

LINDE BANGLADESH LIMITED

Current Market Price per Share: BDT 1,397.70

Intrinsic Value per Share: BDT 1,842

Outlook: Undervalued

Market Information	
Market Cap (BDT mn)	21,270.6
Market Cap Weight	0.5%
Paid-up Capital (BDT mn)	152.2
No. of Share outstanding (mn)	15.2
Free -float Shares (mn)	6.1
3 Months Avg. Turnover (BDT mn)	11.8
52-week price range (BDT)	1366.1-1979.8
Sector P/E	11.3
Market P/E	14.9

Industry Overview & Prospects

Linde Bd Bangladesh's mostly distribute industrial and medical gases to **Food & Beverage based industry, Health sector, Shipbuilding industry and Construction Sector**. Therefore, the growth of Linde BD relate with these sectors.

- Pharmaceuticals sector in Bangladesh has enormous growth in recent years. The market of 277 billions is expected to have a annual growth rate more than 12% during the next few years . In addition to meeting local demand (Local 257 institutions meeting 98% of the country's overall need for pharmaceuticals) also export currently BDT11 billions pharmaceuticals in several countries .**Linde Bangladesh provides medical gases cylenders & equipment etc to support hospitals, medical professionals. During Covid crisis Linde installed equipment for emergency & incresed the supply of medical oxygen to help people.**
- Food-grade industrial gass are an effective and natural way of meeting rising consumer demands for quality , variety in the food and beverage industry. Revenue in the Food market amounts to US\$127.20bn in 2022. The market is expected to grow annually by 9.88% (CAGR 2022-2022, according to Statista.Com).Bangladesh government is prioritising the food processing industry to boost the export of food items alongside meeting the growing domestic demand. **Linde mainly deliver industrial gases such as: liquid oxygen, nitrogen, argon, carbondi-oxaide to it's clients which is utilized in the industrial production.**
- There are currently more than 100 ship builders and over 120 registered shipyards of varying size, located mostly on the river banks. In Bangladesh, almost 90% of fuels, 70% of cargos and 35% of passengers are moved by waterways, bringing about a huge domestic demand for vessels. Owing to steady economic and trade developments, and activated infrastructure projects, locally registered

Company Overview
Company Profile

Linde plc, is a leading industrial gases and engineering company incorporated in Ireland has become the new holding company of both LindeAG and Praxair, Inc. and as such Linde plc is now the new ultimate holding company of Linde Bangladesh Limited.

Linde Bangladesh Limited is a member of the Linde Group that has been present in Bangladesh for over 50 years with continuous expansion in operations and business. As a pioneer multinational company in the gases business, Linde Bangladesh has 3 major locations installations at Tejgaon, Rupganj and Shitalpur. Besides, it has 18 sales centers spread throughout the country serving a customer base of over 35,000. Linde Bangladesh Limited is committed to quality of its product & services. The motto of the company is to ensure optimum conditions in health, safety and the environment for its employees, customers and stakeholders.

Subsidiary:

BOC Bangladesh Limited, a 99.95% owned subsidiary of Linde Bangladesh Limited which is not in operation.

Key Personnel:

Mr. Moloy Banarjee : Chairman

Mr. Sujeet Kumar Pai : Managing Director

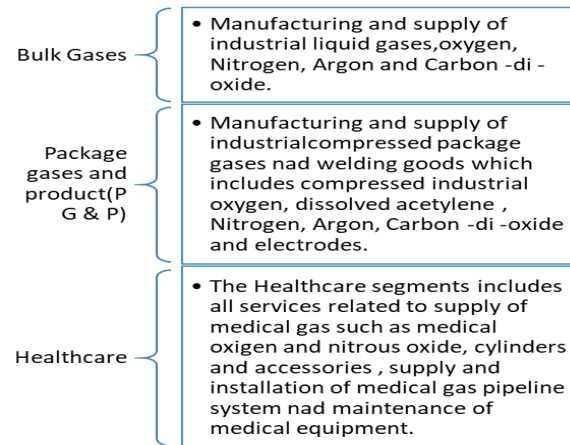
Ms. Rupali H Chowdhury: Independent Director

