

# **EQUITY VALUATION REPORT**

On Square Pharmaceuticals Limited



**RECOMMENDATION**

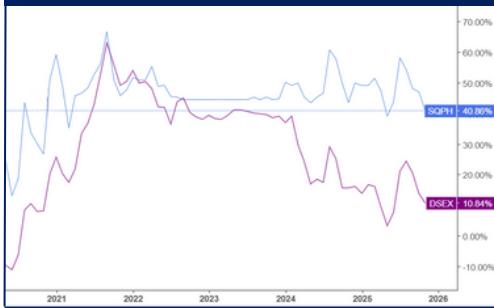
# BUY

**Square Pharmaceuticals Limited**  
**DSE: SQRPHARMA**  
**REFINITIVE: SQPH.DH**  
**Industry:** Pharmaceuticals & Chemicals  
**Rating:** Overweight  
**Stock Category:** A  
**Valuation Date:** June 26, 2025

**Target Price**
**BDT 263.51**
**Current Price**
**BDT 210.1**
**Upside Potential:** 25.42%

**Exp. Dividend Yield:** 6.67%

**Target Holding Period:** 1 year from now

**Exhibit 1: Relative Share Price Comparison**

**Exhibit 2: Valuation Summary**

Particulars	Value
Current Price	210.1
Target Price	263.51
Upside Potential	25.42%
Exp. Dividend Yield	6.67%
Total 1 Year Return	32.09%
P/E	9.44x
Target Holding Period	1 Year

*Source: Investopedia*
**Exhibit 3: Company Fundamentals**

Particulars	Value
Market Cap (BDT mn)	186,243.36
Paid-up Capital (BDT mn)	8,864.51
Share Outstanding	886.45
Free Float (%)	56.41%
52 Week Avg. Daily Volume	0.365mn shares
52 Week Price Range (BDT)	200.30-236.40
Current P/NAV	1.38x
Current EPS	23.61

*Source: Team Analysis*
**Exhibit 4: Company Financials**

	2024	2025F	2026F
Turnover (BDT mn)	70,101	76,558	87,023
NPAT (BDT mn)	20,927	25,337	29,361
EPS (BDT)	23.61	28.58	33.12
NAV (BDT)	142	158	181
NOCFPS (BDT)	20.90	26.06	35.72
FCFFPS (BDT)	16.19	19.30	28.73
ROIC	12%	12%	13%

*Source: Team Analysis*

## Investment Decision

We issue a **BUY** recommendation on Square Pharmaceuticals Limited (DSE Ticker: SQRPHARMA) based on a 12-month target price of BDT 263.51, implying a 25.42% upside from a close price of BDT 210.1. During the targeted period, the total return investor will earn is 32.09% including an expected dividend yield of 6.67%.

## Investment Rationale

- Square pharma has decided to expand its Capital allocation in Machineries and Lands. The board of directors have approved Tk. 500 crore for BMRE, which is also likely to be expanded further.
- Square Pharmaceuticals occupies the top position with a market share of 17.59%, followed closely by Incepta and Beximco.
- Square Pharmaceuticals currently manufactures a portion of its Active Pharmaceutical Ingredients (APIs) via its Pabna unit and is further expanding into API production through a plot in the Gazaria API Industrial Park.
- Square Pharmaceuticals has been paying cash dividends per share equal to 110% and 120% of its EPS for the past two years, which is expected to grow even more in the upcoming years.
- Square Pharma has a debt-to-equity ratio of only 1.13%, which is the lowest compared to its
- The government has introduced corporate tax holiday benefit available till 2032 to pharmaceuticals producers, which means the company has more EPS to give to its shareholders than other industries.

## Investment Risks

- The pharma is exposed to exchange rate and raw material risks as they have to import most of their raw materials from other countries. So any change in forex rate can cause huge loss.
- The API Industrial Park in Gazaria is facing several problems that are slowing its progress. The biggest issue is the lack of a reliable gas supply, which is essential for running API plants. Electricity is available but not always stable. The pharma is also facing long regulatory delays.

## Valuation Method

We used a weighted average approach for valuation using FCFF and DDM methods for DCF (Absolute Valuation) and P/E multiple for Relative Valuation with the allocation of 80:20 weight to Absolute and Relative valuation approaches. We have allocated 60% weight to DDM approach as the company pays a consistent dividend every year. We presumed a Terminal growth rate of 5.79% based on avg Real GDP growth rate of BD. Our calculated WACC is of 13.13% and cost of equity of 13.16% using the CAPM method.

## Industry Overview

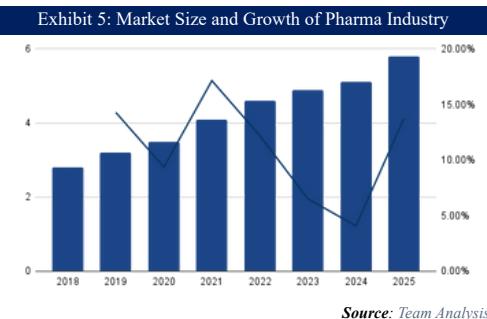
### Bangladesh Pharmaceuticals Industry: The story of Asia's Emergent Generic Drug Hub

As reported by the Bangladesh Association of Pharmaceutical Industries (BAPI) and the Directorate General of Drug Administration (DGDA), there are approximately 257 licensed pharmaceutical manufacturers currently operating in Bangladesh, with around 150 of these being functional.

These manufacturing entities fulfill nearly 97% to 98% of the local demand. To satisfy the remaining 2-3% of the demand, specialized products such as vaccines, anti-cancer medications, and hormone drugs are imported. Of the drugs produced in Bangladesh, 80% are classified as generic, while the remaining 20% are patented. The Director General of Drug Administration (DGDA) indicates that the industry comprises 29,351 registered allopathic medicines, 2,400 registered homeopathic drugs, 6,207 registered Unani drugs, 524 registered herbal drugs, and 3,998 registered Ayurvedic drugs.

The domestic market value of pharmaceutical products in Bangladesh has exhibited an upward trend in recent years, currently standing at BDT 413.276 billion. However, it is important to note that this figure does not represent the total market size, as the IQVIA report excludes data on homeopathic, Unani, Ayurvedic, or herbal medicines. Furthermore, according to the Bangladesh Bureau of Statistics, the pharmaceutical industry contributed 1.83% to the GDP in the fiscal year 2017-18, based on constant prices.

***The Bangladeshi pharma industry experienced a CAGR of 8-12.1% in the last 7 years, aspiring to become a market of \$8.51b by 2028.***



### Burgeoning Exports of Pharmaceutical Products from Bangladesh

As reported by the Bangladesh Association of Pharmaceutical Industries (BAPI), around 1,200 pharmaceutical products have been granted registration for export in the past two years, with shipments to over 145 countries, including the USA, UK, Australia, and various nations in Africa.

The Export Promotion Bureau (EPB) indicates that during the fiscal year 2024-25, Bangladesh's pharmaceutical exports amounted to USD 125 million that is 14% more than the past year. Over the past seven years, the compound annual growth rate (CAGR) for export revenue has approached 12%. Moreover, export sales accounted for 4% increase of the pharmaceutical market than previous year, indicating a relatively increase in contribution of export sales to the pharmaceutical industry. Pharmaceutical companies in Bangladesh can only market their medicines abroad after obtaining approval from the respective country's drug authority. Such approval from foreign nations confirms that the local medicines meet international standards, thereby enhancing their competitive position in the domestic market.



## Opportunities and challenges in Global Generic Drug Market for Bangladesh

### Opportunities

**Expanding global generics market:** The international generics market is experiencing consistent growth, leading to opportunities for cost-effective producers. Bangladesh has the potential to seize higher-volume, lower-margin sectors as well as select specialty generics as patents lapse.

**Cost advantage and production scale:** The lower labor and operational expenses provide Bangladeshi manufacturers with a competitive pricing advantage over numerous Western suppliers; local companies already meet the majority of domestic demand and possess export experience to regions such as Africa, Asia, and certain regulated markets. This can be leveraged to secure supply contracts in markets sensitive to pricing.

**Government support for backward integration and exports:** Government initiatives (including export subsidies, support for API exports, and tax incentives for API manufacturers) and efforts to establish API clusters offer a viable strategy to decrease dependency on API imports and enhance profit margins.

**Patent expirations and opportunities in specialty generics:** High-value branded medications (such as the recent GLP-1/weight-loss drugs and other biologic/specialty categories) are set to encounter generic competition or pressure from bio-similars; certain complex generics present lucrative export possibilities if regulatory and manufacturing capabilities are demonstrated.

**Untapped markets and niches:** Numerous low to middle-income nations continue to rely on imports for basic generics; Bangladesh is already a significant exporter and can transition from sporadic exports to organized regional supply chains (including tenders, distributors, and long-term agreements).

