

Report On
Financial Performance Analysis of BEXIMCO Pharmaceuticals Limited

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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

Brac Business School

Brac University

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Letter of Transmittal

Date: 28th January, 2022

Mr. Mahmudul Haque

Associate Professor

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Dear Sir,

I am hereby submitting my Internship Report, which is a part of the BBA Program curriculum. It is a great achievement to work under your active supervision.

This report is based on, “**Financial Performance Analysis of Beximco Pharmaceuticals Limited**”. I have got the opportunity to work in BEXIMCO Pharmaceutical ltd under “ Finance and Accounts Department” for twelve weeks, under the supervision of Mr. Fazlul Haque, Manager of Finance and Accounts.

This project gave me both academic and practical exposures. First of all I learned about the organizational culture of a prominent Pharmaceutical organization of the country. Secondly, The project gave me the opportunity to develop a network with the corporate environment.

I shall be highly obliged if you are kind enough to receive this report and provide your valuable judgment. It would be my immense pleasure if you find this report useful and informative to have an apparent perspective on the issue.

Sincerely yours,

Talal Ambia Chowdhury

ID-17104134

BBS

BRAC University

Signature Of Internship Supervisor

ACKNOWLEDGEMENT

First and foremost, I want to thank Allah, the Almighty, for providing me with the strength to carry out my responsibilities as an intern and complete the report on time.

I owe a huge debt of gratitude to my Faculty Advisor, Mr. Mahmudul Haque, Associate Professor, BRAC Business School, and BRAC University, for his constant support and guidance throughout my organizational attachment time. Also, Mr. Shamim Ahmed, the deputy registrar and lecturer of BRAC University always gave me support for any kind of assistance. I am also grateful to Mr. Fazlul Haque, as my organizational supervisor. It would have been very difficult to prepare this report up to this mark without their guidance.

My gratitude goes to the entire BBS Department of BRAC University for arranging an Internship Program that facilitates integration of theoretical knowledge with real life situations.

Last but not the least, I would like to convey my gratitude to Mr. Jamal Ahmed Chowdhury, the Executive Director of Finance and Accounts for guiding with his insightful thoughts about the learning process in a corporate world. Moreover, I would also like to express my gratitude to my Beximco Pharmaceuticals Limited fellows, seniors and colleagues who gave me good advice, suggestions, inspiration and support. I must mention the wonderful working environment and group commitment of this organization that has enabled me to deal with a lot of things.

Executive Summary

This paper is an analysis of Financial Performance of BEXIMCO Pharmaceuticals Ltd. The purpose of this paper is to understand the financial activities of the company and also understand the effects of the Covid-19 pandemic. In the extremely unforgiving pharmaceutical industry, we aim to know how the company is operating. In this paper the overview of the company has been given which includes the history of the company, the departments and its role in the company. The paper also points out the intern's impact on the company as well as the company's impact on the intern.

The paper also contains an industry analysis where Porter's Five forces are discussed and also there is inclusion of SWOT analysis from the perspective of BEXIMCO Pharma. Furthermore, the main project part where the ratio analysis has been done to understand the company's financial capability or performance. Moreover, the paper does a comparative analysis among the market leaders and concludes on key points leading to some problems that are identified and further recommendations are given based on the problems. Lastly, the probable implications are given to arrive at the solution for the problems.

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Chapter 1: Overview of Internship

1.1 Student Information

Name: Talal Ambia Chowdhury

ID: 17104134

Program: BBA

Major: Finance and Marketing

1.2 Internship Information:

1.2.1 Period: 3 Months (1st November 2021 - 1st February 2022)

Company Name: BEXIMCO Pharmaceuticals

Department: Finance and Accounts

Address: Beximco Pharmaceuticals Ltd. 19 Dhanmondi R/A Road No. 7 Dhaka 1205
Bangladesh.

1.2.2 Internship Company Supervisor's Information:

Name: Fazlul Haque

Position: Manager of Finance and Accounts

1.2.3 Responsibilities:

- Assisting on calculating and entering bills of advances.
- Updating entries of Depot advice and Over Expenditure.
- Assisting on Costing for Cash incentives.
- Sorting documents.
- Updating Bank informations for House rents
- Setting up vouchers for corporate finances sections

1.3 Internship Outcomes:

Contribution to the company: My contribution towards the finance department and specifically towards the treasury sector in which I have worked the most. Small tasks like sorting bills which I have done have helped my colleagues to focus on more important tasks. With sincerity I have done my tasks and contributed my time and effort for the company. Moreover, I tried my best to complete tasks that were assigned to me and thankfully my superiors were very kind and generous to give me the freedom to complete the task on my way of working. This has also boosted my productivity and I was able to contribute more to the company.

Benefits as an intern: Firstly, the opportunity to work in BEXIMCO Pharmaceuticals have given me a sense of big responsibility and made me more motivated to work. While working there were so many additions that came to my working life. I have learned to become more professional and learned how to approach anyone professionally. The opportunity to work here made me more enthusiastic about work and influenced me to learn more about my assigned department. The daily interaction with my colleagues have made me more socially extroverted which I was not. Moreover, I have learned to ask for help and also offer my helping hand any moment. Lastly and more importantly I have learned to work under pressure and learned to handle the pressure with a sense of urgency unlike before when I could not work at all under pressure.

Difficulties: Such an opportunity to work in a Tycoon company has made me ignore most of the difficulties that came along with. But I have heavily suffered from one problem which was my commute. The location of the company being in Dhanmondi I had to travel every five days from Uttara which was very tiring and drained my energy. The traffic and the dusty environment made me sometimes sick and I had to continue in that state. Another problem that I think is an issue is the very slow and backdated computer for the intern. The slow computer made some of the work very difficult such as working with large excel files can be very problematic.

Recommendations: There are very few things to recommend for such a vast and influential company. One thing I can suggest is that, in the finance department there should be a specific section for interns. As a very busy department of the whole industry it is very easy for an intern to burn their time without no work. So, dedicated guidelines for the intern can really help new interns to get involved from the very beginning.

Chapter 2: Organization Part

2.1 Introduction:

Established in 1976, BEXIMCO Pharma has been dominating the pharmaceutical industry since then. BPL (BEXIMCO Pharmaceuticals Ltd) under BEXIMCO group which was founded by brothers A. S. F. Rahman and Salman F Rahman in 1972, right after the independence of Bangladesh. “Beximco Pharmaceutical Ltd” was a private limited company established in the end of 1976 & started production in the end of 1980 with the view of formulating & supplying quality pharmaceutical products to the people of Bangladesh. “Beximco Pharmaceutical Ltd” believes quality is first and to ensure quality they have improved excellent facilities and numbers of experience and skilled personnel who are contributing to that. BEXIMCO Group is the largest private sector industrial conglomerate in Bangladesh engaged in diverse business areas employing over 35,000 people and having a vast number of shareholders reaching 230,000. BEXIMCO’s shares constitute 4.73% of the market capitalization of DSE. Beximco Pharmaceuticals Ltd. is a leading manufacturer of pharmaceutical formulations and Active Pharmaceutical Ingredients (APIs) in Bangladesh being the star company of Beximco Group, the largest private sector industrial conglomerate. Beximco Pharma's state-of-the-art manufacturing facilities are certified by global regulatory bodies of USA, Australia, European Union, Gulf nations, Brazil, and so on. The company is consistently building upon its portfolio and currently producing more than 650 products in different dosage forms covering broader therapeutic categories which include antibiotics, gastro-intestinal, respiratory, analgesics, cardiovascular, anti-diabetics, etc. among many others. With the experience of contract manufacturing with global MNCs for decades, skilled human resources and high formulation capabilities, the company has been building a visible and growing presence across the continents offering high quality and affordable generics. Beximco Pharma has been distinguished as the only Bangladeshi company to get listed on the AIM of London Stock Exchange. “Beximco Pharma” on a regular basis helps UN missions in different countries through providing free medicines for running health camps.

