Performance evaluation and ratio analysis of Pharmaceutical Company in Bangladesh

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ABSTRACT

The thesis applies performance evaluation of pharmaceutical company in Bangladesh. It means evaluate how well the company performs. The main aim is achieved through ratio analysis of two pharmaceutical (Beximco and Square pharmaceutical) companies in Bangladesh. The main data collection from the annual financial reports on Beximco and square pharmaceutical companies in 2007 to 2008.Different financial ratio are evaluated such liquidity ratios, asset management ratios, profitability ratios, market value ratios, debt management ratios and finally measure the best performance between two companies. The mathematical calculation was establish for ratio analysis between two companies from 2007-2008.It is most important factors for performance evaluation. The graphical analysis and comparisons are applies between two companies for measurement of all types of financial ratio analysis. Liquidity ratio is conveying the ability to repay short-term creditors and it total cash. It determines perform of short term creditor of both pharmaceutical companies under the three categories such as current ratio, quick ratio and cash ratio. Asset management ratio is measurement how to effectively a company to use and controls its assets. Its also quantify into seven categories for both pharmaceutical companies such as account receivable turnover, average collection period, inventory turnover, account payable turnover ,account payable turnover in days ,fixed asset turnover ,total asset turnover. Profitability ratio is evaluate how well a company is performing by analyzing and how profit was earned relative to sales, total assets and net worth for both pharmaceutical companies. Debt coverage ratio is performing that the property insufficient to collect their mortgage for both companies and market value is perform the stockholder to analysis their future market value of the stock market. Overall analyses are measurement the best one between Beximco and Square pharmaceutical companies.

Keyword: *Financial analysis, ratio analysis, Beximco company financial analysis, Square company financial analysis.*

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1. INTRODUCTION

This chapter gives an introduction to this thesis. A general background of the subject is followed by the thesis purpose and question, limitation of the study, thesis out line. The questions are followed by the purpose of this thesis.

1.1. Background

Performance evaluation of a company is usually related to how well a company can use it assets, share holder equity and liability, revenue and expenses. Financial ratio analysis is one of the best tools of performance evaluation of any company. In order to determine the financial position of the pharmaceutical company and to make a judgment of how well the pharmaceutical company efficiency, its operation and management and how well the company has been able to utilize its assets and earn profit.

We used ratio analysis for easily measurement of liquidity position, asset management condition, profitability and market value and debt coverage situation of the pharmaceutical company for performance evaluation. It analysis the company use of its assets and control of its expenses. It determines the greater the coverage of liquid assets to short-term liabilities and it also compute ability to pay pharmaceutical company monthly mortgage payments from the cash generate. It measures pharmaceutical company overall efficiency and performance. It determines of share market condition of pharmaceutical company. It also used to analysis the pharmaceutical company past financial performance and to establish the future trend of financial position.

We are choosing two pharmaceutical companies in Bangladesh. At first we discuss square pharmaceutical company. It is the most famous company in Bangladesh. It was established in 1958 but their converted into public limited company in 1991.It is the first position among all national ,multination, private and public of pharmaceutical company of Bangladesh. Their mission is to produce and provide quality healthcare relief of people, maintain strongly ethical standard in business operation also ensuring benefit to the shareholder, stakeholder, and society. Their vision is social wellbeing of the investors, employee and society at large, wealth financial and moral gains as a part of the process of the human civilization. Their objectives are to conduct transparent business operation based on market mechanism within the legal & social frame work. (Beximco-financial-reports)

On the other hand, Beximco pharmaceutical company ltd is one of the largest leading companies in Bangladesh. They provide world class manufacturing facilities, development capability and standard service. They prepare ‘branded generics' for all diseases from AIDS to cancer and also asthma, diabetes, etc. They export lot of medicine in developed countries (Germany, Switzerland, Italy, and United Kingdom) to earn money. (Square-financial-reports)

1.2. Purpose and thesis questions

The purpose of this study is a performance evaluation of two pharmaceutical companies in Bangladesh. We will analysis the financial conditions of both pharmaceutical companies in Bangladesh.

Thesis Questions:

- What is the performance of the companies related to liquidity ratios?
- What is the performance of the companies related to Asset management ratios?
- What is the performance of the companies related to Profitability ratios?
- What is the performance of the companies related to Market value ratios?
- What is the performance of the companies related to debt management ratios.
- What is the best performance between two companies?

1.3. Limitation of study

There is some limitation of our thesis. When we used the main methods of ratio analysis for performance evaluation of pharmaceutical company .We can face different kinds of problem. In order to achieve the good of performance evaluations we need to choose a ratio that is suitable .This means that data must be correct, otherwise calculate of ratio may be erroneous. Sometime we can’t find the items to analysis the ratio such as common share holder equality, weight average outstanding of number of share, market value of share, book value of share, interest charged etc as result we can’t complete ratio analysis and also can’t compare among both companies.

1.4. Thesis outline

The thesis comprise of six or seven chapters including reference: introduction, literature review, methodology, result and analysis, conclusion and recommendation, list of reference. All chapters are shown in Fig.1.

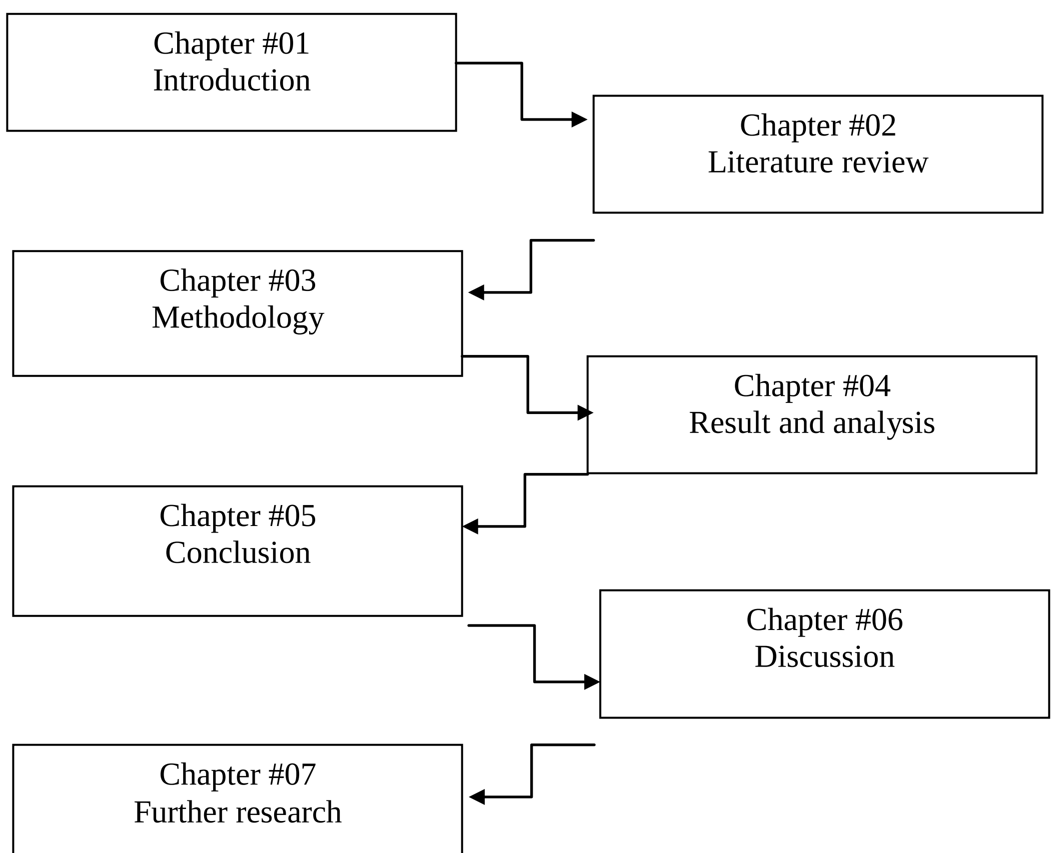


Figure: 1

Chapter 1 - Introduction: The introductory chapter will lay out the general structure and framework of the thesis. Shortly explain of purpose and thesis questionnaire and limitation of the thesis.

Chapter 2 - Literature Review: This chapter will review, analyze and summarize of all article those are used our thesis.

Chapter 3 – Methodology: In this chapter we show that the represent of how to the data collection, data analysis, model and formula to used our thesis.

Chapter 4- Result and analysis: In this chapter we are process of the data, mathematical calculation of pharmaceutical companies, graphical analysis, statistical analysis, comparison of pharmaceutical companies, outcome of the analysis, and declaration of the best one between those companies.

Chapter 5- Conclusion: In this chapter we our thesis conclusion are show that the best performance between two pharmaceutical

Chapter 6- Discussion: In this chapter we discuss the overall thesis about the whole chapter.

Chapter 7-Further research: In this chapter give some suggestion for development of future trend of financial position and give some guideline about loss or profit of those companies.

2. LITERATURE REVIEW

In this chapter we will discuss the summary of literature. It has been performed and presented here.

Gopinathan Thachappilly (2009**)**, in this articles he discuss about the Financial Ratio Analysis for Performance evaluation. It analysis is typically done to make sense of the massive amount of numbers presented in company financial statements. It helps evaluate the performance of a company, so that investors can decide whether to invest in that company. Here we are looking at the different ratio categories in separate articles on different aspects of performance such as profitability ratios, liquidity ratios, debt ratios, performance ratios, investment evaluation ratios.

James Clausen (2009), He state that the Profitability Ratio Analysis of Income Statement and Balance Sheet Ratio analysis of the income statement and balance sheet are used to measure company profit performance. He said the learn ratio analyses of the income statement and balance sheet. The income statement and balance sheet are two important reports that show the profit and net worth of the company. It analyses shows how the well the company is doing in terms of profits compared to sales. He also shows how well the assets are performing in terms of generating revenue. He defines the income statement shows the net profit of the company by subtracting expenses from gross profit (sales – cost of goods sold). Furthermore, the balance sheet lists the value of the assets, as well as liabilities. In simple terms, the main function of the balance sheet is to show the company's net worth by subtracting liabilities from assets. He said that the balance sheet does not report profits, there's an important relationship between assets and profit. The business owner normally has a lot of investment in the company's assets.

Gopinathan Thachappilly (2009), He discuss about the Profitability Ratios Measure Margins and Returns such as gross, Operating, Pretax and Net Profits, ROA ratio, ROE ratio, ROCE ratio**.** However, he determines the Gross profit is the surplus generated by sales over cost of goods sold. He discussion about the Gross Profit Margin = Gross Profit/Net Sales or Revenue. Moreover, Operating profits are arrived at by deducting marketing, administration and depreciation and R&D costs from the gross margin. Nonetheless, He explains about the operating profit margin. Operating Profit Margin = Operating Profit/Net Sales or Revenue. Nevertheless, pretax profits are computed by deducting non-operational expenses from operating profits and by adding non-operational revenues to it. Pretax Profit Margin = Pretax Profit/Net Sales or Revenue .Nonetheless**,** he also analysis about the net profit margin.Net Profit Margin = Net Profit/Net Sales or Revenue. He also explains that the returns on resources used dividend into three categories such as ROA, ROE, and ROCE: At first the Return on Assets = Net Profit/ (Total Assets at beginning of the period + Total Assets at the close of the period)/2) - The denominator is the average total assets employed during the year**.** Return on Equity = Net Profit/ (Shareholders' Equity at the beginning of the year + Shareholders' Equity at the close of the year)/2).ROCE ratio**:** Return on Capital Employed = Net Profit/ (Average Shareholders' Equity + Average Debt Liabilities) - Debt Liabilities.

