

Growth Trend of Pharmaceutical Industry in Bangladesh: A Case Study on Square Pharmaceutical Limited

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Abstract

This article describes the growth and status of the pharmaceutical industry in Bangladesh and how it relates and compares with the global pharmaceutical industry. Pharmaceutical sector of Bangladesh is a massive and very much promising sector in Bangladesh. This sector takes a new horizon in the economic growth of Bangladesh. Pharmaceutical industry plays an immense role in the exporting earnings of Bangladesh. The growth of this sector is increasing at a higher rate and making new opportunities regarding employment and foreign earnings and ensuring the local health care by providing essential drugs at a minimum price.

Introduction

Bangladesh is a developing country in the world. The per capita income of the people is low. But healthcare is the basic need of human being. Most of the people of the country can't maintain their basic needs in time. So, the annual per capita drug consumption in Bangladesh is one of the lowest in the world. However, the industry has been a key contributor to the economy of Bangladesh since independence. With the development of healthcare infrastructure and increase of health awareness and the purchasing capacity of people, this industry is expected to grow at a higher rate in future. Steady economic growth is likely to encourage the pharmaceutical companies to introduce newer drugs and newer research products, while at the same time maintaining a healthy creativeness in respect of the most essential drugs.

Many established entrepreneurs of Bangladesh today started with pharmaceutical companies and contributed a huge amount of foreign currency to our national ex-chequer.

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Pharmaceutical sector of Bangladesh is one of the most developed hi-tech sectors which are contributing to the country's economy. After the promulgation of Drug (Control) Ordinance 1982, the development of this sector was accelerated day-by-day. The professional knowledge, thoughts, and innovative ideas of the pharmacists working in this sector are the key factors for these developments. Due to the recent development of this sector, pharmaceutical industries are exporting pharmaceutical products to the global market. Now, this sector provides 97% of the total pharmaceutical products requirement of the local market. Leading pharmaceutical companies of Bangladesh are expanding their business with the aim to expand export market. Recently, few new pharmaceutical industries have been established with hi-tech equipments and professionals which are enhancing the strength of this sector.

Distribution channel of pharmaceutical products in Bangladesh has evolved in a unique way. The industries are retail oriented and the bulk of distribution is done by the companies themselves. They distribute their products from their own warehouses located in different parts of the country. Wholesalers play a limited role in this regard since companies supply goods to both retailers and wholesalers.

The exporting of pharmaceutical products is still in an infant stage although a number of private pharmaceutical companies have already entered the export market with their basic materials and finished products. They export their products to Vietnam, Singapore, Myanmar, Bhutan, Nepal, Sri Lanka, Pakistan, Yemen, Oman, Thailand, and some other countries of central Asia and Africa.

Growth and Drug (Control) Ordinance' 1982

Following the Drug (Control) Ordinance of 1982, many local pharmaceutical companies improved the range and quality of their products considerably. The Drug Act of 1940 and its rules formed the basis of the country's drug legislation. At that time, the pharmaceutical industry was dominated by the foreign companies.

In early 1980's there were 166 licensed pharmaceutical manufacturers in our country, but their production was highly dominated by 8 (eight) multinational companies which manufactured about 75% of the products. A positive impact of the Drug (Control) Ordinance of 1982 was that the limited available foreign currency was exclusively utilized for importing pharmaceutical raw materials and finished drugs, which are not produced in the country. In 2000, the pharmaceutical companies of Bangladesh produced 5,600 brands of medicines in different dosage forms.

The major positive impact of Drug (Control) Ordinance is the rapid development of local manufacturing capability. Under the Drug (Control) Ordinance 1982, the Government fixed the maximum retail prices of the locally manufactured products. It is interesting to note that even after the withdrawal of price control from many products, prices have not shot up; healthy competition has been keeping the prices within affordable levels.

A Laconic Scenario of Square Pharmaceuticals Ltd. Bangladesh (SPLB)

Square Pharmaceuticals Ltd. Bangladesh (SPLB) plays a dominant role in the field of pharmaceuticals sector of Bangladesh. SQUARE is the leading & the largest pharmaceutical industry of Bangladesh and it has been accorded Gold Award as an achiever of industrial pharmaceutical products amongst the SAARC countries for the year 2007 by Ceylon National Chamber of Industries (CNCI).

The management team of the concern leads the entire range of activities with dedication, deft, dependability, determination, donation, dexterity, dignity, diligence, discipline, discretion, destination, drive, dutifulness and dynamism that are rarely available in a society of Bangladesh.

