International Journal of Research Publication and Reviews, Vol (6), Issue (4), April (2025) Page – 8435-8441

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A STUDY ON THE FINANCIAL PERFORMANCE OF SUN PHARMACEUTICAL LTD

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A B S T R A C T :

This study examines the financial performance of Sun Pharmaceutical Industries Ltd., a leading pharmaceutical company in India and a global healthcare player. By analysing key financial ratios—including Current Ratio, Debt-to-Equity Ratio, Asset Turnover Ratio, and Return on Assets (ROA)—the research evaluates the company's liquidity, financial leverage, operational efficiency, and profitability over the period from 2020 to 2024. Secondary data were used to track performance trends and identify strengths and weaknesses in financial management. The findings indicate fluctuating yet generally improving financial metrics, suggesting increased operational efficiency and a strategic reduction in debt levels. The study concludes with actionable recommendations aimed at enhancing Sun Pharma's financial stability and market competitiveness.

Keywords: Sun Pharmaceutical Industries Ltd., financial performance, liquidity analysis, profitability ratios, debt-to-equity ratio, return on assets (ROA), asset turnover ratio, financial analysis, pharmaceutical industry, ratio analysis.

1. Introduction

Sun Pharmaceutical Industries Ltd. is one of the largest pharmaceutical companies in India and a key player in the global pharmaceutical industry. Established in 1983, the company has grown significantly through organic expansion and strategic acquisitions, making it a dominant force in the healthcare sector. Sun Pharma specializes in the manufacturing and distribution of a wide range of pharmaceutical formulations, including generic and specialty medicines, catering to various therapeutic segments such as cardiology, neurology, dermatology, and oncology. With operations spanning across multiple countries, the company has established a strong presence in both emerging and developed markets. Assessing the financial performance of Sun Pharmaceutical Ltd. is essential for understanding its growth trajectory, profitability, and sustainability in an increasingly competitive market. Financial performance analysis provides valuable insights into how well the company utilizes its resources, manages its operational costs, and generates returns for its investors. By examining key financial indicators such as revenue growth, net profit margins, return on assets (ROA), return on equity (ROE), debt-to-equity ratio, and earnings per share (EPS), this study aims to evaluate the company's financial health and overall market position. The pharmaceutical industry is highly dynamic, influenced by factors such as regulatory policies, research and development (R&D) investments, patent expirations, and global economic conditions. Given these complexities, a detailed financial analysis of Sun Pharma will help stakeholders—including investors, policymakers, researchers, and industry experts—gain a deeper understanding of its financial stability, competitive advantage, and future growth prospects. This study seeks to contribute to the existing body of knowledge by providing a comprehensive evaluation of Sun Pharma's financial standing and identifying key trends that impact its business operations and long-term sustainability.

2. Statement of problem:

Sun Pharmaceutical Industries Ltd. is one of the leading companies in the pharmaceutical industry, showing strong financial growth and expanding into global markets. However, maintaining this success is challenging due to factors like changing market conditions, increasing competition, and strict government regulations. The company also faces risks such as unpredictable revenue growth, high spending on research and development (R&D), and pricing pressures. This study will examine Sun Pharma's financial performance by looking at key factors like profitability, liquidity, and overall efficiency. It will also explore potential risks that could impact its future growth, such as compliance with regulations and economic changes. The goal is to understand the company's financial strengths and weaknesses and suggest ways to ensure stable and long-term growth.

3. Objectives:

- To analyse the financial performance of Sun Pharma over a specific period.
- To assess Sun Pharma's profitability, liquidity and efficiency using key financial ratios to understand its overall financial health.

4. Research Methodology:

- The study uses a descriptive research approach to analyse Sun Pharma's historical financial records, providing insights into its financial trends, profitability, liquidity, and overall performance.
- The study uses the secondary source method for data collection, with relevant information obtained from annual reports, journals, and reliable internet sources.
- Data of last five financial years from 2020-2021 to 2023-2024 have been taken for analysis of the present study.

