

<b>Date</b>	: October 10, 2018	<b>Analyst</b>
<b>DSE Ticker</b>	: SILVAPHL	<b>Rufaiya Zabin</b>
<b>Offer Price</b>	: BDT 10	<b>rufaiya.zabin@lbsbd.com</b>

### Table : IPO Snapshot

IPO Size (BDT mn)	300.00
IPO Size (Shares mn)	30.00
Face Value Per Share (BDT)	10.00
Offer Price Per Share (BDT)	10.00
Year End	June
Sector	Pharmaceuticals
Revenue in 2017 (BDT mn)	602.49
Net Profit in 2017 (BDT mn)	80.28
Latest annual EPS (Post IPO) (BDT)	0.72
Issue Date of Prospectus	02 July 2018
Subscription Open Date	29 July 2018
Subscription Close Date	05 August 2018

Source: LBSL Research and Company Prospectus

### Table : Capital Structure of the Company

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	1000.00
Capital to be issued as IPO	300.00
Paid-up Capital (after IPO)	1300.00

Source: LBSL Research and Company Prospectus

### Company Overview

On 24 April, 2001 Silva Pharmaceuticals started their journey as a private Limited Company and then converted into public limited company on 22 April, 2014. Their commercial operation started on 01 July, 2003.

The company is engaged in producing and marketing finished products for pharmaceuticals sector in different segments like Antibiotics, Analgesics, Anti diabetics, Narcotics, Anti pyretic, Antiinflammatory Drugs, Anti ulcerants, Antiemetic and so on which are mainly sold in the local market. It has earned reputation of successful medicine producer over last several years.

### Table : Revenue Contribution FY17

Products	Revenue	Percentage
Tablet	350.45	58.17%
Capsule	189.84	31.51%
Liquid	48.56	8.06%
Dry syrup	13.64	2.26%
	602.49	100.00%

Source: LBSL Research and Company Prospectus

### Table : Current Production Capacity and Capacity Utilization Rate

Product	Unit	Installed production capacity	Capacity utilization	Actual capacity utilization (%)
Tablet	Pcs	198	119.09	60.14%
Capsule	Pcs	52	31.84	61.23%
Liquid	Phial	1.8	1.26	69.83%
Dry syrup	Phial	0.22	0.18	81.18%

Source: LBSL Research and Company Prospectus

### Table : Projected Production Capacity and Capacity Utilization Rate

Product	Installed production capacity		Capacity Utilization		Actual Capacity Utilization (%)	
	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19
Tablet	213.84	245.92	151.83	181.98	71%	74%
Capsule	56.16	64.58	39.87	47.79	71%	74%
Liquid	1.94	2.24	1.38	1.65	71%	74%
Dry syrup	0.24	0.27	0.17	0.2	71%	74%

Source: LBSL Research and Company Prospectus

### Table: Source and requirement of utilities

Particulars	Source	Requirement
Power	500 KVA power supply from Bangladesh Power Development Board (BPDB)	Electricity consumption
Gas	Permission of Bakhrabad Gas Systems Ltd. to meets its requirements	Liquid syrup processing
Water	Noakhali Pouroshava	Production process
Contingency plan	In order to tackle the disruption of electricity, SPL has installed generators	

Source: LBSL Research and Company Prospectus

## Principal Products and Services

Silva pharmaceuticals has been engaged in producing and distributing pharmaceutically finished products in different categories like anti-biotics, analgesics, anti diabetics, narcotics, vitamins and minerals which are being sold in the local market. Basically products of the companies are being categorized into four different categories: tablet, capsule, liquid and dry syrup.

