

# CORPORATE GOVERNANCE

Directors' Report to the Shareholders  
For the year ended 30 June 2022



# Directors' Report to the Shareholders

## For the year ended 30 June 2022

### 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 June 2022.

This report has been prepared in compliance with section 184 of the Companies Act 1994 and Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018. In addition, the Directors explained and disclosed certain issues, which they deemed relevant and important to ensure transparency and good governance practice.

### Principal Activities

The principal activities of the Company are manufacturing, marketing and selling of pharmaceuticals and lifesaving medicine in the local and international markets.

### Property, Plant and Equipment

During the year under review, the Company invested a sum of Tk. 3,072.10 million in property, plant and equipment. Movement in property, plant and equipment during the year is disclosed under note 4 .00 of the financial statements.

### Review of Business

Despite of global economic turmoil and impact of Covid-19 pandemic, 2021-2022 was a challenging year for our company. Though situation has improved after wide vaccination initiative by the Government. However, it left a bad impact on our business. The raw materials price has significantly increased compared to previous years. As a result, product cost increased abnormally for which Gross Margin declined.

During the year revenue reached Tk 8.02 billion which was higher by 12.66% over the previous year's revenue of Tk 7.12 billion. Operating profit increased by 5.01% with higher operating margins at 20.96%, as against the prior year of 19.96%.

Net Profit after tax increased by 8.32 % to Tk 935 million during the year, while earnings per share increased by 8.29 %.

### Corporate and Financial Reporting Framework

In accordance with the Bangladesh Securities and Exchange Commission's Corporate Governance Code 2018, the Directors are pleased to confirm the following:

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

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. This year Beacon has launched 20 new products, out of which 5 are general products, 8 are oncology products, 1 is bio-tech products and 6 are Chronic Care products.

Despite of the tough situation of COVID-19 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.

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

Our products can be segmented as General, Chronic Care, 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 terms of sales performance, general products have contributed more than 59%, 33% oncology, 6% Biotech and rest 2% contributed by Chronic Care Products. In respect of profit margin Oncology Products are the best contributor than that of others.

### Risk and Concerns.

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



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risks, the Company considers credit management risks and strategic risks.

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 calculated business risks that safeguards the asset, its financial resources and profitability from various businesses through its own measures and by implementing corporate guidelines.

### **Cost of Goods Sold, Gross Profit Margin and Net Profit Margin.**

Cost of Goods Sold for the year stands at Tk. 3,875,791,274 which is 12.85% higher than that of the previous year. This has occurred due to increase of sales by 12.66% compare to the previous year and Gross Margin has increased by 12.48% over the last year. Besides this net margin has increased by 8.33% over the last year.

### **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.

### **Related party transactions.**

Related Party Transactions are disclosed in the notes - 48.00 to the Financial Statements for the year ended 30 June 2022.

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

During the financial year 2021-2022 no such proceeds are collected that would require adjustment or disclose in the annual report.

**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**.

**Explanation of significance variance occurs between Quarterly Financial Performance and Annual Financial Statements.**

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

### **Remuneration to Directors**

This information is incorporated in the Notes 39 of the notes to the financial statements on page 124 with reference to the "Payment to Managing Director" figures concerning the Board of Directors including Independent Directors.

Remuneration and other perquisites of the Directors are reviewed annually by the NRC and approved by the Board of Directors. Non-Executive Directors Independent Directors are paid fees for attending the meetings.

### **Fairness of Financial Statements**

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.

### **Proper Books of Accounts**

Books of Accounts of the Company have been maintained properly.

### **Accounting Policies**

Appropriate accounting policies have been consistently applied in preparing financial statements

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## For the year ended 30 June 2022

and the accounting estimates are based on reasonable and prudent judgment.

### Application of IAS and IFRS

International Accounting Standard (IAS) and International Financial Reporting Standard (IFRS) as applicable in Bangladesh have been followed in preparing financial statements and any departure has been adequately disclosed.

### 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.

### Minority Shareholders

Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.

### 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.

### 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 is gradually taking place.

### Key operating and financial data

The key operating and financial data for the last five years are annexed on page 44.

### Declaration of dividend

Based on the performance of the Company the Board of Directors is pleased to recommend a Cash Dividend @ 16% for the year 2021-2022, which is 6.67% higher than last year.

### Directors

Name of the Directors of the company and their biographical details are shown on pages 17 and 18.

