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***“Underlying relationship between working capital management and profitability- A case study on GlaxoSmithKline Bangladesh Ltd.”***

Internship Supervisor

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Submitted by :

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## Letter of Transmittal

To

Ahmed Abir Chowdhury

Lecturer

BRAC Business School

BRAC University

**Subject:** Submission of Internship report titled “Underlying relationship between working capital management and profitability- A case study on GlaxoSmithKline Bangladesh Ltd.”

Dear Sir,

With regard to complete the requirement of three months internship program, I herewith submit the report entitled “Underlying relationship between working capital management and profitability- A case study on GlaxoSmithKline Bangladesh Ltd.”

It has been a great enriching experience to work in my assigned organization for last three months. I have thoroughly educated myself throughout my internship tenure and prepared this report in order to provide a perceptible observation on this issue. However, in foreseeable future I will like to work further on this topic to achieve a clearer conclusion.

I would humbly express my gratitude for your kind support and continuous guidance for completing my report. It would be my pleasure if you find my report useful for any educational and professional purposes. I hope you find this report satisfactory and feel free to contact me if any further inquiry is required.

Thankfully,

Shamma Nafisa

## Acknowledgement:

Firstly, I would show my sincere gratitude towards Almighty Allah for giving me the ability and strength to complete the report successfully within the due time. I would like to express my deepest appreciation towards the people who have given me their valuable time and effort to make the successful completion of my internship report possible.

I would always be deeply indebted to my Internship Supervisor, Ahmed Abir choudhury, Lecturer, BRAC Business School, for his immense support during my organizational placement over these three months.

I would like to thank my Line Manager, Fakhruddin Mahmud, Marketing and Trade Finance Manager, GlaxoSmithKline Bangladesh Ltd., for constantly giving me the support and necessary resources in order to complete my report successfully.

Successful completion of my internship report would not have been possible without the support and cooperation of my fellow colleagues in GlaxoSmithKline Bangladesh Ltd. I would humbly acknowledge their contributions. Last but not the least; I would appreciate the support of my friends and family while working on this report throughout this last three months.

## Executive Summary:

This study aims to investigate the underlying relationship between working capital management and profitability in GlaxoSmithKline Bangladesh Ltd. Working Capital can be found by subtracting current liabilities from current assets. The purpose of this report is to determine the management of working capital by the company in terms of cash, inventory period, receivable period and payable period management and its overall influence on the profitability of the organization.

This study begins with the objective of the study and the methodology. The report entails the analysis of 5 years data of GSK commencing from the year 2012 to 2016.

Previously researchers have found that the failure or success of any business heavily depend on the efficient management of working capital performed by the administration. The objective of the study is to investigate the previous studies and find the correlation with this paper.

Following to the objective the general company overview with its operational structure has been given. Reportedly In the fiscal year 2013-14 GSK made more than 24 crores taka as Net Profit. They believe in higher utilization of short term financing hence follow aggressive WCM policy. Inventory conversion period has been used to determine the inventory management performance. The time gap between collecting money from the creditors is very reasonable. The organization tries to delay the accounts payable as much as possible. GSK makes the payment to debtors within 256 days of time.

Analysis of the collected secondary data has been given at the end. Descriptive, ratio analysis of the variables with proper interpretation has been included in the study for a clearer understanding on the issue. The relationship between profitability and working capital components has been deducted from the analysis. The analysis reflects that there is a negative relationship between profitability and receivable period whereas other variables are positively related. Last but not the least, findings and conclusion chapter bring the end of the report with a summary of the results found through quantitative analysis

## Contents

Letter of Transmittal .....	2
Acknowledgement: .....	3
Executive Summary:.....	4
Introduction: .....	7
Objective of the study:.....	9
Specific Objective: .....	9
Research Hypotheses:.....	9
Scope of the study: .....	9
Methodology:.....	10
Type of Research:.....	10
Research Method:.....	10
Sources and Method of Data Collection .....	10
Primary Data: .....	10
Secondary Data: .....	11
Limitations of the study: .....	11
Organizational Overview:.....	11
Global Operation's of GSK: .....	12
Internship at GSK .....	13
Organogram of Sales and Trade Finance Department: .....	14
Infrastructure: .....	16
Research:.....	19
Introduction: .....	19
Factors for determining the amount of working capital needed .....	20
○ Nature of business .....	20
○ Size of the business unit.....	20
○ Terms of purchase and terms of sale.....	20
○ Turnover of inventories .....	20
○ Process of manufacture .....	20
○ Importance of labor .....	20
○ Availability of profit.....	20

Factors Affecting Working Capital: .....	21
Significance of WCM: .....	21
Working Capital Cycle: .....	21
Mechanism of Working Capital Cycle: .....	22
Approaches of WCM: .....	23
Types of WC: .....	23
Literature Review:.....	23
Indicators for assessing working capital management.....	25
Inventory turnover period .....	25
Days sales outstanding.....	26
Days Payables Outstanding.....	27
Cash Conversion Cycle .....	28
Current Ratio.....	29
Quick Ratio .....	29
Debt Ratio .....	30
Research designs and findings .....	30
Conclusion:.....	31
References: .....	33

## Introduction:

The Pharmaceutical industry is considered as one of the most dynamic and technologically advanced industries in Bangladesh. Pharmaceutical industry has enjoyed a protection from external competition as Imports are restricted for locally manufactured drugs. Promulgation of Drug Control Ordinance in 1982 led the local companies' road to spectacular growth and strong market presence. However this consistent growth of local pharmaceuticals put MNC's in an adverse situation. Around 231 companies in this sector hold almost Taka 765000 Million per year throughout the entire market. Around 150 companies are there in the pharmaceutical market. 85 percent of the revenue comes from 20 companies. About 90 percent of market share is controlled by local manufacturers dominate the industry while multinationals hold 10 percent. Local manufacturers dominate the industry by controlling 90 percent of the market share while multinationals hold 10 percent. After fulfilling the local market demand industry is also trading beyond the board. 97% of domestic demands are satisfied by Bangladeshi pharmaceutical industry rest 3% of drugs are imports. In terms of employability pharmaceutical industry is the second largest white collar intensive employment sector after garments.

Bangladesh produces around 450 generic drugs for 5300 registered brands with various forms of dosages and strengths. There is 117- controlled category and 333- decontrolled category. The total growth of pharmaceutical industry stands at \$1.13 billion in terms of value. Less imports and facilitation of Drug Control Ordinance 1982 made this massive growth possible. Bangladesh pharmaceutical industry mostly generates high-quality and affordable generic medicines. 85 percent of the drugs sold in Bangladesh are generic and rest 15 percent are patented drugs.

