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## A Study On Financial Aspects of Beximco Pharmaceuticals Limited in Bangladesh

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### ABSTRACT

This research is conducted on financial aspects of Beximco Pharmaceuticals Ltd.. To cover the financial aspects, the Author has taken into consideration the financial trend and performance of this organization to analyze. Financial trend and performance analyses are the important weapons to measure the managerial skill in various dimensions of a company. Several relevant ratios from financial statement have been analyzed to evaluate the financial trend, performance and managerial skill. The Author's thirst is to have the clarification on the ability of the firm to pay the short-term obligations, profit earning capacity, rapidity of converting different accounts into cash, debt-burden as well as the people's confidence on the firm's future performance. With a view to covering the thirst, evaluating the financial health of the company has been designed as the principal objective of the work. This is an exploratory research and chiefly secondary data based which are collected from audited annual reports of Beximco Pharmaceuticals Ltd. starting from 2015-16 to 2020-21. To have the better result from analyzing and interpreting the data, several ratios, statistical tools and percentages have been applied. This research is following the pharmaceutical industry particularly for "Beximco Pharmaceuticals Ltd." Precise analysis of financial trend and performance of manufacturing sub-sector like pharmaceutical sub-sector shall help the policy makers to frame the policies. From the extraction of the work, it may be said that liquidity position and activity ratios are not so much favorable whereas the profitability, debt and market ratios are somehow up to the mark. From overall extraction of the work, it is concluded that Beximco Pharmaceuticals Ltd. is being operated with positive trend and with stable performance. Ultimately, this work confers to maximize sales and minimize fixed expenses and to be more cautious in maintaining operating expenses of the firm.

**Keywords:** Dividend per share, Earning per share, Financial performance, Liquidity, Profitability, Trend analysis. This is an open access article under Creative Commons Attribution 4.0 License.

### 1.0 Introduction

Analysis of financial aspects mainly determines the future planning and development of an enterprise. Analysis of financial trend and performance is considered as the analysis of financial aspects in this research. We know that financial accomplishment is the indicator of sound financial status of a concern. Managerial skill, operational skill, profit of the business, credit worthiness, return on asset, return on investment etc. depend upon the financial perfection of a concern. So, to do the work, firstly the researcher has to have a translucent

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concept on financial aspects i.e. financial trend and performance of a manufacturing concern which are as follows:

The trend analysis is an analysis of several ratios that find out the fact, whether the business movement is favorable or unfavorable as well as give a future direction to the management of the firm. It is remarkable here that trend may be upward even though ratio being lower than standard norm. On the contrary, the trend may be a declining one even though the present ratio may be at satisfactory level (Khan and Jain:2013:6-47). Trend analysis analyses different items of financial statement for two or more periods. The initial period is regarded as base period and the items of the statements of other periods are compared with items of the statements of the base period.

Financial perfection is a measurement the capability of a concern in utilizing its assets, generate revenues as well as attain the objectives of the firm. It is an evaluation of overall financial status of a particular period of time of a firm and it compares similar organizations between the same industry or compares industries or sectors collectively (Investopedia:Online). Financial accomplishment of a firm or industry or sector is determined through financial statements analysis. In fact, it analyses and interprets the financial statements so that the earning capacity and good financial position is extracted of the entity. The financial analyst program provides vital methodologies of financial analysis (ebstudies:online). There are various means to evaluate financial perfection but for having more authentic and pragmatic direction, all the measures are necessitate to consider together. Liquidity ratio, profitability ratio, activity ratio, debt ratio, market ratio etc. should be considered collectively to have the authentic and dependable findings. Through these analyses, revenue from operations, operating income, cash flow from operation, utilization of asset etc. are analyzed meticulously. So, A Financial Perfection Report is a summary of the Financial Perfection of a company that reports the financial soundness of a company helping various investors and stakeholders take their investment decision (ebstudies:online).

To measure the outcome of a firm's policies and operations in monetary terms, these outcomes are exposed in the firm's return on investment, return on assets, value added etc. (Business dictionary: online). The performance-level of a firm for a particular period, presented through overall gains and losses during the period. Measuring the financial accomplishment of a firm allows management to examine the outcome of firm's strategies and activities in objective monetary terms (ebstudies:online). Apart from these, to keep intact or raise the earning capacity of a firm, a pragmatic financial accomplishment of a firm is necessarily expected.

The National Health Policy, 2011 declares 19 primary goals, among of these, i) Establish health care as a right of citizens in all layers of society as the provisions for five basic necessities of life that lies in our constitution by ensuring essential elements of care, nutrition, and public health improvement ii) Providing quality and easily accessible care, irrespective of an urban and rural community, mainly focusing on the poor and disadvantaged population (The Bangladesh National Health Policy, 2011).

According to the latest survey in FY 2016-17, agriculture sector employed 40.6 percent of the employed person, followed by service at 39.0 percent with the smallest proportion in the industry sector at 20.4 percent (Economic Review of Bangladesh:2021:3-24). Yet, disguised as well as seasonal unemployment are seen in agriculture sector. In order to minimize the unemployment problem for achieving economic emancipation of the country; the manpower i.e. disguised unemployment should be channeled with other sectors and industrial sector has a wide scope to accommodate the greatest portion of unemployed manpower. Besides, to keep pledge of the constitution as well as to accelerate the contribution to the national economy as well as to earn foreign currency, industrial sector as a whole and especially the pharmaceutical sub-sector can play a vital role through increasing its profit volume and export. In 2021, the pharmaceutical companies have exported its drug in 157 countries of the world and gradually it is being increased (Bangladesh Economic Review, 2021, 8:124). Especially the management of pharmaceutical industry and industrial sector at large may be favored from the results of this research. Thus the top-level policy makers can apply the recommendations of the research in making policies. As far as the researcher knows, the research work has been done on analysis of financial statement on Beximco pharmaceuticals Limited is almost rare. The above-mentioned problems and prospects of this sub-sector have made the researcher interested to do the research work titled, "A Study on Financial Aspects of Beximco Pharmaceuticals Limited."