**Table: Use of IPO proceeds**

Particulars	Use of IPO proceeds in BDT mn	Use of IPO proceeds in %
Acquisition of new machinery and equipment	122.5	40.83%
Civil construction of two storied new factory building	56	18.67%
Repayment of term loan of NCC bank Ltd.	99	33.00%
IPO expenses	22.5	7.50%
<b>Total</b>	<b>300</b>	<b>100.00%</b>

Source: LBSL Research and Company Prospectus

**Table: Principal suppliers of raw materials**

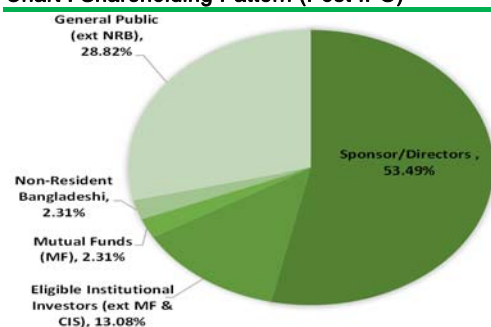
Country of origin	Types of raw materials
Bangladesh	Paracetamol BP, PVC Flim Opeque White, Printed Alu Foil, IC, CC, Insert, Printed P.P Cap, Silica Gel, EHG Shell, Paracetamol, Cephradin BP (Micronized) etc., Ascorbic Acid USB, Folic Acid Etc., Magnesium Oxide, Raspberry Flavor Liquid Ph.Grade, Azithromycin Anhydrate
India	Caffeine Anhydrous BP, Ciprofloxacin HCL Pellets, Omeprazol 8.5%e/c pellets, Azythromycin Taste Masked, Ambroxol HCL BP, Ketorolac Tromethamine USP, Tiemonium Methsulphate BP, Cephradine (Comp) BP, Ceffixime Trihydrate USP, Meclozine HCL BP, Riboflavin 5-phosphate sodiuzm BP, Betacarotene 20%, Naprozen Sodium, Aceclofenac BP, Nicotinamide, Pantoprazole Sodium, Cefuroxime Axetil, BP/USP, Gabapentin USP, Dompperidone Maleate BP, PVDC quoted OVC film, Levosalbutamol Sulphate INN, Metformin HCL.
China	Ciprofloxacin HCL, Azythromycin Dihydrate USP, Ketotifen Fumerate BP, Thiamine Mononitrate BP, Pyridoxine HCL BP, Choline Bitertrate, Inosital, Magnesium Lactate, Zinc Gluconate, Calcium Lactate, Magnesium Lactate, Calcium D-Pantothenate, Thiamine Mononitrate BP, Calcium Lactate, Vitamin E Acetate 50% W/W, Calcium Carbonate (Heavy) BP, Azithromycin Dihydrate USP.
Hong Kong	Cyanocobalamin 0.10%, Vitamin A propionate Oily liquid, Vitamin D3 Oily (1.0m/u/g)
Spain	Betacarotene 10% CWS
Singapore	Vitamin E Acetate Oily

Source: LBSL Research and Company Prospectus

## Lock In

Among the 130.00 million shares issued 50.46 million (38.82%) million shares will have no lock in on the trading day. 25% of the shares (5.00 million) allotted to Eligible Investors (including Mutual Funds) are locked in for 6 months (2 January 2019) and another 25% shares (5.00 million) are locked on for 9 months (2 April 2019) from the issue date of prospectus (2 July 2018). Among the pre IPO shares 79.69 million shares are locked in for 3 years (2 July 2021) from the issue date of prospectus and 20.31 million shares are locked in for 1 year (2 July 2019).

**Chart : Shareholding Pattern (Post IPO)**



Source: LBSL Research and Company Prospectus

**Table : Number of Securities to be Entitled for Each Category of Applicants**

Particulars	Number of shares	Percentage of holding
Eligible Institutional Investors (ext. MF)	12,000,000	40.00%
Mutual Funds (MF)	3,000,000	10.00%
Non-Resident Bangladeshi (NRB)	3,000,000	10.00%
General Public (ext, NRB)	12,000,000	40.00%
<b>Total</b>	<b>30,000,000</b>	<b>100.00%</b>

Source: LBSL Research and Company Prospectus

## Business Highlights

- The company has been able to manage positive topline growth in both 2017 and 2016 with 2.82% and 16.29% respectively. The company achieved a gross profit margin of 39.29% YoY in 2017 which was 39.46% during the previous year reflecting a slight reduction. It has been able to sustain the continuous growth in its operating profit margin by attaining 20.63% YoY growth in its operating margin. The bottom-line also showed positive growth of 13.32% during the year. Net profit margin was 11.87% in the previous year.
- Both ROE and ROA of the company declined in 2017 from the previous year. During 2017 the ROE and ROA demonstrated 4.87% and 4.14% growth respectively which were 6.41% and 4.24% respectively in the preceding year. During 2017 the company has experienced significant decline in its debt-equity ratio due to reduction of long term debt. The debt-equity ratio of the company was 5.22% in 2017 which was 16.15% in the previous year.
- At the end of year 2017 the pre IPO EPS of the company amounted to BDT 0.80 while the post IPO EPS was BDT 0.62. The post IPO EPS has been calculated with total 130 million post IPO number of shares.

