A Project Report on

"A Comparative study of financial Ratios between Abbott Ltd India and Pfizer"

Submitted to

Rashtrasant Tukadoji Maharaj Nagpur University,

Nagpur

In partial fulfilment for the award of the degree of

Master of Business Administration

Submitted by

Harshita Pattnayak

Under the Guidance of

Prof. Kamlesh Thote

Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Re-Accredited "A" Grade Autonomous Institution

Academic Year 2020-21

G.S. College Of Commerce & Economics, Nagpur

CERTIFICATE

This is to certify that **"Harshita Pattnayak"** has submitted the project report titled "**A Comparative Study of Financial Ratios between Abbot Ltd. India and Pfizer'',** towards partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that he/she has ingeniously completed his/her project as prescribed by G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Prof. Kamlesh Thote
(Project Guide)

Dr. Geeta Naidu
(Co-ordinator)

Place: Nagpur

Date: 15/07/2021

G. S. College Of Commerce & Economics, Nagpur

DECLARATION

I here-by declare that the project with title "**A Comparative Study of Financial Ratios between Abbot Ltd. India and Pfizer**" has been completed by me in partial fulfillment of MASTER OF BUSINESS ADMINISTRATION degree examination as prescribed by G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Reaccredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

"Harshita Pattnayak"

Place: Nagpur

Date: 15/07/2021

G.S. College Of Commerce & Economics, Nagpur

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to Dr. N.Y. Khandait, Principal, G. S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide Prof. "Kamlesh Thote" for his/her guideline throughout the project. I tender my sincere regards to Co-ordinator, Dr. Geeta Naidu for giving me guidance, suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the Non-Teaching staff of the college for their Co-operation.

I would like to thank all those who helped me in making this project complete and successful. (Mention the names with designation)

"Name of Student"

Place: Nagpur

Date: 15/07/2021

SYNOPSIS

Introduction

The massive amount of numbers in a company's financial statements can be bewildering and intimidating to many investors. Financial statements are the medium by which a company discloses information concerning its financial performance. Many parties are interested in financial statement analysis to know about the financial position of the firm. They include investors, creditors, lenders, suppliers etc. Analysis and interpretation of financial statements help in determining the liquidity position, long term solvency, and profitability of a firm. There are three types of financial statement: balance sheet, Income statement, and Cash Flow Statement from which ratio analysis can be done. Ratio analysis is a process used for the calculation of financial ratios or in other words, to evaluate the financial wellbeing of a company.

Relevance of Study

The measurement to see whether the covid-19 outbreak has an impact or the Abbott India Ltd and Pfizer performance produces the same result as before. How they are heading and what are their financial strengths as compared to other peer groups of industries.

Problem Definition

The development of industries depends on several factors such as finance, personnel, technology, quality of the product and marketing. Out of these, financial and operating aspects assume a significant role in determining the growth of industries. All of the company’s operations virtually affect its need for cash. A study highlights the comparison of financial performance between Abbott ltd India and Pfizer with the help of financial ratios. However covid-19 outbreak has an impact either positively or negatively on the operations of both the pharmaceutical companies. This study is conducted to analyse the financial performance from 2018-19 to 2020-21.

Need of the Study

- To provide a clear picture of important aspects like liquidity, profitability and activity of Abbott India ltd. and Pfizer
- To know who is performing better by comparing Abbott India ltd and Pfizer
- To determine proper utilization of funds of both companies.
- The investor interested in investing get to know the position of both the companies and may impact decision-based on financial ratio.

Objectives of the Study/Research

- To study the ratio in respect to Abbot India Ltd.
- To study the ratio in respect to Pfizer.
- To determine the financial position of both the companies based on the ratios from 2018-19 to 2020-21.
- To know in which direction both the firms are heading.
- To compare the ratios of both the company for the last five years, i.e. 2018-19 to 2020-21
- To compare each company with peer companies.

Research Design (Methods, Techniques of Data Collection)

The information is collected through secondary sources.

- The annual report from 2018-19 to 2020-21 of Abbot India ltd. and Pfizer.
- Different kind of reports and articles related to the study.
- Web-based support from the internet.
- Tools used:
    - Ms Excel for tables, charts, graphs
    - Ms Word

Hypothesis
1.

- H_0 = covid-19 does not create impact on the performance of both the companies
- H_1 = covid-19 create impact on the performance of the both the companies.

2.

- H_0 = Abbott India Ltd is performing better than Pfizer
- H_1 = Pfizer is performing better than Abbott India Ltd.

Research Methodology
The project intended to analyse the performance, liquidity and current position by using the data collected. These data collected are converted into useful information by using the following ratios-

- Liquidity ratios, which measure a firm's ability to meet cash needs as they arise.
    - Current ratio
    - Quick ratio or acid test ratio
- Profitability ratio, which measures the overall performance of a firm and its efficiency in managing assets, liabilities, and equity.
    - Profit margin
    - Net profit margin
    - Return on shareholder's equity
    - Return on assets
- Activity ratios or turnover ratio, which measures the liquidity of specific assets and the efficiency of managing assets.
    - Inventory turnover ratio
    - Debtor turnover ratio
    - Working capital turnover ratio

- Assets turnover or management, which evaluates how well a company, is utilizing its assets to produce revenue.
    - Total asset turnover ratio
- Long term debt of leverage ratios, which measure the extent of a firm's financing with debt relative to equity and its ability to cover interest and other fixed charges
    - Debt to equity ratio
    - Interest coverage ratio
- Market value ratios bring to the stock price and give an idea of what investors think about the firm and its prospects
    - Earning per share
    - Price-earning ratio

Plan of Work

In this present study, an attempt has been made to evaluate and compare the financial performance of Abbott India Ltd. and Pfizer and both of the companies are related to the private sector. The study is based on secondary data and the details are collected through websites of related articles and information provided by companies. Ratio analysis was applied to analyse the performance of these companies. This project compares both firms based on a financial ratio.

Proposed Chapterization Scheme

- Introduction
- About the Organisation
- Research methodology
    - Relevance of study
    - Need of study
    - Objectives of study

- Scope of study
- Hypotheses
- Research Design
- Limitations of study

- Theoretical review
- Literature Review
- Data Analysis & Interpretation
- Conclusions & Suggestions

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→ Analysis of Financial Statement by Using the Technique of Ratio Analysis| Dissertation Ideas or Thesis Topics

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INTRODUCTION

Introduction

<u>Subject:</u> *Finance*

<u>The Topic of The Thesis:</u> *Financial Ratios*

Ratio analysis is a tool for evaluating financial statements but also relies on the numbers in the reported financial statements being put into order to be used as ratios for comparison over time or across companies. Financial statements are used as a way to discover the financial position and financial results of a business.

It is an effective tool used by the shareholders, creditors and all kinds of stakeholders to understand the profitability, strength and financial status of companies. Prior to the calculation of financial ratios, reported financial statements are often reformulated and adjusted by analysts. One common reformulation is to divide reported items into recurring or normal items and non-recurring or special items. Analysts may adjust earnings numbers up or down when they suspect the reported data is inaccurate.

This research is to analyze the financial statements using liquidity ratios, activity ratios, leverage ratios, profitability ratios, and market value ratios. For liquidity, the following ratios were used: current ratio, quick or acid-test ratio. For activity, Inventory turnover ratio, debtor turnover ratio and working capital turnover ratios were used. For leverage, the following ratios were used i.e. debt ratio, equity ratio, and interest coverage ratio. For profitability, profit margin, net profit margin, return on assets, return on shareholder’s equity, and earnings per share were used. For market value, price earnings ratio and earning per share ratios were used.

ABOUT THE ORGANISATION

ABOUT THE ORGANISATION:

One of India's fastest-growing pharmaceutical companies, Abbott India Limited is part of Abbott's global pharmaceutical business in India.

Headquartered in Mumbai, Abbott India Limited, a publicly listed company and a subsidiary of Abbott Laboratories, takes pride in offering high-quality trusted medicines in multiple therapeutic categories such as women's health, gastroenterology, cardiology, metabolic disorders and primary care.

It has expertise across product development, manufacturing, sales and customer service and also dedicated to providing high-quality, reliable products with the expert clinical support our customers need.

Abbott India Limited believes in providing quality healthcare through a mix of global and local products for people in India. Our in-house development and medical teams undertake product and clinical development tailored to the unique needs of the Indian market. Our employees work to produce high-quality, high-volume formulations using cost-efficient processes. And, our trained personnel are dedicated to ensuring compliance with international quality standards.

ABBOTT LTD. RESPONSIBILITY:

Sustainability:

Sustainability at Abbott focuses on the areas where opportunities for its business intersect with positive social and environmental impact. Its aim to achieve sustainable growth, deliver life-changing technology and create value in communities around the world.

Social Impact:

- ACCESS TO HEALTHCARE
    - Finding solutions that remove barriers to living healthy lives.

- COMMUNITY ENGAGEMENT
    - Strengthening communities where we live and operate.

- SHARED IMPACT
    - Creating a positive impact for our business and the communities where we operate

- SCIENCE EDUCATION
    - Inspiring the next generations of scientists and engineers

Abbott Philanthropic Vision:

Abbot view philanthropy as a powerful source for driving social innovations that lead to more resilient, healthier communities. It provides an opportunity to pioneer new ideas, generates new solutions, develops the next generation of leaders, strengthens civic and social organizations and builds partnerships to solve complex global problems. We apply three principles that we believe are fundamental to thoughtful and effective philanthropy:

- COMMUNITY-DRIVEN
    - → Community solutions must be a collaborative effort with the people we seek to support and ultimately be owned by them
- IMPACTFUL
    - → Measuring and evaluating our impacts is a powerful tool that allows us to continually learn and make critical decisions
- SUSTAINABLE
    - → We understand that the long-term success of programs depends on self-reliance free of donor support.

HERITAGE:

In 1888, physician and drug store proprietor Dr Wallace C. Abbott began producing accurate, scientifically formulated medications with the goal of providing more effective therapies to patients and the physicians providing their care.

Under the pioneering leadership of Dr Abbott, our company was among the founders of the scientific practise of pharmacy, expanding its business to meet rising global health needs by championing new areas of medical research. By continually entering new areas—both scientific and geographic—we've established a now long-standing tradition of helping people live healthier lives around the world.

A HISTORY OF NURTURING HUMAN POTENTIAL

Dr. Abbott's spirit of entrepreneurship, innovation and caring lives on in our culture, our business and our contributions to medical science. Read below for historical moments that highlight our pursuit of the extraordinary throughout the years.

1888: Production of "alkaloidal" medicine granules by Dr. Wallace C. Abbott, a 30-year-old practicing physician, begins in the rear of his People's Drug Store in Chicago. Remedies contain the active ingredients of plants and herbs. First-year total sales reach $2,000.

- **1894**: Incorporated as the Abbott Alkaloidal Company. Abbott is a medical publisher as well as a manufacturer.
- **1907**: Expansion outside the United States for the first time with an office in London, England.
- **1916**: Production of our first synthetic medicine, Chlorazene, a breakthrough antiseptic developed by British chemist Dr. Henry Dakin to treat wounded soldiers in World War I.
- **1922**: Development of Butyn by scientists Dr. Ernest Volwiler and Dr. Roger Adams, the first in a long line of breakthrough anesthetics to come from our company.
- **1929**: Initial public offering provides shares for the first time in the year of the stock market crash that began the Great Depression. While the timing seems inauspicious, our stock grows in value from that first day—and approximately 10,000 times over so far.
- **1932**: Expansion continues even at the height of the Great Depression thanks to our leadership in new fields such as vitamins and intravenous solutions. “Few of the leading industrial organizations of the country,” notes Nation’s Commercemagazine, “can show a sounder record for the past year than the Abbott Laboratories.”
- **1935:** Introduction of Pentothal, which will be the world’s leading anesthetic for years to come and win our inventors, Dr. Volwiler and Dr. Donalee Tabern, induction into the U.S. National Inventors Hall of Fame.
- **1942:** Abbott joins a consortium of pharmaceutical makers, at the behest of the U.S. Government, to ramp up production of penicillin for wartime use. Together we increase production more than 20,000%.
- **1959:** Adoption of our Abbott “A” logo, a classic of industrial design that remains the cornerstone of our visual identity to this day.
- **1960:** Reinvention in the 1960s under President George Cain is featured in the 2001 best-seller, Good to Great: Why Some Companies Make the Leap... and Others Don’t. Author Jim Collins chose us as one of 11 companies, out of 1,435,

that had the product, service, organizational and people quality to engender truly great performance.

- **1964:** Acquisition of M&R Dietetics, with its popular baby formula, Similac, makes us a leader in nutrition.
- **1972:** Introduction of the ABA-100 blood chemistry analyzer as well as Ausria, a breakthrough radioimmunoassay test for detecting serum hepatitis. This marks the beginning of our modern diagnostics business, in which we quickly became a world leader.
- **1985:** Approval of the first licensed test to identify the HIV virus in blood, helping to secure the safety of the blood supply. This is one of our greatest achievements and the first significant medical victory against what had, until then, seemed an unstoppable threat.
- **1998:** Introduction of Glucerna, a group of cereals, health shakes and snack bars formulated specifically for diabetics and others with dietary restrictions.
- **2002:** FDA approval of Humira, the first fully-human monoclonal antibody drug. It will go on to become the world's leading pharmaceutical product.
- **2006:** Launch of the Xience V drug-eluting stent. It goes on to become the market leader.
- **2010:** We continue our focus on globalism as we become the largest pharmaceutical company in India, the world’s second-largest country by population.
- **2013:** Beginning of a new era for Abbott, as a more global, consumer-focused company than ever before, we created a new, Fortune 200 corporation, AbbVie, from our former proprietary pharmaceutical business.
- **2014:** Abbott establishes a strong new expression of its corporate identity with “Life. To The Fullest.” The company promotes its identity more vigorously than ever before, advertising to consumer audiences around the world and becoming the sponsor of the Abbott World Marathon Majors, a series of the world’s most prominent races.

- **2014:** With the launch of its cutting-edge continuous glucose monitoring system, FreeStyle Libre, Abbott revolutionizes diabetes care by eliminating the need for routine fingersticks.1
- **2016:** Abbott launches the first systems in its Alinity series, a family of diagnostics and informatics systems that represent a major leap forward in terms of reliability, cost, capacity, space efficiency, and ease of use. We are creating the future of diagnostic labs.
- **2017:** In its largest acquisition ever, Abbott acquires St. Jude Medical, adding breakthrough inventions and extensive expertise across the areas of cardiovascular and neuromodulation. Abbott now competes in nearly every area of cardiovascular health and holds the No. 1 or 2 positions in a variety of large, high-growth markets.
- **2017:** Abbott acquires Alere Inc., making Abbott the leader in point-of-care diagnostic technology filling out its array of diagnostics technologies. Abbott now holds the No. 1 position in rapid testing for cardiometabolic disease, infectious disease and in toxicology.

BOARD OF DIRECTORS

Munir Shaikh- Chairman

Anil Joseph – Managing Director

Anisha Motwani- Independent Director

Sudarshan Jain – Independent Director

Shalini Kamath – Independent Director

Ambati Venu – Non-Executive Director

Kaiyomarz Marfatia – Non-Executive Director

Rajiv Sonalker – Whole-time Director

Karen Peterson - Non-Executive Director

PRODUCTS OF ABBOTT LTD. INDIA

Abbott in India develops and distributes over 600 products for healthcare professionals that promote health and well-being for Indians in all stages of life.

(1) For DIABETES CARE

HOSPITAL USE	PERSONAL USE
• FreeStyle Optium – H	• FreeStyle Freedom Lite
• Point-of-Care-Systems	• FreeStyle Optium

(2) For NUTRITION :- Polycose

ADULT	CHILD	INFANT	THERAPEUTIC NUTRITION
• Ensure (Healthcare Professionals)	• Metabolic Nutrition	• Mama's Best	• Ensure (Healthcare Professionals)
• Glucerna (Healthcare Professionals)	• Pedialyte (Healthcare Professionals)	• Metabolic Nutrition	• Glucerna (Healthcare Professionals)
• Glucerna (Healthcare Professionals)	• PediaSure (Healthcare Professionals)	• Pedialyte (Healthcare Professionals)	• Jevity
• HI-Cal	• Similac (Healthcare Professionals)	• Similac (Healthcare Professionals)	• Juven
• Metabolic Nutrition			• Metabolic Nutrition
• Nepro			• Nepro
• Oxepa			• Osmolite
• Pivot 1.5 Cal			• Oxepa
• Vital			• PediaSure (Healthcare Professionals)
			• Perative
			• Pivot 1.5 Cal
			• ProMod
			• Promote
			• Pulmocare
			• Similac (Healthcare Professionals)
			• Suplena
			• TwoCal HN

• Vital

(3) For VASCULAR

CARDIOVASCULAR INTERVENTION	CORONARY DILATATION CATHETER	FAMILY OF GUIDE WIRES
• Xience	• NC Trek	• HI-Torque Balance Middleweight (BMW)
	• Trek & Mini Trek	

(4) DIAGNOSTICS

CORE LAB	MOLECULAR	POINT OF CARE
• ABBOTT PRISM Director	• AneuVysion	• i-STAT System
• ABBOTT PRISMnEXT	• Chromosome Enumeration Probes	• i-STAT® 1 Wireless
• Accelerator Automatic Processing System (APS)	• IMDx	
• ACCELERATOR Family	• m2000 System	
• ARCHITECT Clinical Chemistry Analyzers	• PathVysion	
• ARCHITECT HIV Ag/Ab Combo Test	• RealTime PCR	
• ARCHITECT Immunoassay Analyzers	• ThermoBrite	
• ARCHITECT Integrated Systems	• UroVysion	
• CELL-DYN Family	• ViroSeq HIV-1 Genotyping System	
• Immunoassay Chemistry Tests	• VP 2000	
• Informatics Solutions	• Vysis ALK	

(5) PHARMACEUTICALS

• Abocal	• Adiza	• Amicolon Kid	• Anaspas Tab
• Acevah P 325mg • Azro	• AGGRIBLOC • AGOVIZ • ACITROM	• Amicolon • Anafortan Drops, injection	• ANASTIM CONCENTRATE 1 X 8
• ASCAPIL A • Acuvert	• ALBUCID 10%, 20% E/D	• Anafortan Syrup • ASCAPIL 12 A	• Arachitol Nano, ARACHITOL-O
• ACUVIN	• AQUAVIRON	• Anafortan-MF, N	• Arachitol
• ASMAPAX Depot	• Allerdest M • Allerdest	• ASCABIOL 100ML	• ASCABIOL 50ML
• Adequet SR	• Adequet	• AMBIHOPE	• Brugel
• Anaspas Injection	• Bivasave	• BRUFEN MR, SYRUP	• CALAPTIN

	• BACTRIM D.S.		• CALAPTIN SR
• Brufit OD • B-CRIP 1.25	• BACTRIM SYRUP	• BECOZYM C FORTE	• CARDULES PLUS 10 mg
• Avene Thermal Water	• Becomax C forte	• BIOZOBID • Betonin AST	• CARDULES PLUS 20 mg
• AVOMINE • Cremadiet DUO • Cremadiet • Cremaffin Plus • Cremaffin • Cremagel	• CELEX OD • Cerom-CV • Cefi Dry Syrup • Cefi IV, CV, L, O • CONTRAMAL • BIOSUGANRIL	• BRUSPAZ 4 Thiocolchicoside 4mg and Diclofenac Sodium 50mg Capsules (H)	• CARDULES RETARD 10 MG • Cefi 100, 50 DT • CONTRAMAL SR • CETRIMIDE
• CAAT F • Clinaxon OD,P • Clinaxon P • CLIVARINE 1432 • CLOME	• Cicalfate Cream • Ciladuo • Cefi-OZ • Cefi-T 1.125 • CEFI-T 562.5	• BRUSPAZ 8 Thiocolchicoside 8mg and Diclofenac Sodium 50mg Capsules (H)	• CLOZAM • Clean-Ac Cream • CremaHep • Cremalax • Cleanance Gel
• Creon 10000	• Clinaxon 4	• Colospa Retard	• DEPSONIL
• Creon 25000	• Clinaxon 500	• Colospa	• Diabetrol 3P, sr
• Creon 40000 • CAAT	• CYTOGARD-20mg	• CONTRAMAL -DT • CYTOGARD OD	• DELOK • DURAPAIN
• Cefi-XL • Cefi • Curenext • Clinaxon 2, 4	• CEFIRONE - T & V Injection • CLEANANCE MASK	• COLD CREAM ULTRA RICH CLEANSING BAR 100G	• Enliva • Effimax-S • Elidicet • ELEct-ORS
• D3 SHOT SACHETS 1GM 60 K IU	• D3 SHOT SOFTGELS 10S 1000 IU	• CONTRAMAL 100 MG 2 ML INJECTION	• Duphalac Enema • DUPHALAC
• D3 SHOT SOFTGELS 4S 60 K IU	• Durajoint GM • Digene Fizz • Digene Gel	• CONTRAMAL 50 MG, 1 ML INJECTION	• DUPHALAC FIBRE • Digecaine
• D3 UP	• Digene Tablet	• DUPHASTON	• Durajoint
• DEPSONIL DZ • DEPSONIL PM • Duvadilan	• DOBUTREX Injection • Dufaximin	• Eptoin • Etody • Ebasil	• Elect - RTD Apple & orange
• Epilex Chrono • Ertycin	• Epilex • Esgipyrin	• EBILITY • Epitab	• EN-ACE D 10, 2.5, 5mg
• Extremely gentle cleanser lotion	• Euglucon • Exerge • Esoga-rd	• Fabolite • Finecef • Famtac	• Febustat • Fightox • Flagyl
• Forties	• Genticyn	• Gentle	• IME
• Fungizone • Lobate	• Gluformin • Hytrin	• Ganaton • Gluspan	• kinetone advanced
• ISMO	• Heptral	• kenacort	• levilex

• Icustin	• Inderal	• lavesam	• linoplus
• lorsaid	• lysupra syrup	• malarit	• malidens
• Megamox	• Merpy	• Micropyrin	• Nervup
• New deletus	• Nicoduce	• Nobligan	• Nupod
• Obimet	• Omna	• Ox mazetol	• Paraxin
• Phensedyl	• Piozone	• Pleumet	• PPG
• Prothiaden	• Pregamet	• R-cid	• R2
• Ramtel	• Rivotril	• Rockbon-C,D	• Semi-tribet
• SENSITIVE WHITE WHITENING ESSENCE 50ML	• SECNIL FORTE • Solaze • Solspre • SORBITRATE • SPF30 Lip Balm	• Stator • Stemetil • Stromix • Supermet • Surbex	• Tazira • Telpres • Tenochlor • Thiospas • Thyronorm
• Toresa • Trueplan	• Tribet • Trustyl	• Tvaksh face care • Uvox	• Udiliv • VALIUM
• Value • Valupenem • Vertin • XARB	• Valance Solution, OD • Winbp 20h, 40 H	• VAXONE - S Injection 1 gm, 1.5 gm • XARB -H	• Vitamin A Chewable • Winbp AM 20, 40
• Very High Protection SPF 50 + Emulsion 50 ml • Zimnic	• Very High Protection Spf50+Spray 200ml • Winbp-MT 25, 50	• Very High Protection SPF 50 + Cream 50 ml • Winbp-TRIO 20MG	• Ystheal Cream, Emulsion • Ystheal Eye Contour • Zidime-O
• Zeformin XR 30, 60	• ZIDIME –O, T Injection, CV	• Zimnic AZ 250, kid	• Zimnic AZ, CV, DX, O
• ZOBID – D, SR, injection	• Zombistin Forte 2 MIU,	• Zolephos • Zolfresh	• Zombistin-injection 1M

SWOT ANALYSIS OF ABBOTT LTD. INDIA

STRENGTHS—

i. Strong financials
ii. Company with No Debt
iii. Strong cash generating ability from core business - Improving Cash Flow from operation for last 2 years
iv. Annual Net Profits improving for last 2 years
v. Book Value per share Improving for last 2 years
vi. Company with Zero Promoter Pledge

WEAKNESS—

i. Companies with growing costs YoY for long term projects.
ii. MFs decreased their shareholding last quarter
iii. Inefficient use of capital to generate profits - RoCE declining in the last 2 years
iv. Decline in Net Profit with falling Profit Margin (QoQ)
v. Decline in Quarterly Net Profit with falling Profit Margin (YoY)
vi. Declining Net Cash Flow : Companies not able to generate net cash
vii. Recent Results: Declining Operating Profit Margin and Net Profits (YoY)

OPPORTUNITES—

i. Relative Strength Index indicating price strength

THREAT —

i. Stocks with high PE (PE > 40)

ABOUT THE ORGANISATION:

Pfizer Limited was listed on the Indian stock exchange in 1966. Today, the company has over one lac shareholders in India. With annual sales of over Rs. 2,000 crores, it is the fourth largest multinational pharmaceutical company in India. The Company has a portfolio of over 150 products across 15 therapeutic areas.

Its top brands include Prevenar 13, Lyrica, Corex – DX, Dolonex, Enbrel, Becosules, Gelusil and Folvite among others. In addition to its commercial operations, Pfizer Limited also operates a state-of-the-art, award-winning manufacturing facility in Goa that produces more than a billion tablets annually.

The Company employs 2,631 colleagues, and is committed to providing therapies to prevent and treat some of the most critical diseases that impact public health in India today.

PURPOSE:

Breakthroughs that change patients' lives.

VALUES:

Our Values are a declaration of our core beliefs and the defining features of a culture that breeds achievement. Not only do they provide the direction necessary for making our Vision a reality, they are also the principles that guide us in our day-to-day decision-making.

These Values crystallize who we are, who we have always been, and what we stand for. They reflect the enduring character of Pfizer and its people.

COURAGE: Breakthroughs start by challenging convention—especially in the face of uncertainty or adversity.

EXCELLENCE: We can only change patients' lives when we perform at our best together.

EQUITY: Every person deserves to be seen, heard, and cared for.

JOY: We give ourselves to our work, but it also gives to us.

BOARD OF DIRECTORS

Suzanne Nora Johnson — Director, Chair of Audit Committee and member of Regulatory and Compliance Committee.

James Quincey— Director, Member of Compensation Committee.

James Smith— Director, Chair of Compensation Committee and member of our Audit Committee.

Albert Bourla—
Chairman and Chief
Executive Officer, Pfizer

Ronal D E. BLAYLOCK —
Member of Compensation
and Audit Committees.

Susan Desmond-Hellmann,
Md., Member of
Governance & Sustainability
Committee and Science and
Technology Committee.

Joseph J. Echevarria— Chair
of our Governance &
Sustainability Committee and
member of Audit Committee.

Scott Gottlieb, M.D. —Chair of
our Regulatory and
Compliance Committee and
Member of Science and
Technology Committee.

Helen Hobbs, M.D. — Chair of our
Science and Technology Committee
and member of our Corporate
Governance and Regulatory and
Compliance Committees.

Susan Hockfield, Ph.D. —
Member of our Regulatory
and Compliance and
Science and Technology
Committees.

Dan R. Littman, M.D., Ph.D.
—Member of our Corporate
Governance, Regulatory and
Compliance, and Science
and Technology

Shantanu Narayen —Lead
Independent Director

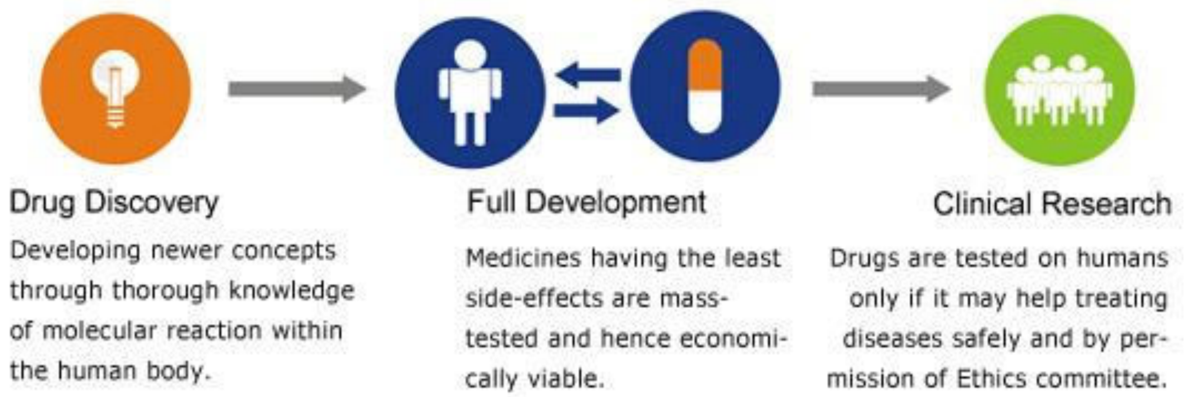
RESEARCH AND INNOVATION

Drug development is a long, expensive, and failure-prone process. It requires cutting-edge scientific skills, and collaboration across multiple disciplines within the pharmaceutical industry and among educational institutions, research laboratories, government regulators and healthcare professionals.

It takes 8-12 years on an average for a new drug to be developed for human use, and only 10 of around 10,000 substances identified as potential drugs will make it to the human testing stage. What’s more, only about one in 10,000 substances identified as potential drugs on preliminary screening will eventually be marketable.

Potential new medicines are patented as soon as they are discovered, and the discoverer usually has less than 10 years of exclusive marketing rights remaining by the time regulators approve a medicine for marketing.

Drug development goes through three basic stages: discovery, full development and clinical trials.



- **Drug discovery:** The process begins with a new idea directed at chemically modifying a disease process. It involves developing a drug that will react with a new molecular target within the human body. The idea is usually generated from a thorough knowledge and understanding of disease processes and a continuing involvement with research in the specific therapeutic area of interest.

- **Full development:** Drugs that are shown to work the best in Phase 2 studies have the least side effects, are expected to be the most economically viable, and are mass tested on thousands of patients. This phase of drug development is called Phase 3 or full development. New medicines are very expensive in the early years of sales to pay for the cost of drug development, publicize the benefits of the new therapeutic option, and provide returns to shareholders of the company.

- **Clinical research:** Human trials are carried out when pre-clinical data demonstrates that it may be useful in treating a disease, and reasonably safe for initial testing in humans, among other things. A clinical trial has to be properly designed and planned to provide reliable efficacy and safety data. It also has to be approved regulatory authorities and by an Ethics Committee that permits the trial to be conducted at a particular institute.

History of Pfizer

- **1849**: Cousins Charles Pfizer and Charles Erhart founded Charles Pfizer & Company in a red brick building in Brooklyn, NY.
- **1868**: The expansion propelled by the Civil War continues and Pfizer's revenues double.
- **1882**: Spurred by America's westward expansion and its own growing number of clients west of the Mississippi, Pfizer opens offices and a warehouse in Chicago, Illinois, its first location outside of New York.
- **1900**: Pfizer files an official certificate of incorporation in the state of New Jersey, with authorized capital of $2 million divided into 20,000 shares of $100 each. Pfizer

would remain a privately held company until June 22, 1942, when 240,000 shares of new common stock were offered to the public.

- **1905**: Emile Pfizer, Charles Pfizer's youngest son, is appointed President at a special board meeting. He serves as President from 1906 to 1941 and briefly as Chairman in 1941. He is the last member of the Pfizer/Erhart family to be actively involved with the company.

- **1906**: At the age of 82, Charles Pfizer dies while vacationing at his Newport, Rhode Island estate. A tribute to Pfizer in The New York Tribune notes that "by bringing to his task a thorough German technical education, great industry, and determination, he successfully met all difficulties and each year expanded his business." Company sales exceed $3 million.

- **1914**: The Board of Directors creates the position of Chairman and elects John Anderson to that post. Anderson, who had joined Pfizer in 1873 as a 16-year-old office boy, would remain Chairman until 1929.
- **1919**: Pfizer chemist James Currie and his assistant, Jasper Kane, successfully pioneer the mass production of citric acid from sugar through mold fermentation—an achievement that eventually frees Pfizer from dependency on European citrus growers.

- **1924**:Charles Pfizer & Co. turns 75 years old. A celebration at the Brooklyn plant, which has 306 employees, marks the milestone.
- **1929**: On January 10, 1929, John Anderson announces he is stepping down as chairman of the board. William Erhart is named the new chairman, Emile Pfizer continues to serve as president, and John Anderson's son, George, becomes senior vice president.

- **1936**: Doctor Richard Pasternack develops a fermentation-free method for producing ascorbic acid, vitamin C. After building a new plant and initiating a 24-hour-a-day, seven-day-a-week production schedule, Pfizer becomes the world's leading producer of vitamin C.
- **1939**: Pfizer succeeds so well in the production of citric acid by fermenting sugar that a pound of citric acid, which had cost $1.25 in 1919, tumbles to 20¢, and Pfizer is widely recognized as a leader in fermentation technology.
- **1941**: Pfizer responds to an appeal from the United States Government to expedite the manufacture of penicillin to treat Allied soldiers fighting in World War II. Of the companies pursuing mass production of penicillin, Pfizer alone uses fermentation technology.
- **1944**: Using deep-tank fermentation, Pfizer is successful in its efforts to mass-produce penicillin and becomes the world's largest producer of the "miracle drug."
- **1945**: George A. Anderson becomes Pfizer's chairman of the board. John L. Smith fills the office of President.

- **1950**; Terramycin® (oxytetracycline), a broad-spectrum antibiotic that is the result of the Company's first discovery program, becomes the first pharmaceutical sold in the United States under the Pfizer label. Pfizer begins expansion into overseas markets and the International Division is created.
- **1951**: In a major international expansion, Pfizer operations are established in Belgium, Brazil, Canada, Cuba, England, Mexico, Panama, and Puerto Rico. John "Jack" Powers, Jr., then assistant to Pfizer President John McKeen, directs his international teams to “study the economy, establish proper contacts with government officials, learn the

language, history, and customs, and hire local employees wherever possible."

- **1952**: Pfizer establishes an Agricultural Division dedicated to offering cutting-edge solutions to animal health problems. The division opens its 700-acre farm and research facility in Terre Haute, Indiana.

- **1953**: After it's acquisition, J.B. Roerig and Company, specialists in nutritional supplements, becomes a division of Pfizer. Roerig remains an integral part of Pfizer's outstanding marketing division.

- **1955**: A fermentation plant opens in England, laying the foundation for Pfizer's research and development operations in Great Britain. Pfizer partners with Japan's Taito to manufacture and distribute antibiotics. Pfizer acquires full ownership of Taito in 1983.

- **1958**: New Pfizer pharmaceutical plants begin production in Mexico, Italy, and Turkey. International personnel increases from 4,300 in 1957 to over 7,000.

- **1960**: The Company signals its increasing commitment to research by consolidating its medical research laboratory operations in Groton, Connecticut.

- **1961**: Pfizer begins a decade of substantial growth and establishes new World Headquarters in midtown Manhattan.

- **1965**: John J. Powers, Jr.,is named president and CEO. John McKeen, whom he succeeds, remains chairman of the board, a position he holds until 1968, when Powers assumes full leadership of the company.

- **1967**: Vibramycin® (doxycycline hyclate), the company's first once-a-day broad-spectrum antibiotic is introduced and quickly becomes a top seller.

- **1971**: Pfizer acquires Mack Illertissen, a prosperous manufacturer of pharmaceutical, chemical, and consumer products oriented to the needs of the German marketplace. The Central Research Division is established, combining pharmaceutical, agricultural, and chemical R&D worldwide. It eventually grows to include research centers on three continents. In an era of unprecedented advances in medical discovery, Pfizer makes a long-term investment in research that will pay off years later.

- **1972**: Pfizer crosses the billion-dollar sales threshold. John Powers, Jr., steps down; Edmund T. Pratt, Jr., becomes CEO; and Gerald D. Laubauch becomes President.
- **1976**: Pfizer introduces Minipress® (prazosin HCI) in the United States, for the control of high blood pressure. Pfizer introduces Minipress® (prazosin HCI) in the United States, for the control of high blood pressure.

- **1980**: Feldene® (piroxicam) becomes one of the largest-selling prescription anti-inflammatory medications in the world and, ultimately, Pfizer's first product to reach a total of a billion United States dollars in sales.
- **1984**: Glucotrol® (glipizide), for diabetes, is launched.
- **1986**: Pfizer introduces Unasyn® (ampicillin sulbactam), an injectable antibiotic.
- **1986**: The Agricultural Division is renamed the Animal Health Division.
- **1989**: Pfizer launches Procardia® XL (nifedipine) extended-release tablets, an innovative once-a-day medication for angina and hypertension.

- **1990**: William C. Steere, Jr., is appointed President. A year later, he is also named Chief Executive Officer.
- **1992**: William C. Steere, Jr. becomes Chairman of the Board. His goal is to refocus the Company on its core competencies. Pfizer has a triple rollout of major new medicines: Zoloft® (sertraline hydrochloride) for treatment of depression, Norvasc® (amlodipine besylate) for control of angina and hypertension, and Zithromax® (azithromycin) for respiratory and skin infections.
- **1993**: Pfizer´s Sharing the Care, the industry´s premier drug-donation program, is launched.
- **1995**: The Animal Health Division purchases SmithKline Beecham's animal health business, making Pfizer a world leader in the development and production of pharmaceuticals for livestock and companion animals.
- **1997**: Fortune® magazine names Pfizer the world's most admired pharmaceutical company. Fortune® magazine names Pfizer the world's most admired pharmaceutical company.
- **1998**: Pfizer's roster of outstanding drugs grows with the launch of Viagra® (sildenafil citrate), a breakthrough treatment for erectile dysfunction.
- **1999**: Pfizer celebrates its 150th anniversary as one of the world's premier pharmaceutical companies. Recognized for its success in discovering and developing innovative drugs for human discovery, Forbes® magazine names Pfizer "Company of the Year." Pfizer takes the drug discovery process to a new level of efficiency with the opening of the Discovery Technology Center in Cambridge, Massachusetts.
- **2000**: The Best Get Better—Pfizer and Warner-Lambert merge to form the new Pfizer, creating the world's fastest-growing major pharmaceutical company.

- **2004**: Pfizer Inc is selected by Dow Jones and Co. to be included in the Dow Jones Industrial Average, which is the best-known stock market barometer in the world. Caduet® (amlodipine besylate and atorvastatin calcium), the first single pill that treats both high blood pressure and high cholesterol, is launched.
- **2005**: Pfizer launches Lyrica® (pregabalin), the first treatment approved by the U.S. Food and Drug Administration to treat two distinct forms of neuropathic pain associated with diabetic peripheral neuropathy (DPN), postherpetic neuralgia (PHN) and adjunctive treatment of partial onset seizures in adults with epilepsy.
- **2006**: Pfizer's roster of outstanding drugs grows with the launch of Sutent® (sunitinib malate), a new, oral, multikinase inhibitor to treat patients with metastatic renal cell carcinoma (mRCC), or advanced kidney cancer, and gastrointestinal stromal tumor (GIST) after disease progression on, or intolerance to, imatinib mesylate.
- **2007**: Pfizer launches Selzentry™ (maraviroc) tablets, the first in a new class of oral HIV medicines in more than 10 years. Selzentry blocks viral entry into white blood cells, significantly reducing viral load and increasing T-cell counts in treatment-experienced patients infected with a specific type of HIV.
- **2008**: Jeff Kindler, Chairman and CEO of Pfizer, announces the next step in the company's evolution and outlines the company's plan to establish smaller operating units designed to enhance innovation and accountability, while drawing upon the advantages of Pfizer's scale and resources. These customer-focused business units allow Pfizer to better anticipate and respond to customers' and patients' needs, as well responds to changes in the marketplace.
- **2009**: On October 15, 2009, Pfizer acquires Wyeth, creating a company with a broad range of products and therapies that touch the lives of patients and

consumers every day and at every stage of life. Pfizer takes a new and unique approach to biomedical research, a move intended bring more innovative medicines to more patients more quickly. Specifically, Pfizer creates two distinct research organizations: The PharmaTherapeutics Research & Development Group, which focuses on discovery of small molecules and related modalities; and The BioTherapeutics Research & Development Group, which focuses on large-molecule research, including vaccines.

- **2010**: Ian Read joins Pfizer as Chief Executive Officer. Prior to this, he served as Senior Vice President and Group President of the Worldwide Biopharmaceutical Businesses, which he led from 2006 through December 2010. In that role, he oversaw five global business units—Primary Care, Specialty Care, Oncology, Established Products and Emerging Markets.
- **2010**: Pfizer announces a diversified R&D platform named Pfizer Worldwide Research and Development, supporting excellence in small molecules, large molecules and vaccine research and development.
- **2011**: Pfizer Completes Sale of Capsugel Business to KRR. Pfizer announces that it has completed the sale of its Capsugel business to an affiliate of Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR"), following the receipt of required regulatory clearances, including in the U.S. and the European Union.
- **2012**: Pfizer's subsidiary, Zoetis™ Inc, files IPO registration statement
- Pfizer's subsidiary, Zoetis™ Inc., files a registration statement with the U.S. Securities and Exchange Commission for a potential initial public offering (IPO) of Class A common stock. The offering is expected to represent an ownership stake of up to 20 percent. Prior to completion of the offering, which is targeted for the first half of 2013, Pfizer will transfer its animal health business to Zoetis.

- **2013**: Pfizer announces plans to move forward to internally separate its commercial operations into three business segments, two of which will include Innovative business lines and a third which will include the Value business line. Each of the three segments will include developed markets and emerging markets.
- **2014**: Pfizer announces that it has entered into a definitive agreement to acquire Baxter International Inc.'s portfolio of marketed vaccines for $635 million. As part of the transaction, Pfizer will also acquire a portion of Baxter's facility in Orth, Austria, where these vaccines are manufactured.
- **2015**: Pfizer announces that they have entered into a definitive merger agreement under which Pfizer will acquire Hospira. This strategically complementary combination adds a growing revenue stream and a platform for growth for Pfizer's GEP business.
- **2016**: Watson Health and Pfizer announce a collaboration that will utilize IBM Watson for Drug Discovery to help accelerate Pfizer's research in immuno-oncology, an approach to cancer treatment that uses the body's immune system to help fight cancer.
- **2017**: Pfizer and Corning Incorporated announce collaborations that have enabled the modernization of pharmaceutical packaging with the introduction of Corning Valor™ Glass. This revolutionary pharmaceutical glass packaging solution enhances the storage and delivery of today's drug formulations and provides more reliable access to medicines essential to public health.

PRODUCTS OF PFIZER INDIA

1. Anti-allergic

LC-OD M	LC-OD PLUS	Levocetrinzine Group

2. Anti-Diabetic

Amlogard-Met	Bidiab	Immediab
Immediab-M	Immediab-MP	Voglibose

3. Antihistamine— Histizer

4. Anti-Infectives

Cesaves s	Chloromy cetin	Claribid	Erythr ocin	fasig yn	Iso kin
Jetex	Jetex CV, O	Jetex Duo	Jetflox	Jetfl oxy	Rox ify
Levoflox acin	Magnocef	Magnam ycin	Nabas ulf	Nabasulf ointment	
Terramy cin	Trulimax	Vibazime DT	Vibazime Duo		

5. Anti- Parasitic— Combantrin A

6. Cardiovascular

Acupil	Amlogard	Amlogard- TM	Atpark
Cenilos	Clopichek	Cyklokapron	Eliquis
Lopid	Minipress XL	Newsta, Newsta-F	nicopress
Olmify	Olmify-H	Target	Tritovis

7. Dermatology — Selsun Lotion

8. Erectile Dysfunction —

- tadalift,
- Viagra

9. GI

Above 5	Agarol	Etuser	etuser DSR	lactulose
Gelusil	Noxantor	Noxant or- D	Noxant or- DSR	Prantopra zole
Prantopra zole & Panta D	Prantopra zole group	Zarate (Fast) - Rabeprazole + Sodium bi Carbonate		Pepticaine

10. Multi-vitamins—

- Becosule Capsules (Vit. B- Complex + Vit. C)

11. Neurology

Citicoline	Dilantin	Levefree
Lyrica	oxileptin	

12. Pain/ fever/ inflammation

Dolonex	Dolonat	Dolonat Inj (tramadol)	Equiflex
Equio	Ledermol	Pactiv	Pactiv Pediatric
Pfizer's Paracetamol	Ponstan	Sloans	tuvace

13. Pain/ Inflammation + GI —

- Dolonex + Rabeprazole

14. Paediatrics

Pedialyte (ORS)	Rashfree (Benzalkonium Chloride And Zinc Oxide)

15. Psychiatry

Pristiq	Amisant	Daxid

16. Respiratory

Beconex GX	Brophylin	Champix	Corex DX
Corex group	Cough (Terbatuline)	Equio	Infinair
Infinair LD	Tedral	Tricorex	Waterburys compund

17. Urology —

- Citrosoda

18. Vitamin/ Minerals

Beconex Syrup	BecoSpecial	Becosules Syrup
Becotrol	Broncovit	Cognisules
Ferradol F.S.	Ferrous Ascorbate + Folic Acid	Neurospecial

19. Antibiotics

Cynomycin	Tygacil	Wymox	zosyn

20. Women's Health

Hormone replacement therapy/ oral contraceptives/ other gynecological products		
Loette	Ovral G	Ovral L
Premarin 0.3 mg tablets	Premarin 0.625 mg tablets	Premarin Vaginal Cream (Conjugated Estrogens)

21. Streoids —

- Wysolone

22. Vaccines —

- Prevenar 13

23. Vitamins And Minerals

Autrin Capsules	Folvite Tablets

24. Central Nervous System

Ativan	Pacitane

25. Autoimmune disorder

- enbrel

26. Other products

A. Gastrointestinal

- Mucaine

B. Ophthalmology

- Diamox tablets

C. Antiparasitic

- Hetrazan

SWOT ANALYSIS OF PFIZER LTD. INDIA

S T R E N G T H S —

i. Rising Net Cash Flow and Cash from Operating activity
ii. Bullish Engulfing Pattern (Bullish Reversal)
iii. Effectively using Shareholders fund - Return on equity (ROE) improving since last 2 year
iv. Efficient in managing Assets to generate Profits - ROA improving since last 2 year
v. Growth in Net Profit with increasing Profit Margin (QoQ)
vi. Company with Low Debt
vii. Increasing profits every quarter for the past 3 quarters
viii. A company able to generate Net Cash - Improving Net Cash Flow for last 2 years
ix. Annual Net Profits improving for last 2 years
x. Book Value per share Improving for last 2 years
xi. Company with Zero Promoter Pledge
xii. High dividends, with rising dividend yields over the last five years.

W E A K N E S S —

i. Companies with growing costs YoY for long term projects
ii. MFs decreased their shareholding last quarter

O P P O R T U N I T E S —

i. Positive Breakout Third Resistance (Last Traded Price > R3)
ii. Relative Strenght Index indicating price strength
iii. High Volume, High Gain

T H R E A T —

i. Increasing Trend in Non-Core Income
ii. Stocks with high PE (PE > 40).

RESEARCH METHODOLOGY:

Research methodology:

❖ *Relevance of the study*

The measurement to see whether the covid-19 outbreak has an impact or the Abbott India Ltd and Pfizer performance produces the same result as before. How they are heading and what are their financial strengths as compared to other peer groups of industries.

❖ *Need of the study*

i. To provide a clear picture of important aspects like liquidity, profitability and activity of Abbot India ltd. and Pfizer

ii. To know who is performing better by comparing Abbot India ltd and Pfizer

iii. To determine proper utilization of funds of both companies.

iv. The investor interested in investing get to know the position of both the companies and may impact decision-based on financial ratio.

❖ *Objectives of the study:*

i. To study the ratio in respect to Abbot India Ltd.

ii. To study the ratio in respect to Pfizer.

iii. To determine the financial position of both the companies based on the ratios from 2018-19 to 2020-21.

iv. To know in which direction both the firms are heading.

v. To compare the ratios of both the company for the last five years, i.e. 2018-19 to 2020-21

vi. To compare each company with peer companies.

❖ *Hypothesis:*

1.

- H_0 = covid-19 does not create an impact on the performance of both companies
- H_1 = covid-19 create an impact on the performance of both the companies.

2.

- H_0 = Abbott India Ltd is performing better than Pfizer
- H_1 = Pfizer is performing better than Abbott India Ltd.

❖ *Research design*

The information is collected through secondary sources.

- The annual report from 2018-19 to 2020-21 of Abbot India ltd. and Pfizer.
- Different kind of reports and articles related to the study.
- Web-based support from the internet.
- Tools used:- Ms Excel for tables, charts, graphs and Ms Word

METHODS:

The project intended to analyse the performance, liquidity and current position by using the data collected. These data collected are converted into useful information by using the following ratios-

- *Liquidity ratios*, which measure a firm's ability to meet cash needs as they arise. For example current ratio, quick ratio etc.
- *Profitability ratio*, which measures the overall performance of a firm and its efficiency in managing assets, liabilities, and equity. For example: profit margin, net profit margin, return on shareholder's equity, return on assets etc.
- *Activity ratios or turnover ratio*, which measures the liquidity of specific assets and the efficiency of managing assets. For example inventory turnover ratio, debtor turnover ratio, working capital turnover ratio etc.

- *Assets turnover or management*, which evaluates how well a company, is utilizing its assets to produce revenue.
    - Total asset turnover ratio
- Long term debt of *leverage ratios*, which measure the extent of a firm's financing with debt relative to equity and its ability to cover interest and other fixed charges. For example : debt to equity ratio, interest coverage ratio, etc.
- *Market value ratios* bring to the stock price and give an idea of what investors think about the firm and its prospects. For example, earning per share, price-earning ratio, etc.

❖ Limitation of the study

- ❖ Limited to financial ratio analysis which alone is not sufficient to analyse the performance of the company.
- ❖ Based upon secondary data which might be biased.
- ❖ Due to covid-19, it is difficult to collect data from primary sources and this study completely based on the information which is available online.
- ❖ The analysis is limited to just three years from 2018-19 to 2020-21, for financial analysis

THEORETICAL FRAMEWORK

Theoretical framework

A financial ratio can be well defined as a comparative magnitude of two selected statistical values taken from the financial statements of a business enterprise. Being used in accounting very often, numerous standard ratios are used for evaluation of the overall financial condition of an organization or corporation. These financial ratios might be used by the managers of a firm, creditors of a firm, and current and potential shareholders of a firm. Moreover, these financial ratios are also used by security analysts to contrast the strengths and weaknesses of various companies.

❖ *OBJECTIVES OF RATIO ANALYSIS:-*

- ✓ The study of the financial statement of any corporate will help in knowing its present and future earning capacity.
- ✓ The study of financial resources can help in knowing whether a company can pay its long-term or short-term liabilities.
- ✓ To know how much working capital is employed in business and the same effect used.
- ✓ It's full to measure earning capacity and its comparison to other competitive units.
- ✓ Help full to known marginal efficiency.
- ✓ Use full to future planning.

❖ *Modes of expression of ratios*

- In proportion (pure ratio) e.g. a ratio between debt and Equity, say, 1:1.
- In rate or times or coefficient e.g. working turnover ratio 3 times a year.
- In percentage: e.g. Net Profit is 20% on sales

❖ *Significance of Ratio to various parties*

TO MANAGEMENT:

They give answers to investors about performance by comparing the present operating ratios and turnover with past results, also comparing their company with other peers in the industry.

TO SHAREHOLDERS:

Shareholders are often concerned about the profitability of the firm. They invest in a risky portfolio so that they can gain the maximum. Profitability also tells about the health of the company which shows management. However, from the past two decades, investors are also focusing on cash flow trends.

TO DEBT HOLDERS AND SUPPLIERS:

Both the parties are concerned about the amount paid by the company or to them at the date they have promised. Debt and supply depend upon the liquidity of the firm. Low liquidity can leads to a cut of supply from suppliers. And if suppliers are not interested in supplying to companies then debt holders may also get concerned about their credit and can refuse to lend money.

TO CREDIT RATING AGENCY:

They use the solvency ratio to ascertain whether the company will able to make good its obligations in the long run.

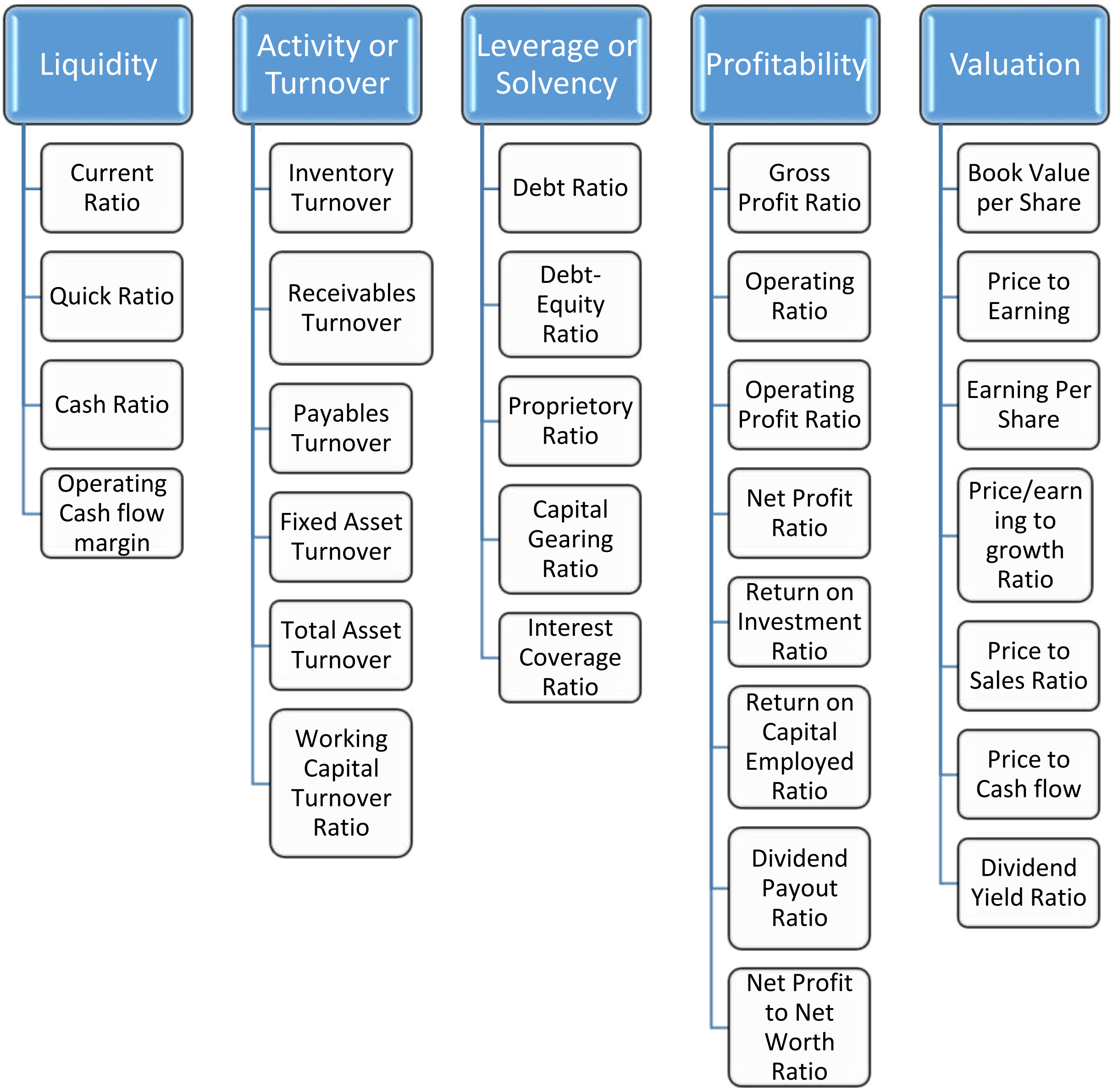
TO EMPLOYEES:

Employees would get to know their job security, hike in salary, bonus and continuation of business-related issues and wage bargaining by computing the profitability, liquidity and turnover of the business.

❖ *Limitation of financial ratios*

- Based on approximate figures and historical statements which can be biased so it could not draw actual results.
- Does not take inflation, depreciation methods, accounting policies, company strategies while comparing one company with another.
- To compare one group of industries with its peers you can’t depend only on ratio further should look into another perspective like trend analysis, company analysis.
- It only takes quantitative factor into account and ignores qualitative factors.
- It does not always disclose the true financial position of the business because profit disclosed by profit and loss account may not be real profit.

❖ *Types of ratios*



LIQUIDITY RATIOS

A firm must maintain some degree of liquidity in order to pay their shares to shareholders. Liquidity ratio demonstrate the company's ability to pay its debts and other liabilities. The main aim is to meet the obligations during the short term financial losses. It can be calculated in multiple ways as follows:

- **CURRENT RATIO**

Calculated as current assets divided by current liabilities, and it formulates an idea of how well the company can meet its obligations in coming 12 months. The current assets consist of cash and assets that can easily be turned into cash and the current liabilities consist of payments that a company expects to make in the near future.

Current ratio = current asset / current liabilities

- **QUICK RATIO**

Used when it is desirable to know the more immediate position or instant debt paying ability of the firm than that indicated by the current ratio for this acid-test ratio or quick ratio. It will compare a company's cash, marketable securities, and receivables against its liabilities, giving you a better picture of how well it can make payments on its current obligations.

$$\text{Quick (Acid-test) Ratio} = \frac{\text{Current asset - Inventory}}{\text{Current liabilites}}$$

- **CASH RATIO**

It helps the investors to decide that how much money they are willing to pay if they loan to a company. It is ratio of company's total cash and cash equivalents to its current liabilities. The metric calculates a company's ability to repay its short-term debt with cash or near-cash resources, such as easily marketable securities.

$$\text{Cash ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current Liabilities}}$$

- **OPERATING CASH FLOW MARGIN**

It helps to determine how much earnings a company generates through its operating activities against each unit of current liabilities. A higher ratio means that a company has generated more cash in a period than what was immediately needed to pay off current liabilities. Cash flow from operations (CFO) is preferred over net income because there is less room to manipulate results through accounting tricks.

$$\text{Operating Cash Flow Margin} = \frac{\text{Cash flow from Operations}}{\text{Current Liabilities}}$$

EFFICIENCY OR TURNOVER RATIOS

These type of ratio are to determine that how company uses its resources to generate sales with available assets. It also assist in computing the performance of business. Actually it is efficiency check for the company to ascertain different asset to extract earnings from individually or as a whole. A higher ratio will indicate that with the use of less funds, return on investment is higher which implies the company has optimally uses the resources to earn revenue.

- **INVENTORY TURNOVER RATIO**

It tells how company can sell its goods with less investments in inventory and helps the businesses to make better decisions about inventory management like pricing, manufacturing, purchasing and marketing of inventory. A high ratio shows that company can convert inventory to sales quickly while low ratio states that firm still hold obsolete inventory.

$$\text{Inventory turover ratio} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

Where,

- Cost of goods sold= opening stock + purchases – closing stock
- Average stock= (opening stock + closing stock)/2

- **RECEIVABLE TURNOVER RATIO**

It is known as debtor's turnover ratio which calculates the conversion of debtors or credit sales amount into cash. It can be monitored and track to any trends or patterns. A high turnover means company is well sufficient customer that pay their debts to company while a low turnover means customer are not financially worthy and can become insolvent.

$$\text{Account receivable turnover ratio} = \frac{\text{Net credit Sales}}{\text{Average Account Receivables}}$$

Average account Receivable = **(opening value of accounts receivable + closing value of account receivables)/2**

- Accounts Receivables = Debtors + Bills Receivable

Receivable turnover in days= 365/ debtors turnover ratio

- **PAYABLE TURNOVER RATIO**

It is also known as creditor turnover ratio which measures the company's liquidity to pay off its debts to creditors over accounting period. A higher turnover ratio means company is favourable to pay debts.

$$\text{Payable Turnover Ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Accounts Payable}}$$

- Average accounts payable = opening value + closing value of accounts payable
- Accounts payable = Creditors + Bills Payable

Payable turnover in days= 365/ payable turnover ratio

- **<u>FIXED ASSET TURNOVER RATIO</u>**

It is mainly for the manufacturing companies who uses a lot of plant and equipment in its operation to calculate the ratio. It measures the effectiveness of the company in generating revenue from its investment in plant, machinery and property. If you don't have enough investment in sales then it can effect your profitability, free cash flows and stock price.

$$\text{Fixed asset turnover ratio} = \frac{\text{Net sales}}{\text{Fixed asset}}$$

- **<u>TOTAL ASSET TURNOVER RATIO</u>**

It can be seen as indicator of the efficiency for company which using its assets to generate revenue. It measures the value of company revenue against its value of assets. A high ratio means company utilize properly of assets while low ratio means company not utilizing its assets efficiently.

$$\text{asset turnover Ratio} = \frac{\text{Net sales}}{\text{Average Total Asset}}$$

Average total asset = (asset at the beginning + asset at the end of the year) /2

- **WORKING CAPITAL TURNOVER RATIO**

It determines how company uses its working capital i.e. current asset- current liabilities to generate revenue or sales growth. It reveals the relationship between the money used for operations and revenue which produce profit as a result. A high working capital suggest that there is need to raise capital to support future growth.

$$\text{Working capital turnover} = \frac{\text{Net sales}}{\text{Average working capital}}$$

Net sales = Sales – sales Return

Average working capital = (opening + closing balance of current asset) – (opening + closing balance of current liabilities).

LEVERAGE RATIOS

It is also known as Solvency Ratio. It indicates company dependence on debt and capability to pay long term deficit. Hence it is important for bankers and investors who have interest to invest in company. High ratio indicates company's exposure to risk and downturns. Following are some ratios:

- **DEBT RATIO**

It demonstrate the proportion of total asset that is financed by creditors. It mainly indicates the capability of firm that how it can meets its requirement by using it's own fund. Lower the debt ratio means company can pay its creditors if faces any financial problems.

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

- **DEBT-EQUITY RATIO**

It is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. This financial tool gives an idea of how much borrowed capital (debt) can be fulfilled in the event of liquidation using shareholder contributions. It is used for the assessment of financial leverage and soundness of a firm and is typically calculated using previous fiscal year's data. A low debt-equity ratio is favourable from investment viewpoint as it is less risky in times of increasing interest rates. It therefore attracts additional capital for further investment and expansion of the business.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholder's Fund}}$$

- **PROPRIETARY RATIO**

It provides a rough estimate of the amount of capitalization used to support a business. If the ratio is high, this indicates that a company has a sufficient amount of equity to support the functions of the business, and probably has room in its financial structure to take on additional debt, if necessary. Conversely, a low ratio indicates that a business may be making use of too much debt or trade payables, rather than equity, to support operations (which may place the company at risk of bankruptcy). It should be used in conjunction with the net profit ratio and an examination of the statement of cash flows to gain a better overview of the financial circumstances of a business. These additional measures reveal the ability of a business to earn a profit and generate cash flows, respectively.

$$\text{Proprietary ratio} = \frac{\text{Shareholder's Equity}}{\text{Total Tangible Assets}}$$

- **CAPITAL GEARING RATIO**

Refers to the ratio of debt a company has relative to equities. It represents the financial risk of a company. It is also referred to as financial gearing or financial leverage. Analyzing capital structure means measuring the relationship between the funds provided by common stockholders and the funds provided by those who receive a periodic interest or dividend at a fixed rate.

A company is said to be low geared if the larger portion of the capital is composed of common stockholders' equity. On the other hand, the company is said to be highly geared if the larger portion of the capital is composed of fixed interest/dividend bearing funds. For example, if a company is said to have a capital gearing of 3.0, it means that the company has debt thrice as much as its equity.

$$\textbf{Capital Gearing Ratio} = \frac{\textbf{Common Shareholder's Equity}}{\textbf{Fixed Interest Bearing Funds}}$$

- **Common Stockholders' Equity**: We will take the shareholders' equity and deduct the Preferred Shares (if any).
- **Fixed Interest bearing funds:** Here, the list is long. We need to include a lot of components on which the companies pay interest. For example, we will include long term loans/debts, debentures, bonds, and preferred stock.

- **INTEREST COVERAGE RATIO**

The interest coverage ratio (ICR) is a measure of a company's ability to meet its interest payments. Interest coverage ratio is equal to earnings before interest and taxes (EBIT) for a time period, often one year, divided by interest expenses for the same time period. The interest coverage ratio is a measure of the number of times a company could make the interest payments on its debt with its EBIT. It determines how easily a company can pay interest expenses on outstanding debt. Interest coverage ratio is also known as interest coverage, debt service ratio or debt service coverage ratio.

$$\text{Interest coverage ratio} = \frac{\text{EBIT (earning before interest and tax)}}{\text{Interest expenses}}$$

PROFITABILITY RATIOS

Profitability ratios assess a company's ability to earn profits from its sales or operations, balance sheet assets, or shareholders' equity. Profitability ratios indicate how efficiently a company generates profit and value for shareholders. Higher ratio results are often more favorable, but these ratios provide much more information when compared to results of similar companies, the company's own historical performance, or the industry average.

- **GROSS PROFIT RATIO**

Gross profit ratio (GP ratio or gross margin ratio) is a financial ratio that measures the performance and efficiency of a business by dividing its gross profit figure by the total net sales. It is done by determining the total sales over a certain period of time and deducting the total costs of the labour and materials used to create the goods and services that the organization is selling. The company's net sales figure represents all its gross sales over a certain period of time, as well as income from other sources, such as interest, rented properties, royalties, or others, minus its returns, allowances and discounts. It is accurate indicator of how efficiently a company is selling its goods and services. This will give the organization's management and potential investors a view of how well the company manages to optimize its processes, keep the costs to a minimum and produce the highest possible profit.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

- **OPERATING RATIO**

The Operating ratio is a company's operating expenses as a percentage of revenue. This financial ratio is most commonly used for industries which require a large percentage of revenues to maintain operations, such as railroads. In railroading, an operating ratio of 80 or lower is considered desirable.

The operating ratio can be used to determine the efficiency of a company's management by comparing operating expenses to net sales. It is calculated by dividing the operating expenses by the net sales. The smaller the ratio, the greater the organization's ability to generate profit. The ratio does not factor in expansion or debt repayment.

Calculation:

$$\textbf{Operating ratio} = \frac{\textbf{Operating expenses + cost of goods sold}}{\textbf{Net Sales}}$$

→ From a company's income statement take the total cost of goods sold, which can also be called cost of sales.

→ Find total operating expenses, which should be farther down the income statement.

→ Add total operating expenses and cost of goods sold or COGS and plug the result into the numerator of the formula.

→ Divide the sum of operating expenses and COGS by the total net sales.

→ Please note that some companies include the cost of goods sold as part of operating expenses while other companies list the two costs separately.

- **OPERATING PROFIT RATIO**

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production such as wages, raw materials, etc. It is also expressed as a percentage of sales and then shows the efficiency of a company controlling the costs and expenses associated with business operations. Furthermore, it is the return achieved from standard operations and does not include unique or one time transactions. Net sales include both Cash and Credit Sales, on the other hand, Operating Profit is the net operating profit i.e. the Operating Profit before interest and taxes. Operating Profit ratio helps to find out Operating Profit earned in comparison to revenue earned from operations.

$$\text{Operating profit ratio} = \frac{\text{Operating profit}}{\text{Revenue from Operations (Net Sales)}}$$

Note – It is represented as a percentage so it is multiplied by 100.

Operating Profit = Net profit before taxes + Non-operating expenses – Non-operating incomes

OR

Operating Profit = Gross profit + Other Operating Income – Other operating expenses

Revenue from Operations (Net Sales) = (Cash sales + Credit sales) – Sales returns

- **NET PROFIT RATIO**

The net profit percentage is the ratio of after-tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. As such, it is one of the best measures of the overall results of a firm, especially when combined with an evaluation of how well it is using its working capital. The measure is commonly reported on a trend line, to judge performance over time. It is also used to compare the results of a business with its competitors.

Net profit is not an indicator of cash flows, since net profit incorporates a number of non-cash expenses, such as accrued expenses, amortization, and depreciation. For businesses, this helps them determine whether their current business practices are generating revenue in addition to the revenue they put towards creating their products. For investors, net profitability ratios help them determine whether or not they should invest in a company.

$$\textbf{Net profit ratio} = \frac{\textbf{Net Profit}}{\textbf{Sales or Revenue}}$$

Where, **Net profit = Revenue (—) Cost of goods sold (–) operating and other expenses (–) interest (–) taxes.**

- **RETURN ON INVESTMENT RATIO**

ROI serves as a returns ratio, allowing a business owner to calculate how efficiently the company uses its total asset base to generate sales. Total assets include all current assets such as cash, inventory, and accounts receivable in addition to fixed assets such as the plant buildings and equipment. If an investment doesn't have a good ROI, or if an investor or business owner has other opportunities available with a higher ROI, then calculating the ROI values on the different opportunities can instruct them as to which investments to choose for the best return. Many analysts and investors like to use the ROI metric because of its versatility and simplicity. Essentially, it works as a quick gauge of an investment’s profitability, and it's very easy to calculate and interpret for a wide variety of investment types.

To ***calculate*** return on investment, the benefits (or returns) of an investment are divided by the costs of the investment. The result can be expressed as a percentage or a ratio.

$$\text{Return on Investment (ROI)} = \frac{\text{Gains from Investment} - \text{Cost}}{\text{Cost of Investment}}$$

It should be ***noted*** that the definition and formula of return on investment can be modified to suit the circumstances. It all depends on what is included as returns and costs. For example to measure the profitability of a company the following formula can be used to calculate return on investment.

$$\text{Return on Investment} = \frac{\text{Net profit after interest and tax}}{\text{Total Assets}}$$

- **RETURN ON CAPITAL EMPLOYED (ROCE)**

Return on capital employed or ROCE is a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. In other words, return on capital employed shows investors how many dollars in profits each dollar of capital employed generates. ROCE is a long-term profitability ratio because it shows how effectively assets are performing while taking into consideration long-term financing. This is why ROCE is a more useful ratio than return on equity to evaluate the longevity of a company.

$$\text{Return on capital employed} = \frac{\text{EBIT or Net Operating Profit}}{\text{Capital Employed}}$$

Where:

Earnings before interest and tax (EBIT) is the company's profit, including all expenses except interest and tax expenses.

Capital employed is the total amount of equity invested in a business. Capital employed is commonly calculated as either total assets less current liabilities or fixed assets plus working capital.

- **DIVIDEND PAYOUT RATIO**

Publicly traded companies that earn profits may choose to distribute some of those profits to shareholders in the form of dividends. These payments are equally distributed to investors of a given class and must be approved by the company's Board of Directors. The DPR expresses what percentage of earnings the company paid out to its owners or shareholders. Any money the company doesn't pay out typically goes to pay down the firm's debt or reinvest in key operations. The DPR alone cannot define a company's health but it gives a sense for how the company prioritizes investment in future growth. It may also give insight into where the company is in its life cycle. If a company's pay-out ratio is 30%, then it indicates that the company has channelled 30% of the earnings is made to be paid as dividends. Thereby, the remaining 70% of net income the company keeps with itself. This retained amount goes toward mitigating liabilities, financing developmental endeavours like expansion or R&D, and reserves. The amount, which a company keeps as providence in a particular year, is known as retained earnings.

$$\text{Dividend payout Ratio} = \frac{\text{Total Dividend}}{\text{Net Income}}$$

Or,

$$\text{Dividend payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earnings Per share}}$$

Or,

$$\text{Dividend payout Ratio} = 1 - \text{Retention Ratio}$$

- **NET PROFIT TO NET WORTH RATIO**

The net worth ratio states the return that shareholders could receive on their investment in a company, if all of the profit earned were to be passed through directly to them. Thus, the ratio is developed from the perspective of the shareholder, not the company, and is used to analyze investor returns. The ratio is useful as a measure of how well a company is utilizing the shareholder investment to create returns for them, and can be used for comparison purposes with competitors in the same industry.

To calculate the return on net worth, first compile the net profit generated by the company. The profit figure used should have all financing costs and taxes deducted from it, so that it accurately reflects the profit available to shareholders. This is the numerator in the formula. Next, add together the capital contributions made by shareholders, as well as all retained earnings; this is the denominator in the formula. The final formula is:

$$\text{Net worth Ratio} = \frac{\text{Net profit after tax}}{\text{Shareholder Capital} + \text{Retained Earnings}}$$

MARKET VALUE RATIOS

- **BOOK VALUE PER SHARE**

The book value per share (BVPS) is calculated by taking the ratio of equity available to common stockholders against the number of shares outstanding. When compared to the current market value per share, the book value per share can provide information on how a company's stock is valued. If the value of BVPS exceeds the market value per share, the company's stock is deemed undervalued. The book value is used as an indicator of the value of a company's stock, and it can be used to predict the possible market price of a share at a given time in the future.

$$\textbf{Book Value per Share (BVPS)} = \frac{\textbf{Stockholder's Equity – Preferred Stock}}{\textbf{Average Shares outstanding}}$$

- **PRICE TO EARNING**

Price to Earnings Ratio is one of the most widely-used metrics by analysts and investors across the world. It signifies the amount of money an investor is willing to invest in a single share of a company for Re. 1 of its earnings. Hence, when a company demonstrates high P/E Ratio, it means that either the company is overvalued or is on a trajectory to growth. Another interpretation of a high P/E ratio could be that such a company is expected to have increased revenue in the future and speculation of the same by analysts and investors has led to a surge in its current stock prices. On the other hand, a low Price to Earnings Ratio signifies undervaluation of stocks, due to any systematic or unsystematic risk of the market.

$$\textbf{P/E Ratio} = \frac{\textbf{Current market price of a share}}{\textbf{Earnings Per Share}}$$

- **EARNING PER SHARE**

This is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share is also a calculation that shows how profitable a company is on a shareholder basis. So a larger company's profits per share can be compared to smaller company's profits per share. Obviously, this calculation is heavily influenced on how many shares are outstanding. Thus, a larger company will have to split its earning amongst many more shares of stock compared to a smaller company.

$$\text{Earnings per share} = \frac{\text{Net Profit Available For Equity}}{\text{Numbers of Share Outstanding}}$$

- **PRICE/ EARNING TO GROWTH RATIO**

A PEG ratio, or Price/earnings-to-growth ratio, draws the relationship between a stock's P/E ratio and projected earnings growth rate over a specific period. This metric can provide a much more informed view of a stock in relation to its earning potential. In other words, it allows investors an idea about a stock's actual value like a P/E ratio does while also factoring in its growth potential. Therefore, for more fundamental analysis, the PEG ratio is crucial.

$$\text{Price/Earnings to Growth Ratio} = \frac{\dfrac{\text{Market price per share of stock}}{\text{Earnings per share}}}{\text{Growth Rate}}$$

- **PRICE TO SALES RATIO**

The price-to-sales ratio, also known as "price/sales," "P/S ratio," or "list-price-to-sale-price ratio," is one of many valuation metrics for stocks. The ratio describes how much someone must pay to buy one share of a company relative to how much that share generates in revenue for the company. Generally speaking, the lower the P/S ratio is, the better. That means the P/S ratio is based solely on revenue, not on profits or cash flow. As a result, it's especially useful for comparing the valuations of companies with little or no profit, or negative cash flow.

If the PSR of a company is 2, it implies that it will take two years for the company's sales to reach its market capitalisation. The ratio can also be interpreted as the money that investors are willing to pay for every rupee of sales generated by the company.

Formula to calculate:

$$\text{Price-to-Sales Ratio} = \frac{\text{market capitalization}}{\text{revenue}}$$

- **PRICE TO CASH FLOW**

It shows the dollar value an investor is willing to pay for the cash flow generated by the firm. Investors and analysts typically use this ratio to describe the valuation of a company with respect to one of the most important consideration in a company's balance sheet: cash. The P/CF ratio compares the cash flow of the business to its market value in an effort to demonstrate if the valuation is justified or not.

Generally, a low P/CF indicates an undervaluation of a firm's potential. However, like any valuation ratio, P/CF needs to be analyzed compared to the historical, industry (sector), and market point of view. Of all these factors, we can argue that 'investor expectation' is the most important parameters, because it normally encompasses the previous two parameters and future expectations.

$$\textbf{Price to Cash Flow Ratio} = \frac{\textbf{Price per Share}}{\textbf{Operating Cash Flow per Share}}$$

Or,

$$\textbf{Price to Cash Flow Ratio} = \frac{\textbf{Market capital}}{\textbf{Operating Cash Flow}}$$

- **DIVIDEND YIELD RATIO**

Dividend yield is the financial ratio that measures the quantum of cash dividends paid out to shareholders relative to the market value per share. It is computed by dividing the dividend per share by the market price per share and multiplying the result by 100. A company with a high dividend yield pays a substantial share of its profits in the form of dividends. Dividend yield of a company is always compared with the average of the industry to which the company belongs.

$$\textbf{Dividend Yield Ratio} = \frac{\textbf{Dividend Per Share}}{\textbf{Market Value Per Share}}$$

LITERATURE REVIEW

Literature review

- Ms N. Sabari Sudha (2013) in her study on "Financial Performance Using Ratio Analysis at ING Vyasa Bank, Chennai" mainly suggested that to improve the liquidity position of the firm the current and liquid asset should be sufficient to cope with the current liabilities.
- Mr Wesen Legessa Tekate (2019) in his study on "Financial Performance Analysis: A Study on Selected Private Banks in Ethiopia" suggested that to indicate financial performance, financial ratio alone is not sufficient. Therefore alternative must be considered by further researchers such as Data Envelopment Analysis (DEA).
- Mr Anis Ali and Mohammad Imdadul Haque (2014) in their study on "Ratio Analysis: A Comparative Study of National Petrochemicals Co. and Sahara Petrochemicals Co. of Saudi Arabia" suggested that to increase long term paying capacity and ownership in the company, the current asset must be increased and debt must be decreased. Also to reduce the cost- company may consider its raw material for manufacturing, improvement in technology, administrative expenses must be controlled by giving remuneration to employees according to their performance and long term resources can be acquired through the acquisition of fixed assets.
- Ms K. Keethy and S. Eswari (2020) in their study on "A Study on Financial Performance Using Ratio Analysis of Kumbakonam Central Co-Operative Bank" suggested that cash position must be to increase also shouldn't be more fluctuating and interest coverage ratio must be maintained properly so that interest can be paid effectively, which can influence investors decisions.

DATA ANALYSIS AND INTERPRETATION

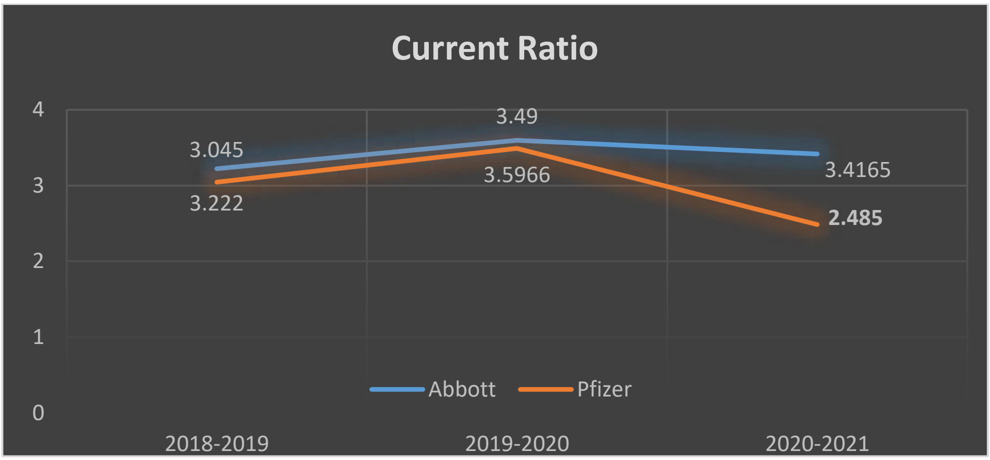
Data analysis and interpretation

I. Liquidity Ratio:

a. Current Ratio:

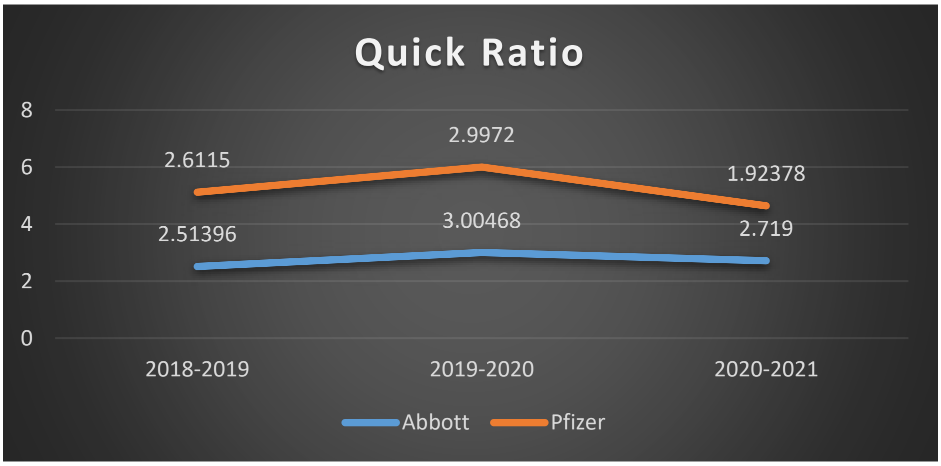
All figures are in ₹ crores

Years	Abbott India Ltd.			Pfizer India Ltd.		
	CA	CL	CR=CA/CL	CA	CL	CR= CA/CL
2020-2021	3,519	1,030	3.4165	1,924.71	774.34	2.485
2019-2020	3,205	891.10	3.5966	3,048.25	873.36	3.49
2018-2019	276098	85689	3.222	2,715.36	891.69	3.045



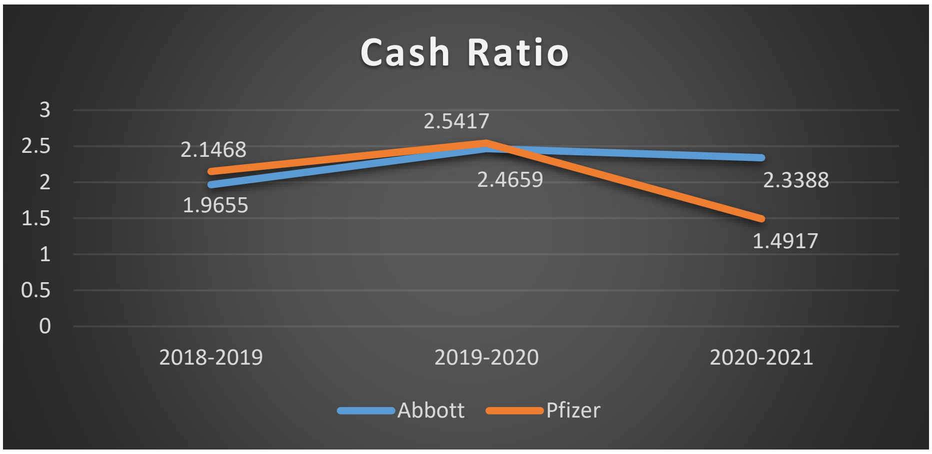
b. Quick Ratio

Years	Abbott India ltd	Pfizer India Ltd.
2020-2021	2.719	1.92378
2019-2020	3.00468	2.9972
2018-2019	2.513960	2.6115



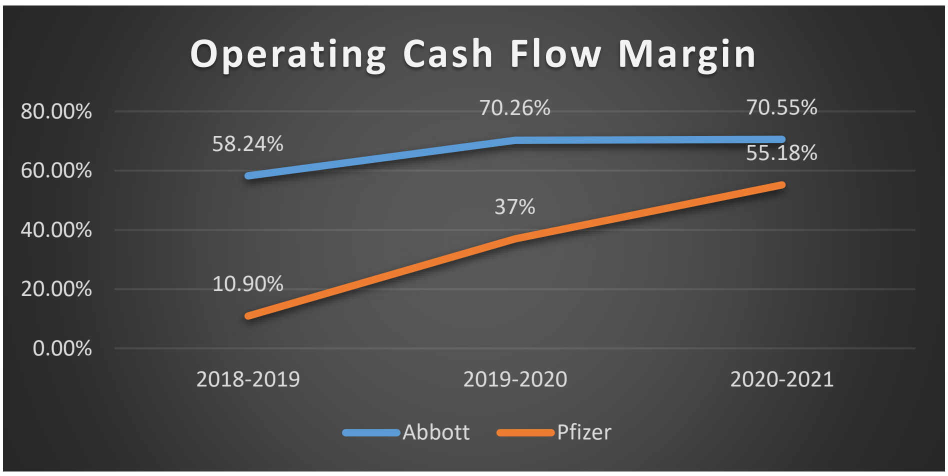
c. Cash Ratio

Years	*Abbott India Ltd.*			*Pfizer India Ltd.*		
	Cash equivalents	**Current liabilities**	**Cash ratio**	**Cash equivalents**	**Current liabilities**	**Cash ratio**
2020-2021	2409.04	1,030	2.3388	1155.1	774.34	1.4917
2019-2020	2197.38	891.10	2.4659	2219.87	873.36	2.5417
2018-2019	1684.28	856.89	1.9655	1914.34	891.69	2.1468



d. Operating Cash Flow Margin

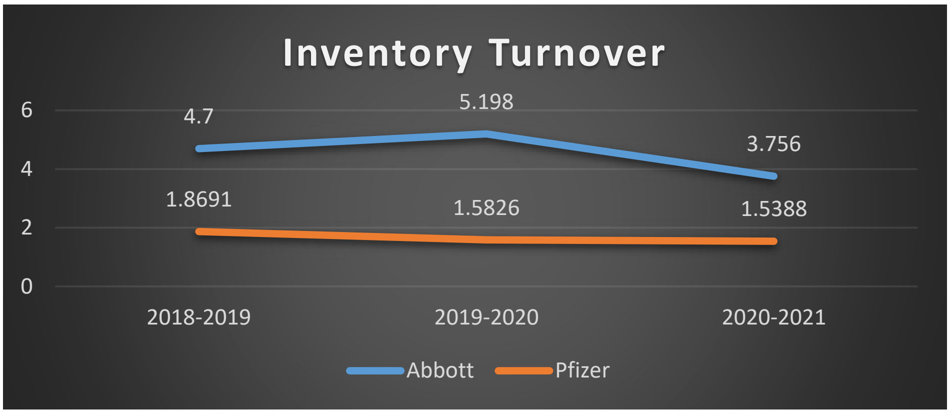
Years	*Abbott India Ltd.*			*Pfizer India Ltd.*		
	CFO	**Current liabilities**	**Operating Cash flow margin**	**CFO**	**Current liabilities**	**Operating Cash flow margin**
2020-2021	726.74	1,030	70.55%	427.33	774.34	55.18%
2019-2020	626.13	891.10	70.26%	323.18	873.36	37%
2018-2019	499.13	856.89	58.24%	97.81	891.69	10.9%



II. *Activity Or Turnover Ration*

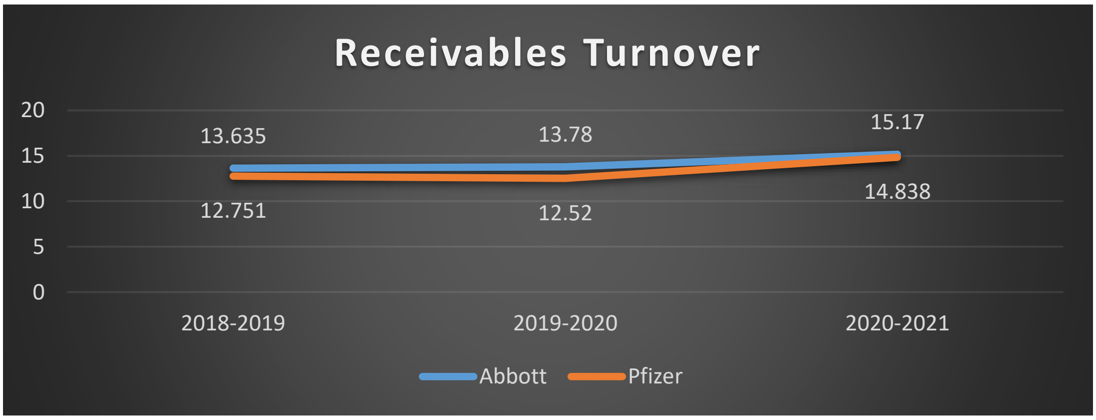
a. *Inventory Turnover*

Years	*Abbott India Ltd.*			*Pfizer India Ltd.*		
	COGS	**Average stock**	**Ratio**	**COGS**	**Average stock**	**Ratio**
2020-2021	454.32	120.93	3.756	334.74	217.525	1.5388
2019-2020	451.75	86.905	5.198	345.21	218.125	1.5826
2018-2019	406.40	86.45	4.700	343.65	183.505	1.8691



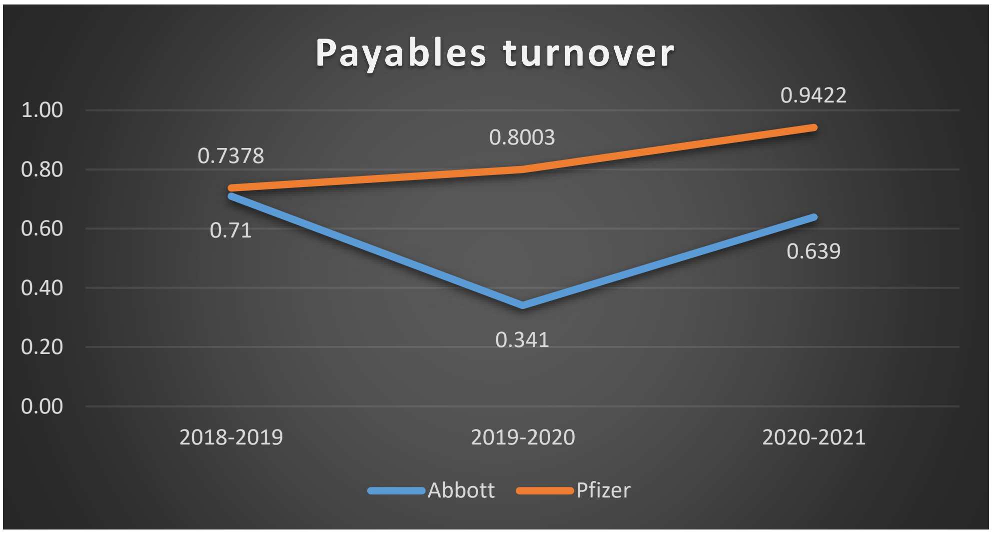
b. *Receivables Turnover*

Years	*Abbott India Ltd.*				*Pfizer India Ltd.*			
	Total sales	**Account receivables**	**Ratio**	**Debt collection period**	**Total sales**	**Account receivables**	**Ratio**	**Debt collection period**
2020-2021	4,310.02	284.06	15.17	24.06	2,238.55	150.86	14.838	24.6
2019-2020	4093.14	297.01	13.78	26.48	2,151.65	171.845	12.520	29.15
2018-2019	3678.60	269.775	13.635	26.76	2,081.50	163.23	12.751	28.63



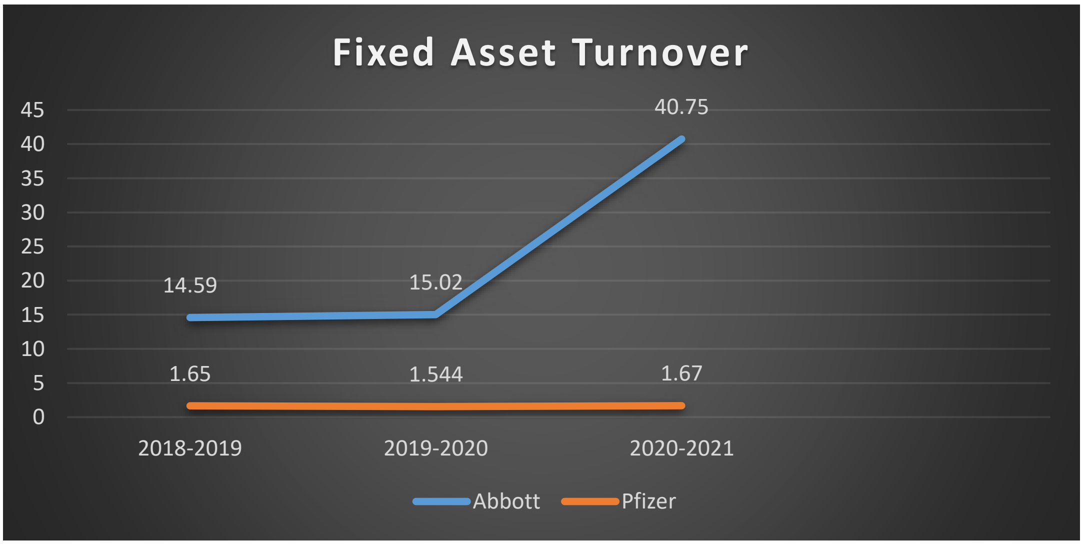
c. Payables Turnover

Years	Abbott India Ltd.			Pfizer India Ltd.		
	COGS	Account payables	Ratio	COGS	Account payables	Ratio
2020-2021	454.32	710.22	0.639	334.74	355.26	0.9422
2019-2020	451.75	660.64	0.341	345.21	431.35	0.8003
2018-2019	406.40	572.065	0.710	343.65	465.775	0.7378



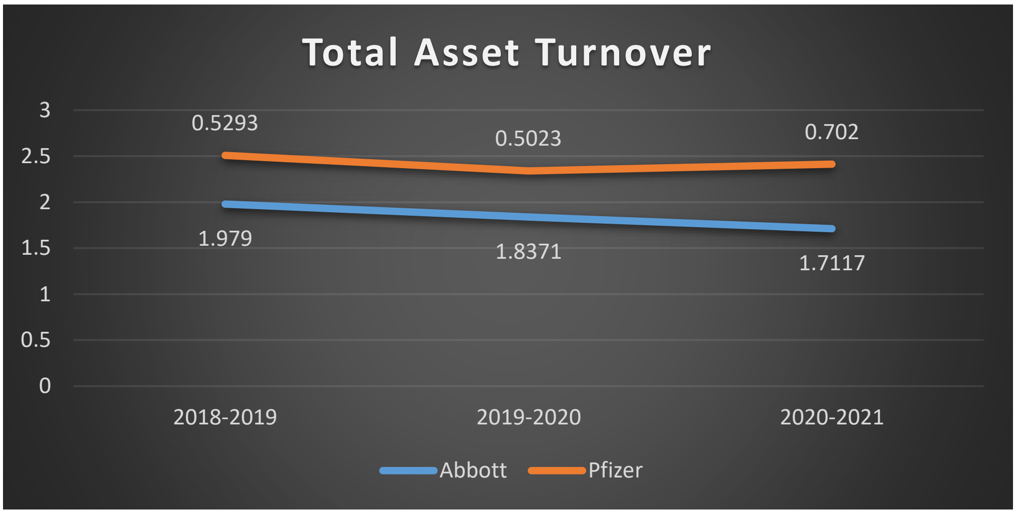
d. Fixed Asset Turnover

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Net sales	Fixed asset	Ratio	Net sales	Fixed asset	Ratio
2020-2021	4,307.59	105.69	40.75	2,238.55	1,341.19	1.67
2019-2020	4077.59	271,47	15.020	2,096.32	1,357.15	1.544
2018-2019	3662.32	251	14.59	2,030.49	1,224.63	1.65



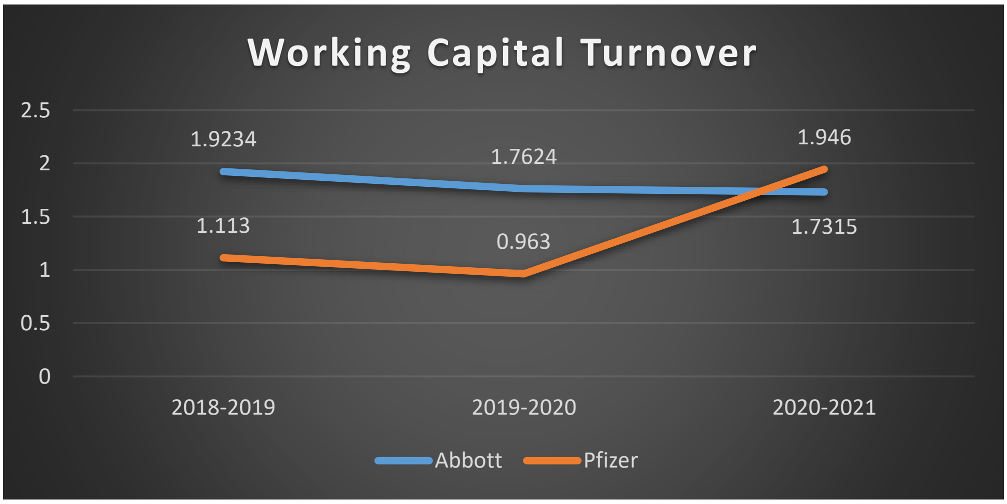
e. Total Asset Turnover

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Net sales	Average total asset	Ratio	Net sales	Average total asset	Ratio
2020-2021	4,307.59	2516.5	1.7117	2,238.55	3185	0.702
2019-2020	4077.59	2219.5	1.8371	2,096.32	4173	0.5023
2018-2019	3662.32	1850.5	1.979	2,030.49	3836	0.5293



f. Working Capital Turnover Ratio

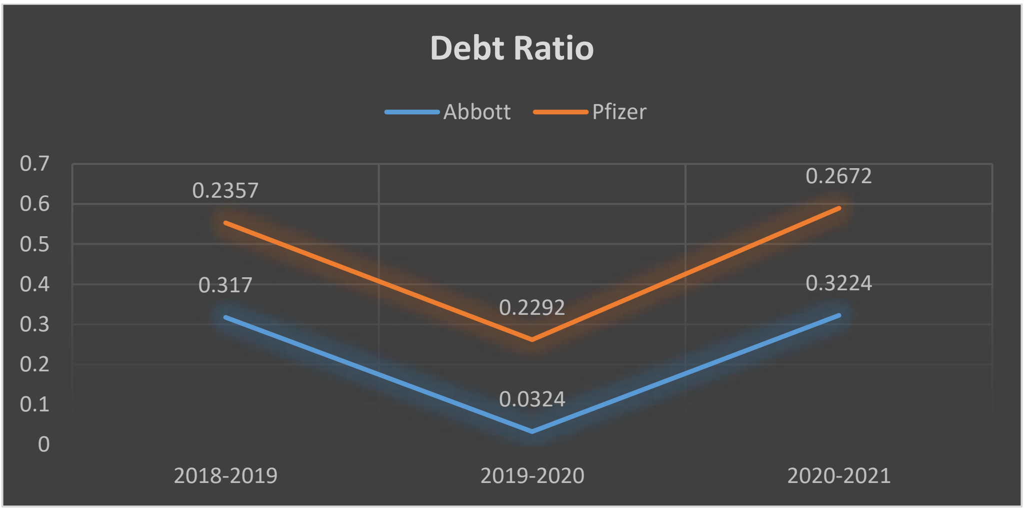
Years	Abbott India Ltd.			Pfizer India Ltd.		
	Net sales	Working capital	Ratio	Net sales	Working capital	Ratio
2020-2021	4,307.59	2487.66	1.7315	2,238.55	1150.37	1.946
2019-2020	4077.59	2313.53	1.7624	2,096.32	2174.89	0.963
2018-2019	3662.32	1904.09	1.9234	2,030.49	1823.67	1.113



III. Leverage Or Solvency Ratio

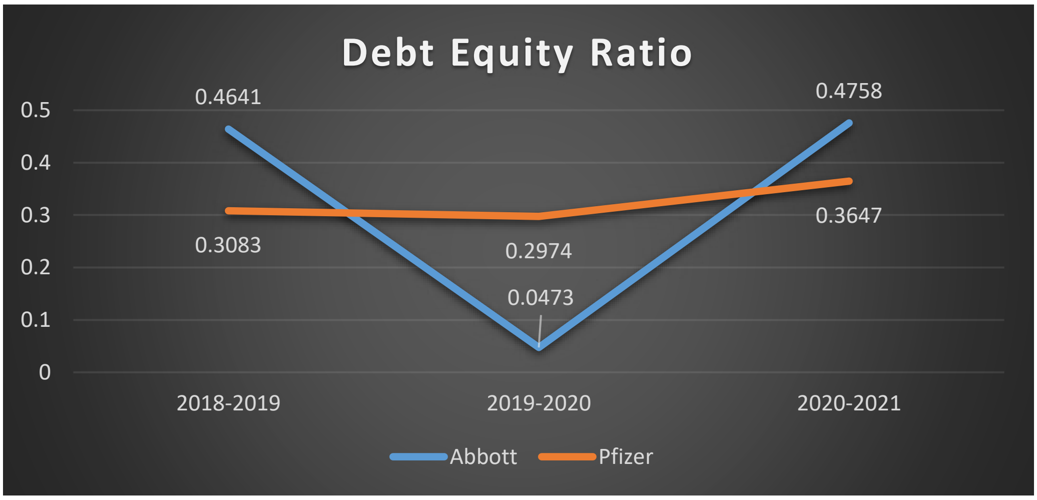
a. Debt Ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Total debt	Total asset	Ratio	Total debt	Total asset	Ratio
2020-2021	1238.29	3840.45	0.3224	872.86	3,265.90	0.2672
2019-2020	115.15	3546.84	0.0324	1009.91	4,405.40	0.2292
2018-2019	932.32	2940.91	0.3170	928.65	3,939.99	0.2357



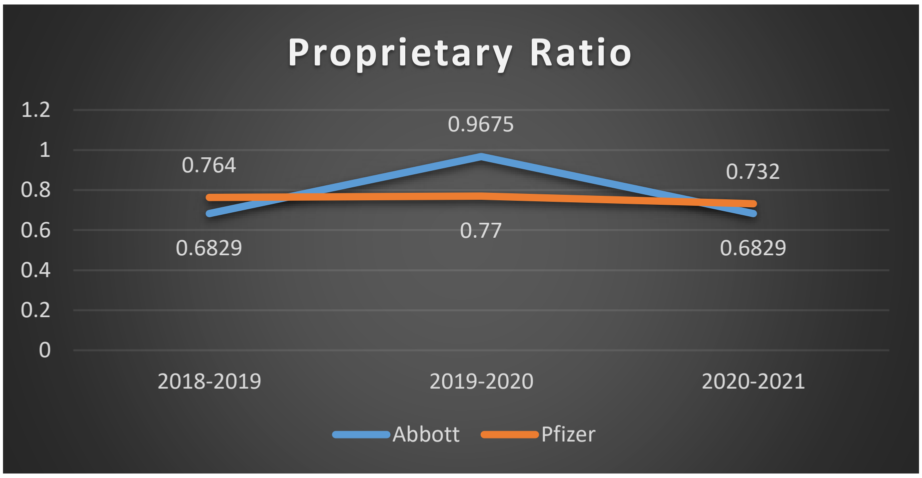
b. Debt Equity Ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Total debt	Total equity	Ratio	Total debt	Total equity	Ratio
2020-2021	1238.29	2,602.16	0.4758	872.86	2,393.04	0.3647
2019-2020	115.15	2,431.70	0.0473	1009.91	3,395.49	0.2974
2018-2019	932.32	2008.58	0.4641	928.65	3,011.34	0.3083



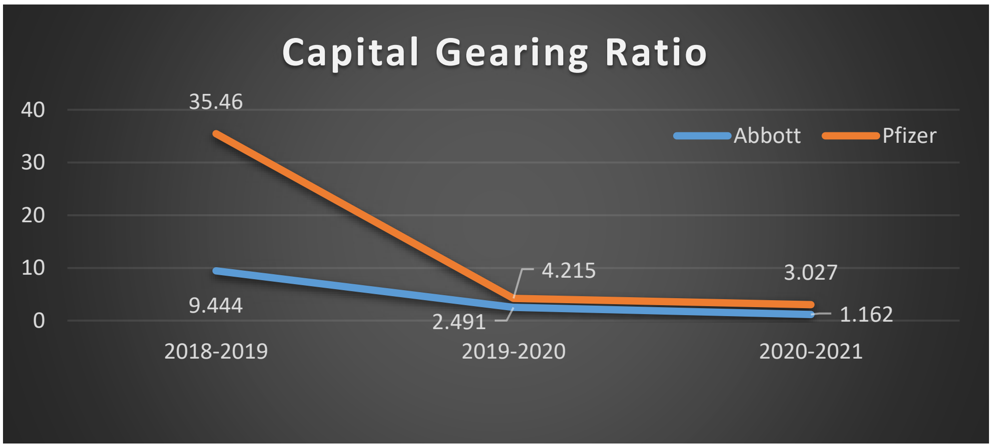
c. Proprietary Ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Shareholder's fund	Total assets	Ratio	Shareholder's fund	Total assets	Ratio
2020-2021	2,602.16	3840.45	0.677	2,393.04	3,265.90	0.732
2019-2020	2,431.70	3546.84	0.9675	3,395.49	4,405.40	0.770
2018-2019	2008.58	2940.91	0.6829	3,011.34	3,939.99	0.764



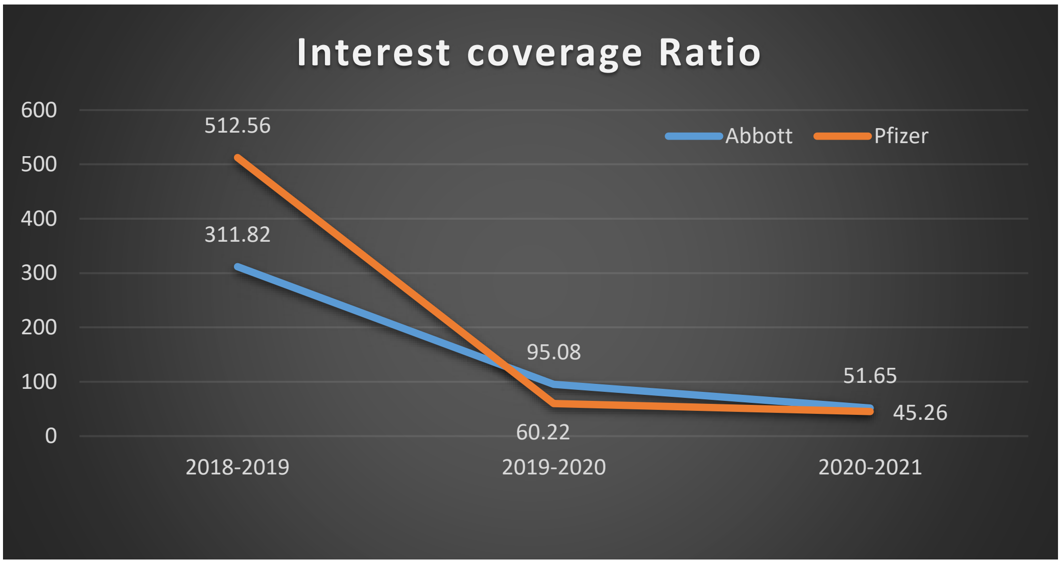
d. Capital Gearing Ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Equity share capital	Fixed interest bearing funds	Ratio	Equity share capital	Fixed interest bearing funds	Ratio
2020-2021	21.25	18.28	1.162	45.75	15.11	3.027
2019-2020	21.25	8.53	2.491	45.75	10.85	4.215
2018-2019	21.25	2.25	9.444	45.75	1.29	35.46



e. Interest coverage ratio

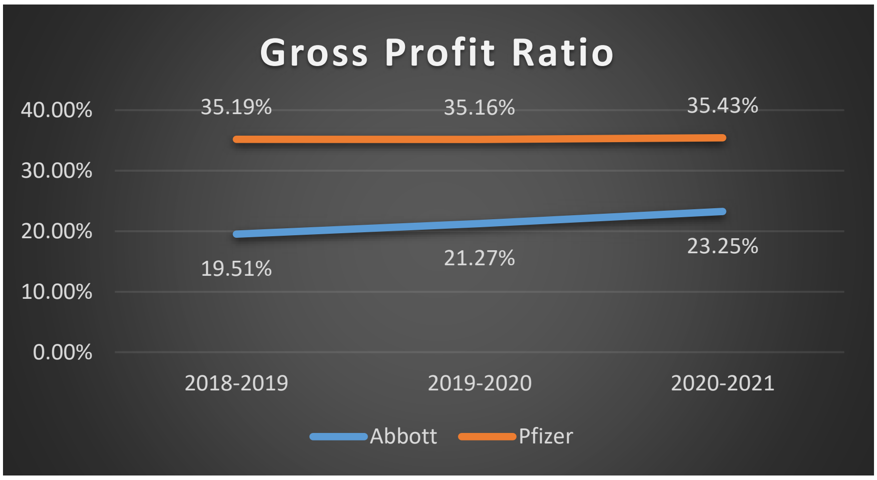
Company	2020-21	2019-2020	2018-2019
Abbott India Ltd.	51.65	95.08	311.82
Pfizer India Ltd.	45.26	60.22	512.56



IV. Profitability ratio

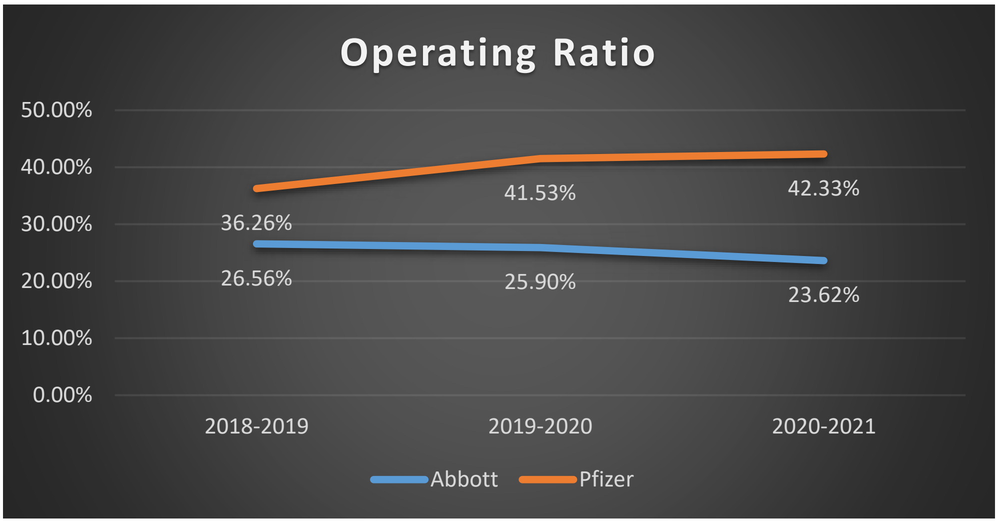
a. Gross profit ratio

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd.	23.25	21.27	19.51
Pfizer India Ltd.	35.43	35.16	35.19



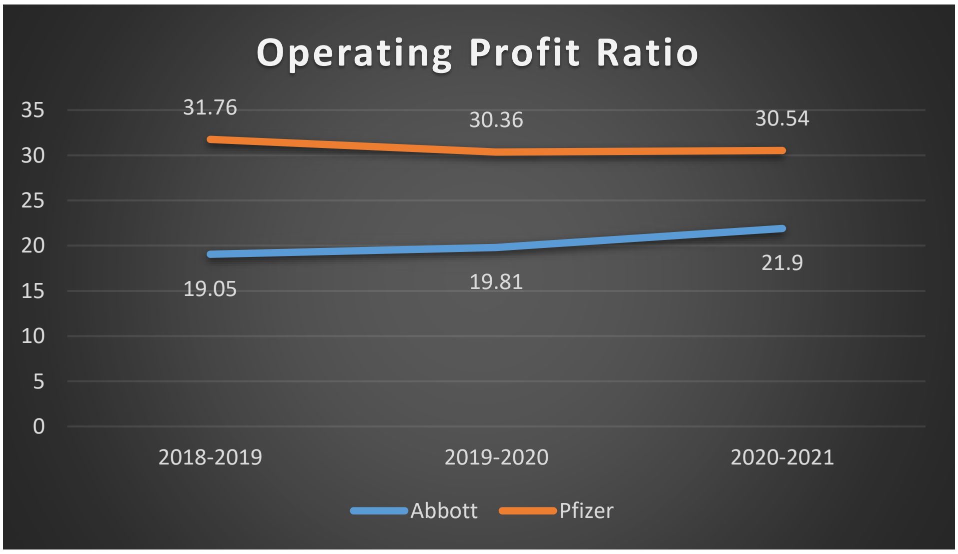
b. Operating ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Operating costs	Net sales	Ratio	Operating costs	Net sales	Ratio
2020-2021	1017.44	4,307.59	23.619%	811.78	2,238.55	36.26%
2019-2020	1056.31	4077.59	25.90%	870.63	2,096.32	41.53%
2018-2019	973	3662.32	26.56%	859.6	2,030.49	42.33%



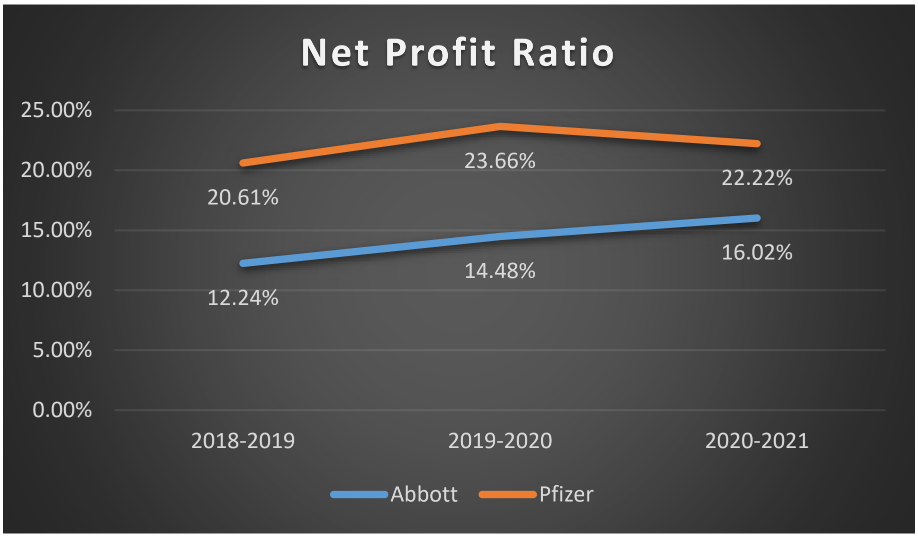
c. Operating profit ratio

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	21.90	19.81	19.05
Pfizer India Ltd.	30.54	30.36	31.76



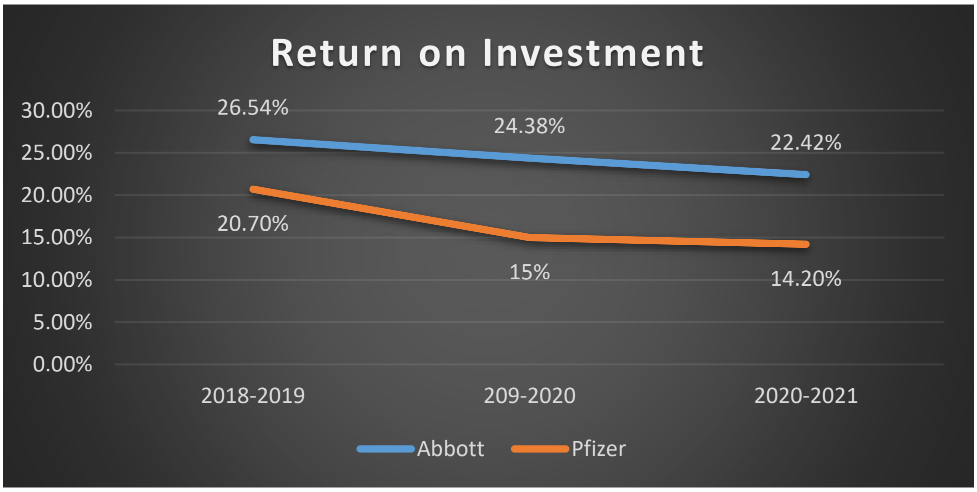
d. Net profit ratio

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	16.02	14.48	12.24
Pfizer India Ltd.	22.22	23.66	20.61



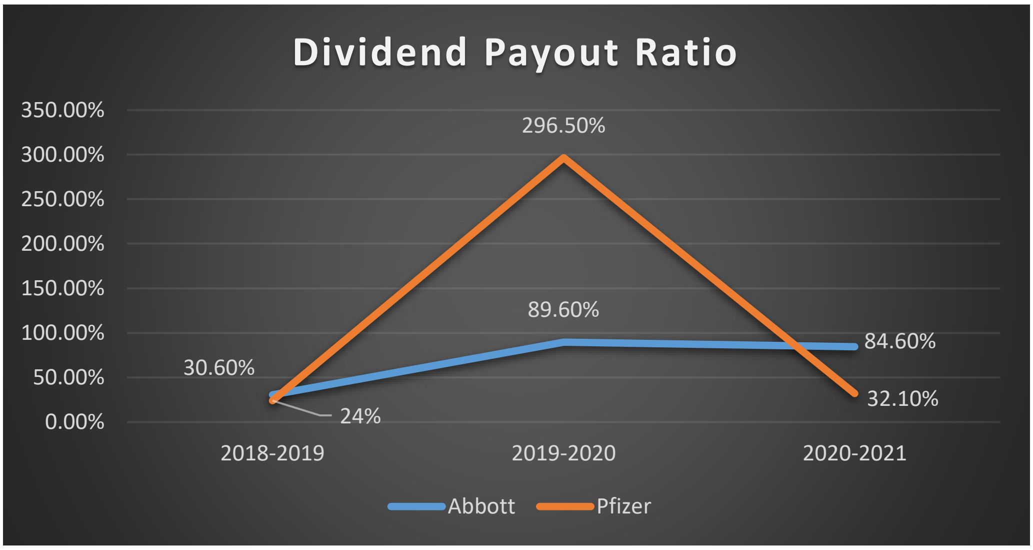
e. Return on investment

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Net profit after interest and taxes	Shareholder's funds	Ratio	Net profit after interest and taxes	Shareholder's funds	Ratio
2020-2021	690.69	2,602.16	26.54%	497.61	2,393.04	20.7%
2019-2020	592.93	2,431.70	24.38%	509.13	3,395.49	15%
2018-2019	450.33	2008.58	22.42%	429.05	3,011.34	14.2%



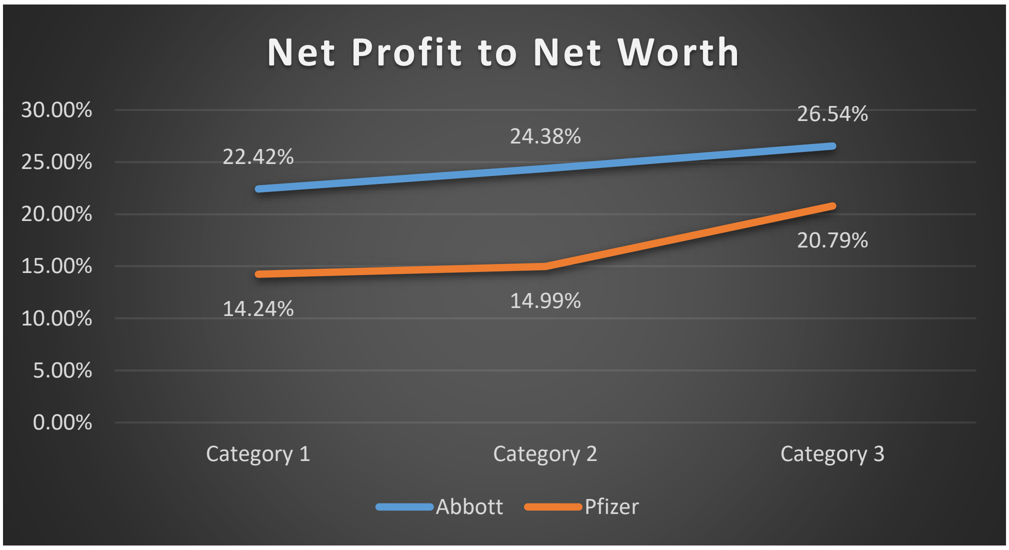
f. Dividend pay-out ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Dividend per share	Earnings per share	Ratio	Dividend per share	Earnings per share	Ratio
2020-2021	275	325.04	84.6%	35	108.77	32.1%
2019-2020	250	279.04	89.6%	330	111.28	296.5%
2018-2019	65	211.93	30.6%	22.5	93.78	24%



g. Net profit to net worth

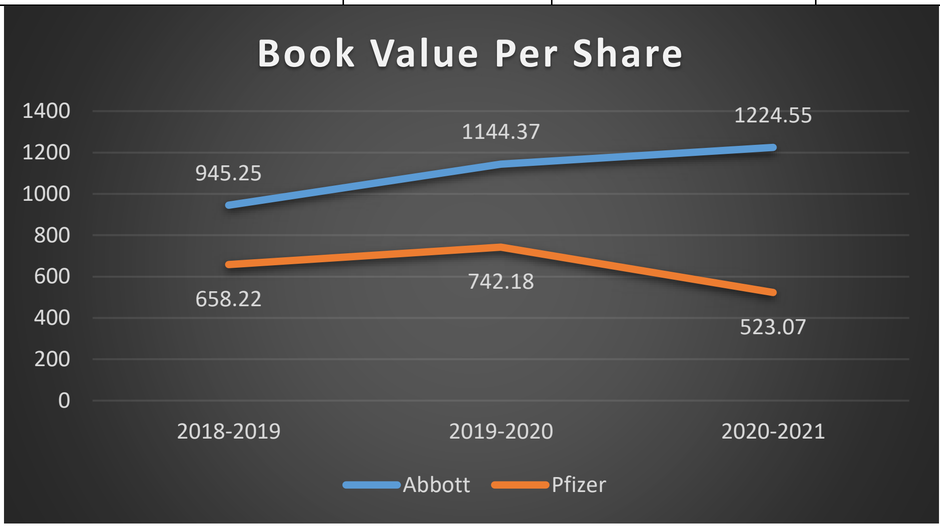
Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	26.54	24.38	22.42
Pfizer India Ltd.	20.79	14.99	14.24



V. Valuation

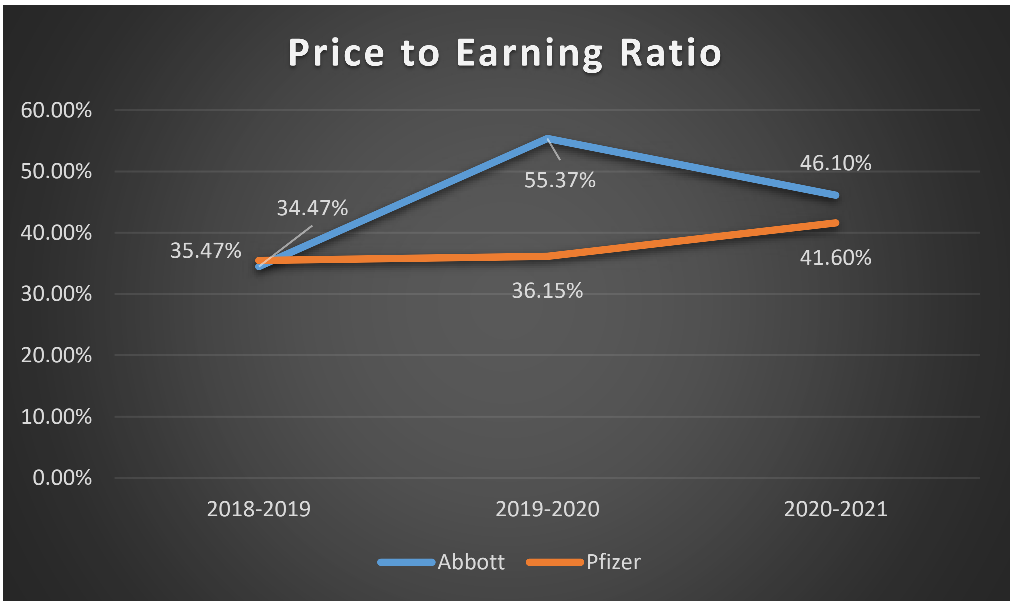
a. Book value per share

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	1,224.55	1,144.37	945.25
Pfizer India Ltd.	523.07	742.18	658.22



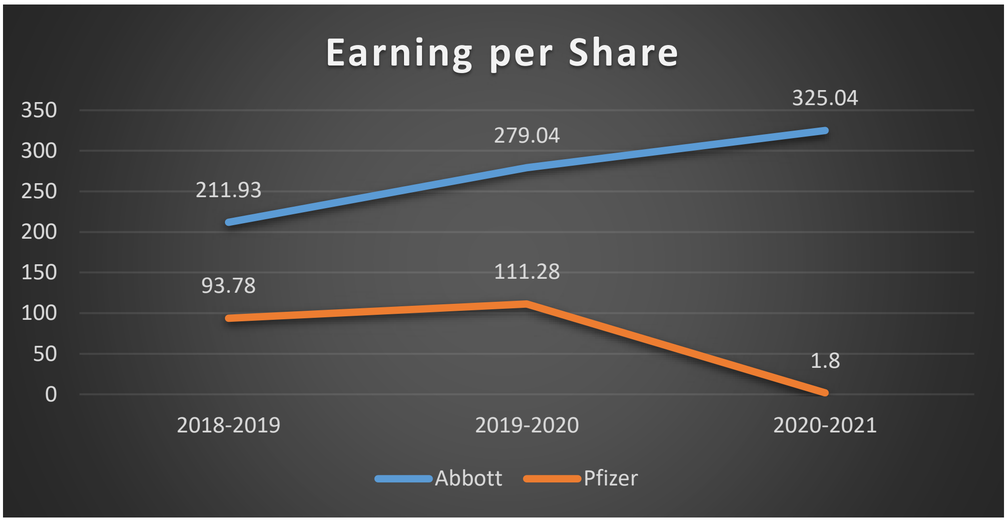
b. Price to earnings ratio

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	46.10	55.37	34.47
Pfizer India Ltd.	41.60	36.15	35.47



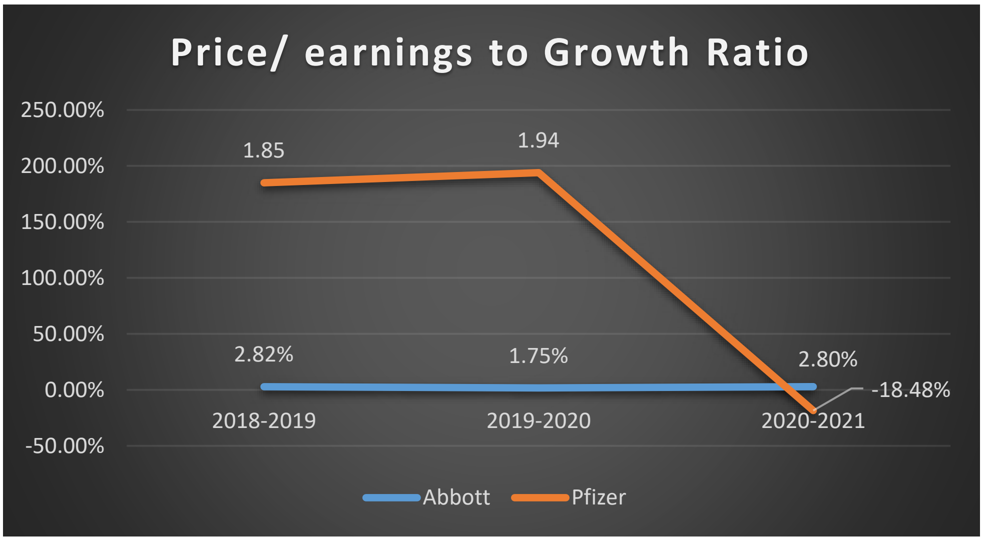
c. Earnings per share

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	325.04	279.04	211.93
Pfizer India Ltd.	108.77	111.28	93.78



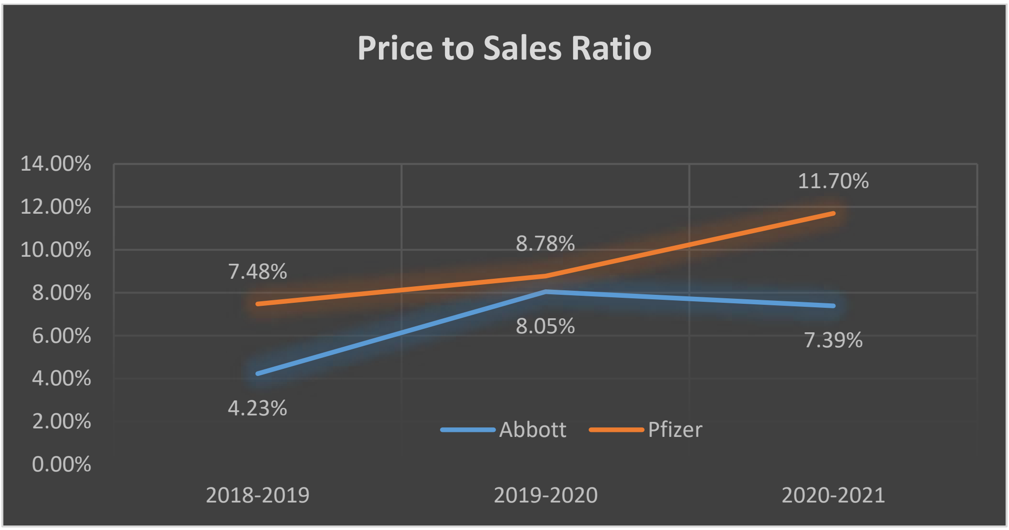
d. Price/earnings to growth ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Price/ earnings	Growth rate	Ratio	Price/ earnings	Growth rate	Ratio
2020-2021	46.10	16.48	2.8	41.60	(2.25)	(18.48)
2019-2020	55.37	31.666	1.75	36.15	18.66	1.94
2018-2019	34.47	12.245	2.82	35.47	19.161	1.85



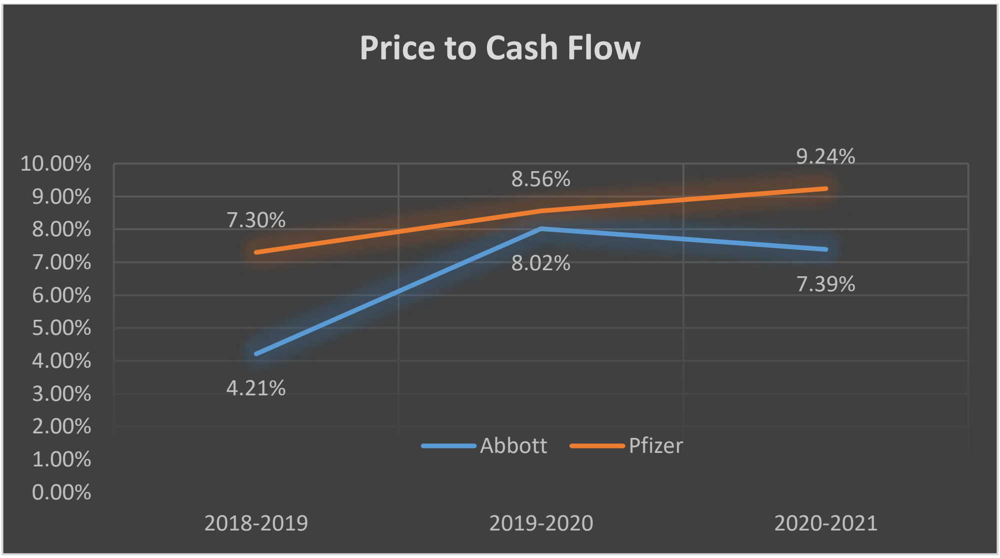
e. Price to sales ratio

Years	Abbott India Ltd.			Pfizer India Ltd.		
	Market capital	Revenue	Ratio	Market capital	Revenue	Ratio
2020-2021	31,838	4,307.59	7.3911	26,212	2,238.55	11.70
2019-2020	32,833	4077.59	8.052	18,404	2,096.32	8.779
2018-2019	15,503	3662.32	4.233	15,191	2,030.49	7.48



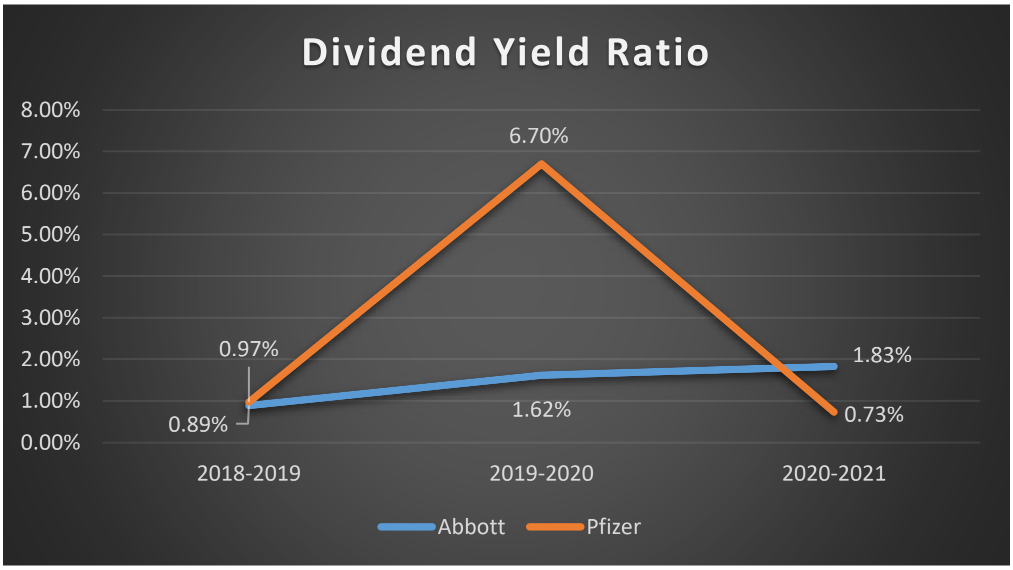
f. Price to cash flow

Company	2020-21	2019-2020	2018-2019
Abbott India Ltd	7.39	8.02	4.21
Pfizer India Ltd.	9.24	8.56	7.30



g. Dividend yield ratio

Years	*Abbott India Ltd.*			*Pfizer India Ltd.*		
	Dividend per share	**Market price per share**	**Ratio**	**Dividend per share**	**Market price per share**	**Ratio**
2020-2021	275	14,983	1.83%	35	4770.00	0.733%
2019-2020	250	15,451	1.62%	330	4925.00	6.7%
2018-2019	65	7,296	0.89%	22.5	2319.05	0.97%



Results:

1. LIQUIDITY RATIO:

- ***Current ratio: -*** For every ₹1 of current debt, Abbott India Ltd. has 3 cents available to pay for the debt at the time for 3 years. While Pfizer India Ld. has 3 cents for the last two years preceding last year and 2.485 for last year. Both the companies have indicated that they can cover its current liabilities three times, it may also indicate that it's not using its current assets efficiently, is not securing financing very well, or is not managing its working capital.
- ***Quick ratio: -*** Abbott India ltd has been maintaining a stable quick ratio (2.17, 3, and 2.51) respectively for the last 3 years. However, Pfizer India Ltd. quick ratio has declined from 2019 to 2021 (2.6, 3, 1.92) respectively. As both, the companies has able to maintain a level beyond of ideal ratio of 1:1. This puts both in a very comfortable position from the point of view of liquidity.
- ***Cash Ratio:*** both companies have enough cash and cash equivalents to pay their current liabilities. Both the companies are highly liquid and can easily fund their debt. However, a very high cash ratio might mean that too much cash is left idle. Although here abbot is in a much better position than Pfizer.
- ***Operating cash flow margin:*** Abbott India Ltd. has shown a good margin over the last 3 years (58.24%, 70.26%, 70.55%) respectively. The operating cash flow margin is above 50%, which is a good indication that the company is efficiently creating operating cash from its sales. Anyhow, Pfizer India ltd. had very little margin over the 2 years preceding last year (10.9%, 37%, 55.18) respectively from 2019-2021. Although it shows some improvement in 2021 by improving its operating expenses.

2. ACTIVITY OR TURNOVER RATIO:

- ***Inventory turnover:*** Abbott has been reported (4.7, 5.2, and 3.7) for 2019-2021 respectively. An inventory turnover ratio of 2 to 4 is ideal; means that inventory restocking matches the sale cycle. Furthermore, strive for a high inventory turnover rate, which means they sell the inventory they have on hand quickly and repurchase fresh inventory often. However, Pfizer has been reported (1.87, 1.58, and 1.53) over the last 3 years. Means Pfizer invested too much in inventory since it is way more than what's needed to meet demand.
- ***Receivables turnover:*** both the companies have to keep a good debt collection period which is inside the range of 30 days over the 3 years which mean that clients settle their dues timely, which increases the company's positive cash flow. This, in turn, helps the business to pay its payroll and debts to suppliers quickly. But here both companies are in almost equal competition.
- ***Payable turnover ratio:*** - both the companies have been showing very low turnover which means creditors are not paid on time. However, a low accounts payable turnover ratio isn't always a warning sign. In some cases, it may simply mean that a particular business has negotiated favourable payment terms that allow for debts to be paid less frequently. This explains why larger companies with a lot of bargaining power often have a lower creditor's turnover ratio because their size allows them to dictate very favourable payment terms.
- ***Fixed asset turnover***: Abbott has been showing very good returns over the last 3 years (14.59, 15.020, and 40.75) for 2019-2021 as compared to Pfizer which shows (1.65, 1.544, and 1.67) almost constant for 3 years for2019-2021. It indicates that the company is investing more in fixed assets but not utilizing

them efficiently. If the management does not address it, the company may enter into losses due to high depreciation costs and lower utilization of assets.

- ***Asset turnover:*** Abbott has maintained a ratio of more than 1 from 2019 to 2021 which means the return is more what its investment in assets. However, Pfizer has shown a low Ratio of 1 which means it's not getting enough for which it has invested.
- ***Working capital turnover ratio:*** Abbott has constantly maintained its working capital but marginally decline throughout the preceding 3 years. While Pfizer has a low ratio in 2020 but has improved in 2021. Here both the companies have an ideal ratio which is almost equal to comparison.

3. LEVERAGE RATIOS:

- ***Debt ratio: -*** Both Abbott and Pfizer has maintained the debt below 0.5 which is ideal and means they are in a position to pay back their liabilities.
- ***Debt equity ratio: -*** Here both the companies have kept a low margin of ratio which means the lenders enjoy a better margin of safety. While Pfizer has been constant during the 3 years, Abbott has been lower debt in 2020 but marginally increased in 2021. But still stays in the ideal ratio bracket.
- ***Proprietary Ratio:*** - both the companies have maintained a little bit higher ratio from the ideal ratio which 0.5:1, which indicates a strong financial position of the company and greater security for creditors.
- ***Capital gearing Ratio: -*** Abbott has a very high ratio in 2019 but improves by declining it to 1.162 in 2021. While Pfizer also indicated a high ratio but maintain an ideal ratio of 3.0 in 2021. Here Pfizer has a more ideal ratio as compared to Abbott.

- ***Interest coverage ratio: -*** both the firms have reduced their interest coverage ratio. It indicates a lower interest coverage ratio, which indicates a company cannot meet its current interest payment obligations and, therefore, is not in good financial health.

4. PROFITABILITY RATIO:

- ***Gross profit ratio:*** both Abbott and Pfizer have maintained almost equal constant gross profit margins throughout the last 3 years.
- ***Operating Ratio:*** Abbott has signed constantly decreasing in Operating Ratio means it has been trying to decrease operating expenses. Conversely, Pfizer indicates an increased Ratio over the last 3 years which shows it's unable to meet its operating expenses.
- ***Operating Profit ratio***: Abbott Ltd. India has maintained growth in ratio. While Pfizer has shown a constant ratio, no growth but a slight decline.
- ***Net profit Ratio:*** Here Pfizer is performing better than Abbott which showcase higher ratios throughout the preceding 3 years.
- ***Return on Investment:*** - both Abbott and Pfizer resulted in the growth in ROI but here Abbott is performing far better than Pfizer. It indicates that they both get an ideal return for which they have invested.
- ***Dividend payout Ratio:*** while Abbott preserves growth in a ratio which suggested (30.6%, 89.6%, and 84.6%) for 2019-2021 which is higher than the ideal ratio of 30-35%. It represents increases the risk of the company cutting its dividends because our formula is forward-looking. While Pfizer has (24%, 330%, and 32.1%) for 3 years. It has distributed almost 300% dividends which is

unsustainable, but it declines and come up to an ideal ratio of 30-30% of dividends. But mostly developed companies have a high payout ratio.

- ***Net profit to net worth:*** both the companies has shown a constantly increasing ratio which is ideal hence both are equal in this comparison.

5. VALUATION RATIOS:

- ***Book value per share:*** Abbott has resulted in a slight growth in BVPS which means the stock should be perceived as more valuable, and the stock's market price should increase. However, Pfizer has reported a steady downfall of book value per share which means a company's total liabilities exceed its total assets, this is known as a balance sheet insolvency.
- ***Price to Earnings Ratio:*** Abbott has a sudden decline in the P/E ratio which indicate either that a company may currently be undervalued or that the company is doing exceptionally well relative to its past trends. While Pfizer maintains good P/E ratio increases over a period which suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.
- ***Earnings per Share: -*** both companies have shown growth over 3 years but still, Abbott has recorded high EPS as compared to Pfizer.
- ***Price to Earnings/ growth Ratio:*** Abbott has reported a PEG of more than 1 which indicates overvalued of stocks. While Pfizer resulted from negative PEG in 2021 from positive PEG ratio of 1.94. It indicates that the company is losing money or that the estimated growth rate for future earnings is negative, indicating that the earnings of the company are expected to decrease in the future.
- ***Price to Sales Ratio:*** both companies have reported a high valuation of price to sales ratio which considered risky. But risky profiles make investors paid a huge amount which is common in well-established companies.

- ***Price to cash flow:*** both the companies have maintained the ideal range of less than 15-20% which is good for both the companies. While Pfizer has resulted growth over years, Abbott slightly declines its price to cash flow ratio from last year.
- ***Dividend yield Ratio***: while Abbott has shown growth in Dividend yield Ratio over the years which indicates good stability for investors, Pfizer indicates a huge decline in DYR which means the stock's market price is considerably higher than the dividend payments a shareholder gets from owning the stock. Which may also indicate that the firm's cash situation is not stable.

Hypotheses Testing:

Mostly in liquidity ratio analysis, activity ratio, Profitability ratio and Valuation based approach Abbott has been proved to perform better. While Pfizer only performs well in leverage Ratio analysis. Hence our null hypotheses in the 2nd Hypotheses proves right that Abbott India Ltd. has performed better.

In 1st Hypothesis, our H1 is proved right as Covid-19 has created an impact on the performance of both the company because the price to sales ratio has been declined. Also, the gross profit margin has been a decline from 2019-2021. Though operating expenses maintained well by both companies still resulted in some sort of growth in operating expenses which may impact operating growth margin.

CONCLUSION AND SUGGESTION

Conclusion

In this study it has been observed that the operational and financial position of Abbott India ltd is far better than Pfizer India Ltd. Pfizer can improve its operational by eliminating administrative expenses or by increasing revenue. In capital gearing ratio, though both companies have reserve good percentage still Abbott India Ltd. need to revisit the capital for common shareholders. The shareholders equity in Pfizer needs to be increased to improve its financial position. In the analysis of financial position performance of Abbott India Ltd. and Pfizer India Ltd. various aspects are untouched, because of unavailability of required information and data. So, there is lots of scope available to get the weak areas of Pfizer India Ltd. and effective solution thereof

Suggestion

i. The high current ratio by both companies means they are not securing finance well. They both need to work on managing working capital by reducing current liabilities.

ii. Pfizer needs to look upon its operational costs. Although it has been improved its operating expenses which results in growth in operating cash flow margin.

iii. Pfizer needs to maintain inventory levels by calculating how much the company sells and avoid a deadstock with COGS with entire cash flow.

iv. Pfizer should increase its fixed asset turnover ratio by increasing sales and liquidize obsolete or unused assets.

v. Pfizer requires to increase the dividend yield ratio by increasing dividend payments which can be done by purchasing its own dividend or adding new dividend stock.

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Annexure

ABBOTT INDIA LTD.

BALANCE SHEET

AS AT MARCH 31, 2020

(All amounts in ₹ Lakhs, unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current Assets			
Property, plant and equipment	3	100,21.57	103,10.89
Capital work-in-progress	3	1,64.21	73.14
Intangible assets	4	89.87	1,85.08
Right-of-use assets	41	168,71.31	-
Financial assets			
Loans	5	16,78.21	16,10.70
Other financial assets	6	36,26.30	36,65.80
Deferred tax assets (net)	18	14,44.21	13,07.39
Other non-current assets	7	3,25.19	8,39.71
Total Non-current Assets		342,20.87	179,92.71
Current Assets			
Inventories	8	527,16.51	606,78.83
Financial assets			
Trade receivables	9	317,91.49	276,11.43
Cash and cash equivalents	10	145,13.79	137,00.61
Bank balances other than cash and cash equivalents	11	2052,23.67	1547,27.71
Loans	12	6,14.13	7,30.24
Other financial assets	13	72,37.56	73,34.39
Current tax assets (net)		26,87.31	6,97.10
Other current assets	14	56,79.53	106,18.14
Total Current Assets		3204,63.99	2760,98.45
TOTAL ASSETS		3546,84.86	2940,91.16
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	21,24.93	21,24.93
Other equity	16	2410,45.80	1987,33.59
Total Equity		2431,70.73	2008,58.52
Non-current Liabilities			
Financial liabilities			
Lease liabilities	41	139,20.32	-
Provisions	17	84,83.75	75,43.30
Total Non-current Liabilities		224,04.07	75,43.30
Current Liabilities			
Financial liabilities			
Lease liabilities	41	35,68.45	-
Trade payables	19		
Due to micro and small enterprises		18,32.15	12,06.78
Due to others		639,45.03	651,44.79
Other financial liabilities	20	50,76.93	51,98.49
Other current liabilities	21	31,78.43	37,43.16
Provisions	22	107,44.94	95,33.36
Current tax liabilities (net)		7,64.13	8,62.76
Total Current Liabilities		891,10.06	856,89.34
TOTAL EQUITY AND LIABILITIES		3546,84.86	2940,91.16
Significant accounting policies	2		

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 2020

(All amounts in ₹ Lakhs, unless otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
INCOME			
Revenue from operations	24	**4093,14.41**	3678,60.30
Other income	25	**114,38.58**	113,28.60
TOTAL INCOME		**4207,52.99**	3791,88.90
EXPENSES			
Cost of materials consumed	26	**451,75.97**	40,640.20
Purchases of stock-in-trade	27	**1802,64.23**	168,437.85
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	**61,24.98**	(2,18.48)
Employee benefits expense	29	**476,10.69**	435,58.24
Finance costs	30	**8,53.23**	2,24.84
Depreciation and amortisation expense	31	**59,60.91**	16,92.13
Other expenses	32	**544,93.83**	549,68.71
TOTAL EXPENSES		**3404,83.84**	3093,03.49
PROFIT BEFORE TAX		**802,69.15**	698,85.41
TAX EXPENSES			
Current tax expense	18	**208,03.56**	248,45.92
Tax adjustment for earlier years	18	**24.65**	(2,58.43)
Deferred tax - charge/(credit)	18	**1,47.68**	2,64.74
TOTAL TAX EXPENSES		**209,75.89**	248,52.23
PROFIT FOR THE YEAR		**592,93.26**	450,33.18
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or loss :			
Remeasurement gains/(losses) of defined benefit plan	33	**(5,40.62)**	(3,20.99)
Income tax on above	18	**45.27**	1,12.17
Total Other Comprehensive Income, net of tax		**(4,95.35)**	(2,08.82)
Total Comprehensive Income for the year, net of tax		**587,97.91**	448,24.36
EARNINGS PER EQUITY SHARE	34		
Basic and Diluted - ₹ (Face value of ₹ 10 each)		**279.04**	211.93
Significant accounting policies	2		

PFIZER INDIA LTD.

Balance Sheet

as at 31 March 2020

Currency: ₹ in crore

	Note	As at 31 March 2020	As at 31 March 2019
ASSETS			
Non-current assets			
Property, plant and equipment	4	214.52	71.43
Capital work-in-progress		0.76	-
Investment property	5	30.95	32.33
Goodwill	6	527.49	527.49
Other intangible assets	6	199.90	254.94
Financial assets			
Investments	7	0.00	0.00
Loans	8	31.90	31.77
Deferred tax assets (net)	32(d)	0.62	-
Other non-current assets	9	141.69	126.73
Income tax receivable (net)		209.32	179.94
Total non-current assets		**1,357.15**	**1,224.63**
Current assets			
Inventories	10	430.59	386.66
Financial assets			
Trade receivables	11	172.03	171.66
Cash and cash equivalents	12a	1,763.79	73.81
Bank balance other than cash and cash equivalents	12b	456.08	1,840.53
Loans	13	3.52	5.38
Other financial assets	14	21.31	31.89
Other current assets	15	165.75	191.75
Assets held for sale	16	35.18	13.68
Total current assets		**3,048.25**	**2,715.36**
TOTAL ASSETS		**4,405.40**	**3,939.99**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17a	45.75	45.75
Other equity	17b	3,349.74	2,965.59
Total equity		**3,395.49**	**3,011.34**
Liabilities			
Non - current liabilities			
Financial liabilities			
Other financial liabilities	36	88.68	-
Provisions	18	47.87	34.73
Deferred tax liabilities (net)	32(d)	-	2.23
Total non - current liabilities		**136.55**	**36.96**
Current liabilities			
Financial liabilities			
Borrowings	19	2.50	2.50
Trade payables	20		
Due to micro and small enterprises		9.33	0.50
Due to others		417.45	435.42
Other financial liabilities	21	118.06	72.59
Other current liabilities	22	222.31	221.60
Provisions	23	57.71	62.37
Current tax liabilities (net)		46.00	96.71
Total current liabilities		**873.36**	**891.69**
Total liabilities		**1,009.91**	**928.65**
TOTAL EQUITY AND LIABILITIES		**4,405.40**	**3,939.99**
Significant accounting policies	2-3		
Notes to the financial statements	4 - 46		

The notes referred to above form an integral part of the financial statements

Statement of Profit and Loss

for the year ended 31 March 2020

Currency: ₹ in crore

	Note	Year ended 31 March 2020	Year ended 31 March 2019
Income			
Revenue from operations	24	2,151.65	2,081.50
Other income	25	184.02	167.39
Total income		**2,335.67**	**2,248.89**
Expenses			
Cost of materials consumed	26	345.21	343.65
Purchase of stock-in-trade		483.81	495.13
Change in inventories of finished goods, work-in-progress and stock-in-trade	27	(36.62)	(90.88)
Employee benefits expense	28	364.51	323.84
Finance costs	29	10.85	1.29
Depreciation and amortization expense	30	103.24	71.39
Other expenses	31	422.18	444.56
Total expenses		**1,693.18**	**1,588.98**
Profit before tax		**642.49**	**659.91**
Income tax expense:			
Current tax	32	177.70	243.77
Deferred tax	32	0.16	(12.91)
Prior year tax adjustments	32	(44.50)	-
Total income tax expense		**133.36**	**230.86**
Profit for the year		**509.13**	**429.05**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
(i) Remeasurement of defined benefit plan		(11.94)	1.61
(ii) Income tax related to items that will not be reclassified to profit or loss		3.01	(0.56)
Total other comprehensive income		**(8.93)**	**1.05**
Total comprehensive income for the year		**500.20**	**430.10**
Earnings per equity share			
Basic and diluted earnings per share	33	111.28	93.78
Significant accounting policies	2-3		
Notes to the financial statements	4 - 46		