



A Comparative Study on Financial Structure of Novartis India and Ajanta Pharmaceutical Company in India

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ABSTRACT

The Indian Pharmaceutical sector is more broken with more than 21,000 registered units in India. It has expanded drastically in the last two decades. The pharmaceutical and chemical industry in India is an extremely broken high market with severe price competition and government price control in overall market. The Pharmaceutical Industry in India meets of the country's demand for bulk drugs, drug brokers, formulation of pharmaceutical, chemicals, tablets, orals. The current research study is based on secondary data. Objective of this study are; To Comparing the Financial Structure of Novartis India and Ajanta Pharmaceutical Company in India. To Analysis long term and short term liability of selected companies. For this the total sample size top two selected: one is Foreign pharmaceutical company and one is Indian pharmaceutical which are registered in NSE and BSE. The study of financial structure of selected pharmaceutical companies are made for the period of 5 Years from the 2013-14 to 2017-18. Techniques used to testing the hypotheses are Mean, T-test, etc.

Keywords: Comparative Study, Pharmaceutical Companies, Financial Structure, T-Test.

INTRODUCTION

The 'Structure' derived from the field of engineering. It means different parts of assets. The financial structure includes three elements-assets, liability and capital. Financial Structure refers to the assets are financed of the business.it is seen in the capital and liability of company which all long term and short term sources of capital. Financial structure refers to the act of performing financial activity weather long term as well as short term.in border sense, Financial structure refers to the degree to which financial objectives being or has been executed. It is the process of measuring the results of policies and operations in monetary terms of business. It is used to measure overall financial health and financial structure over a given period of time and it can be also used for compare similar business across the same industry or to compare any other industries or sectors in aggregation. Financial Structure is measuring the results of Business policies and operations in monetary terms which are short term as well as long term. It is used to measure the overall financial health over a given period of time of business or firm and also can be used to compare similar business across the same industry or to compare industries or sectors in aggregation.

REVIEW OF LITERATURE

The Review of the past study and Once the problem is work out, a short summary of the particular work that should be written down.

Dr. K. Kumutha Devi and Ms. C. V. Uma Maheswari (2015) Concluded This research focuses on A Study on Financial Performance of Cipla ltd& Aurobindo Pharma Ltd a Comparative Analysis. That study has been appropriate the profitability of the both companies in the pharmaceutical Sector. Cipla pharmaceutical ltd has more Liquidity and financial position than the Aurobindo pharmaceutical ltd.'s financial position. So, Aurobindo Pharma ltd is suggested to the maintain ideal current ratio and quick ratios. In addition, the Debt-equity position of Aurobindo pharmaceutical ltd seems to be ideal than the Cipla pharmaceutical ltd. Cipla pharmaceutical ltd having more profitability and financial position than the Aurobindo Pharma ltd. Cipla has high level of consistency.

Geethalakshmi and Dr. K. Jothi (2016) concluded that The financial health plays a vital role in the better management of a company. According to the analysis it is said that gross profit ratio, operating ratio, return on equity capital and earnings per share, have good effect on the net profit ratio of the selected pharmaceutical companies during the study period. Profitability of the selected pharmaceutical companies in India during the study period is turned to be satisfied. During the period of study there were limitations in the profitability but it did not affect the operations of the company for a greater period of time.

Sumitra Rami (2017) The Pharmaceutical Companies has continued its growth. The Indian pharmaceuticals companies have important role in the world's pharmaceuticals market. In recent years, pharmaceuticals companies have begun to grow apply conventional marketing strategies to their own processes of product development, branding and advertising. The result has been a change in the industry most visible in the pervasive reordering of expenditures among major Pharmaceutical companies. Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub business or project.

RESEARCH METHODOLOGY

The current research study is based on secondary data. Other information related to selected foreign Pharmaceutical and Indian Pharmaceutical company has been collected from annual report, official website and net sources, annual report, journals, books, and other printed materials etc.

STATEMENT OF THE PROBLEM

The research topic is on the basis of selected foreign Pharmaceutical and Indian Pharmaceutical Companies. Now-a-days in India, Pharmaceutical sector plays a Critical role in the growth of Indian economy. After analyzing the secondary data, the researchers feel that there is a gap in financial structure measurement. The researcher gone through all the aspects of financial structure and then researcher decided for the selection of the proper research topic.

OBJECTIVES OF THE STUDY

- 1) To Comparing the Financial Structure of Novartis India and Ajanta Pharmaceutical Company in India.
- 2) To study liquidity Ratio, Stability Ratio, Profitability Ratio of selected pharmaceutical companies in India.
- 3) To provide the suggestions and findings based on the research to improve the financial performance of selected Indian pharmaceutical companies.

IMPORTANCE OF THE STUDY

The evaluation and analysis of overall financial structure of pharmaceutical Sector is important to identify their good financial structure condition. In the present study the overall Financial Structure of Novartis India and Ajanta Pharmaceutical Company is analyzed using the structure Analysis. The analysis factors are classified as inputs and outputs to find the overall financial condition of the selected pharmaceutical units.

DATA COLLECTION

The present study is based on secondary data. Other information related to selected Indian Pharmaceutical companies has been collected from annual report, official website and net sources, annual report, journals, books, and other printed materials etc.

SAMPLE OF DATA

There are only two selected pharmaceutical companies out of that one is foreign pharmaceutical company and one is Indian Pharmaceutical company which are registered in NSE and BSE. The two pharmaceutical companies are;

1. Novartis India
2. Ajanta Pharmaceutical

STUDY PERIOD

The study of financial structure of selected Indian pharmaceutical companies are made for the period of 5 Years from the 2013-14 to 2017-18. The base year is 2013-14. This year is normal for the purpose of the data analysis and evaluation.

DATA ANALYSIS OF FINANCIAL STRUCTURE

Year	Eq.Sh	R&S	Non-CL	CL	Total
2013-14	15.98	945.37	28.6	211.35	1201.3
2014-15	15.98	986.01	33.44	206.39	1241.8
2015-16	15.98	1146.2	34.52	243.3	1440
2016-17	14.07	905.57	44.38	185.92	1149.9
2017-18	12.34	721.3	46.23	330.65	1110.5
Average	14.87	940.88	37.434	235.52	1228.7

(Source: Annual Report of Novartis India Pharmaceutical)

Above table 1 indicate the financial structure of Novartis India Pharmaceutical company. In present study the study period is five years that is beginning from 2013-14 and ending with 2017-18. In this company the average Equity share capital is 14.87 Crore. The average Reserve and surplus is 940.88 Crore which is frequently increase one by one year up to 2015-16 but in the year 2016-17 and 2018-18 it was decrease. The average Non CL is 37.43 and CL is 235.52 Crore. The total average Equity share capital and liability is 1228.70 Crore. In the first year 2017-18 the company has minimum financial structure in India and in the year 2015-16 company has highest financial structure in the Indian pharmaceutical sector. this company frequently increase in first three years but in last two years it was decrease. This company want to increase the financial structure in Indian pharmaceutical sector.

Table 2 Ajanta Pharmaceutical

(Amount in Cr.)

Year	Eq.Sh	R&S	Non-CL	CL	Total
2013-14	17.67	518.65	79.59	263.96	879.87
2014-15	17.68	768.56	54.69	244.83	1085.76
2015-16	17.69	1107.10	36.98	253.13	1414.9
2016-17	17.69	1486.25	30.62	190.3	1724.86
2017-18	17.69	1913.81	60.16	300.19	2291.85
Average	17.68	1158.87	52.41	250.48	1479.45

(Source: Annual Report of Ajanta Pharmaceutical)

Above table 2 indicate the financial structure of Ajanta Pharmaceutical company. In present study the study period is five years that is beginning from 2013-14 and ending with 2017-18. In this company the average Equity share capital is 17.68 Crore. The average Reserve and surplus is 1158.87 Crore which is frequently increase one by one year. The average Non CL is 52.41 and CL is 250.48 Crore. the total average Equity share capital and liability is 1479.45 Crore. in the first year 2013-14 the company has minimum financial structure in India but last year 2017-18 company has highest financial structure t in the Indian pharmaceutical sector. this company frequently increase total capital and liability in the study period. This company want to increase the financial structure in Indian pharmaceutical sector.

Hypothesis Testing

Null Hypothesis (H₀): There is no Significant differences in Between the selected multinational Pharmaceutical companies in India.

Alternative Hypothesis (H₁): There is Significant differences in Between the selected multinational Pharmaceutical companies in India.

Table 3

Independent Samples T-Test				
	t-test for Equality of Means			Result
	df	Sig. (2-tailed)	Mean Difference	
Current Ratio	8	0.002	2.4	Rejected
Quick Ratio	8	0.000	2.8	Rejected
Super Quick Ratio	8	0.034	2.144	Rejected
Fixed Assets Turn Over Ratio	8	0.000	59	Rejected
Debt Equity Ratio	8	0.000	2.2	Rejected
Proprietary Ratio	8	0.000	139	Rejected
Net Profit Ratio	8	0.018	-10.4	Rejected
Return on Capital Employed	8	0.000	-35.2	Rejected
Return on Net worth	8	0.000	-24	Rejected

Source: Table derived from SPSS output.

H₀₋₁: The Significance value of current ratio is 0.002 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in current ratio of selected pharmaceutical companies.

H₀₋₂: The Significance value of quick ratio is 0.00 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in quick ratio of selected pharmaceutical companies.

H₀₋₃: The Significance value of super quick ratio is 0.034 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in super quick ratio of selected pharmaceutical companies.

H₀₋₄: The Significance value of fixed assets turnover ratio is 0.000 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in fixed assets turnover ratio of selected pharmaceutical companies.

H₀₋₅: The Significance value of debt equity ratio is 0.000 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in debt equity ratio of selected pharmaceutical companies.

H₀₋₆: The Significance value of proprietary ratio is 0.000 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in proprietary ratio of selected pharmaceutical companies.

H₀₋₇: The Significance value of return on long term fund ratio is 0.018 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is is

rejected and thus there is a significant difference in net profit ratio of selected pharmaceutical companies.

H_{0.8}: The Significance value of net profit ratio is 0.00 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in return on capital employed ratio of selected pharmaceutical companies.

H_{0.9}: The Significance value of return on capital employed ratio is 0.00 which is less than significance level 0.05 & 0.01 (5% & 1%). Therefore, the null hypothesis is rejected and thus there is a significant difference in return on net worth of selected pharmaceutical companies.

FINDIANGS

The financial structure of Ajanta Pharmaceutical company was strong compare to Novartis India Pharmaceutical company. Ajanta pharmaceutical company has improved the financial structure in every year. Ajanta Pharmaceutical and Novartis India Pharmaceutical company has not more non-current liability for the business. Both pharmaceutical company has more reserve & surplus for the business.

Suggestion

Novartis India Pharmaceutical needs to reconsider its financial structure because it has been found less efficient as compare to the financial structure of Ajanta Pharmaceutical company.

Conclusion

The financial structure of Ajanta Pharmaceutical company is very strong and this company every year financial structure improves in the pharmaceutical sector. This company has increase the financial structure of the company. The company has not more non-current liability for the business. The financial structure of Ajanta Pharmaceutical company was strong compare to Novartis India Pharmaceutical company. This company has increase the financial structure of the company. The company has not more non-current liability for the business.

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