

Company Overview

Beximco Pharmaceuticals Limited (BXPBARMA) commenced its manufacturing operation in 1980. The Company is engaged in manufacturing and marketing of generic pharmaceuticals formulation products including life-saving intravenous fluids and Active Pharmaceutical Ingredients (APIs) for both national and international market. The product portfolio encompasses various therapeutic categories, including antibiotics, analgesics, respiratory, cardiovascular, central nervous system, dermatology, gastrointestinal etc. The registered office is located at Dhanmondi, Dhaka and the industrial units are located at Tongi and Kaliakoir of Gaizpur.

The Company currently produces more than 300 generics in more than 500 strengths and dosage forms. Napa, Napa Extra, Tofeen, Atova, Bexitrol-F, Neofloxin, Bizoran, Azmasol, etc. are some blockbusters of the Company.

The Company has formed a subsidiary 'Beximco Pharma API Limited' (Holding 99.95% shares) in December 2017 to produce Active Pharmaceutical Ingredients (APIs) for local and export market like APIXABAN, LINAGLIPTIN, RIVAROXABAN, ROSUVASTATIN and SITAGLIPTIN.

Besides, the Company acquired 85.22% shares of Nuvista Pharma Limited (NPL) in April 2018 which specializes in hormones and steroid drugs. The Government of Bangladesh currently holds 12.92% stake in NPL. Almost 70% of NPL's product range does not compete with the Company's existing portfolio.

BioCare Manufacturing (M) Sdn Bhd ("BioCare"), Malaysia is an associate of BXPBARMA with 30% ownership which manufactures Generic pharmaceutical products and API.

The Company has formed another subsidiary Sanofi Bangladesh Limited (SBL) on October, 2021 with 54.6% ownership. Sanofi has a strong presence in cardiology, diabetes, oncology, dermatology and CNS also supplies its global brands of vaccines, insulin and chemotherapy drugs to Bangladesh through direct imports.

Revenue Composition & Growth

Particulars (BDT mn)	2016-17	2017-18	2018-19	2019-20	2020-21
Local Sales	14,430	16,237	20,301	22,809	26,331
Export	1,078	1,477	2,503	2,752	3,124
Toll Income	-	2	13	51	38
Contribution:					
Local Sales	93.0%	91.7%	89.0%	89.1%	89.3%
Export	7.0%	8.3%	11.0%	10.7%	10.6%
Toll Income	-	0.01%	0.06%	0.20%	0.13%
Growth					
Local Sales	8.0%	12.5%	25.0%	12.4%	15.4%
Export*	39.7%	37.0%	69.4%	9.96%	13.53
Toll Income	-	-	472%	292%	-26%

*Export income increased in 2018-19 due to higher number of export in the GULF COOPERATION COUNCIL (Arab States)

*Export income decreased in 2019-20 due to the impediment created by the lockdowns for Covid-19.

Company Fundamentals

Market Cap (BDT mn)	89,445.474
Market Weight Sector Weight	1.35% 12.0%
Free-float (Public + Inst. + Foreign)	69.82%
No. of Shares Outstanding (mn)	446.1
Paid-up Capital (BDT mn)	4,461.1
3 Months Average Turnover (BDT mn)	314.92
3-month Return (Dividend Adjusted)	225.07
Current Price (BDT)	198.20
52-Week Price Range (BDT)	146.60 - 255.40
Sector Forward P/E	16.6

