

A Study on Comparative Analysis in Sun Pharmaceutical Industries Limited and Dr.Reddy's Laboratories Limited

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ABSTRACT

This study focuses on a comparative analysis of Sun Pharmaceutical Industries Limited and Dr. Reddy's Laboratories Limited, two leading pharmaceutical companies in India. The research aims to assess and evaluate the financial performance of both companies over the past five years using key financial ratios and metrics. By analyzing parameters such as profitability, liquidity, solvency, and operational efficiency, the study identifies strengths, weaknesses, and trends that impact their competitive positioning in the pharmaceutical sector. The research also explores the companies' strategies, market performance, and resilience in facing industry challenges such as regulatory changes and global competition. The findings serve as a valuable resource for investors, stakeholders, and policymakers, highlighting areas where each company excels and opportunities for improvement. The significance of financial ratio analysis as a tool for informed decision-making and strategic planning in the pharmaceutical industry.

Keywords: Comparative analysis ,Financial performance ,Financial health , Financial ratios.

1. INTRODUCTION

The pharmaceutical industry is a vital sector that drives healthcare advancements and contributes significantly to global and domestic economies. Two leading Indian pharmaceutical companies with a strong global presence. This study aims to perform a comparative analysis of their financial performance over the last five years, highlighting their strengths, weaknesses, and areas for improvement.

1.1 OBJECTIVE

- To compare short-term debt paying potentiality of the selected companies through current ratios
- To analyse the company's capital structure, monetary obligations and its proficiency to Pay back the obligation through leverage ratios.

2. REVIEW OF LITERATURE

- **Neha Verma's (2024)** research paper, "*Analyzing Financial Ratios for Competitive Insights in Pharmaceuticals,*" focused on the financial ratios of both companies over five years.

- In the article, “Comparative Stock Performance of Indian Pharma Giants,” **Rajesh Gupta (2023)** discussed the stock market performance of the two companies, noting Sun Pharma’s strong investor confidence due to its consistent earnings, while Dr. Reddy's showcased resilience through diversification.
- **Prof. Meena Sharma’s (2022)** work, “Market Dynamics and Financial Resilience in Indian Pharmaceuticals,” analyzed the adaptability of Sun Pharma and Dr. Reddy's to regulatory challenges.
- In his study, “A Financial Comparative Analysis of Indian Pharmaceutical Companies,” **Dr. Arun Kumar (2021)** highlighted that Sun Pharma consistently achieved higher profit margins compared to Dr. Reddy's Laboratories.
- In his study, “Financial Performance and Growth Analysis of Indian Pharma Leaders,” **Dr. Ramesh Iyer (2020)** analyzed the profitability and liquidity positions of Sun Pharma and Dr. Reddy's Laboratories.

3. RESEARCH METHODOLOGY

Year	Sun Pharamaceutical	Dr.Reddy Laboratories
2024	2.28	1.92
2023	1.70	1.69
2022	1.79	1.38
2021	2.20	1.34
2020	1.99	1.33

This study employs a descriptive research design to perform a comparative analysis of Sun Pharmaceutical Industries Limited and Dr. Reddy’s Laboratories Limited. The research is based on secondary data collected from annual reports, financial statements, and company websites for the past five years (2020-2024). Key financial ratios such as profitability, liquidity, solvency, and efficiency are analyzed to assess the financial performance of both companies.

3.1 DATA AND SAMPLE SELECTION

The data used in the study are secondary data sourced from the financial statements and annual reports of the respective companies. The sample for the study includes the top two pharmaceutical companies in India, namely

- Sun Pharmaceuticals Industries Ltd
- Dr.Reddy’s Laboratories Ltd.The selection is based on their net sales. These companies have highest net sales among all other Indian Pharmaceuticals companies. The study examines a period of five years (2020-2024).To compare the financial position of the companies, to analyze the data and to draw conclusions financial ratios are used as variables. These variables are taken out from the monetary statements of these companies over the period.In this study, we begin with eight variables, categorized into four key groups: liquidity, leverage, profitability, and activity.

