Report on

Equity Research Report on Renata PLC.

By

MD Zunayed Zedan

22104176

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration

BRAC Business School
BRAC University

January 2026

Declaration

It is hereby declared that:

1. The internship report submitted is my/our own original work while completing degree at Brac University.

2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.

3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.

4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

MD Zunayed Zedan
22104176

Supervisor's Full Name & Signature

Dr. Sayla Sowat Siddiqui
Assistant Professor
BRAC Business School

Letter of Transmittal

January 25, 2026
Dr. Sayla Sowat Siddiqui
Assistant Professor
BRAC Business School
BRAC University

Subject: Submission of Internship Report

Dear Ma'am,

With due respect, I am writing to inform that I, MD Zunayed Zedan, ID: 22104176, have completed my internship report on "Equity Research report on Renata PLC". I have implemented all my learnings throughout my internship tenure at Prime Bank Investment PLC and everything I have learned in the last four years.

I am hopeful that this report will fulfill all the criteria required to complete the BUS490 course. Thank you for your guidance throughout the report.

Sincerely yours,

____

MD Zunayed Zedan
22104176
BRAC Business School
BRAC University
Date: Month Day, Year

Acknowledgement

During preparation of this report, I received monumental support from my supervisor, Dr. Sayla Sowat Siddiqui, Assistant Professor of BRAC Business School, BRAC University. I was able to complete this report with her guidance.

Moreover, I am also grateful to my onsite-supervisor, Md. Sakib Chowdhury, CFA, Head of Research and Wealth & Advisory at Prime Bank Investment PLC. for his continuous support and sharing his wisdom with me about how capital market operates in Bangladesh.

Finally, I am also grateful to my whole research team with whom I have worked from time to time and learned handful of skills required in professional setting.

Executive Summary

This report contains information about my internship experience at Prime Bank Investment PLC., one of the finest Merchant Bank in Bangladesh. I worked there under the Research department as a Research Intern for 12 weeks. Throughout my tenure, I came up with the idea of preparing my equity research report on Renata PLC., a company in an industry I researched multiple times during my work there. I have divided my report into three parts.

Firstly, Chapter 1 contains my experience and responsibilities at the company. It covers mostly my job responsibilities, things I have learned, and recommendations for the company.

Secondly, Chapter 2 contains information about PBIL. It covers information about their active departments, how they operate, their mission, vision and achievements. I have also prepared an industry analysis on them.

Thirdly, Chapter 3 contains information about my equity research on Renata PLC. All the data collected was secondary information from different sources including their Annual Reports, DSEBD and so forth. The main objective of this report is to understand their business, the pharmaceutical industry, and whether to 'BUY' or 'SELL' the shares of this company to whom it may concern.

Finally, I conclude the report by giving a 'BUY' signal to all whom it may concern, as the company has competitive moats.

Contents

Chapter 01: Overview of Internship

At

Prime Bank Investment PLC

Chapter 1: Overview of Internship

1.1 Student Information

Name: MD Zunayed Zedan
ID: 22104176
Program: Bachelor of Business Administration (BBA)
Major: Finance
Minor: Accounting

1.2 Internship Information

Period: 20th August 2025 – 20th November 2025.
Organization: Prime Bank Investment Limited
Department: Research and Wealth advisory
Address: Tajwar Center (5th Floor), House: 34, Road No: 19/A,
Banani, Dhaka-1213
Internship Supervisor: MD Sakib Chowdhury, CFA
Position: Head of Wealth and Advisory & Research Department.

1.3 Job Description:

- Prepared detailed Equity Research Notes on companies in the Textile, Pharmaceutical, and Engineering sectors, covering financial performance and market outlook.
- Conducted industry research to assess growth prospects, competitive dynamics, and key drivers affecting sector performance.
- Collected and visualized macroeconomic data to support insights and assisted in investment recommendations.
- Regularly collected and updated databases of Macroeconomic indicators and Stock Market.
- Worked with business team to help prepare business proposals.

1.4 Internship Outcomes:

During my 12 weeks in Prime Bank Investment PLC, I contributed in the following areas mentioned below.

- I have prepared detailed Equity Notes for companies that the management were interested in investment in their business activities. The sectors that I covered were Pharmaceutical, Textile, and Engineering. In the report, I provided the company's financial history, current industry outlook, and anticipated changes in the industry and company in the coming years.
- I also conducted various industry research to help in understanding the potential investment strategies, I analyzed the competitive dynamics and the key catalysts that drive the industry.
- I frequently collected, updated and visualized macroeconomic indicators to support with insights that other researchers needed.
- I regularly collected and updated the stock market database such as the daily price, adjusted stock price following stock dividends, dividend declaration, board meeting schedule and earnings update.
- Lastly, I worked with the business team to prepare pitch decks required for their presentations and helped with other relevant work.

1.5 Benefits of the Student.

Throughout my tenure at PBIL, I learned numerous things which I often overlooked during my undergrad. I got to understand the market catalysts better and investor sentiment during the rough period of pre-election. It also helped me improve my research skills and prepare better financial models with the help of my seniors.

1.6 Recommendations

The only suggestions that I have is that the remuneration can be increased a bit, the amount they provide only covers the transportation cost.

Chapter 02:

Organization Part

Chapter 2:

2.1 Introduction:

Prime Bank Investment PLC. is a subsidiary of Prime Bank PLC. This organization is mainly a Merchant/Investment Bank which provides numerous facilities. It conducts in both B2B and B2C area expanding their customer base.

They provide numerous services starting from Debt & Equity Issuance in the primary market, Portfolio Management through customized investment plans, Brokerage facilities, and Continuous Research to make the best out of the funds they are gathering to invest in. The Research Department is led by Md. Sakib Chowdhury, CFA, a veteran in this field who has over 10 years of experience in Research. The Research team is relatively small but with genius minds making the team efficient and fun to work with. This department mainly prepares the necessary Macroeconomic and Stock Market research reports to assist with investment management.

In this chapter, I will dive into the practices of PBIL, I will cover their management, marketing, operations, and a competitive analysis within the industry,

2.1.1 Objectives of the Study:

The primary objective of this study is to understand how the company operates, and we will understand it through the different aspects such as Marketing practices, Financial Practices, Management and Operations strategies.

2.1.2 Scope of the Study:

- **Organization Overview**: This segment will contain information such as the vision, mission and achievements of PBIL.
- **Marketing Practices**: I will cover their marketing strategies, which are mostly collaboration with partners and social media content for the B2C segment.
- **Management Practices**: The hierarchy and the work ethic in the organization.
- **Financial Analysis**: Understand their financial performance in the recent years.
- **Industry analysis**: I will provide a comprehensive competitive analysis to understand their performance against the other players operating in this industry.

2.1.3 Methodology:

- Most of what here will be discussed throughout this report is part of the primary data that I have collected throughout my tenure through discussions with my supervisor and my personal understanding of how everything operates.
- I will also use secondary data to perform the financial and industry analysis.

2.1.4 Significance of the Study:

It is important for students as they will get a brief idea about how Investment Banks operate, which is rarely covered in textbooks. Other than that, it can be used by the management of PBIL to identify any gaps in their practice and work on it.

2.2 Overview of the Company:

2.2.1 History

PBIL was established in 2010 and incorporated as a public company as a wholly owned subsidiary of Prime Bank PLC. The main purpose of setting up a subsidiary was to support the merchant bank wing that every bank has, they were introduced to support activities in the Capital Market in both debt and equity issuance of companies. Other services they offer are portfolio management, underwriting, and advisory. Over the years, they have helped many companies with issuing both equity and debt, they helped list many renowned companies in the market.

2.2.2 Vision

PBIL aims to be the top investment bank in the country, helping and collaborating with companies through innovative solutions.

2.2.3 Mission

They are committed to provide all sorts of services with customer centric solutions and provide companies with all the support they need through services like Equity and Debt raising, advisory, and portfolio management.

2.2.4 Key Achievements

They have won numerous awards for their innovative solutions. Some of the awards are:

a) Best Investment Bank in Bangladesh
b) Trusted Financial Advisory Firm
c) Top Portfolio Management Firm
d) Quickest growing Investment Firm
e) Best Investment Bank for M&A

2.3 Management

2.3.1 Management Practices

During my tenure, I have found that they follow a centralized form of leadership. The Managing Director of the company sets the goals for the year, and it is further managed by the head of the respective departments. However, I have seen the MD taking insights and views from the younger employees as well, like from Interns. He is always curious to see what we think about the approaches the company is taking; this shows the inclusiveness.

There is enough room for everyone to express their views under their respective department heads. For instance, in the research team, the head of the department has always given priority and thought to other views, making everyone feel valued.

2.3.2 Recruitment and Selection

Most hiring here is done through internal references for the important positions like sales. They mostly hire sales officers for the portfolio management department; the process includes two rounds of interviews and strict background checks. Recruitment in another team is very rare unless any employee leaves. The company has been successful in retaining their employees due to high work satisfaction among them. I have also felt that the employees over there are very friendly to each other making the work less stressful.

2.3.2 Compensation System

They provide salary based on experience and mostly follow the industry standards. However, salaries for the sales officers do vary, they have a fixed and a variable portion which depends on their annual performance. Besides, they also offer benefits like Insurance, Gratuity, Festival Allowances, and other benefits.

2.4 Marketing Practices

Even though marketing practices in this industry are very low, PBIL puts a lot of emphasis on marketing to ensure brand visibility and customer attraction. The marketing practices are discussed below.

2.4.1 Marketing Strategy

Their marketing strategy can be understood from the lens of 4P model.

a) **Product:** PBIL offers an extensive range of services starting from Equity/Debt issuance, Advisory, Portfolio Management. Their main products are their flagship capital market instruments specifically designed according to customer needs. They have more than BDT 100 crore under portfolio management through their curated products.

b) **Price:** Since they do not sale traditional products, there are no proper pricings. However, they have strategically set their investment ranges of debt and equity products, making it affordable and lucrative for customers to invest with them. They have designed products keeping in mind the demographic, age, gender, classes and so forth, making investment easier. They have attracted students with lucrative investment ranges starting from as low as BDT 500. This smart pricing strategy has helped them attract thousands of investors in a very short time of launching these products.

c) **Place:** They have a total of three branches in Dhaka. Customers outside of Dhaka can simply go to Prime Banks and will find representatives of Prime Bank Investment PLC there. They also operate digitally as well through trading platforms. They also engage regularly through roadshows in other companies promoting their services and products.

d) **Promotion:** They work to promote their presence both digitally and in person. The in-person promotions work through monthly road shows and collaboration with other companies. However, they emphasize their digital presence more through channels such as LinkedIn and Facebook. They post regularly through these two platforms, they use Facebook mainly to attract clients for the portfolio management services by running campaigns regularly. They are also trying to enhance their presence through financial literacy programs in universities by collaborating with university clubs.

2.4.2 Target Customers & Market Positioning

Their main target customers are local retail investors, they invest through PBIL. Retail customers who prefer investing through organizations because of their expertise are mainly attracted here. Moreover, they also reach out to other companies for advisories and capital issuance services.

They position themselves in the market as the fastest growing investment bank where they provide both B2B and B2C services. Their human resources are one of their prides which also gives them an edge here.

2.4.3 Marketing Challenges and Gaps

From my point of view, even though they have excelled in marketing, there are still some challenges. These are discussed below.

a) Weak Penetration in Portfolio Management: Even though they achieved a milestone of 1000 customers within two years of launching their equity and debt market products, I feel they could have attracted more. Other similar asset management companies have higher capital under management and are better at promoting it to public.

b) Out-dated marketing practices: In my opinion, the promotional campaigns that they launch are outdated. Nowadays, it is very difficult to retain attention of potential customers in social media without engaging content. They mostly post static images, which I feel is not effective in attracting clients. They do not post success stories or other engaging content which can make others invest with PBIL.

c) Technological challenges: The most common challenge they face are the meta-ads optimization to attract the customer base they want to pursue under their portfolio management services. Quite often, they get responses from uninterested clients, clients who have little to no idea and will to invest in their products. They fail to promote it where it is needed, the campaigns reach the hands of people who have no intention of invest with them.

