

IPO Details

Asiatic Laboratories Ltd will raise BDT 950.0 Mn, through initial public offering (IPO) under the book building method. The fund will be used for business expansion (acquisition & installation of machineries), construction of factory building and repayment of bank loans.

Of the total issue, the company will offer 25% of securities to Eligible Investors (EIs) including Mutual Funds and CISs (EIs). Among the EIs, asset manager of any Exchange Traded Fund (ETF) shall get 1% quota and the rest shall be distributed to other EIs. The remaining 75% of securities will be offered to General Public (GP) including NRBs at an issue price of BDT 20. Please note that the offer price for GP is BDT 20 (EIs have already applied at BDT 50 cutoff).

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn USD*	Mn BDT	% of Proceed
Expansion of Business	5.6	580	61.1%
Construction of Factory	0.6	61	6.5%
Repayment of Bank loan	2.7	280	29.5%
IPO Expenses	0.3	28	3.0%
Total	8.64	950	100.0%

Source: Prospectus and BRAC EPL Research

*USD 1 = BDT 110.0

Company Brief

Asiatic Laboratories Ltd. (ASIATICLAB) started its journey on Jul 1970 and started commercial operation on Jan 1998. The company is engaged in producing and marketing of a wide range of pharmaceuticals products including capsules, syrup, tablets, cream, ointments etc. Till date, it has launched ~80 generic molecules comprising of therapeutic classes like antibiotics, antihistamines, laxatives, respiratory drugs, gastroprokinetic, dermatological preparation etc. It has approval for 285 drugs out of which it is currently producing 266 drugs. The company has a manufacturing facility in Tongi Industrial Area, Gazipur.

Competitive landscape

The key competitors in the industry are Square pharma (17% market share), Incepta (11.9%), Beximco (9.5%), Healthcare (7.3%), Renata (4.9%), Opsonin Pharmaceuticals Ltd (4.6%) and Eskayef Pharmaceuticals Ltd. (4.1%). Meanwhile, the listed peers of Asiatic Laboratories are Silva Pharmaceuticals Ltd, Silco Pharmaceuticals Ltd, & Indo-Bangla Pharmaceuticals Ltd.

Industry Outlook

Currently, the pharmaceutical industry in Bangladesh is worth of USD 3.5 Bn, growing at 11%+ rate annually, and provides ~1.83% to the total GDP. ~98% of the demand are met by locally and the rest is imported. The industry is heavily depended on import for raw materials as ~90% of the raw materials are imported mostly from China and India. To reduce the sourcing volatility GoB is establishing an API park in Gazipur to support the sector. Currently, exports from pharmaceuticals industry is USD 189 Mn (2023). Even though the export is growing at high rate (15% growth YoY in 2023), it is a small portion of the industry. We are expecting the domestic demand to continue to be the driver for the next few years.

Ownership Structure

Sponsors and Directors currently own 56.7% of the pre-IPO shares which would come down to 40.7% post IPO. Of the rest, on a Pre-IPO basis, Individuals, Institutional, Mutual Fund & Cis and NRBs hold 31.1%, 11.6%, 0.6%, 0.0% respectively. Post-IPO, these could be 42.5%, 13.5%, 2.3%, 1.1% respectively.

IPO Summary

		ASIATICLAB
DSE Ticker		ASIATICLAB
IPO Proceeds	(BDT Mn)	950
New Shares Issued	(Mn)	34.5
Pre- IPO No. of Shares	(Mn)	87.8
Post IPO No. of Shares	(Mn)	122.4
Pre-IPO Paid-up Capital	(BDT Mn)	878.5
Post-IPO Paid-up Capital	(BDT Mn)	1,223.9
Face Value (BDT)		10.0
Accounting Year End		June
Auditor		Ashraf Uddin & Co.
Issue Manager		Shahjalal Equity Management
Underwriters		Shahjalal Equity Management
Sector		Pharmaceuticals & Chemicals
GICS Mapping		35202010

