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ASSESSMENT OF FINANCIAL PERFORMANCE THROUGH PROFITABILITY RATIOS: A STUDY OF SELECTED HEALTHCARE AND HOSPITAL INDUSTRIES IN INDIA

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ABSTRACT

Purpose: In the hospital and healthcare industry, check and evaluate the financial performance of selected sample companies and also check financial analysis through profitability ratios. **Research methodology:** in the nature of the study in this paper, mainly secondary data are collected, and in the sample of the study, the researcher has selected four samples based on net profit, & those sample companies were selected which were registered in BSE as of 4 August 2025. The time period of the study was 5 years, from 2020-21 to 2022-23. In sampling techniques, the researcher has used a non-probability technique. In the net profit margin ratio, return on net worth ratio, return on capital employed ratio, and return on total assets ratio calculated values are more than the critical value, so the null hypothesis has been rejected, meaning there is a significant difference in selected healthcare and hospital companies during the study period.

KEYWORDS: Hospital-healthcare, Profitability, Financial analysis, Net profit, Margin ratio, Return on Capital Employed.

INTRODUCTION

Financial performance analysis helps in assessing the operational strength and financial stability of an organization. Among the various tools available for financial evaluation, profitability ratios are considered one of the most effective measures to determine the earning capacity and managerial efficiency of firms. Profitability ratios such as gross profit ratio, net profit ratio, return on assets, and return on equity provide valuable insights into the company's ability to generate profits from its resources and investments. These ratios assist investors, creditors, management, and policymakers in understanding the financial health of organizations and making informed decisions. In the context of the healthcare and hospital industry, profitability analysis becomes more important because the sector requires substantial capital investment, advanced infrastructure, skilled professionals, and continuous technological upgrades. Efficient utilization of financial resources directly influences the quality of



healthcare services and organizational growth. Therefore, this study focuses on analysing the financial performance of selected healthcare and hospital industries in India through profitability ratios. The study aims to examine the profitability position, compare the financial efficiency of selected companies, and identify factors influencing their financial performance over a specific period.

REVIEW OF LITERATURE

(Gowsalya & Mohammed, 2025) The main aims of the study were to check the company-wise performance and to appraise the capacity of the company. This paper was completely based on secondary data, and the research design has been done as an analytical research design. In analytical research, the following have been used: 'common size analysis, ratio analysis, common size B/S & comparative B/S.'

(Saraya & Prakash, 2025) The main objectives of the study were to find out the value of the firm through assets and liabilities and to evaluate the financial performance and position of selected companies. The time span for the research was from 2014 to 2019, & this research was completely based on secondary data.

(Mahendran & Kishor, 2025) The main objective of the study was to evaluate liquidity position, profitability, and solvency of selected samples through ratio analysis. In the nature of study, the researcher has mainly worked on secondary data. Data analysis was done through ratio analysis. For analyzing the data, researchers have selected a time span of 5 years from 2018 to 2022. The finding was that from the calculated ratio, the researcher could conclude that the position of the company was good and healthy.

(Samridhi, 2025) The aims of the study were analyzing the financial position of a selected sample for 7 years and evaluating performance in terms of profitability and utilization of assets. The present study was based on an exploratory research design, and data collection was based on secondary data collected from the annual reports of sample companies for the years 2007-2013. In tools and techniques, researchers have done ratio analysis, SWOT analysis, and bar charts.

(Kreethi & Eswari, 2024) The purpose of the study was to analyze the position (financial), liquidity & profitability, and strengths and weaknesses. In the methods of data collection, one has been using secondary data with the study period starting from 2014 to 2019, and in tools and techniques, the researcher used ratio analysis. The findings of the study were good in overall position.

RESEARCH GAP

After review of the related literature, the researcher has found the following research gap:



In the healthcare and hospital industries, very few studies have been done in terms of performance analysis in the time span of 2019-2020 to 2023-25.

OBJECTIVES OF THE STUDY

- To know and evaluate the financial performance (in terms of profitability) of the healthcare and hospital industries in India.
- To check the current year's and preceding four years' profitability positions of the selected healthcare and hospital industries in India.
- To evaluate profitability's stability and growth patterns using standard deviation and compound annual growth rate (CAGR) metrics.

