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NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
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PERFORMANCE EVALUATION OF SELECT PHARMACEUTICAL COMPANIES

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ABSTRACT

The basic objective of every firm is to maximize its profit. Profit is the engine that drives the business enterprise. Without profit, no firm can sustain in the competitive world. Profit is an accounting concept, which is expressed as income over expenditure. Analyzing the profitability position is very important to evaluate the performance of a company. Several tools like Ratio Analysis, Comparative and common size statement and other tools are available for gauging the performance of a company. The present study attempts to analyze the profitability position of the select pharmaceutical companies in India using Ratio Analysis. In addition, statistical techniques like Mean, Standard deviation and Coefficient of variation have used extensively to sensibly interpret the data. The study period is of 10 years from 2008 to 2017. After a thorough investigation, the study concluded that the profitability position of Sun Pharmaceutical Industry Ltd. seems to be disappointing. However, the profitability positions of Cadila Healthcare Ltd., Lupin Ltd., Cipla Ltd. and Aurobindo Pharmaceutical Ltd. seems to be satisfactory for the study period.

KEYWORDS

profitability, efficiency, ratio analysis, acquisition, coefficient of variation.

JEL CODES

C25, E22, F65, G3, M41.

INTRODUCTION

Profitability is the ability to generate earnings from all the activities of the firm. Profit shows how effectively the management of the firm utilizes its resources. Profits are the useful measure of overall efficiency of the business. In the word of Lord Keynes, 'profit is the engine that drives the business enterprise.' Profitability can be defined as financial measure of financial success achieved by a firm in relation to its investments. Analysis of the profit is very important to the stakeholders, both internal and external. Internal stakeholders are Shareholders, employees who are interested to get revenue in the form of dividends, bonus, hikes in salaries etc. The external stakeholders are creditors, bankers, governments, tax authorities etc. They are interested in profits because it is one of the sources of fund for the interest coverage and debt coverage. A firm needs profits not only for its existence but also for expansion and modification.

Pharmaceutical sector is one of the fastest growing sectors in Indian economy. Change in life style of the people is cause for increasing number of health problem among the people. Innovation in pharmaceutical industry, especially in the areas like microbiology, bio-technology and genetic engineering etc., is helping to develop new medicine to meet the growing health problems of the people. The pharmaceutical market is highly fragmented with about 24000 players (330 organized sectors). The top ten companies are manufacturing more than a one third of the market. The pharmacy market is majorly dominated by branded generics which constitutes nearly 70 to 80 percent of the market. Currently Indian pharmaceutical market is ranked third largest in terms of volume and thirteen largest in terms of value in the world. The Indian pharmaceutical companies are also attracting Foreign Direct Investment on large scale, as the industries are highly regulated by legal framework existing in the country, and so, the favorable regulatory environment is conducive to the development of pharma industry. Pharma industry is one of the industries which are least affected by business cycles in the economy. However, as the industry's revenue depends on the domestic supply and exports to a considerable extent, changes in the exchange rate will have its impact on earnings of the companies in India.

NEED FOR THE STUDY

The contribution of Pharmaceutical sector to Indian GDP is 1.71 percent (2011). This indicates the huge potential for growth. Profitability plays an important role in the successful growth of the industry. Hence, understanding of the profitability and performance efficiency of the management fosters the profitability of the pharmaceutical industry. The present study contributes to the existing literature on profitability and performance evaluation of India pharmaceutical sector.

REVIEW OF LITERATURE

A.Geethalakshmi and K.Jothi (2016) in their research work observed profitability position through current ratio, quick ratio, debt equity ratio, interest coverage ratio, debtor's turnover ratio and working capital turnover ratio had been used and found that there is a positive relationship between firm size and profitability. They concluded that the profitability positions of the selected pharmaceutical companies are satisfactory. Swapan Kumar Pan and Durga Pada Mal (2016) had studied profitability analysis of selected cement companies in India. They have selected 10 cement companies from India for the period of 10 years from 2001 to 2010. They concluded that all the selected companies are earnings high profits and management of the companies has good efficiency. Neetu Saini and Sanjeev Bansal (2017) in their research work liquidity analysis of select pharmaceutical companies in India had concluded that there is a significant difference between related population means of current ratio and quick ratio of the company and liquidity position of the select companies is satisfactory. V.Vijayalakshmi and M.Srividya (2014) has conducted a study on financial performance of pharmaceutical industry in India. They found that the net profit is significantly affected by gross profit ratio, operating profit ratio, return on equity capital and earnings per share. They concluded that profitability position of pharma industry is satisfactory.

