



# A study on cash flow analysis of selected pharmaceutical companies in India

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**Abstract:** Cash is characterized as money in corporate records, momentary ventures or business paper that is effectively convertible to money. Income empowers a business to pay its representatives, seller and put resources into new chances. Income explanation is an essential piece of budget report and readiness of it. It is needed according to organizations' demonstration 1994. Organizations are needed to record an assertion of income as out lined by the Financial Accounting Standards Board proclamation of income (FASB Standards 95). Income of the executives is a progressing cycle that estimating of income to key objectives and targets of an association. This paper inspects the current practice followed by test organizations in examination of income.

**Key Words:** Cash flow analysis.

## 1. INTRODUCTION:

The adaptability reached a conclusion in late 1987, with the Financial Accounting Standard Board (FASB) issuance of standard No.95, which required a proclamation of incomes to supplant the broader asset articulations. In this way, the FASB with an end goal to support speculators and banks better anticipate future income that featured income from working contributing exercises. Cash flow is one of instruments, for evaluating the exhibition of an organization. It gives important data upon the liquidity of organization. Cash flow give basic data to organization proprietors, investors, speculators and the motivation behind an income explanation is to give data on the income from an organization's working, financing and contributing exercises to empowers the clients of its budget reports to assess the capacity of the organization to create money, so income proclamation is a significant sign of monetary wellbeing.

## 2. LITERATURE REVIEW:

**Bhasker D. (March, 2018)** A study on cash flow statement analysis is the foundation of the study. This investigation's goals are to understand the development and financial performance of Eidika Systems Integrators Private Limited. One company has been selected by the researcher, and it is confined for five years, from 2013 to 2017. T-test and standard deviation were utilised in this study's analysis, and it was ultimately determined that the company's cash situation had been declining throughout the study, necessitating improvement going forward in order to increase profits.

**Paliwal A. (2015)** According to what he said, the term "cash flow statement" is an important tool for analysing the financial presentation of a company, and the income fluctuations may be easily detected by contrasting the company's financial status over an extended period of time. The research discovered the net changes in net money in real cash and its distribution among three company activities. It also discovered the cash flow statement's strengths and weaknesses.

## 3. METHOD:

As per alternative data collected from different sources, the research was carried out. As a result, analysts from the population selected 5 pharmaceutical companies: Certain Torrent, Cipla, Lupine, Sunpharma, and Dr. Chosen as Reddy. To make the exam more interesting, use some journal articles, reading material, and websites of other bookkeeping institutes. The five-year study covers from 2016 to 2020.

## 4. OBJECTIVES:

- To investigate cash flow analysis' theoretical side.
- To find out the current methodologies used by a few Indian pharmaceutical firms for cash flow analysis.
- To evaluate the company's total liquidity position.



## 5. ANALYSIS:

Cash flow analysis of selected pharmaceuticals companies in India.

### CASH FLOW ANALYSIS OF TORRENT PHARMACEUTICALS LTD:

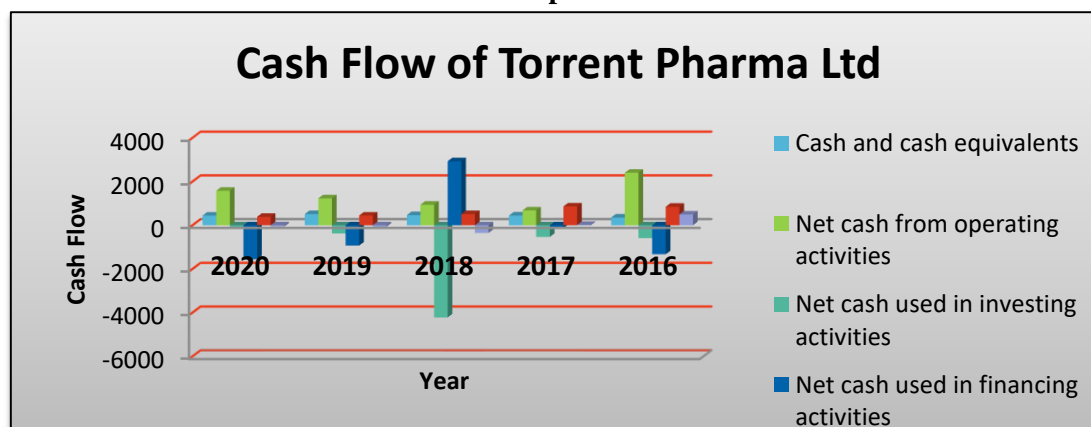
Table-1

(Rs. In crore)

