

Analysis of Financial Performance: A Case Study of Lupin Pharmaceutical

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ABSTRACT

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes the full diagnosis of the profitability and financial soundness of the business. This term is also used as a general measure of a firm's overall financial health over a given period of time. The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. In this paper, an attempt has been made to analyze the profitability position of Lupin Ltd. pharmaceutical with the help of mean, standard deviation, coefficient of variation. The study is conducted by taking into account of the data for five years from 2015-2016 to 2019-2020. The financial performance of Lupin pharmaceutical is evaluated and found that the profitability of Lupin during the study period is satisfactory.

Key Words: - Financial Performance, Profitability, Ratios

I INTRODUCTION

(a) **Financial Performance:** “Financial performance is technical appraisal of profitability and financial strength of any company concern” According to Kennedy and Macmillan ‘financial statement analysis attempt to reveal the meaning and significance of the items composed in profit and loss account and balance sheet. To assists the management in the formation of sound operating and financial policies’. According to accounting point of view financial statement are prepared by a business enterprise at the end of every financial year. “Financial statements are end products of financial accounting.” They are capsulated periodical reports of financial and operating data accumulated by a firm in its books of accounts- the General Ledger. One of the most fundamental facts about businesses is that the operating— performance of the firm shapes its financial structure. It is also true that the financial situation of the firm can also determine its— operating performance. The financial statements are therefore important diagnostic tools for the informed— manager. The financial performance identifies how well a company generates revenues and manages its assets, liabilities, and the financial interests of its stakeholders.

(b) **Importance Financial Performance:-** Performance appraisal involves a broad area of coverage. The perception all through is on the efficient management of company resources. Financial Performance can be made through a careful and crucial analysis of the financial statement of an enterprise. Usually the financial statement of a business concern comprises two statements: Balance sheet or position statement and Profit and loss account or income statement.

The overall performance of a business cannot be judged without a systemic analysis and interpretation of its financial statements. The advantages of such an analysis are as follows.

- To find out the financial stability of a business concern
- To assess its earning capacity
- To estimate and evaluate its stock and fixed assets.
- To assess its capacity and ability to repay short and long term loans
- To estimate and examine the possibilities of its future growth

II COMPANY PROFILE

Lupin Ltd. Pharmaceutical is one of the largest generic pharmaceutical companies by revenue globally. Lupin was founded in 1968 by Desh Bandhu Gupta, who was a professor of chemistry at BITS-Pilani, Rajasthan. Gupta moved to Mumbai in the 60s to work on his business enterprise for which initially he had initially borrowed Rs 5000 from his wife to fund his venture. Subsequent funding from Central Bank of India, the company was able to start their manufacturing facility for producing folic acid and iron tablets for Government of India 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 as the largest TB drugs manufacturer in the world. In the year 1987 Lupin establish its one branch in mandideep Lupin's research program covers the entire pharma product chain.

III REVIEW OF LITERATURE

Ashok kumar Panigrahi(2019) Analysis of Financial Performance: A Study of Selected Pharmaceutical Companies , study the profitability position of five pharmaceutical companies of India by applying the various ratios and also statistical tools to know the financial position of these companies.

Gopinathan Thachappilly (2009) stated that even if a business has high profitability, it can face short-term financial problems and its funds are locked up in inventories and receivables not realizable for months. Any failure to meet the obligations can damage its reputation and creditworthiness and in extreme cases even lead to bankruptcy. In addition to, liquidity ratios are work with cash and near-cash assets of a business on one side, and the immediate payment obligations (current liabilities) on the other side.

S. Saravanan & R.Prabu (2018) A Study on Financial Performance of Pharmaceutical Company. In the research paper the researcher study the financial position of main three Pharma companies of the India by applying the profitability ratios as a tool of study and make the conclusion.

IV OBJECTIVES AND SCOPE

(a) Objectives and Scope

The following are the specific objectives of the study.

