



Internship Report On “GSK’S Financial Performance Trend Analysis”

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BUS – 400

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Submitted To:-

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Letter of Endorsement

The Internship Report entitled **GSK'S Financial Performance Trend Analysis** has been submitted for partial fulfillment of the requirements for the degree of Bachelor of Business Administration, Major in **Marketing & Finance** Faculty of BRAC Business School on **Spring 2012** by Mr. Md. Jabir Al Mursalin, **Id # 08104091**. The report has been accepted and may be presented to the Internship Defense Committee for evaluation.

(Any opinions, suggestions made in this report are entirely that of the author of the report. The University does not condone nor reject any of these opinions or suggestions).

“Mr. Md. Jabir Al Mursalin”

Lecturer

Academic Internship Supervisor

Transmittal Message

May 24, 2012

Mr. Md. Jabir Al Mursalin

Lecturer

BRAC Business School

Subject: Letter of Transmittal

Dear Sir,

I am taking the opportunity to submit the report on "**GSK'S Financial Performance Trend Analysis**" as a requirement of my internship at GlaxoSmithKline Bangladesh Ltd. under the BBA Program of BRAC University -Bangladesh

I worked as an Intern in the Secretarial & Legal Division at GSK Bangladesh Ltd. for 12 weeks gaining a working knowledge of the various finance and administrative procedures and documents that exist in the organization.

As a part of the internship requirements, I was obliged to choose a topic for my internship report with approval from my academic supervisor.

In this report, I tried to apply the knowledge and guidelines from my education extent to analyze the financial performance of GSK based on which I have tried to forecast GSK's performance.

In spite of the various limitations faced while preparing the report, I have tried to be as thorough as possible. I sincerely hope that this report fulfils the objectives and requirements of my internship.

I also thank you for your guidance, support and time and I will be glad to deliver you with further explanations or clarifications that you may feel necessary in this regard. I will be obliged if you kindly consent this effort.

Thank you very much for your kind supervision with great support.

Sincerely yours,

Azizur Rahman

ID # 08104091

BRAC Business School

BRAC University-Bangladesh

Acknowledgement

Let's begin my acknowledgement by thanking to almighty ALLAH who has provided me the brilliant opportunity to build and complete this report successfully. I am extremely grateful to my Internship Supervisor Mr. Md. Jabir Al Mursalin for providing suggestions for making this report. On the design of the format of the Internship Report I again want to thank my Internship Supervisor Mr. Md. Jabir Al Mursalin for providing the format and make me able to understand the format. The most precious thing was the internship period under the supervision of Md. Nizam Uddin, Deputy Company Secretary (GlaxoSmithKline Bangladesh Limited) at the head office of GlaxoSmithKline Bangladesh Limited, Gulshan-1, Dhaka.

So, warm thanks to both of them for supporting me and give me adequate amount of data.

Executive Summary

The internship report includes the process of reviewing and evaluating a company's financial statements (such as the Balance Sheet or Income Statement), thereby gaining an understanding of the financial health of the company and enabling more effective decision making.

Financial statement analysis is an evaluative method of determining the past, current and projected performance of a company. Techniques are commonly used as part of financial statement analysis like ratio analysis, which calculates statistical relationships between data.

Financial statement forecasting enables organizations to assess their current operating performance, review the state of the economy and determine how they will perform in the future. Understanding that an ounce of prevention is worth a pound of cure, corporate management fully supports forecasting activities. Top leadership's support is cardinal because it favors acceptance down the hierarchical spectrum, especially when it comes to predicting the results of segments with weaker sales data.

This internship report is aimed at providing a comprehensive analysis of the financial statements of GSK. Efforts have been employed to make the content relevant, reliable and understandable.

The report has been segmented into five parts. These are basically Introduction, Organization and Industry Analysis, Activities within GSK Bangladesh Ltd., Trend Analysis of Financial Statement and Conclusion.

I have taken all the reasonable care to ensure the quality of the report and I hope that it includes all the necessary information which is in the scope of my ability.

I would like to express that my effort for this report will provide you a better picture regarding the subject matter of the study.

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1.0 Introduction

The organization part fully covers the detailed information of GlaxoSmithKline and its operations in Bangladesh Market. It covers the mission, strategy of the company and the organizational structure or the organ gram as well as the departments of the company. Moreover I tried to figure out its market position and the SWOT analysis of the company.

1.1 Objective of the study

1.1.1 General Objective

The general objective of the study is to fulfill the partial requirement of the Graduation under the Bachelor of Business Administration program of BRAC University as per university policy.

1.1.2 Specific Objective

To be more specific, this study entails the Financial Trend Analysis of GlaxoSmithKline Bangladesh Limited to figure out and observe the financial performance of GSK BD Ltd. over the past 5 years.

1.2 Scope of the study

Defining the scope of the study is a broad aspect to be described. Still the Secretarial & Finance Department helped me a lot to prepare the report. On the other hand due to some confidential resolutions there were difficulties to find out some information as well.

1.3 Methodology

1.3.1 Data Collection

To bring out the study two types of data have been used-

- Primary Data
- Secondary Data

Details are as follows-

- **Primary Data:** To collect all these data, I had to commence an interview with the Finance Manager & Secretarial Executive who could give the actual information that was required to prepare an authentic report.
- **Secondary Data:** Referring to the secondary sources I mainly used the web site of GlaxoSmithKline Bangladesh Ltd. and also other organizational documents that I could manage to study on the purpose of preparing the report.

1.4 Limitation of the study

Preparing such intense report, requires huge amount of information. While preparing this report, many limitation and hindrance have been faced to going on further. Still I managed to bring up the best within my access limit. The limitations those I confronted mostly are-

- The major hindrance that I faced was, GSK authority was unwilling to share or disclose some information which was really required to prepare the report due to confidential issues.

2.0 GlaxoSmithKline

GlaxoSmithKline (GSK) is a world's leading research-based pharmaceutical company with a powerful combination of skills and resources that provides a platform for delivering strong growth in today's rapidly changing healthcare environment.

GSK has leadership in four major therapeutic areas- anti infectives, central nervous system (CNS) and respiratory & gastro- intestinal/ 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.

2.1 History of GlaxoSmithKline

In 1973

The company was oriented as Joseph Nathan & Company in New Zealand with the founding of a small import export company. It started its operation as a processing unit of abundant fresh milk of New Zealand. The only product it was producing was *Glaxo Baby Food*.

In 1875

It started to export baby food to UK Alec Nathan, son of Joseph Nathan, coined the name *Glaxo from Glactose*.

In 1924

Joseph Nathan & Company entered the pharmaceutical industry with the manufacture of Ostelin, the first Vitamin D preparation. The importance of the pharmaceutical market was soon realized

and in **1935**, Glaxo Laboratories Limited was founded with its headquarters at Greenford, Middlesex and London for the production and marketing of foods and pharmaceuticals.

In 1947

After the 2nd world war, Glaxo developed rapidly. Glaxo Laboratories Limited absorbed its parent Joseph Nathan & Company, and became a public company in **1947**.

In 1963

Edinburgh Pharmaceutical Industries Limited, which owned Duncan, Flockhart and Company Limited and MAC Farlane Smith Limited, joined Glaxo.

In 1995

Glaxo acquired 100% share, of Wellcomes PLC on may 01, 1995 and formed Glaxo Wellcome PLC.

In 1998

Glaxo Wellcome achieved a number of regulatory milestones for several of its key projects, such as *ZEFFIX* for the treatment of influenza.

In 2000

Glaxo Wellcome and SmithKlineBeechman merged to form GlaxoSmithKline; a worldwide research based pharmaceutical company.

GlaxoSmithKline 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.

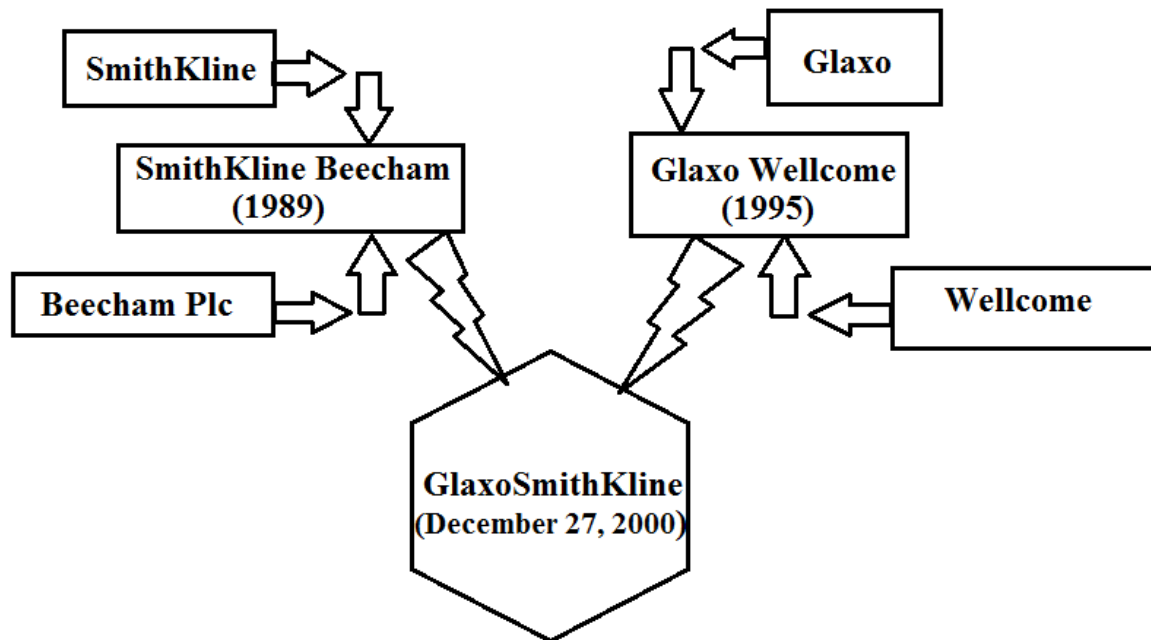


Figure: Formation of GlaxoSmithKline

2.2 GlaxoSmithKline Bangladesh Limited

GlaxoSmithKline Bangladesh Limited is a subsidiary of GlaxoSmithKline Plc; world's leading research based pharmaceutical company. One of its strong strength is its powerful combination of skills and resources that provides a platform to deliver fastest growth In today's rapidly changing healthcare environment. The principle activities of the company are manufacturing and marketing of pharmaceutical, vaccines and healthcare products.

GlaxoSmithKline conducts the operational activities in Bangladesh as a principal with its own set-up of manufacturing, marketing and distribution. The company has started business in Bangladesh in 1969 at Chittagong by importing products from group company.

In 1969

A supporting factory of Glaxo Laboratories (Pakistan) Limited was founded in Chittagong.

In 1974

Glaxo Bangladesh Ltd. was incorporated as a company in Bangladesh.

In 1996

It has been incorporated as Glaxo Wellcome Bangladesh Ltd.

In 2002

It has been incorporated as GlaxoSmithKline Bangladesh Limited.

The Chittagong factory of GlaxoSmithKline Bangladesh Limited is considered as the *Center of Excellence* in Global manufacturing & supply network of the group. In Bangladesh GSK held 6th position in pharmaceutical industry having market share of 5.2% (as of September 2002) occupying strong hold in key therapeutic areas like Respiratory, Dermatology, Anti- infective and Vaccines. Brand names of some major products of the company are: Ventolin Inhaler, Ceoprex, Zinnat, Parapyrol, Zantac, Piriton, Dextrose and Engerix –B etc. on the other hand, in terms of consumer goods GSK is doing business by manufacturing Horlicks, Boost, Viva, Maltova etc.

2.2.1 Operations in Bangladesh

Headquarter

GlaxoSmithKline Bangladesh Limited

Corporate Office

House # 2A, Road # 138.

Gulshan-1.

Registered Office & Factory

Fouzderhat Industrial Area

North Kattali, Chittagong.

District Marketing Office

GlaxoSmithKline Bangladesh Limited has eleven District Marketing Offices (DMO) throughout the country. These are divided in five zones by which GSK's products are sold.

Zone	DMO
Dhaka	Dhaka, Mymensing
Chittagong	Chittagong, Maijdee
Comilla	Comilla, Sylhet
Bogra	Bogra, Rajshahi, Rangpur
Barisal	Barisal, Jessore

Table 1: List of DMOs

2.2.2 GlaxoSmithKline Bangladesh Ltd. (In Market Place)

- **Total Market Share:** Tk.. 140 Crore (2011)
- **Market Share:** 1.95 % (2011)
- **Ranking:** 12 (2011)

2.2.3 Share Information GlaxoSmithKline Bangladesh Ltd.

- **Share Price Tk.. 10 each**
- **Total No. of Authorized Share 20,000,000**
- **Authorized Share Capital Tk.. 20,000,000**
- **Market Capitalization 6920.685 (Million)**

2.2.4 Banking Operation of GlaxoSmithKline Bangladesh Ltd.

In 2010, GSK transacted its banking operations through:

- SCB
- HSBC
- Citi Bank NA
- Agrani Bank
- Sonali Bank

2.3 GlaxoSmithKline- Mission, Strategic Intent & Spirit

2.3.1 Mission

The mission statement of the business- “ *Our global quest is to improve the quality of human life by enabling people to do more, feel better and live longer*”

2.3.2 Strategic Intent

“*Our strategic intent states our business goal*” - We want to become the indisputable leader in our industry.

2.3.3 Spirit

“*Our company spirit describes how we need to behave if we are to achieve our goal*” – We undertake our quest with the enthusiasm of entrepreneurs, excited by the constant search for innovation. We value performance achieved with integrity. We will attain success as a world class global leader with each and every one of our people contributing with passion and unmatched sense of urgency.

2.3.4 Corporate Strategies

- ✓ **Quality and Customer acceptance** – Achieve business vision through quality and customer acceptance by providing safe & effective medicine.
- ✓ **Good manufacturing practice** – Strictly maintained GMP (Good Manufacturing Practice)
- ✓ **Customer focus**- A respective quality throughout
 - The entire organization or each operating unit and company
 - All processes, systems and services product design and development, through manufacture, supply and marketing
- ✓ **Compliance** – With regulatory requirements, corporate quality requirements, group products and other applicable standards.
- ✓ **Added value** – Through Continuous improvements and error- prevention to benefit customers and company
- ✓ **Dedicated Human resources** – Develop a pool, of dedicated human resources through regular training.

2.3.5 Quality Statement

Quality is the heart of everything we do- from the discovery of the molecule, through product development, manufacture, supply and sale; and is vital to all the service that supports our business performance.

❖ *Commitment*

- The health and safety of global operations.
- Stewardship of our products.
- Delivering competitive business advantage.

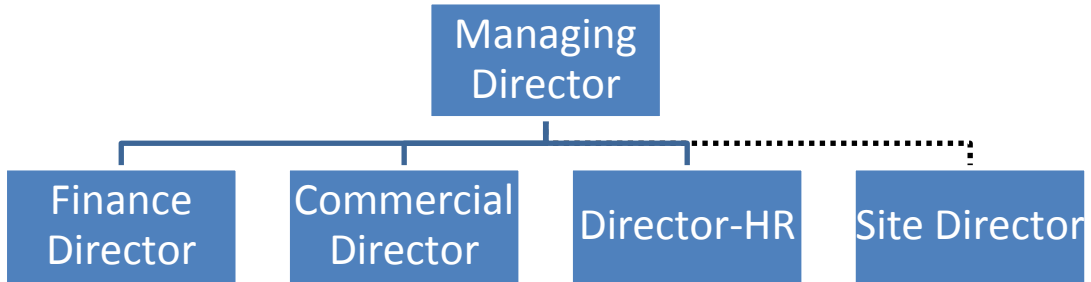
❖ *Responsibility*

- The health and safety of employees, contractors, visitors.
- The protection of the environment and communities.
- Compliance with laws and GSK standards.

