

**CREDIT RATING REPORT  
ON  
NAVANA PHARMACEUTICALS PLC**

## RATING REPORT CONTENTS

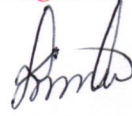
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**[FORM-IX]  
[Rule 10(8) A(g)]**

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**Kishor Mitra**  
Chief Rating Officer (CRO)  
National Credit Ratings Ltd.

**EXECUTIVE SUMMERY**  
**ELEVENTH (11<sup>TH</sup>) SURVEILLANCE RATINGS OF**  
**NAVANA PHARMACEUTICALS PLC**

<b>Declaration Date</b>	<b>02.12.2024</b>	<b>17.12.2023</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>01.12.2025</b>	<b>16.12.2024</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 PLC (VIP Road Branch), Dhaka Bank PLC (Banani Branch) Shimanto Bank PLC (Corporate Head Office) Community Bank Bangladesh PLC (Head Office), Bengal Commercial Bank PLC (Dilkusha Islami Banking Branch), Standard Chartered Bank Limited (Gulshan Branch), Prime Bank PLC (Gulshan Branch), City Bank PLC. (Head Office), IPDC Finance PLC (Head Office, Dhaka), and IDLC Finance PLC (Gulshan Branch)*

*<sup>a</sup>BLR 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**

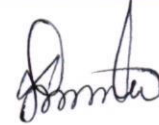
<b>Particulars</b>	<b>FY 2023-24</b>	<b>FY 2022-23</b>
Total Assets (TK in Million)	11,303.70	9,589.74
Total Equity (TK in Million)	4,561.10	4,372.45
Net Revenue (TK in Million)	6,898.22	5,706.16
Net Profit (TK in Million)	404.63	356.95
Operating Margin (%)	14.75	13.05
Net Profit Margin (%)	5.87	6.26
EBITDA (TK in Million)	1,178.65	834.63
ROA (%)	3.87	4.28
ROE (%)	9.06	9.09
Current Ratio (X)	0.87	0.99
DSCR (X)	2.09	2.90
Debt to Total Capital (%)	54.10	49.75

**STRENGTHS**

- Experience of the promoters in the related business
- Owned manufacturing unit with adequate production capacity
- Satisfactory turnover, profitability, asset base & EBITDA
- Sound banking transaction
- Notable export performance
- Rich Research & Development wing

**CHALLENGES**

- Ensuring best quality products with highest customer satisfaction
- Reducing dependency on external financing
- Improving liquidity position
- Improving asset utilization capacity
- Minimizing exchange rate risk



**Kishor Mitra**  
Chief Rating Officer (CRO)  
National Credit Ratings Ltd.

Declaration Date	02.12.2024
Long Term Entity Rating	AA (Double A)
Short Term Entity Rating	ST-2
Outlook	Stable
Expiry Date	01.12.2025

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 PLC (VIP Road Branch), Dhaka Bank PLC (Banani Branch) Shimanto Bank PLC (Corporate Head Office) Community Bank Bangladesh PLC (Head Office), Bengal Commercial Bank PLC (Dilkusha Islami Banking Branch), Standard Chartered Bank Limited (Gulshan Branch), Prime Bank PLC (Gulshan Branch), City Bank PLC. (Head Office), IPDC Finance PLC (Head Office, Dhaka), and IDLC Finance PLC (Gulshan Branch)*

*<sup>a</sup>BLR 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 six years’ **audited** financial statements up to **June 30, 2024** 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 and Bank Loan Rating Methodology published in its 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.



**Kishor Mitra**  
Chief Rating Officer (CRO)  
National Credit Ratings Ltd.

**RATING RATIONALE**

Navana Pharmaceuticals PLC has been awarded with the above mentioned ratings in short term and long term with stable outlook. While assigning the ratings, the rating committee has considered both financial and non-financial parameters to measure the efficiency, performance, financial soundness and future prospects of the company. Moreover, the ratings have also highlighted qualified BoD, adequate experience of the promoters, skilled management team, strong presence of the company in competitive market along with existing rich customer base around the globe. Moreover, increased turnover, satisfactory EPS, appreciable ROA & ROE along with increased total asset base have also been considered duly by the rating committee while assigning the surveillance ratings of the company.

