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# Financial Health and Shareholder Value: Examining the Relationship at Apollo Hospitals

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**ABSTRACT:** This paper investigates the financial performance of Apollo Hospitals over the past five years. While profitability is evident through high net income, the analysis reveals a concerning trend of low return on investment and a high debt-to-equity ratio. These findings suggest potential inefficiency in financial management and raise questions about long-term sustainability. Further financial evaluation is recommended for a more comprehensive understanding of the company's financial health.

**KEYWORDS:** Apollo Hospitals, Financial Performance, Profitability, Debt-to-Equity Ratio, Return on Investment.

## I. INTRODUCTION

Financial performance is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firms overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. It refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. Ratio analysis and comparative statements are important tools used for analysing a company's financial performance.

### Financial analysis techniques include:

Ratio analysis: a widely used tool to compare risk and return across different sized firms. It involves calculating ratios to interpret financial statements and assess a company's strengths, weaknesses, historical performance, and current financial health. Ratios can be expressed as percentages, fractions, or proportions.

Comparative statements: tools like comparative balance sheets and trend analysis help assess changes in a company's financial position over time. Common size statements present financial data as a percentage of a base figure, enabling comparisons across companies of different sizes.

- Fund flow statements analyze cash inflows and outflows, providing insights into a company's liquidity and solvency.
- Cost-volume-profit (CVP) analysis examines the relationships between costs, volume, and profit, aiding in decision-making for pricing, production, and marketing strategies.

Financial statements themselves provide a starting point for financial analysis.

By employing these techniques, stakeholders like equity investors, management, and lenders can make informed investment and credit decisions.

This study analyses Apollo Hospitals' financial performance over the past five years to assess its financial health. By evaluating past and current performance through financial statements, the study aims to determine if the company exhibits sound financial standing and predict its future performance. This information is crucial for external stakeholders and investors to make informed decisions.

## II. REVIEW OF LITERATURE

**Pai, Vadivel & Kamala (2021)** have studied about the diversified companies and financial performance. Main purpose of research was found out the relationship between diversified firms and their financial performance. For the purpose of research, they have selected seven large firms and analysed those firm which having different products-both related and otherwise-in their portfolio and operating in diverse industries. In this study, a set of performance measures / ratios was employed to determine the level of financial performance and variation in performance from one firm to another has been observed and statistically established. They revealed that the diversified firms studied have been healthy financial performance.

**D'Souza & Megginson (2020)** have studied concerning the financial and operating performance of privatized firms during the 2090s. They made comparison about the pre and post privatization financial and operating performance of 85 companies from 28 industrialized countries that were privatized through public share offerings for the period from 2090 to 2096. They have noticed that the significant increases in profitability, output, operating efficiency, dividend payments and significant decreases in leverage ratios for the full sample of firms after privatization. They have also concluded that the capital expenditures increase significantly in absolute terms, but not relative to sales and Employment declines, but insignificantly. As per findings, they strongly recommended that privatization yields significant performance improvements.

**Rajeswari (2019)** studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alan Gulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad as idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory.

**Aggarwal & Singla (2018)** have studied about developed a single index of financial performance through the technique of Multiple Discriminate Analysis (MDA), by selecting 11 ratios and selected ratios used as inputs. For the purpose of Analysis they selected only those ratios, which was relevant in distinguish between profit making units and loss-making units in Indian paper industry. They concluded that, the model has correctly classified 82.17 percent of units selected as profit making and loss marking. They mentioned in their study the inventory turnover ratio, interest coverage ratio, net profit to total assets and earnings per share are the most important indicators of financial performance. Also, they suggested suggests that the results of Multiple Discriminate Analysis could be used as predictor of future profitability / sickness.

