

# Financial analysis between pharmaceuticals companies assignment



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Submitted by: Group members: Bangladesh University of Business & Technology Date of submission: TRANSMITTAL LETTER The Report supervisor Md. Amdadul Haque Asst. Professor Department of Finance Bangladesh University of Business & Technology (BUBT). Subject: Submission of financial report of Renata Ltd. & Beximco Pharmaceuticals Ltd. Dear Sir It is our pleasure to present the report on Managerial Finance. Which is done for partial fulfillment of the requirement of BBA degree.

As measurement we are enthusiastic to you for giving us the opportunity to undergo such an experience. We have tried our level best to gather all the required information. Preparing this report we were so much concern about the gathered knowledge and necessary information collected from various sources as well as your instruction and guidelines. We are sincerely hoped that this report will get your approval and its appraisal will highlight our ability to prepare a formal report. Thank you. Acknowledgement

We are expressing our sense of gratitude to the almighty Allah for giving us the effort to make the financial report about “ Ratio analysis & Cross section analysis of RENATA Ltd. & BEXIMCO PHARMACUTICALS Ltd. “. We appreciate you taking the time to this preface again a better understanding of what’s in the report. We have completed a short course in Introduction to Finance. We have found it to be a comprehensive review of the broad subject matter including in Finance. We believe that the course & the course teacher sir MD. Amdadul Hoque contributed to our success. In this report every possible attempt has been made to collect necessary information to show the conditions of the Companies. Our supervisor MD. Amdadul Hoque supervised

this report. His close supervision made it possible to prepare the report. We are so much grateful to him for his time, advice and guidance.

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PART - 1: Introduction  
Introduction  
Significance of the study  
The report originated from our course instructor . He gave this report to learn the way of report writing. The main significance of the report is to learn about the method of calculating company's financial position compare to other companies.

Thus the comprehensive financial ratio of Renata Ltd. & Beximco Pharmaceuticals Ltd. will help us to identify these companies overall financial position in the market. With the experience of this study we can prepare more valuable financial report in future and those will be so much helpful for any kind of investment decision. Scope of the report  
Our assignment is only document basis so we don't have any opportunity to take interview, survey and make observation. As it is a report about two organization so we have opportunity to collect data by reading documents from their web sites and the data provided by the organizations to its shareholders. Objectives

Our main objective is to prepare this report to know about the financial position and management style of Renata Ltd. We try to focus on the report about the HR practice in Renata Ltd. The objectives of the study are as follows: ; To know the financial position & investment decision of Renata Ltd. Bangladesh. ; To identify the various avenues for improving the HRM policies of Renata Ltd Bangladesh. Methodology To complete our report and reach in a decision we use some method. To collect information we search internet, read newspaper, and utilize our personal observation. As it is a report so our data is secondary data. Limitations There we face some limitation to prepare this report. Those are noted below- 1.

The abundance of computer in our lab is very poor more than students demand. 2. We don't get much time to prepare this report. 3. This is the time of early final examination, so we can't give more time to Prepare this report.

PART – 2: Company profile Company Overview Year of Incorporation 1972 as Pfizer Laboratories (Bangladesh) Limited, subsidiary of Pfizer Corporation, USA Change of Name 1993 Renamed as Renata Limited after divestment of shareholding by Pfizer Corporation, USA Field of Business Manufacturing, Marketing & Distribution of Human Pharmaceuticals, Animal Health Medicines, Nutritional, and Vaccines Contract Manufacturing General products of Eskayef, Sprinkles for UNICEF and SMC MHRA Certificate

Medicines and Healthcare products Regulatory Agency, UK has issued a Certificate of GMP Compliance of a Manufacturer to Renata Limited for Potent Products Facility at section 7, Mirpur, Dhaka Marketing & Distribution rights • Novartis Vaccines (Germany/Italy): Human vaccines • Evans

Vanodine International (UK): Animal farm disinfectants • Zinpro -(USA) & <https://assignbuster.com/financial-analysis-between-pharmaceuticals-companies-assignment/>

Biomin (Austria): Animal nutritional products Investment in Subsidiaries • 99. 99% Shareholding in Renata Agro Industries Limited • 99. 99% Shareholding in Purnava Limited Corporate History The Company started its operations as Pfizer (Bangladesh) Limited in 1972. For the next two decades it continued as a highly successful subsidiary of Pfizer Corporation.

