AlphaRating

12 February, 2024

Managing Director
Advent Pharma Ltd.
Rupayan Karim Tower, Level# 10, 80, Kakrail, VIP Road, Ramna, Dhaka-1000

Subject: Credit Rating of Advent Pharma Ltd.

Dear Sir,

We are pleased to inform you that Alpha Credit Rating Limited (AlphaRating), vide credit rating Agreement No: 5167, has assigned the following rating to **Advent Pharma Ltd.**

Date of Declaration	Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
12 February, 2024	26 January, 2024	25 January, 2025	6th Surveillance	A-	ST-3	Stable

The long term and short-term rating is valid up to the earlier of 25 January, 2025 or the limit expiry date of respective credit facility. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the management, operations and/or performance of the entity rated.

We, Alpha Credit Rating Limited, while assigning this rating to **Advent Pharma Ltd.,** hereby solemnly declare that:

(i) We, Alpha Credit Rating Limited as well as the analyst of the rating have examined, prepared, finalized and issued this report without compromising with the matters of our conflict of interest, if there be any; and

(ii) We have complied with all the requirements, policy and procedures of these rules as prescribed by the Bangladesh Securities and Exchange Commission in respect of this rating.

We hope the rating will serve the intended purpose of your organization.

With kind regards,

Tanzina Khaled
Chief Rating Officer

This letter is integral part of the credit rating report

AlphaRating

ADVENT PHARMA LTD.

(Corporate)

Date of Declaration	Valid From	Valid Till	Rating Action	Long Term Rating	Short Term Rating	Outlook
12 February, 2024	26 January, 2024	25 January, 2025	6th Surveillance	A-	ST-3	Stable

Date of Incorporation : 25th January, 2007

Board Chairman : Mr. Asif Iqbal Chowdhury

Managing Director : Mrs. Faria Binta Alam

Total Assets : BDT 1,788.49 million (As on 30.06.2023)

Authorized Share Capital : BDT 1,000.00 million

Issued Share Capital : BDT 931.33 million

Bank : Islami Bank Bangladesh PLC

Investment Limit : BDT 119.56 million

Principal Outstanding : BDT 87.88 million (As on 24.01.2023)

Contact Analysts : Shanta Saha shanta@alpharating.com.bd

: Sadia Alam sadia@alpharating.com.bd

Tanzina Khaled
Chief Rating Officer
Alpha Credit Rating Limited

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RATING RATIONALE:

Alpha Credit Rating Limited (AlphaRating), vide credit rating Agreement No: 5167, upgrades long term rating to **"A-" (**pronounced as **"Single A Minus")** from **"BBB+" (**pronounced as **"Triple B plus")** and affirms short term rating **"ST-3"** in favor of **Advent Pharma Ltd.** The outlook for the rating is **Stable**.

AlphaRating considered financial performance, scale of business, quality of financial statements and data presentation, management's relationship with different parties or stakeholders' of the business, management's business experience, while assigning the rating. Above rating is based on the audited financial statements for the year ended 30th June, FY 2020-2023 and other qualitative factors. AlphaRating also considered the investment facilities availed by the business from Islami Bank Bangladesh PLC, New Market Branch, Dhaka while assigning the above rating.

The rating in favor of Advent Pharma Ltd. (Hereinafter referred to as "APL" or "the company") considered both financial & non-financial indicators of the company. The rating is based on the consideration of positive factors such as- increased revenue, adequate finance cost payment ability, positive CFO, increase ROA, increasing net asset value, audited report, low dependency on external facilities, most of the updated compliances, sound liquidity position, sufficient collateral coverage, efficient managerial effort of the directors etc. However, intense competition, decrease ROE and other operational & financial risks involved with the business was taken as negative factors while assigning the rating.

The company has been availing investment facility from Islami Bank Bangladesh PLC, New Market Branch, Dhaka. As on, 24.01.2023, The principal outstanding liability of the company is **BDT 87.88 million** against investment limit of **BDT 119.56 million**. On the other hand, forced sale value of collateral provided against above investment limit is **BDT 90.61 million**, which has market value of **BDT 101.89 million**. The company has an outstanding of BDT 2.53 million against bank guarantee but as per sanction letter, which is covered by 100% cash margin. Moreover, the bank guarantee facility has become an overdue due to expired validity and renewal is in under process. AlphaRating only considered the above mentioned bank's facilities availed by the company.

COMPANY PROFILE:

Background

Advent Pharma Ltd. was incorporated in Bangladesh as a Private Limited Company under The Companies Act, 1994 vide Registration No. - C-65459(2951)/2007 dated 25th January, 2007 and subsequently the company was converted into public limited company on 07 May, 2016. However, the company has been listed in the capital market on 12th April, 2018 with market capitalization of BDT 2,208.92 million as on 15th October, 2018. As on 24 January, 2024 total market capitalization is BDT 2,337.632 million.

