

Financial Analysis of Tibetan Pharmaceutical Industry Based on Harvard Analytical Framework

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Abstract: Financial statement analysis helps investors to understand the financial situation of an enterprise and make decisions, but traditional financial statement analysis flows on the surface, neglecting the business environment. Taking the Tibetan pharmaceutical industry as an example, this paper analyzes the financial situation of Tibetan pharmaceutical industry from four levels: strategy, accounting, finance and development using the Harvard analytical framework.

1. Introduction

From the united states, the Harvard analytical framework mainly analyzes the financial situation of enterprises from a strategic perspective, analyzes the external opportunities and threats, internal advantages and shortcomings of enterprises, and finally points out the future development direction of enterprises on the basis of scientific prediction.

As one of the listed companies in the domestic pharmaceutical industry, the main business is the production and sale of Nodicon series of drugs, traditional Chinese medicines, health products and medical devices. Tibet's pharmaceutical industry has been the first high-tech enterprise to develop Tibetan medicine on a large scale by developing Tibetan medicine with high technology and continuously improving the scientific content of its products, thus leading the way for the modern industrialization of Tibetan medicine. This paper uses the Harvard Analytical Framework to grasp it from a strategic perspective, collect and organize financial data from 2017 to 2021 for accounting analysis, financial analysis, and prospects for development.

2. Harvard Analyzing Framework Financial Analysis

2.1. Strategic Analysis

Strategic analysis is the foundation of financial analysis, which complements the neglect of the business environment by traditional financial analysis.

2.1.1. Industry environment

Since the outbreak, the Chinese medicine industry continued to increase demand, the growth rate of the Chinese medicine industry has been faster than the economy, the company through investment in Amit, in partnership with the Microbiome, its research products after the marketing rights. Further expand the scope of the company's business, and seek new profit growth points. Neoactivin is the company's exclusive product in China because it is developed by the company itself, effectively filling the gap in related fields. These are the company's core products, and relying on exclusive, national brand effects will bring certainty to the company's future growth.

2.1.2. Competitive environment

The fluctuation of macro environment makes the growth environment of enterprises more uncertain, the situation at home and abroad is changeable, it is multi-faceted and multi-layered disturbance to the market, domestic economic development also faces structural and cyclical

challenges. And the general decline in drug prices has led to lower profits, which, given high costs, has led pharmaceutical companies to seek new opportunities in the face of white-hot competition.

Taken together, the uncertainty of the macro environment is both a challenge and a new opportunity for the Tibetan pharmaceutical industry to seize this opportunity and focus on developing its core strengths, thereby expanding its market share and capturing the pulse of the market.

2.2. Accounting Analysis

2.2.1. Accounts receivable

Table 1 Tibetan Pharmaceutical Industry Accounts Receivables 2017-2021

Year	2021 year	2020 year	2019 year	2018 year	2017 year
Accounts receivable (billion yuan)	4.71	3.33	3.07	3.79	3.35
Current assets (billion yuan)	21.82	13.51	13.41	10.88	8.12
Accounts receivable / current assets * 100%	21.59%	24.65%	22.89%	34.83%	41.26%

An analysis of the Tibet Pharmaceutical Industry Annual Report 2017-2021 shows that accounts receivable account for a large proportion of current assets, especially 41.26% in 2017, nearly half of them. However, the overall share decreased in volatility from 41.26% in 2017 to 21.59% in 2021, proving that the probability of bad loans in the Tibet Pharmaceutical Industry is decreasing year by year, and the probability of affecting the capital chain and the overall revenue situation is also decreasing.

2.2.2. Monetary funds

Table 2 Tibetan Pharmaceuticals 2017-2021 Monetary Fund Financial Scenario

Year	2021 year	2020 year	2019 year	2018 year	2017 year
Monetary funds (billion yuan)	7.64	7.69	7.40	5.29	3.15
Total assets (billion yuan)	38.03	29.44	27.67	25.32	23.30
Monetary funds / total assets * 100%	20.09%	26.12%	26.74%	20.89%	13.52%

The share of monetary funds in total assets rose in volatility from 13.52 percent to 20.09 percent, indicating that the Tibetan pharmaceutical industry has a strong liquidity of monetary funds and an improved ability to repay its debts in the short term.

2.3. Financial Analysis

2.3.1. Debt servicing capacity analysis

Table 3 Tibetan Pharmaceutical Industry Debt Service Indicator Analysis 2017-2021

Debt service capacity indicators	2021 year	2020 year	2019 year	2018 year	2017 year
Current ratio	1.97	4.06	4.33	4.16	3.07
Speed ratio	1.84	3.84	4.09	3.92	2.75
Cash ratio (%)	68.89	230.73	238.94	202.60	119.35
Asset-liability ratio (%)	30.44	12.09	11.58	10.86	12.22

This paper analyzes the short-term solvency of the Tibetan pharmaceutical industry by selecting the current ratio, the fast moving ratio and the cash ratio. The turnover rate of the Tibetan pharmaceutical industry in 2017-2021 has always been high. Speed ratio is also maintained at a high level, enterprises occupy too much capital on fast moving assets, which may increase the opportunity cost of enterprise investment. But by 2021 it was down to 1.84, inching closer to the right level. The current ratio and the rapid movement ratio indicate that the Tibetan pharmaceutical industry has a strong ability to liquidate its short-term assets and repay its liabilities. The value of

the cash ratio of the Tibetan pharmaceutical industry is much higher than 20%, indicating its strong short-term solvency, but attention should be paid to the underutilization of cash assets.