### Threats

**High reliance on APIs and vulnerability in supply chains:** Bangladesh predominantly imports APIs and intermediates, mainly from India and China, which exposes companies to risks associated with price fluctuations, geopolitical tensions, and currency volatility. This situation presents a direct risk to both margins and supply.

**Regulatory and quality challenges in advanced markets:** Successful regulated markets such as the US, EU, Canada, and Australia, companies must undergo GMP inspections, provide bio-equivalence data, and maintain ongoing regulatory submissions. Smaller enterprises often find it difficult to manage the associated costs and acquire the necessary expertise.

**Risk of LDC graduation and subsidy withdrawal:** Bangladesh's potential graduation from LDC status poses a threat to export incentives and tariffs that are currently compliant with WTO regulations and enhance competitiveness. The removal of these supports could adversely affect exporters' profit margins and pricing competitiveness in certain markets.

**Consolidated buyer power and middlemen influence:** Major buyers, pharmacy benefit managers (PBMs), and wholesalers have the ability to reduce margins or capture value, particularly in developed markets where procurement processes are centralized. Recent investigations into PBMs highlight the significant control they exert over pricing for specialty generics.

**Capital and capability demands for complex generics and bio-similar:** Transitioning to specialty products or bio-similar necessitates substantial investment in research and development, clinical trials, and capital resources, which is not a simple adjustment for firms accustomed to producing oral solid formulations. Errors in this process can be financially detrimental.

## Major Problems in Exporting Pharmaceuticals from Bangladesh

- **Lack of Backward Linkage:** The pharmaceutical sector in Bangladesh has made significant progress in the production of finished medications. Nevertheless, the industry remains heavily reliant on imports for 90% of its raw material requirements. Although the establishment of an Active Pharmaceutical Ingredients Park has begun, there is a pressing need for additional API parks. Recently, the National Board of Revenue (NBR) has provided a VAT exemption for API importers, contingent upon meeting specific criteria until 2025.
- **Insufficient Modern Drug Testing Lab and R&D:** The central drug testing laboratory in Bangladesh is outdated and inadequately equipped, which hampers the authorities' ability to monitor the quality of the drugs manufactured. A majority of companies allocate a mere fraction (less than 1%) of their sales revenue to research and development. Furthermore, Bangladesh lacks a bio-equivalence study center, compelling domestic firms to conduct tests abroad, with costs ranging from \$100,000 to \$300,000.
- **High Registration Fees of Importing Countries:** Regulatory authorities in importing nations frequently impose exorbitant registration fees, creating substantial obstacles for smaller producers, as these elevated costs adversely impact profitability. Consequently, export opportunities are predominantly available to larger corporations, thereby restricting market access for smaller entities.

## The Booming Bangladeshi Pharmaceutical Industry: 2020-2025 and Beyond

The pharmaceutical sector in Bangladesh has experienced remarkable growth in recent years, with projections estimating a market size of \$6 billion by 2025. This surge can be attributed to a variety of factors, including the COVID-19 pandemic, which not only presented challenges but also acted as an unprecedented catalyst for growth. The existing growth drivers encompass:

- **Rising Domestic Demand:** The large and growing population of over 168 million, along with increasing life expectancy and disposable income, has driven the demand for affordable healthcare solutions. The industry's potential relies on providing a wide array of generic medications at competitive prices.

- Changing Disease Patterns:** The rise in non-communicable diseases such as diabetes, respiratory disorders, and chronic cardiovascular conditions reflects a global trend that is also evident in Bangladesh. The pharmaceutical industry is expanding its product lines to address these health issues.
- Urbanization and Lifestyle Modifications:** Unplanned urbanization in Bangladesh has led to significant lifestyle changes, thereby increasing the demand for healthcare services. Factors such as unhealthy diets, reduced physical activity, and heightened stress levels are key contributors to the growing need for pharmaceutical products.

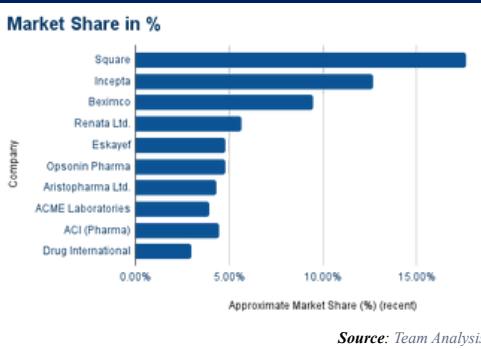
## Impact of the COVID-19 Pandemic

The pandemic presented both obstacles and prospects for the pharmaceutical sector in Bangladesh.

- Obstacles:** The global lockdowns led to disruptions in the supply chain, which hindered access to raw materials and production capabilities. Furthermore, the pandemic necessitated the reallocation of resources to combat COVID-19, which may have delayed research and development efforts in other fields.
- Prospects:** The pandemic heightened the demand for essential medications, including antivirals, antibiotics, and respiratory drugs, allowing domestic pharmaceutical companies to increase production and improve their market presence. Additionally, Bangladesh emerged as a significant supplier of Personal Protective Equipment to the global market, showcasing its manufacturing capabilities.

## Market Position of Different Companies: An Oligopolistic Pharmaceutical Industry

Exhibit 7: Market Share of Competitors in Pharma Industry



**Top 20 companies dominate the pharmaceuticals market; holds about 89.01% of pharma market share (top 10 holds 70.22% of the market share)**

The Pharmaceutical Industry in Bangladesh predominantly offers branded generic products, which allows established brands to impose premium pricing on their offerings. According to IQVIA data from 2023, the leading 10 companies within this sector account for nearly 70.22% of the overall market share.

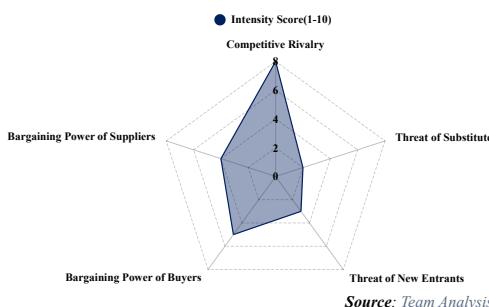
The market exhibits a high level of concentration among a few domestic giants, as the barriers to entry are elevated due to substantial capital requirements and regulatory limitations. Square Pharmaceuticals occupies the top position with a market share of 17.59%, followed closely by Incepta and Beximco.

## Competitive Structure of the Pharmaceuticals Industry in Bangladesh

### Threat of New Entrants in the Industry: Low

Entering the pharmaceutical sector necessitates substantial capital investments and regulatory approvals, which present considerable obstacles for any new company. Furthermore, the loyalty of consumers to established pharmaceutical giants, the accessibility of distribution networks, and the dependence on sales representatives complicate the ability of new entrants to secure a market position.

Exhibit 8: Porter's Five Forces Model



**Govt. price controls limit negotiation power, reliance on imported raw materials strengthens suppliers, and crowded market with similar drugs.**

### Threat of Substitute Products: Low

Retail consumers of pharmaceutical products have numerous alternatives available to them. They can easily switch from one brand to another, often due to the availability of various alternative brands for the same generic medication. If consumers find a specific medicine unsuitable for their condition or if their preferred options are unavailable at pharmacies, they are likely to change brands.

### Bargaining Power of the Buyers: High

Given that the government regulates the retail prices of medications, patients have limited influence over pricing. Additionally, consumers are concentrated and possess minimal negotiating power regarding the prices of pharmaceutical products.

### Bargaining Power of the Supplier: Low

A significant portion of pharmaceutical raw materials is imported (approximately 98%), primarily from China and India. While Bangladesh can source active pharmaceutical ingredients (APIs) from European suppliers, this option tends to be more expensive. Due to the limited number of suppliers and the high costs associated with switching to alternatives, suppliers maintain substantial bargaining power.

### Rivalry among the Competitors: High

The pharmaceutical market is extremely competitive, with the top 20 companies capturing a significant share of the market. As many companies offer the same drugs under different brand names, competition intensifies as they strive to increase their market share.

Exhibit 9: Product Share of Square Pharmaceuticals

Categories	# of Products
Pharmaceuticals Products	643
Basic Chemicals & Pellet Products	23
Locally Produced & Imported AgroVet Products	171
Corp Care Products	43
Herbal & Nutraceuticals Products.	48
Total	928

Source: Annual Report 2024

## Business Description

Square Pharmaceuticals, a prominent global pharmaceutical business based in Bangladesh, was founded in 1958 and has remained at the top of the country's medicine industry since 1985. The pharmaceutical conglomerate was first established as a private limited company by Samson H. Chowdhury and his friends before becoming a public company in 1991. It was listed on the Chittagong and Dhaka Stock Exchanges by 1995. Square Pharmaceuticals PLC. is one of the flagship companies of Square Group which is also a distinguished Bangladeshi conglomerate.

