

BRAC EPL Research (research@bracepl.com)
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IPO Details

JMI Hospital Requisite Manufacturing Limited (JHRML) will raise BDT 750.0 million through initial public offering (IPO) under book building method. The fund will be used to set up plant and machineries, land & land development, building & civil works, repayment of bank loan and IPO expenses. They are going to introduce new product line, first-time manufacturing in Bangladesh, Blood Collection Tube, Blood Collection Needle and Autoclave Machine (which will produce modernized Suture products).

The company will offer 35,294,120 ordinary shares, of which 8,823,520 is reserved for Eligible Investors (EIs) at the cut-off price BDT 25.00 and the remaining 26,470,600 ordinary shares at a 20% discount from the cut-off price i.e. BDT 20.00 per share, for General Public (GP) including NRBs.

The breakdown of the IPO proceeds is shown below:

Use of IPO	BDT Mn	% of Proceed
Land & Land Development	78.7	10.49%
Building & Civil Construction	60.0	8.00%
Plant & Machineries for BMRE of the project	263.9	35.19%
Common Facilities (Utilities and others)	56.1	7.48%
Loan Repayment	250.0	33.33%
Sub Total	708.7	94.49%
IPO Expenses	41.3	5.51%
Total	750.0	100%

Source: Prospectus & BRAC EPL Research

Company Details

JHRML, incorporated in Bangladesh on 20th August 2008, is a joint venture project with Republic of South Korea. It is involved in manufacturing and trading of medical devices and surgical instruments. As of FY21, ~47% of sales revenue comes from Trading and ~53% comes from Manufacturing. It has set up plant at Vitikandi, Gazaria, under Munshigonj district.

More than 50% of the product of JHRML is consumed by JMI Syringe & Medical Devices Ltd. & NIPRO JMI Marketing Ltd. In FY20, 41% of total sales was with JMI Syringes & Medical Devices Ltd. and 15% of total sales was with NIPRO JMI Marketing Ltd.

Product details

The company is equipped with modern machinery which are imported from UK, Japan, South Korea, Taiwan, and supported by the laboratory facilities and advanced testing equipment to ensure the highest standard of quality. The company manufactures as well as trades (import and sell) medical devices and surgical instruments. Some of the manufacturing products are Surgical Gloves, JMI Buret Set, Blood Transfusion Set etc. and some of the trading products are Spinal Needle, Blood Glucose Monitoring System, Insulin Pen Needle etc.

Industry Outlook

The medical device market size is more than BDT 3,000 Mn, dominated by Jhonson & Jhonson with ~50% market share where JHRML holds only ~5%. The market is heavily dependent on import (~90%), hence creating an opportunity for the local manufacturers to provide medical devices and surgical instruments at a competitive price and grab market share. The major competitors of JMI Hospital Requisite Manufacturing Limited are Opso Saline Ltd, Anc Medical Device BD Ltd, Getwell, Monomed (Bangladesh) Ltd, Libra Infusions Ltd, J & J Medical (BD) Ltd and Shefta Medical Industry Ltd.

IPO Summary

		JHRML
DSE Ticker		JHRML
IPO Proceeds	(Mn BDT)	750.0
Offer Price for General Public	(BDT)	20.0
Cut-off price	(BDT)	25.0
New Shares Issued	(Mn)	35.29
Pre- IPO No. of Shares	(Mn)	90.00
Post IPO No. of Shares	(Mn)	125.29
Face Value	(BDT)	10.0
Accounting Year End		June
Auditor		Pinaki & Company
Issue Manager		Janata Capital and Investment Limited
Sector		Pharmaceuticals and chemicals

Income Statement

Mn BDT	2017A	2018A	2019A	2020A	2021A
Revenue	1,011	1,113	1,302	1,498	1,731
Gross Profit	388	449	515	576	621
Administrative Expenses	40	47	50	60	65
Selling & Distribution Expenses	26	33	37	41	45
Operating Income	322	369	428	476	511
Financial Expenses	104	96	134	80	113
Profit Before Tax	221	264	285	379	383
Income Tax Expense	71	87	101	162	158
Profit After Tax	151	177	184	217	225
Post IPO EPS (BDT)	1.20	1.41	1.47	1.74	1.80