Tibet's drug industry's asset-liability ratio has been on the rise for the past five years, reaching 30.44% in 2021. It shows that Tibet's pharmaceutical industry has sufficient resources and does not need to borrow money to operate, but on the other hand, it also shows that the capital flow capacity of enterprises is not strong, so that it can raise its ratio appropriately and make full use of its financial leverage to obtain benefits.

2.3.2. Operational Capability Analysis

Table 4 Tibetan Pharmaceutical Industry Operational Indicator Analysis 2017-2021

Operational capacity indicators	2021 year	2020 year	2019 year	2018 year	2017 year
Fixed asset turnover (second)	6.68	8.84	8.33	7.11	6.23
Total asset turnover (second)	0.63	0.48	0.47	0.42	0.40
Accounts receivable turnover (sub)	5.32	4.29	3.66	2.88	4.62
Inventory turnover (sub)	2.14	2.68	3.02	2.77	2.65

The turnover rate of fixed assets in the Tibetan pharmaceutical industry increased from 2017 to 2020 and decreased in 2021. The Tibetan pharmaceutical industry should pay due attention to the operating efficiency of its fixed assets. The overall asset turnover rate of the Tibetan pharmaceutical industry has been on the rise year by year, but overall it is less than 0.8 percent, indicating that enterprises have a slow turnover of assets and a low utilization efficiency of assets. Receivables turnover is basically in the pharmaceutical industry average, but there is still a need to improve collection speed to reduce bad debt losses. The stock turnover rate of the Tibetan pharmaceutical industry in 2021 is as low as 2.14 in the last five years, which is below the average. The inventory turnover can be increased by reducing the inventory and reducing the amount of inventory.

Generally speaking, the higher the turnover rate of accounts receivable and inventory, the stronger the enterprise's ability to operate, but it is necessary to adjust its own financial decision appropriately by comparing the financial ratios of competing enterprises in our industry.

2.3.3. Profitability Analysis

Table 5 Tibetan Pharmaceutical Industry Profit Indicator Analysis 2017-2021

Profitability indicators	2021 year	2020 year	2019 year	2018 year	2017 year
Net interest rate on sales (%)	9.96	30.64	25.27	21.22	25.59
Main Operating Margin (%)	88.34	84.75	82.36	78.69	72.12
Total return on assets (%)	6.31	14.73	11.98	8.97	10.14
Return on equity (%)	7.94	16.23	12.82	9.57	11.24

Net interest rates on drug sales in Tibet have been gradually rising since 2017, but fell to their lowest level in five years in 2021. Total return on assets and return on equity (ROE) have been on a gradual upward trend from 2017 to 2020, but declined in 2021. In the fourth quarter, the company was under careful consideration to book an impairment loss of 458 million yuan on Imdor's intangible assets due to the shutdown of Imdor's overseas API supplier production line, changes in national policy and collection of winning bids.

2.3.4. Capacity development analysis

Table 6: Tibetan Pharmaceutical Industry Development Indicator Analysis 2017-2021

Capacity development indicators	2021 year	2020 year	2019 year	2018 year	2017 year
Main revenue growth (%)	55.75	9.32	22.20	12.26	14.91
Net profit growth (%)	-49.36	32.55	45.52	-6.92	17.50
Net asset growth rate (%)	2.19	5.79	8.40	10.35	210.76

Total asset growth rate (%)	29.15	6.40	9.29	8.67	1.72
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Primary revenue growth fluctuated, but net profit growth declined significantly in 2021. While operating income of 2.139 billion yuan was achieved in 2021, an increase of 55.75% year-on-year, the announcement showed net attributable earnings of 418 million yuan in the first three quarters of 2021, which was impacted by the provision for impairment losses on Imdor intangible assets in the fourth quarter. The growth rate of net assets in 2021 is also lower than in previous years. The growth rate of total assets is on the rise. Overall, the development capacity of the Tibetan pharmaceutical industry is strong.

2.4. Outlook Analysis

At this stage, the Tibetan pharmaceutical industry has a number of modern production lines, such as injections, colloids, coatings, granules and tablets. In order to improve the comprehensive competition of drugs in cardiovascular field, improve the drug warning system, standardize the drug warning activities. In addition, other drugs in the cardiovascular field of the Tibetan pharmaceutical industry have also achieved stable benefits. Nodicon and other specialty Tibetan medicines reported revenue of 141 million yuan in 2021, a steady increase from a year earlier. In 2021, Nordicon will launch granule products based on capsules, which will significantly improve absorption compared to capsule products. In conclusion, the development prospects of the pharmaceutical industry in Tibet are very good.

3. Conclusions

A financial analysis of the Tibetan pharmaceutical industry using the Harvard analytical framework shows that the Tibetan pharmaceutical industry faces both opportunities and dangers. It needs to grasp the pulse of the market, seize the opportunities, develop new products and occupy a wider market on the basis of maintaining its market share.

The analysis of the financial data of Tibetan pharmaceutical industry shows that it has strong liquidity, strong solvency and stable operation, but its asset-liability ratio is lower than the average. It can appropriately use external funds to raise its asset-liability ratio, bring into play the role of financial leverage to obtain additional income and steady progress.

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