

# DIRECTORS' REPORT

to the Members for the year ended 30 June, 2021.



In terms of provisions of Section 184 of the Companies Act 1994, Rule 12 (and the schedule there under) of the Bangladesh Securities and Exchange Rules 1987, Corporate Governance Code 2018 of Bangladesh Securities and Exchange Commission and International Accounting Standards-1 codes as adopted by The Institute of Chartered Accountants of Bangladesh, it is the pleasure of the Board of Directors to submit its Report to the Shareholders for the year ended 30 June, 2021 in the following paragraphs:

## OPERATIONS AND STATE OF AFFAIRS OF SQUARE PHARMA

### STANDALONE

**REVENUE:** Square Pharma's standalone revenue from operations reached Tk. 58,346.26 million with a growth of 10.24% for the year ended June 30, 2021, as against Tk. 52,926.22 million of the previous year.

**NET PROFIT & EPS:** Net Profit after tax increased by 13.80% to Tk. 14,743.26 million for the year under review as compared to Tk. 12,955.97 million for the previous year. Earnings per share (EPS) stood at Tk. 16.63 for 2020-2021 as against Tk. 14.62 for the previous year.

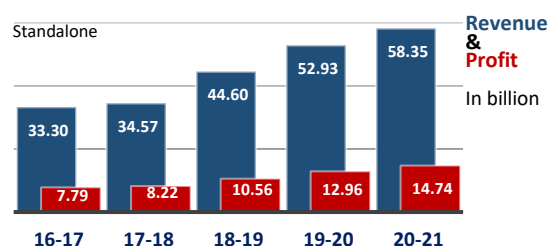
### CONSOLIDATED

**REVENUE:** Consolidated revenue of Square Pharma for the year under review amounted to Tk. 58,346.26 million, increased by 10.24% compared to the previous year's Tk. 52,926.22 million.

**NET PROFIT & EPS:** Net Profit after tax grew by 19.42% to Tk. 15,947.45 million for the year under review as compared to Tk. 13,353.64 million for the previous year. Earnings per share (EPS) stood at BDT 17.99 during 2020-2021 as against Tk. 15.06 during the previous year ending June 2020.

### TOP POSITION

Continuously growing performance in operational, financial and profitability has enabled Square Pharma to hold the TOP POSITION in the country's pharma sector for over several past decades.



### SECTORAL GROWTH

The pharmaceutical sector is growing rapidly, with local institutions meeting 98 percent of the country's overall need for pharmaceuticals. The companies, in addition to meeting domestic demand, also export pharmaceuticals to several countries across the world. Bangladesh ranks 71<sup>st</sup> out of 178 countries in the world in terms of global pharmaceutical exports. Bangladesh's pharmaceutical industry accounts for 1.83% of the country's GDP.

Local 257 companies hold 90% of the market shares, with only 10% supplied by multinationals (MNCs), in which Square Pharma is dominating the pharmaceutical market in Bangladesh by holding a market share of 17.21%.

According to IMS Plus (MAT) 2Q, 2021 (July 2020 to June 2021), the Domestic Market Size of pharmaceuticals reached Tk. 27,659 crore with 18.66% growth over last year, which is a very positive outlook for the sector.

Compound Annual Growth Rate for the last five years (2017-2021), National Market Growth Rate and Square Pharma's Growth Rates were 10.20%, 18.66% and 24.17% respectively.



The pharmaceutical market has been witnessing excellent growth in recent years and is expected to surpass BDT 50,000 crore by 2025 with an absolute growth of 114% from 2020 levels. Majority of this growth will be contributed by local companies with a market share of more than 90% as similar to past trends attained over the last two decades, according to a new research.

However, Bangladesh's pharmaceutical industry, nevertheless, still has a lot of room for growth, especially if it focuses on high-quality/life-saving medicines, and the country's pharmaceutical policy needs to be taken care of to continuously upgrade by research and physical facilities.

#### PHARMA PLANT

The management is highly concerned about continuous development of operational efficiency, both qualitatively and quantitatively by updating and upgrading technical processes, research, and training at the manufacturing facilities at each level.

