

A STUDY ON WORKING CAPITAL MANAGEMENT AT BIOCON .LTD

Submitted in partial fulfillment of the requirements for the award of
Master of Business Administration

by

YOGESWARI S (39410240)



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

Accredited with Grade "A" by NAAC

JEPPIAAR NAGAR, RAJIV GANDHI SALAI,

CHENNAI - 600 119

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BONAFIDE CERTIFICATE



This is to certify that this Project Report is the bonafide work of Ms. Yogeswari s (39410240) who have done the Project work entitled, ” **a study on working capital management on biocon.ltd**” under my supervision from December 2020 to February 2021.

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Submitted for Viva voce Examination held on _____.

Internal Examiner

External Examiner

DECLARATION

I Yogeswari s , (39410240) hereby declare that the Project Report entitled “ **A Study On Working Capital Management On Biocon.ltd**” done by me under the guidance of Dr. R. Thamilselvan M.com., M.B.A., M.Phil., B.Ed., Ph.D is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

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ABSTRACT

This is a study conducted to focus on the short term financial management or working capital management. Working capital refers to that part of the firm's capital which required for financing short term or current asset. Adequate amount of working capital is required by the firm in the form of different activities to continue uninterrupted and to tackle problems that may arise. Financial viability structure and utilization of working capital in the company is analyzed for five years from 2016-2020.

The study is mainly based on the secondary data. Ratios and statement of changes in working capital are the tools used for the study. The interpretations are summarized and suggestions are provided based on it.

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CHAPTER - I

1.1 INTRODUCTION

Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The primary purpose of working capital management is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations.

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship that exists between them. The term current assets refer to those assets which in the ordinary course of business can be, or will be, converted in to cash within one year without undergoing a diminution in value and without disrupting the operation of the firm.

The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash. The excess of current assets of a business organization over its current liabilities is termed as the working capital of that organization.

The major current assets are cash, marketable security, account receivable and inventory. Current liabilities are those liabilities which are intended, at their inception, too be paid in the ordinary course of business, within a year, out of the current assets or earning of the concern. The basic current liabilities are account payable, bills payable, bank overdraft and outstanding expenses.

DEFINITIONS

The term working capital is commonly used for the capital required for day-to-day working in a business concern, such as for purchasing raw material, for meeting day-to-day expenditure on salaries, wages, rents rates, advertising etc. But there is much disagreement among various financial authorities (Financiers, accountants, businessmen and economists) as to the exact meaning of the term working capital.

Working capital is defined as, the excess of current assets over current liabilities and provisions.

In the Annual Survey of Industries (1961), working capital is defined to include, Stocks of materials, fuels, semi-finished goods including work-in-progress and finished goods and by-products; cash in hand and bank and the algebraic sum of sundry creditors as represented by,

- I. outstanding factory payments e.g. rent, wages, interest and dividend;
- II. purchase of goods and services;
- III. short-term loans and advances and sundry debtors comprising amounts due to the factory on account of sale of goods and services and advances towards tax payments.

In the words of shubin, "working capital is the amount of funds necessary to cover the cost of operating the enterprise."

According to Ganestenberg, "circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another, as for example from cash to inventories, inventories to receivables, receivables to cash."

1.2 INDUSTRY PROFILE

Introduction

India is the largest provider of generic drugs globally. Indian pharmaceutical sector supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in the UK.

India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with a potential to steer the industry ahead to greater heights. Presently, over 80% of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

Market Size

Indian pharmaceutical sector is expected to grow to US\$ 100 billion, while medical device market is expected to grow US\$ 25 billion by 2025. Pharmaceuticals export from India stood at US\$ 16.3 billion in FY20. Pharmaceutical export includes bulk drugs, intermediates, drug formulations, biologicals, Ayush and herbal products and surgical. As of November 2020, India exported pharmaceuticals worth US\$ 15.86 billion in FY21. Pharmaceutical exports from India stood at US\$ 16.28 billion in FY20 and US\$ 2.07 billion in October 2020.

India's biotechnology industry comprising biopharmaceuticals, bio-services, bio-agriculture, bio-industry, and bioinformatics. The Indian biotechnology industry was valued at US\$ 64 billion in 2019 and is expected to reach US\$ 150 billion by 2025.

India's domestic pharmaceutical market turnover reached Rs 1.4 lakh crore (US\$ 20.03 billion) in 2019, up 9.8% y-o-y from Rs 129,015 crore (US\$ 18.12 billion) in 2018.

Medicine spending in India is projected to grow 9-12% over the next five years, leading India to become one of the top 10 countries in terms of medicine spending.

Going forward, better growth in domestic sales would also depend on the ability of companies to align their product portfolio towards chronic therapies for diseases such as cardiovascular, anti-diabetes, anti-depressants and anti-cancers, which are on the rise.

The Indian Government has taken many steps to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs into the market has remained in focus and is expected to benefit the Indian pharmaceutical companies. In addition, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also augurs well for the pharmaceutical companies.

1.3 COMPANY PROFILE

We are a global biopharmaceutical company changing patients' lives in over 120 countries by finding new and affordable ways to treat diabetes, cancer and autoimmune diseases.

Biocon India Pvt. Ltd. is incorporated as a joint venture between Kiran Mazumdar-Shaw and Biocon Biochemicals Ltd. Ireland. Starting with three employees in a rented shed in Koramangala, suburban Bangalore. Biocon began manufacturing and exporting Papain, a plant enzyme, and Isinglass, a marine hydrocolloid – both, key products for the brewing industry.

Biocon's first export was Papain, a plant enzyme derived from Papaya, to U.S. and Europe, signalling the company's ambition to produce high quality, world class products in India for global markets.

Biocon acquires a 20-acre plot on Hosur Road, Bangalore for INR 600,000 to expand operations. On March 8th, 1980, the foundation stone was laid for the building that currently houses the company's corporate office.

KEY MANAGEMENT TEAM

An organisation is as dynamic and effective as its people. At Biocon, the vast experience and the strategic focus of the Key Management Team steer us towards our goals. The Key Management Team focuses on driving innovative work practices and higher process maturity across the organisation. It executes its role in corporate governance through regular reviews of our financial performance and critical business issues. The Key Management Team is amply supported by a strong team of exemplary bioscientists, engineers and business managers.

VISION

We have an ambitious vision for tomorrow which, when realised, will improve millions of lives for the better. Our people are key to making this happen. By putting our employees first, we empower them to build more fulfilling lives and achieve a better work-life balance. In doing so, we also help them stay driven and committed to contributing to this goal. To promote holistic well-being among our people, we conduct a host of initiatives in four key areas.

AWARDS & RECOGNITION

- Biocon bags 'Best Biotech Patents Award 2018-19' by Indian Drug Manufacturing Association (IDMA) at the IDMA 58th Annual Day celebration.
- Biocon's Biowin HR team won awards in 4 categories such as Women L & D

Programs, Diversity Policies, Large Enterprise and Diversity Programs. Biocon's EHS (Environment, Health & Safety) team received the State Level Award in 'Implementation of Best Safety Practices' from Department of Factories, Govt. of Karnataka. 2016

- Company with Great Managers and Great Manager Award from People Business Award Featured on The Top 10 Global Biotech Employers list by Science Inc. Best Training Initiatives in Pharmaceutical Sector by World HRD Congress 2017
- Biocon's Srinivas K. S. recognised as one of the 100 Top Training & Development Minds in India (CHRO Asia) Company with Great Managers and Great Manager Award from People Business Award Featured on the Top 10 Global Biotech Employers list by Science Inc. 2018
- Biocon's Srinivas K. S. awarded Asia's Most Innovative Training & Development Leader by CHRO Asia Company with Great Managers and Great Manager Award from People Business Award
- Ranked among the Top 100 Companies in Avataar for Diversity & Inclusion practices Best Corporate University and Best Quality Improvement Award from CLO Tata Institute of Social Sciences (TISS), Mumbai Featured on the Top 10 Global Biotech Employers list by Science Inc. 2019
- Best Training & Development Program by L&D World (L&D World-Transformance & Adobe) Ranked among the Top 100 Companies in Avataar for Diversity & Inclusion practices
- Best Learning & Development Team & Best Diversity & Inclusion Program from CLO Tata Institute of Social Sciences (TISS), Mumbai Best Employee Wellness Program at the HR Employee Engagement Leadership Summit Featured on the Top 10 Global Biotech Employers list by Science Inc. Biocon wins 'Best Initiative in Employee Wellness' at the 3rd Employee Engagement Leadership Awards

RESPONSIBILITY

Biocon Foundation is committed to improving lives and empowering the underserved communities for a better tomorrow. The Foundation's fundamental purpose is to make a positive and lasting impact on the health and education of communities to inspire the development of a knowledge based, sustainable society.

BIOCON ACADEMY

Biocon academy, is a premier center of excellence for advanced applied learning in Biosciences. The academy, a CSR initiative, has leveraged the rich industry experience of Biocon and domain knowledge of international academic partners to empower both experienced as well as recent life science graduates. Students imbibe translational education and industrial proficiency, through job-skills development, essential to build a promising career in the Biotech industry.

OUR CULTURE

We treasure people who push the envelope, take initiative and deliver matchless outcomes. Our collaborative, performance-driven work culture drives us to make patient lives easier with greater global access to high-quality, affordable medicines.

The Biocon culture is meritocratic and value-driven. We cherish highly capable, forward-looking self-starters who have the skills, experience and knowledge to impel us forward. By investing in the best talent, we actively look to create future leaders, supported by an environment where competencies and merit trump all else. Recognising and rewarding exceptional talent breeds a thriving, high-performance culture that helps our people fulfill their individual aspirations, even as we advance together to achieve our collective vision.

1.4 NEEDS FOR WORKING CAPITAL

Working capital is needed till a firm gets cash on sale of finished products. It depends on two factors:

1. Manufacturing cycle i.e. time required for converting the raw material into finished product.
- 2 Credit policy i.e. credit period given to Customers and credit period allowed by creditors.

Thus, the sum total of these times is called an –Operating cycle and it consists of the following six steps:

- Conversion of cash into raw materials.
- Conversion of raw materials into work-in-process.
- Conversion of work-in-process into finished products.
- Time for sale of finished goods—cash sales and credit sales.
- Time for realization from debtors and Bills receivables into cash.
- Credit period allowed by creditors for credit purchase of raw materials, inventory and creditors for wages and overheads.

STATEMENT OF THE PROBLEM

This project deals with the study about -Working Capital Management in **BIOCON.LTD.**

The working capital management is very important term. It involves the study of day-to-day affairs of the company. The motive behind the study is to develop an understanding about the working capital management in the running business organization and to help the company in developing the efficient working capital management. Therefore, it helps in future planning and control decisions.

If we look at any financial statement it will be evident that the investment in fixed assets remains more or less static but the working capital is constantly changing. A healthy working capital position is the thing that is absolutely necessary of a successful business. This is reflected in adequate inventories, lowest level of debtors, minimum utilization of bank facilities for working capital, etc. thus the study of working capital management occupies an important place in financial management.

1.5 OBJECTIVES OF STUDY

- To analyze the effective utilization of working capital
- To evaluate the performance of receivables and cash
- To study the structure of working capital
- To study the sources of working capital finance
- To study need of working capital requirement in organization

1.6 SCOPE OF THE STUDY

The study is conducted on BIOCON.LTD. The study of working capital management is purely based on secondary data and all the information is available within the company itself in the form of records. To get proper understanding of this concept, I have done the study of the balance sheets, profit and loss A/C. So, scope of the study is limited up to the availability of official records and information provided by the finance department. The study is supposed to be related to the period of last three years.

The main scope of the study was to put into practical the theoretical aspect of the study into real lifework experience.

The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital. Further the study is based on last five years balance sheet.

1.7 LIMITATIONS OF THE STUDY

- The study is restricted for a period of five years only commencing from 2016-2020. So it shows limited period data is considered.
- As the financial information is confidential, they do not want to share accurate data or information.
- Study duration is very short .

CHAPTER – II

2.1 REVIEW OF LITERATURE

Rafuse [1] studied that suppliers were not interested in interest, rather they wanted their money. His more suggestions was that improvement of working capital by delaying payment to creditors was an inefficient and ultimately damaging practice, both to its practitioners and to the economy as a whole. He suggested that those seeking concentrated working capital reduction strategies should focus on stock reduction.

Eljelly [2] analyzed that liquidity management involves planning and controlling of current assets and current liabilities so that it can eliminate the risk of inability to meet short-term obligations and avoids much investment in these assets. Current ratio, regression analysis and correlation have been used to measure the result. The study found that the cash conversion cycle was of utmost important as a measure of liquidity than the current ratio that affects profitability. The size variable was found to have a major effect on profitability at the industry level. It was clear that there was an adverse relationship between profits of the firm and liquidity position indicators such as current ratio and cash gap in the Saudi sample examined.

Padach [3] analyzed that management practices are expected to assist managers in identifying zones where they might require improvement in the financial performance of their operation. The results provided owner-managers with information relating to the basic financial management practices used by their peers and their peers attitudes toward the selected practices. The working capital requirements of an organization change over times as does its internal cash generation rate.

Raheman and Naser [4] examined the working capital management and profitability position of Pakistani firms. An example of 94 Pakistani firms recognized on Karachi Stock Exchange for a period of 6 years from 1999 – 2004. The results indicated that there is an adverse relationship between variables of working capital management and profitability.

Solano et al [10] reviewed the effect of working capital management on SME profitability. To achieve the objective 8872 small to medium sized companies have been taken for the period over 1996-2002. Panel data methodology has been adopted and found that if cash conversion cycle will small it will help in improve the firm profitability. So, the managers of the firm should try to reduce their inventories and the number of days for which their accounts are outstanding.

Kaushik Chakraborty [5] checked the various studied done on management of working capital and its components. The studies related to working capital management as a whole would necessarily discuss the individual components of working capital and thus exclusive studies on individual factors of current assets and current liabilities were found to be very few. A deeper look into survey indicated that there were only a few studies available abroad and plentiful of studies in India. The survey also revealed that, though a few case studies on individual components automobile companies were present, there was no attempt in India to study the working capital management in any specific industry.

DÄfnuleÄ£iu [6] Study the relation between the efficiency of the working capital management and profitability using Pearson correlation analyses and take a sample size of 20 annual financial records of companies covering period 2004-2008. The conclusion of the study is that there is a negative linear correlation between working capital management indicators and profitability rates.

