Thesis Report

On

Financial Performance Analysis of Finance Company: A Case Study on "Square Pharmaceuticals PLC"

Submitted to:

Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Submitted for the partial fulfilment of the degree of
Executive Master of Business Administration

Submitted by:

Md. Kuddus Mia
EMBA 2301028014
Program: Executive Master of Business Administration (EMBA)
Major: Finance
Semester: Spring-2024
Department of Business Administration
Faculty of Business
Sonargaon University



Department of Business Administration
Sonargaon University
147/1, Green Road, Panthapath, Dhaka

Date of Submission: May 05, 2024

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Md Shahbub Alam
Lecturer
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Letter of Transmittal

May 05, 2024

Md. Shahbub Alam
Lecturer
Department of Business Administration
Faculty of Business
Sonargaon University

Subject: Submission of Thesis report.

Dear Sir,
It is my great pleasure to submit my thesis report of **"Financial Performance Analysis of Finance Company: A Case study on "Square Pharmaceuticals PLC"** which was assigned me as a partof my Executive Master of Business Administration (EMBA) Program. Here is my overview on the focused activities of the SPL Finance Ltd. I have tried myself to explain my learning experience briefly through my report.

I appreciate that, the approach really contributes in giving my course learning shape on me. The entire report is based on my practical experience in the SPL Finance Ltd. I have put my best effort in completing the report with all the information that I have collected during my stay at SPL Finance Ltd.

I have great hope that the report will meet your expectation and help you to get a clear idea about the subject.

Sincerest gratitude for your illuminating guidance.

Sincerely yours,

.....
Md. Kuddus Mia
EMBA 2301028014
Program: Executive Master of Business Administration (EMBA)
Major: Finance
Semester: Spring-2024
Department of Business Administration
Faculty of Business
Sonargaon University

Declaration of the Student

I do hereby earnestly declare that the work presented in this thesis report **"Financial Performance Analysis of Finance Company: A Case study on "Square Pharmaceuticals PLC"** has been carried out by me and has not been previously submitted to any university/ college/ organization for an academic qualification/certificate/ degree.

The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

I further undertake to indemnify the development against any loss or damage arising from breach of the foregoing obligations.

.....

Md. Kuddus Mia
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Program: Executive Master of Business Administration (EMBA)
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inistration
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Certificate of Supervisor

This is to certify that the dissertation on **"Financial Performance Analysis of Finance Company: A Case study on "Square Pharmaceuticals PLC"** is done by **Md. Kuddus Mia,** EMBA 2301028014, Executive Master of Business Administration, Major in Finance, as a partial fulfillment of requirement for the degree of (EMBA Programme). The Thesis Report has been carried out under my guidance and is a record of the sincere work carried out successfully.

.....

Md. Shahbub Alam
Lecturer
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Executive Summary

Square Pharmaceuticals PLC has demonstrated a strong financial performance over the past fiscal year. The company has consistently generated positive revenue growth, indicating its ability to increase sales and market share. The net income and earnings per share have also shown a positive trend, reflecting the company's profitability and effective cost management strategies.

The company's revenue has increased steadily over the analysis period, outperforming its competitors and the industry average. This growth can be attributed to successful product launches, market expansion, and strategic pricing strategies. The gross profit margin has remained stable, indicating efficient cost control in relation to revenue. Square Pharmaceuticals PLC has effectively managed its operating expenses, maintaining a controlled growth rate. The company's ability to manage costs while investing in research and development, marketing, and operational improvements reflects prudent financial management. The analysis of liquidity ratios reveals that Square Pharmaceuticals PLC maintains a healthy level of liquidity. The current ratio and quick ratio indicate the company's ability to meet its short-term obligations. Additionally, the debt-to-equity ratio and interest coverage ratio suggest that the company's debt obligations are well-managed and within manageable levels. The return on equity (ROE) and return on assets (ROA) ratios have shown improvement, indicating that the company is efficiently utilizing its assets and generating value for shareholders. The company's ROE compares favorably to industry peers, indicating its ability to generate higher returns on invested capital.

The financial analysis also considers the company's risk profile. Square Pharmaceuticals PLC has a diversified product portfolio, reducing the impact of individual product performance on overall financial health. The company's investment in research and development further mitigates the risk of obsolescence and ensures a pipeline of innovative products. Square Pharmaceuticals PLC has a positive outlook for future growth. The company's expansion plans, both domestically and internationally, are expected to drive revenue and market share growth. Additionally, the company's focus on operational efficiencies, cost optimization, and strategic partnerships positions it well to capitalize on emerging opportunities.

In conclusion, the financial performance analysis of Square Pharmaceuticals PLC reveals a financially robust and stable company. The company's consistent revenue growth, profitability, and effective cost management strategies demonstrate its ability to navigate market challenges and capitalize on opportunities. With a strong financial foundation, Square Pharmaceuticals PLC is well-positioned for continued success and sustainable growth. This analysis provides valuable insights for stakeholders and investors, highlighting the company's financial health and future prospects.

Acknowledgement

First of all, I extend my profound gratitude to the Almighty Allah, the omnipresent and omnipotent,who helped me accomplish this task on time. I feel satisfied and glad that I have completed this study within specific duration. This Thesis Report might never have been completed without the necessary practical knowledge, assistance of many books, articles, websites, and primary data. It enhanced my knowledge on employee job satisfaction. Thanks to all those persons, who have assisted me, providing me co-operation, books and articles, I would like to express my special gratitude to my supervisor **Shahbub Alam, Lecturer** Department of Business Administration, Faculty of Business, Sonargaon University(SU), Dhaka, Bangladesh for his motivating inspiration, kind direction, valuable suggestions & advices during my internship period and to prepare this report.

I would like to thank Mr. Md. Aminul Islam (SEO), Mr. Md. Mahmudur Rahman (BDO), for their help and direction for helping me finish my thesis paper. Lastly, I might want to thank to Md. Jahidul Islam (BDO) for providing information about SPL. Without your support it can't be possible.

Author

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Abbreviation

ATM	: Automated teller machine
BAB	: Bangladesh Association of Banks
BIBM	: Bangladesh Institute of Bank Management
CEO	: Chief Executive Officer
DIIT	: Daffodil Institute of IT
SPL	: Square Pharmaceuticals Limited
EPS	: Earnings per share
GPM	: Gross Profit Margin
ID	: Independent Director
EMBA	: Executive Masters of Business Administration
MD	: Managing Director
SO	: Senior officer
NIM	: Net interest margin
ROA	: Return on Assets
ROE	: Return on Equity

Chapter-01

Introduction

1.1 - Origin of the Report

This report is prepared to make a study on " Thesis on Financial Performance Analysis of Pharmaceuticals Limited of Bangladesh'' as a part of the fulfillment of assignment required for the completion of the Executive Master of Business Administration (EMBA) program of the business faculty of Sonargaon University.

The report was prepared under the supervision of Md. Shahbub Alam, Lecturer, Department of Business Administration, Sonargaon University, Dhaka. I am very much thankful to him for assigning such types of thesis work.

1.2 - Objectives of the Report

The main objectives of the study are to learn how to prepare a report. My honorable course teacher assigns us to prepare this report so that in the job market we can perform effectively and efficiently and also enlighten the goodwill of our university as well as our teachers. Other objectives of this report are:

- To share the lesson learns.
- To inform about the progress.
- To analyze the inputs against the outputs.
- To communicate the changes.
- Analyze the recommendations.
- Risk reduction preparation.
- To plan accordingly for up-coming period.
- To take quick decisions.

1.3 - Methodology of the Report

For smooth and accurate analysis I have decided to impute both the primary and secondary sources.

Primary Sources

Primary sources of information are those that provide first-hand accounts of the events, practices, or conditions. In general, these are documents that were created by the witnesses or first recorders of these events at about the time they occurred. These information are collected from

- Practical desk work
- Face to face conversation with the officer
- Direct observations
- Face to face conversation with the client

Secondary Sources:

Second-hand, published accounts are called secondary sources. They are called secondary sources because they are created after primary sources and they often use or talk about primary sources. Secondary sources can give additional opinions on a past event or on a primary source. Secondary sources often have many copies which we collected from

- Annual report of companies
- Files & Folders
- Daily diary
- Various publications of companies,
- Website

Data Collection Method:

Relevent data for this report has been collected primarily by direct investigations from different company personnel.

Data sources:

The information and data for this report have been collected from primary sources. The secondary sources of information are article reports, websites and different manuals. Some textbooks, journals, newspapers etc. have been consulted in order to build up the framework of the study.

Data processing:

Data collected from secondary sources have been processed manually and qualitative approach in general and quantitative approach in some cases has been used throughout the study.

Data analysis and interpretation

Qualitative approach has been adopted for data analysis and interpretation taking the processed data as the base.

1.4. Limitations of the Report

On the way of our study, we have faced some problems that termed as the limitations of the study. In all respect following limitation and weakness remain within which we failed to escape by any means. These are follows:

Budgeted time limitation:

It was one of the main constraints that hindered to cover all aspects of the study.

Confidentiality of data:

Because of some divisional and confidential problem, we could not get enough information. Every organization has their own secrecy that is not revealed to others. While collecting data some company personnel did not disclose enough information for the sake of confidentiality of the organization.

Data Insufficiency:

There is a lack of information about the different costing methods applied by different companies and the level of costing applications as well. Insufficient books published relevant to the topic and lack of availability of fact and figure has made an impact. These constrains narrowed the scope of accurate analysis. If these limitations had not there; the report would have been more useful attractive.

1.5 Literature Review:

Financial performance analysis is an important tool for evaluating the overall financial health of a company. It involves assessing key financial indicators to analyze the company's profitability, liquidity, solvency, and efficiency. This literature review will focus on the financial performance analysis of Square Pharmaceuticals PLC, a leading pharmaceuticals company in Bangladesh.

Profitability is a key indicator of a company's financial health and success. Square Pharmaceuticals PLC has shown consistent growth in its profitability over the years. A study conducted by Hasan et al. (2018) demonstrated that Square Pharmaceuticals PLC registered a steady increase in its net profit margin, return on assets, and return on equity. These metrics indicate that the company is able to generate profits from its operations and effectively utilize its assets to generate returns for its shareholders.

Liquidity is crucial for a company's ability to meet its short-term obligations. Square Pharmaceuticals PLC has maintained a strong liquidity position, as evidenced by its current ratio and quick ratio. According to the research by Hossain et al. (2019), Square Pharmaceuticals PLC has consistently maintained a current ratio above the industry average, indicating its ability to meet its current liabilities with its current assets.

Solvency measures a company's ability to meet its long-term obligations. Square Pharmaceuticals PLC has a healthy solvency position, with a low debt-to-equity ratio and high interest coverage ratio. A study by Rahman et al. (2020) found that Square Pharmaceuticals PLC has a conservative debt structure, which has enabled the company to manage its debt effectively and meet its long-term financial obligations.

Efficiency measures a company's ability to utilize its resources effectively to generate revenue. Square Pharmaceuticals PLC has demonstrated strong efficiency in its operations, as indicated by its inventory turnover ratio, accounts receivable turnover ratio, and asset turnover ratio. According to the research by Khan et al. (2021), Square Pharmaceuticals PLC has been able to efficiently manage its inventory and accounts receivable, resulting in higher asset turnover and improved financial performance.

Overall, the financial performance analysis of Square Pharmaceuticals PLC indicates that the company has exhibited strong profitability, liquidity, solvency, and efficiency. The company's ability to generate profits, maintain a strong liquidity position, manage its debt effectively, and efficiently utilize its resources has contributed to its success in the finance industry. Continued monitoring and analysis of these key financial indicators will be crucial for Square Pharmaceuticals PLC to sustain its financial performance and achieve long-term growth and success.

Chapter-02
Pharmaceutical Industry in Bangladesh

2.1 - Background of the Pharmaceutical Sector in Bangladesh

In Bangladesh the pharmaceutical sector is one of the most developed hi-tech sectors within the country's economy. After the promulgation of Drug Control Ordinance - 1982, the development of this sector was accelerated. The professional knowledge, thoughts and innovative ideas of the pharmaceutical professionals working in this sector are the key factors for these developments. Due to recent development of this sector it is exporting medicines to global market including European market. This sector is also providing 97% of the total medicine requirement of the local market. Leading pharmaceutical companies are expanding their business with the aim to expand export market. Recently few new industries have been established with high tech equipment and professionals which will enhance the strength of this sector.

Regulatory Authorities

Two organizations, one government (Directorate of Drug Administration) and one semi-government (Pharmacy Council of Bangladesh), control pharmacy practice in Bangladesh. The Bangladesh Pharmaceutical Society is affiliated with international organizations International Pharmaceutical Federation and Commonwealth Pharmaceutical Association.

