

**A STUDY ON FINANCIAL PERFORMANCE OF KERALA STATE
DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA**

PROJECT REPORT

Submitted to
School of Management and Business Studies
Mahatma Gandhi University

Submitted by
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122055

*in partial fulfilment of the requirements for the
award of the Degree of*

MASTER OF BUSINESS ADMINISTRATION



School of Management and Business Studies

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July 2022

DECLARATION

I, **Subha P**, student of School of Management and Business Studies, hereby declare that the project titled “**A Study on Financial Performance of Kerala State Drugs and Pharmaceuticals Ltd, Alappuzha**” submitted in partial fulfilment for the award of Degree of Master of Business Administration of Mahatma Gandhi University is a bonafide record of work done by me. This report has not previously formed the basis for the award of any degree, diploma, or similar title of any University.

Place: Kottayam

Date: 14-10-2022



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CERTIFICATE

This is to certify that **Ms.Subha P** ,MBA student of School of Management and Business Studies, Mahathma Gandhi University, Kottayam has successfully completed internship and problem centered project work titled "A Study on Financial performance of Kerala State Drugs and Pharmaceuticals Ltd, Alappuzha"as a part of her curriculam, during the period from 10.05.2022 to 04.07.2022.
She has put her sincere efforts for completing the project study.




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CERTIFICATE

This is to certify that the report titled “A Study on Financial Performance of Kerala State Drugs and Pharmaceuticals Ltd, Alappuzha” is a bonafide record of the project work done by Subha P under the guidance of Roshna Varghese, in partial fulfilment of the requirements for the award of the Degree of Master of Business Administration of Mahatma Gandhi University, Kottayam, Kerala.

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SUBHA P

EXECUTIVE SUMMARY

The Kerala State Drugs & Pharmaceuticals Ltd Alappuzha, the only allopathic pharmaceutical Formulation manufacturing organization of the Government of Kerala. It is a Public Sector undertaking, since its inception in 1974 has been manufacturing and supplying essential and life saving medicines to cater the need of the common patients resorting to Government Hospitals in the State of Kerala. The company seeks financial as well as hand holding support from the government. Rs. 25 Cr financial support to KSDP to complete the projects in hand.

KSDP has a paid-up capital of Rs.130.73 Crores. KSDP has an accumulated loss of Rs.90.92 Crores through the company has been in profit for last 3 years. Accounts have been adopted by the board of directors up to 2019-20 and AGM has been held up to 2018-19. The company is operating without any working capital/term loan from the bank. The loans taken and outstanding to Government of Kerala for the projects amounts to Rs.83.12 Crores.

KSDP is operating GMP complaint formulation facilities and are committed to meet safety, health and environment protocols. KSDP has standard operating procedures for formulation activities. Committed to safety and health protocols, KSDP has separate manufacturing facilities for Betalactam and Non Betalactam range and interchanging of products is not permitted.

As Kerala has a high percentage of people suffering from lifestyle diseases like cholesterol, diabetics etc. Govt. of Kerala can identify KSDP as sole manufacturer and ensure free or subsidized supplies through designated outlets.

Kerala state drugs and pharmaceuticals staff work round the clock during lockdown producing 17.7 crore tablets, 3.13 crore capsules, and 2 lakh litres of injection medicines. After years of operating in losses, KSDP makes record profits of Rs 7.13 crore in previous financial year, mainly owing to the state government's fund infusion as part of a revitalisation plan, strict periodic monitoring and a thrust into diversification.

The company has a long-term vision to Develop a line of franchisee stores for supply of generic medicines at reasonable prices so that people below poverty line have easy access to quality medicines at affordable prices. This will also give a business opportunity to D. Pharm holders to become self-employed. The same store can also do lab tests also at reasonable rates.

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CHAPTER 1
INTRODUCTION

1.1 INTRODUCTION

Finance is the life-blood of business. Finance is very essential for the smooth running of the business. Finance controls the policies, activities and decision of every business. Finance refers to the management of flow of money through an organization. It concerns with the application of skill in the manipulation, use and control of money. Finance can also be defined as the art of money management. It has rightly termed as universal lubricant which keep the enterprise dynamic. No business whether large, medium or small cannot be material without adequate finance. Finance is needed to promote or establish the business, acquire fixed assets, make investigation such as market survey etc. to develop product, keep man and machine work, encourage right mace progress and create values. Thus, the importance of finance cannot be over emphasized and subject of business has become at most important. It is also very important to analyse the financial performance of business.

Financial performance analysis is the process of identifying the financial strength and weakness of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long-term forecasting and growth can be identified with the help of financial performance analysis. Here the financial performance analysis has been done at **KERALA STATE DRUGS AND PHARMACEUTICALS LTD.** It has been created a remarkable identity for itself in the market so much so that the name itself has become synonymous with the brand.

1.2 OBJECTIVES OF THE STUDY

The main objectives of this project work are: -

- To identify the profitable position of the company.
- To know whether the liquidity position of the company is sound or not.
- To know whether the long-term financial position is sound.
- To compare the financial performance of the company for different periods.

1.3 STATEMENT OF THE PROBLEM

Analysing financial performance is the process of evaluating the common parts of financial statements to obtain a better understanding of firm's position and performance. Financial performance enables the investors and creditors evaluate past and current performance and financial position, and to predict future performance.

Financial Statement is used to judge the profitability and financial soundness of a firm. In this study, an attempt is made to identify the financial strength and weakness of the firm by properly establishing relationship between the items in the balance sheet and profit and loss account of KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA.

1.4 SCOPE OF THE STUDY

The scope of the study involves the financial analysis of KERALA STATE DRUGS AND PHARMACEUTICALS LTD, with the help of ratio analysis for 5 years. The study covers almost entire area of financial operations covered by Kerala State Drugs and Pharmaceuticals Ltd. The study aims to analyse the liquidity, profitability, solvency position of the company.

1.5 LIMITATIONS OF THE STUDY

- The study is mainly based on the secondary data as it mainly uses the financial data available from the annual reports.
- The reliability of data depends upon the company website and annual reports.
- Figures are rounded off whenever it is necessary.
- Lack of availability of all the information. Most of the information has been kept confidential and such as not accessed as part of policy of the company. The latest annual reports are not issued by the company.
- Time constraints are other limitations experienced during the study.

1.6 INDUSTRY PROFILE

The Pharmaceutical industry discovers, develops, produces, and markets drugs or pharmaceutical drugs for use as medications to be administered to patients with the aim to cure them, vaccinate them, or alleviate symptoms. Pharmaceutical companies may deal in generic or brand medications and medical devices. They are subject to a variety of laws and regulations that govern the patenting, testing, safety using drug testing and marketing drugs. The global pharmaceuticals market produced treatments worth \$1,228.45 billion in 2020 and showed a compound annual growth rate of 1.8%.

The Modern era of pharmaceutical industry is began in the 19th century. Pharmaceutical industry has become an emerging industry worldwide. The Indian pharmaceutical industry is the world's 3rd largest by volume and 14th largest in terms of Value. Total Annual Turnover of Pharmaceuticals was Rs. 2,89,998 crores for the year 2019-2020. Total pharmaceutical exports and import were to the tune of Rs. 1,46,260 crores and Rs.42,943 crore respectively in the year 2019-2020.

Just as many other industries, the pharma industry is in a steady process of innovation and reshaping. Buying knowledge through M&A activities, outsourcing of research, as well as medical and technologic breakthroughs are just some of the key developments. We see more and more companies involved in personalized treatments and developing therapies for patients with rare diseases. Big Data crunching, machine learning and real-world evidence are becoming new pillars of research and development. Major Segments of Pharmaceutical industry are Generic drugs, OTC Medicines and Bulk Drugs, Vaccines, Contract Research & Manufacturing and Biosimilars& Biologics.

Pharmaceuticals Market Segmentation

The pharmaceutical market is segmented on the basis of Type, Distribution channel, Route of Administration, Drug classifications and mode of purchase.

- Based on the type, the market has been segmented by Pharmaceutical Drugs and Biologics.
- Based on the distribution channel, the market has been segmented into Hospital Pharmacies, Retail Pharmacies/ Drug stores and Others.
- Based on the route of administration, the market has been segmented by Oral, Parental and Others.
- Based on the Drug Classification, the market has been segmented by Branded Drugs and Generic Drugs.
- Based on the mode of purchase, the market has been segmented into Prescription- Based Drugs and Over- The- Counter Drugs.

1.6.1 GLOBAL SCENARIO

The global pharmaceutical market has experienced significant growth in recent years. As of end-2020, the total global pharmaceutical market was valued at about 1.27 trillion U.S. dollars. In the global pharmaceuticals sector, India is a significant and rising player. India is the world's largest supplier of generic medications, accounting for 20% of the worldwide supply by volume and supplying about 60% of the global vaccination demand.

The global pharmaceuticals market is expected to grow from \$1228.45 billion in 2020 to \$1250.24 billion in 2021 at a compound annual growth rate (CAGR) of 1.8%. Major companies in the pharmaceuticals market include Pfizer; F. Hoffmann-La Roche Ltd; Sanofi; Johnson & Johnson and Merck & Co. The growth is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach \$1700.97 billion in 2025 at a CAGR of 8%.

The pharmaceuticals market consists of sales of pharmaceuticals and related services by entities (organizations, sole traders and partnerships) that produce pharmaceuticals used in treating diseases. Pharmaceuticals can be any type of drugs that are used for medicinal purposes, in the treatment of diseases. This industry includes establishments that produce biologics and pharmaceutical drugs.

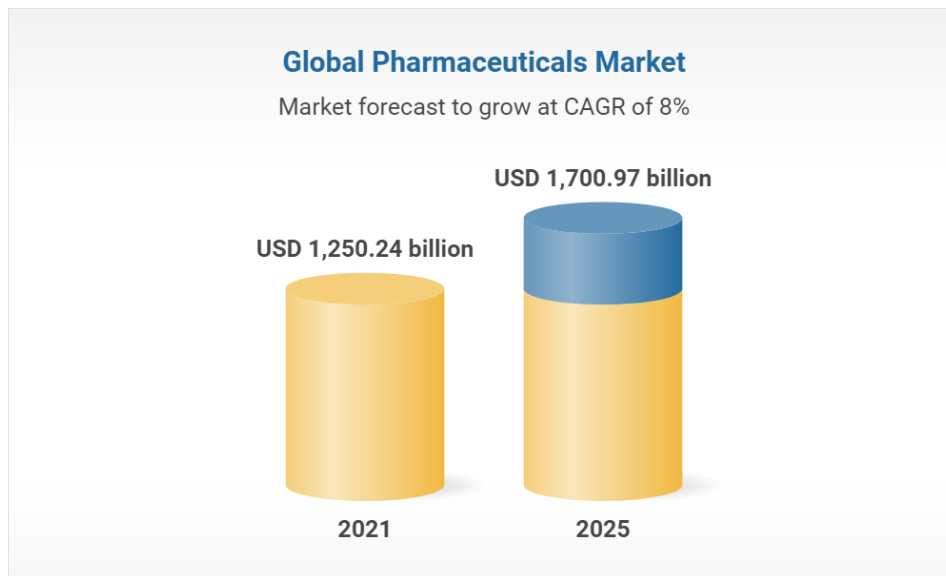
The pharmaceuticals market is segmented into pharmaceutical drugs; and biologics. North America was the largest region in the global pharmaceuticals market, accounting for 46% of the market in 2020. Asia Pacific was the second largest region accounting for 26% of the global pharmaceuticals market. Africa was the smallest region in the global pharmaceuticals market.

Pharmaceutical companies are offering drugs for customized individual treatment for various diseases. Personalized medicine, also referred to as precision medicine, aims to provide medical care according to the patient's individual characteristics and genetic makeup. Precision therapies are increasingly being adopted as firms increasingly let go of the one-size-fits-all model for common medical conditions. Major companies such as GSK, Teva Pharmaceuticals and AstraZeneca are investing in development of personalized medicines.

The population profile of most countries is becoming older. According to the Population Reference Bureau, the share of population over the age of 65 in the global population increased from 8% in 2015 to 9% in 2019. The global population aged 65 years or over was 703 million in 2019.

This rise in the aging population increased the patient pool of many chronic diseases such as rheumatoid arthritis, hypertension, diabetes and cancer. The increase in the patient pool drove the demand for pharmaceuticals used in the treatment of these diseases, significantly impacting market growth during this period.

Figure 1.1 Global Pharmaceutical Market Growth



(Source: Research and Markets, The World’s Largest Market Research Store)

1.6.2 INDIAN SCENARIO

The Indian pharmaceutical industry is the world’s 3rd largest by volume and 14th largest in terms of Value. India is the largest provider of generic drugs globally. Access to affordable HIV treatment from India is one of the greatest success stories in medicine. India is one of the biggest suppliers of low-cost vaccines in the world. Because of the low price and high quality, Indian medicines are preferred worldwide, thereby rightly making the country the “Pharmacy of the world”. Pharma sector currently contributes to around 1.72% of the country’s GDP.

India’s pharmaceutical sector forms major component of the country’s foreign trade, with attractive avenues and opportunities for investors. India supplies affordable and low -cost generic drugs to millions of people across the globe and operates a significant number of United States Food and Drug Administration (USFDA) and World Health Organization (WHO) Good Manufacturing Practices (GMP) -compliant plans. India has occupied a premier position among pharmaceutical manufacturing countries of the world.

The pharmaceutical industry in India was valued at an estimated US\$42 billion in 2021. India is the world's largest provider of generic medicines by volume, with a 20% share of total global pharmaceutical exports. It is also the largest vaccine supplier in the world by volume, accounting for more than 50% of all vaccines manufactured in the world. With industry standards compliant mega production capabilities and large number of skilled domestic workforce, Indian exports meet the standards and requirements of highly regulated markets of USA, UK, European Union and Canada. According to the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, domestic pharmaceutical market turnover reached Rs 129,015 crore (US\$18.12 billion) in 2018, growing 9.4 per cent year-on-year and exports revenue was US\$17.28 billion in FY18 and US\$19.14 billion in FY19.

As of 2021, most of pharmaceuticals made in India are low cost generic drug which comprise most of pharmaceutical export of India. Patented medicines are imported. APIs are imported from China (60% supplies by volume worth US\$2.4 billion) and Germany (US\$1.6 billion) as well as from US, Italy and Singapore. To foster an Aatmanirbhar Bharat by enhancing the R&D, Make in India product development and high-value production capabilities, import substitution and domestic manufacture of active pharmaceutical ingredient (API) the government has introduced a US\$2 billion incentive program which will run from 2021-22 to 2027-28. In 2019 the Department of Pharmaceuticals announced that as part of the Make in India initiative, drugs for local use and exports must have 75% and 10% local APIs respectively and a bill of material must be produced for verification.

Current Situation in the Pharmaceutical Industry in India

Indian Pharmaceutical Industry plays a major role to supply affordable generic medicine in the world at a very affordable price and of appreciable quality. India is the number one exporter of generic medicine (>20%) and the value of export of medicine from Indian market is around US\$ 14 billion with a growth of 30% yearly. Currently, drugs manufactured in India are being exported to more than 200 countries, and the United States is one of the biggest markets for it.

Current situation due to COVID-19 is changing the overall situation in the Indian Pharmaceutical Industry, like never before. Due to lockdown, the current demand for drugs across the country is also very high because of panic buying. The sales of the drugs increased by more than 9% overall.

Some of the drugs are like Cardiac therapy drugs, anti-diabetic therapy drugs and respiratory medicines saw a sharp increase in 12-23 % during March. All the other drugs are also in high demand

in the country. Some of the companies also had seen a growth of 20-30% in March only. Due to the high demand in the domestic market Indian government initially imposed a ban on 13 essential drugs to be exported to other countries but later it was lifted.

On the other hand, due to certain belief on Hydroxychloroquine, and Azithromycin which are believed to be helpful to cure mild symptoms of COVID-19 patients and give easy recovery; gives a huge opportunity to Indian pharmaceutical companies to boost their export business based on these drugs. The current situation opens up a new market for Indian companies for drug export to other countries where they don't have any business. It was observed that the Indian companies produce around 70% of Hydroxychloroquine tablets of world's total demand. Indian pharmaceutical companies are trying their best to meet the current demand both in the domestic and international market. Currently, India is exporting these drugs to more than 50 countries and Indian companies have increased their production by twofold to meet the current demand.

To fulfil the demand, Indian pharmaceutical companies need a huge amount of Active pharmaceutical ingredient (API) which is mainly supplied from China. Thus, the Indian government has taken some necessary steps and made some policies to boost the increase of API production in the domestic market. This will help them to maintain their current production demand in the domestic and international market. The supply chain management of API, other raw materials and finished drugs is also a key factor for the growth of the Indian Pharmaceutical Industry.

Market Size

According to Indian Economic Survey 2021, India's domestic pharmaceutical market is at US\$ 42 billion in 2021 and likely to reach US\$ 64 billion by 2024 and further expand to reach ~US\$ 120-130 billion by 2030. India's medical devices market stood at US\$ 10.36 billion in FY20. The market is expected to increase at a CAGR OF 37% from 2020 to 2025 to reach US\$ 50 billion. As of August 2021, CARE Ratings expect India's Pharmaceutical business to develop at an annual rate of 11% over the next two years to reach more than US\$ 60 billion in value.

In the global pharmaceutical sector, India is a significant and rising player. India is the world's largest supplier of generic medications, accounting for 20% of the worldwide supply by volume and supplying about 60% of the global vaccination demand. The Indian pharmaceutical sector is worth US\$ 42 billion and ranks 3rd in terms of volume and 13th in terms of value worldwide.

In August 2021, the Indian pharmaceutical market increased at 17.7% annually, up from 13.7% in July 2020. According to India Ratings & Research, the Indian pharmaceutical market revenue is expected to be over 12% in FY22.

Figure 1.2 Indian Pharmaceutical Market Growth



(Source - India Brand Equity Foundation)

Government Initiatives

Some of the initiatives taken by the Government to promote the pharmaceutical sector in India are as follows:

- In March 2022, under the Strengthening of Pharmaceutical Industry (SPI) Scheme, a total financial outlay of Rs. 500 crore (US\$ 665.5 million) for the period FY 21-22 to FY 25-26 were announced.
- India could restart deliveries of COVID-19 shots to the global vaccine-sharing platform COVAX in November-December 2021 for the first time since April 2021. The World Health Organization (WHO), which co-leads COVAX, has been pushing India to resume supplies for the programme, particularly after it sent 4 million doses to neighbours and allies in October 2021.
- In November 2021, PM Mr. Narendra Modi inaugurated the first Global Innovation Summit of the pharmaceuticals sector. The summit will have 12 sessions and over 40 national and international speakers deliberating on a range of subjects including regulatory environment, funding for innovation, industry-academia collaboration and innovation infrastructure.

