Pharmaceutical Industry of Bangladesh and the Exposure of BRAC Bank Limited on the Sector
Internship Report
on
Pharmaceutical Industry of Bangladesh and the Exposure of BRAC Bank Limited on the Sector

Prepared For
SyedaShaharbanuShahbazi
Senior Lecturer
BRAC Business School
BRAC University

Prepared By
Sanjida Nahar Bristy
ID# 09104034
BRAC Business School
BRAC University

9 January 2012
Letter of Transmittal

9 January 2012

SyedaShaharbanuShahbazi
Senior Lecturer
BRAC Business School
BRAC University

Subject: Submission of Internship Report.

Dear Madam

This is my great pleasure to submit the internship report after completing the Twelve-week Attachment Program in the Corporate Banking Division of BRAC Bank Limited. The report has been prepared to fulfill the internship program as required for the completion of the degree Bachelor of Business Administration. The title of my report is “Pharmaceutical Industry of Bangladesh and the Exposure of BRAC Bank Limited on the Sector”.

The report is completed by putting my own efforts and I have tried my level best to gather the most relevant, updated and necessary information to build a clear perception on the topic assigned. Information is gathered while working in the organization, as well as secondary source is used when needed. I have tried to come up with recommendations based on the findings of the report. Despite having some limitations, I have enjoyed preparing it and learned a lot from the organization I worked in.

In writing this report I have followed the instructions. It would be my immense pleasure if you find this report worthwhile and informative. I will be glad to provide any further explanation if any discrepancy arise.

Sincerely yours

Sanjida Nahar Bristy
ID#09104034
BRAC Business School
BRAC University
Acknowledgement

I would like to thank especially my academic supervisor Ms. SyedaShaharbanuShahbazi, Senior Lecturer, BRAC University, for giving me the opportunity to gather knowledge about the present Pharmaceutical Industry in Bangladesh. Her enormous cooperation, instructions and suggestions are the core of this accomplishment; otherwise it may never be performed with such an ease and flexibility.

I would also like to thank my supervisor in BRAC Bank Limited, Mr. IstiaqKhaled, Relationship Manager, Corporate Institutions, for guiding me in understanding about corporate banking and its operations and Mr. Syed Numair Rahman, Financial Analyst, Corporate Institutions, for supporting me in gathering relevant information and clarifying all my queries.

I would also like to extend my earnest gratitude to Mr. Adeeb Shams, Senior Relationship Manager, Structured Finance, Mr. Sajid Rahman, Head of Large Corporate, Mr. Syed GolamMaruf, Head of Corporate Institutions and Structured Finance, and Mr. MahmoodunNabiChowdhury, Head of Corporate Banking Division, for their valuable guidance.

Above all I would like to express my gratitude to the Almighty for blessing me to complete the report in a healthy mind.
Executive Summary

I have worked in the Corporate Banking Division of BRAC Bank as a part of the internship program and learned a lot about corporate banking and its operations. The objective of preparing this report is to learn about the pharmaceutical Industry of Bangladesh and the exposure of BRAC Bank on this industry.

BRAC is a development organization and was established in 1972 whereas BRAC Bank started its operations in 2001 as a commercial venture of BRAC. Though the main focus of the bank is to serve the “missing middle” meaning the SME sector, the performance of Corporate Banking Division is satisfactory and the exposure on different industries is diverse. One of the main focuses of the division is to create a larger client base in the pharmaceutical industry and to maintain relationship with the existing.

Pharmaceutical Industry is one of the fastest growing industries in the country with an annual average growth rate of 17.2% over the last five years and 13.1% over the last decade. It is technologically one of the most developed and the third largest industry in terms of contribution to government’s revenue. This industry contributes about 1% of the total GDP. In 2012, Bangladesh was in the 15th position among the 18 markets in the Asia-Pacific region. There are about 250 licensed pharmaceutical manufacturers in the country. However, currently a little over 100 companies are in operation and the top 20 companies hold 85% of the total market share. Bangladesh manufactures about 450 generic drugs for 5,300 registered brands that have 8,300 different forms of dosages and strengths. Two/three decades back imports used to dominate the market, now domestic manufacturers account for 97% of the drug sales in the local market while the remaining 3% are imported. The imported drugs include essential live saving drugs and other high quality drugs. Drug Ordinance Act 1982 and The TRIPS agreement have a huge impact on the overall pharmaceutical industry of Bangladesh. One has restricted the import of products which are already locally manufactured and the latter has given Bangladesh the right to reverse-engineer of any drugs regardless of their patent status. The exports have increased by 16.1% in the year 2011 from the previous year. The government of Bangladesh has provided sufficient regulatory assistance in the overall development of the industry. The industry players need to be aware of their growth prospects as well and should take necessary steps accordingly.
# Table of Contents

1. Organization: BRAC Bank Limited. ................................................................. 1  
   1.1 Divisions ................................................................................................. 2  
   1.2 Products and Services ........................................................................... 2  
   1.3 Financial Performance ......................................................................... 3  
   1.4 Subsidiaries ............................................................................................ 4  
   1.5 SME Banking Division ......................................................................... 5  
   1.6 Corporate Banking Division .................................................................. 5  
      1.6.1 Organogram .................................................................................... 6  
      1.6.2 Business Segments ......................................................................... 6  
      1.6.3 Product Offerings .......................................................................... 7  
2. Job ................................................................................................................. 8  
   2.1 Nature of the Job .................................................................................... 8  
   2.2 Responsibilities ..................................................................................... 8  
   2.3 Training .................................................................................................. 8  
   2.4 Client Visit ............................................................................................. 9  
   2.5 Observations and Recommendations .................................................... 9  
3. Project ............................................................................................................. 10  
   3.1 Introduction ............................................................................................. 10  
   3.2 Description .............................................................................................. 11  
      3.2.1 Scope ............................................................................................... 11  
      3.2.2 Objective ......................................................................................... 11  
      3.2.3 Methodology ................................................................................... 11  
      3.2.4 Limitations ....................................................................................... 11  
   3.3 Pharmaceutical Industry ........................................................................ 12  
      3.3.1 History ............................................................................................. 12  
      3.3.2 Market Size and Growth ................................................................. 13  
      3.3.3 Projected Future Growth ................................................................. 14  
      3.3.4 Major Players .................................................................................. 14  
      3.3.5 API .................................................................................................. 17  
      3.3.6 TRIPS .............................................................................................. 17  
      3.3.7 Exports ............................................................................................ 19  
      3.3.8 Potential Roadblocks for Exports .................................................... 20  
      3.3.9 Prospects ......................................................................................... 21  
      3.3.10 Future Trends in the Industry ......................................................... 22  
      3.3.11 Budget Directives and Regulatory Assistance .............................. 23  
      3.3.12 Recommendations ...................................................................... 24  
   3.4 The Exposure of BRAC Bank ................................................................. 25  
      3.4.1 Sector/Industry-wise Exposure ...................................................... 25  
      3.4.2 Company wise Exposure ............................................................... 28  
      3.4.3 Facilities provided by the Bank ...................................................... 29  
      3.4.4 Major Contribution ........................................................................ 31  
      3.4.5 SWOT Analysis ............................................................................. 32  
      3.4.6 Visions for the Future .................................................................... 32  
      3.4.7 Recommendations ....................................................................... 33  
   3.5 Conclusion .............................................................................................. 34  
Appendix ........................................................................................................... 35  
Reference .......................................................................................................... 42
BRAC is the largest non-governmental development organization in the world in terms of the number of employees and the number of people it has worked for. It started its operation in 1972 with the dream in mind to alleviate poverty by empowering the poor to bring about change in their lives. BRAC Bank Limited with institutional shareholding by BRAC, International Finance Corporation (IFC) and ShoreCap Exchange, has been the fastest growing bank for last several years. It was established in 2001 with the vision:

“Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a "just, enlightened, healthy, democratic and poverty free Bangladesh”

With 152 branches, 12 Apon Shomoy, 313+ ATMs, 30 CDMs, 399 SME Unit Offices and 7,695 (as on 15th July 2012) human resources, BRAC Bank now operates in all segments and services of financial industry. It has more than 1 million customers and the bank has already proved to be the largest SME financier in just 11 years of its operation in Bangladesh.

BRAC Bank offers financial solutions for all sections – retail, wholesale banking, capital market, remittance but with the main focus on SME. BRAC Bank’s vision is linked with social responsibility which focuses on the ‘triple bottom line: People, Planet and Profit’. In the year 2010, BRAC Bank has been recognized as Asia’s most Sustainable Bank in Emerging Markets by the Financial Times and IFC. Recently BRAC Bank has also achieved the International award for “Excellence in Retail Financial Services”.

