Chapter - VI

Findings, Suggestions and Recommendations and Conclusion
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FINDINGS, SUGGESTIONS AND RECOMMENDATIONS, CONCLUSION
6.1 FINDINGS – SIX POWER ANALYSIS (SPA)

6.1.1 PROFITABILITY POSITION

6.1.1.1 Net Profit Margin ratio

The average net profit margin of selected pharmaceutical company was (26.698). The highest (43.66) mean value among the selected companies, Sun pharmaceutical stands first, its standard deviation (13.91). The second highest (35.92) mean value of GlaxoSmithKline (GSK) pharmaceuticals with a standard deviation (4.82). The third highest (20.25) mean value is Lupin pharmaceuticals with a standard deviation (3.99). The fourth highest (17.94) mean value is Cipla pharmaceuticals with a standard deviation (1.92). Out of selected 5 companies the lowest (15.72) mean value occupied by Dr. Reddy’s Laboratory with a standard deviation (6.92). The **net profit margin shows the final result, that the Sun pharmaceuticals place the first position.**

6.1.1.2 Operating Profit Margin ratio

The average operating profit margin of selected pharmaceutical company was (38.878). The highest (51.55) mean value among the selected companies, Dr. Reddy’s Lab stands first its standard deviation (6.22). The second highest (40.63) mean value of Lupin pharmaceuticals with a standard deviation (13.92). The third highest (39.39) mean value is Cipla pharmaceuticals with a standard deviation (5.34). The fourth highest (32.56) mean value is Sun pharmaceuticals with a standard deviation (12.11). Out of selected 5 companies the lowest (30.26) mean value occupied by GSK with a standard deviation (13.62). **Dr. Reddy’s Lab stands first in operating profit margin ratio.**
6.1.1.3 Gross Profit Margin ratio

The average gross profit margin of selected pharmaceutical company was (54.132). The highest (70.76) mean value among the selected companies, Dr. Reddy’s Laboratory stands first its standard deviation (3.00). The second highest (57.96) mean value of Cipla pharmaceuticals with a standard deviation (2.60). The third highest (57.92) mean value is GSK with a standard deviation (8.54). The fourth highest (53.62) mean value is Lupin pharmaceuticals with a standard deviation (13.86). Out of selected 5 companies the lowest (30.40) mean value occupied by Sun pharmaceutical with a standard deviation (29.33). The gross profit margin shows the final results that, Dr. Reddy place first position.

6.1.1.4 Effective tax rate ratio

The average effective tax rate of selected pharmaceutical company was (19.64). The highest (33.68) mean value among the selected companies, GSK stands first its standard deviation (1.83). The second highest (21.35) mean value of Dr. Reddy’s Laboratory with a standard deviation (12.07). The third highest (18.50) mean value is Cipla pharmaceuticals with a standard deviation (3.53). The fourth highest (18.22) mean value is Lupin pharmaceuticals with a standard deviation (8.41). Out of selected 5 companies the lowest (6.45) mean value occupied by Sun pharmaceutical with standard deviation (6.22). GlaxoSmithKline pharmaceuticals place the first position in the effective tax rate ratio.

6.1.1.5 Return on capital employed ratio

The average return on capital employed of selected pharmaceutical company was (28.814). The highest (56.16) mean value among the selected companies, Lupin pharmaceutical stands first its standard deviation (13.09). The second highest (40.43) mean value of Sun pharmaceuticals with a standard deviation (28.68). The third highest
mean value is Cipla pharmaceuticals with a standard deviation (5.99). The fourth highest (14.97) mean value is Dr. Reddy’s Laboratory with a standard deviation (7.46). Out of selected 5 companies the lowest (7.76) mean value occupied by GSK with a standard deviation (2.13). **Lupin pharmaceuticals stay first position in return on capital employed ratio.**