- In August 2021, Mr. Mansukh Mandaviya, Minister of Health and Family Welfare, announced that an additional number of pharmaceutical companies in India are expected to commence manufacturing of anti-coronavirus vaccines by October-November 2021. This move is expected to further boost the vaccination drive across the country.
- In June 2021, Ms. Nirmala Sitharaman, Minister of Finance and Corporate Affairs, announced an additional outlay of Rs. 197,000 crore (US\$ 26,578.3 million) that will be utilised over five years for the pharmaceutical PLI scheme in 13 key sectors such as active pharmaceutical ingredients, drug intermediaries and key starting materials.
- As of August 31, 2021, the PLI scheme received a good response from the industry with a total of 278 applications. This is likely to benefit 55 manufacturers.
- To achieve self-reliance and minimise import dependency in the country's essential bulk drugs, the Department of Pharmaceuticals initiated a PLI scheme to promote domestic manufacturing by setting up greenfield plants with minimum domestic value addition in four separate 'Target Segments' with a cumulative outlay of Rs. 6,940 crore (US\$ 951.27 million) from FY21 to FY30.
- In May 2021, under Aatmanirbhar Bharat 3.0, Mission COVID Suraksha was announced by the Government of India to accelerate development and production of indigenous COVID vaccines. To augment the capacity of indigenous production of Covaxin under the mission, the Department of Biotechnology, Government of India, provided financial support in the form of a grant to vaccine manufacturing facilities for enhanced production capacities, which is expected to reach >10 crore doses per month by September 2021.
- In April 2021, the Union Government decided to streamline and fast-track the regulatory system for COVID-19 vaccines that have been approved for restricted use by the US FDA, EMA, UK MHRA, PMDA Japan or those listed in the WHO Emergency Use Listing (EUL). This decision is likely to facilitate quicker access to foreign vaccines by India and encourage imports.
- In February 2021, the Punjab government announced to establish three pharma parks in the state. Of these, a pharma park has been proposed at Bathinda, spread across ~1,300 acres area and project worth ~Rs. 1,800 crore (US\$ 245.58 million). Another medical park worth Rs.

180 crore (US\$ 24.56 million) has been proposed at Rajpura and the third project, a greenfield project, has been proposed at Wazirabad, Fatehgarh Sahib.

Key Players in the pharmaceutical market

Some key players operating in the pharmaceutical manufacturing market include

- ◆ F. Hoffmann-La Roche Ltd.
- ◆ Novartis AG
- ◆ GlaxoSmithKline plc
- ◆ Pfizer, Inc.
- ◆ Merck & Co., Inc.
- ◆ AstraZeneca
- ◆ Johnson & Johnson
- ◆ Sanofi SA
- ◆ Eli Lilly and Company
- ◆ AbbVie, Inc.
- ◆ Sun Pharmaceutical Industries Ltd.
- ◆ Novo Nordisk
- ◆ Takeda Pharmaceuticals, Inc.
- ◆ Cipla Limited
- ◆ Bristol Myers Squibb Company and
- ◆ Gilead Sciences, Inc
- ◆ Lupin

1.6.3 STATE SCENARIO

Kerala has a huge demand for medicines, medical equipment's & devices, nutraceuticals, functional food and products of biotechnology. Government wants to develop these areas by giving all support to the manufacturers of these products. That is for a comprehensive strategy required to be developed", sources informed. The priority areas include raising the production of generic medicines to support the state government scheme, Kerala Generics, which was started as a parallel scheme against the centrally sponsored Jan Aushadhi project, Pradhan Mantri Jan Aushadhi Yojana. Government wants to popularize Kerala Generics throughout the country as a brand. While all other states' growth index posts strong improvements in their pharmaceutical sector, the consumer

state Kerala's pharma industry sector is continuously losing its growth momentum, resulting in a constant dependence on neighbouring states for its medicine use.

In a period of 30 years, unlike the developments in other states, about 100 manufacturing companies closed down their production units and stopped operations due to negative and unsupportive business climates in Kerala. The leftover small-scale units find that the pharma industry in all other states is galloping to higher levels of growth, but the private and public pharma industry sector in Kerala is not only declining but also slowing down to the brink of extinction. The associations KPMA and KPGA have taken this as a subject of concern and decided to hold discussions with all stakeholders before taking it up with the government, says Purushothaman Namputhiri, president of the Kerala Pharmaceutical Manufacturers Association (KPMA).

According to Mathew Kokadu, spokesperson of Kerala Pharmacy Graduates Association (KPGA), it is high time for the industry and also the government to ponder over the situation and find ways to save the industry from complete deterioration. He said the government does not see the potential of the pharma industry in Kerala where 56 pharmacy institutions bring out 3,000 pharmacy graduates every year and which is pioneering in many areas including healthcare facilities, but not in pharma manufacturing. In the 1980s, Kerala had a total of 120 very active pharmaceutical manufacturing companies producing adequate pharma products for the state, whereas the number came down to mere 20 in the year 2018, which is again decreasing year after year.

“Kerala pharma industry has a track record of about 70 years. In the 1960s, the number of industries gradually started to increase, in the early 1990's the number of units rose to 120. Then suddenly, it began to decline gradually. Today the number of active units is less than 20 with viable units less than 10. The total production is worth less than Rs.150 crore. This is surprisingly an alarming situation for the state where total consumption of medicines is above Rs.10,000 crore and an average per capita consumption is threefold compared to the national average,” says Kokadu who is also the managing Director of Kokadu Pharmaceuticals.

The associations plan to hold a stakeholders' meet very soon to think of immediate remedies to strengthen the existing manufacturing units, attract new investments and tie-up with big pharma houses for contract manufacturing, establishment of pharma clusters/pharma parks for the growth of the industry sector. Along with, new industries on APIs and KSMs (key starting materials) and allied pharmaceutical industries should be set up, said Purushothaman Namputhiri.

1.7 COMPANY PROFILE

Kerala State Drugs & Pharmaceuticals Ltd., a Public Sector Undertaking, since its inception in 1974 has been manufacturing and supplying essential and life- saving medicines to cater the need of the common patients resorting to Government Hospitals in the State of Kerala.

The Kerala State Drugs & Pharmaceuticals Ltd. Alappuzha, the only allopathic Pharmaceutical Formulations manufacturing organization of the Government of Kerala. The company was set up in 1974 and has been supplying a variety of medicines to the government hospitals and institutions in the State for over 40 years and also to government institutions of Andhra Pradesh Government, Telangana Government, Karnataka Government, Tamil Nadu Government and for the Janaushadi program.

The facilities include a dedicated plant for manufacture of Non Betalactam products, dedicated Betalactam Plant for the manufacture of Betalactam products, Betalactam Dry powder injection manufacturing unit another new plant is also being set up for manufacture of LVP/SVP injectables. All of the above manufacturing facilities incorporate the latest technology and are cGMP compliant. Laboratory is an NABL accredited and caters analytical service to various Government institutions including BPPI. The organization is on track to achieve the status of a major pharmaceutical establishment in the State. Further the Beta facilities of the company received WHO-GMP certification and approval by 2018.

The company has reached glorious heights in its way to thrive in this Hi- Tech era. The product Development wing of the company has made all efforts to bring out scores of new products in addition to the existing multiplicity of drug formulations to the tune of hundred odd products. The development work of new generation drugs is in progress. Now the company is a major supplier of Quality drugs to Kerala State Medical Service Corporation (KMSCL)Thiruvananthapuram.

Without any compromise in Quality KSDP LTD is shielding itself from the globalization threats and venturing in to commercial trade operations. With a mission to achieve “CURE FOR ALL”, KSDP is looking forward to Healthy Generation and Nation.

As Kerala is a leading State in Public Health Services, we have been under constant pressure to achieve the best of Quality Standards. In fact, our logo is “Quality that Cures” with a Highly Dedicated Workforce and Professional Supervision and with our old tradition of providing appropriate coverage without fail. We do in fact produce medicines that “CURE rather than TREAT”.

COMPANY OVERVIEW



Figure 1.3 KSDP Logo

Company Name	:	Kerala State Drugs and Pharmaceuticals Ltd (KSDP)
Type	:	Public Sector Company
Industry	:	Pharmaceutical industry
Founded	:	1974
Headquarters	:	Kalavoor PO, Alappuzha Kerala -688522 India
Production	:	Allopathic Medicines
Business Types	:	Manufactures
Products	:	Pharmaceuticals
No. of Employees	:	291
Certificates	:	ISO 9001-2000, ISO 9001-2008
Area Served	:	India
Key People	:	Shri. C.B Chandrababu (Chairman), Sri. K. Hari Kumar (Managing Director)
Working Days and Time	:	Monday to Saturday 9.00 AM to 5.00 PM
Phone Number	:	0471-2302283
Email ID	:	ksdpltd@gmail.com
Website	:	www.ksdp.co.in

1.7.1 HISTORY OF THE COMPANY

Kerala State Drugs and Pharmaceuticals Ltd was established in 1971 and the factory commissioned in 1974. During the last 40 years the company has been manufacturing and supplying pharmaceutical formulations to the governmental hospitals in all the districts in the state. The products manufactured include various types of Tablets, Capsules, Liquids and Powders. In the year 1983 a new plant for manufacture of vitamin A was setup with an investment of 800 lakhs. However due to the high cost of production because of high input costs, the project became unviable and finally was closed in the year 2003. As a consequence, about 165 employees were given voluntary retirement. The formulation division continued to function. Thereafter as a part of the revival of the company several new projects and investments were proposed to be implemented. In pursuance there a new Betalactam plant was setup and commissioned in 2011 at a cost of Rs 10 crore for manufacturer of penicillin derivative antibiotics. A new project for manufacture of Betalactam injections has just been completed, and a new laboratory conforming to NABL standards costing Rs 373 lakhs was commissioned on November 11, 2015. This will provide a modern testing facility for ensuring quality to the government as well as private sector. A cGMP compliant Betalactam injection plant costing Rs 10 crore is to be commissioned in May 2017. Since the company's formulation unit was established about 4 decades ago, a new modern GMP complaint plant for manufacture of Non Betalactam products is also being established. All the manufacturing facilities and office of the company are located at Kalavoor in Alappuzha. With the implementation and commissioning of the new projects, the KSDP Ltd will become an important pharmaceutical manufacturing undertaking of the government of Kerala, manufacturing a wide range of essential medicines for supplying to government hospitals for the benefit of the common man. Thus, KSDP serves an important objective of the government.

1.7.2 BOARD OF DIRECTORS

1. Shri. C.B Chandrababu - Chairman
2. Dr. A. Remla Beevi
Director Medical Education Department - Director
3. Shri. Asokan K
Additional Secretary
Industries Department, Government of Kerala - Director
4. Shri. Kallara Madhu - Director

5. Shri. Suseel Kumar. V
Joint Secretary
Finance Department, Government of Kerala

- Director

6. Shri. E.A Subramanian

- Managing Director

1.7.3 COMPANY MOTTO

“CURE FOR ALL”

1.7.4 COMPANY SLOGAN

“QUALITY THAT CURES”

1.7.5 POLICY

- ✓ Seeks to purchase goods and service from environment responsible suppliers.
- ✓ Reuse and recycle material whenever possible and minimize energy consumption and waste.
- ✓ Provide high quality goods to customers.
- ✓ Effective utilization of resources.

1.7.6 DEPARTMENTS

There are nine departments in the organisation which performs various activities to ensure the smooth functioning of its affairs.

- ❖ Production Department
- ❖ Finance Department
- ❖ Marketing Departments
- ❖ Human Resource Department
- ❖ Project Department
- ❖ Maintenance Department
- ❖ Quality Control and Quality Assurance
- ❖ Stores Department
- ❖ Purchase Department

1.7.7 PRODUCTS

KSDP LTD, an enterprise fully owned by government of Kerala manufacturing quality drugs of various formulations like **Capsules, Tablets, Dry Powder for Injection, Liquids, ORS** etc from 1974 onwards. Other Products are

- **Hand Sanitizer**
- **Mask**
- **Gloves**
- **PPE Kit**
- **N95 Mask**

CAPSULES

1. Amoxicillin Capsules I.P

Amoxicillin is a penicillin antibiotic that fights bacteria. Amoxicillin is used to treat many different types of infection caused by bacteria, such as tonsillitis, bronchitis, pneumonia and infection of the ears, nose, throat, skin or urinary tract.

2. Cloxacillin Capsules

It is a type of penicillin antibiotic. It is used to treat a wide variety of bacterial infection. It works by stopping the growth of bacteria. This antibiotic treats only bacterial infection. It will not work for viral infection like common cold, flu. Unnecessary use can lead to its decreased effectiveness.

3. Doxycycline Capsules I.P

Doxycycline is a tetracycline antibiotic that fights bacteria in the body. It is used to treat many bacterial infections such as acne, urinary tract infections, intestinal infections, eye infections, syphilis, periodontitis. Some forms are used to prevent malaria.

4. Omeprazole Capsules I.P

Omeprazole is a proton pump inhibitor that decreases the amount of acid produced in the stomach.

TABLETS

1. Acetylsalicylic Acid Tablets I.P

It works by interfering with the production of compounds in the body that cause pain, fever, inflammation and blood clots. ASA is used for rheumatic fever in combination with other

medications. It may be used under the supervision of doctor to prevent a first nonfatal heart attack in people who are at increased risk of having a heart attack as determined by the doctor.

2. Diazepam Tablet I.P

This medication works by calming the brain and nerves.

3. Dicyclomine Tablet I.P

It helps to reduce the symptoms of stomach and intestinal cramping. This medication works by slowing the natural movement of the guts and relaxing the muscles in the stomach and intestine.

4. Folic Acid Tablet I.P

It is a B vitamin that's important for cell growth and metabolism. A synthetic helping the body produce and maintain new cells.

5. Furosemide Tablet I.P

It is a water pill that prevent your body from absorbing too much salt. This allows the salt to instead be passed in your urine.

6. Paracetamol Tablets I.P

Paracetamol tablet is used to temporarily relive fever and mild to moderate pain such as muscle ache, headache, toothache, arthritis, and backache.

7. Salbutamol Tablets I.P

Salbutamol tablet is a bronchodilator medicine that relaxes the muscles of the airways leading to the lung and improves the amount of air flows to and from the lungs. It is used to prevent and treat the symptoms of asthma and chronic obstructive pulmonary diseases etc.

LIQUIDS & DRY POWDER

1. Benzyl benzoate

It has been isolated from the plant species of the genus polyalthia.

2. Mixture Carmitive

Carmitive also known as carminativum, is a herb or preparation intended to either prevent formation of gas in the gastrointestinal tract or facilitate the expulsion of said gas, there by combating flatulence.

POWDER

1. ORS Packets

Oral Rehydration Salt has been used released by the World Health Organisation. It involves drinking water with modest amount of sugar and salts, specifically sodium and potassium. It is used to treat children with diarrhea.

2. Purified Talc

It also used in many cosmetic products. Talc in powdered, often is a combination with corn starch is a widely used substance known as baby powder.

CHAPTER 2
THEORETICAL FRAMEWORK

2.1 FINANCIAL ANALYSIS

Financial performance is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue and overall profitability. Through a financial analysis, specific formulas and ratios are calculated, which, when compared to historical and industry matrices provides insight into company's financial condition and performance. Financial statements used in evaluating overall financial performance include the balance sheet, the income statement, and the statement of cash flows. According to John N. Myer, "The Financial Statements provide a summary of the accounts of a business enterprise, the Balance sheet reflecting the assets and liabilities and the Income statement showing the results of operations during a certain period.

The financial statements usually include the following:

1. Profit and Loss Account

Income statement is prepared to determine the operational position of the concern. It is a statement of revenues earned and the expenses incurred for earning that revenue. The difference is either profit or loss. The income statement is prepared for a particular period.

2. Balance Sheet

The AICPA defines Balance sheet as, "A tabular statement of summary of balances carried forward after an actual and constructive closing of books of account and kept according to principles of accounting." The Balance Sheet is one of the important financial statements depicting the financial strength of the concern. The Balance sheet shows the all the assets owned by the concern and all the liabilities and claims it owes to owners and outsiders. The Balance Sheet is prepared as on a particular date.

3. Cash Flow Statement

Cash Flow Statement is an analytical statement prepared by the management accountants to study the impact of the business transactions of a particular period on the most liquid form of asset, namely, cash and cash equivalents. As per AS-3, the preparation of cash flow statement is compulsory in companies. It reveals the nature and sources of inflows and outflows of cash.

2.1.1 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

The financial statements become meaningless unless they are analyzed and interpreted. On proper analysis and interpretation of the results, they become valuable and useful. Managerial decisions often depend on the results of analysis of financial statements.

Analysis of financial statement is the process of determining the significant operating and financial characteristics of a firm from the accounting data. It is the treatment of the information contained in the financial statements to afford a full diagnosis of the profitability and financial position of the firm. It helps the executives to evaluate past performance, present financial position, liquidity situation, profitability of the firm and to make forecast for the future earnings.

Interpretation of Financial Statement Analysis

Interpretation refers to drawing inferences or conclusion on the basis of analysis conducted on the financial statements. Unless proper interpretation is made and conclusions drawn, there is no meaning in preparing and analyzing financial statements. Proper interpretation leads to proper conclusion and judgement and taking effective measures for improvements.

2.1.2 OBJECTIVE OF FINANCIAL ANALYSIS

The objectives of analysis of financial statements depend to a large extent on the personal view of the analyst, the degree of his interest in the company, and the need for depth of enquiry and finally on the amount and quality of the data available. The Following are the main objectives of the analysis of financial statements.

- i. Efficiency of operation:** The earning capacity of a firm varies between periods, due to different factors such as pricing, competition, etc. The analysis of financial statements helps to estimate the efficiency of operation of the firm. The ratios such as gross profit ratio, net profit ratio, etc. are calculated and interpreted for the purpose of measuring the efficiency of operation of the business.
- ii. Measure the financial position and financial performance of the firm:** The analysis of financial statement helps to gauge the financial position as on particular date and the financial performance of the firm within the period under review.
- iii. Long term Liquidity of funds:** Analysis of financial statement helps to determine long term liquidity of the firm, which in turn helps it to make arrangement of funds for future requirements.
- iv. Solvency of the firm:** Analysis of Balance Sheet figures helps to measure the solvency of the firm. The solvency is measured by analysing the value of assets over the liabilities. It shows the debt paying capacity of the firm.
- v. Future prospects of the firm:** The future prospects of the firm can be ascertained by studying the trend of activities for the last few years and the expected changes that may take place in the near future. Trend ratio help to measure the future prospects of the business.