OBJECTIVE OF THE STUDY

To analyze the profitability position of select pharmaceutical companies in India.

RESEARCH METHODOLOGY

The research methodology is adopted for the study is presented as follows:

SOURCE OF THE DATA

The study is undertaken with help of secondary data. The data required for the study is collected from financial statements of the companies, collected from online database i.e. Capitaline Database.

SAMPLE SELECTION

The sample for the study is selected from listed pharmaceutical companies in India. At present 211 pharma companies have been listed with BSE & NSE in India. Out of them, top five companies have been selected based on their market capitalization. The selected top five companies are Sun Pharmaceutical Industries Ltd., Cadila Health Care Ltd., Cipla Ltd., Aurobindo Pharma Ltd. and Lupin Ltd.

PERIOD OF THE STUDY

Period of the present study consist of 10 years i.e. from the year 2007-08 to 2016-17.

SCOPE OF THE STUDY

The present study focused only on select five pharmaceutical companies based on their market capitalization. They are Sun Pharmaceutical industries Ltd., Cadila Health Care Ltd., Cipla Ltd., Aurobindo Pharma Ltd. and Lupin Ltd. The study is restricted to only ten years from 2007-08 to 2016-17 financial years.

ANALYTICAL FRAMEWORK OF THE STUDY

For analyzing data and to draw the meaningful conclusions, various financial tools and techniques are used viz. Operating Profit Ratio, Gross Profit Ratio, Net Profit Ratio, Cash Profit Ratio, Return on Assets and Return on Equity. Further a comprehensive analysis is carried by applying statistical techniques viz. mean, standard deviation and coefficient of variation.

MEASUREMENT OF PROFITABILITY RATIOS

Profitability means the earning capacity of a firm. There are two types of profitability ratios: first general profitability or profit margin ratios and second rate of return ratios. The general profitability ratios show the relationship between profit and net sales. Since profit can be measured at different levels, there are different types of profit ratio. The most popular profit ratios are Operating Profit Ratio, Gross Profit Ratio, Net Profit Ratio and Cash Profit Ratio. Rate of return ratios represent the relationship between net profit and investment. The most popular rate of return measures are Return on Assets and Return on Equity etc. The presents study analyzes the profitability of the selected pharmaceutical companies using the following profitability measures.

OPERATING PROFIT RATIO

Operating Profit Ratio indicates how much profit a firm earns after meeting its variables cost of production. It is also expressed as percentage of sales and then shows efficiency of a company in controlling cost and associated with business operations. It is expressed as follows

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$

GROSS PROFIT RATIO

Gross Profit Ratio indicates the relationship between gross profit and net sales. Gross profit is the excess of net sales over the cost of goods sold. It is a tool to measure the operational performance of a firm. Higher the gross profit ratio is a sign of good efficient of management.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

NET PROFIT RATIO

Net Profit Ratio indicates the relationship between net profit after tax and net sales. This ratio indicates the efficiency of the management in terms of production, administration, selling, financing and tax management of the firm and it indicates the firm's capacity to face adverse economic conditions such as price competition and low demand etc. Higher the net profit ratio, better the profitability position of a firm.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

CASH PROFIT RATIO

Cash Profit Ratio indicates the relationship between cash profit and net sales. The net profit of the firm is affected by the non-cash expenses i.e., depreciation and amortization. Therefore to calculate net cash profit depreciation and amortization has to add back to net profit. Cash profit ratio measures the operating performance of the company.

$$\text{Cash Profit Ratio} = \frac{\text{Cash Profit}}{\text{Net Sales}} \times 100$$

RETURN ON ASSETS

Return on Assets is the relationship between net profit and total assets. It indicates how much profit is generated on total assets. It is an overall measure of profitability of a firm. It shows how the management is efficient to utilize its assets to generate more profits. Higher the returns on assets better the efficient management in utilizing its total assets.

$$\text{Return on Assets Ratio} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

RETURN ON EQUITY

Return on Equity is the relationship between net profit and shareholders' funds. It measures the profitability that calculates how many rupees of profit a firm generates with each rupee of shareholders' funds. Higher the return on equity better is the efficiency of the management.

$$\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Equity shareholders' funds}} \times 100$$

RESULTS AND DISCUSSION

PROFITABILITY POSITION BASED ON OPERATING PROFIT RATIO

Operating Profit Ratio is the relationship between Operating Profit and Net Sales.