Dong and Su [8] examined the relationship between profitability, cash conversion cycle and its components for listed firms in Vietnam Stock market. The results showed that there was a strong negative relationship between profitability and the cash conversion cycle. The time period was short in compare with some of the previous studies about the relationship between Management of working capital and profits of the firm.

Bhunia and Khan [7] analyzed the efficiency of Indian steel company by the effective management of liquidity. Data has been taken from 230 steel companies from CMIE database, over the period of 2002 to 2010. It was concluded that liquidity and profitable position is good and satisfactory of the company.

Patel and Parjapati [9] analyzed five steel companies to know the comparative position and uses of working capital. Various analyses such as ratio analysis and operating cycle analysis have been used. The study reveals that Tata steel ltd has the highest growth of net working capital maintenance during GRA - Global Research Analysis holding period followed by Jindal steel ltd. and it is negative with JSW steel. Net operating cycle of Jindal steel and Tata steel is adverse in each year that shows there is a greater working capital management in these companies

Eljelly (2004) Identified the relation between profitability and liquidity who was examined, as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock firms in Saudi Arabia. The study found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. The size variable was found to have significant effect on profitability at the industry level. The results were stable and had important implications for liquidity management in various Saudi firms. First, it was clear that there was negative relationship between profitability and liquidity indicators such as current ratio and cash gap in the Saudi sample examined. Second, the study also revealed that there was great variation among industries with respect to the significant measure of liquidity.

Lazaridis and Tryfonidis (2006) have explored the relationship between corporate profitability and WCM in the Athens Stock Exchange. The finding of results shows a negative relationship between profitability and working capital indicators like days of accounts receivable, account payable and cash conversion cycle. They concluded that firms can create profits by effectively handling each component of the cash conversion cycle.

Saswata Chatterjee (2010) Focused on the importance of the fixed and current assets in the successful running of any organization. It poses direct impacts on the profitability liquidity. There have been a phenomenon observed in the business that most of the companies increase the margin for the profits and losses because this act shrinks the size of working capital relative to sales. But if the companies want to increase or improve its liquidity, then it has to increase its working capital. In the response of this policy the organization has to lower down its sales and hence the profitability will be

affected due to this action. For this purpose 30 United Kingdom based companies were selected which were listed in the London Stock exchange. The data were taken of three years 2006-2008. It analyzed the impact of the working capital on the profitability. The dimensions of working capital management included in this research which is quick ratios, current ratios C.C.C, average days of payment, Inventory turnover, and A.C.P (average collection period. on the net operating profitability of the UK companies.

Mohamad and Saad (2010) Used Bloomberg's database of 172 listed companies randomly selected from Bursa Malaysia main board for five year period from 2003 to 2007. Applying correlations and multiple regression analysis, they found that current assets to total asset ratio shows positive significant relationship with Tobin Q, ROA and ROI. Cash conversion cycle, current asset to current liabilities ratio and current liabilities to total assets ratio illustrate negative significant relations with Tobin Q, ROA and ROIC.

Does working capital affect profitability of Belgian firms from **Marc Deloof** journal of business finance and accounting in 2003 The results suggest that managers can increase corporate profitability by reducing the number of days accounts receivable and inventories. Less profitable firms wait longer to pay their bills.

Working capital management from **M.S divya and p.solanki** international journal of advanced research in 2017 The proposed future research direction is given in this paper may help to develop a better understanding of determinants and practices of working capital management.

A study on working capital management with special reference to steel authority of India limited from **Dr.V.R.palanivelu** in July 2014. The study is mainly based on secondary database of the company. It was concluded that the working capital is a vital role in the organisation.

Working capital management and it's effect on profitability empirical evidence from **Noraisah sungip** on 2018. This study examines the effects of working capital management on profitability among 803 companies listed on Bursa Malaysia. The data

is collected from data stream for the year 2010-2014 was analyzed using panel data analysis.

A review of working capital management from **T.poojitha**.The purpose of this study is to understand the efficiency and utilization of working capital in the kdmpmacu ltd.,This study states that working capital is very much effects to the development of the firm.This study is based on the secondary data of the firm.

A study on the small medium enterprises in working capital management efficiency from **Othman chin**.This preliminary study was made with an attempt to analyze the efficiency of working capital management in the selected small medium enterprise companies in Malaysia.The result reveals that it was less efficient in managing there working capital during this study period.

Working capital management analysis of selected textile industries from **PS.deepa**.Thispaper compares various spinning industries in Coimbatore city by using ratio analysis and for which the secondary data has been working capital is part of the total capital employed by a company and is often defined as the difference between short-term liabilities and short-term assets.

Working capital management on profitability and corporate performance by **Harisha.B** States that working capital management is a major issue faced in the financial decision making process.The main purpose of this study is to examine and analyze the effect of types of working capital management techniques on the firm's profitability.

Working capital management an overview form **Dr.Sreemoyee Guah Roy** on July 2016.The project revealed that the working capital has a direct impact on cash flow in a business.Companies must seek granular details to identify the underlying driver's of working capital."the better a company manage it's working capital ,The less the company needs to borrow".

International journal for research trends and innovation from **Alak Kumar Das**.The main objective of this study are to measure the association between quick ratio and CCC as well as current ratio and CCC.This study also tries to find out the impact of working capital management efficiency on liquidity position of the sample companies.

A study on efficiency of working capital management of selected IT companies from **Dr.A.Muthu Samy**.This Paper examines the utilization of working capital management and the way improved and operational efficiency, optimized.It provides faster and more efficient methods of getting a job done.

Efficiency analysis of working capital management(A study of selected FMCG companies in India) by **E.lokeswari**.The study undertakes the comparative analysis and evaluation of working capital management through the employment of numerous parameters of current ratio and payable turnover.The analysis was done on the data sourced from the annual report.

Working capital management-it's impact on liquidity and profitability-A study of coal India ltd by **Mr.Shivakumar**.The study covers five years data from 2010-11 to 2014-15 for the analysis ratio indicating working capital performance and some statistical techniques are employed.

Working capital management among listed companies of Pakistan from **Shahbaz Hussain**.The study aims to investigate the strength of working capital management for measuring the financial performance of listed stocks.the study incorporates descriptive statistics, Pearson correlation and multiple regression.

Working capital management and profitability:A sensitive analysis from **Arun Kumar O.N** this paper analyze the effect of working capital management on the profitability of manufacturing firms.The data analysis was carried for 1198 manufacturing firms listed in center for monitoring Indian economy for a period of 5 year's.

Working capital management and corporate financial performance:Evidence from Panel Data Analysis of Selected Quoted Tea Company in Kenya from **Charles kiprotich yegon**.This study aimed to provide empirical evidence about the impact of

working capital management on corporate financial performance of tea firms in Kenya for the period of 2005 to 2012.

The effect of efficient working capital management and working capital policies on firm performance: Evidence from Malaysia manufacturing firms from **Norzalina binti ahmad**. The study investigates the effect of efficient working capital policies on the performance of manufacturing firms in Malaysia between 2010-2016. This study uses balanced panel data of 143 manufacturing firms that are listed on the main market of bursa Malaysia.

Working capital management practices and profitability in Nigeria from **SundayKajola**. This paper investigates the effect of working capital management practices on profitability of twenty-five Nigerian listed non-financial firm between financial year 2010-2016. The working capital management practices in achieving organizational success during the period of study.

Working capital management and corporate performance of manufacturing sector in Pakistan from **Abdul raheman**. This paper analyzes the impact of working capital management on firm's performance in Pakistan for a period of 1998-2007. The study also conclude that firm's in Pakistan are following conservative working capital management policy and the firm's are needed to concentrate and improve their collection and payment policy.

Working capital management: Is it really affects the profitability? Evidence from Pakistan by **Asghar Ali**. In this research article 15 research papers of different scholars have been studied and compared. The result showed impact of working capital on profitability and supported the hypotheses.

Working capital management and efficiency- A comparative study of BEML and LARSEN and TURBO Ltd from **shivakumar hulsoor**. The study focus on the finding out whether there is a significant difference exit in the Management of working capital by the selected units. The result of t-test shows that there is a significant difference exists in Management of working capital of both the selected samples.

Effect on working capital management on SME profitability from **Pedro J.Garaa Teruel** in 2007 international journal of managerial finance. The aim is to ensure that the relationships found in the analysis carried out are due to the effects of the cash conversion cycle on corporate profitability and not vice versa.

A study of working capital management in Tata motors ltd by **Yashodhan.P** is to understand and study in general the Management of working capital and it is to analyze the recruitment of working capital.To manage the current asset in similar to the Management of long term asset.

Working capital management and it's impact of financial performance:an analysis of trading firm by **Sangeetha T**.The main purpose of this study was to investigate the working capital management was investigated through the cash conversion cycle.The working capital management has strong impact on financial performance.

Working capital management and profitability: Evidence from manufacturing sector in Malaysia by **Jakpaer.S**.The purpose of this study is to examine the affects of working capital management firms profitability.The study is based on the samples of 164 manufacturing firms listed on the main board of bursa Malaysia.

Inventory and working capital management :An empirical analysis of Indian textile companies by **Manpreet knur**.The primary objective of inventory management is to avoid too much and too little of inventory so that uninterrupted production and sales with minimum holding cost.the investigation reveals that inventory management across textile industries is efficient and shows a significant impact of working capital.

Concept of working capital management by **Dr.C.Boopathi**.The uses of funds of a concern can be divided into two parts namely long term funds and short term funds.A major part of long term funds is invested in the fixed assets.To run the business operations short-term asset are also required.

The impact of working capital management on profitability of global haulage company,Ghana by **Joseph yensu**.The study examine the impact of working capital

management on profitability of global haulage company in Ghana. The Management should use the less of debt in financing their activities to be able to increase profit since high debt ratio adversely impacts on profitability.

Working Capital Management Strategies in Polish SMEs by **Grzegorz Zimon**. The purpose of the article is to present the working capital management strategy in Polish SMEs operating in the manufacturing, commercial and service sectors. The analysis showed that SMEs had problems with working capital management.

To Evaluate Working Capital Management of Renuka Sugar Pvt. Ltd by **Manisha D. Patel**. The objective of this paper is to evaluate the working capital management of Renuka Sugar Pvt. Ltd. and to examine the management pattern of inventory, liquidity, cash position and receivables management. This also finds the relationship between Working Capital Efficiency and Profitability and Ratios.

A study on the role of working capital management in determining the profitability of TSE in Tehran stock exchange by **Hojat Sadeghi**. The purpose of this research is to study the role of working capital management in determining the profitability of companies accepted in Tehran stock exchange. The role of working capital management plays a fundamental role in the daily performance of commercial units.

Impact Of Capital Expenditure On Working Capital Management An Application On Hotel And Travel Companies Listed In Colombo Stock Exchange by **Priya muraleetharan**. This study is designed to examine the impact of capital expenditure on working capital management, an application on hotel and travel companies listed in Colombo stock exchange.

A Study on Working Capital Management of Uralungal Labour Contract Co-Operative Society (ULCCS) Ltd by Princy **N.K.Sreekrishnan P**. This study analyses the working capital management of ULCCS Ltd. for a period of five financial years from 2011-2012 to 2015-2016. The study proceeds with the objectives to study the working capital management of Uralungal Labour Contract Co-Operative Society (ULCCS) Ltd. and analyze the financial performance of the society.

Working capital management- Its impact on liquidity and profitability-A study of Kerala minerals and metals ltd by **Dr. Sunilraj N.V.**The present study makes an attempt to give a conceptual insight on working capital management and assess its impact on liquidity and profitability of Kerala Minerals and Metals Ltd. A proper tradeoff between profitability and liquidity is necessary for every enterprise to survive in any kind of environment. The study also made an attempt to analyze the liquidity and profitability position of KMML.

Working capital management of selected sugar industries in Tamil Nadu listed in BSE and NSE by **M.nagamani**.This paper examines the impact of Working capital Management of selected sugars industries in Tamil Nadu. Objective of the study is to analyze the working capital position of selected Sugar industries in Tamil Nadu.The data have been taken for a period of five years from 2000 to 2014.

2.2 THEORITICAL STUDY

RATIO ANALYSIS

Ratio analysis is one of the most powerful tool and widely used technique of analyzing financial statements. It is the process of computing and interpreting relationship between the items of the financial statements for arriving at conclusions about the financial position and performance of an enterprise. With the help of ratios, the financial statements can be analyzed more clearly and scientific decisions are made from such analysis. Ratio analysis can also be defined as the yard stick that provides a measure of relationship between two accounting figures. Ratio analysis can be used both in the trend or dynamic analysis and statistical analysis.

Financial ratio analysis is the calculation and comparison of ratios which are derived from the information in a company's financial condition, its operations and attractiveness as an investment. Financial ratios are calculated from one or more pieces of information from a company's financial statements. For example, the -gross margin is the gross profit from operations divided by the total sales or revenues of a company, expressed in percentage terms. In isolation, a financial ratio is a useless piece of information. In context, however a financial ratio can give a financial analyst an excellent picture of a company's situation and the trends that are developing.

Financial ratio analysis groups the ratio into categories which tell us about different facets of a company's finances. Some ratios which are most importance are listed below

- I. Liquidity Ratio.
- II. Leverage Ratio
- III. Profitability Ratio.
- IV. Activity Ratio

LIQUIDITY RATIO

Liquidity refers to the ability of the concern to meet its current obligations as and when they become due. These ratios are calculated to comment upon the short term paying capacity of the concern or the firm's ability to meet its current obligations. Much insight could be obtained into the present cash solvency of the firm and its ability to remain solvent in the event of emergent i.e. the firm should ensure that it does not suffer from any lack of liquidity and also that it is necessary to strike a proper balance between high liquidity and lack of liquidity.

