

Emerging Credit Rating Limited

**MONTHLY
SEPTEMBER
2021**



EMERGING
Credit Rating Ltd
an independent house of risk assessment



Copyright © Research Department, Emerging Credit Rating Limited

Emerging Credit Rating Ltd.

SHAMS Rangs, 104 Park Road,
Level- A1 & A2, Baridhara, Dhaka-1212
Phone : + 880 2 986 0911, + 880 2 986 0897
Fax: + 880 2 986 0828

Authors' Name : **Mr. N K A Mobin, FCA, FCS, CFC**
Managing Director & CEO

Mr. Arifur Rahman, ACA, FCCA
Director & COO

Mr. Saami Alam
Chief Rating Officer

Ms. Zenith Matin, ACCA
Deputy Chief Rating Officer

Mr. Rajiur Rahman, ACCA
Portfolio Manager

Mr. Md. Harun Chowdhury
Assistant Portfolio Manager

Mr. Subrata Howlader
Financial Analyst

Ms. Nabihatul Afrooz
Financial Analyst

Mr. S. M. Siamur Rahman
Financial Analyst

Date of Publishing: 01 September 2021

Table of Content

Emerging Scoop	3
1. Monetary Policy Statement FY 2021-2022 Analysis	4
1.1 Primary Targets Of MPS.....	4
1.2 Private Sector Credit Growths.....	5
1.3 Private Sector Credit Growth & Inflation Rate.....	6
1.4 Primary Challenges Faced By GOB And BB In 2021-2022.....	8
2. Capital Market Update	10
2.1 Overall Market Update	10
2.2 Directive From Bangladesh Securities And Exchange Commission (BSEC).....	11
2.3 Initial Public Offering News.....	11
3. Remittance Inflow Into Bangladesh.....	12
3.1 Country Wise Remittance Inflow	12
4. IGW (International Gateway) Industry Of Bangladesh.....	13
4.1 What Is IGW?	13
4.2 Demand For OTT	13
4.3 Challenges Of The IGW	14
4.4 Way Forward	15
5. Stock Analysis.....	19
5.1 Business Snapshot.....	19
5.2 Key Financial Snapshot	19
5.3 Industry Snapshot	20
5.4 Story In Charts.....	21
Authors' Profile	22
About ECRL	25
DISCLAIMER	26

EMERGING SCOOP



The Honorable High Court has revived People's Leasing and Financial Services Limited and has appointed **Mr. N.K.A. Mobin FCA, FCS, CFC** (Managing Director & CEO of ECRL) as one of its Director.

1. Monetary Policy Statement FY 2021-2022 Analysis

Recently Bangladesh Bank has released Monetary Policy Statement FY 2021-2022 (MPS) which was created considering the ongoing COVID 19 into account a brief analysis of the statement is given below.

Exhibit 1: Summary of Monetary Policy Statement FY 2021-2022

Key Points ¹	Details	
Monetary Policy Stance	Expansionary and Accommodative	
GDP Growth Target	7.20%	
Private Sector Credit Growth Target	14.80%	
Inflation Rate	5.30%	
Monetary Policy Outcome FY 2021	Program	Actual
Reserve Money Growth (%)	13.50	22.40
Broad Money Growth (%)	15.00	13.60
Net Foreign Asset Growth (%)	20.10	27.50
Domestic Credit Growth (%)	17.40	10.30
Public Sector Credit Growth (%)	31.70	21.20
Private Sector Credit Growth (%)	14.80	8.40
Liquidity Status	June 2021	June 2020
Bank's Surplus Reserve (BDT Billion)	2,315	1,396
Bank's Surplus Cash Reserve (BDT Billion)	625	238
Call Money Rate (%)	2.25	5.01
External Sector Development	Jul-June 2021	Jul-June 2021
Cumulative Export Growth (%)	15.10	(16.90)
Cumulative Import Growth (%)	19.70	(8.60)
Remittance Growth (%)	36.10	10.90

1.1 Primary Targets of MPS

- MPS is created considering the GOB's GDP growth target of 7.20%.

Comment:

Exhibit 2: GDP Growth Comparison

Details	2019-2020	2020-2021	2021-2022 Estimation		
	Actual	GOB ² Provisional	GOB ³	World Bank ⁴	ADB ⁵
GDP Growth (%)	3.51	5.47	7.20	5.10	7.20

With the introduction of Delta Variant of COVID 19 in Bangladesh which has forced the GOB to impose stricter lockdown measures in July and first two weeks of August has resulted the economic activity to slow down to a crawl which will pose significant challenge for the desired GDP result which is reflected by the recently published GDP growth of 3.51% (lowest in three decades) in 2019-2020 by BBS. In its Global Economic Prospects Report published June 2021 World Bank expects the recovery of Bangladesh will be gradual with a GDP growth estimated to be 3.60% in 2020-2021 and 5.10% in the subsequent year. However ADB has estimated more optimistic scenario in April 2021 in Asian Development Outlook 2021

¹ MPS 2021-2022

² Actual and projection are taken from BBS data

³ MPS 2021-2022

⁴ Global Economic Prospect Report, World Bank

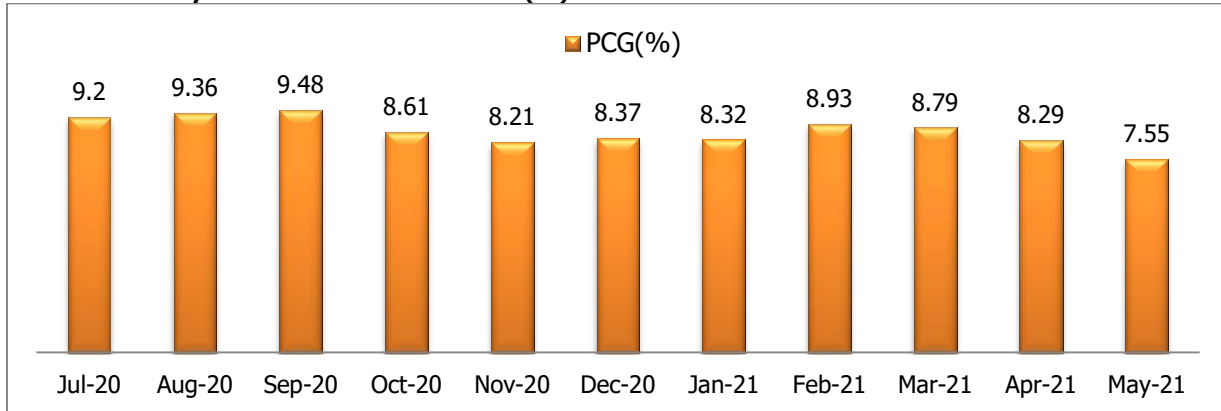
⁵ Asian Development Outlook 2021, ADB

where it predicts that Bangladesh will achieve a GDP growth of 6.80% (2021) and 7.20% in the subsequent year.

1.2 Private Sector Credit Growths

- Private Sector Credit projected to grow by 14.80% at the end of June 22.

Exhibit 3: Monthly Private Sector Credit Growth (%)



Comment: The graph above shows that in past one year Private Sector Credit Growth (%) did not cross double digit while the graph below indicates Private Sector credit growth has been on a declining trend since FY 2018 and has moved to single digit in FY 2020. It is not a question of shortage of funds but as a matter of fact excess liquidity in the banking sector has doubled from BDT 103 thousand crore (January 2020) to BDT 202 thousand crore in April 2021. In addition monthly average call money borrowing and lending rate both have declined indicating low demand of funds. This is not out of the ordinary as the economic activities have declined and as a result the demand for fresh loan is low.

