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A STUDY OF WORKING CAPITAL MANAGEMENT OF GLENMARK PHARMACEUTICALS LIMITED

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ABSTRACT

Working capital management refers to all management decision and action that influence the dimensions and effectiveness of the working capital. This study has been done on working capital management of **Glenmark Pharmaceuticals Limited**.

Efficient working capital management makes operation simple. It also helps to improve the company's profitability. Efficient working capital management systems generally use key overall performance indicators, including working capital ratios, inventory turnover rates, and collection rates, to identify areas that need to be considered to maintain liquidity and profitability. The main goal of working capital management is to maintain the operating cycle of working capital and ensure its orderly operation, minimize the capital cost of working capital, and maximize the return on working capital investment. So, an attempt has been made by the researcher to study the working capital management of Glenmark Pharmaceuticals Limited.

KEY WORDS: - Working Capital Management, Current Assets, Current Liabilities, Net working Capital,

INTRODUCTION

Current liabilities include accounts payable in one year. In this study, the researcher tried to study the working capital position of Glenmark Pharmaceuticals Limited.

Inefficient management of working capital reduces profitability, whereas proper management of working capital ensures financial returns.

Formula for calculating Working Capital = Current Assets – Current Liabilities Current assets include all the assets of the company that are converted into cash in one operating cycle. If current assets are more than current liabilities, then it means that the company can easily meet its short-term liabilities.

Working Capital is the liquidity of a company. That's why the working capital management is an important component of Financial Management, and its decisions affect the risks, liquidity and profitability of business.

As per the definition given by Smith K.V., "Working capital management is concerned with the problem that arises in attempting to manage the current assets, current liabilities and the inter relationships between them". The capability of a company to earn profit is often considered the ability of the company to maximize its profit.

THE NEED FOR THE STUDY

This study is concerned with the working capital management of the Glenmark Pharmaceuticals Limited. In order to analyze the position of the selected company, it is important to carry out this study.

REVIEW OF LITERATURE

G. Kanagavalli, in research, studied and analysed the working capital performance of Sun pharma, Lupin Pharma and Dr. Reddy's Laboratories Pharma. According to this study, financial health plays an important role in the successful management of these selected companies. Analysis in this research practically shows that gross profit ratio, cash ratio, quick ratio, return on equity capital have a significant effect on the net profit ratio of these selected companies.

Dr. Ashok Kumar Panigrahi, (2019), analyzed the profitability position of selected pharmaceutical companies in India. According to this, financial management is of great importance in making management decisions. The financial stability of business can be achieved by maintaining the liquidity and profitability of the business.

OBJECTIVES

1. To make an analysis on working capital management of Glenmark Pharmaceuticals Ltd.
2. To study liquidity of the Glenmark Pharmaceuticals Limited
3. To highlight the financial performance and return of Glenmark Pharmaceuticals Limited.
4. To offer findings and suggestions of this study.

RESEARCH METHODOLOGY

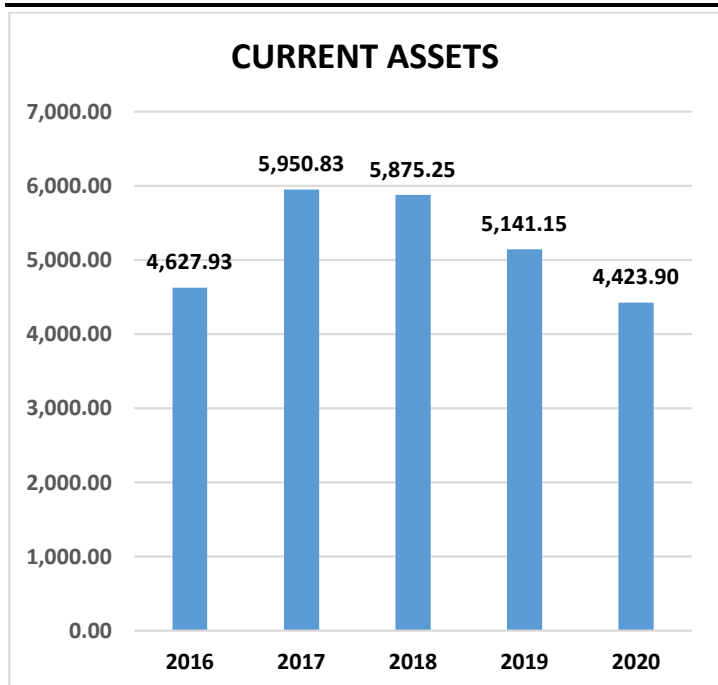
This study is completely based on the secondary data and conducted on the financial data of the Glenmark Pharma Ltd from the year 2016-2020. Which is collected from the -

- Balance sheet of Glenmark Pharmaceuticals Limited From 2016 to 2020.
- Annual report of Glenmark Pharmaceuticals Limited.

