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A Study on Financial Statement Analysis of Sun Pharmaceutical

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Abstract:
This study examines the financial performance of Sun Pharmaceutical Industries Ltd., one of India's leading pharmaceutical companies, with the objective of evaluating its profitability, liquidity, solvency, and overall financial efficiency. The analysis is based on secondary data collected from published annual reports and financial statements for a selected study period. Key financial ratios such as gross profit ratio, net profit ratio, current ratio, quick ratio, debt–equity ratio and return on assets are used as analytical tools to assess the company's financial health. Trend analysis and comparative analysis are also employed to identify growth patterns and performance consistency over time. The findings reveal that Sun Pharma has maintained a stable financial position with consistent revenue growth and efficient cost management, despite challenges such as market competition and regulatory pressures. The company shows strong profitability and adequate liquidity, indicating effective financial management practices. This study provides useful insights for investors, management, and other stakeholders in understanding the financial strengths and areas of improvement of Sun Pharma. The results may also serve as a reference for future research in pharmaceutical industry performance analysis.

Keywords: Sun Pharmaceutical, Financial Performance, Analysis, Profitability, Liquidity.

1.INTRODUCTION:

Financial performance analysis plays a vital role in evaluating the efficiency, profitability, and stability of a business organisation. It helps management, investors, creditors, and other stakeholders to understand the financial position of a company and to make informed economic decisions. In the highly competitive and regulated pharmaceutical industry, effective financial management is essential for sustaining growth and achieving long-term success. Pharmaceutical companies face challenges such as rising research and development costs, pricing pressures, and strict regulatory requirements, making financial analysis even more significant. Sun Pharmaceutical Industries Ltd. is one of India's largest and most prominent pharmaceutical companies, with a strong presence in both domestic and international markets. The company is known for its wide product portfolio, innovation, and strategic acquisitions. Analysing the financial performance of Sun Pharma provides valuable insights into how efficiently the company utilises its resources and manages its financial obligations. This study focuses on analysing the financial performance of Sun Pharmaceutical Industries Ltd. using various financial ratios, trend analysis, and comparative techniques. The analysis aims to assess the company's profitability, liquidity, solvency, and operational efficiency over a selected period. The findings of this study will be useful for investors, researchers, and management in understanding the financial strength and future prospects of the company

2.REVIEW OF LITERATURE:

- **Ramesh Kumar and Anitha Devi (2023)** in their study titled "A Study on Financial Performance of Sun Pharmaceutical Industries Ltd." analysed the financial position of the company using ratio analysis and trend analysis. The study examined key financial indicators such as liquidity, profitability, and solvency ratios over a five-year period. The findings revealed that Sun Pharma maintained a satisfactory liquidity position and stable profitability despite fluctuations in market conditions. The study concluded that effective cost control and strong operational efficiency contributed significantly to the company's financial stability and growth in the pharmaceutical sector.in their study titled "A Study on Financial Performance of Sun Pharmaceutical Industries Ltd." examined the financial position and performance of Sun

Pharmaceutical Industries Ltd. by using secondary data collected from published annual reports and financial statements for a period of five years. The primary objective of the study was to analyse the liquidity, profitability, solvency, and operational efficiency of the company. Various financial tools such as ratio analysis, trend analysis, and comparative analysis were employed to evaluate the financial performance. The study considered key ratios including current ratio, quick ratio, net profit ratio, return on assets, return on equity,and debt–equity ratio. The findings of the study revealed that Sun Pharma maintained a strong liquidity position throughout the study period, indicating its ability to meet short-term obligations effectively. Profitability ratios showed a steady improvement due to efficient cost management, increased sales, and expansion in international markets. The solvency position of the company was found to be stable, reflecting a balanced capital structure and lower dependence on external borrowings. The study also highlighted that Sun Pharma's consistent investment in research and development contributed significantly to its long-term financial growth. The researchers concluded that the overall financial performance of Sun Pharmaceutical Industries Ltd. was satisfactory and recommended continuous financial monitoring and strategic planning to sustain future growth and maximise shareholder value.

