FINANCIAL PERFORMANCE ANALYSIS
ON
ACI PHARMACEUTICALS Ltd

Project Report

On

"Financial Performance Analysis on ACI Pharmaceuticals Limited"

Submitted to:

Mosabbir Ahmad

B.Sc. Engg. (EEE), MBA

Assistant Professor,

School of Business & Economics

Submitted By:

Name : Apurba Modak

ID : 111-131-547

Dept : BBA

Date of Submission: 30th June, 2018

Date: 30th June, 2018

Mosabbir Ahmad

B.Sc. Engg. (EEE), MBA

Assistant Professor,

School of Business & Economics

United International University (UIU)

Subject: Submission of Project Report on "Financial Performance Analysis on ACI Pharmaceuticals Limited".

Dear Sir,

With due respect it is stated that I am submitting my Project Report on "Financial Performance Analysis on ACI Pharmaceuticals Limited", which is the requirement for obtaining the degree of Bachelor of Business Administration (BBA) offered by United International University (UIU).

It was a great experience for me to go through the process, which reaffirm my theoretical knowledge into practice. Though my knowledge is not enough, I tried my level best to make sure that project report has achieved its purpose to an operative extent.

Please find enclose herewith one copy of project report for your recitation and kind consideration. It will be delightful to me if you kindly accept my project report.

Yours truly,

………………….

Apurba Modak

ID No: 111-131-547

Program: BBA

United International University (UIU)

Declaration

I hereby declare that the report entitled "Report on the Financial Performance Analysis on ACI Pharmaceuticals Limited" is submitted as the partial completion of the degree Bachelor of Business Administration of United International University.

……………………

Apurba Modak

ID No.: 111- 131- 547

Program: BBA

United International University (UIU)

ACI Limited

It is my pleasure to certify that Apurba Modak, ID – 111 131 547, student of Business Administration of United International University (UIU) has successfully completed the Project program entitled "Report on the **Financial Performance Analysis on ACI Pharmaceuticals Limited**"**.** He has completed this work under my supervision and prepared this report according to direction and guidance.

As far I know he tried his best to conduct this successfully. I think this will help him in the future to build up his career.

I wish his every success in life.

……………………

Mosabbir Ahmad

B.Sc. Engg. (EEE), MBA

Assistant Professor,

School of Business & Economics

United International University (UIU)

Acknowledgement

As per decision of the course coordinator Mosabbir Ahmad, I have prepared a Project Paper on "**Report on the Financial Performance Analysis on ACI Pharmaceuticals Limited**". It is a first attempt for making this paper for this course. This paper serves good efforts for analyzing this Project Paper questions and preparing the report. The graphical representation presents the how the students use the internet for their general purposes. It is hopefully believed that this paper will be a strong foundation to procure knowledge.

First, I am grateful to Almighty for his kindness and helpful hand for completing my report. Specially, I am thankful to my honorable faculty **Mosabbir Ahmad** sir who helped me in every step of starting and completing my report properly.

I also pay my indebtedness to those websites that helped me by providing a lot of information. Without these help & support I could not be able to complete this report successful

However, one may find a very few unintentional human errors and editing mistakes. Apart from correction any useful suggestions for the improvement will be received with thanks.

Executive Summery

Bangladesh is a country with a lot of potentiality. Pharmaceutical sector in our country is one of them. Local companies dominate this sector and the sector is developing day by day. In the project report I have discussed about the overall pharmaceutical industry in Bangladesh and financial performance of top companies. Financial performance of ACI is the main concern of my topic. Though ACI is one of the top pharmaceutical companies in Bangladesh, but it has many areas to improve. The ratio analysis of ACI shows that the company's financial performance is low compared to the industry average. In this competitive market ACI should focus on some important issues like cost reduction, asset utilization, product and service quality etc. Wealth maximization should be the ultimate goal of ACI. Currently the market size of pharmaceutical industry in Bangladesh worth's US$ 1.1 billion and by 2020 the size is estimated to be UD$ 2.30 billion. Bangladesh is a market of generic medicines and 460 generic medicines are registered in our country. Top organizations have own R&D to produce new products. Besides heading towards the self-sufficiency meeting 98% of local demand, the pharmaceutical industry is exporting medicine to other countries. ACI has many strengths and opportunities with experienced and skilled top management.If they can utilize the assets in a proper way, they can earn more profit and can contribute more in the economy of Bangladesh.

Table of Contents

INTRODUCTION 11

1.1. THE PROJECT PAPER 12

1.2. ORIGIN OF THE REPORT 13

1.3. OBJECTIVES OF THE STUDY 13

1.4. SCOPE OF THE REPORT 13

1.5. METHODOLOGY 14

1.6. LIMITATIONS OF THE STUDY 14

1.7. PREVIEW 15

2. INDUSTRY OVERVIEW 17

2.1 INDUSTRY BACKGROUND 18

2.2 INDUSTRY SIZE 18

2.3 PROBLEMS IN DRUG EXPORT 19

2.4. LOCAL MARKET OVERVIEW 19

2.5. JOB OPPORTUNITIES 21

3. COMPANY OVERVIEW 23

3.1. ABOUT THE COMPANY 23

3.2. MISSION 23

3.3. VISION 24

3.4. STRATEGY 24

3.5. VALUES 24

3.6. FINANCIAL YEAR 25

3.7 BOARD OF DIRECTORS 25

3.8 COMPANY ORGANOGRAM 26

3.9 PRODUCT PORTFOLIO 26

3.10 MAJOR DEPARTMENTS 27

3.10.1 HUMAN RESOURCE DEPARTMENT: 27

3.10.2 FINANCIAL DEPARTMENT 27

3.10.3. MARKETING DEPARTMENT 28

3.10.4. SALES DEPARTMENT: 28

3.10.5. INFORMATION TECHNOLOGY DEPARTMENT: 28
3.10.6. RESEARCH & DEVELOPMENT: 28
4. SWOT ANALYSIS of ACI Pharmaceuticals 30
4.1 STRENGTHS 31
4.2 WEAKNESS 31
4.3 OPPORTUNITIES 32
4.4 THREATS 32
5. INDUSTRY ANALYSIS 34
5.1 DOMESTIC DEMAND 34
5.2 FINANCIAL PERSORMANCE OF THE INDUSTRY 36
6. RATIO ANALYSIS 44
6.1. RATIO INTERPRETATION 44
6.2. LIQUIDITY RATIO 44
6.2.1. CURRENT RATIO 45
6.2.2. ACID TEST RATIO 46
6.3. ACTIVITY RATIO 47
6.3.1. RECEIVABLE TURNOVER RATIO 47
6.3.2. AVERAGE COLLECTION PERIED 47
6.3.3. INVENTORY TURNOVER RATIO 48
6.3.4. TOTAL ASSETS TURNOVER 49
6.3.5. FIXED ASSET TURNOVER 49
6.4. PROFITABILITY RATIO 50
6.4.1. GROSS PROFIT MARGIN 50
6.4.2. NET PROFIT MARGIN 51
6.4.3. RETURN ON ASEETS 51
6.4.4. RETURN ON COMMON EQUITY 52
6.5. COVERAGE RATIO 53
6.5.1. CASH COVERAGE RATIO 53
6.5.2. INTEREST COVERAGE RATIO 53
6.6. LEVERAGE RATIO 54

6.6.1. DEBT TO EQUITY RATIO.......... 54
6.6.2. DEGREE OF OPERATING LEVERAGE.......... 55
6.8. DUPONT ANALYSIS.......... 55
7. FINDINGS AND RECOMMENDATION OF THE STUDY.......... 57
7.1. GENERAL FINDINGS.......... 57
7.2. FINDINGS FROM COMPARING WITH THE COMPETITORS.......... 57
7.3. RECOMMENDATION.......... 58
7.4. CONCLUSION.......... 60
REFFERENCES.......... 61

Chapter 1

INTRODUCTION

ACI Limited

INTRODUCTION

Bangladesh is a developing country with many industries. Pharmaceutical industry is one of the most important and technologically advanced industries in Bangladesh. Imports are restricted for locally manufactured drugs giving the industry protection from external competition. Over the past decades, it has seen phenomenal growth, currently contributing to almost one percent of GDP and is expected to grow significantly in the coming years. Bangladesh is experiencing a consistent increase in healthcare expenditure, mostly out of pocket, which currently stands at almost three percent of GDP. Estimates suggest the domestic market will grow further in the coming years.

Bangladesh pharmaceuticals industry is controlled by two regulatory bodies:

1. Directorate General of Drug Administration (DGDA)
2. Pharmacy Council of Bangladesh (PCB).

Presently, the pharmaceutical industry of Bangladesh meets 98% of the domestic demand and exports in many countries. Currently there are around 190 pharmaceutical companies in Bangladesh who are in operation. 85% revenue of this industry is generated by top 20 companies. It also has growth opportunity in the international market and can be the next important sector after garments in Bangladesh.

The domestic market is highly concentrated and competitive. The local companies lead the industry capturing 90% of market share whereas the multinational companies cater to the remaining demand. According to IMS Health, top 10 companies of the industry hold 69% market share, the top 20 companies hold 85% share and the top 32 companies hold 94% share. The remaining 6% share is divided among the other 158 companies.

Many pharmaceutical companies have gained reputation as a brand. Among them Square, Incepta, Beximco, Opsonin, Eskayef, Renata, Acme, A.C.I., Aristopharma, Sandoz are worth mentioning. Square Pharmaceuticals lead the industry with the market share of 19.5%. Incepta and Beximco took 2nd and 3rd positions with market share of 10.5% and 8.5% respectively.

1.1. THE PROJECT PAPER

I, the student of Bachelor of business Administration (BBA) major in Finance, study the subject related to business. As a student of finance background, we must analyze about companies in real world. The project paper helps me to get this type of practical knowledge on doing analysis of a company. University helps its students by providing this type of opportunity.

There are lots of financial institutions, business firms, industries etc. at home and abroad which provide us this facility. If we do not attain this opportunity then there will be a huge gap between our study and experience. This is a valuable art of study for us. We, the business students, usually do this by taking 3-4 months. There are many organizations particularly the private sectors and multinational business firms provide us this opportunity. In this respect, I have done my project on ACI Pharmaceutical Ltd.