Year/Cash Flow Summary	Cash and cash equivalents at beginning of the year	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the year	Net Inc/Dec. in Cash
2020	443.91	1578.78	-80.75	-1,555.48	386.46	-57.45
2019	512.99	1231.83	-373.33	-927.58	443.91	-69.08
2018	462.12	941.08	-4,218.90	2,928.72	513.02	-349.10
2017	446.59	679.38	-532.60	-131.25	862.12	15.53
2016	353.83	2403.00	-586.20	-1,325.82	846.59	492.76

(Source: Annual report of torrent pharma. Ltd)

Graph - 1



It was seen that from above table 1.1 Cash of initial year was 353.83 cr. in 2016 and 443.91 cr. in 2020. However Cash of ending year of 2016 was 492.76 cr. and in 2020 it was 386.46 cr. Net cash in 2016 was seen 492.76 cr. and in 2020 it was -57.45cr. Here, in the year 2016 the cash position of torrent pharmaceutical ltd was good but next four year up to 2020 it was goes down so it was not superior for the company.

### CASH FLOW ANALYSIS OF CIPLA LTD:

Table-2

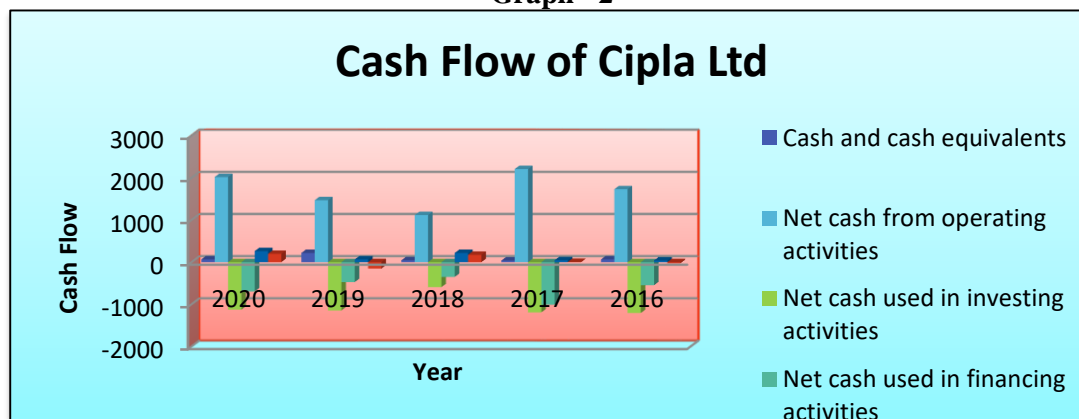
(Rs. In crore)

Year/Cash Flow Summary	Cash and cash equivalents at beginning of the year	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the year	Net Inc/Dec. in Cash
2020	64.47	2,018.14	-1,126.33	-693.89	261.54	197.07
2019	217.45	1,468.05	-1,147.05	-473.32	64.47	-152.98
2018	44.60	1,116.53	-592.16	-350.96	217.45	172.85
2017	39.76	2,207.39	-1,191.25	-1,010.80	44.60	4.84
2016	64.34	1,728.40	-1,205.67	-547.00	39.76	-24.58

(Source: Annual report of Cipla Ltd)



Graph - 2



It was observed that from above table 1.2 Cash of commencing year was 64.34 cr. in 2016 and 64.47 cr. in 2020. However Cash of closing year of 2016 was 39.76 cr. and in 2020 it was 261.54 cr. Net cash in 2016 was seen -24.58 cr. and in 2020 it was 197.07cr. Here we can see that the cash position was in fluctuating trend within the study and overall position of cipla pharmaceutical ltd was excellent.

