

# A Study on Financial Performance of Caplin Point Laboratories Limited

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## ABSTRACT

This study analyses the financial performance of Caplin Point Laboratories Limited, a rapidly growing pharmaceutical company headquartered in Chennai, India. The research examines the company's financial health over a five-year period (2019–2023) using key financial indicators such as net profit, net worth, dividend trends, and financial ratios. The study employs trend analysis and ratio analysis to assess profitability, liquidity, and overall financial stability. Findings indicate that Caplin Point Laboratories has exhibited strong financial growth, with increasing net profit, rising net worth, and consistent dividend payouts. The net profit ratio improved significantly, reaching 44.31% in 2023, while net worth more than doubled over the five-year period. However, the working capital turnover ratio declined, indicating potential inefficiencies in short-term asset management. The company's proprietary ratio remained stable, reflecting a strong reliance on equity financing.

## INTRODUCTION:

Caplin Point Laboratories Limited is a pharmaceutical company headquartered in Chennai, India, with a global presence. The company specializes in the production of high-quality generic pharmaceuticals and active pharmaceutical ingredients for various therapeutic areas, including ophthalmology, dermatology, and injectables. Caplin Point Laboratories has experienced significant growth since its inception, expanding its product portfolio and geographical reach. The financial performance of Caplin Point Laboratories is of interest due to its rapid expansion and strategic positioning in the pharmaceutical industry. This study aims to analyze the financial performance of Caplin Point Laboratories over the Five years, from 2018 to 2023, using key financial Indicators and ratios.

## STATEMENT OF THE PROBLEM:

The pharmaceutical industry is highly competitive, and companies must maintain a strong financial position to remain viable. Despite being a prominent player in the pharmaceutical industry, Caplin Point Laboratories Limited has experienced fluctuations in its financial performance over the years. This study aims to investigate the trends and patterns in the company's balance sheet and financial ratios to assess its overall financial health and identify areas for improvement.

## OBJECTIVES OF THE STUDY:

- To perform trend analysis to identify fluctuations in the company's financial performance

- To evaluate the company's financial health using various financial ratios.

#### REVIEW OF LITERATURE:

- A study by **Kumar and Sharma (2019)** emphasized the importance of financial performance analysis in assessing a company's profitability, liquidity, and solvency. The study highlighted the use of ratio analysis as a fundamental tool for evaluating financial performance.
- Research by **Bansal and Nandwani (2018)** focused on analyzing the financial performance of pharmaceutical companies in India. The study highlighted the key financial ratios used to assess the industry's performance. Regulatory changes in the pharmaceutical industry can have a significant impact on companies' financial performance.
- A study by **Verma and Chandra (2015)** analyzed the financial performance of pharmaceutical companies listed on the Bombay Stock Exchange (BSE). The study highlighted the importance of analyzing key financial ratios and trends to identify investment opportunities.

#### RESEARCH METHODOLOGY:

The research methodology outlined provides a systematic and rigorous approach to analyzing the financial performance of Caplin Point Laboratories, offering valuable insights into the company's financial health and performance.

#### Research Design:

This project “The study on Financial Performance of Caplin Point Laboratories Limited” is considered as Descriptive research.

#### SOURCES OF DATA:

##### Secondary Data Collection:

Secondary data is the source that contains data and is filled for another purpose. The secondary source consists of easily accessible data, statistical data and reports already completed, the data of which can be used by the researcher for studies.

