

A MAJOR PROJECT
ON
FUNDEMENTAL ANALYSIS OF PHARMA COMPANIES
(A STUDY ON AUROBINDO, CADILA, CIPLA, DIVIS, DR REDDYS)

Submitted in partial fulfillment
 Of the requirement for the degree of

“MASTER OF BUSINESS ADMINISTRATION”

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Abstract: Fundamental analysis is a way to show up the 'correct price' of the security. Its goal is to recognize the under priced and overpriced securities in the market so that the investment decision-buying and selling of shares can be made. A share is said to be undervalued if its current market value is less than the 'correct price' known as 'intrinsic value' or 'true value'. Conversely, it is said to be overvalued if the current market value is above its intrinsic value. Top down approach is used for carrying out Fundamental Analysis. The present study aims at carrying out the Fundamental analyses of five leading companies of Indian pharmaceutical industry and estimating their intrinsic value to make investment decisions. The pharmaceutical industry is one of the main industries in India. So, the investment in the shares and securities of pharmaceutical companies seems to be profitable. Five leading pharmaceutical companies Aurobindo, cadila, Cipla, divis, dr reddy's listed in the National Stock Exchange are selected for this study. The study is done using secondary data collected from Reserve Bank of India website, BSE website and Company Annual Reports for the period of last nine years from year 2011 to 2020. Fundamental Analysis of the five companies is carried out and their intrinsic value ranges are obtained from the EIC Analysis of these companies to make investment decisions.

1.1 INTRODUCTION:

Fundamental analysis is the have a look at of economy, industry, and company conditions to determine the value of company share. Fundamental analysis typically focuses on key information in a industry's economy statements to decide if the stock price is correctly valued. After figuring out the circumstance and outlook of the economy system, the industry, and the company, the essential analyst determines if the company's stock is overvalued, undervalued or effectively valued. Fundamental analysis covers diverse economic and non-economic aspects consisting of analysis of the economic system and industry situation, company management and company financial position and so on.

1.2 NEED OF THE STUDY:

Stock markets are the place where stocks are bought or sold. Prices of the shares are changing day to day basis. The changes in share prices lead to changes in the economic factors industry performance and company's growth. India has nearly 25,000 pharmaceutical companies and expected to expand at a CAGR of 15.92 per cent to US\$ 55 billion by 2020. So the very large numbers of foreign Investors are coming and investing in Indian Pharma industry due to its high potential growth in future.

Hence, I selected this topic to make investments especially in pharma industry based on the fundamental analysis.

1.3 SCOPE OF THE STUDY:

This study has focused on the five pharmaceutical companies and it was limited to 9 years from 2011-12 to 2019-20.

1.4 OBJECTIVES OF THE STUDY

1. To study the performance of pharmaceutical industry.

2. To study and analyze the intrinsic value and forecast the future value through fundamental analysis.
3. To study the fundamental analysis for four companies and recommend for better choice of investment performance of selected companies.

1.5 LIMITATIONS:

1. The study is confined to only listed pharma companies
2. The time frame for financial data used in this project is limited to 8 years (2012-2020)
3. The present study uses ratios as an important tools for analysis which itself has several limitations on its applicability.

1.6 RESEARCH METHODOLOGY:

The data is based on secondary data regarding companies is selected from annual reports of selected companies with help of websites, books, journals, magazines.

Sample size: 5 companies

2.1 REVIEW OF LITERATURE:

Shubhangi Anil Patil, Viraj Vijay Jadhav.(2019), 'A Study on Equity Research of Selected FMCG Companies Listed on NSE'; In this look at analysis groups' diverse parameters have been used to compare the increase overall performance of the companies. The ratios like Price/ Earnings ratio, Total/Debt to equity ratio, Return on Equity ratio and Dividend yield ratio are calculated to evaluate the performance of the organizations which additionally offers the further idea about the economic function of the chosen organizations. The attention of this paper is on giving the concept to traders approximately how the businesses and their shares are to be selected so that it will gain them in the long time and could develop their investments.

Prof. Ajay Shukla(2017), 'A look at on essential analysis of decided on IT agencies listed at NSE': This examine facilitates to analysis essential function of predominant indexed FMCG groups the use of ratios. For the purpose of have a look at HUL, Godrej, ITC & Dabur become selected, and analysis is executed the usage of past 5-12 months computed date of Net Profit Margin Ratio, Gross income margin, Price to Earnings, Debt to fairness ratio, Dividend pay-out ratio, Earnings in keeping with share.

3.1 COMPANY PROFILE:

3.1.1 AUROBINDO PHARMA LTD

From at first assembling Semi-Synthetic Penicillin it has developed to a market chief with items promoted more than 125 nations with presence in neurosciences, cardiovascular, against retroviral, enemies of diabetics, gastroenterology and so forth with in excess of 500 licenses. Aurobindo is one of only a handful hardly any Active Pharmaceutical Ingredient (API) producing organizations vertically coordinated with a presence in the API and Formulations sections and conveys inventive arrangements. Being the biggest conventional portfolio in Anti Retro Virus (ARV) drugs Aurobindo means to give financially savvy meds to the great many HIV patients in the immature nations. Their Research and Development focus zeroed in on growing ease drugs and utilizes in-house R&D to be the biggest filer of Medicine Master Files (DMS) and Abbreviated New Medicine Applications (ANDAs) from India. Aurobindo Pharma stands third in India as far as incomes with 11107 crores. They have figured out how to make sure about a net benefit of 1813 crores this year.

3.1.2 CADILA

Cadila Healthcare Ltd is a notable examination situated innovation driven drug organization zeroed in on the exploration territories of biotechnology definitions and Active Pharmaceutical Ingredients. They are an Indian based drug organization having their essence around the globe.

Zydus Cadila creates and makes an enormous scope of drugs Products. Its scope of pharma items are diagnostics, skin health management items, home grown items and other OTC items.