### 1.1 Review of related literatures

Ferdous & Ishtiaque, (2013): The Authors serve the research work on accounts receivable management. In the modern world, most of the businesses are dependent on the transaction on account. So, accounts receivables are occurred in practice. The authors inferred that the efficiency of the management depends upon the collection of accounts receivable in time that is very important for smooth running of the business. Otherwise, all the business operation cycles would be failed and ultimately, business cannot run successfully.

Sharif and Ialam (2018): The Authors has tried to show the working capital as a measurement tool for profitability. They have conducted the study on 10 pharmaceutical industry listed under Dhaka Stock Exchange and Chittagong Stock Exchange. They concluded it that there is a significant effect of working capital on

profitability and it is also expected that the findings of the study may be helpful for changing the practice of working capital management more in beneficial manner in future.

Islam & Khan (2019): The Author has analyzed the data of 10 years to conduct the research and tried to find out the determinants of profitability. Ultimately, the Author found out that sales, operating income, operating expense, return on equity and total liabilities have significant effect on the profitability of company. Beside these, the GDP growth rate and the rate of inflation among macroeconomic variables have significant deterministic role on profitability.

Candraditia Daryantoa, Wiwiek Mardawiyah Daryanto (2019): The Author tried to investigate the financial health of pharmaceutical industry in Indonesia. The researcher has undertaken four Pharmaceutical industries. Two are from private sector and two are from State-owned enterprise. The researchers have evaluated and made rating the financial health by analyzing different ratios of the companies under study and made a rank rating.

Tareq, Abdullah and Ibrahim (2021): The Authors have done the research work for extracting relationship between working capital management and financial performance of manufacturing company of Jordan listed under Amman Stock exchange. In fine, the Author has found out that inventory turnover, receivable turnover, current asset turnover and working capital turnover have significant effect on financial performance. But, the difference between direct or the moderating models in estimating financial performance has not been found in the study.

## 1.2 Research question

During study period, the researcher has looked for answer of some questions and accordingly, the following research questions have been developed:

RQ 1: How far the ability to pay the short-term obligations that protects the image of the firm?

RQ 2: What percentage of profit does the firm earn and whether is it adequate to attract the investors or not?

RQ 3: How rapidly can the firm convert different accounts into cash that is important for smooth operation of the business?

RQ 4: At what ratio of other people's money does the firm use to generate profit?

RQ 5: How is the confidence of the investors about the firm's future performance?

## 1.3 Objectives of the study

In line with the research questions, the objectives of the study are determined. The core objective of the work is to measure the financial strengths and weaknesses of the Beximco Pharmaceuticals Ltd. In addition, this research includes several particular objectives that are given below:

i) To analyze the financial variations over the study period.

ii) To measure the financial trend and perfection of the firm with several relevant analysis.

iii) To evaluate the managerial skill and firm's performance of Beximco Pharmaceuticals Ltd. in maintaining the funds, assets, investment etc.

iv) To way out some pragmatic measures to remove the prevailing shortcomings especially of Beximco Pharmaceuticals Ltd. and industrial sector of Bangladesh at large.

## 1.4 Methodology of the study

The work is basically done with secondary data and for conducting the research work fruitfully, a few primary data have also been inserted. The secondary data are collected from the annual reports. Some executives of Beximco Pharmaceuticals Ltd. are interviewed mainly for having clarification of the data available in annual report. The researcher has reviewed some relevant books as well as a lot of articles to understand and present different terms regarding the study. To analyze the data, some simple statistical tools like ratios, percentages have been applied in the research.

## 1.5 Scope of the study

This research encompasses almost all the financial activities in respect of "A Study on Financial Aspects of Beximco Pharmaceuticals Limited". Since the annual reports of the company are audited financial documents, that's why different segments of it are taken into consideration for analysis during conducting the study. The research work includes the solvency, profitability, activity or turnover ratio, return on assets and return on equity, earning per share, net operating cash flow per share, dividend per share, dividend pay-out ratio, P-E ratio and so on of the firm to scrutinize the financial trend and performance of the company. 6-year data of Beximco Pharmaceuticals Ltd. ranging from 2015-2016 to 2020-2021 have been considered to conduct the study.

## 1.6 Limitations of the study

The researcher has faced some unfavorable circumstances. This work is chiefly secondary data-based that are available in annual reports. So, But in fact, the annual reports do not provide all the necessary data. As

for example, better ratios of turnover are not possible to find out because of non-availability of cash sales in the annual report. In this case, the executives of the company had to be interviewed as alternative way. But they are not spontaneous to provide the data as required rather ask for depending on annual reports only.

## 2.0 Analyses and interpretations

Analysis and interpretation have been done on the basis of the objectives of the research. To analyze the financial aspects of Beximco Pharmaceuticals Ltd., firstly the researcher has divided the analyses into two parts: 1. Trend analysis 2. Performance analysis. Trend analysis includes the liquidity ratio i.e. current ratio and liquid/acid test ratio, measurement of increase or decrease of net sales, cost of goods sold, operating expenses, finance and other expenses as well as profitability ratio i.e. gross profit ratio, operating profit ratio and net profit ratio. While financial performance analysis includes the activity or turnover and return on assets and equity, earning per share, net operating cash flow per share, dividend per share, dividend pay-out ratio, price-earning ratio and price-equity ratio. Analysis has been done on the basis of accounting period followed by the company. Here is an exception i.e. in 2015 Beximco Pharmaceuticals Ltd. has changed its accounting period, from January to December period to July to June period. For convenience of calculation, the whole year of 2015 and upto June of 2016 i.e. one and a half year have been considered as the accounting period in 2015-2016. So, in this accounting period, the figures in all the analyses had to be shown much higher than that of other accounting periods.

### 2.1 Trend analysis

#### 2.1.1 Liquidity analysis

Liquidity refers how far skillfully a management can maintain the solvency of a firm along with smooth payment of existing obligations. A firm's Liquidity is measured through two tools which are given below:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Liquid / Acid test Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

$$(\text{Liquid Assets} = \text{Current Assets} - \text{Inventory} - \text{Prepayments})$$

Table 1.