The company made substantive investments at both of the installations during the year as detailed below:

	Taka in million	
Assets Title	2020-21	2019-20
Land	217.28	290.12
Building	11.92	638.20
Plant& Machinery	800.96	420.53
Laboratory Equipment	98.10	60.30
Others	316.80	125.59
Total -	1,445.06	1,534.74

The investments were made from the internally generated funds.

#### CHEMICAL PLANT

The comparative position of operations of the chemical plant of Square Pharma (at Pabna) for the last two years are presented hereunder:

Particulars	2020-21	2019-20
No. of Products	22	22
Production (MT)	723	926
Own use (MT)	613.16	895.84
Sales (MT)	18.70	30.51
Own use (%)	84.81	96.74
Revenue (Million Tk.)	44.61	91.72

(MT-Metric Ton)

The change in own use tonnage is due to variation in product mix according to marketing and value addition strategies.

#### QUALITY CONTROL

Square Pharma's management focuses a high priority on preserving and enhancing the quality of its goods as 'life-science' biology, according to WHO GMP standards at every stage of manufacturing and handling.

Following up on all expiry-dated product withdrawals from the market is done on a regular basis through careful inspection and monitoring.

The quality control facilities include a high-grade standard laboratory facility, computerized equipment and tools, and a team of highly experienced and well-trained research workers dedicated to achieving ethical and moral goals without compromise. Square and the Nation are really proud of them.

#### TECHNOLOGY

Square is always striving to strengthen and integrate new technologies in the areas of production, quality control, distribution, and patient administration.

During the year 2020-2021 Square Pharma invested an amount of Tk. 98.10 million in improving its laboratory facilities in line with new inventions of process/production.



## PRODUCT DEVELOPMENT

The product development status of Square Pharma as on 30<sup>th</sup> June, 2021 along with addition and deletion position of the products are hereby depicted hereunder:

Sl. No	Products Categories	Position	Added	Discarded	Position
		01-07-20	Over the time period		30-06-21
01	Tablet	292	13	11	294
02	Capsule	60	2	3	59
03	Liquid	83	2	-	85
04	Injectable (Vial & Ampoule)	49	6	4	51
05	Infusion	17	-	2	15
06	ENT, Opthal Preparation	31	1	2	30
07	Cream, Ointment, Spray, Gel & others	63	2	1	64
08	Powder for Suspension	18	1	1	18
09	Tropical Powder	1	-	-	1
10	Suppository	6	-	-	6
11	Inhaler & Nebulizer	8	1	-	9
12	Insulin	9	-	-	9
13	Basic Chemical & Pellet	22	-	-	22
14	Tablet, Powder, Liquid, Injection and Granular - AgroVet Local	76	6	-	82
15	Tablet, Powder, Liquid, Injection and Granular - AgroVet Imported	58	5	-	63
16	Powder, Liquid & Granular - Crop Care	30	5	-	35
17	Capsule, Liquid, Powder and Cream - Herbal & Neutraceuticals Products	30	9	-	39
Total -		853	53	24	882

53 new products have been added over the time period under consideration, all of which have received positive feedback from medical experts and consumers and 24 items have been discarded owing to superior generic alternatives, a limited market size and regulatory compliance.

## OUTPUT/CAPACITY UTILIZATION

The overall capacity utilization of the plant operation during the year 2020-2021 has been presented hereunder:

Sl. #	Product Categories	Unit	Production in thousand		Production ↑↓ in %	Capacity Utilization	
			2019-20	2020-21		2019-20	2020-21
1	Tablet	Pic	6,552,331	7,343,555	12.08 ↗	65%	72%
2	Capsule	Pic	1,924,642	1,767,430	8.17 ↘	52%	47%
3	Liquid	Bottle	135,987	121,958	9.75 ↘	53%	38%
4	Injectable (Vial & Ampoule)	Pic	46,987	40,573	13.65 ↘	63%	45%
5	Infusion (LVPO)	Bag	4,272	3,471	18.75 ↘	29%	20%
6	ENT & Opthal Preparation	Phial	30,648	29,011	5.34 ↘	82%	65%
7	Cream, Ointment, Spray, Gel & Others	Phial	127,206	147,610	16.04 ↗	55%	58%
8	Powder for Suspension	Bottle	22,188	21,224	4.34 ↘	70%	46%
9	Powder	Phial	15,478	22,613	46.10 ↗	38%	43%
10	Suppository	Pic	69,666	64,057	8.05 ↘	69%	31%
11	Inhaler	Can	38,430	44,949	16.96 ↗	30%	33%
12	Insulin & Insulin Cartridge	Pic	1,718	1,808	5.24 ↗	13%	16%
13	Basic Chemical & Pellet	Kg	825	723	12.36 ↘	84%	74%