Business Model
Nature of Business

The Company's principal activities are manufacturing and supply of industrial and medical gases, welding products and equipment and ancillary equipment. The company also earns rental from cylinders used by the customers and from Vacuum Insulated Evaporators (VIE) installed at customer's premises. The company also provides services related to its products. The company has three strategic divisions : a) Bulk gases b) Package Gases & Products c) Healthcare. These divisions offer different products and are managed separately because they require different technology and marketing strategic decisions.

number of vessels has increased with average annual growth rate of 5.39%. Annual market value of local shipbuilding industry is currently valued around USD 1 billion, and the demand growth is forecasted to remain steady along with the economic growth. **Linde Bangladesh distributes hard goods materials such as: gas welding equipment and accessories, stainless steel electrodes etc. to their respective customers.**

- The Bangladesh Construction Market is estimated to witness a CAGR of approximately 6.5% during the forecast period. The construction industry is driven by infrastructure developments(which includes small and large scale projects) and urbanization. For the fiscal year 2023, the Bangladesh government proposed a budget worth BDT 6780.64 billion , while the allocation of for ADP is BDT 2,460 bn. ADP includes the construction of some major projects nationwide, such as Rooppur Nuclear Power plant, Matarbari ultra -supercritical coal-fired power plant etc.Though recent volatile economic scenario somewhat slow down this sector but hopefully it will recover it's position in near future. **This sector needs industrial gases and welding materials for welding, cutting, flame cleaning, metal manufacturing etc. which products already provided by Linde Bangladesh to their**



Product Index

Types of Product and Service:

- Industrial and medical gases
- Welding products and equipment
- Installation of vacuum Insulated Evaporators(VIE)
- Rental of cylinders and VIEs and others services related to its products.

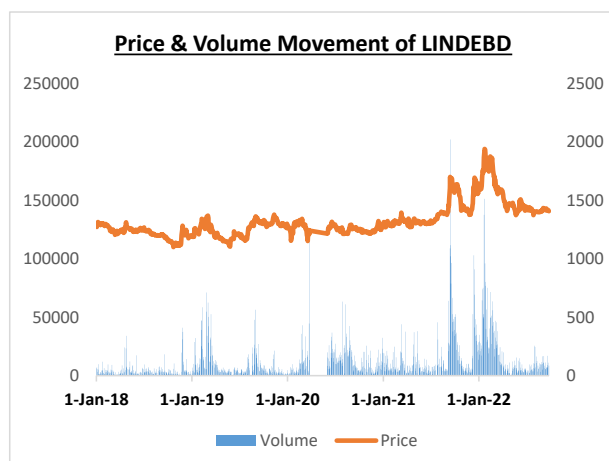
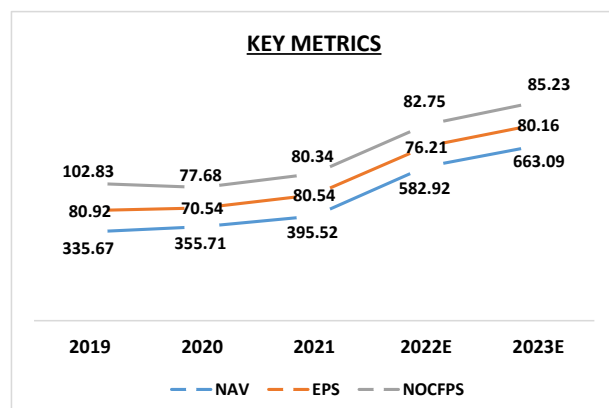
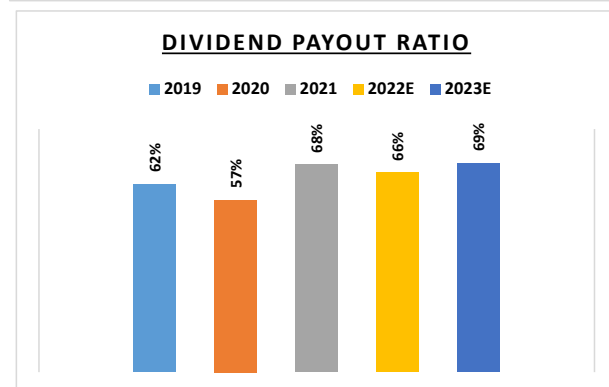
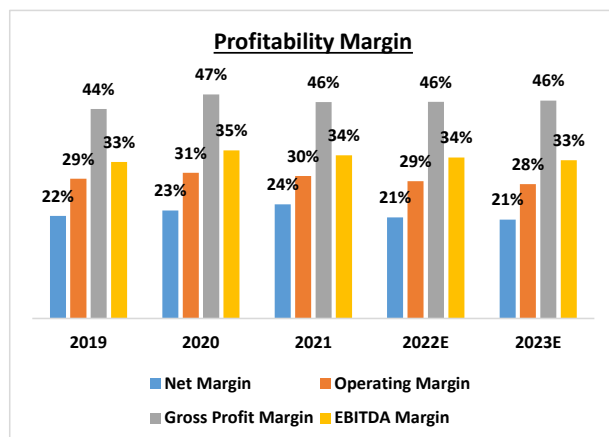
Industrial gases	Hardgoods Filler Materials & Equipment	Medical gases & Equipment
<ul style="list-style-type: none"> • Liquid Oxygen, nitrogen, carbon dioxide & argon • Compressed oxygen, nitrogen, argon • CORGON (Shielding GAS) • Lamp Gas and many more industrial gases. 	<ul style="list-style-type: none"> • Mild Steel electrodes • Low hydrogen • Cast iron electrodes • Gas welding equipment and accessories • Hard surfacing electrodes • Stainless steel electrodes etc 	<ul style="list-style-type: none"> • Medical oxygen liquid & compressed • Nitrous oxide • Entonox • Sterilizing gases • Medical carbon-di-oxide and compressed Air • Medical gases Cylinders and so on.