3.1.3 CIPLA : Cipla Ltd is an Indian worldwide drug and biotechnology organization, settled in Mumbai, India. The main drug organization was established in the year 1935. It is settled in Mumbai, Maharashtra, India. Cipla essentially creates medications to treat cardiovascular illness, joint pain, diabetes, weight control and misery; other ailments. Cipla Ltd is victor of numerous honors including

- a) Cipla got the Thomson Reuters India Innovation Award
- b) Cipla won Dun and Bradstreet American Express Corporate Awards for 2006
- c) Cipla stood third in the India's Most Reputed Brands (Pharmaceutical) list
- d) In 1980, Cipla won Chemical Award for Excellence for sends out.

3.1.4 DIVIS : Divi's Laboratories Limited is an Indian global drug organization situated in Hyderabad, Telangana, India. Established in 1990, the organization is occupied with the production of conventional Active Pharmaceutical Ingredients (APIs), contract research (custom blend) of APIs for other pharma organizations, forte synthetic compounds and nutraceuticals. The organization works prevalently in the fares market offering to directed business sectors in USA and Europe, just as locally (India).

3.1.5 DR REDDYS: Dr.Reddy's Laboratories is an Indian global drug organization situated in Hyderabad, Telangana, India. The organization was established by Anji Reddy, who recently worked in the coach foundation Indian Drugs and Pharmaceuticals Limited, of Hyderabad, India.[2] Dr. Reddy's fabricates and markets a wide scope of drugs in India and abroad. The organization has more than 190 meds, 60 dynamic drug fixings (APIs) for drug fabricate, analytic units, basic consideration, and biotechnology items

DATA ANALYSIS AND INTERPETATION

4.1 ECONOMIC ANALYSIS

It mainly aims at determining if the economic climate is conducive and is capable of encouraging the growth of business sector, especially the capital market. When the economy expands, most of the industries and companies are expected to grow. When the economy declines most of the industries and companies face a survival problems. Hence to predict the share prices one has to make analysis even on overall economy. The selection of the country for investment has to focus itself to the examination of national economy scenario.

In present study, the variables used for the performing economic analysis are:

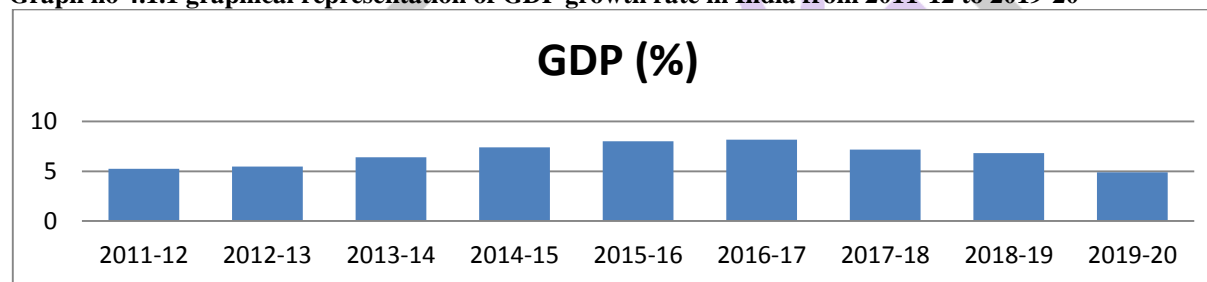
1. Gross domestic product
2. Exports in India (exports in pharmaceutical industry)
3. Imports in India (Imports in pharmaceutical industry)
4. FDI in India(FDI in pharmaceutical industry)

4.1.1 Table showing GDP (Growth rate) of India from 2011-12 to 2019-20.

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
GDP (%)	5.24	5.46	6.39	7.41	8.00	8.17	7.17	6.81	4.9

Source: <https://www.macrotrends.net/countries/IND/india/gdp-growth-rate>

Graph no 4.1.1 graphical representation of GDP growth rate in India from 2011-12 to 2019-20



Interpretation

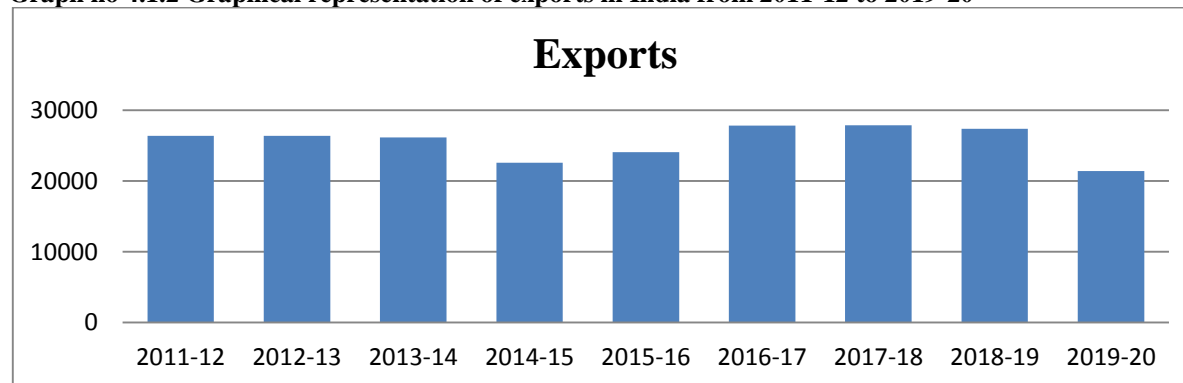
From the above table, the GDP in the year 2010 was at peaked at 10.3% but started falling till 2012. From the year 2012 to 2017 GDP rate was In growing phase, which is in positive sign but in year 2019 the GDP rate fallen to 6.81.because of agriculture crisis, sharp fall in consumption and sharp decline in overall demand and wrong implementation of GST.

Table No 4.1.2: Table showing exports of India from 2011-12 to 2018-19.