#### TOOLS USED FOR ANALYSIS OF DATA:

##### Ratio analysis

- Net profit ratio
- Working capital turnover ratio
- Proprietary ratio

##### Trend analysis

- Net profit trend analysis
- Net worth trend analysis
- Dividend trend analysis

#### ANALYSIS & INTERPRETATION:

##### RATIO ANALYSIS:

Ratio analysis is a financial analysis technique used to evaluate a company's financial performance and position. Ratio analysis is a crucial tool used to assess a company's financial health, identify areas of

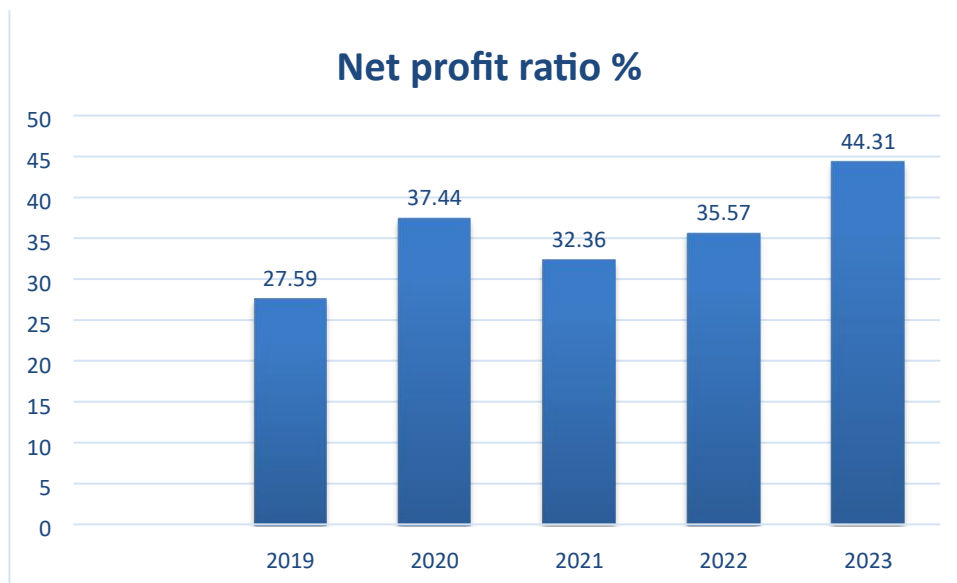
strength and weakness, and make informed decisions. Ratio analysis involves calculating and interpreting various financial ratios using data from a company's financial statements.

**NET PROFIT RATIO:**

Net Profit Ratio = Net Profit after Tax/Sales \*100

**SHOWING NET PROFIT RATIO**

Year	Net profit	Sales	Net profit ratio %
2019	148.17	521.15	27.59
2020	197.64	510.53	37.44
2021	156.22	471.05	32.36
2022	187.87	522.42	35.57
2023	234.26	520.62	44.31



**Interpretation:**

Over the five-year period from 2019 to 2023, the company experienced fluctuations in both net profit and sales revenue. Despite a decrease in sales in 2021, net profit remained relatively stable. However, in 2023, there was a significant increase in both net profit and sales, with the net profit representing a notable 44.31% of sales, indicating improved profitability and efficiency in revenue generation for the company.