The various liquidity ratios are:

- **Current Ratio**

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as working capital ratio, is a measure of general liquidity and is most widely used to make the analysis of a short term financial position or liquidity of a firm. It is calculated by dividing the total of current assets to the total of current liabilities.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

- **Liquid Ratio**

It is also known as acid test ratio. Liquid ratio is more rigorous test of liquidity than the current ratio. The term liquidity refers to the ability of a firm to pay its short term obligations as and when they become due. An asset is said to be liquid if it can be converted into cash within a short period without loss of value. Liquid ratio may be

defined as the relationship between liquid assets and current liabilities.

$$\text{Liquid Ratio} = \text{Liquid Assets} / \text{Current Liabilities}$$

- **Absolute Liquid ratio**

Some authors are of the opinion that the absolute liquid ratio should also be calculated together with current ratio and acid test ratio so as to exclude even receivables from the current assets and find out the absolute liquid assets.

$$\text{Absolute Liquid Ratio} = \text{Absolute Liquid Assets} / \text{Current Liabilities.}$$

LEVERAGE RATIOS

The short term creditors like the bankers and the suppliers of the raw materials are more concerned with the firm's current debt paying ability. On the other hand long-term creditors like debenture holders, financial institutions, etc are more concerned with the firm's long term financial position. To judge the long term financial position of the firm, financial leverage or capital structure ratio is used. The shareholders, debenture holders and other long term creditors like financial institutions are more interested in the long term financial position or long term solvency of the firm. Leverage or solvency ratios are used to analyze the capital structure of a company; it is also known as capital structure ratios. The term solvency generally refers to the firm's ability to pay the interest regularly and repay the principal amount of debt on due date.

Accordingly, there are two types of leverage ratios. The first type of leverage ratio is based on the relationship between owned capital and borrowed capital. These ratios are calculated from the balance items. The second type of leverage ratio is coverage ratio. These are computed from profit and loss account.

- **Debt-equity ratio**

Debt-equity ratio is also known as external-internal equity ratio. It is calculated to measure the relative claims of outsiders and the owners against the firm's assets. This ratio indicates the relationship between the external equities or the outsiders fund and the internal equities or shareholders fund.

$$\text{Debt-equity ratio} = \text{Outsider's fund} / \text{Shareholders fund}$$

Primarily Interpretation of this ratio depends upon the financial policy of the firm and the firm's nature of business. A ratio of 1:1 may be usually considered to be satisfactory ratio although there cannot be any rule of thumb or standard norm for all types of business.

- **proprietary ratio**

The proprietary ratio (also known as the equity ratio) is the proportion of shareholders' equity to total assets, and as such provides a rough estimate of the amount of capitalization currently used to support a business. If the ratio is high, this indicates that a company has a sufficient amount of equity to support the functions of the business, and probably has room in its financial structure to take on additional debt, if necessary.

$$\text{Proprietary ratio} = \text{shareholding funds} / \text{total assets.}$$

Assets to Shareholder Equity is a measurement of financial leverage. It shows the ratio between the total assets of the company to the amount on which equity holders have a claim. A ratio above 2 means that the company funds more assets by issuing debt than by equity, which could be a more risky investment. A low ratio could be seen as more conservative.

$$\text{Assets to Shareholder Equity} = \text{Total Assets} / \text{Stockholder Equity}$$

PROFITABILITY RATIOS

Profit reflects the final result of the business operations. There are two types of profitability ratios namely margin ratio and ratio on returns rates. Profit margin ratios show the relation between sales and profits.

The ultimate aim of any business enterprise is to earn maximum profit. Lord Keens remarked, -Profit is the engine that drives the business enterprise -, a firm should earn profit to survive and grow for a long period of time. To the management profit is a measurement of efficiency and control. To the owners it is to measure the worth of their investment. To the creditors it is margin of safety.

The management of the company should know how efficiently they carry out business operation. In other words, the management of the company is very much interested in the profitability of the company. Beside management, creditors and owners are also interested in the profitability of the firm, as they want to get interest and repayment of principal amount regularly. Owners want to get a reasonable return on their investment. The profitability ratio measures the ability of the firm to earn and on sales, total assets and invested capital. Profitability ratios are generally calculated either in relation to sales or in relation to investment.

The following profitability ratios are calculated in relation to sales:

- **Gross profit ratio**

Gross profit ratio measures the relationship of gross profit to net sales and is usually represented as percentage. Thus it is calculated by dividing gross profit by sales.

$$\text{Gross profit ratio} = \text{gross profit} / \text{net sales}$$

- **Operating profit ratio**

This ratio is calculated by dividing operating profit by sales. Operating profit is the excess of net sales over operating costs. Operating cost is the cumulative of cost of goods sold, administrative and office expenses and selling and distribution expenses.

$$\text{Operating profit ratio} = \text{operating profits} / \text{net sales}$$

- **Net profit ratio**

Net profit ratio establishes the relationship between net profit (after taxes) and sales, and it indicates the efficiency of the management in manufacturing, selling, administrative and other activities of the firm. This ratio is the overall measure of firm's profitability and is calculated as:

$$\text{Net profit ratio} = \text{net profit} / \text{net sales}$$

ACTIVITY RATIOS

Funds of the owners and creditors are invested in various assets to generate sales and profits. Activity ratios are employed to evaluate the efficiency with which the firm's managers utilize their assets. These ratios is also called turnover ratio because they indicate the speed with the assets are being converted or turn over into sales.

The various activity ratios are:

- **Debtors turnover ratio**

Debtor's turnover ratio indicates the velocity of debt collection of a firm. In simple words, it indicates the number of times average debtors are turned over during a year.

$$\text{Debtors turnover ratio} = \text{Net credit annual sale} / \text{trade receivable}$$

- **Creditors turnover ratio**

This ratio indicates the velocity with which the creditors are turned over the relation to purchases.

$$\text{Creditors turnover ratio} = \text{Net credit purchases} / \text{trade payable}$$

- **Inventory turnover ratio**

It is also known as stock velocity, is normally calculated as sales/average inventory or cost of goods sold /average inventory. It indicates whether the inventory has been efficiently used or not. The purpose is to see whether only the required minimum funds have been locked up in inventory. Inventory turnover ratio indicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory.

$$\text{Inventory turnover ratio} = \text{Cost of goods sold} / \text{Average inventory at cost}$$

Usually, a high inventory turnover indicates efficient management of inventory because more frequently the stocks are sold; the lesser amount of money is required to finance the inventory.

- **Fixed assets turnover ratio**

This ratio indicates the extent to which the investments in fixed assets contribute towards sales. If it is compared with a previous period, it indicates whether the investment in fixed assets has been judicious or not. The ratio is calculated as follows:

$$\text{Fixed assets turnover ratio} = \text{Net sales} / \text{Fixed assets}$$

- **Working capital turnover ratio**

It indicates the velocity of the utilization of net working capital. This ratio indicates the number of times the working capital is turned over in the course of a year. It measures the efficiency with which the working capital is being used by a firm.

This ratio is calculated as:

Working capital turnover ratio = Cost of sales / Average working capital

A higher ratio indicates efficient utilization of working capital and a low ratio indicates vice versa. But a very high working capital turnover ratio is not a good situation for any firm and hence care must be taken while interpreting the ratio.

CHAPTER -III

3.1 RESEARCH DESIGN

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It constitutes the blueprint for the collection, measurement and analysis of data. The design adopted in the study is both descriptive and analytical done at branch level.

3.2 METHODOLOGY OF THE STUDY

Research methodology describes about the research objectives, design and methodology adopted to conduct the study. The data collected can be either primary or secondary. The above information is carried on with the cooperation of management of **BIOCON LTD.**

3.3 DATA COLLECTION:

Data collection is one of the most important aspects of research. The information through research methodology must be accurate and relevant. The data collection method can be classified into two methods.

3.4 PRIMARY DATA

Primary data is collected from secondary source.

3.5 SECONDARY DATA

Secondary data means data that are already available i.e., they refer to data which has already been collected and analysed by someone else. The secondary data for the study was collected from book, company websites, magazines and other sources.

3.6 PERIOD OF STUDY

Period of study is 5 years 2015-2016, 2016-2017, 2017-2018, 2018-2019, and 2019-2020.

3.7 TOOLS USED FOR STUDY

The statistical used for this study are ratio analysis, bar diagram, comparative balance sheet, current trend.

3.8 STATISTICAL TOOL

The statistical tool used is trend analysis.

CHAPTER – 4

ANALYSIS AND DATA INTERPRETATION

CHANGES IN WORKING CAPITAL

4.1 STATEMENT OF CHANGES IN WORKING CAPITAL

Particulars	31/3/2016	31/3/2017	Increase / decrease
Current assets			
investment	1521	5247	3726
inventories	4675	5396	721
Trade receivable	5731	7982	2251
cash	9883	3829	-6054
Short term loans	950	0.00	-950
Other current assets	263	1331	1068
A=total current assets	23023	23785	762
Current liabilities			
short term borrowing	2255	-----	-2255
Trade payable	3943	4505	562
Other current liabilities	1404	2227	823
short term provision	506	320	-186
B=TOTAL CURRENT LIABILITIES	8108	7052	-1056
NET WC = (A – B)	14915	16733	1818

source: the balancesheet of biocon.ltd

INTERPRETATION

The above table clearly shows the increase in the working capital for the year 2016 to 2017. All the Current assets except investment and cash have decreased in year 2017 as compared to year 2016. The end result of the statement of changes in working capital after comparing all the increases and decreases is the net increase in the amount of working capital. The above table focuses on the fact that the increase in working capital is Rs.1818 .

4.2 STATEMENT OF CHANGES IN WORKING CAPITAL 2017

Particulars	31/3/2017	31/3/2018	Increase / decrease
Current assets			
investment	5247	4538	-70.90
inventories	5396	5617	22.10
Trade receivable	7982	7399	-58.3
cash	3829	1969	-186
Short term loans	0.00	0.00	0
Other current assets	1331	1054	-27.7
A=total current assets	23785	20577	-320.8
Current liabilities			
short term borrowing	-----	0.00	0.00
Trade payable	4505	5797	1292
Other current liabilities	2227	2203	-24
short term provision	320	316	-4
B=TOTAL CURRENT LIABILITIES	7052	8316	1264
NET WC = (A – B)	16733	12261	-4472

INTERPRETATION

The above table clearly shows the decreasing in the working capital for the year 2017 to 2018. All the Current assets have decreased except inventory in year 2018 as compared to year 2017. The end result of the statement of changes in working capital after comparing all the increases and decreases is the net decrease in the amount of working capital. The above table focuses on the fact that the decrease in working capital is Rs.4472.

4.3 STATEMENT OF CHANGES IN WORKING CAPITAL 2018

Particulars	31/3/2018	31/3/2019	Increase / decrease
Current assets			
investment	4538	1134	-3404
inventories	5617	8019	2402
Trade receivable	7399	9018	1619
cash	1969	3560	1591
Short term loans	0.00	918	918
Other current assets	1054	2465	1411
A=total current assets	20577	25114	4537
Current liabilities			
short term borrowing	0.00	0.00	0.00
Trade payable	5797	6439	642
Other current liabilities	2203	2946	743
short term provision	316	548	232
B=TOTAL CURRENT LIABILITIES	8316	9933	1617
NET WC = (A – B)	12261	15181	2920

Source: The balancesheet of biocon.ltd

INTERPRETATION:

The above table clearly shows the increase in the working capital for the year 2018 to 2019. All the Current assets except investment have increased in year 2019 as compared to year 2018. The end result of the statement of changes in working capital after comparing all the increases and decreases is the net increase in the amount of working capital. The above table focuses on the fact that the increase in working capital is Rs.2920.

4.4 STATEMENT OF CHANGES IN WORKING CAPITAL 2019-2020

Particulars	31/3/2019	31/3/2020	Increase / decrease
Current assets			
investment	1134	1388	25.40
inventories	8019	5347	-267.20
Trade receivable	9018	5732	-328.60
cash	3560	3753	19.30
Short term loans	918	1006	8.80
Other current assets	2465	3611	179.60
A=total current assets	25114	20837	-362.7
Current liabilities			
short term borrowing	0.00	0.00	0.00
Trade payable	6439	5212	-1227
Other current liabilities	2946	1820	-1122
short term provision	548	244	-304
B=TOTAL CURRENT LIABILITIES	9933	7280	-2653
NET WC = (A – B)	15181	13557	-1624

SOURCE: THE BALANCESHEET OF BIOCON.LTD

INTERPRETATION:

The above table clearly shows the increase in the working capital for the year 2019 to 2020. All the Current assets except inventories and trade receivable have increased in year 2020 as compared to year 2019. The end result of the statement of changes in working capital after comparing all the increases and decreases is the net decrease in the amount of working capital. The above table focuses on the fact that the decrease in working capital is Rs.1624.

4.5 CURRENT ASSETS VS CURRENT LIABILITIES

YEAR	CURRENT ASSETS	CURRENT LIABILITIES
2016	23023	8108
2017	23785	7052
2018	20577	8316
2019	25114	9933
2020	20837	7280

source: the balancesheet of biocon.ltd

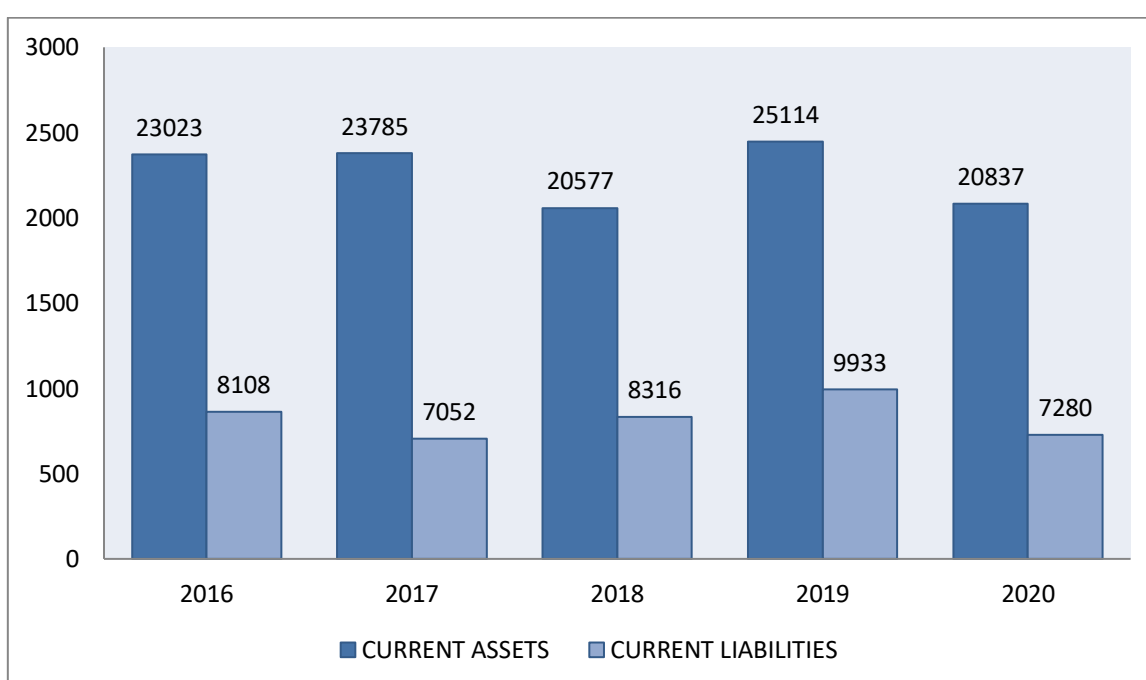


CHART NO: 4.1 CURRENT ASSETS VS LIABILITIES

INTERPRETATION:

From the above table and chart inferred that, Current Assets are fluctuating , whereas Current Liabilities are decreasing from Rs.8626 to Rs.7280.