Maria Zain (2008), in this articles he discuss abut the return on assets is an important percentage that shows the company's ability to use its assets to generate income. He said that a high percentage indicates that company's is doing a good utilizing the company's assets to generate income. He notices that the following formula is one method of calculating the return on assets percentage. Return on Assets = Net Profit/Total Assets. The net profit figure that should be used is the amount of income after all expenses, including taxes. He enounce that the low percentage could mean that the company may have difficulties meeting its debt obligations. He also short explains about the profit margin ratio – Operating Performance .He pronounces that the profit margin ratio is expressed as a percentage that shows the relationship between sales and profits. It is sometimes called the operating performance ratio because it's a good indication of operating efficiencies. The following is the formula for calculating the profit margin. Profit Margin = Net Profit/Net Sales**.**

James Clausen (2009), in this article he barfly express about the liquidity ratio. He Pronounce that it is analysis of the financial statements is used to measure company performance. It also analyses of the income statement and balance sheet. Investors and lending institutions will often use ratio analyses of the financial statements to determine a company’s profitability and liquidity. If the ratios indicate poor performance, investors may be reluctant to invest. Therefore, the current ratio or working capital ratio, measures current assets against current liabilities. The current ratio measures the company’s ability to pay back its short-term debt obligations with its current assets. He thinks a higher ratio indicates the company is better equipped to pay off short-term debt with current assets. Wherefore, the acid test ratio or quick ratio, measures quick assets against current liabilities. Quick assets are considered assets that can be quickly converted into cash. Generally they are current assets less inventory.

Gopinathan Thachappilly(2009),he also state that the Liquidity Ratios help Good Financial .He know that a business has high profitability, it can face short-term financial problems and its funds are locked up in inventories and receivables not realizable for months. Any failure to meet these can damage its reputation and creditworthiness and in extreme cases even lead to bankruptcy. In addition to, liquidity ratios are work with cash and near-cash assets of a business on one side, and the immediate payment obligations (current liabilities) on the other side. The near-cash assets mainly include receivables from customers and inventories of finished goods and raw materials. Coupled with, current ratio works with all the items that go into a business' working capital, and give a quick look at its short-term financial position. Current assets include Cash, Cash equivalents, Marketable securities, Receivables and Inventories. Current liabilities include Payables, Notes payable, accrued expenses and taxes, and Accrued installments of term debt). Current Ratio = Current Assets / Current Liabilities**. S**imilarly, Quick ratio excludes the illiquid items from current assets and gives a better view of the business' ability to meet its maturing liabilities. Quick Ratio = Current Assets minus (Inventories + Prepaid expenses + Deferred income taxes + other illiquid items) / Current Liabilities**.** In the final ratio under this article is cash ratio .Cash ratio excludes even receivables that can take a long time to be converted into cash. Cash Ratio = (Cash + Cash equivalents + Marketable Securities) / Current Liabilities.

Jo Nelgadde (2010), in this article he briefly about the asset management ratio. It divided into different types of categories. He state that about the used to analyze accounts receivable and other working capital figures to identify significant changes in the company’s operations and financial accounts. He said that there are two categories about this ratio such as account receivable turnover and average age of account receive. He measurement the ratio as, Accounts receivable turnover = Sales / Average Accounts receivable. Average age of accounts receivable/ collection period = 365 days / Accounts receivable Turnover.

Jo Nelgadde (2009), He said that learn how to perform inventory analysis and inventory turnover analysis to better understand a business as well as to identify effective inventory management. He analyzing a company’s financial performance definitely includes performing inventory analysis. He know that there are three types of business inventory: Raw Materials (RM),Work-In-Progress (WIP),Finished Goods (FG).He give idea two types formula of ratio such as Inventory Turnover = Cost of Goods Sold / Average Inventory, Average age of Inventory = 360 days / Inventory Turnover.

James Clausen (2009), He denotes that about the total asset ratio. The calculation uses two factors, total revenue and average assets to determine the turnover ratio. When calculating for a particular year, the total revenue for that year is used. Instead of using the year ending asset total from the balance sheet, a more accurate picture would be to use the total average assets for the year. Once the average assets are determined for the same time period that revenue is compared, the formula for calculating the asset turnover ratio is. Total Revenue / Average Assets = Asset Turnover Ratio.

Munya Mtetwa (2010), in this article he short propose that about the fixed asset. He define that fixed assets are assets that are used in production or supply of goods or services and they are to be used within the business for more than one financial year. Consequently, fixed assets represent the company's long term income generating assets and they can either be tangible or non tangible. It includes land and buildings, plant and equipment, golf courses, casinos, football players, machinery and hotels depending on the nature of the business under consideration. *Fixed asset turnover = Sales / Net fixed asset.*

Diane White (2008), He refer that the accounts receivable is an important analytical tool for measuring the efficiency of receivables operations is the accounts receivable turnover ratio. Many companies sell goods or services on account. This means that a customer purchases goods or services from a company but does not pay for them at the time of purchase. Payment is usually due within a short period of time, ranging from a few days to a year. These transactions appear on the balance sheet as accounts receivable.

Lucia Jenkins (2009), Understanding the use of various financial ratios and techniques can help in gaining a more complete picture of a company's financial outlook. He thinks the most important thing is fixed cost and variable cost. Fixed costs are those costs that are always present, regardless of how much or how little is sold. Some examples of fixed costs include rent, insurance and salaries. Variable costs are the costs that increase or decrease in ratios proportion to sales.

Gopinathan Thachappilly **(**2009), in this articles he express about debt management**.** He mention that the Ratio of Debt to Equity has Implications for return on equity debt ratios check the financial structure of the business by comparing debt against total capital, against total assets and against owners' funds. The ratios help check how "leveraged" a company is, and also the financial maneuverability of the company in difficult times. The concepts of leverage and other issues are examined below. The Debt Ratios formula is that Debt Ratio = Total Liabilities / Total Assets (Total liabilities include even non-interest-bearing operational liabilities) and Debt to Equity Ratio (Debt Capital Ratio) = Total Liabilities / Shareholders' Equity**.** Capitalization (Term Debt Ratio) = Long-term Debt / (Long-Term Debt + Shareholders' Equity)**.**Interest Coverage Ratio = Profit before Interest and Taxes (PBIT) / Interest Expense. Simultaneously, debt ratios and the related interest coverage ratio checks the soundness of a company's financing policies. One the one hand, use of debt funds can enhance returns to owners. On the other hand, high debt can mean that the company will find it difficult to raise funds during lean periods of business.

James Hutchinson (2010), He realizes that about the long term debt to equity ratio of a Business. The ratio of these numbers tells a lot about the business. It is calculated by taking the debt owed by the company and divided by the owner's equity, also known as capital. The debt number may include all liabilities, or just long term debt.

Jo Nelgadde (2010), debt collection and debt recovery tools a company guide to using debt solution tools for effective debt collection: credit insurance, a solicitor or debt attorney or a debt collection agency. Moreover, collection of accounts receivable, debt collection or debt recovery is an important source of a company's cash flow and business finance. As such, learning about credit management and debt recovery can prove vital for entrepreneurs.

Gopinathan Thachappilly (2009), he shows that the EPS is computed by dividing the company's earnings for the period by the average number of shares outstanding during the period. He discuss that Stock analysts regularly estimate future EPS for listed companies and this estimate is one major factor that determines the share's price. Price/Earnings (PE) Ratio = Stock Price per Share / Earnings per Share (EPS).Hence, many investors prefer the Price/Sales ratio because the sales value is less prone to manipulation. Price/Sales (PS) Ratio = Stock Price per Share / Net Sales per Share. The Dividend Yield, The dividend yield ratio annualizes the latest quarterly dividend declared by the company Dividend Yield = Annualized Dividend per Share / Stock Price per Share.

3. METHODOLOGY

This chapter describes how the data needed in order to fulfill the purpose was collected. It also discusses the model and formula, how to presenting the model and formula in our thesis. We used quantitative approach for our thesis because the majority of data collection from the quantitative approach. That is explained as below as;

3.1. Data collection

Main data for our thesis are the annual financial reports on Beximco and square pharmaceutical company in 2007 to 2008. When we measurement the ratio analysis for any company, we must be used in annual financial report otherwise we don't measurement. We have also used four main financial statements for ratio analysis of pharmaceutical company such as; balance sheets, an income statement, cash flow statement; statement of shareholder's equity.

3.2. Data analysis

We used the model for performance evaluation of pharmaceutical company. It is briefly discusses next page. It indicates the different steps such Selection of financial report, Identification of balance sheet, income statement and cash flow statement, ratio analysis, mathematical calculation, statistical analysis of companies, comparison of among both companies and declaration of best one among both companies.

First step of model, we do a selection of financial report that means a chose of annual financial report. The annual financial report present financial data of a company's position, operating performance, and funds flow for an accounting period .We use the annual reporting of both pharmaceutical companies in 2007 to 2008.
Second step of model, we identify the balance sheet, income statement, cash flow statement from the annual financial report. We used some data from balance sheets for

different kind of ratio such as liquidity ratios, asset management ratios, debt management ratios. In contrast, we was used some sources from income statement. When we analysis the ratio of profitability and debt management ratio we must be use income statement for those companies. Nevertheless, we can use some data from the cash flow statement for ratio analysis such as market value ratio.

The third step of model, we identify the suitable ratio for performance evaluation and we analysis the ratio such as liquidity ratio, asset management ratio, profitability ratio, debt coverage ratio, market value etc. All types of ratio are most important for how well a company to generate its assets, liquidity, revenue, expense, share holder equity profit or loss etc.

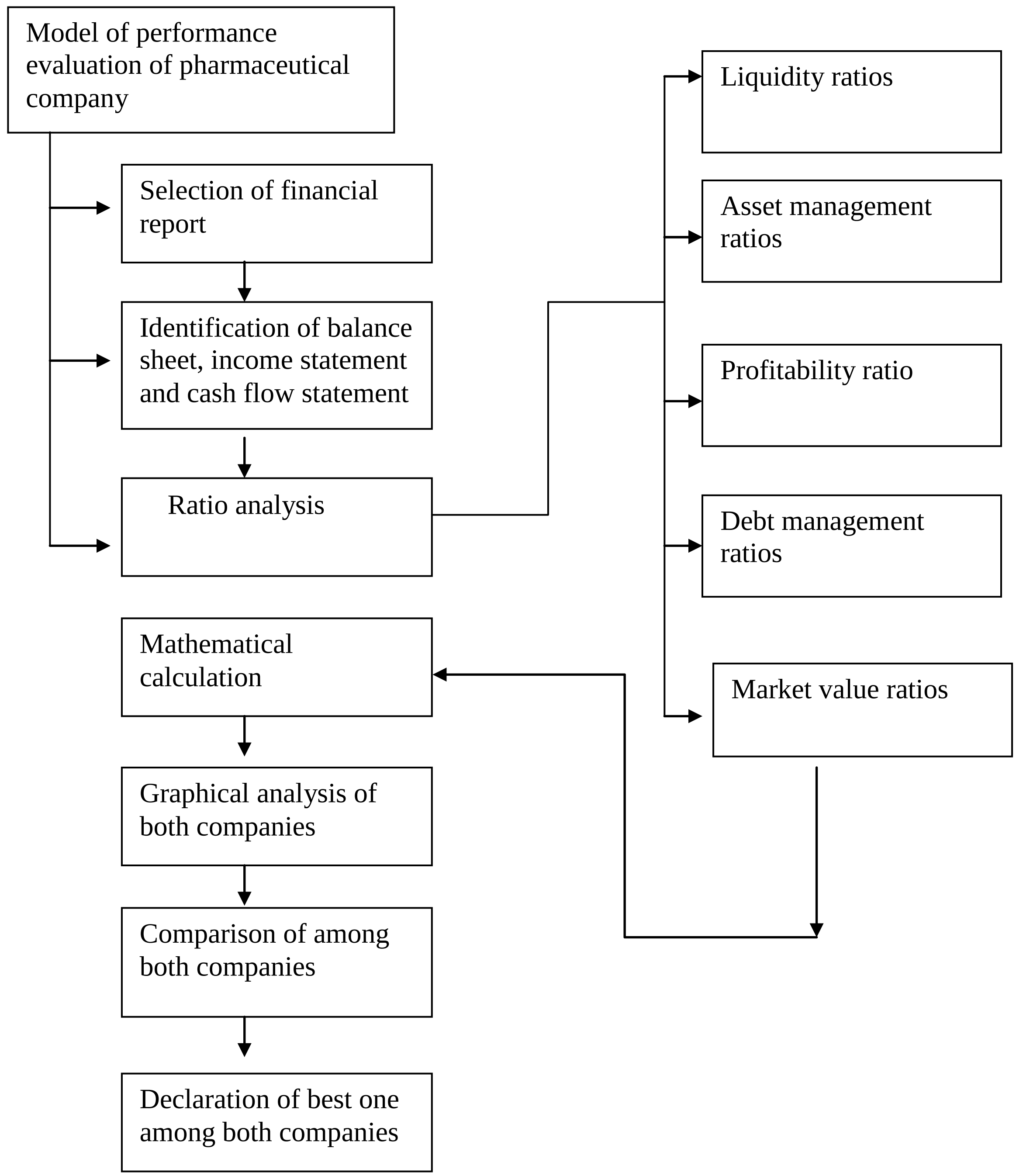
The Forth step of model, we used the Mathematical calculation for both companies. Here we identify some figure from the income statement and balance sheet in 2007 to 2008 in both pharmaceuticals companies. We used scientific calculators for determine the result.