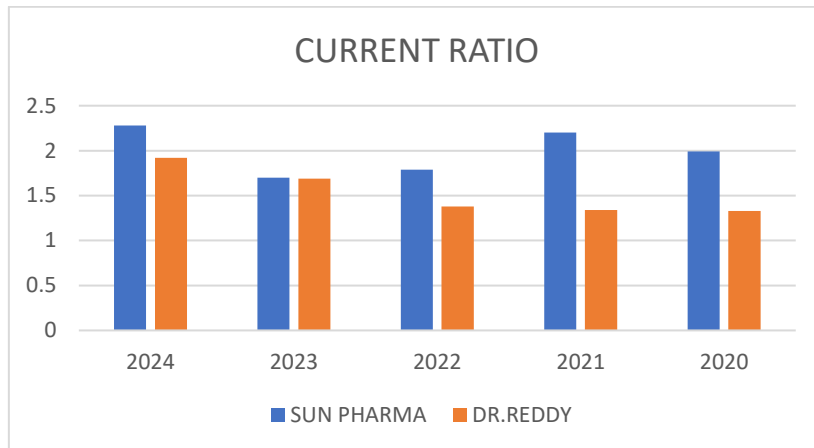
4. DATA ANALYSIS AND INTERPRETATION

• CURRENT RATIO:

The **current ratio** is a liquidity ratio that measures a company's ability to cover its short-term obligations with its short-term assets.

CURRENT RATIO = Current Assets / Current Liabilities.

Year	Sun Phaemaceutical	Dr.Reddy Laboratories
2024	0.04	0.06
2023	0.11	0.05
2022	0.02	0.16
2021	0.07	0.15
2020	0.17	0.11



INTERPRETATION:

The table shows the current ratio of Sun Pharmaceuticals and Dr. Reddy's Laboratories from 2020 to 2024. Sun Pharmaceuticals maintained higher liquidity each year, with the highest ratio of 2.28 in 2024. Dr. Reddy's Laboratories showed steady improvement, increasing from 1.33 in 2020 to 1.92 in 2024, narrowing the gap.

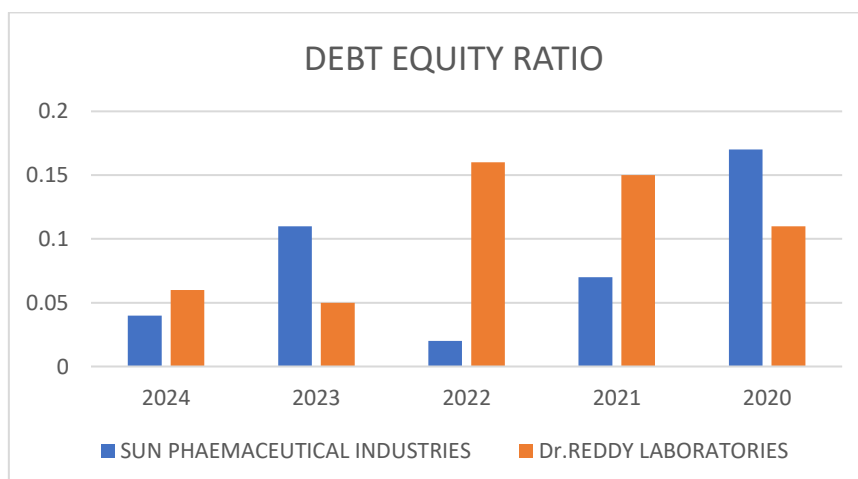
• DEBT EQUITY RATIO:

The **debt to equity ratio** shows the proportion of a company's financing coming from debt compared to equity. It reflects financial leverage and risk.

DEBT TO EQUITY RATIO = Total Debt / Shareholders' Equity

Total Debt includes both short-term and long-term liabilities.

Shareholders' Equity includes share capital, retained earnings, and reserves.



INTERPRETATION:

The table shows that Sun Pharmaceuticals kept its debt-equity ratio very low, decreasing to 0.04 in 2024, reflecting minimal reliance on debt. Dr. Reddy's Laboratories had more fluctuations, with a peak of 0.16 in 2022 but reduced to 0.06 in 2024. Both companies have low ratios, which shows they are financially stable and not heavily dependent on debt. Sun Pharmaceuticals was more consistent in managing its debt compared to Dr. Reddy's.

CONCLUSION

This comparative analysis of Sun Pharmaceutical Industries Limited and Dr. Reddy's Laboratories Limited reveals key insights into their financial performance over the past five years. Sun Pharma has shown higher profitability and operational efficiency, largely due to its focus on specialty drugs and global expansion. In contrast, Dr. Reddy's Laboratories has demonstrated steady growth through its strong presence in the generics market and continuous investment in R&D. Both companies have effectively navigated industry challenges through strategic approaches. The study underscores the importance of financial ratios in evaluating a company's performance. Overall, both firms remain key players in the global pharmaceutical industry.

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