INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
The American Economic Association's electronic bibliography, EconLit, U.S.A.,
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.
Circulated all over the world & Google has verified that scholars of more than **4456 Cities** in **177 countries/territories** are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ______________________.**

(e.g. Finance/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in one of your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to their inclusion of names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR :
Designation :
Institution/College/University with full address & Pin Code :
Residential address with Pin Code :
Mobile Number (s) with country ISD code :
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No) :
Landline Number (s) with country ISD code :
E-mail Address :
Alternate E-mail Address :
Nationality :

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version*** ***is liable to be rejected without any consideration***.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any **specific message** w.r.t. to the manuscript.

d) The total size of the file containing the manuscript is expected to be below **1000 KB**.

e) **Abstract alone will not be considered for review** and the author is required to submit the **complete manuscript** in the first instance.

f) ***The journal gives acknowledgement w.r.t. the receipt of every email within twenty four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE:** The title of the paper should be **bold typed**, **centered** and **fully capitalised**.
3. **AUTHOR NAME (S) & AFFILIATIONS:** Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.
4. **ACKNOWLEDGMENTS:** Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.
5. **ABSTRACT:** Abstract should be in **fully italicized text**, ranging between **150** to **300 words**. The abstract must be informative and explain the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.
6. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of **five**. These should be arranged in alphabetic order separated by commas and full stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations.
7. **JEL CODE:** Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php, however, mentioning JEL Code is not mandatory.
8. **MANUSCRIPT:** Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e.* ***grammatical, spelling*** *or* ***punctuation.*** *It must be thoroughly edited at your end*.
9. **HEADINGS:** All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
10. **SUB-HEADINGS:** All the sub-headings must be bold-faced, aligned left and fully capitalised.
11. **MAIN TEXT:**

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

The manuscript should preferably range from ***2000 to 5000 WORDS***.

12. **FIGURES & TABLES:** These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. *It should be ensured that the tables/figures are referred to from the main text*.

13. **EQUATIONS/FORMULAE:** These should be consecutively numbered in parenthesis, horizontally centered with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word should be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.

14. **ACRONYMS:** These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section: Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.

15. **REFERENCES:** The list of all references should be alphabetically arranged. ***The author (s) should mention only the actually utilised references in the preparation of manuscript*** and they are supposed to follow Harvard Style of Referencing. **Also check to make sure that everything that you are including in the reference section is duly cited in the paper**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parenthesis.
- ***Headers, footers, endnotes** and **footnotes** should **not be used** in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders after the references.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

UNPUBLISHED DISSERTATIONS

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

COMPARATIVE STUDY OF WORKING CAPITAL MANAGEMENT (WITH THE REFERANCE OF CIPLA & AUROBINDO PHARMA)

AMALESH PATRA
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
CALCUTTA GIRLS' COLLEGE
KOLKATA

ABSTRACT

Working capital management as usually concerned with administration of the current assets as well as current liabilities. The area includes the requirement of funds from various resources and to utilize them in all result oriented manner. It can be stated without exaggeration that effective working capital management is the short requirement of long term success. Every business concern aims at having adequate or optimal amount of working capital to run its business operations. Both excess as well as shortage of working capital situations are bad for any business. Too much of working capital means that large sum of money is tied up in accounts receivable and inventory and inadequate working capital can adversely affect the production and business operation, which is more dangerous. The main aim of present study is to comparatively analyze the working capital of the pharmaceutical industry with special reference Cipla Limited and Aurobindo pharma limited. The research study is descriptive and analytical which is conducted on the basis of secondary data. The present study is based on the analysis of five years annual reports of Cipla Limited and Aurobindo pharma limited from 2011 to 2015.

KEYWORDS

working capital, resources, inadequate, optimal, comparative.

INTRODUCTION

Working capital means the funds available for meeting the day to day operations of an enterprise. **It**'s the money a business has available to spend on its operations after paying off its bills and short-term debts. It consists broadly of that portion of assets of a business which are used in or related to its current operations. Working capital generates the important element of cost, viz. materials, wages and other expenses.

Working capital = Current Assets - Current Liabilities

Working capital management is the process of planning and controlling the level and mix of current assets of the firm as well as financing these assets. Thus this involves managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses**.** The dynamic business environment demands a framework for an efficient working capital management system in order to be more competitive. There is operative aspects of working capital i.e. current assets which is known as funds also employed to the business process from the gross working capital Current asset comprises cash receivables, inventories, marketable securities held as short term investment and other items nearer to cash or equivalent to cash. Working capital comes into business operation when actual operation takes place generally the requirement of quantum of working capital is determined by the level of production which depends upon the management attitude towards risk and the factors which influence the amount of cash, inventories, receivables and other current assets required to support given volume of production. Working capital management as usually concerned with administration of the current assets as well as current liabilities. The area includes the requirement of funds from various resources and to utilize them in all result oriented manner. It can be stated without exaggeration that effective working capital management is the short requirement of long term success. The importance of working capital management is indisputable; Business liability relies on its ability to effective management of receivables, inventory, and payables. By minimizing the amount of funds tied up in current assets. Firms are able to reduce financing costs or increase the funds available for expansion. Many managerial efforts are put into bringing non-optimal level of current assets and liabilities back towards their optimal levels. There are different method of analyzing working capital of the pharmaceutical company are ratios, trend analysis, common size statements, comparative statements. In this study the analysis of working capital of Cipla Limited and Aurobindo pharma Limited is done through ratios.

LITERATURE REVIEW

Islam & Rahman (1994) conducted a study on working capital trends of enterprises in Bangladesh. They find that optimum working capital enables a business to have its credit standing and permits the debts payments on maturity date and helps to keep itself fairly in liquid

Lamberson (1995) studied how small firms respond to changes in economic activities by changing their working capital positions and level of current assets and liabilities. Current ratio, current assets to total assets ratio and inventory to total assets ratio were used as measure of working capital while index of annual average coincident economic indicator was used as a measure of economic activity.