1. THE ORGANIZATION: BRAC BANK LIMITED
1.1 Divisions of BRAC Bank

1. SME Banking
2. Retail Banking
3. Corporate Banking Division
4. Probashi Banking
5. Cash Management & Custodial Services
6. Treasury & Financial Institutions
7. Human Resources Division
8. Finance Division
9. Credit Risk Management
10. Operations
11. Technology
12. Company Secretariat, L & RA
13. Risk Management
14. Research & Development
15. Corporate Affairs

1.2 Products and Services

BRAC Bank Limited provides different lending and deposit products to individuals, entrepreneurs, businesses with healthy transactions and of a certain age.

**Lending Products:**

- *Personal loan* is offered to the salaried employees of different corporate bodies, MNCs, Small/Medium sized local companies etc. based on their monthly net income.

- *Quick loan* is offered by the Retail Banking Division to businessmen who have sound business records for minimum 3 years with a valid trade license.

- *Home loan* is offered to any salaried/businessperson with at least 3 years of work experience and min age of 25 years to maximum age of 65 years.

- *Car loan* is provided to salaried employees/professionals/businessmen/self-employed/landlord.

- *Secured loan is offered to* any individual with securities in own bank or other banks.

**Deposit Products:**

BRAC Bank provides different deposit products to individuals, different institutions/organizations, SME clients etc. The have interest/non-interest bearing current accounts, term deposit products, monthly savings scheme, non-transactional fixed deposit accounts, foreign currency accounts etc.
Cards:
Basically there are three types of credit card in BRAC Bank:
- Platinum Card
- Gold Card
- Silver/Classic Card

There are two types of cards concerning the place of use of the Credit Cards:
- Local card (Taka Card)
- Universal Card (Dual Currency Card)

The Local card will provide cardholders with an unsecured revolving facility. Minimum and maximum credit limit will be Tk. 10,000 and Tk. 500,000 respectively. Currently all card issued by BRAC Bank is a Universal (Dual currency) card. The cards are valid not only in Bangladesh but also in abroad. All the cards can be used in local currency (BDT) within the country and foreign currency outside the country. The basic difference within the cards is the credit limit.

Services
Apon Ghar is a loan and a complete solution stretching with five value added free services. It helps to find a home as per clients’ taste, budget and area, provides consultancy services and a personal bank representative for information search till moving into the home.

1.3 Financial Performance

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Dec-11</th>
<th>Dec-10</th>
<th>Dec-09</th>
<th>Dec-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Bank balances</td>
<td>15,678</td>
<td>13,485</td>
<td>13,513</td>
<td>7,511</td>
</tr>
<tr>
<td>Fixed &amp; Other Assets</td>
<td>12,371</td>
<td>8,506</td>
<td>7,088</td>
<td>4,009</td>
</tr>
<tr>
<td>Investments</td>
<td>14,566</td>
<td>12,856</td>
<td>10,375</td>
<td>8,245</td>
</tr>
<tr>
<td>Loans &amp; Advances</td>
<td>90,822</td>
<td>84,303</td>
<td>64,151</td>
<td>52,677</td>
</tr>
<tr>
<td>Total Assets</td>
<td>137,782</td>
<td>119,150</td>
<td>95,127</td>
<td>72,442</td>
</tr>
<tr>
<td>Borrowing from Banks</td>
<td>8,454</td>
<td>6,079</td>
<td>2,450</td>
<td>2,280</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>16,042</td>
<td>15,502</td>
<td>9,307</td>
<td>6,717</td>
</tr>
<tr>
<td>Client Deposits</td>
<td>103,533</td>
<td>88,158</td>
<td>75,220</td>
<td>58,007</td>
</tr>
<tr>
<td>Shareholders’ Equity</td>
<td>9,753</td>
<td>9,412</td>
<td>8,151</td>
<td>5,438</td>
</tr>
<tr>
<td>Total Liability &amp; Equity</td>
<td>137,782</td>
<td>119,150</td>
<td>95,127</td>
<td>72,442</td>
</tr>
</tbody>
</table>

Table: 1
1.4 BRAC Bank Subsidiaries

**bKash** is designed to provide financial services via mobile phones to both the unbanked and the banked people of Bangladesh. The idea is to provide a safe, convenient place to store money and to make payments and money transfers.

**BRAC Equity Partners Ltd (EPL)** is a brokerage house and a merchant bank, with 51% of its stake owned by BRAC Bank. It provides stock brokerage and investment services as BRAC EPL Stock Brokerage Ltd & BRAC EPL Investments Ltd.

**BRAC Saajan Exchange Limited**, an Exchange Company incorporated in England and Wales, is a subsidiary of BRAC Bank Limited, Bangladesh. BRAC Bank owns 87.485% share in BRAC Saajan Exchange. The main purpose of introducing BRAC Saajan Exchange is to have a footprint in UK and elsewhere in Europe to cater to the needs of Non-Resident Bangladeshis (NRBs) community which has a population of over one million. Apart from remittance services, the Company also caters to the investment needs of the NRBs through its parent organization BRAC Bank.
1.5 SME BANKING DIVISION

BRAC Bank Limited is the largest SME Bank in the country and 4th largest SME Bank in the world in terms of outstanding loan amount. SME Banking Division holds highest asset volume among the business divisions of the Bank (SME Banking-47.49%, Retail Banking-19.18%, Corporate Banking-27.27%, and Probashi Banking). As the name implies, it provides lending and deposit solutions as well as value adding services to small and medium size businesses within the country. As of June 2012, the division has captured 6.38% market share within SME Banking arena of Bangladesh. The division has designed 8 lending products based on customer need and 5 deposit products. The division is structured into two departments – Small Business which is fully equipped to provide all kinds of products and services to small entrepreneurs. It is the biggest department of the division in terms of asset, deposit, and nationwide presence. Medium Business works in Dhaka and Chittagong to cater medium size businesses. This division disburse loan to areas where the bank does not have branch network. Other local bank branches (called as Correspondence Bank) are being used for loan disbursement and repayment. This strength has set the bank apart from competitors in SME arena.

1.6 CORPORATE BANKING DIVISION

Corporate Banking Division (CBD) of BRAC Bank Limited provides financial solutions and advisory services to the corporate bodies and institutions. The target customer groups are the leading domestic corporate and trading houses, local medium and large corporate bodies, Multi-national Corporations (MNCs) and Non-government Organizations (NGOs). The division follows a strict set of regulations and guidelines at every stage of its involvement. It avoids lending in sectors that have adverse effects on society or are against social values and ethics, and those that may be harmful to the environmental and health. They are also cautious in lending to sectors where liquidation may be difficult, socially harmful, or at the expense of the general public. CBD operates in a centralized structure, and runs its business through all parts of the country. Operations and processes are centrally managed in the Head Office located in Dhaka with a regional presence in Chittagong.
1.6.1 Operational Network Organogram

1.6.2 Business Segments

Corporate Banking Division consists of 5 units:

1. Structured Finance Unit
2. Large and Network Corporates
3. Local Corporates
4. Emerging Corporates
5. Regional Corporates Chittagong

*Structured Finance Unit* is engaged in large scale investments by arranging funds from financial institutions and multi-lateral agencies by taking the role of Lead Arranger, Co-Arranger, Participant Lender or Agent. They also arrange equity participation through investment instruments. *Large & Network Corporates* cater the large local and multinational clients, large NBFIs (mainly leasing, insurance and investors) and leading micro financing units. *Local Corporates* focuses commodity trading entities, service providers, and manufacturing businesses engaged in textiles & garments, construction materials,
consumables, and other high growth manufacturing sectors. Emerging Corporates cater to middle market clients and clients transitioning from medium enterprises to middle market segment. Regional Corporates Chittagong caters to all corporate businesses located and originating in greater Chittagong area.

1.6.3 Product Offerings

Corporate Banking Division offers a variety of products which ranges from Term Lending to Working Capital Facilities such as Trade Finance, Bank Guarantees, Post Import Finance, Local Bill Purchases etc. It also offers versatile products tailored to the borrowers under certain parameters.

The division offer Funded and Non Funded Facilities. Funded facilities involve the Bank making payments in monetary terms, to or on behalf of the customer. Non Funded Facilities involve the Bank’s conditional agreement to make payment on behalf of the customer in a specific scenario in a future date.