Income Statement

Mn BDT	FY18A	FY19A	FY20A	FY21A	FY22A
Revenue	1,281	1,398	1,326	1,451	1,473
Cost of Goods Sold	735	796	756	828	835
Gross Profit	546	602	570	623	637
Operating Expenses	183	198	173	189	203
Operating Profit	364	404	397	434	434
Financial Expenses	52	58	45	38	36
Profit before Tax	307	341	346	372	376
Income Tax	85	97	103	51	107
Profit After tax	222	244	242	321	269
Pre-IPO EPS	2.53	2.78	2.76	3.65	3.06
Post-IPO EPS	1.81	1.99	1.98	2.62	2.19

Balance Sheet

Mn BDT	FY18A	FY19A	FY20A	FY21A	FY22A
Non-Current Assets:	2,741	2,909	3,025	5,233	5,412
PPE	2,527	2,810	2,925	5,130	5,310
Current Assets:	478	500	583	631	848
Inventories	232	242	287	320	376
Accounts Receivable	149	155	176	192	278
Advance & Deposits	89	95	108	110	186
Cash	8	9	11	9	8
Total Assets	3,220	3,409	3,608	5,864	6,260
Shareholders' Equity:	1,504	1,748	2,794	4,973	5,243
Share Capital	9	9	813	878	878
Retained Earnings	1,495	1,739	1,981	2,238	2,514
Non-Current Liabilities:	1,426	1,366	641	660	706
Long Term Bank Loan	324	228	266	226	240
Deferred Tax Liability	257	302	351	401	433
Current Liabilities:	290	295	172	231	311
Short Term Bank Loan	82	73	10	9	9
Current Portion of Loan	108	108	51	83	78
Accounts Payable	30	31	20	15	17
Provision For Income Tax	40	51	56	72	145
Total Liabilities	1,716	1,661	814	891	1,017
Total Equity & Liabilities	3,220	3,409	3,608	5,864	6,260

Cash Flow Statement

Mn BDT	FY20A	FY21A	FY22A
Operating Activities	345	432	325
Investing Activities	-189	-375	-281
Financing Activities	-153	-59	-47
Net Cash Flow	2	-3	-3

Note

*Financial data taken from published accounts by the issue manager and can be accessed at

[https://shahjalalequity.com/storage/documents/downloads/16-01-2024-09-25-33-Asiatic%20Final%20Vetted%20Prospectus%2019.11.2023%20\(1\).pdf](https://shahjalalequity.com/storage/documents/downloads/16-01-2024-09-25-33-Asiatic%20Final%20Vetted%20Prospectus%2019.11.2023%20(1).pdf)

Product details & Brand Identity

Asiatic Laboratories Ltd produces antibiotics, antihistamines, bronchodilators, vitamins-minerals, antiulcerants, laxatives, gastroprokinetics, antihematinic, anthelmintics, CNS drugs, respiratory drugs, NSAIDs, dermatological preparations and sterile ophthalmic preparations.

Financial Performance

The company reported 4.24% revenue CAGR over latest 5 years. Meanwhile, 5-year NPAT CAGR was 5.43%. Gross Profit Margin and NPAT margin remained largely stable over the years, indicating stable COGS & operating expenses. The company reported ROA of 4.4% in FY22 vs 7.3% in FY18. Over the years, the company have decreased its debt position as the debt to asset ratio came down to 6.1% in FY22 from 17.6% in FY18. However, the company is facing a long cash conversion cycle stemming significantly from piling inventory in stock (152 days in FY22).

Pricing

Pre-IPO EPS in FY22 was BDT 3.06, whereas Post-IPO EPS would be BDT 2.19. Pre-IPO NAVPS was BDT 59.68 in FY22, whereas Post-IPO NAVPS would stand at BDT 42.84. Offer price per share for general investors is BDT 20.0, implying a **Post-IPO P/E of 9.11 and Post-IPO P/NAV of 0.47.**

Lock-in requirements

Lock-in period is 3 years for Sponsors/Directors and 2 years for Private Placement shareholders. The Post-IPO 3-year and 2-year lock-in consist of 44.95% and 26.63% shareholding respectively.