2.2 Overview of BEXIMCO Pharma:

Beginning with the subsidiaries,

Their subsidiaries:

1. Nuvista Pharma
2. Sanofi Pharmaceuticals
3. Beximco Pharma API ltd.

There are also 3 SBU or Strategic Business Unit BPL relies on for their operations. They are-

1. PharmaTech
2. Sukhtara Printers Ltd.
3. Bangladesh Antibiotic Industries Ltd.

2.2.1 Departments of Beximco Pharma ltd:

1. Finance and accounts: This core department deals with the financials of the company. This department has Five sections. They are-

- **Treasury Dept (create an overview of how treasury works)** Treasury section mainly deals with managing the funds and transferring the funds to relevant sites. This section looks into two types of payment which are-
 - 1. Supplier Payments
 - 2. Employee payments/payroll/ Advances

They are also responsible for the disbursement of the cash to depots which are scattered across the country. Currently the treasury section is focusing on shifting their payment methods to BEFTN (Bangladesh Electronic Fund Transfer Network). This is a payment method which is done over a network and the funds are transferred from bank to bank eliminating the downsides of relying on cheques and cash. Also this section is responsible for reconciliation of their accounting book.

- **Corporate Finance Dept:** The Corporate finance section is responsible for sourcing the funds from various financial institutions like Banks. Janata Bank, Agrani Bank, AB Bank, First Security Islami Bank Ltd, Dhaka Bank Ltd. are the main affiliated banks that Beximco Pharma takes service from. The funds come through Bank loans, LC mostly. Another source of the funds are the cash incentives that are offered by the Government of Bangladesh. Cash Incentives are provided by the government to encourage the export that any company makes. For BEXIMCO Pharmaceuticals the cash incentives also apply with some prerequisites like the products that are manufactured must contain 30% or more than 30% of the local raw materials and the application must be made within 180 starting from receiving the payment from buyers. This section also looks into lease financing which are mostly related to vehicles that are used for the operation of BEXIMCO Pharma. Financial institutions like Islamic Finance, Lanka Finance, Uttara finance provides service by providing lease.
- **Costing:** This section is also one of the most crucial parts of the Finance and accounts department and also in the prospect of manufacturing. This team does the costing of the active ingredients and in active ingredients for the products. It also deals with inventories. Costing team entries the costs to relevant accounts. For example, any type of inventories or products that are acquired through LC needs to be entered into the system. It is their responsibility to saturate the costs that are related to inventories and costs that are related to VAT and also the costs related to suppliers and put it into the related account. Generally They are performing cost accounting for the company.
- **Legal Team:** Legal team handles all the matters related to law enforcements and preparing documents that are required to be under any jurisdiction of law. The activities are -
 - Any legal use of activities related to court in case of any fund related miss management and if any payee becomes defaulter.
 - All legal activities related to land, license, patent, loan, environment policies.
 - All legal activities related with employees recruited from outside of Bangladesh like collecting work permits.
 - In case of creditors defaulting their payments

- **System support and Business Development Process:** This team supports the accounts section by providing support by making necessary changes in the company's mostly relied software which is Oracle. This is an office software that helps with the entries of the transactions all over the country. This team helps with any necessary changes that might be required for any certain task. Their activities are-
 - Sorts out the process of channeling any sort of manufacturing process
 - Adding any new vendor to the system.
 - Opening and closing month in Oracle
 - Also open and closes year entry.
 - Miscellaneous transactions
 - Development of BI (Business Intelligence – Online report platform in ORACLE)

2. Procurement (PCT): Procurement department manages and sources the raw materials from both abroad and domestic. Their main focus is around the production such as contracting with suppliers that offer related products like raw materials. There are mainly two types of raw materials. They are 1. Active Product Ingredient. 2- Domestic. The Active Product Ingredients or API are generally the core element of the medicines that BEXIMCO Pharma mostly imports from abroad. On the other hand, the domestic products are usually the packaging material and few API that can be found in Bangladesh. The Procurement department is responsible for managing all the ingredients from both abroad and domestic area in a cheaper rate to stay competitive in the market

3. Planning and Inventory Control (PIC): Planning and Inventory Control department makes the commercial planning for the products. How the products will be approached commercially and

what would be the planning. These commercial activities are implemented after strategic planning which is from the Board of directors that is passed down for implementation .

Objective of PIC:

- Coordinating the workflow between different departments as there are different priorities in the residing departments.
- Develop preferable language for information flow throughout the organization and make an convenient and general language base
- Accomplish Commercial goals that are set to achieve the strategic goals.

Inventory Control

Inventory is the second largest asset and so such dedicated section is very important for the company for-

- Financial control
- Operational cost save

Objective of inventory control:

- To hold minimum of inventory without disrupting the customer satisfaction

Main outputs of PIC given to the following departments:

- Procurement: For requisition after everything has been taken into consideration
- Production: Develop effective production plan

4. Human Resource Management (HRM): Human resource management team manages the human resource of BEXIMCO Pharmaceuticals by Recruiting, hiring, deploying the human resource. The HRM department has 4 sections dedicated to different responsibilities. Such as-

- **Recruitment and selection:** With the requisition of new employees by the department head, the recruitment and selection team starts the recruitment process and the whole process from requisition to joining is done within a month. There are two types of recruitment process which are 1. Head Office recruitment 2. Factory Recruitment. The evaluation of the attendees are done through walk-in interviews and written examinations.
- **Strategic HR:** This team develops HR programs that help the organization for future prospects and also develops the human resources aligning with the organization's needs.
- **Learning and development:** This section is dedicated to complete the HR programs that are set by the strategic HR team. Usually the training that is required for the new recruitment, which is provided by this team of HR. Training like Pharmacovigilance(PV) training, ORACLE training for the MIS are provided by the team.
- **Compensation and benefits:** This section of HR is dedicated to negotiate with the new recruitments and fix their compensation and benefits that matches the offering standard of BPL.

5. Department of Medical Affairs (DMA): This Department specializes in medical know-how and keeps the organization well informed about current affairs in medical and pharmaceutical discoveries.

Key Functions:

The department is divided into 3 parts:

- MCE team (Medical Centre of Excellence): tour based job
- Pharmacovigilance: work with drug safety
- Publication

MCE Marketing team

They are the bridge between science and commerce. They are responsible of awaring the concerned parties about new discoveries in the medicine industry. Generally they work with SBM for brochure and website related work.

- In house training
- Continued medical knowledge
- Journal publication: scientific literature specific day celebration scientific seminars

Pharmacovigilance: This section studies the adverse effects of medicines.

- Product complaint for broken medicine.
- For the USA and EU, if there is any problem with a drug in any company and if that drug is sold in the USA/EU, sending the report to USFDA(United States Food and Drug Administration) for inquiry

Publication: Publication mostly works with SBM and through SBM they mostly publish the papers.

- Meant for doctors
- Up-to-date scientific information
- Recent guidelines
- Medical newsletter: 4 each year- April, July, October, January
- Also works for Nuvista

- Book, Journal publication for doctors
- Doctor request fulfil: disease guideline

6. General Administration (GAD): This department administers the company and deals with the employees' demands. It facilitates the infrastructure and provides the necessities.