## FINANCIAL RESULT

The Company's standalone operating financial results for the year ended June 30, 2021, as compared to the previous year, are summarized below:

Particulars	2020-2021 Taka	2019-2020 Taka	% ↑↓
Gross Revenue	58,346,258,281	52,926,218,655	10.24↗
Net Revenue	50,703,028,902	45,876,448,841	10.52↗
Cost of Goods Sold	24,800,035,555	22,536,669,960	10.04↗
Gross Profit	25,902,993,347	23,339,778,881	10.98↗
Net Profit (Before Tax)	18,755,932,542	17,185,381,957	9.14↗
Provision for Taxation	4,187,481,946	4,251,005,177	1.49↘
Net Profit (After Tax)	14,743,264,610	12,955,973,632	13.80↗
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Gross Profit Margin	51.09%	50.88%	0.42↗
Net Profit Margin (Before Tax)	36.99%	37.46%	1.25↘
Net Profit Margin (After Tax)	29.08%	28.24%	2.97↗
EPS (Earning Per Share)	Tk. 16.63	14.62	13.80↗
EPS Consolidated	Tk. 17.99	15.06	19.42↗
EPS on IPO Paid-up Capital	Tk. 1,474.33	1,295.60	13.74↗

During the financial year 2020-2021, Gross Revenue, Net Profit (BT) and Net Profit (AT) rose by 10.24%, 9.14% and 13.80% respectively, over the previous year.

However, during the year 2020-2021, the company had earned "Other Income" of Tk. 3,567.61 million (as depicted in Note 21 of the standalone accounts) and the Net Profit Margin (After Tax) grew by 2.97 percent compared to the previous year.

The EPS (standalone) for the financial year under review stood at Tk. 16.63, representing a 13.80% increase over the previous year, and the consolidated EPS rose by 19.42% to Tk. 17.99 in 2020-2021, increased from Tk. 15.06 in 2019-2020. The EPS is computed by using the current outstanding 886,451,010 ordinary shares of Tk. 10/- each.

## RISK AND CONCERN

Socio-economic incohesive situations, inadequately strategized investment policies, product pricing policies, absence of long-range planning and international trade barriers impose a regressive impact on the growth of R&D in the sector.

Square Pharma is always sincere and careful to identify the key business risks and ensure the mitigation plans are in place, doing all sorts of reviews and adopting the best practices which had enabled it to achieve its objective efficiently and effectively during the past successive years.

## EXTRA-ORDINARY ACTIVITIES

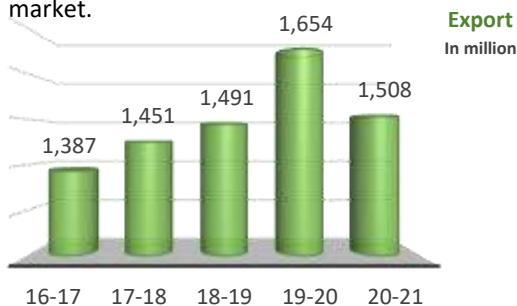
The Company did not undertake or continue any extra-ordinary or adventurous activities and did not suffer or gain any loss or gain from such activities.



## EXPORT

Square Pharma exports its medicines to over 45 countries and exported an amount of Tk. 1,507.75 million in the financial year under review. The COVID 19 pandemic badly affected the export shipment process with extra lead time affecting the international supply chain system. As a result, exports dropped by 8.83% in the year under review.

Square Pharma is constantly working to boost its export sales within its current capacity and it is expected to grow significantly in the near future. The company is also working on the approval of several products for sale in the USA market.



