KARNATAK UNIVERSITY

DHARWAD

DYAVAPPANAVAR-KORAVI-SIDNALEDUCATION TRUST'S

CHETAN BUSINESS SCHOOL, HUBLI

INSTITUTE OF MANAGEMENT AND RESEARCH

A Summer Internship Project Report on

"A Study on Fundamental Analysis of Selected Companies in Pharmaceutical Sector"

Undertaken At

"Unicap Financial Services"

A project report submitted to the Karnataka University Dharwad for the fulfilment of the post-graduation degree of

MASTER OF BUSINESS ADMINISTRATION

During the academic year 2021-2022

Submitted by

NAME: VIJAYLAXMI K SIDDANGOUDAR

REG.NO: P02DR21M0004

UNDER THE GUIDANCE OF

INTERNAL GUIDE
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Declaration

This is to declare that I Vijaylaxmi K Siddangoudar of Chetan Business School, Hubballi, Karnataka University Dharwad, MBA batch 2021-2022, has given original data and information to the best of my knowledge in the project report titled **‘Fundamental analysis on Selected Companies in Pharmaceutical Sector’** is a record of independent work carried out by me under the guidance and supervision of **Dr. Ramakant Kulkarni** towards the partial fulfillment of the requirement for the MBA course.

I also agree not to share the vital information with any other person outside the organization and that I have not submitted it for any award, title, degree, or diploma.

Name: Vijaylaxmi K Siddangoudar
Reg No: P02DR21M0004

Acknowledgment

It gives me immense pleasure to present this concurrent Project Report. However, it would not have been possible without the help and support of Unicap Financial Services team members.

I would like to thank **Dr. Ramakant Kulkarni** (internal guide) and **Mr. Mayur Sharma** (external guide) for guiding me in my tenure of internship from December 12th, 2022 to February 10th, 2023. Without their support and guidance, I wouldn’t have come so far to prepare this report.

I would like to thank Chetan Business School, which has given me a great opportunity to work on this project.

I am also grateful to my loving parents and my kind friends whose prayers, affection, and support are always a source of encouragement. Their suggestions and supply of information were really very valuable and helpful to me. Their continuous encouragement and support helped me for completing this project successfully.

Name: Vijaylaxmi K Siddangoudar
Reg No: P02DR21M0004

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Executive summary

Title of the project:

"Fundamental Analysis of Selected Companies in Pharmaceutical Sector'

About the company:

Name and address of the company: Unicap Financial Services

No 4, Sai Spandana, Sirur park road

Between 3rd & 4th cross, Sampigne road,

Malleshwaram, Bangalore 560055

Duration of the project:

12th December 2022 to 10th February 2023

Scope of the study:

This study is most important because fundamental analysis helps investors better understand the markets and gauges the direction in which their investments might be headed and its utility helps in estimating the future trends of the stock prices and to make a decent profit out of it.

OBJECTIVE OF STUDY

The main objective of the project is to do a fundamental analysis of pharmaceutical companies.
Secondly to study the present scenario of the pharmaceutical industry.

Analyze the information collected on sales, profit, earnings per share, market price, etc

To do Ratio Analysis for the selected companies and make necessary comments on it so as to provide a complete idea and core ideology of the company. So that investors can easily get an idea about the fundamental analysis of pharmaceutical companies.
To carry out financial and non-financial analysis of the Pharma Sector as a whole for the selected period.

Research Methodology

Research methodology is a way to systematically solve the research problem. The research methodology used to find out the solution to the research problem is analytical research methodology and some extent descriptive research methodology

Research Methodology in Application:

Type of Study - Analytical and Descriptive

Nature of study - Qualitative and Quantitative

Sample

Top 5 companies in the Indian Pharmaceutical Sector

Sample Size - 5 companies

Chosen companies:

1) Sun Pharma
2) Dr. Reddy's Laboratory
3) Cipla ltd.
4) Lupin ltd.
5) Divi's Laboratory

❑**Secondary Data** The sources of secondary data for solving the problems are:

Company Annual Report
Internet-websites

Each selected company's annual report data is taken with the use of the internet and the data is taken into consideration for analysing using various ratio's calculations. In excel the calculation has been done which shows the information given by the website is accurate.

LIMITATIONS OF THE STUDY

Assumptions may not be correct all the time. Because Stock may also trade below their intrinsic value in case of rumours or cases where the company is about to face massive claims. You have to be very careful as the analysis is based on past data which will have no relevance now as future profit gets affected if claim is settled. This generally happens in pharma companies due to regulations.
Today's stock market is totally running on the investor's perception so the conclusion derived on the basis of the fundamental analysis would not be viable in long run.

Finding and suggestions:

In findings will get to know how the stock is performing with the help of calculated statistical formulas (ratio's). I suggest the investors, before investing in any company, this is required to implement all the data & financial results & also decision himself. High returns usually mean high risk. It is useful to think in terms of the risk premium. The investors should become cautious while investing for very long time.

Conclusion:

This report consists and tells about the estimation of real worth of a stock is made by considering the earning potential of the company which depends on investment environment and factors relating to specific industry, competitiveness. quality of management, operational efficiency, profitability, capital structure and dividend policy. For investing in a company many people use fundamental analysis for the selection and technical analysis to make their buy and sell decisions. It relates to the examination of the intrinsic worth of a company to find out whether the current market price is fair or not, whether it is overpriced or underpriced. If is believed that analyzing the economy, strategy, management, product, financial status and other related information will help to choose shares that will outperform the market and provide consistent gains to the investor. If is the examination of the underlying forces that affect the interest of the economy, industrial sectors and companies. Here an attempt has been made to analyze the fundamental analysis through analyzing the financial performance of five selected Pharma and Healthcare companies by using various statistical techniques.

CHAPTER-1
FUNDAMENTAL ANALYSIS

Introduction to Fundamental Analysis

What is analysis?

Examining and evaluating the relevant information to select the best course of action from various alternatives. The methods used to analyze securities and make investment decisions fall into two very broad categories: fundamental analysis and technical analysis. Fundamental analysis involves analyzing the characteristics of a company in order to estimate its value. Technical analysis takes a completely different approach; it doesn't care one bit about the "value" of a company or a commodity. Technicians (sometimes called chartists) are only interested in the price movement in the market.

What is technical analysis?

Technical analysis is a method of evaluating securities by analyzing the statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use, charts and other tools to identify patterns that can suggest future activity.

What is fundamental analysis?

Fundamental Analysis involves examining the economic, financial and other qualitative and quantitative factors related to security in order to determine its intrinsic value. It attempts to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies).

Fundamental analysis, also known as quantitative analysis, involves delving into a company’s financial statements (such as profit and loss account and balance sheet) to study various financial indicators (such as revenues, earnings, liabilities, expenses and assets). Such analysis is usually carried out by analysts, brokers, and savvy investors. Many analysts and investors focus on a single number--net income (or earnings) --to evaluate performance. When investors attempt to forecast the market value of a firm, they frequently rely on earnings.

Many institutional investors, analysts, and regulators believe earnings are not as relevant as they once were. Due to nonrecurring events, disparities in measuring risk and management's ability to disguise fundamental earnings problems, other measures beyond net income can assist in predicting future firm earnings.

CHAPTER-2

COMPANY PROFILE

COMPANY PROFILE

Unicap Financial Services

O N E S T O P S O L U T I O N F O R Y O U R I N V E S T M E N T K N O W L E D G E A N D G U I D A N C E

About Company

Unicap Financial Services is a fintech start up, established with a group of professionals in the field of finance carrying a decade of experience providing cutting-edge access to market data & world-class news feed that covers the Indian Financial Markets.

What they do

Our product Turboprofits and Smart-I (in association with "Kotak Securities") is leveraging its success for all its subscribers via Information, Curated News, and Basket Research helps to educate and guide investors about the opportunities that India's emerging growth story presents, locate profitable market stories by using our App, social media, & Online Brokerage Platforms.

Experience

For 3 Years, we have been providing 100% Profitable Results, High-Quality Research, and Complete Transparency on Brokerages for beginners. The whole product comes at ZERO COST.

Products

Turboprofits
Smart-I

The partners

Kotak Securities

Service they provide

Economic-Stock research data
Training/Guidance on Stock Market
Basket Reports

Accurate Information for Informed Decisions

We are providing Mobile News App and website to enable quick access to financial news, and curated news: content is delivered to you by the touch of a button.
Turboprofits is leveraging its success for all its subscribers by applying collective intelligence in the financial domain, we provide information and access that helps locate profitable market stories by using our app and online platforms, and access is provided to market data & world-class news feed that covers the Indian Financial Markets.

Vision

We aim to be the Best Financial App Service Provider in India.

Mission & Goals

To educate investors about the opportunities that India’s emerging growth story presents, it is important that Indian investors get maximum benefit by investing in great ideas that the Indian equity space offers. In This, we are committed to informing our investors about emerging stories.
Our firm belief is that our nation’s overall economic growth and development will uplift all stakeholders involved.
Across the country, we have taken along with us Research Professionals, Financial Analysts, Innovators, Technologists, Financial Experts, and Ideates, and work we are working with the zeal of a missionary in accomplishing the task of Informing and Educating our Subscribers.

Services

Turbo Profits Club Information Subscription Service
Turbo Profits Club App and Website offer access to accurate equity news & market data curated by experts. The platform provides Financial News and Reports, Company News, Breaking News, Results Information and brokerage reports, etc.
Turbo Profits Club is a one-stop financial news app for all the up-to-date information.

Smart Self-Managed Market Asset for Retail Trader- (Investment)

Margin Investment Facilities (As Per Stock Brokers’ Terms and Conditions)
Lowest interest rate On Funding
Zero Brokerage on Intraday
Holdings At Minimum Charges
Brokerage Calls
House Calls
Access to premium content on Turbo Profits Club Website/App

Turbo Profits Financial Information Mobile App

Turboprofits, help you stay ahead of markets. The Mobile App gives you a birds-eye view of all News stories, plus the App provides you with breaking news and curated content.
Download free from Google Play Store and gets 10 years of Good Luck. Apple Users can Register using their safari browser and get the same features by clicking on www.turboprofits.club (Free to Register)

CHAPTER-3

PHARMACEUTICAL SECTOR

Industry Profile:

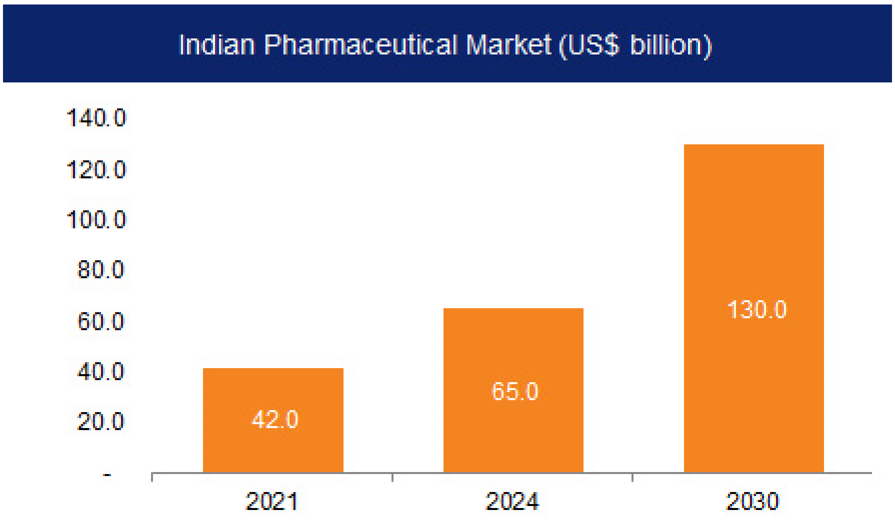
INTRODUCTION

India is the largest provider of generic drugs globally and is known for its affordable vaccines and generic medications. The Indian Pharmaceutical industry is currently ranked third in pharmaceutical production by volume after evolving over time into a thriving industry growing at a CAGR of 9.43% for the past nine years. Generic drugs, over-the-counter medications, bulk drugs, vaccines, contract research & manufacturing, biosimilars, and biologics are some of the major segments of the Indian pharma industry. India has the most pharmaceutical manufacturing facilities that are in compliance with the US Food and Drug Administration (USFDA) and has 500 API producers that makeup around 8% of the worldwide API market.

Indian pharmaceutical sector supplies over 50% of the global demand for various vaccines, 40% of generic demand in the US, and 25% of all medicine in the UK. The domestic pharmaceutical industry includes a network of 3,000 drug companies and ~10,500 manufacturing units. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with the potential to steer the industry ahead to greater heights. Presently, over 80% of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms. India is rightfully known as the "pharmacy of the world" due to the low cost and high quality of its medicines.

MARKET SIZE

According to the Indian Economic Survey 2021, the domestic market is expected to grow 3x in the next decade. India's domestic pharmaceutical market stood at US$ 42 billion in 2021 and is likely to reach US$ 65 billion by 2024 and further expand to reach US$ 120-130 billion by 2030. India's biotechnology industry comprises biopharmaceuticals, bio-services, bio-agriculture, bio-industry, and bioinformatics. The Indian biotechnology industry was valued at US$ 70.2 billion in 2020 and is expected to reach US$ 150 billion by 2025. India's medical devices market stood at US$ 10.36 billion in FY20. The market is expected to increase at a CAGR of 37% from 2020 to 2025 to reach US$ 50 billion. As of August 2021, CARE Ratings expect India's pharmaceutical business to develop at an annual rate of ~11% over the next two years to reach more than US$ 60 billion in value.



In the global pharmaceuticals sector, India is a significant and rising player. India is the world's largest supplier of generic medications, accounting for 20% of the worldwide supply by volume and supplying about 60% of the global vaccination demand. The Indian pharmaceutical sector is worth US$ 42 billion worldwide. In August 2021, the Indian pharmaceutical market increased by 17.7% annually, up from 13.7% in July 2020. According to India Ratings & Research, the Indian pharmaceutical market revenue is expected to be over 12% Y-o-Y in FY22.

GDP contribution

Indian pharmaceutical sector contributed around 2 percent to India's GDP (Department of Pharmaceuticals, 2019). Apart from this, the allied fields of pharmaceuticals such as healthcare, medical technology, and biotechnology, generate massive employment across the country. The pharmaceutical export market turnover was US$24.4 billion in 2020-21, witnessing an 18.1 percent (y-o-y) growth. India's domestic pharmaceutical market is estimated at US $41 billion in 2021 and is likely to grow to US $65 billion by 2024 and is further expected to reach US $130 billion by 2030 (Chart 1). Both the export and domestic markets thus stand equally important for this sector.

EXPORTS

India is the 12th largest exporter of medical goods in the world. Indian drugs are exported to more than 200 countries in the world, with US being the key market. Generic drugs account for 20% of the global export in terms of volume, making the country the largest provider of generic medicines globally. Indian drug & pharmaceutical exports stood at US$ 24.60 billion in FY22 and US$ 24.44 billion in FY21. Indian drug & pharmaceutical exports stood at US$ 2,196.32 million in September 2022.
How the Indian Pharmaceutical Industry is planning to grow

By showing strength and commitment amid the disruption caused by the pandemic, the industry not only exhibited its ability to provide adequate medicines but contributed significantly to other areas like sanitation, preventive healthcare, and quarantine facilities.
Contributing immensely to global health, the Indian pharmaceutical industry by volume is the 3rd largest in the world. In (2021-2022) FY22, the pharmaceutical industry recorded a growth of 9-11 percent which was mainly driven by a push from emerging and domestic markets. By showing strength and commitment amid the disruption caused by the pandemic, the industry not only exhibited its ability to provide adequate medicines but contributed significantly to other areas like sanitation, preventive healthcare, and quarantine facilities. It was through careful evaluation of the possible use of available drugs along with innovative approaches to fight the pandemic, the industry was able to overcome the challenges posed by COVID-19. Going forward to 2022, it is expected that the Indian pharmaceutical industry will foster a culture of R&D and innovation to enable rapid drug discovery and development to improve the health outcomes of people worldwide.

Investments and recent developments

The Indian Pharmaceuticals industry plays a prominent role in the global pharmaceuticals industry. India ranks third worldwide for production by volume and 14th by value.
In this regard, the sector has seen a lot of investments and developments in the recent past.
The FDI inflows in the Indian drugs and pharmaceuticals sector reached US$ 19.90 billion between April 2000-June 2022.
The Indian drugs and pharmaceuticals sector received cumulative FDIs worth US$ 19.41 billion between April 2000-March 2022.
The foreign direct investment (FDI) inflows in the Indian drugs and pharmaceuticals sector reached US$ 1,414 million between FY 2021-22.
The Indian pharmaceutical industry generated a trade surplus of US$ 15.81 billion in FY22.
The Medical Device industry is expected to reach US$ 50 billion by 2030 growing at a CAGR of 15%.
In November 2022, Sun Pharma and SPARC entered into a license agreement for the commercialization of phenobarbital for injection in the US.
Glenmark becomes the First Company in India to launch Teneligliptin + Dapagliflozin Fixed Dose Combination in October 2022.
In October 2022, Lupin signed an agreement to acquire two inhalation brands from Sunovion Pharmaceuticals Inc.
Dr. Reddy's Laboratories announced the launch of Lenalidomide Capsules in the U.S. with two of six strengths eligible for first-to-market, 180-day exclusivity in September 2022.
In June 2022, Cipla partnered with the Drugs for Neglected Diseases initiative (DNDi) to announce the launch of a 4-in-1 antiretroviral treatment for children living with HIV in South Africa.
Glenmark becomes the first pharmaceutical company to launch Indacaterol + Mometasone Fixed-Dose combination drug for Asthma in India.
In May 2022, Sun Pharmaceutical Industries Limited through one of its wholly owned subsidiaries plans to launch Bempedoic Acid under the brand name Brillo, in India for reducing low-density lipoprotein (LDL) cholesterol.
In May 2022, Dr. Reddy's Laboratories enters into an exclusive partnership with HK inno. N Corporation to commercialize novel molecule Tegoprazan in India & select emerging markets.

