Project on Financial Statement Analysis of Pharmaceuticals Industry

United International University

Course Code: AIS 4441

Financial Statement Analysis of Pharmaceutical Industry

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Bachelor of Business Administration in Accounting & Information Systems (BBA in AIS)

Trimester: Summer 2020

Date of Submission: 14th February, 2021

ACKNOWLEDGEMENT

In the name of ALLAH, the kindest and most merciful.

At First, I want to thank The Almighty Allah, Without for His blessings and wisdom, and without HIS help I was unable to perform this task. Most importantly, I want to thank Md. Abdullah Babu Sir, for guiding me in every step and help me to solve the obstacles I have faced throughout the project. I owe to him for having faith on me and for his co-operation, patience and time. Without his suggestion, advice, encouragement, my analysis and this project would never be completed.

A lot of hard work has gone into making this project and it would never be successful without direct and indirect help of some of my friends.

LETTER OF TRANSMITTAL

October 13th, 2020

To

Md. Abdullah Babu

Assistant Professor School of Business & Economics (SOBE),

United International University

Subject: Project submission on “Financial statement analysis of pharmaceutical industry”.

Dear Sir,

With high respect, it is my pleasure to submit my project on “financial statement analysis of pharmaceutical industry” which is a part of my BBA program. In preparing this project, I have followed all of your guidelines. From this project, I have achieved a broad knowledge about the financial status of pharmaceutical industry and I think that this knowledge will help me in my future career.

I attempted all possible steps to complete this project in due time and I hope that this project will meet all the expectations. My honest effort was to give this project a neat shape to make it as per your guidelines. I hope you will like this project and I will appreciate any kind of suggestion regarding this project.

Yours sincerely,

Md. Nazmul Islam

ID: 114162007

(BBA in AIS)

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DECLARATION OF ORIGINALITY

I would like to declare that this project titled ‘’Financial Statement Analysis of Pharmaceutical Industry’’ is an original, authentic work carried out by me. I also ensure that this project is only prepared for my academic requirement and not for any other purposes. It is my own research and pursued under the guidance of Mr. Md. Abdullah Babu Sir, Assistant Professor, School of Business & Economics, United International University. The report is mainly prepared for the final requirement for the privilege of the degree BBA in AIS.

Md. Nazmul Islam

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Bachelor of Business Administration in Accounting & Information Systems (BBA in AIS)

United International University

ABSTRACT

This project is primarily showed the financial performances of Pharmaceutical Industry by taking the sample of 10 Pharmaceutical Company’s 5 years data with the aid of ratio analysis of fifteen different ratios.

The Literature review in this study describes what Financial Statement Analysis is and references some researchers and their quotes about what they think about financial statement analysis. In the methodology part I try to find out what type of data it has been used, how it has been collected and what was the sample size used throughout the study.

In the Findings and Analysis section, the main part of the study has been spoken about the financial performances and results of the Pharmaceutical Companies and the results have been graphically presented and analyzed.

Lastly, this report ends with the information of how the financial situations has been over the last Five years in Pharmaceutical Industry and who has got the top position in the pharmaceutical industry.

Key words: Financial Statement Analysis, Ratio Analysis, Financial Performances, Financial Statements.

ACRONYMS

Acronyms	Word
BBA	Bachelor of Business Administration
AIS	Accounting Information System
SOBE	School of Business and Economics
EPS	Earnings Per Share
ROI	Return on Investment
ROE	Return on Equity
D/E	Debt-Equity
FAT	Fixed Asset Turnover

Table 1: List of Acronyms

CHAPTER ONE

Introduction

Rational of the Study

Scope of the Study

Limitation of the Study

INTRODUCTION

THE OBJECTIVE OF THE STUDY.

There are mainly two types of objectives used to describe the purpose of the report being made. In this study, two basic types of objectives are applied.

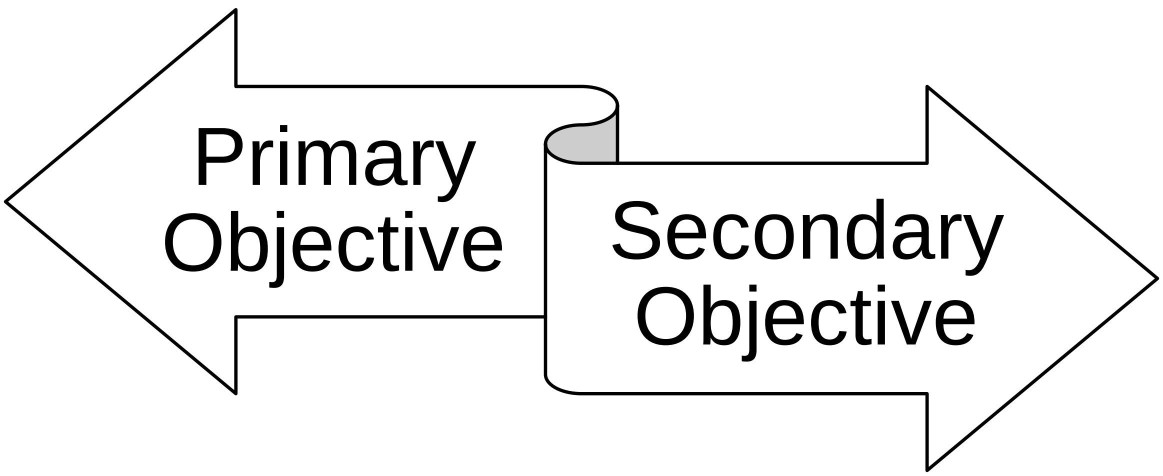

Figure 1: Types of Objective

Primary Objective: Primary Objective can also be said the key objective of a study. In this study the main purpose is to submit this project to my supervisor for the final requirement for the privilege of the degree BBA in AIS.

Secondary Objective: Secondary Objective basically explains the general objective of a study. Mainly this objective expresses the detailed study which I have been discussing here. In this study, the secondary objective is to find out the financial performance of the pharmaceutical industry.

RATIONAL OF THE STUDY

I am conducting this study to submit a project report at the end of the trimester to my supervisor. I will get an undergrad degree from my university if I successfully completed this requirement. There were two options which were given to me between Internship and Project and I have chosen project as the situation of the practical world is not very good. I have always wanted to do internship but at the very end of my university life I have faced a pandemic (COVID-19) which is very worse than our expectations and this made me to choose the project over internship. My supervisor has given me a good topic for the project which is the “Financial statement analysis of Pharmaceutical Industry” and told me to find out which company is the best in the industry by analyzing the financial performance.

SCOPE OF THE STUDY

Here are a few of the critical factors that determine the reach of this report:

1. I managed to obtain a good analytical knowledge.
2. I managed to understand how to search for data in an annual report of a company.
3. I managed to gather various and huge knowledge while collecting data, information to produce this report and understood how to tackle various small problems while preparing the report by myself only.
4. I also learned a lot about the financial performance of the pharmaceutical Industry.

LIMITATION OF THE REPORT

While conducting this project I have faced many difficulties which was unavoidable and need to be mentioned. Those limitations are given below.

- There were certain time limitations as this project needed more time to prepare to my satisfaction.
- References such as articles, journals, and some companies annual report were rare to find even when it was found.
- During the project, suddenly my father got sick and doctor find out that he got a serious heart diesis and during this pandemic it is more difficult to deal with a patient who has heart diesis. Many hospitals refused to give treatment also. Finally, when he was treated in a hospital, the doctor told us to give my father a proper bed rest. My father is a businessman, due to his illness he was unable to conduct his business and that’s why I have to take the responsibilities of his business and that’s why I have taken so much time in conducting this project and this one is the biggest limitation of my project.

CHAPTER TWO

LITERATURE REVIEW

LITERATURE REVIEW

Financial statement analysis is basically used to analyze a firm's financial statement to help users in decision-making. External shareholders/ stakeholders use this method to know the performance of an organization. And the internal voters use it like a monitoring tool for managing the business. Globally, publicly limited companies are bound by the law to publish their financial statements in public. (Fernando, Balance Sheet, n.d.)

According to Lev- "financial statement analysis is used to process information and provide data to the users for decision making models, such as the, bank lending decision models, portfolio selection model and corporate financial models ". (Dr. Donthi Ravinder, 2013)

According to John Myer, "financial statement analysis is basically a study of relationship between the financial aspects in a business. (Dr. Donthi Ravinder, 2013)

According to Bhavani et al, Financial Statement Analysis is a method of finding the earning manipulation of a firm. Although the accounting process in the analysis of financial statements still unable to control the manipulations in full extent. (Adkins, 2020)

Financial Statement Analysis simply means a statement of true scenario of an organization and which, interconnected in terms of the monetary unit. It is basically set certain characteristics of a company that is considered to fairly represent its financial activities. (Meigns et al, 2001)

According to Meigs and Meigs (2003), Financial Statement Analysis is used to control the company's financial performance and its financial position. (Meigns et al, p. 2003)

I.M. Pandey (2007), "The financial Statement covers data about the firm's financial significances and sources and use it to know the financial state of a firm is good or bad. (T, 2012)

According to Kennedy and Muller, "Financial Statement analysis and understanding of fiscal summaries uncover every single trademark with respect to the prosperity monetary sufficiency, operational productivity and reliability of the worry concerned. (T, 2012)

Financial statement analysis built a meaningful connection between two financial statements with the purpose of recognizing the financial condition and the operational strong point and weaknesses. (Agarwal)

Rachchh Minaxi A (2001), “The Financial Statement Analysis is used to estimate the relationship between different component of the financial statements to understand a firm’s position and performance”. (T, 2012)

John J. Wild, K.R. Subramanian, and Robert F. Halsey (2006), “Financial statement analysis is a systematic tool and procedure to general determination financial statement and related information to infer approximations and translations of business investigation”. (T, 2012)

Financial Statement Analysis is the technique for deciding the significant working and monetary qualities of a firm bookkeeping information and budget summaries. (Hamptons). (AUEssays, 2018)

According to Drake (2010), financial statement analysis is the assurance, assessment, and comprehension of financial data, close by other important information, to help theory and financial dynamic. Also, it is the route to recognizing financial characteristics and weaknesses of the association by suitably developing association between the things of the balance sheet and income statement. (Kenton D. K., 2020)

Financial statements that are commonly practiced in the organizations are the Balance Sheet. Income Statement, Cash Flow Statement. Statement of Shareholder’s Equity. The balance sheet is the financial statement report of the organization which offers info about organizations' assets, liabilities, and shareholders 's/owner's equity. A balance sheet is the core statements of the financial statement for evaluating an organization's financial condition. There basic formula to formulate the balance sheet is

Assets = Liabilities + Owners’ Equity

The main purposes of financial statement analysis is to offer information to the shareholders that can help them in decision making.

