

Financial Performance Analysis of Cipla Ltd

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Abstract- Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment. Financial analysis is the process of examining a company's performance in the context of its industry and economic environment in order to arrive at a decision or recommendation. Various research techniques are used in this research such as Profitability ratios, Solvency ratios and Comparative balance sheet. Finally the result of this study companys' profit is good and the companys' assets and liabilities are used in satisfactory manner.

Keywords: Finance, Ratio Analysis, Comparative statement

INTRODUCTION

The financial performance identifies how well a company generates revenues and manages its assets, liabilities, and the financial interests of its stakeholders and stockholders. The term is also used as a general measure of a firm's overall financial health over a given period. There are many ways to measure financial performance, but all measures should be taken in aggregate. such as revenue from operations, operating income, or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt.

Financial Statements are prepared to know the profitability and financial position of the business in the market. The content of a financial statement does not reveal the earning capacity, financial soundness, and liquidity of a company. The users cannot easily understand them; therefore, the data is analysed for presenting it in a simple and understandable form. Different tools used for the analysis of financial statements are Comparative Statements, Common Size Statements, Trend Analysis/Ratios, Accounting Ratios/Ratio Analysis etc. Comparative statements or comparative financial statements are statements

of financial position of a business at different periods. These statements help in determining the profitability of the business by comparing financial data from two or more accounting periods. Common size analysis displays each line item of your financial statement as a percentage of a base figure to help you determine how your company is performing year over year, and compared to competitors.

COMPANY PROFILE

Cipla is a leading pharmaceutical from India with presence across the world. It was established in 1935 as Chemical Industrial & Pharmaceutical Laboratories Ltd and changed to its name Cipla Ltd in 1984. The company has a vast portfolio with more than 1,500 products in the market. The company's business is divided into three strategic units - APIs, respiratory and Cipla Global Access. Its largest market is India, followed by Africa and North America. The company's total revenue reached Rs. 5,829 crore (US\$ 717.2 million) in the second quarter of FY23.

OBJECTIVES OF THE STUDY

1. To study and analyze the financial performance of Cipla Ltd.
2. To measure the profitability, solvency and financial soundness by evaluating financial statements.
3. To compare the financial performance and to analyze the financial changes during the study period.
4. To give suggestions to improve the financial performance of the company.

SCOPE OF THE STUDY

The study entitled "A Study on Financial Performance Analysis of Cipla Ltd" is to analyze the financial performance of Cipla Ltd for the last 5 years. The study is based on the financial position of the firm by using Ratio analysis, T and Comparative

statements. Financial statements help the management to analyze profit, solvency, liquidity and efficiency etc. this analysis will give the exact picture of the company. These studies will also help the management to take managerial decisions to understand the new possibilities. The study helps us to conduct researches in financial areas and it also helps us for taking financial Decisions in Personal Life.

LIMITATIONS OF THE STUDY

1. The study is based only on secondary data
2. This study considers only the monetary aspects. Non-monetary aspects are not considered.
3. The analysis taken only for past 5 years due to time constraint.

REVIEW OF LITERATURE

Ms.Reetu (2017) “A Study of Financial Analysis of Sutlej Textile & industries Ltd” For the present study comparative financial statements and ratio analysis has been used. The study revealed that the Sutlej textile mills have an ideal financial position. There was an increasing trend in the financial position of the company. It was also concluded that the short term liquidity and long term solvency of the company was good.

R.Priyadharshini G.Gayathri (2019) “Study on Comparative Balance Sheet with Special Reference to Indian Bank at Kumbakonam” n this study to analyze the comparative balance sheet of Indian bank. A study to show the effect on increase of decrease of the balance sheet to compare with the previous and current year balance sheet. In this statement the various aspect of the balance sheet to effect changes was show in this study. The bank assets position for post three year the bank and whether the bank financial position is good.

Ratio Analysis

YEAR	GPR	OPR	NPR	ROCE	RONW	CR	QR
2019	15.61	20.21	15.26	15.9	11.99	3.08	1.99
2020	16.64	21.38	18.31	17.23	13.34	2.91	1.91
2021	22.77	26.77	17.75	17.04	12.4	2.9	1.89
2022	22.2	25.71	22.59	15.87	13.15	3.7	2.61
2023	20.24	24.01	15.91	14.82	10.2	3.84	2.74

GPR is higher in 2021. In 2022 and 2024 which shows to decline trend from 22.2 to -20.24 this is mainly due to decrease in the gross profit. OPR has showed an increasing trend. NPR increased to 22.59

Dr. R.Thamilselvan, Nivetha.M (2021) “A Study of Financial Performance on Automobile Industry with Special Hero Motocrop Limited” This aim of this project is to analysis the liquidity and profitability position of the company using the financial tools. This study is based on financial statements such as Ratio Analysis, Comparative balance sheet. By using this tools combined it enables to determine in an effective manner. The study is made to evaluate the financial position, the operational results as well as financial progress of a business concern. It explains the ways in which ratio analysis can be of assistance in long-rang planning, budgeting and asset management to strengthen financial performance and help avoid financial difficulties. This clearly shows that the company is in the developing nature and their position in the society is satisfactory.