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
exports	26393.06	26393.06	26154.46	22593.35	24056.48	27830	27860	27360	21410

Source: <https://tradingeconomics.com/india/exports>

Graph no 4.1.2 Graphical representation of exports in India from 2011-12 to 2019-20



Interpretation

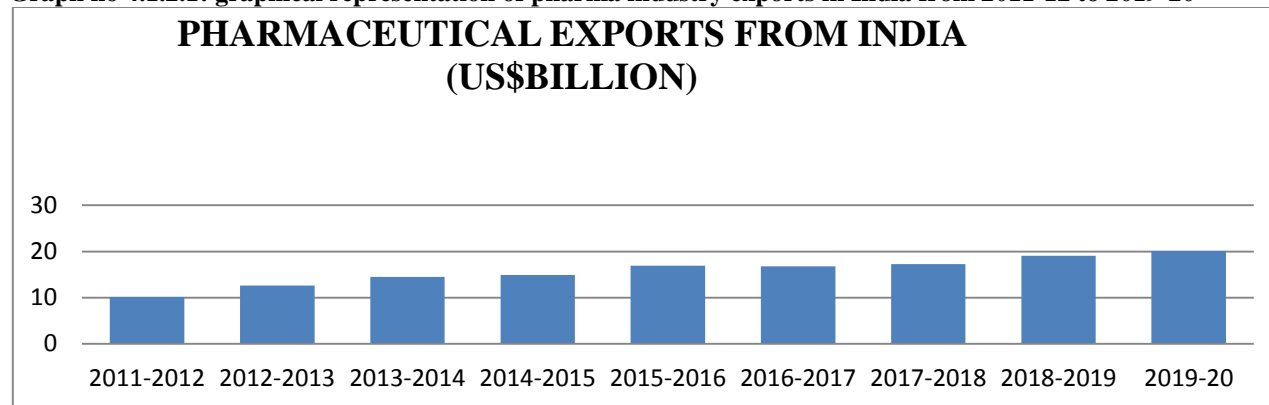
India's fares declined to 21410 in December to 27360 on the back cash instability and changes in ware costs combined with drowsy worldwide economy. In 2019 the 19 out of 30 sending out areas detailed a decrease in outbound shipments. Electronic merchandise, medications and drugs, marine items, readymade pieces of clothing and cotton yarn were the significant product bunches that demonstrated development, the business and industry service as said.

Table No 4.1.2.1: Table showing exports (us\$ billions) of pharmaceutical industry of India from 2011-12 to 2019-20.

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20
Exports	10.1	12.6	14.5	14.9	16.9	16.8	17.3	19.1	20.1

Source: <https://www.ibef.org/industry/pharmaceutical-india.aspx>

Graph no 4.1.2.1: graphical representation of pharma industry exports in India from 2011-12 to 2019-20



Interpretation

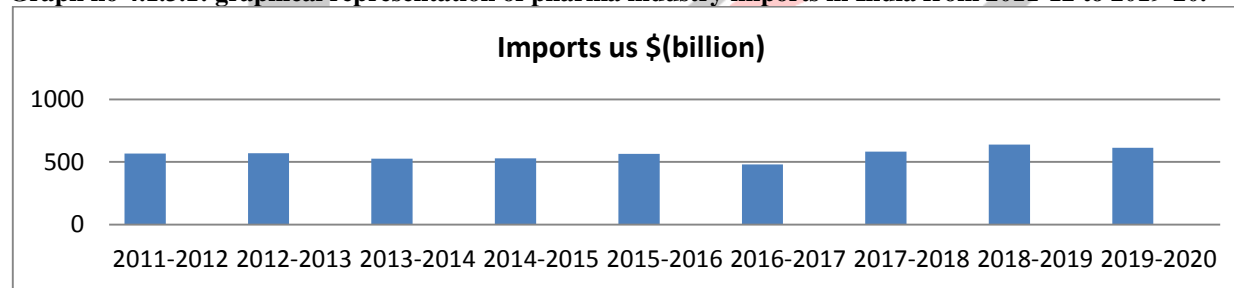
Exports of pharmaceutical industry are continuously increased from the year 2011-12 to 2019-20 which shows positive sign to the economy.

Table No 4.1.3: Table showing imports of India from 2011-12 to 2019-20.

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
imports(us \$ billions)	566.67	571.31	527.56	529.24	565.10	480.17	582.02	639.01	614.3

Source: <https://tradingeconomics.com/india/imports>

Graph no 4.1.3.1: graphical representation of pharma industry imports in India from 2011-12 to 2019-20.



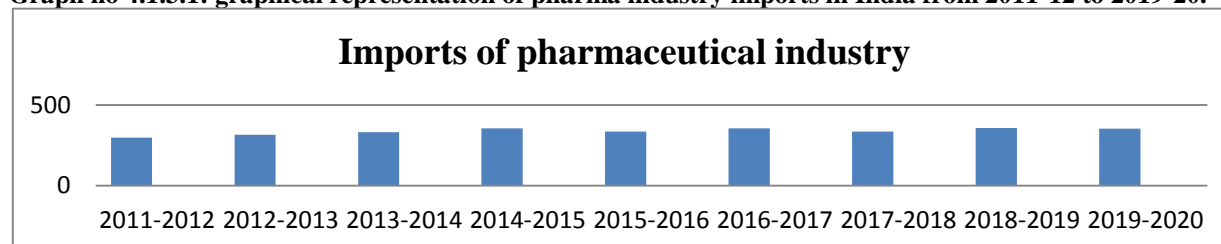
Interpretation : Indian imports have been decreasing from the year 2013-14 to 2015-16 and decreased in the year 2016-17 and increased up to 2018-19 and slightly decreased in the year 2019-20

Table No 4.1.3.1: Table showing imports of pharmaceutical industry in India from 2011-12 to 2019-20.

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
imports(Rs)	297.36	316.61	332.11	355.7	335.7	355.7	335.2	358.2	353.29

Source: <https://www.ibef.org/industry/pharmaceutical-india.aspx>

Graph no 4.1.3.1: graphical representation of pharma industry imports in India from 2011-12 to 2019-20.



