



AN ANALYSIS OF FINANCIAL PERFORMANCE OF SELECT INDIAN INDUSTRY SECTORS BEFORE AND AFTER COVID 19

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ABSTRACT

Covid-19 impacted the Indian industries as there were lock down restrictions, supply chain disruptions and other issues. The stock market which is an indicator of industry's performance crashed when lockdown was announced. Financial performance of the companies got impacted and many of them are the process of recovery. A study was conducted to find the impact of Covid on the financial performance of three key industry sectors in India, namely, Healthcare, Automotive and Information Technology. The above analysis shows that 4 out of 5 Top companies in the Healthcare, Automotive and Information Technology sectors have recovered after Covid and have done well in their growth and profits. The IT industry stocks compared to other industries under study, have performed well post pandemic. The Automotive industry has also recovered but is not growing as compared to pre Covid era, the shortage of silicon chip can be a reason behind its slow growth. The healthcare industry improved drastically due to the need of medical attention needed in the country. The analysis shows that 4 out of 5 Top companies in the Healthcare, Automotive and Information Technology sectors have recovered after Covid and have done well in their growth and profits.

KEY WORDS: Covid-19, Healthcare, Automotive, Information Technology, Profitability and growth.

INTRODUCTION

Industries all across the world were functioning under the threat of global financial markets during Covid. As a result of the lockdown, unemployment rose, interest rates fell, and the stock market became very volatile. The pandemic's results were devastating, with millions of people sliding into poverty, businesses facing extinction, the workforce enduring job losses, and society undergoing a paradigm change. The impact of Covid-19 was very bad on the NIFTY 50 and Sensex because at the initial stage of Covid NIFTY lost about 4470 points or about nearly 37 per cent and Sensex lost 3934 points in March 2020. With an increase in the number of coronavirus cases in India, the Sensex and NIFTY registered their worst losses ever. The stock market reflects the crisis and its consequences. Therefore, the COVID-19 outbreak is crucial for analysing stock price volatility. Stock prices are also an important indicator of a company's success and value to its shareholders. The COVID-19 pandemic is influencing several businesses and has destroyed some of them throughout the world. The majority are withering as a result of the crisis. Simultaneously, the scenario has created opportunities for numerous businesses to thrive, including manufacturing and logistics. In this study we have analysed the influence of the COVID-19 pandemic on stock prices in Indian businesses such as Automotive, IT and Healthcare.

While the stock market reacted positively to the announcement of the lockdown, once the lockdown restrictions were relaxed. In this study, we have analysed the financial performance of the

Healthcare, Automotive and Information Technology sectors before and after COVID.

LITERATURE REVIEW

This part of the research focuses on the relevant past empirical studies done on pandemics and their effect on the stock market.

Avijit Sikdar (2021), In this study he discovered that the average daily share price, average daily return, daily number of transactions, and volatility varied considerably between the before and after COVID periods for most industries. However, he did not see a substantial variation in the delivery percentage of traded shares in these industries between the two research periods.

Byomakesh Debata, Pooja Patnaik, Abhisek Mishra (2020), This study talks about the corona virus epidemic has had a severe negative economic impact in India. The question of how the Indian economy will recover has been raised by the brief stop in economic activity that saw India's exports plummet by 34.6% and imports decrease by 28.7% as nations closed their borders, the sharp collapse in equities markets, and the minimal activity in the service sectors.

Pravakar Sahoo and Ashwani (2020), In the best-case scenario, India's GDP could only increase by 0.5%, while in the worst-case scenario, it might contract by 3–7%. The effects on the manufacturing, MSME, and trade sectors are significant.



Basistha.D and Bora.D (2020), both studied the volatility of stocks of the BSE Sensex and NSE NIFTY index using a model called the GARCH model. The research found that Indian stock market experienced very high adverse volatility during the Covid-19 period. When results of pre and during periods were compared it was found that the return on indices was higher in the pre-pandemic period.