Balance Sheet

Mn BDT	2017A	2018A	2019A	2020A	2021A
Total Non-Current Assets	1,573	1,820	2,013	2,171	2,035
Property, Plant and Equipment	1,573	1,820	2,013	2,171	2,035
Total Current Assets	1,504	2,358	2,772	2,464	2,816
Inventories	361	443	470	526	635
Cash And Cash Equivalent	134	18	46	77	120
Total Assets	3,077	4,178	4,786	4,635	4,850
Total Shareholder's Equity	1,761	1,939	2,572	2,699	2,835
Share Capital	750	750	900	900	900
Retained Earnings	164	317	505	636	774
Non-Current Liabilities	1,024	930	780	704	683
Deferred Tax Liability	104	104	105	165	208
Term Loan (Non Current Maturity)	478	805	659	522	466
Lease Finance (Non Current Maturity)	2	20	16	12	5
Current Liabilities	293	1,309	1,433	1,231	1,333
Current Maturity of Term Loan	-	232	240	228	228
Current Maturity of Lease Finance	1	9	10	10	9
Total Liabilities	1,317	2,238	2,214	1,936	2,016
Total Shareholder's Equity and Liabilities	3,077	4,178	4,786	4,635	4,850

Cash Flow Statement

Mn BDT	2017A	2018A	2019A	2020A	2021A
Operating Activities	48	21	290	463	274
Investing Activities	(309)	(1,173)	(445)	65	(85)
Financing Activities	477	834	183	(497)	(145)
Net Cash Flow	216	(317)	28	31	43

Source: Prospectus & BRAC EPL Research

Ownership Structure

Sponsors and Directors own 45.00% of the pre-IPO shares and post IPO ownership will be 32.32%. Placement shareholders hold 55.00% of pre-IPO shares and post IPO ownership will be 39.51%.

Financial Performance

Revenue CAGR for last five years (FY17-FY21) was 16.0%. Higher COGS have pulled the gross profit margin down by 258 bps to 35.9% in FY21. Subsequently, the operating profit margin fell by 224 bps and stood at 29.5% in FY21. Moreover, increased financial expense (41.3% YoY) has depressed the earnings further and resulted in 0.8% YoY growth in profit before tax in FY21. However, decline in tax expense, supported the bottom-line and resulted in 3.5% YoY growth in NPAT.

Dividend History

The company has declared 10% cash dividend in FY19 and FY20. But proposed no dividend for the year ended 30 June 2021.

Pricing

Post-IPO EPS and NAVPS would be BDT 1.80 and BDT 22.62 respectively. Offer price per share is BDT 20.00, implying a P/E of 8.0x and a P/NAV of 0.6x.

Lock-in Requirements

Particulars	Period*	Post IPO (%)	NOS
Sponsors & Directors	3 Years	32.32%	40,495,059
Placement Shareholders	2 Years	39.51%	49,503,707

*Lock-in from the debut trading date.

ESG Footprints

Environment Footprints

JHRML's product is environment friendly. The company will implement reprocess method for further use of discarded or surplus material. The business does not establish Effluent Treatment plant (ETP) as very little amount of water is used in overall production process. The business implement recycle process for further utilize of used water.

Social Footprints

They place a value on diversity, personality and individuality among staff, as well as human rights and consider staff development to be the key driver for growth.

Corporate Governance

Md. Abdur Razzaq is the Chairman of JHRML and Suriya Akther Rina (Wife of Md. Abdur Razzaq) is the Managing Director of JHRML. Investment Corporation of Bangladesh (ICB) holds 30.00% of the shares of which ICB Unit fund holds 5% (Post-IPO 21.55%). ICB, as a shareholder, holds maximum number of shares.