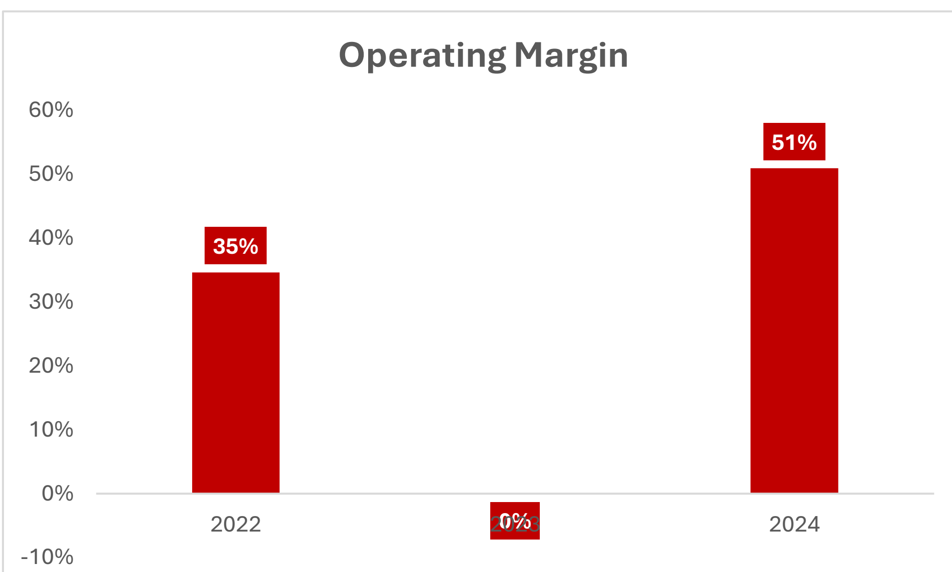
d) Low Market presence outside Dhaka: Hardly anyone outside Dhaka knows PBIL, however, they get their credibility due to the better market presence of Prime Bank.

2.5 Financial Analysis and Accounting Practice

2.5.1 Financial analysis

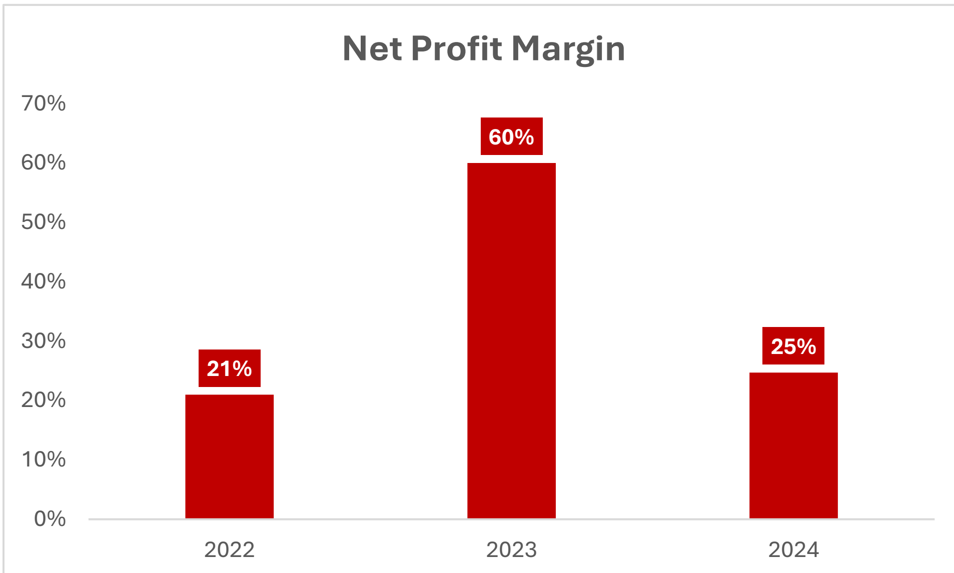
I have prepared their profitability, liquidity and debt-to-equity ratio for the past 3 years to understand their business health. The charts are provided below along with the interpretation.

Operating Profit Margin



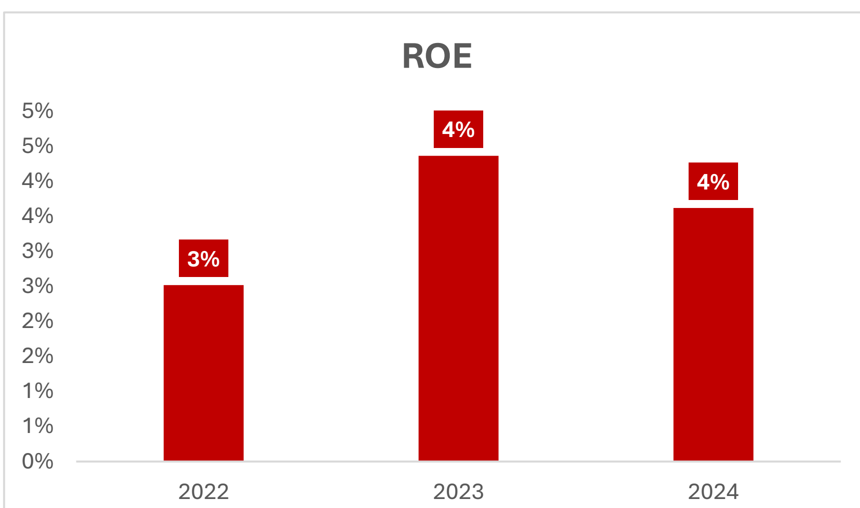
Interpretation: Operating Profit declined significantly due to lower income in 2023, the costs were as usual. The interest income in this year was tremendously low compared to other years, as a result, operating profit margin declined to -0.01%. However, it made a comeback in 2024 due to high interest income.

Net Profit Margin



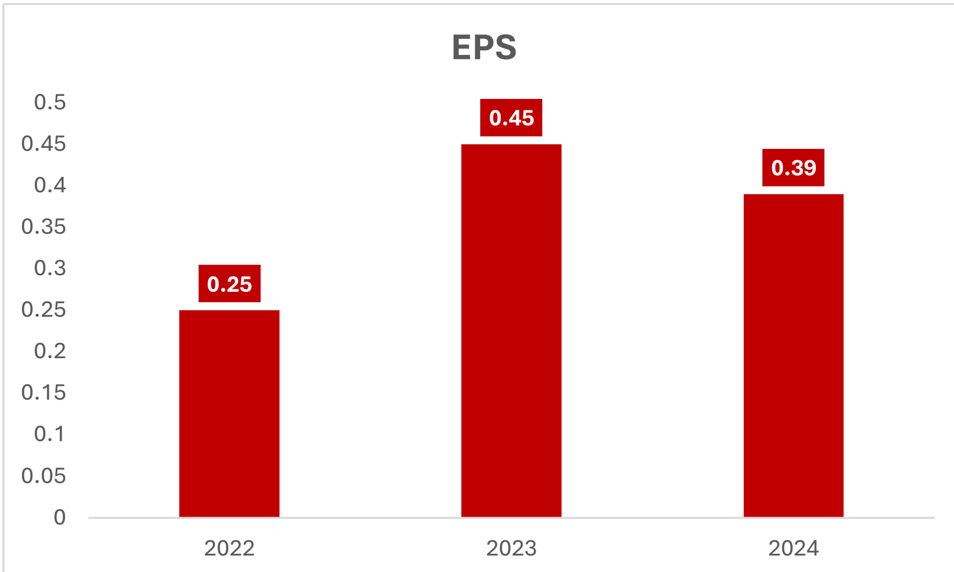
Interpretation: Net profit margin jumped abnormally in 2023 despite an operating loss due to heavy tax adjustments, it artificially inflated their net profit. The actual net profit margin stays in the 20-25% region in normal times.

Return on Equity



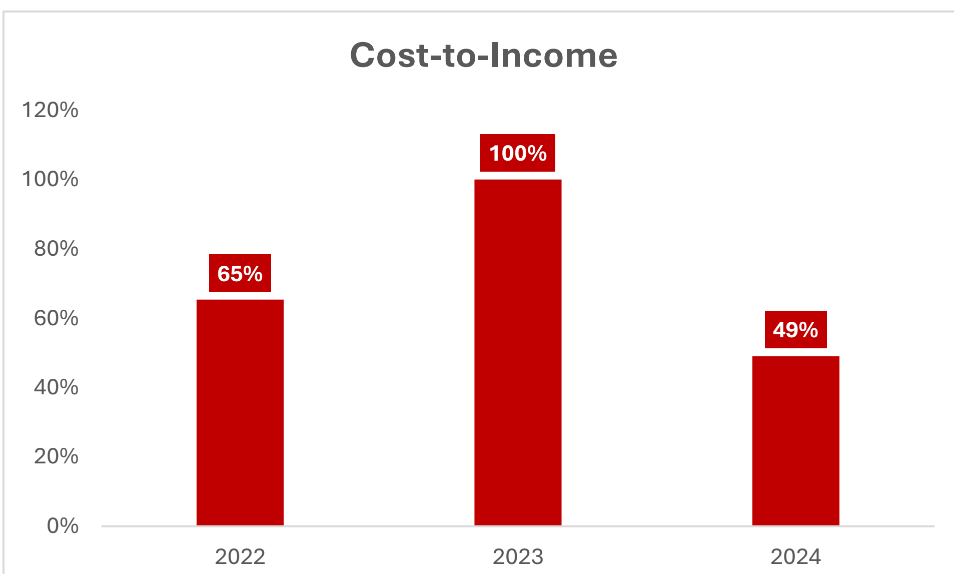
Interpretation: The ROE has stayed almost constant throughout the last three years. It simply means by using every BDT 100 of shareholders money, they have generated BDT 4.

EPS



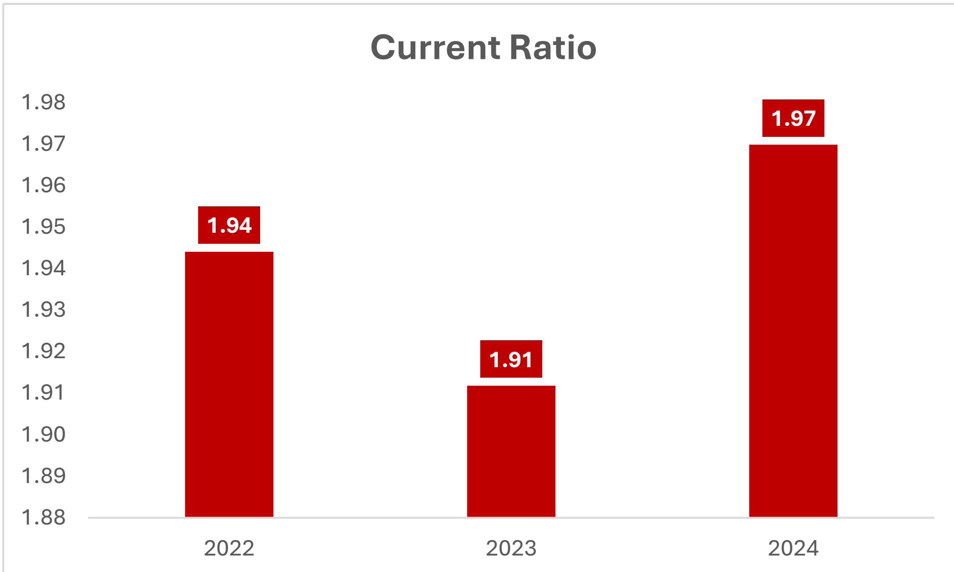
Interpretation: EPS have improved from 2022, and it simply means they are earning BDT 0.39 per share they hold.