In April 2022, Dr. Reddy's Laboratories Ltd. inked a pact with Medi Cane Health to announce the launch of medical cannabis products in Germany.
The Union Cabinet has given its nod for the amendment the of existing Foreign Direct Investment (FDI) policy in the pharmaceutical sector in order to allow FDI up to 100% under the automatic route for manufacturing of medical devices subject to certain conditions.
In March 2022, Themis Medicare Ltd. (Themis), announced the approval of its antiviral drug VIRALEX by the Drug Controller General of India (DCGI).
The National Digital Health Blueprint has the potential to generate nearly US$ 200 billion in added economic value for India's healthcare industry over the next 10 years.
In October 2021, AstraZeneca India launched a Clinical Data and Insights (CDI) division to further strengthen its global presence and manage data-related aspects of its clinical trials.
In September 2021, the Indian government contributed US$ 4 billion to the pharmaceutical and medical industries.
In August 2021, Uniza Group, an Ahmedabad-based pharmaceutical firm, signed an agreement with Lysulin Inc. (a US-based firm) to introduce Lysulin, a nutritional product for Indian consumers.
In May 2021, Indian Immunologicals Ltd. (IIL) and Bharat Immunologicals and Biologicals Corporation (BIBCOL) inked technology transfer pacts with Bharat Biotech to develop the vaccine locally to boost India's vaccination drive. The two PSUs plan to start production of vaccines by September 2021.

GOVERNMENT INITIATIVES

Some of the initiatives taken by the Government to promote the pharmaceutical sector in India are as follows:

As per the Union Budget 2022-23:
Rs. 3,201 crores (US$ 419.2 million) have been set aside for research and Rs.83,000 crores (US$ 10.86 billion) have been allocated to the Ministry of Health and Family Welfare.
Rs. 37,000 crores (US$ 4.83 billion) have been allocated to the 'National Health Mission’.
Rs. 10,000 crore (US$ 1.28 billion) has been allocated to Pradhan Mantri Swasthya Suraksha Yojana.
The Ministry of AYUSH has been allocated Rs. 3,050 crores (US$ 399.4 million), up from Rs. 2,970 crores (US$ 389 million).
In March 2022, under the Strengthening of Pharmaceutical Industry (SPI) Scheme, a total financial outlay of Rs. 500 crores (US$ 665.5 million) for the period FY 2021-22 to FY 2025-26 was announced.
India could restart deliveries of COVID-19 shots to the global vaccine-sharing platform COVAX in November-December 2021 for the first time since April 2021. The World Health Organization (WHO), which co-leads COVAX, has been pushing India to resume supplies for the program, particularly after it sent ~4 million doses to neighbors and allies in October 2021.
In November 2021, PM Mr. Narendra Modi inaugurated the first Global Innovation Summit of the pharmaceuticals sector. The summit will have 12 sessions and over 40 national and international speakers deliberating on a range of subjects including the regulatory environment, funding for innovation, industry-academia Collaboration, and innovation infrastructure.
In August 2021, Union Health Minister, Mr. Mansukh Mandaviya announced that an additional number of pharmaceutical companies in India are expected to commence

manufacturing anti-coronavirus vaccines by October-November 2021. This move is expected to further boost the vaccination drive across the country.
In June 2021, Finance Minister Ms. Nirmala Sitharaman announced an additional outlay of Rs. 197,000 crores (US $26,578.3 million) that will be utilized over five years for the pharmaceutical PLI scheme in 13 key sectors such as active pharmaceutical ingredients, drug intermediaries and key starting materials.
To achieve self-reliance and minimize import dependency on the country's essential bulk drugs, the Department of Pharmaceuticals initiated a PLI scheme to promote domestic manufacturing by setting up greenfield plants with minimum domestic value addition in four separates 'Target Segments' with a cumulative outlay of Rs. 6,940 crores (US$ 951.27 million) from FY21 to FY30.
In May 2021, under Atmanirbhar Bharat 3.0, Mission COVID Suraksha was announced by the Government of India to accelerate the development and production of indigenous COVID vaccines. To augment the capacity of indigenous production of Covaxin under the mission, the Department of Biotechnology, Government of India, provided financial support in the form of a grant to vaccine manufacturing facilities for enhanced production capacities, which is expected to reach >10 crore doses per month by September 2021.

ROAD AHEAD

The pharmaceutical industry in India is a significant part of the nation's foreign trade and offers lucrative potential for investors. Millions of people around the world receive affordable and inexpensive generic medications from India, which also runs a sizable number of plants that adhere to Good Manufacturing Practices (GMP) standards set by the World Health Organization (WHO) and the United States Food and Drug Administration (USFDA). Among nations that produce pharmaceuticals, India has long held the top spot. Medicine spending in India is projected to grow 9-12% over the next five years, leading India to become one of the top 10 countries in terms of medical spending. Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for diseases such as cardiovascular, anti-diabetes, anti-depressants, and anti-cancers, which are on the rise. The Indian Government has taken many steps to reduce costs and bring down healthcare expenses. The National Health Protection Scheme, which aims to offer universal healthcare, the aging population, the rise in chronic diseases, and other government programs, including the opening of pharmacies that offer inexpensive generic medications, should all contribute to boosting the Indian pharmaceutical industry. Speedy introduction of generic drugs into the market has remained in focus and is expected to benefit Indian pharmaceutical companies. In addition, the thrust on rural health programs, lifesaving drugs, and preventive vaccines also augurs well for pharmaceutical companies.

SWOT ANALYSIS OF THE PHARMA INDUSTRY:

Strengths:

1. Low cost of production.
2. Large pool of installed capacities
3. Efficient technology
s for large number of Generics.
4. Large pool of skilled technical manpower.
5. Increasing liberalization of government policies.

Opportunities:

1. Aging of the world population.
2. Growing incomes.
3. Growing attention to health.
4. New diagnoses and new social diseases.
5. Spreading prophylactic approaches.
6. Saturation point of the market is far away.
7. New therapy approaches.
8. New delivery systems.
9. Spreading attitude for the soft medication (OTC drugs).
10. Spreading the use of Generic Drugs.
11. Globalization
12. Easier international trading.
13. New markets are opening.

Weakness:

1. Fragmentation of installed capacities.
2. Low technology level of Capital Goods of this section.
3. non-availability of major intermediaries for bulk drugs.
4. Lack of experience to exploit efficiently the new patent regime.
5. Very low-key R&D.
6. Low share of India in World Pharmaceutical Production (1.2% of world production but 16.1% of world's population).
7. Very low level of Biotechnology in India and also for New Drug Discovery Systems.
8. Lack of experience in International Trade.
9. Low level of strategic planning for the future and also for technology forecasting.

Threats:

1. Containment of rising healthcare costs.
2. High Cost of discovering new products and fewer discoveries.
3. Stricter registration procedures.
4. High entry cost in newer markets.
5. High cost of sales and marketing.
6. Competition, particularly from generic products.
7. More potential new drugs and more efficient therapies.
8. Switching over form process patent to product patent.

CHAPTER-4
THEORTICAL ASPECTS

Concept of Fundamental Analysis

How does fundamental analysis work?

Fundamental analysis is carried out with the aim of predicting the future performance of a company. It is based on the theory that the market price of security tends to move toward its 'real value' or 'intrinsic value.' Thus, the intrinsic value of a security is higher than the security's market value represents a time to buy. If the value of the security is lower than its market price, investors should sell it.

The steps involved in fundamental analysis are:

1. Macroeconomic analysis, which involves considering currencies, commodities, and indices. (Economy Analysis)
2. Industry sector analysis, which involves the analysis of companies that are a part of the sector. (Industry Analysis)
3. Situational analysis of a company. (Company Analysis)
4. Financial analysis of the company.
5. Valuation.

The valuation of any security is done through the discounted cash flow (DCF) model, which takes into consideration:
1. Dividends received by investors
2. Earnings or cash flows of a company
3. Debt, which is calculated by using the debt-to-equity ratio and the current ratio (current assets/current liabilities)

Fundamental Analysis Tools
These are the most popular tools of fundamental analysis.

Earnings per Share – EPS
Price to Earnings Ratio – P/E
Projected Earnings Growth – PEG
Price to Sales – P/S
Price to Book – P/B
Dividend Pay-out Ratio
Dividend Yield
Book Value
Return on Equity
Ratio analysis

Financial ratios are tools for interpreting financial statements to provide a basis for valuing securities and appraising financial and management performance.
A good financial analyst will build in financial ratio calculations extensively in a financial modeling exercise to enable robust analysis.
Financial ratios allow a financial analyst to:

Standardize information from financial statements across multiple financial years to allow comparison of a firm’s performance over time in a financial model.
Standardize information from financial statements from different companies to allow apples-to-apples comparisons between firms of differing sizes in a financial model.
Measure key relationships by relating inputs (costs) with outputs (benefits) and facilitates comparison of these relationships over time and across firms in a financial model.

In general, there are 4 kinds of financial ratios that a financial analyst will use most frequently, these are:

Performance ratios
Working capital ratios
Liquidity ratios
Solvency ratios

These 4 financial ratios allow a good financial analyst to quickly and efficiently address the following questions or concerns:

Performance ratios
What return is the company making on its capital investment? What are its profit margins?

Working capital ratios
How quickly are debts paid? How many times is inventory turned?

Liquidity ratios
Can the company continue to pay its liabilities and debts?

Solvency ratios (Longer term)
What is the level of debt in relation to other assets and equity? Is the level of interest payable out of profits?

WHY ONLY FUNDAMENTAL ANALYSIS

Long-term Trends
Fundamental analysis is good for long-term investments based on long-term trends, very long-term. The ability to identify and predict long-term economic, demographic, technological, or consumer trends can benefit patient investors who pick the right industry groups or companies.

Value Spotting
Sound fundamental analysis will help identify companies that represent good value. Some of the most legendary investors think long-term and value. Graham and Dodd, Warren Buffett, and John Neff are seen as the champions of value investing. Fundamental analysis can help uncover companies with valuable assets, a strong balance sheet, stable earnings, and staying power.

Business Insights

One of the most obvious, but less tangible, rewards of fundamental analysis is the development of a thorough understanding of the business. After such painstaking research and analysis, an investor will be familiar with the key revenue and profit drivers behind a company. Earnings and earnings expectations can be potent drivers of equity prices. Even some technicians will agree to that.

A good understanding can help investors avoid companies that are prone to shortfalls and identify those that continue to deliver. In addition to understanding the business, fundamental analysis allows investors to develop an understanding of the key value drivers and companies within an industry. A stock's price is heavily influenced by its industry group. By studying these groups, investors can better position themselves to identify opportunities that are high-risk tech, low-risk (utilities), growth-oriented (computer), value-driven (oil), non-cyclical (consumer staples), cyclical (transportation), or income-oriented high-yield).

Methodology of fundamental analysis

COMPANY ANALYSIS

Analysis of the company consists of measuring its performance and ascertaining the cause of this performance. When some companies have done well irrespective of economic or industry failure, this implies that there are certain unique characteristics for this particular company that had made it a success. The identification of these characteristics, whether quantitative or qualitative, is referred to as company analysis. Quantitative indicators of company analyses are the financial indicators and operational efficiency indicators. Financial indicators are the profitability indicators and financial position indicators analysed through the income and balance sheet statements, respectively, of the company. Operational indicators are capacity utilization and cost versus sales efficiency of the company, which includes the marketing edge of the company.

Besides the quantitative factors, qualitative factors of a company also influence the investment decision process of an institutional investor. The focus of the qualitative data, as revealed in the annual report- as in the director’s speech. Rather than on quantitative data.

Tools for company analysis

Company analysis involves a choice of investment opportunities within a specific industry that comprises several individual companies. The choice of an investible company broadly depends on the expectations about its future performance in general. Here, the business cycle that a company is undergoing is a very useful tool to assess the future performance of the company.

Company analysis ought to examine the levels of competition, demand, and other forces that affect the company’s ability to be profitable. Of these factors, understanding the competitive environment is the most important.

A business faces five forces of competition (porter’s model) namely, seller’s competition, buyer’s competition, competition from new entrants, and exit competition. Competitive forces include the power of those who sell the business, those

who buy the business; those who buy from the business, how easily new businesses can enter the industry, how costly it is to exit, and finally, the competition from those who are who already in the industry. How well a company deals with each of these forces will determine whether the company earns a below-average average profit. Each of these forces is discussed below.

1. Porter model

Porter's Five Forces is a framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1979. It draws upon Industrial Organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. An "unattractive" industry is one in which the combination of these five forces acts to drive down overall profitability. A very unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven down to zero.
Three of Porter's five forces refer to competition from external sources. The remainder is internal threats.
Porter referred to these forces as the microenvironment, to contrast it with the more general term macro environment. They consist of those forces close to a company that affects its ability to serve its customers and make a profit. A change in any of the forces normally requires a business unit to re-assess the marketplace given the overall change in industry information. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business models, or network to achieve a profit above the industry average. A clear example of this is the airline industry. As an industry, profitability is low, and yet individual companies, by applying unique business models, have been able to make a return in excess of the industry average.
Porter's five forces include - three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers.

This five forces analysis is just one part of the complete Porter strategic models. The other elements are the value chain and the generic strategies

2. The financial statements of the company:

Records that outline the financial activities of a business, an individual, or any other entity. Financial statements are meant to present the financial information of the entity in question as clearly and concisely as possible for both the entity and readers. Financial statements for businesses usually include: income statements, balance sheets statements

of retained earnings and cash flows, as well as other possible statements

3. Ratio analysis:

A tool used by individuals to conduct a quantitative analysis of information in a company's financial statements. Ratios are calculated from current year numbers and are then compared to previous years, other companies, the industry, or even the economy to judge the performance of the company. Ratio analysis is predominately used by proponents of fundamental analysis. There are many ratios that can be calculated from the financial statements pertaining to a company's performance, activity, financing, and liquidity. Some common ratios include the price-earnings ratio, debt-equity ratio, earnings per share, asset turnover, and working capital.

4. ROA:

Return on assets, which, offers a different take on management's effectiveness reveals how much profit a company earns for every dollar of its assets. Assets include things like cash in the bank, accounts receivable, property, equipment, inventory, and furniture. ROA is calculated like this:

$$\text{ROA} = \frac{\text{Annual Net Income}}{\text{Total Assets}}$$

5. ROE:

Of all the fundamental ratios that investors look at, one of the most important is a return on equity. It's a basic test of how effectively a company's management uses investors' money - ROE shows whether management is growing the company's value at an acceptable rate. ROE is calculated as:

$$\text{ROE} = \frac{\text{Annual Net Income}}{\text{Average Shareholders' Equity}}$$

6. EPS:

A portion of a company's profit is allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.
Calculated as:

Net Income
EPS = --
Number of equity shares

7. DPS:

The sum declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued.
DPS can be calculated by using the following formula:

DPS = Special dividend + Interim dividend + Final dividend

D - Sum of dividends over a period (usually 1 year)

SD - Special, one-time dividends
S - Shares outstanding for the period

8. P/O RATIO:

The number of earnings paid out in dividends to shareholders. Investors can use the pay-out ratio to determine what companies are doing with their earnings
Calculated

Dividends per share
Pay Out Ratio= --------------------------
Earnings per Share

9. NET PROFIT:

Net Profit Ratio also referred to as the Net Profit Margin Ratio, is a profitability ratio that measures the company's profits to the total amount of money brought into the business.

Net profit
Net profit ratio =-------------------
Net sales

10. DEBT/EQUITY RATIO:

What Is Debt-to-Equity (D/E) Ratio? Debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity.

Total Liability
Debt/equity ratio = ----------------------
Equity shares

11. RETURN ON CAPITAL EMPLOYED:

The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use.

$$\text{ROCE} = \frac{\text{Earnings before interest and tax}}{\text{Total assets - Total current liabilities}}$$

12. CURRENT ASSETS:

The current ratio is a liquidity ratio that measures whether a firm has enough resources to meet its short-term obligations.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

13. QUICK/ACID TEST RATIO:

The quick ratio measures a company's capacity to pay its current liabilities without needing to sell its inventory or obtain additional financing.

$$\text{Quick ratio} = \frac{\text{Quick assets or (current assets-inventories)}}{\text{Current Liabilities}}$$

CHAPTER-5

DATA ANALYSIS AND INTERPRETATION

DATA ANALYSIS

The process of evaluating data using analytical and logical reasoning to examine each component of the data provided. This form of analysis is just one of the many steps that must be completed when conducting a research experiment. Data from various sources is gathered, reviewed, and then analysed to form some sort of finding or conclusion. There are a variety of specific data analysis methods, some of which include data mining, text analytics, business intelligence, and data visualizations Data can be of several types

. Quantitative data is a number
. Qualitative data is a pass/fail or the presence of a characteristic

Quantitative data is data measured or identified on a numerical scale. Numerical data can be analysed using statistical methods, and results can be displayed using tables, charts, histograms, and graphs. The term qualitative data is used to describe certain types of information. This is almost the converse of quantitative data, in which items are more precisely described as data in terms of quantity and in which numerical values are used. However, data originally obtained as qualitative information about individual items may give rise to quantitative data if they are summarized by means of counts. Qualitative data described items in terms of some quality or categorization that may be ‘informal' or may use relatively ill-defined characteristics such as warmth and flavour. However, qualitative data can include well-defined aspects such as gender, nationality, or commodity type.

1. SUN PHARMA

Sun Pharmaceutical Industries Limited	
Type	**Public**
Founder	**Dilip**
Founded	**1983, 40 years ago**
Headquarters	**Mumbai, Maharashtra, India**
Key people	**Dilip Shanghvi (MD)**
Industry	**Pharmaceuticals**
Revenue	**$5.0 Billion (2022)**
Net income	**$430 Million (2022)**
Employees	**37000+ (2021)**
Website	**www.sunpharma.com**

Introduction:

Sun Pharmaceuticals was founded by Dilip Shanghvi in 1983 in Vapi, Gujarat, with five products to treat psychiatry ailments. Cardiology products were introduced 1987followed by gastroenterology products in 1989. Today it is ranked number one by prescriptions with nine different specialties of doctors in India and a market leader in cardiology, gastroenterology, ortho, [vague] diabetology, dermatology, urology, vitamins, minerals, and nutrients.
The 2014 acquisition of Ranbaxy made Sun Pharma the largest pharma company in India, the largest Indian pharma company in the US, and the 4th largest specialty generic company globally.
Over 72% of Sun Pharma's sales are from markets outside India, primarily in the United States. The US is the single largest market, accounting for about 30% of the company's turnover;[10] in all, formulations or finished dosage forms, account for 93% of the turnover. Manufacturing is across 44 global locations in India, the US, Asia, Africa, Australia, and Europe. In the United States, the company markets a large basket of generics, with a strong pipeline awaiting approval from the U.S. Food and Drug Administration (FDA).[11]
Sun Pharma was listed on the stock exchange in 1994 in an issue that oversubscribed 55 times. The founding family continues to hold a majority stake in the company.

