"A STUDY ON FINANCIAL STATEMENT ANALYSIS OF SELECTED PHARMACEUTICAL COMPANIES IN INDIA"

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ABSTRACT

The Indian pharmaceutical sector is very fragmented with more than 20,000 registered units. It has expanded extremely in the last two decades. The Pharmaceutical and Chemical business in India is a particularly splatted market with severe price competition and government price control. There are just about 250 large units and nearby 8000 Small Scale Units, which form the essential of the pharmaceutical industry in India. That is why in this paper researcher has done financial statement analysis of selected pharmaceutical companies of India with the help of various ratios, Mean and Analysis of variance (ANOVA).

Key words: Financial statement Analysis, Pharmaceutical company.

INTRODUCTION

The word "Pharmacy" is derived from the Greek word 'pharmac' on it means medicines or drugs. Pharmaceutical is science-based company. India's work in science is very old. The record of Hindu medicines begins with the Atharva-veda it means Ayurveda. The name of chemistry is come from "Rasayana shastra" and which developed from two sources that medicines and industry.

Pharmacy was considered as an art of compounding and dispensing of medicines. Today sciences and technology are developing day by day and need of people is also increasing so lots of progress has been made in profession of pharmacy. Pharmaceutical companies adopt changes very quickly.

The formulation of financial statements viz, Balance Sheet and Trading account and Profit and Loss Account in the module titled 'Financial Statements of Income and Not for Profit Organisations'. After preparation of the financial statements, one may be interested in analysing the financial statements with the help of different tools such as comparative statement, common size statement, ratio analysis, trend analysis, fund flow analysis, cash flow analysis, etc. In this process a meaningful relationship is established between two or more accounting figures for comparison. In this lesson researcher will learn about analysing the financial statements by using comparative statement, common size statement and trend analysis.

REVIEW OF LITERATURE

➢ **(majumder & Mohammed, 2015.)** have studied the Financial Analysis of Selected Pharmaceutical industries in Bangladesh, ISSN 2222-2839 (Online). This paper attempted to review the financial performance of this industry, to test its strengths and weaknesses. This study is based on both primary and secondary data. The gathered information has been organized, studied and interpreted with the help of various financial ratios, Multivariate Discriminate Analysis (MDA) as developed by Prof. Altman

and statistical tools like mean, standard deviation (SD), coefficient of variance (CV) and T-test, etc. It was invigilated from the study of the financial statement of the Pharmaceutical industry that the income capacity, liquidity position, financial position and the performance of the most of the Pharmaceuticals are not in sound position and it was also observed that the most of the Pharmaceuticals has a lower level position of bankruptcy. The causes behind this situation of the industry are inadequacy of financial management, lack of realistic goals, strict government regulation and increased cost of raw-materials, labour and overhead. The financial performance should be improved immediately.

➢ **(Shah, 2016),** ISSN 2320-141X, Financial statement analysis of selected Pharmaceutical companies in Gujarat, this paper focuses on "financial statement analysis" of pharmaceutical companies viz; CadilaHealthcare ltd, Torrent pharmaceutical ltd, Sun pharmaceuticals limited, Themis Medicare Limited, Dishman pharmaceuticals limited. The objective of the study has to find out. The study analyses the liquidity and solvency of selected pharmaceuticals companies for the period of 13tearsfrom 2001-2013. And for the analysis researcher have used financial tools namely ratio analysis, Statistical tools like mean, standard deviation and coefficient of variation and Analysis of Variance.

➢ **(Khan & Saifuddin, 2016)**ISSN 2394-1537 have analysed comparative study of liquidity and profitability performance of selected pharmaceutical companies. The objective of study has to compare liquidity and profitability performance of selected companies. The researchers have used ratio analysis as analytical tool and for that required data used on the base of secondary data. The data has collected from annual reports of companies. The researchers have concluded that there is a vast difference in the performance of selected pharmaceutical companies in terms of liquidity and profitability.

➢ **(kumar, 1992)** ISBN-8185475091, "Analysis of Financial statements of Indian industries." The study includes the 17 private, 5 state owned and 1 central public sector companies. Analysis of activities, calculation of profitability, return on capital investment, Analysis of financial structure, Analysis of fixed assets and working capital have been studied by researcher. In this study he asserted various problems of cement industries and suggested remedies for the problems. He also suggested for the improvement of profitability and techniques of cost control.

OBJECTIVES OF STUDY

❖ To understand the profitability of selected pharmaceutical companies from the various points of view.

❖ To know the liquidity and solvency position of the selected pharmaceutical companies.

❖ To evaluate financial strength of pharmaceutical sector.

❖ To make suggestion for improvement in financial or liquidity position of selected pharmaceutical companies.

❖ To know the causes for the poor financial position of selected pharmaceutical companies.