The five step of model, we used the graphical analysis for evaluation of the company. The graphical analysis is an inexpensive, easy-to-learn program for producing, analyzing, and printing graphs. Here we used Microsoft excel for graph of both companies. We make different kinds of graph of both companies such as column graph, line graph, area graph, and bar graph. Most of the graph is column graph .Ever graph has two part one is horizontal another is vertical. Horizontal indicate the company name and vertical indicate the parentage of ratio.

The six step of model, we compares between two pharmaceutical companies about the liquidity position, asset management condition, debt coverage facilities and profitability, share equity position under the ratio analysis. We also command why company better than other company and also discuss why not those companies is not good position compare then other company.

Finally we can dealer the best one between the two pharmaceutical companies. We can easily measurement the best one because we use different kinds of ratio and know the result, graphical analysis, compare of both companies.

Modal for performance evaluation of both pharmaceutical companies



3.3. Formula for ratio analysis

We used different types of formula for calculation of different kinds of ratio. We collect some formula from the book of Intermediate Accounting by Kieso,Weygandt, Warfield(2001).We also collect some data from Accounting Principles by Weygandt, J. J, Kieso, D. E, & Kell, W. G. (1996). So formula is the most important thing for our thesis without formula we can’t calculation the ratio analysis and we don’t measurement of performance evaluation of pharmaceutical company. There are several formulas revealing each of the five aspects of performance evaluation and financial condition and short discuss about as follow as;

Liquidity ratio

Current Ratio:
Current Ratio = Current assets /Current liabilities --------------------- **(1)**

Quick Ratio:
Quick Ratio= (Current Assets-Inventories)/Current Liabilities ----------------------- **(2)**

Cash Ratio:
Cash Ratio = Cash / Current Liabilities ---------------------- **(3)**

Asset management ratios

Accounts receivable turnover:
Accounts receivable turnover = Sales / Accounts receivable --------------------- **(4)**

Average collection period:
Average collection period = 360 days / Accounts receivable turnover ------------------- **(5)**

Inventory Turnover Ratio
Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory ------------------- **(6)**

Accounts Payable turnover
Accounts Payable turnover = Sales / Accounts Payable -------------------- **(7)**

Accounts Payable turnover in days
Accounts Payable turnover in days = 360 / Accounts Payable turnover ---------------- **(8)**

Fixed asset turnover
Fixed asset turnover = Sales / Net fixed asset ----------------- **(9)**

Total asset turnover
Total asset turnover = Sales / Total asset **----------------- (10)**

Profitability Ratio

Net Profit margin
Net Profit margin = Net profit after tax/sales **----------------------- (11)**

Net Profit margin ratio
Gross Profit margin ratio= Gross profit/sales **----------------------- (12)**

Return on Total Assets
Return on Total Assets = Net profits after taxes / total assets **----------------------- (13)**

Return on common stock equity
Return on common stock equity = Net income / Common stockholders equity**------- (14)**

Operating Profit Margin
Operating Profit Margin = Operating profits / Sales **---------------- (15)**

Debt coverage ratio

Debt Ratio
Debt Ratio =Total liabilities / Total assets **---------------- (16)**

Time interest earned
Time interest earned = EBIT / Interest charged **--------------- (17)**

Book value per share
Book value per share = Common stockholders equity / Outstanding shares **------------ (18)**

Market value ratios

Earning per share ratio
Earning per share ratio = Net income /weighted average number of share outstanding **-------- (9)**

Market/Book ratio
Market/Book ratio= Market price per share/Book value per share **------- (20)**

4. RESULTS AND ANALYSIS

In this part we present the result from our data analysis. This part is separate into five categories. At first, we briefly examined the performance of liquidity position of both pharmaceutical companies. Second, we present the asset management condition of those companies .Third, we demonstrate the performance of profitably those companies, Forth we discussion the debt management position and finally we represent the market value of those companies.

4.1 .Liquidity ratio

Liquidity ratio refers to the ability of a company to interact its assets that is most readily converted into cash. Assets are converted into cash in a short period of time that are concerns to liquidity position. However, the ratio made the relationship between cash and current liability.

The Liquidity ratio we can satisfy on the three ratios, those are:

1) Current ratio
2) Quick ratio or acid test
3) Cash Ratio

4.1.1. Current ratio

The current ratio is calculated by dividing current assets by current liabilities. Current asset includes inventory, trade debtors, advances, deposits and repayment, investment in marketable securities in short term loan, cash and cash equivalents, and current liabilities are comprised short term banks loan, long term loans-current portion, trade creditors liabilities for other finance etc.Generaly current ratio are acceptable of shot term creditors for any company.

The formula is shown as below;

Current Ratio = Current assets /Current liabilities

(1) **(2)**

Table: 4.1.1 **Current ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1) (2)	2,861,891,654 -------------------- = 1.099 2,602,032,267	4,411,836,436 ------------------- =1.260 3,500,845,103
2007	(1) (2)	2,923,775,458 --------------------- = 1.795 1,627,972,936	3,682,510,712 ------------------ =1.440 2,555,566,286

Analysis: In this analysis, we can view that in 2007 the current ratios were 1.099 times in Beximco pharmaceutical Ltd. It was decreasing the next year. On the other hand, square pharmaceutical company both years in same position. So we understand that both pharmaceutical companies are not good performing for current ratio because their figure also showing that situation.

4.1.2. Quick ratio or acid test

Quick ratio or acid test ratio is estimating the current assets minus inventories then divide by current liabilities. It is easily converted into cash at turn to their book values and it also indicates the ability of a company to use its near cash.

The formula of quick ratio or acid test ratio are as follow as;

Quick ratio = (Current asset- inventories)/Current liabilities

(1) (2)

Table: 4.1.2 **Quick ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1) (2)	1,356,603,561 ------------------ = 0.5 21 2,602,032,267	2,385,100,114 ----------------- = 0.681 3,500,845,103
2007	(1) (2)	1,453,623,216 ------------------ = 0.892 1,627,972,936	2,138,318,914 ----------------- = 0.836 2,555,566,286

Analysis: Analysis of this ratio, it is the same position of current ratio. In 2007, the quick ratio was 0.9 times of Beximco pharmaceutical company which decreased quietly as resulted 0.5 times. In 2008, the quick ratio of square pharmaceutical company, it is also silently decrease compare than last year. Both of these ratios represent the idea that square has so far an almost constant liquidity position which is good at some point, but the beixmco pharmaceutical too long for this reason is not good liquidity position. So their profit margin may not so high. Finally in this ratio, we can state that the square pharmaceutical is better liquidity position compare than the square pharmaceutical company.

4.1.3. Cash Ratio

The cash ratio is estimate to current liabilities into cash. It betoken the company can pay off it current liabilities given year from its operation.(Kieso, Weygandt,Warfield ,2001).It is the most famous ratio for realize the liquidity position of any company. Generally we know that current ratio and quick ratio is not good way to analysis the liquidity position for a company because it correspond of account receivable and inventory, which take time to convert to cash..Finally we can express that the cash ratio gives a better result.

The formula of current ratio is below as;

Cash Ratio = Cash / Current Liabilities

(1) (2)

Table: 4.1.3 **Cash ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1) (2)	73,647,728 ------------------ = 0.028 2,602,032,267	205,295,694 ------------------- = 0.058 3,500,845,103
2007	(1) (2)	85,698,910 ------------------- = 0.052 1,627,972,936	139,855,179 ------------------ = 0.054 2,555,566,286

Analysis: In this ratio, we can analysis that the ratio has decrease few times in Beximco pharmaceutical company in year 2007 to 2008.On contrast; square pharmaceutical company has increased few. For this reason both companies are holding its cash, which is not good from investor points of view. Current liabilities have increase for both companies. So those companies need increase invest, that’s way both company to get money for good return.

4.2. Asset management ratio

Asset management ratios are most notable ratio of the financial ratios analysis. It measure how effectively a company uses and controls its assets. It is analysis how a company quickly converted to cash or sale on their resources. It is also called Turnover ratio because it indicates the asset converted or turnover into sales. Finally, we can recognize the company can easily measurement their asset because this ratio made up between assets and sales.

Following are discussed seven types of asset management ratios:

1) Accounts receivable turnover
2) Average collection period
3) Inventory turnover
4) Accounts Payable turnover
5) Accounts Payable turnover in days
6) Fixed asset turnover
7) Total asset turnover

4.2. 1. Accounts receivable turnover

The Accounts receivable turnover is comparison of the size of the company sales and uncollected bills from customers. If any company is difficult to collect money so it has large account receivable and also indicates the low ratio. Instead of, if any company aggressive collection money so it has low receivable and also high ratio. This ratio measure the number of times are collected during the period.

Account receivable turnover ratio formula is;

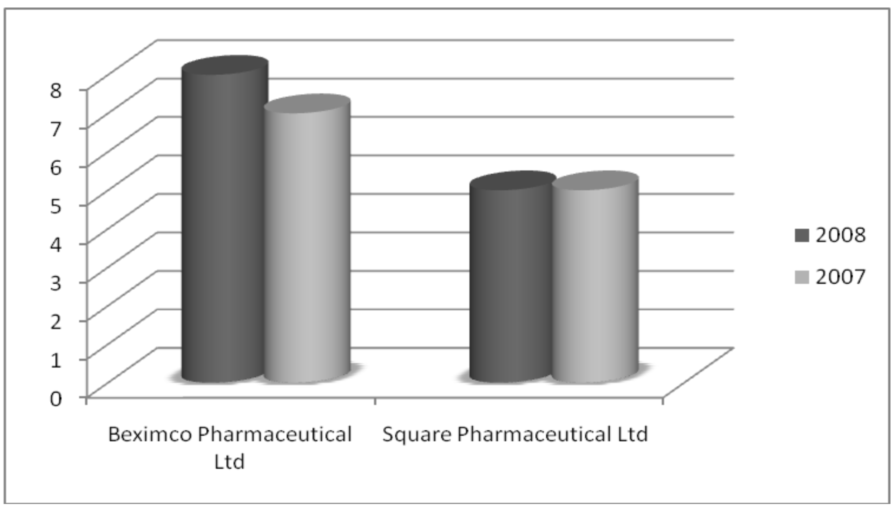
Accounts receivable turnover = Sales / Accounts receivable

(1) (2)

Table: 4.2.1 **Accounts receivable turnover ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1)	4,010,167,059	8,257,843,739
		------------------- = 7.958	------------------- = 5.466
	(2)	503,916,401	1,510,502,334
2007	(1)	3,597,024,812	7,500,811,349
		------------------- = 7.198	------------------ = 5.286
	(2)	499,680,792	1,418,893,703

Figure: 4.2. 1. Accounts receivable turnover



Analysis: From this ratio analysis we acquire that the ratio is continuously increasing from 2007 to 2008 in Beximco and square Pharmaceutical Company. It means that Account receivable is increasing day by day which is very bad position for company because it has make up a lot of cash money, for this reason the company must be invested by other sector., So the higher turnover means that the company is inefficient in managing its Account receivable .