Cost-to-Income:



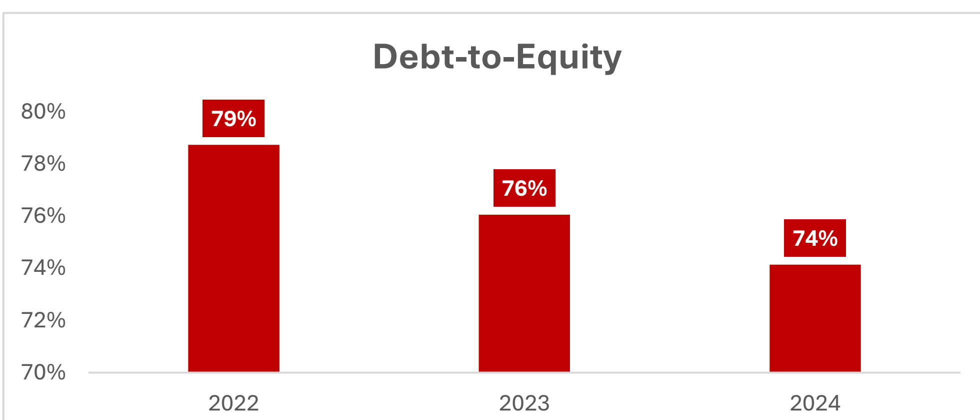
Interpretation: The cost-to-income ratio has improved significantly throughout the last three years. The number simply means how much money they had to spend to earn BDT 1. For instance, the ratio of 49% in 2024 means they had to spend BDT 0.49 to earn BDT 1. It shows that their efficiency has improved.

Liquidity Ratios: Current Ratio



Interpretation: They have a healthy current ratio, anything above 1.5x means they have more than enough currents assets to meet their current liabilities. The current ratio of 1.97 means for every BDT 1 liability, they have BDT 1.97 in current assets, which is enough to clear all the liabilities.

Debt-to-Equity Ratio



Interpretation: The debt-to-equity ratio has improved in the past three years which means they are carefully managing their debts.

2.5.2 Accounting Practices

They follow proper accounting practices and prepare their annual reports abiding ISA and BSEC regulations. They use the accrual method to record their income and expenses, it simply means they record items as revenue or expenses regardless of whether the cash flow has incurred or not. They recognize interest income from margin loans on Accrual Basis, however, this may be seen as an issue as well because clients will not be able to pay interest expenses in times of crisis, and as a result, PBIL may overstate their income and profit. Their taxation policy during 2023 indicated a red flag as they created low quality earnings by crediting tax and improving their net profit margin whereas they had operating loss during that year.

2.6 Operations

They have a total of six departments operating in their head office. They are Research and Wealth Management, Portfolio Management, IT, Marketing, Issue Management, and Customer Service. The functions of these departments are explained below.

a) Research and Wealth Management: This is where I was placed in, this is the heart of their business. This department mainly works to find lucrative investments through continuous market research. The services that I provided were directly used in their Investment Management Committee meetings every week. They decide where the funds should get invested to secure maximum return. This department also works to provide advisory services to businesses.

b) Portfolio Management: This department is mainly responsible for the sales of their capital market products. They bring in cash from their clients and are all given annual targets to reach certain fund-raising objectives. They frequently visit companies and clients to ensure they are satisfied from their investments and to improve the company's market presence.

c) IT: This department is responsible for the back-office tasks ensuring the company's website runs properly, customer engagement using chatbots and other digital services. They ensure those tasks run smoothly to give customer satisfaction.

d) Marketing: This department is responsible for maintaining the brand reputation and relationship with external people. They work to maintain a healthy social media presence through regular posts in LinkedIn and Facebook and manage meetings with B2B customers.

e) Issue Management: Their main responsibilities are helping businesses issue debt/equity and legal services. They help companies go public or raise funds whenever needed.

f) Customer Service: They mainly deal with the existing customers and potential customers. Their main tasks include managing the database of the clients and opening accounts for them. They act as the backbone managing all the data.

2.7 Industry & Competitive Analysis:

2.7.1 Porter's Five Force Model

It is important to understand the company's performance compared to the other players in this industry. To understand their position, we will prepare a Porter's Five Force Model and analyze their position.

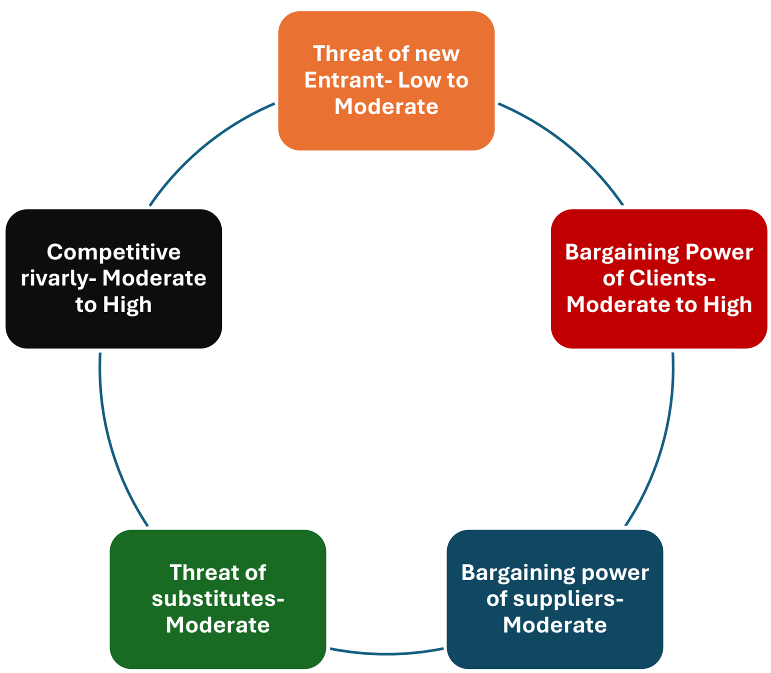


Chart: Porter's Five Force Model for PBIL

a) Threat of New Entrants: The Bangladesh Securities and Exchange Commission's (BSEC) has high regulatory barriers, which include capital adequacy requirements, licensing, and compliance costs, making the threat of new entrants moderate to low. Moreover, it also takes a lot of time to build institutional connections, distribution networks, and credibility. PBIL benefits from having a powerful parent company, Prime Bank PLC, which makes it harder for new competitors to enter the market.

b) Bargaining Power of Clients: Individual Clients here have moderate to high bargaining power as there are many other companies offering similar services. High Net Worth individuals carry a lot of power in this case as they are often wanted by everyone to increase their assets under management. However, their diversified services and customer satisfaction has helped them retain HNIs and retail clients.

c) Bargaining Power of Suppliers: Suppliers in this case mean the experts who work here in PBIL. Although talent is crucial, supplier power is moderate in the financial services industry due to the scarcity of credible professionals. They reduce dependency on any one supplier through the leverage of their size and reputation.

d) Threat of Substitutes: It remains moderate, as there are a lot of companies providing similar services, however, ensuring the quality is what matters. They have proved themselves besides other investment banks, however, direct substitutes in terms of fund management remain high as it is almost offered by brokerages and investment banks.

e) Competitive Rivalry: This remains a challenge as competitors like UCB Asset Management, Shanta Asset Management, Edge, Vanguard Asset Management has higher assets under management and better returns compared to them. If they fail to match the performance of their competitors and provide innovative solutions, they will their clients to them.

2.7.2 SWOT Analysis

The SWOT Analysis is prepared to understand their internal strengths and external weaknesses. Below is a detailed analysis on them.

a) Strength (Internal): They have a strong parent company which gives them a positive image among clients as they have a strong reputation and has been around in the market for quite a while now. Besides, PBIL has individual achievements as well like the best merchant bank in Bangladesh in 2023 and so forth. They have diversified sources of income which makes them less susceptible to any shocks, their flagship product line PrimeInvest has been a hit which has successfully targeted clients from every segment and class.

b) Weaknesses (Internal): They depend on accounting tweaks every now and then to ensure they remain profitable at least on paper. Their marketing practices are also outdated, which puts them at risk.

c) Opportunities (External): Since the market is expected to revolve around in 2026 post-election due to optimism in investor sentiment, they can make the most out of it through proper social media marketing and enhancing their digital onboarding experience for clients. They can tap in the SME market as well as the regulations have been loosened recently and it may attract new investors here.

d) Threats (External): There is intense competition between the merchant banks in Bangladesh, since there are very few IPOs, these investment banks usually have to fight for them. BSEC has a practice of interfering with and imposing unfair policies which usually depress investors and causes intense sell-off. If these practices continue in 2026 and beyond, they might face another period of depressed market activity which may hurt their profitability directly.

2.8 Conclusion

To conclude, Prime Bank Investment Limited has been serving the market well. They have adjusted to the market characteristics and is operating in line to survive during this period.

Chapter 3: Equity Research on Renata PLC.

Executive Summary

Company Overview

Renata PLC, one of the largest and fastest growing pharmaceutical companies in Bangladesh, manufacture human pharmaceuticals and animal health products. The company is present in more than 50 countries and exports to key markets like the EU, UK, US and Australia. In addition, Renata is ranked 5th among the top 10 pharma companies with 5.75% market share. Also, the company has received international accreditations from leading regulatory authorities and provides manufacturing on a contractual basis. They produce a total of 610 drugs across 103 therapeutic areas.

The pharmaceutical market is expected to surpass $6 billion by 2025 with a CAGR of 12% according to BIDA. The sector currently meets 98% of the domestic demand and also has 150+ export destinations and a YoY export growth of 5.6% in 2024-25.

Investment Action

After the thorough coverage of Renata PLC. (RENATA), this company has gained a 'BUY' signal with a target price of BDT 457.30 and this implies an upside potential of 17% from the current price of BDT 394.70. The company has made significant investments in the local market in efforts to expand their business and export facilities to destinations such as USA, EU, and so forth. The recent investments in specialized products are soon expected to provide returns. Moreover, its subsidiaries are performing exceptionally well too which brings us to the 'BUY' signal. The valuation of the company was done using Discounted Cash Flow (DCF).

Target Price (BDT)	**457.30**
Current Price (BDT)	**394.70**
Upside	**16%**
Indication	**BUY**

Financial Information

Company Fundamentals	
Ticker	RENATA
Sector	Pharma & Chemical
Year End	June
Close Price	387
Market Cap (BDT Cr)	4438.75
Paid Up Capital (Cr)	1146.96
No. of Shares (Cr)	114696490
Free-float Shares (Cr)	5.59
Free float (%)	48.71%
EPS (Annualized)	19.55
Current PE	14.9
PE (Last Audited) (08-01-2026)	19.91
NAV Per Share	305.49
P/NAV	1.26
PEG (3Y Growth)	2.1
Sales Growth (3Y)	7.96%
NPAT Growth (3Y)	-10.61%
Debt to Equity Ratio	0.55
3months avg daily volume	45915.45
3months avg daily turnover(cr)	2.32
52Week price range (BDT)	372.00-589.90

Margins	2022-23	2023-24	2024-2025
GP	41.75%	44.23%	40.97%
OP	9.76%	14.10%	11.08%
NP	7.09%	9.59%	5.18%

Growth	2022-23	2023-24	2024-2025
Revenue	6.12%	14.37%	13.70%
GP	-6.53%	21.17%	5.4%
OP	-50.70%	65.30%	-21.20%
NP	-54.23%	54.57%	-38.60%

Other metrics	2022-23	2023-24	2024-2025
ROA	5.15%	6.85%	7.85%
ROE	7.79%	11.21%	6.3%
Debt-to-Equity	46.7%	51.6%	54%

Shareholding Pattern

	Sponsor	Institution	Foreign	Public
Dec 31, 2024	51.29%	20.90%	21.18%	6.63%
June 30, 2025	51.29%	21.86%	19.94%	6.91%
Dec 31, 2025	51.29%	22.04%	18.72%	7.95%

Purpose of the Research:

The purpose of this study is to understand whether investors (local or foreign) should invest in this stock or not. I have discussed in detail and given justification for my decision. Investors can use this report to assess the health and future of the industry and of this company.

1.1 Company Profile

Renata PLC is one of the largest and fastest growing pharmaceutical company in Bangladesh, manufacturing both human and animal products. The company has positioned itself as a pioneer in the animal pharmaceutical segment and has performed together with the industry giants. They have established their presence in more than 50 countries and exports to key markets like EU, UK, US and Australia. Their continuous dedication towards R&D has grabbed noticeable attention to foreign players in recent years. According to the IMS Report of 2024, they have been ranked the 5th biggest pharmaceutical company in Bangladesh with a market share of 5.75%. Also, the company has received international accreditations from leading regulatory authorities and provides manufacturing on a contractual basis.