Key Financials Of LINDEBD

	2019	2020	2021	2022E	2023E
Financial Information (BDT mn)					
Net Sales	5,683	4,711	5,082	5,438	5,873
Gross Profit	2,512	2,227	2,321	2,485	2,701
Operating Profit	1,675	1,672	1,749	1,847	1,656
EBITDA	1,876	1,444	1,494	1,496	1,574
Profit After Tax	1,231	1,073	1,225	1,159	1,219
Total Assets	7,651	8,004	8,406	10,989	12,177
Equity	4,472	5,413	6,019	8,871	10,091
Retained Earnings	4,984	5,297	5,914	8,756	9,976
Cash & Cash Equivalent	1,004	1,145	2,998	5,271	6,882
Profitability					
Gross Profit	44.21%	47.3%	45.7%	45.7%	46.0%
Operating Profit	29.49%	25.3%	27.0%	24.7%	29.7%
Pretax Profit	29.22%	30.7%	29.4%	28.0%	27.0%
Net Profit	21.67%	22.8%	24.1%	21.3%	20.8%
ROA	16.09%	13.4%	14.6%	10.6%	10.0%
ROE	24.1%	19.8%	20.4%	13.8%	11.5%
Asset Management					
Inventory Turnover Ratio	0.32	0.26	0.27	0.28	0.28
Asset Turnover Ratio	0.74	0.59	0.60	0.49	0.48
DSO(X)	45.86	56.70	58.95	65.70	65.70
DPO(X)	157.10	197.16	172.15	147.88	148.70
Liquidity Ratio					
Current Ratio(X)	2.24	2.57	3.10	5.25	5.73
Quick Ratio(X)	0.28	0.34	0.40	0.55	0.59
Cash Ratio(X)	0.57	0.66	1.88	3.93	4.41
Investment Valuation					
P/E(X)	16.05	18.16	19.61	18.58	17.66
Price to Cash Flow Ratio(X)	13.77	18.23	17.63	17.11	16.61
P/B Ratio(X)	4.22	3.98	3.58	2.43	2.14
* No Non-Current Debt					

Major products	Normal capacity For the year	Production of the year
ASU (Air separation unit) Gas	35,108 M ³	26,126 M ³
Carbon -dioxide	13,140 M.Ton	5,631 M.Ton
Dissolved Acetylene	300 M ³	139 M ³
Electrodes	31 M.Ton	17 M.Ton

According to above chart, we see that the company maintains additional capacity of ASU Gases (about 75% capacity utilization) and carbon -dioxide (about 43% capacity utilization) to meet future market demand. Besides, the company has lower production of Dissolved Acetylene and Electrodes due to lower market demand.