4.6 CALCULATION OF WORKING CAPITAL

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL (in lakhs)
2016	23023	8108	14915
2017	23785	7052	16733
2018	20577	8316	12261
2019	25114	9933	15181
2020	20837	7280	13557

SOURCE: THE BALANCESHEET OF BIOCON.LTD

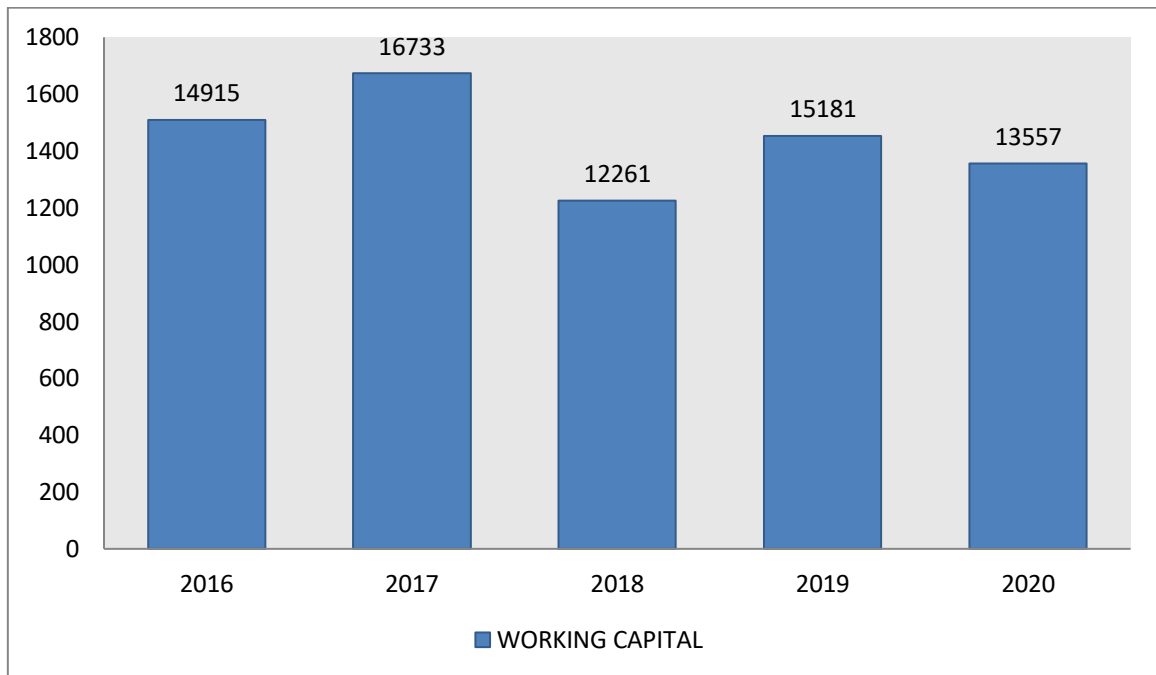


CHART NO: 4.2 WORKING CAPITAL

INTERPRETATION:

From the above table and chart its identified that, Working Capital is decreasing year by year but it has risen to Rs.16733 lakhs during the year 2017.

RATIO ANALYSIS

4.7 CURRENT RATIO

YEAR	CURRENT ASSETS (in million)	CURRENT LIABILITIES (in million)	CURRENT RATIO (times)
2016	23023	8108	2.83
2017	23785	7052	3.37
2018	20577	8316	2.47
2019	25114	9933	2.52
2020	20837	7280	2.86

Source: the balancesheet of biocon.ltd

CHART NO: 4.3

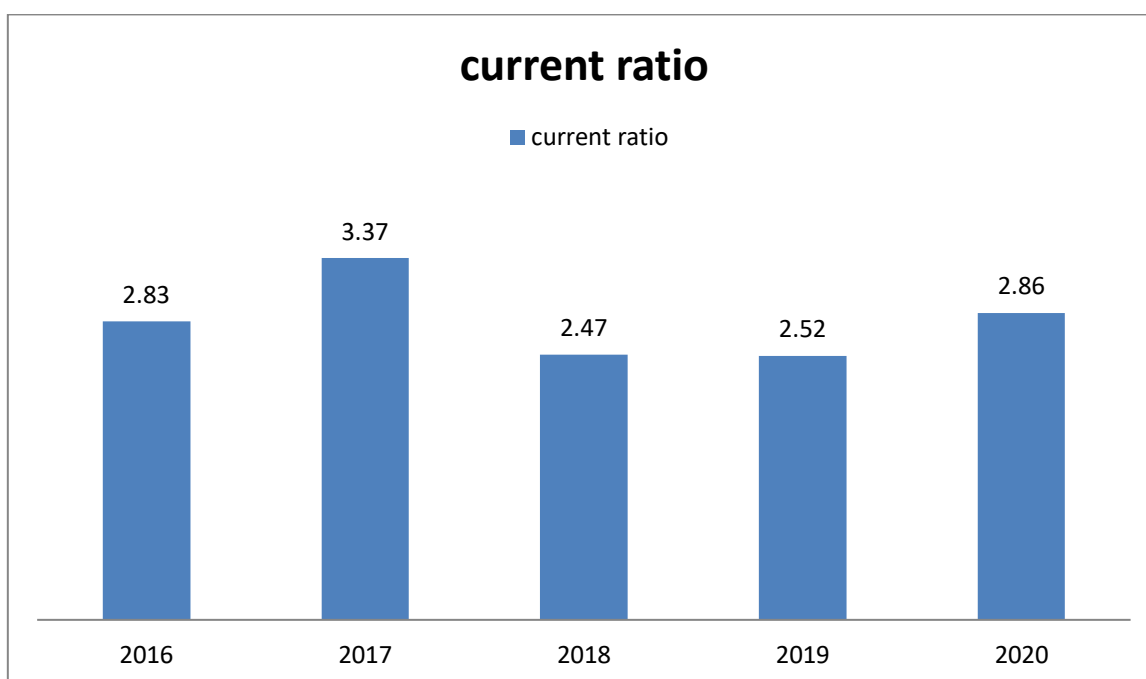


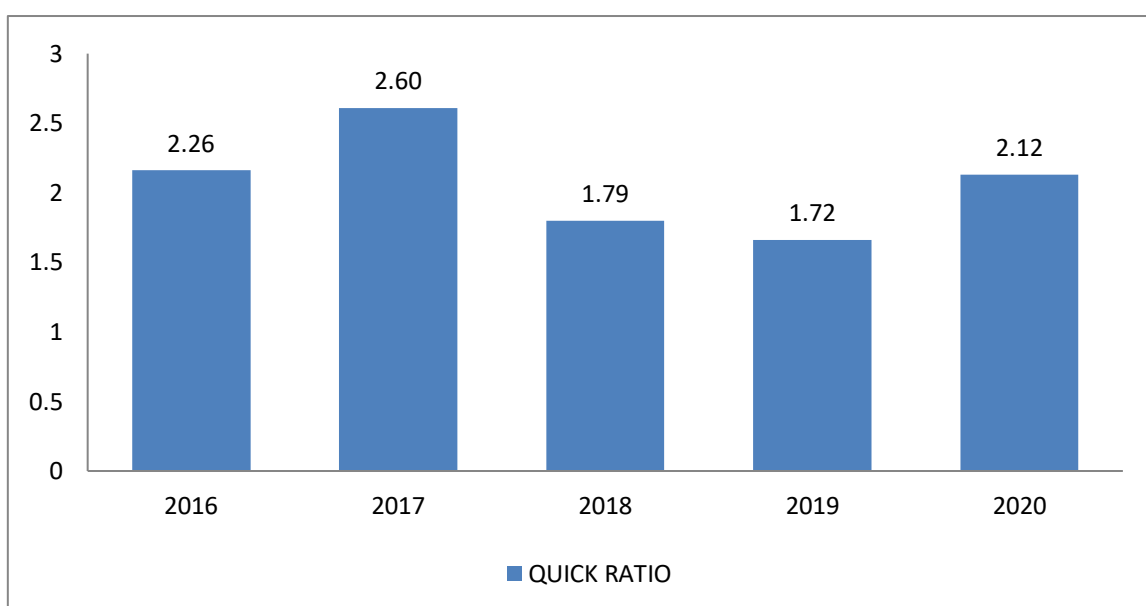
CHART NO: 4.3 CURRENT RATIO

INTERPRETATION:

The chart shows that current ratio in 2016 is 2.83, in 2017 it is 3.37 and in 2018 it is 2.47 and in 2019 it is 2.52 and in 2020 it is 2.86. The current ratio of all the above five years is above the standard, so the company can meet its short term obligation. The company is able to generate enough from operations to pay for its current obligations with current assets.

TABLE: 4.8 QUICK RATIO

YEAR	Current assets (in million)	Inventory (in million)	current liabilities (in million)	Quick Ratio (times)
2016	23023	4675	8108	2.26
2017	23785	5396	7052	2.60
2018	20577	5617	8316	1.79
2019	25114	8019	9933	1.72
2020	20837	5347	7280	2.12

**CHART NO: 4.4 QUICK RATIO****INTERPRETATION:**

From the above table and chart it's identified that, Quick Ratio shows a fluctuation between 2016 to 2020.

TABLE NO: 4.9 ABSOLUTE LIQUID RATIO

YEAR	CASH AND SHORT TERM SECURITIES (in million)	CURRENT LIABILITIES (in million)	ABSOLUTE LIQUID RATIO (times)
2015-16	9883	8108	1.21
2016-17	3829	7052	0.54
2017-18	1969	8316	0.23
2018-19	3560	9933	0.35
2019-20	3753	7280	0.51

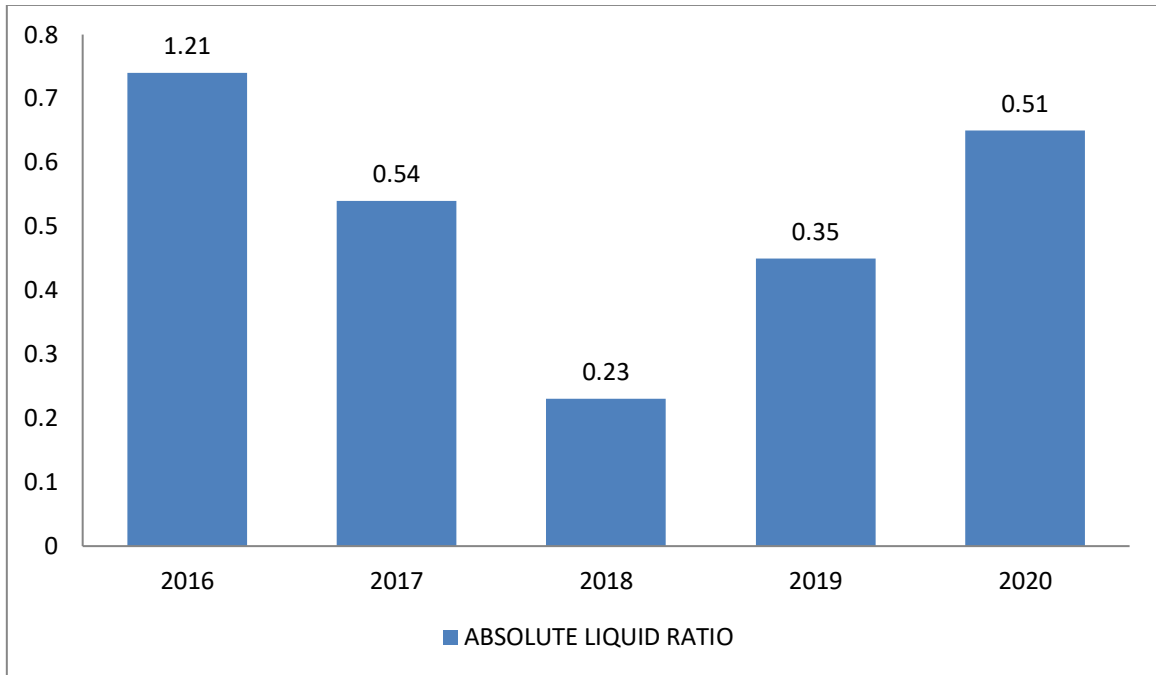


CHART NO: 4.5 ABSOLUTE LIQUID RATIO

INTERPRETATION:

From the above table and chart it's identified that, Absolute liquid Ratio shows a fluctuation between 0.74 and 0.65.

