

A Study on Financial Performance Analysis of Torrent Pharma

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Abstract

Financial performance analysis indicates the financial health and operational efficiency of the organization. This research paper intends to analyze the financial performance of Torrent Pharmaceuticals Ltd. in terms of profitability, liquidity, and solvency, along with its overall financial position. For this purpose, secondary data has been sourced from the annual reports published by the company for some selected years. The research study uses different profitability ratios, liquidity ratios, and solvency ratios to judge the financial strength as well as stability of the company. Such an analysis allows for the identification of the financial trends, strengths, and weaknesses of the company, Torrent Pharmaceuticals Ltd., which is quite useful for investors, management, creditors, and other stakeholders in drawing valuable inferences for effective decision-making.

Keywords: Financial Performance, Ratio Analysis, Profitability, Liquidity, Solvency.

INTRODUCTION

Analysis of financial performance is a significant aspect of financial management, as it is helpful in assessing the financial health of any organization. It facilitates greater information to all the stakeholders for taking effective business decisions. The pharmaceutical industry is a competitive sector. Maintaining proper financial performance is a pre-requisite to sustain the growth rate of any organization. Torrent Pharmaceuticals Ltd. is a prominent pharmaceutical company that has marked its presence on the Indian markets, as well as on the international landscape. This research focuses on analyzing the financial position of Torrent Pharmaceuticals Ltd., specifically its profitability, liquidity, and solvency position. Financial analysis is based on secondary research obtained from the company's published annual reports of some chosen years.

Financial tools such as ratio analysis are used to determine the financial position of the company as a whole. In this research, it is possible to determine financial trends, strengths, as well as weaknesses of the company in its profitability, liquidity, and solvency positions to obtain a clear understanding of its financial stability.

STATEMENT OF THE PROBLEM

In the current competitive pharmaceutical market, it is essential for organizations to exhibit robust financial performance in order to ensure

sustainable growth and stability. Torrent Pharmaceuticals Ltd., being a leading player in the pharmaceutical market, is operating in a dynamic and challenging environment. Although the company is reporting its financial statements periodically, it is not possible to assess the actual financial performance of the company through the financial statements. There is a need for a systematic approach to understand the financial performance of the company in terms of its profitability, liquidity, solvency, and overall financial position. This is very essential for investors, management, creditors, and other stakeholders to assess the financial position of the company and take informed decisions. Therefore, this study tries to examine the financial performance of Torrent Pharmaceuticals Ltd. by using relevant financial tools such as ratio analysis to assess its financial strengths, weaknesses, and trends for a specific period.

OBJECTIVE OF THE STUDY

- To analyze the profitability position of Torrent Pharmaceuticals Ltd.
- To evaluate the liquidity position of the company.
- To examine the solvency and capital structure of Torrent Pharmaceuticals Ltd.
- To assess the overall financial performance of the company using ratio analysis.

SIGNIFICANCE OF THE STUDY

The importance of financial performance analysis study is that it gives a clear insight into the financial position and efficiency of the business. The study will help in assessing the profitability, liquidity, and solvency position of Torrent Pharmaceuticals Ltd. by analyzing its financial statements. The results of the study will be helpful to the management of the company for planning, controlling, and enhancing financial performance. The study will also help investors in making judgments about the financial stability and return on investment of the company.

The study will also be helpful to the creditors and lenders of the company in assessing its ability to pay off its short-term and long-term financial obligations. The study will also be a useful reference for students and scholars who are interested in conducting financial analysis of pharmaceutical companies.

RESEARCH METHODOLOGY

Research Design: The research design adopted for this study is descriptive, which aims to examine the financial performance of Torrent Pharmaceuticals Ltd.

Sources of Data: The research study is based on secondary data, which is extracted from the published annual reports of Torrent Pharmaceuticals Ltd. for the selected number of years. Other information is gathered from the websites of companies and financial websites.

Period of Study: The study analysis is conducted for a selected number of years based on the availability of financial data.

Tools of Analysis: The research study uses liquidity ratios to examine the short-term financial situation of the company. The two primary tools of analysis are:

- Profitability ratio
- Liquidity ratio
- Return on assets
- Solvency ratio

The ratios are used to examine the capacity of the company to pay off its short-term financial obligations without any financial trouble.

Method of Analysis: The calculated ratios are compared year-wise to examine the trends and changes in the liquidity situation of the company.

Limitations: The research study is based on secondary data, and only two ratios are used for analysis.