	2018-19	2019-20	2020-21	2021-22 (3M Ann.)
Financial Information (BDT mn):				
Sales	22,817	25,612	29,494	33,877
Gross Profit	12,196	13,713	15,570	17,572
Operating Profit	5,066	5,609	7,559	8,684
Profit After Tax	3,040	3,544	5,179	5,934
Cash & Cash Equiv.	610	635	675	545
Assets	49,214	50,119	52,246	57,759
CAPEX	4,416	2,244	561	819
Long Term Debt	2,596	1,652	1,207	4,403
Short Term Debt	10,889	8,853	6,425	8,684
Equity	29,864	32,797	37,365	38,849
Retained Earnings	17,144	20,059	24,180	25,647
Margin:				
Gross Profit	46.5%	46.5%	47.2%	48.1%
Operating Profit	22.2%	21.9%	25.6%	25.6%
Pretax Profit	17.3%	18.2%	21.7%	22.7%
Net Profit	13.3%	13.8%	17.6%	17.5%
Growth:				
Sales	28.8%	12.3%	15.2%	14.9%
Gross Profit	28.2%	12.0%	17.0%	17.1%
Operating Profit	25.8%	10.7%	34.8%	14.9%
Net Profit	20.0%	16.6%	46.1%	14.6%
Profitability:				
ROA	6.5%	7.1%	10.1%	10.8%
ROE	10.6%	11.3%	14.8%	15.6%
Operating Efficiency:				
Inventory Turnover	4.2	4.3	4.5	4.6
Receivable Turnover	7.5	7.7	9.5	12.5
A/C Payable Turnover	11.7	10.7	9.1	8.4
Total Asset Turnover	0.5	0.5	0.6	0.6
Fixed Asset Turnover	0.7	0.7	0.8	0.9
Leverage:				
Debt Ratio	27.4%	21.0%	14.6%	19.3%
Debt-Equity	45.2%	32.0%	20.4%	28.7%
Int. Coverage	4.9	5.5	8.8	7.6
Dividend History:				
Dividend (C/B)%	15/-	15/10	35/0	/-
Dividend Yield	1.8%	2.2%	1.5%	-
Dividend Payout	22.1%	19.0%	30.2%	-
Valuation:				
Price/Earnings	28.6	24.7	16.8	14.6
Price/BV	2.9	2.6	2.3	2.2
EPS (BDT)	6.8	7.9	11.6	13.3
NAVPS (BDT)	66.9	73.5	83.8	87.1

Capacity & Utilization

Particulars	2017-18	2018-19	2019-20	2020-21
Capacity (million pcs)				
Tablet, Capsule, Suppository & DPI	4,350	5,560	5,843	5,885
Liquid, Cream & Ointment etc	95	99	101	103
API	-	-	-	22
Utilization (%)				
Tablet, Capsule, Suppository & DPI	109.0%	110.2%	112.7%	120.5%
Liquid, Cream & Ointment etc	103.5%	118.5%	114.3%	112.3%
API	-	-	-	20.9%

Shareholding Structure

The Company was listed in the DSE & CSE in 1986 & 1995 respectively.

As on	Sponsor	Govt.	Inst.	Foreign	Public
31-Nov-21	30.18%	0.00%	19.82%	29.58%	20.42%
30-Nov-20	30.18%	0.00%	20.37%	29.05%	20.40%
31-Dec-19	13.19%	0.00%	35.03%	36.70%	15.08%
31-Dec-18	13.19%	0.00%	31.33%	38.51%	16.97%
31-Dec-17	13.18%	0.00%	27.13%	41.95%	17.74%

In November 2020, the Company has raised its sponsor shareholding to 30.18% which was 13.20% earlier to fulfil a BSEC directive to hold a minimum 30% ownership.

Directors Shares Holding as of June 2020

Name of Directors	Position	Shares Held (mn)	% of Total
Mr. A S F Rahman	Chairman	8.24	2.03%
Mr. Salman F Rahman	Vice Chairman	8.25	2.04%
Other Director and Associates	--	37.02	9.13%
Total	--	53.51	13.20%

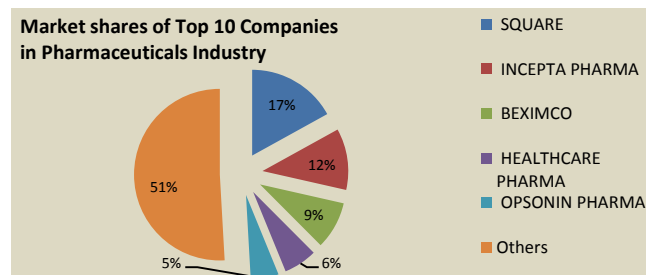
Industry Overview

Pharmaceutical Industry is one of the most developed manufacturing industries in Bangladesh which is considered as the second largest sector in terms of contribution to government exchequer. Moreover, this **industry contributes around 1.94% of the total GDP**. Currently, there are more than 400 registered pharmaceutical manufacturers in Bangladesh. The pharmaceuticals sector is providing around **98% of the total medicine requirement of the domestic market**.

