

A Study on Financial Performance of Select Pharamceticals Companies in India

SYEDA RABAB MEHDI ABEDI

Presidency school of management and computer sciences

Abstract-Being the world's third-largest industry by volume and thirteenth largest in terms of value, Indian Pharmaceutical industry is likely to become leader in manufacturing soon. In past 30 years Indian pharmaceutical industry has emerged as one of the major leader in drug production from almost nothing. Earlier multinational companies used to import drugs either in fully formulated or bulk form. The credit for this steep curve in development can be given to the twin benefit, firstly the increase in domestic consumption capacity of India and secondly to the various export opportunities available in India. It is one of the major contributors to Indian economy with a growth percentage of 7-8%. Indian pharmaceutical industry is expected to outperform the global pharmaceutical industry expected to grow at 5% per annum as it is assumed to grow at 15 per cent per annum.. In this paper we are going to discuss about Du point analysis on 12 leading companies in the pharmaceutical industry in India. Starting with Sun pharma, one of the leading company in India having highest assets, we extend our discussion to, Aurobindo Pharma Ltd., Cipla Ltd., Lupin Laboratories Ltd., Dr. Reddy's Laboratories Ltd., Lupin Pharmaceuticals Ltd., Sun Pharmaceutical Industries Ltd.

Keywords: Duepoint Analysis, Pharmaceutical Companies, Financial Ratios

1.0INTRODUCTION

Indian pharmaceutical industry has played a key role in promoting and sustaining development in the field of medicines. International companies associated with this sector have stimulated and spearheaded this dynamic development in the past decades and to put the India on the pharmaceutical map of the world. The public sector pharmaceutical companies have been the backbone of the Indian economy, and at the same time expanding the scope of their current business.

The ability of an organization to analyze its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis

of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level. In this context researcher has undertaken an analysis of financial performance of pharmaceutical companies to understand how management of finance plays a crucial role in the growth.

Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value.

2.0 REVIEW OF LITERATURE

Rajender, (2020) additionally calculated ratios like running profit, gross profit, internet profit, yield on assets and yield on equity to discover the profit generation capability of Paint corporations of India. They took a sample of three paint companies. Further the study also calculated mean and coefficient of variance. It concluded that profitability position of the Indian paint companies is good and satisfactory.

Yameen, Farhan and Tabash, (2019) Another study talks about the association between cash availability and profit generation. It is found that contemporary liquidity ratio, quick ratio has an optimistic impact on profitability of Indian pharmaceutical sector while leverage, firms' length and age have a pessimistic impact at the profitability of pharmaceutical companies.

Mbona and Yusheng, (2019) A study on China telecom industry says that a simple fusion of 12 proportion or ratios can effectively analyse the operations of a company and can give a meaningful

comparison instead of analysing too many ratios which are costly in nature. Ratios which talks about profit generation, cash availability, growth and valuation proportions and administration efficiency proportions are basically the important performance highlighters for any industry. Due to the correlation between these ratios, instead of looking towards this information individually, they have to be combined together to estimate the achievement of an industry or the organisation.

Mohmad and Dr. Syed (2016) analyzed the liquidity and profitability of selected companies and more specifically it seeked the comparison between the liquidity and profitability performance of selected companies. There is significant difference between the performances of pharmaceutical companies on the basis of Quick Ratio. The performance of Cipla is better than that of Dr. Reddy's labs in terms of profitability.

3.0 RESEARCH GAP

The Review of literature clearly states that the earlier studies focused on various aspects of banks pharmaceutical companies hence, the present study is taken up to analyze the financial performance of select pharmaceuticals.

From the above review of empirical works it is clear that different researchers have approached different ways in varying level of analysis. These different approaches helped in the emergence of more and more literature on the subject over time. It gives an idea on extensive and divers works on comparative analysis. It has been noticed that the studies on financial performance in various sectors provide divergent results over the study period.

4.0SCOPE OF THE STUDY

The current study is on the financial performance of selected pharmaceutical industry of India which includes only large market capitalization companies. The medium market capitalization or low market capitalization are excluded from the scope of analysis. Hence the selection was done from the 44 large market capitalization companies from the entire pharmaceutical industry. The selection of the companies was done from the third classification

namely Bulk Drugs & Formulations companies from the whole pharmaceutical industry in India. In order to understand the merits of Indian Pharmaceutical Industry it was essential to select the major players of the Industry which is listed in the NSE. This study confine to the issue relating to the financial performance of the Pharmaceutical industry in India. It covers the earning power of the pharmaceutical companies in India by using the different methods of financial performance techniques.