They have two subsidiary companies, the first is Renata (UK) Limited and the second, Renata Pharmaceuticals (Ireland) limited. Renata holds 100% ownership in both the companies.

1.2 Product Portfolio

Renata's portfolio covers both medicines that people consume for short-term illnesses and for long-term health conditions that people require continuous consumption. This strategy has helped them as short-term products drive quick sales and market presence, while long-term therapies generate predictable recurring revenue for the company.

They are widely known for their gastric tablet (MAX PRO) which contributes 42.25% of their total revenue. The table below provides their top 15 medicines and their contribution to the total revenue.

Ranking	PRODUCT	REVENUE (BDT mn)	%of Revenue
1)	MAX PRO	4402	42.25%
2)	ALGIN	744	7.14%
3)	FENADIN	678	6.51%

4)	ROLAC	627	6.02%
5)	FUROCLAV	625	6.00%
6)	ORCEF	479	4.60%
7)	THYROX	373	3.58%
8)	FUROCEF	372	3.57%
9)	MICROGEST	362	3.47%
10)	NORMENS	350	3.36%
11)	ALPHAPRESS	317	3.04%
12)	ZITHRIN	313	3.00%
13)	NEUROBEST	270	2.59%
14)	ROLIP	254	2.44%
15)	GABA-P	252	2.42%

Source: IMS Report MAT2Q-2025

1.1.1 Products, Uses, and Growth drivers.

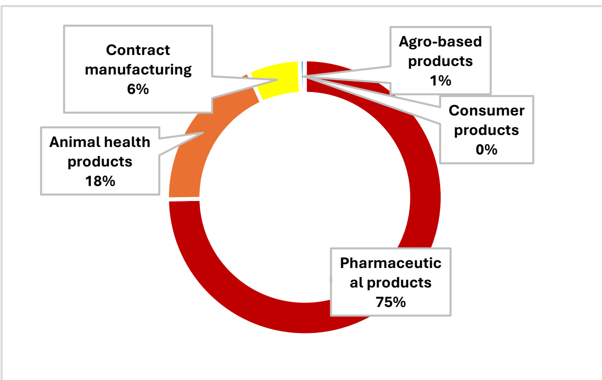
PRODUCT	Main Use	Growth drivers
MAX PRO	Gastric, Ulcer, GERD.	Rising GERD prevalence, lifestyle changes
ALGIN	Relieves acid reflux, Heartburn.	Increasing heartburn and acid reflux due to lifestyle changes.
FENADIN	Allergy. Seasonal allergies (sneezing, runny nose, itchy eyes)	Pollution, seasonal pollen, urban allergies.
ROLAC	Short-term moderate to severe pain (Works as a painkiller).	Surgeries, injuries, increasing trauma cases
FUROCLAV	Respiratory, urinary, skin bacterial infections.	Drug-resistant bacteria, infection exposure increase.
ORCEF	Respiratory, urinary, ear infections	Air pollution, poor hygiene, infections.
THYROX	Hypothyroidism, goiter, thyroid disorders.	Iodine deficiency, autoimmune thyroid rise.
FUROCEF	Respiratory, urinary, skin infections.	Growing bacterial resistance, lifestyle infections.
MICROGEST	Infertility, luteal support, menstrual regulation.	Hormonal imbalance, delayed pregnancies, stress.
ALPHAPRESS	Hypertension, heart failure, prostate symptoms.	Aging population, sedentary lifestyle, stress.
NORMENS	Menstrual regulation, endometriosis management.	Lifestyle stress, hormonal imbalance, irregular cycles.
ZITHRIN	Respiratory, skin, sexually transmitted infections.	Pollution, poor hygiene, infection spread.
ROLIP	High cholesterol, cardiovascular risk reduction	Unhealthy diet, obesity, sedentary habits.
NEUROBEST	Neuropathy, nerve weakness, vitamin deficiency.	Diabetes rise, aging nerves, vitamin deficiency.

MAX PRO has been their flagship product; it has contributed to 42.25% of their total revenue and is also the second most sold medicine in Bangladesh just after SECLO of Healthcare Pharmaceuticals which also serves the same purpose. Proton Pump Inhibitor is mainly used to cure patients with acid reflux issues; they reduce stomach acid production which helps lower acidity and bloating.

1.2 Revenue Breakdown

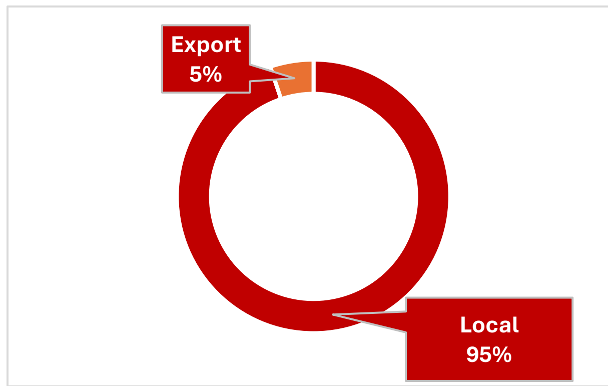
To understand the business mix, it is important to know the sources of revenue of the company. The revenue breakdown can be viewed from different angles starting with the revenue breakdown segment-wise. The diagram below depicts the revenue breakdown for the latest year.

Product-wise revenue breakdown



Source: Annual Report 2025

Revenue breakdown Local vs Export

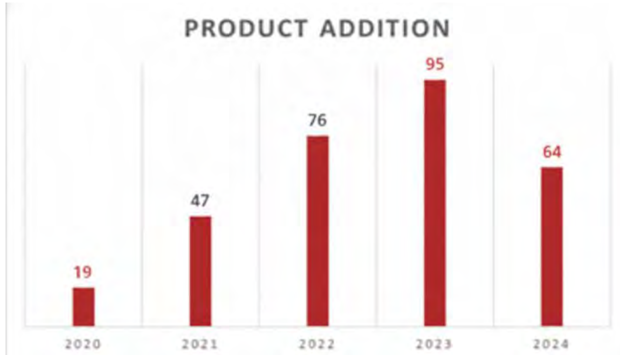


Source: Annual Report 2025

From the diagram above, Renata earns most of its revenue from pharmaceutical products, with the animal health products in second place and contract manufacturing at third. Contract Manufacturing varies every year as it depends on the government contract to supply the essential medicines. On the other hand, we can see that they earn 95% of their revenue through domestic sales while the rest 5% from export.

1.3 Product Additions

They have added 64 new products to their portfolio to reach 602 products across 262 brands covering 103 therapeutic areas with the top 24 brands contributing 72% of the pharmaceutical sales. The chart below shows the product addictions every year.



Source: Annual Report 2025

Besides, they had to discontinue many products during the last three years as the cost of production had exceeded the pricing set by DGDA.

1.4 Recent developments

The company received approval from BSEC to issue Non-Cumulative, Non-Participative, and fully Convertible preference shares worth Tk 325 crore with a fixed dividend rate of 15%. The proceeds will be used to refinance debt incurred during the company's major capacity expansion projects in Rajendrapur and Bhaluka and pay off high cost short-term loans. The shares will be converted at a strike price of BDT 475. The shares will then gradually get converted from the end of the third year through the sixth year, with 25% converted each year.

Positive side:

a) If the market price remains above the strike price of BDT 475 during conversion, there will be opportunity for capital gain.
b) They plan to lower their Debt-to-Equity ratio to 30.8% from 51.6% by paying off big chunk of its debt. Their goal is to further bring it down to 13.8% within six years. Additionally, the interest coverage ratio will increase from 7.58 times to 11.56 times.

Negative sides:

a) Lower profits may increase dividend pressure on preference shareholders, while ordinary shareholders could receive reduced or no dividends in some years.

b) Due to gradual conversion of a total of 6.8 million preference share to ordinary share over the six-year period, the free float will increase, and the market may experience higher selling pressure as investors may sell their shares at the market rate.

c) Since the preference shares will be listed on the Alternative Trading Board which is an illiquid platform, shareholders may face difficulty getting a fair price after their conversion while exiting their positions.

1.5 Shareholding & Corporate Governance

The shareholding structure is what separates them from pharmaceutical companies and makes their corporate governance outlook strong. Majority of the shares (51%) is owned by Sajida Foundation which is their parent company and is also a renowned NGO in Bangladesh and 19.19% shares are held by Business Research International Corp. Inc. (Annual Report, 2025). which is an associated company and the rest are held by the board of directors and management and public.

2.0 Industry Overview

The pharmaceutical industry of Bangladesh currently has a size of $3bn with 150+ export destinations. According to BIDA, It meets 98% of the domestic demand and our exports has also rose by 3.46% in FY2024-25 YoY, reaching $177.42mn.

According to BIDA, Bangladesh imports over 85% of its API needs at an annual cost of USD $1.3bn. Now that the TRIPS waver is extended till 2033, the industry has enough time to build a self-reliant API ecosystem. The API market is expected to grow until 2027 at 9% CAGR, we are positioned well to take advantage of the growing demand and be self-reliant by 2033.

2.1 Market Structure

It is important that we understand the market structure, how the market is dominated by a few handpicked players while the other companies are struggling to stay competitive due to the size indifference between them. The table below shows the market share of the top 12 companies according to the report of IQVIA MAT 2Q, 2025. The market grew by 12.43% in the last 12 months ending in 2Q of 2025.

Rank MAT	Companies	Size (Cr.)	Market Share (%)	Market growth (%)
	Total Market Size	**36963**	**100**	**12.43**
1	SQUARE	6434	17.41	12.99

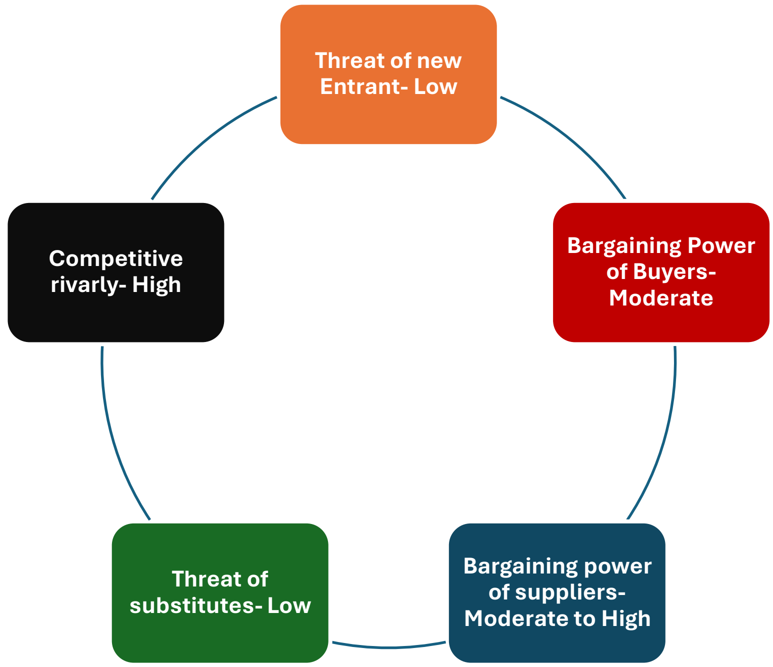
2	INCEPTA PHARMA	4720	12.77	20.88
3	BEXIMCO	3537	9.57	12.37
4	HEALTHCARE PHARMA	2859	7.73	18.6
5	**RENATA**	**2126**	**5.75**	**26.25**
6	ESKAYEF	1829	4.95	19.14
7	OPSONIN PHARMA	1735	4.69	14.75
8	ARISTOPHARMA	1613	4.36	16.6
9	POPULAR PHARMA	1525	4.12	30.91
10	ACME	1425	3.86	16.49
11	A.C.I	1396	3.78	17.62
12	RADIANT PHARMA	1360	3.68	17.06
13	DRUG INTERNATIONAL	1028	2.78	1.2
14	UNIMED &UNIHEALTH	863	2.34	-1.2
15	BEACON PHARMA	468	1.27	-1.66

Source: IMS, MAT 2Q-2025 Report

From the chart above, we can see that the top 5 players control about 53% of the market, while the next 10 players control 35% of the market and the remaining is fragmented among the smaller companies. There is intense competition between the small players and most of them are struggling to remain competitive due to high inflation and currency instability as most of our raw ingredients are imported from India or China. The large companies are only managing to stay profitable solely due to their size and leverage to manage cash flow cycle better.

