

A STUDY ON WORKING CAPITAL MANAGEMENT OF CIPLA PHARMACEUTICAL COMPANY

Submitted in partial fulfilment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

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SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade A by NAAC

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APRIL 2022



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of S. ABHISHEK 40410209, who carried out the project entitled "**A Study on working capital management of Cipla pharmaceutical Company**" under my supervision.

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DECLARATION

I, **S. ABHISHEK** 40410209, hereby declare that the Project Report entitled “**A Study on working capital management of Cipla pharmaceutical Company**” was done by me under the guidance of Dr. Princy. A.S is submitted in partial fulfilment of the requirements for the award of a Master of Business Administration degree.

DATE:

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ACKNOWLEDGEMENT

I am pleased to acknowledge my sincere thanks to the Board of Management of **SATHYABAMA** for their kind encouragement in doing this project and for completing it successfully. I am grateful to them.

I convey my sincere thanks to **Dr. G. Bhuvaneswari, Dean - School of Management Studies**, and **Dr. A. Palani, Head -of School of Management Studies** for providing me necessary support and details at the right time during the progressive reviews.

I would like to express my sincere and deep sense of gratitude to my Project Guide **Dr. Princy. A.S** for her valuable guidance, suggestions, and constant encouragement paved way for the successful completion of my project work.

I wish to express my thanks to all Teaching and Non-teaching staff members of the **School of Management Studies** who were helpful in many ways for the completion of the project.

S. ABHISHEK

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ABSTRACT

This paper is regarding a study on working capital management of financial performance of Cipla pharmaceutical limited. Accounting ratios helped to analyze the financial position of a company. The financial analysis aids to evaluate the financial health of a firm. The efficiency of working capital management can be measured using ratio analysis. Accounting ratios are intended for some years which demonstrates the changes. Ratios are a useful tool for various stakeholders like management, financiers, shareholders, creditors, etc. To analyze the financial performance of Cipla pharmaceutical, accounting ratios are used. Secondary data is used from the Published Annual Reports and the journals of the company for the period 2016-17 to 2020-21.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Working capital is the lifeblood of an enterprise. Just as the circulation of blood is essential in the human body for maintaining life, working capital is essential to maintain the smooth running of the business.

Capital is the requirement to commence a business. It is categorized into two fixed and fluctuating capital. Fluctuating capital is also called working capital. Working capital is a part of total capital which is invested in current assets. This is the simplified form of capital of a company. Fixed capital is used for the purchase of fixed assets like land, building, machinery, etc which cannot be separated from the business.

The capital required for purchasing raw materials, payment of direct and indirect expenses, carrying out production, investment in stocks and stores, receivables, and assets to be maintained in the form of cash is generally known as working capital. It refers to the investments made in current assets such as cash, inventory, receivables, etc. All such assets are likely to be convertible into cash within one trading cycle, generally a year. On this account, such assets keep on changing their form from one to another. All the assets consisting of working capital revolve around cash. First, cash is used to purchase raw materials, which when certain expenses are incurred on it gets itself converted into semi-finished goods and finally into the inventory of finished products. Inventory, after adding a certain profit margin to it, is sold to the customers, which may take the form of cash or debtors. Debtors, when realized, again take the form of cash and the cycle goes on.

In simple terms, J.M. Mill defined working capital as, "The sum of the current assets is the working capital of the business".

1.2 CLASSIFICATION OF WORKING CAPITAL

1. Permanent working capital

It is also known as fixed working capital. It is that minimum amount that should always be present in the business to carry out the activities without any interruption. For example, money invested in stocks, stores, and cash. If this minimum amount is not available, then the circulation of the capital will be blocked. If a business grows, the requirement for working capital also increases. In the absence of such capital, the business may run the risk of insolvency or liquidation as the flow of regular operations will be interrupted due to the blocking of circulating capital.

2. Temporary/Variable working capital

Working capital over and above the fixed working capital would be termed temporary working capital. This is required to meet the seasonal demands of busy periods at stated intervals (i.e.) when the demand for the product increases, more funds will be needed to purchase additional raw material, hire more labor, and meet the basics of minimum cash balance as warranted by the changed circumstances. As the requirement varies according to the needs of the season as shown by the demand for the product. Additional working capital is required to meet extraordinary needs or contingencies. For example, events such as strikes, fire, unexpected competition, and rising price tendencies will require such capital.

1.3 COMPONENTS OF WORKING CAPITAL

Four main components in working capital come under the current assets and current liabilities. It is also known as the working capital cycle. They are,

1) Trade Receivables

This is a part of the current assets. It also includes the due amount to be paid to the bills of exchange or receivable. It is the amount in which the business is owned by its customers. A receivables management policy ensures timely collection and avoidance of bad debts. A more extended trade receivable period will result in a delayed collection of cash, impacting the cash conversion cycle of the business. It is important to check the receivables turnover ratio while evaluating a business to understand the working capital management efficiency

in the collection of payments for credit sales undertaken by the business and also to originate bad debts incurred by the business.

2) Trade Payable

This is a part of current liabilities. It also includes the amount due to be paid to the bills of exchange or payables. It is the amount that the business has to pay for credit purchases made. A payables management policy ensures timely payment and pleasant business relations with vendors and creditors. If a business has a short trade payable cycle, it will have to keep more cash in hand, resulting in longer trade cash conversion cycles and more interest costs. A more extended trade payable period will result in businesses making payments to their sellers after long periods. It is important to check the payable turnover ratio while evaluating the business to understand the working capital management efficiency and timely payments by the business to honor its commitment to its creditors. A high trade payables turnover ratio shows that creditors are being paid promptly by the business and hence enhancing the creditworthiness of the business.

3) Stock / Inventory

Inventory is a part of current assets. It is an important component of working capital management. Inventory or stock management is responsible for proper control over inventory from the raw material stage to the finished goods stage. This begins with inventory control and involves the timely purchase, proper storage, and efficient utilization to maintain the flow of finished goods to meet timely commitment by the business and at the same time avoid excess working capital in holding inventory as that will result in a delay in cash conversion cycle and also increase the risk of obsolescence and increase working capital requirement which impacts the profitability of the business.

4) Cash and Bank Balance

Cash is an essential component of current assets and cash involves not just cash only but also liquid securities which can be easily and immediately converted into cash. Proper Cash Management ensures keeping the working capital cycle in order and also enables the business to manage its operating

cycle. The efficiency of the business is determined by the amount of cash flow to the firm it generates. Also, proper utilization of cash ensures businesses gather trade discounts and improve the cash conversion cycle, which is a critical measure to analyze the working capital cycle of any business.

1.4 CONCEPTS OF WORKING CAPITAL

1) Gross working capital

In this, the working capital refers to the company's total investment in the current assets (i.e.) Gross working capital is the sum of the company's current assets. These assets are also short-term financial resources that can be easily converted into cash within a year. Its emphasis is on the quantitative aspect of working capital. Effective management of each of these assets helps to maximize profitability. Generally gross working capital is always positive. It is also used to find the company's operational efficiency.

2) Net working capital

It refers to the difference between the current assets and current liabilities. This concept is widely used in the market to judge the reliability of the short-term financial position of the company. This concept emphasizes the qualitative aspect of working capital. Networking capital can either be positive or negative.

