

## ABRIDGED PROSPECTUS

The following constitutes full and true disclosure of all material facts relating to the shares offered by this prospectus as required by the Companies Act of Bhutan 2016.

### 1. General Information

- 1.1. Name of the Company: Dungsam Polymers Limited
- 1.2. Registered Office: Nganglam, Pemagatshel
- 1.3. Name & Address of Auditors: M/s S. Guha & Associates, Chartered Accountants, Kolkata.
- 1.4. Registration/ License: Registered as Public Limited Company under the Companies Act of Kingdom of Bhutan 2000 vide registration no. U2O1OO812PEMO253 dated 12<sup>th</sup> August 2010.

### 2. Objectives of the Issue

The Company is undergoing cash flow problem and facing working capital shortages. Considering the size of the company, the debt is relatively high resulting high periodic repayments. DPL has also availed DHI's inter corporate loan amounting to Nu 20 million and is overdue for payment. The proceeds from the sale of Rights shares will be used as follows:

- Retirement of DHI's Inter Corporate Loan of Nu 20 million
- Partial retirement of term loan
- Replenishment of OD loan for working
- Prepayment penalty, Fees and Commissions for the Rights Issue proceeds

This is expected to bring significant improvement in the cash flow and working capital requirements, as there will be substantial reduction in quarterly repayment.

### 3. Capital Structure of the Company

- Authorized Share Capital : Nu. 300,000,000
- Issued and Paid up Capital : Nu. 82,723,500

### 4. Particulars of the Offer

- 4.1. Number of shares on offer for Rights Issue: 7,000,000
- 4.2. Issue Price: Nu 10 per share
- 4.3. Rights share offered: 84.61% on current holding
- 4.4. Total capital to be raised from rights shares: Nu 70,000,000
- 4.5. Allotment: The offer of rights share will be 84.61% on current holding. However, in case of fractional entitlement, the allotment shall be carried out as per the existing practice of issuing rights shares of RSEB.
- 4.6. Eligibility: All existing shareholders
- 4.7. Timeline of the issue subscription

Opening Date	Closing Date	Allotment Date
October 22, 2018	November 14, 2018	November 30, 2018

### 5. Market Value of the Shares

The market value of DPL's share as per RSEB website is Nu 20 per share as on 09.10.2018.

### 6. Application Forms

- 6.1. Application forms and other documents are available at the following centers:
  - Brokerage Firm: BDB Securities in Thimphu and all their offices in all Dzongkhags
  - Dungsam Polymers Limited, Tsenkari, Nganglam, Pemagatshel or at website [www.dpl.bt](http://www.dpl.bt)
  - Royal Securities Exchange of Bhutan, RICB Building, Thimphu.
- 6.2. Filled in application forms may be submitted at the following addresses:
  - BDB Securities and at their offices in all Dzongkhags.

### 7. Renunciation of Rights Issue

- 7.1. The shareholder shall have the right to renounce the rights offered partially or in full in favour of any person other than the promoters, substantial shareholders of the issuing company and other than a person who is 18 years of age as per Companies Act of Bhutan, 2016.
- 7.2. The shareholders who do not want to renounce their rights shall have the option to sell their rights as per the norms of RSEB.
- 7.3. Any shareholder not exercising their rights as above, their rights shall be treated as renounced and the option shall be sold as per RSEB norms.

### 8. Risk Factors

Any investment in equity shares involves certain degree of risk. The following are some of the possible risks and uncertainties:

- 8.1. **Raw Material Price:** The prices of raw materials particularly Polypropylene (PP) is highly volatile. Since it is a petroleum-based product, the price varies with the change in the price of crude oil. PP being the main raw material may result in high cost of production and affect business.

*Management's Perception: The price of PP changes at least on monthly basis in the international market. DPL gets supplies from India as well as from Saudi Arabia. While we have no hand in the increase of ex-factory price, the transportation and other logistic costs have been streamlined. The supply is placed to the vendor that offers the best-evaluated price.*

8.2. **Skilled Workers:** Unlike in the past, Indian sewing machinists are not easily available due to the booming Polymer industries in India offering alternate employment. On the other hand, Bhutanese workers are not keen in taking up such jobs. This may affect DPL's production and operational outcomes.

*Management's Perception:* DPL's plan to upgrade the Finishing Unit from manual to semi-auto is in pipeline. Machines such as Lohia's Volvomatic can produce cement bags in complete form.

8.3. **Retaining Skilled Operators:** The success of DPL's business depends on the availability of skilled operators. Should DPL not be able to retain them, the business would be adversely affected.

*Management's Perception:* As the company's performance improves, DPL can afford to provide necessary amenities, allowances, and incentives to its employees equivalent to similar other companies. This could help in retaining skilled and experienced manpower.

8.4. **Market:** The main market for DPL products is DCCL. The demand for PP bags is therefore highly linked to the demand for the DCCL's cement. There is a risk associated with high dependency on one single market.

