

IPO Details

Techno Drugs Limited, a manufacturer of human & animal healthcare products in Bangladesh, will raise BDT 1,000 Mn through Initial Public Offering (IPO) under the Book Building method. The fund will be used for acquisition & installation of machineries, construction of factory buildings and repayment of bank loans.

The company plans to issue 15% of the IPO shares through private offer to its employees. Of the remaining, 70% are to be issued to the general public, 5% are reserved for NRB, 24% are reserved for Eligible Investor (EI) excluding mutual funds and collective investment schemes (CIS) and 1% are reserved for asset managers of any Exchange-traded fund (ETF). Please note that the offer price for GP is BDT 24 (EI's have already applied at BDT 34 cutoff).

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn USD*	Mn BDT	% of Proceed
Acquisition and installation of PPE	2.3	270	27.0%
BMRE at Narsingdi Factory	2.1	250	25.0%
Construction at Gazipur Factory	1.3	150	15.0%
Partial loan repayment	2.5	300	30.0%
IPO Expenses	0.3	30	3.0%
Total	8.5	1,000	100.0%

Source: Prospectus and BRAC EPL Research
 *USD 1 = BDT 117.9

Company Brief

Techno Drugs Limited (TECHNODRUG), incorporated in September 2009 as a private limited company, began commercial operations in July 2010. In 2018, TECHNODRUG developed the first contraceptive injectable plant in Bangladesh, and in 2019, it became one of the five firms in the world making contraceptive implants. TECHNODRUG also acts as a major supplier for contraceptive hormonal medicine to the Government of Bangladesh (GoB). The company's factories are located in Narsingdi and Gazipur, and it has multiple depots throughout the country.

Competitive landscape

The key competitors and their market share in the industry according to IQVIA MAT Q3'23 are Square Pharma (17.1%), Incepta (11.9%), Beximco Pharma (9.5%), Healthcare (7.3%), Renata (4.9%), Opsonin (4.6%), Eskayef (4.0%), and Aristopharma (3.9%).

Industry Outlook

Currently, the pharmaceutical industry size of Bangladesh is USD 3.5 Bn, growing at 11%+ rate annually, and contributes ~1.83% to the total GDP. Around 98% of the demand are met by local manufacturers and the rest is imported. The industry is heavily depended on import for raw materials as ~90% of the raw materials are imported mostly from China and India. To reduce the sourcing volatility, GoB is establishing an API park in Gazipur to support the sector. Currently, exports from pharmaceuticals industry is USD 189 Mn (2023). Even though the export is growing at high rate (15% growth YoY in 2023), it is a small portion of the industry. Domestic demand is expected to remain the growth driver for next few years.

In the animal healthcare space, a number of local firms are in the leading positions, including RENATA, ACMELAB, ACI, and SQRPHARMA. As animal farming has increased significantly over last decade, the animal healthcare sector has experienced an average growth of 10% which is currently valued at BDT 30 Bn.

IPO Summary

		TECHNODRUG
DSE Ticker		TECHNODRUG
IPO Proceeds	(BDT Mn)	1000.0
New Shares Issued	(Mn)	36.2
Pre-IPO No. of Shares	(Mn)	94.2
Post-IPO No. of Shares	(Mn)	130.4
Pre-IPO Paid-up Capital	(BDT Mn)	941.6
Post-IPO Paid-up Capital	(BDT Mn)	1303.6
Face Value (BDT)		10.0
Accounting Year End		June
Auditor		ISLAM QUAZI SHAFIQUE & CO.
Issue Manager		EBL Investments Limited Imperial Capital Limited
Underwriters		EBL Investments Limited BMSL Investment Limited
Sector		Pharmaceuticals & Chemicals
GICS Mapping		35202010

Income Statement

Mn BDT	FY19A	FY20A	FY21A	FY22A	FY23A
Revenue	2,165	2,014	3,841	5,029	2,733
Cost of Goods Sold	-1,276	-1,183	-2,380	-3,213	-1,574
Gross Profit	889	831	1,461	1,815	1,160
Operating Expenses	-366	-333	-615	-883	-621
Operating Profit	523	498	847	932	539
Financial Expenses	-152	-195	-242	-261	-270
Profit before Tax	370	315	593	651	259
Income Tax	-144	-151	-232	-171	-64
Profit After tax	226	164	361	480	196
Pre-IPO EPS	2.4	1.7	3.8	5.1	2.1

Balance Sheet

Mn BDT	FY19A	FY20A	FY21A	FY22A	FY23A
Non-Current Assets:	1,859	2,335	2,627	3,495	3,826
PPE	1,724	2,097	2,560	3,382	3,586
CWIP	135	194	16	50	180
Current Assets:	1,118	1,449	1,757	1,869	2,216
Inventories	261	341	462	647	701
Accounts Receivable	175	319	482	707	790
Advance & Deposits	243	277	550	344	399
Cash	177	225	38	140	34
Total Assets	2,976	3,783	4,384	5,364	6,041
Shareholders' Equity:	781	1,020	1,450	2,432	2,612
Share Capital	100	688	819	942	942
Retained Earnings	682	270	631	988	1,183
Non-Current Liabilities:	1,089	1,196	1,216	1,197	1,305
Long Term Bank Loan	1,015	1,044	1,024	974	1,056
Deferred Tax Liability	74	122	164	191	216
Current Liabilities:	1,106	1,568	1,718	1,734	2,124
Short Term Bank Loan	832	1,071	976	855	1,188
Current Portion of Loan	132	326	367	474	414
Accounts Payable	45	41	98	168	212
Provision For Income Tax	78	82	195	162	215
Total Liabilities	2,195	2,764	2,934	2,932	3,429
Total Equity & Liabilities	2,976	3,783	4,384	5,364	6,041