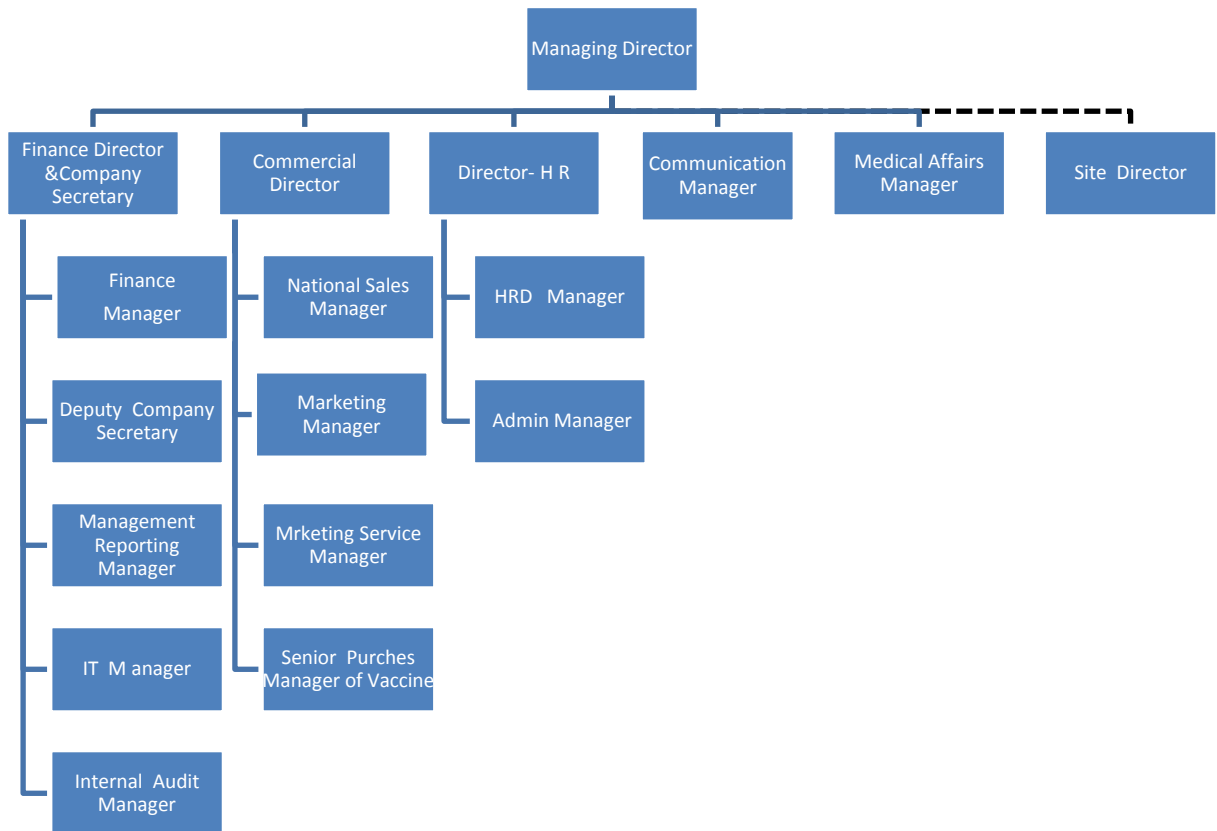
GlaxoSmithKline in time

- Every second, more than 30 doses of vaccines are distributed by GSK.
- Every minute, more than 1,100 prescriptions are written for GlaxoSmithKline.
- Every hour, GSK spends more than US \$ 450,000 to find new products.
- Every day, more than 200 million people around the world use a GSK toothbrush or toothpaste.
- Every hour, GSK donates more than US \$ 148 million in cash and products to communities around the world.

2.4 GlaxoSmithKline Bangladesh Limited Organ Gram



Organ Gram- Board of Directors



Organ Gram- Company

2.5 Functional Department of GlaxoSmithKline Bangladesh Ltd.

GlaxoSmithKline Bangladesh limited comprises of six major departments. Those are as follows:-

- * Marketing
- * Human Resources
- * Finance & Accounts
- * Technical and Medical Regulatory Affairs
- * Information Technology

Each department at GSK operates in different aspects but they are inter-related and complement each other. The main functions of these departments are shown bellow:-

2.5.1 Marketing

Department Head: Mr. Shamim Rabbani (Commercial Director)

- » Designing and implementing Sales Strategy
- » Controlling and updating distribution network
- » Providing marketing information services
- » Carrying out different awareness programs
- » Controlling international trades.
- » Building up public communication network.
- » Conducting market surveys as required.

2.5.2 Human Resources

Department Head: AKM Firoz Alam (HR Director)

- » Recruiting and training the best pool of employees needed for the company.
- » Managing smooth work flow in the organization.
- » Managing demands of the labors in the factory.
- » Allocating annual holidays.
- » Arranging the employee motivational programs.
- » Looking after the wage structure and waivers.

2.5.3 Finance & Accounts

Department Head: Mr. Sarwar Azam Khan (Company Secretary & Finance Director)

- » Controlling the accounts.
- » Completing the annual budgets.
- » Allocating all kinds of payments to the staffs and managers.
- » Looking after all the revenues and expenses.
- » Conducting internal audit.
- » Keeping records through IT.
- » Facilitating local production cost.

2.5.4 Technical

- » Producing precise amounts of products as per the year plan.
- » Ensuring total quality management.
- » Following good manufacturing practice.
- » Implementing raw material management.
- » Procuring and allocating assets efficiently.
- » Prioritizing best possible observations over the finished goods.

2.5.5 Medical Regulatory Affairs

- » Liaison with government for legal issues.
- » Communicate with doctors and handling advertisement.

2.6 Industry Analysis

In Bangladesh, the pharmaceutical sector is one of the fastest growing sectors.. In 2008 the total size of the pharma market in Bangladesh was estimated to be USD 700 million and is growing at a steady rate. The pharmaceutical sector is the second highest contributor to the National Ex-Checker and the largest white collar labor intensive employment sector of the country. There are 245 registered pharmaceutical manufacturing companies in Bangladesh. The local pharmaceutical manufacturers cater to about 97% of the internal demand.

Today, Bangladesh Pharmaceutical Industry is successfully exporting APIs and a wide range of products covering all major therapeutic classes and dosage forms to 71 countries. Beside regular forms like; Tablets, Capsules & Syrups, Bangladesh is also exporting high-tech specialized products like HFA Inhalers, CFC Inhalers, Suppositories, Nasal Sprays etc. are also being exported from Bangladesh, and have been well accepted by the Medical Practitioners, Chemists, Patients and the Regulatory Bodies of all the importing nations. The packaging and the presentation of the products of Bangladesh are comparable to any international standard and have been accepted by them.

The Pharma Industry of Bangladesh is now on the verge of entering highly regulated overseas markets like USA and Europe. In this connection, several pharmaceutical manufacturers have already made huge investments in their new state of art manufacturing facilities

2.6.1 Dominant Economic Characteristics of The Industry

The dominant economic characteristics are the factors that influence the overall operations of the players in it. The following table is the summary of the factors:-

- ▶ Market size
- ▶ Scope of competitive rivalry
- ▶ Market growth rate
- ▶ Life cycle stage
- ▶ Target & end consumers
- ▶ Type of distribution channel used
- ▶ Product Characteristics
- ▶ Presence of learning effects
- ▶ Industry profitability

Factors	Description
1. Market size	Taka 7,186 Crore
2. Scope of competitive rivalry	National. In some case it is regional
3. Market growth rate	5% to 7% annually on an average
4. Life cycle stage	Mature, continuous research does not let the curve decline
5. Target customer & end consumers	The doctors are the target customer & the end consumers are the general people
6. Type of distribution channel used	Wholesaler and retailer. In some cases (like vaccines) it is done through special outlet
7. Product Characteristics	Standardized and no scope of customization
8. Presence of learning effects	Yes, especially in drug research and formulation
9. Industry profitability	Above par, ultimately it is affected by the state of national economy.

Table 2: Summary of the key factors

2.6.2 GSK'S Market Share & Position

Year	Market Share	Position
2006	3.34%	12
2007	2.90%	12
2008	2.91%	12
2009	2.24%	12
2010	1.95%	12

Table 3: GSK's Market Share & Position

2.6.3 GSK'S Market Share & Position Comparison

Top 12 Pharmaceutical Company's Comparison		
Companies	Market share	Ranking
SQUARE	19.18%	1
INCEPTA PHARMA	9.05%	2
BEXIMCO	8.62%	3
OPSONIN PHARMA	4.94%	4
ESKAYEF	4.84%	5
RENATA	4.73%	6
ACME	4.44%	7
A.C.I.	4.08%	8
ARISTOPHARMA	3.99%	9
DRUG INTERNATIONAL	3.75%	10
SANOFI AVENTIS	2.57%	11
GLAXOSMITHKLINE	1.95%	12

Table 4: GSK's Market Share & Position

2.6.2 Porter's five forces

The five forces analysis is done on the basis of the most important 5 driving forces of the industry. While doing the analysis, information gathered in the previous table is used. The most important points that will determine the outcome of the analysis are:

- ❖ Slow market growth due to the low purchasing power of the end consumers.
- ❖ Exit barrier of the industry is very high due to high investment.
- ❖ Specialization knowledge for the technology and research is must for a player.
- ❖ No actual substitutes for pharmaceutical products are available.

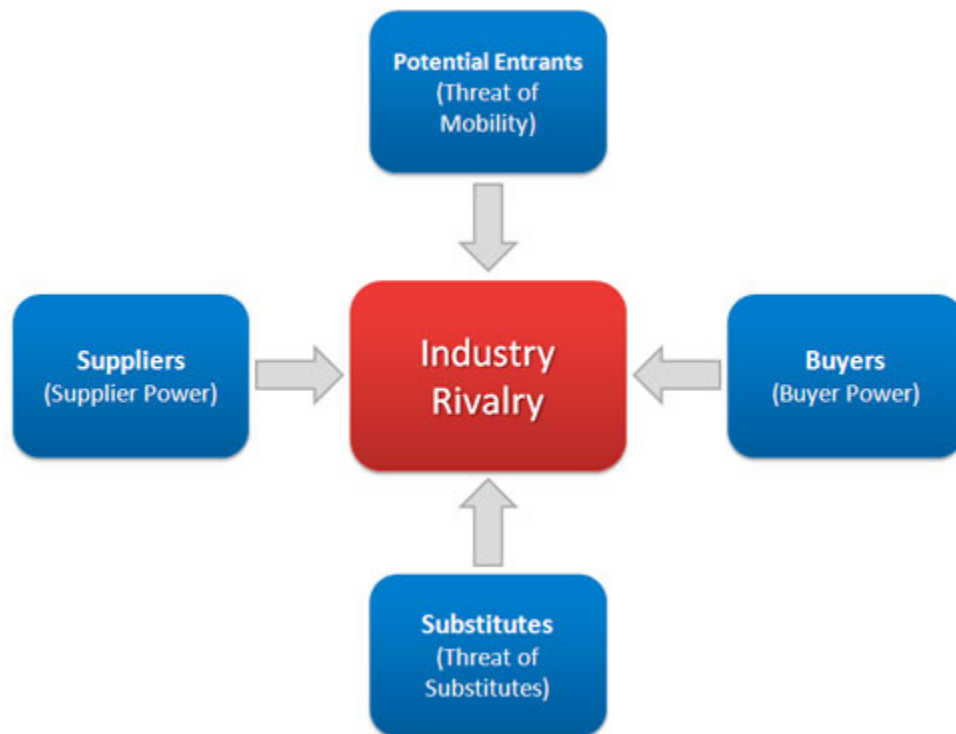


Figure 1: Industry Analysis

- ❖ The players are big and powerful enough to influence input cost.
- ❖ Suppliers are chosen on a competition basis.
- ❖ Many brands for the same products are available in the market.
- ❖ End consumers are not really aware of the quality of the products.
- ❖ Direct marketing of the products is illegal as per government rules.

So the summary of the entire analysis refers to the scenario which is as such:

Industry Analysis - At a glance	
Forces	Position
Threat of potential entry	Very low
Threat of substitute products	Very low
Bargaining power of the suppliers	Very low
Bargaining power of the buyers	Very high
Rivalry among the competitors	Moderate to High

Table 5: Industry Analysis at A Glance

2.7 SWOT Analysis

SWOT is the acronym for Strengths, Weaknesses, Opportunities and Threats. It is an analytical framework to help summarize in a quick and concise way the risk and opportunities for any company across the value chain. A good SWOT should look into internal and external factors affecting the issue at hand.

- Factors pertaining to the **internal environment** of the company. These are usually classified as Strengths (S) or Weaknesses (W)
- Factors that pertaining to the **external** environment of the company. These are classified as Opportunities (O) or Threats (T).

2.7.1 Strengths

- Considerable financial resources to grow the business.
- A widely recognized company with an attractive customer base.
- Ability to take advantage of economies of scale.
- Renowned for better quality products.
- Follows GMP- Good Manufacturing practices.
- Product innovation skill.
- Proprietary technology and important patents.
- Efficient, capable and honest work force.
- Goodwill of the company.

2.7.2 Weaknesses

- Higher overall unit cost relatively to key competitors.
- Weaker dealer or distribution network than key rivals.
- Underutilized plant capacity.
- Group compliance. Due to group policy, the company has to import raw materials from UK rather from neighboring countries (other than those which are procured locally) resulting in higher cost of production.

2.7.3 Opportunities

- Target and acquire an untapped market for vaccines.
- Expanding geographic coverage and product segment.
- Expanding the company's product line to meet a broader range of customer needs.
- Alliances- company manufacturing that expands the firm's market coverage and competitive capability.

2.7.4 Threats

- Slowdowns in the market growth.
- Adverse shifts in foreign exchange rates and trade policies of governments.
- Increasing threats from local competitors.
- Costly new regulatory requirements.

2.8 Overall Assessment

On the basis of overall organization part, we can clearly see that GlaxoSmithKline is one of the leading pharmaceutical companies in the world. The company is also doing sound business in Bangladesh for a long time. Still one major issue that strike to my eyes while doing the study is- GSK Bangladesh Limited is in the 12th position in the Bangladeshi pharmaceutical industry according to the market share. So, they should obviously be careful for improving this situation as it used to be stand on the 5th position in 2003.

2.9 Recommendation

- ✓ Promotional activities should be stronger. Improvement in this line will help GSK to have competitive advantage over their competitors and also to change the current market share position.
- ✓ GSK should focus on reducing per unit cost in producing their product as GSK's product is much more expensive than it's competitors.
- ✓ Distribution channels are still not well enough compare to its competitors. So, they should obviously be take care on improving distribution network.
- ✓ GSK should be careful on copyrights matters as other companies are copywriting GSK's products.
- ✓ Marketing department should be very much careful on maintaining the 4 P's properly as till now most of the problems come out from the 4 P's sector.

3.0 Activities within GSK

While doing the internship program, so far the activities I did and the activities I learned from asking others from my curiosity referring from the other departments than that off **Secretarial & Legal Department**, I tried to put those knowing here at my best.

3.1 Work Related

3.1.1 Tax deduction

Paying authority deduct the Taxes it is rule of government. When buyer, buying something, like raw material, packing material and GSK cuts the TDS, payers should follow the same role where transaction must be occur within financial year, July to June. These roles will be accepted for every organization against with transaction.

- ✓ 1 lac - 2lac = 0%
- ✓ 2 lac -5 lac = 1%
- ✓ 5 lac -15 lac = 2.5%
- ✓ 15 lac -25 lac = 3.5 %
- ✓ 25 lac -3crore = 4 %
- ✓ Above -3crore = 5 %

This rule is applicable for every individual Account payable within financial year.

3.1.2 Verifying the expense claims

Every month, GSK confronts with a numerous numbers of expense claims which GSK is supposed to disburse as per company policy. The policy refers theses payments as allowance to the employees. There are two types of expense claims and those are-

- Travelling Expense
- Medical Expense

This is what something which is allowed for all the employees including Corporate Office, GMS Factory and DMO or field as well.

But in terms of medical policy, GSK's allowance is available for the employee's spouse and children as well up to a certain age until or unless he/ she is not a minor.

There are some costs which are known as **Remuneration** which are allowed for the Managers of the Corporate Office and DMO. Aside from these remunerations the Directors are the main receiver of the remuneration from the company.

The claims are supposed to be verified with priority basis in every month as it is an audit issue.

3.1.3 T &E Forms

The expense claims of the Corporate Office and GMS factory are supposed to be sent through T&E Forms.