- vi. **Progress of the firm:** The progress of the firm can be measured by comparing the profit and loss account and Balance Sheet figures of the current year with those of the previous year or years. Comparative statements are prepared for the purpose of measuring the progress of the firm.

2.1.3 TECHNIQUES OF FINANCIAL ANALYSIS

The analysis of financial statements consists of a study of relationships and trends to determine whether or not the financial position of the concern and its operating efficiency have been satisfactory. The analytical tools generally available to an analyst for this purpose are as follows:

1. Comparative Statements
2. Common-size Statements
3. Trend Ratios
4. Average Analysis
5. Funds Flow Statements
6. Cash Flow Statements
7. Ratio Analysis.
8. Break Even Point Analysis

a) **Comparative Statements**

The comparative statements are statements of the financial position at different periods, of time. Such comparative statements are of great value in forming the opinion regarding the progress of the enterprise. It can be of two types: Comparative Balance Sheet and Comparative Income Statement.

Comparative Balance Sheet: it is a statement prepared from the Balance Sheet figures of two or more years by placing them side -by- side, so as to facilitate a comparison, in forming an opinion about the progress of the enterprise. The comparative Balance sheet has two columns to show the data of original balance sheets, a third column to show increase or decrease in absolute figures and a fourth column for percentage increase or decrease in figures.

Comparative Income Statement: The comparative income statement is a statement prepared to get an idea of the progress of a business over a period of time. It has four columns. First two columns give figures of various items for two years. Third and fourth columns are used to show increase or decrease in figures, in absolute amounts and percentages respectively.

b) Common Size Statements

Common Size Statements prepared to show the relationship of different individual items with some common items. Figures are shown as percentages of total assets, total liabilities and total sales. The total assets are taken as 100 and different assets are expressed as percentage of the total. Similarly various liabilities are taken as a part of total liabilities. The two common-size statements are, Common Size Balance sheet and Income statements.

c) Trend Ratios (Trend Percentages)

Trend means the tendency to increase or decrease. Under this technique of financial analysis, the ratios of different items for various periods are calculated and then comparison is made. One year is taken as the base year. Usually, the first year is taken as the base year. The figures of base year are taken as 100 and the trend percentages are calculated in relation to the base year.

d) Average Analysis

Average Analysis is a method of analysing the accounting data by comparing and analysing the trend ratios of a concern with the average trend of the industry. It is an improvement over trend analysis method. Both these trends can be presented on the graph paper also in the shape of curves. This presentation of facts in the shape of curves makes the analysis and comparison more comprehensive and impressive.

e) Funds Flow Statements

Fund flow analysis is a valuable aid to the financial executives and creditors for evaluating the uses of funds by the firm and in determining how these uses were financed. A fund flow statement indicates where funds came from and where they were used during the period under review. It is a statement of sources and applications of funds. The statement is called as 'statement of changes in Financial Position.

f) Cash Flow Statement

Sadh flow statement is a statement which describes the inflow and outflow of cash and cash equivalents in an enterprise during a specific period of time. A projected cash flow statement will help the management in ascertaining how much cash will be available to meet the obligations to trade creditors, to repay bank loans and to pay dividend to shareholders.

g) Break-even point Analysis

It is the point of activity or sales at which there is neither profit nor loss. It can also be termed as 'no-profit no loss' point.

2.1.4 LIMITATIONS OF FINANCIAL STATEMENT ANALYSIS

- **The effect of change in money value not considered:** The rapid changes in the value of money reduces the validity of financial analysis. Hence, no meaningful conclusion can be drawn from a comparative study and analysis of financial statements of different years.
- **Changes in method or procedure not permissible:** Any change in the method or procedure of accounting destroys the utility of such analysis.
- **Not good for making sound judgement:** the analysis of financial statements is only a means to reach conclusions and not conclusion in itself. So, it cannot work as a substitute for sound judgement. The judgement, ultimately will depend upon the intelligence and skill of the analyst.

2.2 RATIO ANALYSIS

A financial ratio is a relative magnitude of two selected numerical values taken from an enterprise's financial statements. Ratio analysis is one of the powerful tools of financial analysis. Ratio is the numerical or and arithmetical relationship between 2 figures. It is expressed where one figure is divided by another. Ratio analysis helps the analyst to make quantitative judgement with regard to concerns financial positions and performance. It includes comparison and interpretation of the ratios and their use for future projection.

2.2.1 OBJECTIVES OF RATIO ANALYSIS

Ratios are important tools for measuring the efficiency of an enterprise. The analysis of accounting ratios helps to measure the health of a firm. The important uses of accounting ratios are the following:

1. **Financial Forecasting:** With the help of ratios of various preceding years, projections can be made for the future.
2. **Cost control and cost reduction:** Analysis of ratios of different expenses to revenue help the management in controlling and reducing cost of production, cost administration and selling.
3. **Test of profitability:** The profitability of a concern can be measured with the help of ratios such as gross profit ratio, net profit ratio, operating profit ratio, etc.

4. **Test of solvency position:** The solvency of a concern can be measured with the help of different ratio such as debt equity ratio, total assets to debt ratio, proprietary ratio, etc.
5. **Taking investment decisions:** ratios are helpful in computing return on investments. It helps management in exercising effective decisions regarding profitable avenues of investments.
6. **Measuring efficiency:** Ratio help to know operational efficiency by comparison of present ratios with those of the past working and also with those of other firms in the same industry.
7. **Aid in comparison:** The techniques of inter-firm comparison and intra firm comparison can be carried out successfully with the help of ratio analysis.
8. **Trend analysis:** The trend of the movement of items can be studied with the help of ratios.

2.2.2 CLASSIFICATION OF RATIOS

The functional classification of ratios includes:

- A. Liquidity Ratios
- B. Leverage Ratios
- C. Profitability Ratios
- D. Activity Ratios

A. LIQUIDITY RATIOS/ SHORT TERM LIQUIDITY RATIOS

Liquidity means the firm's ability to meet its current obligations out of current resources or assets. Since liquidity is basic to continuous operations of a firm, it is necessary to determine the degree of liquidity of the firm. Liquidity ratios measure the short-term financial strength and weakness of a firm. The two commonly used liquidity ratios are current ratio and quick ratio.

1. Current Ratio

Current Ratio explains the relationship between current asset and current liability. It shows the firm's ability to cover its current liability with its current assets. It is also called as 'Working Capital Ratio'.

Current Ratio = Current Asset/ Current Liability

2. Quick Ratio

This is the ratio of liquid asset to liquid liabilities. Quick ratio explains the relationship between quick assets and current liabilities. It shows the firm's ability to meet current liabilities with its most liquid assets. Inventories and prepaid expenses are not included with liquid asset. Because it emphasis on the ready availability of cash in case of liquid assets.

Quick Ratio = Quick Asset or Liquid Asset/ Current Liabilities

Quick Asset = Current Asset- Inventories

B. LONG TERM FINANCIAL RATIOS (LEVERAGE RATIOS)

Leverage Ratios are those ratios which evaluate the company's ability to meet its long-term liabilities. It establishes the relationship between owned fund and loaned funds. It measures the long-term financial position of the company. Leverage Ratios is also known as 'Solvency Ratio'.

1. Debt –Equity Ratio

Debt –Equity ratio indicates the proportion of debt fund in relation to equity or owner's fund. The term debt refers to the total long-term debts. It includes long term borrowings such as debentures, bank loan, public deposit, etc. and long - term provisions such as employees provident fund, pension fund etc. the term equity refers to net worth or shareholder's fund.

Debt Equity Ratio = Total Debt/ Equity OR Long-term Debts/ Shareholders fund or Net worth

2. Proprietary Ratio

It establishes relationship between proprietor's fund or shareholders fund and total asset. It is also known as 'Equity Ratio or Net worth Ratio. Total assets include non-current assets and current assets. The acceptable norm of the ratio is 1:3.

Proprietary Ratio = Shareholders Fund/ Total assets

3. Solvency Ratio

It is the ratio of total outside liabilities (both non-current and current liabilities) to the total assets of a concern. Generally, lower the ratio of total liabilities to total assets, more satisfactory or stable is the long-term solvency position of a firm.

Solvency Ratio = Total Liabilities to outsiders/ Total Assets

4. Fixed Asset Ratio

Fixed Asset Ratio is the ratio of fixed assets after depreciation to total long -term funds.

Fixed Asset Ratio = Fixed Asset/Total Long-term Funds

5. Interest Coverage Ratio

It establishes the relationship between profit before interest and tax and interest charges. It indicates the firm's ability to pay off interest on debt fund out of profits earned during the year. It is also known as Debt Service Ratio, Fixed Charges Cover Ratio.

Interest Coverage Ratio = Earnings before Interest and Tax (EBIT)/ Fixed Interest Charges

6. Capital Gearing Ratio

This ratio is mainly used to analyse the capital structure of a company. The term capital gearing normally refers to the proportion of fixed income bearing funds to non- fixed income bearing funds.

Capital Gearing Ratio = Fixed interest-bearing funds/ Shareholders fund excluding preference share capital.

C. PROFITABILITY RATIOS

The main objective of any organization is to earn profit. Profit is both a means and end to the organisation. The profitability ratios are used to measure how well a business is performing in terms of profit. These ratios highlight the end result of business activities. The overall efficiency of a business unit can be judged by using profitability ratios.

1. Gross Profit Ratio

This ratio establishes the relationship between Gross Profit and Revenue From operations (Net sales). It expresses the gross margin as a percentage of sales. It is also known as 'Gross profit Ratio'.

Gross Profit Margin = $\frac{\text{Gross Profit}}{\text{Net Sales (Revenue from operation)}} \times 100$

2. Net Profit Ratio

It establishes the relationship between net profit and sales. It shows net profit margin to sales. It is also known as 'Net Profit Ratio'.

Net Profit Ratio = $\frac{\text{Net profit after tax}}{\text{Net Sales (Revenue from operations)}} \times 100$

Net profit = Gross profit - Indirect Expenses+ Selling expenses+ Interest on long term borrowing+ Accidental losses

3. Operating Profit Ratio

It establishes the relationship between operating profit and revenue from operations. The operating profit amount is obtained by subtracting selling, general and administrative or operating expenses from a company's gross profit amount.

Operating Profit Ratio = $\frac{\text{Operating Profit}}{\text{Revenue from Operations}} \times 100$

4. Expense Ratio

Expense ratio indicates the relationship of each item of expense to net sales.

Particular Expense Ratio = Particular Expense/ Revenue from operations*100

5. Return on Shareholder's Fund

It measures the profitability from the shareholders' point of view. It shows the relationship between profits available to the shareholders and shareholder's fund.

Return on shareholders' fund = Net Profit after Interest & Tax/Shareholder's fund *100

6. Return on Equity Share Capital

This ratio indicates the return on the equity share capital. Owners are more interested with this ratio since it indicates the success of the company in generating earnings on their behalf. The higher ratio, the better the owners like it.

Return on E.S.C. = Net Profit (after interest, tax and preference dividend)/Equity share capital*100

7. Return on Capital Employed

This ratio is also known as Return on Investment. The primary objective of making investment in any business is to obtain satisfactory return on capital invested.

Return on Capital Employed = Net Profit (before interest, tax and dividend)/Capital employed*100

8. Earnings Per Share (E.P.S)

This ratio helps in the assessment of the profitability of a firm from the stand point of equity shareholders. This measures the profit available to the equity shareholders per share.

E.P. S = Net profit available to the equity shareholders/Number of equity shares issued

9. Price- Earning Ratio (P.E Ratio)

This ratio shows the relationship of market price and earnings per share. It indicates the number of times the Earning per Share is covered by the market price. This ratio helps the investor In deciding whether to buy or not to buy the shares of a company at a market price per share.

P.E Ratio = Market value per Share/ Earnings per Share (EPS)

10. Dividend Yield Ratio

It shows the relationship between dividend per share and market value of shares. This ratio is useful for investors who are interested only in dividend income.

Dividend Yield Ratio = Dividend per share/Market Value per share

D. TURNOVER RATIOS (ACTIVITY RATIOS)

The activity ratios are those ratios which measure the level of activities and operational efficiency of a business concerns. These ratios reveal how well and efficiently the assets of the company are being utilized. Higher ratio means better utilisation of assets which reflects higher efficiency and profitability.

1. Inventory Turnover Ratio (Stock Turnover Ratio)

This ratio indicates the relationship between the cost of revenue from operations during the year and average inventory kept during the year. This ratio helps to measure whether the investment in inventory is efficiently used or not. It measures the speed at which the inventory is converted into revenue from operations.

Inventory Turnover Ratio = Cost of Revenue from Operation /Average Inventory

2. Working Capital Turnover Ratio

This ratio establishes the relationship between Revenue from Operations (Net Sales) and working capital. This ratio shows how much sales are generated by each rupee which is invested in working capital. So, it indicates whether the working capital is properly utilised or not.

Working Capital Turnover Ratio = Net Revenue from operations/ Net Working Capital

3. Fixed Assets Turnover Ratio

This ratio indicates the extent to which the investments in fixed assets contribute towards sales.

Fixed Assets Turnover Ratio = Net Revenue from operations/ Fixed Assets.

4. Debtors/ Trade Receivables Turnover Ratio

This ratio expresses the relationship between net credit sales and average account receivables. It measures the number of times the receivables are rotated in a year in terms of sales.

Debtors Turnover Ratio= Net Credit Sales/Average Trade Receivables

5. Creditors/ Trade Payables Turnover Ratio

This ratio indicates the number of times the trade payables turnover in a year.

Trade Payables Turnover Ratio= Net Credit Purchases/Average Trade Payables

2.2.3 LIMITATIONS OF RATIO ANALYSIS

- **Useful only for quantitative analysis:** Ratio analysis gives only a good basis for quantitative analysis of financial problems and it suffers from qualitative aspects.
- **Chance of window dressing:** In ratio analysis arithmetical window dressing is possible and firms may be successful in concealing the real position.
- **Provides only partial information:** Ratio analysis helps in providing only part of the information, before reaching at any conclusion.
- **Ratios are only means and not an end in itself:** Ratio analysis are only means of reaching at some point of conclusion which can be affected by personal ability and bias of the analyst.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research methodology is a collective term for the structured process of conducting research. Methodology refers to the analysis of the methods used appropriate to a field of study. It also provides a detailed plan that keep researchers on track, making the process smooth, effective and manageable. It consists of a logical sequence of steps or actions that are necessary to effectively solve a research problem. The best selection of research methodology is based on the suitable research objective, the nature of information and the resources available.

This chapter provides the description of the research methodology which includes research design, data collection methods, techniques of data analysis, statements used and period of study.

3.2 RESEARCH DESIGN

Research Design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. Research Design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money.

It is a quantitative type of research, where data is collected based on numbers or amounts and analysis and interpretation is taken from these numbers. Graphs help to quantify the results.

3.3 METHODS OF DATA COLLECTION

- **Primary Data**

The primary data are those data which are collected afresh and for the first time, and thus happen to be original in character. In this study primary data have been collected through discussions with the concerned executives of the company.

- **Secondary Data**

Secondary data are those data which are gathered for some other purpose and are already available in the firm's internal records and publications. The secondary data is collected from annual reports of the company for the last 5 years from 2015-2016 to 2019- 2020. In addition to this, supportive data is collected from journals and various news reports.

3.4 TECHNIQUES OF DATA ANALYSIS

➤ Ratio Analysis

Ratio Techniques is the main tool for this analysis. Analysis of financial statement based on ratios is known as Ratio Analysis. Ratio analysis is a technique of presenting internal and External events affecting the business transaction relating to its operations, operating results and achievement of pre-determined goals and objectives of a business in brief and summary form. A ratio is an expression of relationship between two figures or two amounts. It is a yardstick which measure relationship between two variables. Ratio analysis is one of the most powerful tools of analysis of financial statements.

For Analysing the liquidity position of the company current ratio and quick ratio is used. Long term solvency position of the company is analysed with the help of debt equity ratio, interest coverage ratio and proprietary ratio. The efficiency with which the firm manages and utilized its assets are measured with the help of ratio like inventory turnover, average collection period, fixed assets turnover etc.

Types of Ratios used for Analysis

There is a two-way classification of ratios

1. Traditional Classification and
2. Functional Classification

Traditional Classification of Ratios

The traditional classification has been on the basis of financial statements to which the determinants of ratios are belong. On this basis the ratios are classified as follows:

- **Statement of Profit and Loss Ratios:** A ratio of two variables from the statement of profit and loss is known as statement of profit and loss ratio. For example, ratio of gross profit to revenue from operations is known as gross profit ratio. It is calculated using both figures from the statement of profit and loss.
- **Balance Sheet Ratios:** In case both variables are from the balance sheet, it is classified as balance sheet ratios. For example, ratio of current assets to current liabilities known as current ratio. It is calculated using both figures from balance sheet.
- **Composite Ratios:** If a ratio is computed with one variable from the statement of profit and loss and another variable from the balance sheet, it is called composite ratio. For example, ratio of

credit revenue from operations to trade receivables (known as trade receivables turnover ratio) is calculated using one figure from the statement of profit and loss (credit revenue from operations) and another figure (trade receivables) from the balance sheet.

Functional Classification of Ratios

The functional classification includes: -

1. Liquidity Ratios
2. Solvency Ratios
3. Activity Ratios and
4. Profitability Ratios

- **Liquidity Ratios:** To meet its commitments, business needs liquid funds. The ability of the business to pay the amount due to stakeholders as and when it is due is known as liquidity, and the ratios calculated to measure it are known as ‘Liquidity Ratios’. These are essentially short-term in nature. Eg: current ratio, acid test ratio etc.
 - **Solvency Ratios:** These ratios are also called Leverage ratios. Solvency of business is determined by its ability to meet its contractual obligations towards stakeholders, particularly towards external stakeholders, and the ratios calculated to measure solvency position are known as ‘Solvency Ratios’. These are essentially long-term in nature. Eg: Debt-equity ratio, proprietary ratio, etc.
 - **Activity (or Turnover) Ratios:** This refers to the ratios that are calculated for measuring the efficiency of operations of business based on effective utilisation of resources. Hence, these are also known as ‘Efficiency Ratios’. These ratios evaluate the use of the total resources of the business concern along with the use of the components of total assets. More precisely, they are intended to measure the effectiveness of the asset management. The efficiency with which the assets are used would be reflected in the speed and rapidly with which the assets are converted into sales. The greater the rate of turnover, the more efficient the management would be. Eg: Stock Turnover ratio, fixed assets turnover ratio, etc.
 - **Profitability Ratios:** It refers to the analysis of profits in relation to revenue from operations or funds (or assets) employed in the business and the ratios calculated to meet this objective are known as ‘Profitability Ratios’. These ratios highlight the end result of business activities by which alone the overall efficiency of a business unit can be judged. Eg: Return on capital employed, gross profit ratio, net profit ratio, etc.
- **Tables and Charts** are also used for analysis.