2.2 Porter’s Five Force Model

To understand the competitive position of the top players in this industry, let’s go through a detailed model which explains the business condition of this industry.



a) Threat of New Entrants: Entry in this industry is very difficult as it is a capital-intensive industry, only a few conglomerates have the ability to enter here. While some may have the capital, but it requires decades of experience to build a stable supply chain and operational company. Hence, the threat is **LOW.**

b) Bargaining Power of Buyers: The bargaining power of individuals is **LOW** as prices of medicine are fixed and have inelastic demand. However, large buyers like the government or UNICEF/WHO can negotiate due to purchase in large volumes.

c) Bargaining Power of Suppliers: Since we import around 85% of raw materials needed for production, this gives foreign suppliers excess leverage in terms of pricing. They may hold on to materials during times of crisis which may cause the prices to go up, which they did during pandemic. Hence, it is considered that they have **HIGH** power.

d) Threat of Substitutes: The threat of Substitutes is **LOW** as there is no alternative to some of the medicines. Hence, medicines are non-negotiable at majority of cases.

e) Competitive Rivalry: The rivalry is intense between the top 15 players who hold approximately around 75% of the market share. They often have intense price wars in the generic drug section. Therefore, it is considered the rivalry is **HIGH.**

2.3 Key Demand Drivers

The primary drivers of growth of this sector come from a variety of components ranging from changing therapeutic classes, rising median age population, urbanization, lifestyle changes, rising export demands, and so forth.

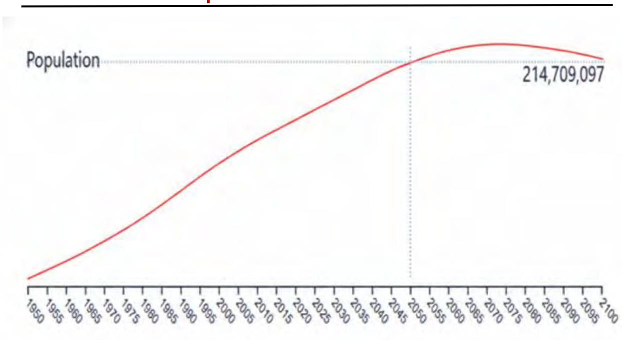
a) Therapeutic Class Growth Analysis

The growth of key therapeutic classes reflects the underlying lifestyle shifts in Bangladesh. In recent decades, urbanization has caused eating habits and the food we consume to change. According to IQVIA data of 2024, ESOMEPRAZOLE contributes to 7.23% of total medicine sales (GERD, Acidity), CALCIUM+COLECALCIFEROL contributes to 3.14% (Vitamin D deficiency/Bone Health), MONTELUKAST contributes to 2.55% (Asthma/Allergic, due to rising pollution), these are the top 3 sold medicines in Bangladesh. This data helps explain the current disease classes in Bangladesh and is expected to sustain in the medium to long-term given the demographic changes in Bangladesh. Their top-selling product Max pro has witnessed a CAGR of 12.3%.

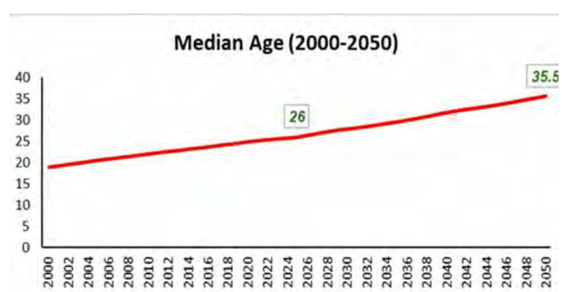
b) Rising population and median age

Pharmaceutical demand is directly proportional with both rising population and median age. Our population is expected to rise by a CAGR of 0.9% to reach 215,750,556 by 2050 according to *PopulationPyramid.* Moreover, the median age is expected to reach 35.5 by 2050 according to UN data. Rising median age indicates need for more pharmaceutical treatments.

Population Forecast



Median Age Forecast



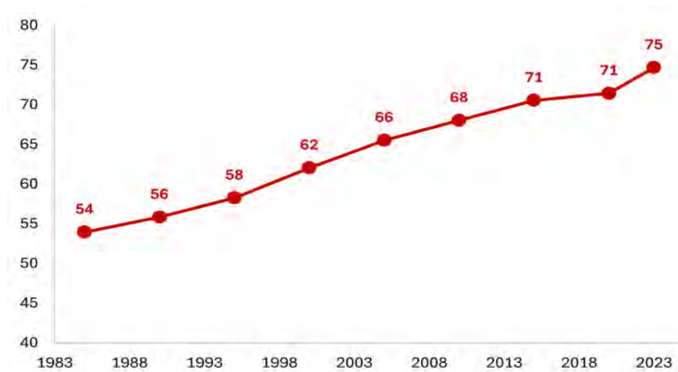
c) Urbanization

Rising urbanization is a key structural demand driver for pharmaceuticals, as it increases lifestyle-related diseases such as diabetes, hypertension, and gastrointestinal disorders. Additionally, improved healthcare access, higher disposable incomes, and greater health awareness in urban areas contribute to higher diagnosis and medicine consumption rates. The chart below depicts the urbanization trend till 2024. Currently, 42.6% of the population of Bangladesh is urban (74,837,709 people in 2025).

d) Life Expectancy

Average life expectancy has increased to 75 years in 2023 according to World Bank. Aligning with rising life expectancy, the number of senior citizens is also increasing. By 2032, approximately one quarter (50mn people) of the total population would be aged more than 50 and by 2050 the proportion would be 35.0% (71mn people).

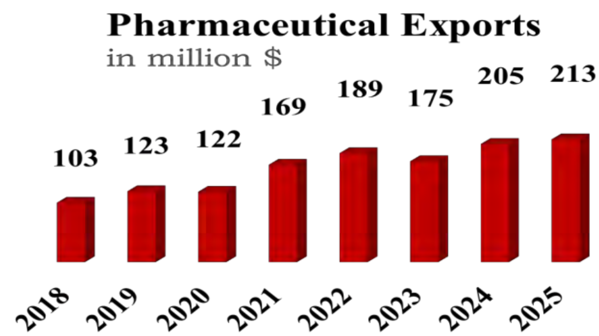
Life expectancy at birth - Bangladesh



e) Growing Exports

Pharmaceutical exports more than doubled in over the past seven years, primarily driven by supply of high-quality generic drugs through innovation, new molecules and skilled personnel.

Pharmaceutical Exports

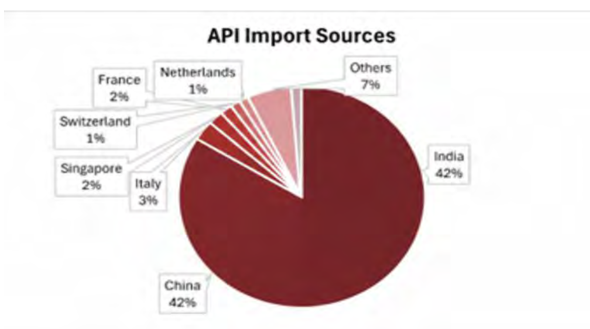


f) Surge in Non-Communicable Diseases (NCDs)

NCDs are now estimated to account for **67%** of all deaths in Bangladesh. It has risen dramatically from **59%** in 2016. Companies are emphasizing investment in this as it will give long-term yields.

2.4 Macroeconomic Landscape

To understand how the industry operates, we need to understand the macroeconomic variables that determine the health of this industry. Since we are an import dependent country, we import about 90% of the raw materials required for production. The most important material is Active Pharmaceutical Ingredient (API) which is the molecule that produces the intended therapeutic effect it is supposed to in every drug. In 2024, we imported around $1.3 billion worth of API which makes us vulnerable to changes in macroeconomic landscape. The diagram below shows the countries from whom we import APIs.



The exchange rate has recently stabilized in the USD/BDT 121-123 range, pharmaceutical companies took a hit during the 2021-2024 phase due to continuous currency devaluation and heightened inflation rates. Since the prices are set by the government, the companies could not pass the increased cost on to the consumers resulting in declined profitability. Besides, due to high inflation, cost of operations has also increased, mainly due to high wage growth, increased electricity costs and other overheads. On top of that, high interest rates have caused financing costs to increase for companies with high leverage.

2.5 Regulatory Environment

The pharmaceutical industry is overseen by the Directorate General of Drug Administration (DGDA). They are mainly responsible for setting drug prices, giving price approvals to companies, new drug approvals, quality compliance and the manufacturing standards. Due to these strict regulations, companies have very little say on pricing of their products, even if costs rise, they must take the hit as they cannot pass it on to the consumers. Moreover, over 200 drugs are subject to government mandated prices to keep it affordable for the lower economic community.

2.6 Competitive Positioning

Our pharmaceutical industry is mainly dominated by a few giant player, the top 12 players hold approximately 80%. According to the latest IQVIA MAT 2Q, 2025 report, Renata holds 5.75% of the market share ranking among the top 5 companies in Bangladesh. Renata has outperformed the market, and the top 5 players have witnessed a staggering growth of 26.25% compared to that of markets 12.43%.

The table below further shows the financial ratios of the top publicly listed pharmaceutical companies.

Ratios	**Renata**	AcmeLab	BeaconPharma	BXPH	SQPH
Gross profit Margin (%)	**41.0%**	41.5%	51.7%	44.2%	47.2%
EBITDA Margin (%)	**14.1%**	11.1%	17.4%	19.5%	27.8%
Net Profit Margin (%)	**9.6%**	7.7%	4.9%	13.2%	26.2%
Return on Equity (%)	**10.7%**	9.8%	8.6%	11.3%	14.6%
Return on Asset (%)	**6.4%**	4.4%	2.8%	8.5%	13.8%
Debt-to-Equity	**55%**	96%	154.4%	12.5%	0.74%
Total Asset Turnover (%)	**66.5%**	57.4%	56.5%	64.0%	52.9%

Dividend yield (%)	**1.8%**	4.3%	1.5%	3.1%	5.05%
P/E Audited	**15.9**	7.1	57.6	9.9	9.4

Source: Annual Report, 2025.

These ratios are taken from the latest audited reports. In terms of Gross Profit Margin, Renata has performed worst among its competitors mainly due to sharp rise in price of raw materials. Renata's net profit margin has also declined compared to its competitors mainly primarily due to higher financing costs which are reflected by its debt-to-equity ratio. Lastly, the market has priced them comparatively higher than other similar size companies due to higher expectations of 15.9x of their earnings.

3.0 Investment Thesis

Our investment thesis contains points that are related to Renata's increasing market share, expanding international markets, improved liquidity management through securing lucrative deals, capacity expansion, and recent financial performance analysis that indicates that the company has high chances of higher profits in the future.

a) Improved Market Share: Renata demonstrated the strongest performance among the top players delivering 26.25% year-over-year growth according to MAT Q2-2025, significantly outperforming the overall industry growth of 12.43%. This performance has increased their market share to 5.75% from 5.48% in the previous year and pushed them to third position in prescription share. Moreover, they have continued their position as market leader in the animal health drug segment, registering 20.4% year-on-year growth.

b) International expansion and launch of new products**:** Renata has made remarkable efforts to expand its presence in new markets. Throughout 2025 till the first two weeks of 2026, they have expanded into numerous markets. Recently, they have received regulatory approval from the Turkish Medicines and Medical Devices Agency which will now allow them to supply oral solid dosage. Furthermore, they have also received approval from EU GMP for potent product facility.

   Besides they have achieved important milestones by launching their innovative medicines in markets like USA, EU and Canadian markets. They have launched Fludrocortisone 0.1mg and Hydrocortisone 5mg tablets in the UK, strengthening its international footprint in a regulated market, enhancing export revenues and signaling its capability to compete in niche therapies. Besides, they have launched Amantadine Capsules in Finland for the first time and other Nordic regions marking a significant milestone.

