

# Biosciences Limited

We Recommend to Subscribe the IPO at 55/-

Equity Research | Pharmaceuticals | Friday, 20 September, 2024

We recommend to subscribe the IPO at 55/- which offers a discount of 36% based on its floor price

The registration process of eligible investors will commence at 9:00 am on September 23rd, 2024 and will close at 3:00 pm on September 26th, 2024

Bidding dates are from 25<sup>th</sup> Sep 2024 to 26<sup>th</sup> Sep 2024 (From 9:00 am to 5:00 pm)

Dates of public subscription are from 2<sup>nd</sup> Oct 2024 to 3<sup>rd</sup> Oct 2024 (from 9:00 am to 5:00 pm)

## Company Overview

Biosciences Limited ("BFBL", "Company", or the "Issuer") was incorporated as an unlisted public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) in 2006, and operates within the pharmaceutical industry. BFBL is a joint venture between Ferozsons Laboratories Limited and the Bagó Group of Argentina. The Company's core operations involve the import, manufacturing, marketing and distribution of pharmaceutical products.

Some of its main products include: Peg INF, Novapressin, Rifaxa, Eritrogen, Noxane, Filgen, Vorif, Icon, Ferulin, Sematide, Ferium, Tiroban

## Purpose of the Issue

Purpose	Start Date	Completion Date
Purchase of Plant and Machinery to Enhance Process Efficiencies and Broaden Product Base	1QFY25	1QFY26
Obtaining Export related Certifications (PIC/S / SRA) and New Product Development Including Glucagon-like Peptide (GLP1)	2QFY25	4QFY26
Working Capital for the Purchase of Raw and Packing Materials to Meet the Post Expansion Working Capital Needs	1QFY25	4QFY25

## Issue details

This issue consists of 25 million Ordinary Shares of face value of Rs3/- each in order to raise PKR 1,375,000,000/- .

The issue will be presented through the Book Building method at a Floor Price of Rs55 per share with a maximum price band of up to 40% i.e., Rs77 per share.

Book-building phase will start from Sep 25, 2024, to Sep 26, 2024.

## Financial Performance

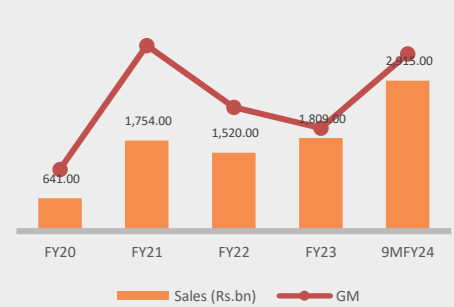
Over the past five years, the company has exhibited impressive revenue growth, rising from PKR 448 million in FY2019 to PKR 1,809 million in FY2023, reflecting a strong compound annual growth rate (CAGR) of approximately 42%. However, profitability has shown variability, moving from a loss of PKR 45 million in FY2019 to a profit of PKR 149 million in FY2023, with the peak earnings of PKR 607 million achieved in FY2021. This fluctuation in profitability is primarily attributed to rising finance costs due to increasing borrowings over the years.

For the 9MFY24 period, the company reported an exceptional revenue of PKR 2,915 million, marking its highest performance to date. Profit after tax surged significantly

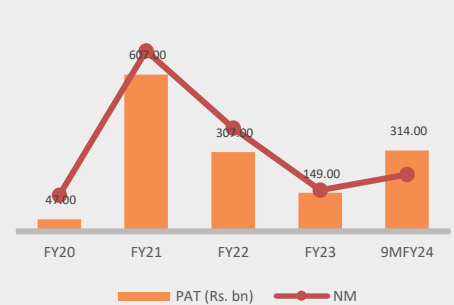
## Key Statistics

Company Name	Biosciences Limited
Face Value (PKR)	3
Floor Price (PKR)	55
Upper Band (40%) (PKR)	77
Free Float (%)	28.30
Pre-IPO No. of Shares (mn)	63
Post-IPO No. of Shares (mn)	88

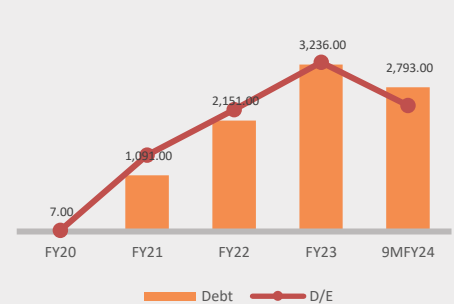
### Sales (Rs'mn) vs Gross Margin



### PAT (Rs'mn) vs Net Margin



### Debt (Rs'mn) vs D/E



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from PKR 149 million in FY2023 to PKR 314 million in 9MFY24, demonstrating an impressive growth of 210% in just nine months. The gross profit margin, which had been inconsistent in previous years, has shown recovery in 9MFY24, currently standing at 43%. However, the net profit margin remains under pressure due to the continued impact of increasing finance costs.

This performance highlights the company's ability to scale its operations and improve margins, although managing the growing finance costs will be key to sustaining its profitability trajectory.

### Valuation

Based on the floor price of PKR 55, the P/E multiple of Biosciences Limited is around 11.62x (based on extrapolated 9MFY24 earnings and post-IPO number of shares), significantly below the industry average of ~18.05x, representing a discount of 36%. Even at the maximum price of 77 allowed in book building, the P/E of the IPO stands at 16.27x, offering discount of approximately 10% compared to the industry average.

### Pattern of Shareholding

Shareholder	Current Shareholding - Number of Shares	Current Shareholding - % of Total Shareholding	Post IPO Shareholding - Number of Shares	Post IPO Shareholding - % Holding
Ferozsons Laboratories Limited	50,666,667.0	80.0	50,666,667.0	57.4
Grupo Empresarial, Bagó	12,666,667.0	20.0	12,666,667.0	14.3
Book Building Portion	-	-	18,750,000.0	21.2
General Public Portion	-	-	6,250,000.0	7.1
<b>Total</b>	<b>63,333,334.0</b>	<b>100.0</b>	<b>88,333,334.0</b>	<b>100.0</b>

### Investment Rationale

The IPO shows strong potential, reflected in the company's financial growth and planned post-IPO expansion. Its growth prospects make it a great option for those aiming for capital gains, offering a balanced investment opportunity.

### Key Risks

- Regulatory Price Control
- Delayed Registration of New Medicines
- More than expected depreciation of PKR

### Key Statistics

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### DEFINITION OF TERMS

<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	Last Day Closing Price

### VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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Stock Rating	Expected Total Return
BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

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The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

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