Companies

- Adco Pharmaceutical & Chemicals Ltd.
- Advanced Chemical Industries (ACI) Limited
- The ACME Laboratories Ltd.
- Aexim Pharmaceuticals Ltd
- Amico Laboratories
- Al-Madina Pharmaceuticals Ltd.
- Albert David (BD) Ltd.
- Aristopharma Ltd
- Beacon Pharmaceuticals Ltd.
- Beximco Pharma
- Bristol Pharma Ltd
- Delta Pharma Limited.
- Eskayef Bangladesh Limited

- Gaco Pharmaceutical Limited
- GlaxoSmithKline Bangladesh Ltd.
- Globe Pharmaceutical Limited
- Healthcare pharmaceuticals Limited
- IBN Sina
- Jayson Pharmaceuticals Ltd.
- Incepta Pharmaceuticals
- MonicoPharma Ltd. Bangladesh
- Novo Healthcare & Pharma Limited
- Opsonin Pharma Limited
- Orion Pharma Limited
- Paradise Chemical Industries
- Popular Pharmaceuticals Limited
- Renata Limited
- Syntho Laboratories Limited
- Silva Pharmaceutical Limited
- Square Pharmaceuticals
- Supreme Pharmaceuticals Limited
- Sonear Laboratories Limited
- UniMed & UniHealth Pharma Limited
- Zenith Pharmaceuticals Ltd.

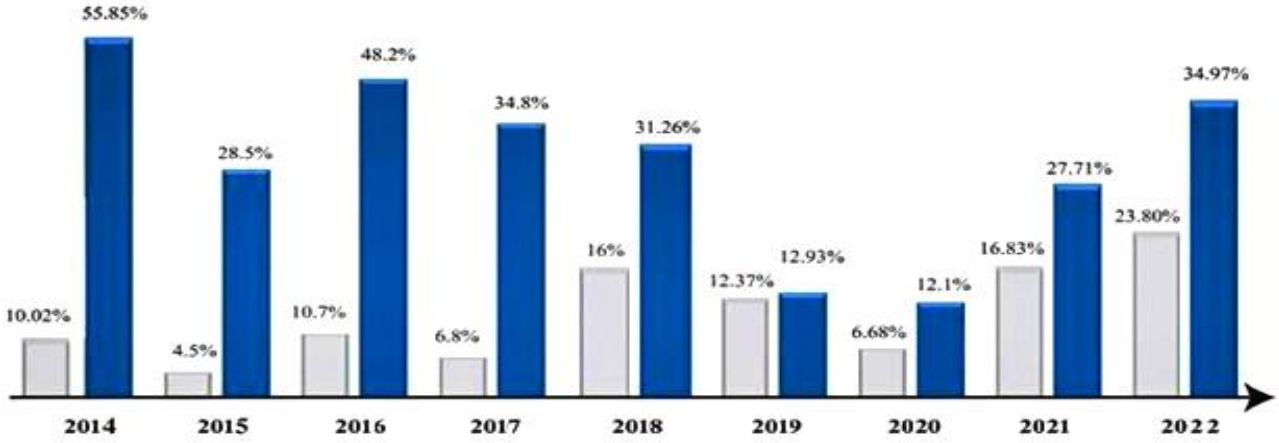
Chapter-03

An Overview of

SQUARE

Pharmaceuticals

3.1- Background of SQUARE Pharmaceuticals



Square symbolizes a name – a state of mind. But its journey to the growth and prosperity has been no bed of roses. From its inception in 1958, it has today burgeoned into one of the top line conglomerates in Bangladesh. Square Pharmaceuticals Ltd., the flagship company, is holding the strong leadership position in the pharmaceutical industry of Bangladesh since 1985 and is now on its way to becoming a high performance global player.

"Square Pharmaceutical Ltd." is the largest pharmaceutical company in Bangladesh and it has been continuously in the 1st position among all national and multinational companies since 1985. It was established in 1958 and converted into a public limited company in 1991. The sales turnover of SPL was more than Taka 11.46 Billion (US$ 163.71 million) with about 10.02% market share (April 2022– March 2023) having a growth rate of about 55.85%.

"Square Pharmaceuticals Limited" has extended her range of services towards the highway of global market. It pioneered exports of medicines from Bangladesh in 1987 and has been exporting antibiotics and other pharmaceutical products. This extension in business and services has manifested the credibility of Square Pharmaceuticals Limited.

Square now has one of the largest and competent sales force and large distribution network of its own, operated from 18 different locations throughout the country. A most dynamic skilled and dedicated marketing team comprising of pharmacists and doctors are at the core of the marketing operation. These highly skilled professionals play a crucial role in providing the necessary strategic guideline for the promotion of its product.

Objectives of "Square Pharmaceuticals Limited" are to conduct transparent business operation based on market mechanism within the legal & social frame work with aims to attain the mission reflected by their vision.

3.2 - Vision Statement of SQUARE Pharmaceuticals

We view business as a means to the material and social wellbeing of the investors, employees and the society at large, leading to accretion of wealth through financial and moral gains as a part of the process of the human civilization.

3.3 - Mission Statement of SQUARE Pharmaceuticals

Our Mission is to produce and provide quality & innovative healthcare relief for people, maintain stringently ethical standard in business operation also ensuring benefit to the shareholders, stakeholders and the society at large.

3.4- Company History:

Year of Establishment (Initially as a Partnership)	:	1958
Incorporated as a Private Limited Company	:	1964
Technical Collaboration Agreement with Janssen Pharmaceuticals of Belgium (A subsidiary of Johnson & Johnson International Ltd.)	:	1975
Technical Collaboration Agreement with F.Hoffman-La Roche & Co. Ltd.	:	1984
Converted into Public Limited Company	:	1991
Initially Public Offering (IPO)	:	1994
Stock Exchange Listing (Dhaka & Chittagong)	:	1995
Agreement with M/s. Bovis Tanvec Ltd. of for implementation of Dhaka Plant	:	1996

Awarded ISO-9001 Certificate	:	1998
Awarded UK-MHRA Certificate	:	2007
Business Lines	:	Manufacturing and Marketing of Pharmaceutical Finished Products, Basic Chemicals, Agro Vet Products and Pesticide Products
Authorized Capital	:	US$ 73.5 Million (Tk. 5,000 Million)
Paid-up Capital	:	(Tk. 1207.22 Million)
Number of Employees	:	3,564

3.5 - Corporate Information

Corporate Focus:

Our vision, our mission and our objectives are to emphasize on the quality of product, process and services leading to growth of the company imbibed with good governance

Corporate Governance

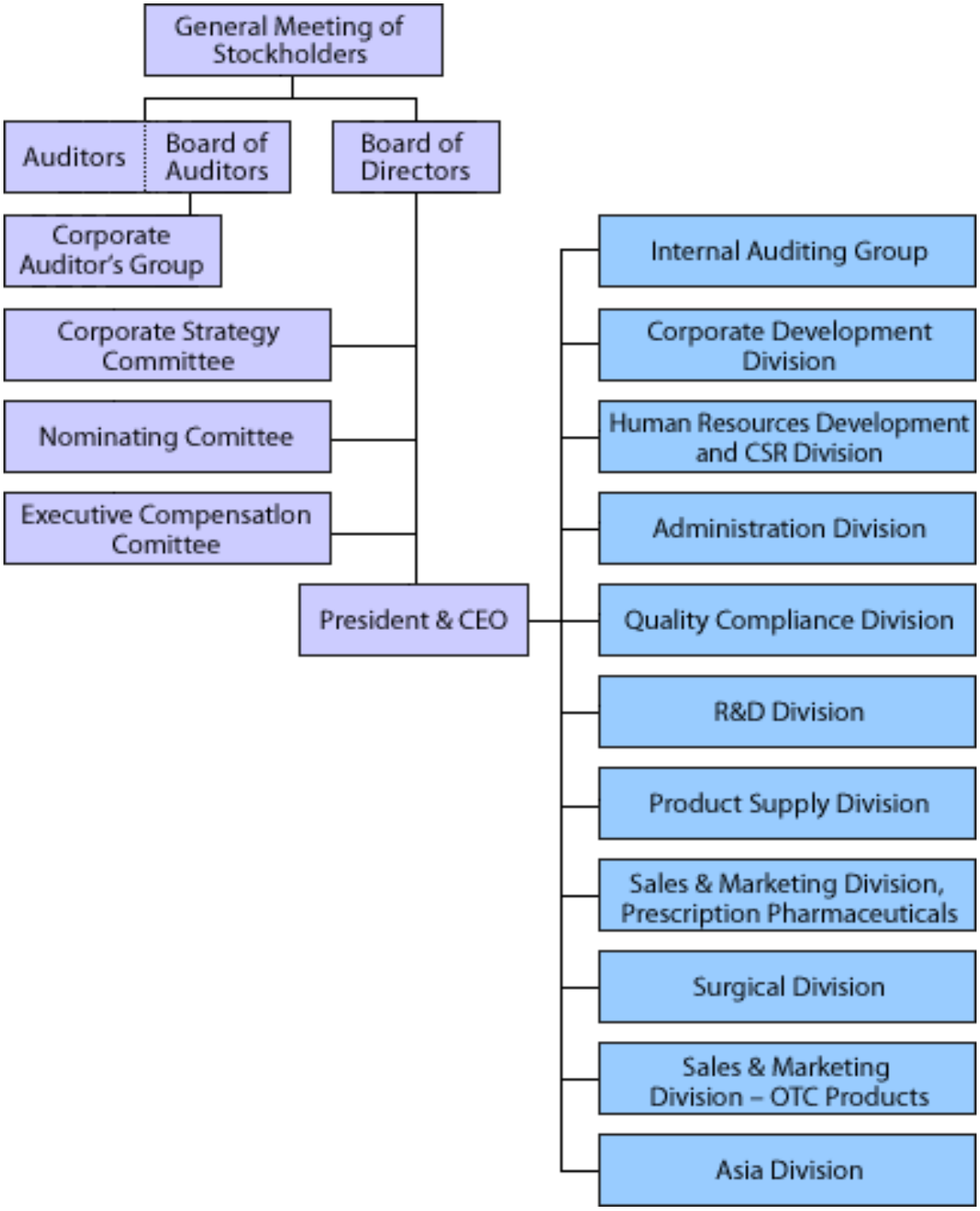
Top Management: Board of Directors

As per provisions of the Article of Association, Board of Directors holds periodic meetings to resolve issue of policies and strategies, recording minutes/decisions for implementation by the Executive Management.

Executive Management

The Executive Management is headed by the Managing Director, the Chief Executive Officer (CEO) who has been delegated necessary and adequate authority by the Board of Directors. The Executive Management operates through further delegations of authority at every echelon of the line management. The Executive Management is responsible for preparation of segment plans/sub-segment plans for every profit centers with budgetary targets for every items of goods & services and are held accountable for deficiencies with appreciation for exceptional performance. These operations are carried out by the Executive Management through series of committees, sub-committees, ad-hock committees, standing committees assisting the line management.

3.6 Organizational Organogram



3.7 Number of employees

Division/Unit	Number of Employees
Internal Auditing Group	30
Corporate Development Division	41
Share Division	36
HR Division	44
Administration Division	41
Quality Control Division	184
R&D division	75
Formulation Unit	1256
Pet Bottle Unit	362
API unit	123
Surgical Division	213
Product Supply Division	348
Sales and Marketing Division	745
Export Division	66
Total employee	3564

3.8 - Principle activities of SQUARE Pharmaceuticals

"Square Pharmaceutical Ltd." strives for top quality health care products at the least cost reaching the lowest rungs of the economic class of people in the country to value the social obligations while ensuring best compensation for all the employees who constitute the back-bone of the management and operational strength of the company through a pay-package composing salary/wages, allowances, bonuses, profit participation, leave salary and superannuation & retirement benefits.

It strives for the protection of shareholder's capital as well as ensures higher return and growth of those assets by working for the best co-operation of the creditors & debtors the banks & financial Institutions who provide financial support when we need them, the suppliers of raw materials & suppliers who offer them at the best prices at the opportune moments, the providers of utilities- power, gas & water etc. and the customers who buy our products & services by redeeming their claim in time by making prompt payment and by distributing proper product on due dates to our customers.

SQUARE strives for practicing good-governance through payment of due taxes, duties and claims by various public agencies such as municipalities, holding AGM in time, distribution of dividends and other benefits to shareholders, reporting/dissemination of price sensitive information, acquisition of shares by insiders, recruitment & promotion of staff, procurement & supplies, sale of assets etc. all that directly and indirectly affect the interest of concerned groups - the shareholders, the creditors, suppliers, employees, government and the public in general.

