



ANALYSIS OF WORKING CAPITAL MANAGEMENT IN TORRENT PHARMACEUTICAL LIMITED

Ms. B. Usha¹

¹scholar, Dr. N.G.P. Arts and Science college (COM026)

Mr. N. Chandru²

²Assistant professor, Dr. N.G.P. Arts and Science college (COM026)

ABSTRACT

Finance or Money is a field that is worried about the allocation (investment) of resources and liabilities throughout space time, regularly under states of dangers or vulnerability. It tends to be said as the science and craft of overseeing cash. Working capital management is also a part of finance. A business undertaking requires fixed resources as well as current resources for its effective working. The sum put resources into current resources is known as working capital. It is otherwise known as short term capital. CMIE PROWESS IQ was used as Data mining tool for collecting data. Firstly, we will evaluate the performance of the torrent pharmaceutical limited along with the help of tables and charts depending upon datasets and secondly, we will compare the performance of the working capital for five years.

INDEX TERMS - *Finance, Working capital, CMIE process IQ, Assets, Liabilities, Torrent pharmaceutical.*

I. INTRODUCTION

Account can likewise be characterized as the craft of cash the executive members in the market intend to value resources dependent on their danger level, essential worth, and their normal pace of return. Account can be part into three sub classifications: public money, corporate account and individual budget. At the present level finance is concerned with individual decisions about how much of their earning they spend, how much they save, how much they invest and saves.

As indicated by B.O WHEALER, account is that business action which is worried about the securing and protection of capital assets in gathering the monetary necessities and by and large targets of business undertaking.

A business context, finance involved the same types of decisions: how firms raise money from investors, how firm invest money in an attempt to

earn a profit, and how conclude whether to reinvest benefits in the business or disseminate them back to financial backers. Current assets are required to make efficient utilization of fixed assets. The amount invested in current assets in current assets is known as working capital. It is otherwise known as short term capital. Both fixed assets and current assets are required for the successful working of an enterprise. Working capital may be regarded as the life blood of a business enterprise.

Statement of problem

working capital is set up as a huge piece of an affiliation. It is a significant determinant of the association's benefit and liquidity levels. Many businesses are finding it hard to manage their working capital, where 50% of the them fails due to lack of proper and effective working capital management strategies. The overall problem



discussed here is the lack of profitability and growth among organization because of poor management of the working capital of organization, which results to customer dissatisfaction and the decreased sales of the company. The study mainly covers the analysis and impact of working capital on profitability of the Torrent pharmaceutical limited.

Objectives of the study

To study profitability position of the company and also the efficiency and effectiveness of the working capital.

Enhance the degree of working capital and limit the expense of asset.

It also analyses the liquidity and solvency position of the company and source of working capital.

II. LITERATURE SURVEY

Akram (2019) ^[1]The fundamental point of his examination is to assess the patterns and boundaries of viability of working capital and its usage term in of volume of the firms of pharma in India. For the three parameters are taken i.e. distinctive lists initial one execution file, usage list and proficiency record. Working capital plays an important role in the organization to maintain its day to day expense.

Chand (2019)^[2] Almost all the participants communicated the assessment "the connection between the chose strategy and the benefit is 'high-hazard, exceptional yield'". That means that aggressive policies increase profitability. The study entitled working capital management for four listed companies. The objectives of the study are to examine the financial of current assets, trends of data and effectiveness of working capital management

Anwar (2018)^[3] examined the influence of the length of the operation cycle and the turnover of receivables and inventory on the profitability index of listed firms in Indonesia. The article concluded that reducing the turnover of both receivables and inventory leads to a decrease in the operation cycle and an increase the companies' profitability that capable administration of working capital eminently influences benefit.

