

The Role of Implications of Ind AS towards the Profitability of Pharmaceutical Companies through E-Pharmacy: A Study of Post Implications of Ind AS in India

¹Mohammed Zeeshan Qadri, ^{2*}Dr. Tina Shivnani

^{1,2}Assistant Professor and Associate Professor, Department of Commerce, Manipal University Jaipur, Jaipur

Email Id: ¹mohammedzeeshan.qadri@jaipur.manipal.edu, ^{2*}teena.shivnani@jaipur.manipal.edu

*Corresponding Author: Dr. Tina Shivnani,

Abstract

In the view of the present scenario, the implications of Ind AS in India has opened numerous gates to reach to the market. The online pharma industries have emerged as new platform of e-commerce. Pharma industries has given so many facilities like, online consultation by reputed doctors across India and door to door delivery of medicines. Due to this facility, pharmaceutical industries have made huge profits. The paper reveals the recent upward shifts in the profitability of this industry due to the change in the standards. The data reflects that Pharma has earned double the profit in past few years.

There are around 20 companies those are providing E- Pharmacy services in India, but a few companies are popular in market. In the same contest, it analyses the performance of these companies in Indian market. The data presented will show a significant change in the preferences of customers for buying medicines online along with . The customer has changed their perception towards the online trading of medicines due to huge margins, convenience for purchasing through online mode and receiving the medicines at doorstep.

Keywords: e- pharmacy, India, online trading, profit, Ind AS, performance.

Introduction

Pharmacy plays a vital role in every human life. It provides the health care through the medicine and precautions, but this profession requires the expert knowledge of all types of medicines, their, symptoms and side effects. Traditionally, people physically go to doctor for check-ups and buy medicines from a shop nearby, but recently this concept has changed. Now they may take doctor consultation through online mode or telephonic communication and medicine can also be purchased from online stores. The people are more comfortable in this mode of purchasing as they can compare the rates from different online stores to purchase the medicines.

India has the biggest market for internet users and services. The number of online users and services are continuously increasing as compared to the other countries. The internet users were 93.05 million in 2010 which has increased up to 1240.69 million in 2023. It was also estimated that this number will grow over 1637.08 million by 2050. In fact, India was ranked as the second largest online market worldwide in 2019, after China. The figure no. 1 clearly indicates that in previous years the number of internet users were increased.

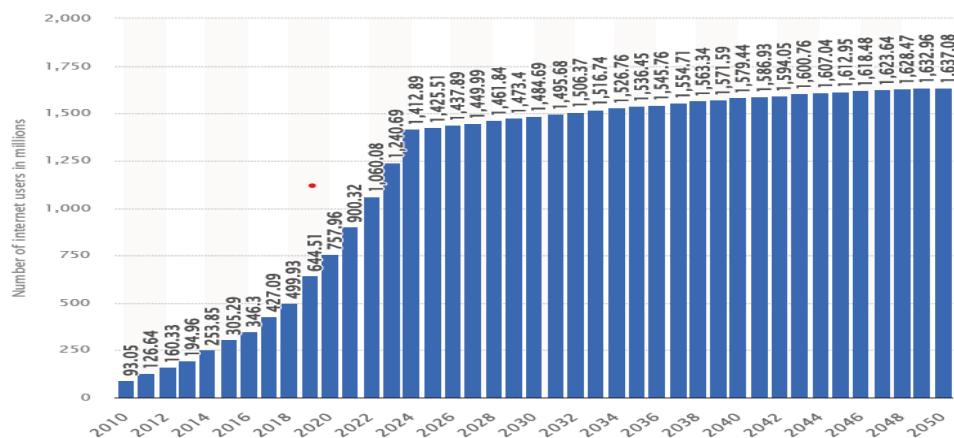


Fig No1. Internet users in India 2010-2050

Source: <https://www.statista.com/statistics/255146/number-of-internet-users-in-india/>

The number of internet users was estimated to increase in both urban as well as rural regions, indicating a dynamic growth in access to internet. E-commerce plays a vital role in the lives of humans in present time. It provides convenience to customer to buy the medicine at any point of time and anywhere. Many researchers have proved that Indian people are ready to purchase medicine, consult with doctors and other pharmaceutical products through internet. Online purchase facility saves customer's time and effort to visit market, avail discounts and receive medicines at doorstep. Thus, e-commerce has given birth to E-Pharmacy as a new concept of trading pharmaceutical products online.