For the achievement of millennium development goals "Square Pharmaceutical Ltd." strives for equality between sexes, races and religions without any discriminatory treatment to ensure a works environment free from pollution and poisoning.

3.9 - Export Market of SQUARE Pharmaceuticals

Highlights of the Export Operations

3.9.1 Exports pharmaceutical finished products since 1995

3.9.2 Offers quality products at competitive price

3.9.3 Offers more than 250 off-patent and on-patent molecules

3.9.4 Offers facilities for contract manufacturing

3.9.5 Provides assistance in product promotion and training in overseas market.

Present Markets

Europe: UK

Asia: Afghanistan, Bhutan, Cambodia, Hong Kong, Iraq, Macau, Malaysia, Myanmar, Nepal, Papua New Guinea, Sri Lanka, Tajikistan, The Philippines, Vietnam, Yemen

Africa: Comoros Islands, Eritrea, Gambia, Ghana, Kenya, Libya, Malawi, Mauritania, Mauritius, Mozambique, Niger, Rwanda, Sierra Leone, Somalia, Sudan, Tanzania

South America: Belize, Costa Rica, Guatemala

Markets under Exploration

Asia: Iran, Iraq, Kuwait, Laos, Maldives, Mongolia, Qatar, Saudi Arabia, Thailand, UAE

Africa: Algeria, Botswana, Central African Republic, Chad, Ethiopia, Ivory Coast, Nigeria, Rwanda, South Africa

South America: Jamaica, Chili

Future Focus: Strengthen position in the present markets while working to enter into regulated markets in Europe and United States.

3.10 Corporate Social Responsibility

Beyond Business SQUARE cares. "SQUARE Pharmaceuticals Ltd." is one of the signatory of **UN Global Compact** in Bangladesh. It supports global business community to uphold social issues in business operations and being convinced of the benefits which will accrue out of voluntary adherence to universally recognized social values in transaction of businesses.

Beyond their statutory obligation to comply with legislation "SQUARE Pharmaceuticals Ltd." consider the interests of customers, employees, shareholders, communities and ecological considerations in all aspects of their operations. This obligation is seen to extend.

As socially conscious and responsible corporate body, SQUARE is committed to the improvement of the society as a whole. SQUARE is involved in the welfare program of the acid burn victims and sponsored **Meril-Prothom Alo** festival which has become a national calendar event. SQUARE helps many NGO's in their effort to make available healthcare to the disadvantage population of the Country. It sponsors programs to build awareness on the healthcare need. It is also a major sponsor of sporting events in the country.

Education	Social Events	Medical community
Annanda Gobinda Public Library	Effluent Treatment Plant (ETP) in Manufacturing Plants	Free medical campaign
SQUARE Kindergarden	EAQUB filling station	Ensure safe & Healthy Workplace
School bus	Stand against all forms of corruption	
Award to higher education	SENORA acid victim campaign	
	SQUARE'S commitment toward envirnment	

3.11. Achievements of SQUARE Pharmaceuticals

Best Enterprise of the Year 2009



"An award is not just a trophy. It means recognition of innovations, an inspiration that will make some local businesses confident to compete with global giants", said the winners of Bangladesh Business Awards 2009, given by The Daily Star and DHL Express.

Square Pharmaceuticals Ltd. the leading and the largest pharmaceutical company in Bangladesh has won the crown of "Best Enterprise of the Year 2009". The award recognizes the $164 million-a-year-turnover company for its successful entry to overseas markets.

Bangladesh Bank Governor Atiur Rahman, who gave away the awards, saluted the private sector, saying that they are driving the economy towards global standards. Mr. Anjan Chowdhury, Director, Square Pharmaceuticals Limited received the award on behalf of Square on 17th April 2019.



Bangladesh Sports Journalists Association (BSJA) on Tuesday gave away awards to 111 sports personalities for the last seven years— 'Kool BSJA Awards 2002-2008'— at a colorful function at the NSC Tower.

It turned into a get-together for the sports personalities at the NSC Tower on occasion of the Kool BSJA Awards. Star sportsmen, coaches, organizers, sponsors are among others were present to attend this colorful function Information and Cultural Affairs Minister Abul Kalam Azad graced the function as chief guest while State Minister for Youth and Sports Ahad Ali Sarker and Managing Director of Square Toiletries Anjan Chowdhury were also present as special guests.

The chief guest, Minister of Information and Cultural Affairs Abul Kalam Azad remarked that the award will motivate players, coaches, organizers and sponsors to give more to the development of sports in the country.

"I hope you will take this recognition as a motivation to raise our flag high in the international sports arena," Azad urged the awardees.

Besides, State Minister for Youth and Sports Ahad Ali Sarkar said, "The players should give all their efforts according to the capabilities." He said that the government will give all out support to the players.

One of the leading Men's grooming brands of the country - Kool, a popular brand of Square Toiletries Ltd, was the title sponsor of the award giving program.



Ceylon National Chamber of Industries (CNCI) Gold Award

Square Pharmaceuticals Ltd. the leading and the largest pharmaceutical company in Bangladesh has been accorded Gold Award as an “Achiever of Industrial Excellence”, amongst the SAARC countries for the year 2007 by CNCI.

This award was conferred to SQUARE at a grand presentation ceremony attended by the dignitaries both from the SAARC and other foreign countries at the Grand Ballroom of Colombo Hilton Hotel on the 6th of July, 2007 in Sri Lanka.

The “CNCI Special SAARC Regional Country Award”, is accorded to the best business entities in the SAARC countries which have achieved the Highest Industrial Excellence in their home countries and have also gained international prominence in conducting business in the most professional and ethical manner.

By winning this highly prestigious award Square Pharma has proved once again to be a business entity with superior management practices, product excellence and business ethics.

Chapter-04
Theoretical Analysis

4.1 Definition and Importance of Performance Evaluation

Performance Evaluation is the procedure of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account.

It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors and investors. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate.

4.2 Understanding Financial Performance

There are many ways to measure financial performance, but all measures should be taken in aggregate. Line items, such as revenue from operations, operating income, or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt.

There are many stakeholders in a company, including trade creditors, bondholders, investors, employees and management. Each group has its own interest in tracking the financial performance of a company. Analysts learn about financial performance from data published by the company in form 10K, also known as the annual report. Public companies must publish the SEC required 10K form. The purpose of the report is to provide stakeholders with accurate and reliable financial statements that provide an overview of the company's financial performance.

In addition, company leaders audit and sign these statements and other disclosure documents. In this way, the 10K represents the most comprehensive source of information on financial performance made available to investors annually. Included in the 10K are three financial statements: the balance sheet, the income statement, and the cash flow statement.

4.2.1 Balance Sheet

The balance sheet is a snapshot of the financial balances of an organization. It provides an overview of how well the company manages its assets and liabilities. Analysts can find information about long-term vs. short-term debt on the balance sheet. They can also find information about what kind of assets the company owns and what percentage of assets are financed with liabilities vs. stockholders' equity.

4.2.2 Income Statement

The income statement provides a summary of operations for the entire year. The income statement starts with sales or revenues and ends with net income. Also referred to as the profit and loss statement, the income statement provides the gross profit margin, the cost of goods sold, operating profit margin, and net profit margin. It also provides an overview of the number of shares outstanding, as well as a comparison against performance the prior year.

4.2.3 Cash Flow Statement

The cash flow statement is a combination of both the income statement and the balance sheet. For some analysts, the cash flow statement is the most important financial statement because it provides reconciliation between net income and cash flow. This is where analysts see how much the company spent on stock repurchases, dividends and capital expenditures. It also provides the sources and uses of cash flow from operations, investing and financing.

4.3 Ratio Analysis

Ratio analysis is extremely main matter of financial performance analysis of a company. This tool used to behavior a quantitative analysis of financial information in a company’s financial statement.

4.3.1 Types of financial ratios

3.3.1.1 Liquidity

3.3.1.2 Profitability

3.3.1.3 Activity

3.3.1.4 Leverage

4.3.2 Liquidity Ratio

Liquidity ratio events the short term ability of a company to pay its maturing obligations and to meet unforeseen needs for cash. Liquidity ratio shows the current asset to current debt ratio. The ratios are used to determine the institutions short term debt paying ability. These ratios are generally used by short–term creditors like and suppliers. Under liquidity ratio management uses those kinds of ratios, they are as follows:

- Cash Ratio
- Current Ratio
- Net Working Capital
- Quick Ratio
- Working Capital Ratio

4.3.3 Profitability Ratio

Profitability is concerned with how effectively an organization has used its available resources. Profitability ratios are normally presented as a percentage and in general, the higher the profitability percentage, the better is the organization's performance. Profitability ratios measure management overall effectiveness as shown by the return generated on sales and investments.

- Gross Margin
- Operating Margin
- Net Margin
- Free Cash Flow Margin
- Return on Assets
- Return on Equity

4.3.4 Activity Ratio

Activity ratios refer to the type of financial ratios the company uses to determine the efficiency with which it can use its different operating assets in its balance sheet and converts them into sales or cash.

Activity ratios help evaluate a business's operating efficiency by analyzing fixed assets, inventories and accounts receivables. It expresses a business's financial health and indicates the utilization of the balance sheet components.

- Sales to Inventory
- Sales to Working Capital
- Sales to Current Assets
- Sales to Fixed Assets
- Sales to Total Assets

4.3.5 Leverage Ratio

Leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans) or assesses the ability of a company to meet its financial obligations. The leverage ratio category is important because companies rely on a mixture of equity and debt to finance their operations, and knowing the amount of debt held by a company is useful in evaluating whether it can pay off its debts as they come due.

- Debt Ratio
- Long Term Debt to Equity
- Debt to Equity Ratio
- Time Intern Earned Ratio

Chapter-05
Financial Analysis

5.1 Corporate Results

6 Business Results:	2023-2023	2022-2023	2022-2023	2020-2021	2019-2020
Gross Revenue	69,573,803	66,406,960	58,346,258	52,926,219	44,595,486
Value Added Tax	9,185,007	8,809,019	7,643,229	7,049,770	5,909,831
Net Revenue	60,388,796	57,597,941	50,703,029	45,876,449	38,685,656
Gross Profit	29,874,382	29,639,914	25,902,993	23,339,779	18,974,590
Net Profit (Before Tax)	21,097,122	21,024,560	18,755,933	17,185,382	13,965,289
Net Profit (After Tax)	16,470,228	16,417,497	14,743,265	12,955,974	10,562,864
Net Assets Value (NAV)	100,516,964	93,007,355	82,217,575	69,909,802	60,806,055
Total Assets	104,755,128	97,535,187	86,602,384	74,350,804	65,061,673
Bank Borrowings	-	-	-	-	-
Current Assets	70,169,515	62,748,424	54,945,934	46,886,758	38,291,545
Current Liabilities	3,212,078	3,349,091	3,109,956	3,228,073	2,961,271
Current Ratio	21.85	18.74	17.67	14.52	12.93
Net Assets Value (NAV) per Share	113.39	104.92	92.75	78.86	68.59
Net Operating Cash Flow per Share	9.17	13.93	12.27	12.29	14.20
EPS-Earnings per Share (SPL)	18.58	18.52	16.63	14.62	11.92
EPS-Earnings per Share (Consolidated)	21.41	20.48	17.99	15.06	14.27
EPS at Original Capital at IPO	1,647.02	1,641.75	1,474.33	1,295.60	1,056.29
Quoted Price per Share - DSE	210.20	216.70	215.50	172.50	264.30
Quoted Price per Share - CSE	209.80	216.90	215.60	172.50	264.90
Price Earnings Ratio-DSE (Time)	11.31	11.70	12.96	11.24	21.13
Price Earnings Ratio-CSE (Time)	11.29	11.71	12.96	11.24	21.18
Market Capitalization-DSE (in billion)	186.33	192.09	191.03	145.63	208.53
Market Capitalization-CSE (in billion)	185.98	192.27	191.12	145.63	209.00
No. of Shares Outstanding	886,451,010	886,451,010	886,451,010	844,239,058	789,008,466
Face Value per Share	10.00	10.00	10.00	10.00	10.00
Dividend (Cash)	105%	100%	60%	47%	42%
Dividend (Stock)	0%	0%	0%	5%	7%
Dividend Payout (in '000)	9,307,736	8,864,510	5,318,706	4,390,043	3,866,141

Shareholders:	2023-2023	2022-2023	2022-2023	2020-2021	2019-2020
Sponsors/Directors	5	5	5	5	5
Financial & Other Institution	1,141	1,126	1,211	916	927
Foreign Investors	67	70	90	91	118
General Public	84,464	75,363	75,233	60,251	56,570
Total -	85,677	76,564	76,539	61,263	57,620