**Funded Facilities**
- Term Loan
- Short term Loans (loans with maturity within 360 days)
- Mid Term Loans (loans with maturity of 1 to 3 years)
- Long Term Loans (loans with maturity of 5 years and above)
- Demand Loan
- Loan Against Trust Receipt (LATR)
- Revolving Loan (has maturity)
- Overdraft (no maturity)
- Lease Financing
- Work Order Financing
- Floor Financing
- Channel Financing
- Commerz Loan
- Supplier Finance
- MFI Receivables Finance
- Light Engineering Finance

**Non Funded Facilities**
- Letter of Credit
- Letter of Guarantee
2. Twelve-Week Attachment Program with Corporate Banking Division, BRAC Bank Limited

2.1 Nature of the Job

I started working as an intern on 1 October, 2012 under Mr. Istiaq Khaled who is a Relationship Manager in the Large Corporate Unit of Corporate Banking Division, BRAC Bank Limited. The Internship program is a Twelve-week attachment program, and thus the program ended on 30 December, 2012.

2.2 Responsibilities of the Job

The main responsibilities include helping the Financial Analyst in conducting necessary credit analysis of the companies, preparing necessary documents, e.g. credit proposals to be approved by the credit committee or on the board meeting and assisting the Relationship Manager in providing excellent service to the corporate clients.

2.3 Three-days Training for the Interns

The Human Resource Division of BRAC Bank Limited organized a general orientation and 3 days training program for the newly recruited interns of Fall 2012. The training was divided into two parts. The first day was based on Class Room Training and the rest of the training was Attachment Training. On the first day a video presentation on BRAC and its activities were shown. After that, overviews on BRAC Bank, GABV, SME Banking and on other business and supporting divisions were presented. Interns were divided into groups and were sent for Branch attachment in a Retail Banking Division on the second day and SME Banking Division on the third day. E-learning examination and also a written exam based on Multiple Choice Questions were held on the last day of the training program.
2.4 Client Visit

Relationship Managers make judgments on whether to lend millions of money to any customer. It's a job that requires an intimate understanding of a company's strategy and the risks of default. They meet company finance directors and chief executives in an effort to obtain market and other related information and to negotiate or finalize the terms and facilities. I went for such two client-calls with and under the guidance of my supervisor and learned how to interact both with new or existing customers.

2.5 Observations and Recommendations

The internship program was very effective in terms of fulfilling the learning objectives. It created an interest in corporate banking to work in after the completion of my studies. The program was helpful enough to develop skills in the application of theory to practical work situations. I learned about corporate banking and how it operates, its product offerings and the credit approval process at BRAC Bank. It provided a worthwhile experience about the corporate life. The three-days training program was very helpful in understanding not only about the division I was working in but about the operations of all other divisions and of the organization as a whole. The Branch Attachment Training was for very short period of time to experience about but was useful to get least ideas. The presentation slides’ information was not up to date and thus created confusion while learning at the Class Room Training. As a whole, the three-month attachment program increased my sense of responsibility and helped me to get prepared before entering into full-time employment.
3.1 Introduction

The first chapter of the report provides an overview of the Pharmaceutical Industry in Bangladesh, market size and growth, highlights the top performers in the industry, briefly discusses about the TRIPS agreement that has a major impact on the industry, focuses on the details about the exports of pharmaceutical products, future trends in the industry, budget directives, regulatory assistance and lastly recommendations for the industry.

The second chapter of the report covers about the exposure of the Corporate Banking Division, on pharmaceutical industry. Many of the data are confidential to disclose, yet this part of the report provides information about the sectors, industries and the companies in pharmaceutical industry on which the division of BRAC Bank has exposure on, facilities provided, major contributions, SWOT analysis and vision for the future. Lastly the project part ends with recommendations for the division and conclusion.
3.2 Description

3.2.1 Scope:
The main focus of this Internship Report is the Pharmaceutical Industry of Bangladesh. The information gathered was available from the sources and not confidential and tried to be kept most relevant, and updated. As I have worked in Corporate Banking Division, the report covers mostly the exposure of this particular division on the sector. One other pharmaceutical company that I could not find information about is looked after by the Special Asset Management Department of BRAC Bank.

3.2.2 Objective:
The objectives are as follow:
- To get to know about the Pharmaceutical Industry of Bangladesh
- To get information about how bank facilitates Pharmaceutical Industry
- To get information about the exposure of BRAC Bank Limited in the Industry

3.2.3 Methodology:
The Information was collected both from primary source and secondary source:
Primary Source: I have taken interview of my supervisor Mr. Istiaq Khaled, Relationship Manager, to know about BRAC Bank’s exposure in the Pharmaceutical Industry. I have also talked with other Relationship Managers to know about the Pharmaceutical Companies they are looking after.
Secondary Source: I have collected information also from the newspaper articles written on Pharmaceutical Industry, website of different pharmaceutical companies, website of Export Promotion Bureau, published research report on the industry, working reports and the Annual Report 2011 of BRAC Bank Limited.

3.2.4 Limitations:
The problems which I consider as the limitations are as follows:
- Due to lack of knowledge in pharmaceuticals sector I faced difficulties in understanding some pharmaceutical terms.
- Much information is confidential to disclose.
3.3 THE PHARMACEUTICAL INDUSTRY OF BANGLADESH

3.3.1 Historical Background

In the post-independence period, Bangladesh inherited a poor base of pharmaceutical industry since most of the multinational companies (MNCs) had their production facilities in West Pakistan. The budgetary allocation for the health sector was also very limited for several years after liberation. Multinational companies such as Fisons, GlaxoSmithKline, ICI, Pfizer, Rhone Poulenc, Squibb and Wellcome controlled over 80% of the pharmaceutical market in the pre-1982 era. In 1981, there were 166 licensed pharmaceutical manufacturers in the country, but local production was dominated by 8 multinational companies which manufactured about 75% of the products. There were 25 medium sized local companies which manufactured 15% of the products and the remaining 10% were produced by other 133 small local companies\(^1\).

Prior to the initiation of 1982 Drug Ordinance, multinational companies were selling their locally produced drugs at a significantly higher price to the Bangladeshi public. The Government of Bangladesh then imposed new regulations to be enforced by the Drug Regulatory Committee (DRC) to address the multinationals’ stranglehold. At that point, the Bangladesh Pharmaceutical industry was being governed by the Drugs Act 1940. The Drugs Control Ordinance, 1982 was then devised in addition to the Drugs Act 1940. With the promulgation of the Drug Ordinance of 1982 many medicinal products which were considered harmful, useless or unnecessary got removed from the market allowing availability of essential drugs to increase at all levels of the healthcare system. This new ordinance also required that drugs that are being manufactured locally were not allowed to be imported. It was also made mandatory to make a manufacturing base for companies before they could sell licensed drugs in the market. The National Drug Policy was last amended in 2005 in which it seeks to encourage the production of APIs (Active Pharmaceutical Ingredient) locally.

---

\(^1\)Website of Banglapedia: http://www.banglapedia.org/HT/P_0154.HTM
3.3.2 Market Size and Growth

The increased health consciousness and the increased income level of the population over the last decade allowed the people to spend more for healthcare. Health expenditure per capita doubled in the last decade. The expenditure in healthcare as a portion of GDP in Bangladesh was 3.35% in 2009. It has increased from 2.82% and 3.21% from 2000 and 2005 respectively. In addition, a number of top class hospitals started operating in the country and have been a major factor contributing to increased healthcare expenditure.

Pharmaceutical Industry is one of the fastest growing sectors in the country with an annual average growth rate of 17.2% over the last five years and 13.1% over the last decade. The size of the retail market reached BDT 84.0 billion as on 2011 which is around USD 1 billion considering the exchange rate, according to IMS, a US based market research firm. Retail sales in the domestic market achieved 23.6% growth in 2011 following 23.8% and 16.8% growth in 2010 and 2009 respectively. The total pharmaceutical sale in the Jan-Sep period of 2012 according to IMS has been BDT 69.5 billion.

![Bangladesh Pharma - Size & Growth](image)

**Fig: 1**
3.3.3 Projected Future Growth

Since the pharmaceutical industry contributes roughly 1% to GDP and the healthcare spending contributes 3.35% (as of 2009), it can be deducted that pharmaceutical expenditure will be around 30% of the healthcare expenditure. According to a research conducted by BRAC EPL, it is expected that the healthcare spending as a % of GDP will hit the 5% mark in the next 5 years. Assuming that the GDP grows at 6.5% over the next 5 years, and pharmaceutical expenditure constantly constitute 30% of total healthcare expenditure, the market for pharmaceuticals is expected to swell to USD 2.1 billion by 2017. This translates into a CAGR of 15.4%. The below table is constructed based on BRAC EPL research and projections in a report dated May 2012.

