



Analysis of Financial Ratios of GlaxoSmithKline Bangladesh Limited

Sifat-E-Sattar

ID: 09104123

Letter of Transmittal

30th May, 2013

To

Syeda Shaharbanu Shahbazi Ahmed

Lecturer

BRAC Business School

BRAC University

Subject: Submission of internship report on “Analysis of Financial Ratios of GlaxoSmithKline Bangladesh Limited.”

Dear Madam,

This is my great pleasure to submit the internship report of my three months long internship program in the GlaxoSmithKline Bangladesh Limited, under the Secretarial & Legal department. The title of the report is “Financial Ratios Analysis of GlaxoSmithKline Bangladesh Limited”. This report has been prepared to fulfill the requirement of my internship program at my assigned organization, GlaxoSmithKline Bangladesh Limited.

I have put my best effort to make this report a successful one. It has been joyful & enlightening experience for me to work in the organization & prepare this report. However this has been obviously a great source of learning for me to conduct similar types of studies in the future.

I would like to express my sincere gratitude to you for your kind guidance & suggestions in preparing the report. It would be my immense pleasure if you find this report useful & informative to have an apparent perspective on the issue. I shall be happy to provide any further explanation regarding this report if required & please do not hesitate to call me if you have any query on this report or any other relevant matters.

Thanks and best regards,

Sifat-E-Sattar

ID: 09104123

Acknowledgement

There is an English proverb “Two heads are better than one”. That is, no one can obtain a noble objective alone. This internship report is an accumulation of many people’s endeavor. But at the beginning I would like to convey my sincere appreciation to the almighty Allah for giving me the strength & the ability to finish the task within the planned time. Then I like to express my sincere gratitude to everyone who contributed towards preparing & making this study successfully.

First of all I would like to express my Sincere & immense gratitude to my internship supervisor, Sohana Wadud Ahmad, Lecturer of BRAC Business School, BRAC University. I am deeply indebted to her whole hearted supervision to me during the Internship Period. Her valuable suggestions & guideline helped me a lot to prepare the report in a well organized manner.

I would also like to thank the authority of GlaxoSmithKline Bangladesh Limited for giving me the opportunity to do my internship in their well renowned multinational organization and supplying me necessary information and published papers. I would like to give thanks to:

- Md Nizam Uddin, Deputy Company Secretary of GlaxoSmithKline Bangladesh.
- Mr. Probal Raha, Executive of Secretarial & Legal Department of GlaxoSmithKline Bangladesh

I am also grateful to the other officials & my intern friends at GSK who helped me while preparing the report by giving their suggestions, assistance & supply of information, which were valuable to me. Finally, I want to keep my thanks to my parent who gave special attention to me from the very beginning and during the preparation of report & the internship program.

Executive Summary

The internship report is made on financial ratios analysis of GlaxoSmithKline Bangladesh, the report includes the process of reviewing and evaluating the company's financial statements because without this the ratio analysis can not be done. Ratio analysis mainly calculates the statistical relationships between data. The ratio analysis helps an organization to understand that on the last fiscal year, how their performance and it was also helps them to take decisions in future.

I have selected this topic by consulting with my academic supervisor. The beginning part of my report contains the brief introduction of the selected company and the objectives, scope, methodology and limitations of the study.

In the second part, I have covered the detailed background of the company such as the history, global network, mission & strategy, the organizational structure, market position and an overview of its products and operations.

In the third part, I have shared my internship experience at Secretarial & Legal Department of GlaxoSmithKline Bangladesh Ltd. Here I have presented both mine and the departmental job responsibilities. In this part, I have also described my observation and understanding about the organization. Lastly I have give some recommendation about the organization's overall performance.

Then starts the main analysis part of my report where I have analyzed 22 ratios of consecutive six years. Here I have presented the result and according the result, I have interpreted the financial condition of GSK Bangladesh Ltd.

In the next part, I have discussed my findings about the financial performance of GlaxoSmithKline Bangladesh Ltd and based on the findings I have given some recommendations that will help GSK to strengthen their financial base more.

Lastly I have come with a brief conclusion and then presented appendix and necessary references.

Table of Content

Executive Summary

Chapter 1: Introduction

1.1: Introduction.....	2
1.2: Objective of the Study.....	2
1.3: Scope.....	3
1.4: Methodology	3
1.5: Limitations.....	3

Chapter 2: Organization Overview

2.1: GSK at a Glance	5
2.2:GSK in Time.....	6
2.3 History.....	7
2.4: Global Operation.....	9
2.5: The GlaxoSmithKline Bangladesh Limited.....	9
2.6: GSK Bangladesh Facts	10
2.7: Mission, Vission, Strategy	12
2.8: Operations in Bangladesh.....	13
2.9: Organogram.....	16
2.10: Functional Department of GSK.....	17
2.11: Product line of GSK BD.....	19
2.12: Market Share Position of GSK.....	21
2.13: SWOT Analysis of GSK.....	22

Chapter 3: Internship Experience

3.1: Job Description.....	25
3.2: Different aspects of job performance.....	26
3.3: Critical Observation & Recommendation.....	27

Chapter 4: Project Analysis and Findings

4.0: Introduction of the Topic.....	30
4.1: Current Ratio.....	32
4.2: Quick Ratio.....	34
4.3: Cash Ratio.....	35
4.4: Net Working Capital	36
4. 5: Inventory Turnover Ratio.....	38
4.6:Inventory Conversion Period.....	40
4. 7: Fixed Asset Turnover.....	41
4.8:Total Asset Turnover.....	43
4.9:Days Sales Outstanding	44
4.10 Debt Ratio.....	46
4.11: Debt to Equity Ratio.....	48
4.12:TimesvInterestvEarnedvRatio.....	50
4.13:Gross Profit Margin.....	52
4.14: Operating Profit Margin.....	54
4.15: Net Profit Margin	55
4.16: ROA.....	57
4.17: ROE.....	58
4.18: EPS.....	59
4.19: Payout Ratio.....	61
4.20: P/E Ratio.....	62
4.21: Basic Earnings Power.....	64
4.22: Book Value Per Share.....	65
4.23: Findings.....	66

Chapter 5: Recommendation and Conclusion

5.1: Recommendation.....	67
5.2: Conclusion.....	69

Chapter 6: References.....70

CHAPTER 1

Introduction

1.1 Introduction

GlaxoSmithKline (GSK) is one of the leading multinational companies in the world and the sector it covers is mainly the pharmaceutical industry, besides this it also concentrates on consumer health care products. Although the business portfolio of GlaxoSmithKline covers two major categories of pharmaceuticals and consumer health care but it successfully runs both sector. GSK has a strong Research and Development which works really hard to give best health facilities to the customers and keeps pace with the rapidly changing health care environment very well. GSK is headquartered in London, United Kingdom and the company sells its products in around 70 countries. GSK supplies products to 140 global markets and has over 100,000 employees worldwide. GSK has 180 manufacturing site in 41 countries. Based on published annual reports of the global pharmaceuticals companies, GSK has ranked in 4th position. GSK was established in 2000 through the merger between Glaxo Wellcome PLC and SmithKline Beecham plc. Before getting merged, the Glaxo Wellcome plc and SmithKline Beecham plc had gone through an acquisition and merger respectively. In the pharma sector, GSK has a huge array of products for major disease areas containing asthma, cancer, virus control, infections, mental health, diabetes and digestive conditions. In the consumer healthcare sector, it has also strong product offerings. In this sector, GSK produces and markets oral healthcare and nutritional products, drinks and over-the-counter medicines, including Sensodyne, Boost, Horlicks, Lucozade, Ribena and Gaviscon. GSK has gained leadership in four major therapeutic areas which include anti infectives, central nervous system (CNS) and respiratory & gastro- intestinal/ metabolic. Moreover, GSK is also gaining leadership in the most significant areas of vaccines and it has also an emerging portfolio in a very sensitive segment and that is oncology. It is concentrating a lot in making strong quality oncology products.

1.2 Objective of the Study

Primary objective of the study entails the Financial Ratios Analysis of GlaxoSmithKline Bangladesh Limited in order to asses the performance and financial condition of the company.

Secondary objective is to fulfill my internship requirement.

1.3 Scope of the Study

Defining the scope of the study is a broad aspect to be described. Definitely Secretarial & Finance department helped me a lot to prepare the report but still there were some limitations as confidentiality is strictly maintained in GSK BD Ltd.

1.4 Methodology of the Study

Data Collection

In order to complete the study, two types of data have been used-

- Primary Data
- Secondary Data

Primary Data was collected through organizing an interview with the Finance Manager & Secretarial Executive.

Secondary Data was collected mainly through the website of GlaxoSmithKline Bangladesh Limited. Besides these, I also studied some published reports and organizational documents.

1.5 Limitations of the Study

Their security concern about revealing the information was one of the biggest challenges for me. For ensuring confidentiality GSK authority was unwilling to share some information which were really needed to prepare the report. Their official website also contains a limited amount of information required for making a report, I mainly covered the information from annual reports and through the primary sources of data. Then the time duration for preparing the report was not enough. Lastly, due to the work load I also got limited time to prepare the report.

As the internship was first practical experience for me, so it was possible for me to understand the whole and actual financial performance of GSK. Based on the annual reports' data I have used my understanding about finance to find out the ratios and interpret the situation. So, the

statements, recommendations and conclusions are made according to my knowledge and level of understanding.

In spite of having much difficulties and limitations, I have given my best effort to accomplish the report successfully.

CHAPTER 2

Organizational Overview

GlaxoSmithKline (GSK) is one of the world's leading research based pharmaceutical and healthcare companies which is committed to improve the standard of human life through enabling them to do more, feel better and live longer. Activities of GSK throughout the whole world are presented below:

2.1 GSK at a Glance

Firstly, GSK is a research based pharmaceutical company which also deals with consumer health care products.

Secondly, The GSK has taken the commitment to tackle the three "priority" diseases identified by the World Health Organization and those three are: HIV/AIDS, tuberculosis and malaria .

Thirdly, GSK is currently employing around 99,000 people across 100 countries.

Another significant information about GSK is that it makes almost four billion packs of medicines and healthcare products every year.

Very significant and precious launching by GSK held in November where it launched ViiV Healthcare, a global specialist HIV company established by GlaxoSmithKline and Pfizer to deliver advances in treatment and care for people living with HIV.

Consumer Health Care products of GSK have also gained huge popularity and have become essential household products. These are: Ribena, Horlicks, Lucozade, Aquafresh, Sensodyne, Panadol, Tums, and Zovirax.

2.2 GlaxoSmithKline in Time

In One Second: Over than 30 doses of vaccines are distributed by GSK.

In One Minute: Over than 1,100 prescriptions are written for GlaxoSmithKline.

In One Hour: Spends more than US \$ 450,000 to find new products and also donates more than US \$ 148 million in cash and products to communities around the world.

In One Day: Over than 200 million people around the world use a GSK toothbrush or toothpaste.

2.3 History of GlaxoSmithKline

In 1873

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

In 1875

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

In 1924

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

In 1935

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

In 1947

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

In 1963

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

In 1995

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

In 1998

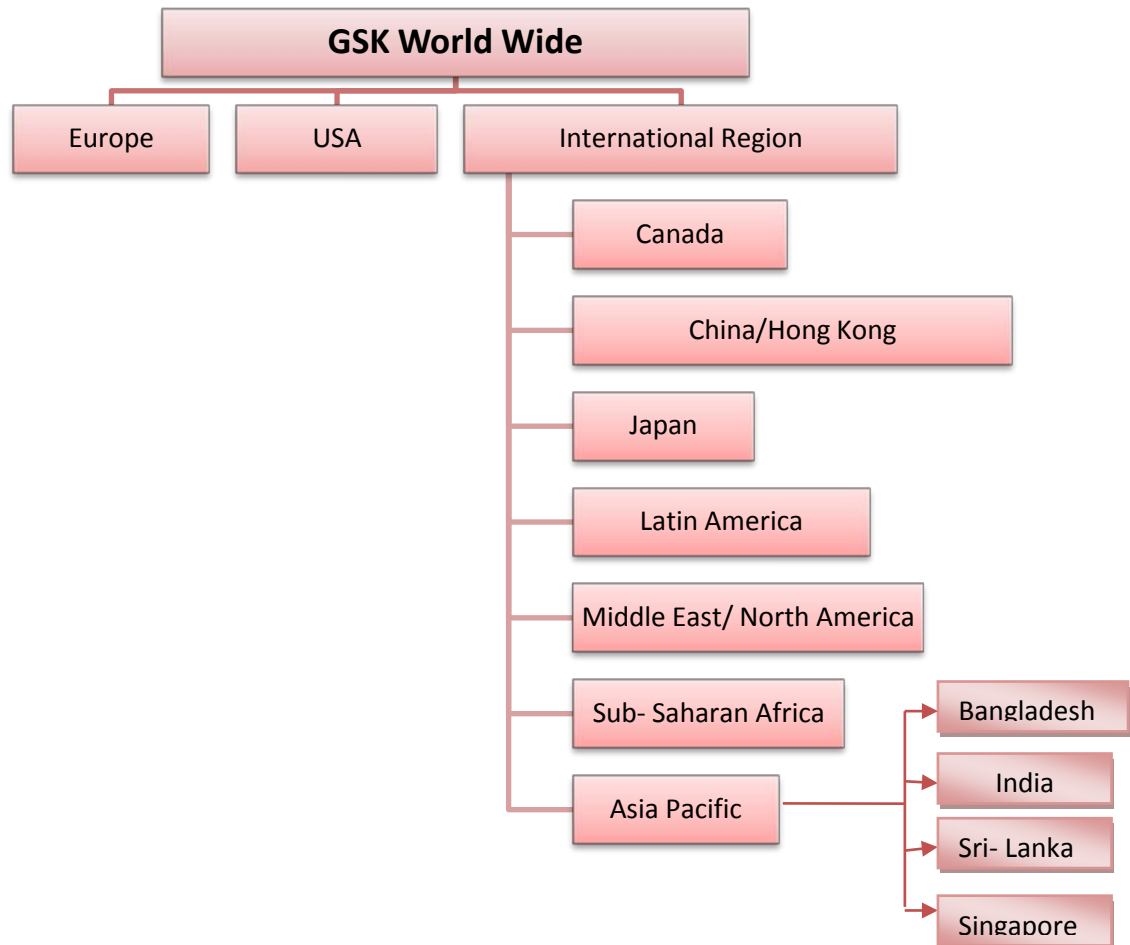
Glaxo Wellcome achieved a number of regulatory milestones for several of its key projects, such as ZEFFIX for the treatment of influenza.

In 2000

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

2.4 Global Operation

The operation of the company splits into three geographical region- Europe, the USA and International and each of which has separate pharmaceutical and healthcare organizations. GSK pharmaceutical's International regions divided into seven geographical areas. The complete division is shown below-



2.5 The GlaxoSmithKline Bangladesh Limited

GlaxoSmithKline Bangladesh Limited carries with it an enviable image and reputation for the past 6 decades. GSK Bangladesh as a subsidiary of GlaxoSmithKline plc- one of the world's leading research based pharmaceutical and healthcare companies continues to be committed to improve the quality of human life by enabling people do more, feel better and live longer. The organization's principle activities include secondary manufacturing of pharmaceutical products and marketing of vaccines, pharmaceutical healthcare products and healthcare drinks.

GSK started its operation in Bangladesh in 1949 and then it was known by its corporate entity “Glaxo”. In Bangladesh, Glaxo then mainly used to work as an importer of Glaxo Group. Here it started operation in Chittagong. Gradually it became manufacturer from importer and in 1967 it settled its factory in Chittagong. This site is still measured as one of the Centers of brilliance in manufacturing and supply Chain network of GSK Ltd.

The global corporate mergers and acquisitions have seen the evolution of the company’s identity in the last 6 decades. Keeping similarity with the corporate entity, the business unit of GSK in Bangladesh also changed its name to Glaxo Welcome Bangladesh from Glaxo because of the Burroughs Welcome acquisition in 1995. Again in 2002 it changed its identity to GlaxoSmithKline Bangladesh Ltd because of the merger with SmithKlineBeecham.

The mega merger of the company enables it to deliver cutting edge advancements in health care solutions. The rentless commitment, setting of ethical standards and quality backed leading edge technology of the company has built a strong relationship between stakeholders and GSK Bangladesh. With the ever committed 680 numbers of total employees all over the country GSK Bangladesh, which now comprises of both Pharma and Consumer, continually strive to meet the GlaxoSmithKline mission.

