

AN ANALYTICAL STUDY OF FINANCIAL STATEMENTS WITH REFERENCE TO AXA PARENTERALS LTD., GUJARAT

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ABSTRACT

This research focuses on the financial statement analysis of AXA Parenterals Ltd., examining key reports such as the income statement, balance sheet, and cash flow statement. It employs analytical tools including ratio analysis, trend analysis, and comparative analysis to assess the company's financial performance over time. The study highlights how market trends, revenue streams, and cost structures influence the company's financial health. Additionally, it explores the company's approach to managing its financial resources efficiently, aiming to support sustainable growth, reduce operational expenses, and strengthen its competitive position in the pharmaceutical industry. Through this analysis, the research provides valuable insights into AXA Parenterals Ltd.'s financial strategies and overall business performance, offering a clear understanding of how effectively the company utilizes its resources to navigate challenges and capitalize on opportunities in a dynamic market environment.

Keywords: Financial Statement Analysis, Ratio Analysis, Liquidity, Profitability

INTRODUCTION

Axa Parenterals Ltd. is a PIC/S and WHO-GMP accredited company designed as per US FDA & EU guidelines to comply with regulated market. Axa Parenterals Ltd. is into Manufacturing & Marketing of Sterile Parenteral preparations, Life-saving Medicines and Hospital products. Axa manufactures Intravenous Fluids, Large & Small Volume AXA Parenterals, Infusions, Ophthalmic preparations, Respiratory Preparations, Critical care products under aseptic conditions using the latest "State-Of-The-Art" Manufacturing facilities.

Our motto "Saving Life Beyond Excellence" binds us to continuously exceed the benchmarks to serve humanity. Our commitment to provide safe and affordable medicine of highest quality and technology provides a real contribution to healthier lives.

Axa Parenterals Ltd. is a prominent Indian pharmaceutical manufacturer specializing in sterile parenteral preparations, including life-saving medicines and hospital products. With state-of-the-art facilities in Roorkee, Uttarakhand, the company operates under WHO-GMP and PIC/S certifications, ensuring compliance with global quality standards. Axa's product portfolio encompasses intravenous fluids, respiratory solutions, ophthalmic preparations, and critical care injectables, catering to both domestic and international markets. Through its subsidiary, Heilsa Life Sciences, Axa extends its reach into lyophilized injectables and oncology products. The company's commitment to innovation and quality positions it as a trusted partner in the global healthcare supply chain.

The pharmaceutical industry plays a vital role in safeguarding public health and supporting the healthcare system. AXA Parenterals Ltd. contributes by producing essential injectable medicines

and IV fluids. The company's operations promote employment, innovation, and economic growth in Gujarat. During the COVID-19 pandemic, it ensured uninterrupted supply of critical healthcare products. Thus, its financial health directly impacts its ability to serve societal needs efficiently.

Financial analysis serves as a cornerstone for evaluating the financial health, stability, and performance of an organization. This abstract focuses on the financial analysis practices of AXA Parenterals Ltd., a company specializing in the production and distribution of pharmaceutical and healthcare products. The study examines key financial indicators, including profitability, liquidity, solvency, and operational efficiency, to provide a comprehensive overview of the company's financial position.

LITERATURE REVIEW

Subramanyam (2014) emphasized that financial statement analysis is a key method for evaluating a company's financial performance. He highlighted the importance of tools like ratio analysis and cash flow assessment in understanding profitability and liquidity. The author noted that these tools help identify financial trends and potential risks. Proper interpretation of financial data, according to him, supports strategic planning and investment decisions. Overall, his work underscores the critical role of financial analysis in business management.

Fridson and Alvarez (2022) highlighted that financial statement analysis is essential for uncovering the true economic condition of a company. They emphasized that surface-level figures can be misleading, urging deeper investigation into accounting practices and adjustments. The authors advocated for a skeptical, analytical approach to evaluating financial data. Their guide provides practical tools for interpreting earnings quality, cash flow, and financial ratios. Overall, the work equips analysts to make more informed and accurate financial judgments.