TABLE NO: 4.10 DEBT – EQUITY RATIO

Year	Long term debt (in million)	Shareholder fund (in million)	Debt-equity ratio (times)
2016	2996	58966	0.05
2017	2226	65411	0.03
2018	1567	67386	0.02
2019	1317	71154	0.01
2020	455	75373	0.06

source: the balancesheet of biocon.ltd

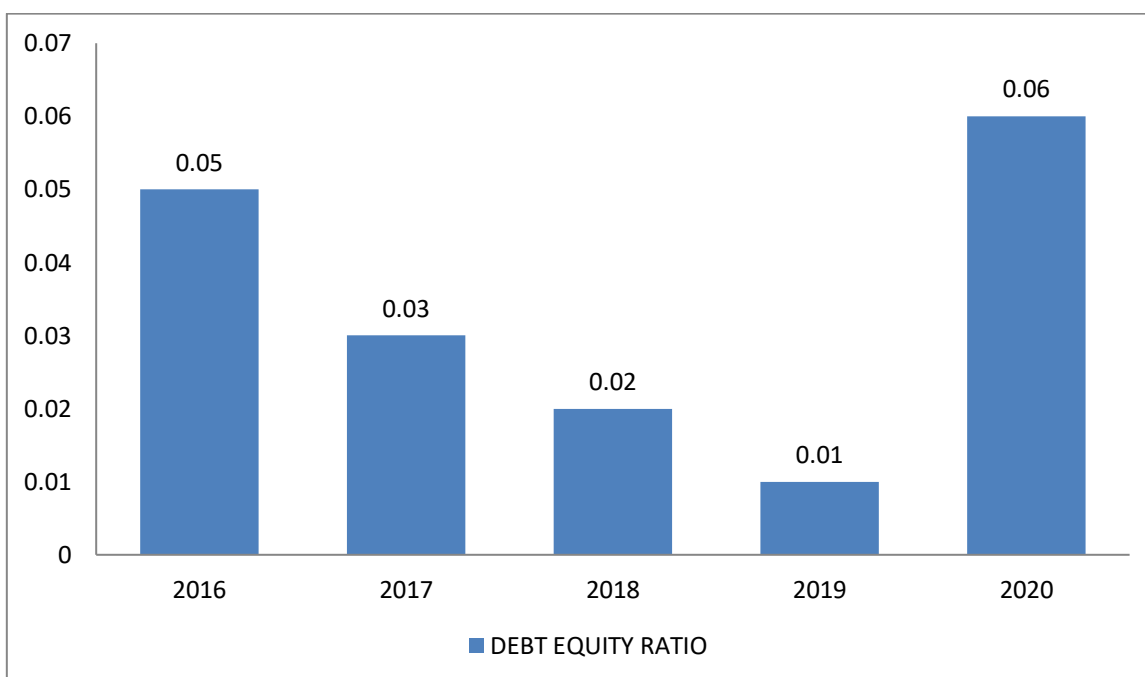


CHART NO: 4.6 DEBT-EQUITY RATIO

INTERPRETATION

The chart shows that debt-equity ratio in 2016 it is 0.05, in 2017 it is decrease to 0.03 and in 2018 again it is decrease to 0.02 and in 2019 it is again decreased to 0.01 and again it is increase to 0.06.

TABLE NO: 4.11 ASSETS-EQUITY RATIO

Year	Total assets (in million)	Total equity (in million)	Assets to equity ratio (times)
2016	43989	59966	0.73
2017	74689	65411	1.15
2018	77269	67386	1.20
2019	82404	68154	1.20
2020	83108	69373	1.19

source: the balancesheet of biocon.ltd

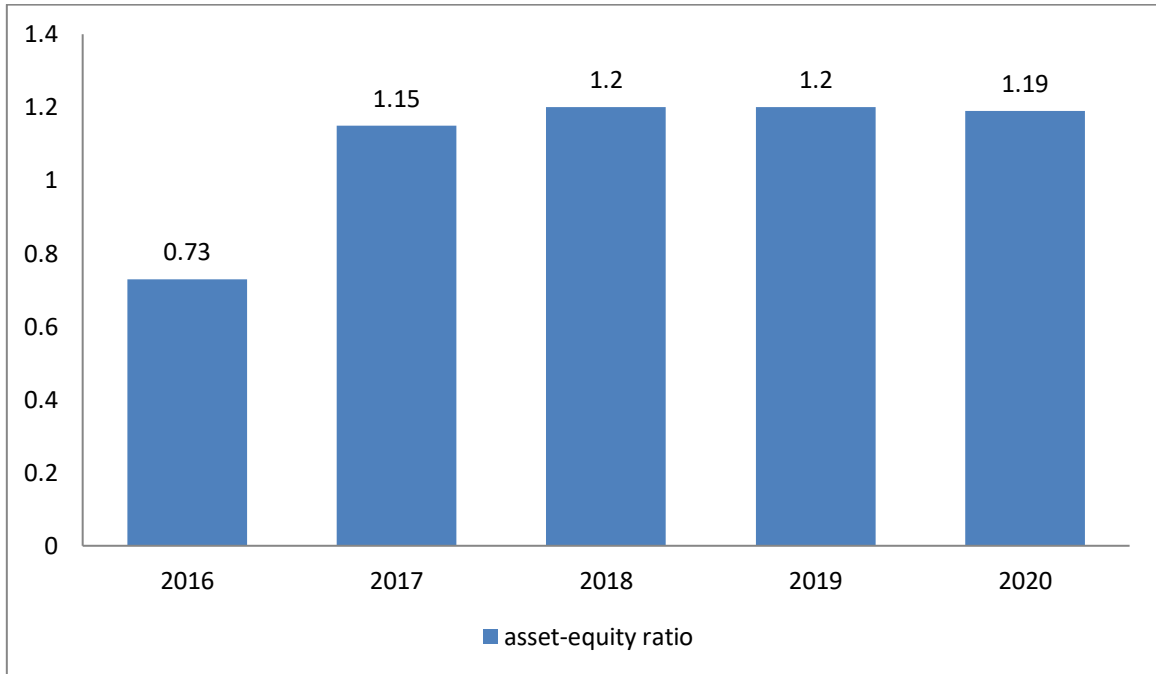


CHART NO: 4.7 ASSETS-EQUITY RATIO

INTERPRETATION

From the above table and chart it's identified that, Assets-equity ratio is increasing steadily from 2016-2020.

GROSS PROFIT RATIO

Year	NET SALES (in millions)	GROSS PROFIT (in millions)	GROSS PROFIT RATIO
2016	23354	13116	56.16%
2017	26184	15062	57.52%
2018	24255	13680	56.40%
2019	28847	14808	51.33%
2020	19884	11293	56.79%

source: the balancesheet of biocon.ltd

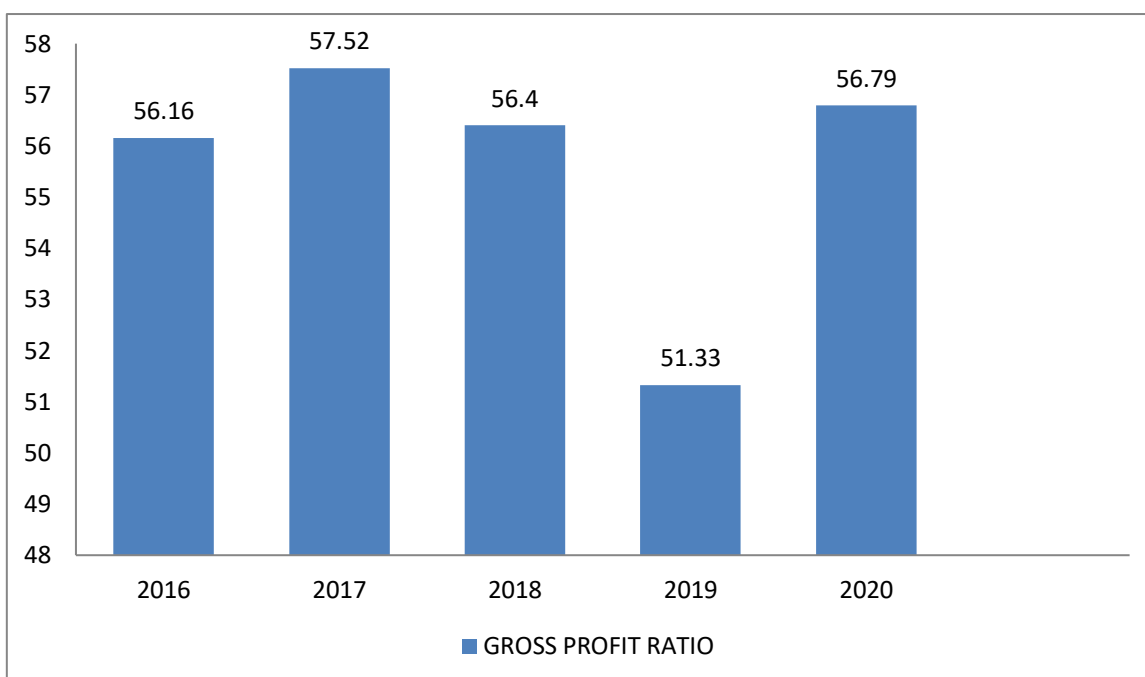


CHART NO: 4.9 GROSS PROFIT RATIO

INTERPRETATION:

From the above table and chart it's identified that, Gross profit Ratio shows a fluctuation between 56.16 and 56.76.

TABLENO: 4.14 NET PROFIT RATIO:

Year	NET SALES (in millions)	NET PROFIT (in millions)	NET PROFIT RATIO
2016	23354	3686	15.78%
2017	26184	5193	19.83%
2018	24255	2385	9.83%
2019	28847	4927	17.07%
2020	19884	4409	22.17%

Source: the balancesheet of biocon.ltd

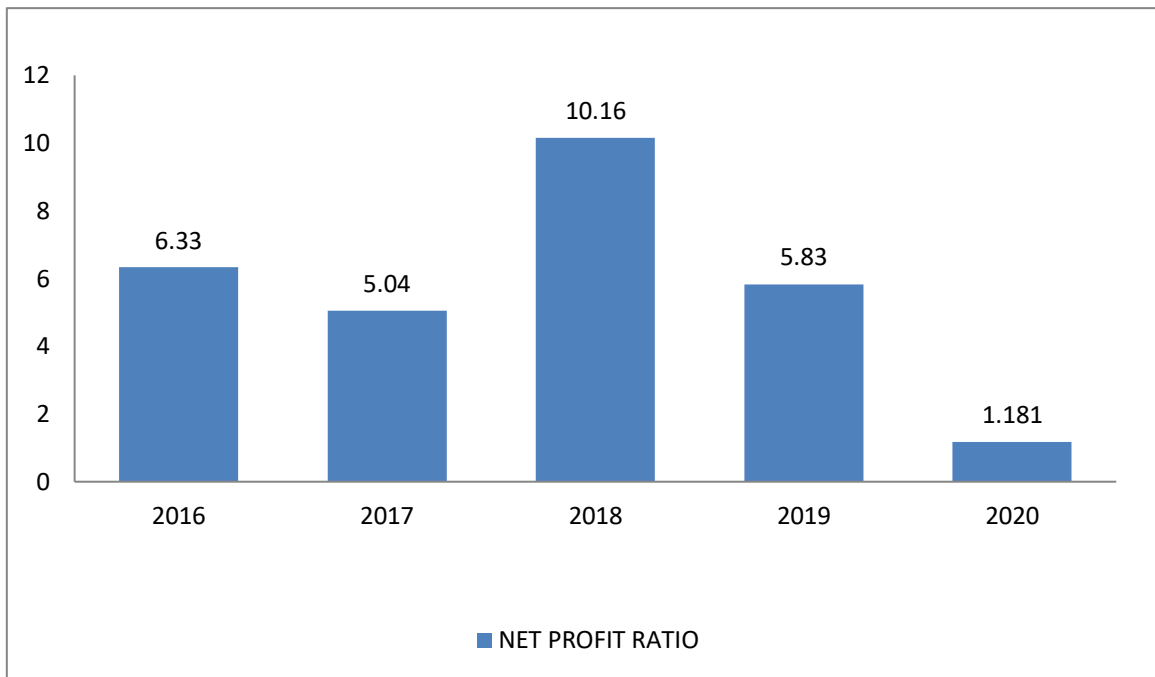


CHART NO:4.10 NET PROFIT RATIO

INTERPRETATION:

From the above table and chart it's identified that, Net profit Ratio shows a fluctuation, in 2018 it was increased and in 2020 it was reduced.

TABLE NO: 4.15 PROPRIETARY RATIO

YEAR	SHAREHOLDERS FUNDS (in million)	TOTAL ASSETS (in millions)	PROPRIETARY RATIO (times)
2016	58966	43989	1.34
2017	65411	74689	0.87
2018	67386	77269	0.87
2019	71154	82404	0.86
2020	75373	83108	0.90

Source: the balancesheet of biocon.ltd

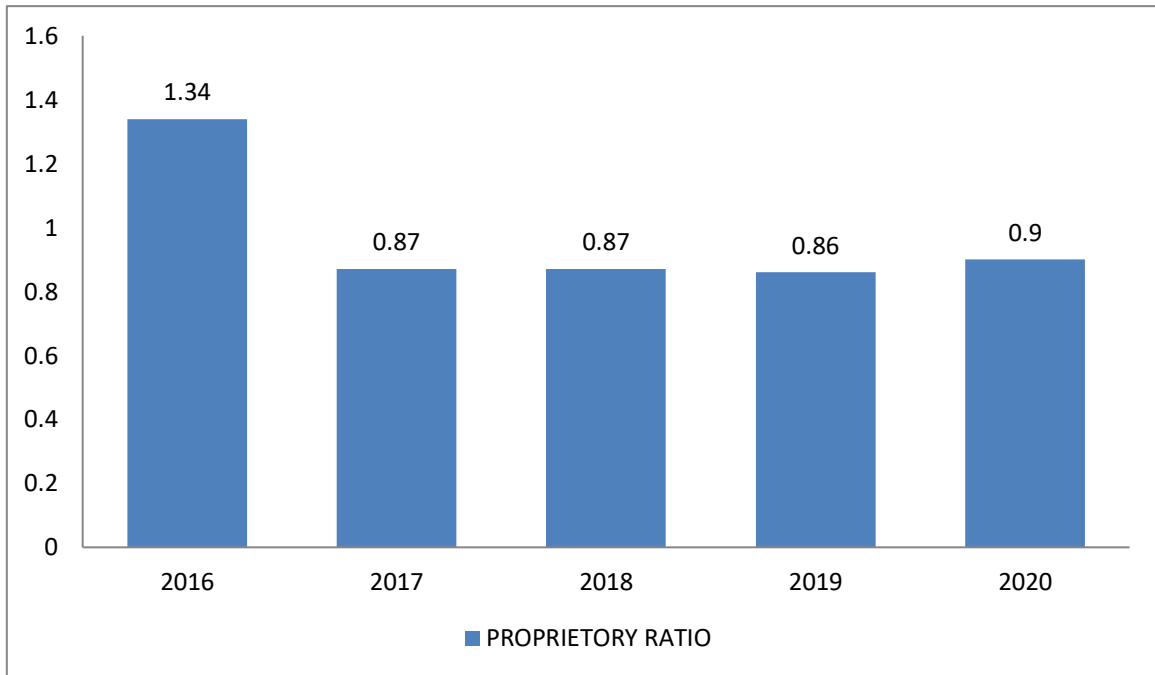


CHART NO: 4. 12 PROPRIETARY RATIO

INTERPRETION:

From the above table and chart it's identified that, Proprietary Ratio shows a fluctuation between 1.34 and 0.90.

