



# Corporate Governance

Directors' Report to the Shareholders  
For the year ended 30<sup>th</sup> June, 2016

## Dear Shareholders

The Directors have the pleasure to present their Annual Report together with the Audited Financial Statements of the Company for the year ended 30<sup>th</sup> June, 2016. These were approved by the Board of Directors on 26<sup>th</sup> October, 2016. The Directors' Report has been prepared in compliance with section 184 of the Companies Act, 1994, SEC's notification dated 20<sup>th</sup> February 2006, the Listing Regulations of Dhaka and Chittagong Stock Exchange and other applicable rules and regulations. In addition, the Directors explained and disclosed certain issues, which they deemed relevant and important to ensure transparency and good governance practice.

### 1. Industry outlook and possible future development in the industry.

The principal activities of the Company are to manufacturing, marketing and selling of pharmaceuticals and lifesaving medicine in the local and international markets. BEACON is the first manufacturer of anti-cancer drugs in Bangladesh and proud introducer of Isolator technology for processing anti-cancer products and lyophilized technology. BEACON is the second in world to manufacturing and marketing peginterferon medicine for hepatitis. BEACON is the first to introduce sophisticated biotech products streptokinase and Urokinase injections for Acute MI disease.

Despite of these unfavorable events we were able to maintain revenue at a reasonable level. Moreover, we have given special emphasis on cost control, resource optimization and R & D capabilities in order to face these economic challenges.

### 2. Segment-wise or product-wise performance.

Our products can be segmented as General, Oncology and Bio-tech products. In terms of volume of sale General Product is the best performer followed by Oncology and Bio-tech respectively. In the sales performance, general products have contributed more than 60%, 32%

oncology and rest 8% contributed by Bio-tech Products. In respect of profit margin Oncology Products are the best contributor than that of others.

### 3. Risk and Concerns.

Risks are defined as uncertainties resulting in adverse variations of profitability or losses in financial or otherwise. The risk management of the company covers core risk areas of the business operation viz, financial risk, operational risk, receivable risk, liquidity risk, market risk that includes foreign exchange risk, interest rate risk etc. Besides above risks, the Company considers credit management risks and strategic risks also.

The Company has a strong base to address the risk of future uncertainties with the change of industry and global economy. The company is always keen to identify the key business risks and ensures the mitigation plans are in place. It has reviewed and adopted best practices of the industry that are articulated to enable the company to achieve its objectives effectively.

The objective of risk management is that the Company evaluates and takes well calculative business risks that safeguarding the asset, its financial resources and profitability from various business through its own measures and through implementing corporate guidelines.

### 4. Discussion on Cost of Goods Sold, Gross Profit Margin and Net Profit Margin.

Cost of Goods Sold for the year stands at Tk. 1,292,608,372.00 which is 21.76% higher than that of the previous year. This has been occurred due to increase of sales by 21.38% compare to the previous year and Gross Margin has been increased by 20.96% over the last year. Due to strong control over the operating expense net margin has been increased by 60.00% (approx) over the last year.

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## 5. Discussion on continuity of any Extra-Ordinary gain or loss.

No extra ordinary gain or loss occurred during the year which would require adjustment or disclosure in the financial statements.

## 6. Basis for related party transactions.

Related Party Transactions are disclosed in the notes 42 to the Financial Statements for the year ended 30<sup>th</sup> June, 2016.

## 7. Utilization of proceeds from public issues, rights issues and / or through any other instruments.

During the financial year 2015-2016 no such proceeds are collected that would require for adjustment or disclose in the annual report.

## 8. Explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Right Offer and Direct Listing.

BEACON Pharmaceuticals Limited went for initial public offering in the year 2010 and did not go for any further offering since then. So, no such explanation is required for BEACON Pharmaceuticals Limited.

## 9. Explanation the significance variance occurs between Quarterly Financial Performance and Annual Financial Statements.

There was no significant variance occurred between the quarterly financial performance and annual financial statements.

## 10. Remuneration to directors including independent directors.

Remuneration and other perquisites of the Directors are reviewed annually and approved by the Chairman of the Board. None-Executive Directors including the Independent Directors are paid fees for attending the meetings only.

## 11. Financial Statements prepared by the management of the Company present fairly its state of affairs, the result of its operation, cash flows and changes in equity.