Core functionality

- Pull vehicle operations: deals with the employee's vehicle services
- Vehicle maintenance
- Sales motorcycle: Deals with the motorcycle service of the sales representatives
- Deals with the VIPs
- Billing: Telephone bills, TNT bill
- Logistics: House rent, utility service
- Providing security for the operational headquarters

7. International Marketing (IMT): The department looks into international affairs and looks into new markets to expand and also focuses on the existing market abroad.

Core functionality

- Started functioning from 1993 with API. API export done once or twice. Then in 1997 started export of finished products.
- Started exporting to countries like Myanmar, Kenya. Now, exports to more than 55 countries.
- There are a total of 5 team leaders. All the employees are divided into groups who work under the team leaders.
- Regulated markets like the USA, Australia needs a lot of certification.
- For the USA, OSD certification.
- For Europe ophthalmic, Opal both certification needed.
- The company expands its sales teams directly to 5 countries and the other countries are reached through marketing agents

8. Strategic Brand Management(SBM): Strategic Brand Management department is responsible for:

- New product finding from word market which can be produced and sold in future.
- Development and creating of brand in the market
- Planning the promotional activities
- Managing promotional activities
- Planning promotional material
- Maintain relation with customers to creating the demand, the customers are:
 - Doctor
 - Chemist
 - Patient
- Setting product price:
 - Price of essential drug is fixed by the government so, BPL have to maintain it
 - Price of others drug is fixed by making market analysis and other things in concern
- Support arranging CME of the doctors as a part of promotional activities
- Giving training for promotion to the employees by arranging PCBS

9. Management Information System (MIS):

Core functionality

- Hardware networking- all PC related work, Wi-Fi, server, PABX, network administration
- Software development and maintenance- in house software develop and maintain, software test, sales, EPR, Oracle
- Validation- EPR validation, validation team does validation of all computer related matters, to prevent unauthorized access by maintaining guidelines, check if system works according to user expectation and maintain documents. They also maintain budget control related issues and ensure it.

10. Department of Multimedia (MMD):

Core functionality

- Web development and application software
- Design- literature, annual report, newsletter, all types of publication work
- Video editing and photography- corporate video, interactive video, product promotion video

Web development

- Doctor support, prescription software
- Live program support
- Corporate website maintenance and development
- All website related work
- Web application for IMT
- Website- Internal cooperation. Example: corporate website
- Web application software- Internal software.

Apps:

- Apps design and development

Other functions:

- File sharing using server, no third party involved
- Photography support
- Video editing panel

Live Program:

- Conference, seminar
- Web program on special day
- Webinar

11. Project Planning and Support (PPS):

Key Functions:

Objectives:

- Project design
- Planning
- Budget

Process:

- Feasibility study of project in terms of technical aspect
- Management side decision needed
- Commercial aspect by finance, they only provide information
- Technical field budget and utilities budget based on current market trend and previous procurement

Project design

- Machinery, quantity of machineries needed is decided
- After project design then budget is prepared
- After budget is confirmed, it goes to factory for factory proposal
- After CFO, COO, MD signs then project starts
- URS (user requirement specification) is sent from factory
- Technical sheet- details of what type of machinery vendors can offer. Machinery can be customized by vendors
- PPS does techno commercial evaluation
- Factory says technically which vendor is best. Suppose, PPS says both vendors are the same. Then PPS checks the pricing. Negotiations for both vendors done here. Procurement Head and PPS Head sit together for negotiation. Win-Win negotiation done.

- After negotiation, final approval sheet is given to Director Commercial (first approval authority), CFO, COO
- For payment confirmation sent to procurement. After confirmation, the vendor who got the work is informed
- Estimated time of arrival of machinery is informed to factory

FAT- factory assessment team

- Check if timeline would be met, send representatives to the factory where the machinery is manufactured
- Follow up shipment

12. Department of Sales (SSR):**Key Functions:**

- The SSR department is responsible for managing and operating all sales related activity and also to visit the doctors to inform them about the update of the products and create the demands.
- Working area of the SSR department is all over the country and perform the sales activities starting from visiting doctors to promote the product and end with collection of orders and sent in to the depot.

The sales operations are done in a segmented way the segmentations are done in 4 partes which are-

1. **Zone (10):**All over the country is divided into 10 working zones and the zonal heads are responsible for the zone. They control all the activities of the respective zone. Managerial decisions are taken by them to maintain the work and also solve if any problem arises.
2. **Regions (44):** Every 10 regions are under 1 zone. Regions are responsible for controlling the area. For close control of area regions worked as media between the zone and area. Every reasons have number of areas to maintain
3. **Areas (328):**Areas are responsible for direct controlling of the medical promotion executives who work on field to collect the order. Area managers directly supervise the medical promotion executives and give direction to them
4. **MPEs (2302):**BPL's sales are operated by 2302 medical promotion executives directly. The medical promotion executives are responsible for visiting doctors regularly and informing them about the product. They are the main part to promote the product directly and collect the order from the chemist shop. After collecting the order, they sent the order to the depot of the area to deliver it to the chemist shop.

13. Department of Financial Compliance and Auditing (FCA):Key Functions

Objective:

- Internal control
- Conducts audit
- Work related to financial matters

There are two types of material. They are:

- Standard material: raw materials, packing materials

- Nonstandard item: project material, stationery items, fixed assets

Process of operation:

- After procurement of the material from the supplier, the material is physically inspected with respect to the approved purchase order.
- After inspection, inspection report is generated which is endorsed by: inspector, person checking the material, person who gives the approval
- Copies of inspection reported given to: user department (the department who gave the purchase order), procurement department (for all non-standard item), MIS (only for MIS item), finance and account department

Post factory audit

- Voucher creation, proper use of approval law for payment
- Trade license, environmental license

7 legal entities under Beximco Pharma:

1. BPL
2. BAIL
3. Pharmatec
4. I & I services (distribution of local items)
5. SPL (Shukhtara Printing Limited)
6. NPL (Nuvista Pharma Limited)

7. Sanofi

The regulatory documents related to the audit of these 7 entities are checked and a report is generated about the status.

Depot Audit:

Audit is done in the depot on a schedule basis by rotation. This is done to check for unethical usurp of cash, if payments are done on time. Then a report is prepared and feedback given if necessary.

