

**CREDIT RATING REPORT  
ON  
NAVANA PHARMACEUTICALS LIMITED**

## RATING REPORT CONTENTS

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[FORM-IX]  
[Rule 10(8) A(g)]

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Md. Nurul Hoque  
Deputy Managing Director  
National Credit Ratings Ltd

**EXECUTIVE SUMMERY**  
**8<sup>TH</sup> SURVEILLANCE RATING OF NAVANA PHARMACEUTICALS LIMITED**

<b>Declaration Date</b>	<b>04.12.2022</b>	<b>12.05.2022</b>
<b>Long Term Entity Rating</b>	<b>AA (Double A)</b>	<b>AA (Double A)</b>
<b>Short Term Entity Rating</b>	<b>ST-2</b>	<b>ST-2</b>
<b>Outlook</b>	<b>Stable</b>	<b>Stable</b>
<b>Expiry Date</b>	<b>03.12.2023</b>	<b>11.05.2023</b>

<b>Bank Loan Ratings<sup>a</sup></b>	
<b>Short Term</b>	<b>ST-2</b>
<b>Long Term</b>	<b>AA</b>

*Note: The Company is availing funded and non-funded facilities from Al-Arafah Islami Bank Limited. (VIP Road Branch, Dhaka), Shimanto Bank Limited (Corporate Head Office), Community Bank Limited (Corporate Branch), Bengal Commercial Bank Limited (Dilkusha Islami Banking Branch), Dhaka Bank Limited (Banani Branch), IPDC Finance Limited (Head Office) and IDLC Finance Limited (Gulshan Branch)*

**aBLR is valid for one year for long term loan and for short term loan up to 365 days or according to the tenure of the loan whichever is earlier.**

**PERFORMANCE HIGHLIGHTS**

<b>Particulars</b>	<b>(TK In Million)</b>	
	<b>FY 2021-22</b>	<b>FY 2020-21</b>
Total Assets	7,084.10	5,199.21
Equity	3,483.05	3,304.40
Net Turnover	4,758.71	3,606.58
Net Profit	274.00	202.29
Operating Margin (%)	12.38	10.08
Net Profit Margin (%)	5.76	5.61
EBITDA	705.70	451.97
ROE (%)	8.07	6.32
ROA (%)	4.46	4.19
DSCR (X)	0.40	1.47
Current Ratio (X)	0.85	1.15
Net Debt/( Net Debt + Equity) (%)	45.46	31.00

**STRENGTHS**

- Experience of the promoters in the related business
- Owned manufacturing unit with huge production capacity
- Growth in turnover, asset base & EBITDA
- Positive operating cash flow
- Transparent banking performance
- Notable export performance
- Rich R&D wing

**CHALLENGES**

- Ensuring best quality products with highest customer satisfaction
- Improving liquidity position & debt coverage position
- Maintaining positive working capital
- Improving asset utilization capacity
- Post pandemic and war induced economic crisis
- Timely servicing of financial obligations

**Md. Nurul Hoque**  
 Deputy Managing Director  
 National Credit Ratings Ltd.

Declaration Date	04.12.2022
Long Term Entity Rating	AA (Double A)
Short Term Entity Rating	ST-2
Outlook	Stable
Expiry Date	03.12.2023

Bank Loan Ratings <sup>a</sup>	
Short Term	ST-2
Long Term	AA

*Note: The Company is availing funded and non-funded facilities from Al-Arafah Islami Bank Limited. (VIP Road Branch, Dhaka), Shimanto Bank Limited (Corporate Head Office), Community Bank Limited (Corporate Branch), Bengal Commercial Bank Limited (Dilkusha Islami Banking Branch), Dhaka Bank Limited (Banani Branch), IPDC Finance Limited (Head Office) and IDLC Finance Limited (Gulshan Branch)*

*aBLR is valid for one year for long term loan and for short term loan up to 365 days or according to the tenure of the loan whichever is earlier.*

**RATING BASIS**

Ratings are based on three years **Audited** Financial Statements up to **June 30, 2022** along with the other relevant Quantitative as well as Qualitative information provided by the Client & Bank up to the Date of Rating Declaration. NCR has followed Corporate Rating Methodology and Bank Loan Rating Methodology of NCR published in our website.

