



A STUDY OF PROFITABILITY OF SELECTED INDIAN PHARMA COMPANIES

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ABSTRACT

The Indian Pharmaceutical area is highly fragmented with more than 20,000 enlisted units. The pharmaceutical business in India meets around 70% of the nation's interest for mass medications, pharmaceutical plans, chemicals, tablets, cases, orals and injectable. There are two noteworthy things turning out, right off the bat, Indian Pharmaceutical Industry is developing in yield, esteem, volume, number of units - relentlessly and indicating similarity to the whole development story of Indian Economy. Besides, there is a noteworthy change jumping out at the exceptionally fundamental arrangement of pharmaceutical business in India. By issuing the patent statute, India met a WTO sense of duty regarding perceive outside item licenses from first January 2005, the finish of 10 year process. In this new situation, the Indian Pharmaceutical producers would not have the capacity to make licensed medications which they have been doing since long in spite of the fact that by another procedure.

This study has been attempted for basic evaluation of pharmaceutical industry of India. The examination time frame is of ten years from 2007-08 to 2016-17 to break down the productivity execution of driving pharmaceutical organizations and correlation among them.

Keywords :

Pharmaceutical, Financial Performance, Profitability, Indian

INTRODUCTION

The Indian pharmaceuticals advertise is third biggest as far as volume and thirteen biggest as far as esteem, according to a pharmaceuticals segment examination report by value ace. The market is ruled significantly by marked generics which constitute about 70 to 80 for each penny of the market. Thought to be a profoundly divided industry, union has progressively turned into an essential component of the Indian pharmaceutical market.

India has accomplished a prominent worldwide position in pharma division. The nation likewise has an enormous pool of researchers and designers who can possibly take the business to an abnormal state.

The UN-upheld Medicines Patents Pool has marked six sub-licenses with Aurobindo, Cipla, Desano, Emcure, Hetero Labs and Laurus Labs, enabling them to influence non specific against AIDS to prescription TenofovirAlafenamide (TAF) for 112 creating nations.

MARKET SIZE

The Indian pharmaceutical industry is evaluated to develop at 20 for each penny compound yearly development rate (CAGR) throughout the following five years, according to India Ratings, a Fitch Group organization. Indian pharmaceutical assembling offices enlisted with US Food and Drug Administration (FDA) as on March 2014 was the most astounding at 523 for any nation outside the US.

We expect the residential pharma market to develop at 10-12 for every penny in FY15 when contrasted with 9 for each penny in FY14, according to a current report from Centrum Broking. The local pharma development rate was 11.9 for each penny in October 2014, featured the report.

Gujarat timed the most elevated development rate in pharmaceuticals advertise at 22.4 for each penny amid November 2014, outperforming the business development rate, which developed by 10.9 for every penny, according to information from the statistical surveying firm AIOCD Pharma soft tech AWACS.

Additionally, developing at a normal rate of around 20 for each penny, India's biotechnology industry including bio-pharmaceuticals, bio-administrations, bio-farming, bio-industry and bioinformatics may come to the US\$ 7 billion check before the finish of FY15, as indicated by an industry body. Biopharma is the biggest area contributing around 62 for each penny of the aggregate income, with income age to

the tune of over Rs 12,600 crore (US\$ 2.03 billion). The bio-pharma division contains antibodies, therapeutics and diagnostics.

INVESTMENTS

The Union Cabinet has given its endorsement to alter the current FDI strategy in the pharmaceutical division so as to cover medicinal gadgets. The Cabinet has permitted FDI up to 100 for each penny under the programmed course to manufacture of therapeutic gadgets subject to indicated conditions.

The medications and pharmaceuticals segment pulled in combined outside direct speculation (FDI) inflows worth US\$ 12,813.02 million between April 2000 and December 2014, as indicated by information discharged by the Department of Industrial Policy and Promotion (DIPP).

ROAD AHEAD

The Indian pharma advertise estimate is required to develop to US\$ 85 billion by 2020. The development in Indian residential market will be on back of expanding buyer spending, quick urbanization, and raising human services protection etc.

Going ahead, better development in household deals will rely upon the capacity of organizations to adjust their item portfolio towards interminable treatments for ailments, for example, for example, cardiovascular, hostile to diabetes, antidepressants and against diseases are on the ascent.

In addition, the legislature has been taking a few savvy measures so as to cut down human services costs. Accordingly, governments are concentrating on rapid presentation of bland medications into the market. This too will profit Indian pharma organizations. Furthermore, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also augurs well for the pharma companies.

