



**AN APPRAISAL OF
NOVARTIS (BANGLADESH) LIMITED**

SUBMITTED TO:

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Subject: Submission of the internship report on “An Appraisal of Novartis (Bangladesh) Limited”

Honorable Sir,

Here is the internship report on “An Appraisal of Novartis (Bangladesh) Limited” that I would like to submit for the requirement of my BBA program.

In preparing the report, I have made sincere efforts to present the relevant information pertinent to this report and have analyzed them accordingly.

In this connection, may I urge up on the benign honor of yours to go through the paper and let me know about any change and adjustment on the report.

Thanking You.

Sincerely Yours:

Faiyaz Mohammad Chowdhury
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ACKNOWLEDGEMENT

I first express my deep gratitude to the almighty Allah who gave me the opportunity to finish this task. Then I would like to express thanks to my internship supervisor- Dr. Tanbir Ahmed Chowdhury (Professor, Department of Business Administration, East West University) and at the same time, my official reporting supervisor- Zulfiqar Haider Ali (Head of Sales, Novartis Pharmaceuticals), which has given me the opportunity to work with them for a period of 3 Months. The blend of all these factors has made my attempt successful. And the insight and invaluable remarks of my supervisor left distinct of the work. To his generosity my gratitude is unbounded. I express my deep gratitude and heart full thanks to my University and my company for granting such an opportunity to me. Finally I must remember my parents and all members of my family with deep gratitude for the mental and financial support and finally to my internship trainer, Khondoker Munir Uddin Chowdhury (Sales Manager, Novartis Pharmaceuticals), assistant for the contribution in all the work I have done in this report.

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CHAPTER 1

INTRODUCTION





CHAPTER 1

INTRODUCTION

1.1: OVERVIEW OF NOVARTIS LIMITED:

Novartis International AG is a multinational pharmaceutical company based in Basel, Switzerland, ranking number one in revenues, which accounted over \$53 billion in 2008, and number three in sales, which accounted 36.172 billion in 2008. Novartis is one of the largest healthcare companies in the world and a leading giant among pharmaceutical companies. Novartis produces medications for many diseases, cancer and cardiovascular medications that make up the bulk of sales. These medications include blockbuster drugs Gleevec and Diovan, which will benefit people who are more susceptible to cancer or cardiovascular problems. In addition to their current drugs, Novartis has one of the strongest pipelines in the pharmaceutical industry, with over 50 new products set to premier in the next several years.

Novartis is different from any other major pharmaceutical company in that it also has a strong presence in the generic market. Sandoz - one of its divisions - brought in 18% of the company's total sales in 2008. With \$7.6 billion in annual sales, Sandoz is the largest generic manufacturer under a major pharmaceutical company. This investment in the generic market allows Novartis to be somewhat insulated from patent expiration. At the same time, however, the investment in generics may complicate Novartis's stance towards patent issues since it has large stakes on both sides of the issue.



Photo: Novartis Headquarter, Basel, Switzerland



Novartis faces many of the challenges of other pharmaceutical companies, including issues surrounding patent expiration and FDA approval. In addition, there is growing pressure in the US and abroad to lower the price of medication. Again, some of these challenges may be buffered by Novartis's position in the generics market.

Novartis (Bangladesh) Limited at a Glance

<i>Name of the Company</i>	: Novartis (Bangladesh) Limited
<i>Shareholders</i>	: Novartis AG, (Switzerland) (60%) Bangladesh Government (by BCIC) (40%)
<i>Head Office</i>	: House 50, Road 2/A, Dhanmondi R/A Dhaka 1209, Bangladesh
<i>Managing Director</i>	: Ashfaque ur Rahman
<i>Year of establishment</i>	: 1997
<i>Started Operation</i>	: 1973 (as “Ciba Geigy”)
<i>Industry</i>	: Pharmaceuticals
<i>Divisions</i>	: Pharmaceuticals, Sandoz and Consumer Health
<i>Distribution Centers</i>	: 11 Distribution Centers Nationwide
<i>Manufacturing Plant</i>	: Tongi, Gazipur (with GMP standard & European Certification)
<i>Total Employees</i>	: 1028 (June, 2009)
<i>Position in the Industry</i>	: 12 th
<i>Competitors</i>	: GlaxoSmithKline, Sanofe-Aventis
<i>Sales (BD)</i>	: Tk. 1340.97 Million (2008)
<i>Export Value</i>	: Tk. 1058 Million (2007)
<i>Corporate Website</i>	: www.novartis.com.bd

Company Logo





1.2: OBJECTIVES OF THE STUDY:

The report “An Appraisal of Novartis (Bangladesh) Limited” intends to explore the organizational functions of Novartis (Bangladesh) Limited in contrast of the overall pharmaceutical industry. The objectives of this report can be explained as follow:

- I. **To present an overview and principle activities of Novartis (Bangladesh) Limited**
- II. **To appraise the strategic role of pharmaceuticals industry**

1.3: SCOPES AND METHODOLOGY OF THE STUDY:

To do this study the “Observation” and “Interview” methodology have been used. I have practically observed most types of activities of the Marketing process. When ever any critical situation arose, I interviewed the concerned persons to clear that matter or to know more about it. The report was designed by the following steps:

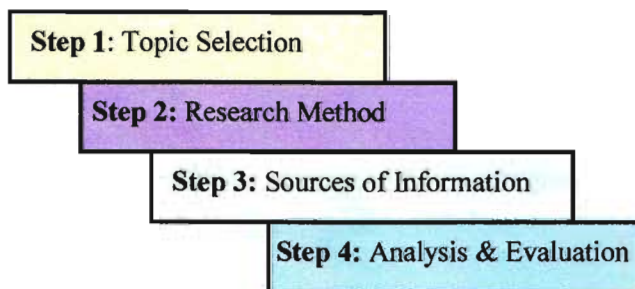


Figure: Step by step methodology of the report



1. Topic Selection

The topic of this report- “Functions of Novartis (Bangladesh) Limited in contrast of Pharmaceuticals industry”, was chosen with the objective to present a scenario of Novartis (Bangladesh) Limited in the light of pharmaceuticals industry. The preparation of this report has been initiated by generating ideas based on the basic requirements of the study. Ideas have been designed regarding the overall presentation of the report, its appropriate contents, relevant information sources and processes.

2. Research Method

In the second stage, few concepts have been developed for the research procedures. The method for this study was simply collecting data from relevant sources (Basically from the history of Novartis (Bangladesh) Limited and direct interview from the respective product/portfolio managers, Key accounts Managers) and analyze them to generate relevant report. And the statistical data were processed on MS Excel.

3. Source of Information:

➔ Primary Data:

Interview: A significant amount of information was collected through interviewing the Portfolio Managers (Marketing) and the Key Account Manager (Sales). All the officials were very much cooperative and provided in-depth knowledge about the working process.

Sample Size: To collect the relevant information, I have interviewed our KAM (Key Accounts Manager) and 7 product managers from both Pharma and Sandoz division. Although most of the information were collected from secondary source for the sake of this report.

Questions Asked: Because my report topic was based on the functions of Novartis (Bangladesh) Limited, most of the experiences I have gathered by



observing the operations myself. That's why no formal questioner was developed. But the factors I covered as my query were-

- Divisional activities
- Responsibilities of product managers
- Production size of different divisions
- Sales volume of each division

Based on these issues my report has proceeded.

Data Years: The years I have focused to collect data was 2004 to 2008. But some of the information has been collected from the establishment years also.

Active Participation: Some information was collected from the active participation in different projects and assignments during the internship period. It was very much educative and provided quality experience to deal with practical problems.

Observation: Some information was collected on the basis of close observation of the processes and activities.

➔ Secondary Data:

The secondary data were collected from the both the Global and local websites of Novartis and from its subsidiaries. Some additional information has been collected from various sources like Bangladesh Pharmaceutical Index, IMS (Information of Medical Statistics), annual reports, Internet, newspapers and features in different e-magazines.

4. Analysis and evaluation of the information

After all the information is collected, different types of analysis were done to provide a better understanding of the overview, trends and findings. Further evaluation was done to make sure that the analyses were feasible and relevant to the requirement of the report.



The final report writing has been initiated after the above processes are fully completed.

