

BBFL-Comments On Draft Prospectus

1. In the prospectus it is claimed that Line II is projected to run at approximately 40% capacity during its first year of operation. Please specify the contracts/ agreements with customers? Please provide the concrete basis on how the 40% target will be achieved.

The basis for capacity utilization computations are based on our comprehensive sales and production forecasts for the next year. These forecasts are made as part of the feasibility studies and subsequently updated as per the demand of respective products and market size. The pharma is a prescription business where except for institutional tenders, as mentioned in the prospectus section 3.12, there can be no contractual arrangements for any products. The prospective orders are primarily based on the prescriptions generated by the healthcare practitioners and based on the legacy of the Company coupled with deep penetration by the parent company, management is confident that projected forecasts will be met. Further, agreement with retail pharmaceutical distributor is already in place.

2. The utilization of IPO Proceeds of 674 mn is not very clear. The exact purpose is confusing when read in detail in corresponding paragraphs, please provide breakup of 674 mn utilization for working capital for the purchase of Raw and Packing Materials.

Breakup of Rs. 674 million has been added in the said section i.e. 4.3.2.3

3. What are the timelines for PIC/S certification, when it will be completed and what revenue/order it will bring? Is PIC/S a matter of spending money and getting certification? Or there could be rejection?

The timelines are duly mentioned in section 4.3.2.2. Further, through PIC/S certification, various exporting avenues are opened to member PIC/S countries, details of which can be assessed at <https://picscheme.org/en/members>.

The likely chances of failure are very remote, as during COVID-19, we exported Remdesivir to PIC/S regulated markets like Indonesia, Ukraine, Philippines etc and we had a desk review by the regulators from these markets. Post supply of medicines in these regulated markets, there were no complaints received which shows the quality of operations of the Company. The receiving of voluntary licensing from Gilead Sciences at par with five Indian companies also evidences the quality of operations of the Company. Therefore, the chances of rejection are very remote. However, in case there is a rejection, normally, they give a workable action plan on which Company has to comply and certification is thereafter issued.

4. Why is sales of 2 billion related to covid medicine not the same throughout the prospectus? Some places it is written as 1.3bn, further, why profit pertaining to such sales is not reflected in respective year profits?

The Rs. 1.3 billion are export sales mentioned in section 3.1. Whereas the Rs. 2 billion sales are total sales (which includes the local Remdesivir sales, made in Pakistan) as mentioned in section 3.1. The same has been explained in said section as well.

5. Please provide more detail on Equity portion of convertible loan

The equity portion is merely an accounting treatment, which is used on recognition of convertible loan (i.e. a loan, which carries an equity conversion option). The said accounting treatment was done to account for the convertible loan obtained from Karandaaz Pakistan (as mentioned in section 3.1) for financing of brownfield expansion of the Company.

6. Debt reduced from 164% to 122%, how it is paid during 9 month while having corresponding payment impact not reflected in cash flow and profits.

The repayments do not have any impact on the profits and operating cashflows. Operating cashflows are the cashflows which a business purely generates from its activities. The repayments are classified under the cashflows from financing activities and it has been paid from the Company's own sources.

7. Why sales of related parties became high in 2023 & 24 while corresponding impact is not in sales. There has been growth in revenue, please recheck the section 2.8

8. Why not related party disclosure is not comprehensive, consider the relation establish through common directorship
There have been no transactions with the companies under common directorship, except as disclosed in section 2.11. However, details of companies under common directorship have been mentioned in section 3.21

9. The products mentioned in the list of BF products do not match with types of products produced by Line-1/Line-2, please explain the rationale?

The details of existing and new products have been mentioned in multiple sections, including section 3.1 "heading existing portfolio, new pipeline" and section 3.11. The sub-section 8 of the section 3.11 clearly shares the details that are proposed to be launched from Line II platform.

10. Why not solar usage pricing is not captured in related party, considering 1 MW is related to FLL and utilised for BF

Solar pricing is duly captured in related party transactions table, under the heading of expenses reimbursement. FLL only provides excess production (if any) to BF at the net metering rate of electricity, whereas BF provides generators backed electricity in case of load shedding/power cut from the national grid at the average cost of its production generated through its diesel generators. On quarterly basis, the net adjustments are made.