ESG Footprints:

Environment Footprints:

To ensure pollution free environment the company has setup effluent treatment plant (ETP).

Social Footprints

ASIATICLAB donates free medical camps organized by doctors, scientific seminar for different disasters like food, fire, earthquake etc. It also operates corporate social responsibilities through financial, education, information, and communication technology, health, and environment.

Corporate Governance

Mr. Monir (Managing Director) started business career as Executive Director in early 80's with Desh Pharmaceuticals Ltd as a result he has accumulated almost 40 years of experience in pharmaceuticals industry. The chairman Tahmina Begum and the directors Mrs Salina Ahmed, Ms Sadia Ahmed, Mr Maksud Ahmed and Mr Monir Ahmed (managing director) are related. Bengal Assets Holdings Ltd is a related concern of the issue manager.

Once listed, Asiatic Laboratories Limited will trade in DSE & CSE and will be placed in the "N" category.

Ratios

	FY18A	FY19A	FY20A	FY21A	FY22A
Growth					
Revenue	7.1%	9.1%	-5.1%	9.4%	1.5%
Operating Profit	7.6%	11.3%	-1.8%	9.3%	0.1%
Net Profit	7.7%	9.9%	-0.6%	32.2%	-16.2%
Profitability					
Gross Margin	42.6%	43.1%	43.0%	43.0%	43.3%
Net Margin	17.3%	17.5%	18.3%	22.1%	18.2%
Return on Equity	15.9%	15.0%	10.7%	8.3%	5.3%
Return on Asset	7.3%	7.4%	6.9%	6.8%	4.4%
Liquidity					
Current Ratio	1.7x	1.7x	3.4x	2.7x	2.7x
Quick Ratio	0.5x	0.6x	1.1x	0.9x	0.9x
Leverage					
Debt to Asset	17.6%	13.3%	10.4%	6.3%	6.1%
Net Debt/ EBITDA	1.3	0.9	0.7	0.7	N/A
Activity (Days Outstanding)					
Inventories	114.9	108.6	127.6	133.9	152.0
Cash Conversion	142.3	134.9	166.5	175.5	213.6

Shareholding Details

Name	Position	No. of shares (Mn)	Pre-IPO share-holding	Post-IPO share-holding
Monir Ahmed	Managing Director	20.1	22.9%	16.4%
Tahmina Begum	Chairman	16.7	19.0%	13.6%
Sadia Ahmed	Director	5.4	6.2%	4.4%
Salina Ahmed	Director	3.8	4.3%	3.1%
Maksud Ahmed	Director	3.8	4.3%	3.1%
Howa Nur Begum	Shareholder	2.8	3.1%	2.3%
Heritage Capital	Shareholder	2.4	2.7%	1.9%
Bengal Assets Holdings	Shareholder	2.0	2.3%	1.6%
Bishwajit Das	Shareholder	2.0	2.3%	1.6%
Other Shareholders	Shareholder	29	32.9%	23.4%

IMPORTANT DISCLOSURES

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BRAC EPL Stock Brokerage Limited Research

Salim Afzal Shawon, CFA	Head of Research	salim@bracepl.com	01708 805 221
Fahim Hassan	Research Analyst	fahim.hassan@bracepl.com	01709 636 546
Hossain Zaman Towhidi Khan	Senior Research Associate	hztowhidi.khan@bracepl.com	01708 805 224
Billal Hossain	Research Associate	billal.hossain@bracepl.com	01708 805 229
Foysal Ahmed	Research Associate	foysal.ahmed@bracepl.com	01708 805 201
S M Toufique Imran	Research Associate	smtoufique.imran@bracepl.com	01708 805 228

International Trade and Sales

Ahsanur Rahman Bappi	Chief Executive Officer	bappi@bracepl.com	01730 357 991
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Website	Address	E-Mail	Contact
www.bracepl.com	Symphony, Plot No. S.E. (F) - 9, Road No. 142, Gulshan-1, Dhaka	Research: research@bracepl.com Sales : frader@bracepl.com	Phone: +880 2 985 2446-50 Fax: +880 2 985 2451