Various procedures are normally utilized as a feature of financial statement analysis. Three of the main methods include horizontal analysis, vertical analysis, and ratio analysis.

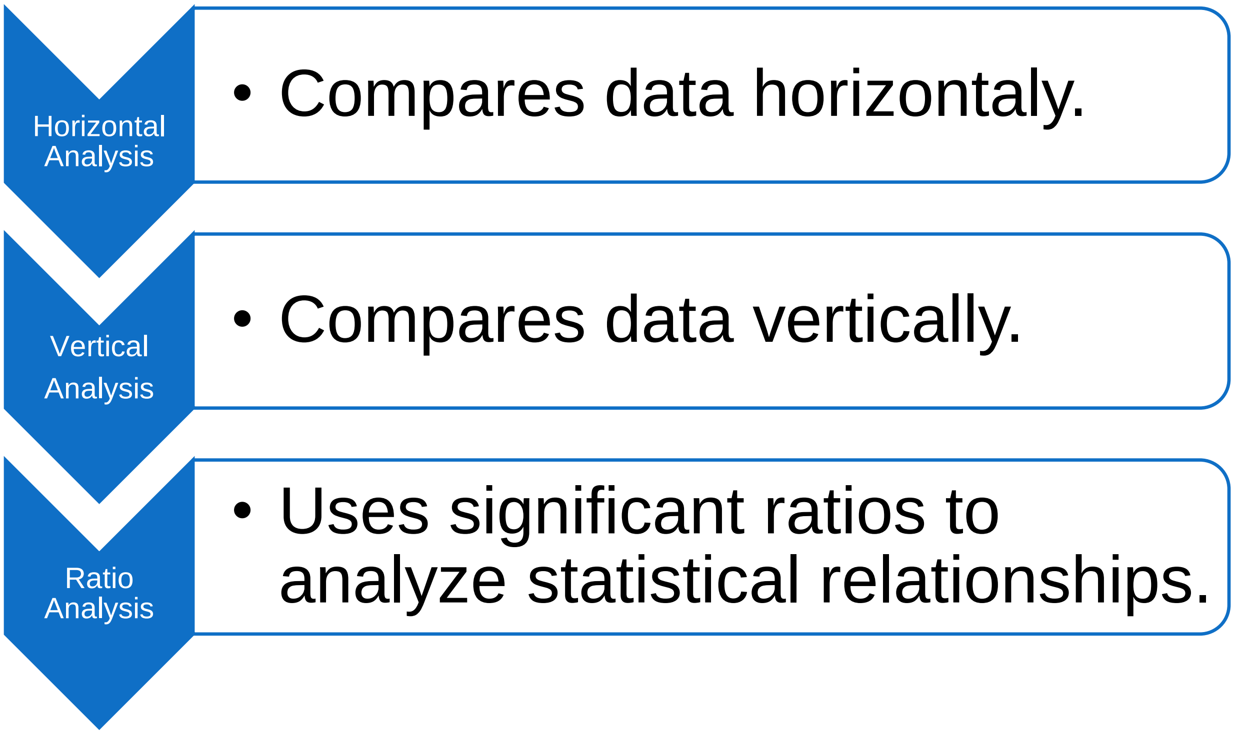

Figure 2: Types of Analysis

HORIZONTAL ANALYSIS: Horizontal Analysis basically used to analyze chronicled information of details over various bookkeeping periods Such examination can be utilized as outright correlation or the percentage comparison.

According to Kimmel, and Kieso (2013), Horizontal analysis is known as a method of assessing a movement of financial statement data over some time period. Its inspiration is to choose the extension or decrease that has happened. (Maharani Nadia Lakada)

VERTICAL ANALYSIS: Vertical analysis undoubtedly show detail rates in a different section. Vertical analysis is a technique for fiscal report investigation where each detail is recorded as a level of a base figure inside the explanation. It is additionally the investigation between these segments and their aggregates for a given timeframe. It is additionally prepared as static analysis. Relationship between current asset for current liabilities and correlations between debt to equity for one purpose of time are examples of vertical analysis.

According to kimmel, kieso (2013), Vertical analysis is the framework to updates each financial statement thing as a degree of a base total. It is basically the calculation of changes in different parts of the financial statement of different periods. Vertical analysis makes it possible to think over intermittent instabilities in different parts of the financial reports. (Kenton D. K., 2020)

RATIO ANALYSIS

Ratio analysis is a technique of obtaining responsiveness into a company's liquidity, operational proficiency, and productivity by evaluating its fiscal summaries, for example, balance sheet and income statement. (Bloomenthal, Ratio Analysis, 2020)

Ratio as per Garbutt (1972) is one number connected regarding another. It is characterized in the Oxford Dictionary as the connection between two sums uttered by the occasions one is carried in the other. By the usage of ratio analysis procedures, it is possible to encourage examination of noteworthy figures, by communicating their relationship as ratios or percentages, therefore empowering the records of a business to be interpreted by bringing into center striking highlights carried in the fiscal statements. (Kenton D. K., 2020)

According to (Hampton, 2003), Ratio is the route toward choosing the domineering working and financial component of a firm from accounting data and fiscal outlines. (Kenton D. K., 2020)

CHAPTER 3

METHODOLOGY

METHODOLOGY

DATA TYPE

There are basically three types of data.

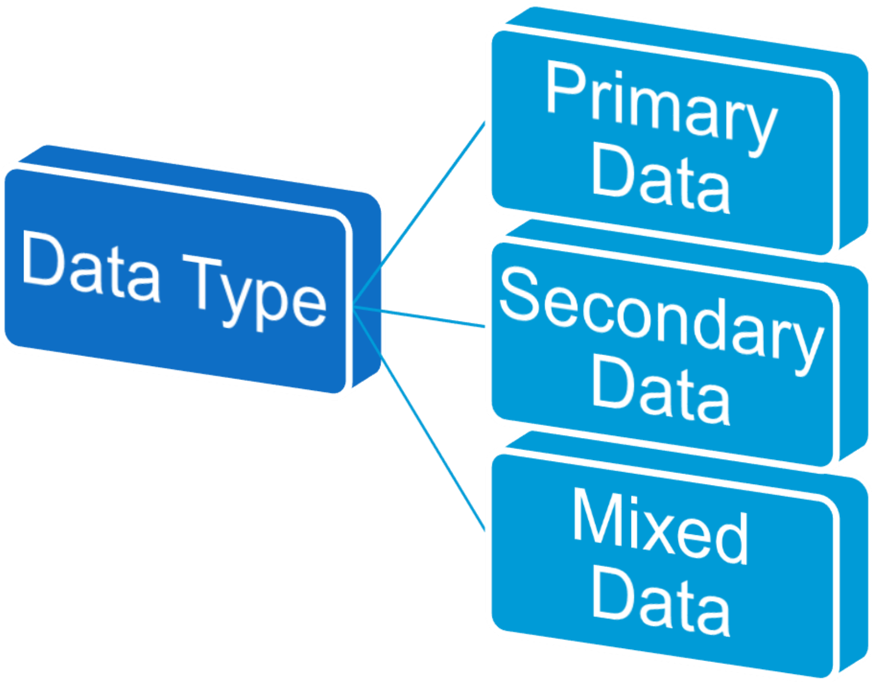

Figure 3: Types of Data

PRIMARY DATA: Primary data is collected straight with references, mainly through interviews of individual or mutually some of the information had been added with personal notes. In this project no primary data is used.

SECONDARY DATA: Basically, secondary data is collected from published books. Researcher saves a lot of time by collecting secondary data. While essential researchers invest a lot of energy through gathering and breaking down the information. Secondary data provides handy explanations.

The secondary data that has been used in this project is obtained through

1. Company’s annual Reports and internal records.
2. Journals and text books related to Financial Statement Analysis.

All the data that has been used in this report are secondary data.

MIXED DATA: This method focuses both qualitative and quantitative approaches as this report focused both on numbers and words.

RESEARCH TYPE

There are six varieties of research which can be used to prepare a report. But in this project, only one type of research type has mainly focused which is descriptive method.

- **Descriptive method**: This method collects data without monitoring any variables. I have also collected data without changing any values of ratios from the annual reports of pharmaceutical companies.

DATA COLLECTION

I have collected the data from the company’s annual reports, some journals, articles and some various links through the help of the internet.

SAMPLING

- Ten Pharmaceutical Company’s five years on annual report (2015-2019) is being used to prepare this report.

DATA ANALYZING TOOL

Data has been analyzed using Microsoft Office Word and Microsoft Office Excel.

DATA PRESENTATION

The whole report will be presented in soft copy through e-mail in PDF format.

CHAPTER FOUR

FINDINGS AND ANALYSIS

FINDINGS AND ANALYSIS

In this part, I will show you the ten pharmaceutical Company's financial performance. Basically, there are three types of financial analysis: horizontal analysis, vertical analysis, ratio analysis. In this part I will only focus on the ratio analysis to analyze my topic.

I will cover the following ten pharmaceutical company.

- Square Pharmaceutical
- Beximco Pharmaceutical
- Reneta Pharmaceutical
- ACI Pharmaceutical
- Acme Pharmaceutical
- Orion Pharmaceutical
- Delta Pharmaceutical
- Beacon Pharmaceutical
- Ambee Pharmaceutical
- Ibne Sina Pharmaceutical

With the help of sixteen various types of ratio, I am going to analyze the financial performance of the ten pharmaceuticals company as the sample of my analysis. As I am dealing with the pharmaceutical companies, 16 ratios are enough to highlighted their financial performance. I am going to cover 5 years of the data from the annual reports and I am going to cover the following ratios.