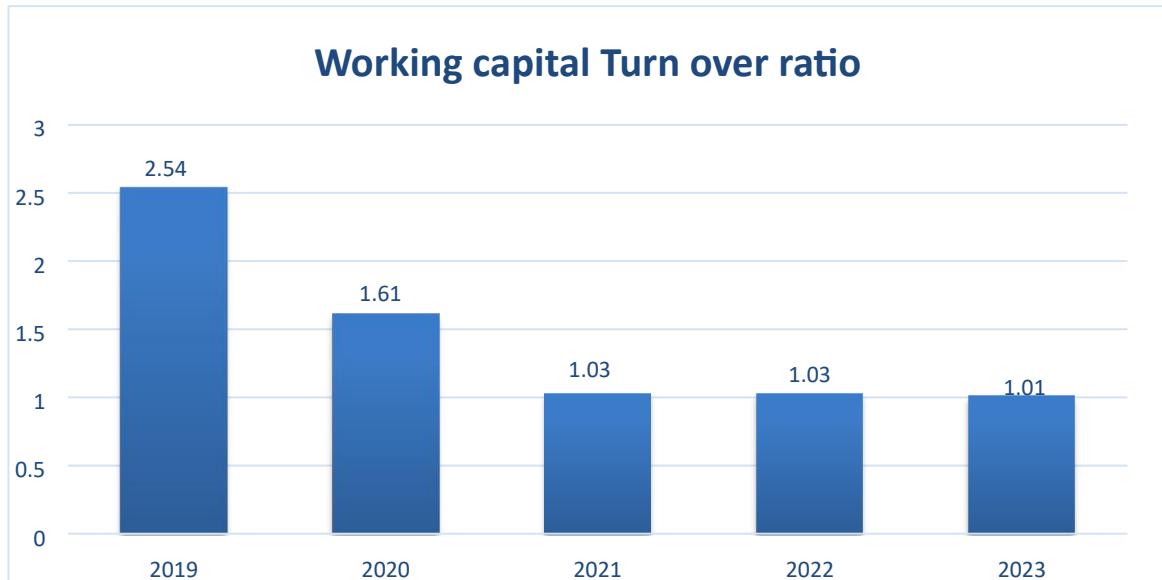
**WORKING CAPITAL TURNOVER RATIO:**

Working Capital Turnover Ratio = Net sales / Average Working Capital

**WORKING CAPITAL TURNOVER RATIO**

Year	Net sales	Average working capital	Working capital Turn over ratio
2019	521.15	205.44	2.54

2020	510.53	316.48	1.61
2021	471.05	455.32	1.03
2022	522.42	506.79	1.03
2023	520.62	517.13	1.01



**Interpretation:**

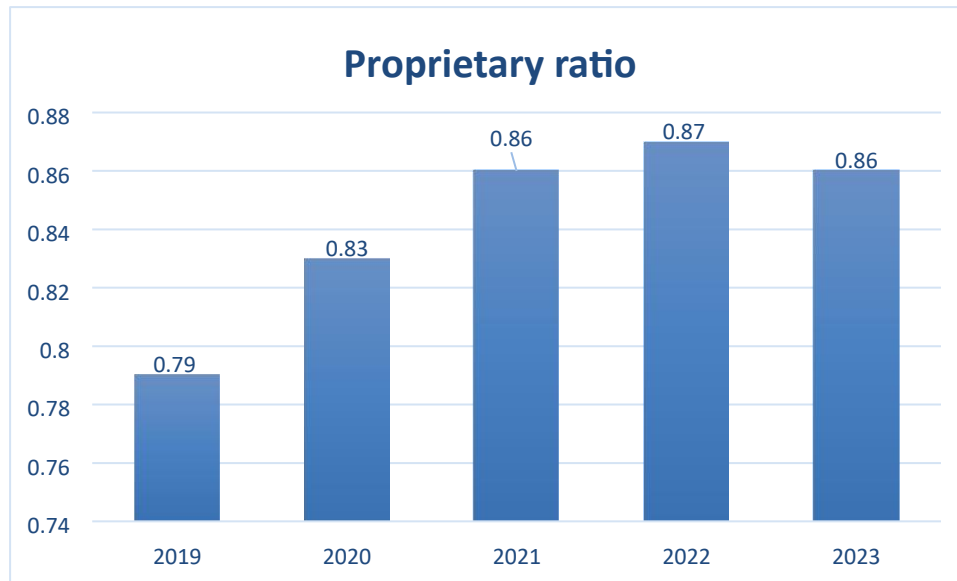
The data shows a fluctuating trend in net sales over the five-year period, with a slight decrease from 2019 to 2021 followed by a marginal increase in 2022 and 2023. Conversely, the average working capital exhibits a steady rise from 205.44 in 2019 to 517.13 in 2023. The working capital turnover ratio indicates a decreasing trend over the years, suggesting a decline in the efficiency of converting working capital into sales, potentially signaling inefficiencies in managing working capital.

