

Asset Liability Management of Aurobindo Pharma Limited

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ABSTRACT - India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers who have the potential to steer the industry ahead to an even higher level. Presently over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms. The pressure to succeed is tremendous. Yet, pharmaceutical innovation is hardly an orderly, predictable process. It follows a technology-push model dependent on a meandering path of scientific breakthroughs with uneven timing and hard to foresee outcomes. Technological competency, decades of rigorous research, and profound understanding of unmet customer needs, while necessary, may prove insufficient for market success as the critical decision for commercialization remains outside the firm. Hence, an attempt has been made by the researcher to analyse the asset liability management.

Keywords: Pharmaceutical, liability, asset, finance, capital, cash, loan, sales.

I. INTRODUCTION

Financial management

The financial management is mainly concerned with the proper management of funds. The finance manager must see that the funds are procured in a manner that the risk, cost and control considerations are properly balanced in a given situation and there is optimum utilisation of funds.

Objective of financial management

The objective of financial management can be put into two categories:

- 1).Basic objective
- 2).Other objective

1).Basic objective:

Traditionally the basic objective of financial management have been

- Maintenance of liquid assets and
- Maximisation of profitability of the firm
- Share-holder wealth maximisation.

2).Other objective:

Besides the above basic objective, the following are the other objective of financial management

- Ensuring a fair return to shareholders.
- Building up reserves for growth and expansion
- Ensuring maximum operational efficiency by efficient and effective utilisation of finances.
- Ensuring financial discipline in the organisation.

Relationship between the finance function and other function of the business.

Business function refer to the basic function which are to be performed to achieve the goals of the business .They include purchase, production, marketing, personnel, accounting and research and development. Efficient performance of all these function require finance .Hence, finance function is closely related to other business function.

Importance of financial management

Finance is the life blood of business. Just as circulation of blood is essential for maintaining life in human body, finance is essential for the survival of a business firm . No business, whether small or big can be started without finance. Right from starting of the company, every business activity requires finance. The success of the every business mainly depends largely on the efficiency of financial management. The importance of financial management is amply highlighted by the following points.

- 1.Acquisition of funds
- 2.Proper use of funds
- 3.Financial planning
- 4.Financial control
- 5.Efficiency of the company
- 6.Rewarding of investors
- 7.Mobilisation of savings
8. Building of national wealth

Asset and liability management

In finance asset and liability management places a important role it has to be properly balanced in this we present a Aurobinbo pharmaceutical company asset and liability management . The concept of asset / liability management is focuses on matching the cash flows between asset and liability of the firm. The liability must be paid with the asset and the assets must to cover the liabilities.

ALM relates to management of structure of balance sheet avoid the risk of following:

- Interest rate risk
- Liquidity risk
- Foreign currency risk

Then each bucket of assets is matched with the corresponding bucket of liability.

In ALM , it is strategy to handle properly the firm which lead the firm which leads the firm to increased the business profit.

The pharmaceutical industry discovers, develops, produces, and markets drugs or pharmaceutical drugs for use as medications to be administered to patients to cure them, vaccinate them or alleviate a symptom. Pharmaceutical companies may deal in generic or brand medications and medical devices .They are subject to a variety of laws and regulations that govern the patenting, testing, safety, efficacy and marketing of drug .Continuous innovation is one of the pharmaceutical industry's most defining characteristics. New medications can be crucial for maintaining the quality of human life, and may even affect its duration.

Drug innovation as a business process requires savvy strategic, organizational, and managerial decisions. It is already enjoying intensive research coverage, giving rise to abundant but relatively dispersed knowledge of the mechanisms driving drug discovery and development.

MARKET SIZE

The pharmaceutical sector was valued at US\$ 33 billion in 2017. The country's pharmaceutical industry is expected to expand at a CAGR of 22.4 per cent over 2015–20 to reach US\$ 55 billion. India's pharmaceutical exports stood at US\$ 17.27 billion in FY18 and have reached US\$ 10.80 billion in FY19 (up to October 2018). Pharmaceutical exports include bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products and surgicals.


