

Internship Report on
**“A Study on the Pharmaceutical companies of DSE
listed firms of Bangladesh for the period of 2018 to 2022”**

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An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelor of Business Administration (BBA)

BRAC Business School
BRAC University
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Submitted to:

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Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing a degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material that has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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Letter of Transmittal

Mohammad Mujibul Haque, PhD

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Kha 224 Bir Uttam Rafiqul Islam Ave, Merul Badda, Dhaka 1212. Bangladesh

Subject: Submission of internship report on the topic “A Quantitative & Qualitative study on the Pharmaceutical companies of DSE listed firms of Bangladesh for the period of 2018 to 2022”.

Dear Sir,

With all due respect, in compliance with the standards of BRAC University's BBA Program, I hereby submit my internship report. In compliance with your help and the guidelines of the BRAC Business School, I prepared the report in which I provided a succinct overview of my experience as an intern in the Research & Equity division of IDLC Securities Limited.

To ensure that the report is as comprehensive, concise, and meaningful as possible, I have made every effort to incorporate the relevant data and suggestions. I fervently hope and pray that you would approve of my report from my internship.

Sincerely yours,

Sumaiya Selim Sushme

20104071

BRAC Business School

BRAC University

Date: December 30, 2023

Non-Disclosure Agreement

This agreement is made and entered into by and between IDLC Securities Limited and the undersigned student at BRAC University (Sumaiya Selim Sushme, ID: 20104071).

Acknowledgement

Working as an intern and finishing my internship report in accordance with the requirements for the Bachelor of Business Administration degree has been a great accomplishment. It would not have been possible without the constant guidance and expertise of those who helped me with the preparation of my internship and report.

As an intern at IDLC Securities Limited, I've had a great experience learning new things and honing skills I never knew I had. I would like to express my gratitude to the company for giving me all the tools, data, and information I needed to complete my internship report.

I would also like to express my gratitude to Mohammad Mujibul Haque, my esteemed faculty supervisor and intern report supervisor, for his excellent leadership in giving me the assistance I needed and swiftly answering any inquiries.

Executive Summary

Using the knowledge I acquired while working as an intern in Research & Equity at IDLC Securities Limited, I wrote the report. Each of the three sections of this internship report includes a sub-chapter that covers a different study topic in accordance with the internship's requirements.

"Overview of Internship," the first section, includes details about me, my internship, the company I worked for, my school, the job duties and obligations, and much more. It also describes the benefits I received from the job at the company and my contributions to it.

The second section, titled "Organization Part," provides details about the organization and the many marketing and management tactics it has used. Along with market segmentation, Porter's Five Forces analysis, SWOT analysis, and an analysis of IDLC Securities Limited's products and services,

The final portion, titled "Project Part," provides a comprehensive overview of the research issue and details about how the Pharmaceutical Industry of Bangladesh is doing over the years by assessing their performance using the macroeconomic indicators, industry and business cycle analysis. Lastly, carrying out valuation using the discounted cash flow model to figure out and assist the investors to decide on which stock to invest.

Keywords: IDLC Securities Limited, Pharmaceutical Industry, Research & Equity.

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Chapter 1: Overview of Internship

1.1 Student Information

I am Sumaiya Selim Sushme. I'm currently enrolled at BRAC Business School, BRAC University, to pursue a Bachelor's degree in Business Administration. I'm majoring in finance with an accounting minor. I have the student ID 20104071. As part of my academic program, I am presently working as an intern at IDLC Securities Limited.

1.2 Internship Information

1.2.1 Period, Company Name, Department, Address

As an admirer of finance, I'm delighted to be working as an intern at IDLC Securities Limited, a sister company of IDLC Finance Limited. It's located at 65/2/2 Bir Protik Gazi Golam Dastari Road, Purana Palton, Dhaka 1000, on the fourth story of the DR Tower. As a research intern, I was employed by the equities research team. I started my three-month internship on September 11, 2023, and ended it on December 11, 2023.

1.2.2 Internship Company Supervisor's Information

The department responsible for investments and strategic planning includes the equities research team. Mr. Tanay Kumar Roy was my onsite supervisor for the duration of my internship at IDLC Securities Limited. He oversees sell side equity research as its head. I have been working under his supervision ever since the beginning. In 2022, he rose from his position as research analyst at IDLC Securities Limited in 2016 to head of research. He received his degree from the University of Dhaka's Institution of Business Administration (IBA). Shopnil Paul, a research analyst who joined IDLC Securities Limited in 2019, completes the squad. Besides, research associate MD Ifrat Khan and management trainee Humayra Afroze are also notable members of the squad. I worked directly under Mr. Tanay's supervision, yet I always upheld the line of command by serving everyone on the team. Getting firsthand experience from these experts is a real pleasure.

1.2.3 Job Responsibilities

My primary duties during my internship were maintaining the research team's database and analyzing the financial accounts of listed DSE and CSE companies. Keeping the database up to date with financial data input and reviewing the most recent quarterly and yearly financial reports of listed companies were my responsibilities. In addition, I have to perform simple computations like ratio analyses of multiple businesses. Besides, I have researched on the recent economic crises the world is facing by using the macroeconomic factors. Moreover, I have gathered significant data for research purposes from daily newspapers and government-published policies.

As a research intern, I worked on projects that went beyond national borders. I was tasked with assessing the unfavorable macroeconomic and financial circumstances of nearby nations that adhere to a similar set of policies, contrasting them with our own, and assessing the impact on our nation's economy. To gain a better understanding of how currency depreciation can significantly affect our economy, I was entrusted with evaluating the causes of currency depreciation in Sri Lanka, Zimbabwe, and Cambodia as well as solutions to the exchange rate issues.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company

My first 15 days were spent working with research analyst Mr. Shopnil Paul to develop a database for banking and non-banking financial institutions, as my primary duty was to create and manage the financial database for the listed firm. I have therefore entered the quarterly reports (Q1) for all banks and NBFIs, which typically run from January to March 2023. I have computed the amount of savings and current accounts, as well as EPS, ROA, and ROE, after entering all the data from the listed banks and NBFIs. I constructed a report detailing which three banks are doing the best and which three are doing the worst after building the database and completing some simple math. Similar to banks, I have gradually explored all the various stock market sectors, including insurance, miscellaneous, cement, ceramic, engineering, food allied, fuel and power, IT, jute, pharmaceuticals, services, and real estate. I have also produced an up-to-date database for our team's use as well as IDLC Securities Limited research and other purposes. In my opinion, IDLC Securities Limited can effectively use the data for company, industry, and valuation analysis, among other purposes.

1.3.2 Benefits to the student

Finance was my first choice for a major and my love since the beginning of my undergraduate career. I learned about the stock market, firm stock price appraisal, and investment in my corporate finance course. I was really interested in the stock market because of that course. I've wanted to intern at a stock trading company since then, so I'm happy that IDLC Securities Limited is now offering me the chance to do so. I have gained a great deal of knowledge during my internship. The corporate culture, appropriate attire, manners and communication skills, upholding the line of command, teamwork, and cross-team collaboration come first. The second thing I now know is about investing insights and the stock market. Various investing options depending on whether the firm and industry are performing well or badly. The final thing I learnt was the fundamental duty of a research analyst and how to use my academic understanding in practical practice.

1.3.3 Problems faced during the internship period

- Since it was my first office job, I experienced severe back discomfort during the first week from sitting for extended periods of time—nearly eight hours. However, I gradually adapted to this schedule and my new work-life balance.
- The research team was really kind and supportive, but as an intern, I was not allowed to use or do some things, which occasionally made me feel alienated and unmotivated.

1.3.4 Recommendations to the company on future internships

After completing my internship, I would like to suggest a few improvements to IDLC Securities Limited for both upcoming interns and the company as a whole:

- As a new intern, everyone expects their seniors to teach them new things. However, it's surprising to discover that seniors lack concern about interns, and they don't spend much time teaching them new things. It is important for IDLC Securities Limited to consider treating interns in the same manner as recently hired staff members.
- Interns should never feel like they are not completely integrated into the organization or like outsiders. Treating interns like a member of the team or organization is important.
- Database creation shouldn't be the only task assigned to interns. They ought to have greater authority. For the sake of their future education, interns should at the very least complete a proper company valuation.

Chapter 2: Organization Part

2.1 Introduction

2.1.1. Objective

The purpose of this study is to provide an overview of IDLC Securities Limited, with a focus on its parent company IDLC Finance Limited and other related entities. Besides, the paper would look into the operations techniques of IDLC Securities Limited in depth and would assess their performance over the years and would finally make recommendations.

2.1.2. Scope

It covers particular marketing and management strategies, financial results, accounting procedures, hiring and recruitment procedures, operations, information system analysis, and all other business matters. Throughout the report, a thorough analysis has been conducted.

2.1.3. Methodology

This section's findings are drawn from material found on the company's website as well as other reliable sources that offer details about the organization and its sector. Besides, the last five years' worth of financial statements and other data were taken into account to make an accurate and reliable assumption about the performance of the company.

2.1.4. Limitations

All the data taken to measure the performance of the company is secondary data, no primary data has been used to presume the results from the observation.

2.1.5. Significance

This study would give an in depth overview of IDLC Securities Limited which would help the readers to get a proper and reliable insight about the company.

2.2 Overview of the Company

One of Bangladesh's most well-known and powerful stock brokerage firms, IDLC Securities Limited was founded in 2006 and has provided transparent, reliable, and high-quality services for nearly 17 years. It has been providing services to both domestic and foreign clientele, both individual and institutional. IDLC Securities Limited, which employs 150 people and has 10 branches, is primarily focused on giving each client exceptional service while adhering to the regulations set forth by the stock exchange commission and Bangladesh Stock and Securities. Offering a variety of services, the organization guarantees high standards. Account opening for Beneficiary Owners, trade advice and support, research-based 11 investment recommendations, trade execution, margin lending services, regular self-trading app services, customer support, etc.

2.2.1. Vision

IDLC intends to become the nation's top financial brand.

2.2.2. Mission

The mission of IDLC is to prioritize sustainable business operations, excellent customer experience, and quality growth.

2.2.3. IDLC Securities Limited's fundamental values

- Most efficient trade execution
- Focus on knowledge-based brokerage service
- Put client interest first
- Long term customer service

2.2.4. IDLC Securities Limited's strategic objective

- Ethical standards
- Sustainable business growth
- High-quality service
- Encouraging stock market investment
- Draw in, nurture, and keep skilled workers
- The ongoing enhancement of operational efficiency

2.2.5. Overview of IDLC Securities Limited's years of operation

Highlights

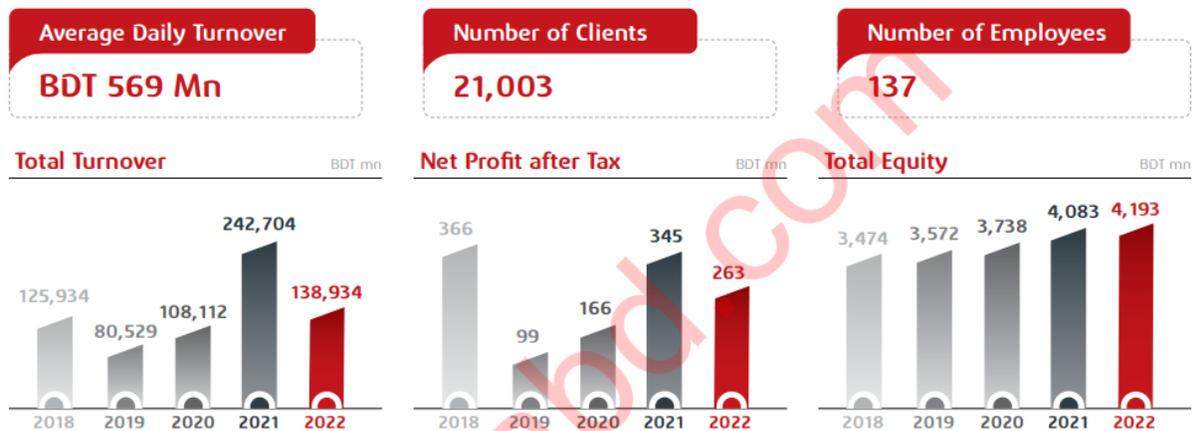


Figure 1: Highlights of IDLC Securities Limited for the last 5 years (Source: Annual Report of IDLC 2022)

2.2.6. The parent firm IDLC and its other subsidiaries

2.2.6.1. IDLC Finance Limited

A non-banking financial organization, IDLC (previously known as Industrial Development Leasing Company) was established in 1985 with the aid of numerous domestic and foreign businesses. These include the Korea Development Financing Corporation (KDFC), Sadharan Bima Corporation, City Bank Bangladesh Limited, Kookmin Bank, the German Investment and Development Company, and the Aga Khan Economic Development. Offering lease financing for particular programs was its primary goal. As the business expanded its offerings, it rose to prominence in its industry and emerged as one of the leading non-banking financial organizations in the nation. With 1700 employees and over 5000000 clients, it currently has over 40 branches. IDLC Finance provides a variety of loan and financial service options, including corporate financing, SME loans, supplier and distributor financing, retail financing, structured financing, women's special financing, and others.

2.2.6.2. IDLC Investment Limited

In Bangladesh, IDLC Investment Limited is one of the biggest merchant banks. It offers a range of services, such as the IPO process, in addition to ongoing market support. They provide people with quick and simple portfolio management. They play with a robust knowledge-based analytical research and the purchase side position for their customer. IDLC Investment Limited is the recipient of the "Euromoney awards for excellence 2018," which helped it rank among the top retailer Bangladeshi banks.

2.2.6.3. IDLC Asset Management Limited

To optimize individuals' wealth growth, IDLC Asset Management Limited provides a variety of mutual funds for them to choose from and invest in according to their needs and preferences. Mutual funds vary in terms of return and risk tolerance. The knowledgeable and adept investment managers are maintaining appropriate management and making sure there is minimal risk and maximum reward.