In the business environment, at home and abroad there are lots of financial institution, businesses, firms, and industries, which provide this facility towards us. If we could not get this facility of doing a project paper then a wide gaps will take place between our study and experience, I think this is a valuable part of study for us. We the students of business do this usually by taking three months. In our country, there are many organizations particularly the esteemed in the private sectors and elite business firms provide this. In this respect, I have done my project paper on Financial Performance Analysis on ACI Pharmaceutical Limited, one of the most renowned companies in Bangladesh. I am thankful to my honorable faculty for giving me the opportunity.

1.2. ORIGIN OF THE REPORT

The project paper program or project paper is required for the student of BBA. It is a program with duration of three months. Students who have completed 120 credits out of 123 credits are eligible for this program. In the program, students can choose any of them. As a compulsory part of project program, this particular report is being prepared on the proposed topic "**Financial Performance Analysis on ACI Pharmaceutical Limited**". The intention was to give an opportunity to the students to gain some real world knowledge and I have learned how the organization works.

1.3. OBJECTIVES OF THE STUDY

The major objective of this report is to gather a practical knowledge of relating with the four-year theoretical learning to business. Moreover, it is required to fulfill the bachelor program. The objectives are:

- To understand and analyze the overall activities of ACI Pharmaceutical Limited.
- To study the operational efficiency of ACI Pharmaceutical Limited.
- To get an overall idea about the financial performance of ACI Pharmaceutical Limited
- To know the investment schemes of ACI Pharmaceutical Limited

1.4. SCOPE OF THE REPORT

The basic area for the report is analyzing the activities and performance of management operation of ACI Pharmaceutical Limited. In this work the overall view of the financial performance in according to pharmaceutical industry, history and Mechanism, policies of ACI Pharmaceutical Limited and other activities are extensively analyzed and the finding s are clarified along with depth study.

1.5. METHODOLOGY

This report has been prepared based on experience gathered during the period of project paper. For preparing this report, I studied different circulars and files of the organization. As well as, I have searched about other organizations in this industry and collect financial data. I hope these criteria will be enough to find out different picture of industry as well as and financial performance of the selected organization (ACI Pharmaceutical Limited.)

Primary Data: There is no primary data for the preparing the report.

Secondary Data

- Annual reports of ACI Pharmaceutical Limited
- Annual report of other companies in this industry
- Different books, training papers, manuals etc. related to the topic
- Official Website of the Organization and others.
- Product details given by the organization

1.6. LIMITATIONS OF THE STUDY

I had to face some limitations at the time of preparing this report. The present study was not out of limitations. But as a project planner it was a great opportunity for me to know the activities of ACI Pharmaceutical Limited. Some constraints are as follows:

- One of the major limitations is the shortage of project paper period. Since four month is not enough to know everything of an Organization, so this report does not contain all the area of ACI Pharmaceutical Limited.
- Another limitation is collecting the data from the organizations in the industry. It was hard to collect all information of every organization within the stipulated time.
- Because of the limitations of various sources of information, the report does not contain many important information and data.

1.7. PREVIEW

In the very beginning of this report a brief description of ACI Pharmaceutical Limited has been furnished. Then, in the subsequent chapters, there will be arranged elaboration of the different analysis of the industry, as well as of the organization. At last few pages of the main report, some findings and concluded on the analysis. At the end of this report appendices and bibliography are added.

Chapter 2

INDUSTRY OVERVIEW

2. INDUSTRY OVERVIEW

Bangladesh can be proud of the pharmaceutical sector in of this country. This sector contributes as the second largest sector to government exchequer. This sector consists of about 190 companies and the market size is around Tk 30,000 million per year approximately. Local companies produce 98% of the total requirement of medicine and the remaining 2% are imported from the other countries. The drugs that are imported mainly comprise of vaccines for viral diseases, cancer drugs, hormones etc.

The local pharmaceutical industries started growing after the Drug Control Act was promulgated to restrict huge import of drugs and to create opportunity for local manufacturing companies in 1982 in Bangladesh. As a result the MNCs became unhappy for this decision.

The economy of Bangladesh is growing rapidly and pharmaceutical sector is one of those developed sectors which contribute in our economy. The development of this field is accelerated after the promulgation of Drug Control Act – 1982. The key factors for this development are the innovative ideas, thoughts and professional knowledge of the pharmacists working in this sector. By meeting the local demand the pharmaceutical sector is heading towards self- sufficiency.

The pharmaceutical industry in Bangladesh is dominated by local manufacturers. Domestic companies are enjoying the market share of 80% of the total pharmaceutical market in Bangladesh. The MNCs are capturing the remaining 20% of the total market share. Bangladesh pharmaceutical industry has been taken to a newer level during last two decades. It meets the 98% local demand of medicine and also exports medicine to 80+ countries.

2.1 INDUSTRY BACKGROUND

The pharmaceutical industry can be classified into two categories. These are

1. Patent Medicines
2. Generic Medicines

The medicines that are invented by the company is called patent medicine. The companies have own research team who are working on their own laboratories. To enjoy monopoly market, these medicines are patented for many years. The formulation is sold in the market after years of business so that others can go into mass production.

The medicines that are produced in mass scale are generic medicines. Several companies under different brand names market generic medicines. Pricing of generic medicine is also competitive. As labor cost in our country is one of the lowest in the world, the companies mainly focus on this category. ACI Pharmaceuticals Ltd produces and markets the generic medicines.

2.2 INDUSTRY SIZE

The domestic pharmaceutical market in Bangladesh worth Tk 59330 million in 2016. (BMI - June 2017). The growth rate and investment environment deemed highly attractive in recent years. This sector in our country heavily depends on retail sales. The bulk of distribution is undertaken by the companies themselves. As a result wholesalers are left to play a limited role.

The size of the market may be small by global standards but numerous factors hide the real size and potentiality of growing the domestic pharmaceutical industry. They are:

- The valuation of domestic market size expressed in foreign currencies become meaningless because of volatility in exchange rate against those foreign currencies.
- When allopathic treatments are comparatively expensive or out of reach, the general people in Bangladesh seeks relief from ailments through traditional herbal medicines.

- Some estimates put the size of the domestic traditional medicines market at a quarter of the allopathic pharmaceutical market which means the actual medicine market size could be worth US$ 1.1 billion.
- Evaluation of the size of domestic market through exchange rate is determined by the trade of a few selected goods and services which fail to capture the real value. This imbalance can be figured out by Purchasing Power Parity. It is estimated that the domestic allopathic pharmaceuticals market will be worth US$ 2.88 billion by 2018.

2.3 PROBLEMS IN DRUG EXPORT

Bangladesh is facing a great problem in international pharmaceutical market. Most of the countries in the world know Bangladesh as a country of flood, famine, natural calamities and political unrest. It is also known as a poor country world-wide. So, the other countries consider that Bangladesh will produce poor quality products. The domestic pharmaceutical companies compete with each other regarding drug import but in foreign market Bangladesh has to compete with USA & EU based giant multinationals that have their own research brands. Our local companies face threat of quality from multinationals. Beside our companies face threat of price from the neighboring country like India. India is a country with full of resources to produce and they sell products at a very low price. The country image of India is better than Bangladesh. So, our companies have to compete with quality and price in order to export drugs to international market.

2.4. LOCAL MARKET OVERVIEW

The pharmaceutical industry in Bangladesh is a marketplace of generic medicine. The companies in Bangladesh can sell medicine either to private sector, to the govt. and its public health care facilities or to international organization. Domestic companies dominate the pharmaceutical industry in Bangladesh. Local companies capture 98% market share of this industry and the rest is captured by MNCs. Top 10 pharmaceutical companies are all local companies. Top 2 companies namely SQUARE and BEXIMCO together hold 30% market share of total industry. BAPI is playing an important role in forming the industry since 1972 when it was instituted. All the local companies like large, medium, small, national and international who are manufacturing the countries pharmaceutical production are member of this association.

Here are the names of the market players of pharmaceutical companies of Bangladesh:

1) Square Pharmaceuticals

2) Incepta Pharmaceuticals

3) Beximco Pharmaceuticals

4) Opsonin Pharma

5) Renata

6) Eskayef Bangladesh

7) ACI

8) Acme Pharmaceutical

9) Aristopharma Drug International

10) Sanofi-Aventis Bangladesh Ltd

11) GlaxoSmithKline(GSK) Bangladesh Limited

12) Orion Pharma Ltd

13) Novo Nordisk

14) Healthcare Pharmaceuticals Limited

15) General Pharmaceuticals Ltd

16) Sandoz (generic pharmaceuticals division of Novartis)

17) Popular Pharmaceuticals Ltd. (PPL)

18) Novartis (Bangladesh) Limited

19) IBN SINA Pharmaceutical Industry Ltd. (IPI)

20) Nuvista Pharma Limited

21) UniMed UniHealth Pharma Ltd

22) Sun Pharmaceutical (Bangladesh) Ltd

23) Globe Pharmaceuticals Ltd

24) BIOPHARMA Ltd

25) Roche Bangladesh Ltd

26) Radiant Pharmaceuticals Ltd

27) Pacific Pharmaceuticals Ltd

28) Jayson Pharmaceuticals Ltd

29) BEACON Pharmaceutical Limited

30) Social Marketing Company (SMC)

31) Orion Infusion Ltd

32) Kemiko Pharmaceuticals Ltd

33) NAVANA Pharmaceuticals Ltd

34) Delta Pharma Ltd

35) Servier Bangladesh

36) SOMATEC Pharmaceuticals Ltdoperating in Bangladesh (e.g. UNICEF).

37) Rangs Pharmaceuticals Ltd

38) Libra Pharmaceuticals Ltd

2.5. JOB OPPORTUNITIES

Pharmaceutical industry is the largest white-collar employment sector in Bangladesh. This industry has created large job opportunities for educated unemployed people. Recently a survey shows that more than 100,000 people are working in this industry, among them 30% are women. There has been strong growth in employment driven not only by growing domestic market sales but also by significant growth in exports.