- ✓ Current Ratio
- ✓ Quick Ratio
- ✓ Gross Profit Margin Ratio
- ✓ Operating Profit ratio
- ✓ Net Profit Margin Ratio
- ✓ Return on Investment Ratio
- ✓ Earnings Per Share Ratio
- ✓ Dividend Pay Out Ratio
- ✓ Return on Equity
- ✓ Debt Equity ratio
- ✓ Equity Ratio
- ✓ Debt ratio
- ✓ Equity Multiplier
- ✓ Inventory Turnover
- ✓ Fixed Asset Turnover
- ✓ Total Asset Turnover

There are basically five varieties of ratios:

- **Profitability Ratios**
- **Liquidity Ratios**
- **Efficiency Ratios**
- **Solvency Ratios**
- **Market Prospect Ratios.**

Figure 4: Types of Ratios

In this report I have tried my best to calculate and compare those ratios of pharmaceutical companies. I also try to give this report a simple look so that anyone can understand this report easily. After reading this report you will know who has a good financial performance over the last five years.

PROFITABILITY RATIO

This ratio is generally use to know how sound a company can generate its profit from the operation. Gross Profit Margin Ratio Operating Profit ratio, Net Profit Margin Ratio, Return on Investment Ratio, Return on Equity all are example of profitability ratio. (Kenton W. , Profitability Ratios, 2020)

GROSS PROFIT MARGIN

Gross margin is the difference between net sales and cost of goods sold. This ratio is calculated by gross profit divided by net sales. The higher the gross profit margin the higher the company's performance. Company should always focus on gross margin ratio as if it's goes down for a longer period then company will face huge loss in business.
(Bloomenthal, Groos Profit Margin, 2020)

Gross Margin Ratio= Gross Profit /Net Sales x 100

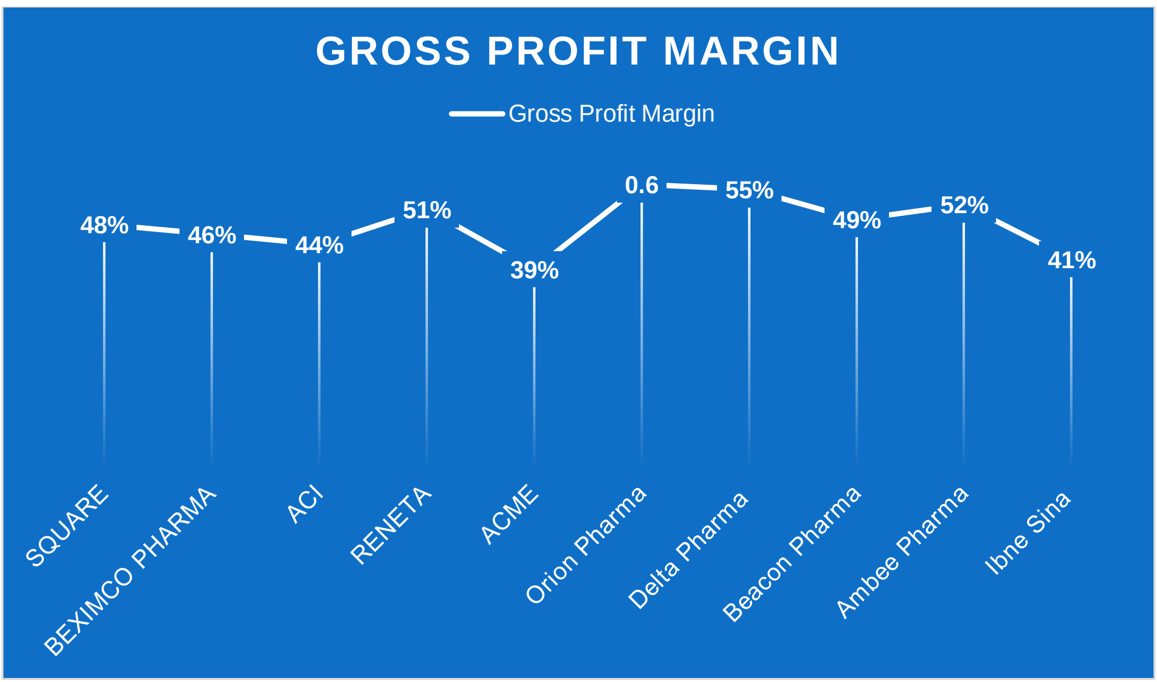

Figure 5: Gross Profit Margin

Here I basically use the average of five years gross profit margin of every company to compare their performance. Here we can see that the Delta Pharmaceuticals has the highest gross profit margin among them which is 55% So, the higher the gross profit margin the higher the performance. On the other hand, Acme pharmaceutical has the lowest gross profit margin which is 39%.

OPERATING PROFIT MARGIN

This ratio principally shows the proportion of profit a company gaining every year from the operations. Operating profit is found by subtracting all the operating cost from the gross profit. Operating profit margin is calculated by Operating profit divided by net sales. The higher the operating profit the higher the performance. (Kenton W. , 2020, p. Operating Profit Margin)

Operating Profit Margin = Operating Profit/ net sales x 100

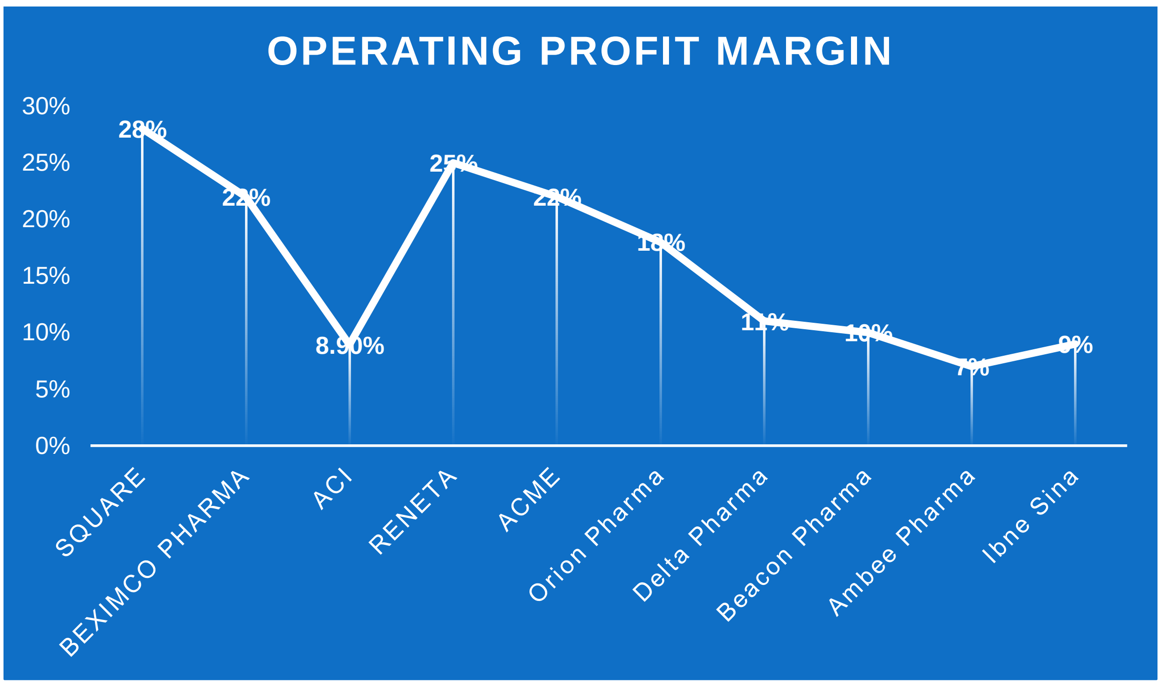

Figure 6: Operating Profit Margin

Here we can see that the Ambee pharmaceuticals got the lowest operating profit margin ratio which is not good for them. On the other hand, Square Pharmaceuticals got the highest operating profit margin ratio among them which is 28%.

NET PROFIT MARGIN

Net profit margin ratio is usually express the percentage of profit a company earn from the revenue. This ratio is very important for a company as it shows the efficiency and growth. Investors are very much interested in this ratio as they have interest on company's profit. The company can also use the information to assessment their situation. Net profit margin is calculated by net profit divided by net sales. The higher this ratio the happier the shareholder will be. (Kenton W. , 2020, p. Net Profit Margin)

Net Profit Margin= Net Profit/ Net Sales x100

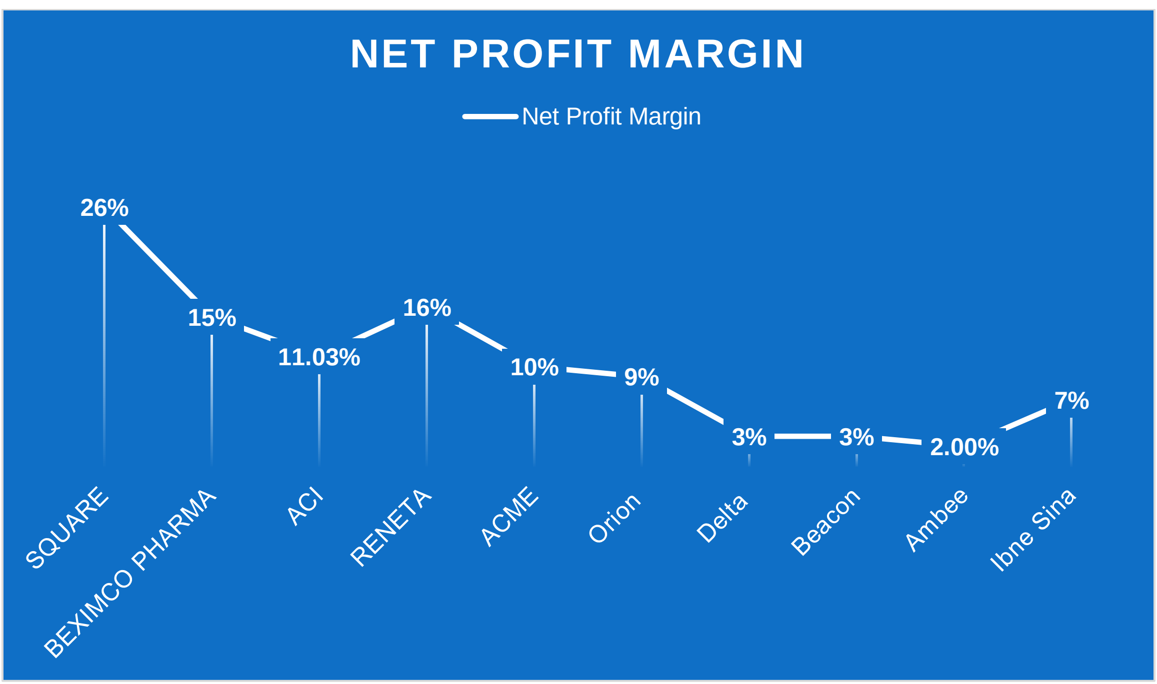

Figure 7: Net Profit Margin

Here, we can see that Square got the highest net profit margin which is 26% and Ambee Pharmaceutical got the lowest net profit margin among them. So, the square pharmaceutical has the highest profit generated from its revenue.