This form allows employees to place their claims for further approval from their Bosses and as soon as the Boss gives the approval, Secretarial Legal Department goes for further processing.

3.1.4 Final settlements

If any of the employees leave GSK or gets terminated by GSK, Secretarial Department arranges a document known as *Final Settlement Copy*, which refers to keep the document as evidence for both the parties acknowledging that GSK don't have any claim with the person any more neither do the party.

3.1.5 Payroll activities

Though there is the HR and Accounts departments in GSK but the payroll is always been made by the Secretarial & Legal department as there are few issues that are required to be checked.

3.1.6 Employee information database/software

Secretarial & Legal, Human Resources and Finance & Accounts Department, all these three departments used to work in software named **Vista 3P** which may be referred as employee database system as well.

3.1.7 Unison reporting

Each and every month GSK need to submit group report and internal report. *Unison* is a system where GSK Bangladesh Ltd. needs to submit report and this system control by the parents company.

How many item share with group.

- ✓ Financial position
- ✓ Profit and loss sharing

This system contains unique code for every transaction. Before submission all debit item are positive, credit sign are negative must need to given

3.1.8 Closing stock submission

Value of the closing stock must retain at the value equivalent to Taka. When it comes to the question of submission in Unison system then it needs to convert the value at thousand.

3.2 Organization Wide

3.2.1 Prepare budget

The budget is prepared on an annual basis in GSK and detailed by quarters, and then by months within those quarters. As we know a company can either follow a continuous budget or a zero based budget process. In case of zero based budgeting all costs are required to be justified if die programs involved are being proposed for the first time. GSK Bangladesh follows a continuous budget process, which is an ongoing twelve-month budget that is created by the addition of a new budget month (twelve months in the future) as each current month expires; also known as a rolling budget.

How much activity done by the management reporting manager related with budget

1. Calculation profit and loss and total turnover of GSK Bangladesh Ltd
2. Prepare income statement budget which head count how much will be profitable
3. Sales budget analysis like actual sales, standard sales, percentage of total, percentage of total growth.
4. Budget for every head count like manufacturing GMS, selling, distribution, marketing, medical, administration, consumer health.
5. Capital expenditure budget like plant budget, machinery budget, IT budget, furniture budget, other appliance budget, transportation budget.

6. Summary of departmental expenses for each and every single month also operating expenses.
7. Summary of revenue expenditure like advertising promotion, financial statement, marketing, distribution, medical, admin also product revenue calculate based on month basis
8. Product profitability statement calculation product price, standard cost and gross profit.
9. Prepare production cost sheet based on budget volume, unit cost, quality requirement, total cost, percentage of loss, percentage of total production cost.

3.2.2 Price fixation:

Price of the imported material re –fixation, before change the price list reporting manager need to think,

- ✓ Unit
- ✓ Currency
- ✓ Cost and future price
- ✓ Duty and vat
- ✓ Proposed MRP

After everything completing need to approved by board of director and then launched new price set for imported product.

3.2.3 Maximum retail price calculation:

Calculation the MRP imported product, need to consider some factor like transfer price current , currency (USD/GBP), current exchange rate as per before exchange rate , new mark factor, current MRP, revised MRP , changing MRP , change in MRP percentage, gaining total profit , net gain.

4.0 GSK's Financial Performance Trend Analysis

4.1 Activity Analysis (Short term)

Short Term Activity Ratios

Ratio	2006	2007	2008	2009	2010
<i>Inventory turnover ratio</i>	0.55	0.65	0.69	0.86	0.92
<i>Average no of days inventory in stock</i>	667.58	557.84	526.50	423.64	398.87
<i>Receivable Turnover Ratio</i>	2.33	1.86	1.34	1.82	2.08
<i>Average no. of days receivable outstanding</i>	156.96	196.75	272.63	200.33	175.33
<i>Payable turnover ratio</i>	0.91	0.91	0.83	1.02	0.82
<i>Average no. of days payable outstanding</i>	401.54	402.43	440.73	356.52	442.55

Table 6: Short Term Activity Ratio Analysis

❖ Calculation is given in appendices

4.1.1 Inventory Turnover Ratio

Inventory turnover ratio measures the efficiency of managing inventory in an organization. Higher ratio indicates better position of inventory. It means inventory does not remain in warehouse. This ratio measures how many times inventory turned over in a year. The operation of a firm starts with purchasing of raw materials and go through production process and production of finished goods. After completion of production process, finished goods are sold. This entire process is called inventory turnover. This ratio increased in 2010 which is 0.92. It indicates that during that period inventory management of the company became efficient. The ratio was lower in 2004-2005 which was 0.52 and then gradually it increased over years.

Ratio	2006	2007	2008	2009	2010
<i>Inventory turnover ratio</i>	0.55	0.65	0.69	0.86	0.92

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
19.67	5.95	24.28	6.20

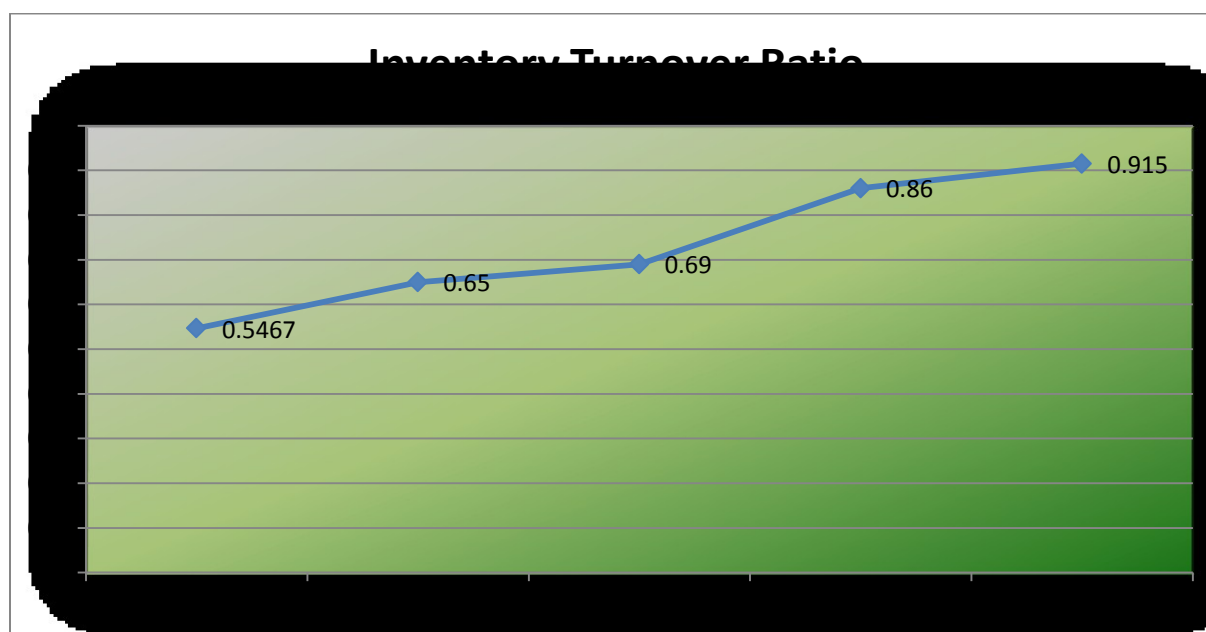


Figure 2: Inventory Turnover Ratio

Comment

- ✓ Higher is better.
- ✓ GSK is performing well day by day.

4.1.2 Average no of day's inventory in stock ratio

It measures for how many days inventory remain unsold. Lower the ratio is better. Inventory remains unsold for 705 days in 2005 which is not efficient. In year 2010 this ratio is reduced to 399 days which refers to the increased efficiency.

Ratio	2006	2007	2008	2009	2010
<i>Average no of days inventory in stock</i>	667.58	557.83	526.50	423.64	398.87

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
-16.43	-5.61	-19.53	-5.84

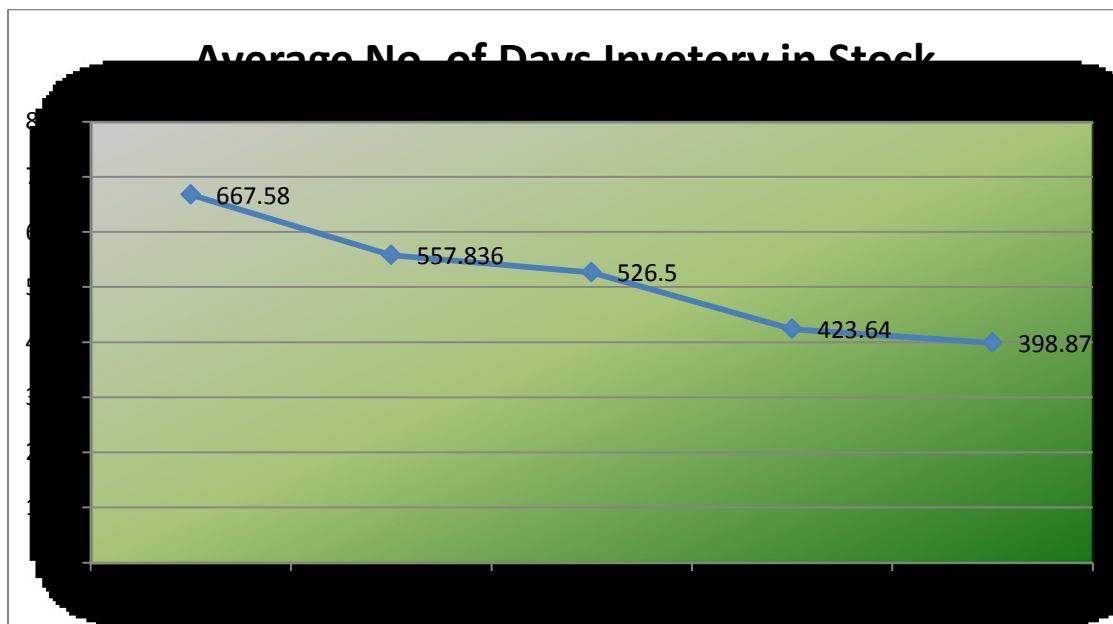


Figure 3: Average No of Days Inventory in Stock

Comment

- ✓ Fewer numbers of days indicates the better situation
- ✓ GSK is performing well day after day.

4.1.3 Receivable Turnover Ratio

This ratio shows how many times receivable is turned over in a year. Receivable turnover starts at the point where inventory turnover ends. Higher the ratio indicates the efficiency in credit management of a company. Here the receivable turnover ratio has increased over 2005 to 2006. In 2007 and 2008 the ratio declined and in 2010 it again increased 2.08 to which means receivable is collected almost 2 times in year 2010.

Ratio	2006	2007	2008	2009	2010
<i>Receivable Turnover Ratio</i>	2.32	1.85	1.33	1.82	2.08

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
-20.22	-27.83	36.09	14.25

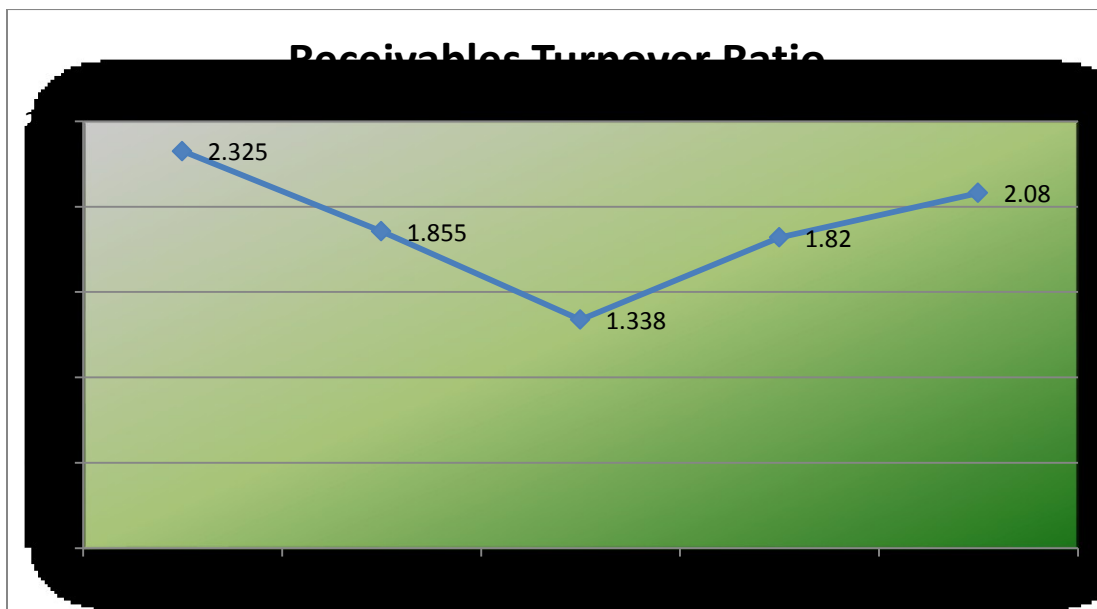


Figure 4: Receivable Turnover Ratio

Comment

- ✓ Higher turnover is better.
- ✓ Credit policy has been changed by GSK by the year 2009 after the down fall at 2008.
- ✓ Overall GSK is doing fair.

4.1.4 Average No of Days Receivable Outstanding

This ratio measures the number of days requires for collecting the receivable after selling inventory. Lower the ratio is better for the company. The ratio was 159.09 days in the year 2005. Then it decreased in 2006 to 157 days. Then in 2007 and 2008 it again increased to 197 days and 273 days. In 2010 GSK required 175 days to collect the receivable, that means it again declined.

Ratio	2006	2007	2008	2009	2010
<i>Average no. of days receivable outstanding</i>	156.96	196.75	272.63	200.33	175.33

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
25.35	38.56	-26.51	-12.47

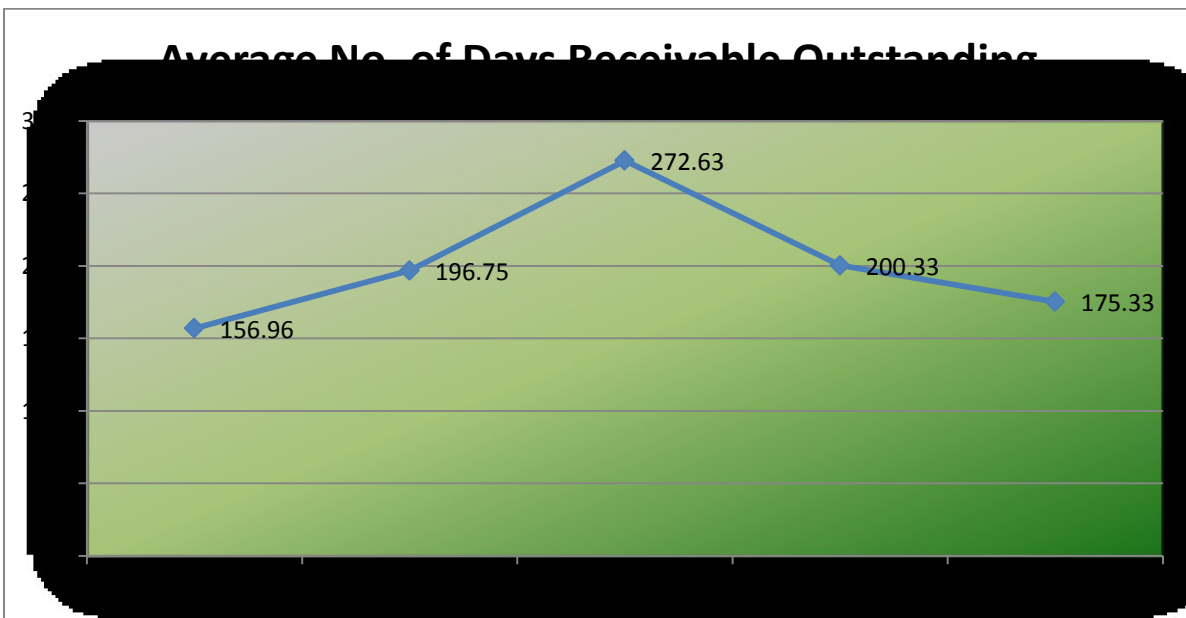


Figure 5: Average No of Days Receivable Outstanding

Comment

- ✓ Fewer the days are the best.
- ✓ GSK is performing great day by day though there is an inverse downfall in 2008.