Chapter 3

COMPANY OVERVIEW

3. COMPANY OVERVIEW

3.1. ABOUT THE COMPANY

ACI is the first company in Bangladesh to obtain certification of ISO 9001 Quality Management System in 1995. ACI is also the first Company in Bangladesh to get certification of ISO 14001 Environmental Management System in 2000. ACI employees are proud of their work culture, business ethics and environmental consciousness. ACI values are embodied in its vision and mission statements. ACI quality and environmental concerns are clearly stated through declared policies. ACI has three separate manufacturing plants in the outskirts of Dhaka. The Pharmaceuticals plant is located at Narayanganj; ACI Formulations has been setup at Gazipur and the Tetley factory has been built at Konabari. ACI Limited is the first company in Bangladesh to have attained the ISO 9001 certification for Quality Management System and ISO 14001 for Environmental Management System. The Trading subsidiary has also received ISO 9002 certificate.

3.2. MISSION

ACI's mission is to enrich the quality of life of people through responsible application of knowledge, skills and technology. ACI is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees to provide the highest level of satisfaction to its customers.

3.3. VISION

To realize the Mission, ACI will:

- Provide products and services of high and consistent quality, ensuring value for money to our customers.
- Endeavour to attain a position of leadership in each category of our businesses.
- Develop our employees by encouraging empowerment and rewarding innovation.
- Promote an environment for learning and personal growth.
- Attain a high level of productivity in all our operations through effective utilisation of resources and adoption of appropriate technology.
- Promote inclusive growth by encouraging and assisting our distributors and suppliers in improving efficiency.
- Ensure superior return on investment through judicious use of resources and efficient operations, utilizing our core competencies.

3.4. STRATEGY

To build long-term partnership with the customers and with their support, we aim to maximize the potential of our business through a combination of enhanced quality of product, service, creative marketing, competitive pricing and cost efficiency.

3.5. VALUES

- Quality
- Customer Focus
- Innovation
- Fairness
- Transparency
- Continuous Improvement

3.6. FINANCIAL YEAR

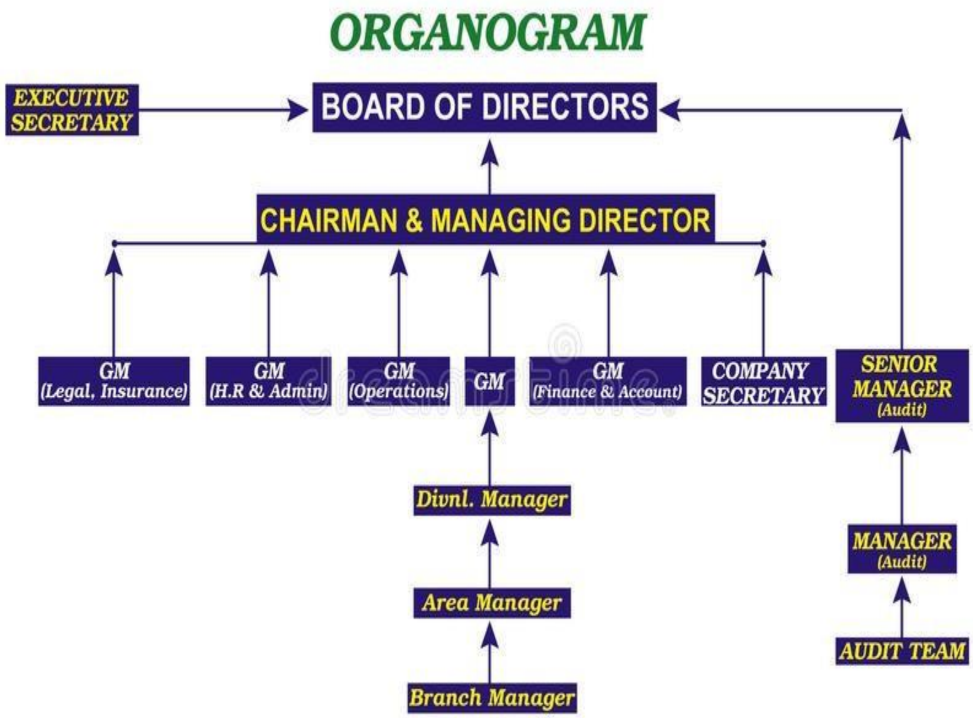
Financial Year (July 2016 – June 2017)	
Authorized capital	Taka 500 Million
Paid up capital	Taka 438 Million
Sales	Taka 47,668 Million
Number of employees	8,364

3.7 BOARD OF DIRECTORS

The list of Board of Directors of the company is given below:

CHAIRMAN	Mr. M. Anis Ud Dowla
MANAGING DIRECTOR	Dr.Arif Dowla
DIRECTORS	Mr. Golam Mainuddin
	Mr. Waliur Rahman Bhuiyan
	Mrs. Najma Dowla
	Ms. ShusmitaAnis
INDEPENDENT DIRECTORS	Mr. Abdul Muyeed Chowdhury
	Mr. Juned Ahmed Choudhury

3.8 COMPANY ORGANOGRAM



3.9 PRODUCT PORTFOLIO

Since the beginning of the journey in 1992, the product quality image of ACI pharmaceuticals is impressive and it is increasing day by day. There are some important drivers of ACI's growth. They are:

1. Quality products manufactured in world class manufacturing plants

2. Diversified product portfolio
3. Fast new product development capability
4. Own R&D facilities to develop formulations
5. Innovative and market focused marketing
6. Professional management and
7. Experience in international market

3.10 MAJOR DEPARTMENTS

Like every other corporation ACI has different departments for carrying out several activities. The major departments of ACI are:

3.10.1 HUMAN RESOURCE DEPARTMENT:

The Human Resource Department is responsible for the management of the employee in order to achieve organizational goals and coordinates with other departments for the effective utilization of resources. This department works for recruiting, training and evaluating employees who collects raw materials from the specific vendors at suitable quantity. In addition to that this department also purchases required machineries and stationery products for the organization. This department received the bills from the third party and sends them to Finance and Treasury.

3.10.2 FINANCIAL DEPARTMENT

ACI has accomplished a brand image of financially sustainable in both money and capital markets of Bangladesh. Some of the prominent features of being financial sustainable are as follows:

1. This prepares both short and long term financial plans following bottom up approach. This has given two edges-management and effective implementation.

2. All directors of the Board are actively involved in financial plans and financing both capital structures and working capital at least cost for value generation of the stakeholders.

3. All in the ACI are well informed about financial plans and programs well ahead of implementation. This has increased the degree of employee participation;

4. The financial and operating risk is very low;

5. Credit Rating –Long term Liquidity AA-3 indicates the long term financial soundness of ACI.

3.10.3. MARKETING DEPARTMENT:

ACI opened the marketing department. ACI has been developing very rapidly in terms of market share and sales growth. After one year of launching marketing department, sales growth was 34% which was incredible

3.10.4. SALES DEPARTMENT:

This department plays a vital role for the company. The employees of sales department are called Medical Representative. They visit doctors for the promotion of the company`s new or existing product so that doctor can prescribe the medicine for the patients. They also visit the pharmacy to supply the product of the company.

3.10.5. INFORMATION TECHNOLOGY DEPARTMENT:

The Information Technology (IT) Department develops and maintains an internal network of workstations equipment, operating systems and servers to tie the departments together. This department uses the software programs to manage the information electronically.

3.10.6. RESEARCH & DEVELOPMENT:

ACI"s research and development department plays an integral role. They find out whether the existing products need any change and upgrades according to the requirements. New product research and development, quality check etc. are the main activities of this department.

Chapter 4

SWOT ANALYSIS OF ACI PHARMACEUTICALS

4. SWOT ANALYSIS of ACI Pharmaceuticals

SWOT analysis means to explore a company's strength, weakness, opportunities and threats. It helps the organization to remove its faults and improve its performance in comparison to its competitors. The current position of the company can be defined through SWOT analysis. To make changes in strategies, SWOT analysis is an important tool for an organization. Through direct observation and discussion with the ACI officials, I tried to figure out some strength and weakness as well as some threats and opportunities on various issues. They are-

- Service level
- Efficiency in operation
- Technology
- Efficiency of employees etc.

Strengths
Top Level Management
Culture of the Organization
Quality of the Product
Strong Employee Relationship

weaknesses
Expenses
Profitability

Opportunities
Increasing Demand
Innovative Products and Services
New Acquisition

Threats
Product Similarity
Increase in labor cost
Increased Competition

4.1 STRENGTHS

- Top Level Management A very efficient top level managers operate ACI Pharmaceuticals Ltd. They are experienced, skilled and expert from reputed organizations which will help them to contribute towards further expansion of the organization. So. ACI’s one of the major strengths is their top level management.
- Culture of The Organization ACI has set its corporate culture in an interactive way. Employees work here in a very friendly, informal and comfortable environment. So, employees can communicate with superiors without any barrier. This culture motivates the employees to work in the organization.
- Quality of The Product ACI never compromise with the product quality. Quality products are offered to customers. So, customers can fulfill their needs by choosing right product.
- Strong Employee Relationship Employees are considered as one of the major assets of the organization. The commitment of employees towards organization is very strong. The strong organizational culture of ACI is the main reason behind its strength.

4.2 WEAKNESS

- Profitability Pharmaceutical industry is highly competitive. When ACI promote a new product or set up their product price, they are bound to keep it lower because of competitors. It effects heavily on their profit.
- Expenses For a manufacturing company it is very much important. The organization always has to focus on expenses. Though the manufacturing companies try to cut down their cost year by year but ACI is unable to do so.

4.3 OPPORTUNITIES

- Increasing Demand The demand of ACI product is increasing day by day and it creates opportunity to introduce new products to the customers. They can earn more profit by utilizing the opportunity in future.
- New Acquisitions ACI has acquired some companies and a good amount of profit is coming from those acquiring companies. If they continue the process of acquisition, they can earn more profit.
- Innovative Products and Services As it has the opportunity of growing demand of product, ACI can introduce new products and services to customers.

4.4 THREATS

- Product Similarity Though ACI tries to introduce new products to the customers but the products are very much similar with the competitors. To earn customer loyalty ACI should introduce new and quality product.
- Increase in Labor Cost As a manufacturing company a very big threat for ACI is the increasing labor cost. The labor cost of ACI is higher in comparison with the competitors.
- Increased Competition As the pharmaceutical industry in Bangladesh is a highly competitive, ACI has to face the threat of increased competition.