5. Review of Literature:

Vijayalakshmi, Srividya (2014) Sun Pharma reported impressive financial results, achieving the highest average net profit margin (42.13%) among pharmaceutical companies, signalling strong profitability. Nonetheless, it experienced the lowest average operating profit margin (5.72%) and the highest coefficient of variation (87.09%), indicating variability in operational efficiency. A multiple regression analysis showed that profitability ratios had a significant impact on Sun Pharma's net profit, further supporting its financial stability and growth prospects.

Shibashish Sahu, Swarnalata Nayak (2014) The research analyses the performance of Sun Pharma and Torrent Pharma before and after their merger from 2011 to 2017 through a Paired 't' test. The results indicate that Sun Pharma experienced a notable enhancement in its operating performance and shareholder wealth following the merger, which strengthened its market position. Strategic mergers have bolstered its profitability, allowing it to emerge as a leading entity in the pharmaceutical industry.

Ms. Ganglani Hetal, Dr.Rao Smita (2015) An analysis of Sun Pharmaceutical's financial performance shows varying trends in liquidity, profitability, and operational efficiency. Liquidity reached its highest point in 2011, while key profitability metrics such as net profit margin, EPS, ROE, and ROCE experienced a decline, with some showing negative figures in 2014. Correlation analysis reveals moderate connections between liquidity, profitability, and risk. In spite of these obstacles, the company's rising Z-score indicates that it is making progress financially and enhancing its asset efficiency strategies. An analysis of Sun Pharmaceutical's financial performance shows varying trends in liquidity, profitability, and operational efficiency. Liquidity reached its highest point in 2011, while key profitability metrics such as net profit margin, EPS, ROE, and ROCE experienced a decline, with some showing negative figures in 2014. Correlation analysis reveals moderate connections between liquidity, profitability, and risk. In spite of these obstacles, the company's rising Z-score indicates that it is making progress financially and enhancing its asset efficiency strategies.

Monalisa Mohanty (2020) This research evaluates Sun Pharma's financial status, emphasizing its robust liquidity and solid capital structure. Although its liquidity surpasses that of Cipla, profitability has decreased, and there is a need for improvement in asset utilization efficiency. Sun Pharma has adequate operating income to cover interest expenses, ensuring its financial stability; however, it needs to boost profitability and efficiency for continued growth in the pharmaceutical industry.

A.Jalaluddin, Dr. M. Marimuthu (2021) This research analyses the financial condition of India's pharmaceutical industry through ratio analysis and the Altman Z-Score model. Piramal Enterprises exhibits robust financial stability, whereas Divis Laboratories and Cipla are at risk of insolvency. Sun Pharma experiences consistent revenue growth, although its asset efficiency is comparatively lower. The results indicate that enhancing working capital and retained earnings could strengthen long-term financial resilience.

Rohan Jha (2023) The research evaluates the financial performance of leading pharmaceutical companies in India, placing Sun Pharma at the top according to the coefficient of variation (C.V). Although it shows strong profitability, elevated manufacturing expenses hinder its operational efficiency. Sun Pharma makes good use of its resources, but a decreased ROE diminishes investor trust. Enhancing cost management and financial strategies could bolster its profitability and strengthen its standing in the market.

Gupta, S Goyal (2024) Sun Pharma encountered financial difficulties in 2022, demonstrated by negative EPS, ROE, and ROA, indicating distress. Although PE ratios have varied, enhancements in the net profit margin and PE ratio in 2023 suggest a partial recovery. Investors ought to be cautious given the company's volatility. In contrast, Cipla's consistent performance and GSK's improving financial status position them as more favourable investment choices.

6. Limitations:

- The study uses only existing data from reports and websites, which may not be fully up to date.
- It looks at just five years of data, so it might miss long-term changes.
- It does not include other factors like market trends, customer opinions, or government rules.