<table>
<thead>
<tr>
<th>Details</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare Expenditure (% of GDP)</td>
<td>3.4%</td>
<td>3.7%</td>
<td>4.0%</td>
<td>4.3%</td>
<td>4.7%</td>
<td>5.0%</td>
</tr>
<tr>
<td>GDP (BDT b)</td>
<td>8,404</td>
<td>8,951</td>
<td>9,532</td>
<td>10,152</td>
<td>10,812</td>
<td>11,515</td>
</tr>
<tr>
<td>Healthcare Expenditure (BDT b)</td>
<td>282</td>
<td>329</td>
<td>382</td>
<td>441</td>
<td>505</td>
<td>576</td>
</tr>
<tr>
<td>Pharma Expenditure (% of Healthcare Expenditure)</td>
<td>29.9%</td>
<td>29.9%</td>
<td>29.9%</td>
<td>29.9%</td>
<td>29.9%</td>
<td>29.9%</td>
</tr>
<tr>
<td>Pharma Expenditure (BDT b)</td>
<td>84</td>
<td>98</td>
<td>114</td>
<td>132</td>
<td>151</td>
<td>172</td>
</tr>
<tr>
<td>Pharma Expenditure Growth</td>
<td>17.0%</td>
<td>16.1%</td>
<td>15.3%</td>
<td>14.6%</td>
<td>14.0%</td>
<td>15.4%</td>
</tr>
</tbody>
</table>

Table: 2

3.3.4 Major Players

Local manufacturers enjoy about 90% market share while multinationals hold little over 10% market share. The reverse engineering right for Bangladeshi companies prevents MNCs to operate profitably in the market with any particular drug for long as a local company comes up with the formulation through reverse engineering soon after any MNC has introduced a high performing drug from its global portfolio and starts marketing it at lower price.

There are about 250 licensed pharmaceutical manufacturers in the country. However, currently a little over 100 companies are in operation. Despite having several players, the market is somewhat oligopolistic in nature and very concentrated.
The tables below show the growth and market shares of 2010, 2011 for the top 10 companies:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Pharmaceuticals</td>
<td>20.50%</td>
<td>18.70%</td>
<td>19.20%</td>
</tr>
<tr>
<td>Incepta Pharmaceuticals</td>
<td>28.60%</td>
<td>9.30%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Beximco Pharmaceuticals</td>
<td>30.50%</td>
<td>8.80%</td>
<td>8.40%</td>
</tr>
<tr>
<td>Opsonin Pharma</td>
<td>27.20%</td>
<td>5.10%</td>
<td>4.90%</td>
</tr>
<tr>
<td>Renata</td>
<td>26.10%</td>
<td>4.90%</td>
<td>4.80%</td>
</tr>
<tr>
<td>Eskayef Bangladesh</td>
<td>18.90%</td>
<td>4.70%</td>
<td>4.90%</td>
</tr>
<tr>
<td>ACI</td>
<td>24.90%</td>
<td>4.30%</td>
<td>4.20%</td>
</tr>
<tr>
<td>Acme</td>
<td>13.70%</td>
<td>4.20%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Aristopharma</td>
<td>26.30%</td>
<td>4.10%</td>
<td>4.00%</td>
</tr>
<tr>
<td>Drug International</td>
<td>18.90%</td>
<td>3.70%</td>
<td>3.80%</td>
</tr>
<tr>
<td><strong>Top 10 Companies</strong></td>
<td><strong>23.60%</strong></td>
<td><strong>67.70%</strong></td>
<td><strong>67.70%</strong></td>
</tr>
<tr>
<td><strong>Top 20 Companies</strong></td>
<td><strong>24.10%</strong></td>
<td><strong>84.90%</strong></td>
<td><strong>84.60%</strong></td>
</tr>
</tbody>
</table>

Table: 3

Square Pharmaceuticals holds the top market share (18.7%) in the retail market, followed by Incepta Pharmaceuticals (9.3%), Beximco Pharmaceuticals (8.8%), Opsonin Pharma(5.1%) and Renata (4.9%). The top 5 companies held 46.8% market share in 2011, slightly more than their 46.2% market holding in 2010. However, the market share shifted among the top players. Square lost 0.5% market share in the last year (from 19.2% in 2010) while the next four companies gained 1.1% market share in the same period. Top 10 companies held 67.7% of the market in 2011. The top 15 companies held 77.7% market share in 2011 (which remained unchanged from 2010 level) and top 20 companies held 84.9% market share in 2011 (slightly higher than 84.6% in 2010).
Among the top five, three companies are listed in DSE – Square, Beximco and Renata. Three other companies among the top 20 companies are listed in the DSE - ACI (ranked 7th), GlaxoSmithKline Bangladesh (ranked 15th) and The IBN SINA (ranked 20th).

![Fig: 2]
3.3.5 API

API is an active ingredient for manufacturing drugs. About 80% of the active pharmaceutical ingredients (APIs) are imported, as there are only a few local companies who are engaged in manufacturing APIs. These local companies usually run the relatively easier final chemical synthesis stage with API intermediaries, instead of the complete chemical synthesis. As of April 2011, 21 local companies were engaged in the production of API. However, the number is very small compared to the total requirement. As of April 2011, 41 APIs were being produced in Bangladesh. The local production is said to be around 20% of the total demand of the industry. Since the APIs are imported, the companies are exposed to exchange rate risk. However, the local companies reduce the manufacturing cost by shifting the import source of APIs to low cost manufacturers. China and India currently accounts for more than two-thirds of the imported raw materials while the remaining materials are imported from Europe.

3.3.6 TRIPS

Bangladesh enjoys protection from TRIPs (Trade Related Aspects on Intellectual Property) agreement by which the companies of Bangladesh are allowed to copy and re-engineer patented drugs for production and sale in local market. This agreement was set in place to promote the pharmaceutical and healthcare sector in the least developing countries (LDCs). The countries termed as Least Developing were given a patent free regime till 2005. However, as 2005 neared, it was getting quite obvious that the local industries of these countries were not yet ready for the patent protection to be lifted. In November 2001, during the WTO Ministerial conference, it was decided that the LDCs shall be provided with further 10 years for the transition period. The current agreement is set to expire in 2016 but it is likely that it will get extended as the state of the local industries in most of these countries has not changed significantly.

TRIPs agreement facilitating growth of local industry:

---

1. **Reverse Engineering:** The local companies of Bangladesh have the right to reverse engineer any drug that is being sold in the market and sell the formulation under its own brand.

2. **Export to another LDC or non-WTO country that has not implemented product patent protection:** Bangladesh has the most developed manufacturing base among all the LDCs and has the right to export any drug to any LDC. Thus, in a situation where a foreign manufacturer’s product is being imported at high costs, Bangladesh can provide the same reverse-engineered product at significantly lower cost to that LDC.

3. **Export to a country where the patent holder has not filed for patent protection for this drug:** Bangladesh can export a patented drug to any country as long as the original manufacturer has not filed for patent protection in that particular country.

4. **Export to a country that has issued a compulsory license for the drug and awarded the production contract to Bangladesh:** Article 31 of TRIPS grants governments the right to issue a compulsory license for public health purposes. A compulsory license is where the government overrides a patent and grants another entity the right to produce the patented product.

The present R&D infrastructure and the technology of Bangladesh pharmaceutical industry are not developed like those of the developed countries. Moreover, the opportunities and the availability of fund for research are also inadequate. There is little possibility that fund and opportunities for research as well as infrastructural developments will come up to the world standard by January 2016. With the withdrawal of TRIPs, Bangladesh will no longer have the privilege to reverse engineer drugs and manufacture at lower costs. In such a situation, the local companies will need to engage in extensive R&D and come up with in house innovative molecules. As this scenario is unlikely to happen by 2016, the alternate is that Bangladesh will have to import patented drugs at increased prices, thus reducing the access to medicines for the general mass. In any case, even if local companies manage to perform their own R&D and introduce patented drugs of their own, they still will need to instill the costs of the initial development into the price, thus increasing the overall price levels and decreasing access to medicines for the general masses.
3.3.7 Exports

History: In late 80's, only one or two major pharmaceutical companies of Bangladesh including took proactive efforts to initiate export. These companies started exporting their bulk drugs as well as finished formulations to some of the less-regulated overseas markets like Myanmar, Vietnam and Nepal. After being successful in these less-regulated markets, in the early 90's, a few companies of Bangladesh started to explore some of the moderately regulated markets like Russia, Ukraine and Singapore.

Growth:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>10.4</td>
<td>9.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Q2</td>
<td>12.4</td>
<td>8.7</td>
<td>8.5</td>
</tr>
<tr>
<td>Q3</td>
<td>12.3</td>
<td>10.1</td>
<td>10.2</td>
</tr>
<tr>
<td>Q4</td>
<td>10.9</td>
<td>11.4</td>
<td>12.7</td>
</tr>
<tr>
<td>Total</td>
<td>46</td>
<td>39.6</td>
<td>40.1</td>
</tr>
</tbody>
</table>

Table: 4 Pharma Export (USD million)

As we can see, Bangladesh’s overall export earnings from pharmaceuticals reached USD 46.0 million for the calendar year 2011, recording a growth of 16.1% over USD 39.6 million in calendar year 2010. Exports earnings in Q1’2012 was USD 10.9 billion, 5.7% up from the same period previous year.