Chapter 5

INDUSTRY ANALYSIS

5. INDUSTRY ANALYSIS

According to the new research, Pharmaceutical sector in Bangladesh may grow at 15% for the next five years riding on the expanded domestic market as well as new export frontiers. Two major ways is expected to change the disease profile in Bangladesh. They are:

1. The rise of non-communicable diseases
2. Gradual move from acute to chronic diseases

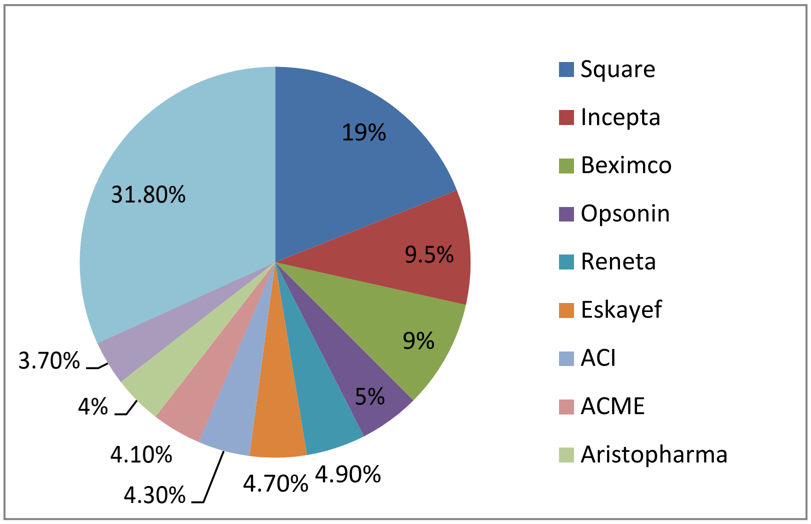
The ageing population of our country will increase by 25% by the time of 2036. As Bangladesh advances into the league of middle income countries, the income level is comparatively high. So, the drug purchasing power is likely to rise with the sustained growth.

5.1 DOMESTIC DEMAND

Bangladesh currently has around 190 pharmaceutical companies in operation. Among them top 20 companies generate 95% of market revenue. According to export.gov, the top ten manufacturers by share of market revenue are as follows:

Company	% of Share	Company	% of Share
Square Ltd	19%	Reneta	4.9%
Incepta	9.5%	Eskayef	4.7%
Beximco	9%	ACI	4.3%
Opsonin	5%	ACME	4.1%
Drug International	3.7%	Aristopharma	4%

About 95 percent of market share is dominated by local manufacturers dominate the industry while multinationals hold 5 percent. Bangladesh pharmaceutical industry satisfies 97% of domestic demands and the rest 3% of drugs are imports. Imports are restricted for drugs that are locally manufactured and available.

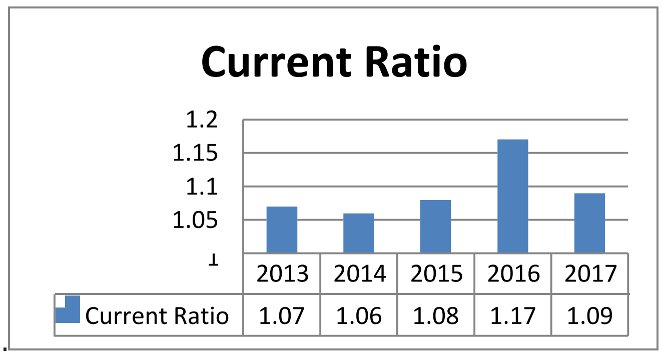


Bangladesh pharmaceutical industry mostly produces generic drugs, in fact, Bangladesh is now a hub for affordable and high-quality generic medicines. 30 pharmaceutical companies export to 113 countries. Not only tablets, capsules, and syrups but also specialized products like HFA inhalers, CFC inhalers, suppositories, nasal sprays, injectable, IV infusions are exported from this industry. Free from the obligations to implement patents and data protection for pharmaceutical products until 2033. According to EPB, Bangladesh exported $37.9 million (about Tk.3.0 billion) worth of drugs in the fiscal year 2015 -2016 (EPB). In an industrial park, which is situated at Baushia, Gajaria, Munshiganj and will cost 4.39 billion BDT, 42 Active Pharmaceutical Ingredients manufacturing industrial units will be set up there. Sales of generic drugs in Bangladesh are estimated to reach BDT 30,300 crore by 2024. Generic drugs exported from Bangladesh amounts to 25% of the worldwide pharmaceutical sales.

5.2 FINANCIAL PERSORMANCE OF THE INDUSTRY

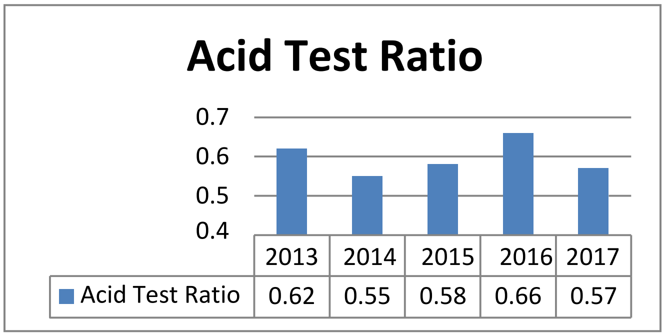
Financial performance of an industry depends on the performance of the organizations within the industries. Pharmaceutical industry is growing in Bangladesh and there are lots of manufacturing organizations in this industry. Within the limited time, I am unable to take all of the industries as my data to calculate financial performance of this industry. I have taken five organizations except the ACI Pharmaceuticals as sample for this industry and calculate financial performance of the industries. The companies are Square, Beximco, Incepta, Opsonin and Reneta.

Current Ratio



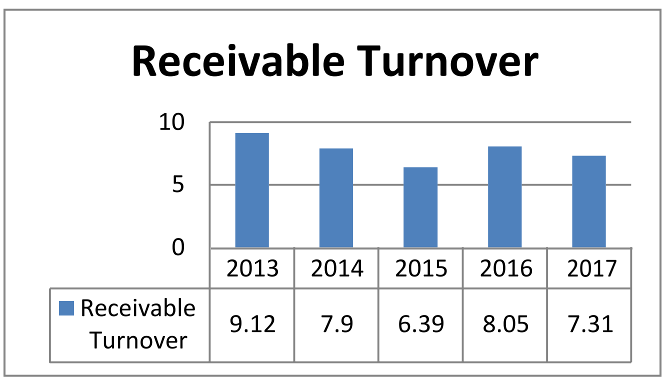
Here we can see the graphical presentation of current ratio of the company. The industry has more cash than its liabilities. It means the financial performance of the industry according to cash ratio is good. In 2017 it was 1.17 which means the industry has .17 times more than its current liabilities.

Acid Test Ratio



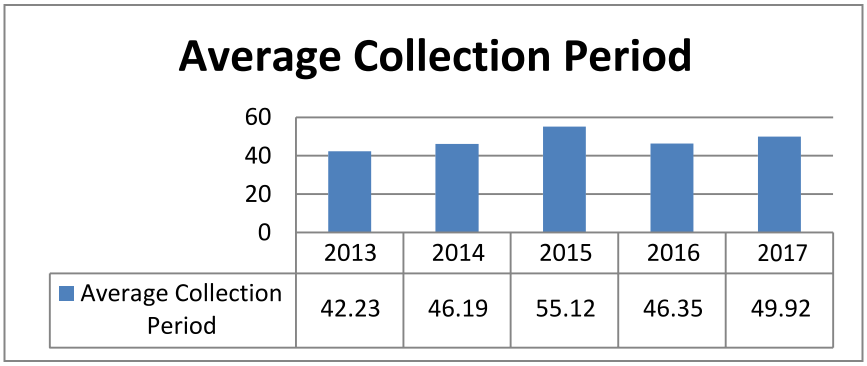
The acid test or quick ratio measures the ability of a company to use its near cash or quick assets to retire its current liabilities immediately. The graph shows that in 2016 the industry was in good position according to this ratio.

Receivable Turnover



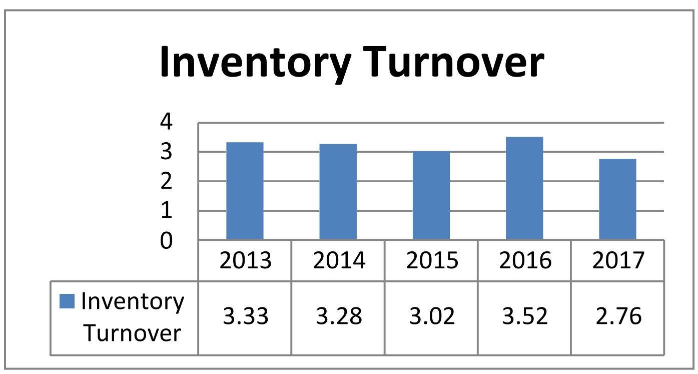
The receivables turnover ratio is an activity ratio measuring how efficiently a firm uses its assets. Receivables turnover ratio can be calculated by dividing the net value of credit sales during a given period by the average accounts receivable during the same period. In 2013 the ratio was higher.

Average Collection Period



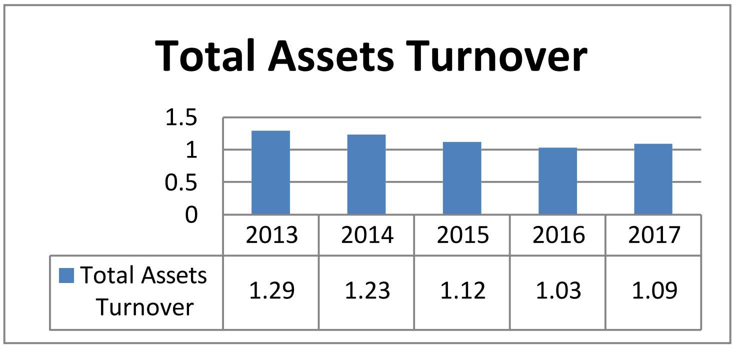
Average collection period is referred to as the ratio of days to sales outstanding. It is the average numbers of days it takes a company to collect its accounts receivable. In 2015 the ratio was higher than other years.