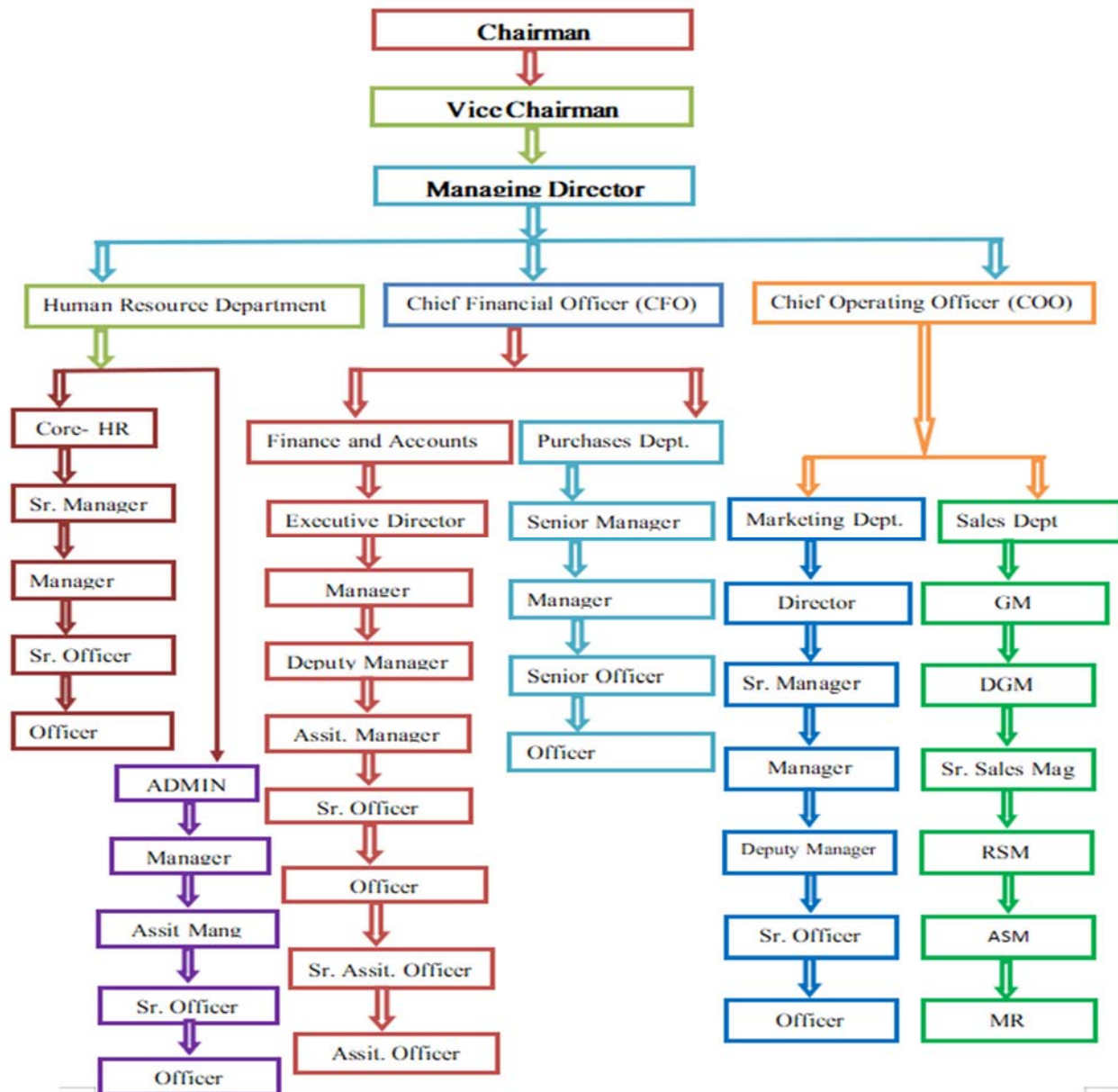
- Depot inventory: product store inventory
- Surprise cash audit
 - Petty cash
 - Sales proceed: retail and institution
- Market visit:
 - Under rate problem
 - Unethical practice
 - Movement of product from territory to another
- Other types of audit conducted by FCA:
 - Inventory audit of finished material and raw and packing materials
 - Surprise audit of all types of physical inventory
 - Surprise cash audit of all operating locations under BCD (Beximco Chemical Division)
 - Audit on car running expense provided by the company: check if the employee uses the car within the limit allocated for him/ her
 - Audit on mobile expense provided by the company: check if the employee uses the phone call amount within the limit allocated for him/ her
 - Motorcycle management system of salesperson
 - If the motorcycle is stolen, then the accounts section must be informed for their insurance claim
 - Ownership transfer: check for any dues

- Staff and officer level overtime (Compliance Audit)
- Payment accurately done
- Fixed asset policy, sales policy, product withdraw policy update

The organization departments are here described in a short and concise manner. But a detailed description would only be able to explain the core and dedicated work in the departments. Now the organization will be explained through a organogram to better understand the structure of the employee hierarchy

2.2.3 Organizational Structure

A concise organogram of BEXIMCO Pharma has been given below.



2.3 Industry Analysis:

The Pharmaceutical industry of Bangladesh has a huge contribution to the GDP, which is to be reported 1.85% input in the year of 2016 to 2017. The immense size of the market also makes it one of the most competitive markets in Bangladesh, ruled by the top 10 brands in the industry. This industry has a tremendous growth potential and has been growing fast. According to a research done by EBL securities ltd the pharmaceutical industry will reach 5.11 billion dollar industry by 2023. So to have a general idea about such an enormous industry we have done an industry analysis by preparing Porter's five forces model and a SWOT analysis for BEXIMCO Pharmaceuticals Ltd.

2.3.1 Porter's Five Forces Model:

This model is renowned for its simple yet impactful ability to consider external and internal factors residing in any business. So a very small model is expressed below.

- **Threats of new entrants:** The threat of a new entrant in the pharmaceutical industry is very low due to the intensive capital requirements and regulatory authorities from FDA creates a very tough obstruction for new entrants. Moreover, customer loyalty in this industry is very inelastic so even after an entrance it is difficult to operate in the competitive market.
- **Threats of substitute product:** It is safe to say that the threats of substitutes in the industry is very high as consumers can shift to substitute products very easily. The reason being is that the consumer understanding on the product is very low and thus when unavailability of certain products can be easily substituted with different brands of product.
- **Bargaining power of Buyer:** The bargaining power of the buyers is very low as the patient relies on the prescription provided by the doctors and they have no knowledge about the product thus they have no choice but to buy the prescribed medicines
- **Bargaining power of Suppliers:** The bargaining power of the supplier is very high as as 99.5% (*Pharmaceuticals Industry of Bangladesh*, n.d.) API (Active Pharmaceutical Ingredients) are imported from abroad, therefore the bargaining power of the supplier is very high. Also, in Bangladesh there are merely a few API that are manufactured, so the power of the suppliers is very high.

- **Rivalry Amongst the Competitors:** The competition in the industry is very high because the chemical element for the medicines are controlled by FDA and it cannot be changed for the purpose of cost cutting or any other profit making decision. So the profit margin is almost similar between rivalries. Therefore there is intense rivalry between the pharmaceutical

2.3.2 SWOT Analysis:

- **Strength:** Beximco pharmaceutical being among the top brands for pharmaceuticals their one of the strongest points is that they have a good brand image and is trusted by almost every consumer. Their top selling product like NAPA is one of the most consumed drugs in Bangladesh. Moreover, among the competitors they are the biggest exporter of drugs which makes them one of the big players of Export incomes for Bangladesh. European nations and nations from Gulf countries certify Beximco Pharma as their drug exporter. Lastly they have a very strong R&D department that has been providing strong formulation from the company.
- **Weaknesses:** One of their biggest weaknesses is their competitor Square Pharma and they have been creating a gap in terms of the market share. Beximco pharma still has not been able to close the gap. Despite being the top drug exporter the revenues are still higher for Square Pharmaceuticals. Moving on to their other weakness, which is high dependency on the imported raw materials or the active pharmaceutical ingredients makes them vulnerable to any sort of pandemic and endemics. Their supply could get easily disrupted due to any kind of new regulations on imports.
- **Opportunities:** In this industry with such an enormous growth potential and also being the top players they have a lot of opportunities that they can grasp in future. If we focus on the current affairs, the COVID-19 pandemic has brought a huge market that Beximco pharma can grasp regardless of their strong competitors like Square Pharma who is lagging behind in terms of exports. Beximco has a world wide credibility to import cures and vaccines for the pandemic.
- **Threats:** Beximco Pharma's biggest threat is their competitors which are Square Pharma and Incepta Pharma. They have been excelling in the industry with much higher speed than Beximco Pharma which might be a threat meaning their brand image could be hampered.