Eljelly (2004) examined the relation between profitability and liquidity by using correlation and regression analyses and found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability

Sayaduzzaman (2006) in his article on "Working Capital Management: A study on Birla Corporation cement Limited " mentions that the efficiency of working capital management of Birla Corporation cement Limited . is highly satisfactory due to the positive cash inflows and planned approach in managing the major elements of working capital. He found that working capital management helps to maintain all around efficiency in operations. In the article "Liquidity-Profitability Trade off: An Empirical Investigation in an Emerging Market**,"**

Raheman (2007) studied the effect of different variables of working capital management including the Average Collection Period, Inventory Turnover in Days, Average Payable Period, Cash Conversion Cycle and Current Ratio on the Net Operating Profitability of Pakistani Firms. By using Pearson's correlation and regression analysis he found that there was a strong negative relationship between variables of Working Capital Management and Profitability. He also finds that as the cash conversion cycle increases, it leads to decrease in profitability of the firm and managers can create a positive value for the shareholders by reducing the cash conversion cycle to a possible minimum level.

Mathuva (2009) studied the impact of working capital management on the performance. He took almost 30 listed firms as a sample and all these companies were listed in Nairobi stock exchange and the data was taken from 1993 to 2008. There were certain findings of his research by analyzing the fixed effects regression models. Firstly, there is a negative relationship between the time when the cash is collected from the customers and the firm's productivity. This depicts, firms that are more profitable enjoys less time period for the collection of cash from the customers as compare to ones which are less profitable. Secondly, there is a positive relationship between the inventories when they were brought in and the period to which they are sold and the firm's profitability. The interpretation comes out as that the firms or the organizations which take more time to keep the inventories it reduces the costs of the disruption in the process of production and usually the business losses as there is the insufficiency in the goods. This situation decreases the operating cost of the firm. The third assumption of the research was the association between the average payment period and profitability and found out to be positive ($p<0.01$). The more the time taken to disburse the creditors, the profitability will increases

Saswata Chattered (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 has 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. 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.

NEEDS AND SIGNIFICANCE OF THE STUDY

The need for working capital arises due to the time gap between production and realization of cash from sales. Working capital is must for every business for purchasing raw-materials, semi finished goods, stores & spares etc and the following purposes.

i) Purchase raw materials, spare parts and other component: A manufacturing firm needs raw-materials and other components parts for the purpose of converting them in to final products, for this purpose it requires working capital. Trading concern requires less working capital.

ii) Meet over head expenses: Working capital is required to meet recurring over head expenses such as cost of fuel, power, office expenses and other manufacturing expenses.

iii) Hold finished and spare parts etc: Stock represents current asset. A firm that can afford to maintain stock of required finished goods, work in progress & spares in required quantities can operate successfully. So for that adequate quantity of working capital is required.

iv) Pay selling & distribution expenses: Working capital is required to pay selling & distribution expenses. It includes cost of packing, commission etc.

v) Ability to Face crises: A concern can face the situation during the depression.

OBJECTIVES OF THE STUDY

The main objective of the study is to have an idea of the practical application of the working capital management whose theoretical aspect is known.

1. To understand how efficiently the working capital is being managed in cipla and Aurobindo pharma.
2. To understand the short-term solvency as well as the effectiveness of working capital in the operation of business of both the companies.
3. To understand the working capital management of cipla and Aurobindo pharma and their financial performance.

RESEARCH METHODOLOGY

The information and data for the research can be collected through secondary sources i.e. published articles, journals, news papers, reports, books and websites. The profit & loss account and balance sheet of the Cipla and Aurobindo Pharmalimited for the last five years i.e. from 31st March 2011 to 31st March 20015 were studied to get the clear picture of the Working Capital Management. The available data between these periods has been carefully analyzed, interpreted and presented by studying the Working Capital Management of the Cipla and Aurobindo Pharma limited. Various tools of analysis have been employed in order to arrive at certain conclusions regarding "**COMPARATIVE STUDY OF WORKING CAPITAL MANAGEMENT-WITH THE REFERANCE OF CIPLA & AUROBINDO PHARMA"**. Tabular analysis, percentage and graphs have been used for analysis of the data.

COMPANY PROFILE

Cipla Limited is a pharmaceutical company. The Company's business units include Active Pharmaceutical Ingredients (APIs), Respiratory and Cipla Global Access. The Company offers APIs, formulations and veterinary products. As of March 31, 2015, the Company offered its services across five continents across the world. It offers its services in India, South Africa, Europe and North America, among others. The Company offers over 1,000 products across about 120 countries. It offers its products for the therapeutic areas, including cardiovascular, children's health, dermatology and cosmetology, diabetes, human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS), infectious diseases and critical care, malaria, neurosciences, oncology, ophthalmology, osteoporosis, respiratory, urology and women's health. It offers veterinary products in the categories, including companion, equine, general care, livestock and poultry.

Aurobindo Pharma Limited is a pharmaceutical manufacturing company headquartered in HITEC City, Hyderabad, India. The company manufactures generic pharmaceuticals and active pharmaceutical ingredients. The company's area of activity includes six major therapeutic/product areas: antibiotics, anti-retroviral, cardiovascular products, central nervous system products, gastroenterological, and anti-allergic. The company markets these products in over 125 countries. Its marketing partners include AstraZeneca[2] and Pfizer The company commenced operations in 1988-89 with a single unit manufacturing Semi-Synthetic Penicillin (SSP) at Pondicherry. Aurobindo Pharma became a public company in 1992 and listed its shares in the Indian stock exchanges in 1995. it has a presence in key therapeutic segments such as neurosciences, cardiovascular, anti-retroviral, anti-diabetics, gastroenterology and cephalosporin's, among others. In 2014, Aurobindo purchased the generic operations of Actives in 7 Western European countries for $41 million.