Measurement of liquidity of Beximco Pharmaceuticals Ltd. (Amount in lac Taka).

Year	Total Current Assets	Total Current Liabilities	Current Ratio	Inventory	Prepayments	Liquid Assets	Liquid Ratio
2015-16	85280.08	29825.7	2.86	27703.32	18023.04	39553.72	1.33
2016-17	91308.16	34060.4	2.68	34680.9	16976.8	39650.46	1.16
2017-18	108325.2	80968.6	1.34	46654.5	20668.41	41002.29	.51
2018-19	127935	118958.5	1.08	55735.5	22730.41	49469.09	.42
2019-20	124387.9	106304.4	1.17	55284.4	23450.4	45653.1	.43
2020-21	131506.8	88912.4	1.48	66938.44	23545.8	41022.06	.461

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

It is revealed in Table-1 that the current ratio shows very high it is 2.03, 2.86 and 2.68 respectively 2015-2016 and 2016-2017 i.e. it exceeds the standard norms, 2 (In case of Manufacturing Company-Gitman:11th edition:2010:2-43) but it declines gradually and shows the lowest ratio in 2018-2019 i.e. 1.08. Although it could not touch the standard norm of current ratio, but the ratio again has started to rise in the terminal years i.e. in 2019-20 and 2020-21. The picture of liquid/Acid test ratio is the same as current ratio depicted. In 2015-2016 and 2016-2017 it is higher than the standard norm i.e. greater than 1 (In case of non-liquid inventory-Gitman:11th edition:2010:2-44). The analysis shows the lowest ratio in 2018-2019 i.e. .42 and then it again has started to rise in the terminal years i.e. in 2019-20 and 2020-21. It may be concluded that in the early years of the study, the firm cannot utilize its fund in profitable manner rather it indicates the fund remains idle. On the other hand, in the terminal years of the study, the firm is not capable enough with its current assets to pay the present obligation and other dues. Finally, it may be inferred that the company cannot keep consistency in managing current liabilities and acquiring current assets. It may also be the higher rate of operating expense or utilization of cash as working capital more than standard norm in expectation of earning higher profit. It may be made clear later through analyzing operating expense status. But in this analysis, the financial management trend is not stable at all rather fluctuating. Management cannot show its efficiency in running the business in perspective of liquidity management.

#### 2.1.2 Growth (Increase/Decrease) and Profitability Analysis

#### 2.1.3 Measurement of Increase or decrease in sales and cost of goods sold and Gross profit ratio

Rise or fall of turnover measures the trend of cash flow in the business. i.e. whether the sale is increased with the passage of time or not. If the sale is increased over time, it is anticipated that the profit will be increased providing the cost of goods sold, operating expense and finance expense are incurred proportionately with the increase of sale and vice-versa. If it is not occurred so, management has to find out the loopholes and weak point of the operation and can take measure for future.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Table 2.

*Measurement of Increase or decrease in sales and cost of goods sold and Gross profit ratio of Beximco Pharmaceuticals Ltd. (Amount in lac Taka).*

Year	Net Sales	Increase/(Decrease)		Cost of goods sold	Increase/(Decrease)		Gross Profit Ratio	
		Amount	%		Amount	%	Gross Profit	Ratio
2015-16	200345.03			108003.17			92341.85	46.09
2016-17	155087.77	(45257.26)	(22.59)	83239	(24764.17)	(22.93)	71848.82	46.33
2017-18	173807.28	18719.51	12.07	93555.05	10316.05	12.39	81252.23	46.75
2018-19	211563.31	37756.03	21.72	113659.30	20104.25	21.49	97904.01	46.28
2019-20	235577.76	24014.45	11.35	127535.22	13875.92	12.21	108042.54	45.86
2020-21	269493.52	33915.76	14.4	143473.82	15938.60	12.50	126019.69	46.76

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

Table-2 depicts the increase and decrease in sales, cost of goods sold and gross profit ratio. An inverse relation exists between cost of goods sold and gross profit while proportionate between sales and gross profit. When the rising rate of cost of goods sold is greater than the rising rate of sales and then the gross profit ratio will be lower and vice-versa. The negative figures have been shown in 2016-2017 because of considering 2015-2016 as the different accounting period i.e. it consists of one and a half year. So, in fact, the ratio is not supposed to be affected and accordingly gross profit ratio is exhibiting a significant figure in this period, 46.33% which is almost similar to the other accounting periods. The rate of decrease in net sales and cost of goods sold is almost the nearer percent. The sales have been increased by 12.07% and cost of goods sold has been increased by 12.39 % in 2017-2018 and 2018-2019 respectively. It is also almost the nearer figure to each other. In 2018-2019, the sales have been raised by 21.72% whereas the cost of goods sold has been raised by 21.49%. It is also nearer to each other. In the terminal two years, 2019-20 and 2020-21, the rising rate of net sales and cost of goods sold is slight different. The rising rate of cost of goods sold is greater than that of net sales while in 2020-21, it is contrary to the 2019-20. From Table-2, it is evident that the increase of sales as well as gross profit shows almost an upward trend in the last portion of the research period except in 2019-20. The overall gross profit rate is so satisfactory. It implies that the cost of materials, labor, overhead etc. have been incurred in lower rate i.e. the management is efficient enough to handle the cost of goods sold.

#### 2.1.4 Measurement of growth (Increase/Decrease) in Operating Expense and Operating profit Ratio

The rate of Increase or decrease in operating expenses determines the rate of operating profit. Higher the operating expense lowers the operating profit rate and vice-versa. Operating expense includes the administrative expenses and selling and distribution expenses.

$$\text{Operating Expense Ratio} = \frac{\text{Operating Expense}}{\text{Net Sales}} \times 100$$

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$

Table 3.