2.3 Management Practices

With a focus on teamwork, the IDLC group established a creative and cooperative work environment where staff members collaborate to accomplish organizational objectives while fostering individual development. IDLC and its funding prioritize onboarding staff who align with the necessary expertise to carry out the duties of the position while also making sure compatibility of culture with the company. The IDLC group organogram is as follows:

Company Organogram

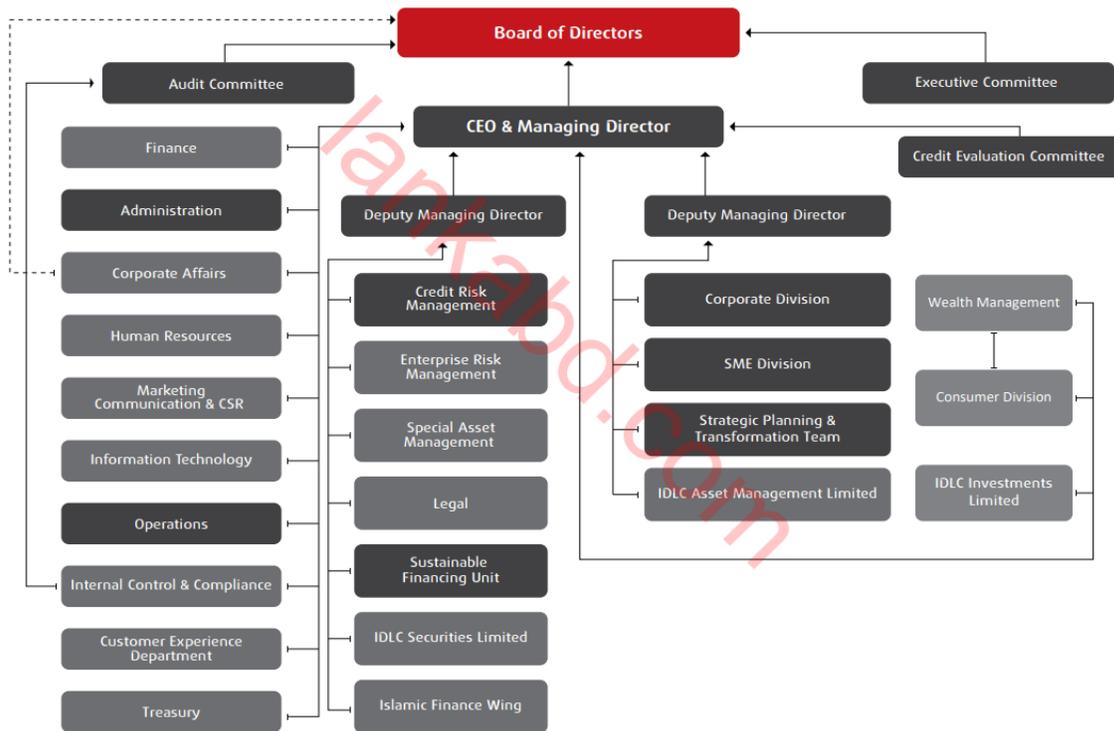


Figure 2: Organogram of IDLC (Source: IDLC Annual Report 2022)

2.3.1. Organizations leadership style

The "laissez-faire" style of leadership is what I comprehend. This refers to the method by which the tasks are completed without interruption. In this case, the committee of management at the top is in charge of setting long-term strategic objectives, making decisions, and organizing the plan of action necessary to reach those objectives. Top management provides the plans, but it is the employees' responsibility to implement them and accomplish the intended outcomes independently of continual supervision. On the other hand, during the process, suggestions for corrective measures are made and upper management provides input. In addition, every team takes part in decision-making occasionally, and each team's viewpoint is given equal weight.

2.3.2. Leadership style of IDLC Securities Limited in achieving its goals & objectives

As a service provider, IDLC Securities Limited is committed to providing its esteemed clients with high-quality, need-based services while abiding by the ethical standards set out by the Central Depository and Bangladesh Stock Exchange Commission. The term "Management committee" essentially refers to the upper management (ManCom), who are in charge of making decisions and ensuring sustained corporate growth guaranteeing the companies' improvement. They have complete accountability to the IDLC group board. IDLC Securities Limited's top management makes all of the decisions and takes the lead on new projects. The team regularly solicits input from each team in order to raise the caliber of services provided by the company. The stock brokerage business is crowded with major competitors and fiercely competitive. Therefore, the management committee's long-term strategic goal is essential to its sustainability within the sector.

IDLC Securities Board of Directors:

- MD. Khalilur Rahman, Chairman of IDLC Group.
- MD. Jamal Uddin, Director
- Asif Sad Bin Shams, Director
- Sayed Javed Noor, Director
- Md. Meshbah Uddin Ahmed, Director

IDLC Securities Limited Top Management Committee:

- Md. Saifuddin, CFA. Managing Director
- Saifuddowla Shamim, Head of Business
- Kazi Monirul Islam, CFA. Head of Investment & Strategic Planning.
- Md. Momin Uddin, Head of International & Institutional Sales.
- Shakhawat Hossain, Head of Finance of Operation.

IDLC Securities Limited Research Team:

- Kazi Monirul Islam, CFA. Head of Investment Strategic Planning
- Tanay Kumar Roy, Head of Equity Research
- Shopnil Paul, Deputy Manager
- MD. Ifrat Khan, Research Associate

- Humayra Afroz, Management Trainee
- Faiaz Rumman Khan, Data Analyst.

2.3.3. Human Resource practice of IDLC Securities Limited

The IDLC group views its human resources as one of its most significant assets because it is totally focused on "Working as a Team." As a service provider, IDLC promised to maintain high quality service that surpasses that of its rivals through appropriate management, development and training of its human resource assets.

2.3.4. The Human Resource Planning Process

The success of any action depends on how well it is planned and carried out. In order to have a lasting position in the industry, planning is essential. As it strives to become Bangladesh's leading stock brokerage company, IDLC Securities Limited sees its people as the key to attain its final objective. In order to do this, IDLC Securities Limited organizes its human resources department by examining the organization's strategic goal. Three questions are the main focus:

- What is the situation and position of IDLC Securities Limited?
- Where do we want to position the organization in the future?
- How to get to the desired position?

Analyzing the requirements for human resources to meet the organization's objective. The strategic human resource management plan is planned by IDLC Securities Limited. Finding out what information, skills, and competencies the current employees lack and the necessary skill sets and abilities for them to possess to accomplish the organization's strategic objective. Following gap identification, the organization creates techniques to focus on hiring top personnel according to the necessary KSA and cultural fit. IDLC Securities Limited is devoted to offering the necessary education and training to build a productive workforce to fulfill the organization's strategic goal.

2.3.5. Recruitment and selection Process of IDLC Securities Limited

IDLC Securities Limited embodies a skilled, committed, and culturally appropriate workforce for the company. The selection and recruitment procedures are totally impartial and equitable. Because internal employees match the organization's culture better and have greater knowledge about it, it searches both internal and external sources for candidates working method. Thus, if a

worker inside the company is able to carry out their duties as assigned, IDLC Securities Limited hires from its existing workforce. The internal staff has a fantastic opportunity to work in many departments and obtain a shared understanding. Regarding outside hiring, the IDLC Securities Limited HR division evaluates the requirements and job description, then distributes ads to find the best candidates utilizing LinkedIn, bdjobs.com, and the career page of company websites. Following the selection of the most qualified applicants, a written test is administered, and those who do well are invited to a preliminary interview. Essentially, IDLC Securities Limited assesses a candidate's foundational knowledge in the relevant areas during the preliminary exam then at the last interview, senior management often conducts the interview to decide whether the candidate is fit for the job or not. Following the ideal candidate's selection, a medical examination is conducted, and ultimately the candidate becomes the part of the company.

2.3.6. Employee engagement

To increase employees' passion and commitment to their profession and the company, IDLC Securities Limited takes every possible step to ensure employee engagement. Facilities for enjoyable activities are available to employees to help them decompress from work and stress. A few Ping-pong games, a small fitness center, and a central TV with the facility of watching news and sports are available. Other than this, significant occasions include the New year, Pohela Falgun, Pohela Boisakh, and customary pitha utshob, a yearly picnic, a football or cricket competition, among other activities for the purpose of staff refreshment. Moreover, birthdays of employees are also celebrated to make the employee feel special.

2.3.7. The compensation system

IDLC Securities Limited offers rewards that are both monetary and non-monetary through an extensive payment structure. Employee salary, benefits, and other forms of compensation are distributed among them. In essence, there are:

- Pension fund
- 25 days of mandatory leave in a year.
- Maternal and paternal and wedding leave.
- 2 festival bonuses
- Monthly mobile allowance

- Yearly salary review.
- Basic salary
- Provision money
- Health insurance

2.3.8. Training and development

In order to equip employees with the latest trends, IDLC Securities Limited regularly organizes various workshops, seminars, awareness programs, online sessions, and other events. An onboarding program for debt training and development is completed by new hires. Workshops on business etiquette, leadership and management responsibilities, interpersonal skills, problem resolution, time management, etc. are typically held aside. Afterwards, a number of awareness programs about sexual harassment, appropriate office conduct has also been conducted. Seminars are typically held to keep staff members informed and proficient.

2.3.9. Appraisal system

Reaching corporate objectives is significantly aided by employee performance reviews. Each employee is assessed according to how well they perform, carry out their responsibilities, and meet their goals. Managers, peers, teammates, and cross-team members are typically the sources of feedback. A 360-degree comprehensive approach used to fairly evaluate personnel, and IDLC Securities Limited also takes the required actions to improve the underperforming workers' performance as well as the top performer's numerous honors, presents, and advantages.

2.4 Marketing Practices

2.4.1 Marketing strategy

To stay ahead of the game, a committed marketing team at IDLC Securities Limited is entirely focused on putting a distinctive marketing plan into action in order to inform people about IDLC Securities Limited's services. Depending on the situation, a variety of marketing strategies are used. Working together with the IDLC company, IDLC Securities Limited abides with the parent company's policies. IDLC Securities Limited is currently marketing "Slow down and let money take care of itself." term used in marketing to entice consumers to invest their excess funds via IDLC Securities Limited on the capital market.

2.4.2 Target customers, targeting and positioning strategy

2.4.2.1 Segmentation of Customers

Based on behavioral, psychographic, regional, and demographic characteristics, IDLC Securities Limited divides up its clientele. Besides, age and income are taken into account critically based on demographics. Lifestyle, social position, and interests are the most important psychographic characteristics that are taken into account when determining the target and potential clients. IDLC Securities Limited offers its services to clients that live both domestically and overseas. Customers are divided into two categories: residents and foreigners. Finally, another factor that assists their segmentation is how their target audience responds to their marketing initiatives and perceives their offerings.

2.4.2.2 Target Group

IDLC Securities Limited goes for clients who are well-employed and want to increase their income through investments. The majority of people in this category are middle-aged or older and from middle-class backgrounds. Nonetheless, a lot of youthful business owners are eager to grow their enterprises. IDLC Securities Limited is adept at spotting and luring them in.

At present, there are 10 branches of IDLC Securities Limited spread throughout the big cities of Bangladesh. This suggests that IDLC Securities Limited primarily targets Bangladeshi citizens living in megacities, who tend to have more earnings and are more eager to invest.

IDLC Securities Limited endeavors to draw clients who exhibit strong emotions and perceptions of feelings in addition to those who are more engaged with the goods and services offered. Consequently, in addition to other branding and advertising initiatives, IDLC Securities Limited incorporates both sentimental and logical elements into its commercials.

2.4.2.3 Positioning Strategy

IDLC Securities Limited has consistently made a point of outlining its offerings and why it is the best at giving top-notch customer service. By outlining what they provide and how they intend to deliver it, it seeks to leave a lasting impression on their customers. To bolster, IDLC Securities Limited lists on their website the benefits and features of their services. In the eyes of the customer, this leaves a lasting impression.

Why Choose Us ?



WE PUT YOUR INTERESTS FIRST

We prioritize your goals and aspirations above everything else



FOCUS ON KNOWLEDGE-BASED BROKERAGE SERVICE

Our research team is one of the best in the business - and they are always monitoring all the variables that will affect your growth



LONG TERM CUSTOMER VALUE

Even with the ups and downs of the market, we work tirelessly to enable the maximum growth of your assets



MOST EFFICIENT TRADE EXECUTION

We are always at your disposal for any task at hand

Figure 3: Positioning Strategy of IDLC Securities Limited (Source: IDLC Securities Website)

2.4.3 Marketing channels

IDLC Securities Limited plans to adopt a marketing strategy centered around digital media. Through their own website, Facebook, Instagram, and LinkedIn pages, they carry out marketing campaigns.



Figure 4: Interface of IDLC Securities Limited Facebook Page (Source: Facebook)

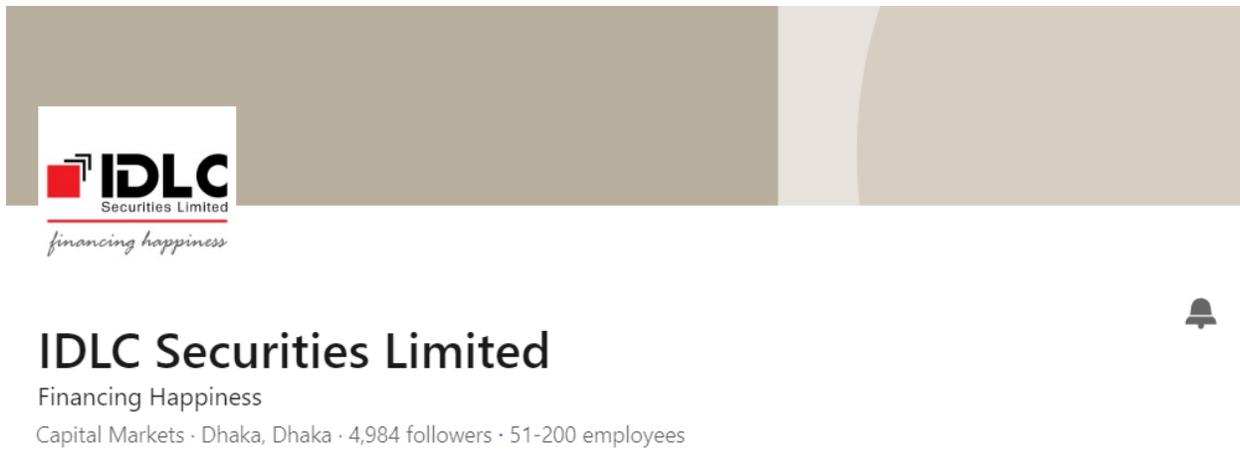


Figure 5: Interface of IDLC Securities Limited LinkedIn (Source: LinkedIn)

2.4.4 Product & Services offered by the IDLC Securities Limited

Being an all-inclusive capital market remedy IDLC Securities Limited offers its esteemed clients a one-stop shop. IDLC Securities Limited is more than just execution, despite the capital market brokerage service appearing to be an execution-only offering. With the combined efforts of relationship officers, astute merchants, and with skilled researchers and a productive operations team, IDLC Securities Limited's client support team is dedicated to offering dependable clients individualized, dynamic service that is tailored to their needs.

