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Research Paper

A STUDY ON CLIMATE RISK IN FINANCIAL DECISIONS

FAIQUA NIDA [1] **MBA Student**

DR. K MADHU BABU [2] **HOD & ASSOCIATE PROFESSOR**

[1,2]MASTER OF BUSINESS ADMINISTRATION

[1,2]Megha Institute of Engineering and Technology for Women, Sy. No. 7, Edulabad Road, Edulabad, Ghatkesar, Telangana.

ABSTRACT

Climate risk has become an important factor influencing financial decision-making as businesses, investors, and financial institutions face increasing environmental uncertainties. This study examines the impact of climate-related risks, including physical risks such as extreme weather events and transition risks arising from regulatory, technological, and market changes, on financial decisions. It explores how organizations integrate climate risk assessments into investment planning, lending, portfolio management, and corporate financial strategies to enhance long-term sustainability and resilience. The study also highlights the role of environmental, social, and governance (ESG) practices in improving financial performance, reducing exposure to climate-related losses, and supporting informed decision-making. The findings emphasize that incorporating climate risk into financial decisions not only strengthens risk management but also promotes sustainable growth, investor confidence, and long-term value creation in an increasingly climate-conscious global economy.

CHAPTER – I INTRODUCTION

Meaning of Climate Risk in Financial Decisions

Risk in Financial Decisions at least refer to the two statements which are prepared by a business concern at the end of the year. They are:

- Income statement or trading and profit and loss account which is prepared by a business concern in order to know the profit earned and loss sustained during a specific period.
- Position statement or balance sheet which is prepared by a business concern on a particular date in order to know its financial position.

Nature of Climate Risk in Financial Decisions

Risk in Financial Decisions are prepared for the purpose of presenting a periodical review or report by the management and deal with the state of investments in business and result achieved during the period under review. They reflect a combination or recorded facts accounting conventions and personal judgments and conventions applied affect them materially. Form this it is clear that Risk in Financial Decisions are affected by three things i.e., recorded facts, accounting conventions and personal judgments. Only those facts which are recorded in business books will be reflected in the Risk in Financial Decisions s.

The following points reflect truly the nature of Risk in Financial Decisions of business entities.

- These are reports are summarized reviews about the performance, achievements and weakness of the business.
- These are prepared at the end of the accounting period so that various parties can take decision of their future actions in respect of the relationship with the business.
- The reliability of Risk in Financial Decisions depends on the reliability of accounting data. These statements cannot be said to be true and fare representatives of the strength of profitability of the concern if there are numerous frauds and defalcations in the accounts.

The figures in the Risk in Financial Decisions are a combination of records facts. There may be certain developments and factors which may be very important for the business are not taken in to account as these are not recorded in the routine of accounting. More over fixed assets are recorded at a historical value without taking in to consideration the changes in their values due to price level fluctuations.

These statements are prepared as per accounting concepts and conventions

These Risk in Financial Decisions are influence by the judgment of the accountant though he is expected to be more objective in his approach. These judgments may be related to valuation of inventory, depreciation of fixed assets and while making the distinction between capital and revenue.

Importance of Climate Risk in Financial Decisions

The information given in the Risk in Financial Decisions is very useful to a number of parties these are the following

- **Owners: -** The Owners provide funds for the operations of a business and they want to know whether their funds are being properly utilized or not. The Risk in Financial Decisions prepared from time to time satisfy their curiosity.
- **Creditors**: -Creditors (i.e.., suppliers of goods and services on credit, banker‟s another lender of money) want to know the financial position of a concern before giving loans or granting credit. The Risk in Financial Decisions help them in judging such position.
- **Inventors**: - Perspective inventors, who want to invest money in a firm would like to make an analysis of Risk in Financial Decisions of that firm to know how safe the reposed investment will be.
- **Employees**: - Employees are interested in the financial position of a concern they serve, particularly when payment of bonus depends upon the size of the profits earned, they would like to know that the bonus being paid to them is correct; so they become interested in the preparation of correct profit and loss account.
- **Government**: - Central and State Governments are interested in the Risk in Financial Decisions because they reflect the earnings for a particular period for taxation. Moreover, these Risk in Financial Decisions are used for compiling statistics concerning business which, in turn help on compiling national accounts
- **Research Scholars**: -The Risk in Financial Decisions s, being a mirror of the financial position on a firm, are of immense value to the research scholar who wants to make a study into financial operations of a particular firm.
- **Consumers**: -Consumers are interested in the establishment of good accounting control so that cost of production may be reduced with the resultant reduction of the prices of good they buy.