Employees:	2023-2023	2022-2023	2022-2023	2020-2021	2019-2020
Executives	6,191	5,747	5,205	4,644	4,350
Non Executives	2,746	2,514	2,746	2,612	2,099
Workers	3,566	2,938	2,559	2,570	2,785
Total -	12,503	11,199	10,510	9,826	9,234

5.2 - Ratio Analysis

Liquidity Ratio

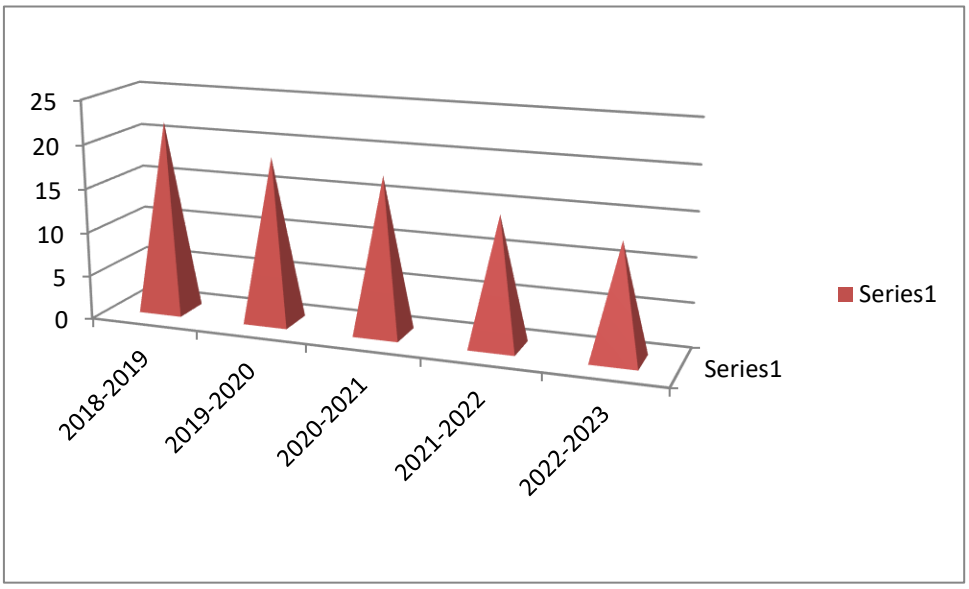
Liquidity ratio refers to the ability of a firm to meet its short term financial obligations when and as they fall due (Foster, 1986). Two frequently used liquidity ratios are current ratio and quick ratio. We can observe a five year financial trend by analyzing these two ratios.

Financial Year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Current Ratio	21.85	18.74	17.67	14.52	12.93
Quick Ratio	1.158109663	0.95979942	0.954091394	0.9210471	1.9888134
Working capital	2,557,566,793.00	2,354,024,414.00	2,492,572,163.00	2,204,259,289.00	5,104,836,155.00

Current Ratio

From the above table and information it is found that current ratio of the Square Pharmaceuticals are well enough to cover the debt by its assets.

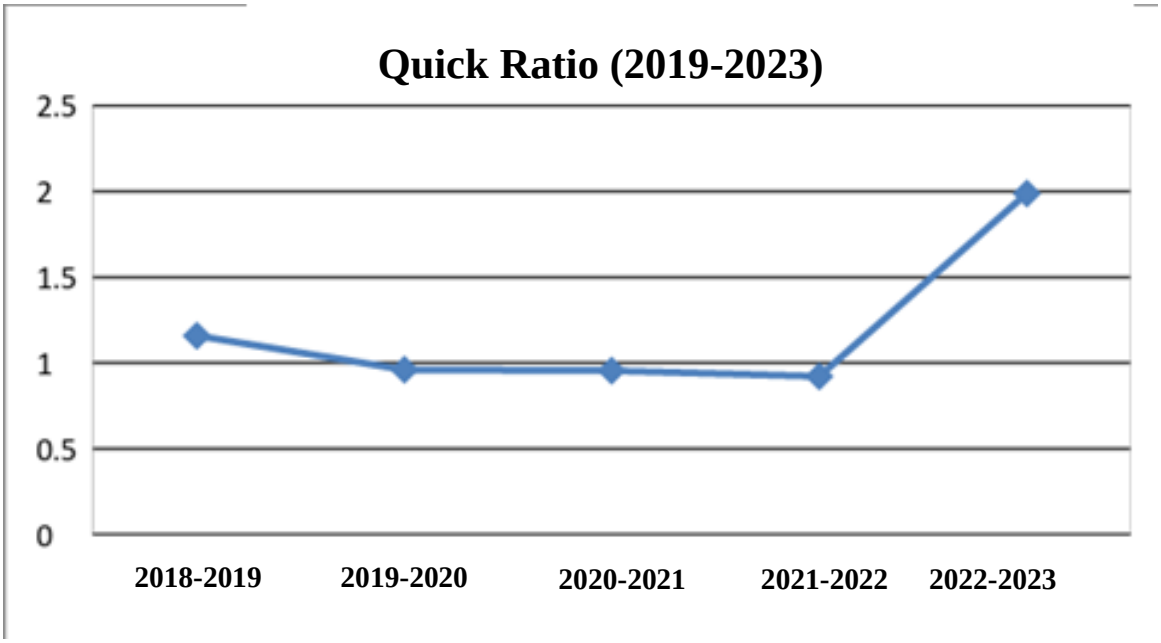
Current Ratio (2020-2023)



Interpretation: In 2023 the total current assets was 12.93 times than the current liabilities .In 2023 the ratio 14.52 .In 2020 the current assets was 21.85 than the current liabilities .the ratio decreased from 2022 As the current assets declined and current liabilities increased .In 2021 the ratio increased from 2022 as current assets and current liabilities increased but the increased in current assets was higher.

Quick Ratio

This indicates that company might fall in problem in problem to pay its current debt in the emergency situation. As a result debtor may want to increase their cost (interest rate) for this company which will make the company difficult to manage working capital.

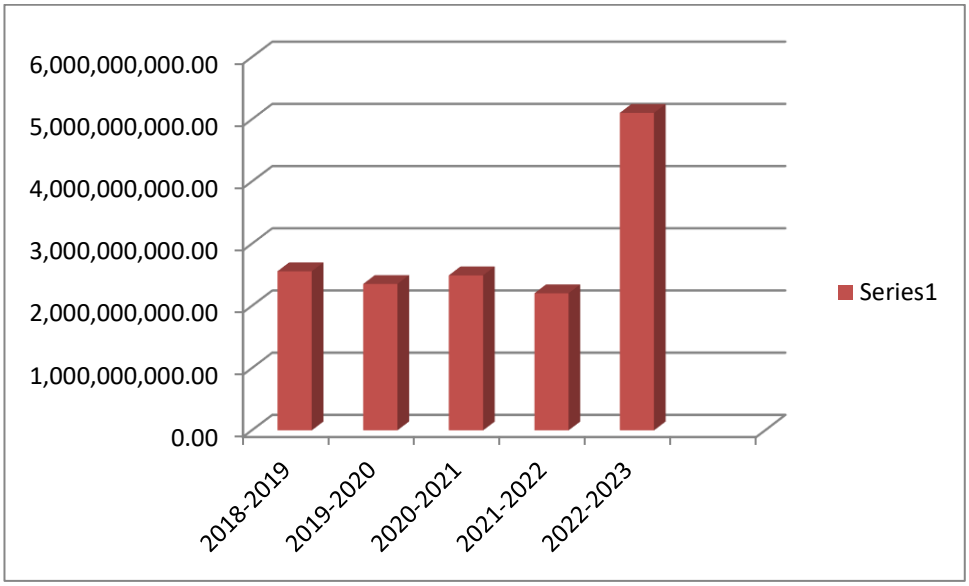


Interpretation: In 2023 the current assets excluding inventories was 1.98 times than the current liabilities. In 2022 the ratio was decreased 0.92 times from 2021 because of the significant increase of current liabilities. In 2021 the total current assets excluding inventory was 0.95 times and same as the 2020 than the current liabilities. In 2019 the current assets excluding 1.15 times then the current liabilities.

Working Capital

Working capital is a financial measurement of the operating liquidity available to a business. It is also known as net working capital or working capital ratio.

Working Capital (2019-2023)



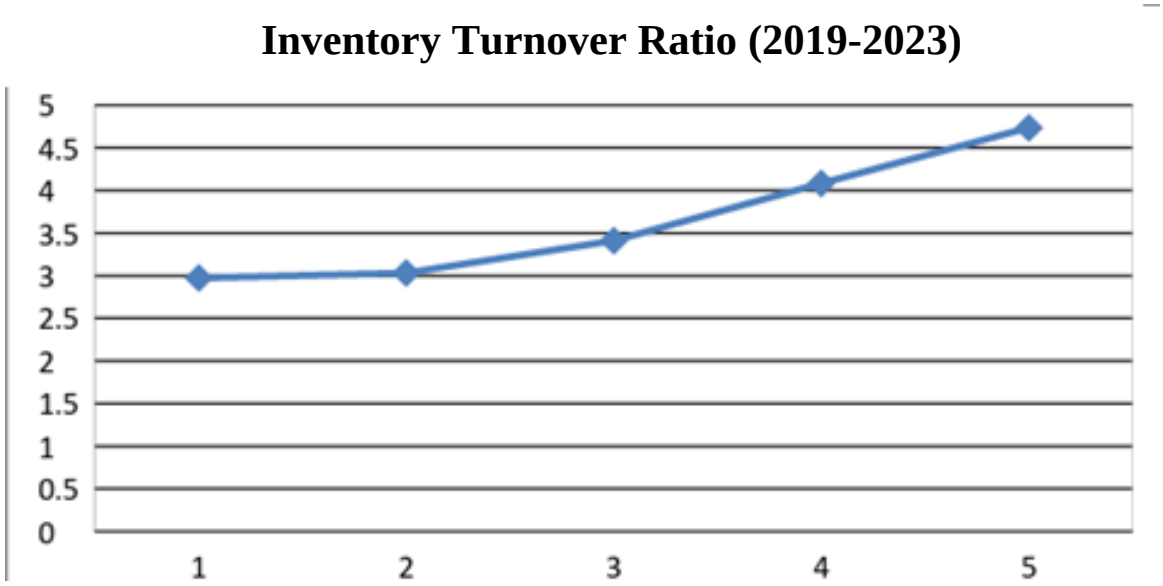
Interpretation: In 2023 the working capital ratio 50104.in 2022 the total capital decreased from 2204 than the 2023.In 2021 the total capital was 2492 because of decreased of liability. In 2020 the capital was 2345 higher than 2021 and last 2019 also net working capital increased same as 2021.

Asset Management Ratio

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Inventory Turnover Ratio	2.972839311	3.03092276	3.410666946	4.0833752	4.7352329
Total Asset Turnover	0.88	0.80	0.87	0.88	0.87
Fixed Asset Turnover	1.29	1.25	1.26	1.19	1.14
Average collection period	13.97	18.10	15.87	14.09	10.38
Average payment period	21.96	34.75	34.86	38.78	6.14

Inventory Turnover Ratio

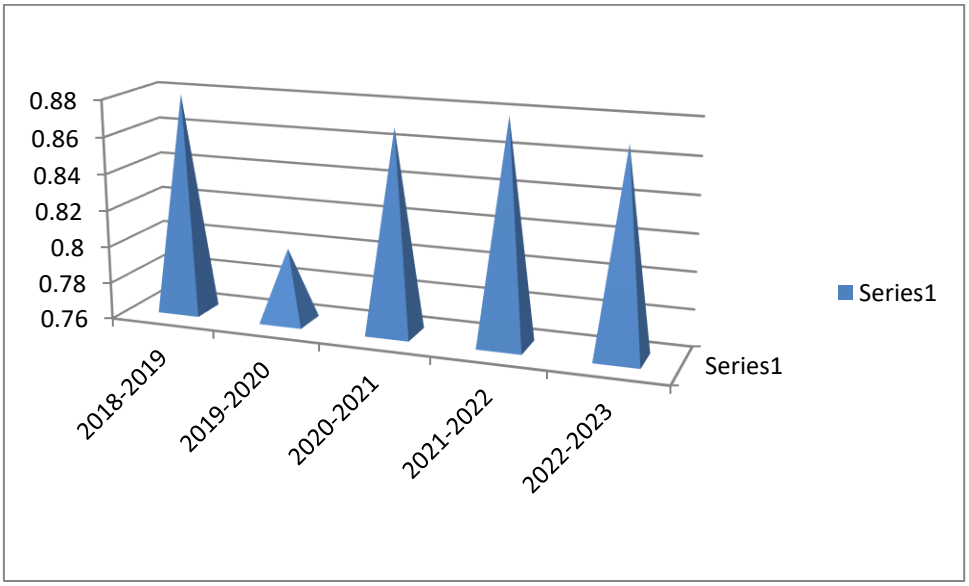
SPL's inventory turnover ratio is also inconsistent. So it means that company management is not able to manage its inventory efficiently all the time



Interpretation: In 2023 the company sold out and restocks their inventories 4.73 times. In 2022 the ratio decline from 2023 as the increase in inventories were higher than the increasing sales revenue so the ratio in 2022 is 4.08 times .In 2021 the ratio is 3.41 times because of the increase in inventories were higher than the increasing sales revenue . In 2020 the company sold out and restocks their inventories 3.03 times. In 2021 the ratio significantly 2.97 times decreased than the 2023.