- **Margin Loan:** A specialized team for margin loans verifies each client's eligibility before making a loan to a domestic or foreign party. Clients receive regular margin call notices outlining the equity-to-debt ratio.
- **BO Account:** The IDLC Securities Limited offers the BO (Beneficiary Ownership) account service, which is administered by Central depository Bangladesh Limited. Prior to making any capital market investments, each investor is required to open an account. The operation and client support team examines every document filed for each account.
- **Research Service:** An informed and trustworthy research team evaluates the capital market, industry-specific analysis, listed firms evaluate, perform various company valuations, issue reports on market movement and forecasts, and assess the state of the economy, government regulations, etc., to make the client's investment easier.
- **Investment strategy:** To provide clients with the best possible return on their long-term investments, a unique, committed team develops various investment methods.

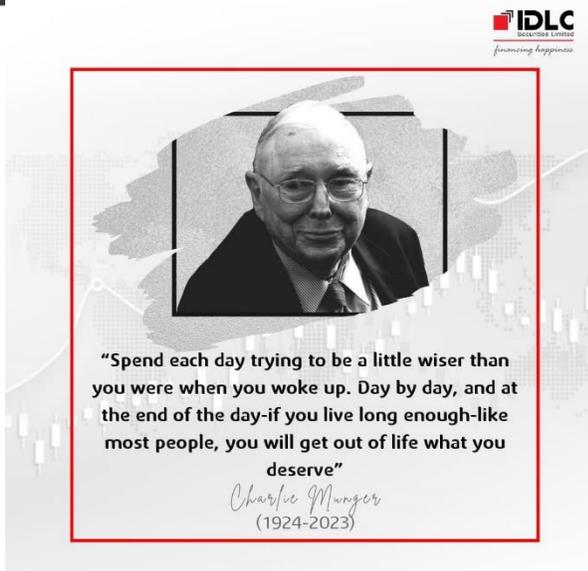
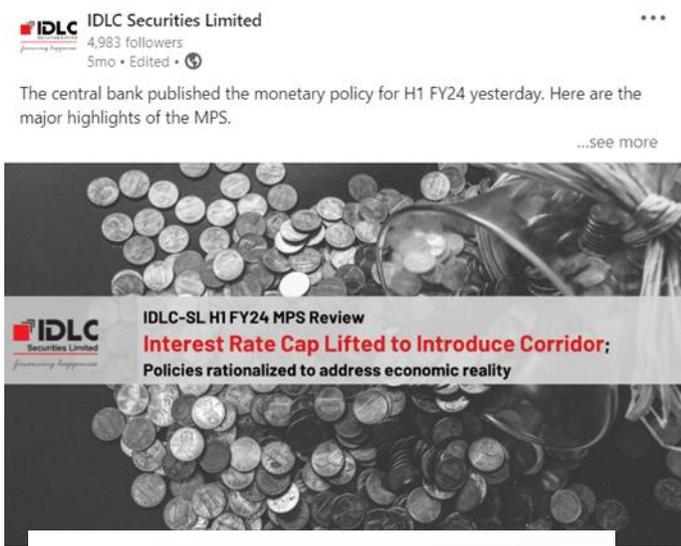
- **Trading service:** Our traders are always available to clients, both domestic and foreign, during trade hours, and clients can execute any requested trade with just a phone call. Traders accept messages via text, phone, WhatsApp, email, or any other medium of communication.
- **SMS/Email services:** IDLC Securities Limited provides message services to its clients regarding trade confirmation, deposit withdrawal and transaction, and self-buy-sell transactions, among other topics. Additionally, email the DSE and CSE new regulations and procedures, margin call notices, portfolio statements on a daily, weekly, or monthly basis, etc.
- **International and High Priority Clients service:** A committed staff works for foreign clients in order to facilitate direct foreign investment in Bangladesh, with the aim of delivering efficient and prompt service.
- **EFT/BFTN/RTGS:** IDLC Securities Limited offers several fund transfer options to make it simple and quick to send money.
- **DP service:** Together with CDBL, IDLC Securities Limited will efficiently deliver, settle, transmit, and transfer assets and funds to guarantee openness, ethical standards for every client, and compliance with legal requirements.
- **Future Self trading app:** In addition to providing bid and ask prices and a plethora of user-friendly features, IDLC Securities Limited is developing a mobile app that will allow investors to conduct trades independently.

2.4.5 Product development & Competitive practices

The online trading platform of IDLC Securities Limited, known as i-Trade, was created in response to the realization that everything was becoming more digital. Customers will not physically be there in this day of technology to place orders or ask questions. Trading platforms have made it possible for brokerage houses to leverage the Internet to make things easier for both staff and their global clientele. In addition, i-Trade was a move made by IDLC Securities Limited to stay competitive with other trading platforms, namely LankaBangla Securities Limited's Trade Xpress. Moreover, IDLC Securities Limited is now working on their mobile app to make things easier for their clients.

2.4.6 Branding , advertising and promotion strategies

The organization adopts new marketing techniques to draw attention to and raise awareness of IDLC Securities Limited. A "Morning Newsflash" about a few key financial stories from the daily papers is posted on LinkedIn every day. Several companies share pricing and significant capital market movements on a daily basis and get posted on social media platforms. In addition to the capital market, significant economic updates, current patterns, and Bangladesh regulations, etc., have always been displayed to inform clients and investors about the state of the economy. Besides, festival greetings remarks have always been placed on pages to bolster the business relationships with current and prospective clients. The IDLC dynamic webpage is also utilized for the rationale behind internet marketing.



Here are some example of post IDLCSL post on its Facebook page:

IDLC Securities Limited 20 Jun · 🌐

বিনিয়োগের জন্যে সবচেয়ে সম্ভাবনাময় খাত হল শেয়ার বাজার। ২০২৩-২০২৪ অর্থ বছরে ১৫% পর্যন্ত কর রেয়াত পেতে ২৬ শে জুন ২০২৩ এর মধ্যে বিনিয়োগ ... See more

IDLC Securities Limited 4,978 followers 9h · 🌐

Net exports surged to an all-time high of 71.5%, reaching USD 8.4bn in that quarter, meaning that... see more

Morning Newsflash
13 August 2023

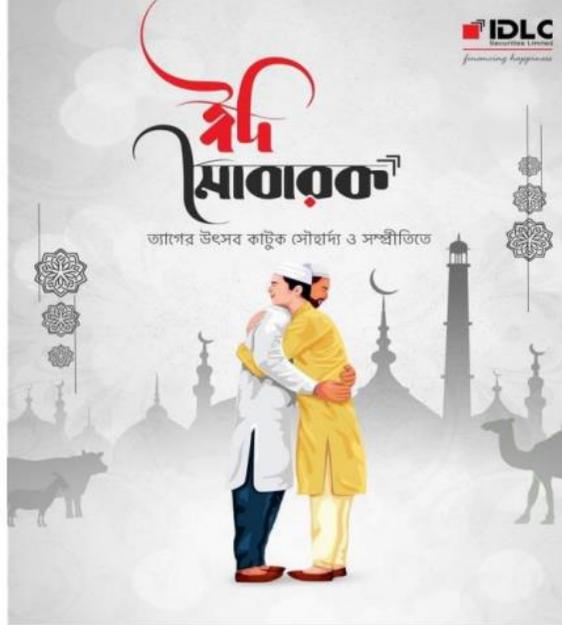
- Apparel exports drove net exports to an all-time high of 71.5%, reducing the trade deficit by 48% in FY23.
- Increased bank deposits in June were attributed to substantial government borrowing from the central bank, involving new money creation.
- Bangladesh Bank partnered with Fime to introduce a local payment card named 'Taka Pay', signing a six-year agreement for the launch.

Source: National Daily News Papers

Like Comment Repost Send

 **IDLC Securities Limited** 28 Jun · 🌐

ঈদ-উল-আযহার এই উৎসবে উদ্ভাসিত হই ত্যাগের মহিমায়। সবাইকে আইডিএলসি সিকিউরিটিজের পক্ষ থেকে ঈদের অনেক শুভেচ্ছা। ঈদ মোবারক।



[WHO WE ARE](#) | [WHAT WE OFFER](#) | [RESEARCH](#) | [DOWNLOAD](#)

[I-Trade](#) [Market Watch](#) [Why Bangladesh?](#) [Knowledge Base](#) [Digital Booth](#) [Careers](#) [News & Events](#) [Contact us](#) [OPEN A/C](#)





Figure 6: Various Posts by IDLC Securities Limited on the Digital Platform (Source: Facebook & Website)

2.4.7 Critical Marketing issues and gaps

In today's world, reach in social media has become a major thing in order to get recognized by people. IDLC Securities Limited Facebook page has only 1k likes which is very less compared to the other stock brokerage firms like BRAC EPL (12k likes) & UCB Stock Brokerage (12k likes). Therefore, they should invest more in advertising and should boost their page in order to get more reach and acceptance by people.

2.5 Financial Performance and Accounting Practices

Since IDLC Securities Limited is a sister company of IDLC Group, the two companies cooperate in publishing the financial results. Thus, the IDLC group has been the primary source of the financial data. Finance Group Inc. IDLC Finance offers a range of financial services, including non-bank loans and subsidies. IDLC Group offers everything from stock trading services to asset management, from investment advice to customized services & for this they possess a substantial market share in the financial industry. IDLC Securities Limited is regularly upholding their service standards as a result the business is making a healthy profit for the IDLC group.

2.5.1 Financial Performance of IDLC Securities Limited

Financial Highlights of 2022

BDT Mn	2018	2019	2020	2021	2022
Total turnover of IDLCSL	125,934.40	80,529.32	108,112.27	242,703.56	138,939.77
Total turnover of IDLCSL growth (%)	-27.74%	-36.05%	34.25%	124.49%	-42.75%
Total assets	4,934.67	4,541.25	5,214.78	6,053.52	5,619.60
Total assets growth (%)	19.31%	-7.97%	14.83%	16.08%	-7.17%
Total shareholders' equity	3,473.65	3,572.24	3,738.30	4,083.39	4,192.75
Total shareholders' equity growth (%)	11.76%	2.84%	4.65%	9.23%	2.68%
Brokerage commission income	387.85	257.68	357.93	757.23	439.22
Brokerage commission expense	54.48	40.69	48.00	75.54	48.15
Net brokerage commission income	333.37	216.99	309.93	681.68	391.06
Net brokerage commission income growth (%)	-30.62%	-34.91%	42.83%	119.95%	-42.63%
Net interest income	149.26	167.69	128.89	194.88	266.08
Net interest income growth (%)	82.18%	12.34%	-23.14%	51.20%	36.54%
Income from investment	268.00	64.12	140.21	112.38	84.03
Investment income growth (%)	4.76%	-76.08%	118.68%	-19.85%	-25.23%
Total interest and investment income	417.26	231.80	269.10	307.26	350.11
Total interest and investment income growth (%)	23.54%	-44.45%	16.09%	14.18%	13.95%
Operating expenses	237.63	233.45	230.72	302.29	277.52
Operating expenses growth (%)	-4.00%	-1.76%	-1.17%	31.02%	-8.19%
Net profit before tax & provision	518.00	220.94	353.88	692.65	467.88
Net profit before tax & provision growth (%)	-10.02%	-57.35%	60.17%	95.73%	-32.45%
Net profit after tax	365.53	98.58	166.06	345.10	263.32
Net profit after tax growth (%)	-3.67%	-73.03%	68.44%	107.82%	-23.70%
Return on total assets	8.06%	2.08%	3.40%	6.13%	4.51%
Return on equity	11.11%	2.80%	4.54%	8.82%	6.36%

Figure7: Financial Highlights of IDLC Securities Limited from 2018-2022 (Source: Annual Report)