Exhibit 4: Private Sector Credit Growth (%) in last four years

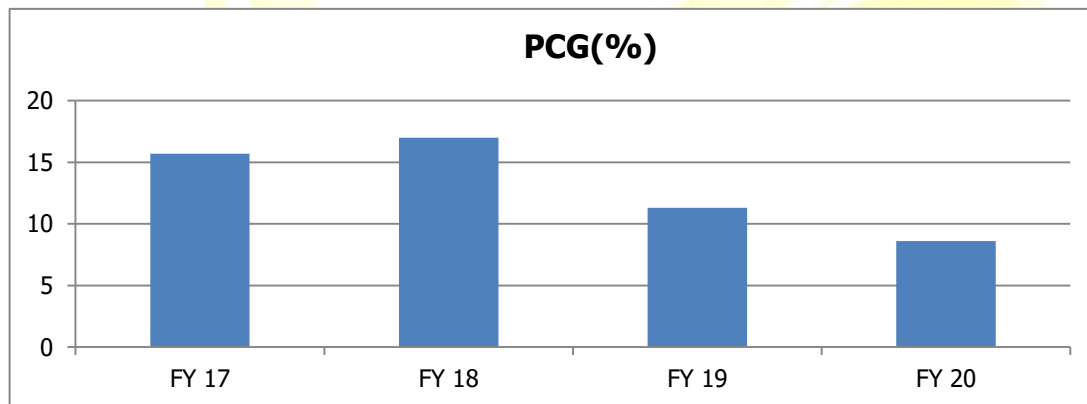
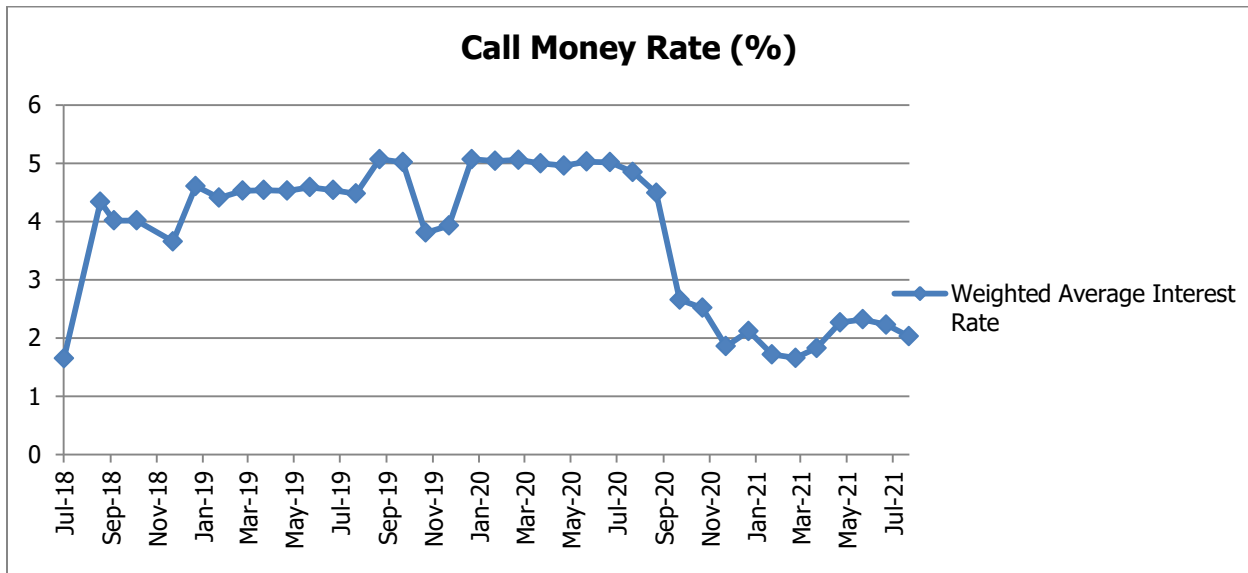
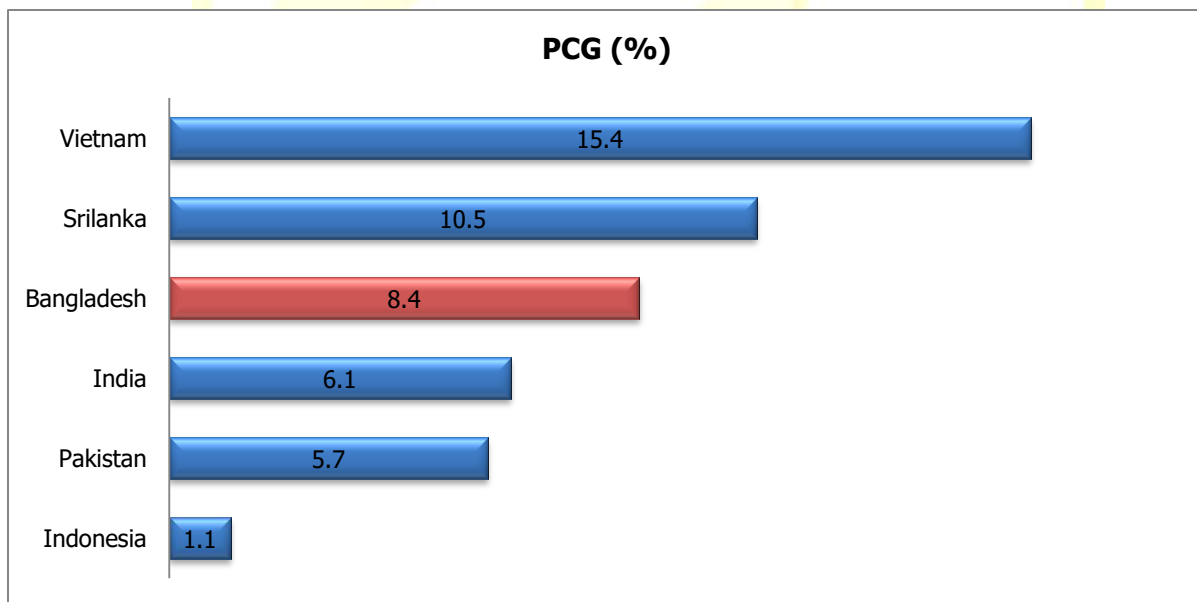


Exhibit 5: Call Money Rate (%)

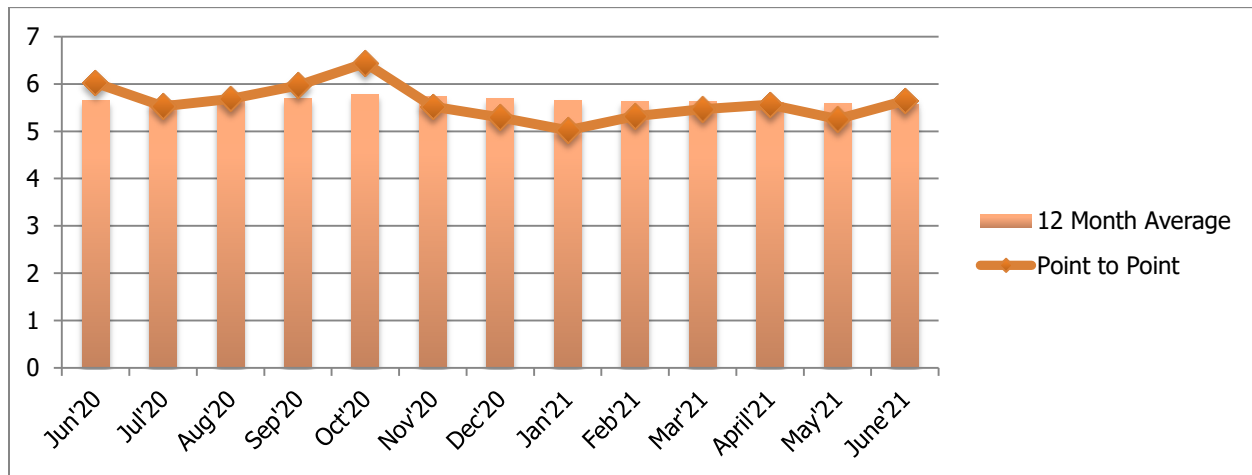
Due to COVID 19, almost all the emerging economies in Asia experienced trouble increasing PCG; a brief comparison is given below⁶.