- **Managers**: - Management is the area of getting things done through others. This requires that the subordinates are doing work properly. Risk in Financial Decisions are an aid in this respect because they serve the manager in appraising the performance of the subordinates. Actual results achieved by the employees can be measured against the budgeted performance they were expected to achieve and remedial action can be taken if the performance is not up to the mark.

NEED OF THE STUDY:

To understand the existing financial position of the Asian Paints Limited relating to its financial position and to know what are the factors that result and organization yield profit and loss.
The need of Risk in Financial Decisions analysis study to diagnose the information contain in Risk in Financial Decisions so as to judge the profitability and financial position of the firm Asian Paints Limited Financial analyst analyses the Risk in Financial Decisions with various tools of analysis before commanding upon the financial health of the firm.

SCOPE OF THE STUDY:

Analysis of Risk in Financial Decisions (ABF) can be undertaken by different persons and for different purposes, therefore, the scope of the AFS may be varying various circumstances for business decision making process However, the following are some the techniques of the AFS are (a) Comparative Risk in Financial Decisions (b) Common-size Risk in Financial Decisions (c) Trend percentage analysis (d) Statement of changes in financial position (e) Cost-volume-profit relations, and (f) Ratio analysis.
The ratio analysis is the most common, comprehensive and powerful tool of the AFS. The importance of ratio analysis lies in the fact that it presents facts on a comparative basis. As such, this study focuses only on ratio analysis. To carry out this study, it was collected financial information of Honour Lab Limited from financial year 2021-22 to financial year 2023-25.

OBJECTIVES OF THE STUDY

To determine the Risk in Financial Decisions and weakness of the firm.
To determine the short –term solving of the firm
To diagnose the information contained to Risk in Financial Decisions so as to judge the profitability and fondness of the firm.
To establish relationship between various figures or the income statement and balance sheet.

To know the financial position of the firm.

METHODOLOGY OF THE STUDY

RESEARCH DESIGN:

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.
The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a

research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

TOOLS AND TECHNIQUES:

Comparative Income and Balance Sheet Statements and some ratios

SOURCES OF DATA

Data we collected based on two sources.

- Primary data.
- Secondary data.

Primary data

The Primary data are those information‟s, which are collected afresh and for the first time, and thus happen to be original in character.

Secondary Data:

The Secondary data are those which have already been collected by some other agency and which have already been processed. The sources of Secondary data are Annual Reports, browsing Internet, through magazines.

- It includes data gathered from the annual reports of Honour Lab Ltd
- Articles are collected from official website of Honour Lab Ltd

LIMITATIONS OF THE STUDY

Through an attempt has been made to study the Risk in Financial Decisions Analysis. Study may suffer from the following limitations.

- The study is conducted for the purpose of fulfilment of the condition stipulated for Completion of course, so the study may not be fulfilment of the requirements of a detailed investigation.
- The study was conducted with the data available and the analysis was made according the detail of the study is for the past years only from 2021-22 to 2023-2025.
- Time was the major constraint. It does not allow me to study in depth.
- It does not consider the changes in prices level.
- Different people may interpret the same analysis in different ways.

CHAPTER – II REVIEW OF LITERATURE

Introduction

Methods used by interested parties such as investors, creditors, and management to evaluate the past, current, and projected conditions and performance of the firm. Ratio analysis is the most common form of financial analysis. It provides relative measure of the firm conditions and performance. Horizontal analysis and vertical analysis are also popular firms. Horizontal analysis is use to evaluate the trend in the accounts over the years, while vertical analysis, also called a common size Risk in Financial Decisions discloses the internal structure of the firm. It indicates the existing relationship between sales and each Unicom statement account. It indicates the mix of assets that produce income and the mix of sources o f capital, whether by a current or long term debt or by equity funding. When using the financial ratios, a financial analysis makes 2 types of comparisons.