Sun Pharma Industries Strengths

The strengths of Sun Pharma Industries look at the key aspects of its business which give it a competitive advantage in the market. Some important factors in a brand's strengths include its financial position, experienced workforce, product uniqueness & intangible assets like brand value. Below are the Strengths in the SWOT Analysis of Sun Pharma Industries:

1 Strong growth in emerging market business

2. Introduction of Pantoprazole & Eloxatin in the US market has very limited competition

3. They have strong marketing & sales force of over 12,000 employees

4. They have successfully acquired Taro pharma which has further consolidated their position in the Indian markets
5. Strong brand presence in India and US markets

Sun Pharma Industries Weaknesses

The weaknesses of a brand are certain aspects of its business which are it can improve to increase its position further. Certain weaknesses can be defined as attributes that the company is lacking or in which the competitors are better. Here are the weaknesses in the Sun Pharma Industries SWOT Analysis:

1. Stiff competition from many Indian and other global brands means limited market share growth

2. Limited presence in emerging markets and European countries

2. DR. REDDY:

Dr. Reddy’s Laboratories Ltd.

Type	**Public**
Founder	**Anji Reddy**
Founded	**1984, 39 years ago**
Headquarters	**Hyderabad, Andhra Pradesh, India**
Key People	**G.V. Prasad**
Industry	**Pharmaceuticals**
Revenue	**$2.2 Billion (2020)**
Net income	**$240 Million (2020)**
Employees	**20,650 (2020)**
Website	**www.drreddys.com**

Introduction:

Dr. Reddy's Laboratories is an Indian multinational pharmaceutical company based in Hyderabad. The company was founded by Kallam Anji Reddy, who previously worked in the mentor institute Indian Drugs and Pharmaceuticals Limited. Reddy manufactures and markets a wide range of pharmaceuticals in India and overseas. The company has over 190 medications, and 60 active pharmaceutical ingredients (APIs) for drug manufacture, diagnostic kits, critical care, and biotechnology.
Dr. Reddy's began as a supplier to Indian drug manufacturers, but it soon started exporting to other less-regulated markets that had the advantage of not having to spend time and money on a manufacturing plant that would gain approval from a drug licensing body such as the U.S. Food and Drug Administration (FDA). By the early 1990s, the expanded scale and profitability from these unregulated markets enabled the company to begin focusing on getting approval from drug regulators for their formulations and bulk drug manufacturing plants – in more-developed economies. This allowed their movement into regulated markets such as the US and Europe. In 2014, Dr. Reddy Laboratories was listed among 1200 of India's most trusted brands according to the Brand Trust Report 2014, a study conducted by Trust Research Advisory, a brand analytics company.
By 2007, Dr. Reddy's had seven FDA plants producing active pharmaceutical ingredients in India and seven FDA-inspected and ISO 9001 (quality) and ISO 14001 (environmental management) certified plants making patient-ready medications – five of them in India and two in the UK.

Dr. Reddy’s Strengths

The strengths of Dr. Reddy’s look at the key aspects of its business which gives it a competitive advantage in the market. Some important factors in a brand's strengths include its financial position, experienced workforce, product uniqueness & intangible assets like brand value. Below are the Strengths in the SWOT Analysis of Dr. Reddy’s:

1. Company launched Peg-grafeelTM, an inexpensive variety of pegfilgrastim, used to fight infection in chemotherapy where the company has sold some 1.5 million units of it.
2. Dow pharma/Chirotech acquisition provided proprietary chiral and biocatalysis technology
3. The acquisition of Beta pharma helped to introduce an array of generic products and show its presence in the European markets.
4. Has a strong workforce of over 15,000 employees

Dr. Reddy’s Weaknesses

The weaknesses of a brand are certain aspects of its business which are it can improve to increase its position further. Certain weaknesses can be defined as attributes that the company is lacking or in which the competitors are better. Here are the weaknesses in Dr. Reddy’s SWOT Analysis:

1. Discovery of drugs is a highly unpredictable business
2. Strict govt regulations and policies affects operational efficiency

3. CIPLA:

Cipla Limited	
Type	**Public**
Founder	**Khawaja Abdul Hamied**
Founded	**1935, 88 years ago**
Headquarters	**Mumbai, Maharashtra, India**
Key People	**Y. K. Hamied (Chairman)**
Umang Vohra (CEO)	
Industry	**Pharmaceuticals**
Revenue	**$2.7 Billion (2022)**
Net income	**$320 Million (2022)**
Employees	**22,036**
Website	**www.cipla.com**

Introduction:

Cipla Limited (stylized as Cipla) is an Indian multinational pharmaceutical company, headquartered in Mumbai. Cipla primarily develops medicines to treat respiratory disease, cardiovascular disease, arthritis, diabetes, depression, and many other medical conditions.
Cipla has 47 manufacturing locations across the world and sells its products in 86 countries. It is the third largest drug producer in India.
In 1935, Cipla was founded by Khwaja Abdul Hamied as 'The Chemical, Industrial & Pharmaceutical Laboratories' in Mumbai. In July 1984, the name of the company was changed to 'Cipla Limited'.
In 1985, the US FDA approved the company's bulk drug against HIV and other drugs to treat poor people in the developing world. Led by the founder's son Yusuf Hamied, a Cambridge-educated chemist, the company provided generic AIDS and other drugs to treat poor people in the developing world. In 1995, Cipla launched Deferiprone, the world's first oral iron chelator. In 2001, Cipla offered antiretrovirals for HIV treatment at a fractional cost (less than $350 per year per patient).
In 2013 Cipla acquired the South African company Cipla-Medpro, kept it as a subsidiary, and changed its name to Cipla Medpro South Africa Limited. At the time of the acquisition, Cipla-Medpro had been a distribution partner for Cipla and was South Africa's third-biggest pharmaceutical company. The company had been founded in 2002 and was known as Enaleni Pharmaceuticals Ltd. In 2005, Enaleni bought all the shares of Cipla-Medpro, which had been a joint venture between Cipla and Medpro Pharmaceuticals, a South African generics company, and in 2008 it changed its name to Cipla-Medpro.
In September 2015, Cipla acquired InvaGen Pharmaceuticals and Exelan Pharmaceuticals, two American pharmaceutical companies, for 555 million dollars.

In 2019 Cipla entered digital therapeutics by partnering with Wealthy Therapeutics in India and Branded in South Africa.

Cipla Strengths

The strengths of Cipla look at the key aspects of its business which give it a competitive advantage in the market. Some important factors in a brand's strengths include its financial position, experienced workforce, product uniqueness & intangible assets like brand value. Below are the Strengths in the SWOT Analysis of Cipla:

1. Cipla has developed a good positive image by providing support to cancer patients by issuing drugs at low cost
2. Imminent commencement of the Fixed-Dose combination for the treatment of uncomplicated P. falciparum malaria to tackle the 200+ million cases of malaria globally

3. Initiation of 'No Touch Breast Scan' a step forward in the screening technology in India.
4. A foremost player in anti-infective and anti-asthmatic formulations.
5. Has a strong employee force of over 16,000

Cipla Weaknesses

The weaknesses of a brand are certain aspects of its business which are it can improve to increase its position further. Certain weaknesses can be defined as attributes that the company is lacking or in which the competitors are better. Here are the weaknesses in the Cipla SWOT Analysis:

1. Strong competition from international and domestic giants means limited market share

2. Cipla faced problems during negative campaign by AHF

4. LUPIN:

Lupin Limited.

Type	**Public**
Founder	**Desh Bandhu Gupta**
Founded	**1968, 55 years ago**
Headquarters	**Mumbai, Maharashtra, India**
Key People	**Vinita D. Gupta (CEO)**
Nilesh Gupta (MD)	
Industry	**Pharmaceuticals**
Revenue	**$1.9 Billion (2021)**
Net income	**$150 Million (2021)**
Employees	**18,686 (2021)**
Website	**www.lupin.com**

Introduction:

Lupin Limited is an Indian multinational pharmaceutical company based in Mumbai. It is one of the largest generic pharmaceutical companies by revenue globally. The company's key focus areas include pediatrics, cardiovascular, anti-infectives, diabetology, asthma, and anti-tuberculosis.

Lupin was founded in 1968 by Desh Bandhu Gupta, a chemistry professor at BITS-Pilani, Rajasthan. Gupta moved to Mumbai in the 60s to work on his business enterprise for which initially he had borrowed Rs 5000 from his wife to fund his venture. With subsequent funding from the Central Bank of India, the company was able to start its manufacturing facility for producing folic acid and iron tablets for the Government of India's mother and child health program. Later Lupin started manufacturing anti-TB drugs which at one point formed 36% of the company sales and was considered the largest TB drugs manufacturer in the world.

After success with Lupin, in 1988 Gupta founded the group's CSR arm, the Lupin Human Welfare & Research Foundation (LHWRF). This initiative was dedicated to sustainable rural development with the aim to uplift families living below the poverty line.

In July 2015 the company announced its intention to acquire Gavis Pharmaceuticals and Novel Laboratories for $880 million.

The founder, Desh Bandhu Gupta died in June 2017 and was subsequently replaced as chairman by his wife, Manju Deshbandhu Gupta.

In October 2019, Lupin announced the Appointment of Sreeji Gopinatham as Chief Information Officer (CIO).

In March 2019, the US FDA put several Lupin drug plants on notice for quality problems and indicated it might not approve future Lupin drug applications.

Lupin Strengths

The strengths of Lupin look at the key aspects of its business which give it a competitive advantage in the market. Some important factors in a brand's strengths include its financial position, experienced workforce, product uniqueness & intangible assets like brand value. Below are the Strengths in the SWOT Analysis of Lupin:

1. Worldwide leader in Cephalosporin and Anti TB drugs
2. Considerable presence in the market for drugs against Asthma, Pediatrics, Diabetes, and CNS boosts the sales
3. In the US and Japanese markets it is the largest generic player
4. Acquisition of I ’rom pharma helped to increase its product list and in turn sales
5. Wide global footprint as it is present in over 70 countries

Lupin Weaknesses

The weaknesses of a brand are certain aspects of its business which are it can improve to increase its position further. Certain weaknesses can be defined as attributes that the company is lacking or in which the competitors are better. Here are the weaknesses in the Lupin SWOT Analysis:

1. High dependence on global formulation business with 84% of revenue coming from US market
3. Forecasting done on a technological level is less

4. It operates in low-growth segments such as CNS, respiratory diseases

5. Divi's

Divi's Laboratory	
Type	**Public**
Founder	**Murali Divi**
Founded	**12 October 1990 (32 years ago)**
Headquarters	**Hyderabad, Telangana, India**
Key People	**Murali Krishna Prasad Divi (MD)**
	Satchandra Kiran Divi (CEO)
Industry	**Pharmaceuticals**
Revenue	**$1.1 Billion (2022)**
Net income	**$370 Million (2022)**
Employees	**13,884 (2020)**
Website	**www.divislabs.com**

Introduction:

Divi's Laboratories Limited is an Indian multinational pharmaceutical company and producer of active pharmaceutical ingredients (APIs) and intermediates, headquartered in Hyderabad. The company manufactures and custom synthesizes generic APIs and intermediates. The company also manufactures and supplies nutraceutical ingredients through its subsidiary, Divi's Nutraceuticals. Divi's Laboratories is India's second most valuable pharmaceutical company by market capitalization.

Divi's Laboratories was established in 1990 as Divi's Research Centre. The company initially started developing commercial processes for the manufacturing of APIs and intermediates. Divi's Research Centre changed its name to Divi's Laboratories Limited in 1994 to signal its intent to enter the API and intermediates manufacturing industry.[13] Following this, the company established its first Manufacturing facility in 1995 at Choutuppal, Telangana.[14] In 2002, the company's second manufacturing facility commenced operations at Chippada near Visakhapatnam. The company went public with its initial public offering (IPO) on 17 February 2003. In 2010, the company established a research center in Hyderabad.

Strengths of Divi's Labs

Strengths are the firm's capabilities and resources that it can use to design, develop, and sustain competitive advantage in the marketplace
- Success of new product mix - Divi's Labs provides exhaustive product mix options to its customers. It helps the company in catering to various customer segments in the Biotechnology & Drugs industry.
- Market Leadership Position - Divi's Labs has a strong market leadership position in the Biotechnology & Drugs industry. It has helped the company to rapidly scale new product successes.
- Diverse Revenue models - Over the years Divi's Labs has ventured into various businesses outside the Healthcare sector. This has enabled the company to develop a diversified revenue stream beyond the healthcare sector and Biotechnology & Drugs segment.
- Wide geographic presence - Divi's Labs has an extensive dealer network and associates’ network that not only help in delivering efficient services to the customers but also help in managing competitive challenges in Biotechnology & Drugs industry.

Weaknesses of Divi's Labs

Weaknesses of Divi's Labs can either be the absence of strengths or resources of capabilities that are required but at present, the organization doesn't have. Decision makers have to be certain if the weakness is present because of a lack of strategic planning or as a result of strategic choice.
- Gross Margins and Operating Margins which could be improved going forward may put pressure on Divi's Lab’s financial statement.
- Loyalty among suppliers is low - Given the history of Divi's Labs coming up with new innovations to drive down prices in the supply chain.
- Low investments into Divi's Labs’ customer-oriented services - This can lead to competitors gaining an advantage in the near future. Divi's Labs needs to increase investment in research and development, especially in customer service-oriented applications.

FINANCIAL ANALYSIS

RATIO ANALYSIS:

INTRODUCTION TO THE RATIO ANALYSIS:

The relationship of these two figures expressed mathematically is called a ratio. The ratio refers to the numerical or quantities relationship between two variables or times. A ratio is calculated by dividing one item of the relationship by the other. Ratio analysis is one of the most useful and common methods of analysing financial statements. Ratio enables the mass of data to be summarized and simplified. Ratio analysis is an instrument for the diagnosis of the financial health of an enterprise.

MEANING OF RATIO:

A ratio is only a comparison of the numerator with the denominator. The term ratio refers to the numerical or quantitative relationship between two figures and is obtained by dividing the former by the latter. Ratio analysis is an important and age-old technique of financial analysis. The data given in financial statements ratio are a relative form of financial data and very useful techniques to cheek upon the efficiency of a firm. Some ratio indicates the trend or progress or downfall of the firm.

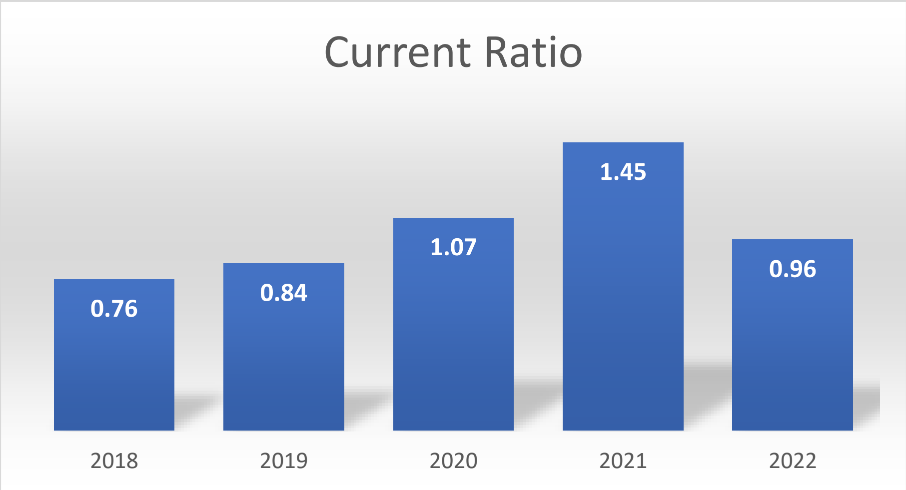
IMPORTANCE OF RATIO:

Ratio analysis of a firm's financial statement is of interest to a number of parties mainly. Shareholders, creditors, financial executives, etc. shareholders are interested in earning capacity of the firm: creditors are interested in knowing the ability of a firm to meet the financial obligation, and financial executives are concerned with evolving analytical tools that will measure and compare costs, efficiency liquidity, and profitability with a view to making intelligent decisions.

Ratio Analysis

I. Sun Pharmaceutical Industries

1. Current ratio



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

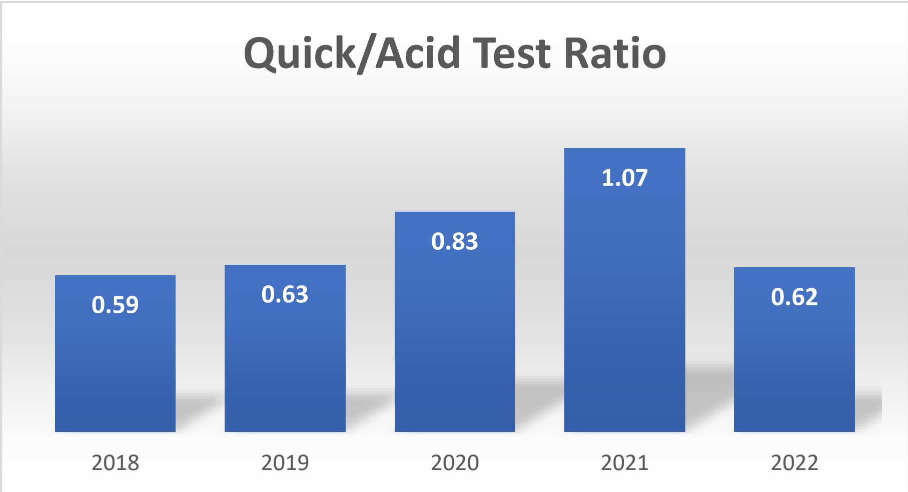
Year	2018	2019	2020	2021	2022
Current Ratio	0.76	0.84	1.07	1.45	0.96

Interpretation

The company’s current ratio was 0.76 in the year 2018 which implies that current assets are 0.76 times the current liabilities. The interpretation is a company with a higher current ratio has better liquidity/short-term solvency. Conventionally, a current ratio of 2:1 is considered satisfactory. But here in any year the company’s current ratio neither reached its highest position nor it’s maintained a satisfactory level. Here, the company’s current assets are efficiently utilised to meet the current liabilities.

An abnormally high value of the current ratio may indicate the existence of idle or underutilized resources in the company.

