

INTERNSHIP REPORT

ON

***Working Capital Management: An Empirical Study of Beximco Pharma in
Bangladesh***

Submitted To

***Professor Dr. Mostafa Kamal
Professor & Dean (Academic Affairs)
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***DEPARTMENT OF BUSINESS ADMINISTRATION
DAFFODIL INTERNATIONAL UNIVERSITY
DATE OF SUBMISSION- 28th September 2020***

LETTER OF TRANSMITTAL

12 August, 2020

To

Professor Dr. Mostafa Kamal

Professor & dean (Academic Affairs)

Department of Real Estate

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of internship report on Working Capital Management Study of Beximco Pharma in Bangladesh

Dear Sir,

With due regard, the application is for to inform you that, The Study has finished my Internship report entitled: "Working Capital Management: An Empirical Study of Beximco Pharma in Bangladesh "The Study has mainly depended on secondary data available through the internet. This study might help to understand the need for working capital as well as provide relevant information about Beximco Company. While preparing the report, The Study has attempted to adhere to your Instruction based on systematic guidelines.

I earnestly believe that this report may reach your approval and also respond to your expectation. The Study will get your kind attention concerning the acceptance of this report.

Sincerely Yours,

.....

Arafat Hosain Neloy

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Major: Finance

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STUDENT'S DECLARATION

Therefore, The Study declares that the work submitted in that internship report was done by me and was not recently submitted for academic qualification to any other University/organization. The pieces the study has submitted don't violate existing copyrights and no part of this report has been duplicated from work done beforehand.

I also undertake to compensate the ministry for all misfortunes and damages caused by a Violation of past obligations.



.....
Arafat Hosain Nelay
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SUPERVISOR'S DECLARATION

It gives me inestimable contentment to assert that the expected report titled "Working Capital Management: An Empirical Study of Beximco Pharma in Bangladesh " has been completed by Arafat Hosain Nelay ID:171-11-390, BBA program, Faculty of Business and Entrepreneurship, Daffodil International University, Ashulia, Savar, Dhaka under my monitoring and steering. As somewhat far away as The Study, it is an authentic and genuine work, not distributed in a journal or submitted to an assembly or branch for a diploma or degree

I do thus approve it as an authentic suggest internship report for submission

.....

Professor Dr. Mostafa Kamal
Professor & dean (Academic Affairs)
Department of Real Estate
Faculty of Business & Entrepreneurship
Daffodil International University

Acknowledgment

My most profound thanks to almighty Allah have already gone back and forward, with which the study won't likely take an enormous to set up this report.

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A special thanks to Md. Anhar Sharif Mollah Assistant Professor, Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. For his help to review this paper. And also thanks to Alamgir Hossan (Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University) for his inspiration

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Section 1

Introduction

Working capital is a financial measure which stands for functioning liquidity accessible to a business, organization, or other institution, for example, governmental institution. Along with permanent assets, for example, building and equipment, working capital have deemed a component of operating capital. There are four basic parts of the working capital.

To meet the daily obligation and to run an organization smoothly organization keep working capital. And to maintain working capital managers should think two different sides 1) if they hold more working capital, then they keep the more liquid money on hand for this they could invest less. 2) If they hold less liquid money on hand than they face problems to meet their daily obligation. So working capital or liquid money should behold at a rate where they easily meet their daily obligation and also consider investing. Investment is the main motive of an organization, working capital is also an investment to run the organization smoothly. This paper determines at which rate the organization should take working capital or effectively use working capital.

The necessity for working capital fluctuates from industry to industry, and they can even differ among comparable companies. This is because of various ingredients, for example, the divergence in the compilation and settlement policies, Time of asset purchases, the possibility of a company script off a few its past accounts receivable due, and on any occasion, capital-breeding attempt a company is an endeavor. Working capital is the part and parcel of an organization to manage it's a daily obligation. Beximco Pharma was established in 1976 and launched activities in 1980, it's the leading manufacturing company in Bangladesh. It produces goods under the licenses of Bayer AG of Germany and Upjohn Inc. of the United States. Nowadays Beximco Pharma produces and markets its qualified generics for various diseases in particular AIDS, cancer, asthma, hypertension for both domestic and global markets. This study is based on working capital management. To manage such a massive organization working capital is very essential. Excessive and deficit working capital, both harmful to an organization. The need for working capital is based on the nature of business. Bangladesh is a developing country and its GDP is increasing day by day. Overpopulation is not the only curse but also a blessing because of cheap human resources. It follows a mixed economy (capitalism and socialism) for this business organization to find a suitable environment. In the medicine industry, Bangladesh has a good fame in the international market. Working capital and economic situation have a positive relation. Economic situation impact on organization function.

Background of study

This report, based on the working capital management of Beximco pharma. Working capital is a portion of capital that needs to run the organization smoothly and to meet its daily obligation. This paper identifies how much Beximco pharma effectively uses their working capital compare with previous years and also determine their current ratio, cash ratio, cash conversion cycle to disclose their working capital management. The main object of this paper is to disclose their working capital need and determine their management of working capital. This paper-based on the 2015-2019 annual report of Beximco pharma as well as ACI and SQUARE pharma. At first, compare with their previous year's activity and then compare with other corporations to discover their working capital situation and provide a meaningful solution. The result of this paper indicates that working capital is mandatory and the organization should manage working capital properly and there is a positive relationship between working capital management and profit. Profitability can be earned by reducing the number of days of their account receivable turnover and inventories turnover there are still some opportunities to improve its working capital management. This study provides information about the financial situation of Beximco pharm.

Objective

Invest in working capital is very critical because excessive and deficit both investment in working capital is harmful for an organization. The purpose of this paper can be defined into two different sections firstly working capital position of Beximco to consider five-year data (secondary data) to determine their working capital need and working capital management. Secondly, identify how efficient their management to compare other organizations. This paper is mainly focusing on the working capital of Beximco Company and ACI and square Pharma consider as standard to compare with Beximco to know their position.

- To know about working capital
- To identify the effect of working capital in an organization also Beximco pharma.
- To determine the working capital position of Beximco pharma.
- To disclose their working capital need and use.
- Identify their working capital management problem and recommended some solutions

Literature review

Effect of working capital: Deloof, M. (2003) their findings are the relation between working capital management and corporate profitability and the results determine that managers can raise corporate productivity by decreasing the number of day's accounts receivable and inventories. Fewer efficiency firms wait longer to pay their bills. García-Teruel, P. J., & Martínez-Solano, P. (2007) their findings are strong to the existence of indigeneity, illustrate that managers can provide value by decreasing their inventories and the number of days for which their accounts are extraordinary. Furthermore, decreasing the cash conversion cycle also develop the firm's productivity.