**PROPRIETARY RATIO:**

Proprietary ratio = Proprietary Funds / Total Assets

**SHOWING PROPRIETARY RATIO**

Year	Proprietary funds	Total assets	Proprietary ratio
2019	425.00	539.33	0.79
2020	590.00	691.33	0.83
2021	744.00	861	0.86
2022	922.00	1054.56	0.87
2023	1124.54	1303.84	0.86



**Interpretation:**

The proprietary funds of the company have shown a consistent increase from 2019 to 2023, indicating a steady growth in owner's equity. Despite fluctuations, the proprietary ratio has remained relatively stable over the same period, ranging between 0.79 and 0.87, reflecting a strong reliance on equity financing compared to debt. This suggests a sound financial position with a healthy balance between owner's equity and total assets throughout the five-year period.

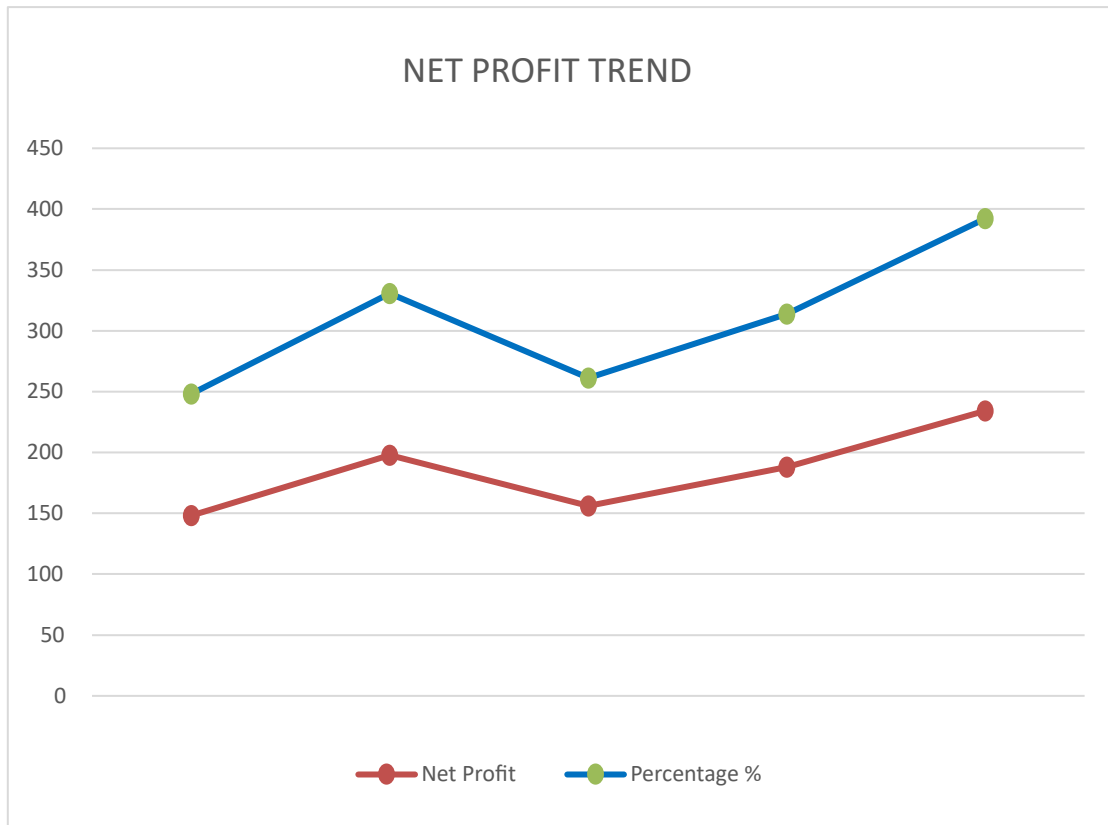
**TREND ANALYSIS:**

Trend analysis is a powerful tool used in various fields, including finance, economics, marketing, and statistics, to identify patterns and evaluate changes over time. At its core, trend analysis involves the examination of data points collected over a specific period to discern underlying trends, tendencies, or patterns. By analyzing these trends, analysts can gain valuable insights into past performance, make informed predictions about future outcomes, and devise strategies to capitalize on opportunities or mitigate risks.