In addition to meeting the domestic demand, the companies also export medicines to several countries of the world. In the fiscal year of 2019-20, Bangladesh's pharmaceutical export revenue was 136 million. Besides, **Bangladesh ranks 71st out of 134 countries in the world in terms of global pharmaceutical exports**. At present, there are about **257 pharmaceutical companies in Bangladesh which manufacture about 80 percent of generic drugs**.

The country's **domestic pharmaceutical market size** stood at BDT 245 billion. The pharmaceutical market of Bangladesh is **expected to surpass BDT 500 billion by 2025** with an absolute growth of 100 per cent from its 2019 levels, according to a report from a Dublin-based market insight and analysis firm.

According to IQVIA Report 2020, top 5 companies occupy almost 50% of the total market share.



Source: IQVIA Report, 2020

Export is a promising but untapped segment for the country's pharmaceutical sector. According to Bangladesh Association of Pharmaceutical Industries (BAPI), approximately 1,200 pharmaceutical products received registration for export in the last two years. According to DGDA (Directorate General of Drug Administration), Bangladesh exports drugs to 150 countries. **In 2019-20, the Country exported \$136 million pharmaceutical products which were 4.49% higher than that of 2018-19.**

Growing per capita income, population growth, rise in life expectancy, changing disease profile, lifestyle change and rapid urbanization are the **key drivers** for booming in the domestic market consumption.

However, **supply side of this industry mostly depends on import**. Around 80% of required **raw materials** are imported from China and India whereas some local companies – Beximco Pharmaceuticals Ltd., Square Pharmaceuticals Ltd., Opsonin Chemicals Ltd. Drug International Ltd., Globe Pharmaceuticals Ltd., Gonoshashtaya Pharmaceuticals Ltd, Sunipun Pharmaceuticals Ltd. etc. – produce certain APIs on smaller scale for mainly in-house consumption.

Meanwhile, construction of 200-acre **API Park** is in progress and is expected to be completed by 2022. A total of 50 industries would be set up under the project; expected total cost is BDT 4.39 billion. **Upon operational of the plant, the raw material imports are expected to come down to 30%** and the costs of APIs are estimated to decrease by around 20%. The API industrial park promises to propel Bangladesh to the next level as a drug exporter since it is expected to help the local pharma companies gain more export orders with a competitive edge and maintain stable prices in the domestic market.

A policy gazette titled "**National Policy on API** (Active Pharmaceutical Ingredients) and Laboratory Reagents production and Export" was passed in May 2018 to encourage local manufacture of APIs as a backward linkage to cater to the requirement of the domestic pharmaceutical formulations companies and to reduce dependence on import. The policy offers several fiscal and non-fiscal incentive measures including tax holidays, exemptions from Value Added Tax, 10% cash incentives for export, a liberal credit policy, priority in government procurement etc. among others.

WTO (World Trade Organization) member countries have extended the deadline to comply with the **TRIPS (Trade-Related Aspects of Intellectual Property Rights)** agreement, allowing LDCs to avoid applying and enforcing IP (Intellectual Property) rights on pharmaceutical products until 2033.

