

A Data-Driven Financial Performance Evaluation of Cipla Ltd Using Ratio Analysis

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Abstract

The process of accessing companies, projects, budgets, and other finance-related transactions to ascertain their suitability and performance is known as financial analysis. Financial analysis is typically used to determine whether a company is stable, solvent, liquid, or profitable enough to justify a financial investment. The process of analyzing a company's performance in relation to its industry and economic environment in order to make a recommendation or decision is known as financial Analysis. This study employs a number of research methods including, Profitability ratios, Solvency ratios and Comparative balance sheet. The process of identifying a company's strengths and weaknesses is referred to as financial analysis. By determining the relationship between the items on the balance sheet and profit and loss account of the business, the study is completed. The investigation was conducted by examining CIPLA LTD five-year financial statements. The study's primary motives are to assist in determining the company's growth and to determine the company's financial analysis. Secondary data is used in this study. Finally the result of this study company's profit is good and the company's assets and liabilities are used in satisfactory manner.

Keywords: Cipla ltd, Ratio Analysis, Comparative Statement, company's performance

Introduction

Financial analysis is the thorough process of assessing a company's performance, stability, and profitability through its financial records, while ratio analysis is the most important quantitative component which converts raw accounting data into meaningful comparative metrics. Fundamentally, financial analysis entails closely examining scrutinizing the three main financial statements that is the balance sheet, the income statement, and the cash flow statement to turn dense rows of numbers into a cohesive story about the operational health of a company. Ratio analysis improves this by establishing mathematical relationships between specific key line items, such as dividing current assets by current liabilities to find out the current ratio, or comparing net income to total revenue to determine net profit margin.. This analytical framework is generally divided into four functional pillars of ratios: liquidity ratios, which measure a firm's ability to meet immediate short-term debts; solvency (leverage) ratios, which assess long-term debt sustainability and capital structure; profitability ratios, which reveal how efficiently a company generates earnings relative to

its sales or investment; and efficiency (activity) ratios, which track how effectively management utilizes assets like inventory and receivables. For investors, these metrics are essential for fundamental equity analysis, helping them decide whether a stock is undervalued or over-leveraged. For internal management, the analysis acts as a diagnostic tool, highlighting operational bottlenecks such as a slow inventory turnover which might otherwise remain hidden in a standard profit-and-loss report. By comparing current ratios against historical data, analysts can identify if a company's health is improving or decreasing over time. Similarly, by measuring these figures against industry averages, they can evidently showcase the firm's competitive advantages or systemic weaknesses. Ultimately, financial and ratio analysis serves as the bridge between raw accounting and strategic decision-making, providing a structured, objective lens through which the complex financial reality of a modern enterprise can be clearly understood, communicated, and forecasted for future growth.

Company Profile



With its headquarters located in Mumbai, Cipla Limited is a multinational pharmaceutical company based in India. Cipla's main focus is on creating drugs to treat a variety of

medical conditions, including respiratory disorders, cardiovascular disease, diabetes, arthritis, depression, and pediatric conditions. Cipla sells its goods in 86 countries and has 47 manufacturing facilities worldwide. It is India's third-biggest pharmaceutical manufacturer.

TRADE NAME	Cipla
COMPANY TYPE	Public Company
ISIN	INE059A01026
INDUSTRY	Pharmaceuticals
FOUNDED	1935
FOUNDER	Khwaja Abdul Hamied
HEADQUARTERS	Mumbai, Maharashtra, India

Statement of the Problem

Cipla Ltd., is one of India's largest pharmaceutical companies, operating in as a highly competitive and regulated global pharmaceutical industry. The company's financial performance is influenced by various multiple factors such as pricing pressures, R&D expenditure, regulatory compliance, foreign exchange fluctuations, and changing demand occurring in both domestic and international markets. Despite Cipla's strong market presence and brand value, continuous evaluation of its financial health is vital to understand how effectively the company manages its resources, maintains its profitability, and sustains in having long-term growth. The problem addressed in this project is the need to analyse and assess the financial performance and position of Cipla Ltd. using financial statements and other key financial ratios. Without systematic financial analysis and ratio Analysis the investors, management, and other stakeholders may find it difficult to evaluate

the company's liquidity, solvency, profitability, and operational efficiency of this pharma company. Therefore, this study seeks to examine Cipla's financial statements over a specific period of 5 years that is from 2020-2025 to identify trends, strengths, weaknesses, and potential risks, thereby supporting informed financial decision-making.