Interpretation:

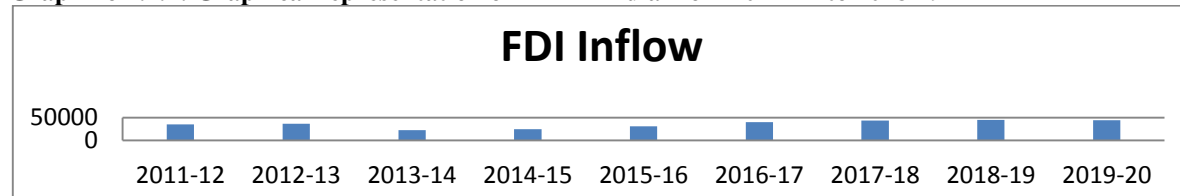
India imported medicinal and pharmaceutical products to the value of around 353 billion rupees as of march 2020 imp[orts of pharmaceutical products as been continuously increasing from the year 2011-12 to 2019-19 but lightly decreased in the year 2019-20.

Table No 4.1.4: Table showing FDI (\$ million) of India from 2011-12 to 2018-19.

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
FDI(us \$ million)	35076	36504	22423	24299	30931	40001	43478	44857	44366

Source: <https://dipp.gov.in/publications/fdi-statistics>

Graph no 4.1.4: Graphical representation of FDI in India from 2011-12 to 2018-19



Interpretation

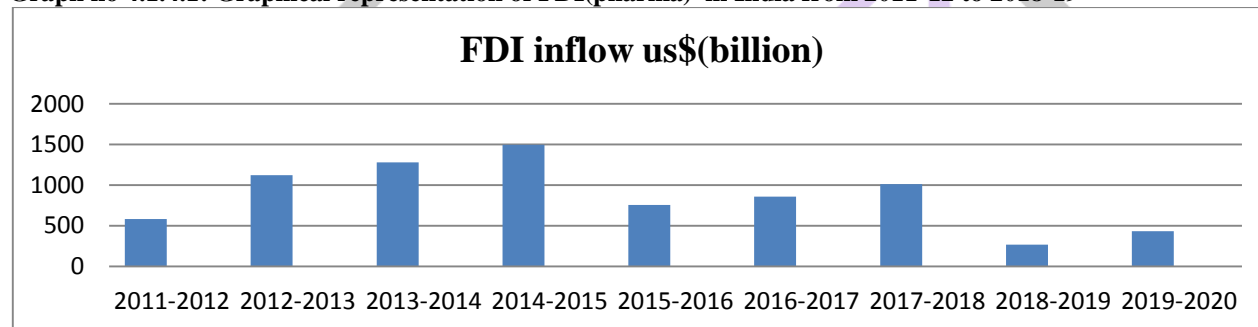
FDI in India has been continuously increased from the year 2011-12 to 2017-18 and slightly increased in the year 2018-19 and slightly decreased in the year 2019-20 increase in fdi indicates increase in economic growth and employment opportunities

Table No 4.1.4.1: Table showing FDI inflow in the pharmaceutical industry in India from 2011-12 to 2019-20.

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
FDI inflow(us \$ million)	583	1123	1279	1498	754	857	1010	266	432

Source: <https://www.ibef.org/industry/pharmaceutical-india.aspx>

Graph no 4.1.4.1: Graphical representation of FDI(pharma) in India from 2011-12 to 2018-19



Interpretation

FDI inflow in pharmaceutical industry in India has been continuously increased from 2011-12 to 2014-15 and slightly decreased in the 2015-16 and increased up to 2017-2018 and totally decreased in the year 2018-19 that is from 1010 million to 266 million and later slightly increased to 432, although countries FDI is decreasing but pharmaceutical industries FDI is increasing. Where pharma industry in India was the one of the major foreign direct investment encouraging sector.

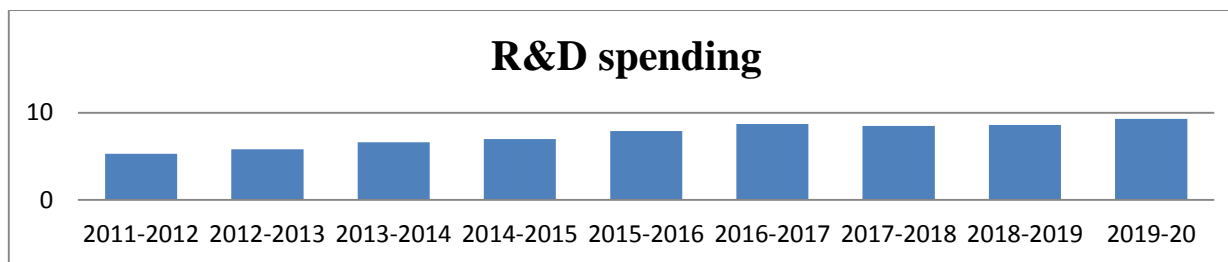
4.2. INDUSTRY ANALYSIS:

Table No 4.2.1: Table showing R&D spending in Indian pharma from 2011-12 to 2019-20.

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20
R&D spending	5.3	5.8	6.6	7.0	7.9	8.7	8.5	8.6	9.3

Source: <https://www.ibef.org/industry/pharmaceutical-india.aspx>

Graph no 4.2.1: Graphical representation of R&D spending in India from 2011-12 to 2019-20

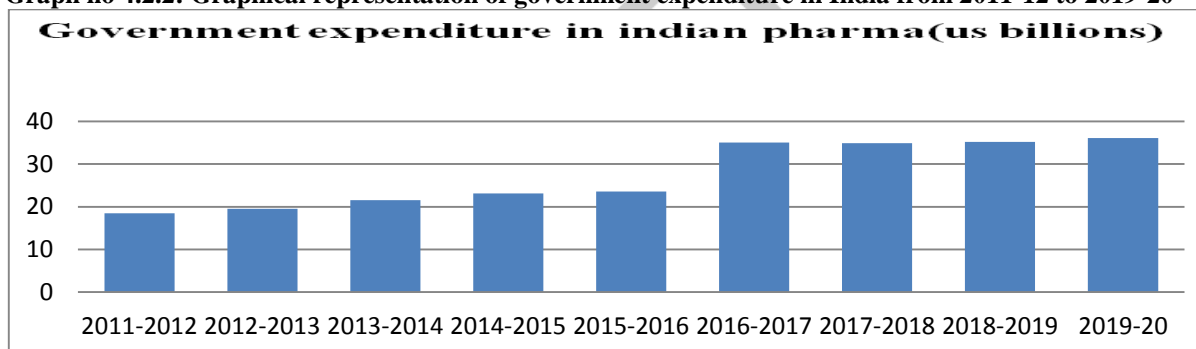
**Interpretation**

The research and development spending in Indian pharma sector has been continuously increasing from the year 2011-12 to 2016-17 and slightly decreased in the year 2017-18 and again it increased.

