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# Plays And Peseant Movement: An Exploration

*Dr. Ramesh A. Dangar

*Associate Professor in J.H.Bhalodia women's college,Kalawad Road,Rajkot.

**ABSTRACT**

*The earliest drugstores date back to the middle Ages. The first known drugstore was opened by Arabian pharmacists in Baghdad in 754, and many more soon began operating throughout the medieval Islamic world and eventually medieval Europe. By the 19th century, many of the drugstores in Europe and North America had eventually developed into larger pharmaceutical companies.Present Study is examining that liquidity performance of selected pharmaceutical companies during the research period from 2006-07 to 2010-11. It is aim to find out the financial liquidity condition by various Ratios like Total Debt Ratio, Current Ratio, interest Coverage Ratio, and Net Working Capital (days) Ratio of the selected units.*

**Keywords :Liquidity Analysis, Selected Pharmaceuticals Units.**

## INTRODUCTION

Most of today's major pharmaceutical companies were founded in the late 19th and early 20th centuries. Key discoveries of the 1920s and 1930s, such as insulin and penicillin, became mass-manufactured and distributed. Switzerland, Germany and Italy had particularly strong industries, with the UK, US, Belgium and the Netherlands etc.

J B Chemical & Pharmaceuticals had a tie-up with Justesa Imagen, Spain, to manufacture and market radio diagnostics under the Trazograf brand name. JBC has also diversified into high-growth agro-based products by acquiring McDa Agro (MAL).

Amalgamation of Lupin laboratories with Lupin Chemicals was reason to the birth of Lupin Limited; the company was incorporated in 31st March of the year 1983 as a Private Ltd company. Lupin successfully positioned itself as a transnational pharmaceutical Company with a wide global footprint

Natco Incorporated in Sep.'81 as Natco Fine Pharmaceutical Ltd, it became a deemed public company with effect from Jul.'92 and in Feb.'93, it changed its name to Natco Pharma (NPL). NPL began to manufacture conventional and time-release dosage forms of life-saving drugs.

Piramal Healthcare Limited (PHL) (erstwhile Nicholas Piramal India) is a Mumbai-based pharmaceutical company incorporated as Indian Schering Limited in 26th April of the year 1947 under British Schering Ltd.

Cipla was officially opened on September 22, 1937 when the first products were ready for the market and now over 170 countries buy Cipla's products. Cipla's products & services are categorized into Prescription, Animal Products, OTC, Bulk Drugs, Flavours & Fragrances, Agrochemicals and Technology.

## REVIEW OF LITERATURE

Walker (1964) with reference to working capital management in three industries namely, fertilizer, sugar and cement the study revealed the inventory constituted a major portion of working capital i.e. 59.58% in fertilizer; 74.06% in sugar and 63.1% in cement industry. Mishra (1975) The research work are related working capital with reference to six selected public sector undertaking company in India in all the selected enterprises inventory constituted the effective element of working capital Dr. Bhayani (2004) on working capital and profitability of cement industry and found that profitability is highly influenced by working capital linkage between asset management and profitability

## METHODOLOGY OF THE STUDY

- **Sources of the data**

Liquidity management: An Empirical study With Reference To pharmaceutical Company has been made by using data from financial statements of All the five major players in pharmaceutical Company, they are JBC, lupin, natco, piramal and cipla.The period of study was five years from 2006-07 to 2010-11. Data of company was collected from money control database and from the annual reports of respective companies.

- **Hypothesis for study:**

1 The size of liquidity trend in total debt to equity is uniform in sample units.
2 The size of liquidity trend in current ratio is uniform in sample units.
3 The size of liquidity trend in interest cover is uniform in sample units.
4 The size of liquidity trend in net working capital [days] is uniform in sample units.

- **TECHNIQUES OF ANALYSIS**

For the purpose of liquidity Analysis of Pharmaceutical companies, Various Ratios are selected and calculated through various statistical tools and techniques like Average and ANOVA Test. For that SS = Sum of Square D.F = Degree of Freedom , MSS = Mean Sum of Square F cal = Calculated value of F crit = Critical Value of F Ratio at 5% Significant Level This Tools can be analyzed the profitability trend of Major players of Pharmaceuticals companies. These tools can be analyzed the liquidity trend of major selected pharmaceuticals Companies

**Comparative Analysis of Liquidity**

**(1) Total Debt to Equity**

The firm may be interested in knowing the proportion of the interest bearing debt in capital structure. It may therefore compute debt ratio by dividing total debt by equity.