Exhibit 6: Private Sector Credit Growth (%) Comparison between Emerging Economies

1.3 Private Sector Credit Growth & Inflation Rate

- MPS sets an inflation target of 5.3%

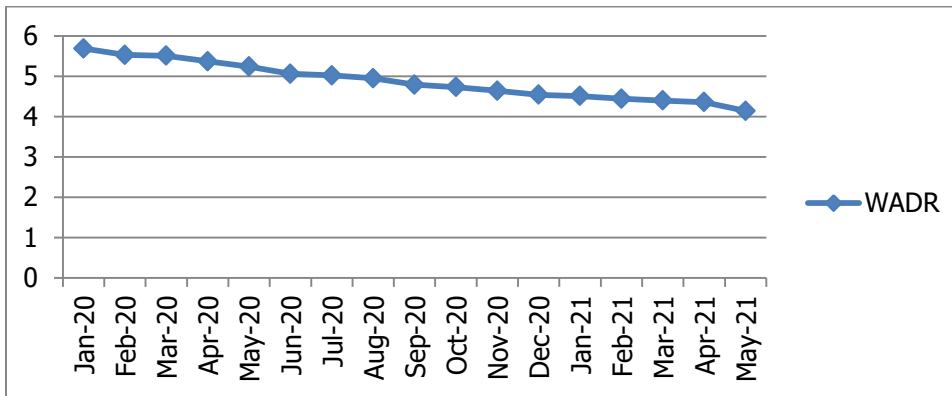
⁶ MPS 2021-2022

Comment:**Exhibit 7: Twelve Month Average Inflation Rate**

The graph above shows that inflation has remained stable in past one year with low variance, however as shown in the graph below with weighted average deposit rate going below inflation rate may encourage public to consume more and save less which may adversely affect the inflation rate. This is particularly reflected in the housing market with government declaration of investment of undisclosed money in real estate sector has boosted demand and as per the estimate of REHAB President BDT 5,000 crore of untaxed money has been invested in the housing sector. This has created increased demand and has increased the cost of raw materials. The cost of raw materials used in construction sector has increased due to two reasons one increased demand and the other increase in transportation cost due to the impact of COVID 19. Detailed discussion with industry experts revealed that cost of MS Rod per MT increased from BDT 55,000-58,000 to 70,000 - 71,000 while cost of per 50 kg Cement increased from BDT 370 to 400 to BDT 440 to 470.

In past 10 years Bangladesh has enjoyed extraordinary economic prosperity which made the controlling inflation a priority for the GOB. However this year controlling inflation only paints half the picture because the country is plagued by two more problems.

1. Purchasing Power Erosion: As the graph below shows income from depositing money in Bank has followed a steady decline since 2020 which is a serious issue for citizen on fixed income depending on returns from deposit to run their livelihood. With low demand of loans banks are unable to offer higher deposit rates to its depositors which poses a big challenge. GOB recognizes the problem and in August 2021 Bangladesh Bank issued a circular stating that it will not allow the banks to fix deposit rates below inflation rates.

Exhibit 8: Weighted Average Deposit Rate

2. Decrease in Income: With the lockdown imposed on the economy in order to curb COVID 19 people working in the informal sector have been seriously impacted, as a matter of fact white collar employees have also been affected with significant reduction in income. It is imperative that GOB conducts a large scale labor studies as soon as possible which will give an idea of the total impact on employment.

1.4 Primary Challenges faced by GOB and BB in 2021-2022

Proper implementation of funds of Stimulus Package: BB is already concerned that low cost funds from stimulus fund has been diverted to stock market, if that happens then the reason for issuing stimulus fund will not be fruitful as it will not increase economic growth. As per an article published in The Business Standard stated "In a primary observation, the BB found that after stimulus loans had been given as working capital, the money was withdrawn at once in some cases, not gradually, indicating diversion of the funds, said the senior executive of the central bank".

Nature of the Stimulus Package: According to CPD the nature of stimulus package is concerning since 80% of the Government COVID 19 funds are in form of liquidity support however Bangladesh's fiscal stimulus package (not loans) is less than 1% of its GDP however CPD estimates it should be 11% which will be required to mitigate socioeconomic impacts of COVID-19.

Ensuring good corporate governance in Financial Institution Sector: At present due to ease of loan classification has hidden the severity of nonperforming loan (NPL) issue in the financial sector. However it will not go on forever and BB must ensure good governance among the Banks and NBFI so that recovery rate of its disbursed loans increase otherwise once the moratorium of loan classification is lifted NPL will significantly increase.

Bibliography

Bank, A. D. *Asian Development Outlook 2021*.

Bank, B. (2021). *Monetary Policy Statement Fiscal Year 2021-2022*. Bangladesh Bank.

bdnews24.com. (2021, August 6). Delayed data shows how pandemic dealt a blow to Bangladesh economy. Bangladesh.

Group, W. B. (2021). *Global Economic Prospects*. World Bank Group.

ISLAM, S. (2021, July 12). Private credit growth falls remarkably amid second wave of Covid. Dhaka, Bangladesh.



2. Capital Market Update

2.1 Overall Market Update

At the time of writing this report Dhaka Stock Exchange is experiencing an exceptional bull run and the index. The daily trade turnover on the Dhaka Stock Exchange (DSE) soared to a fresh high in about 11 years on August 16 2021. Turnover, a crucial indicator of the market, stood at BDT 29.54 billion on the country's premier bourse, in a further buck by 11 per cent over the previous day's tally of BDT 26.62 billion.

Exhibit 9: Daily Trade Turnover in DSE



Along with the rising turnover, DSEX, the DSE key index, also rose 49.53 points or 0.73 per cent to settle at 6,749 - the highest since its inception more than eight years back on January 27, 2013. On 24th August, 2020 the benchmark index of the DSE, went up 20.18 points or 0.29 per cent to settle at 6,862- the highest since its inception more than eight years back on January 27, 2013.

Performance of July 2021

From June 1, 2020 to July 29, 2021 the following stocks contributed highest points to DSEX⁷.

Exhibit 10: Stock which contributed highest in DSEX

Sl.	Companies	Points
1	Grameenphone Ltd.	374
2	British American Tobacco Bangladesh Company Limited	291
3	Walton Hi-Tech Industries Ltd.	177
4	Beximco Pharmaceuticals Ltd.	104
5	Bangladesh Export Import Company Ltd	88
6	Square Pharmaceuticals Ltd.	83
7	Investment Corporation Of Bangladesh	80
8	United Power Generation & Distribution Company Ltd.	69

⁷ Strong stocks behind DSE Rally; The Daily Star

9	Beacon Pharmaceuticals Limited	66
10	Renata Ltd.	66

Roadshow organized by BSEC

In order to introduce Bangladeshi Capital Market to the world BSEC organized a week-long roadshow to showcase the strength and opportunities of business and investment in Bangladesh for the investors abroad, which began in Manhattan, New York USA on July 26, 2021. The roadshow was titled 'The Rise of Bengal Tiger: Potentials of Trade & Investment in Bangladesh'. Earlier in February 2021, BSEC had authorities organized a four-day roadshow in Dubai and plans to go to London, Rome, Toronto, Hong Kong, Singapore, Shanghai and Tokyo.

2.2 Directive from Bangladesh Securities and Exchange Commission (BSEC)

As on August 12, 2021 BSEC has issued a new directive amending the existing directive regarding Margin loan limit.

Existing directive issued on April 4, 2021

Exhibit 11: Existing directive issued on April 4, 2021

SI No.	DSEX Index	Maximum Margin Loan Limit
1	Below 7000	1:0.80 basis; 80% of client margin/deposit
2	7001 or above	1:0.50 basis; 50% of client margin/deposit

Exhibit 12: Amendment to the directive

SI No.	DSEX Index	Maximum Margin Loan Limit
1	Below 8000	1:0.80 basis; 80% of client margin/deposit
2	8001 or above	1:0.50 basis; 50% of client margin/deposit

2.3 Initial Public Offering News

Expression of Interest

Synesis IT Ltd has signed a MOU with AAA Finance and Investment Limited as on 22 August to enter the Capital Market.

IPO Approval

As on August 11, 2021 BSEC approved the IPO proposal of Sena Kalyan Insurance Company which will raise a capital worth BDT 160 million under the fixed price method. The proceeds will be used for the purpose of purchasing government securities, investing in listed securities, purchasing office space, and catering the IPO expense.

