



A Study on Financial Performance of Cipla Ltd & Aurobindo Pharma Ltd A Comparative Analysis

¹Dr. K. Kumutha Devi ²Ms. C. V. Uma Maheswari.

¹Head, Department of Commerce Karpagam University, Coimbatore – 21 drkumuthadevi@gmail.com.

²Ph.D Research scholar in commerce department Karpagam University, Coimbatore – 21 Smurffs712@gmail.com.

Abstract

In India, pharmacy sector is one the most promising & growing industry. This study attempts basically to measure the financial performance of the Pharmaceutical Industry taking top companies like Cipla Ltd, Aurobindo Pharma Ltd for the study, for the period 2009-2010 to 2013-2014. In order to achieve our goals in this paper we have measured the ratios of short term solvency ratio, long term solvency ratio, profitability ratio. From the study it is found that Cipla Ltd shows high profitability than Aurobindo Pharma Ltd, higher level of consistency is noticed in Cipla Ltd.

Keywords: Pharmacy sector in India; Profitability; Consistency.

Introduction

The Indian pharmaceutical industry is the world's second largest by volume and is likely to lead the manufacturing sector of India. India's bio-tech industry clocked a 17 percent growth with revenues of Rs.137 billion (\$3 billion) in the 2009-10 financial year over the previous fiscal. Bio-pharma was the biggest contributor generating 60 percent of the industry's growth at Rs.8, 829 crore, followed by bio-services at Rs.2, 639 crore and bio-agri at Rs.1, 936 crore. The first pharmaceutical company is Bengal Chemicals and Pharmaceutical Works, which still exists today as one of 5 government-owned drug manufacturers, appeared in Calcutta in 1930. The government started to encourage the growth of drug manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970, enabled the industry to become what it is today. The lack of patent protection made the Indian market undesirable to the multinational companies that had dominated the market, and while they streamed out, Indian companies started to take their places. They carved a niche in both the Indian and world markets with their expertise in reverse-engineering new processes for manufacturing drugs at low costs. Although some of the larger companies have taken baby steps towards drug innovation at present.

Profile of Pharmaceutical Industry

The Indian Pharmaceutical Industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously. Playing a key role in promoting and sustaining development in the vital field of medicines, Indian Pharma Industry boasts of quality producers and many units approved by regulatory authorities in USA and UK. International companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past 53 years and helped to put India on the pharmaceutical map of the world.

The Indian Pharma sector is at the threshold of exponential growth. It is believed that the Indian pharma market will be amongst the top three global markets in terms of incremental growth by 2020. The Indian pharmaceuticals market is third largest in terms of volume and thirteen largest in terms of value, as per a pharmaceuticals sector analysis report by equity master. The market is dominated major by branded generics which constitute nearly 70 to 80 per cent of the market. Considered to be a highly fragmented industry, consolidation has increasingly become an important feature of the Indian pharmaceutical market. India has achieved an eminent global position in pharma sector. The country also has a huge pool of scientists and engineers who have the potential to take the industry to a very high level. The UN-backed Medicines

Patents Pool has signed six sub-licences with Aurobindo, Cipla, Desano, Emcure, Hetero Labs and Laurus Labs, allowing them to make generic anti-AIDS medicine Tenofovir Alafenamide (TAF) for 112 developing countries.

Cipla Limited

It is an Indian pharma company. Its headquarters are located in Mumbai, India. It was founded in 1935 by Dr. K. A. Hamied. It was originally name as 'The Chemical, Industrial & Pharmaceutical Laboratories' and later condensed as Cipla in 1984 from the initials of each word in the name. Cipla has a presence in treatment areas that include cardiovascular disease, respiratory, weight control, diabetes, urology, musculoskeletal, neuropsychiatry, oncology, HIV-AIDS, allergy, anti-infective, analgesic, anti malarial, dermatology and cosmeceuticals, gastroenterology, iron chelators, nutritional and ophthalmic products, hormones and steroids, and women's health etc. Cipla also has a presence in the veterinary and pet-care segment. The main products in the company's portfolio are Lamivudine, citalopram (anti-depressant) and Fluticasone propionate.

Aurobindo Pharma Limited

Aurobindo is the second largest pharma company among its Indian peers in terms of portfolio. Aurobindo has been consistently investing in R&D (4% of the revenue). Its headquarters are located in Hyderabad, the company became a public venture in 1992. Aurobindo Pharma had gone public in 1995 by listing its shares in various stock exchanges in the country. Aurobindo Pharma started with a single unit manufacturing Semi-Synthetic Penicillin (SSP) at Pondicherry, in 1988-89 and is the market leader in Semi-Synthetic Penicillin today.

