

<b>DSE CODE</b> : IBP	<b>IPO Size</b> : BDT 200.0 mn	<b>Analyst</b>
<b>Prospectus Issue date</b> : 13 March, 2018	<b>Post IPO shares</b> : 93.0mn	<b>Rufaiya Zabin</b>
<b>Offer Price</b> : BDT 10	<b>Shares with no lock-in</b> : 15.0 mn	rufaiya.zabin@lbsbd.com

### Table: Company Snapshot

Established in	18 June, 2014
Paid-up Capital - Before IPO (BDT mn)	730.00
Capital issued as IPO (BDT mn)	200.00
Paid-up Capital - Post IPO (BDT mn)	930.00
Total No. of Securities - Post IPO (mn)	93.00
Face Value per share (BDT)	10.00
Post-IPO EPS (Annualized)	1.07
Category	N
Sector	Pharmaceutical
Year end	June
Opening date of subscription	08 April, 2018
Closing date of subscription	18 April, 2018

Source: LBSL Research and Company Prospectus

### Table: Plan for IPO Proceed Utilization

Particulars	BDT mn	% of total issue
Construction and other civil works	58.58	29.29%
Machineries	124.72	62.36%
IPO Expense	16.70	8.35%
<b>Total</b>	<b>200.00</b>	<b>100.00%</b>

Source: LBSL Research and Company Prospectus

### Table: Capital Structure of the Company

Particulars	Amount (BDT mn)
Paid-up Capital (Prior to IPO)	730.00
Capital to be issued as IPO	200.00
Paid-up Capital (after IPO)	930.00

Source: Company Prospectus & LBSL research

### Table: Actual and Projected capacity utilization by company

Product	Actual FY'17			Projected FY'18			Projected FY'19		
	Installed	Utilization	(%)	Installed	Utilization	(%)	Installed	Utilization	(%)
Tablet (Mn pcs)	146.16	105.24	72%	255.78	191.84	75%	365.77	2.93	80%
Capsule (Mn pcs)	730.80	526.18	72%	1,278.90	959.18	75%	1,828.83	14.63	80%
Liquid (Mn ML)	243.60	175.39	72%	426.3	319.73	75%	609.61	4.79	80%

Source: Company Prospectus & LBSL research

### Company Overview

Indo-Bangla Pharmaceuticals Limited (IBPL) is a Pharmaceutical company engaged in manufacturing and selling of all kinds of medicine (excluding Antibiotic), medical preparations drugs & chemicals (Human Health). The Company applied for permission for production and selling of veterinary medicine also. The Company is always devoted to ensure the high quality of medicine by implementing state of art technologies and modern machineries.

The company was incorporated in Bangladesh as a Private Limited Company dated on June 18, 2014 and started its commercial operation on the same day. The Company Converted into public Limited Company on October 21, 2014.

The factory of IBPL is located in 729, College Road, Barisal Sadar, Barisal. The company has been using sophisticated machineries and modern technology in order to produce high quality of medicine.

Pharmaceutical market has been growing up and the Company has good opportunity to maximize market share. At present, IBPL is concentrating to grasp the market share of local market. Hence, there is no export possibility now.

### IPO Proceeds Plan of Indo-Bangla Pharmaceuticals Limited

IBPL has issued 20,000,000 shares at BDT 10 to raise BDT 200 million through Initial Public Offering (IPO). Net proceeds from Initial Public Offering (IPO) will be used for Construction and other civil works, for procuring machineries and for IPO Expenses. The company will use BDT 58.58 million (29.29%) for construction, BDT 124.72 million (62.36%) for procuring machineries and the rest (BDT 16.70 million, 8.35%) of the fund will cover IPO expenses. The plan will be implemented within 18 months after receiving IPO fund.

## Principal Products and Services

Pharmaceuticals products are one of the basic needs for all living being. It is one of the fastest growing industries in the world. The pharmaceutical sector in the country has made its marks both locally and internationally. Indo-Bangla Pharmaceuticals Ltd. produces a good number of products of Human products division. All the products of Indo-Bangla Pharmaceuticals Ltd. categorized under Non-Biological Products and Biological Products. The company produces 47 Non-Biological and 34 Biological products and distributes its products throughout the country through its own distribution network.

