

RATIO ANALYSIS



Sun Pharmaceutical Industries Limited

FY 2021,2020,2019

Harsh Mohan Nagle - 2019A3PS0336G

Ratios	Sun Pharmaceutical Industries Limited			Interpretation (comparing the data)
	2020-21	2019-20	2018-19	
1. Current Ratio = Current Assets/Current Liabilities	120663.4/83435.5 =1.44619	119411.2/112037.4 =1.06582	111697.7/132718.3 =0.84161	As the Current Ratio is greater than 1 for the last two years, we can say that the company has the capital on hand to meet its short-term obligations. Also since it is increasing and is not very high, we can interpret it as the firm decreasing its debt while also using its assets efficiently.
2. Quick Ratio = (Current Assets-Inventory)/Current Liabilities	(120663.4-31657.2)/83435.5 =1.06677	(119411.2-26336.7)/112037.4 =0.830745	(111697.7-27926.2)/132718.3 =0.631198	Although the quick ratio was less than 1 for 2020 and 2019, we see a rise in the Quick Ratio. This means that the company's liquidity health has improved over the years. It is more conservative than the current ratio as it excludes inventories that are difficult to liquidate. But a quick ratio close to 1 implies that the company has just enough liquidity to cover its obligations.
3. Operating margin = Operating Income/Revenue	3086.22/12803.21 = 24.1%	4222.57/12531.93 = 33.695%	3027.7/10303.21 = 29.38%	The operating margin implies that the firm earned 24% of its total revenue from its operations. Although it reached a high operating margin in 2020, a sharp decline in 2021 would be worrisome for investors, who would like to see an increase in this number in the coming years.
4. Net profit margin = (Revenue-Expenses)/Revenue	21397/ 129534.3 =17.52%	32111.4/140428.5 = 22.86%	19338.3/115746.5 = 16.7%	Net profit, although having a sharp increase in 2020, has an equally sharp decline in 2021, meaning that the operations are not able to generate revenue efficiently.
5. Earnings Per share = (Net income - preferred dividends) / Weighted average of common shares outstanding during the period	8.92	13.4	3.4	EPS is the indicator of the company's profitability. We observe a sharp decline in the EPS for the FY2021. This can be mainly because of the COVID-19 pandemic and the subsequent crash in the economy. However, the decreasing net profit margin is also backed by this in indicating declining profitability.
6. Return of equity = Net Income/Shareholder's Equity	22030/250401.6 =8.798%	31303.4/243962.2 =12.83%	10003.4/228436.1 =4.379%	Return on Equity is the measure of the company's net income divided by the shareholder's equity. It gauges profitability and efficiency. It mirrors the profitability and efficiency of the company and hence, fluctuates in

				correlation with the eps.
7. Asset turnover Ratio =Net Sales/Average of total assets	128032.1/389988.3 = 32.82%	125319.3/384103.3 = 32.62%	103032.1/377141.3 = 27.31%	Asset Turnover Ratio indicates how well the company is able to utilize its assets to turn over a profit. A constant and slight increase in the ratio shows effective utilisation of assets.
8. Times interest earned ratio = (Earnings before interest, taxes)/Interest Expense	2499.41/256.98 = 9.72	3661.01/408.01 = 8.97	2474.75/540.92 = 4.57	The ratio shows how many times the company can cover its interest charges with its pre-tax earnings. A good TIE ratio indicates that the company has enough cash after paying its debts to reinvest in the business. An increase in TIE is a good indication.
9. Price/Earnings Ratio = Share Price/Earnings per Share	743.7/8.92 = 83.374	352.3/13.4 = 26.29	478.85/3.4 =140.838	This ratio helps analyse if the stock is undervalued or overvalued. The sharp decrease in the P/E ratio, when put against the declining profit margins, suggests that the stock is undervalued.
10. Debt-Equity ratio =Total Liabilities/Total Shareholders' Equity	139586.7/250401.6 = 0.56	140141.1/243962.2 = 0.57	148705.2/228436.1 = 0.65	Shows how much leverage a company is using. A higher value indicates a company with higher risk to shareholders. A D/E ratio close to 0 is a very good indication. Since the company has a D/E ratio of around 0.5, it may be considered a little risky.