Cakici et al. (2017) ^[4] concluded that the companies use profitability as one of the four segments applied for the analysis of financial statements and performance. The other three are productivity, dissolvability and market possibilities. Chiefs, leasers and financial backers utilize these

urgent impressions to investigate the organization execution and its future potential if activities are reasonably accomplished. Vintila and Nenu (2016)^[5] added that resources such as cash, overdraft and liabilities are used to cover the variable and fixed costs of the production process and to purchase the stock for resale operations. Productivity is the connection among income and costs and how well the organization is performing and the likely future development of the organization and how it deals with its functioning capital.

III. INTRODUCTION OF THE COMPANY

Torrent pharmaceutical is one of the leading pharmaceutical companies having presence in Indian and global markets, it is the flagship company of the torrent Groups was incorporated in the year 1972. The company is a dominant player in the therapeutical areas of cardiovascular (CV) and central nervous system (CNS). The Torrent pharmaceutical industry discovers, develops, products, and markets drugs or pharmaceutical drugs for use as medications to be administered (self-administered) to patients with the aim to cure them, vaccinate them, or alleviate the symptoms.

This organization study is to analyses the function of various departments of Torrent pharmaceutical limited starting from the purchase of raw material to the marketing each function is handled by different department. The duties of pharmaceutical companies have towards customers from a deontological perspective, pharmaceutical firms have a moral obligation to provide fairly priced drugs lest they use their consumers a means to profit rather than prioritizing fait access to medication.

Mission

We commit ourselves to total customer care by delivering world class products and service.

Vision

To be the leader in the pharmaceutical industry.

Roles of torrent pharma:

1. To gather, explore and proactively assess data identifying with symptoms of medications during the clinical preliminaries stage.
2. To vivaciously screen wellbeing results and reports all proof of conceivable "antagonistic occasions" or negative results that a few patients experience once



the medication is made accessible to the overall patient populaces.

3. To identified huge variety of job roles available from laboratory-based research and development, clinical trait.

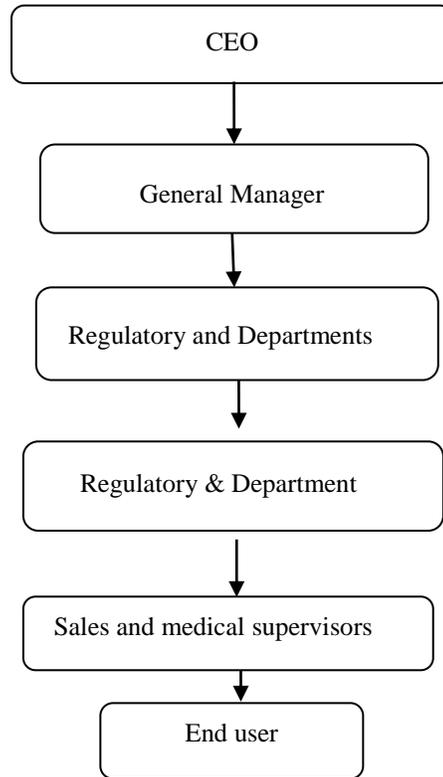
Board of directors:

Directors	Designation
Sudhir Mehta	Chairperson Emeritus
Samir U Mehta	Executive chairperson
Shailesh Haribhakti	Director
Haigreve khaiten	Director
Ameera shah	Director
Nayantara Bali	Director
C Dutt (Dr.)	Executive Director
Jinesh Dushyant shah	Executive Director

Auditors:

Year	Auditors & their partner
Mar-20	B S R & L L P Jamil Khatri
Mar-17	Deloitte Haskins & sells L L P Hemendra L Shah
Mar-11	Deloitte Haskins & sells L L P Gaurav J shah

Organizational chart:



Major owner of equity share:

Promoters

- 1.Aman Mehta
- 2.Anita Sudhir Mehta
- 3.Jinal Sudhir Mehta
- 4.Samir uttamlal Mehta
- 5.Sapna Samir Mehta
- 6.Shaan Mehta
- 7.Torrent Investments private limited
- 8.Torrent private limited
- 9.varun Sudhir

Non-promoters

- 1.Cleaning members
- 2.Fidelity investment trust
- 3.HDFC trustee company ltd A/C
- 4.Mirae asset equity savings fund
- 5.Non-Resident Indian
- 6.Qualified institutional buyer
- 7.SBI large & midcap fund
- 8.Zao Torrent pharma
- 9.Torrent do brasil ltd



IV. RATIO ANALYSIS

Techniques and tools of financial analysis (methods)

The analysis of financial statements consists of a study of relationships and trend to determine whether or not the financial position of the concern and its operating efficiency have been satisfactory. In the process of this analysis various tools or methods are used by the financial analysis.