**Table: Raw Material Suppliers' countries**

Name of Raw Materials	Country
Albendazole USP, Ascorbic Acid, BP/USP,	China
Aceclofenac BP, Ibuprofen, Pantoprazole Enteric Coated Pellets 20%, Rabeprazole Pellets 8.5%, Esomeprazole Enteric Coated Pellets 22.5%, Domperidone Maleate, Salbutamol	India
30% Natural Betacarotene in MCT Oil	Australia
Caffeine Anhydrous, Magnesium Carbonate Powder	Germany

Source: Company Prospectus & LBSL research

**Table: Key Ratios**

Particulars	FY'15	FY'16	FY'17
Gross Profit Margin	40.72%	40.98%	38.09%
Net Profit Margin	13.84%	13.27%	14.33%
ROE	37.82%	11.71%	9.43%
ROA	15.72%	8.89%	8.20%

Source: Company Prospectus & LBSL research

**Table: Source and Requirement of Utilities**

Particulars	Source
Power	For electricity consumption, IBPL depends on West Zone Power Distribution Co Ltd. (An Enterprise of B.P.D.B) from transformer of 315 KV and company has two diesel generators of capacity 335KV. Also, Company has a substation with PFI and transformer.
Gas	Indo-Bangla Pharmaceuticals Ltd. is a medicine manufacturing company. It doesn't require any gas for its production.
Water	Water is the vital and most essential material for medicine production. This resource is collected from mineral and the companies own water treatment plant.
Contingency Plan in case of any disruption	The Company has two diesel generators as standby with the total capacity of 335 KV in case of any power disruption.

Source: Company Prospectus

**Table : Prices at Different Valuation Levels**

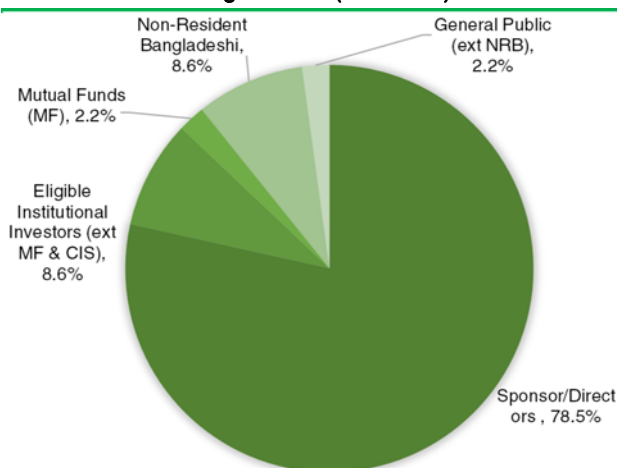
Audited P/E	10x P/E	15x P/E	20x P/E	25x P/E	30x P/E	35x P/E
Latest Post IPO EPS	1.07	1.07	1.07	1.07	1.07	1.07
<b>Price</b>	<b>10.7</b>	<b>16.05</b>	<b>21.40</b>	<b>26.75</b>	<b>32.10</b>	<b>37.45</b>

Source: LBSL Research and Company Disclosures

### Lock-in Provisions

- Out of 93.00 million shares, 15.00 million shares (shares allocated to general public and 50% of shares allotted to EI) will have no lock-in.
- 47,778,000 shares held by Sponsors/Directors are locked-in until March 13, 2021 and 25,222,000 shares held by private placement in Pre-IPO period is locked-in until May 13, 2019.
- 25% shares of Mutual Fund and Eligible Investors (25,00,000 shares) are locked-in until December 13, 2018, and another 25% (25,00,000 shares) is locked-in until September 13, 2018.

**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 & CIS)	8,000,000.00	40.0%
Mutual Funds and CIS	2,000,000.00	10.0%
Non-Resident Bangladeshi	8,000,000.00	40.0%
General Public (ext. NRB)	2,000,000.00	10.0%
<b>Total</b>	<b>20,000,000.00</b>	<b>100.00%</b>

