

Financial Management At Hetero Drugs Ltd.

Bhimani Rizwana Nizarali, Master of Business Administration,

DR. Venkata Rangaiah, Professor, HOD, Department of Master of Business Administration,

Mr. G Subbareddy, Assistant Professor, Department of Master of Business Administration,

St. Martin's Engineering College, Hyderabad, Telangana – 500100.

1. INTRODUCTION:

In our present day economy, “**FINANCE**” is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium or small, needs finance to carry on its operations and to achieve its targets.

Finance is so indispensable today that it is the lifeblood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives.

“Finance” is the life blood and nerve system of any business organization. Just as circulation of blood, is necessary in the human body to maintain life. Finance is necessary in the business org. for smooth running of the business.

Financial management involves managerial activities concerned with the procurement and utilization of funds for business purpose. The finance function does with procurement of money taking in to consideration of today's as well as future need and its effective utilization. Since finance is required to purchase of

machinery and raw materials, to pay salaries and wages also for day-to-day expenses.

Financial management entails planning for the future of a person or a business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risks.

The primary concern of financial management is the assessment rather than the techniques of financial quantification. A financial manager looks at the available data to judge the performance of enterprises. Managerial finance is an interdisciplinary approach that borrows from both managerial accounting and corporate finance.

Some experts refer to financial management as the science of money management. The primary usage of this term is in the world of financing business activities. However, financial management is important at all levels of human existence because every entity needs to look after its finances.

OBJECTIVES OF THE STUDY:

The main objects of financial management are

- 1) Profit maximization
- 2) Wealth maximization

Others:

1. Interpret financial reports. Including income statements, Profits and Loss or cash flow statements and balance sheet statements
2. Improve the allocation of working capital within business operations
3. Review and fine tune financial budgeting, and revenue and cost forecasting
4. Look at the funding options for business expansion, including both long and short term financing
5. Review the financial health of the company or business unit using ratio analyses, such as the gearing ratio, profit per employee and weighted cost of capital
6. Understand the various techniques using in project and asset valuations
7. Apply critical financial decision making techniques to assess whether to proceed with an investment
8. Understand valuations frameworks for businesses, portfolios and intangible assets

NEED FOR STUDY

- Need of financial management study to diagnose the information contain in financial statement. So as to judge the profitability and financial position of the firm.
- Financial analyst analyses the financial statements with various tools of

analysis before commanding upon the financial health of the firm.

- Essential to bring out the history.
- Significance and meaning of the financial statements.

RESEARCH METHODOLOGY

RESEARCH DESIGN

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

MEANING OF RESEARCH DESIGN

The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

SOURCES OF DATA

Data we collected based on two sources.

- Primary data.
- Secondary data.

Primary data

The Primary data are those information's, which are collected afresh and for the first time, and thus happen to be original in character.

Secondary Data:

The Secondary data are those which have already been collected by some other agency and which have already been processed. The sources of Secondary data are Annual Reports, browsing Internet, through magazines.

1. It includes data gathered from the annual reports of Hetero Drugs limited.
2. Articles are collected from official website of Hetero Drugs Industries limited.

METHODOLOGY USED:

1. TYPES OF FINANCIAL STATEMENTS ADOPTED:

Following two types of financial statements are adopted in analyzing the firm financial position

- a. BALANCE SHEET.
- b. INCOME STATEMENTS.

2. TOOLS OF FINANCIAL STATEMENT ANALYSIS USED

The following financial analysis tools are used in order to interpret the financial position of the firm.

LIMITATIONS:

1. ONLY INTERIM REPORTS:

Only interim statements don't give a final picture of the concern. The data given in these statements is only approximate. The actual position can only be determined when the business is sold or liquidated.

2. DON'T GIVE EXTRA POSITION:

The financial statements are expressed in monetary values, so they appear to give final and accurate position. The values of fixed assets in the balance sheet neither represent the value for which fixed assets can be sold nor the amount which will be required to replace these assets.

3. HISTORICAL COSTS:

The financial statements are prepared on the basis of historical costs or original costs. The value of assets decreases with the passage of time current price changes are not taken into account. The statements are not prepared keeping in view the present economic conditions. The balance sheet loses the significance of being an index of current economic realities.

4. ACT OF NON MONITORY FACTORS IGNORED:

There are certain factors which have a bearing on the financial position and operating

results of the business but they don't become a part of these statements because they can't be measured in monetary terms. Such factors may include in the reputation of the management.

NO PRECISION:

The precision of financial statement data is not possible because the statements deal with matters which can't be precisely stated. The data are recorded by conventional procedures followed over the years. Various conventions, postulates, personal judgments etc.

2. LITERATURE SURVEY

Financial Management is the process of managing the financial resources, including accounting and financial reporting, budgeting, collecting accounts receivable, risk management, and insurance for a business.

The financial management system for a small business includes both how you are financing it as well as how you manage the money in the business.

In setting up a financial management system your first decision is whether you will manage your financial records yourself or whether you will have someone else do it for you. There are a number of alternative ways you can handle this. You can manage everything yourself; hire an employee who manages it for you; keep your records in-house, but have an accountant prepare specialized reporting such as tax returns; or have an external bookkeeping service that manages financial transactions and an accountant that handles formal reporting

functions. Some accounting firms also handle bookkeeping functions. Software packages are also available for handling bookkeeping and accounting.

3. DATA ANALYSIS & INTERPRETATION

Ratio Analysis and Interpretation:-

(A) Return on Shareholders Fund :-

This ratio reveals how well the resources are being used and its profitability from the shareholders point of view. The higher the ratio the better.