## SUBSIDIARY OPERATION

### SQUARE PHARMACEUTICALS KENYA EPZ LTD. (SPL KENYA)

SPL Kenya is to manufacture and sell generic pharmaceutical medicine in Kenya and East African Community.

Square Pharma virtually wholly owns the shares of SPL Kenya, therefore, SPL Kenya is a subsidiary of Square Pharma.

The Directors' Report for the year ended 30 June, 2021 of the SPL Kenya, together with Audited Accounts containing a Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Cash Flows and Auditors' Report thereon, are included in this Annual Report.

### SQUARE LIFESCIENCES LTD. (SLL)

Square Lifesciences Ltd., incorporated as a pharmaceuticals manufacturing Company under the Companies Act, 1994 on 13<sup>th</sup> February, 2020.

Square Pharma virtually wholly owns the shares of SLL, therefore, SLL is a subsidiary of Square Pharma.

The Directors' Report for the year ended 30 June, 2021 of the SLL together with Audited Accounts containing Statement of Financial Position and Cash Flows and Auditors Report thereon are included in this Annual Report.

## INVESTMENT PORTFOLIO

The investment portfolio of Square Pharma in the category of "Long Term Investment" and "Marketable Securities" has been detailed in Notes # 3 & 4 to the standalone accounts.

The outlines of the portfolio are described hereunder for information:

### A. LONG TERM INVESTMENT

Taka 5,262.52 million has been invested in the category of "Long Term Investments" in the Ordinary Shares, Non-Convertible/Convertible Zero Coupon Bonds and Certificates in 14 (fourteen) different companies which are described hereinafter:

#### A.1. SUBSIDIARY

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

Square Pharma holds 100% of shares of SPL Kenya. The paid up capital of SPL Kenya in BDT is Tk. 332,000,000 while Tk. 653,742,688 has been advanced as Share Money Deposit.

The Directors' Report and Financial Statements are included in this Annual



Report since SPL Kenya is a wholly owned subsidiary of Square Pharma.

#### □ Square Lifesciences Ltd. (SLL)

Square Pharma holds 995,000 ordinary shares of Tk. 100.00 each of SLL out of its paid-up 1,000,000 ordinary shares.

The Directors' Report and Financial Statements are attached in this Annual Report since SLL is a virtually wholly owned subsidiary of Square Pharma.

#### A.2. ASSOCIATES:

##### □ Square Textiles Ltd. (STxL)

Square Textile is a 100% export oriented yarn manufacturer, a publicly listed company and fully operational and profitable concern.

Square Pharma holds 91,436,679 ordinary shares of Tk. 10/- each including bonus shares. An investment of Tk. 225,129,795.00 was made for the above mentioned shares, the cost per shares stood at Tk. 2.46 per share (considering cost free Bonus Shares).

The market value of the said shares as on 30 June, 2021 was Tk. 4,343,242,252.00 @ Tk. 47.50 per share.

STxL declared a cash dividend of @20% for the year 2020-2021.

##### □ Square Hospitals Ltd. (SHL)

Square Hospital is a modern tertiary care hospital with 400 beds and the leading contributor of private healthcare services in Bangladesh, a private limited company and in full operation.

Square Pharma holds 199,750 ordinary shares of Tk. 1,000.00 each, 49.94% of the capital of SHL. The Investment for the said shares was Tk. 210,750,000.00 @ 1,055.07 per share.

SHL earned a Revenue and Net Profit of Tk.

4,388.70 million and 414.81 million respectively for the year ended 30 June, 2021 and it didn't declare any dividend due to new expansion plan, upgradation and replacement of existing hospital equipment with modern ones.

##### □ Square Fashions Ltd. (SFL)

SFL is a 100% export-oriented ready-made garment manufacturer, a private company limited by shares and fully in operation.

Square Pharma holds 462,000 ordinary shares of Tk. 100.00 each and 48.46% of the capital of SFL. The investment cost for the said shares was Tk. 151.20 million @ Tk. 327.27 (average) per share.

SFL earned a Net Profit of Tk. 1,636.60 million during the year 2020-2021, NAV per share stood at Tk. 14,725.00 and EPS Tk. 1,723.00 as on 30 June 2021. Due to future expansion and diversity plan, SFL didn't declare any dividend in the year under review for ploughing back requirement.