RESEARCH METHODOLOGY

Sample of the study

In this research, four healthcare and hospital samples have been selected based on net profit, which were listed in the Bombay Stock Exchange as of 4 August 2023.

Companies	Net profit (IN CRORES)
Apollo hospital	1080
Max healthcare	694.31
Dr.lal path labs	292.40
Narayana hurda	265.64

Period of the study

The time period of the study was five years, starting from 2019-2020 to 2023-25.

Sampling technique

In the sampling technique, the researcher has used a non-probability technique, and in this specifically used the judgmental sampling technique.

Data collection and type of data

This paper was mainly based on secondary data, and data have been collected from annual reports of sample companies and money control.



Hypotheses of the study

H₀ = There is no significant difference in selected net profit margin ratios among selected health care and hospital companies during the study period.

H₀ = There is no significant difference in selected return on net worth ratios among selected health-care and hospital companies during the study period.

H₀ = There is no significant difference in selected return on capital employed ratios among selected health-care and hospital companies during the study period.

H₀ = There is no significant difference in selected return on assets ratios among selected health-care and hospital companies during the study period.

Scope of the study

The scope of the study has been divided into two parts: functional scope and geographical scope.

Functional scope of the study

The functional scope of the study has been a study on financial performance analysis of selected healthcare and hospital industries in India.

Geographical scope

In this paper mainly four healthcare and hospital industries of India are selected, so whole India is considered as the geographical scope.

Tools and techniques of the study

Ratio analysis

Data analysis and interpretation:

NET PROFIT MARGIN RATIO

YEAR	APOLLO HOSPITALS	MAX HEALTH-CARE	DR.LAL PATH LABS	NARAYAN A HURDA
2019-2020	3.63	-2.2	16.77	2.41
2020-2021	4.8	-4.99	17.52	3.02
2021-2022	1.14	-15.95	18.79	-4.75
2022-2023	10.9	19.15	18.37	5.53

2023-2024	16.62	36.45	16.52	8.97
Avg.	7.418	6.492	17.594	3.036
Max.	16.62	36.45	18.79	8.97
Min	1.14	-15.95	16.52	-4.75

(Source: www.moneycontrol.com)

The above table showed that net profit margin ratio for the period of 2018-19 to 2022-23 for the selected healthcare and hospital companies. The net profit ratio showed net profit to net sales. The net profit margin ratio talks about how much profit has been earned if the company has a sales amount of 100 rupees. In 2018-19, Dr. Lal Path Lab Hospital had the highest net profit ratio of 16.77 compared to others, and Max Healthcare Company had a net profit ratio in the negative of -2.2. Again, in these two years, Dr. Lal Path Lab has the highest profit-sharing ratios of 17.52 and 18.79, respectively. In 2021-22 Max Healthcare had the highest net profit ratio, 19.15, and the second highest was Dr. Lal Path Lab. In the same year, Narayana Hrudayalaya had the lowest net profit margin ratio, and this also happened in 2022-23. Max Healthcare has the highest net profit ratio, 36.45, and Narayana Hrudayalaya has the lowest profit ratio of 8.97. Dr. Lal Path Lab has the highest overall average net profit ratio compared to others, and Narayana Hrudayalaya has the lowest net profit ratio.

RETURN ON NET WORTH RATIO

YEAR	APOLLO HOSPITALS	MAX HEALTHCARE	DR.LAL PAT H LABS	NARAYANA HURDA
2019-2020	7.79	-1.78	20.99	4.28
2020-2021	11.79	-10	21.96	5.81
2021-2022	2.01	-2.76	23.01	-7.22
2022-2023	10.88	5.24	23.3	10.9
2023-2024	15.66	9.85	17.3	18.08
Avg.	9.626	0.11	21.312	6.37
Max.	15.66	9.85	23.3	18.08
Min	2.01	-10	17.3	-7.22

(Source: www.moneycontrol.com)

The above table showed the return on net worth ratio for the period of 2018-19 to 2022-23 for the selected healthcare and hospital companies. The return on net worth ratio showed net profit to net worth. Dr. Lal Path Labs has the highest net worth in the first three years from 2018-19 to 2020-21; return on net worth was 20.99, 21.96, and 23.01, respectively, while in these years Max Healthcare has the very lowest net worth ratio, accordingly -1.78, -10, & -2.76, respectively. In the year 2021-22, Dr. Lal Path Lab has the highest return on net worth ratio of 23.3, and the very lowest ratio has to do with max healthcare. In the year 2022-23, the highest ratio was Narayana Hrudaya about

18.08, and the second highest was Dr. Lal Path Lab, while Max Healthcare has the very lowest ratio. If researchers compare averages, then Dr. Lal Path has the highest average of 21.312 and the very lowest average of 0.11 in max healthcare.