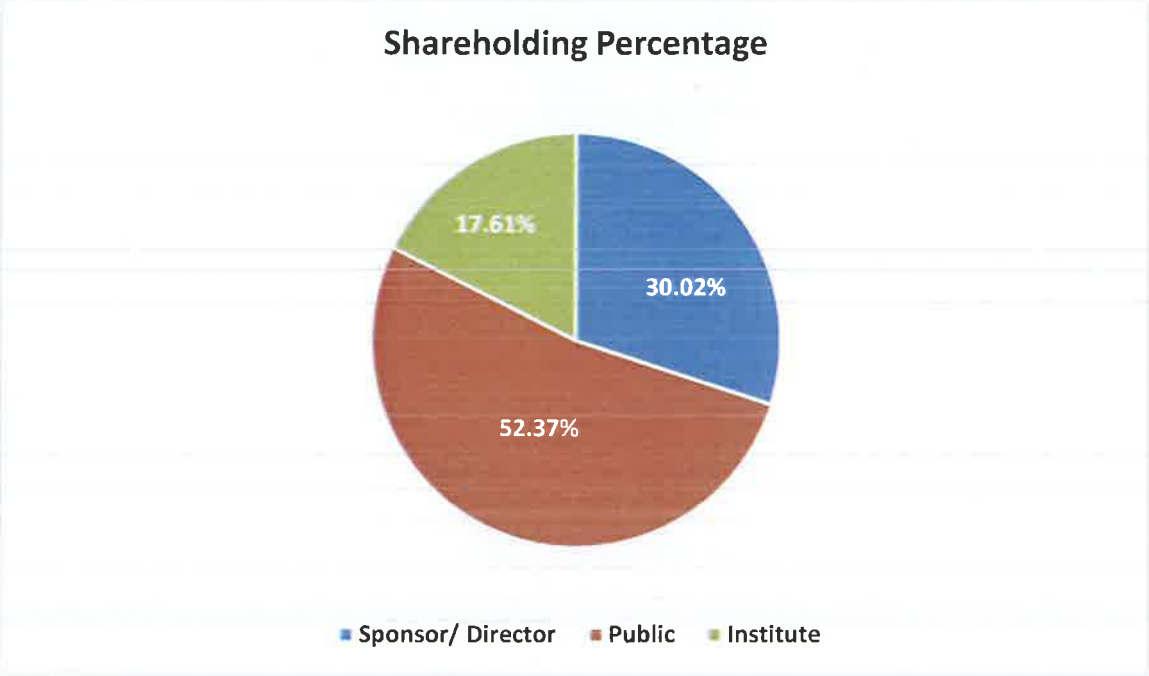
The Company is a Pharmaceutical company which is engaged in manufacturing, importing and marketing of animal health care drugs, nutritional supplements and feed additives for livestock like powder, bolus and liquid dosage forms.

The registered office and factory is located at Plot# B 50-54, BSCIC Industrial Estate, Kalampur, Dhamrai, Dhaka and corporate office is located at Rupayan Karim Tower, Level# 10, 80, Kakrail, VIP Road, Ramna, Dhaka-1000.

Ownership Pattern

Advent Pharma Limited was incorporated as a Private Limited Company on 25th January, 2007 and subsequently converted into a Public Limited Company on 7th May, 2016 under Companies Act 1994 with the Registrar of Joint Stock Companies and Firms, Dhaka, Bangladesh under the Companies Act, 1994. The company has been operating in the market for a long time with reputation and commitment. The company has long experience in pharmaceutical manufacturing in Bangladesh. The Company started its

business with paid up capital TK. 2.50 million and now its existing paid up capital stands at 931.33 million. Authorized capital of the company is TK. 1000 million. In FY 2018 the company raised its paid up capital by TK. 200 million through IPO. The company is listed with DSE and CSE. Shareholding position of the company is given below:



(Source: Dhaka Stock Exchange -As on 31.12.2023)

Products

APL produces various poultry and dairy products. Few of them are as follows:

- Bioplex Dairy Max Powder
- Bioplex Dairy Max Bolus
- YEA-SACC Powder
- YEA-SACC Bolus
- ABC
- Advomica
- Adzinc
- Adzuril
- AI-100
- Cough Off
- Feron Vet
- Lactosol AD3
- Liver On
- Nephrosol
- Oxi-D Bolus
- Power Fat
- Rumigest HP Bolus
- TCL Vet Bolus
- Utrosol
- Inj-Ad-Hista
- Inj-Metaboost
- Tonic Vet Bolus
- Adbovi

Market of the Products

All of the products' markets are throughout the Bangladesh and currently there are no plans of exporting the medicines.

Suppliers and Raw Materials

Main raw materials (both active pharmaceutical ingredients and excipients) being used by the Advent Pharma Ltd. are listed below which the Company procures from overseas market. The Company has some trusted suppliers for its materials and chemicals. Below are examples:

Sl. No.	Name of Suppliers	Address	Name of Raw Materials	Country of Origin
1	Sinobright Pharmaceutical Co., Ltd.	Flat RM 1105 Lippo CTR Tower 1, 89 Queensway Admiralty, China.	Doxycycline HCl, Oxytetracycline HCl & Amprolium HCl	China
2	Ningxia Tairui Pharmacutical Co., Ltd.	Wangyuan Economic Zone, Yongning Country, Yinchuan, Ningxia, China.	Tylosin Tartrate Powder	China
3	Jiangsu Quality Horizons Pharmtech Co., Ltd.	No.18, Jinlong Road, Chunjiang Tower, Xinbei District, Changzhou City, Jiangsu, China 213127.	Albendazole	China
4	Valens Moleciles Private Ltd.	202, SV's Classic Residency, 6-3-853/2, Ameerpet, Hyderabad 500016, India.	Sulphapyridine	India
5	Hongkong Element Chemical Ltd.	Unit 11 9/F Wayson Comm. Bldg., 28, Connaught Road West, Sheung Wan, Hongkong, China.	Sulphadiazine, Sulphadimidine & Sulphadimidine	Hongkong China
6	Ajinomoto Animal Nutrition(Singapore) Pte. Ltd.	460 Alexandra Road #11-04/05 PSA Building, Singapore 119963.	L-Lysine Monohydrochloride 98.5% Feed Grade	Thailand
7	Zhejiang Xinhua Pharma Co. Ltd.	Linhai zone, Linhai, Zhejiang, China	Ciprofloxacin HCl	China
8	Divis Laboratory Ltd.	Divi Tower, Cyber Hill, Gachibowli, Hyderabad, India	Vitamin D3	India
9	Nanjiang Lanya Chemical Co. Ltd.	103 Ertiaoxing Gulou, Nanjing, China	Calcium Lactate Pentahydrate	China
10	Global Calcium Pvt. Ltd.	KMB Block, Koramangala, Karnataka, India	Calcium D - Pantothenate	India
11	Dr. Paul Lohmann GmbH KG	Hauptstrasee, Emmerthal, Germany	Copper Sulfate crystalline powder	Germany
12	Evonik Rexim Pharmaceutical Co. Ltd.	10 Wenjiang Road, Wumming Nannming, Guangxi, China	DL - Methionine	China
13	Zhejiang Medicine Co. Ltd.	Floor – 3, Building A, Mahuan Road, Zhejiang, China	Vitamin – E Acetate	China
14	Weifeng Shengtal Medicine Co. Ltd.	Changle Economic zone, Shangdong, China	Dextrose Anhydrous	China
15	Eagle Chemical Works	5/C, Shree Laxmi Industrial Estate, Andheri, Mumbai, India	Dried Ferrous Sulfate	India
16	DSM Nutritional products Ltd.	Wurmisweg 576, Kaiseraugust, Switzerland	Vitamin – A Acetate, Folic Acid, & Vitamin – D3	Switzerland
17	BASF Ltd.	Veel Stadsgraveen 15, DK–2300, Copenhagen, Denmark	Vitamin – K1	Denmark
18	Yichang Sanxia Pharmaceutical Co. Ltd.	35, Dalian Road High-tech zone Yichang city, Hubei, China	L - Valine	China
19	Aarti Drug Ltd.	Mahendra Industrial Estate, Plot # 109–D, Sion, Mumbai, India	Metronidazole	India
20	Huansu Pharmaceutical corp.	29, Gooying Street, Shijiazhuang, China	Neomycin Sulfate	China
21	Northeast General Pharmaceutical Co.	51 Youth Street, Shenhe District, Shenyang, China	Nicotinamide & Riboflavine	China
22	Sanghai Chemicals Co. Ltd.	Lane 1500, South Linhua Road, Sanghai, China	Povidone – K30	China
23	Sujata Chemicals	802, GIDC, Makarpura, Vadodra, Gujrat, India	Sodium Benzoate	India

