

# A Study on Financial Statement Analysis of Solora Active Pharma Science Pvt Ltd

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**Abstract-** *The Financial Statement Analysis of Solora Active Pharma Science Pvt. Ltd., focusing on evaluating its financial health, efficiency, and sustainability. The study aims to assess the company's liquidity, solvency, profitability, and operational efficiency using comparative and common-size statements. Data from 2020–2025 were analyzed to identify financial trends. Assets grew steadily until 2022 but declined from 2023–2025 due to reduced investments in property, plant, and equipment. Equity peaked in 2021 but weakened later, reducing financial stability. Current liabilities increased, and reliance on short-term debt rose, causing liquidity risks. The current ratio dropped sharply after 2024, showing poor short-term financial strength. Leverage ratios stayed stable, but proprietary ratios indicated uneven equity contribution. Overall, findings reveal weakening financial strength and liquidity in recent years. The study concludes that the firm must improve liquidity management, build reserves, retain profits, and reduce dependence on short-term borrowings to ensure long-term stability.*

**Keywords-** Financial Statement Analysis, Ratio Analysis, Liquidity, Solvency, Profitability

## I. INTRODUCTION

Financial statement analysis is a systematic process of reviewing and evaluating a company's financial statements to gain a clear understanding of its financial performance and position. It involves studying key reports such as the balance sheet, income statement, and cash flow statement to determine how efficiently a business is operating. Through this analysis, one can assess a company's ability to generate profits, manage its assets and liabilities, and sustain growth. Financial statement analysis acts as a foundation for understanding a company's financial health and is essential for both internal management and external stakeholders.

The primary objective of financial statement analysis is to assist in decision-making and strategic planning. Investors use it to evaluate the profitability and potential return on investment, while creditors analyze it to assess a company's ability to meet its debt obligations. Management relies on this analysis to identify areas of improvement and

make informed operational and strategic decisions. Additionally, regulatory bodies and government agencies may use financial statements to ensure compliance with accounting standards and financial regulations. Hence, financial statement analysis serves as a bridge between accounting data and managerial decision-making.

There are various methods used in financial statement analysis, including horizontal analysis (comparison of financial data across periods), vertical analysis (percentage-based analysis within a single period), and ratio analysis (evaluation using key financial ratios like liquidity, profitability, and solvency). These tools help simplify complex data and provide meaningful insights into business trends and financial efficiency. Moreover, trend analysis and comparative statements help predict future performance based on past data. Overall, financial statement analysis is an indispensable tool for evaluating business success, forecasting growth, and maintaining the long-term financial stability of an organization.

An income statement, also known as a profit and loss statement, is a financial report that summarizes a company's revenues, expenses, and profits (or losses) over a specific period. The income statement provides valuable insights into a company's financial performance, indicating its ability to generate profit, manage expenses, and operate efficiently over a specific period. Investors, analysts, and stakeholders use this statement to assess the company's profitability and financial health. Income Statements provide a snapshot of a company's financial performance by detailing its revenues, expenses, and overall profitability over a specific period.

## SIGNIFICANCE OF THE STUDY

Financial statement analysis plays a crucial role in understanding the true financial position and performance of a business. It helps in interpreting the figures presented in financial statements and converting them into meaningful information for decision-making. Through analysis, stakeholders can assess whether a company is growing, profitable, and financially stable. It also reveals trends over time, helping businesses understand how effectively they are

utilizing resources and whether corrective actions are needed to improve efficiency and profitability.

### OBJECTIVE OF THE STUDY

- To Study the Financial position of Solora Active Pharma Science Private Limited.
- To Analyse the liquidity and solvency position of the firm.
- To evaluate the Profitability Position of the firm.

### SCOPE OF THE STUDY

- The financial statements are prepared on the basis of recorded facts. The recorded facts are those which can be expressed in monetary terms.
- The statements are prepared for a particular period, generally one year.
- The transaction are recorded in chronological order, as and when the events happen.
- The accounting records and financial statements prepared from these records are based on historical costs.

## II. REVIEW OF LITERATURE

**Mahdi Salehi Alipour and Morteza Ramazani (2023)** the article is to establish the extent to which just-in-time may effect to Iranian company's financial performance. The researcher used regression analysis as statistical tool. Eventually the researcher concludes that the application of the JIT system in Iran increases the financial and non financial performance of the companies. Because of the weakness in performing the JIT, they cannot benefit from it. The researchers strongly that the barriers of performing the JIT system must be identified and removed as soon as possible, so that the Iranian companies increase their financial performances.