### 6.1.2 ASSET UTILIZATION POSITION

#### 6.1.2.1 Fixed Asset Turnover Ratio

The average fixed asset turnover ratio of selected pharmaceutical company was (5.662). The highest (16.85) mean value among the selected companies, GSK stands first its standard deviation (1.48). The second highest (3.84) mean value of Sun pharmaceuticals with a standard deviation (4.37). The third highest (2.75) mean value is Dr. Reddy’s Laboratory with a standard deviation (0.49). The fourth highest (2.57) mean value is Lupin pharmaceuticals with a standard deviation (0.48). Out of selected 5 companies the lowest (2.30) mean value occupied by Cipla pharmaceuticals with a standard deviation (0.39). **GlaxoSmithKline pharmaceutical shows highest in fixed asset turnover ratio among the selected companies.**

#### 6.1.2.3 Total Asset Turnover Ratio

The average total asset turnover ratio of selected pharmaceutical company was (0.862). The highest (1.16) mean value among the selected companies, GSK stands first its standard deviation (0.24). The second highest (1.10) mean value of Lupin pharmaceuticals with a standard deviation (0.11). The third highest (0.95) mean value is Cipla pharmaceuticals with a standard deviation (0.17). The fourth highest (0.67) mean value is Dr. Reddy’s Laboratory with a standard deviation (0.08). Out of selected 5 companies the lowest (0.43) mean value occupied by Sun pharmaceuticals with a
standard deviation (0.15). **GlaxoSmithKline pharmaceutical stands first in total asset turnover ratio.**

6.1.3 LIQUIDITY POSITION

6.1.3.1 Current Ratio

The average current ratio of selected pharmaceutical company was (3.03). The highest (4.49) mean value among the selected companies, Sun pharmaceutical stands first its standard deviation (2.08). The second highest (3.08) mean value of Cipla pharmaceuticals with a standard deviation (0.70). The third highest (3.01) mean value is Dr. Reddy’s Laboratory with a standard deviation (1.18). The fourth highest (2.52) mean value is Lupin pharmaceuticals with a standard deviation (0.78). Out of selected 5 companies the lowest (2.05) mean value occupied by GSK with a standard deviation (1.04). **Sun Pharmaceuticals stands first and shows the highest value in current ratio.**

6.1.3.2 Quick Ratio

The average quick ratio of selected pharmaceutical company was (1.84). The highest (3.46) mean value among the selected companies, Sun pharmaceutical stands first its standard deviation (1.75). The second highest (2.38) mean value of GlaxoSmithKline (GSK) pharmaceuticals with a standard deviation (0.29). The third highest (1.63) mean value is Dr. Reddy’s Laboratory with a standard deviation (1.03). The fourth highest (1.24) mean value is Lupin pharmaceuticals with a standard deviation (0.56). Out of selected 5 companies the lowest (0.49) mean value occupied by Cipla pharmaceuticals with a standard deviation (0.69). **Sun Pharmaceuticals stays first and shows the highest value in Quick ratio.**
6.1.3.3 Cash Ratio

The average cash ratio of selected pharmaceutical company was (1.28). The highest (2.66) mean value among the selected companies, Sun pharmaceutical stands first its standard deviation (1.67). The second highest (2.28) mean value of GlaxoSmithKline (GSK) pharmaceuticals with a standard deviation (0.31). The third highest (0.82) mean value is Dr. Reddy’s Laboratory with a standard deviation (0.71). The fourth highest (0.35) mean value is Lupin pharmaceuticals with a standard deviation (0.42). Out of selected 5 companies the lowest (0.29) mean value occupied by Cipla pharmaceuticals with a standard deviation (0.28). **The highest mean value in cash ratio among the selected companies is Sun Pharmaceuticals.**