RETURN ON EQUITY

Return on equity (ROE) measures how the productivity of an organization comparable to investors' value. ROE is a measurer of profit of a company in relation to stockholders' equity. Return on equity (ROE) is calculated by dividing net income by shareholders' equity. (Fernando, Return on Equity, 2020)

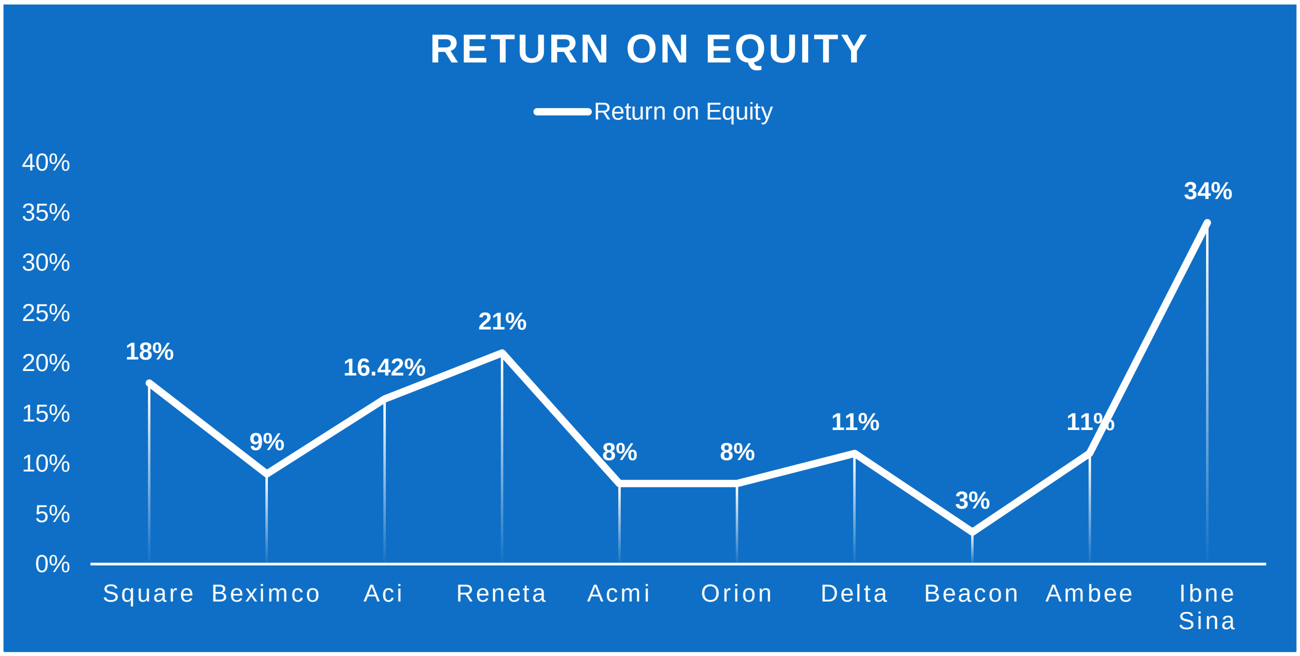

Figure 8: Return on Equity

Here, we can see that Ibne Sina got the highest return on equity which is 34% and Beacon Pharma got the lowest ROE among them. So, the “Ibne Sina” pharmaceutical has the highest return from its revenue.

RETURN ON INVESTMENT

ROI is considered as the best tool to know profitability. It is likewise a respectable number to think about against competitors or an industry normal. Specialists suggest that organizations ordinarily need in any event 10-14 percent ROI to subsidize future development.

If this ratio is too low, at that point the organization has a helpless administration execution or a profoundly traditionalist business strategy. Then again, a high ROI implies that administration is doing acceptable, or that the firm is undercapitalized.

Net Income/Owners' Equity— demonstrates how well the organization is using its value speculation.

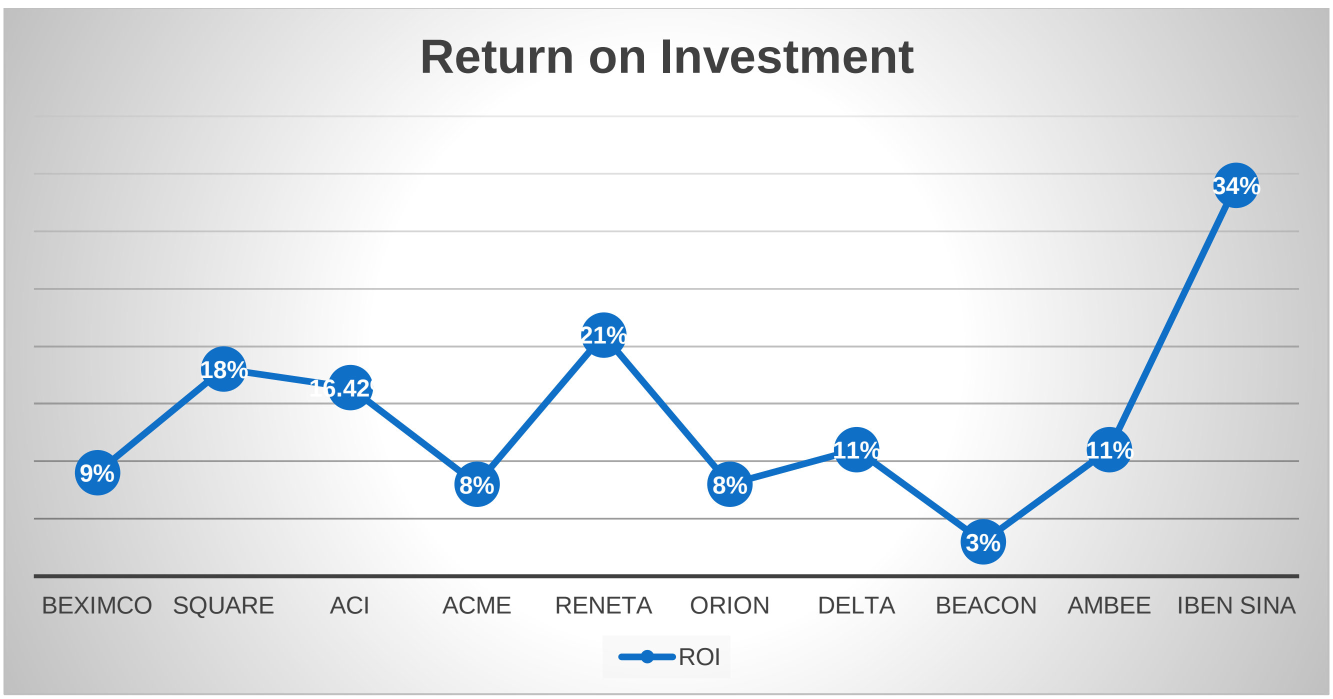

Figure 9: Return on Investment

Here we can see that Ibne Sina got the highest return on equity and Beacon Pharma got the lowest ROI among them.

LIQUIDITY RATIO

Liquidity ratio is fundamentally indicating the capacity of organization to meet its obligation by utilizing its present resources. At the point when a firm is confronting monetary troubles and can't pay its obligations, can change over its resources into money and utilize the cash to settle down any forthcoming obligations. Some common liquidity ratios include the current ratio quick ratio, and the cash ratio. Liquidity ratios are ordinarily utilized by banks, providers and lenders to realize the customer's capacity to respect their monetary surprisingly due. (Hayes, Liquidity Ratio, 2020)

CURRENT RATIO

Current ratio shows a company's capability to pay short-term obligations. It gives information to investor about how well a company can maximize its current asset on its balance sheet to pay its' current debt. Basically, the ideal current ratio depends to some degree. A general rule of thumb is that 2:1. A lower current ratio means that the company is unable to pay its debt on time, while the higher current ratio indicates that the company has money in hand or some safe investments that could be turned into cash. (Financial Ratio, n.d.)

