

IPO Note on Advent Pharma Limited

Key IPO Facts

IPO Size (BDT mn)	200.0
IPO Size (Shares mn)	20.0
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	1,000.0
Pre-IPO Paid up Capital (BDT mn)	486
Post IPO Paid up Capital (BDT mn)	686
Year End	June
Sector	Pharmaceutical
Revenue in 2016-17 (BDT mn)	285.1
Net Profit in 2016-17 (BDT mn)	48.1
Total Assets (BDT mn)	727.3
Retained Earnings (BDT mn)	119.3
Latest Anlzd. -Q2-2017-18EPS- (Post IPO)	0.92
Latest NAV per Share-Q2-2016-17	12.20
Issue Date of Prospectus	January 15, 2018
Issue Manager:	Alpha Capital Management Limited Imperial Capital Limited CAPM Advisory Limited

Source: BASL Research and Company Prospectus

Company Overview

Advent Pharma Limited (APL) is a Pharmaceutical company which is engaged in manufacturing, importing and marketing of animal health care drugs, nutritional supplements and feed additives for livestock such as powder, bolus and liquid dosage forms.

Corporate Profile

Incorporation	25th January 2007
Commercial Operation	1st March 2013
Key People	Chairman MD & Director
Factory Location	Wajhi Ahmed Mohammad Jawaid Yahya Plot # B 50-54 BSCIC Industrial Estate, Dhamrai, Dhaka
Subsidiary/Associate	no associates/subsidiary.

Source: BASL Research and Company Prospectus

Products and Services

Name of Principal Products	Markets
Health Care Drugs, Nutritional Supplements, Additives	All over Bangladesh

Source: BASL Research and Company Prospectus

IPO Plan

Net Proceeds from initial public offering (IPO) are described as follows:

Particulars	BDT (mn)	As (%)
Construction of Building and other Civil Works	100,069,200	50%
Acquisition of Machineries and Equipments	81,430,800	41%
IPO Expenses (Detailed Breakdown of IPO Expenses)	18,500,000	9%
Total	200,000,000	100%

Source: BASL Research and Company Prospectus

Capacity & Utilization

The company has projected that the capacity utilization will be increased due to new machinery installation and efficient use of machinery. Production capacity and current utilization is as under:

Product	Capacity	Existing (2017)	Forecasted		
			2017-18E	2018-19E	2019-20E
Bolus	Installed (Pc)	14.4	18.4	25.7	38.0
	Utilization (Pc)	10.2	14.9	21.2	31.9
	Utilization (%)	0.7	0.8	0.8	0.8
Powder	Installed (Kg)	0.9	1.2	1.6	2.4
	Utilization (Kg)	0.7	0.9	1.3	2.0
	Utilization (%)	76%	81%	83%	84%
Liquid	Installed (Lt)	0.4	0.6	0.8	1.1
	Utilization (Lt)	0.3	0.5	0.6	1.0
	Utilization (%)	79%	82%	83%	84%

Source: BASL Research and Company Prospectus

Shareholding Structure

Share Holding:

Shareholder Type	No. of Stocks		Post-IPO Holding (%)
	Pre-IPO	Post-IPO	
Director & Sponsor	21,567,500	21,567,500	31.4%
Institutional	700,000	8,700,000	12.7%
Mutual Fund & CIS	-	2,000,000	2.9%
Individual	26,332,500	34,332,500	50.0%
NRBs	-	2,000,000	2.9%
Total	48,600,000	68,600,000	100%

Source: BASL Research and Company Prospectus

IPO Shareholdings:

Category	Percentage (%)	No. of Stocks
Eligible Investors (EIs)	10% for Mutual Funds	2,000,000
	40% for Other EIs	8,000,000
General Public	10% for NRBs	2,000,000
	40% for Other Gen. Public	8,000,000
Total		20,000,000

Source: BASL Research and Company Prospectus

Lock-in Holding & Free Period

Share Holding Type	Lock-in Share	Lock-in Free Date	As (%)
Directors/Sponsors	21,567,500	January 15, 2021	
Private Placement Holders	27,032,500	January 15, 2019	
	5,000,000	April 12, 2018	50%
Institutions (Post-IPO)	2,500,000	July 15, 2018	25%
	2,500,000	October 15, 2018	25%
Public (Post-IPO)	10,000,000	April 12, 2018	
Total	68,600,000		

* Issue of prospectus date is on January 15, 2018.