**RATING DEFINITION**

**AA (Double A)** rating indicates Very Strong Credit Quality.

**ST-2** rating indicates Above Average Ability to Meet Short Term Financial Commitments.

**DEFINITION OF OUTLOOK**

**Stable** indicates that rating may remain unchanged as existing fundamentals may remain unchanged in near future.

**Md. Nurul Hoque**  
Deputy Managing Director  
National Credit Ratings Ltd

**RATING RATIONALE**

NCR has reassigned the ratings of Navana Pharmaceuticals Limited after duly analyzing the financial as well as non-financial parameters of the company. The ratings have been supported by satisfactory business performance represented by large volume of operation & strong ability to utilize the capacity, use of modern machineries & technologies, favorable industry prospect, diversified supplier and customer base, experienced management team, diversified product line along with expert research and development team, owned manufacturing unit and serving the local as well as international market. Moreover, satisfactory compliance issues such as GMP license, drug license, sufficient fire safety equipment & precautionary activities, providing regular training to the employees and workers and environment friendly manufacturing unit have been taken into account while assigning the ratings. Numerically, the ratings have been supported by good financial profile epitomized by growth in turnover, asset base & EBITDA, improvement in bottom line profit margin, high debt absorption capacity, positive cash flow from operations, notable export performance, transparent banking performance and moderately levered capital structure of the company. The ratings are, however, constrained to some extent by inadequate liquidity and coverage position, negative working capital, position and below standard asset utilization capacity. Moreover, excessive price hike of raw materials in the international market, high exchange rate fluctuation and global economic devastation were also taken into consideration while assigning the ratings.

The Bank Loan Ratings (BLR) have been assigned considering the factors like utilization of credit facilities, security coverage & the recovery prospects besides the concern's potential strength to meet financial obligations, originated from currently availing facilities, besides the proprietors' strength to meet financial obligations in adverse situation of the concern.

**RATING OUTLOOK**

NCR, taking the historical business performance, socio-economic aspects, industry growth potential in the regional area and the concern's ability to tap the opportunity and its reflection on forthcoming years' turnover, profitability, liquidity parameters and external obligation meeting capacity into consideration, judges the outlook of the concern to be "Stable" as the concern may be able to retain its existing fundamentals which will favor to reaffirm the rating in foreseeable future.



**1.0 BUSINESS OVERVIEW**

**1.1** Navana Pharmaceuticals Limited (hereinafter referred as ‘NPL’ or The Company) was first incorporated as a Private Limited Company on March 31, 1986 under the Company Act of 1913 which was later replaced by the Companies Act 1994. Later on December 30, 2021 the company has been transformed to Public Limited Company and has been listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on October 11 and October 12, 2022 respectively. Authorized capital of the company is TK 2,000.00 million divided by 200.00 million ordinary shares whereas the paid up capital stood at 1,073.79 million divided by 107.38 million outstanding shares as on October 31, 2022. The company operates under the drug license from Directorate General of Drug Administration.

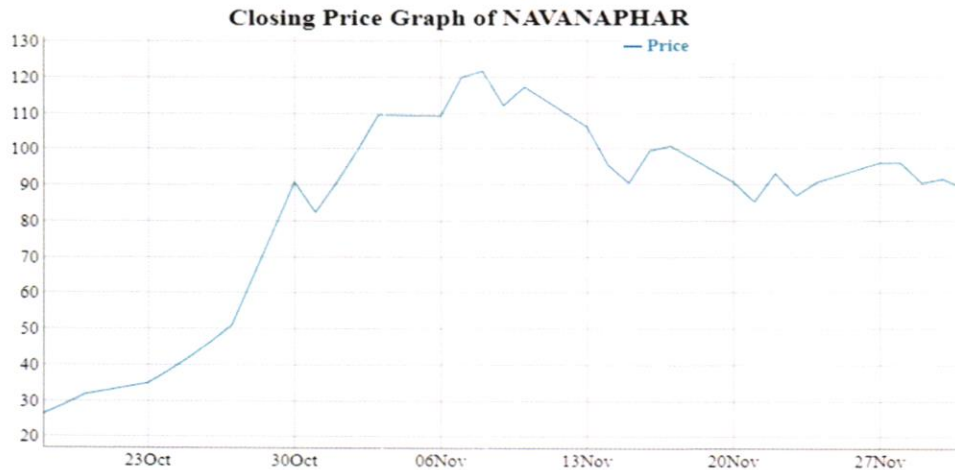
**1.2** Navana Pharmaceuticals Limited produces both human and animal drugs comprising Tablet, Syrup, Powder, Cream, Oral Solution, Capsule, Gel, Ointment, Drops, and Suppository of various trade names. Some of NPL’s products are exported to different countries like Myanmar, Vietnam, Sri Lanka, Cambodia, Togo and Georgia. The current production capacity of the company is follows:

Dosage Form	UOM	Utilization	2021-22	
			Installed Capacity	Actual Production
			Yearly	Yearly
Tablet, Capsule, Syrup, Bolus	Pcs.	95%	580,343,048	549,370,220
Liquid, PFS, Oral Solution	Pcs.	53%	5,858,751	3,077,637
Powder	Pcs.	83%	4,399,701	3,656,538
Nasal Drops, Nasal Spray, Eye Drops	Dropper	95%	6,736,858	6,292,191
Ointment, Cream	Vial	21%	205,574	42,871
Injection	Bottle	90%	2,931,298	2,635,416
Total			<b>600,475,630</b>	<b>565,074,873</b>

**1.3** Veterinary Division of NPL started operation in the year 2002. The division produces various range of Animal Health Products which includes Poultry, Large Animal and Aqua. These products are sold in the local market. The division is working as international partner of following companies: Montajat Pharmaceuticals Co. Ltd. (Saudi Arabia), Meriden Animal Health (UK), LAPROVET (France), Novus International Pte. Ltd. (Singapore), Polymix B. V. (Holland), Anpario PLC (UK), BASF (Germany), Zoetis (India), AJINOMOTO (China).

**1.4** Corporate office of the company is located at House 99, Road 4, Block B, Banani Dhaka -1213, while the manufacturing plant is established at Rupshi, Rupganj, Narayanganj on 834.00 decimals own land constructed as per standard of WHO-cGMP, clean room technology, segregate air-handling system and safe engineering technology.

**1.5** Shares of the company are traded under “N” category in both the stock exchange. Face value of each share is TK 10.00. The next Annual General Meeting of the company will held in December 22, 2022. The Board of Directors has recommended 11.00% Cash Dividend for the year ended June 30, 2022. The Company has also reported Consolidated EPS is Tk. 3.42, NAV per share is Tk. 43.41 and NOCFPS of Tk. is Tk. 2.48 for the year ended on June 30, 2022 as against EPS Tk. 2.52, NAV per share Tk. 41.19 and NOCFPS of Tk. 1.52 respectively for the same period of the previous year. The adjacent graph reveals the closing price of NPL’s stock at DSE over a period of last one year:

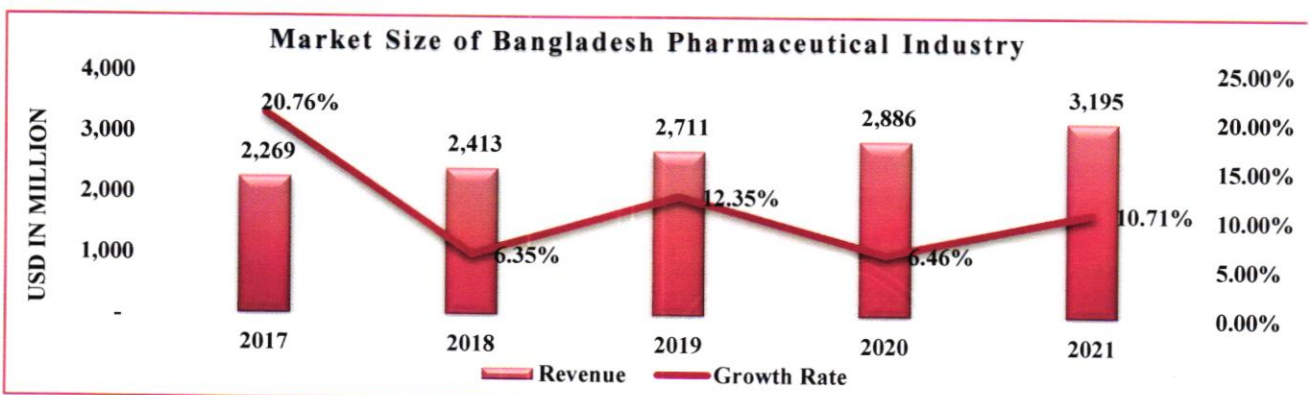


**2.0 INDUSTRY RISK ANALYSIS**

**2.1** Pharmaceutical is one of the most flourishing and promising sectors of Bangladesh. Since the promulgation of drug control ordinance in 1982, the sector has been booming. In the last five years (2017 to 2021), the sector has grown at a CAGR of 7.08 percent. Currently, the size of the industry is USD 3.20 billion and expected to be USD 6.00 billion by 2025. Brief overview of pharmaceutical industry along with market size and growth trend is given below:

Particulars	Details
Current Market Size	USD 3,195 million
CAGR of Market Size (2017 to 2021)	7.08%
Local Demand Met by the Industry	98% (Approx.)
GDP Contribution	1.83%
Total Export (FY 2021-22)	USD 188.78 million
Contribution to Total Export (FY 2021-22)	0.36%
CAGR of Export (FY 2017-18 to FY 2021-22)	12.78%
No. of Allopathic Manufacturers	289
No. of Registered Drugs (Allopathic)	32,558
No. of Unani Manufacturers	285
No. of Registered Drugs (Unani)	7,841
No. of Ayurvedic Manufacturers	203
No. of Registered Drugs (Ayurvedic)	4,678
No. of Herbal Manufacturers	37
No. of Registered Drugs (Herbal)	732

Source: Bangladesh Association of Pharmaceutical Industry (BAPI), Directorate General of Drug Administration (DGDA), Export Promotion Bureau (EPB), EBL Securities Ltd. (EBLSL)

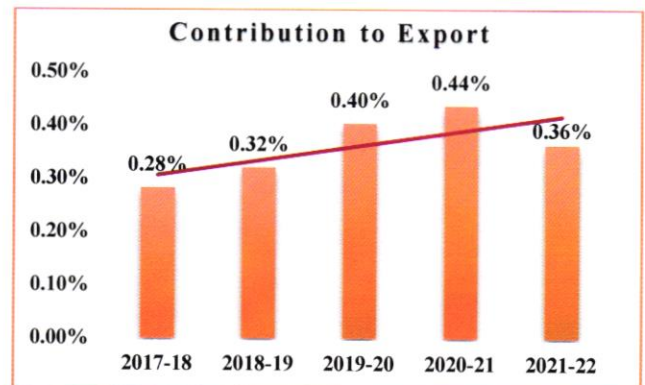
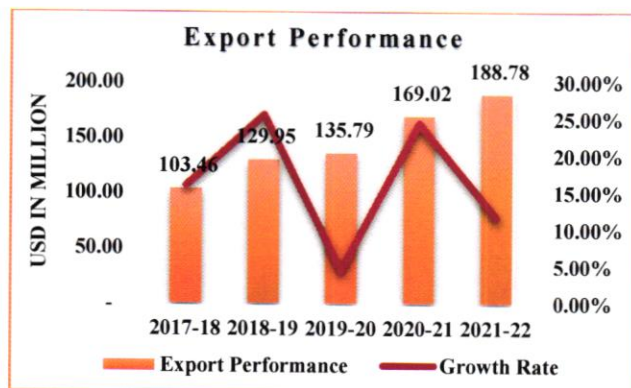


Source: Bangladesh Association of Pharmaceutical Industry (BAPI)



**2.2** Increased per capita income, health consciousness among people, unconditional tax holiday to all APIs and laboratory reagents producers, waivers on Advance Income Tax (AIT) and Tax Deducted at Source (TDS), waivers on VAT, 20% cash incentive for producers who add at least 20% value, 12-year tenure of term loans for factories and equipment, priority in getting land at the industrial parks and economic zones are the impetuses which have been helping the pharmaceutical industry to have such growth. Currently, the industry can meet 98 percent of local demand. Remaining 2 percent imported drugs are mainly vaccines, anti-cancer products and hormone drugs. 80% of the drugs produced in Bangladesh are generic drugs, rest 20% are patented drugs. Local manufacturers capture 90 percent of the market whereas the remaining 10 percent is captured by the multinational companies.