11. Copies of special resolution passed are not part of Articles of association. Clauses mentioned in AOA related to share split is in contradiction with Companies act,

Copies of special resolutions are not made part; the said copy is only filed with the commission for approval purpose. The MOA is duly updated and reflects the revised number of shares. Please see the page 5 of the MOA.

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Comment # 1:

Page 19, section 2.1:

Pre and Post Expansion Capacity of Plant:

Currently Line I is operating at maximum installed capacity, while Line II is projected to run at approximately 40% capacity during its first year of operation. The details of capacity of the plants are outlined below:

Fill Size	Pre-Expansion - Line I (Units)	Post-Expansion - Line II (Units)
Liquid Filling Line - Daily Capacity:		
2 ML	45,000	192,000
30 ML	4,500	50,000
Lyophilizer Line - Daily Capacity		
2 ML	17,000	200,000
30 ML	4,500	50,000
Pre-filled Syringes - Daily Capacity		
0.5 ML	15,000	50,000

Comment:

To improve clarity in this section of the prospectus, it is essential to provide a comprehensive overview of the capacity details, both before and after the expansion. Firstly, there should be clarification of whether the Line II is being added after the expansion or the Line II already exists, but it's not working under full capacity. If the Line-II already exists then the section lacks the mention of the Pre-Expansion capacity for Line II, the total capacity before expansion, and the total capacity enhancement after the expansion.

To address these issues, it is recommended that the table be revised to include the following columns:

1. **Pre-Expansion – Line II:** This column should specify the production capacity of Line II before the expansion, offering a clear reference point.
2. **Total Capacity (Pre-Expansion):** This column should reflect the total production capacity of all lines before the expansion, providing a baseline for comparison.
3. **Total Capacity (Post-Expansion):** This column should show the total production capacity of all lines after the expansion, highlighting the overall enhancement.
4. **Total Enhancement:** This column should quantify the increase in total capacity as a result of the expansion, clearly indicating the added production capabilities.

By including these columns, the table will offer a complete and transparent overview of the production capacity at each stage of the expansion, making it easier for stakeholders to understand the scope and impact of the project.

Status: The table in section 2.1 has been duly amended to reflect changes. Further, Line II has been newly installed and there was no previously available capacity of Line II as referred in point 1. Further, the full capacity as mentioned in Line II column reflects the new capacity addition.

Comment # 2:

Page 19, 20, & 25:

2.4. PRE AND POST ISSUE SHAREHOLDING OF THE SPONSOR

Post IPO, the Equity Capital Structure, Shareholding pattern and Dilution is provided in the table below:

Shareholder	Current Shareholding		Post-IPO Shareholding	
	Number of Shares	% Holding	Number of Shares	% Holding
Sponsor				
Ferozsons Laboratories Limited	50,666,667	80%	50,666,667	57.36%
Public Offering	-	-	25,000,000	28.30%

3. OVERVIEW, HISTORY AND PROSPECTS

3.1. COMPANY HISTORY & OVERVIEW

Name	BF Biosciences Limited
Incorporation Number	0054065
Date of Incorporation and Place	24 th May 2006, Rawalpindi
Date of Commencement of Business	1 st July 2009

BF Biosciences Limited ("the Company" or "BFBL") was incorporated on 24 February 2006 as an unlisted public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was incorporated pursuant to signing of an agreement between Ferozsons Laboratories Limited, Pakistan ("the Parent Company") and Grupo Empresarial Bagó S.A, ("Bago") for setting up a Biotech Pharmaceutical Plant ("Line I") to manufacture mainly Hepatitis and Oncology related medicines. Initially, the Company started import of finished products from Bagó, but subsequently, the Company commenced local manufacturing of biological medicines from FY 2009, which led to significant import substitution.

Comment:

Section 3.1 clearly states that the company was incorporated following an agreement between Ferozsons Laboratories Limited, Pakistan ("the Parent Company") and Grupo Empresarial Bagó S.A. ("Bago"), making Grupo Empresarial Bagó S.A. a key strategic investor.

However, Section 2.4 of the prospectus fails to disclose the details of the remaining 20% pre-issue shareholding and 14.34% post-issue shareholding, which is held by Grupo Empresarial Bagó S.A. This omission creates a lack of transparency and introduces ambiguity around the pre-issue and post-issue shareholding structure, potentially leading to confusion for investors.