Standalone Balance Sheet

as at March 31, 2021

₹ in Million			
Particulars	Notes	As at March 31, 2021	As at March 31, 2020
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3 (a) & 3 (b)	48,739.8	49,103.1
(b) Capital work-in-progress		4,428.5	3,843.5
(c) Goodwill	4	1,208.0	1,208.0
(d) Other Intangible assets	4	2,495.8	1,976.3
(e) Intangible assets under development		3,199.4	2,122.6
(f) Investments in the nature of equity in subsidiaries	5	169,581.1	169,581.1
(g) Financial assets			
(i) Investments	6	95.7	85.4
(ii) Loans	7	713.9	7.4
(iii) Other financial assets	8	749.0	849.3
(h) Deferred tax assets (Net)	9	13,374.5	11,397.1
(i) Income tax assets (Net)	10	20,826.3	20,780.2
(j) Other non-current assets	11	3,912.9	3,738.1
Total non-current assets		269,324.9	264,692.1
(2) Current assets			
(a) Inventories	12	31,657.2	26,336.7
(b) Financial assets			
(i) Investments	13	310.0	3,950.7
(ii) Trade receivables	14	63,706.2	61,681.3
(iii) Cash and cash equivalents	15	2,223.4	2,205.0
(iv) Bank balances other than (iii) above	16	99.2	4,342.8
(v) Loans	17	7,385.7	4,485.9
(vi) Other financial assets	18	7,571.1	7,584.2
(c) Other current assets	19	7,710.6	8,824.6
Total current assets		120,663.4	119,411.2
TOTAL ASSETS		389,988.3	384,103.3
Particulars	Notes	As at March 31, 2021	As at March 31, 2020
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	20	2,399.3	2,399.3
(b) Other equity	21	248,002.3	241,562.9
Total equity		250,401.6	243,962.2
Liabilities			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	22	48,335.6	12,566.9
(ii) Other financial liabilities	23	-	161.7
(b) Other non-current liabilities	24	1,607.2	1,455.5
(c) Provisions	25	6,208.4	13,919.6
Total non-current liabilities		56,151.2	28,103.7
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	26	16,519.8	44,882.7
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	45	852.0	461.8
(b) total outstanding dues of creditors other than micro and small enterprises		25,074.1	20,830.9
(iii) Other financial liabilities	27	24,184.7	28,445.4
(b) Other current liabilities	28	4,768.2	6,437.2
(c) Provisions	29	12,036.7	10,979.4
Total current liabilities		83,435.5	112,037.4
Total liabilities		139,586.7	140,141.1
TOTAL EQUITY AND LIABILITIES		389,988.3	384,103.3

Standalone Statement of Profit and Loss

for the year ended March 31, 2021

		₹ in Million	
Particulars	Notes	Year ended March 31, 2021	Year ended March 31, 2020
(I) Revenue from operations	30	128,032.1	125,319.3
(II) Other income	31	1,502.2	15,109.2
(III) Total income (I + II)		129,534.3	140,428.5
(IV) EXPENSES			
Cost of materials consumed	32	38,091.1	32,017.1
Purchases of stock-in-trade		11,996.3	12,274.1
Changes in inventories of finished goods, stock-in-trade and work-in-progress	33	(2,148.4)	1,386.0
Employee benefits expense	34	17,984.5	17,027.7
Finance costs	35	2,569.8	4,080.1
Depreciation and amortisation expense	3 (a), 3 (b) & 4	5,868.1	5,615.6
Other expenses	36	32,599.8	35,140.8
Net loss on foreign currency transactions		148.8	357.1
Total expenses (IV)		107,110.0	107,898.5
(V) PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (III - IV)		22,424.3	32,530.0
(VI) Exceptional item	55 (2)	895.6	-
(VII) PROFIT BEFORE TAX (V - VI)		21,528.7	32,530.0
(VIII) TAX EXPENSE / (CREDIT)			
Current tax	38	2,449.1	3,864.6
Deferred tax	9 & 38	(2,317.4)	(3,446.0)
Total tax expense / (credit) (VIII)		131.7	418.6
(IX) PROFIT FOR THE YEAR (VII - VIII)		21,397.0	32,111.4
(X) OTHER COMPREHENSIVE INCOME			
A) Items that will not be reclassified to the statement of profit or loss			
a. Gain / (loss) on remeasurement of the defined benefit plans		(111.6)	(286.4)
Income tax on above		39.0	100.1
b. Gain / (loss) on equity instrument measured at fair value through other comprehensive income		8.6	(38.6)
Income tax on above		(3.0)	13.5
Total - (A)		(67.0)	(211.4)
B) Items that may be reclassified to the statement of profit or loss			
a. Effective portion of gain / (loss) on designated portion of hedging instruments in a cash flow hedge		1,075.5	(929.2)
Income tax on above		(375.8)	324.7
b. Gain / (loss) on debt instrument measured at fair value through other comprehensive income		0.5	12.1
Income tax on above		(0.2)	(4.2)
Total - (B)		700.0	(596.6)
Total other comprehensive income (A+B) (X)		633.0	(808.0)
(XI) TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)		22,030.0	31,303.4
Earnings per equity share (face value per equity share - ₹1)	46		
Basic (in ₹)		8.92	13.38
Diluted (in ₹)		8.92	13.38

