



A STUDY ON FINANCIAL PERFORMANCE OF DR. REDDY'S LABORATORIES LTD

Mr. P. Kanagaraj¹, Ms. V. Jeyavarthini²

¹Assistant Professor in Department of Commerce with Professional Accounting, Dr. N.G.P Arts & Science College, Coimbatore.

²Student in Department of Commerce with Professional Accounting, Dr. N.G.P Arts & Science College, Coimbatore

ABSTRACT

Dr . Reddy's Laboratories is an Indian multinational pharmaceutical company committed to providing affordable and innovative medicines for healthier lives and driven by the philosophy 'Good Health Can't Wait'. The company was founded by the Scientist and entrepreneur, Dr. K Anji Reddy in 1985. It is located in Hyderabad, Telangana, India. Dr . Reddy's manufactures and markets a wide range of pharmaceuticals in India and overseas. The company has over 190 medications, 60 Active Pharmaceutical Ingredients (APIs) for drug manufacture, diagnostic kits, critical care and biotechnology products. They have been catering to the needs of the pharmaceutical sector for over two decades with APIs being their core strength.

INTRODUCTION

Financial performance, as a part of financial management, is the main indicator of the success or failure of the companies. Financial performance analysis can be considered as the essence of financial decisions. Financial performance analysis is the process of evaluating the operating and financial characteristics of a firm from accounting and financial statements. Financial performance analysis is the process of evaluating the operating and financial characteristics of a firm from accounting and financial statements. The relationship between financial statements is established between items of financial to assess the liquidity, solvency, operational efficiency and profitability of the company.

STATEMENT OF THE PROBLEM

The pharmaceutical industry is a rapidly evolving sector with a lot of competition and regulatory challenges. Dr. Reddy's Laboratories is one of the leading pharmaceutical companies in India with a global presence. However, despite its success, the company has faced several financial challenges in recent years. This project aims to analyse the financial performance of D.R. Reddy's Laboratories to determine the reasons for any fluctuations and to provide recommendations for improvement.

OBJECTIVES OF THE STUDY

- To analyse and evaluate the financial health and performance of the company over a specific period of time.
- This could include an assessment of the company's revenue, profits, assets, liabilities, and other financial metrics.
- The purpose of the analysis may be to gain insights into the company's overall financial position, to identify strengths and weaknesses, and to make informed decisions about the company's future prospects.

RESEARCH METHODOLOGY

The research methodology in finance involves a systematic approach to the collection and analysis of data in order to answer specific research questions or test hypotheses. The following are some of the common research methodologies used in finance in this study.

REVIEW OF LITERATURE

- **John Pradeep Kumar and Mr. Rony Louis (2020)** Their research paper is based on a study of the liquidity position of the pharmaceutical leaders. The main objective of the study was to study the liquidity position and liquidity management strategies. They collected secondary data from online. The study concluded that these days many companies are using negative working capital and it is a sign of low cost working capital.
- **Kurbanhusain A. Kadiwala (2019)** Their study is about the impact of acquisition on financial performance in pharmaceutical sector. Their objective of the study was to analyse the impact and examine the financial performance is



improved or not. The source of data was secondary which is collected from annual reports. Their study concluded that overall financial performance of companies is decrease after acquisition.

- **Dr. Rajesh Tiwari and et al (2018)** Their study examines the impact of financial performance of large cap and mid cap Indian pharmaceutical companies. Their objective was to analyse the impact of financial performance on stock price. The study used secondary source of data which is collected from annual report, newspaper and magazine. The study concluded that the market price in case of Pharma company is not only depends on the financial performance but also the business environment.

ANALYSIS AND INTERPRETATION

Year	Operating Profit	Current ratio	Quick ratio	Net profit Ratio	ROA	ROI
2022	16.38	1.9	1.5	6.62	5.3	0.077
2021	23.88	2.9	2.2	12.6	11.7	0.150
2020	30.48	2.4	1.8	11.5	10.1	0.129
2019	29.49	2.3	1.7	10.2	8.8	0.112
2018	21.35	2.2	1.6	10.1	8.6	0.115

FINDINGS

- The standard current ratio is 2:1. The ratio in the later years was near to the ideal ratio, hence the current ratio has improved. The increase in ratio was due to the decrease in current liabilities along with the increase in current assets.
- The ratios grew unsteady from year to year. Since the ratios are near to standard, the quick ratio is quite satisfactory.
- The operating profit ratio was increased to 30.34% from 2017-2018 to 2021- 2022 but by comparing previous year with 2021-2022 the ratio was decreased which indicates unsteady growth, it shows mixed trend during the period
- Return on asset has been increased in the year 2018-2019 and slightly reduced in the subsequent years. However the ratio are not below 5% from the next following year.so it indicates that a company is more efficient in generating profit from its assets.
- The return-on-investment ratio was decreased from year to year. Which indicates that the money was not profitably utilized in the business
- The proprietary ratio has increased over time, suggesting that the total assets are mostly funded by shareholders' funds. Hence, it shall be a less risky scenario.

SUGGESTION

- The company should increase the current assets to efficiently manage its current liabilities. So that the unnecessarily blocked finance can otherwise be profitably used. Overall, the company's short-term financial position needs to be improved.
- The company has to improve its profitability position. Although the company's gross profit and operating profit increased, its net profit margin increased only marginally, indicating that the company's indirect expenses increased.
- Despite the fact that the company is profitable, it must carefully control costs and minimise expenses in order to avoid future financial difficulties. The company must control its cost. The return on investment is not satisfactory as expected. As a result, the company is overvalued.

CONCLUSION

The study on the financial performance of Dr. Reddy's Laboratories Ltd. provides an overview of the liquidity, solvency and profitability of the company. The financial performance of the company is analysed using ratio analysis to establish relationship between the items of financial statements. The overall financial performance of the company is satisfactory. Looking at the past five years, 2018-19 is regarded as the best financial year. The company is currently in a volatile phase. The analysis reveals that the company has to improve its liquidity. But it doesn't mean the company is not able to meet its current obligations.

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