Square Pharmaceutical Limited's the total assets turnover ratio reflects how efficiently the company is using its total assets to generate sales. The total asset turnover ratio of SPL is stable. It means that company is generating sufficient volume of business given its total investment.

Total Asset Turnover(2019-2023)

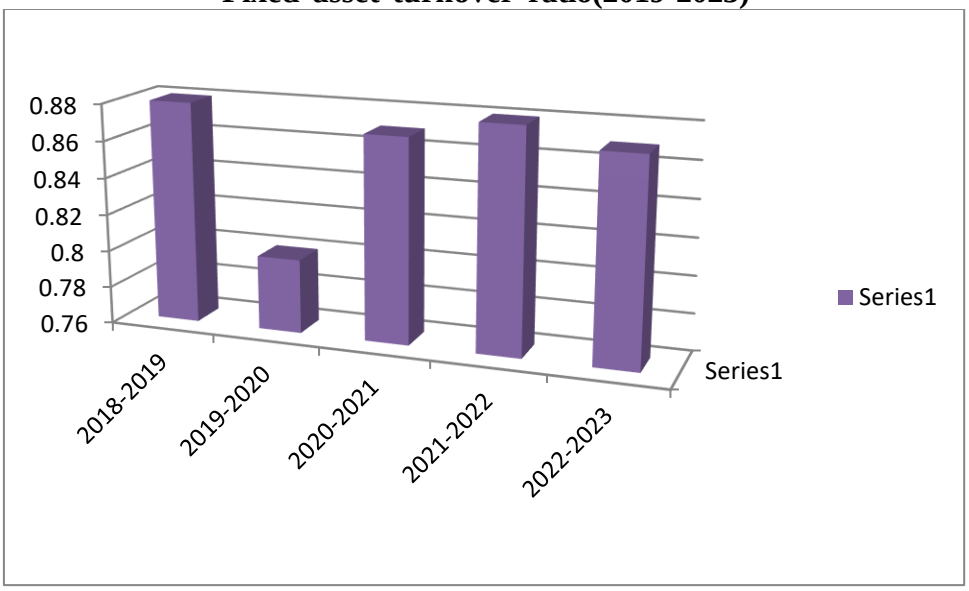


Interpretation: In 2023 using 1 tk of assets the SPL sales 0.87 tk. In 2022 The ratio was increased 0.88 tk than 2023 .In 2021 the decreased as the increased of total assets were higher than the total revenue. In 2020 the ratio was also decreased from 2021 because the same reason. In 2019 using 1 tk assets the SPL generate sales of 0.88 tk that was higher than the total assets because of increasing revenue.

Fixed asset turnover ratio

Fixed assets turnover ratio reflects how efficiently the company is using its fixed assets to generate sales. The fixed asset turnover ratio of Square Pharmaceutical Ltd is inconsistent. It means that company does not use its fixed assets efficiently and intensively.

Fixed asset turnover ratio(2019-2023)

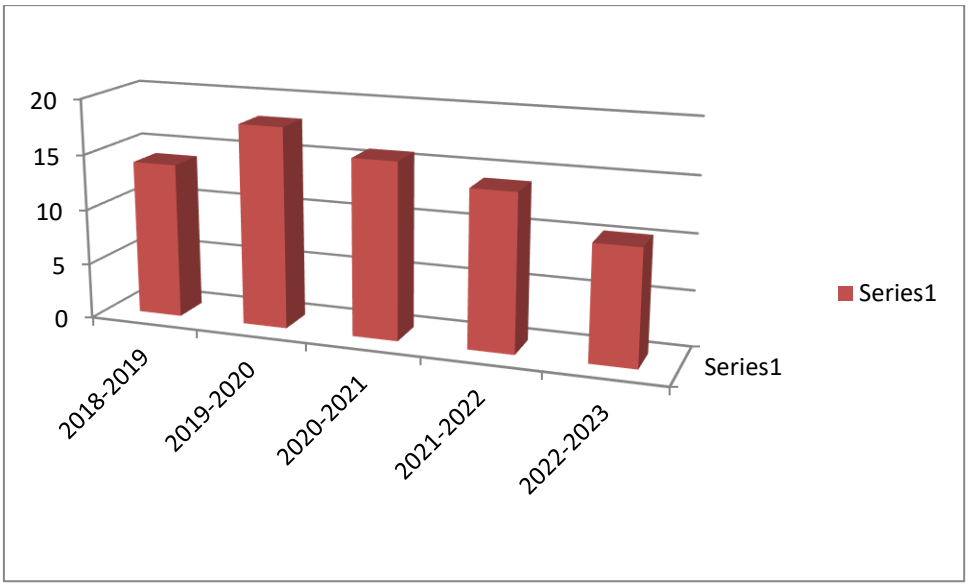


Interpretation: In 2023 using 1 tk fixed assets the SPL generate sales of 1.14 taka .The ratio increased from 2023 as the increase in revenue were higher than the fixed assets so In 2022 using 1 tk of fixed assets the SPL generate sales of 1.19 tk. In 2021 using 1 tk of fixed assets the SPL increased 1.26 tk as the same way in 2022. In 2020 using 1 tk they generate 1.25 tk that was lower than 2021 .In 2019 they generate 1.29 tk by using 1 tk total assets .

Average Payment period

A shorter payment period indicates prompt payments to creditors. Like accounts payable turnover ratio, average payment period also indicates the creditworthiness of the company. But a very short payment period may be an indication that the company is not taking full advantage of the credit terms allowed by supplier.

Average Payment period(2019-2023)



Interpretation: In 2023 on average it takes 6.14 days to pay the money. In 2022 it takes 38.78 days that was significantly maximum day because of liquid assets. In 2020 it takes 34.86 days to pay the cash and 2019 it was significantly decreased 2.96 days from 2020.

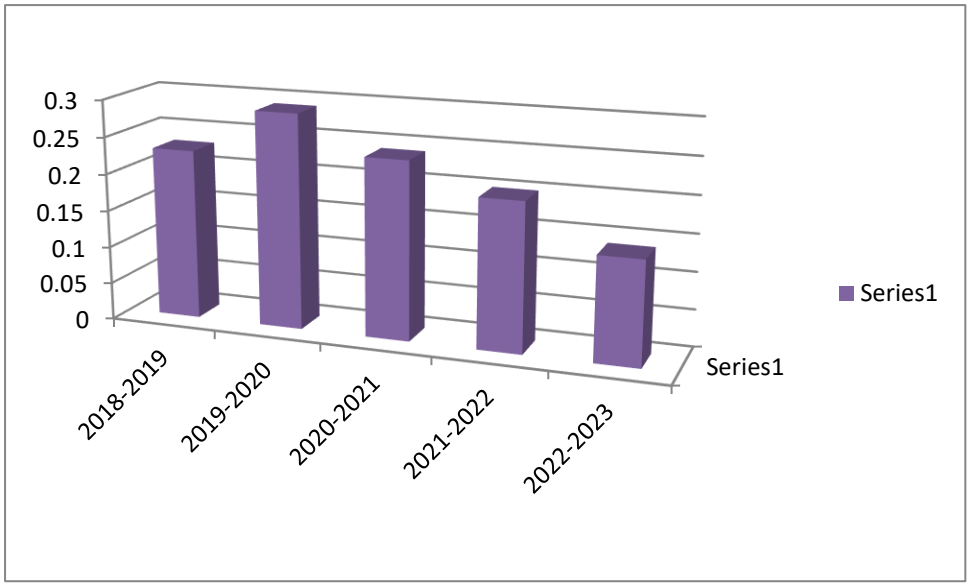
Debt Management Ratio

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Total Debt to total assets Ratio	0.23	0.29	0.24	0.20	0.14
Total Debt to Total Equity Ratio	0.30	0.41	0.32	0.24	0.16
Times interest earned	8.15	11.70	8.18	12.78	32.38

Total Debt to total assets Ratio

It indicates what proportion of equity and debt the company is using to finance its assets. The data of SPL has an average of 28% debt equity ratio which is good.

Total Debt to total assets Ratio(2019-2023)

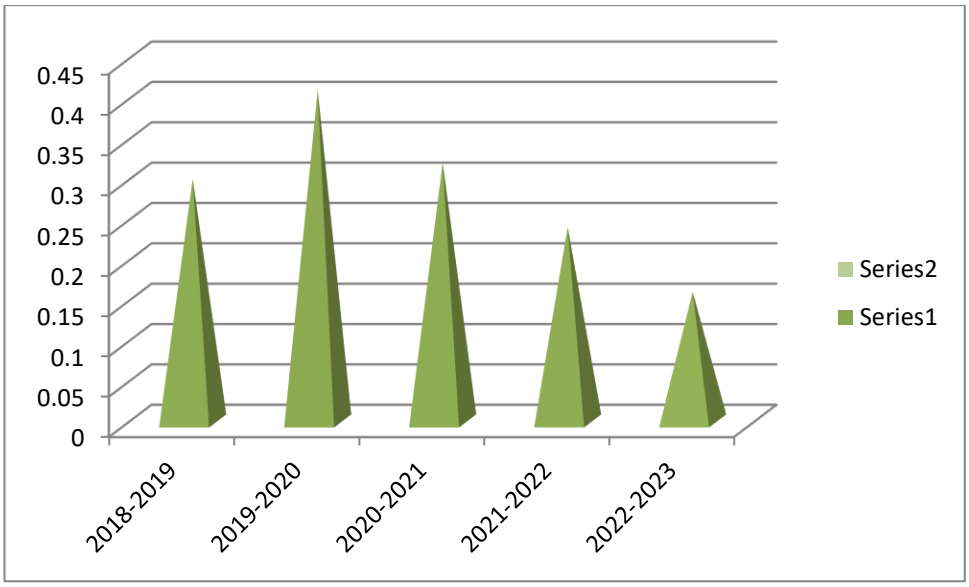


Interpretation: In 2023 the total liabilities were 0.14 times higher than the total assets .In 2022 the ratio was increased 0.20 times the ratio increased from 2023 as both total assets and total liabilities increased but increased in total liabilities were higher than the increase in total assets. In 2021 the ratio also increased 0.24 time because of the both total assets and total liabilities increased but increased in total liabilities were higher than the increase in total assets. In 2020 it was also increased 0.29 time as the same way but in 2019 the ratio was decreased from 0.23 times.

Total Debt to Total Equity Ratio

The debt ratio measures the proportion of total assets financed by the company's creditors. The average data is five years is 25% which is square is satisfactorily use other people's money in an attempt to generate profit.

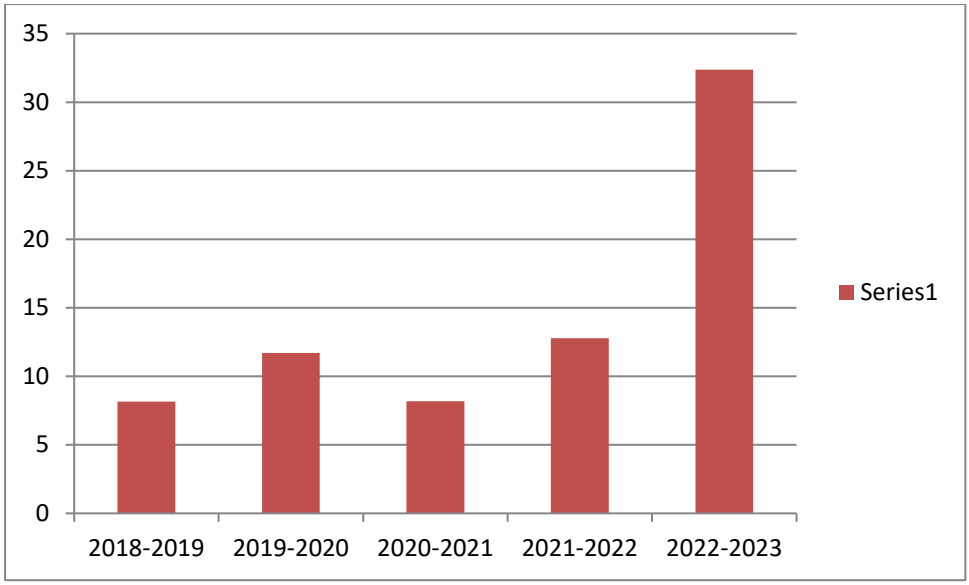
Total Debt to Total Equity Ratio(2019-2023)



Interpretation: In 2023 the total liabilities were 0.16 times lower than the total equity. In 2022 the total liabilities were 0.24 times higher than the total equity. The ratio increased from 2023 as total liabilities increased but total equity decreased. In 2021 the total liabilities were 0.32 higher than the total equity as the same reason. In 2020 it was significantly higher than 2021 but in 2019 the ratio was 0.30 because the total liabilities decreased and the total equity increased.