2. Quick/Acid Test Ratio



Quick asset (Current assets – Inventories)

Quick ratio = ---

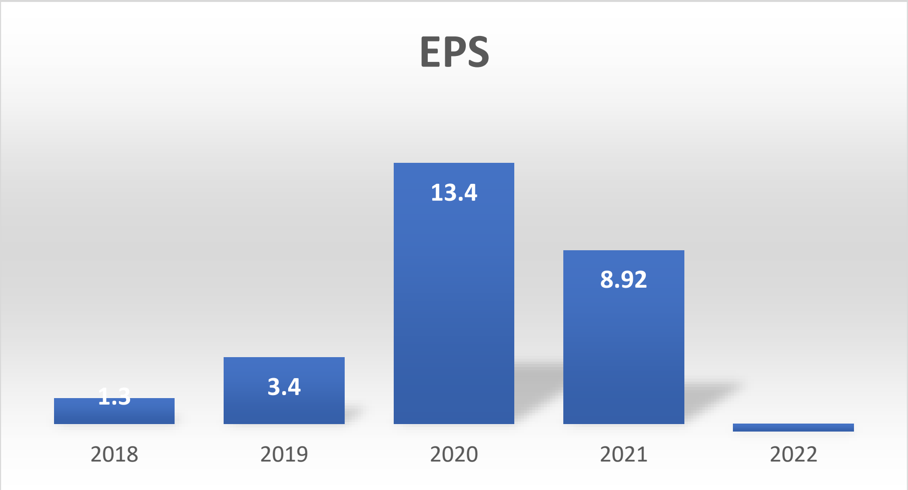
Current Liabilities

Year	2018	2019	2020	2021	2022
Quick/Acid Test Ratio	0.59	0.63	0.83	1.07	0.62

Interpretation

The acid test ratio is a rigorous measure of a firm’s ability to service short-term liabilities. Generally, an acid-test ratio of 1:1 is considered satisfactory as the company cannot easily meet all current claims. But over here there were all 5 years in which it does not reach one and more. The quick ratio of the year 2021 is appropriate and satisfactory compared to the other 4 years.

3. EPS



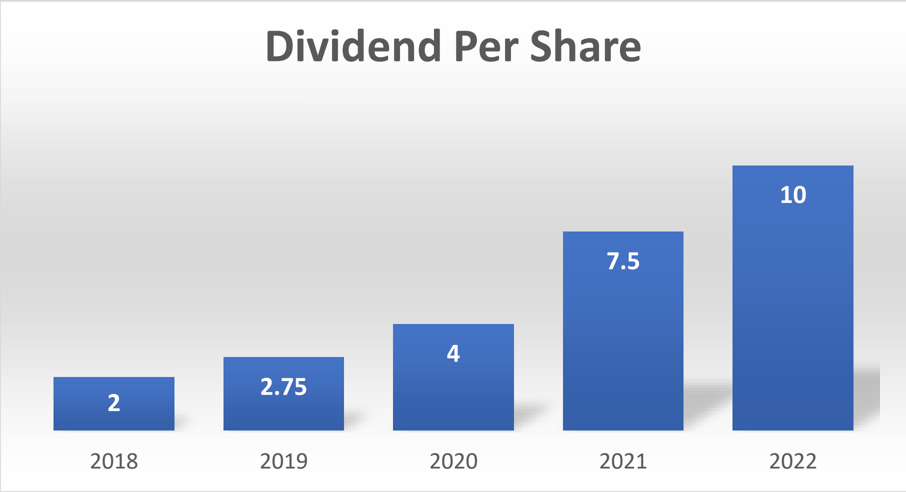
$$\text{Earnings per share} = \frac{\text{Net profit}}{\text{Equity shares}}$$

Year	2018	2019	2020	2021	2022
EPS	1.30	3.40	13.40	8.92	-0.41

Interpretation

More the earnings per share, the more the interest of the shareholders and investors in the company. The Company had an EPS of Rs. -0.4 in the year 2022 which is not as good as others. The company's highest EPS was in the year 2020 and then it started decreasing. The company has to improve its profit in order to improve its EPS.

4. Dividend Per Share



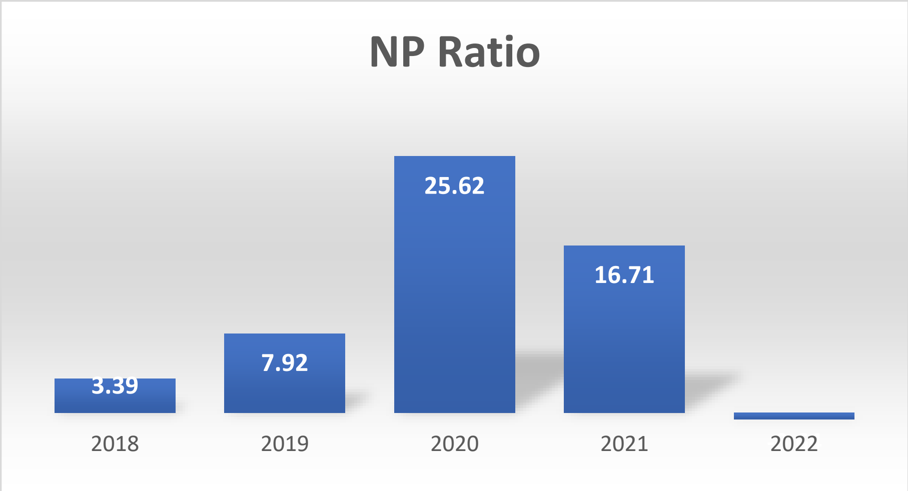
Dividend per share = Special dividend + Interim dividend + Final dividend

Year	2018	2019	2020	2021	2022
Dividend Per Share	2	2.75	4	7.5	10

Interpretation

Investors along with a good earning per share also expect a good return from the company. We can say that company is in its good situation. Company’s DPS is increasing years by year and company had paid more dividend to its shareholders and investors. This shows that company’s profit is good comparing to previous year.

5. Net Profit Ratio



Net profit ratio = $\dfrac{\text{Net profit}}{\text{Net Sales}}$

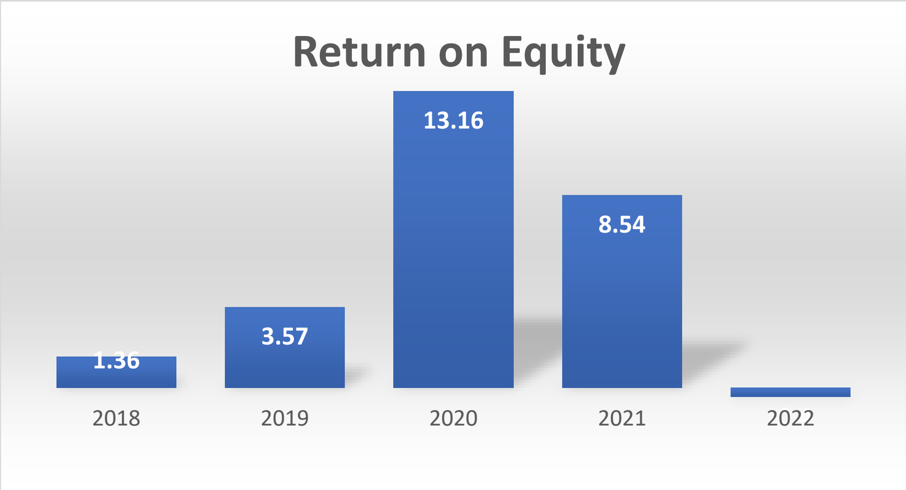
Year	2018	2019	2020	2021	2022
NP Ratio	3.39	7.92	25.62	16.71	-0.64

Interpretation

The NP ratio establishes the relationship between the net profit (after tax) of the firm and the net sales. Its measures the efficiency of the management in generating additional revenue over and above the total cost of operations.

Net profit ratio has increased over the years which mean that the overall profitability of the firm has grown up. Company's net profit ratio is not as good in year 2022 which is -0.64. This shows that company needs to improve its financial performance.

6. Return on Equity



$$\text{Return on equity} = \frac{\text{Net Income}}{\text{Shareholder's equity}}$$

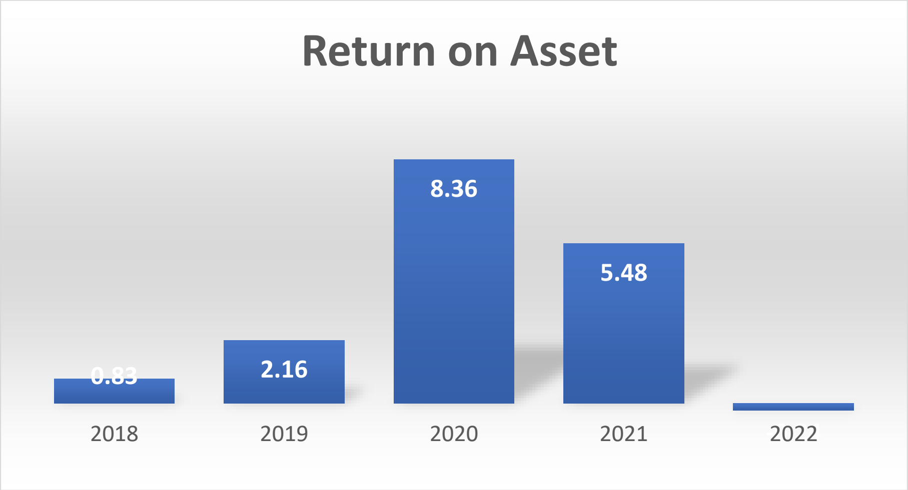
Year	2018	2019	2020	2021	2022
Return on Equity	1.36	3.57	13.16	8.54	-0.4

Interpretation

ROE examines profitably from the perspective of equity investors by relating profits available for the equity shareholders with the book value of equity investments. The return from the point of view of equity shareholders may be calculated by comparing the net profit less preference dividend with their total contribution to the firm.

Over the years ROE of the firm has increased which indicates that the funds of the owner have been used properly by the firm, and the firm has improved and been able to earn satisfactory returns for the owner. But in the year 2022, the ROE falls drastically which shows the company is at loss.

7. Return on Asset



Annual net income

Return on asset = -----------------------------

Total assets

Year	2018	2019	2020	2021	2022
Return on Asset	0.83	2.16	8.36	5.48	-0.24

Interpretation

ROA measures the profitability of the firm in terms of assets employed in the firm. ROE is calculated by establishing the relationship between the profits and the assists employed to earn that profit. ROA shows as much is the profit by the firm per rupee of assets used.

ROA of the firm is decreasing from 2020 and thus lower values of return on assets show that business is not profitable with high risk.

8. **Dividend Pay-out**

$$\text{Dividend pay-out} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

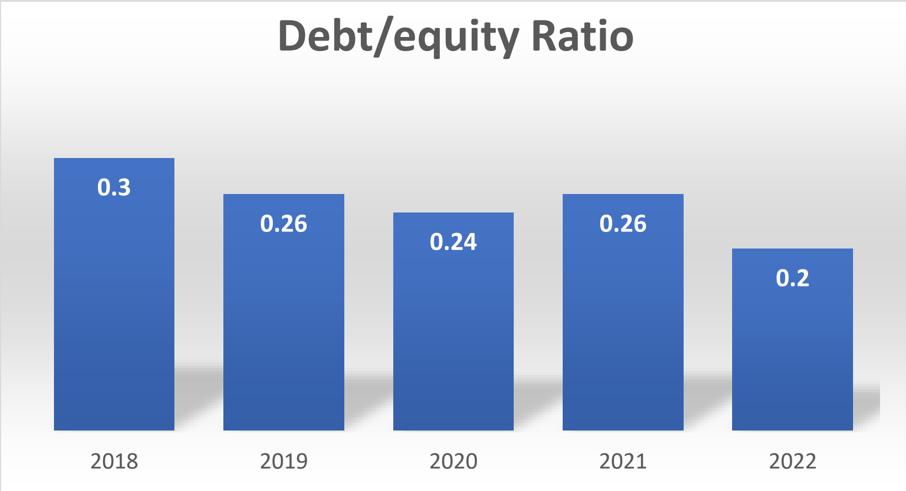
Year	2018	2019	2020	2021	2022
Dividend Pay-out	1.53	0.81	0.30	0.84	-25

Interpretation

The dividend pay-out ratio is the ratio of dividends per share divided by earnings per share. It is a measure of how much earnings a company is paying out to its shareholders as compared to how much it is retaining for reinvestment. The dividend pay-out ratio tells what percentage of total earnings the company is paying back to shareholders. A healthy dividend pay-out ratio leads to investor confidence in the company.

The dividend pay-out ratio is zero in almost all years except the years 2018 and 2022. We can conclude that the company is at a loss and the risk to invest is high.

9. **Debt/equity Ratio**



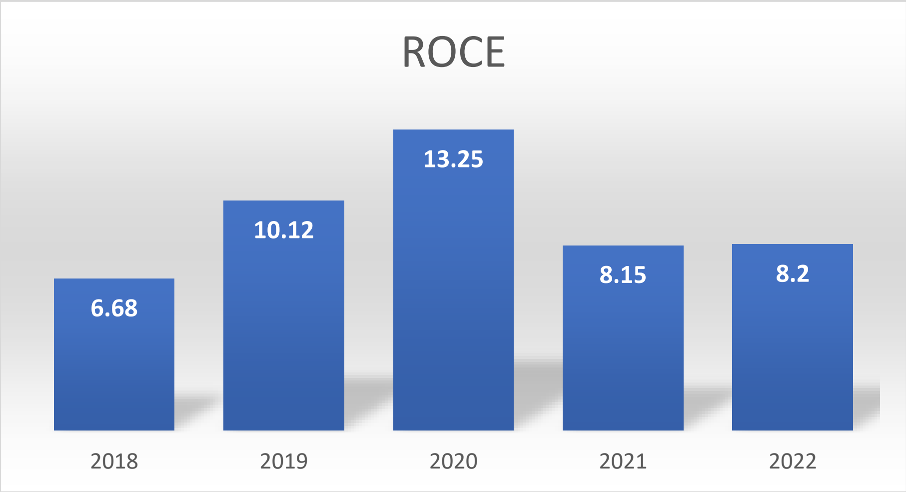
$$\text{Debt/equity ratio} = \frac{\text{Total liability}}{\text{Equity share}}$$

Year	2018	2019	2020	2021	2022
Debt/equity Ratio	0.3	0.26	0.24	0.26	0.2

Interpretation

The D/E ratio is an important tool of financial analysis to appraise the financial structure of a firm. A high ratio shows a large share of financing by the creditors of the firm, a low ratio implies a smaller claim from creditors. The company's debt-equity was 0.30 in the year 2018 and then goes downward in 2020 then again up and at last, it reached its slowest level in the year 2021which is 0.20 and Lower values of debt-to-equity ratio are favourable indicating less risk.

10. Return on Capital Employed



$$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Total assets} - \text{Total current liabilities}}$$

Year	2018	2019	2020	2021	2022
ROCE	6.68	10.12	13.25	8.15	8.2

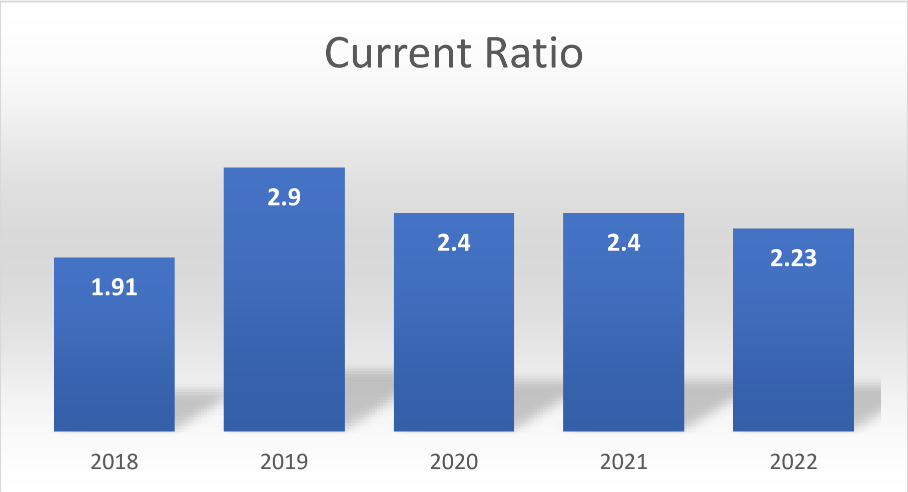
Interpretation

The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. A high ROCE value indicates that a larger chunk of profits can be invested back into the company for the benefit of shareholders.

In the year 2018, ROCE is increasing up to 2020 and then it started declining drastically. So, here we can conclude that for an investor it’s not good to invest. Low ROCE low returns.

II. Dr. Reddy's Lab

1. Current ratio



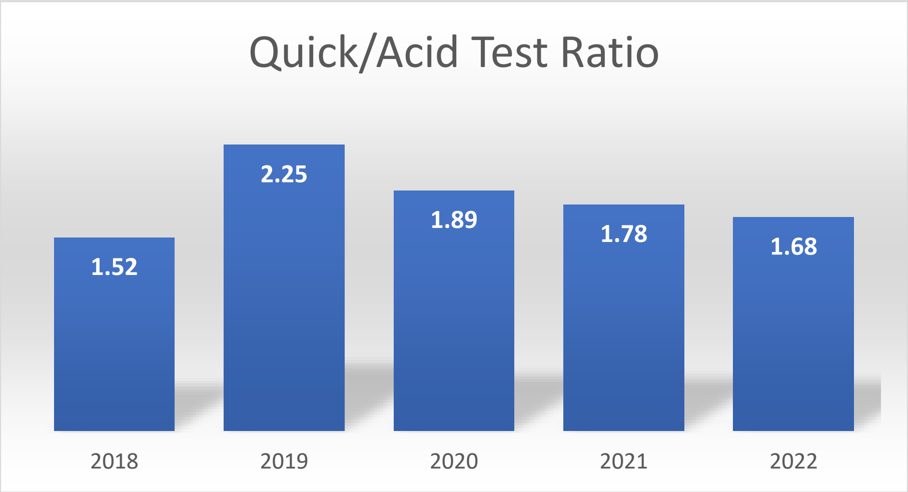
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Year	2018	2019	2020	2021	2022
Current Ratio	1.91	2.9	2.4	2.4	2.23

Interpretation

The interpretation is the company with a higher current ratio has better liquidity/short-term solvency. Conventionally, a current ratio of 2:1 is considered satisfactory. But here, the current ratio of the company is almost consistent and satisfactory in all four years apart from the year 2018.