They also have strengthened them in the bioequivalent products with a total of 83 products in their portfolio making it easier to access the strictly regulated markets like US and UK, giving them a competitive advantage.

c) Local capacity expansion: Renata has continued to invest in the domestic market to reap benefits from the expansion of markets. They have invested BDT 90 million during the year on new projects focusing mainly on sustainability and cost optimization processes. These projects include Hobirbari ETP, Power Generation at Rajendrapur, Hobirbari solar projects, new depots, and so forth. They have also increased their distribution capacity by 9% to approximately 435000 sq ft. These investments signal higher potential revenue soon.

Furthermore, Renata has a massive BDT 13.67 billion Capital Work-in Progress (CWIP) in major projects which are expected to reap tremendous benefits in the future once they are completed. They have strategically invested into backward linkages as well at Rajendrapur. Two of the significant investments which are expected to provide competitive advantage are Hobirbari PPF3 & Oncology Solid Extension. This creates a supply-side barrier and creates bargaining power since there is very little competition in this segment. These facilities are being built to meet the UK MHRA and US FDA standards, this exposes them to high quality earnings in the future. They have further ensured their export strategy by investing in track & trace facilities for proper serialization, which is mandatory in foreign markets. As soon as these CWIP starts converting into non currents assets ready for use, their revenue is expected to rise substantially. These investments are expected to be ready to generate revenue within 2027.

d) Improved liquidity through lower financing rate: They have acquired fresh loans to repay the short-term high-cost loans reducing the financing cost in the upcoming years. They have taken the initiative to bring down the debt-to-equity level to 30% from the current 55% rate, this will help improve the bottom line in the coming years. Their free cash flow has turned positive at BDT 36.4 crore in 2025 compared to negative levels in the prior period. They have issued debt and equity-based preference shares worth BDT 3500 million and BDT 3250 million respectively. Moreover, they have made an agreement for USD 58 million loan with Standard Chartered Bank to mitigate interest rate volatility and finance working capital to strengthen liquidity.

4.0 Investment Risks

a) Trajectory of global API Pricing: The global market for Active Pharmaceutical Ingredients (APIs) was valued at approximately USD 248 billion in 2023 and is expected to reach USD 348 billion by 2029. The API is the main therapeutic component in drugs which makes the drugs work like they are intended. The API market is primarily controlled by China and India. However, China is considered the main player in this game as they produce approximately 80% of the Key Starting Materials (KSMs) required for API production. While India is considered one of the biggest exporters of API, they still rely on Chinese imports of nearly 70% of the intermediaries required for production.

   In the recent geopolitical stance, China is leveraging their cheap cost of production and government backed support to slash API and KSM prices by up to 40% to 50% to wage a price war with the Indian Manufacturers. The intent is to discount heavily the APIs so that prices drive below the cost of production, forcing them to go bankrupt and disclosure of the businesses. This price dumping war would have been beneficial to everyone; however, China's Ministry of Finance has eliminated the export tax rebate policy which has effectively increased the prices.

   Given the recent changes in geopolitical stance, tensions in the Middle East can raise the price of global crude oil which in turn will increase the price of petrochemical-derived solvents and intermediaries which are some of the key materials for API production. This may drive prices of API higher globally.

b) Supply Chain Vulnerabilities: Bangladesh imports a combine of 84% from India and China, given the changes in geopolitical relationship between India and Bangladesh, it imposes a threat of API pricing and supply in the future. Additionally, the depreciation of Taka also continues to impose threats on imports and this directly impacts the COGS. It impacts margins because drug manufacturers cannot raise prices voluntarily due to the political pressure to keep prices affordable by both Directorate General of Drug Administration (DGDA) and WHO. A pricing lag gets created due to these slow bureaucratic processes.

c) Failure of the API Industrial Park: The API Park in Munshiganj was built to ensure that companies have adequate facilities and space to become an independent API manufacturer. However, the project is still at halt due to bureaucratic red tape. Previously, companies only required permission from DGDA but now they require extra permission from Narcotics, Explosives, and other Departments (*Chakma,* *2023*). On top of that, things have further slowed down in the Interim government phase. The park remains more symbolic than transformative.

d) Challenges post LDC graduation: In the API market Bangladesh only produces 41 out of 400 needed APIs, they rely the rest on imports. Since, Bangladesh is expected to graduate from LDC in 2026, it is expected that costs of new drugs will rise since firms have to pay licensing fees or wait for the patent of newer drugs to expire (*Begum, 2024*). Talks are going on for a smoother transition from LDC graduation and if a deal can be cracked with the WTO to extend Trade-Related Aspects of Intellectual Property Rights (TRIPS) by three more years (*The Business Standard, 2024*).

However, it is important to note that prices of patented medicines that we already import will remain unchanged. Only after November 2029, mandatory royalty payments for patented medicines will have to be made during local production which will increase the prices slightly. Following LDC graduation, it is expected that we may lose tariff-free access in developed markets after the transition period ends. If Bangladesh can get access to GSP+ status, then the risks of tariffs will decline.

e) Energy Insecurity and Human Resource crisis: API manufacturing is an energy intensive operation, this is one of the main challenges holding back the API Park from full operation. Bangladesh has been going through a severe gas shortage, alternative energy sources also costs more which ultimately increases the COGS. Moreover, rumors have been spreading around gas price hikes which may exacerbate the existing pressure. Besides API manufacturing requires abiding strict regulations and talented individuals which Bangladesh lack in a large scale.

f) Withdrawal of Export Subsidies: The government has continued to provide cash subsidies to incentivize pharmaceutical exports till now. However, under WTO rules, upon graduation from LDC, these subsidies will have to be eliminated to make trade fair in the global market. The export revenue will take a hit directly due as raising prices is also difficult amidst this fierce competition and the export earnings may drop by 6.9% (*The Business Standard, 2024*).

g) Increased Selling and Distribution expenses: They have incurred higher sales and distribution expenses compared to their competitors like Square Pharma and Beximco Pharma. Over the last five years, it has averaged around 23.6% of their revenue while for Square Pharma it was 17% and BXPharma 21% during the same period (*EBLSL, 2025*).

h) Increased competition from more established players: Even though Renata is getting exposure in new markets, there still lies risk. Indian competitors like Sun Pharma and other companies have been in that market for now 10-15 years and understands the game better. They may undercut Renata in terms of cost due to their larger size. Moreover, since Bangladesh is expected to graduate from LDC at the end of 2026, we will lose access to duty free markets and will get tariffs levied upon if we don't manage the GSP+ contracts in the EU market and negotiate with the U.S.A properly and other developed markets.

4.1 Therapeutic Class Deep Dive: Proton Pump Inhibitors (MAXPRO)

It is important to analyze the primary revenue stream of Renata which is through sell of MAXPRO, in 2024, it contributed 42.25% to the overall revenue. Hence, it is important to analyze the API behind it and the chances of its price hike which may squeeze the products margin.

The ESOMEPRAZOLE market is forecasted to grow from USD 2.01 billion in 2025 to USD 2.71 billion by 20230 at a CAGR of 6.16%. This growth is mainly driven by increasing Gastroesophageal Reflux Disease (GERD).

The chemistry of cost

ESOMEPRAZOLE is a refined version of OMEPRAZOLE, to produce ESOMEPRAZOLE, companies have to use more complex capital-intensive processes compared to OMEPRAZOLE. It also requires exceptional technical capabilities and stricter quality control requirements, which places it in the premium segment. Two main inputs in the process can increase the overall cost, firstly the chemical solvents required which tracks the price of global crude oil. Secondly, it also depends on price of Magnesium, which has seen volatility due to high energy costs and tighter mining regulations in China under the "Blue Sky" policy (Discovery alert, 2025)

India is Renata biggest importing partner, it is possible that they import the required API from India. Given the recent changes in geopolitical landscape of India with China and Bangladesh. There are chances that China may halt Key Starting Material (KSM) supply to India which may affect us ultimately or if our relationship with India deteriorates (Arafat, 2016. It may force us to import it directly from China which may increase the freight costs and ultimately squeeze the margin.

Renata competes in a highly competitive market where even a slight change in price leads to consumers changing brands. Especially, with other competitors like SECLO (Square

Pharmaceuticals), SERGEL (Healthcare Pharmaceuticals) and PANTONIX (Incepta) even a smaller price deviation will lead to drastic changes in their top line (The Financial Express, 2021). Hence, there lies a risk of over-reliance on a single product, a price war if initiated by any one of them may lead to disaster in their top line.

5.0 Financial Analysis

In this section, we will deep dive into the historical performance of Renata. We will understand the revenue composition throughout the last few years, analyze the cost of sales, overheads and other factors. Besides, we will also analyze the stock performance of the past 5 years.

5.1 Revenue Analysis

Contribution	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Pharmaceutical products	67.5%	69.2%	69.7%	68.5%	65.2%	80.0%	76.3%	74.76%	74.76%
Animal health products	19.0%	18.0%	16.6%	18.8%	16.9%	17.3%	18.2%	17.38%	18.47%
Contract manufacturing	9.5%	9.6%	10.4%	9.9%	14.8%	0.0%	3.9%	7.10%	6.16%
Agro-based products	3.1%	1.8%	1.7%	0.9%	1%	0.8%	0.8%	0.74%	0.59%
Consumer products	0.7%	1%	1.3%	1.5%	2.1%	2%	0.9%	0.02%	0.01%

Source: Annual Reports of Renata

The growth in pharmaceutical product segment mainly comes from their transition from low-margin volume products to high-margin value products. Previously, they used to focus on products with lower selling prices and in contracts, but in the past 5 years, they have changed their strategy to manufacture their own branded generics like MAX PRO, ROLAC and so forth which provide higher margins. The growth comes from the expensive pills, especially due to their aggressive expansion in chronic disease care. The revenue source from this segment is considered sticky as patients must daily consume due to health issues, making it a better strategy. Moreover, this segment is also connected to their export revenue, since they specialize in high value products, the revenue generated is much higher than the locally sold medicines making the revenue contribution of this segment higher than the others.

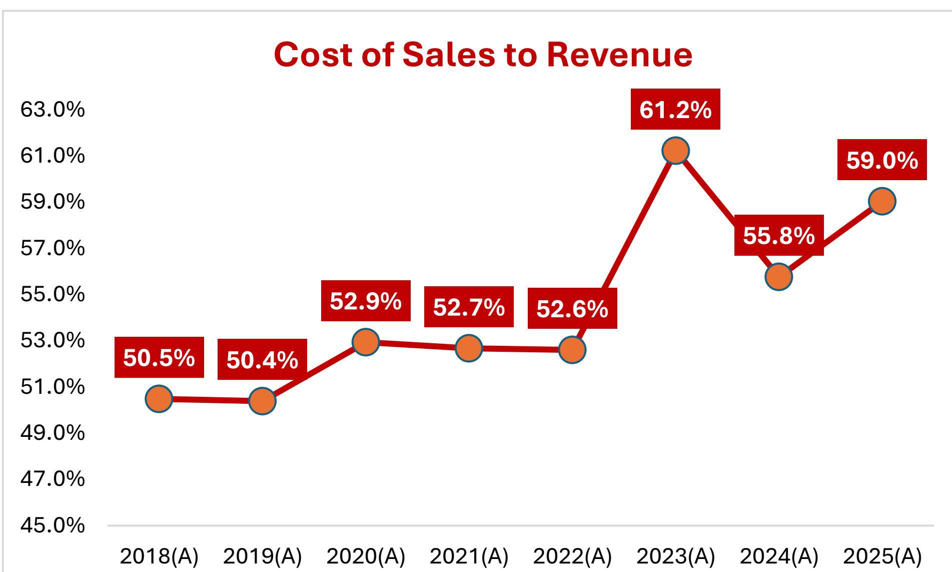
The Animal Health segment has remained relatively stable throughout the past decade, Renata serves as the market leader in this segment. This segment is expected to serve the company as their Cash Cow due to a stable demand in livestock in Bangladesh which is completely independent of the economic volatility.