$\text{NETWORKING CAPITAL} = \text{CURRENT ASSETS} (-) \text{CURRENT LIABILITIES}$
--

When the networking capital is high, it indicates that an organization can put the excess money to better use, rather than keeping it idle. Whereas negative working can indicate managerial inefficiency.

1.5 IMPORTANCE OF WORKING CAPITAL

The business cannot run successfully without having an adequate amount of working capital. The importance of working capital is as follows,

a) Ability to face the crisis

Working capital enables a business concern to face business crises during emergencies because, during such periods, there will be much pressure on working capital.

b) Cash discount

A business with adequate working capital can benefit from cash discounts allowed by suppliers for prompt and regular payments. It will result in reducing the cost of production.

c) Creation of goodwill

Adequate working capital makes possible prompt payment to suppliers, regular pay to workers, and a steady rate of dividend to shareholders. These factors help in creating sound and goodwill for the concern.

d) No distress sales

A business, with adequate working, is not much affected by a fall in the demand for its goods in the market or by delay in payments by its credit customers. It can afford to wait till the money is collected from customers. It does not have to sell its stocks at off-the-cuff prices to realize the money spent on production.

e) Easy loans

A company with adequate working capital and with high short-term solvency can arrange loans from banks and others on easy and favorable terms.

f) High return on investments

Working capital facilitates continuous production and effective utilization of fixed assets and so the company will be able to generate more profits and ensure higher returns to its owners.

1.6 What is Redundant Working Capital?

Redundant working capital represents a situation of excessive working capital. It is known as idle working capital. It reflects poor management of funds. The existence of redundant working capital is not good for a company. When there is excessive working capital, it leads to many consequences such as,

- i) Unnecessary accumulation in inventories. This increases the chances of inventory mishandling, waste, theft, and losses.
- ii) It is a sign of defective credit policy and slack collection efforts of the business. The higher incidents of bad debts badly affect profits.

- iii) Possibility of setting in overall inefficiency in the organization.
- iv) There may be an inequity between liquidity and profitability.
- v) The business cannot earn an adequate rate of return on its investment because excess capital does not earn anything for the business, whereas the profits are distributed on the whole of its capital, thus bringing down the rate of return to the shareholders.

1.7 WORKING CAPITAL MANAGEMENT

Working capital management is a corporate approach calculated to understand that a company operates efficiently by monitoring using its current assets and liabilities to effectively maintain adequate cash flows to meet its short-term operating costs and debt requirements. The efficiency of working capital management is identified by the ratio analysis.

This helps to maintain the smooth operation of the net operating cycle, also known as the cash conversion cycle, and the company's cash flow management and earnings quality.

The cash conversion cycle is a method that explains the time taken by the company to convert its investments in inventory and other resources into cash flows from sales.

1.8 RATIOS USED TO CALCULATE WCM OR WORKING CAPITAL METRICS

1) Current Ratio

It is also called the working capital ratio. It is used to assess the short-term financial position of the business concern. It is an indicator of the company's ability to meet its short-term requirements. The ideal current ratio is supposed to be 2:1. The higher the ratio, the more protected are the short-term creditors. It also indicates that the company is in a position to pay its creditors. If this ratio is less than the ideal, it may mean that the working capital is less than required. If so, the company may have to possibility to sell its assets, securing long-term debt to cover its short-term debt requirements.

$\text{Current Ratio} = \text{Current assets} / \text{Current liabilities}$

2) Liquid Ratio

It is also known as the acid test ratio or quick ratio. Like the current ratio, it measures the ability of the company to meet its current responsibilities. It explains the relationship between liquid assets and current liabilities. Liquid assets are those current assets except the stock and prepaid expenses. This ratio should be always positive i.e., the ideal level of ratio is 1:1.

$$\text{Liquid ratio} = \text{Liquid assets} / \text{Current liabilities}$$

3) Inventory Turnover Ratio

This helps to operate with maximum efficiency and maintain a comfortably high level of working capital. A company should keep adequate inventory on hand to meet customer needs. The inventory turnover ratio reveals how quickly a company's inventory is being used in sales and replaced. A relatively low ratio compared to industry peers indicates a risk that inventory levels are excessively high, while a relatively high ratio may indicate inadequate inventory levels.

$$\text{ITR} = \text{Cost of goods sold} / \text{Average Inventory}$$

4) Average Collection Period

It is another form of debtor's turnover ratio. This shows the quality of debtors by measuring the collection process. The shorter the collection period, the better the quality of debtors which implies quick payments. The higher the collection period, that implies ineffective the collection which affects the payment capacity of the company.

$$\text{Avg collection period} = (\text{Avg a/c receivable} / \text{Credit sales}) * 365$$

1.9 FACTORS OF WC

The working capital needs and requirements will differ from company to company. They are some major common factors that determine the working capital are as follows,

i) Nature of the business

The working capital requirements of a company are influenced by the kind of business it runs. Public utilities have the lowest requirements for the current assets partly because of the cash nature of their business and partly because they sell a service rather than a product. Hence, there is no need for maintaining stocks except inventory but trading concerns are required to maintain a minimum balance of cash, inventories, and receivables, and industrial concerns are required to maintain a large amount of working capital because of the delay in converting its raw materials into finished products and cash.

ii) Manufacturing cycle

The amount of working capital needed is identified by the manufacturing cycle. The manufacturing process involves a time gap between the time when raw materials are fed into the production line and the finished products. The manufacturing period depends on the nature of the product as well as the production technology.

iii) Growth and expansion

Every company wants to grow over a while and with the increase in its size, the working capital requirements are assured to increase. A growing company would therefore require more working capital.

iv) Rapidity turnover

If the inventory turnover is high, the working capital requirements will be below. With better inventory control, a company can reduce its working capital requirements. It should determine the minimum level of stock to maintain throughout its operations.

v) Credit policy

Credit plays a vital role in maintaining the working capital needs of a concern. A company, that purchases on credit and sales on cash will always require a lower amount of working capital. A company that is forced to sell on credit and at the same time has no credit facilities may find itself in trouble. The trade practices and changing economic conditions will generally exert greater influence on the credit policy.

vi) Seasonal variations

Seasonal changes create problems with working capital in controlling internal finance. The companies have to carry on seasonal business therefore, they require a large amount of working capital in the season to purchase the raw materials in large quantities and utilize them throughout the year. It should be clear with the production schedule and maintain a steady rate of production during off-season periods too. Thus, seasonal concerns require a large amount of working capital during the season and it is reduced as the sales are affected.

1.10 INDUSTRY PROFILE

1.10.1 PHARMACEUTICAL INDUSTRY

The pharmaceutical industry discovers, develops, produces, and markets drugs that are used for medications and are administered to patients by doctors to cure them, vaccinate them, or lighten symptoms. It deals in generic or brand medications and medical devices. They are subject to laws and regulations that govern the patenting, testing, safety, and marketing of drugs. It is done by both the public and private sector companies. This industry as a whole involves drug manufacturers, biotechnology companies, and the distribution companies that maintain the products produced. Most of the revenues in the industry come from those who make prescription, generic, and non-prescription drugs for medical or veterinary use.