Current Ratio = Current Asset / Current Liability

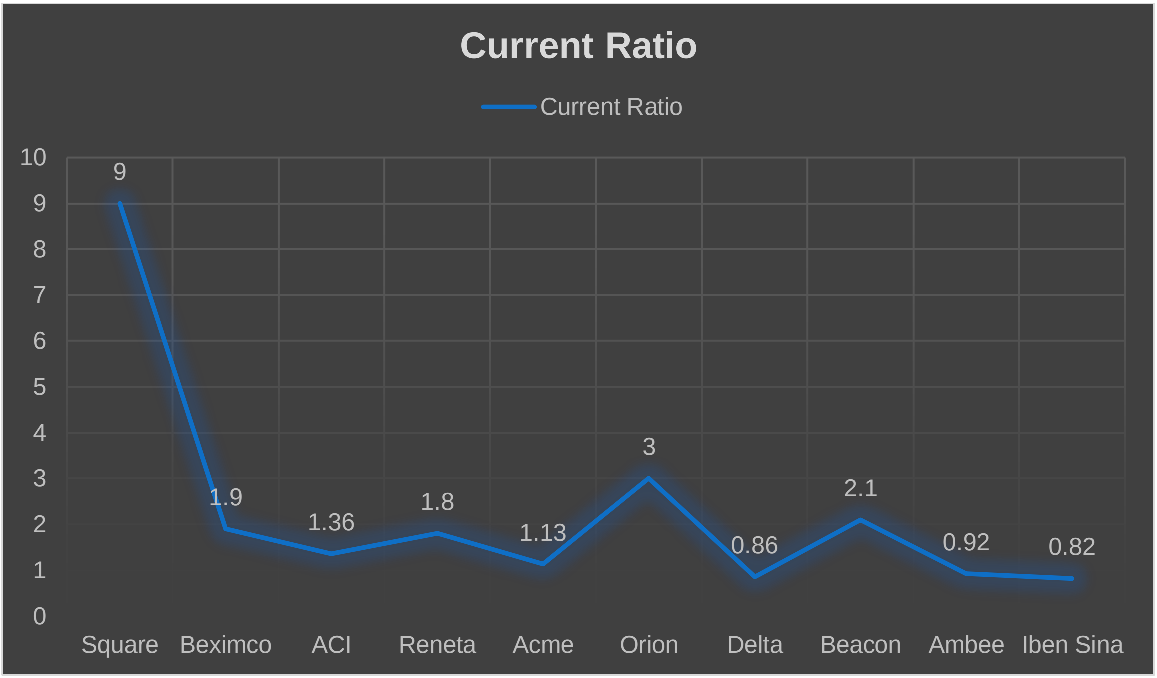

Figure 10: Current Ratio

Here, we can see that Square pharmaceuticals has the highest current ratio among them and Ibne Sina got the lowest which is 0.82 which is not good for the company. That means they have a high risk of not paying its debt on time. On the other hand, Current ratio of Square Pharmaceutical is 9 which means they have a lot a liquidity useless which is not a good sign also. The rest of the other pharmaceuticals have to maintain a good current ratio which is good for them.

QUICK RATIO

The quick ratio shows a firm's short-term liquidity position and also the company's ability to meet its short-term debt with its most liquid assets. (Hayes, Liquidity Ratio, 2020)

The overall general guideline is the ratio should be 1:1. If the ratio is higher, that means the organization is keeping a lot more cash in hand or have a poor collection program from its receivable. If the ratio is lower, then it indicates that the organization is highly depends on inventory to meet its obligations.

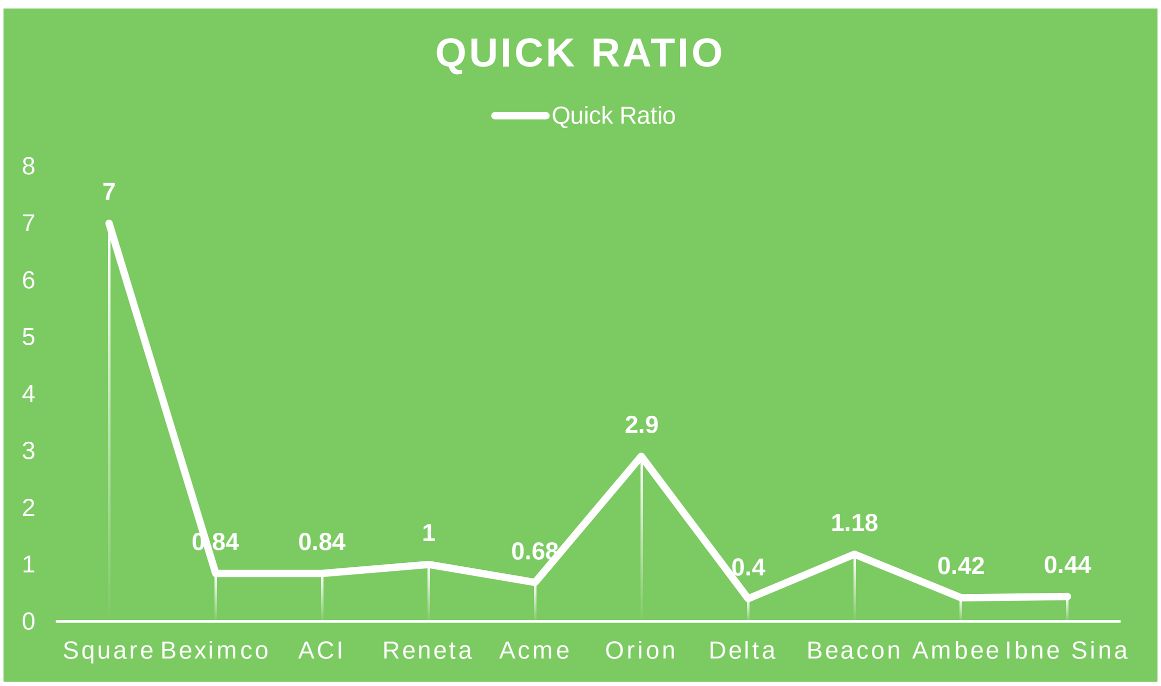

Figure 11: Quick Ratio

Here, we can see that Square pharmaceuticals got the highest quick ratio among the others and Delta Pharmaceutical got the lowest. The quick ratio should be 1:1 but in this case the Square pharmaceuticals has 1:7 which is not very good, because they have a lot of cash in hand or otherwise they have a poor collection programe. On the other hand, Delta got the lowest quick ratio which is also not good for them.

EFFICIENCY RATIO

Efficiency ratios shows the effectiveness of the business in utilizing its resources and liabilities to improve sales and benefits. When there is an improvement in the efficiency ratio, at that point the firm fundamentally create more incomes and benefits. Sometimes known as turnover ratio. Some of the important efficiency ratios contain the total asset turnover ratio, inventory turnover, fixed asset turnover. (Kenton W. , Efficiency Ratio, 2020)

TOTAL ASSET TURNOVER

The asset turnover ratio shows how the company's revenues are related to its assets. The asset turnover ratio can inform you regarding the effectiveness with which a firm is utilizing its resources for make income.

The higher the asset turnover ratio, the more effective the organization is in utilizing its assets to generate sales. On the other hand, if it has a low asset turnover ratio, it specifies that it is not capably using its assets to make revenues.

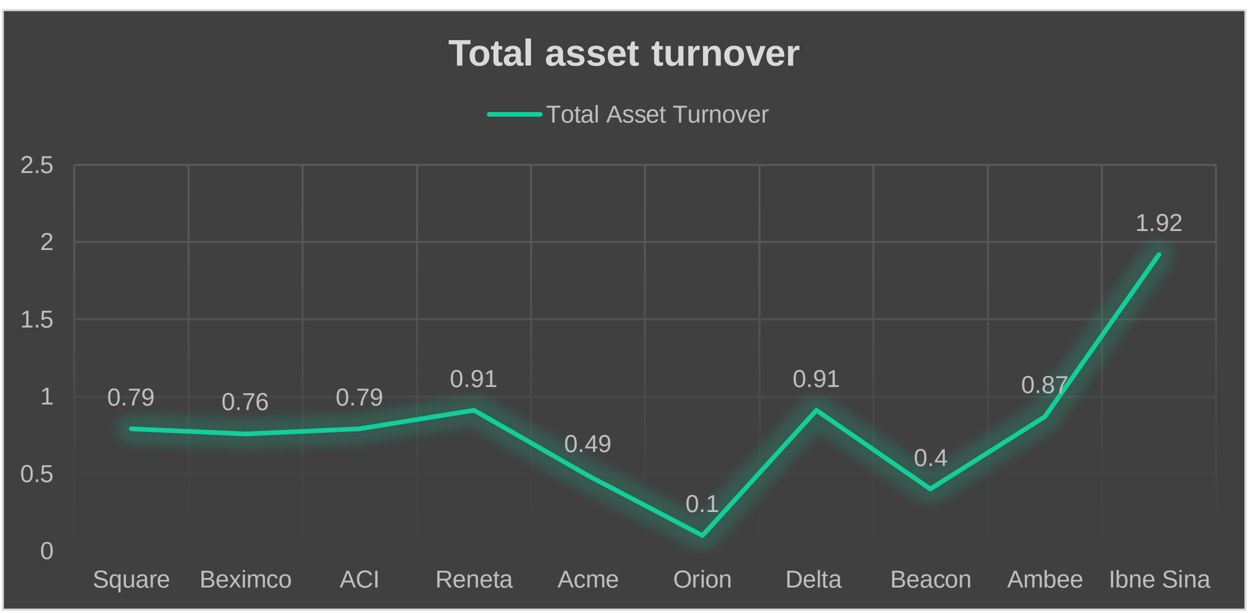

Figure 12: Total Asset Turnover

Here, we can see that Ibne Sina has the highest total asset turnover and Orion Pharmaceutical got the lowest. So, we can say that Ibne Sina pharmaceutical is more efficient in generating revenue from its assets then the others. On the other hand, Orion Pharma is not efficient in using its assets.

FIXED ASSET TURNOVER

The fixed asset turnover (FAT) is normally used to know the operating performance of a firm. This ratio basically compares net sales to its fixed assets and shows how well the firm is utilizing its fixed asset to generate sale. (green, 2019)

A higher turnover ratio means higher utilization of fixed asset of company.