**Bosworth & Loundes (2006)** have studied about the Dynamic performance of Australian Enterprises investigate the interaction of discretionary investments, innovation, productivity and profitability within a dynamic framework of firm performance. They harvest up a dynamic and closed model for firm performance and the result empirical model was tested as a series of recursive equations by using a four-year balanced panel data set of Australian firms drawn from the Business Longitudinal Survey. After comparatively analysis, they found that the current economic profit has an important role to play in enabling firms to invest. They mentioned in the findings regarding investments complements and also substitutes. They concluded from analysis the impact of these discretionary investments on innovation and total factor productivity performance. Finally, the impact of past discretionary investments both directly and indirectly (that is, via innovation and productivity performance) on current profitability was examined. They also revealed that the past values of these investments have a significant influence on current profit, effectively closing the model.

## III. RESEARCH METHODOLOGY

### Objectives of the study

- To examine the liquidity and solvency position of the Apollo Hospitals
- To examine the profitability position of the Apollo Hospitals

Research methodology helps in identifying the problem, collecting and analysing the required information and providing an alternative solution to the problem. It also helps in collecting the vital information that is required to assist

in better decision making. The data used is secondary in nature. Secondary data are those data which have already been collected and stored. Secondary data had been collected from annual report published by the Apollo Hospitals.

These annual reports had been downloaded from the official website of the company. The study on financial performance of Apollo Hospitals is confined to a period of five years from 2019-2023. This study analyses Apollo Hospitals' financial performance over the past five years, which may not be sufficient to capture long-term trends. To assess a company's financial health, financial analysts employ various tools including:

Ratio analysis: a powerful tool that involves calculating and interpreting ratios from financial statements (income statement, balance sheet, and cash flow statement) to evaluate a company's performance and financial health. These ratios provide insights into different aspects like liquidity, profitability, efficiency, and solvency.

Comparative balance sheet: a tool that presents financial information from two or more periods side-by-side, enabling stakeholders to identify trends, evaluate performance, and make informed decisions based on how the company's financial position has changed over time.

#### IV. DATA ANALYSIS AND INTERPRETATION

**Table 4.1.1 showing comparative balance sheet of financial year 2017-2018 to 2018-2019**

Particulars	2017-2018	2018-2019	Amount Of Increase /Decrease	Percentage Increase/Decrease
<b>Capital And Liabilities</b>				
Capital	505.64	512.51	6.87	1.36
Reserves and Surplus	72172.13	88949.84	16777.71	23.25
Deposits	546424.19	643639.66	97215.47	17.79
Borrowings	53018.47	74028.87	21010.40	39.63
Other Liabilities and Provisions	36725.13	56709.32	19984.19	54.42
<b>Total</b>	<b>708845.57</b>	<b>863840.19</b>	<b>154994.62</b>	<b>21.87</b>
<b>Assets</b>				
Cash And Balances with RBI	30058.31	37896.88	7838.57	26.08
Balances with Other Apollo Hospitals	8860.53	11055.22	2194.69	24.77
Investments	163885.77	214463.34	50577.57	30.86
Advances	464593.96	554568.20	89974.24	19.37

Fixed Assets	3343.16	3626.74	283.58	8.48
Other Assets	38103.84	42229.82	4125.98	10.83
<b>Total</b>	<b>708845.57</b>	<b>863840.19</b>	<b>154994.62</b>	<b>21.87</b>

**Interpretation:**

In the financial year 2018-2019 the fixed assets of the Apollo Hospitals Increasedby 8.48 % from the previous year. There was only 1.36 % increase in the capital of the Apollo Hospitals. While the balances with other Apollo Hospitals increased to 24.77 % in the year. The Apollo Hospitals deposits increased by 17.79 % and the advances provided increased by 19.37 %.

**Table 4.1.2 showing comparative balance sheet of financial year 2018-2019 to 2019 -2020**

Particulars	2018-2019	2019-2020	Amount Of Increase /Decrease	Percentage Increase/Decrease
<b>Capital And Liabilities</b>				
Capital	512.51	519.02	6.51	1.27
Reserves and Surplus	88949.84	105775.98	16826.14	18.92
Deposits	643639.66	788770.64	145130.98	22.55
Borrowings	74028.87	123104.97	49076.1	66.29
Other Liabilities and Provisions	56709.32	45763.72	-10945.6	-19.3
<b>Total</b>	<b>863840.19</b>	<b>1063934.3</b>	<b>200094.13</b>	<b>23.16</b>
<b>Assets</b>				
Cash And Balances with RBI	37896.88	104670.47	66773.59	176.2
Balances with Other Apollo Hospitals	11055.22	18244.61	7189.39	65.03
Investments	214463.34	242200.24	27736.9	12.93
Advances	554568.2	658333.09	103764.89	18.71
Fixed Assets	3626.74	3607.2	-19.54	-0.54
Other Assets	42229.82	36878.7	-5351.12	-12.67

