A Comparative Study on Financial Statement Analysis of Cipla Ltd

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ABSTRACT

Financial Statement Analysis is a method of reviewing and analyzing a company’s accounting reports in order to judge its past, present or projected future performance. The main advantage of financial statement analysis is to understand and diagnose the information contained in financial statement with a view to judge the profitability and financial soundness of the firm, and to make forecast about future prospects of the firm. The paper attempted to analyze the financial statements and measure the performance in terms of assets utilization, and profitability. In detail the research methodology used for the study that has focused on the past and present performance of Cipla Limited. The study purely relies on secondary data, which were collected for a period of five years (march2014-march 2018) from the audited annual reports of the company and maintained and made available by organization. In order to know the performance of the company study is done with the help of tools and techniques like trend analysis, common size analysis etc. This study reveals that financial strengths and weaknesses of the company over the study period. After the analyzing financial statements it ascertained that company is financially sound and demonstrated strong business momentum in India. Revenue is growing faster during last few years. Company has achieved key priorities for the past years despite of challenges around.

1. Introduction

A financial statement is the combination of the three major reports on a business. It contains the cash flow statement, the income statement and the balance sheet of the business. All three together produce an overall picture of the health of the business. The financial statement determines if a business has to ability to repay loans, if it has the cash flow to meet bills and purchase stock. It will also tell from where the business is generating cash and where the cash goes. The financial statement tells if the business is profitable, if it will stay profitable and if there are any large problems looming, such as a continuous drop in sales over time. Reading the financial statement will give an overall view of the condition of the business and if there are any warning signs of possible future problems. A bank or other such institution will look to the financial statement as the first indicator of how the business is performing and if there is a need for further investigation. Every business will ready a financial statement to go with their end of year results, to give interested parties the overview of how the business is functioning. If a business is looking to increase credit facilities with a banker trying to raise capital for an expansion, it will produce a financial statement for the end of a fiscal quarter or the most recent month. When preparing a financial statement for such purposes the best practice is to use general accountancy language, understood by all parties. A financial statement that may accompany an end of year report and read just by employees is often in terms familiar to just those involved. Often a government body may request a financial statement for tax purposes and the company will need to produce one of high quality using generally accepted guidelines. A bank or investors may also request a financial statement without warning, if they are concerned about the profitability or otherwise of the company. For these reason alone it is vital for any business to keep good and current records so that a financial statement is easy and quick to produce.

Financial Statement Analysis is a method of reviewing and analyzing a company’s accounting reports (financial statements) in order to judge its past, present or projected future performance. This process of reviewing the financial statements allows for better economic decision making. Financial analysis (also referred as financial statement analysis or accounting analysis or Analysis of finance) refers to an assessment of the ability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions. Financial analysis may determine if a business will:

Continue or discontinue its main operation or part of its business; Make or purchase certain materials in the manufacture of its product; Acquire or rent/lease certain machineries and equipment in the production of its goods; Issue stocks or negotiate for a bank loan to increase its working capital; Make decisions regarding investing or lending capital; Make other decisions that allow management to make an informed selection on various alternatives in the conduct to fits business.

Globally, publicly listed companies are required by law to file their financial statements with the relevant authorities. As financial statements are prepared in order to meet requirements, the second step in the process is to analyze them effectively so that future profitability and cash flows can before casted.
Financial analysis of a company should include an examination of the financial statements of the company, including notes to the financial statements, and the auditor's report. The auditor's report will state whether the financial statements have been audited in accordance with generally accepted auditing standards. The report also indicates whether the statements fairly present the company's financial position, results of operations, and changes in financial position in accordance with generally accepted accounting principles. Notes to the financial statements are often more meaningful than the data found within the body of the statements. The notes explain the accounting policies of the company and usually provide detailed explanations of how those policies were applied along with supporting details. Analysts often compare the financial statements of one company with other companies in the same industry and with the industry in which the company operates as well as with prior year statements of the company being analyzed.

2. Literature Review:

The financial statements of a business, person, or other entity are formal records and financial activities both in the short and long term business or provide an overview of the financial condition of the individual. They had brief as a condition of the company and the operating results of sat Pictures. Company officials and investors to assess the overall situation and operating results of the company mainly by financial statements are used as a management tool. Analysis and interpretation of financial statements helped liquidity situation, long term refinement Efficiency, financial viability and profitability of a firm in determining ratio analysis is hows that the company is improving or deteriorating over the past few years. In addition, all firms compared to effectively the various aspects of this can be done with it customers who reduce the risk or a firm should invest in order to decide the maximum profit can be help Does. Mining industries are capital-intensive; that’s why a lot of money invested in it before investing in such companies so carefully studied its financial condition and eligibility. Unfortunately very limited work analysis and interpretation of financial statements for Indian mining companies had been on a quest to analyze and five coal and non-coal mining companies to explain financial statements had been carried out in this project. The study revealed that the company perform financial statement analysis the benefit the investors for future investment in the company. It is also observed that a current position of all company was good the profitability and growth for the company were positive.

3. Objectives:

1. To assess the earning capacity or profitability of the firm.
2. To assess the operational efficiency and managerial effectiveness.
3. To assess the short term as well as long term solvency position of the firm.
4. To identify the reasons for change in profitability and financial position of the firm.
5. To make inter-firm comparison.
6. To make forecasts about future prospects of the firm.
7. To assess the progress of the firm over a period of time.
8. To help indecision making and control.
9. To guide or determine the dividend action.
10. To provide e important information for granting credit.

3. Research Method:

Objective of the study:

The study has the following objectives.

i. To provide theoretical framework for analyzing financial statements.
ii. To study the financial position of the company and current status of Cipla Limited.
iii. To understand the financial soundness of the company.

Hypothesis:

H0: Financial performance of Cipla Limited is not good in recent years.
H1: Financial performance of Cipla Limited good in recent years.
4. Scope of study:

The study mainly attempts to analyze the financial performance of the company selected for the study. The financial authorities can use this for evaluating their performance in future, which will help to analyze financial statements and help to apply the resources of the company properly for the development of the company and its employees to bring overall growth. There can be forecasting to evaluate the overall performance of the Cipla Limited in future.

5. Conclusion

1. On the basis of data analysis following conclusion are drawn:
   1. There a real together four types of financial statement. Firms use these instruments to calculate their performance.
   2. The Cipla Limited had given tremendous performance over the period of five years from 2014-2018.
   3. Every year there is increase in total capital employed by company which states that company’s achieving growth targets.
   4. Overall company’s financial position is good.

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