3.5 STATEMENTS USED FOR ANALYSIS

Financial statements are the annual reports prepared by management at the end of an accounting period. It is a collection of financial information. They are the end products of a firm's financial affairs expressed in monetary terms. Financial statements should satisfy certain elements for making it meaningful and comparable. To measure the progress made, the financial statement of the current year should be compared with those of the previous years. The three basic financial statements are used for this study are:

1. Profit and Loss Account

The statement of profit and loss account shows the operations of the entire period. It is a statement of revenues earned and the expenses incurred for earning that revenue. The very purpose of profit and loss account is to ascertain whether the business is making profit or loss for a given period. This component considers all the indirect expenses and incomes including the gross profit/loss to arrive the net profit or net loss.

2. Balance Sheet

The Balance Sheet is one of the important financial statements depicting the financial strength of the concern. Balance sheet portrays the financial position at a point of time when the accounting period comes to end. The Balance sheet shows the all the assets owned by the concern and all the liabilities and claims it owes to owners and outsiders. The Balance Sheet is prepared as on a particular date.

3. Cash Flow Statement

Cash Flow Statement is an analytical statement prepared by the management accountants to study the impact of the business transactions of a particular period on the most liquid form of asset, namely, cash and cash equivalents. As per AS-3, the preparation of cash flow statement is compulsory in companies. It reveals the nature and sources of inflows and outflows of cash.

3.6 PERIOD OF STUDY

The present study analyses the financial performance of KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA, over a period of 5 years i.e., from 2015-2020. The 2021 report is not issued by the company because final auditing is not completed. The study has been done within the period of two month - 1st May to 30th June 2022.

CHAPTER 4
DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

In this chapter discuss about the financial performance of Kerala State Drugs and Pharmaceuticals Ltd using ratio analysis and trend analysis. The data was collected from the annual audited reports of the company. The financial statements examined cover the accounting period of five years from 2015-2020. The latest annual reports are not issued by the company because of final auditing is not completed.

The study of actual financial performance is to understand the ideal criteria provided with input data from the empirical reality of the firm. Financial performance is the company's financial condition over a certain period that includes the collection and use of funds measured by several indicators of capital adequacy ratio, liquidity, leverage, solvency and profitability. Financial performance is the company's ability to manage and control its resources.

Ratio analysis is a technique of analysis and interpretation of financial statements. It is a quantitative method of evaluating a company's liquidity, operational efficiency and profitability by establishing relationship between information contained in financial statements. Ratio analysis helps to provide information useful for making estimates and preparing plans for the future.

In order to analyse the financial statement of Kerala State Drugs and Pharmaceuticals Ltd, an attempt has been made to find out the answers to the following questions with the help of several types of ratios namely liquidity, solvency, activity and profitability in the analysis.

1. Whether the long-term liquidity position of the company is sound or not.
2. Whether the short-term financial position is sound or not
3. Whether the management has used the assets properly.
4. Whether overall performance of a firm is good or not.

4.2 ANALYSIS OF RATIOS

A. SHORT – TERM SOLVENCY RATIOS/ LIQUIDITY RATIOS

Liquidity ratio measure the ability of a firm to meet its current obligations out of current resources or assets and reflects the short-term financial position of a firm. Liquidity ratios measure the short-term financial strength and weakness of a firm. The main liquidity ratios are Current Ratio, Quick Ratio and absolute liquidity ratios. These three main ratios are used to an analyse the liquidity position of Kerala Sate Drugs and Pharmaceuticals Ltd.

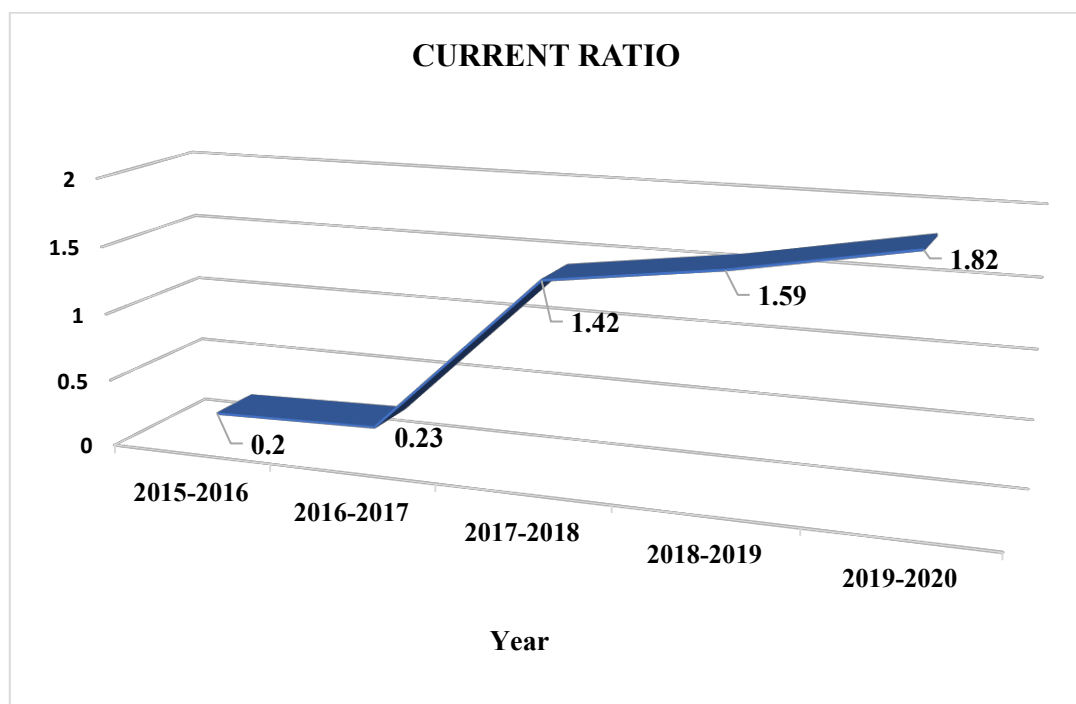
1. CURRENT RATIO

Current Ratio = Current Asset / Current Liability

Table No.4.1 Current Ratio of KSDP Ltd for 5 years

Year	Current Asset	Current Liability	Current Ratio
2015-2016	217,569,023	1,070,895,191	0.20
2016-2017	263,021,692	1,117,636,264	0.23
2017-2018	370,160,409	259,582,452	1.42
2018-2019	489,377,172	306,635,984	1.59
2019-2020	70,80,85,250	38,71,62,453	1.82

Figure 4.1 Current ratio of KSDP Ltd



Interpretation: Current Ratio explains the relationship between current asset and current liabilities. It shows the firm's ability to cover its current liability with its current assets. The ideal ratio is supposed to be 2:1. Higher ratio indicates better short term solvency position and gives more protection to short term creditors. The current ratio of KSDP Ltd shows there is an increasing trend as compared to previous years. During the year 2015-16 the ratio was 0.20%, in 2019-2020 ratio increases to 1.82%. There for the present year current ratio is satisfactory to the firm.

2. QUICK RATIO

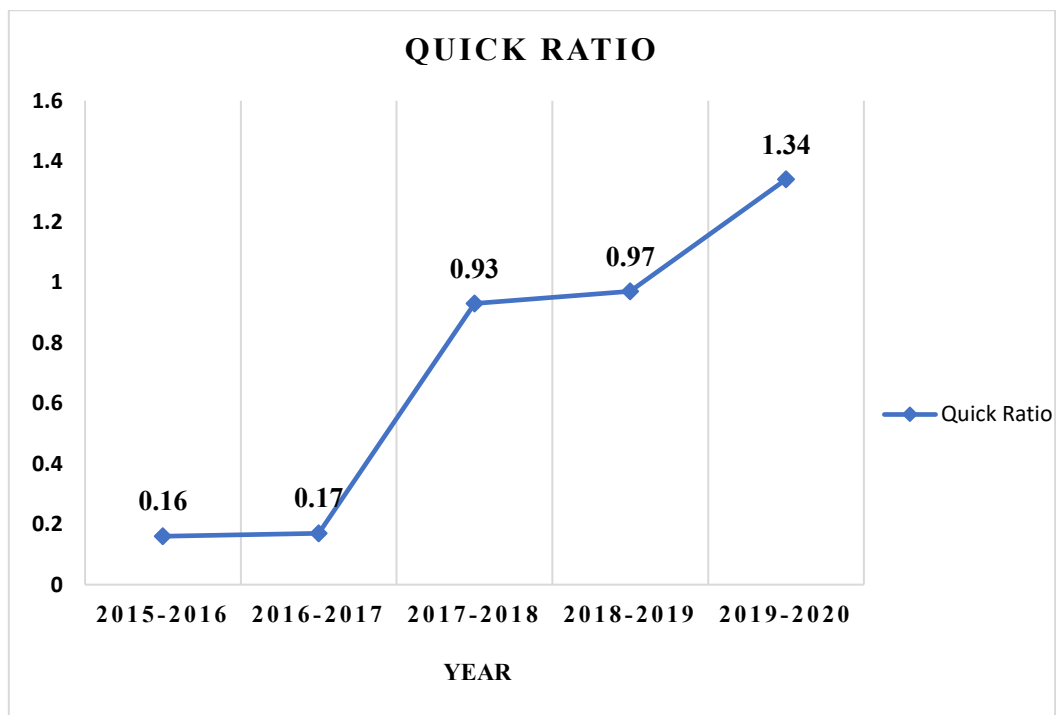
Quick Ratio= Quick Asset/ Current Liability

Quick Asset = Current Asset- Inventories

Table No. 4.2 Quick Ratio of KSDP Ltd for 5 Years

Year	Quick Asset	Current Liability	Quick Ratio
2015-2016	178,926,582	1,070,895,191	0.16
2016-2017	197,069,114	1,117,636,264	0.17
2017-2018	243,472,191	259,582,452	0.93
2018-2019	299,738,311	306,635,984	0.97
2019-2020	517,640,707	38,71,62,453	1.34

Figure 4.2 Quick Ratio of KSDP Ltd for 5 Years



Interpretation: Quick ratio explains the relationship between quick assets and current liabilities. The ratio of 1:1 is considered as satisfactory as a firm can easily meet all its current liabilities. High ratio indicates that firm has good liquidity position and lower ratio indicates that firm has poor liquidity position. The above table and graph show that 2015-16,2016-17,2017-18,2018-19 the company's quick ratio is less than the ideal ratio. Therefore, it shows that the company's liquidity position is not

satisfactory. During the year 2020 it is increased to 1.34%. It shows the financial position of the firm is sound and good.

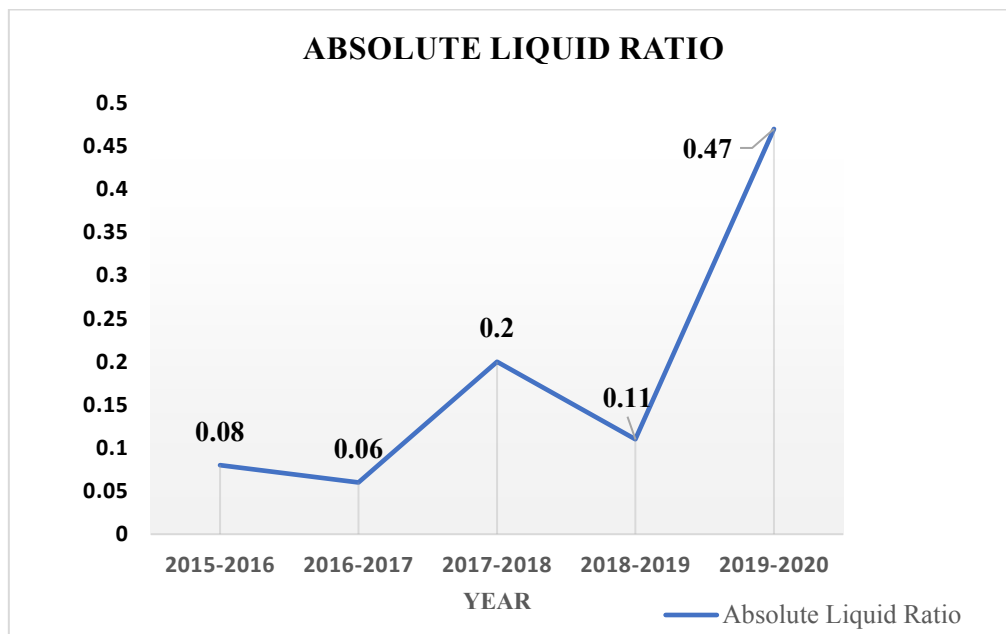
3. ABSOLUTE LIQUIDITY RATIOS

Absolute Liquid Ratio = Absolute Liquid Asset /Current Liability

Table No. 4.3 Absolute Liquid Ratio of KSDP Ltd for 5 Years

Year	Absolute Liquid Asset	Current Liability	Absolute Liquid Ratio
2015-2016	91,402,611	1,070,895,191	0.08
2016-2017	69,704,120	1,117,636,264	0.06
2017-2018	52,142,275	259,582,452	0.20
2018-2019	36,282,224	306,635,984	0.11
2019-2020	18,21,99,621	38,71,62,453	0.47

Figure 4.3 Absolute Liquid Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio explains the relationship between absolute liquid assets and current liabilities. The ideal ratio is 50 % or 0.5:1 or 1: 2. Absolute liquid ratio of Kerala State Drugs and Pharmaceuticals Ltd shows a low ratio during the period of study. So, the company needs better improvement in the short -term financial position. It shows that the company can maintain only small portion of current assets in cash for meeting its cash requirements. So, it is necessary that company needs to improve its short- term financial position.

B. PROFITABILITY RATIOS

The primary objective of every business is to earn profit. Profitability ratios are used to evaluate the performance and efficiency of the business concerns. Without profit no business enterprise can exist in long run. So, profit is the engine that drives any business. The overall efficiency of a business unit can be judged by using profitability ratios.

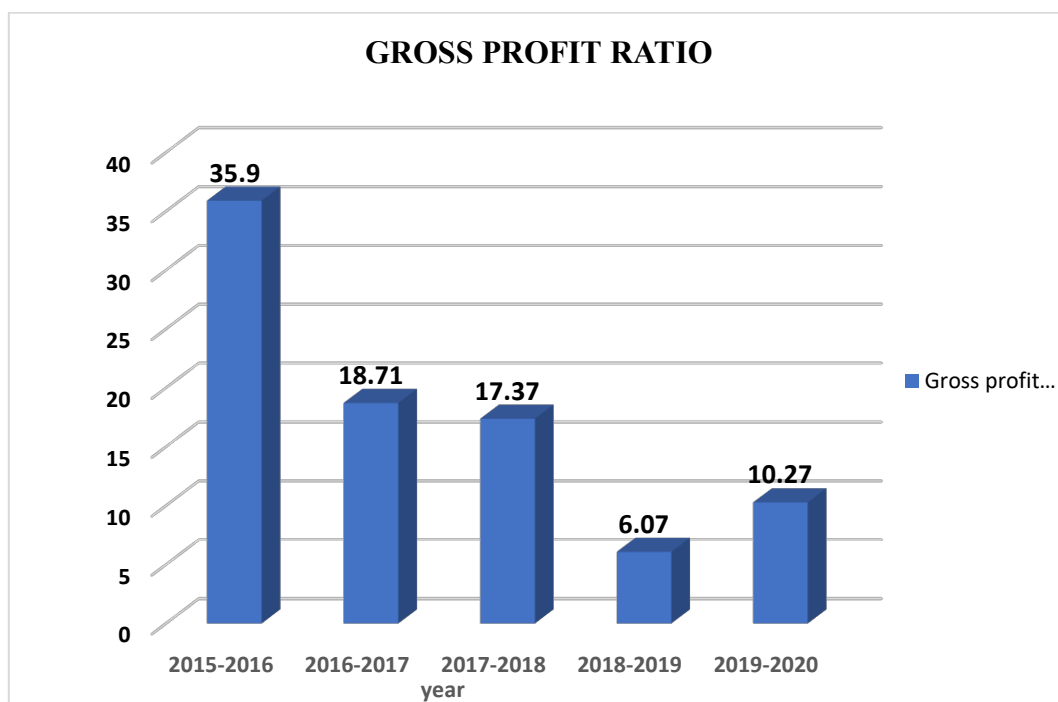
1. GROSS PROFIT RATIO

Gross profit Ratio = $\frac{\text{Gross profit}}{\text{Revenue from operations (Net Sales)}} \times 100$

Table No. 4.4 Gross Profit Ratio of KSDP Ltd for 5 Years

Year	Gross Profit	Net Sales	Gross profit Ratio
2015-2016	96,117,818	267,704,884	35.90
2016-2017	(52,339,345)	279,624,524	18.71
2017-2018	51,747,531	297,756,860	17.37
2018-2019	29,776,117	489,912,041	6.07
2019-2020	6,78,94,662	66,07,99,127	10.27

Figure 4.4 Gross Profit Ratio of KSDP Ltd for 5 Years



Interpretation: Gross Profit Ratio establishes the relation between gross profit and net sales. It should be adequate to cover all operating as well as non-operating expenses. Higher ratio implies

better profitability of the business concerns. Lower ratio implies poor profitability position of the concerns. During the year 2015-16 shows higher ratio (35.9%) as compared to other years. Overall, the gross profit ratio shows decreasing trend and hence it is not satisfactory. In 2019 -20 the ratio is increased from 6.07 to 10.27%.