7. Introduction to Sun Pharmaceutical Ltd:

Sun Pharmaceutical Industries Ltd., commonly known as Sun Pharma, ranks among the largest pharmaceutical firms worldwide and is the foremost in India. Established in 1983 by Dilip Shanghvi, the organization is dedicated to making high-quality and affordable medications accessible to individuals in over 100 nations. With its headquarters situated in Mumbai, Sun Pharma runs more than 40 manufacturing facilities around the globe, maintaining a strong foothold in essential markets including the United States, Europe, and Asia. The company focuses on a diverse array of medications, spanning multiple therapeutic fields, such as cardiology, neurology, gastroenterology, oncology, dermatology, and ophthalmology. It is recognized for its notable brands like Levulan, Ilumya, BromSite, and Xelpros, as well as a robust lineup of generic and over-the-counter (OTC) products. Sun Pharma prioritizes research and innovation, consistently striving to develop new and advanced medications. The organization allocates substantial resources to pharmaceutical R&D, focusing on creating unique drug delivery systems, biosimilars, and specialized medications. Its R&D centres aim to enhance treatment effectiveness and improve healthcare outcomes. Furthermore, Sun Pharma rigorously complies with international quality and regulatory standards, ensuring that all of its products fulfil the highest safety and efficacy benchmarks. The company is committed to improving healthcare access while upholding strong ethical practices and sustainability initiatives.

8. Data Collection and Interpretation:

To analyse the financial performance of Sun Pharmaceutical Industries Ltd., for last five financial years, data have been taken from secondary sources including Annual Reports, journals, magazines, financial markets, and the company's website.

8.1 CURRENT RATIO

TABLE SHOWING CURRENT RATIO

YEAR	**CURRENT ASSETS (C.A)**	**CURRENT LIABILITIES (C.L)**	**CURRET RATIO (C.A/C. L)**
2020	**33,984**	**14,615**	**2.33**
2021	**34,890**	**17,291**	**2.02**
2022	**32,975**	**20,474**	**1.61**
2023	**36,849**	**17,831**	**2.07**
2024	**41,717**	**18,367**	**2.27**

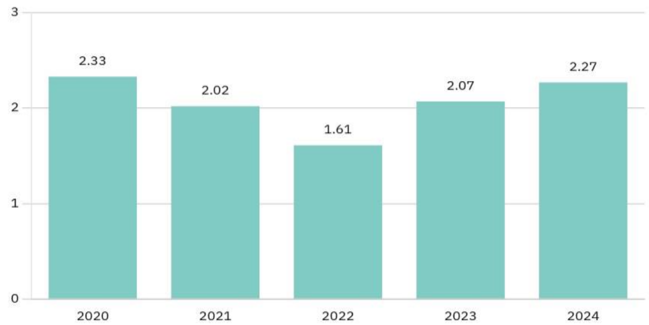
(Source: Secondary Data)

INTERPRETATION

The company's current ratio fluctuated between 2020 and 2024, reflecting changes in its liquidity position. In 2020, the ratio was 2.33, indicating strong liquidity, as current assets were more than twice the current liabilities. However, in 2021, the ratio declined to 2.02, suggesting an increase in liabilities or a slight reduction in assets. The lowest ratio of 1.61 was recorded in 2022, signalling potential financial strain or inefficient working capital management. A recovery was observed in 2023, with the ratio rising to 2.07, indicating improved liquidity. By 2024, the current ratio reached 2.27, reflecting a stronger financial position. Overall, despite the fluctuations, the company maintained a healthy liquidity level, ensuring its ability to meet short-term obligations. The improvement in the last two years suggests better asset management and financial stability.

CHART SHOWING CURRENT RATIO

CURRENT RATIO



8.2 DEBT TO EQUITY RATIO

TABLE SHOWING DEBT TO EQUITY RATIO

YEAR	TOTAL DEBT (A)	TOTAL SHAREHOLDER'S EQUITY (B)	RETURN ON EQUITY RATIO (A/B)
2020	8,315	45,265	0.18
2021	3,869	46,463	0.08
2022	1,291	48,011	0.03
2023	6,886	55,995	0.12
2024	3,273	63,667	0.05

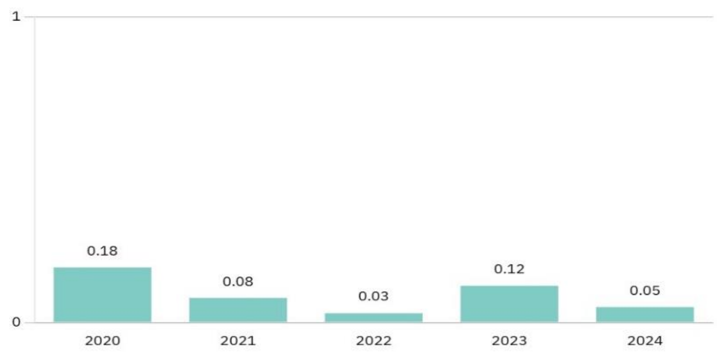
(Source: Secondary Data)