Total	863840.19	1063934.3	200094.13	23.16
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**Interpretation:**

During the financial year 2019 -2020 the fixed asset is decreased by .54 % and also other asset and other liability and provision decreases, the Apollo Hospitals borrowings is increased by 66.29 % and investment is increased by 12.93 %.

Table 4.1.3 showing comparative balance sheet of financial year 2019 -2020 to 2020 -2021

Particulars	2019-2020	2020-2021	Amount Of Increase /Decrease	Percentage Increase/Decrease Of
<b>Capital And Liabilities</b>				
Capital	519.02	544.66	25.64	4.94
Reserves and Surplus	105775.98	148661.69	42885.71	40.54
Deposits	788770.64	923140.93	134370.29	17.04
Borrowings	123104.97	117085.12	-6019.85	-4.89
Other Liabilities and Provisions	45763.72	55108.29	9344.57	20.42
<b>Total</b>	<b>1063934.3</b>	<b>1244540.7</b>	<b>180606.37</b>	<b>16.98</b>
<b>Assets</b>				
Cash And Balances with RBI	104670.47	46763.62	-57906.85	-55.32
Balances with Other Apollo Hospitals	18244.61	34584.02	16339.41	89.56
Investments	242200.24	290587.88	48387.64	19.98
Advances	658333.09	819401.22	161068.13	24.47
Fixed Assets	3607.2	4030	422.8	11.72
Other Assets	36878.7	49173.95	12295.25	33.34
<b>Total</b>	<b>1063934.3</b>	<b>1244540.7</b>	<b>180606.37</b>	<b>16.98</b>

**Interpretation:**

During the financial year 2020-2021 borrowings decreased by 4.89 % cash and Balance with RBI decreased by 55.32. While, Apollo Hospitals deposit increased by 40.54% and advances increased by 24.47%.

**Table 4.1.4 showing comparative balance sheet of financial year 2020 -2021 to 2021 -2022**

Particulars	2020-2021	2021-2022	Amount Of Increase /Decrease	Percentage Increase/Decrease
<b>Capital And Liabilities</b>				
Capital	544.66	548.33	3.67	0.67
Reserves and Surplus	148661.69	170437.7	21776.01	14.65
Deposits	923140.93	1147502.3	224361.36	24.3
Borrowings	117085.12	144628.54	27543.42	23.52
Other Liabilities and Provisions	55108.29	67394.4	12286.11	22.29
<b>Total</b>	<b>1244540.69</b>	<b>1530511.3</b>	<b>285970.57</b>	<b>22.98</b>
<b>Assets</b>				
Cash And Balances with RBI	46763.62	72205.12	25441.5	54.4
Balances with Other Apollo Hospitals	34584.02	14413.6	-20190.42	-58.32
Investments	290587.88	391826.66	101238.78	34.84
Advances	819401.22	993702.88	174301.66	21.27
Fixed Assets	4030	4431.92	401.92	9.97
Other Assets	49173.95	53931.09	4757.14	9.67
<b>Total</b>	<b>1244540.69</b>	<b>1530511.3</b>	<b>285970.57</b>	<b>22.98</b>

**Interpretation:**

During the financial year 2021-2022 Balance with other Apollo Hospitals decreased by 58.32 and Apollo Hospitals advance, investments and deposit increased.