Working capital management effect on profitability: Raheman, A., & Nasr, M. (2007) their findings show that there is a strong negative relationship between the working capital management and profitability of the firm. Determine that as the cash conversion cycle increases, it will run to reducing the productivity of the firm, and managers can build an affirmative value for the shareholders by decreasing the cash conversion cycle to a potential minimum level. They also identify that there is a considerable negative relationship between liquidity and profitability. They also show that there is an affirmative relationship between the size of the firm and its profitability. There is also a remarkable negative relationship between debt used by the firm and its profitability. Fazzari, S. M., & Petersen, B. C. (1993) they determine that cash flow may merely proxy shifts in investment demand. Moreover, previous studies may have under-estimated the impact of financial constraints on increasing and investment because firms mellow fixed investment in the short run with working capital.

Working capital management effect on the company's performance: Filbeck, G., & Krueger, T. M. (2005) find that there are significant differences that occur between industries in working capital measures across time. Moreover, they determine that these measures for working capital alteration significantly within industries throughout time. Baños-Caballero, S et al (2014) this paper concern about the connection between working capital management and corporate performance. They suggest that managers should escape negative impacts on a firm's accomplishment because of missing sales and lost discounts for recent payments or supplementary financing expenses. This paper also emphasizes whether the improved working capital level is responsive to substitute measures of financial constraints. The outcome display that this highest is lower for firms more probably to be financially inhibited Hill, M. D ET all (2010) their results are invaluable in invisible diversity and industry influences. Evidence shows that the operating and financing situation should be considered when evaluating the behavior of working capital, not just the industry average. Moreover, the impact of industrial, centralized sales growth is clever. Mathuva, D. (2015) the three results of their research Firstly, there is a very significant negative relationship between the times it takes for

companies to gather cash from their customers. Second, there is a very significant positive relationship between the time it takes to convert goods into sales and ultimately a significant positive relationship between the times it takes for payers to pay. Baños-Caballero, S et al (2010)

Working capital based on the firm's condition: Their findings further show that in comparison to older firms and firms with more cash flows, firms with more expansion provision and firms with higher withdrawals have, more dynamic working capital to invest in fixed assets and return on assets. Howorth, C., & Westhead, P. (2003) the results determine that small firms only focus on efficient capital management where they anticipate marginal income enhancement. Difficulties in creating efficiency are underlined and informed to academics, policymakers, and practitioners implicated. Dhole, S et al (2019) Them Using a text-based measure of financial constraints and determine that an effective working capital management company is related to a lot of financial constraints in firms over the following two to three years. They also used a study which is a text-based dimension of financial constraints in their first Australian firms. They have further identified that negative firms between financial constraints and future share prices have become considerably lower for effective executive capital management firms. Mohamad, N. E. A. B., & Saad, N. B. M. (2010) Implementation correlations and multiple regression test, their result indicates that there are remarkable negative associations between working capital with the firm's execution. Therefore, this paper underlining the significance of handling working capital provisions to assure a development in the firm's market worth and cost-effectiveness, and this point must form part of the company's tactical and functional reasoning with a view to perform efficiently and effectively

Section 2

Theoretical Background

Theory of working capital: There are two concepts of working capital gross working capital and net working capital.

Gross working capital: It's the amount of a firm invest in its current assets. Within a word gross working capital directly refers to companies' current assets. And current asset is those assets that can be converted into a liquid asset within a year. Current assets are short term securities, debtor, advance expenses, cash, etc.

Net working capital: it means the difference between current liabilities and current assets of a company. Current assets and current liabilities both have one-year maturity. Current liabilities are accrued payable, accrued expense, bellies payable, etc.

Permanent and variable working capital: to run an organization smoothly there are two working capital needs.

Permanent working capital, without this capital organization, can't run this working capital is needed to run the organization.

Variable working capital: varies or depends on the production. For more production or more facilities, this working capital is needed.

Why organization holds liquid money on hand: organization hold money on hand for daily obligation and transaction purpose, but some organization has different motive to hold money like speculative motive to gain more profit in a short time they hold money on hand for an example in COVID 19 situation some businessman hold money on hand to invest more on a mask and hand sanitizer their motive is to gain more profit within a short time. The organization holds liquid money for transaction motive, it's the most important motive because if the organization has a clear and sound translation investors will be more motivated to invest.

Working capital needs based on organization: Basically, this capital depends on organization structure and policy. Three approaches are matching, conservative, and aggressive, and the organization choice approach based on their policies. 1) Aggressive policy: when the organization holds less liquid money for investing more. For Example seasonal businesses like the fruits, they follow an aggressive policy because they have to invest more and they need liquid money to invest. 2) Conservative approach: when an organization hold more money on hand and take less risk. 3) Matching approach: when an organization follows the equilibrium policy. Trading and financial firms require a

large amount of investment in working capital. Retailer stores also need a large amount of working capital for a variety of products. As well as a manufacturing company requires to invest substantially in working capital. Besides public utility require limited investment in current asset and large investment in fixed asset.

Working capital equation: Working capital means liquid money, basically current assets subtract by current liabilities is called net working capital. And the summation of total current assets is called gross working capital.

Cash conversion cycle: The cash conversion cycle is a measurement that exhibiting the time it takes for a company to transform its investments in inventory and other resources into cash flows from sales. in a word, the cash conversion cycle is a measure of how efficiently convert resources into cash. The formula of cash conversion cycle is defined as how much time a company needs to sell its inventory, how much time needs to collect the amount from its accounts receivable, and how much time it took to pay its payable.

$$CCC = DIS + DCR - DPO$$

CCC= Cash Conversion Cycle

DIS = Days Inventory Sale

DCR= Days need to Collect from Receivable

DPO= Days need to Payable Outstanding

Cash management: Cash is the most acceptable liquid asset. Cash flow directly impacts on working. Cash management is the management of three things 1) internal and external cash flow of a firm 2) cash flows within the firm 3) cash balance (deficit and surplus). An organization hold cash for three motive

- Transaction Motive: For daily transection or payment, for financial activates.
- Emergency Motive: The future is always uncertain, for uncertain organization hold money in hand
- Speculative motive: Make profit within a short time

Section 3

Beximco Company profile

To determine the working capital position and need for working capital at first we have to know about the company because working capital is required on the basis of the company's goal, objective, and policy. Beximco Pharmaceuticals Ltd (Beximco Pharma) is a driving producer and exporter of prescription in Bangladesh. Integrated in the late 70s, Beximco Pharma leads off as a reseller, importing Goods from worldwide MNCs like Bayer, Germany, and Upjohn, USA, and marketing them in the local market, which was later constructed and scattered under the approval system. Since then, the journey ongoing, and today, Beximco Pharma is one of the broader exporters of medicines in Bangladesh, victorious National Export Trophy (Gold) a record five times. The company continues to stick to the universal standards and its production accommodations have been beforehand qualified by the statutory administration of the USA, Europe, Australia, Canada, Latin America, and South Africa. Over the last three decades Beximco Pharma evolved from strength to strength, but the pure notion on which it was established residue the same: manufacturing high-quality generics and making them cost-effective. Ensuring entrance to standard medicines is the impressive ambition that drives greater than 3,800 employees of the company, and everyone is directed by the same ethical and social responsibilities the company values most. They always seek to give our best access to standard quality and low cost so that affordable for everyone's medicines main reason they know good health cannot be bought it is priceless. Beximco Pharmaceuticals Ltd (Beximco Pharma) is a novel generic medicine player promised to give easy access to affordable medicines for all class people. The company's state-of-the-art producing facilities have been certified by the standard regulatory authorities of the USA, Australia, the European Union, Canada, and Brazil, among others, and it has recently focused on providing a presence in many nascent and devised markets around the world. Beximco Pharma is systematically constructed upon its portfolio and recently manufacturing more than 500 goods, encompassing broad curative categories and the Company has established strong and powerful differentiation by offering a selection of high-tech, specialized products that are challenging to emulate.

