

Company Background

Indo-Bangla Pharmaceuticals Limited (IBPL) is producer, seller and distributor of all kinds of medicine (excluding antibiotic), medical preparation drugs & chemicals (human health) in the form of tablet, capsule, syrup, oral saline, and suspension. IBPL sells these products mainly in the domestic market. Recently, the company has also applied for the permission for the production and selling of veterinary medicine.

The company commenced commercial operation in June 2014 and was converted to public limited company in October 2014. The major shareholders of the company are Investment Corporation of Bangladesh (ICB) and Mr. A F M Anowarul Huq with 16.13% and 13.37% post-IPO shares, respectively. Notably, Mr. Huq is also the Managing Director of IBPL and Mr. Huq's sister, Ms. Aziza Yeasmin, is the Chairperson of IBPL.

In 2016, the installed capacity of IBPL for tablet, capsule and liquid was 84.5 mn pcs, 425 mn pcs and 140 mn ml, respectively with capacity utilization of 67%, 67% and 60%, respectively. According to the management, the overall installed capacity is expected to be increased at a CAGR of 62% in the next three years. The company didn't obtain any patent rights or trademarks with any party. Currently, IBPL does not have any subsidiary, associate or holding company.

IPO Details

IBPL will raise BDT 200.0 million as IPO proceeds through fixed price method by offering ~20.0 million ordinary shares of BDT 10.0 each. Proceeds from initial public offering (IPO) will be used for construction and civil works, machineries and IPO expenses. The break down of IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Construction and civil works	58.6	29.3%
Machineries	124.7	62.4%
IPO Expense	16.7	2.5%
Total	200.0	100.0%

Key Points

- IBPL has reported a top line average growth of 12.3% over the last 2 years with an average gross profit margin of 39.9%. The bottom line average growth was 13.6% with an average net profit margin of 13.8%. Though the sales volume increased, there was a decline in net income in 2016. This decline was mainly due to provision for WPPF.
- IBPL is raising IPO proceeds primarily to purchase machineries and construct four new factory buildings. These ventures are expected to increase the company's manufacturing capacity which may help the company experience higher revenue growth in coming years.
- Most of the raw materials of IPBL are imported mainly from India & China; hence, BDT depreciation against USD may affect the company's margins. As the number of suppliers of raw materials is plenty in the market, the company is not dependent on any single supplier for the sourcing of raw materials and thus there is no possibility of any disruption.
- IBPL is heavily investing in fixed assets from the last three years which is affecting the company's net cash flow. The company has invested around BDT 250 million in purchasing of various fixed assets. The company is likely to grow in upcoming years because of these investments.
- IBPL is a debt-free company. Notably, the company issued share capital of BDT 631 million in 2016 and made the major investments with the capital.
- Gaining market share is very difficult for new small pharmaceutical companies as the pharmaceutical market in Bangladesh is highly concentrated with top five players having almost half of the total market share. Notably, despite having 210 active players in the market, the top 30 players hold almost 94% market share.
- IBPL's IPO subscription was delayed from the initial date of April 08, 2018 after the HC issued a stay order on the company's IPO subscription following a writ petition filed by National Bank Limited (NBL). Reportedly, the writ petition was filed as four directors of Indo-Bangla Pharmaceuticals were 'loan defaulters' as guarantors of loans disbursed by the NBL.
- IBPL installed two diesel generators as a backup for any type of power disruption. Escalation of electricity and oil prices will put a pressure on the production cost of the company.

Comparable & Trading Multiples

Trailing P/E multiples of other listed comparable stocks in the pharmaceuticals sector are given below:

DSE Ticker	Market Cap *	TTM Earnings*	P/E
ORIONPHARM	9,664.2	734.8	13.3X
IBNSINA	8,143.2	267.0	33.1x
ADVENT	2551.9	87.8	30.3x

*in BDT Million

Company Summary

Post IPO No. of Shares (Mn)	93.0
Post-IPO Paid-up Capital (Mn BDT)	930.0
Pre-IPO Paid-up Capital (Mn BDT)	730.0
New Shares Issued (Mn)	20.0
IPO Proceeds (Mn BDT)	200.0
Face Value & Offer Price (BDT)	10.0
Market Lot	500.0
Free Float (mn BDT)	22.5%
Accounting Year End	June
Auditor	Mahfel Huq & Co.
Issue Manager	AFC Capital Ltd., EBL Investment Ltd. and CAPM advisory Ltd.

Income Statement

Mn BDT	2015	2016	2017
Revenue	435.0	444.8	616.7
Cost of Goods Sold	(257.9)	(262.5)	(381.8)
Gross Profit	177.1	182.2	234.9
Operating Expenses	(84.7)	(87.8)	(102.7)
Administrative Expenses	22.0	23.4	29.8
Selling and distributing expenses	62.7	64.4	72.8
Operating Profit	92.4	94.5	132.2
Non-Operating Income	0.2	0.9	10.5
Earnings before WPPF	92.6	95.3	142.8
Contribution to WPPF	-	(4.5)	(6.8)
EBT	92.6	90.8	136.0
Income Tax Expenses	(32.4)	(31.8)	(47.6)
NPAT	60.2	59.0	88.4
Basic EPS	6.4	2.62	1.21

Balance Sheet

Mn BDT	2015	2016	2017
Fixed Assets	158.3	330.5	536.6
Property, Plant & Equipment	147.9	211.4	536.6
Capital Work-in-Progress	10.4	119.1	-
Current Assets	224.7	614.9	541.1
Inventories	142.2	156.5	151.1
Trade and Other Receivables	41.4	112.3	163.9
Advances and deposits	35.3	105.3	109.4
Cash & Cash Equivalents	5.9	240.8	116.8
Total Assets	383	945.4	1,077.70
Share Holders' Equity	159.2	849.2	937.6
Share Capital	99	730	730
Retained Earnings	60.2	119.2	207.6
Non-Current Liabilities	4	13.8	38.2
Deferred Tax Liabilities	4	9.3	38.2
Provision for WPPF	-	4.5	-
Current Liabilities	219.8	82.3	101.9
Provision for WPPF	-	-	6.8
Trade and Other Payables	11.8	15.9	16.7
Vendors Payable Account	171.8	-	-
Provision for Taxes	28.4	54.9	73.6
Liabilities for Expenses	7.7	11.5	4.8
Total Equity & Liabilities	383	945.4	1,077.70

Cash Flow Statement

Mn BDT	2015	2016	2017
Operating Activities	74.9	14.0	79.4
Investing Activities	(71.2)	(410.1)	(203.4)
Financing Activities	1.0	631.0	-
Net Cash Flow	5	235	(124)

Ratios

	2015	2016	2017
Gross Profit Margin	40.7%	41.0%	38.1%
Operating Profit margin	21.2%	21.2%	21.4%
Net Profit Margin	13.8%	13.3%	14.3%
Revenue Growth	N/A	2.2%	38.7%
Gross Profit Growth	N/A	2.9%	28.9%
Operating Profit Growth	N/A	2.2%	39.9%
NPAT Growth	N/A	-2.0%	49.7%
Debt to Asset	0.0%	0.0%	0.0%
Net Debt to Equity	-3.7%	-28.4%	-12.5%
Return on Asset	N/A	9.1%	5.8%
Return on Equity	N/A	11.9%	6.6%
Effective Tax Rate	35.0%	35.0%	35.0%

IMPORTANT DISCLOSURES

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