ABSTRACT

India's pharmaceutical industry is now the third largest in the world in terms of volume and ranked 14th in terms of value. It is growing annually at a rate of 8 to 9%. The Indian pharmaceuticals market is expected to reach US$ 55 billion in 2020 from US$ 12.6 billion in 2009. This was stated in a report titled "India Pharma-2020" by McKinsey & Company. Profitability performance analysis of the Indian pharmaceutical sector is immensely useful to stakeholders. Earning profit is essential for survival of the firm. Profitability is the yardstick for measuring the performance of the industry. In this paper an attempt has made to measure the profitability performance and to analyze the impact of selected profitability ratios on ROE of the sample company of Dr. Reddy's Laboratories Limited. For fulfillment of the objectives the data is collected from the annual reports during 2002-03 to 2011-12; the collected data is analyzed and computed to fit for drawing inferences. The correlation and multiple regression analysis were used to find out the impact of selected profitability ratios (Gross Profit, Operating Profit, Net Profit, Earning per Share and Return on Total Assets) on ROE. The result reveals that selected profitability ratios have significant impact on ROE.

KEYWORDS: Earning per Share (EPS), Gross profit (GP), Net Profit (NP), Pharma Sector, Profitability, Return on Equity (ROE) & Return on Total Assets (ROA)