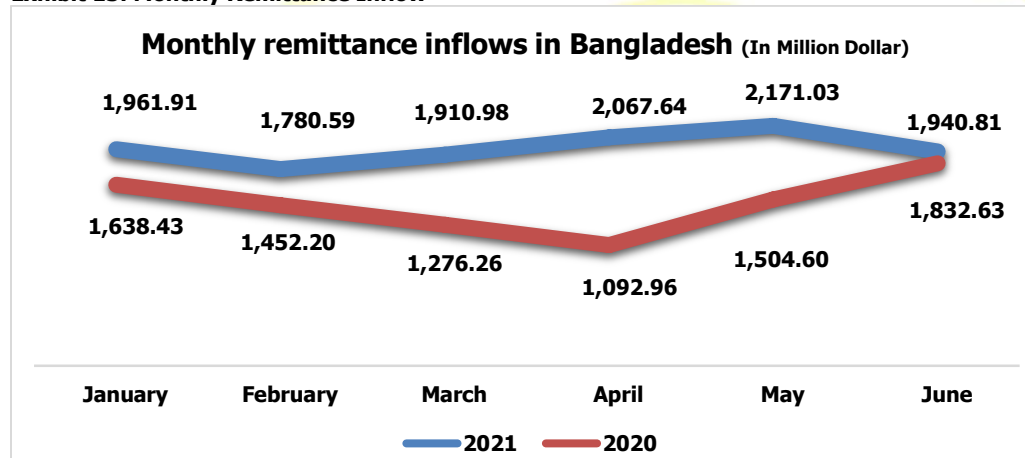
Debutant

As on August 11, 2021, trading of South Bangla Agriculture and Commerce Bank (SBAC) debuted on the stock market and the price of its share soared 10 per cent as most of the time there was no seller of the stock.

3. Remittance Inflow into Bangladesh

Amidst the surging infectious disease in the world, Bangladesh has experienced growth in remittance inflow by 34.51% in the second half of the concluding year of FY 2020-21 in comparison to the same period of the previous fiscal year. In the first six months of FY 2020-21, the remittance inflow accounted for USD 11.83 billion whereas it was USD 8.79 billion in the last fiscal year. Fewer migrant workers went abroad due to the country-wise imposed lockdown and travel ban, compared to migrants who returned from abroad, thus, it may arise a concern for future prospects of remittance earnings. Nevertheless, the higher influx of remittance earnings had been observed after the GOB has started paying 2.00 percent incentives to remitters. In the first year (FY 2019-20) of providing incentives, the remittance flow had been USD18.2 billion and in the following year (FY 2020-21) the figure went up significantly to USD24.78 billion with a growth rate of 26.53%. In addition, due to the travel restriction during the pandemic it had shrunken informal channels.

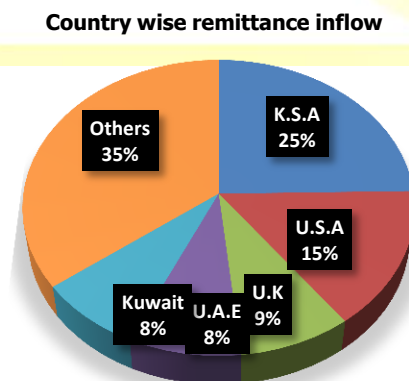
Exhibit 13: Monthly Remittance Inflow



3.1 Country Wise Remittance Inflow

In FY 2021-22 (up to July), the top five source countries for remittance flows to Bangladesh are Saudi Arabia (USD462.38 million), United States (USD282.44 million), the United Kingdom (USD159.38 million), United Arab Emirates (USD159.18 million) and Kuwait (USD148.84 million). As a share of remittance senders, these five countries contributed 64.77% of the total remittance. The Kingdom of Saudi Arabia always remains the top remittance sender comprises almost 25% of the overall remittance influx.

Exhibit 14: Country Wise Remittance Inflow



4. IGW (International Gateway) Industry of Bangladesh

4.1 What is IGW?

In Bangladesh, IGW operators are in charge of terminating international voice conversations. When a call is made to Bangladesh from outside the country, it is routed through the IGW network first. The information is then sent to the Interconnection Exchange (ICX), which distributes it to mobile providers such as Grameenphone, Robi, Banglalink, and Teletalk. Similarly, whenever a Bangladeshi user makes a call outside of Bangladesh, the ICXs send it to IGW first. The call is then connected to the appropriate foreign operator.

The IGW industry in Bangladesh began in 2008 with an open auction. The license was awarded to four commercial entities, including the state-owned Bangladesh Telecommunication Company Limited (BTCL). Another 25 companies were granted the license in April 2012. As a result, there is an uneven competition in the sector, as several permits are awarded at the same time without verification of demand. According to the BTRC annual report for June 2020, there are 24 active IGWs, including BTCL. Six IGWs have lost their licenses since the licenses were distributed in 2008, from 2015 to 2017. The licenses were canceled due to the unsound practice of lowering call rates to stay competitive, which resulted in nonpayment of annual fees and other dues, as well as a failure to share revenue to BTRC.

4.2 Demand for OTT

Because of the growing use of social media platforms such as Zoom, WhatsApp, Imo, Viber, and Facebook Messenger, international inbound call operators may soon become obsolete in Bangladesh. People's ability to use technology and apps has improved, so they're relying less on voice calls and instead using a variety of smartphone-based apps to connect. Voice calling via free OTTs will increase in Bangladesh as smartphones and mobile broadband connectivity become more widespread, contributing to the fall of paid incoming international calls. Over-the-top communications (OTT) is a term that describes a group of real-time communication systems that run over the internet.

Exhibit 15: Comparative snapshot between 2019 and 2020

Subject	2018-2019	2019-2020
3G Mobile Users	61.70 million	50.70 million
4G Mobile Users	19.10 million	35.20 million
Internet Users	96.10 million	103.40 million
Bandwidth usage	1,018.00 GBPS	1,558.23 GBPS
Voice Call Charge (avg)	0.45 paisa	0.45 paisa
Internet Bandwidth Price	BDT 625	BDT 600
VOIP Expedition	93	21

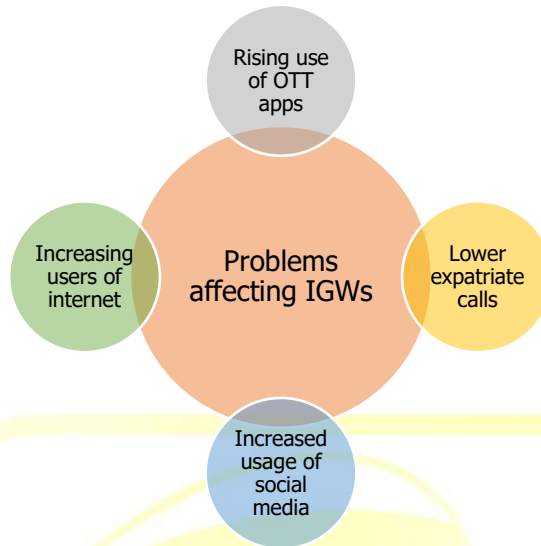
Source: BTRC Annual Report

Although OTT calls will not completely replace paid international calls, a significant portion of international incoming calls, primarily from businesses and enterprises seeking quality and from markets where OTTs are prohibited, will continue to use paid service as long as the price remains competitive.

Smartphone users increased as well, especially during the epidemic, and smart-phone use is anticipated to continue to rise. IGW operators will be in much more danger as a result of this. Simultaneously, the rise in illegal VoIP use has had an impact on international calls. Voice over internet protocol (VoIP) is a technology that enables users to make voice calls over the internet rather than through a traditional phone line.

