

# Ratio analysis on different pharmaceuticals in bangladesh assignment

[Business](#)



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And lastly, we would like to thank each other, means the group members for helping each other whenever we have to get help. Introduction: Financial Ratio Analysis is a tool used by individuals to conduct a quantitative analysis of information?? in a company's financial statements. Ratios are?? calculated from current year numbers and are then compared to previous years, other companies, the industry, or even the economy to judge the performance of the company. Ratio analysis is predominately used by proponents of fundamental analysis.

Financial ratios are designed to help one evaluate financial statement and by comparing the results it must pay to the income it has available for payment such comparisons are made by ratio analysis. Here we take three companies from the same industry to analyze their financial statement and we also compare the findings with the total pharmaceuticals industry average. The companies name we took are- 1. BEXIMCO PHARMACEUTICALS LIMITED. 2. SQUARE PHARMACUTICALS LTD. 3. RENATA LIMITED. 4. AMBEE PHARMACEUTICALS LTD. Ratio Analysis Financial ratios are useful indicators of a firm's performance and financial situation.

Financial ratios can be used to analyze trends and to compare the firm's financials to those of other firms. Financial ratios can be classified according to the information they provide. The following types of ratios frequently are used: 1. Liquidity ratios 2. Asset management ratios 3. Debt management ratios 4. Profitability ratios 5. Market value ratios

**LIQUIDITY RATIOS** Liquidity ratios are the first ones to come in the picture. These ratios actually show the relationship of a firm's cash and other current assets to its current liabilities. Two ratios are discussed under Liquidity ratios. They are: 1.

Current ratio 2. Quick/ Acid Test ratio. 1. Current ratio: This ratio indicates the extent to which current liabilities are covered by those assets expected to be converted to cash in the near future. Current assets normally include cash, marketable securities, accounts receivables, and inventories. Current liabilities consist of accounts payable, short-term notes payable, current maturities of long-term debt, accrued taxes, and other accrued expenses (principally wages). Current Ratio = Current Assets/Current Liabilities

BEXIMCO =  $\frac{28618916542602032267}{1.10 \text{ times Square}}$ =

$\frac{44118364363500845103}{1.26 \text{ times Renata}}$ =  $\frac{988092820717068650}{1.38 \text{ times Ambee}}$ =  $\frac{218724505222145758}{0.985 \text{ times Industry average}}$ =

$\frac{1.18 \text{ times}}{1.18 \text{ times}}$  2. Quick/ Acid Test ratio: This ratio indicates the firm's liquidity position as well. It actually refers to the extent to which current liabilities are covered by those assets except inventories. Quick Ratio = (Current Assets-

Inventories)/Current Liabilities BEXIMCO =  $\frac{2861891654-15052880932602032267}{1.04 \text{ times Square}}$ =  $\frac{4411836436-20267363223500845103}{1.20 \text{ times}}$

Renata =  $\frac{988092820-959414590717068650}{218724505-135899190222145758} = 0.04$  times Ambee =  $\frac{218724505-135899190222145758}{218724505-135899190222145758} = 0.37$  times Industry Average =  $\frac{218724505-135899190222145758}{218724505-135899190222145758} = 0.66$  times

**ASSET MANAGEMENT RATIOS** Asset management ratios are the financial statement ratios that measure how effectively a business uses and controls its assets. Below are discussed five types of asset management ratios: 1. Inventory turnover ratio 2. The day's sales outstanding 3. Fixed asset turnover ratio 4. Total asset turnover ratio

**1. Inventory turnover ratio:** The ratio is regarded as a test of efficiency and indicates the rapidity with which the company is able to move its merchandise.

Inventory turnover ratio =  $\frac{\text{Gross Turnover}}{\text{Inventories}}$  BEXIMCO =  $\frac{40101670591505288093}{40101670591505288093} = 2.66$  times Square =  $\frac{82310975252026736322}{82310975252026736322} = 4.06$  times Renata =  $\frac{3089746417959414590}{3089746417959414590} = 3.22$  times Ambee =  $\frac{240726296135899190}{240726296135899190} = 1.77$  times Industry Average =  $\frac{240726296135899190}{240726296135899190} = 2.93$  times

**2. The Days Sales Outstanding:** The Days Sales Outstanding ratio shows both the average time it takes to turn the receivables into cash and the age, in terms of days, of a company's accounts receivable. This ratio is of particular importance to credit and collection associates.

