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Financial Performance Of Cadila Pharmaceuticals Ltd. & Cipla Pharmaceutical Ltd

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ABSTRACT

Profit is the main Element of the business and without money nothing is possible In this research work I have taken two pharmaceutical company tike cadila Pharmaceuticals Ltd and cipla Pharmaceuticals Ltd ltd. And know its financial position with the help of Ratio Analysis and T-test.

Keywords : Corporate Social Responsibility, Emerging Markets.

INTRODUCTION:

Drugs are an essential commodity for the people of the nation. At times they can be the difference between life and death. That is why the pharmaceutical industry is an important sector for the country. In addition, the pharmaceutical industry, in recent times, has grown into a large industrial sector, which is now getting involved in exports as well. But this industry has seen some radical transformation in its composition in terms of its players. Pharmaceutical industry is a part of the changing business paradigms across the globe. In a market driven Pharmaceutical sector, competition is the most dynamic elements. Due to market competition in Indian Pharmaceutical industry, the pattern of Pharmaceutical business is changing phenomenally. The last decade has seen many positive developments in the Indian Pharmaceutical industry. India's Pharmaceutical industry must strengthen itself significantly if it has to support the modern and vibrant economy. So measurement the financial performance of Pharmaceutical industry is an interesting area for the researcher.

Data Collection:

The data collection is very important task for the researcher for the research study. This research study is mainly based on secondary data. The secondary data shall be collected from the records, documents, related subject matter and related websites. Besides, the researcher shall collect and analyze published data as per the requirement. As such the universe of this research study is restricted with the reference to selected Pharmaceutical Companies, which are working in India. So, researcher has selected 2 Pharmaceutical Companies. The data regarding selected Pharmaceutical Companies have been obtained and collected from the annual report of the Pharmaceutical Companies and related websites.

Conceptual Frmework:

Performance measures are needed for decisions regarding management compensation packages and resource allocation. An appropriate measure of management and management strategy must consider the value of a company in economic terms.

Financial Performance

Any of many different mathematical measures to evaluate how well a company is using its resources to make a [profit](#). Common examples of financial performance include [operating income](#), [earnings before interest and taxes](#), and [net asset value](#). It is important to note that no one measure of financial performance should be taken on its own. Rather, a thorough assessment of a company's performance should take into account many different measures. In short financial performance means a measure of a company's ability to generate income

over a given period of time.

SCOPE OF THE STUDY:

The scope of this research study is as under.

Functional scope

Functional scope of this study is to analyze Financial Performance of of Indian Pharmaceutical industry Geographical Scope

In this study researcher selected 2 Pharmaceutical Companies which are working and producing drugs in India. So, whole India is geographical criteria for this research study.

Sample Design:

In this research study, researcher has selected 2 pharmaceutical Companies are listed in Indian stock exchanges. i.e. Cadila Pharmaceuticals Ltd., Cipla pharmaceutical Ltd.

Objective of the Study:

Objective is a base for any work. The objectives determine the future and outcome of the research. No one work is started without any objectives. The present research work has also some objectives.

1. To evaluate selected Pharmaceutical Companies annual accounts through appropriate ratios.
2. To examine profitability of Pharmaceutical Companies through different ratios.
3. To suggest the appropriate Financial Ratio of Indian Pharmaceutical Companies.
4. To examine Financial Position of Pharmaceutical Companies in India.

SIGNIFICANCE OF THE STUDY:

Significance of this study is as under.

Contribution to the knowledge

1. Through this research study the knowledge of researcher particularly Regarding statistical tools and technique and statistical test will improve.
2. The knowledge regarding Financial Performance and profitability will be improved.

Contribution to the Society

1. Through this research study society will able to know the real situation of Financial Performance and Profitability of the Pharmaceutical Sector.

- Society will be able to know the appropriate various financial ratio.

Contribution to the Industry

- Pharmaceutical industry may be able to know the financial efficiency with the help of appropriate financial ratio.
- Pharmaceutical industry will try to improve their financial performance.

STATISTICAL TECHNIQUES:

The main base of this study is to analyzed Financial Performance of Selected Pharmaceutical units of India. Verifying and testing this hypothesis, some techniques have been used. Here, mainly applied test or techniques are as under.

1. Average/Mean

The most commonly used average is the arithmetic mean, briefly referred to as the mean. The mean can be found by adding all the variables and dividing it by total number of the years taken. It gives a brief picture of a large group which represents and gives a basic of comparison with other groups.

2. The Standard Deviation

The Standard deviation concept was introduced by Karl Pearson in 1823. It is by far the most important and widely used measure of studying dispersion. Standard deviation is also known as root mean square deviation for the reason that it is the square root of the mean of the square deviation from arithmetic mean.

3. T-test

T-test is based on T-Distribution and is considering an appropriate test for judging the significance of a sample mean. It can also be used for judging the significance of the Co-efficient of simple and partial Co-relations. The relevant test statistical is calculated from the sample data and then compared with its problem value based on T-distribution at a specified level of significance for concerning degree of freedom for accepting or rejecting the Null Hypothesis.

ANALYSIS OF FINANCIAL POSITION:

Ratio Analysis is one of the most important Techniques to measure the profitability, and liquidity of the units. This table indicate financial performance with the help of Ratio Analysis , Mean ,Standard Deviation ,T-test.

Financial Analysis

Table-1

NO.	Ratio	Cadila Mean	Cipla Mean	S.D.	Calculated value (TC)	t-value (TT)	Null Hypothesis Accepted /Rejected
1.	Gross profit ratio	16.10	25.96	8.13	2.09	2.23	Accepted
2.	Net Profit Ratio	11.12	18.37	2.17	10.07	2.23	Rejected
3.	Operating profit Ratio	19.62	26.43	3.16	3.27	2.23	Rejected
4.	Current Ratio	2.89	2.13	0.87	1.52	2.23	Accepted
5.	Sundry debtors to sale Ratio	0.12	0.17	0.04	2.17	2.23	Accepted
6.	Acid -Test Ratio	1.62	1.04	1.08	0.94	2.23	Accepted
7.	Inventory Turnover Ratio	0.59	0.25	0.06	9.77	2.23	Rejected
8.	Debtors Turnover ratio	7.44	6.24	1.81	1.14	2.23	Accepted
9.	Fix Assets Turnover Ratio	1.88	4.19	0.57	6.99	2.23	Rejected

(Source:- Computed form published annual report of Cadila Ltd .and Cipla ltd. Form 1998-99 to 2003-04)

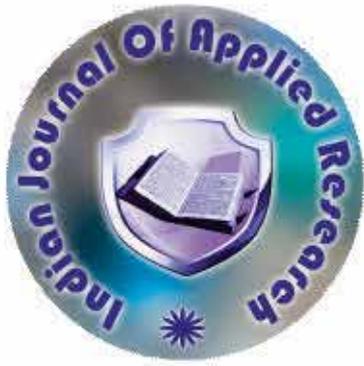
- 5% Level of significance table value = 2.23
- Gross profit Ratio of cipla ltd is higher than cadila ltd.
- Net profit Ratio of Cadila ltd is lower than cipla ltd.
- Operating Ratio of Cipla ltd was higher than cadila ltd.
- Cadila ltd was higher than cipla ltd in current Ratio but in the year 2002-03 and 2003-04 cipla ltd is higher.
- Sunday debtors to sale. Ratio of cipla ltd was higher then cadila ltd.
- Acid test Ratio of cipla was higher than cadila ltd.
- Inventory turn over Ratio of cadila ltd was higher then cipla ltdf.
- In Debtors turn over Ratio of cipla ltd was higher than Cadila ltd in the year 1998-99 & 1999-2000
- Fixed assets turnover Ratio of cipla ltd is higher then cadi-la ltd.

Conclusion:

After considering Fancial parameters the financial performance of cipla is better than cadila However the gross profit ratio current Ratio, Acid test Ratio debtors turnover ratio are performing same trends.

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