INTERPRETATION

The Debt-to-Equity (D/E) Ratio, which measures a company's financial leverage by comparing total debt to shareholders' equity, has shown fluctuations from 2020 to 2024. In 2020, the ratio was 0.18, indicating a moderate reliance on debt financing. In 2021, the ratio dropped significantly to 0.08, suggesting reduced debt levels and a stronger equity base. By 2022, the ratio further declined to 0.03, showing minimal dependence on debt and a highly equity-financed structure. However, in 2023, the ratio increased to 0.12, implying a rise in debt, possibly to finance expansion or operational activities. In 2024, the ratio decreased again to 0.05, reflecting improved debt management and a stronger equity position. The overall trend suggests that the company significantly reduced its debt burden over the years, relying more on equity financing, which enhances financial stability and reduces financial risk.

CHART SHOWING DEBT-TO-EQUITY RATIO

DEBT-TO-EQUITY RATIO



8.3 ASSET TURNOVER RATIO

TABLE SHOWING ASSET TURNOVER RATIO

(Source: Secondary Data)

Year	Sales (₹ Cr)	Total Assets (₹ Cr)	Asset Turnover Ratio
2020	32,838	67,622	0.49
2021	33,498	69,776	0.48
2022	38,654	80,712	0.48

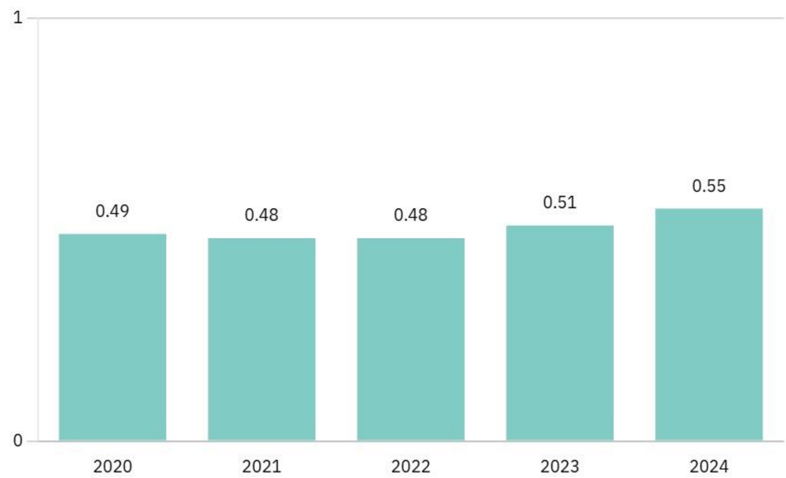
2023	**43,886**	**85,308**	**0.51**
2024	**48,497**	**88,116**	**0.55**

INTERPRETATION

The Asset Turnover Ratio, which measures how efficiently a company utilizes its assets to generate sales, has shown a gradual improvement from 2020 to 2024. In 2020, the ratio was 0.49, indicating that each unit of assets generated 0.49 units of sales. In 2021 and 2022, the ratio remained stable at 0.48, suggesting that asset utilization efficiency did not improve significantly despite increased sales. However, in 2023, the ratio rose to 0.51, reflecting better asset efficiency and increased revenue generation. By 2024, the ratio further improved to 0.55, marking the highest efficiency in the period, indicating that the company has been using its assets more effectively to generate sales. The overall trend suggests a positive movement in operational efficiency, with the company generating higher sales relative to its total assets in recent years.