TABLE: 1 OPERATING PROFIT RATIO

Year	Sun Pharmaceutical Industries Ltd.	Cadila Healthcare Ltd.	Cipla Ltd.	Aurobindo Pharma Ltd.	Lupin Ltd.
2008	35.32	23.78	24.32	21.00	25.68
2009	35.14	27.49	22.28	11.77	19.98
2010	41.00	35.65	28.33	27.19	22.49
2011	48.86	26.23	22.31	23.84	21.70
2012	44.87	28.71	24.80	6.37	21.64
2013	30.81	21.52	28.63	18.15	26.78
2014	-94.77	27.60	24.00	28.05	37.23
2015	-4.32	32.54	20.82	28.63	36.44
2016	-0.57	39.13	19.26	28.80	36.79
2017	7.92	27.99	15.73	26.13	35.87
Mean	14.43	29.06	23.05	21.99	28.46
Standard deviation	42.81	5.33	3.93	7.74	7.27
Coefficient of Variation	296.76	18.33	17.03	35.19	25.53

Source: computed form compiled data

It is evident form table 1 that the operating profit ratio of Sun Pharmaceutical Industries Ltd. is fluctuating from year to year. It is recorded highest (48.86) in the year 2011 and it is lowest (-94.77) in the year 2014. It shows that the firm has generated operating loss for three years from 2014 to 2016. The firms employee

cost has been increased by an average of 1270 percent, selling and distribution expenses were increase by an average of 410 percent and miscellaneous expenses were increased by 23070 percent in the year 2014. The increase in the overall operating expenses can be due to the merger of Ranbaxy Laboratories Ltd. with Sun Pharma industries Ltd. It indicates that the firm operating expenses exceeds over the net sales.
The operating profit ratio of Cadila Healthcare Ltd. is fluctuating from year to year. It is recorded highest (39.13) in the year 2016 and it is lowest (21.52) in the year 2013. The operating profit ratio of Cipla Ltd. is fluctuating from year to year. It is recorded highest (28.63) in the year 2013 and it is lowest (15.73) in the year 2017.
The operating profit ratio of Aurobindo Pharma Ltd. is fluctuating from year to year. It is recorded highest (28.80) in the year 2016 and it is lowest (6.37) in the year 2012.
The operating profit ratio of Lupin Ltd. is fluctuating from year to year. It is recorded highest (36.79) in the year 2016 and it is lowest (19.98) in the year 2009.
The mean value of cadila health care ltd shows highest 29.06 followed by lupin ltd., cipla ltd., Aurobindo Pharma Ltd. and Sun Pharmaceutical Industries Ltd., which is the lowest (14.43).
Coefficient of variation of gross profit ratio of Sun Pharmaceutical Industries Ltd. (296.76), Aurobindo Pharma Ltd. (35.15), Lupin Ltd. (25.53) are higher than the Cipla Ltd. (17.03) and Cadila Healthcare Ltd. (18.33) which indicates that Sun Pharmaceutical Industries Ltd. shows higher risk and lower return compare to Cipla Ltd. and Cadila Healthcare Ltd.

PROFITABILITY POSITION BASED ON GROSS PROFIT RATIO

Gross profit Ratio is the relationship between Gross Profit and Net Sales.