Company current position and future goal: They are promised to increase human health and prosperity by offering contemporary, inexpensive, and affordable drugs, produce in full observance with global standard quality. They constantly strain to develop their core competency to the direction of the unfulfilled medical desire the patients and to provide remarkable results for our shareholders. They will be one of the most reliable, idolized, and successful pharmaceutical companies in the area with a center on reinforcing research and development capabilities, creation partnerships, and construction existence across the world. Their goals are to conduct straightforward business activities based on the market apparatus within the lawful & the social structure with intended to achieve

the mission thoughtful by our vision. Product and service: Beximco Pharma presently manufactures more than 300 general medicines which are accessible in well over 500 several presentations and the wide portfolio inclusive of all key curative categories such as antibiotics, analgesics, anti-diabetic, respiratory, cardiovascular, central nervous system, dermatology, gastrointestinal, etc. Manufacture facilities: the main production site is in large across a 22-acre area situated close the capital city, Dhaka, which houses accommodations for producing tablets, capsules, intravenous fluids, liquids, creams, ointments, suppositories, metered-dose inhalers, ophthalmic drops, large volume parenteral, sterile ophthalmic, prefilled syringes, lyophilized injectable, etc. The production site has its usefulness substructure to assure sufficient formation and supply of electricity with an installed capacity of 10 MW, apart from having water cleansing and fluid nitrogen formation facilities. Their penicillin units (both API and formulation) are situated individually at Kaliakoir, 21 km from the main location. Research and Development: their product improvement team continues its forceful exploration orientation in preparation for improvement to covert BPL into a truly global one. As a comprehensive drug company, they have driven top facilities in building and reinforcing capabilities to exceed in formulating technologically aggregate goods to build strong differentiation. Their R&D team improves a wide range of comprehensive goods which is challenging to duplicate formulations in specified expertise zone. They have satisfactorily improved multi-layer tablets, continuous-release formulation, dispersible tablet, CFC-free inhalers, prefilled syringes, lyophilized injectable, sterile ophthalmic, etc. They have formulated several submissions with EU and US legal authorities while there is an increasing pipeline of submissions for the statutory markets. Their research and development activities are nearly centered on market desire and conducted by technological advancement. A new, state-of-the-art exploration lab is being built up to facilitate the improvement of pioneering and hard products with a focus to build exclusive market provision. Employee motives: they consider, their committed and extremely proficient people – they're combined adjudicate to excel- have always oriented them towards recent achievements and batch a course for the brilliant future. they continuously search to impress and continue the best skilled in the industry and always take initiatives to assure that their people are activated and motivated, and provided them with an atmosphere that instills glory, fosters growth, and encourages. The company recently employs more than 3800 specializations which include doctors, pharmacists, chemists, microbiologists, and engineers, MBAs, among others. Their capability to transform BPL is impelled by a strong prominence on employee authorization at every level. They usually invest in the education and improvement of their employees. Via their HR initiatives, they are incessantly working to build a world-class atmosphere where the aim and aspirations of the employees are interlinked with the company's objective.

Section 4

Analysis & Discussion

Methodology

This paper is quantitative but qualitative in nature. It's based on secondary data collect from (annual report of 2015 to 2019). This paper used various equations to determine their working capital position. Current assets (their short term investment) current liabilities (their short term liabilities).The current ratio, cash ratio, cash conversion cycle, and net working capital.

Collection of data: This paper is based on secondary data. Data are collected from

- ✓ annual report
- ✓ student paper
- ✓ google scholars
- ✓ company website

Graphs and chart: various graph has been used to identify their working capital position. The current ratio has been used to determine their ability to repay their liabilities. The cash ratio is used to identify how much money they hold in hand. Current assets and Current liabilities find out to determine working capital. The cash conversion cycle used to identify the time needs to convert inventory into cash.

Data implication: Data is used for various ratios and analyses. At first various ratios have been detected and find their working capital and show the impact. As well as compere with another company in the same industry. And all data are collected from the company's annual reports.

Limitation of the study

This study is basically based on working capital management in Beximco pharma. The limitation of this study is based on data collection, the scope of analysis, way of presentation, and perception.

- Only use secondary data which is available through the internet.
- Different between individual and company perception
- Risk and uncertainty (is not calculate)
- Economical position and political influence (is not include)
- Cultural and technological influence (is not include)
- Company motive
- Finally used only secondary data

Analysis and discussion

The current asset (table 1) which is also called as gross working capital. This asset is cash and other transaction which is expected to convert into a liquid asset within one year. Calculation of the current asset of Beximco pharma is given below (2014 to 2019)

Current asset

Particular	2019	2018	2017	2016	2015	2014
Inventories	5,924,031,678	5,058,847,681	3,468,089,061	2,770,331,675	2,817,185,843	2,493,657,338
Spares & Supplies	726,127,262	663,911,096	636,102,892	614,606,112	556,974,583	554,183,898
Accounts Receivable,	3,334,958,905	2,761,509,393	2,167,339,867	1,680,606,796	1,546,921,772	1,397,498,648
Loans Advanc	2,309,503,747	2,094,229,902	1,697,679,418	1,802,304,185	1,784,104,778	1,223,673,153

es and Deposits						
Short Term Investment	323,364,536	339,397,174	886,576,906	1,439,037,813	1,539,430,008	2,475,026,831
Advance income tax	35,681,115	32,568,508				
Cash and Cash Equivalents	610,494,299	393,735,94	275,028,025	221,121,229	147,476,111	222,239,239
Current asset	13,264,161,542	11,344,199,700	9,130,816,169	8,528,007,810	8,392,093,095	8,366,279,107

Table 1 (sources estimated)

Current liabilities

Particular	2019	2018	2017	2016	2015	2014
Short Term Borrowings	9,272,501,280	5,600,826,635	1,239,757,995	1,109,644,270	3,163,551,475	3,153,121,293
Long Term Borrowings- Current Maturity	1,616,670,549	1,568,989,745	920,388,531	920,388,531	724,603,464	663,838,072
Creditors and Other Payables	1,091,809,722	991,712,907	783,838,444	453,828,612	439,018,016	357,710,839
Accrued Expenses	590,317,150	418,476,895	245,375,014	151,086,775	206,228,496	164,283,115

Dividend Payable	7,235,215	4,763,126	353,217	385,507	412,480	454,720
Income Tax Payable	167,298,238	433,416,45	420,924,678	347,233,813	328,194,053	368,339,391

Table 2 (sources estimated)

For the change of time, some of their transactions increase and some of their transactions decrease. By observing this information some points may responsible for **misbalancing** their working capital. Those are given below

Interpretation:

Current Asset (table 1)

- They gradually increase their inventory (in 2014 2,493,657,338 and its increase to 5,924,031,678 in 2019)
- They also increase their credit sales over the year.
- Loans Advances and Deposits also increase over the year.
- Besides, they decrease their Short Term Investment over the year.
- There is no transaction on Advance income tax in 2014-2017
- They also decrease their Cash and Cash Equivalent.