The Indian Government started to encourage the growth of medicine manufacturing by Indian companies in the early 1960s, and with the Patents Act in 1970. The government established the Department of Biotechnology in 1986 under the Ministry of Science and Technology. Since then, there are a variety of exemptions made by the central government and various states to boost the growth of the industry. The biotechnology sector faces some major challenges in its search for growth.

India is the world's third-largest provider of medicines with a 20% share of total global pharmaceutical exports. It's also the biggest vaccine supplier in the world accounting for quite 50% of all vaccines manufactured within the world. With industry standards yielding mega-production capabilities and the enormous

number of the skilled domestic workforce, Indian exports meet the standards and requirements of highly regulated markets of the USA, UK, and European Community.

As per the Pharmaceutical department, Ministry of Chemicals and Fertilizers, “The internal pharmaceutical market revenue reached USD 18.12 billion in 2018, rising 9.4 percent correspondingly and exports profits were USD 7.28 billion in FY18 and USD 19.14 billion in FY19. The pharmaceutical industry in India was estimated at US\$D billion in 2021.

In India, the pharmaceutical industry currently has 3,000 drug companies and nearly 10,500 manufacturing units. The growth of Indian pharma increased by 22% from 2019-to 2020 likely due to the covid-19 pandemic.

1.10.2 FUTURE OF THE PHARMACEUTICAL INDUSTRY IN INDIA

The Indian pharma industry is predicted to grow at 9 to 11 percent in 2021-22 and within the next few quarters, it'll be driven by domestic and developing markets, in step with rating agency ICRA. in keeping with the Indian Economic Survey 2021, “India's domestic pharmaceutical market is estimated at US\$ 42 billion in 2021 and certain to achieve US\$ 65 billion by 2024 and further expand to succeed in nearly US\$ 120 to 130 billion by 2030. AI would play an important role in the way forward for pharmaceuticals in India and it'd impact the distribution and manufacturing of pharmaceuticals.

1.11 COMPANY PROFILE

1.11.1 CIPLA

The expansion of CIPLA is Chemical Industrial and Pharmaceutical Laboratories. Cipla Limited is an Indian multinational company, headquartered in Mumbai, India. It primarily develops medicines to treat respiratory, cardiac disease, arthritis or swelling, diabetes, weight control and depression, and other medical conditions.

It was established by Khwaja Abdul Hamied as the Chemical, Industrial, and Pharmaceutical Laboratories in 1935 in Mumbai. The company's name was changed to Cipla Limited in 1984. within the year 1985, the US Food and Drug

Administration approved the company's bulk medicine manufacturing facilities. The corporate provided generic AIDS and other medicine to treat poor people within the developing world. In 1995, Cipla launched Deferiprone, the world's first oral iron observer. In 2001, Cipla offered medicines for HIV treatment at little cost.

In 2013 Cipla acquired the South African company Cipla-Medpro, kept it as a subsidiary, and altered its name to Cipla Medpro Republic of South Africa Limited. After the acquisition, Cipla-Medpro had been a distribution partner for Cipla and was South Africa's third-biggest pharma.

The equity shares of Cipla are listed on the Bombay stock market, where it's a constituent of the BSE SENSEX index, and also on the National Exchange of India, where it's a constituent of the CNX Nifty. Its Global Depository Receipts are listed on the Luxembourg securities market.

1.11.2 Awards and recognitions

In 1980, Cipla won Chemical Award for Excellence for exports.

In 2006, Cipla won the Dun & Bradstreet American Express Corporate Awards.

In 2007, Cipla was included within the 200'Best under a billion' list of small Asian companies.

In 2012, Cipla received the Thomson Reuters India Innovation Award.

In 2015, research was conducted by BlueBytes where Cipla stood third among India's Most reputed pharmaceutical brands.

CHAPTER 2

REVIEW OF LITERATURE

Suhail Alnuaimi & Haitham Nobanee (2020) said Working capital is the assets that are detained by the company to guarantee its day-to-day activities are well met, and its goals are well accomplished. It evaluates how these working capitals can be well managed and what is the importance of their management.

Kesseven (2006) specified that high savings in stockholders and receivables were related to lesser profitability and a significant relationship between Working capital management and profitability.

Minhas, Ahsan, and Umar Draz (2021) stated that WCM is a lively concept. The financial managers need to regulate the WCM practices in response to the environment. The company must try to reach an optimal working capital level to boost financial performance.

Alvarez, Sensini, and Vazquez (2020) specify that working capital management is even more important in developing economies, where the unstable conditions of the financial markets and uncertainties linked to the economic situation led to severe turmoil and general price instability.

Aduda and Morgan (2020) explained that Working capital orders the liquidity position of the company and can thus be used as a separation for performance sustainability across different sections. The company managing its working capital effectively tends to outshine its peers in profitability and sustainability hence getting a positive review in the capital market.

Kayani, Nawaz & De Silva, Tracy-Anne & Gan, Christopher (2019) expressed that financial officers have a simple observation regarding working capital. They believe it to be a firm's ability to manage the difference between short-term assets and liabilities.

Victor (2021) stated that WC represents the liquidity of firms that makes them able to deal with short-term liabilities in the current assets. However, stock of productive capital or variables costs.

Saravanan, Palanisamy & Chattopadhyay, Subir (2018) described, that immediate action is authoritative so that the working capital of the firms can be improved. It is important to know the consequences of poor WCM of a company.

T. Poojitha (2019) stated that the Administration putting efforts to identify the effects and increases inefficient working capital management policy, the ratio of current assets is a low difference or it contrasts between the higher ratio of current assets to total assets is a low difference or a higher ratio of current liabilities to total liabilities.

Divya P. Solanki (2017) Most of the existing studies reveal with different measurement technique to analyze financial performance is yet to develop. The different researchers have done the research with different industries as well different methods and with different factors which are related to working capital management and profitability of the corporate area.

Novak, Marco Della (2021) stated the individual determinants of working capital were used as independent variables, while leverage represented the control variable. Empirical findings suggest that longer extensions to customers do not affect profitability.

Priyanka Verma (2019) It was found that working capital practices used by the listed Indian companies are similar to those used by most listed companies in other major markets. It was found that companies that operate in fast-moving goods sectors often have shorter inventory compared to companies in slow-moving goods.

2.1 SUMMARY OF REVIEW OF LITERATURE

From the above reviews, it is understood that the working capital of the company plays an important role in ascertaining the profitability of the business, and good working capital practices help them to boost its financial performance. To identify the effects and increases inefficient working capital management policy, the ratio of current assets is a low difference or it contrasts between the higher ratio of current assets to total assets is a low difference or a higher ratio of current liabilities to total liabilities. It represents the liquidity of firms that

makes them able to deal with short-term liabilities in the current assets. A good working capital explains a firm's ability to manage the difference between short-term assets and liabilities.

CHAPTER 3

RESEARCH METHODOLOGY

Research methodology is especially needed for the aim of framing the research process and styles and tools, which are used for the project purpose. Research methodology helps to seek out satisfaction on the well-liked topic. At these points, it's framed to study on working capital management of Cipla pharmaceutical limited.