2. Quick/Acid Test Ratio



Quick asset (Current assets – Inventories)

Quick ratio = --

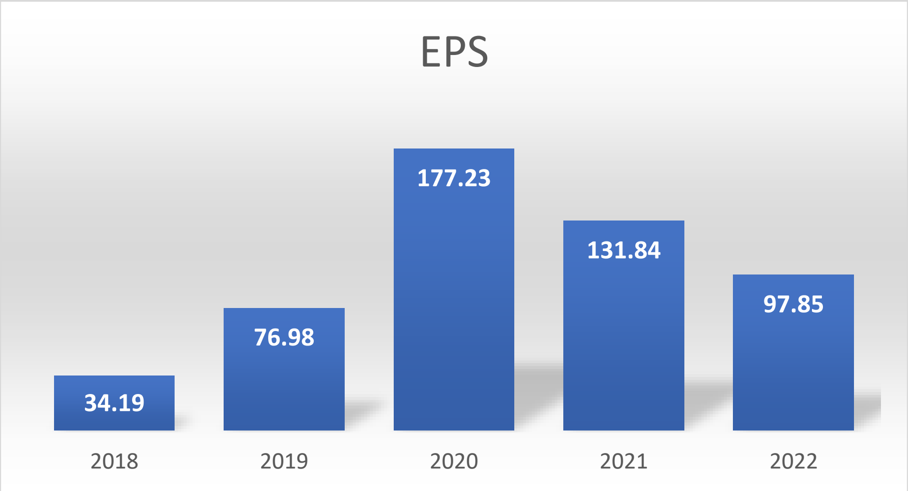
Current Liabilities

Year	2018	2019	2020	2021	2022
Quick/Acid Test Ratio	1.52	2.25	1.89	1.78	1.68

Interpretation

The acid test ratio is a rigorous measure of a firm's ability to service short-term liabilities. Generally, an acid-test ratio of 1:1 is considered satisfactory as the company can easily meet all current claims. But over here there were all 5 years in which it reaches to one and more. The quick ratio of years 2019 is not appropriate and not satisfactory compared to the other 4 years.

3. EPS



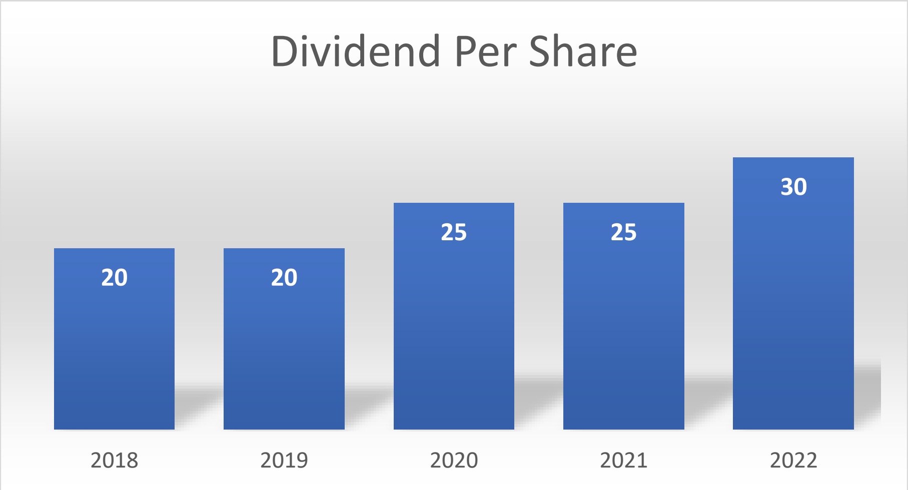
$$\text{Earnings per share} = \frac{\text{Net profit}}{\text{Equity share}}$$

Year	2018	2019	2020	2021	2022
EPS	34.19	76.98	177.23	131.84	97.85

Interpretation

More the earnings per share, the more the interest of the shareholders and investors in the company. The company's EPS is increasing year by year and reached its highest level in the year 2020 which is Rs.177.23. But again, it starts decreasing in 2022.

4. **Dividend Per Share**



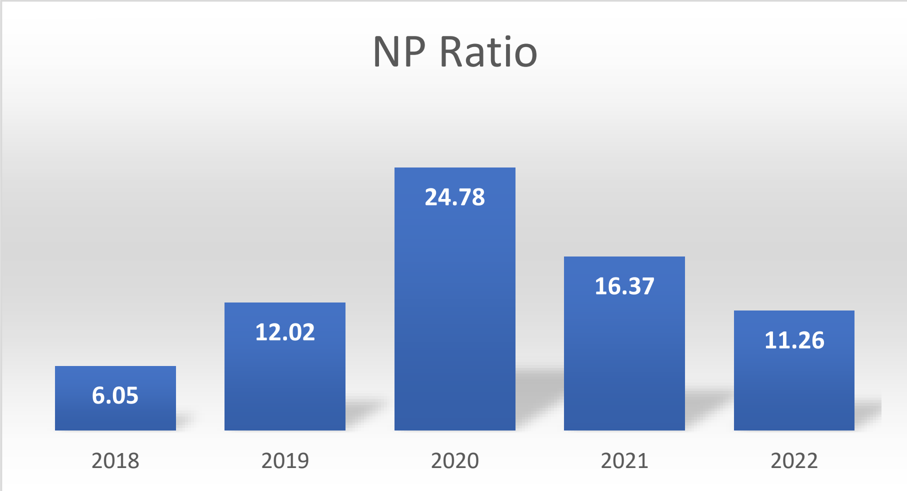
Dividend per share = Special dividend + Interim dividend + Final dividend

Year	2018	2019	2020	2021	2022
Dividend Per Share	20	20	25	25	30

Interpretation

Investors along with a good earning per share also expect a good return from the company. We can say that company is in a good situation. Company’s DPS is increasing year by year and the company had paid more dividends to its shareholders and investors. This shows that company’s profit is good compared to the previous year.

5. Net Profit Ratio



$$\text{Net profit ratio} = \frac{\text{Net profit}}{\text{Net Sales}}$$

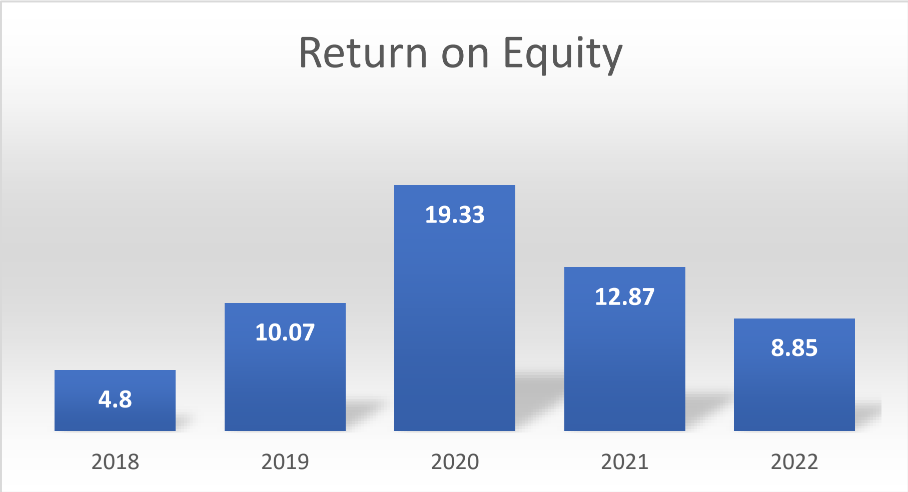
Year	2018	2019	2020	2021	2022
NP Ratio	6.05	12.02	24.78	16.37	11.26

Interpretation

The NP ratio establishes the relationship between the net profit (after tax) of the firm and the net sales. Its measures the efficiency of the management in generating additional revenue over and above the total cost of operations.

The net profit ratio has increased over the years which means that the overall profitability of the firm has grown up. It was increased to 2020, but then it’s decreasing year by year till 2022. This shows that company needs to improve its financial performance.

6. **Return on Equity**



$$\text{Return on equity} = \frac{\text{Net Income}}{\text{Shareholder's equity}}$$

Year	2018	2019	2020	2021	2022
Return on Equity	4.8	10.07	19.33	12.87	8.85

Interpretation

ROE examines profitably from the perspective of equity investors by relating profits available for the equity shareholders with the book value of equity investments. The return from the point of view of equity shareholders may be calculated by comparing the net profit less preference dividend with their total contribution to the firm. Over the years ROE of the firm have increased which indicates that the funds of the owner have been used properly by the firm, and the firm has improved and been able to earn a satisfactory return for the owner. But in the year 2021 the ROE starts fall down which show company has to improve.

7. **Return on Asset**

Annual net income

Return on asset = -----------------------------

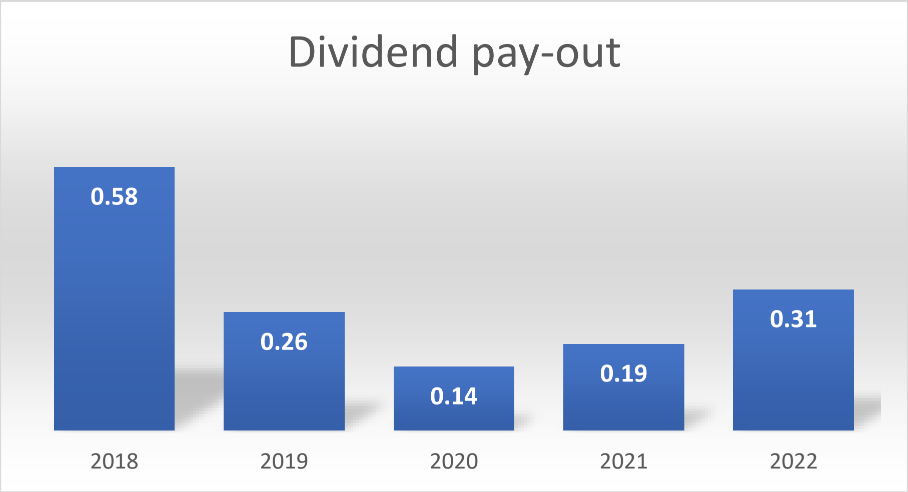
Total assets

Year	2018	2019	2020	2021	2022
Return on Asset	3.31	7.86	15.08	10.1	6.62

Interpretation

ROA measures the profitability of the firm in terms of assets employed in the firm. ROE is calculated by establishing the relationship between the profits and the assists employed to earn that profit. ROA shows how much is the profit earn by the firm per rupee of assets used. ROA of the firm is inconsistent over a period of 5 years. The ROA is high on year 2020 compared to the other years. But ROA is low in next two years. We can conclude that company is not in going well.

8. **Dividend pay-out**



Dividend per share

Dividend pay-out = ----------------------------

Earnings per share

Year	2018	2019	2020	2021	2022
Dividend pay-out	0.58	0.26	0.14	0.19	0.31

Interpretation

The dividend pay-out ratio is the ratio of dividends per share divided by earnings per share. It is a measure of how much earnings a company is paying out to its shareholders as compared to how much it is retaining for reinvestment. The dividend pay-out ratio tells what percentage of total earnings the company is paying back to shareholders. A healthy dividend pay-out ratio leads to investor confidence in the company.

The dividend pay-out ratio got reduced from the year 2020 onwards. This shows that the company’s profitability is reduced and the company has to improve a lot.

9. **Debt/equity Ratio**

Total liability

Debt/equity ratio = ----------------------------

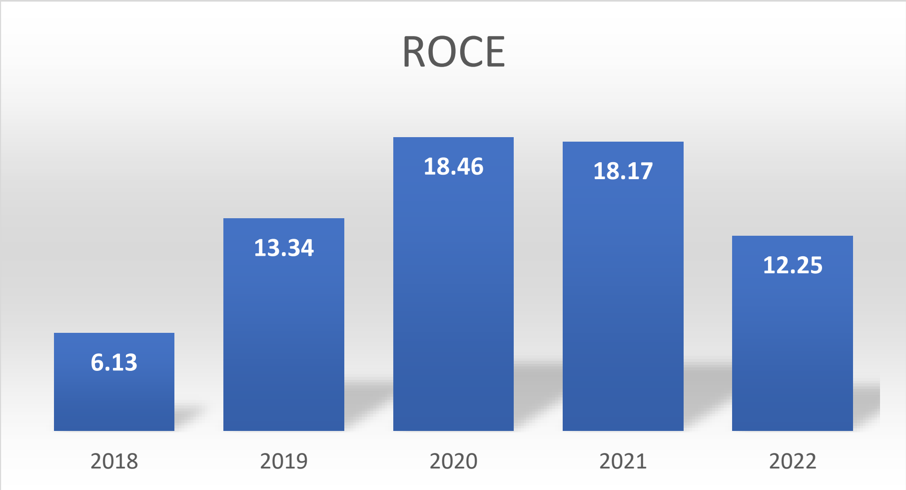
Equity share

Year	2018	2019	2020	2021	2022
Debt/equity Ratio	0.22	0.07	0.07	0.07	0.12

Interpretation

The D/E ratio is an important tool of financial analysis to appraise the financial structure of a firm. A high ratio shows a large share of financing by the creditors of the firm, a low ratio implies a smaller claim of creditors. Company's debt equity was 0.22 in year 2018 and then goes downward in 2019 then again little up in the year 2022. Higher values of debt-to-equity ratio are not favourable indicating a high risk.

10. **Return on Capital Employed**



$$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Total assets} - \text{Total current liabilities}}$$

Year	2018	2019	2020	2021	2022
ROCE	6.13	13.34	18.46	18.17	12.25

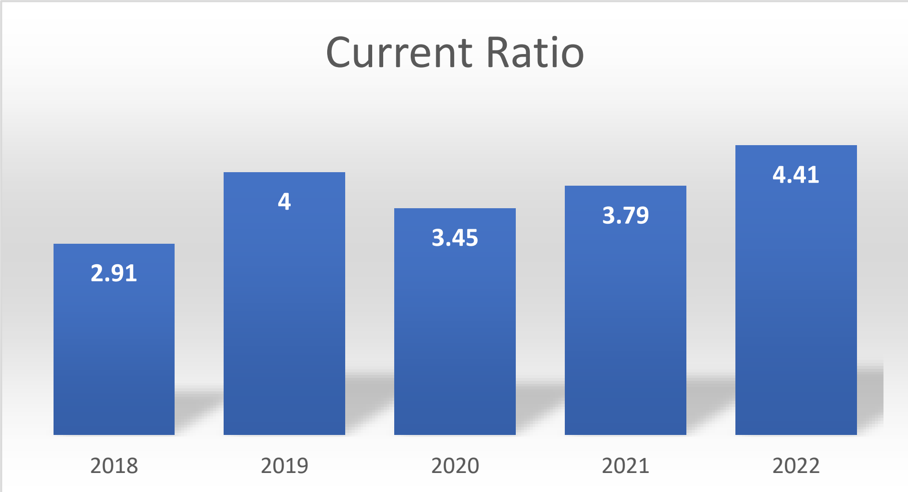
Interpretation

The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. A high ROCE value indicates that a larger chunk of profits can be invested back into the company for the benefit of shareholders.

In the year 2018, ROCE is increasing up to 2020 and then it started declining drastically. So, here we can conclude that for an investor it's not good to invest. High ROCE high returns.

III. Cipla

1. Current ratio



Current Assets

Current Ratio = ---------------------

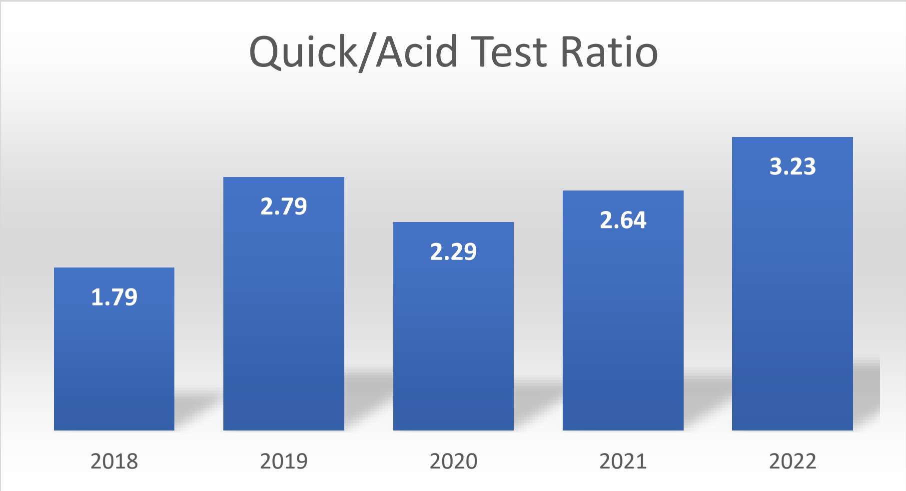
Current Liabilities

Year	2018	2019	2020	2021	2022
Current Ratio	2.91	4	3.45	3.79	4.41

Interpretation

The interpretation is the company with a higher current ratio has better liquidity/short-term solvency. Conventionally, a current ratio of 2:1 is considered satisfactory. But in here, the current ratio of the company is almost consistent in all five years.

2. **Quick/Acid Test Ratio**



Quick asset (Current assets – Inventories)

Quick ratio = ---

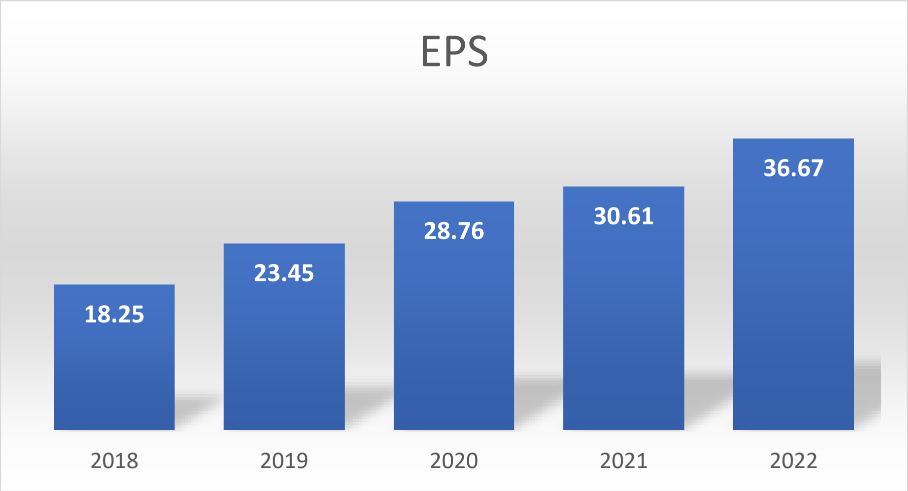
Current Liabilities

Year	2018	2019	2020	2021	2022
Quick/Acid Test Ratio	1.79	2.79	2.29	2.64	3.23

Interpretation

The acid test ratio is a rigorous measure of a firm’s ability to service short term liabilities. Generally, an acid-test ratio of 1:1 is considered satisfactory as the company can easily meet all current claims. But over here there were all 5 years in which it reaches to one and more.