E-Pharmacy known as buying and selling pharmaceutical products through e-commerce. In 2015, there were some disagreements, that e-pharmacy will be ethical or useful for the Indian population. Providing medicine without doctor prescription was major concern at that time. The concept was started in 2018, by Union Health Ministry with a name of "Sale of Drugs by E-Pharmacy". The companies need to register themselves under Rule 67N of the Drugs and Cosmetics Act Rule - 4 for distribution of medicines through online medium. The doctors can examine or investigate the patients online through video calls and prescribe the medicines also with the same medium.

In present time if we analyse that many companies are providing doorstep delivery of medicines based on doctor's prescription only. The online supply has connected doctors, patient, and pharmacist for better results. Due to COVID-19, the customers are forced to purchase medicine through E-Pharmacy. This concept not only increase the turnover of E-Pharmacy business in all over India but also it has changed the perception of the customers towards the online purchase of medicine, consultation etc. According to the research data, it shows that one of the online trading company named Pharmeasy, earned 637 crores in FY20, as compared to Rs 340 crore in FY19. This shows that online trading has tremendously increased the profitability of E-Pharma Industry.

Approximately 20 E-Pharmacy companies are working in India. some companies are most popular among customers which includes Tata 1mg, Medlife, mChemist, Apollo, Pharmeasy etc.

These companies are popular among the population due to their fast services, quality product, cash on delivery, online doctor consultation and importantly they provide huge amount of discounts which rather cannot be received from any medical store nearby.

The purpose of this paper is to discuss the various companies which are offering E-pharmacy service to customers in a significant manner. The study also focusses about the financial performance of top four companies in India after the convergence of Indian Accounting standards to Ind AS

Review of literature

Over the years, pharmacy evolved into its own domain. In the last three years there is a tremendous increase in the online pharmacy and still in India it is in nascent stage. According to Shelar J. (2019) and Central Drugs Standard Control Organization, only 3% of pharmaceutical sales are related to the retail industry. Gurău C. (2005) and M., P. V., V., R., M.S., R., & T., G. (2016) defined online pharmacy as the sales marketing for supply of medicines which includes repetitive prescription services the sales of other healthcare products and giving information about various kinds of medicines advising patients about symptoms and Hosting online chatbots live with the various groups. Presently many companies are focusing on the different forms of the technological upgradations to attract the patients using various functionalities. Most of the retail pharmacists are shifting towards the online pharmacy based on the certain factors. The Indian E-Pharmacy sectors is broadly classified into four different types: first, independent Internet company where there is no physical contact with the consumer to visit the pharmacy site. Second, "clicks-and mortar" pharmacy, where the online branch has storefront and also several companies has purchased various online pharmacy companies as a marketing strategy (MedInd Today, 1999, Lakshmi, P. V., & Sudha, T. G. R., 2017, Su, L., et al., 2013). Third, independent neighbourhoodpharmacies which formed various networks and built websites to attract customers (Gallagher JC, Colaizzi JL, 2000, Desai, C, 2016) and finally, cyber doctors who evaluate and prescribe the patients about the right medication (Mills D., 2000, Mani, G., et al., 2016). The major benefits of the E-Pharmacy are reachability and also reducing the traveling time to the traditional pharmacy (Brushwood DB, 2001, Srivastava, M., & Raina, M., 2020). Another major benefit about E-Pharmacy is potential to empower patients about right medication (Montoya, I. D., &Jano, E., 2007, Medi, P et al., 2020, Alwon, B. M., et. al., 2015). Also E- Pharmacies offer lower prices to attract more and more customers (Quon, B. S., Firszt, R., & Eisenberg, M. J., 2005). Many Indian companies are encouraging the E-pharmacy industry to grow further. But still the challenges persists in the industry like increase of self – diagnosing and self medication (Bauer, K., 2004, Mulani, T., et al, 2018). and shipping costs (Goetz, J., and D. Lund, 2000, Parikh, C. D., et. al., 2019, Crawford, S. Y., 2013).

Methodology

The paper will be exploratory in nature. The concept behind this paper is to reflect the change of customer opinion toward the E-Pharmacy and tremendous increase in profitability of companies. The data has taken from top four companies in India. the companies for this research paper will be:

1. Sun Pharmaceutical Industries
2. CIPLA
3. Divis Laboratories
4. Dr Reddy's Laboratories

Data Collection Instruments

The company were selected based on their market capitalization. The E-pharmacy concept was started in India in 2018, due to this the time-period for performance evaluation will be four years after the implications of IndAS in India i.e., from 2019-2023. The performance evaluation has been done based on EPS, Return on Net Worth and Current Ratio among the top four companies of India.