### Number of board and Committee meetings

During the year, the Board of Directors met twenty-eight times. Audit Committee met four times and Nomination & Remuneration Committee met once.

The attendance record of the Directors is shown in Annexure-A of this report.

### Re-election of Director

Mr. Md. Niazul Karim retires under Article 124 of the Articles of Association of the Company, Mr. Md. Niazul Karim eligible and offered himself for re-election. The Board recommends his re-appointment.

### Appointment of Independent Director

Mr. Abdul Qader Siddiqui Independent Director of the Company submitted his resignation as Independent Director which was accepted by the Board on 1<sup>st</sup> June 2022. Members of the Board gratefully acknowledged the valuable contributions of Mr. Abdul Qader Siddiqui during his tenure of office.

Based on the recommendation of the Nomination and Remuneration Committee and approval of

# Directors' Report to the Shareholders

## For the year ended 30 June 2022

Bangladesh Securities and Exchange Commission (BSEC), the Board of Directors of the Company appointed Mr. Mohammad Sanaullah FCS as Independent Director of the Company for three years (First term) with effect from June 29, 2022. Mr. Sanaullah has long experienced in corporate management and hold the position as Director in different listed Companies including MNC.

### Board Committees

In accordance with the condition no.6 of Bangladesh Securities and Exchange Commission's Code of Corporate Governance, BSEC/CMRRCD/2006/158/ 207/Admin/80, dated 3rd June, 2018, the Board of Beacon Pharmaceutical Limited have reformed the following Committee's in its meeting held on June 29, 2022:

### Audit Committee

SI No.	Name	Position
1	Mr. Mohammad Sanaullah, Independent Director	Chairman
2	Major M.A Hussain (Retd.), Independent Director	Member
3	Mr. Md. Niazul Karim, Director	Member

### Nomination and Remuneration Committee

SI No.	Name	Position
1	Major M.A Hussain (Retd.), Independent Director	Chairman
2	Mr. Mohammad Sanaullah, Independent Director	Member
3	Mr. Md. Niazul Karim, Director	Member

### Appointment of Statutory Auditors

As per section 210 of the Companies Act 1994, the Company's statutory Auditors Messrs. Toha Khan Zaman & Co, Chartered Accountants retires at the 21st Annual General Meeting as Statutory Auditors of the Company.

As per the Bangladesh Securities and Exchange Commission (BSEC) order no SEC/CMRRCD/2009-193/104/Admin dated July 27, 2011 the retiring Auditors M/S Toha Khan Zaman & Co , Chartered Accountants are eligible for re-appointment as Statutory Auditors for 2022-2023.

The Audit Committee recommended to appoint Messer's Toha Khan Zaman & Co, Chartered Accountants as the auditors of the Company for the year 2022-2023 at a fee of Tk. 375,000 (Taka three lakh seventy -five thousand) only.

The Directors have endorsed the recommendation of the Audit Committee for re-appointment of Messer's Toha Khan Zaman & Co, Chartered Accountants as the Statutory Auditors for the year 2022-2023.

### Appointment of Corporate Governance Compliance Auditors

The Audit Committee recommended to appoint M/S Al- Muqtadir Associates, Chartered Secretaries and Consultants as the Corporate Governance Compliance Auditors of the company for the year 2022-2023.

The Board of Directors have endorsed the recommendation of the Audit Committee for appointment of M/S Al- Muqtadir Associates., Chartered Secretaries & consultants as the Corporate Governance compliance Auditor auditors of the company for the year 2022-2023 at a fee of Tk.80,000 (Taka eighty thousand) only.



# Directors' Report to the Shareholders

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## 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
01	Mr. Mohammad Ebadul Karim	Managing Director	Beacon Developments Limited	600
			MEK Auto Bricks	25,000
			MEK Industries Limited	8,500
			MEK Pharmatech Limited	8,500
			Mujibunnessa Medical College & Hospital Limited	80,00,000
			Beacon Oncology Limited	85,000
			Beacon Nutraceuticals Limited	85,000
		Chairman	Beacon Cephalosporin Limited	25,50,000
			Beacon Power Systems Limited	85,000
			Beacon Point Limited	25,000
			Beacon Medicare Limited	42,500
			EREBA Capsules Limited	20,000
			Beacon Economic Zone Limited	8,00,000
		Director	Beacon Business Solution Limited	85,000
Director	Kohinoor Chemical Co. (BD) Limited	1,998,275		