## Products Segments

The Company's product portfolio consists of 643 pharmaceuticals product, 171 Locally Produced & Imported AgroVet Products, 43 Corp Care Products ,48 Herbal & Nutraceuticals Products and 23 basic chemicals and pellet products. The products of Square Pharmaceuticals Limited are available in different forms like tablet, capsule, injection, infusion, dry powder, ENT preparation, Ophthal preparation, suppository, insulin, pellet etc. Square Pharmaceuticals Limited is renowned for its world class pharmaceuticals product.

Exhibit 10: Inclusion of New Product



Source: Annual Report 2024

39 new products have been added over the time period under consideration, all of which have received positive feedback from medical expert and consumers, 12 items have been discarded owing to superior generic alternatives, limited market size and regulatory compliance and 28 products have been transferred to Square Lifescience Ltd. (SLL) as a strategic movement.

## Valuation Report on Square Pharmaceuticals Limited

Exhibit 11: Product Share of Square Pharmaceuticals

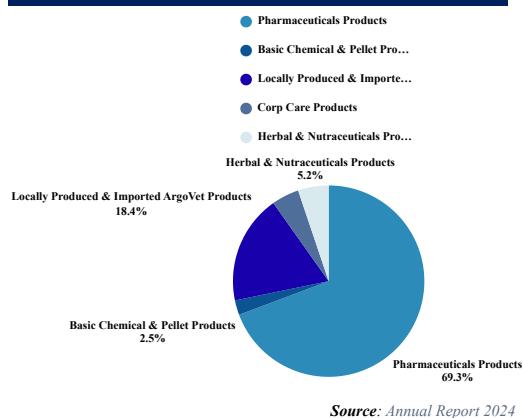
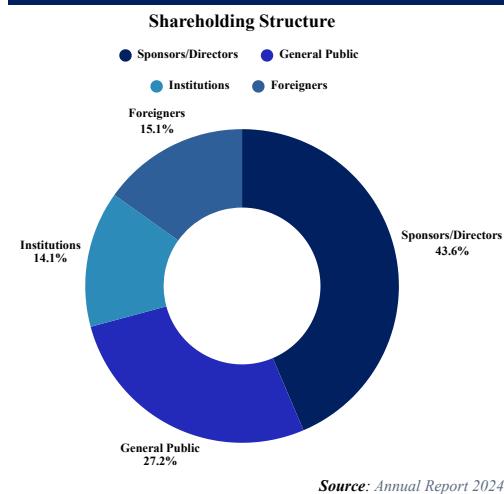


Exhibit 12: Ownership Number of Square Pharmaceuticals

Ownership	Shareholdings
Sponsors/Directors	386,395,765
General Public	241,292,675
Institutions	124,552,402
Foreigners	134,210,168

Source: Annual Report 2024

Exhibit 13: Ownership Structure of Square Pharmaceuticals



- Generic Pharmaceuticals:** The main business sector produces high-quality generic medications that are affordable and available to the general public in Bangladesh and around the world.
- Antibiotics:** Square has been one of Bangladesh's top producers of antibiotics, meeting the need for efficient remedies for bacterial diseases.
- Herbal and Nutraceuticals:** Square provides a range of herbal and nutraceutical items for anyone looking for natural cures.
- Agrovet and Crop Care:** Square Pharmaceuticals has produced and imported livestock and poultry products. Additionally, it aims to dominate Bangladesh's agrochemicals business.

### Ownership structure

Around 43–45% of the shares are held by sponsors/directors, mainly the founding Chowdhury family.

The general public holds roughly 50% of the shares, ensuring strong liquidity. Institutional and foreign investors together hold around 10–15%, indicating stable external investment. In recent years, insiders have increased their stake, reflecting confidence in the company's long-term growth.

### Subsidiaries

#### Square Pharmaceuticals Kenya EPZ Ltd. (SPL Kenya):

SPL Kenya is to manufacture and sell generic pharmaceuticals medicine in Kenya and the East African Community. It is a fully owned subsidiary of Square Pharmaceuticals PLC. The paid-up capital of SPL Kenya in BDT is 664,000,000 while Tk. 321,742,688 has been advanced as a Share money deposit.

#### Square Lifesciences Ltd. (SLL):

Square Lifesciences Ltd., incorporated as a pharmaceuticals manufacturing company under the Companies Act, 1994 on 13th February 2020 is a subsidiary of Square Pharmaceuticals PLC. Square Pharma holds 9,995,000 ordinary shares of Tk 100.00 each of SLL out of its paid-up 10,000,000 ordinary shares.

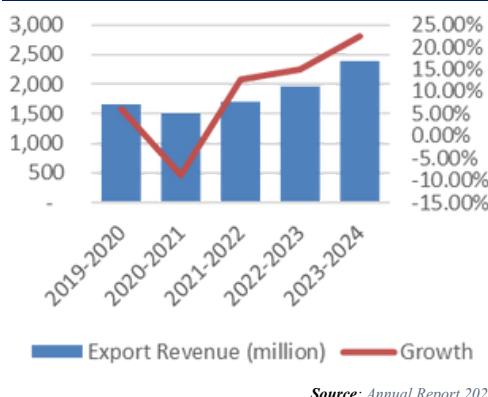
#### Samson Pharma Inc, Philippines:

Samson Pharma c., Philippines, incorporated as a pharmaceuticals manufacturing company under the Corporation Code of the Philippines on 20th September 2023 is a subsidiary of Square Pharmaceuticals PLC. An amount of Tk. 52,530,000 has been advanced as Share Money Deposit to the Company as of 30 June 2024. Square Pharma holds 139,998 ordinary shares out of its paid-up 140,000 ordinary shares.

Subsidiary Name	Ownership (%)	Paid-up Capital / Share Money	Revenue (Latest)	Status / Remarks
Square Formulations Ltd.	99.50%	BDT 100 million	BDT 11,313 million (before merger)	Merged with Parent Company effective 01-01-2019
Square Pharmaceuticals Kenya EPZ Ltd.	100%	Share money deposit ~ BDT 216.26 million (initial)	Revenue started from FY23	Commercial Manufacturing Active — Kenyan GMP license received May 2022; Commercial operation started in Jan 2023.
Samson Pharma Inc., Philippines	100%	BDT 52.530 million has been advanced as Share Money Deposit to the Company as of 30 June 2024.	Subsidiary reported revenue generation (small scale)	Active Overseas Subsidiary — Strategic entry into Southeast Asian pharma market.

## Valuation Report on Square Pharmaceuticals Limited

Exhibit 14: Export Growth of Square Pharmaceuticals



Source: Annual Report 2024

### Export

More than 40 nations make up Square Pharma's export market, and it has made every effort to boost exports from its current facilities. Total exports for the year under review were Tk. 2,394.97 million, up 22.42% from Tk. 1,956.40 million the year before. A subsidiary of Square Pharmaceuticals PLC, Square's cutting-edge production facility "Square Lifesciences Ltd." has also begun exporting to a few export markets and successfully completed regulatory inspection. In the near future, this will significantly increase Square's export income earnings.

## Financial Performance

In order to analyze the financial performance of Square Pharmaceuticals Limited, annualized information from FY 2021 to 2028 financial statements has been taken into account.

### Liquidity Position: Stable

From 2021 to 2024, all the liquidity ratios, i.e., current ratio, quick ratio, and cash ratio, showed a slightly decreasing trend. In 2021, the current ratio stood at 17.32, indicating that for every unit of current liabilities, the company held 17.32 units of current assets. This high ratio suggested ample liquidity, though other financial metrics should also be considered. By 2022, the current ratio had dipped slightly to 17.03, but the company still maintained strong liquidity. The further decline in 2023 to 16.67, and in 2024, the ratio became 13.48. The ratio slightly increased in 2025 to 14.24 but again dropped to 13.67 in 2026. But it increased again in 2027 and slightly declined in 2028 to 15.00.

Regarding the quick ratio, it was 14.56 in 2021, revealing strong short-term liquidity, which slightly decreased to 14.29 in 2022 and continued declining to 13.29 in 2023 and 10.69 in 2024. However, the ratio increased somewhat in 2025 to 12.15 but again dropped to 11.67 in 2026. But it increased again in 2027 and slightly declined in 2028 to 13.34.

In terms of the cash ratio, it was 13.64 in 2021, indicating ample cash and cash equivalents relative to current liabilities. This ratio decreased slightly to 13.37 in 2022 and further to 11.85 in 2023 and 9.84. Just like the other liquidity ratios, the cash ratio also slightly increased in 2025 to 11.38, but again dropped to 11.31 in 2026. But it increased again in 2027 and slightly declined in 2028 to 12.29.