4.1.5 Payable Turnover

This ratio measures that how many times payable is turned over in a year. It is a process which starts with purchasing of raw materials and ends with the payment of this. Lower the ratio is better because payables are turned over less frequently. So company gets time to pay its debts. The payable turnover ratio was 0.75 in 2005. In 2006 and 2007 the ration remain constant at 0.91. In year 2008 it decreased to 0.83. In 2009 it was 1.02 which was higher than rest 4 years.

Ratio	2006	2007	2008	2009	2010
<i>Payable turnover ratio</i>	0.90	0.90	0.82	1.02	0.82

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
-0.22	-8.68	23.61	-19.43

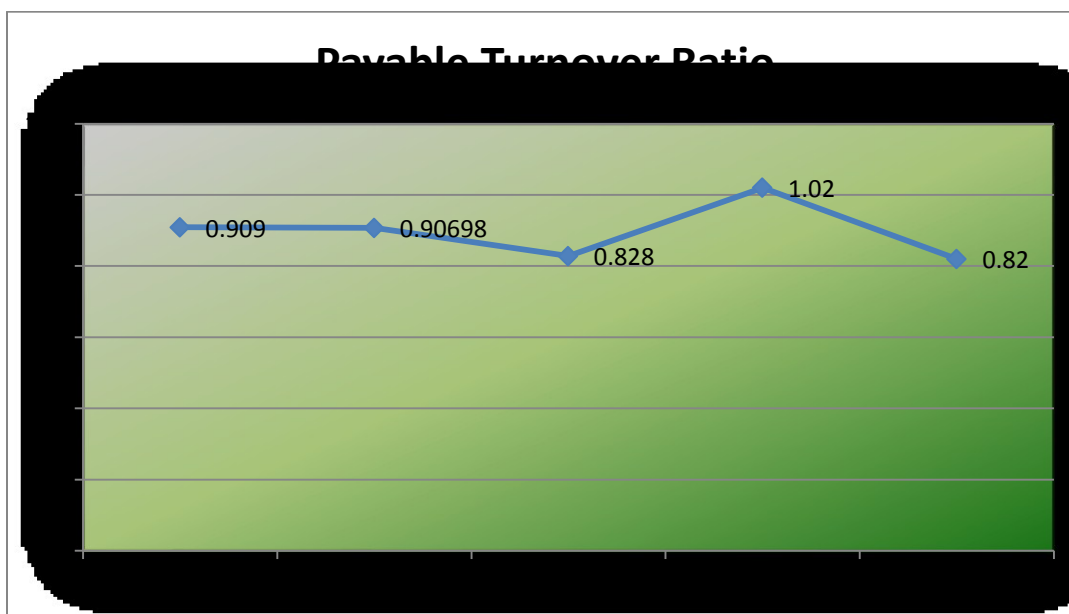


Figure 6: Payable Turnover

Comment

- ✓ Lower turnover is the best
- ✓ Consistency is maintained by GSK at a great extent.

4.1.6 Average No. of Day's Payable Outstanding

This ratio measures that, how many days company can defer its payment. Larger the time period is better for the company as company can make its' payment lately. In 2005, the average number of days' payable outstanding was 487 days. In 2006 and 2007 the ration remain constant at 402 days. In year 2010 it increased to 442 days which was higher than rest of the previous years.

Ratio	2006	2007	2008	2009	2010
<i>Average no. of days payable outstanding</i>	401.53	402.43	440.72	356.52	442.55

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
0.22	9.51	-19.10	24.13

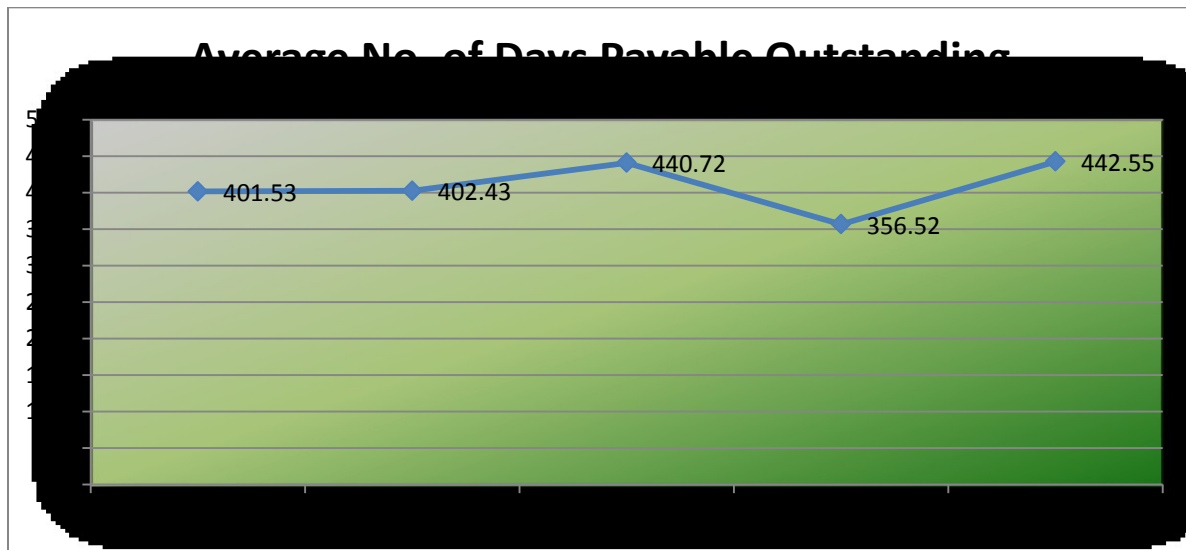


Figure 7: Average No. of Day's Payable Outstanding

Comment

- ✓ Higher is better.
- ✓ GSK is consistently trying to match the best.

4.2 Activity Analysis (Long term)

Long Term Activity Ratios

Ratios	2006	2007	2008	2009	2010
<i>Fixed asset turnover ratio</i>	4.29	4.71	5.49	8.23	9.31
<i>Total Asset Turnover ratio</i>	1.42	1.48	1.38	1.77	1.64

Table 7: Long Term Activity Ratio Analysis

❖ Calculation is given in appendices

4.2.1 Fixed Asset Turnover Ratio

This ratio measures that, how efficiently firm manages its fixed asset. And higher ratio indicates efficiency of firm. The ratio is not stable over the years. The ratio decreased in year 2006 from 4.62 to 4.30. It increased in year 2007, 2008, 2009 and 2010 to 4.72, 5.49, 8.23, and 9.31. It indicates the efficiency of the firm in managing its fixed assets.

Ratios	2006	2007	2008	2009	2010
<i>Fixed asset turnover ratio</i>	4.29	4.71	5.49	8.23	9.31

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
9.77	16.42	49.96	13.07

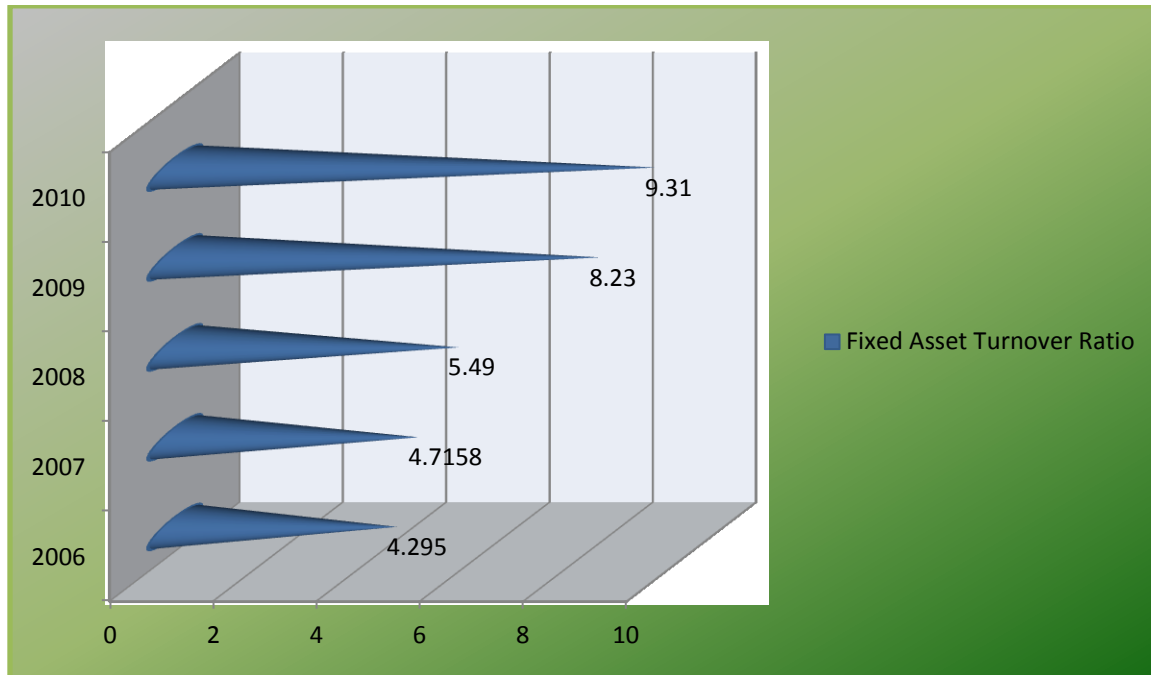


Figure 8: Fixed Asset Turnover Ratio

Comment

- ✓ Higher is better.
- ✓ GSK's performance is great in this regard.

4.2.2 Total Asset Turnover Ratio

Total asset turnover ratio measures the efficiency in managing total assets. Higher the ratio is better for the company. Here total asset turnover ratio has increased subsequently from year 2006 to year 2007. In year 2008 the ratio declined to 1.39. In 2009 the ratio is higher at 1.78. It means firm is able to increase the efficiency in managing the total asset.

Ratios	2006	2007	2008	2009	2010
<i>Total Asset Turnover ratio</i>	1.42	1.48	1.38	1.77	1.64

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
4.46	-6.81	28.22	-7.69

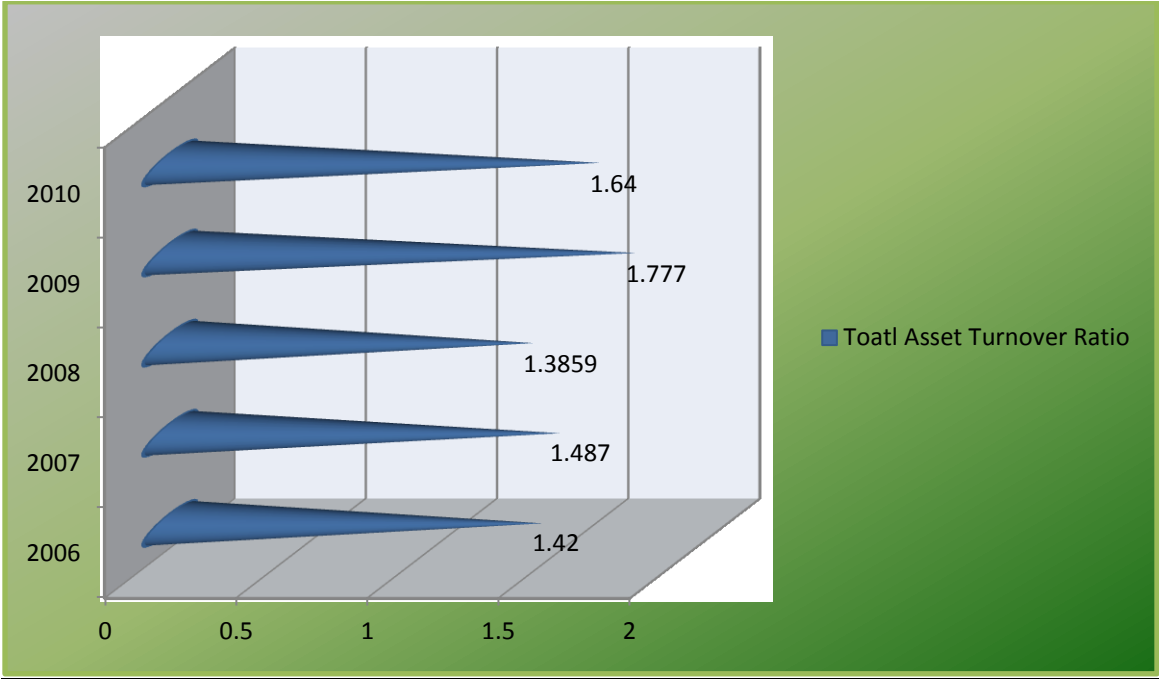


Figure 9: Total Asset Turnover Ratio

Comment

- ✓ Higher is better.
- ✓ GSK is inconsistent regarding this factor.

4.3 Liquidity Ratio

Ratio	2006	2007	2008	2009	2010
Current Ratio	6.63	4.64	2.96	3.10	2.59
Quick ratio	1.45	1.94	1.22	1.68	1.60
Cash Ratio	0.05	0.13	0.005	0.73	0.94

Table 8: Liquidity Ratio Analysis

❖ Calculation is given in appendices

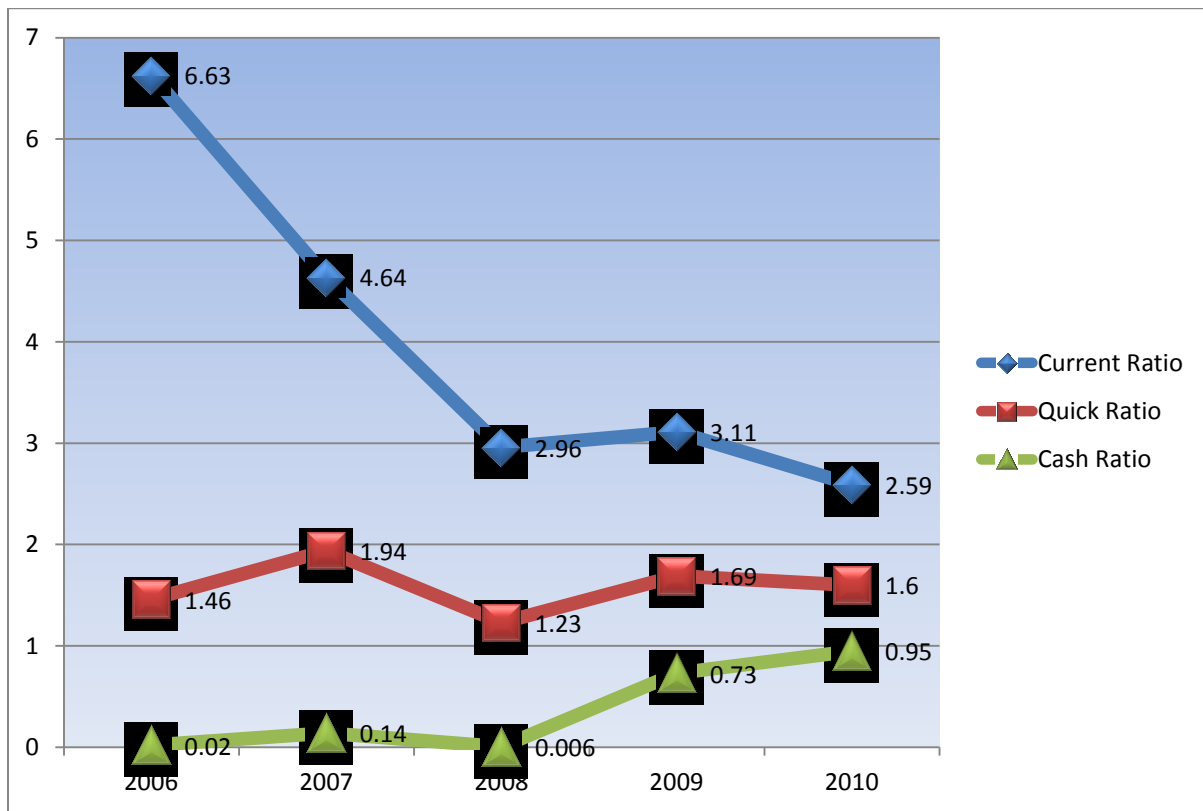


Figure 10: Liquidity Ratio

4.3.1 Current Ratio

This ratio measures that how much current asset is available to pay out the current liabilities of company. Higher ratio indicates good liquidity position. GSK Company's current ratio decreased in year 2007 and 2008 from 6.63 to 4.64 and 2.96. But then the ratio increased in 2009 at 3.11 which is satisfactory and again fell in 2010 at 2.59 which seem to be quite unstable.