Inventory Turnover



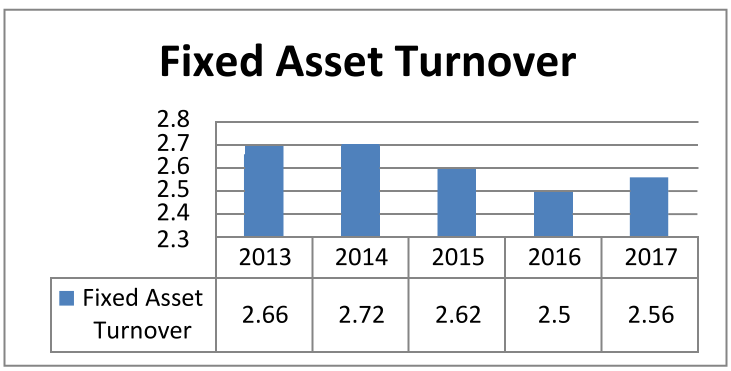
The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. The graph shows that the ratio is stable in these years.

Total Assets Turnover



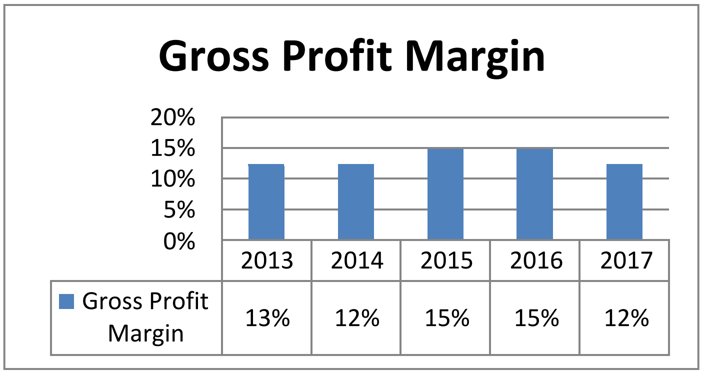
The asset turnover ratio is an efficiency ratio that measures a company's ability to generate sales from its assets by comparing net sales with average total assets. In 2013 the ratio was higher.

Fixed Asset Turnover



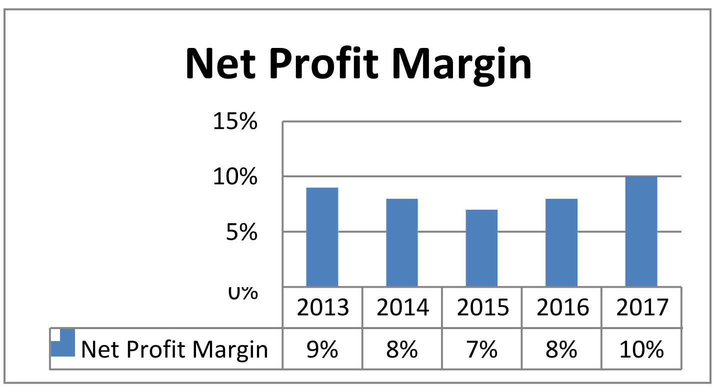
Fixed-asset turnover is the ratio of sales to the value of fixed assets. It indicates how well the business is using its fixed assets to generate sales. In 2014 the ratio was better.

Gross Profit Margin



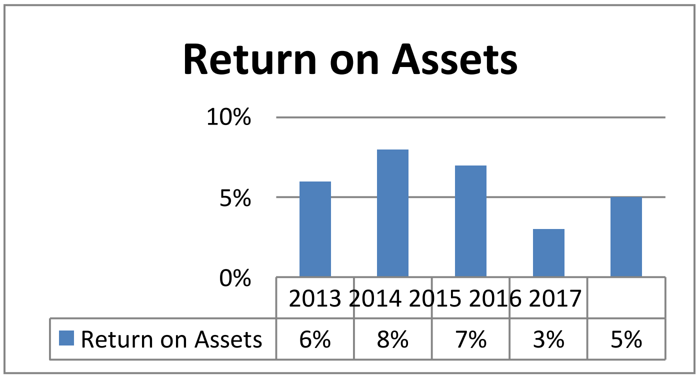
Gross profit margin is a financial metric used to assess a company's financial health and business model by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. In 2015 and 2016 the ratio was same.

Net Profit Margin



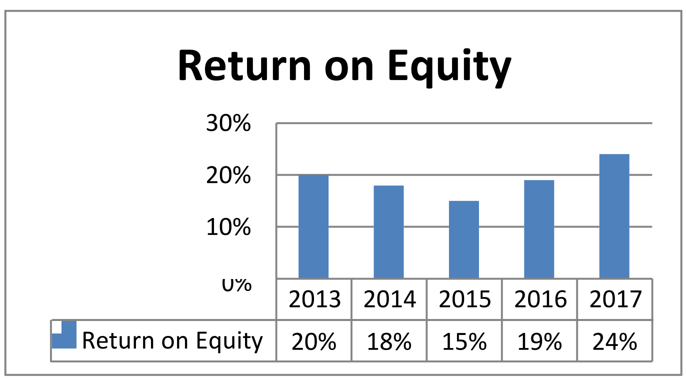
Net profit margin is the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of profit that a business can extract from its total sales. According to this ratio in 2017 the industry position was good.

Return on Assets



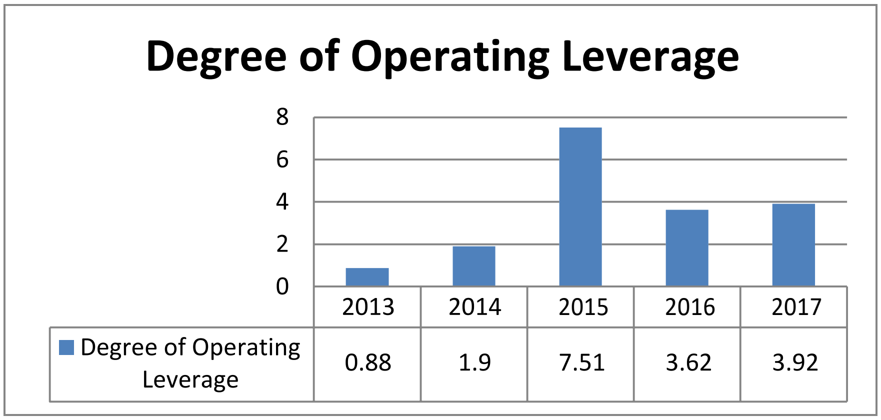
Return on assets (ROA) is a financial ratio that shows the percentage of profit a company earns in relation to its overall resources. It is commonly defined as net income divided by total assets. In 2014 ROA was higher

Return on Equity



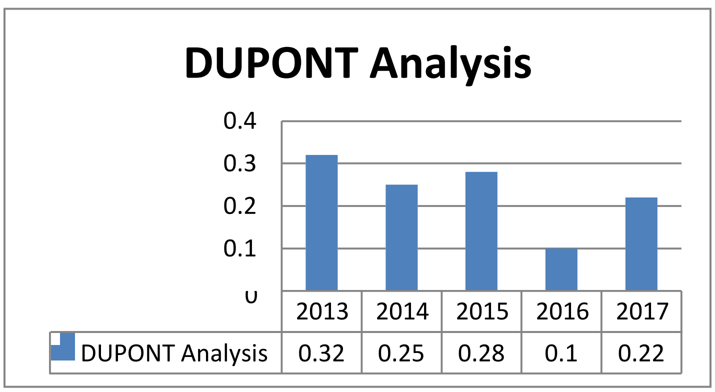
Return on equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. In 2017 the ROE was good for the industry

Degree of Operating Leverage



The degree of operating leverage (DOL) is a measure used to evaluate how a company's operating income changes with respect to a percentage change in its sales. In 2015 DOL was higher that means the industry was in more risk

DUPONT Analysis



DuPont analysis is a method of performance measurement that assets are measured at their gross book value rather than at net book value to produce a higher return on equity (ROE). In 2013 it was higher.

Chapter 6

RATIO ANALYSIS

ACI Limited

6. RATIO ANALYSIS

6.1. RATIO INTERPRETATION

Ratio: Ratio means the relationship among selected items that expresses the mathematical relation between two quantities. In various ways like percentage, rate or simple proportion this relationship is expressed. Ratios provide information about the underlying condition of the company in comparison with the time or competitors. Thus, in the discussion of ratios we will use the following types of comparisons.

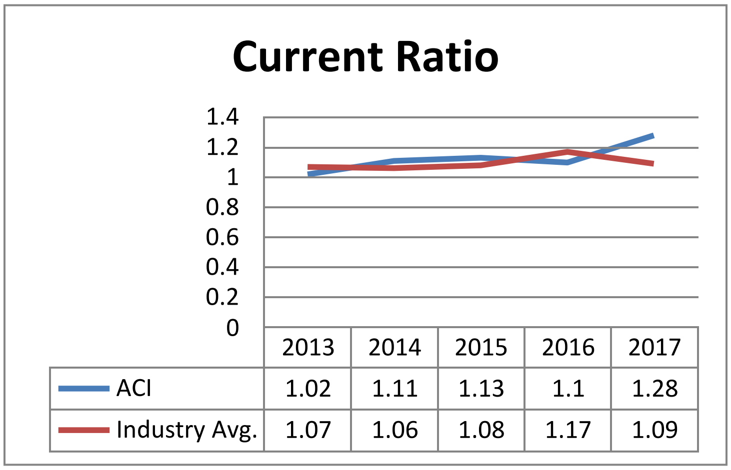
1. An intercompany comparison for five years
2. Industry average comparisons based on median ratios

As we have taken five other companies as competitors, we got the industry average. So, we can evaluate this ratio by intercompany comparisons as well as industry average. From the analysis, I comment on the basis of Industry averages which are given below:

6.2. LIQUIDITY RATIO

Liquidity ratios measure the short-term ability to pay its maturing obligations and to meet unexpected needs for cash. Short term creditors like suppliers and bankers are interested in assessing liquidity. The current ratio and the acid test ratio are used to determine the short-term debt paying ability.