Total debt equity ratio=Total debt (short term + long term) × 100 Equity

**(Table -1) Total Debt to Equity Ratio**

| Year | J.B.Pharma | Lupin | Natco | Piramal | cipla | Overall Average Trend |
|---|---|---|---|---|---|---|
| 2007 | 0.41 | 0.97 | 0.42 | 0.43 | 0.04 | 0.454 |
| 2008 | 0.42 | 0.73 | 0.43 | 0.50 | 0.15 | 0.446 |
| 2009 | 0.32 | 0.69 | 0.49 | 0.82 | 0.22 | 0.508 |
| 2010 | 0.22 | 0.36 | 0.40 | 0.44 | - | 0.284 |
| 2011 | 0.23 | 0.31 | 0.63 | 0.02 | 0.07 | 0.252 |
| Average | 0.32 | 0.612 | 0.474 | 0.442 | 0.096 | 0.3888 |

From the above table -1, it is revealed that as per the Company Average 0.3888; Only Lupin, Natco and piramal maintaining the Ratio While J.B. Pharma ltd. And Cipla Ltd. shows below trend in the Average. Simultaneously Ratios of Cipla Ltd. Showing Fluctuation.

**Table -2 ANOVA Analysis**

| Source ofvariation | Sum of Squares | d.f. | mean | F value | Table value |
|---|---|---|---|---|---|
| Between samples | 0.75 | 4 | 0.19 | 4.75 | 2.87 |
| Within sample | 0.73 | 20 | 0.04 | | |
| Total | 1.48 | | | | |

Above table indicates the calculated value of ‘F’. The calculated value of ‘f’ is 4.75 which are higher than the table value of ‘f’. The table value of ‘f’ at 5% levels of significance is 2.87. It indicates that there is significant difference in the total debt to equity in the units undertake for the study for the research period.

Thus it shows that liquidity position and earning of shareholders are not same for the units for given period.

**(2) Current Ratio**

The current ratio is an index of the concern’s financial stability since it shows the extent of the working capital which is the amount by which the current assets exceed the current liabilities. Higher current ratio would indicate inadequate employment of funds while a poor current ratio is a danger signal to the management. It shows that business is treading beyond its resources.

Current ratio = current assets

Current liabilities

**Table-3 Current Ratio Analysis**

| Year | J.B.Pharma | Lupin | Natco | Piramal | Cipla | Overall trend |
|---|---|---|---|---|---|---|
| 2007 | 3.96 | 2.79 | 1.97 | 2.14 | 2.69 | 2.71 |
| 2008 | 5.20 | 2.57 | 1.99 | 2.07 | 2.68 | 2.902 |
| 2009 | 5.21 | 1.71 | 2.04 | 2.73 | 2.82 | 2.902 |
| 2010 | 4.63 | 2.45 | 1.67 | 2.31 | 2.17 | 2.646 |
| 2011 | 4.98 | 2.47 | 2.10 | 9.16 | 3.45 | 4.432 |
| Average | 4.796 | 2.398 | 1.954 | 3.682 | 2.762 | 3.1184 |

From the Table-3 it is revealed that as per the Company Average 3.1184 , Only J.B.Pharma and Piramal is maintaining the Ratio While Lupin, Natco and Cipla is below the Average at the same time Ratio of Piramal shows highly increase in the last year.

Table-4 ANOVA Analysis

| Source of variation | Sum of Squares | d.f. | mean | F value | Table value |
|---|---|---|---|---|---|
| Between samples | 25.67 | 4 | 6.42 | 3.18 | 2.87 |
| Within sample | 40.48 | 20 | 2.02 | | |
| Total | 66.15 | | | | |

Above table -4 indicates the calculated value of ‘F’. The calculated value of ‘f’ is 3.18 which are higher than the table value of ‘f’. The table value of ‘f’ at 5% levels of significance is 2.87. It indicates that there is significant difference of maintaining the proportion of current assets and current liabilities between the units undertake for the study for the research period.

