



A Comparative study of financial performance of CIPLA and CEDILA HEALTHCARE

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Abstract:

The present study deals with the Financial Statement Analysis of CIPLA & CEDILA HEALTHCARE to know the performance of the company during the study period. In this research work the accounting tool of ratio analysis and statistical tool t-test has been applied to carry out the best result of performance on the basis of available financial reports of last 3 years. Ratios like PBDIT, PBIT, PBT, Return on Capital employed and Return on Assets are calculated to measure the efficiency level of finance during study period. With the help t-test actual available data is compared with each other company of same industry and tried to find out that there is significant difference between average of two them or not.

Keywords: PBDIT, PBIT, PBT, ROCE, ROA

1. Introduction

Research methodology refers to the search for Knowledge. It is a way to systematically solve the research problem. In it we study the various steps that are generally adopted by the researcher in studying his research problem along with logic behind them. Research Methodology concerning a research problem or study provide answers to various questions like; why a research study has been undertaken, how the research problem has been defined, what data have been collected and what particular method has been adopted to collect the data, what technique has been used for analyzing the data and a host of similar other questions.

Though there are more than one alternative approach available to the researcher, but this not enough to make the task of selecting the suitable research design simpler. Like the so-called suitable research design may require some in between approach. The objective of study being the main determinant of the validity and reliability of the method adopted the degree of usefulness of the scientific method. Since there are many aspects of research methodology, in line of action has to be chosen from variety of alternatives, so that individual choice of suitable method is further complicated and make a viable whole. The choice of suitable method is further complicated by the possibility of many permutations and combinations. The fair selection can be arrived at through the objective assessment and of course comparison of various alternatives. The finally selected line of action must ensure that this is indeed best one as against those rejected by the researcher in addition, the circumstances and problems also having a bearing in the choice. To count a fem, limitations could be imposed in the sense of funds available, time and urgency in conducting the research. So, the final choice must be based on assessment of its advantage and disadvantages when weighted against affecting factors. Research in other words can be said as searching for truth, which has not been yet detected due to some reasons. There are many purposes of conducting a research, but in common it can be described as.

- To get familiarity with a phenomenon or to achieve new insights
- To portray accurately the characteristic of particular individual situation or a group
- To determine the frequency with which something occurs or with which it is associated with something else.
- To test a hypothesis of a casual relationship between variables

Research methodology can be said to have four major components namely-Research design, Sample design, Data collection procedure and methods of analyzing and reporting the findings. Even my research work follows the same steps or procedure which can see after this.

2. Period of the study

The period of the study is of 3 years. The study period cover the period from year 2014-15 to year 2016-17.

3. Objective of the study

Any activity done without an objective in a mind cannot turn fruitful. An objective provides a specific direction to an activity. Objectives may range from very general to very specific, but they should be clear enough to point out with reasonable accuracy what researcher wants to achieve through the study and how it will be helpful to the decision maker in solving the problem. Each research study has its own specific purpose. It is like to discover to Question through the application of scientific procedure. But the main aim of our research to find out the truth that is hidden and which has not been discovered as yet. The research study has following objective

1. To study the Profit before depreciation interest and tax
2. To study the Profit before interest and tax
3. To study the Profit before tax
4. To study the Return on Capital employed
5. To study the Return on net worth

For this study, the ratio analysis and trend analysis is taken into considerations which are provided by CIPLA and CEDILA HEALTHCARE like profit & loss account and balance sheet.

4. Sources of data

This research study is based on secondary data from 2014-2015 to 2016-2017 and it is tabulated objectively for making the comprehensive research of the Securities performance, financial efficiency of the CIPLA and CEDILA HEALTHCARE regarding the overall performance of financial aspects of Balance Sheet and Profit and Loss are provided by the firm. Further it is proposed by the researcher to draw the meaningful conclusion of the research. Secondary sources like magazines, journals, newspapers, reference books and websites are taken for the purpose of study.

1. Most of the calculations are made on the financial statements of the company provided statements.
2. Referring standard texts and referred books collected some of the information regarding theoretical aspects.

5. Data analysis

The Secondary data are classified and tabulated according to the need of the study and objectives. The collected data is analyzed by using appropriate and relevant financial techniques, graphs and tables on the basis of the information received through annual report for further analysis.

6. Tools and techniques for the analysis

Use of statistical tools has become a normal phenomenon in any type of analysis. The researcher has picked up the tools and techniques to suit their requirements and based on data available to them. For the present study following tools and techniques have been used for analyzing the Ratio analysis of CIPLA & CEDILA HEALTHCARE.

- Accounting Tools: Ratio analysis
- Statistical Tools: t-test (Excel)

7. Hypotheses of the study

Hypotheses are usually considered as the principal instrument in research. Its main function is to suggest new experiments and observations. Hypotheses testing enable us to make profitability

statements about population parameters. The Hypotheses may not be proved absolutely, but in practice it is accepted if it has withstood a critical testing.