TABLE NO: 4.16 DEBTORS TURNOVER RATIO

YEAR	SALES (in million)	TRADE RECEIVABLE (in million)	DEBTORS TURNOVER RATIO(times)
2016	23354	5731	4.07
2017	26184	7982	3.28`
2018	24255	7399	3.27
2019	28847	9018	3.19
2020	19884	5732	3.46

source: the balancesheet of biocon.ltd

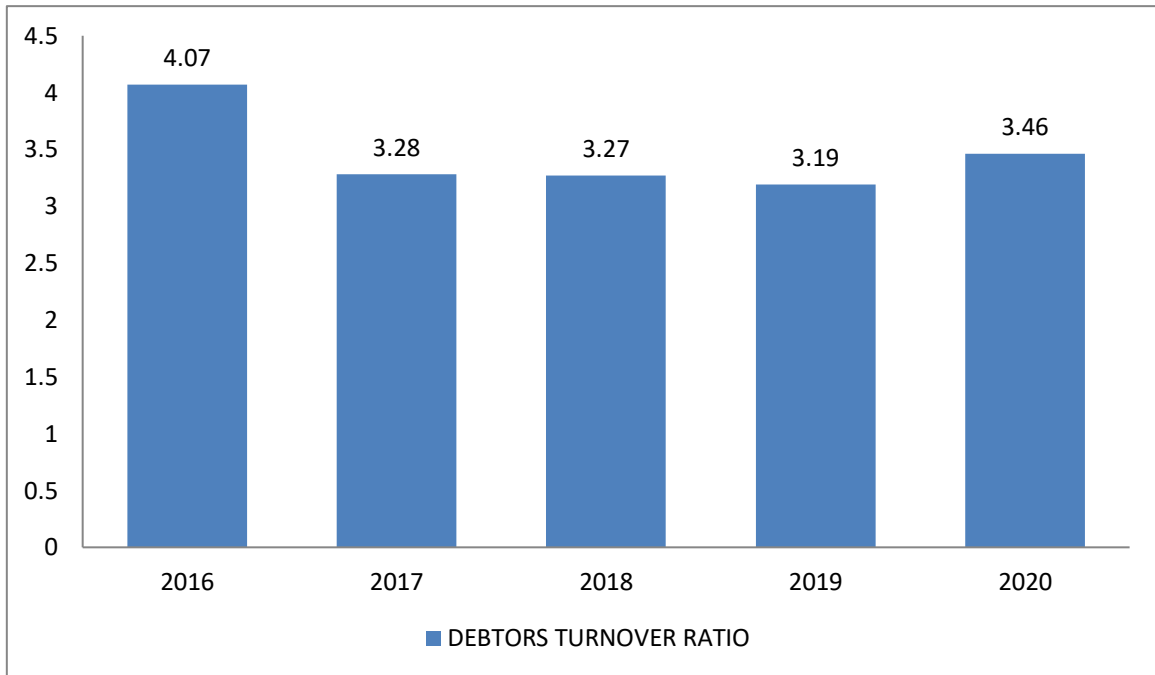


CHART NO: 4.12 DEBTORS TURNOVER RATIO

INTERPRETATION:

The chart shows that debtors turnover ratio in 2016 it is 3.58, in 2017 it is decrease to 2.21 and in 2018 again it is increase to 2.86 and in 2019 it is again decrease to 1.66 and in 2020 it is again increase to 2.68.

TABLE NO 4.17 WORKING CAPITAL TURNOVER RATIO

YEAR	SALES (in millions)	WORKING CAPITAL (in million)	WORKING CAPITAL RATIO (times)
2016	23354	14915	1.56
2017	26184	16733	1.56
2018	24255	12261	1.97
2019	28847	15181	1.90
2020	19884	13557	1.46

Source: the balancesheet of biocon.ltd

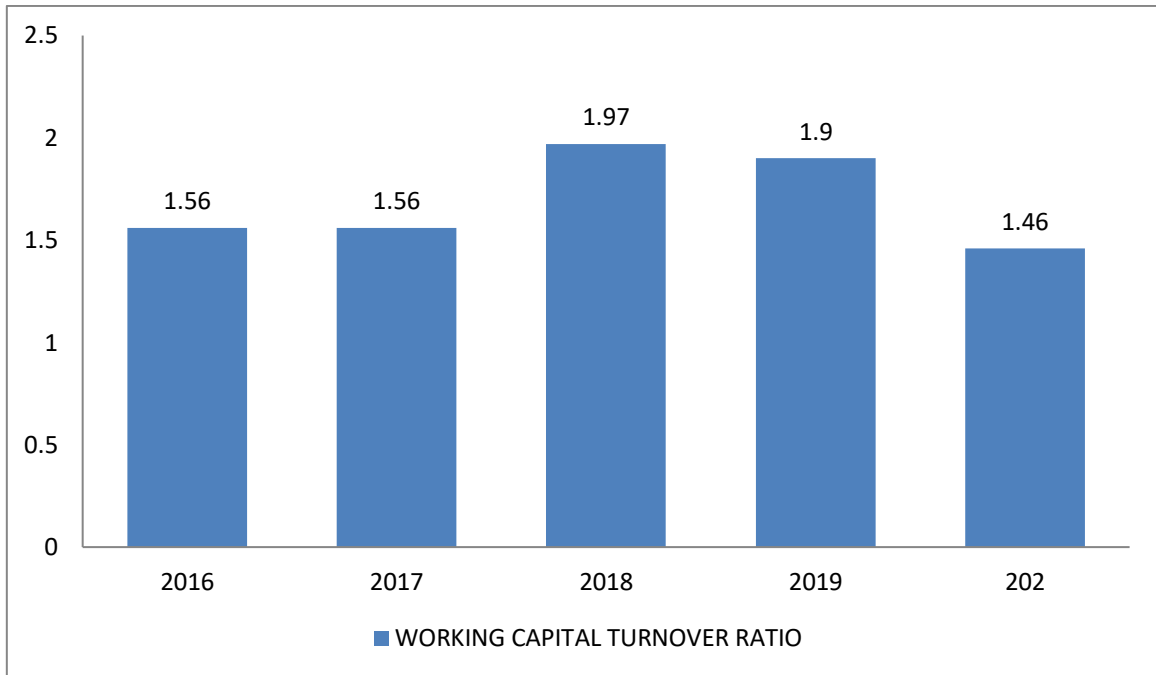


CHART NO: 4.13 WORKING CAPITAL TURNOVER RATIO

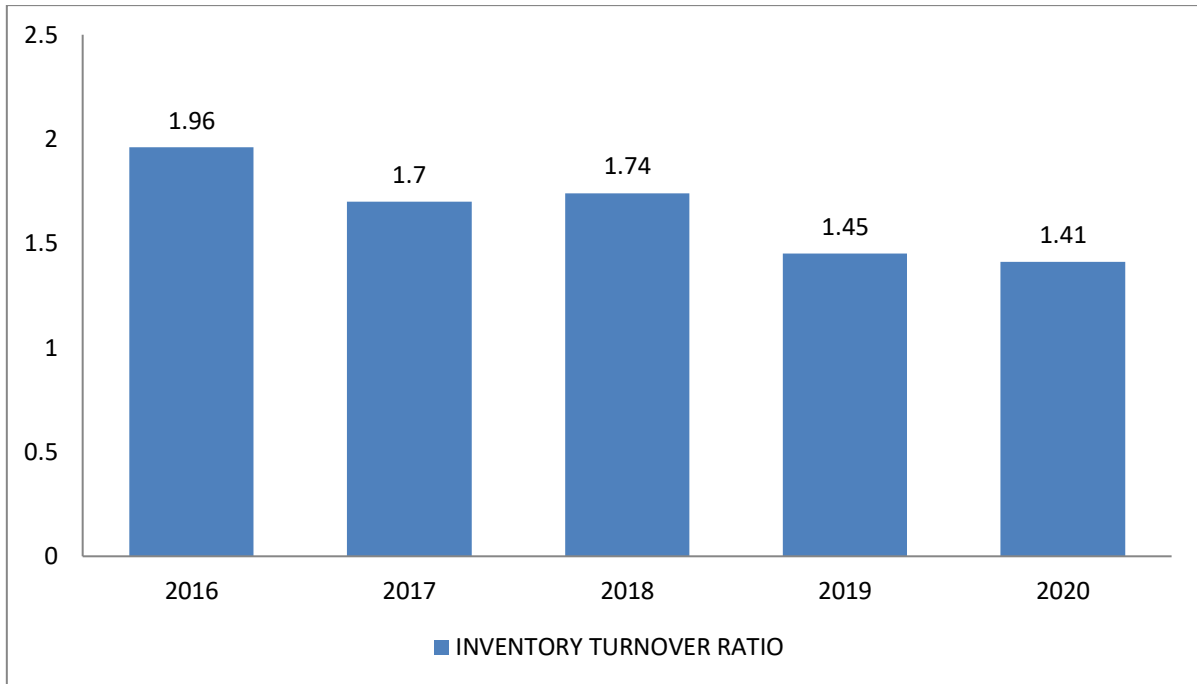
INTERPRETATION:

The chart shows that working capital turnover ratio in 2016 it is 1.56, in 2017 again it is to 1.56, and in 2018, again it is increase to 1.97 and in 2019 it is decreased 1.9 and in 2020 it is 1.46. A low ratio shows that this business is investing in too many accounts receivable (AR) and inventory assets for supporting its sales. This may lead to an excessive amount of bad debts and obsolete inventory. This chart shows that the company isn't using its working capital efficiently, so it isn't satisfactory.

TABLE NO: 4.18 INVENTORY TURNOVER RATIO

YEAR	COST OF GOODS SOLD (in millions)	AVERAGE STOCK (in millions)	INVENTORY TURNOVER RATIO (Times)
2016	8582	4369	1.96
2017	8566	5035	1.70
2018	9587	5506	1.74
2019	9915	6818	1.45
2020	9478	6683	1.41

source: the balancesheet of biocon ltd



CHARTNO: 4.14 INVENTORY TURNOVER RATIO

INTERPRETATION:

The chart shows that inventory turnover ratio in 2016 it is 1.96, in 2017 it is increase to 1.70 and in 2018 again it is increase to 1.74 and in 2019 it is again decreased 1.45 and 2020 it is again decreased 1.41cr.

TABLE NO: 4.19 FIXED ASSETS TURNOVER RATIO

Year	Net sales (in million)	fixed assets (in million)	Fixed assets turnover ratio(times)
2016	23354	20966	1.11
2017	26184	50904	0.51
2018	24255	56692	0.42
2019	28847	57290	0.50
2020	19884	62271	0.31

source:the balancesheet of biocon.ltd

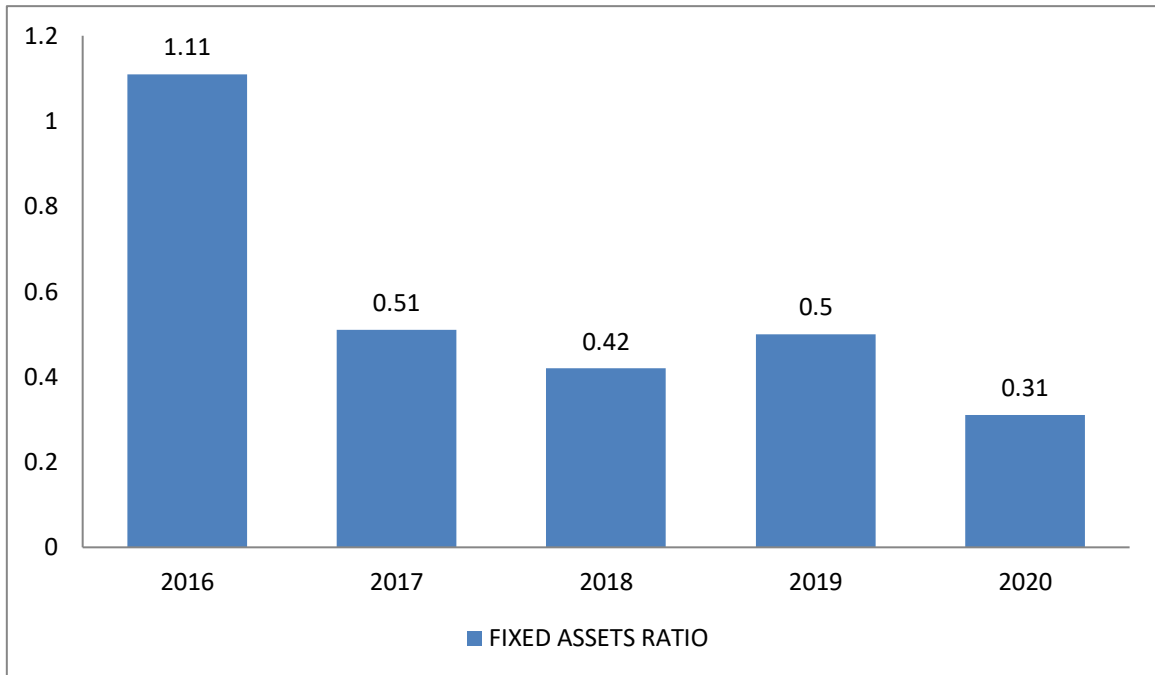


CHART NO:4.15 FIXED ASSETS TURNOVER RATIO

INTERPRETATION:

The chart shows that Fixed-asset turnover ratio in 2016 it is 1.62, in 2017 it is decrease to 1.50 and in 2018 again it is increase and reached to 1.75 and in 2019 it is decreased 1.11 and in 2020 it is again reached 1.62. A higher Fixed-asset turnover ratio is more favorable compared with a lower ratio. Analysis of fixed assets turnover ratio reveals that it is increasing in the last year signifying that there is an improvement in the utilization of resources, so it is satisfactory.