International Trade: The major destinations are Myanmar, Sri Lanka, and Afghanistan and even more stringently regulated European markets like the U.K. and Slovenia. Apart from overseas retail customers, Bangladesh has also been supplying to world-renowned hospitals and institutions like Raffles Hospital, Singapore, KK Women & Children Hospital, Singapore, Healthway Medical Group, Singapore, Jinnah hospital, Pakistan, Aga Khan Hospital, Pakistan, Mission for Essential Drugs (MEDs), Kenya and State Pharmaceutical Corporation (SPC), Sri Lanka.

International Approvals: Most of the top pharmaceutical companies have been establishing GMP (Good Manufacturing Practice) compliance plants. Some of the top companies have
already received UK-MHRA Certificate while most of them are waiting for US FDA approval. Apart from these two major GMP certificate, most of the top companies have already received GMP clearance from a number of countries, including Turkey, Yemen, Kenya, Congo, Uganda, Sudan, Ethiopia, etc. Once the growth in the domestic market becomes steady, companies are likely to focus heavily in the export market.

3.3.8 Potential Roadblocks for Exports

Pharmaceutical exports constitute a small portion of the overall exports and this ratio has actually gone down in the last three years.

<table>
<thead>
<tr>
<th></th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical Export USDmn</td>
<td>41.0</td>
<td>44.3</td>
<td>48.2</td>
</tr>
<tr>
<td>% growth</td>
<td>8.06%</td>
<td>8.98%</td>
<td></td>
</tr>
<tr>
<td>Total Export USDmn</td>
<td>14,765</td>
<td>20,294</td>
<td>22,764</td>
</tr>
<tr>
<td>% growth</td>
<td>37.45%</td>
<td>12.17%</td>
<td></td>
</tr>
<tr>
<td>% of total exports</td>
<td>0.28%</td>
<td>0.22%</td>
<td>0.21%</td>
</tr>
<tr>
<td>Average size of Local Industry USDmn</td>
<td>888.2</td>
<td>1,067.9</td>
<td>1,115.0</td>
</tr>
<tr>
<td>Exports % of local industry</td>
<td>4.6%</td>
<td>4.1%</td>
<td>4.3%</td>
</tr>
<tr>
<td>GDP USDmn</td>
<td>100,359</td>
<td>111,944</td>
<td>115,488</td>
</tr>
<tr>
<td>Exports % of GDP</td>
<td>0.041%</td>
<td>0.040%</td>
<td>0.042%</td>
</tr>
<tr>
<td>Industry as % of GDP</td>
<td>0.89%</td>
<td>0.95%</td>
<td>0.97%</td>
</tr>
</tbody>
</table>

*Source: EPB, Bangladesh Bank, IMS*

Table: 5

Quality is always a critical issue in a product class like pharmaceuticals as it is an extremely sensitive subject matter. The margin for tolerance in products such as pharmaceuticals is always almost negligible; especially in regulated markets like the U.S. and Europe. The potential issues are presented below:
Competition Faced from India and China: As India and China manufacture a bulk of their own API, their raw material cost is much lesser than that of Bangladesh. Although labor and white collar employee cost is lesser in Bangladesh, the raw material cost advantage overwrites that aspect. Also, India and China serve as the primary sources of API for Bangladesh. Hence, Bangladesh itself is fueling the local industries of its primary competitors.

Quality Control: To retain the statuses attained by the international certificates means the companies need to constantly maintain a high standard environment. Without consistently top quality standards maintained for machinery and machinery complex as a whole, it is unlikely that Bangladesh will win major long-term contracts in the most regulated markets.

Lack of Bioequivalence/Bioavailability labs: One of the factors holding back exports to achieve full potential is the lack of any bioequivalence/bioavailability lab in the country to test overall efficiency of the drug. In order to export within the mildly regulated and regulated markets it is mandatory to provide such data. It therefore needs to be done abroad at a higher price. It can cost in excess of USD 50,000 to run each drug through the test.

Expiration of the Patent Protection from TRIPs agreement: If the TRIPs agreement is lifted, import costs of patented APIs are likely to increase, the cost of manufacturing patented drugs will also increase as the companies are likely to pay royalty to the original manufacturer, and export of patented products will become costly.

3.3.9 Future Prospects of Exports

Bangladesh: A destination for outsourced production
The generics market is expected to experience above-average growth in the near future as some drugs worth billions of dollars will become off-patent in the next 5 years. Once the patent runs out on drugs, the manufacturers would much rather not continue direct production as the margins get reduced significantly. The manufacturer then looks towards lower cost contract manufacturers. Thus, the growth of the generics market will also help to fuel the growth of Bangladesh as a destination for outsourced production which will boost exports.
The economic recession has also played its part in this phenomenon. Due to restricted funds, several companies are less active in R&D of patented drugs in the overall market. Consumers will also prefer lower priced generic substitutes instead of marketed expensive products as they look to reduce their costs. As a whole Bangladesh has the potential to be a significant generic exporter.

### 3.3.10 Future Trends in the Industry

The following have been identified as possible future industry trends in the recent future:

**Contract/Toll Manufacturing:**
The concept of toll manufacturing or contract manufacturing refers to the idea that certain companies sub-contract other companies to produce certain amounts of certain drugs. The primary reasons are the following:

i) Companies have different focus on different products. In order to comply with the regulatory standards and some international certifications, any manufacturing facility requires being of a certain standard to make it feasible. It often occurs that companies do not plan to produce enough of a specific drug to justify a dedicated manufacturing facility. In such cases, a common practice is to sub-contract the required amount of drug production to another company. Through this way companies are fulfilling their requirements without establishing a manufacturing facility and the other party is also benefited as their plants are utilized in maximum.

ii) Raw materials cannot be imported in small quantities. For this reason, some companies choose not to import particular set of raw materials and outsource the production to other companies in the form of contract manufacturing. Companies with excessive raw materials are also benefitted by this.

**Toll Manufacturing Hub for Local Manufacturers:**
There is a possibility for some companies to be a central toll manufacturing provider with specific strengths in the manufacturing of certain categories of products and thus can provide contract manufacturing facilities to any interested company. It might be beneficial for some companies to sub-contract another company with specialization in the production of certain product classes.
3.3.11 Budget Directives for FY2012 and Regulatory Assistance

The government lowered import duties for the FY2012 to provide support to the pharmaceutical industry. The proposed changes to promote further growth of the sector are the following:

- Lower import duty for certain raw materials, from 12% to 5%.
- Lower duty for importing certain capital machineries used in the pharmaceutical industry - for instance machinery that had a duty of 12% applied on it would now have a 3% duty.
- Withdrawal of existing 5% import duty and 15% VAT on leucocytes filter used in purification of blood of thalassemia patients.
- Withdrawal of 20% supplementary duty and reduction of import duty from 25% to 12% on cartridge/membrane filter used for pharmaceuticals industry.
- Extended eligibility for tax holiday for both pharmaceutical and API firms.

The government has given support to the manufacturing industry for decades. There is no regulatory risks that import restriction imposed by the Drug Ordinance 1982 will be removed and thus local companies are likely to continue on dominating the pharmaceutical market. In the coming budget for FY 2013, it is expected that the government is going to ease up the documentation procedures and removing bottleneck for exporting goods.

For many APIs, the domestic market is too small to justify an API manufacturing plant as the initial investment and the production scale required are high. However, the government has planned to set up an API Park to facilitate the production of several APIs for the local manufacturers. Again, the country will need to import the basic chemicals for manufacturing APIs. It is estimated that the cost of APIs will decrease by about 20% if the API Park is established.

Initially started in 2008, the idea was to have 20 or so companies to combine their resources to produce API such that the economies of scale would make it financially feasible for the companies to make the investments. The number of participating companies has now risen to 40. It is expected that when completed, 800-1000 bulk drugs will be produced and that the API Park will help to generate approximately USD 10mn as export earnings.
3.3.12 Recommendations

**Increased production of API:**
Bangladeshi API market is worth in the range of BDT 35bn – BDT 40bn which is roughly 40%-50% of the market. Thus, import substitution in this sub-sector can provide significant value going forward.

**Single API Manufacturer/Importer:**
The emergence of registered and monitored API producers will lead provide a dependable source of raw materials for companies whose API needs do not match with importing standards.