DATA ANALYSIS AND FINDINGS

The objectives of the study have been achieved after analyzing the following ratios of Cipla and Aurobindo pharma Ltd for five years.

1. Current ratio for five years of Cipla and Aurobindo pharma Ltd.
2. Quick ratio for five years of Cipla and Aurobindo pharma Ltd.
3. Working capital turnover ratio for five years of Cipla and Aurobindo pharma Ltd.
4. Debtor's turnover ratio for five years of Cipla and Aurobindo pharma Ltd.
5. Creditor's turnover ratio for five years of Cipla and Aurobindo pharma Ltd.
6. Stock turnover ratio for five years of Cipla and Aurobindo pharma Ltd.
7. Operating profit ratio for five years of Cipla and Aurobindo pharma Ltd.
8. Earnings per share for five years of Cipla and Aurobindo pharma Ltd.

ANALYSIS OF LIQUDITY RATIO

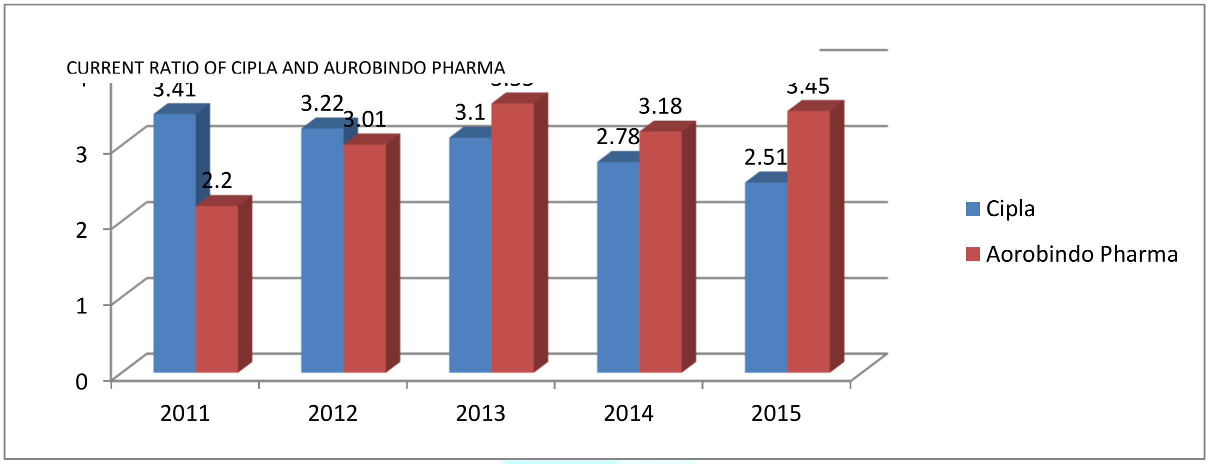
ANALYSIS OF CURRENT RATIO

Current Ratio is the relation between current assets and current liabilities. It measures whether or not a firm has enough resources to pay its debts over the next 12 months. The current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios vary from industry to industry and are generally between 1.5 and 3 for healthy businesses. If a company's current ratio is in this range, then it generally indicates good short-term financial strength. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems meeting its short-term obligations. The formula is- ***Current ratio=*** *Current assets / Current liabilities*

TABLE 1: CURRENT RATIO OF CIPLA AND AUROBINDO PHARMA (Rs.in crores)

Year	CIPLA			AUROBINDO PHARMA		
	Current assets Loan and Advances	Current Liabilities sand provision	Ratio	Current assets Loan and Advances	Current Liabilities and provision	Ratio
2011	4756.46	1394.40	3.411116	3461.47	1575.71	2.196768
2012	4612.53	1431.31	3.222593	3177.39	1056.09	3.008636
2013	5122.76	1657.88	3.089946	3938.34	1110.51	3.546425
2014	5435.99	1955.02	2.780529	5561.08	1748.28	3.180886
2015	6816.39	2721.06	2.50505	6795.93	1969.81	3.450043
Average			3.001847			3.076552

FIG. 1



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: The above bar chart shown that the current ratio of Cipla was 3.41 in 2011, 3.22 in 2012, 3.10 in 2013, 2.78 in 2014 and it decreased to 2.51 in2015. On the other hand, current ratio of Aurobindo Pharma was 2.20 in 2011, 3.01 in 2012, 3.55 in 2013, and 3.18 in 2014 and it again increased to 3.45 in 2015.The current ratio of both the company is satisfactory.

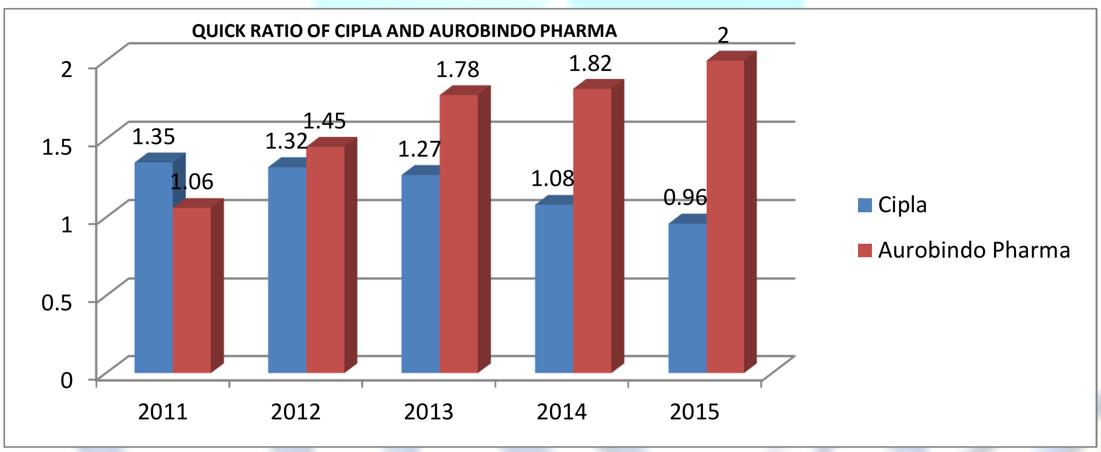
QUICK RATIO: It means the ability of a firm to pay its short term obligation as and when they become due. Quick Ratio is an indicator of company's short-term liquidity. It measures the ability to use its quick assets (cash and cash equivalents, marketable securities and accounts receivable) to pay its current liabilities. It is measured by dividing liquid assets by liquid liabilities. Its stander ratio is 1:1.