Indian companies received 304 Abbreviated New Drug Application (ANDA) approvals from the US Food and Drug Administration (USFDA) in 2017. The country accounts for around 30 per cent (by volume) and about 10

per cent (value) in the US\$ 70-80 billion US generics market.

India's biotechnology industry comprising biopharmaceuticals, bio-services, bio-agriculture, bio-industry and bioinformatics is expected grow at an average growth rate of around 30 per cent a year and reach US\$ 100 billion by 2025.

PROFILE OF AUROBINDO PHARMA LIMITED

Aurobindo Pharma Limited

 AUROBINDO	
Type	Public
Traded as	NSE: AUROPHARMA BSE: 524804
Industry	Pharmaceuticals
Founded	1986
Headquarters	Hyderabad, Telangana, India
Area served	dient Organic Intermediates
Revenue	▲ ₹136.50 billion(US\$1.9 billion) ^[1] (2017)
Net income	▲ ₹19.780 billion(US\$280 million) ^[2] (2017)
Number of employees	16000 ^[3] (March 2017)
Website	www.aurobindo.com

ORIGIN OF AUROBINDO PHARMA

Aurobindo Pharma Limited is a multinational pharmaceutical company based in Hyderabad, Telangana, India. The company manufactures and sells over 300 products in over **150 countries** across the globe in 6 major therapeutic segments such as antibiotics, anti-retrovirals, CVS, CNS, gastroenterologicals and anti-allergics.

The company is among the top 10 companies in India in terms of consolidated revenues. In the fiscal year 2015, more than 86% of its revenues came from international operations, including sales to multinational companies.

HISTORY OF AUROBINDO PHARMA LTD.

Aurobindo Pharma Limited started operations with a small Semi-Synthetic Penicillin (SSP) manufacturing unit in Pondicherry in 1988 and has grown to become a leading

player in SSPs, non-penicillins, cephalosporins and non-cephalosporins.

It is among the top 10 companies in India in terms of consolidated revenues. In the fiscal year 2015, more than 86% of its revenues came from international sales, and 14% came from domestic sales. The company plans to achieve USD 3 billion in revenues by 2017-18 – while retaining its global leadership in Semi-Synthetic Penicillin (SSP), cephalosporins, new anti-infectives and lifestyle disease drugs.

The company commenced operations in 1988-89 with a single unit manufacturing semi-synthetic [penicillin](#) (SSP) in [Puducherry](#). Aurobindo Pharma became a public company in 1992 and listed its shares in the Indian stock exchanges in 1995. Aurobindo Pharma also has a presence in key therapeutic segments such as neurosciences, cardiovascular, anti-retrovirals, anti-diabetics, gastroenterology and cephalosporins, among others.

Aurobindo Pharma features among the top 10 companies in India in terms of consolidated revenues. Aurobindo exports to over 125 countries across the globe with more than 70% of its revenues derived out of international operations

STATEMENT OF THE PROBLEM

India is the largest provider of generic drugs globally. Indian pharmaceutical sector industry supplies over 50 per cent of global demand for various vaccines, 40 per cent of generic demand in the US and 25 per cent of all medicine in UK. The Indian pharmaceutical industry has shown impressive growth over the last few years and has become one of the sunrise sectors of the Indian economy. The Indian pharmaceutical market is highly competitive and remains dominated by low priced, domestically-produced generics. Competitive and technological changes in the pharmaceutical industry-from powerful new drug chemistries to innovative R&D partnerships and marketing plans-are reshaping the business strategies of many pharmaceutical and biotechnology companies. According to new research from the MIT Program on the Pharmaceutical Industry (POPI), many companies today are searching for ways to increase productivity, decrease costs, and develop new treatment modalities that will enhance profitability. The Aurobindo Pharmaceutical is a leading pharmaceutical firm and serve to the needs of various users. The firm has to face competition and should manage the financial aspects in an efficient way. So, it is very essential to analyse the financial performance of Aurobindo Pharmaceutical by studying the asset liability management.