**Acquisition of Sick Companies Abroad to Establish Set up:**
Some leading companies have contemplated the possibility of gaining direct access into western countries by acquiring distressed companies. However, the current regulations set up of Bangladesh do not allow this. This can be a lucrative option for companies looking for aggressive growth into attractive high margin markets.

**Establishment of Bioavailability/Bioequivalence Testing Laboratories and CROs:**
GHE, an initiative of McGill University in Canada and Centennial Group International of the U.S. in partnership with The International Centre for Diarrhoea Disease Research, Bangladesh (ICDDRB) and others will set up the first Clinical Research Organization (CRO) in Bangladesh. The CRO will have the bioavailability and bioequivalence testing facilities along with several other research facilities.

**Toll Manufacturing for Research Activities:**
It is a common trend for the companies in the developed markets to outsource part or entirety of their research activities to others countries where costs are lower. The CRO model has been very successful in countries like India and China and hence it seems only natural that Bangladesh should try and adopt a similar model owing to the similarities of the demographics. The global CRO market is estimated to be worth USD 20bn and with the advent of the first CRO by the year 2016; Bangladesh can also attain approximately 5% of the global market by 2020.
3.4 The Exposure of Corporate Banking Division, BRAC Bank Limited on Pharmaceutical Industry

3.4.1 Sector/Industry-wise Exposure

The key objective of Corporate Banking Division is to become the core bank to the clients across different business segments. The focus is to deepen and broaden relationships by providing a broad range of customized solutions and services to the clients. They facilitate trade and commerce for promoting industrial and service sectors and thus playing a vital role in the economic development of Bangladesh.

![Loans and Advances (BDT Million)](chart)

Fig: 3

Despite the unfavorable economic condition, total Loans and Advances increased by 10.01% in the year 2011. This is the result of continued growth in lending businesses and solid growth in banking industry reflecting the focus on customers and profitable growth. In BRAC Bank Limited, SME sector comprises of nearly 50% of the total loans and advances.
For Corporate Banking Division, total Advances in 2011 amounted to BDT 30 billion having grown by 10% since 2010.

The loan portfolio of Corporate Banking Division is well diversified and thus they can minimize risk. In addition the loan portfolio also implies that the bank is specialized in the Manufacturing Sector, and in the Power industry under Infrastructure Sector. Following are the sectors that the division has exposure on:


- Infrastructure: Telecommunication, Power, Real Estate and Constructions, Land Port and Private Container Yard, CNG Conversion and Refueling Station.

• Institutions: Non-bank Financial Institutions, Insurance, NGO.

• Agriculture and Related: Fertilizer and Pesticide, Poultry.

• Service: Education, Healthcare, Transport Companies, Hotels and Restaurants, Travel Agencies, Media Related.

As we can see from the above figure, the highest percentage of exposure is on the Manufacturing Sector (44%), followed by Infrastructure (29%), Trading (14%), Institutions (6%), Agriculture and related (5%) and Service (2%). This percentage of exposure is based on the approved limit (the maximum loan balance that the bank permits the borrower to maintain) for the clients as on January 2012.
BRAC Bank Limited has facilitated the new power generation projects and always extended support whenever there was a need to arrange any local financing. Thus the highest percentage of exposure by BRAC Bank is on this Power sector (19%) followed by Telecommunication (9%), Steel Re-rolling and Ispat (9%), Oil Refinery and Seed Crushing (7%), Trading Commodity and Food (6%), Textiles and Spinning (5%) and Pharmaceuticals (5%).

3.4.2 Company-wise Exposure: Pharmaceutical Industry

Corporate Banking Division has client relationship with the following Pharmaceutical Companies:

1. Advanced Chemical Industries Limited (ACI)- Client Relationship since 2008
2. ACME Specialized Pharmaceuticals Limited- Client Relationship since 2009
3. Apex Pharma Limited- Client Relationship since 2010
4. Incepta Pharmaceuticals Limited- Client Relationship since 2011
5. Nuvista Pharmaceuticals Limited- Client Relationship since 2011
6. Square Pharmaceuticals Limited- Client Relationship since 2011
7. Square Formulations Limited- Client Relationship since 2011
Peer Group Analysis:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Market Share</th>
<th>Debt to Equity Ratio(2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Chemicals Industries Limited (ACI)</td>
<td>4.26%</td>
<td>1.33</td>
</tr>
<tr>
<td>ACME Specialized Pharmaceuticals Limited</td>
<td>4.17%</td>
<td>1.30</td>
</tr>
<tr>
<td>Apex Pharma Limited</td>
<td>-</td>
<td>9.72</td>
</tr>
<tr>
<td>Incepta Pharmaceuticals Limited</td>
<td>9.34%</td>
<td>2.12</td>
</tr>
<tr>
<td>Nuvista Pharmaceuticals Limited</td>
<td>-</td>
<td>3.80</td>
</tr>
<tr>
<td>Square Pharmaceuticals Limited</td>
<td>18.71%</td>
<td>.32</td>
</tr>
<tr>
<td>Square Formulations Limited</td>
<td>-</td>
<td>.78</td>
</tr>
</tbody>
</table>

Table: 6

3.4.3 Facilities Provided by Corporate Banking Division, BRAC Bank Limited

Letter of Credit

In the year 2011, total numbers of 2,911 corporate L/Cs were transmitted with a total value of BDT 36.02 billion. L/Cs are particularly useful for the pharmaceutical companies as they need to import raw materials, packaging materials and other materials required for operation of the company. L/Cs can be Sight or Deferred considering the time when the payment is made. In most of the cases L/Cs are revolving (meaning a single L/C is covering multiple shipments and that revolves either in value or time) and other times they are one-off L/Cs.

Loan against Trust Receipt

Loan against Trust Receipt or LATR facility is provided to retire L/C obligation created under sight L/C. For Deferred LC, LATR facility is allowed for the remaining tenor. Under this system, the client holds the goods of their sale proceeds in trust for the bank, until the loan allowed against the Trust Receipt is fully paid.

Revolving Loan

Revolving loans are to fulfill short-term fund requirements of the clients for the payment of duty, VAT etc. and procurement of raw material from the local market through pay order in the name of customs authority or Bangladesh Bank cheque.
**Overdraft**

Overdraft is an on-demand credit facility provided for meeting up the day to day overhead and operational expenses. The client uses this Overdraft facility for payment of different administrative & general expenses.

**Bank Guarantee**

Bank Guarantee facility is provided to facilitate trade and commerce. The client uses the Letter of Guarantee facility to provide guarantee to different authorities and for participation in different tenders and related works.

**Letter of Guarantee**

This is issued by the bank on behalf of a customer who has entered a contract to purchase goods from a supplier and promises to meet any financial obligations to the supplier in the event of default.

**Term Loan (syndicated/non-syndicated)**

This facility supports the long-term growth of businesses and primarily used for fixed asset financing, such as the acquisition of capital machinery, equipment and setting up pharmaceutical production facility. For financial ventures that require large-scale investment, funds are raised from banks/financial institutions through syndications. The job is to find the right consortium partners and negotiate acceptable terms and conditions for clients.
3.4.4 Major Contributions

Corporate Banking Division has the following major contributions in expanding the operations of its clients:

**Acme Specialized Pharmaceutical Limited**

ACME Group prolonged its exposure in pharmaceuticals by establishing The ACME Specialized Pharmaceutical Limited Company. Strategic reasons behind this project were to meet growing demand, establish a world class manufacturing facility, comply with local and international drugs control regulations and eventually capture the national and international market share by virtue of sustainable growth. The project went into operation from September 2011. Although this will open doors for export in future, ACME considers the return from the project from domestic market to remain conservative. The facility is being established on 300 decimals of land located in Dhulivita, Dhamrai, Savar. The plant is located adjacent to the existing plant of ACME Laboratories Limited. The land possesses the necessary infrastructure such as gas, electricity etc. and is conveniently connected to the Dhaka-Aricha highway.

**Incepta Vaccine Ltd**

Incepta Vaccine Ltd (IVL) is a sister concern of Incepta Pharmaceuticals Limited. It was established with a vision to produce vaccines and steroid. IVL would have a first mover advantage in the market as currently no other local company in Bangladesh produces vaccine. At present the market of vaccine is mainly dominated by the multi-national pharmaceutical companies and imported products. The plant is located at Savar and commercially production started in the third quarter of the year 2011. Incepta is looking forward to further strengthening their product lines by introduction of new formulations.