3.1 SCOPE OF THE STUDY

WCM is a process of managing the capital of a corporation for smooth running. It's the quantity needed for meeting day-to-day overheads. It involves managing the current assets and liabilities of a business for achieving a better liquidity position. It maintains a sufficient amount of cash to fulfill its short-term debts and operating expenses. It performs ratio analysis for operating expenses like inventory turnover ratio, assets ratio, and collection ratio. When these three ratios are at an optimum level it helps in the smooth functioning of a business.

3.2 NEED FOR THE STUDY

The goal of economic management is to boost the wealth of the shareholders. It is applicable only if a company earns sufficient profits. The profit depends upon the number of sales. Therefore, the company should invest enough funds in current assets which can't be converted into cash immediately as there's always a time gap between the sale of products and receipt of money. However, assets are required to research the time gap involve between various phases of the "operating cycle". Hence, it's felt that there's a desire to check the capital management in CIPLA limited.

3.3 OBJECTIVES OF THE STUDY

- i) To study the financial position of the company.
- ii) To know the liquidity position of the company with the help of ratio analysis.
- iii) To understand the impact of the working capital on the profitability of Cipla limited.

- iv) To compare the financial performance with the previous years.
- v) To present a summary of the study and suggestions if necessary.

3.4 RESEARCH DESIGN

Research design is a procedure for the collection and analysis of information that objects to associate importance to the research purpose. It creates the planning for the gathering, measurement, and analysis of information.

3.5 DATA COLLECTION

SECONDARY DATA – This research principally supported the secondary data. the information utilized in this research is collected from the annual report of Cipla Ltd, textbooks, relevant journals, reports, magazines, and also the company's website.

PERIOD OF THE STUDY – This research study covers a period of five years from 2016-2017 to 2020-2021.

3.6 TOOLS USED FOR THE ANALYSIS OF RESEARCH

The following tools were adapted to analyze working capital management.

The changes in working capital are related to the Gross profit, Net profit, operating profit, earnings before interest tax, and sales, as they are shown in the balance sheet for the last five years.

3.6.1 ACCOUNTING TOOLS

The Ratio analysis tool is adapted to analyze the calculations of working capital management of Cipla Ltd.

3.7 LIMITATIONS OF THE STUDY

- i) This study mainly depends on secondary data i.e., the balance sheet of Cipla limited.
- ii) The analysis and suggestion depend on the financial statements and reports, provided by the company.
- iii) The study does not consider the time value of money. The analysis is made from a selected five-year period of the company's balance sheet.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 FINANCIAL RATIOS OF CIPLA LIMITED

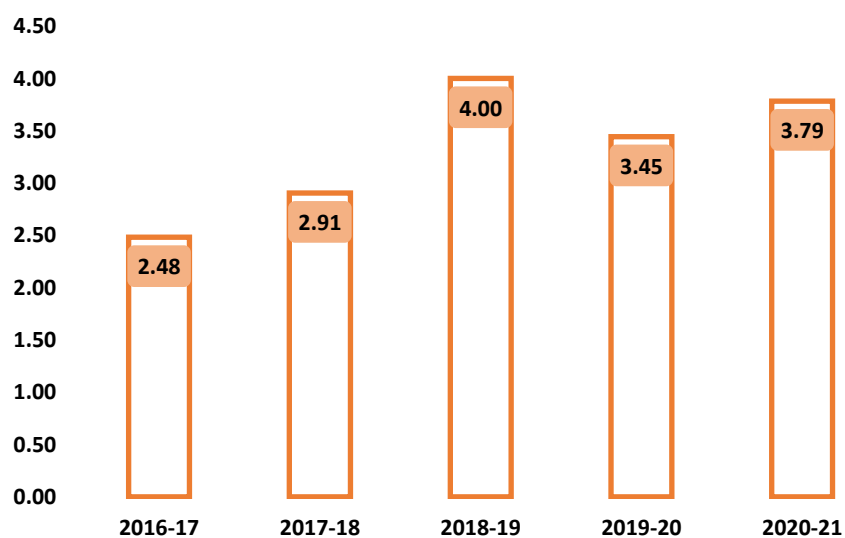
CURRENT RATIO

TABLE 1

S. NO	YEAR	RATIO
1	2016-17	2.48
2	2017-18	2.91
3	2018-19	4.00
4	2019-20	3.45
5	2020-21	3.79

SOURCE: Secondary Data

CHART 1



INTERPRETATION

The above chart and table have interpreted that the current ratio of the Cipla Ltd is 2.48 for the year 2016-2017, 2.91 for 2017-2018, 4 for 2018-2019, 3.45 for 2019-2020, and 3.79 for 2020-2021.

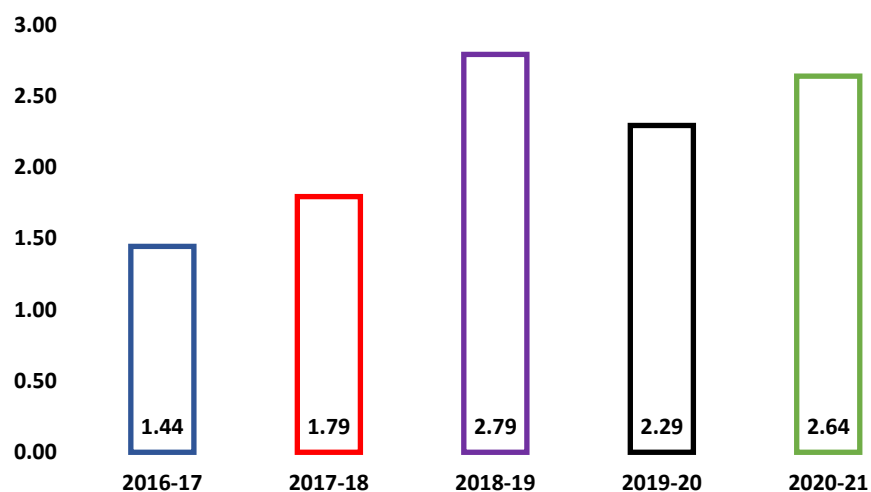
LIQUIDITY RATIO

TABLE 2

S. NO	YEAR	RATIO
1	2016-17	1.44
2	2017-18	1.79
3	2018-19	2.79
4	2019-20	2.29
5	2020-21	2.64

SOURCE: Secondary Data

CHART 2



INTERPRETATION

The above table and chart have interpreted that the liquid or quick ratio of Cipla Ltd is 1.44 for the year 2016-2017, 1.79 for 2017-2018, 2.79 for 2018-2019, 2.29 for 2019-2020, and 2.64 for 2020-2021.