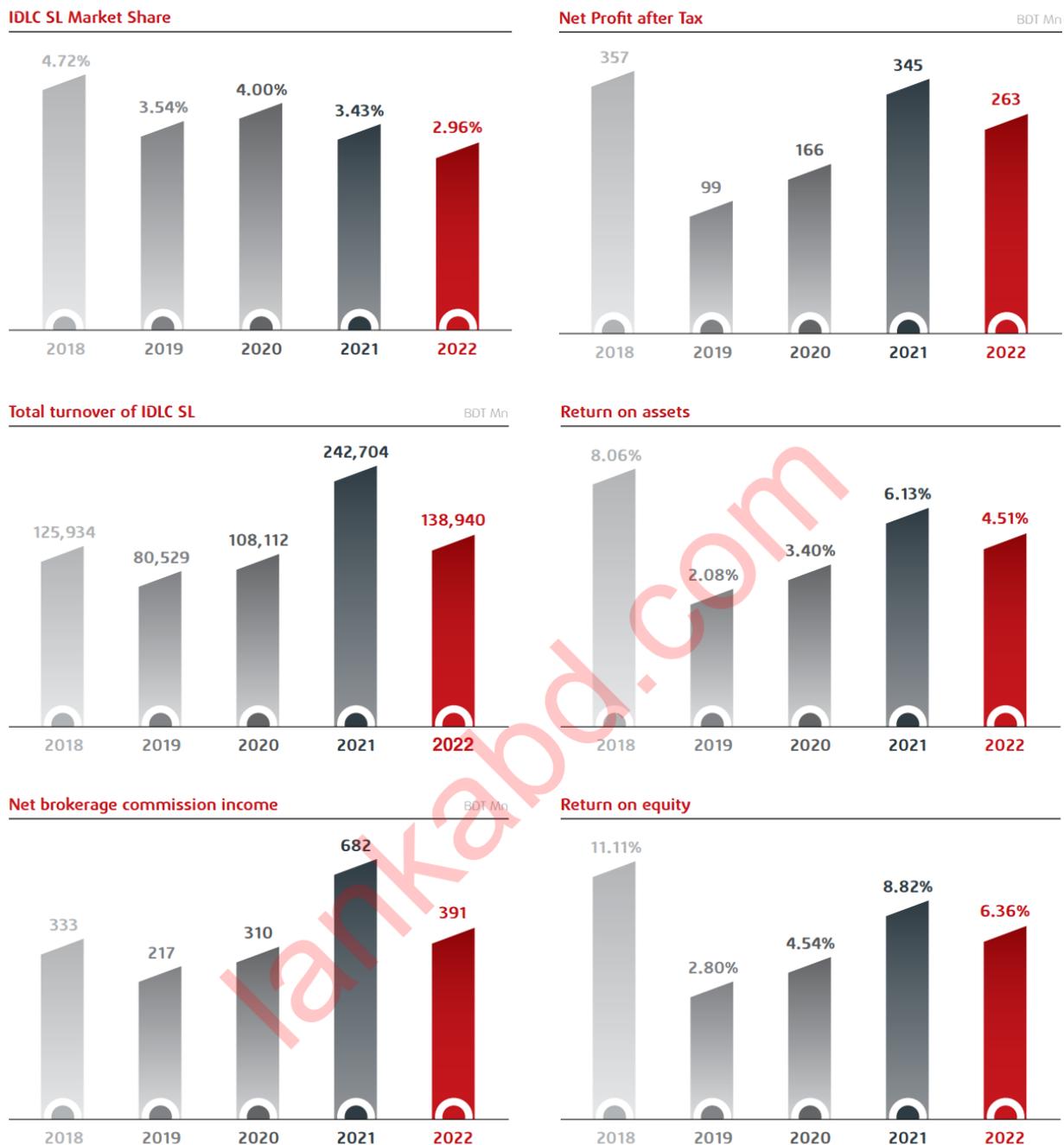


Figure 8: Illustrations of Financial Highlights (Source: Annual Report)

From the table above and the bar graphs, we can see that IDLC Securities Limited has not done well in the year 2022. This is because the macroeconomic conditions are not in the favor of the capital market. The Russia Ukraine war and the recessionary prediction by the global leaders is making people afraid from investing in the capital market.

Profitability ratios	2020	2021	2022
Operating Margin	55%	64%	58%
Net Profit Margin	26%	32%	33%
Return on Assets	3%	6%	5%
Return on equity	4%	9%	6%

Leverage Ratios	2020	2021	2022
Debt to Assets Ratio	2%	1%	1%
Debt to Equity Ratio	2%	2%	1%
Equity to Assets	72%	67%	75%

Figure 9: Profitability & Leverage ratios of IDLC Securities Limited

The financial performance of IDLC Securities Limited is not up to the mark in 2022. Firstly, let's look at the profitability ratios. The return on assets in the year 2022 is 5% which is less compared to 2021. Besides, the return on equity is also less than 2021 which is 6%. This means the company is not being able to convert its equity financing into profits. Moreover, the operating margin & net profit margin has decreased from 2021. This means the company is likely to have an inefficient cost structure and unsound pricing policies.

Leverage is the use of loans, or borrowed funds, to raise a profit on a project or investment. An investor's instrument for raising the market's buying power is leverage. Businesses use leverage to fund projects that will increase shareholder value in the future rather than releasing stock to raise capital. In the table, it can be seen that the Debt to Asset Ratio for IDLC Securities Limited is the same for the last 2 years i.e. 1%. This indicates the company has more assets than its debts. Moreover, the Debt to Equity Ratio has decreased from 2% to 1%. This specifies that the company is in less debt and is less risky for lenders and investors. Furthermore, the Equity to Assets ratio has also increased in 2022. An organization is less leveraged if its equity-to-asset ratio is higher, indicating that a greater proportion of its assets are held by the company and its investors.

Liquidity Ratios	2020	2021	2022
Current Ratio	3.52	3.02	3.8
Quick Ratio	2.92	2.59	3.17
Days Sales Outstanding	44.78	47.43	17.13

Efficiency Ratios	2020	2021	2022
Asset Turnover Ratio	12%	18%	14%
Receivables Turnover Ratio	12%	13%	5%

Market Value Ratios	2020	2021	2022
BVPS	186.91	204.17	209.64
Dividend Yield Ratio	0%	0%	17%
EPS	8.30	17.25	13.17

Figure 10: Liquidity, Efficiency & Market value ratios of IDLC Securities Limited

Liquidity ratios, which compute the current ratio, quick ratio, and operating cash flow ratio, evaluate a company's margin of safety and ability to repay loans. From the table above it can be seen that the current ratio in the year 2022 has increased compared to 2021. This indicates that IDLC Securities Limited has enough liquid assets to cover its present liabilities with ease. The figure of quick ratio has also improved which indicates that a business can produce cash rapidly and be more liquid in an emergency. Days sales outstanding (DSO) is the average amount of time a business needs to wait to get paid for a sale. The DSO has decreased rapidly in the year 2022, a low DSO suggests that payments are being received by the business promptly and might be wisely reinvested in the company.

Professionals in the business sector can evaluate how well an organization utilizes its resources by using the efficiency ratio. Asset turnover is defined as the ratio of average assets to total sales or income. This measure helps investors understand how successfully companies use their assets to generate sales. The asset to turnover ratio has decreased in 2022 compared to its previous years. This indicates that IDLC Securities Limited is not utilizing their assets properly and may be going through some internal issues. The receivable ratio has also dropped significantly, this may be the outcome of unsatisfactory credit policies, ineffective collection procedures, or clients that are neither creditworthy or financially viable.

Market value ratios are a type of financial indicator used to evaluate, analyze, and compare stock prices to competitors' prices as well as to other relevant data points. To determine a company's place in the market, these ratios monitor its financial success. From the table above, it can be seen that the BVPS of IDLC Securities Limited has increased; this means the price of the stock should rise as it is thought to be worth more. IDLC'S dividend yield ratio has increased significantly in 2022 this means the company is distributing a larger portion of its profits as dividends. However, the EPS has dropped in 2022 from 2021. As a result, IDLC may find it harder to attract investors, which could cause its stock price to stagnate or even decline.

DU Pont Analysis

ROE= Net Profit Margin x Asset Turnover ratio x Equity Multiplier

	2020	2021	2022
Net Profit Margin	26%	32%	33%
Asset Turnover Ratio	0.12	0.18	0.14
Equity Multiplier	1.39	1.48	1.34
ROE	4%	9%	6%

Figure 11: DU Pont Analysis of IDLC Securities Limited (2020-2022)

Furthermore, a framework called Du-Pont analysis assists in dissecting the return on equity (ROE) formula into three components. Leverage, asset efficiency, and operating efficiency are some of these components. Net profit margin measures operating efficiency, total asset turnover measures asset efficiency, and the equity multiplier measures leverage.

In accordance with IDLC Securities Limited's 2022 Du-Pont research, the company's net profit margin grew by 1% in 2022 over 2021. Asset Turnover decreased by 4% from 18% in 2021 to 14% in 2022. The year-over-year decline in asset investment is the cause of this decline in asset turnover. Eventually, when IDLC Securities Limited's average assets declined, the equity multiplier also dropped by 0.14 times. The fact that the equity multiplier is low suggests that the corporation is not taking on undue debt to finance its assets.

2.5.2 Accounting Practices of IDLC Securities Limited

The core accounting principles followed by the IDLC Securities Limited is the going concern principle along with the accrual principle. In accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted in Bangladesh by the Institute of Chartered Accountants; the organization's cash flow statement is made using the market figures and the other financial statements are prepared using going concern and accrual concept. Besides, the company records the depreciation of its assets using the straight line depreciation method. Moreover, IDLC Securities Limited has followed all eight steps of the accounting cycle, based on the financial statements for the previous five years. Furthermore, Hoda Vasi Chowdhury & Co., Chartered Accountants, were chosen by IDLC Securities Limited's shareholders at their 16th meeting to serve as the company's auditors for 2022.

2.6 Operations Management and Information System Practices

As the top-ranked stock brokerage and a customer-focused company, IDLC Securities Limited maintains a clear and seamless operational process to deliver standard service to both local and foreign clients. Money is invested by investors via stock brokerage firms, guaranteeing the effective money management is crucial. In addition, stock trading companies possess the execution authority to purchase or sell stocks on a client's behalf at that client's request, therefore they must make sure the financial transaction is accurate and seamless.

2.6.1. Settlement Team

The task of settling each and every transaction that occurs at IDLC Securities Limited falls to the settlement team.

The settlement team handles purchase and sell, dividends, financial transactions, ETFs via banks or other channels, margin loan transactions, etc. IDLC has a separate operational software for the system that is employed in settlement. as the BO account that is supervised by Central Depository Bangladesh Limited, or CDBL, to verify if the official directive is kept up or not. Thus, IDLC must ensure appropriate transparency by utilizing a fully internal system for managing information.

2.6.2. Digital Transformation Team

In the past, stock brokerage firms operated out of a house or floor where traders would come in, sit, and conduct all of their trading manually. As a result of the ongoing digital change, traders and investors no longer need to visit stock brokerage firms. Simply create a BO account for them, and begin investing using an online site. A specialized digital team is in charge of overseeing new accounts, electronic paper records, and additional digital services.

2.6.3. IT Team

In order to guarantee and assist technology-related activities, IDLC Securities Limited has a dedicated IT team. For a financial services business, online security is crucial. A safe place is necessary to prevent financial and personal data leaks, hacks, and the loss of important firm information. Thus, a committed IT staff is constantly striving to maintain the security of everything. Software for the information system and an internal server and distinct protocol is employed to maintain the security of the crucial data and the smooth execution of the activity.

2.7 Industry and Competitive Analysis

There are currently more than 150 active stock brokerage companies in Bangladesh offering stock brokerage services. Bangladesh is home to two stock exchanges: Dhaka Stock Exchange and the Chittagong Stock Exchange. Both reside in significant cities of Bangladesh. Bangladesh East Pakistan Stock Exchange Association was the name of the stock exchange when it was founded in 1954. Its name was changed to Dhaka Stock Exchange after independence. Stock of Chittagong Exchange got its start in 1995. In Bangladesh, these two stock markets are quite important as a conduit between ordinary investors with excess funds and the business in need of funds or capital to develop and broaden the economy as a whole.

The following are some key ways that the stock exchange supports the national economy:

- Production of wealth
- Investment possibilities
- Capital formation

- Enhance corporate accountability
- Creation of jobs
- Financial metrics
- Drawing in outside capital
- Investment diversification
- Use of money wisely

Given that stock brokerage is a service-focused business. Efficient, distinctive, customary, and moral business service is essential for success. Due to Bangladesh's status as a developing nation and its strong GDP growth rate, the sector is expanding and flourishing daily. As a result, there is fierce competition amongst the companies. In an effort to please and draw clients, leading brokerage firms are competing with one another by offering new services and amenities. Here, I'm analyzing the industry and IDLC Securities Limited using the SWOT analysis method and Porter's Five Factors.

2.7.1. Porter's 5 Forces

Porter's five factors were used to analyze IDLC Securities Ltd.

- **Threat of new entrance: Moderate**

Bangladesh's stock brokerage market is already highly crowded, with many major companies. The majority of well-known banks and non-bank financial institutions provide stock brokerage services at their own expense. In Bangladesh, there are around 200 licensed brokerage firms and about 150 active stock brokerage service providers. The concerning reality is that, in comparison to other nations, the capital market's average daily trade volume is extremely small. Given the average daily trade volume and the large number of active stock brokerages, it will be difficult for a new company to get into the market unless it has strong financial and managerial capabilities.

- **Bargaining power of supplier: Low**

The supplier power is quite low in this business because there are already so many large players. Customers can invest in the stock market through any stock brokerage firm because nearly all large

companies provide comparable services. In addition, there are very few investors and a very low average turnover rate, allowing investors to select any stock brokerage business. Brokerage businesses have very little leeway because they are required to go by the criteria set forth by the Bangladesh Stock Exchange Commission. Because brokerage rates are determined by commission, profit is contingent on the volume of business and average daily transaction, meaning that suppliers have little negotiating leverage. People opt to invest in IDLC Securities Limited because it is a reputable company with a large following of devoted clients.

- **Bargaining power of Buyer: High**

As we've just covered, there are a lot more stock brokerage firms than there are average daily trades and clients, giving the buyer significant bargaining leverage. The buyer can quickly select and contrast which broker company is providing more standard and high-quality service. Customers have significant negotiating power to select the broker firm that best suits their investment strategy because nearly all large corporations offer comparable services.

- **Threat of substitutes: High**

IDLC Securities Limited faces a significant threat from alternatives due to its red ocean sector and numerous large participants. Despite the high caliber and standard of services offered by IDLC Securities Limited, customers have the option to select another provider due to the near similarity of the service offerings. Thus, there is a considerable possibility of losing clients if any more, long-needed services cannot be supplied gradually. Even though competitor organizations are already using apps to execute key services, IDLC has been working on its mobile strategy for a while. As a result, IDLC Securities Limited needs to give the app top priority in order to provide customers with more value.

- **Rivalry among companies: High**

The major businesses in the market have such great financial and managerial sway over the sector. In addition, the majority of the major participants in the market are sister companies of well-known industry groups, which allows them to absorb losses and persevere in the market during lean economic times. For instance, BRAC EPL stock brokerage is the sister company of BRAC Bank and BRAC NGO, whereas IDLC Securities Limited is the sister company of one of the leading NBFIs IDLC. Similarly, UCB stock brokerage, which is now the top stock broker firm in

Bangladesh, is a sister concern of United Commercial Bank PLC. Thus, there is fierce rivalry between the leading companies in the sector.