Status: The section 2.4 has been updated.

Comment # 4

- Page # 31:

3. Expanding Product Portfolio

BFBL aims to boost revenue by expanding its product line with key molecules, such as Insulin, Semaglutide and Carboxy Maltose, targeting Pakistan's diabetic and obesity markets respectively. Semaglutide addresses diabetes and long-term obesity management, with a market size of PKR 1.5 billion and unit growth of 100%. With local manufacturing of Semaglutide, BFBL aims to overcome affordability and availability barriers associated with imported products.

Additionally, BFBL's inclusion of Carboxy Maltose, strategic filing and imminent launch of additional molecules under priority review by DRAP, including Acyclovir, Azithromycin, and others, underscores its proactive approach to diversifying and expanding its product offerings. These initiatives are anticipated to broaden BFBL's market presence and reinforce its revenue streams across various therapeutic areas.

S. No.	Molecule	Status
1	Acyclovir	Approved by DRAP in June 2024
2	Azithromycin	Approved by DRAP in June 2024
3	Water For Injection	Approved by DRAP in June 2024
4	Tramadol HCl	Approved by DRAP in June 2024
5	Voriconazole	Approved by DRAP in June 2024
6	Ondansetron HCl	Approved by DRAP in June 2024
7	Ferric Carboxymaltose	Approved by DRAP in June 2024
8	Ketorolac Tromethamine	Approved by DRAP in June 2024
9	Iohexol	Approved by DRAP in June 2024
10	Tirofiban HCl	Approved by DRAP in June 2024
11	Heparin sodium	Under priority review

Comment:

In this section of the prospectus, while explaining the demand of Semaglutide they have quoted a market size which lacks any source.

There should be clear and reliable sourcing of such material information in the prospectus, since it may directly affect the decision of a potential investor. Proper citation ensures credibility and transparency, which are critical for potential investors

Status: The source is from IQVIA data, which has been mentioned in the said section. Further, for reference, the screenshot relating to IQVIA data for Semaglutide is enclosed below. As of current IQVIA data, the market size has been further increased to Rs. 2.2 billion.

ATC II ABBR	ATC II DESC	MAT ~ 06/2024
ATC III ABBR	ATC III DESC	LC-Rs
MOLE ABBR	MOLE DESC	RUPEES
A10	DRUGS USED IN DIABETES	64,050,839,859
A10S	GLP-1 AGONIST A-DIABS	2,262,827,299
510777	SEMAGLUTIDE	2,180,787,474
OZEMP	OZEMPIC N-N	2,180,787,474
PE00040003	OZEMPIC PEN PRE FILL 4MG 3ML	1,156,833,178
PE000201.5	OZEMPIC PEN PRE FILL 2MG 1.5ML	1,023,954,296
900022	LIRAGLUTIDE	61,752,025
VICTO	VICTOZA N-N	61,752,025
PE00060003	VICTOZA PEN PRE FILL 6MG 3ML	61,752,025
724333	DULAGLUTIDE	20,287,800
TRULI	TRULICITY LLY	20,287,800
PE01.5x4	TRULICITY PEN PRE FILL 1.5MG 0.5ML 4	20,287,800

Comment # 4

Page # 45 & 46

3.12. END USERS OF THE PRODUCTS

The Company operates on Business to Customer, Business to Business and Business to Government Model. In Business to Customer model its products are distributed through Muller & Phipps Pakistan. In its Business-to-Business model it provides its products to well reputed private hospitals directly or through regional distributors and in its Business to Government model it provides pharmaceutical products to Government through tendering process.

The company actively participates in government tenders and as of June 30th 2024, following tenders have been opened for the next financial year i.e. FY 2024-2025 and the tentative value of these tenders is as follows:

Name of the Institution	Awarded*	Successful*	Grand Total
DGP (Army)	121,489,880	-	121,489,880
Holy Family Hospital	-	4,156,000	4,156,000
PESSI	-	4,713,793	4,713,793
Lahore General Hospital	-	32,269,000	32,269,000
FMU Allied /DHQ Hospital	-	83,555,560	83,555,560
Children Hospital	-	10,148,000	10,148,000
Faisalabad Institute of Cardiology	-	42,721,425	42,721,425
Sheikh Zayed Hospital	-	85,871,500	85,871,500
Shaukat Khanum Memorial Cancer Hospital	5,335,600	-	5,335,600
Total	126,825,480	263,435,278	390,260,758

**Awarded means where the award letter has been issued, while "Successful" means where the tender has been opened and company is declared successful but issuance of award letter is in process.*

Comment:

In section 3.12. the term "Awarded" & "Successful" should be clearly defined in a proper manner. Additionally, the process of issuing an award letter should be explained in detail i.e. who is the issuer and the other stakeholders in it. In order to define the terms in a proper and clear manner for the clarity of the investor, it can be stated in the following manner:

Awarded* Indicates that the award letter has been officially issued.