The process of trend analysis typically begins with the collection of historical data relevant to the phenomenon under investigation. This data can take many forms, such as financial metrics, market indicators, consumer behavior patterns, or demographic trends. Once the data is gathered, analysts use various statistical techniques and visualization tools to uncover meaningful patterns and trends hidden within the data.

**NET PROFIT TREND ANALYSIS FROM 2019 TO 2023:**

Years	Net Profit	Percentage %
2019	148.17	100
2020	197.64	133
2021	156.22	105
2022	187.87	126
2023	234.26	158

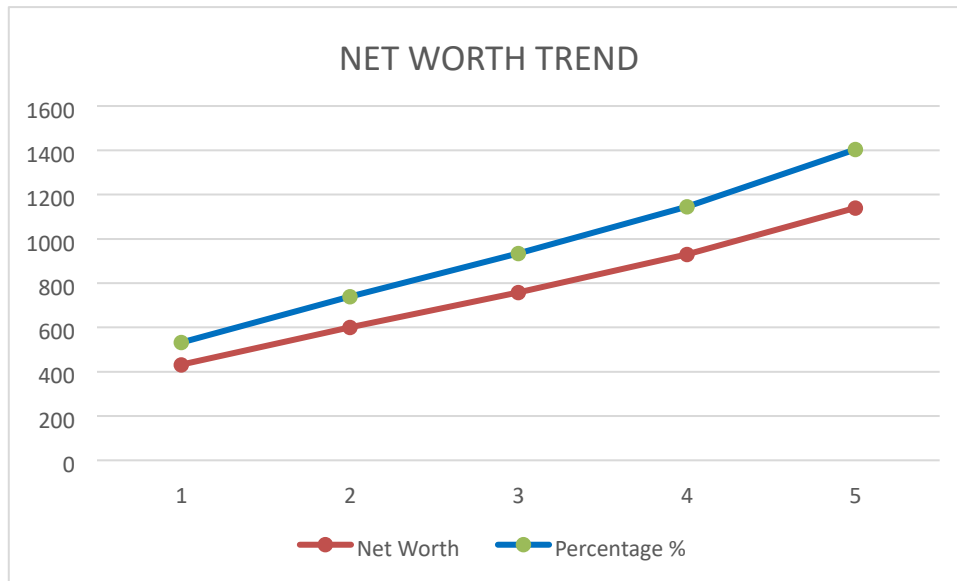


**Interpretation:**

The net profit has shown a fluctuating trend over the past five years, with an initial increase in 2020 followed by a slight decline in 2021. However, the profit rebounded significantly in 2022 and continued to soar in 2023. The growth percentages suggest that despite the fluctuations, there has been an overall positive trajectory in profitability, culminating in a substantial increase of 119% in 2023 compared to 2019. Overall, these figures indicate a dynamic and potentially promising financial performance over the analyzed period.

**NET WORTH TREND ANALYSIS FROM 2019 TO 2023:**

Years	Net Worth	Percentage %
2019	432.05	100
2020	599.91	139
2021	758.67	176
2022	930.65	215
2023	1,139.91	264