**Table: Value with post-IPO EPS (Amount in BDT)**

Expected P/E ratios	10x	15x	20x	25x	30x
EPS (Post IPO)	0.72	0.72	0.72	0.72	0.72
<b>Value with post IPO EPS</b>	<b>7.2</b>	<b>10.8</b>	<b>14.4</b>	<b>18.0</b>	<b>21.6</b>

Note: Post-IPO EPS of 2018 has been considered to derive prices.

Source: LBSL Research and Company Prospectus

**Table: Statement of profit and loss (Amount in BDT bn)**

Particulars	FY15	FY16	FY17
Turnover	503.88	585.96	602.49
Cost of Goods Sold	314.25	354.72	365.78
<b>Gross Profit</b>	<b>189.62</b>	<b>231.24</b>	<b>236.72</b>
Operating Expenses	66.23	86.51	112.07
Operating Income	123.40	144.73	124.64
Financial Expenses	44.54	33.29	0.35
<b>Net Operating Profit</b>	<b>78.86</b>	<b>111.44</b>	<b>124.29</b>
Non-operating Income	1.08	0.91	5.67
Net Profit before Contribution to WPPF	79.94	112.35	129.95
Provision for Contribution to Worker's Profit Participation fund (WPPF)	-	5.35	6.19
<b>Net Profit before Income Tax</b>	<b>79.94</b>	<b>107.00</b>	<b>123.76</b>
Income Tax Expenses	27.98	37.45	43.48
Current Tax Expenses	27.98	26.18	35.72
Deferred Tax expenses	-	11.27	7.76
<b>Net Profit after Tax</b>	<b>51.96</b>	<b>69.55</b>	<b>80.28</b>

Source: LBSL Research and Company Prospectus

**Table: Statement of Financial Position (Amount in BDT mn)**

Particulars	FY16	FY17
<b>ASSETS</b>		
<b>Non Current Assets</b>	<b>801.97</b>	<b>843.73</b>
Property, Plant & Equipment	683.07	706.74
Capital work-in-Progress	118.90	136.99
<b>Current Assets</b>	<b>836.93</b>	<b>1097.43</b>
Inventories	305.34	369.55
Trade and Other Receivables	283.69	253.50
Advances, Deposits and Prepayments	202.97	270.88
Investment in FDR	-	120.00
Cash and Cash Equivalents	44.94	83.51
<b>Total Assets</b>	<b>1638.90</b>	<b>1941.16</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES:</b>	0.00	
Equity attributable to the Shareholders	1085.38	1647.80
Share Capital	500.00	1000.00
Retained Earnings	585.38	647.80
Share Money Deposit	154.00	-
<b>Non-Current Liabilities</b>	<b>175.31</b>	<b>86.03</b>
Long Term Loan	97.04	-
Deferred Tax Liabilities	78.27	86.03
<b>Current Liabilities</b>	<b>224.21</b>	<b>207.34</b>
Trade and Other Payables	9.88	4.31
Short Term Borrowings	114.58	-
Current Portion of Long Term Loan	17.38	99.00
Provision for Expenses	82.37	104.02
Total Liabilities	399.52	293.37
<b>Total Equity &amp; Liabilities:</b>	<b>1638.90</b>	<b>1941.16</b>
<b>Net Assets Value (NAV) per share</b>	<b>21.71</b>	<b>16.48</b>

Source: LBSL Research and Company Prospectus

**Table: Key Ratios**

Particulars	FY16	FY17
Gross Profit Margin	39.46%	39.29%
Operating Profit Margin	19.02%	20.63%
Net Profit Margin	11.87%	13.32%
ROE	6.41%	4.87%
ROA	4.24%	4.14%
Debt to Equity	16.15%	5.22%

Source: LBSL Research and Company Prospectus

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