*Measurement of growth (Increase/Decrease) in Operating Expense and Operating profit Ratio of Beximco Pharmaceuticals Ltd. (Amount in lac Taka)*

Year	Net Sales	Operating expense Ratio		Increase/(Decrease)		Operating profit Ratio	
		Operating expense	Ratio	Amount	Percentage	Operating profit	Ratio
2015-16	200345.03	47759.32	23.84			44582.53	22.25
2016-17	155087.77	37366.76	24.10	(10392.56)	(21.76)	34482.06	22.23
2017-18	173807.28	41436.23	23.84	4069.47	10.89	39816	22.91

2018-19	211563.31	49916.28	23.59	8480.05	20.47	47987.74	22.68
2019-20	235577.76	56909	24.16	6992.72	14	51133.54	21.70
2020-21	269493.52	65329.65	24.24	8420.65	14.8	60690.04	22.52

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

From Table-3, it is seen that the operating expense ratio is almost within the ratio of 23 to 24. Table-2 also reveals that the gross profit ratio is almost within 46 and accordingly the net profit ratio is around 22 and above. In this case, it is viewed that the rate of increase in operating expense is proportionate to the rate of increase in sales. The amount of sales has been increased gradually, operating expense also increased gradually. So, the trend of sales as well as operating expenses shows an upward trend which is optimistic for the company. Since, the profit earning ratio remains almost constant as in the earlier years, so the volume of earning profit is becoming high which is very optimistic for the industry and on the contrary, in 2018-2019 the operating profit ratio has been reduced to some extent because of higher volume of operating expenses and it is noted that the rate of increase of operating expense is the highest in this year. So, it affects the liquidity of the firm as well as may affect the net profit also. From this table it may be inferred that the upward trend of sale as well as profit is appreciable for the management on the other hand, management should handle the operating expense with more care and efficacy.

### 2.1.5 Measurement of increase/decrease) in finance, tax & other expense less other income and net profit ratio

The principal effort of this analysis is to determine net profit and net profit ratio. The finance and other expenses have been considered here. The finance and other expenses have been calculated as: {(Finance expense+Contribution to worker's profit participation fund and welfare fund+Income tax)- Other Income}. The net earnings after tax are determined after deducting finance and other expenses from operating profit. An inverse relation exists between net earnings and finance and other expenses. So, the net earnings after tax are lower if the finance and other expenses are higher and vice-versa.

$$\text{Finance Expense Ratio} = \frac{\text{Finance Expense}}{\text{Net Sales}} \times 100$$

$$\text{Net Profit Ratio} = \frac{\text{Earning after tax}}{\text{Net Sales}} \times 100$$

Table 4.

*Measurement of Increase/Decrease) in Finance, Tax & other Expense less other Income and Net Profit Ratio of Beximco Pharmaceuticals Ltd. (Amount in lac Taka)*

Year	Net Sales	Finance, Tax & other expense ratio (less other income)		Increase/(Decrease)		Net Profit Ratio	
		Expense	Ratio	Amount	Percentage	Net Profit	Ratio
2015-16	200345.03	15102	7.54			29480.54	14.71
2016-17	155087.77	12215.11	7.87	2886.89	11.50	22267	14.36
2017-18	173807.28	14226.29	8.19	2011.19	16.46	25589.71	14.72
2018-19	211563.31	17752.73	8.39	3526.43	14.56	30235.01	14.29
2019-20	235577.76	17499.54	7.43	253.19	1.43	33634	14.28
2020-21	269493.52	11255.15	4.18	(6244.39)	(35.68)	49434.89	18.34

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

Table-4 reveals the increase and decrease of finance, tax and other expense as well as net profit ratio. It is a common perception that when sales volume is increased, then profit volume is increased if other expenses (finance, tax and other expense) remain in the same ratio of increase. Net profit is ascertained by deducting finance, tax and other expenses from operating profit and thus net profit ratio is ascertained as well by deducting finance expense ratio from operating profit ratio. The firm has earned net profit in the ratio of above 14 except in 2020-21. It is reasonable range of net profit in the white eye. It is obvious here that the volume of profit has been increased with the increase of sales volume in later years' of the study period because of increasing the finance expense in the lower rate than that of increase of sales. From pros and cons analysis of the table that the highest net profit ratio i.e. 18.34 is shown in 2020-2021 within the study period since the expense in amount and in rate has been increased in lower rate. The overall upward trend is being seen in net profit ratio.

## 2.2 Financial performance analysis

Financial performance of a business organization is analyzed with the analysis of financial statement of that concern. To measure the financial performance of Beximco Pharmaceuticals Ltd., activity or turnover ratio, return on assets and equity, earning per share, dividend per share, dividend pay-out ratio, price-earnings ratio, price-equity ratio, net operating cash flow per share have been examined.

### 2.2.1 Turnover ratio

Turnover ratio is measured to examine the efficiency of management of a firm. Various aspects of efficiency with utilizing assets may be gleaned from turnover ratio as well as from several previously examined ratios. The researcher has analyzed three turnover ratios to conduct the study which is presented below:

### 2.2.2 Measurement of total asset turnover ratio

Asset turnover ratio denotes the frequency of sales that cover total assets? In examining this ratio, it is important also to examine the related net income to-sales ratio. Firm may trade-off a rise in the total asset turnover ratio for a fall in the net income-to-sales ratio (Foster:2002:69). Generally, higher turnover implies how more skillfully its assets are being utilized. This measure is likely of the largest benefit to managing authority, because, it implies whether the business's operation have been financially efficient (Gittman:2010:46). Asset turnover ratio is calculated as under:

$$\text{Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Table 5.

*Measurement of Total Asset Turnover Ratio of Beximco Pharmaceuticals Ltd. (Amount in lac Taka)*

Year	Assets Turnover Ratio		
	Net Sales	Total Assets	Ratio
2015-16	200345.03	311489.08	.64
2016-17	155087.77	340841.33	.46
2017-18	173807.28	421650.15	.41
2018-19	211563.31	477928.95	.44
2019-20	235577.76	486797.73	.48
2020-21	269493.52	508646.66	.53

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

Table-5 reveals asset turnover ratio. In 2015-2016 the management can utilize .64 assets to generate the firm's sale which is the highest one and it is followed by the year 2016-2017 with .46, .44 in 2018-2019. The lowest utilization of assets is shown in 2017-2018 which is .41 and it is middle year of the study period. Then the ratio starts to rise again. During study period, in the initial year and in the terminal year, the asset turnover ratio is above 50% which is acceptable and reasonable. It may be noted that only in 2015-2016 and in 2020-2021, the asset utilization ratio is above 50%. But in other years, management could not show its efficiency in utilizing assets to generate sale.