Findings & Discussions

The paper will discuss the financial performance of top four Campines of India after the implementation of E-Pharmacy concept. These are **Sun Pharmaceutical Industries, CIPLA, Divis Laboratories, Dr. Reddys Laboratories**. The following tables shows the performance of these companies.

Table 1
Sun Pharmaceutical Industries

RATIOS (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
Basic EPS (Rs.)	7.00	-0.40	8.92	13.40	3.40
Return on Net worth / Equity (%)	7.11	-0.40	8.54	13.16	3.57
Current Ratio (X)	1.97	0.96	1.45	1.07	0.84

Source: <https://www.moneycontrol.com/>

Based on the above table, it can be seen, that the Earning Per Share is showing an increasing trend from Rs. 3.40 in year 2019, Rs. 13.40 in 2020, which falls to Rs. 8.92 in 2021 further degraded to -0.40 in 2022 & Rs.7.00 in the year 2023 due to increase in online trading of medicines. The Return on Net worth or Equity has also changed drastically in the recent years starting from 2019 as 3.57% which jumped to 13.16 in 2020, in 2021 it faced a downward trend which was 8.54%, in 2022 it had a severe downfall to -0.40% and again recovered at a good rate of 7.11% in 2023. The change in the percentage of Return on Net worth has stated very clearly that the company has performed exceptionally-well and the company has made greater profits as compared to previous years. With the inference in the table, the Current Ratio is also showing an increase as compared to the previous years from the year 2023. It shows that the Current Ratio is 0.85 in 2019, 1.07 in 2020 which has increased to 1.45 in 2021, 0.96 in 2022 and almost reached to the optimum level i.e., 1.97 in 2023. It can be stated that the increase in Current Ratio leads to increase in financial stability of a company.

Table2
CIPLA

RATIOS (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
Basic EPS (Rs.)	31.15	36.67	30.61	28.76	23.45
Return on Net worth / Equity (%)	10.20	13.13	12.38	13.32	11.96
Current Ratio (X)	4.95	4.41	3.79	3.45	4.00

Source: <https://www.moneycontrol.com/>

The above table shows an upward movement in the variables. Starting with EPS which is showing a stable increase and decrease over the years, from Rs. 23.45 to Rs. 28.76 in the years 2019 and 2020 whereas it was Rs. 30.61 in 2021, 36.67 in 2022 and Rs. 31.15 in 2023. The EPS has shown a gradual increase over the years but only decreased in 2023 which shows an increase in the profitability over the years except the previous year. The Return on Net worth is better than Sun Pharmaceuticals it is showing 11.96% in 2019 which has increased to 13,32% in 2020, in 2021 in came down to

12.38% to 2020, then again it stood up to 13.13% and it again degraded to 10.20%. This shows a moderate return from the company over the past years. Current Ratio was 4.00 in the year 2019, which has decreased to 3.45 in 2020, the ratio has again increased in 2021 which was 3.79, the increasing trend followed then in the two years from 4.41 to 4.95 in 2022 to 2023. The Current Ratio shows that company has excess liquidity which shows that company has a good working capital. It can be stated that CIPLA has better financial position as compared to Sun Pharmaceutical Industries.

Table 3
Divis Laboratories

RATIOS (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
Basic EPS (Rs.)	68.11	111.07	73.63	51.71	50.20
Return on Net worth / Equity (%)	14.23	25.21	21.08	18.76	19.11
Current Ratio (X)	8.56	7.10	5.63	5.16	5.58

Source: <https://www.moneycontrol.com/>

The figures shown in the table shows a significant increase over the years after the new standards has emerged in India. In the year 2019, the EPS was Rs. 50.20 to Rs. 51.71 in the year 2020 it has increased almost by 50% from 2019, i.e., 71.63 and a similar increase can be noticed in 2022 which is more than just double as compared to 2019 i.e., 111.07. it has than got a steep fall to 68.11 in 2023. The impact on Return on Net worth has also shown a visible increase in the year 2021 i.e., 21.08 % and 25.21 % in the year 2022, after a decrease from 19.11 % in year 2019 to 18.76 % in year 2020. The Current Ratio is also showing a similar upward shift in the year 2021 as compared to 2019 which keeps on increasing but only once it was little low. As it was 5.58 in 2019, 5.16 in 2020, 5.63 in 2021, 7.10 in 2022 and 8.56 in 2023. It clearly shows that Divis performance has also improved as compared to CIPLA.