6.1.4 LEVERAGE POSITION

6.1.4.1 Debt – Equity Ratio

The average debt equity ratio of selected pharmaceutical company was (1.338). The highest (1.72) mean value among the selected companies, Lupin pharmaceutical stands first its standard deviation (0.62). The second highest (1.44) mean value of Sun pharmaceuticals with a standard deviation (0.59). The third highest (1.24) mean value is Dr. Reddy’s Laboratory with a standard deviation (1.19). The fourth highest (1.18) mean value is Cipla pharmaceuticals with a standard deviation (0.09). Out of selected 5 companies the lowest (1.11) mean value occupied by GSK with a standard deviation (0.23). **Lupin pharmaceuticals stand first and found highest mean value in the debt equity ratio.**

6.1.4.2 Capitalization Ratio

The average capitalization ratio of selected pharmaceutical company was (0.354). The highest (0.86) mean value among the selected companies, Lupin pharmaceutical stands first its standard deviation (0.06). The second highest (0.50) mean value of Sun
pharmaceuticals with a standard deviation (0.38). The third highest (0.19) mean value is GSK with a standard deviation (0.29). The fourth highest (0.12) mean value is Dr. Reddy’s Laboratory with a standard deviation (0.08). Out of selected 5 companies the lowest (0.10) mean value occupied by Cipla pharmaceuticals with a standard deviation (0.58). The highest mean value shows for the capitalization ratio among 5 selected companies are Lupin pharmaceuticals.

6.1.4.3 Interest Coverage Ratio

The average interest coverage ratio of selected pharmaceutical company was (36.284). The highest (75.93) mean value among the selected companies, Cipla pharmaceutical stands first its standard deviation (33.29). The second highest (36.16) mean value of Dr. Reddy’s Laboratory with a standard deviation (23.14). The third highest (33.28) mean value is Sun pharmaceuticals with a standard deviation (19.55). The fourth highest (28.57) mean value is Lupin pharmaceuticals with a standard deviation (29.21). Out of selected 5 companies the lowest (7.48) mean value occupied by GSK with a standard deviation (7.16). The Cipla pharmaceutical stands first in interest coverage ratio.

6.1.4.4 Cash flow to Debt Ratio

The average cash flow to debt ratio of selected pharmaceutical company was (1.462). The highest (3.35) mean value among the selected companies, Cipla pharmaceuticals stands first its standard deviation (2.54). The second highest (1.81) mean value of Sun pharmaceuticals with a standard deviation (0.90). The third highest (0.98) mean value is Dr. Reddy’s Laboratory with a standard deviation (1.17). The fourth highest (0.83) mean value is GSK with a standard deviation (0.25). Out of selected 5 companies the lowest (0.34) mean value occupied by Lupin pharmaceuticals with a
standard deviation (0.17). **Cash flow to debt ratio shows the highest mean value; among 5 selected pharmaceuticals are Cipla pharmaceutical.**

6.1.5 CASH FLOW POSITION

6.1.5.1 Operating Cash flow to Sales Ratio

The average operating cash flow to sales ratio of selected pharmaceutical company was (0.234). The highest (0.33) mean value among the selected companies, GSK stands first its standard deviation (0.10). The second highest (0.32) mean value of Sun pharmaceuticals with a standard deviation (0.16). The third highest (0.21) mean value is Dr. Reddy’s Laboratory with a standard deviation (0.18). The fourth highest (0.17) mean value is Lupin pharmaceuticals with a standard deviation (0.04). Out of selected 5 companies the lowest (0.14) mean value occupied by Cipla pharmaceuticals with a standard deviation (0.05). **The highest mean value among the 5 selected companies, GlaxoSmithKline stands first in operating cash flow to sales ratio.**

6.1.5.2 Cash flow Coverage Ratio

The average cash flow coverage ratio of selected pharmaceutical company was (7.528). The highest (14.92) mean value among the selected companies, Lupin pharmaceutical stands first its standard deviation (6.19). The second highest (10.85) mean value of Sun pharmaceuticals with a standard deviation (11.92). The third highest (7.48) mean value is GSK with a standard deviation (1.60). The fourth highest (2.34) mean value is Dr. Reddy’s Laboratory with a standard deviation (3.71). Out of selected 5 companies the lowest (2.05) mean value occupied by Cipla pharmaceuticals with a standard deviation (2.31). **Cash flow coverage ratio shows the highest mean value for Lupin Pharmaceuticals Company.**
6.1.5.3 Capital Expenditure Coverage Ratio