Ratio	2006	2007	2008	2009	2010
<i>Current Ratio</i>	6.63	4.64	2.96	3.10	2.59

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
-30.02	-36.20	5.01	- 16.58

Comment

- ✓ Ratio should definitely higher than 1.
- ✓ Yet now, GSK's performance is satisfactory.
- ✓ The threat of the ratio is- it is slowing down at a decreasing rate.

4.3.2 Quick Ratio

This ratio includes the quick assets that can be easily converted into cash. It measures the liquidity position in more conservative way. In 2006 the quick ratio was 1.45. In 2007 it again increased to 1.94. Then in 2008 it was the lowest 1.23. The quick ratio is 1.69 in 2009 and 1.60 in 2010 which indicated better liquidity position of Company.

Ratio	2006	2007	2008	2009	2010
<i>Quick ratio</i>	1.45	1.94	1.22	1.68	1.60

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
33.03	-36.79	37.39	-4.83

Comment

- ✓ Ratio > 1 is required to pay its debt without selling its inventory.
- ✓ GSK is always capable of paying its debts without any stress.

4.3.3 Cash Ratio

The most conservative measure of liquidity position is cash ratio. Here the cash ratios of GSK fluctuate over the first five-year but in year 2010 the ratio is 0.95 which indicate improved liquidity position without relying in receivables and GSK can pay its short term debts in cash.

Ratio	2006	2007	2008	2009	2010
Cash Ratio	0.05	0.13	0.005	0.73	0.94

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
158.35	-95.82	12906.15	29.29

Comment

- ✓ Cash ratio should always be less than 1.
- ✓ GSK's performance is satisfactory.

4.4 Long Term Debt and Solvency Ratio

Ratio	2006	2007	2008	2009	2010
Debt to equity	0.32	0.34	0.49	0.46	0.60
Debt to total capital	0.24	0.25	0.33	0.32	0.37
<i>Time interest earned ratio</i>	2.67	17.25	25.23	519.69	653.16
Fixed charge coverage	-1.16	10.43	19.97	216.08	253.49
CFO to Debt	0.06	0.32	0.15	0.84	0.73
Capital Expenditure Ratio	0.25	1.43	1.11	7.60	0.51

Table 9: Long Term Debt Ratio Analysis

❖ Calculation is given in appendices

4.4.1 Debt to Equity Ratio

This ratio shows how much debt a company has compared to its equity. Higher the ratio indicates higher the risk for the company. GSK Company had highest debt to equity ratio in year 2010. In year 2010, for every Tk. 1 of equity GSK had Tk. 0.60 debt. It means the dependency on external financing has increased and riskiness of the firm as well.

Ratio	2006	2007	2008	2009	2010
Debt to equity	0.32	0.34	0.49	0.46	0.603217172
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	5.47	46.59	-6.34	30.53	

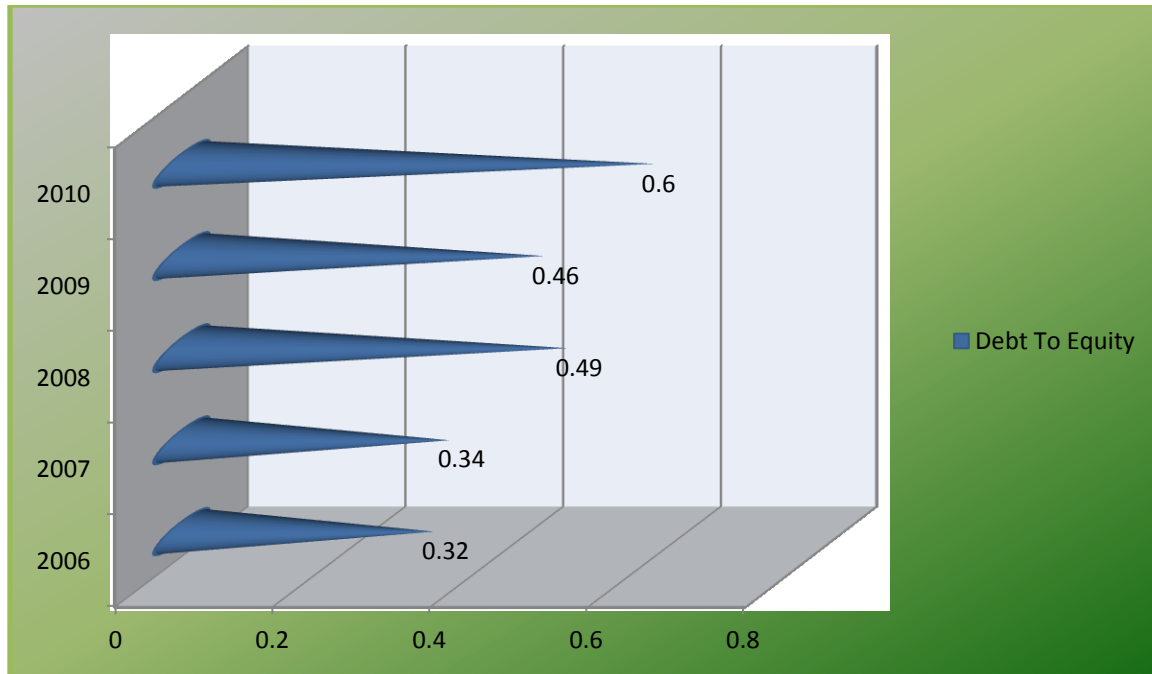


Figure 11: Debt To equity Ratio

Comment

- ✓ Ratio should remain less than 1.
- ✓ GSK is showing a great prospect in this ratio analysis.

4.4.2 Debt to Capital Ratio

It measures the proportion of debt on total capital. This ratio shows that how much a firm is dependent on external financing. But from the balance sheet we came to learn that GSK Company was highly dependent on external financing from year 2008 to 2010 which make the company more risky. But in the earlier years the company was less reliable on debt which reduces the bankruptcy risk of GSK.

Ratio	2006	2007	2008	2009	2010
Debt to total capital	0.24	0.25	0.33	0.32	0.37
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	4.09	31.19	-4.34	19.04	

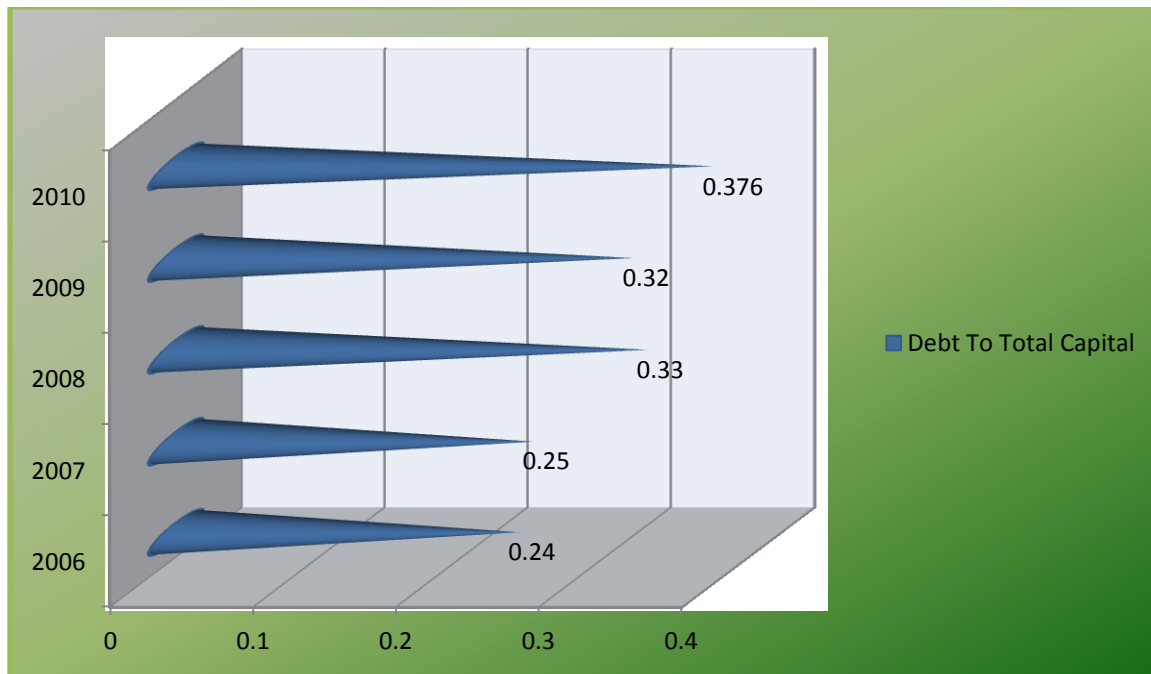


Figure 12: Debt To Total Capital

Comment

- ✓ Lower the fraction is better.
- ✓ GSK showed a tendency to depend more on debt with respect to other years.

4.4.3 Time Interest Earned Ratio

It is a direct measure of ability of paying the interest for a company. This ratio fluctuates over five year period. In year 2006, for Tk. 1 interest GSK has Tk. 2.67 EBIT which was satisfactory. Then in year 2010 it became highest at Tk. 653.17 EBIT.

Ratio	2006	2007	2008	2009	2010
<i>Time interest earned ratio</i>	2.67	17.25	25.23	519.69	653.16
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	545.70	46.29	1959.65	25.68	

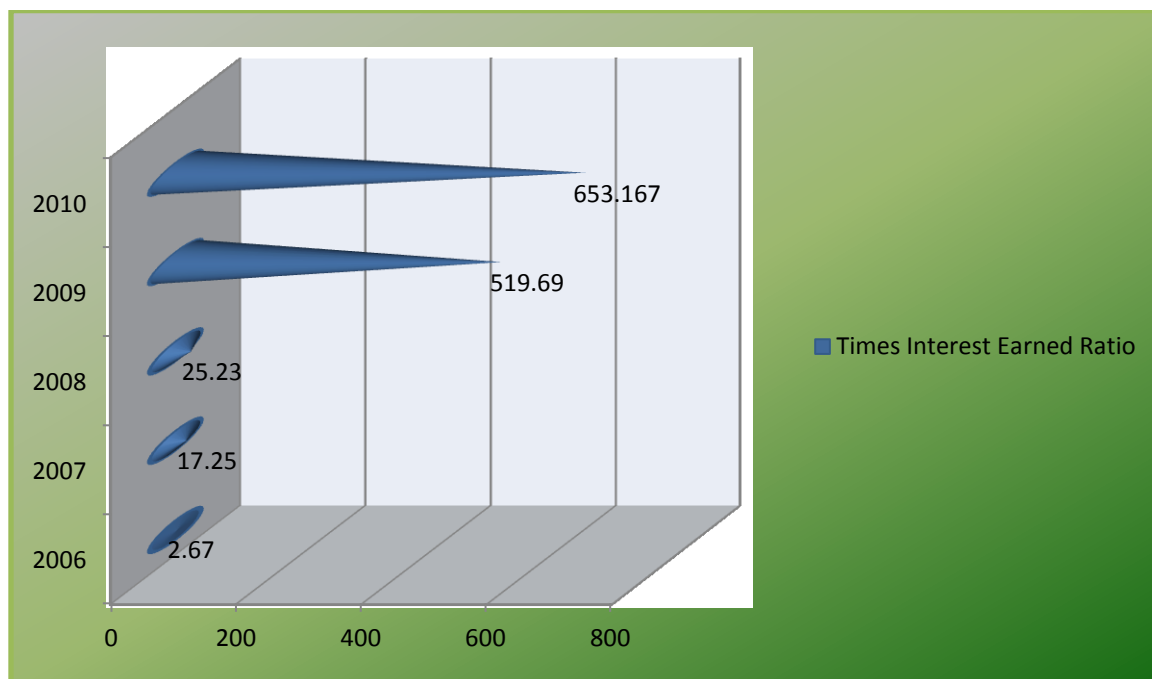


Figure 13: Times Interest Earned Ratio

Comment

- ✓ Ratio should always be greater than 1.
- ✓ Higher the fraction shows the strengths.
- ✓ GSK has an extraordinary performance regarding the ratio.

4.4.4 Fixed Charge Coverage Ratio

This ratio measures the ability to pay all fixed charges for a company. Higher the ratio is better. In 2010 this ratio was 253.49 which was higher than rest of the years.

Ratio	2006	2007	2008	2009	2010
Fixed charge coverage	-1.16	10.43	19.97	216.08	253.4915014
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	999.51	91.38	982.002	17.31	

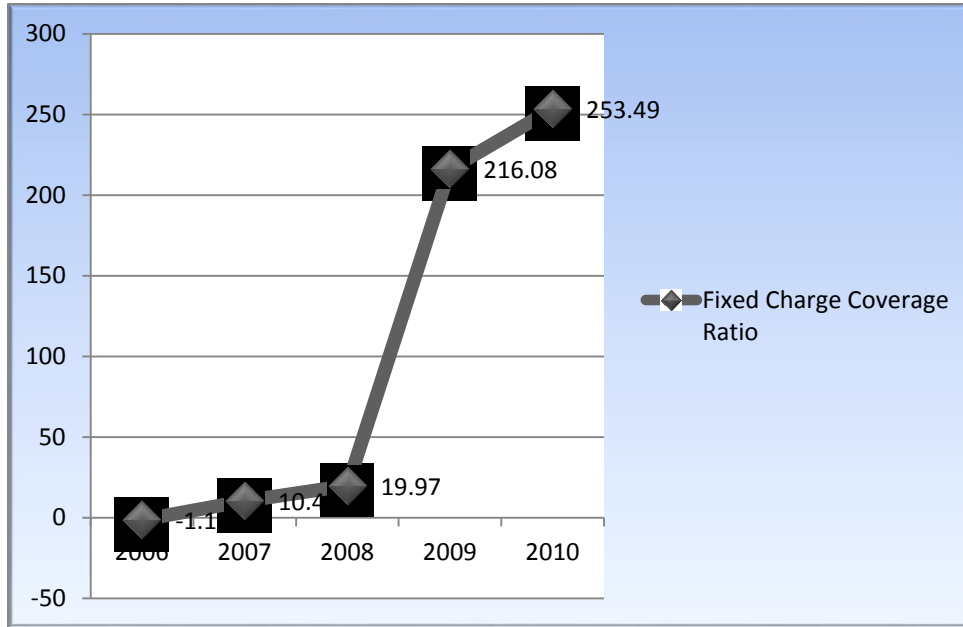


Figure 14: Fixed Charge Coverage Ratio

Comment

- ✓ Ratio should always be greater than 1.
- ✓ Higher the fraction shows the strengths.
- ✓ GSK has an extraordinary performance regarding the ratio.

4.4.5 CFO to Debt Ratio

This ratio measures the cash flow generated by the firm to pay debt. Higher the ratio is better. CFO to debt ratio was 0.06 in 2006. But it increased to 0.74 in year 2010 compare to 2006, which indicates solvency of the company.