Once listed, JMI Hospital Requisite Manufacturing Limited will trade in DSE & CSE and will be placed in the "N" category.

Ratios

	2017A	2018A	2019A	2020A	2021A
Growth					
Revenue	22.8%	10.1%	17.0%	15.1%	15.5%
Operating Profit	23.6%	14.6%	16.1%	11.1%	7.4%
Net Profit	52.0%	17.4%	4.0%	18.0%	3.5%
Profitability					
Gross Margin	38.4%	40.3%	39.6%	38.4%	35.9%
Operating Margin	31.8%	33.1%	32.9%	31.7%	29.5%
Net Margin	14.9%	15.9%	14.2%	14.5%	13.0%
Return on Asset	5.7%	4.9%	4.1%	4.6%	4.7%
Return on Equity	10.3%	9.6%	8.2%	8.2%	8.1%
Liquidity					
Current Ratio	5.1x	1.8x	1.9x	2.0x	2.1x
Quick Ratio	3.9x	1.5x	1.6x	1.6x	1.6x
Leverage					
Loan Debt to Asset	0.4x	0.5x	0.4x	0.3x	0.3x
Loan Debt to Equity	0.6x	1.0x	0.7x	0.6x	0.6x
Coverage					
Interest Coverage	2.8x	4.6x	3.8x	2.5x	2.2x
Net Debt to EBITDA	3.1x	3.9x	3.2x	6.0x	4.5x
Activity					
Asset Turnover	0.4x	0.3x	0.3x	0.3x	0.4x
Inventory Turnover	1.9x	1.7x	1.7x	1.9x	1.9x
Receivables Turnover	3.1x	2.8x	2.8x	3.2x	3.2x
Payables Turnover	29.2x	8.2x	5.2x	6.0x	8.0x
Cash-Cycle (days)	295.0	303.9	268.3	248.4	256.1
Others					
Effective Tax Rate	31.9%	32.8%	35.4%	42.7%	41.2%

Snapshot of Board of Directors

Name of Shareholders	Designation	Affiliation
Md. Abdur Razzaq	Chairman	Founder of JMI Group
Suriya Akther Rina	Managing Director	Founder of JHMRL with 18+ years of experience in business
Hoi Kwan Kim	Director	Founder of JHMRL with 33+ years of experience in Syringes & Medical Devices sector
Jae So Shim	Shareholder	Director of JMI Vaccine Ltd.
Md. Hemayet Hossain	Independent Director	Founder Chairman of Green Agro Tech Ltd.
Md. Mohiuddin Ahmed	Nominee Director (JMI Vaccine)	Lastly posted as General Manager & Head of Principal Office in Pubali Bank. Has ~29 years of experience in the banking

Shareholders

Name of Shareholders	Designation	No. of Shares	Pre-IPO Ownership	Post-IPO Ownership
Md. Abdur Razzaq	Chairman	28,648,900	31.8%	22.9%
Suriya Akther Rina	Managing Director	2,600,030	2.9%	2.1%
Hoi Kwan Kim	Director	4,626,080	5.1%	3.7%
JMI Vaccine Ltd.	Director	4,464,490	5.0%	3.6%
Jae So Shim	Shareholder	125,000	0.1%	0.1%
Md. Hemayet Hossain	Independent Director	31,000	0.0%	0.0%
Md. Mohiuddin Ahmed	Nominee Director	100,000	0.1%	0.1%
JMI Builders & Construction Ltd.	Shareholder	2,750,000	3.1%	2.2%
Investment Corporation of Bangladesh (ICB)	Shareholder	22,500,000	30.0%	21.5%
JMI Export Import Co. Ltd.	Shareholder	2,675,000	3.0%	2.1%
JMI Hollow Block Co. Ltd.	Shareholder	580,000	0.6%	0.5%
Placement Shareholder		20,899,500	23.2%	16.7%

Source: Prospectus & BRAC EPL Research

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