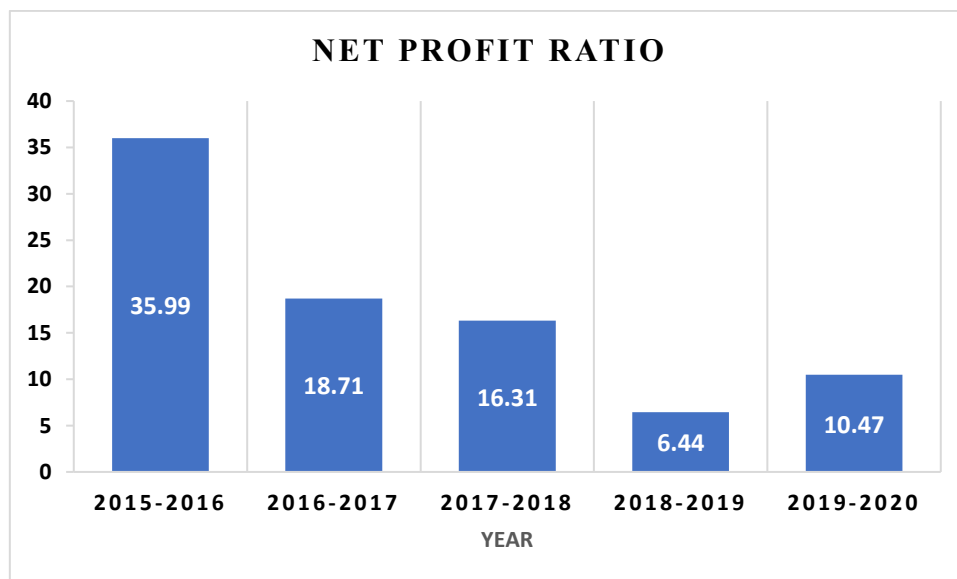
2. NET PROFIT RATIO

Net Profit Ratio = Net Profit after tax/ Revenue from operations (Net Sales) *100

Table No. 4.5 Net Profit Ratio of KSDP Ltd for 5 Years

Year	Net Profit	Net Sales	Net profit Ratio
2015-2016	96,354,723	267,704,884	35.99
2016-2017	(52,339,345)	279,624,524	18.71
2017-2018	48,582,330	297,756,860	16.31
2018-2019	3,15,68,926	489,912,041	6.44
2019-2020	6,91,88,532	66,07,99,127	10.47

Figure 4.5 Net Profit Ratio of KSDP Ltd for 5 Years



Interpretation: Net profit ratio establishes the relationship between net profit and sales. Higher ratio shows better profitability and lower the ratio indicates poor financial efficiency. During the year 2015-16 shows higher ratio (35.9%) as compared to other years. The net profit ratio of KSDP ltd shows decreasing trend in 2017,2018 and 2019. During the year 2018-19 shows the low ratio as compared to all other years. It is increased in 2020 as 10.47%. So, the increasing trend shows better profitability of the company.

3. OPERATING PROFIT RATIOS

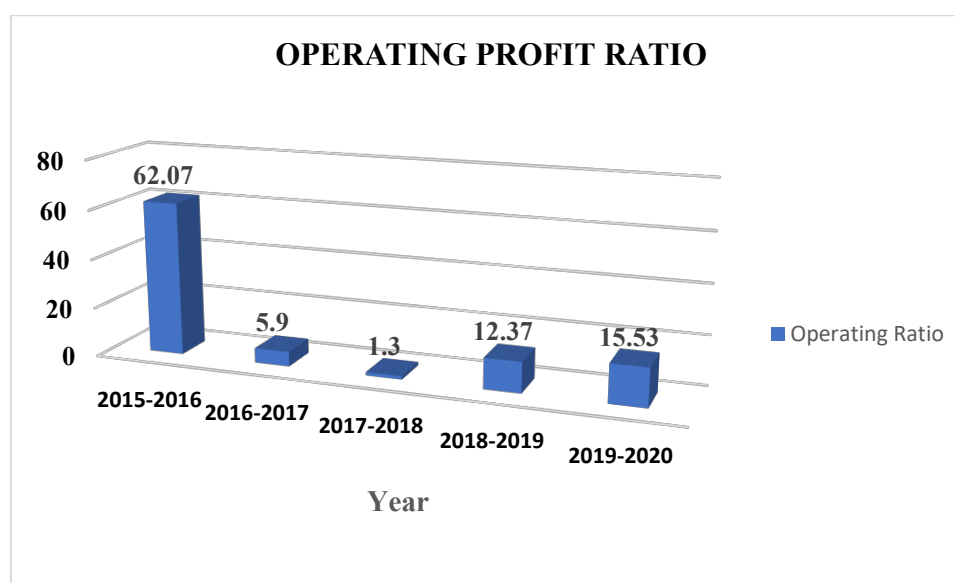
Operating Ratio = Operating Profit / Revenue from operations*100

Operating Profit= (Gross profit- operating expenses) + Operating Income

Table No. 4.6 Operating Profit Ratio of KSDP Ltd for 5 Years

Year	Operating Profit	Revenue from operations	Operating profit Ratio
2015-2016	166,190,378	267,704,884	62.07
2016-2017	16,516,966	279,624,524	5.90
2017-2018	(3,874,980)	297,756,860	1.30
2018-2019	60,648,506	489,912,041	12.37
2019-2020	10,26,79,294	66,07,99,127	15.53

Figure 4.6 Operating Profit Ratio of KSDP Ltd for 5 Years



Interpretation: Operating ratio establishes the relationship between operating profit and revenue from operations. Higher ratio indicates better operational efficiency. Operating profit ratio of KSDP Ltd shows during the year 2015-2016 is higher as compared to other years. 2016 and 2017 companies operating profit ratio shows the decreasing trend. In 2018-2019 the ratio increased to 12.37% and 2019-20 it is increases to 15.53%. Hence the ratio is favourable as compared to previous years.

4. EXPENSE RATIO

Expenses ratio is the relationship between various expenses and sales. The ratio can be calculated for each individual item of expenses or a group of items of a particular type of expense like administrative

expenses ratio, selling expenses ratio, etc. Lower ratio, the greater profitability and the higher the ratio, lower profitability.

Expense Ratio= Particular Expense/Revenue from operation*100

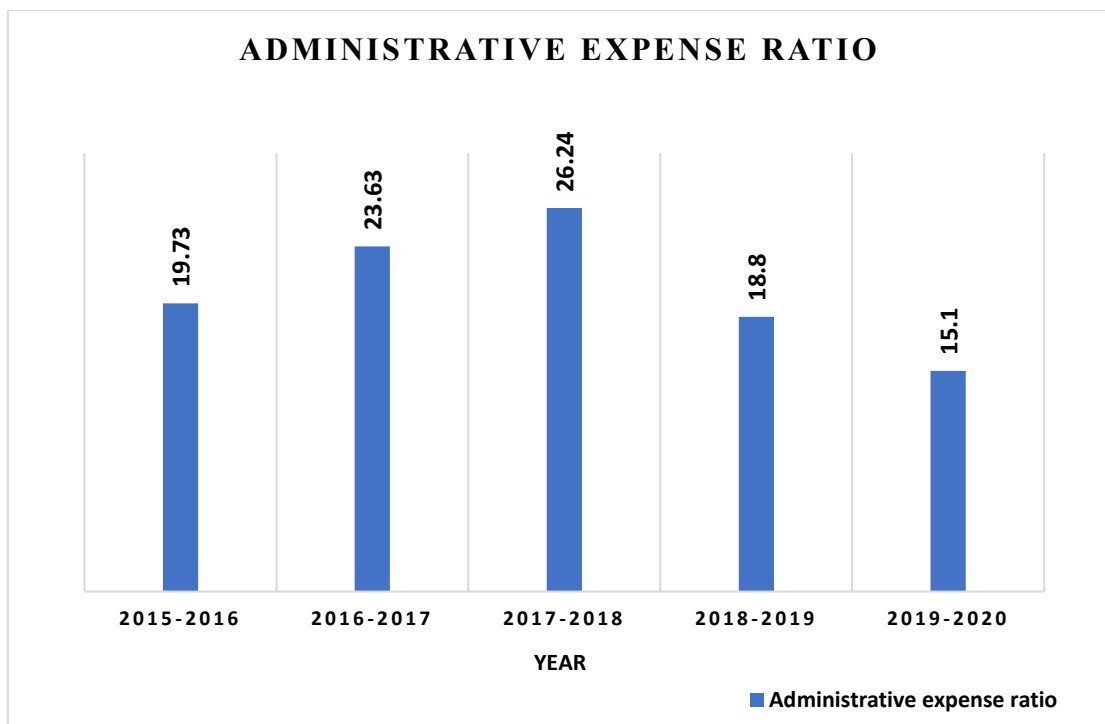
i. Administrative Expense Ratio

Administrative expense ratio = Administrative Expense/ Sales *100

Table No. 4.7 Administrative expense ratio of KSDP Ltd for 5 Years

Year	Administrative Expense	Sales	Administrative expense ratio
2015-2016	52,819,356	267,704,884	19.73
2016-2017	66,101,582	279,624,524	23.63
2017-2018	78,136,838	297,756,860	26.24
2018-2019	92,118,658	489,912,041	18.80
2019-2020	9,98,23,150	66,07,99,127	15.10

Figure 4.7 Administrative expense ratio of KSDP Ltd for 5 Years



Interpretation: Administrative expense ratio of Kerala state Drugs and Pharmaceuticals Ltd shows that in 2017-2018 is higher than other years. Least ratio shows in 2019-20. It is satisfactory to the firm.

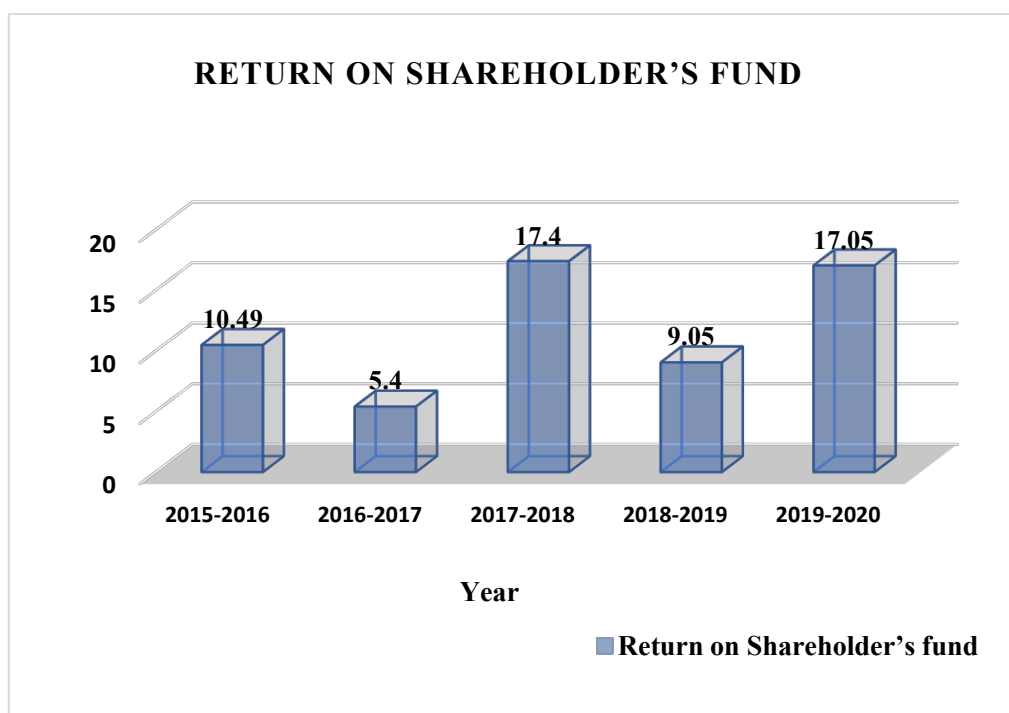
5. RETURN ON SHAREHOLDER’S FUND

Return on Shareholder’s fund = Net Profit Before Interest and Tax/ Shareholders ‘fund *100

Table No. 4.8 Return on Shareholder’s fund of KSDP Ltd for 5 Years

Year	Net Profit Before Interest and Tax	Shareholders ‘fund	Return on Shareholder’s fund
2015-2016	96,117,818	(915,501,737)	10.49
2016-2017	(52,339,345)	(967,841,082)	5.40
2017-2018	51,747,531	297,341,248	17.40
2018-2019	29,776,117	328,910,175	9.05
2019-2020	6,78,94,662	39,80,98,707	17.05

Figure 4.8 Showing Return on Shareholder’s fund of KSDP Ltd for 5 Years



Interpretation: It shows the relationship between profits available to the shareholders and shareholder’s fund. It measures the profitability from the shareholders point of view. It helps the shareholders and potential investors to judge the earnings of the company in relation to the funds invested by them. Higher the ratio, better the financial position. Return on shareholders fund shows increasing trend. During the year 2018-19 ratio will be 9.05 % it is increased to 17.5%. Hence it shows the better financial position of the company.

6. RETURN ON EQUITY

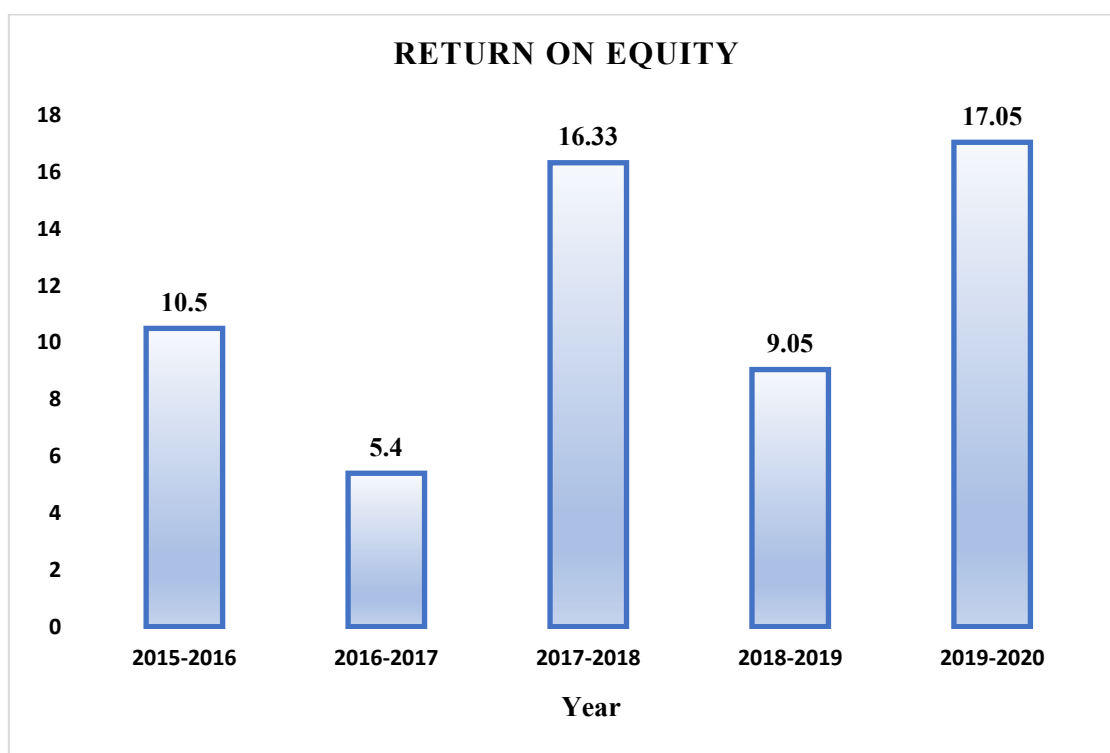
Return on Equity = Net Profit After Interest and Tax/Equity Shareholders 'fund*100

Equity Shareholder's Fund = Share capital + Reserve and Surplus – Fictitious assets.

Table No. 4.9 Return on Equity of KSDP Ltd for 5 Years

Year	Net Profit After Interest and Tax	Equity Shareholders 'fund	Return on Equity
2015-2016	96,354,723	(915,501,737)	10.5
2016-2017	(52,339,345)	(967,841,082)	5.40
2017-2018	48,582,330	297,341,248	16.33
2018-2019	29,776,117	328,910,175	9.05
2019-2020	6,78,94,662	39,80,98,707	17.05

Figure 4.9 Return on Equity of KSDP Ltd for 5 Years



Interpretation: It establishes the relationship between net profit and equity shareholder's fund. This ratio is an important factor in determining the market value of shares. Higher the ratio, better is the financial position and vice versa. During the year 2018-19 the ratio will be 9.05 % it is increased to 17.05%. Hence the ratio indicates better financial position of KSDP Ltd.

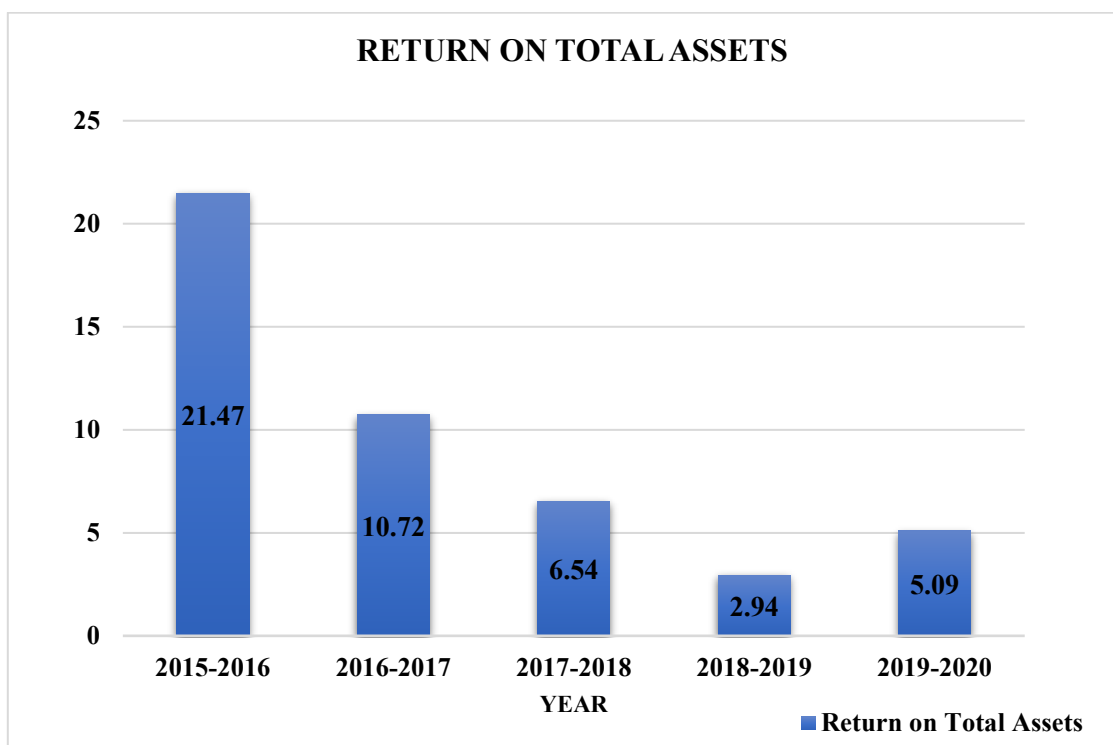
7. RETURN ON TOTAL ASSETS

Return on Total Assets = Net Profit After Interest and Tax/ Total Assets*100

Table No. 4.10 Return on Total Assets of KSDP Ltd for 5 Years

Year	Net Profit After Interest and Tax	Total Assets	Return on Total Assets
2015-2016	96,354,723	448,761,880	21.47
2016-2017	(52,339,345)	487,797,777	10.72
2017-2018	48,582,330	741,894,894	6.54
2018-2019	29,776,117	1,009,360,681	2.94
2019-2020	6,78,94,662	1,33,18,26,885	5.09

Figure 4.10 Return on Total Assets of KSDP Ltd for 5 Years



Interpretation: Return on Total Assets establishes the relationship between net profit and total assets of the company. It measures the earnings of the company in relation to total assets. Higher ratio indicates better position and lower ratio indicates poor financial position. During the year 2015-2016 shows higher ratio. 2016-19 ratio shows decreasing trend. In the year 2019-2020 ratio will be increased to 5.09%. The increasing trend shows better position of the firm.