Table No 4.2.2: Table showing government expenditure in Indian pharmaceutical (us billions) from 2011-12 to 2019-20.

Year	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-20
Government expenditure	18.5	19.55	21.57	23.12	23.58	35.07	34.91	35.2	36.1

Source: <https://www.ibef.org/industry/pharmaceutical-india.aspx>

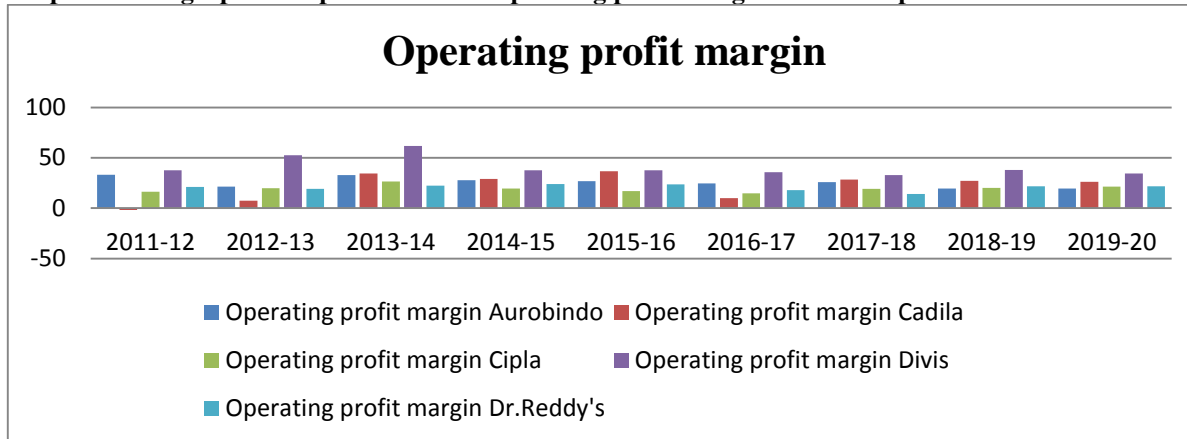
Graph no 4.2.2: Graphical representation of government expenditure in India from 2011-12 to 2019-20

Interpretation: The research and development spending in Indian pharmaceutical sector has been continuously increasing from the year 2011-12 to 2016-17 and slightly decrease in the year 2017-18 and again it increased in 2018-19.

4.3 COMPANY ANALYSIS**Table No 4.3.1: Table showing operating profit margin of five companies from 2011-12 to 2019-20.**

Operating profit margin					
Year	Aurobindo	Cadila	Cipla	Divis	Dr.Reddy's
2011-12	33.24	-1.63	16.45	37.74	21.24
2012-13	21.36	7.5	19.7	52.52	19.08
2013-14	32.9	34.5	26.39	61.91	22.34
2014-15	27.79	29.03	19.35	37.67	23.88
2015-16	26.74	36.64	16.94	37.56	23.55
2016-17	24.71	9.93	14.82	35.73	17.95
2017-18	25.99	28.33	19.27	32.77	14.2
2018-19	19.65	27.03	20.21	37.89	21.64
2019-20	19.64	26.08	21.32	34.32	21.64

Source: www.moneycontrol.com

Graph no 4.3.1 graphical representation of operating profit margin of five companies from 2011-12 to 2019-20.**Interpretation****1.Aurobindo.**

The profit of the Aurobindo, after depreciation, but before the deduction of interest and tax is keeping a steady position between the ratio of 22.0 and 26.0. It's at the highest position in 2011. It shows that the company has a tendency of profitability increment or to have the ability to keep a balanced state.

2. Cadila.

The above table and graphical presentation shows that the operating profit margin of the Cadila is very lower when comparing with other four companies. In the period of study, company keeping its operating profit ratio around 10.00 to 35.00. In 2014 it is 29.03, in following year it's increasing and reached at 36.64 in 2015.

3.Cipla.

When analyzing the operating profit margin of the Cipla, it shows that the company reached at its highest operating profit in 2013. In 2019 it gained 20.21 of operating profit. It reveals that the company is not in its way to achieve the shareholders objectives.

4.Divis

The above table and graphical representation shows that the operating profit margin of the company has reached its highest in 2013-14. And it has been continuously decreasing from the year 2014-15 to 2017-18 and it slightly increased in 2018-19.

5. Dr Reddys

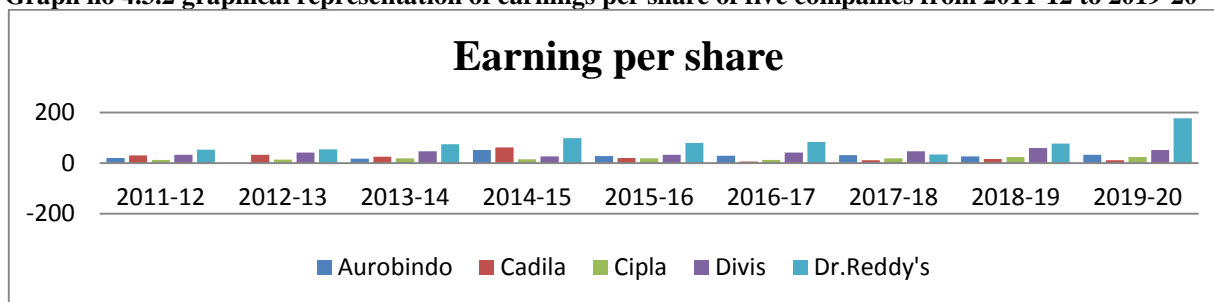
When analyzing the operating profit margin of the dr reddys, it shows that the company reached at its highest operating profit in 2014-15. In 2019 it gained 21.64 of operating profit. It reveals that the company is not in its way to achieve the shareholders objectives

Table No 4.3.2: Table showing earning per share of five companies from 2011-12 to 2019-20.

