

# **IMPACT OF FOREX RATE FLUCTUATION ON OPERATING COSTS OF PHARMACEUTICAL INDUSTRIES OF PAKISTAN**

**By**

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|-----|--------|------------------|--|----------------------|
| 5   | 2/3/15 | Faculty R-3      | Data gathering + Variables   | <u>SM</u>            |
| 6   | 3/4/15 | "                | Analysis of data + use of Software                                   | <u>SM</u>            |
| 7   | 1/5/15 | "                | Final Report, major emphasis on data analysis and its interpretation | <u>SM</u>            |

**APPROVAL FOR EXAMINATION**

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I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 14% that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: [Signature] Date: 13/7/15

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## ABSTRACT

The purpose of the study is to find out the relationship between the foreign Exchange rate and the operating cost and also the impact of foreign Exchange rate fluctuation on operating cost.

The study involved use of financial data of Searle Company Ltd for the period of 2009-2014 for financial analysis. The Quarterly data is taken from the period of Jan2009 to December 2014. The time series Data is analyzed quantitatively using various tools such as Regression analysis, Correlation matrix and SPSS Tools.

There is strong positive relationship between dollar to Pak rupee exchange rate and operating cost which is 0.8578 or 85.78 percent that shows that there is significant impact of variation in Pak rupee to dollar exchange rate on operating cost as it is evident from balance of trade data of Pakistan that Mostly the imports of Pakistan are concentrated to USA therefore there is found to be a significant impact of dollar to Pak rupee exchange rate variation over operating cost. Similarly, there is strong positive relationship between Pak rupee to euro exchange rate and operating cost which is 0.7692 or 76.92 percent the reason behind the association is that U.K is the second destination for the imports of the Pakistan therefore exchange rate variation has significant impact on the operating cost. The relationship between Pak rupee to Indian rupee exchange rate and operating cost is negative with weak relationship between the two variables which is negative 0.2851 or negative 28.51 percent that shows that there is no strong impact of exchange rate variations over operating cost hence the relationship is weak. Another reason is that, due to tough relationship between the two countries is no friendly trade relationship therefore it is to be found a weak relationship between the two.

The outcome of the research will help the corporate decision maker, government policy formulators and the stakeholders to check the relationship and how the foreign Exchange rate fluctuation is affecting the operating cost in Pakistan and to understand the overall dynamics and mechanism of pharmaceutical sector in Pakistan.

**Keywords: Foreign Exchange Rate, Operating Cost, Pharmaceutical Industry.**

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