1.3: LIMITATIONS OF THE STUDY:

There are few limitations of this report for which the findings of the study may not represent the complete scenario of the positioning activities. The limitations are summarized below:

1. The Marketing and Finance Departments are core units of the Pharma division of Novartis. So most of the information is confidential and is not communicable publicly.
2. Most of the tasks of this unit involve negotiating with the third parties (Clients) which require being an employee of Novartis Pharmaceuticals. So, as an Internee, I could not participate in those activities directly, I just had the basic concepts from interviewing.
3. Novartis (Bangladesh) Limited has three core divisions working in Bangladesh i.e. Pharmaceuticals (branded and patented products), Sandoz (generic products) and Consumer Health. As the Internship was performed in the Pharmaceutical division, the strategies of the other two divisions were not included in this report.

In the following parts of this report, various aspects of Novartis (Bangladesh) Limited are illustrated and the full work flow of the Marketing department is described.

CHAPTER 2

AN OVERVIEW OF NOVARTIS (BANGLADESH) LTD.





CHAPTER 2

AN APPRAISAL OF THE PRINCIPAL ACTIVITIES OF NOVARTIS (BANGLADESH) LIMITED

2.1: BACKGROUND OF NOVARTIS LIMITED:

Novartis was created in 1996 from the merger of Ciba-Geigy and Sandoz Laboratories, both Swiss companies with long histories. At the time it was said to be the largest corporate merger in history. Ciba-Geigy was formed in 1970 by the merger of J. R. Geigy Ltd (founded in Basel in 1758) and Ciba (founded in Basel in 1859). Combining the histories of the merger partners, the company's effective history spans 250 years.

Ciba-Geigy

- ➔ Johann Rudolf Geigy-Gemuseus began trading in 1758 in materials, chemicals, dyes and drugs of all kinds in Basel, Switzerland. Johann Rudolf Geigy-Merian and Johann Muller-Pack acquired a site in Basel in 1857, where they built a dyewood mill and a dye extraction plant. Two years later, they began the production of synthetic fuchsine. In 1901, they formed the public limited company Geigy and the name of the company was changed to J. R. Geigy Ltd in 1914.
- ➔ In 1859 Alexander Clavel took up the production of fuchsine in his factory for silk-dyeing works in Basel. In 1864, a new site for the production of synthetic dyes was constructed, and in 1873, Clavel sold his dye factory to the new company Bindschedler & Busch. In 1884 Bindschedler & Busch is transformed into a joint-stock company with the name "Gesellschaft für Chemische Industrie Basel" (Company for Chemical Industry Basel). The abbreviation Ciba was adopted as the company's name in 1945.



- ➔ In 1925 J. R. Geigy Ltd. began producing textile auxiliaries an activity which Ciba took up in 1928.
- ➔ In 1939, Geigy chemist Paul Hermann Müller discovered that DDT was effective against malaria-bearing insects. He received the Nobel Prize in Medicine for this work in 1948.
- ➔ Ciba and Geigy merged in 1971 to form Ciba Geigy Ltd., and this company merged with Sandoz in 1996 to form Novartis.

Sandoz

- ➔ The Chemiefirma Kern & Sandoz ("Kern & Sandoz Chemistry Firm") was founded in 1886 by Dr. Alfred Kern and Edouard Sandoz. The first dyes manufactured there were alizarine blue and auramine. After Kern's death, the partnership became the corporation Chemische Fabrik vormals Sandoz in 1895. The company began producing the fever-reducing drug antipyrin in the same year. Further pharmaceutical research began in 1917.
- ➔ Between the World Wars, Gynergen (1921) and Calcium-Sandoz (1929) were brought to market. Sandoz also produced chemicals for textiles, paper, and leather, beginning in 1929. In 1939, they began producing agricultural chemicals.
- ➔ The psychedelic effects of lysergic acid diethylamide (LSD) were discovered at the Sandoz laboratories in 1943 by Albert Hofmann. Sandoz began clinical trials, and marketed the substance, from 1947 through the mid 1960s, under the name Delysid as a psychiatric drug, thought useful for treating a wide variety of mental ailments, from alcoholism to sexual deviancy. Sandoz suggested in its literature that psychiatrists take LSD themselves, to gain a better subjective understanding of the schizophrenic experience, and many did exactly that. Research on LSD peaked in the 1950s and early 1960s. Sandoz withdrew the drug from the market in the mid 1960s.



- ➔ Sandoz opened its first foreign offices in 1964.
- ➔ In 1967, Sandoz merged with Wander AG (known for Ovomaltine and Isostar). Sandoz acquired the companies Delmark, Wasabröd (a Swedish manufacturer of crisp bread), and Gerber Products Company.
- ➔ On 1 November 1986, a fire broke out in a production plant storage room, which led to a large amount of pesticide being released into the upper Rhine River. This exposure killed many fish and aquatic lives..
- ➔ In 1995, Sandoz spun off its speciality chemicals business to form Clariant. Subsequently, in 1997, Clariant merged with the speciality chemicals business that was spun off from Hoechst AG in Germany.

Novartis

On March 7, 1996, the news shook the business world. It has been formally announced that, Sandoz and Ciba, two proud Swiss based companies with almost three hundred years of tradition, agreed to integrate to become one. The creation of Novartis was at that time one of the largest corporate merger in the history. Ciba-Geigy Ltd. and Sandoz both have a colorful and rich history spanning more than hundred years. Preceding the merger, there were months of top-secret negotiations and meetings of the minds on a bold strategic move.

With the approval of the EU and US Federal Trade Commission, Novartis finally came into existence on December 20, 1996, clearing all the regulatory hurdles of the merger.

Headquartered in Basel, Switzerland, Novartis innovates for the benefits of its customers. It operates through 360 affiliates in 140 countries and offers its products through its Pharmaceuticals, Generics, consumer Health, CIBA Vision, Animal Health and Business Development & Licensing Unit.

Moreover, Novartis provides a shareholder return that reflects outstanding performance. It also wants to build a reputation for an exciting workplace where



people can realize their professional ambition and where creativity is encouraged. The recent history of Novartis has been marked by many interesting events and success stories. This research would focus on those in the following sections.

Novartis is the world leader in research and development of products to protect and improve health and well being. The very name, derived from the Latin *novae artes*, meaning ‘new skills’ reflects our commitment to focus on research and development to bring innovative new products to the community we serve. Novartis wants to have a positive impact on people’s lives and to discover, develop and successfully market innovative products to cure disease and enhance the quality of life.

Novartis is a dynamic and forceful industry leader, based on a foundation of strong management and common cultural heritage. The new group will be concentrating on activities with greatest promise and which best reflect current competencies and know-how.

2.2: MAJOR FUNCTIONS OF NOVARTIS LIMITED:

At present, Novartis is one of the top 5 global pharmaceutical companies in the world. The complementary healthcare businesses of Novartis address the changing needs of patients and societies worldwide. With innovative pharmaceuticals at the core, Novartis is also a global leader in generics, vaccines and consumer health products.

↻ Businesses:

Pharmaceuticals: The Pharmaceuticals Division of Novartis is recognized worldwide for the innovative medicines provided to patients, physicians and healthcare organizations. This business develops and markets patent-protected prescription drugs for important health needs. The products are concentrated in major therapeutic areas:

1. Cardiovascular and Metabolism
2. Oncology and Hematology



3. Neuroscience and Ophthalmics (NSO)
4. Respiratory
5. Immunology and Infectious Diseases (IID)

The current product portfolio includes more than 45 key marketed products, many of which are leaders in their respective therapeutic areas. The product development pipeline involves about 155 projects in various stages of clinical development – including potential new products as well as potential new indications or formulations for existing products.

Vaccines and Diagnostics: The Novartis Vaccines and Diagnostics Division provides more than 20 products to fight vaccine-preventable viral and bacterial diseases, and makes sophisticated equipment to test blood donations for infections. Novartis formed this division when it acquired Chiron Corporation in 2006. The division consists of two businesses:

- ➔ Novartis Vaccines and Chiron
- ➔ The blood testing business.

Sandoz: Novartis is the only pharmaceutical company with a global leadership position in both patented prescription and generic pharmaceuticals. Sandoz plays a critical role in the Novartis strategy of offering a range of treatment options to patients, physicians and healthcare providers worldwide. This broad portfolio helps to make affordable, high-quality medicines available to patients around the world and stabilize healthcare systems.

There are two main elements to the Sandoz business strategy:

- 1. Global reach and reputation:** In addition to its unique position within Novartis, Sandoz benefits from a strong global presence and powerful brand recognition worldwide.
- 2. Unique expertise:** Sandoz differentiates itself through its ability to develop and produce difficult-to-make medicines. Sandoz is the pioneer of biosimilars — follow-on versions of biopharmaceuticals following patent expiry — with the first



two marketed products (human growth hormone Omnitrope and anemia medicine Binocrit). A third product, oncology medicine Zarzio, was approved in 2009.