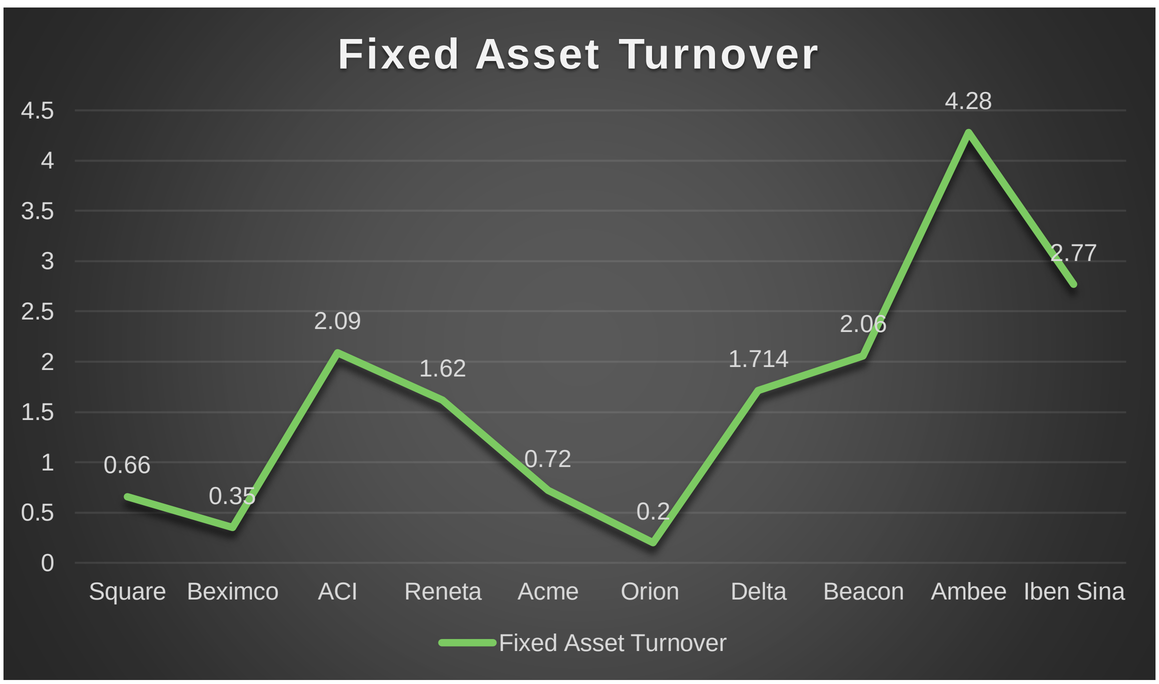

Figure 13: Fixed Asset Turnover

Here, we can see that Ambee pharmaceutical has the highest FAT ratio among the others and Orion pharmaceutical got the lowest. So, we can say that Ibne Sina is effectively using its fixed asset to generate sales than the others.

INVENTORY TURNOVER RATIO

Inventory turnover basically shows that how efficiently the company is using its inventory and how well a company's sale is. When the turnover is low it means weak sales, which can be a cause of excess inventory, also known as overstocking.

Inventory turnover basically shows the fluctuation of inventory during a given period.

Inventory turnover helps firms to make better decisions on pricing, costing, marketing and purchasing new inventory.

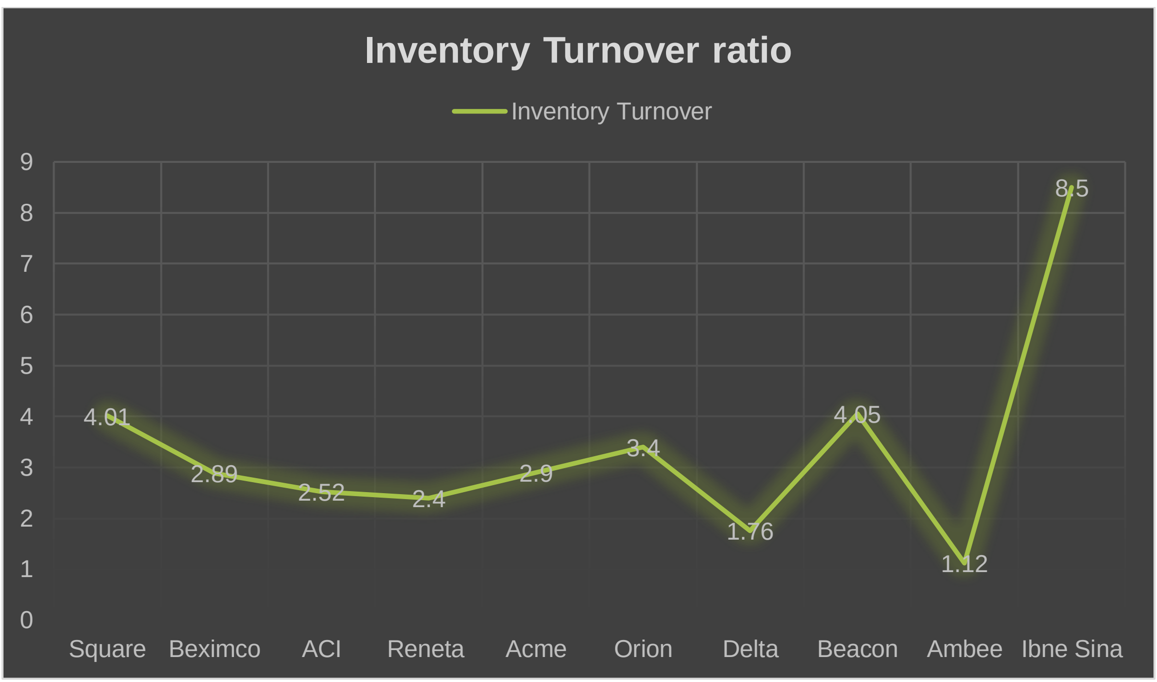

Figure 14: Inventory Turnover

Here, we can see that Ibne Sina pharmaceutical has the highest inventory turnover among the others which indicates that Ibne Sina utilizing its inventory very efficiently than the others. On the other hand, Delta got the lowest inventory turnover. So, they should try more to utilize its inventory.

SOLVENCY RATIO

A solvency ratio indicates a firm’s ability to pay its long-term debt obligation in a given period of time.

A solvency ratio also tells whether a company’s cash flow is sufficient to meet its long-term liability. It can likewise show the opportunity of default on its obligation commitments.

Some of the important solvency ratios include the debt equity ratio, debt ratio, equity multiplier, equity ratio etc.

DEBT RATIO

Debt ratio shows the level of company’s leverage. It is also known as the ratio of total debt to total assets. It also shows how much asset is funded by debt. (Hayes, Debt Ratio, 2020)

When the ratio is greater than 1 it means that a high amount of debt is financed by assets. In other words, we can say that the company has more liabilities than assets.

When the ratio is below 1, then it means that a greater portion of firm's assets is financed by equity.

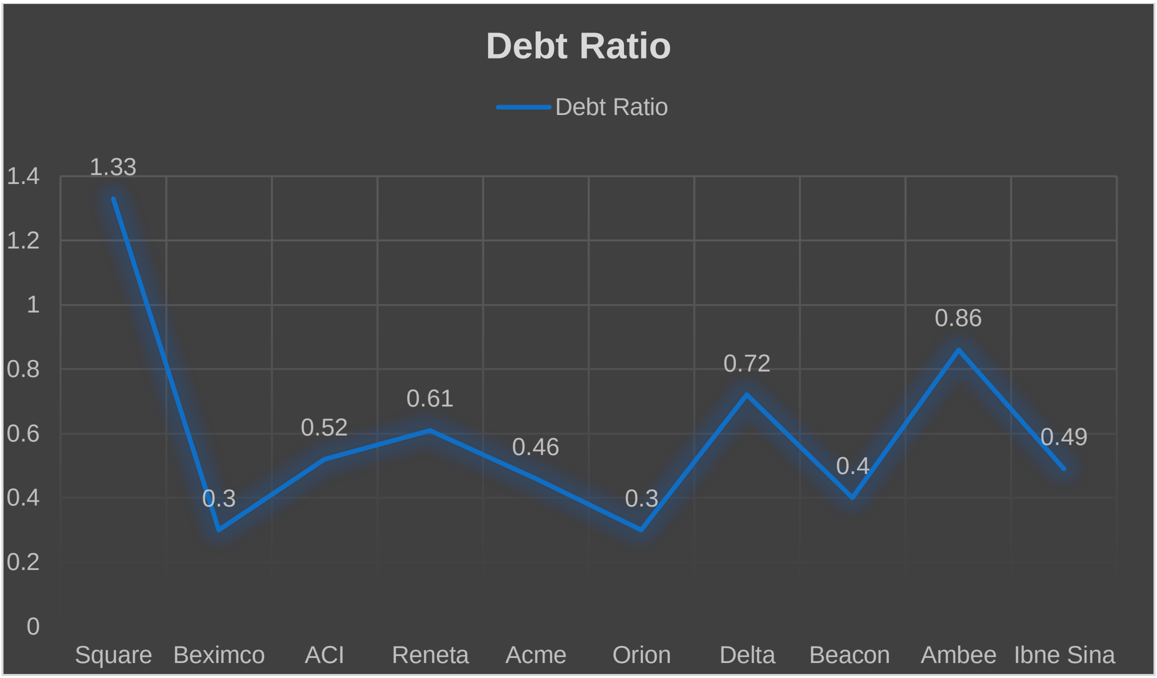

Figure 15: Debt Ratio

Here, we can see that Square got the highest debt ratio which is 1.33. On the other hand, Beximco and Orion got the lowest debt ratio which is 0.30. That means Square has more debt than the others and Beximco and Orion got the lowest debt among them which is a good sign for them. Ibne Sina has also the lowest debt which is 0.49.

DEBT-EQUITY RATIO

Debt- Equity ratio is essentially used to break down an organization's monetary influence. It shows that how an organization is financing its tasks through obligation versus completely claimed reserves. All the more definitely, it shows the organization's capacity of investor value to cover all exceptional obligations in case of a business fall.

(D/E) ratio is calculated by Total debt/ Shareholders Equity.