Square, Incepta Pharma, Beximco, Oposnin Pharma, Eskayef, Renata, A.C.I, Aristopharma, Drug International, Sanofi Aventis, and Glaxo SmithKline are the principal companies of pharmaceutical industry of Bangladesh. According to export.gov, the top ten medicine producers by share of market revenue are as follows: Square (19 percent), Incepta (9.5 percent), Beximco (9 percent), Oposnin (5 percent), Renata (4.9 percent), Eskayef (4.7 percent),

ACI (4.3 percent), ACME (4.1 percent), Aristopharma (4 percent), and Drug International (3.7 percent). The market share of GSK among different companies is mentioned below:

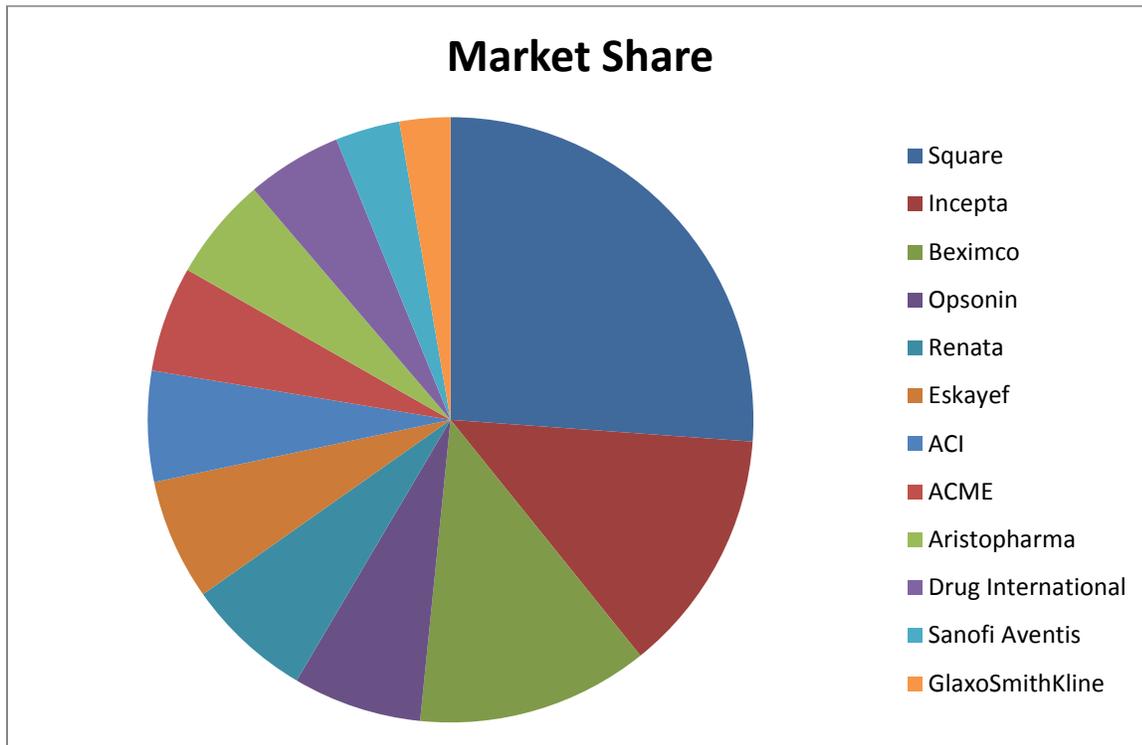


Figure: Market share of GlaxoSmithKline Bangladesh Limited amid other pharmaceuticals

GSK Bangladesh Limited started its operational journey as a subsidiary of Glaxo SmithKline Private Limited Company since 1967. GSK plc is one of the world’s leading science-led pharmaceutical and healthcare companies with a promise to make a difference in community. With relentless effort of around 1000 personnel working all over the country, GSK manufactures both pharma and consumer health care product in Bangladesh. In order to improve the quality of human life in Bangladesh, it is currently offering a 66 wide range of pharma products and 16 consumer products to the Bangladeshi market. GSK Bangladesh has already ascertained the 12th position among other pharmaceutical companies in this country, by continuously maintenance of high ethical standards strengthened with improved quality assurance system and advanced technology.

## Objective of the study:

This report intends to analyze the underlying relationship between working capital management and profitability of GSK Bangladesh Limited.

### **Specific Objective:**

In order to validate the general objective of the study the following relationships are of high importance.

1. To Study if there is any significant relationship between Inventory Conversion Period (ICP) and Profitability of GSK.
2. To assess the significance of the relationship between Average Collection Period (ACP) and Profitability of GSK.
3. To evaluate the relationship between Average Payment Period (APP) and Profitability of GSK.
4. To determine the existence of any considerable relationship between Cash Conversion Cycle (CCC) and Profitability of GSK.

### **Research Hypotheses:**

1. There is no significant relationship between the Average Collection Period and the Profitability of the firm.
2. There is no significant relationship between the Inventory Turnover Period and the Profitability of the firm.
3. There is no significant relationship between the Average Payment Period and the Profitability of the firm.
4. There is no significant relationship between the Cash Conversion Cycle and the Profitability of the firm.

## Scope of the study:

The scope of the study is restricted to the financial information derived from the annual reports of GSK Bangladesh Limited and analysis of financial performance of the respective company.

## Methodology:

### **Type of Research:**

Quantitative research has been implemented to conduct this study. The research is designed to determine the relationship of working capital management and profitability of GSK by using causal-comparative approach.

### **Research Method:**

Empirical evidence has been gathered from direct and indirect observations. Hence the research was mostly conducted through empirical review method. Resources like information from annual reports and journals were equally used. In addition to this, discussions with managers and employees have given better insight in order to have a clearer understanding on this matter.

## Sources and Method of Data Collection

To analyze the underlying relationship between working capital management and profitability this report has utilized both the primary and secondary data. Primary data has been used to analyze the real practices done in GSK and secondary data has been included to see the link between working capital management and profitability.

### **Primary Data:**

#### Face to Face Interview:

Interviews of current employees and the Finance and Trade manager were carried out to know the overall process and operations. Open ended questions were the instruments for data collection.

#### Observation of Day to Day Processes:

Personal observation of daily work and operation was a great source of real time learning and understanding about the company.

## Secondary Data:

The following sources were used for secondary data:

- Annual reports
- Journals

## Limitations of the study:

- Time constraint was a crucial barrier in order to collect data and information. I was appointed at GSK Bangladesh Limited for only three months. This tenure of work was not adequate enough to understand the operations and work procedures.
- Limited access to information and unavailability of secondary data were restraining. Due to this issue, proper deduction of the report was hampered.
- Reluctance of the respondents to provide with the information due to the confidentiality concern.

## Organizational Overview:

GlaxoSmithKline (GSK) is a world's pioneering study based pharmaceutical company with a dominant combination of skills and resources that provides a platform for delivering strong growth in today's rapidly changing healthcare environment and ever changing saturated market. GlaxoSmithKline – one of the world's most promising research-based pharmaceutical and healthcare Companies – is committed to improving the quality of human life by facilitating people to do more, feel better and live longer. It provides significant information to identify and analyze the market need, market size and competition. It is the only British organization in the world's top 20 pharmaceutical companies. Subsidiary companies are established over 50 countries of the world many with their own manufacturing facilities and the group have agency representation in more than 100 offices. GSK has leadership in four major therapeutic areas anti-infective, central nervous system (CNS) and respiratory & gastrointestinal metabolic. In addition it is a leader in the important areas of vaccines and has growing portfolio of oncology products. GSK supplies products to 140 global markets and has over 100,000 employees worldwide. GSK has 180 manufacturing site in 41 countries. In Bangladesh it started its journey

back in 1967. Since its beginning GSK Bangladesh is conducting its operations in three business areas guided by GSK values and performed by 1000 personnel.