Liquid ratio= Liquid assets/ Liquid liabilities. Liquid assets=CA – Inventories. Liquid liabilities =CL-Bank Overdraft-Provision

TABLE 2: **QUICK RATIO OF CIPLA AND AUROBINDO PHARMA** (Rs. in crores)

Year	**CIPLA**			**AUROBINDO PHARMA**		
	Liquid assets	**Liquid Liabilities**	**Ratio**	**Liquid assets**	**Liquid Liabilities**	**Ratio**
2011	1581.02	1174.52	1.346099	1602.5	1518.29	1.055464
2012	1574.37	1190.78	1.322133	1440.29	994.42	1.448372
2013	1750.29	1380.91	1.26749	1845.16	1037.26	1.778879
2014	1774.14	1636.96	1.083802	2979.84	1633.8	1.823871
2015	2141.67	2219.61	0.964886	3720.07	1861.14	1.998813
Average			**1.196882**			**1.62108**

FIG. 2



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: The above diagram shows that the quick ratio of cipla was 1.35 in 2011, 1.32 in 2012, 1.27 in 2013,1.1 in 2014 and it stood at 1 in 2015. This decreasing trend of the ratio was not good sign for the company. On the other hand, the ratio of Aurobindo pharma was 1.06 in 2011,1.45 in 2012, 1.78 in 2013, 1.82 in 2014 and it stood at 2 in 2015. This increasing trend of the ratio showed a good sign for the company.

ANALYSIS OF EFFICINCY RATIO

WORKING CAPITAL TURNOVER RATIO

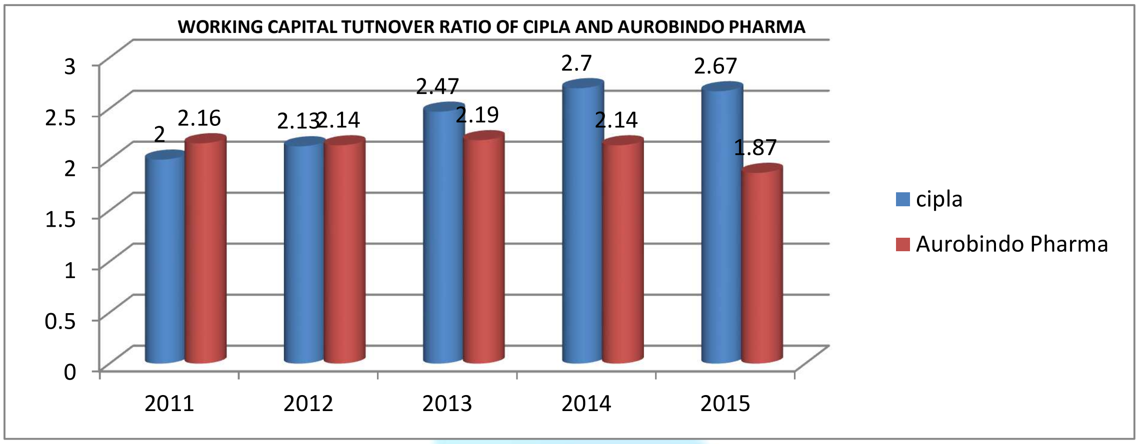
The working capital turnover ratio measures how efficiently a business uses its working capital to produce sales. A higher ratio indicates greater efficiency. In general, a high ratio can help the company's operations run more smoothly and limit the need for additional funding. **Working capital**=Current Assets- Current Liabilities

Working capital turnover ratio= Net sales/ Average Working capital. **Average woking capital**=opening working capital +closing working capital/2

TABLE 3: WORKING CAPITAL TURNOVER RATIO OF CIPLA AND AUROBINDO PHARMA (Rs.in crores)

Year	CIPLA			AUROBINDO PHARMA		
	Net sale	Av.Working capital	ratio	Net sale	Av.Working capital	ratio
2011	6331.09	3160.355	2.003284	4133.12	1910.425	2.163456
2012	6977.5	3271.64	2.132722	4281.45	2003.53	2.136953
2013	8202.42	3323.05	2.468341	5425.1	2474.565	2.192345
2014	9380.29	3472.925	2.700977	7110.71	3320.315	2.141577
2015	10131.33	3788.15	2.67448	8095.1	4319.46	1.8741
Average			**2.395961**			**2.101686**

FIG. 3



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: Above diagram shows that the working capital turnover ratio of cipla was 2 in 2011,2.13 in 2012,2.47 in 2013, 2.7in 2014 and it at 2.67 in 2015. It shows good sign for the company. On the other hand, the working capital turnover ratio of Aurobindo pharma was 2.16in 2011, 2.14 in 2012, 2.19 in 2013, and 2.14in 2014 and in 2015 it was1.87. The ratio gradually decreased over the study period except 2013. it was not good for the company.