Despite having some affirmative factors, inadequate liquidity position, excessive financial obligations indicated, negative working capital management and weak asset utilization capacity have confined the ratings of the company. Moreover, undesirable volatility in foreign exchange rate, ongoing armed conflict between Russia & Ukraine causing high price hike of raw materials in the international market along with the possibility of increasing cost due to obligation to retain the compliance issues have also been taken into account during 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, coverage indicators, 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 PLC (hereinafter referred as ‘NPPLC’ 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 and the paid up capital stood at 1,074.16 million as on 30 June, 2024. The company operates under the drug license from Directorate General of Drug Administration.

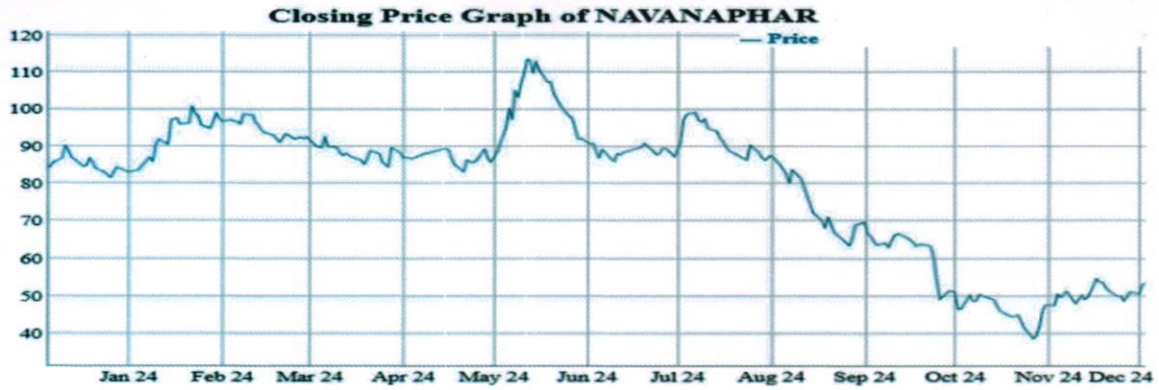
**1.2** Navana Pharmaceuticals PLC. produces both human and animal drugs comprising Tablet, Syrup, Powder, Cream, Oral Solution, Capsule, Gel, Ointment, Drops, and Suppository of various trade names. Some of NPPLC’s products are exported to different countries like Myanmar, Vietnam, Sri Lanka, Cambodia,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

Dosage Form	UOM	Utilization	Installed Capacity	Actual Production
			Yearly	Yearly
Tablet, Capsule, Syrup, Bolus	Pcs.	98%	18,219,978	17,775,311
Liquid, PFS, Oral Solution	Bottle	53%	5,858,751	3,077,637
Powder	Container/Sachet	88%	6,289,701	5,546,538
Nasal Drops, Nasal Spray, Eye Drops	Dropper	95%	582,023,048	551,050,220
Ointment, Cream	tube	21%	205,974	42,871
Injection	Vial	90%	3,051,298	2,755,416
<b>Total</b>			<b>615,648,750</b>	<b>580,247,993</b>

**1.3** Veterinary Division of NPPLC started operation in the year 2002. The division produces various range of Veterinary 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: LAPROVET (France), Novus International Pte. Ltd. (USA), Polymix B. V. (Holland), Anpario PLC (UK), BASF (Germany), AJINOMOTO (China), CJBIO (Korea), ew nutrition (Germany), Morningbio (Korea), Alphatech (France), Zenex (India), Tech Agro (Greece), Sanzyme (India), Bewital Agni (Germany).