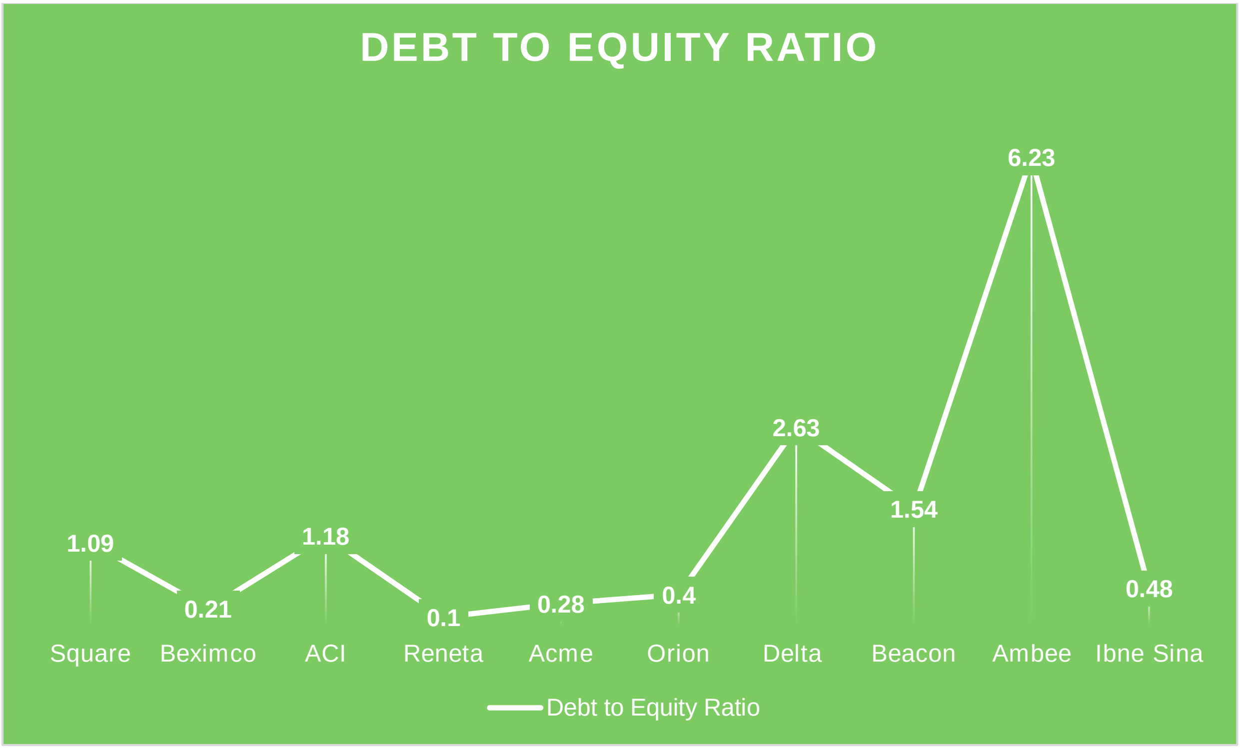

Figure 16: Debt to Equity Ratio

Here, we can see that the Ambee pharmaceutical got the highest debt to equity ratio and the Reneta Pharmaceutical got the lowest. That means the Ambee Pharma has the highest ability to pay the outstanding debt in the event of business downturn. After Ambee Pharma, Delta Pharma has the second highest ability to pay the outstanding debt in the event of business downturn.

EQUITY RATIO

The equity ratio is a venture leverage or solvency ratio that estimates the assets that are financed by its shareholders.

The equity ratio shows how much assets were financed by stockholders. In other words, this is the investors' stake in the company.

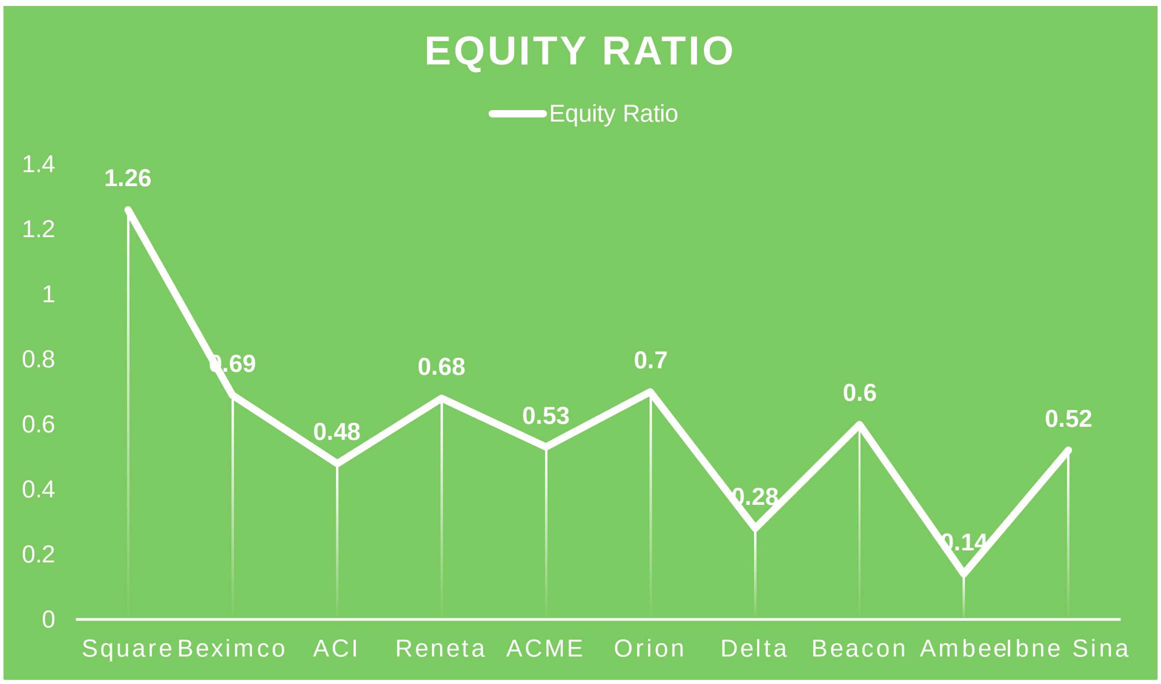

Figure 17: Equity Ratio

Here, we can see that Square got the highest equity ratio than the others. That means most of their assets were financed by the investors and investors are highly interested on them. On the other hand, the rest of the pharma's equity ratio are quite same.

EQUITY MULTIPLIER

The equity multiplier shows the bit of an organization's resources that is financed by investor's value as opposed to by obligation.

Equity Multiplier is basically calculated by dividing a company's total assets by its total shareholders' equity.

A high equity multiplier implies a high measure of obligation is financed by its resources. A low equity multiplier implies that the organization has low dependance on obligation.

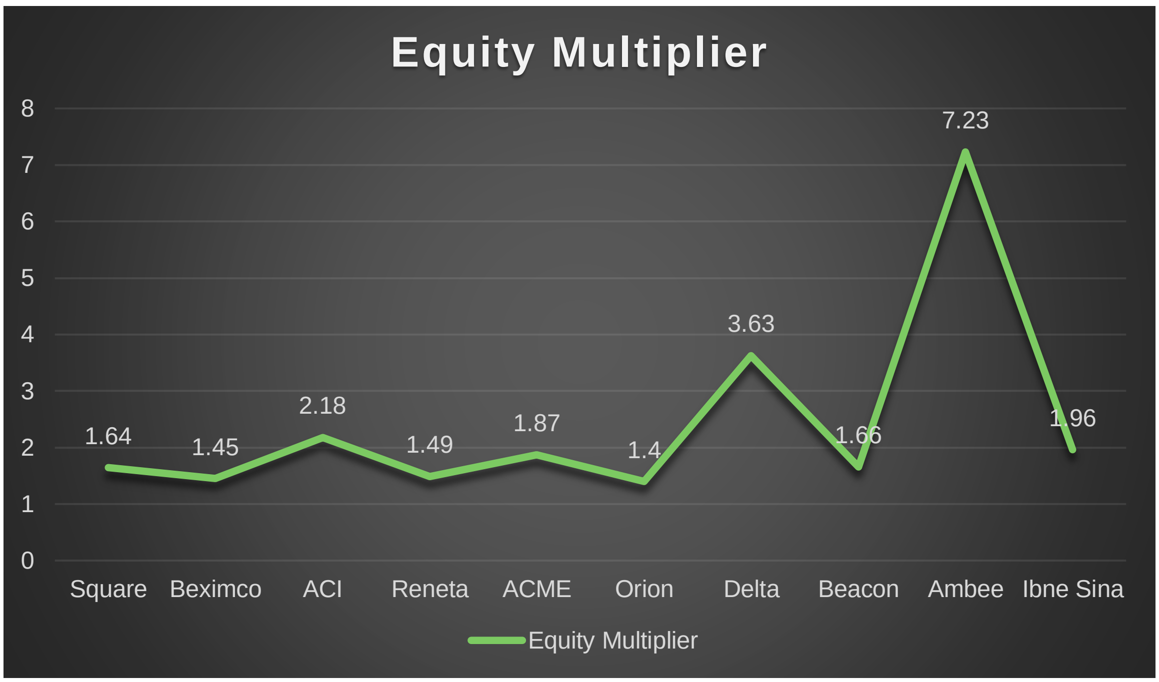

Figure 18: Equity Multiplier

Here, we can see that the Orion pharmaceutical has the lowest equity multiplier and the Ambee pharma has the highest. That means Ambee Pharma is more reliance on debt than the others and Orion Pharma is less reliance on debt which is good for the company.

MARKET PROSPECT RATIO

Market Prospect ratios are generally comparing a company’s stock prices with other financial items such as earnings and dividend rates. The market prospect ratios show the value to the shareholder that they will receive from their investment. These ratios indicate the stock prices rise or fall based on current earnings and dividend measurements which helps the investors in decision making. (Market Prospect Ratio, n.d.)

EARNINGS PER SHARE (EPS)

EPS basically shows the earning that is gained per share. It is computed by dividing net income less preferred dividend by the number of shares of common stock outstanding during the period.

The higher a company's EPS, the higher the value of a company’s share.