The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994 and the Securities and Exchange Rules 1987. These statements present fairly the Company's state of affairs, the result of operation, cash flow and changes in equity.

## 12. Proper books of accounts of the Company has been maintained.

Books of Accounts of the Company have been maintained properly.

## 13. Accounting Policies:

Appropriate accounting policies have been consistently applied in preparing financial statements and the accounting estimates are based on reasonable and prudent judgment.

## 14. Application of IAS/BAS/IFRS/BFRS as applicable in Bangladesh.

International Accounting Standard (IAS) / Bangladesh Accounting Standard (BAS) / International Financial Reporting Standard (IFRS) / Bangladesh Financial reporting Standards (BFRS) as applicable in Bangladesh have been followed in preparing financial statements and any departure there from has been adequately disclosed.

## 15. The system of internal control.

The system of internal control is sound and has been implemented and monitored effectively. The Board has the ultimate responsibility for BEACON Pharma's system of internal control and for reviewing its effectiveness. It has been designed to manage the risk of failure to achieve the objectives of the Company and to provide reasonable assurance that Company's assets are safe guarded against unauthorized use of material loss and that transactions are properly authorized and recorded.



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### **16. Going Concern.**

There are no significant doubts about the Company's ability to continue as a going concern. The Board of Directors has reviewed the Company's business plan and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly the financial statements are prepared based on the going concern concept.

### **17. Explanation of significant deviation from the last year's operating result.**

Significant variations over the last year's operation of the Company have been made due to excess expenditure incurred in the factory overhead, general & admin overhead and selling and distribution overhead. The positive impact of excess expenditures are gradually coming. Hopefully the growth of turnover will dramatically change in the years to come.

### **18. Key operating and financial data preceding 5 (four) years:**

The key operating and financial data for the last 5 (five) years of the Company have been presented as follows



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## 5 (Five) Years Financial Highlights:

Particulars	Year				
	2016	2015	2014	2013	2012
<b>Financial Performance</b>					
Total Assets	5,014,603,610	4,738,697,597	4,589,825,300	4,251,619,886	4,511,424,780
Total Liabilities	2,012,513,836	1,832,578,665	1,722,443,291	1,478,361,558	1,747,297,518
Current Assets	2,563,219,957	2,551,804,833	2,157,357,740	1,526,460,823	1,558,681,879
Current Liabilities	1,150,667,724	1,097,166,405	1,030,696,923	702,348,389	897,220,836
Non-Current Assets	2,451,383,653	2,186,892,763	2,432,467,559	2,565,178,873	2,952,742,901
Non-Current Liabilities	861,846,112	735,412,260	691,746,368	776,013,169	850,076,683
Shareholders' Equity	3,002,089,774	2,906,118,932	2,867,382,009	2,773,258,328	2,764,127,262
<b>Operational Performance</b>					
Revenue	2,491,804,435	2,052,938,834	1,690,363,446	1,226,906,195	979,436,050
Cost of Goods Sold	1,292,608,372	1,061,613,363	894,119,555	609,987,995	452,583,791
Operating Expense	935,102,873	706,291,687	553,676,280	409,526,225	187,064,433
Financial Expense	194,721,492	238,236,937	221,684,367	196,958,236	212,120,046
Gross Profit	1,199,196,063	991,325,471	796,243,891	616,918,200	526,852,259
Operating Profit	264,093,190	285,033,785	242,567,610	207,391,975	339,787,826
Net Profit before tax	68,308,534	51,407,568	37,274,146	14,609,706	120,417,857
Net Profit after tax	61,402,978	38,555,691	24,228,195	9,131,066	75,261,161
<b>Financial Ratio</b>					
Current ratio	2.22:1	2.32:1	2.03:1	2.17:1	1.73:1
Debt Equity Ratio	1:1.49	1:1.58	1:1.66	1:1.88	1:1.58
Financial Expense Coverage Ratio (Times)	1.35	1.20	1.09	1.05	1.60
Return on Equity	2.04%	1.33%	0.85%	0.33%	2.72%
Return on Assets	1.25%	0.81%	0.53%	0.21%	1.67%
<b>Equity Parameters</b>					
Authorized Capital	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Paid-up Capital	2,310,000,000	2,310,000,000	2,310,000,000	2,310,000,000	2,310,000,000
Shareholders' Equity	3,002,089,774	2,906,118,932	2,867,382,009	2,773,258,328	2,764,127,262
No. of Shares Outstanding	231,000,000	231,000,000	231,000,000	231,000,000	231,000,000
Net Assets Value (NAV) Per Share	13.00	12.58	12.41	12.01	11.97
Earnings Per Share (EPS)	0.27	0.17	0.10	0.04	0.33
Market Price Per Share (Closing)	17.30	14.70	14.80	14.10	19.10
Price Earnings Ratio (Times)	64.07	86.47	148.00	352.50	57.88