Meaning of Analysis of Risk in Financial Decisions

Analysis is the process of critically examining in details accounting information given in the Risk in Financial Decisions . For the purpose of analysis, individual items are studied, there interrelationships with other related figures established, the data is sometimes rearranged to have better understanding of the information with the help of different techniques or relationship between component parts of Risk in Financial Decisions to obtain a better understanding firms position and performance. In the words of Myer, "Risk in Financial Decisions analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of these factors as shown in a series of statements". The analysis of Risk in Financial Decisions thus refers to the treatment of the information contained in the Risk in Financial Decisions in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned. For this purpose, Risk in Financial Decisions are classified methodically, analyzed and compared with the figures of previous years or other similar firms.

CHAPTER – III INDUSTRY PROFILE & COMPANY PROFILE

INDUSTRY PROFILE

The Indian pharmaceutical sector is globally recognized as the "Pharmacy of the World," being the largest provider of generic medicines globally by volume. However, the specific sub-sector in which Honour Lab operates—**Active Pharmaceutical Ingredients (APIs), Bulk Drug Intermediates, and Contract Development and Manufacturing Organizations (CDMOs)**—is the critical B2B engine that powers both domestic and global healthcare.

Historically, while India dominated finished drug formulations (the actual pills and capsules), it relied heavily on imported raw materials. Over the last decade, and accelerating aggressively into 2025/2026, the industry has experienced a massive structural shift toward self-reliance and global contract manufacturing.

- **Regulators:** Central Drugs Standard Control Organisation (CDSCO) in India, alongside stringent international bodies like the USFDA and the European Medicines Agency (EMA) for export compliance.
- **Global Standing:** India ranks 3rd globally in pharmaceutical production by volume and 14th by value. It supplies over 20% of the world's generic drug exports.
- **The CDMO Advantage:** India has emerged as a premier hub for outsourced pharmaceutical manufacturing due to its deep pool of high-quality synthetic chemists, low manufacturing costs (roughly 30-40% lower than the US/EU), and robust IP protection frameworks.

Market Size & Key Financial Metrics (2025/2026 Estimates)

The industry is experiencing a multi-year supercycle of growth driven by domestic policy shifts and global geopolitical realignments.

- **Total Pharma Market:** The overall Indian pharmaceutical market is currently valued between $50 to $65 Billion (roughly **₹4.15 Lakh Crore to ₹5.4 Lakh Crore**) and is projected to reach $130 Billion by 2030.
- **API & Intermediates Market:** The standalone Indian API market is valued at approximately $13 to $15 Billion (roughly **₹1.08 Lakh Crore to ₹1.24 Lakh Crore**), growing at a robust CAGR of 8-9%.
- **CDMO Market:** The Indian CDMO sector is one of the fastest-growing verticals, valued at approximately $20+ Billion (over **₹1.6 Lakh Crore**), expanding significantly faster than the broader pharma market at a 12-14% CAGR.

COMPANY PROFILE

Honour Lab Limited is a leading Indian Contract Development and Manufacturing Organization (CDMO) and manufacturer of specialty chemicals, Bulk Drug Intermediates, and Active Pharmaceutical Ingredients (APIs). Crucially, the company is backed by the prestigious **Hetero Group**, one of India's largest pharmaceutical conglomerates. Honour Lab was established primarily to strengthen India's domestic pharmaceutical supply chain and reduce reliance on imported raw materials.