**2.3** Bangladesh signed Trade-Related Aspects of Intellectual Property Rights (TRIPS) in 1995 with the World Trade Organization (WTO). Under this agreement, Least Developed Countries (LDCs) get the benefit of manufacturing or reverse-engineering patented medicines as well as reducing costs. After the third extension of validity of the agreement, Bangladesh can now manufacture patented medicines till 2033. This facility is also one of the major reasons behind the growth of the pharmaceutical industry of the country. Along with meeting the local demand, the industry is also contributing to export earnings. Bangladesh now exports pharmaceutical items to around 144 countries. The country mainly exports generic medicines. 5 to 7 companies of the country got approval from top regulatory bodies around the world and the industry hopes to occupy 10 percent of the global generic medicine market. In the supply side, 95 percent of all Advanced Pharmaceutical Ingredients (API), most important material for pharmaceutical formulation, are imported mainly from China, South Korea and India. According to Bangladesh Investment Development Authority (BIDA), the country imports approximately USD 600 million of API in FY 2018-19. At present, 26 of API producers of the country produce around 40 API molecules. Reduction of dependency on imports of API is essential for cost minimization and achievement of self-sufficiency. An API Park is being constructed in Munshiganj with a view to reducing import dependency to 80 percent by 2032.

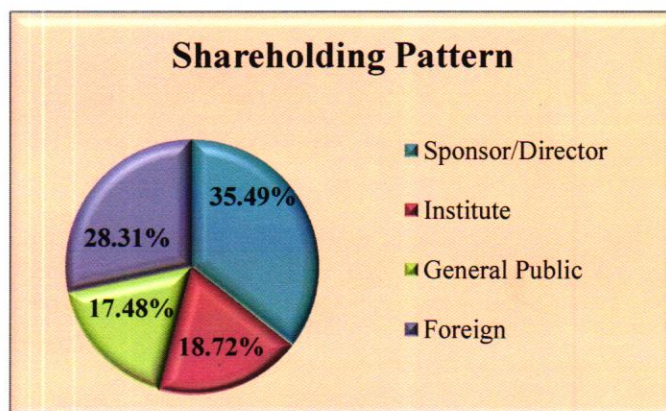


Source: Export Promotion Bureau (EPB)

Pharmaceutical industry has the potential to be the next multi-billion-dollar industry of Bangladesh and the country is on the right track. From favorable policy support to TRIPS agreement, everything is pushing the industry forward. However, the country is in the way to be graduated to a developing country from least developed country. The facility of TRIPS agreement may not be available after the graduation. So, the country must focus on research and development to produce more patented drugs. Investment in the education sector to produce qualified and technical personnel for the industry should be increased to support the growing industry. Besides, development of backward industry is another important issue to fuel the expanding industry.

**3.0 BUSINESS RISK****3.1 OWNERSHIP STRUCTURE**

The major portion of the shares is held by sponsors (35.49%) of the company and rest portions of the shares are held by general public (17.48%) Foreign (28.31%) & institutions (18.72%) as on October 31, 2022. The distribution of share of Navana Pharmaceuticals Limited is depicted in the adjacent graph:



The organizational structure of the company is divided into six functional divisions, namely: (1) Factory (2) Finance & Accounts Department (3) Sales & Marketing Department (4) Distribution Department (5) Administration & IT Department (6) Commercial & Purchase Department, 7) Secretarial Department. All the divisions are supervised by the Professor. Dr. Md. Jonaid Shafiq, Managing Director of the company. The heads of the divisions have the capability to promote and run the business smoothly. NPL offers good compensation packages to its employees including festival bonus and efficiency bonus etc. At present, there are 2,925 officers and workers employed in the factory, office and filed level. The details of the key professionals of the management team are given below:

Name	Designation	Department	Qualification	Experience (In years)
Professor. Dr. Md. Jonaid Shafiq	Managing Director	-	PhD, MBBS	37
Mr. Javed Kaiser Ally	Director Finance	Finance & Accounts	MBA	20
Dr. Sayeed Ahmed	Director Sales and Marketing	Marketing, Sales	MBBS	20
Mr. Shamim Rabbani	Director Operations	Administration	M. Pharm	36
Mr. Md. Abu Hurayra FCA	Chief Financial Officer	Finance & Accounts	M.Com, FCA	21
Mr. Joynul Abedin ACS	Company Secretary	Company Secretariat	M.A, ACS	16
Mr. Shafayet Hossain Molla	Head of Internal Control & Compliance	Finance & Accounts	EMBA, CA partly qualified	13
Mr. Sayed Hossain Patwary	Sr. General Manager, Commercial & Regulatory	Commercial	M. Pharm , MBA	25
Mr. Mustafa Khalid Shams	Sr. General Manager, Plant	Factory Administration	M. Pharm	36
Md. Md. Shaheenur Rahman	General Manager	Sales-HHD	B.Sc	31
Mr. Mohammad Rezaul Karim	General Manager	Sales-HHD	M.Sc	23
Mr. Mohammed Golam Sorwar Chowdhury	Deputy General Manager, QA	Quality Assurance-HHD	M.Sc	22
Mr. Akhter Hossain Mullah	Asst. General Manager, Distribution	Distribution	B.Sc	38
Ms. Shahana Shilpi	Asst. General Manager	Quality Assurance-HHD	M.Sc	22
Mr. Syed Naimul Hassan Chowdhury	Asst. General Manager, SBMD	Strategic Brand Management Department (HHD)	M.Sc, MBA	15
Mr. Malay Kumar Dey	Sr. Manager, MIS	Information Technology (IT)	PGD (CSE)	16
Mr. Atique Dewan Haque	Manager, HR & Admin	Human Resources & Admin	MBA, M.Com	15
Mr. Mohammad Shahid Hossain	Sales Manager	Sales-VET	MS	18
Mr. Manik Chandra Paul	Manager, SBMD (VET)	Strategic Brand Management Department (VET)	MS	17
Ms. Ayesha Zaman	Sr. Manager, PD	Product Development	MBA	17
Mr. Ashim Kumar Adhikary	Sr. Manager, PD	Product Development	M.Sc	22
Mr. Md. Arshadul Hoque Chowdhury	Manager	ER & Admin.	MBA	23
Mr. Sanjoy Banik	Manager	Engineering	MBA	24

Mr. Dewan Jamal Abu Naser	Manager, VAT	VAT	MA	38
Mr. Md. Raqibul Islam	Manager	Warehouse RM & PM-HHD	M.Sc	21
Mr. Md. Mostafizur Rahman	Manager, Quality Control	Quality Control	M. Pharm	19

**3.3.1** The company has Product Development and Quality Control departments which are responsible to comply with the guidelines of Current Good Manufacturing Practice (cGMP) and requirements of ISO-9001:2000 Quality Management System (QMS). The brief profile of the personnel of Product Development Department and Quality Control Department is depicted in the table below:

Name	Designation	Department	Educational Qualification	Experience (In years)
Mr. Mohammed Golam Sorwar Chowdhury	Deputy General Manager, QA	Quality Assurance	M.Sc, in Chemistry	21
Ms. Shahana Shilpi	Assistant General Manager, Quality Control	Quality Control	M.Sc, in Chemistry	22
Mr. Ashim Kumar Adhikary	Sr. Manager, Product Development	Product Development	M.Sc, in Chemistry	23
Ms. Ayesha Zaman	Sr. Manager, Product Development	Product Development	M.B.A M. Pharm,	18
Mr. Md. Nazim Uddollah	Assistant Manager, Product Development	Product Development	M.Sc, in Chemistry	25
Mr. Md. Mostafizur Rahman	Manager, Quality Control	Quality Control	M. Pharm B Pharm	20
Mr. Md. Tubarak Hossain	Deputy Manager, Quality Assurance	Quality Assurance	M.Sc, in Chemistry	12
Mr. Sayeed Ahmed	Assistant Manager, Quality Control	Quality Control	M.Sc, in Chemistry	13
Mr. Md. Shahadath Hossain Bhuiyan	Deputy Manager, Quality Control	Quality Control	M.B.A. M.Sc, in Chemistry	30
Mr. Utpal Banik	Assistant Manager, Quality Control	Quality Control	M.Sc, in Chemistry	23