Cash Flow Statement

Mn BDT	FY19A	FY20A	FY21A	FY22A	FY23A
Operating Activities	119	152	278	593	210
Investing Activities	-786	-626	-441	-401	-654
Financing Activities	711	522	-24	-90	338
Net Cash Flow	44	48	-187	102	-105

Source: Prospectus and BRAC EPL Research

Ownership Structure

Sponsors and Directors own 87.91% of the pre-IPO shares, while placement shareholders (Individual) held 12.09%.

Product details

TECHNODRUG has three key product lines. Animal health products account for 68% of the revenue. Human health care items and anti-cancer products are next in line, accounting for 27% and 5% of total sales, respectively. TECHNODRUG produces in therapeutic areas like oncology, chemotherapy agents, cardiovascular, diabetes, immune suppressors, anaesthetics, lifesaving antibiotics, and contrast media in Bangladesh. The company is a major seller of contraceptive medicine to GoB, with some of its major brands being EC-Pill, Marvelous Plus-FE & Norgest Tab.

Dividend History

The company has not declared any cash dividend over the last 5 years.

Financial Performance

A major supplier to GoB, TECHNODRUG saw a boost in revenue during the pandemic period, recording its highest ever BDT 5,029 Mn revenue in FY22. However, as GoB purchases retracted to their usual level after landing into normalcy, both revenue and NPAT had declined. Over the past five years, the gross profit margins of TECHNODRUG have remained within the range of 36.1%-42.4%, with an average of 40%. In FY23, Cash Conversion Cycle significantly increased owing to inventory pile up. The company has been reducing its debts, as Debt to Asset ratio reached 45.0% in FY23 from 66.5% in FY18.

Lock-in requirements

Lock-in period is 3 years for Sponsors/Directors and 2 years for Private Placement shareholders. The Pre-IPO 3-year and 2-year lock-in consist of 87.91% and 12.09% shareholding respectively.

ESG Footprints:

Environment Footprints:

To ensure pollution free environment the company has setup effluent treatment plant (ETP) & an incinerator.

Social Footprints

No disclosures were given regarding their social work.

Corporate Governance

Shah Jalal Uddin Ahmed, the company's managing director, has a master's degree in pharmacy from the University of Dhaka and 40 years of experience in the pharmaceutical industry. He retains the company's maximum 63.14% ownership stake (Pre-IPO). Mrs. Khaleda Akhter Khan, the wife of Shah Jalal Uddin Ahmed, has 25 years of experience in the banking sector and serves as the company's chairman. Mehreen Ahmed and Arefeen Raafi Ahmed, both children of Shah Jalal Uddin Ahmed, are also directors of the company. Note that, Arefeen Raafi Ahmed is also the managing director of Greentech Holidays Ltd which owns 1.59% (Pre-IPO) of TECHNODRUG. Md. Mamunur Rashid, the director of the company, has the 3rd highest stake in the company, with an ownership stake of 7.30% (Pre-IPO).

Once listed, Techno Drugs Limited will trade in DSE & CSE and will be placed in the "N" category.

Ratios

	FY19A	FY20A	FY21A	FY22A	FY23A
Growth					
Revenue		-7.0%	90.7%	30.9%	-45.6%
Operating Profit		-4.8%	70.1%	10.1%	-42.2%
Net Profit		-27.7%	120.6%	32.9%	-59.3%
Profitability					
Gross Margin	41.1%	41.3%	38.0%	36.1%	42.4%
Net Margin	10.5%	8.1%	9.4%	9.5%	7.2%
Return on Equity	17.7%	18.2%	29.2%	24.7%	7.8%
Liquidity					
Current Ratio	1.0x	0.9x	1.0x	1.1x	1.0x
Quick Ratio	0.3x	0.3x	0.3x	0.5x	0.4x
Leverage					
Debt to Asset	66.5%	65.7%	55.0%	43.9%	45.0%
Net Debt/ EBITDA	2.9x	4.0x	2.5x	2.3x	4.9x
Activity (Days Outstanding)					
Inventories	74.6	92.8	61.5	63.0	156.2
Cash Conversion	91.1	138.1	92.3	95.2	212.4

Source: Prospectus and BRAC EPL Research

Shareholding Details

Name	Position	No. of shares (Mn)	Pre-IPO shareholding	Post-IPO shareholding
Khaleda Akhter Khan	Chairman	7.5	7.94%	5.73%
Shah Jalal Uddin Ahmed	Managing Director	59.5	63.14%	45.61%
Md. Mamunur Rashid	Director	6.9	7.30%	5.27%
Mehreen Ahmed	Director	4.5	4.76%	3.44%
Arefeen Raafi Ahmed	Director	4.5	4.76%	3.44%
Greentech Holidays Ltd.	Shareholder	2.8	1.59%	1.15%
Other Shareholders	Shareholder	8.6	10.49%	7.56%

Source: Prospectus and BRAC EPL Research

IMPORTANT DISCLOSURES

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