TABLE NO: 4.20 CURRENT ASSETS TURNOVER RATIO:

YEAR	SALES (in millions)	CURRENT ASSETS (in million)	CURRENT ASSETS TURNOVER RATIO(times)
2016	23354	23023	1.01
2017	26184	23785	1.10
2018	24255	20577	1.17
2019	28847	25114	1.14
2020	19884	20837	0.95

Source: the balancesheet of biocon.ltd

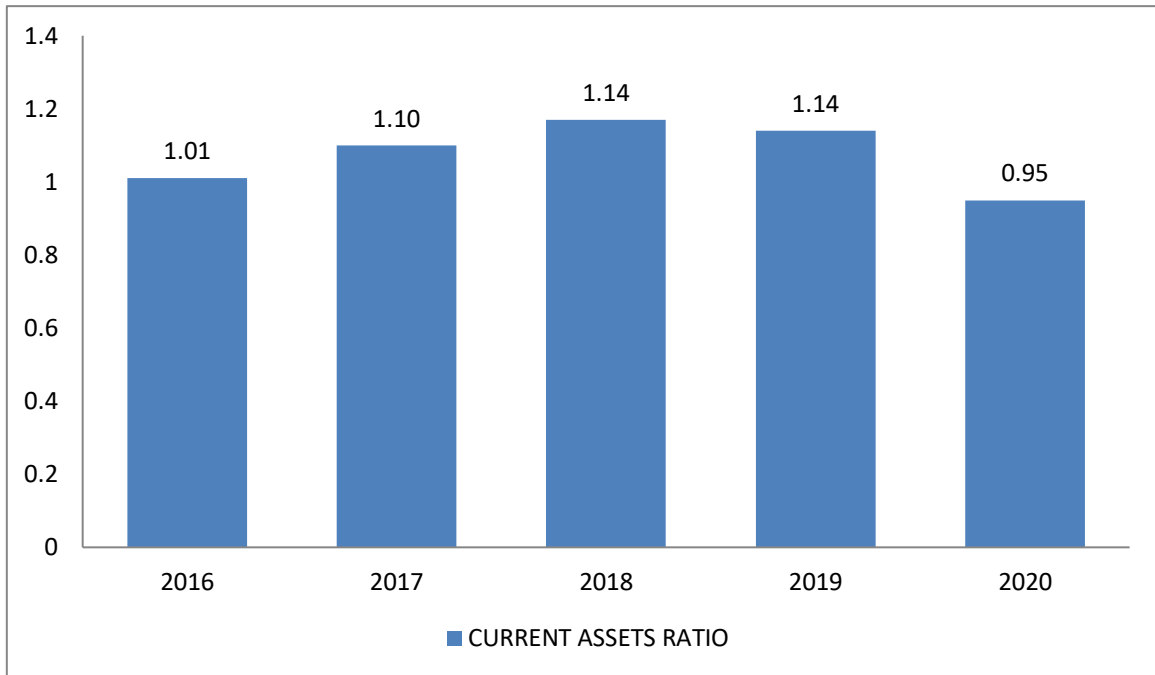


CHART NO: 4.16 CURRENT TURNOVER RATIO

INTERPRETATION:

The chart shows that current asset turnover ratio in 2016 it is 1.01, in 2017 it is 1.10, and in 2018 it is increase to 1.14 and in 2019 it is 1.14 and in 2020 it is 0.95. Analysis of current assets turnover ratio reveals that it is increasing during 2018 and a decreasing in the 2020. A higher ratio is always more favorable. Higher turnover ratios mean the company is using its assets more efficiently. This chart shows that the company isn't using its assets efficiently

TABLE NO: 4.21 CAPITAL TURNOVER RATIO

YEAR	COST OF GOODS SOLD (in millions)	CAPITAL EMPLOYED (in millions)	CAPITAL TURNOVER RATIO(times)
2016	8582	35881	0.23
2017	8566	67637	0.12
2018	9587	68953	0.13
2019	9915	72471	0.18
2020	9478	75828	0.11

source: the balancesheet of biocon.ltd

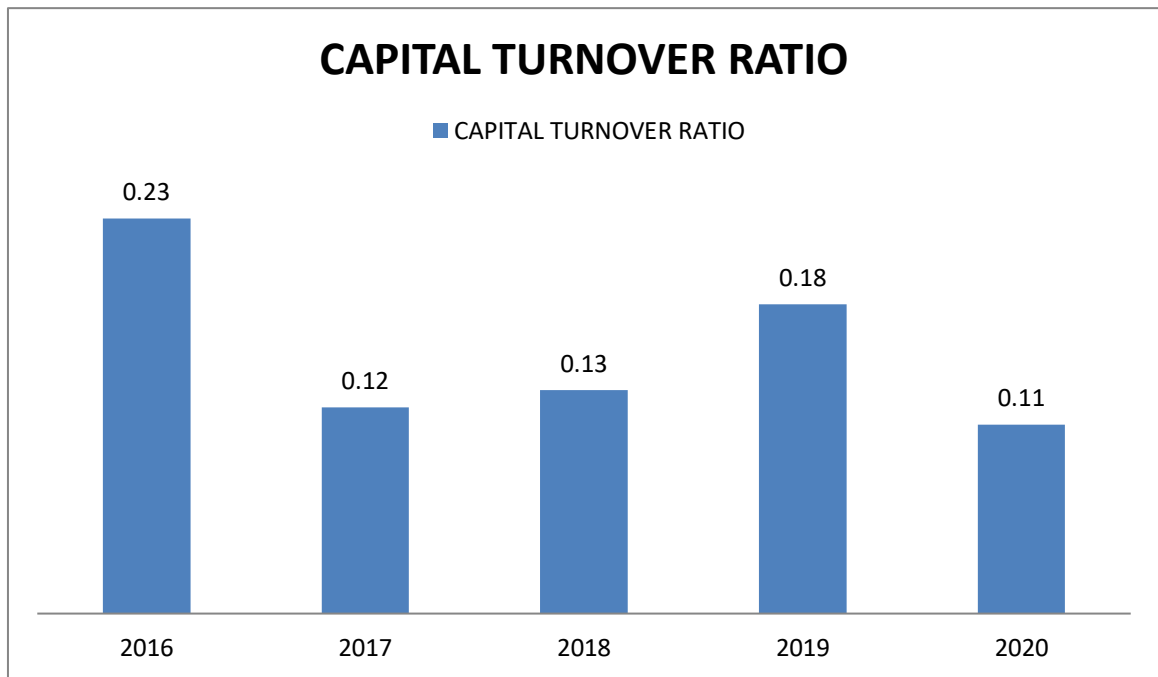


CHART NO: 4.17 CAPITAL TURNOVER RATIO

INTERPRETATION:

From the above table and chart it's identified that, Capital Turnover Ratio shows a fluctuation between 0.23 and 0.11.

TABLE NO: 4.22 STOCK TURNOVER RATIO

YEAR	COST OF GOODS SOLD (in millions)	CLOSING STOCK (in million)	STOCK TURNOVER RATIO(times)
2016	8582	4063	2.11
2017	8566	4675	1.83
2018	9587	5396	1.77
2019	9915	5617	1.76
2020	9478	8019	1.18

Source: the balancesheet of biocon.ltd

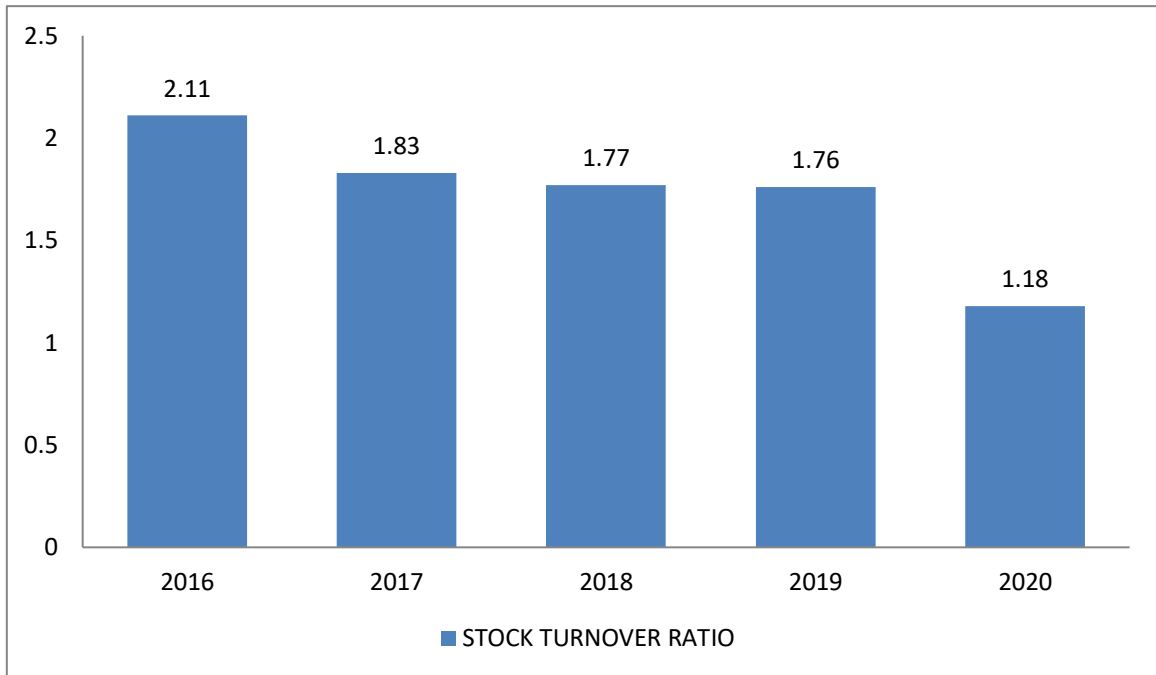


CHART NO: 4.18 STOCK TURNOVER RATIO

INTERPRETATION:

From the above table, we can observe the stock turnover ratio between 2016-2020. It fluctuating from 2.11 to 1.18.

TABLE NO:4.23 TREND ANALYSIS FOR WORKING CAPITAL

YEAR	WORKING CAPITAL	TREND ANALYSIS
2016	14915	100
2017	16733	112.18
2018	12261	73.27
2019	15181	123.81
2020	13557	89.3

source: the balancesheet of biocon.ltd

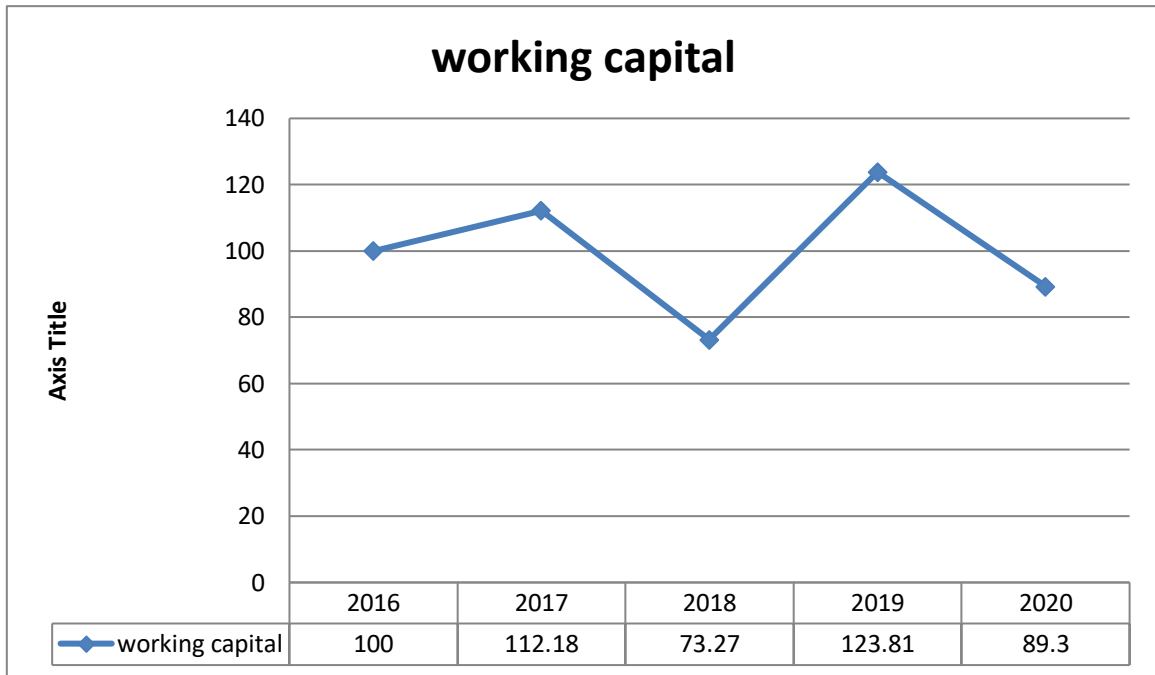


CHART NO: 4.19 TREND ANALYSIS OF WORKING CAPITAL

INTERPRETATION:

From the above trend analysis showing, it is inferred as base year 2016, the trend analysis for working capital is lowest in year of 2020.

TABLE NO:2.24 TREND ANALYSIS OF GROSS PROFIT RATIO

YEAR	GROSS PROFIT RATIO	TREND ANALYSIS
2016	56.16	100
2017	57.52	102.42
2018	56.40	98.05
2019	51.33	91.01
2020	56.79	110.63

SOURCE: THE BALANCESHEET OF BIOCON.LTD

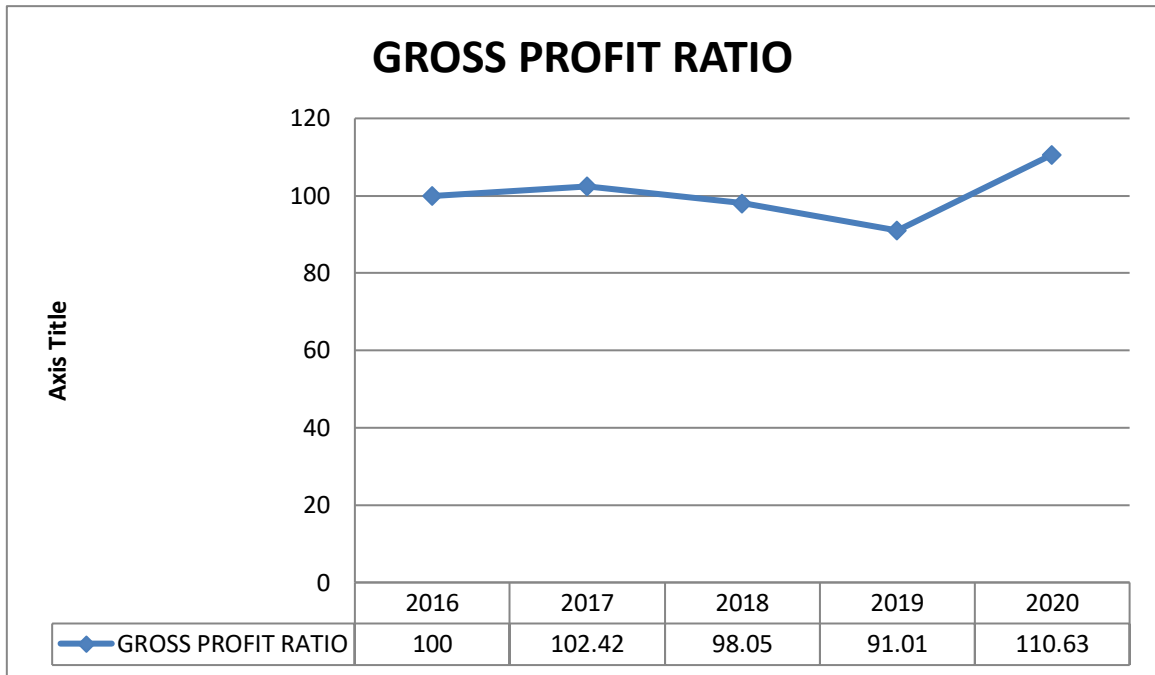


CHART NO: 4.20 TREND ANALYSIS OF GROSS PROFIT RATIO

INTERPRETATION:

From the above trend analysis showing, it is inferred as based year 2016, gross profit ratio has been decreased during the year 2018 and 2020. The current year trend percentage for gross profit ratio is 110.63.