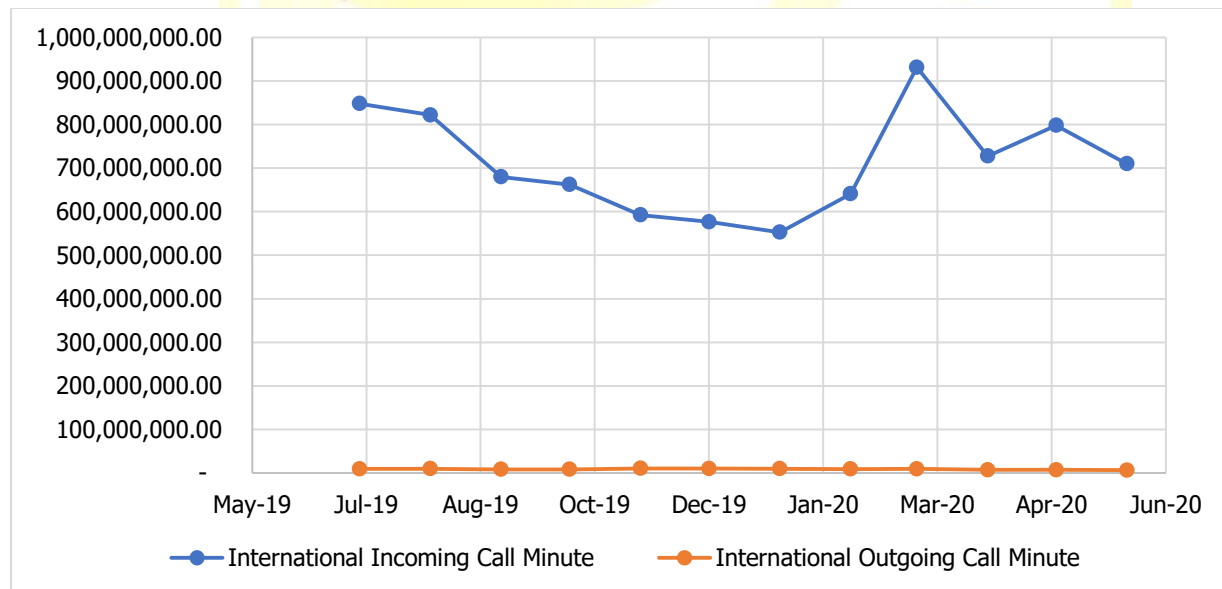
4.3 Challenges of the IGW

Exhibit 16: Problems Affecting IGW



International call termination was formerly one of the government's main sources of revenue from the telecom sector, but it has since plummeted. Despite the fact that the cost of calls per minute has decreased over time, the number of inbound international calls is dropping due to the increasing popularity of social networking apps, which are reasonably inexpensive and offer a variety of services, including video calls. According to the BTRC annual report, total outgoing calls in June 2020 were 6.54 million, compared to 9.37 million in July 2019. At the same time, in June 2020, incoming calls totaled 709.77 million minutes, compared to 847.85 million in July 2019.

Exhibit 17: International Incoming & Outgoing Call Minute (July 2019 – June 2020)



Source: BTRC Annual Report 2020

International incoming minutes generated by non-resident Bangladeshis making personal and business calls to the country are one of the main sources of revenue for IGW operators. Before the Covid-19

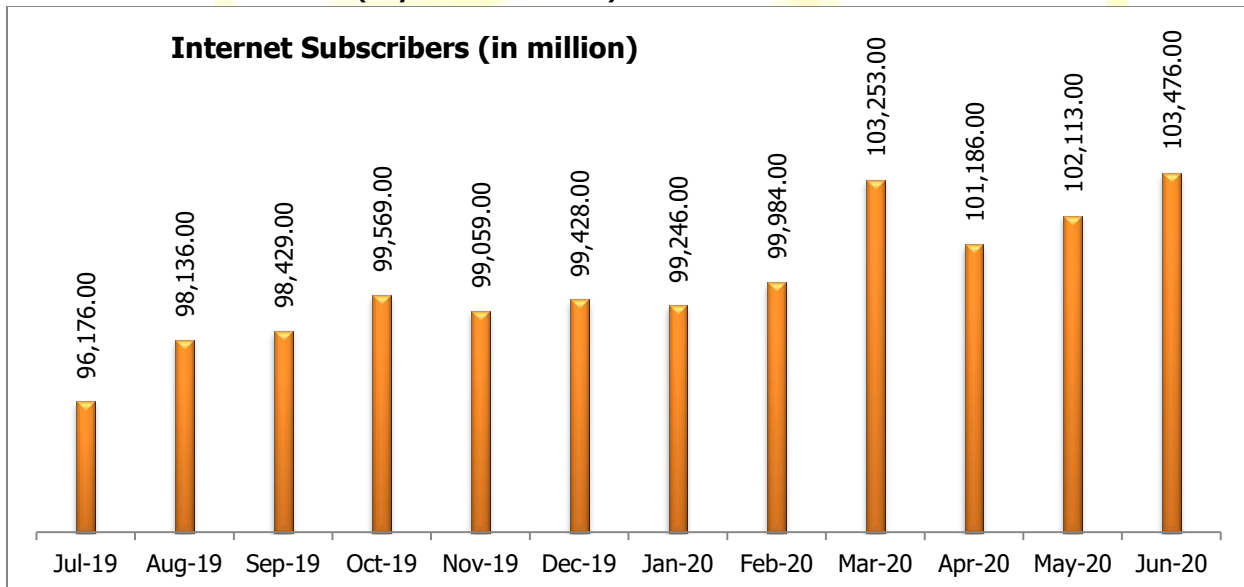
outbreak, expatriate Bangladeshis in the Middle East used to phone their families several times a day, but they had to reduce the number of calls as their earnings have decreased owing to business closures due to the pandemic. The Bureau of Manpower, Employment and Training (BMET) estimates that there are more than 10 million non-resident Bangladeshis in other nations.

As the popularity of social media platforms expanded in the recent year, the coronavirus epidemic handed another blow to the ailing IGWs. Enterprise and business calls have decreased as a result of enterprises operating on a small scale around the world. Since the last week of March 2020, both of these variables have combined to give a serious damage to foreign incoming minutes.

According to industry sources, IGW operators are having difficulty collecting overseas remittance payments from clients as a result of the global economic downturn. As a result, cash flow has dried up, leaving the operators cash-strapped to cover operating expenditures such as employees, office rent, critical technical services, and bank loan repayments.

Because of the pandemic, the number of internet users in Bangladesh increased dramatically, as individuals were forced to use digital platforms to work, shop, communicate, and entertain them. According to the Bangladesh Telecommunication Regulatory Commission, there are 117.31 million internet users in the country as of May 2021, up from 102.11 million a year ago and 94.445 million in the same month last year (BTRC). According to the BTRC Annual Report 2020, internet bandwidth usage increased to 1,558.23 GBPS (gigabits per second) by June 2020, up from 1,018 GBPS in 2019.

Exhibit 18: Internet Subscribers (July 2019 – June 2020)



Source: BTRC Annual Report 2020

4.4 Way Forward

IGW operators who route incoming and outgoing international calls through legal channels expect a considerable drop in revenue in the coming years as a result of illegal international call termination and greater use of app-based calling. Because of the technological shift, the government's revenue from IGW operators will decrease even more.

In an effort to help the struggling IGW operators, the Bangladesh Telecommunication Regulatory Commission (BTRC) cut the termination charge to USD 0.006 per minute from USD 0.015 per minute in early January 2020. However, it had little effect in actuality, as the number of calls continued to decline.

In 2021, the Bangladesh Telecommunication Regulatory Commission (BTRC) updated the International Gateway (IGW) standards. IGW licensees will be permitted to exchange calls using both the TDM (time division multiplexing) and IP (internet protocol) interfaces, according to the revised guidelines. TDM-based call technology is used by IGW and ICX licensees. With the arrival of 4G, mobile operators can now send calls to their networks using IP rather than TDM. The requirements have been modified to allow IGW and ICX licensees to keep up with new technologies.

Currently, 40% of international call revenue goes to the government, 20% to IGWs, 18.5 percent to interconnection exchanges (ICX) operators, and 22.5 percent to mobile phone and landline providers. According to industry insiders, the government can aid by lowering revenue sharing percentages to enhance the state of the IGW industry. Furthermore, the government's decrease of annual license fees in 2021 was a welcome move to help the IGW industry. The government is also on the lookout for illicit VOIPs that are siphoning calls away from IGWs and costing the government of income.

According to industry insiders, revenue has fallen by 21-30% in FY2020 from the previous year. Many IGWs have decided to dramatically downsize their employment and reduce salary expenditures in order to generate profit in 2020. In its peak, the sector employed over a thousand people, but due to the economic slump, many jobs were lost. According to a source, an IGW company used to employ around 100 individuals, but now only employs 15 people. The IGW businesses believe that turning off illegal VOIPs will help the industry immensely. IGW owners want IGW Operators Forum (IOF) to be more active in the hunt against illegal VOIPs. The revenue sharing to BTRC, ICX and ANS is a burden to all of the IGW business and the industry insiders believe that lowering the sharing by 10% will help the IGWs financial position. Some of the necessary steps IGW operators think will be beneficial for the industry include shutting off illegal VOIPs, turning off voice call in OTT Apps, lowering the revenue sharing percentages, relaxing regulations and special financial support for the industry.