Earnings per share					
Year	Aurobindo	Cadila	Cipla	Divis	Dr.Reddy's
2011-12	20.4	29.81	11.96	32.85	52.78
2012-13	-1.46	32.11	14	41.13	53.81
2013-14	17.03	24.35	18.77	46.06	74.15
2014-15	52.01	62.08	14.71	26.05	98.6
2015-16	27.85	19.9	18.21	32.9	79.42
2016-17	29.16	6.47	12.13	41.15	83.05
2017-18	30.94	10.66	18.35	46.06	34.19
2018-19	26.11	15.65	23.45	59.65	76.98
2019-20	31.96	11.49	23.45	51.71	177.23

Source: www.moneycontrol.com

Graph no 4.3.2 graphical representation of earnings per share of five companies from 2011-12 to 2019-20

**Interpretation:****1.Divis.**

Basic earnings per share of the Divis are increased from 32.85 to 59.65.

2.Cadila.

Basic earnings per share of the Cadila also increasing year on year for the first three years and a sharp decline in the 2015. The decreasing trend of the EPS of Cadila is not good to rise the demand for the share in the stock market.

3.Cipla.

Cipla also shows the increasing trend in their earning per share. It will be a hope to their shareholders.

4. Divis

Basic earnings per share of divis are also increasing year after year for the first three years and a sharp decline in year 2015. Later it continuously increased from 32.9 to 59.65.

5. Dr Reddys

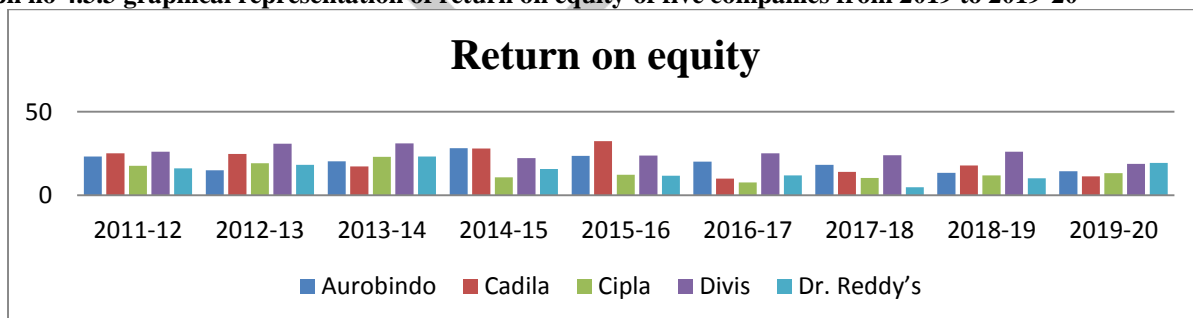
Dr Reddys has the highest earning per share when compared to all other companies least earning per share in the year 2017-18 and highest in the year 2014-

Table No 4.3.3: Table showing Return on equity of five companies from 2011-12 to 2019-20.**Return on equity**

Year	Aurobindo	Cadila	Cipla	Divis	Dr. Reddy's
2011-12	23.31	25.22	17.62	26.02	16.18
2012-13	14.9	24.82	19.19	30.9	18.29
2013-14	20.43	17.33	23.08	31.04	23.29
2014-15	28.29	28.08	10.65	22.32	15.79
2015-16	23.69	32.46	12.2	23.82	11.67
2016-17	20.23	10	7.61	25.1	11.93
2017-18	18.15	14.08	10.4	23.94	4.8
2018-19	13.47	17.88	11.96	26.09	10.07
2019-20	14.37	11.33	13.32	18.76	19.33

Source: www.moneycontrol.com

Graph no 4.3.3 graphical representation of return on equity of five companies from 2011-12 to 2019-20

**Interpretation**

Aurobindo:From the perspective of equity shareholders Aurobindo is more favorable to them.

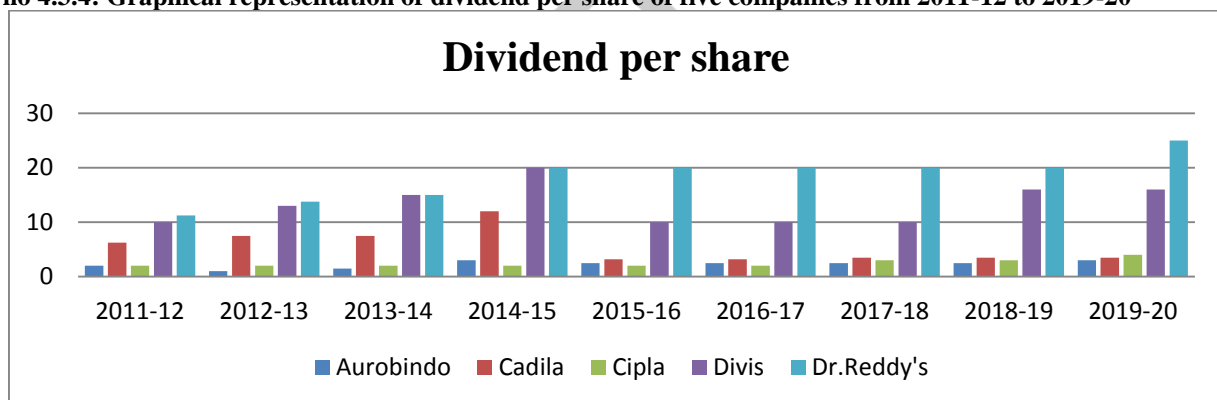
Cadila:A stable ROE is good for the shareholders.The cadila. offer a stable return on equity in these years.