Review of Literature

Amalendu Bhunia (2010) "Financial Performance of Indian Pharmaceutical Industry a Case Study" analysed that the financial performance of the select pharmaceutical company's liquidity position was strong. Christina Sheila's, Karthikeyan.K(2012) "*Financial Performance of Pharmaceutical Industry in India using DuPont Analysis*" found that Cipla pharmaceutical Company's financial performance is high, followed by Dr.Reddy's Laboratories and then Ranbaxy Pharmaceutical. The three companies are significant at their level. In conclusion, ROE & ROI is the most comprehensive measure of profitability of a firm. Faruk Hossan and Ahsan Habib entitled "Performance evaluation and ratio analysis of Pharmaceutical Company in Bangladesh" concluded that the Beximco Pharmaceutical Company shows the best performance than the Square Pharmaceutical Company. Dr. K.S. Vataliya (2012) "Profitability and Consistency Analysis of Pharmacy Sector in India" revealed that performance of the companies for its profitability Cipla secured the first rank & Dr.Reddy's, Sun Pharma, Aurobindo followed by rest of companies. the performance of the companies for its consistency; Aurobindo secured the first rank & Sun Pharma, Dr. Reddy's, Cipla followed by rest of companies.

Objectives of the Study

- ❖ To measure the performance of the companies according to short term solvency, long term solvency and their profitability.
- ❖ To measure the performance of the companies according to their consistency.

Methodology

Sampling design

Convenient sampling technique is applied for study.

Sample Size

In the study, data have been collected from Cipla Ltd and Aurobindo Pharma Ltd for the five financial years. (2010-2014).

Method of Data Collection

The study is based on Secondary Data. The data used to calculate the ratios are derived from balance sheet and profit and loss account of sample companies from the internet.

Method of Analysis of Data:

Data have been analyzed using a Mean, Standard deviation, Coefficient of Variation. It is performed on each of the ratios; some points are allocated to companies and on the basis of that conclusion are derived.

Analysis: Cipla ltd

Statistical tools	Current ratio	Liquid ratio	Cash ratio	Debt equity ratio	Proprietary ratio	Gross profit ratio	Net profit ratio	Return on Assets ratio
Mean	2.99	1.952	0.0602	0.194	2.494	63.08	16.958	0.1664
SD	0.602315	0.517417	0.006723	0.122188	0.285096	5.640656	2.469174	0.027691
COV	20.1443	26.507	11.16793	62.9837	11.43129	8.942067	14.56053	16.64132

Analysis: Aurobindo Pharma ltd

Statistical tools	Current ratio	Liquid ratio	Cash ratio	Debt equity ratio	Proprietary ratio	Gross profit ratio	Net profit ratio	Return on Assets ratio
Mean	1.658	0.928	0.056	1.592	1.2916	54.26	7.636	0.1084
SD	1.032143	0.59209	0.029665	0.146867	0.179424	3.758723	6.743254	0.071171
COV	62.25232	63.80275	52.97285	9.225332	13.89157	6.927245	88.30873	65.65583

Findings & Conclusion

The study has been highlighted the profitability of the companies in the pharmaceutical Sector. Cipla ltd has high Liquidity position than the Aurobindo Pharma ltd. Hence Aurobindo Pharma ltd is suggested to maintain ideal current and quick ratios.

As far as Debt-equity position of Aurobindo Pharma ltd seems to be ideal than the Cipla ltd. Cipla ltd having high profitability position than the Aurobindo Pharma ltd, higher level of consistency is noticed in Cipla ltd.

Reference

- [1] Amalendu Bhunia (2010) “Financial Performance of Indian Pharmaceutical Industry A Case Study” Asian Journal of Management Research- ISSN 2229 – 3795.
<http://ipublishing.co.in/ajmrvol1no1/EIJMRS1034.pdf>
- [2] Christina Sheela.S, Karthikeyan.K (2012) “*Financial Performance of Pharmaceutical Industry in India using DuPont Analysis*”- European Journal of Business and Management , ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol 4, No.14, 2012 [http://pakacademicsearch.com/pdf-files/ech/517/84-91%20Vol%204,%20No%2014%20\(2012\).pdf](http://pakacademicsearch.com/pdf-files/ech/517/84-91%20Vol%204,%20No%2014%20(2012).pdf)
- [3] Faruk Hossan and Ahsan Habib entitled “Performance evaluation and ratio analysis of Pharmaceutical Company in Bangladesh” university west. <http://hv.diva-portal.org/smash/get/diva2:323754/FULLTEXT01.pdf>
- [4] Dr. K.S. Vataliya “Profitability and Consistency Analysis of Pharmacy Sector in India “International Journal of Financial Research -(Vol. 3, No. 3; July 2012) - URL: <http://dx.doi.org/10.5430/ijfr.v3n3p17>
- [5] C. R. Kothari. (2004). Research Methodology Methods & Techniques. New Age International Publishers.
- [6] I M. Pandey. (2009). Financial Management. Vikas Publishing House Pvt. Ltd.
- [7] M Y . Khan & P. K Jain. (2007). Financial Management. Tata McGraw-Hill Education.
- [8] <http://money.rediff.com/companies/aurobindo-pharma-ltd/12540244/ratio>.
- [9] <http://money.rediff.com/companies/cipla-ltd/12540010/ratio>.