is expected to provide 10% of the total power generation by 2025. Payra Power Plant has already begun its production in early 2020. It uses coal as fuel and has a capacity of 1320 MW. Moreover, the Rampal Power plant will begin its production as soon as the completion of the construction. It has also a capacity of 1320MW. It is a joint venture company of India's state-owned National Thermal Power Corporation (NTPC) and Bangladesh's BPDB (Bangladesh Power Development Board).

SUMMIT POWER OVERVIEW

With a vision of being a leading provider of energy solutions in Asia and delivering sustainable long-term value to all its stakeholders, Summit Power has been operating its business for over two decades. Bangladesh Power Development Board (BPDB) and Bangladesh Rural Electrification Board (BREB) are the off-takers of Summit Power. The mission of Summit Power is to support economic development and transform the social landscape of Asia through the provision of reliable, affordable, and efficient sources of electricity.

Intrinsic Value

<i>Discounted Cash Flow Model</i>	<i>BDT 73.9</i>
<i>Dividend Discount Model</i>	<i>BDT 67.7</i>
<i>Residual Income Based Model</i>	<i>BDT 72.5</i>
<i>Earning Based Model</i>	<i>BDT 52.7</i>
<i>Peer Company P/B Based</i>	<i>BDT 70.8</i>
<i>Number of Shares Outstanding (M)</i>	<i>1067.88</i>
<i>Average Value per Share</i>	<i>BDT 67</i>

Key Valuation Toolkit	
<i>Revenue growth</i>	<i>8.5%</i>
<i>Discount rate</i>	<i>8.67%</i>
<i>Perpetual growth rate</i>	<i>2%</i>
<i>Tax Rate</i>	<i>22.5%</i>

Note

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

INVESTMENT INSIGHTS

INVESTMENT MERITS

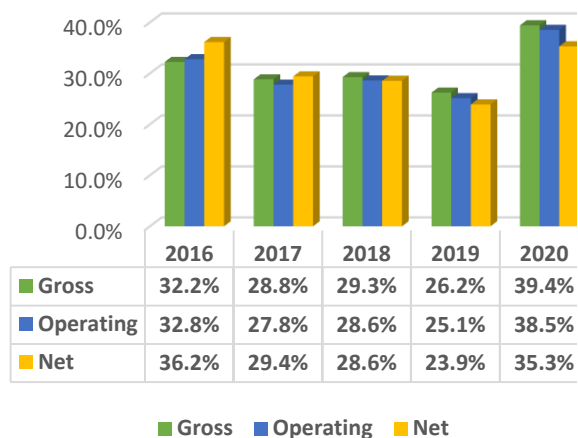
Summit's power plants are equipped with the best engines of Wartsila-Finland, Caterpillar USA, and GE Jenbacher, Austria. Both turbine and reciprocating engine divisions currently have 1941 MW of installed capacity. The 15 power plants of SPL have a total installed capacity of 976 MW. The company aims to generate 20% of the total electricity requirement in Bangladesh. SUMITPOWER has many investment merits. Some notable investment qualities are -

- ✓ 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.
- ✓ ROA has increased than last year.
- ✓ Profit margins have increased.
- ✓ Liquidity ratios have increased
- ✓ It holds a constant good dividend rate.
- ✓ Long-term 'AAA' and short-term 'ST-1' credit rating from CRISL denotes the highest credit quality of the company.

INVESTMENT CONCERNS

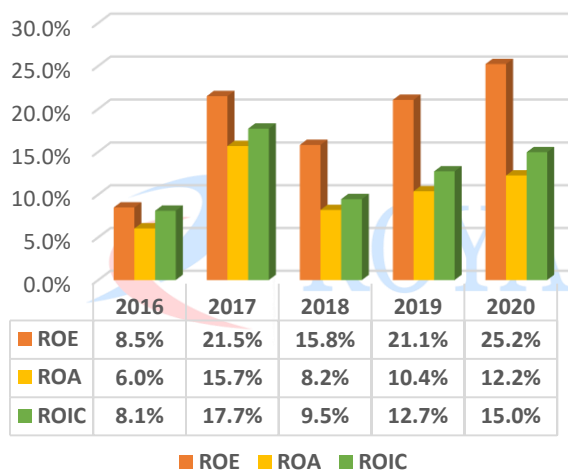
- × The Cash Conversion Cycle has declined.
- × The debt to equity ratio has increased.
- × Revenue declined compared to the last year.
- × Inventory turnover has declined.
- × Trade receivable has increased over time.