**Square Formulations Limited**

Square Pharmaceuticals has expanded its exposure by establishing Square Formulations limited in 2011. A plant has been established at Mirazpur, Tangail, with annual capacity of 10,000 million tablets and 2,000 million capsules at full capacity utilization. The market study shows that there is sufficient market in the country as well as in abroad for the items. The plant has created employment opportunities for around 1000 people.
3.4.5 SWOT Analysis

<table>
<thead>
<tr>
<th><strong>Strengths</strong></th>
<th><strong>Weaknesses</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Brand name</td>
<td>• Recognized as a SME banker</td>
</tr>
<tr>
<td>• Financial Performance</td>
<td>• New in the industry</td>
</tr>
<tr>
<td>• Shareholding structure</td>
<td></td>
</tr>
<tr>
<td>• Team expertise</td>
<td></td>
</tr>
<tr>
<td>• Industry knowledge</td>
<td></td>
</tr>
<tr>
<td>• Competitive pricing</td>
<td></td>
</tr>
<tr>
<td>• Strong collection network</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities</strong></th>
<th><strong>Threats</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Growth of the industry</td>
<td>• Presence of other local and experienced banks</td>
</tr>
<tr>
<td>• Export growth of the industry</td>
<td>• Business relationship of multinational</td>
</tr>
<tr>
<td></td>
<td>pharmaceutical industries with foreign banks</td>
</tr>
<tr>
<td></td>
<td>• Competitive pricing offered by foreign banks</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.4.6 Visions for the Future

The Corporate Banking Division plans to provide its relentless support toward the Pharmaceutical Industry. Started the relationship first with ACI Limited in the year 2008 and then it never looked back. In the year 2011, it engaged with four pharmaceutical companies among which two are the top 2 companies with highest market shares.

Currently major focus is upon the pharmaceutical industry in the manufacturing sector and to provide all-in support with respect to providing all necessary funded and non-funded facilities. Non-funded facility like L/C is very crucial in Pharmaceutical Industry as the cost structure of the pharmaceutical companies in Bangladesh is such that the raw materials constitute a major part of the total costs to a company and they are needed to import. The following table shows the composition of the Cost of Goods Sold for three selected companies listed on the Dhaka Stock Exchange (DSE). The head “Raw Material” includes all raw materials including API, packaging material, etc.
<table>
<thead>
<tr>
<th>Component</th>
<th>Square Pharma</th>
<th>Beximco Pharma</th>
<th>Renata</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw Materials</td>
<td>49%</td>
<td>78%</td>
<td>73%</td>
</tr>
<tr>
<td>Salaries</td>
<td>5%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>9%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Others</td>
<td>37%</td>
<td>3%</td>
<td>16%</td>
</tr>
<tr>
<td>Total COGS</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table: 7

The companies with decent market shares, companies which are exporting (total 39 companies exported in the year 2011) or expanding their operations are the main focus for the division. The strategy would be continuing to provide competitive pricing as the cost of operating business has an effect in the final price of the product. The Regulatory bodies do not allow any new entry of pharmaceutical companies in the industry thus the scope gets limited only to the existing companies.

### 3.4.7 Recommendations

- The bank should have an “Industry Champion” who is an expert in particular industries and thus can provide market related information whenever any opportunity arises.
- The bank should have a more efficient Management Information System (MIS) by which any client’s performance would be instantly traceable.
- Quarterly business trigger meeting should be held to discuss not only about existing situations but also to explore new opportunities in a particular industry.
- Whenever financing from local sources for a project is uncertain, the approach should be going for multilateral agencies like Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) or Nederlandse Financierings-Maatschappij voor Ontwikkelenenlanden N.V. (FMO) for financing.
3.5 Conclusion

Pharmaceutical industry is capable of meeting part of the global demand as with excess capacity because of heavy investment made by local companies and the contribution of the banking sector in such investment is inevitable. The Corporate Banking Division of BRAC Bank Limited is contributing towards the development of such industries by providing facilities to its valued clients. Though the bank is new in the industry and always presumed to be a SME financier only, the division proves itself as a successful business section of BRAC Bank by its performance and contribution comparable to the leading ones in the banking industry. BRAC Bank was able to manage and maintain the size of the corporate asset portfolio of over BDT 30 billion in the year 2011, despite having the unfavorable economic conditions: largest crash in the country’s stock market, liquidity crisis in the money market and immensely fluctuating foreign exchange market and other flashpoints in the economic arena. The division, a key business stream of BRAC Bank, promises to continue providing excellent service to its existing clients, to explore new opportunities and to contribute in the economic development of Bangladesh.
Appendix

Company Profiles:

Square Pharmaceuticals Limited

Square Pharmaceuticals Limited (SPL), part of Square Group of Industries, is the pioneer in the Bangladesh pharmaceutical sector. It was established in 1958, and was registered as public limited company in 1994. The company has been the market leader since 1985.

Plant & Machinery:

Square Pharmaceuticals has three GMP facilities in Bangladesh and these are the Formulation Unit, Pet Bottle Unit and API unit. The first factory located in Pabna started operations in 1958. The second known as the "API Unit" began production in 1995. The third unit located 50 kilometers north of Dhaka has been in operation since 2002. The company plans to use this factory as part of its export strategy.

International Approvals:

Square Pharmaceuticals has invested in state of the art formulation plants aligned to regulated market standards. Six manufacturing units of the Dhaka site can produce pharmaceutical products maintaining cGMP requirement for highly regulated markets in Europe, Australia and USA. Other five manufacturing units at Pabna site are producing finished formulations targeting markets in ASEAN, SAARC and other countries. SPL is the first Bangladeshi pharmaceutical company to attain UK MHRA certification. The company has 700 product approvals for export markets and 900 product approvals for Bangladesh market.

Products:

SPL engages in manufacturing and marketing of finished formulation products, Veterinary products (Veterinary and Nutrition products) and Active Pharmaceutical Ingredients (API) (compacted and micronized). It also provides contract-manufacturing services. The company offers its products in a range of dosage forms, including tablets, capsules, dry syrup, and powder for suspension, cream, ointment, suppositories, metered dose nasal sprays, intravenous fluids, and metered dose inhalers.

International Trade:
Square Pharmaceuticals Ltd was one of the first Bangladeshi pharmaceutical companies to start exporting pharmaceutical products. The company has recently started exporting to the United Kingdom and Hong Kong. The company exports its products to Afghanistan, Bhutan, Cambodia, Fiji, Iraq, Macau, Malaysia, Myanmar, North Korea, Nepal, Papua New Guinea, Sri Lanka, Tajikistan, The Philippines, Uzbekistan, Vietnam, Eritrea, Gambia, Ghana, Kenya, Libya, Malawi, Mauritania, Mauritius, Mozambique, Niger, Nigeria, Sierra Leone, Somalia, Sudan, Tanzania, Uganda, Belize, Costa Rica and Suriname.

Future Plans:
Square Pharmaceuticals Ltd plans to embark on a stage of high growth for its exports. Currently the export sales segment contributes to only 3% of total revenue of the company and it is expected that the exports will rise in the coming years.

Square Formulations Limited
Square Pharmaceuticals has expanded its exposure by establishing Square Formulations limited in 2011. A plant has been established at Mirazpur, Tangail, with annual capacity of 10,000 million tablets and 2,000 million capsules at full capacity utilization. The market study shows that there is sufficient market in the country as well as in abroad for the items. The plant has created employment opportunities for around 1000 people.

Incepta Pharmaceuticals Limited
Incepta Pharmaceuticals Ltd was established in the year 1999 and is now the 2nd largest company of the country and recognized as the fastest growing of the top five companies in the country. Incepta now has one of the largest and competent sales force and large distribution network of its own, operated from 18 different locations throughout the country.

Plant & Machinery:
At present Incepta has one fully operational plant at Zirabo, Savar, Dhaka and another at Dhamrai, Dhaka. The second site is currently under development and several projects of finished formulation unit are being set up. The Zirabo manufacturing plant consists of a general purpose manufacturing building, a dedicated cephalosporin manufacturing building, and a specialized manufacturing building for the production of lyophilized products, insulin and amino acids in addition to several floors dedicated to the production of solid dosage forms- tablets and capsules. A newly built liquid and semisolid manufacturing building is
also in operation at this site. The site also houses a warehouse for raw, packaging and finished goods. To meet the increasing demand from domestic as well as overseas markets, another warehouse is currently under construction with three times the capacity of the existing one. A separate multipurpose building houses the Research & Development lab along with the canteen facility. At present all the products are coming from this plant at Zirabo. Manufacturing and packaging operations are carried out according to the validated methods through systematically qualified machines with full documentation at all stages of operations. The production sites follow the cGMP guidelines for environmental requirements of the manufacturing and packaging area, as well as comply with the EHS requirements.

