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Exploration of Financial Fluctuation on Sun Pharma During and After Epidemic

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Abstract:
A significant part of the COVID-19 epidemic's medication supply is played by pharmaceutical companies. The biggest pharmaceutical company in India is a private business called SUN PHARMACEUTICAL INDUSTRIES LTD. Dilip Shanghvi was the company's founder. In Gujarat, he founded the company in 1983. It is currently the world's fourth-largest speciality generic pharmaceutical company. Sun Pharmaceutical gives medicines to the public for no charge during COVID-19 epidemic. Sun Pharmaceutical also donates a variety of tablets to other international locations. The financial progress of the Sun Pharmaceutical Company both during and after COVID-19 will be examined in this study.
To conduct the analysis, the researcher uses the relevant company's balance sheet. Several financial statement analysis tools will be used to complete this examination. The interpretation will show the company's financial development through time and its likelihood of survival going forward.

Keywords: pharmaceutical company; specialty generic; balance sheet; financial analysis tools; financial development; epidemic.

INTRODUCTION:

During the epidemic period, pharmaceuticals were extremely important. Most pharmaceutical companies give away their drugs as a free service to the public. One of the top pharmaceutical firms in India is Sun Pharmaceutical Industry Ltd. Because there was a great need for medications at the time, researcher is attempting to understand the financial swings that happened in the sun pharmaceutical industries limited throughout the outbreak. The world is now returning to normal. So, the researcher seeks to ascertain the financial status of Sun Pharmaceutical at the present time and project it into the future.

LITERATURE REVIEW:

Dr. Kanchan, Teena Verma (2022): The study's chosen topic was “Financial Performance Analysis of Pharmaceutical Industry in India”. The goal of this research is to examine and assess the financial results in order to provide a thorough assessment of the company's viability and financial stability. ANOVA analysis was used to determine the outcome. The pharmaceutical industry was found to be one of the most important for generating foreign money and had made significant strides in recent years. This study provides important businesses with information about the areas that need to be improved, as well as how and where they should focus in order to enhance their performance and, ultimately, the reputation of Indian businesses and pharmaceuticals abroad.

Dr. L.C. Panjabi and Sameer Singhal (2021): The topic chosen for the research was “Financial Analysis of Pharmaceutical Companies using Ratios”. The primary goals were to research the financial conditions and operational effectiveness of major renowned pharmaceutical companies. Ratio analysis tools were used for the investigation. According to the conclusion, pharmaceutical companies face a variety of difficulties, including market competitiveness and a reliance on API imports. Instead, the businesses are quite effective at controlling their entire working capital position. They are working nonstop on the production without stopping.

Dr. Nirali Ketan Shah (2020): "Financial Statement Analysis through Ratio Analysis of Selected Pharmaceutical Firms" was the topic selected for the study. Understanding ratio analysis, financial statement analysis, and inter-firm competitiveness were the main objectives. The researcher learned a great deal about financial statement analysis, and the researcher came to the conclusion that a number of elements, some of which may not appear relevant, have a substantial impact on the company's financials.

Aruna Pain (2019): Author come up "Indian Pharmaceutical Industry: A study of the post-liberalization period" as a research title. The significance of this topic is to examine opportunities and threats for the pharmaceutical industry by the post-liberalization process and subsequent change in national patent law. Author took various characteristics into account as Revenue of Indian pharmaceutical sector, Exports of Indian pharmaceutical products, Sales, Research & Development Expenditure and many more and compare it with more than five years. Research implies that liberalisation had not only imposed restrictions on the pharmaceutical industry but has also thrown open new opportunities and markets for this sector.

Sejal S. Purabiya (2018): Author made a research on topic "A Study on Financial Performance of Pharmaceutical Company" to analyse how profitability in pharmaceutical industry will yield higher effectiveness and advance financial performance in future. Author had taken Gross profit ratio and Net profit ratio to proceed further. Conclusion makes sense that there were few ups and downs in profitability but it didn't affect the company's operations. Only further capital investment and more sales would improve the company's performance level.

Dr.Bhavik U.Swadia (2018): Title proposed by the author was "A Comparative Study of Profitability of Selected Pharma Companies of India" In this research the author studied about the various pharmaceutical companies profitability from 2007-2008 to 2016-2017. The finding was pharma companies had a very good financial position in 2008 and the weakest financial position of all time in 2015. During the year 2008, pharmaceutical companies kept more money in the form of net profit from revenue generation which indicates that companies do not have a future project where investment will be required or to show more profit and shareholders will have to pay dividends.

The research articles mentioned above offer a specific method for conducting research and also offer a broad view of the research.

OBJECTIVES OF RESEARCH:

1) To examine the sun pharmaceutical industry's limited financial swings during the epidemic.
2) To investigate the sun pharmaceutical industry’s limited post-epidemic financial swings.
3) To forecast their upcoming monetary performance.