Beximco pharma has a good infrastructure for their distribution but it could be in a threat as Bangladesh is converting toward E-commerce, so the online medicine delivery could jeopardize their conventional org-chemist structure. Also, Beximco pharma is solely making profit on the margin and the rapid inflation can be a huge threat in future for them.

Chapter 3: Project Part

3.1 Introduction

Financial evaluation is the one of the best ways to evaluate a company's use of its asset, liabilities, shareholders equity, revenue, expenses for a better understanding of the company's capabilities in the industry. The financial performance analysis through ratio analysis can direct the company to make better financial decisions and sustain in the market. Through ratio analysis, the efficiency of the usage of capital, the ability to meet the obligations, the management of the inventory, the ability to meet shareholders demand, the profitability and many more can be determined of BEXIMCO Pharma ltd.

Ratio analysis is a very vastly used tool to evaluate the performance of an organization and it gives quantitative outcomes which can be interpreted in a meaningful way. It is a very useful technique to identify the strengths and weaknesses of an organization and In this paper it will be used to evaluate the performance of Beximco Pharmaceuticals Ltd.

3.1.1 Background/Literature Review:

Ratio analysis is a very commonly used method to evaluate an organization financially and the analysis has been done on BEXIMCO Pharmaceuticals ltd. Despite, considering the covid-19 Pandemic this financial analysis through ratio calculation can be important to know how the the organizations has coped up with the difficulties due to barriers of the pandemic. As there was no pre and post covid analysis of this organization, I think this paper will help to distinguish the key factors that helped the organization through this analysis and most importantly, how the being in

the most important industry during the pandemic has reacted to the situation and became the first company in the world to launch generic versions of the breakthrough antiviral drugs Remdesivir and Molnupiravir for COVID-19 which were originally developed by Gilead Sciences and Merck/Ridgeback Biotherapeutics respectively.

3.1.2: Objective:

The objective of the study is to understand the financials of BEXIMCO Pharmaceuticals Ltd and understand the effect of the COVID-19 pandemic on the company. Moreover, to reach a conclusion where we can determine the key financial factors that have been affected by the pandemic and also identify the reaction from the company towards the problem.

3.1.3 Significance:

The significance is the analysis will give an idea how an organization like Beximco Pharma has coped with the pandemic situation and how the initial blow of the pandemic has obstructed the day to day operations of the organization. This analysis can also indicate the key moves that took the company in the most influential position despite not being the market leader. Other organizations in the industry will also be able to utilize the techniques to further tackle these challenges,

3.2 Methodology:

The data required for this financial analysis has been mainly available in secondary sources such as annual reports and websites, journals. The quantitative analysis is mostly done from the annual reports and the insights are made upon the theoretical knowledge gained from the academic books. Data that were unavailable in the annual report were collected from world renowned financial websites.

3.3 Findings and Analysis:

The analysis: The analysis is done on the basis of ratios and the theoretical knowledge is referred from the

3.3.1 Short Term Liquidity Ratios: This ratio is the indicator of the ability of a firm or company's ability to meet the obligations that a company has. It establishes a relation between the firm's current assets and current liabilities and represents the nature of the flow of cash cycle which is basically the tied up cash in the operations of a company also known as the working capital.

3.3.1 (a) Current Ratio: Current ratio shows how many times a company can meet its current liabilities with its current assets. It measures the strength of the company's ability to pay its current debts. So higher the Current ratio is higher the safety a company has in terms of it repaying its debts.

Current Ratio = Current Asset / Current Liabilities

| Year | 2018 | 2019 | 2020 | 2021 |
|----------------------------|----------------|----------------|----------------|----------------|
| Current asset | 10,832,521,567 | 12,793,492,489 | 12,438,793,173 | 13,150,677,229 |
| Current Liabilities | 8,096,861,126 | 11,895,847,518 | 10,630,440,620 | 8,891,238,154 |
| Current Ratio | 1.338 | 1.075 | 1.170 | 1.479 |

Analysis: It can be seen that in 2019 the ratio dropped a lot compared to the previous year and afterwards the company has done a good job pulling back the ratio to even a higher amount in 2021. The figures indicate that the company is well above the risk line and are in a comfortable position in terms of meeting their obligations. Although it could also mean that they also have a lot of its capital as idle and are not utilizing it properly to maximize their operations.

3.3.1 (b) Quick Ratio: Quick ratio can indicate the state of the liquid capital that is readily available for any sort of payment or payment to the payee. In the formula of this ratio the inventory is deducted from the current asset as it is not liquid. Because inventory might be residing under current assets but as it is time-consuming to liquidate and also inventories are in asset form which

are basically raw materials packaging etc. Therefore eliminating the non-liquid asset from the equation gives a better understanding of a company.

$$\text{Quick Ratio} = (\text{Current assets} - \text{Inventory}) / \text{Current Liabilities}$$

| Year | 2018 | 2019 | 2020 | 2021 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| Current asset | 10,832,521,567 | 12,793,492,489 | 12,438,793,173 | 13,150,677,229 |
| Current Liabilities | 8,096,861,126 | 11,895,847,518 | 10,630,440,620 | 8,891,238,154 |
| Inventories | 4,665,449,461 | 5,573,549,171 | 5,528,438,165 | 6,693,894,021 |
| Quick ratio | 0.761662082 | 0.606929713 | 0.650053488 | 0.726196183 |

Analysis: The quick ratio suggests, over the time span the liquid cash that were to meet the obligations were at a better stage initially but after a fall in the amount the company managed to come near to the initially better liquidity level. While liquid cash gives security it also means that the cash is idle which sometimes might have considerable opportunity cost. The point here to note is that after the pandemic had started the ratio is seen to be upward trending which can mean that they have lessened their current liabilities and increased their inventories in 2021 which might be related to the pro-active decision to increase inventories to tackle the country wide demand of medicine. Further they have also done a wonderful job to meet their current liabilities and decrease them, ultimately giving an upward trending liquidity after the pandemic.

3.3.2 Activity Ratio: Activity ratio enacts the efficiency of a firm's ability to convert its operating assets into sales or cash. The higher ratio indicates the speed of the convertibility of the operating assets. Activity ratio can be further divided into-

3.3.2 (a) Receivable Turnover: This ratio measures the ability of a company to convert their accounts receivable to cash. Usually, BEXIMCO Pharmaceuticals like any other company sells on credit to their customers and the receivables are collected throughout the fiscal year. So there are possibilities of delaying repayments. This ratio simply indicates how efficiently and quickly the company is able to collect the receivables from customers.

Receivable Turnover in Days: This means how many days it takes for the company to collect the receivables from the payee.

| Year | 2018 | 2019 | 2020 | 2021 |
|----------------------------|----------------|----------------|----------------|----------------|
| Accounts Receivable | 2,736,944,147 | 3,325,890,597 | 3,213,666,345 | 17,380,728,001 |
| Total Credit Sales | 17,380,728,001 | 21,156,331,039 | 23,557,775,896 | 2,736,944,147 |
| Day | 360 | 360 | 360 | 360 |
| Receivable turnover | 56.69 | 56.59 | 49.11 | 2286.15 |

Analysis: The figures in the chart simply means that the company needs such days to recover their receivables. Here we can see from 2018-2020 the turnover is decreasing indicating a favorable situation for the company. But the days have increased in a very drastic way in 2021 and the reason

behind it is the pandemic and the lockdown. Due to lockdown and limited movement many suppliers of BEXIMCO Pharma have not been able to pay back their liabilities therefore increasing the turnover in such a manner.