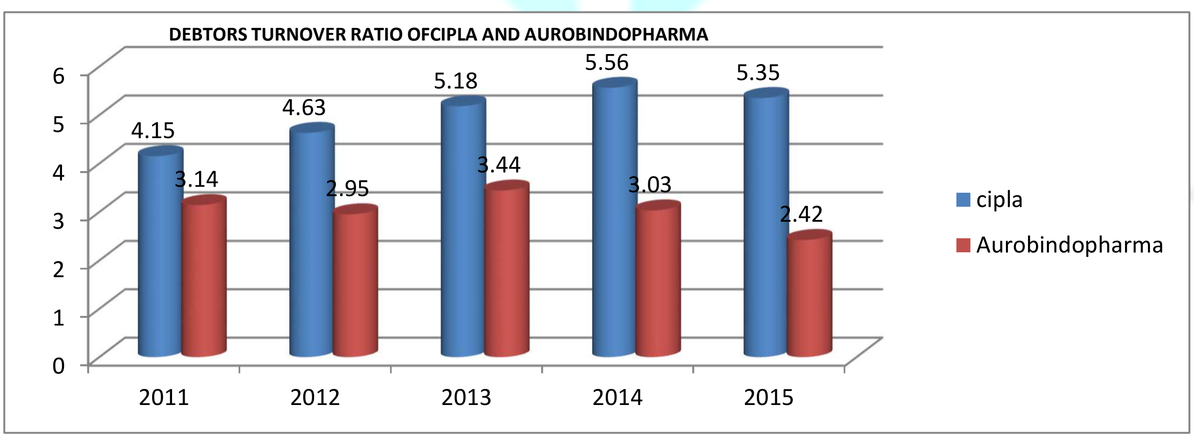
DEBTORS TURNOVER RATIO: Debtors Turnover ratio is an important ratio which measures the company's efficiency in collecting the money owed by the customers. It indicates higher the turnover rate is the more efficient of the management and more liquid are the debtors. It is measured by dividing Total credit sales by average debtors. Here, **net sale=net annual credit sale**

Debtor turnover ratio=Net annual credit sales/Average debtors. **Average debtor**=opening debtor +closing debtors/2

TABLE 4:-DEBTORS TURNOVER RATIO OF CIPLA AND AUROBINDO PHARMA (Rs.in crores)

Year	CIPLA			AUROBINDO PHARMA		
	Credit sales	Average Debtors	Ratio	credit ales	Average Debtors	Ratio
2011	6331.09	1524.875	4.151875	4133.12	1315.82	3.141098
2012	6977.5	1508.18	4.626437	4281.45	1453.29	2.94604
2013	8202.42	1582.27	5.183957	5425.1	1578.44	3.437001
2014	9380.29	1686.66	5.561459	7110.71	2350.36	3.025371
2015	10131.78	1893.51	5.350793	8095.1	3339.53	2.424024
Average			**4.974904**			**2.994707**

FIG. 4



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: The data table and chart shows that the debtors turnover ratio of cipla was 4.15 times in 2011,4.63times in 2012,5.18 times in 2013,5.56times in 2014 and it goes up at 5.35 times in 2015.Itmeans the debt collection efficiency of the company gradually increased and satisfactory. On the other hand the debtor's turnover ratio of Aurobindo pharma was 3.14 in 2011, 2.95 in 2012, 3.44 in 2013, 3.03 in 2014 and it down to 2.42 in 2015.The debtors collecting efficiency of the management is not good.

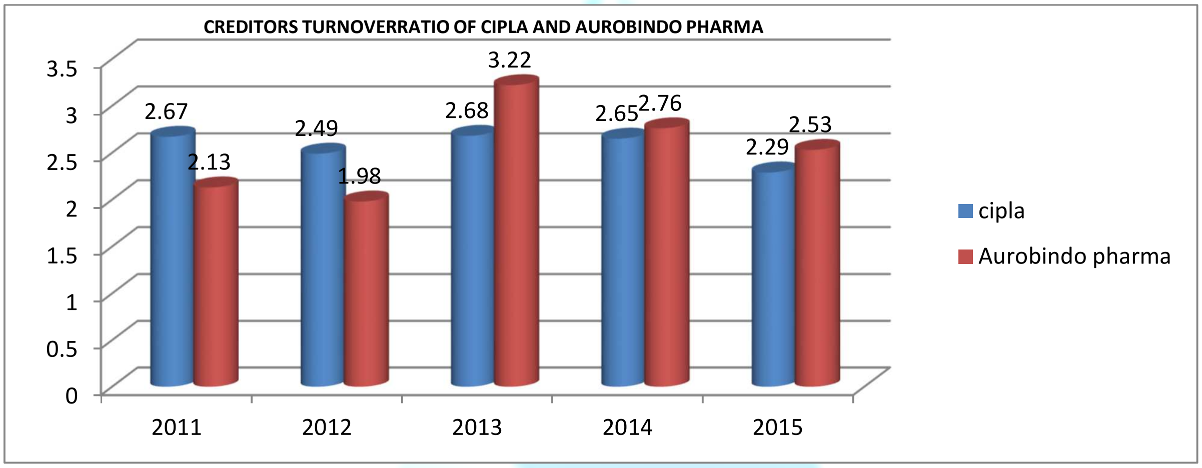
CREDITORS TURNOVER RATIO

Creditor's turnover ratio is the relation between net annual credit purchase and average creditors. It gives us the information about time period by which we pay our creditors bill. The ratio helps the creditors to take the decision, whether goods on credit will be given to us or not. Higher creditor turnover rati o is good because it will decrease the average payment period. Formula is- **Creditor's turnover ratio** = net annual credit purchase/average creditor. **Average creditor**= Opening creditor +closing creditor.