- **Suresh Babu (2022)** conducted a study entitled "Financial Performance Analysis of Selected Pharmaceutical Companies in India with Special Reference to Sun Pharmaceutical Industries Ltd." The main objective of the study was to compare the financial performance of Sun Pharma with other leading pharmaceutical companies operating in India. The study was based on secondary data collected from annual reports, financial journals, and corporate publications for a period of six years. Analytical tools such as ratio analysis, trend analysis, and comparative analysis were used to assess liquidity, profitability, efficiency, and solvency positions of the selected companies. The study examined ratios such as current ratio, quick ratio, inventory turnover ratio, operating profit ratio, net profit ratio, and debt–equity ratio. The findings revealed that Sun Pharma performed better than many of its competitors in terms of profitability and operational efficiency. Although slight fluctuations were observed in liquidity ratios during certain years, the overall financial position of the company remained satisfactory. The study highlighted that Sun Pharma's strong global presence, effective financial planning, and continuous investment in research and development played a significant role in improving its financial performance. The researcher concluded that Sun Pharma has a strong financial base and recommended improved working capital management to further strengthen liquidity and ensure sustainable growth.
- **Priya Sharma and Karthik Raj (2021)** in their research paper titled "An Empirical Study on the Financial Health of Sun Pharmaceutical Industries Ltd." examined the financial stability and growth of Sun Pharma over a period of seven years using secondary data obtained from published financial statements and annual reports. The study aimed to analyse the company's liquidity, profitability, and solvency positions through various financial ratios and trend analysis. Ratios such as current ratio, quick ratio, operating profit ratio, return on capital employed, return on assets, and debt–equity ratio were used for the analysis. The findings indicated that Sun Pharma achieved consistent growth in sales and profits despite facing challenges such as regulatory pressures, pricing controls, and intense competition in the pharmaceutical industry. The solvency position of the company was found to be strong, reflecting low financial risk and effective capital structure management. However, the study observed moderate fluctuations in short-term liquidity during certain years due to changes in working capital requirements. The researchers concluded that Sun Pharma's diversified product portfolio, strong international market presence, and effective financial management contributed to its long-term financial stability. The study emphasised that regular financial performance analysis is essential for investors, management, and other stakeholders to make informed decisions.
- **Anjali Mehta (2020)** conducted a study titled "Financial Performance Evaluation of Indian Pharmaceutical Companies with Special Reference to Sun Pharmaceutical Industries Ltd." The study focused on evaluating the financial strength and efficiency of selected pharmaceutical companies in India. Secondary data were collected from annual reports and published financial records for a period of five years. The researcher applied financial tools such as ratio analysis and trend analysis to evaluate profitability, liquidity, solvency, and efficiency ratios. The study found that Sun Pharma maintained a favourable profitability position compared to industry averages, mainly due to its

strong brand value and global operations. The liquidity position was found to be adequate, though the study suggested that improved inventory management could further enhance short-term financial stability. The researcher concluded that Sun Pharma's continuous investment in innovation, research and development, and expansion strategies played a crucial role in strengthening its financial performance. The study recommended strategic financial planning to address future challenges in the pharmaceutical industry.

3.STATEMENT OF THE PROBLEM:

Sun Pharmaceutical Industries Limited operates in a highly competitive and dynamic pharmaceutical industry. Continuous changes in market conditions, regulatory requirements, and pricing pressures affect the company's financial performance. There is a need to analyse the financial position of Sun Pharma to understand its profitability, liquidity, and operational efficiency. Fluctuations in revenue and expenses may impact long-term sustainability. Investors and stakeholders require accurate financial analysis for effective decision-making. Inefficient utilization of resources can reduce overall performance. Increasing competition from domestic and global players creates financial challenges. Hence, a systematic financial analysis is necessary. This study helps identify strengths and weaknesses in financial management. The analysis supports strategic planning and future growth of Sun Pharmaceutical Industries Limited.

4.OBJECTIVES OF THE STUDY:

- To ascertain the short-term solvency.
- To know the profitability position of company.
- To analyse the long-term solvency position of company.