PROBLEM STATEMENT (HYPOTHESIS):

During the epidemic era, there was a significant need for medicine. So that Sun Pharmaceutical Company may have made a significant profit. Also, the current state of affairs reduces both the demand for medicines and the profitability of the company. By focusing on these two hypotheses, the researcher tries to support them and determine how the company's finances will change in the future.

RESEARCH METHODOLOGY:

- ❖ Type of data: Secondary Data.
- ❖ Data collection: Data collected from annual reports for the year 2019,2020,2021,2022.
- ❖ Analysis Tools: Comparative Statement Analysis, Ratio Analysis

Data Collection:

Sun Pharmaceutical Industry's Limited website annual reports for the years 2019 to 2020, 2020 to 2021 for the epidemic era, and 2021 to 2022 for the post-epidemic era were used to collect the necessary data for the research.

RESEARCH ANALYSIS AND INTERPRETATIONS:

COMARATIVE STATEMENT ANALYSIS:

Comparing balance sheets of the year 2019 and 2022. 2019 – Base Year.

ASSETS: **Rupees in Million**

Assets	As at March 31st 2019	As at March 31st 2022	Increase or Decrease	Percentage
Total Non-Current Assets (1)	2,65,443.6	3,10,617.3	Increase 45,173.7	(+)17.01%
Total Current Assets (2)	1,11,697.7	97,037.5	Decrease 14,660.2	(-)13.12%
Total (1+2)	3,77,141.3	4,07,654.8	Increase 30,513.5	(+)8.36%

Source: From Sun Pharmaceutical Industry Annual Reports – 2019 & 2022

LIABILITIES: **Rupees in Million**

Liabilities	As at March 31st 2019	As at March 31st 2022	Increase or Decrease	Percentage
Total Current Liabilities (1)	1,32,718.3	1,01,058.3	Decrease 31,660	(-)23.9%
Total Owner's Equity (2)	2,28,436.1	2,45,879.5	Increase 17,443.4	(+)7.64%
Total (1+2)	3,61,154.4	3,45,937.8	Decrease 14,216.6	(-)3.94%

Source: From Sun Pharmaceuticals Industry Annual Reports – 2019 & 2022

INTERPRETATION:

- With drop percentages of 13.12% and 23.9%, respectively, the current assets have fallen by 14,660.2 and the current liabilities have decreased by 31,660. This demonstrates that such a modification would not negatively affect the company's liquidity position.
- The company's non-current assets increased significantly by 17.01% to 45,173.7. This leads to an astonishing rise in the production capacity of the company.
- As mentioned above table Total Owner's Equity contains Equity Share Capital and Reserves and Surplus as Other Equity.

TOTAL OWNER'S EQUITY: **Rupees in Million**

Liabilities	As at March 31st 2019	As at March 31st 2022	Increase or Decrease	Percentage
Equity Share Capital	2,399.3	2,399.3	--	--
Reserves and Surplus (Other Equities)	2,26,036.8	2,43,480.2	Increase 17,443.4	(+)7.72%
Total Owner's Equity	2,28,436.1	2,45,879.5	Increase 17,443.4	(+)7.64%

Source: From Sun Pharmaceuticals Industry Annual Reports – 2019 & 2022

The growth in Reserves and Surplus as 17,443.4 with 7.72% respectively reveals that the profitability of the company was boosted.

- While there was a great need for pharmaceuticals all over the world from 2019 to 2022, the company's overall financial position improved. The company is in a strong financial position.

RATIO ANALYSIS:

Ratio details were collected as secondary data from the company's website and interpretations are made by the researcher. Ratio Data was collected for the years 2019, 2020, 2021, 2022.

RATIO	FINANCIAL YEAR 2019	FINANCIAL YEAR 2020	FINANCIAL YEAR 2021	FINANCIAL YEAR 2022
RETURN ON NET WORTH	3.6 %	13.2 %	8.5 %	- 0.4 %
DEBTORS TURNOVER	1.9 Times	1.9 Times	2.0 Times	3.7 Times
INVENTORY TURNOVER	1.3 Times	1.7 Times	1.5 Times	1.7 Times
INTEREST COVERAGE RATIO	4.6 Times	9 Times	9.7 Times	6.5 Times
CURRENT RATIO	0.8 Times	1.1 Times	1.4 Times	1.0 Times
DEBT/EQUITY RATIO	0.28 Times	0.26 Times	0.27 Times	0.21 Times

OPERATING PROFIT MARGIN	12.6 %	17.5 %	21.5 %	18.3 %
NET PROFIT MARGIN	8.3 %	27.0 %	17.0 %	- 0.6 %

Source: From Sun Pharmaceuticals Industry Annual Reports – 2019, 2020, 2021, 2022

INTERPRETATION:

- The net profit margin increased over the previous year in 2020. Following 2020, the net profit margins declined to 17.0% and - 0. 6% for the following two years, respectively. This downward trend is bad news for investors and will have an impact on the company's performance moving forward. Uncertain customer expectations and fierce rivalry in this industry may be to blame for this decline.
- The fact that the operating profit margin for 2020 and 2021 was gradually higher than it was for the previous year shows that the company sells its items for very high prices and well manages their operational expenses. The operating profit margin decreased to 18.3% from 21.5% in 2022, indicating that operating expenses were high.
- Debt to equity ratios under one are typically considered to be safe for businesses. Here, the debt/equity ratios were below 1, and the company was in a secure zone with values of 0.28 times, 0.26 times, 0.27 times, and 0.21 times for the years 2019, 2020, 2021, and 2022, respectively. Although a progressive increase in the ratio also makes it more difficult for the company to acquire financing in the future, the debt/equity ratio in 2022 was 0.21 times lower than the previous year.
- In the years 2020 and 2021, the current ratios were larger than 1, which suggests that the company was in a favourable situation. In the year 2019, the current ratio was less than 1, which suggests that the company didn't have enough to pay for its short-term obligations. The current ratio in 2022 was exactly 1, indicating that the company's current assets were sufficient to cover its short-term liabilities. A secure zone for the corporation will have a debt-to-equity ratio below 1. Here, the debt/equity ratios were below 1, and the company was in a secure zone with values of 0.28 times, 0.26 times, 0.27 times, and 0.21 times for the years 2019, 2020, 2021, and 2022, respectively. Although a progressive increase in the ratio also makes it more difficult for the company to acquire financing in the future, the debt/equity ratio in 2022 was 0.21 times lower than the previous year.
- The company can service the interest on its obligations using its own earnings and is able to keep revenues at a constant level because the interest coverage ratio for the years 2019, 2020, 2021, and 2022 is all above 1.
- From 2019 to 2022, the debtor turnover ratio gradually rises. This demonstrates that indebtedness management is better and getting better.
- The return on net worth for 2020 was higher than it was for the previous year, which improved a company's ability to raise money from the market. The return on investment for 2022 was negative, which suggests that no return was given to the owners for each dollar invested.

FINDINGS:

1) The Company's financial position improved from 2019 to 2022 as a result of rising profitability.
2) Because the company's recent net profit margin was negative, future performance will be lower.

3) So far, the debt/equity ratio for the year 2022 was reduced, giving the business a hopeful indication of future growth.
4) The Company has sufficient assets to cover its immediate liabilities. The Firm is also capable of managing all of its debts and earnings on its own.
5) The company managed all of its operating costs more effectively up to 2021, when they were cut by 3.2%.
6) The owners received hardly a return for each dollar they put in 2022.
7) The business maintains steady revenue and controls interest on its own.
8) The company is in great financial shape and will remain so if the suggestions listed below are followed.

RECOMMENDATIONS (SUGGESTIONS):
1) To keep its profitability, the corporation should concentrate on building up its reserves and excess.
2) To boost the net profit margin, the company should concentrate on the sales and marketing aspects of its operations.
3) The Firm ought to make an effort to boost shareholder return, as it was negative for the year 2022.
4) The Firm should continue to keep the debt-to-equity ratio at its current level. It shouldn't change from its existing level, either up or down.
5) The company shouldn't abandon their current approach of managing their debt.
6) The fulfilment of customers' needs should be the company's primary focus because changes in consumer needs have an impact on its profitability.
7) The Company's financial performance is probably going to be erratic. It needs to be properly handled and maintained.

LIMITATIONS OF THE STUDY:
1) This investigation takes less time to complete.
2) Only secondary data from the company's website, including ratio analysis, was used in this investigation.
3) A lot of ratio analysis techniques weren't taken into account.
4) The primary data from the viewpoint of the people was not considered.
5) Only two methods of financial statement analysis were used in the study.
6) This study didn't tackle any difficult problems because its intention was to provide a fundamental understanding of financial statement analysis.
7) The aforementioned interpretations, conclusions, and recommendations are solely the researchers' opinions.

CONCLUSION:
The epidemic era began in 2019 and progressively grew in the years that followed for 2020, 2021, and 2022, respectively. The profitability of the business, return on net worth, and net profit margin of the business were boosted for the year 2020 while the world was experiencing an epidemic time. The business successfully managed all operating expenses throughout this time. Due to the new competitors in this industry over the course of the subsequent year 2021, the net profit margin and return on net worth declined from the prior year. Due to its ability to manage both its current assets and short-term liabilities, the corporation was in a favourable position for both years. This supports the initial theory that business profits

increase during an epidemic. When compared to the years before to the epidemic, the company's profitability is expected to be high for the year 2022, when the rate of COVID-19 cases begins to decline. Together with that, there were significant financial swings in comparison to other years. Even though the company was making money during this time, it was nevertheless struggling financially since its net profit margin was so low. This demonstrates that the second hypothesis was incorrect when we compared it to the year the pandemic began and the current year 2022, but that hypothesis was supported when we did so with the year prior to that, 2021. Instead of concentrating just on profitability, the corporation should focus more on R&D, production, sales, and marketing issues in the future. The company will resume its original course once these elements are given top importance and established.

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