Investment Positives

- **Beximco Pharma has secured the place among the top 3 pharmaceutical firms in Bangladesh by holding 9.0% market share** within the industry (Source: IQVIA data 2020.) This is the only company in Bangladesh, which is **listed with Alternative Investment Market (AIM) of London Stock Exchange** through issuance of Global Depository Receipts (GDRs).
- **Beximco Pharma has planned to complete building a dedicated facility for the Covid-19 vaccine within January 2022. This is the first ever attempt to manufacture vaccines locally.** Besides, Incepta Pharmaceuticals Limited has also signed a deal with a Chinese company to manufacture the vaccine. Beximco is corresponding with some entities, including Serum Institute of India, Pfizer and Moderna, to manufacture the Covid-19 vaccine in Bangladesh.
- **Beximco Pharmaceuticals introduced world's first generic remdesivir for COVID-19 treatment in May 2020.** The company got **authorization for the production and marketing of Molnupiravir**, the first and only specific oral anti covid drug in Bangladesh along with Eskayef Pharmaceuticals. Beximco Pharma's **branded generic version of molnupiravir is being marketed as Emorivir which has been launched on November, 2021.** Molnupiravir represents a major breakthrough in addressing the world's current greatest health challenge, which reduces the risk of hospitalization and death by around 50% (Source: Merck, Sharp & Dohme, 2021).
- **In November 2020, Beximco and 17 leading global generic drug companies pledged to work together via the United Nations-backed Medicines Patent Pool (MPP) to accelerate access to COVID-19 treatments for low- and middle-income countries.** Among the other signatories to the MPP pledge are world-leading generic manufacturers such as Lupin, Aurobindo Pharma, Zydus Cadila, Dr. Reddy's Laboratories, Sun Pharmaceutical Industries and Celltrion.
- **Beximco Pharmaceuticals got approval from The DGDA (Directorate General of Drug Administration) to produce a generic version of US drug maker Merck & Co.'s experimental pill to treat COVID-19 and started selling it along with Square, Eskayef and Renata Limited on November 9, 2021.**
- **In August 2020, the company made an agreement with India's Serum Institute to be the "exclusive distributor" of Oxford's Covid-19 vaccine in Bangladesh.** The company signed a commercial deal with Serum Institute of India to buy 30 million doses of the Covid-19 vaccine when ready. SII has provided 12.5 million doses of Oxford University-AstraZeneca coronavirus vaccine by December 2021. (Ref: Other relevant information is given in Investment Negatives). **The company is supposed to earn a net amount of Tk 54.2 crore as Vaccine Distribution Fee** under a tripartite agreement with the government and the Serum Institute of India for the supply of AstraZeneca Vaccine in Bangladesh.
- **In 2017, the Company has planned to set up a new cephalosporin unit. The cephalosporin unit has the annual capacity of producing 30 million tablets and capsules, 5 million vials and 3 million bottles of antibiotic medicines. The existing production capacity of the oral solid dosages unit is 40 million, which is expected to be doubled due to increasing demand once the unit will be in full operation. The existing production capacity of the liquid, cream and ointment unit is 60 million pieces a year, which will reach 10 million pieces in the following year.** However, the Company is supposed to start the new facility to be operational by the end of 2021.
- The Company signed a **distribution agreement** during the first quarter of 2020 **with Mylan (Viatris)** which is a global generic and specialty pharmaceuticals company domiciled in the Netherlands, **for certain biosimilar products in Bangladesh.** Under the Mylan deal, the company has the exclusive rights to launch Mylan's portfolio of key monoclonal antibodies **to treat different types of cancers, rheumatoid arthritis, Chron's disease, ulcerative colitis** and other medical conditions. **It has already launched Ogivri (Trastuzumab), a breast cancer drug** which is biosimilar to blockbuster drug Herceptin from Roche. Currently there are more than 50,000 HER2-positive breast cancer patients in the country.
- **BXPCHARMA is among the prominent Respiratory Inhaler players in the world i.e. Merck & Company, AstraZeneca Plc., GlaxoSmithKline Plc, OMRON Healthcare Europe B.V. and Inc etc.** who successfully converted CFC (Chloro Fluoro Carbons) based formulations to ozone friendly HFA (Hydro Fluoro Alkane) Inhalers. The global smart inhalers market was valued at US\$ 1,006.6 mn in 2017, and is expected to reach US\$ 3,674.6 mn by 2026, **expanding at a CAGR of 15.7%** from 2018 to 2026 (Credece Research, Inc.).
- **Consolidated revenue increased by 15.2% in 2020-21 over last year. It grew at a 5-year CAGR (Compounded annual growth rate) of 13.72%.** Higher demand for the repurposed drugs for the Covid-19 treatment, other medicines related to the treatment of Covid-19 patients and new products contributed to the attainment of sales growth during the FY 2020-21.
- The newly acquired subsidiary company (**54.6% holding**), **Sanofi Bangladesh** has paved the way of supply of its global brands of **vaccines, insulin and chemotherapy drugs to Bangladesh through direct imports.** It will also enhance the position in key therapeutic areas to drive sustainable revenue and profit growth.
- The Company is providing all the technical support for producing **Pressurized Metered Dose Inhaler (MDI)** to their Malaysian associate **BioCare Manufacturing (M) Sdn Bhd** and BioCare is providing full technical support and funding facility to produce the specialized pharmaceutical products to the company.
- **Beximco Pharma accounts for 22% of the total drug export of the country during 2020-21.** In that period, **export revenue of the company was BDT 3.12 billion** registered 13.5% growth over the last year amid supply chain and logistics challenges. **It grew at a 5-year CAGR (compound annual growth rate) of 32.26%** (From FY 2017-2021). The Company has **strategic focus on export** with an ambition to achieve export-led growth in the longer term.
 - The products of the Company are **exported to 50** countries and have been accredited by the leading **global regulatory authorities including the US FDA, AGES (EU), TGA (Australia), Health Canada, GCC (Gulf) and TFDA (Taiwan).** The Company expanded its overseas **destination to eight new markets** in the