Objectives

1. To study and analyze the financial performance of Cipla Ltd.
2. To measure the profitability, solvency and financial soundness by evaluating financial statements.
3. To compare the financial performance and to analyze the financial changes during the study period.
4. To give suggestions to improve the financial performance of the company.

Scope of the study

The study entitled "A DATA-DRIVEN FINANCIAL PERFORMANCE EVALUATION OF CIPLA LTD USING RATIO ANALYSIS" is to analyze the financial performance of Cipla Ltd for the last 5 years. The study is based on the financial position of the firm by using Ratio analysis, and Comparative statements. Financial statements help the management to analyze profit, solvency, liquidity and efficiency etc. this analysis will give the exact picture of the company. These studies will also help the management to take managerial decisions to understand the new possibilities. The study helps us to conduct researches in financial areas and it also helps us for taking financial Decisions in Personal Life.

Limitations

1. The study is based only on secondary data.
2. This study considers only the monetary aspects. Non-monetary aspects are not considered.
3. The analysis taken only for past 5 years due to time constraint.

Review of literature

Ankita M. Zadeshvariya (2025)¹ "Evaluating the Financial Stability of Cipla Pharmaceutical Company Ltd." The research studies that highlight the significance of financial stability for the pharmaceutical industry's long-term viability and

investor confidence. The research paper emphasizes the wider use of Altman's Z-Score Model and financial ratio analysis as the most trustworthy instruments for evaluating corporate solvency and forecasting financial distress. Liquidity ratios, profitability ratios, and leverage ratios offer important data information about operational effectiveness and risk exposure, according to earlier research on Cipla and pharma related companies. By incorporating and using several financial indicators into an all-encompassing stability assessment framework, the study fills a gap in predictive financial analysis identified by the reviewed literature.

Sahifa Mazgaonkar (2025)² “Investigating the Link between Cipla Stock Performance and Nifty-50” Mazgaonkar’s study situates itself within existing research exploring stock-index dynamics and market behaviour, drawing on prior analyses of Nifty 50 relationships with individual equities and sectoral indices related to pharma. Earlier literature highlights show how market benchmarks influences the stock returns and volatility, and how the macroeconomic and firm-specific factors shape performance patterns. It also Studies on correlation, co-integration, and index membership effects which provide a theoretical backdrop for linking Cipla’s price movements to broader market trends and volatility. By building on these foundations, the author assesses the strength and relevance of Cipla’s correlation and other pharma company’s relation with the Nifty 50, underscoring its implications for investors and portfolio strategies.

Dr. N. Gopal Samy & Dr. M.K. Senthilkumar (2025)³ “A Comparative Study of Financial Analysis of Pharmaceutical Industry” This research evaluates the financial performance of India’s pharmaceutical sector by analyzing ten prominent companies — Cipla Ltd., Dr. Reddy’s Laboratories, Sun Pharmaceutical Industries, Lupin Ltd., Divi’s Laboratories, Aurobindo Pharma Ltd., Cadila Healthcare (Zydus Lifesciences), Biocon Ltd., and Alkem Laboratories Ltd. over the financial years 2020–2024. Using DuPont Analysis, key profitability

indicators such as Return on Equity (ROE) and Return on Assets (ROA) were computed and presented to highlight trends. The study offers a comparative view of profitability and examines correlations among various profitability ratios, reflecting the industry’s evolving role in bolstering India’s position in the global pharmaceutical landscape.

Research Methodology

Research Design

The study adopts a descriptive and analytical research design. Descriptive research helps in understanding the financial position of the company, while analytical research is used to interpret financial data through various financial tools and ratios.

Nature of the Study

The study is quantitative in nature, as it relies on numerical financial data extracted from published financial statements to evaluate performance, profitability, liquidity, and solvency.

Source of Data

The study is based entirely on secondary data collected from reliable and authenticated sources such as:

- Annual Reports of the company
- Audited Financial Statements
- Stock exchange websites (BSE / NSE)

Period of the Study

The analysis covers a period of five years (that is from 2020–21 to 2024–25) to examine trends and year-to-year variations in financial performance.