Ratio	2006	2007	2008	2009	2010
CFO to Debt	0.06	0.32	0.15	0.84	0.73
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	0.002	-53.80	474.43	-12.51	

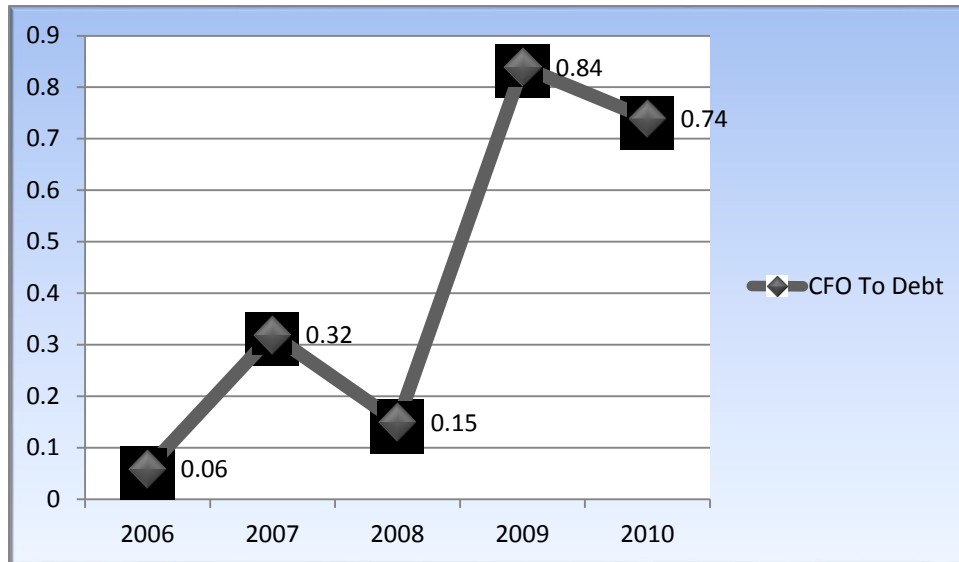


Figure 15: CFO to Debt

Comment

- ✓ Higher the ratio is better.
- ✓ The graph shows the increased solvency of GSK.

4.4.6 Capital Expenditure Ratio

This ratio measures the cash flow generated by the firm to pay capital expenditure. In 2005 it was 0.79. Then it decreased to 0.25 in 2006. From 2007 it started to increase and in 2009 it was 7.60 which is satisfactory but again it fell in 2010 to 0.51 dramatically.

Ratio	2006	2007	2008	2009	2010
Capital Expenditure Ratio	0.25	1.43	1.11	7.60	0.514
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	482.29	-22.72	586.29	-93.23	

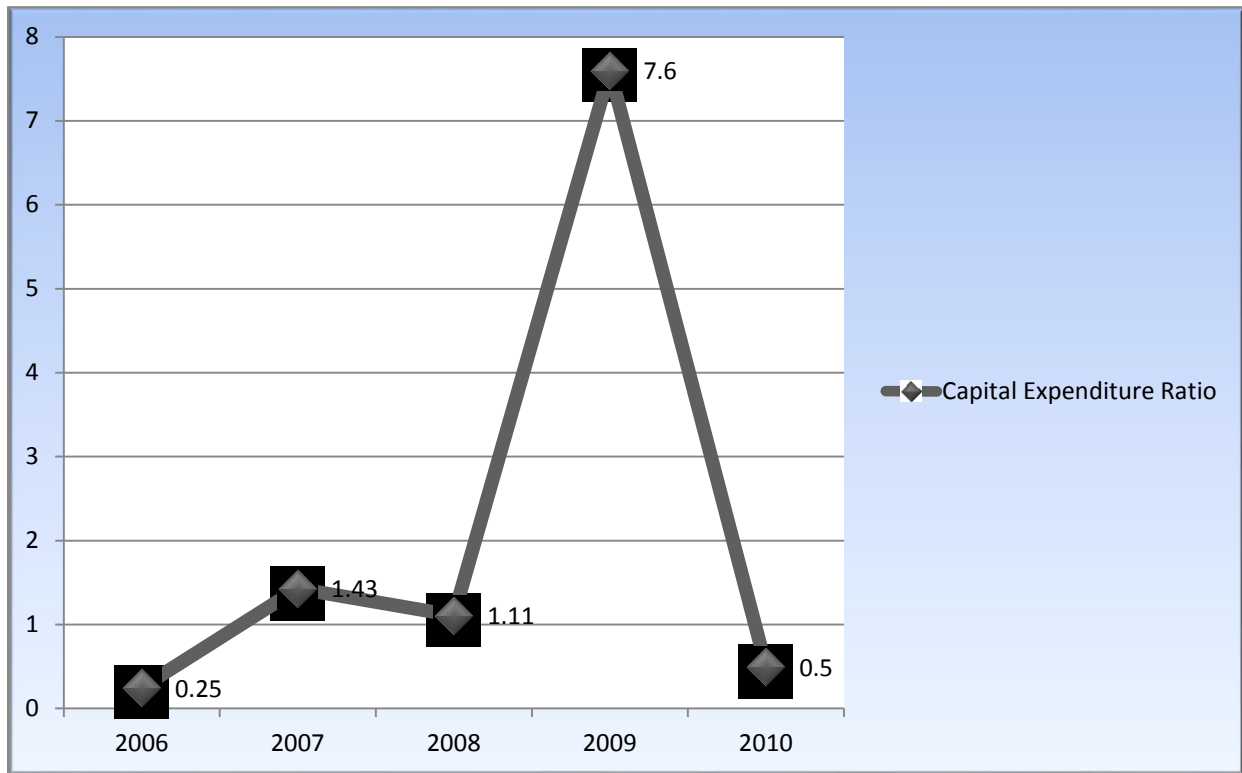


Figure 16: Capital Expenditure Ratio

Comment

- ✓ Higher the ratio shows the growth of the company.
- ✓ GSK's performance can be evaluated as satisfactory.

4.5 Profitability Analysis

Ratio	2006	2007	2008	2009	2010
Gross Margin	19.67	21.56	24.98	31.23	34.20
Operating Margin	-0.71	4.98	11.26	14.28	14.74
Margin before interest and tax	-0.71	4.98	11.26	14.28	14.74
Pretax margin	-0.61	4.85	10.84	14.51	15.21
Profit Margin	-1.19	2.83	7.57	10.71	11.29
Return on Assets (ROA)	-1.01	7.40	15.60	25.38	24.18
Return on Equity (ROE)	-2.23	5.64	15.67	27.28	34.05

Table 10: Profitability Ratio Analysis

❖ Calculation is given in appendices

4.5.1 Gross Margin

It shows the relationship between sales and COGS. Higher the ratio is better. GSK has stable gross margin over five year period. In 2006 the Gross margin was 19.67% and in 2010 it is 34.20%. So GSK is efficient to manage its' direct expenses which leads to higher profit.

Ratio	2006	2007	2008	2009	2010
Gross Margin	19.67	21.56	24.98	31.23	34.20
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	9.58	15.86	25.01	9.52	

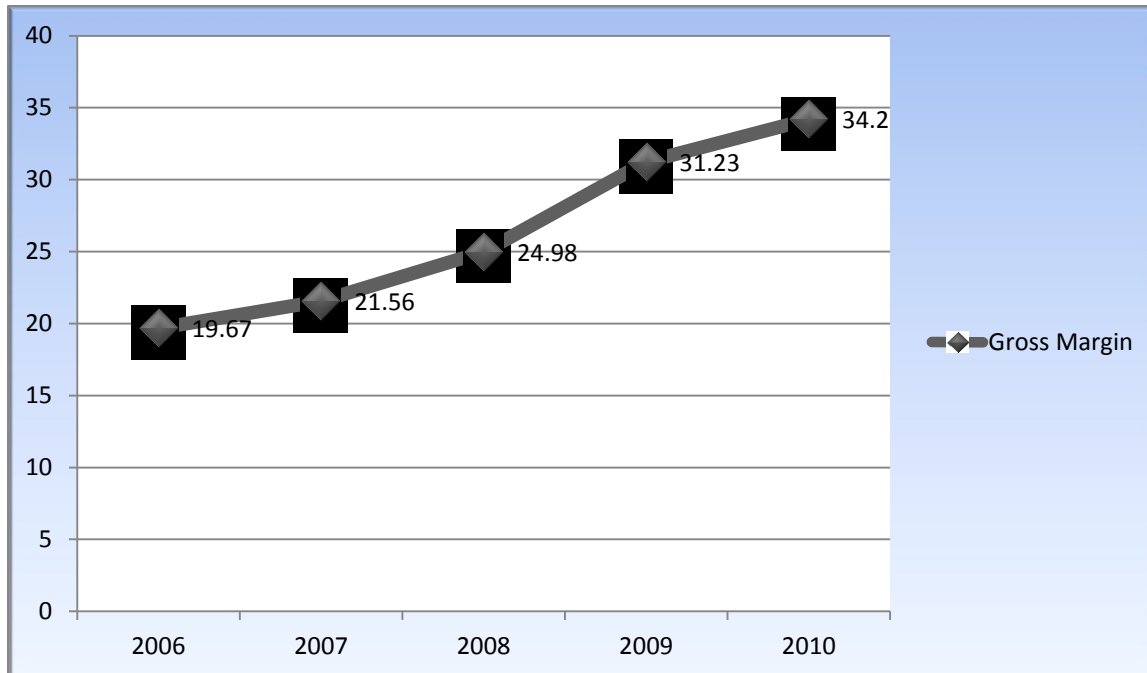


Figure 17: Gross Margin

Comment

- ✓ Higher the ratio is better.
- ✓ Trend should be upward sloppy.
- ✓ GSK is continuously striving for the margin year after year.

4.5.2 Operating Margin

It measures profitability of firm from it's core business. It is independent from firm's investing, financing and tax position. The operating margin of GSK was decreased in year 2006 to -0.71% but then it increased. In 2010 operating margin becomes 14.74% which indicates higher profit from core business of GSK.

Ratio	2006	2007	2008	2009	2010
Operating Margin	-0.71	4.98	11.26	14.28	14.74
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	799.81	126.34	26.82	3.24	

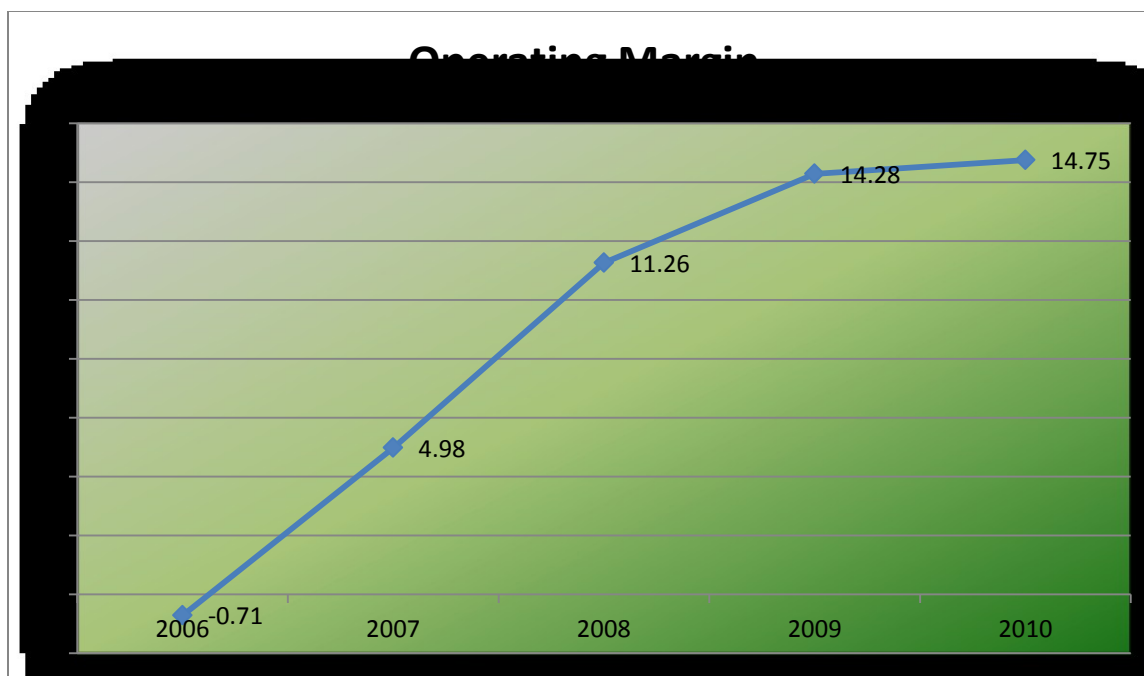


Figure 18: Operating Margin

Comment

- ✓ Higher the ratio is better.
- ✓ The trend should be upward sloppy.
- ✓ The trend is increasing at a decreasing rate.

4.5.3 Pretax Margin

Pretax margin measures the profitability which is independent from the impact of tax. Pretax margin is highest in year 2010 which is 15.22%.

Ratio	2006	2007	2008	2009	2010
Pretax margin	-0.61	4.85	10.84	14.51	15.21
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	891.17	123.29	33.92	4.86	

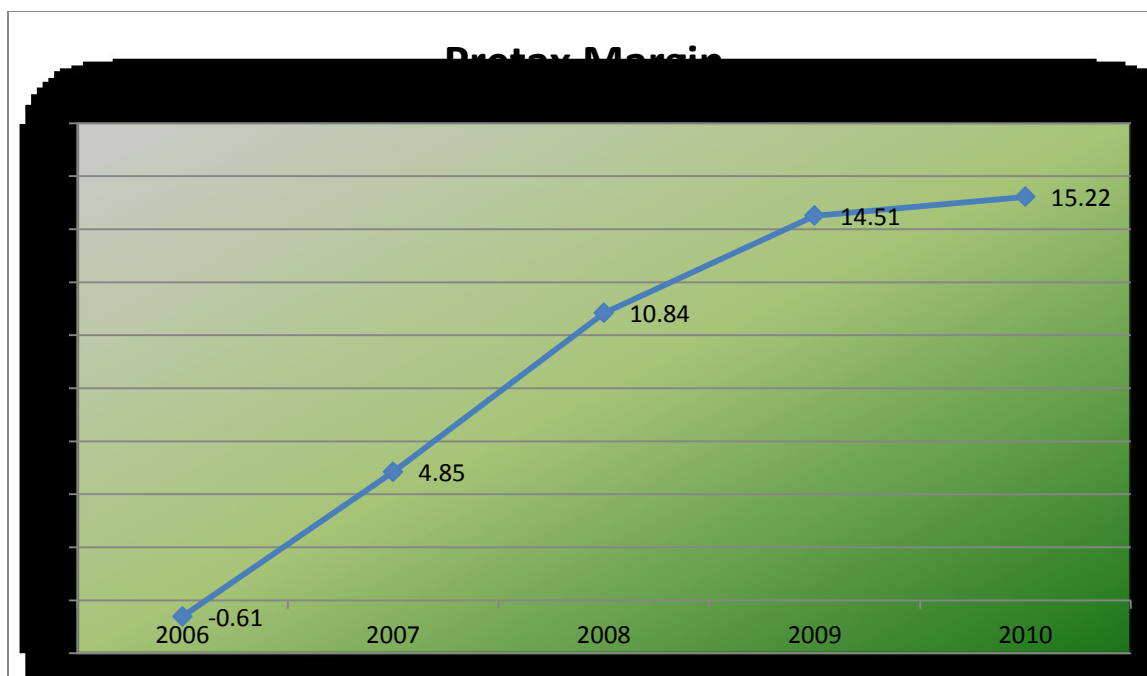


Figure 19: Pretax Margin

Comment

- ✓ Higher the ratio is better.
- ✓ Trend should be upward sloppy.
- ✓ GSK is continuously striving for the margin year after year.

4.5.4 Profit Margin

It measures overall profit margin net of all expenses. Higher the ratio represents better position. Profit margin was 3.64% in year 2005. But it decreased in 2006 to -1.19% and then again increased. But in recent year 2010 profit margin is 11.29% which indicate the improved position of GSK in terms of profitability.