*Management's Perception:* DCCL is a very important company for DHI and much emphasis has been put on improving the business of DCCL. DPL also supplies 30% of PCAL's requirement of cement bags besides other small orders from Karma Feed, RSA Limited, Chundu Enterprise, BMG Feed and other local distributors from across the border.

## 9. Financial Highlights after Rights Offer

### 9.1. Projected Balance Sheet (In million Nu)

Particulars	2018	2019	2020	2021	2022	2023
<b>EQUITY &amp; LIABILITIES</b>						
Share Capital	152	152	152	152	152	152
Share Premium	26	26	26	26	26	26
Reserve and surpluses	(127)	(115)	(97)	(80)	(56)	(31)
Other Long term liabilities	2	2	2	2	2	2
Long term Borrowings	77	73	69	64	58	52
Trade Payables	6	8	8	9	9	9
Other Current liabilities	11	11	12	13	15	15
<b>Total Shareholders Equity and Liabilities</b>	<b>147</b>	<b>157</b>	<b>172</b>	<b>186</b>	<b>206</b>	<b>225</b>
<b>ASSETS</b>						

Particulars	2018	2019	2020	2021	2022	2023
Property, Plant & Equipment	102	97	98	91	85	78
Inventory	21	23	25	26	28	28
Trade Receivable	15	18	19	21	23	23
Other Current Assets	6	6	6	6	6	6
Cash & Bank Balances	3	13	24	42	64	90
<b>Total Assets</b>	<b>147</b>	<b>157</b>	<b>172</b>	<b>186</b>	<b>206</b>	<b>225</b>

### 9.2. Projected Profit and Loss accounts (In million Nu)

Particulars	2018	2019	2020	2021	2022	2023
Revenue	188	217	237	256	277	284
Cost of Goods Sold	157	182	195	207	220	224
O&M	4	4	4	4	4	4
Other Expenses	6	6	7	7	7	7
Total Operating Costs	167	192	205	218	231	235
EBITDA	21	26	32	39	46	48
Depreciation	8	7	6	6	6	6
EBIT	13	19	25	32	40	42
Interest expense	10	8	7	7	6	6
PBT	3	12	18	25	33	36
Taxes (30%)	-	-	-	8	10	11
PAT	3	12	18	18	23	25

## 10. Particulars of Present Board of Directors

Name	Occupation/ Present designation
1. Mr. Sonam Jigme - Chairman	CEO, DCCL
2. Mr. Karma Wangdi - Director	Sr. Dungpa, Nganglam Dungkhag
3. Mr. Pema Wangchuk - Director	Director, CDCL
4. Ms. Choni Ome - Director	Sr. Analyst, DHI
5. Mr. Sangye Dorji - Director	Credit In-charge, BNB
6. Mr. Tshering Tenzin - Director	CEO, DPL

## 11. Name & Contact address for Rights Issue

Sherab Chopel Company Secretary Dungsam Polymers Limited Contact No.: 77109863; 07-748126	Broker BDB Securities BDB Building, Thimphu Contact No.: 17361750 / 02-322759
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**Dungsam Polymers Limited**  
**RIGHTS SHARE APPLICATION FORM**  
**(For use by Bhutanese Citizen(s) only**  
**Name of Brokerage firm: BDB Securities**  
**Opening Date: 22-Oct-2018.**  
**Closing Date: 14-Nov-2018**  
**Allotment Date: 30-Nov-2018**

CD Code : \_\_\_\_\_

The Board of Directors  
Dungsam Polymers Limited  
Nganglam: Bhutan

**Sub : Rights Offer of 7,000,000 Equity Shares**

Dear Sir/Madam,

I/We, hereby agree to accept the Equity shares applied or such numbers as may be allotted to me/us, subject to the terms of the Offer document.

**Part I: Rights Offer Subscription**

Name : _____ CID No. _____ Contact No. _____
Address: _____
Bank Name & Saving Account No. _____
No. of shares already held: _____ No. of shares applied _____ Amount remitted: Nu. _____

**Signature of the Applicant**

**Part II: Renunciation**

The shareholder(s) reserve the right to renounce their offers wholly or partially to any person, other than the promoters or any substantial shareholders of the company whom he/she so desires.

Name of the Renouncee	CID No.	Address	No. of Shares applied

This is to confirm that the above applicants have been offered my rights and are not the promoters of substantial shareholders of the company and therefore, authorize the company to register them as shareholders of the company.

**Signature of the Applicant**

**NB : Please attach a Copy of Citizen Identity Card.**

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Signature of the Executing Broker & Date :-

**Part III : Buy Order Form (Rights Issue)**

Central Depository Code : \_\_\_\_\_

Date : \_\_\_\_/\_\_\_\_/\_\_\_\_

Buy	Security Code	Quantity	Price

a) Name of Buyer : \_\_\_\_\_

b) Citizen Identity Card : \_\_\_\_\_ (Please attach copy of CID)

c) Address : \_\_\_\_\_

d) Saving Account No. & Bank Name : \_\_\_\_\_

e) Contact No. : \_\_\_\_\_

**(Signature of the Applicant)**