Ho: There is no significant difference in mean of PBDIT of CIPLA & CEDILA HEALTHCARE

H1: There is significant difference in mean of PBDIT of CIPLA & CEDILA HEALTHCARE

Ho: There is no significant difference in mean of PBIT of CIPLA & CEDILA HEALTHCARE

H1: There is significant difference in mean PBIT of CIPLA & CEDILA HEALTHCARE

Ho: There is no significant difference in mean of PBT of CIPLA & CEDILA HEALTHCARE

H1: There is significant difference in mean of PBT of CIPLA & CEDILA HEALTHCARE

Ho: There is no significant difference in mean of ROCE of CIPLA & CEDILA HEALTHCARE

H1: There is significant difference in mean of ROCE of CIPLA & CEDILA HEALTHCARE

Ho : There is no significant difference in mean of ROA of CIPLA & CEDILA HEALTHCARE

H1 : There is significant difference in mean of ROA of CIPLA & CEDILA HEALTHCARE

Abbreviations: PBDIT: Profit before depreciation, interest and tax

PBIT: Profit before interest and tax

PBT: Profit before tax

ROCE: Return on capital employed

ROA: Return on Assets

8. Findings of the study

RATIO ANALYSIS:

CIPLA

YEAR	PBDIT	PBIT	PBT	ROCE	ROA
2014-2015	20.81%	16.54%	15.19%	10.17%	7.77%
2015-2016	19.25%	15.60%	14.39%	11.90%	9.59%
2016-2017	16.02%	11.38%	11.02%	9.39%	6.24%

(Source: Annual reports)

CEDILA HEALTHCARE

YEAR	PBDIT	PBIT	PBT	ROCE	ROA
2014-2015	32.53%	28.52%	27.71%	23.81%	17.32%
2015-2016	39.12%	35.98%	35.60%	29.10%	22.83%
2016-2017	27.98%	20.22%	19.87%	8.23%	5.99%

(Source: Annual reports)

The above table shows the different ratio's result find out by the researcher. The analysis of the ratio is given below.

1. The PBDIT of the CIPLA shows decreasing trend during study period, while the CADILA HEALTHCARE company shows fluctuating trend.
2. The PBIT of the CIPLA shows decreasing trend during study period, while the CADILA HEALTHCARE company shows fluctuating trend.
3. The PBT of the CIPLA company show decreasing trend during study period, while the CADILA HEALTHCARE company show fluctuating trend.
4. The ROCE of the two companies shows fluctuating trend during study period.
5. The ROA of the two companies shows fluctuating trend during study period.

Hypothesis testing & analysis

1. T-test shows that there is no significant difference in the averages of the sample data of PBDIT at 5 % significance level for 4 degree of freedom (3+3-2). As such, the Ho stood accepted for two tail test. $t\text{-cal}(-4.11) < t\text{-tab}(2.7764)$

2. T-test shows that there is no significant difference in the averages of the sample data of PBIT at 5 % significance level for 4 degree of freedom (3+3-2). As such, the Ho stood accepted for two tail test. $t\text{-cal}(-2.85) < t\text{-tab}(2.7764)$

3.T-test shows that there is no significant difference in the averages of the sample data of PBT at 5 % significance level for 4 degree of freedom (3+3-2). As such, the H_0 stood accepted for two tail test. $t\text{-cal}(-3.00) < t\text{-tab}(2.7764)$

4.T-test shows that there is no significant difference in the averages of the sample data of ROCE at 5 % significance level for 4 degree of freedom (3+3-2). As such, the H_0 stood accepted for two tail test. $t\text{-cal}(-1.57) < t\text{-tab}(2.7764)$

5.T-test shows that there is no significant difference in the averages of the sample data of ROA at 5 % significance level for 4 degree of freedom (3+3-2). As such, the H_0 stood accepted for two tail test. $t\text{-cal}(-1.48) < t\text{-tab}(2.7764)$

9. Limitations of the study

Finance as the core area, which is a vast field, covers many aspects, which is not possible for us to cover. The knowledge, which we have, is quite limited and thus it makes it difficult for us to deal as the practical and the theoretical knowledge has a wide difference within. In spite of all sincere effort in preparing this report, there are certain limitations, which cannot be ignored. For this study researcher has taken actual data, but budgeted data was not available so it was not used for word.

1.Research time

My samples for analysis include only Nine year's data i.e. from the year 2005-06 to 2013-14, so it may affect the result of the analysis.

2.Scope of study

This study is limited only to the CIPLA & CADILA HEALTHCARE. As a result, it has a narrow outlook of overall industry.

3.Data Collection Method

The study is based on the secondary data collected from the published annual reports of the CIPLA and CADILA HEALTHCARE website like www.cipla.com & www.zyduscadila.com. So limitation of the secondary data will remain with the study

4.Personal Bias

Every person has its own thinking and believes so in this research work may include personal bias during the research work.

5.Analytical Tools

Analytical tools, which will be used in the study, may have their own limitations, which may apply to this study too. Limitation of the ratio analysis is the one of the constrains of the study

6.Area

It is very difficult to incorporate all the data in the report due to the limitation from the organization and thus certain information is not incorporated.

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