**Shaji.U and Ganesan (2024)** made an attempt to study the overall financial performance of selected public sector drug and pharmaceutical enterprises in India with the help of some statistical measures mean, standard deviation, coefficient of variance, linear multiple regression analysis and test of hypothesis. The study revealed that the industry will witness an increase in the market share. The sector is poised not only to take new challenge but to sustain the growth momentum of the post decade.

**Saeid Jabbarzadesh Kangarlouei (2025)** examines the effectiveness of economic value added method over the other traditional methods which were used to analyze the financial

position of an enterprise. For the study, primary data is of little relevance, data availability is quite easy and the quality of available data is very reliable because the data are from the published information such as annual reports of the company, primary data is collected for this purpose, standard literature was abundant for the study. Secondary data has been collected from the annual reports over the period of five years, from 2020 to 2025, which acts as a sample for the purpose of financial dialectics.

**Parviz Asheghian (2024)** evaluates the relative financial managerial performance of thirty matched-pairs of U.S. firms and Chinese firms. He measured the financial performance in terms of profitability, debt management and asset management. Profitability is measured by return on assets, return on equity and return on investment. Debt management is measured by long-term debt to equity and total debt to equity. Asset management is measured by total asset turnover, receivable turnover and inventor turnover. Eight hypotheses are tested on the basis of ROA, ROE, LTDE, TDTE, TAT, RTO, and ITO. Matched pairs are used, and appropriate test is the Wilcoxon matched-pairs signed-ranked test. This test is ideal because it is a non-parametric test, not requiring a large sample size. The study concluded that Chinese firms are more efficient than the U.S. firms in terms of ROE, they are similar in terms of the other two profitability ratios of ROA and ROI.

## III. RESEARCH METHODOLOGY

Research methodology refers to the systematic process and set of principles used to design, conduct, and evaluate research. It is the framework that guides researchers in collecting, analyzing, and interpreting data to answer specific research questions or solve problems. The methodology outlines the overall approach to the research — whether it is qualitative, quantitative, or a combination of both — and ensures that the study is carried out in a structured, logical, and scientific manner. A clear research methodology helps maintain consistency, reliability, and validity in research outcomes.

### RESEARCH DESIGN

Research design refers to the overall plan, structure, and strategy used to integrate the different components of a research study in a coherent and logical way. It acts as a blueprint that guides the collection, measurement, and analysis of data. A well-structured research design ensures that the research problem is addressed effectively and that the findings are valid, reliable, and objective. It helps researchers to plan the sequence of activities, allocate resources efficiently, and minimize errors or biases during the research process. The

main purpose of research design is to provide a systematic framework for conducting the study. It outlines what data needs to be collected, from whom, and how it will be analyzed to achieve the research objectives. Depending on the nature of the problem and objectives, research design can be classified into various types such as exploratory, descriptive, diagnostic, and experimental designs.

### DESCRIPTIVE ANALYSIS

Descriptive analysis refers to the process of summarizing, organizing, and presenting data to provide a clear and meaningful description of the main features, patterns, and characteristics of a dataset. This type of analysis is primarily concerned with describing and understanding the basic properties of the data, rather than making inferences or drawing conclusions about a larger population. Descriptive analysis is often one of the first steps in data analysis and serves as a foundation for more advanced statistical techniques.

### IV. DATA ANALYSIS TOOLS AND TECHNIQUES

Data analysis is a critical part of research, These tools enable the company to enable the company to evaluate the feasibility, profitability, and risks associated with long-term projects.

Comparative Analysis

Common size Analysis

Ratio Analysis

- Current Ratio
- Quick Ratio
- Debt to equity Ratio
- Return on equity Ratio
- Net Profit Margin Ratio

### COMPARATIVE ANALYSIS

Comparative analysis involves comparing financial statements of a company for two or more accounting periods to identify changes and trends in income, expenses, assets, and liabilities over time. It helps assess the company's performance and financial growth.

### COMMON SIZE ANALYSIS

Common size analysis expresses each item in the financial statement as a percentage of a base amount (for example, total sales or total assets). It helps compare

companies of different sizes and analyze the structure and proportion of financial elements within a single period.

### RATIO ANALYSIS

Ratio analysis is a financial tool used to evaluate a company's performance and financial health by analyzing relationships between various items in the financial statements. It helps measure profitability, liquidity, efficiency, and solvency of a business.