In addition to above noted materials, the company also procures some active pharmaceutical ingredients as well as excipients from local manufacturers, details of which are furnished below:

Sl. No.	Name of Suppliers	Address	Name of Raw Materials	Country of Origin
1	Jamuna Corporation	8 No, Arameria Street, Armania Tola, Dhaka-1100	Vitamin A Acctate Powder, Vitamin E 50%, Genzar Powder	Bangladesh
2	Chemi Trade	19, Armaniar Street (Rashid Plaza), Armaria Tola, Dhaka-1100.	Citric Acid, Monohydrate, BP, Cytric Acid Anhydrous, Lactic Acid BP (80%), Tolferamic Acid	Bangladesh
3	M/S Siyam Enterprise	212, Shahid Syed Nazrul Islam, Sharani, Purana Paltan, FARS Hotel (5th Floor), Dhaka-1000	Cobult Sulphate, Dextrose Anhydrous BP, Neomycin Sulphate, Nicotinamide	Bangladesh
4	Active Fine Chemicals Ltd.	Muktarpur, Munshiganj	Sodium Salenate, Sodium Molybdate, Potassium Iodide	Bangladesh
5	Gonoshasthya Basic Raw materials Co.	Nayarhat Savar, Dhaka	Paracetamol, Ciprofloxacin HCl	Bangladesh
6	NIP Pharmaceutical & Chemical	Daudkandi, Comilla	Paracetamol	Bangladesh
7	Remo Chemical Industries Ltd.	Tejgaon Industrial Area, Dhaka	Sodium Chloride, Potassium Chloride	Bangladesh
8	Maxfair Company Ltd.	Savar Industrial area, Hemayetpur, Dhaka	Nux Vomica Ticture	Bangladesh

Major Customers

There are lots of local customers. Some of the major customers are listed below:

Sl. No.	Name of Customers	Sl. No.	Name of Customers
01	A.B. Pharmacy	15	Doctors Medical Hall
02	Adarsha Poultry Feed	16	Janani Pharmacy
03	Aftab Poultry Medicine	17	Jono Kallyan Pharmacy
04	Aktar Poultry Feed	18	Ma Poultry
05	Aman Poultry Feed	19	Medicine Corner
06	Anowar Medical Hall	20	Mondal Pharmacy
07	Bari Pharmacy	21	Moon Pharmacy
08	Bay Agro Industries	22	Nupur Pharmacy
09	Bhai Bhai Poultry Feed	23	Trisa Poultry Feed
10	Bismillah Medical Hall	24	Uttara Pharmacy
11	Ullahpara Medical Hall	25	Jewel Pharmacy
12	Bismillah Veterinary	26	M/S Zara Enterprise
13	Modhu Pharmacy	27	Khan Veterinary
14	Rahman Pharmacy	28	M/S Hazi Poultry & Fish Feed

INDUSTRY ANALYSIS:

Industry Overview

Introduction

The pharmaceutical industry is one of the most developed technology sectors in Bangladesh. Manufacturers produce almost all type of medicine which includes high tech products like insulin, hormones, anti-cancer products etc. This sector provides 98% of the total medicinal requirement of the local market. The industry also exports medicines to 150+ countries, including USA, UK, Canada, Australia, Germany, EU etc. Pharmaceutical companies are expanding their business with the aim to expand the export market. The Pharmaceutical sector of Bangladesh has been transforming and evolving since the early 80s. The sector has grown from strength to strength over the last 5 decades. Since this is a technology and knowledge based sector; the journey was not an easy one for a LDC country faced with enormous economic challenges. Now, Bangladesh proudly stands alone as the only LDC that has a well-developed pharma sector. (Sorce-http://www.bapi-bd.com/bangladesh-pharma-industry/overview.html.)

Bangladesh pharmaceutical market is valued at $3 billion. The pharma industry is the second-highest income generating industry in Bangladesh. The pharma market is dominated by majorly generics (85%), and less of patented drugs (15%).There are about 100 Bangladesh pharmaceutical companies. Top 10 manufacturing pharmaceutical companies in Bangladesh are Square, Incepta, Beximco, Opsonin, Renata, Eskayef, ACI, ACME, Aritstopharma, and Drug International.