The concern is committed to its working people, and gives full concentration on offering the highest return to the provider of capital i.e., Shareholders.

At the same time, the Management of SPLB maintains an endeavor to run the business with full transparency and ethical codes and assures the social responsibility to the Government.

The vision of SQUARE is to produce quality product, social well being of the inventors, employees and the society at large, leading to an accretion of wealth through financial and moral gains as a part of the process of the human civilization. The mission of SPLB is to produce and provide quality & innovative healthcare relief for people, maintain stringently ethical standard in business operation and ensure benefit to the shareholders and stakeholders and the society at large. The main objectives of SQUARE are to conduct transparent business operation based on market mechanism within the legal & social framework of the country.

Square Pharmaceuticals Limited (*SPL*) owns and operates a modern Pharmaceuticals factory and produces and sells pharmaceutical drugs and medicines. The company has a separate Division to operate a modern Basic chemical Factory and produce basic chemical products. It has also an Agro Vet Division, producing Agro Vet products. The subsidiaries own Textiles Spinning Mills and manufacture yarn.

Objectives of the Study

The main objective of this paper is to expose the growth of pharmaceutical industry in Bangladesh. Other related objectives are:

- I. To identify the Growth of national market and the growth of SPLB;
- II. To explore the growth of export (turnover) of SPLB; and
- III. To highlight the growth of total assets and shareholders' equity of SPLB.

Research Method

This study is concerned with the analysis of the growth of the pharmaceutical industry in Bangladesh. In order to achieve the above objectives, an assessment of the pharmaceutical sector of Bangladesh is necessary. Moreover, research method is deployed to examine the annual reports of SPLB. The necessary quantitative and qualitative information has been obtained from the secondary sources at both national and international levels. Various statistical tools like mean, standard deviation, co-efficient of variation and growth model are applied to satisfy the objectives.

Data Analysis and Interpretation

Collected data has been processed and analyzed in accordance with the objectives of the study. Processed and analyzed data have been summarized and interpreted to find out the real facts of the concern.

Comparison of Growth Rate

The national pharmaceutical market growth and that of the SPLB during the past 08 years are given below:

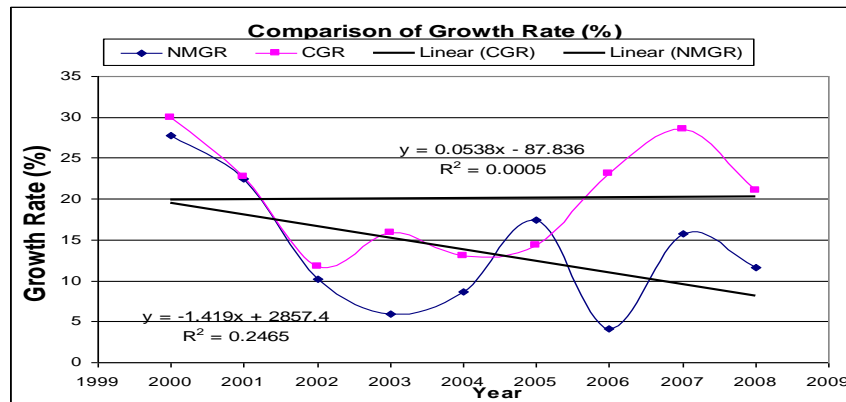
Table -01
Comparison of Growth Rate (%) During 2000 to 2008

Year	National Market Growth Rate	SPLB 's Growth Rate
2000	27.79	29.95
2001	22.46	22.70
2002	10.18	11.70
2003	05.90	15.91
2004	08.60	13.08
2005	17.50	14.30
2006	04.08	23.17
2007	15.80	28.60
2008	11.65	21.00
Total	123.96	180.41
Average	13.77	20.05
SD	07.83	06.68
CV (%)	56.82	33.34

Source: Annual Reports of Square Pharmaceuticals Ltd. Bangladesh

It is revealed from the table 1 that the average national market growth is 13.77%, whereas the growth of SQUARE is 20.05%. As a result, it is clearly visualized that the growth rate of SPLB is higher than national market share. On the other hand, the tremendous variation is observed in the case of national market growth rate (CV=56.82%); whereas, the variation in growth of SPLB (CV=33.34%) is lower than the national market growth.