#### CASH FLOW ANALYSIS OF LUPIN LTD:

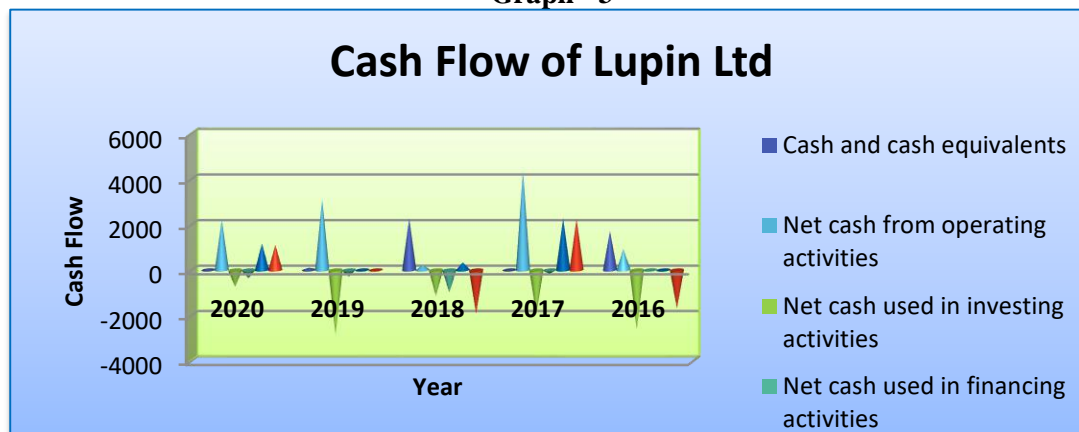
Table-3

(Rs. In crore)

Year/Cash Flow Summary	Cash and cash equivalents at beginning of the year	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the year	Net Inc/Dec. in Cash
2020	55.94	2,219.49	-739.56	-367.85	1,168.02	1,112.08
2019	105.67	3,110.72	-2,865.07	-295.38	55.94	-49.73
2018	2,270.01	215.02	-1,159.79	-986.98	338.26	-1,931.75
2017	18.49	4,352.09	-1,940.55	-160.02	2,270.01	2,251.52
2016	1,714.08	916.66	-2,629.17	16.92	18.49	-1,695.59

(Source: Annual report of Lupin Ltd)

Graph - 3



It was examined that the Cash of beginning year was 1714.08 cr. in 2016 and 55.94 cr. in 2020. However Cash of ending year of 2016 was 18.49 cr. and in 2020 it was 1168.02 cr. Net cash in 2016 was seen -1695.59 cr. and



in 2020 it was 1112.08 cr. The position of cash flow of Lupin Ltd was changeable from the 2016-17. Generally cash position of this company was good in this work.

#### CASH FLOW ANALYSIS OF SUNPHARMA LTD:

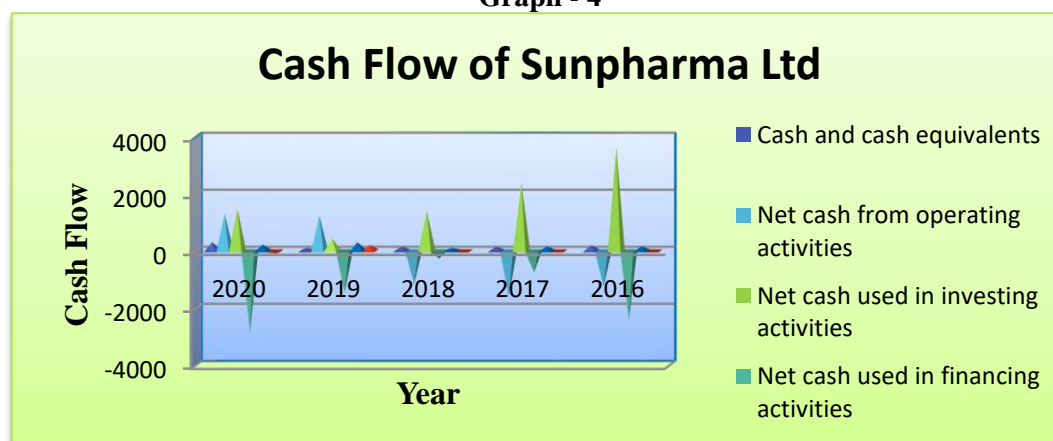
Table- 4

(Rs. In crore)

Year/Cash Flow Summary	Cash and cash equivalents at beginning of the year	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the year	Net Inc/Dec. in Cash
2020	302.76	1,305.85	1,479.29	-2,871.15	220.50	-82.26
2019	97.80	1,242.18	433.69	-1,468.59	302.76	204.96
2018	147.52	-1,171.23	1,391.62	-272.10	97.80	-49.72
2017	140.99	-1,621.00	2,381.38	-752.99	147.52	6.53
2016	193.20	-1,244.45	3,630.19	-2,425.12	154.34	-38.86

(Source: Annual report of Sunpharma Ltd)

Graph - 4



The Cash of starting year was 193.20 cr. in 2016 and 302.76 cr. in 2020. However Cash of finale year in 2016 was 154.34 cr. and in 2020 it was 220.50 cr. Net cash in 2016 were seen -38.86 cr. and in 2020 it was -82.26 cr. The position of cash flow of Sunpharma ltd was variable since the 2016-17. Generally cash position of this company was normal during the study.