4.2.2. Average collection period

The average collection period is refers the average number of days of the company. It maintain the company to collection its credit policy. It has made good relationships between account receivable and outstanding payment. It measures the average number of days customers take to pay their bills to divide by account receivable turnover .The average number of day also indicate the 360 days .

The equation of average collection period is following as;

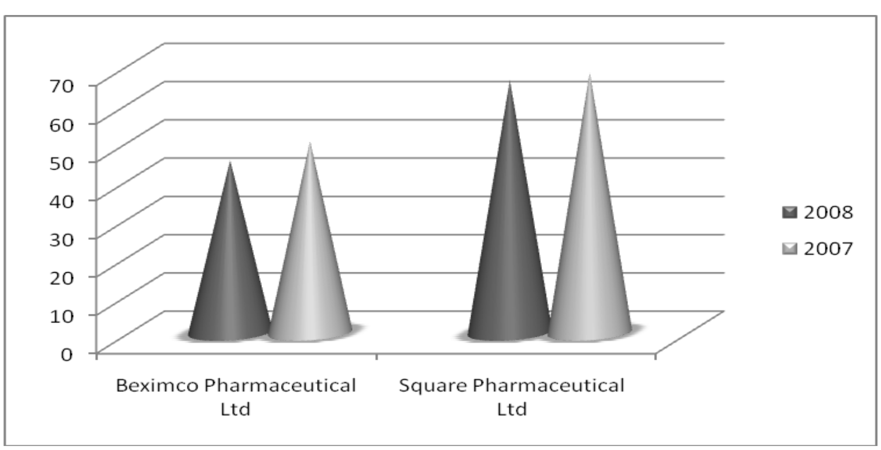
Average collection period = 360 days / Accounts receivable turnover

(1) (2)

Table: 4.2.2 **Average collection period**

Year		**Beximco Pharmaceuticals Ltd (Days)**	**Square Pharmaceuticals Ltd. (Days)**
2008	(1)	360 days	360 days
		---------------- = 45	---------------- = 65
	(2)	7.958 times	5.466 times
2007	(1)	360 days	360 days
		---------------- = 50	---------------- = 68
	(2)	7 .198 times	5.286 times

Table: 4.2.2. Average collection period



Analysis: As a result we can recognize the average collection period had decreased from 2007 to 2008 for both pharmaceutical companies. A low ratio stand up the company bad collection period and it's also indicating of low cash balance. The main aim of any company should be increase sale otherwise the company doesn't increasing receivable because it makes up the cash balance. If any company fails to increase the sale those company ultimately loss. So both pharmaceutical companies must be increase the average collection period other those companies is loss.

4.2.3. Inventory turnover ratio

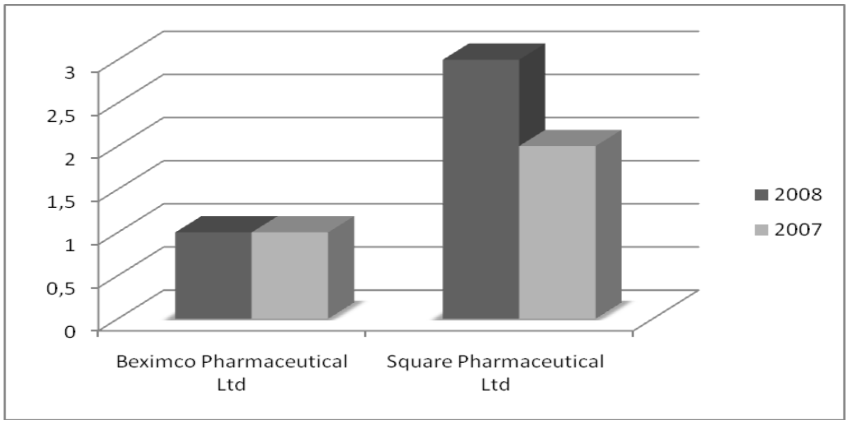
The inventory turnover ratio measures the number of times on average the inventory was sold during the period (Kieso, Weygandt, Warfield, 2001).The ratio is calculate the cost of goods sold by divide into average inventory. the measurement of average inventory is; at first we are add to years inventory after that we divide in to two.Inventory turnover ratio is also known as inventory turns ratio and stock turnover ratio.

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory
(1) (2)

Table: 4.2.3 **Inventory Turnover Ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1)	2,002,871,181	4,856,061,933
		---------------------- = 1.346	---------------------- = 2.719
	(2)	1,487,720,168	1,785,464,060
2007	(1)	1,967,509,975	4,268,447,662
		--------------------- = 1.322	---------------------- = 2.390
	(2)	1,487,720,168	1,785,464,060

Figure: 4.2.3. Inventory turnover ratio



Analysis: In this analysis we identify that the continuous improvement of inventory turnover ratio through the years from 2007 to 2008 in square pharmaceutical company. Here we understand that the cost of goods sold is increasing day by day as well as the turnover is also increasing because the increasing rate of sales is higher than average inventory. Generally it is important that they are holding much more inventory, which has make up the cash balance. So we are confirms that both companies capture much more inventory. It is the best position for both companies.

4.2.4. Accounts Payable turnover

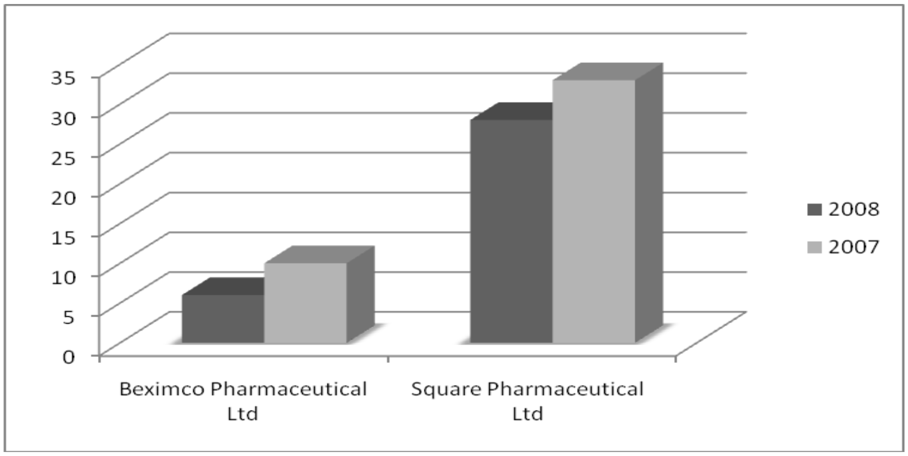
The accounts payable turnover ratio is compute by account payable to sale. It measures the tendency of a company credit policy whether extend account payable or not.

The account payable turnover ratio equation are as follow as;
Accounts Payable turnover = Sales / Accounts Payable
(1) (2)

Table: 4.2.4 **Accounts Payable turnover ratio**

Year		Beximco Pharmaceuticals Ltd (Ratio)	Square Pharmaceuticals Ltd. (Ratio)
2008	(1) (2)	4,010,167,059 -------------------- = 6.186 6,48,165,841	8,257,843,739 --------------------- = 27.803 297,002,646
2007	(1) (2)	3,597,024,812 --------------------- =10.468 343,604,498	7,500,811,349 --------------------- = 33.310 225,176,449

Figure: 4.2.4. Accounts Payable turnover



Analysis: Analysis shows that there is opposite in Accounts receivable turnover. Here, in square Pharmaceutical has decreased by 2007 to 2008.It signal that the company maintains a low accounts payable. So we can say that the company pays their accounts payable immediately. As a result there is a low balance of cash. In other hand, Beximo pharmaceutical company has gone opposite that ratio is increase compare than previous year. So it is most important for that company because this company has high cash balance. As result we confirm that the Beximco pharmaceutical company is good condition compare than square pharmaceutical company.

4.2.5. Accounts Payable turnover in days

Accounts Payable turnover in days is represent that the number of days of a company to pay their liability to their creditor. If any company number of days is more then the company is stretching account payable otherwise the company is not holding their account payable. It evaluates the account payable turnover by exchange into 360 days.

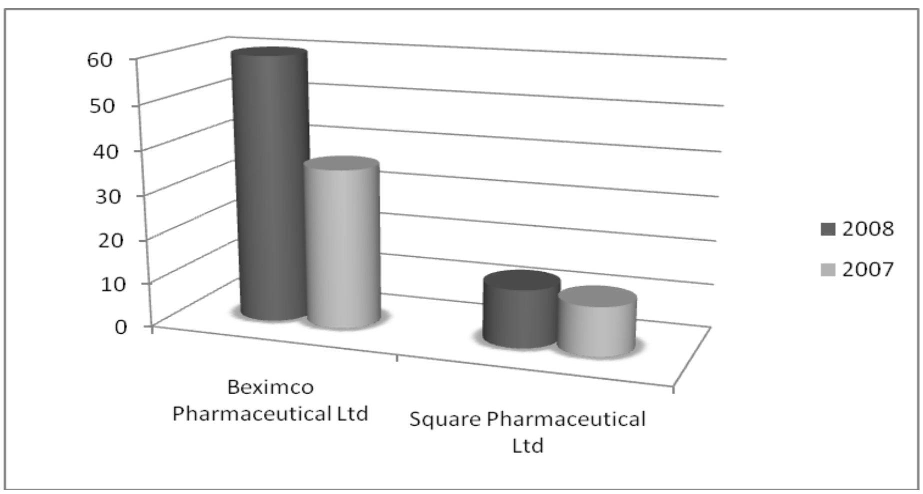
Accounts Payable turnover in days = 360 days / Accounts Payable turnover

(1) (2)

Table: 4.2.5 **Accounts Payable turnover in days**

Year		**Beximco Pharmaceuticals Ltd (Days)**	**Square Pharmaceuticals Ltd. (Days)**
2008	(1) (2)	360 days ------------- = 60 6 times	360 days -------------- =12.857 28 times
2007	(1) (2)	360 days ------------- =36 10 time	360 days -------------- = 10.909 33 times

Figure: 4.2.5. Accounts Payable turnover in days



Analysis: From this analysis we can express that the Beximco pharmaceutical company has increase double of this ratio from 2007 to 2008.It betoken that the account payable is standard position .Conversely, the square company also increases but not more then so those company changed their creditor policy and tried to pay the payable as possible as to increase current liability.

4.2.6. Fixed asset turnover ratio

Fixed asset turnover ratio is the sales to the value of fixed assets of the company.It determine the effectiveness in generating net sales revenue from investments in net property, plant, and equipment back into the company evaluates only the investments.