II. RESEARCH DESIGN

The data required for the study has been collected from secondary source. The relevant information was taken

from annual report of the Aurobindo Pharmaceutical, journals, and internet. This study is based on the annual report of Aurobindo Pharmaceutical. To have a meaningful analysis and interpretation for the purpose various accounting tools have been used. The study is descriptive in nature.

OBJECTIVES OF THE STUDY

The study has been made with the following objectives

1. To study the assets components.
2. To examine the liabilities elements.
3. To study the profitability position of the Aurobindo Pharmaceutical.
4. To provide findings & suggestion.

SCOPE OF THE STUDY

The pilot study is pertained to Aurobindo Pharmaceutical Company. The data has been collected for the past five years from 2013-2014 to 2017-2018. The study analysis the financial performance of the Aurobindo Pharma Limited. The study has been conducted with the data available in the audited financial records.

The study thought the performance analysis reveals the pros and cons of the Aurobindo Pharmaceutical financial status. It enables the reader to understand the various financial aspects of a Aurobindo pharma through uncomplicated interpretation and findings for study purpose.

PERIOD OF THE STUDY

The data is collected for five financial year from 2013-2014 to 2017-2018. In that period the various financial aspects are analysed.

III. ANALYSIS AND INTERPRETATION

The researcher has analyzed and interpreted the data with the help of following items:

1. LIABILITIES
2. ASSETS

1. LIABILITIES

SHARE CAPITAL

Capital is very important for every business operations. It is considered to be main long term sources of funds. The company has only one class of equity share capital having a par value of Rs.1 per share and the preference share capital of Rs.100 per share. However no such preferential amounts exists currently. The distribution will be in proportion to the no of equity shares held by the shareholders.

RESERVES & SURPLUS

In general reserves & surplus means funds or material set aside or saved to strengthen the business's financial position. The compounds

under this item includes capital reserve, capital redemption reserves, employee stock options, outstanding account, securities premium account, general reserves, retained earnings.

BORROWINGS

To obtain or receive money on loan with the promise or understanding that it will be repaid. The Pharmaceutical company has obtained both secured loan and unsecured loan. All secured demand loans are secured by first pari passu charge on all the present and future property, plant and equipment, both movable and immovable property of the company.

PROVISIONS

A Provision is an amount set aside for the probable, but uncertain, economic obligations of an enterprise. The company it is maintained to gratuity, for proposed dividend and provision for income tax.

OTHER LIABILITIES

- ✓ Interest accrued : The interest accrued but not due on borrowings.
- ✓ Deferred tax liability
- ✓ Short term borrowings : short term loans from banks to meet working capital. these loans have been repayable on demand from banks.
- ✓ Trade payable: payable for supplies and services.
- ✓ Unclaimed dividend
- ✓ Advance from customers

LIABILITIES

(Rs. In crores)

YEAR	SHARE CAPITAL	RESERVES AND SURPLUS	BORROWING LOAN SECURED & UNSECURED	OTHER LIABILITIES AND PROVISION	TOTAL
2013 - 2014	29.15	3983.24	1970.20 844.66	1748.28	8575.33
2014 - 2015	29.20	5330.34	1509.01 1387.52	1969.81	10,225.88
2015 - 2016	58.52	6807.33	1002.71 2749.20	1947.80	12,565.56