2.6 GSK Bangladesh Facts

- One of the pioneering pharmaceutical companies in Bangladesh, GlaxoSmithKline started its operation in 1967.
- GSK is a secondary producer, principally packaging and distributing advanced pharmaceuticals products produced by its parent company. Consequently, local value added is low.
- In certain novelty products such as asthma and dermatology, GSK enjoys a clear advantage because of its parent’s excellent research efforts and product development. However, a significant part of the GSK’s pharma portfolio comprises of price-controlled “essential products”. So, GSK Bangladesh does not enjoy price advantage for such products.
- Local pharma companies of Bangladesh take advantage of liberal patent regime for least developed countries (LDCs), sanctioned by the WTO, which shall remain in place till

2016. They produce copies of patented products for the local market. As the subsidiary of a global company, GSK does not take advantage of this liberal patent regime and does not produce copy drugs.

- Although GSK has trailed the overall industry in sales growth before a few years at a stretch due to the dominance of local manufacturers, they have managed to recover from that with large growth in the last couple of years. However it appears that GSK is trying to make up for the lack of sales growth through its consumer products business which brought in almost half of the total revenue in 2009. The company has reintroduced various health drink items like Horlicks, Boost, Maltova etc. These lead GSK Bangladesh to achieve almost 232% sales growth in 2009 and 500% growth in 2008.
- The reliance on consumer products may hurt the company's profitability in future. The health drink market is fairly competitive and is often supplied by non-pharma food companies whose core advantage is better management of retail marketing and distribution systems, promotional events and efficient inventory management. Interestingly, GSK has outsourced their distribution operation which has boosted their profitability.
- Although they do not have any big expansion plan, they seemingly have improved their contract manufacturing revenue dramatically. However it would be interesting to see if that is going to be repeated in future.
- GSK pays regular dividend and the current ratio is 74%, last year it was 85%.So, dividend amount is quite impressive which helps to retain shareholders and to create new ones.

2.7 Mission, Strategic Intent & Spirit of GSK Bangladesh

Mission

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

Strategic Goal

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

Strategies:

- Grow a diversified global company
- Deliver more products of value
- Simplify the operating model
- Individual Empowerment
- Building Trust

Spirit

“Our company spirit describes how we need to behave if we are to achieve our goal” –We undertake our quest with the enthusiasm of entrepreneurs, excited by the constant search for.

Values

- Respect for people
- Patient Focus
- Transparency
- Integrity

Behaviors:

- Flexible Thinking
- Continuous Improvement
- Customer Driven
- Developing People
- Enable & Drive Change
- Building Relationships

Quality Statement

“Quality is at the heart of everything we do- from the discovery of the molecule through product development, manufacture, supply and sale- and vital to all the services that support our business performance.”

2.8 Operations in Bangladesh

Headquarter
GlaxoSmithKline Bangladesh Limited
Corporate Office
House # 2A, Road # 138.
Gulshan-1.

Registered Office & Factory
Fouzderhat Industrial Area
North Kattali, Chittagong.
District Marketing Office

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

- **District Marketing Offices:** GSK has 12 District Marketing Offices (DMO) in Bangladesh. The locations of DMOs are shown below-

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

 **Locations**



GlaxoSmithKline Bangladesh Ltd. (In Market Place)

	2012	2011
Total Value	145.39 Corer Tk	140 corer Tk
Market Share	1.81%	1.95%
Ranking	15th	12th

GSK Bangladesh Ltd's Stock Information.

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

Distribution Channel

Mutual Food	Distributor of consumer health care product of GSK, Bangladesh.
Zuellig Pharma	Distributor of pharmaceuticals product of GSK, Bangladesh.

Organizational structure of Company

Top management: As per provisions of the Article of Association, Board of Directors holds periodic meetings to resolve issue of policies and strategies, recording minutes/decisions for implementation by the Executive Management.

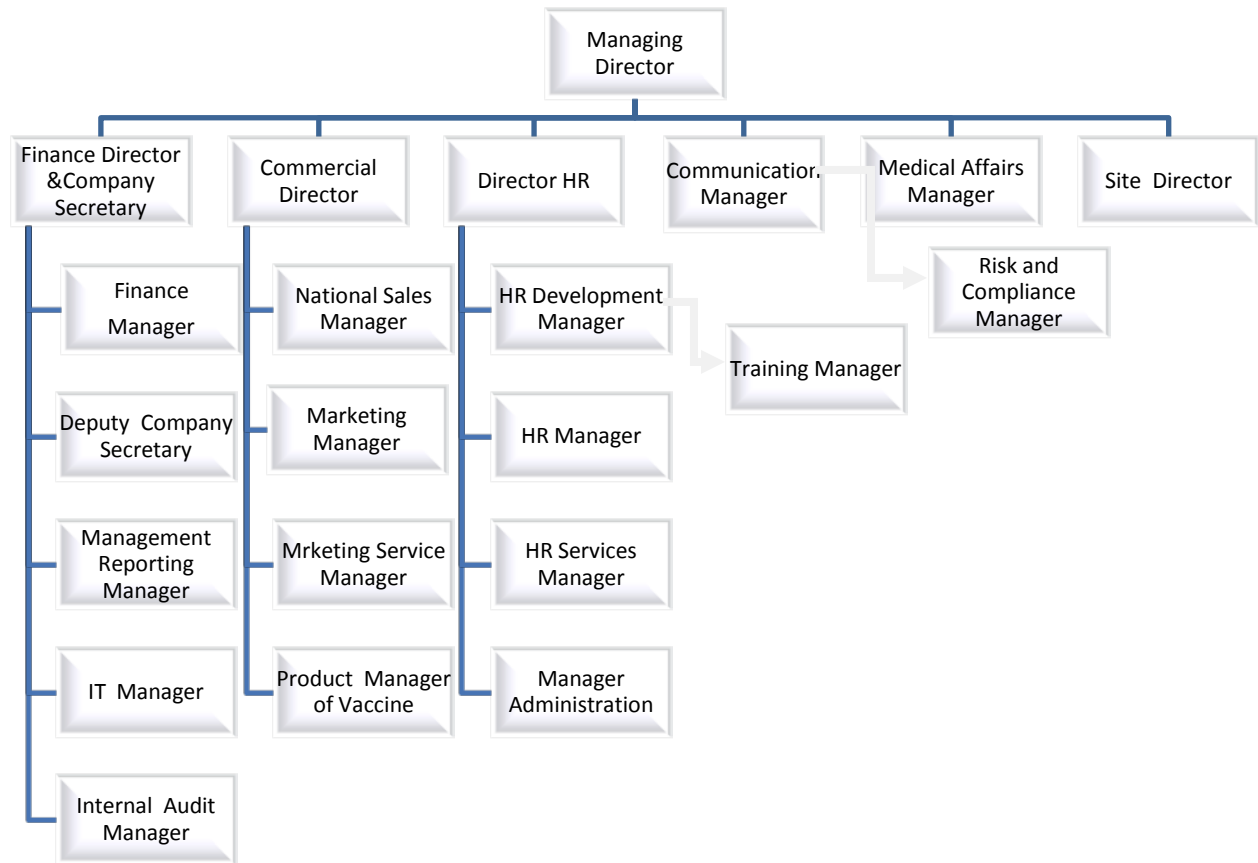
Executive Management:

The Managing Director heads the Executive Management, the Chief Executive Officer (CEO) who has been delegated necessary and adequate authority by the Board of Directors. The Executive Management operates through further delegations of authority at every echelon of the line management.

Board of Directors:

Name of Directors	Designation	Numbers of Meetings Attended
Mr. Duncan Learmouth	Chairman	1 out of 5 meetings
Mr. M Azizul Huq	Managing Director	5 out of 5 meetings
Mr. Golam Quddus Chowdhury	Non-Executive and Independent Director	4 out of 5 meetings
Mr. Sarwar Azam Khan	Finance Director & Company Secretary	5 out of 5 meetings
Mr. Md. Fakeyuzzaman	Non-Executive Director	4 out of 5 meetings
Mr. Rajib Barua	Site Director	5 out of 5 meetings
Mr. Pawan Sud	General Manager	3 out of 5 meetings

2.9 Organogram of GSK Bangladesh:



2.10 Functional Department of GlaxoSmithKline Bangladesh Ltd

GlaxoSmithKline, Bangladesh, Limited comprises of five major departments. They are given below-

- Human Resources
- Marketing
- Finance
- Medical and regulatory affairs
- Information Technology

Each department of GSK operates in different aspects but they are inter-related as well as complementary to each other. Above mentioned functional departments are worked under the Managing Director. The company's delegation of authority is decentralized. The main functions of these departments are shown below-

- **Human Resources**

HR department is one of the most active departments in GSK. Previously this department was known as “**Personnel Management**” department. The company places great emphasis and commitment in developing the human resources as the management body believes that only the best people with professional competencies can contribute successfully to achieve the organization's goals. GSK has two HR Division, one is at corporate head office and other one is Chittagong factory office. There are four functional sub-departments. They are- HR Development, HR Services, HR Administration and Industrial Relations. First three sub departments are looked after by corporate head office HR division and last one is looked after by Chittagong HR division. There are various functions of HR department of GSK. The main activities of this department are given below-

1. Recruiting and training the best pool of employees according to company's requirement
2. Administering smooth workflow in the organization
3. Managing demands of the labors in the factory
4. Allocating annual holidays
5. Organizing motivational programs for employees
6. Looking after the wage structures and waivers

At corporate head office six-member HR division takes care of GSK, Bangladesh, LTD. The member and their chain of authority are shown in the organogram below-

▪ **Marketing**

The pharmaceutical industry of Bangladesh has limited field for marketing. Yet in an age of high competition like today's, firms are heavily spending and effectively practicing marketing. The summary of marketing functions is given below-

1. Designing and implementing sales strategies
2. Controlling and updating distribution network
3. Designing and carrying out promotional programs
4. Providing marketing information services
5. Carrying out different awareness programs
6. Controlling international trades
7. Keeping records of data regarding marketing activities
8. Building up public communication network
9. Looking after all the brands and patents
10. Conducting marketing surveys as needed

▪ **Finance**

GSK gives proper importance to their finance department. The financial statements of GSK have been prepared in accordance with Bangladesh Accounting Standards and the relevant requirements of the schedule to the Securities and Exchange Rules, 1987 and of the Companies Act 1994 following the historical cost conversion. The primary tasks of the finance department are given below-

1. Controlling the accounts
2. Completing annual budgets

3. Allocating all kinds of payments to the staffs and managers
4. Looking after all the revenue and expenses
5. Conducting internal audit
6. Keeping records through IT
7. Facilitating local production costs

▪ **Medical and regulatory affairs**

Medical and Regulatory Department of GSK, Bangladesh is compiled with required number of doctors and qualified people. This department is primarily responsible to perform tasks like liaison with government for legal issue purpose, communicate with doctors, handling advertisements, etc.

▪ **Information Technology**

The technical department of GSK is extraordinarily strong. The organization always strives for reaching the global standard of applications of information technology. This company is one of the very few companies in Bangladesh that use world class sophisticated software.

2.11 Product line of GSK, Bangladesh, Limited

GlaxoSmithKline operates principally in two industry segments:

- 1. Pharmaceuticals:** prescriptions, medicine and vaccines.
- 2. Consumer HealthCare:** Over the counter medicines, Oral care and nutritional healthcare products.

Product overview:

1. Pharmaceuticals:

GSK's board pharmaceuticals product line includes antibiotic, antidepressant, gastrointestinal, dermatological, respiration, cancer and cardiovascular medications. GSK has a variety of vaccine products, including hepatitis A and B, diphtheria, tetanus, whooping cough and influenza.

2. Consumer Healthcare:

GSK Consumer Health brings oral health care, over the counter medicines and nutritional health care products to millions of people.

GlaxoSmithKline Products Glossary

Local production	60 products including Berin Cytamen Kefdrin Pentamox
Imported product	17 products including Alkeran Seretide Zinnat
Vaccines	17 products including Engerix-B Fluarix Synflorix
Consumer Healthcare	9 products including Horlicks Chocolate Horlicks Junior horlicks Mother Horlicks Horlicks Lite Boost Maltova Glaxose

2.12 GSK'S Market Share & Position Comparison

According to performance in 2012:

Companies	Market Share	Ranking
SQUARE	18.78 %	1
INCEPTA PHARMA	9.21 %	2
BEXIMCO	8.75 %	3
OPSONIN PHARMA	5.07 %	4
RENATA	4.87 %	5
ESKAYEF	4.80 %	6
ACME	4.26 %	7
A.C.I.	4.20 %	8
ARISTOPHARMA	4.04 %	9
DRUG INTERNATIONAL	3.63 %	10
SANOVI AVENTIS	2.53 %	11
HEALTHCARE PHARMA	1.88 %	12
ORION PHARMA LTD	1.85 %	13
NOVO NORDISK	1.84 %	14
GlaxoSmithKline	1.81 %	15

2.13 GSK BD's SWOT Analysis

SWOT is the short form for Strengths, Weaknesses, Opportunities and Threats. It is an analytical Construction to help summarize in a quick and concise way the risk and opportunities for any Corporation across the value chain.

A good SWOT should consider both internal and external factors that influence the organizational operations.

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

Strength	Weakness
<ul style="list-style-type: none"> ▪ GSK is considered as world's one of the leading pharmaceutical companies because of its performance. ▪ Efficient, capable and honest workforce ▪ GSK has intense demand of their product nationally and internationally which helps them to inflate their business ▪ Considerable financial resources to grow the business ▪ Proprietary technology and importance patents ▪ Ability to take advantage of economies of scale ▪ Better product quality relative to rivals ▪ Goodwill of the company ▪ Follows GMR-Good Manufacturing Practice 	<ul style="list-style-type: none"> ▪ Underutilized plant capacity ▪ Higher unit cost relative to key competitors ▪ Group compliance due to group policy the company has to import raw materials from UK rather than from neighboring countries (other than those which produce locally) resulting in higher cost of production. ▪ Lack of variety in products ▪ Low pack size ▪ Lack of sufficient promotional effort. ▪ GSK has weaker distribution network and sales force are relatively low compared to competitors.
Opportunities	Threats
<ul style="list-style-type: none"> ▪ GSK as a multinational company has opportunity for expansion of investment and has potential growth in the Bangladeshi market. ▪ Expanding the company's product line to meet a broader range of customer needs. ▪ Target and acquire an untapped market for vaccines ▪ Market is significantly large and growing ▪ Proper utilization of vaccines may result in higher profit. ▪ Availability of natural resources is the most lucrative opportunity for GSK to work with Bangladesh. ▪ In Bangladesh, GSK can get labor at a very cheap cost. ▪ High confidence brand name and quality 	<ul style="list-style-type: none"> ▪ Adverse shifts in foreign exchange rates and trade policies of government ▪ Aggressive movement of rivals ▪ Slowdown in market growth ▪ Growing bargaining power of the end consumer, thus high priced medicines are inconvenient for them ▪ Costly new regulatory requirements ▪ Competitors lower prices ▪ Increasing threats from local competitors.

CHAPTER 3

Internship Experience

3.1 Job Description

It was really a great opportunity to work as an intern in a well reputed MNC like GlaxoSmithKline. I worked there for 3 months under the Secretarial & Legal Department which is a part of the Finance Department and also has a close link with the HR department. My main supervisor was the Deputy Company Secretary Md. Nizam Uddin. Besides working with Deputy Company Secretary, I have done huge tasks with Mr. Probal Raha who is the Secretarial Executive. Working in Secretarial department really gave me lots of experience about practical job life and also improved my skills a lot. For this reason, I will be always grateful to Md. Nizam Uddin and Mr. Probal Raha because they guided me always in the right track thus I can fulfill the tasks in proper manner. Besides of working in Secretarial & Finance Department, I have also worked in the HR department of the company.

Tasks of Secretarial Department:

- One of the main tasks of Secretarial department is to handle the payment issues of the employees. This includes all the employees in both corporate office and Factory site and also includes the DMOs.
- Secretarial department keeps record of all the employees thus any payment issue can have the proper evidence which will help both the company and employees in future to negotiate properly.
- Secretarial department keeps contact with banks for different transaction purposes and time to time collect the information about deposits and withdrawals about the accounts like Pension Fund, Dividend Payment, Provident Fund, Treasury Bills etc.
- Secretarial department handles the issues like purchasing and encashment of Treasury Bills, providing the bonus payments and recording the loan payments given to the employees.
- Secretarial department also handles the allowance issue that is given to the interns and that's why they keep information of all interns thus payment can be made on right time.