Consumer Health: The Consumer Health Division creates, develops and manufactures a wide range of products designed to restore, maintain or improve the health and well-being of the customers.

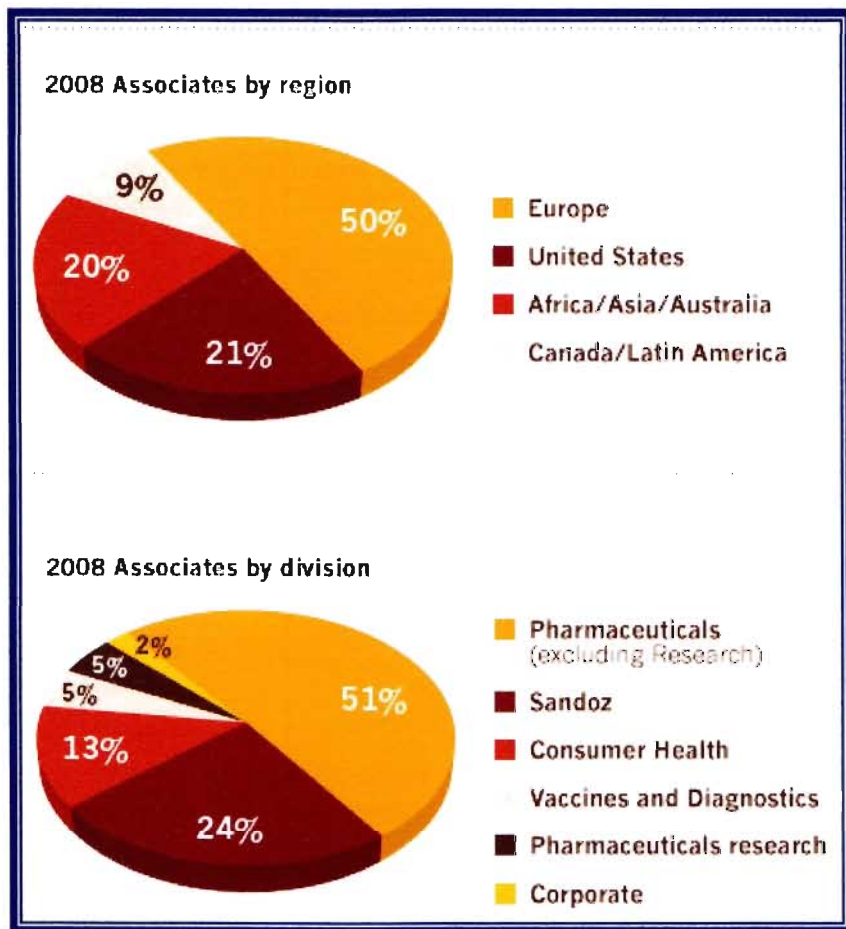
The division focuses on three business units:

- 1. Over-the-Counter:** Novartis Consumer Health, Inc. is a world leader in consumer healthcare, providing self-medication products for the treatment and prevention of common illness and conditions, and the enhancement of overall health and well being.
- 2. Animal Health:** Novartis Animal Health focused on the well-being of companion animals and on the health and productivity of farm animals.
- 3. CIBA Vision:** CIBA Vision is a global leader in the research, development and manufacturing of contact lenses and lens care products.

➤ Associates:

With approximately 100000 associates in 140 countries worldwide, Novartis associates share a vision of “**a better today and tomorrow for patients**” – a vision that drives our growth and success. The greatest job satisfaction for the associates is the knowledge that they improve the quality of life for patients with increasing precision and efficiency through breakthrough science and innovation.

The performance-oriented culture and responsible approach attract top experts in all areas – research and development, marketing and sales, finance and administration. The talented associates have made Novartis a global leader in healthcare. Novartis is committed to rewarding the people who invest ideas and work in the company.



Source: Novartis Global Website (www.novartis.com)

➤ Locations:

With the Headquarter in Basel Switzerland, Novartis has working in more than 140 countries around the world. Following is a list of major countries in which Novartis operates their business.



A Albania Algeria Argentina Australia Austria	E Ecuador Egypt Estonia	J Jamaica Japan Jordan	P Pakistan Panama Peru Philippines Poland Portugal Puerto Rico	T Taiwan Thailand Trinidad and Tobago Tunisia Turkey
B Bangladesh Belarus Belgium Bermuda Bosnia and Herzegovina Brazil Bulgaria	F France Finland	K Kazakhstan Kenya Kuwait	Q Qatar	U Ukraine United Arab Emirates United Kingdom United States of America
C Cameroon Canada Chile China Colombia Costa Rica Croatia Cyprus Czech Republic	G Georgia Germany Ghana Greece Guatemala	L Latvia Lebanon Lithuania	R Romania Russian Federation	V Venezuela Viet Nam
D Denmark Dominican Republic	H Hungary	M Macedonia Malaysia Malta Mexico Morocco	S Saudi Arabia Senegal Serbia Singapore Slovakia Slovenia South Africa South Korea Spain Sweden Switzerland Syria	Y Yemen
	I India Indonesia Iran Ireland Israel Italy	N Netherlands Netherlands Antilles New Zealand Nicaragua Nigeria Norway		

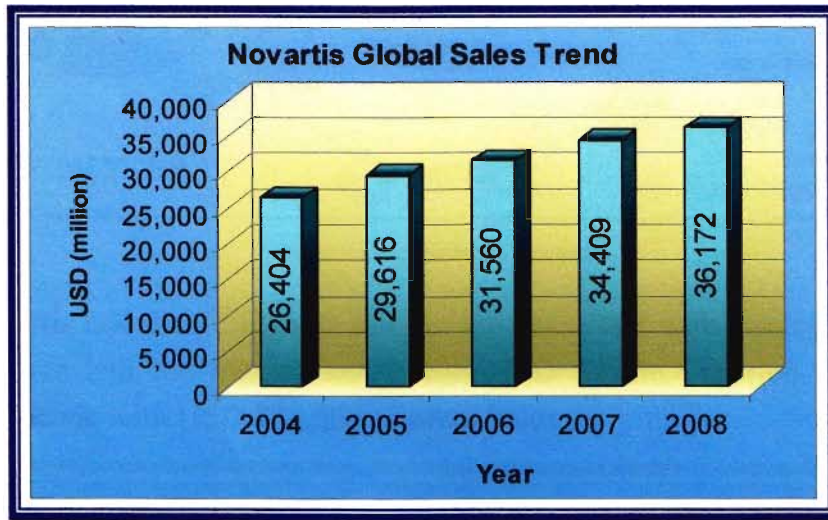
Table: List of countries with Novartis Office

Other than the 140 countries, Novartis operates business to few other countries through franchises and agencies.



Business Growth:

In the year 2008, the total sales of Novartis AG was USD \$36,172 million which is 3rd highest in the global pharmaceutical industry. The sales growth was 5.12 from the year 2007. Following graph shows the global sales trend of Novartis for the last five years.



Source: IMS (Information on Medical Statistics) 2008

Novartis sustained momentum during 2008 from continuing operations. Net sales rise 9% to USD 41.5 billion on accelerating growth in Pharmaceuticals along with important contributions from Vaccines and Diagnostics and Consumer Health. Operating income advances 32% to USD 9.0 billion. Net income up 25% to USD 8.2 billion, impacted by a higher 2008 tax rate and start of financing costs for 25% Alcon stake. Basic EPS rises 28% to USD 3.59 from USD 2.81 in 2007. Dividend of CHF 2.00 per share proposed for 2008, a 25% increase from 2007 and representing a payout of 53% of net income from continuing operations. Novartis expects record results again in 2009 in an increasingly challenging environment