TABLE 5: CREDITORS TURNOVER RATIO OF CIPLA AND AUROBINDO PHARMA (Rs.in crores)

Year	CIPLA			AUROBINDO PHARMA		
	Credit purchase	Av.creditors	Ratio	Credit purchase	Av.creditors	Ratio
2011	3136.29	1175.81	2.667344	2391.66	1119.11	2.137109
2012	2947.97	1182.65	2.492682	2493.27	1256.36	1.984519
2013	3440.15	1285.85	2.67539	3273.04	1015.84	3.222003
2014	4002.79	1508.93	2.652734	3689.05	1335.53	2.762237
2015	4414.37	1928.29	2.289267	4166.99	1647.47	2.529327
Average			**2.555483**			**2.527039**

FIG. 5



Source: Compile Personally from Dion Global Solutions Limited

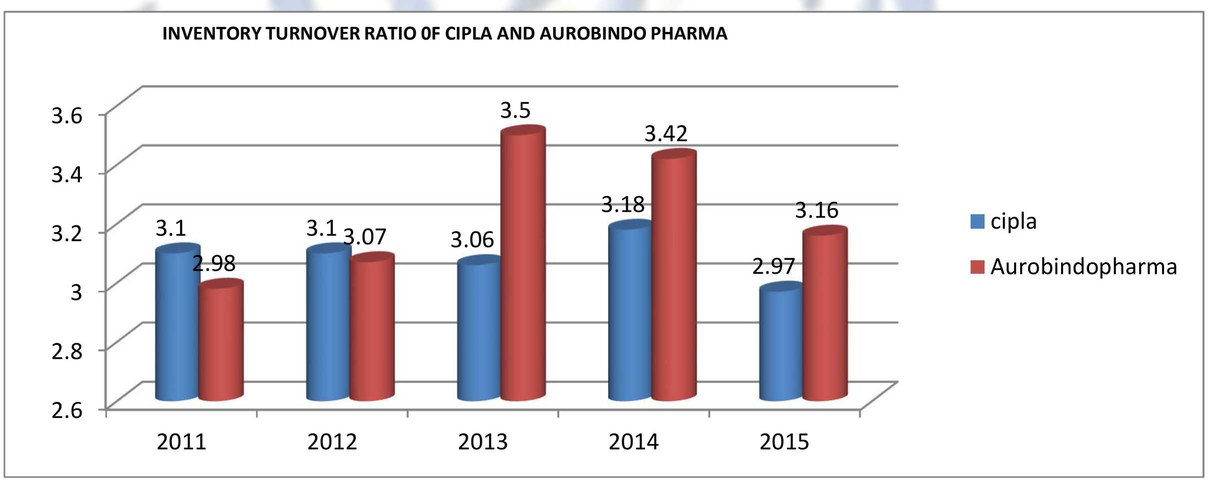
FNDINGS: The table and bar chart shows that the creditor's turnover ratio of cipla was 2.67 times in 2011, 2.49 times in 2012, 2.68 times in 2013, 2.695times in 2014 and it decreased to 2.29 times in 2015. On the other hand, he creditors turnover ratio of Aurobindo Pharma was 2.13 times in 2011, 1.98 times in 2012, 3.22 times in 2013, 2.76 times in 2014 and it decreased to 2.53times in 2015.

INVENTORY TURNOVER RATIO: Inventory turnover ratio is an ability of a firm to measures how many times per period a business sale and replaces its inventory again. Higher ratio leads to reducing holding and increase the net income and profitability. As a general rule, the higher the inventory turnover ratio is the more efficient and profitable the firm. A high ratio means that the firm is holding a low level of average inventory in relation to sales. Formula is- ***Inventory turnover ratio=*** Cost of goods sold/ Average stock ***Cost of goods sold=***Sale- Gross profit
Average stock=Opening stock+ Closing Stock /2

TABLE 6:-INVENTORY TURNOVER RATIO OF CIPLA AND AUROBINDO PHARMA (Rs.in crores)

Year	CIPLA			AUROBINDO PHARMA		
	Cost of goods sold	Average stock	Ratio	Cost of goods sold	Average stock	Ratio
2011	5258.6	1697.87	3.097175	3289.96	1102.92	2.982954
2012	5678.29	1833.83	3.09641	3803.21	1240.14	3.066759
2013	6386.4	2083.94	3.06458	4638.46	1325.5	3.499404
2014	7715.29	2427.27	3.178587	5377.83	1571.77	3.421512
2015	8603.13	2900.18	2.966412	6089.94	1928.43	3.157978
Average			**3.080633**			**3.225721**

FIG. 6



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: The above chart shows that the Inventory turnover ratio of Cipla was3.1 in 2011 and 2012, 3.06 in 2013,3.42 in 2014and 3.16 in 2015. On the other hand, the ratio of Aurobindopharma was 2.98 in 2011,3.07 in 2012,3.5 in 2013, 3.42 in 2014,3.16 in 2015.

FINANCIAL PERFORMANCE RATIO

OPERATING PROFIT RATIO

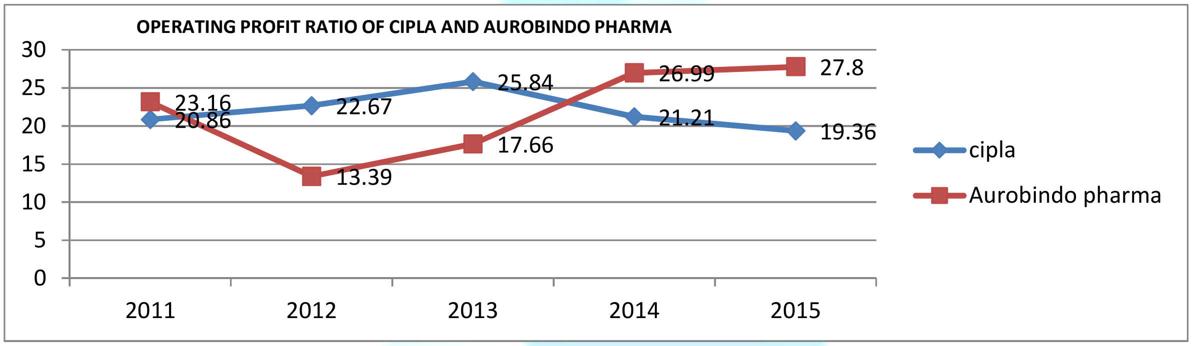
Operating margin or operating profit ratio measures what proportion of a company's revenue is left over, after deducting direct costs and overhead and before taxes and other indirect costs such as interest. Operating margin formula is: Operating profit/net sales x100