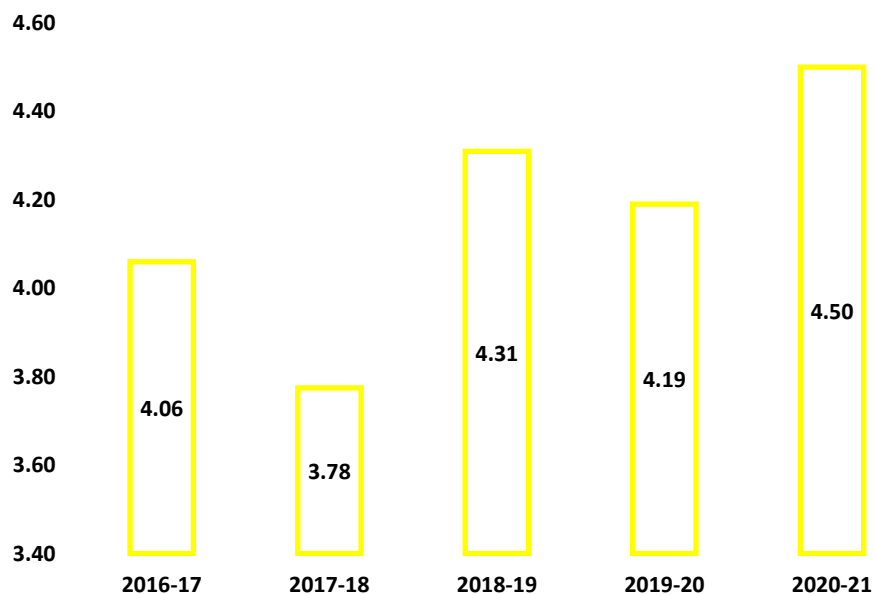
INVENTORY TURNOVER RATIO

TABLE 3

S. NO	YEAR	RATIO
1	2016-17	3.32
2	2017-18	3.15
3	2018-19	3.21
4	2019-20	3.14
5	2020-21	3.36

SOURCE: Secondary Data

CHART 3



INTERPRETATION

The above table and chart have interpreted that the inventory or stock turnover ratio of Cipla Ltd is 4.06 for the year 2016-2017, 3.78 for 2017-2018, 4.31 for 2018-2019, and 4.19 for 2019-2020, and 4.5 for 2020-2021.

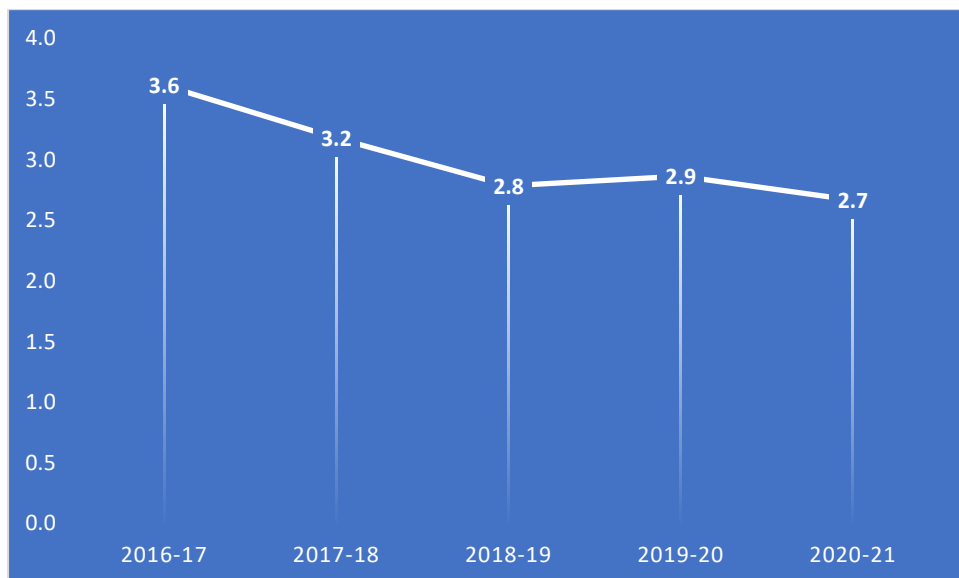
INVENTORY HOLDING PERIOD

TABLE 4

S. NO	YEAR	IHP
1	2016-17	3.6
2	2017-18	3.2
3	2018-19	2.8
4	2019-20	2.9
5	2020-21	2.7

SOURCE: Secondary Data

CHART 4



INTERPRETATION

The above table and chart have interpreted that the inventory holding period of Cipla Ltd is approx. 3.6 months for the year 2016-2017, 3.2 for 2017-2018, 2.8 for 2018-2019, 2.9 for 2019-2020 and 2.7 for 2020-2021.

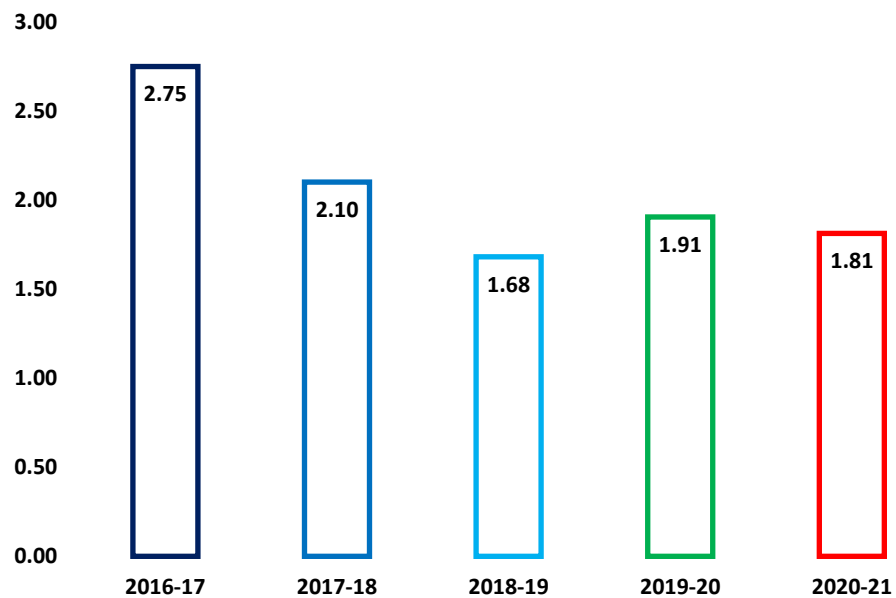
WORKING CAPITAL TURNOVER RATIO

TABLE 5

S. NO	YEAR	RATIO
1	2016-17	2.75
2	2017-18	2.10
3	2018-19	1.68
4	2019-20	1.91
5	2020-21	1.81

SOURCE: Secondary Data

CHART 5



INTERPRETATION

The above table and chart have interpreted that the working capital turnover ratio of Cipla Ltd is 2.75 times for the year 2016-2017, 2.1 times for 2017-2018, 1.68 times for 2018-2019, 1.91 times for 2019-2020, and 1.81 times for 2020-2021.