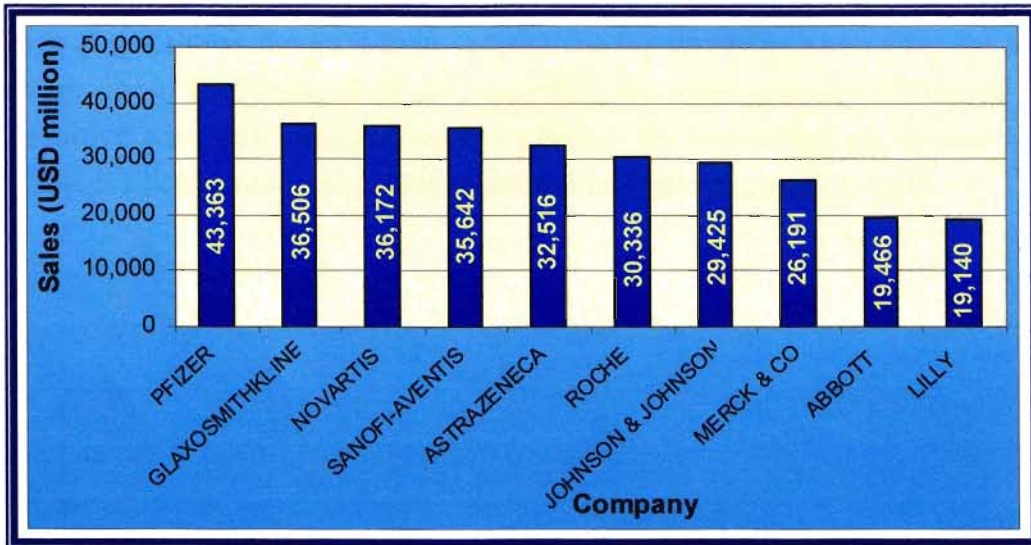
Global Competition:

Novartis is one of the leading pharmaceutical companies around the world. The main competitors of Novartis are GlaxoSmithKline, Sanofi Aventis, Pfizer, Johnson & Johnson etc.



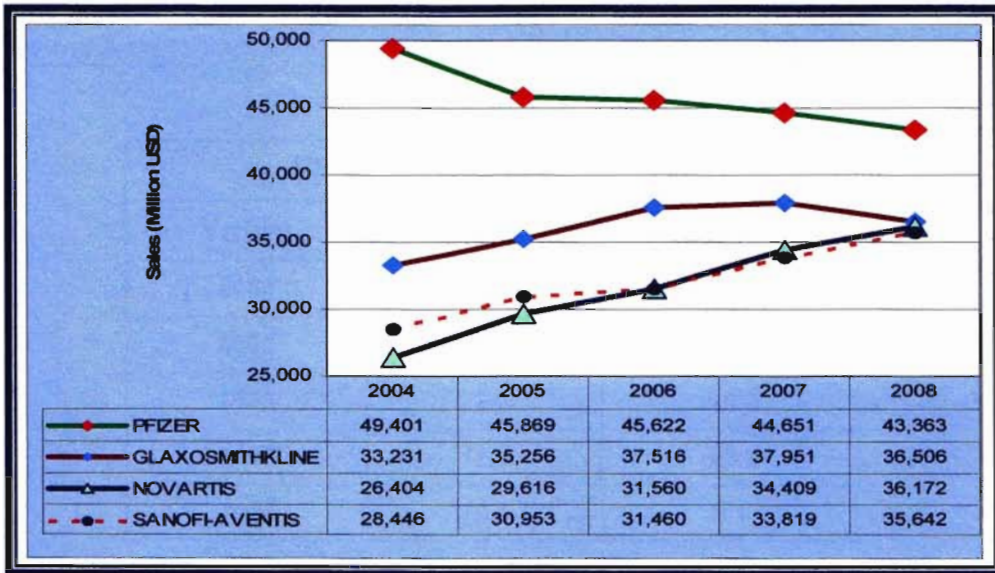
Figure: Competitors of Novartis

Novartis had the 3rd highest sales in the year 2008 with a sales of \$ 36,172 million. Pfizer had the highest sales with USD \$43,363 million followed by GlaxoSmithKline with USD \$36,506 million. Sales.



Graph: Sales of leading Pharma companies in 2008 (Source: IMS 2008)

Novartis is in the top position regarding revenue generation. Novartis had a revenue of USD \$ 53,324 million while Pfizer, Bayer and GlaxoSmithKline was placed 2nd, 3rd and 4th with revenues of USD \$48,371 million, \$44,200 and \$ 42,813 million respectively.



Graph: Sales trend of leading pharma companies. (Source: IMS 2008)

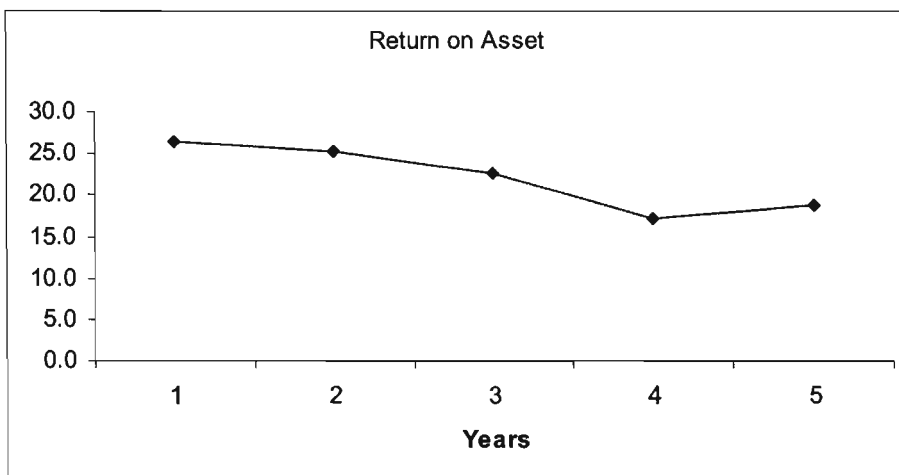
The above graph shows the growth of sales of the top competing company for the last 5 years. From the graph, it can be seen that, the sales growth of Novartis is stable, positive and growing significantly whereas the competing companies are going through fluctuations in the sales trend and few have negative growth.



2.3. Financial Analysis of Novartis (Bangladesh) Limited:

Return on Asset:

Return on Asset (%)		
Years	Rate	Growth
2004	26.4	-
2005	25.2	-4.5
2006	22.6	-10.3
2007	17.2	-23.9
2008	18.6	8.1



Here we have taken the data from 2004 to 2008. According to the data of these 5 years.

In 2004, ROA was 26.4, in 2005 it became 25.2 and the growth rate turned into -4.5. It's because the ROA was less than the previous year, which indicates that growth rate has fallen. In 2006 ROA was 22.6 and along with that growth became -10.3. Again for the fall in ROA than previous year.. Now if we look on 2007, ROA was 17.2, which is a significant fall, and ultimately the growth rate has turned into -23.9.

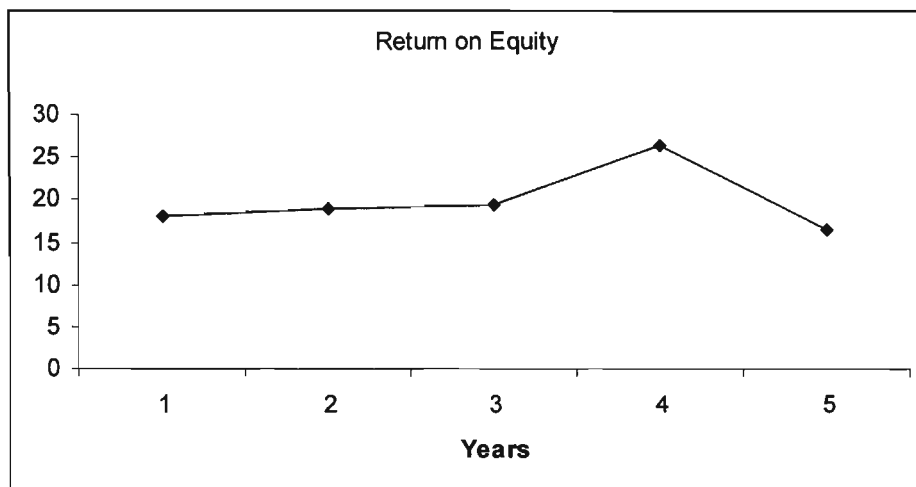


But in 2008 ROA became 18.6, which was greater than the previous year, so the growth rate became positive 8.1. The reason behind this changes were, from 2004-2007, the asset increased, but the net income failed to run along with it. So the growth rate and ROA was falling sequentially.

But in 2008 the net income was higher comparing to the previous year, so the ROA and growth rate, both increased.

