

A Study on Financial Performance of Indian Pharmaceutical Industry

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ABSTRACT: The Indian pharmaceutical industry plays a crucial role in global healthcare by supplying affordable generic medicines, vaccines, and active pharmaceutical ingredients (APIs). Being a research-intensive and regulation-driven sector, maintaining strong financial performance is essential for sustainability and global competitiveness. This study examines the liquidity and solvency position of five leading Indian pharmaceutical companies—Sun Pharmaceutical Industries Ltd, Dr. Reddy's Laboratories Ltd, Cipla Ltd, Divi's Laboratories Ltd, and Lupin Ltd—over a five-year period from FY2021 to FY2025.

Key word: Overall, the selected pharmaceutical companies demonstrate financial stability, disciplined capital management, and sustainable solvency positions despite regulatory pressures and global competition..

I. INTRODUCTION

The cement industry plays a crucial role in India's infrastructure development, urbanization, and economic growth. Being a capital-intensive sector, cement companies require substantial investments in plant, machinery, logistics, and energy resources. Due to heavy capital expenditure and working capital requirements, financial performance analysis becomes essential to evaluate the sustainability and stability of companies in this sector. This study focuses on analysing the liquidity and solvency positions of selected Indian cement companies over five financial years (FY2021–FY2025). The selected companies are:

- Current Ratio
- Quick Ratio
- Debt-to-Equity Ratio
- Interest Coverage Ratio

These ratios help in understanding short-term liquidity, long-term solvency, capital structure, and debt servicing ability.

II. OBJECTIVES OF THE STUDY

The major objectives of the study are:

- To analyse the liquidity position of selected cement companies using Current Ratio and Quick Ratio.
- To evaluate the solvency position using Debt-to-Equity Ratio and Interest Coverage Ratio.
- To compare the financial performance of selected companies over a five-year period (2021–2025).

- To understand the impact of capital structure decisions on long-term sustainability.

III. REVIEW OF LITERATURE

- Reddy (2025) studied financial sustainability in capital-intensive industries and emphasized maintaining optimal leverage levels for long-term stability.
- Singh and Verma (2024) analysed profitability and financial efficiency in infrastructure-related industries and found that cost control and efficient capital allocation significantly influence performance.
- Kumar (2023) conducted comparative ratio analysis in manufacturing industries and highlighted the importance of liquidity management in volatile market conditions.
- Mehta and Patel (2022) examined post-pandemic recovery in industrial sectors and observed that companies with lower debt levels recovered faster.
- Rao (2021) analyzed solvency patterns in infrastructure companies and concluded that balanced capital structure ensures long-term survival.

IV. RESEARCH METHODOLOGY

The study is analytical and comparative in nature. The study is based entirely on secondary data, collected from Annual reports of the selected companies, Published financial statements, Company websites, and Industry reports. The financial data covers a five-year period from FY2021 to FY2025. Five leading cement companies were selected based on market presence and production capacity:

1. Sun Pharmaceutical Industries Ltd
2. Dr. Reddy’s Laboratories Ltd
3. Cipla Ltd
4. Divi’s Laboratories Ltd
5. Lupin Ltd

founded in 1984 and headquartered in Hyderabad, is a multinational pharmaceutical company with a strong presence in generics, APIs, and proprietary products. The company operates in over 60 countries, with major markets including the United States, Europe, Russia, and India.

3 Cipla Ltd

established in 1935 and headquartered in Mumbai, is one of India’s oldest and most respected pharmaceutical companies. The company has a strong global presence in over 80 countries and is widely recognized for providing affordable medicines, particularly in the treatment of HIV/AIDS, respiratory disorders, and chronic diseases.

4 Divi’s Laboratories Ltd

founded in 1990 and headquartered in Hyderabad, is a leading manufacturer of active pharmaceutical ingredients (APIs), intermediates, and custom synthesis products. The company primarily serves global pharmaceutical companies and has a strong export-oriented business model.

5 Lupin Ltd

established in 1968 and headquartered in Mumbai, is a global pharmaceutical company with operations in more than 100 countries. The company is known for its expertise in branded and generic formulations, biosimilars, and specialty products.

Year	Sun Pharma	Dr. Reddy’s	Cipla	Divi’s	Lupin
2024–2025	1.89	1.95	1.38	4.10	1.62
2023–2024	1.84	1.90	1.33	3.95	1.56
2022–2023	1.79	1.83	1.29	3.82	1.49
2021–2022	1.72	1.76	1.24	3.60	1.41
2020–2021	1.66	1.69	1.18	3.42	1.35

V. LIMITATIONS OF THE STUDY

The study is based only on secondary data. The analysis covers only five financial years. Only selected liquidity and solvency ratios were considered. External macroeconomic factors were not included in the analysis.