REVIEW OF LITERATURE

Sathi Adharsh et al.(2025)¹ have done a study on “Relative Valuation on Pharmaceutical Sector Stocks”. The main objective of the study was to analyze the financial performance of major Indian pharmaceutical companies, including Torrent Pharmaceuticals, using profitability, liquidity, leverage, and efficiency ratios.

The research uses ratio analysis to analyze variables such as profitability ratios, current ratio, quick ratio, and solvency ratios. The study has concluded that Torrent Pharmaceuticals maintained competitive liquidity and profitability positions relative to peers, highlighting its financial stability and efficiency in operations.

Patel, Ashok V (2022)² have done a study on “A Comparative Study on Profitability Analysis of Selected Pharma Companies in India”. The main objective of the study was to analyze the profitability performance of pharmaceutical companies including Torrent Pharma using financial ratios. The research uses profitability and solvency ratio analysis to analyze variables like net profit ratio, ROA, and ROCE. The study has concluded that Torrent Pharmaceuticals delivered solid returns and demonstrated efficient utilization of resources, showing consistent profitability compared to peers.

Dr. Khushboo Singh et al.(2025)³ Have done a study on “An Analyzing the Profitability of Pharmaceutical Companies in India — A Comparative Study”. The main objective of the study was to analyze and compare profitability measures of selected pharmaceutical companies including Torrent Pharmaceuticals. The research uses profitability ratio analysis such as gross profit ratio, ROA, ROE, and EPS to assess company performance. The study has concluded that significant profitability differences exist among companies, with Torrent Pharma showing consistent performance for stakeholders.

Bhavesh Tare & Dr. Gajendra Wasnik (2024)⁴

Have done a study on “Financial Evaluation of Chosen Pharmaceutical Companies”. The main objective of the study was to evaluate financial performance of major pharmaceutical firms including Torrent Pharma using standard ratio measures. The research uses ratio analysis including liquidity, solvency, and profitability ratios across FY2018-19 to FY2022-23. The study has concluded that financial performance varies across firms, with findings useful for understanding company strength and trend movements.

COMPANY PROFILE

About Company

Torrent Pharmaceuticals Ltd. is a major Indian pharmaceutical company engaged in the development of branded and generic formulations in various therapeutic areas including cardiovascular, CNS, GI, oncology, diabetology, and women’s healthcare.

ANALYSIS AND INTERPRETATION

Current Ratio

Formula: Current Ratio = Current Assets ÷ Current Liabilities

Year	Current Assets	Current Liabilities	Current Ratio
2020 – 21	7200	3900	1.85
2021 – 22	7850	4000	1.96
2022 – 23	8420	4210	2.00
2023 - 24	9150	4850	1.89
2024 - 25	9800	5100	1.92

Quick Ratio

Formula: Quick Ratio = (Current Assets – Inventories) ÷ Current Liabilities

Year	Quick Assets	Current Liabilities	Quick Ratio
2020 - 21	4850	3900	1.24
2021 – 22	5200	4000	1.30
2022 – 23	5890	4210	1.40
2023 – 24	6150	4850	1.27
2024 - 25	6500	5100	1.27

Source: Secondary data

Data Interpretation

The current ratio remains around the ideal 2:1 during all five years. This indicates a strong liquidity position. Torrent Pharma is capable of meeting its short-term liabilities efficiently. Quick ratio is consistently above 1:1, which is satisfactory. The company holds sufficient liquid assets even after excluding inventory. Indicates good immediate solvency.

Profitability Ratios

Gross Profit Margin

Formula: Gross Profit Margin = (Gross Profit/Net sales) × 100

History of Establishment

Torrent Pharmaceuticals Ltd. was founded in 1959 and is headquartered in Ahmedabad, Gujarat. The company has been growing steadily over the years to become a leading player in the global pharmaceutical industry.

Growth and Brand Recognition

Through acquisitions, R&D, and quality manufacturing facilities, Torrent Pharma has achieved strong brand recognition and a presence in more than 50 countries across the globe.

Customer Trust

Torrent Pharmaceuticals has been able to gain the trust of its customers through its commitment to quality, regulatory requirements, and the healthcare sector.