Operating profit ratio is used to measure company's pricing strategy and operating efficiency. It gives an idea of how much a company makes (before interest and taxes) on each dollar of sales. High or increasing operating profit ratio is preferred because if the operating profit ratio is increasing, the company is earning more per dollar of sales.

TABLE 7: OPERATING PROFIT RATIO OF CIPLA AND AUROBINDO PHARMA (Rs.in crores)

Year	CIPLA			AUROBINDO PHARMA		
	Operating profit	Net sales	Ratio	Operating profit	Net sales	Ratio
2011	1320.7	6331.09	20.8605	957.21	4133.12	23.1595
2012	1581.86	6977.5	22.6709	573.5	4281.45	13.39499
2013	2119.14	8202.42	25.8355	958.06	5425.1	17.65977
2014	1989.53	9380.29	21.2097	1919.47	7110.71	26.99407
2015	1961.31	10131.78	19.358	2250.42	8095.1	27.79978
Average			**21.9869**			**21.80162**

FIG. 7



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: The table and bar chart shows that the operating profit ratio of cipla was 20.86 in 2011, 22.67 in 2012, 25.84 in 2013, 21.21in 2014 and 19.36 in 2015. On the other hand, the ratio of Aurobindo pharma was23.16 in 2011, 13.39 in 2012,17.66 in 2013, 26.99 in 2014 and 27.8 in 2015. It shows good sign for the company.

EARNINGS PER SHARE

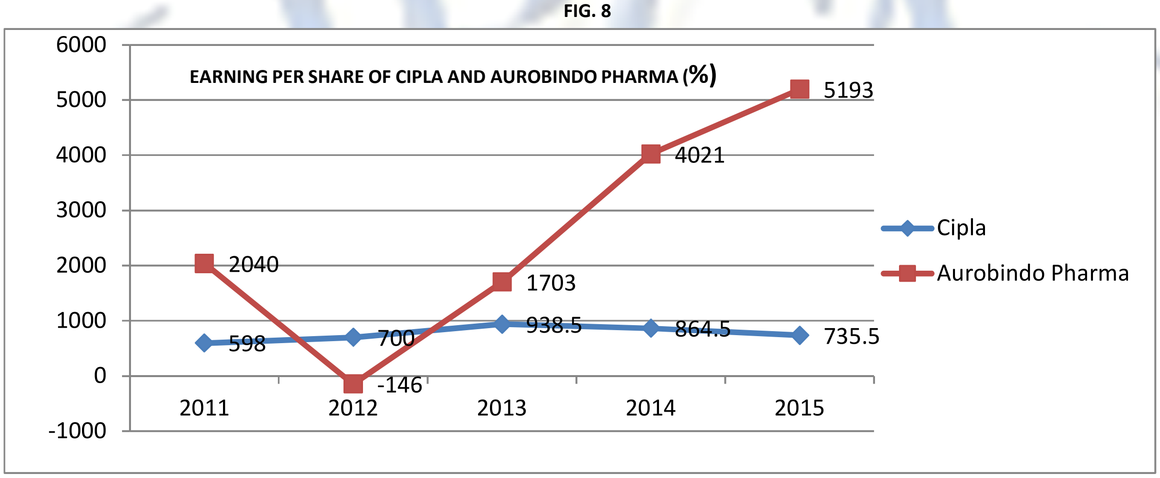
EPS is the amount of reported income, on a pershare basis, that a firm has available to pay dividends to common stockholders or to reinvest in itself It is measured by dividing to calculate the ratio, subtract any dividend payments due to the holders of preferred stock from net income after tax, and divide by the average number of common shares outstanding during the measurement period. The calculation is as per following:

EPS= Net income after tax - Preferred stock dividends/ Average number of common shares outstanding

TABLE 8: EARNING PER SHARE OF CIPLA AND AUROBINDO PHARMA (%)

Year	CIPLA			AUROBINDO PHARMA		
	Earnings per share(Rs.)	face value(Rs.)	Percentage	Earnings per share(Rs.)	face value(Rs.)	Percentage
2010	11.96	2	598	20.4	1	2040
2011	14	2	700	-1.46	1	-146
2012	18.77	2	938.5	17.03	1	1703
2013	17.29	2	864.5	40.21	1	4021
2014	14.71	2	735.5	51.93	1	5193
Average			**767.3**			**2562.2**

FIG. 8



Source: Compile Personally from Dion Global Solutions Limited

FINDINGS: The data table and line chart shown that the EPS of cipla was 598% in 2011, 700% in 2012, 938.5% in 2013, 864.5% in 2014 and 735.5% in2015. On the other hand, the ratio of Aurobindo Pharma was 2040% in 2011, -146% in 2012, 1703% in 2013, and 4021% in 2014 and it went up to 5193% in 2015, which shows good sign for the company.

