**ANALAYSIS OF THE Emcure Pharmaceuticals Ltd**

**Horizontal Analysis:**

* **Revenue Growth:**

The revenue growth has been inconsistent. It started at 12% in FY 2019, dropped to 7% in FY 2020, and remained stagnant at 0% in FY 2021. The revenue picked up again in FY 2022 with a 16% growth but dropped significantly to 3% in FY 2023. It bounced back slightly to 12% in FY 2024.

* **Net Income Growth:**Net income growth has been extremely volatile, with sharp fluctuations. There was a significant drop of -57% in FY 2020, followed by a drastic increase of 369% in FY 2021. However, this growth was not sustained, as it fell to 68% in FY 2022 and continued to drop to negative values in FY 2023 and FY 2024.

**Vertical Analysis:**

* **Income Statement:**

Revenue: The percentage of revenue to the base year has remained largely unstable, indicating that the company is facing challenges in maintaining steady revenue.

Operating Income: There's a significant swing in operating income, particularly with a 152% increase in FY 2021 followed by declines in subsequent years. This indicates operational inefficiencies and inconsistent cost control.  
Net Income: The extreme variations in net income as a percentage of revenue, particularly the spike in FY 2021, suggest that the company may be relying on non-operating income or cost-cutting measures that are not sustainable long-term.

* **Balance Sheet:**  
  Cash & Cash Equivalents: The cash position has been volatile, with a significant increase of 220% in FY 2021, followed by a steep decline in FY 2022. This indicates poor cash management and possibly the use of cash reserves to cover losses or for investments.  
    
  Total Liabilities & Equity: There has been an overall increase in total liabilities and equity over the years, which is positive. However, the growth in liabilities should be monitored to ensure that the company is not over-leveraging.
* **Cash Flow:**  
  Cash from Operating Activities: The cash from operating activities has been positive but fluctuating, with a significant increase of 17% in FY 2022, followed by a decline in FY 2023 and a recovery in FY 2024. This indicates issues in converting revenues into cash.  
  Cash from Investing & Financing Activities: The cash flow from investing activities shows a major spike in FY 2022 (206%) and a significant drop in FY 2023, indicating heavy investments followed by reduced activity. Cash from financing activities fluctuates drastically, showing reliance on external funding.
* **ANALYSIS:**   
   The company has shown inconsistent performance in both revenue and net income growth. The fluctuations suggest underlying operational and financial management challenges. Strengthening core operations, improving cost efficiency, and adopting a more conservative cash and investment management strategy are critical to ensuring sustainable growth and financial stability.

**RATIO ANALYSIS:**

* **Liquidity Ratios:**

Current Ratio: The current ratio has shown fluctuations over the years, starting negative at -3% in FY 2019, achieving a high of 11% in FY 2021, and then decreasing again to 4% in FY 2024. This suggests that the company's ability to cover short-term liabilities with short-term assets has been unstable.  
Cash Ratio: The cash ratio, which measures the company's ability to pay off short-term liabilities with cash and cash equivalents, has also varied but has remained positive, ranging between 4% to 15%. The company seems to have maintained an adequate cash reserve relative to liabilities.  
Liquid Ratio: The liquid ratio has remained stable, hovering around 200-225%. This indicates the company has a strong quick liquidity position, excluding inventory.

* **Turnover Ratios:**

Debtors Turnover Ratio: The debtors turnover ratio has generally hovered around 100%, with a dip to 94% in FY 2021 and a recovery to 111% in FY 2023. This suggests the company’s efficiency in collecting its receivables has been inconsistent.  
Inventory Turnover Ratio: The inventory turnover ratio decreased from 4.1 in FY 2019 to 3.2 in FY 2021 but recovered to 4.3 by FY 2024. This reflects the company's ability to manage and sell its inventory has improved over time.  
Working Capital Turnover Ratio: The working capital turnover ratio has been downfall throughout the period, worsening to -13.99 in FY 2024. This indicates that the company is not efficiently using its working capital to generate sales.

* **Solvency Ratios:**

Debt-Equity Ratio: The debt-equity ratio has decreased from 93% in FY 2019 to 75% in FY 2024, indicating a reduction in reliance on debt financing.  
Interest Coverage Ratio: The interest coverage ratio saw a dramatic improvement in FY 2021 and FY 2022 but dropped to zero in FY 2024, indicating potential difficulties in covering interest expenses from earnings.  
Proprietary Ratio: The proprietary ratio increased from 34% in FY 2019 to 40% in FY 2024, showing an increase in equity financing relative to total assets.

* **Profitability Ratios:**

Gross Profit Ratio: The gross profit ratio increased significantly to 16.86% in FY 2021 and FY 2022, but then declined to 10.92% in FY 2024. This indicates that although there were periods of high profitability, the company struggled to maintain it.  
Net Profit Ratio: The net profit ratio followed a similar trend, peaking at 11.64% in FY 2021 but dropping to 7.48% in FY 2024. This suggests that net profitability is under pressure.  
Return on Equity (ROE): ROE peaked at 33.33% in FY 2022, indicating high profitability relative to shareholders' equity. However, it dropped to 16.87% in FY 2024.  
Return on Investment (ROI): ROI has shown improvement from 3% in FY 2020 to 16% in FY 2021 but stabilized at 13% in FY 2023 and FY 2024.

* **ANALYSIS:**   
   The analysis of the ratios indicates that the company has shown signs of improvement in some areas such as debt management and liquidity but struggles with maintaining profitability and efficient working capital usage. Addressing these challenges will require strategic cost control, better cash management, and focused efforts on enhancing revenue generation while managing operational expenses effectively.