Average Collection Period: Analysis: Average collection period means that how many times in a year a company has been able to fully recover their receivables. A higher ratio means that the company is efficient in collecting their receivables and lower means that they are not efficient in collecting the receivables.

Receivable turnover = 360 days / Average collection Period

| Year | 2018 | 2019 | 2020 | 2021 |
|----------------------------------|-------------|-------------|-------------|-------------|
| Days | 56.69 | 56.59 | 49.11 | 2286.15 |
| Receivable turnover | 360 | 360 | 360 | 360 |
| Average collection period | 6.35 | 6.36 | 7.33 | 0.16 |

Analysis: The figure indicates how many times BEXIMCO has been able to collect their receivables in the following years. The higher figures means the more collections they have made in a year. Thus the figure amount for 2021 is 0.16 which reflects the lockdown period and the inability of the suppliers to pay BEXIMCO Pharma.

3.3.2 (b) Inventory Turnover (IT): Inventory turnover ratio indicates how many times a company has sold its inventory and replaced it with new inventory over a period of time. The higher ratio indicates that the company is having rapid sales with insufficient inventory and lower means lower sales rate with higher inventory.

Inventory Turnover = Cost of goods sold/ Avg. inventory

Inventory Turnover in days = 360 days /IT

| Year | 2018 | 2019 | 2020 | 2021 |
|---------------------------------------|---------------|----------------|----------------|----------------|
| Inventories | 4,665,449,461 | 5,573,549,171 | 5,528,438,165 | 6,693,894,021 |
| COGS | 9,255,504,681 | 11,365,929,686 | 12,753,521,901 | 14,347,382,048 |
| Inventory Turnover | 3.97 | 4.09 | 4.61 | 4.29 |
| Inventory Turnover in days | 90.73 | 88.27 | 78.03 | 83.98 |

Analysis: The Inventory Turnover means how many times in a fiscal year a company can turn their inventories into sales or their receivables. The higher ratio means that the company is having higher sales thus higher rate of turning the inventory into cash and vice-versa. Here we can see between 2018-20 the inventory turnover increased but in 2021 it decreased. Although their sales didn't decrease, rather increased, their COGS also increased. This could mean that due to the pandemic and all the obstructions that came along with it, their production cost increased thus the COGS also increased. Therefore, we are seeing the decrease in inventory turnover compared to the previous year. On the other hand the Inventory Turnover means on an average how many days it takes in a year for an inventory to turn into sales. So it should be better to have a small Inventory Turnover in days as it reflects faster sales. But this also means that there is insufficient inventory. So, very little inventory can also be a problem in high demanding situations. So, balancing the inventory turnover aligning with the industry average is also important.

3.3.2 (c) Assets Turnover: Asset Turnover ratio explains the efficiency of a company's usage of their asset and turning it into sales. This ratio helps to understand with what comfort a company is able to generate cash utilizing their assets.

Assets Turnover = Sales / Average Total Assets

Average Total Assets = (Beginning Total Assets + Ending Total Assets)/2

| Year | 2018 | 2019 | 2020 | 2021 |
|-----------------|----------------|----------------|----------------|----------------|
| Sales | 17,380,728,001 | 21,156,331,039 | 23,557,775,896 | 26,949,351,606 |
| Beginning Asset | 34,084,132,870 | 42,165,015,439 | 47,792,895,230 | 48,679,773,173 |
| Ending Asset | 42,165,015,439 | 47,792,895,230 | 48,679,773,173 | 50,864,666,106 |
| Asset Turnover | 0.46 | 0.47 | 0.49 | 0.54 |

Analysis: By the trend of the asset turnover ratio we can see the company asset turnover ratio has been inclining from 2018-20 expressing a positive and favorable situation for the company. The reason for the incline is mainly due to the rapid increase of the sales. If we compare in regards to their asset, the year 2018 and 2019 has seen a significant increase in their asset thus rustling in small increase in the turnover ratio. Whereas between the year 2019 and 2021 the asset incline has been increased in a smaller percentage. Thus making the company more efficient in the last two years.

3.3.3 Profitability Ratio: Profitability ratio indicates how a company is earning profit relative to its revenue earning, operating cost, balance sheet cost, balance sheet asset or shareholder's equity

over a time period. It also shows the efficiency of how the company generates value for shareholders.

3.3.3 (a) Gross & Net Profit Margin: Gross profit margin calculates the portion of profit that a company makes after deducting the cost of goods sold from the revenue. Unlike gross profit, this ratio is expressed in percentage which generally means what percentage of profit is the company making after bearing the manufacturing cost. Preferably the higher result indicates higher earning from their profit and thus indicates healthier financial situation of a company.

Gross Profit margin = Gross Profit / Sales*100

| Year | 2018 | 2019 | 2020 | 2021 |
|----------------------------|----------------|----------------|----------------|----------------|
| Gross profit | 8,125,223,320 | 9,790,401,353 | 10,804,253,995 | 12,601,969,558 |
| Sales | 17,380,728,001 | 21,156,331,039 | 23,557,775,896 | 26,949,351,606 |
| Gross Profit Margin | 47% | 46% | 46% | 47% |

Net Profit Margin= Net Profit after Tax/ Sales *100

| Year | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Net Profit After Tax | 2,558,971,263 | 3,023,500,974 | 3,363,399,873 | 4,943,488,736 |
| Sales | 17,380,728,001 | 21,156,331,039 | 23,557,775,896 | 26,949,351,606 |
| Net Profit Margin | 15% | 14% | 14% | 18% |

Analysis: From the ratio chart we can see that the company has been more or less consistent in keeping the gross profit margin relatively static. This means that the company is in a very stable situation generating the gross profit from the revenue. The figures strictly mean that the company over the four year has been able to turn around 47% of the sales into profit excluding the operational costs. On the other hand the net profit margins take into account all the costs including operational cost, selling & administrative cost, Tax and Interest cost etc. This ratio can be also considered as the bottom line indicator of the company's performance. Unlike the Gross Profit Margin the net profit margin was consistent only from 2018 to 2020 and it had a significant incline in the 2021. The reason is that the net profit after Tax was significantly higher in comparison to the sales revenue, meaning all the costs that are accounted for in the net profit had been lowered and also the cost of Tax was lower. In conclusion, we can say that the performance of the company has increased and the company was also sufficient in reducing the costs.

3.3.3 (b) Return on Investment/ Asset (ROI): It is a popular metric to measure the performance of an investment. This ratio gives a direct indication of the return that is made on an investment. Positive figures indicate that the investment is generating return and negative indicates that the

investment is incurring a loss. This ratio can be used to compare different investments and evaluate returns. Using this ratio, investors or a company can find out profitability of the investments and determine which investments should be carried out and which should be stopped.

Return on Investment = Net Profit after Taxes / Average Total Assets*100

| Year | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Net Profit After Tax | 2,558,971,263 | 3,023,500,974 | 3,363,399,873 | 4,943,488,736 |
| Beginning Asset | 34,084,132,870 | 42,165,015,439 | 47,792,895,230 | 48,679,773,173 |
| Ending Asset | 42,165,015,439 | 47,792,895,230 | 48,679,773,173 | 50,864,666,106 |
| ROI | 6.71% | 6.72% | 6.97% | 9.93% |

Analysis: Return on investment expresses the profitability of the company upon investment. A good ROI relative to the industry average can be a good indicator for investors to invest. A good ROI will help a company raise investments for any projects compared to an average ROI.