Return on Equity:

Return on Equity (%)		
Years	Rate	Growth
2004	18	-
2005	19	5.6
2006	19.3	1.6
2007	26.4	36.8
2008	16.5	-37.5





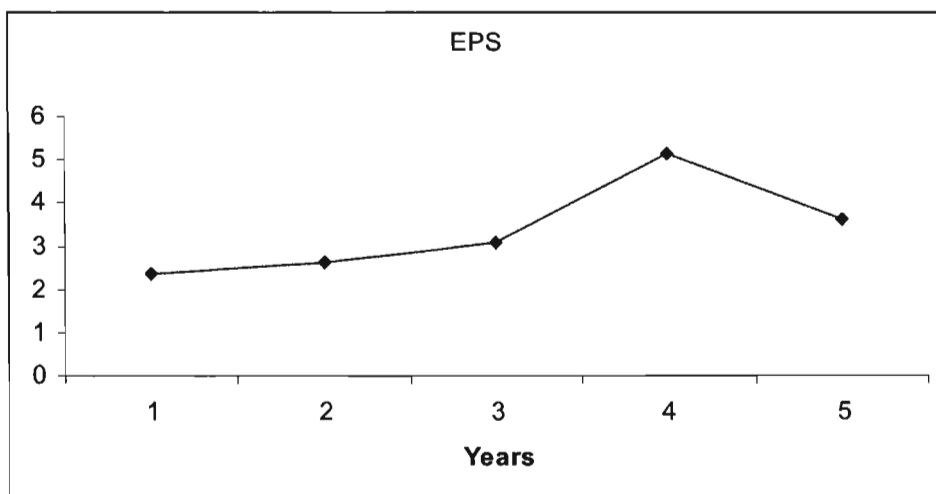
In case of ROE, in 2004 it was 18, which tuned into 19 along with a growth rate of 5.6. Growth rate was significant because of the change in ROE from 2004 to 2005. Again in 2006, ROE was 19.3 and growth rate was 1.6, which is lower than the previous year. It was because the change rate from 2005-2006 was lower than 2004-2005.

Now in 2007 the ROE drastically became 26.4, which has made the growth rate 36.8. The reason behind this drastic boom was, in 2007 the net income was much higher compare to the shareholders equity.

But in 2008, ROE became 16.5, and along with that the growth rate became -37.5. It was because, the net income was lower compared to the previous year.

EPS:

EPS (USD)		
Years	Rate	Growth
2004	2.36	-
2005	2.63	11.4
2006	3.06	16.3
2007	5.15	68.3
2008	3.59	-30.3



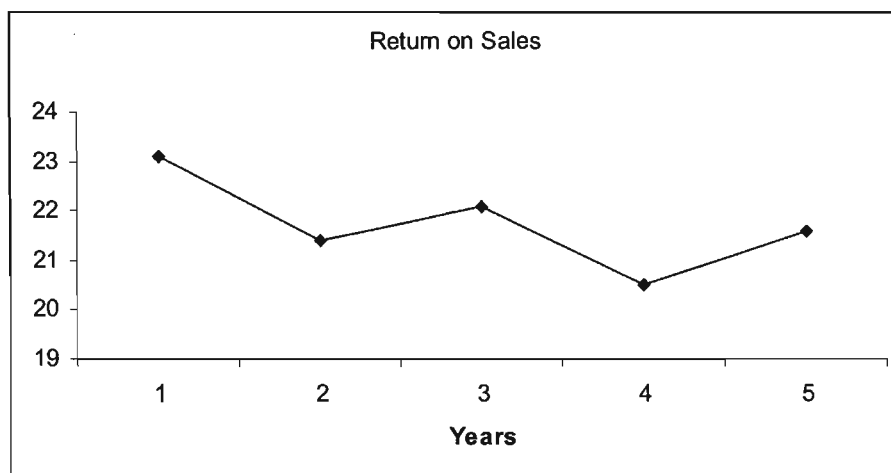


The trend of EPS is also alike the previous ROE. In 2004, the EPS was 2.36, which turned into 2.63 with a growth rate of 11.4. As we know that we calculate EPS through a comparison in between net income and share price, so growth in net income has provided an additional 0.27 increment in the EPS.

In 2006, the EPS became 3.06, with a growth rate of 16.3. Again the increment was sequentially growing which resulted raise in growth rate. And in 2007 the EPS turned into a boom of 5.15, with a growth rate of 68.3. As it has been said earlier, it was because of the significant change in net income in 2007. But again in 2008, net income didn't cop-up with previous years growth, so EPS drop down to 3.59 and growth rate has fallen into -30.3.

Return on Sales:

Return on Sales (%)		
Years	Rate	Growth
2004	23.1	-
2005	21.4	-7.4
2006	22.1	3.3
2007	20.5	-7.2
2008	21.6	5.4



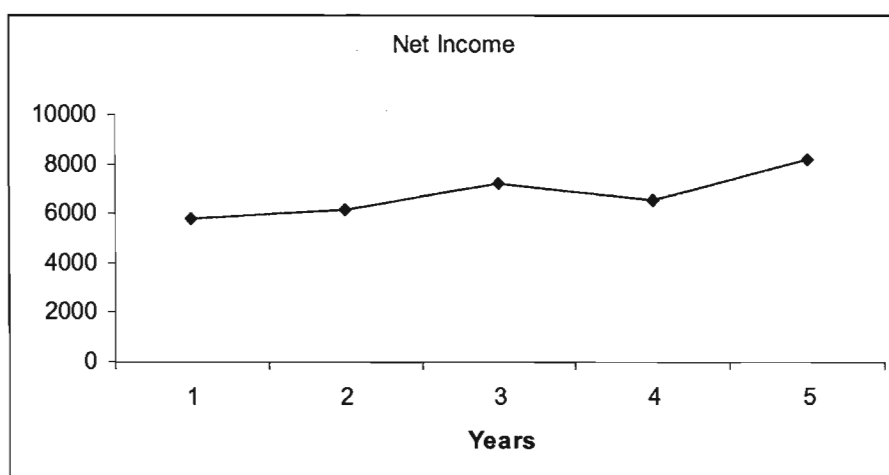


According to our analysis, in 2004, the Return on Sales was 23.1, which drop down to 21.4 in 2005 with a negative growth rate of -7.4. In 2006, the Return on Sales was 22.1, with a growth rate of 3.3. The rate increased because the Return on Sales was higher than the previous year.

But in 2007, again the Return on Sales became 20.5 with a fall in growth rate of -7.2. Although in 2008 Return on Sales again became 21.6 which resulted the growth rate a positive 5.4.

Net Income:

Net Income (USD)		
Years	Rate	Growth
2004	5767	-
2005	6141	6.5
2006	6540	6.5
2007	7202	10.2
2008	8163	13.3



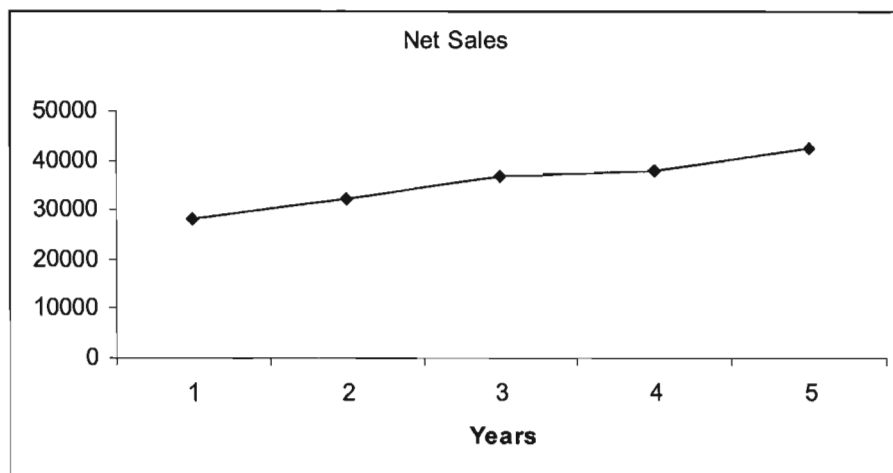


In case of any financial analysis, Net income is a very significant term, which is considered to measure the profitability of a company. In 2004, Novartis (Bangladesh) Limited made the Net income of 5767 millions, which was turned into a Net income of 6141 millions in 2005 with a growth rate of 6.5. And again in 2006 the Net income was 6540 and the rate was 6.5. It was because the change rate was almost equal as previous year.

But in 2007, Net income was 7202 millions, which was quite higher than the previous years, and it resulted into a growth rate of 10.2. And following the year 2007, in 2008 the Net income was 8163 millions which was again much higher than previous years, so the growth rate was 13.3.

