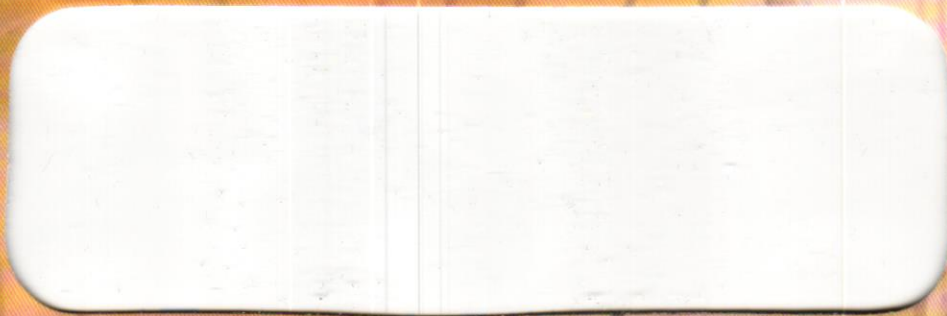




Report



**ncr**

**National Credit Ratings Ltd.**

**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 and COO  
National Credit Ratings Ltd.

**EXECUTIVE SUMMERY**  
**10<sup>th</sup> SURVEILLANCE RATING OF**  
**NAVANA PHARMACEUTICALS LIMITED**

<b>Declaration Date</b>	<b>17.12.2023</b>	<b>01.08.2023</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>16.12.2024</b>	<b>31.07.2024</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 Limited (VIP Road Branch), Dhaka Bank Limited (Banani Branch) Shimanto Bank Limited (Corporate Head Office) Community Bank Limited (Head Office), Bengal Commercial Bank Limited (Dilkusha Islami Banking Branch), Standard Chartered Bank Limited (Gulshan Branch), Prime Bank Limited (Gulshan Branch), IPDC Finance Limited (Head Office, Dhaka), and IDLC Finance Limited (Gulshan Branch) Chartard Bank Limited (Gulshan Branch), IPDC Finance Limited (Head Office, Dhaka), and IDLC Finance Limited (Head Office, Dhaka).*

<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 2022-23</b>	<b>FY 2021-22</b>
Total Assets (TK in Million)	9,589.74	7,084.10
Total Equity (TK in Million)	4,372.45	3,483.05
Net Revenue (TK in Million)	5,706.16	4,758.71
Net Profit (TK in Million)	356.95	274.00
Operating Margin (%)	13.05	12.38
Net Profit Margin (%)	6.26	5.76
EBITDA (TK in Million)	834.63	705.70
ROA (%)	4.28	4.46
ROE (%)	9.09	8.07
Current Ratio (X)	0.99	0.88
Debt Service Coverage Ratio - DSCR (X)	2.90	2.74
Debt to Total Capital (%)	49.75	45.46

**STRENGTHS**

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

**CHALLENGES**

- Ensuring best quality products with highest customer satisfaction
- Reducing dependency on external financing
- High global and local market competition
- Improving asset utilization capacity and liquidity
- Rising inflation
- Timely servicing of financial obligations

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

<b>Declaration Date</b>	<b>17.12.2023</b>
<b>Long Term Entity Rating</b>	<b>AA (Double A)</b>
<b>Short Term Entity Rating</b>	<b>ST-2</b>
<b>Outlook</b>	<b>Stable</b>
<b>Expiry Date</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 Limited (VIP Road Branch), Dhaka Bank Limited (Banani Branch) Shimanto Bank Limited (Corporate Head Office) Community Bank Limited (Head Office), Bengal Commercial Bank Limited (Dilkusha Islami Banking Branch), Standard Chartered Bank Limited (Gulshan Branch), Prime Bank Limited (Gulshan Branch), IPDC Finance Limited (Head Office, Dhaka), and IDLC Finance Limited (Gulshan Branch) Standard Chartered Bank Limited (Gulshan Branch), IPDC Finance Limited (Head Office, Dhaka), and IDLC Finance Limited (Head Office, Dhaka).*

*<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, 2023** along with the other relevant Quantitative as well as Qualitative information provided by the Client & Bank up to the Date of Rating Declaration. Followed Corporate Rating Methodology and Bank Loan Rating Methodology of NCR 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.

