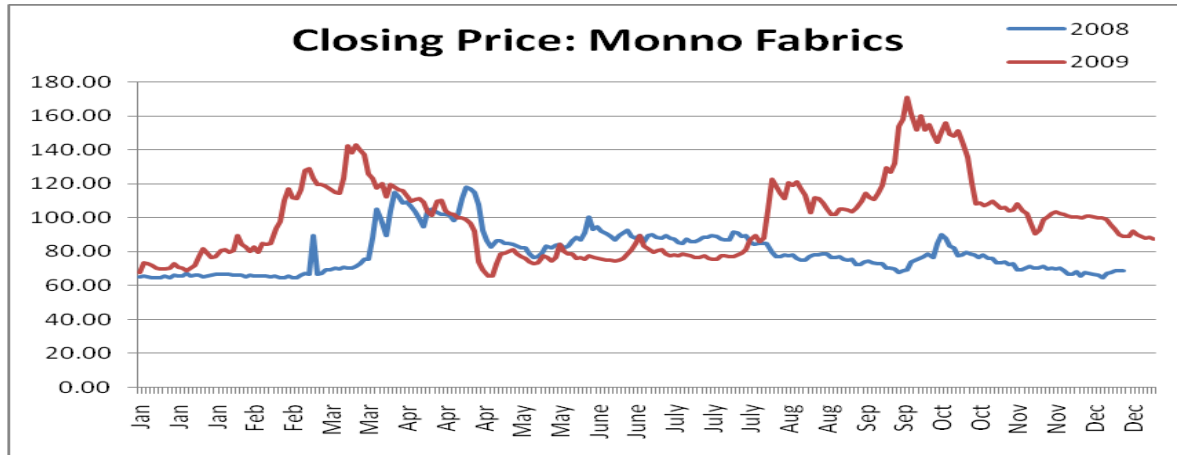


Company Name: Monno Fabrics Limited
Research Report
Date: 4th February, 2010.



Key Statistics:

FY End 12/31	EPS	% Change	P/E
2004	9.23	-	7.45
2005	6.22	-32.61%	9.41
2006	6.09	-2.09%	10.06
2007	5.40	-11.33%	12.08
2008	-3.87	-171.67%	-
2009E	3.91	201.03%	17.58

As of 31st December, 2008:

Shares Outstanding (in Millions)	11.5 M
Market Capital	790.625 M
ROE	-3.05%
Dividend/Yield	-
Price/Book Value	0.56

Company Description and Background:

Monno Fabrics Limited is a manufacturing company within textile industry in Bangladesh. It was incorporated on September 7, 1994 as a public limited company. It commenced commercial operation in 1998 and went for public issue of share in 1996. The registered office of the company is located at 9, Wyre Street, Wari, Dhaka – 1203 and manufacturing plants are located at Gilondo, Manikgonj. The business of the company is producing high quality yarn and woven fabrics. The total number of employees working in the factory and Head Office of the company was 1,555 (as of 31st December, 2008).

Industry Overview:

The textile industry is not performing well due to world demand has fallen. Almost all of the companies' revenues and profit decreased from the previous years. From the capital market's point of view, this industry has lowest P/E ratio in comparison to other sectors.

Risks:

Global demand decrease risk: Due to decreasing global demand of its products, the company is being worse off.

Exchange rate risk: As the company is in the chain of RMG sector, if dollar loses value, then exports would be affected.

Raw material price increase risk: The Company imports 80% of its products from abroad. International price increase would hamper it much.

Worker dissatisfaction risk: The textile industry is a labor intensive industry. Moderate to high dissatisfaction among the workers over a long period influences them to call strike in the factories.

Strategy Analysis:

Its mission is to provide world class quality products to our valued customers, strictly maintain ethical standard in business operation. Besides it aims at conducting transparent business operation within the legal & social framework with aims to attain the mission with a quantitative/qualitative target in business operation. It also emphasis on the continuous development in making value addition to our products for producing the higher end products, to keep well prepared for competitive world market. Their all financial policies like investments policy, dividend policy and financing policy is to maximize the value of the organization.

Ratio Analysis:

The profitability ratios of the company remained consistently satisfactory over the year from 2004 to 2007. But in the year 2008, all of the profitability ratios (ROA, ROE, and Operating Performance) decreased substantially as the COGS increased from the last year by almost 10%, while revenue increased by only 2%. Liquidity ratios were worsening over the period from 1.14 to 1.07 (CR) and 0.72 to 0.40 (QR) from 2004 to 2008. ART, APT and Inventory Turnover ratios were worsening over the period from. Solvency Ratios were also getting worse.

When we look at the standardized income statement, we see that the gross profit margin and operating profit margin both were decreasing over the 5 years period from 23.6% & 20.1% to 18% & 15.4% respectively.

Valuation (Based on Information from 2004 to 2008):

	FCFE Approach	DDM Approach	FCFF Approach	Average
Fair Value	47.89	43.74	175.20	88.94
Target P/E	31.20		22.50	
Target P/B	1		0.72	
Target Price	If holding	Over 122	If not holding	Below 88

Recommendations:

As this research paper has been prepared based on the information from 2004 to 2008, we have compared the average intrinsic value 88.94 taka with the market value on 31st December, 2008 which was 68.75. Since the market value is lower than the intrinsic value, our recommendation on this point is to buy the stock.