Fundamental Analysis on EIC model with special reference to G-pax Pharmaceutical Private Ltd

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Abstract: This research paper employs the EIC (Economy-Industry-Company) model to analyze the financial position of G-Pax Pharmaceutical Private Ltd. in the context of the Indian pharmaceutical industry. The study begins with an in-depth analysis of the Indian economy, focusing on key economic indicators relevant to the pharmaceutical sector. Subsequently, the pharmaceutical industry in India is evaluated to understand its current landscape and future prospects. Finally, using financial ratios and inter-firm comparison, the financial position of G-Pax Pharma is assessed in comparison to other selected Indian pharmaceutical companies. The findings of the analysis reveal that G-Pax Pharma's financial position appears weaker compared to its peers. Additionally, T-tests are conducted to compare various financial ratios, providing statistical evidence to support the analysis.

Keywords: Fundamental Analysis, EIC Model, Indian Economy, Pharma Industry, G-Pax Pharmaceutical, Financial Ratios, Inter-firm Comparison, T-Test.

Introduction

Fundamental analysis is a crucial tool for evaluating the financial health and performance of companies. The EIC model, which considers factors related to the Economy, Industry, and Company, provides a structured

framework for conducting such analyses. In this paper, we apply the EIC model to assess the financial position of G-Pax Pharmaceutical Private Ltd., a leading player in the Indian pharmaceutical sector. The research delves into the economic conditions of India, the dynamics of the pharmaceutical industry, and a detailed examination of G-Pax Pharma's financial statements.

Economy Analysis

Before diving into industry and company-specific analysis, it is imperative to understand the macroeconomic environment in which G-Pax Pharma operates. This section presents an overview of key economic indicators such as GDP growth, inflation rates, fiscal policies, and monetary policies that significantly impact the pharmaceutical industry in India.

	2017	2019	2021	2023	2026
German	3.6	3.47	3.33	3.2	2.3
USA	20	19.4	16.4	16.6	15.3
Japan	5.6	3.35	4.7	3.7	2.9
China	16.3	28.55	22.2	30.9	37.4
India	6.3	17.3	8.5	14.3	20.8

Source: World Bank for GDP in terms of purchasing power parity in 2023; Projections for 2026 by Mr. Mathew Joseph, Senior Consultant, ICRIER.

India's Inflation Rate.

India's retail inflation surged to 5.69% in December 2023. The CPI reading continues to cross the Reserve Bank of India's upper tolerance medium-term target of 4% within a band of 4+/- 2%. Meanwhile, the WPI index stood at 0.73% in December from 0.26% in November last year.

Amid the rising prices, especially across food prices and vegetables like onions, due to the essentially weak kharif harvest, the Reserve Bank of India (RBI) decided to continue to pause rate hikes and keep the benchmark repo rate unchanged at 6.50%.

India Exports

TRADE: -The top exports of India were Petroleum Products ($6.01B), Drug Formulations, Biologicals ($1.93B), Pearl, Precs, Semiprecs Stones ($1.49B), Gold and Oth PrecsMeltJewellery ($1.48B), and Telecom Instruments ($1.44B).

India Imports

TRADE: - the top imports of India were Petroleum: Crude ($12.4B), Gold ($7.23B), Petroleum Products ($3.72B), Coal, CokeandBriquettes Etc ($3.29B), and Electronics Components ($2.81B).

Industry Analysis:

The pharmaceutical sector in India has experienced significant growth in recent years, driven by factors such as increasing healthcare expenditure, a large population base, and a favorable regulatory environment.

The pharmaceutical industry in India is currently valued at $50 Bn. India is a major exporter of Pharmaceuticals, with over 200+ countries served by Indian pharma exports. India supplies over 50% of Africa's requirement for generics, ~40% of generic demand in the US and ~25% of all medicine in the UK.

India also accounts for ~60% of global vaccine demand, and is a leading supplier of DPT, BCG and Measles vaccines. 70% of WHO's vaccines (as per the essential Immunization schedule) are sourced from India.