- (i) To analyse the profitability position of Lupin Ltd. Pharmaceutical
- (ii) To analyse the factors influencing the profitability of Lupin Ltd. Pharmaceutical
- (iii) To offer findings and suggestions and conclusion of this study.

(b) Scope of the Study- The present study aims at assessing the profitability position of Lupin Ltd. Pharmaceutical . The study could help the company as well as the investors to understand its financial efficiency. It aims to help the management to find out its financial problems at present and the specific areas in the business, which might need some effort for

more effective and efficient utilization of its resources.

- (c) **Sources of Data-** Secondary data is used for the study. The required data for the study is collected and compiled from published financial annual report of Lupin pharmaceutical for the period from 2015-2016 to 2019-2020 which is a reliable and empowered corporate database. In addition to this, supportive data is collected from books, journals, annual reports and various news-papers.
- (d) **Research Methodology-** The methodology adopted to analyse is through ratio analysis, and interprets general financial statements to assess the profitability position. Further a comprehensive analysis is carried by applying statistical techniques namely mean, standard deviation, co-efficient of variance.
- (e) **Period of Study-** The study covers a period of five years from the financial year 2015-2016 to 2019-2020
- (f) **Limitations of the Study**
 - (i) The study is confined to five years data only, i. e. from 2015–2016 to 2019-2020
 - (ii) The study is based on secondary data collected from the Annual reports of Lupin Pharmaceutical.

V ANALYSIS OF PROFITABILITY

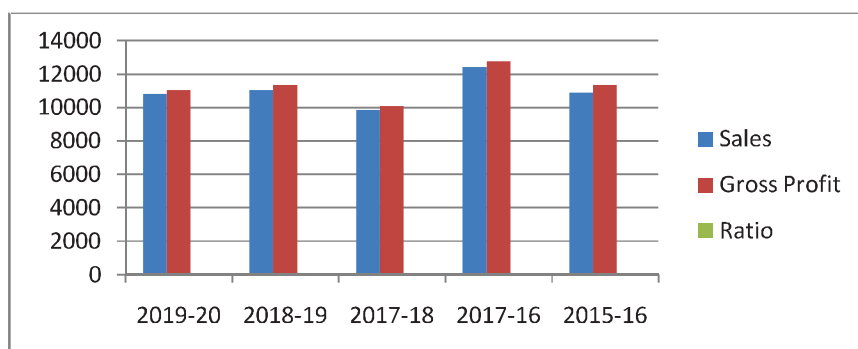
Following Profitability ratio helps in interpreting the financial Performance of Lupin Ltd. Pharmaceutical.

- (a) Gross Profit Ratio
- (b) Operating Profit Ratio
- (c) Net Profit Ratio

Table No. 1
Gross Profit Ratio

Year	Sales	Gross Profit	Ratio
2019-20	10805.83	11025.66	102.03
2018-19	11031.56	11356.32	102.94
2017-18	9853.9	10088.18	102.37
2016-17	12398.08	12753.15	102.86
2015-16	10882.87	11343.77	104.23
Mean			102.891
S.D			0.837794377
C.V			1.539693794

Sources :- From the Annual report of Lupin Pharmaceutical

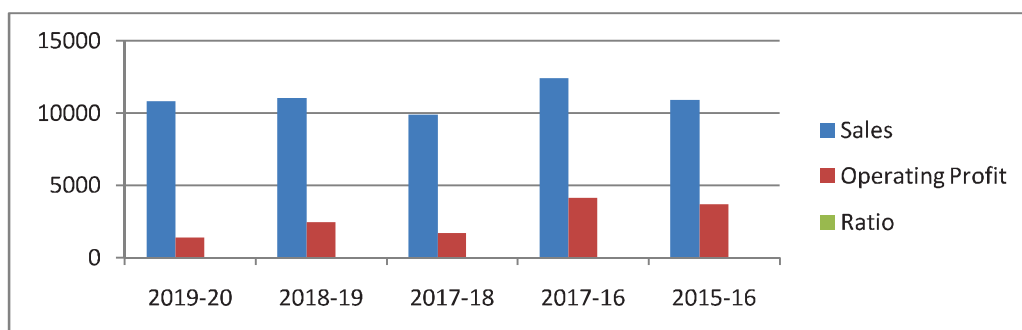


Interpretation:- From the above table of Gross profit ratio of Lupin shows that they earning gross profit consistency same during the study period it means same value of cost of goods sold applied every year.