(Source-https://pharmchoices.com/list-of-pharmaceutical-companies-in-bangladesh-2/?expand_article=1)

Total Pharmaceutical Market Size

Pharma Company Ranking in Bangladesh [IQVIA Q1 2023]

Ranking [MAT]	Ranking [QTR]	Manufacturer	Value in mBDT [MAT]	% share [MAT]	% Growth [MAT]	Value in mBDT [QTR]	% share [QTR]	% Growth [QTR]
1	1	TOTAL MARKET	299 292	100.00	14.39	79 166	100.00	7.17
1	1	SQUARE	54 588	18.24	14.15	11 947	17.32	-3.75
2	2	INCEPTA PHARMA	35 014	11.70	17.19	8 072	11.50	4.07
3	3	BEXIMCO	28 706	9.59	21.58	6 668	9.50	8.53
4	4	HEALTHCARE PHARMA	21 696	7.25	18.12	5 018	7.15	11.16
5	5	RENATA	14 767	4.93	5.78	3 557	5.07	10.11
6	6	OPSONIN PHARMA	13 720	4.58	9.53	3 225	4.59	9.53
7	7	ARISTOPHARMA	12 205	4.09	21.58	2 812	4.01	12.42
8	10	ESKAYEF	11 603	3.88	4.32	2 696	3.84	-4.71
9	8	RADIANT PHARMA	11 284	3.77	19.21	2 808	4.00	16.35
10	9	ACME	11 098	3.71	16.32	2 756	3.93	9.51
11	11	A.C.I.	10 798	3.61	17.49	2 672	3.72	15.39
12	12	DRUG INTERNATIONAL	8 375	2.13	7.45	2 406	3.43	16.23
13	13	POPULAR PHARMA	8 653	2.36	29.03	2 253	3.21	30.33
14	14	UNIMED &UNIHEALTH	6 874	2.30	8.40	1 444	2.06	8.78
15	15	NOVO NORDISK	4 918	1.64	5.63	1 145	1.63	5.19
16	16	GENERAL	4 458	1.49	15.03	1 023	1.46	7.10
17	17	BEACON PHARMA	4 012	1.34	11.80	999	1.42	20.19
18	20	ZSKA	3 304	1.10	9.34	801	1.14	13.85
19	19	NIPRO JMI PHARMA	3 260	1.10	18.90	817	1.16	15.32
20	18	IBN SINA	3 115	1.04	10.49	855	1.22	33.18
21	21	SUN PHARMA	2 711	0.91	3.18	673	0.96	1.86
22	22	NOVARTIS	2 547	0.85	12.71	604	0.86	4.02
23	24	SYNOVIA PHARMA PLC	2 515	0.84	29.23	575	0.82	19.36
24	23	NAVANA	2 354	0.79	41.03	583	0.83	22.63
25	27	NUVISTA PHARMA	2 328	0.78	9.43	531	0.76	3.29
26	26	ROCHE	2 319	0.77	9.65	549	0.77	3.88
27	25	ORION PHARMA LTD	2 298	0.76	4.68	543	0.77	15.01
28	28	SERVIER	1 466	0.50	16.09	390	0.56	21.77
29	29	ELI LILLY	1 305	0.44	21.38	320	0.46	28.64
30	30	SANDOZ	959	0.29	1.53	204	0.29	1.42

Source-https://www.pharmaspecialists.com/2023/03/top-30-pharmaceutical-companies-in-bd.html#gsc.tab=0

Export scenario

The target is ambitious but it is achievable given the facilities for production of generic medicines in the country. That the local pharmaceutical companies meet 97 per cent of the country's need for medicine surely goes to their credit as well as points to their manufacturing capacity. But to lift the production volume to a level where the 2022's export size of medicine worth $189 million can be raised to $1.0 billion to $4.0 billion to $40 billion ---albeit at different stages - is quite challenging. For its plus point, the country has 213 pharmaceutical companies in operation with a domestic market size of $3.32 billion. What is particularly savoring is the fact that nine companies have already received regulatory approval from highly reputed authorities like MHRA, EU countries, US FDA and WHO PQ. Eleven others are joining the club soon to make a total of 20. The existing capacity of the local 213 drug companies are not sufficient for turning all of

them producers of quality medicines of international standard. Only the leading pharmaceuticals with approval from internationally reputed regulatory authorities can go for export in a big way. Even then they will have to add infrastructural facilities to their existing units if they are serious about seizing even a one per cent share of the global generic medicine market worth $400 billion.

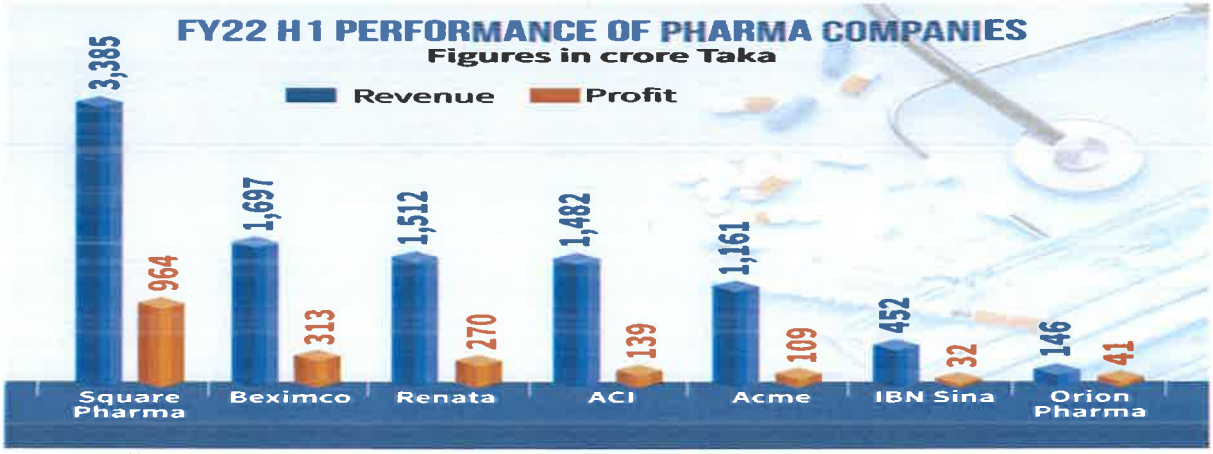
(Source-https://thefinancialexpress.com.bd/editorial/pharmaceutical-industrys-export-prospect)

