(Upon the direction of the chairman, information pertaining to the subject of the hearings is included:)

[Reprinted from Economics & Political Weekly, vol. II, No. 26, July 1, 1967]

Pharmaceutical Companies in Maharashtra—Financial Structure and Ownership

(By R. K. Hazari and H. G. Lakhani)

This paper analyses the balance sheets, profit and loss accounts, shareholders' lists and directors' particulars of 88 pharmaceutical private limited companies registered up to the end of March 1962 in Maharashtra under the Companies Act. The authors' purpose is to explore and present facts relating to a small but qualitatively important part of the corporate sector.

The data presented here reveal that most of the pharmaceutical manufacturing business in Maharashtra is under foreign control, mainly American, British and Swiss. In 1964 the wholly foreign owned companies were earning a cash profit (profit after tax but before depreciation) which would bring their investment back within two years. Foreign majority companies were taking a little more than four years to get back their investment.

[This study was completed as the first phase of a research project on Financial Structure and Ownership of Private Limited Companies in Maharashtra at the Centre of Advanced Study in Economics, University of Bombay. Indu Kale, V D Lall, and K K Subramanian helped in the tabulation of data. Thanks are due to the Government of India, Department of Company Affairs, for permission to inspect the necessary documents with the Registrar of Companies, Maharashtra State, Bombay.]

Most of the pharmaceutical companies in India are registered in Maharashtra State, almost all of them in Bombay City, and most of these, in turn, are private limited companies. Some of the larger and foreign controlled among these have recently converted themselves into public companies and have offered their shares to the public; this development took place in most cases after 1964, the cut-off year for this study.

This paper analyses the balance sheets, profit and loss accounts, shareholders' lists and directors' particulars of 88 pharmaceutical private limited companies registered upto the end of March 1962 in Maharashtra under the Companies Act. Its purpose is to explore and present facts relating to a small but qualitatively important part of the corporate sector. No attempt is made to arrive at policy conclusions regarding the pharmaceutical industry or the role of foreign capital in it. While following the analysis of data, it should be remembered that several leading pharmaceutical companies carry on non-pharmaceutical manufacturing and/or trading activities also, e g, toilet products, dyestuffs, chemicals, etc. It is not possible to isolate data for these activities from pharmaceutical business.

FOREIGN CONTROL PREDOMINATES

Of these 88 companies in 1964, 9 wholly foreign owned companies accounted for 35 per cent of total assets and 42 per cent of sales (net of excise). Another 15 companies with foreign majority ownership had 50 per cent of total assets and 40 per cent of sales. Thus, 24 foreign controlled companies had 85 per cent of total assets and 82 per cent of total sales (Table 1).

There were, in 1964, 5 Indian majority companies (including one fifty-fifty company) which accounted for 9 per cent of total assets and 11 per cent of sales. In other words, the 29 companies which had foreign control or financial participation accounted for roughly 93 per cent of the assets and turnover of the 88 companies.

Of the 59 wholly Indian owned companies, 39 had accumulated losses. The remaining 20 companies accounted for 5 per cent of total assets and 6 per cent of sales.

SIZE DISTRIBUTION

There is a comparable skewness in the size distribution of companies (Table 2). Nearly all companies with foreign control or participation have assets exceeding Rs 10 lakhs each, and 17 have assets in excess of Rs 1 crore each. Only 11 (including 3 with accumulated losses) wholly Indian owned companies have