- Secretarial department continuously keep contacts with the Central Bank, Security and the Exchange commission and the Dhaka Stock exchange regarding the audit issues, compliance concerns and stock market operations.
- Secretarial department along with the Finance department significantly participate in Annual Report making and publishing and monitoring that it is being completed in the exact way and also on due date. Then it is the responsibility of secretarial department to monitor that the Annual reports have been distributed to all the shareholders and this should be done at least 20days before the AGM.
- Secretarial department also keeps record of all traveling bills that are made for business purposes and also the medical bills of the employees. In the employee list, the DMOs are also included. They have the proper right to judge that the expense claim is valid or not and on this issue the secretarial department's decision is final. They also keep records of foreign travel bills.
- Many medical promotional officers get motorcycles from the company in order to carry the products properly. It is the duty of the secretarial department to keep records of the motorcycle loans and if any motorcycle is lost or theft then they firstly collect the evidence and then decide what to do.
- Secretarial department keeps the final settlement copies which are basically the details of the employees who have left the company. There the payment details of those employees are also kept. If any amount is due to the ex-employee it is also recorded and if the company has any receivable from the employee then that is also recorded. Secretarial Department also keeps the pensioner lists and clears the payments to the pensioner or the nominees of the pensioner.
- Secretarial department also monitors that the employee database software which is the Vista 3P and the financial record keeping soft wares are working properly or not, if there is any problem then they inform the IT department and ensures that the problem is solved within the shortest possible time.

So, in short the Secretarial department has huge responsibilities and it has to be updated with the HR, Communication and the IT department. At the same time, it needs to handle the financial and legal issues. Not only it monitors all types of

employee payments but also needs to monitor company's different types of bank accounts and legal matters.

3.2 Different Aspects of Job Performance

As I was a part of the Secretarial department, so I had the opportunity to assist my supervisor and the Secretarial Executive in different types of tasks.

One of the main tasks of mine was to check and verify the expense claims of the DMOs. I used to follow the company rules while deciding that the expense claim is valid or not.

Then after checking all the bills I used to input the entries in the system and then also used to check that all valid payments have got clearance. If there were any difficulties or confusions then I used to inform the Secretarial Executive.

As, this department has to look after many legal issues so there were a huge files and my duty was to categorize and organize all the files and then keeping them in sequence.

This department needs to contact with different institutions and individuals, in this regard sometimes I used to type different sorts of business letters.

As the department accomplishes the payroll activities, so employees used to visit the department for payment purposes and in absence of supervisors, I used to attend them, then used to convey their messages and claims to my supervisors.

Then I used to assist the secretarial executive in checking the balance amount of different accounts that has been inputted in the system.

In my last month, one most crucial task was according to the shareholder's addresses, serially putting the annual reports in envelopes and then keeping records that how much annual reports have been sent to the shareholders and how much is remaining.

I also have worked with the Finance department and HR department; there I used to calculate the bills and creating newly joined employee files respectively.

Besides these I had also done some other major and minor tasks. In short, I used to spend a very busy schedule in GSK but it was full of fun and it also helped me a lot to know the core official jobs. The Secretarial department taught me to be punctual, sincere, honest, active, efficient and most importantly it taught me how to communicate in the corporate world. For enhancing these abilities in me and for providing me such a sophisticated environment, I will be ever grateful to GSK and specially the Secretarial department.

3.3 Critical Observation & Recommendation:

Within the 3months' experience in GSK, I have found that the organization is very organized at accomplishing the tasks, it is very much focused at doing fair business and the corporate environment is really safe and friendly. GSK Bangladesh truly follows the code of conducts which established by its parent company. All the employees here try to maintain integrity in their every tasks. All the departments are here properly co-ordinated which fosters the organizational performance a lot. Here the importance of human asset is truly realized and all the employees are believed as the heart of the organization and that's why the employees work here with true motivation and sincerity. As I was the part of Secretarial department which is a section of Finance department, I have found that employees of these two departments are very much knowledgeable and skilled and very efficiently they plan and implement the financial strategies. They are also very much

aware about utilizing the resources and not to waste the assets of the organization unnecessarily.

I have observed and felt that GSK Bangladesh is doing excellent job, one thing that appeared surprising to me is in spite being so efficient at operations and having so much qualified products, GSK Bangladesh is in 15th position. Market leaders are the local firms, the reason behind this is the government concern to promote the local pharmaceuticals. So, GSK should take strong initiatives thus they can improve their rank and can lag behind the competitors. On the other hand, most of the consumer health care products are doing so well, especially the health drinks and the glucose powder.

So, my recommendations are:

GSK should concentrate more on promotional activities and making people more aware about their company profile and products thus a strong brand image can be established.

- Like the Consumer Healthcare products, the pharmaceuticals products should be engaged in famous public events.
- They should be more concerned to reduce the production cost of the pharma products thus they can compete with the local products more successfully.
- GSK should introduce their pharma products more to the public and should inform the people that it is the same company which makes horlicks and boost.
- GSK should be very careful in maintaining the copyrights of their products as they are in alliance with some local firms like Mutual food and Zuellig Pharma.

CHAPTER 4

Project Analysis and Findings

4.0 Ratio Analysis

Ratio Analysis is done to measure the financial performance of the company and to understand that in which track the company is going in the future. So, it is basically one technique of assessing the company's financial performance.

In ratio analysis, financial items of a particular year are compared. Here relationships between the financial items are examined. So, by doing ratio analysis we can judge the various financial aspects of a firm. Then when we compare one year's ratios with another then we come to know that how much progress was made during the compared period. The ratio analysis is very important to investors, creditors and financial analysts as it helps in decision making.

In order to evaluate GSK's financial performance, I have also selected ratio analysis as the analyzing tool.

Ratios Analysis of GSK

4.1 Current Ratio:

Current ratio is an efficient tool to measure that the organization is capable in meeting up its short term debts or not. Current ratio basically assesses a firm's liquidity because, if a firm is enough liquid and it has enough resources then it can pay back the all debts that need to cover during 12 months.

Formula: Current Assets/Current Liabilities

Higher current ratio definitely indicates that the firm is highly liquid and able enough to meet the demands of the creditors. Satisfactory current ratio actually varies from industry to industry but in general, if the current ratio lies between 1.5 and 3 then it indicates that the business is healthy. If the current ratio is below 1 then it means that the current liabilities are higher than the current asset, so the firm can face many difficulties while paying back short term debts. On the other hand if the current ratio is too high then it indicates that the firm is not efficient to utilize its short term financing facilities. It may also indicate that the firm has problem in working capital management.

Low current ratios normally indicate that the firm is in trouble to meet current obligation but not necessarily always a low current ratio indicates a huge problem. Firms which have not much current assets but have a strong long term plans and prospects, they definitely can sort out ways to tackle this problem. There are many firms who have a current ratio under 1 but they are surviving quite well. So, low current ratio does not always mean that the firm is at an alarming stage or very near to be bankrupt but of course it is better to maintain a standard current ratio in order to ensure fewer risks.

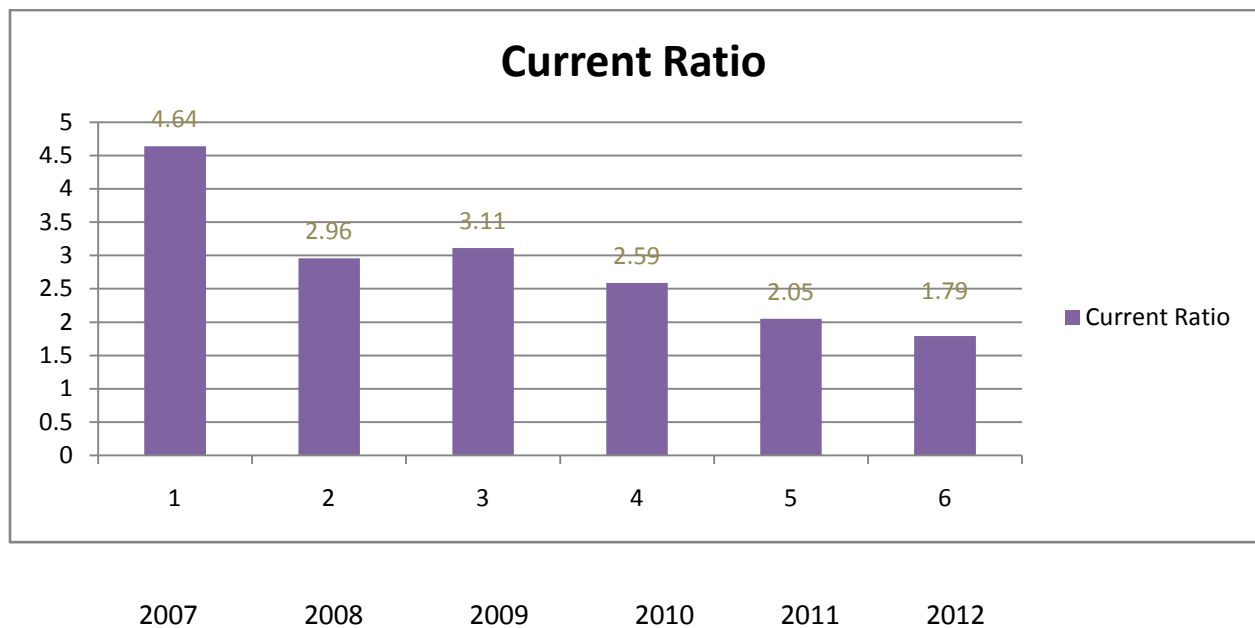
From the perspective of short term creditors, a high current ratio is appreciable because it means that the company is eager to pay back current debts within 12 months. A high current ratio also indicates that the firm is much efficient to convert its goods into cash quickly.

In short, current ratio should be compared within the same industry as the benchmark ratio varies from industry to industry.

Current Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Current Ratio	4.64	2.96	3.11	2.59	2.05	1.79

Table 1: Current Ratio



Over the six years, GSK had highest current ratio in 2007 and the amount was 4.64. This quite high figure indicates that GSK did not utilize its current assets to raise funds for the business growth. Then in 2008 it was quite low than 2007 and the amount was 2.96 which is still high but the decrease in the ratio indicates that on that year GSK tried to make proper use of the current assets. Then in 2009 it was again above 3 but in 2010 and 2011 it was in proper control. Most satisfactory point is that, GSK Bangladesh had no lower current ratios over these five years which is an indication that GSK has enough liquid assets or cash by which they can save their business from big troubles. In 2012, it is also in the standard level which indicates well performance.

4.2 Quick Ratio:

This ratio assesses the capacity of an organization to recover its current liabilities by using the organization's quick assets. The asset which can be turned into cash rapidly at an amount that is very close to its book value is known as quick asset.

Quick ratio is also known as Acid-test ratio and liquid ratio. Any quick ratio less than 1 means that the firm can not pay back its current debts.

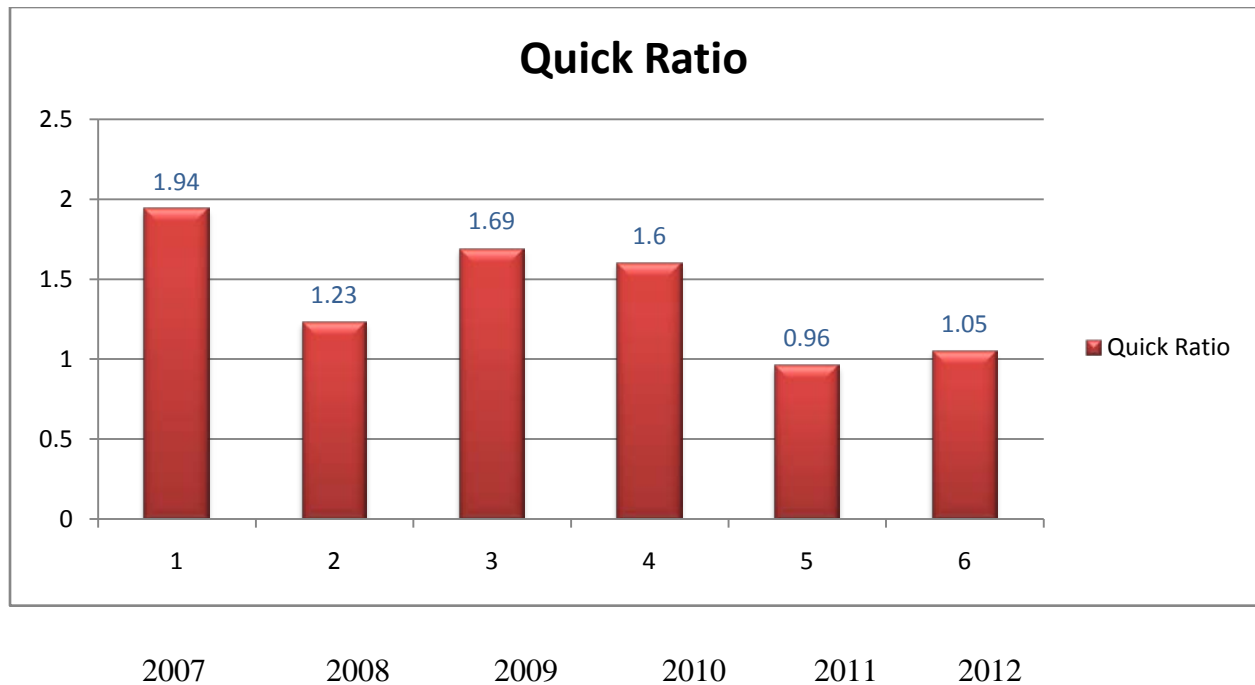
Formula: $(\text{Current Asset-inventory}) / \text{Current Liabilities}$

From the formula, we can see that inventory is not included in the quick ratio, where as it is included in the current ratio. Always a high quick ratio is not considered as good, if it happens that the firm has huge account receivables but those will be collected after a long time and the current liabilities are lesser but needs to be paid instantly then the quick ratio will be higher but still the firm is in a great risk as there is liquidity crisis. On the other hand, opposite thing can be happen when the firm has lesser current assets which will be mature soon and more current liabilities which need to be paid in much later. In this case, the quick ratio will be lower but despite of that the firm is risk free as there is no hurry of payments. Standard quick ratio is 1:1 or above. Higher the quick ratio, the company is more liquid but yes the benchmark figure is different in different industries.

Quick Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Quick Ratio	1.94	1.23	1.69	1.60	0.96	1.05

Table 2: Quick Ratio



The graph shows that GSK Bangladesh Ltd had highest quick ratio in 2007 but was dropped in 2008 and then again rose in 2009 and in 2010 it dropped very little . Over these four years GSK has maintained very efficient quick ratios these were quite high than 1 but in 2011 there was huge fall and the ratio was below 1 which is very disappointing. This means in 2011 GSK was not enough able to pay back its short term debt but if we analyze he trend then we will find that GSK is capable to tackle liquidity crisis and to recover from bad situations. Another important point is, the current ratio in 2011 was quite high than 1 which means it had enough current assets but yes there were lacings in quick assets. It actually means that when the current assets will generate cash then GSK will gain a high quick ratio. This impact we really can see in 2012, as in this year the ratio is 1.05 so it means GSK has recovered from the lacings in quick assets.

4.3 Cash Ratio:

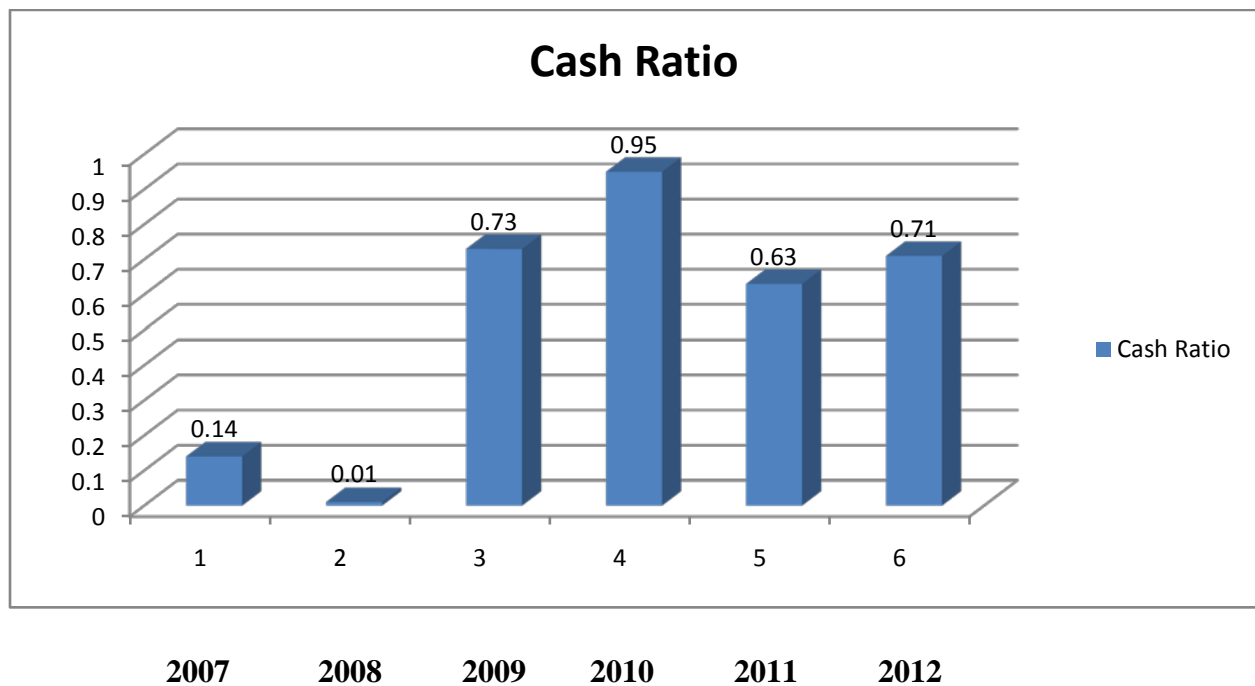
Cash ratio is a ratio of a firm's cash and cash equivalents to its current liabilities. This ratio is a great measurement of liquidity, if the ratio is high then it indicates that the firm has enough cash to meet up immediate payment demand. Cash ratio is very conservative at its appearance as it does not include any non-cash current assets, only cash on hand and cash equivalents are used to calculate this and for this reason the result is relatively low. A cash ratio higher than .5 is preferable.