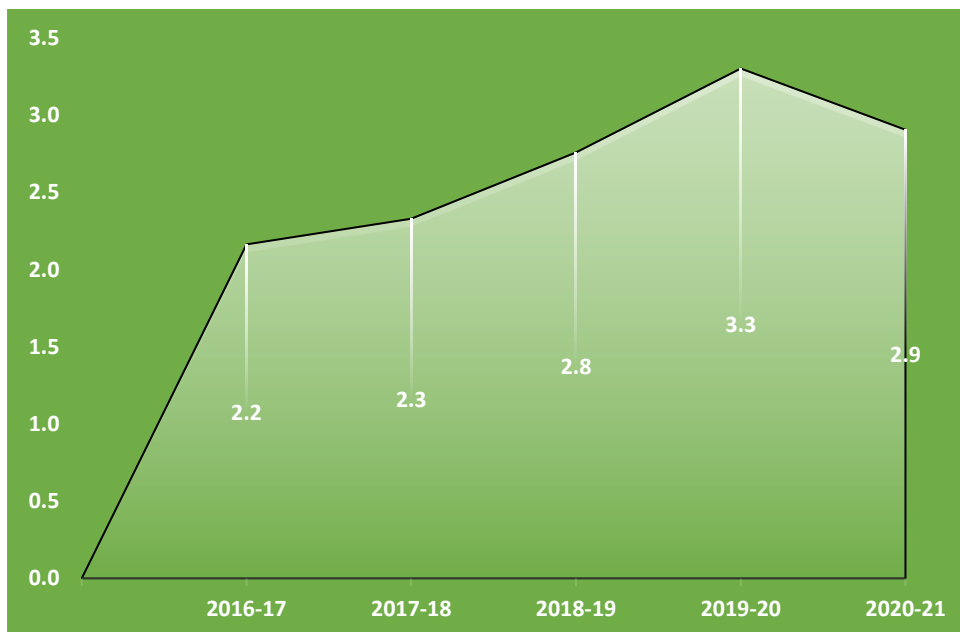
AVERAGE COLLECTION PERIOD

TABLE 6

S. NO	YEAR	ACP
1	2016-17	2.2
2	2017-18	2.3
3	2018-19	2.8
4	2019-20	3.3
5	2020-21	2.9

SOURCE: Secondary Data

CHART 6



INTERPRETATION

The above table and chart have interpreted that the average collection or receivables period of the Cipla Ltd is approx. 2.2 months for the year 2016-2017, 2.3 months for 2017-2018, 2.8 months for 2018-2019, 3.3 months for 2019-2020, and 2.9 months for 2020-2021.

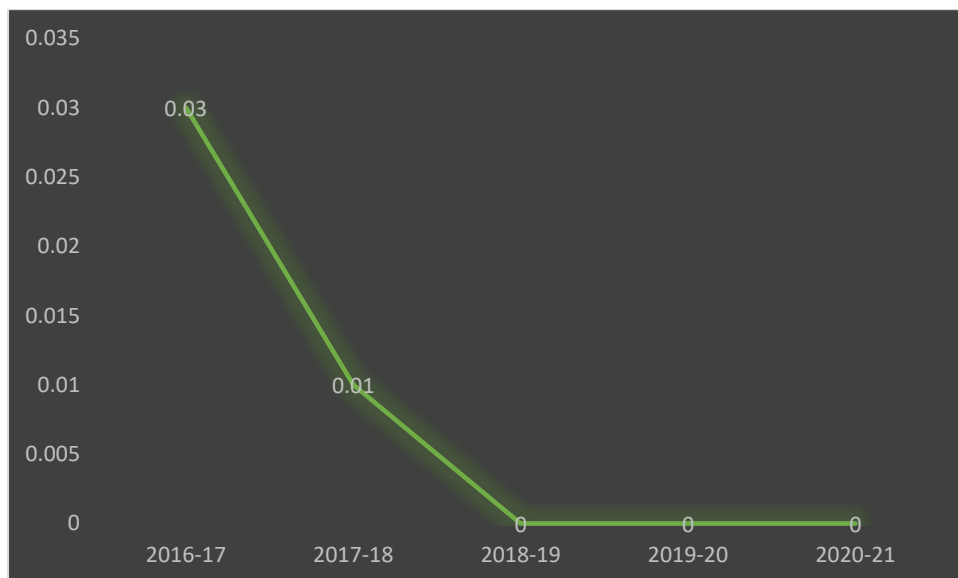
DEBT EQUITY RATIO

TABLE 7

S. NO	YEAR	RATIO
1	2016-17	0.03
2	2017-18	0.01
3	2018-19	0
4	2019-20	0
5	2020-21	0

SOURCE: Secondary Data

CHART 7



INTERPRETATION

The above table and chart have interpreted that the Debt equity ratio of Cipla Ltd is 0.03 for the year 2016-2017, 0.01 for 2017-2018, and 0 for the following years 2018-2019 to 2020-2021.

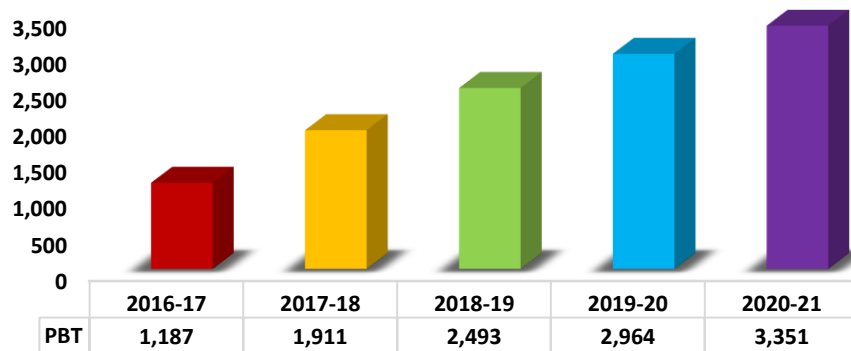
PROFIT BEFORE TAX

TABLE 8

S. NO	YEAR	PBT (in CRS)
1	2016-17	1,187
2	2017-18	1,911
3	2018-19	2,493
4	2019-20	2,964
5	2020-21	3,351

SOURCE: Secondary Data

CHART 8



INTERPRETATION

The above table and chart have interpreted that the profit before tax of Cipla limited is Rs.1187cr for the year 2016-17, Rs.1911cr for 2017-18, Rs.2493cr for 2018-19, Rs.2964cr for 2019-20, Rs.3351cr for 2020-21.

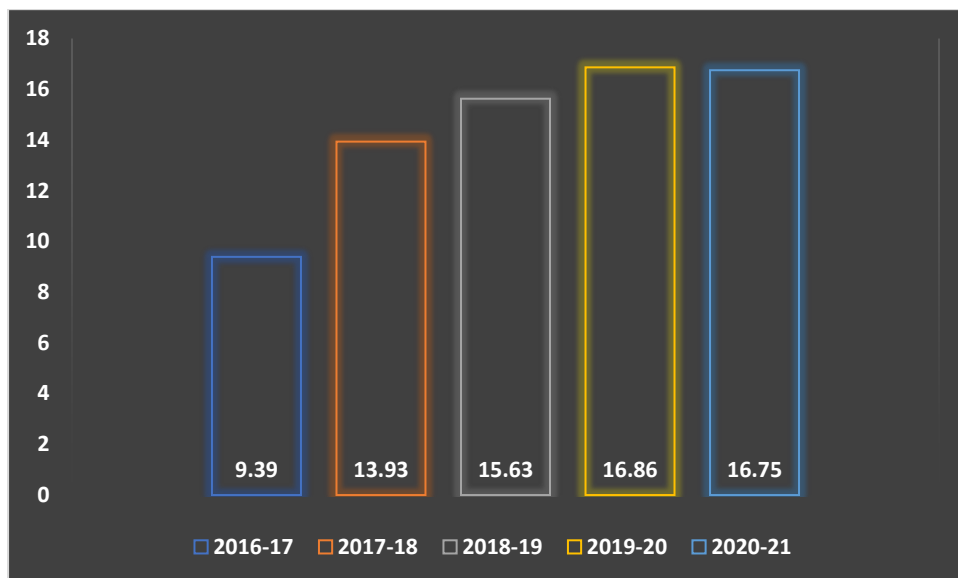
RETURN ON CAPITAL EMPLOYED

TABLE 9

S. NO	YEAR	ROCE
1	2016-17	9.39%
2	2017-18	13.93%
3	2018-19	15.63%
4	2019-20	16.86%
5	2020-21	16.75%

SOURCE: Secondary Data

CHART 9



INTERPRETATION

The above table and chart have interpreted that the Return on capital employed of Cipla Ltd is 9.39% for the year 2016-2017, 13.93% for 2017-2018, 15.93% for 2018-2019, 16.86% for 2019-2020, and 16.75% for 2020-2021.