### The Spirit of GSK:

**Mission:** Improve the quality of human life by enabling people to do more, feel better and live longer.

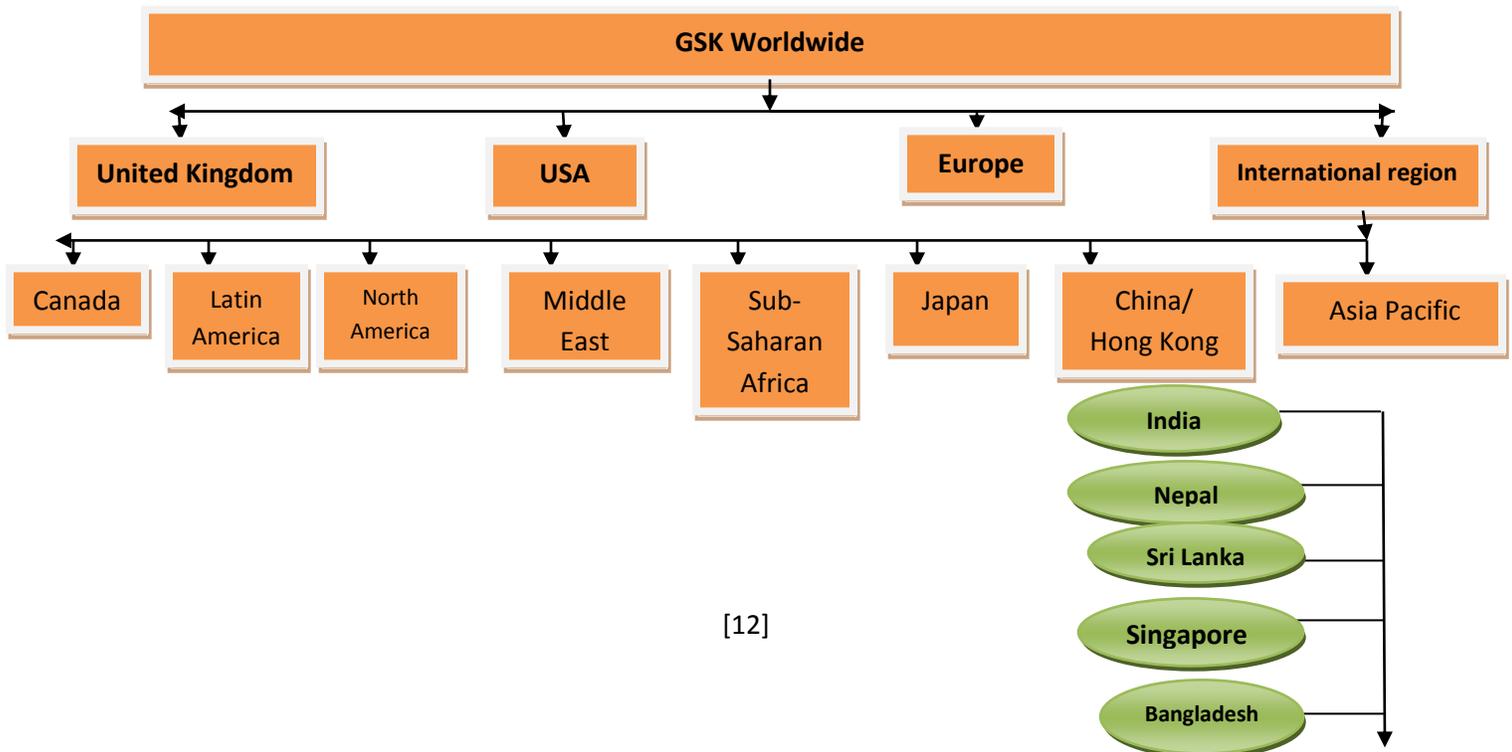
**Vision:** The opportunity to make a difference to millions of lives every day.

**Values:** Transparency, respect for people, integrity, patient focus.

**Strategies:** Grow a diversified global business, deliver more product of value, simplify the operating model, individual empowerment and build trust.

### Global Operation's of GSK:

With a slogan of do more, feel better, live longer; GlaxoSmithKline (GSK) is a British multinational pharmaceutical organization with headquarter in Brentford, United Kingdom. GlaxoSmithKline is a worldwide organization with business activities in excess of 150 nations. The organization additionally has extended its operations in the US, with workplaces in Philadelphia, Pennsylvania, and Durham, North Carolina and different nations. It has a wide hub of 84 producing sites in 36 nations, and substantial research facilities around the world.



## Internship at GSK

**Tenure:** Three months (January 14 to April 14)

**Department:** Trade and Finance

**Line Manager:** Fakhruddin Mahmud, Marketing and Trade Finance Manager, Consumer Health Division, GlaxoSmithKline Bangladesh Ltd.

### Job Description:

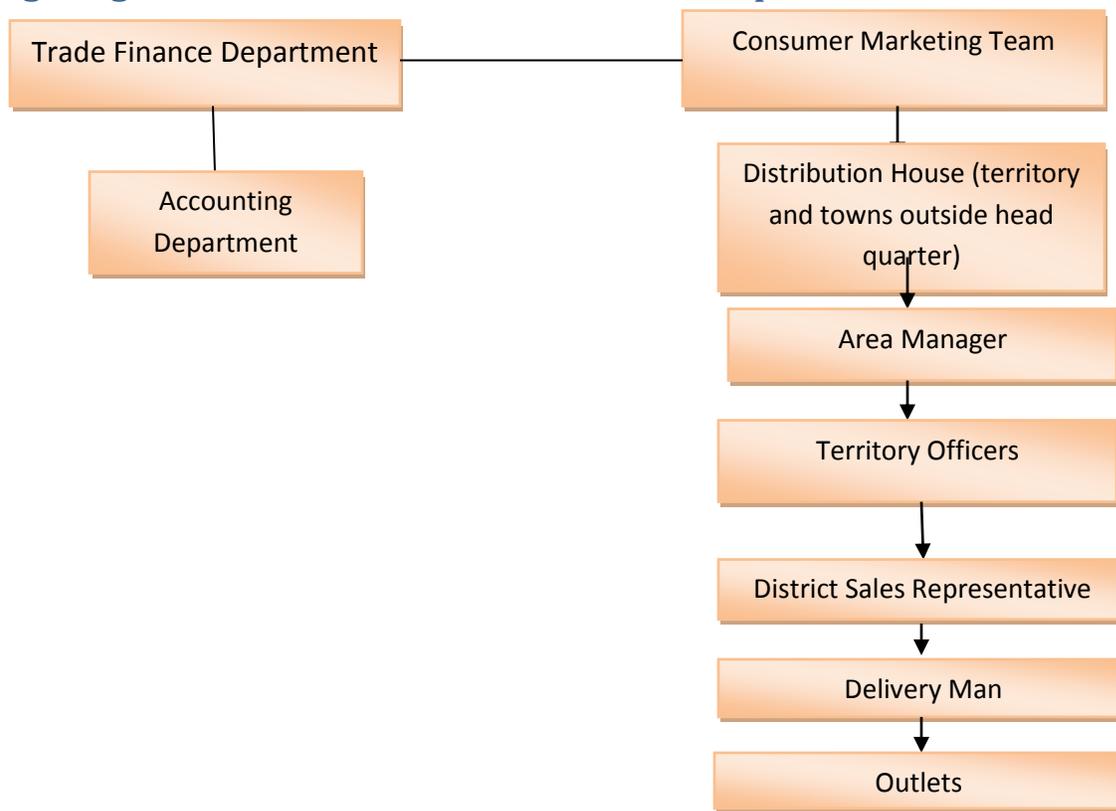
- Computation of necessary data as per modality
- Record maintenance of all the delivery man and sales representatives of each area
- Maintenance of claims and incentive reports of sales personnel and consumers
- Disbursement of the claims as per GSK's modality
- Assurance of the claims performed as per given target