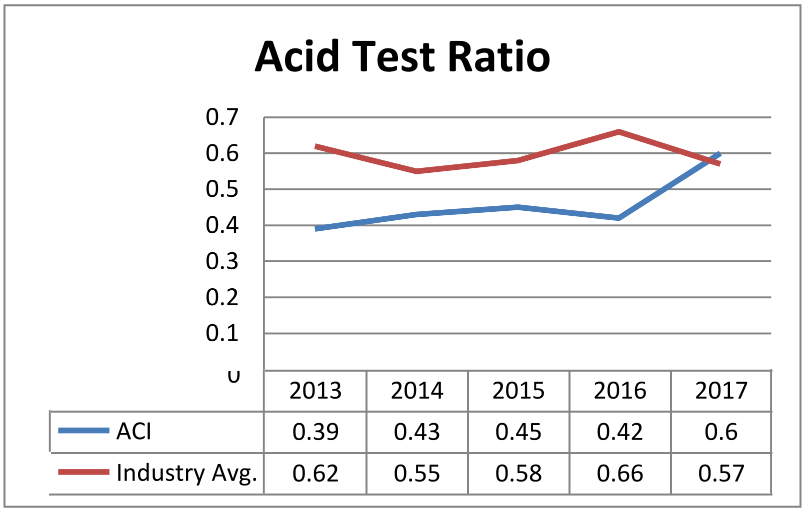
6.2.1. CURRENT RATIO



	2013	2014	2015	2016	2017
ACI	1.02	1.11	1.13	1.1	1.28
Industry Avg.	1.07	1.06	1.08	1.17	1.09

The Graphical Presentation shows the company's current ratio. As we have taken five other companies as competitors, we got the industry average. So, we can evaluate this ratio by intercompany comparisons as well as industry average. In 2013, there are 1.02 Taka current assets against 1 Taka liability. It has increased in 2014 and 2015 which is better for 2014 and 2015 than 2013 and it is decreased from 2015 to 2016 which means it is not better for the company liquidity. Farther we can analysis its ability to pay the liability with industry average which identifies that it is doing better. So, from the comparison of industry average and competitors' average, It can be said that company is doing better in the consecutive years which indicates that ACI Pharmacuticals has more current assets against the current liabilities.

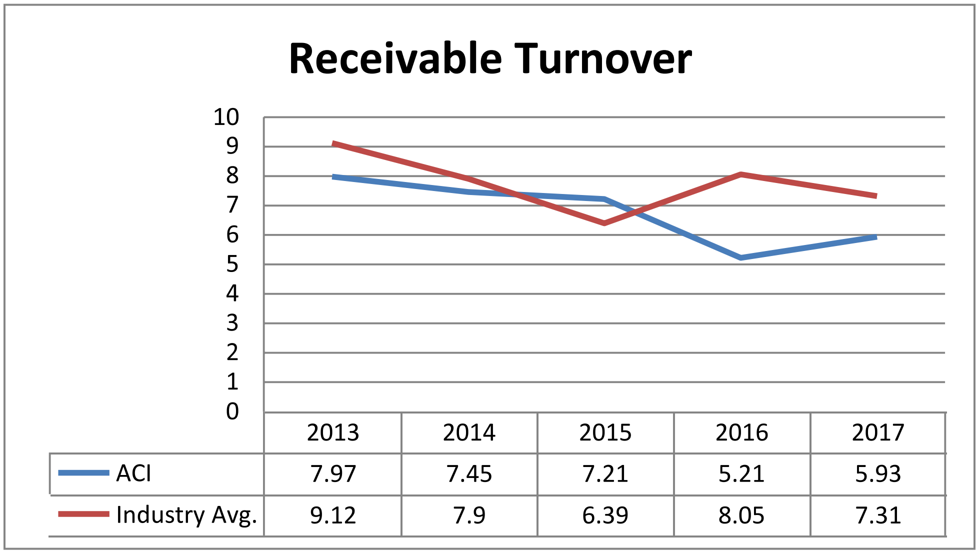
6.2.2. ACID TEST RATIO



The Graphical Presentation shows the company's acid test ratio. In 2013, there are 0.39 Taka current assets except inventories against 1 Taka liability. IF we compare within the company, it is better because it is increasing in consecutive years. The company has increased its liquid assets to pay its liability in 2017 and it is above the industry average which indicates the liquidity position of ACI Pharmaceuticals is better than its competitors but in other years it was below the industry average which indicates that the liquidity position of ACI Pharmaceuticals is not better than its competitors.

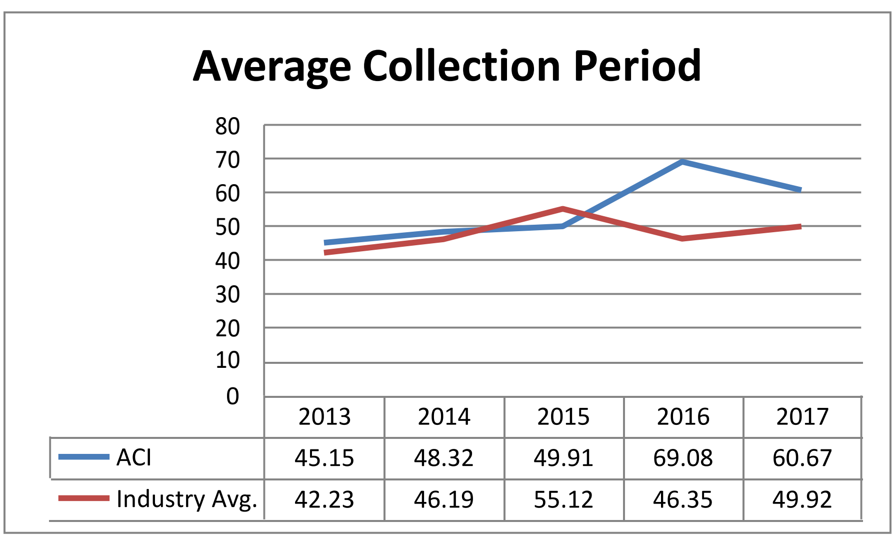
6.3. ACTIVITY RATIO

6.3.1. RECEIVABLE TURNOVER RATIO



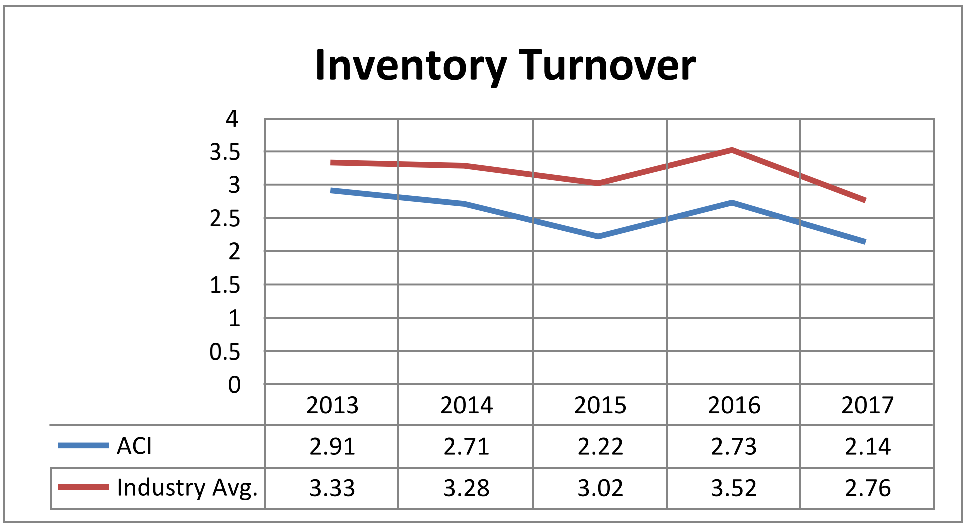
The Graphical Presentation shows the company's receivables collection. In 2015, the company can collect 7.21 times the receivables through the year which is better than the industry average. It has decreased in following years which indicates that company is going to unable to collect its receivables against the sales. Farther we can analysis its receivables collection, the collection with industry average which identifies that it is not good according to industry.

6.3.2. AVERAGE COLLECTION PERIED



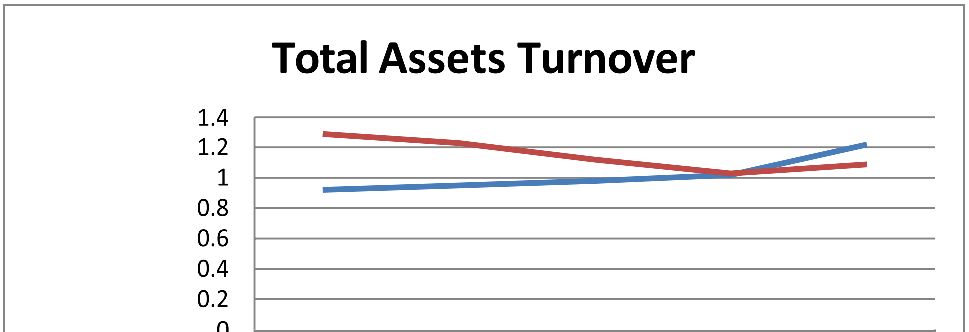
The Graphical Presentation shows the company's average collection period. In 2015 the company took 49.91 days for its average collection which is better than industry average. But all the other years the company's average collection period is higher than the industry average which indicates that ACI Pharmaceuticals is unable to collect its receivables easily. It may raise bad debt from this not collecting receivables.