5.0PERIOD OF THE STUDY

1. The study has been confined to 10 years from 2013-14 to 2022-2023, as a 10 year study on financial performance is deemed to be quite sufficient to arrive at findings.

6.0OBJECTIVE OF THE STUDY

1. To study the Finanacial performance of slect pharacetical companies through financial ratios.
2. To study the financial health of select pharmaceutical companies using Du point analysis.

7.0RESEARCH METHODOLOGY

This study is partially descriptive in nature and partially analysis. The main purpose of the descriptive research is the description of the state of affairs as it exists in the present. The study is based on secondary data.

Statistical Tools:

The data collected have been organized and presented in the form of tables. This study is analytical in nature and hence the tool such as simple Percentage Method, T test used with the help of statistical package, MS Excel.

Sample size:

Hypothesis:

Ho1: There is no significant difference between financial performance of the select pharmaceutical companies

8.0DATA ANALYSIS AND INTERPRETATION

Table-8.1 Du Pont analysis (ROI & ROE) of Sun Pharmaceutical Ltd

Year	RoI	RoE
2022-2023	7.05	87.91
2021-2022	-0.42	68.95
2020-2021	8.92	53.99
2019-2020	13.38	58.53
2018-2019	3.4	48.24

Ho1: There is no significant difference between the (RoE)and (RoI)of Sun pharmaceuticals Ltd.

Ha1: There is a significant difference between the (RoE)and (RoI)of Sun pharmaceuticals Ltd.

t-Test: Two-Sample Assuming Equal Variances	RoI	RoE
Mean	6.466	63.524
Variance	27.74598	243.3891
Observations	5	5
Pooled Variance	135.5675	
df	8	
t Stat	-7.74834	
P(T<=t) two-tail	0.000	
t Critical two-tail	2.306004	

Interpretation:

From the above table reveals that the RoI and RoE of Sun Pharmaceuticals Ltd Mean value 6.466 and 63.524. Variance 27.74598 and 243.3891. The two tail test the p value is 0.000 at 5% significant level . Hence it concludes that there is a significant difference between RoI and RoE of sun pharmaceuticals Ltd.

Table-8.2 Du Pont analysis (ROI & ROE) of Cipla Ltd

Year	RoI	RoE
2022-2023	15.57	100.65
2021-2022	18.33	85.27
2020-2021	15.30	87.61
2019-2020	14.38	84.04
2018-2019	11.72	80.37

Ho2: There is no significant difference between the (RoE)and (RoI)of Cipla Ltd.

Ha2: There is a significant difference between the (RoE)and (RoI) of Cipla Ltd.

t-Test: Two-Sample Assuming Equal Variances	RoI	RoE
Mean	15.06	87.588
Variance	5.65715	60.16932

Observations	5	5
Pooled Variance	32.9132	
df	3	
t Stat	8	
P(T<=t) two-tail	-19.989	
t Critical two-tail	0.000	
	2.30600	
	4	

Interpretation:

From the above table reveals that the RoI and RoE of Cipla Ltd Mean value 15.06 and 87.588. variance 5.65715 and 60.16932. The two tail test the p value is 0.000 at 5% significant level . Hence it concludes that there is a significant difference between RoI and RoE of Cipla Ltd.

Table-8.3 Du Pont analysis (ROI & ROE) of Aurobindo Pharma Ltd.

Year	RoI	RoE
2022-2023	21.00	225.74
2021-2022	24.83	204.1
2020-2021	53.13	280.14
2019-2020	31.96	233.31
2018-2019	26.11	212.61

Ho3: There is no significant difference between the (RoE)and (RoI)of Aurobindo Pharma Ltd.