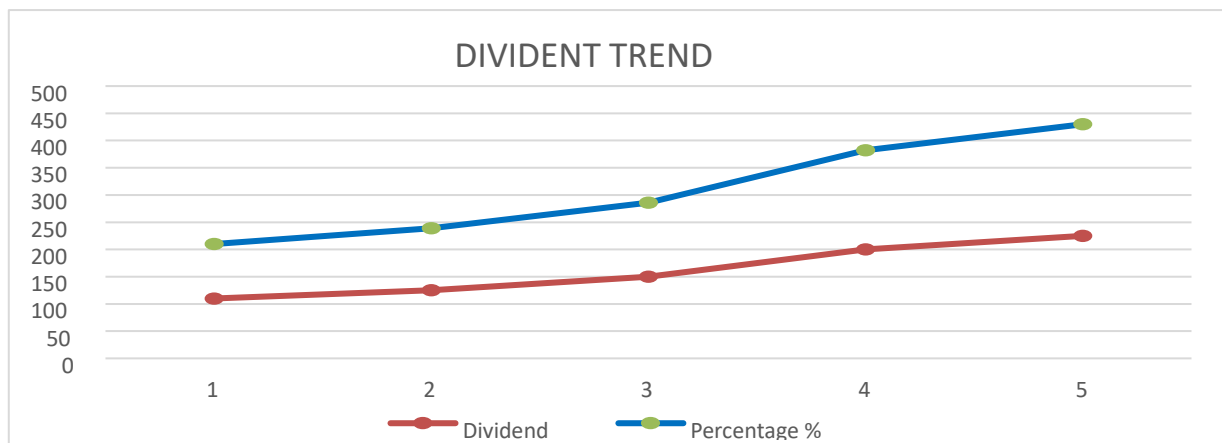


### Interpretation:

The net worth has demonstrated a consistent upward trajectory from 2019 to 2023, indicating robust financial growth over the period. There was a substantial increase in net worth each year, with notable jumps in both 2022 and 2023. The percentages reveal an accelerating trend, with the net worth doubling from 2019 to 2023, showcasing remarkable expansion. These figures suggest that the business or individual experienced significant wealth accumulation and financial prosperity during the analyzed timeframe. Overall, the data portrays a positive and increasingly prosperous financial outlook over the course of the five years.

### DIVIDEND TREND ANALYSIS FROM 2019 TO 2023:

Years	Dividend	Percentage %
2019	110	100
2020	125	114
2021	150	136
2022	200	182
2023	225	205



**Interpretation:**

The dividend trend from 2019 to 2023 reflects a consistent and robust growth trajectory, with dividends increasing steadily each year. Starting from 110 units in 2019, dividends rose by 13% in 2020 and surged by a significant 20% in 2021. This upward momentum continued in subsequent years, with dividends increasing by 33% in 2022 and further by 12.5% in 2023. The consistent rise in dividends indicates a healthy financial performance and a commitment to rewarding shareholders over the analyzed period.

**FINDINGS:**

- Net profit fluctuated over five years but saw significant growth in 2022 and 2023, with a notable increase of 119% in 2023 compared to 2019. Revenue showed stability, with a slight decrease in 2021 followed by recovery in 2022 and 2023.
- There have been fluctuations in net profit and sales revenue. However, in 2023, there was a significant increase in both net profit and sales, indicating improved profitability and efficiency in revenue generation.
- Net worth consistently increased from ₹432.05 Cr (2019) to ₹1,139.91 Cr (2023). The company experienced a 164% increase in net worth over five years.
- Dividends exhibited consistent growth from 2019 to 2023, indicating a healthy financial performance and commitment to rewarding shareholders.
- Proprietary Ratio Ranged between 0.79 to 0.87, indicating strong reliance on equity financing. Financial stability was maintained with steady owner's equity growth.

**SUGGESTION:**

- **Optimize Working Capital Management** – Since the working capital turnover ratio is declining, the company should explore ways to enhance inventory turnover and accounts receivable efficiency.
- **Expand Market Reach** – With increasing net worth, Caplin Point should invest in new international markets and diversify its product portfolio.
- **Leverage R&D Investments** – More investments in research and development can drive long-term growth and innovation in the pharmaceutical sector.
- **Monitor Cost Efficiency** – Despite strong financials, cost control and operational efficiency should remain a priority to sustain profitability.

**CONCLUSION:**

The financial performance of Caplin Point Laboratories Limited over the five-year period from 2019 to 2023 demonstrates a strong and dynamic growth trajectory. The company's strong net worth, rising profits, and increasing dividends indicate a promising future. However, it should continue to focus on improving efficiency in its operations, managing its working capital effectively, and maintaining positive relationships with both customers and suppliers. By leveraging its financial strengths and addressing areas for improvement, Caplin Point Laboratories is well-positioned to maintain its leadership in the pharmaceutical industry.

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