The Contract Manufacturing segment keeps on fluctuating as the demand is directly linked to institutional tenders, mainly contracts from the government and SMC/UNICEF. It peaked at FY2021 as there were fear among everyone that the supply chain may get disrupted due to both Russia-Ukraine war and due to lockdowns. Hence, contractors awarded them with massive contracts to front-load necessity birth control pills and nutritional supplements as a safety measure. Moreover, activities in Rohingya refugee camps also spiked significantly during that period, to support them in the malnutrition challenges UNICEF handed over massive contract to Renata. Due to the front-loading and budget reallocation to support the pandemic, contract manufacturing revenue dropped to 0%. However, starting from FY23, the demand rebounded due to the reinstatement of the fourth generation Oral Contraceptives and TB drug manufacturing contracts.

The Agro-based and Consumer products segment contribution to the total revenue is insignificant and is considered more like an experiment in a new segment. Some of the products have been discontinued due to strict price controls and lower demand, hence revenue contribution has declined.

5.2 Cost of Sales Analysis

The chart below shows the percentage of cost of sales to revenue, an in-depth analysis has been provided below to explain the surge in cost of production during recent times.

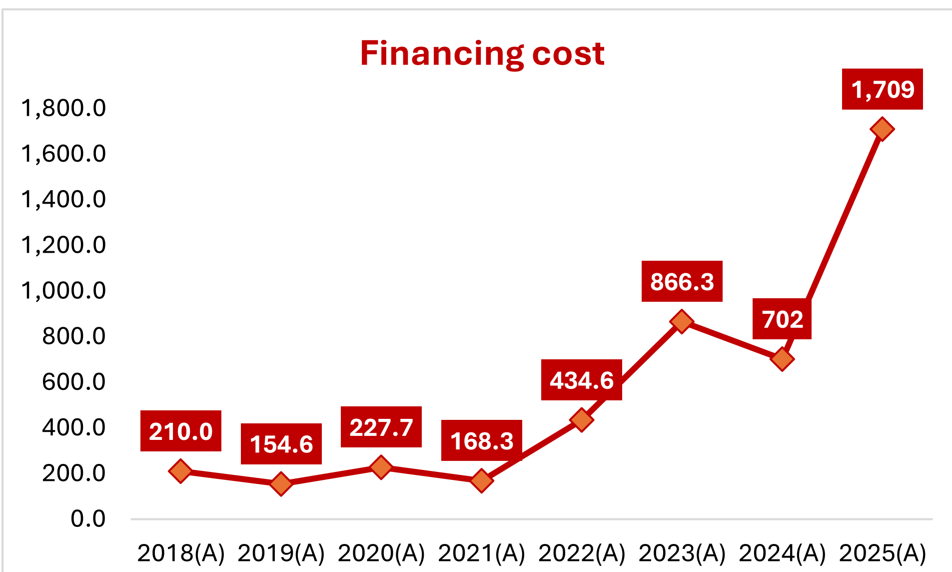


Source: Annual Report, Renata

Cost of goods sold remained somewhat stable till 2021 due to stable exchange rate and affordable energy prices before making a reset to peak at FY23 at 61.2%. This specific year is when every business in Bangladesh took a hit due to all types of crisis from every end marking a difficult period. Our exchange rate depreciated sharply by more than 30%, since we import 90% of the APIs and other materials, Renata had to take the hit. The management decided in FY2023 to stockpile key inventories before another round of currency depreciation which indeed happened. It is also visible in their inventory holdings as inventory surged by more than 25% than the usual rate. Since they were consuming the expensive inventory, it inflated their COGS. To make things even worse, energy costs also increased that year by 72%, and salaries also had to get revised sharply to match the purchasing power which had declined due to sudden high inflation. COGS has remained high due to the currency depreciation, however, it is expected to decline once the global and local macroeconomic scenario improves.

5.3 Financing Cost

Renata was a low debt company before the pandemic, however, they had to take a sharp turn to ensure liquidity management by taking debt to ensure proper stockpiling during the 2023 FX crisis and currency depreciation. Financing costs increased by nine times between 2021 and 2025.



Source: Annual Report, Renata

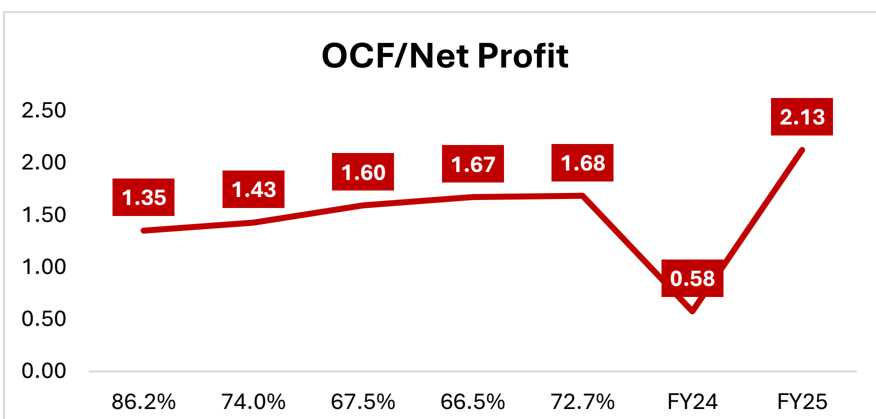
This primarily happened due to asset-liability mismatch, they funded long-term projects with short-term rate back then which were cap at 9% due to the flawed interest rate rule of 6-9%. However, when this rule was changed and interest rates jumped, their financing costs jumped suddenly, and it never looked back. To fix this capital structure, they took further loans and issued preference shares, zero-coupon bond, and also made an agreement with IFC to withdraw up to $58 million dollars to pay down their expensive short-term loans with the long-term instruments and bring down their financing cost. Due to proceeds of massive loans, the financing cost jumped by 143% to BDT 1709 million, reducing their profitability significantly.

5.4 Liquidity crunch

The drag on their liquidity rose not because of slowdown in sales but due to hoarding of inventory and an increased Cash Conversion Cycle (CCC). Their CCC jumped to 230 days in FY24 due to hoarding of their inventories as a part of their strategy to hoard against any currency devaluation. This forced them to take on working capital loans and to fund their strategic investments.

5.5 Quality of Earnings

When net profit fails to depict the actual health of the company, we test the quality of earnings using OCF/Net Income which helps us determine any red flags. It is important as it mainly looks at how much cash the company is being able to generate from what they have shown as profits. The chart below shows the company's ability to generate cash.



Quality of earnings begin to decline from 2022 due to macroeconomic collapse in domestic markets causing late payments by everyone. The ratio bottomed at FY24 at 0.58, which simply means for every 1-taka profit, they are being able to collect only 58 paisa, while the rest remains delayed. The situation further collapsed due to hoarding of inventories, this explains clearly why they had to borrow extensively. However, the ratio increased four times in FY2025 as the companies purchased lower inventories and used what they have hoarded in the past few years.

5.6 DuPont Analysis

Dupont Analysis	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**
Net Profit Margin	16.9%	16.4%	7.1%	9.6%	5.2%
Asset Turnover	86.2%	74.0%	67.5%	66.5%	72.7%
Financial Leverage	1.35	1.43	1.60	1.67	1.68
ROE	19.7%	17.4%	7.6%	10.7%	6.3%

This duPont analysis breaks down the collapse of their ROE, how it went from 19.7% to as low as 6.38% in FY25. Let's dive into the breakdown using these three components and fully understand which component is responsible for the collapse.

a) Net Profit Margin: This is the main driver responsible for pulling ROE down, it collapsed from 16.9% in FY21 to 5.2% in FY25. The sharp drop of FY23 can be explained by the rising COGS during that period due to FX crisis and high inflation which lowered the net profit margin significantly. Moreover, it further decreased due to the net profit declining of the bottom line yet again, and this time due to high financing cost.

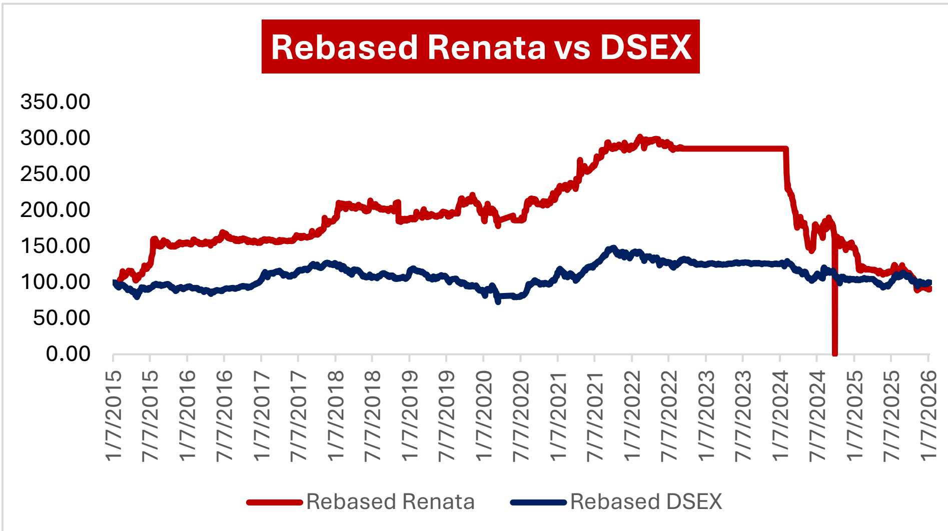
b) Asset Turnover: The Asset turnover has declined significantly from 86.2% in FY21 to 72.7% in FY25, which shows they have become less efficient in generating sales from their assets. However, as concerning as it may sound, it does not explain the full picture. The drop in asset turnover is mainly due to their heavy investments in new facilities like RPPF and Oncology, assets which are still in the work-in-progress state. Since they have not start generating revenues yet, the number shows that efficiency has declined. When the assets get operational, the asset turnover ratio is expected to increase back to 85% region.

c) Financial Leverage: The Equity multiplier increased from 1.35x to 1.68x, yet the ROE failed to increase and it is mainly due to the higher cost of financing. Renata has made significant investments using debt, since those assets are not ready for generating revenue, their Net profit margin has declined. Since, they have taken high leverage, their financing cost has also played a role in dragging the net profit margin down leaving the company with a poor ROE compared to its competitors.

Therefore, the significant drop in ROE is mainly driven by the collapse in the Net Profit Margin. It dropped due to sticky pricing, high cost of ingredients, higher energy costs and most importantly high financing costs.

5.7 Stock Performance Analysis

The stock performance will be analyzed using the rebased version of Renata and DSEX index. I have collected data starting from first week of 2015 to second week of 2026. The chart and the price index interpretation are given below.



The prices are set at 100 and compared with each other how they have performed over the last decade. The stock price of Renata correlates with their financial performance during that period. They witnessed constant growth in both top and bottom line till 2021, and this is clearly portrayed in the chart above. Their price had increased from a range of BDT 425 to BDT 1218 during 2015 and 2022, as they experienced a revenue CAGR of 12.7% and 13.7% in net profit which is clearly reflected in the stock price as it increased three times during the period due to investor positive sentiment and excitement about the company's performance before the floor price was imposed back in 2022. The stock price was overheated due to irrational investor behavior.

A sharp drop in price is visible in the stocks' return, as the price collapsed from the range from BDT 1200 to around BDT 600-700. Then it collapsed again due to continuous performance decline in the bottom line and is now back in the BDT 390-400 range as it was in 2014. However, decline in net profit margin is not only the main reason behind the significant drop, but they also diluted the shareholding, as the number of outstanding shares increased from 53 million in 2015 to 107 million in 2022 due to issuance of bonus shares. Since number of shares outstanding doubled, the price also adjusted accordingly.

6.0 Valuation

I have used Free Cash Flow to Firm Model (FCFF) to calculate the intrinsic value of Renata PLC. I could not use the P/E multiple method to value Renata because the market has not priced any securities rationally in the last few years. As a result, I skipped this method and relied solely on DCF. Based on calculations, the approximate value of Renata PLC. is BDT 457.30, which gives an upside to the upward potential of 11% of the current market price. I have assumed the terminal value as 3.50% and WACC 12.46% according to capital structure target. The forward dividend yield is assumed to be 2.15%, hence the total return is **18%.**

Other valuation methods like relative valuation could not be used since the comparable companies have very low P/E multiple due to market inefficiency and the disruption caused in the market in the last few years. As a result, the valuation according to P/E multiple shows a very overvalued stock. Besides, the time series relative valuation method is not applicable here since the fundamentals of the company has changed in the past few years, hence, it shows a very high valuation which is unrealistic.

