

Company Background

Advent Pharma Limited (APL) is a pharmaceutical company engaged in manufacturing, importing and marketing of animal healthcare drugs, nutritional supplements and feed additives. Its registered office and factory are located in Dhamrai, Dhaka. The company was incorporated in 2007 and was converted into a public limited company in 2016.

All the products of APL are categorized under Non-Biological Products and Biological Products. The Company manufactures products in three major dosage forms: Bolus Products, Powder Products & Liquid Products each with a capacity utilization of 71.0%, 76.0%, and 79.0% respectively. Patents of all the drugs are valid up to March 2022. APL sells its product only in Bangladesh. APL has an Effluent Treatment Plant (ETP) to purify the wastewater produced from the manufacturing process.

IPO Details

APL 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 Acquisition of Machineries and Equipment, Construction of Building and other Civil Works, and IPO expenses. The break down of IPO proceeds is shown below:

Use of IPO Proceeds	Mn BDT	% of Proceed
Acquisition of Machineries and Equipment	81.4	40.7%
Construction of Building and other Civil Works	100.1	50.0%
IPO Expense	18.5	9.3%
Total	200.0	100.0%

Key Points

- APL has reported a top line CAGR of 32.4% over the last 4 years with an average gross profit margin of 42.4%. The bottom line CAGR was 60.9% with an average net profit margin of 13.3%. The high increase in bottom line CAGR is due to the increase in efficiency of their operations.
- APL is raising IPO proceeds primarily for the purchase of capital equipment and investment in buildings. These ventures are expected to increase the capacity of the company's manufacturing lines which is expected to increase the revenue from 2019.
- For better quality assurance and steady production, the company depends on both foreign and local suppliers. APL procures a good amount of raw materials (both active pharmaceutical ingredients & excipients) from suppliers of China, Hong Kong, India, and Thailand. Therefore, any fluctuation of currency and raw material prices in international markets will impact the company's COGS and hence the profitability margins. The company procures some raw materials from local suppliers as well. In case of any disruption, APL has contingency plans to procure raw materials from other suppliers from Europe and Asia. APL does not procure more than 10% of raw materials or finished goods from any single supplier.
- APL has installed generators as a backup for any type of power disruption.
- APL has fixed buyers but no buyer purchases more than 10% of their products. Therefore, the possibility of a great disruption in their sales is virtually non-existent.

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
ACIFORMULA	8,100.0	263.1	30.8x
IBNSINA	6,842.4	233.8	26.6x
RENATA	89,149.5	2678.1	28.9x
AMBEEPHA	893.3	7.3	123.3x

*in BDT Million

** Annualized from 18 months

Company Summary

Post IPO No. of Shares (Mn)	68.6
Post-IPO Paid-up Capital (Mn BDT)	686.0
Pre-IPO Paid-up Capital (Mn BDT)	486.0
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)	20.0
Accounting Year End	June
Auditor	Mahfel Huq & Co.
Issue Manager	Alpha Capital Ltd., Imperial Capital Ltd. and CAPM Advisory Ltd.

Income Statement

Mn BDT	2013	2014	2016**	2017
Revenue	122.8	165.7	220.6	285.1
COGS	-72.7	-99.2	-128.9	-156.7
Gross Profit	50.0	66.5	91.7	128.3
Operating Expenses:	-24.5	-34.5	-43.4	-46.6
Administrative Expenses	-13.2	-16.2	-20.9	-21.2
Selling & Distribution Expenses	-11.3	-18.3	-22.4	-25.4
Operating Income	25.5	32.1	48.3	81.8
Financial Expenses	-6.8	-5.3	-3.8	-4.8
EBT	18.7	26.7	42.4	74.9
Income Tax Expense	-7.0	-9.3	-14.8	-26.2
NPAT	11.7	17.3	27.6	48.7
Basic EPS (BDT)	0.24	0.4	0.6	1.0
Restated EPS (BDT)	0.2	0.3	0.4	0.7

Balance Sheet

Mn BDT	2013	2014	2016	2017
Fixed Assets:	56.7	98.3	247.3	562.1
Property, Plant and Equipment	52.7	96.0	241.8	502.7
Capital Work in Progress	4.0	2.3	5.5	59.3
Current Assets:	51.0	43.0	79.8	165.2
Inventory	18.1	18.3	32.8	56.9
Trade & Other Receivables	19.9	17.0	28.4	46.6
Advance, Deposits & Prepayments	0.6	0.8	1.0	22.2
Un-allocated Revenue Expenditure	11.7	5.8	0.0	0.0
Cash and Cash Equivalents	0.9	1.0	17.6	39.5
Total Asset	107.7	141.3	327.1	727.3
Share Holders' Equity:	42.2	59.8	170.5	605.3
Share Capital	30.5	30.5	99.9	486.0
Retained Earnings	11.7	29.3	70.6	119.3
Non-Current Liabilities:	29.4	37.1	50.5	66.3
Long Term Borrowing	29.4	29.0	29.0	26.5
Deferred Tax Liability	0.0	8.0	21.4	39.8
Current Liability:	36.2	44.5	44.7	55.7
Trade & Other Payables	0.9	4.1	4.6	4.7
Current Portion of Long Term Loan	7.9	7.9	7.9	7.9
Short Term Bank Loan	18.0	17.5	7.1	10.0
Provision for Current Tax	7.0	8.1	16.9	24.8
Total Equity and Liabilities	107.7	141.3	327.1	727.3

Cash Flow Statement

Mn BDT	2013	2014	2016**	2017
Operating Activities	-1.4	46.6	39.8	41.4
Investing Activities	-4.1	-43.9	-104.8	-336.6
Financing Activities	6.0	-2.5	76.0	317.1
Net Cash Flow	0.6	0.2	11.1	21.9

Ratios

	2013	2014	2016**	2017
Gross Profit Margin	40.8%	40.1%	41.6%	45.0%
Operating Profit margin	20.8%	19.3%	21.9%	28.7%
Net Profit Margin	9.5%	10.5%	12.5%	17.1%
Revenue Growth	N/A	35.0%	33.1%	29.2%
Operating Profit Growth	N/A	25.6%	50.8%	69.1%
NPAT Growth	N/A	48.5%	58.7%	76.7%
Debt to Asset	51.3%	38.5%	13.5%	6.1%
Net Debt to Equity	128.9%	89.4%	15.5%	0.8%
Return on Asset	12.3%	13.9%	15.3%	10.3%
Return on Equity	50.1%	34.1%	31.8%	13.5%

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