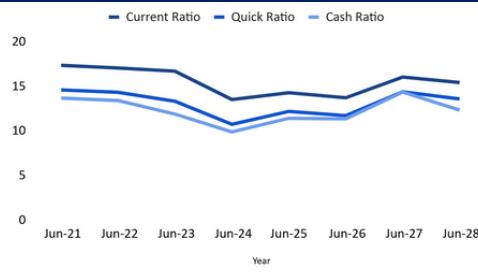
Overall, the ratios remained stable without a large swing in the values.

### Operating Efficiency: Good

In 2021 and 2022, Square Pharma showed consistent improvement in its inventory turnover ratio, which decreased in 2023 and 2024. However, the ratio is forecasted to be improved in 2025-28. As of June 2024, the Inventory Turnover Ratio stands at 3.01 times, which means that yearly sales of Square Pharma are 3.01 times their inventory.

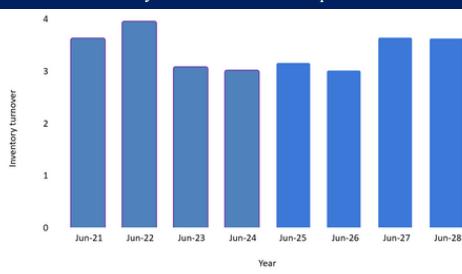
Square Pharma has, however, failed to improve its estimated Receivable Turnover during 2024-25 to 2027-28 (when its Receivable Turnover Ratio comes to the lowest point). The turnover ratios are 19.78, 22.81, 15.60, 14.28, 13.98, 12.36, 10.92, and 9.65 from 2021 to 2028. We can see that the ratios are declining over the years.

Exhibit 15: Liquidity Ratios of Square Pharmaceuticals



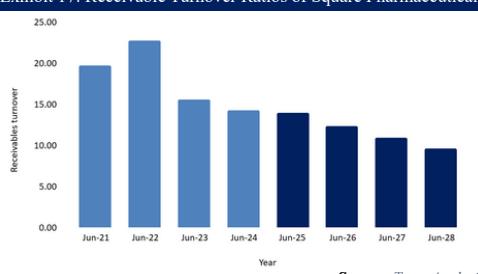
Source: Team Analysis

Exhibit 16: Inventory Turnover Ratios of Square Pharmaceuticals



Source: Team Analysis

Exhibit 17: Receivable Turnover Ratios of Square Pharmaceuticals



Source: Team Analysis

## Valuation Report on Square Pharmaceuticals Limited

Exhibit 18: Average Collection Period of Square Pharmaceuticals

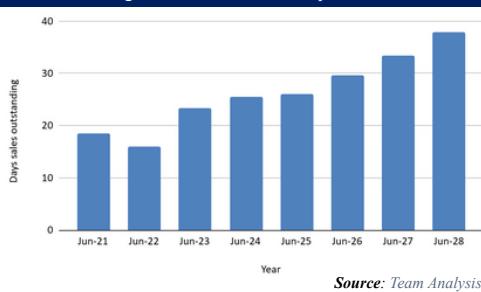


Exhibit 19: Revenue vs Gross Profit & NI of Square Pharmaceuticals

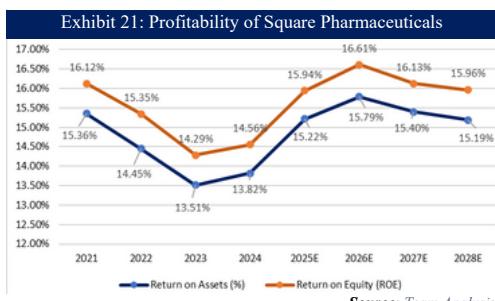
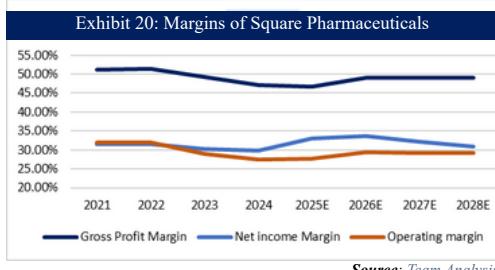
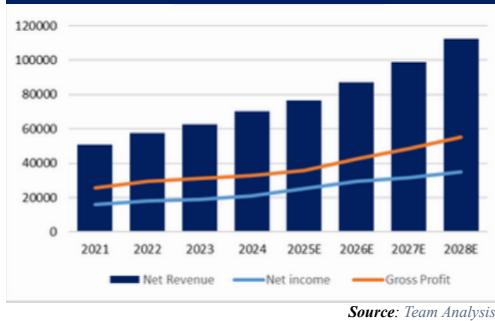


Exhibit 22: Trade and other receivables of Square Pharmaceuticals

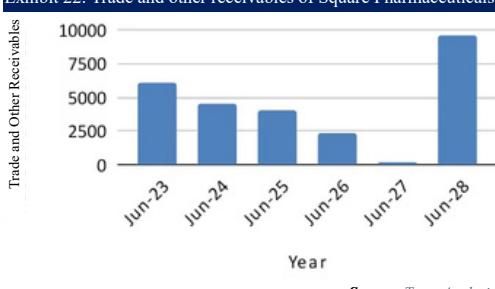


Exhibit 23: Annual Current Liabilities of Square Pharmaceuticals



Square Pharma collects its average receivable around 18.45, 16.00, 23.39, 25.56, 26.10, 29.53, 33.42, and 37.82 days from 2021 to 2028. The Average Collection Period (days) suggests that Square Pharma's sales remain as accounts receivable. From 2021 to 2028, there has been a crucial decline in the pharma's ability to collect payment on time, leading to a longer average collection period.

Overall, it shows that their ability to collect payments is expected to have having drastic declining trend.

## Profitability: Growing

Net revenue of Square Pharmaceuticals PLC is growing faster than the industry's CAGR. The CAGR of Square Pharmaceuticals PLC from 2021 to 2024 was 10.39% and is expected to grow at the rate of 13.67% considering the GDP growth rate, the government's supportive regulatory policies, and R&D grants.

The gross margin deteriorated from 2021 to 2024 and is expected to increase from 2025 due to a stable exchange rate, which the government aims to achieve by increasing its foreign exchange reserves. On the other hand, the operating margin has declined since 2022, but it is now expected to increase and remain stable within our forecasted horizon. These two together are expected to increase the net income margin.

From 2021 to 2024, the company maintained a net income margin of around 30% and now, we expect the company to maintain a net income margin of more than 30%, which actually indicates good profitability. Moreover, ROE & ROA are also expected to increase from 2025.

## Leverage: Very Low

Square Pharmaceuticals Limited is less dependent on debt (both long-term and short-term). Currently, the company has a few long-term or short-term loans. Moreover, most of its long-term loans will be repaid by 2026. Due to their huge cash and cash equivalents, they needn't take much loan in any form, which also makes them less vulnerable to interest rate volatility.

## Risks Factors

### Credit Risk: Low

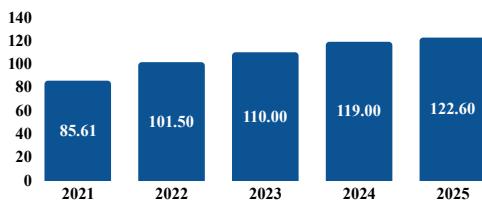
Square Pharmaceuticals is exposed to credit risk only through trade receivables from institutional and export customers. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis based on assessment of the debtors by classifying them according to their risk profile. The trade receivables are diversified among multiple product segments which reduces concentration risk. In addition, the Pharma places its cash and equivalent with highly rated financial institution and according to CRISL the pharma has long term rating of AAA and ST-1 for short term rating.

### Liquidity Risk: Low

The liquidity risk of the pharma mainly arises from short term

## Valuation Report on Square Pharmaceuticals Limited

Exhibit 24: Exchange Rate (USD to BDT)



Source: Annual Report

Exhibit 25: Altman Z-Score

Net Working Capital to Total Assets	0.486213116
Retained Earnings to Total Assets	0.860535916
EBIT to Total Assets	0.144991622
Market Value of Equity to Total Liabilities	1.319992477
Sales to Total Assets	0.528517134
Z Score	3.58719093

SQUARE Pharma has a low probability of Bankruptcy

Source: Team Analysis

Exhibit 26: Beneish M-Score

Derived Variables	Value of variables	
	M-Score	Probability
Days Sales in Receivables Index (DSRI)	0.6584128408	
Gross Margin Index (GMI)	1.046357745	
Asset Quality Index (AQI)	1.224111599	
Sales Growth Index (SGI)	1.117189161	
Depreciation Index (DEPI)	1.0559	
Sales, General, and Administrative Expenses Index (SGAI)	0.9423258966	
Leverage Index (LVGI)	1.000287484	
Total Accruals to Total Assets (TATA)	0.03421621031	
5 variable equation	-2.93521973	0.16%
B variable equation	-2.398354944	0.82%

