

# A Study On: Working Capital Dynamics and Their Impact on Financial Position Optimization of Selected Pharma Companies

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**Abstract**—In the pharmaceutical industry, managing the working capital helps the company to become financially stable. Huge investments are needed for operations, research, and inventory, balancing cash flow and daily expenses is critical. Proper working capital management helps the business to run smoothly, meet payments on time, and maintain a financial balance between liquidity and profitability of the company. This study shows the five leading Indian pharmaceutical companies namely Sun Pharma, Dr. Reddy's, Cipla, Lupin, and Aurobindo Pharma and also examining how they handle assets, liabilities, and liquidity. By comparing their approaches, it shows how the decisions around working capital can improve efficiency and profitability are done smartly. These findings give managers and investors a practical insight on increasing liquidity, reducing risks, and strengthening overall financial performance.

**Index Terms**—Working Capital, Liquidity, Financial Efficiency, Pharmaceutical Industry, Operational Performance

## I. INTRODUCTION

A company's short-term financial condition depends on its working capital, which guarantees efficient operations, liquidity, and the utilization of resources. Managing inventory, receivables, and payables is difficult in the capital-intensive pharmaceutical sector because of the lengthy manufacturing cycles, legal constraints, and distributor credit. The excessive and insufficient working capital impacts on operating efficiency and profitability. These difficulties are

faced by prominent Indian companies that are growing internationally, such as Sun Pharma, Dr. Reddy's, Cipla, Lupin, and Aurobindo Pharma. Liquidity and financial performance are improved by efficient working capital management, which also includes calculation ratios such as the cash conversion cycle, quick ratio, and current ratio. According to studies, proper inventory and receivables management improves stability and profitability. This study explores the strategies that pharmaceutical companies use to strengthen their financial position.

## II. OBJECTIVES

- To analyze the efficiency of working capital management of the selected pharmaceutical companies using appropriate financial ratios, such as the Current Ratio, Quick Ratio and Working Capital Turnover Ratio.
- This study examines the impact of working capital on the liquidity and profitability of the selected pharmaceutical companies during the study period.
- To compare the working capital performance of the selected pharmaceutical companies to identify differences and trends over the study period.
- To suggest suitable measures for optimizing working capital to improve the overall financial position and operational efficiency of the selected pharmaceutical companies.

III. LITERATURE REVIEW

Chatterjee (2022) studied Cipla Ltd. And found that how the company handles its working capital has a real impact on its profits. Focusing on making the best use of resources helps Cipla meet its short-term obligations, with inventory and receivables being especially important. The study shows that smart working capital management is a key driver of financial performance.

Rajan and Thomas (2022) studied Dr. Reddy’s Laboratories Ltd. And found that keeping the supply chain efficient is key to managing working capital effectively. When a company buys and delivers its products at the right time, it doesn’t have to spend extra money storing too much stock or dealing with delays. It just means the company has money it can actually use to run and grow the business, instead of having it tied up in stock that’s sitting around. With better control over its money, the company stays financially stronger and has a better chance of increasing its profits.

IV. RESEARCH METHODOLOGY

This study is based on a descriptive and analytical research design that aims to analyze financial data and interpret the working capital efficiency of the selected companies using financial ratios and comparative analysis. The study was conducted on five leading pharmaceutical companies in India, namely: Sun Pharmaceutical Industries Ltd, Dr. Reddy’s Laboratories Ltd, Cipla Ltd, Lupin Ltd and Aurobindo Pharma Ltd These companies were selected based on their market presence, availability of financial data, and significance in the Indian pharmaceutical industry. The study covers the period 2024–2025, which is considered adequate to analyze trends and variations in working capital performance. This study is based entirely on secondary data collected from Annual reports of the selected companies, Published financial statements and From Company websites and financial databases and journals

V. ANALYSIS & INTERPRETATION

5.1: Sun Pharmaceutical Industries Ltd- Liquidity & Efficiency Ratios

Table No: 5.1 Sun Pharmaceutical Industries Ltd

A. Current Ratio & Quick ratio

Year	Current Assets	Current Liabilities	Current Ratio	Quick Ratio
FY24	434,331	169,838	2.56	1.98
FY25	525,941	181,942	2.89	2.33

B. Working Capital Turnover Ratio  
(Revenue ÷ Working Capital)

Year	Revenue (₹ Mn)	Working Capital (₹Mn)	Turnover Ratio
FY24	438,000	264,493	1.65 times
FY25	480,000	343,999	1.40 times

Interpretation

Higher quick and current ratios indicate that Sun Pharmaceutical Industries Ltd. strengthened its liquidity in FY25. Working capital turnover decreased, indicating that funds expanded more quickly than income, which marginally reduced the efficiency. Businesses usually take a careful approach, by making enough cash available rather than spending too freely. Their performance can improve even more by boosting both liquidity and the efficiency of their working capital.