Jackson (2022) reviewed key developments and challenges in financial statement analysis, emphasizing its evolving role in modern finance. He noted that traditional tools like ratio and trend analysis remain relevant but must adapt to complex financial reporting standards. The study discussed the importance of integrating qualitative factors and forward-looking information. Jackson also highlighted issues related to earnings management and disclosure transparency. His work calls for a more comprehensive and dynamic approach to financial analysis.

Feroz, Kim, and Raab (2003) introduced a novel approach to financial statement analysis using Data Envelopment Analysis (DEA), offering a non-parametric method to evaluate firm performance. Their study emphasized the advantages of DEA in benchmarking efficiency among firms using financial ratios. Unlike traditional ratio analysis, DEA provides a composite efficiency score, enabling a more holistic assessment of financial health. The research demonstrated how DEA could uncover insights into financial performance that conventional tools might overlook. This methodology has since influenced numerous studies aiming to integrate operational research techniques into financial evaluation frameworks.

Easton et al. (2018) provide a comprehensive framework for financial statement analysis and valuation, integrating core accounting principles with valuation techniques. The book emphasizes the link between financial statements and firm value, making it a practical resource for investment analysis. It systematically covers ratio analysis, forecasting, and valuation models, using real-

world examples to enhance understanding. Their approach balances theory with application, making it widely used in academic and professional settings. The text serves as a foundational reference for understanding how financial data drives decision-making and equity valuation.

Purnama, Hanitha, and Angreni (2020) examined the role of financial statement analysis in evaluating a company's financial performance using key financial ratios. Their study focused on profitability, liquidity, and solvency metrics to interpret overall financial health. They emphasized that regular financial analysis helps stakeholders make informed economic decisions. The research highlighted the importance of comparative analysis over time to detect trends and performance shifts. Their findings reinforce the practical utility of ratio analysis in strategic business evaluation and planning.

Rao, P. M. (2021) provides an insightful exploration of financial statement analysis and reporting, focusing on the tools and methodologies for evaluating a company's financial health. The book delves into the importance of various financial ratios, such as liquidity, profitability, and solvency, in assessing organizational performance. Rao emphasizes the relevance of accurate financial reporting for informed decision-making, especially in the context of corporate governance and transparency. It also highlights how financial statements serve as a valuable resource for stakeholders, including investors, creditors, and management. This work is an essential reference for understanding the key principles of financial analysis and the impact of financial reporting on business strategies.

Olayinka (2022) explores the role of financial statement analysis in guiding investment decisions and evaluating corporate performance. The study highlights how financial ratios, such as profitability and liquidity measures, are crucial for assessing a company's financial health. It also emphasizes the importance of using financial analysis as a tool for risk management, enabling investors to make informed decisions. The research further discusses how effective financial statement analysis can identify trends and areas for improvement within companies. Overall, Olayinka underscores its value in both short-term and long-term financial planning for businesses.

RESEARCH METHODOLOGY

In today's competitive business environment, understanding a company's financial health is crucial for making informed strategic, investment, and operational decisions. The pharmaceutical industry, in particular, operates in a highly regulated and capital-intensive environment, where efficient financial management directly influences long-term sustainability and growth. This research focuses on analysing the financial performance of AXA Parenterals Ltd. over a defined period using tools such as ratio analysis, trend analysis, comparative statements, and common-size financial statements. The scope includes evaluating key financial indicators like liquidity, solvency, profitability, and operational efficiency.

OBJECTIVES

- To evaluate the company's liquidity, solvency, and overall financial stability.
- To analyze the company's profitability, revenue growth, and operational efficiency.
- To forecast the company's future earnings and potential for growth.
- To compare the company's financial performance with industry benchmarks and competitors.

RESEARCH DESIGN

This study adopts a descriptive research design to analyse the financial performance of AXA Parenterals Ltd. from 2020 to 2024. The design focuses on examining and interpreting financial statements using tools such as ratio analysis, trend analysis, and comparative financial statements. Secondary data has been collected from the company's annual reports, financial databases, and other reliable sources. The objective is to evaluate the firm's profitability, liquidity, solvency, and overall financial stability.