Successful** Refers to the situation where the tender has been opened, and the company has been declared successful, but the award letter is still in the process of being issued.

These definitions should also be reflected in the table, with "Awarded*" indicating where the award letter has been issued, and "Successful*" denoting cases where the company has been declared successful but is awaiting the issuance of the award letter.

This approach ensures that investors fully understand the terms and the status of the tender process.

Status: The said section has been duly updated.

Comment # 5

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3.17.2. MNC’s Exit

The recent exit of MNCs in the Pakistani retail pharma market creates a unique opening for local companies to expand their market share rapidly. Retail pharma market in Pakistan is approximately valued at Rs. 850 billion, with a growth of 20% and four years CAGR standing at 17%. National companies hold 75% of the market while 25% share is with the MNCs. With MNCs holding only 25% of the market share, local businesses have ample room to capture the void left behind. By leveraging their understanding of local preferences, innovating in product offerings, and building on existing customer trust, BFBL can establish itself as a dominant player and drive further growth in the industry. BFBL is in negotiation with few potential partners for launch of select vaccines including Hepatitis B, Tetanus Toxoid etc. in a phased manner as a medium-term strategy.

Comment:

In this section of the prospectus, while explaining the retail pharma market there is lack of sourcing in explaining the market size, its growth, 4 years CAGR, and the market share of National companies and MNCs.

There should be clear and reliable sourcing of such material information in the prospectus, since it may directly affect the decision of a potential investor. Proper citation ensures credibility and transparency, which are critical for potential investors.

Status: The source has been amended in the relevant section.

Comment # 6:

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3.16. DETAILS OF MATERIAL PROPERTY

The main production facility, situated at 5 KM Sunder Raiwind Road, Lahore, comprising of land, buildings, and plant & machinery, represents the company's primary property, with no other major holdings.

S. No.	Particulars	Ownership status	Date of Acquisition	Usage	Location	Total Area
1	5 KM Sunder Raiwind Road	Owned	8 th June 2016	Production Plant	Lahore	16 Kanals 10 Marlas

Comment:

This section lacks clarity regarding the type of property, specifically whether it is leasehold or freehold. To address this, an additional column should be included to clearly specify the

property type, ensuring transparency and providing essential information for potential investors.

Status: The has been added in said section

Comment # 7:

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3.15. INTELLECTUAL PROPERTY RIGHTS

The table below provides a snapshot of trademark filings and regulatory statuses for various products associated with BFBL. This diligent management of trademarks and regulatory compliance underscores BFBL's commitment to product integrity, market readiness, and legal protection in the pharmaceutical industry.

Number	Trade Mark	Current Status	Application Date	Registration Date
278358	BF Biosciences	TM-12 Filed	09 th Feb 2010	17 th Apr 2013
284976	Ferulin	TM-12 Filed	16 th Jun 2010	17 th Apr 2013
284978	INF	TM-12 Filed	18 th Jun 2010	17 th Apr 2013
284979	PEG-INF	TM-12 Filed	18 th Jun 2010	17 th Apr 2013
284980	Biomab	TM-12 Filed	18 th Jun 2010	17 th Apr 2013
284981	Rebion	TM-12 Filed	18 th Jun 2010	17 th Apr 2013
284982	PEG Filgen	TM-12 Filed	18 th June 2010	17 th Apr 2013
531792	Noxane	TM-12 Required	18 th Apr 2019	23 rd Jun 2023
573409	Remidia	TM-12 Required	06 th Jul 2020	23 rd Jun 2023
230496	Novapressin	TM-12 Required	18 th Dec 2006	18 th Dec 2016
629655	Eterna	Certificate Awaiting	31 st Aug 2021	Pending
629657	Meritus (Logo)	Certificate Awaiting	31 st Aug 2021	Pending
629658	Filgen (Logo)	Reply Filed	31 st Aug 2021	Pending
570472	Omega	Evidence Completed by both sides	09 th Jun 2020	Pending
570809	Esomega	Evidence Completed by both sides	11 th Jun 2020	Pending

Comment:

This section of the prospectus is missing details on the awarding bodies for each trademark. To enhance clarity, an additional column should be added to specify the awarding body for each trademark, ensuring that all necessary information is clearly presented.