8. RETURN ON INVESTMENT (RETURN ON CAPITAL EMPLOYED)

Return on Investment = Net profit Before Interest, Tax and Dividend/Capital Employed*100

Calculation of capital employed:

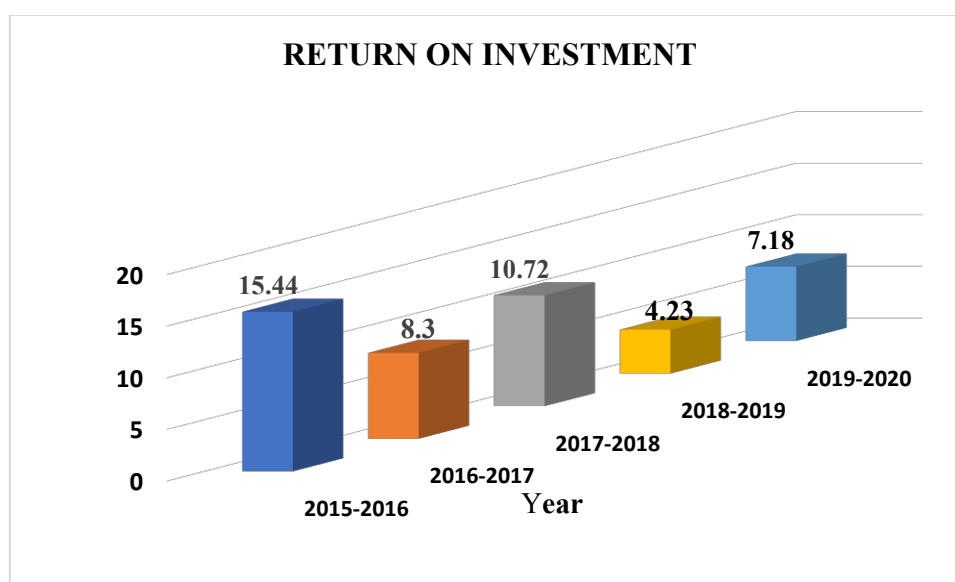
Liability side approach: Capital employed = (Equity share capital + Preference share capital + Reserve and Surplus+ Long term liabilities)- Fictitious assets

Asset side approach: Capital employed = Non-current assets+ Working Capital (Current Assets- Current Liabilities)

Table No. 4.11 Return on Investment of KSDP Ltd for 5 Years

Year	Net profit Before Interest, Tax and Dividend	Capital Employed	Return on Investment
2015-2016	96,117,818	(622,133,311)	15.44
2016-2017	(52,339,345)	(629,838,487)	8.30
2017-2018	51,747,531	482,312,442	10.72
2018-2019	29,776,117	702,724,696	4.23
2019-2020	6,78,94,662	944,664,432	7.18

Figure 4.11 Return on Investment of KSDP Ltd for 5 Years



Interpretation: This ratio shows the relationship between profits earned and capital employed. This is an indicator of overall profitability and efficiency of a business. This ratio shows the overall utilisation of funds by a business enterprise. Higher the ratio, better will be the position and vice

versa. During the year 2018-2019 shows least ratio 4.23 % and 2019-20 ratio will be increased to 7.18 %. Hence the ratio is favourable to the company.

C. LEVERAGE RATIOS/ LONG TERM SOLVENCY RATIOS

Solvency means the ability of the company to repay its outside liabilities. Solvency Ratios are those ratios which evaluate the company's ability to meet its long-term liabilities. It establishes the relationship between owned fund and loaned funds. It measures the long-term financial position of the company.

1. DEBT- EQUITY RATIO

Debt -Equity Ratio = Long Term Debt/ Shareholder's fund OR

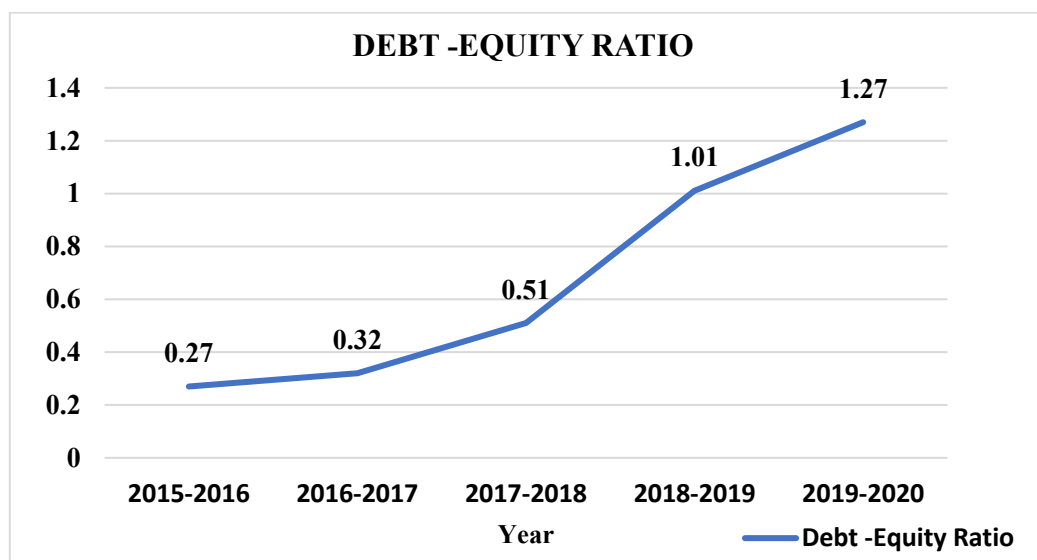
External Liabilities include both long term debt and current liabilities.

Shareholders fund = Non-current assets +Working capital- non-current liabilities

Table No. 4.12 Debt -Equity Ratio of KSDP Ltd for 5 Years

Year	Long Term Debt	Shareholder's fund	Debt -Equity Ratio
2015-2016	255,275,028	(915,501,737)	0.27
2016-2017	308,790,557	(967,841,082)	0.32
2017-2018	151,011,086	297,341,24 8	0.51
2018-2019	332,956,736	328,910,175	1.01
2019-2020	50,53,58,029	39,80,98,707	1.27

Figure 4.12 Debt -Equity Ratio of KSDP Ltd for 5 Years



Interpretation: Debt -Equity ratio indicates the proportion of debt fund in relation to equity or owner’s fund. It measures the relative claim of outsider’s and the owners against the firm’s asset. It reveals the long-term solvency position of the business. Higher ratio is favourable to shareholders as it magnifies their earnings.it is unfavourable to the firm as it is difficult to get credit for high debt companies. The ideal ratio is 2: 1. Debt -Equity ratio of Kerala State Drugs and Pharmaceuticals Ltd is very low in 2015-17. After that it is slightly increased to 1.01% in 2020 ratio will be 1.27 %. Hence the ratio shows favourable to

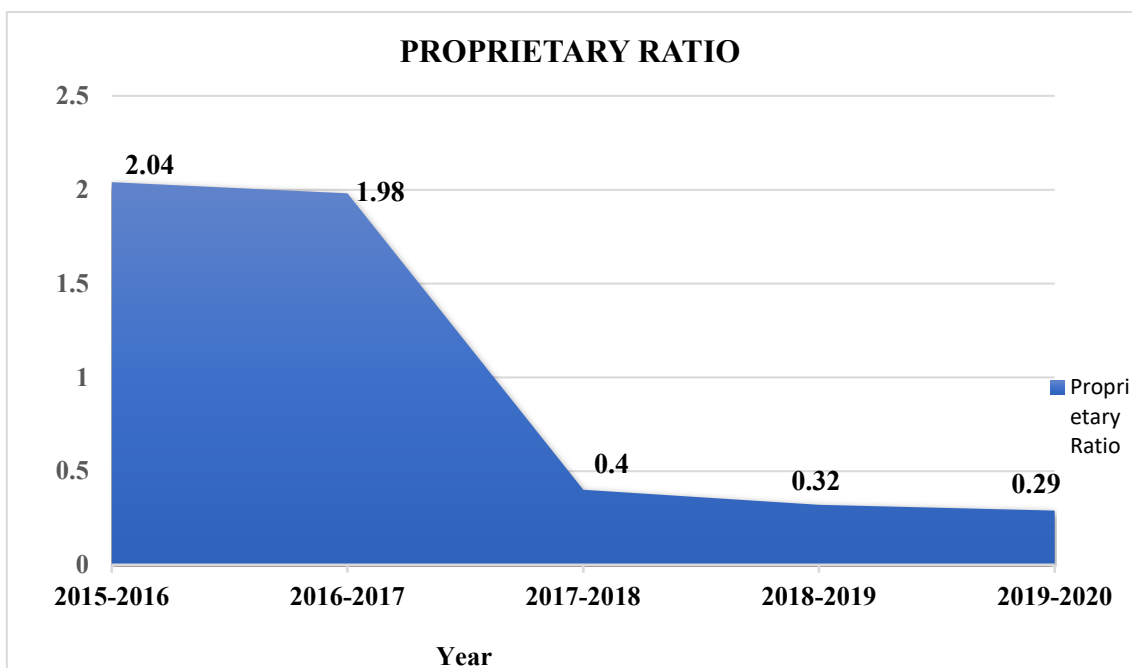
2. PROPRIETARY RATIO

Proprietary Ratio = Shareholders Fund /Total Assets

Table No. 4.13 Proprietary Ratio of KSDP Ltd for 5 Years

Year	Shareholder’s fund	Total Assets	Proprietary Ratio
2015-2016	(915,501,737)	448,761,880	2.04
2016-2017	(967,841,082)	487,797,777	1.98
2017-2018	297,341,248	741,894,894	0.40
2018-2019	328,910,175	1,009,360,681	0.32
2019-2020	39,80,98,707	1,33,18,26,885	0.29

Figure 4.13 Proprietary Ratio of KSDP Ltd for 5 Years



Interpretation: Proprietary ratio establishes relationship between proprietor’s fund or shareholder’s fund and total asset. This ratio represents the percentage of owner’s capital to the total capital of the firm. Higher ratio indicates a secured position to the lender. Firm’s proprietary shows decreasing trend. Hence the solvency position of the company is not satisfactory.

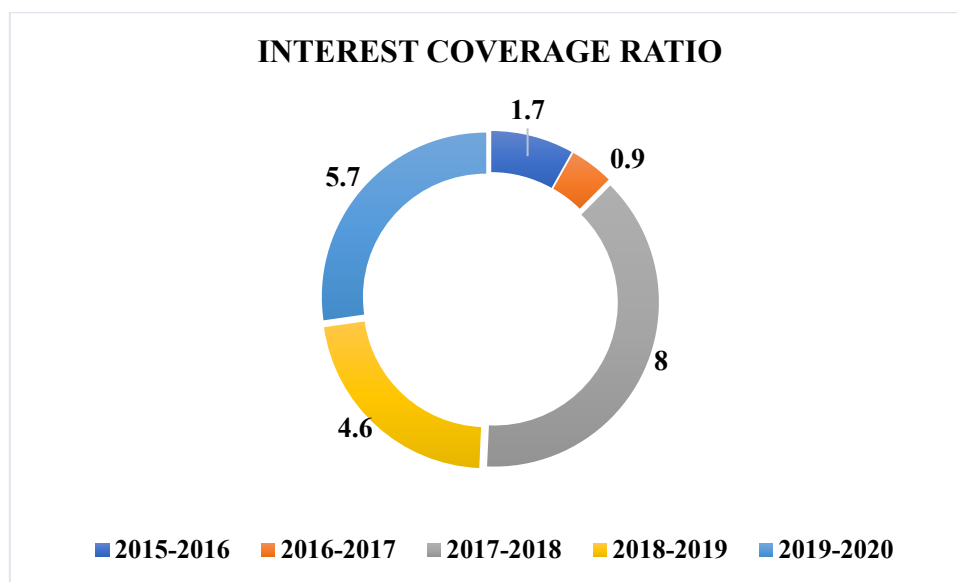
3. INTEREST COVERAGE RATIO

Interest Coverage Ratio = Earnings before Interest and Tax (EBIT)/ Fixed Interest

Table No. 4.14 Interest Coverage Ratio of KSDP Ltd for 5 Years

Year	EBIT	Fixed Interest	Interest Coverage Ratio
2015-2016	96,117,818	5,63,20,877	1.70
2016-2017	5,23,39,345	5,65,07,199	0.9
2017-2018	51,747,531	6,416,139	8.0
2018-2019	29,776,117	6,373,402	4.6
2019-2020	6,78,94,662	1,17,79,157	5.7

Figure 4.14 Interest Coverage Ratio of KSDP Ltd for 5 Years



Interpretation: Interest Coverage ratio establishes the relationship between profit before interest and tax and interest charges. The ratio indicates how many times the interest charges are covered by the net profit available to pay interest charges. High ratio is favourable to long term lenders and the company’s risk is lesser as it is in a better position to pay off interest. Lower ratio is unfavourable to long term lenders and to the company as there is nothing to pay as dividend to shareholders. The ratio

6 or 7 times is considered as most appropriate. During the year 2017-2018 shows high ratio. In 2018 ratio will 4.6 % and in 2020 the ratio will be 5.7%.

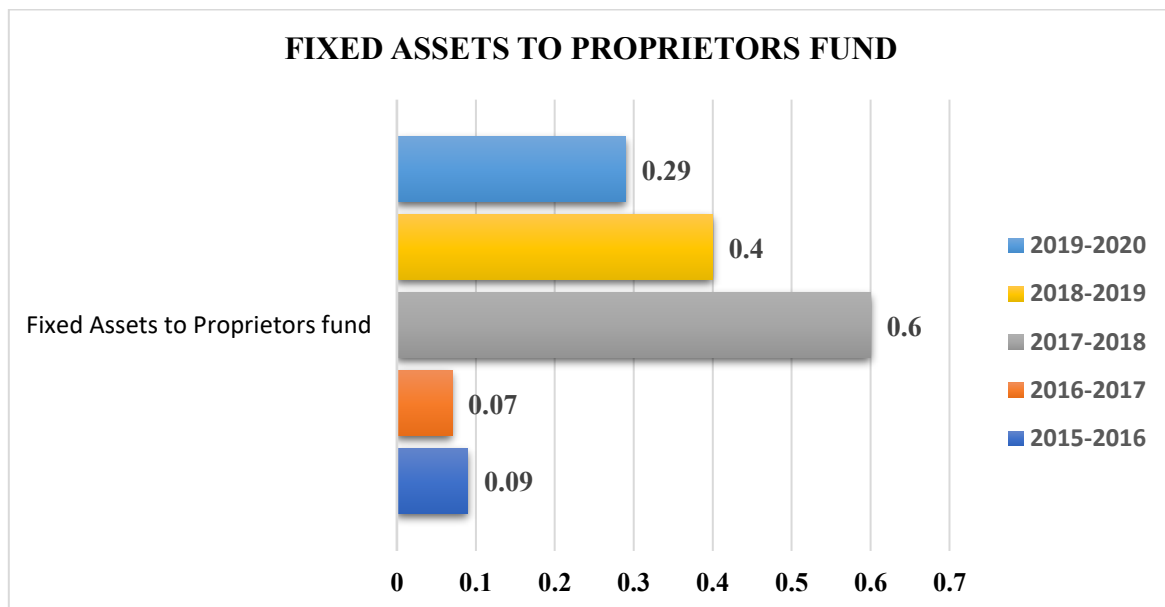
4. FIXED ASSETS TO PROPRIETORS FUND

Fixed Assets to Proprietors fund = Net Fixed Asset/Shareholder’s Fund

Table No. 4.15 Fixed Assets to Proprietors fund of KSDP Ltd for 5 Years

Year	Net Fixed Asset	Shareholder’s Fund	Fixed Assets to Proprietors fund
2015-2016	90,0897,57	(915,501,737)	0.09
2016-2017	70,430,162	(967,841,082)	0.07
2017-2018	180,006,366	297,341,248	0.60
2018-2019	134,047,818	328,910,175	0.40
2019-2020	116,888,879	39,80,98,707	0.29

Figure 4.15 Fixed Assets to Proprietors fund of KSDP Ltd for 5 Years



Interpretation: Fixed Assets to Proprietors fund establishes relationship between fixed asset and shareholder’s fund. It indicates the percentage of owner’s fund invested in fixed assets. The ideal ratio is 0.75: 1. Higher the ratio means there is no outside liability. All the funds employed are those of shareholders. Lower the ratio i.e., below 0.5 leads to under capitalisation. Which means shareholders’ funds are not properly invested in fixed assets. In the year 2015-2017 shows very low ratio. 2017- 2020 shows increasing trend.