The study on financial statement analysis of AXA Parenterals Limited follows a descriptive research design. It aims to analyze the financial performance of the company by interpreting financial statements such as the balance sheet, income statement, and cash flow statement over a period. The research identifies trends, financial strengths, and weaknesses to provide insights into the company's overall financial health.

- Current Ratio
- Quick Ratio
- Cash Ratio
- Inventory Turnover Ratio
- Fixed Asset Turnover Ratio

This study relies on secondary data obtained from company annual reports, financial statements, audit reports, and relevant industry reports. Additional financial data may be collected from company websites, stock market reports, and government publications.

The collected financial data will be analyzed using various financial tools and techniques

- Ratio Analysis (Liquidity ratios, Profitability ratios, Solvency ratios, etc.)
- Trend Analysis to observe financial performance over multiple years
- Comparative Financial Statements to compare different periods
- Common Size Analysis to understand the proportion of different financial components

DATA ANALYSIS

CURRENT RATIO

Current ratio is the ratio of current assets to current liabilities. Normal operating cycle of the business or within one year, whichever is longer, they include cash in hand and bank, bills receivable, net sundry debtors, stock of raw materials, finished goods and short term or temporary investments.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

The data from Table 1 regarding the Current Ratio, The analysis of the current ratio from 2020 to 2024 reveals notable fluctuations in the company's short-term liquidity position. In 2020, the current ratio stood at 1.74, indicating that the company had ₹1.74 in current assets for every ₹1.00 of current liabilities. This figure significantly improved in 2021 to 2.49, reflecting a stronger ability to meet short-term obligations. The upward trend continued into 2022, reaching a peak of 3.33, suggesting a highly comfortable liquidity position. However, in 2023, the ratio slightly

declined to 3.04, which, while still strong, indicated a mild decrease in current asset coverage. By 2024, the current ratio dropped to 1.90, reflecting a sharp increase in current liabilities coupled with a decrease in current assets.

Table 1 Current Ratio

PARTICULARS	2020	2021	2022	2023	2024
Current Asset	280642.6	284269.44	277503.44	239313.63	225273.95
Current Liability	161141.63	113752.77	83211.11	78688.63	118154.1
Current Ratio	1.74	2.49	3.33	3.04	1.90

Source: Secondary Data

This decline may suggest a potential strain on short-term financial health if the trend continues. Overall, the company demonstrated strong liquidity performance during the mid-years, though the recent decline warrants attention to ensure continued financial stability..

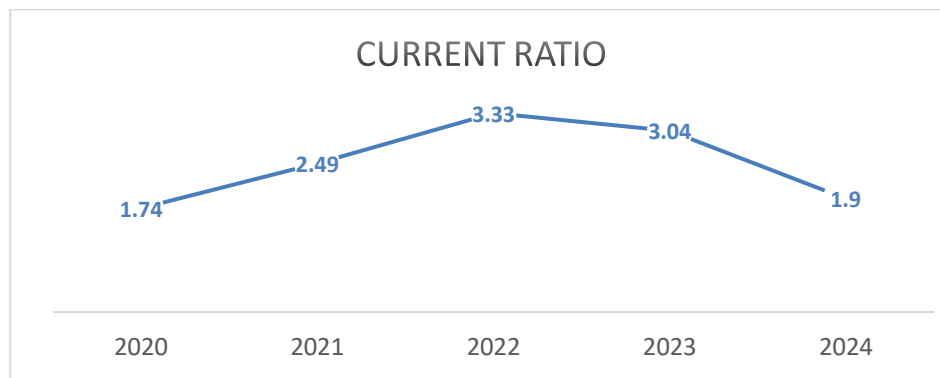


Figure 1 Current Ratio

Figure 1 the current ratio of the company showed an improving trend from 2020 (1.74) to a peak in 2022 (3.33), indicating strong liquidity and the ability to comfortably meet short-term obligations. However, the ratio gradually declined in the following years, dropping to 3.04 in 2023 and further to 1.90 in 2024. While the 2024 ratio is still above 1, the sharp decrease suggests a potential weakening in liquidity, possibly due to rising current liabilities or a decrease in current assets.