Tools and Techniques of Analysis

The following financial and statistical tools are used for analysis and interpretation:

- Ratio Analysis (Liquidity, Profitability and Solvency ratios)
- Comparative Financial Statements

Data Analysis and Interpretation

Ratio analysis

Table no: 01
Liquidity Ratios

S. No	Financial Year	Current Ratio	Quick Ratio
01	2020-21	2.87	1.85
02	2021-22	2.99	1.91
03	2022-23	3.34	2.31
04	2023-24	3.7	2.70
05	2024-25	4.24	3.21

(Source: Secondary data)

Data Interpretation

The increasing current ratio from 2.87 in 2020-21 to 4.24 in 2024-25 which indicates that Cipla Ltd's has showcased the ability to meet its short-term obligations which has improved consistently over the years. It reflects a sound working capital management and a strong liquidity position. The rise in the quick ratio from 1.85 in 2020-21 to 3.21 in 2024-25 showcases that Cipla Ltd has a strong ability to meet immediate liabilities without relying on its inventory. This indicates excellent short-term financial strength and low liquidity risk.

Table No: 02
Solvency Ratios

S.No	Financial Year	Debt Equity Ratio	Proprietary Ratio
01	2020-21	0.10	72.86%
02	2021-22	0.04	76.90%
03	2022-23	0.02	79.45%
04	2023-24	0.01	81.63%
05	2024-25	0.01	83.43%

(Source: Secondary data)

Data interpretation

The debt-equity ratio has declined sharply from 0.10 in 2020-21 to 0.01 in 2024-25, indicating that Cipla Ltd relies very minimally on external debt which is a very good sign. This reflects a highly conservative capital structure with low financial risk, and strong long-term solvency. The proprietary ratio has increased from 72.86% in 2020 to 83.43% in 2025 (0.72 to 0.83), showing that a vast portion of the company's assets is financed by owners' funds (shareholders funds). This indicates strong financial stability, investor confidence, and long-term solvency of Cipla Ltd.

Table No: 03
Profitability Ratios

S. No	Financial Year	Gross Profit Ratio	Operating Profit ratio	Net profit ratio
01	2020-21	60.7%	22.2%	12.5%
02	2021-22	60.0%	19.9%	11.8%
03	2022-23	62.5%	21.1%	12.5%
04	2023-24	64.6%	23.7%	16.1%
05	2024-25	66.6%	25.9%	19.2%

(Source: Secondary data)

Data Interpretation

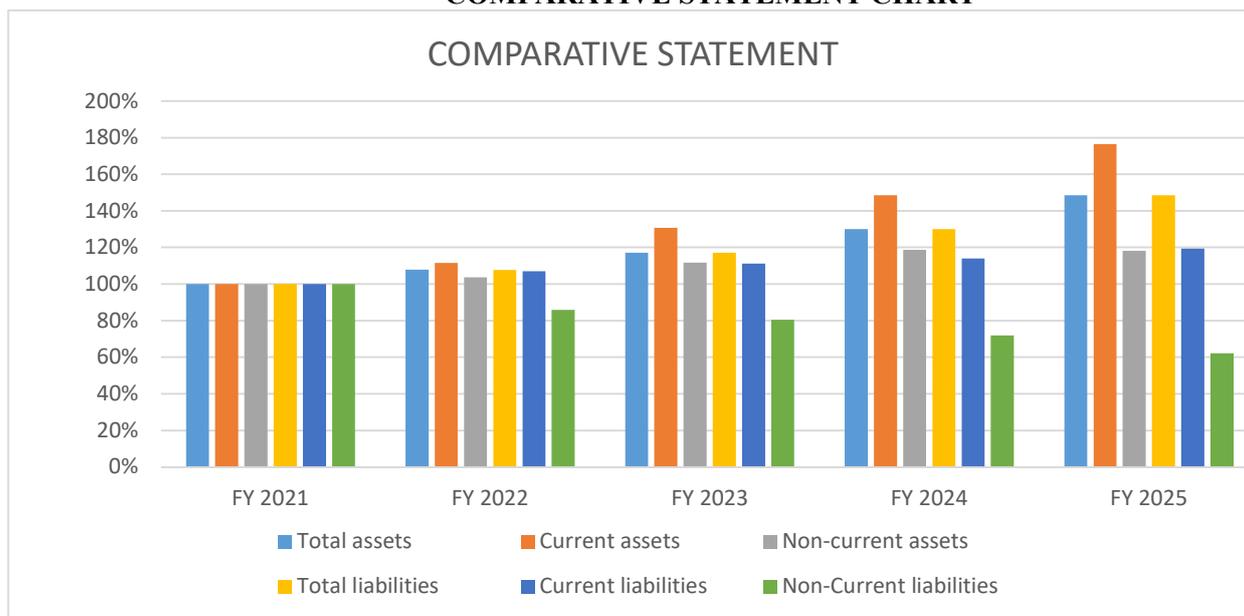
The gross profit ratio has improved from 60.7% in 2020-21 to 66.6% in 2024-25, indicating better cost control over production and improved pricing power. This reflects increased efficiency in managing cost of goods sold, meanwhile the operating profit ratio has increased from 22.2% in 2020-21 to 25.9% in 2024-25, showing