PROBLEM OF THE STUDY

After going through existing literature in the library and after deep discussion with the guide researcher has selected topic. This topic has been selected after considering the availability of the time, information, existing literature, tools and techniques and other related sources.

SIGNIFICANCE OF THE STUDY

- The concept about financial statements and its analysis would be clear from this study.
- The financial position of the pharmaceutical industry in India can be analyzed through this study.
- The financial position can be analyzing with the help of present study for the selected pharmaceuticals companies.
- The knowledge about various statistical tools, techniques, and statistical test will improve.

HYPOTHESIS FORMULATION

1. HO: "There is no significant difference in the current ratio of selected pharmaceutical companies during the study period."

2. HO: "There is no significant difference in the quick ratio of selected pharmaceutical companies during the study period."

3. HO: "There is no significant difference in the Net profit ratio of selected pharmaceutical companies during the study period."

4. HO: "There is no significant difference in the Return on Capital Employed ratio of selected pharmaceutical companies during the study period."

5. HO: "There is no significant difference in the Return on Net worth ratio of selected pharmaceutical companies during the study period."

6. HO: "There is no significant difference in the Return on asset ratio of selected pharmaceutical companies during the study period."

7. HO: "There is no significant difference in the EPS ratio of selected pharmaceutical companies during the study period."

8. HO: "There is no significant difference in the Inventory turnover ratio of selected pharmaceutical companies during the study period."

9. HO: "There is no significant difference in the Total Asset turnover ratio of selected pharmaceutical companies during the study period."

10. HO: "There is no significant difference in the Debt to Equity ratio of selected pharmaceutical companies during the study period."

RESEARCH METHODOLOGY

The present study is made for the period of seven years from 2010-11 to 2016-17. The total number of pharmaceutical industries is the universe of the study. At this stage researcher has decided to take five units for the study. The researcher has selected these five companies on the basis of ten highest revenue recorded units of pharmaceutical units in Indian market for the year 2016-17. For this study researcher has selected five units of the Pharmaceutical Industry in situated in India:

1. Sun Pharmaceutical Industries Ltd.
2. Lupin Ltd.
3. Dr. Reddys Laboratories Ltd.
4. Cipla Ltd.
5. Aurobindo Pharma Ltd.

The present study is totally based on Secondary types of data. For The analytical purpose researcher has taken ratios as accounting tool. "A ratio is the relation of one amount of X, to another amount Y, expressed as the ratio of X to Y, or X: Y, or as a fraction, or number, or a percentage".

For the Statistical techniques in the present research researcher has taken Mean and Analysis of variance (ANOVA). The ANOVA technique enables us to perform this simultaneous test and as such is considered to be an important tool of analysis in the hands of a researcher. Using this technique, one can draw inference about whether the samples have been drawn from populations having the same mean.

DATA ANALYSIS AND FINDINGS

Accepted / Rejected	Variable	Test	Hypothesis
1 H_1 accepted	Current Ratio	ANOVA single factor	There would be significant difference in the current ratio of selected pharmaceutical companies during the study period.
2 H_1 accepted	Quick Ratio	ANOVA single factor	There would be significant difference in the Quick ratio of selected pharmaceutical companies during the study period.
3 H_1 accepted	Net profit Ratio	ANOVA single factor	There would be significant difference in the net profit ratio of selected pharmaceutical companies during the study period.
4 H_0 accepted	Return on Capital Employed Ratio	ANOVA single factor	There would no significant difference in the Return on capital employed of selected pharmaceutical companies during the study period.
5 H_0 accepted	Return on Net worth Ratio	ANOVA single factor	There would no significant difference in the return on Net worth ratio of selected pharmaceutical companies during the study period.
6 H_0 accepted	Return on Asset Ratio	ANOVA single factor	There would no significant difference in the return on Asset

			ratio of selected pharmaceutical companies during the study period
7 H₁ accepted	Earnings Per Share Ratio	ANOVA single factor	There would be significant difference in the return on EPS ratio of selected pharmaceutical companies during the study period
8 H₁ accepted	Inventory turnover Ratio	ANOVA single factor	There would be significant difference in Inventory turnover Ratio of selected pharmaceutical companies during the study period
9 H₁ accepted	Total Asset turnover Ratio	ANOVA single factor	There would be significant difference in Total Asset turnover Ratio of selected pharmaceutical companies during the study period
10 H₁ accepted	Debt to Equity Ratio	ANOVA single factor	There would be significant difference in the Debt to Equity Ratio of selected pharmaceutical companies during the study period

CONCLUSION:

The present study concluded that the "financial statement analysis" of selected pharmaceutical companies in India is done by the researcher with the help of Various Ratio analysis, chart presentation for easy understanding of reader and researcher has used ANOVA single factor as a statistical tool. Researcher hopes that this study would helpful to the reader for taking any decision regarding Concern Companies or industry.

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