Standalone Balance Sheet

as at March 31, 2020

₹ in Million			
Particulars	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3 (a) & 3 (b)	49,103.1	47,092.1
(b) Capital work-in-progress		3,843.5	4,562.5
(c) Goodwill	4	1,208.0	1,208.0
(d) Other Intangible assets	4	1,976.3	1,484.1
(e) Intangible assets under development		2,122.6	1,862.9
(f) Investments in the nature of equity in subsidiaries	5	169,581.1	175,907.7
(g) Financial assets			
(i) Investments	6	85.4	653.9
(ii) Loans	7	7.4	10.0
(iii) Other financial assets	8	849.3	546.1
(h) Deferred tax assets (Net)	9	11,397.1	7,517.0
(i) Income tax assets (Net)	10	20,780.2	21,101.2
(j) Other non-current assets	11	3,738.1	3,498.1
Total non-current assets		264,692.1	265,443.6
(2) Current assets			
(a) Inventories	12	26,336.7	27,926.2
(b) Financial assets			
(i) Investments	13	3,950.7	2,479.5
(ii) Trade receivables	14	61,681.3	50,314.7
(iii) Cash and cash equivalents	15	2,205.0	3,027.6
(iv) Bank balances other than (iii) above	16	4,342.8	380.1
(v) Loans	17	4,485.9	2,947.3
(vi) Other financial assets	18	7,584.2	11,150.1
(c) Other current assets	19	8,824.6	13,472.2
Total current assets		119,411.2	111,697.7
TOTAL ASSETS		384,103.3	377,141.3

₹ in Million			
Particulars	Notes	As at March 31, 2020	As at March 31, 2019
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	20	2,399.3	2,399.3
(b) Other equity	21	241,562.9	226,036.8
Total equity		243,962.2	228,436.1
Liabilities			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	22	12,566.9	14,225.0
(ii) Other financial liabilities	23	161.7	10.2
(b) Other non-current liabilities	24	1,455.5	181.0
(c) Provisions	25	13,919.6	1,570.7
Total non-current liabilities		28,103.7	15,986.9
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	26	45,053.3	44,280.5
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	45	461.8	659.8
(b) total outstanding dues of creditors other than micro and small enterprises		22,887.1	20,889.4
(iii) Other financial liabilities	27	26,218.6	36,878.7
(b) Other current liabilities	28	6,437.2	4,572.6
(c) Provisions	29	10,979.4	25,437.3
Total current liabilities		112,037.4	132,718.3
Total liabilities		140,141.1	148,705.2
TOTAL EQUITY AND LIABILITIES		384,103.3	377,141.3