### 2.2.3 Measurement of inventory and accounts receivable turnover ratio

Inventory turnover ratio and accounts receivable turnover ratio are significant activity ratio and variables as well to measure the efficiency of management to keep the firm sound from the aspect of liquidity. Though liquidity ratio measures the solvency or ability to pay the dues or current obligations of the firm, but it measures through overall current assets. So, it is necessary to ascertain the skill of business's managing authority to handle some specific current assets. Inventory turnover ratio measures how fast the inventory of the firm is sold and converted into cash. The higher inventory turnover ratio implies the firm's ability to sale inventory fast and accordingly the inventory is converted into cash i.e. it increases liquidity of the firm. On the contrary, the lower ratio implies that the firm cannot sale its inventory fast. So, it cannot convert the inventory into cash and thus liquidity of the firm is declined. These are calculated as follows:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

$$(\text{Average Inventory} = \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2})$$

$$\text{Accounts Receivable Turnover Ratio} = \frac{\text{Sales}}{\text{Accounts Receivables}}$$

Table 6.

*Measurement of Inventory and Accounts Receivable Turnover Ratio of Beximco Pharmaceuticals Ltd. (Amount in lac Taka)*

Year	Cost of Goods sold	Closing Inventory	Average Inventory	Inventory Turnover	Sales	Accounts Receivables	Accounts Receivable Turnover
2015-16	108003.17	27703.32	26319.96	4	200345.03	16806.07	12

2016-17	83239	34680.9	31192.11	3	155087.77	21673.4	7
2017-18	93555.05	46654.5	40667.7	2	173807.28	27364.44	6
2018-19	113659.30	55735.5	51195	2	211563.31	33258.91	6
2019-20	127535.22	55284.38	55510	2	235577.76	32136.66	7
2020-21	143473.82	66938.94	61111.66	2	269493.52	28318.69	10

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

In table-6, almost in all the years, inventory turnover ratio is shown within the range of 2. Only in the year 2015-2016, it is shown 4, it is so, probably due to being an exception accounting period. In the overall picture of inventory turnover is not satisfactory for Beximco Pharmaceuticals Ltd. at all.

The accounts receivable turnover ratio measures how fast the dues to the customer are collected or the receivables are converted into cash. The higher account receivable ratio implies that the company can collect its accounts receivable in time or rapidly. Thus the liquidity of the company remains sound. In this table, in 2015-2016, it shows so higher turnover i.e. 12 times. It may be due to same ground as in inventory turnover ratio. Afterwards, the turnover ratio has been gradually reduced which doesn't seem something positive, but in the terminal two years, it starts gradually increasing which is auspicious sign for the company.

#### 2.2.4 Measurement of debt ratio and financial leverage ratio

The debt of a concern refers the amount of money except owner i.e. outsiders is being utilized in a specific concern to generate profits. Usually, the finance managers largely deal with long term debts, because these ensure the business to a stream of stipulated payments over the long-term. Bulk debt of a concern increases the risk as well as inability is created in the concern in repaying its committed payments and ultimately the business becomes bankrupt. Because, claims of the creditor are to be met before distributing the earning among the shareholders, otherwise, firm's ability to repay debts will be questionable to the existing and intended shareholders. Loan issuers are anxious as well about the business's indebtedness. (Gitman: 2010:46-47). Debt ratio is calculated as under:

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Usually, if a firm uses larger debt in respect of its total assets, it implies, that firm is over burdened with financial leverage. "Financial leverage results the use of the fixed-cost assets or funds to magnify returns to the firm's owners. In other words, the more the leverage the more the risk and return of a firm and conversely, the less the leverage the less the risk and return of a firm" (Gitman: 2010:463). Financial leverage ratio is calculated as follows:

$$\text{Financial Leverage Ratio} = \frac{\text{Total Assets}}{\text{Equity to Shareholders}}$$

Table 7.

*Measurement of Debt Ratio and Financial Leverage Ratio of Beximco Pharmaceuticals Ltd. (Amount in lac Taka).*

Year	Debt Ratio			Financial Leverage Ratio	
	Total Liabilities	Total Assets	Ratio	Equity	Ratio
2015-16	80894.96	311489.08	25.97	230594.12	1.35
2016-17	90117.07	340841.33	26.44	250724.26	1.36
2017-18	150606.26	421650.15	35.72	271043.9	1.56
2018-19	181920.52	477928.95	38.06	296084.32	1.61
2019-20	163234.14	486797.73	33.33	323563.6	1.50
2020-21	141570.74	508646.66	27.83	367075.92	1.39

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

What ratio of total assets is paid by the outsiders is measured by the debt ratio. In table-7, at the commencement of the study period, the debt ratio is the highest that is 38.06 and gradually it is increased in the proceeding three-year. But in terminal two years of the study, the debt ratio has started declining i.e. in 2019-20 and 2020-21, it records 33.33 and 27.83 respectively. The ratio shows the highest figure that indicates the highest amount of money of other peoples is being used in the business. So, the fixed cost of the business is becoming higher.

In the Table-7, financial leverage ratios are shown the highest ratio in 2018-2019. Like debt ratio, this ratio also lowest figure in initial year of the research period and gradually it has started increasing in later years and ultimately in terminal two years it has started reducing again. So, the amount of borrowed capital i.e. fixed-cost capital is the larger in the middle years of the study. So, the return is also greater in these years which are almost consistent to the gross profit ratio and net profit ratio although the company has to bear greater risk also.

