

A Study on Financial Performance of Pharmaceutical Company

Sejal S. Purabiya

Research Scholar, Anand Commerce College, Sardar Patel University, V.V. Nagar, Gujarat, India

Abstract: India is the bigger producer of generic drugs globally. Indian pharmaceutical sector industry supplies over 50 per cent of world demand for different types vaccines, 40 per cent of generic demand in the US and 25 per cent of all medicine in UK. India enjoys higher position in the global pharmaceuticals sector. The country also has a large bulk of scientists and engineers who have the potential to steer the industry onwards to an even higher level. In Present over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms. In India almost 250 bigger units and around 8000 small scale units, which method the fundamental of the pharmaceutical manufacturing in India. (calculating 5 central public sector units) discerning fast, the world wide pharma market stands inert valued to extra than dual to \$ 1.3 billion by the year 2020. Thus, a sweat has been around to study the effectiveness place of the industry with the profit of harsh, standard deviation, coefficient of variance, multiple regression and study of varies. The growth in profitability will not only yield higher effectiveness then also advance financial performance in future.

Keywords: Business risk, Financial risk, Capital Structure, Market Value, Leverage

1. Introduction

As the world's third-largest industry by volume and thirteenth largest in word of value, Indian Pharmaceutical industry is likely to be aleader in manufacturing soon. From the last 30 years Indian pharmaceutical industry has risen as one of the major leader in drug manufacturing from almost nothing. In prior multinational companies used to import drugs either in fully formulated or bulk form. The credit for this steep curve in progress can be given to the twin benefit, first the increase in domestic consumption capacity of India and secondly to the various export opportunities available in India. Pharmaceutical sector is one of the major contributors to Indian economy with a growth percentage of 7-8%. Indian pharmaceutical industry is predicted to outperform the global pharmaceutical industry expected to grow at 5% per annum as it is forecast to grow at 15 per cent per annum between 2014-2015 and 2018-2029. Indian industry is assume to grow to US \$ 55 billion by 2020.

In this paper we are going to discuss about the profitability analysis on 3 leading companies in the pharmaceutical industry in India. Starting with Cipla ltd., Lupin Ltd and DrReddys lab ltd.

2. Literature Review

This chapter present a review of past studies relating to research problems choose for the present study and provide the researcher to have an in- depth knowledge over the various concept of research problem. Review collected for important studies and different concept relating to the financial performance has been show. In this Concern, the researcher has referred to different academic journals, magazines, books, etc.

Gangadhar (1998): Authorhas made an attempt on "Financial Analysis of Companies in Criteria: A Profitability and efficiency focus" main goal of the study is to analyze the liquidity position of the companies and to point out the

factors responsible for such a position. It is concluded that the liquidity position was quite alarming since these are facing chronic liquidity problems. Their proportion current assets in relation to the current liabilities are very low. It is suggested that, they may be improved by reducing excessive burden of current liabilities or increasing the level of current assets depending upon the requirements.

Venkataramana and Ramakrishnan (2012): Analyze the profitability and financial position of selected cement companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of liquidity ratios on profitability performance of selected cement companies.

Owolabi and Obida (2012): in their article titled "Liquidity Management and Corporate Profitability: Case Study of Selected Manufacturing Companies Listed on The Nigerian Stock Exchange" an attempt is made to measures the relationship between liquidity management and corporate profitability using data from selected manufacturing companies quoted on the floor of the Nigerian Stock Exchange. The result of the study was obtained using descriptive analysis and the finding shows that liquidity management measured in terms of the company's Credit Policies, Cash Flow Management and Cash Conversion Cycle has significant impact on corporate profitability. They found that managers can increase profitability by adopting good credit policy, short cash conversion cycle and effective cash flow management procedures.

Statement of the Problem

The progress of industries depends on some factors such as finance, personnel, technology, quality of the product and marketing. From these factors, financial and operating aspects forecast a significant role in look for the growth of industries. All of the company's operations virtually effect its wants for cash. Most of the data covering operational areas are however outside the direct responsibility of the financial executive. Unless the top management appreciates

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the value of a good financial and operating analysis, there will be continuing problems for the financial executives to find the profitability position of the concern. In this context the researcher is interested in undertaking an analysis to find the financial performance of Pharmaceutical Industry. Hence, the present study entitled "a study on financial performance of Pharmaceutical Industry in India" has been undertaken.

Objectives of the study

The following are the specific objectives of the study.