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of Share held
02	Mrs. Nurun Nahar Karim	Chairman	Beacon Developments Limited	250
			Beacon Nutraceuticals Limited	5,000
			MEK Auto Bricks	12,500
			MEK Industries Limited	500
			MEK Pharmatech Limited	500
			Beacon Oncology Limited	5,000
			Mujibunnessa Medical College & Hospital Limited	5,00,000
		Director	Beacon Cephalosporin Limited	1,50,000
			Beacon Power Systems Limited	5,000
			Beacon Point Limited	25,000
			Beacon Medicare Limited	2,500
			Beacon Economic Zone Limited	50,000
			Beacon Business Solution Limited	5,000
			Kohinoor Chemical Co. (BD) Limited	1,277,579
			Banani Clinic Limited	10,000

# Directors' Report to the Shareholders

For the year ended 30 June 2022

Sl. No.	Name	Designation with BPL	Entities where they have interest	No. of Share held
03	Mrs. Nurun Nahar Karim	Managing Director	Beacon Point Limited	25,000
			Beacon Economic Zone Limited	1,50,000
			Beacon Medicare Limited	2,500
		Director	Beacon Developments Limited	400
			Beacon Cephalosporin Limited	1,50,000
			Beacon Nutraceuticals Limited	5,000
			MEK Auto Bricks	6,250
			MEK Industries Limited	500
			MEK Pharmatech Limited	500
			Beacon Oncology Limited	5,000
			Mujibunnessa Medical College & Hospital Limited	5,00,000
			Beacon Business Solution Limited	5,000
			Beacon Power Systems Limited	5,000

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. Mohammad Ebadul Karim	Managing Director	5,82,28,800
2	Mrs. Nurun Nahar Karim	Director	47,25,000
3	Mr. Md. Niazul Karim	Director & CFO	63,54,000
4	Mr. Md. Abdul Haque Sarder	Director, (F & A) and CFO	Nil
5	Mr. Khalilur Rahman FCS	Company Secretary	Nil
6	Mr. Md. Jalal Uddin FCA	Head of Internal Audit	Nil
7	Spouse & Minor Children		Nil

c) Executive

Sl. No.	Name	Designation	No. of Shares Held
1	Mr. Mohammad Ebadul Karim	Managing Director	5,82,28,800
2	Mr. Monjurul Alam	Director, Business Development	64,500
3	Ms. Najmun Nahar Rahman	Director (Plant Operations)	Nil
4	Mr. Md. Golam Robbani	Director, Factory Operations	Nil
5	Mr. Anisur Rahman Khan	EVP, HR & Admin	Nil

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

Sl. No.	Name	Designation	No. of Shares Held
1	Mr. Mohammad Ebadul Karim	Managing Director	5,82,28,800

# Directors' Report to the Shareholders

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## Corporate Governance Compliance Report:

**Beacon Pharmaceuticals Limited** adheres to appropriate good Corporate Governance principles. The Company also complied with all the requirements of Corporate Governance as required by the Bangladesh Securities and Exchange Commission. Accordingly, Corporate Governance Compliance checklist is shown in Annexure-1 of this report.

Further in compliance with the requirement of the Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Code 2018, M/S Podder & Associates, Cost & Management Accountants in Practice issued the Corporate Governance Compliance Certificate which is shown on page no. 75 of the report.

## Contribution to the National Exchequer

During the year under review, our company paid Taka 1,678.05 million to the national exchequer in the form of corporate income tax, customs duties and value added tax.

## Credit Rating

The Company achieved A1 rating in long term and ST-3 for short term for consecutive three years with a strong and stable outlook from Credit Rating Agency of Bangladesh Limited (CRAB).

## Reserves

The total Reserves of the Company stood at Tk. 1231.06 million, details of which are given in Note 15 and in the Statement of Changes in Equity in the Financial Statements.

## Events subsequent to Balance Sheet

The Board of Directors in their meeting held on October 25, 2022 recommended cash dividend @ 16% for the year 2021-22.

## CEO and CFO's Declaration to Financial Statements

The Chief Executive Officer and Chief Financial Officer are of the opinion that Financial Statements given true and fair view of the company's affairs.

## Human Resources

A dynamic business environment requires having a well-trained work force; therefore, the company develops the appropriate management skills to suit the business environment. Various training programs and workshops were carried out during the year. The management and employee relationship in the company was excellent throughout the year.

## Compliance with Laws and Regulations

The company was not engaged in any activities contravening the laws and regulations. All those responsible for ensuring compliance with the provisions in various laws and regulations were able to do so within the stipulated time.