Local scenario

Bangladesh's pharmaceuticals sector will grow 15 percent year-on-year to reach $5.11 billion by 2023, propelled by high investments by local companies as they seek to grab a bigger share of the global market. By 2022, the market size will be more than doubled to $4.44 billion from $2.02 billion now. Bangladesh's pharmaceutical industries aim to capture 10 percent of the global generic market as 5 to 7 companies have received approval from top regulatory bodies. Local pharma market set to hit $5.11b by 2023. Bangladesh exports medicinal products to 144 countries after meeting 97 percent of the domestic demand. Pharmaceuticals exports fetched $103.46 million in the last fiscal year, up 16.03 percent year-on-year, according to the Export Promotion Bureau. Currently, Bangladesh has the facilities for producing advanced medicine like active pharmaceuticals ingredients, biosimilars, vaccines, and oncology products alongside medical devices.
(Source-https://www.thedailystar.net/business/local-pharma-market-set-hit-511b-2023-1614133)

Domestic competition

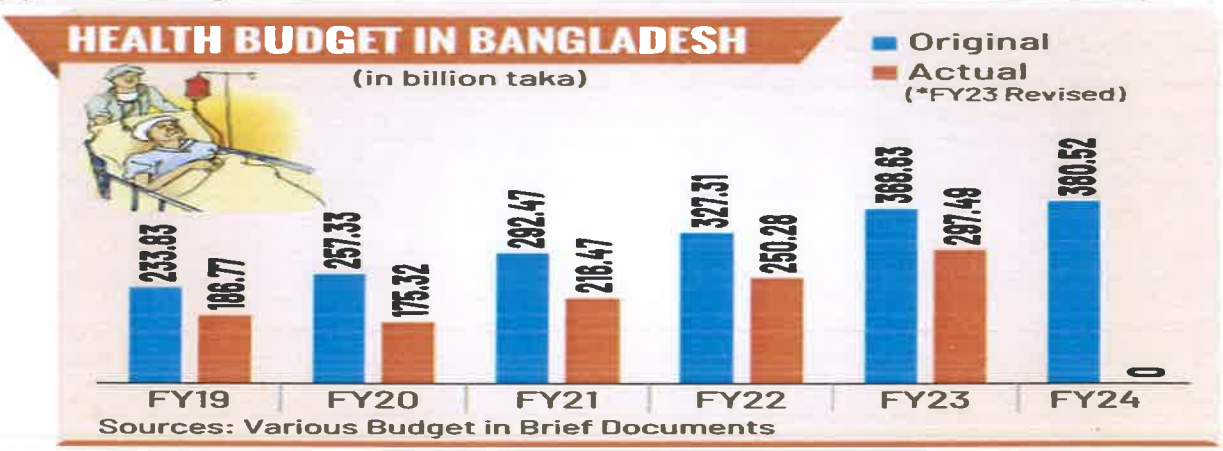
Large drug manufacturers listed on the capital market have reported good growth in the business while small companies suffered a decline mainly because of the Covid-19 pandemic. Among the top drug makers, Square Pharma posted a 16% growth in sales, Beximco 18%, Renata 17%, ACI 9%, Acme 16%, IBN Sina 25% and Orion Pharma 13%. Performance of top seven manufacturers companies are as follows:



Source- https://www.tbsnews.net/economy/stocks/top-drugmakers-keep-growth-trajectory-h1-364801

Total Health Care Expenditure

The government in the proposed budget has allocated Tk 380.52 billion, 5.0 per cent out of the total budget of Tk 7.62 trillion for fiscal year (FY) 2023-24. The allocation was 5.4 per cent in last fiscal budget. This time, the government has allocated Tk 380.52 billion for the sector (operating and development budget).The allocation was Tk 368.63 billion for FY23. Bangladesh have to bear 68.5 per cent of the total health expenditure. Such conventional health budget allocation must not cut out-of-pocket expenditure and ease people's burden. We need major reform in the sector, including in the budget allocation manner. Some 6.0-million people in Bangladesh become new poor annually because of the poor healthcare system and high out-of-pocket health expenditure. This allocation will further raise the number of fresh poor. The World Health Organization recommends that countries like Bangladesh allocate 5.0 per cent of GDP to the health sector.



Source- https://thefinancialexpress.com.bd/health/out-of-pocket-health-expenditure-to-rise-experts

Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Following the enforcement of the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), all WTO members were required to introduce a "TRIPS compatible patent law (including product patents)" in their countries. However, a grace period was granted to LDCs, including Bangladesh, in this regard. Today, Bangladesh is exempted from introducing product patents until 2033 owing to TRIPS' special treatment. Different from other LDCs, Bangladesh has a strong pharmaceutical industry, and domestic pharmaceutical companies occupy the majority of Bangladesh's pharmaceutical market. This study will analyze the impact of TRIPS' special treatment for LDCs on the Bangladesh pharmaceutical industry. The special exemption of TRIPS allows Bangladesh's pharmaceutical companies to imitate brand name drugs that are patent-protected in other countries, and to sell these drugs in both domestic and overseas markets. However, the level of technology in many Bangladesh pharmaceutical companies is not advanced. Only a few Bangladesh's firms can export their products to advanced markets. Moreover, rapid economic development of the Bangladesh economy might cause a reconsideration of LDC status of Bangladesh in the future. Based on statistical data analysis and a series of interviews with stakeholders in Bangladesh, this study will first observe the current status of Bangladesh's pharmaceutical industry, and thereafter analyze the impacts of TRIPS on the market.

(Source- https://ieeexplore.ieee.org/document/8481873)

Challenges in Near Future

As a least developed country, Bangladesh would get patent exemption on pharmaceutical products till 2033 as per the TRIPS agreement with the World Trade Organization. However, since Bangladesh is looking forward to graduating from LDC by 2026, Bangladesh is likely to lose the patent exemption facility 7 years before the expiration date. Which may stop the development of the pharmaceutical industry in Bangladesh because if Bangladesh loses the benefits of the TRIPS agreement, pharmaceutical companies will have to enact new patent laws.

As a result, manufacturing of many types of generic medicine is likely to cease. If domestic manufacturers want to maintain production of these medicines, they may have to pay royalties on patents. As a result, the overall price of medicine in Bangladesh may increase. Otherwise companies will face patent violations and exports will be severely hampered. One of the biggest issues in Bangladesh's pharmaceutical industry is that the country's pharmaceutical companies are not paying much attention to research. As a result, there is a lack of innovation in the domestic pharmaceutical sector. Apart from this, one of the major threats in the pharmaceutical industry of Bangladesh is counterfeit and substandard medicines. Although there are strict standards on the quality of medicines exported abroad, there is a large supply of counterfeit medicines in the domestic market. As a result, quality producers are losing huge dividends every year. In

addition, most of the raw materials used in the manufacture of medicines have to be imported from outside the country which if produced in the country, the pharmaceutical industry will be able to be more self-sufficient, and manufacturing costs can be further reduced.