Current liabilities (Table 2)

- Long Term Borrowings-Current Maturity is also increased over time.
- Creditors and Other Payables also increase over the year
- Accrued Expenses also increase gradually
- Short Term Borrowings increase over time

Particular	2019	2018	2017	2016	2015	2014
Current asset	13,264,161,542	11,344,199,700	9,130,816,169	8,528,007,810	8,392,093,095	8,366,279,107
Current liabilities	12,745,832,154	9,018,185,760	3,406,039,548	2,982,567,508	4,862,007,984	4,707,747,430
Net working capital	518,329,388	2,326,013,940	5,724,776,621	5,545,440,302	3,530,085,111	3,658,531,677

- They gradually decrease their dividend payable in 2014 to 2017 after that they increase

Those are the main issues of their current asset and current liabilities and based on those issues their working capital is changing.

Net Working Capital

BEXIMCO PHARMA NET WORKING CAPITAL

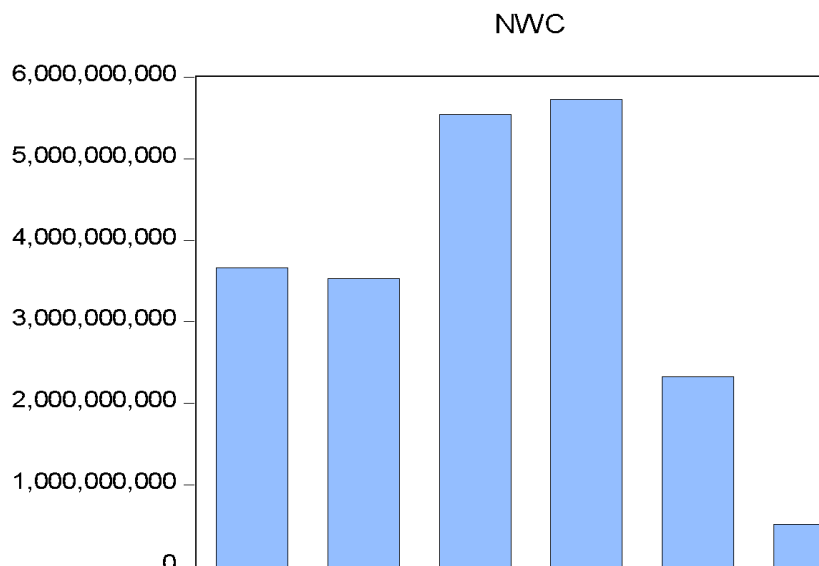


Table 3 & figure 1 (source estimated)

Interpretation: This figure shows (figure 1) from 2014 to 2017 they took more working capital besides it's become decrease in 2018, and 2019 is the lowest amount. By observing this table easily find out that their working capital management is not good at all, they didn't manage working capital properly because in 2019 they invest in working capital is lower for this they would face transaction problems.

The current ratio and cash ratio to determine their payable condition.

Table 4(source estimated)

Particular	2019	2018	2017	2016	2015	2014
Current ratio	1.040667	1.257925	2.680772	2.859284	1.726055	1.77713
Cash ratio	0.047898		0.080747	0.074138	0.030332	0.047207

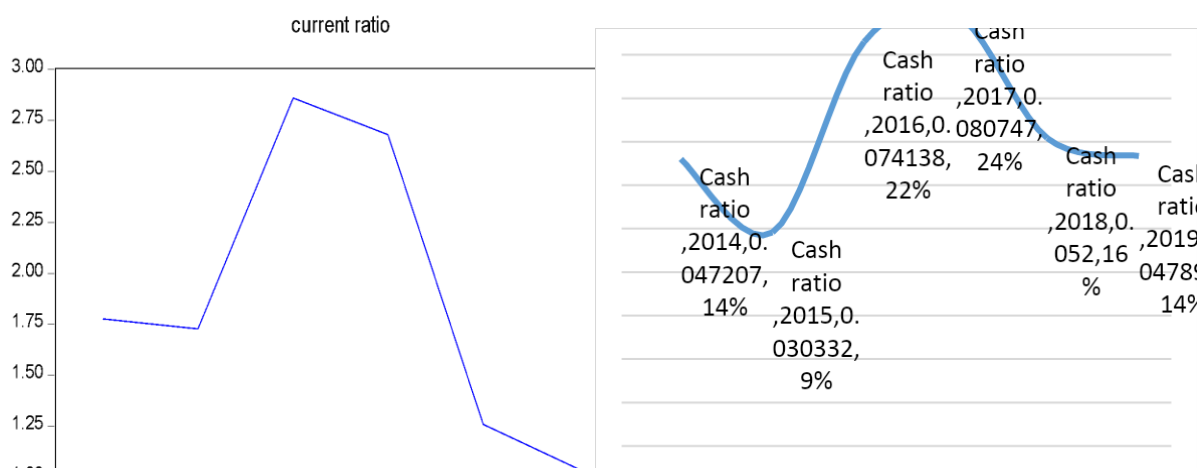


Figure 2 (source estimated)

Interpretation: Current ratio: this graph (figure 2) shows, for 1 take liabilities they have 1.77 take current assets in 2014 which is good enough. In 2015 they hold 1.75 current assets against 1 Tokyo current liabilities which is also good. In 2016 they hold 2.85 takes in hand for 1 take current liabilities which are more than average. In 2017 they hold 2.68 current assets which are also more than average. In 2018 it decreases to 1.25 which is good for an aspect. In 2019 it holds 1.04 current assets, which is below average. There is some aspect given below by observing their current ratio. For 1 taka current liabilities 2 takas current asset is standard.