Standalone Statement of Profit and Loss

for the year ended March 31, 2020

		₹ in Million	
Particulars	Notes	Year ended March 31, 2020	Year ended March 31, 2019
(I) Revenue from operations	30	125,319.3	103,032.1
(II) Other income	31	15,109.2	12,714.4
(III) Total income (I + II)		140,428.5	115,746.5
(IV) EXPENSES			
Cost of materials consumed	32	32,017.1	27,277.1
Purchases of stock-in-trade		12,274.1	11,968.5
Changes in inventories of finished goods, stock-in-trade and work-in-progress	33	1,386.0	(2,513.0)
Employee benefits expense	34	17,027.7	15,713.4
Finance costs	35	4,080.1	5,409.2
Depreciation and amortisation expense	3 (a), 3 (b) & 4	5,615.6	5,529.5
Other expenses	36	35,140.8	30,893.1
Net loss on foreign currency transactions		357.1	2,130.4
Total expenses (IV)		107,898.5	96,408.2
(V) PROFIT BEFORE EXCEPTIONAL ITEM AND TAX (III - IV)		32,530.0	19,338.3
(VI) Exceptional item	56 (2)	-	12,143.8
(VII) PROFIT BEFORE TAX (V - VI)		32,530.0	7,194.5
(VIII) TAX EXPENSE/(CREDIT)			
Current tax	38	3,864.6	15.5
Deferred tax	9 & 38	(3,446.0)	(987.0)
Total tax expense /(credit) (VIII)		418.6	(971.5)
(IX) PROFIT FOR THE YEAR (VII - VIII)		32,111.4	8,166.0
(X) OTHER COMPREHENSIVE INCOME			
A) Items that will not be reclassified to the statement of profit or loss			
a. Gain /(loss) on remeasurement of the defined benefit plans		(286.4)	165.0
Income tax on above		100.1	(57.7)
b. Gain /(loss) on equity instrument through other comprehensive income		(38.6)	(52.1)
Income tax on above		13.5	18.2
Total - (A)		(211.4)	73.4
B) Items that may be reclassified to the statement of profit or loss			
a. Effective portion of gain/(loss) on designated portion of hedging instruments in a cash flow hedge		(929.2)	535.2
Income tax on above		324.7	(187.0)
b. Gain/(loss) on debt instrument through other comprehensive income		12.1	2.9
Income tax on above		(4.2)	(1.0)
c. Foreign currency translation reserve [gain/(loss)]		-	2,173.4
Income tax on above		-	(759.5)
Total - (B)		(596.6)	1,764.0
Total other comprehensive income (A+B) (X)		(808.0)	1,837.4
(XI) TOTAL COMPREHENSIVE INCOME FOR THE YEAR (IX+X)		31,303.4	10,003.4
Earnings per equity share (face value per equity share - ₹1)	46		
Basic (in ₹)		13.4	3.4
Diluted (in ₹)		13.4	3.4

Standalone Balance Sheet

as at March 31, 2019

		₹ in Million	
Particulars	Notes	As at March 31, 2019	As at March 31, 2018
ASSETS			
(1) Non-current assets			
(a) Property, plant and equipment	3	47,092.1	44,005.2
(b) Capital work-in-progress		4,562.5	8,303.9
(c) Goodwill	4	1,208.0	1,208.0
(d) Other Intangible assets	4	1,484.1	1,232.5
(e) Intangible assets under development		1,862.9	1,574.5
(f) Investments in the nature of equity in subsidiaries	5	175,907.7	182,225.7
(g) Financial assets			
(i) Investments	6	653.9	879.3
(ii) Loans	7	10.0	34.2
(iii) Other financial assets	8	546.1	489.7
(h) Deferred tax assets (Net)	9	7,517.0	7,517.0
(i) Income tax assets (Net)	10	21,101.2	20,742.4
(j) Other non-current assets	11	3,498.1	3,953.6
Total non-current assets		265,443.6	272,166.0
(2) Current assets			
(a) Inventories	12	27,926.2	21,356.4
(b) Financial assets			
(i) Investments	13	2,479.5	447.6
(ii) Trade receivables	14	50,314.7	52,714.4
(iii) Cash and cash equivalents	15	3,027.6	1,094.3
(iv) Bank balances other than (iii) above	16	380.1	458.4
(v) Loans	17	2,947.3	520.5
(vi) Other financial assets	18	8,458.0	3,315.0
(c) Other current assets	19	16,164.3	15,845.5
Total current assets		111,697.7	95,752.1
TOTAL ASSETS		377,141.3	367,918.1
Particulars	Notes	As at March 31, 2019	As at March 31, 2018
EQUITY AND LIABILITIES			
Equity			
(a) Equity share capital	20	2,399.3	2,399.3
(b) Other equity	21	226,036.8	220,826.8
Total equity		228,436.1	223,226.1
Liabilities			
(1) Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	22	14,225.0	15,646.9
(ii) Other financial liabilities	23	10.2	9.1
(b) Other non-current liabilities	24	181.0	-
(c) Provisions	25	1,570.7	3,451.8
Total non-current liabilities		15,986.9	19,107.8
(2) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	26	44,280.5	52,138.1
(ii) Trade payables			
(a) total outstanding dues of micro and small enterprises	45	659.8	105.5
(b) total outstanding dues of creditors other than micro and small enterprises		20,889.4	25,554.2
(iii) Other financial liabilities	27	36,878.7	18,567.4
(b) Other current liabilities	28	4,572.6	2,691.5
(c) Provisions	29	25,437.3	26,527.5
Total current liabilities		132,718.3	125,584.2
Total liabilities		148,705.2	144,692.0
TOTAL EQUITY AND LIABILITIES		377,141.3	367,918.1