LITERATURE REVIEW

The analysis of Profitability of Pharmaceutical Industry of India is a specific range of work subsequently not an exceptionally prominent issue to compose on. There are number of articles and research papers distributed for Profitability and for Pharmaceutical Industry of India however nothing is particularly of importance for the present study.

The present study is a one of a kind work of research which is for chosen organizations understudy and for a predefined period. There are some specialized

focuses included separated from the monetary research. These are TRIPS, WTO, Patent Regime, different national and global pharmaceutical produces' affiliation.

Crafted by Keshab Das on TRIPS and its political ramifications has been alluded by the scientist to get the bits of knowledge into the issue. Educator Robert Tancer has chipped away at Indian Pharmaceutical Industry as a venture goal. Robert Warren has worked for the pharmaceutical business.

Comparable kind of work has been done in a similar college before quite a while time of 16 years. The study was accentuated on the working capital administration, entitled "Working Capital Management of Pharmaceutical Industry in India" by Dr. Shashi A. Jain in the year 1990. The investigation endeavoured to make a top to bottom study of the working capital administration of the chose pharmaceutical organizations for a timeframe.

Another real research work has been completed in the year 1992 by Dr. Akhileshwar Sharma on the subject "Gainfulness Analysis of Drugs and Pharmaceutical Companies in India" in May 1992. This study endeavoured to discover the productivity position of different chose units amid that timeframe utilizing a few criteria.

Be that as it may, the above work was completed in the situation when economy was in a shut state. The means for progression by privatization and globalization were started by then Prime Minister of India Lt. Shri Narsimha Rao, and a while later a continuous move was found in the whole economy of India.

With the WTO assentment and de-control of costs and the usage of Patent Act there is a sensational change saw in the pharmaceutical business of India which makes the foundation for the investigation.

There is part of data accessible about the business at national and worldwide level from the Internet and it can be gotten to through different web indexes.

RESEARCH OBJECTIVE

1. To study various ways to measure the profitability of selected pharmaceutical companies.
2. To identify any relationship in-between companies in the various measures of profitability
- 3.To study the pharmaceutical industry of India

RESEARCH METHODOLOGY

SOURCES OF DATA

Secondary sources of data will be utilised for this proposed research study

Secondary data have been collected from Company Annual Reports.

SAMPLE SIZE

In the research study, researcher has selected 14 Pharmaceutical companies.

PERIOD OF DATA COVERAGE

Ten years of financial statements will be analysed for Pharmaceutical companies taken under study.

ANALYSIS OF DATA

The proposed statistical tools for the analysis of data are ratio analysis and ANOVA test. Gross Profit Margin Ratio and Net Profit Margin Ratio are used to analyse the performance of companies selected for the proposed research study.

DATA ANALYSIS

GROSS PROFIT MARGIN RATIO

Table 1 : Gross Profit Margin Ratio

COMPANY	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Alembic Ltd	12.99	3.25	-13.94	-3.96	5.10	7.79	11.46	14.96	16.19	14.23
Ambalal Sarabhai Enterprises Limited	-104.55	-175.47	-72.83	-32.45	-32.79	-187.61	-74.13	-29.81	-29.52	-7.05
Cadila Healthcare Ltd	13.82	14.79	10.10	10.95	17.91	17.13	15.04	14.41	6.82	3.12
Coral Laboratories Limited	17.27	14.95	15.59	13.76	16.54	12.91	12.69	22.29	25.30	15.92
Dishman Pharmaceuticals & Chemicals Limited	27.90	27.27	24.44	17.10	27.41	31.35	20.95	23.75	21.80	25.21
Gujarat Terce Laboratories Ltd.	2.15	0.81	0.56	3.21	4.08	2.84	3.25	4.10	2.80	2.55
Gujarat Themis Biosyn Limited	16.73	5.80	-38.90	-15.90	2.24	-14.76	-0.07	-85.77	-3.50	4.36
Lincoln Pharmaceuticals Limited	7.87	7.22	6.53	6.04	8.35	8.03	9.81	8.11	6.91	7.71
Sun Pharma Advanced Research Company Limited.	17.91	-23.09	-252.19	-16.46	-62.97	-34.47	-12.32	-	-	-
Sun Pharmaceuticals Industries Ltd	-	-	-	-	9.86	0.79	6.01	26.73	27.81	-
Themis Medicare Limited	7.39	2.32	-15.68	6.34	6.25	-0.03	7.73	8.05	1.31	8.84
Torrent Pharmaceuticals Limited	29.16	21.96	17.01	19.36	24.28	19.34	19.40	17.55	16.45	16.03
Unjha Formulations Ltd.	1.60	1.89	1.45	2.63	-0.51	5.15	-0.49	-9.93	-53.16	-18.11
Zenith Health Care Ltd.	-15.23	-7.67	-2.84	-	-	-	-	-	-	7.27

Based on above charts and graph it can be observed that Pharma companies have negative value during the year 2012, 2015 and 2016. In the earlier years of Pharma companies' inception this ratio was high and then in following years this ratio drops drastically which seems that company has high cost of COGS compare to revenue generated in middle age of years to recent years. COGS values decreasing drastically compare to revenue from year 2013-14 to 2015-16.