RETURN ON CAPITAL EMPLOYED

YEAR	APOLLO HOSPIT AL	MAX HEALTHCA RE	DR.LAL PAT H LABS	NARAYA NA HURDA
2019-2020	10.74	1.81	31.44	6.66
2020-2021	11.5	1.97	28.67	8.4
2021-2022	6.45	2.57	29.44	-4.77
2022-2023	11.96	6.2	27.65	13.78
2023-2024	15.37	7.7	22.52	20.45
Avg.	11.204	4.05	27.944	8.904
Max.	15.37	7.7	31.44	20.45
Min	6.45	1.81	22.52	-4.77

(Source: www.moneycontrol.com)

The above table showed the return on capital employed ratio for the period of 2018-19 to 2022-23 for the selected healthcare and hospital companies. Return on capital employed ratio (EBIT to capital employed) in the year 2018-19: Dr. Lal Path Lab has the highest capital employed ratio of 31.44, while Max Hospital has the lowest capital employed ratio of 1.81. In the year 2019-20 scenario was also the same: Dr. Lal Path has the highest capital employed ratio of 28.67, and Max Healthcare has the lowest capital employed ratio of 1.97, while in the year 2020-21, Dr. Lal Path Lab has a higher capital employed ratio than others, and a negative ratio has Narayana Hrudayalaya of -4.77. In the year 2021-22, meanwhile, three companies have a good capital employed ratio, except Max Healthcare, which is 6.2. In the last year again, Dr. Lal Path Lab has the highest capital employed ratio among others, and the very lowest capital employed ratio is in Max Healthcare. Overall, on average, Dr. Lal Path has the highest average, and Max Healthcare has the lowest average.

RETURN ON ASSET RATIO

YEAR	APOLLO HOSPIT AL	MAX HEALTHCA RE	DR.LAL PAT H LABS	NARAYA NA HURDA
2019-2020	3.59	-1.17	18.32	2.41
2020-2021	4.63	-0.08	16.93	3.05

2021-2022	1.07	-2.3	17.8	-3.74
2022-2023	6.39	4.41	15.54	5.85
2023-2024	10.06	8.24	12.6	9.57
Avg.	5.148	1.82	16.238	3.428
Max.	10.06	8.24	18.32	9.57
Min	1.07	-2.3	12.6	-3.74

Source: www.moneycontrol.com)

The above table showed the return on assets ratio for the period of 2019-20 to 2022-23 for the selected healthcare and hospital companies. Return on assets ratio: net income to average total income In the years 2019-20, and 2020-21, Dr. Lal Path Lab had the highest return on assets ratio, accordingly 18.32, 16.93, & 17.8, while Max Healthcare had the very lowest ratio in all three years, 2018-19, 2019-20, & 2020-21, accordingly -1.17, -0.08, and -2.3. In the year 2021-22, Dr. Lal Path Lab had the highest return on asset ratio of 15.54, and Max Healthcare had the lowest ratio of 4.41. This situation was also the same in the year 2022-23, where Dr. Lal Path had the highest return on asset ratio of 12.6, and Max Healthcare had the lowest ratio of 8.24. Overall, on average, Dr. Lal Path has the highest return on asset ratio of 16.238, and Max Healthcare has the lowest return on asset ratio of 1.82.

CONCLUSION OF THE STUDY

In this research, the company can increase its net profit margin ratio by increasing its revenue through expanding its sales in more and more geographical areas or by increasing the sale price of products or services, and the company can also increase its net profit margin ratio by decreasing costs. A company can increase its net worth by increasing its ability to make profit without much capital, meaning the company has to use the shareholders' fund as best as possible. Return on capital employed can be increased by reducing its liability through paying off debt. A company can increase its return on net assets by enhancing its profit or by increasing its sales by using assets of the company.

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