**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 1071, 1073, North Rupshi, Tarabo Municipality, 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 “A” category in both the stock exchange. Face value of each share is TK 10.00. Last Annual General Meeting of the company held on December 28, 2023 and upcoming Annual General Meeting will be held on December 31, 2024. The Board has recommended 14.00% Cash Dividend only general shareholders for the year ended June 30, 2024. The Company has also reported EPS is TK 3.77, NAV per share is TK 42.46 and NOCFPS of TK is TK 6.58 for the year ended on June 30, 2024 against EPS TK 3.59, NAV per share TK 40.71 and NOCFPS of TK 1.80 respectively for the same period of the previous year. The following graph reveals the closing price of NPPLC’s stock at DSE over a period of last one year:

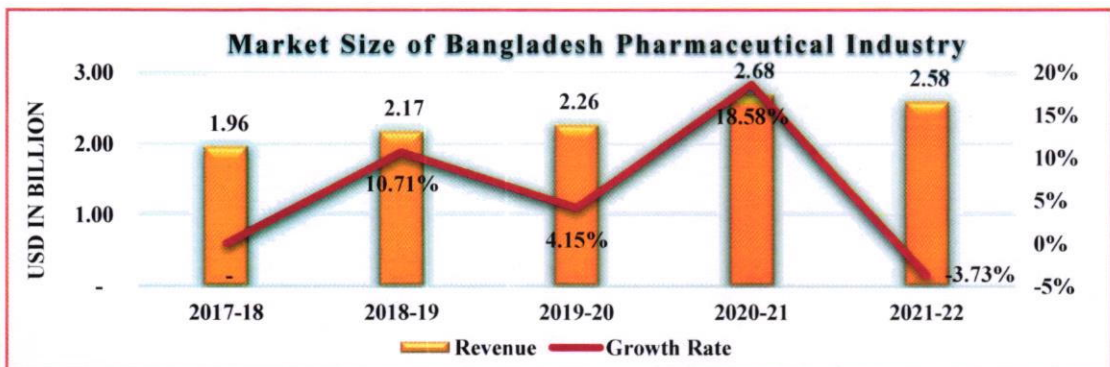


**2.0 INDUSTRY RISK ANALYSIS**

**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 (2017-18 to 2021-22), the sector has grown at a CAGR of 5.65 percent. Currently, the size of the industry is USD 2.58 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
Market Size (2021-22)	USD 2.58 billion
CAGR of Market Size (2017-18 to 2021-22)	5.65%
Local Demand Met by the Industry	98% (Approx.)
GDP Contribution	1.83%
Export (FY 2022-23)	USD 175.42 million
Contribution to Total Export (FY 2022-23)	0.32%
CAGR of Export (FY 2018-19 to FY 2022-23)	6.18%
No. of Allopathic Manufacturers	302
No. of Registered Drugs (Allopathic)	34,690
No. of Unani Manufacturers	285
No. of Registered Drugs (Unani)	8,181
No. of Ayurvedic Manufacturers	205
No. of Registered Drugs (Ayurvedic)	4,962
No. of Herbal Manufacturers	39
No. of Registered Drugs (Herbal)	838

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

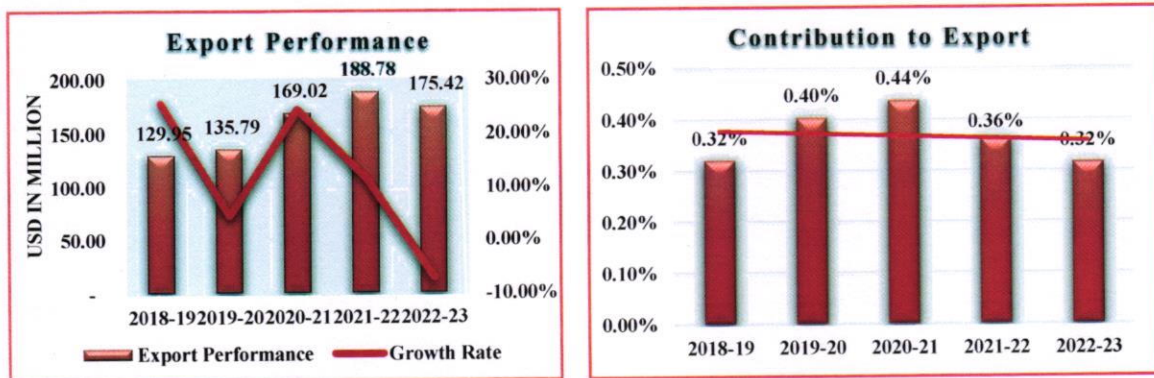


Source: Journal of Pharmaceutical Negative Results



**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 more than 150 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 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)

**2.4** 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.