Days Sales Outstanding (DSO) =  $\frac{\text{Trade Debtors}}{(\text{Annual gross turnover}/365)}$  BEXIMCO =  $\frac{5039164014010167059}{5039164014010167059/365} = 19.23$  Days Square =  $\frac{3602456469565715902}{3602456469565715902/365} = 13.75$  Days Renata =  $\frac{3442269333089746417}{3442269333089746417/365} = 40.66$  Days Ambee =  $\frac{38179778240726296}{38179778240726296/365} = 57.89$  days Industry Average =  $\frac{38179778240726296}{38179778240726296/365} = 32.88$  days

**Fixed asset turnover ratio:** The Fixed Asset Turnover ratio measures the effectiveness in generating Net Sales revenue from investments in Net

Property, Plant, and Equipment back into the company evaluates only the investments. Fixed assets turnover ratio (FATO) = Gross Turnover / Net fixed assets

Beximco=  $401016705911957773787 = 0.34$  times Square=

$82310975258291290984 = 0.99$  times Renata=  $30897464771656161962 =$

$1.87$  times Ambee=  $24072629660695282 = 3.97$  times Industry Average=

$1.79$  times 4. Total asset turnover ratio: The Total Asset Turnover is similar

to fixed asset turnover since both measures a company's effectiveness in

generating sales revenue from investments back into the company. Total

Asset Turnover evaluates the efficiency of managing all of the company's

assets. Total assets turnover ratio (TATO) = Gross Turnover/Total Assets

Beximco=  $401016705914819665441 = 0.27$  times Square=

$825784373912703127420 = 0.65$  times Renata=  $30897464173162232934$

=  $0.98$  times Ambee=  $24072629657247033 = 4.21$  times Industry

Average=  $1.53$  times DEBT MANAGEMENT RATIOS Debt management ratios

reveal 1) the extent to which the firm is financed with debt and 2) its

likelihood of defaulting on its debt obligations. These ratios include: 1. Debt

ratio, 2. Times-Interest-Earned (TIE) ratio, 3. EBITDA Coverage. 1. Debt ratio:

The ratio of total debt to total assets, generally called the debt ratio,

measures the percentage of funds provided by the creditors.

Debt ratio = Total Debt / Total Assets Beximco=  $436946329614819665441$

=  $29\%$  Square=  $428608671512703127420 = 34\%$  Renata=

$15001595773162232934 = 47\%$  Ambee=  $4800990157247033 = 83\%$

Industry Average=  $48.25\%$  2. Times-Interest-Earned (TIE) ratio: This ratio

measures the extent to which operating income can decline before the firm is unable to meet its annual interest cost. EBIT = Earnings before Interest and Tax TIE ratio = EBIT / Interest Charges Beximco=  $963775308249654298 / 2908395181397135963 = 3.29$  times Square=  $2908395181397135963 / 454290404 = 6.40$  times Renata=  $69719063387270665 / 1628151487270665 = 4.28$  times Ambee =  $78642302395026 / 9614002395026 = 0.82$  times Industry Average= 5.61 times 3. The EBITDA coverage ratio: The EBITDA coverage ratio shows if earnings are able to satisfy all financial obligations including leases and principal payments. (EBITDA is short for earnings before interest, taxes, depreciation, and amortization. ) EBITDA Ratio = EBITDA + Lease Payment / Interest + Principal Payment + Lease Payment Beximco=  $(963775308 + 5887353 + 30993608) / (10302868249654298 + 3556423568) = 0.29$  times Square=  $(2908395181 + 454290404 + 57334928) / (140936267397135963 + 2279693991) = 0.56$  times Renata=  $(697190633 + 1628151487270665) / 1628151487270665 = 1.17$  times Ambee=  $(7864230 + 9614002395026 + 0) / 9614002395026 = 0.86$  times Industry Average= 0.72 times PROFITABILITY RATIO: Profitability is the net result of a number of policies and decisions. Profitability ratios show the combined effects of liquidity, asset management and debt on operating results. There are four important profitability ratios that we are going to analyze: 1. Profit Margin on sales 2. Basic Earning power (BEP) 3. Return on Asset 4. Return on Equity 1. Profit Margin on Sales: Profit Margin on Sales gives us the net profit that the business is earning per dollar of sales.

The equation is as follows: Profit margin on Sales = Net income available to the stockholders / Sales Beximco=  $5453412734010167059 / 410167059 = 13.6\%$

Square=  $13818630938257843739 = 16.7\%$  Renata=  
 $4331458043089746417 = 14\%$  Ambee=  $6347155240726296 = 2.64\%$   
 Industry Average=  $11.735\%$  2. Basic Earning Power (BEP): The ratio  
 indicates the ability of the firm's assets to generate operating income. The  
 equation is as follows: Basic Earning Power =  $EBIT / Total Assets$  Beximco=  
 $96377530814819665441 = 6.5\%$  Square=  $290839518112703127420 = 22.9\%$   
 Renata=  $6971906333162232934 = 22\%$  Ambee=  $786423057274033 = 13.3\%$   
 Industry Average=  $16.28\%$  3. Return on Total Assets (ROA): Return  
 of total asset measures the amount of Net Income earned by utilizing each  
 dollar of Total Assets. The equation is: Return on Total Assets (ROA) =  $Net$   
 $income\ available\ to\ total\ common\ shareholders / Total\ assets$  Beximco=  
 $54534127314819665441 = 3.7\%$  Square=  $138186309312703127420 = 10.9\%$   
 Renata=  $4331458043162232934 = 13.7\%$  Ambee=  $634715557274033 = 11.08\%$   
 Industry Average=  $9.85\%$  4. Return on Equity (ROE): Return on  
 Equity measures the amount of Net Income earned by utilizing each dollar of  
 Total common equity.