However, by the late 1990s the focus of Pfizer had shifted from formulations to research. In accordance with this transformation, Pfizer divested its interests in many countries, including Bangladesh. Specifically, in 1993 Pfizer transferred the ownership of its Bangladesh operations to local shareholders, and the name of the company was changed to Renata Limited. In a gesture of corporate charity, Pfizer donated shares so that, along with a partial payment from the SAJIDA Foundation, 51% ownership of Renata Limited would be held by the Foundation. Today SAJIDA's microfinance and micro-insurance programs support over 107, 120 members and their families; thus far cumulative loan disbursement totals BDT 5, 750 million.

Currently, SAJIDA's health program covers over 1 million beneficiaries by delivering services through two 70 bed hospitals, panel doctors in SAJIDA's micro finance branches, and mobile health teams. To date, the SAJIDA Foundation holds the majority ownership in Renata Limited. [pic] Vision To establish Renata permanently among the best of innovative branded generic companies. Mission To provide maximum value to our customers, shareholders, colleagues, and communities where we live and work.

Approach to Quality The endurance of a company's reputation is determined by the quality of its work. Hence, the appreciation of quality must be

instinctive, and committed to quality must be total. Financial Highlights

Financial highlights of the year 2009 Figures in taka. 000

Particulars 2009 Shareholders Equity Total 2, 441, 642 Application of Funds  
Property, plant and equipment -WDV 2, 133, 261 Investment & Non-current  
assets 75, 001 Current Assets 1, 643, 107 Current Liabilities (1, 409, 727)

Total 2, 441, 642 CAPITAL EXPENDITURE The following capital expenditure  
made by the Company during the year amounted to Taka 642. 57 million.

Taka in Millions Freehold Land 71. 84 Factory Building 68. 30 Plant and  
Machinery 269. 93 Office Equipment, Furniture & Fixtures 12. 43

Automobile 53. 39 Cephalosporin & Penicillin Facilities 166. 68 642. 57 The

entire investment was made from internally generated funds. PART – 2:

Performance Analysis SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses  
within the company and describes the opportunities and threats facing .

Opportunities (External) -Ability to Retain Growth & market focus in difficult  
operating situations -Ability to Exploit Opportunities of Patent Law as an LDC

in International Market. Threats (External) -Strong Competitors in Domestic  
Market. -Political Instability -Government & International Regulations. -Rising

Trend of Material Price Strength (Internal) – Employee Empowerment –

Capability to Bring Innovation differentiation – Outstanding Product Quality –

World Class Professional Service Weakness (Internal) -Insufficient Working  
Capital -Cannot Operating in Low Cost

Ratio Analysis & Cross Sectional Analysis Current ratio This ratio reveals the  
adequacy of current assets to pay off all current liabilities. Formula to