#### 2.2.5 Measurement of return on assets and return on equity



The return on total assets (ROA) usually is called the return on investment (ROI). It evaluates the overall skills of managing authority to make returns utilizing its existing assets. Higher earnings on total assets of the business implies higher profits (Gitman:2010:59). It is determined multiplying the net profit margin with total asset turnover. Net profit margin ascertains the profitability on sales of the firm while the total asset turnover ratio ascertains the efficiency of the firm in using its assets to create sales i.e. this formula enables the firm to segregate its return into profit on sales as well as efficiency of asset-use components. So, the return on asset is called profit-to-asset ratio also. It is calculated as under:

$$\begin{aligned} \text{Return on Assets} &= \text{Net Profit Margin} \times \text{Asset Turnover} \\ &= \frac{\text{Earning After Tax}}{\text{Net Sales}} \times \frac{\text{Net Sales}}{\text{Total Assets}} = \frac{\text{EAT}}{\text{Total Assets}} \times 100 \end{aligned}$$

The return on equity indicates the return earned on investment of common shareholders of the organization. Usually, the larger volume of return implies the better view of the owners (Gitman:2010:53). This ratio is multiplication of net profit margin, asset turnover and financial leverage. So, through this formula, it is very clear that what is the status of net profit to sales, how efficiency of management in using asset in generating sales as well as what is the status of using fixed-cost capital to magnify the risk and return. It may be called multi-dimensional formula to measure profitability of a firm. It is calculated as under:

$$\begin{aligned} \text{Return on Equity} &= \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Financial leverage} \\ &= \frac{\text{Earning After Tax}}{\text{Net Sales}} \times \frac{\text{Net Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Equity to Shareholders}} \\ &= \frac{\text{EAT}}{\text{Equity to Shareholders}} \times 100 \end{aligned}$$

Table 8.

*Measurement of Return on Assets and Return on Equity of Beximco Pharmaceuticals Ltd. (Amount in lac Taka)*

Year	Return on Assets		Return on Equity		
	Earnings after tax	Total Assets	Return on Assets	Equity	Return on Equity
2015-16	29480.54	311489.08	9.5	230594.12	12.78
2016-17	22267	340841.33	6.5	250724.26	8.9
2017-18	25589.71	421650.15	6.07	271043.9	9.44
2018-19	30235.01	477928.95	6.33	296084.32	10.21
2019-20	33634	486797.73	6.90	323563.60	10.40
2020-21	49434.89	508646.66	9.7	367075.92	13.47

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

In first section of Table-8, it is seen that the return on asset in the middle of the study period, the ratio is somewhat moderate and it is above 6 and it is satisfactory in the initial year and in the terminal year i.e. in 2015-16, it is 9.5 and in 2020-21, it is 9.7 respectively that is auspicious for the company.

In the second section of Table-8 shows the same picture like return to total assets i.e the return on equity in middle years of the research period, the ratio is somewhat moderate and it is around 9 to 10 and it is satisfactory in the initial year and in the terminal year i.e. in 2015-16, it is 12.78 and in 2020-21, it is 13.47 respectively that is a good sign for the company.

### 2.2.6 Measurement of earning per share and net operating cash flow per share

Usually, Earning per share (EPS) of a firm refers the interest to existing as well as prospective shareholders or management. It focuses the amount of money (taka etc.) earned on behalf of each share outstanding in the market. Earning per share is calculated as follows:

$$\text{Earning per share (EPS)} = \frac{\text{Earning after Tax}}{\text{No. of Common stock}}$$

Cash flow per share represents the capacity to earn profit of a company like earning per share. It's a ratio referring the amount of money which a business produces on the basis of net earnings of a company along with depreciation and amortization cost added back. Adding back the depreciation and amortization cost, cash flow volume of a business is shown artificially less, because they are not actually cash expenses. On the contrary, EPS may be shown artificially higher than actual adding the income with other than cash sources. Since the cash flow per share takes into account an organization's ability to produce cash regarded by some as a more authentic means of an entity's financial health than earnings per share. Cash flow per share focuses the net cash that a business provides on a per-share basis. (online:Investopedia).

$$\text{Net operating Cash flow per share} = \frac{\text{Net operating cash flow}}{\text{No. of common stock}}$$

Table 9.

*Measurement of Earning per Share and Net operating Cash flow per Share of Beximco Pharmaceuticals Ltd.*

Year	Earnings per Share			Net operating Cash flow per Share	
	Earning after tax	No. of Common Stock	Earnings per Share	Net operating Cash flow	Net operating Cash flow per Share
2015-16	2948053854	386244234	7.63	3169277312	8.21
2016-17	2226695124	405556445	5.49	2633964986	6.5
2017-18	2558971263	405556445	6.31	1848067034	4.56
2018-19	3023500974	405556445	7.46	2726457706	6.72
2019-20	3363399873	405556445	8.20	5210760070	12.85
2020-21	4943488736	446112089	11.08	5614916935	12.59

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

In Table-9, it is evident that EPS is earned the lowest figure in 2016-17 which is 5.49 and gradually it becomes high and in the terminal year, EPS has become the highest figure that is 11.08. So, earning per share (EPS) shows an upward trend and it is positive sign for the business.

Net operating cash flow per share of Beximco Pharmaceuticals Ltd. does not give any smooth and concrete experience rather fluctuates. Because, in initial year of the research period, the net cash flow of the firm is somehow better, it is 8.21, but afterwards it does not reveal a good figure. It has been declined to 4.60 in 2017-2018. The highest net operating cash flow per share has been shown in 2019-20 which is 12.85. In the terminal year, the net operating cash flow per share is being shown also satisfactory figure which is 12.59.