1. Ratio Analysis
2. Working Capital
3. Trend Analysis
4. Comparative Balance Sheet

Ratio analysis:

Ratio analysis is the analysis of financial statements with the help of ratios, "The way toward registering, deciding and introducing the relationship of thing and gatherings of things of budget reports with the assistance of proportions and deciphering the outcomes there from"

Comparative statements:

Statement prepared in a form that reflects financial data of two or more periods are known as comparative statements. Annual information can measure up to comparative information for earlier years.

1. Comparative balance sheet
2. Comparative income statements

Trend ratio:

Pattern implies propensity. Hence, audit and examination of inclination in bookkeeping factors is basically called as pattern investigation. Pattern alludes to propensity of development. Pattern examination alludes to the investigation of development of figures over a period. The pattern might be expanding pattern or diminishing pattern or unpredictable.

Objectives of ratio analysis:

To simplify accounting figures and facilitate analysis of financial statements. It also analyses the operational efficiency of a business and help in budgeting and forecasting. Ratio analysis facilitate intra firm and inter firm comparison of performance.

Accounting ratios can be expressed in any of the following forms:

1. Pure (or) proportion: It is expressed as a quotient. Example: 2 (or) 2:1
2. Percentage: It is expressed in percentage. Example: 25%

3. Times: It is expressed as certain number of times of a particular figure. Example: 4 times.

Solvency ratio:

Solvency ratios are classified into two. They are short term solvency ratio and long- term solvency ratio.

Short term solvency ratio:

1. Current ratio

The standard norm for current ratio is 2:1. The ratio was not standard So the ratio was not satisfactory for five consecutive years from 2016 – 2020.

2. Quick ratio

The standard type of a fast proportion is 1:1. However the ratio is less the standard norms for most of the years so it is not satisfactory during these study period.

3. Absolute quick ratio

The standard norm for cash position ratio is 0.75:1. In these five consecutive years the ratio was not stable from 2016 – 2020.

Long term solvency ratio:

1. Debt equity ratio

This ratio gives results relating to the capital structure of a firm debt equity ratio. We can conclude that the company depends on the debts funds in decreasing during the study period.

2. Proprietary ratio

The standard norm for proprietary ratio is 0.5:1 but for all the year it above the standard norm. The funds financed by the proprietaries in the total funds are continuously fluctuating year during the study period.

3. Fixed assets ratio

The standard norm for fixed assets ratio is 0.67:1. The fixed assets ratio is above the standard norm in all the years. The ratio increases year by year.

4. Current assets to net worth

During the study period the ratio of current assets to net worth fluctuating and it is not stable.



Profitability analysis:

1. Gross profit ratio

The company is maintaining proper control on trade activities even the gross profit is fluctuating during the study period.

2. Net profit ratio

During the study period profit margin increases and suddenly decrease because of increased in administrative and selling expenses.

3. Operating profit ratio

The operating profit ratio goes downward trend. The company must take suitable strategy to improve their operating profit position. It decreases year by year.

4. Operating ratio

The operating profit shows an unstable position. During the study period ratio continuously fluctuating.

5. Return on shareholder fund

The return on shareholders fund shown an upward analysis. It gradually increasing year by year.

6. Return on total assets

The return on total assets increases and suddenly decreases. They are not stable during the study period.