### Responsibility:

Three months tenure of my internship at GSK Bangladesh Limited has taught me to a great length about the distribution channel and revenue collection along with cash disbursement. Being an intern of the trade finance department my responsibility was to make sure all the sale representatives have claimed appropriately according to company modality and assign the incentive payout to them depending on their report along with supporting detail. When all claims are scrutinized intricately then they were updated into the system for easier access to all the managers from all departments. All the claims needed to be verified for all the DSRs and DMs according to the sales modality. Additionally, proper reporting of monthly SDRs, updating of database and analyzing database with different quarters, different territories and for different products were parts of my daily responsibility. SDR& incentive reports were generated on a monthly basis and analysis was done according to the managers need. At times I had to manually rechecked claims from various outsourcing agencies. Apart from my regular departmental work, I have also stretched my hand for supporting the HR team during the increment review period. Working for accounting department was a part of my experience too.

I thoroughly came to know the claim management system of GSK Bangladesh Limited during last three months. My journey in GSK Bangladesh was inexplicably enriching in terms of genuine corporate experience also professional practices, although little clerical appointment made me feel unproductive at times. Nonetheless, this internship experience educated me in the truest sense.

### Organogram of Sales and Trade Finance Department:



#### Sales Department:

Sales team mainly creates the driving momentum for any of the brands of GSK. According to the company modality the Head of Sales along with his team determines the target and desired rates for each individual territory. More specific targets are set for each SKU called the Distribution Drives. The Distribution Drive (D1, D2, D3, D4) are for the products like Standard Horlicks, Junior Horlicks, Sensodyne Toothpaste and Glaxose D respectively. Metro, town outside head quarters (TOHQ) and rural areas are the three divisions of operational areas. Payout rates are set differently depending on different territories.

**Distribution House:**

After receiving the modality the area manager communicates them to his team of territory managers.

**Area Manager (AM):**

Area manager is the head of control of each region. Several territories results in an area. Keeping track of the all the sales in his territory and management of the stock destruction reviews (SDR) are the responsibilities of AM . AM also requires to be informed of the overall inventory status also the inventory destruction. The expired inventory database called the SDR. SDR are created by regional sales team which requires physical check and then undergoes disposal if required. The AM needs to notify the Head Office especially the Trade Finance Team before destroying any inventory.

**Territory Officer (TO):**

Responsibility of a TO is almost as similar as an AM, however comes with a smaller magnitude and lesser responsibility. One TO has to look after one single territory and report to the respective area manager. Managing sales in their territory, keeping track of SDR and sending collective report to area manager are their job responsibilities.

**Distribution Sales Representatives (DSR)/ Delivery Man (DM):**

DSR and DM mostly work under TO and give incentive and destruction report to the TO. All the DSRs and DMs carry out their sales responsibility as per the modality and distribution drive set by the Trade Finance Department operating from headquarter. If the target gets achieved they will receive their incentive as the rates set by the Sales Team. DSR and DM mainly supply the products to all the outlets in any territory and create supporting documents for the TO's to check like SDR, Darpon report etc.

**Trade Finance Team:**

Trade Finance Team does the most crucial task of validating the incentive approval and issuing the reported payout to the territorial agents like DSRs, DMs. All the documents of sales and SDR are being sent to the Trade Finance Team at the head office from all different territories after being checked by the Area Manager. In Trade Finance Team all the claims are being checked for

proper documentation, authorization. If all the representatives perform appropriately as per their targets, the DSRs and DMs get the approval for the claims they have sent and later the claims are sent to the Accounts Department for cash disbursement.

## Infrastructure:

There are four functioning departments in GSK:

- Finance
- Customer Marketing Team
- Sales
- General Management

Finance department and Customer Marketing Team altogether make the modality of different claims and incentives of distributors of GSK, sales target, and other plans. After finalizing the sales related planning by the CMT (Customer Marketing Team), the plan is sent to Finance Department for approval. Sales Department eventually receives the finalized and approved modality for sales planning, sales target for distributors and budgets for particular distributors. Sales Department implements the plans and directly connects with the distributors through Area Managers and Territory Officers. However the overall process is being observed by the general management.

Human Resource Activities:

Human resource department makes sure the talent pool is optimum for supporting the company's operations. It generally conducts the hiring procedure in the company. The main duty of this department is to recruit employees according to the requirement of the respective department, ensure the development of the employees through training and motivate the employees by providing desired performance appraisal rewards.

Technology Development:

The technology department makes sure all the procedures are being carried out in the desired manner and followed the right direction. Like most of other corporations the technological development falls under the IT department however in GSK most of the procedures are being outsourced. For instance, last year GSK initiated CERPS in their organization and for the

initiation of SAP software and training the employees; they outsourced an IT team with the help of GSK India.

Procurement:

Procurement department mainly manages the acquiring of materials from best possible place with better quality and lesser cost. Sometimes the consumer department procures materials like complementary products or value added supplements as a part of their promotional or marketing strategy. Raw materials for the all the products are being imported from India. So, the greater concentration is given on the complementary products as a part of GSK's giveaway strategies with the original product as offerings.