Bibliography

S. Ahmed (2020). *App-based calls chip away at IGW business*. Dhaka Tribune

Bangladesh Telecommunication Regulatory Commission (2020). Annual Report 2019-2020.

Bappy S. (2021). *Apps spell doom for int'l call operators*. The Daily Star.

Bdnews24.com (2020). Bangladesh cuts international incoming call rate by 33%.

The Financial Express (2021). BTRC amends international gateway guidelines.

Islam M.Z. (2019). BTRC for 65pc cuts in int'l call rate. The Daily Star.

Sajid E. (2020). *International incoming calls decline by 33%*. The Business Standard.

Economic Relations Division (2018). Engagement of Non-resident Bangladeshis (NRBs) in National Development: Strategies, Challenges and Way Forward. Ministry of Finance of the Government of the People's Republic of Bangladesh

Website of Bangladesh Telecommunication Regulatory Commission. <http://www.btrc.gov.bd/>

Stock Market Analysis of Silco Pharmaceuticals Limited



5. Stock Analysis

Exhibit 19: Company Details

Company Name	Silco Pharmaceuticals Limited
Trading Code	SILCOPHL
Listing Year	2019
Market Category	A
Sector	Pharmaceuticals & Chemicals
Market Capitalization (Million)	3,415.250
IPO Raised (Million)	300
IPO Utilized (Million)	60.92
Issued Capital (Million)	1,038.07
52 Week Moving Average	22.40 - 36.10

Exhibit 20: Share Holding Position

Share Holding Position June 21

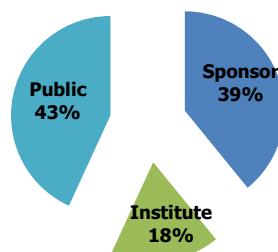


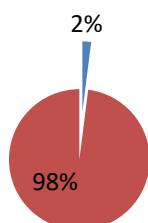
Exhibit 21: SWOT Analysis



Exhibit 23: IPO Utilization & Utilization

IPO Utilization (%) June 20

■ Utilized ■ Unutilized



5.1 Business Snapshot

Date of Incorporation: January 25, 1995

Commencement of Commercial Operation: October 30, 2003

Managing Director: Dr. Md. Badrul Haque Rukan

Factory Location: BSCIC Industrial Estate Khadimnagar Sylhet

Nature of Business: Manufacturing and marketing of human and veterinary pharmaceutical products which are sold in local market.

Installed Capacity: 456,800,000 Units/year

Total Employee: 364

Total Marketing Personnel: 200 approximately

5.2 Key Financial Snapshot

- FY 2021 Q3 revenue was 12.16% lower than FY 2020 Q3 revenue.
- Most sponsors of the company are renowned physicians in Sylhet region and as a result are well positioned to promote the company.
- The company depends on selling its products through doctor's recommendation and during first general holiday most doctors halted their private practice which resulted in a revenue decline in FY 2020.
- The company is yet to recover its precovid product demand which is reflected by the quarter wise decline in its revenue in FY 2021.
- In the first 9 months of FY 2021 the company is trying to reduce its operating expenditure in order maintain its profitability.
- Considering the declining trend and the strict lockdown in the last quarter of FY 2021 it is likely that the company will find it difficult to achieve revenue growth in FY 2021.
- ECRL does not consider that there will be a significant performance change in the business performance of the company unless the company can complete the utilization of its IPO fund.

Exhibit 22: Financial Highlights

Financial Year Ending : June	2021Q3*	2020	2019
Revenue (BDT in Millions)	550.03	733.65	919.04
Revenue Growth (%)	(0.04)	(20.17)	0.14
COGS (BDT in Millions)	365.75	520.92	639.31
COGS Growth (%)	(6.38)	(18.52)	2.69
Operating Income (BDT in Millions)	107.27	102.51	148.56
Net Profit After Tax (BDT Millions)	79.52	83.18	162.48
Gross Profit Margin (%)	33.50	29.00	30.44
Operating Profit Margin (%)	19.50	13.97	16.16
Net Profit Margin (%)	14.46	11.34	17.68
Current Ratio (x)	4.02	5.10	5.56
Cash Conversion Cycle (Days)	549	530	393
Debt to Equity Ratio (x)	-	-	-

*July 2020 – March 2021

5.3 Industry Snapshot

5 years CAGR of Retail Pharmaceutical Market: 17%
 Actual Growth of Retail Pharmaceutical Market 2020: 4%
 Primary Raw Materials: Active Pharmaceutical Ingredients (API)
 Source of Raw Materials: 95% imported

Exhibit 25: Major Raw Materials Import Origin

Major Raw Materials Import Origin

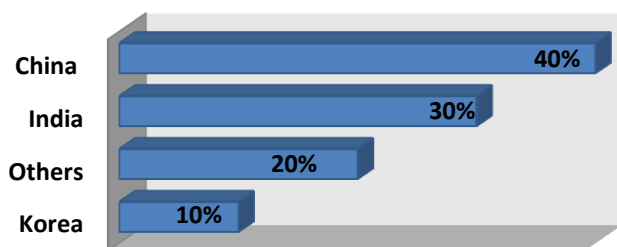


Exhibit 24: EPS Comparison

EPS Comparison	2021			2020
	Q1	Q 2	Q3	
SQURPHARMA	4.66	4.33	4.36	15.82
BXPHERMA	2.65	2.54	3.28	7.98
ACI	1.69	1.65	0.35	-18.45
AMBEEPHA	0.15	0.2	0.3	1.52
CENTRALPHL	0.08	0.08	-0.1	-9.24
IBNSINA	3.25	4.95	2.79	17.84
IBP	0.34	0.33	0.12	1.4
ACMELAB	1.96	1.78	1.84	6.85
RENATA	13.97	11.93	12.7	45.29
ORIONPHARM	0.82	1.21	0.95	2.84
LIBRAINFU	2.31	-9.79	-11.38	1.05
SILCOPHL	0.33	0.12	0.32	0.80
SILVAPHL	0.35	0.2	0.19	0.87
ADVENT	0.41	0.43	0.23	16.17
ORIONINFU	0.47	0.32	0.33	1.46
BEACONPHAR	0.25	1.01	2.01	36.83

Exhibit 26: Comparison with Other Companies

Company Name	Credit Rating		Market Cap in million	ROA		ROE		ROCE		Dividend Yield		P/E Ratio (31st August 2021)	Dividend Payout Ratio	
	LT	ST		2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
ACI	AA-	ST-2	19,867.107	4.65%	1.44%	12.06%	3.73%	9.14%	1.00%	3.92	3.64	n/a	0.33	1.07
ACMELAB	AA-	ST-3	19,911.720	4.21%	4.18%	8.06%	8.00%	0.77%	2.02%	3.94	4.55	12.74	0.51	0.51
ADVENT	BBB+	ST-3	2,474.409	10.84%	14.67%	12.94%	17.51%	12.55%	18.67%		0.59	19.15	0.77	0.52
AMBEEPHA	A	ST-2	1,225.440	0.84%	0.78%	6.12%	5.66%	-4.01%	7.71%	0.31	0.46	298.95	1.98	1.07
BEACONPHAR	A	-	49,364.700	6.86%	2.12%	11.20%	3.46%	0.67%	0.28%	0.99	2.49	124.61	0.30	1.18
BXPHERMA	AAA	ST-1	94,218.873	7.79%	7.00%	11.79%	10.60%	9.00%	8.28%	2.17	1.80	22.92	0.18	0.17
SILCOPHL	N/A	N/A	3,415.250	4.51%	8.81%	4.26%	8.33%	4.58%	6.06%	4.46	0.81	40.88	0.23	0.00
IBNSINA	AA-	ST-2	8,638.863	14.64%	12.38%	28.45%	24.05%	24.98%	25.97%	1.72	1.14	20.42	0.24	0.34
IBP	N/A	N/A	2,604.581	4.08%	4.05%	12.84%	12.76%	13.46%	12.54%	2.18	0.83	16.36	0.08	0.00
ORIONINFU	A-	-	1,809.983	8.64%	11.66%	23.04%	31.11%	-0.20%	7.52%	1.39	2.44	63.08	0.96	0.71
ORIONPHARM	A+	-	16,824.600	3.93%	5.18%	5.87%	7.74%	0.02%	2.57%	2.38	4.52	24.51	0.48	0.36
RENATA	AAA	ST-1	143,775.024	17.92%	16.59%	24.50%	22.68%	25.10%	25.85%	1.27	0.83	28.43	0.21	0.20
SILVAPHL	N/A	N/A	3,235.050	5.47%	6.59%	6.19%	7.46%	6.86%	6.95%	2.73	2.61	23.84	1.00	0.00
SQURPHARMA	AAA	ST-1	208,759.213	21.73%	17.72%	23.72%	19.34%	24.16%	22.49%	2.72	1.59	12.95	0.30	0.30

