

# **Trend in Debt-Equity Ratio of Select Pharmaceutical Companies in India - An Analytical Overview**

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## **Abstract**

**Purpose of the Study:** The Indian pharmaceutical industry, the largest generic drug provider in the world is selected for analyzing its debt-equity ratio in terms of the presence of a trend, if any. And also to know whether there is any significant difference amongst the select companies with respect to their capital structure choices

**Study design/methodology/approach:** For this study, the top ten pharmaceutical companies listed on the Bombay Stock Exchange (BSE) as of 18<sup>th</sup> April 2019, have been selected. Data for fifteen years, i.e. from 2003-04 to 2017-18 have been collected from the Capitaline database. To know the differences, if any, in the capital structure of the select companies, the Analysis of Variance (ANOVA) has been tested. To identify the trend in the debt-equity ratio, linear trend regression has been run on each of the time-series data. Further, the Mann-Kendall Trend test, a non-parametric test has been conducted to know the presence of any monotonic trend.

**Findings:** Results of the study revealed that Aurobindo pharma had the highest mean debt-equity ratio over the past fifteen years. Results of ANOVA revealed that there is a statistically significant difference amongst the ten select pharmaceutical companies with reference to their debt-equity ratio. Except for Piramal and Sun pharmaceutical company, all the other eight companies had been found to have some trend, either positive or negative.

**Keywords:** Indian Pharmaceutical Industry, Debt-Equity Ratio (DER), Bombay Stock Exchange (BSE), Analysis of Variance (ANOVA), Mann-Kendall Trend Test.