6.3.3. INVENTORY TURNOVER RATIO



The Graphical Presentation shows the company's inventories turnover ratio. In 2013, the company can collect 2.91 times the inventories through the year. It has increased in following years which indicates that company is selling its inventories slowly. Also in comparing with industry and competitors, it is not better because ACI Pharmaceuticals is selling its inventory

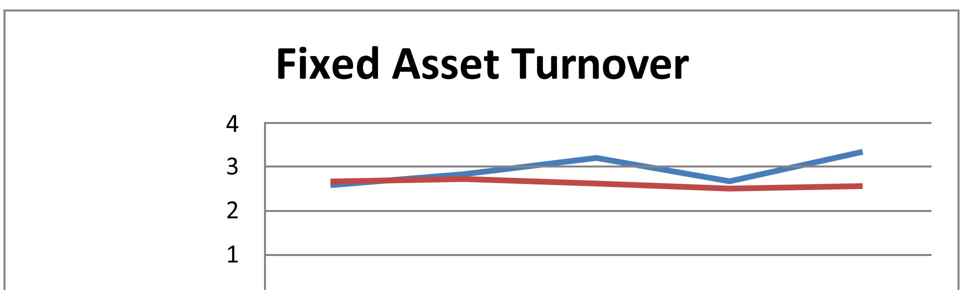
6.3.4. TOTAL ASSETS TURNOVER



	2013	2014	2015	2016	2017
ACI	0.92	0.95	0.98	1.02	1.22
Industry avg	1.29	1.23	1.12	1.03	1.09

From the Graphical Presentation, total assets turnover is increasing in frequent years which indicate that company is efficient to use its total assets to generate the revenue but in according to industry average company has more unutilized assets by which revenue can be increased where competitors are using their assets more efficiently and generating revenue more than 1 against BDT 1.00 assets

6.3.5. FIXED ASSET TURNOVER



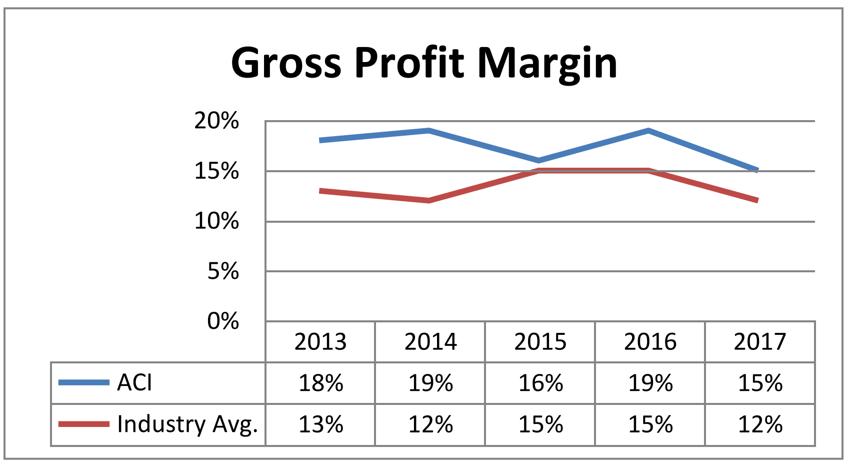
	2013	2014	2015	2016	2017
ACI	2.58	2.83	3.2	2.67	3.34
Industry Avg.	2.66	2.72	2.62	2.5	2.56

The fixed asset turnover ratio is an efficiency ratio that measures a company's return on their investment in property, plant, and equipment by comparing net sales with fixed assets. From the Tabular and Graphical Presentation, total assets turnover is increasing in frequent years which indicate that company is efficient to use its fixed assets to generate the revenue but in according to industry average company has utilized assets in proper way.

6.4. PROFITABILITY RATIO

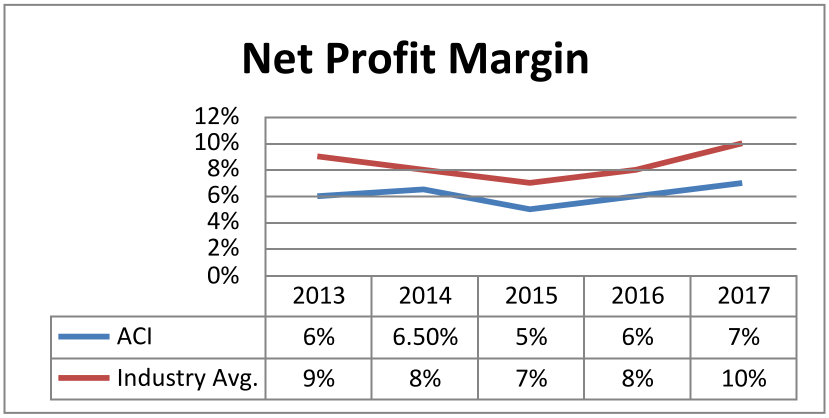
Profitability ratios are the most useful ratios to express the profit of an organization. It shows the earnings of an organization compared to its expenses and other relevant costs. Stockholders mainly examine the profitability ratios of a company when they decide to invest. Profit margin, Return on Asset (ROA), Return on Equity (ROE) etc. are some example of profitability ratios.

6.4.1. GROSS PROFIT MARGIN



Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. This ratio measures how profitable a company sells its inventory or merchandise. From the Graphical Presentation, gross profit is in an average rate and deviation is not too much within years which indicate that company moderately performs to generate the revenue but in according to industry average and competitors company is doing better.

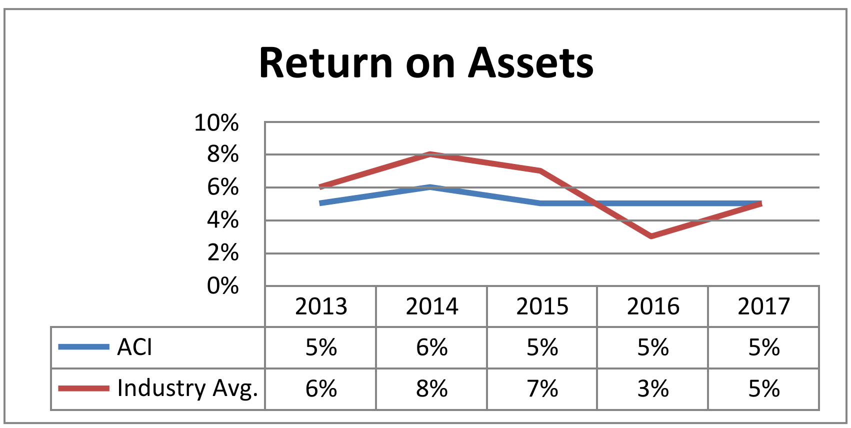
6.4.2. NET PROFIT MARGIN



	2013	2014	2015	2016	2017
ACI	6%	6.50%	5%	6%	7%
Industry Avg.	9%	8%	7%	8%	10%

From the Graphical Presentation, gross profit is in an average rate and deviation is not too much within years which indicate that company moderately performs to generate the revenue but in according to industry average and competitors, company is not doing better and operating cost is very much high.

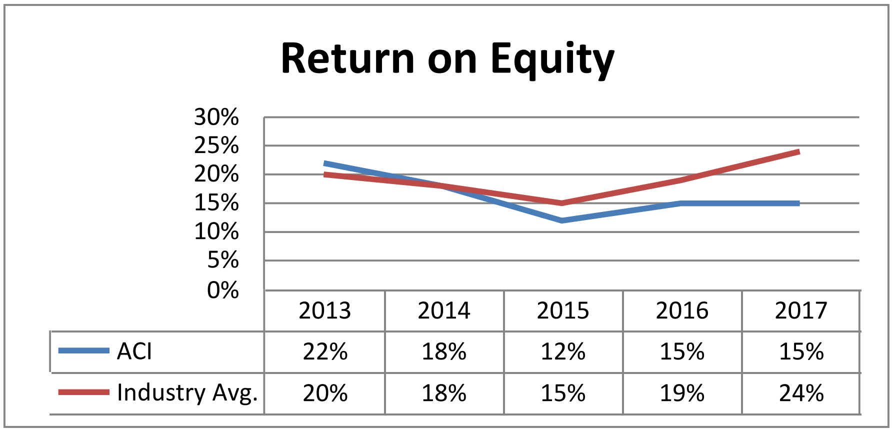
6.4.3. RETURN ON ASEETS



	2013	2014	2015	2016	2017
ACI	5%	6%	5%	5%	5%
Industry Avg.	6%	8%	7%	3%	5%

From the Graphical Presentation, return on assets is in an average rate and deviation is not too much within years which indicate that company moderately performs to generate the revenue but in according to industry average company is not doing better and operating cost is high.

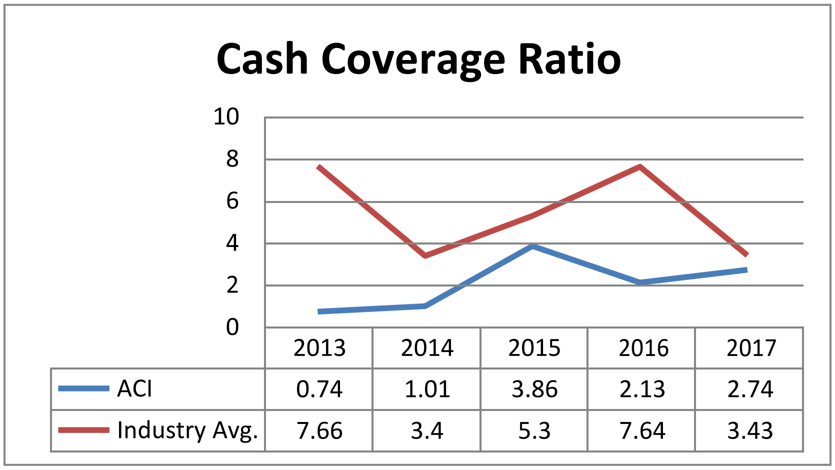
6.4.4. RETURN ON COMMON EQUITY



From the Graphical Presentation, return on common equity is going down and deviation is more between years which indicate that company not performs so well to generate the revenue against the common equity but in according to industry average and competitors, company is not doing better and operating cost is high.

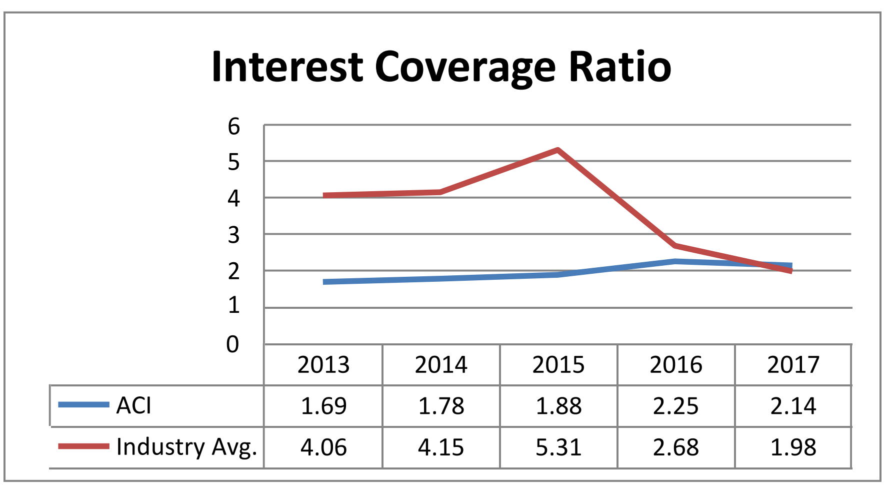
6.5. COVERAGE RATIO

6.5.1. CASH COVERAGE RATIO



The cash coverage ratio is useful for determining the amount of cash available to pay for a borrower's interest expense. It is expressed as a ratio of the cash available to the amount of interest to be paid. In the graph we can see that cash coverage ratio is very low compared to the industry average.