## Environmental Protection

To the best of the Board's knowledge, the company was not engaged in any activity which might prove harmful to environment.

## 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.

On behalf of the Board of Directors

*Nurun Nahar Karim*  
Mrs. Nurun Nahar Karim  
Chairman  
Date : 24 October 2022



# Directors' Report to the Shareholders

## For the year ended 30 June 2022

### 5 YEARS FINANCIAL HIGHLIGHTS

Taka in 000

Particulars	Particulars				
	2022	2021	2020	2019	2018
<b>Financial Performance</b>					
Total Assets	10,815,897,392	8,535,571,691	7,176,904,014	4,871,002,971	4,908,410,740
Total Liabilities	4,87,20,46,906	3,180,408,738	2,546,558,381	1,891,819,980	1,907,666,832
Current Assets	6,444,215,802	5,215,795,475	3,785,627,854	2,668,641,600	2,400,038,430
Current Liabilities	4,674,132,541	2,792,662,114	2,053,537,586	1,317,400,721	1,332,666,250
Non-Current Assets	4,371,681,590	3,319,776,214	3,391,276,160	2,202,361,371	2,508,372,310
Non-Current Liabilities	197,914,365	387,746,624	493,020,794	574,419,259	575,000,582
Shareholders' Equity	5,943,850,486	5,355,162,953	4,630,345,633	2,979,182,991	3,000,743,908
<b>Operational Performance</b>					
Revenue	8,022,736,306	7,121,152,785	5,590,790,317	4,646,865,410	3,760,786,106
Cost of Goods Sold	3,875,791,274	3,434,422,533	2,718,444,324	2,364,808,809	1,927,331,673
Operating Expense	2,465,035,491	2,265,106,526	2,529,653,717	1,959,448,364	1,563,846,092
Financial Expense	339,380,959	166,796,221	150,270,407	153,524,466	138,160,282
Gross Profit	4,146,945,032	3,686,730,252	2,872,345,993	2,282,056,601	1,833,454,433
Operating Profit	1,681,909,541	1,421,623,726	342,692,277	322,704,069	269,608,341
Net Profit before tax	1,292,967,761	1,198,163,031	184,503,417	163,400,976	126,035,753
Net Profit after tax	935,187,533	863,417,319	380,691,353	117,700,592	126,103,008
<b>Financial Ratio</b>					
Current ratio	1.38:1	1.87:1	1.84:1	2.03:1	1.80:1
Debt Equity Ratio	0.82:1	0.59:1	0.55:1	0.64:1	0.64:1
Financial Expense Coverage Ratio (Times)	4.96	8.52	2.28	2.1	1.95
Return on Equity	15.73%	16.12%	8.22%	3.95%	4.20%
Return on Assets	8.65%	10.11%	5.30%	2.42%	2.57%
<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	5,943,850,486	5,355,162,953	4,630,345,633	2,979,182,991	3,000,743,908
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	25.73	23.18	20.04	12.9	12.99
Earnings Per Share (EPS)	4.05	3.74	1.65	0.51	0.55
Market Price Per Share (Closing)	258.30	123.60	60.7	20.1	17.8
Price Earnings Ratio (Times)	63.78	33.05	36.79	39.41	32.36

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ANNEXURE- A

## Board /Committee Meetings and attendance during the year ended June 30, 2022

### (a) Board Meeting

Sl. No.	Name of Directors	Meeting held	No. of meeting attended
1	Ms. Nurun Nahar Karim, Chairman	28	28
2	Mr. Mohammad Ebadul Karim, Managing Director	28	28
3	Mr. Md. Niazul Karim, Director	28	28
5	Major M. A. Hussain (Retd.), Independent Director	28	6
6	Mr. Abdul Qader Siddiqui, Independent Director	28	5

### (b) Audit Committee Meeting

Sl. No.	Name of Directors	Position	Meeting held	No. of meeting attended
1	Mr. Abdul Qader Siddiqui	Chairman	4	3
2	Major M. A. Hussain (Retd.)	Member	4	4
3	Mr. Md. Niazul Karim	Member	4	4

### (c) Nomination & Remuneration Committee Meeting

Sl. No.	Name of Directors	Position	Meeting held	No. of meeting attended
1	Major M. A. Hussain (Retd.)	Chairman	1	1
2	Mr. Abdul Qader Siddiqui	Member	1	
3	Mr. Md. Niazul Karim	Member	1	1