#### CASH FLOW ANALYSIS OF DR REDDY LTD:

Table- 5

(Rs. In crore)

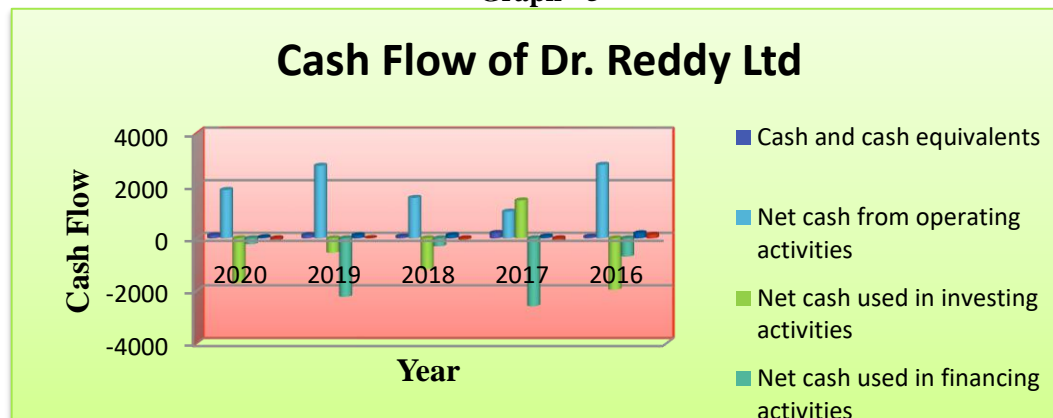
Year/Cash Flow Summary	Cash and cash equivalents at beginning of the year	Net cash from operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of the year	Net Inc/Dec. in Cash
2020	113.20	1,839.20	-1,689.20	-224.10	39.10	-74.10
2019	120.70	2,762.10	-550.90	-2,223.10	113.20	7.50
2018	66.70	1,538.60	-1,179.90	-304.40	120.70	-54.00



2017	202.10	1,015.90	1,442.50	-2,581.80	66.70	-135.40
2016	60.00	2,798.20	-1,961.10	-693.70	194.20	134.20

(Source: Annual report of Dr Reddy Ltd)

Graph - 5



The Cash of opening year was 60.00 cr. in 2016 and 113.20 cr. in 2020. Though Cash of last year in 2016 was -693.70 cr. and in 2020 it was -224.10 cr. Net cash in 2016 were seen 134.20 cr. and in 2020 it was -74.10 cr. The position of cash flow of Dr. Reddy Ltd was up-and-down during the 2016-17. But cash position of this company compare to other was better in the study.

## 6. FINDINGS:

- It is founded that Net cash of torrent ltd in 2016 was seen 492.76 cr. and in 2020 it was -57.45cr. Cash position of this company was good but next four year up to 2020 it was goes down.
- It is observed that Net cash in 2016 was seen -24.58 cr. and in 2020 it was 197.07cr. We can see that the liquidity position was in fluctuating trend within the study.
- Researcher has originated that the Net cash in 2016 was seen -1695.59 cr. and in 2020 it was 1112.08 cr. The cash flow of Lupin ltd was changeable from the 2016-17.
- Net cash of sunpharma ltd in 2016 were seen -38.86 cr. and in 2020 it was -82.26 cr. The position of cash flow of this company was variable since the 2016-17
- It is seen that the Net cash of Dr. Reddy in 2016 were seen 194.20 cr. and in 2020 it was 39.10 cr. The position of cash flow of Dr. Reddy ltd was up-and-down during the 2016-17.

## 7. RECOMMENDATIONS:

- Torrent Pharmaceuticals Ltd.'s liquidity position was moving. This company needs the Formed status.
- Cipla pharmaceuticals ltd.'s financial situation fluctuated in quality during the study but was still in good shape. Nonetheless, the firm should boost its drug.
- Lupine Limited has to generate more funds to support the future.
- Sunpharma Limited's liquidity situation during the study was normal, thus this business has to improve its cash.
- Dr. Reddy had a stronger cash position than other businesses, but for future expansion, this company must also strengthen its cash position.

## 8. CONCLUSION:

This investigation was carried out to evaluate the financial standing of publicly traded pharmaceutical firms. The researcher worked with five pharmaceutical companies on this research endeavour. The majority of the companies had strong cash positions during the research period, but some of them had unfavourable circumstances, thus they needed to boost their liquidity for the company's long-term advantages.

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