- 1) To analyze the profitability position of selected Pharmaceutical Companies in India.
- 2) To analyze the factors influencing the profitability of selected Pharmaceutical Companies in India.
- 3) To offer findings and suggestions and conclusion of this study.

Scope of the study

The current study target at assessing the profitability position of Pharmaceutical Industry in India. The study could help the company as well as the investors to understand its financial efficiency. Its goal is to help the management to find out its financial problems at present and the specific areas in the business, which might need some effort for more effective and efficient utilization of its resources.

3. Methodology

Sources of Data

For the study Secondary data is used. The given data for the study is collected and compiled from money control database for the period from 2014-2015 to 2018-2019 which is a reliable and empowered corporate database. In addition to this, supportive data is collected from books, journals, annual reports and various news-papers.

Sample Design

As the complete source list of all the Pharmaceutical Companies is not available, the data for this study is selected based on convenience sampling method. Among the companies listed with major stock exchange of India namely, Bombay Stock Exchange and National Stock Exchange of India, 10 companies with consistent financial data are selected. Selected companies have above 1000 crore turnover. Certain companies are excluded owing to irregular and/or inconsistent financial data support.

The following are the selected Pharmaceutical companies of this study

- Cipla Ltd.
- Lupin Ltd.
- Dr.Reddy's Laboratories Ltd

Analysis of Profitability

- The profitability can be measured with the help of the given ratios
- Gross Profit Ratio
- Net Profit Ratio

Table 1: Gross Profit Ratio (Rs. in Crores)

Company Name	Mean	S.D.	C.V.
Cipla	11.86	2.270407	19.1434
Lupin	16.618	9.940049	59.81495
Dr.Reddys lab	14.576	4.364508	29.94311

(Source: Compiled and calculated from Annual Report of the companies.)

Table 1 reveals the Gross profit ratio of selected Pharmaceutical Companies in India from the year 2014-15 to 2018-19. This Gross Profit shows the fluctuating trend for the study period. It shows the high cost of goods sold due to adverse purchasing policy and lesser sale. Here from the above table we can see that Average ratio of Lupin Ltd was highest 1.618 for the year 2014-15 to 2018-19, and Cipla Ltd has lowest i.e. 11.86.

Lupin Ltd have highest Standard Deviation of Gross Profit Ratio of 9.940049 per cent and Cipla Ltd have lowest standard deviation of gross profit ratio of 2.270407 percent

Lupin Ltd have highest Co efficient of variance of Gross Profit Ratio of 59.81495 per cent and Cipla Ltd have lowest standard deviation of gross profit ratio of 19.1434 percent

Table 2: Net Profit Ratio (Rs. In Crores)

Companies Name	Mean	S.D.	C.V.
Cipla	9.96	1.822169	18.29487
Lupin	14.996	7.783825	51.90601
Dr.Reddys lab	11.72	4.185146	35.70944

(Source: Compiled and calculated from Annual Report of the companies.)

Table 2 shows the Net profit ratio of selected Pharmaceutical Companies in India from the year 2014-15 to 2018-19. This Gross Profit shows the fluctuating trend for the study period. This fluctuation indicates the firm's capacity to face adverse economic situation such as price competition, low demand etc. Here from the above table we can see that Average ratio of Lupin Ltd was highest for net profit of 14.996 for the year 2014-15 to 2018-19, and Cipla Ltd has lowest i.e. 9.96.

Lupin Ltd have highest Standard Deviation of net Profit Ratio of 7.783825 and Cipla Ltd have lowest standard deviation of gross profit ratio of 1.822169.

Lupin Ltd have highest Coefficient of variance of Gross Profit Ratio of 51.90601 per cent and Cipla Ltd have lowest standard deviation of gross profit ratio of 18.29487 percent

4. Suggestions

- The companies should use an innovative technology and it may raise the product range. This will increase the export sales. The result will be increase the foreign exchange earnings.
- The companies may concentrate on their cost of manufacturing, investment in fixed assets and their sales turnover to improve their profitability.

5. Conclusion

Almost show that gross profit ratio, Net Profit ratio are financial strength plays a significant part in the successful management of a company. The analysis, have significant consequence on the net profit ratio of the designated pharmaceutical companies during the study period. However, profitability of the selected pharmaceutical firms in India through the study period is satisfactory. During the period of study there were a few ups and downs in the profitability but it did not affect the operations of the company to a great extent. If the Pharmaceutical Industry has to the perform well, it has to invest further capital and has to do more sales, only then it will improve its performance level.

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