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## 19. Declaration of dividend.

The Board of Directors of the Company has recommended 5% cash dividend for the year ended 30<sup>th</sup> June, 2016.

## 20. Number of board meeting held during the year and attendance of each director.

During the year 11 nos. of Board Meetings were held. The attendance record of the Directors is shown below. The Directors who could not attend the meeting were granted leave of absence.

Sl. No.	Name of Directors	Meeting held	No. of meeting attended
1.	Mrs. Nurun Nahar Karim, Chairman	11	11
2.	Mr. Mohd. Ebadul Karim, Managing Director	11	11
3.	Mr. Niazul Karim, Director	11	09
4.	Mr. A. Q. Siddiqui, Independent Director	11	6
5.	Mr. Prof.(Dr.) Syed Mudasser Ali, Independent Director	11	10

## 21. Pattern of Shareholding:

### (a). Parent / Subsidiary / Associated Companies and other related parties.

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of share held
1.	Mr. Mohd. Ebadul Karim	Managing Director	BEACON Development Ltd. Kohinoor Chemical Co.(BD) Ltd. BEACON Point Ltd.	60,000 7,94,921 25,000
2.	Mrs. Nurun Nahar Karim	Director	BEACON Development Ltd. Kohinoor Chemical Co.(BD) Ltd. BEACON Point Ltd.	25,000 5,08,226 25,000
3.	Mr. Niazul Karim	Director	BEACON Development Ltd. BEACON Point Ltd.	40,000 25,000

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(b). Director, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouse and minor children.

Sl. No.	Name	Designation	No. of shares held
1.	Mr. Mohd. Ebadul Karim	Managing Director	5,82,28,800
2.	Mrs. Nurun Nahar Karim	Director	47,25,000
3.	Mr. Niazul Karim	Director & CFO	63,54,000
4.	Company Secretary		Nil
5.	Head of Internal Auditor		Nil
6.	Spouse & Minor Children		Nil

(c) Executive

Sl. No.	Name	Designation	No. of shares held
1.	Mr. Mohd. Ebadul Karim	Managing Director	5,82,28,800
2.	Mr. Niazul Karim	Director & CFO	63,54,000
3.	Mr. Sujit Kumar Kundu	VP, R&D	21,000

(d). Shareholders holding ten percent (10%) or more voting interest in the Company.

Sl. No.	Name	Designation	No. of shares held
1.	Mr. Mohd. Ebadul Karim	Managing Director	5,82,28,800

## 22. Recommendation for re-appointment of Directors:

As per provision of the Articles of Association of the Company Mr. Md. Niazul Karim will retire by rotation in the next 15<sup>th</sup> Annual General Meeting and being eligible he will be offered for re-appointment.

## 23. Appointment of Auditors.

Toha Khan Zaman & Co., Chartered Accountants will retire at the 15<sup>th</sup> Annual General Meeting as auditor of the Company.

The retiring auditors are eligible for re-appointment and they have expressed their willingness to be appointed as auditor of the Com-



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pany for the financial year 2016- 2017. The Directors recommended for the re-appointment of Messrs. Toha Khan Zaman & Co., Chartered Accountants as the auditors of the Company for the year 2016-2017.

#### **24. Corporate Governance Compliance Report.**

In accordance with the requirement of Bangladesh Securities and Exchange Commission, "Corporate Governance Compliance Report" is shown in the annexure - I of this report.

#### **25. Conclusion:**

The Company expresses its sincere appreciation to all of its employees for their outstanding contribution and thanks to all the stakeholders for their continued support and confidence.

Approved by the Board of Directors and signed on its behalf,



**Mohd. Ebadul Karim**

Managing Director