3. EPS



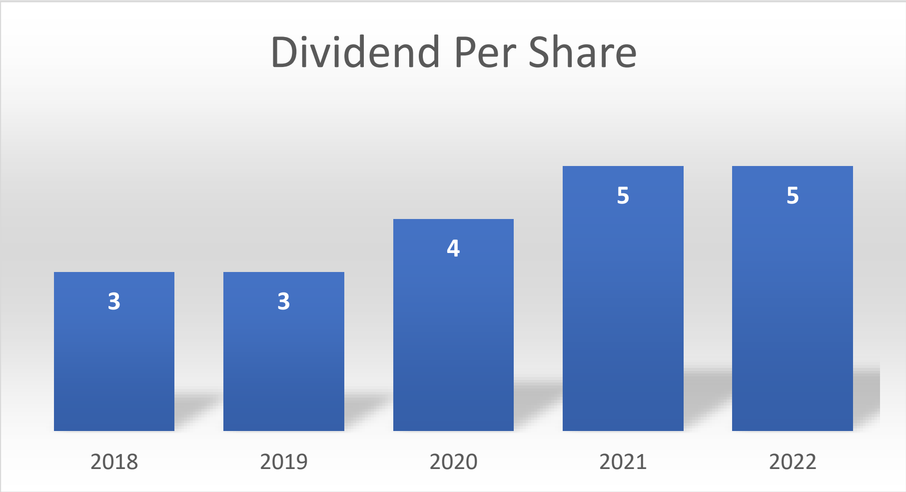
$$\text{Earnings per share} = \frac{\text{Net profit}}{\text{Equity shares}}$$

Year	2018	2019	2020	2021	2022
EPS	18.25	23.45	28.76	30.61	36.67

Interpretation

More the earnings per share, the more the interest of the shareholders and investors in the company. The company had an EPS of Rs.18.25 in the year 2018 which is not as good as others but then it is increasing year by year and reached at its highest level in the year 2022 which is Rs.36.67.

4.Dividend Per Share



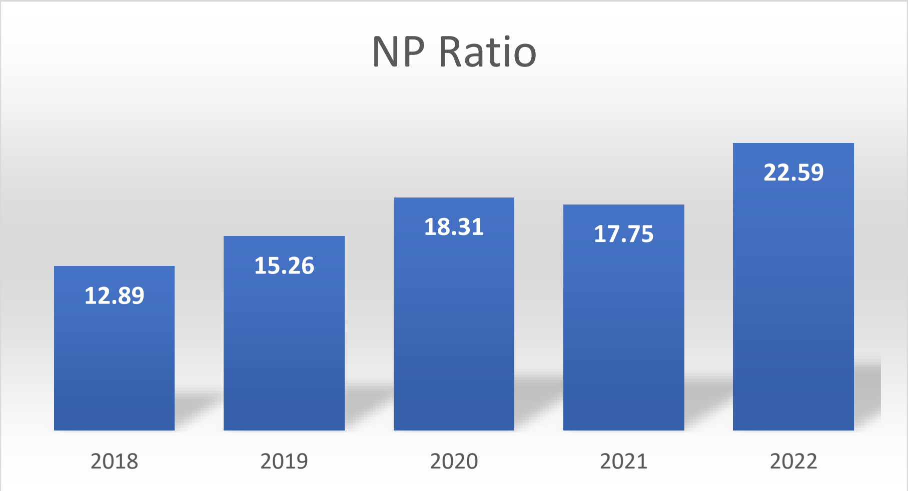
Dividend per share = Special dividend + Interim dividend + Final dividend

Year	2018	2019	2020	2021	2022
Dividend Per Share	3	3	4	5	5

Interpretation

Investors along with a good earning per share also expect a good return from the company. We can say that company is in a good situation. Company's DPS is increasing year by year and the company had paid more dividends to its shareholders and investors. This shows that the company's profit is good compared to the previous year.

5. **Net Profit Ratio**



Net profit

Net profit ratio = -------------------

Net Sales

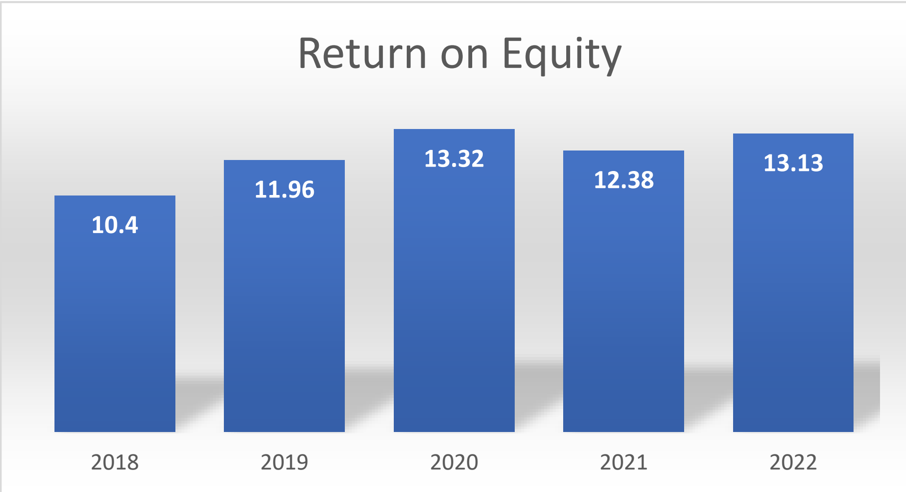
Year	2018	2019	2020	2021	2022
NP Ratio	12.89	15.26	18.31	17.75	22.59

Interpretation

The NP ratio establishes the relationship between the net profit (after tax) of the firm and the net sales. Its measures the efficiency of the management in generating additional revenue over and above the total cost of operations.

Though it has decreased at some point again it started growing up. The net profit ratio has increased over the years which means the overall profitability of the firm has grown up.

6. **Return on Equity**



$$\text{Return on equity} = \frac{\text{Net Income}}{\text{Shareholder's equity}}$$

Year	2018	2019	2020	2021	2022
Return on Equity	10.4	11.96	13.32	12.38	13.13

Interpretation

ROE examines profitably from the perspective of equity investors by relating profits available for the equity shareholders with the book value of equity investments. The return from the point of view of equity shareholders may be calculated by comparing the net profit less preference dividend with their total contribution to the firm.

Over the years ROE of the firm has a little bit of variations which indicates that the funds of the owner have not been used properly by the firm, and the firm has to improve a little bit so that it can able to earn a satisfactory return for the owner.

7. **Return on Asset**

Annual net income

Return on asset = -----------------------------

Total assets

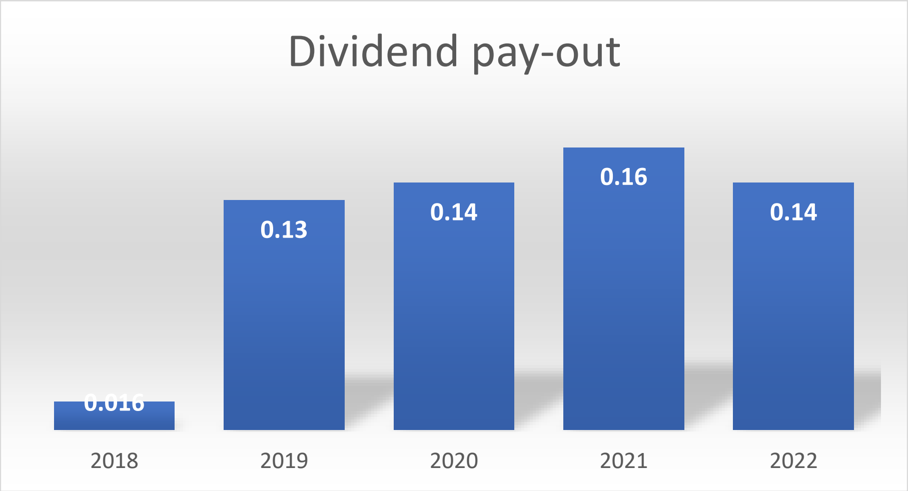
Year	2018	2019	2020	2021	2022
Return on Asset	8.59	10.25	11.36	10.74	11.62

Interpretation

ROA measures a profitability of the firm in terms of assets employed in the firm. ROE is calculated by establishing the relationship between the profits and the assists employed to earn that profit. ROA shows how much is profit earned by the firm per rupee of assets used.

ROA of the firm is decreasing from 2021 and then raised, lower values of return on assets show that the business is not profitable with high risk.

8. **Dividend pay-out**



$$\text{Dividend pay-out} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

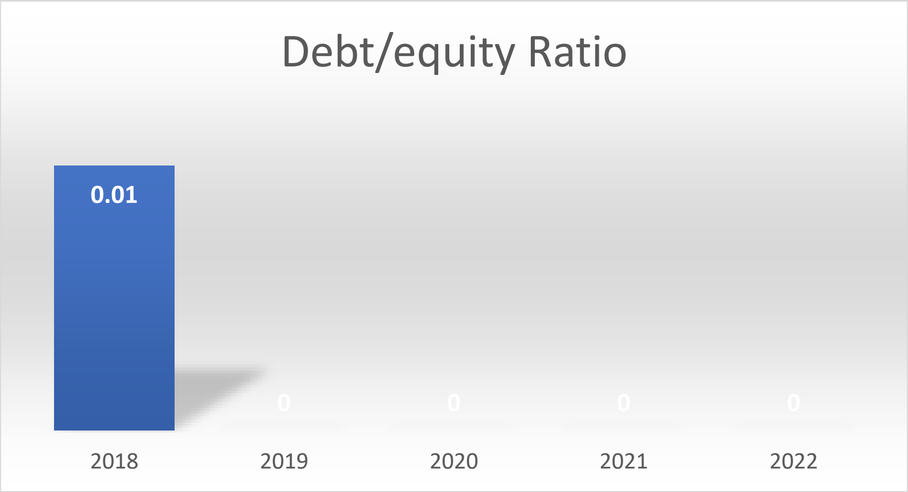
Year	2018	2019	2020	2021	2022
Dividend pay-out	.016	0.13	0.14	0.16	0.14

Interpretation

The dividend pay-out ratio is the ratio of dividends per share divided by earnings per share. It is a measure of how much earnings a company is paying out to its shareholders as compared to how much it is retaining for reinvestment. The dividend pay-out ratio tells what percentage of total earnings the company is paying back to shareholders. A healthy dividend pay-out ratio leads to investor confidence in the company.

The dividend pay-out ratio got reduced in the recent year 2022. This shows that the company's profitability is reduced and the company has to improve a lot.

9. Debt/equity Ratio



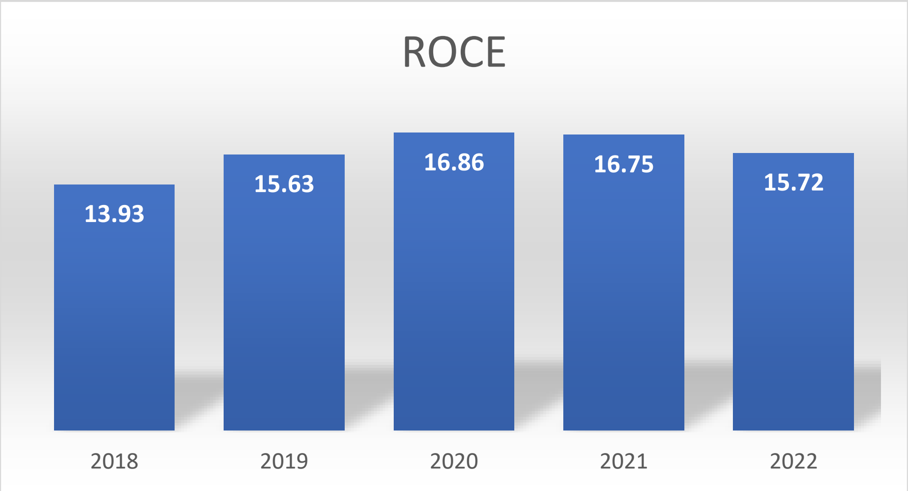
$$\text{Debt/equity ratio} = \frac{\text{Total liability}}{\text{Equity share}}$$

Year	2018	2019	2020	2021	2022
Debt/equity Ratio	0.01	0	0	0	0

Interpretation

The D/E ratio is an important tool of financial analysis to appraise the financial structure of a firm. A high ratio shows a large share of financing by the creditors of the firm, a low ratio implies a smaller claim from creditors. The company’s debt-equity was 0.01 in the year 2018 and then it reached it ‘slowest level in the year 2019 which is 0.00 and lower values of debt-to-equity ratio are favourable indicating a low risk.

10. **Return on Capital Employed**



$$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Total assets} - \text{Total current liabilities}}$$

Year	2018	2019	2020	2021	2022
ROCE	13.93	15.63	16.86	16.75	15.72

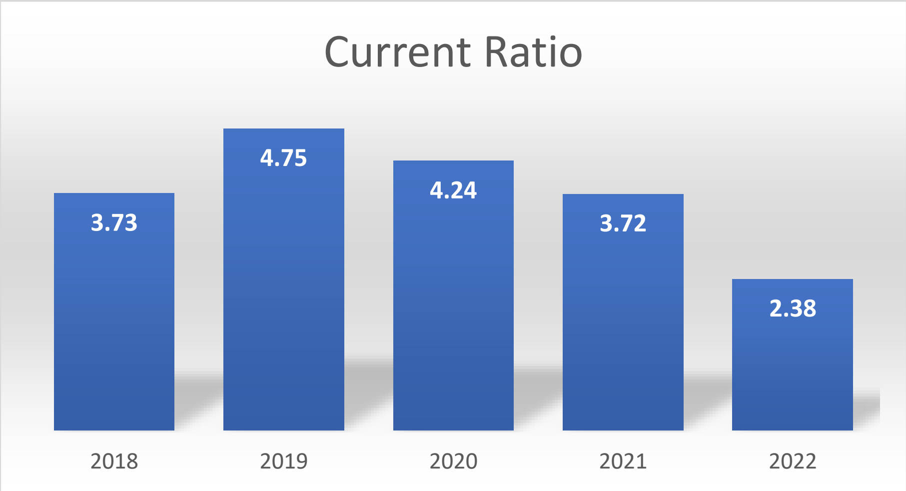
Interpretation

The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. A high ROCE value indicates that a larger chunk of profits can be invested back into the company for the benefit of shareholders.

In the year 2018, ROCE is increasing up to 2021 and then it started declining drastically. So, here we can conclude that the still needs to improve.

IV. LUPIN

1. Current ratio



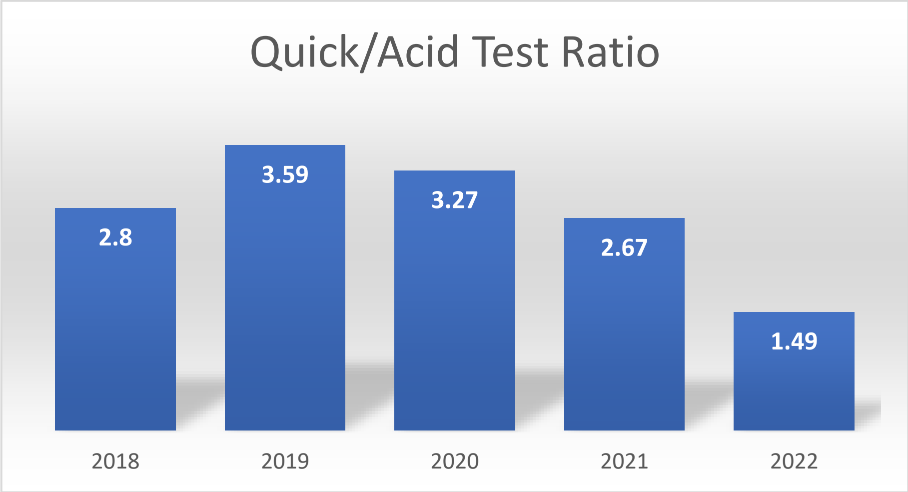
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Year	2018	2019	2020	2021	2022
Current Ratio	3.73	4.75	4.24	3.72	2.38

Interpretation

The interpretation is the company with a higher current ratio has better liquidity/short-term solvency. Conventionally, a current ratio of 2:1 is considered satisfactory. But in here, the current ratio of the company is almost consistent in all five years.

2. Quick/Acid Test Ratio



Quick asset (Current assets – Inventories)

Quick ratio = --

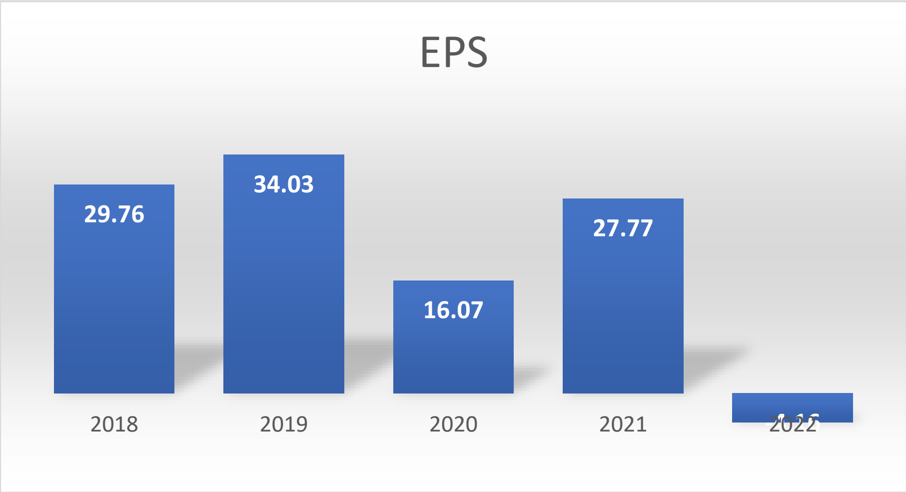
Current Liabilities

Year	2018	2019	2020	2021	2022
Quick/Acid Test Ratio	2.8	3.59	3.27	2.67	1.49

Interpretation

The acid test ratio is a rigorous measure of a firm’s ability to service short term liabilities. Generally, an acid-test ratio of 1:1 is considered satisfactory as the company can easily meet all current claims. But over here there were all 5 years in which it reaches to one and more.

3. EPS



Net profit

Earnings per share = ------------------

Equity shares

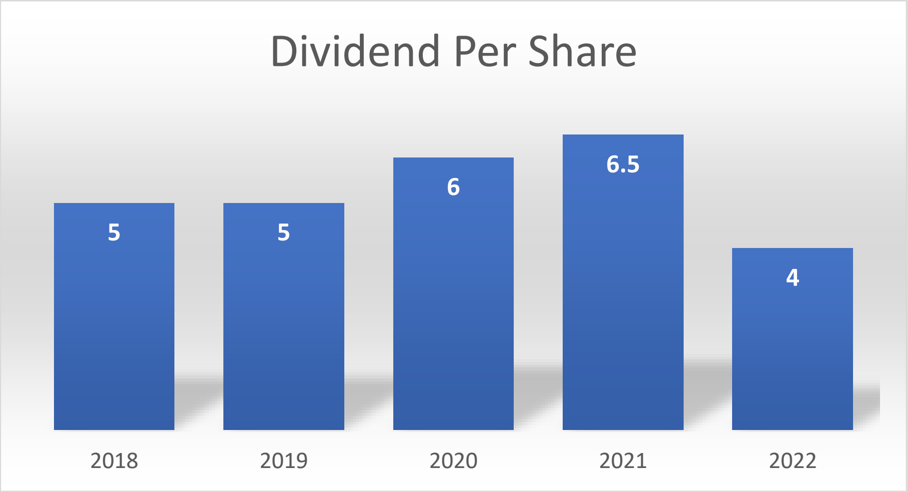
Year	2018	2019	2020	2021	2022
EPS	29.76	34.03	16.07	27.77	-4.16

Interpretation

More the earnings per share, the more the interest of the shareholders and investors in the company. The EPS of the company is decreasing year by year. This shows the company is in a loss.