Ratio	2006	2007	2008	2009	2010
Profit Margin	-1.19	2.83	7.57	10.71	11.29
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	338.30	167.07	41.43	5.46	

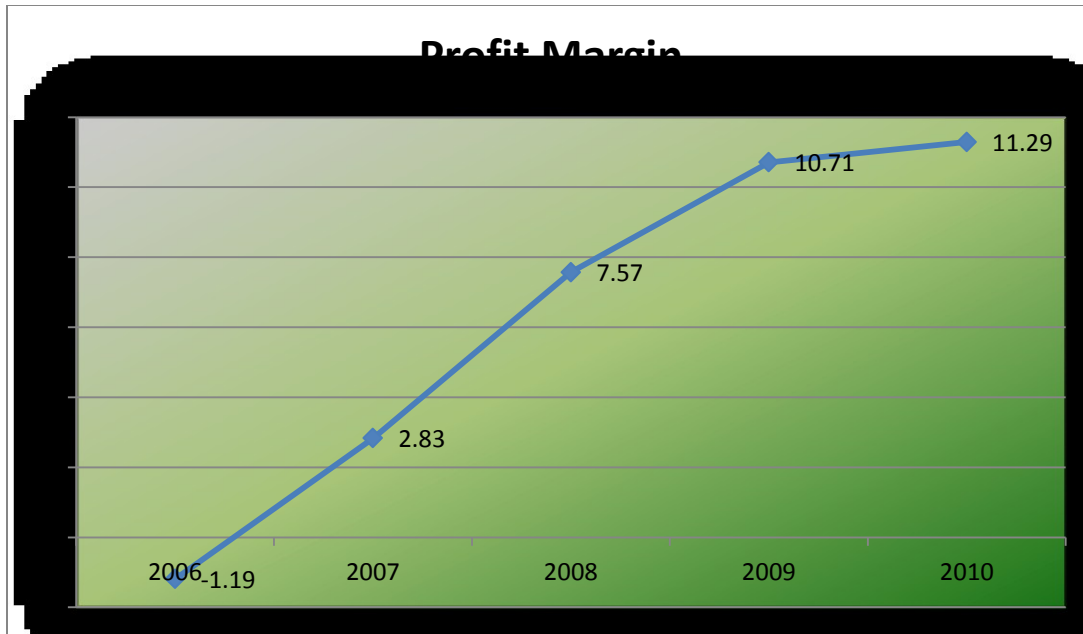


Figure 20: Profit Margin

Comment

- ✓ Higher the ratio is better.
- ✓ The trend should be upward sloppy.
- ✓ The trend is increasing at a decreasing rate.

4.5.5 ROA

ROA measures the efficiency of firm to utilize its assets to generate revenue and return available to the capital providers. GSK had low ROA -1.012 in year 2006 which means asset could not utilize properly to generate profit. But gradually ROA of GSK has increased to 25.381 at 2009 which indicates better utilization of asset in recent years. So capital providers also get higher return

Ratio	2006	2007	2008	2009	2010
Return on Assets (ROA)	-1.01	7.40	15.60	25.38	24.18
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	831.03	110.92	62.62	- 4.69	

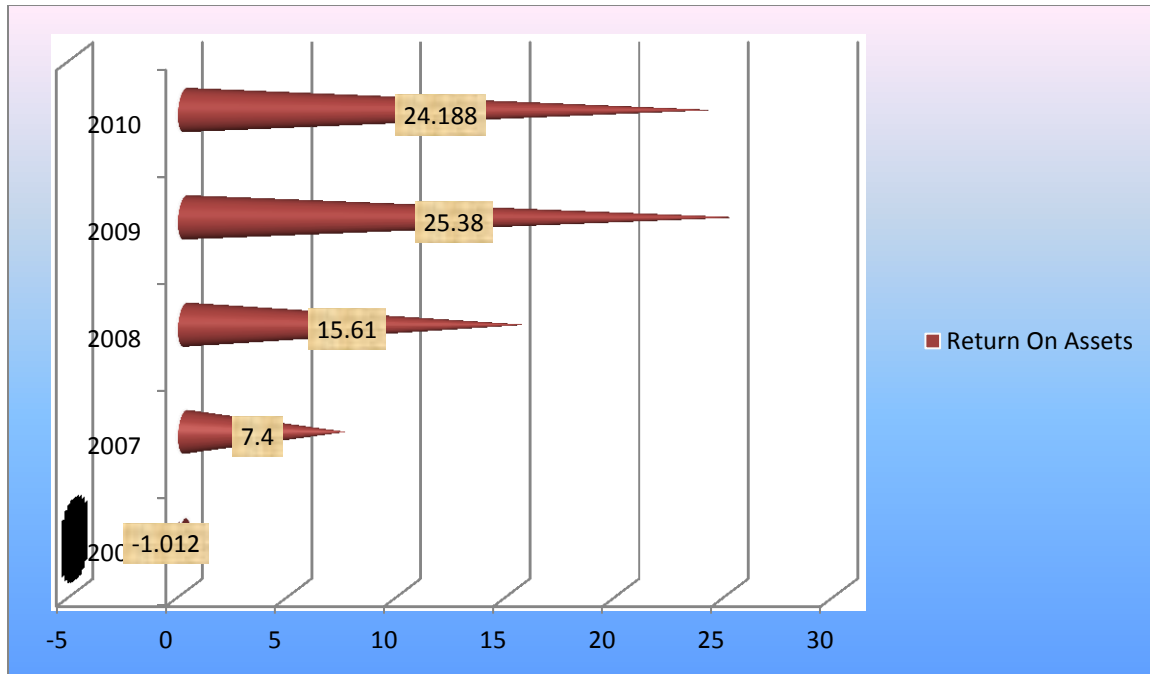


Figure 21: Return On Assets

Comment

- ✓ Higher the ratio is better.
- ✓ The trend should be upward sloppy.
- ✓ The trend shows stable position of GSK.

4.5.6 ROE

Measures the return on total stockholder’s equity and excludes debt in the dominator and uses either pretax income or net income. Higher the ratio is the better for the firm. The firm has higher ROE in 2010 which is 34.05%. ROE is higher in those years when ROA rises. This firm’s shareholders get higher return over the years.

Ratio	2006	2007	2008	2009	2010
Return on Equity (ROE)	-2.23	5.64	15.67	27.28	34.05
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	352.91	177.83	74.09	24.81	

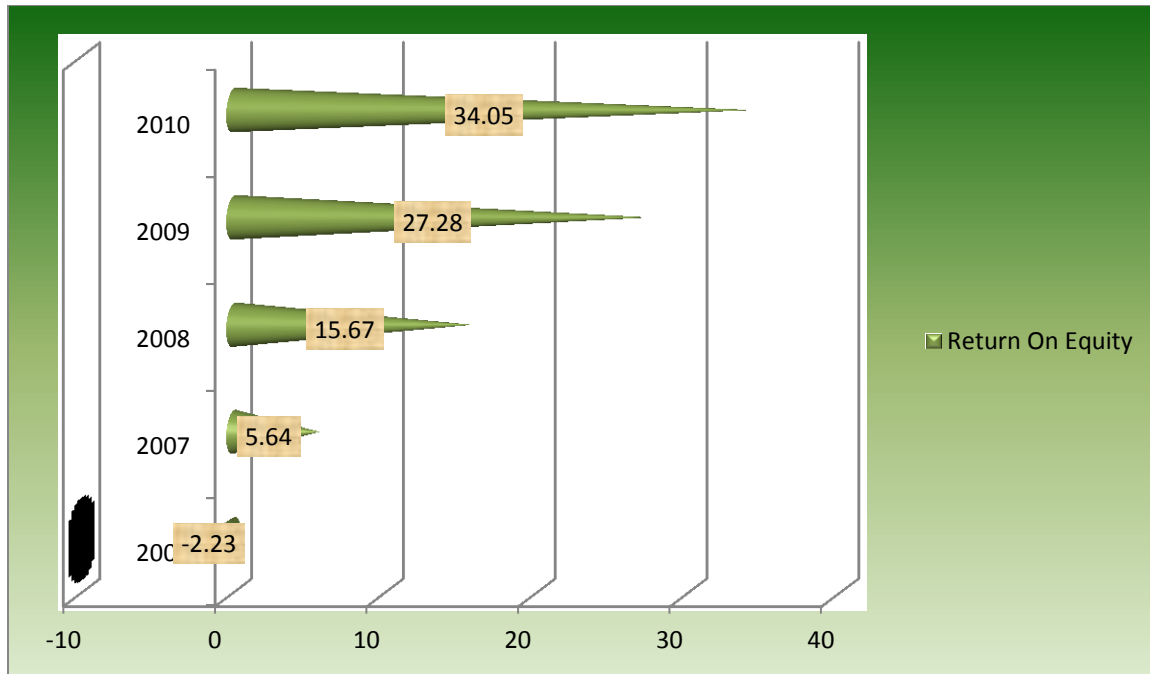


Figure 22: Return On Equity

Comment

- ✓ Higher the ratio is better.
- ✓ 12-15% is the average.
- ✓ The trend shows the extraordinary performance of GSK.

4.6 Operating & Financial Leverage

Ratio	2006	2007	2008	2009	2010
Operating Leverage Effect	-27.67	4.33	2.22	2.19	2.319
Financial Leverage Effect	0.60	1.76	1.49	1.33	1.30
Total Leverage Effect	-16.54	7.61	3.30	2.92	3.02

Table 11: Operating & Financial Leverage Ratio Analysis

❖ Calculation is given in appendices

4.6.1 OLE (Operating Leverage Effect)

OLE is a measure of percentage change in income due to percentage change in sales volume. When OLE is greater than 1, operating leverage is present. GSK Company has highest OLE in year 2007 that is 4.33. It means if sales increase (decrease) by 1%, then operating income will increase (decrease) by 4.33%. The OLE of GSK has reduced then gradually. In 2010 OLE is 2.32 which means riskiness has reduced.

Ratio	2006	2007	2008	2009	2010
Operating Leverage Effect	-27.67	4.33	2.22	2.19	2.31

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
115.65	-48.81	-1.43	6.08

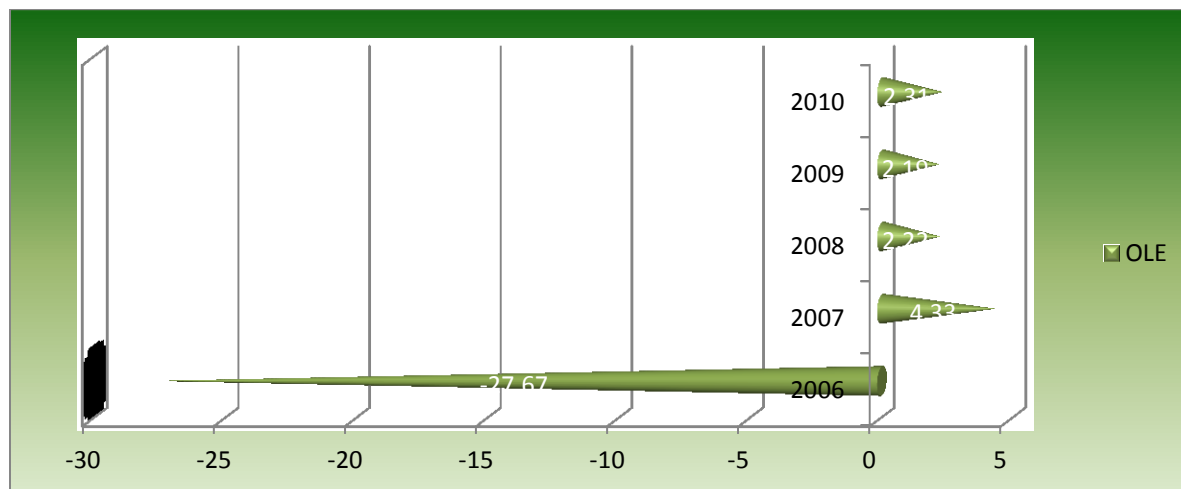


Figure 23: Operating Leverage Effect

Comment

- ✓ The ratio should be greater than or equal to 1.
- ✓ GSK stands at the stable position.
- ✓ Extreme higher ratio will lead to destruction.

4.6.2 FLE (Financial Leverage Effect)

FLE measures for a given change in operating income how much net income will change. GSK has highest fixed cost in year 2007 so as FLE. So in year 2007 risk was higher. If operating income changes by 1% then net income will change by 1.76%. GSK has lowest FLE in year 2006 that is 0.60.

Ratio	2006	2007	2008	2009	2010
Financial Leverage Effect	0.60	1.76	1.49	1.33	1.30
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	193.65	-15.24	-10.33	-2.09	

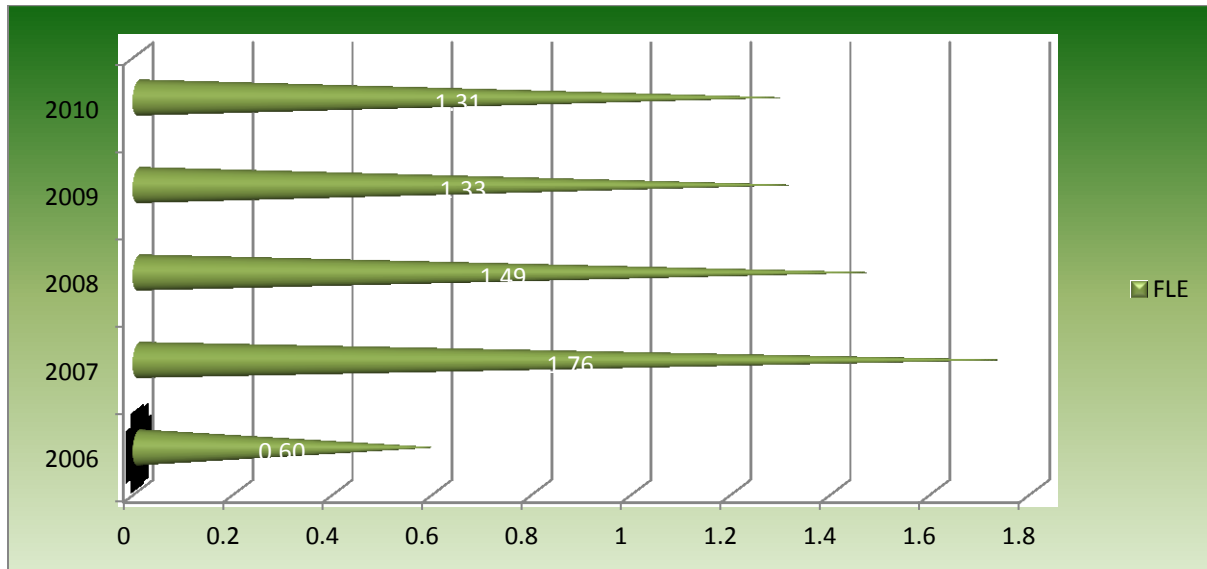


Figure 24: Financial Leverage Effect

Comment

- ✓ The ratio should be greater than or equal to 1.
- ✓ GSK stands at the stable position.
- ✓ Extreme higher ratio will lead to destruction.

4.6.3 TLE (Total Leverage Effect)

It measures the percentage change in net income due to percentage change in sales.

GSK has highest total leverage in 2007 that is 7.61. But TLE is 2.92 in year 2009. It means the firm was more risky in previous years but now risk of the firm has reduced.

Ratio	2006	2007	2008	2009	2010
Total Leverage	-16.54	7.61	3.30	2.92	3.02
Effect					
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	145.98	-56.61	-11.61	3.85	

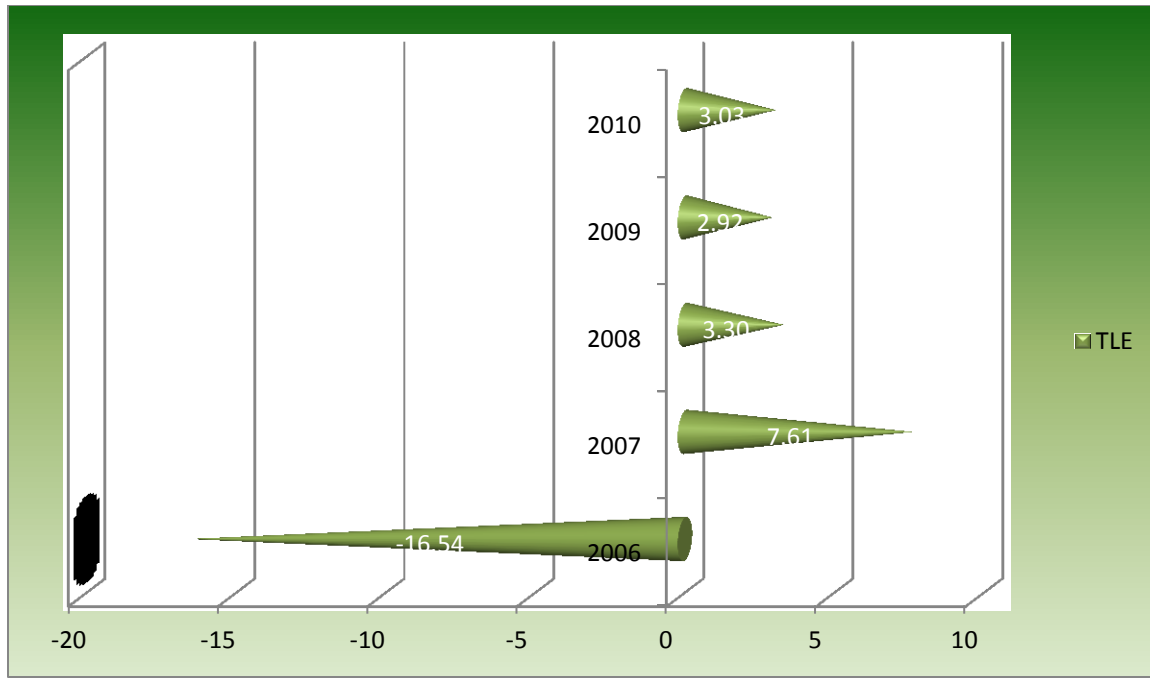


Figure 25: Total Leverage Effect

Comment

- ✓ The ratio should be greater than or equal to 1.
- ✓ GSK stands at the stable position right now than year 2007.
- ✓ Now GSK is comparatively less risky than that off the other year's TLE.