Source: Team Analysis

Exhibit 27: WACC Calculation

Beta (relative to the DSEX)	0.6100
Constant market Sharpe ratio(b)	0.0939
volatility(c)	0.4723
<b>Equity market risk premium</b>	<b>4.4%</b>
Risk Free (10 Years Treasury Bond)	10.46%
<b>Required return on equity (CAPM)</b>	<b>13.16%</b>
Equity to total capital	0.9971
Average cost of debt	0.00%
Effective tax rate	22.50%
After tax cost of debt	0.00%
<b>S1 WACC</b>	<b>13.13%</b>

Source: Team Analysis

Exhibit 28: Growth Rate Calculation

Year	2021	2022	2023	2024	2025
GDP Growth Rate	6.94%	7.10%	5.78%	4.22%	4.90%
Terminal Growth Rate (5-year average)					5.79%

Source: Team Analysis

Exhibit 29: FCF Calculation

	2025	2026	2027	2028
OCF	23096.50	31666.36	32462.43	19081.99
CapEx	5985.06	6201.35	7103.95	8219.07
Interest expense	0.00	0.00	0.00	0.00
Tax Rate	22.5%	22.5%	22.5%	22.5%
FCFF	17111.44	25465.01	25358.48	10862.92
DCF period	0.25	1.25	2.25	3.25
<b>PV of FCF</b>	<b>16591.89</b>	<b>21826.81</b>	<b>19213.52</b>	<b>7275.578</b>

Source: Team Analysis

financial liabilities where most of the obligations are to be paid within 6 months. So the company manages liquidity to ensure that it will always have sufficient liquidity to meet its liabilities when due. Liquidity risk is further controlled through preparation of the cash flow forecast, based on time line of payment of financial obligations.

### Market Risk: Medium

**1. Currency Risk:** Square Pharma is exposed to currency risk on certain revenues and purchases such as raw material, packing material, spare parts and acquisition of machineries & equipment. Majority of the Company's foreign currency transactions are denominated in USD. However based on accounted exchange gains or losses, the Company has no significant exposure to currency risk.

**2. Interest Risk:** The square pharma has no exposure to interest rate as it has no long term interest borrowing liabilities or derivative instruments.

### Bankruptcy Risk: Low

The Altman Z-score of square pharmaceutical is 3.59, which is greater than 3. We can conclude that, Square Pharma has a low risk of financial distress and strong overall financial stability.

### Earning Manipulation: Low

The Beneish M-Score for the company is -2.39, which is below the threshold of -2.22. This indicates a low likelihood of earnings manipulation and suggests that the company's reported financial performance does not exhibit characteristics typically associated with aggressive accounting practices.

## Valuation

### Discount Rate

The appropriate discount rate for Square Pharmaceuticals Limited is calculated by using the weighted average cost of capital method, where the cost of equity is calculated by using the Capital Asset Pricing Model (CAPM).

Here, the cut-off yield of the government 10-year T-Bond rate was considered as the risk-free rate. The beta was calculated by using the last 45 months of data, and the risk premium was calculated by multiplying the Sharpe Ratio and the Volatility Rate. These resulted in a cost of equity of 13.16% and WACC of 13.13%.

### Terminal Value

Over the last 5 years, our GDP growth was 5.79%, and it is expected to remain around this level. Considering this, we have used 5.79% as the terminal growth rate. Square Pharmaceuticals Limited is expected to continue growing at this rate for various reasons. Such as rapid population growth, rising income levels, new product development, government support in producing API locally, etc.

### Free Cash Flow to Firm Valuation

With the discount rate of 13.13% and the Terminal Growth Rate of 5.79%, the present value (PV) of Free Cash Flow to Firm (FCFF) as of June 2028 is BDT 64,908 million, and the present value of Terminal Value is BDT 161,741 million. These, together with the cash and cash equivalents of the company, implied the fair value using the DCF model to be BDT 323.0198 per share.

## Valuation Report on Square Pharmaceuticals Limited

Exhibit 30: DCF Valuation

PV of terminal value	161,741.41
PV of FCFF	64,907.80
cash/(debt)	59,692.01
Total Equity	286,341.22
Shares outstanding	886.45
<b>Implied DCF 12-month</b>	<b>323.0198</b>

Source: Team Analysis

Exhibit 31: DDM Valuation

DDM Valuation	Year 1	Year 2	Year 3	Year 4
	June 2025E	June 2026E	June 2027E	June 2028E
No. of shares outstanding	886.45	886.45	886.45	886.45
Dividend	10,641.90	12,331.90	13,333.42	14,633.57
Projected Years	0.25	1.25	2.25	3.25
PV of Dividend	10,317.91	10,565.60	10,094.77	9,790.30
Total PV of Dividend	40,768.59			
Continuing Value	209,853.67			
PV of Terminal Value	140,398.52			
Equity Value	181,167.11			
No. of Shares Outstanding	886.45			
Equity Value per share	204.37			

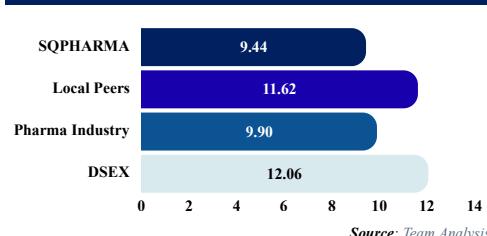
Source: Team Analysis

Exhibit 32: Sensitivity Analysis

Sensitivity Analysis- Value per Share					
Terminal Growth Rate	Discount Rates				
	12.48%	12.80%	13.13%	13.45%	13.79%
3.79%	261.91	258.74	255.71	252.89	250.18
4.79%	274.5	270.43	266.58	263.02	259.64
5.79%	290.86	285.46	280.41	275.79	271.45
6.79%	312.96	305.49	298.61	292.4	286.65
7.79%	344.49	333.51	323.62	314.87	306.9

Source: Team Analysis

Exhibit 33: Relative Comparison of P/E



Source: Team Analysis

Exhibit 34: Relative Comparison of P/E (Regional Peers)

Company	P/E	P/NAV	P/BV
SQPHARMA	8.90	1.48	1.4
BXPARTA	6.69	0.81	1
ACI	-	2.05	1.7
RECKITT BEN	20.73	9.41	25.6
ACMELAB	6.26	0.61	0.6
RENATA	15.53	1.66	1.3

Source: Team Analysis

Exhibit 35: Relative Valuation

Particular	Calculation
P/E used for valuation	9.44
Forecasted Diluted EPS	33.28
Adjusted cash per share	67.34
<b>Implied P/E 12-month target value</b>	<b>381.43</b>

Source: Team Analysis

The market price of Square Pharmaceutical PLC on 26<sup>th</sup> June 2025 was BDT 210.1 per share. So, the forecasted fair value per share implies an increase of 54.75% from the market price

## Dividend Discount Model

Square Pharmaceuticals Plc pays dividend every year. So, the DDM is the most appropriate valuation model for this company. In calculating a fair price using DDM, we have estimated that the payout ratio would be 42%, which is 4.4% lower than the previous year. The reason behind estimating a lower payout ratio is that the company has not built any plant in Munshiganj API Park. We assumed that in the near future, the company will invest in Munshiganj API Park and retain a higher part of its profit for future projects.

The fair value, using the DDM, is BDT 204.37 per share. The market price of Square Pharmaceutical PLC on 26th July 2025 was BDT 210.1 per share. So, the forecasted fair value per share implies a decrease of 2.73% from the market price

## Sensitivity Analysis

We have also checked the sensitivity analysis based on the terminal growth rate and cost of capital. Based on our sensitivity analysis we derived the lowest intrinsic value of BDT 250.18 at 3.79% terminal growth and 13.879% cost of capital. The highest value derived is BDT 344.49 at 7.79% terminal growth and 12.48% cost of capital.

Based on overall sensitivity analysis, we conclude that there is a probability of huge upside potential and very little downside potential based on Square's prevailing share price.

## Relative Comparison

We have compared the P/E ratio of the local peers and observed that despite having a higher NPM than local peers, Squares P/E is comparatively low since 2020. The average past 12 months P/E is 9.44x whereas the average market P/E was 11.62x for local rivals. The same result can be found if we compare Square's P/E with the pharma industry and the overall DSEX market P/E. However, the better operating metrics, higher payout in recent years and other positives of Square are yet to be reflected in the price and so based on our valuation and forecasting, we expect Square's P/E to be 9.44x.

We have selected five more local peers based on their top position in the industry. If we compare the P/E, P/NAV and P/BV of the local peers we can find that the square pharma has comparatively lower indicators than the average of P/E (11.62x), P/NAV (2.67x) and P/BV (5.27x). This outcome also suggests that Square is currently being traded at a cheap price.

## Relative Valuation

We have conducted our relative valuation through the Historical Average PE Multiple of past 12 months and adjusted cash per share yielded an average price per share of BDT 381.43. The PE multiple were given a weight of 20% while calculating the main Target Price.