In summary, Porter's analysis suggests that there is intense competition among major companies in the sector. In this cutthroat business environment, value-added services that are focused on client needs, ethics, standards, and quality draw in and retain customers. For IDLC Securities Limited to survive in this cutthroat market, it needs to put more of an emphasis on the quality of its services.

2.7.2. SWOT analysis

Strengths:

- **Brand Value:** IDLC has a long history of conducting ethical business and is well-known in the financial industry thanks to its variety of financial services. By offering high-quality services ranging from various loans to asset management, investing, and stock brokerage, the firm has won the devotion of its clients. As a sister company of the IDLC Group, IDLC Securities Limited benefits from additional brand value support, client loyalty, and trust that helps to accelerate business growth.
- **Branches in several places:** IDLC is concentrated in other Bangladeshi cities in addition to Dhaka and Chittagong to promote investment in the capital market. There are currently ten IDLC Securities Limited branches spread throughout Bangladesh. Numerous branches increase the worth of the company and may attract new clients.
- **Research Advice:** The IDLC Securities Limited research team is a skilled group led by competent managers. This group releases analysis reports on the performance of various businesses and key economic indicators. In addition, this group advises customers regarding their investment.

Weakness:

- **Mobile App:** Although the company is doing well, it still has some limitations. For example, City Brokerage, a major competitor, has already established its own app-based

trading platform, where users may trade independently and view real-time stock price movement and portfolios. Although IDLC Securities Limited is developing its app, it will take a while to release.

- **Marketing plan:** In comparison to the competitor, I've seen that the marketing strategy is really weak. BRAC EPL and UCB maintain a robust social media marketing presence, maintaining an official blue-signed tag page and publishing frequent updates regarding the capital market. However, IDLC Securities Limited lacks a blue signed page and their material editing using the Canva app is pretty subpar. Moreover, there aren't any consistent posts either.

Opportunity:

- **Expanding Market:** Due to Bangladesh's status as a developing nation, business is expanding quickly. Although the capital market hasn't expanded as anticipated, it will increase quickly in the coming years. Taking this into account, IDLC Securities Limited ought to grow and improve its services daily.
- **Financial literacy:** While many investors in Bangladesh were illiterate once, nowadays, people take their financial management much more seriously. Additionally, there will come a point in time when individuals will take financial literacy and informed investing more seriously.

Threats:

- **Rumors:** People continue to believe rumors without independently verifying the news. Fer syndicates are continuously trying to use rumors to bring down the market. In the digital age, authorities and brokerage houses must exercise greater caution when it comes to these concerning issues.
- **Economic volatility and instability:** The state of a nation's economy is reflected in the performance of its stock market. A stable economy fosters the expansion of the capital market. The unfortunate thing is that there aren't many syndicators, financial literacy is low, and unethical business practices contribute to Bangladesh's highly volatile stock market.

2.8 Summary and Conclusions

To sum up, I believe Bangladesh has a lot of potential for development and would turn into a developed nation within a few years. The capital market serves as a bridge that produces money for both small and large businesses. This market maximizes the use of individual capital to launch businesses, which significantly contributes to the growth of the economy. Economic prosperity is reflected in the capital market. While it is true that Bangladesh's capital market has not developed as anticipated. The capital market is not expanding for a variety of causes, but the primary ones include volatility, syndicate, rumors, insider knowledge market control, tax rules, regulations, and policies, large scams, and unethical actions by brokerage firms and CA businesses. The fact that the majority of Bangladeshis still do not have a strong trust in the country's stock market because of its volatility and numerous major scams is concerning. Individuals involved in this field must take accountability for this scenario. However, we can still make the most from the stock market with a well-thought-out plan, stringent laws and regulations, and adequate oversight.

2.9 Recommendations

As an intern of IDLC Securities Limited, it allows me to offer some suggestions that I believe will be beneficial to the company's future expansion:

- **Appropriate marketing plan:** IDLC Securities Limited should concentrate more on its marketing plan. In the modern world, a business advertises its goods and services through all appealing media in order to grow its brand and draw in clients. In comparison, IDLC Securities Limited's marketing strategy is inadequate. This claim is further supported by the fact that IDLC Securities Limited does not promote its offer on YouTube, a website that is highly well-liked in our nation. Additionally, IDLC Securities Limited can give clients tiny booklets or handbooks in plain language to help them grasp the fundamentals of finance and to enable clear comprehension and communication.
- **More services based on technology:** City Capital and Lanka Bangla Securities have launched new applications that are assisting in their company expansion. More technology-based services should be offered by IDLC Securities Limited, and the apps should be released as soon as possible.

- **Student Affiliation:** A roadshow about financial literacy and personal finance management was recently held at BRAC University by UCB stock and BRAC EPL; a marketing strategy to establish stronger ties with students. Even if the IDLC group has hosted an Olympiad a few years prior, more events of this kind that are imaginative and comparable had to be planned.
- **Increased cooperation with various organizations:** IDLC Securities Limited, a sister company of IDLC Group, needs to leverage its advantages and establish partnerships with various organizations to offer clients a variety of effective services.

Chapter 3: Project Part

“A study on the Pharmaceutical companies of DSE listed firms of Bangladesh for the period of 2018 to 2022”

3.1 Introduction

3.1.1 Background

The number of stock market investors is increasing far faster now than it did a few years ago. Besides, it is observed that when an investor does not receive the anticipated return, he or she sells the shares and stops monitoring the stock market. This scenario happens because the investor did not purchase the appropriate stock in the marketplace. People frequently ask for investment advice and rely on financial analysts whenever they get stuck. However, the analyst assumptions about a particular stock might not be lucrative for the investor. Thus, to ascertain the inherent worth of a stock, an investor must therefore be able to assess stocks on their own.

While doing the valuation of a stock technical and fundamental analysis are the two main techniques that need to be used. Besides, the financials of the business, the performance and expansion of the industry, and the state of the national economy; all need to be examined for the fundamental study. Moreover, the fluctuation of stock prices and returns, as well as past trading data, are crucial sources of information for technical analysis. In this study, 3 leading Pharmaceutical companies have been chosen to complete the valuation and they are Square , Beximco & IBN SINA Pharmaceuticals. The reasons behind choosing these 3 companies is because they are the market leaders and are expanding over the years in terms of revenue , net profit and other factors.

3.1.2 Objectives

The purpose of this study is to evaluate the pharmaceutical industry's investment potential using macroeconomic data. This was further supported by carrying in-depth industry & company analyses of three leading pharmaceutical companies of Bangladesh. Besides, valuation of the companies has been conducted to advise the investors on which stocks to invest.

3.1.3 Significance

By 2025, the pharmaceutical business is expected to grow by 114% and reach a valuation of over \$6 billion, according to Research & Markets. Pharmaceutical sector of Bangladesh has seen a major shift from the period of 2018 to 2022. Investors that buy stocks without doing any analysis suffer significant losses. Before making an investment, a thorough analysis of the organization's financial situation is necessary. Still, there are frequently analytical gaps that have serious repercussions. The majority of the time, researching the company itself is not sufficient. This report would give a broad overview about the Pharmaceutical industry and company analysis of 3 of its leading companies. This would help the investor to know about the overvalued and undervalued stock followed by the risk and return forecast of these stocks. Therefore, it guides investors to make a well-known investing decision

3.2 Methodology

The study will examine potential share returns considering the risk associated with each stock. It would enhance current evaluation methodologies by using multiple financial tools and will review prior data for comparison and contrast. Besides, the report will use secondary data obtained from the prospectus of the companies, newspaper articles, research papers and other publications. The values used in the ratios are taken from the annual report of the respective companies. Moreover, the figures of GDP, inflation, interest rates & exchange rates have been taken from the Bangladesh Bank & World Bank website. To calculate the annual return, a share price data has been used from July 2013 to June 2022 from the Investing.com website. The findings & Analysis part has been divided into 3 parts. In the first part, assessment of the attractiveness of the Pharmaceutical industry for investment based on macro-economic indicators would be done by focusing on inflation, interest and the foreign exchange rates. In the second part, a thorough Industry analysis & Company Analysis of 3 Pharmaceutical companies would be executed. By using lifecycle and business cycle analysis for the Industry review, fundamental analysis e.g. P/E ratio, Revenue growth for the Company review for the period of 2018-2022. Besides, evaluation of the financial stability of Square, Beximco & IBN SINA would also be done in this part. Moreover, by using the share price of the companies over the nine years the annual return & beta value for each of the companies would be computed. Capital Asset Pricing Model (CAPM) & Weighted Average Cost

of Capital (WACC) would be computed by forecasting the return of these stocks. Furthermore, the Discounted Cash Flow model would be used to predict the intrinsic value of the company's stocks. Comparing the actual stock price to the intrinsic value to determine whether the stock is underpriced or overpriced based on the comparison. Lastly, a recommendation would be given to the investors on which stock to invest by integrating the information from the previous parts.

3.3 Findings and Analysis

3.3.1 Assessing the attractiveness of the Pharmaceutical industry for investment based on macro-economic indicators

Bangladesh's GDP is expected to reach US\$460.8 billion in 2022, placing it as the 34th largest economy in the world, according to The Centre for Economics and Business Research. Strong export growth and substantial remittance flows have been the main drivers of the nation's explosive growth. Besides, Bangladesh has overtaken Vietnam, Indonesia, India, and Thailand as a developing economy, with an average GDP growth of 6.4% during the last six years. By 2040, the country's GDP is expected to reach a trillion-dollar level (IDLC Securities Limited website).

With domestic institutions meeting 98% of the nation's total medicine demand, Bangladesh's pharmaceutical industry is expanding with significant potential. The companies not only meet the demands of the home market but also export medications to multiple international destinations. Besides, Bangladesh's pharmaceutical export earnings for the 2019–20 fiscal year were \$136 million. Furthermore, Bangladesh comes in at number 71 out of 134 nations in the world for pharmaceutical exports and is in the line of the next multi-billion dollar making sector for Bangladesh (Hossan,2021).

In this paper, we would study about the 3 top pharmaceutical companies of Bangladesh and based on the macroeconomic indicators we would examine the attractiveness of the Pharmaceutical Industry for Investment.

	2018	2019	2020	2021	2022
Inflation of BD	5.54%	5.59%	5.69%	5.54%	7.70%

Figure 12: Inflation of Bangladesh over the years (2018-2022)

Operating Expenses of the companies over the years (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	6783.07	7799.80	8609.36	9781.42	11841.55
BXPHARMA	4259.81	5554.17	6289.61	7272.79	8912.97
IBNSINA	1486.80	1672.92	1968.66	2332.07	2704.57

Figure 13: Operating expenses of the Pharmaceutical companies over the years (2018-2022)

Revenue size of the companies over the years (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	39653.83	44033.63	45876.45	50703.03	57597.94
BXPHARMA	17716.72	22816.63	25611.95	29493.57	34669.17
IBNSINA	4657.35	5263.96	6191.63	7376.04	8479.82

Figure 14: Revenue size of the Pharmaceutical companies over the years (2018-2022)

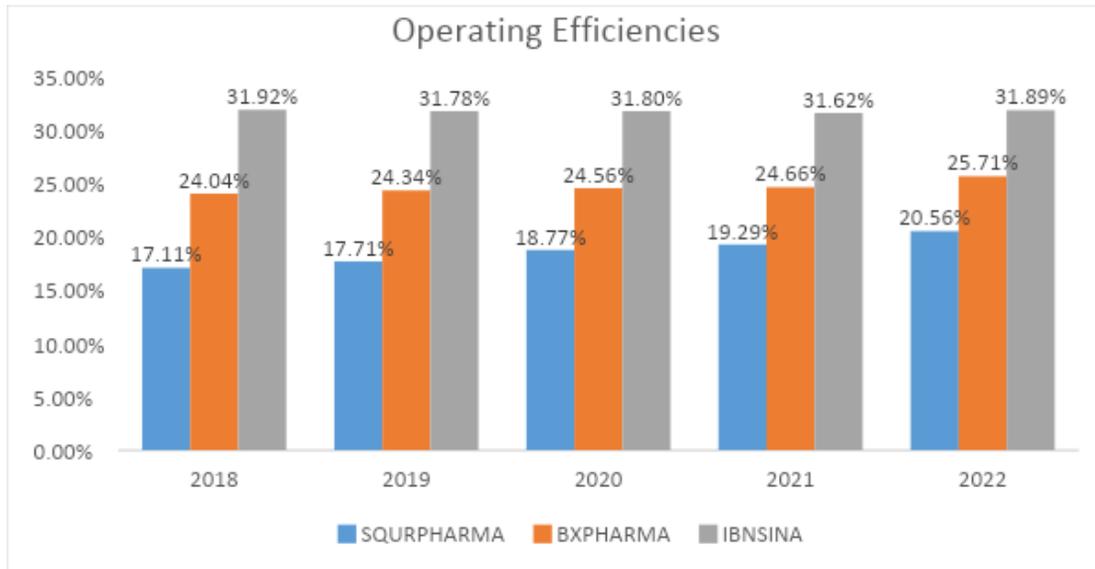


Figure 15: Operating Efficiencies of the 3 companies over the years (2018-2022)

Operating efficiency = Operating Expenses/ Total Revenue

In fiscal year 2021–2022, GDP grew rather swiftly, but inflation was high, partly because of the fallout from the crisis in Ukraine. In table 1, it can be seen that the inflation of Bangladesh is increasing over the years. An increase in inflation lowers the purchasing power of the consumer, increases the interest rate and slows down economic growth. Pharmaceutical industry being a defensive sector can bounce back from even the worst circumstances, which makes them robust. The rise in inflation has increased the operating expenses of the companies over the years. However, the operating efficiencies of the companies as shown in the figure 1; has increased slightly and was stable for most of the time which suggests the company is managing their inventory properly and making proper utilization of their resources.