The average capital expenditure coverage ratio of selected pharmaceutical company was (3.352). The highest (5.64) mean value among the selected companies, Cipla pharmaceutical stands first its standard deviation (3.45). The second highest (3.87) mean value of Sun pharmaceuticals with a standard deviation (2.12). The third highest (2.59) mean value is Lupin pharmaceuticals with a standard deviation (1.55). The fourth highest (2.50) mean value is Dr. Reddy’s Laboratory with a standard deviation (1.60). Out of selected 5 companies the lowest (2.16) mean value occupied by GSK with a standard deviation (0.90). **The Cipla pharmaceuticals stand first in capital expenditure coverage ratio.**

6.1.5.4 Dividend Coverage Ratio

The average dividend coverage ratio of selected pharmaceutical company was (27.782). The highest (46.66) mean value among the selected companies, Cipla pharmaceutical stands first its standard deviation (33.72). The second highest (44.30) mean value of Lupin pharmaceuticals with a standard deviation (35.48). The third highest (41.46) mean value is GSK with a standard deviation (19.09). The fourth highest (31.61) mean value is Sun pharmaceuticals with a standard deviation (26.36). Out of selected 5 companies the lowest (11.88) mean value occupied by Dr. Reddy’s Laboratory with a standard deviation (15.40). **The Cipla pharmaceuticals stand first in dividend coverage ratio.**

6.1.5.5 Dividend Payout Ratio

The average dividend payout ratio of selected pharmaceutical company was (26.836). The highest (50.11) mean value among the selected companies, GSK stands first its standard deviation (24.91). The second highest (27.19) mean value of Sun pharmaceuticals with a standard deviation (12.81). The third highest (20.33) mean value
is Lupin pharmaceuticals with a standard deviation (7.39). The fourth highest (18.38) mean value is Dr. Reddy’s Laboratory with a standard deviation (16.58). Out of selected 5 companies the lowest (18.17) mean value occupied by Cipla pharmaceuticals with a standard deviation (7.55). **GlaxoSmithKline pharmaceuticals stand first in the dividend payout ratio.**

### 6.1.6 GROWTH POSITION

#### 6.1.6.1 Price to Earning (PE) Ratio

The average price to earnings ratio of selected pharmaceutical company was (22.146). The highest (27.68) mean value among the selected companies, Lupin pharmaceutical stands first its standard deviation (18.81). The second highest (23.66) mean value of Cipla pharmaceuticals with a standard deviation (6.19). The third highest (22.77) mean value is Dr. Reddy’s Laboratory with a standard deviation (25.11). The fourth highest (19.41) mean value is Sun pharmaceuticals with a standard deviation (15.34). Out of selected 5 companies the lowest (17.21) mean value occupied by GSK with a standard deviation (3.50). **In growth position, Lupin pharmaceuticals stand first by showing the highest mean value in price to earnings ratio.**

#### 6.1.6.2 PE to Growth Ratio

The average PE to growth ratio of selected pharmaceutical company was (23.30). The highest (43.45) mean value among the selected companies, Lupin pharmaceutical stands first its standard deviation (19.83). The second highest (39.24) mean value of Sun pharmaceuticals with a standard deviation (24.41). The third highest (30.70) mean value is GSK with a standard deviation (14.29). The fourth highest (1.94) mean value is Cipla pharmaceuticals with a standard deviation (0.72). Out of selected 5 companies the lowest (1.17) mean value occupied by Dr. Reddy’s Laboratory with a standard deviation (2.14).
PE to growth ratio shows the highest mean value and stands first among the 5 selected companies are Lupin pharmaceuticals.