3.3.3 (c) Return on common stock equity (ROE): Return on Equity measures the return on the shareholders equity. The common stockholders who basically have a stake in the company seek to

find out the returns that are generated based on their stake. Usually a company's debts deducted from the asset are the shareholders equity. The ROE is calculated based on the net sales after tax which indicates the return on the shareholders equity.

Return on common stock equity = Net Profit after tax / Total Equity

| Year | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Net Profit After Tax | 2,558,971,263 | 3,023,500,974 | 3,363,399,873 | 4,943,488,736 |
| Equity | 27,104,389,931 | 29,600,843,240 | 32,356,359,135 | 36,707,591,755 |
| ROE | 9.44% | 10.21% | 10.39% | 13.47% |

Analysis: This ratio indicates how much return the shareholders get on their investments. As we can see the ROE has been increasing since and up till 2021 it has risen to 13.47% which is a good indication of the company's capability of generating return for their investors.

3.3.4 Debt Service Coverage Ratio: Debt service coverage ratio denotes the company's ability to pay the debts with their cash flow. This ratio also expresses the financial health of a company. Company. The lower the ratio the better the health of the company's financial condition as they

have their assets that can cover the debt. This information also expresses the degree of leverage the company has. While a higher degree of leverage can mean that the company is taking higher risk with higher returns, on the other hand a lower degree of leverage can mean that the company is not taking any risk and at the expense of lower return.

3.3.4 (a) Debt to total assets: This ratio takes into account the debts of a company and compares it with the total asset. The Debts here are the short term debt and also the long term debt and with the ratio the financing of the company can be interpreted. It can determine whether the company is debt financed or not.

Debt to total asset = Total Debt / Total Asset

| Year | 2018 | 2019 | 2020 | 2021 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Total Debts | 15,060,625,508 | 18,192,051,990 | 16,323,414,038 | 14,157,074,351 |
| Total Assets | 42,165,015,439 | 47,792,895,230 | 48,679,773,173 | 50,864,666,106 |
| Debt to total assets | 0.36 | 0.38 | 0.34 | 0.23 |

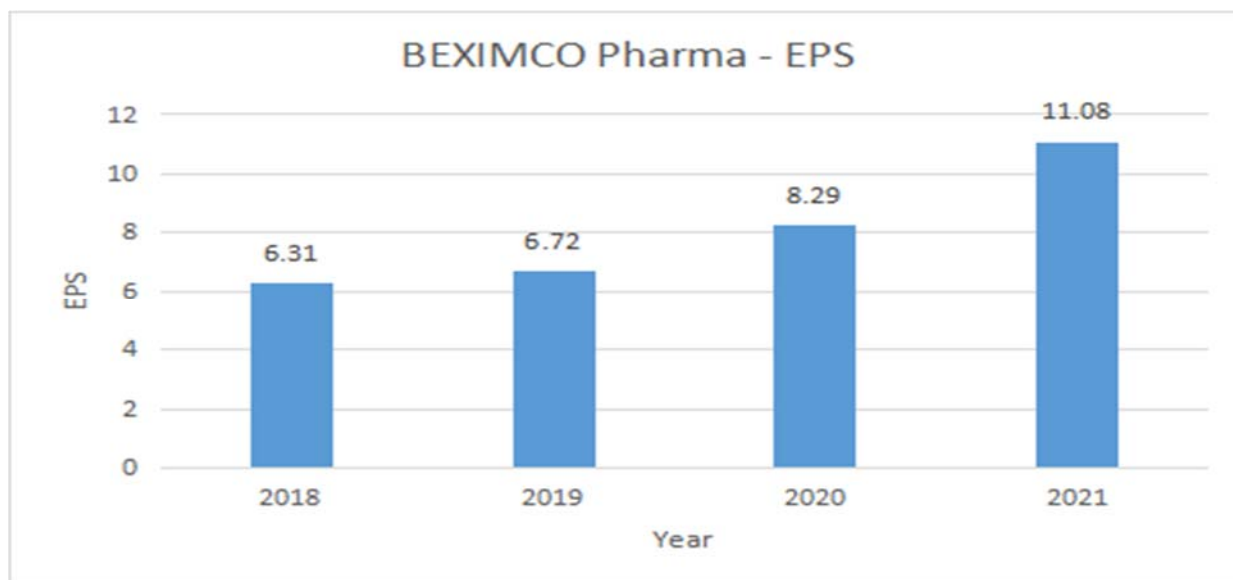
Analysis: Usually the ratio over 0.5 means that the company is using most of their financing from debt rather than equity and lower than 0.5 means that the company is using less debt and more equity for financing. All of the ratio above expresses the safer side that BEXIMCO Pharma took by using more equity for their financing. As we can see from the chart above, the company has been able to lower the ratio from 2018 to 2021. This can be a positive side as new investors can rely on the company as they are able to pay off their debt in any situation. On the other hand, this low rate of leverage means that the company is losing out on gaining higher return by utilizing debts that can help to cut off tax payments and ultimately lowering the cost.

3.3.4 (b) Time interest earned: Earning Before Interest and Tax/ Interest Expense The TIE ratio or also known as the interest coverage ratio measures how many times the company can cover its cost of debts or interest expense with its pretax income. The ratio is expressed in numbers and a higher ratio is highly preferable as it expresses how many times the company earns compared to the interest they pay and it also means that the company has more financial flexibility.

| Year | 2018 | 2019 | 2020 | 2021 |
|-------------------------|---------------|---------------|---------------|---------------|
| EBIT | 3,366,165,790 | 3,910,365,117 | 4,381,884,882 | 6,033,501,696 |
| Interest Expense | 512,099,369 | 938,074,846 | 957,931,515 | 841,875,806 |
| TIE Ratio | 6.57 | 4.17 | 4.57 | 7.17 |

Analysis: From the chart we can see that from 2018-19 the company had faced a drop in the TIE and continued having issues with raising the raio till 2020. The reason can be interpreted as the interest expense had risen between 2019-20. But, fortunately the company has been able to lower the interest cost in 2021 while increasing the pre-tax income which is a preferable situation for the company.

3.3.5 Market value ratio or EPS Ratio: This ratio is used to evaluate the company's ability to provide to their shareholders or investors. It takes the earnings or the net income and calculates how much they are earning per share. A higher ratio means that the company is able to generate more cash for the company shareholders.



Analysis: The chart here shows that the company has been doing good in increasing the eps which means they are generating more income per share and which is very suitable for the current investors and it will also attract new investors.