Primary Activities:

Inbound Logistics:

Receiving and storing materials are part of GSK's inbound logistics. These includes:

Collection services:

- Time taken for collection of material
- Request processing time

Plant information:

- Plant scheduling
- Plant capacity
- Proximity to plant

Operations:

The production of products or services by converting inputs into outputs is an operational activity. In GSK, three major factors are monitored by operations team:

- Quality of product as per global standard
- Customers' quality expectation
- Order fulfillment (From GSK to distributor)

#### Outbound Logistics:

During the process of delivering the goods to distributors' end, the following aspects are taken into consideration:

- Order fulfillment (Distributor to Retailer)
- On time delivery
- Inventory management
- Transaction management
- Reporting, reconciliation, audit, invoice trailing etc.
- No-Objection Certificate collection from distributors at the end of an accounting year

#### Marketing and Sales:

In GSK the marketing and sales departments are very closely related to one another. Sales team directly works with the outsiders like customers and distributors and gives feedback to the Marketing team for further development. Based on field data from Sales department, marketing department develops insights and creates brand propositions. While working in product extension and brand development, the marketing team considers the following issues:

- customer requirements and preferences
- value of GSK products among customers
- the Pricing of the products

#### Services:

Appointed distributors deliver the GSK products to its customers. GSK's distributors collect all the complaints and requirements of the customers from territories and send them to the higher management. That is how GSK runs its service through a very integrated channel of different parties.

The overall value chain management of GSK Bangladesh Limited has mentioned earlier. All the departments of the organization work in coherence to improve the overall work environment also to improve the operational activities.

## Research:

### **Introduction:**

Decision relating to working capital including cash, account receivable and inventory and short-term financing is referred to as working capital management. Usually the working capital is needed to strengthen the solvency, enhance goodwill, obtain loan easily, supply the raw material regularly and face business crises in emergencies such as depression. Proper planning and control of current assets and current liabilities in a manner to bring a balance between liquidity and profitability reflects the effective working capital management. The Goal of effective working capital management is to ensure that a company has adequate ready access to carry out the day-to-day operating expenses and involves managing the relationship between firm's short-term assets and its short-term liabilities.

Working capital management has a very significant role in every organization. To maintain the optimal balance between current assets and current liabilities various tools, approaches and techniques have been created in the past. Working capital management basically ensures the ability of the firm to support the divergence between the short term assets and short term liabilities.

Inventory management, management of accounts receivables and accounts payables are the mechanism of working capital management. The working capital ratio can be derived by division of current assets by current liabilities .The working capital ratio is the considered as a key indicator for efficient WCM. Working capital ratios of 1.2 to 2.0 are considered advantageous for any firm, but a ratio higher than 2.0 may indicate a company is unable to utilize its assets to increase revenues. A working capital ratio below 1.0 indicates that a company is having difficulty meeting short-term obligations, usually because of insufficient cash flow.

The collection ratio, also recognized as the average collection period ratio, refers to the fact that how resourcefully a company manages its accounts receivables. It is calculated as the number of days in an accounting period, such as one month, multiplied by the average amount of outstanding accounts receivables, with that total then divided by the total amount of net credit sales during accounting period. The collection ratio calculation provides the average number of days it takes a company to receive payment, in other words, to convert sales into

cash. It is considered that the lower a company's collection ratio, the more well-organized its cash flow.

The last element of to understand working capital management is inventory turnover ratio. The inventory turnover ratio is calculated by costs of goods sold divided by the average inventory costs. If the results are less than 1.0 then the company is not having enough inventories. By monitoring the inventory turnover ratio, companies normally calculate how efficiently the balance of inventory is being maintained. The inventory turnover ratio, can be considered as revenues divided by inventory cost, reveals how rapidly a company's inventory is being sold and renewed. A company must to carefully balances adequate inventory on hand to meet customer's needs while avoiding pointless inventory that ties up working capital for a long period of time before it is converted into cash, to ensure the maximum efficiency and maintain a high level of working capital . A comparatively low ratio reflects that the inventory levels are excessively high, while a relatively high ratio indicates the efficiency of inventory management can be improved.

## Factors for determining the amount of working capital needed

- Nature of business
- Size of the business unit
- Terms of purchase and terms of sale
- Turnover of inventories
- Process of manufacture
- Importance of labor
- Availability of profit

## **Factors Affecting Working Capital:**

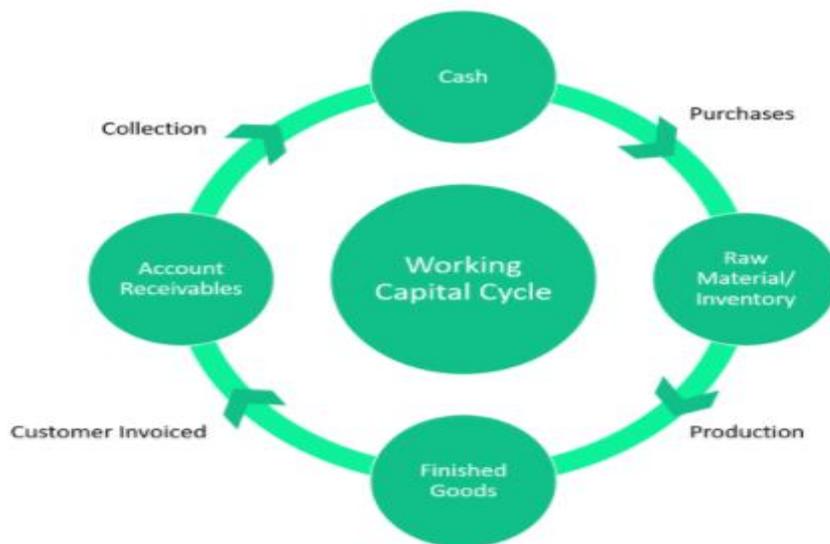
Amongst various factors the following variables affect the WC. The factors are nature of business, production policy ,credit policy ,inventory policy ,abnormal policy ,market condition, conditions of supply ,business cycle ,taxation policy ,dividend policy ,operating efficiency, price level changes, depreciation policy ,availability of raw material and so on.

## **Significance of WCM:**

- Ensuring sufficient liquidity
- Prompt and on time payments
- Provision of good credit history
- Assurance of regular dividend payment
- Smooth running of business operations
- Profitability with management of risk
- Chances of growth and development
- Increase in goodwill and better trade relationship

## **Working Capital Cycle:**

The below figure shows a characteristic working capital cycle. Raw materials are purchased with cash. After conversion of raw materials to finished goods, they are being sold to customers for usually a credit period. Eventually the customer makes the payment in cash from the cycle repeats.



The purpose of WCM is to forecast, control and management of working capital. The duration of working capital may differ considering the nature of business. The duration of working capital cycle for the purpose of estimating working capital is equal to the sum of duration of each of above events less the credit period allowed by the suppliers.

### **Mechanism of Working Capital Cycle:**

By using the following formulas the WCC can be derived:

Raw Material Shortage Period = Avg. stock of raw material / Average cost of raw material consumed per day

WIP Holding period = Avg. WIP inventory / Avg. cost of production per day

Finished goods storage period = Estimated production / 360 days

Finished goods storage period = Avg. stock of finished goods / Avg. cost of goods sold per day

Debtor Collection Period = Avg. Debtors / Avg. cost of goods sold per day

Payable collection Period = Avg. rate credit / Avg. credit purchase by day

## **Approaches of WCM:**

- Conservative approach : the conservative strategy involves low risk and low profitability
- Aggressive approach: It maximizes profits while taking higher risks.