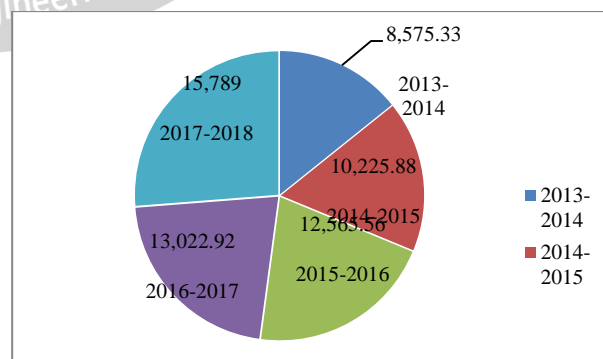
2016 - 2017	58.59	8377.59	2870.17	-	1716.57	13,022.92
2017 - 2018	58.59	9923.99	3653.83	-	2161.59	15,798

Source: Annual report of Aurobindo Pharma

Interpretation:

The above table summarises the Source of Funds. The share capital of Aurobindo Pharma is Rs. 29.15 crores in 2013-2014. In the financial year 2017-2018 it reached the Rs 58.59 crores. In year 2015-2016 the pharma company has raised their share capital enormous when compared to previous years of the study. The reserves and surplus is gradually increased from Rs 3983.24 crores in 2013-2014 to Rs 9923.99 crores in 2017-2018. The secured loan has also increased from Rs 1970.20 crores in 2013-2014 to Rs 3653.83 crores in 2017-2018. The unsecured loan the company has increased from Rs 844.66 crores to Rs 2749.20 crores in the first three years of the study period but the 2016-2017 and 2017-2018 financial year the company has not made any unsecured loan. Though the total amount of borrowings gradually increase because of the secured loan. The current liabilities and provisions have been show increased trend from Rs 1748.28 to Rs 2161.59 except in the year 2016-2017 there is slight decrease in because of the current liability made is low when compared to previous years but in the subsequent year the company increased the current liability to Rs 2161.59 crores in the year 2017-2018. Finally Total Source of Fund has increased from Rs 8575.33 crores in 2013-2014 to Rs 15,798 crores in 2017-2018.

LIABILITIES



ASSET MANAGEMENT

Deployment of fund is an important measure every company wants to track it. Because it describes what percent of our fund is currently loaned out and

at work in the economy. The following items that Aurobindo Pharmaceutical Company has been invested:

FIXED ASSET

The pharma company holds fixed assets in the form of property such as leasehold land, freehold land, buildings, plant and equipment, vehicles, furniture and fixtures, and other equipment.

INVESTMENTS

Non Current Investment

A major fund deployment is a made investment. There are two of investment policy has been followed by the company that is Non - Current Investments and Current Investments. Non – current Investments Assets are a long-term investments hold by the company for which the more than one year. These include government securities, investment in other companies, approved securities.

Current Investment

A current investment are part of the account in the current assets. This account contains any investment that a company has made that are expected to be converted into cash within one year.

Inventories

The purpose of inventory is to efficiently manage the availability of stock for production, sales, delivery and services of a business to maximize the volume of business and profit. Inventories include raw materials, finished goods, and work –in-progress, packing materials, stores, spares and consumables.

OTHER CURRENT ASSETS

- ✓ Cash and bank balance : This include holding cash in hand cash maintained in bank balance
- ✓ Accrued interest:
- ✓ Trade receivables
- ✓ Loans and advances

The main purpose of holding of current by the company for easy conversion of cash and there is barriers to meet day – to- day expenses of the company.

ASSET DEPLOYMENT

YE AR	FIXE D ASS ETS	CASH AND BANK BALA NCE	INVESTM ENTS	INVENT ORIES	OTHE R CUR R ENT ASSE TS	TOT AL
201 3- 201 4	1937. 94	9.72	872.62	1711.81	4043.4 3	8575. 53

201 4- 201 5	2190. 01	11.13	1012.75	2145.05	4866.9 4	10,22 5.88
201 5- 201 6	2568. 13	330.81	1183.35	2431.60	6051.6 7	12565 .56
201 6- 201 7	3211. 62	33.64	1681.95	2433.62	5662.0 9	13022 .92
201 7- 201 8	3392. 97	245.90	1967.50	3409.23	6782.4	15,79 8