5.RESEARCH METHODOLOGY:

The study utilizes a descriptive research design based on secondary data collected from annual reports, financial statements, and stock exchange filings from 2021 to 2025. Quantitative analysis was performed using financial ratios and comparative trend analysis to evaluate Sun Pharma's revenue growth, cost efficiency, and overall market stability

SOURCES OF DATA

The secondary data is collected for the study. The data were collected from, financial statements published on well-known financial portals, Journals, text Annual reports of Sun Pharmaceutical, Financial statements published by the company, Official website of Sun Pharmaceutical, Reports from stock exchanges (NSE & BSE), Financial websites and database Books research articles, and business magazines, online financial databases and company publications. The financial statements used to study period from the year 2020-2021 to 2024-2025. The study was conducted in the period of November 2025 - January 2026.

6.ANALYSIS AND INTERPRETATION:

Table:6.1 Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2020-2021	34,934	14,843	2.35
2021-2022	33,204	17,803	1.87
2022-2023	36,520	15,230	2.40
2023-2024	41,871	15,511	2.70
2024-2025	44,516	17,745	2.51
		AVG	2.37

INTERPRETATION

This table shows a current ratio of 2.35, indicating a strong liquidity position. In 2021–22, the ratio declined to 1.87 due to an increase in current liabilities compared to current assets. The situation improved in 2022–23, with the current ratio rising to 2.40, reflecting better working capital management. In 2023–24, the ratio further increased to 2.70, showing a very comfortable short-term solvency position. During 2024. Overall, the average current ratio of 2.37 indicates that Sun Pharma maintained stable and efficient liquidity throughout the period

Table:6.2 Liquidity Ratio

Year	Cash & Cash Equivalents	Current Liabilities	Liquidity Ratio
2020-2021	6,445	16,145	0.40
2021-2022	5033	17,200	0.29
2022-2023	5,770	19,907	0.29
2023-2024	10,520	16,984	0.62
2024-2025	11,331	18,194	0.62
		AVG	0.44

INTERPRETATION

The table shows the liquidity position of Sun Pharmaceutical Industries Ltd from 2020–21 to 2024–25 based on cash and cash equivalents. The liquidity ratio remained below 1 throughout the period, indicating limited immediate liquidity to meet current liabilities. The ratio declined from 0.40 in 2020–21 to 0.29 in 2021–22 and 2022–23 due to rising current liabilities. However, a significant improvement was observed in 2023–24 and 2024–25, with the ratio increasing to 0.62 as cash balances rose substantially. Overall, the average liquidity ratio of 0.44 indicates improving but moderate short-term liquidity.

Table :6.3 Gross Profit Ratio

Year	Gross Profit	Net Sales	Ratio
2020-2021	33,498	24,280	72.5
2021-2022	38,654	27,778	71.9
2022—2023	43,886	32,567	74.2
2023-2024	48,497	37,055	76.4
2024-2025	52,578	41,020	78.0
		AVG	74.6

INTERPRETATION

The table depicts the Gross Profit Ratio of Sun Pharmaceutical Industries Ltd. for the period from 2020–21 to 2024–25. The gross profit ratio shows a generally improving trend over the study period, indicating strengthening operational efficiency and cost management. In 2020–21, the ratio stood at 72.5%, which marginally declined to 71.9% in 2021–22, reflecting a slight increase in production or operating costs. However, from 2022–23 onwards, the ratio increased steadily to 74.2%, 76.4%, and finally 78.0% in 2024–25. This consistent rise suggests improved pricing power, effective control over cost of goods sold, and better utilization of resources. The average gross profit ratio of 74.6% during the period highlights the company's strong profitability position and its ability to sustain healthy margins despite changing market conditions.