**Md. Nurul Hoque**  
Deputy Managing Director and COO  
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 scale 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, and positive cash flow from operations, moderate export performance, transparent banking performance and moderately levered capital structure of the company.

The ratings are, however, constrained to some extent by weak liquidity position, excessive financial obligations indicated by an increase in debt, and a weak asset utilization capacity. Moreover, high 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 1,074.16 million as on 30 June, 2023. 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	2022-2023	
			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
Total			<b>615,648,750</b>	<b>580,247,993</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 "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 22, 2022 and upcoming Annual General Meeting will be held on December 28, 2023. The Board has recommended 13.00% Cash Dividend for the year ended June 30, 2023. The Company has also reported EPS is TK 3.59, NAV per share is TK 40.71 and NOCFPS of TK is TK 1.80 for the year ended on June 30, 2023 against EPS TK 3.42, NAV per share TK 43.41 and NOCFPS of TK 2.48 respectively for the same period of the previous year. The following graph reveals the closing price of NPL's stock at DSE over a period of last one year:



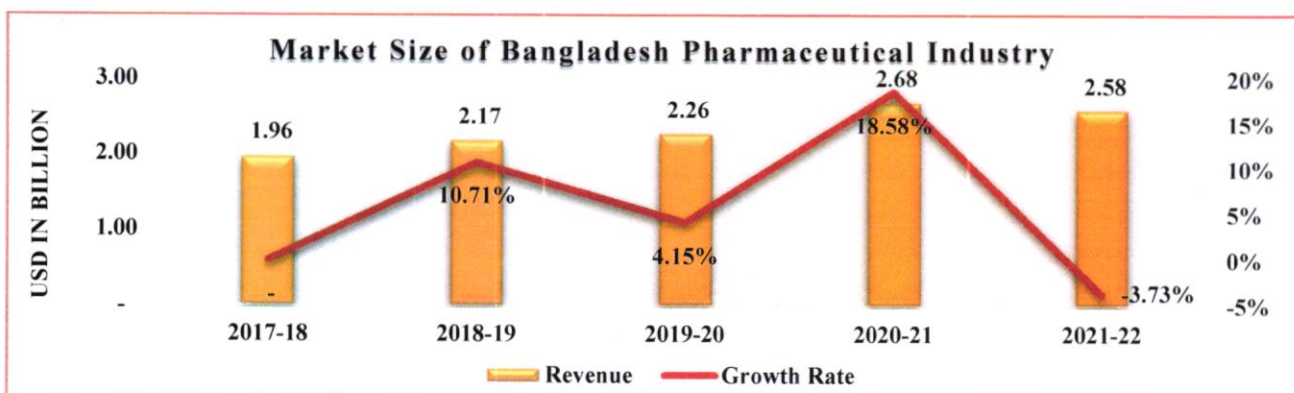


**2.0 INDUSTRY RISK ANALYSIS**

**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 (2017-18 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

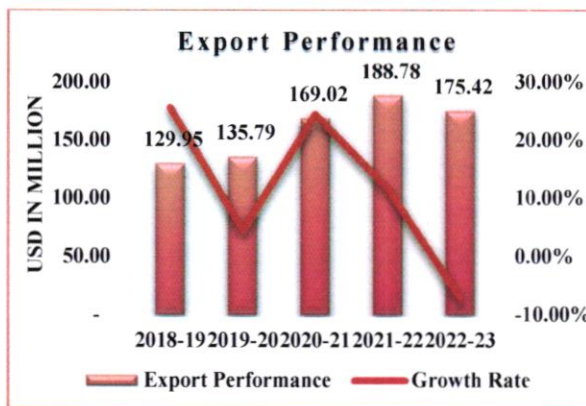
Source: Bangladesh Association of Pharmaceutical Industry (BAPI), Directorate General of Drug Administration (DGDA), Export Promotion Bureau (EPB), EBL Securities Ltd. (EBLSL), Journal of Pharmaceutical Negative Results



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.