#### A.3. OTHERS:

##### □ United Hospital Ltd. (UHL)

Square Pharma owns 120,000 ordinary shares of Tk. 100.00 each amounting to total Tk. 12,000,000.00 of United Hospital Ltd.

Since UHL is a private limited company, it does not have any ready market value.

##### □ Central Depository Bangladesh Ltd. (CDBL)

CDBL is a public limited company that operate and maintain the Central Depository System (CDS) of electronic book entry, recording and maintaining securities accounts and registering transfer of securities, changing the ownership without any physical endorsement of certificates. CDBL also providing platform for the secondary market trading of Treasury Bills and Government Bonds. CDBL is regulated by



the Bangladesh Securities and Exchange Commission.

Square Pharma holds 5,711,804 ordinary shares, including bonus shares of Tk. 10.00 each in the capital of CDBL against an investment of Tk. 15,694,430.00, the cost per shares stood at Tk. 2.75 per share (considering cost free Bonus Shares). Shares are not listed, therefore the market value of this investment cannot be assessed.

**□ Raj Lanka Power Company Ltd.**

Square Pharma holds 150,000 preference shares amounting to Tk. 29,090,910.00 of Raj Lanka Power Company Ltd.

**□ Durable Plastics Ltd.**

Square Pharma holds 5 (five) Non-Convertible Zero Coupon Bonds amounting to Tk. 11,905,164.00 of Durable Plastics Ltd.

**□ Envoy Textiles Ltd.**

Square Pharma holds 40 Non-Convertible Zero Coupon Bonds amounting to Tk. 21,509,807.00 of Envoy Textiles Ltd.

**□ Mutual Trust Bank Ltd.**

Square Pharma holds 200 Non-Convertible Subordinated Bonds amounting to Tk. 2,000,000,000.00 of Mutual Trust Bank Ltd.

**□ Southeast Bank Ltd.**

Square Pharma holds 5,000 Non-Convertible Subordinated Bonds amounting to Tk. 500,000,000.00 of Southeast Bank Ltd.

**□ Islami Bank Bangladesh Ltd.**

Square Pharma holds 50 Mudaraba Redeemable Non-Convertible Subordinated Bonds amounting to Tk. 500,000,000.00 of Islami Bank Bangladesh Ltd.

**□ Trust Bank Ltd.**

Square Pharma holds 50 Non-Convertible Subordinated Bonds amounting to Tk. 500,000,000.00 of Trust Bank Ltd.

**B. MARKETABLE SECURITIES INVESTMENT**

Square Pharma invested in the Marketable Securities at total a cost price of Tk. 3,307.79 million, which can be seen in Note No. 4 of the standalone accounts.

The portfolio registered an unrealized capital gain of Tk. 1,316.54 million in the year under review.

**CONSOLIDATION OF ACCOUNTS**

In terms of the regulations of the Bangladesh Securities and Exchange Commission, Square Pharma has consolidated the accounts following the codes of IAS-28 and IFRS-10, reflecting shareholders' gross benefits and value of investments.

The consolidated financial statements are included in this Annual Report.

**MINORITY SHAREHOLDERS INTEREST**

In compliance with Condition No. 1(5) (xvi) of the Corporate Governance Code 2018 of BSEC, the Board hereby confirms that the interests of the minority shareholders have been duly protected by the Company.

**RELATED PARTY TRANSACTION**

The Company had undertaken several related party transaction detail of which are given in Note No. 37.1 of the standalone accounts.

**CREDIT RATING**

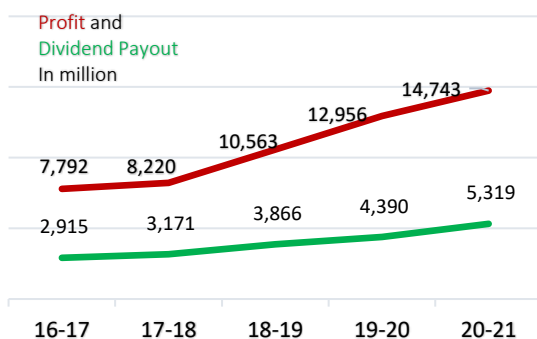
The Credit Rating Information and Services Ltd. (CRISL) has reaffirmed the highest credit of 'AAA' (Stable) for Long Term and 'ST-1' for Short Term on the basis of financial and other relevant quantitative and qualitative information of the Company.