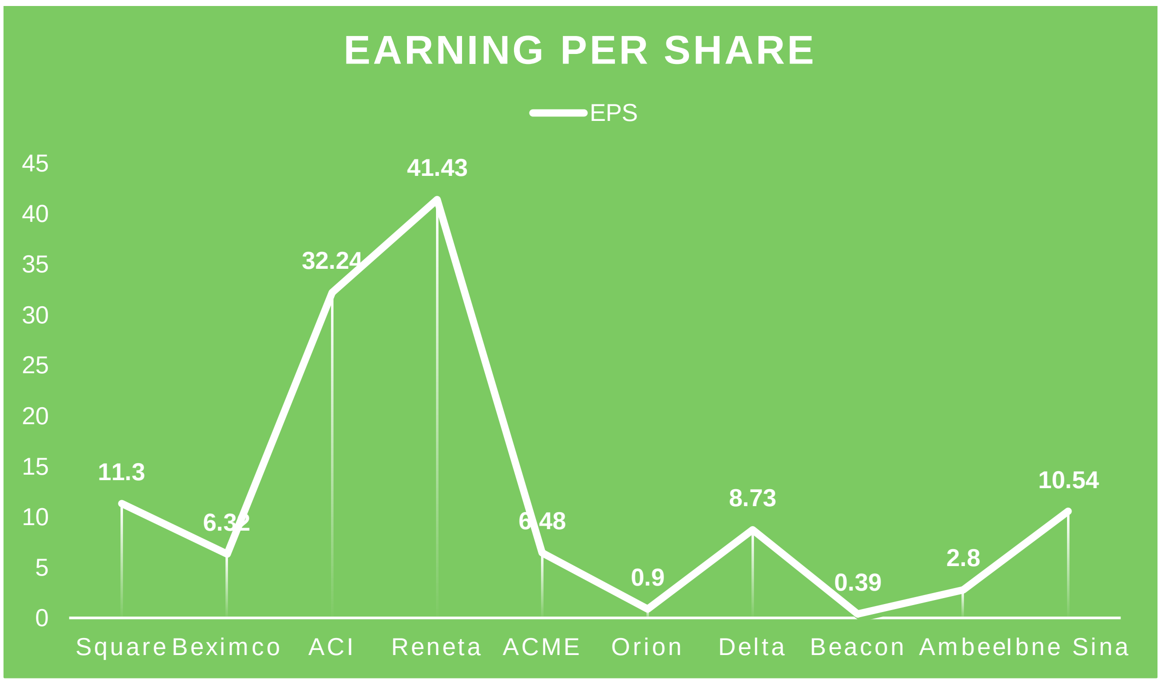

Figure 19: Earning Per Share (EPS)

Here, we can see that the Reneta got the highest EPS among them and the Beacon Pharma got the lowest. That means the Reneta Pharmaceutical is more profitable in the pharmaceuticals industry.

DIVIDEND PAY OUT RATIO

This ratio is basically the portion of income that is paid out to shareholders of the company. This is basically the percentage of an organization's net income that is paid out to stockholders as dividends. The amount that is not paid to stockholders is kept as retained earnings and that will use to pay off debt or to reinvest in future operations.

It is sometimes called as the 'payout ratio.

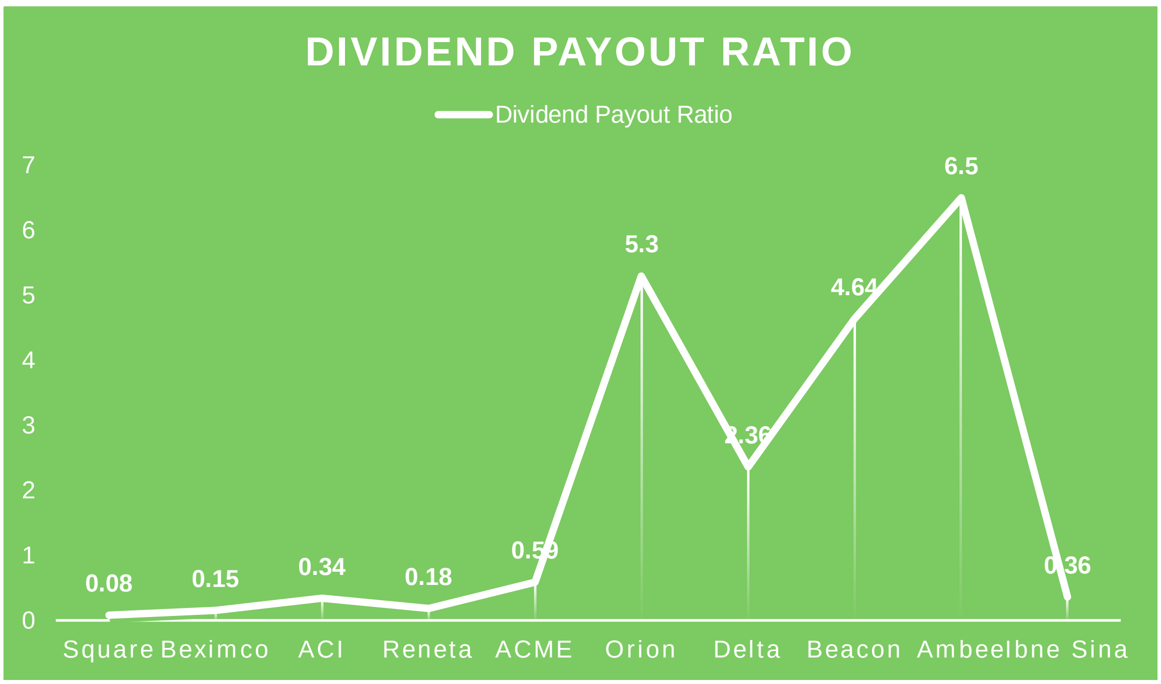

Figure 20: Dividend Payout Ratio

Here, we can see that Square has the lowest dividend payout ratio and Ambee Pharma got the highest payout ratio. That means the Ambee pharmaceutical pays more dividend to its shareholders than the other pharmaceuticals in the industry.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

After analyzing all four ratios of those 10 pharmaceuticals companies, we can say that Square Pharmaceutical is in good position overall. Also, Square pharmaceutical is currently holding the position of market leader by having 17.73% market shares.

In the category of Profitability ratios, we can see that Square and Reneta Pharmaceuticals both hold a good profitable position than the other pharmaceuticals. The Square pharmaceuticals got the highest net profit margin among them. On the other hand, Orion, Delta, Ambee, Beacon and Ibne sina's net profit are quite same.

In Liquidity ratios, we can see that Square pharmaceutical is in a very good position and has a very good amount of liquidity in hand which can be invested in near future to earn profit. On the other hand, Ibne Sina pharmaceutical has the low amount of liquidity which can be the cause of a big problem for them.

In the Efficiency ratios, though Ibne Sina has the highest inventory turnover but we can see that Square pharmaceutical has got the second highest inventory turnover and also Square is utilizing its inventory very wisely and thats why they have a very good inventory turnover. On the other hand, Ambee Pharmaceutical is utilizing the fixed assets. Ibne Sina has utilizing its total assets very well and that's why they have the highest total asset turnover.

In analyzing Solvency ratios, we can see that Square Pharmaceutical is in a very good solvency situation. Square pharmaceutical has a very high performance in debt ratio, debt-equity ratio, equity multiplier and equity ratio.

In analyzing market prospect ratios, we can see that Reneta has the highest EPS and Ambee pharma got the highest dividend payout ratio.

SO, after analyzing all the necessary ratio analysis, we can say that Square Pharmaceuticals is the market leader of the Pharmaceutical Industry.

RECOMMENDATION

After seeing all the analysis, I can suggest that the Acme Pharmaceutical should really improve there performance in all the sectors as they perform very low scores in all the ratio analysis.

On the other hand, Beximco and ACI performance are very close and they are trying very hard to improve. But I must suggest they need to focus on their liquidity as they have very scores on both the ratios. In market prospects ratios, we can see that Beximco has the lowest EPS than the others. So they need to focus on improving their EPS. Also, Beximco pharmaceutical needs to think about their solvency as well.

Reneta Pharmaceutical is performing very well in last year, but their operating profit slightly fall down last year. So, they need to focus in managing operating costs.

On the other hand, orion, delta and beacon pharma's performance are quite same.

Ambee pharma is performing very well in all sector but in case of profit their performance is low. So, they need to focus on profit.

Ibne Sina performance is very good in all the sector but they need to focus on their net profit.

Square pharmaceutical is the market leader in the industry. Their performance is very well in the last five years. In last year they have a very high liquidity ratios, that means they has a very high amount of cash in hand. They should use this cash to increase their performance and to hold the position of the market leader.

CHAPTER 7

APPENDIX

Raw Data

I use the average data from the five years of data of the ten pharmaceuticals company.

Company name	Current ratio	Quick Ratio	Gross profit margin	Operating Profit margin	Net profit margin	ROI	EPS	DPS	ROA
Square	9	7	48%	28%	26%	18%	11.30	0.08	19%
Beximco	1.9	0.84	46%	22%	15%	9%	6.32	0.15	9%
ACI	1.36	0.84	44%	8.86%	11.03%	16.42%	32.24	0.34	16.42
Reneta	1.8	1	51%	25%	16%	21%	41.43	0.18	21%
Acme	1.13	0.68	39%	22%	10%	8%	6.48	0.59	8%
Orion	3	2.9	56%	18%	9%	8%	0.9	5.3	6%
Delta	0.86	0.40	55%	11%	3%	11%	8.73	2.36	11%
Beacon	2.10	1.18	49%	10%	3%	3%	0.39	4.64	1.81%
Ambee	0.92	0.48	52%	7%	2%	11%	2.80	6.50	6%
Ibne Sina	0.82	0.44	41%	9%	6.67%	34%	10.54	0.36	0.13

Table 2: Data Calculate Various Ratios

Company name	Debt-Equity Ratio	Equity Ratio	Debt Ratio	Equity Multiplier	Inventory turnover ratio	Fixed asset turnover ratio	Total asset turnover ratio
Square	1.09	1.26	1.33	1.64	4.01	0.66	0.79
Beximco	0.21	0.69	0.30	1.45	2.89	0.35	0.76
ACI	1.18	0.48	0.52	2.18	2.52	2.09	0.79
Reneta	0.10	0.68	0.61	1.49	2.40	1.62	0.91
Acme	0.28	0.53	0.46	1.87	2.90	0.72	0.49
Orion	0.4	0.7	0.3	1.4	3.4	0.2	0.1
Delta	2.63	0.28	0.72	3.63	1.76	1.71	0.91
Beacon	1.54	0.60	0.40	1.66	4.05	2.06	0.40
Ambee	6.23	0.14	0.86	7.23	1.12	4.28	0.87
Ibne Sina	0.48	0.51	0.49	1.96	8.55	2.77	1.92

Table 3: Calculation of various ratios

CHAPTER 8

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