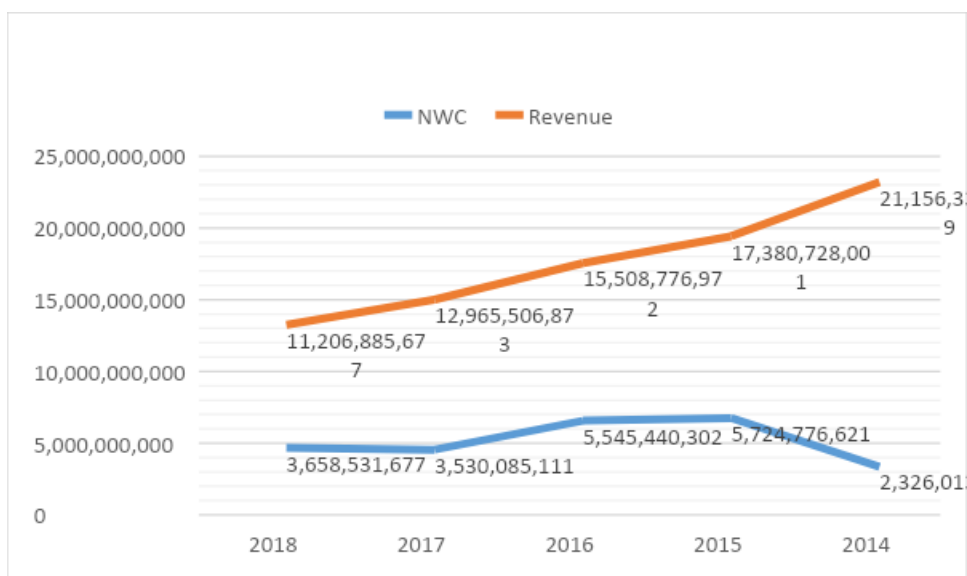
- If an organization holds more money than they follow the conservative policy for that they will invest less amount.

- If an organization holds less than 1 taka current asset for 1 taka current liabilities than the organization failed to repay or manage current liabilities. This investor won't interest to invest.
- If an organization hold less or more money on hand investor think their working capital management is not good.

Interpretation: Cash ratio: cash ratio means for 1 taka liabilities how much company holds cash or cash equipollent on handhold cash in hand for various reasons. Firstly to meets financial obligations .secondly for impressing their investor to feel secure to invest. Thirdly for payable purpose.

Working capital effect on profitability

year	NWC	Revenue
2018	2,326,013,940	21,156,331,039
2017	5,724,776,621	17,380,728,001
2016	5,545,440,302	15,508,776,972
2015	3,530,085,111	12,965,506,873
2014	3,658,531,677	11,206,885,677



Interpretation: This chart shows that there are a positive relationship between Networking capital and profitability. In 2018 they properly manage their Working capital for this their revenue is also increase and in 2017 & 2016 they took more working capital than they need for this their profit also decrease .

Cash Conversion Cycle of Beximco Pharma:

(table 5 & figure 3) the cash conversion cycle looks for a lifetime of cash used for business activities. It follows cash as it is first transformed into inventory and payable accounts, then via the expense, sales and acceptance accounts for the improvement of the product or service, and then cash in hand. Normally, CCC stands for the company that can transfer investment cash from start (investment) to end (return). The smaller the CCC, the preferable. Bexmco pharma provides more time to their accounts receivables and it took more time to sell their inventories for this their cash conversion cycle is higher. If they follow the below thing they could lower their cash conversion cycle

- They should lower their Accounts Receivable turnover by providing less time
- They should efficiently sell their inventories.
- They should take much time to repay their payable.

There is something that should be considered to lower their Cash Conversion Cycle those are

year	COGS	Revenue	Accounts receivable	Inventory
2018	11,365,929,686	21,156,331,039	2,761,509,393	5,058,847,681
2017	9,255,504,681	17,380,728,001	2,167,339,867	3,468,089,061
2016	8,323,895,349	15,508,776,972	1,680,606,796	2,770,331,675
2015	6,965,167,704	12,965,506,873	1,546,921,772	2,817,185,843

2014	6,102,694,323	11,206,885,677	1,397,498,648	2,493,657,338
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Year	Accounts payable	AR turnover	inventory	payable	ccc
2018	991,712,907	46.99034911	160.232	31.41113	175.8112
2017	783,838,444	44.8912354	134.894	30.488	149.2972
2016	453,828,612	39.01135774	119.814	19.62763	139.1978
2015	439,018,016	42.95179844	145.6084	22.69098	165.8692
2014	357,710,839	44.89200013	147.1017	21.10148	170.8922

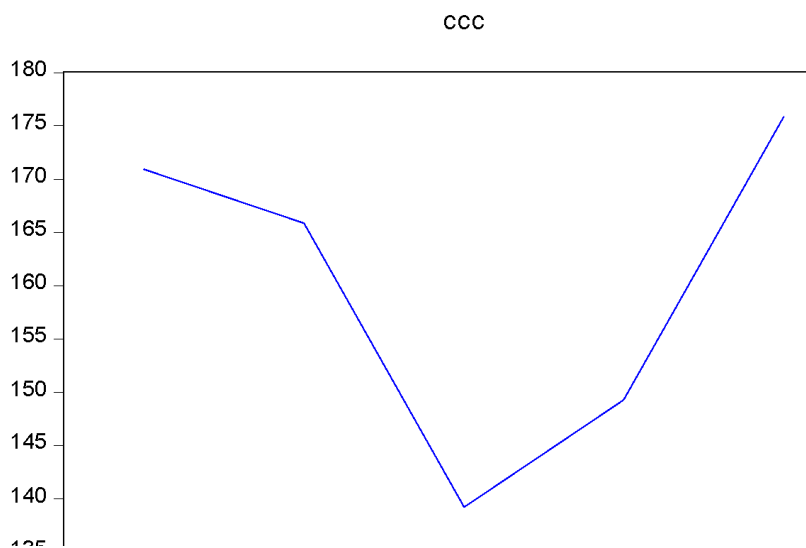


Table 5 & figure 3(source estimate)

Interpretation:

- If the company provides less time to its receivable its customers will be dissatisfied so the company should consider this by observing its competitors.
- If the company took much time to return their payable than the organization was also dissatisfied and didn't want to sell in accrued. (supplier those are the main stakeholder for a company)
- Beximco pharma should be efficient to sell their inventories because it took much time than standard.

Section 5

Competitor Analysis

ACI

ACI or Advanced Chemical Industries (DSE: ACI) is one of the most popular largest Bangladeshi conglomerates. It has been **mainstreamed** as an ICI Bangladesh Manufacturers Limited on 24 January 1973. The company changed its name as an Advanced Chemical Industries Limited (ACI Limited) on 5 May 1992. Now it holds a significant market share.