Formula: (Cash + Cash Equivalents)/Current Liabilities

Cash Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Cash Ratio	0.14	0.01	0.73	0.95	0.63	.71

Table 3: Cash Ratio



Here, we can see that in first two years the cash ratio was very poor which signals that GSK faced much liquidity crisis and had not sufficient cash in hand to pay back the short term liabilities. On the other hand, from 2009 to 2011 the cash ratio took huge increase and it was above 0.5 then. Highest cash ratio was achieved in 2010 which was .95 that means very near to 1 which indicates that there were enough cash assets in this year. Although there was a fall in cash

ratio in 2011 but still that was a satisfying figure. Then more satisfying thing is, in 2012 the ratio increased by .08 points.

4.4 Net Working Capital: Net working capital is the capital by which firms can fund its daily operations. It is one of the standard assessments of liquidity of an organization. This ratio finds out that the firms have excess current assets over the current liabilities or not. If the firm has higher current assets then the ratio will be positive which means the organization has the ability to operate daily business and to cover immediate obligations. Diminishing working capital is an alarm that business is going to face troubles and the worst scenario is the bankruptcy.

Net working capital is also known as working capital and working capital ratio. It gives the investors another clear view of the firm which is the operational efficiency. A firm which is quite efficient in running business and collecting money from customers, the net working capital of that firm will be between 1.2 and 2 because much high working capital indicates that huge money is tied up in inventories and to the borrowers. So, consecutive increases in working capital is a signal of slow collection which is not good for business.

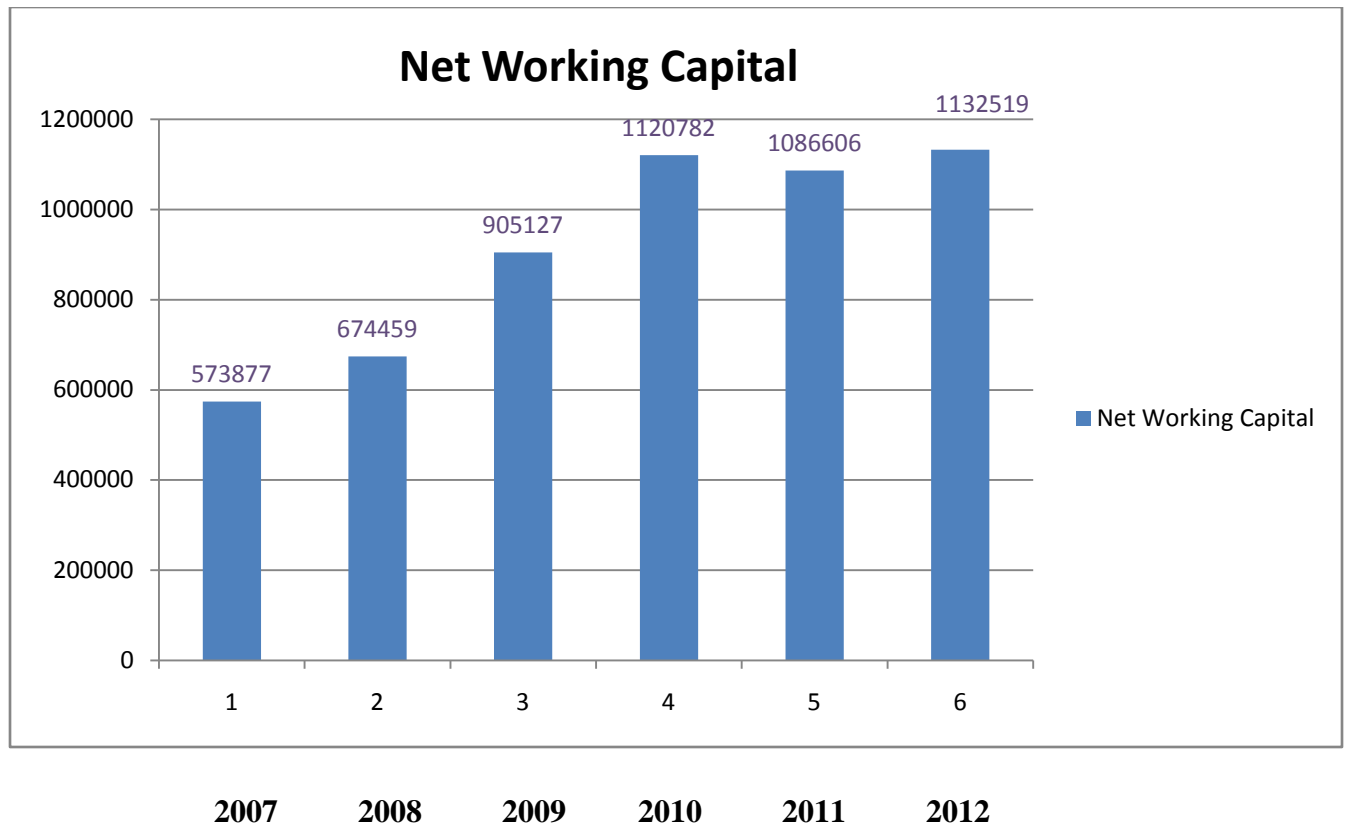
Formula:

Net Working Capital= Current Assets-Current Liabilities

Working Capital Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Working Capital Ratio	573877	674459	905127	1120782	1086606	1132519

Table 4: Net Working Capital



Here we can see that GSK Bangladesh Ltd has maintained positive net working capital which indicates their operational efficiency. From 2007 to 2010 the working capital ratio was too high and these were above 2 which is a sign that GSK is slow at payment collections and operating cycle is not enough efficient. Satisfactory thing is, in 2011 it was little high than 2 which means it used its current assests properly than the previous years.

4.5 Inventory Turnover Ratio: In the business, the sufficient volume of inventory is must and we can judge that enough inventory is being produced or not through the inventory turnover ratio. This ratio basically shows that over a period, how many times the inventories are sold and renovated in a business. Generally, a company with high inventory turnover ratio is assumed as strong one. When the inventory level is very high then the ratio will be low which means the inventories are kept idle in the warehouse so definitely it is bad for future growth. Huge amount of inventories also symbolize that the rate of return on the inventory investment is near to zero.

The turnover ratios of the unpreserved goods are normally very high as these are sold out quickly. Although high inventory turnover ratio is always desired but sometimes high ratio may also indicate ineffective buying as lower inventory purchasing will cause the ratio to be high.

Formula:

Inventory Turnover Ratio= Sales/Inventory

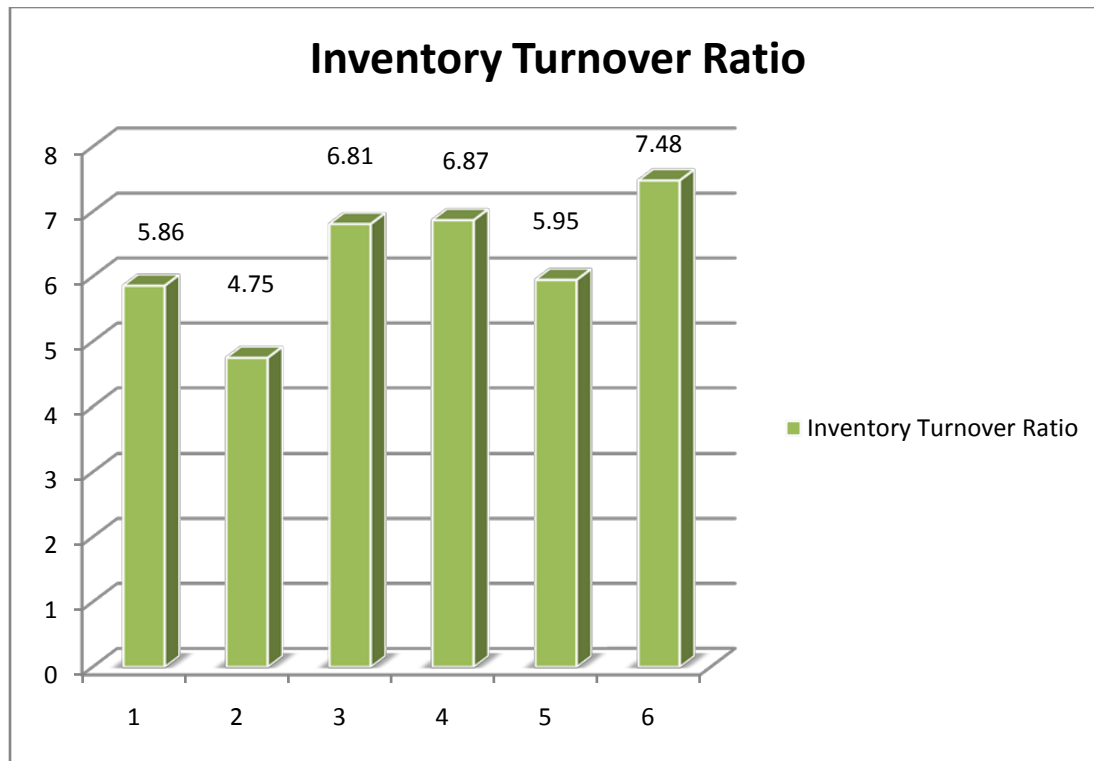
The ratio is also calculated in this manner,

Inventory Turnover Ratio= Cost of Goods Sold /Average Inventory

Inventory Turnover Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Inventory Turnover Ratio	5.86	4.75	6.81	6.87	5.95	7.48

Table 5: Inventory Turnover Ratio



2007 2008 2009 2010 2011 2012

From 2007 to 2011 GSK has maintained high inventory turnover which means that GSK had strong sales over last few years. Although in 2008 and 2011 there was little fall but in spite of that the turnover was high which means inventories are utilized properly and through those high sales are generated. In 2012 the ratio is higher.

4.6 Inventory Conversion Period: The inventory conversion period is the period during which the inventories are used to produce new goods and then preparing them for selling to the end users. Lower the conversion period, higher the firm's ability to convert the raw materials into finished goods.

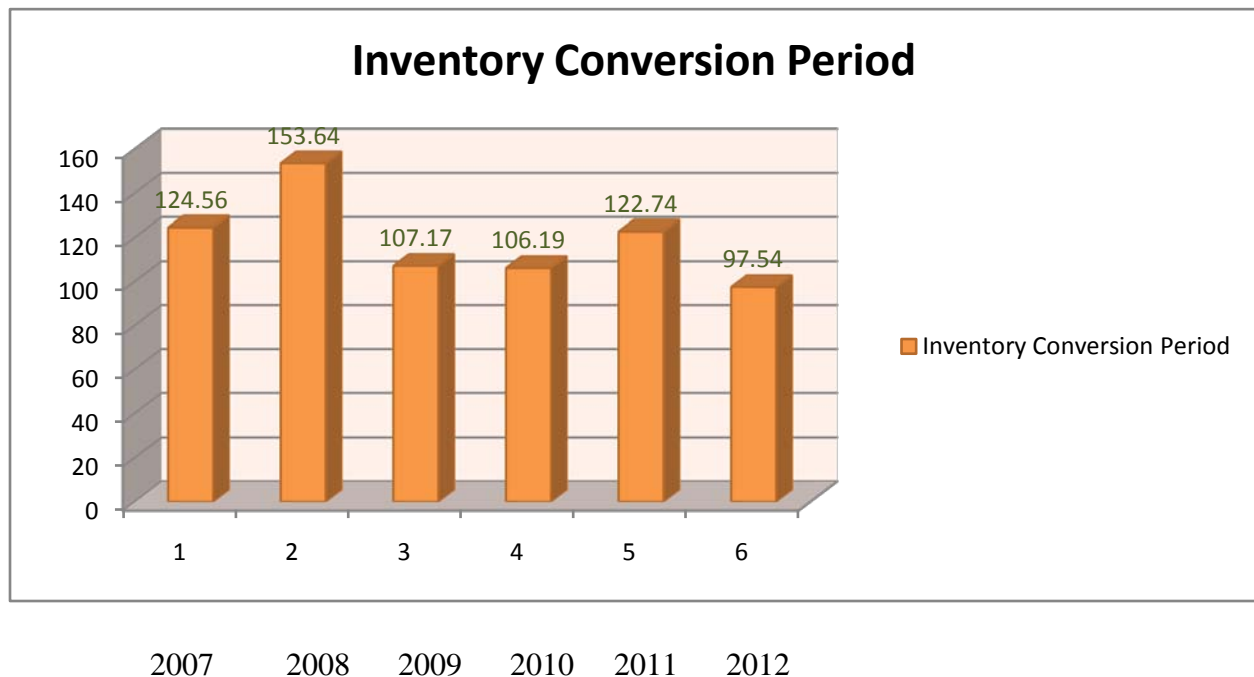
Formula:

$$\text{Inventory Conversion Period} = (\text{Inventory} / \text{Cost of Goods Sold}) \times 365 \text{ days}$$

Inventory Conversion Period of GSK:

Year	2007	2008	2009	2010	2011	2012
Inventory Conversion Period	124.56	153.64	107.17	106.19	122.74	97.54

Table 6: Inventory Conversion Period



In case of inventory conversion period, lower figure is more acceptable. From the graph we can see that in 2007 it was lower but in 2008 it was quite higher which indicates less business efficiency. Then in 2009 it dropped a lot which is again a good sign and although in 2010 the

conversion period was slight high than that of 2009 but still it was much lower than 2008. So, it means that after 2008 GSK concentrated to increase operational efficiency. In 2011 the result was not satisfactory as it was 16 days higher than 2010 but if we compare with 2008 then will find that the inventory conversion period of 2011 is much better. In 2012 te rato is impressive as it took less time than previous years.

4.7 Fixed Asset Turnover: It is the ratio where sales are compared with the fixed assets of the firm. The ratio actually clarifies that the firm is capable enough to use its fixed assets to earn revenues or not. In fixed asset turn over, normally investments on property, plant and equipment are counted and the depreciations of these are subtracted. A high fixed asset turnover is always appreciable as it signals towards the firm's high productivity. Higher fixed asset turnover means the firm is utilizing its fixed assets and generating revenues from these. On the other hand, low fixed asset is the signal that the firm is not productive and the firm fails to generate sales revenue by utilizing the fixed assets.