Graph 01



Source: Annual Reports of Square Pharmaceuticals Ltd. Bangladesh

It is exhibited in graph No. 01 that the trend of Growth Rate of SPLB is slightly upward since the constant value of the equation is positive. On the other hand, the trend of national market growth rate is downward because the constant value of the equation is negative. As a matter of fact, it may be affirmed that the national growth trend is not satisfactory; but the growth trend of SPLB is satisfactory.

Growth of Export (Turn-over)

In an effort to expand the market for the pharmaceutical products beyond the border, the company has been successful in exporting to several countries at an increasing ratio of its turnover as indicated below:

Table -02
Growth Trend of Turnover during 2001-2008

Year	Gross Turnover	Growth (%)
2001	9,09,638	-
2002	7,21,503	-0.79%
2003	11,17,898	1.55%
2004	15,58,865	1.39%
2005	22,01,919	1.41%
2006	27,26,173	1.24%
2007	34,02,586	1.25%
2008	46,02,659	1.35%
Total	1,72,41,241.00	0.07
Average	21,55,155.13	0.01
SD	13,58,189.07	0.01
CV (%)	63.02	88.78

Source: Annual Reports of Square Pharmaceuticals Ltd. Bangladesh

It is revealed from the table-02 that the gross turnover is significantly increasing with the passage of time. The variation in gross turnover is 63.02% and it happens due to the increasing of gross turnover year by year. As a matter of consequence, the growth rate is also increasing with the passage of time and the variation in growth rate is also high (88.78%). In fact, the trend of gross turnover and the trend of growth rate are very momentous and highly satisfactory.

Growth Rate of Total Assets and Shareholders' Equity

Table-03

Growth of Total Assets and Shareholders' Equity during 2001-2008

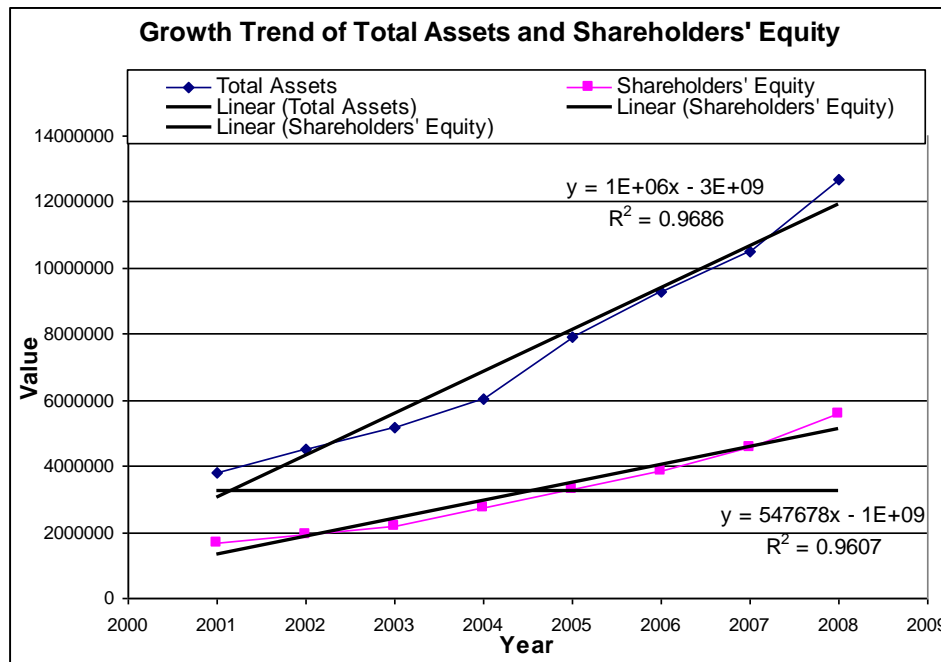
Year	Total Assets	Shareholders' Equity	Ratio	Growth (%)
2001	3,810,860	16,93,731	2.25	-
2002	45,26,115	19,22,437	2.35	18.77
2003	51,64,320	21,78,089	2.37	14.10
2004	60,21,497	27,51,766	2.19	16.60
2005	79,07,933	32,73,714	2.42	31.33
2006	92,98,987	38,51,098	2.41	17.59
2007	1,04,86,940	45,90,142	2.28	12.78
2008	1,27,03,127	55,68,790	2.28	21.13
Total	5,99,19,828	2,58,29,820	2.32	132.29
Average	54,47,257	23,48,165	2.32	18.90
SD	38,62,595	16,72,524	2.31	6.15
CV (%)	70.91	71.23	1	32.55

Source: Annual Reports of Square Pharmaceuticals Ltd. Bangladesh

It is shown in the table 03 that the total assets are more than two times of shareholders' equity. In fact, it may be assured that SPLB is the thick levered firm in the pharmaceutical sector. The variations in total assets and shareholders' equity are almost same i.e., 70.91% and 71.23% respectively. It is certainly true that variations in total assets and shareholders' equity have occurred due to the increasing trend of the said variables. Moreover, the average growth rate (18.90) is highly satisfactory and the variation in growth rate (32.55%) is happening for the aforesaid causes.