Fixed asset turnover = Sales / Net fixed asset

(1) (2)

Table: 4.2.6 **Fixed asset turnover ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1)	4,010,167,059	8,257,843,739
		------------------- = 0.335	------------------ = 0.995
	(2)	11,957,773,787	8,291,290,984
2007	(1)	3,597,024,812	7,500,811,349
		------------------- = 0.398	------------------ = 1.102
	(2)	9,029,643,482	6,804,429,292

Analysis: In this ratio we see that the fixed asset turnover ratio was as high as 1.102 times in 2007 in square company compare than Beximco Company. However, it declined to 0.995 times in the following year in 2008. In contrast, the Beximco Company has rapid declination of fixed assets turnover ratio in 2008 occurred because sales and net fixed assets the increase of companies .we mention that the balance sheet shows that large amount of investments were made during that year that inflate the money volume of fixed assets, and give an impression of mismanagement.

4.2.7. Total asset turnover ratio

The total asset turnover ratio measures the ability of a company to use its assets to generate sales.(Kieso, Weygandt, Warfield ,2001).It considers all assets including property ,plant and equipment, capital working in process, investment –long term, inventories, trade debtors, advances, deposit and prepayment, investment in market securities, short term loan, cash and cash equivalents etc. In these criteria a high ratio means the company is achieving more profit.

The formula is following as:

Total asset turnover = Sales / Total asset

(1) (2)

Table: 4.2.7 **Total asset turnover ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd. (Ratio)**
2008	(1) (2)	4,010,167,059 ------------------ =0.270 14,819,665,441	8,257,843,739 ------------------ = 0.650 12,703,127,420
2007	(1) (2)	3,597,024,812 ------------------- = 0.300 11,953,418,940	7,500,811,349 ------------------- = 0.715 10,486,940,004

Analysis: In this Analysis we see that a gradual fall of company's total asset turnover in 2007, it was 0.300 times, declined to 0.270 times in Beximco company. Instead, the square company also declined slightly to 0.715 to 0.650 in 2007-08. It may be an indicator of company's pricing strategy as company with high profit margins tends to have low asset turnover. It is in fact might be one of the reasons for why the assets turnover was low in the year 2007 to 2008 for both companies. Other than investment in marketable securities, every other asset especially long-term investments, inventories, short-term loans and cash balance had gone up substantially profit margin may not be the actual reason for the turnover to go down.

4.3. Profitability Ratio

Profitability ratios designate a company's overall efficiency and performance. It measures the company how to use of its assets and control of its expenses to generate an acceptable rate of return. It also used to examine how well the company is operating or how well current performance compares to past records of both pharmaceutical companies.

There are five important profitability ratios that we are going to analyze:

1. Net Profit Margin
2. Gross Profit Margin
3. Return on Asset
4. Return on Equity
5. Operating profit margin

4.3.1. Net Profit Margin

The net profit margin is determined of net profit after tax to net sales. It argues that how much of sales are changeover after al expense .The higher net profit margins are the better for any pharmaceutical company.

Net Profit margin = Net profit after tax/sales*100

(1) (2)

Table: 4.3.1 **Net Profit Margin ratio**

Year		**Beximco Pharmaceuticals Ltd** (Ratio on percentage)	**Square Pharmaceuticals Ltd.** (Ratio on percentage)
2008	(1)	545,341,273	1,381,863,093
		------------------ = 13.5%	------------------ =16.7%
	(2)	4,010,167,059	8,257,843,739
2007	(1)	353,067,878	1,303,242,840
		------------------ = 9.8%	------------------ = 17.3%
	(2)	3,597,024,812	7,500,811,349

Analysis: In this analysis we see that the net profit margin has increased in 2008 compare than last year in Beximco pharmaceutical company because the net profit and sales are increase from the last year. As a result this company is standard position. Instead, we also see that the square company both years is same because this company net profit and sales is little bit increase not more than. So the Beximco company is better then the square company.

4.3.2. Gross Profit Margin ratio

Gross margin express of the company efficiency of raw material and labor during the working process .If any company higher gross profit margin then the company more efficiency to controls their raw material and labors. So it is most important for performance evaluation of pharmaceutical company. It can be assigned to single products or an entire company. It determines the gross profit to divide by net sales.

The gross profit margin ratio formula as following as;

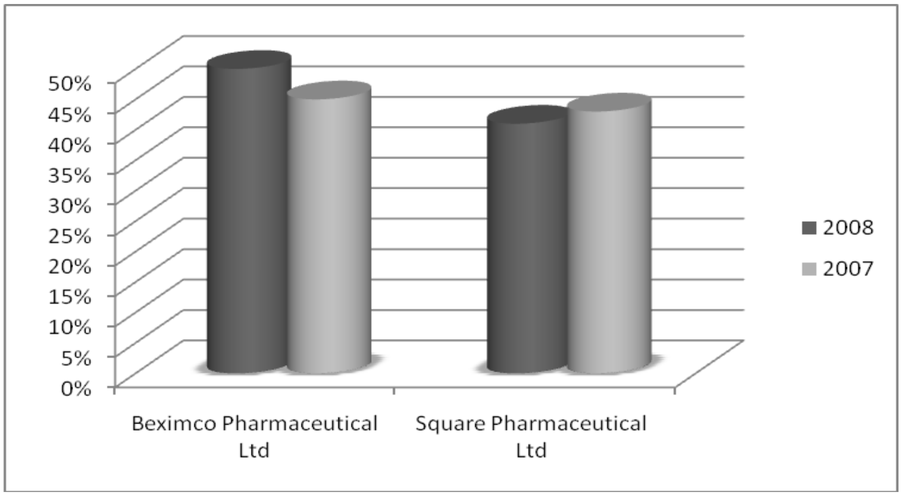
Gross profit margin ratio= Gross profit/sales*100

(1) (2)

Table: 4.3.2 **Gross Profit Margin ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio on percentage)**	**Square Pharmaceuticals Ltd. (Ratio on percentage)**
2008	(1)	2,007,295,878	3,401,781,806
		------------------ = 50%	------------------ = 41.1%
	(2)	4,010,167,059	8,257,843,739
2007	(1)	1,629,514,837	3,232,363,687
		----------------- = 45.3%	------------------ = 43%
	(2)	3,597,024,812	7,500,811,349

Figure: 4.3.2. Gross Profit Margin ratio



Analysis: The gross profit margin has slightly decreased in 2008compare with 2007 in square company. On the contrary, in 2008 sales has increased as well as gross profit margin has also increased for the beximco company. To increase gross profit margin they should try to decrease their cost of goods sold. We think that the square Pharmacy is best performing compare then company. Because their gross profit is increase day by day but square company is decrease.

4.3.3. Return on asset ratio

The Return on Assets ratio can be directly computed by dividing net income by average total asset. (Kieso, Weygandt, Warfield, 2001).It finds out the ability of the company to utilize their assets and also measure of efficiency of the company in generating profits.

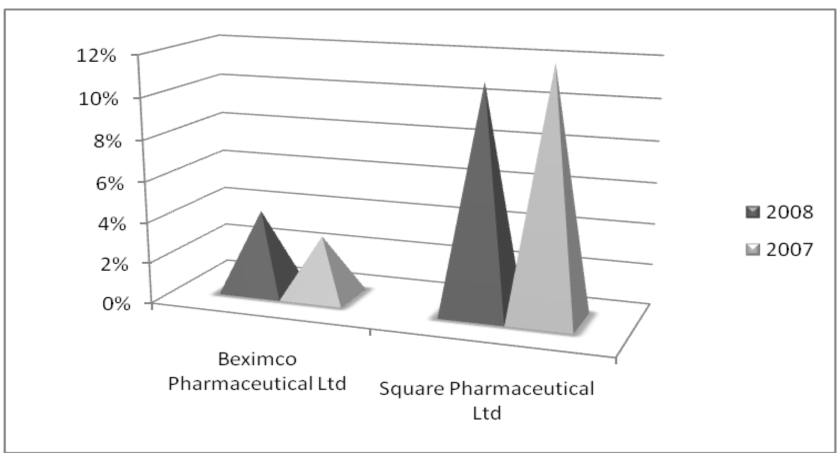
Return on Total Assets = Net profits after taxes / total assets*100

(1) (2)

Table: 4.3.3 **Return on Total Assets**

Year		Beximco Pharmaceuticals Ltd (Ratio on percentage)	Square Pharmaceuticals Ltd. (Ratio on percentage)
2008	(1)	545,341,273	1,381,863,093
		------------------ = 3.6%	------------------- = 10.8%
	(2)	14,819,665,441	12,703,127,420
2007	(1)	353,067,878	1,303,242,840
		------------------ = 2.9%	------------------- =12.4%
	(2)	11,953,418,940	10,486,940,004

Figure: 4.3.3. Return on asset ratio



Analysis: From 2008 years data we see that net income and total asset has continuously increased to 2007 in Beximco Company. For this reason return on total asset ratio has increase in little bite. But due to some problem in square company here net total asset has decreased slightly in 2008 then 2007. And this decline creates a problem on Return on total asset for square company. As a result that company is not good condition during the year 2008.so we think return on asset is best position for beixmco pharmaceutical company.

4.3.4. Return on Equity

Return on Equity is compute by dividing net income less preferred dividend by average company stockholder equity. (Kieso, Weygandt, Warfield, 2001). It demonstrate how a company to generate earnings growth for using investment fund. It has some alternative name such Return on average common equity, return on net worth, Return on ordinary shareholders' fund.

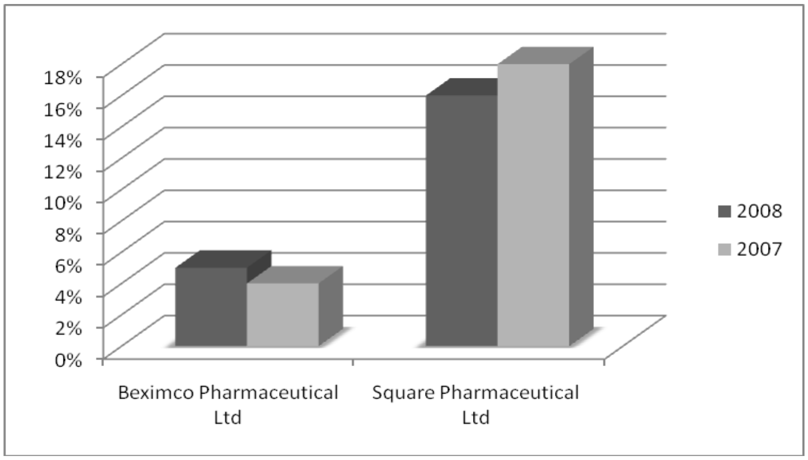
Return on common stock equity = Net income / Common stockholders' equity*100

(1) (2)

Table: 4.3.4 **Return on common stock equity ratio**

Year		**Beximco Pharmaceuticals Ltd** **(Ratio on percentage)**	**Square Pharmaceuticals Ltd.** **(Ratio on percentage)**
2008	(1) (2)	545,341,273 -------------------- =5.2% 10,450,202,145	1,381,863,093 --------------------- = 16.4% 8,417,040,705
2007	(1) (2)	353,067,878 ---------------------- = 4.2 % 8,250,939,647	1,303,242,840 ---------------------- = 17.7% 7,333,257,612

Figure: 4.3.4. Return on Equity



Analysis: For the same problem of the return on equity has decreased in the year 2007 compare with 2008 in square company. It means the company is losing efficiency in production process and also this falls in return on equity has a bad affect in common stock holder. Rather than, the Beximco company is increase that the same in previous year. It state that the measurement for evaluating the efficient use of resources by a company in producing earnings for its shareholders.

4.3.5. Operating profit margin ratio

The operating profit margin ratio recognize of the percentage of sales to exchange into all cost and expenses after remaining sales. A high operating profit margin is preferred.