### 3.4 OPERATIONAL RISKS

The company is exposed to other risks associated with the operation. The operational risks are:

### 3.5 INTERNAL CONTROL SYSTEM

NPL offers good compensation packages to its employees including festival bonus, production bonus, medical expense, maternity benefits, holiday allowance, tiffin bills etc. With the motivation and support of their executives and workers, they look forward to attain sustainable growth. The company has written HR policy for the employees. The company abides by the labor law 2006 and actively encourages employee involvement in company's business through various types of benefits. According to the HR Policy they provide Health care facilities (first aid facilities, In House Medical treatment, Outside medical Treatment including emergency ambulance service), Maternity facilities (Maternity Treatments, Maternity awareness Program, and Maternity leave) and Group Insurance Facility. Moreover, the company also abides by self-designed as well as international standard policies like Discrimination Policy Health & Safety Policy, Wastage policy, Child-Care Policy, Harassment & Abuse Policy, Canteen Management Policy, Grievance policy Anti-Forced Labor Policy, Child Labor Policy, Career Development Policy, Environmental Safety Policy, Leave Policy & Maternity Facility, Working Hour & Over Time Policy, Remediation of Child labor Policy, Anti-Corruption and Anti-Bribery Policy for maintaining an excellent working environment ensuring human, workers and employee right.

**3.5.1 COMPLIANCE AND QUALITY ISSUES**

The company complies with all legal and compliance requirements for producing best quality product under good manufacturing practices. Trade license, environmental clearance, fire license, drug license, eGMP license all are up to date. Moreover, NPL has a detailed Quality Control Policy complying with International Standard requirements of ISO 9001:2000 through continually developed Human Resource. The company is committed to comply with WHO cGMP standard and follow local drug regulatory norms in every phase of product development, manufacturing, quality assurance and distribution of medicine

**3.5.2 INFRASTRUCTURAL RISK**

The company has sufficient number of machineries to start its manufacturing unit. The company has a well-equipped quality control department with branded machinery. Stringent quality control measures are adopted to make sure consistent fine quality products are manufactured. The concern has 64 private cars, 07 microbus and 62 covered vans to smoothen the transportation purpose. The factory premise of NPL has 01 main entry and exits points. NPL has required fire equipment's to take appropriate measures against fire exposure i.e. central fire hydrant system, PA system, fire door, gas musk etc.

**3.5.3 UTILITY RISK**

The company meets its electricity requirements from REB (Narayanganj Palli Bidyut Samity) & uses 04 diesel generators with total capacity of 2375 KVA to support the backup power requirement.

**3.5.4 ENVIRONMENTAL RISK**

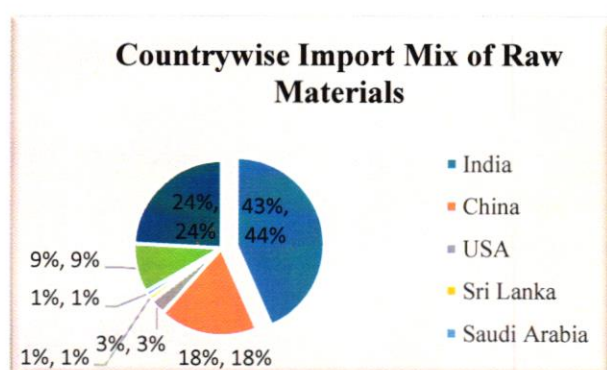
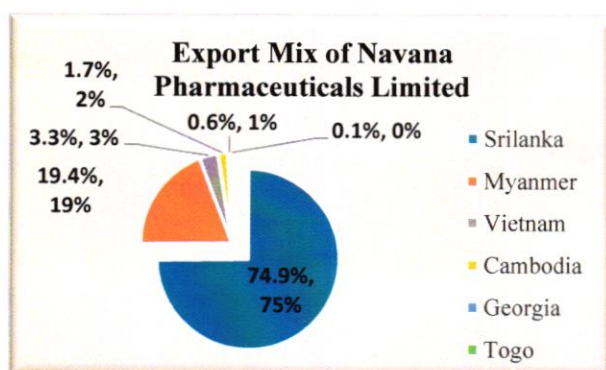
To ensure pollution free environment the company has setup 01 effluent treatment plant 10,000 liter per day and 02 Water Treatment Plant with total capacity of 3,000 liter per hour.