Net Sales:

Net Sales (USD)		
Years	Rate	Growth
2004	28247	-
2005	32212	14.0
2006	37020	14.9
2007	38072	2.8
2008	42459	11.5



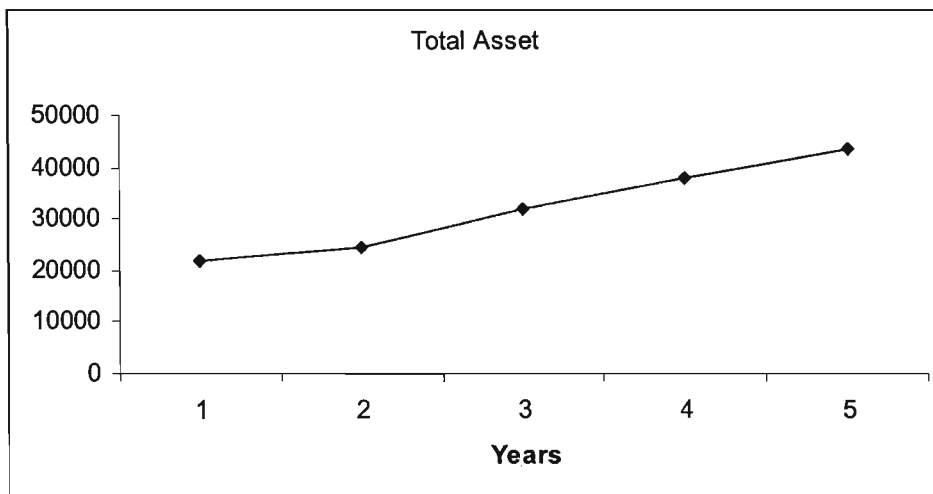


As we know, sales is the ultimate target for any company. And good numbers of sales ensures the success of a firm. Here, in 2004, the sales was 28247 millions. In 2005 it turned into 32212 millions, which was good sign for Novartis. Again in 2006 sales was 37020 millions, with a growth rate of 14.9 which was quite similar as the previous year.

But in 2007, the sales was 38072. The increment was higher than the previous year, but still rate was lower. For that reason the growth rate drop down to 2.8. And again in 2008, the sales was 42459 millions, with a growth rate of 11.5 again.

Total Asset:

Total Asset (USD)		
Years	Rate	Growth
2004	21873	-
2005	24390	11.5
2006	31926	30.9
2007	38608	20.9
2008	43778	13.4





Asset is one of the most important parts in a company. In 2004, Novartis had an asset of 21873 millions USD. In 2005, Novartis amassed an asset of 24390 millions with a growth rate of 11.5. And in 2006 the asset was worth 31926 millions with a growth rate of 30.9. It was quite higher than the previous year.

In 2007, the asset was worth 38608 million USD. And the growth rate was 20.9, which was lower than previous year, but still a good rate. And in 2008, Asset was worth 43778 millions with a growth rate of 13.4.

CHAPTER 3

AN APPRAISAL OF THE ROLE OF PHARMACEUTICALS INDUSTRY





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3.1: PHARMACEUTICAL INDUSTRY OVERVIEW

The Pharmaceutical Industry is one of the highly sophisticated industries in Bangladesh, which has been exposed to rapid change and made a revolution in Bangladesh. These industries maintain a high technology and a world class standard in quality. Moreover, these industries have a major commitment to the society than any other industry as it is involved with the manufacturing of life saving drugs.

The pharmaceutical sector in Bangladesh is one of the fastest growing sectors of the economy. The \$700 million sector with more than 230 manufacturers is continuously expanding with new products to new international destinations. The export value of pharmaceuticals is small but growing at 50 percent per year. Exports increased from \$8.2 million in 2004 to \$28.3 million in 2007, while export destinations climbed from 37 countries to 72 during the period.

The industry's inception dates back to the 1950s when a few multinationals and local entrepreneurs started with manufacturing facilities in the former East Pakistan. By 1982, many top ranking multinationals established their manufacturing facilities in this part of the world. Prominent among them were Novartis (Ciba-Geigy), Pfizer, Glaxo, Fisons, Squibb, Hoechst, ICI, May & Baker and Organon.

Pharmaceutical industries in Bangladesh are gifted with unparalleled potential to grow in the days ahead as they enjoy a number of competitive advantages. The industry's ability to comply with guidelines of quality assurance



has put it on a solid base. Almost all companies are equipped with World Health Organization (WHO) Good Manufacturing Practice (GMP) standards.

Bangladesh's ability to face competition from developing countries like India, China, Brazil and Turkey in its export markets is due to Bangladesh pharmaceutical's strict quality compliance. The most important indicator is the capability of the industry to achieve excellence and go beyond general international standards.

Bangladeshi pharmaceutical industries are expanding exportable items quite fast. Bangladesh is now exporting wide range of pharmaceutical products covering all major therapeutic classes and dosage forms like tablets, capsules and syrups. Bangladesh is also exporting high-tech specialized products like, HFA, inhalers, suppositories, hormones, steroids, oncology, immunosuppressant products, nasal sprays, injectibles and IV infusions.

The sector enjoys sound footing due to the local pull of heavy demand for medicines by the country's 150 million people. The industries are now producing quality medicines at an affordable price for millions of people in Bangladesh and has made Bangladesh almost self reliant in pharmaceutical products. Now, 97 percent of local demand for medicines is met by the sector.

The industry welcomed over 50 new factories in the last three years, of which about two dozen started marketing with an aggressive sales and promotion strategy during 2008. Out of 230 companies, 200 have their own manufacturing facilities of which five are multinationals.

The sector is active in API (Active Pharmaceutical Ingredients). Twenty-one different companies now locally manufacture 41 API's. However, compared to huge local demand, more API industries need to be set up. Pharmaceutical industries' potential has multiplied with the recently approved API industrial park in Munshigonj at a cost of \$30 billion. The API Park will inject fresh momentum into the pharmaceutical industry. The country can save at least 70 percent of the amount and the park is expected to transform the industry as a major export earner with the potential to export products worth \$750 million per year within the next five years.



Bangladesh can continue with the patented products up to 2015 as per trade related intellectual property rights (TRIPS). Pharmaceutical industries are now legally allowed to reverse engineer, manufacture and sell generic versions of on-patent pharmaceutical products for domestic consumption as well as for export to other LDCs. This has created a big opportunity to make Bangladesh as a new chemical entity.

It is estimated that over \$250 million have been invested in this sector over the last couple years in terms of facility modernization as well as new facilities. Needless to mention that all of these investments were directed towards developing full cGMP compliant facilities, which can meet stringent regulatory requirement of any country of the world.

This has opened up wider range of opportunities for the industry whereby these Bangladeshi companies can now export pharmaceutical products to any part of the globe capitalizing on the \$600 billion plus global pharmaceutical market.

3.2: A STUDY ON PHARMACEUTICAL INDUSTRY

Major Divisions:

The total industry can broadly be classified into two categories. These are

- Patent Medicines
- Generic Medicines

Patent medicines are the products that are invented by the company, who have their own research team working on their own laboratories. These products are patented for many years to enjoy the monopoly market. After years of business the formulation is sold in the market so that others can go into mass production.

Generic medicines are the products that are produced in mass scale. These are marketed by several companies under different brand name, where the formulation of this product is almost same. Prices of the products are under this



category are competitive. Bangladesh mainly concentrates on this category, as labor cost is one of the lowest in the world.

Growth of the Industry:

The growth potential of pharmaceutical industry is enormous. As urban population is increasing and people are getting educated, they are now more concerned about healthcare. So the demands of medical products are rising. In Bangladesh unhygienic conditions and poor health maintenance plans provide vast scope for the pharmaceutical firms to sell their products. On the other hand, the constant natural disasters provide opportunities to pharmaceutical companies to boost its sales. The trend and growth of this industry tends to be positive as the demand of medicines is rising.

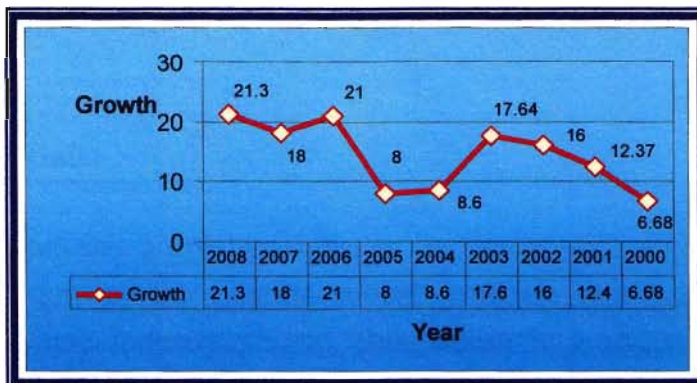


Figure: Growth of Pharmaceutical Industry of Bangladesh (Source: IMS)

The sales of pharmaceutical products have been growing significantly every year. During the year 2004 the pharmaceutical sales was Tk. 28,741,616,403 which has increased in the following year by remarkable margin. The total sales of pharmaceutical industry were Tk. 47,016,389,492 in 2008.