Operating profit margin is calculated as follows:

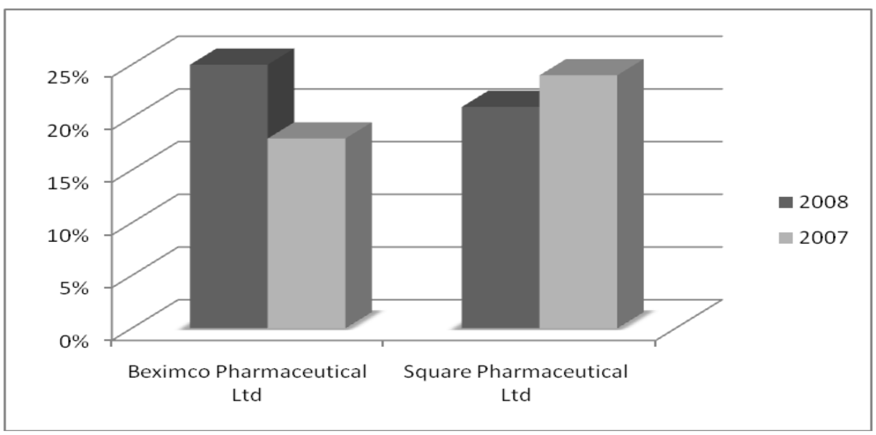
Operating Profit Margin = Operating profits / Sales

(1) (2)

Table: 4.3.5 **Operating profit Margin**

Year		Beximco Pharmaceuticals Ltd (Ratio)	Square Pharmaceuticals Ltd. (Ratio)
2008	(1)	998,794,848	1,709,305,818
		------------------ = 24.9%	------------------- = 20.6%
	(2)	4,010,167,059	8,257,843,739
2007	(1)	654,778,147	1,825,752,239
		------------------ = 18.2%	------------------- = 24.3%
	(2)	3,597,024,812	7,500,811,349

Figure: 4.3.5. Operating profit margin ratio



Analysis: In this analysis we find out the operating profit margin has increase in 2007 to 2008 in beximco pharmaceutical company because those company operating profit and sales has increase step by step from previous year . But in the square company has slightly decreased because that company has happened for inefficient use of operating expense. During those year the sales has increased but operating expense has decease. As a result though operating margin increase but the ratio has failed to increase because of high operating cost. From this discussion we can say that the firm had failed to control its operating cost in the square company.

4.4. Debt coverage ratio

Debt Coverage Ratio measures the percentage of the total asset provided by creditor. (Kieso, Weygandt, Warfield, 2001). If any company has realize their debt coverage ratio less than 1 then the company understand their income greater by a property is insufficient to collect their mortgage. So more than is 1 is best for any company.

The Debt-coverage ratio we can satisfy on the three ratios, those are:

1. Debt ratio.
2. Time interest earned.
3. Book value per share.

4.4.1. Debt ratio

Debt Ratio is laid out the percentage of a company total asset the change into total debt. It is the most important financial ratio for performance evaluation of any pharmaceutical company.

The ratio is calculated as follows:

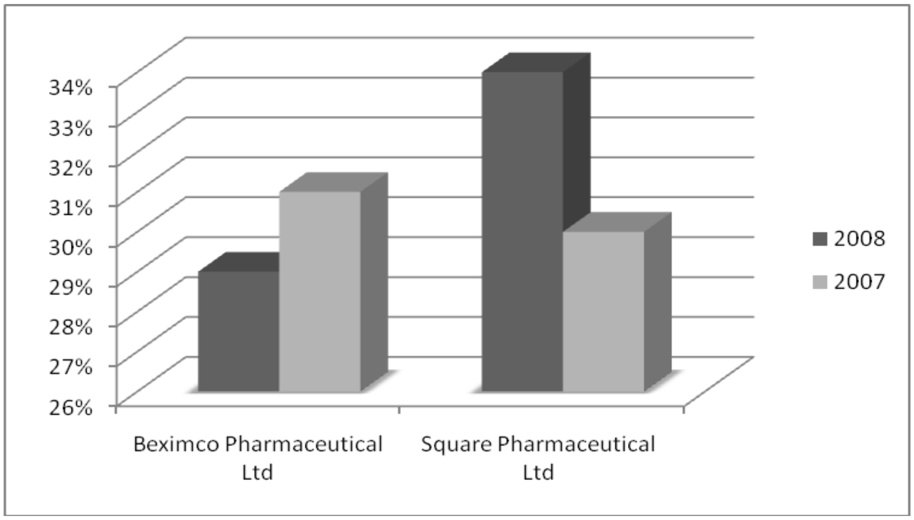
Debt Ratio =Total liabilities / Total assets*100

(1) (2)

Table: 4.4.1 **Debt ratio**

Year		**Beximco Pharmaceuticals Ltd** (Percentage on Ratio)	**Square Pharmaceuticals Ltd** (Percentage on Ratio)
2008	(1)	4,369,463,296	4,286,086,715
		-------------------- =29.4%	--------------------=33.7%
	(2)	14,819,665,441	12,703,127,420
2007	(1)	3,702,479,293	3,153,682,392
		-------------------- = 30.9%	------------------- =30%
	(2)	11,953,418,940	10,486,940,004

Figure: 4.4.1. Debt ratio



Analysis: In this problem analysis we see that the percentage of ratio has decreased from 2007 to 2008 in the beximco company because their asset was increased at a higher rate than from the last year. If any company debt ratio decreases day by day it is a good position for those for the company. By the same token, in square company is opposite position compare than Beixmco Company, because that company debt ratio has increase then last year. For this reason, those company can't stand the good financial position. In this problem we state that beximco pharmaceutical company is better than the square company.

4.4.2. Time interest earned ratio

The time interest earned ratio indicates the company's ability to meet interest payment as they come due.(Kieso,Weygandt, Warfield ,2001). It is reckon by dividing their earnings before interest tax by the interest charged. It has corroborated that the company able to pay its annual cost because this ratio denote the annual interest charged for any company.

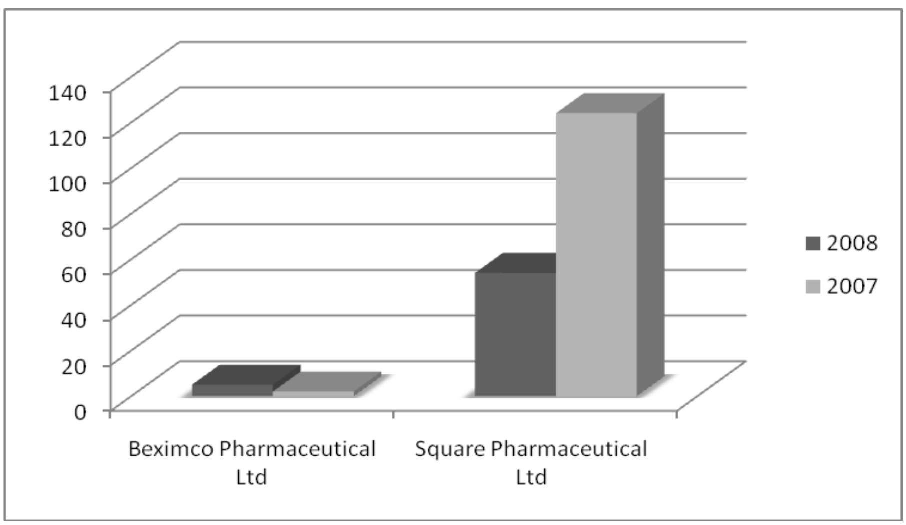
Time interest earned = Earnings before interest tax / Interest charged

(1) (2)

Table: 4.4.2 **Time interest earned ratio**

Year		Beximco Pharmaceuticals Ltd (Ratio on percentage)	Square Pharmaceuticals Ltd(Ratio on percentage)
2008	(1)	714,121,010	1,868,634,190
		------------------- = 4.9%	--------------------- = 54.3%
	(2)	143,151,541	34,390,443
2007	(1)	399,677,667	1,722,906,212
		-------------------- = 1.7%	---------------------- = 123.6%
	(2)	223,810,664	13,930,497

Figure: 4.4.2. Time interest earned ratio



Analysis: In this dissuasion we realize that the higher ratio of time interest earned, it indicated the Company has higher ability to pay the interest from their opportunity income. So, higher decline of this ratio in 2007 from 2008 in square company those indicated that the company is paying more interest. Nevertheless, the Beximco Company is not paying more interest because that company has no decline from last year for that reason we think those company has best condition for time interest earned.

4.4.3. Book value per share ratio

Book value per share is the amount each share would receive. If the company were liquidity on the basis of amount reported on the balance sheet. (Kieso,Weygandt, Warfield, 2001).

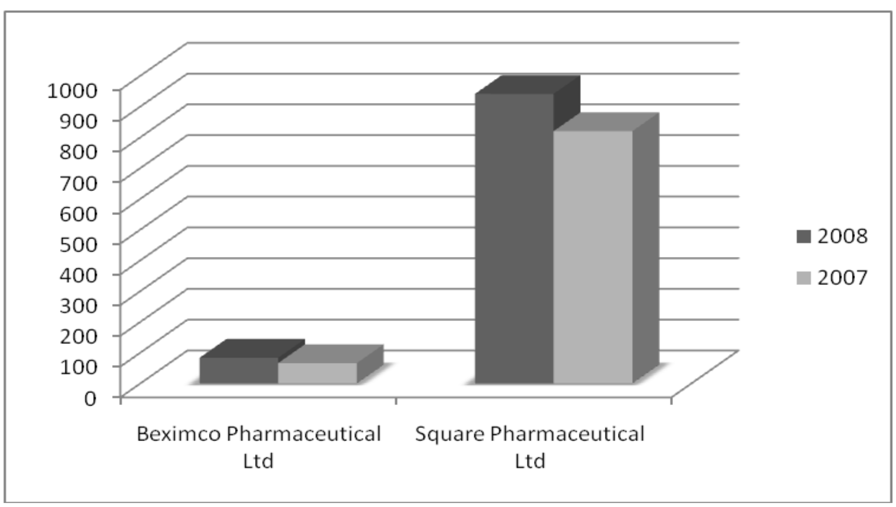
Book value per share = Common stockholders equity / Outstanding shares

(1) (2)

Table: 4.4.3 **Book value per share ratio**

Year		**Beximco Pharmaceuticals Ltd (Ratio)**	**Square Pharmaceuticals Ltd (Ratio)**
2008	(1)	10,450,202,145	8,417,040,705
		-------------------- =TK82.9	-------------------- =TK 941.2
	(2)	125,957,747	8,942,400
2007	(1)	8,250,939,647	7,333,257,612
		-------------------- =TK 65.5	---------------------- = TK820
	(2)	125,957,747	8,942,400

Figure: 4.4.3. Book value per share ratio



Analysis: In this calculation analysis we see that the ratio has increased of both companies. If any company increases the book value per share so the healthy position. Here we see that the both companies increase the book value per share from the last year. It indicates the healthy position for both companies in the market because both companies have increase book value per share. But the square pharmaceutical companies are more than increase compares then the Beximco Company. So we mention that here square company is better position in share market.

4.5 Market value ratios

The final ratios are the market value ratio. It also call share ownership ratio. It referred to the stockholder in analyzing present and future investment in a company. In this ratio the stockholders are interested in the way to certain variables affect the value of their holdings. In order to the stockholder is able to analyze the likely future market value of the stock market. There are two ratios under this ratio. They are as follows:

1. Earnings per Share (EPS) ratio
2. Market/Book ratio

4.5.1. Earnings per Share (EPS) ratio

Earnings per share ratio are a small variation of ownership ratio. It gauges by dividing net income into total number of share outstanding .it is most important for deterring of share price.