## Determination of Target Price

Our target price was derived from a combination of weighted average of DDM valuation- 60%, intrinsic valuation (DCF)- 20%, and relative valuation 20%. We recommend a higher weight of 60% on the value

## Valuation Report on Square Pharmaceuticals Limited

Exhibit 36: Decision Criteria of Target Price	
Decision Criteria	
IF Total Return is Less than -10%	<b>SELL</b>
IF Total Return is Between -10% and 10%	<b>HOLD</b>
IF Total Return is Greater than 10%	<b>BUY</b>

*Source: Team Analysis*

Exhibit 37: Valuation Summary	
Current Price	<b>210.1</b>
Target Price	<b>263.51</b>
Expected Capital Gain	<b>25.42%</b>
Expected Dividend Yield	<b>6.67%</b>
<b>Target 1 Year Return</b>	<b>32.09%</b>

*Source: Team Analysis*

that we derived from DDM valuation because the company provides dividend every year. Based on the weighted average of the DDM, DCF, and relative valuation, we get a target price of BDT 263.51 for the company.

Valuation Date:	26th June, 2025	
Recommendation:	<b>BUY</b>	
Valuation Method	Estimated Value	Weights
Dividend Discounted Method (DDM)	204.37	60%
Discounted Cash Flow (FCFF)	323.02	20%
P/E Multiple	381.43	20%
<b>Target Price</b>	<b>263.51</b>	<b>100%</b>

With a target price of BDT 263.51 and a projected one-year return of 32.09%, Square Pharmaceuticals is recommended as a "**BUY**" and classified as "overweight" at its current market price.

## Assumptions

Sales	The forecasted CAGR of the pharmaceutical industry will be around 15% by 2032. Comparing historical GDP growth and CAGR with forecasted GDP growth and CAGR, the 15% forecasted CAGR looks unattainable to us within our forecasted horizon. but the governments' supportive regulatory policies, grants for R&D and etc will help the industry to grow faster than before, and we expect it to add 3%. Historically, Square Pharmaceuticals has maintained a higher CAGR than that of the industry. By adjusting all these, we have estimated that the CAGR would be 13.67% from 2026.
COGS	Square Pharmaceutical PLC already produces API in its Pabna unit, and so its impact is already in the historical data of the company. This company has not built any plant on Munshiganj API Park, and we assumed that it is not possible to build a factory and start production within our investment horizon and so we did not consider further impact of API in the COGS.
WPPF	5% of the total profit of a company in a financial year must be allotted for the workers. 80% of that allotted amount shall go to the participation fund, with 10% going to the welfare fund, and 10% to the workers' welfare foundation.
Profit from undertakings/subsidiaries	It is a very lengthy process to determine the net profit of all the three associates. So we've determined it on an average basis.
Profit of non controlling interest	Because of lack of information we could not forecast profit of non controlling interest, and so we have forecasted it based on last 4 quarter's growth rate.
Tax holiday reserve	Square Pharmaceuticals may benefit from tax holidays and exemptions under Bangladesh's policy for (API) production. Still the % of tax holiday is not published. So, we have estimated that the total tax holiday will be 4.2% of Net Income based on previous years' data.
Dividend pay out ratio	In future, Square Pharmaceuticals PLC will build an API plant at Munshiganj API Park. For making this investment the company will keep a higher portion of its revenue and so the dividend pay out ratio will be lower. And we estimated this pay out ratio to be 42% from 2025.
Dividend	We assumed that the company will pay cash dividend only.
Trade Receivables	Trade and other receivables has been calculated following the last quarter's receivable aligning with previous year's growth proportion.
Trade Payables	Trade payable is expected to be 13.82% of COGS. This 13.82% is the average of the last five years' ratio of COGS to trade payable.
Inventory	Inventories are calculated by using Inventory turnover. We have found an increasing trend of inventory turnover on a quarterly basis. As import prices surged recently, the company may pile up some of its inventory. So DSO is assumed to be higher and inventory is calculated according to that but it will be normalized later.
Depreciation	During the last 2-3 years, Square Pharma decelerated their investment in PPE. As a result their market share also reduced. Besides, decreasing production capacity of current machinery and current growth in the industry makes it essential to initiate PPE acquisition. We assume that to retain and increase current market share, Square Pharma will gradually invest in PPE in the average Capex growth rate and so PPE will increase according to acquisition. Therefore depreciation is calculated with the average growth rate of last year.
Risk Free Rate	The risk-free rate (Rf) used in the CAPM is 10 years Treasury Bond rate 10.46%.
Constant Growth Rate	We assume that the company will keep paying cash dividends, which will grow by 2% each year.
Terminal growth rate	Last five years average GDP growth rate has been considered as the terminal growth rate.
Target value weight	Square Pharmaceuticals PLC pays dividend each year. That's why we have given 60% weight to fair value calculated by using DDM and only 20% weight to PE multiple and DCF model.

## Statement of Consolidated Income

(Taka in millions, except per share data)	Historical				Forecasted			
	June 2021	June 2022	June 2023	June 2024	June 2025E	June 2026E	June 2027E	June 2028E
	58,346.26	66,406.96	72,335.37	70,101.03	76,558.45	87,023.45	98,918.94	112,440.46
Gross Revenue	58,346.26	66,406.96	72,335.37	70,101.03	76,558.45	87,023.45	98,918.94	112,440.46
Less: Value Added Tax	7,643.23	8,809.02	9,587.69	0	0	0	0	0
<b>Net Revenue</b>	<b>50,703.03</b>	<b>57,597.94</b>	<b>62,747.68</b>	<b>70,101.03</b>	<b>76,558.45</b>	<b>87,023.45</b>	<b>98,918.94</b>	<b>112,440.46</b>
Cost of sales	24,800.04	27,958.03	31,772.09	37,028.60	40,776.66	44,320.00	50,378.23	57,264.57
Gross Profit	25,902.99	29,639.91	30,975.59	33,072.43	35,781.79	42,703.45	48,540.71	55,175.88
Selling and Distribution Expenses	8,564.47	10,439.27	11,814.29	12,065.90	13,274.32	15,386.69	17,489.94	19,880.69
Administrative Expenses	1,216.93	1,402.25	1,535.99	1,869.93	1,632.68	2,174.01	2,471.18	2,808.98
Finance Cost	0.01	0.03	118.97	244	201.85	129.69	147.41	167.57
<b>Total operating expenses</b>	<b>9,781.42</b>	<b>11,841.55</b>	<b>13,469.25</b>	<b>14,179.83</b>	<b>15,108.84</b>	<b>17,690.39</b>	<b>20,108.54</b>	<b>22,857.23</b>
Other Operating Income	107.67	618.12	715.32	338.69	516.53	496.47	498.54	499.58
Profit from Operations	16,229.24	18,416.48	18,221.67	19,231.28	21,189.47	25,509.53	28,930.72	32,818.23
Interest income	-	-	-	-	1,127.75	3,213.18	2,946.29	3,036.79
Dividend income	420	395.01	552.97	0	0	0	0	0
Income from investment	0	0	0	4,650.62	6,085.24	6,103.33	6,103.23	6,102.81
Other income/(expense)	2,957.46	2,993.17	3,404.29	0	0	0	0	0
<b>Total other income/(expense)</b>	<b>3,377.46</b>	<b>3,388.19</b>	<b>3,957.25</b>	<b>4,650.62</b>	<b>7,212.99</b>	<b>9,316.51</b>	<b>9,049.53</b>	<b>9,139.60</b>
Profit before WPPF & WF	19,606.70	21,804.66	22,178.92	23,881.90	28,402.47	34,826.04	37,980.24	41,957.83
Allocation for WPPF & WF	937.8	1,051.23	1,079.57	1,160.13	1,341.97	1,567.17	1,709.11	1,888.10
Profit before Tax	18,668.91	20,753.44	21,099.35	22,721.77	27,060.50	33,258.87	36,271.13	40,069.73
Provisions for income tax	4,187.48	4,618.55	4,787.63	-4,661.82	5,210.20	7,483.25	8,161.00	9,015.69
Deferred Tax (Expense) / Income	175.32	11.49	145.91	272.92	247.36	253.14	297.02	448.72
Profit after Tax	14,656.74	16,146.37	16,457.63	18,332.88	22,097.66	26,028.76	28,407.15	31,502.76
Profit from Associate Undertakings	1,291.21	2,010.81	2,522.40	2,594.56	3,240.20	3,332.92	3,339.10	3,339.07
<b>Net income</b>	<b>15,947.95</b>	<b>18,157.18</b>	<b>18,980.02</b>	<b>20,927.45</b>	<b>25,337.86</b>	<b>29,361.68</b>	<b>31,746.24</b>	<b>34,841.83</b>
Basic shares outstanding	886.45	886.45	886.45	886.45	886.45	886.45	886.45	886.45
Diluted shares outstanding	886.45	886.45	886.45	886.45	886.45	886.45	886.45	886.45
<b>Basic EPS</b>	<b>17.99</b>	<b>20.48</b>	<b>21.41</b>	<b>23.61</b>	<b>28.58</b>	<b>33.12</b>	<b>35.81</b>	<b>39.3</b>
Diluted EPS	17.99	20.48	21.41	23.61	28.58	33.12	35.81	39.3
<b>Dividends per share</b>	<b>6</b>	<b>10</b>	<b>10.5</b>	<b>11</b>	<b>12.01</b>	<b>13.91</b>	<b>15.04</b>	<b>16.51</b>
Dividend growth rate (YoY)		66.67%	5.00%	4.78%	9.12%	15.88%	8.12%	9.75%