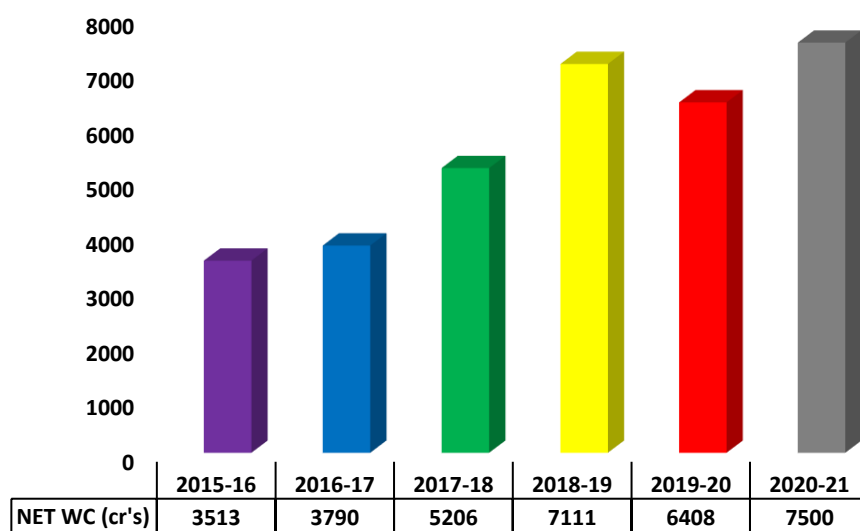
STATEMENT OF WORKING CAPITAL

TABLE 10

PARTICULARS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
CURRENT ASSETS						
Current Investments	540	638	1040	2012	834	2005
Inventories	2918	2654	3038	2868	3021	3086
Trade Receivables	1896	1939	2336	3169	3560	3035
Cash And Cash Equivalents	53	58	228	175	523	875
Short Term Loans and Advances	11	10	18	5	4	2
Other Current Assets	1049	1047	1279	1250	1083	1189
TOTAL CA (A)	6467	6345	7938	9479	9027	10192
CURRENT LIABILITIES						
Short Term Borrowings	1132	324	174	0	6	0
Trade Payables	991	1298	1580	1481	1612	1495
Other Current Liabilities	583	671	579	458	460	576
Short Term Provisions	249	263	398	429	542	621
TOTAL CL (B)	2954	2556	2732	2368	2619	2692
NET WC	3513	3790	5206	7111	6408	7500

SOURCE: Secondary Data

CHART 10



INTERPRETATION

The above table and chart have interpreted the statement of working capital of Cipla Ltd. Net WC is Rs. 3513cr for the year 2015-2016, Rs. 3790cr for the year

2016-2017, Rs.5206cr for the year2017-2018, Rs. 7111cr for the year 2018-2019, Rs.6408cr for the year 2019-2020, and Rs.7500cr for the year 2020-2021.

CHAPTER 5

FINDINGS, SUGGESTIONS, AND CONCLUSION

5.1 FINDINGS

- The current ratio is ideal and good from the year 2016-17 to 2017-18 and it was higher i.e., 4:1 during the year 2018-19 and decreased to 3.45 during 2019-20 and improved to 3.8 during the year 2020-21.
- The liquid or acid ratio is at a satisfactory level during the year 2016-2018 and it was higher i.e., 2.79:1 during 2018-19 and decreased too merely to 2.29 during 2019-2020 and again rose to 2.64 during 2020-2021.
- The company maintains a good level of inventory turnover whereas it increases in 2016-17 and decreases to 3.15 times in 2017-18 and increases to 3.21 times in 2018-19 and again decreases to 3.14 times in 2019-20 and again rose to 3.36 times in 2020-21.
- The company has more demand for its stock post-Covid-19 where it holds its inventory for 2.9 months approx. during 2019-2020 and 2.7 months approx. during the year 2020-2021.
- The company working capital turnover shows that the working capital is not being properly utilized even though the company earns profit the WCTR falls during 2018-2019 to 1.68 times and recovered between 2019 and 2020 and again simply falls to 1.81 during 2020-21 because of the pandemic.
- The debt-equity ratio of the company is not good. The satisfactory level of ratio is 2:1 but the company is maintaining a lesser and even nil ratio which explains that they are not interested to take risks in the market however it is not acceptable.
- The Profit before tax of the company is improving over the year from 2016-17 to 2020-2021 but at a lower percentage.
- The Company's returns on capital employed is increased over the years from 9.4% in 2016-2017 to 16.75% in 2020-2021 which shows a positive mark for the company.

- The Net working capital was on an increasing trend pre-covid-19 and dropped during the pandemic and rose post-pandemic which shows the positive future of the company.

5.2 CONCLUSION

Working capital management is an important component in identifying the company's financial position. If the company maintains the components of working capital i.e., the cash, receivables, and inventory it can improve its sales which helps to earn profit. As per the objectives, the study explains that the financial position is satisfactory but the debt-equity ratio of the company is usually recommended to boost within the forthcoming years and also the assets show a positive influence on the company's profitability and liquidity position over the years. As the current assets are more than the current liabilities, it impacts a better financial position of the company. The working capital of the company seemed to be increased gradually over the years and it is invested effectively. It is suggested for the company maintain the current asset level to be effective.