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calculate this ratio is: Current ratio = [pic] Current ratio of Renata = [pic] = 1. 165 Current ratio of Beximco = [pic] = 2. 97 Graph: [pic] Interpretation: The current ratio is very popular and good indicator of liquidity position of the enterprise. Current ratio of Renata is no satisfactory compare to Beximco. Renata should increase its current assets. Quick ratio A measure of liquidity calculated by dividing the firm's current assets minus inventory by its current liabilities. Quick ratio = [pic] [pic] Quick ratio of Renata = [pic] = 0. 403 Quick ratio of Beximco = [pic] = 2. 24 Graph: [pic] Intepretation: The quick ratio of Renata is no satisfactory compare to Beximco. Renata should increase its current assets for met upcoming due. Activity ratio Measure the speed with which various account are converted into sales of cash-inflow or outflows. Inventory turnover: Measure the activity or liquidity of a firm's inventory. Inventory turnover = [pic] Inventory turnover of Renata = [pic] = 1. 693 times Beximco inventory turnover = [pic] = 1. 48 times Graph: [pic] Interpretation: The average age of inventory of Renata is  $(365/1.93) = 215$  days is better than Beximco  $365/1.48 = 247$  days. Average collection period: The average amount of times needed of collect account receivable. Average collection period = [pic] Average collection period of Renata = [pic] = 32. 18 days Average collection period of Beximco = [pic] = 52. 04 days Graph: [pic] Interpretation: The average collection period shows the firm's efficiency to collect its credit. Here Renata is more efficient than Beximco. Average payment period: The APP is the amount of time needed to pay accounts payable. Average payment period = [pic] APP of Renata = [pic] = 47. 58 days APP of Beximco = [pic] = 58. 30 days Graph: [pic] Interpretation:

The average payment period is meaningful only in relation to the firm's payment of accounts payable. Here Renata is less efficient than Beximco.

Total asset turnover: Indicates the efficiency with the firm uses its assets to generate sales. Total asset turnover =  $\frac{\text{Sales}}{\text{Total Assets}}$  Total asset turnover of Renata =  $\frac{1013}{1000} = 1.013$  times Total asset turnover of Beximco =  $\frac{240}{1000} = 0.24$  times

Graph: Interpretation: The higher a firm total asset turnover the more efficiently its asset have used. So Renata is more efficient than BEXIMCO.

Debt ratio Measures the proportion of total assets financed by the firms creditors. Debt ratio =  $\frac{\text{Debt}}{\text{Total Assets}}$  Debt ratio of Renata =  $\frac{430}{1000} = 0.43 = 43\%$  Debt ratio of Beximco =  $\frac{452}{1000} = 0.452 = 45.2\%$  Graph: Interpretation:

This value indicates that the company has financed close to half of its asset with debt. The higher this ratio the grater the firms degree of indebtedness and the more financial leverage it has. So Renata is less efficient than

Beximco and it should increase its assets. Times interest earned ratio:

Measure the firms ability to make contractual interest payment sometime called interest earned ratio. Times interest earned ratio =  $\frac{\text{EBIT}}{\text{Interest Expense}}$  Times interest earned ratio of Renata =  $\frac{947}{100} = 9.47$  Times interest earned ratio of Beximco =  $\frac{345}{100} = 3.45$  Graph: Interpretation: Renata 9.47 time able to able to pay its interest and Beximco is able to pay interest 3.45 times.

So, Renata is better than Beximco. Profitability ratio 1) Gross profit margin:

Measures the percentage of each sales dollar remaining after the firm has paid for its goods. Gross profit margin =  $\frac{\text{Gross Profit}}{\text{Sales}}$  Gross profit margin of Renata =  $\frac{533}{1000} = 0.533 = 53.3\%$  Gross profit margin of Beximco =  $\frac{472}{1000} = 0.472 =$

47.2% Graph: Interpretation: The higher the gross profit margin is

better. So, Renata is better than Beximco. Net profit margin: Measure the <https://assignbuster.com/financial-analysis-between-pharmaceuticals-companies-assignment/>



percentage of each dollar remaining after all cost and expenses. Net profit margin = [pic] Net profit margin of Renata = [pic] = 0.154 = 15.47% Net profit margin of Beximco = [pic] = 0.128 = 12.8% Graph: [pic]

Interpretation: The higher the firm net profit margin is better. So, Renata is better than Beximco. Operating profit margin: Measures the percentage of each sales dollar remaining after all costs and expenses other than interest, taxes and preferred stock dividends are deducted; the "pure profits" earned on each sales dollar. Operating profit margin = [pic] Operating profit margin of Renata = [pic] = 0.2485 = 24.85% Operating profit margin of Beximco = [pic] = 0.205 = 20.5% Graph: [pic] Interpretation: The operation profit margin measures the percentage of each sales dollar remaining after all costs & expenses. So, Renata is better than Beximco.