6.1.6.3 Dividend Yield Ratio

The average dividend yield ratio of selected pharmaceutical company was (2.82). The highest (5.90) mean value among the selected companies, Cipla pharmaceutical stands first its standard deviation (2.76). The second highest (2.99) mean value of GSK pharmaceuticals with a standard deviation (1.51). The third highest (2.56) mean value is Sun pharmaceuticals with a standard deviation (0.87). The fourth highest (1.60) mean value is Dr. Reddy’s Laboratory with a standard deviation (0.87). Out of selected 5 companies the lowest (1.05) mean value occupied by Lupin pharmaceuticals with a standard deviation (0.70). The Cipla pharmaceuticals stand first in dividend yield ratio.

6.2. PROFITABILITY DETERMINATION USING GPM

6.2.1 Inventory Turnover Ratio

The inventory turnover ratio of selected pharmaceutical companies, GlaxoSmithKline (GSK) pharmaceuticals have the maximum value (2.188) followed by Dr. Reddy. The remaining three companies have the negative values. The cipla has the minimum value of ITR (-.604) followed by Lupin (-2.531) and finally Sun Pharma (-5.027). GlaxoSmithKline pharmaceuticals stand first in Inventory turnover ratio.

6.2.2 Debtors Turnover Ratio

The debtors turnover ratio of selected pharmaceutical companies, Dr. Reddy has the maximum value (1.606) followed by Sun Pharma (.946), Cipla (.406) and Lupin (.175) But GSK (-.364) have the negative value of the DTR (-0.364). In debtors turnover ratio, Dr. Reddy’s Lab has the maximum value.
6.2.3 Creditors Turnover Ratio

The creditor’s velocity of selected pharmaceutical companies, GSK has the maximum value (22.054) followed by Cipla (.653) and Dr. Reddy (.194). The remaining two companies have the negative values. The Lupin has the minimum value of CRSV (-65.378) followed by Sun Pharma (-4.736). GlaxoSmithKline pharmaceuticals stand first by having the maximum value of the creditor’s velocity ratio.

6.2.4 Total Asset Turnover Ratio

The total asset turnover ratio of selected pharmaceutical companies, Dr. Reddy has the maximum value (35.425) followed by Cipla (-12.186). The remaining three companies have the negative values. The Lupin has the minimum value of TATR (-89.31) followed by Sun Pharma (-63.599) and finally GSK (-31.772). Dr. Reddy shows the highest mean value in the total asset turnover ratio.

6.3. Earning Power - ROI AND ROE

6.3.1. RETURN ON INVESTMENT (ROI)

The return on investment (ROI) of selected Pharmaceuticals companies, Out of the select 5 companies, based on ROI values, GlaxoSmithKline Pharmaceuticals (GSK) stands first (34.96) when comparing with the other select companies. Sun Pharmaceuticals stands second (21.68) in ROI mean value when compared with other select companies. The third position (7.72) attained by select companies is Cipla based on the ROI mean value, followed by fourth position (5.21) Dr. Reddy. The Last place (0.26) based on ROI mean value of Select pharmaceutical companies is Lupin. GlaxoSmithKline Pharmaceuticals stand first on return on investment, Based on their Earning Power.
6.3.2 RETURN ON EQUITY (ROE)

The overall strategic position of select pharmaceutical companies based on ROE. Out of the select 5 companies, Sun Pharmaceuticals stands first in ROE when comparing with other select pharmaceutical companies. The average value of Sun Pharmaceuticals ROE is (73.67). The second place attained by Lupin Pharmaceuticals with average ROE (10.21). The Third place attained by GSK Pharmaceuticals with average ROE (7.0). Dr. Reddy stands in fourth place based on ROE with an average value of (0.13). The last place attained based on ROE of the selected Pharmaceuticals Company is Cipla with the average value of (.20). Sun pharmaceuticals stand first in return on equity when compared to other selected pharmaceutical companies.