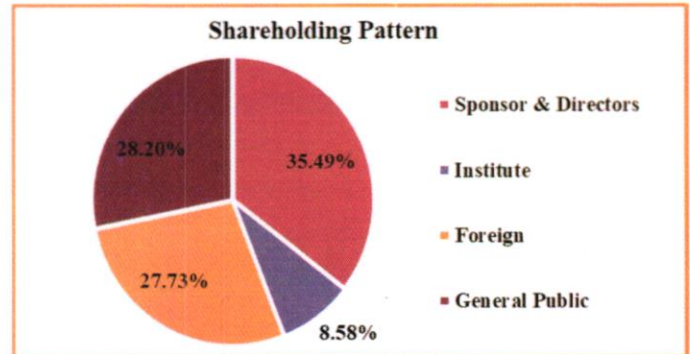
Source: Export Promotion Bureau (EPB)

**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.

### 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 outstanding shares is held by general public (28.20%), Foreign (27.73%) & institutions (8.58%) as on October 31, 2023. The distribution of share of Navana Pharmaceuticals Limited is depicted in the adjacent graph:



3.3.3 As on June 30, 2023, there are 3,200 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
Professor. Dr. Md. Jonaid Shafiq	Managing Director	Lead all over the Company	Bachelor of Medicine and Bachelor of Surgery (MBBS), Research Fellowship of Kyushu University, Japan, Ph.D in Anesthesiology	39 years
Mr. Javed Kaiser Ally	Director Finance	Finance & Accounts	Masters of Business Administration (MBA)	30 Years
Dr. Sayeed Ahmed	Director Sales and Marketing	Marketing, Sales	Bachelor of Medicine and Bachelor of Surgery (MBBS)	23 Years
Mr. Shamim Rabbani	Director Operations	Administration	Post-graduation in Pharmacy	37 Years
Mr. Md. Abu Hurayra FCA	Chief Financial Officer	Finance & Accounts	Post-graduation in Accounting & Fellow Chartered Accountant	15 Years
Mr. Joynul Abedin ACS	Company Secretary	Company Secretariat	Post-graduation in English & Associate Chartered Secretary	15 Years
Mr. Mustafa Khalid Shams	Sr. General Manager	Head of Plant	Post-graduation in Pharmacy	35 Years

### 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**

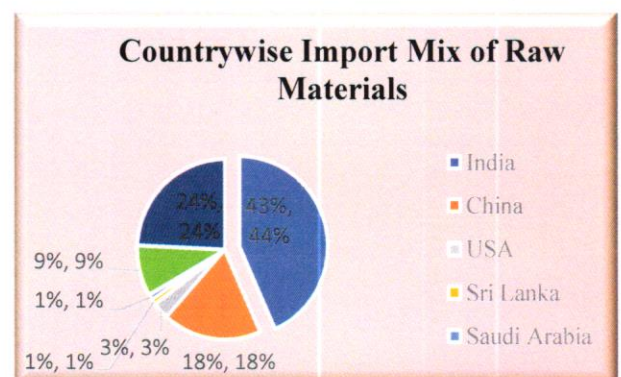
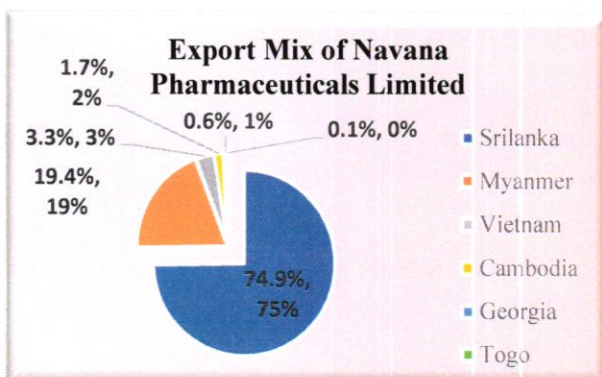
To ensure pollution free environment the company has setup 01 effluent treatment plant 10,000 liter per day and 02 Water Treatment Plant with total capacity of 3,000 liter per hour.