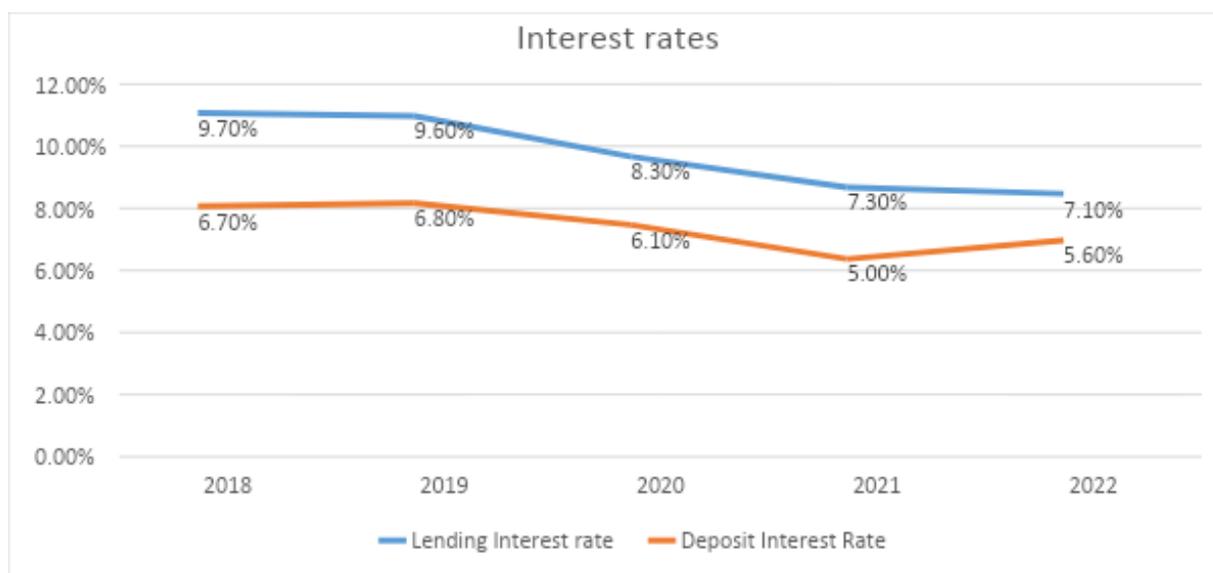


Figure 16: Lending Interest rate & Deposit Interest rate of Bangladesh over the years (2018-2022)
(Source: World Bank)

Cash Balance of the companies over the years (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	16980.41	27004.04	32564.33	43364.04	48962.50
BXPHARMA	393.74	610.49	635.02	675.47	1168.67
IBNSINA	170.01	170.95	199.91	281.24	342.61

Loan Figures of the companies over the years (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	0.00	0.00	0.00	103.71	1894.71
BXPHARMA	11187.24	13484.78	10504.26	7631.30	12370.70
IBNSINA	648.05	691.51	962.90	864.66	994.53

Figure 17: Cash Balance & Loan Figures of the Pharmaceutical Companies over the years (2018-2022)

The Bangladesh Bank adopted an expansionary policy to ensure that there was enough money in the financial system to support a quicker economic recovery in order to lessen the effects of COVID-19. From Figure 15, it can be seen that lending interest rates were reduced by the central bank. The Government has done it to encourage the people and organization to take more loans for expanding their businesses. In figure 16, we can see the loan figures of the 3 pharmaceutical companies have increased. Though the lending interest rate is low, the overall interest expense of these companies have increased over the year which might impact the companies negatively. However, the cash balance of the following companies shows an upward trend which specifies that the companies have sufficient amounts available to pay off their debts.

Exchange Rate of BDT against USD						
	2018	2019	2020	2021	2022	2023
Exchange Rate 1 USD	82.70	83.90	84.90	84.80	85.80	107.00

Figure 18: Exchange Rate of BDT against USD over the years (Source: Bangladesh Bank Website)

In order to lessen Bangladesh's excessive reliance on imports and strengthen its position as a global player, pharmaceutical businesses are progressively increasing their ability to generate the raw materials required to make medications. As per The Daily Star (2023), approximately 85% of Bangladesh's API (Active Pharmaceutical Ingredient) requirements are met by imports. Every year, this costs the nation over \$1.3 billion. Presently, Bangladesh satisfies 98% of the local demand for pharmaceutical items in completed form. More than 90% of the API and raw ingredients needs to be imported, despite the country being almost self-sufficient in finished pharmaceuticals. The pharmaceutical business is particularly prone to price volatility and supply chain disruptions due to its heavy reliance on imported raw materials. As a result, our potential pharmaceutical industry is now experiencing difficulties due to the backward connection. The API market in Bangladesh was anticipated to be worth 730 million USD in 2017, and by 2025, it is projected to grow to 1.4 billion USD, or 1,409 million USD (Light Castle Analytics Wing, 2021). So, the demand for API would increase over the years.

Exchange rate plays a major role in the whole process of importing API as a slight increase in exchange rate would cause an increase in the total cost of production leading to selling medications at higher cost. However, Bangladesh is trying to become self-sufficient in the manufacturing of API but they are still far behind to reach their desired results. Thus, for now a rise in exchange rate is a concerning factor for the Pharmaceutical Industry.

3.3.2 Industry analysis & Company Analysis of 3 Pharmaceutical companies

I. Business cycle & Life Cycle analysis for the Industry review

It is fair to expect variations in the relative profitability of various industrial groupings as the economy moves through the various stages of the economic cycle. The business cycle has relatively minimal effect on defensive industries e.g. Pharmaceutical Industries. These sectors of the economy focus on producing goods whose sales and profitability are least affected by macroeconomic conditions. Furthermore, when the economy goes into a recession, the defensive industries are going to perform better than others.

➤ Sensitivity to the Business Cycle

Revenue growth of the companies over the years					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	-	11%	4%	11%	14%
BXPHERMA	-	29%	12%	15%	18%
IBNSINA	-	13%	18%	19%	15%

Figure 19: Revenue growth of the Pharmaceutical companies over the years

In the table above, there are five of the leading companies of the Pharmaceutical sector of Bangladesh. From this table, we can see that the Pharmaceutical industries are having a positive revenue growth over the years. Though COVID 19 has skyrocketed the sales of medicine, the revenue growth is showing a positive result even after the COVID period has ended.

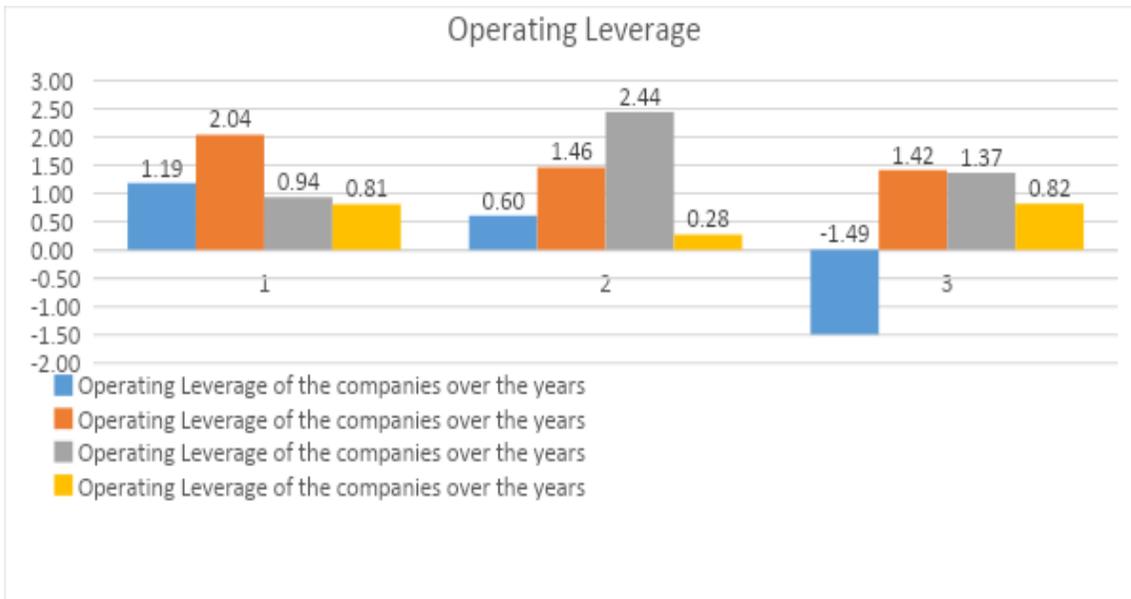


Figure 20: Operating Leverage of the 3 companies over the years

$$\text{Operating Leverage} = \% \text{ Change in Operating Income} / \% \text{ Change in Sales}$$

The amount that a business or project can increase operational income by increasing sales is measured using a cost-accounting concept known as operating leverage. A business that generates revenues having an elevated gross margin and minimal variable costs is said to have high operating leverage. From the figure above, it can be said that the operating leverage of all the companies has fluctuated a lot over the years. In 2019, all the companies have a positive operating leverage except IBN SINA. The reasons for showing a negative result is because the company's overall cost structure is more heavily weighted toward fixed costs and revenues are declining. Following that, in 2020; all the companies have shown a positive operating leverage and all of them have a value more than 1. In 2022, all the companies operating leverage was positive.

Square & Beximco Pharmaceuticals has shown a positive operating leverage throughout the years. Moreover, IBN SINA has also shown a positive result from the COVID Period. The Pharmaceutical Industry of Bangladesh as a whole has more fixed costs compared to the variable cost. Due to fixed expenses not changing to counterbalance variations in income, profits for businesses with high fixed costs will fluctuate more with each sales cycle. Therefore, a slight fluctuation in the business environment can have a significant influence on profitability of the Pharmaceutical industry.

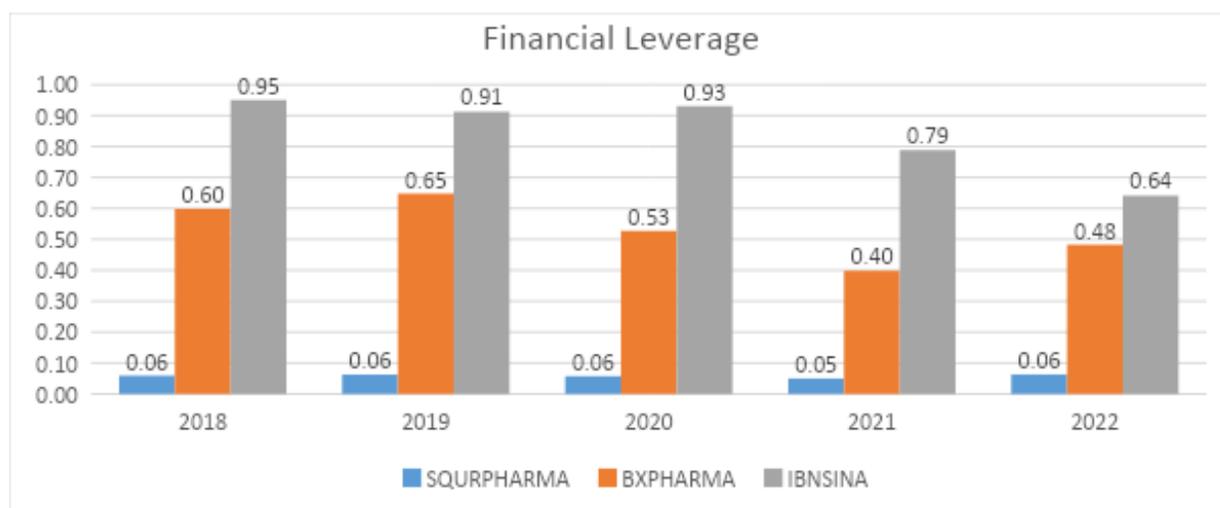


Figure 21: Financial Leverage of the 3 companies over the years

$$\text{Financial Leverage} = \text{Total Debt} / \text{Shareholder's Equity}$$

Financial leverage is the third element impacting sensitivity to business cycles. which is borrowing in use. Debt interest must be paid, regardless of sales. Because they are fixed costs, earnings are more susceptible to changes in the business atmosphere. Almost all the companies of the Pharmaceutical industry of Bangladesh have shown a value less than 1. Furthermore, financial leverage refers to the process of using borrowed money, or debt, to finance the acquisition of assets with the expectation that the earnings or gains in value from the new asset will exceed the expense of borrowing. Thus, it can be said that the Pharmaceutical sector is successfully operating their business and making enough gain to repay the borrowed amount if any throughout the years.

To conclude, the Pharmaceutical industry of Bangladesh has a higher sensitivity to the business cycle. Businesses in sensitive sectors are riskier and have higher beta stocks. They do, however, swing higher during upturns and lower during downturns.

➤ *Industry Life Cycles*

Revenue size of the Pharmaceutical industry (USD million)					
	2017	2018	2019	2020	2021
Pharmaceutical Industry	2269.00	2413.00	2711.00	2886.00	3195.00

Figure 22: Revenue size of the Pharmaceutical Industry (Source: Bangladesh Association of the Pharmaceutical Industry)

Revenue size of the companies over the years (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	39653.83	44033.63	45876.45	50703.03	57597.94
BXPHARMA	17716.72	22816.63	25611.95	29493.57	34669.17
IBNSINA	4657.35	5263.96	6191.63	7376.04	8479.82

Figure 23: Revenue size of the Pharmaceutical companies over the years (2018-2022)

Net Profit after Tax (NPAT) of the companies (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	11606.19	12652.40	13354.41	15947.45	18176.74
BXPHARMA	2532.65	3040.40	3544.48	5165.75	4998.63
IBNSINA	452.30	336.27	392.53	488.97	605.67

Figure 24: Net Profit after Tax of the Pharmaceutical companies over the years (2018-2022)

From the table above, it can be illustrated that the revenue of the Pharmaceutical industry is increasing and is showing an upward trend. Besides, the operating profit of the companies are also showing a rise in figures. So, the Pharmaceutical industry as a whole is operating efficiently with an increase in revenue.

In Bangladesh, the pharmaceutical business is among the most advanced in terms of technology. Nearly every kind of medication, including high-tech items like insulin, hormones, and anti-cancer treatments, is produced by manufacturers. 98% of the local market's overall medication needs are met by this industry. Moreover, the sector exports medications to more than 150 nations, including the EU, Germany, Canada, Australia, and the United States. The goal of pharmaceutical businesses' is to increase their share of the export market. Exports are increasing quickly; they already bring in more than \$169.02 million, surpassing the BDT 14 billion record. Besides, the government of Bangladesh has designated the pharmaceutical industry as a "Thrust Sector."