6.4. Financial Health and Stability of Selected Companies

The Z-Score highest (14.214) mean value among the selected companies, GlaxoSmithKline pharmaceuticals stands first. The second highest (10.395) mean value is Dr. Reddy’s Laboratory. The third highest (9.853) mean value is Sun pharmaceuticals. The fourth highest (7.924) mean value is Lupin pharmaceuticals. Out of selected 5 companies the lowest (5.255) mean value occupied by Cipla pharmaceuticals. The financial Health and Stability of GlaxoSmithKline pharmaceuticals founds to be best.

6.5. Market Based Performance of Selected Companies

GlaxoSmithKline pharmaceuticals (GSK) place the first with the highest (6.123) mean value. The second highest (4.59) mean value is Sun pharmaceuticals. The third highest (4.048) mean value is Cipla pharmaceuticals. The fourth highest (3.517) mean value is Dr. Reddy Lab. Out of selected companies the lowest (1.116) mean value occupied by Lupin pharmaceuticals. GlaxoSmithKline pharmaceuticals founds to be first in Market Based Performance, Based on the Mean Value.
6.6 **Suggestions and Recommendations**

6.6.1 Majority of the Selected Sample Companies shows down trend in their Net profit margin. This shows that their sales are declining. Even a small change of 1% or 2% in the gross profit margin will affect the business severely. The company should review itself that why this change happens. The company should probably examine all expenses again, using the common size ratios for expense line items which will help the company to spot the significant changes.

6.6.2 The gross profit margin is the key financial indicators which will be used to assess the profitability of a company’s core activity, excluding fixed cost. All the selected company’s shows a high level of gross profit margin, which indicates that companies are making reasonable profit. But to keep the gross profit margin consistent or in increasing trend the companies should always ensure that overhead cost in control.

6.6.3 The return on capital employed ratio shows that how many companies are making much profit in each rupee of employed capital generates. Obviously, all the selected companies are with higher ratio, which indicates they’re in a more favorable situation. This shows that more rupees of profits are generated by each rupee of capital employed. The management should always consider competitor’s assets when comparing the profit, because fewer assets will have higher values of return on capital employed.

6.6.4 The fixed asset turnover ratio of the selected companies is low when compared with the previous financial year (2011-12), it shows that sales are low or the companies might invest in plant and equipments. Care should be taken while modernizing the plant or while increasing the capacity of production. It is advisable that new acquisition contributed towards sales or not.
6.6.5 The companies are not using their assets properly. All the listed companies show a down trend in asset utilization in the last two financial years. Thus the companies should give more importance for asset categories composing total assets – Inventory, receivables and fixed cost.

6.6.6 The current ratio shows that company’s operating efficiency is slowly down trend, but satisfactory. The ratios of the companies show the safe zone, even then it can be a signal that the company has a problem getting paid on its receivable or have a long inventory turnover, both symptoms that companies may not be efficiently using its current assets. To overcome this problem the companies should always have fewer inventories and should be readily converted to cash.

6.6.7 The quick ratio of many companies in the sample shows that business can meet its current financial obligations with the available quick funds on hand. The company short term liquidity should be consistent always.

6.6.8 Investors must not take a call on the liquidity position of a company just by going through the traditional liquidity measures alone. They need to look at the liquidity position of a firm based on the alternative method too. This can be done by dividing the excess of long-term financing over the net fixed assets by the net working capital requirement of a firm. Here long-term financing is computed by adding the owners’ equity with the non-current liabilities. Net fixed assets can be arrived at by deducting accumulated depreciation from the gross fixed assets, and net working capital by subtracting the total of current liabilities from the total of current assets excluding cash balance. Thus it is suggested that Long-term funds available should be greater than the amount locked up in net fixed assets and the
amount of current assets [excluding cash] should exceed the amount of current liabilities of the company.