* 15,000,000 Shares will be tradable on 1st trading day.

Source: BASL Research and Company Prospectus

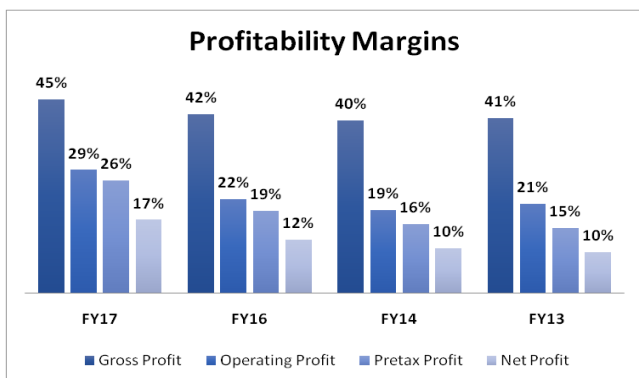
Industry Insights

Pharmaceuticals products are met one of the basic needs for all living being. It is one of the fastest growing industries in the world. According to IMS by 2017, demand of pharma products will be USD 1,200 billion. According to the same source, in the year 2014 Bangladesh pharma market size was Tk. 10,600 Crore with a growth percentage 8.48. For the period ended 31 December 2016, APL's sales were Tk. 130.22 Million and with a 19.75% growth. According to IMS in the year 2015, Bangladesh pharma market size was Tk. 12,000 Crore.

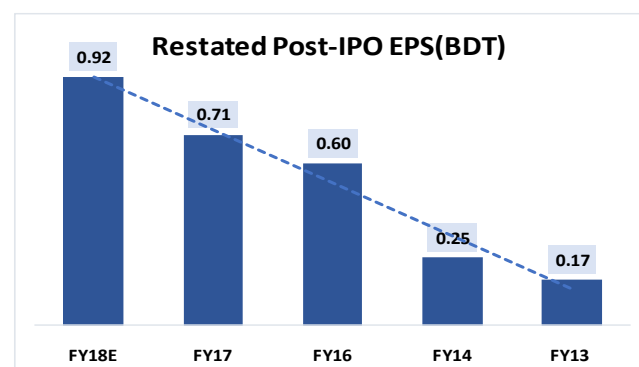
As per Director General of Drug Administration, there are roughly 268 licensed Companies in this sector, mainly dealing with the Production of human drugs. As per report published in the Financial Express on 09 Jan 2017, Local companies account for 97% of the drug sales in the local market, catering to a population of 160 million, while the remaining 3% is imported. There was lack of due attention for the livestock sector in Bangladesh by the public and Private investors until the early 1990s. However, during the last 20 years both the public and private investment in livestock sector is quite remarkable.

Bangladesh is an agricultural country and livestock is playing a key factor for developing agricultural sector. Animal health care drug of high quality with affordable price is the prime need of the hour to develop livestock sector. Analyzing the size and ever-increasing demand of the market for all types of medicines, feed additives (Vitamins, Minerals, amino acids, etc.), biological, implants and related Products for livestock and companion animals, it is clearly evident that animal health Products has a bright marketing Prospect in Bangladesh.

Financial Information (BDT mn) and Key Ratio



Source: BASL Research and Company Prospectus



Source: BASL Research and Company Prospectus

Financials	FY17	FY16 (18 months)	FY14	FY13
Sales	285	331	166	123
Operating Profit	82	73	32	26
Profit After Tax	49	41	17	12
Assets	727	327	141	108
Long Term Debt	66	112	37	29
Equity	605	170	60	42
Dividend (C/B)%	-	-	-	-

Margin Ratio				
Gross Profit	45%	42%	40%	41%
Operating Profit	29%	22%	19%	21%
Pretax Profit	26%	19%	16%	15%
Net Profit	17%	12%	10%	10%

Growth (%)				
Sales	45%	42%	40%	
Gross Profit	29%	22%	19%	
Operating Profit	26%	19%	16%	
Net Profit	17%	12%	10%	

Profitability Ratio				
ROA	7%	13%	12%	11%
ROE	8%	24%	29%	28%

Debt ratio				
Debt Ratio	6%	13%	39%	51%
Debt-Equity	7%	26%	91%	131%
Int. Coverage	17.0	12.6	6.0	3.7