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ANNEXURE

Standalone Balance Sheet (Rs in CRORES)						
YEAR	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
EQUITIES AND LIABILITIES						
SHAREHOLDER'S FUNDS						
Equity Share Capital	160.68	160.9	161.02	161.14	161.25	161.29
Total Share Capital	160.68	160.9	161.02	161.14	161.25	161.29
Reserves and Surplus	11,825.20	12,639.61	13,952.50	15,578.07	17,207.54	19,730.58
Total Reserves and Surplus	11,825.20	12,639.61	13,952.50	15,578.07	17,207.54	19,730.58
Employees Stock Options	0	0	0	42.7	34.17	35.69
Total Shareholders' Funds	11,985.88	12,800.51	14,113.52	15,781.91	17,402.96	19,927.56
NON-CURRENT LIABILITIES						
Long Term Borrowings	0.13	0.07	0	0	0	0
Deferred Tax Liabilities [Net]	35.85	0	0	42.84	112.97	104.91
Other Long-Term Liabilities	130.72	125.2	125.3	117.86	165.3	143.36
Long Term Provisions	132	125.61	124.45	108.12	105.14	95.97
Total Non-Current Liabilities	298.7	250.88	249.75	268.82	383.41	344.24
CURRENT LIABILITIES						
Short Term Borrowings	1,131.68	324.26	174.43	0	6.06	0
Trade Payables	990.84	1,298.21	1,580.02	1,481.35	1,612.12	1,495.49
Other Current Liabilities	582.73	670.58	579.07	458.18	459.61	575.89
Short Term Provisions	249.22	262.78	398.18	428.55	541.5	620.56
Total Current Liabilities	2,954.47	2,555.83	2,731.70	2,368.08	2,619.29	2,691.94
Total Capital and Liabilities	15,239.05	15,607.22	17,094.97	18,418.81	20,405.66	22,963.74
ASSETS						
NON-CURRENT ASSETS						
Tangible Assets	3,702.28	4,095.16	4,158.37	3,992.13	3,818.67	3,673.15
Intangible Assets	123.83	140.1	161.66	135.33	205.87	269.51
Capital Work-In-Progress	512.81	540.52	435.28	241.32	255.73	275.04
Intangible Assets Under Development	37.91	15.25	27.32	56.01	64	80.07
Other Assets	0.33	0.32	0.32	61.85	126.44	123.79
Fixed Assets	4,377.16	4,791.35	4,782.95	4,486.64	4,470.71	4,421.56
Non-Current Investments	3,716.26	3,647.71	3,597.24	3,803.61	6,355.32	7,720.99
Deferred Tax Assets [Net]	0	59.54	46.8	0	0	0
Long Term Loans and Advances	219.37	215.75	233.13	207.91	41.89	43.37
Other Non-Current Assets	458.89	547.53	496.68	442	510.68	585.64
Total Non-Current Assets	8,771.68	9,261.88	9,156.80	8,940.16	11,378.60	12,771.56
CURRENT ASSETS						
Current Investments	539.52	638.18	1,039.74	2,011.58	834.43	2,004.84
Inventories	2,918.47	2,653.50	3,037.98	2,868.41	3,021.36	3,085.81
Trade Receivables	1,896.41	1,938.79	2,336.32	3,168.73	3,560.27	3,035.37
Cash And Cash Equivalents	53.01	58.46	227.53	174.56	523.07	874.8
Short Term Loans and Advances	10.92	9.53	17.74	5.04	4.49	1.9
Other Current Assets	1,049.04	1,046.88	1,278.86	1,250.33	1,083.44	1,189.46

Total Current Assets	6,467.37	6,345.34	7,938.17	9,478.65	9,027.06	10,192.18
Total Assets	15,239.05	15,607.22	17,094.97	18,418.81	20,405.66	22,963.74
OTHER ADDITIONAL INFORMATION						
CONTINGENT LIABILITIES, COMMITMENTS						
Contingent Liabilities	4,735.02	4,760.62	4,511.06	4,801.99	3,121.80	1,972.95
CIF VALUE OF IMPORTS						
EXPENDITURE IN FOREIGN EXCHANGE						
Expenditure In Foreign Currency	745.86	0	2,103.33	1,904.13	590.26	2,091.06
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS						
Dividend Remittance in Foreign Currency	-	-	-	-	-	-
EARNINGS IN FOREIGN EXCHANGE						
FOB Value of Goods	6,683.67	-	4,988.27	5,740.95	5,517.45	6,805.06
Other Earnings	62.46	-	180.82	199.06	86.15	-
BONUS DETAILS						
Bonus Equity Share Capital	151.66	151.66	151.66	151.66	151.66	151.66
NON-CURRENT INVESTMENTS						
Non-Current Investments Quoted Market Value	-	-	-	-	-	-
Non-Current Investments Unquoted Book Value	3,716.26	3,647.71	3,597.24	3,803.61	6,355.32	7,720.99
CURRENT INVESTMENTS						
Current Investments Quoted Market Value	-	-	-	-	-	-
Current Investments Unquoted Book Value	539.52	638.18	1,039.74	2,011.58	834.43	2,004.84

Standalone Profit & Loss account (Rs in CRORES)						
PARTICULARS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
INCOME						
Revenue From Operations [Gross]	11,873.4 6	10,637.0 8	11,004.4 4	11,968.4 4	12,220.2 2	13,610.0 2
Less: Excise/Service Tax/Other Levies	0	206.09	54.91	0	0	0
Revenue From Operations [Net]	11,873.4 6	10,430.9 9	10,949.5 3	11,968.4 4	12,220.2 2	13,610.0 2
Other Operating Revenues	244.26	337.5	440.37	405.57	438.93	290.56
Total Operating Revenues	12,117.7 2	10,768.4 9	11,389.9 0	12,374.0 1	12,659.1 5	13,900.5 8
Other Income	280.3	129.85	334.88	577.52	892.85	230.28
Total Revenue	12,398.0 2	10,898.3 4	11,724.7 8	12,951.5 3	13,552.0 0	14,130.8 6
EXPENSES						
Cost Of Materials Consumed	3,633.34	2,956.04	3,303.31	3,112.25	2,999.17	3,262.29
Purchase Of Stock-In Trade	1,037.56	1,128.99	1,064.23	1,259.21	1,363.12	1,847.85
Operating And Direct Expenses	0	443.37	475.13	0	0	0
Changes In Inventories Of FG, WIP, And Stock-In Trade	228.35	56.27	-212.05	136.7	-43.08	-9.93
Employee Benefit Expenses	1,778.56	1,728.97	1,785.94	1,839.84	1,911.08	2,038.88
Finance Costs	147.07	39.2	11.9	16.97	36.05	45.07
Depreciation And Amortisation Expenses	442.69	499.97	529.61	569.72	599.78	556.11
Other Expenses	3,386.48	2,858.59	2,777.79	3,524.01	3,721.57	3,039.93
Total Expenses	10,654.0 5	9,711.40	9,735.86	10,458.7 0	10,587.6 9	10,780.2 0

PARTICULARS	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Profit/Loss Before Exceptional, Extraordinary Items and Tax	1,743.97	1,186.94	1,988.92	2,492.83	2,964.31	3,350.66
Exceptional Items		0	-77.52	0	0	0
Profit/Loss Before Tax	1,743.97	1,186.94	1,911.40	2,492.83	2,964.31	3,350.66
Tax Expenses-Continued Operations						
Current Tax	356.64	311.06	431.33	576.43	545.96	904.38
Deferred Tax	-74.97	-99.06	11.55	27.99	100.18	-22
Total Tax Expenses	281.67	212	442.88	604.42	646.14	882.38
Profit/Loss After Tax and Before Extraordinary Items	1,462.30	974.94	1,468.52	1,888.41	2,318.17	2,468.28
Profit/Loss from Continuing Operations	1,462.30	974.94	1,468.52	1,888.41	2,318.17	2,468.28
Profit/Loss for The Period	1,462.30	974.94	1,468.52	1,888.41	2,318.17	2,468.28
OTHER ADDITIONAL INFORMATION						
EARNINGS PER SHARE						
Basic EPS (Rs.)	18.21	12.13	18.25	23.45	28.76	30.61
Diluted EPS (Rs.)	18.16	12.11	18.22	23.41	28.72	30.57
DIVIDEND AND DIVIDEND PERCENTAGE						
Equity Share Dividend	180.92	160.87	160.94	241.57	564.26	0
Tax On Dividend	0	32.71	28.33	40.4	87.45	0
Equity Dividend Rate (%)	100	100	150	150	200	250