DATA ANALYSIS AND INTERPRETATION

Total Current Assets of Glenmark Pharma Ltd. (in Crore)

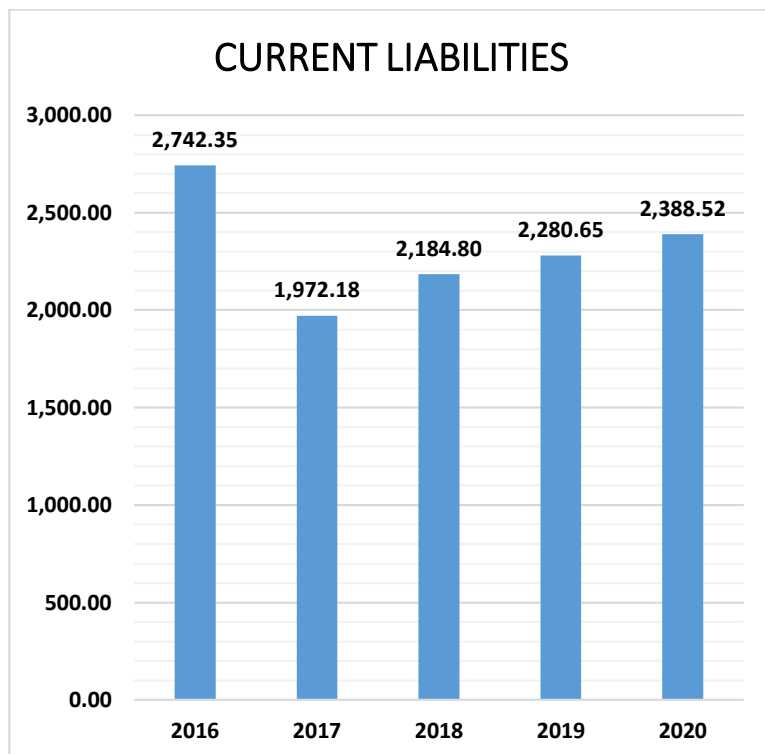
Particulars	2016	2017	2018	2019	2020
Current Investments	0.00	0.00	0.00	0.00	0.00
Inventories	968.00	1,145.06	1,111.18	911.21	837.50
Trade Receivables	3,057.66	3,879.40	3,828.91	2,087.13	1,835.24
Cash and cash equivalent	74.24	252.18	177.38	256.48	88.26
Short term loans and advances	0.00	0.00	0.00	0.00	0.00
Other current assets	528.03	674.19	757.78	1,886.33	1,662.90
Total current assets	4,627.93	5,950.83	5,875.25	5,141.15	4,423.90



As the table shows, the major part of the current assets is covered by inventories and trade receivables every year. The percentage other current asset is continuously increasing.

Total Current liabilities

Particulars	2016	2017	2018	2019	2020
Short term borrowings	787.42	187.19	295.04	303.03	442.60
Trade payables	1,625.95	1,467.09	1,554.95	1,667.66	1,585.05
Other Current liabilities	299.78	276.52	256.45	224.63	258.46
Short term provisions	29.21	41.37	78.36	85.33	102.40
Total Current liabilities	2,742.35	1,972.18	2,184.80	2,280.65	2,388.52

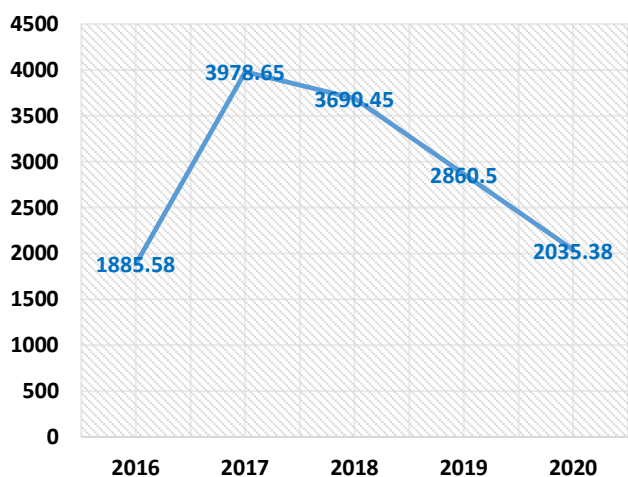


As table shows there is decline in **current liabilities** in 2016-2017. Decrease in liabilities is good sign for company but after 2017 it goes up every Year.