Valuation Period	1	2	3	4	5	6
Discount factor	0.89	0.79	0.71	0.63	0.56	0.50
Period	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
EBIT	6,089.4	7,399.1	9,078.8	10,953.9	12,784.0	
EBIT(1-T)	5,306.9	6,357.1	7,696.2	9,173.6	10,628.0	
Less: Capex	-4,553.7	-4,499.7	-4,401.7	-4,181.3	-3,829.7	
Less: Change in Working Capital	-2,760.6	-1,548.1	-1,998.6	-2,137.2	-1,916.6	
Add: Depreciation	1,974.1	2,468.0	2,853.5	3,160.8	3,425.3	
Unlevered FCF	-33.2	2,777.3	4,149.5	6,015.8	8,307.0	
Discounted FCF	-29.6	2,205.8	2,937.1	3,794.8	4,669.9	
Terminal cash flow						98,722.0
NPV of terminal value					55,497.5	
Total Discounted FCF					69,075.5	
Net debt					16,627.3	
Minority interest						
Equity value					**52,448.1**	
Number of shares (mn)					114.7	
Value per share (BDT)					**457.3**	
Current price (BDT)					394.7	
Upside/ (downside)					**16%**	

Sensitivity Analysis

The sensitivity analysis is done to understand how the stock price may change during changing economic period. The top ten values are highlighted in green. Once the treasury rates fall, the price of Renata is expected to go towards the BDT 470-500 range making it a lucrative stock. The high WACC is currently suppressing the stock price at BDT 457.30. The expected market return is considered 15%, which is quite reasonable given the current treasury yields hover around the 10-11% range.

457.3	10%	11%	12%	13%	14%
2.50%	529.85	464.39	412.71	370.87	336.31
3%	572.51	497.62	439.38	392.78	354.66
3.50%	621.72	535.28	469.18	416.99	374.75
4%	679.14	578.32	502.71	443.90	396.85
4.50%	747.00	627.99	540.71	473.97	421.28

6.1 Revenue Assumption

Revenue assumption is the backbone of every valuation forecast, in this case we used the bottom-up approach to forecast the revenue of Renata for the next 5 years. The revenue was forecasted for every business segment they have, for instance, Human pharmaceuticals products, Animal segment, Contract Manufacturing, Agro-based, and Consumer products. The revenue growth and contribution were forecasted based on historical performance and outlook of these segments, according to their hints in the annual report and further analysis.

Renata Limited	FY24	FY25	FY26(E)	FY27(E)	FY28(E)	FY29(E)	FY30(E)
Pharmaceutical products	28,036	31,763	36,210	40,193	44212	48,633	53,497
Animal health products	6,519	7,849	9,027	10,200	11424	12,681	13,949
Contract manufacturing	2,662	2,618	3,272	3,763	3951	4,346	4,694
Agro-based products *(Proxy of Renata Agro)*	276	251	269	290	314	345	369
Consumer products *(Proxy of Purnava)*	7	6	6	7	7	7	8
Total	37,501	42,487	48,784	54,453	59908	66,013	72,516

According to my forecast, the human pharmaceutical product segment is forecasted to grow at a CAGR of 11% for the next 5 years. The growth is backed by huge investments made in specialized products as discussed before. Since they are tapping into new markets and high value items, it is expected that they will continue their growth in this segment. Oncology and RPPF have higher market prices than generics. Their export revenue grew by 14% in FY25 and is expected to increase dramatically in the next few years due to their ability to enter highly regulated markets.

It is expected that they will continue to dominate in the animal segment and continue to be the market leader as they are emphasizing on substituting the expensive imported vaccines with locally manufactured ones.

6.2 Other assumptions

The rest of the model was completed using mostly historical proportions, for instance, to complete the income statement and balance sheet, I converted all the components into as a percentage of sales for the items in Income Statement and for the Balance Sheet where appropriate. I assumed the gross profit to climb back to around 48.5% within 2030 given that our currency and global material prices remain relatively stable. Expenses would stay in the same proportion as sales like they have in the past, and the financing cost decline as the company expects to bring back the debt-to-equity ratio back to 30%, which will lower financing costs significantly. Net profit will remain in the range of 10-12% during 2030, which is achievable, given that their net profit margin used to hover around 15-18% during the stable macroeconomic phase.

The company is expected to slow down expansion during early 2030s and bring their CAPEX to Sales ratio to 5%. The expansion is expected to be made specifically in the API segment strengthening the backward linkage and reducing reliance on foreign countries. This also aligns with the broader goal of the pharmaceutical industry as we are graduating from the LDC status in late 2026 and other benefits like TRIPS will expire within 2033. The dividend payout ratio is expected to increase to 32% from the present 30% as the company gradually matures.

Property, Plant & Equipment in million	2025(A)	2026(E)	2027(E)	2028(E)	2029(E)	2030(E)
Opening	32,959	35,298	44,161	51,424	57,546	62,618
Additions	560	615	658	784	863	912
Others (Disposals/write off)	1,779					
Capitalized WIP		8,247	6,605	5,338	4,209	3,858
Closing	35,298	44,161	51,424	57,546	62,618	67,388

We expect them to increase their investment in the high value segment as they are tapping into new markets.

6.3 ‘BUY’ Recommendations

Renata can be recommended as one of the most lucrative stocks in the pharmaceutical sector besides Square Pharmaceuticals. I expect the price to increase to the range of BDT 500 as soon as the interest rates fall and they lower their leverage through the new funds they have specifically raised. Their competitive moats separate them from others.

7.0 ESG Analysis

Renata has worked extensively to prepare a positive ESG profile, they have taken considerate positions in all the three components. These are described below.

a) Environment: They have ensured the environment is clean through massive investments in power generation. They are working to rely on green energy which will also enhance cost efficiency in the long run. They have made significant investments in the solar infrastructure building solar projects at Rajendrapur and Kashor.

b) Social: Renata probably has the strongest social license among any company as 51% of their earning goes to the Sajida Foundation where these funds are used to benefit low-income people. This works as a competitive moat when securing loans from international corporations like IFC from whom they have recently secured a $60 million loan at very low interest rates.

c) Governance: The governance also speaks for itself because they are trusted by international corporations like IFC. It is because IFC has strong lending standards and they check rigorously before providing loans, hence, it can be said that their governance is well reputed.

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Appendix

Financials

Income Statement (BDT mn)

	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Turnover	42,892	49,233	55,543	61,145	67,425	74,103
Cost of sales	-25,320	-28,325	-31,122	-33,344	-35,757	-38,187
Gross profit	**17,572**	**20,908**	**24,421**	**27,801**	**31,668**	**35,916**
Administrative expenses	-2,211	-2,255	-2,758	-2,996	-3,247	-3,626
Selling, marketing and distribution expenses	-11,171	-12,563	-14,173	-15,598	-17,530	-19,267
Operating Profit	**4,189**	**6,090**	**7,489**	**9,206**	**10,890**	**13,022**
Other Income	111	126	142	157	173	190
Finance cost	-1,709	-1,753	-1,716	-1,647	-1,488	-1,383
Profit before WPPF and Tax	**2,591**	**4,463**	**5,915**	**7,717**	**9,575**	**11,830**
Workers' profit participation fund (WPPF)	-112	-550	-621	-683	-754	-828
Net profit before tax	**2,479**	**3,913**	**5,295**	**7,033**	**8,822**	**11,002**
Income tax expenses:	-258	-783	-1,059	-1,407	-1,764	-2,200
Current tax expense	-748					
Deferred tax expense	491					
Net profit after tax	**2,221**	**3,130**	**4,236**	**5,627**	**7,058**	**8,801**
EPS (BDT)	**19**	**27**	**37**	**48**	**60**	**73**

Balance Sheet (BDT mn)

Non-current assets	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Total non-current assets	39,696	41,315	44,717	47,054	48,196	49,600
Total current assets	19,325	22,121	23,558	25,305	27,844	31,614
Total assets	59,021	63,436	68,275	72,360	76,040	81,214
Equity and liabilities						
Total Equity	35,038	37,586	40,377	44,274	49,223	55,275
Total non-current liabilities	11,676	11,902	13,413	13,900	13,129	13,044
Total current liabilities	12,306	13,948	14,485	14,185	13,688	12,896
Total equity and liabilities	59,021	63,436	68,275	72,360	76,040	81,214

Cashflow Statement (BDT mn)

	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
A. Net Cash Flow from Operating Activities	4,506.5	2,303.9	4,914.6	6,416.6	8,010.3	10,464.9
B. Net cash used in investing activities	-4,485.9	-4,554.1	-4,554.6	-4,463.5	-4,247.8	-3,890.4
C. Net cash used in financing activities	546.5	2,002.1	-945.2	-2,446.1	-3,626.1	-4,766.8
D. Effect if exchange rate changes on cash and cash equivalents	69.4					
Net increase in cash and cash equivalents (A+B+C+D)	851.0	-248.0	-585.1	-493.1	136.5	1,807.7
Opening cash and cash equivalents	976.1	1,827.1	1,579.1	994.0	500.9	637.3
Closing cash and cash equivalents	1,827.1	1,579.1	994.0	500.9	637.3	2,445.0

Key Ratios

Growth YoY	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue growth (%)	14%	15%	13%	10%	10%	10%
Gross profit growth (%)	5%	19%	17%	14%	14%	13%
EBIT growth (%)	-21%	45%	23%	23%	18%	20%
PBT growth (%)	-45%	72%	33%	30%	24%	24%
Net profit growth (%)	-39%	41%	35%	33%	25%	25%
Margins	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
Gross profit margin (%)	41%	42%	44%	45%	47%	48%
EBIT margin (%)	10%	12%	13%	15%	16%	18%
PBT margin (%)	13%	6%	9%	11%	13%	14%
Net profit margin (%)	5%	6%	8%	9%	10%	12%
Per share data	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
Adjusted EPS (BDT)	19.4	27.3	36.9	48.3	59.8	73.4
Adjusted BVPS (BDT)	305.5	327.7	352.0	380.3	416.7	461.3
Adjusted OCF (BDT)	41.2	20.1	42.8	55.1	67.8	87.3
Adjusted FCF (BDT)	-12.9	-0.3	22.3	35.4	49.4	71.7
Return and valuation	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
P/E (x)	25.2	14.2	10.5	8.0	6.5	5.3
P/BV (x)	1.3	1.2	1.1	1.0	0.9	0.8
P/OCF (x)	9.4	19.3	9.0	7.0	5.7	4.4
Dividend yield (%)	1%	2%	3%	4%	5%	6%
Dividend payout (%)	28%	32%	32%	30%	30%	31%
ROE (%)	6%	8%	10%	13%	14%	16%
ROA (%)	8%	10%	12%	16%	19%	22%
Debt-to-equity (%)	54%	57%	54%	48%	40%	32%
Turnover ratios	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
Inventory turnover (x)	2.0	1.9	1.9	1.8	1.8	1.8
Receivable turnover (x)	11.9	11.0	11.5	11.7	11.9	12.2
Payable turnover (x)	19.7	22.1	22.1	22.1	22.1	22.1
Cash Conversion Analysis	**FY25**	**FY26E**	**FY27E**	**FY28E**	**FY29E**	**FY30E**
Days inventory outstanding	183	192	192	198	203	203
Days receivable outstanding	31	33	32	31	31	30
Days payables outstanding	19	17	17	17	17	17
Cash conversion cycle	195	208	207	212	217	216

WACC Assumptions

Cost of Equity

Risk-free rate (T-bond 10yr)	10%
Expected Market return	15%
Beta	0.73
Cost of Equity	**13.7%**

Cost of Debt

Interest Expense	1,752,232,977.00
2025 Interest-bearing liabilities	18897314221
2024 Interest bearing liabilites	17236297592
Effective Interest rate	**9.7%**
Cost of Debt	8.5%

WACC

Total debt	18,897,314,221.00
Total Equity	35,038,279,587
Total Capital	**53,935,593,808.00**
WACC	**12.46%**

Target Capital Structure

Debt	30%
Equity	70%