INFERENCE:-

Nigh the classify 2016-17 Conduct on shareholders' money management indicator is high 512.44% while comparing to other periods. It indicates meander the firm worn its resources in very goodly manner. Away the refinement 2014-2015, the marker is token 22.62%. suitable to firm support more charges and heavy taxes.

(B) Return on Total Assets :-

This ratio is used to know the productivity of the total assets employed in business. The higher the ratio, the better.

INFERENCE:-

Sooner than the taste 2014-15 on every side was no enthusiastically difference between the know-how of the rank cap. It was increased to 3.88 % in the Kind 2015-16, this formula was maintained in the Level 2015 - 16 and 2016-

17. In the order 2017–18, the thesaurus was decreased to 1.3%.

(C) Current Ratio:-

This listing is the measure of general liquidity and is in the paramount suitable way widely used to make the analysis of a shorter financial cusp or liquidity of a firm. The upper-class Factor indicates focus the firm is Surfactant and has the gifts to rich enough its manifest obligations in time

INFERENCE:-

The about present table of contents is 10.1. It means deviate for every realized accountability of the firm has the real assets of. Here the meeting has high-class ratios and the firm having good liquidity side. But grant for the rectify the physical Indicator choice-calibre the small defend.

(D) Liquid Ratio:-

The firm liquidity refers to the aptitude of a firm to furnish its passing obligation as and when they become due

INFERENCE:-

The ideal needle is 10.15 A higher soap powder list is an indication drift the firm is washing and has the adeptness to meet its current or liquid liabilities in time and on the other hand a centre quick thesaurus personify focus the firm's liquidity aspect is good. Before the League 2014-2015 he key is 0.68 times and from go along with excellence it is showing

enhance obsession. In the categorize 2017 – 18 it has increased to 10.15

(E) Proprietary Ratio:-

This Listing establishes the relationship between shareholder's funds and genuine assets of the firm. This forefinger is important to determine the long accompany probity of a firm. The higher first finger indicates lose concentration the correct long demand belief try for of the fabrication Proprietary

INFERENCE:-

Around the pedigree 2013 – 2014 this sign is 2.61 % and observe bearing it is decreased fairly to 2.06 % and very next class it is increased to 2.83 %.. Customarily found become absent-minded the proprietary Mark of the firm is in better position satisfactory.

Interpretation :-

In this section an attempt has been made to analyze the craze ratios of the organization , for the period of seven time eon i.e., from 2014-2015 to 2017-2018. The objective of this analysis is to compare the rate of change over the period to the base form. In rage indicator analysis the event in the correcting sheet are said as an transfer manacles relative to the base type. All items in the base genre experience a value of 100. the indexed balance sheet for the crowd is shown in the above table. Current assets have shown a greater constantly. Fixed assets have increased except in the year 2014. Current liabilities have other than shown an grow fashion. Secured loans were on a constant

increase from 2016 – 17 to 2017 – 18. The twin snowball rage was in the case of careless loans. nearby was further issue of shares..

4.FINDINGS OF THE STUDY

FINDINGS & SUGGESTIONS

In the previous chapter, we analyzed the financial statements of Hetero Drugs Ltd..., for the period of five-year i.e., 2011-2015. the present chapter is a summary on the performance of the company based on its financial analysis an attempt has been made to recommend improvements in its performance to achieve the objective of the company.

SUMMARY OF FINDINGS:

Comparative Statements:-

Comparative balance sheet reveals that there was no change in share capital as there was no fresh issue of shares. It can be seen that the company is heading in the path of progress and prosperity during the recent years, as this can be justified by the financial figures of the company. The company has generated the funds by raising unsecured long-term loans. Company has consistently invested in the purchase of fixed assets. The current assets are always more than the current liabilities, which show that the liquidity position of the company is sound.

Common Size Statements:-

Comparison of the common size balance sheet reveal that the proportion of the share capital as part of total assets has decreased as part of total assets. An increasing and decreasing trend was maintained in the case of reserves and surplus. Similar trend could be viewed in case of fixed assets and consistency was maintained in case of investments.

Current liabilities have increased till 2012-2013 and after that declined in 2013 –14 and again increased in 2014 – 15 and 2015 – 16 and once again declined in the year 2014 – 15 and 2015 – 16. A similar position can be viewed in case of current assets

5. SUGGESTIONS

The profitability of the company is increasing every year continuously from the years with the turnover increasing. The profitability as compared to the turnover is going on balance with the administrative and other costs. The current ratio of the company as discussed is always much high than the standard norms, which is also not favorable for the company, this means that the big amount of money is not being utilized effectively as most of the cash is tied up in debtors and inventories. The company should improve upon its credit policies and holding of inventories, as the company can save the cost of working capital by reducing the same.

The company should also review the opportunities and threats to its business in the long – term perspective. The company is diversifying in various aspects. While the only threat to the company in this field is from unorganized sector producing cheaper and as the liability of excise duty is not there resulting in low cost of production. This can be overcome by the company by maintaining its quality standards, as the consumer now - a - days are ready to pay for the quality products

6. CONCLUSION

Ratio Analysis:-

After going through the depth analysis it can be drawn that the company is heading towards the path of progress and prosperity during the recent years, as this can be justified by the financial figures and from the fact of the company is growing.

After the analytical study of financial statements Hetero Drugs Ltd., and interpretation of various ratios, it can be concluded that the liquidity position of the company is better. From the interpretation of current ratio, it has been observed that the current ratio of the company was above standards, which shows the liquidity position is better. The quick ratio, gives a picture of the organization ability to pay its short – term liabilities through short – term assets.

REFERENCES

www.googlefinance.com

www.heterodrugs.com

www.financialanalysis.com