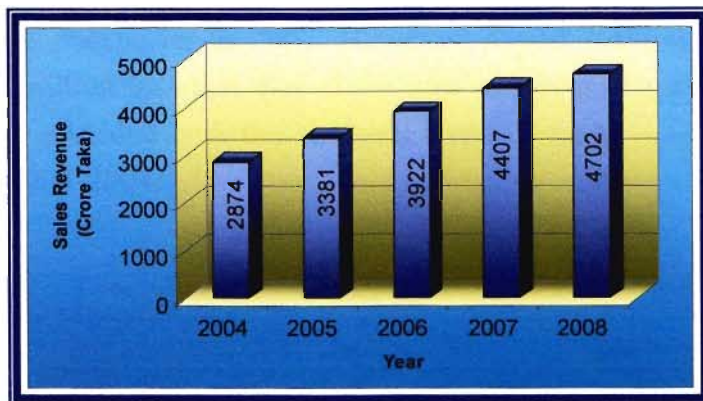


Figure: Sales of Pharmaceutical Industry of Bangladesh (Source: IMS)

The local pharmaceutical companies acquire major portion of the sales revenue. There are some multinational giants like GlaxoSmithKline, Novartis, Sanofi-Aventis operating their business in Bangladesh, but due to narrow product line and high price there sales have not reached to the competitive level.

Export Potentials:

Bangladesh has a great prospect in the global pharmaceutical market as a significant portion of the pharmaceutical products are exported every year. According to some industry people, Bangladesh is a country among 50 least developed countries that is self sufficient in pharmaceuticals. Over 200 small, medium and large local and multinational companies meet around 97 percent of the Tk 5,000 crore domestic market demands.

Some of these companies exported medicines worth nearly Tk 300 crore in 2008, which were Tk. 200 crore and Tk. 150 crore in 2007 and 2006 respectively. The country now exports a wide range of pharmaceutical products covering all major therapeutic classes and dosage forms. High-tech specialized products like inhalers, suppositories, nasal sprays, injectable and infusions are also in the export basket.

Novartis, Beximco, Square Pharmaceuticals, Aventis, Eskayef, Popular Pharmaceuticals, ACI and Acme are some of the leading exporters. Swiss



multinational Novartis (Bangladesh) that exported drugs and medicines worth \$ 15 million was the top exporter in 2007. However, export earning of the company was less \$ 6.43 million less than that of the previous year. Novartis (Bangladesh) Limited was also awarded with the National Export Trophy – Gold for the years 2002-2003 and 2003-2004.



Source: www.thedailystar.net

Bangladesh now exports a wide range of pharmaceutical products to over 60 countries, including some developed markets.

Industry Players:

In the emerging pharmaceutical industry of Bangladesh, many local and multinational companies are operating their business. There are around 268 pharmaceutical companies working in Bangladesh among which 230 manufacturing pharmaceutical companies are producing quality medicine. Following is the list of top ranked pharmaceutical companies:



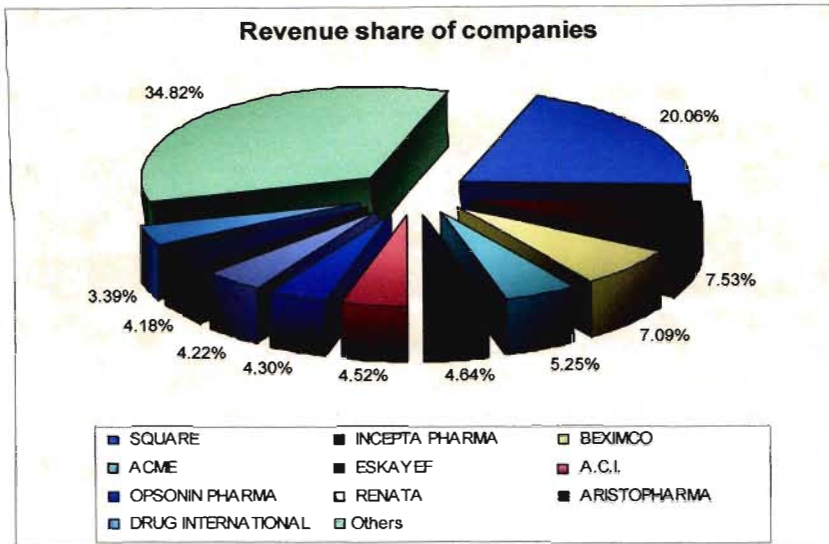
➤ SQUARE	➤ SANOFI AVENTIS
➤ INCEPTA PHARMA	➤ GLAXOSMITHKLINE
➤ BEXIMCO	➤ ORION LAB.
➤ ACME	➤ GENERAL
➤ ESKAYEF	➤ SANDOZ
➤ A.C.I.	➤ HEALTHCARE PHARMA
➤ OPSONIN PHARMA	➤ IBN SINA
➤ RENATA	➤ NUVISTA PHARMA
➤ ARISTOPHARMA	➤ NOVO NORDISK
➤ DRUG INTERNATIONAL	➤ NOVARTIS

Table: List of top ranked pharmaceutical companies, 2009

Retail pharmaceutical sales are expected to reach Tk 6,000 crore this year, riding on people's health consciousness and booming hospitals and clinics. Annual turnover from retail drugs sales was Tk 4,701.63 crore in 2008, nearly 7 percent rise over the figure a year earlier, according to IMS (Information on Medical Statistics) data. The market size was Tk 4,075 crore in 2007.

Some 250 small, medium and large local and multinational companies are in operation in Bangladesh. Many started their business after 2000 sensing the growth potential in the local market. Of the 250 companies, top 10 companies -- Square, Beximco, Eskayef, Incepta, Acme, ACI, Opsonin, Renata, Aristopharma and Drug International take up nearly 70 percent of the total market share, according to the IMS 2008 survey.

The survey reveals that Square Pharmaceuticals, the flagship company of business conglomerate Square Group, holds the leading position in the local market with Tk 943 crore sales in 2008. The company alone holds a fifth of the total market share. Incepta, the second, sold drugs worth Tk 354 crore in the local market last year. Beximco, Acme and Eskayef are the third, fourth and fifth respectively, with Tk 333 crore, Tk 247 crore and Tk 218 crore in sales turnover.

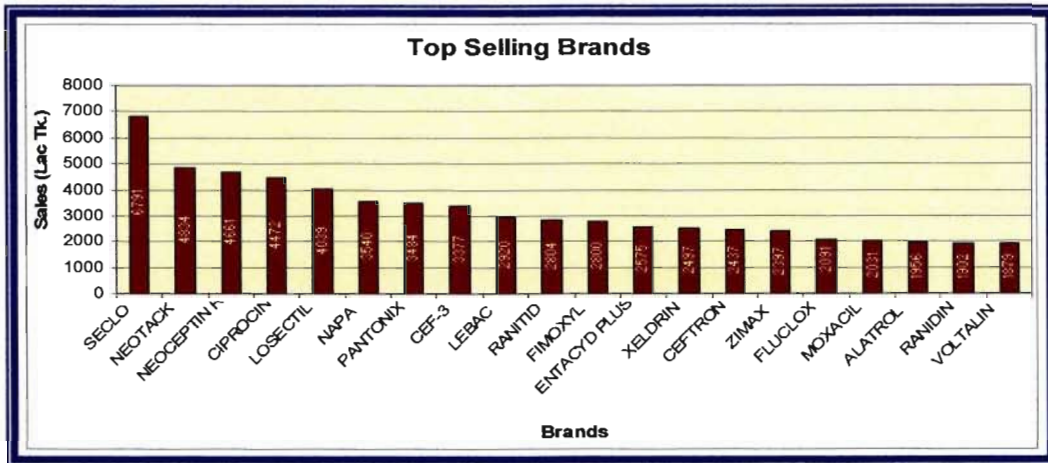


The total sales volume of the pharmaceutical companies in the year 2008 was Tk. 47,016,389,492. Square pharmaceuticals alone held 20.06% of the sales revenue. Incepta and Beximco held the 2nd and 3rd position with 7.53% and 7.09% revenue share respectively. The top 10 companies acquire around 65% sales share of the industry. The other companies (more than 250) acquire the rest 34.82% revenue share.