## Statement of Financial Position

Balance Sheet (Taka in millions)	Historical				Forecasted			
	June 2021	June 2022	June 2023	June 2024	June 2025E	June 2026E	June 2027E	June 2028E
	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Assets</b>								
Cash and equivalents	43364.00	48962.00	50094.00	52013.46	60610.84	75820.37	92598.02	93785.35
Investment in Marketable Securities	-	-	-	-	-	-	-	-
Trade and Other Receivables	2916.18	3395.08	6122.29	4503.39	4100.89	2402.21	217.28	9540.32
Inventories	7245.40	8214.11	12227.20	12582.15	9210.70	11590.66	8958.18	12511.48
Deferred tax assets	-	-	-	-	-	-	-	-
Advances, Deposits and Prepayments	1550.77	1776.04	2043.30	2106.52	1960.25	1824.13	1697.46	1579.59
<b>Total Current Assets</b>	<b>55076.34</b>	<b>62347.23</b>	<b>70486.79</b>	<b>71205.52</b>	<b>75882.69</b>	<b>91637.37</b>	<b>103470.94</b>	<b>117416.73</b>
Long-term marketable securities	4624.33	4346.77	4589.87	9292.40	9569.50	7286.20	7781.87	8228.20
Property, plant and equipment, net	22884.10	27182.67	26058.82	27750.01	31520.04	33449.18	35764.30	38553.36
Investment in Associates	9277.25	12874.32	15076.81	17397.06	20672.51	24308.44	28583.87	33611.27
Pre-Operating Expenses	0	0	0	0	0	0	0	0
Long Term Investment - Others	3590.20	5006.38	5603.69	6992.21	7567.86	8190.91	8865.24	9595.10
<b>Total Assets</b>	<b>95452.22</b>	<b>111757.37</b>	<b>121815.98</b>	<b>132637.20</b>	<b>145212.60</b>	<b>164872.09</b>	<b>184466.23</b>	<b>207404.66</b>
<b>Liabilities</b>								
Trade Payables	666.17	625.98	1,001.76	1,455.43	1,442.02	1,603.81	1,823.04	2,072.24
Other Payables	1,381.50	1,613.90	1,877.96	1,820.94	1,221.19	1,818.04	483.81	96.75
Dividends Payable	-	-	-	-	-	-	-	-
Long Term Loan - Current Portion	0	200.00	618.61	614.54	693.98	775.12	868.27	972.32
Unclaimed Dividend	375.17	129.64	159.00	191.98	229.11	223.27	217.57	212.02
Current Tax Liabilities	572.68	911.50	356.10	912.27	1,259.75	1,476.15	1,729.73	2,026.88
Accrued expenses	183.05	180.80	215.72	286.79	479.85	802.85	1,343.28	2,247.51
Deferred revenue (current portion)	-	-	-	-	-	-	-	-
<b>Total Current liabilities</b>	<b>3,178.56</b>	<b>3,661.83</b>	<b>4,229.15</b>	<b>5,281.95</b>	<b>5,325.90</b>	<b>6,699.24</b>	<b>6,465.71</b>	<b>7,627.72</b>
Deferred revenue (non-current)	-	-	-	-	-	-	-	-
Long Term Loan	103.71	1,714.27	1,368.36	814.54	610.91	614.49	672.91	750.37
Deferred Tax Liabilities	1,274.85	1,178.74	1,022.15	619.08	637.95	891.08	1,188.10	1,636.82
<b>Total Non current liabilities</b>	<b>1,378.56</b>	<b>2,893.01</b>	<b>2,390.51</b>	<b>1,433.62</b>	<b>1,248.85</b>	<b>1,505.57</b>	<b>1,861.01</b>	<b>2,387.19</b>
<b>Total liabilities</b>	<b>4,557.12</b>	<b>6,554.84</b>	<b>6,619.66</b>	<b>6,715.58</b>	<b>6,574.75</b>	<b>8,204.81</b>	<b>8,326.72</b>	<b>10,014.90</b>
<b>Equity</b>								
Common stock	8,864.51	8,864.51	8,864.51	8,864.51	8,864.51	8,864.51	8,864.51	8,864.51
Share Premium	2,035.47	2,035.47	2,035.47	2,035.47	2,035.47	2,035.47	2,035.47	2,035.47
General Reserve	105.81	105.67	105.69	105.88	105.88	105.88	105.88	105.88
Fair Value Reserve	1,139.63	830.62	734.51	-275.04	-692.92	-946.05	-1,243.07	-1,691.79
Tax Holiday Reserve	0	0	133.40	951.51	2,371.87	3,605.06	4,938.40	6,401.76
Translation Reserve	-0.29	9.00	-16.91	97.91	135.06	150.35	167.36	186.30
Non Controlling Interests	0.50	0.47	0.71	2.32	5.76	10.44	16.65	24.86
Retained earnings	78,749.45	93,357.09	103,339.09	114,139.07	125,812.18	142,841.95	161,254.77	181,463.03
Gain on Marketable Securities (Unrealized)	-	-	-	-	-	-	-	-
Accumulated other comprehensive income	-	-	-	-	-	-	-	-
<b>Total shareholders' equity</b>	<b>90,895.07</b>	<b>105,202.82</b>	<b>115,196.46</b>	<b>125,921.62</b>	<b>138,637.81</b>	<b>156,667.61</b>	<b>176,139.97</b>	<b>197,390.02</b>
<b>Total liabilities and equity</b>	<b>95,452.19</b>	<b>111,757.66</b>	<b>121,816.12</b>	<b>132,637.20</b>	<b>145,212.57</b>	<b>164,872.42</b>	<b>184,466.69</b>	<b>207,404.92</b>