- Major segments of Indian Pharmaceutical Industry include generic drugs, OTC medicines, bulk drugs, vaccines, contract research & manufacturing, biosimilars and biologics. India is a global leader in the supply of DPT, BCG, and Measles vaccines.
- India is one of the biggest suppliers of low-cost vaccines in the world. India accounts for 60% of global vaccine production, contributing up to 70% of the WHO demand for Diphtheria, Tetanus and Pertussis (DPT) and Bacillus Calmette–Guérin (BCG) vaccines, and 90% of the WHO demand for the measles vaccine.
- The nation is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume, and is the leading vaccine manufacturer globally. India also has the highest number of US-FDA compliant Pharma plants outside of USA and is home to more than 3,000 pharma companies with a strong network of over 10,500 manufacturing facilities as well as a highly skilled resource pool.

Literature Review:

A study by Jain and Kumar (2017) examined the financial performance of Indian pharmaceutical companies using key financial ratios such as liquidity, profitability, and solvency. The findings revealed significant variations in financial performance across companies, highlighting the importance of fundamental analysis in identifying outliers and assessing industry dynamics.

Another research conducted by Sharma and Jha (2019) applied the EIC model to analyze the pharmaceutical industry in India, focusing on macroeconomic indicators, industry structure, and company-specific factors. The study underscored the interplay between economic conditions, regulatory frameworks, and competitive forces in shaping the pharmaceutical landscape.

Furthermore, the application of statistical techniques, such as T-tests, in comparing financial ratios and performance metrics has gained prominence in pharmaceutical research. Studies have employed T-tests to identify statistically significant differences in financial performance between companies or assess the impact of strategic interventions on financial indicators (Ahmad & Maqsood, 2016).

Research Methodology

The research methodology employed in this study aims to systematically analyze the financial position of G-Pax Pharmaceutical Private Ltd. within the broader context of the Indian pharmaceutical industry using the EIC (Economy-Industry-Company) model. The methodology encompasses data collection, analysis techniques, and statistical tools to provide a comprehensive assessment of the company's financial performance.

1. Research Design: This study adopts a descriptive research design, focusing on analyzing existing data related to the Indian economy, the pharmaceutical industry, and the financial statements of G-Pax Pharma. A mixed-method approach is employed, incorporating qualitative insights from industry reports and quantitative analysis of financial ratios.

2. Data Collection:

2.1. Secondary Data: Secondary data sources are utilized for gathering information on the Indian economy, pharmaceutical industry trends, and financial data of G-Pax Pharma. Sources include government publications, industry reports, company websites, financial databases, and academic journals.

2.2. Financial Statements: The financial statements of G-Pax Pharma, including balance sheets, income statements, and cash flow statements, are obtained from company reports, regulatory filings, or financial databases.