(Source-https://businessinspection.com.bd/pharmaceutical-industry-of bangladesh/#:~:text=Apart%20from%20this%2C%20one%20of,medicines%20in%20the%20domestic%20market)

Opportunity of Pharma Industry in Bangladesh

Bangladesh is aiming to develop 30 world-class drug makers in the next decade in order to establish a strong foothold in the global pharmaceutical markets. As a least developed country (LDC), the country is exempted from obligations to implement patents and data protection for pharmaceutical products until 2033. But as it is highly likely that the country will graduate from the LDC group by 2024, the window of opportunity for Bangladesh is thus only about 10 years. Industry people are hopeful that the country will be cultivating the 30 manufacturers within the time it can still avail of this preferential treatment.

On 6th November last year, the WTO-TRIPS Council granted the least developed countries, which include Bangladesh, an exemption from obligations to implement patents and data protection for pharmaceutical products until 2033. The Trade-Related Aspects of Intellectual Property Rights (TRIPS) decision of the World Trade Organization (WTO) has important implications for the economies of all 34 least developed member countries, as the waiver provides them with an opportunity to provide low-cost medicine to their own people, besides significant export opportunities for pharmaceutical enterprises. Within 2017, patents of some blockbuster drugs, i.e. medicines generating global sales of at least USD 1 billion annually, will expire. As a result, the global generic market will amount to over USD 400 billion. Around 80% of the world's population consumes generic products. Moreover, in many countries, new government provisions, changing demographics and lifestyle will continue to increase the use of global generic medicines. India and China are the major players in the world generic market. On the downside, the country still buys most of its raw materials from abroad. But developments are underway, with a number of firms now manufacturing raw materials locally. For example, the Active Pharmaceutical Ingredients Park in Munshiganj, around 40 km from the capital, is under construction at present. Once complete, the park will help the sector manufacture at an economy rate. With plans to establish around 40 API industries inside the park, including a central effluent treatment plant and incinerator amongst many other facilities, Bangladesh is surely on the road to attaining self-sufficiency and stellar export growth in the days to come.

Conclusion

Among the industrial sectors of Bangladesh, the pharmaceutical sector is advancing with the times. Besides meeting the demand for medicines in the country, Bangladesh is also earning a lot of foreign exchange through exports. Although the pharmaceutical industry plays a small role in the country's GDP, it is hoped that if Bangladesh can sustain this growth, the contribution from this sector to GDP will increase even further in the future. However, to maintain the growth of the country's pharmaceutical industry, Bangladesh needs policy updates.

BUSINESS RISK ANALYSIS:

Regulatory Risk

More aggressive regulation and increased government intervention in markets resulted in greater uncertainty for pharmaceuticals companies. Regulations vary significantly by jurisdiction, making it difficult to implement consistent growth strategies or operational capabilities across markets. Regulators often control factors that are fundamental to how pharmaceutical companies operate, and can remove certain business advantages that may be expensive to obtain. Companies are concerned that regulators' shifting the

goalposts creates a more unpredictable business environment which poses a risk to growth prospect. In response to the changing regulatory environment, many companies are providing additional resources to monitor changes in regulation otherwise it would be difficult to operate in certain jurisdiction, in extreme case a company may have to stop doing business.

Interest Rate risk

The business has been enjoying banking facilities from Islami Bank Bangladesh PLC, New Market Branch, Dhaka. The business is obliged to pay a significant amount of bank profit and charge. If it fails to generate enough profit to serve the investment repayment obligation, it may become exposed to default risk. However considering current monetary policy & money supply in Bangladeshi economy, it is anticipated that profit rate will go up.

Technology Risk

Technology always plays a vital role for each and every type of business. As the technology is improving rapidly with the change of the customers test, all entities operating in this industry are exposed to obsolesce risk. Better technology can increase productivity, efficiency and quality of product. Quality of product is assured by the quality assurance organizations but the success depends of highly efficient technological adoption. In this sector a company is exposed to technology risks when there are competitors who have already adopted advanced technology in their production process. Keeping updated with the latest processes and methods of providing innovative products is essential to maintain market share which is a big challenge for the company. However, APL is currently using latest production & quality control equipment. But the company will be exposed to technological risk if one of its competitors introduces updated technology in their operations.

Operational Risk

The operation risk of the company is mainly connected to the management of the company. Efficient marketing plan, proper sourcing of raw materials, proper stock management, capital and manpower are key drivers of achieving operating efficiency. Proper cost control is also a key indicator of good operation management. If the businesses fail to fulfill its operational facts it may face increased market risk. At the same time inefficient cost control will reduce the return of the businesses.

Adverse Drug Effects

The escalating consequences of adverse drug effects are a major issue to the industry; liability lawsuits and loss of public confidence, as well as the impact this may have on a company's appetite for risk- and as a result, their investments in innovation. APL is not in the list which shows a strong quality control effort of the company.

Cost Pressure

The inability to implement an advantageous cost structure in a timely manner can significantly impact pharmaceutical companies. Financial pressure is constantly forcing the industry to reduce costs in functions across the enterprise, from marketing and sales to finance and compliance. Manufacturers need to build a more nimble and flexible cost structure, including a greater reliance on third parties to carry out certain functions currently performed in-house, for example manufacturing and accounts payable. Companies also need to re-examine the way they have done business with alliance partners in the past to determine whether efficiencies can be derived in the future.

Drug Counterfeiting

AlphaRating considers drug counterfeiting as a significant strategic risk. Companies are facing greater competition due to the growing volume of sophisticated copies. This growing also poses potential reputation risk.