3.4 Comparative analysis

A comparative analysis between the industry leaders are discussed further again taking reference from the research paper released by the EBL Securities ltd. According to the research paper the top five companies are-

1. Square Pharmaceuticals - 17.0 %
2. Incepta Pharmaceuticals - 11.1 %

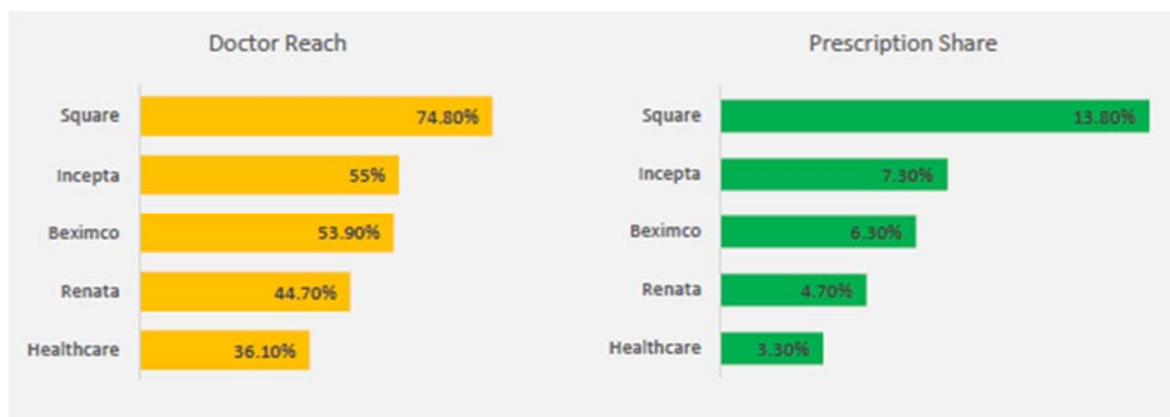
3. BEXIMCO Pharmaceuticals - 8.3%
4. Reneta Pharmaceuticals - 5.2%
5. Healthcare Pharmaceutical - 5.2%

According to the paper Square pharmaceutical is the market leader and followingly Healthcare Pharmaceuticals has newly taken the 5th place. As of the data from 2014 the top 4 companies including Beximco Pharma have lost their market share slightly whereas Healthcare Pharmaceutical has reached 5.2% from 2.8% which shows a promising growth.

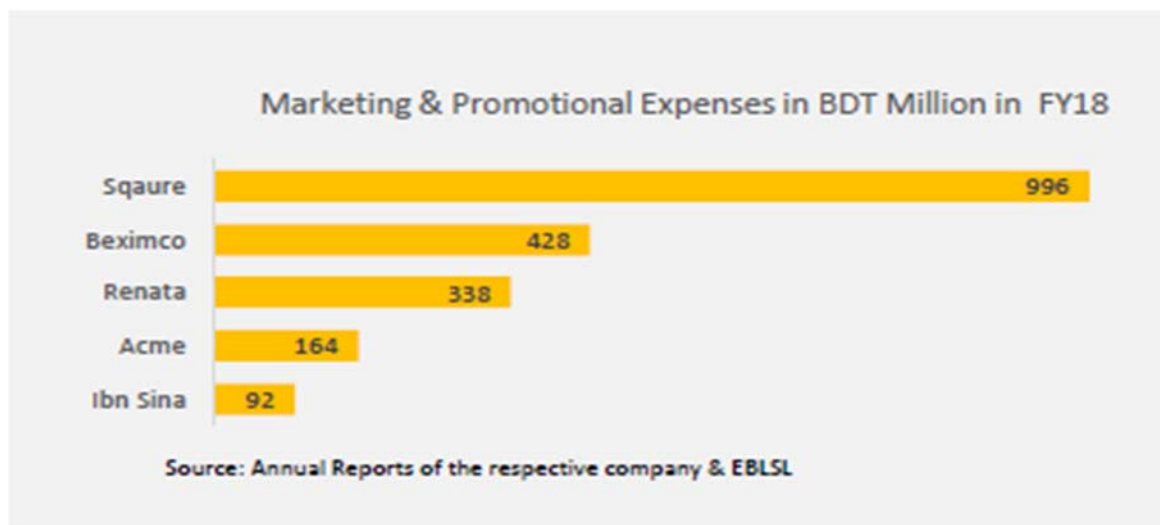
A comparative analysis of the financials of the industry is portrayed in the table below. Here in the chart we can see that compared to other companies and also the leaders, Square Pharma the ROE and ROA is not that good.

| Growth | Revenue Growth | GP Growth | OP growth | PAT Growth | ROE | ROA |
|------------|----------------|-----------|-----------|------------|--------|--------|
| SQURPHARMA | 4% | 2.45% | -5.48% | 5.48% | 17.61% | 15.41% |
| RENATA | 16% | 15.35% | 16.72% | 22.39% | 21.13% | 15.36% |
| IBNSINA | 16% | 16.58% | 21.64% | 93.43% | 36.86% | 18.52% |
| BXPHARMA | 12% | 13.09% | 15.47% | 14.92% | 9.44% | 6.07% |
| ACI* | 17% | 12.77% | 5.37% | 5.94% | 9.21% | 3.69% |
| ADVENT | 39% | 35.18% | 0.00% | 78.43% | 9.94% | 8.58% |
| ACMELAB | 9% | 6.05% | -2.29% | 2.05% | 8.08% | 4.37% |
| ORIONPHARM | -1% | -0.70% | -16.34% | 26.19% | 1.39% | 0.98% |
| CENTRALPHL | -30% | -32.64% | -41.42% | -44.17% | 3.38% | 2.56% |
| BEACONPHAR | 28% | 25.25% | 0.87% | 21.56% | 4.20% | 2.57% |
| SILVAPHL | 14% | 15.33% | 18.40% | 15.84% | 5.44% | 4.65% |
| IBP | 7% | 10.85% | 15.85% | 11.45% | 9.51% | 8.07% |
| SILCOPHL | 1% | 1.48% | 1.16% | 2.37% | 6.05% | 4.91% |
| AMBEEPHA | -1% | -1.93% | -33.71% | 13.91% | 13.40% | 1.86% |

Another research undertaken by EBL Securities shows the marketing reach to the doctors and prescription share who are the bridge to their final consumer. We can see that Square and Incepta are leading here over Beximco pharma.



The reason can be explained with another chart here. The expenditure on the promotional expenses are very low compared to Square Pharmaceuticals. Their low expenditure is one of the key factors behind lagging in the doctor reach thus the market



3.5 Summary and Conclusions

The financial analysis through ratios is a common but very important tool to look at a company. It gives many insights about any organization which are very key factors to understand a company's financial health and their way of maneuvering their finances to operate. BEXIMCO Pharmaceuticals being in such a competitive market has been able to stand out not just with their operations in Bangladesh but also worldwide by exporting products that the company specializes in. The extensive networking system throughout the country of the company has been well utilized and has created an impact worldwide using the manpower from Bangladesh. The ratio analysis has given us an idea how the company has been dealing with their financials to put out such work. Through ratio analysis we understood about the organization's state of liquidity, utilization of their asset, their profitability, inventory etc. and determined whether the company is being efficient or not. We have seen some unusual changes and deviations in the Receivable turnover ratios for the COVID-19 pandemic. Moving forward, to the COVID-19 situation, BEXIMCO Pharmaceuticals Ltd has been able to successfully cope up with the adverse situation while bringing value for the country by bringing antiviral drugs Remdesivir and Molnupiravir for the people. Despite all the positive sides the company has more space to work and improve.

3.6 Recommendations and Implications

The recommendations are complete on the basis of own observations which might not align with the vision of organization leaders. Hopefully the organization might take notice and consider a few of the recommendations. These recommendations have been extracted from the evaluation of the ratio analysis and also based on a paper released by EBL Securities.

- Although receivables collection periods are average, the company can work on to reduce the receivables collection period which will bring in more cash flow.
- Create new policies for buyers to reduce their payment delay.
- Utilize their liquid cash and invest more to gain return.
- Focus more on expanding the local market to increase the market share in Bangladesh.
- Increase their reach to the doctors to gain more consumers.
- Spend more funds on manufacturing local API and try to depend less on the imported API.
- BEXIMCO Pharma should implement actions to increase the ROE to reach the industry average.
- Spend more on the promotional activities.

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