QUICK RATIO

Quick Ratio is used as a measure of the company's ability to meet its current obligations since bank overdraft is secured by the inventories, the other current assets must be sufficient to meet other current liabilities. It indicates whether the firm is in a position to pay its current liabilities within a month or immediately Liquid Assets includes: (a) Cash in hand (b) Cash at Bank (c) Short-term investments.

$$\text{QUICK RATIO} = \frac{\text{LIQUID ASSETS}}{\text{CURRENT LIABILITY}}$$

The Quick Ratio, also known as the acid-test ratio, is a measure of a company's short-term liquidity position, indicating its ability to meet immediate liabilities without relying on inventory. An analysis of the data from 2020 to 2024 reveals a fluctuating trend in the company's quick ratio. In 2020, the ratio was notably low at 0.23, suggesting a weak liquidity position and high dependence on inventory to cover current liabilities. The ratio improved significantly to 0.59 in 2021, indicating better short-term financial health, likely due to a substantial increase in current assets or a decrease in liabilities.

Table 2 Quick Ratio

PARTICULARS	2020	2021	2022	2023	2024
Current Asset	280642.6	284269.44	277503.44	239313.63	225273.95
Inventory	51565.45	105588.87	74210.81	63893.56	67822.04
Current Liability	229077.15	178680.57	203292.63	175420.07	157451.91
Quick Ratio	0.23	0.59	0.37	0.36	0.43

Source: Secondary Data

However, this improvement was not sustained, as the ratio dropped to 0.37 in 2022 and further to 0.36 in 2023, showing declining liquidity. A slight recovery to 0.43 in 2024 indicates marginal improvement, yet it still reflects a quick ratio below the ideal benchmark of 1, suggesting that the company may continue to face challenges in meeting short-term obligations without selling inventory. Overall, the analysis indicates that while there were periods of improvement, the company's quick liquidity remained relatively weak throughout the five-year period.

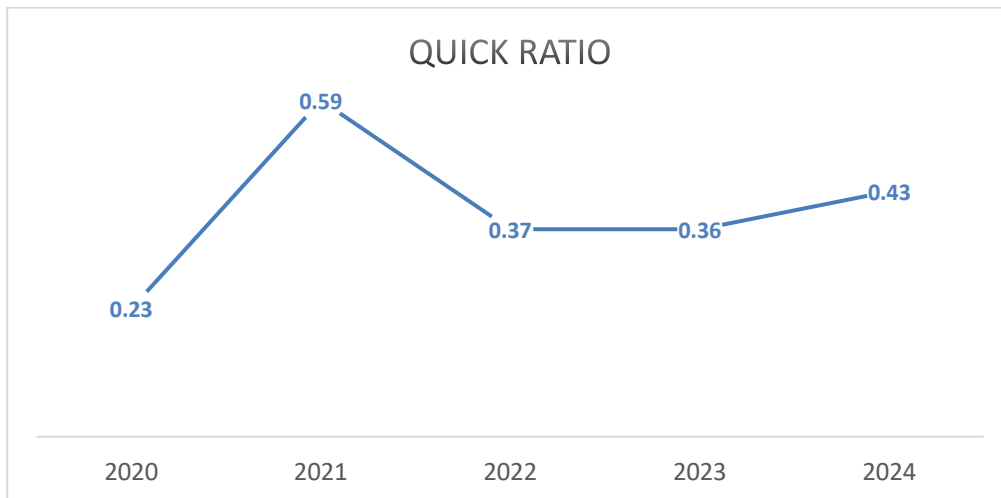


Figure 2 Quick Ratio

From the above figure, the quick ratio was low throughout the years, showing that the company may struggle to pay its short-term debts without relying on inventory. It was highest in 2021 at 0.59 but dropped in 2022 and 2023. There was a small improvement in 2024 to 0.43, but overall, the company's immediate liquidity remains weak.