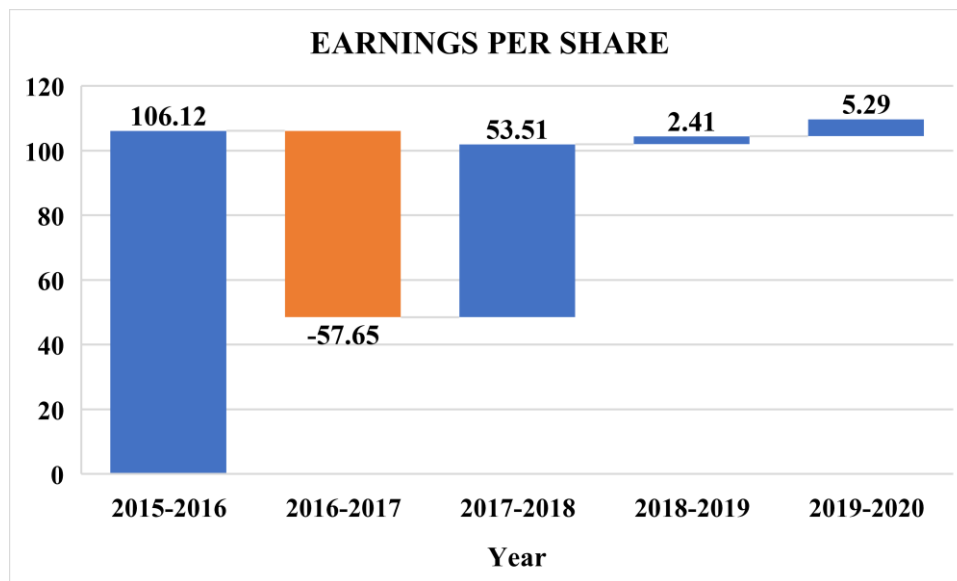
5. EARNINGS PER SHARE (EPS)

Earnings Per Share = Earnings After Interest, Tax & Preference Dividend / Number of equity share

Table No. 4.16 Earnings Per Share of KSDP Ltd for 5 Years

Year	Earnings After Interest & tax	Number of equity share	Earnings Per Share
2015-2016	96,354,723	9,07,940	106.12
2016-2017	(52,339,345)	9,07,940	(57.65)
2017-2018	48,582,330	9,07,940	53.51
2018-2019	3,15,68,926	13,073,940	2.41
2019-2020	6,91,88,532	13,073,940	5.29

Figure 4.16 Earnings Per Share of KSDP Ltd for 5 Years



Interpretation: Company's earnings per share measures the profit available to equity shareholders per share. It shows the capacity of business to pay dividend to its equity shareholders, and also helps in determining the market price of equity share. In 2015-16 shows high ratio in 2016-17 ratio will be negative. in 2018-19 ratio is 2.41%, it is increased to 5.29%.

D. ACTIVITY RATIOS

The turnover ratios disclose the relationship between the level of sales or cost of goods sold and the investments in various assets. It indicates the speed with which assets are being converted into revenue. The turnover ratios reveal how well and efficiently the assets of the company are being

utilized. Higher turnover ratio means better utilization of assets which reflects higher efficiency and profitability.

1. INVENTORY TURNOVER RATIO (STOCK TURNOVER OR STOCK VELOCITY)

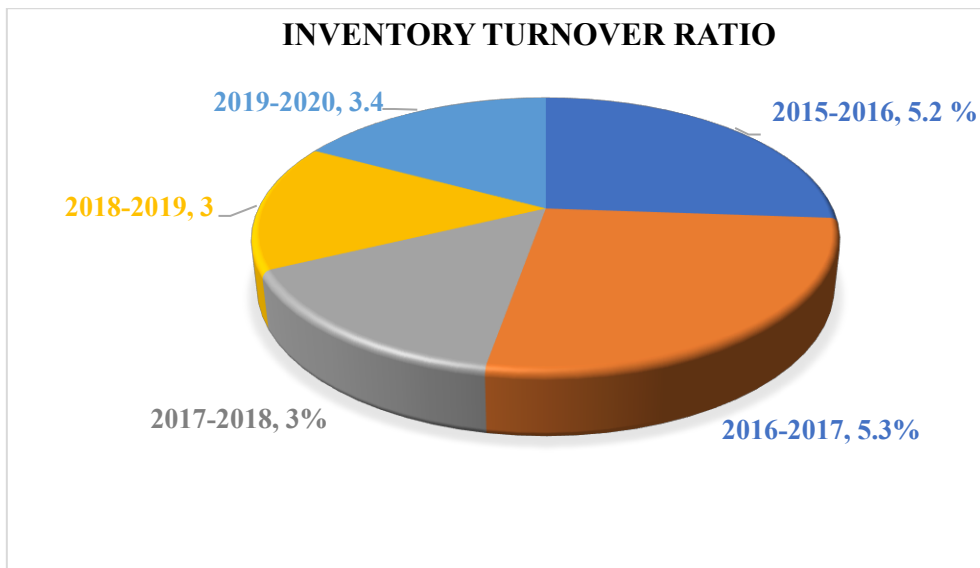
Inventory Turnover Ratio = Cost of goods sold (Cost of revenue from operation)/ Average inventory

Average Inventory = Opening stock + Closing stock/2

Table No. 4.17 Inventory Turnover Ratio of KSDP Ltd for 5 Years

Year	Cost of revenue from operation	Average inventory	Inventory Turnover Ratio
2015-2016	267,704,884	50781169	5.2
2016-2017	27,96,24,524	52,297,509.5	5.3
2017-2018	297,756,860	96,320,398	3.0
2018-2019	489,912,041	158,163,539.5	3.0
2019-2020	66,07,99,127	190,041702.5	3.4

Figure 4.17 Inventory Turnover Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio indicates the relationship between the cost of revenue from operations during the year and average inventory kept during the year. This ratio is employed to measure how quickly stock is converted into sales. Higher the ratio indicates efficiency and profitability. Lower the ratio indicates that the concern is not selling its stock quickly. Inventory Turnover ratio of KSDP Ltd

shows subsequent decrease in three years. So, it is not satisfactory and shows that there is a need for efficient management of inventory in the firm.

2. DEBTORS TURNOVER RATIO (TRADE RECEIVABLES TURNOVER RATIO)

Debtors Turnover Ratio = Net Credit Revenue from Operation / Average Trade Receivables

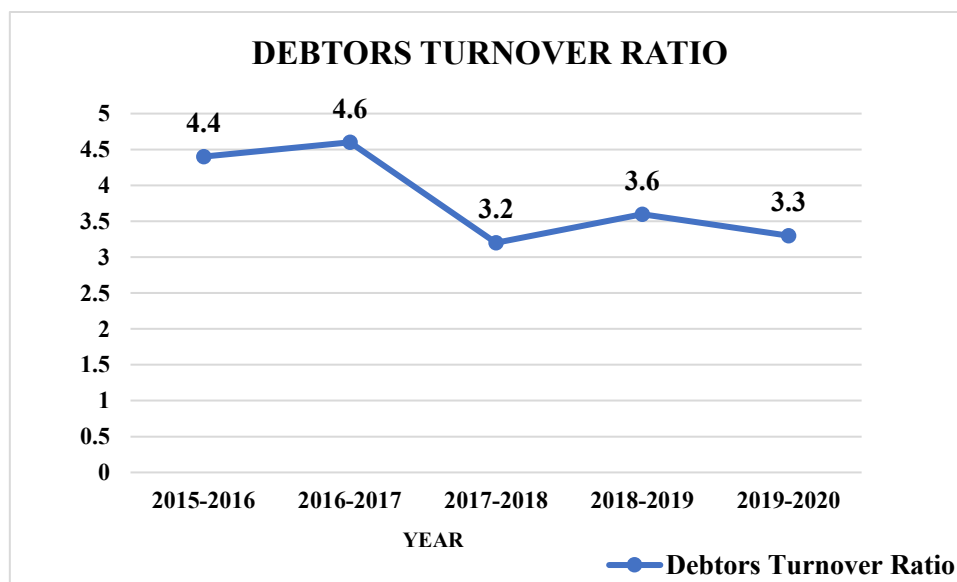
Net credit revenue from operation = Total sales- cash sales-sales returns (Net credit sales)

Average Trade Receivables = Opening Trade Receivables + Closing Trade Receivables

Table No. 4.18 Debtors Turnover Ratio of KSDP Ltd for 5 Years

Year	Net Credit Revenue from Operation	Average Trade Receivables	Debtors Turnover Ratio
2015-2016	267,704,884	60,377,228	4.4
2016-2017	27,96,24,524	60,070,499.5	4.6
2017-2018	297,756,860	91,234,452	3.2
2018-2019	489,912,041	132,844,733.5	3.6
2019-2020	66,07,99,127	199,321,524	3.3

Table No. 4.18 Debtors Turnover Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio expresses the relationship between net credit sales and average account receivables. This ratio indicates the speed which the amount is collected from trade receivables. It also indicates the efficiency of credit collection and efficiency of credit policy. The higher ratio means the amount from trade receivable is being collected more quickly. It indicates less risk from debtors

and ensures liquidity. A lower ratio indicates the inefficient credit sales policy of the management. During the year 2016-17 shows higher ratio as compared to other years after that ratio shows decreasing trend. Hence it is not satisfactory to the firm.

3. CREDITORS TURNOVER RATIO (TRADE PAYABLES TURNOVER RATIO)

Creditors Turnover Ratio = Net Credit Purchases / Average Trade payables

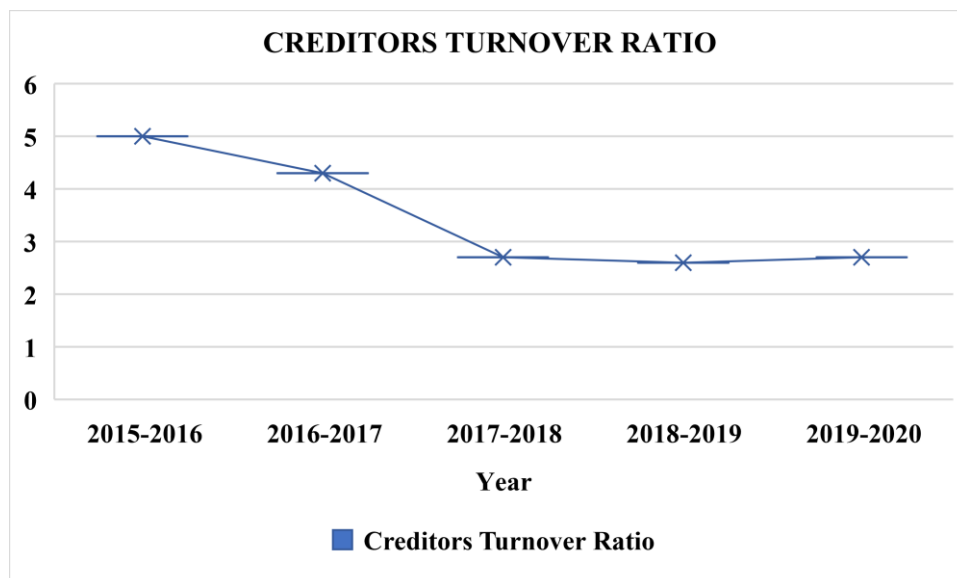
Net Credit purchases = Total Purchases- cash purchases- purchase returns

Average Trade Payables = Opening Trade Payables+ Closing Trade Payables/2

Table No. 4.19 Creditors Turnover Ratio of KSDP Ltd for 5 Years

Year	Net Credit Purchases	Average Trade payables	Creditors Turnover Ratio
2015-2016	171,159,486	33,820,345	5.0
2016-2017	196,395,549	45,184,946	4.3
2017-2018	242,951,476	89,370,880.5	2.7
2018-2019	353,325,246	134,190,216	2.6
2019-2020	402,910,512	145,656,984.5	2.7

Figure 4.19 Creditors Turnover Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio expresses the relationship between net profit purchases and average trade payables. This ratio indicates whether the company is making payment to creditors in time. Higher ratio means that the company enjoys lower credit period and creditors are being paid promptly. Lower ratio means the company enjoys a larger period of credit and it shows better position of liquidity. The

above table and graph show 2015-2016 higher ratio and next years it is decreased. 2019-20 the ratio will be 2.7%. So, the ratio shows the better liquidity position of KSDP Ltd.

4. WORKING CAPITAL TURNOVER RATIO

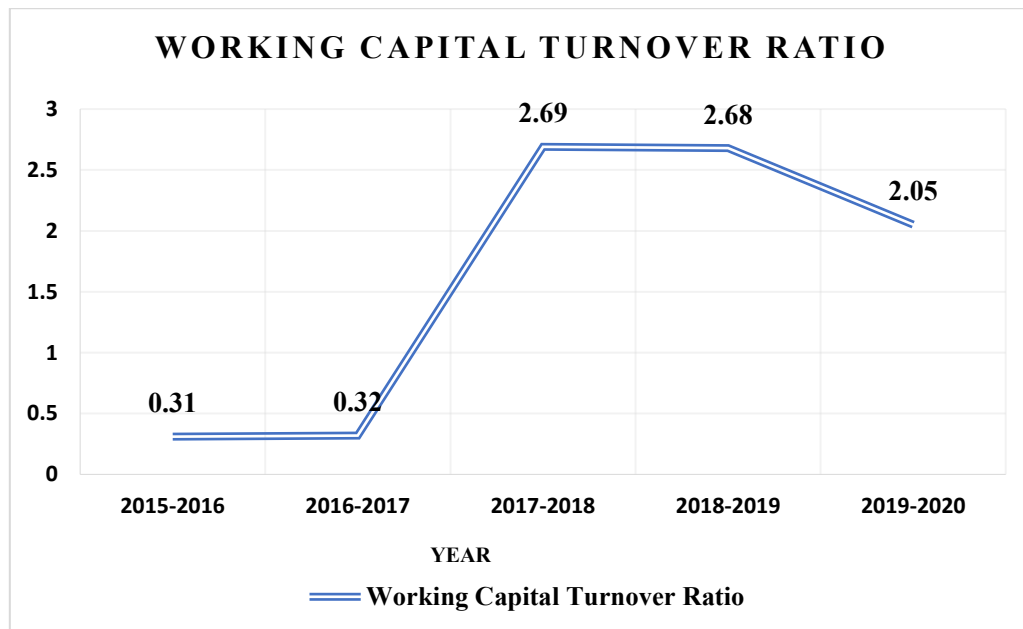
Working Capital Turnover Ratio = Net Revenue from operations/ Net Working Capital

Net Working Capital = Current Assets – Current Liabilities

Table No. 4.20 Working Turnover Ratio of KSDP Ltd for 5 Years

Year	Net Revenue from operations	Net Working Capital	Working Capital Turnover Ratio
2015-2016	267,704,884	(853,326,168)	0.31
2016-2017	27,96,24,524	(854,614,572)	0.32
2017-2018	297,756,860	110577957	2.69
2018-2019	489,912,041	182741188	2.68
2019-2020	66,07,99,127	320922797	2.05

Figure 4.20 Working Turnover Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio establishes the relationship between revenue from operation (Net Sales) and networking capital.it indicates the number of times the working capital is converted into sales. A higher ratio shows efficient use of working capital and quick turnover of current assets. A low ratio indicates underutilisation of working capital. Working capital turnover ratio of KSDP Ltd shows a

subsequent decrease in last three years. It is not considered as satisfactory. Hence the ratio shows there is a need for efficient management of working capital.

5. CAPITAL TURNOVER RATIO

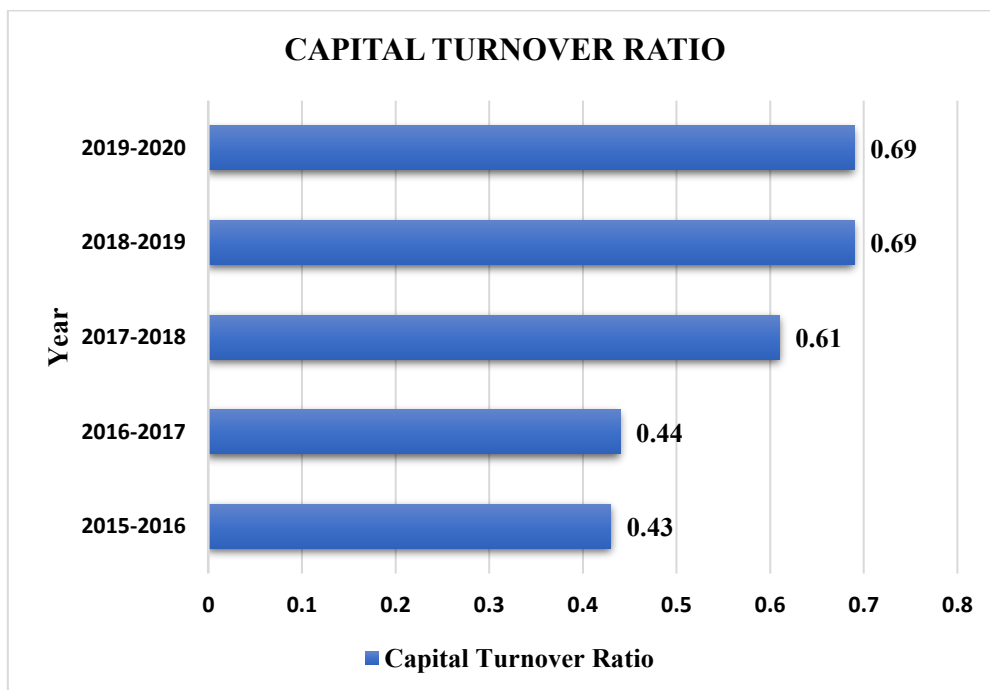
Capital Turnover Ratio = Net Revenue from operations (Net Sales)/Capital Employed

Capital Employed = Share capital + Reserve and Surplus + Long Term Borrowings-Fictitious Assets

Table No. 4.21 Capital Turnover Ratio of KSDP Ltd for 5 Years

Year	Net Sales	Capital Employed	Capital Turnover Ratio
2015-2016	267,704,884	(622,133,311)	0.43
2016-2017	27,96,24,524	(629,838,487)	0.44
2017-2018	297,756,860	482,312,442	0.61
2018-2019	489,912,041	702,724,696	0.69
2019-2020	66,07,99,127	944,664,432	0.69

Figure 4.21 Capital Turnover Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio shows the relationship between net sales and capital employed in the business. The ratio ensures whether the capital employed has been effectively used or not. Higher ratio indicates efficient rotation of capital and higher profitability. Lower ratio indicates the capital employed is not utilised properly. Company’s capital turnover ratio shows increasing trend. In 2018-

19 and 2019-20 ratio is same i.e., 0.69 %. So, the ratio is favourable as compared to other years. KSDP Ltd utilised their capital employed properly.