TOTAL WORKING CAPITAL (Rs. In crore)

Particulars	2016	2017	2018	2019	2020
Current Assets					
Current Investments	0.00	0.00	0.00	0.00	0.00
Inventories	968.00	1,145.06	1,111.18	911.21	837.50
Trade Receivables	3,057.66	3,879.40	3,828.91	2,087.13	1,835.24
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Short term provisions	29.21	41.37	78.36	85.33	102.40
Total current liabilities	2,742.35	1,972.18	2,184.80	2,280.65	2,388.52
Net Working Capital	1885.58	3978.65	3690.45	2860.50	2035.38

NET WORKING CAPITAL

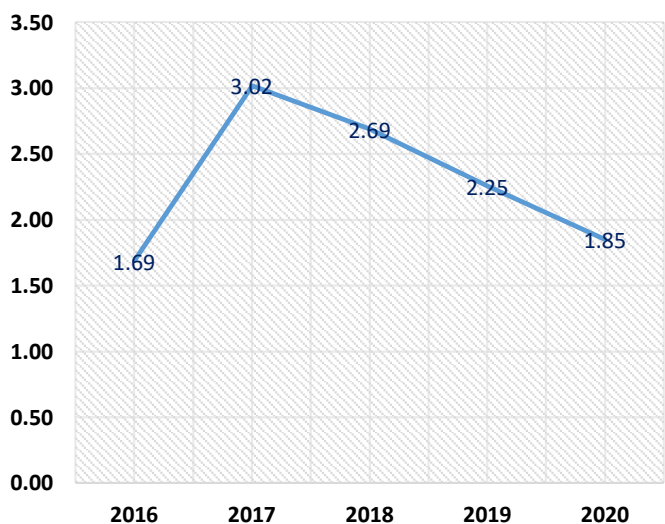


In this **net working capital graph**, we can see that in 2017 net working capital goes up, but from 2018 it slowly goes down every year for the next years.

CURRENT RATIO = CURRENT ASSETS / CURRENT LIABILITIES

Particulars	2016	2017	2018	2019	2020
Total Current Assets	4,627.93	5,950.83	5,875.25	5,141.15	4,423.90
Total Current Liabilities	2,742.35	1,972.18	2,184.80	2,280.65	2,388.52
Current Ratio	1.69	3.02	2.69	2.25	1.85

CURRENT RATIO

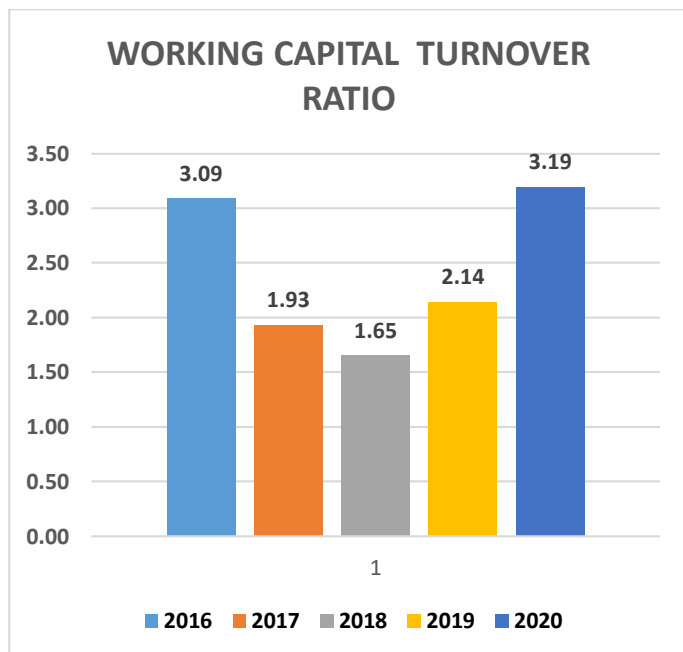


In this graph **Current ratio** is high in the year 2017 but after that it goes to downward. It shows that how companies improper management affect the resources. .

Working Capital Turnover Ratio

Particulars	2016	2017	2018	2019	2020
Net Sales	5,819.06	7,694.83	6,096.05	6,131.14	6,491.20
Working Capital	1885.58	3978.65	3690.45	2860.50	2035.38
Working Capital Turnover Ratio	3.09	1.93	1.65	2.14	3.19

Working Capital Turnover Ratio = Net Sales / Working Capital



As per the diagram working capital turnover ratio is high in 2020 but it decreased in the year 2017 and 2018 but after that it goes upward.

FINDINGS

1. Inventories and trade receivables form the major part of current assets.
2. There is no stability in the proportion of cash maintained every year. As the cash balance in current assets is minimum, it indicates that there is less idle cash.
3. The net working capital has increased tremendously in 2017. But it decreased from 2018.
4. Working capital turnover ratio has been reduced after 2016.
5. In the Current Ratio of Glenmark Pharmaceuticals Limited, Current Assets are always more than current liabilities, which is a good sign, but the company should decrease the level of current liabilities.

LIMITATIONS

1. The study is confined to five-year data only from 2016 to 2020, therefore detailed analysis covering a lengthy period is not done.
2. The study is based on the secondary data collected from the websites, so the quality of the study purely depends upon the accuracy, reliability, and quality of the secondary data source.

CONCLUSION

The main objective of the doing this research is to study working capital management of Glenmark Pharmaceuticals Limited Working capital is very important from the point of view of any company which is engaged in production. The company should take proper action towards management for working capital. They should know about all ratios related to working capital such as current ratio, working capital ratio etc. In this study, it is clear that in the beginning, the working capital was not satisfactory. The company should take the proper action towards its working capital management.

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