Table 2 : ANOVA of Gross Profit Margin Ratio

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	94894.76	13	7299.5969	8.3081718	1.529E-11	1.8077229
Within Groups	99282.306	113	878.60448			
Total	194177.07	126				

Thus, $F_{cal} > F_{tab}$ and p-value is less than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that the difference is seen in Gross Profit Margin Ratio of selected pharmaceutical companies.

NET PROFIT MARGIN

Table 3 : Net Profit Margin Ratio

COMPANY	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Alembic Ltd	17.42	6.06	-9.58	-6.24	2.01	0.65	11.18	10.00	12.31	9.86
Ambalal Sarabhai Enterprises Limited	-99.78	-48.47	-24.26	-2.63	3.58	16.60	-11.61	-30.62	-5.87	-8.18
Cadila Healthcare Ltd	11.04	10.21	12.26	15.34	13.64	10.30	11.06	12.73	11.04	10.39
Coral Laboratories Limited	15.12	14.04	13.82	12.48	13.39	9.51	8.41	18.43	20.98	10.07
Dishman Pharmaceuticals & Chemicals Limited	16.39	12.67	9.43	9.21	19.38	21.97	16.93	21.74	20.33	18.56
Gujarat Terce Laboratories Ltd.	0.83	0.23	0.13	1.15	0.69	0.16	1.11	0.37	0.12	0.64
Gujarat Themis Biosyn Limited	14.89	3.73	-44.72	-24.03	-6.93	-28.49	-10.99	-101.53	-14.27	-4.38
Lincoln Pharmaceuticals Limited	5.44	5.01	2.79	3.25	4.87	3.82	5.24	4.84	4.41	4.09
Sun Pharma Advanced Research Company Limited.	17.12	-25.30	-244.40	-14.47	-62.53	-25.93	-13.00	-	-	-
Sun Pharmaceuticals Industries Ltd	-94.65	19.35	38.94	41.91	33.99	31.43	31.01	26.69	25.85	24.78
Themis Medicare Limited	0.87	-5.36	-24.73	4.35	8.39	-5.02	5.05	5.01	3.42	5.38
Torrent Pharmaceuticals Limited	22.41	18.85	14.16	16.39	14.30	15.51	15.56	12.63	9.41	10.66
Unjha Formulations Ltd.	1.86	1.83	1.37	2.62	-1.24	3.95	-8.16	-15.57	-58.43	-21.99
Zenith Health Care Ltd.	-8.04	0.20	0.28	5.87	4.75	0.56	-3.07	-0.27	3.55	1.54

Zigzag trend can be seen from the above charts and tables. This ratio indicates that how much amount company is keeping as net profit from the revenue generated. Higher the ratio indicating company is keeping more amount of revenue as net income in contrary it can be said that company doesn't have any future project where investment will be required or want to show more profit and give dividend to shareholders. Year 2008 has very sound financial position of Pharma companies while 2015 has weakest financial position of all time.

Table 4 : ANOVA of Net Profit Margin Ratio

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	40185.211	13	3091.1701	4.3967559	4.501E-06	1.8005194
Within Groups	86476.013	123	703.05702			
Total	126661.22	136				

Thus, $F_{cal} > F_{tab}$ and p-value is less than specified α of 0.05.

So, null hypothesis is rejected and it is concluded that the difference is seen in Net Profit Margin Ratio of selected pharmaceutical companies.

CONCLUSION

In the prior years of Pharma organizations' initiation Gross overall revenue proportion was high and afterward in following years this proportion drops definitely which appears that organization has high cost of COGS contrast with income created in middle period of years to late years. Pinions esteems diminishing radically contrast with income from year 2013-14 to 2015-16. Year 2008 has extremely solid money related position of Pharma organizations while 2015 has weakest budgetary position ever. Amid year 2008 pharmaceutical organizations keeping more sum as net benefit from the income created which demonstrates that companies' don't have any future undertaking where speculation will be required or need to indicate more benefit and offer profit to shareholders. Difference is found in Gross Profit Margin Ratio of those pharmaceutical organizations. Contrast is found in Net Profit Margin Ratio of those pharmaceutical companies.

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