Standalone Statement of Profit and Loss

for the year ended March 31, 2019

Particulars	Notes	₹ in Million	
		Year ended March 31, 2019	Year ended March 31, 2018
(I) Revenue from operations	30	103,032.1	90,062.5
(II) Other income	31	12,714.4	11,280.4
(III) Total income (I + II)		115,746.5	101,342.9
(IV) Expenses			
Cost of materials consumed	32	27,277.1	22,101.2
Purchases of stock-in-trade		11,968.5	12,015.1
Changes in inventories of finished goods, stock-in-trade and work-in-progress	33	(2,513.0)	1,592.6
Employee benefits expense	34	15,713.4	16,250.0
Finance costs	35	5,409.2	3,883.1
Depreciation and amortisation expense	3 & 4	5,529.5	4,872.4
Other expenses	36	33,023.5	28,321.0
Total expenses (IV)		96,408.2	89,035.4
(V) Profit before exceptional item and tax (III - IV)		19,338.3	12,307.5
(VI) Exceptional item	56 (3)	12,143.8	9,505.0
(VII) Profit before tax (V - VI)		7,194.5	2,802.5
(VIII) Tax expense			
Current tax	38	15.5	20.2
Deferred tax	38	(987.0)	(274.1)
Total tax expense (VIII)		(971.5)	(253.9)
(IX) Profit for the year (VII - VIII)		8,166.0	3,056.4
(X) Other comprehensive income			
A) Items that will not be reclassified to the statement of profit or loss			
a. Gain / (loss) on remeasurement of the defined benefit plans		165.0	664.3
Income tax on above		(57.7)	(229.9)
b. Gain / (loss) on equity instrument through other comprehensive income		(52.1)	67.2
Income tax on above		18.2	(23.2)
Total - (A)		73.4	478.4
B) Items that may be reclassified to the statement of profit or loss			
a. Effective portion of gain / (loss) on designated portion of hedging instruments in a cash flow hedge		535.2	26.6
Income tax on above		(187.0)	-
b. Gain / (loss) on debt instrument through other comprehensive income		2.9	(15.5)
Income tax on above		(1.0)	5.4
c. Foreign currency translation reserve [gain / (loss)]		2,173.4	72.0
Income tax on above		(759.5)	-
Total - (B)		1,764.0	88.5
Total other comprehensive income (A+B) (X)		1,837.4	566.9
(XI) Total comprehensive income for the year (IX+X)		10,003.4	3,623.3
Earnings per equity share (face value per equity share - ₹ 1)	46		
Basic (in ₹)		3.4	1.3
Diluted (in ₹)		3.4	1.3

Analysis of the Stock



As we can see from the graph of the company's stock, it has shown good growth since mid 2020. As we analysed from the ratios, although the profits of the stock increases in 2020, the stock of the company declined. This could be attributed to the overall disappointing performance of the economy due to COVID. Hence, the P/E ratio clearly shows how extensively undervalued the stock is. The price of the stock started correcting itself as the market recovered from the crash in 2020 and it has seen a sharp incline since. The best strategy for trading the stock, from the period 2019-2021 would have been buy and hold, and would have produced a substantial return.