Middle East, Africa and South America, taking the total export destination to 77. The eight new countries are Oman, Lebanon, Venezuela, Bolivia, Kosova, Mexico, Congo and Mongolia.

- Beximco Pharma's **US portfolio**, the largest export market, **comprises of 15 US FDA approved products** including acquired eight Abbreviated New Drug Applications (ANDAs) from Sandoz, a division of Novartis - a global healthcare company based in Switzerland. **Seven of these products** are currently being exported to the US.
- Beximco Pharma received the approval of the **United States Food and Drug Administration (USFDA)** for the **antiarrhythmic drug Flecainide acetate (50, 100, and 150 mg tablets)** used for **treating irregular heartbeats in conditions and drug baclofen (10 and 20 mg tablets) for muscle relaxation**. This is a very prestigious and credential for any pharmaceutical company; it unlocks huge export opportunity.
- In the financial year 2019-20, the company's export revenue fetched Tk 3,124 million with over 50% of the total export shipped to highly regulated and developed markets.
- **The company reports cash incentives on exports for the period 2020-21 was Tk 31 crore as against Tk 14 crore of 2019-20**. The cash incentive on export recorded a significant increase over the comparable prior period because of **lower submission of application** in the initial period of the introduction of the incentive scheme in the 2019-20 fiscal year, according to the annual report.
- The Company maintains an **Export Retention Quota (ERQ)** account in USD where 50% of the export earnings are deposited which contributes to minimize the currency risk associated with payments in foreign currency.
- The company has availed **low cost foreign currency loans of US\$ 51.559 million (6 month's USD LIBOR plus 2.25% per annum) and Euro 20.222 million (6 month's EURIBOR plus 1.30% per annum) in the FY 2020-21, from ODDO Frankfurt-based BHF-Bank Aktiengesellschaft, Germany** for financing a new plant and a machinery with a view to **expanding its production operation**.
- Credit Rating Information and Services Limited has rated the Company as **"AAA" in the long term and "ST-1" in the short term** along with a stable outlook.
- **Beximco Pharmaceuticals Ltd won the Global Generics and Biosimilars Awards 2021** in the category of Company of the Year, Asia Pacific which recognizes the companies make affordable medicines available to patients across the globe.
- Beximco has won the **National Export (Gold) trophy for 5 times**. It also won the highly prestigious SCRIP Award as the **"Best Pharma Company in an Emerging Market"** as the only Company in the country and also won **CPhI Pharma Awards 2020** for "Innovation in Response to COVID-19."

Investment Negatives

- The Company is **highly dependent on imported raw materials as around 60% of its raw materials consumed are imported**. The growing concern of the new corona

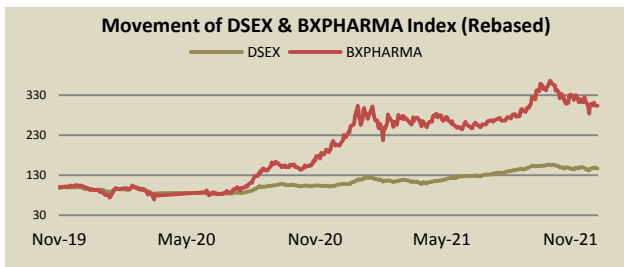
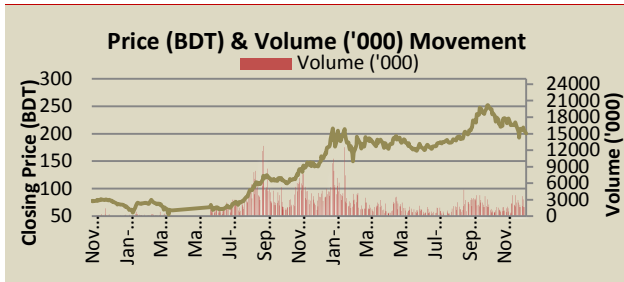
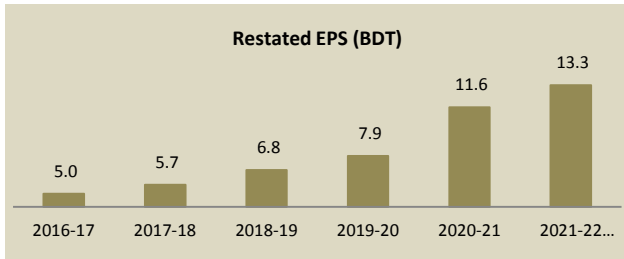
virus variant Omicron might adversely affect the cost of materials, shipment and logistics by creating disruptions in the supply chain. Majority of the company's foreign currency transactions are denominated in USD. Moreover, unfavorable foreign exchange movement might affect the profitability of the Company.