6. FIXED ASSETS TURNOVER RATIO

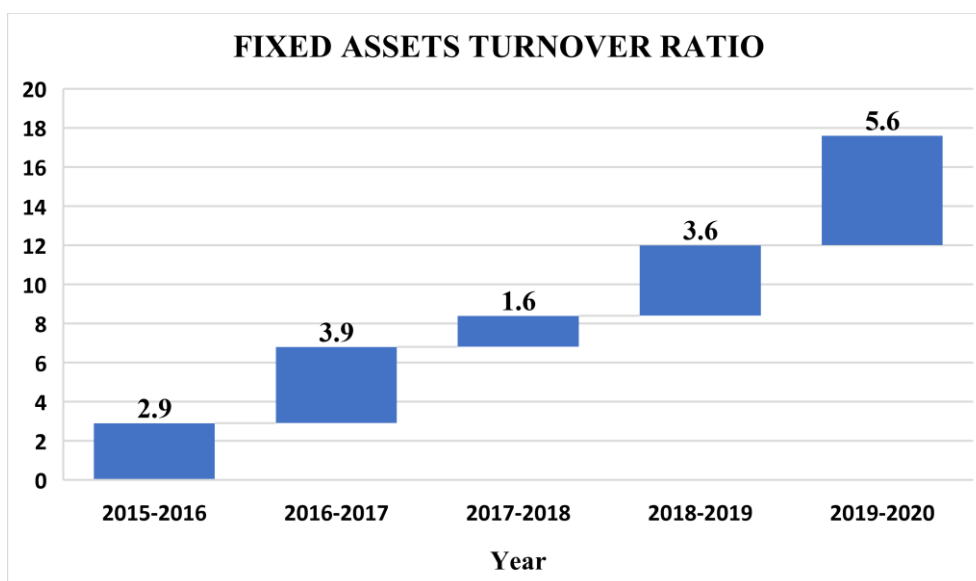
Fixed Assets Turnover Ratio = Net Sales / Net Fixed Assets

Net fixed assets = Gross fixed assets – Total Depreciation

Table No. 4.22 Fixed Assets Turnover Ratio of KSDP Ltd for 5 Years

Year	Net Sales	Net Fixed Assets	Fixed Assets Turnover Ratio
2015-2016	267,704,884	90,0897,57	2.9
2016-2017	27,96,24,524	70,430,162	3.9
2017-2018	297,756,860	180,006,366	1.6
2018-2019	489,912,041	134,047,818	3.6
2019-2020	66,07,99,127	116,888,879	5.6

Figure 4.22 Fixed Assets Turnover Ratio of KSDP Ltd for 5 Years



Interpretation: This ratio establishes the relationship between net sales and net fixed assets. It determines whether the investments made in fixed assets have really helped in generating sales. Higher ratio indicates effective utilisation of fixed assets. Lower ratio indicates under utilisation of fixed assets. Here, table and graph show 2017-2018 very low ratio and it is increased as 3.6% in 2019 and 5.6 % in 2020. Hence the fixed assets turnover ratio of KSDP Ltd indicates the efficient utilisation of fixed assets.

CHAPTER 5
FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

The findings of the study on the basis of analysis can be summarized as follows:

❖ **Liquidity position of the company**

Short term solvency position of the Kerala State Drugs and Pharmaceuticals Ltd is not satisfactory. It is mainly due to the current ratio of the company is below the accepted standard of 2:1. Quick Ratio is also below the normal standard of 1:1. So, liquid assets are not quite sufficient to meet liability. The more rigorous ratio i.e., absolute liquid ratio is below the standard ratio 0.5:1. Therefore, the company needs to improve its short-term financial position.

❖ **Solvency position of the company**

There are five types of solvency ratios of KSDP Ltd. were worked out and analyzed.

- Debt- Equity ratio of the company shows increasing trend during the five period of study.so, the ratio shows a satisfactory ratio. It reveals the long-term solvency position of the business is good. Higher ratio is favourable to shareholders as it magnifies their earnings.
- Firm's proprietary shows decreasing trend. Hence the solvency position of the company is not satisfactory.
- Interest coverage ratio shows higher than previous year. High ratio is favourable to long term lenders and the company's risk is lesser as it is in a better position to pay off interest.
- Fixed Assets to Proprietors fund shows very low ratios. The firm still needs improvement. Which means shareholders' funds are not properly invested in fixed assets.
- Company's earnings per share measures the profit available to equity shareholders per share. It shows the capacity of business to pay dividend to its equity shareholders, and also helps in determining the market price of equity share. The ratio is satisfactory to the firm.

❖ **Profitability of the company**

The eight types of profitability ratios of KSDP Ltd were worked out and analyzed.

- Gross profit ratio reveals that decreasing trend. Hence it is not satisfactory to the firm. So, the ratio implies poor profitability position of the concern.
- Net profit ratio reveals the increasing trend shows better profitability of the company. The ratio will be increased as compared to previous year. Companies Operating ratio is favourable as compared to previous years.

- Administrative expense consumes a major part of the total expenses. The administrative expense ratio reveals decreasing trend. So, the least ratio shows satisfactory to the firm. Administrative expenses consume a less portion compared to other expenses.
- Return on equity and Return on shareholder's fund reveals satisfactory to the shareholders and for the firm.
- Return on total assets and Return on capital employed ratio shows better position of the company. KSDP utilise the fund effectively.

❖ **Resource utilization of the company**

There are six types of activity ratios of KSDP Ltd. were worked out and analyzed.

- Inventory Turnover ratio of KSDP Ltd shows subsequent decrease in three years. So, it is not satisfactory and it indicates that there is a need for efficient management of inventory to the firm.
- Debtors Turnover ratio during the year 2016-17 shows higher ratio as compared to other years after that ratio shows decreasing trend. Hence it is not satisfactory to the firm. This lower ratio indicates the inefficient credit sales policy of the management.
- Creditors Turnover ratio shows decreasing trend. So, the lower ratio means the company enjoys a larger period of credit and it shows better position of liquidity.
- Working capital turnover ratio of KSDP Ltd shows a subsequent decrease in last three years. It is not considered as satisfactory. Hence the ratio shows there is a need for efficient management of working capital.
- Company's capital turnover ratio shows increasing trend. In 2018-19 and 2019-20 ratio is same i.e., 0.69 %. So, the ratio is favourable as compared to other years. KSDP Ltd utilised their capital employed properly.
- Fixed assets turnover ratio of KSDP Ltd indicates the efficient utilisation of fixed assets. It determines whether the investments made in fixed assets have really helped in generating sales.

5.2 SUGGESTIONS

Based on the Study conducted, some of the suggestions are as follows:

1. KSDP is not utilizing its full capacity because company has limited its operation to government supplies and is not in brand sales. So, the company need to develop a strong marketing network to achieve brand sales.
2. Company should focus more on the management of working capital, inventory, accounts receivables and accounts payable.
3. Increase the profitability position of the KSDP by increasing sales price of the product.
4. The company may prepare budget for each activity which will provide a better control.
5. Introduction of ERP will enable to streamline inventory cost. Automation can bring down manpower cost, take up many products for manufacturing, proper production scheduling. And it ensuring continuous stream of orders will streamline production and reduce cost.
6. KSDP has no presence in open market. So that the company may introduce open market sale and try to develop a strong brand power.
7. Company needs to more efficiently utilize the assets in order to generate income.
8. To develop a line of franchisee stores for supply of generic medicines at reasonable prices so that people below poverty line have easy access to quality medicines at affordable prices.
9. The company needs to increase their profit in order to safeguard the interest of the employees and better productivity.
10. The company can also leverage its strength of being a preferred supplier to government of Kerala by getting into strategic tie ups with SMEs in Kerala operating in medical equipment sector.
11. KSDP has Limited product range. Try to develop a wide range of product lines increases the chances of satisfying more customers and can improve productivity.

5.3 CONCLUSION

Kerala State Drugs and Pharmaceuticals Ltd manufacture and supply essential drugs to the Government Hospitals in the State of Kerala. KSDP was supplying directly to the Department of Health in the initial years and started supply through KMSCL since 2010. The company has following facilities for manufacturing of medicines as on date.

- A dedicated WHO certified Betalactam Plant
- A cGMP certified Non Betalactam Plant
- An NABL accredited laboratory
- Non Betalactam Injection Plant

KSDP is operating GMP complaint formulation facilities and are committed to meet safety, health and environment protocols. KSDP has standard operating procedures for formulation activities. Committed to safety and health protocols, KSDP has separate manufacturing facilities for Betalactam and Non Betalactam range and interchanging of products is not permitted. KSDP conducts periodic medical checkup for the employees and ensure that they wear protective gear when they enter the plant. The corridors are sanitized and all the requirements as per “Good Manufacturing practices” for pharma industry are complied. The organization is on track to achieve the status of a major pharmaceutical establishment in the state.

In the present study examined the financial performance of Kerala State Drugs and Pharmaceuticals Ltd for the period of 2015-2016 to 2019-2020. Ratio analysis is the method used to analyse the financial performance. During the period of study there were a few ups and downs in the profitability but it did not affect the operations of the company to a great extent. It is been observed from the study that KSDP Ltd performs well, but needs some improvement in management of working capital and inventory. So, company has to invest further capital and has to do more sales, then only it will improve its performance level. This study helped me to know about the various factors affecting and challenges faced by the company and also helps in understanding the importance of financial management and analysing the overall performance of the company.

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APPENDIX A -BALANCE SHEET

KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA			
BALANCE SHEET AS AT 31-3-2020			
	Note No.	As at 31-3-2020 Amount (Rs.)	As at 31-3-2019 Amount (Rs.)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	1,30,73,94,000	1,30,73,94,000
Capital Advance		-	-
Reserves and Surplus	3	(90,92,95,293)	(97,84,83,825)
		39,80,98,707	32,89,10,175
Non-Current Liabilities			
Long Term Borrowings	4	50,53,58,029	33,29,56,736
Deferred Tax Liability (Net)	5	78,521	13,72,391
Other Long-term Liabilities	6	4,11,29,176	3,94,85,395
		54,65,65,726	37,38,14,522
Current Liabilities			
Trade Payables	7	15,00,44,918	14,12,69,051
Other Current Liabilities	8	23,21,69,571	16,05,10,732
Short Term Provisions	9	49,47,963	48,56,202
		38,71,62,453	30,66,35,985
		1,33,18,26,885	1,00,93,60,681
ASSETS			
Non- Current Assets			
Tangible Assets	10	14,45,79,282	16,67,59,493
Capital Work in Progress		40,55,43,979	31,77,36,202
Long Term Loans and Advances	11	7,36,18,374	3,54,56,864
		62,37,41,635	51,99,52,559
Current Assets			
Inventories			18,96,38,862
Trade Receivables	12	19,04,44,543	15,76,25,622
Cash and Cash Equivalents	13	24,10,17,426	3,62,82,224
Short Term Loans and Advances	14	18,21,99,621	10,53,62,938
Other Current Assets	15	9,38,10,416	4,98,476
	16	6,13,243	
		70,80,85,250	48,94,08,122
		1,33,18,26,885	1,00,93,60,681

**KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA
BALANCE SHEET AS AT 31-3-2018**

	Note No.	As at 31-3-2018 Amount (Rs.)	As at 31-3-2017 Amount (Rs.)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	90,794,000	90,794,000
Capital Advance		1,216,600,00	-
Reserves and Surplus	3	(1,010,052,753)	(1,058,635,082)
		297,341,247	967,841,082
Non-Current Liabilities			
Long Term Borrowings	4	151,011,086	308,790,557
Deferred Tax Liability (Net)	5	3,165,201	-
Other Long-term Liabilities	6	30,794,908	29,212,038
		184,971,195	338,002,595
Current Liabilities			
Trade Payables	7	127,111,381	51,630,380
Other Current Liabilities	8	126,578,527	1,060,609,549
Short Term Provisions	9	5,892,544	5,396,335
		259,582,452	1,117,636,264
		741,894,894	487,797,777
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	10	195,053,133	88,812,860
Tangible Assets		123,044,228	113,507,511
Capital Work in Progress	11	53,637,124	22,455,714
Long Term Loans and Advances			
		371,734,485	224,776,085
Current Assets			
Inventories	12	126,688,218	65,952,578
Trade Receivables	13	108,063,844	74,405,060
Cash and Cash Equivalents	14	53,142,275	69,704,120
Short Term Loans and Advances	15	83,113,765	52,727,536
Other Current Assets	16	152,307	232,398
		370,160,409	263,021,692
		741,894,894	487,797,777

KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA
BALANCE SHEET AS AT 31-3-16

	Note No.	As at 31-3-2016 Amount (Rs.)	As at 31-3-2015 Amount (Rs.)
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	2	90,794,000	1,30,73,94,000
Reserves and Surplus	3	(1,006,295,737)	(1,102,650,460)
		(915,501,737)	(1,011,856,460)
Non-Current Liabilities			
Long Term Borrowings	4	255,275,028	356,471,354
Deferred Tax Liability (Net)	5	-	236,905
Other Long-term Liabilities	6	38,093,398	38,177,699
		293,368,426	394,885,958
Current Liabilities			
Trade Payables	7	38,379,512	28,901,178
Other Current Liabilities	8	1,030,354,190	1,022,043,427
Short Term Provisions	9	1,801,489	1,893,877
		1,070,895,191	1,052,838,482
		448,761,880	435,867,980
ASSETS			
Non- Current Assets			
Tangible Assets	10	105,379,142	81,570,095
Capital Work in Progress		103,488,798	113,319,033
Long Term Loans and Advances	11	22,324,917	16,378,476
		231,192,857	211,267,604
Current Assets			
Inventories	12	38,642,441	62,919,897
Trade Receivables	13	45,735,939	75,018,517
Cash and Cash Equivalents	14	91,402,611	50,820,358
Short Term Loans and Advances	15	41,465,592	35,841,604
Other Current Assets	16	322,440	-
		217,569,023	224,600,376
		448,761,880	435,867,980

APPENDIX B - PROFIT AND LOSS ACCOUNT

KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA			
STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH 2020			
	Note No.	Year Ended 31.3.2020 Rs	Year Ended 31.3.2019 Rs
Revenue from operations (gross)	17	66,07,99,127	48,99,12,041
Less: Excise Duty		-	-
Revenue from operations (net)		66,07,99,127	48,99,12,041
Other income	18	67,43,667	1,53,48,636
Total Revenue		66,75,42,794	50,52,60,667
EXPENSES			
Cost of Materials Consumed	19	38,20,88,262	32,88,54,382
Changes in inventories of Finished goods and work in progress	20	2,00,38,754	(3,84,61,862)
Employee Benefit Expenses	21	9,98,23,150	9,21,18,658
Finance Costs	22	1,17,79,157	63,73,402
Depreciation	23	2,76,90,403	3,27,11,675
Other Expenses	24	5,82,28,406	4,72,23,849
Total Expenses		59,96,48,132	46,88,20,104
Profit/(Loss) before Exceptional Items	25	6,78,94,662	3,64,40,573
Exceptional Items			
Creditors written back			(32,26,259)
ROC Fees			98,90,716
Interest on Loans W/back		-	
Profit on Sale of Fixed Assets		-	
Profit/(Loss) before Tax		6,78,94,662	2,97,76,116
Tax Expenses			
Current Tax			
Deferred Tax		12,93,870	17,92,810
Profit/(Loss) for the year		6,91,88,532	3,15,68,926
Earnings per Equity Share (of Rs.100 each/-)			
Basic		5.29	2.41
Diluted		5.29	2.41
Significant Accounting Policies	1		
See accompanying notes forming part of the financial statements			

KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA
STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH 2018

	Note No.	Year Ended 31.3.2018 Rs	Year Ended 31.3.2017 Rs
Revenue from operations (gross)	17	302,377,071	296,368,072
Less: Excise Duty		4,580,211	16,743,548
Revenue from operations (net)		297,756,860	279,624,524
Other income	18	3,046,047	7,308,795
Total Revenue		300,802,907	286,933,319
EXPENSES			
Cost of Materials Consumed	19	215,648,870	187,289,319
Changes in inventories of Finished goods and work in progress	20	(33,456,755)	(18,232,061)
Employee Benefit Expenses	21	78,136,838	66,101,582
Finance Costs	22	6,416,139	56,507,199
Depreciation	23	15,046,767	18,382,698
Other Expenses	24	37,294,811	2,92,23,928
Total Expenses		319,086,650	33,92,72,665
Profit/(Loss) before Exceptional Items	25	(18,283,743)	-
Exceptional Items			
Interest on Loans W/back		56,331,546	-
Profit on Sale of Fixed Assets		13,699,728	
Profit/(Loss) before Tax		51,747,531	(52,339,345)
Tax Expenses			
Current Tax			
Deferred Tax		3,165,201	
Profit/(Loss) for the year		48,582,330	(52,339,345)
Earnings per Equity Share (of Rs.100 each/-)			
Basic		53.51	(57.65)
Diluted		53.51	(57.65)
Significant Accounting Policies See accompanying notes forming part of the financial statements	1		

KERALA STATE DRUGS AND PHARMACEUTICALS LTD, ALAPPUZHA
STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH 2016

	Note No.	Year Ended 31.3.2016 Rs	Year Ended 31.3.2015 Rs
Revenue from operations (gross)	17	283,758,784	239,288,960
Less: Excise Duty		16,053,900	13,830,167
Revenue from operations (net)		267,704,884	225,458,793
Other income	18	2,363,256	6,586,440
Total Revenue		270,068,140	232,045,233
EXPENSES			
Cost of Materials Consumed	19	182,860,727	165,138,156
Changes in inventories of Finished goods and work in progress	20	12,620,259	4,049,046
Employee Benefit Expenses	21	52,819,356	42,231,148
Finance Costs	22	56,320,877	58,170,960
Depreciation	23	15,289,385	15,642,027
Other Expenses	24	26,678,897	27,601,866
Total Expenses		346,678,501	312,833,203
Prior period Items	25	(172,728,179)	(9,365,426)
Profit/(Loss) before Tax		96,117,818	(71,422,544)
Tax Expenses			
Current Tax			
Deferred Tax		(236,905)	(1,161,840)
Profit/(Loss) for the year		96,354,723	(70,260,704)
Earnings per Equity Share (of Rs.100 each/-)			
Basic		106.12	(77.38)
Diluted		106.12	(77.38)
Significant Accounting Policies	1		
See accompanying notes forming part of the financial statements			