Our research covers financial performance before and after the Covid-19 period. For this purpose, the financial year 2019-20 is taken as the pre-Covid period and the financial year 2021-22 as the post-Covid period. We chose three industries for this experimental study: Healthcare, Automotive and Information Technology.

THE OBJECTIVE OF THIS STUDY

1. To study the stock market trend of Healthcare, Automotive and Information Technology industries before and after Covid 19.

2. To analyse the financial performance of Healthcare, Automotive and Information Technology industry pre and post-pandemic.
3. To analyse the growth of Healthcare, Automotive and Information Technology Industry.

RESEARCH METHODOLOGY

The research has been done using secondary data for before and after the pandemic era. The BSE Index has been used as the secondary data of daily stock trends. For overall financial performance of the industries data has been gathered from the BSE website, ACMA Report, Statista and Pharmabiz.com. Using this data we have analysed the growth, and profitability of the Top 5 companies from the industries under observation.

ANALYSIS AND INFERENCES

The stock market trends for the three industry sectors were analysed. Chart 1 – 3 show the trend by sector.

Chart 1: Stock Market Trend - Healthcare

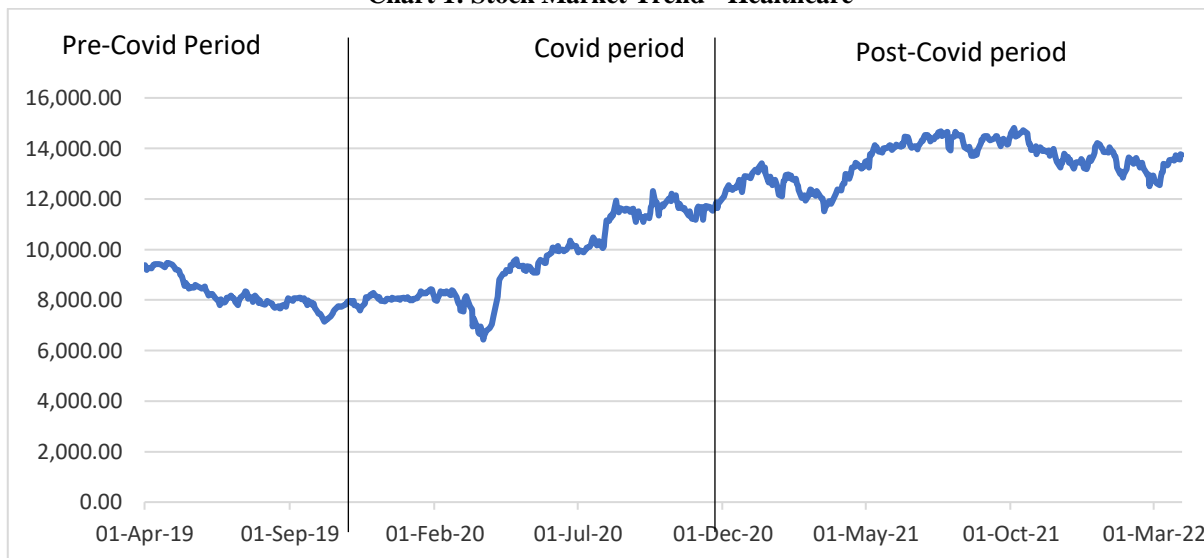
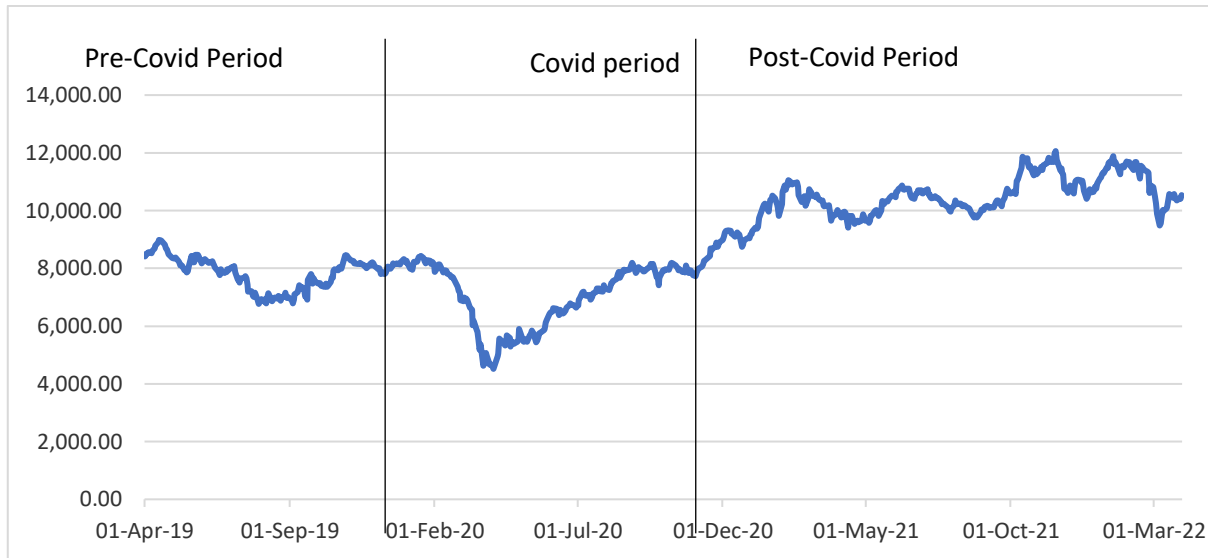