Results

Operating Margin

Return on Capital Employed

Interest Coverage Ratio

Inventory Turnover Ratio
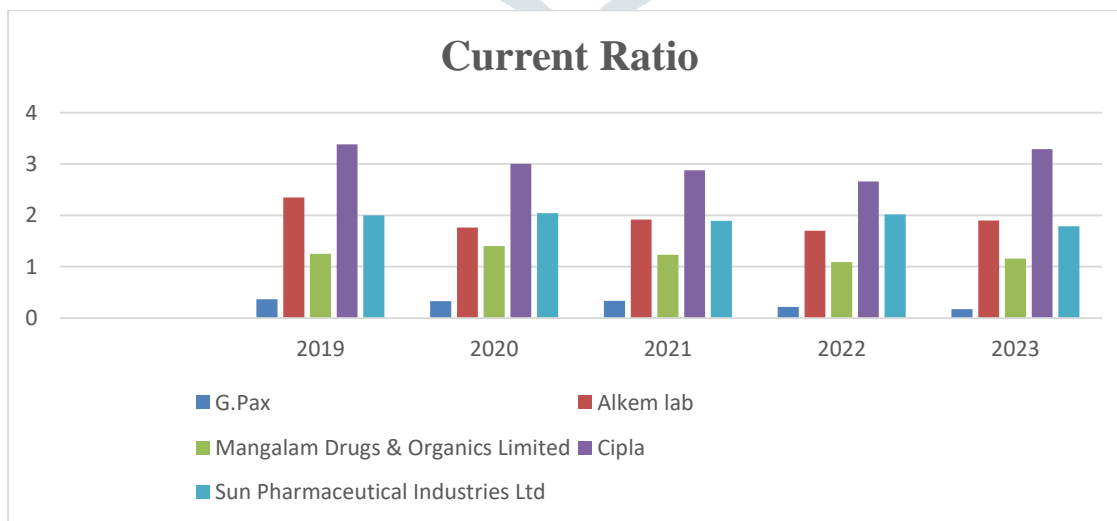