Valuation				
Rstd. EPS(BDT)	0.71	0.60	0.25	0.17
Post-IPO NAVPS	8.8	2.5	0.9	0.6

Source: BASL Research and Company Prospectus

Investment Rationale

- The company is at the initial stage of the business. Hence, capacity is increasing to grasp the more market share as there is huge opportunity in the market. In the financial year 2016, the company invested huge amount in plan and machineries.
- In the last few years, production capacity has been increased by installation of new machinery. As a result, significant revenue has been increased in the year 2017.
- The company is going for IPO for increasing the production capacity. After the installation of the new machineries, the production of the company will increase in near future.
- As number of suppliers of raw materials are plenty in the market, if one supplier fails to provide raw material there are always other suppliers available.

Risk Factors

- The company is operating in massive competitive environment. There are large companies producing similar animal medicine in the market. In 2016-17, the sales of the company was Tk. 285.06 mn whereas the average sales of top five companies was over Tk. 16,000 mn. So, there is high risk of threat of entry competing with the large companies.
- The company is fully dependent on imported raw material. So, there is fully exchange rate risk. Any change in the sale price of

raw materials of both local & International market may impact to the cost of production of the company.

- Any kind of change in economic recession, and entrance of new technology, changes in government monetary & industrial policy, increasing competition, power supply disruption and political unrest may affect the business of the Company.

Stock Pricing based on Relative Valuation

	Multiple	Fair Value
Industry Forward P/E	19.7	18.1
Peer Forward P/E	26.4	24.3
Price to Book Value	2.0	24.0
Market Forward P/E	16.4	15.1
Latest Post-IPO NAV (Q2-2017-18)		12.2
Pricing Sensitivity		
Stock at 15x PE	15	14
Stock at 20x PE	20	18
Stock at 25x PE	25	23
Stock at 30x PE	30	28
Stock at 35x PE	35	32
Stock at 40x PE	40	37

Source: BASL Research and Company Prospectus, Dhaka Stock Exchange Ltd

As per relative various valuation, the fair value of APL ranges from 15.1 to 24.3. The stock may be trading around 18 at 20 PE multiple and around 37 at 40 PE multiple. And Restated NAV per share is BDT. 9.3 as per Q2, 2017-18.

Income Statements (Amount in BDT mn)

Particulars	FY17	FY16	FY14	FY13
Revenue	285,059,543	330,967,356	165,737,267	122,768,346
Cost of goods sold	156,691,199	193,412,534	99,199,769	72,732,936
Gross profit	128,368,344	137,554,822	66,537,498	50,035,410
Operating expenses	46,609,336	65,039,449	34,485,287	24,506,769
Profit from Operation	81,759,008	72,515,373	32,052,211	25,528,641
Add: Other Income	1,713,706			
Less: Financial Expenses	4,820,596	5,754,746	5,340,576	6,825,724
Contribution to WPPF	3,745,339	3,179,078		
Net Profit before Tax	74,906,779	63,581,549	26,711,635	18,702,917
Income Tax Expenses	26,217,371	22,253,542	9,349,072	7,013,594
Net Profit after Tax	48,689,408	41,328,007	17,362,563	11,689,323
EPS (Post-IPO)	0.71	0.60	0.25	0.17

Source: BASL Research and Company Prospectus

Statement of Financial Position (Amount in BDT mn)