5.4 Story in Charts

Exhibit: Revenue

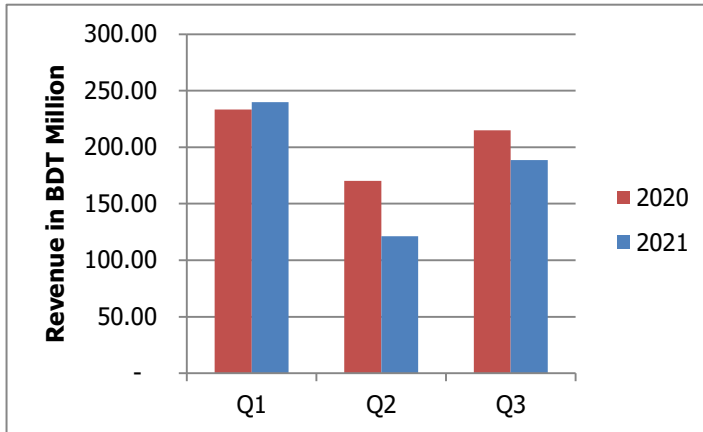


Exhibit: Share Closing Price

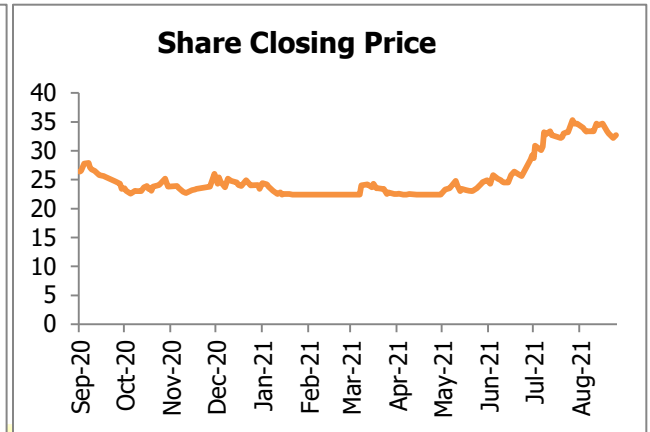


Exhibit: Liquidity Position

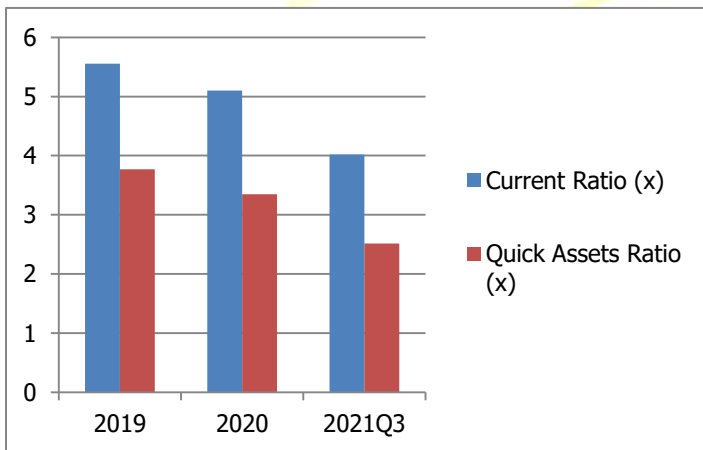


Exhibit: Trade Volume

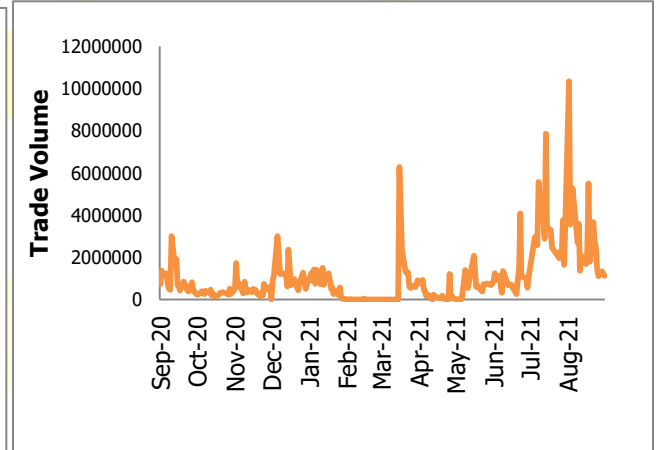


Exhibit: Net Profit Position

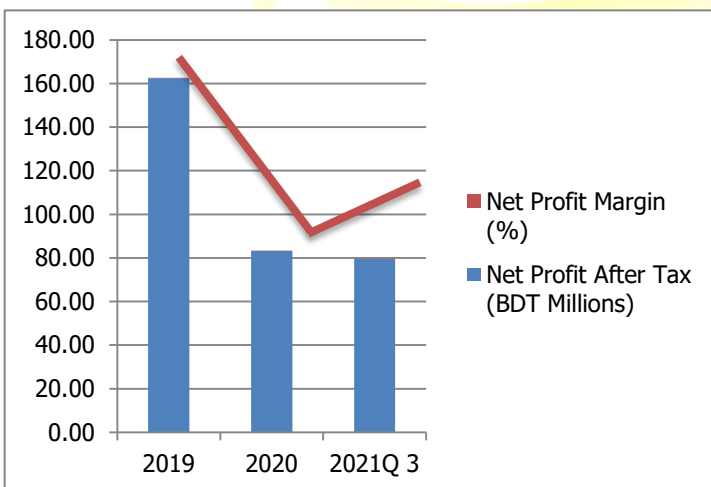
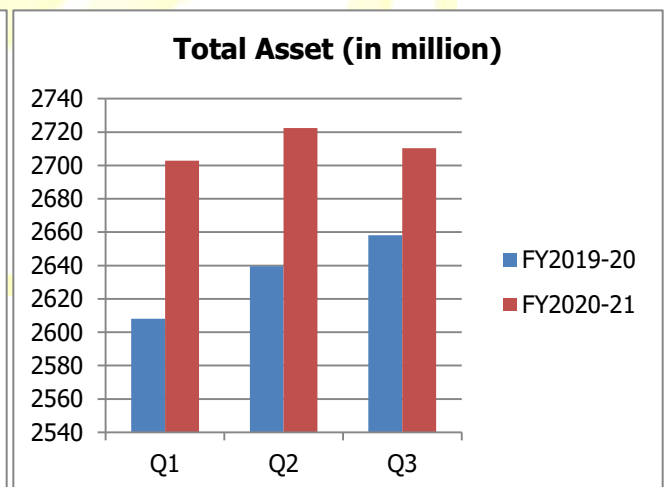


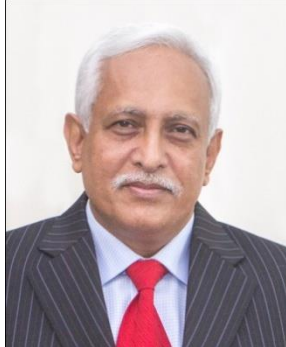
Exhibit: Total Asset



Authors'



Profile



Mr. N K A Mobin, FCA, FCS, CFC
Managing Director & CEO

Mr. N K A Mobin is a veteran businessman and skilled in a broad range of trade ventures. He is one of the 4 sponsor Directors of the Emerging Credit Rating Ltd, the eminent credit rating agency in Bangladesh. Mr. Mobin has completed his Bachelor of Business Administration & Masters of Business Administration from University of Dhaka majoring in Finance with first class result. He is a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) & Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB) since 1992 & since 1998, respectively. He is also a Member of Institute of Financial Consultants (IFC) of USA since 2002.