Table 4.1.5 showing comparative balance sheet of financial year 2021 -2022 to 2022 -2023

Particulars	2021-2022	2022-2023	Amount Of Increase /Decrease	Percentage Of Increase/Decrease
<b>Capital And Liabilities</b>				
Capital	548.33	551.28	2.95	0.54
Reserves and Surplus	170437.7	203169.55	32731.85	19.2
Deposits	1147502.3	1335060.2	187557.93	16.34
Borrowings	144628.54	135487.32	-9141.22	-6.32
Other Liabilities and Provisions	67394.4	72602.15	5207.75	7.73
<b>Total</b>	<b>1530511.3</b>	<b>1746870.5</b>	<b>216359.26</b>	<b>14.14</b>
<b>Assets</b>				
Cash And Balances with RBI	72205.12	97340.74	25135.62	34.81
Balances with Other Apollo Hospitals	14413.6	22129.66	7716.06	53.53
Investments	391826.66	443728.29	51901.63	13.25
Advances	993702.88	1132836.6	139133.75	14
Fixed Assets	4431.92	4909.32	477.4	10.77
Other Assets	53931.09	45925.89	-8005.2	-14.84
<b>Total</b>	<b>1530511.3</b>	<b>1746870.5</b>	<b>216359.26</b>	<b>14.14</b>

**Interpretation:**

During the financial year 2022-2023 borrowings is decreased by 6.32% and other assets decreased by 14.84 and deposit, investments, advances is increased.

**V. FINDINGS OF THE STUDY**

- During the study period the current ratio of Apollo Hospitals is close to the ideal ratio
- 2:1, during the 3years from 2019-2020 to 2021-2022.The ratio was slightly low in the year 2017-2018 and beyond the standard ratio in 2022-2023.
- The ideal debt equity ratio is 1:1. During the five years of study the debt equity ratio is very high. These indicates that the higher proportion of debt content in the capital structure.



- The ideal proprietary ratio is high during the year 2022-2023. The Apollo Hospitals having low ratio during the last four years from 2017-2018 to 2022-2023. A low ratio indicates the firm is more dependent on creditors for its working capital.
- During the period of Study, the solvency ratio is satisfactory.
- Fixed asset to net worth ratio is less than one it indicates that all fixed assets are purchased out of proprietor fund and a part of proprietor fund is invested in working capital.
- The Return on investment shows that the Apollo Hospitals is not having the sufficient return on capital employed. Its ideal ratio is 15% overall Apollo Hospitals profitability is low.
- During the period of study net profit is very high and is above its ideal ratio it indicates the Apollo Hospitals have high profitability.
- In the financial year 2017-18 the fixed assets of the Apollo Hospitals increased by 8.48
- % from the previous year. There was only 1.36 % increase in the capital of the Apollo Hospitals. While the balances with other Apollo Hospitals increased to 24.77 % in the year. The Apollo Hospitals deposits increased by 17.79 % and the advances provided increased by 19.37 %.
- During the financial year 2019 -2020 the fixed asset is decreased by .54 % and also other asset and other liability and provision decreases, the Apollo Hospitals borrowings is increased by
- 66.29 % and investment is increased by 12.93 %. During the financial year 2020-2021 borrowings decreased by 4.89 % cash and Balance with RBI decreased by 55.32. While Apollo Hospitals deposit increased by 40.54% and advances increased by 24.47%.
- During the financial year 2021-2022 Balance with other Apollo Hospitals decreased by 58.32 and Apollo Hospitals advance, investments and deposit increased.
- During the financial year 2022-2023 borrowings is decreased by 6.32% and other assets decreased by 14.84 and deposit, investments, advances is increased.

## VI. CONCLUSION

This study analyzed Apollo Hospitals' financial health over the past five years. The company exhibits satisfactory short-term solvency and healthy net profits. However, areas for improvement include return on investment, debt management, and a potential over-reliance on debt financing. The study mainly concentrates on the analysis of financial performance and soundness of the Apollo Hospitals. It helps to understand the working of the Apollo Hospitals. An examination of Apollo Hospitals' financial performance from 2017-2018 to 2022-2023 reveals positive indicators in terms of liquidity and profitability. However, a high debt-to-equity ratio and a consistently low return on investment suggest areas for improvement. Moving forward, strategic initiatives should prioritize optimizing working capital management, reducing reliance on debt financing, and enhancing the return on invested capital to ensure long-term financial sustainability.

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