Bangladesh is one of Asia's rising centers for generic drugs. Almost self-sufficient; local production meets 98% of demand; total market size estimated at \$3.2 billion in 2021, growing at a rate of 10.72%. Maintaining historically strong market growth (CAGR 8.93% over the last four years) Bangladesh has a robust industrial foundation with highly qualified labor. Moreover, the Pharmaceutical Industry is the largest sector for labor-intensive white-collar jobs in BD & second-largest contributor to the national budget. Furthermore, the top ten businesses are all regional and account for roughly 70% of the market. In addition, nearly all major GMP accreditations,

including those from the USFDA, UK MHRA, EU GMP, Health Canada, TGA Australia, ANVISA Brazil, and GCC, are held by leading companies (Bangladesh Association of Pharmaceutical Industries).

Therefore, the Pharmaceutical industry of Bangladesh as a whole is in the growth stage as the 5 leading Pharmaceutical companies which we took to conduct the research are showing a positive growth. As more people recognize the companies as one of their top options, they build a committed following of customers throughout the expansion stage. The result is an increase in demand for the product, which raises revenue and sales figures.

II. Fundamental analysis of the 3 Pharmaceutical companies

Revenue size of the companies over the years (millions)					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	39653.83	44033.63	45876.45	50703.03	57597.94
BXPHARMA	17716.72	22816.63	25611.95	29493.57	34669.17
IBNSINA	4657.35	5263.96	6191.63	7376.04	8479.82

Figure 25: Revenue size of the Pharmaceutical companies over the years

Revenue growth of the companies over the years					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	-	11%	4%	11%	14%
BXPHARMA	-	29%	12%	15%	18%
IBNSINA	-	13%	18%	19%	15%

Figure 26: Revenue growth of the Pharmaceutical companies over the years

The revenue growth of the companies is showing a positive result throughout the years. In 2019, the revenue growth of Beximco Pharmaceuticals was the highest i.e. 29%. Besides, in the COVID Period the revenue growth of IBN SINA was the highest i.e. 18%. Following that, Beximco Pharmaceuticals has again got the highest growth in 2022 i.e. 18%. Though all the companies are showing a positive growth rate, some companies' growth rate is not increasing that much. This might be because the companies have reached their peak. Moreover, pricing and competition can also be a reason for less revenue growth.

P/E Ratios of the companies over the years					
TICKER	2018	2019	2020	2021	2022
SQURPHARMA	30.09	21.13	11.24	12.96	11.7
BXPBARMA	15.02	11.16	8.8	15.43	13.47
IBNSINA	16.17	24.54	17.84	15.76	15.3

Figure 27: Price to Earnings Ratio of the Pharmaceutical companies over the years

P/E Ratio = Share Price/ Earnings per Share

A ratio known as the price-to-earnings ratio can be used to determine the value of a firm through a comparison of its current share price to its earnings per share (EPS). A frequently used tool by analysts and investors to determine the relative pricing of stocks is the price-to-earnings ratio (P/E). One can assess if a stock is costly or undervalued using the P/E ratio. In the table above, it can be seen that the P/E ratio of all the companies is decreasing over the years. Companies with a low price-to-earnings ratio are commonly called value stocks. It suggests that companies are cheap since their share prices are lower than their fundamentals. A company's shares with a low price-to-earnings ratio are considered affordable and may see a value growth. Though a low P/E ratio means the stocks are getting riskier but high risk stocks often give more returns compared to the low risk ones.

III. Evaluation of the financial stability of Square, Beximco & IBN SINA

Square Pharmaceuticals Limited (SQURPHARMA)					
Label	2018	2019	2020	2021	2022
Revenue (mn)	39653.83	44033.63	45876.45	50703.03	57597.94
Revenue Growth	-	11%	4%	11%	14%
NPAT(mn)	11606.19	12652.40	13354.41	15947.45	18176.74
NPAT Growth	-	9%	6%	19%	14%
EPS	15.72	16.03	15.82	17.99	20.51
Debt (mn)	3431.53	4265.44	4454.48	4557.12	6535.28
EBIT (mn)	13847.94	15660.89	16996.81	18668.91	20723.00
Debt/EBIT	0.25	0.27	0.26	0.24	0.32
Equity (mn)	57816.57	67880.62	77364.89	90894.64	103452.98
Inventory (mn)	4432.94	4596.51	5687.41	7245.40	8214.11
Debt/Equity	0.06	0.06	0.06	0.05	0.06
ROE	19%	20%	20%	19%	19%
Cash Flow from Operations (mn)	10007.01	12391.79	10760.77	11021.07	12874.69

Figure 28: Financial Measures of Square Pharmaceuticals Limited (SQURPHARMA) from 2018-2022

From the table above, it can be seen that the revenue size of Square Pharmaceuticals has increased over the years. Besides, the net profit after tax has also increased. This growth in NPAT resulted in a higher EPS. The EBIT of Square has increased over the years and so does the debt. Besides, the DEBT/EBIT is showing figures less than 3. So, the firm has the capability of paying off its debt successfully. The Debt/ Equity figures were more or less the same over the years. Moreover, the ROE of the company is increasing which specifies that Square Pharmaceuticals is more effective at generating profit from its existing assets. In addition, a business that has steady gains in ROE is probably becoming more productive.

Beximco Pharmaceuticals Limited (BXPHARMA)					
Label	2018	2019	2020	2021	2022
Revenue (mn)	17716.72	22816.63	25611.95	29493.57	34669.17
Revenue Growth	-	29%	12%	15%	18%
NPAT (mn)	2532.65	3040.40	3544.48	5165.75	4998.63
NPAT Growth	-	20%	17%	46%	-3%
EPS	6.25	7.48	8.67	11.49	11.48
Debt (mn)	16387.05	19349.77	17321.29	14881.22	21512.03
EBIT (mn)	3361.33	3946.07	4653.44	6377.55	6686.95
Debt/EBIT	4.88	4.90	3.72	2.33	3.22
Equity (mn)	27351.84	29864.32	32797.45	37364.86	44636.00
Inventory (mn)	5058.85	5924.03	5944.77	7142.86	10405.30
Debt/Equity	0.60	0.65	0.53	0.40	0.48
ROE	9%	10%	11%	14%	11%
Cash Flow from Operations (mn)	1819.11	2959.92	5542.49	5614.92	5027.96

Figure 29: Financial Measures of Beximco Pharmaceuticals Limited (BXPHARMA) from 2018-2022

Beximco Pharmaceuticals is showing an upward trend in its revenue growth. Among the last five years its revenue growth was highest in 2019. Besides, the net profit after tax is also increasing over the years. However, it is showing a negative revenue growth in 2022. This happened due to the increase in debt which resulted in higher interest expense and a reduction in cash flow from operations and as a result less NPAT. Despite having a negative revenue growth, the company is trying to offer high EPS to its investors in order to make their stock attractive. Moreover, the Debt & Equity figures of the company have increased over the years. The Debt/ Equity ratio is decreasing over the years which indicates the company is utilizing its assets and taking less money from the market. The whole scenario specifies that the company has more assets than its debt which would help them to pay off their debt easily.

The IBN SINA Pharmaceutical Industry PLC					
Label	2018	2019	2020	2021	2022
Revenue (mn)	4657.35	5263.96	6191.63	7376.04	8479.82
Revenue Growth	-	13%	18%	19%	15%
NPAT(mn)	452.30	336.27	392.53	488.97	605.67
NPAT Growth	-	-26%	17%	25%	24%
EPS	15.92	10.76	12.56	15.66	19.39
Debt (mn)	1214.53	1350.18	1659.34	1695.54	1685.24
EBIT (mn)	561.42	452.14	565.08	712.75	799.86
Debt/EBIT	2.16	2.99	2.94	2.38	2.11
Equity (mn)	1277.21	1478.30	1782.30	2149.55	2625.05
Inventory (mn)	465.02	522.19	643.38	782.16	1007.57
Debt/Equity	0.95	0.91	0.93	0.79	0.64
ROE	39%	25%	24%	25%	26%
Cash Flow from Operations (mn)	192.03	433.36	497.55	560.85	418.56

Figure 30: Financial Measures of The IBNSINA Pharmaceutical PLC (IBNSINA) from 2018-2022

Like Square & Beximco, Ibsina is also having a rise in its revenue over the years. This rise in revenue resulted in an increase in NPAT & EPS. The Debt & Equity figures have increased over the years and the Debt/ Equity is showing a value less than 3 which means the company is sufficient enough to pay off its debt. Besides, the Debt/ Equity ratio of the company is decreasing which indicates that the company's shareholder's equity is bigger and it does not require any funds for operating their business and for expansion.

IV. Beta value & Annual return of the 3 companies

	BETA	ANNUAL RETURN
SQURPHARMA	0.8209 05	0.1208
BXPBARMA	1.4205 39	0.2227
IBNSINA	0.6823 17	0.2475

Figure 31: Beta & Annual return figures of the 3 companies

The beta (β) of an investment or portfolio indicates how volatile it is, or systematic risk, relative to the market as a whole. If a stock's beta number is more than 1.0, it is seen as being more risky than the overall market as a whole; on the other hand, a lower beta value indicates a less unstable

stock. From the table above, it can be seen that Beximco Pharmaceuticals has a beta value of more than 1 i.e. 1.42 whereas SQRPHARMA & IBNSINA has beta value of 0.82 & 0.68 respectively. This indicates that Beximco Pharmaceuticals 's stock has the highest volatility keeping Square Pharmaceuticals in the second and IBNSINA in the third.

A measurement of an investment's average yearly growth over a given time period is called an annual or annualized return. Most investors would view an average yearly rate of return (ROI) of 10% or higher as respectable for long-term stock market investments. From the table above, it can be illustrated that all the companies are giving an annual return of more than 10%. Thus, all the company's stocks are lucrative to the investors.

V. Forecasting the return of these stocks by using CAPM & WACC

The Capital Asset Pricing Model (CAPM) explains the relationship between expected return for assets, especially equities, and systematic risk, or the general risks associated with investing. This financial model demonstrates the linear relationship between risk and the required return on investment.

$$\text{Cost of Equity (ke)} = rf + \text{beta (rm - rf)}$$

	rf	beta	rm	ke
SQRPHARMA	10.99%	0.8209	12%	0.11819
BXPBARMA	10.99%	1.4205	12%	0.12425
IBNSINA	10.99%	0.6823	12%	0.11679

Figure 32: Cost of equity figures of the 3 companies

The risk free return which is the rf is considered to be 10.99% because this is the return of the treasury bond (Source: Bangladesh Bank). Besides, the rm which is the market return is the average of the DSEX Return. As per the concept of CAPM, higher risk would result in higher return. From the table above, it can be comprehended that Beximco Pharmaceuticals would give the highest return among these three. This is because it has the higher beta value which goes with the theory of CAPM. The cost of equity for Square Pharmaceuticals is high compared to IBN SINA because it has a higher beta value.

$$WACC = ((E/V) \times Re) + ((D/V) \times Rd \times (1 - Tc))$$

E = Market value of the firm's equity

D = Market value of the firm's debt

$V = E + D$

Re = Cost of Equity

Rd = Cost of Debt

Tc = Corporate Tax Rate

(millions bdt)	SQURPHARMA	BXPHARMA	IBNSINA
Total interest expense	73.6176	1002.3508	40.9433
Total debt	1894.71	12370.70	994.53
Rd	7.10%	7.10%	7.10%
Re	11.82%	12.42%	11.68%
Tc	22.50%	22.50%	22.50%
E	103,453	40,600	2,625
D	1894.71	12370.70	994.53
$V = E + D$	105,347.69	52,971.20	3,619.58
WACC	11.71%	10.81%	9.98%

Figure 33: WACC figures of the 3 companies

Note: The Cost of debt (Rd) figure is showing an unrealistic figure. Therefore, I am assuming the Rd to be 7.10% which is the lending rate of Bangladesh for the year 2022.

The minimum rate of return required by a business to provide value for its investors is known as WACC. While lower WACC rates are typically associated with more solid business investments, higher WACC levels typically suggest that a corporation is a riskier investment. The WACC figure shows Square Pharmaceuticals being the riskiest one to invest followed by Beximco & IBN SINA Pharmaceuticals.

VI. Discounted Cash Flow model

The discounted cash flow (DCF) valuation method projects future cash flows to determine the value of an investment. Through the use of predictions of the future cash flow generated by an investment, DCF analysis aims to ascertain the investment's current value. Besides, it can assist people debating whether to purchase securities or an acquisition of a business. Moreover, decisions about operating expenses and capital budgets can also be made with the help of discounted cash flow analysis for business owners and managers

- Square Pharmaceuticals Limited (SQURPHARMA)

Discounted Cash Flow

Square Pharmaceuticals Ltd. (SQURPHARMA)

FCF = Cash from Operating Activities – Capital Expenditures

Particular (in bdt mn)	2018	2019	2020	2021	2022
Cash from Operating Activities (after income tax)	10,007	12,392	10,761	11,021	12,875
Capital Expenditures	2,186	1,571	1,535	1,445	1,787
Free Cash Flow (FCF)	7,821	10,821	9,226	9,576	11,088
Step 1: Average FCF					9,706
Step 2: Growth rate assumed					11%

Step 3

SL. No.	Year	Growth rate assumed	Future Cash Flow (BDT millions)
1	2023	11%	10774.06471
2	2024	11%	11959.21183
3	2025	11%	13274.72513
4	2026	11%	14734.94489
5	2027	11%	16355.78883

Step 4

Terminal Value = $FCF * (1 + \text{Terminal Growth Rate}) / (\text{Discount Rate} - \text{Terminal growth rate})$

	rf	beta	rm	ke
SQURPHARMA	10.99%	0.8209046	12%	11.82%

(millions bdt)	SQURPHARMA
Total interest expense	73.617555
Total debt	1894.71
Rd	7%
Re	12%
Tc	22.50%
E	103,453
D	1894.71
V=E+D	105,347.69
WACC	11.71%

Assuming Terminal Growth rate to be	5.00%
Discount rate	11.71%

Terminal Value	256111.54
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Step 5

SL. No.	Year	Growth rate assumed	Future Cash Flow (BDT millions)	Present value (BDT millions)
1	2023	11%	10774.06471	9645.061338
2	2024	11%	11959.21183	9584.145251
3	2025	11%	13274.72513	9523.613896
4	2026	11%	14734.94489	9463.464844
5	2027	11%	16355.78883	9403.695681
Net Present Value (NPV) of future free cash flows				47619.98101

Step 6

Present value of the Terminal value **147250.31**

Step 7

sum of the present values of the cash flows **194870.29**

Step 8

Net Debt = Current Year Total Debt – Cash & Cash Balance

Total Debt (mn) 1894.710262

Cash & Cash balance (mn) 48,962

Net Debt **-47067.79**

Total Present Value of Free Cash flow **147802.50**

Step 9

Intrinsic Value :

Share Price = Total Present Value of Free Cash flow / Total Number of shares

Total Number of shares

(MILLIONS) 886

Intrinsic value **166.7351056**

Upper Intrinsic value **183.4086162**

Step 1(Average Free Cash Flow for Square Pharmaceuticals has been calculated): Free cash flow, also referred to as FCF, is the amount of money a company is left with after paying its capital and operating expenses. Furthermore, a company with higher free cash flow (FCF) can allocate a

larger portion of its available funds to dividend payments, debt reduction, and expansion opportunities. FCF is also a metric that helps to assess the financial health of a company. In this case, Square Pharmaceuticals has a positive average cash flow of **Tk. 9706 million**.