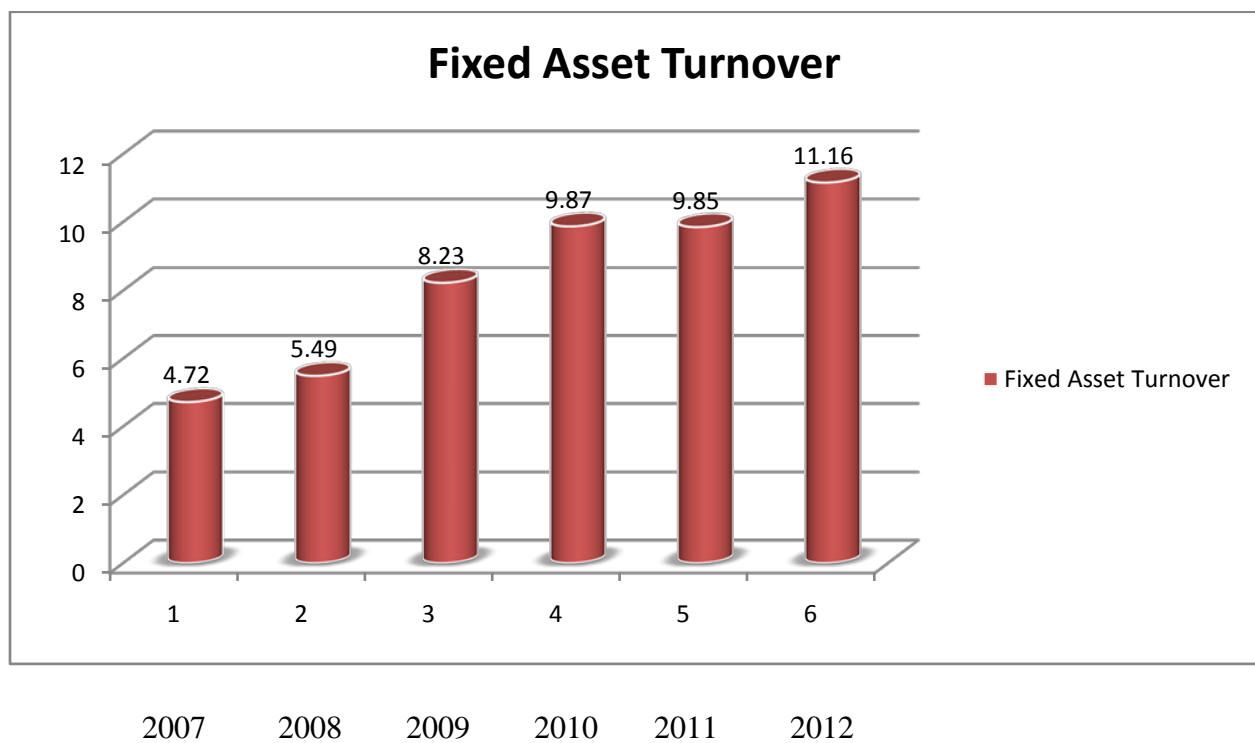
There is neither standard guideline nor a best level for fixed asset turnover, so the evaluation and comparison can be done by calculating fixed asset turnovers of past years of a particular organization. As there is no average figure, so progress of the firm can also be assessed through comparing fixed asset turnovers of different firms of the same industry. High fixed asset turnover means that less money is allocated to the fixed asset portion, where as too low fixed asset turnover means that additional fixed asset investment has been made which is unnecessary. So, the investment in fixed assets should be in the right amount, neither more nor less and most importantly it should be monitored that the assets are being utilizing properly thus they can contribute to high revenues.

Fixed Asset Turnover = Net Sales / (Plant, Property, Equipment)

Fixed Asset Turnover of GSK:

Year	2007	2008	2009	2010	2011	2012
Fixed Asset Turnover	4.72	5.49	8.23	9.87	9.85	11.16

Table 7: Fixed Asset Turnover



GSK had an increasing fixed asset turnover from the year 2007 to 2012. Although there was a little bit fall in the fixed asset turnover in 2011 but the difference from 2010 is only .02 so this is not any significant issue. If we compare from 2007 then will find it started from 4.72 and three gradual increases, it reached at 9.85 in 2011 and 11.16 in 2012.so the progress is quite high. This

high trend actually indicates that GSK has become more efficient in asset utilization over these six years.

4.8 Total Asset Turnover: Total Asset Turnover judge that how much sales revenue is gathered in against of each dollar of assets. Through this ratio, the effectiveness of asset management of the firm is measured. Higher the ratio, higher the efficacy of the firm and the vice versa.

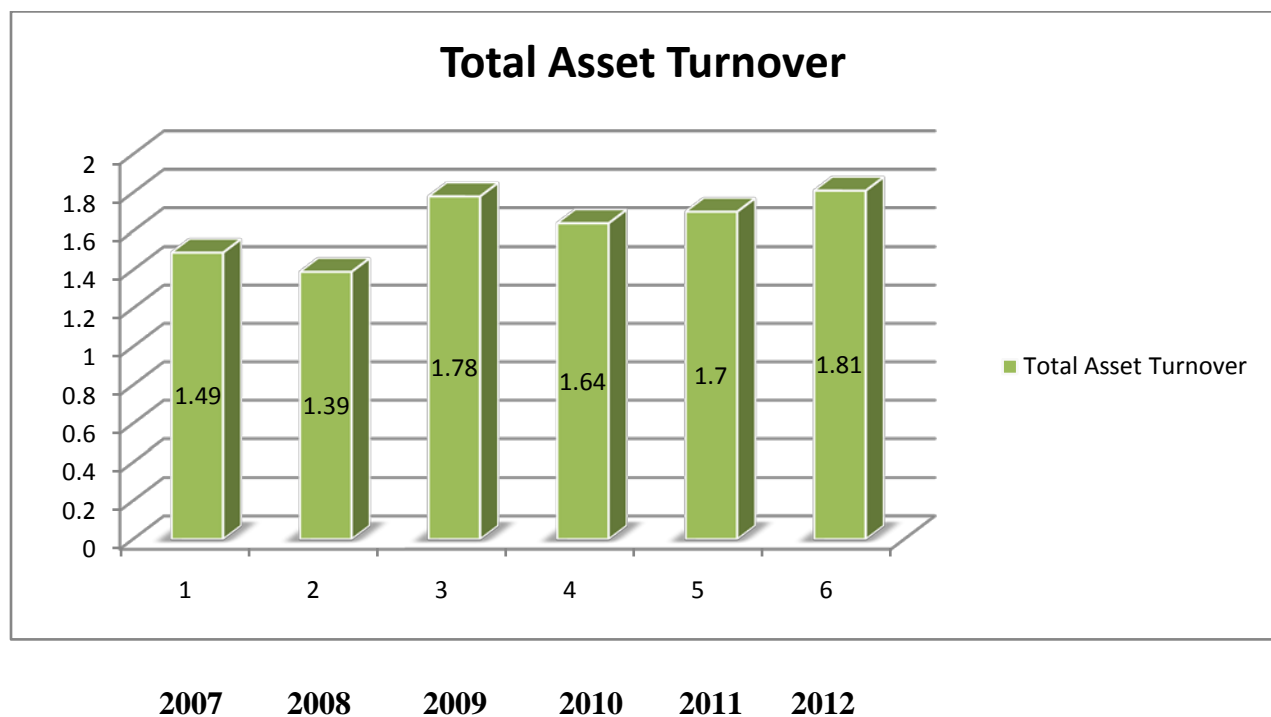
Total Asset Turnover = Revenue/Total Assets

From the asset turnover, we can also guess that pricing strategy as the high asset turnover signals towards the low profit margin which means costs have increased and need to cut down.

Total Asset Turnover of GSK:

Year	2007	2008	2009	2010	2011	2012
Total Asset Turnover	1.49	1.39	1.78	1.64	1.70	1.81

Table 8: Total Asset Turnover



It is a good point that the asset turnover was in increase in most of the time of the last 6 years. Although in 2010 there was little fall but in 2011 it recovered and in 2012 it achieved the highest point of 1.81 which is obviously satisfying. This increasing trend indicates that GSK is good at asset management but it also indicates that in 2012 the profit margin was lower than that of 2011.

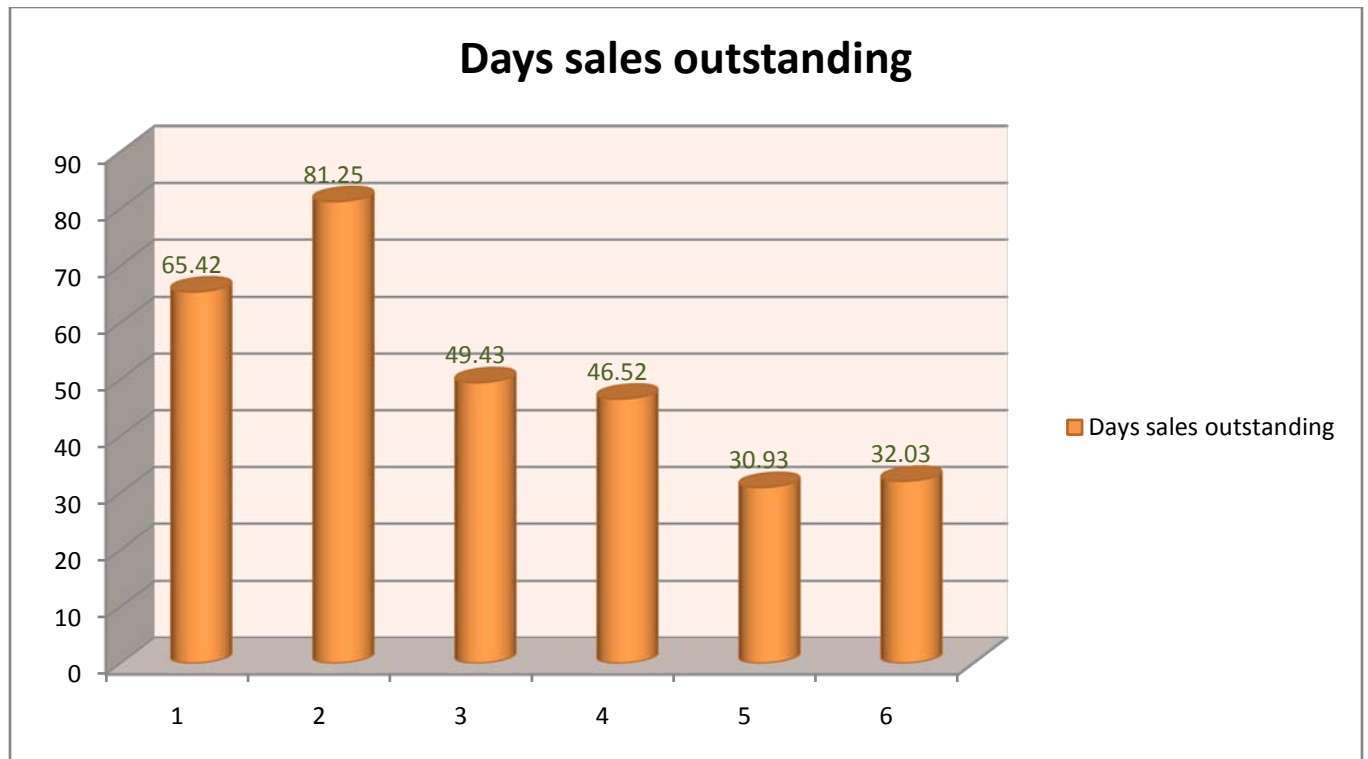
4.9 Days Sales Outstanding: It is the ratio by which we can know that within how much days the firm collects its money from the sales, so it means that how much times a firm takes to convert its accounts receivables into cash. If the ratio is lower, then it is good for the organization as it indicates that the organization collects its receivables at the shortest possible time. If an organization collects money quickly then can meet up the cash demand to operate the business and also can reinvest more money thus more sales can be occurred.

Days Sales Outstanding = (Accounts Receivables × 365 days) / Annual Sales

Days Sales Outstanding of GSK:

Year	2007	2008	2009	2010	2011	2012
Days Sales Outstanding	65.42	81.25	49.43	46.52	30.93	32.03

Table 9: Days Sales Outstanding of GSK



2007 2008 2009 2010 2011 2012

The lowest DSO (Days Sales Outstanding) was achieved in 2011 which means GSK was most efficient at collecting money at that year and they had sufficient money to operate the business. In 2008, the DSO was highest which indicates towards low efficacy in managing sales but the positive thing is that the DSO has decreased a lot over the last six years. Although in 2012 the DSO was higher than 2011 but it was relatively much lower than the previous years.

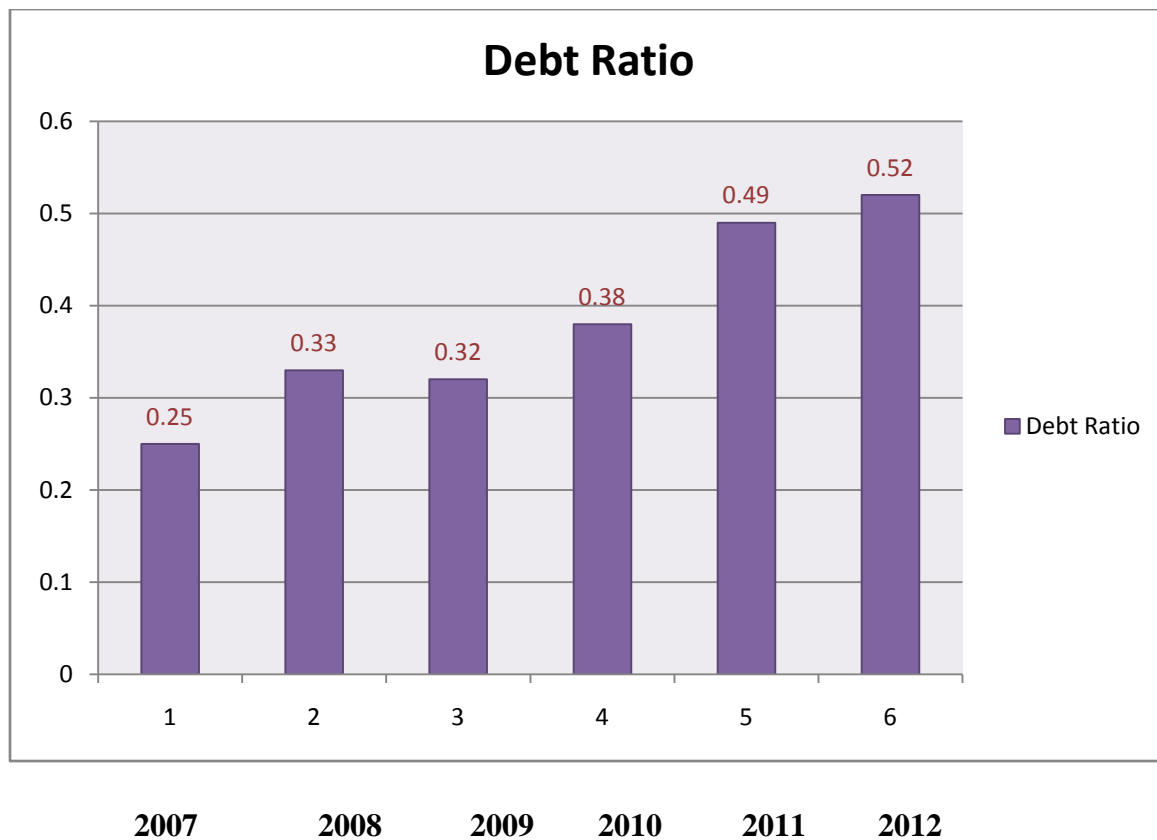
4.10 Debt Ratio: This ratio finds out that how much of the total asset is funded through debt. So, it actually shows the dependency on debt in order to manage assets. If the ratio is higher then it means that the firm has higher debt and it is more dependent to its creditors for necessary financing. If the ratio is higher than 1, it indicates excess debt over total assets and the vice versa. Although higher debt is not a problem if interest payments are made on time, if it is not then definitely a great risk for the firm. Sometimes, higher debt can also give the firm the benefit of financial leverage.

Formula: Total Debt / Total Assets

Debt Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Debt Ratio	.25	.33	.32	.38	.49	.52

Table 10: Debt Ratio



A debt ratio less than .50 is considered as good, from the year 2007 to 2010 the debt ratio of GSK was impressive as the debt ratio was less than .50 at those years. In 2011 the ratio was very near to .5 and in 2012 it was more than .5 which is not fruitful for the business and it signals towards higher dependency on debt.

4.11 Debt to Equity Ratio: The debt to equity ratio is the best way to measure the financial leverage of any firm; it is one of the most important ratios of any firm. Higher the ratio, higher the debt amount of the firm, therefore higher financial leverage.

If the ratio is lower, the leverage of the firm is also lower. It presents the percentage of a company's asset that is financed by debt versus equity. It is a widespread quantity of the long term capability of a firm's business and along with current ratio, a measure of its liquidity, or its ability to cover its expenses. So, it often takes only long term debts instead of total liabilities.