**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**

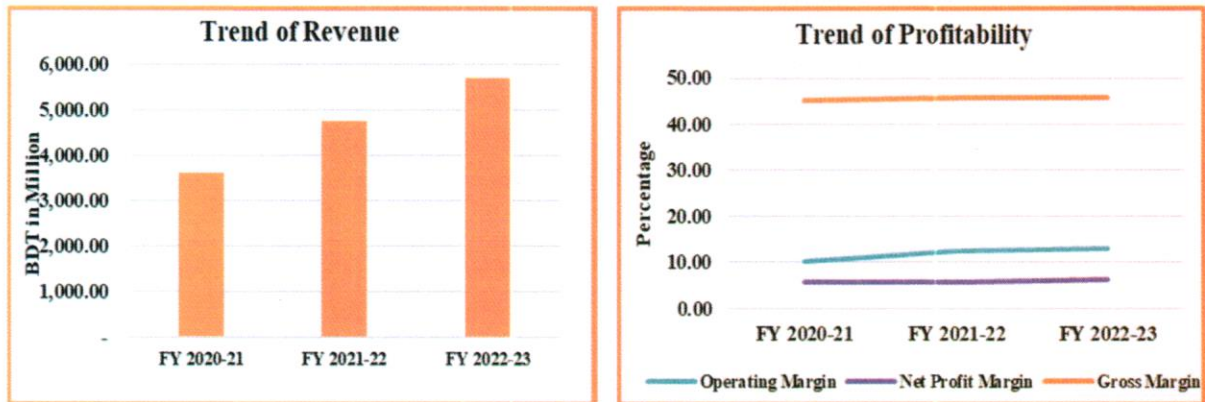
Particulars	FY 2022-23	FY 2021-22
Turnover (TK in Million)	5,706.16	4,758.71
Turnover Growth (%)	19.91	31.95
Cost To Revenue Ratio (%)	54.28	54.35
Gross Margin (%)	45.72	45.65
Operating Margin (%)	13.05	12.38
Net Profit Margin (%)	6.26	5.76
ROA (%)	4.28	4.46
ROE (%)	9.09	8.07

**3.6.1** Financial analysis is based on six years Audited Financial statements up to June 30, 2023.

**3.6.2** Over the last few years the turnover of the company is enjoying increasing trend and reached its highest in FY 2022-23. Turnover was reported including export at TK 5,706.16 million in FY 2022-23 which was TK 4,758.71 million in FY 2021-22. The turnover registered an increase of 19.91%.



**3.6.3** Profitability parameters of the company was satisfactory over the last few years of operation. The net profit increased from TK 356.95 million in FY 2022-23 from TK 274.00 million in FY 2021-22. The net profit margins also increased in FY 2022-23. Asset turnover was weak at 0.68 times in FY 2022-23.



**4.0 FINANCIAL RISKS**

Particulars	FY 2022-23	FY 2021-22
EBITDA	834.63	705.70
Current Ratio (x)	0.99	0.88
DSCR(x)	2.90	2.74
Debt payback periods (Years)	4.46	3.79
Cash Cycle (Days)	114.35	110.73
Net Debt (Net Debt + Equity) (%)	49.75	45.46
Total Asset (TK in Million)	9,589.74	7,084.10

**4.1** Debt service coverage ratio (DSCR) of the company was found strong at 2.90 times in FY 2022-23. The prime liquidity indicator, current ratio, was found moderate at 0.99 times in FY 2022-23 indicating weak moderate liquidity position.

**4.2** Cash cycle of the company increased slightly to 115 days in FY 2022-23 from 111 days in FY 2021-22 depicting efficiency of the company in the management of debtors and inventory. Working capital of NPL was found negative in the last two years at TK (65.55) million in FY 2022-23 and TK (391.14) million in FY 2021-22.

**4.3** Capital structure of the company was composed of 49.75% debt and 50.25% equity as on June 30, 2023. The company has been using moderate amount of debt in its capital structure which is suitable in challenging any distressing situation.