- **CURRENT RATIO:** The current ratio measures a company's ability to pay its short-term obligations using its current assets.
- **QUICK RATIO:** The Quick Ratio is a financial metric that measures a company's short-term liquidity, its ability to pay off current liabilities without relying on the sale of inventory.
- **DEBT-TO-EQUITY RATIO:** Debt to equity ratio indicates the proportion of debt and shareholders' equity used to finance a company's assets, showing financial leverage.
- **RETURN ON EQUITY RATIO:** Return on Equity (ROE) is a financial ratio that measures how effectively a company uses the money invested by its shareholders to generate profit. It is calculated by dividing the company's net profit by its shareholders' equity.
- **NET PROFIT MARGIN RATIO:** Net Profit Margin Ratio measures the overall profitability of a company by showing the percentage of revenue that remains as net profit after deducting all expenses, taxes, and interest. It is calculated by dividing net profit by net sales and multiplying by 100.

### DATA ANALYSIS AND

### INTERPRETATION

Data analysis is the process of examining, organizing, and evaluating raw data to extract meaningful information. It involves using statistical, mathematical, and logical techniques to identify patterns, trends, and relationships within the data. Once analyzed, data interpretation explains the significance of the findings in the context of the research objectives, helping to draw valid conclusions. This process ensures that research outcomes are accurate, reliable, and useful for decision-making. By connecting the results to real-world applications, data analysis and interpretation enable researchers, managers, and stakeholders to make informed, evidence-based decisions and evaluate the effectiveness of strategies or hypotheses.

**COMPARATIVE ANALYSIS:**

From 2020 to 2024, the company's financial position showed mixed trends. Assets and equity grew strongly in 2020 and 2021 but declined in the later years. Growth in earlier years was supported by reserves, cash, and receivables, while recent years saw a fall in inventories and cash. Equity weakened due to reduced reserves, though capital work-in-progress increased. Liabilities, especially current ones, rose steadily, indicating higher short-term pressure. Overall, the company's asset base shrank, with more dependence on current liabilities.

**COMMON SIZE ANALYSIS:**

From 2020 to 2025, the company's performance showed alternating growth and decline. Assets expanded until 2022 due to higher investments and receivables but gradually fell afterward. Equity strengthened in the early years, weakened in 2023–2024, and recovered again in 2025 with higher reserves. Liabilities fluctuated, with current borrowings increasing during weaker years and reducing later. Non-current assets remained the largest share throughout, though property and capital work-in-progress varied. Overall, the company moved from strong growth to contraction, ending with improved equity but lower liquidity.

**CURRENT RATIO:**

The Current ratio of Solora Active Pharma Science Pvt. Ltd. from 2021 to 2025. The ratio shows a declining trend from 2021 to 2025, indicating weakening liquidity. In the first three years, the company could meet its short-term obligations, although the margin kept reducing. In 2024 and 2025, the ratio falls below 1:1, which signals an inability to cover current liabilities with current assets. This situation reflects poor working capital management and increasing financial risk. Immediate corrective action is required to improve the company's short-term financial stability.

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2021	1,057.99	785.31	1.34:1
2022	1,239.28	1,063.42	1.16:1
2023	1,187.54	1,101.13	1.07:1
2024	800.75	1,242.85	0.64:1
2025	728.73	944.11	0.77:1

**QUICK RATIO:**

The quick ratio of Solora Active Pharma Science Pvt. Ltd. from 2021 to 2025. In 2021, the ratio was 0.97:1, showing a strong liquidity position. From 2022 to 2024, the ratio continuously declined, reaching 0.35:1 in 2024. This indicates weak liquidity and difficulty in meeting short-term liabilities. In 2025, the ratio improved to 0.73:1, showing slight recovery. However, it still remained below the ideal standard of 1:1. Overall, the company's liquidity position weakened over the years with minor improvement in 2025.

PARTICULARS	2021	2022	2023	2024	2025
Current asset	1,057.99	1,239.28	1,187.54	800.75	728.73
Less: Stock	294.97	575.55	558.09	359.70	317.90
Quick Ratio	0.97	0.62	0.57	0.35	0.73
Current liabilities	785.31	1,063.42	1,101.13	1,242.85	944.11
Quick Ratio	1:1	1:1	1:1	1:1	3:1

**DEBT TO EQUITY RATIO:**

The Debt to Equity Ratio of Solora Active Pharma Science Pvt. Ltd. shows an increasing trend from 0.63:1 in 2021 to 1.51:1 in 2024, indicating a growing dependence on borrowed funds compared to shareholders' equity. In 2025, it slightly decreased to 1.03:1, suggesting a reduction in debt levels. Overall, the company's financial structure reflects fluctuating leverage, with higher reliance on debt during the middle years, which may increase financial risk.