TABLE 2: GROSS PROFIT RATIO

Year	Sun Pharmaceutical industries Ltd.	Cadila Healthcare Ltd.	Cipla Ltd.	Aurobindo Pharma Ltd.	Lupin Ltd.
2008	35.16	21.13	23.88	18.41	24.32
2009	35.07	22.31	21.23	8.82	18.55
2010	40.98	33.30	27.81	25.24	21.71
2011	48.86	25.14	22.10	22.51	21.09
2012	44.86	24.71	24.41	0.12	21.11
2013	30.79	18.38	28.22	13.54	26.31
2014	-95.42	26.55	22.65	23.98	36.99
2015	-11.19	31.73	19.48	27.00	36.39
2016	-8.00	38.75	18.05	26.30	36.58
2017	5.01	27.64	15.37	25.66	35.64
Mean	12.61	26.96	22.32	19.16	27.87
Standard deviation	43.74	6.15	4.05	8.99	7.63
Coefficient of Variation	346.84	22.80	18.15	46.94	27.37

Source: computed form compiled data

Table 2 shows that the gross profit ratio of select pharmaceutical companies for the period of 10 years from 2008 to 2017. The gross profit ratio of Sun Pharmaceutical Industries Ltd. is fluctuating from year to year. It is recorded highest (48.86) in the year 2011 and it is lowest (-95.42) in the year 2014. In 2014, Ranbaxy Laboratories Ltd. was merged with the Sun Pharmaceuticals. As a result the firms raw material expenses were increased by an average of 210 percent, power and fuel expenses were increased by an average of 980 percent and manufacturing cost has been increased by an average of 1297 percent. It shows that the firm has generated gross loss for three years from 2014 to 2016. It indicates that the firms manufacturing expenses exceeds over the net sales.
The gross profit ratio of Cadila Healthcare Ltd. is fluctuating from year to year. It is recorded highest (38.75) in the year 2016 and it is lowest (18.38) in the year 2013. The gross profit ratio of Cipla Ltd. is fluctuating from year to year. It is recorded highest (28.22) in the year 2013 and it is lowest (15.37) in the year 2017.
The gross profit ratio of Aurobindo Pharma Ltd. is fluctuating from year to year. It is recorded highest (27.00) in the year 2015 and it is lowest (0.12) in the year 2012.
The gross profit ratio of Lupin Ltd. is fluctuating from year to year. It is recorded highest (36.99) in the year 2014 and it is lowest (18.55) in the year 2009.
The mean value of Lupin Ltd. shows highest 27.87 followed by Cadila Healthcare Ltd., Cipla Ltd., Aurobindo Pharma Ltd. and Sun Pharmaceutical Industries Ltd shows lowest (12.61) value of mean.
Coefficient of variation of gross profit ratio of Sun Pharmaceutical Industries Ltd. (346.84), Aurobindo Pharma Ltd. (46.94), Lupin Ltd. (27.37) are higher than the Cipla Ltd. (18.15) and Cadila Healthcare Ltd. (22.80) which indicates that Sun Pharmaceutical Industries Ltd. is less consistency compare to Cipla Ltd. and Cadila Healthcare Ltd.

PROFITABILITY POSITION BASED ON NET PROFIT RATIO

Net Profit Ratio is the relationship between Net Profit and Net Sales.

TABLE 3: NET PROFIT RATIO

Year	Sun Pharmaceutical industries Ltd.	Cadila Healthcare Ltd.	Cipla Ltd.	Aurobindo Pharma Ltd.	Lupin Ltd.
2008	32.17	14.38	17.54	12.76	17.57
2009	32.77	15.65	15.66	4.53	14.38
2010	36.16	27.46	20.18	16.16	17.83
2011	44.53	20.90	15.17	14.88	18.02
2012	42.27	20.87	16.11	6.35	14.94
2013	21.24	14.14	18.37	9.12	17.70
2014	-99.99	22.35	14.68	16.50	26.00
2015	-18.36	24.05	11.66	18.76	24.58
2016	-14.09	28.97	12.07	17.76	24.96
2017	-0.45	20.49	8.88	17.91	24.63
Mean	7.63	20.93	15.03	13.47	20.06
Standard deviation	44.21	5.12	3.39	5.10	4.47
Coefficient of Variation	579.78	24.48	22.57	37.88	22.29

Source: computed form compiled data

Table 3 reveals that the net profit ratio of select pharmaceutical companies for the period of 10 years from 2008 to 2017. The net profit ratio of Sun Pharmaceutical Industries Ltd. is fluctuating from year to year. It is recorded highest (44.93) in the year 2011 and lowest (-99.99) in the year 2014. After merging of Ranbaxy Laboratories Ltd. the firms non-operating expenses i.e. interest were increased by an average of 8886 percent. It shows that the firm has been paying more interest on borrowings. It may be the reason for generating net loss for last four years from 2014 to 2017. It indicates that the firm could not control its non-operating expenses.
The net profit ratio of Cadila Healthcare Ltd. is fluctuating from year to year. It is recorded highest (28.97) in the year 2016 and it is lowest (14.14) in the year 2013. The net profit ratio of Cipla Ltd. is fluctuating from year to year. It is recorded highest (20.18) in the year 2010 and it is lowest (8.88) in the year 2017.

The net profit ratio of Aurobindo Pharma Ltd. is fluctuating from year to year. It is recorded highest (18.76) in the year 2015 and it is lowest (6.35)* in the year 2012. The net profit ratio of Lupin Ltd. is fluctuating from year to year. It is recorded highest (26.00) in the year 2014 and it is lowest (14.38) in the year 2009.

The mean value of Cadila Healthcare Ltd. shows highest value of 20.93 followed by Lupin Ltd., Cipla Ltd., Aurobindo Pharma Ltd. and Sun Pharmaceutical Industries Ltd shows lowest value (7.63) of mean.

Coefficient of variation of net profit ratio of Sun Pharmaceutical Industries Ltd. (579.78),is higher than Aurobindo Pharma Ltd. (37.88), Cadila Healthcare Ltd. (24.48) Lupin Ltd. (22.29) and Cipla Ltd. (22.57) which indicates that Sun Pharmaceutical Industries Ltd. is less consistency compare to Cipla Ltd., Cadila Healthcare Ltd., Lupin Ltd. and Aurobindo Pharmaceutical Ltd.

PROFITABILITY POSITION BASED ON CASH PROFIT RATIO

Cash Profit Ratio is the relationship between Cash Profit and Net Sales.

TABLE 4: CASH PROFIT RATIO

Year	Sun Pharmaceutical industries Ltd.	Cadila Healthcare Ltd.	Cipla Ltd.	Aurobindo Pharma Ltd.	Lupin Ltd.
2008	33.95	18.85	20.45	16.04	19.79
2009	34.29	20.52	18.72	7.53	16.67
2010	38.95	32.37	23.26	19.14	20.07
2011	46.60	24.22	19.09	17.90	20.34
2012	44.16	24.30	20.15	9.69	17.39
2013	24.77	17.45	22.07	12.28	19.80
2014	-96.39	25.51	18.10	19.12	27.87
2015	-10.13	28.06	15.93	21.78	28.04
2016	-8.07	32.12	15.72	20.62	27.65
2017	4.98	28.25	13.44	20.89	27.50
Mean	11.31	25.17	18.69	16.50	22.51
Standard deviation	43.19	5.17	3.02	5.00	4.67
Coefficient of Variation	381.80	20.56	16.15	30.30	20.75

Source: computed form compiled data

Table 4 presents the cash profit ratio of select pharmaceutical companies for the period of 10 years from 2008 to 2017. The cash profit ratio of Sun Pharmaceutical Industries Ltd. is increasing trend form the year 2008 to 2011and decreasing trend rom the year 2012 to 2016. It is recorded highest (46.60) in the year 2011 and it is lowest (-96.39) in the year 2014. It shows that the firm has generated cash loss for three years from 2014 to 2016.

The cash profit ratio of Cadila Healthcare Ltd. is fluctuating from year to year. It is recorded highest (32.37) in the year 2010 and it is lowest (17.45) in the year 2013. The cash profit ratio of Cipla Ltd. is fluctuating from year to year. It is recorded highest (23.26) in the year 2010 and it is lowest (13.44) in the year 2017.

The cash profit ratio of Aurobindo Pharma Ltd. is fluctuating from year to year. It is recorded highest (20.89) in the year 2017 and it is lowest (9.69) in the year 2012. The cash profit ratio of Lupin Ltd. is fluctuating from year to year. It is recorded highest (28.04) in the year 2015 and it is lowest (16.67) in the year 2009.

The mean value of cash profit ratio of Cadila Healthcare Ltd. shows highest 25.17 followed by Lupin Ltd. Cipla Ltd., Aurobindo Pharma Ltd. and Sun Pharmaceutical Industries Ltd. shows lowest value (11.31) of mean.

Coefficient of variation of cash ratio of Sun Pharmaceutical Industries Ltd. (381.80), is higher than Aurobindo Pharma Ltd. (30.30), Lupin Ltd. (20.75), Cadila Healthcare Ltd. (20.56) and Cipla Ltd. (18.15) which indicates that Sun Pharmaceutical Industries Ltd. is less consistency compare to Cipla Ltd., and Cadila Healthcare Ltd., Lupin Ltd., Aurobindo Pharma Ltd.

PROFITABILITY POSITION BASED ON RETURN ON ASSETS

Return on Assets is the relationship between Net Profit and Total Assets.

TABLE 5: RETURN ON ASSETS

Year	Sun Pharmaceutical industries Ltd.	Cadila Healthcare Ltd.	Cipla Ltd.	Aurobindo Pharma Ltd.	Lupin Ltd.
2008	23.53	13.18	16.33	9.77	33.66
2009	24.45	12.95	14.68	3.64	30.32
2010	15.64	22.71	18.27	13.40	25.64
2011	20.53	22.56	13.57	12.57	25.69
2012	21.17	16.82	14.75	5.14	21.54
2013	6.49	10.48	15.20	8.64	26.01
2014	-22.92	17.10	12.54	16.89	33.30
2015	-4.60	20.98	9.32	17.52	26.56
2016	-3.68	26.78	10.93	14.73	23.76
2017	-0.12	6.87	7.29	14.94	21.25
Mean	8.05	17.04	13.29	11.72	26.77
Standard deviation	15.71	6.25	3.33	4.78	4.38
Coefficient of Variation	195.13	36.65	25.05	40.74	16.36

Source: computed form compiled data

Table 5 shows the return on assets of select pharmaceutical companies for the period of 10 years from 2008 to 2017. The return on assets of Sun Pharmaceutical Industries Ltd. is fluctuating from year to year. It is recorded highest (24.45) in the year 2009 and it is lowest (-22.92) in the year 2014. It shows that the firm has generated loss on assets for last four years from 2014 to 2017. It indicates that the firms does not utilizing its assets effectively to generate profits. The firm has acquired Ranbaxy Laboratory Ltd. in the year 2013-14, it may be the reason for decreasing Return on Assets.

The return on assets of Cadila Healthcare Ltd. is fluctuating from year to year. It is recorded highest (26.78) in the year 2016 and it is lowest (6.87) in the year 2017. The return on assets of Cipla Ltd. is fluctuating from year to year. It is recorded highest (18.27) in the year 2010 and it is lowest (7.29) in the year 2017.

The return on assets of Aurobindo Pharma Ltd. is fluctuating from year to year. It is recorded highest (17.52) in the year 2015 and it is lowest (3.64) in the year 2009.

The return on assets of Lupin Ltd. is fluctuating from year to year. It is recorded highest (33.66) in the year 2008 and it is lowest (21.25) in the year 2017.

The mean value of Lupin Ltd. shows highest 26.77 followed by Cadila Healthcare Ltd., Cipla Ltd., Aurobindo Pharma Ltd. and Sun Pharmaceutical Industries Ltd shows lowest (8.05) value of mean.

Coefficient of variation of return on assets of Sun Pharmaceutical Industries Ltd. (195.13), is higher than the Aurobindo Pharma Ltd. (40.74), Cadila Healthcare Ltd. (36.65), Cipla Ltd. (25.05) Lupin Ltd. (16.36) which indicates that Sun Pharmaceutical Industries Ltd. is less consistency compare to Lupin Ltd. Cipla Ltd. and Cadila Healthcare Ltd.

PROFITABILITY POSITION BASED ON RETURN ON EQUITY

Return on Equity is the relationship between Net Profit and Shareholders Funds.