It is the most important of the "Bottom line" ratio. By this, we can find out  
 how much the shareholders are going to get for their shares. The equation is:  
 Return on Equity (ROE) =  $Net\ income\ available\ to\ common\ shareholders /$   
 $Total\ common\ equity$  Beximco=  $54534127310450202145 = 5.2\%$  Square=  
 $13818630938417040705 = 16.4\%$  Renata=  $433145804155075461 = 2.79\%$   
 Ambee=  $634715546527981 = 13.64\%$  Industry Average=  $9.51\%$   
 MARKET VALUE RATIOS The final group of ratios, the market value ratios  
 relates the firm's stock price to its earnings, cash flow and book value per  
 share.



These ratios give management an indication of what investors think of the company's past performance and future prospects. In this section, we are going to have a discussion mainly on three types of ratios: 1. Price/Earnings Ratio 2. Price/ Cash flow Ratio 3. Market/ Book Ratio

1. Price/ Earnings ratio: The Price/ Earnings ratio (price-to-earnings ratio) of a stock is a measure of the price paid for a share relative to the income or profit earned by the firm per share. P/E ratio = Price per share / earnings per share Beximco= 104.33 = 2.309 times

Square= 100114.47 = 0.87 times Renata= 100374.44 = 0.267 times

Ambee= 103.17 = 3.15 times Industry Average= 1.65 times

2. Price/ Cash Flow ratio: This ratio indicates the amount investors will pay for Tk. 1 of cash flow. The equation for this ratio is shown below: Price/ Cash flow ratio = Price per share/Cash flow per share Beximco=

$10(545341+147183829)/1045020214 = 70.73$  times Square=

$100(1381863093+652561599)/18170407 = 1.11$  times Renata=

$100(433145804+16281514)/1156787 = 3.88$  times Ambee=

$10(6347155+57274033)/46527981 = 7.31$  times Industry Average= 20.6

times

3. Market/ Book ratio: The ratio of stock's market price to its book

value. The Equation is: Market/Book ratio (M/B) = Market price per share / Book value per share Beximco=  $167.71/104502021451045020214 = 16.77$

times Square=  $3151.258417040705/18170407 = 6.80$  times Renata=

$7789.75115678700/1156787 = 77.89$  times Ambee= 12910 = 12.9 times

Industry Average= 28.59 times

OVERALL FINANCIAL SUMMARY After

analyzing all the ratios, we have found out the following information: 1.

Liquidity Ratios: In the liquidity ratio we can see that both current ratio and

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quick ratio is good in average for Square comparing with the industry average. Renata's current ratio is quite well, but it seems that the company has too much inventories, so, the quick ratio got lower. 2. Asset Management Ratios: for the asset management ratios, we can see that for the first two, Square is in a good shape. But for the asset turnover ratios, Ambee plays a good role. Meaning that Square is good in turning its current assets to liquidity, and Ambee is good at moving its long term assets to liquidity. 3. Debt Management Ratios: in Debt management ratio analysis, we can see that for debt ratio and TIE ratio, both Beximco is in a good shape on an average. Bot for the EBITDA Coverage ratio, Renata does the best. But, as a whole, we can say that Beximco is quite good in managing its debt. 4. Profitability Ratios: for the profitability ratios, we can see that square is very good at both Profit margin on sales, and BEP ratios. At ROA, Square is okay, but Renata and Ambee are very good. Again for ROE, Square is extra ordinarily good. So, we can say that Squrae is very good at managing and earning profit. 5.

Market Value Ratios: here we see that for the first two analyses, Beximco's market value is higher, but for the last one, renata's valu is higher, but Beximco's was okay. So, we can say that in terms of market value, Beximco is good on average. From the total analysis, we can summarize that Square Pharmaceuticals Ltd and Beximco Pharmaceuticals Ltd have been doing pretty good throughout the years. It is true that for some cases both the companies are in an okay shape, but it is still pretty much satisfactory.

Therefore, we can conclude that both Square Pharmaceuticals Ltd and Beximco Pharmaceuticals Ltd are good enough company to invest on.