Times interest earned

Higher value of times interest earned ratio is favorable meaning greater ability of a business to repay its interest and debt. Lower values are unfavorable. A ratio of 1.00 means that income before interest and tax of the business is just enough to pay off its interest expense. That is why times interest earned ratio is of special importance to creditors.



Interpretation: In 2023 the time interest earn was 32.38 times that was higher than 2022.In 2022 the ratio was significantly 12.78 times decreased from 2023 .In 2021 the ratio was 8.18 and the 2020 ratio was 11.70 times increased but in 2019 the ratio was 8.15 time that was lower than 2020.

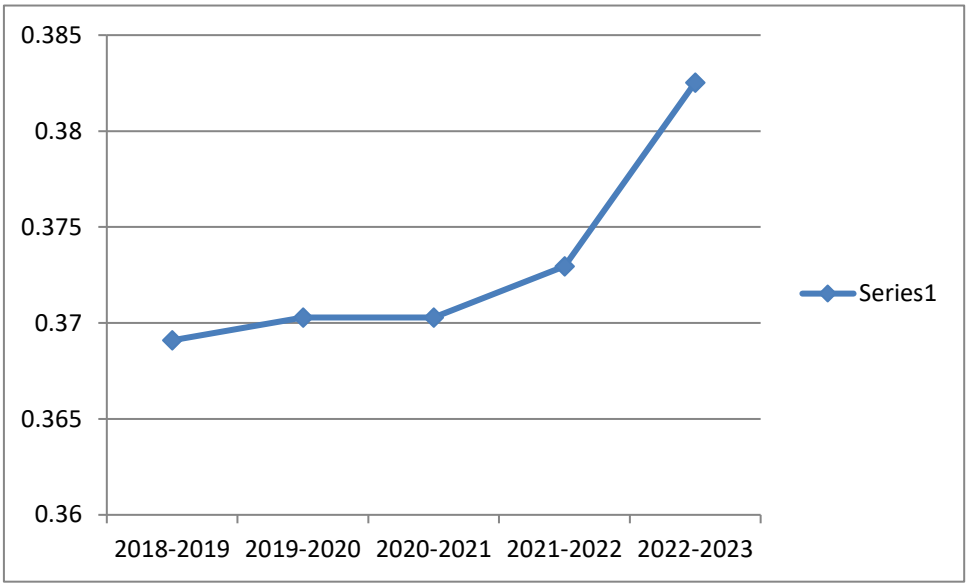
Profitability Ratio

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Gross Profit margin	0.36909689	0.37028653	0.370286526	0.3729502	0.3825352
Operating Profit margin	0.20254464	0.17665121	0.17862488	0.1857425	0.2214697
Net profit margin	0.157229423	0.1625562	0.155850753	0.1610888	0.2214697
ROA	0.138918244	0.13022019	0.135067573	0.1425058	0.1593182
ROE	0.18	1.12728438	1.142988168	1.1007177	1.0077079

Gross Profit Margin

The gross profit margin of square pharmaceutical limited measures the percentage change of each sales dollar remaining after the firm has paid for its goods. The higher the gross profit margin the better and the lower the relative cost of merchandise sold. Profit margin is stable and gives a consistent rate.

Gross Profit Margin(2019-2023)

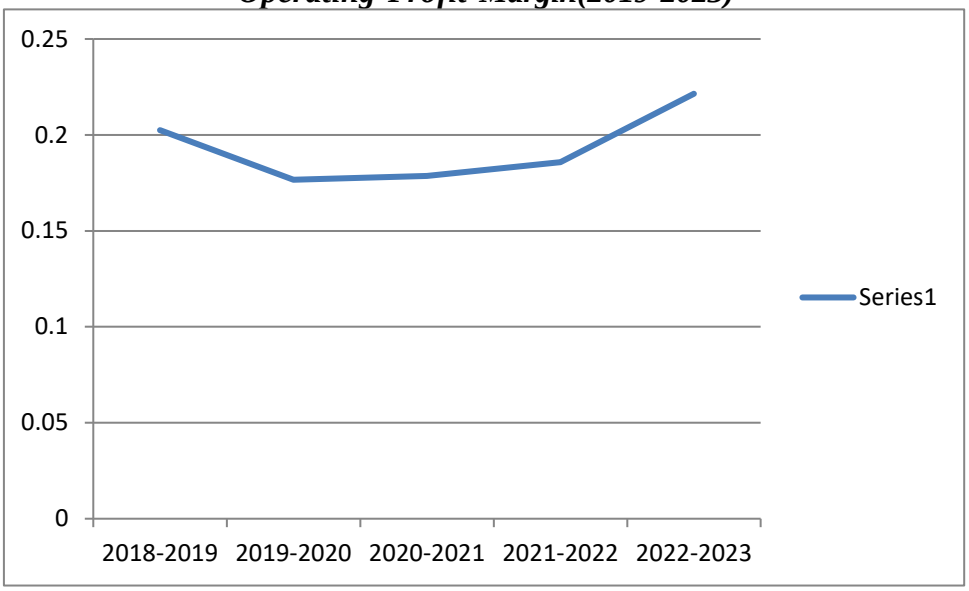


Interpretation: In 2023 the SPL earned 0.38 of every 1 tk of sales. the ratio increased from 2022 as the revenue decreased was lower than the decrease than the gross profit . In 2022 the SPL earned 0.37 tk of every 1 tk. In 2021 and 2020 the ratio was same as the 2022 .In 2019 the ratio decreased from 0.36 tk by using 1 taka.

Operating Profit Margin

The operating profit margin measures what are often called the pure profits earned on each sales dollar. A high profit margin is preferred. The data of Square Pharmaceutical gives us the impression that the company is getting operating profit in a stable rate. The high difference in the operating profit margin and gross profit margin indicates that there was high operating expense.

Operating Profit Margin(2019-2023)

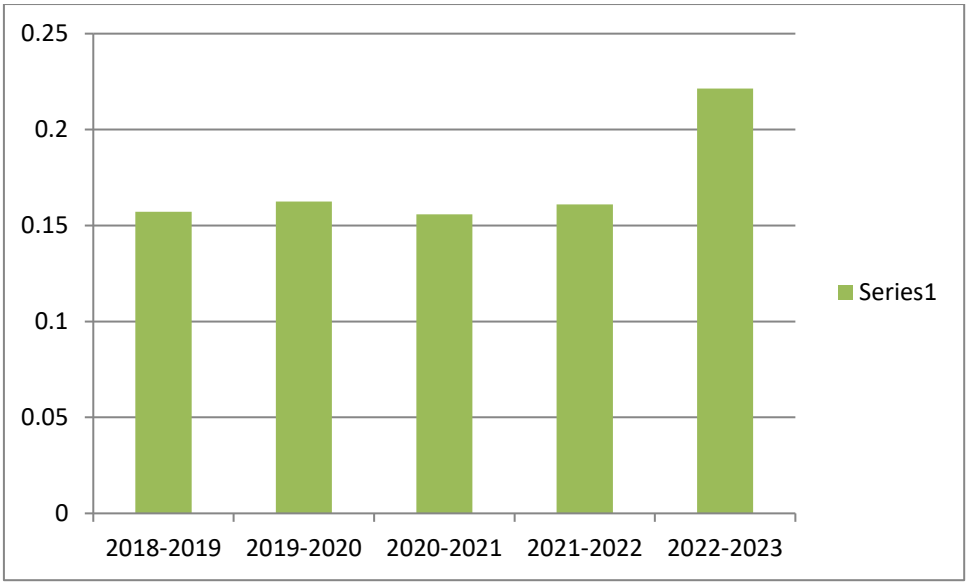


Interpretation: In 2023 the SPL earned 0.22 tk of every 1 tk worth of seals . the ratio increased from 2022 as the increase level of net profit before tax were higher than the increasing revenue. In 2021 the SPL earned 0.18 tk of every 1 tk worth of dales and it was also increased from 2020 as like 2023.In 2020 and 2019 the ratio was same by using 1 Tk. In 2019 the ratio was significantly increased 0.20 than 2020 because of the increase level of net profit before tax were higher than the increasing revenue.

Net Profit Margin

Net profit margin measures the percentage of each sales dollar remaining after all expenses, including taxes, have been deducted. The higher the company's net profit margin the better it will be. The data represents here gives us an impression that Square Pharmaceutical is having stable rate of net profit margin.

Net Profit Margin(2019-2023)

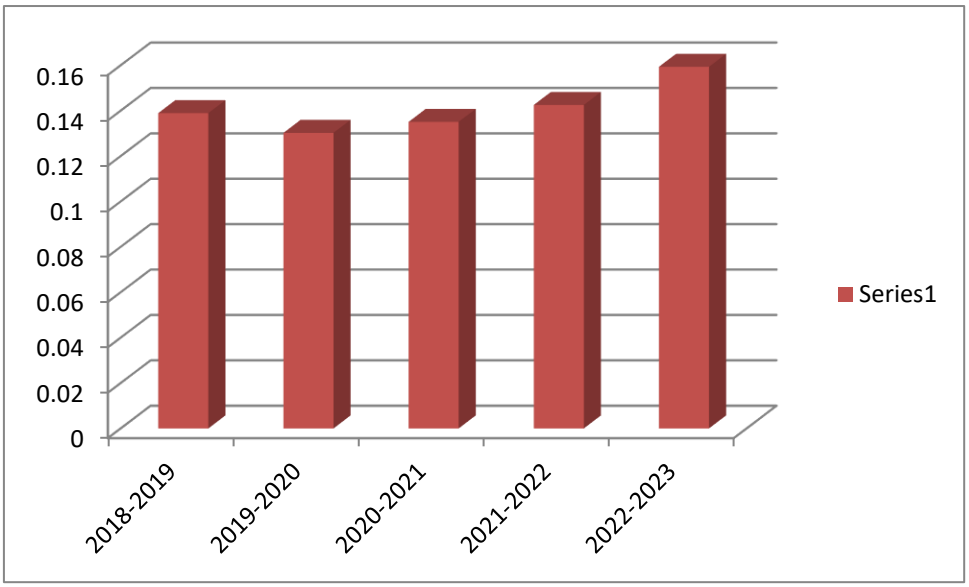


Interpretation: In 2023 the SPL earned 0.22 Tk of every 1 Tk of sales. The ratio increased than 2021 because the profit increased. In 2022 the ratio was 0.16 that was lower than 2023 because the sales revenue increased but the profit decreased. In 2021 the ratio also decreased 0.15 for the reason of the same as 2022.In 2020 The SPL increased their ratio 0.16 Tk by using 1 tk and 2019 it also decreased and the ratio was 0.15 Tk by using 1 tk.

Return on Assets

The return on total assets (ROA) is often called the company's return on investment. It measures the overall effectiveness of management in generating profits with its available assets. The higher the company's return on total assets the better. The data represents here gives us an impression that Square Pharmaceutical is doing satisfactorily good.