**3.5.5 INFORMATION TECHNOLOGY**

NPL uses advanced Information Technology for MIS reporting. The company exercises ERP system. In addition the company uses manual system for handling procurement, production, inventory management and the other activities.

**3.5.6 PROCUREMENT AND SALES RISK**

The company sources raw materials from the local and international markets. The major sourcing countries are India, China, USA, Sri Lanka, SE Asia, and Europe. Again, NPL is exporting to five major countries besides serving the local market. Export and import composition to different countries are presented in the graph below:

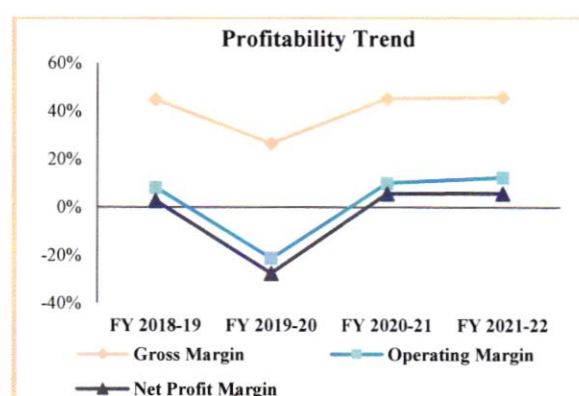
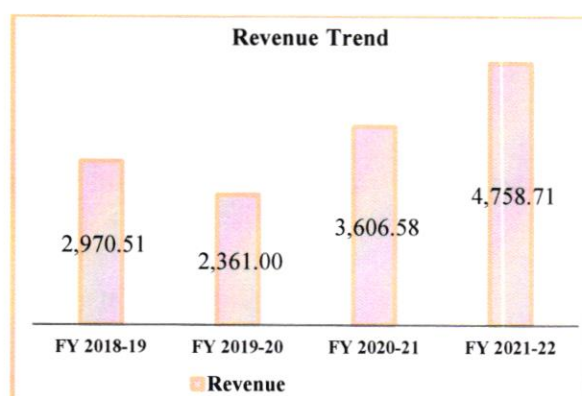


### 3.6 QUANTITATIVE ANALYSIS

Particulars	FY 2021-22	FY 2020-21
Turnover (TK in Million)	4,758.71	3,606.58
Turnover Growth (%)	31.95	52.76
Cost To Revenue Ratio (%)	54.35	54.89
Gross Margin (%)	45.65	45.11
Operating Margin (%)	12.38	10.08
Net Profit Margin (%)	5.76	5.61
ROA (%)	4.46	4.19
ROE (%)	8.07	6.32

**3.6.1** Financial analysis is based on Audited Financial statement up to June 30, 2022 audited by MABS & J Partners. Over the last few years the turnover of the company is enjoying increasing trend and reached to the highest in FY 2021-22. Turnover increased to TK 4,758.71 million in FY 2021-22 against 3,606.58 million in the earlier year.

**3.6.2** Profitability parameters of the company was increasing over the last few years of operation. The net profit margin increased to 5.76% in FY 2021-22 against 5.61% in FY 2020-2021. Although asset turnover ratio was found weak but it has been improving during current financial year.



### 4.0 FINANCIAL RISKS

Particulars	FY 2021-22	FY 2020-21
EBITDA	705.70	451.97
Current Ratio (x)	0.85	1.15
DSCR(x)	0.40	1.47
Debt payback periods (Years)	4.02	3.23
Cash Cycle (Days)	78.02	101.52
Net Debt (Net Debt + Equity) (%)	44.89	30.63
Total Asset (TK in Million)	7,084.10	5,199.21

**4.1** Debt service coverage ratio (DSCR) of the company was registered 0.40 times in FY 2021-22 against 1.47 times in the previous year. The prime liquidity indicator, current ratio, followed the same recording 0.85 times from 1.15 times accordingly.

**4.2** Cash cycle of the company improved and recorded to 79 days in FY 2021-22 from 102 days in FY 2020-21 depicting improved efficiency of the company in the management of debtors and inventory. Working capital of the NPL was recorded TK (499.26) million in FY 2021-22 against TK 237.08 million in FY 2020-21.