A Comparative Study of Profitability of Selected Pharma Companies of India

Dr.Bhavik U.Swadia[1]

[1] Assistant Professor, S.M.Patel Institute of Commerce, GLS University, India

Correspondence: Dr.Bhavik U.Swadia, Assistant Professor, S.M.Patel Institute of Commerce, GLS University, India

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Abstract

The Indian pharmaceutical industry is growing rapidly in the number of production, value, quantity, units and there are two main things that appear to conform to the story of the full growth of the Indian economy. Second, there has been a major change in the very basic system of pharmaceutical business in India. By issuing a patent ordinance, India fulfills WTO's commitment to identify foreign product patents from January 1, 2005, the culmination of the 10-year process. In this new scenario, Indian pharmaceutical manufacturers will not be able to manufacture patented drugs, which they have been doing for a long time, though by another process. This study has been done for important evaluation of India's pharmaceutical industry. This study focus on to analyse the profitability of the selected pharmaceutical companies of India and to study the relation between the pharmaceutical companies for various measures of profitability. The study period is ten years from 2007-08 to 2016-17. Based on the study it can be seen that pharmaceutical companies had a very good profitability in 2008, while the weakest profitability of all time in year 2015.

Keywords: pharmaceutical, financial performance, profitability, India

1. Introduction

According to the Pharmaceuticals Sector Analysis report by Equity Master, Thirteen is the largest in terms of volume of Indian pharmaceuticals and the third largest in terms of value. Market dominance is dominated by branded generics, which constitutes about 70 to 80 percent of the market.

India has achieved a prominent global position in the pharma sector. There is also a huge pool of scientists and engineers in the country, who have the ability to take the industry to a higher level.

1.1 Market Size

According to the India Ratings of Fitch Group, in the next five years, the Indian pharmaceutical industry estimates that in the next five years, the growth rate of CAGR of 20% is estimated. As of March 2014, with the American Pharma and Drug Administration (FDA), Indian pharmaceutical manufacturing facilities were the highest of 523 for any country outside the United States.

We hope that according to a recent report by Sensex Broking, the domestic pharma market will grow 10-12 per cent in fiscal year 2015 compared to 9 per cent in FY14. The growth rate of domestic pharma in October 2014 was 11.9 percent, the report highlighted.

In November 2014, Gujarat registered the highest growth rate in the pharmaceuticals market, which is exceeding the industry's growth rate, which grew by 10.9 percent, according to data from market research firm AIOCD Pharmasofttech AWACS.

Apart from this, the average rate of about 20 percent is rising; India's biotechnology industry includes bio-pharmaceuticals, bio-service, bio-agriculture, bio-industry and bioinformatics, which is about 7 billion Americans by the end of fiscal year 2015. Can reach the dollar. Industry group BioFerma is the largest contributor of nearly 62 percent of total revenue, in which revenue is more than Rs 12,600 crore (US $ 2.03 billion). Bio-pharma sector includes vaccines, medical science and diagnosis.

1.2 Road Ahead

The size of the Indian pharma market is expected to reach 85 billion US dollars by 2020. The increase in the Indian domestic market will be behind the increase in consumer expenditure, increasing urbanization and health insurance and moving forward.

Moving forward, a better growth in domestic sales will depend on the ability of companies to transition their product portfolio, such as heart disease, diabetes, anti-depressants and anti-cancer diseases.

Apart from this, the government is taking several cost-effective measures to reduce health care expenditure.

2. Literature Review

Analysis of profitability of India's pharmaceutical industry is a special area of work, so it is not a very popular thing to write. Profitability and the number of published papers and research papers for the pharmaceutical industry of India, but there is nothing particularly relevant for the current study.

The current study is a unique research work, which is for selected companies and for a specific period. Some technical points are included in addition to financial research; these are trips, WTO, patent regiment, various national and international pharmaceutical companies.

The work of Keshab Das and his political implications on trips has been sent to the researcher to get insights into this matter. Professor Robert Tancer has worked as an investment destination on the Indian pharmaceutical industry. Robert Warren worked for the pharmaceutical industry

A similar type of work has been done in the same university before the long period of 16 years. In 1990, Dr. Shashi A Jain insisted on working capital management titled "Executive Capital Management of the Pharmaceutical Industry in India". The study attempted to conduct thorough analysis of working capital management, for the period of time, selected drug companies.

In 1992, Dr. Another major research work has been done by Akhileshwar Sharma on "Profitability Analysis of Drugs and Pharmaceutical Companies in India". During this study, efforts were made to ascertain the profitability of various selected units. When Using Multiple Criteria

But the above work was done in the scenario when the economy was in a closed state. Steps for liberalization by privatization and globalization were initiated by the then Indian Prime Minister Lt. Narasimha Rao, and later gradually the changes were found in the entire economy of India.

The regulation of the WTO agreement and the implementation of the Patent Act have seen a dramatic change in India's pharmaceutical industry, which creates a background for the study.

There is a lot of information available from the Internet at the national and international level and it can be accessed through various search engines.

3. 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

4. Research Methodology

4.1 Sources of Data

Secondary sources of data will be used for this proposed research study.

Secondary data has been collected from the company annual report

4.2 Universe

14 administrative companies selected in the research study

4.3 Period of Data Coverage

Ten years of financial statements will be analyzed for the pharmaceutical companies taken under the study.

4.4 Analysis of Data

Proposed statistical tool ratio analysis and ANOVA test are used to analyze the data. The gross profit margin ratio and the net profit margin ratio are used to analyze the performance of companies selected for the proposed research

study.

5. Data Analysis

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 the chart and graph above, it can be seen that pharma companies have negative values during 2012, 2015 and 2016. This ratio was higher in the early years of pharma companies and in the years to come, this ratio is greatly reduced, which seems to indicate that the company has the high cost of COGS compared to the revenue generated in recent years in the intermediate years. COGS value is declining in 2013-14 to 2015-16 as compared to the huge amount of revenue.

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, Fcal>Ftab 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

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 tendencies can be seen from the above charts and tables; this ratio indicates how much the amount holds as a net profit from the company generated. The ratio is showing as much revenue as the net income is earning, because in contrast the net income can be said that the company does not have a future project where investment will be required or to show more profit and shareholders have to pay dividends. Pharma companies have a very good financial position in the year 2008, while the weakest financial position of all time in 2015.

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, Fcal>Ftab 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.

6. Conclusion

In the early years of pharma companies the gross profit margin ratio was high and in that subsequent years this ratio is greatly reduced, it seems that the high cost of the company's COGS compared to the revenue generated in recent years from the year of age is. From 2013-14 to 2015-16, the COSG price is declining in comparison to the revenue. Pharma companies had a very good financial position in 2008, while the weakest financial position of all time in 2015. During the year 2008, pharmaceutical companies kept more money in the form of net profit from revenue generation which indicates that companies do not have a future project where investment will be required or to show

more profit and shareholders will have to pay dividends. The difference in the gross profit margin ratio of selected pharmaceutical companies is seen. The difference in net profit margin ratio of selected pharmaceutical companies is seen.

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