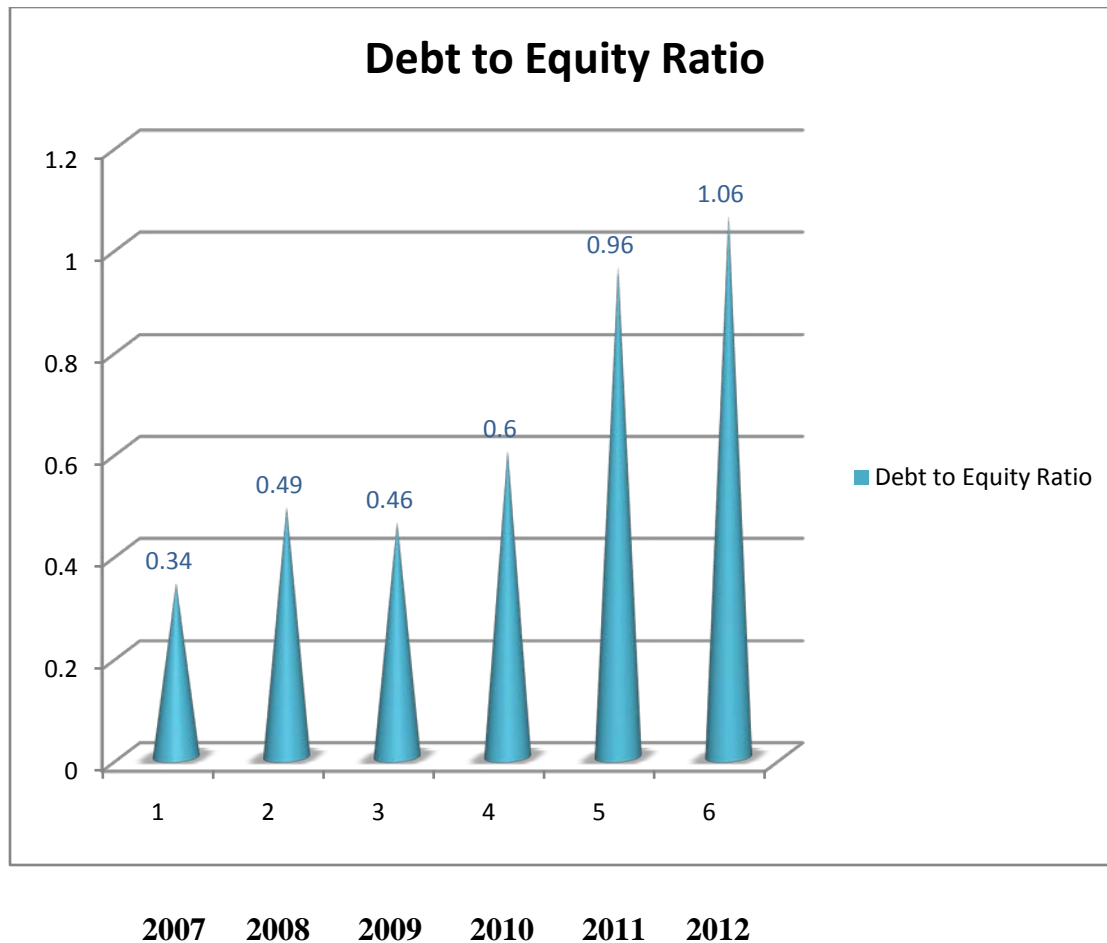
Sometimes, it happens that higher debt leads the firm to gain higher debt as cost of debt is lower than the cost of equity but it is not good for the firm to always apply this technique because if the firm fails to meet up the obligations of debts then the firm can reach even in the stage of the bankruptcy. So, the firms should be much analytical and attentive when to take higher debts. Higher debt can lead to both higher gain and risk, so firms should be very careful while taking financial leverage.

Formula: Total Debt / Shareholder's Equity

Debt to Equity Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Debt to Equity Ratio	.34	.49	.46	.60	.96	1.06

Table11: Debt to Equity Ratio



The debt to equity ratio had an upward trend over the six years which indicates that GSK is taking more financial leverage and also depending on more debts. In 2011 and 2012 the ratios were too high, they were .96 and 1.06 respectively which might lead the firm towards huge risk. Yes, higher debt can increase the earnings a lot but it is only possible when the cost of debt is affordable by the company.

4.12 Time Interest Earned Ratio: Time Interest Earned ratio is basically a solvency ratio which assesses that firm has the capacity or not to pay back all its loans. This ratio is also known as interest coverage ratio. Through this ratio it can be judged that how many times a firm can face its interest expenses that are due to the taken borrowings. If the ratio is higher, then it means that the firm has the ability to payback its loans but if the amount is too high then it means that the firm is unnecessarily using the maximum portion of earnings to repay the loans. So, it means that

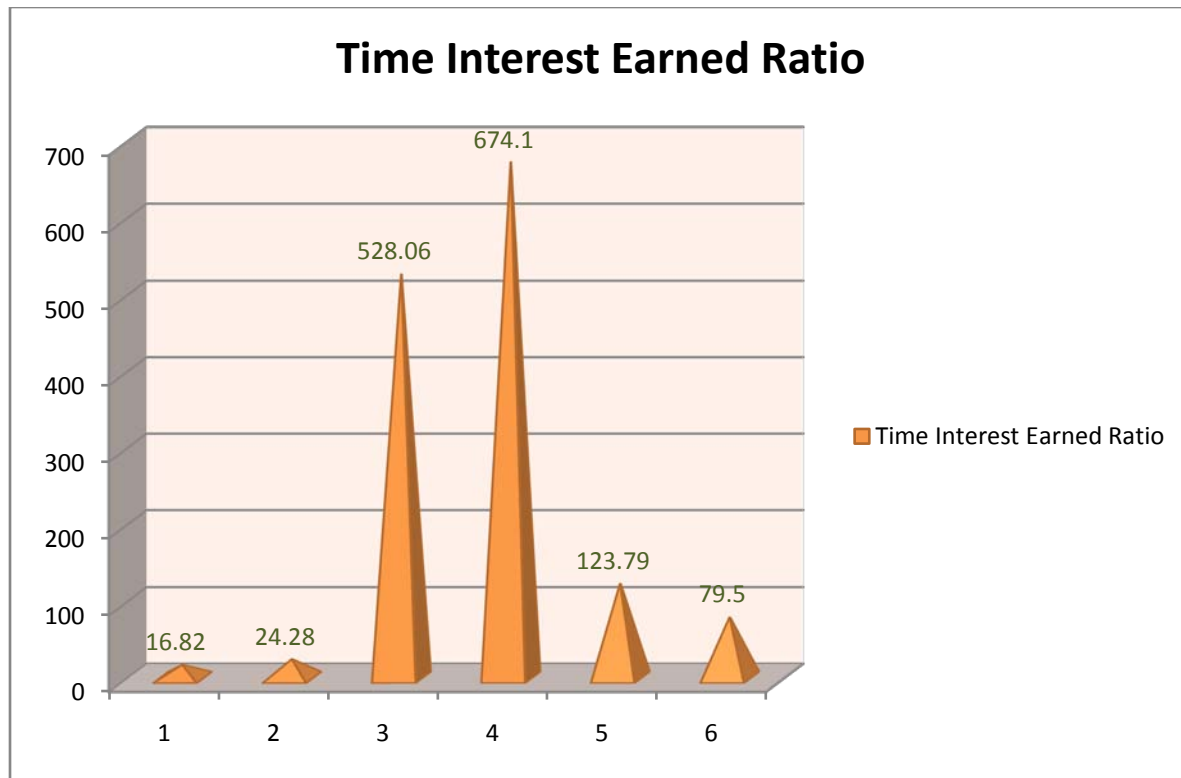
in this case the company can afford using low portion of returns in repayment of loans and can reinvest the earnings on more volume in order to ensure high growth. On the other hand, if the ratio is less than 1 then it means that the firm is not achieving much profit to meet up the debt obligations.

Formula: Earnings Before Interest and Tax / Interest Expenses

Time Interest Earned Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Time Interest Earned Ratio	16.82	24.28	528.06	674.10	123.79	79.5

Table 12: Time Interest Earned Ratio



2007 2008 2009 2010 2011 2012

In 2007 and 2008, the interest coverage ratio was relatively very low and it indicates that then GSK was not much efficient to pay back its interests from the earnings but there is a conflicting point and that is, the ratio is greater than 1 which means the firm can meet up the obligation, yes of course more high the ratio then the firm is more capable but by the two figures of 2007 and 2008 we can not say that GSK failed, GSK then definitely had enough capacity. So, we can say that it could have been better. In 2009 and 2010 the ratio was abnormally which is also not good for business and indicates that the money is being spent much on repaying debts rather than reinvesting. It means that the firm has now fewer debts so they can concentrate on more business growth but they are not doing so. In 2011 and 2012 the ratio decreased rapidly, which signals that the firm has less debts and at the same time now they have realized the importance of business extension.

4.13 Gross Profit Margin: Profitability depends on a large number of policies and managerial decisions of a firm. All the effects of liquidity, asset and debt management on the income s judged through the profitability ratios. Gross profit Margin, Profit Margin, Return on Assets and Return on Equity are the mostly used profitability ratios.

The relationship of sales and cost of goods sold is assessed through gross profit margin. High ratio indicates a secure position for the company. Low profit margin signals towards less safe position because it means that sales are diminishing, therefore generating low revenues. It is also a great tool of identifying pricing strategy and cost control. It helps to cut cost by presenting that cost is relatively low or high than the revenues. So, from the low profit margin we actually get the idea that I which way we need to control our costs.

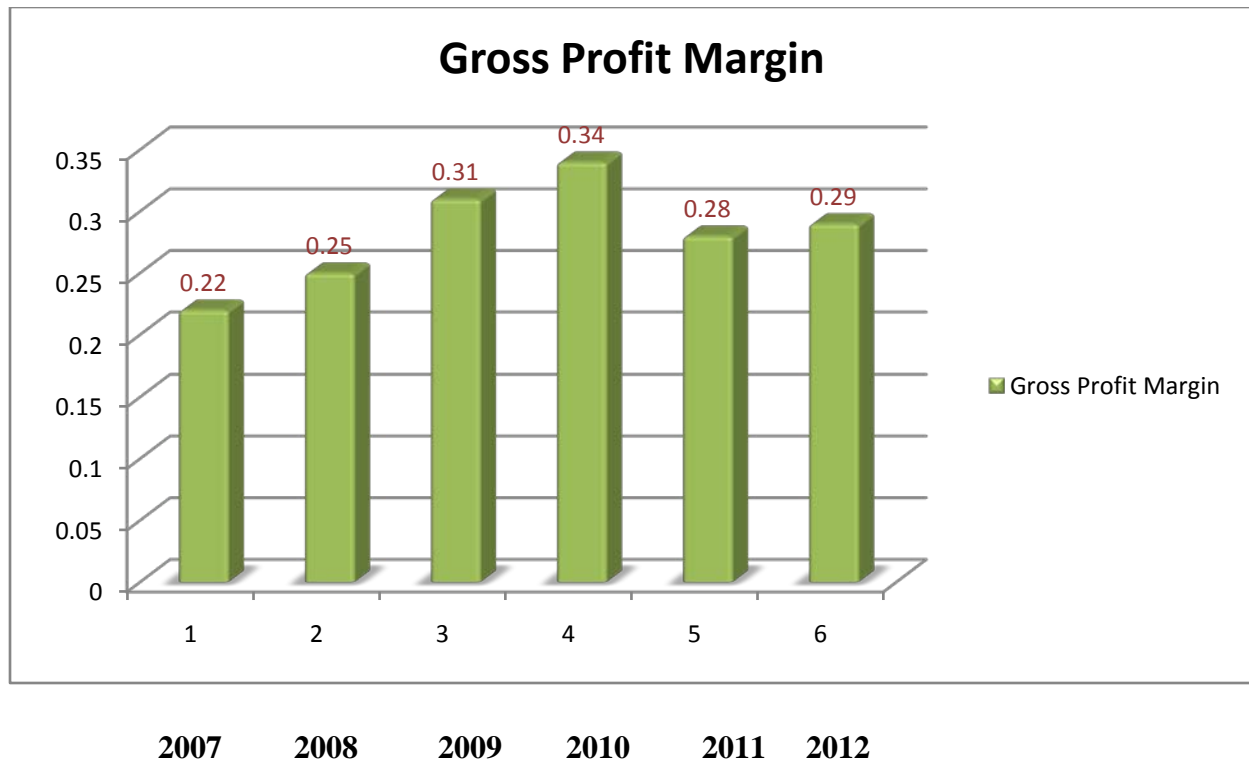
Formula:

$$\text{Gross Profit Margin} = \text{Gross Profit} / \text{Sales}$$

Gross Profit Margin of GSK:

Year	2007	2008	2009	2010	2011	2012
Gross Profit Margin	.22	.25	.31	.34	.28	.29

Table 13: Gross Profit Margin of GSK



Over the first four years, the gross profit margin has increased gradually by slight amount every year but in 2011 there was a downfall and in 2012 it increased by only one point. In 2011 the sales were higher than previous four years but the costs associated with the sales were also too high, for this reason the margin was low. From this result, GSK tried to control the cost and as a result the situation was little better in 2012 than that of 2011. One positive thing we can notice that the performance of GSK was quite stable in terms of gross profit margin which means throughout these years the GSK Bangladesh Ltd faced less fluctuations, therefore had much secured position.

4.14 Operating Profit Margin: This ratio is another important tool to measure the profitability of the firm. Firstly, the operating profit means the profit which is gained through the core business operations, not from the financing or investing activities. This profit is also known as Earnings Before Interest and Tax (EBIT). Operating Profit= Operating Revenue-Cost of Goods Sold- Operating Expenses-Depreciation and Amortization.

This operating profit is used to calculate the operating profit margin which clarifies that how efficiently and effectively the firm is doing operations and making money. High operating profit margin indicates that the firm is good at merchandising activities, they are low cost producers so capable to offer cheap price to the customers and this manner they are making high profit than the competitors. The operating profit margin, also clarifies another major thing that is, how much operating profit a company makes on each dollar of sales. Higher operating profit margin indicates a healthy business. In order to judge that the operating profit margin is impressive or not, we need to observe that the ratio is increasing over time or not, if the trend is increasing then definitely the firm's efficiency to make profit from sales is increasing.

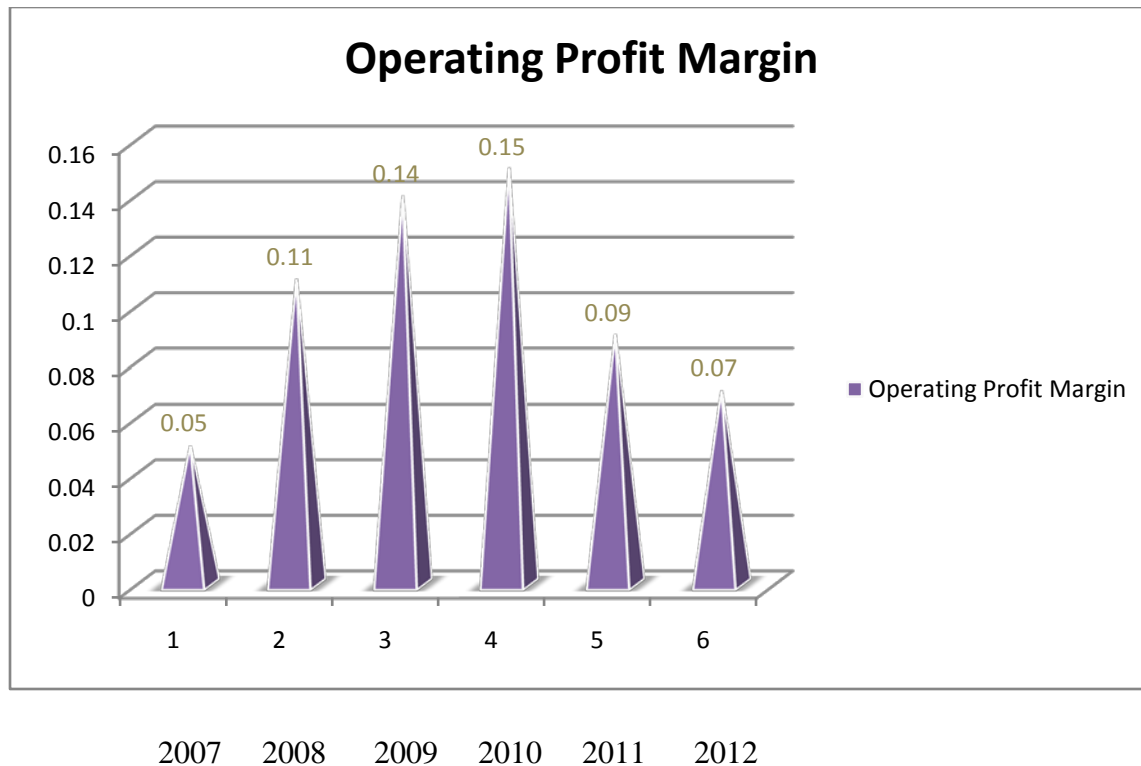
Formula:

$$\text{Operating Profit Margin} = \text{EBIT} / \text{Net Sales}$$

Operating Profit Margin of GSK:

Year	2007	2008	2009	2010	2011	2012
Operating Profit Margin	.05	.11	.14	.15	.09	.07

Table 14: Operating Profit Margin



From the year 2007 to 2010 the operating profit margin was quite impressive as it was in increasing trend but in the year 2011 it took a downfall which means on that year the sales revenue was less than previous years and it also indicates poor management and pricing strategy. Then in the year 2012 the scenario was worse because the downfall continued.