Top Selling Brands:

More than 250 pharmaceutical companies are selling around 9000 brands in Bangladesh. Square acquires the largest assortment of pharmaceutical products. The top selling brands in 2008 are SECLO, NEOTACK, CIPROCIN, CEF-3, LEBAC ENTACYD PLUS by Square; NEOCEPTIN R by Beximco; LOSECTIL by Eskayef, PANTONIX by Incepta Pharma, RANITID by Opsonin,

Square's brand SECLO is the top selling brand of 2008 with a sales revenue of Tk. 679,114,960. NEOTACK of the same company and Beximco's NEOCEPTIN R ranked just after Seclo with sales revenue of Tk. 483,374,773 and Tk. 466,085,371 respectively.



Source: IMS 2008 (Information on Medical Statistics)

Brand	Company	Sales (Lac Tk.)
SECCLO	Square	6791.15
NEOTACK	Square	4833.75
NEOCEPTIN R	Beximco	4660.85
CIPROCIN	Square	4471.82
LOSECTIL	Eskayef	4038.86
NAPA	Beximco	3539.89
PANTONIX	Incepta Pharma	3483.56
CEF-3	Square	3377.05
LEBAC	Square	2919.75
RANITID	Opsonin Pharma	2804.33
FIMOXYL	Sanofi Aventis	2799.81
ENTACYD PLUS	Square	2575.26
XELDRIN	A. C. I.	2496.85
CEFTRON	Square	2437.49
ZIMAX	Square	2397.16
FLUCLOX	A. C. I.	2091.36
MOXACIL	Square	2030.53
ALATROL	Square	1955.60
RANIDIN	ACME	1902.03
VOLTALIN	Novartis	1878.65

Source: IMS 2008 (Information on Medical Statistics)



Most of the top brands are general medicines and are used massively by the people. So the sales for those brands are high.

Competitive Scenario:

The Pharmaceutical industry is mostly dominated by the local companies. The Top 10 selling companies are Bangladeshi, so competition mostly occurs among these companies. Square Pharmaceutical has a significant control and share of the market. Incepta Pharma, Beximco, ACME, Eskayef are some of the competing pharmaceutical companies. The following table provides a brief competitive summary of the pharma companies in Bangladesh in 2008.

Competitive Aspects of Pharmaceutical Companies (2008)

Position	Company	Sales (Million Tk.)	Share	Growth
1 st	Square	9430.60	20.06	12.71
2 nd	Incepta pharma	3542.28	7.53	12.10
3 rd	Beximco	3333.93	7.09	-11.08
4 th	Acme	2469.31	5.25	0.62
5 th	Eskayef	2179.42	4.64	4.73
6 th	A.C.I.	2126.49	4.52	23.58
7 th	Opsonin pharma	2020.43	4.30	26.09
8 th	Renata	1986.00	4.22	26.60
9 th	Aristopharma	1965.17	4.18	9.68
10 th	Drug international	1592.25	3.39	-8.57

Source: IMS 2008 (Information on Medical Statistics)

Multinational Pharmaceuticals:

Few of the world's leading multinational companies are working in Bangladesh for a long time. But due to high value of product, diminutive product line and strong local competition, they could not climb to the leading positions in Bangladesh. The world's pharmaceutical giant GlaxoSmithKline (UK), Sanofi aventis (Spain), Novartis (Switzerland), Eli Lilly operating their business here. The following table shows a comparative view of the performance of top multinational companies for patented and branded products:



Performance of the Multinational Pharmaceuticals (1st Quarter, 2009)

Company	Sales (Million Tk.)	Share (Branded Market)	Growth	Industry Position (2008)
GlaxoSmithKline	1010.24	30.07	0.98	12
Sanofi Aventis	680.10	20.25	-9.44	11
Novo Nordisk	602.86	17.95	61.74	19
Novartis	500.82	14.91	9.07	20
Roche	284.25	8.46	-7.43	32

Strengths:

A few strengths of Novartis (Bangladesh) Limited has been given below-

- **High Quality products:** Novartis provides high quality products. And the quality of medicine that we get here from Novartis is identical with any other countries all over the world. So Novartis ensures quality product.
- **Innovative and unique product lines:** As it has been said earlier that Novartis Pharma is specialized in patent products, so the products invented here is innovative and unique. And most of these products cannot be found by manufactured from other companies.
- **Highly skilled management:** As I have worked with the management and other employees of Novartis for three months, it can be ensured by me that Novartis is well known for recruiting highly skilled management, whom are responsible for the success of this company.
- **Quality raw materials imported from foreign sources:** Most of the raw materials that are used for making medicines are imported from abroad. That's why the quality of the raw materials are ensured.



- **High quality customer service:** Novartis has a separate division of customer care service. This team always updates the current conditions of the customers and tries to provide them maximum service based on their medicines.

- **Sole manufacturing plant with GMP standard & European Certification:**

As it has been said earlier that, Novartis has a plant in tongi. And this plant has been built under the observation of experts to ensure that it falls under the GMP standard and European certification.

Other than these characteristics, Novartis is also-

- Leading pharmaceutical exporter of the country
- Effective marketing strategies
- It is a large multinational company globally
- A proven track record in defect-free manufacture
- Highly Efficient employees
- Effective State-of-the-art plant and equipments
- Available Cash on hand
- Global Company reputation
- A positive work climate and organization culture
- Novartis is the number 1 ethical pharmaceutical company worldwide.
- Novartis is in 4th position among all the industries globally.
- Serving additional customer group in the existing geographical market.
- Expanding into new geographic markets.
- Scope to improve in export oriented products.
- Expanding the company's product line to meet a broader range of customer needs
- Transferring sector's skill or technological know-how to a new business or a new product.
- Scope to communicate the global reputation of Novartis



Problems:

Although being a multi national company, Novartis has some drawbacks such as-

- **Very expensive Raw Materials:** Most of the raw materials Novartis uses to produce medicine are imported from abroad. And due to that the cost to purchase raw material gets very high, and ultimately the impact falls on the price of the product.
- **High price of products:** As the cost of raw material is high, naturally the products price also gets higher. And due to higher price, consumers do not want to the medicines of Novartis.
- **Lack of proper awareness in the market:** Awareness is a significant issue for any product to run well in the market. There is no doubt that the products of Novartis are quality full, but still Square and Beximco has a significant place on the mind of the customers. For this reason people find the products of Square and Beximco familiar rather than Novartis.
- **Narrow product lines than the competitors:** Another problem of Novartis is, its product line is narrow than other companies. As it has been said earlier that, in Pharma division only patent products are made, which's price is higher, and at the same time variety is less. So other company gets the advantage.
- **Lack of manpower:** For any company, workers are the ultimate source of power. And in this field also, other companies have the advantage. Basically, the term manpower refers to the field forces who works with the product and directly keeps contact with the customers and doctors. The number of field force in Novartis is less than other companies, so it faces number of problems.
- **Strong local competition:** It has been said earlier that the local competition is very strong in market. And whenever the market is tight, all the companies has to work very carefully so that no loopholes are left over. An analysis on the competitors of Novartis is given in chapter 3.



Recommendations:

- **Substitute source of Raw materials:** Whenever a company can find a source to get raw materials at lower price, it's possible to provide products at lower price. So Novartis has to find a source which can ensure lower cost and good quality at the same time to overcome costly raw materials problem.
- **Proper Promotional Activities:** In today's world it's very difficult for any company to capture the market without proper promotions. If we notice we will see that, Square and Beximco is much familiar in the media than Novartis. Although, Pharma products cannot be promoted directly to the customers, but still Novartis can use effective marketing tools to capture the media.
- **Versatile Products:** To do such thing, extensive level of research is needed. But although it cannot be denied that if Novartis can broaden the product line, it will play much better in the competition.
- **Proper Trained Field force:** It has been observed that, medical information officer is such a job, where most of the workers lose interest to work in. And the scenario is common in all pharmas. So if Novartis can take such measures through which it will be possible to recruit not only more workers, but also reduce the turn over rate, so Novartis will enjoy the ultimate advantage.



CONCLUSION:

The findings that I have analyzed on weakness part were basically high price of raw materials, high price of products, comparatively weak marketing channel etc. If Novartis (Bangladesh) Limited can overcome these issues, future prospects will be higher.

In conclusion it can be said that, definitely Novartis (Bangladesh) Limited is one of the best pharmaceuticals all over the world, just a blend of reasonable price and quality product will take it to the extremes.

