**Abstract**

Finance is very essential for the smooth running of the business. Finance controls the policies, activities and decision of every business. The purpose of financial statement analysis is to examine past and current financial data so that a company's performance and financial position can be evaluated and future risks and potential can be estimated. Financial statement analysis can yield valuable information about trends and relationships, the quality of a company's earnings, and the strengths and weaknesses of its financial position. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department or organization. In this context an attempt has been made to compare and analyze the financial performance of Cipla Ltd & Dr.Reddy’s laboratories Ltd to understand how management of finance plays a crucial role in the growth. The study aims to analyze and compare the financial statements of both Cipla Ltd & Dr.Reddy’s laboratories Ltd from the year 2010- 2011 to 2014-2015.The tool used for this study is ratio analysis, t-test and trend analysis. Analysis of liquidity measures indicates that current ratio has been good and shows a satisfactory position. It is noticed that Dr. Reddy’s Laboratories is better in liquidity position when compared that of Cipla Ltd. Analysis of debt management measures, that debt gearing ratio indicates Cipla Ltd is more risky than Dr. Reddy laboratories Ltd. The study concludes that Dr. Reddy Laboratories is the best performer when compared to Cipla Ltd.