- The Company availed a 5-year Term Loan of **Taka 3,750 million at 9% interest rate** from Agrani Bank Limited in the FY 2020-21 to **partly finance the acquisition of Sanofi Bangladesh Limited which increased the debt ratio from 14.6% to 19.3%**.
- Beximco pharma's agreement for purchasing the AstraZeneca vaccine suffered a setback when **Serum failed to provide all the doses on time as promised** as the Indian government restricted export of vaccines amid rising demands at home and the dearth of raw materials. As per the deal, out of the 30 million doses, Beximco Pharma has received only 8 million doses by April 2021 and then after 8 months of waiting, it received another 4.5 million doses in December 2021. **Remaining 17.5 million doses are still under circumstantial blockages**.
- The growth of Pharmaceutical market in Bangladesh is primarily driven by individual private spending for healthcare. **The growing tension over the new corona virus variant Omicron might stand as the barrier** of the natural flow of economic development thus affecting the Company's growth target.

Latest Quarter Update - September 2021 (Q1)

- **The Company achieved 22.3% increase in sales in the reported first quarter as compared to the same period of prior year**. Alongside gaining from the double-digit sales growth consistent to past periods, higher demand for the repurposed drugs for the Covid-19 treatment, other medicines related to the treatment of Covid-19 patients and new products contributed to the attainment of sales growth.
- Gross profit margin has improved marginally due to the improved sales mix with higher sales volume despite an increase in cost of materials in international and domestic markets in this COVID period.
- Operating expenses has remained almost flat in percentage of net revenue during the period.
- **Net profit margin has increased to 17.40% during the period which was 15.65% over the same period of last year** due to the decrease in finance expenses.
- **The earning per share and operating cash flows per share increased predominantly due to the increase in sales marking 24% in the recent quarter**.

Particulars (BDT mn)	Jul-Sep 2021	Jul-Sep 2020	Growth
Net Turnover - Consolidated	8469	6,926	23%
Gross Profit	4,076	3,290	
<i>Margin</i>	48.1%	47.50%	
Operating Profit	2,100	1,670	26%
<i>Margin</i>	24.8%	24.11%	
Net Profit	1475	1,084	36%
<i>Margin</i>	17.4%	15.65%	
EPS (BDT)	3.28	2.41	36%



Valuation

Pricing Based on Relative Valuation:

	Multiple	BXPHARMA	Value/Share
Sector Forward P/E	16.7	13.12	219.10
NAVPS	86.31	3.0	258.93

Concluding Remark

Beximco Pharmaceuticals Ltd. is one of the leading manufacturers and exporters of medicine in Bangladesh. In line with the steady business growth, it is able to maintain stable profit margins over the years. The continuous expanding portfolio including high value, differentiated and difficult to copy products will continue to drive strong growth in the coming years. The company is consistently building upon its portfolio and currently producing more than 500 products encompassing broad therapeutic categories and the Company has created strong differentiation by offering a range of high-tech, specialized products. The export potential is getting higher day by day for rendering a great contribution in treating COVID-19. In this era of corona virus, the company is continuously meeting different challenges in the economy and showed immense dedication toward solving the upcoming problems ahead.

Source: Annual Report, Company Website, the newspaper news, ILSL Research

Name	Designation
Rezwana Nasreen	Head of Research
Shakila Ahmed Lira	Research Executive

ILSL Research Team:

For any Queries: research@ilsbd.com

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