per cent in foreign majority companies and about 3 per cent in wholly Indian companies. In 1962, development rebate was even more significant in companies with foreign control or participation and altogether in wholly Indian owned companies.

Dividend absorbed only 11 per cent of profit before tax, and 32 per cent (44 per cent in wholly foreign owned) was ploughed back.

Taking the appropriation of profits after tax, it is clear that the major part of disposable profit, both in the aggregate and in each ownership category, is ploughed back. (Table 15). Comparison between 1962 and 1964 is difficult owing to the difference in coverage but, on the whole, it does appear that the companies have stepped up their retention percentages. It also appars that the emphasis on retention in this sample of private companies is much greater than in the Reserve Bank sample of 32 public pharmaceutical companies (Table 16).

PROFITABILITY

Profit and loss accounts in 1964 are available for 85 companies. Excluding 38 wholly Indian owned companies which had accumulated losses in that year, the remaining 47 companies earned after tax 24 per cent on net worth and 10 per cent on sales (net of excise). Their cash earning (profit after tax but before depreciation) was 31 per cent on net worth or, to put it in simple terms, they were recovering their investment in about three years. As between the various categories, the wholly foreign owned companies were earning a cash profit which would fetch their investment back within two years; the foreign majority companies were taking a little more than four years to do so while wholly Indian owned companies would take as long as seven years though in the case of the last group the ratio of cash earnings to net worth shows a steep decline from 1962 (Table 18).

Comparable data for both 1962 and 1964 are available for 40 companies. These show a slight decline in profitability between the two years which might be due in part to the freezing of drug prices in 1963. The brunt of this decline was borne by companies under Indian control and with Indian minority participation. The wholly foreign owned companies, on the other hand, improved their profitability further between 1962 and 1964.

The profitability of private pharmaceutical companies in Maharashtra compares very favorably with that of pharmaceutical companies in the Reserve Bank samples of both public and private companies; it is nearly twice the profitability of RBI public companies (Table 17).

INDIVIDUAL PROFITABILITY

The individual profitability of 24 foreign controlled companies is shown in Table 19. The profit on net worth ranges from 130 per cent to 6 per cent, but relative profitability is not closely related to sales or assets. In general, it appears that, on the whole, there was some decline in the profitability of these companies between 1962 and 1964, but this was confined to US, Swiss and French companies. British and German companies actually improved their profitability during this period (Table 20).

GROWTH

Betwen 1958 and 1964, the gross fixed assets of 31 identical companies (this number excludes Glaxo, the largest company) increased about 5 times, from Rs 278 lakhs to Rs 1453 lakhs. The highest growth was that of foreign majority companies from Rs 110 lakhs to Rs 819 lakhs. Wholly Indian owned companies yearly growth rates of foreign associated companies are given in Table 21. The spurt in investment took place in 1958-60 and was substantially supplemented by the entry of new companies which are not included in Table 21. The growth rate has remained impressive since 1960.

Data on growth of sales are available only for 1962-64 (Table 18, col 7). Over these two years, sales of 40 identical companies expanded by 27 per cent. The expansion was 20 per cent in wholly foreign owned companies, 32 per cent in foreign majority, 37 per cent in Indian majority and only 5 per cent in wholly Indian owned companies.

SUMMING UP

The analysis in this paper suffers from two main limitations. Some of the major pharmaceutical companies have non-pharmaceutical business which can-