## **Types of WC:**

- Gross and Net Working Capital
- Permanent Working Capital
- Variable Working Capital

## **Literature Review:**

This section tells us about how a firm's economic performance is affected by Working Capital Management (WCM). It first gives an overview of Working Capital (WC), followed by defining what WCM is. The summary of the literature review as well as the results of the major studies are also present in this section. The knowledge gap that was found after conducting the study is also included, along with the hypothesis of the project at the very end.

In simple words, WC is the difference between Current Asset (CA) and Current Liability (CL). It can be represented as  $WC=CA-CL$  (Preve and Allende, 2010).

WCM is the management of CA and CL in the most optimal way so that it results in an increase in the value of the shareholders (Sarniloglu and Demirgunes, 2008). Furthermore, WCM is necessary because it affects the firm's liquidity position as well as the profits that are yet to come in the future (Taleb et al., 2010). A majority of the companies nowadays view mismanagement of WC as a major problem and are trying to adapt new policies and course of action that will lead to a much more efficient WCM (Gitman, 1994; Binti et al., 2010; Alipour, 2011; Ademola, 2014).

Sharaf&Haddad (2015) investigated the relationship between Working Capital Management and Profitability for Industrial Companies Listed in Amman Stock Exchange. The results of regression analysis show a significant negative relationship between cash conversion cycle and profitability. Nguyen,Manh-Dung&Duc-Trung (2016) examined effect of working capital

management has on firms' profitability by using the data from listed companies on Vietnamese Stock Exchange. The result implies that there is no correlation between Working Capital Management and firms' profitability.

Gulia (2014) in his study found the impact of WCM on the profitability of the pharmaceutical sector by choosing sample of 60 leading firms of the sector, the analysis was conducted by using correlation and multiple regression analysis and the results clearly stated that WCM has a positive and significant impact on firms performance. Forghani et al. (2013) targeted 56 companies of Iran listed in Tehran stock exchange to scrutinize the connection between WCM and FP of the companies. Key performance measures such as ROA, ROE, and ratio of market value to book value of the company (P/B) were taken as variables. The study concluded that there is a positive and considerable relationship between performance and WCM. Moreover, this study indicates that managers can use better strategies for WCM to improve the profitability.

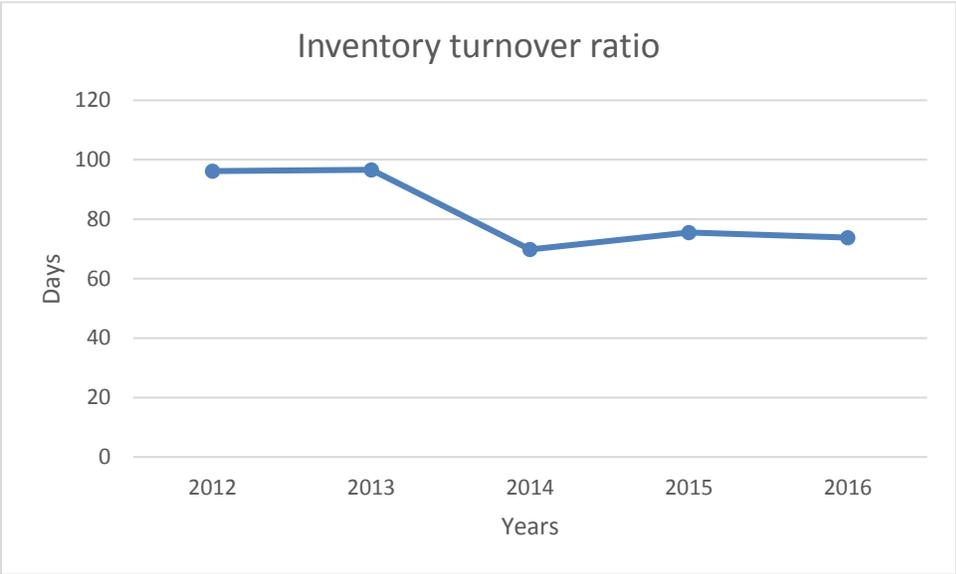
A study was conducted upon firms concentrated in manufacturing listed in Karachi Stock Exchange (KSE) by Qureshi (2014) to evaluate the involvement of one component of WCM on the returns of the firms. The study results confirmed that there is a strong negative correlation of WCM elements with firms' FP it was also concluded that as CCC swells, consequently, the profitability of the corporation decreases. Alavinasab (2013) considered 147 companies enlisted in the Tehran stock exchange and studied the relation between WCM and profitability from 2005 to 2009. The result of this study also verified a negative relationship between the factors involved.

After observing all the distinct and analytical works of all the above mentioned notable figures, it can be said that a firm is entitled to enjoy a bigger shares of profit if they follow an established WCM system. They incorporated that a firm can increase its profit by maintaining a small portion of shares and receivables while a significantly larger volume of payables. The major part of literature review mentioned above typically focuses on the association of the WCM with firms' FP. Most of the researchers have applied correlation and multiple regression analysis to empirically test the impact of WCM elements on firms' performance. Many results of these studies have been found to be rather contradictory.

Moreover, the level of discrepancy and conflicting results has forced many researches to conduct their analysis multiple times in order to develop a practical finding. There are some supporters of positive association and some advocate negative relationship between the WCM and firms FP .Overall, a sum total of 50 firms have been selected within 2005 to 2014 therefore, this study tries its best to describe the extent of importance of WCM.

## Indicators for assessing working capital management

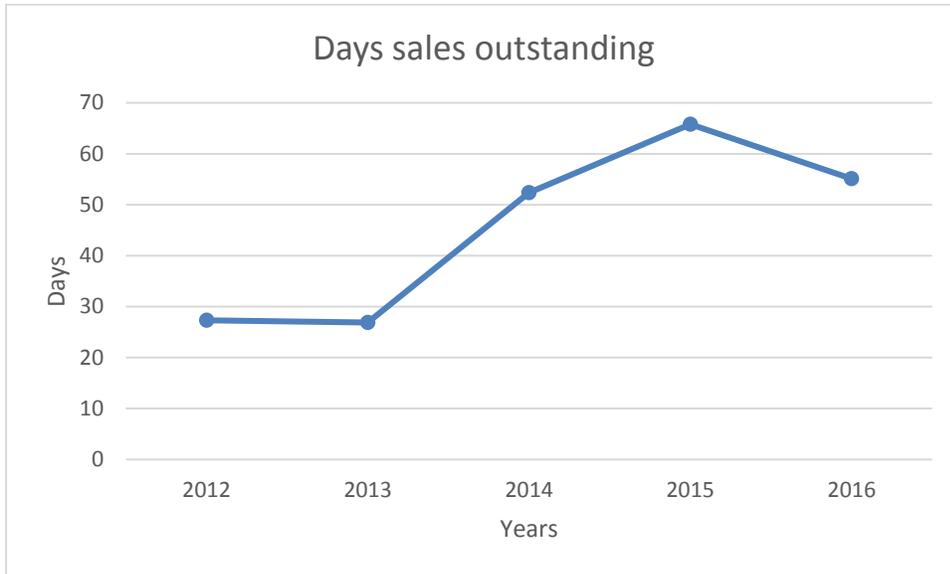
### Inventory turnover period



Inventory turnover period measures how quickly the company finishes its stock and replenishes over a given period, usually over a year. Larger inventory turnover periods usually mean sales are not adequate to finish current stock and produce more.