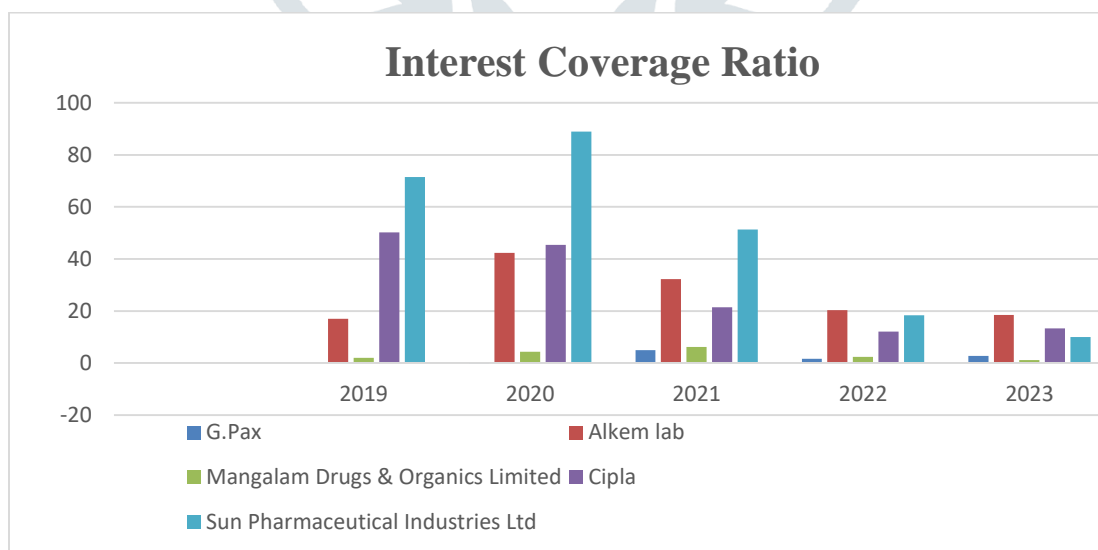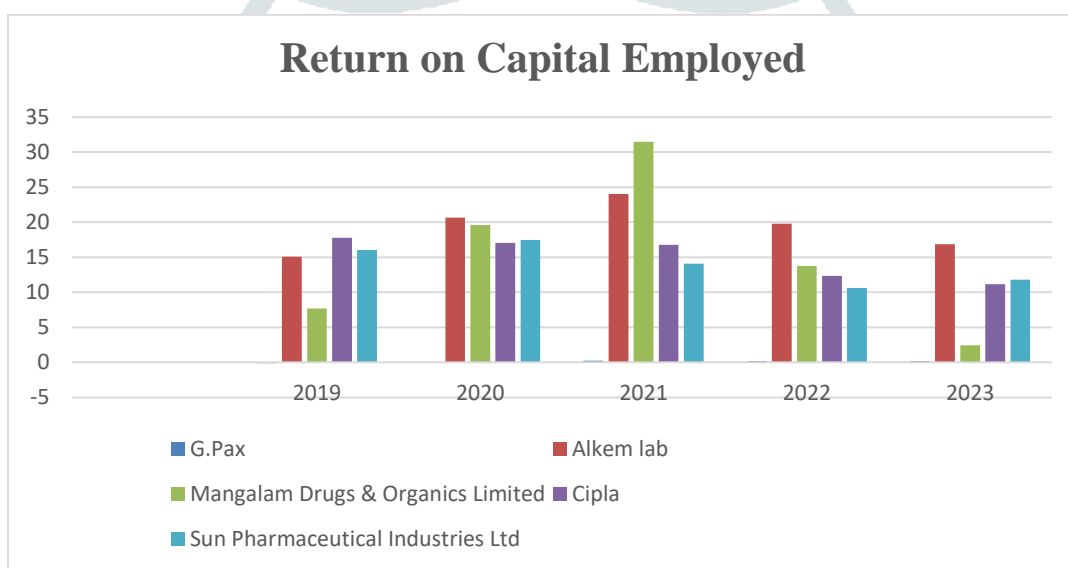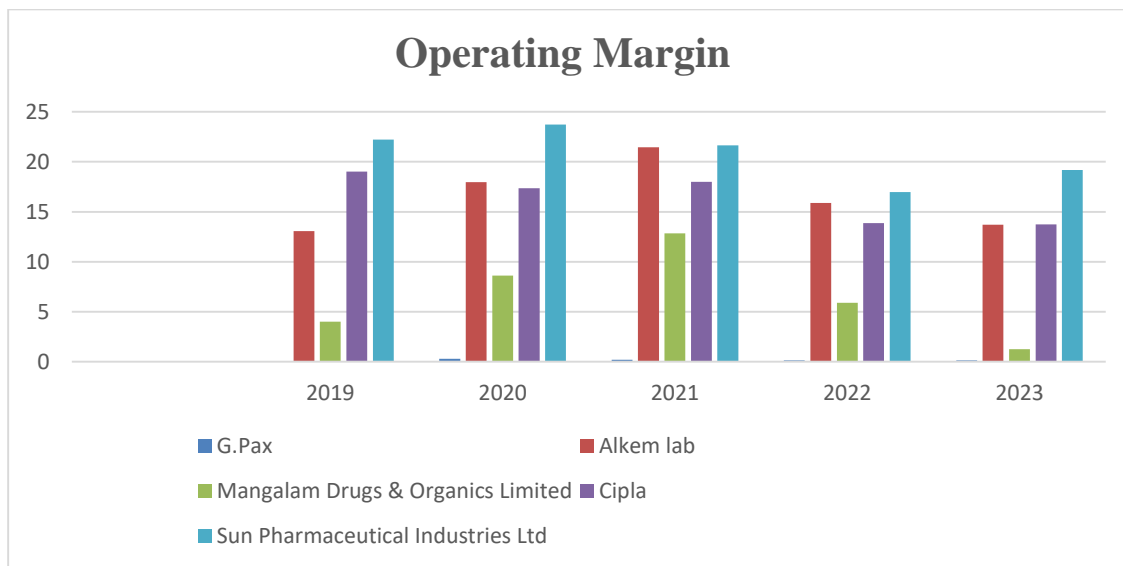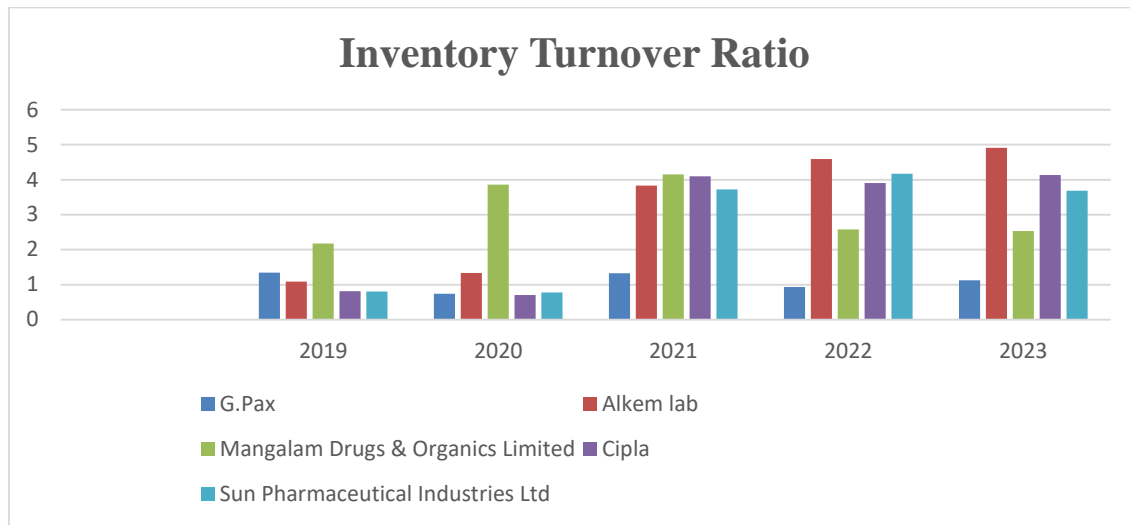
T-Test:

Current Assets:

H0: There is no significate difference between Pre and Post Covid's current ratio

HA: There is significate difference between Pre and Post Covid's current ratio.

Pre		Post	
2019	0.3647	**2022**	02185
2020	0.33	**2023**	0.1760

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pre-cr	.3474	2	.02454	.01735
	Post-cr	.1972	2	.03005	.02125

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	Pre-cr &post-cr	2	1.000	.000

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		t	df	Sig. (2-tailed)
					Lower	Upper			
Pair 1	Pre-cr - Post-cr	.15010	.00552	.00390	.10055	.19965	38.487	1	.017

Interpretation: -The above table shows that the significance value of T test is 0.17 which is more than 0.05. Therefore, the null hypothesis is accepted and it is concluded that there is a no significant difference between Pre and Post Covid's current ratio.

Findings

- India holds the distinction of being the most populous country in the world.

- As of 2022, India's population accounts for approximately 17.7% of the total world population.

- In the third quarter of 2023, India's Gross Domestic Product (GDP) experienced a notable increase of 8%.

- Cipla exhibits a robust liquidity position, with a current ratio of 3.38 and a quick ratio of 2.37, which are the highest among its competitors. These ratios indicate the company's ability to cover its short-term liabilities with its current assets effectively.

- Sun Pharmaceuticals Industries Ltd demonstrates a superior gross profit margin compared to its competitors, with a margin of 27.98%. In contrast, other companies have gross profit margins ranging from 25.22% to 29.28%. G-pax Pharmaceutical, however, exhibits a comparatively lower gross profit margin than its peers.

- ROA measures a company's profitability relative to its total assets. Alken Laboratories leads with a maximum ROA of 11.69%, followed by Sun Pharmaceuticals with an ROA of 10.49%. In contrast, G-pax Pharmaceutical lags behind with the lowest ROA of 0.20%, indicating comparatively lower profitability relative to its asset base.

Conclusion

The comprehensive analysis conducted in this research paper employing the EIC (Economy-Industry-Company) model provides valuable insights into the financial position of G-Pax Pharmaceutical Private Ltd. within the

dynamic landscape of the Indian pharmaceutical industry. Through an examination of macroeconomic indicators, industry dynamics, financial ratios, and inter-firm comparison, several key findings emerge.

Firstly, the examination of the Indian economy reveals a backdrop of favorable conditions for the pharmaceutical sector, marked by robust GDP growth, increasing healthcare expenditure, and supportive government policies. These factors contribute to a conducive environment for growth and innovation within the industry.

Secondly, the pharmaceutical industry in India exhibits significant growth potential, driven by factors such as a large and diverse population, increasing prevalence of chronic diseases, and advancements in healthcare infrastructure. However, the industry also faces challenges such as regulatory scrutiny, pricing pressures, and competition from both domestic and international players.

Thirdly, the financial analysis of G-Pax Pharmaceutical Private Ltd. highlights certain weaknesses in its financial position compared to its peers within the Indian pharmaceutical sector. While specific findings may vary based on the financial ratios analyzed, indications of lower liquidity, profitability, or efficiency may suggest areas of concern that warrant further attention.

Ultimately, the insights gleaned from this research contribute to a deeper understanding of the financial dynamics within the Indian pharmaceutical sector and offer practical implications for stakeholders navigating this complex and rapidly evolving industry landscape.

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