7. Expenses ratio

It also fluctuating during the five consecutive years. After certain period it gradually starts to decreasing. It will calculate the total expenses incurred in the concern

Turnover ratio:

1. Fixed assets turnover ratio

The fixed assets turnover ratio shows the unstable position. It decreasing during initial stage and starts to increasing in further years.

2. Stock turnover ratio

Inventory ratio increases for year and year that is company production is also increased subsequently sales are also increased.

3. Capital turnover ratio

In the initial stage of study period it decreases and gradually starts to increasing. The ratio was not stable during these years.

4. Working capital turnover ratio

Working capital plays an important role in the organization. They should have enough ideas to manage them. It decreases in the initial stage and gradually increases in the later period.

5. Debtor turnover ratio

Debtor ratio is in the peak for initial years and decreases for further years. It shows powerful an organization is in expanding acknowledge just as gathering debts

Trend Analysis:

1. Current ratio

Current proportion shows the connection between the current resources and current liabilities.. Trend percentage gradually increases year by year.

2. Net sales

It is the working incomes acquired by an organization by selling its items or delivering its administrations. The pattern rate diminishes in beginning stage and expansions in impending years.

3. Net fixed assets

It is the purchase price of all fixed assets (land, buildings, machinery) less accumulated depreciation. Trend percentage increases and remains unstable.

4. Operating profit

Operating profit ratio establishes the relationship between operational profit and sales. The trend percentage increasing gradually year by year.

5. Net profit

The net benefit rate is the proportion of after-charge benefits to net deals. The trend percentage remains unstable and increase during the study period.

Working capital analysis

Working capital estimates an organization's activity productivity and momentary monetary wellbeing. For instance, positive working capital shows that an organization has sufficient assets to meet its momentary liabilities.. For financial backers, it encourages them measure the capacity for an organization to traverse troublesome monetary periods. The term fund refers to working capital. The term stream implies development and incorporate both inflow and outflow. Fund flow analysis is useful



in judging the credit worthiness, financial planning and preparation of budgets. Cash flow analysis is concerned with preparation of cash flow statement which shows the inflow and outflow of cash and cash equivalent in a given period of time.

Working capital = current assets – current liabilities.

Working capital analysis from the year 2015-2016 to 2019-2020

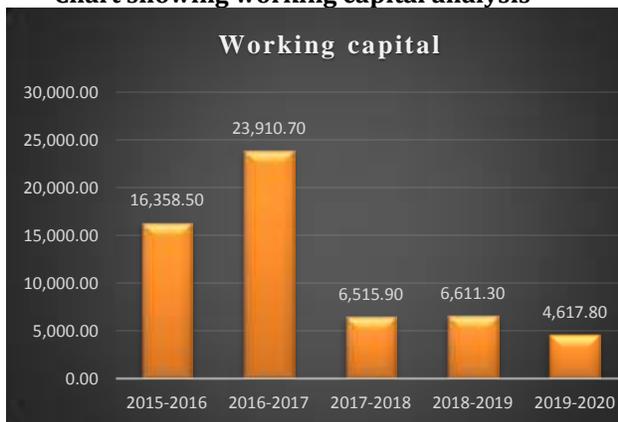
Year	Current assets	Current liabilities	Working capital
2015-2016	31,543.00	15,184.50	16,358.50
2016-2017	36,218.10	12,307.40	23,910.70
2017-2018	37,265.00	30,749.10	6,515.90
2018-2019	37,677.70	31,066.40	6,611.30
2019-2020	38,571.10	34,253.30	4,617.80

Source: Annual reports

Interpretation

The tables show that during the study period the working capital decreases during the years 2017-2018, 2018-2019 and 2019-2020. And it increases during the year 2015-2016, 2016-2017. The increase in working capital indicates that current assets is higher than the current liability whereas decrease in working capital indicates current liability is higher than the current assets.

Chart showing working capital analysis



Comparative study analysis

2015 – 2016

The current assets like short term loans and advances 154.98%, inventory 32.15% shows

increase. It also increases reserve and surplus fund and decreases long term provisions. This shows a good financial position. Cash and bank balance (12.26%), other current assets (32.11%).