## APPROPRIATION OF PROFIT

Board of Directors in its meeting held on 21<sup>st</sup> October, 2021 has recommended the appropriation of the Net Profit earned during the year 2020-2021 in the following manner:

	In Taka
◇ Net Profit for the year (2020-2021)	14,743,264,610
◇ Appropriation Recommended :	
- Cash Dividend @ 60% (Tk. 6.00 per share)	5,318,706,060
◇ Net Un-appropriated Profit	9,424,558,550



## CONTRIBUTION TO NATIONAL EXCHEQUER

Square Pharma contributed an amount of Tk. 13,201,998,608 (including Tk. 108,801,907 as contribution as duty/taxes towards machinery & spare parts imports) to National Exchequer as against Tk. 12,315,098,001 in the previous year.

The contribution constitutes 26.04% of the sales revenue (net) in 2020-2021 as against 26.84% in the previous year of 2019-2020.

## LOANS AND GUARANTEES

Detail of Loans granted and Guarantees given during the year under review are depicted in Note No. 8 and 38.3 respectively to the standalone financial statement.

## HUMAN RESOURCES DEVELOPMENT

In order to improve productivity of human input, Square Pharma continuously provides formal and informal training to its employees at every echelon of operation and management.

During the year under review 3,954 persons received in-house/in-operation /on the job training at home and abroad which will ultimately make great contribution to the company's profitability as well their own remuneration in due course.

## ENVIRONMENTAL ROLE

The Company maintains a high standard of pollution free environment as per GMP Regulations/WHO standards/ Government laws.

## ELECTION OF DIRECTORS

Mr. Samuel S Chowdhury and Mr. Kazi Iqbal Harun, as per Article-99 and 100 of the Articles of Association, have retired and, being eligible, have offered themselves for re-election.

A brief resume and other information about the above mentioned directors are depicted in Annexure-III.





### APPOINTMENT OF STATUTORY AUDITORS

M/s Mahfel Huq & Co., Chartered Accountant retires at this Annual General Meeting on completion of consecutive 3 (three) years. They are not eligible for reappointment as auditors of the company as per BSEC order.

Ahmed Zaker & Co., Chartered Accountants expressed their interest to be appointed as auditors of the Company for the year 2021-2022, which was recommended by the Board of Directors at its meeting held on 21<sup>st</sup> October, 2021.

### APPOINTMENT OF COMPLIANCE AUDITORS

M/s Chowdhury Bhattacharjee & Co., Chartered Accountants, who are retiring at this Annual General Meeting and being eligible, have offered themselves for reappointment as Compliance Auditors of Square Pharma for the year 2021-2022. The Board of Directors in its meeting held on October 21, 2021, recommended their appointment.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis signed by the Managing Director presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements and other requirements of the Corporate Governance Code is disclosed in Annexure- I of this report.

### CORPORATE GOVERNANCE COMPLIANCE REPORT

In accordance with the requirements of the Corporate Governance Code 2018 of the Bangladesh Securities and Exchange Commission, a additional statement in pursuance of Clause 1 (5), resume of the

directors who shall be reappointed, Management Discussion Analysis, Certificate from the CEO and CFO to the Board, Certificate on Compliance of the Conditions of the Corporate Governance Code 2018 by the Compliance Auditors and Status of Compliance are depicted in the Annexure – I, II, III, IV, V, and VI respectively.

The Audit Committee Report, the Nomination and Remuneration Policy, and the Dividend Distribution Policy are also presented in the Annual Report.

### MANAGEMENT APPRECIATION

The Board of Directors record with deep appreciation the contribution made and support & co-operation given by the Officers, Staff, Workers, Customers, Creditors, Banks, Insurance Companies, Utility Providers, Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange, Chittagong Stock Exchange, Central Depository Bangladesh Ltd. and the Government in particular and look forward to the global role of the Company.

Samuel S Chowdhury  
Chairman

- In the event of conflict between English text and Bangla text of this report, English text shall prevail.