Return on total assets: Measures the overall effectiveness of management in generating profits with its available assets; also called the return on investment. Return on total assets = [pic] Return on total assets of Renata = [pic] = 0.1567 = 15.67% Return on total assets of Beximco = [pic] = 0.031 = 3.1% Graph: [pic] Interpretation: The higher the firms return on total asset is better. So Renata is better than Beximco. Return on common equity: Measures the return earned on the common stockholder's investment in the firm. Return on common equity = [pic] Return on common equity of Renata = [pic] = 0.2734 = 27.34% Return on common equity of Beximco = [pic] = 0.057 = 5.7% Graph: [pic] Interpretation: The higher return on common equity is always better. So Renata is better than Beximco.

Market Ratio Relate a firm's market value, as measured by its current share price, to certain accounting values. P/E Ratio: Measures the amount that investors are willing to pay for each dollar of a firm's earning; the higher the P/E ratio, the greater the investor confidence. P/E Ratio = [pic] P/E Ratio of Renata = [pic] = 0. 239 times P/E Ratio of Beximco = [pic]= 2. 42times

Graph: [pic] Interpretation: The higher the P/E Ratio the grater the investor confidence. So the P/E Ratio of Renata is lower than Beximco. So, Renata is not in a good position. Earning per share (EPS) =[pic] EPS of Renata = [pic] = 417. 38 EPS of Beximco= [pic] = 4. 13 Graph: pic] Interpretation: EPS reprocess the number of dollar earned during the period on behalf of each outstanding share of common stock. So, here EPS of Renata is higher than Beximco. So, EPS of Renata is satisfactory compare to Beximco. Part - 4: Conclusion Findings From the analysis the findings are - ? Renata's financial position within the industry. ? Profitability and its market value. ? Uses of financial ratios. ? Firm's ability to pay debt, interest, Suggestion 1. The company should be prepared the standard human resource planning. Because the success and failure of the organization is highly depend on the proper human resource planning. 2.

The HR Department should look into the matter of consuming more time in the process of calling the applicants after their responses very seriously. The organization could control the size of applicants' pool by using more clear and specific statements in the ad in terms of the minimum educational degree, preferred institutions and other necessary criteria based on which the initial screening of the applications were conducted. 3. The company can recruited also for campus recruiting that could bring a yield of highly

educated fresh-starters for the entry-level the organization could arrange seminars in the top business schools country. Also the company should facilitate online CV-posting system that is a very popular and effective practice used by the top business organizations. 4.

The company should follow both on-the-job and off-the -job method training when they are training their employees. 5. The HR manager should prepare the standard promotion policy for the employees of the organization. Here it is very much important that the employees should get the promotion based on the performance not the nepotism, political influence and whatsoever. 6. The HR manager should establish the standard pay structure for the employees of the organization in order to reduce the high turnover of employees. . Conclusion Pharmaceutical Industry has grown in Bangladesh in the last two decades at a considerable rate. The sector consistently creates job opportunities for highly qualified people.

Pharmaceutical companies are either directly or indirectly contributing largely towards raising the standard of healthcare through enabling local healthcare personnel to gain access to newer products and also to latest drug information. As one of growing pharmaceutical manufacturer Renata Ltd. plays a vital role in the industry as well as in the national economy. To be successful, relentless contribution and dedication of the organizations human resource management is very much needed. To compete in international as well as in local market in adverse situation the HR managers work has become much more difficult in today's ever changing business environment.

With the development of healthcare infrastructure and increase of health awareness and the purchasing capacity of people, this pharmaceutical industry is expected to grow at a higher rate in future. Healthy growth is likely to encourage the pharmaceutical companies to introduce newer drugs and newer research products, while at the same time maintaining a healthy competitiveness in respect of the most essential drugs. So, it is a great responsibility for Renata Ltd. as well as other companies in this industry to concentrate on quality product and quality service to take this industry towards further success. The Bangladesh government should also be considerable and cooperative to help the businesses flourish.