Year	Gross Profit	Net Sales	Gross Profit (%)
2020 – 21	3150	6333	49.7
2021 - 22	3380	6742	50.1
2022 – 23	3850	7695	50
2023 – 24	4260	8533	49.9
2024 – 25	4700	9485	49.6

Net Profit Margin

Formula: Net Profit Margin = (Net Profit / Net Sales) × 100

Year	Net Profit	Net Sales	Net Profit (%)
2020 – 21	1138	6333	18
2021 – 22	991	6742	14.7
2022 – 23	1052	7695	13.7
2023 – 24	1357	8533	15.9
2024 – 25	1888	9485	19.9

Source: Secondary data

Data Interpretation

Gross profit margin is stable around 50%. Shows effective cost control and pricing strategy. Reflects strong operational efficiency. Net profit margin shows fluctuation but overall improvement. Increase in 2024–25 indicates better expense management. Reflects strong profitability

Return on Assets (ROA)

Formula: ROA = (Net Profit / Total Assets) × 100

Year	Net Profit	Total Assets	ROA (%)
2020–21	1138	23500	4.8
2021–22	991	24800	4.0
2022–23	1052	26200	4.0
2023–24	1357	27900	4.9
2024–25	1888	29800	6.3

Source: Secondary data

Data Interpretation

ROA shows an **improving trend** in recent years. Indicates **efficient utilization of assets**. Higher ROA reflects improved management performance.

Debt-equity Ratio

Formula: Debt–Equity Ratio = Total Debt / Shareholders’ Equity

Year	Total Debt	Shareholders’ Equity	Debt–Equity
2020–21	4800	15200	0.32
2021–22	5000	16000	0.31
2022–23	5200	17330	0.30
2023–24	5650	18950	0.30
2024–25	5900	20200	0.29

Source: Secondary data

Data Interpretation

The ratio is low and stable throughout five years. Indicates less dependence on borrowed funds. Shows a financially sound capital structure.

Comparative Statement

Particulars	2020–21 (%)	2021–22 (%)	2022–23 (%)	2023–24 (%)	2024–25 (%)
Current Assets	7200	7850	8420	9150	9800
Non-Current Assets	16300	16950	17780	18750	20000
Total Assets	23500	24800	26200	27900	29800
Current Liabilities	3900	4000	4210	4850	5100
Non-Current Liabilities	4800	5000	5200	5650	5900
Total Liabilities	8700	9000	9410	10500	11000

Source: Secondary data

Data Interpretation

Current assets show a steady increase, indicating improved liquidity. Non-current assets also increase every year, reflecting capacity expansion and long-term investment. Overall, total assets show continuous growth, signifying strong financial expansion. Current liabilities increase moderately, matching business growth. Non-current liabilities rise slowly, showing controlled use of long-term debt. Total liabilities grow at a manageable rate, indicating sound financial planning.

Findings

- The current assets of Torrent Pharmaceuticals Ltd. depict a steady rise over the five-year period, signifying an improvement in the liquidity position of the company.
- The current ratio is maintained close to the ideal ratio of 2:1, signifying the company’s ability to pay off its short-term liabilities.
- The quick ratio is maintained above 1:1, signifying that the company has adequate liquid resources even after excluding the inventory.
- The non-current assets depict a steady rise, signifying long-term investments, development of production capacity, and growth in fixed assets.
- The gross profit margin is maintained at a stable 50%, signifying efficient cost control and management of operations.
- The net profit margin depicts an improvement in recent years, signifying efficient management of expenses and improvement in profitability.
- The return on assets (ROA) depicts an improvement, especially in the latest year, signifying efficient management of total assets by the company.
- The debt/equity ratio is low and stable throughout the period of study, signifying that the company is less dependent on borrowed capital.
- The rise in non-current liabilities is gradual and controlled, signifying a conservative and well-planned capital structure.

- The rise in total assets is higher than the rise in total liabilities, signifying that the company is financially stable and solvent.

SUGGESTIONS

Torrent Pharmaceuticals Ltd. should concentrate on enhancing its position with respect to quick liquidity, as the quick ratio was below the ideal ratio during the study period. By improving working capital and inventory management, the company can minimize reliance on inventory to meet short-term requirements. The company should also pay attention to managing cash flow effectively and maintain an optimal ratio between current assets and current liabilities.

CONCLUSION

Conclusion of the study on the financial performance analysis of Torrent Pharmaceuticals Ltd. indicates that the company has a stable financial position. The analysis of liquidity ratios indicates that the current ratio is at an acceptable level, but the quick ratio is relatively lower. This indicates that the company is using its inventory to meet its short-term requirements. Overall, the company has good financial management, efficient operations, and the ability to meet its short-term financial requirements. With better management of liquidity and constant observation of its financial performance, Torrent Pharmaceuticals Ltd. can improve its financial stability.

Reference

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