Step 2: Assuming the growth rate for future cash flow (SQURPHARMA)

	2018	2019	2020	2021	2022	Average Growth rate
Growth rate	-	38%	-15%	4%	16%	11%

By calculating the growth rate of the previous years. The growth rate is assumed to be **11%** for the upcoming years.

Step 3 (Calculating the Future Cash Flow for the next five years from 2023-2027 for SQURPHARMA): The Future Cash Flow for the year 2027 is **TK. 16355.78883 million**.

Step 4 (Calculating the terminal value): The terminal value for Square Pharmaceuticals has been calculated using the Future Cash Flow figure from step 3. The Terminal growth rate is assumed to be **5%** and the discounted rate is **11.71%** calculated by using the Weighted Average Cost of Capital (WACC).

Step 5, 6 & 7: In Step 5, The Net Present Value of future Cash Flow for Square Pharmaceuticals has been calculated. Besides, in step 6 the present value of terminal value has been calculated. Finally, in step 7 the findings from step 5 and step 6 have been added together.

Step 8: In this step, the Net Debt for Square Pharmaceuticals has been calculated and then the net debt figure has been added with the figure calculated in step 7. The total present value of free cash flows is **Tk. 147802.50 million**.

Step 9: In this step, the intrinsic value has been calculated by dividing the total Present Value of Free Cash flow with the total Number of shares. The intrinsic value band of Square Pharmaceuticals is fairly valued between **Tk. 166.74 and 183.41**.

- Beximco Pharmaceuticals Limited (BXPHARMA)

Discounted Cash Flow

Beximco Pharmaceuticals Ltd. (BXPHARMA)

FCF = Cash from Operating Activities – Capital Expenditures

Particular (in bdt mn)	2018	2019	2020	2021	2022
Cash from Operating Activities (after income tax)	1,819	2,960	5,542	6,023	5,214
Capital Expenditures	109	225	128	210	231
Free Cash Flow (FCF)	1,710	2,735	5,414	5,814	4,984
Step 1: Average FCF					4,131
Step 2: Growth rate assumed					10%

Step 3

SL. No.	Year	Growth rate assumed	Future Cash Flow (BDT millions)
1	2023	10%	4544.549621
2	2024	10%	4999.004584
3	2025	10%	5498.905042
4	2026	10%	6048.795546
5	2027	10%	6653.675101

Step 4

Terminal Value = $FCF * (1 + \text{Terminal Growth Rate}) / (\text{Discount Rate} - \text{Terminal growth rate})$

	rf	beta	rm	ke
BXPHARMA	10.99%	1.420538889	0.1200	12.42%

(millions bdt)	BXPHARMA
Total interest expense	1002.35
Total debt	12370.70
Rd	7%
Re	12%
Tc	22.50%
E	40,600
D	12370.70
V=E+D	52,971.20
WACC	10.81%

Assuming Terminal Growth

rate to be 5.00%

Discount rate 10.81%

Terminal Value **120285.47**

Step 5

SL. No.	Year	Growth rate assumed	Future Cash Flow (BDT millions)	Present value (BDT millions)
1	2023	10%	4544.549621	4101.277464
2	2024	10%	4999.004584	4071.365935
3	2025	10%	5498.905042	4041.672557
4	2026	10%	6048.795546	4012.19574
5	2027	10%	6653.675101	3982.933904
Net Present Value (NPV) of future free cash flows				20209.4456

Step 6

Present value of the Terminal value **72003.68**

Step 7

sum of the present values of the cash flows **92213.12**

Step 8

Net Debt = Current Year Total Debt – Cash & Cash Balance

Total Debt (mn) 12370.70163
Cash & Cash balance (mn) 1168.673821

Net Debt **11202.03**

Total Present Value of Free Cash flow **103415.15**

Step 9

Intrinsic Value :

Share Price = Total Present Value of Free Cash flow / Total Number of shares

Total Number of shares
(MILLIONS) 446

Intrinsic value **231.81**
Upper Intrinsic value **255.00**

Step 1 (Average Free Cash Flow for BXPHARMA has been calculated): A company's ability to generate free cash flows indicates that operations are profitable. The free cash flow indicates if a business has turned a profit for the past twelve months. To truly understand a company's financial

health as an investor, both earnings and free cash flow are important elements to consider. In this scenario, the Beximco Pharmaceuticals has a positive average cash flow of **Tk.4131 million**.

Step 2: Assuming the growth rate for future cash flow (BXPHARMA)

	2018	2019	2020	2021	2022	Average Growth rate
Growth rate	-	60%	98%	7%	-14%	38%

The average growth rate of **38%** is an unrealistic figure because Beximco Pharmaceuticals is a mature & large cap firm. Besides, Beximco would incur huge expenditure for the Active Product Ingredient (API) Plant in Bangladesh. Therefore, I assume the growth rate to be **10%** for Beximco Pharmaceuticals.

Step 3 (Calculating the Future Cash Flow for the next five years from 2023-2027 for BXPHRAMA): The Future Cash Flow for the year 2027 is **TK. 6653.68 million**.

Step 4 (Calculating the terminal value): The terminal value for Beximco Pharmaceuticals has been calculated using the Future Cash Flow figure from step 3. The Terminal growth rate is assumed to be **5%** and the discounted rate is **10.81%** calculated by using the Weighted Average Cost of Capital (WACC).

Step 5, 6 & 7: In Step 5, The Net Present Value of future Cash Flow for Beximco Pharmaceuticals has been calculated. Besides, in step 6 the present value of terminal value has been calculated. Finally, in step 7 the findings from step 5 and step 6 has been added together.

Step 8: In this step, the Net Debt for Beximco Pharmaceuticals has been calculated and then the net debt figure has been added with the figure calculated in step 7. The total present value of free cash flows is **Tk. 103415.15 million**.

Step 9: In this step, the intrinsic value has been calculated by dividing the total Present Value of Free Cash flow with the total Number of shares. The intrinsic value band of Beximco Pharmaceuticals is fairly valued between **Tk. 231.81 and 255.00**.

- The IBN SINA Pharmaceutical Industry (IBNSINA)

Discounted Cash Flow

The IBN SINA Pharmaceutical PLC (IBNSINA)

FCF = Cash from Operating Activities – Capital Expenditures

Particular (in bdt mn)	2018	2019	2020	2021	2022
Cash from Operating Activities (after income tax)	192	433	498	552	419
Capital Expenditures	15	35	69	136	224
Free Cash Flow (FCF)	177	398	429	416	195
Step 1: Average FCF					323
Step 2: Growth rate assumed					11%

Step 3

SL. No.	Year	Growth rate assumed	Future Cash Flow (BDT millions)
1	2023	11%	358.319332
2	2024	11%	397.7344585
3	2025	11%	441.4852489
4	2026	11%	490.0486263
5	2027	11%	543.9539752

Step 4

Terminal Value = $FCF * (1 + \text{Terminal Growth Rate}) / (\text{Discount Rate} - \text{Terminal growth rate})$

	rf	beta	rm	ke
IBNSINA	10.99%	0.682317226	0.1200	11.68%

(millions bdt)	IBNSINA
Total interest expense	41
Total debt	994.53
Rd	7%
Re	12%
Tc	22.50%
E	2,625
D	994.53
V=E+D	3,619.58
WACC	9.98%

Assuming Terminal Growth rate to be	5.00%
Discount rate	9.98%

Terminal Value **11464.27**

Step 5

SL. No.	Year	Growth rate assumed	Future Cash Flow (BDT millions)	Present value (BDT millions)
1	2023	11%	358.319332	325.7981106
2	2024	11%	397.7344585	328.8136679
3	2025	11%	441.4852489	331.8571369
4	2026	11%	490.0486263	334.928776
5	2027	11%	543.9539752	338.0288459
Net Present Value (NPV) of future free cash flows				1659.426537

Step 6

Present value of the Terminal value **7124.23**

Step 7

sum of the present values of the cash flows **8783.66**

Step 8

Net Debt = Current Year Total Debt – Cash & Cash Balance

Total Debt (mn) 994.534725
Cash & Cash balance (mn) 342.605485

Net Debt **651.93**

Total Present Value of Free Cash flow **9435.59**

Step 9

Intrinsic Value :

Share Price = Total Present Value of Free Cash flow / Total Number of shares

Total Number of shares
(MILLIONS) 31

Intrinsic value **302.00**
Upper Intrinsic value **332.20**

Step 1 (Average Free Cash Flow for IBNSINA has been calculated): The ability of a business to produce free cash flows is a sign of profitability. A company's free cash flow shows whether it made money throughout the previous 12 months. Both earnings and free cash flow are crucial

factors for investors to take into account in order to fully comprehend a company's financial health. The IBNSINA has a positive average cash flow of **Tk. 323 million** in this case.

Step 2 (Assuming the growth rate for future cash flow for IBNSINA):

	2018	2019	2020	2021	2022	Average Growth rate
Growth rate	-	1.246079	0.077176	-0.03035	-0.53192	19%

The average growth rate of **19%** is an unrealistic figure because IBN SINA Pharmaceuticals is a mature & large cap firm. Besides, IBN SINA would incur huge expenditure for the Active Product Ingredient (API) Plant in Bangladesh. Therefore, I assume the growth rate to be **11%** for IBN SINA Pharmaceuticals.

Step 3 (Calculating the Future Cash Flow for the next five years from 2023-2027 for IBNSINA): The Future Cash Flow for the year 2027 is **Tk. 543.95 million**.

Step 4 (Calculating the terminal value):

The Future Cash Flow figure from step 3 has been used to compute the terminal value for IBNSINA. The discounted rate of **9.98%** is determined by applying the Weighted Average Cost of Capital (WACC) method, with a terminal growth rate of **5%** being assumed.

Step 5, 6 & 7: Step 5 involves the computation of the Net Present Value of the future cash flow for IBNSINA. In addition, the terminal value's present value was computed in step 6. The results from steps 5 and 6 have finally been combined in step 7.

Step 8: This step involves calculating the Net Debt for IBNSINA and adding that amount to the value derived from step 7. The free cash flows have a total present value of **Tk. 9435.59 million**.

Step 9: This phase involves dividing the total Present Value of Free Cash flow by the total number of shares to determine the intrinsic value. Between **Tk. 302.00** and **332.20**, the intrinsic value band of IBNSINA is fairly valued.

VII. Comparing the actual stock price to the intrinsic value

TICKER	Current Market Value	Intrinsic Value	UPSIDE	Return %
SQURPHARM A	209.80	183.41	-26.39	-13%
BXPHARMA	146.20	255.00	108.80	74%
IBNSINA	286.60	332.20	45.60	16%

3.3.3 Recommending the investors on which stock to invest

By evaluating the part 2 (IV, V, VI, VII), we have found that the intrinsic value for Beximco Pharmaceuticals and IBN SINA is higher compared to their market value. Knowledgeable investors always choose stocks that are perceived as "undervalued" when their intrinsic worth exceeds their market value. In this scenario, Beximco would give an upside of **Tk. 108.80** if the investors invest in their shares. Moreover, IBNSINA would also give an upside of **Tk. 45.60**. However, Square Pharmaceuticals would not give an upside; instead it would give a downside of **26.39 tk**.

To conclude, investors should invest in the pharmaceutical sector of Bangladesh and specially in these 2 leading companies as they would give a good amount of return. Besides, Beximco & IBN SINA Pharmaceuticals shares are undervalued and have the chance of rising prices in the future.

3.4 Summary and Conclusions

To sum up, the Pharmaceutical sector of Bangladesh has a very promising future. The valuations result of the 3 leading companies depicts this fact comprehensively. Square, Beximco & IBN SINA are undoubtedly the Leaders in the Pharmaceutical market with a strong core and brand image.. Moreover, Square, Beximco & IBN SINA has updated its sales strategy in an effort to regain growth which can be clearly seen from their revenue growth data. Furthermore, large cash reserves of these companies resulted in a large cash payout to the investors. Also, there is no interest rate shock on earnings at all. In addition, these companies have sound corporate governance that would help them to maintain investor confidence in their stocks. Therefore, as per my calculations and observation investors should invest in the Pharmaceutical sector of Bangladesh.

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Contributors, M. O. J. T. a. B. (n.d.). *IDLC Securities Limited*. <https://securities.idlc.com/>

Appendix

All Annual report link:

https://drive.google.com/drive/folders/1eMIiyCqiKCoXh6_rBCmer2P-

[GsAbhaCF?usp=sharing](https://drive.google.com/drive/folders/1eMIiyCqiKCoXh6_rBCmer2P-GsAbhaCF?usp=sharing)