Table No. 2
Operating Profit Ratio

Year	Sales	Operating Profit	Ratio
2019-20	10805.83	1388.86	12.85
2018-19	11031.56	2426.48	21.99
2017-18	9853.9	1696.05	17.21
2016-17	12398.08	4120.01	33.23
2015-16	10882.87	3681.39	33.82
Mean			23.2
S.D			9.43
C.V			88.98

Sources :- From the Annual report of Lupin Pharmaceutical

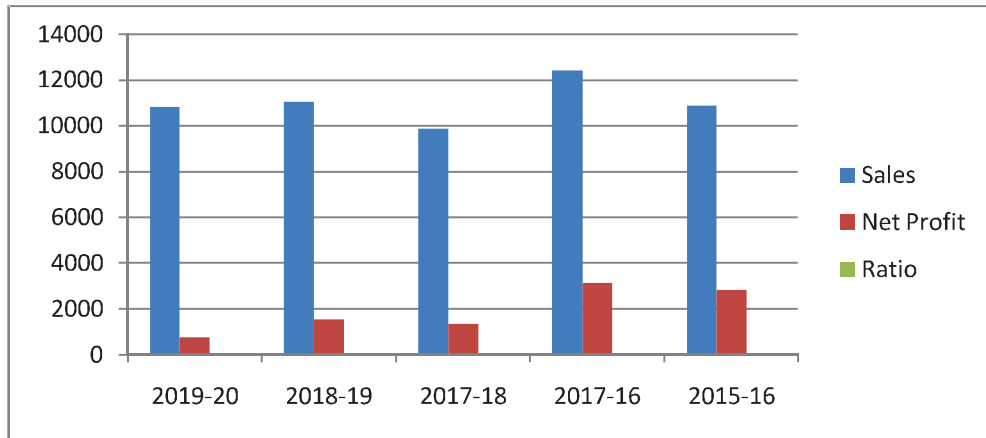


Interpretation:- The above table reflects that the operating profit ratio of Lupin is fluctuating .In the year 2015-16 & 2016-17 it is almost same but from 2017-18 it starts fluctuating. The operating profit ratio shows a fluctuating trend during the study period. This fluctuation implies inability to keep operating expenses properly controlled for level of sales achieved

Table No.3
Net Profit Ratio

Year	Sales	Net Profit	Ratio
2019-20	10805.83	727.55	6.73
2018-19	11031.56	1538.83	13.94
2017-18	9853.9	1344.66	13.64
2016-17	12398.08	3141.33	25.33
2015-16	10882.87	2830.87	26.01
Mean			17.13
S.D			8.31
C.V			77.46

Sources:- From the Annual report of Lupin Pharmaceutical



Interpretation:-The net profit of the lupin is express downfall year by year and in the year 2019-20 it was very low as low level of sale due to the firm's capacity to face adverse economic condition such as price competition, low demand etc.

VI CONCLUSION

Financial management has great importance in making management decisions. The financial soundness of a company can be achieved maintaining liquidity and profitability of the company. The purpose of this study was to measure the financial performance i.e. profitability of the Lupin pharmaceutical. The analysis practically reveals that gross profit ratio, operating ratio and net profit ratio of the Lupin pharmaceutical during the study period is satisfactory. During the period of study there were a few ups and downs in the profitability but it did not affect the operations of the companies to a great extent. If the Lupin Pharmaceutical Ltd. has to the perform well, it has to invest further capital and has to do more sales, only then it will get better its performance level for the prosperity of the company.

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