- **Incorporated:** November 21, 2011 (Commenced commercial operations in May 2012)
- **Headquarters:** Nexity Tower 30, Hyderabad Knowledge City, Raidurg, Madhapur, Hyderabad, Telangana
- **Industry:** Pharmaceutical Manufacturing / CDMO
- **Company Type:** Public Unlisted Indian Non-Government Company
- **Employee Count:** ~1,300 to 1,600+ employees (as of 2025/2026 estimates)
- **Website:** www.honourlab.com

Key Affiliations & Leadership

- **Promoter / Parent Group:** The company is promoted by Dr. B. Parthasaradhi Reddy and is a strategic entity within the **Hetero Group** (working closely with Hetero Labs Limited and Hetero Drugs Limited).
- **Board of Directors:** Operates under the leadership of directors including Sumithra Lachmaiah, Eeresha Ramaiah, and Subhas Chander Reddy Kesireddy.

History & Strategic Milestones

- **2011-2012:** Honour Lab was established with a highly strategic objective: backward integration. Prior to its founding, the Hetero Group relied heavily on importing certain APIs and intermediates from China. To secure their supply chain, ensure cost-competitiveness, and protect against geopolitical or trade disruptions, Hetero set up Honour Lab to manufacture these critical materials in-house.
- **Early Operations:** The company began by acquiring a bulk drug intermediary manufacturing unit located in the Special Economic Zone (SEZ) at Nakkapalli, Visakhapatnam, Andhra Pradesh.
- **Present Day (2025/2026):** Honour Lab has evolved beyond just being an internal supplier for Hetero. It has scaled into a global CDMO partner, exporting high-quality APIs and intermediates to South Korea, Europe, and the US, holding multiple globally recognized regulatory approvals (including USFDA and EU-GMP compliance).

4.DATA ANALYSIS AND INTERPRETATION

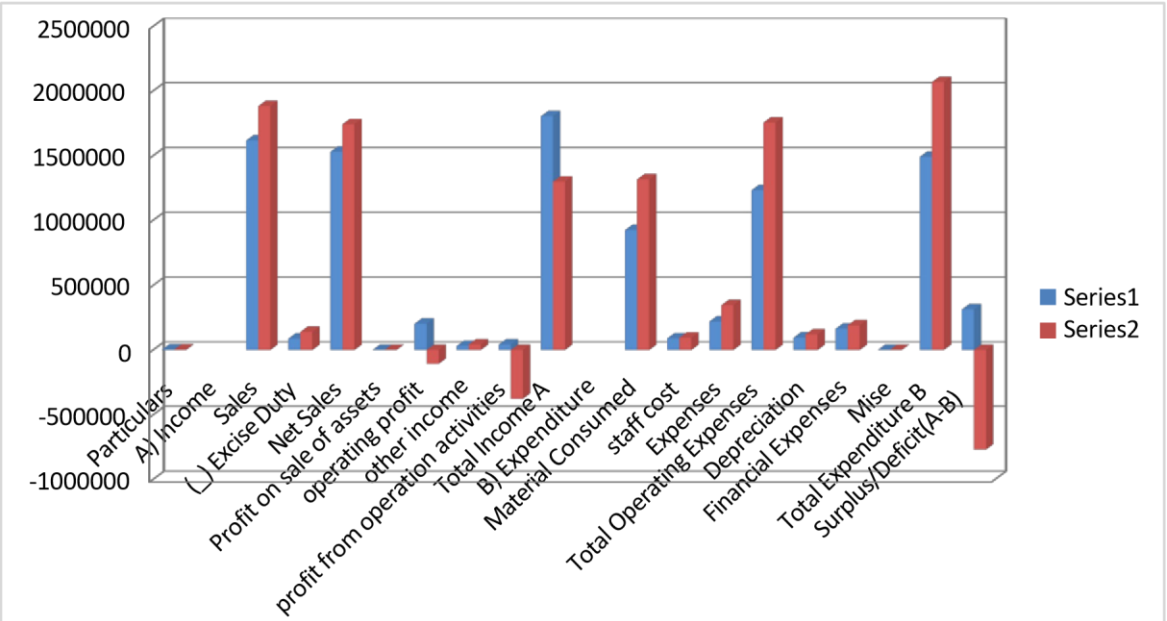
TABLE 3.1 Tabular representation of Comparative Income Statement of Honour Lab Limited For the year Ended 1-4-2024 to 31-3-2025