6.5.2. INTEREST COVERAGE RATIO

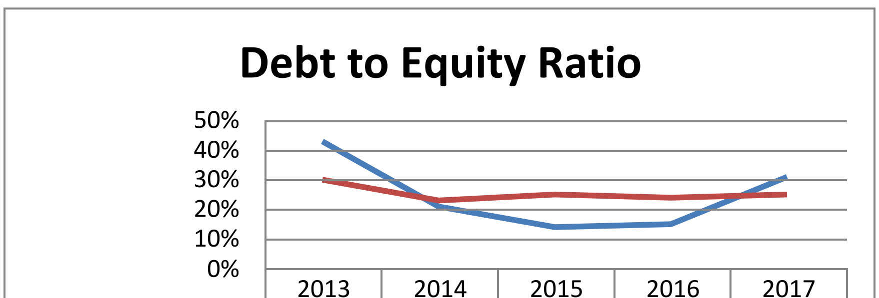


The interest coverage ratio it measures a company's ability to make interest payments on its debt in a timely manner. It calculates the firm's ability to afford the interest on the debt. The more the ratio, the more the more the firm's ability to make interest payments on its debt, and the less the financial risk the firm has to bear.

ACI has a low interest coverage ratio from 2013 to 2015. It indicates that ACI has lower ability to pay off the interest payment from EBIT. Secondly, from 2016 to 2017 this ratio is increasing and it indicates that ACI was gaining its capability to cover risk gradually. By its increasing pattern of interest coverage ratio, we can say that its financial risk is becoming low. Finally, ACI has lower financial risk compare to industry average.

6.6. LEVERAGE RATIO

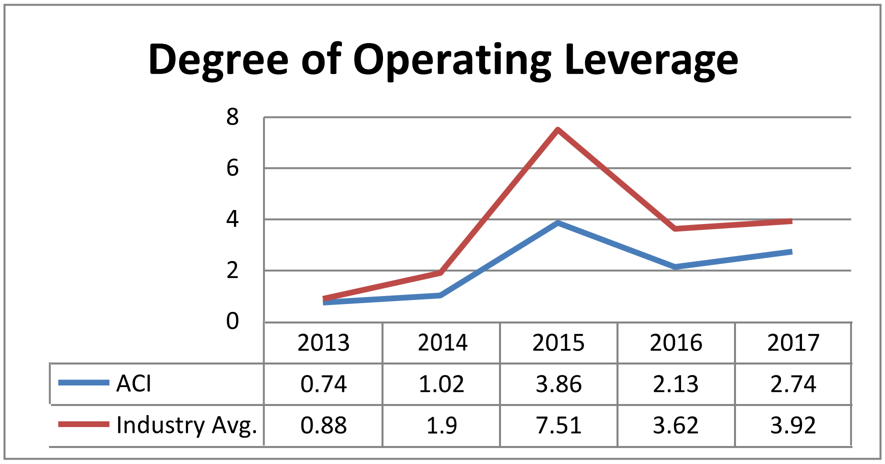
6.6.1. DEBT TO EQUITY RATIO



	2013	2014	2015	2016	2017
ACI	43%	21%	14%	15%	31%
Industry Avg.	30%	23%	25%	24%	25%

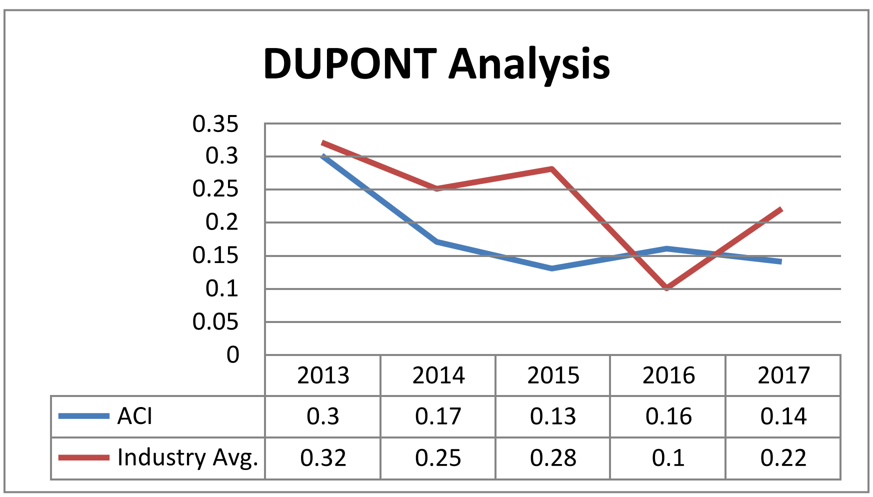
The Graphical Presentation shows the company's debt ratio. In 2013, there is 43% debt against the equity. It has decreased in following years which indicates that company has paid its liability and it can takes loan for further. Farther we can analysis its debt to equity, the debt with industry average. Through the comparison with industry, it can be pointed out that, ACI had taken a large amount of debt in 2017 than its competitors which was not better and in the other years it is lower than the industry average which identifies that it has an opportunity to take more loans in future.

6.6.2. DEGREE OF OPERATING LEVERAGE



The graph indicates that after increasing the sales in overtime changes the large portion in net income. But it’s lower than the industry average which indicates that the company has to make more improvements on other sides along with its sales to compete with the industry.

6.8. DUPONT ANALYSIS



By the analysis, net profit margin is going down frequently as well as total asset turnover going down but financial leverage is in moderate position. In 2013, financial leverage was good but in the time it decreases. But now, the risk of the company is going lower. On the other hand company is making large amount of sales.

Chapter 7

FINDINGS,

RECOMMENDATION AND CONCLUTION

7. FINDINGS AND RECOMMENDATION OF THE STUDY

7.1. GENERAL FINDINGS

- Among the pharmaceutical companies, ACI Pharmaceuticals Ltd is in the fifth position according to the EBL Securities Limited Research**.**
- This report is done only on the information from 2013 to 2017 and with 5 major companies. So, outcome of the report can be different if there is taken more companies and more years.
- ACI Pharmaceuticals has very low market capitalization ratio.
- Company is doing better in compare with the industry in Current and Acid Test Ratios.
- On the other hand, Company is not doing better in compare with the industry in receivable collection and Asset Turnover.
- The profit margin is an average stage with a little deviation.
- The return on assets and equity is in an average stage with a little deviation.
- Company’s Stock turnover is not in satisfactory level.
- Company is solvent to pay the long term debt.

7.2. FINDINGS FROM COMPARING WITH THE COMPETITORS

Liquidity Ratios:

In 2013, the competitors has taken 30% loan than their equity and ACI Pharmaceuticals taken 43% which indicates the position risky but in consecutive years it has gone below the industry average which indicates that company has the ability to repay the liabilities as well as there is an opportunity to take more loans. It also indicates that the business is generating more revenue. If we look over the Acid test ratio, we can find out that company has more liquid assets than the industry against the current liability but it is not better the company because current liability is higher than the liquid assets.

Activity Ratios:

Comparing with the competitors, the accounts receivables of the company is increasing because the accounts receivables turnover is decreasing than the competitors in consecutive years. From the average collection period, we can conclude that the bad debt might be increased due to increasing days in collecting receivables. ACI PHARMACRUTICALS has lower ratios in total assets turnover than its competitors indicate that the company isn't using its assets efficiently and most likely have management or production problems.

Profitability Ratios:

Net profit of ACI Pharmaceuticals is lower than the Industry average as well as its competitors because of its operation. Its operating cost is too much high. The market is very much competitive for a growing industry. ACI Pharmaceuticals is doing better as a growing business concern.

7.3. RECOMMENDATION

- The company should concentrate on the collection of receivables as well as selling the inventories.
- The company should focus on the operating expenses.
- Liquate and long term solvency is satisfactory and the company should try to keep more liquate assets.
- Low rate of gross profit is due to the increase in the operation expense. The company should give more focus on general financial strength. Return on capital employed ratio is satisfactory.
- Efficiency ratio shows a mixes trend so the company should take the necessary steps to meet the higher ratio.
- Company should focus on the collecting the accounts receivables for reducing the uncertainty of bad debt collection.
- Company should also increase its liquid assets because it is lower than the current assets as the company meet the liability by liquid assets.

7.4. Conclution

The pharmaceutical industry in Bangladesh is highly competitive because of its large number of companies. To sustain in this competitive market a company have to be profitable in the long run. If we see the ratios of ACI, we can see that the overall performance of the company is low compared to the average industry performance. ACI should use its assets in a productive way to gain more profit in this competitive market. The top management also should think about the high costs that reduces the profit margin of the company. They should encourage the investors by offering them good return. If ACI can make the best use of its opportunities and strengths, in future it will contribute more to the economy of Bangladesh by expanding business.

Refferences:

1. www.aci-bd.com/pharmaceuticals.php
2. www.assignmentpoint.com/business/aci-limited-corporate-information.html
3. https://en.wikipedia.org/wiki/Pharmaceutical_industry_in_Banglad
4. http://www.thedailystar.net/business/pharma-sector-grow-15pc-year-study-1429024
5. http://123.49.46.157/bitstream/handle/10361/3220/13274025.pdf?sequence=1
6. Annual Reports of:

- ACI Pharmaceuticals Ltd(2013-2017)
- Square Pharmaceuticals Ltd (2013-2017)
- Incepta Pharmaceuticals Ltd (2013-2017)
- Reneta Pharmaceuticals Ltd (2013-2017)
- Opsonin Pharmaceuticals Ltd (2013-2017)
- Beximco Pharmaceuticals Ltd (2013-2017