Table 4
Dr. Reddys Laboratories

RATIOS (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
Basic EPS (Rs.)	157.37	97.85	131.84	177.23	76.98
Return on Net worth / Equity (%)	12.76	8.85	12.87	19.33	10.07
Current Ratio (X)	3.11	2.23	2.40	2.42	2.90

Source: <https://www.moneycontrol.com/>

The data shown in the table reveals that the EPS has shown an increased trend over the years starting from Rs. 76.98 in 2017 which has raised to Rs. 177.23 in 2018 then came down to Rs. 131.84 in 2021 and further reduced to Rs. 97.85 in 2022 but it has again gone up to Rs. 157.37 in 2023. This shown that there is about 2.4 times increase from 2019 to 2020. The Return on Net worth has also increased from 10.07 % in 2010 to 19.33 % in 2020, again which came down to 12.87 in 2021 and 8.85 in 2022 but in 2023 it has again shown an upward movement of customer's buying behaviour. Current ratio is also showing the same trend over the years, increasing from 2.90 to 3.11 with reference to 2019 to 2023, respectively. In between it has also reduced to 2.42 to 2.40 then to 2.23 in 2020, 2021 and 2022 respectively. The above analysis shows that Dr. Reddys Labotatyotirs also has an increasing trend in EPS and Return on Net Worth but slight decreasing in current ratio.

Ethical issues related to E-Pharmacy in India

In the year 2019, when this model was emerging in India, various PILs (Public Interest Litigations) were also filed against it in Delhi and Madras High Court that "trading of medicines online will not have any verification of the quality of drug and sale of psychotropic substances will also increase", due to which it was temporarily banned to operate mentioning that a proper regulation should be formed for it by the government.

As per the present Drug and Cosmetics Act, 1940, there are no difference in selling the medicines online or offline, therefore a Code of Conduct has been issued complying with the Drug and Cosmetics Act 1940 for the smooth operation on E-Pharmacy in India, specifying that the companies should follow the following code to supply the medicines until and unless a proper act will be formed:

- The e-pharmacies will only process scheduled medicines (Schedule H, H1) against a valid physical or scanned copy of the prescription. They will not process schedule X and other habit-forming medicines.
- The e-pharmacies will only dispense medicines through licensed pharmacies and will deliver medicines "safely and with appropriate instructions", according to the code.

Conclusion

After the implications of Ind AS, pharmaceutical industries have made exceptional growth as more of the customers are now inclined towards the purchasing all the types of products online which has also opened the source for E-Pharmacy. This situation has also emerged an option for the medical practitioners, to get into touch with their patients online. In the upcoming years, this will be a great source of generating income and connecting across the globe with the companies who are dealing in medicines and medical equipment's online. Online stores like, Amazon and Flipkart have also entered the business of selling medicines and equipment's online which is now giving a great competition to the other companies who are selling medicines online like, Pharmeasy, IMG, Apollo Pharmacy, etc.

With the shift of offline buying to online buying, the world has become a global market for the customers. Everyone is now having an advantage of looking into the competition and then decide to buy a product. The data gathered has significantly shown the same impact on the pharmaceutical industry also. As the online selling of medicines has been permitted in the year 2018 which has tremendously changed the customers orientation towards buying the medicines from offline to online mode. The data reveals that the companies has earned huge number of profits in the last five years. This specifies that after the shift of buying behaviour of the customers the companies have made not even good profits, but they have also made a valuable increase in the Net Worth of the company, which leads to a better result in future.