Mr. Mobin has working experience of more than 34 years in different corporate arena like financial management system including the budgeting and reporting system, Tax management and optimization in tax expenses, involved in different projects cost optimization/efficiency and revenue maximization areas, etc. He has been Director Projects & Administration and Director Finance and Company Secretary in Grameenphone Ltd. (GP). He has also been the Director Finance and Company Secretary in Novartis (Bangladesh) Limited. He also performs the following responsibilities:

- **People's Leasing and Financial Services Limited – Court appointed as the Director of People's Leasing and Financial Services Limited.**
- **Dhaka Chamber of Commerce and Industry (DCCI) – Appointed as one of the Board members for 2020-2022 and also Senior Vice President for 2021.**
- **Institute of Chartered Accountants of Bangladesh (ICAB) – Elected Council member for 2019-21 and Ex Vice President (Education and Examination) for 2019.**
- **Unique Hotel And Resort - Appointed as the Independent Director of Unique Hotel And Resort**
- **Shasha Denims Ltd. – Appointed as Independent Director of Shasha Denims Ltd.**



Mr. Arifur Rahman, ACA, FCCA
Director & COO

Mr. Arifur Rahman is a dynamic professional representing the Emerging Credit Rating Limited as the Director and Chief Operating Officer, the distinguished credit rating agency in Bangladesh. He has completed his B.Sc. (Hons) in Civil Engineering with first class result from Bangladesh University of Engineering & Technology (BUET) and also completed BSc (Hons) achieving higher second class honors (2:1) in Applied Accounting from Oxford Brookes University.

Mr. Rahman has 21 years of expertise in the various sectors like Civil Engineering, Auditing, Financial Consultancy, Feasibility Studies, and Tax Advisory and Planning etc. He is actively involved in taking charge of the technical and organizational interests and advising the company in articulating current business strategies as well as future growth potentials. He is responsible to administer different departments and plays an important role in taking the managerial and operational decisions of the organization. Mr. Rahman is also the Fellow Member of the Association of Chartered Certified Accountant.



Mr. Saami Alam
Chief Rating Officer

Mr. Saami Alam is a dedicated and enthusiastic professional holding the position of the Chief Rating Officer in Emerging Credit Rating Limited since 2018 having work experience of more than nine years. He joined ECRL in the year 2011 and has been actively involved in the strategic and management decision making.

Mr. Alam completed his Bachelor of Business Administration and Masters of Business Administration from North South University majoring in Finance. Along with supervising the credit rating reports, he is co-coordinating different industry analysis, feasibility studies, and other projects. He is involved in preparing and presenting financial and economic models for management, board of directors, investors and lenders. He is responsible to supervising overall operational management, co-ordinate and control the department work process to meet common target and evaluating performances of the team members. He is a member of Internal Rating Committee in ECRL.



Ms. Zenith Matin, ACCA
Deputy Chief Rating Officer

Ms. Zenith Matin completed ACCA (Association of Certified Chartered Accountants) and BSc in Applied Accounting from Oxford Brookes University, UK. She completed her Master of Business Administration majoring in Finance from Independent University, Bangladesh.

Ms. Matin joined ECRL in the year 2011 and is holding the position of the Deputy Chief Rating Officer in Emerging Credit Rating Limited since 2018. She has working experience of more than nine years in the related field. She is responsible to supervise and co-ordinate different projects which involve preparation of financial and economic models. She is a member of Internal Rating Committee in ECRL and co-ordinate and control the department work process to meet common target. She is also involved in the performance evaluation of the team members.



Mr. Rajiur Rahman, ACCA
Portfolio Manager

Mr. Rajiur Rahman completed ACCA (Association of Certified Chartered Accountants) and BSc in Applied Accounting from Oxford Brookes University, UK. Mr. Rahman joined ECRL in the year 2012 and is holding the position of the Portfolio Manager in Emerging Credit Rating Limited since 2020 having working experience of more than eight years.

He is responsible to supervise and coordinate different projects, NBFI and Bank Rating which involve preparation and analysis of financial models, co-ordinate and control the department work process to meet common target and is also involved in planning of operational strategy. He is a member of Internal Rating Committee in ECRL and is also involved in the performance assessment and evaluation of the team members.



Mr. Md. Harun Chowdhury
Assistant Portfolio Manager

Mr. Md. Harun Chowdhury completed Bachelor of Business Administration major in Finance from Dhaka University. Mr. Chowdhury joined ECRL in the year 2013 and is holding the position of the Assistant Portfolio Manager in Emerging Credit Rating Limited since 2020. He has working experience of more than seven years in related field.

He is responsible to supervise and coordinate different projects, NBFI and Bank Rating which involve preparation and analysis of financial models, co-ordinate training and setting strategies for meeting operational goals of the department work process to meet common target. He is a member of Internal Rating Committee in ECRL and is also involved in the performance assessment and evaluation of the team members.



Mr. Subrata Howlader
Financial Analyst

Mr. Subrata Howlader working as a Financial Analyst at ECRL with more than 5 years of work experience on different projects, financial reporting and credit rating assessments. He joined ECRL in the year 2015 and had been holding the position of Financial Analyst since 2018.

Mr. Howlader completed his Bachelor of Business Administration (BBA) major in Management National University and Master of Business Administration majoring in Finance & Banking from IBA Jahangirnagar University. He is currently engaged in projects related to industrial research, financial & project feasibility analysis which involve analyzing assorted industry data both primary & secondary and preparation of financial and economic research. He is also responsible to prepare and analyze different research based projects. He is a member of Internal Rating Committee in ECRL.



Ms. Nabihatul Afrooz
Financial Analyst

Ms. Nabihatul Afrooz completed her Master of Science in Economics from City University London, UK and Bachelor of Business Administration major in Finance & Economics from East West University. She has working experience of more than four years on different projects, financial reporting and credit rating assessments.

Ms. Afrooz joined ECRL in the year 2016 and had been holding the position of Financial Analyst since 2020. She is engaged in different tasks, meeting common target or completing special project assigned by the management and writing reports which involve analyzing assorted industry data (both primary & secondary) and preparation of financial and economic research. She is also responsible to prepare and analyze different research based projects, survey questionnaire, data management, etc.



Mr. S.M.Siamur Rahman
Financial Analyst

S. M. Siamur Rahman has finished his Bachelor of Business Administration (BBA) major in Finance from North South University (NSU).

He joined ECRL in 2021 and collaborated with credit rating corporate clientele as well as research teams in the preparation and analysis of various industries. He enjoys working with financial data while having academic knowledge of financial planning, analysis and projection for companies and corporation.

About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhard.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professional, transparency and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness of discharging its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

Editorial Overview

ECRL Research provides insights, opinions and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio economic issues, industries and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.

Dr. Jamaluddin Ahmed
FCA, PhD
Chairman

NKA Mobin
FCA, FCS, CFC
MD and CEO

Arifur Rahman
ACA, FCCA
Director & COO

DISCLAIMER

The Research Report is the possession of Emerging Credit Rating Limited (ECRL). The Research Report and all information contained herein shall not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person without ECRL's prior written consent. The Research Report and all information contained herein is provided on the basis of information believed by ECRL to be accurate and reliable as derived from publicly available sources or provided by the Industry Experts. A Research Report is not a recommendation to buy, sell, or hold any security and no investment decision should be made solely on the basis of a Research Report. ECRL may make modifications and/or changes in the Research Report and all information contained herein at any time, for any reason. Under no circumstances will ECRL or its affiliates be liable for any special, indirect, incidental or consequential damages of any kind, including, but not limited to, compensation, reimbursement or damages on account of the loss of present or prospective profits, expenditures, investments or commitments, whether made in the establishment, development or maintenance of business reputation or goodwill, cost of substitute materials, products, services or information, cost of capital, and the claim of any third party, or for any other reason whatsoever, even if ECRL has been advised of the possibility of such damages. Any person making use of and/or relying on the Research Report and all information contained herein hereby acknowledges that he has read this Disclaimer and has understood it and agrees to be bound by it.