CASH RATIO

The cash ratio is a liquidity measure that shows a company's ability to pay off its short-term liabilities using only its most liquid assets—cash and cash equivalents. It's the most conservative liquidity ratio because it excludes receivables and inventory. A higher cash ratio means the company is in a strong position to cover immediate debts, but too high may also suggest idle cash. A low ratio may signal liquidity risk.

$$\text{CASH RATIO} = \frac{\text{CASH AND CASH EQUIVALENTS}}{\text{CURRENT LIABILITIES}}$$

Table 3 Cash Ratio

PARTICULARS	2020	2021	2022	2023	2024
cash and cash equivalents	834.25	1028.27	1065.99	1148.88	1265.54
Current Liability	161141.63	113752.77	83211.11	78688.63	118154.1
Cash ratio	0.005	0.009	0.013	0.015	0.011

Source: Secondary Data

From the above table cash ratio remained very low throughout the 5-year period, indicating that the company held only a small amount of cash and cash equivalents compared to its current liabilities. It slightly improved from 0.005 in 2020 to a peak of 0.015 in 2023, showing some improvement in liquidity.

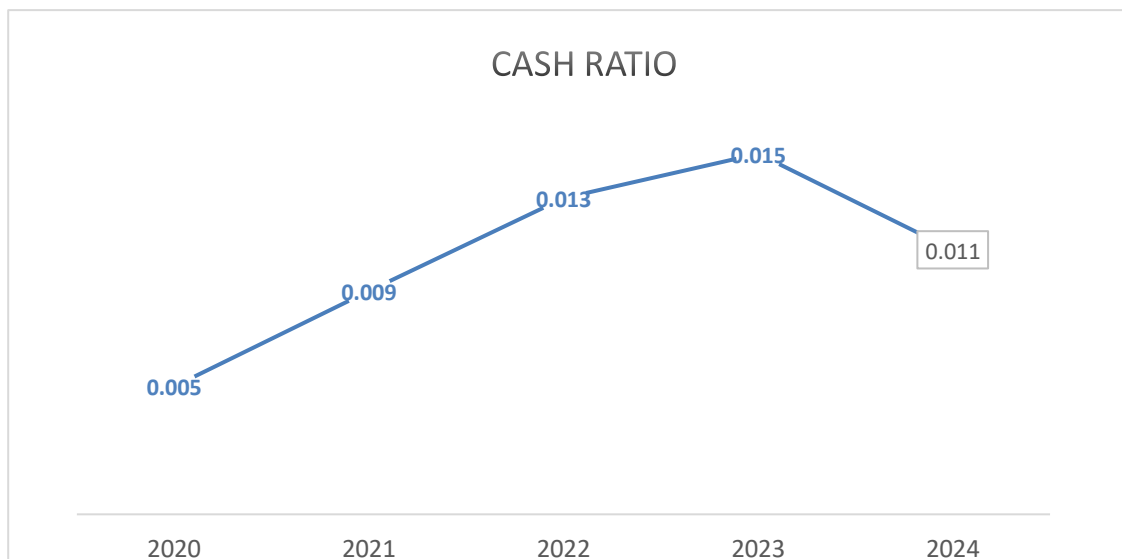


Figure 3 Cash Ratio

From the above figure The cash ratio of the company showed a gradual improvement from 0.005 in 2020 to a peak of 0.015 in 2023, indicating enhanced short-term liquidity and better cash management. However, it slightly declined to 0.011 in 2024, suggesting a possible increase in current liabilities or reduced cash reserves.

INVENTORY TURNOVER RATIO

The inventory turnover ratio measures how efficiently a company manages its inventory by indicating how many times inventory is sold and replaced during a specific period. A higher ratio suggests strong sales and effective inventory management, while a lower ratio may indicate overstocking or weak sales performance.

$$\text{INVENTORY TURNOVER RATIO} = \frac{\text{SALES}}{\text{INVENTORY}}$$

Table 4 Inventory Turnover Ratio

PARTICULARS	2020	2021	2022	2023	2024
Sales	147872.95	136445.47	131854.87	120834.99	150484.24
Inventory	51565.45	105588.87	74210.81	63893.56	67822.04
Inventory turnover ratio	2.87	1.29	1.78	1.89	2.22

Source: Secondary Data

Form the table4 explain the inventory turnover ratio showed fluctuations over the five-year period, starting at 2.87 in 2020 and dipping to its lowest at 1.29 in 2021, indicating slower inventory movement and potential overstocking. From 2022 onward, the ratio gradually improved, reaching 2.22 in 2024, suggesting better inventory management and increased efficiency in converting inventory into sales.

