



FINANCIAL MEDICATION OF CIPLA

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ABSTRACT

Currently, medicines play an important role in everyone's life. In our list of top pharmaceutical companies, CIPLA PHARMACEUTICAL is one of the leading pharmaceutical companies in India. CIPLA's founder was Khwaja Abdul Hamid, who founded the Chemical Industry and Pharmaceutical Research Institute in Mumbai in 1935. In 2012, CIPLA was awarded the Thomson Reuters India Innovation Award. On September 7, 2022, the US Food and Drug Administration (FDA) approved lenalidomide capsules for the treatment of cancer. CIPLA provides free health care to the poor. CIPLA founder said, "**India will never need basic medicine again**".

Researchers who analyze financial expansion use a company's balance sheet. To perform this analysis, researchers rely on various financial statement analysis tools and the financial statements issued by those companies.

The interpretation provided in the form of the researcher's report guarantees the company's prosperity and financial expansion.

KEYWORDS:

Pharmaceutical, Capsule, Drugs, Financial statement, Award, FDA, Balance sheet, Financial aggrandizement, Medicine.

INTRODUCTION:

Pharmaceutical companies and their major products play an important role in everyone's life, and much depends on medicines, especially during and after a global pandemic. Many diseases are spreading rapidly around the world, and one of them is cancer. Cipla Pharma is one of the leading pharmaceutical companies producing anti-cancer drugs.

LITERATURE REVIEW:

- Anis Ali (2020) : The title of the research was “Do the giant players enjoy profitability?: Analytical Study of the Pharmaceutical Industry of India”. The goal was to understand the correlation and relationship between the profitability and size measures of the top Indian pharmaceutical businesses, to understand the raking co-integrity between profitability and size, and to understand the co-movement and correlation between these two metrics. The finding was that Indian pharmaceutical businesses' dimensions determine their profits more so than those of larger companies.
- Dr.Vijay Joshi, Dr.Ashok Kumar Panigrahi (2020): The author chooses the title “Financial Decisions: A Study of Selected Pharmaceutical Companies of India”. The study's goals included identifying patterns in capital structures, analyzing the effects of capital structure changes, and examining intra-company capital structures. In order to achieve long-term solvency and maximize profitability with the lowest cost of capital, pharmaceutical companies' capital structure decisions have very little bearing on their investment patterns, which are defined as using long-term sources of funding to finance current assets and operational activities.
- Dr. Ashok Kumar Panigrahi (2019): The title chosen for the study was “Analysis of Financial Performance: A Study of Selected Pharmaceutical Companies”. The study's goals were to assess the profitability of a sample of Indian pharmaceutical companies, examine the variables that affect their profitability, and present the findings, recommendations, and the study's overall conclusion. The result states that although there were a few ups and downs in profitability over the research period, they had little to no impact on the business's day-to-day operations. Only then would the Pharmaceutical Companies' performance level improve if they are required to perform well, invest more money, and increase sales.

OBJECTIVES OF RESEARCH:

- 1) To explore the past financial performance of Cipla pharmaceutical company.
- 2) To check if there is any gain in the current financial position.

PROBLEM STATEMENT (HYPOTHESIS):

Researchers take the hypothesis that Cipla pharmaceutical company has generated a large amount of profit nowadays due to the rise in new infections and affixation people spend more on their medicine so there will be gain in the company's profit because of rapid infection spreading.

RESEARCH METHODOLOGY:

- ★ **Types of data:** Secondary data
- ★ **Data collection:** data collected from the annual report
- ★ **Analysis tool:** comparative statement and ratio analysis

Data collection:

Data that are required to analyze the financial growth of Cipla pharmaceutical company is collected from the annual report released by the company itself.

RESEARCH ANALYSIS AND INTERPRETATION:**COMPARATIVE STATEMENT ANALYSIS:**

Comparing the balance sheets of 2021 and 2022

ASSETS:

Assets	As at March 31st, 2021 (in crores)	As at March 31st, 2022(in crores)	INCREASE /DECREASE	PERCENTAGE %
Total Non-current assets (A)	12771.56	13424.42	Increase 652.86	(+)5.11%
Total current asset	10190.75	10137.15	Decrease (53.6)	(-)0.52%
Total (A+B)	22962.31	23561.57	Increase 599.26	(+)2.60%

Source: Cipla Website 2021 and 2022 Annual Report

LIABILITIES:

Liabilities	As at March 31st, 2021	As at March 31st, 2022(in crores)	Increase/ Decrease	Percentage %
Total Equity (A)	19927.56	22513.88	Increase 2585.99	(+)12.97%
Total current liabilities(B)	2691.94	2404.49	Decrease 287.45	(-)10.67%
Total(A+B)	22619.5	24918.04	Increase 2298.54	(+)10.16%

Source: Cipla Website 2021 and 2022 Annual Report

INTERPRETATION:

- ❖ The total current assets have decreased by 53.6 and current liabilities have decreased by 287.45 with the decrease percentage of 0.52 % and 10.67% respectively. This shows that such a change doesn't show any impact on the company's position.
- ❖ There is a rise in total non-current assets of the company by 652.86 with 5.11% this shows there is an improvement in the company's capacity.
- ❖ Total owners equity contains equity share capital and reserves and surplus as other equity.