More the earnings per share, the more the interest of the shareholders and investors in the company. The Company had an EPS of Rs. -4.16 in the year 2022 which is not as good as others. The company’s highest EPS was in the year 2019 and then it started decreasing. The company has to improve its profit in order to improve its EPS.

4. **Dividend Per Share**



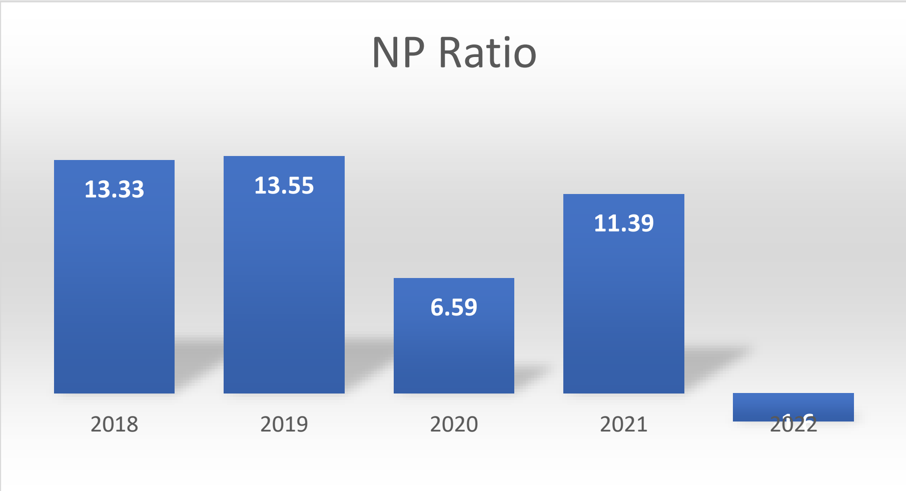
Dividend per share = Special dividend + Interim dividend + Final dividend

Year	2018	2019	2020	2021	2022
Dividend Per Share	5	5	6	6.5	4

Interpretation

Investors along with a good earning per share also expect a good return from the company. We can say that company is in a good situation. Company's DPS is consistent year by year and the company paid more dividends to its shareholders and investors only on 2021. This shows that the company's profit is good and consistently increasing but in the year 2022 it has decreased.

5. **Net Profit Ratio**



$$\text{Net profit ratio} = \frac{\text{Net profit}}{\text{Net Sales}}$$

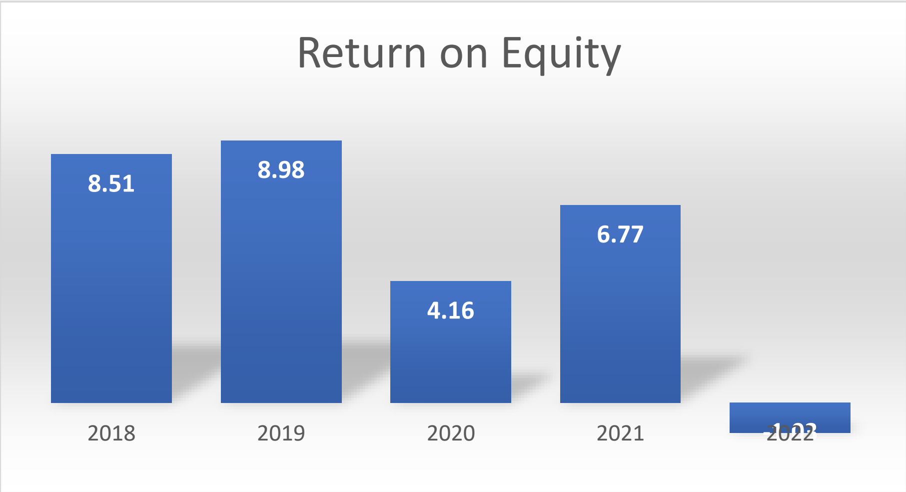
Year	2018	2019	2020	2021	2022
NP Ratio	13.33	13.55	6.59	11.39	-1.6

Interpretation

The NP ratio establishes the relationship between the net profit (after tax) of the firm and the net sales. Its measures the efficiency of the management in generating additional revenue over and above the total cost of operations.

Net profit ratio has randomly changed over the years which means that the overall profitability of the firm is not consistent. Company's net profit ratio is decreased in 2020 and reached negative value. This shows that company needs to improve its financial performance to get a consistent NP growth.

6. Return on equity



Net Income

Return on equity = ---------------------------

Shareholder’s equity

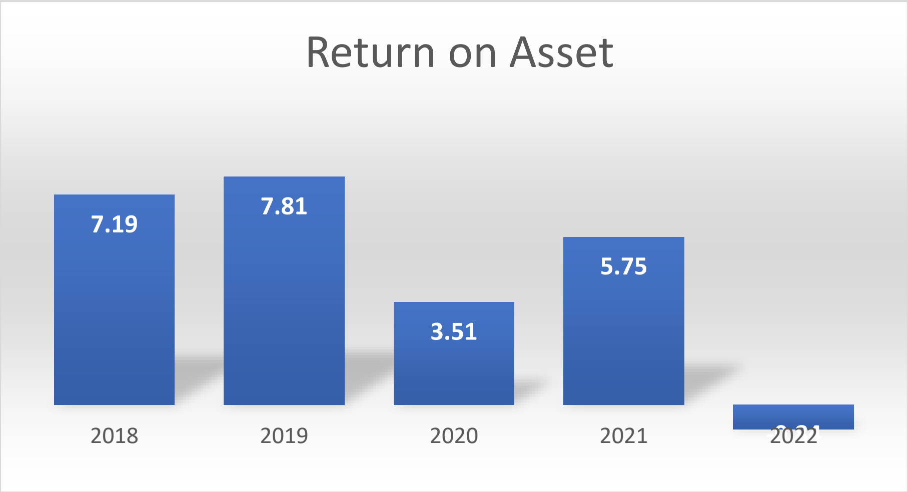
Year	2018	2019	2020	2021	2022
Return on Equity	8.51	8.98	4.16	6.77	-1.03

Interpretation

ROE examines profitably from the perspective of equity investors by relating profits available for the equity shareholders with the book value of equity investments. The return from the point of view of equity shareholders may be calculated by comparing the net profit less preference dividend with their total contribution to the firm.

Over the years ROE of the firm have increased which indicates that the funds of the owner have been used properly by the firm, and the firm has improved and been able to earn a satisfactory return for the owner. But from the year 2020 a lot of fluctuations was there and from 2021the ROE starts fall down which show company’s position is not good.

7. Return on Asset



Annual net income

Return on asset = ------------------------------

Total assets

Year	2018	2019	2020	2021	2022
Return on Asset	7.19	7.81	3.51	5.75	-0.84

Interpretation

ROA measures the profitability of the firm in terms of assets employed in the firm. ROE is calculated by establishing the relationship between the profits and the assists employed to earn that profit. ROA shows how much is profit earn by the firm per rupee of assets used.

ROA of the firm is inconsistent over a period of 5 years. The ROA is high in the year 2019. But ROA is low in the next two years. In the year 2022, it reaches negative. We can conclude that the company is not going well.

8. **Dividend Pay-out**

$$\text{Dividend pay-out} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

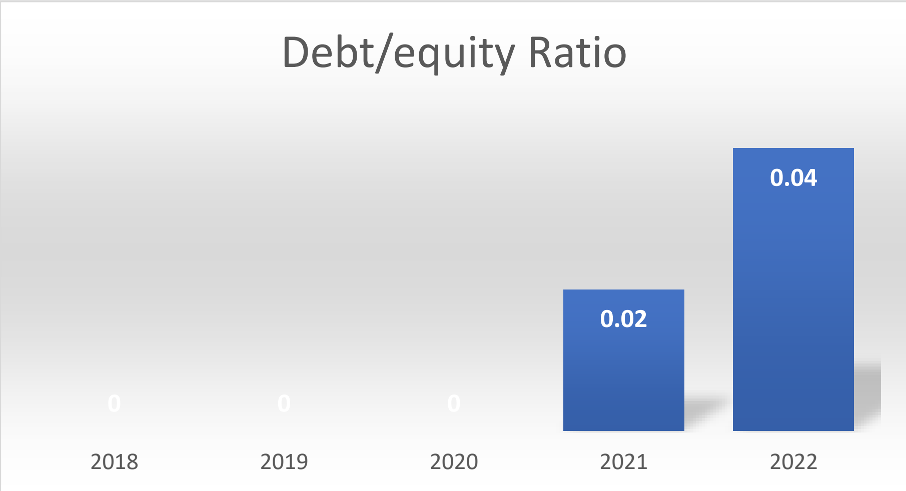
Year	2018	2019	2020	2021	2022
Dividend Pay-out	0.17	0.15	0.37	0.23	-0.96

Interpretation

The dividend pay-out ratio is the ratio of dividends per share divided by earnings per share. It is a measure of how much earnings a company is paying out to its shareholders as compared to how much it is retaining for reinvestment. The dividend pay-out ratio tells what percentage of total earnings the company is paying back to shareholders. A healthy dividend pay-out ratio leads to investor confidence in the company.

The dividend pay-out ratio is fluctuating a lot and in the recent years it reaches negative. We can conclude that the company is at a loss and the risk to invest is high.

9. **Debt/equity Ratio**



Total liability

Debt/equity ratio = ----------------------------

Equity share

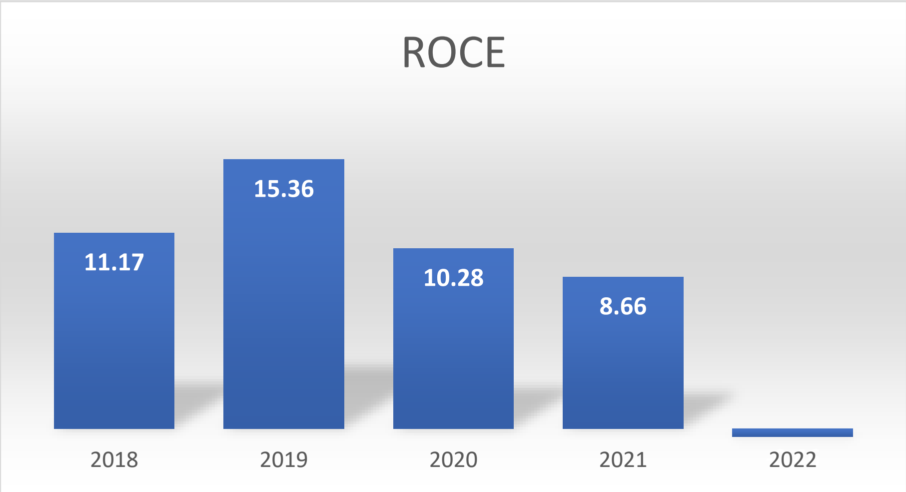
Year	2018	2019	2020	2021	2022
Debt/equity Ratio	0	0	0	0.02	0.04

Interpretation

The D/E ratio is an important tool of financial analysis to appraise the financial structure of a firm. A high ratio shows a large share of financing by the creditors of the firm, a low ratio implies a smaller claim of creditors.

Company's debt equity was 0.00 in year 2018 up to 2020 and then goes upward in 2021 then again up and at last it reached its highest level in the year 2022 which is 0.04 and higher values of debt-to-equity ratio are favourable indicating high risk.

10. **Return on Capital Employed**



$$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Total assets} - \text{Total current liabilities}}$$

Year	2018	2019	2020	2021	2022
ROCE	11.17	15.36	10.28	8.66	-0.46

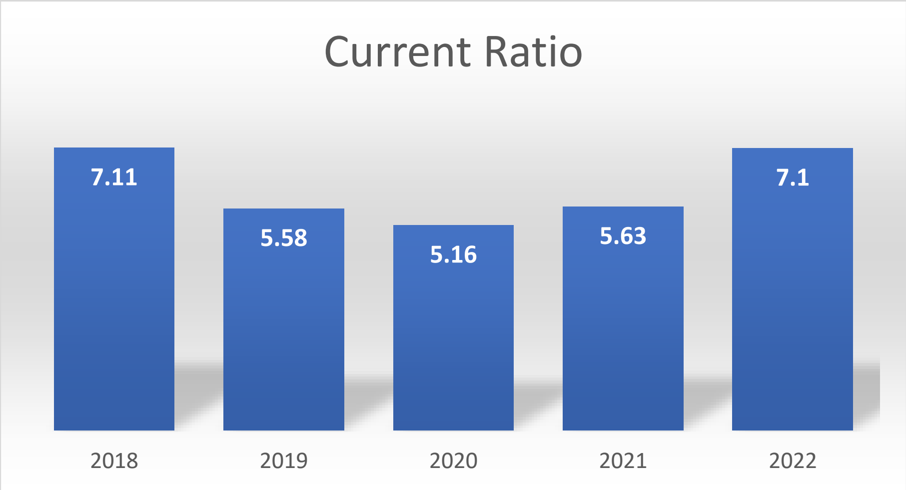
Interpretation

The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. A high ROCE value indicates that a larger chunk of profits can be invested back into the company for the benefit of shareholders.

From the beginning, it started declining drastically and reaches negative. So, here we can conclude that for an investor it's not good to invest. Low ROCE low return

V. DIVI'S Laboratory

1. Current ratio



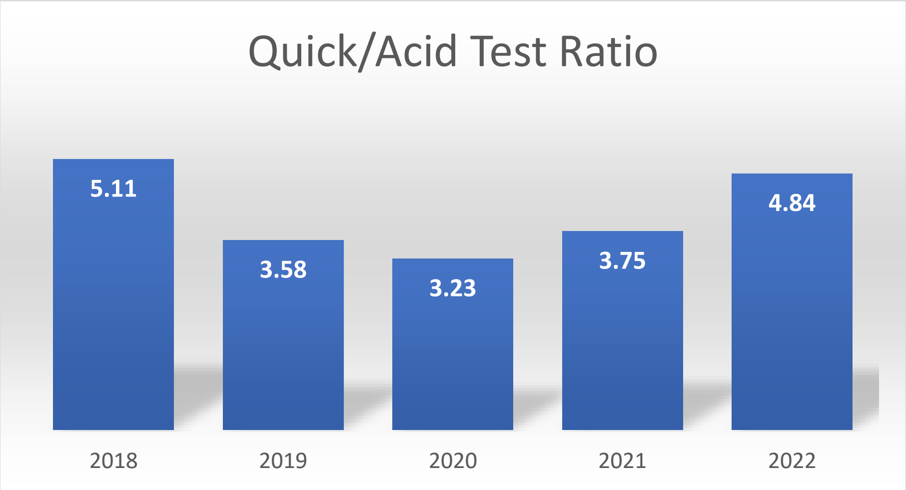
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Year	2018	2019	2020	2021	2022
Current Ratio	7.11	5.58	5.16	5.63	7.1

Interpretation

The interpretation is the company with a higher current ratio has better liquidity/short-term solvency. Conventionally, a current ratio of 2:1 is considered satisfactory. But in here, the current ratio of the company is almost consistent in all five years.

2. **Quick/Acid Test Ratio**



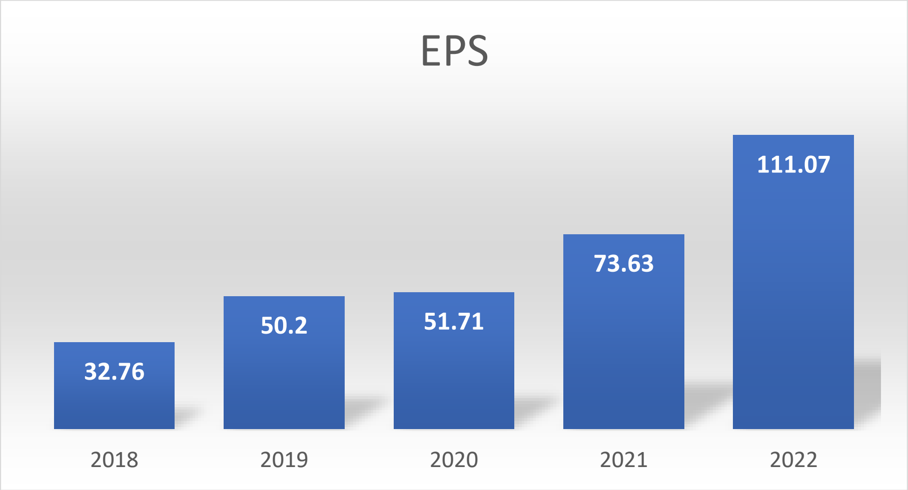
$$\text{Quick ratio} = \frac{\text{Quick asset (Current assets – Inventories)}}{\text{Current Liabilities}}$$

Year	2018	2019	2020	2021	2022
Quick/Acid Test Ratio	5.11	3.58	3.23	3.75	4.84

Interpretation

The acid test ratio is a rigorous measure of a firm's ability to service short term liabilities. Generally, an acid-test ratio of 1:1 is considered satisfactory as the company can easily meet all current claims. But over here there were all 5 years in which it reaches to one and more.