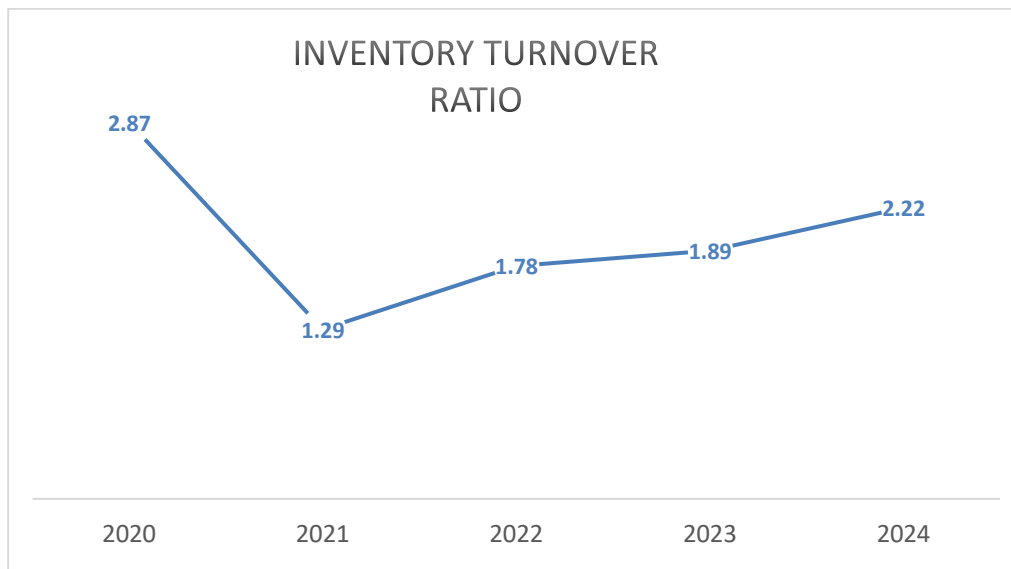


Figure 4 Inventory Turnover Ratio

From the above figure 4 it is clear that the company faced a decline in inventory turnover in 2021, possibly due to disruptions like COVID-19 or operational inefficiencies. However, the gradual increase afterward reflects improved inventory management and better sales or demand forecasting in recent years.

ANALYSIS OF FINDINGS

The research work highlights several key findings based on data analysis. The current ratio demonstrated an initial improvement, rising from 1.74 in 2020 to a peak of 3.33 in 2022, indicating strong liquidity. However, it subsequently declined to 1.90 by 2024, pointing to a weakening in the company's short-term financial strength. Throughout the period, the quick ratio remained consistently below 1, underscoring the company's dependence on inventory to meet its short-term obligations. Although there were slight improvements, the cash ratio remained very low, reflecting insufficient cash reserves to manage immediate liabilities effectively. The inventory turnover ratio experienced a sharp decline in 2021, likely due to disruptions caused by the pandemic, but gradually improved to 2.22 by 2024, indicating enhanced inventory control and better sales performance. Overall, while the company exhibited signs of operational recovery in recent years, its liquidity position remained unstable, emphasizing the need for improved cash flow management and a stronger focus on maintaining liquid assets.

The financial analysis of AXA Parenterals Ltd. from 2020 to 2024 reveals mixed performance in liquidity management. The current ratio showed significant improvement until 2022, indicating strong liquidity, but later declined, suggesting reduced financial flexibility. The consistently low quick and cash ratios highlight the company's reliance on inventory and limited immediate cash availability. Inventory turnover was impacted in 2021, likely due to the pandemic, but showed steady recovery by 2024. Despite signs of operational recovery, the overall liquidity position remained unstable, pointing to a need for stronger cash flow and liquid asset management practices.

RECOMMENDATIONS

Managers

To strengthen the financial health of companies like AXA Parenterals Ltd., managers should regularly conduct comprehensive financial statement analysis using key ratios such as profitability, liquidity, solvency, and efficiency. This practice enables informed strategic decisions, early identification of financial risks, and more effective resource allocation. Emphasis should be placed on improving working capital management by optimizing inventory, receivables, and payables. Additionally, controlling operating costs is essential to maintain profit margins in a competitive market. Investing consistently in research and development can drive innovation and long-term growth. Finally, managers should embrace digital transformation by leveraging data analytics and financial forecasting tools to improve decision-making accuracy and enhance overall transparency.

Policy Makers

To support the financial stability and global competitiveness of pharmaceutical companies like AXA Parenterals Ltd., policymakers should focus on simplifying regulatory frameworks and facilitating easier access to capital for mid-sized firms. Providing targeted incentives—such as tax benefits or grants for research and development—can encourage innovation and sustained growth. Strengthening patent protection laws and expediting the drug approval process would further enhance the sector's ability to compete internationally. Additionally, fostering collaboration between industry players, academic institutions, and government bodies can create a more resilient and innovation-driven ecosystem. Promoting digital transformation through AI, data analytics,

and centralized data systems can also improve transparency, efficiency, and financial forecasting across the industry.

Industry Development

To drive sustainable growth in the pharmaceutical sector, industry stakeholders should promote greater collaboration among private companies, academic institutions, and government agencies. Such partnerships can accelerate innovation, enhance research capabilities, and strengthen the overall industry ecosystem. Embracing digital transformation—through the adoption of AI, machine learning, and advanced data analytics—can improve operational efficiency, quality control, and financial forecasting. Developing centralized data systems will also enhance transparency and decision-making across the value chain. Additionally, investing in talent development and upskilling the workforce will ensure that the industry remains competitive and adaptable in a rapidly evolving global landscape.

Scholarly Contribution

There is a growing need for continuous and in-depth empirical research focused on the financial performance of the Indian pharmaceutical sector, particularly in the context of mid-sized companies like AXA Parenterals Ltd. Scholars should explore the development of predictive financial models that can help identify early signs of financial distress and assess long-term sustainability. Research should also examine the impact of Environmental, Social, and Governance (ESG) factors on financial outcomes, as well as the evolving relationship between capital structure and firm performance. Additionally, sector-specific studies in the post-COVID era can provide valuable insights into how global disruptions affect financial resilience. Such scholarly efforts will contribute meaningfully to financial theory, policy-making, and industry best practices.

Scope for further study

While this study focused on AXA Parenterals Ltd. as a case within the Indian pharmaceutical landscape, further research can expand the scope by incorporating a comparative analysis between multiple mid-sized pharmaceutical companies across different regions of India. Future studies could also explore sector-specific challenges, such as dependency on imports for Active Pharmaceutical Ingredients (APIs), the impact of global regulatory changes, and the effectiveness of government initiatives like “Make in India” in the pharmaceutical domain.

Additionally, integrating non-financial parameters such as ESG compliance, corporate governance practices, and digital maturity could provide a holistic view of firm performance. Advanced statistical tools like multivariate regression, factor analysis, or machine learning algorithms could be employed for deeper analytical insights.

Limitations

The present study is subject to several limitations. Firstly, it focuses solely on AXA Parenterals Limited, and therefore, the findings may not be applicable to other firms within the pharmaceutical industry. Secondly, the analysis is based entirely on secondary data, which may not always reflect the real-time financial condition of the company. Additionally, variations in accounting policies or unforeseen market fluctuations could impact the results, yet such factors fall outside the scope

of this study. Furthermore, external influences such as economic downturns, inflation, and changes in government regulations may significantly affect the company's financial performance, but these aspects have not been examined in depth.

CONCLUSION

This study analyses the financial performance of AXA Parenterals Ltd., a Gujarat-based pharmaceutical company, over the period 2020–2024. Using ratio analysis, trend analysis, and comparative financial statements, it evaluates key indicators such as profitability, liquidity, and solvency. Findings show revenue and net profit growth but raise concerns over declining gross profit margins and rising debt. The analysis is particularly relevant in the post-COVID context of the Indian pharmaceutical industry and offers valuable insights for investors, management, and policymakers.

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