FINANCIAL RISK ANALYSIS:

Alpha Rating performs financial analysis by dividing the financial portion into five different categories, which are Profitability Analysis, Liquidity Analysis, Cash flow Analysis, Capital Structure, and overall Financial Flexibility. Detailed analysis is presented below:

Profitability

Exhibit 1: Selected Indicators: **Advent Pharma Ltd.**

FYE 30 June	2023	2022	2021	2020
Revenue (BDT in Millions)	558.05	530.47	503.60	534.03
Growth in revenue (%)	5.20	5.34	(5.70)	(11.29)
COGS (BDT in Millions)	334.64	309.56	287.24	306.98
Growth in COGS (%)	8.10	7.77	(6.43)	3.51
Gross Profit Margin (%)	40.03	41.64	42.96	42.52
Operating Profit Margin (%)	26.24	27.02	28.91	30.85
Net Profit Margin (%)	17.68	18.39	22.56	21.92
ROA (%)	8.53	6.17	7.47	12.78
ROE (%)	7.05	7.43	9.20	10.45

Data obtained from the audited financial statements of 2020-2023

As per the financial statement, revenue of APL has increased by 5.20% in FY 2023 from that of FY 2022. On the other hand, cost of goods sold has been increased at higher rate than revenue resulted fall of gross profit margin in FY 2023 compared to previous year. On the other hand, operating expense of the company consist of both administration and selling & marketing expenses. Moreover, inefficient control over operating expenses has resulted Operating Profit Margin to deteriorate in FY 2023. It has been observed that, as increased in finance expense & other income and decreased in tax expense are the main reason for decrease of Net Profit Margin in FY 2023.

Considering the reported figure, the return on assets ratio measures the level of return achieved by a company on its investment in assets. It appears that ROA has increased in FY 2023, which demonstrates that, the efficiency of managing of its assets to generate the return & Return on Equity (ROE) has decreased due to decrease in net profit margin.

Exhibit 2: Selected Indicators: **Advent Pharma Ltd.**

FYE 30 June	2023	2022	2021	2020
Current Ratio (x)	1.15	1.38	1.46	2.01
Quick Assets Ratio (x)	0.62	0.71	0.77	1.49
Cash ratio (x)	0.01	0.04	0.02	0.05
Receivable Days	79	79	83	67
Payables Days	17	11	11	22
Inventory Holding Days	87	92	96	82
Cash Conversion Cycle	149	160	168	127

Data obtained from the audited financial statements of 2020-2023

The current ratio is a measure of a business's liquidity, which is its ability to pay its short-term liabilities with its current assets. While analyzing the liquidity portion of the company, it is observed that though current ratio has slightly declined but still stood more than 1 times, showing a satisfactory level and indicates sufficient liquidity position of the company to meet up its current obligations with current assets. On the other hand, Cash ratio of the company has decreased slightly. This value indicating the company held low amount of cash to meet any quick payments.

Currently the company takes more than 2 months to collect the receivables. At the same time, it appears that inventory holding days has decreased by 5 days. The cash conversion cycle is following a decreasing trend in current year due to decrease inventory holding days. The trend of decrease in Cash Conversion Cycle is a positive sign for the company as it implies increasing efficiency of working capital management of the management team.

Cash Flow Analysis

Exhibit 3: Selected Indicators: **Advent Pharma Ltd.**

FYE 30 June	2023	2022	2021	2020
CFO (BDT in Millions)	205.29	179.57	180.38	170.10
CFO Interest Coverage (x)	17.76	22.73	23.70	28.30
CFO Debt Coverage (x)	3.29	3.31	3.04	3.56

Data obtained from the audited financial statements of 2020-2023

Operating cash flow is one of the most important parameter to measure credibility and financial strength of the company. The table reflects that company was able to generate positive cash flow from operation in all the financial years which indicates positive performances of the company. CFO Interest & Debt Coverage ratio in FY 2023 suggests that the company is fully capable of paying off its finance cost & debt amount with operating cash flow.

Leverage & Capital Structure

Exhibit 4: Selected Indicators: **Advent Pharma Ltd.**

FYE 30 June	2023	2022	2021	2020
Debt-to-Equity	0.18	0.16	0.15	0.04
Interest Coverage Ratio (x)	12.66	18.15	19.12	27.42
Net Asset Value (BDT in Million)	1,399.05	1,313.45	1,234.18	1,120.59

Data obtained from the audited financial statements of 2020-2023

The Debt to Equity ratio indicates how much debt a company is using to finance its assets relative to the value of shareholders' equity. Higher gearing ratios indicate a company has a higher degree of financial leverage and is more susceptible to downturns in the economy and the business cycle. Conversely, Low gearing ratio means that a company is financially stable and has a small proportion of debt against equity. Even though Debt to equity ratio has slightly increased in FY 2023 but still indicates low geared capital structure of the company.

However, Interest coverage ratio of the company is 12.66 times in FY 2023, it reflected the company has enough operating profit to pay off interest cost. Net Asset Value of the company has been increased in FY 2023 due to increasing of cumulative retain earnings which is a good sign for the company.

BANK FACILITIES & CREDIT HISTORY:

Exhibit 5: Bank Investment **Advent Pharma Ltd.** (As on 24.01.2023)

Bank	Mode of Facility	Investment Limit (BDT in Millions)*	Principal Outstanding (BDT in Millions)*
Islami Bank Bangladesh PLC	LC/Bills/MPI/BG/PG/Bai-Murabaha	80.00	10.14
			49.13
			10.87
			2.53
	HPSM	39.56	15.21
Total		**119.56**	**87.88**

Advent Pharma Ltd. has been availing investment facility from Islami Bank Bangladesh PLC, New Market Branch, Dhaka. The purpose of the investments is to purchase/import raw materials for production of animal health care drugs and nutritional supplements. The company has an outstanding of BDT 2.53 million against bank guarantee but as per sanction letter, which is covered by 100% cash margin. Moreover, the bank guarantee facility has become an overdue due to expired validity and renewal is in under process. AlphaRating only considered the above mentioned bank's facilities availed by the company.