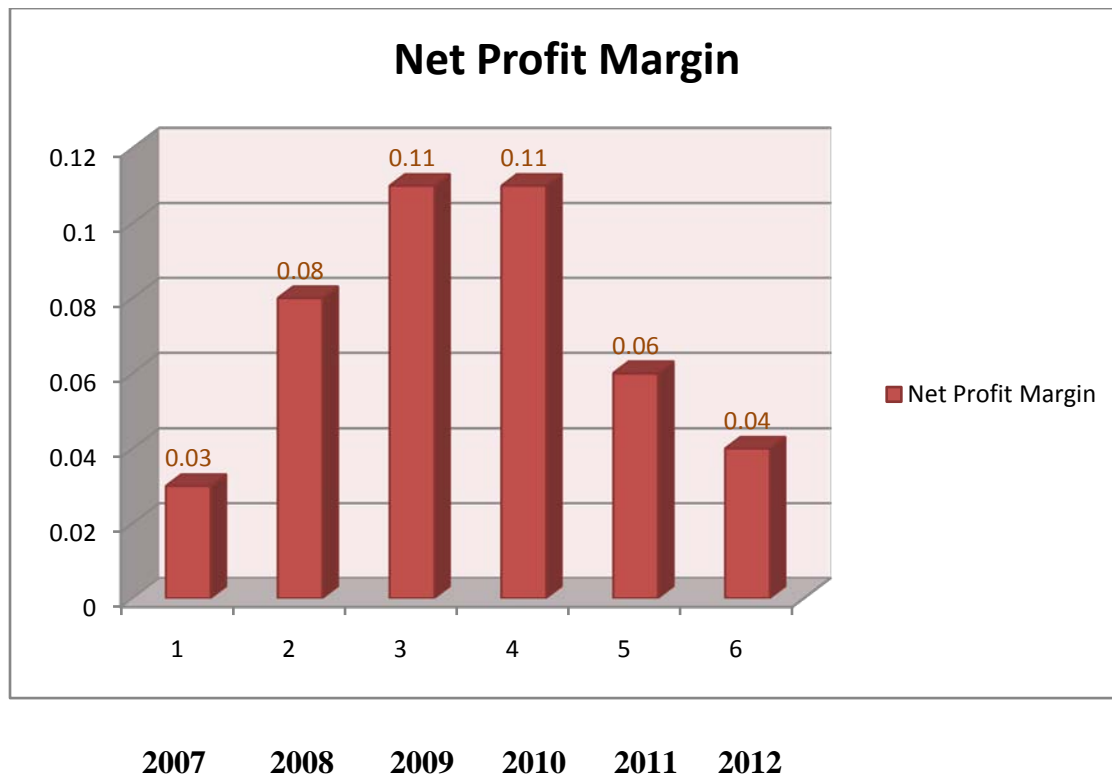
4.15 Net Profit Margin: This is the ratio of Net Income to Sales or Revenues. Through the net profit margin, we assess that out of each dollar of sales, how much is kept as earning. This is also known as profit margin. Higher the profit margin, better the condition of the firm. Higher profit margin means that from the sales, higher portion is remaining as profit so it also indicates towards efficient expense controlling ability.

Formula of Net Profit Margin= Net Income/Sales

Net Profit Margin of GSK

Year	2007	2008	2009	2010	2011	2012
Net Profit Margin	.03	.08	.11	.11	.06	.04

Table 15: Net Profit Margin



In the year 2007 the profit margin was very low but in 2008, 2009 and 2010 there was uphill in profit margin which means then revenue was higher and expenses were also lower. However, in 2011 it fell by .05 and in 2012 it again reduced by .02 so GSK should be more concern in expense management pricing policies.

4.16 Return On Assets (ROA): ROA is the measurement tool by which we can know that a firm is how much profitable in comparison with its total assets. So, it measures that the firm how efficiently uses its assets to generate profits. This is also known as Return On Investment (ROI) as it tells that a firm how effectively transforms its investments on profits. It is often expressed in percentage. Higher ROA is always desired as it indicates that higher profit has been made through fewer investments.

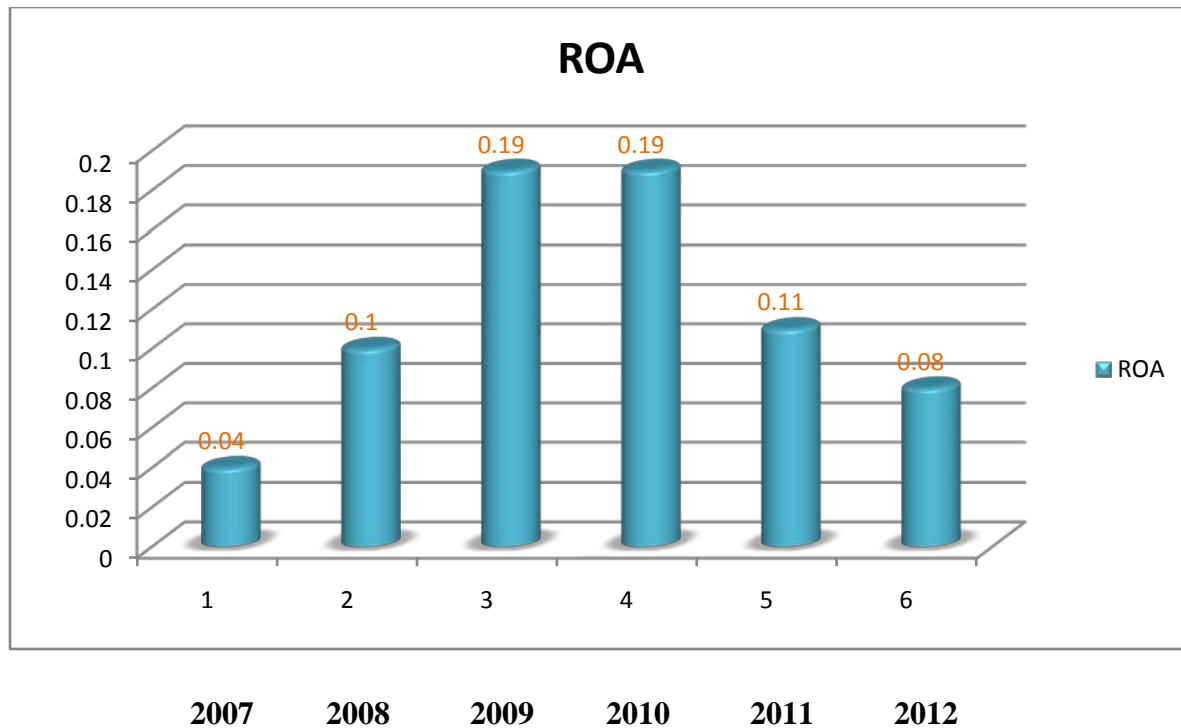
Formula:

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

ROA of GSK:

Year	2007	2008	2009	2010	2011	2012
ROA	.04	.10	.19	.19	.11	.08

Table16: ROA



In 2007 the ROA was 4% and then it rose to 10% in 2008 which indicates successful management policies of GSK. Then in 2009 and 2010 the ROA was 19% which is very impressive but in 2011 it decreased by 8%. In 2012 the ROA was 8%, so there was again downfall but this year the percentage of downfall was lower than that of 2011.

4.17 Return On Equity: Return On Equity or ROE is the ratio of net income to total shareholder's equity. It measures that the firm how much earns from the shareholders' equity. It also shows the firm's efficiency at generating profits from every dollar of equity capital. Increasing ROE indicates improved performance. In accounting sense, ROE is the true bottom line of performance measurement.

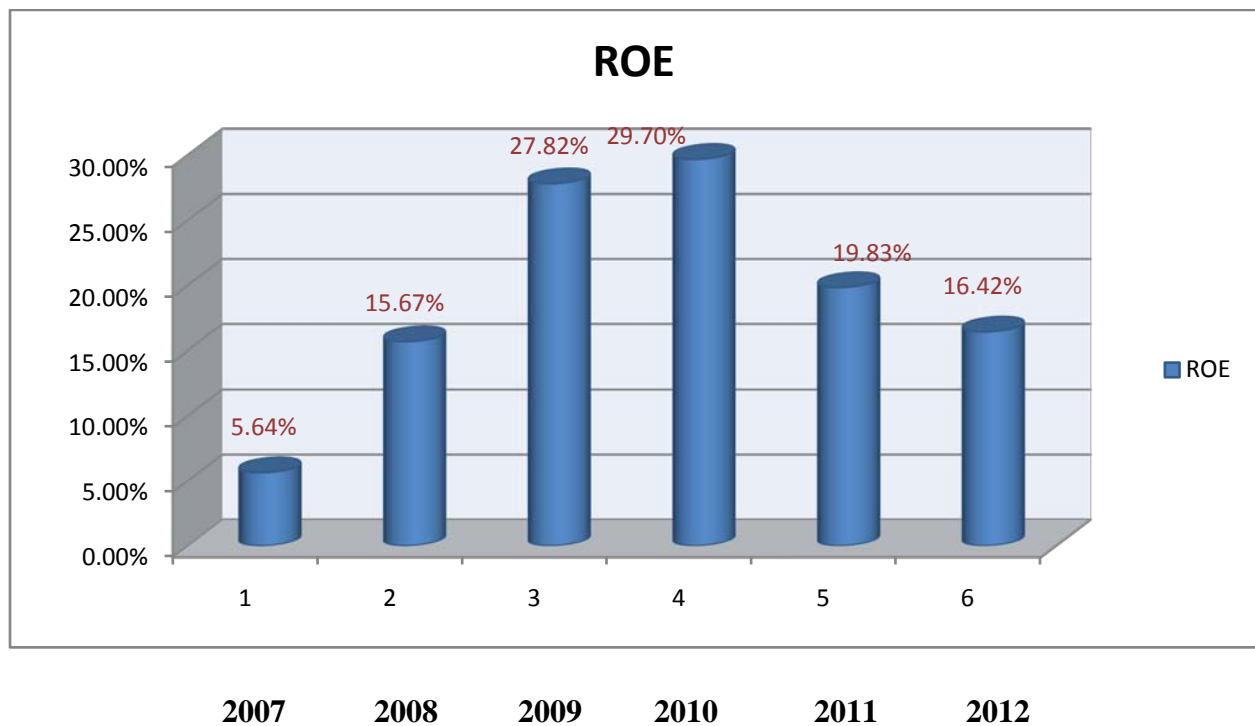
Formula:

ROE= Net Income/Total Equity Capital

ROE of GSK:

Year	2007	2008	2009	2010	2011	2012
ROE	5.64%	15.67%	27.82%	29.70%	19.83%	16.42%

Table 17: ROE



The graph interprets that, from 2007 to 2010 there was a huge improvement in ROE, over these 3 years it increased by almost 24% but in 2011 it decreased by 19.83% which is not a good indication. In 2012 the downfall continued which indicates that GSK's management efficiency is lower than previous years and it is earning less profit from the equity capital.

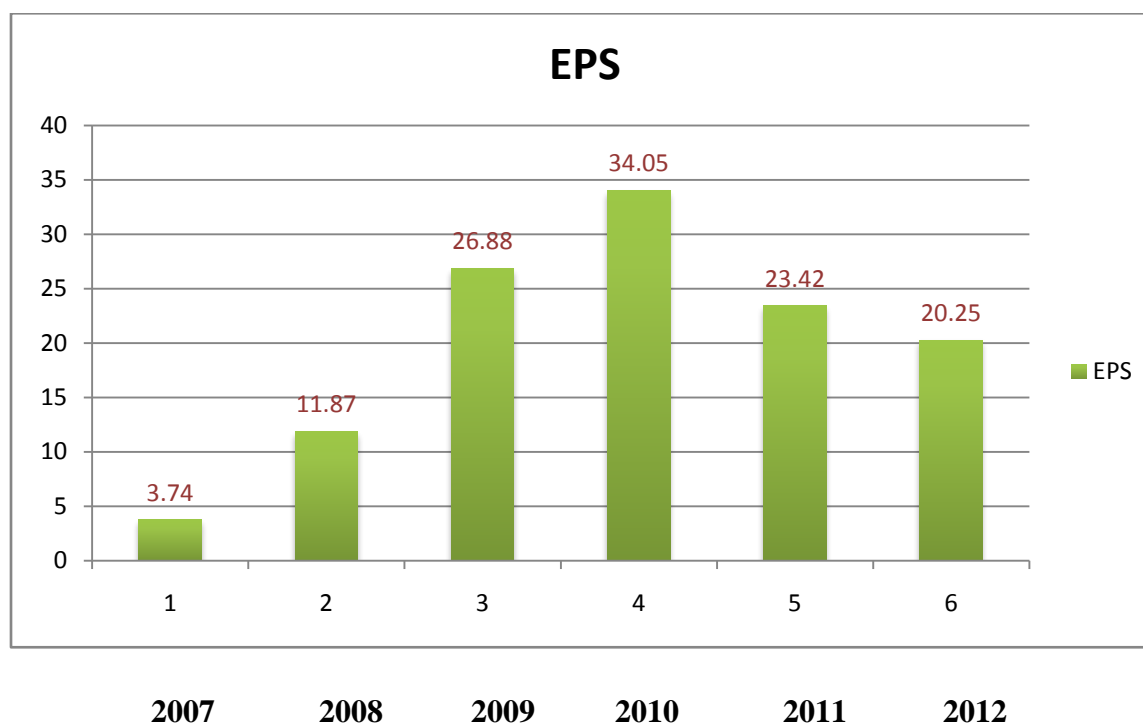
4.18 Earning Per Share: Earning per share or EPS expresses the earned profit against per share. It is considered as an important tool while measuring a stock's performance. Investors often judge the firms with the EPS and always prefer a high EPS. However, always high EPS does not mean that the firm is doing well because the Net income can be manipulated and for this reason EPS can be overestimated. Often firms do these in order to attract the public. So, relying only on EPS is never a wise decision. Another important point is, same EPS of two firms do not indicate that the firms are equally strong; here we need to judge that which firm has earned same EPS by less investment. The firm which has done so is in better position and more efficient.

Formula: Net Income/ Number of Common Stock Outstanding

EPS of GSK:

Year	2007	2008	2009	2010	2011	2012
EPS	3.74 TK	11.87 TK	26.88 TK	34.05 TK	23.42 TK	20.25 TK

Table18: EPS



In the year 2007, the EPS was very low but up to 2010 it increased a lot which indicates that earnings against each share were high on those years. In 2011 the EPS dropped by 10.63tk and in 2012 it again dropped by 3.17 tk. So, GSK should take initiative to increase the EPS otherwise it may create confusion about the financial condition to the general public.

4.19 Payout Ratio: The dividend payout ratio is actually the percentage of earnings that is given to the investors of the firm. High payout ratio always attracts the investors because it means that the firm is in good position and generating huge profit. That's why investors always seek for high dividends and often switch to another stock in order to fulfill their desire. It is not always true that firms in good condition can only afford dividend payment, it also happens that a firm with a future growth prospect currently giving low or zero dividends but in long run it will provide the investors high capital gain. So, investors should not only seek high dividends, they should be more aware about high capital gain. Sometimes, excess amount dividend payment is a bad sign, it indicates that organization is wasting money unnecessarily rather than reinvesting from which future of the business could be more secured.