*Source: RCL Database

Forward & Backward Integration

Backward Integration:

Linde Bd is self sufficient in term of production . However, some service related matters and some raw materials ,spare parts and capital goods are imported from related parties for using production.

Import		
	2021(In Tk)	2020(In Tk)
Raw Materials	1,507,125	1,410,465
Components and spare parts	45,727	25,908
Capital Goods	144,322	555
Total	1,697,174	1,436,928

Forward Integration:

Along with meeting the local market's demands, Linde BD also earns foreign currencies from export and deemed export of goods and services. This company receives foreign currency from some vendors such as : Uniglory Cycle Component Ltd, Uniglory Cycle Industries Ltd, Meghna Alloytech Ltd,Karnafuly Ship Builders, AlCA India Ltd(India).

Export	
2020	2021
57,643 TK	51,324 TK

Revenue Model

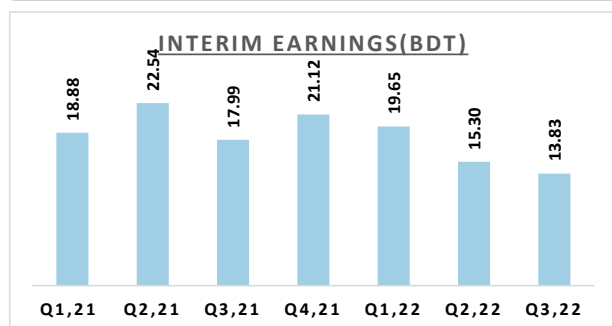
Linde Bangladesh Limited has delivered an excellent revenue and profits in 2021 compared to 2020.

- Profit before taxation rose 3.4% to BDT 1,494 million
- Income increased 14.2% to BDT 1,226 million
- Earning pre share climbed 14.2 % to BDT 80.55

During the most challenging period (Covid-19 pandemic) the company's earnings were higher than the previous year. The revenue of the company for the year 2021 was Tk. 5,083 m as against Tk. 4,711 m of 2020. The company is the leading player in the field of Medical and Industrial Gases. Major portion of revenue comes from Healthcare segments due to higher demand of liquid medical gases. Customer focus, operational excellence and dedicated employees are the key reason behind this company's tremendous success. The company also intend to increase its production capacity in the gases business to better diversify its revenue sources.

Recent Financial Update

According to the Q3-FY'2022 of LINDEBD, EPS was Tk. 13.83 for July-September 2022 as against Tk. 17.99 for July-September 2021. EPS of Linde Bangladesh was Tk. 48.78 for the 9 months 2022 as against Tk. 59.41 for the same period of 2021; EPS & NOCFPS have decreased mainly for the higher price of raw materials in international market coupled with unfavorable forex rate and sharp decline in revenue of Healthcare segment due to improvement in COVID situation in NOCFPS was Tk. 36.78 for January-September 2022 as against Tk. 44.13 for January-September 2021. NAV per share was Tk. 389.34 as on September 30, 2022 and Tk. 375.16 as on September 30, 2021.



Share holding Percentage (as on August 30,2022)

Sponsor/Director	60.00%
Govt.	0%
Institute	28.40%
Foreign	0%
Public	11.60%

LINDEBD has 40% free -float share in the market . (Free -float shares are listed company shares held by external shareholders who do not need any prior declaration before trading company stocks.)

Valuation

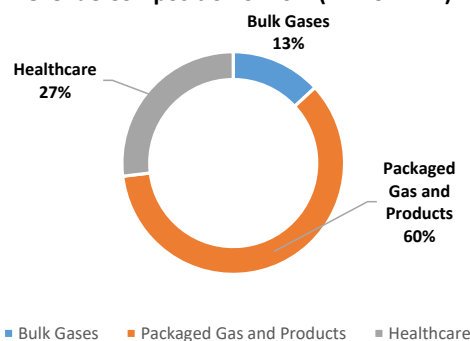
Key Valuation Toolkit	
Revenue Growth	9.40%
WACC	9%
Terminal Growth Rate	3%