**International Approvals:**
Incepta currently holds the following GMP compliance certifications:
- UK MHRA GMP Certificate
- European Union GMP Certificate
- Turkey GMP Certificate
- Yemen GMP Certificate
- Kenya GMP Certificate
- Democratic Republic of Congo GMP Certificate
- Ethiopia GMP Certificate
- Uganda GMP Certificate
- Sudan GMP Certificate

**Products:**
Incepta produces various types of dosage forms which include tablets, capsules, oral liquids, ampoules, dry powder vials, powder for suspension, nasal sprays, eye drops, creams, ointments, lotions, gels, prefilled syringes, liquid filled hard gelatin capsules, lyophilized injections, human vaccine etc. The company's specialties include sustained-release tablets, quick-dissolving oral tablets, and barrier-coated delayed-release tablets. Incepta also conducts research and development on advanced dosage forms for various drugs and devices including poorly-soluble drugs, dry powder inhalers, coated pellets, modified-release products, and taste-masked preparations.
International Trade:
Incepta markets its products in 40 countries around the world through its distribution partners. These countries include the UK, Finland, Ukraine, Singapore, Hong Kong, Cambodia, Myanmar, Vietnam, U.A.E, Turkey, Kenya, Ethiopia, Costa Rica and many others.

Future Plans:
The company plans to embark into the production of Active Pharmaceutical Agent (API). Plans are underway to get into reverse engineering and analogue research in order to produce API. They are very vigorous about their R&D and the dynamic persona of the MD, Mr. Muktadir is a driving force behind their success.

**ACI Limited.**
Advanced Chemical Industries (ACI) Limited came to inception in 1992 when ICI Plc of UK sold its pharmaceuticals business in Bangladesh to company management. ACI inherited ICI’s culture of product quality and customer service and became the first company in Bangladesh to obtain ISO 9001 Quality Management System certification in 1995. In 2000, ACI became the first company in Bangladesh to get ISO 14001 Environmental Management System certification.

Plant & Machinery:
The manufacturing plant of ACI is located at Narayanganj. The plant workers, supervisors, officers and managers strictly follow cGMP recommended by WHO and In-process Quality control methodology for production and meet all national regulatory requirements.

Products:
ACI manufactures a comprehensive range of more than 120 products covering all major therapeutic areas, which come in tablet, capsule, powder, liquid, cream, ointment, gel, ophthalmic and injection forms. ACI also markets world-renowned branded pharmaceutical products like Diprivan, Fluothane, Nolvadex, Accolate, Meronem, Atarax, Humulin, Ceclor etc. from multinational companies like ASTRAZENECA, UK; ELI LILLY, USA and UCB, BELGIUM in Bangladesh. ACI is actively engaged in introducing newer molecules and Novel Drug Delivery Systems (NDDS) to meet the needs of the future.
International Trade:
ACI has started to explore international markets. The quality of ACI products, strengthened by its ISO 9001 certification, has brought immediate success in Sri Lanka, Yemen, Myanmar and Vietnam.

ACME Specialized Pharmaceutical Limited.
The ACME Laboratories Ltd. was established in 1954 as a partnership. It converted into a private company in 1976. The Commercial operation started in 1983. It is part of the ACME group which employs more than 3000 employees. Currently, ACME Laboratories is the second largest manufacturer and exporter of Human, Herbal and Animal Health Pharmaceutical Products in Bangladesh. Acme is presently ranked 7th in the pharmaceutical market in Bangladesh, with a 4.3% market share. ACME Group expands its exposure in pharmaceuticals by establishing The ACME Specialized Pharmaceutical Limited Company.

Plant & Machinery:
ACME's plant is located at Dhamrai, about 40 km N.W. of Dhaka, the capital of Bangladesh.

Products:
ACME has a wide portfolio of Pharmaceutical Products across the Therapeutic Spectrum for both Human and Animal Health. ACME has signed up with one of the leading Indian Herbal Healthcare majors – Himalaya. The major product categories are: Allopathic, Herbal and Animal Health.

International Trade:
ACME started exporting in 1995 by exporting medicines to Bhutan. Since then it has been expanding worldwide. The volume of sales has increased substantially with an average growth rate of 50% almost every year. At present, ACME is exporting medicines to several countries in neighbouring South-East Asia, Africa, Middle East and the EU. Sales wise Afghanistan is the top among the 11 countries ACME is exporting to with a growth rate of 55%. Among the medicines exported, Antibiotic, Antihypertensive, Antiulcerant and Vitamin are performing the best. It is also exploring joint venture production opportunities in Central Asia, Africa, the Middle East, the United States, Canada, Mexico, South America, and Europe.
**Future Plans:**
The international marketing section of ACME is currently exploring the joint venture production possibilities, establishment of pharmacies, agents or distributors in the Central Asia, the Middle East, Africa, CIS countries and other parts of the world. ACME has started its operation in Pakistan. They have plans to set up a manufacturing plant in Pakistan within a few years.

**Nuvista Pharma Limited.**
Nuvista Pharma Limited (NPL) is a privately owned pharmaceutical company. NPL was formed in 1964 registered under the name Organon (Pakistan) Limited. The name of the Company was changed to Organon (Bangladesh) Limited in 1973 following the independence of Bangladesh and again changed to Nuvista Pharma Limited in 2006 after the divestment of Organon’s equity in the Company. Since 1964 and until 2006, Organon (Bangladesh) Limited (OBL) has been a subsidiary of Organon International (OI), the human healthcare business unit of Akzo Nobel, based in The Netherlands. Organon was a renowned global biopharmaceutical company primarily concentrated in research efforts in four core therapeutic fields: gynecology, anesthesia, fertility and neuroscience. Nuvista continues to import trusted Organon brands in Bangladesh. Nuvista Pharma Limited also continues to source high quality APIs from Netherlands and other European sources, Japan and USA to ensure the quality of its manufactured medicines.

**Products:**
It has a specialized portfolio of products focusing on hormones and steroids. Nuvista Pharma is specialized in women’s health care, and has contributed significantly to three areas of vital importance: Contraception, Fertility and Menopause. They are also market leaders in prescription medicines for Anesthesia, Male Hormone Therapy and Corticosteroids. Nuvista Pharma Limited also imports finished formulations from Schering-Plough, USA or Merck & Co, USA.

**Plant and Machinery:**
The Company’s factory is located in Tongi, where injections, tablets and capsules are manufactured. The facilities incorporate a state of the art Quality Assurance/Quality Control set up, fully equipped with manufacturing, packaging and monitoring set up. The Head Office
of the Company, in Dhaka, houses the Managing Director’s secretariat, Finance, Marketing, Sales Management, Procurement, Regulatory Affairs, Personnel Department and IT. The Company ensures strict compliance with current good manufacturing practices (cGMP) as recommended by World Health Organization (WHO) as well as local regulatory requirements in every phase of manufacturing, quality assurance and delivery of medicines.

**Apex Pharma Limited**

Apex Pharma is the pharmaceutical business of one of the reputed Bangladeshi conglomerate Syed Manzur Elahi Enterprise, which operates in leather, footwear, retail, advertising, market research & financial services (namely Apex Tannery Ltd., Gallerie Apex, Apex Adelchi Footwear Ltd., Grey Advertising Bangladesh Ltd., Quantum Market Research Bangladesh Ltd., Blue Ocean Footwear etc.).

**Plant and Machinery**

Apex Pharma is one of the fastest growing pharmaceutical companies in Bangladesh located at Shafipur, Gazipur near Dhaka City. The company is already a Bangladesh Drug Administration regulated facility (WHO cGMP standard) for tablet, capsules, injectables, semisolid, liquid and ophthalmic formulations. Apex Pharma's purpose-built manufacturing factory has separate and dedicated Cephalosporin, Penicillin and General production facilities to produce medicines of all therapeutic groups with the highest quality, efficacy and safety.

**Products**

Apex Pharma produces medicines of wide range of therapeutic classes like antiulcerants, antibiotics, NSAIDs, antipyretics, vitamins & minerals cardiovasculars, antidiabetics, steroids, antispasmodics, antihistamines, antipsychotics, antiemetics, antiseptics and many more.

**International Approvals**

Apex Pharma is moving towards the accreditation of UKMHRA, TGA & USFDA to become the center of excellence for pharmaceutical manufacturing.

Apex Pharma has business alliance with Sanofi-Aventis, a leading global pharmaceutical company to market, promote and distribute their selected Brands. Apex Pharma has also formed association with ICDDR,B Clinical Trial Unit (CTU) for Bioequivalence Studies.
Reference

Web based References:
4. www.inceptapharma.com/
5. www.acmeglobal.com/acme_special_pharma.htm
6. www.aci-bd.com/
7. www.nuvistapharma.com/

Others
1. Working paper on Pharmaceutical Industry in Bangladesh
3. Annual Report 2011, BRAC Bank