2016 – 2017

The financial position of firm is satisfactory. It also increases reserves and surplus and decrease long term provision. This shows a good financial position. Cash and bank balance (5.04%), other current assets (14.82%).

2017 – 2018

Cash and bank balance (28.29%), other current assets (28.29%). So that company is efficiently managing it working capital to meet its expenses.

2018 – 2019

The financial position shows the Cash and bank balance (316.6%), other current assets (1.11%). It also increases the reserve of the organization and reduces it debt to overcome their hindrance.

2019 – 2020

Cash and bank balance (64.37)%, other current assets (2.37)% and also increases the inventory level and all types of the reserve in the organization to meet its objectives.

V. FINDINGS AND SUGGESTIONS

The company should improve its liquidity position by raising the absolute liquid assets such as cash in hand, bank balance and marketable securities. The company may take necessary steps to boost the owner’s capital to maintain the debt equity ratio of the company. The company need to improve its offers and network facilities. The company shall utilize its assets which will enhance the efficiency of the firm. The company can adopt new improved technologies, which in turn will help the company to achieve a satisfactory return on investment. The company resource should be utilized to the maximum to improve the efficiency in operation of the business.

The liquidity position of the company is quite satisfactory but it is decreasing this must be improved further for the purpose of proper utilization of the liquid assets of the company. The working capital administration arrangement of the organization more powerful for its fruitful endurance in the serious business world. The company must adopt and use varies scientific methods of working



capital management so that the current assets are to be maintained at optimum level. The inactive money equilibrium of the organization is to be adequately utilized in beneficial venture openings by efficiently arranging incomes and recognizing the money overflows. Correct estimation of working capital should be made and heavy fluctuations in quantum of working capital as a relation to sales should be avoided.

VI. CONCLUSION

This study was conducted to find out the financial position and profitability of TORRENT PHARMACEUTICAL LIMITED. On studying the financial performance of Torrent pharmaceutical for the period of 2015-2016 to 2019-2020, the study reveals that the financial performance and working capital management of torrent pharmaceutical is not good and it is facing more loss in all aspects a lot It has not had the option to keep up ideal expense situating. The company is more dependable on their own contribution to improve their financial resources so that the company must raise their capital. They should adopt new strategy to improve their liquidity position like Restructure of business debt, Utilize idle funds, Reduce overhead, Proactively manage receivables, Sell useless assets etc.,

According to the reputation, the company should improve their working capital based on requirement of organization. The company should illuminate the short- term solvency and long-term solvency to increase the inflow to meet long term needs.

REFERENCE

1. [1] Akram, S. (2019), "The impact of working capital management on firm profitability: a comparison between seasonal and non-seasonal businesses", *Research Journal of Finance and Accounting*, Vol. 10 No. 15, pp. 8-12.
2. [2] Chand (2019), "The impact of working capital management on firm profitability: a comparison between seasonal and non-seasonal businesses", *Research Journal of Finance and Accounting*, Vol. 10 No. 15, pp. 8-12.
3. [3] Anwar, J. (2018), "The effect of working capital management on profitability in manufacturing company listed in Indonesia stock exchange", *The Accounting Journal of Binaniaga*, Vol. 3 No. 1, pp. 1-14, doi: 10.33062/ajb.v3i1.173.
4. [4] Cakici, N., Chatterjee, S. and Tang, Y. (2017), "Alternative profitability measures and cross section of expected stock returns: international evidence",

Working Paper, SSRN 2969687, Springer, New York, NY, doi: 10.2139/ssrn.2969687.

5. [5] Vintila, G. and Nenu, E.A. (2016), "Liquidity and profitability analysis on the Romanian listed companies", *Journal of Eastern Europe Research in Business and Economics*, Vol. 2016, Art. ID, 161707, doi: 10.5171/2016.161707.