Cipla:A stable ROE is good for the shareholders. The Cipla offer a stable return on equity in these years.

Table No 4.3.4: Table showing dividend per share of five companies

DIVIDEND PER SHARE					
Year	Aurobindo	Cadila	Cipla	Divis	Dr.Reddy's
2011-12	2	6.25	2	10	11.25
2012-13	1	7.5	2	13	13.75
2013-14	1.5	7.5	2	15	15
2014-15	3	12	2	20	20
2015-16	2.5	3.2	2	10	20
2016-17	2.5	3.2	2	10	20
2017-18	2.5	3.5	3	10	20
2018-19	2.5	3.5	3	16	20
2019-20	3	3.5	4	16	25

Source: www.moneycontrol.com

Graph no 4.3.4: Graphical representation of dividend per share of five companies from 2011-12 to 2019-20**Interpretation**

Aurobindo:The dividend paid to the equity shareholders of the Aurobindo is very high when compared to other companies. It was at peak in 2016. From 2017 it shows a tremendous decline in the dividend paid to the shareholders.

Cadila:The above table and graph shows that the dividend per share of the Cadila is little decreasing in all the years. This is not beneficial to the investors of the company.

Cipla:In 2018 DPS of the company was very high at 82.82 when compared to other years and also when compared to other companies. Which is very beneficial to the share holders.

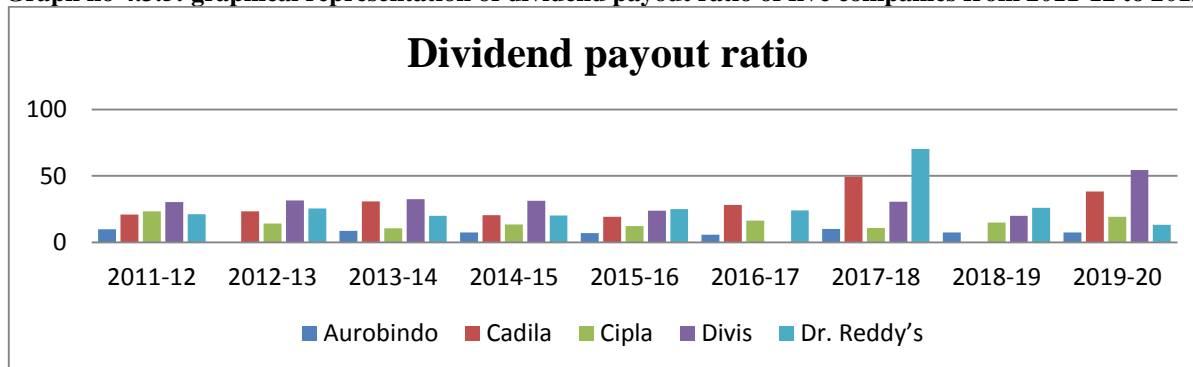
divis:In 2014 DPS of the company was very high when compared to other year. Later it continuously decreased in all the years, which is not beneficial to the investors of the company.

Dr reddys : DPS of dr reddys is continuously increasing from the 2011-12 to 2018-19. Which indicates very beneficial to share holders.

Table No 4.3.5: Table showing operating profit margin of five companies from 2011-12 to 2019-20.

DIVIDEND PAYOUT RATIO					
Year	Aurobindo	Cadila	Cipla	Divis	Dr. Reddy's
2011-12	9.88	20.96	23.4	30.44	21.31
2012-13	0	23.36	14.28	31.6	25.54
2013-14	8.8	30.8	10.65	32.56	20.13
2014-15	7.45	20.39	13.59	31.34	20.29
2015-16	7.11	19.32	12.37	23.96	25.13
2016-17	5.72	28.13	16.5	--	24.22
2017-18	10.13	49.49	10.95	30.52	70.41
2018-19	7.53	0	14.93	19.92	25.99
2019-20	7.50	38.25	19.33	54.50	13.32

Source: www.moneycontrol.com

Graph no 4.3.5: graphical representation of dividend payout ratio of five companies from 2011-12 to 2019-20**Interpretation**

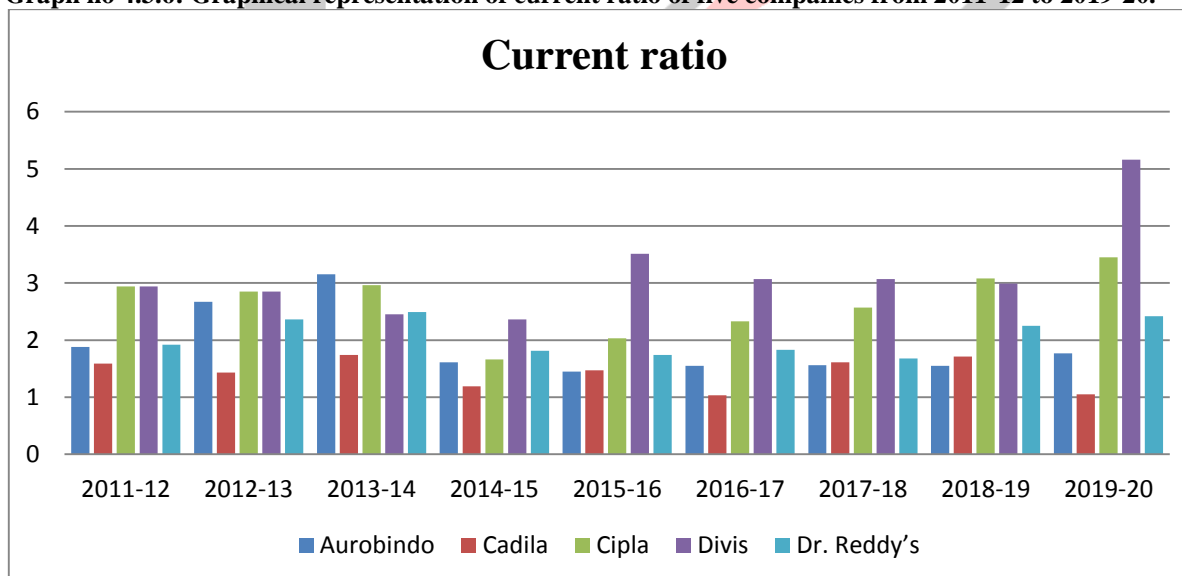
Divis was kept a stability in the distribution of dividend to its shareholders during this period.