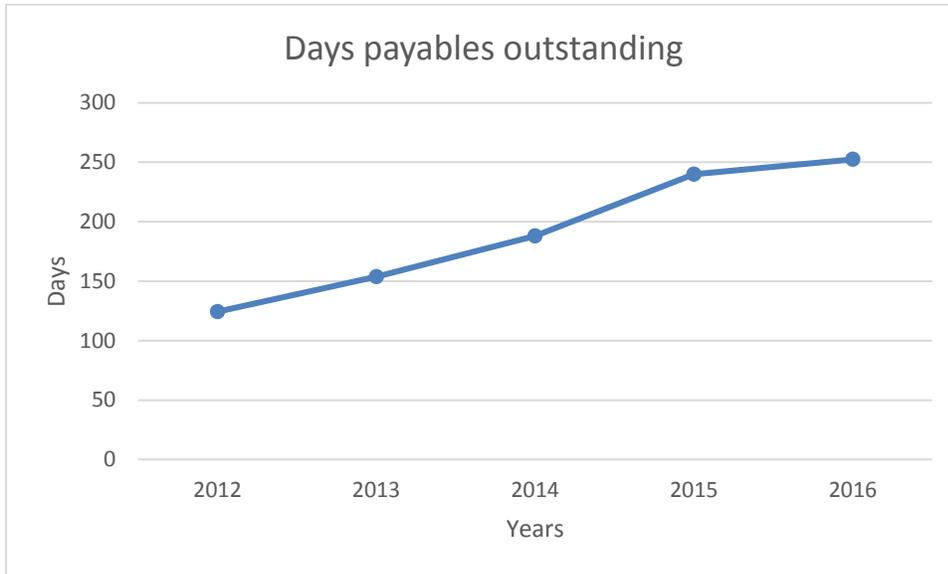
The inventory turnover period for GSK has reduced from below 100 to below 80. This indicates greater sales or better inventory management. As a result, GSK is experiencing positivity in the inventory turnover ratio and performance is satisfactory. However, it is to be noted, that sometimes some inventory should be kept as there may be unforeseen events which would have required the inventory.

## Days sales outstanding



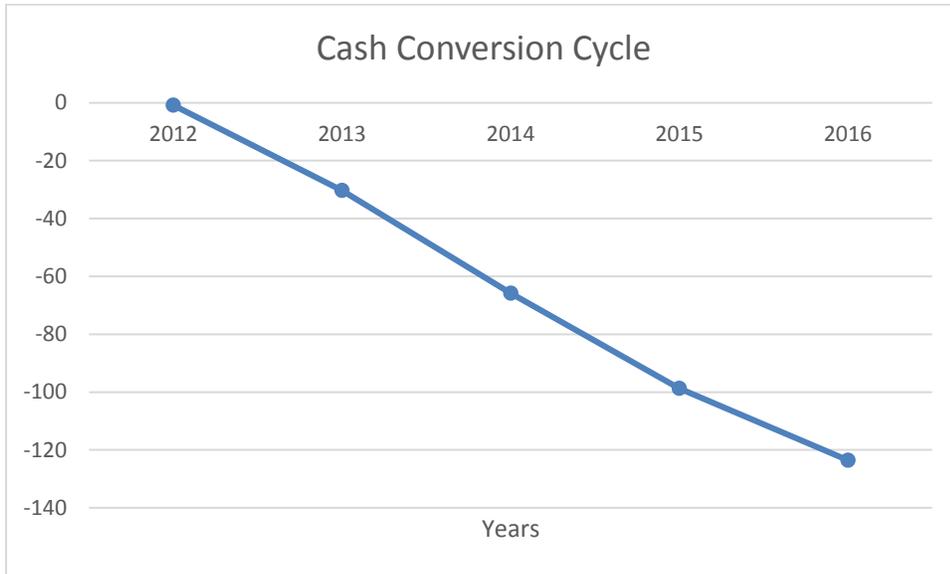
Days sales outstanding shows the amount of time required to collect payments from the company's debtors. The lower it is, the better as it shows how quickly the company is collecting back its money and how prosperous is its cash flow. GSK has not been able to capitalize on its good performance in other sectors over here as we can see that the DSO has almost doubled from 2012 to 2015. It saw a relative fall in 2016 but more work needs to be done lower it even further.

## Days Payables Outstanding



The days payables outstanding shows how long the company can defer its payment to its creditors or suppliers. The greater the value, the better as it would give the company more time and money to finance other opportunities. The DPO has been consistently increasing since 2012 and is around 256 days now. The DPO is considerably higher than the DSO which means GSK is able to collect its money back around 4 times before it has to pay anything off. This is considered very positive for the company and shows that it holds significant authority over its suppliers.

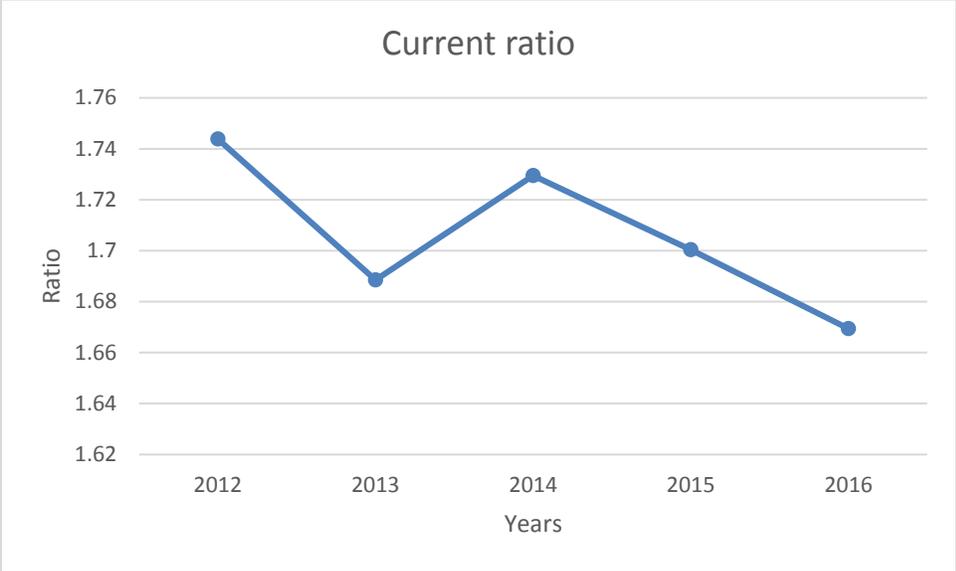
## Cash Conversion Cycle



Cash conversion cycle shows the time between cash being paid to suppliers and cash being earned back from the debtors. A shorter cycle shows that the company is earning back its money quicker and can invest in more opportunities more frequently whereas a longer cycle shows that money is not available as easily and thus investment opportunities are limited.