Particulars	FY17	FY16	FY14	FY13
Assets:				
Non-Current Assets	562,066,136	247,264,764	98,289,075	56,688,672
Property, Plant & Equipment	502,731,388	241,784,439	96,034,607	52,646,761
Capital work in process	59,334,748	5,480,325	2,254,468	4,041,911
Advance, Deposit & Prepayments				
Pre-operating Expenses				
Current Assets	165,204,383	79,791,496	43,003,514	51,026,391
Inventories	56,897,390	32,826,235	18,316,730	18,052,204
Accounts Receivable	46,578,708	28,359,641	17,022,878	19,866,601
Advances, Deposits & Prepayments	22,196,771	1,012,915	808,424	564,824
Un-allocated Revenue Expenditure			5,834,151	11,668,303
Preliminary Expenditure				
Cash & Cash Equivalents	39,531,514	17,592,705	1,021,331	874,459
Total Assets	727,270,519	327,056,260	141,292,589	107,715,063
Shareholders Equity & Liabilities:				
Shareholders' Equity	605,272,077	170,482,669	59,754,662	42,189,323
Share Capital	486,000,000	99,900,000	30,500,000	30,500,000
Retained Earnings	119,272,077	70,582,669	29,254,662	11,689,323
Share Premium				
Liabilities:				
Non-Current Liabilities	66,333,547	111,895,362	37,056,702	29,364,542
Share Money Deposit		61,450,000		
Long Term Loan	26,541,398	29,012,758	29,012,758	29,364,542
Deferred Tax Liability	39,792,149	21,432,604	8,043,944	
Current Liabilities	55,664,895	44,678,229	44,481,225	36,161,198
Current Portion of Long Term Loan	7,912,963	7,912,963	7,912,963	7,912,963
Short Term Loan	10,001,587	7,071,127	17,527,220	17,999,085
Accounts Payable	4,743,878	4,632,565	4,076,074	845,720
Liabilities for others finance				
Liabilities For Expenses	3,786,658	6,495,640	6,849,022	2,389,836
Provision for Income Tax	24,838,654	16,980,828	8,115,946	7,013,594
Workers' Profit Participation Fund	4,381,155	1,585,106		
Total Equity & Liabilities:	727,270,519	327,056,260	141,292,589	107,715,063
Post-IPO Net Asset Value (NAV) per share	8.8	2.5	0.9	0.6

Source: BASL Research and Company Prospectus

Disclaimer

This document has been prepared by Bank Asia Securities Ltd (BASL) based on publicly available data for information purpose only and does not solicit any action based on the material contained herein and should not be construed as an offer or solicitation to buy or sell or subscribe to any security. Neither BASL nor any of its directors, shareholders, member of the management or employee represents or warrants expressly or impliedly that the information or data of the sources used in the documents are genuine, accurate, complete, authentic and correct. However, all reasonable care has been taken to ensure the accuracy of the contents of this document. BASL or Research & Development Department will not take any responsibility for any decisions made based on the information herein. As this document has been made for the Traders of BASL and strongly prohibited for circulation to any clients, investors or any other persons from outside of BASL.

About Bank Asia Securities (BASL)

Bank Asia Securities Limited (BASL) is one of the leading full-service brokerage companies in Bangladesh. The company was formed in 2009 and running its operation as a majority owned subsidiary of Bank Asia Limited. BASL offers full-fledged standard brokerage services for retail, institutional and foreign clients with a dedicated team of skilled professionals. The company is currently providing the brokerage services under the membership of Dhaka Stock Exchange Limited (DSE).

BASL Research Team

Mr. Shariful Alam Chowdhury Head of Research & Investments	tushar@basl-bd.com, tusharbd@bloomberg.net
Mr. Shohidul Islam Research Analyst	shohidul@basl-bd.com, shohidulbd@bloomberg.net
Mr. Md. Monirul Islam Research Associate	abir@basl-bd.com
Mr. Monir Hossain Research Associate	monir@basl-bd.com

BASL Branches

Head Office Hadi Mansion (7th Floor) 2, Dilkusha Commercial Area Dhaka-1000, Bangladesh Phone: +88-02-9515826-28 Fax: +88-02-9567884	Modhumita Extension Office 158-160 Modhumita Building (5th Floor) Motijheel C/A, Dhaka-1000 Phone: +88-01819118893	Dhanmondi Branch Meher Plaza (1st Floor), House # 13/A, Road # 05 Dhanmondi, Dhaka - 1207 Phone: +8802-8624874-5	Mirpur Branch Nishi Plaza, plot # 01, Avenue-04, Section-06, Block- C Mirpur, Dhaka - 1216 Phone: +88-02-9013841
Uttara Branch House # 79/A, (4th Floor), Road # 07, Sector # 04 Uttara Model Town, Dhaka- 1230 Phone: +88-02-8958371	Banani Branch Nur Empori, Plot # 77 (1st Floor), Road No # 11, Banani, Dhaka-1213 Phone: +8801716180767	Khulna Branch 28, Sir Iqbal Road (1st Floor) Khulna Phone: +88-041-731208-9	

For International Trade & Sales, please contact **Mr. Sumon Das, Chief Executive Officer**. Please call at +8801993111666, +880 02 9515826, Ext:101 at Business hour.

For further query, write to us at research@basl-bd.com.

April 12, 2018