5.2. Reddy’s Laboratories Ltd- Comparative Analysis

Table No: 5.2 Reddy’s Laboratories Ltd

Particulars	FY 2023–24	FY 2024–25	Increase/Decrease	Observation
Current Assets	248,053	250,181	Slight Increase	Stable asset base
Current Liabilities	95,880	130,338	Sharp Increase	Higher short-term obligations
Working Capital	152,173	119,843	Decrease	Reduced liquidity cushion
Net Sales	280,111	326,439	Increase	Business growth
Current Ratio	2.59	1.92	Decrease	Weaker short-term solvency

**Interpretation**

According to the report, the company's liquidity declined in FY25, even though net revenues increased dramatically. Liabilities climbed substantially, while current assets expanded little,

dropping working capital and the current ratio from 2.59 to 1.92. This shows that even income increases, the short-term solvency gets decreased. To improve liquidity and financial stability, current liabilities must be managed better.

**5.3 Cipla Ltd- Trend Analysis**

Table No: 5.3 Cipla Ltd

Trend Item	FY 2023–24	FY 2024–25	Trend	Comment
Current Assets	₹193.9B	₹232.5B	Rising	More short-term resources available
Current Liabilities	₹52.5B	₹54.8B	Slightly Rising	Controlled liabilities
Working Capital	₹141.5B	₹177.7B	Rising	Stronger net liquidity
Current Ratio	3.70×	4.20×	Improving	Better short-term solvency
Quick Ratio	~3.12×	~3.12×	Stable	Quick liquidity steady
Working Capital Turnover	~1.51×	~1.60× est	Slightly Better	Slight efficiency improvement

**Interpretation**

Cipla Ltd has boosted its short-term financial health in FY25, with assets growing faster than liabilities and improving its working capital. A higher current ratio and a stable quick ratio indicate strong liquidity and solvency. A slight increase in working capital turnover results in efficient use of resource and better operational performance.

**VI. CONCLUSION**

A deeper look at Sun Pharma, Dr. Reddy’s, Cipla, Lupin, and Aurobindo Pharma makes it clear that each company manages efficiency, liquidity, and working capital differently, depending on its own strategy and long-term focus. Sun Pharma placed a higher priority on liquidity, but Dr. Reddy's had significant short-term pressure despite sales increases. Cipla and Lupin managed to strike a good balance between maintaining healthy liquidity and using their resources efficiently, while Aurobindo Pharma focused on steady growth supported by a strong and stable financial foundation. Although there were differences in efficiency, all businesses were able to maintain operational stability In the Indian pharmaceutical industry, managing working capital effectively is crucial. It helps businesses keep their everyday activities running smoothly, remain financially secure in the long run, and comfortably handle their short-term bills and responsibilities.

**5.4 Aurobindo Pharma Ltd- Balance Sheet Summary**

Table No: 5.4 Aurobindo Pharma Ltd

Particulars	FY 2023–24	FY 2024–25	% Change
Current Assets	237,719	271,625	+14.3%
Current Liabilities	121,991	146,823	+20.4%
Working Capital (CA – CL)	115,728 <sup>1</sup>	124,802 <sup>2</sup>	+7.9% <sup>3</sup>
Total Assets	438,589	484,920	+10.6%
Net Worth	298,428	326,533	+9.4%

**Interpretation**

Despite increased liabilities, Aurobindo Pharma Ltd. improved its financial situation in FY25, with working capital improving marginally and current assets increasing. Overall, financial expansion was reflected in the rise in net worth and total assets. The business has strong and steady cash flow which indicates healthy financial position and stable foundation that supports company’s long-term success.

**REFERENCE**

- [1] 1.Chatterjee (2022) showed Cipla’s working capital leverage significantly affects profitability.
- [2] Rajan & Thomas (2022) linked Dr. Reddy’s supply chain efficiency to working capital optimization.
- [3] According to Kapoor (2022), Lupin’s financial strategies closely influenced how effectively the company used its assets, showing the real impact of smart funding decisions.

- [4] Menon (2022) noted that Aurobindo Pharma's careful cash flow management was key to running the business efficiently and making the most of its resources.
- [5] Ghosh (2022) compared the liquidity ratios of Sun Pharma, Cipla, and Lupin, and observed noticeable differences in how efficiently each company managed its liquidity.