4.7 Investor's Analysis

RATIO	2006	2007	2008	2009	2010
EPS	-1.43	3.74	11.87	28.88	34.05
P/E Ratio	-95.43	51.60	27.81	25.10	33.17

Table 12: Investor's Analysis

❖ Calculation is given in appendices

4.7.1 Earning Per Share (EPS)

Earnings per share ratio (EPS Ratio) are a small variation of return on equity capital ratio and are calculated by dividing the net profit after taxes and preference dividend by the total number of equity shares. EPS indicates the profitability of GSK.

Ratio	2006	2007	2008	2009	2010
EPS	-1.43	3.74	11.87	28.88	34.05

% Change over the period of time			
2006-2007	2007-2008	2008-2009	2009-2010
363.38	217.37	143.30	17.90

As gross profit ratio start to increasing same way earning per share start to increase from 2007 to 2010 company well performed to improved share holder right. We can see year to GSK earning per share increases. So, the company is well managing its profitability compared to the industry.

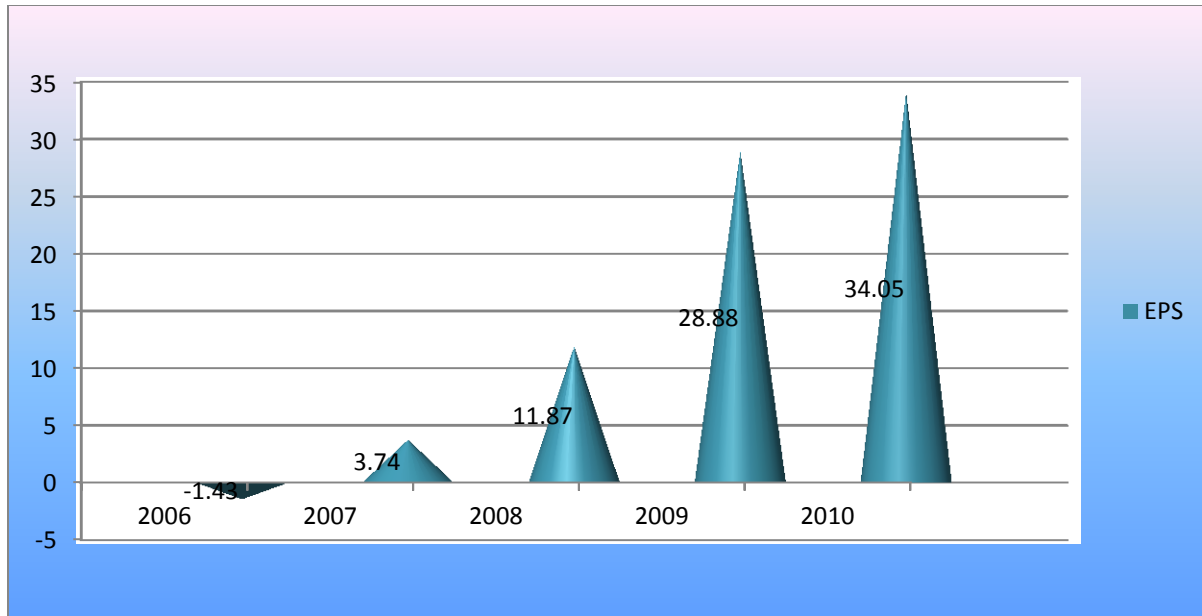


Figure 26: Earnings Per Share

Comment

- ✓ Higher the ratio is better.
- ✓ GSK's trend is upward sloppy which is a good sign.
- ✓ The trend shows the extraordinary performance of GSK.

4.7.2 Price Earnings Ratio (P/E)

Price earnings ratio is the ratio between market price per equity share and earnings per share. The ratio is calculated to make an estimate of appreciation in the value of a share of a company and is widely used by investors to decide whether or not to buy shares in a particular company

Ratio	2006	2007	2008	2009	2010
P/E Ratio	-95.43	51.60	27.81	25.10	33.17
% Change over the period of time					
	2006-2007	2007-2008	2008-2009	2009-2010	
	154.07	-46.10	-9.71	32.13	

Over all price earnings ratio effect to the buying attitude to the share holder when P/E ratio is high than buyer discourage to GSK share but company well performed every year increase their gross profit ratio, profit margin ,earning per share ratio vice versa start to decries P/E ratio. Above calculation can recommend GSK start financially stronger more competent than previous year from 2007 to 2010 continuously decries show that well position of GSK.

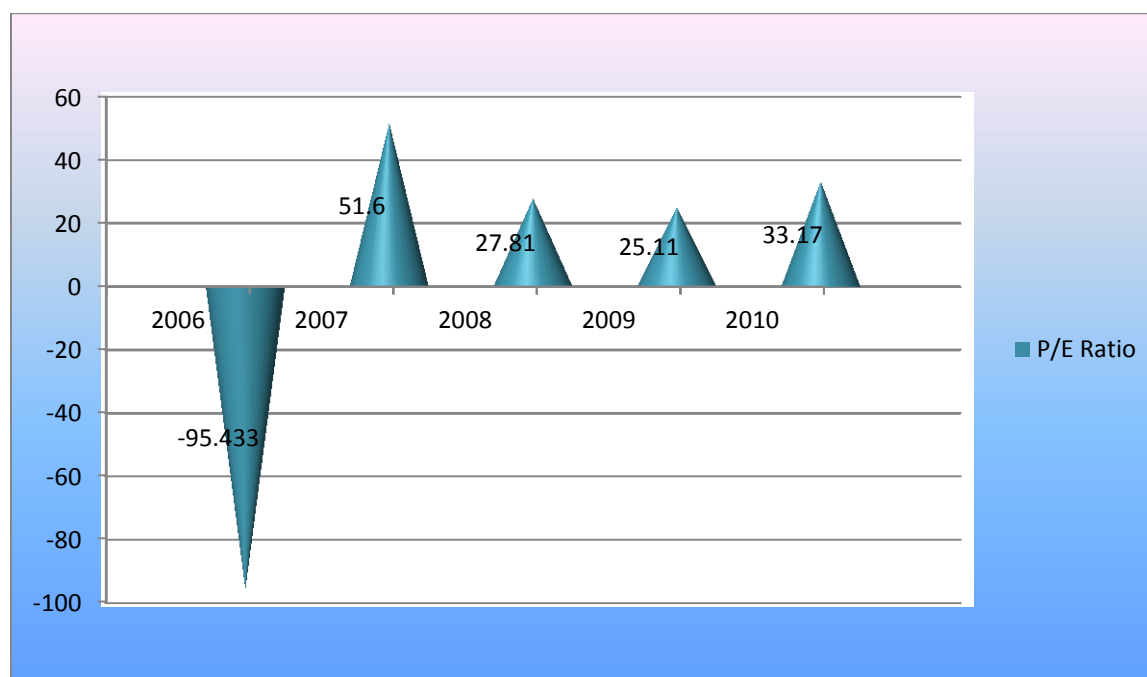


Figure 27: P/E Ratio

Comment

- ✓ Ratio > 20 indicates strong investor confidence & Ratio < 12 is likely to grow slowly.
- ✓ No P/E ratio has a fixed meaning good or bad. There is no cut-off for what is high or low.
- ✓ Comparing to the years- 2006 & 2007; GSK's position is quite stable in the next three years.

5.0 Conclusion

Financial performance analysis and management reporting activity is the process of understanding the budget preparation process and participation of different departments through analysis of reported financial information, particularly annual and quarterly reports. It is the selection, evaluation, and interpretation of budgeting data, along with other relevant information, to assist in investment and financial decision-making.

Affiliation report helps us to more efficient and more active to gather practical knowledge it efficient for practical life.

Financial statement analysis is an evaluative method of determining the past, current and projected performance of a company. One technique is commonly used as part of financial statement analysis 'ratio' analysis, which calculates statistical relationships between data.

Financial statement analysis enables organizations to assess their current operating performance, review the state of the economy and determine how they will perform in the future. Understanding that an ounce of prevention is worth a pound of cure, corporate management fully supports forecasting activities.

5.1 Identified Factors

- GSK has no long term debt almost depend on their capital.
- GSK has no over capital because their current asset, fixed asset own asset and not over-capitalized as its earnings are sufficient to justify a fair return on the amount of share capital that has been invested. The total of owned and borrowed capital does not exceed its fixed and current assets.
- GSK is one of the world recognized pharmaceutical company every year increase their sales current ratio increase year after year and asset turnover ratio. The current ratio and the turnover ratios justify that GSK is not under-trading.
- GSK is not under-capitalized as well. If the owned capital of GSK was less than the total borrowed capital, then it would have been a sign of under capitalization. This would indicate that the owned capital of the company is disproportionate to the scale of its operation and the business is dependent upon borrowed money and trade creditors.

5.2 Recommendation

- ✓ MNC objective is to maximize the share holder profit but at 2010, P/E ratio not good.
- ✓ GSK needs to give a check in its Operating expenses specially, Selling and Distribution expenses.
- ✓ GSK need to increase market share in pharmaceutical sector and vaccine because it is one of the second largest research based company in the world.
- ✓ GSK needs to improvise marketing strategy at pharmaceutical sector because every year they lost market share.
- ✓ GSK should think over its standard budgeting policy of paying dividends out of Retained earnings because this may lead to an investment crisis in future when GSK might have to borrow to meet the investment needs.
- ✓ GSK should oversee whether its Debt-to-Equity ratio is in favor of the Company. A rising dependency on debt may create a future liquidity as well as credit-worthiness problem. So GSK should make a proper budget plan for further investment.
- ✓ GSK should try to increase their market share.

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Appendices

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Particulars	Formula	2006	2007	2008	2009	2010
(1) Activity Analysis						
(i) Short-Term (Operating) Activity Ratios						
Inventory Turnover	Cost of Goods Sold / Average Inventory	0.55	0.65	0.69	0.86	0.92
Average No. Days Inventory In Stock	365 / Inventory Turnover	667.58	557.84	526.50	423.64	398.87
Receivables Turnover	Sales / Average Trade Receivables	2.33	1.86	1.34	1.82	2.08
Average No. Days Receivables Outstanding	365 / Receivables Turnover	156.96	196.75	272.63	200.33	175.33
Payable Turnover	Purchase / Average Accounts Payable	0.91	0.91	0.83	1.02	0.82
Average No. Days Payables Outstanding	365 / Payables Turnover	401.54	402.43	440.73	356.52	442.55
(ii) Long-Term (Investment) Activity Ratios						
Fixed Asset Turnover	Sales / Fixed Assets	4.30	4.72	5.49	8.23	9.31
Total Asset Turnover	Sales / Total Assets	1.42	1.49	1.39	1.78	1.64
(2) Liquidity Analysis						
Current Ratio	Current Assets / Current Liabilities	6.63	4.64	2.96	3.11	2.59
Quick Ratio	(Current Assets - Inventories) / Current Liabilities	1.46	1.94	1.23	1.69	1.60
Cash Ratio	(Cash + Marketable Securities) / Current Liabilities	0.05	0.14	0.01	0.73	0.95
(3) Long term Debt and Solvency Ratio						
(i) Debt Covenants						
Debt to Total Capital	Total Debt / Total Capital	0.24	0.25	0.33	0.32	0.38
Debt to Equity	Total Debt / Total Equity	0.32	0.34	0.49	0.46	0.60
Time Interest Earned (TIE)	EBIT / Interest Expense	2.67	17.25	25.23	519.69	653.17
Fixed Charge Coverage	Earning before Fixed Charges & Taxes / Fixed Charges	-1.16	10.43	19.97	216.08	253.49
(ii) Capital Expenditure and CFO to Debt Ratio						
Capital Expenditure Ratio	CFO / Capital Expenditure	0.25	1.43	1.11	7.60	0.51
CFO to Debt	CFO / Total Debt	0.06	0.32	0.15	0.84	0.74
(4) Profitability Analysis						
(i) Return on Sales						
Gross Margin	Gross Profit / Sales	19.67	21.56	24.98	31.23	34.20
Operating Margin	Operating Profit / Sales	-0.71	4.98	11.26	14.28	14.75
Margin before Interest and Tax	EBIT / Sales	-0.71	4.98	11.26	14.28	14.75
Pretax Margin	EBT / Sale	-0.61	4.85	10.84	14.51	15.22
Profit Margin	Net Income / Sales	-1.19	2.83	7.57	10.71	11.29
(ii) Return on Investment						
Return on Assets (ROA)	(Net Income + After Tax Interest) / Avg Total Asset	-1.01	7.40	15.61	25.38	24.19
Return on Equity (ROE)	Pretax Income / AVG Shareholder's Equity	-2.23	5.64	15.67	27.28	34.05

% Change over the period of time			
(1) Activity Analysis			
2006-2007	2007-2008	2008-2009	2009-2010
(i) Short-Term (Operating) Activity Ratios			
19.67	5.95	24.28	6.21
-16.44	-5.62	-19.54	-5.85
-20.22	-27.83	36.09	14.26
25.35	38.57	-26.52	-12.48
-0.22	-8.69	23.62	-19.44
0.22	9.52	-19.11	24.13
(ii) Long-Term (Investment) Activity Ratios			
9.78	16.43	49.97	13.07
4.46	-6.81	28.22	-7.70
(2) Liquidity Analysis			
-30.02	-36.21	5.01	-16.59
33.03	-36.80	37.39	-4.83
158.36	-95.83	12906.15	29.29
(3) Long term Debt and Solvency Ratio			
(i) Debt Covenants			
4.10	31.20	-4.34	19.04
5.48	46.60	-6.35	30.53
545.70	46.29	1959.65	25.68
999.52	91.39	982.00	17.31
(ii) Capital Expenditure and CFO to Debt Ratio			
482.29	-22.73	586.29	-93.23
0.00	-53.81	474.44	-12.51
(4) Profitability Analysis			
(i) Return on Sales			
9.59	15.87	25.01	9.53
799.81	126.35	26.83	3.25
799.81	126.35	26.83	3.25
891.17	123.30	33.92	4.86
338.31	167.07	41.44	5.46
(ii) Return on Investment			
831.04	110.92	62.62	-4.70
352.91	177.84	74.09	24.82

(5) Operating and Financial Leverage						
Operating Leverage Effect (OLE)	Gross Profit / EBIT or Operating Income	-27.67	4.33	2.22	2.19	2.32
Financial Leverage Effect (DLE)	Operating Income / Net Income	0.60	1.76	1.49	1.33	1.31
Total Leverage Effect (TLE)	Gross Profit / Net Income	-16.54	7.61	3.30	2.92	3.03

(6) Investor's Analysis						
Earning Per Share (EPS)	EPS= (EAT – Preference Dividend) / No. of Common Shares	-1.42	3.74	11.87	28.88	34.05
Price Earning Ratio (P/E)	Market Price Per Share/ EPS	-95.42	51.60	27.81	25.11	33.17

(5) Operating and Financial Leverage			
115.66	-48.81	-1.43	6.08
193.66	-15.25	-10.33	-2.10
145.99	-56.62	-11.61	3.86

(6) Investor's Analysis			
363.38	217.38	143.30	17.90
154.08	-46.11	-9.72	32.13