DPR of the Dr. Reddy's indicates a greater fluctuation in the amount dividend distributed to the shareholders during this period. This fluctuation is not good for the investors

Table No 4.3.6: Table showing current ratio of five companies from 2011-12 to 2019-20.

Current Ratio					
Year	Aurobindo	Cadila	Cipla	Divis	Dr. Reddy's
2011-12	1.88	1.59	2.94	2.94	1.92
2012-13	2.67	1.43	2.85	2.85	2.36
2013-14	3.15	1.74	2.96	2.45	2.49
2014-15	1.61	1.19	1.66	2.36	1.81
2015-16	1.45	1.47	2.03	3.51	1.74
2016-17	1.55	1.03	2.33	3.07	1.83
2017-18	1.56	1.61	2.57	3.07	1.68
2018-19	1.55	1.71	3.08	2.99	2.25
2019-20	1.77	1.05	3.45	5.16	2.42

Source: www.moneycontrol.com

Graph no 4.3.6: Graphical representation of current ratio of five companies from 2011-12 to 2019-20.

Interpretation: No other company maintained the standard current ratio, except Dr. Reddy's Cipla While Divis shows the highest current ratio in 2011, 2012, 2016 and 2020.

INTRINSIC VALUE

RATIOS	AUROBINDO	CIPLA	CADILA	DIVIS	DR REDDYS
Average DPR (\sum DPS/No of years)	0.070	0.240	0.145	0.213	0.291
Average Retention Ratio (1- DPR)	0.92	0.75	0.85	0.78	0.708
Average ROE (ROE/ No. of years)	0.203	0.212	0.140	0.261	0.140
Growth in Equity (Avg. Retention Ratio *Avg. ROE)	0.188	0.161	0.120	0.205	0.09
Normalized Average P/E ratio (\sum P/E ratio/ No. of years)	17.33	26.41	35.53	31.056	27.365
Projected EPS (Current EPS * (1 + Growth in equity))	31.03	15.9	23.732	71.91	84.61
Intrinsic Value (Projected EPS * Normalized Avg. Ratio)	537.79	419.9	795.6	2232.8	2315.3
Market Value	509.9	266.1	433.9	2240.05	3169.75

DECISION:

1. AUROBINDO: Intrinsic Value > Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.
2. CIPLA: Intrinsic Value > Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.
3. CADILA: Intrinsic Value > Market Value, it is undervalued, so it is recommended to buy the stock as value of share may increase in future.
4. DIVIS: Intrinsic Value < Market Value, it is overvalued, so it is recommended to sell the stock as value of share may fall in future.
5. DR REDDYS: Intrinsic Value < Market Value, it is overvalued, so it is recommended to sell the stock as value of share may fall in future

5.1 FINDINGS

1. In the economy analysis we can say that Indian economy is in a bad condition now and current position says that this is not good time to invest gdp growth rate is low. And overall economy is not growing but for long term investors it is a good place to invest because of its vast size, also many of the projects are not yet completed, there may be big growth in the future. Future investors can invest in Indian market.
2. In industry analysis we can say that Indian pharma sector is booming and India currently ranks 3rd in terms of manufacturing pharma products by volume.
3. The research and development spending in Indian pharma sector has been continuously increasing from the year 2011-12 to 2019-20. Exports of pharma industry have been continuously increasing which shows positive sign to economy.
4. No other company maintained the standard current ratio, except Dr. Reddy's; Cipla.
5. The operating profit margin is maintained, by all the companies except cadila. The highest operating profit margin is shown by Divis in 2012 and 2013.
6. All the company has maintained standard earnings per share, except Cipla and Dr. Reddy are which shows the highest earnings per share in 2014 and 2015.
7. In the return on equity, Aurobindo, Cadila, has shown consistent growth in the last 3 years, while the highest is shown by Divis in 2018 and lowest is of Cadila in 2016.
8. The dividend per share is quite satisfactory by all companies in which Dr. Reddy's is the highest in 2011 and 2012; the lowest is Aurobindo in 2012.
9. Divis was kept stability in the distribution of dividend to its shareholders during this period.
10. DPR of the Dr. Reddy's indicates a greater fluctuation in the amount dividend distributed to the shareholders during this period. This fluctuation is not good for the investors

5.2 SUGGESTIONS:

1. Investing in one share is not suggested as return may not favorable always. Investing in multiple or diversified shares reduces risk and provides a stable return.
2. It is recommended to buy and hold shares which are undervalued such Aurobindo, Cipla, cadila there share prices have prosperity to raise in future.
3. Every investor is recommended to sell the overvalued shares such as divis and dr reddys as its share price have tendency to decrease in future.
4. The Pharma sector could improve the R&D department and implement new technology which helps to meet domestic as well as foreign competition.
5. An investor should be aware about economic condition, market condition, Government policy and industrial policy, etc., they should analyze both internal as well as external factors before going to invest in securities.

5.3 CONCLUSION:

Pharma sector of India has been significantly contributed to the growth of Indian economy in terms of GDP, generation of employment and foreign exchange earnings. In India pharma sector was major contributors of economy.

From this study, aurobindo, cipla, cadila is undervalued as its intrinsic value is greater than its market value and suggested to buy the share since the price of the same may increase in the future, in contrast divis and dr reddys is overvalued as its market value is higher and preferred to sell the share as share price may fall it is recommended to each investor to have pharma sector companies in their portfolio since they are the fastest growing industry according to Indian context of research. It can be concluded that pharma sector companies are the most promising platform of investment in capital market and in turn it gives Considerable result for risk taken.

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