Ha3: There is a significant difference between the (RoE)and (RoI) of Aurobindo Pharma Ltd.

t-Test: Two-Sample Assuming Equal Variances	RoI	RoE
Mean	31.406	231.18
Variance	162.9538	877.3458
Observations	5	5
Pooled Variance	520.1498	
Hypothesized Mean Difference	0	
df	8	
t Stat	-13.8498	
P(T<=t) two-tail	0.000	
t Critical two-tail	2.306004	

Interpretation:

From the above table reveals that the RoI and RoE of Aurobindo Pharma Ltd. Mean value 31.406 and 231.18. variance 162.9538 and 877.3458, . the two tail test the p value is 0.000 at 5% significant level . Hence

it concludes that there is a significant difference between RoI and RoE of Aurobindo Pharma Ltd.

Table-8.4 Du Pont analysis (ROI & ROE) of Dr Reddys Laboratories Ltd

Year	RoI	RoE
2022-2023	21.00	225.74
2021-2022	24.83	204.1
2020-2021	53.13	280.14
2019-2020	31.96	233.31
2018-2019	26.11	212.61

Ho4: There is no significant difference between the (RoE)and (RoI)of Dr Reddys Laboratories Ltd.

Ha4: There is a significant difference between the (RoE)and (RoI) Dr Reddys Laboratories Ltd

t-Test: Two-Sample Assuming Equal Variances	RoI	RoE
Mean	31.406	231.18
Variance	162.9538	877.3458
Observations	5	5
Pooled Variance	520.1498	
df	8	
t Stat	-13.8498	
P(T<=t) two-tail	0.000	
t Critical two-tail	2.306004	

Interpretation:

From the above table reveals that the RoI and RoE of Dr Reddys Laboratories Ltd. Mean value 31.426 and 231.18. Variance 162.9538 and 877.3458,. the two tail test the p value is 0.000 at 5% significant level . Hence it concludes that there is a significant difference between RoI and RoE of Dr Reddys Laboratories Ltd.

Table-8.5 Du Pont analysis (ROI & ROE) of Lupin Ltd

Year	RoI	RoE
2022-2023	21.00	225.74
2021-2022	24.83	204.1
2020-2021	53.13	280.14
2019-2020	31.96	233.31
2018-2019	26.11	212.61

Ho5: There is no significant difference between the (RoE)and (RoI)of Lupin Ltd.

Ha5: There is a significant difference between the (RoE)and (RoI) Lupin Ltd

t-Test: Two-Sample Assuming Equal Variances	RoI	RoE
Mean	31.406	231.18
Variance	162.9538	877.3458
Observations	5	5
Pooled Variance	520.1498	
df	8	
t Stat	-13.8498	
P(T<=t) two-tail	0.000	
t Critical two-tail	2.306004	

Interpretation:

From the above table reveals that the RoI and RoE of Lupin Ltd. Mean value 31.406 and 231.18. Variance 162.9538 and 877.3458, the two tail test the p value is 0.000 at 5% significant level. Hence it concludes that there is a significant difference between RoI and RoE of Lupin Ltd.

CONCLUSION

The profitability ratios like Return on Investment and Return on equity that the comparison of the performance and condition of organizations against its competitors analyzing the in returns of organizations it found that select pharmaceuticals Return on equality is greater than return on investment. The organizations profitability for most investors is a landmark in terms of earnings they could obtain by placing capital. Profits earned by the organization taken the absolute amount, provides an overview of a company’s activity without giving details about the extent to which the company manages dividends , debts, liabilities or other indicators. ROI and ROE is the most comprehensive measure of profitability of a firm. It considers the operating and investing decisions made as well as the financing and tax related decisions.

REFERENCES

- [1] Mbona, R. M., & Yusheng, K. (2019). Financial statement analysis. Asian Journal of Accounting Research.
- [2] Yameen, M., Farhan, N. H., & Tabash, M. I. (2019). The Impact of Liquidity on Firms’ Performance: Empirical Investigation from Indian Pharmaceutical Companies. Academic Journal of Interdisciplinary Studies, 8(3), 212-212.
- [3] <https://www.moneycontrol.com/financials/cipla/balance-sheetVI/C>

- [4] <https://www.moneycontrol.com/financials/lupin/balance-sheetVI/L>
- [5] <https://www.moneycontrol.com/financials/sunpharmaceuticalindustries/balance-sheetVI/SPI>
- [6] <https://www.moneycontrol.com/financials/sunpharmaceuticalindustries/balance-sheetVI/SPI>
- [7] <https://www.moneycontrol.com/financials/aurobindopharma/balance-sheetVI/AP>