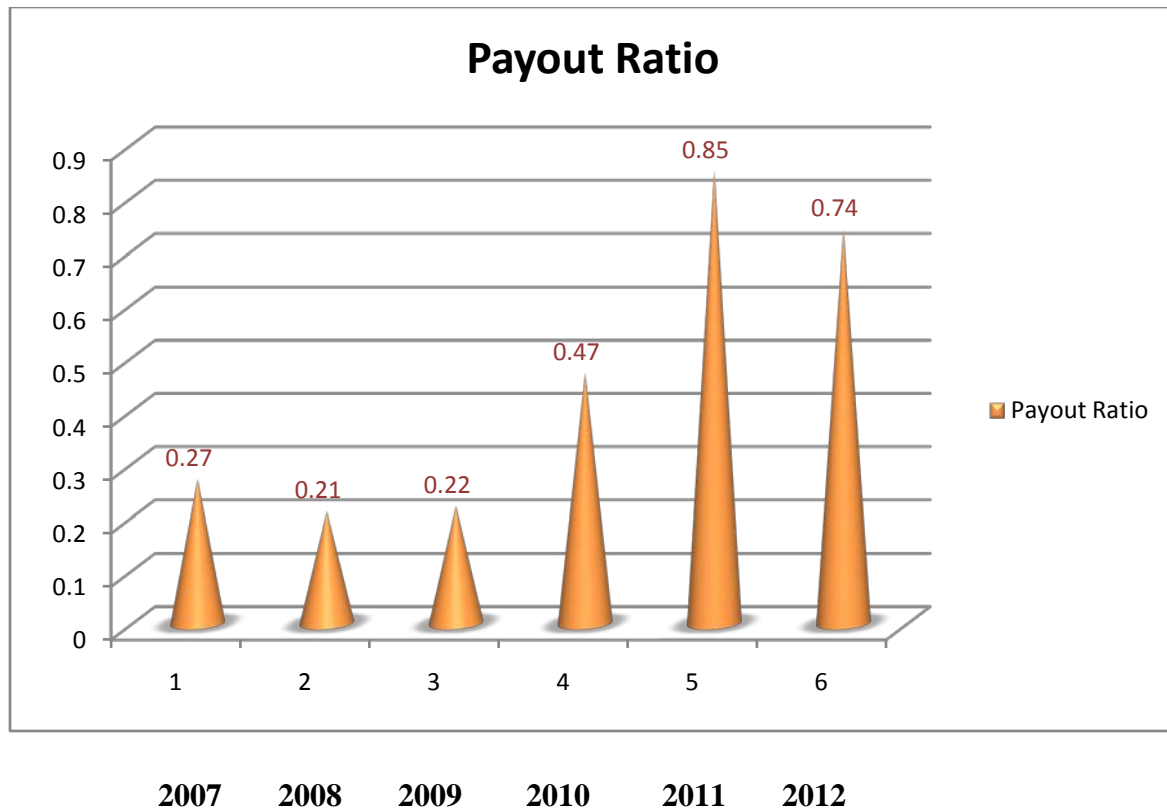
Formula:

$$\text{Dividend Payout Ratio} = \text{Total Dividend} / \text{Net Income}$$

Dividend Payout Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
Dividend Payout Ratio	.27	.21	.22	.47	.85	.74

Table19: Payout Ratio



In 2007 to 2009, although there was a downfall in payout ratio but the ratio did not fluctuated much, so almost a stable ratio was maintained which is a positive thing. In 2010 the payout ratio was much higher than 2009 which symbolizes GSK's strong financial condition. In 2011 the ratio was very high which is not good, it means then GSK gave less concentration in future growth. In 2012, although the ratio is lower but still it is very high.

4.20 Price Earnings Ratio or P/E: This is the ratio of market value to EPS. Through this ratio, the recent trading price of the firm is compared with its EPS.

The P/E ratio actually represents the expectation of investors about the firm. Higher P/E means that investors have high expectations about the firm's future growth and that's why they are interested to invest.

The P/E ratio has also another meaning, sometimes it also indicates that how much the investors are willing to pay for per dollar of earnings. So, in this case it is referred as multiple. The average P/E ratio is 20-25 times. Comparing P/E ratio within firms of same industry gives the idea that which firm is performing well.

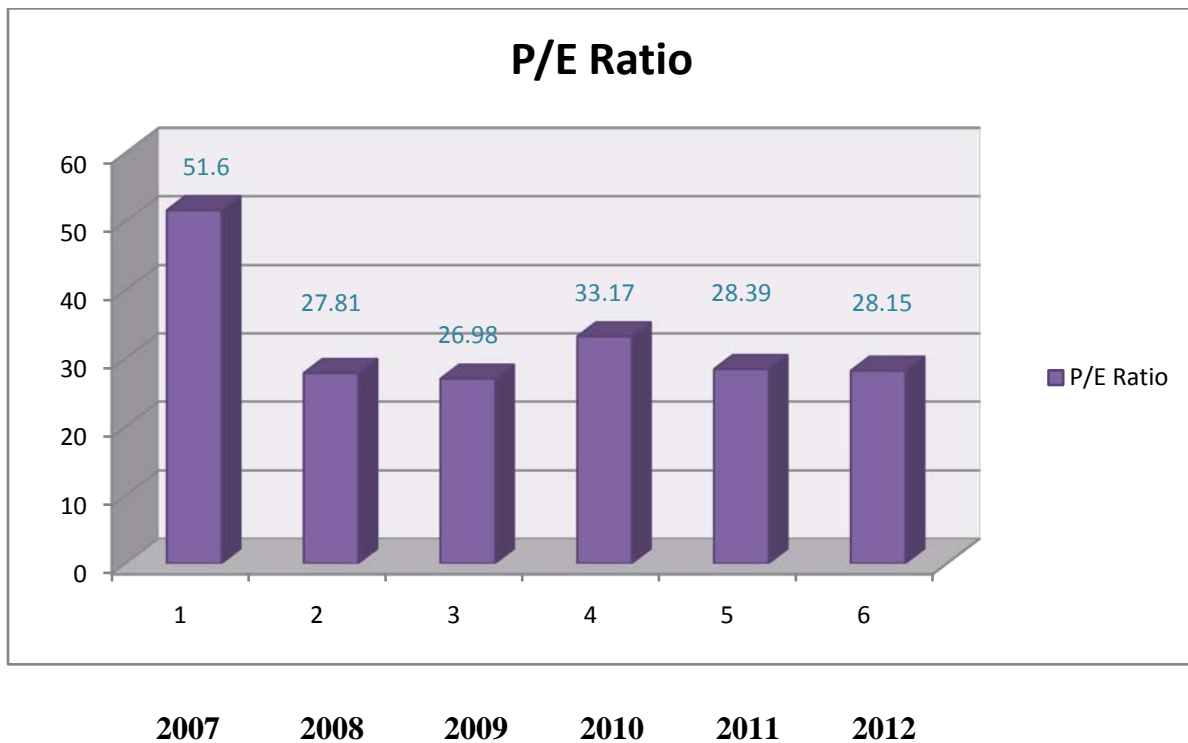
Formula:

P/E ratio= Market Price/EPS

P/E Ratio of GSK:

Year	2007	2008	2009	2010	2011	2012
P/E Ratio	51.60	27.81	26.98	33.17	28.39	28.15

Table20: P/E Ratio



Over the last six years, the P/E ratio of GSK was quite high which means that investors have great interest on GSK, this is because GSK is a well reputed multinational firm and has a unique brand image. In 27 the ratio was abnormally high which means it was over valued and in 2008 it was much lower than 2007 but higher than the standard figure. From 2009 to 2010, there was a raise in P/E. In 2011 there was a little downfall and in 2012 it was very near to that of 2011. So, from 2009 to 2012 it is quite stable but still higher than standard which indicates that people have positive opinion about the stocks of GSK.

4.21 Basic Earnings Power: It is the ratio of Earnings Before Interest and Taxes to Total Assets. This ratio tells us that the firm is how much efficient at earning EBIT from its total assets. High BEP is considered as good for firm.

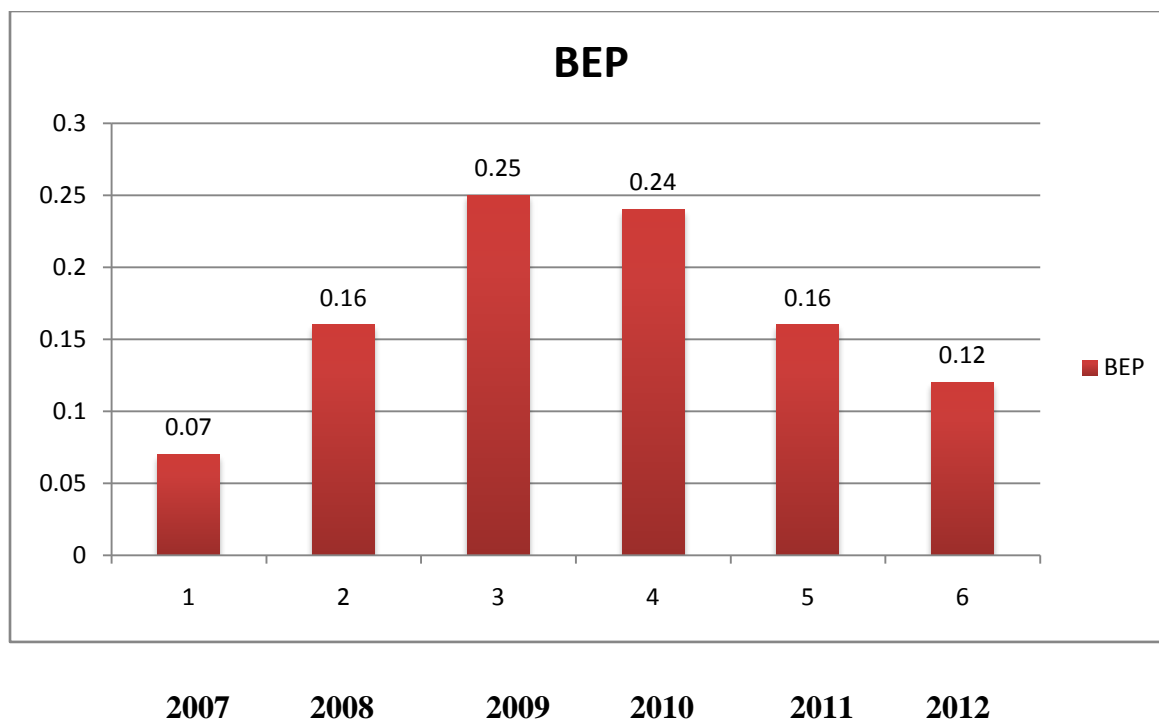
Formula:

Basic Earnings Power (BEP) = EBIT/ Total Sales

Basic Earnings Power of GSK:

Year	2007	2008	2009	2010	2011	2012
Basic Earnings Power	.07	.16	.25	.24	.16	.12

Table 21: Basic Earnings Per Share



In 2007 the BEP was lower, but in 2008 and 2009 it increased at a satisfied manner. In 2010 it dropped a little but in 2011 and 2012 the downfall continued at an increasing manner. So, it indicates that in the last three years the GSK Bangladesh Ltd did not utilize its assets properly to earn higher EBIT.

Book Value per Share: The book value per share represents the value which is leftover for the common stockholders after paying all debts and liquidating all the assets. So, if any firm becomes bankrupt then this is the value which the investors get back. So, it ensures that investment on a firm is safe or not.

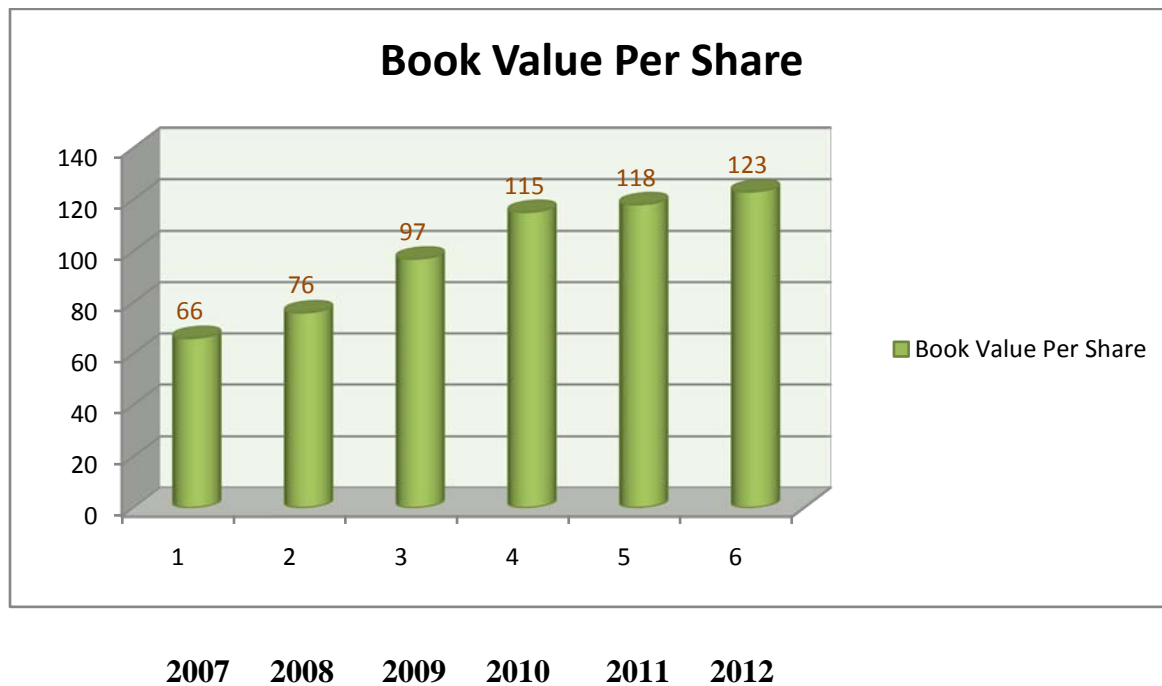
Formula:

Book Value per Share = (Asset-Liabilities) / Number of Shares Outstanding

Book Value per Share of GSK:

Year	2007	2008	2009	2010	2011	2012
Book Value Per Share	66	76	97	115	118	123

Table 22: Book Value per Share



Over the last six years, the book value per share of GSK has increased day by day. Compared to 2007, the book value per share is 57 taka higher in 2012 which is really impressive and indicates that the firm has a high growth. On the other hand, the market value is much higher than the book value which means that currently the stock is over valued so there is a chance of downfall in prices in future.

4.23 Findings

The factors I have identified through my analysis are:

- GSK has a very little amount of long term debt
- GSK earns a significant amount every year, its current ratio and turnover ratios are satisfactory which indicates that GSK is performing well.
- GSK has enormous production capacity but it is not fully utilizing this opportunity and it is not producing cheaper products than the competitors.
- GSK has a policy, that the MPOs can not pursue the doctors to recommend its drugs and as a result it is lagging behind in this sector.
- GSK's distribution channel is not that much strong compare to the local firms.
- GSK is not under capitalized which means GSK does not only depend on borrowed capital and the creditors. So its owned capital is able to meet up the operational costs. So, obviously GSK is financially solvent.

CHAPTER 5

Recommendation and Conclusion

5.1 Recommendations

- Although GSK is maintaining a fair current ratio, but from 2009 to 2012 it is gradually decreasing which is an indication that current liabilities are increasing. So, GSK must concentrate on this issue and should be careful to control the debts.
- The debt ratio of GSK is not so high but it is increasing gradually and in 2012 it was above .52. Although the figure is not so violent but if it is below .5 then more secured condition is expressed. So, from now GSK should check that its dependency on the trade creditors is increasing or not. If it is increasing then GSK must take effective steps to reduce it.
- There is an upward trend in debt to equity ratio, again it is pointing out that debts are increasing. Although higher debts can give financial leverage but there is also a risk of meeting up the debt obligations. So, GSK should realize that higher debts can lead it to higher risk. From now it should be little conservative in case of taking debts.
- Most of the profitability ratios are decreasing. So, it means the growth is lowering day by day. In this case GSK must need to think that how more profit can be achieved and needs to find ways to capture the significant portion of the market thus profit level goes up.
- In 2011 the sales growth was much higher than 2010 and in 2012 this trend was maintained. Although it's a very positive indication but GSK should not forget that it can increase the market share more. So, in this regard it should increase the promotional activities to capture the consumer mind more.
- Market coverage can be expanded through reaching the every corner of the country. GSK needs to adopt more aggressive strategy in order to beat the competitors.
- GSK needs to change its policy of not pursuing the doctors to prescribe its drugs, otherwise it will not be able to cope up with the local giants.

5.2 Conclusion

Financial ratios analysis is a part of financial statement analysis and through this we can have knowledge about the company's past and present performance. Most importantly it gives us an idea that what can be the company's performance in the future. Ratio analysis involves the calculation of statistical relationship between data and it is a very popular technique of financial statement analysis. Throughout my analysis, I came to know about the financial strength, operational efficacy and management efficacy of GSK. I have realized that GSK is performing well, it is financially solvents but there some threats which are increasing recently. If the risks or threats can behandled properly then definitely GSK can survive successfully as like the previous years.

Chapter 6

References

- www.ehow.com
- Annual Reports of GSK
- <http://dsebd.org/displaycompany.php?name=GLAXOSMITH>
- <http://www.gsk.com.bd>
- www.accountingformanagement.com
- www.googlefinance.com
- www.yahoofinance.com