### 2.2.7 Measurement of dividend per share and dividend pay-out ratio

Dividend is a portion of earned profit that is paid to the shareholders. Dividend is paid generally through two means. One is cash dividend which is paid by sending money to the shareholders account directly and another is stock dividend which is paid by issuing bonus share. Only cash dividend has been considered to calculate dividend per Share (DPS) in this study. Because, stock dividend is not cash income or direct revenue of shareholders rather it is traded or retained in the secondary market as capital gain. Dividend importantly measures the corporate success and is investing-public or corporations always watch the dividend-status so that whether they will invest their fund in this company or not. The more the amount is fairly greater the more public or corporations are interested to invest their fund in a company. It is calculated as follows:

$$\text{Dividend per share (DPS)} = \frac{\text{Dividend to Shareholders}}{\text{No. of Common stock}}$$

Dividend pay-out ratio is usually known as pay-out ratio represents the relationship between actual earning earned by the business for equity-holders and dividend is paid from it to them. In fact, pay-out ratio implies the rate of earnings is paid to the equity-holders as dividend after taxes and preference dividend. (Khan and Jain:2013:6-29). It is calculated as follows:

$$\text{Dividend Pay – out Ratio} = \frac{\text{Dividend per share (DPS)}}{\text{Earning per share (EPS)}} \times 100$$

Table 10.

*Measurement of Dividend per Share and Dividend Pay-out Ratio of Beximco Pharmaceuticals Ltd.*

Year	Dividend per share			Dividend Pay-out Ratio	
	Total Dividend	No. of Common Stock	DPS	Earnings per Share (EPS)	Dividend Pay-out Ratio (%)
2015-16	938090919	386244234	2.43	7.63	31.8
2016-17	772488468	405556445	1.90	5.49	34.61
2017-18	506945556	405556445	1.25	6.31	19.81
2018-19	608334668	405556445	1.50	7.46	20.11
2019-20	608334668	405556445	1.50	8.20	18
2020-21	608334668	446112089	1.36	11.08	12

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

In table-10, dividend per share shows a fluctuating figure rather than a stable one. In the initial year, dividend is shown the highest figure and then it has started to gradually declining. In 2017-18, the lowest dividend has been shown.

In the second section of Table-10, it is found that the highest percentage of profit has been distributed among the shareholders as dividend in 2016-17 which is 34.61% and the lowest in the terminal year i.e. in 2020-21 that is 12%. Although it shows the fluctuating figure, yet it may be said that the dividend has been paid at a higher rate in initial years of the research period and gradually it declines in later years. From this analysis, it may be inferred that the overall picture of dividend pay-out ratio is not satisfactory at all in perspective of shareholders. On the other hand, retained earnings of the company are being made gradually large which is very much helpful for expanding the business as well as making a firm healthy through increasing capital size.

### 2.2.8 Measurement of price-earning (p/e) and price-equity ratio (market ratio)

Although the Measurement of Price-Earning (P/E) and Price-Equity ratio is the analysis of market performance, but it largely affects the financial performance and that's why it is necessary to analyze the above-mentioned two important ratios. The price/earnings (P/E) ratio is largely applied for valuing owners' share. It appraises investor's willingness to pay the amount for each taka earning of a firm. This ratio focuses the intensity of investor's confidence on organization's future performance. Larger P/E ratio implies the strong confidence of investors lying on firm. (Gitman:2010:44). The P/E ratio is calculated as follows:

$$\text{Price – Earning(P/ E) Ratio} = \frac{\text{Market price per share}}{\text{EPS}}$$

Price-book value (P/B) ratio commonly known as price-equity (P/E) ratio presents the ratio of market price of an equity share with face or book value per share. P/E or (P/B) ratio indicates future stock returns significantly. Low P/B ratio implies the higher return, while high P/B ratio implies the lower return of a firm. The Price-Equity or Price-Book ratio is calculated as follows:

$$\text{Price – Equity/Book Ratio} = \frac{\text{Market price per share (MPS)}}{\text{Face/Book value per share(BPS)}}$$

Table 11.

*Measurement of Price-Earning (P/E) and Price-Equity/Book (P/B) Ratio of Beximco Pharmaceuticals Ltd.*

Year	Price-Earning Ratio			Price-Equity/Price-Book Ratio	
	Market price per Share	EPS	P-E Ratio	Face value of shares	P-E/P-B Ratio
2015-16	83.50	7.63	10.94	10	8.35
2016-17	113	5.49	20.58	10	11.3
2017-18	93.90	6.31	14.88	10	9.39
2018-19	83.50	7.46	11.19	10	8.35
2019-20	69.20	8.20	8.44	10	6.92
2020-21	177.30	11.08	16	10	17.73

Source: Compiled from Annual Reports of Beximco Pharmaceuticals Ltd.: 2015-16 to 2020-21.

Above table depicts that the lowest P/E ratio has been shown in 2016-17 which is 5.49, although in the initial year it shows higher than that of latter year. It is found that the investors have paid Tk. 5.49 for earning Tk.1.00 of the firm in 2016-17 and then gradually it increases in later years of the research period. The highest P/E ratio is shown in 2020-21 that is 11.08 i.e. the investors have paid Tk. 11.08 for earning Tk.1.00 of the firm in 2020-21. Considering the overall picture of P/E ratio of the business, it may be inferred that the P/E ratio is satisfactory enough and gradually the confidence level of investors is being improved for Beximco pharmaceuticals ltd.

The price to book value ratio does not show a consistent figure rather fluctuating. It shows the lowest figure in 2019-20, it is 6.92 and second lowest ratio is shown in 2015-16 and 2018-19 which is 8.35. It indicates that the stock returns in those years of research period are higher. The highest ratio is shown in terminal year that is 17.73 i.e. the future stock returns is decreased in this year.