ACI Net Working Capital

Particular	2019	2018	2017	2016	2015
Current asset	29,010,070,664	23,887,594,556	16635915968	12,606,552,622	10,959,604,714
Current liabilities	25,719,818,003	20,317,402,522	12887528544	8,044,771,790	6,547,974,378
Net working capital	3290252660	3570192030	3748387420	4561780830	4411630332

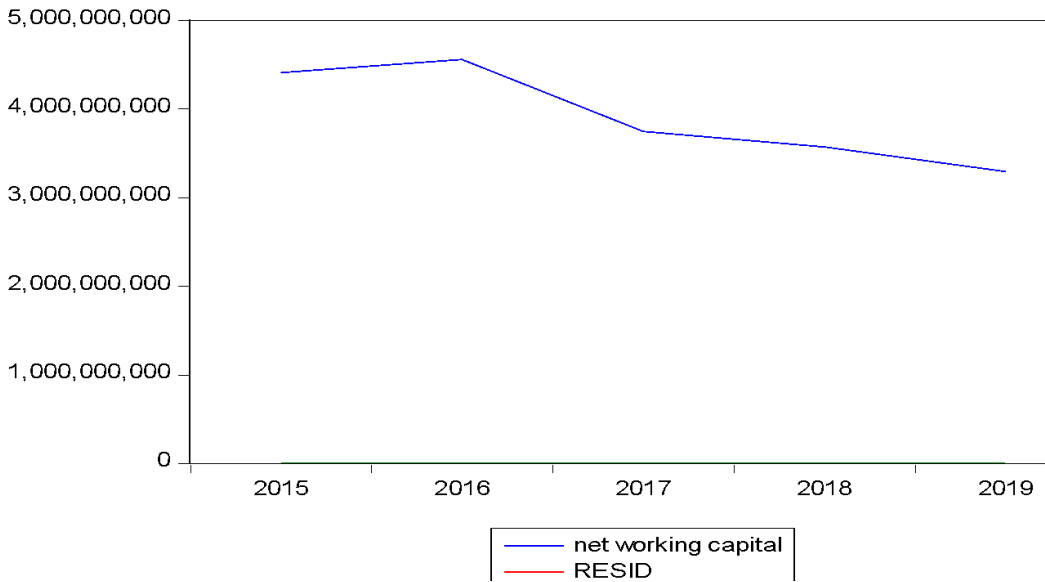


Table 6 & figure 4(source estimated)

Interpretation: This graph (table 6 & figure 4) shows its working capital decreasing over the year slowly. There are two reasons for decreasing working capital first of all they want to invest more amount. Secondly for a speculative motive. Besides this, they manage their working capital quite well.

ACI Current ratio

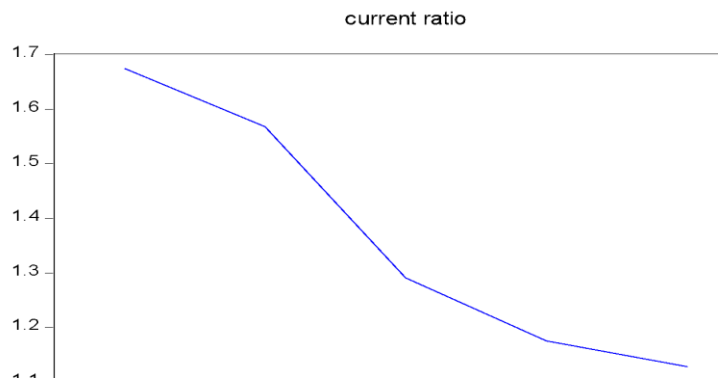


Figure 5 (source estimated)

Interpretation: This graph (figure 5) shows they hold sufficient money in hand for 1 taka liabilities they hold 1.7 taka current assets and gradually they decrease their current ratio for this they will be face problems to meet their daily obligation. They utilize their current asset properly.

Square pharma

SQUARE Pharmaceuticals Limited is the major pharmaceutical company in Bangladesh and it has been incessant in the 1s place among all national and multinational companies since 1985. It was founded in 1958, transfer into a public limited company in 1991, and registered with stock exchanges in 1995. The replacement of Square Pharma was BDT 50.87 Billion (US\$ 609.18 million) with about 16.95% market share having an expansion rate of about 10.85% (July 2018– June 2019).

Mission: Their Mission is to manufacture and offer standard & novel healthcare aid for people, sustain faithfully ethical measures in business activity also assuring advantage to the shareholders, stakeholders, and the society at large by providing quality products and services. They see business as a means to the substance and social wellbeing of the investors, employees, and the society as a whole, driving to an expansion of wealth via financial and ethical conquest as a part of the action of the human civilization.

Square pharma working capital is given below:

Particular	2019	2018	2017	2016	2015
Current asset	38,291,544,874	28,441,536,241	23,175,830,022	16,102,124,657	9,732,170,099
Current liabilities	2,961,270,978	2,200,400,492	2,361,444,052	3,770,882,768	2,549,018,066
Net working capital	35,330,273,896	26,241,135,749	20,814,385,970	12,331,241,889	7,183,152,033

Table 7 (source estimated)

Net working capital:

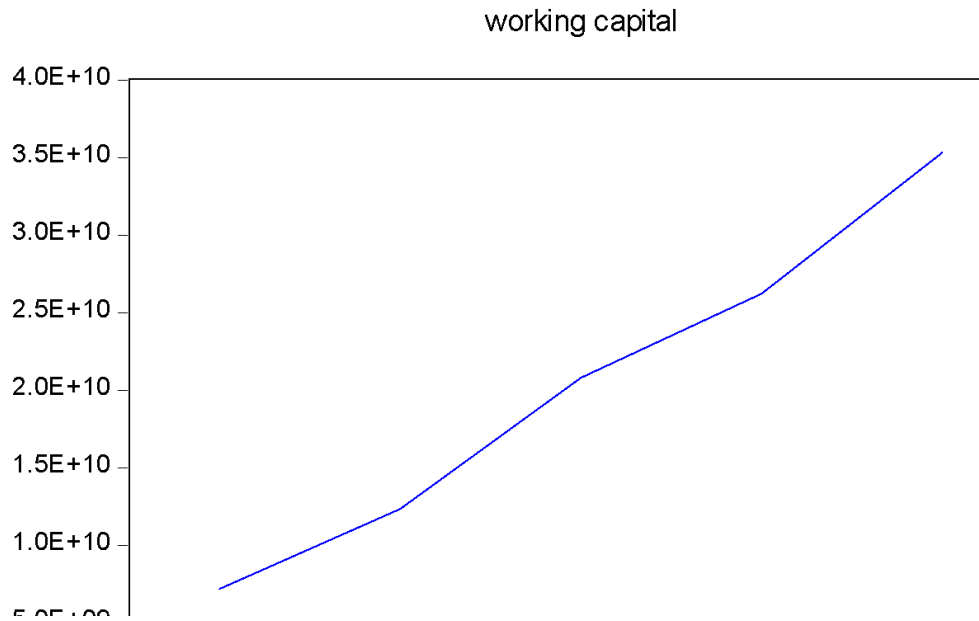


Figure 6 (sources estimated)

Interpretation: Square Pharma working capital: Square pharma is one of the largest companies in Bangladesh. They manage their working capital efficiently and gradually they increase the amount of working capital. They took more amount than other organization because of their financial activity but some point should be considered to take working capital

1. They hold more amount than their need so they lose the opportunity of more investment
2. There is also opportunity cost which must be considered before took working capital
3. The time value of money and nominal interest (real interest + inflation rate) should be considered.

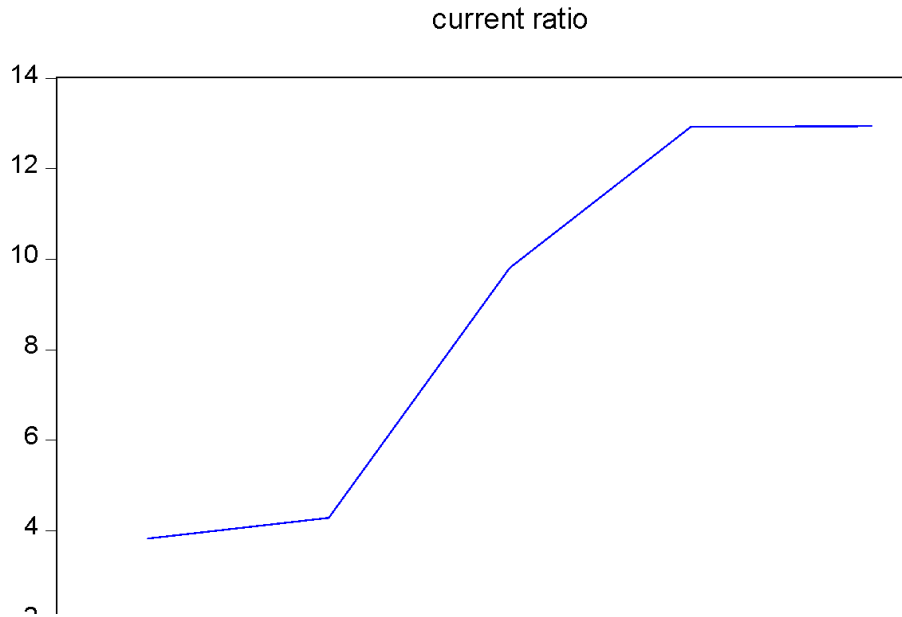


Figure 7 (source estimated)

Interpretation: The current ratio of the square: This graph (figure7) shows their current ratio (for 1 taka liabilities reserve of 1 taka current asset) is increasing day by day. This is good for an organization to impress their investor but there is also some cost to hold more amount in hand. They hold more amount than average which is also bad for an organization because the organization has to consider a level between current assets and current liabilities. For 1 taka current liabilities 2 taka current asset is standard but they took more than 10 takas.

Section 6

Result & Findings

Net Working Capital (Beximco, SQUARE, ACI)

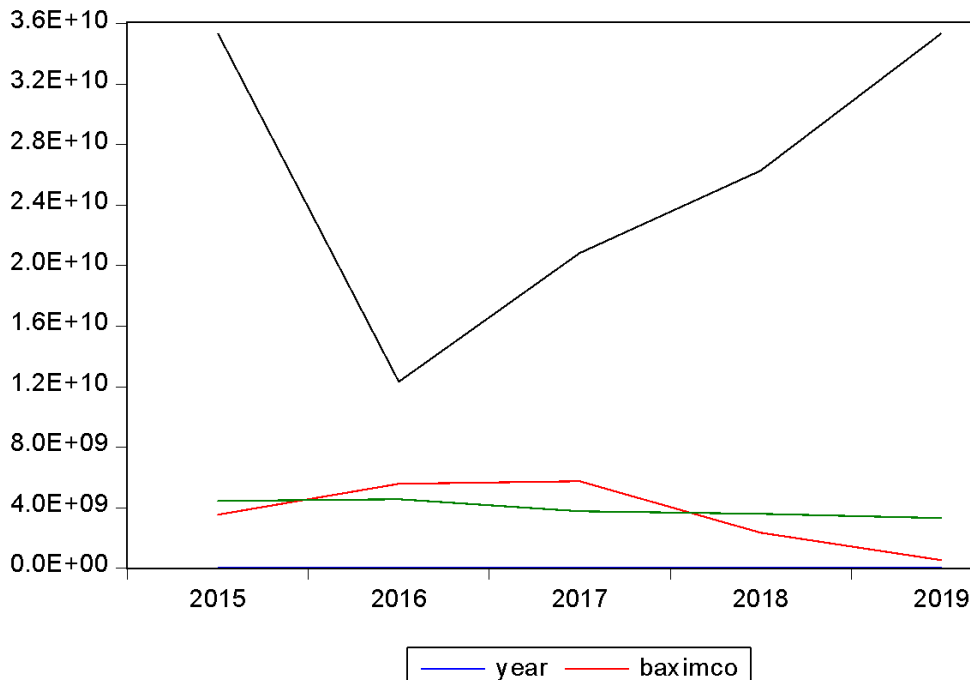


Figure 8(source estimated)

Interpretation: This graph (figure 8) shows the working capital of three companies where the black line defines square, the red line shows Beximco pharma, and the green line shows ACI ltd. Where square pharma manages working capital quite well than others but they also lose more scope of investment besides they impress their investor and investor feel secure to invest. Beximco pharma shows ups and downs situation. And ACI shows similar in every year

Interpretation

Based on the previous year

Networking capital: Now see that their working capital becoming low in 2019. In 2016-2017 they invest more working capital than their needs. But in 2018-2019 they decrease working capital more than their needs. It shows that they failed to manage their working capital. For this, their liabilities transaction is mainly responsible. They will fail to manage their current activities and transaction. Similarly, if they invest more in working capital it means they hold the more liquid asset on hand than they will lose more investment opportunity.

Current ratio: As we see their current ratio (2016-2017) they have current assets more than 2 takas for 1 taka liabilities. Which more than their need they also lose the opportunity of investment. Besides in 2018 they have current asset 1.25 which is acceptable but in 2019 it decreases 1.04 which means they have 1.04 taka current asset against 1 taka current liabilities. There are two aspects to hold money on hand firstly impress their investor and make them feel safe to invest in the second transaction process.

Cash ratio: in 2017 they hold .080 taka for 1 taka liabilities. In 2016 they hold .074 taka against 1 taka current liabilities. Besides in 2019 they only hold .047 cash against 1 taka current liabilities which is very low. For this investor will feel insecure to invest. But for their corporation perspective, they are managing well because it's not always a good decision to hold money on hand.

Based on another company

Net working capital: as we see in 2015 square pharma invests maximum and ACI invest in working capital more than basic but in 2016 Square pharma reduces the amount besides Beximco increase and ACI also increases but still SQUARE Pharma holds the maximum amount. Gradually 2017 SQUARE pharma and BAXIMCO both increase and ACI remaining the same, IN 2018 basic and AIC both reduce besides SQUARE Pharma increase. IN 2019 the whole thing change where BAXIMCO hold little amount which is below the line besides ACI remaining the same and as usually SQUARE pharma increase the amount for working capital.