Eventually, the growth trend of total assets and shareholders' equity is enviable for the firm and as well as for the stakeholders of the firm.

Graph-02



Source: Annual Reports of Square Pharmaceuticals Ltd. Bangladesh

It is clearly exposed in the graph-02 that the trend of growth in respect of total assets and shareholders' equity is upward since the constant values of both the variables are positive. Furthermore, the value of coefficient of determinations in both the cases is significant ($R^2 = 0.9686$ in the case of Total assets and it is 0.9607 in the case of shareholders' equity).

Findings of the Study

In Bangladesh, the growth of pharmaceutical industry is shown very rapid since the last three decades. It is revealed from the table 1 that the average national market growth is 13.77%, whereas the growth of SQUARE is 20.05%. As a result, it is clearly visualized that the growth rate of SPLB is higher than national market share. On the other hand, the tremendous variation is observed in the case of national market growth rate ($CV=56.82\%$); whereas, the variation in growth of SPLB ($CV=33.34\%$) is lower than the national market growth.

It is exhibited in the graph no. 01 that the trend of Growth Rate of SPLB is slightly upward since the constant value of the equation is positive. On the other hand, the trend of national market growth rate is downward because the constant value of the equation is negative.

As a matter of fact, it may be affirmed that the national growth trend is not satisfactory; but the growth trend of SPLB is satisfactory.

It is revealed from the table-02 that the gross turnover is significantly increasing with the passage of time. The variation in gross turnover is 63.02% and it has happened due to the increase of gross turnover year by year. As a matter of consequence, the growth rate also increases with the passage of time and the variation in growth rate also high (88.78%). In fact, the trend of gross turnover and the trend of growth rate are very momentous and highly satisfactory. Sufficient assets are available against the shareholders' equity. Probably, it is hoisted because of huge amount of retained earnings and capital reserve or it has happened due to the thick leverage policy of the firm. The variation in assets and equity is almost the same due to the same increasing growth of two variables.

Eventually, the growth trend of total assets and shareholders' equity is enviable for the firm and as well as for the stakeholders of the firm.

Recommendations

From the above analysis and interpretation of the table and graphs, the researcher has some observations about the firm. The firm has been doing its business very sincerely since its commencement i.e., 1958. So, the author deserves the following recommendations for the more betterment of the firm in future.

- Ensure to meet the market demand & smooth supply of fast moving products or seasonal products;
- Should launch block buster products – anti cancer & anti- AIDS;
- Install more sophisticated plants to produce more for crisis recovery during pick season;
- Strengthen existing distribution network & ensure smooth operation of distribution network;
- Try to establish new product & latest strategy to beat the competitors;
- Keep close monitoring on competitor's activities in the market & take action accordingly to keep up the position & also enhance the customer satisfaction;
- Give more concentration on new products to generate more prescription as well as business;
- Increase party coverage & ensure the satisfaction of periphery customers like Doctors & Chemists, even the retail sellers of the product;
- Increase the remuneration of employees which will enhance motivation & increase productivity;
- Give more concentration on products' quality and financial liquidity.

Conclusion

The Pharmaceuticals industry is a gigantic & very much promising sector in Bangladesh. It is contributing a great deal to the economy of the country. SPLB began its marketing after or during independence. It is one of the oldest names in Pharmaceuticals sector, and is renowned throughout the country. This pharmaceutical industry has been providing very comprehensive and time tested products in the market in accordance with the need of the society. With its strong distribution network, Square has reached almost every corner of Bangladesh supported by 18 depots strategically located in different places of the country to ensure customer satisfaction. The superior quality of SPLB's products has been possible because of support from its advanced technology and an international standard of strict quality. Moreover, its management has introduced good governance to establish, maintain and monitor standard qualities and policies for ethics and business practices as a model of the pharmaceutical sector of Bangladesh.

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