Particulars	2024	2025	Absolute Change	% Change
A) Income				

Sales	1619777	1884162	264385	16.32230856
(_) Excise Duty	87929	139404	51475	58.54155057
Net Sales	**1531848**	**1744758**	**212910**	**13.89889859**
Profit on sale of assets	_	20	_	_
operating profit	203169	-108393	-311562	-153.351151
other income	30002	41781	11779	39.26071595
profit from operation activities	41082	-378304	-419386	-1020.850981
Total Income A	**1806101**	**1299862**	**-506239**	**-28.02938485**
B) Expenditure				
Material Consumed	925939	1318229	392290	42.36672178
staff cost	88436	93956	5520	6.241801981
Expenses	219340	345533	126193	57.53305371
Total Operating Expenses	**1233715**	**1757718**	**524003**	**42.47358588**
Depreciation	94696	120138	25442	26.86702712
Financial Expenses	163590	190170	26580	16.24793692
Mise	268	268		
Total Expenditure B	**1492269**	**2068294**	**576025**	**38.60061423**
Surplus/Deficit(A-B)	**313832**	**-768432**	**-1082264**	**-343.85**

Source: Annual Report of Honour Lab Limited

GRAPH 3.1Graphical representation of Comparative Income Statement of Honour Lab limited For the year Ended 1-4-2024 to 31-3-2025.



INTERPRETATION

Sales volume is increased by 13.89% during the year 2023, Profit on sale of assets nil in 2024 and in the 2025 it was RS 20,000,Other income is increased by 39.20%,Increases in sales are highlighting increase in Material consumption, staff cost, depreciation, financial expenses, misc exp written off,Surplus is decreased by 343.85%.

5.1 FINDINGS

- The comparative Balance Sheet of the company reveals that during the year 2021 there has been a decrease in current assets of Rs. 12302712 i.e., 0.89%. While current liabilities have decreased by Rs. 19472581 i.e., 3.74%. This fact depicts that the company is suffering with inadequate working capital to meet its short-term obligations.
- While there is increase in fixed assets value to the extent of Rs. 82776289 to that of current liabilities. This fact depicts that the company has diverted its loans in the form of working capital to meet its short-term obligations.
- On the whole the overall financial position of the company is satisfactory.
- The comparative Balance Sheet of the company reveals that during the 2022 there has been an increase in current assets of Rs. 579256200 i.e., 42%. While current liabilities also increased by Rs.210218075 i.e., 53.74%. This fact depicts that the company is having adequate working capital to meet its short-term obligations.
- While there is increase in fixed assets value to the extent of Rs. 141624087 to that of current liabilities. This fact depicts that the company has diverted its cash & bank balances to acquire these fixed assets.
- On the whole the overall financial position of the company is satisfactory.
- The comparative Balance Sheet of the company reveals that during the year 2023 there has been an increase in current assets of Rs. 522543202 i.e., 26%. While current liabilities also increased by Rs.46721842 i.e., 7.74%. This fact depicts that the company is having adequate working capital to meet its short-term obligations.
- While there is increase in fixed assets value to the extent of Rs. 389906376 to that of current liabilities. This fact depicts that the company has diverted its cash & bank balances to acquire these fixed assets.

5.2 SUGGESTIONS

- The water industry is huge and has huge potential for growth; the company should its operations.
- The management needs to increase the stock.
- It can be done by increasing production, achieve economies of scale and hen increase market penetration.
- It is suggested for the company to control over the current liabilities.
- The product is doing reasonably well in most of the market so they should promote the product accordingly. Eg: free sampling, discounts etc. 5.3

CONCLUSION

This project of Risk in Financial Decisions analysis in the production concern is not merely a work of the project. But a brief knowledge and experience of that how to analyse the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of Risk in Financial Decisions it is clear that Honour . This satisfactory level of profits during the period of study. So the firm should focus on maximising the profits in the coming years by taking care of internal as well as external factors. And with regard to resources, the firm is take utilization of the assets properly. And also the firm has a maintained low inventory.

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