CONCLUSION AND RECOMMENDATION

CONCLUSION

- Ideal **Current ratio** is 2:1. Current ratio of cipla and Aurobondo pharma limited has maintained the Ideal current ratio. Both the *company has almost same current ratio with the average of cipla 3:1 and Aurobindo pharma has 3.07:1. comparative study shows* that the current ratio of Aurobindo pharma is better than the cipla limited.
- **Quick ratio** is another short term liquidity ratio. Its ideal ratio is 1:1. Both the company maintained the standared ratio except cipla in 2015. In case of cipla it is varies from 1.35to 0.96 with the average of 1.20. On the otherhand the ratio of aurobindo pharma varies from1.06 to2.00 with the average of1.62 over the study period. The above study shows that quick ratio of Aurobindo pharma is better than cipla limited.

From the comparative analysis it is to be said that the short term liquidity position of Aurobindo pharma is better than the cipla limited.

- The **Working capital turnover ratio** of cipla ltd. varies from 2 times to 2.7 times with the average of 2.4 times. On the other hand, the ratio of Aurobindo Pharma varies from1.87 times to 2.19 times with the average 2.10 times. From the study it is clear that the Working capital management of Cipla Ltd. is more efficient than the Aurobindo pharma.
- **Debtor's turnover ratio** of cipla varies from 4.15 times to 5.35 times with the average of 4.97 times. it implies that the average debt collection period is 73 days on average basis. On the other hand, Debtors turnover ratio of Aurobindo pharma varies from 3.14times to 2.42 times with the average of 2.99 times. it implies that the average debt collection period is 122 days on average basis. The comparative study says that the debtor's turnover ratio of Cipla Ltd.is more efficient than the Aurobindo pharmaLtd.
- **Creditor's turnover ratio** of cipla varies from 2.67 times to 2.29 times with the average of 2.56 times. it implies that the average creditors payment period is 143 days on average basis. On the other hand, creditor's turnover ratio of Aurobindo pharma varies from 2.14times to 2.52 times with the average of 2.53 times. it implies that the average creditors payment period is 145 days on average basis. The comparative study says that the management of Cipla Ltd.is more efficient than the Aurobindo pharmaLtd.
- **Inventory turnover Ratio** of cipla varies from 3.1 times to 2.97 times with the average of 3.08 times which is not satisfactory. It implies either poor sales or excess inventory and a low turnover rate can indicate poor liquidity, possible overstocking, and obsolescence Inventory Turnover Ratio of Aurobindo Pharma varies from 2.98 times to 3.16 times with the average of 3.23 times which is not satisfactory. It implies either poor sales or excess inventory and a low turnover rate. From the above comparative study, it is clear that the management of Aurobindo pharma Ltd. is more efficient than the Cipla Ltd.

From the comparative analysis it is to be said that the Efficiency of management of cipla limited.is better than the Aurobindo pharma in working capital turnover ratio, debtor's turnover ratio and creditors turnover ratio, but in case of inventory turnover ratio aurobindo pharma is better than cipla ltd.

- **Operating profit ratio** of cipla varies from 20.86% to 19.36% with the average of 21.99%, on the other hand the rato of Aurobindo Pharma varies from 23.16% to 27.8% with the average of 21.80%. The trend of the Operating profit ratio of Aurobindo Pharma is looking better than cipla ltd.
- **Earnings Per Share** of cipla varies from 598% to 735.5% on face value per share with the average of 767.3%. On the other hand, the EPS of Aurobindo Pharma varies from 2040% to 5193% with the average of 2562.2% on the face value per share. Both the companies'EPS is satisfactory. But the trend of the EPS of Aurobindo Pharma is looking better than cipla ltd.

From the comparative analysis it is to be said that the financial performance of Aurobindo pharma is better than the cipla limited.

RECOMMENDATION

- The company should concentrate on minimization of the expenses.
- Management should increase the level of sales by using the same amount of working capital through great productivity.
- The management should increase the debtors and creditors turnover ratio, especially Aurobindo pharma ltd.
- The management should increase the Inventory turnover ratio, especially cipla ltd.

REFERENCES

1. Banarjee.B., Operating cycle conceptof Working Capital, ***Indian journal of Accounting***, IAA, December 1993
2. Batty, J., **Management Accountancy**,5th.ed., Macdoland and Evans, Plymouth,1982, p176-177
3. Dr. Prasanna Chandra (IIM B), ***Financial Management Theory and Practice***, Second Edition, Tata Mc-Graw Hill Publications, New Delhi
4. Dr. T.N.R. Kavitha, N. Manimuthu 'A Study of Working Capital Management with Special Reference to Birla Corporation Cement Ltd, Kolkata '***IOSR Journal of Business and Management (IOSR-JBM) e-ISSN: 2278-487X, p-ISSN***: ***2319-7668***, PP 72-75.
5. Dr. Vivek singhlu, Acomparative study of Financial performanceof sail and Tata steelLtd. ***International Journal of Review, Survey and Research(IJSSR) ISSN (Print):2321-3280 ISSN(online): 2319-4618***
6. Lazaridis, I. and D. Tryfonidis, (2006). Relationship between Working Capital Management and Profitability of Listed Companies in the Athens Stock Exchange. ***Journal of Financial Management and Analysis*.**
7. Pandey," ***Financial Management***", Vikas Publishing House Pvt Ltd,
8. Sharma***," Working Capital Managemen***t" Surabhi Pulications, pp.103-173.
9. Solmon, Ezra and john J. pringle, ***An Introduction to Financial Management***, 5th ed., Prantic Hall of India, New Delhi, pp.11-14.
10. Van Horne, J. C. and J. M. Wachowicz, (2000). Fundamentals of Financial Management.Eleventh edition, Prentice Hall, New Delhi. 2002.pp-428-429.
11. Walker, E.w., ***Essential of financial Management***,2nd ed., Prantic hall of India, New Delhi 1978,

WEBSITES

12. www.annualreport of cipla and aurobindopharma
13. www.investopedia.com
14. www.moneycontrol.com

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you tosupply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail**infoijrcm@gmail.com** for further improvements in the interest of research.

If youhave any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

 ISSN 2231-4245

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals