

A Comparative Analysis of Profitability of Pharmaceutical Companies in India

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ABSTRACT

When it comes to healthcare and economic development, India's pharmaceutical sector plays a vital role. The present study aims to examine and compare the profitability of selected pharmaceutical companies over a specified period. Five pharmaceutical companies—Venus Remedies Ltd., Divis Laboratories Ltd., Bal Pharma Ltd., Abbott Laboratories, and Glenmark Pharmaceuticals—are selected as the sample for the study. The analysis is based on secondary data collected from annual reports, journals, research articles, and various online sources, covering the period from 2020 to 2024. The selected companies represent a significant segment of the Indian pharmaceutical industry and are chosen using a convenience sampling method. The collected data is analyzed using the ANOVA statistical technique to determine whether there is a significant difference in the profitability of the selected firms. The findings of the study are expected to provide insights into the comparative financial performance and operational efficiency of these companies.

Keywords: *Pharmaceutical, Profitability, Performance, Companies, financial.*

I. INTRODUCTION

The profitability of pharmaceutical firms in India is an important indicator of their financial strength, operational efficiency, and long-term sustainability. The Indian pharmaceutical sector is one of the fastest-growing segments of the economy and ranks among the largest globally in terms of production volume. Profitability in this sector reflects how effectively firms convert their revenues into profits while managing costs, investing in research, and dealing with market competition. It is commonly assessed through key financial measures such as net profit margin, return on assets (ROA), return on capital employed (ROCE), and return on equity (ROE).

In recent years, pharmaceutical firms in India show varying levels of profitability due to differences in business strategies, product portfolios, and market reach. Variations in performance are often influenced by how efficiently firms manage their resources and adapt to changing market conditions.

Firms with diversified product offerings, strong distribution networks, and continuous innovation achieve better profitability. Efficient management practices and strategic planning play a significant role in maintaining stable financial performance over time.

Financial and operational factors have a strong impact on profitability. Ratios such as the current ratio, asset turnover ratio, and leverage ratios directly influence financial outcomes. Efficient utilization of assets and proper cost control contribute positively to profit margins, while excessive debt and poor liquidity management reduce profitability. Studies indicate that asset turnover and liquidity have a positive relationship with profitability indicators like net profit margin and return on capital employed, highlighting the importance of sound financial management.

Investment in research and development (R&D) is another key determinant of profitability. The pharmaceutical sector relies heavily on innovation and continuous development of new drugs to sustain growth. Higher expenditure on R&D enhances long-term profitability as it enables firms to introduce new products and remain competitive in both domestic and international markets. However, high operating expenses and increased cost of goods sold (COGS) negatively affect profit margins. Therefore, maintaining a balance between innovation and cost efficiency is essential for achieving sustainable profitability.

Market conditions and the regulatory environment also play a crucial role in shaping profitability. The pharmaceutical industry operates under strict regulations, requiring firms to comply with both national and international standards. Changes in patent laws, pricing policies, and export regulations significantly influence revenue and profit levels. In addition, global competition and pricing pressure, especially in the generic drug segment, reduce profit margins. Despite these challenges, firms that maintain strong export performance and diversified revenue sources are better positioned to sustain consistent profitability.

II. REVIEW OF LITERATURE

Agustyawati, Dwi et al., (2023) This study used multiple linear regression tests to examine data from financial reports and stock price data obtained from the Indonesia Stock Exchange (IDX) for food companies listed from 2018 to 2021. The goal was to find out what factors affect the stock price of these companies. The numbers show that Earnings Per Share has a major effect on stock prices. This is due to the fact that an increase in EPS may lead to more shareholder income, more share appeal, and eventually, higher demand for shares. Another indicator of a company's efficiency and profitability, net profit margin has a significant impact on stock prices. In addition to piquing the interest of potential investors, this demonstrates the firm's high profit potential. Another factor that influences stock prices is the Current Ratio, which shows how easily a firm can pay its short-term obligations. This should reassure investors that the company can manage its finances well and operate effectively. Stock prices are more affected by factors including industry performance, market sentiment, and company growth than by the debt-to-equity ratio. Therefore, stock prices are unaffected by the ratio. The Price Earnings Ratio (PER) isn't the only factor that matters when valuing stocks; other important factors include company growth, industry conditions, and market sentiment. Therefore, stock prices are unaffected by the PER.

Anklesaria-Dalal, Karishma et al., (2019) Ethical investing strategies, environmental stability, and socioeconomic progress are all interdependent, and this fact is becoming more apparent. Integrating ESG (environmental, social, and governance) considerations into investment choices is one way that

responsible investing approaches risk management and helps investors get long-term returns. To that end, this research will examine how ESG factors affect the bottom line and market worth of public limited companies in India using a number of ROA and Tobin's Q ratio measures. The authors used environmental, social, and governance (ESG) data gathered every year from 2015 to 2017 by 65 Indian firms that were part of the NSE 100 ESG Index database. The companies' economic performance was analyzed using random effect panel data regression to determine the influence of ESG factors. The research found that accounting and market-based indicators for financial success are both improved by good corporate ESG performance. Businesses, banks, regulators, and politicians may all expect to feel the effects of the outcomes in the real world. Based on the findings, sustainability reports that include ESG scores should be extensively adopted. This would substantially improve the long-term viability of the company's operations and the value it provides to shareholders.

Attah Kumah, Emmanuel. (2014) While some companies have increased shareholder value, the vast majority have lost it. The study examines the correlation between stock price and several financial and economic metrics that reveal how a company is handling its investors' money, such as Return on Fund (ROF), Economic Value Added (EVA), and Market Value Added (MVA). The authors of this study contend that stock prices are directly related to monetary and economic variables. To find out whether EVA is useful as a performance assessment tool, this research sheds light on the underlying company. We learn more about the business than if we had only looked at the numbers. We compare EVA to other traditional measures using Pearson's Coefficient of Correlation. Regression analysis has been used to examine the relationship between stock price and EVA, EPS, ROA, and ROF. The study found that investing in the market is becoming riskier as the beta of individual equities rises every year. Beta is rising since most banks are increasing their capital to pay for the growing spending. Capital is becoming more expensive since the weighted average cost of capital is on the rise. Investors' expectations that the market would remain more dangerous caused the share prices of almost all banks to have an upward trend for nearly all years. Evidence from 39 different financial institutions shows: While there is a strong correlation between EVA and the coefficient and coefficient of determination for two banks' share prices, there is only a weak correlation for eighteen banks' share prices. The lack of a correlation between EVA and share price is therefore evident. We go over things like stock price, economic value, market value, financial factors, and behavior.

Dewri, Leo. (2021) Discovering where three metrics—corporate governance (CG), financial performance (FP), and refined economic value added (REVA)—converge is the primary objective of this study. The end aim is to determine ROS and firm value (FV). Using the GMM estimator approach, we ran a dataset of Dhaka Stock Exchange businesses from 2013 to 2018. A total of 1860 company years are included in the sample, which includes 310 firms. Discover the connections between CG, FP, and REVA characteristics and FV and RoS in this study. With excellent CG, any company's management practices may increase FV and RoS, regardless of size. In addition to increasing FP, this will guarantee that the firm and its shareholders keep enjoying the advantages of rising economic value. Companies that can demonstrate a consistent increase in their FV may also be able to provide their shareholders a healthy return on investment. This research provides valuable guidance for investors and management, encouraging them to implement excellent CG within their companies. It also affirms their commitment to preserving healthy FP and continuing REVA growth for the company. Possible supporters may look at the company's track record and future plans before putting money into it.

III. RESEARCH METHODOLOGY

Research Design

The present study adopts a quantitative and analytical research design.

Sources of Data

The secondary data sources used in the study are sourced from credible and original sources. Detailed financial information needed for analysis is provided by the published annual reports of the selected pharmaceutical businesses, which serve as the main source of data. Academic books, journals, research papers, and case studies are also consulted for material that would back up the study's theoretical framework. In addition, reputable online sources are consulted, including databases like Google Scholar, to find pertinent literature and market insights. The completeness, correctness, and trustworthiness of the data utilized for analysis are guaranteed by these sources.

Population

In the context of the present study, the population represents the entire universe of pharmaceutical companies operating in India. All pharmaceutical firms in India are considered part of this universe.

Sampling Technique

The sample units are selected using a convenience sampling method.

Sample Size

The research analyses five pharmaceutical companies i.e. Venus Remedies Ltd., Divis Laboratories Ltd., Bal Pharma Ltd., Abbott Laboratories, and Glenmark Pharmaceuticals over a period from March 2020 to March 2024.

Data Analysis Tool

The collected data from the annual reports of the selected companies is analyzed using the Analysis of Variance (ANOVA) technique to determine whether there is a significant difference in their profitability.

Two phases of analysis were performed on the data collected from the chosen firms. The first stage involves determining the degree of association between capital structure and profitability.

IV. DATA ANALYSIS AND INTERPRETATION

**Table 1: Year-wise Profit Performance of Selected Pharmaceutical Companies (2020–2024)
(Rs. in Crore)**

Company	Mar.-20	Mar.-21	Mar.-22	Mar.-23	Mar.-24
Venus Remedies Ltd.	215.40	268.75	195.60	225.30	249.85
Divis Laboratories Ltd.	1,296.00	1,984.50	2,960.20	1,824.60	1,650.40
Bal Pharma Ltd.	45.80	52.10	38.45	41.60	47.25
Abbott Laboratories	1,200.35	1,450.80	1,620.75	1,780.60	1,925.40
Glenmark Pharmaceuticals	1,160.90	1,400.20	980.55	1,050.30	1,210.75



The data reveals that the profitability trends of the selected pharmaceutical companies from 2020 to 2024 show a combination of stability, growth, and moderate fluctuations. Venus Remedies Ltd. demonstrates a relatively stable performance with slight fluctuations, indicating consistent operational efficiency and gradual improvement over time. Divis Laboratories Ltd. shows significant growth up to 2022, followed by a decline in the later years, suggesting possible market corrections or changes in demand after a peak performance phase.

Bal Pharma Ltd., being comparatively smaller in scale, reflects minor fluctuations but maintains a stable profit trend throughout the study period, indicating steady but limited growth. Abbott Laboratories exhibits a continuous upward trend in profits, highlighting strong financial performance and consistent growth, which suggests efficient management and stable market demand.

Glenmark Pharmaceuticals shows some volatility, with a decline in 2022 followed by gradual recovery in subsequent years, indicating temporary challenges but an improving financial position. Overall, the analysis suggests that while some companies maintain steady growth, others experience fluctuations due to market dynamics, competition, and operational factors, resulting in a mixed performance across the selected pharmaceutical firms.

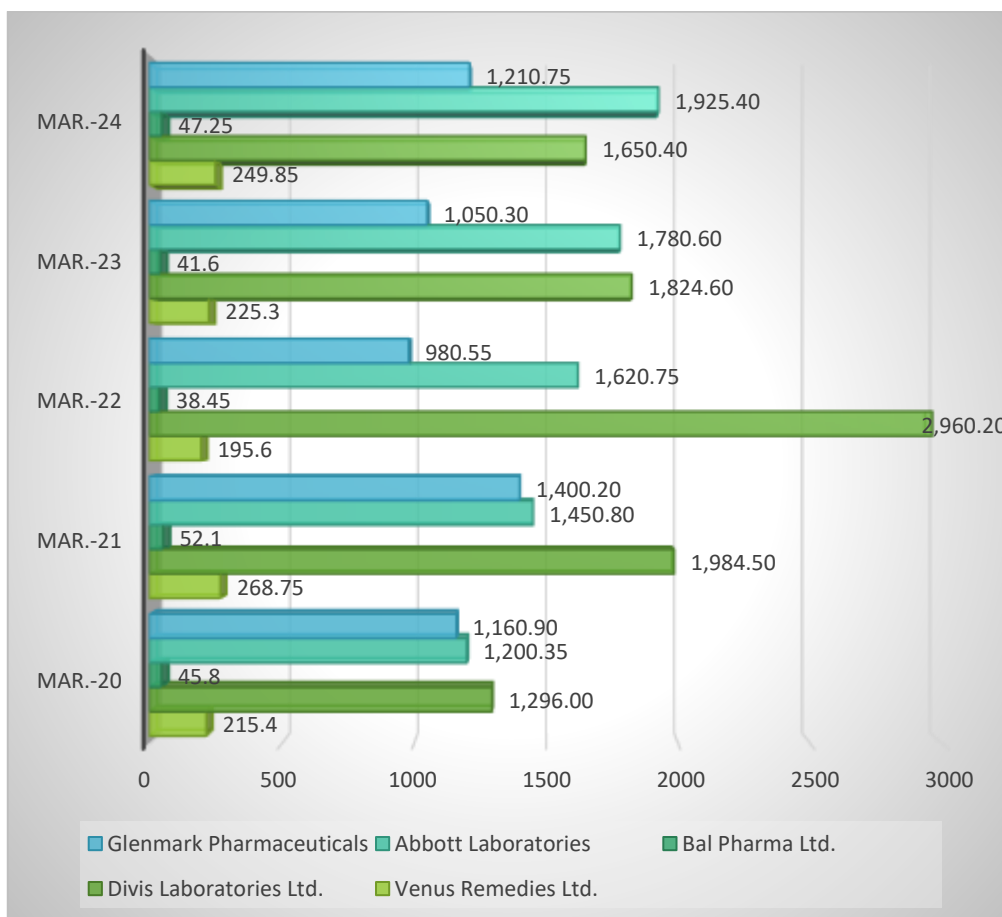


Figure 1: Total Profits of the Selected Companies

Throughout the research period, there were no discernible variations in the profit of the pharmaceutical businesses that were chosen.

The chosen pharmaceutical businesses are compared using the ANOVA tool in conjunction with SPSS software to determine which company has the largest profit. The test's findings are as follows:

Table 2: ANOVA Analysis for Profits Descriptive Statistics

Company	Mean	SD	SE	Minimum	Maximum
Venus Remedies Ltd.	230.98	27.45	12.28	195.60	268.75
Divis Laboratories Ltd.	1,943.14	636.72	284.70	1,296.00	2,960.20
Bal Pharma Ltd.	45.04	5.33	2.38	38.45	52.10
Abbott Laboratories	1,595.98	273.44	122.26	1,200.35	1,925.40
Glenmark Pharmaceuticals	1,160.54	163.75	73.23	980.55	1,400.20
Total	995.14	798.62	159.72	38.45	2,960.20

ANOVA

Source	SS	MS	F	Sig.
Between Groups	18,742,365.284	4,685,591.321	7.284	0.001
Within Groups	15,432,118.756	771,605.938		
Total	34,174,484.040			

The descriptive statistics presented in Table 2 highlight notable differences in the profitability levels of the selected pharmaceutical companies over the study period. Divis Laboratories Ltd. records the highest mean profit, it also shows a high standard deviation. Abbott Laboratories follows with a relatively high mean and moderate variability. Glenmark Pharmaceuticals demonstrates moderate profitability with some variation. On the other hand, Venus Remedies Ltd. shows comparatively lower mean profit but maintains stability with limited variation. Bal Pharma Ltd. has the lowest mean profit among all the selected companies, along with minimal standard deviation.

The ANOVA results further confirm that these differences in profitability are statistically significant. The F-value of 7.284 and the significance value ($p = 0.001$), which is less than the standard threshold of 0.05, indicate that there is no difference in mean profitability. This implies that there are meaningful variations in the profitability performance of the selected companies.

V. CONCLUSION

Innovation, market demand, and good management practices are the three pillars upon which the pharmaceutical sector rests, and they are all critical to a country's economic growth. According to the data, pharmaceutical company profitability follows a varied pattern, with some businesses showing consistent growth and others showing volatility. These differences are a result of both internal and external influences, including strategy decisions and operational efficiency, and market rivalry and economic situations. In terms of bottom line results, companies that have solid management practices and stick to their strategies usually do better. An analysis of variance (ANOVA) shows that there are statistically significant differences in profitability across the sampled businesses. This proves that the noticeable differences in financial success between companies are not attributable to chance alone. The significance of tailoring strategies to individual companies' needs in attaining financial prosperity is emphasized. According to the research, being profitable in the pharmaceutical industry calls for constant innovation, adaptation to new market conditions, and improvement.

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