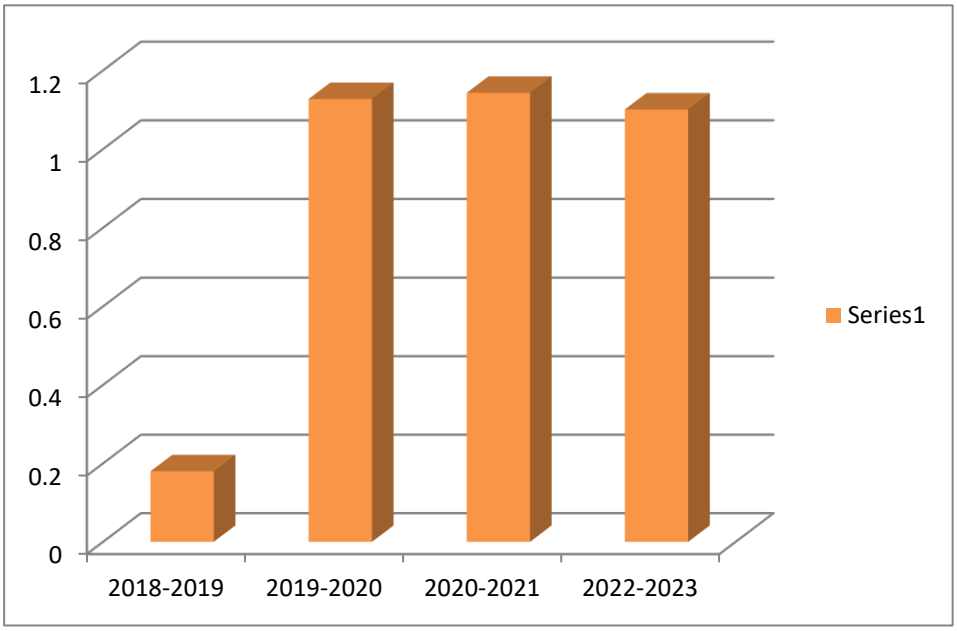
Return on Assets*(2019-2023)*



Interpretation: In 2023 every 1 Tk worth of assets is generating 0.15 tk worth of net income .In 2022 every 1 tk worth of assets its generating 0.14 tk .the ratio decreased from 2023 as total assets increases but net income decreased . In 2021 and 2020 the ratio was 0.13 and it was decreased than 2022 because the total assets increase but net income decreased. In 2019 it was slightly increased and the ratio was 0.13 tk by generating 1 tk .

Return on Equity

The return on equity measures the return earned on the owner's investment in the company. Generally the higher the returns the better off are the owners. The owners of square pharmaceutical are having a very good return on equity.



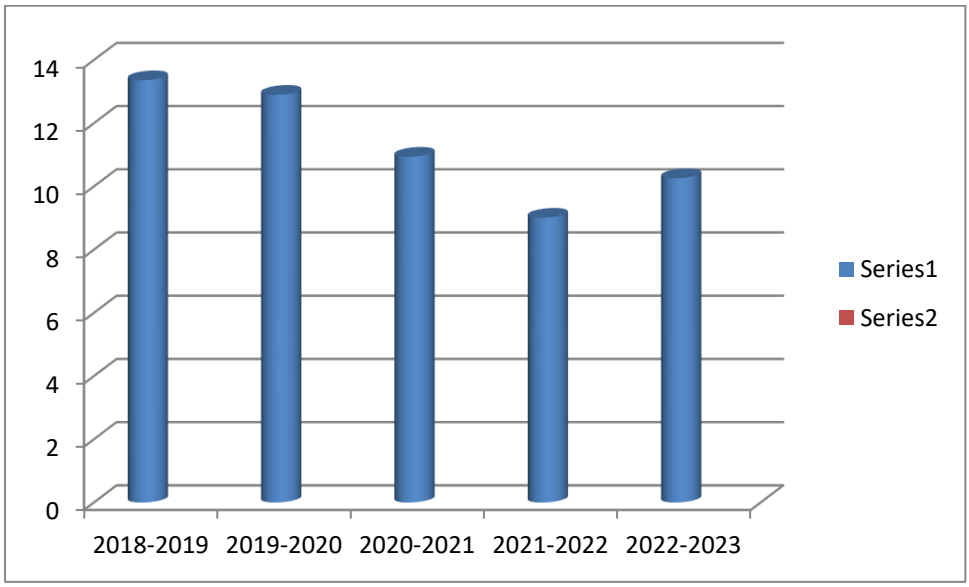
Interpretation: In 2023 owners have earned 1.00 tk out of 1 tk investment .the ratio was decreased from 2022 as both net income and owners equity has decreased in net income is higher than the decreased in owners' equity. In 2022 owners have earned 1.10 taka out of 1 tk investment. The ratio has decreased from 2021 as both net income and owners equity has decreased in net income is higher than the decreased in owners' equity. In 2021 owners have earned 1.14 tk out of 1 tk investment. It was increased than 2020 as the same way of 2022 and 2023 .In 2020 the ratio was 1.12 tk and 2019 ratio was 0.18 that was significantly decreased than 2020 .

Market Value Ratio

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Earnings Per Share	13.36	12.90	10.94	9.01	10.26
Price Earnings Ratio	25.88	25.35	17.37	19.82	26.02
Market Value to book value Ratio	4.68	4.65	3.86	3.51	4.81

Earnings per share*(2019-2023)*

EPS represent the number of dollars earned on behalf of each outstanding share of common stock.

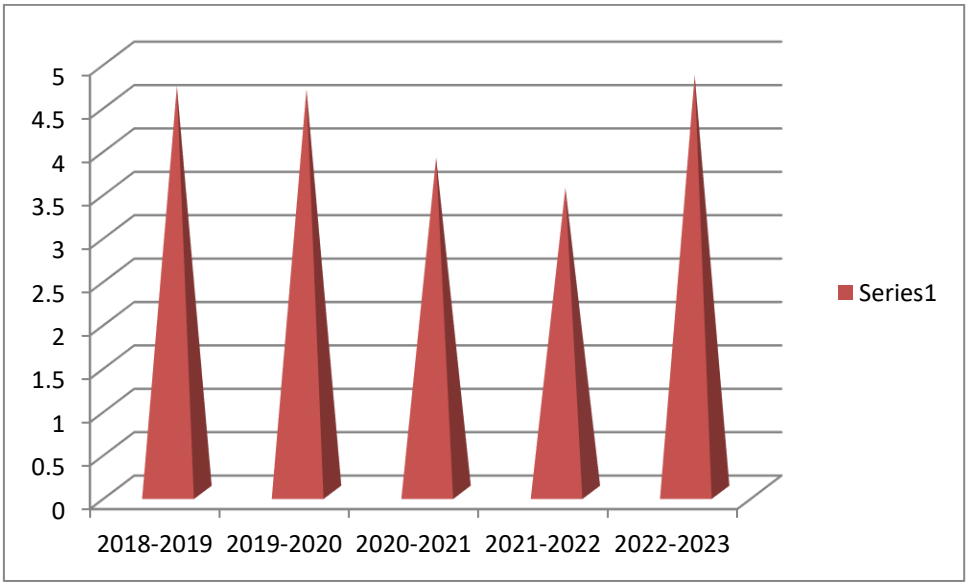


Interpretation: In 2023 the SPL earned 10.26 tk per share than the 2022 as the net profit increased. In 2022 the they earned 9.01 tk that was decreased than 2023 as the net profit decreased. In 2021 the earning per share has significantly decreased from 2020 due to some uncontrollable market variables and its continues till 2023.In 2020 it was 129.07 that was lower than 2019 and in 2019 the rario was 138.36 tk.

Price earnings ratio

Although the PE ratio of Square Pharmaceuticals is lesser in the recent years compared to the industry, but in a stock market like ours, where investors' does not take much informed decision, it cannot be said that the investor's assessment of the company's future earnings was negative

Price earnings ratio (2019-2023)



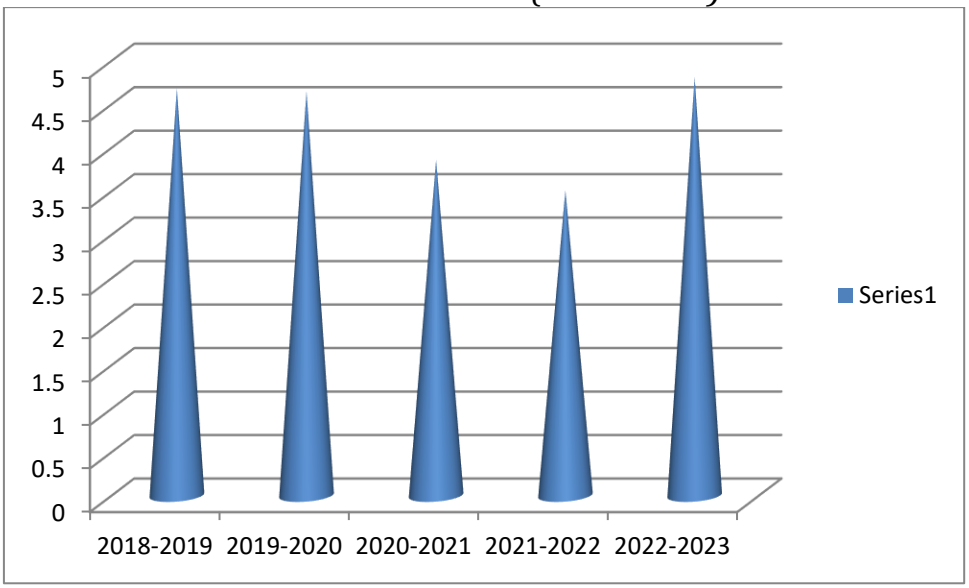
Interpretation:

In 2023, the investors willing to pay 26.02 times of each taka of investors earnings. In 2022, the investors willing to pay 19.82 times of each taka of investors earnings. In 2021, the investors willing to pay 17.37 times of each taka of investors earnings. In 2020, the investors willing to pay 25.35 times of each taka of investors earnings. In 2019, the investors willing to pay 25.88 times of each taka of investors earnings.

Market to book ratio

The Market-to-Book Ratio is a comparison of the current share price to the book value per share of the publicly traded company.

Market to book ratio*(2019-2023)*



Interpretation: In 2023 the market value 4.81 times than the book value and it was increased than 2022 as the industry has higher market value. In 2022 the market value 3.51 than the book value. The ratio has decreased from 2021 as the industry's market value decreased. In 2020 the market value 4.65 times than the book value and it was increased than 2021 as the industry has higher market value. In 2019 the market value was 4.68 times than the book value.

5.3 Credit Rating

Bank Name	By amount	Rating
Bank Asia Ltd.	**46,847,147**	**AA3**
Bank Alfalah Ltd.	**3,267,902**	**A2**
Brac Bank Ltd.	**28,982,340**	**AA3**
Bangladesh Krishi Bank	**48,018**	**A-**
Citibank N.A	**130,229,929**	**A1**
Commercial Bank of Ceylon PLC	**60,260,149**	**AAA**
Dutch-Bangla Bank Ltd.	**1,184,095**	**AA1**
Eastern Bank Ltd.	**49,334,954**	**AA**
HSBC Ltd.	**154,453,299**	**AAA**

We can see that SQUARE Pharma has maintained quite good reputation on their ratings of credit. We also find that every bank that they deal with has put them in a very good position. In light of their we can come to the decision that SQUARE Pharma can be trusted if we judge them through credit ratings.

Changes in Equity

For the Year Ended 31 March 2023

Particulars	Share Capital Taka	Share Premium Taka	General Reserve Taka	Tax Holiday Reserve Taka	Gain on Marketable Securities (Unrealized) Taka	Retained Earnings Taka	Non Controlling Interest Taka	Total Taka
At 31 March 2023	3,707,686,640	2,035,465,000	105,878,200	406,231,702	313,532,224	16,017,431,580	7,719,551	22,593,944,897
Total Comprehensive Income (2022-2023)	-	-	-	-	135,723,333	4,944,554,910	1,650,252	5,081,928,495
Cash Dividend (2022-2023)	-	-	-	-	-	(926,921,660)	-	(926,921,660)
Stock Dividend (2022-2023)	1,112,305,990	-	-	-	-	(1,112,305,990)	-	-
	-							
At 31 March 2023	**4,819,992,630**	**2,035,465,000**	**105,878,200**	**406,231,702**	**449,255,557**	**18,922,758,840**	**9,369,803**	**26,748,951,732**

EQUITY ANALYSIS:

For this analysis, I have collected the annual report of SQUARE Pharma of the last five (05) years, from which, I have taken the "Balance Sheet" and "Statement of Comprehensive Income" of the organization. Based on the last five (05) years financial statements (2020-2015) of the organization, I have forecasted their financial standings for its next five (05) years probable financial standings (2023-2027).

To justify this analysis, it is important to disclose all the necessary terms and calculations of each step for proper understanding. The brief discussion of the steps mentioned in the above figure is given below:

Step 01: Calculating Operating Cash Flow (OCF):

To calculate operating cash flow of SQUARE Pharma, I basically needed three (03) elements from their financial statements from the year 2020-2015 to forecast for next five (05) years (2015-2020). The elements are outlined in the figure and then discussed below:

5.3.1 EBIT

5.3.2 TAXES

5.3.3 DEPRICIATION

Earnings before Interest & Tax (EBIT):

To calculate EBIT, SQUARE Pharma followed a certain structure in their "Statement of Comprehensive Income", which is given and discussed below:

<u>Phase 01:</u> I have calculated the net sales revenue growth of SQUARE Pharma of each year

Within the time frame of 2019-2022

Fromula:

$$\textit{Net Sales Revenue Growth} = \frac{NSR\ (Current\ Year) - NSR\ (Previous\ Year)}{NSR\ (Previous\ Year}$$

Where ,
NSR = Net sales revenue

<u>Phase 02:</u> Than I have made an average of the growth of net sales revenue within the time

Frame of 2019-2022.