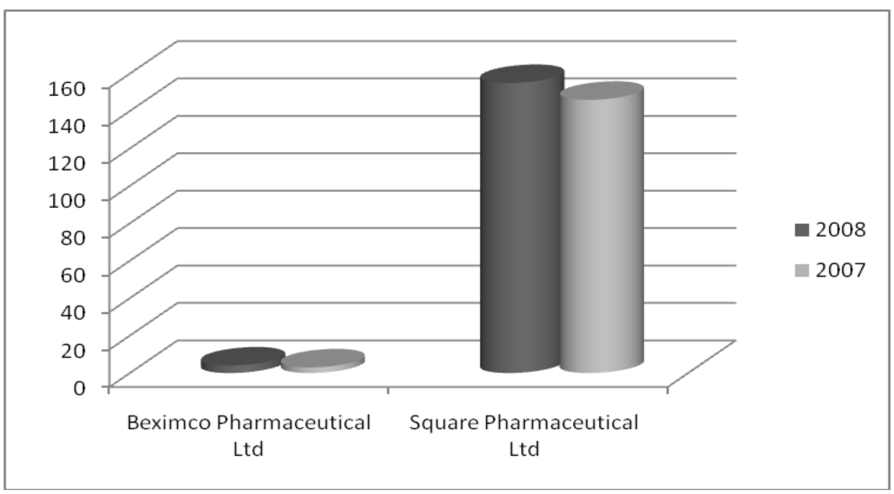
Earnings per share ratio: Net income /weighted average number of share outstanding

(1) (2)

Table: 4.5.1 **Earnings per share ratio**

Year		**Beximco Pharmaceuticals Ltd (Amount)**	**Square Pharmaceuticals Ltd (Amount)**
2008	(1) (2)	543,341,273 ------------------ =TK 4.3 125,957,747	1,381,863,093 ------------------ =TK 154.5 8,942,400
2007	(1) (2)	353,067,878 ----------------- = TK 2.8 125,957,747	1,303,242,840 -----------------= TK 145.7 8,942,400

Figure: 4.5.1. Earnings per Share (EPS) ratio



Analysis: Analysis shows that earning per share ratio has increased from 2007 to 2008 in the beximco company because net income had increased at a fewer rate than from the previous and the square company so much improvement from the last year. We can state that those companies can stand the good financial position.

4.5.2. Market/Book ratio

The Market/Book Ratio refer to the company market value per share to its book value per share. It indicates management success in creating value for its stockholders.

Market/Book ratio: Market price per share/Book value per share

(1) (2)

Table: 4.5.2 **Market/Book ratio**

Year		**Beximco Pharmaceuticals Ltd (Amount)**	**Square Pharmaceuticals Ltd (Amount)**
2008	(1)	TK167	TK 690
		--------- = TK2	----------- = TK 0.733
	(2)	TK 83	TK 941
2007	(1)	TK59	TK690
		--------- = TK 0.89	----------- = TK 0.841
	(2)	TK 66	TK820

Analysis: In this case the market value per ratio is increase by the beximco pharmaceutical company. It means the goods position of that company .on the other hand square pharmaceutical company is same position both years. So it is not good condition for market value per share.

5. CONCLUSION

The conclusion chapter is directly connected to the purpose. The analysis will be summarized in order to answer the research questions and fulfill the purpose of the thesis.

This thesis is based on six main research questions.*First*, we analysis of liquidity measures indicates that current ratio is bed condition for both companies .Quick and asset measures is found that the same position of previous ratio and cash ratio measures the square pharmaceutical company is little bit better than the Beximco pharmaceutical company. So we notice that the Beximco pharmaceutical is better condition of liquidity position compare that Square pharmaceutical company. *Second*, we analysis is all efficiency measures ,account receivable turnover, average collection period ,inventory turnover, account payable turnover, fixed assets turnover, total asset turnover .The Beximco Pharmaceutical company are significant increase in account receivable turnover and account payable in days compare than the Square Pharmaceutical company. The square pharmaceutical company also increases some measure and decreases some measures but increasing point is not betters then the Beximco Pharmaceutical Company. We ensure that the Beximco pharmaceutical is standards position for asset management measure. *Third*, we analysis is profitability measures indicates the different kind of ratio. The beximco Pharmaceutical company compare are more profitable from the square pharmaceutical company in net profit margin, gross profit margin, return on assets (ROA), return on equity (ROE), operating profit margin. Overall, net profit margin is found rising for beximco pharmaceutical company and plummeting for the square pharmaceutical company during 2007-2008.Gross profit margin of Beximco Pharmaceutical Company are found to increase than it return of asset to increase. Whereas, the opposite the square pharmaceutical company is decrease day by day. Return in Equity and operating profit margin is found increase during 2007-2008 in Beximco pharmaceutical company. On the other, square pharmaceutical is fall. So we ensure that the beximco pharmaceutical company is better condition for profitable. *Forth*, we analysis the debt management measures ,debt ratio, time interest earned, book value per share, indicates square company is more risky then beximco pharmaceutical company's we observed that debt ratio. Book value per share ratio is raising trend of bexmico pharmaceutical company but only increasing time interested earned ratio of square pharmaceutical company's the debt coverage management is also good position of Beximco pharmaceutical company. *Fifth*, market value measure indicates that market value and earnings per share is increase during the year 2007 -2008 of Beximco pharmaceutical company. In contrast, square company also increase but market value ratio is decrease .So this position also better of Beximco Pharmaceutical company compare than square company.

At the final representation, we can view that the Beximco Pharmaceutical Company is the best performance between the Square Pharmaceutical Company.

6. DISSCUSSION

In this chapter we will present overall analysis in result to connection the whole part our thesis.

We already mentioned that the ratio helps to evaluated financial strengths and weaknesses of pharmaceutical company. If will be prove that why ratio have different pattern and why ratio marked by negative meaning and why ratio ratios was satisfactory value. We make thesis about performance evaluation of pharmaceutical company under six questions .we select two largest pharmaceutical companies and mentioned that the ratio analysis is the best one tools for pharmaceutical companies.

We divided the ratio analysis into five categories for performance evaluation such as liquidity ratio, assets management ratio, profitability ratio, debt management ratio, market value ratio. The liquidity ratio has also into three categories such as; current ratio, quick ratio, cash ratio. The current ratio of square company is equal for 2007-2008 but beximco pharmaceutical is decrease the last year because their current liability has increase .In quick test ratio is not good condition for both companies. We prove that the beximco company is decrease 0.9-0.5 because their debts are increase. If any company total debt is increase those companies must be decease and square company also faces the same problem. In this discussion we prove that the square pharmaceutical is better condition than Beximco Pharmaceutical company because the main reason is increase the total debt and total debt are depends on different sectors such short term borrowing ,creditor, account expense, inventory turnover payable, etc. So that’s way beximco pharmaceutical company is going to bed debt for liquidity position.

In the asset management we measure into different categories, At first we prove that the account receivable turnover the beximco pharmaceutical is better situation because their sale and account receive is change more but square company also change but not more .the inventory turnover we mentioned that square pharmaceutical is better situation because their cost of gold sold is increasing more from the last year but beximco pharmaceutical is same the last year. So inventory condition is best on square pharmaceutical. In addition to, account payable turnover is bed condition for both companies because their account payable is decrease from the last year. If those are going to according this way those companies face lots of financial problem. Furthermore, Fixed asset are decrease of beximco pharmaceutical company because their sale and total fixed are increase from the last year as a result the ratio has decrease from 0.398 to 0.335 but the square pharmaceutical company is also increase in little bit .so both companies should not good condition for future .Likewise, total asset is main factors for financial statement. It main criteria is high ratio they company is achieving more profit but the beximco pharmaceutical company is not maintain the criteria for that reason beximco company .on the other hand, square company maintain the criteria so it the better condition for control of asset.

We presented the profitability ratio is measured for determine how to earn profit of any company because this ratio are easily measurement the net profit margin, gross profit margin, return on assets, return on equity and operating profit margin. The net profit margin is increase the beximco pharmaceutical company because their net profit and sale increase from the last year but the square company is chance little bit. Moreover, gross profit margin main focus on higher gross profit margin efficiency to control their material and labor. But the square pharmaceutical company don't adjust the criteria therefore there are decrease and going to the bed condition but the bexmico company following the rule and regulation and finally their successes for gross profit earn. coupled with, return on asset is utilize their assets and measure their efficiency their profit but beximco pharmaceutical company go to right way .On the other hand, square pharmaceutical company going to wrong way that's way is not good condition for return on asset from the year 2007-2008.The main thing of return on equity is how a company to generate earning for investment fund. The beximco pharmaceutical company is better for earning their investment but square pharmaceutical fall up from the last year. A high operating profit margin is allow for any company .The beximco pharmaceutical is high operating margin so it is acceptable but is not high operating profit.

We observe that the debt coverage ratio is preferred which ratio are more than 1 otherwise their property is insufficient to collect their mortgage. It measurement into three ways such debt ratio, time interest earned ratio, book value ratio. In the debt ratio of beximco pharmaceutical companies is better than square pharmaceutical because they maintain criteria of debt ratio. Time interest earned ratio is acceptable the higher ratio to pay their interest so the beximco pharmaceutical is acceptable because their interest earned higher than last year but square is decrease from last year. So we easily realize that the beximco pharmaceutical is better condition to manage the debt coverage.
The most important thing of Book value per share is the high book value per share the company is the healthy position .So we see that the both companies is healthy position for book value per share.

At the final step we measure that the market value ratio .It dividend into two categories such as book value per share and market value ratio. In book value share are both companies standard position but market value of stockholder position is good only beximco pharmaceutical companies.

As any investor to wish invest the Beximco Pharmaceutical Company we think he/ she must be profitable. Because we see the Beximco Pharmaceutical Company is the best performance between the square pharmaceutical companies. As we see that all categories ratios are best performance of beximco Pharmaceutical Company. We see that the Beximco Pharmaceutical Company is highest share issue in the share market. If any investor to invest the companies he/she must be according to the some categories such liquidity ratios, asset management ratios, profitability ratios, market value ratios, debt management ratios. So ratios are best performance on beximco pharmaceutical company so easily wish the investor to invest this company.

7. FURTHER RESEARCH

The finding suggests that the Beximco pharmaceutical company must be responsible to develop their liquidity position because the liquidity maintains their healthy position otherwise we can’t develops and they face lots of financial problem. In contrast, square pharmaceutical also try to improve their liquidity position but not expected to maintain healthy position. Moreover, asset management condition is frequently improved of both companies because their some sectors are improved and some are not. So both companies must be attention to improve their asset. Furthermore, the profitability of beximco pharmaceutical company to grow up the expected demand but square every scope day by day decreases .So square pharmaceutical company must be develop otherwise the company loss their earn money. But nevertheless, debt coverage and market value of beximco company is develop from the last year but square pharmaceutical company should be improve otherwise they must don’t continue their share market and going to the bed financial condition. We will be prepared the further research on both pharmaceutical companies’ financial statement analysis and financial condition analysis and must be make the further research about the financial condition of any pharmaceutical company of Bangladesh.

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NOTE:

TK = TK means TAKA. It calls the currency of Bangladeshi money. In Bangladesh don't used the world rate price (dollar) for any private and multinational company. In Beximco and square pharmaceutical company always used the Bangladeshi Currency.