YEARS	TOTAL LIABILITIES	SHAREHOLDER FUNDS	DEBT TO EQUITY RATIO
2021	1,017.39	1,592.78	0.63:1
2022	1,417.78	1,524.87	0.92:1
2023	1,396.83	1,500.21	0.93:1
2024	1,414.38	933.91	1.51:1
2025	1,134.93	1,094.24	1.03:1

**RETURN ON EQUITY RATIO:**

The Return on Equity ratio of Solora Active Pharma Science Pvt. Ltd. fluctuated from 2021 to 2025. In 2021, it was 0.13:1, showing good returns to shareholders. It declined to 0.03:1 in 2022 and 0.01:1 in 2023, indicating low profitability. The ratio rose sharply to 0.60:1 in 2024, showing strong performance. In 2025, it fell again to 0.00:1, showing no returns. Overall, the company's ROE shows unstable and inconsistent performance.

YEARS	NET PROFIT	SHAREHOLDER'S EQUITY	RETURN ON EQUITY RATIO
2021	218.43	1,592.78	0.13:1
2022	56.55	1,524.87	0.03:1
2023	23.97	1,500.21	0.01:1
2024	566.31	933.91	0.60:1
2025	0.02	1,094.24	0.00:1

#### NET PROFIT MARGIN RATIO:

The Net Profit Margin ratio of Solora Active Pharma Science Pvt. Ltd. varied from 2021 to 2025. It was 0.13:1 in 2021, showing good profitability. The ratio declined to 0.04:1 in 2022 and 0.01:1 in 2023, indicating reduced profits. In 2024, it increased sharply to 0.43:1, reflecting strong performance. However, in 2025, it dropped to 0.00:1, showing no profit. Overall, the company's profit margin showed high fluctuation and instability.

YEARS	NET PROFIT	NET SALES	NET PROFIT MARGIN RATIO
2021	218.43	1616.88	0.13:1
2022	56.55	1268.34	0.04:1
2023	23.97	1443.81	0.01:1
2024	566.31	1288.92	0.43:1
2025	0.02	1283.76	0.00:1

#### V. FINDINGS, SUGGESTION CONCLUSION

##### FINDINGS :

- The company's assets showed fluctuations, indicating unstable financial performance.

- Non-current assets grew initially but declined later, showing reduced development.
- Current assets continuously decreased, leading to weak liquidity.
- Equity strength varied, while liabilities increased, showing dependence on debt.
- Profitability and liquidity ratios fluctuated, reflecting poor financial efficiency.
- Equity position improved in some years due to higher reserves but weakened later because of reduced surplus, lowering overall financial stability.
- Liabilities, especially short-term borrowings and trade payables, increased over the period, showing dependence on external funds.
- Liquidity ratios like current and quick ratio fell below the ideal level, indicating poor ability to meet short-term obligations.
- Profitability ratios such as ROE and NPM fluctuated sharply, showing inconsistent profit performance and weak operational efficiency.
- Overall, the company showed growth in the beginning but faced liquidity and profitability issues in the later years, needing better financial management.

##### SUGGESTIONS :

- Improve liquidity by maintaining adequate cash and reducing short-term borrowings.
- Strengthen working capital through better control of inventory and receivables.
- Ensure stable revenue by diversifying products and expanding the customer base.
- Reduce debt and increase equity funding to improve financial stability.
- Control costs and enhance operational efficiency to boost profitability.
- Focus on generating stable revenue by expanding the customer base and diversifying products to maintain consistent profitability.
- Reduce dependence on debt and increase equity funding to lower interest costs and financial risk while improving solvency.
- Control operational expenses and improve efficiency through better resource utilization and cost management to increase profit margins.
- Maintain steady investments in fixed assets like property and equipment to support long-term business growth and competitiveness.

**CONCLUSION:**

The project title has “A Study on Financial Statement Analysis of Solara Active Pharma Science Pvt. Ltd”. showed fluctuating financial performance between 2021 and 2025, with total assets and equity rising in some years but declining in later periods. Non-current assets initially increased due to expansion efforts, while current assets fell, resulting in weak liquidity and difficulty meeting short-term obligations. Equity improved at times but later weakened due to reduced reserves, and liabilities, particularly short-term borrowings, increased, raising financial risk. Liquidity and profitability ratios fluctuated sharply, indicating inconsistent performance and poor working capital management. To improve stability, the company should maintain adequate cash, manage inventories and receivables efficiently, and reduce dependence on short-term debt. Operational costs should be controlled to enhance profit margins, and steady investments in fixed assets should support long-term growth. Regular monitoring of financial ratios can help identify risks early and guide corrective action. By focusing on these measures, the company can strengthen liquidity, maintain consistent profitability, and reduce financial risk. Overall, while the company demonstrated growth potential, better financial management is essential for long-term stability.

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