Chart 1 shows the overall stock price change in the Healthcare industry from the start of the financial year 2019-20 to FY 2021-22. Ever since Covid hit India the healthcare industry of India has increased rapidly. Before Covid, the highest stock price of this industry was 8378.65 as the lockdown was

imposed in India on March 24th 2020 the lowest it hit was 6432.30, but soon after exponential growth in this industry took place.

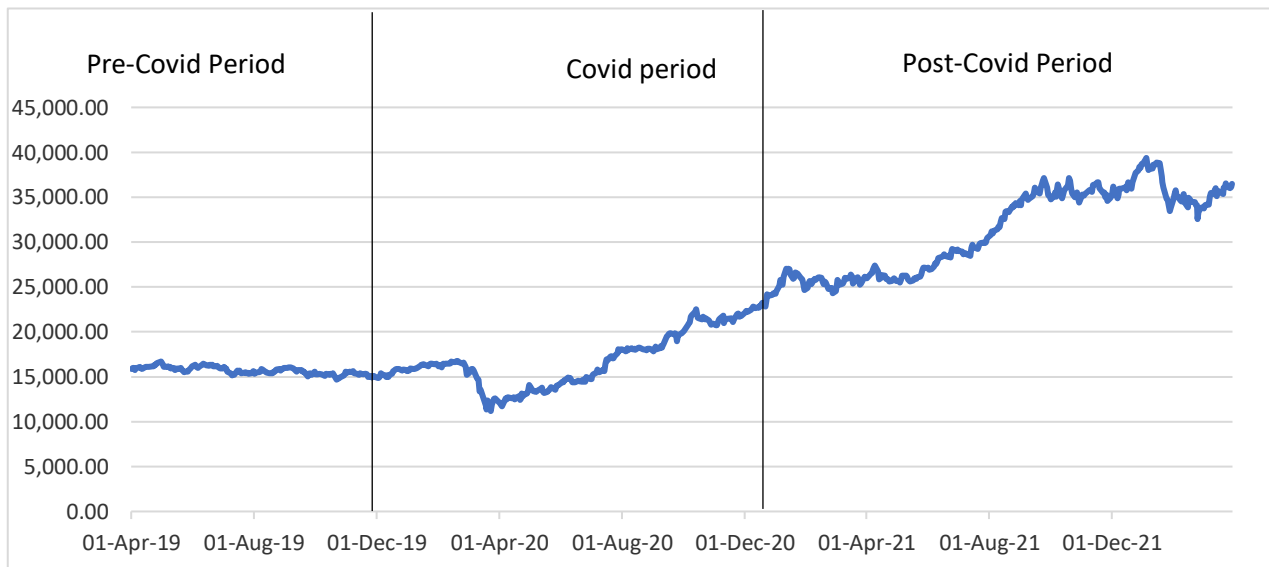
Chart 2: Stock Market Trend - Automotive