References

1. Gurău C. Pharmaceutical marketing on the Internet: Marketing techniques and customer profile. *Journal of Consumer Marketing*. 2005; 22: 421-8.
2. Shelar J. Delhi HC order: State FDA to crack down on e-pharmacies. *The Hindu*. 2018. Available: <https://www.thehindu.com/news/cities/mumbai/delhi-hc-order-state-fda-to-crack-down-on-e-pharmacies/article25736949.ece/amp/>. Accessed: 22 June 2019.
3. Payer and provider news: new Internet pharmacy launches with top partners. *Med Ind Today*. February 26, 1999.
4. Gallagher JC, Colaizzi JL. Issues in Internet pharmacy practice. *AnnPharmacother*. 2000;34:1483-1485.
5. Mills D. Cybermedicine: The Benefits and Risks of Purchasing Drugs Over The Internet, 5.2 J. T ECH. L.& POL'Y 1, (2000).
6. Brushwood DB. Responsive regulation of Internet pharmacy practice. *Ann Health Law*. 2001;10:75-103.
7. Internet fraud and abuse: Michigan files notices of intended action against online pharmacies. *ConsumProt Rep*. January 2000:21.
8. Montoya, I. D., &Jano, E. (2007). Online pharmacies: Safety and regulatory considerations. *International Journal of Health Services*, 37(2), 279–289. YEAR
9. Quon, B. S., Firszt, R., & Eisenberg, M. J. (2005). A comparison of brand-name drug prices between Canadian-based Internet pharmacies and major U.S. drug chain pharmacies. *Annals of Internal Medicine*, 143, 397–403.
10. Bauer, K., 2004. Cyber medicine and the moral integrity of the Physician – Patient relation, in: *Ethics and Information Technology*, 6, Kluwer Academic Publishers.
11. Goetz, J., and D. Lund (2000), "What the Law Allows," *Pharmaceutical Executive*, August, 20(8), 76-84.
12. Mulani, T., Ligade, V. S., Sreedhar, D., & Udupa, N. (2018). Knowledge, attitude and practice of online pharmacy amongst retail pharmacists. *Pharma Times*, 50(5), 18–24.
13. Parikh, C. D., Desai, C. K., Kiritkumar Shah, M., & Mishra, V. R. (2019). An Evaluation of Online Pharmacies for Compliance to Regulatory Criteria and Price Variation of Listed Medicines. *Journal of Young Pharmacists*, 11(2), 207–212. <https://doi.org/10.5530/jyp.2019.11.43>
14. Lakshmi, P. V., & Sudha, T. G. R. (2017). Mapping of Online Pharmaceutical Marketing Practices: Review of Literature. *International Journal of Research in Humanities, Arts and Literature*, 5(11), 15–26. Retrieved from <http://globalresearchonline.net/journalcontents/v32-1/20.pdf>.
15. M., P. V., V., R., M.S., R., & T., G. (2016). Online pharmacy regulation in India: A cross sectional survey on perceptions of health care students/professionals. *Value in Health*, 19(7), A816. Retrieved from <http://www.embase.com/search/results?subaction=viewrecord&from=export&id=L613234811>
16. Srivastava, M., & Raina, M. (2020). Consumers' usage and adoption of e-pharmacy in India. *International Journal of Pharmaceutical and Healthcare Marketing*. <https://doi.org/10.1108/IJPHM-01-2020-0006>

17. Medi, P., Chendragiri, M., & Kumar, C. A. (2020). Development and validation of a scale to measure the perceived benefits and risks of online pharmacy stores. *International Journal of Pharmaceutical Research*, 12(3), 248–258. <https://doi.org/10.31838/ijpr/2020.12.03.027>
18. Mani, G., Danasekaran, R., & Annadurai, K. (2016). E-pharmacies in India: Empowerment or an emerging conundrum? *Journal of Pharmacy and Bioallied Sciences*, 0(0), 0. <https://doi.org/10.4103/0975-7406.179424>
19. Su, L., Li, T., Hu, Y., & Chen, J. (2013). Factor analysis on marketing mix of online pharmacies - Based on the online pharmacies in China. *Journal of Medical Marketing*, 13(2), 93–101. <https://doi.org/10.1177/1745790413488778>
20. Desai, C. (2016, November 1). Online pharmacies: A boon or bane? *Indian Journal of Pharmacology*. Medknow Publications. <https://doi.org/10.4103/0253-7613.194865>
21. Alwon, B. M., Solomon, G., Hussain, F., & Wright, D. J. (2015). A detailed analysis of online pharmacy characteristics to inform safe usage by patients. *International Journal of Clinical Pharmacy*, 37(1), 148–158. <https://doi.org/10.1007/s11096-014-0056-1>
22. Crawford, S. Y. (2003, February). Internet Pharmacy: Issues of Access, Quality, Costs, and Regulation. *Journal of Medical Systems*. <https://doi.org/10.1023/A:1021009212905>, 60(3), 207–12.