CHART SHOWING ASSET TURNOVER RATIO

ASSET TURNOVER RATIO



8.4 RETURN ON ASSET RATIO (ROA)

TABLE SHOWING RETURN ON ASSET RATIO

YEAR	**NET PROFIT (A)**	**AVERAGE TOTAL ASSET (B)**	**RETURN ON ASSET RATIO [(A/B) *100]**
2020	**4,172**	**68,194**	**6.12%**
2021	**2,272**	**67,622**	**3.36%**
2022	**3,389**	**69,776**	**4.86%**
2023	**8,513**	**80,712**	**10.55%**
2024	**9,610**	**85,308**	**11.26%**

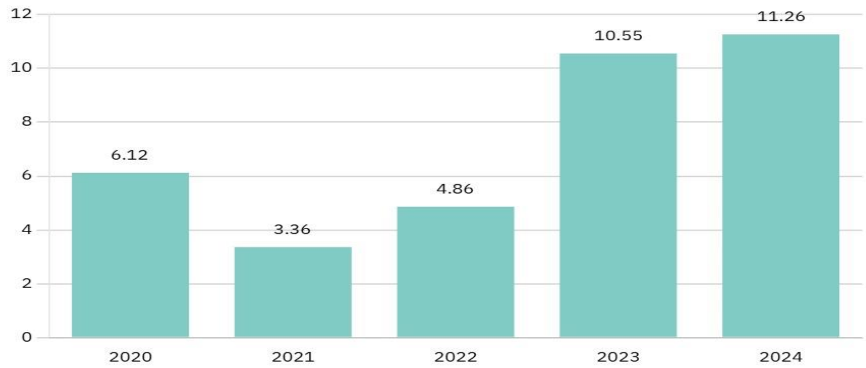
(Source: Secondary Data)

INTERPRETATION

The Return on Assets (ROA) Ratio, which measures a company's ability to generate profit relative to its total assets, fluctuated between 2020 and 2024. In 2020, the ROA was 6.12%, indicating a moderate return on the company's investments. However, in 2021, the ratio declined significantly to 3.36%, suggesting decreased profitability or inefficient asset utilization. In 2022, ROA improved to 4.86%, reflecting better asset efficiency and profit recovery. The most significant growth occurred in 2023, where the ROA surged to 10.55%, indicating higher profitability and better asset management. By 2024, the ratio further increased to 11.26%, marking the highest profitability in the period. The overall trend shows an initial decline, followed by a strong recovery, suggesting improved operational efficiency, revenue growth, and better asset utilization in recent years.

CHART SHOWING RETURN ON ASSET RATIO

RETURN ON ASSET RATIO



9. Findings, Suggestion and Conclusion:

Findings

Sun Pharmaceutical Industries Ltd. demonstrated a strong liquidity position throughout the study period, with the current ratio consistently remaining above 1.5. The highest value was recorded in 2020 at 2.33, and improvements were observed again in 2023 and 2024 following a slight dip in 2022, indicating solid short-term solvency. In terms of financial leverage, the Debt-to-Equity ratio significantly declined from 0.18 in 2020 to 0.05 in 2024, reflecting prudent debt management and a strategic shift towards greater reliance on equity financing. Operational efficiency improved steadily, as evidenced by the Asset Turnover Ratio, which increased from 0.49 in 2020 to 0.55 in 2024, suggesting better utilization of assets in generating revenue. Additionally, the company's profitability, measured by Return on Assets (ROA), saw a substantial rise from 3.36% in 2021 to 11.26% in 2024, indicating enhanced profitability and more effective use of assets.

Suggestion

To enhance its financial performance further, Sun Pharmaceutical Industries Ltd. should continue to optimize asset utilization by focusing on maximizing returns from its existing assets, which can lead to improved profitability and higher asset turnover ratios. Strengthening the cost-efficiency of research and development is also crucial, ensuring that substantial investments in innovation yield profitable outcomes. Additionally, the company should implement robust risk management practices to effectively navigate market volatility, including regulatory changes and global economic uncertainties. Maintaining financial discipline by further reducing dependence on debt financing will help keep financial risks low and sustain investor confidence.

Conclusion

The financial performance of Sun Pharmaceutical Ltd. from 2020 to 2024 demonstrates a strong recovery and growth trajectory, particularly in terms of profitability and asset efficiency. While challenges such as market volatility and R&D expenditure remain, the company has effectively managed its liquidity and leverage. With strategic improvements in asset utilization and continued financial discipline, Sun Pharma is well-positioned to sustain its leadership in the pharmaceutical industry. This study provides valuable insights for investors, stakeholders, and policymakers on the company's financial resilience and long-term growth potential.

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