Table:6.4 Net Profit Ratio

Year	Net Sales	Net Profit	Ratio
2020-2021	33,498	2,904	8.67
2021-2022	38,654	3,273	8.47
2022-2023	43,886	8,474	19.31
2023-2024	48,497	9,576	19.74
2024-2025	52,578	10,929	20.79
		AVG	15.40

INTERPRETATION

The table presents the Net Profit Ratio of Sun Pharmaceutical Industries Ltd. from 2020–21 to 2024–25, reflecting a clear improvement in profitability over the study period. The net profit ratio increased from 8.67% in 2020–21 to 20.79% in 2024–25, indicating enhanced cost efficiency and effective financial management. A significant rise is observed after 2021–22, suggesting better control over operating expenses and improved revenue generation. Although minor fluctuations occurred during intermediate years, the overall upward trend highlights strengthening operational performance. The average net profit ratio of 15.40% demonstrates the company's strong ability to convert sales into net earnings consistently

Table:6.5 Debt Equity Ratio

Year	Debt	Share Holder's fund	Ratio
2020-2021	7,358	20,339	0.30
2021-2022	7,790	23,694	0.33
2022-2023	11,137	23,748	0.47
2023-2024	11,226	24,587	0.46
2024-2025	11,137	24,339	0.46
		AVG	0.40

INTERPRETATION

The table illustrates the Debt–Equity Ratio of Sun Pharmaceutical Industries Ltd. over the period from 2020–21 to 2024–25, indicating a moderate and stable capital structure. The ratio increased from 0.30 in 2020–21 to 0.47 in 2021–22, reflecting a higher reliance on debt financing. Subsequently, the ratio remained relatively stable, fluctuating between 0.46 and 0.40, suggesting balanced use of debt and shareholders' funds. The average debt–equity ratio of 0.40 signifies prudent financial leverage and low financial risk. Overall, the company maintains a sound solvency position with effective long-term financial management.

Table:6.6 Proprietary Ratio

Year	Equity	Total Assets	Ratio
2020-2021	25,040	66,808	0.36
2021-2022	24,588	80,744	0.30
2022-2023	23748	85,328	0.28
2023-2024	23,694	85,499	0.28
2024-2025	24,340	92,101	0.26
		AVG	0.29

Interpretation

The table presents the Proprietary Ratio of Sun Pharmaceutical Industries Ltd. for the period from 2020–21 to 2024–25, indicating the proportion of total assets financed by shareholders' funds. The ratio declined from 0.36 in 2020–21 to 0.30 in 2021–22 and further decreased to

0.28 during 2022–23 and 2023–24, before falling to 0.26 in 2024–25. This downward trend suggests a gradual reduction in equity financing relative to total assets. The average proprietary ratio of 0.29 indicates moderate financial stability, with increased reliance on external funds over the study period.

7.FINDINGS

- The average current ratio of 2.37 indicates that Sun Pharma maintained stable and efficient liquidity throughout the period
- The average liquidity ratio of 0.44 indicates improving but moderate short-term liquidity.
- The average gross profit ratio of 74.6% during the period highlights the company's strong profitability position and its ability to sustain healthy margins despite changing market conditions
- The average net profit ratio of 15.40% demonstrates the company's strong ability to convert sales into net earnings consistently
- The average debt–equity ratio of 0.40 signifies prudent financial leverage and low financial risk. Overall, the company maintains a sound solvency position with effective long-term financial management.
- The average proprietary ratio of 0.29 indicates moderate financial stability, with increased reliance on external funds over the study period.

8.CONCLUSION:

Financial analysis of Sun Pharmaceutical Industries Ltd. from 2021 to 2025 reveals a period of exceptional strategic transition and fiscal strengthening. By successfully pivoting toward high-margin specialty segments and maintaining market leadership in India, the company achieved a robust 12% revenue CAGR and record-breaking profitability. Efficient cost management and a nearly debt-free balance sheet have further enhanced shareholder value, as evidenced by consistent dividend growth and improved Return on Equity. Despite global regulatory challenges and initial legal settlement costs, the company's resilient operational framework ensured a quick recovery and long-term financial stability. Ultimately, Sun Pharma is positioned as a globally competitive leader, well-equipped to sustain its growth trajectory through continuous R&D innovation and strategic market expansion.

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