Fromula:

$$\textbf{Average of Net Sales Growth} = \frac{\textbf{Add All the NSR}}{\textbf{4}}$$

<u>Phase 03:</u> Lastly, I have forecasted the net sales revenue for the years 2023-2027 by using the formula below:

Formula:

Forecasted Net Sale Revenue

$= \{P_o * (1+g)\}$ Where,

P_0 = Net Sales Revenue (Previous Year)

g = AVG. of Net Sales Revenue Growth

5.4 Calculation of Other Forecasted Income & Expenses:

Phase 01: Firstly, I have calculated the percentage of the rest of the income and expenses situated in the "Statement of Comprehensive Income" of SQUARE Pharma of each year within the time frame of 2023-2027.

Formula:

$$\textit{Percentage of Income or Exp.} \quad \frac{\textit{Income or Exp. (Current Year)}}{\textit{Net Sales Revenue (Current Year)}}$$

Phase 02: Than I have made an average of the percentage of all the income and expenses situated in the "Statement of Comprehensive Income" within the time frame of 2023-2027.

Formula:

$$\textit{AVG. Percentage of Income or E.} \quad \frac{\text{Sum of Each Year Percentage}}{5}$$

Phase 03: Lastly, I have forecasted the all the income and expenses of the "Statement of Comprehensive Income" for the years 2023-2027 by using the formula below:

Formula:

$$\textit{Forecasted Income or Exp.} = (P_0 * \text{Average Percentage of Income or Exp})$$

Calculation of EBIT:

By calculating the forecasted net sales revenue and other income and expenses, I have Calculated the EBIT by following the structure of Table.

Taxes:

Phase 01: Firstly, I have collected the value of current tax from the "Statement of Comprehensive Income" of SQUARE Pharma for the years 2023-2027. Then, I have calculated the percentage of current tax of each year by using the following formula:

Formula:

$$\textbf{Percentages of Current Tax} = \frac{\text{Current Tax}}{\text{Net Sales Revenue (Current Year)}}$$

Phase 02: Than, I made an average of the percentage of current tax for the years 2023-2027 by using the following formula:

Formula:

$$\boldsymbol{AVG.Percentage\ of\ Current\ Tax} = \frac{\text{Sum of Each Year's Percentage}}{5}$$

Phase 03: Lastly, I have forecasted the current tax for the time period of 2023-2027 by using the formula below:

Formula:

$$\textit{Forecasted Current Tax} = (P0 * AVG.\ Percentage\ of\ Current\ Tax)$$

Where, P0 = Net Sales Revenue (Previous Year)

Calculation of Operating Cash Flow (OCF): After computing the three (03) elements needed (EBIT, Depreciation and Taxes), I have calculated the operating cash flow for the next five (05) years (2023-2027). The calculation is shown below:

Step 02: Calculating Project Cash Flow

To calculate the project cash flow of SQUARE Pharma, I also needed three (03) elements from the financial statements. The elements are outlined in the figure below and discussed afterwards:

1. Operating Cash Flow
2. Change in net working capital
3. Capital Spending

Operating Cash Flow:

Operating cash flow (OCF) is already calculated for the forecasted years (2015-2020) in previous table.

Change in Net Working Capital:

Phase 01: To figure out the net working capital and then capital spending, it is imminent to figure out the average growth of total assets and liabilities and also the average percentages of current and non-current assets and liabilities to calculate the forecasted value of these terms for the years 2023-2027. The computation procedure of these terms is given on the following page:

Items	2023	2024	2025	2026	2027
Operating Cash Flow	5,186,436,869	6,315,477,622.00	7,661,429,459.00	9,264,294,237.00	11,171,341,199.00
(Change in WC)	3,976,600,657	4,374,260,722.00	4,811,686,794.00	5,292,855,474.00	5,822,141,022.00
(Capial Spending)	2,028,891,002	1,126,117,000	1,306,295,720	1,515,303,035	1,757,751,521
Project cash flow	(819,054,790.00)	815,099,900.00	1,543,446,945.00	2,456,135,728.00	3,591,448,656.00

Forecasted Amount of Total Assets & Total Equity & Liabilities:

From the balance sheet of SQUARE Pharma, I have collected the value of total assets and total equity and liabilities for the years 2023-2027. After that, I have calculated the growth of the total assets and total equity and liabilities of each year (2019-2022) by using the following formula:

Formula:

$$\textbf{Growth of Total Assets \& Liability} \frac{P_1 - P_0}{P_0}$$

Where,

P_0 = Total Assets or Total Equity and Liabilities (Previous Year)

P_1 = Total Assets or Total Equity and Liabilities (Current Year)

After calculating the growth, I have made an average of it by using the following formula:

Formula:

$$\textbf{Average Growth of Total Asset \& Liability} \frac{\text{Sum of the Growth of Each Year}}{4}$$

Lastly, I have calculated the forecasted value of total assets and total equity and liabilities for the time frame 2015-2020 by using the following formula:

Formula:

Forecasted Amount of Total Assets & Liability

$$= \{ P_0 * (1 + \text{Average Growth of Total Asset \& Liability})$$

Where,

P_0 = Total Assets or Total Equity and Liabilities (Previous Year)

♠ **Forecasted Amount of Current & Non-Current Assets:**

- ✓ Firstly, I have calculated the percentage of current and non-current assets in total assets by using the formula below:

Formula:

$$\textit{Percentage of Current or Non} - \textit{Current Assets} = \textit{Current or Non} - \textit{Current Assets}\ (\textit{Current Year}) \ / \ \textit{Total Assets}\ (\textit{Current Year})$$

- ✓ Then, I have made an average of the percentage of current or nor-current assets by using the formula below:

Formula:

$$\textit{AVG.Percentage of Current or Non} - \textit{Current Assets} = \textit{Sum of Percentage of Each Year} \ / \ 4$$

- ✓ Lastly, I have forecasted the amount of current or non-current assets for the years 2015-2020 by using the formula below:

- ✓ **Formula:** $\textit{Forecasted Amount of Current or Non} - \textit{Current Assets} = (\textit{Forecasted Total Assets} * \textit{AVG. \% of Current or Non} - \textit{Current Assets})$

Forecasted Amount of Different Sections of Liabilities & Equity:

- ✓ Firstly, I have calculated the percentage of current and non-current liabilities and equity in total equity and liabilities by using the formula below:

Formula:

$$\textit{Percentage of Liabilities or Equity} = \textit{Liabilities or Equity}\ (\textit{Current Year}) \ / \ \textit{Total Equity}\ \&$$

Liabilities(*Current Year*)

- ✓ Then, I have made an average of the percentage of current and non-current liabilities and equity by using the formula below:

Formula:

AVG.Percentage of Liabilities or Equity

= Sum of Percentage of Liabilities or Equity /5

- ✓ Lastly, I have forecasted the amount of current and non-current liabilities and equity for the years 2015-2020 by using the formula below:

Formula:

Forecasted Amount of Liabilities or Equity

= (*Forecasted Total Equity* & *Liabilities* ∗ *AVG*. % *of Liabilities or Equity*)

Phase 02: As all the necessary calculations are done, I started to calculate the net working capital by using the following formula:

Formula:

Net Working Capital = {Current Assets (Current Year) – Current Liabilities (Current Year)}

Phase 03: After computing the net working capital, I have calculated the change in net working capital by following the formula below:

Formula:

Change in Working Capital = {Net Working Capital (Current Year) – Net Working Capital (Previous Year)

Capital Spending:

Capital spending is calculated by using the following formula:

Formula:
Capital Spending = {Non-Current Assets (Current Year) – Non-Current Assets (Previous)}

Calculation of Projected Cash Flow:
After computing the three elements needed, I have calculated the project cash flow for the next five years (2015-2020). The calculation is shown below:

Items	2023	2024	2025	2026	2027	
Operating Cash Flow	5,186,436,869	6,315,477,622.00	7,661,429,459.00	9,264,294,237.00	11,171,341,199.00	00
(Change in WC)	3,976,600,657	4,374,260,722.00	4,811,686,794.00	5,292,855,474.00	5,822,141,022.00	00
(Capial Spending)	2,028,891,002	1,126,117,000	1,306,295,720	1,515,303,035	1,757,751,521	21
Project cash flow	(819,054,790.00)	815,099,900.00	1,543,446,945.00	2,456,135,728.00	3,591,448,656.00	00

Step 03: Calculating Net Present Value (NPV):

Phase 01: To calculate the net present value, it was necessary to compute the required rate of return (Ke). The formula through which I have calculated the required rate of return (Ke) is given below:

Formula:
$$Ke = Rf + Rm - Rf * \beta$$
Where,
Ke = Required Rate of Return
Rf = Risk Free Rate Rm = Return on Market Portfolio β = Systematic Risk

The calculation of required rate of return is given below. All the values used in the formula below are directly taken from "Stock Bangladesh Website".

Required Rate of Return (Ke)		
Formula	**Calculation**	**Value**
Rf + (Rm – Rf) × β	0.05+(0.078-0.05)*1.09	Ke = 0.08 or 8%

Chapter-06

Findings, Recommendation & Conclusion

6.1 Findings

The financial performance analysis of Square Pharmaceuticals Plc, several key findings were identified. These findings provide valuable insights into the company's financial health and overall performance.

1. Revenue Growth: Over the past few years, Square Pharmaceuticals has demonstrated steady growth in its revenue, which indicates the company's ability to expand its market presence and product portfolio. This growth can be attributed to strategic business decisions, effective marketing strategies, and a strong focus on research and development.
2. Profitability: The company has maintained a healthy profit margin, which signifies its efficiency in managing costs and generating profits. This can be attributed to the company's focus on cost control and effective pricing strategies.
3. Financial Risk: Square Pharmaceuticals has a moderate level of financial risk, as indicated by its financial ratios. The company's debt-to-equity ratio and interest coverage ratio suggest that it is managing its debt levels and interest payments effectively. However, there is room for improvement in terms of reducing financial risk by optimizing its capital structure and strengthening its liquidity position.
4. Market Position: As a leading player in the pharmaceutical industry, Square Pharmaceuticals has a strong market position, with a diverse product portfolio and a wide customer base. This market position has enabled the company to maintain its competitive edge and achieve sustainable growth.
5. Research and Development: Square Pharmaceuticals has consistently invested in research and development, which has resulted in the launch of new products and the expansion of its product portfolio. This investment in R&D demonstrates the company's commitment to innovation and long-term growth.
6. Corporate Governance: The company has demonstrated a strong commitment to corporate governance, with transparent reporting practices, adherence to regulatory guidelines, and a focus on stakeholder value creation. This commitment to good governance practices has helped to maintain investor confidence and support the company's growth.
7. Future Growth Opportunities: Square Pharmaceuticals has several growth opportunities, including expanding into emerging markets, pursuing strategic acquisitions, and continuing to invest in R&D to launch innovative products.

Capitalizing on these opportunities will be crucial for the company to maintain its financial performance and market position in the long run.

In conclusion, the financial performance analysis of Square Pharmaceuticals Plc reveals a company with steady growth, healthy profitability, and a strong market position. The company's focus on research and development, corporate governance, and risk management has contributed to its success.

6.2- Recommendation

1. Quality and control: According to international standard square pharmaceuticals ltd. should maintain their product quality.
2. Local market share: At present in Bangladesh square pharmaceuticals is the market leader in pharmaceutical sector. Its followers and competitors always try to increase their percentage of market share. So square pharma concentrate more to increase his market share.
3. Foreign market: Though SPL captured Asia, Africa, Middle East pharmaceutical market but the Europe market till now un-captured. So square pharma should concentrate more in Europe market.
4. Inventory management: According to the ratio their inventory management system is struggling they should give this situation topmost priority.
5. Staff training: Though SPL is a leading company but its maximum staffs are not well trained. So company should arrange training program.

6.3 Conclusion

Square Pharmaceuticals Limited is the most renowned and fast growing company in Bangladesh. Their position in the international market is speeding and getting stronger day by day. The company has achieved a state of mind among consumers. Square Pharmaceuticals Limited always focus on to maximize the shareholder’s wealth by maintaining an effective growth rate and maximizing equity value. They have the high growth rate against the market rate which is very much attractive for an investor. In the valuation portion of the report, it is found that the securities of Square Pharmaceuticals Limited is undervalued which means there is possibility of increasing the share price of Square Pharmaceuticals Limited. Thus, investors will considered Square Pharmaceutical Limited as an appropriate option for investment.

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