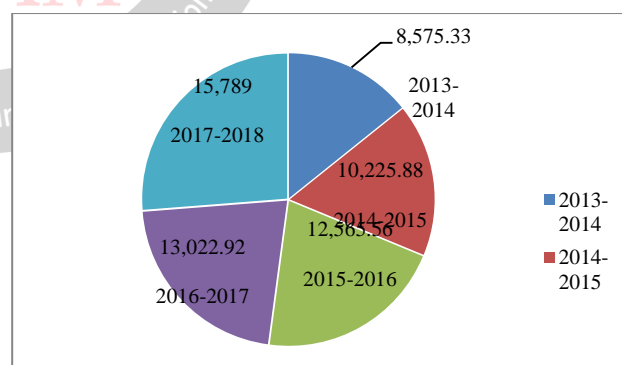
(Rs. In crores)

Source: Annual report of Aurobindo Pharma

Interpretation:

The company has gradually maximised the fixed assets from Rs 1937.94 crores in 2013-2014 to Rs 3392.97 crores in 2017-2018. The investments and inventories was also show gradually smooth increasing trend. Other current assets have increased from Rs 4043.43 crores to Rs 6782.4 crores in 2017-2018. but in the year 2016-2017 it slightly decreased because of the sundry debtors. In cash and bank balance show fluctuating trend. Finally total asset of the company has increased from Rs 8575.53 in 2013-2014 to Rs 15,798 in the year 2017-2018 during the study period.

ASSET DEPLOYMENT



IV. FINDINGS

- The company has issued equity share capital. The Company has only one class of equity shares having a par value of `1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees.

- In the class of capital structure of the company has the preference shares of `100 each. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.
- The sales turnover of the pharmaceutical company has gradually increased by year by year.
- Operating profit of the firm was show increasing trend but in the financial year 2016-2017 there is slightly decreased because of cost of material consumed has been increased when compared to other years of the interest payable decline.
- The percentage of equity dividend and EPS paid by the company to the shareholders is shown a fluctuating trend.
- During the study period the company raised their share capital in two times.
- The company has stop to borrowing the unsecured loan from the year 2017-2018 during the study period.
- Depreciation of the fixed asset has fluctuated trend.
- Cash and bank balance of the firm has not been in a standard position, it involve create volatility in trend.

V. SUGGESTIONS

The following are suggestions offered by the researcher through the analysis of asset and liabilities of the Aurobindo Pharma.

- The company may have to invite the debenture. Debt has to be added in the capital structure because of the debt act as a leverage to the company and at the same time tax rate payable was also ultimately decreased.
- The firm may add debt in capital structure pay interest it is has deducted from profit before tax so company pay less tax. The company pay interest instead of tax because debt act as a source of fund.
- The firm has preference share capital in the capital structure but however there is no exist at present the firm may invite preference shareholders to investment. It will help to reduce the risk of the ownership in the hands of equity shareholders.
- The administrative expenses and personal expenses have continuously increased throughout the study period. The firm should try to minimise

the expenses so that the profit may also be increased.

VI. CONCLUSION

Aurobindo Pharma Limited started operations with a small Semi-Synthetic Penicillin (SSP) manufacturing unit in Pondicherry in 1988 and has grown to become a leading player in SSPs, non-penicillins, cephalosporins and non-cephalosporins. It has been rendering services through its quality medicinal products. Although it has been functioning a leading pharma company, it has to undergo SWOT analysis from time to time. The overall business development can be measured by analysis of Asset Liability Management. The sales of the firm has been gradually increased, so that all the financial problems. The assets were mobilised by the firm efficiently and the funds deployed in effective way. The financial position can be increased by the firm through the better management of Asset Liability management of Aurobindo Pharma Limited in the forthcoming years also.

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