The stock trend of the Automotive industry looks positive in chart 2 but it did not grow at a very fast pace. Supply Chain bottlenecks like chip shortages around the world have affected this whole industry very badly. The chart above shows the growing trend of the Automotive industry before March 2020

but it reached its lowest from 8,395.90 to 4,517.75 due to the lockdown. The Automotive industry took time to recover after 1st wave but due to chip shortage, the growth was not exponential.

Chart 3: Stock Market Trend – Information Technology



The stock market trend in the IT industry did fairly well pre Covid as shown in chart 3. In this case, initially the stock trend in the IT industry in the financial year 2019-20 increased but towards the end of the financial year the stock market dipped down due to a peak in Covid. However, the IT industry was able to bounce back strong in the financial year 2021 and it is growing continuously since. Right before Covid, we can see in the graph that the IT industry had stable growth, the highest was 16,748.75 before Covid but at the peak of Covid the prices fell to 12,099.25, indeed a bad phase for IT. But we can see, this

industry got adapted to the new normal and their growth went exceptionally well reaching the highest level of 39,370.70 points which no other industry could achieve in our research.

ANALYSIS OF GROWTH & PROFITABILITY OF TOP COMPANIES

We have analysed the growth and profitability of the top 5 companies in each of the three sectors. Table 1 relates to Health Care Industry.

**Table 1A: Revenue and Profit - Healthcare**

Companies	Revenue(Rs.) 19-20	Revenue(Rs.) 21-22	Growth	Net Profit (19-20)	Net Profit (21-22)	Increase/Decrease in Net Profit
Sun Pharma	140.4B	165.4B	17.81%	22.87%	-0.60%	Decrease
Cipla ltd.	135.5B	137.6B	1.52%	17.11%	21.50%	Increase
Divi's Lab	55.B	89.9B	63.46%	24.96%	32.79%	Increase
Dr. Reddy Lab	118.5B	144.5B	21.94%	24.79%	11.23%	Increase
Apollo Hospitals	98.1B	61.5B	-37.33%	6.96%	13.87%	Increase

In Table 1A, the growth of these companies has been positive except for Apollo Hospitals. The growth of Apollo Hospitals is negative compared to the revenue of FY 2019-20 in FY 2021-22. But if we look at the profitability, it has increased for all companies except Sun pharma.

The Current Ratio indicates the solvency of the company. The Current Ratio is arrived at by dividing current assets by current liabilities. The Current ratio of these companies was also analysed to find the impact post-Covid period. Table 1B shows the analysis of the Current Ratio.

Table 1B: Current Ratio - Healthcare

Companies	Current ratio			
	2019-20	2021-22	Change	Favourable/Adverse
Sun Pharma	2.00	2.00	0.00	Favourable
Cipla ltd.	3.44	4.22	0.23	Favourable
Divi's Lab	5.16	7.10	0.38	Favourable
Dr. Reddy Lab	1.80	1.90	0.06	Favourable
Apollo Hospitals	1.19	2.91	1.45	Favourable

In the Table 1B Current ratio of these companies has been favourable.

Table 2A: Revenue and Profit – Automotive

Companies	Revenue(Rs.) 19-20	Revenue(Rs.) 21-22	Growth	Net Profit (19-20)	Net Profit (21-22)	Increase/Decrease in Net Profit
Maruti Suzuki	790.3B	900.9B	13.99%	8.94%	5.09%	Increase
Tata Motors	453.1B	479.2B	5.77%	-15.73%	-3.42%	Decrease
Mahindra & Mahindra	471.6B	595.2B	26.22%	6.61%	10.48%	Increase
Bajaj Auto	316.5B	343.5B	8.54%	16.11%	14.61%	Increase
Honda MotoCorp	296.1B	298.B	0.63%	12.27%	8.30%	Increase

Table 2A above shows the growth and profitability of these companies. If we have a look at the growth, Tata Motors did

not do well compared to others and their profitability has also decreased which is a negative sign for this company.