Status: The has been added in said section

Comment # 8:

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Regional Disparity:

While the global pharmaceutical industry has experienced rapid growth and emerged as one of the world's fastest-growing sectors, production and consumption remain unevenly distributed worldwide, with developed countries leading as both producers and consumers of pharmaceuticals. By 2025, the global market is anticipated to exceed USD 1.7 trillion, with the United States and China together commanding more than half of the market share. North America maintained its dominance in the global pharmaceutical sector in CY 2023, capturing approximately 45.3% of the market compared to 33.8% in the preceding year. This leadership position can be attributed to substantial healthcare spending and robust Research & Development capabilities. USA dominates in pharmaceutical market due to higher patient access to innovative medicines. Meanwhile, the Asia-Pacific region, encompassing countries such as China, Japan, and India, secured a market share of around 24.0% in CY 2023 up from 20.0% previously. Growth in this region is driven by rising incidences of chronic diseases and improved healthcare accessibility in rural areas. The Asia-Pacific region has retained its second position with a 24% market share in CY 2023. Latin America and the Middle East and Africa (MEA) has maintained 8% and 3% shares, respectively, of the global pharmaceutical market in CY 2023.

Comment:

In this section of the prospectus, while explaining the regional disparity market there is lack of sourcing in explaining the global pharmaceutical market.

There should be clear and reliable sourcing of such material information in the prospectus, since it may directly affect the decision of a potential investor. Proper citation ensures credibility and transparency, which are critical for potential investors.

Status: The has been added in said section's foot note.

Comment # 9:

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3A (iv) Shares Issued in Preceding Years

No shares have been issued in the preceding years since the incorporation of BFBL.

Comment:

According to the prospectus, the par value of the share is Rs. 3, which initially should have been Rs. 10. This shows that there is a probability of a potential stock split that has occurred previously, which has not been disclosed in the relevant section(3A(iv) Share Issued in Preceding Years).

Status: The same has been mentioned in said section.

Comment # 10:

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3.23. RELATED PARTY TRANSACTIONS

Related party transactions are incurred in ordinary course of business only, and these are duly disclosed in financial statements. Transactions entered with related parties are as follows:

Name	Relationship	Nature	FY 2021	FY 2022	FY 2023	9MFY 2024
			(PKR Mn)	(PKR Mn)	(PKR Mn)	(PKR Mn)
Ferozsons Laboratories Limited	Parent Company	Purchase of medicine	59.4	186.8	437.9	577.8
		Payment made against purchase of medicine	59.4	186.8	437.9	577.8
		Short term borrowing extended by FLL	-	-	170.0	-
		Short term borrowing repaid to FLL	-	-	170.0	-
		Expenses incurred by the Company on behalf of FLL – net	8.9	-	46.1	49.0
		Receipts received from FLL – net	-	-	44.8	0.3
		Receipts received by the Company on behalf of FLL - net	-	0.25	1.3	48.7
		Sale of medicine - net of returns and- discounts	8.9	7.8	23.6	0.83

Comment:

As disclosed in Section 3.23, Ferozsons Laboratories Limited has had ongoing transactions with BFBL, serving as both vendor and customer. However, in Chapter 5 of the prospectus, titled "Risks," there is no mention of the risk of concentrated sales, despite approximately 40% of sales in 9MFY24 being directed to the parent company, Ferozsons Laboratories Limited. Additionally, the parent company (FLL) is a key supplier of raw materials and a major purchaser. The omission of these details in the risk section raises concerns about the potential risks associated with this concentration of sales and dependency, and it should be thoroughly addressed to provide investors with a complete understanding of the risks involved.

Status: The sub-section of section 5 of risks has been updated, which is titled as Vendors and Customers Concentration Risk.