improved operational efficiency and effective control over operating expenses. This indicates stronger core business performance, and also the net profit ratio rose significantly rose from 12.5% in 2020–21 to 19.2% in 2024–25, reflecting higher overall profitability due to improved operating performance, better cost management, and efficient financial control.

TABLE NO: 04
Comparative Balance Sheet

S.No	Particulars	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
01	Total assets	100%	107.8%	117.1%	130.1%	148.6%
02	Current assets	100%	111.6%	130.8%	148.5%	176.4%
03	Non-current assets	100%	103.6%	111.7%	118.6%	118.1%
04	Total liabilities	100%	107.7%	117.1%	130.1%	148.6%
05	Current liabilities	100%	107.0%	111.2%	114.0%	119.4%
06	Non-Current liabilities	100%	85.9%	80.4%	71.9%	62.1%

COMPARATIVE STATEMENT CHART



Data Interpretation

A **Comparative Balance Sheet** is prepared by taking the figures of a base year as 100% and expressing the figures of subsequent years as a percentage of the base year.

$$\text{Comparative Percentage} = \left(\frac{\text{Current Year Amount}}{\text{Base Year Amount}} \right) \times 100$$

The comparative statement shows a consistent growth in total assets from 100% in FY2020- 21 to 148.6% in FY2024-25, indicating continuous

expansion of Cipla Ltd’s operations. The sharp rise in current assets from 100% in FY2020- 21 to 176.4% in FY2024-25 reflects strong liquidity and increased short-term resources, while moderate growth in non-current assets 100% in FY2020- 21 to 118.1% in FY2024-25 indicates controlled long-term investments. On the other side that is on the liabilities side, total liabilities have increased in line with assets, maintaining balance sheet stability. Current liabilities have grown at a slower pace from 100% in FY2020- 21 to 119.4% in FY2024-25, showing improved short-term solvency.

Meanwhile, the continuous decline in non-current liabilities from 100% in FY2020- 21 to 62.1% in FY2024-25 reflects reduced dependence on long-term debt and a stronger equity-based capital structure.

Suggestion

- The company should maintain optimal liquidity by investing surplus cash in high-return, low-risk instruments to avoid idle funds while ensuring operational flexibility.
- The company may cautiously use low-cost debt for expansion projects to enhance ROE without significantly increasing financial risk.
- The company should continue diversifying revenue through Specialty pharmaceuticals Branded generics Chronic and lifestyle disease segments. This will stabilize long-term earnings.
- The company should balance growth and stability by maintaining a healthy capital structure while pursuing expansion opportunities in emerging and regulated markets

Conclusion

Cipla Ltd demonstrates a stable and strong financial position, which makes it one of the well-established companies in the Indian pharmaceutical sector. Cipla Ltd is maintaining a low debt profile with high liquidity, which indicates a very sound financial management with a strong ability to meet both short-term and long-term obligations. Its stable healthy profit margins and revenue growth reflect operational efficiency and a well-diversified product portfolio across both domestic and international markets. The profitability ratios analysis such as net profit margin and net operating profit margin showcases that Cipla uses its resources effectively to generate profits, though there remains scope for better capital utilization due to its conservative leverage position. Strong cash flows provide the company with flexibility to invest in research and development, expand into new markets, across the world and strengthen its product pipeline wide. However, Cipla faces challenges such as pricing pressure in global generics markets, regulatory risks, and intense competition. Despite these challenges, the company's focus on innovation, cost control, and

strategic expansion positions it well for sustainable growth. To conclude, Cipla Ltd's strong financial fundamentals, prudent risk management, and growth-oriented strategies showcases long-term financial stability and value creation, making it a financially sound and more reliable pharmaceutical company.

Reference

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