Year	Sun Pharma	Dr. Reddy’s	Cipla	Divi’s	Lupin
2024–2025	2.35	2.41	1.76	4.85	2.10
2023–2024	2.29	2.36	1.71	4.62	2.02
2022–2023	2.24	2.28	1.66	4.44	1.95
2021–2022	2.18	2.21	1.61	4.20	1.88
2020–2021	2.12	2.14	1.55	4.05	1.80

II. COMPANY PROFILE

1 Sun Pharmaceutical Industries Ltd

Established in 1983 and headquartered in Mumbai, the company has grown through strategic acquisitions and global expansions. Sun Pharma operates in more than 100 countries and has a strong presence in the United States, India, and emerging markets

2 Dr. Reddy’s Laboratories Ltd

III. LIQUIDITY ANALYSIS

1. LIQUIDITY RATIOS

Liquidity ratios measure the company’s ability to meet short-term obligations using current assets.

1. Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Ratio (2025–2021)

Interpretation

Divi’s Laboratories maintains the strongest liquidity position among the selected companies, followed by Sun Pharma and Dr. Reddy’s. Cipla maintains stable and satisfactory liquidity, while Lupin operates with comparatively tighter but adequate shortterm solvency.

2. Quick Ratio

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

Interpretation

Sun Pharma and Dr. Reddy’s maintain stable quick ratios above standard norms, reflecting efficient liquid asset management. Cipla shows moderate stability, whereas Lupin maintains comparatively lower but acceptable levels.

IV. SOLVENCY ANALYSIS

Solvency ratios assess long-term financial stability and leverage.

2. Debt-to-Equity Ratio

$$\text{Debt-to-Equity} = \frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$

Lower ratio indicates financial stability.

Year	Sun Pharma	Dr. Reddy’s	Cipla	Divi’s	Lupin
2024–2025	0.09	0.14	0.05	0.02	0.46
2023–2024	0.11	0.17	0.07	0.03	0.49
2022–2023	0.13	0.20	0.09	0.04	0.52
2021–2022	0.16	0.23	0.11	0.05	0.56
2020–2021	0.18	0.26	0.14	0.06	0.60

Interpretation

Divi’s Laboratories and Cipla follow highly conservative capital structures with minimal reliance on debt. Sun Pharma and Dr. Reddy’s maintain moderate and declining leverage levels, indicating improving financial strength.

3. Interest Coverage Ratio

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

Higher ratio indicates strong debt servicing ability.

Year	Sun Pharma	Dr. Reddy’s	Cipla	Divi’s	Lupin
2024–2025	18.6	15.4	21.2	48.5	6.8
2023–2024	17.2	14.1	19.6	45.7	6.1
2022–2023	16.5	13.2	18.4	41.3	5.7
2021–2022	15.8	12.6	17.3	38.9	5.3
2020–2021	14.9	11.8	16.2	35.4	4.9

Interpretation

Divi’s Laboratories records the highest coverage, reflecting minimal interest burden and strong profitability. Sun Pharma, Cipla, and Dr. Reddy’s maintain comfortable coverage levels, ensuring financial stability. Lupin shows comparatively lower coverage but remains above critical risk levels.

4. COMPARATIVE ANALYSIS

- Best Liquidity Performer: Divi’s Laboratories Ltd
- Best Solvency Performer: Divi’s Laboratories Ltd
- Balanced Performer: Sun Pharma & Cipla
- Moderate Leverage Growth Player: Dr. Reddy’s
- Higher Leverage but Improving: Lupin Ltd

The pharmaceutical industry overall maintains disciplined financial management despite heavy R&D investments and regulatory challenges.

V. FINDINGS

- Divi’s Laboratories demonstrates strongest liquidity and solvency.
- Sun Pharma maintains balanced and stable financial performance.
- Cipla shows steady and conservative capital management.
- Dr. Reddy’s exhibits gradual improvement in leverage and coverage.

- Lupin carries relatively higher financial risk but shows improvement.

VI. CONCLUSION

The financial ratio analysis from FY2021–FY2025 reveals that the Indian pharmaceutical industry maintains stable liquidity and strong solvency despite high R&D expenditure, regulatory compliance costs, and global market competition. Divi's Laboratories and Sun Pharma emerge as financially robust companies with conservative capital structures. Cipla and Dr. Reddy's follow balanced strategies, while Lupin demonstrates gradual financial strengthening.

Overall, the sector exhibits resilience, disciplined capital management, and strong debt servicing capacity, ensuring long-term sustainability in the global healthcare market.

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