TABLE NO: 4.25 TREND ANALYSIS OF NET PROFIT RATIO

YEAR	NET PROFIT RATIO	TREND ANALYSIS
2016	3686	100
2017	5193	140.88
2018	2385	45.92
2019	4927	206.58
2020	4409	89.48

SOURCE: THE BALANCESHEET OF BIOCON.LTD

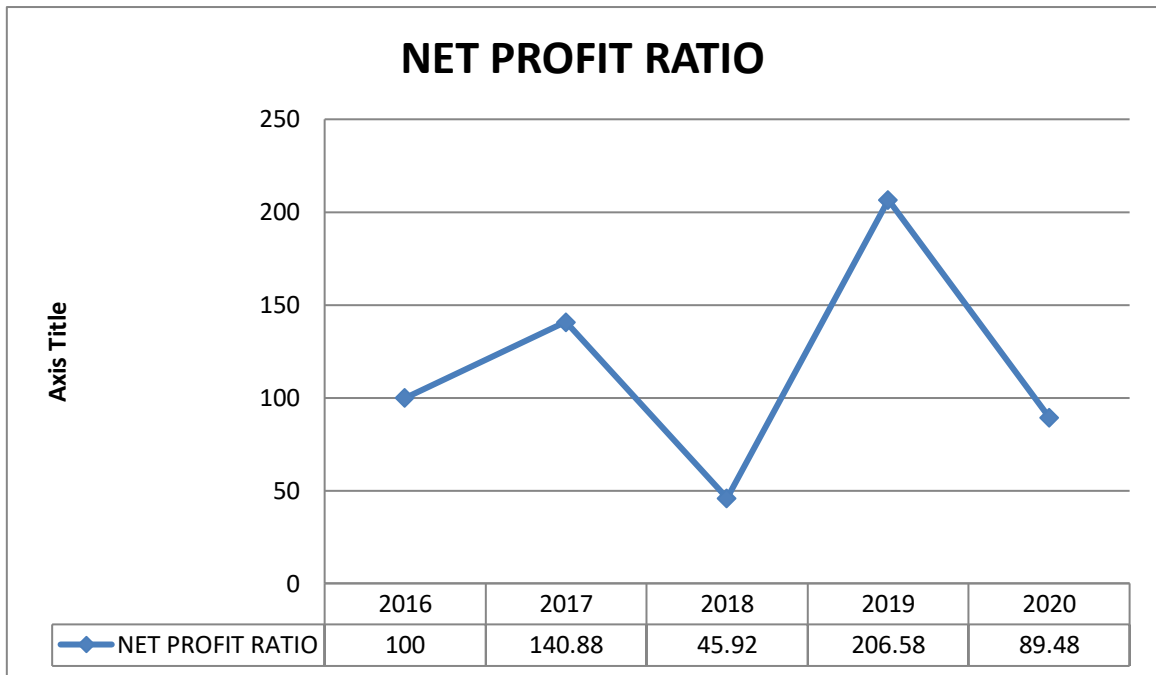


CHART NO: 4.21 TREND ANALYSIS OF NET PROFIT RATIO

INTERPRETATION:

From the above trend analysis showing, it is inferred as base year 2016. The trend analysis for net profit is lowest in the year 2020 with 89.48.

V-CHAPTER

5.1 FINDINGS

- The end result of the statement of changes in working capital after comparing all the increases and decreases is the net increase in the amount of working capital is Rs.164cr during year 2016 - 2017.
- The end result of the statement of changes in working capital after comparing all the increases and decreases is the net decrease in the amount of working capital is 44.7cr during year 2017-2018.
- The end result of the statement of changes in working capital after comparing all the increases and decreases is the net increase in the amount of working capital is Rs.227cr during year 2018-2019
- The end result of the statement of changes in working capital after comparing all the increases and decreases is the net increase in the amount of working capital is Rs.97.40cr during year 2019-2020
- From the above table and chart inferred that, Current Assets are fluctuating , whereas Current Liabilities are decreasing from Rs.810.8 crores to Rs.728.00 crores.
- From the above table and chart its identified that, Working Capital is decreasing year by year but it has risen to Rs.1673.30 crores during the year 2017.
- The chart shows that current ratio in 2016 is 2.83, in 2017 it is 3.37 and in 2018 it is 2.47 and in 2019 it is 2.52 and in 2020 it is 2.86. From the above table and chart it's identified that, Quick Ratio shows a fluctuation between 2016 to 2020
- From the above table and chart it's identified that, Absolute liquid Ratio shows a fluctuation between 0.74 and 0.65.
- The chart shows that debt-equity ratio in 2016 it is 1.365, in 2017 it is decrease to 1.324 and in 2018 again it is decrease to 0.224 and in 2019 it is again increased to 4.66 and again it is decrease to 1.16.

- From the above table and chart it's identified that, Assets-equity ratio is increasing steadily from 2016-2020
- From the above table and chart it's identified that, Gross profit Ratio shows a fluctuation between 1.78 and 1.22.
- From the above table and chart it's identified that, Net profit Ratio shows a fluctuation, in 2018 it was increased and in 2020 it was reduced.
- From the above table and chart it's identified that, Proprietary Ratio shows a fluctuation between 0.02 and 0.07.
- The chart shows that debtors turnover ratio in 2016 it is 3.58, in 2017 it is decrease to 2.21 and in 2018 again it is increase to 2.86 and in 2019 it is again decrease to 1.66 and in 2020 it is again increase to 2.68.
- The chart shows that working capital turnover ratio in 2016 it is 1.56, in 2017 again it is to 1.56, and in 2018, again it is increase to 1.97 and in 2019 it is decreased 1.9 and in 2020 it is 1.46.
- The chart shows that inventory turnover ratio in 2016 it is 1.96, in 2017 it is increase to 1.70 and in 2018 again it is increase to 1.74 and in 2019 it is again decreased 1.45 and 2020 it is again decreased 1.41cr.
- The chart shows that Fixed-asset turnover ratio in 2016 it is 1.62, in 2017 it is decrease to 1.50 and in 2018 again it is increase and reached to 1.75 and in 2019 it is decreased 1.11 and in 2020 it is again reached 1.62.
- The chart shows that current asset turnover ratio in 2016 it is 1.01, in 2017 it is 1.10, and in 2018 it is increase to 1.14 and in 2019 it is 1.14 and in 2020 it is 0.95. Analysis of current assets turnover ratio reveals that it is increasing during 2018 and a decreasing in the 2020.
- From the above table and chart it's identified that, Capital Turnover Ratio shows a fluctuation between 0.23 and 0.11.
- From the above table, we can observe the stock turnover ratio between 2016-2020. It fluctuating from 2.11 to 1.18.

5.2 SUGGESTION

- The company should concentrate on the current ratio by utilizing current asset for productive purpose in order to achieve the standard ratio.
- The company should take necessary steps to make use of the quick asset for the development of the company and should balance with the standard ratio.
- Current assets turnover ratio is fluctuating. It's not good for company so in order to increase the current assets turnover ratio a company need to increase its sales.
- Gross profit ratio is not stable. So in order to increase the gross profit the company wants to increase the production.
- The working capital turnover ratio is decreasing year by year. It is not good for the society so in order to increase the working capital turnover the company needs to increase its sales.
- The company should convert finished goods into sales to improve inventory management of company.

5.3 CONCLUSION

The study conducted on working capital management on “**BIOCON Ltd.**” gives a view of assessing the performance of working capital management of the society by analyzing the financial data with the help of ratio analysis.

During the period of study, there were a few up and downs in the working capital and ratio analysis it will affect the operations of the society but it is observed that the overall financial position is good. The BIOCON Ltd. resources utilization has been very low. The society has to take necessary steps to utilize current asset for improve profitability. It is anticipated that the profitability will improve in the coming years.

Based on the analysis and interpretation I tried to give my findings and suggestions for the company as per my best knowledge.

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APPENDIX

Balancesheet of biocon.ltd

EQUITIES AND LIABILITIES	2020	2019	2018	2017	2016
SHAREHOLDER'S FUNDS					
Equity Share Capital	600.00	300.00	300.00	100.00	100.00
TOTAL SHARE CAPITAL	600.00	300.00	300.00	100.00	100.00
Reserves and Surplus	6,936.40	6,814.50	6,437.70	6,440.20	5,895.70
TOTAL RESERVES AND SURPLUS	6,937.30	6,815.40	6,438.60	6,441.10	5,896.60
TOTAL SHAREHOLDERS FUNDS	7,537.30	7,115.40	6,738.60	6,541.10	5,996.60
NON-CURRENT LIABILITIES					
Long Term Borrowings	0.70	1.40	67.20	132.40	136.50
Deferred Tax Liabilities [Net]	0.00	0.00	0.00	0.00	0.90
Other Long Term Liabilities	23.40	105.50	72.30	76.90	92.00
Long Term Provisions	21.40	24.80	17.20	13.30	9.50
TOTAL NON-CURRENT LIABILITIES	45.50	131.70	156.70	222.60	238.90
CURRENT LIABILITIES					
Short Term Borrowings	0.00	0.00	0.00	0.00	225.50
Trade Payables	521.20	643.90	579.70	450.50	394.40
Other Current Liabilities	182.40	294.60	220.30	222.70	214.20
Short Term Provisions	24.40	54.80	31.60	32.00	28.50
TOTAL CURRENT LIABILITIES	728.00	993.30	831.60	705.20	862.60
TOTAL CAPITAL AND LIABILITIES	8,310.80	8,240.40	7,726.90	7,468.90	7,098.10
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	659.00	1,029.10	834.10	864.90	859.60
Intangible Assets	61.70	30.10	24.70	29.20	34.20
Capital Work-In-Progress	151.90	254.50	318.50	240.80	172.30
Other Assets	72.50	41.90	43.80	43.90	43.90
FIXED ASSETS	945.10	1,355.60	1,221.10	1,178.80	1,110.00
Non-Current Investments	4,814.00	3,902.80	3,745.20	3,363.50	3,210.60
Deferred Tax Assets [Net]	179.50	201.90	102.20	105.40	0.00
Long Term Loans And Advances	156.70	106.60	281.70	192.30	158.40
Other Non-Current Assets	131.80	227.10	319.00	250.40	248.00
TOTAL NON-CURRENT ASSETS	6,227.10	5,794.00	5,669.20	5,090.40	4,727.00
CURRENT ASSETS					
Current Investments	138.80	113.40	453.80	524.70	598.30
Inventories	534.70	801.90	561.70	539.60	504.60
Trade Receivables	573.20	901.80	739.90	798.20	503.80
Cash And Cash Equivalents	375.30	356.00	196.90	382.90	643.00
Short Term Loans And Advances	100.60	91.80	0.00	0.00	0.00
OtherCurrentAssets	361.10	181.50	105.40	133.10	121.40
TOTAL CURRENT ASSETS	2,083.70	2,446.40	2,057.70	2,378.50	2,371.10
TOTAL ASSETS	8,310.80	8,240.40	7,726.90	7,468.90	7,098.10

STATEMENT OF PROFIT & LOSS ACCOUNT

PROFIT & LOSS ACCOUNT OF BIOCON	MAR 20	MAR 19	MAR 18	MAR 17	MAR 16	
	12 mths	12 mths	12 mths	12 mths	12 mths	
INCOME						
REVENUE FROM OPERATIONS [GROSS]	1,815.10	2,640.20	2,215.30	2,408.60	2,163.30	
Less: Excise/Sevice Tax/Other Levies	0.00	0.00	6.30	30.50	33.60	
REVENUE FROM OPERATIONS [NET]	1,815.10	2,640.20	2,209.00	2,378.10	2,129.70	
TOTAL OPERATING REVENUES	1,988.40	2,884.70	2,419.20	2,587.90	2,301.80	
Other Income	201.70	117.50	124.70	98.80	173.10	
TOTAL REVENUE	2,190.10	3,002.20	2,543.90	2,686.70	2,474.90	
EXPENSES						
Cost Of Materials Consumed	858.20	1,278.50	958.70	991.50	947.90	
Operating And Direct Expenses	0.00	0.00	0.00	0.00	0.00	
Changes In Inventories Of FG,WIP And Stock-In Trade	-31.40	-147.10	-1.80	-46.50	-36.40	
Employee Benefit Expenses	344.80	510.30	408.60	365.00	321.90	
Finance Costs	1.20	2.60	1.00	3.80	1.90	
Depreciation And Amortisation Expenses	98.00	147.10	136.10	150.60	139.70	
Other Expenses	529.90	732.00	643.00	595.90	575.40	
TOTAL EXPENSES	1,801.60	2,648.80	2,238.10	2,150.50	2,026.40	
PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX	388.50	353.40	305.80	536.20	448.50	
Exceptional Items	159.70	198.70	0.00	0.00	110.90	
PROFIT/LOSS BEFORE TAX	548.20	552.10	305.80	536.20	559.40	
TAX EXPENSES-CONTINUED OPERATIONS						
Current Tax	85.70	141.90	60.60	126.90	217.50	
Less: MAT Credit Entitlement	-18.70	68.40	-6.20	117.20	0.00	
Deferred Tax	7.50	-14.10	0.50	7.20	-26.70	
Tax For Earlier Years	0.00	0.00	0.00	0.00	0.00	
TOTAL TAX EXPENSES	111.90	59.40	67.30	16.90	190.80	
PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS	436.30	492.70	238.50	519.30	368.60	
PROFIT/LOSS FROM CONTINUING OPERATIONS	436.30	492.70	238.50	519.30	368.60	
PROFIT/LOSS FOR THE PERIOD	440.90	492.70	238.50	519.30	368.60	