3. EPS



Net profit

Earnings per share = ------------------

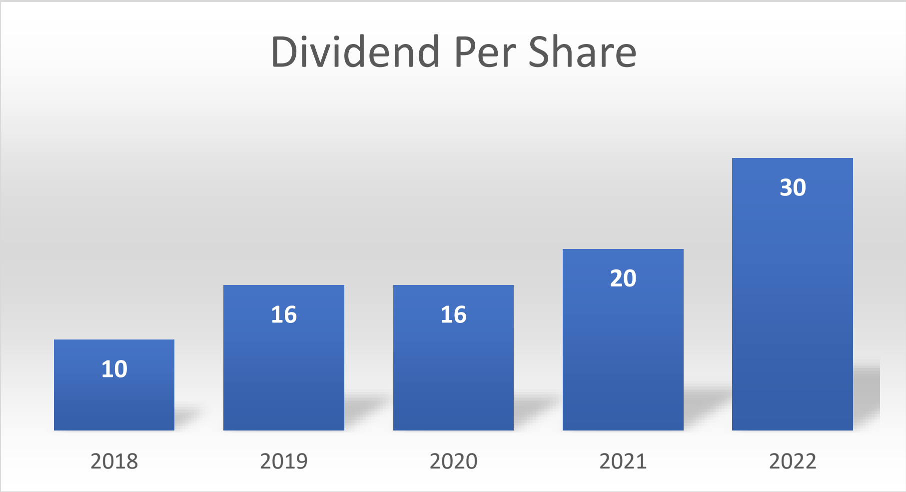
Equity shares

Year	2018	2019	2020	2021	2022
EPS	32.76	50.2	51.71	73.63	111.07

Interpretation

More the earnings per share, the more the interest of the shareholders and investors in the company. The company had an EPS of 32.76 in the year 2018 which is not as good as others but then it is increasing year by year and reached its highest level in the year 2022 which is 111.07.

4.Dividend Per Share



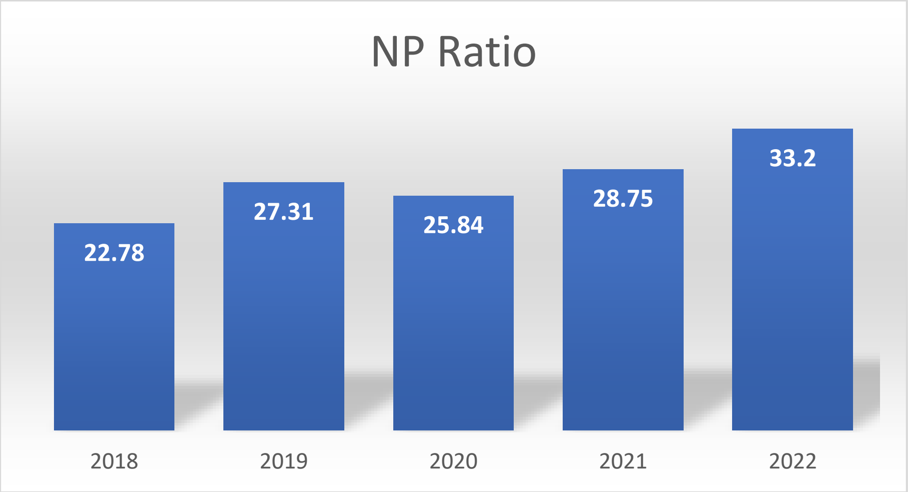
Dividend per share = Special dividend + Interim dividend + Final dividend

Year	2018	2019	2020	2021	2022
Dividend Per Share	10	16	16	20	30

Interpretation

Investors along with a good earning per share also expect a good return from the company. We can say that company is in a good situation. Company’s DPS is increasing year by year and the company had paid more dividends to its shareholders and investors. This shows that the company’s profit is good compared to the previous year.

5. Net Profit Ratio



Net profit

Net profit ratio = -------------------

Net Sales

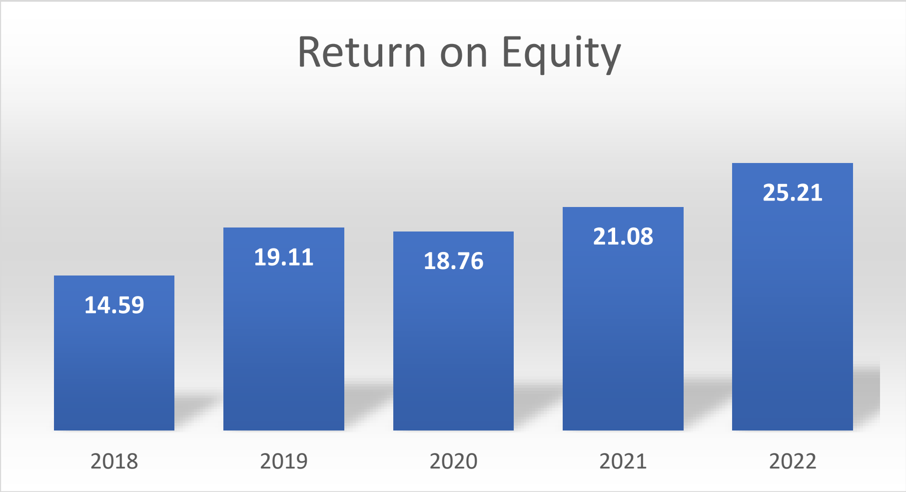
Year	2018	2019	2020	2021	2022
NP Ratio	22.78	27.31	25.84	28.75	33.2

Interpretation

The NP ratio establishes the relationship between the net profit (after tax) of the firm and the net sales. Its measures the efficiency of the management in generating additional revenue over and above the total cost of operations.

Though it has decreased at some point in the year 2020, but again it started growing up. The net profit ratio has increased over the years which means the overall profitability of the firm has grown up.

6. Return on Equity



Net Income

Return on equity = ---------------------------

Shareholder’s equity

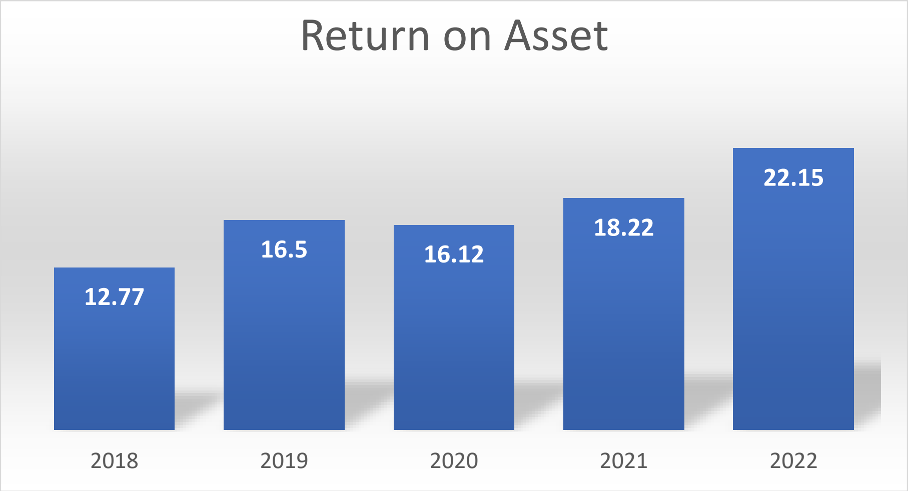
Year	2018	2019	2020	2021	2022
Return on Equity	14.59	19.11	18.76	21.08	25.21

Interpretation

ROE examines profitably from the perspective of equity investors by relating profits available for the equity shareholders with the book value of equity investments. The return from the point of view of equity shareholders may be calculated by comparing the net profit less preference dividend with their total contribution to the firm.

Over the years ROE of the firm has few variations which indicate that the funds of the owner have not been used properly by the firm in the year 2020, the firm is in good position because the ROE is going on increasing year by year.

7. **Return on Asset**



$$\text{Return on asset} = \frac{\text{Annual net income}}{\text{Total assets}}$$

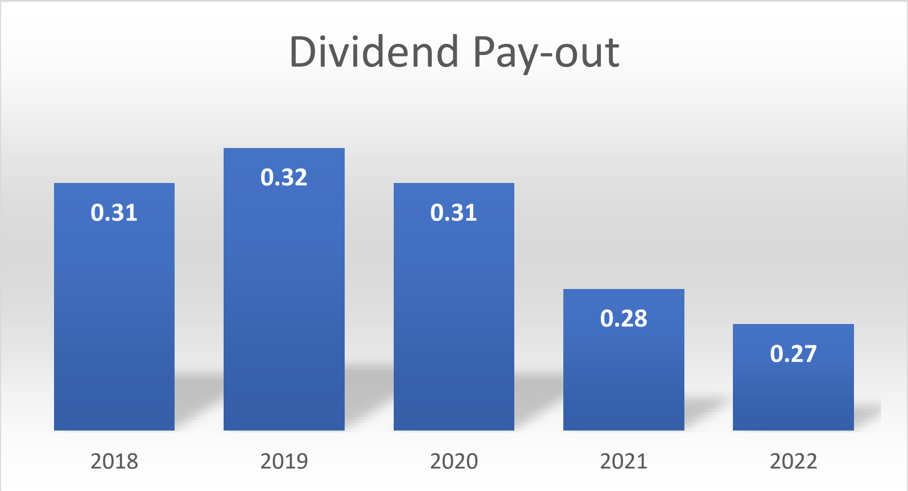
Year	2018	2019	2020	2021	2022
Return on Asset	12.77	16.5	16.12	18.22	22.15

Interpretation

ROA measures the profitability of the firm in terms of assets employed in the firm. ROE is calculated by establishing the relationship between the profits and the assists employed to earn that profit. ROA shows how much is profit earned by the firm per rupee of assets used.

ROA of the firm is increasing from 2018-2022 and thus higher values of return on assets show that the business is more profitable.

8. **Dividend Pay-out**



$$\text{Dividend pay-out} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

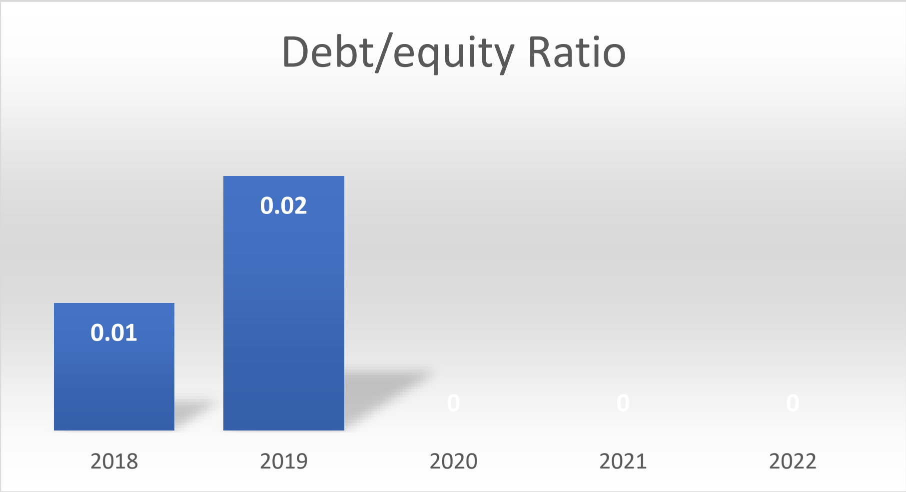
Year	2018	2019	2020	2021	2022
Dividend Pay-out	0.31	0.32	0.31	0.28	0.27

Interpretation

The dividend pay-out ratio is the ratio of dividends per share divided by earnings per share. It is a measure of how much earnings a company is paying out to its shareholders as compared to how much it is retaining for reinvestment. The dividend pay-out ratio tells what percentage of total earnings the company is paying back to shareholders. A healthy dividend pay-out ratio leads to investor confidence in the company.

The dividend payout ratio was reduced over the year by year. This shows that the company’s revenue and operation cost is unbalanced. The company has to improve its policy to improve its profit.

9. **Debt/equity Ratio**



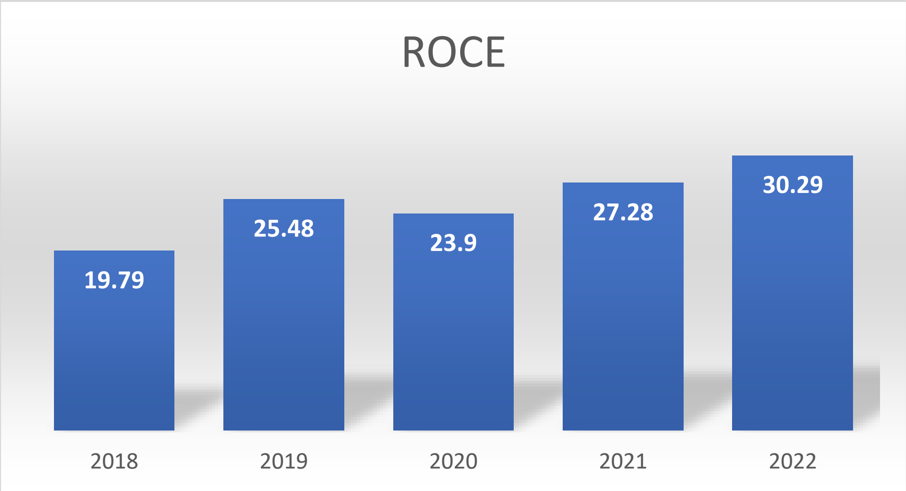
$$\text{Debt/equity ratio} = \frac{\text{Total liability}}{\text{Equity share}}$$

Year	2018	2019	2020	2021	2022
Debt/equity Ratio	0.01	0.02	0	0	0

Interpretation

The D/E ratio is an important tool of financial analysis to appraise the financial structure of a firm. A high ratio shows a large share of financing by the creditors of the firm, a low ratio implies a smaller claim of creditors. The company’s debt-equity was 0.01 in year 2018 and then goes upward in 2019 then and at last it reached its lowest level from 2020-2022. which is 0.00. lower values of debt-to-equity ratio are favourable indicating low risk.

10. **Return on Capital Employed**



$$\text{Return on capital employed} = \frac{\text{EBIT}}{\text{Total assets} - \text{Total current liabilities}}$$

Year	2018	2019	2020	2021	2022
ROCE	19.79	25.48	23.9	27.28	30.29

Interpretation

The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. A high ROCE value indicates that a larger chunk of profits can be invested back into the company for the benefit of shareholders.

Here the ROCE goes on increasing year by year so for an investor its good to invest. Because

High ROCE high returns.

CHAPTER-6

FINDINGS, SUGGESTIONS, CONCLUSION

Expert Opinions:

a. ICICI Direct has buy call on

Sun Pharmaceutical Industries

NSE -0.02 % with a target price of Rs 1260. The current market price of Sun Pharmaceutical Industries is Rs 1000.25. Time period given by analyst is a year when Sun Pharmaceutical Industries price can reach defined target. ICICI Direct recommended to keep stop loss at Rs 830.

b. Ahead of the Union Budget 2023 and after the Q3 results, brokerage firm ICICI Securities has selected a few stocks which have the strength to deliver good returns. The brokerage firm believes that stocks like **Dr. Reddy's Labs**, DLF and Macrotech Developers will provide good opportunities to investors. Here is a list of 8 stocks that can rally up to 40%, according to ICICI Securities.

c. Hold **Cipla**, target of Rs 1158: Sharekhan (report dated 2023)

d. Buy **Lupin**; target of Rs 855: Sharekhan

Sharekhan is bullish on Lupin has recommended buy rating on the stock with a target price of Rs 855 in its research report dated November 14, 2022.

e. Stock Radar: Buy **Divi’s Laboratories** for a target of Rs 3700-3800, says Vaishali Parekh

"Divi's Laboratories is showing signs of bottoming out and has taken support and almost made a double bottom formation pattern near 3250 zone on the daily chart," Vaishali Parekh, Vice President - Technical Research, Prabhudas Lilladher Pvt. Ltd, said

FINDINGS

1) In the Economic Analysis we can see that the Indian Economy is in a bad condition now and current position shows that this is not a goodtime to invest because GDP growth rate is low. And overall economy is not growing. But for the long-term investors India is a good place to invest because of its vast size, also many of the projects are not completed, there may be a big growth in future. Future investors can invest in India market.

2) In the Industry Analysis we can see that Indian Pharma Sector is booming and currently India ranks third in terms of manufacturing pharma products by volume. Drug sales to retailers in India registered a growth of 10.2 per cent in the year 2022. Net Profit growth has increasing so investor can invest with low risk.

3) In the Company Analysis We can conclude the following points based on the Ratio Analysis:

- CIPLA and DIVI'S both have good earnings per share so both indicates good sign for investors while other companies have not so good condition compared to above mentioned companies.
- DR. REDDY and DIVI'S has declared the highest dividend and other companies has declared little less amount to the shareholders. So, all the firm are operating in very good condition and all are good to invest money from the investor's point of view.
- Except SUN PHARMA all firm's liquidity are very good and able to meet short-term obligation, all has a very good condition so far as liquidity is concerned. so, it reflects that all firm's position is good.
- CIPLA and DIVI'S have minimum Debt Equity Ratio indicating less risk to shareholders so both are good to invest.
- DIVI'S profit is highest compare to other companies. Even CIPLA also have very good profit earned comparing other companies. So, the both the companies having good condition as far as profit is concerned.
- DIVI'S has earned maximum ROE. So, it shows that they are in very good position.
- The dividend pay-out ratio of DR. REDDY and DIVI'S are almost equal, so investors can invest these two companies.

SUGGESTIONS

SUGGESTIONS FOR INVESTORS

- Pharmaceutical companies have lots of room to grow; so, invest in these type of industries helps the investors at long time.
- High returns usually mean high risk. It is useful to think in terms of the risk premium.
- Buy shares of reputed companies backed by top class management.
- Do not invest in inactive shares generally it is difficult to encash them.
- Before investing we
- should undertake a deeps study on the net sales, net profits in relations to equity capital employed & should attempt to forecast for the coming years.
- From the company point of view, the company should allow the investors to take part in board of directors meeting & gives maximum dividend to the shareholders.
- Do not over pay for growth.
- Do invest in listed shares Because, the shares are registered under SEBI.
- The investors should become cautious while investing for very long time.
- The investors should analyse the price movement.
- Economic performance is greatly affected to the performance of the industries of the country, so investors should know economic performance of the country while investing.
- Before investing in any company, this is required to implement all the data & financial results & also decision himself.

CONCLUSION

This is the final and most important stage of the entire project. The main objective of my project ends with this stage. This part will indicate to the investor, creditors, and shareholders each of the company's overall operating efficiency and performance that will help them to make the most efficient investment decision.

Fundamental analysis holds that no investment decision should be without processing and analysing all relevant information. Its strength lies in the fact that the information analysed is real as opposed to hunches or assumptions. On the other hand, while fundamental analysis

deals with tangible facts, it does not tend to ignore the fact that human beings do not always act rationally. Market prices do sometimes deviate from fundamentals. Prices rise or fall due to insider trading, speculation, rumour, and a host of other factors.

Fundamental analysis is based on the analysis of the economic, industry as well as the company and in this research, we can see that the economic indicators have an effect on the bank growth and assets. The above report says that our economic growth is in a bad condition now and current position shows that this is the not a goodtime to invest.

According to the industry analysis Indian Pharma Sector is booming and currently its right time to invest.

According to company analysis DIVI'S got highest favourable ratio and Its earning is very high and dividend paid is also very high so it indicates good sign for the company, and investors to invest. CIPLA is also good to invest because position of the ratios is good comparing others.

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