6.6.9 All the selected companies’ debt ratio should not be high. If the ratio is high means the company has a lot of debt relative to its assets. It is thus carrying bigger burden in the sense that principal and interest payments take a significant amount of company’s cash flows and a hiccup in financial performance or rise in interest rates could result in default. So it is advised if the debt ratio is low, principal and interest payments don’t command such a large portion of the company’s cash flow and the company will not be sensitive to changes in business or interest rates from this perceptive. So the company must use low debt ratio, which will indicate the company to use leverage as a means of responsibly growing the business. Lenders and investors usually prefer low leverage ratios because the lenders' interests are better protected in the event of a business decline and the shareholders are more likely to receive at least some of their original investment back in the event of liquidation.

6.6.10 All the selected companies should have optimum cash in hand. To maintain optimum level the companies should adopt strategies like examining business bill clients, Analyzing the age of the accounts receivable, Pay suppliers on different schedule, must use different pricing strategies and finally keeping pricing constantly with the economy. By adopting the above mention strategies companies can gain satisfactory cash flow.

6.6.11 The Company's cost and inflation should not increase, if it increases than companies should correspondingly increase in sales. If not then the companies must need to adjust policy to keep up with the costs.
6.6.12 The Company’s nature and risk of each revenue source should be analyzed periodically. It should ensure that is it recurring, market share is growing, is there a risk that certain grants or contracts will not be renewed, is there adequate diversity of revenue sources. By doing so, company’s can use this indicator to determine their long and short-term trends in line with strategic funding goals like moving towards self-sufficiency and decreasing reliance on external funding.

6.6.13 Other than GlaxoSmithKline profitability position, remaining all selected company’s Asset utilization, Liquidity position and leverage position were more are less same. So its suggested other company’s should utilize their assets properly in new profit generation ways.

6.6.14 The Overall financial health is good for all the companies. In order to sustain the level and grow, it is suggested that:

i. Efficiency in the matter of management of working capital should be strengthened, which helps the company to maintain good financial health and liquidity.

ii. The company should finance through their profits, instead of debt, which will help sustainable growth and the company has to identify the level of debt and utilise it properly.

iii. In order to avoid the financial distress, the companies should maintain proper organised capital structure and utility of assets to the fullest possible extent.

6.6.15 Other than GlaxoSmithKline market based performance; all the remaining selected sample company’s should give importance for market based performance. Thus it is suggested that in-tangible value should also be considered.
6.7 Conclusion

The Principle purpose of the study is to investigate the financial performance indicators and stability of selected pharmaceutical companies in India based on Six Power Analysis, Growth Profit Margin, Earning Power, Financial Health and Stability and market based performance. Present analysis of the study has been made on select 5 companies, which was identified based on market capitalization. Overall empirical findings show that companies differ in their profitability position, while checking with different financial tools and techniques. It is clearly understood that financial performance indicators ratio alone could not predict 100% profitability position of a company. Earning Power, Financial health and stability and market based performance are also strongest predictors, which also should be essentially considered while determining the performance of a company. Thus in future to measure financial performance indicators and stability, Six Power Analysis, Gross Profit Margin – Multiple Regression Approach, Internal based performance (ROI and ROE), Financial Health and Stability (Z – Score) and Market Based Performance (Tobin’s Q) should be essentials ingredients of traditional and latest financial technique.
6.8 Directions for Further Research

1. An extensive comparative study of the financial performance can be conducted among pharmaceutical companies in India and pharmaceutical companies in foreign in order to understand the current scenario of the financial health position of the company.

2. Extensive interviews can be conducted with the financial experts and advisors to take advice which will help to improve the financial performance of the Pharmaceuticals companies and render the study more credible.

3. Explore new variables (various other performance indicators) that can have significant impact on financial performance of the Pharmaceuticals companies.

4. A Standard model can be developed to measure the financial performance indicators and stability of any sector.