APPENDIX-A

BEXIMCO PHARMACEUTICALS LIMITED
Balance Sheet
As at 31 December 2008

	Notes	2008	2007
ASSETS			
Non-current Assets		**11,957,773,787**	**9,029,643,482**
Property, Plant and Equipment- Carrying Value	**20(a)**	11,921,072,697	8,992,942,392
Investment in Shares	21	36,701,090	36,701,090
Current Assets		***2,861,891,654***	***2,923,775,458***
Inventories	22	1,505,288,093	1,470,152,242
Spares & Supplies	23	234,530,326	182,328,049
Accounts Receivable	24	503,916,401	499,680,792
Loans, Advances and Deposits	25	544,509,106	685,915,465
Cash and Cash Equivalents	26	73,647,728	85,698,910
TOTAL ASSETS		**14,819,665,441**	**11,953,418,940**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity		***10,450,202,145***	***8,250,939,647***
Issued Share Capital	**27**	1,259,577,470	1,145,070,430
Share Premium		1,489,750,000	1,489,750,000
Excess of Issue Price over Face Value of GDRs	**28**	1,689,636,958	1,689,636,958
Capital Reserve on Merger		294,950,950	294,950,950
Revaluation Surplus	**20(b)**	1,711,174,747	----------------
Tax-Holiday Reserve	**29**	--------------	442,354,953
Retained Earnings		4,005,112,020	3,189,176,356
Current Liabilities and Provisions		***2,602,032,267***	***1,627,972,936***
Short Term Borrowings	33	1,461,666,227	907,582,327
Long Term Borrowing-Current Maturity		648,165,841	343,604,498
Creditors and Other Payables	34	263,176,822	271,814,118
	35	81,776,450	60,052,739

Accrued Expenses	36		
Dividend Payable		3,169,568	3,285,324
Income Tax Payable	37	144,077,359	41,633,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,819,665,441**	**11,953,418,940**

The Notes are integral part of the Financial Statements.
Approved and authorised for issue by the board of directors on 30 April, 2009 and signed for and on behalf of the Board :

APPENDIX-B

BEXIMCO PHARMACEUTICALS LIMITED

Profit and Loss Account

For the year ended 31 December 2008

	Notes	2008	2007
Net Sales Revenue	**38**	**4,010,167,059**	**3,597,024,812**
Cost of Goods Sold	39	(2,002,871,181)	(1,967,509,975)
Gross Profit		**2,007,295,878**	**1,629,514,837**
Operating Expenses :	40	**(1,008,501,030)**	**(974,736,690)**
Administrative Expenses	41	(153,464,243)	(145,544,701)
Selling, Marketing and Distribution Expenses	42	(855,036,787)	(829,191,989)
Profit from Operations		**998,794,848**	**654,778,147**
Other Income	43	686,510	19,625,795
Finance Cost	44	(249,654,298)	(254,742,392)
Profit Before Contribution to WPPF		**749,827,060**	**419,661,550**
Contribution to Workers' Profit Participation/ Welfare Funds	45	(35,706,050)	(19,983,883)
Profit Before Tax		**714,121,010**	**399,677,667**
Income Tax Expense		(168,779,737)	(46,609,789)
Current Tax		(173,720,430)	(57,661,278)
Deferred Tax Income/(Expense)		4,940,693	11,051,489
Profit After Tax Transferred to Statement of Changes in Equity		**545,341,273**	**353,067,878**
Earnings Per Share (of Tk. 10 /- each) (Adjusted EPS of 2007)		**4.33**	**2.80**
Number of Shares used to compute EPS		125,957,747	125,957,747

APPENDIX-C

BEXIMCO PHARMACEUTICALS LIMITED

Cash Flow Statement

For the year ended 31 December 2008

	NOTE	2008	2007
Cash Flows from Operating Activities:			
Cash Receipts from Customers and Others		4 006 684 717	3 542 690 128
Cash Paid to Suppliers and Employees		(2 840 612 734)	(2 947 335 836)
Cash Generated from Operations		**1 166 071 983**	**595 354 292**
Interest Paid		(214 066 707)	(222 581 780)
Income Tax Paid		(71 277 001)	(32 303 532)
Net Cash Generated from Operating Activities		**880 728 275**	**340 468 980**
Cash Flows from Investing Activities :			
Acquisition of Property, Plant and Equipment (Note : 49)		(1 180 445 241)	(460 904 187)
Sales of Shares in Bextex Ltd.		--------------	9 730 325
Disposal of Property, Plant and Equipment		61,600	1 928 598
Net Cash Used in Investing Activities		**(1 180 383 641)**	**(449 245 264)**
Cash Flows from Financing Activities :			
Net Increase / (Decrease) in Long Term Borrowings		(209 110 438)	70 386 381
Net (Decrease)/Increase in Short Term Borrowings		554,083,900	(395 234 653)
Dividend Paid		(57 369 278)	(61 775 479)
Net cash Generated from Financing Activities		**287 604 184**	**(386 623 751)**
(Decrease) / Increase in Cash and Cash Equivalents		(12 051 182)	(495 400 035)
Cash and Cash Equivalents at Beginning		85 698 910	581 098 945

of Year			
Cash and Cash Equivalents at End of Year		**73 647 728**	**85 698 910**

APPENDIX-D

SQUARE PHARMACEUTICALS LTD.

BALANCE SHEET

as at 31 March 2008

	Notes	31-03-08	31-03-07
ASSETS:			
Non-Current Assets:		**8,291,290,984**	**6,804,429,292**
Property, Plant and Equipment-Carrying Value	2	4,088,432,171	3,531,003,509
Capital Work-in-Progress	3	591,114,649	481,239,419
Investment - Long Term (at Cost)	4	3,611,744,164	2,792,186,364
Current Assets:		**4,411,836,436**	**3,682,510,712**
Inventories	5	2,026,736,322	1,544,191,798
Trade Debtors	6	360,245,646	322,864,637
Advances,Deposits and Prepayments	7	288,806,440	236,455,395
Investment in Marketable Securities (at Cost)	8	20,250,000	20,250,000
Short Term Loan	9	1,510,502,334	1,418,893,703
Cash and Cash Equivalents	10	205,295,694	139,855,179
TOTAL ASSETS	Tk.	**12,703,127,420**	**10,486,940,004**
SHAREHOLDERS' EQUITY AND LIABILITIES:			
Shareholders' Equity:		**8,417,040,705**	**7,333,257,612**
Share Capital	11	894,240,000	596,160,000
Share Premium	12	2,035,465,000	2,035,465,000
General Reserve		105,878,200	105,878,200
Tax Holiday Reserve	13	1,101,935,237	1,101,935,237
Retained Earnings		4,279,522,268	3,493,819,175
Non-Current Liabilities:		**785,241,612**	**598,116,106**
Long Term Loans - Secured	14	602,584,615	492,569,379
Deferred Tax Liability	15	182,656,997	105,546,727
Current Liabilities:		**3,500,845,103**	**2,555,566,286**
Short Term Bank Loans	16	2,669,693,184	1,818,777,878
Long Term Loans - Current Portion	17	297,002,646	225,176,449
Trade Creditors	18	100,953,258	60,601,743
Liabilities for Expenses	19	32,290,235	24,565,248
Liabilities for Other Finance	20	400,905,780	426,444,968
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	Tk.	**12,703,127,420**	**10,486,940,004**

Attached notes form part of these Financial Statements.

As per our annexed report of even date.

Tapan Chowdhury
Managing Director

Samuel S. Chowdhury
Director

Khandaker Habibuzzaman
Company Secretary

B.K. Bhattacharjee, FCA
Partner
Chowdhury Bhattacharjee & Co.
Chartered Accountants

Dated, Dhaka: 27 July 2008

APPENDIX-E

SQUARE PHARMACEUTICALS LTD.

INCOME STATEMENT

for the year ended 31 March 2008

	Notes		2007-2008	2006-2007
GROSS TURNOVER	22		9,565,715,902	8,711,034,758
Less: Value Added Tax			1,307,872,163	1,210,223,409
NET TURNOVER			**8,257,843,739**	**7,500,811,349**
COST OF GOODS SOLD	23		(4,856,061,933)	(4,268,447,662)
GROSS PROFIT			**3,401,781,806**	**3,232,363,687**
Operating Expenses:			**(1,692,475,988)**	**(1,406,611,448)**
Selling and Distribution Expenses	27		(1,220,979,268)	(1,000,132,914)
Administrative Expenses	28		(471,496,720)	(406,478,534)
PROFIT FROM OPERATIONS			**1,709,305,818**	**1,825,752,239**
Other Income	29		604,628,504	220,144,368
Financial Expenses	30		(351,868,423)	(236,845,084)
NET PROFIT BEFORE WPPF			1,962,065,899	1,809,051,523
Allocation for WPPF	31		(93,431,709)	(86,145,311)
NET PROFIT BEFORE TAX			**1,868,634,190**	**1,722,906,212**
Provision for Income Tax	32		(409,660,827)	(347,984,083)
Provision for Deferred Income Tax	15		(77,110,270)	(71,679,289)
NET PROFIT AFTER TAX (Transferred to the Statement of Changes in Equity)		Tk.	**1,381,863,093**	**1,303,242,840**
Earnings Per Share (EPS)	33	Tk.	154.53	145.74

Attached notes form part of these Financial Statements.

As per our annexed report of even date.

Tapan Chowdhury
Managing Director

Samuel S. Chowdhury
Director

Khandaker Habibuzzaman
Company Secretary

B.K. Bhattacharjee, FCA
Partner
Chowdhury Bhattacharjee & Co.
Chartered Accountants

Dated, Dhaka: 27 July 2008

APPENDIX-F

SQUARE PHARMACEUTICALS LTD.

CASH FLOW STATEMENT

for the year ended 31 March 2008

		2007-2008	2006-2007
Cash Flows From Operating Activities:			
RECEIPTS:			
Collection from Sales		8,231,097,525	7,455,061,355
Others		449,727,661	95,827,359
		8,680,825,186	7,550,888,714
PAYMENTS:			
Purchase of Raw and Packing Materials		4,434,614,344	3,688,812,470
Manufacturing and Operating Expenses		2,075,086,488	1,777,607,737
Bank Interest		351,868,423	236,845,084
Income Tax		458,227,366	343,650,860
Workers Profit Participation Fund		58,051,027	52,779,178
Others		2,148,834	1,325,262
		7,379,996,482	6,101,020,591
Net cash provided by operating activities		1,300,828,704	1,449,868,123
Cash Flows From Investing Activities:			
Purchase of Fixed Assets		(1,106,201,471)	(782,151,851)
Disposal of Fixed Assets		8,985,055	3,972,492
Investment in Square Hospitals Ltd.		(500,000,000)	(500,000,000)
Investment in Square Informatix Ltd.		-	100,000,000
Investment in National Housing Finance & Investment Ltd.		(3,157,800)	-
Investment in Square Knit Fabrics Ltd.		-	(392,000,000)
Investment in Square Fashions Ltd.		-	(198,000,000)
Investment in Square Biotechs Ltd.		(316,400,000)	(18,100,000)
Capital Work-in-Progress		(109,875,230)	(233,668,370)
Interest Received		112,595,980	88,000,686
Dividend Received		40,197,168	36,425,250
Net cash used in investing activities		(1,873,856,298)	(1,895,521,793)
Cash Flows From Financing Activities:			
Long Term Loan Received		414,288,000	150,000,000
Long Term Loan Repaid		(237,046,566)	(334,462,773)
Short Term Bank Loan Increase		850,915,306	347,619,691
Short Term Loan Increase/(Decrease)		(91,608,631)	478,230,949
Dividend Paid		(298,080,000)	(372,600,000)
Net cash provided by financing activities		638,468,109	268,787,867
Increase/(Decrease) in Cash and Cash Equivalents		65,440,515	(176,865,803)
Cash and Cash Equivalents at the Opening		139,855,179	316,720,982
Cash and Cash Equivalents at the Closing	Tk.	205,295,694	139,855,179

Attached notes form part of these Financial Statements.

As per our annexed report of even date.

Tapan Chowdhury
Managing Director

Samuel S. Chowdhury
Director

Khandaker Habibuzzaman
Company Secretary

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Dated, Dhaka: 27 July 2008