**(3) Interest Coverage Ratio**

This ratio shows the number of times the interest charges are covered by the funds that are ordinarily available for their payment since taxes are computed after interest. Interest coverage is calculated in relation to before tax earnings depreciation is non-cash item

Interest coverage ratio= EBIT (Earnings before tax and interest) Interest

**Table-5 Interest Coverage Ratio**

| Year | J.B.Pharma | Lupin | Natco | Piramal | Cipla | Overall trend |
|---|---|---|---|---|---|---|
| 2007 | 0.41 | 8.88 | 8.09 | 6.69 | 112.84 | 27.382 |
| 2008 | 0.42 | 18.31 | 7.22 | 5.59 | 67.27 | 19.762 |
| 2009 | 0.32 | 12.32 | 5.02 | 3.24 | 35.92 | 11.364 |
| 2010 | 0.22 | 27.25 | 6.37 | 4.12 | 52.08 | 18.008 |
| 2011 | 0.23 | 34.63 | 5.51 | 5.48 | 225.01 | 54.172 |
| Average | 0.32 | 20.278 | 6.442 | 5.024 | 98.624 | 26.1376 |

From the Table-5 it is revealed that as per the Company Average 26.1376 an Overall trend which is purely based on High Ratio of only Cipla Ltd. excepting Cipla, Lupin following nearer to Overall Average but J.B. Pharma showing below standard, while piramal and Natco shows lower trend.

**Table-6 One Way ANOVA Result of selected sample units**

| Source of variation | Sum of Squares | d.f. | mean | F value | Table value |
|---|---|---|---|---|---|
| Between samples | 34089.44 | 4 | 8522.36 | 7.25 | 2.87 |
| Within sample | 23515.54 | 20 | 1175.78 | | |
| Total | 57613.98 | | | | |

From the above table-6 reflect the results for the Ratio of Interest Coverage. The F Cal Value is 7.25 and F critical value 2.87. It suggests that there is no relationship between the two variables.

**(4) Net Working Capital Cycle (Days)**

A high net working capital turnover ratio shows the efficient utilization of working capital in generating sales. A low ratio, on the other hand, may indicate the excess of net working capital. This ratio thus shows weather working capital is efficiently used or not.

Net Working Capital Cycle (Days) = Net W.C. × 365 Sales

**Table-7 Net Working Capital Cycle Days**

| Year | J.B.Pharma | Lupin | Natco | Piramal | Cipla | Overall trend |
|---|---|---|---|---|---|---|
| 2007 | 232 | 172 | 156 | 92 | 180 | 166.4 |
| 2008 | 245 | 148 | 141 | 101 | 201 | 167.2 |
| 2009 | 224 | 92 | 153 | 151 | 196 | 163.2 |
| 2010 | 251 | 135 | 80 | 115 | 190 | 154.2 |
| 2011 | 237 | 130 | 149 | 2205 | 197 | 583.6 |
| Average | 237.8 | 135.4 | 135.8 | 532.8 | 192.8 | 246.92 |

From the Table-7 it is revealed that as per the Company Average 246.92 Piramal shows high Ratio in the year 2011 that shows High average for research period comparing with other unit of research But J.B. Pharma following nearer to overall average and remaining unit showing lower trend of average.

**Table-8 One Way ANOVA Result of selected sample units**

| Source of variation | Sum of Squares | d.f. | mean | F value | Table value |
|---|---|---|---|---|---|
| Between samples | 547619.44 | 4 | 13690.86 | 0.78 | 2.87 |
| Within sample | 3505484.56 | 20 | 175274.23 | | |
| Total | 4053104 | | | | |

From the above table-8 reflect the results for the Net Working Capital Cycle (Days). The F Cal Value is 0.78 and F critical value 2.87. It suggests that there is significant difference of the variable.

**Suggestion**

For the data analysis of the selected units and years. I would like to express my view is

- J.B.Pharma Increase its liquidity for future expansion. So they can achieve their desire goals.
- Lupin Pharma can try to maintain its total debt to equity so it will be beneficial to its owner and they have satisfactory returns to shareholders.
- NATCO to maintain its working capital cycle so that it generates more sales and it will be expand its business for using its profit.
- PIRAMAL Pharma maintains its liquidity properly.
- CIPLA has to focus for consumer satisfaction to develop its product line

**Conclusion**

For analysis of liquidity of selected pharmaceutical companies. Analyze that liquidity position for selected units it is clear that Liquidity ratios are differed for each company

For analysis of Total Debt to Equity, Current Ratio, Interest Coverage Ratio and Net Working Capital Cycle (Days) it is found that selected units are achieving their organization goal as well as giving maximum satisfaction to their consumer and share holders. It is positive sign for better future of the selected companies.

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