### 3.0 Findings of the study

Many findings have been found out based on analysis as per the scope of the paper. The analysis is done to fulfill the study-objectives and the findings of the research work have been extracted based on the analyses that are furnished sequentially below:

i) The current ratio and acid test ratio cannot show an optimistic picture for Beximco Pharmaceuticals Ltd.. Although these ratios exceed the standard norms in the initial years, but it drastically declines and becomes far below the standard norm in the middle of the study period and ultimately the ratios have started rising again in the terminal two years. In Table-1, current ratio shows only 1.43 and 1.08 in place of 2 and acid test ratio shows only .51 and .42 in place of 1 in 2017-2018 and 2018-2019 respectively. It has been happened so, because

of increasing operating expenses which is utilized from cash due to lower turnover of asset and accounts receivable in terminal years of the research period that is revealed in table-3 and table-6 respectively. The financial management trend is not stable at all rather fluctuating. The firm may face the serious crisis of cash in running the business smoothly as well as to pay the current obligations and the company cannot keep consistency in managing current liabilities and acquiring current assets. Ultimately, Management cannot show its efficiency in running the business in perspective of liquidity management.

ii) A linear relation is established among the sales, gross profit, net profit, debt and financial leverage ratio. In this case, gross profit is so satisfactory (46%) due to having managements' ability to handle the cost of goods sold i.e. cost of materials, labor, overhead efficiently and although all the above mentioned ratios show upward trend and the net profit shows a reasonable rate of profit (13%-14%), but it is so lower in respect of gross profit ratio due to being too higher operating and also finance expenses which has been evident in the analysis of operating expense ratio, debt ratio as well as financial leverage ratio, since all the ratios show the highest ratio in the middle of the study period and have started declining in terminal two years. Ultimately, the fixed cost of the business as well as the amount of borrowed capital are becoming higher and accordingly, the return as well as risk is also becoming greater which is auspicious sign for Beximco Pharmaceuticals Ltd.

iii) Asset turnover ratio could not maintain any stable order rather fluctuating and ultimately, management could not show its efficiency in utilizing firm's assets to generate sale. It is also evident through inventory turnover ratio analysis. The inventory turnover ratio is shown within the range of 2 almost throughout the study period with an exception in 2015-2016 showing 4, probably due to being a different accounting period. Over and above, although the accounts receivable turnover ratio is within the moderate level in initial years of the research period, but it has been gradually declined in later years and it has affected liquidity of the company due to lower collection of cash which is evident in liquidity analysis. Finally it may be said that the financial as well as managerial performance of Beximco Pharmaceuticals Ltd. does not bear a good sign in consideration of activity ratio.

iv) Return on asset and Return on common equity or earning power formulas are regarded a vital one because of being the integrated analysis of asset management, profitability and financing of a business. From these analyses, it has been revealed that the capacity of Beximco Pharmaceuticals Ltd. is being improved gradually in earning net profit to sales, in achieving efficiency of management in using asset in generating profit as well as in expanding its capacity in using fixed-cost capital to magnify the risk and return.

v) Earning per share has shown higher steadily in the terminal period over beginning years of the work. The upward trend of EPS proves that the management of Beximco Pharmaceuticals Ltd. is able to protect the interest of present as well as prospective shareholders. On the other hand, net operating cash flow per share shows also upward trend and this trend is increasing the amount of net cash that the company produces on a per-share basis as well as it satisfies the authenticity of upward trend of EPS, since, it is regarded as more accurate measurement than EPS to prove the financial health of a company.

vi) Declining trend is found in dividend per share as well as dividend pay-out ratio almost throughout the time-period of research work. Analysis of dividend pay-out ratio reveals that although this ratio is not positive in perspective of shareholders, but the retained earnings of the firm are being increased steadily and accordingly the capital size of the business is possible to make large which is very much optimistic for Beximco Pharmaceuticals Ltd. with a view to expanding the existing business activities or introducing new production line.

vii) Although Beximco Pharmaceuticals Ltd. decreases steadily its P-E ratio in the initial period of the research work, but from the mid-time to terminal portion of the research work, it has been shown significantly higher steadily. This upward trend of P-E ratio makes stronger the investor's confidence level to the up-coming working-efficiency of the company. At the same time the price-equity or price-book ratio also satisfies P/E ratio i. e. keeps consistency with price-earning ratio. Although this ratio depicts higher one in the terminal year but from the beginning year the overall ratios have been somehow gradually declined which indicates the higher future return on stock.

#### 4.0 Recommendations

After having several findings considering the scope of the study, the researcher thinks to provide some recommendations on some matters for bringing smoothness in operation and overall enrichment of the company, although so far the researcher has found out the findings, a rising trend is seen in Beximco Pharmaceuticals Ltd. as well as this Pharmaceutical is showing almost satisfactory performance.

i) Management of Beximco Pharmaceuticals Ltd. should be more careful in utilizing assets, increasing inventory turnover to the end of increasing sales and reducing the blockade of capital as well as collecting accounts receivable in time for keeping liquidity within standard norm in order to meet the current obligations and working capital requirements. Over and above, management should handle the operating expense with more care and efficacy.

ii) Management of Beximco Pharmaceuticals Ltd. has to reduce the dependence on borrowed capital and accordingly fixed cost of the firm in future in order to achieve sustainable development of the company.

- iii) DPS and DPO ratio should be made stable as well as enhanced to attract the people towards the company with a view to creating a stable and long-term market as well as enlarging the capital size of the firm.
- iv) Management of Beximco Pharmaceuticals Ltd. should try to make P/E ratio stable as well as higher through proper maintenance of market price of shares and EPS so that the investors are willing to pay higher on firm's earning confidently.

## 5.0 Conclusions

Liquidity ratio, profitability ratio, activity ratio, debt ratio and market ratio have been considered to evaluate the trend and performance analysis of Beximco Pharmaceuticals Ltd. in the study. No positive trend or management's efficiency is seen of the company in consideration of liquidity ratio and activity. So, the company may fall in danger at any time due to shortage of cash. The overall trend as well as performance of profitability ratio, debt ratio, market ratio may be said somehow positive and satisfactory considering the upward trend of gross profit, net profit, debt and financial leverage ratio, EPS, DPS, DPO, P/E, P/B ratio as well as ultimately the multi-dimensional analysis, return on asset and return on equity though downward trend is seen of almost all the ratios in the terminal two years i.e. in 2019-20 and 2020-21. Most probably, it may be occurred so due to corona virus pandemic that affects the global economy adversely. From the overall analysis of the study, it is evident that liquidity of the firm may be brought within standard norm (In case of Manufacturing Company and non-liquid inventory-Gitman:11th edition:2010:2-43,44) through utilizing assets properly as well as enhancing inventory turnover, collecting receivables and reducing operating expenses and fixed cost capital in the business. Finally, it may be concluded that the Beximco Pharmaceuticals Ltd. has a bright prospect indeed.

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