RESEARCH METHODOLOGY

Research Design: Analytical research design is chosen for the study. This research is conducted to find out facts about a given topic and from the answers obtained develop new and useful ways of doing things. The analytical research usually concerns itself with cause-effect relationships.

TOOLS USED FOR ANALYSIS

Data collected from the secondary sources in the form of annual report was analyzed using the tools. The following tools were used for the financial performance analysis,

A. Ratio analysis

i) Profitability ratio

- 1) Gross profit ratio
- 2) Operating profit ratio
- 3) Net profit ratio
- 4) Return on capital employed
- 5) Return on net worth

ii) Liquidity & solvency ratio

- 1) Current ratio
- 2) Quick ratio

B. Comparative Balance Sheet Statement Analysis

in the year 2022 it has showed fluctuating trend. ROCE has showed an increasing trend from 2019-2021.2022 onwards slightly decreased due to huge decrease in the capital employed. RONW has

fluctuating trend during the study period. CR has showed an increasing trend during study period due

to the company utilise their current asset properly. QR has showed increased trend.

COMPARATIVE BALANCE SHEET OF CIPLA LTD

Particulars	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Assets					
Non-Current assets					
Fixed assets:					
Tangible assets	-4.00	-4.35	-3.81	-15.28	38.61
Intangible assets	-16.29	52.12	30.91	-19.87	-100.00
Capital work-in-progress	-44.56	5.97	7.55	-38.47	-100.00
other Assets	19228.13	104.43	-2.10	-48.82	-100.00
Non-Current investments	5.74	67.09	21.49	15.72	2.27
Deferred tax Assets(Net)	-100.00	0.00	0.00	0.00	0.00
Long term loans & advances	-10.82	-79.85	3.53	-100.00	0.00
Other Non-Current Assets	-11.01	15.54	14.68	51.06	-27.31
Total Non-Current assets(A)	-2.69	27.36	12.17	5.42	6.32
Current assets					
Current Investments	93.47	-58.52	140.26	1.69	35.93
Inventories	-5.58	5.33	2.13	3.67	2.45
Trade receivables	35.63	12.36	-14.74	-36.10	48.92
Cash and cash equivalents	-23.28	199.65	67.24	63.24	-32.32
Short term loans & advances	-71.59	-10.91	-57.68	-53.16	86723.60
Other current assets	-2.23	-13.35	9.79	187.38	-21.17
Total Current assets(B)	19.41	-4.76	12.91	17.98	11.20
Total assets=(A+B)	7.59	10.78	12.50	11.02	8.63
Liabilities					
Shareholder's funds					
Share capital	0.07	0.07	0.02	0.04	0.04
Reserves & Surplus	11.65	10.46	14.66	13.10	9.69
Total Shareholder's funds(A)	11.52	10.35	14.53	12.99	9.62
Non-Current liabilities					
Deferred Tax Liabilities [Net]	0.00	163.70	-7.13	-46.66	-35.44
Other long term liabilities	-5.94	40.25	-13.27	-49.73	95.36
Long term provisions	-13.12	-2.76	-8.72	-17.77	3.56
Total Non -Current liabilities(B)	7.64	42.63	-10.22	-39.88	24.98
Current liabilities					
Short term borrowings	-100.00	0.00	-100.00	0.00	0.00
Trade payables	-6.24	8.83	-7.23	-7.79	15.61
Other current liabilities	-20.88	0.31	25.30	24.82	-36.16
Short term provisions	7.63	26.36	14.60	1.65	2.53
Total Current liabilities(C)	-13.31	10.61	2.77	1.36	-1.06
Total liabilities D=A+B+C	7.49	10.86	12.55	10.83	8.60

From the analysis of the Comparative Balance sheet of Cipla Ltd for a period of five years, It was concluded that the current assets showed fluctuations during the study period. Total assets of Cipla Ltd increased from the 2019-2021 and after 2021 onwards started to fluctuating. Total current liabilities were fluctuating. Capital of the company was fluctuating. Shareholders fund also fluctuating during the study period. Total liabilities of the company also fluctuated.

The working capital position of Cipla Ltd had strengthened. The total assets and liabilities did not show any significant change.

SUGGESSTION

- The company concentrates the current asset to maintain proper level.
- The company focus their fixed Asset particularly focuses on intangible asset.
- The company considers long term liabilities which may settle in right time.
- The company maintains their current liabilities in same way.

CONCULSION

Financial Analysis plays a important role in business era. It is concluded that the liquidity and profitability ratios showed good position during this study period. Comparative balance sheet of the company was calculated for last five years this results is fluctuating. Overall companys' performance was satisfactory.

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