



# Liquidity & Profitability Analysis of the Pharmaceutical Companies of India

NITIN MAKWANA

Research Scholar,  
Rai University, Ahmedabad

PROF. DR. PARESH SHAH

Research Supervisor,  
Rai University, Ahmedabad

## Abstract:

*In the period of advancement, privatization, and globalization, working capital administration an essential piece of any business circumstance. Organizations are these days dealt with adaptability where the essential angles generally depend of the remain of contenders. In such a situation finance director needs to mix his long haul and shortterm assets in most ideal blend so that firm can manage any vulnerability in ideal way. Working capital administration to a great extent includes speculation and financing for the transient time frame. If there should be an occurrence of drug firms where the enormous focal point of business is on long haul resources due to its endeavors on innovative work, overseeing productivity becomes indispensable significant for the money directors. Keeping up with benefit level that would fulfill long haul interest of the firm isn't so basic errand in unpredictable business climate. Particularly if there should arise an occurrence of drug organizations, the case is much more troublesome. Drug firms are managing solid rivalry on one hand and exacting guidelines then again. In such a situation, part of inorganic business exercises like consolidations, acquisitions, spin off and so forth continue occurring in drug industry.*

## 1. Introduction

Keeping up with benefit level that would fulfill long haul interest of the firm isn't so basic errand in unpredictable business climate. Particularly if there should arise an occurrence of drug organizations, the case is significantly more troublesome. Drug firms are managing hardened rivalry on one hand and severe guidelines then again. In such a situation, parcel of inorganic business exercises like consolidations, acquisitions, spin off and so forth continue occurring in drug industry. Internationally some consideration has been given to the marvel of monetary execution of the pharmaceutical organizations to give a lot of knowledge into their yearly reports; United States, (Goodman, 2009) and in India (Nair,2013) and (Kheradmand and Bahar, 2013). Yet monetary execution of the business isn't notable (Nsiah and Aidoo, 2015).

## 2. Research Methodology

The examination is pointed toward contemplating productivity situation of test drug organizations in India. The time-frame for which the organizations are examined is of a long time from 2010-'11 to 2013-'14. To examine drug industry four significant organizations of the business were picked. These were;

1. Ranbaxy Laboratories
2. Cipla Pharmaceuticals
3. Dr. Reddy's Laboratories
4. Lupin Pharmaceuticals

To accomplish the goal of examining the productivity of test organizations six benefit boundaries were picked for the investigation. These were;

1. Gross Profit Margin
2. Operating Profit Margin
3. Net Profit Margin
4. Return on Capital Employed

5. Return on Net Worth

6. Earnings Per Share

### 3. Hypotheses

Gross Profit Margin

H(0): The gross profit margin ratio does not differ significantly among different pharmaceutical firms.

H(1): The gross profit margin ratio differs significantly among different pharmaceutical firms.

Operating Profit Margin

H(0): The operating profit margin ratio does not differ significantly among different pharmaceutical firms.

H(1): The operating profit margin ratio differs significantly among different pharmaceutical firms.

Ratio	F	Sig.	Ho	Remarks
Gross Profit Margin	2.058	.022	Rejected	Significant Difference
Operating Profit Margin	2.982	.029	Rejected	Significant Difference
Net Profit Margin	1.581	.513	Accepted	No Significant Difference
ROCE	5.996	.000	Rejected	Significant Difference
RONW	3.314	.007	Rejected	Significant Difference
EPS	4.123	.000	Rejected	Significant Difference

### 4. Conclusion

The investigation period taken in example was very trying for the drug area and Indian economy taking all things together. 2008 was the initiation of the decline in the economy. In addition, it was the time of certain financial shocks universally. Beginning from the Lehman Brothers, the downturn spread across the globe. In these difficult occasions it was undeniably challenging for all organizations to perform with its proficiency. In this background, the examination embraced here targets investigating benefit position of the Indian drug area. The seven years time-frame picked for examining drug industry's benefit was a significant thrill ride for organizations. In starting years, the productivity was not exactly reassuring. Later on, after 2009 the organizations began displaying positive patterns in benefit. Drug area is recognized in two aspects: One, it is a guarded area, as it is likewise one of the essential necessities. Second, it includes extremely significant expense of innovative work, which doesn't ensure any guaranteed returns. In these respects, the productivity of certain organizations like Ranbaxy didn't show empowering results. To focus on these the two issues, diverse six productivity boundaries were picked to address the benefit of drug area in a proper way. In any case, true to form, various proportions shown different outcomes. For any firm, for which the attention is on innovative work, working benefit and gross benefit matters more, as their endeavors for innovative work will create organic products after longer time span. Likewise, the organizations associated with medicine for basic ailments like Cancer, HIV will have higher resources utilized. This will influence their ROCE and RONW.

### References:

1. Bhunia, A. & Sarkar, R., (2011). A Study of Financial Distress based on MDA. Journal of Management Research, 3(2), pp. 1-11.
2. Goodman, M., (2009). Pharmaceutical industry financial performance. Nature Reviews Drug Discovery, pp. 927-928.
3. Sinha Mintibahen Bijendra, IJSRM Volume 5 Issue 08 August 2017