SQUARE Pharma: one of the largest companies in Bangladesh their working capital is more than Beximco pharma. There will be two possible issues, firstly their financial activities are more than Beximco. Secondly, their working capital needs are more than Beximco Pharma. This comparison is not to show their capability

because their financial function and regulation are different so the comparison is not suitable. This paper tries to compare their need for working capital because both are in the same industry. Consider both are in the same industry this comparison takes its part. And it shows both have some problems with working capital management.

ACI Company Limited: their working capital management is quite miserable. They manage their working capital needs quite efficiently by considering their need and managerial function, rules, and policy. Besides in Beximco Company, there is some problem managing their working capital management which is already described. ACI and Beximco pharma is in the same industry. To compare to the same industry ACI holds less working capital than Beximco.

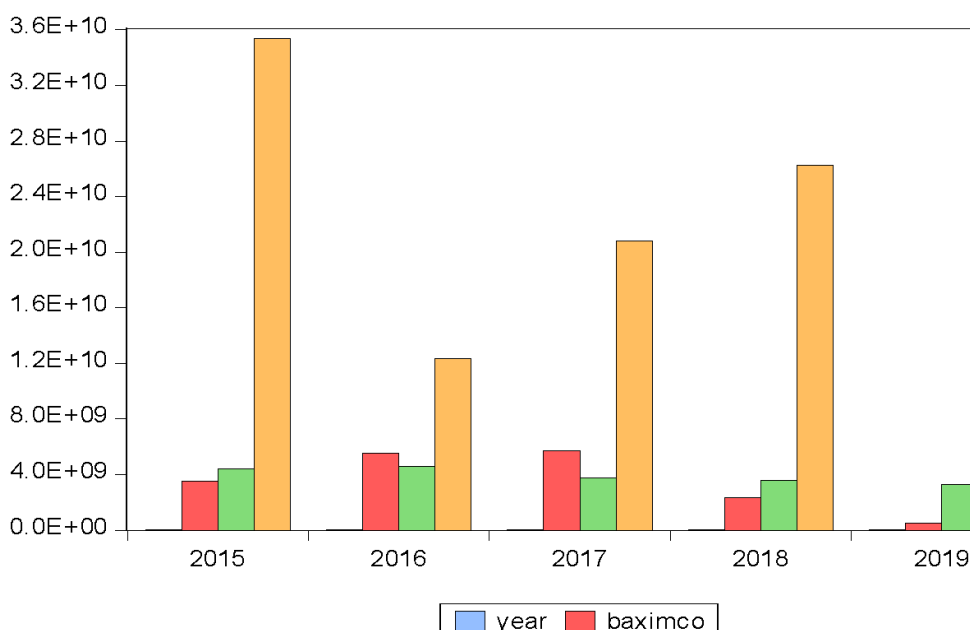


Figure 9(source estimated

Interpretation: It's quite easy to understand that they are competitors but their policy is not equal. Their morality also not equal for this there is a huge difference between their working capital. The study referees that the need for working capital is an endless cycle. It's the liquid investment of an organization to increase its profitability by meeting its daily obligation properly. Figure 9 shows SQUARE pharma has the highest investment in working capital than other organization.

Findings

The findings of this study are based on the working capital management of Beximco pharma. the study is concerned need of working capital as well as working capital management the study suggests that there is a positive relationship between working capital management and the profitability of an organization.

- Beximco Pharma has failed to manage their working capital properly ,there still some opportunity to improve their working capital management
- There is a positive relationship between working capital and profitability in an organization
- Their current ratio management is quite well they manage their current ratio based on market need. For one taka current liabilities, they took more than 1.50 taka current assets. It shows their management is quite well.
- Beximco pharma has to increase its cash ratio because its cash ratio is very low it will demotivate to their potential investor.
- Inadequate investment in current asset excessive investment in current asset decrease firms profitability. Because idle investment earn nothing
- Working capital needs to depend on a firm's size and function for example manufacturing companies and banks need more working capital than a service-based company.
- To earn sufficient from its operation the role of working capital is remarkable.
- SQUARE pharma holds more liquid money then Beximco and ACI. It has both good and bad impacts.
- To handle short term obligations such as short term debt, inventories, payable working capital is needed.
- Less cash conversion cycles indicate that organization is more efficient. They liquid their investment within time. And they have more opportunities and scope to invest.
- Without Permanent working capital, firms can't run. And for more production variable working capital in needed.
- Beximco pharma needs more than 150 days (average) to liquid its investment. They should decrease their cash conversion cycle.

- ACI Ltd has good management in working capital their current ratio is also significant.

Chapter 7

Conclusion & Recommendation

Beximco pharma is one of the largest companies in the Bangladesh pharmaceutical industry. It holds a favorable market share. Their mission vision and objectives are potential. Their management is also very improper. They have a sound relationship with their stakeholder. This paper is based on working capital management. Working capital is important to maintain the overall health condition of an organization. And run an organization smoothly working capital is needed. The various formula has been used to determine their working capital management. The finding of this paper suggests that they need some improvement in their Cash Conversion cycle, Current ratio, and cash ratio. The organization should balance their working capital because excessive and insufficient both are harmful to an organization. This paper suggests reducing its Cash Conversion Cycle by efficient sales. And also reduce their current ratio. The aim of this paper is to shows their working capital management. And the result of this paper finds that they are in a moderate situation their still some scope and opportunity to improve its working capital and also they can improve their activity by invest the proper amount in working capital. SQUARE & ACI Company consider as a competitor because of the same industry but their financial activities and policy are different so they have minor and major both effects in Beximco. Beximco Company can improve their working capital by proper management and analysis. Secondary data has been used in this paper and also describe all thing before measure their working capital. This paper only shows their working capital management but didn't consider other issues of their annual reports.

Recommendation

- **Stimulate Receivables:** inspire customers those payments on time. Determining misdemeanor early and taking speedy action will ward off accounts from senescence too much. Do not negotiate business with customers who have a record of offending.
- **Handel Debt Obligations:** assure that all types of debt obligations are handled on time. Established an electronic payment approach to assure timely payments, and they should avert situations that make late payments and draw a penalization.

- **Maintain fixed and variable cost:** at first determine the fixed cost and variable cost. Fixed costs can't be changed but find a way to reduce variable costs.
- **Diminish inventory cycle:** an inventory differs through industries, it is elementary for every business to operate their inventory. Meager production to rationalize the procedure of production and just-in-time (JIT) manufacture are techniques to operate the inventory. Nevertheless, if the company attempted to forcefully diminish its inventory turnover, an extensive demand impact or a supply collision can run to the incapacity to satisfy its present demand.
- **Broaden payment terms:** if a company can't take advantage of discounts on early payment than the company should hold the cash for as far as conceivable to pay back their borrowing. A superior bargain with debtors also helps to lengthen the payment terms. However, if the suppliers cannot keep up with the extended payment condition, this may adequately expand the company's expense. Because of the suppliers will have to gain funding at increasing rates and move the expanse onto the company. Enhance working capital by best possible payment condition by percolation and bargaining with suppliers, thus can offer such extended payment. It's also considered that the company will not bear the additional cost.

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