Profitability



Source: RIL

ROE, ROA & ROIC



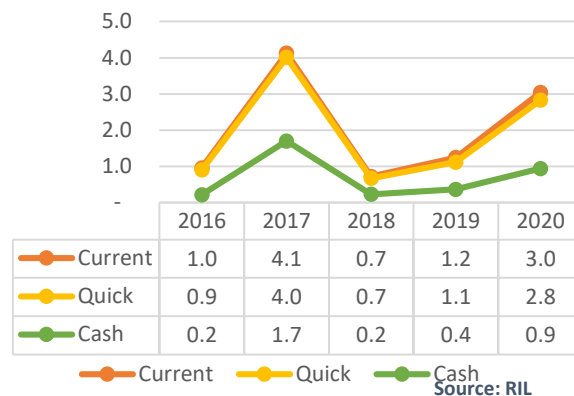
Source: RIL

Cash Conversion Cycle



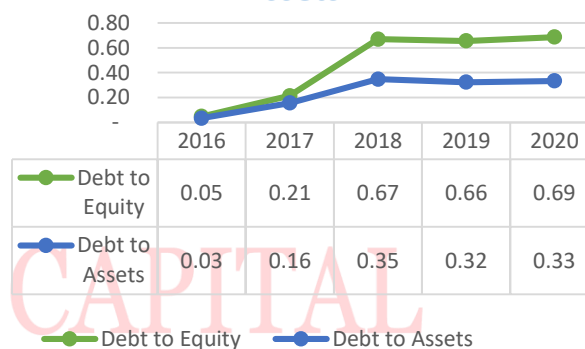
Source: RIL

Liquidity Ratios



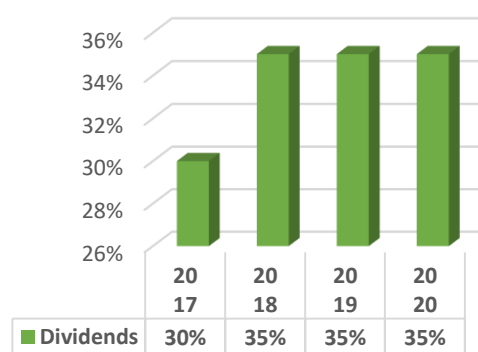
Source: RIL

Debt to Equity & Debt to Assets



Source: RIL

Dividends



Source: RIL

Disclaimer

This document is prepared by the research team of Royal Capital Limited. This is based on the publicly provided information by SUMITPOWER 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	29.3%	26.2%	39.4%	32.8%	33.8%
	Operating Margin	28.6%	25.1%	38.5%	31.8%	32.8%
	Net Margin	28.6%	23.9%	35.3%	22.4%	23.2%
	Return on Assets	15.8%	21.1%	25.2%	16.6%	17.5%
	Return on Equity	8.2%	10.4%	12.2%	8.1%	8.8%
Liquidity	Current Ratio	0.7	1.2	3.0	2.6	2.8
	Quick Ratio	0.7	1.1	2.8	2.4	2.5
	Cash Ratio	0.2	0.4	0.9	0.8	0.8
	Operating Cash Flow Ratio	0.2	0.4	1.7	1.0	1.1
Efficiency	Assets Turnover	0.29	0.43	0.35	0.36	0.38
	Inventory Turnover	39.1	34.6	22.6	27.0	26.1
	Days of Sale Outstanding	155.6	126.0	176.7	162.7	159.1
	Days of Inventory Outstanding	9.3	10.6	16.1	13.5	14.0
	Days of Payable Outstanding	79.3	60.9	88.7	73.7	78.6
	Cash Conversion Cycle	85.6	75.6	104.2	102.5	94.5
Valuation	Net Assets Value per Share(restated)	31.26	32.40	31.50	32.97	34.98
	Earnings per Share(restated)	4.94	6.82	7.94	5.47	6.14
	Operating Cash Flow per Share	4.54	5.67	9.42	6.75	7.50
	Free Cash Flow per Share	(14.06)	2.32	7.09	5.74	5.48

** Annual Report of SUMMIT POWER LIMITED.

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