TABLE 6: RETURN ON EQUITY

Year	Sun Pharmaceutical industries Ltd.	Cadila Healthcare Ltd.	Cipla Ltd.	Aurobindo Pharma Ltd.	Lupin Ltd.
2008	24.10	22.41	18.68	23.83	19.42
2009	24.56	21.57	17.85	9.46	17.97
2010	15.72	31.03	18.29	27.02	18.88
2011	20.71	29.21	14.52	23.93	19.29
2012	21.55	25.71	14.89	10.90	16.40
2013	6.63	17.13	16.99	16.84	22.53
2014	-38.18	24.89	13.76	29.25	32.24
2015	-6.47	28.09	10.65	28.33	26.10
2016	-4.97	32.46	12.20	23.70	22.59
2017	-0.17	10.00	7.62	20.39	20.06
Mean	6.35	24.25	14.55	21.36	21.55
Standard deviation	19.69	6.83	3.61	6.94	4.66
Coefficient of Variation	310.20	28.16	24.83	32.48	21.62

Source: computed form compiled data

Table 6 shows the return on equity of select pharmaceutical companies for the period of 10 years from 2008 to 2017. The return on equity of Sun Pharmaceutical Industries Ltd. is fluctuating from year to year. It is recorded highest (24.56) in the year 2009 and it is lowest (-38.18) in the year 2014. It shows that the firm has not generated profit for equity holders for last four years from 2014 to 2017. The firm has issued 1,035,581,955 bonus shares on 3rd August, 2013 and it has acquired Ranbaxy Laboratory Ltd. in the year 2013-14, for every 1 shares firm has issued 0.8 shares. It may be the reason for decrease in Return on Equity.

The return on equity of Cadila Healthcare Ltd. is fluctuating from year to year. It is recorded highest (32.46) in the year 2016 and it is lowest (10.00) in the year 2017. The return on equity of Cipla Ltd. is fluctuating from year to year. It is recorded highest (18.29) in the year 2010 and it is lowest (7.62) in the year 2017.

The return on equity of Aurobindo Pharma Ltd. is fluctuating from year to year. It is recorded highest (29.25) in the year 2014 and it is lowest (9.46) in the year 2009.

The return on assets of Lupin Ltd. is fluctuating from year to year. It is recorded highest (32.24) in the year 2014 and it is lowest (16.40) in the year 2012.

The mean value of Cadila Healthcare Ltd., shows highest (24.25) followed by Lupin Ltd., Aurobindo Pharma Ltd. and Cipla Ltd. and Sun Pharmaceutical Industries Ltd shows lowest (6.35) value of mean.

Coefficient of variation of return on equity of Sun Pharmaceutical Industries Ltd. (310.20), is higher than the Aurobindo Pharma Ltd. (32.48), Cadila Healthcare Ltd. (28.16), Cipla Ltd. (24.83) Lupin Ltd. (21.62) which indicates that Sun Pharmaceutical Industries Ltd. is less consistency compare to Lupin Ltd. Cipla Ltd. and Cadila Healthcare Ltd.

CONCLUSION

The study attempts to analyze the profitability position and efficiency of select pharmaceutical firms in India in terms of Operating Ratio, Gross Profit Ratio, Net Profit Ratio, Cash Profit Ratio, Return on Assets and Return on Equity. It can be concluded that the sun pharmaceutical industries has not generated profit in 2014 and thereafter. The firm has concentrated on expanding their business operations in India and abroad. It acquired Ranbaxy laboratories Ltd. in 2013. As a result the operating expenses have shoot up considerably affecting the profitability position. The raw material cost, manufacturing expenses, employee expenses, selling and distribution expenses and non-operating expenses have increased significantly. As a result, the company is generating negative profits post acquisition. It's high time for Sun Pharmaceutical Industries Ltd. to control its manufacturing, operating and non-operating expenses to improve profitability position. Except Sun Pharmaceutical industries Ltd. all the selected companies i.e., Cadila Health Care Ltd., Cipla Ltd., Aurobindo Pharma Ltd. and Lupin Ltd. are good in generating operating profit, gross profit, net profit, cash profit, returns assets and return on equity. It can be concluded that the overall profitability position of select pharmaceutical companies except sun pharmaceutical are good and satisfactory for the study period.

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