Table 2B: Current Ratio – Automotive

Companies	Current ratio			
	2019-20	2021-22	Change	Favourable/Adverse
Maruti Suzuki	0.70	1.00	0.30	Favourable
Tata Motors	0.53	0.58	0.05	Favourable
Mahindra & Mahindra	1.19	1.40	0.21	Favourable
Bajaj Auto	1.55	2.13	0.58	Favourable
Honda MotoCorp	1.53	1.21	-0.32	Adverse

The Table 2B shows the current ratio of these companies are all favourable but for Hero MotoCorp it has gone adverse.



Table 3A: Revenue and Profit – Information Technology

Companies	Revenue(Rs.) 19-20	Revenue(Rs.) 21-22	Growth	Net Profit (19-20)	Net Profit (21-22)	Increase/Decrease in Net Profit
TCS	1313.1B	1603.4B	22.11%	25.33%	23.82%	Increase
Infosys	817.5B	1071.6B	31.09%	19.01%	19.82%	Increase
HCL Technologies	331.9B	415.2B	25.08%	27.02%	26.19%	Increase
Wipro	528.8B	642.8B	21.55%	16.41%	18.88%	Increase
Tech Mahindra	315.9B	362.5B	14.74%	14.35%	13.55%	Increase

As visible in the table 3A the top 5 companies did exceptionally well during these 2 financial years as growth and profitability of these companies are positive.

Now lets have a look at the current ratios:

Table 3B : Current Ratio – Information Technology

Companies	Current ratio			
	2019-20	2021-22	Change	Favourable/Adverse
TCS	3.30	2.6	-0.70	adverse
Infosys	2.80	2.1	-0.70	adverse
HCL Technologies	1.60	2.6	1.00	Favourable
Wipro	2.40	2.0	-0.40	adverse
Tech Mahindra	3.20	2.6	-0.64	adverse

Table 3B shows the current ratio situation for almost all of them are adverse except for HCL Technologies. HCL has been doing good in the terms of maintaining their current asset.

The overall performance of the three sectors is given in the Table 4 below:

Table 4 : Revenue and Profit - Overall

Industries	Revenue(Rs.) 19-20	Revenue(Rs.) 21-22	Growth	Net Profit (19-20)	Net Profit (21-22)	Increase/Decrease in Net Profit
Automotive	3496.4B	4200.0B	20.12%	29.17%	-22.90%	Decrease
Healthcare	2310.5B	2753.7B	19.18%	11.41%	11.57%	Increase
Information Technology	13151.1B	14414.2B	9.60%	0.86%	25.32%	Increase

Source: ACMA, Pharmabiz, Statista

The above analysis shows the growth and profitability of the mentioned industries overall. It shows there is decrease in automotive sector mainly due to shortage of silicon chips and other two are in growing stage.

CONCLUSION

The above analysis shows that 4 out of 5 Top companies in the Healthcare, Automotive and Information Technology sectors have recovered after Covid and have done well in their growth and profits. From the analysis we can observe that:

1. The IT industry stocks compared to other industries under study, have performed well post-pandemic.
2. The Automotive industry has also recovered but is not growing as compared to pre- Covid era, the shortage of silicon chips can be a reason behind its slow growth.
3. The pharma industry improved drastically due to the need for medical attention needed in the country.

The profits of the top companies in these three sectors have shown positive growth. So, we can conclude from the analysis that the financial performance of the industries in scope has shown positive growth and profitability compared to the pre-pandemic era and has recovered. The study covers only three industries and the Top 5 companies in these three industries in particular. Hence the findings may be not the same for the other industries.

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