Source: LBSL Research and Company Prospectus

\*Lock-In Duration is calculated from the Issue Date of Prospectus

### Business Highlights

- The Company is assuming that the capacity utilization will increase. Since the total market is increased day by day and market share of the company is increasing. Hence, the management of the Company thinks that the projected capacity is attainable.
- The company's revenue and other income as well as operating expenses and net income have continued to change due to increasing production by adding new machine and increasing sales volume.
- At present, IBP is mainly involved with manufacturing, marketing and distributing generic pharmaceutical products but it has applied for permission for production and selling of veterinary medicines as well.
- Since the company is concerned with growth, it is planning to invest in fixed assets to further expand the business which may increase their non-cash expenses through depreciation.
- By introducing new instrument capacity will be increased by 75% and 43% in FY'18 and FY'19 respectively. The company also plans to utilize 80% of the capacity for all three line of products by June 2019.
- Reported profit after tax and EPS for the year ended on June 2017 is 60.21 mn and 0.65 (based on post -IPO shares 93,000,000) respectively.

**Table : Income Statements (Amount in BDT mn)**

Particulars	FY'15	FY'16	FY'17
Sales Revenue	435.02	444.78	616.71
Cost of Sales	257.88	262.53	381.80
<b>Gross Profit</b>	<b>177.14</b>	<b>182.25</b>	<b>234.91</b>
Administrative Expenses	22.01	23.38	29.84
Selling & Distribution Expenses	62.71	64.37	72.85
<b>Profit from Operation</b>	<b>92.42</b>	<b>94.50</b>	<b>132.22</b>
Non Operating Income	0.21	0.85	10.53
<b>Net Profit Before Tax</b>	<b>92.63</b>	<b>95.35</b>	<b>142.76</b>
Workers Profit Participation Fund (WPPF)	-	4.54	6.80
<b>Net Profit After WPPF</b>	<b>92.63</b>	<b>90.81</b>	<b>135.96</b>
Provision for Taxation	32.42	31.78	-
Current Income Tax	28.40	26.52	18.69
Deferred Tax	4.02	5.26	28.90
<b>Net profit after tax</b>	<b>60.21</b>	<b>59.03</b>	<b>88.37</b>
Non-Controlling Interest	-	-	-
<b>Profit for Ordinary Shareholders</b>	<b>60.21</b>	<b>59.03</b>	<b>88.37</b>
<b>Earnings Per Share (EPS) (Post IPO shares)</b>	<b>0.65</b>	<b>0.63</b>	<b>0.95</b>

Source: LBSL Research and Company Prospectus

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

Particulars	FY'15	FY'16	FY'17
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	147.83	211.40	536.55
Capital Work-In-Progress	10.40	119.07	-
<b>Total Non-Current Assets</b>	<b>158.27</b>	<b>330.47</b>	<b>536.55</b>
<b>CURRENT ASSETS</b>			
Inventories	142.16	156.52	151.06
Trade & Other Receivables	41.44	112.27	163.86
Advance, deposit & pre-payments	35.25	105.33	109.39
Cash & cash equivalent	5.89	240.80	116.81
<b>Total Current Assets</b>	<b>224.74</b>	<b>614.91</b>	<b>541.12</b>
<b>TOTAL ASSETS</b>	<b>383.02</b>	<b>945.38</b>	<b>1077.67</b>
<b>SHARE HOLDERS EQUITY</b>			
Share Capital	99.00	730.00	730.00
Retained Earnings	60.21	119.23	207.61
<b>Total Equity</b>	<b>159.21</b>	<b>849.23</b>	<b>937.61</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for WPPF	-	4.54	6.80
Deferred Tax Liability	4.02	9.28	38.18
Long Term Borrowings	-	-	-
<b>Total Non-Current Liabilities</b>	<b>4.02</b>	<b>13.82</b>	<b>44.98</b>
<b>CURRENT LIABILITIES</b>			
Trade & Others Payables	11.85	15.91	16.68
Liabilities for expenses	7.70	11.49	4.80
Vendors payable account	171.84	-	-
Provision for Tax	28.40	54.92	73.61
<b>TOTAL CURRENT LIABILITIES</b>	<b>219.79</b>	<b>82.32</b>	<b>95.09</b>
<b>TOTAL LIABILITIES</b>	<b>223.81</b>	<b>96.14</b>	<b>140.07</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>383.02</b>	<b>945.38</b>	<b>1077.67</b>
<b>Net Asset Value per share (Post IPO shares)</b>	<b>1.71</b>	<b>9.13</b>	<b>10.08</b>

Source: LBSL Research and Company Prospectus

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