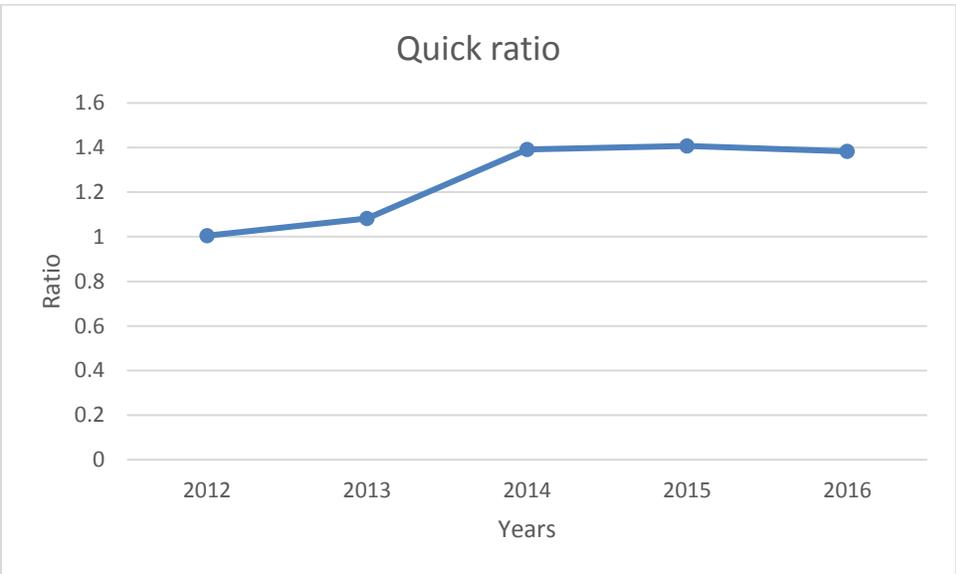
The negative cycle shows that GSK is earning back its money a lot earlier than it must pay which is consistent with the results we have obtained above. As a result, performance can be deemed very satisfactory in this regard.

### Current Ratio



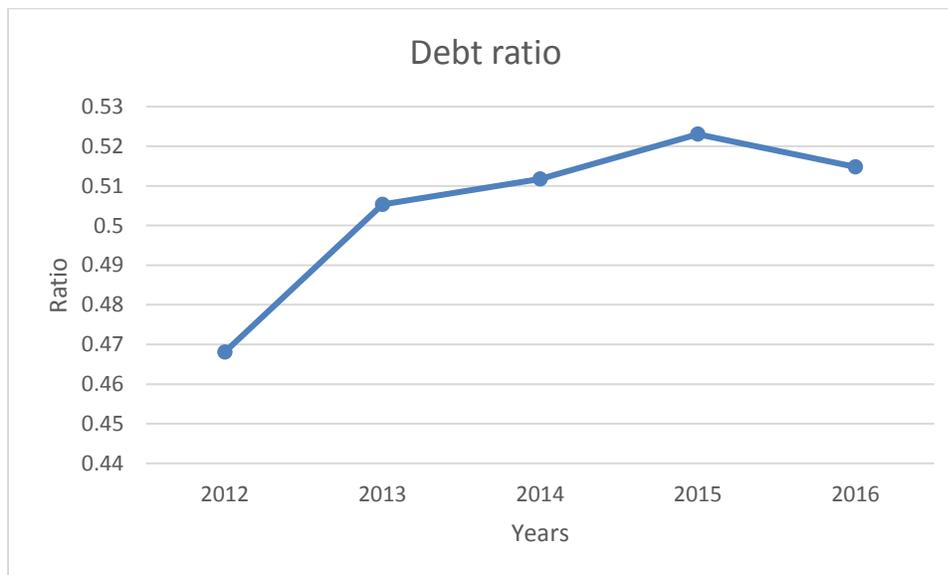
Current ratio shows the ratio of current assets to liabilities to the organization and showcases the ability to pay off its short-term debts with the immediate assets. GSK has maintained a relative high current which ensures enough assets are there to commit to any present liability.

### Quick Ratio



Quick ratio takes away inventory and measures how much of the current liquid assets available, can be committed to the current liabilities. Once again, a high quick ratio is maintained by GSK and thus they have no qualms about this matter.

## Debt Ratio



Debt ratio shows the amount of assets being financed by debts. The Debt ratio can be commented upon by looking at the industry averages as each industry has their own adherences to the debt ratio. GSK's debt ratio is minimally high which indicates that the company is financing more than half of its assets by debt. However, as assets and liabilities are both increasing, this can be seen a product of expanding growth.

## Research designs and findings

Two different regressions have been undertaken. For both, the independent variable is the log of the profit of the firm. The log has been taken to make the values of the profit more accessible.

For the first regression, the dependent variables are the inventory turnover period, the days sales outstanding and the days payables outstanding. From the first regression we see only the inventory turnover period has a negative relationship with the profitability of the firm. A one-

day increase in the inventory turnover period results in a 0.8% decrease in the profit. For the remaining two variables, the DSO and the DPO, they both have positive relationships with the profit. A one-day increase in the DSO generates a 0.08% increase whereas a one-day increase in the DPO generates a 0.11% increase.

For the second regression, the dependent variable is the cash collection period. This is being tested in a separate regression to avoid overlapping with the other three variables as they three together give us the cash collection period. By testing it separately, we are given a much more direct view of the metric and its connection with the profitability of the firm. By running the regression, it is found that a one-unit increase in the cash collection period causes a 0.3% decrease in the profit.

All the results that have been obtained compliment the findings above and the overall theory.

## Conclusion:

Work capital management gives a clear picture of the cash flow condition of any corporation. The better the management of working capital management the lower the risk of financing through borrowing.

GSK Bangladesh Ltd. is highly successful in managing working capital. GSK Bangladesh Ltd barely got any difficulty regarding inventory management, cash balances, current liabilities, debtors. They have enough internal source of financing to carry on the operations. Good turnover of current assets, inventory debtors and cash balances result in the satisfactory liquidity position of the company. The company is getting the advantage of cash credit and other working capital loan. The amount of borrowing loan is typically low. GSK Bangladesh Ltd. Has been successfully repaying its current liabilities out of the net profit.

Working Capital Management of GSK has creating a great influence in the overall financial position and operations of the company. With increasing customer need and escalating competitions of saturated market, it has got a lot of threats and challenges in recent times. However to cater the competitive market along with the technological advancement efficient

workforce is also required. Continuous support of the work force starting from sales teams to dealers, effective credit management policy and research based development can take GSK Bangladesh Limited to a new horizon of success and growth.

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