Intrinsic Value Per Share	BDT 1,842
Current Market Price	BDT 1,397.70

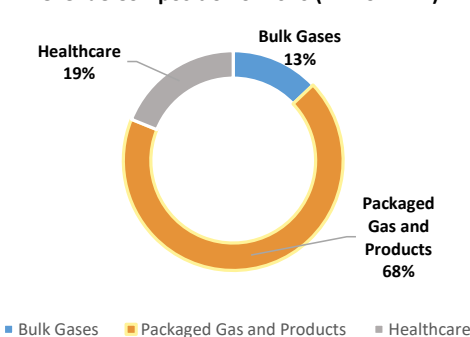
Investment Rating : Undervalued

The market price per share of LINDEBD is BDT1397.70 which implies the share price is undervalued compared to **its intrinsic value BDT 1,842**. If the economy continues to grow faster, the industries are likely to expand more which will trigger more business potential for the company. So , the investors may get a return of 31% from investing this share at the current price level.

Revenue Composition of 2021 (Million BDT)



Revenue Composition of 2020 (Million BDT)



Bulk Gases: Bulk business has grown 9% over prior despite being severely affected during the pandemic due to product restrictions being imposed and supply-demand situation. Majority of the industrial customers experienced supply shortage. Despite this , industrial bulk gases managed to register growth over last year through smart pricing methods for other products.

Packaged gas and products : Packaged gases and products have shrunk 5.4% due to diversion from industrial customers and supporting medical oxygen customers. Hardgoods business suffered significantly in 2021 on account of Covid 19. Shipbuilding , the uptrend in steel and other materials price in international market, slow down activities and bus body fabrication impacted highly this segment sales.

Medical Healthcare: Healthcare segment has grown 35% this year. Medical Gases such as Medical Oxygen, Nitrous Oxide, Entonox, Medical Air, Medical Carbon-di-Oxide, Gas Cylinders & Accessories, and supply & installation of Medical Gas Pipeline Systems. 2021 has been a good year for Healthcare Business, with improved revenue, new business wins and renewal of contracts.

Investment Insights

Investment Merits	Investment Concerns
<ol style="list-style-type: none"> 1) With the country's growing economy, the company has much potentials to enhance its business volume specially gas supplies which enables industries and healthcare facilities to run. By 2030, Bangladesh economy is expected reach to \$800 million club which may result of a double-digit revenue growth of the company for the coming decade. 2) According to last FY'21, LINDEBD delivered excellent revenue & profit compared to 2020: <ol style="list-style-type: none"> a) PBT rose by 3.4% to BDT 1,494 M b) Bottomline increased by 14.2% to BDT 1,226 M 3) During new normal period of LINDEBD's ROE & ROA have increased marginally in the FY'21 which indicates company's good mangement capability to generate adequate level of earnings to satisfy the relevant stakeholders. 4) LINDEBD has strong cash ratio which implies the company has enough cash to meet its current obligation smoothly. 5) LINDEBD also plans to revamp the Shitalpur plant. It is expected that, the revamping will result in yield improvement and higher efficiency. The company is in progress to build up storage facilities at Benapole would act as a buffer for Oxygen and other gases and improve reliability and distribution support. 	<ol style="list-style-type: none"> 1) Due to the global economic shock induced by Russia-Ukrain War event, markets and economies are tumbling and people are facing the wrath of inflation. Fore curb in the purchasing power and lower investment, it would create some challenges for the company to maintain its trajectory at least for the short-term period. 2) The company booked lost sales in the healthcare segment in the new normal situation as the sector consume less oxygen gas than the full-scale covid period specially before the vaccination countrywide. Therefore, the abnormal sales volume of oxygen to the healthcare sector will be unlikely in the coming days. 3) Due to the depreciation of local currency (Taka) agianst US dollar push ups the procurement cost of the company which ultimately have an adverse impact on the gross profit. 4) The company may face supply constraints induced by disruption in the supply chain globally in the form of carriage, shipping and availability. 5) The interim earnings of LINDEBD was tk 48.78 for 9 months of 2022 as against Tk 59.41 for the same period of 2021; the bottomline dropped by 21.7% mainly due to increased cost of sales.

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