Security/Mortgages

Primary Security

- Lien on goods to be released against T.R.
- Without cash security.
- 20% cash security on CFR value
- 20% cash security on BG amount
- LC related documents
- Counter guarantee

Collateral

Sl No	Particulars	MV (BDT in millions)	FSV (BDT in millions)
1.	51.56 decimal Project Land located at Mouza- BSCIC I/E, District- Dhaka	56.36	45.08
2.	Existing Machinery	45.03	45.03
3.	MTDR	0.50	0.50
	Total	**101.89**	**90.61**

Other Security

- Personal Guarantee of the Directors of the company.
- All Charge documents.
- Post dated cheque

MANAGEMENT AND OTHER QUALITATIVE FACTORS:

Board of Directors

There are 09 qualified and experienced members in the board of Directors including 02 Independent Directors. It is the responsibilities of the directors to review the existing risk management procedures for ensuring effective internal check and control system, reviewing the annual financial statements to check whether it comply with accounting standards set by the regulatory body, reviewing the efficiency and effectiveness of internal audit function, reviewing the findings and recommendations made by external auditors for removing the irregularities detected and also running the affairs of the company.

Name of the Directors	Designation
Mr. Asif Iqbal Chowdhury (Nominee Director of Farmers Hope Ltd.)	Chairman
Mrs. Faria Binta Alam	Managing Director
Mrs. Kazi Rina Alam	Director
Mr. Wajhi Ahmed	Director
Mr. Md. Tazul Islam	Director
Mr. Mohammad Towhidul Islam (Nominee Director of Horipur Feed Ltd.)	Director
Khandaker Sagir Ahmed (Nominee Director of Blue Agro Tech Ltd.)	Director

Mr. A.K.M Delwer Hussain	Independent Director
Mr. Sheikh Karimuzzaman	Independent Director

Human Resource Management

APL has a structured service rule for the human resources. Moreover, the company provides training facilities to the employees to improve their individual skills to meet up the business objectives. There are total 317 people working in APL.

Particulars	Number of Employees
Head Office	40
Factory	122
Field	155
Total	**317**

Safety Precaution

The company adopts adequate safety provision to fight against fire hazards and other dangers. APL has adequate firefighting equipment and implement rigorous policy for maintaining safety standard. Moreover, overall security measure of the factory is moderate.

Insurance Facilities

Under the bank's investment policy APL should maintain insurance on all the property. Currently the company is enjoying insurance facilities from Global Insurance Limited covering the risk of Fire and RSD risk on machinery, stocks of packing materials, raw materials, finished goods and electric motor. The company has also arranged for group insurance policy for the employees of the organization.

COMPLIANCE ISSUES:

Particulars	Validity date
Trade License	2023-2024
TIN	Registered
Income Tax Certificate	2022-2023
VAT	Registered
Factory License	30.06.2024
IRC	30.06.2024
Fire License and Civil Defense	30.06.2024
Insurance	08.02.2024
Environmental Certificate	2022-2023
Animal Health Companies Association of Bangladesh	30.06.2024
Animal Food Importer, Exporter & Storage License	13.06.2023 (Applied for renewal)
License for Manufacturing Drugs	07.03.2024

END OF THE REPORT

COMPANY INFORMATION:

Board of Directors

Name of the Directors	Designation
Mr. Asif Iqbal Chowdhury (Nominee Director of Farmers Hope Ltd.)	Chairman
Mrs. Faria Binta Alam	Managing Director
Mrs. Kazi Rina Alam	Director
Mr. Wajhi Ahmed	Director
Mr. Md. Tazul Islam	Director
Mr. Mohammad Towhidul Islam (Nominee Director of Horipur Feed Ltd.)	Director
Khandaker Sagir Ahmed (Nominee Director of Blue Agro Tech Ltd.)	Director
Mr. A.K.M Delwer Hussain	Independent Director
Mr. Sheikh Karimuzzaman	Independent Director

Shareholding Position (As on 31 December, 2023)

Sponsor/ Director	30.02%
Public	52.37%
Institute	17.61%
Total	**100.00%**

As per DSE

Auditor

ARTISAN
Chartered Accountants
Sonargaon Terrace (2nd Floor), House-52, Road-13C, Block-E
Banani, Dhaka-1213, Bangladesh
Phone: +88 02 8189883-7
E-mail: info@artisan-ca.com
Website: www.artisan-ca.com

Long Term Rating Scale and Definitions

AAA	Issuers or issues rated AAA represents the strongest credit quality relative to other Bangladeshi obligors
AA	Issuers or issues rated AA represents very strong credit quality relative to other Bangladeshi obligors
A	Issuers or issues rated A represents above average credit quality relative to other Bangladeshi obligors
BBB	Issuers or issues rated BBB represents average credit quality of Bangladeshi obligors
BB	Issuers or issues rated BB represents slightly below average credit quality relative to other Bangladeshi obligors
B	Issuers or issues rated B represents weak credit quality relative to other Bangladeshi obligors
CCC	Issuers or issues rated CCC represent very weak credit quality relative to other Bangladeshi obligors
CC & C	Issuers or issues rated CC and C both represent extremely weak credit quality relative to other Bangladeshi obligors. Rating of C will normally be assigned when an obligor is in technical default on certain commitments or obligations, but not yet in financial default.
D	Issuers or issues rated D have failed to meet their rated financial commitment on time or when due

Long term rating from AA to B may be modified by the inclusion of a plus (+) or minus (-) sign to indicate relative strength within the rating category.

Short term Rating Scale

ST 1	Issuers rated ST 1 have the strongest ability to meet short term financial commitments relative to other Bangladeshi obligors
ST 2	Issuers rated ST 2 have an above average ability to meet short term financial commitments relative to other Bangladeshi obligors
ST 3	Issuers rated ST 3 have an average ability to meet short term financial commitments
ST 4	Issuers rated ST 4 have a below average ability to meet short term financial commitments relative to other Bangladeshi obligors
ST 5	Issuers rated ST 5 have a well below average ability to meet short term financial commitments relative to other Bangladeshi obligors
ST 6	Issuers rated ST 6 have failed to meet their short term financial commitments

Rating Outlook

Rating Outlook assesses the potential direction of the Debt Rating over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :	
POSITIVE	Which indicates that a rating may be raised;
NEGATIVE	Which indicates that a rating may be lowered;
STABLE	Which indicates that a rating is likely to remain unchanged; or
DEVELOPING	Which indicates that a rating may be raised, lowered or remain unchanged.