TOTAL OWNER'S EQUITY:

Liabilities	As at March 31st, 2021	As at March 31st, 2022	Increase / Decrease	%
Equity share capital	161.29	161.36	Increased (0.07)	0.04%
Other Equity	19766.27	22352.19	Increased (2585.92)	13%
Total owner's Equity	19927.56	22513.55	Increased (2585.99)	13%

Source: Cipla Website 2021 and 2022 Annual Report

- ❖ Other equity increased by 2585.92 in the year 2022 this shows that the overall profitability Of the company was increased.
- ❖ The overall financial stage of the company is an increase.

RATIO ANALYSIS:

Sno	Particular	As at March 31st,2022	As at March 31st,2021
1.	Current ratio (in times)	4.22	3.79
2.	Debt-equity ratio (in times)	0.0001	0.0003
3.	Debt service coverage ratio (in times)*	137.4	39.7
4.	Return on equity ratio(%)	12.67%	10.95%
5.	Inventory turnover ratio(in times)	1.62	1.34
6.	Trade receivables turnover ratio (in times)	5.26	3.43
7.	Trade payable turnover ratio (in times)	3.54	2.64
8.	Net capital turnover ratio(in times)	1.69	1.51
9.	Net profit ratio(in%)	20.54%	18.09%
10.	Return on capital employed(in %)	15.82%	14.10%
11.	Return on investment (in %)	24.95%	92.82%

Source: Cipla Website 2021 and 2022 Annual Report

Interpretation:

- ❖ The current liquidity ratio represents the ratio of a company's assets and liabilities. The company's current liquidity ratio increased by 4.22 times from the previous year to 3.79 times, indicating that it has more assets than liabilities.
- ❖ The debt ratio increases as the company borrows more capital from the market. Here, the debt ratio is lowered from 0.0003 to 0.0001, indicating that the company is utilizing its assets without borrowing from the market.
- ❖ A good debt coverage ratio is greater than 1. This indicates the company's ability to service its debts. On March 31st, 2022 the debt service coverage increased to 137.4 this shows that the ability to pay off the company's debt is increased.
- ❖ The return on equity ratio is increased to 12.67% from 10.95%, implying an increase in profit from shareholders' equity.
- ❖ The inventory turnover ratio is slightly increased to 1.62 from 1.34 which interprets that there is a firm sale this year compared to the previous year.
- ❖ The trade receivables turnover ratio of the company is increased to 5.26 times from 3.43 times which indicates that the customers have the quality of paying their debt quickly compared to the previous year.
- ❖ The trade payables turnover ratio of the company is increased to 3.54 times from 2.64 times which shows that the company pays its debts quicker.
- ❖ The net capital turnover ratio of the company is increased to 1.69 from 1.51 which interprets that the company efficiently utilizes the amount of capital utilized.
- ❖ The company's net profit margin increased from 18.09% to 20.54%, which means a higher net profit margin means that a company with a higher net profit margin can better control its costs and products.
- ❖ Return on capital used increased from 14.10% to 15.82%, making the company more profitable than the previous year.
- ❖ The company's ROI dropped significantly from 92.82% to 24.95%, meaning the company did not benefit from the previous year's % return on investment.

Findings

The researchers came out with these key findings

1. The company's financial position is increased from 2021 to 2022 as a result of improvement in its profitability.
2. Since the net profit is positive, the future performance of the company should be improved to a higher level.
3. With the drop in the debt ratio in 2022, this is a positive scale for the company and beneficial for the future of the company.
4. The company's current financial situation indicates that the company's situation can be managed with assets that do not require the company to borrow from the market.
5. A company can support its debts and profits.
6. The business is more profitable because it can meet all the requirements on its own.
7. The company can better control its cost and products with the help of an increase in net profit margin.
8. The financial position of the company is in the good stage so the company doesn't borrow anything from the market.

RECOMMENDATIONS(SUGGESTIONS):

The researchers recommend the company focus on these points

1. The company must maintain its current debt ratio, and this ratio must neither rise nor fall and must remain where it is today.
2. Because the company's financial position is erratic and unpredictable, the company must properly maintain and manage its financial position.
3. Companies should focus more on return on investment.

LIMITATIONS OF THE STUDY:

1. The time taken to do this inquisition is less.
2. During this inquisition, many ratio analysis tools were not taken into consideration.
3. In this inquisition, the secondary data is only from the company's website.
4. Primary data as per people's perspectives was not taken into consideration.
5. The above-mentioned interpretation, findings, and recommendations are only based on the researcher's standpoint.

CONCLUSION:

According to the analysis she conducted, the researcher discovered that the company has had a profit boost since the previous year. She had theorized that the rise in allergies and infections was to blame for the increase in the company's profit. The current ratio has increased from the prior year during the course of the consecutive years 2022 and 2021, which shows that the business is making money. When a company's debt-to-equity ratio declines, it means that it has sufficient assets and doesn't need to borrow money from the market. Also, the rising current ratio demonstrates that the corporation continues to have more assets than liabilities. Thus, the researcher's hypothesis is true.

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