## Statement of Cash Flow

Cash Flow Statement (Taka in millions, except per share data)	Historical				Forecasted			
	June 2021	June 2022	June 2023	June 2024	June 2025E	June 2026E	June 2027E	June 2028E
<b>Cash flows from operating activities</b>								
Net Profit After Tax	14,656.24	18,176.74	18,980.14	20,927.45	25,337.86	29,361.68	31,746.24	34,841.83
All other depreciation and Amortization	1,882.49	1,835.17	2,309.90	2,318.65	2,199.79	2,398.87	2,553.21	2,740.75
Translation Gain	0	9.28	-25.9	114.81	37.16	18.86	17.01	18.94
Deferred income taxes, net	-174.81	-11.49	-145.91	-272.92	-247.36	-253.14	-297.02	-448.72
Profit from Associate Undertakings	0	-2,010.81	-2,522.51	-2,571.66	-3,240.20	-3,332.92	-3,339.10	-3,339.07
Exchange Gain	-35.61	-466.66	-524.71	-461.34	-299.18	-	-	-
<b>Non-Operating Items:</b>								
Interest Received	0	0	-3,539.63	-4,167.26	-5,266.28	-3,213.18	-2,946.29	-3,036.79
Dividend Received	-328.19	0	-232.94	-414.45	-269.9	0	0	0
Gain on Marketable Securities (Realized)	0	0	-89.19	-9.91	-131.51	0	0	0
(Gain)/Loss on Disposal of PPE	0	0	79.8	-208	-13.98	0	0	0
Gain on Redemption of Zero Coupon Bond	0	0	-95.5	-59	-24	0	0	0
Others	-3,002.79	-3,441.68	0	0	0	0	0	0
Trade and Other Receivables	-115.84	-522.93	-1,363.20	869.7	1,550.87	1,698.69	2,184.93	-9,323.04
Other Receivables	0	0	0	1,408.51	88.79	0	0	0
Inventories	-1,557.99	-968.71	-4,176.68	-354.95	3,371.45	-2,379.96	2,632.48	-3,553.30
Advances, Deposits and Prepayments	-239.44	-227.57	-252.85	-7.11	182.05	136.12	126.67	117.87
Trade Payables	127.76	-30.16	375.77	428.94	-13.41	161.8	219.23	249.2
Other Payables	-244.8	196.92	289.52	-55.84	-706.17	6,530.13	-1,228.95	-387.05
Current Tax Liabilities	0	338.83	-555.41	556.17	347.48	216.41	253.58	297.14
Accrued Expenses	54.05	-2.25	34.92	71.07	193.05	323.01	540.43	904.22
<b>Net cash provided by operating activities</b>	<b>11,021.07</b>	<b>12,874.69</b>	<b>8,545.61</b>	<b>18,528.85</b>	<b>23,096.50</b>	<b>31,666.36</b>	<b>32,462.43</b>	<b>19,081.99</b>
<b>Cash flows from investing activities</b>								
Acquisition of PPE	-3,798.32	-6,183.19	-2,824.25	-4,181.29	-5,985.06	-6,201.35	-7,103.95	-8,219.07
Investment in marketable securities		213.34	-260.7	-5,832.32	-367.64	-2,283.30	495.67	446.33
Long Term Investment - Others	-961.47	-1,416.18	-597.32	-1,388.51	-623.79	623.05	674.34	729.86
Short Term Loan	4,884.34	-	-	-	-	-	-	-
Dividend Received	419.63	395.01	552.97	688.76	562.5	0	0	0
Interest Received	2,893.49	2,890.66	3,874.91	3,566.96	4,053.11	3,213.18	2,946.29	3,036.79
Proceeds from sale of marketabke securities	88.94	130.7	78.33	0	0	0	0	0
Proceeds from sale of PPE	80.13	0	0	97.44	72.09	83.54	86.46	87.07
<b>Net cash provided by investing activities</b>	<b>3,606.74</b>	<b>-3,969.65</b>	<b>823.95</b>	<b>-7,048.97</b>	<b>-2,288.80</b>	<b>-4,564.89</b>	<b>-2,901.19</b>	<b>-3,919.03</b>
<b>Cash flows from financing activities</b>								
Dividend payment	-3,967.92	-5,564.24	-8,802.92	-9,237.05	-12,419.48	-12,331.90	-13,333.42	-14,633.57
Term loan received	103.71	1,791.00	72.7	-	-	-	-	-
Issue of Share Capital (Non Controlling Interest)	0.5	-	-	-	-	-	-	-
Payment of unclaimed dividend	-	-	-32.23	-	-	-	-	-
Unclaimed Dividend transferred to CMS Fund	-	-	-	-37.7	-	-	-	-
Proceeds from/Payment of Term Loan and Bank OD	-	-	-	-557.89	-195.94	3.58	58.42	77.46
<b>Net cash used in financing activities</b>	<b>-3,863.72</b>	<b>-3,773.23</b>	<b>-8,762.45</b>	<b>-9,832.64</b>	<b>-12,615.42</b>	<b>-12,328.32</b>	<b>-13,275.00</b>	<b>-14,556.11</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>10,764.09</b>	<b>5,131.80</b>	<b>607.11</b>	<b>1,647.25</b>	<b>8,192.29</b>	<b>14,773.15</b>	<b>16,286.24</b>	<b>606.85</b>
Net effect of Forex fluctuation	35.61	466.66	524.71	271.89	405.09	436.38	491.42	580.47
<b>Cash and equivalents at beginning of period</b>	<b>32,564.33</b>	<b>43,364.04</b>	<b>48,962.50</b>	<b>50,094.32</b>	<b>52,013.46</b>	<b>60,610.84</b>	<b>75,820.37</b>	<b>92,598.02</b>
<b>Cash and equivalents at end of period</b>	<b>43,364.04</b>	<b>48,962.50</b>	<b>50,094.32</b>	<b>52,013.46</b>	<b>60,610.84</b>	<b>75,820.37</b>	<b>92,598.02</b>	<b>93,785.35</b>

## Ratio Analysis

Ratio Analysis	Historical				Forecasted			
	2021	2022	2023	2024	2025E	2026E	2027E	2028E
<b>Particulars</b>								
Current Ratio	17.33	17.03	16.67	13.48	14.25	13.68	16	15.39
Quick Ratio	14.56	14.3	13.29	10.7	12.15	11.68	14.35	13.55
Cash Ratio	13.64	13.37	11.84	9.85	11.38	11.32	14.32	12.3
<b>Efficiency Ratio:</b>								
Inventory Turnover Ratio		3.62	3.11	2.99	3.74	4.26	4.9	5.33
Receivable Turnover Ratio		18.25	13.19	13.19	17.8	26.76	75.53	23.05
Average Collection Period (Days)		20	27.68	27.66	20.51	13.64	4.83	15.84
Inventory Conversion Period(Days)		100.91	117.42	122.28	97.54	85.66	74.44	68.42
Operating Cycle (Days)		120.91	145.1	149.94	118.05	99.29	79.27	84.26
A/C Payable Turnover Ratio		43.27	39.04	30.14	28.15	29.1	29.4	29.4
Payables Payment Period (Days)		8.43	9.35	12.11	12.97	12.54	12.41	12.41
Cash Conversion Cycle (Days)		112.48	135.75	137.83	105.08	86.75	66.86	71.85
Total Asset Turnover		0.56	0.54	0.55	0.55	0.56	0.57	0.57
Fixed Asset Turnover		2.3	2.36	2.61	2.58	2.68	2.86	3.03
<b>Profitability Ratio:</b>								
Gross Profit Margin (GPM)	51.09%	51.46%	49.37%	47.18%	46.74%	49.07%	49.07%	49.07%
Operating Profit Margin	32.01%	31.97%	29.04%	27.43%	27.68%	29.31%	29.25%	29.19%
Pre Tax Profit Margin	36.82%	36.03%	33.63%	32.41%	35.35%	38.22%	36.67%	35.64%
Net Profit Margin	28.91%	28.03%	26.23%	26.15%	28.86%	29.91%	28.72%	28.02%
Return on Total Assets (ROA)	15.36%	14.45%	13.51%	13.82%	15.22%	15.79%	15.40%	15.19%
Return on Equity (ROE)	16.12%	15.35%	14.29%	14.56%	15.94%	16.61%	16.13%	15.96%
<b>Leverage Ratio:</b>								
Total Debt to Equity	2.45%	3.52%	3.55%	3.61%	3.53%	4.41%	4.47%	5.38%
Debt to Total Assets	4.77%	5.87%	5.43%	5.06%	4.53%	4.98%	4.51%	4.83%
<b>Coverage Ratio:</b>								
Times Interest Earned	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cash Coverage Ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Valuation Ratio:</b>								
EPS (Diluted)	17.99	20.48	21.41	23.61	28.58	33.12	35.81	39.3
EPS (Basic)	17.99	20.48	21.41	23.61	28.58	33.12	35.81	39.3
Dividend per Share	6	10	10.5	11	12.01	13.91	15.04	16.51
Dividend Payout Ratio	33.35%	48.82%	49.04%	46.60%	42.00%	42.00%	42.00%	42.00%
Retention Rate	66.65%	51.18%	50.96%	53.40%	58.00%	58.00%	58.00%	58.00%
Price/Earning ratio	11.68	10.26	9.81	8.9	7.35	6.34	5.87	5.35
Sales/ Share	57.2	64.98	70.79	79.08	86.37	98.17	111.59	126.84
<b>Growth Rate:</b>								
EPS Growth Rate		13.85%	4.53%	10.26%	21.07%	15.88%	8.12%	9.75%
Dividend Growth Rate	0.00%	66.67%	5.00%	4.78%	9.12%	15.88%	8.12%	9.75%
Sales Growth Rate		13.60%	8.94%	11.72%	9.21%	13.67%	13.67%	13.67%
Gross Profit Growth Rate		14.43%	4.51%	6.77%	8.19%	19.34%	13.67%	13.67%
Operating Profit Growth Rate		13.48%	-1.06%	5.54%	10.18%	20.39%	13.41%	13.44%
Net Income Growth Rate		10.16%	1.93%	11.39%	20.54%	17.79%	9.14%	10.90%
Dividend Payout Ratio growth rate		46.39%	0.45%	-4.97%	-9.87%	0.00%	0.00%	0.00%
Retention Rate growth rate		-23.21%	-0.43%	4.79%	8.61%	0.00%	0.00%	0.00%
Total Asset Growth Rate		17.08%	9.00%	8.88%	9.48%	13.54%	11.88%	12.44%
<b>Dupont Analysis:</b>								
Net Profit Margin	28.91%	28.03%	26.23%	26.15%	28.86%	29.91%	28.72%	28.02%
Total Asset Turnover	0	0.556	0.537	0.551	0.551	0.561	0.566	0.574
Leverage		1.057	1.06	1.055	1.05	1.05	1.05	1.049

## Appendix

### Appendix 1: Positions of Chowdhury Family members in Square Pharmaceuticals Limited



As of June 2024, Chowdhury family members hold 35.46% shares of Square Pharmaceuticals Limited. The proportion was 34.67% in June 2023. Future years are likely to see an increase in the shareholding proportion of Chowdhury family members.

### Pattern of Shareholding of Chowdhury family



### Appendix 2: References

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