

## CORPORATE FINANCIAL MANAGEMENT KUSALAVA INTERNATIONAL LIMITED, HYDERABAD

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### Abstract

Kusulava International Ltd. of Vijayawada is the focus of this investigation into financial statement analysis as it pertains to the movement of capital. The ability to acquire fixed assets, manage inventory, process accounts receivable, and maintain liquidity is essential to the success of any organization. In order to determine where the money came

### Introduction

Companies, from the large multi-billion multinational to the local grocery around the corner, are all facing finance decisions every single day. Whether it is to decide upon a certain investment, to be active on the stock market, or for an investment firm, to create the best possible portfolio of assets. Every future manager should be able to grasp the basic corporate finance principles in order to succeed in the business world, hence the inclusion of this topic in this book. Moreover, with the aid of this chapter, you could translate articles from the financial section of your newspaper, and read what really has been written down. This chapter will cover the economic world around the firm, various financial notions, time value of money, the stock- and bond-market, and financial risk management

### CORPORATE FINANCE

Any time a company is started, expanded, or bought out, the process is known as corporate finance. Decisions made by the company that affect the budget are directly tied to this. We provide a practical and efficient way for the company to connect with the financial industry. In financial management, the overarching goal is value maximisation. If management is unable to increase value, shareholders will put pressure on them to do

from and how it was spent, this study examines Kusulava International Ltd's financial accounts. Through a comprehensive examination, the research seeks to provide insights into the financial well-being of the organization, the effectiveness of money use, and the overall influence on business operations. The results should help with financial planning and decision-making, which should lead to greater company performance.

so. Thus, it is essential that all C-suite executives have a firm grasp of what value is and how to assign a monetary value to it. Finance is no longer an optional extra for any top-performing management team, despite its reputation as a dull academic discipline.

Some of the consequences of economic liberalisation include a greater reliance on capital markets, more mergers and reorganisations, more employee stock option programmes, and a struggle for regulatory agencies to determine tariffs. One major issue in these endeavours is determining how much a business or its parts are worth. In financial management, the overarching goal is value maximisation. Deciding what a firm is worth in the market is the main goal of financial analysis.

### Value of the market

The sum that would change hands between a seller and a buyer who are both competent and eager to transact, given all relevant information, and not influenced in any way to purchase or sell. A quick note on cost and worth before we get into the specifics of the funding.

### Cost vs. Return

The "price" in economics is the cost that one party (the customer) must bear in order for another party (the seller) to provide a product

or service. Here, "value" means how much of an advantage something is seen to have in comparison to the expenses. The crux of finance is determining the current value of an organisation or an asset that has the potential to provide future profits.

You gain value when you sum up all the advantages you received in relation to the money you paid. Potential Investment Banking Fund Use There are a wide variety of corporate activities that need funding from investment banks. These include initial public issues (IPOs), debt security offerings, private equity, equity buy-backs, delisting offers, mergers and acquisitions, venture capital, and leveraged buyouts (LBOs).

The two places where I get my money are: Funds pertaining to commercial enterprises one way to determine the value of a firm and, by implication, its equity stake, are via security financing. Another approach is business financing. Consequently, corporate finance sector business plans it is possible to calculate the worth of a business in four distinct ways. Among these is the method of adjusted book value.

### **The Strategy Based on Debt and Stocks**

The discounted cash flow approach and the third alternative, which rely on direct comparison, will be discussed in additional detail. You will be able to evaluate the efficiency of several Indian info line pharmaceutical enterprises by using the concepts covered in this "Corporate FINANCE" assignment. We determined the company's worth by analysing the financial reports of Aurobindo Pharmaceutical Limited and Dr. Reddy's Laboratories Limited. We have valued the firm using discounted cash flows. The following procedures were considered during the development of this strategy: I will begin by finding the free cash flow. Then, I will determine how much money I will need to invest in the enterprise. The third stage is to estimate how much your business will be worth in the future.

### **NEED FOR THE STUDY**

Estimating a company's fair market value is the basic goal of this kind of analysis. The widely accepted metric for fair market value was set by the US Internal Revenue Service. According to its definition, fair market value is "the price at which the property would change hands between a willing buyer and a willing

seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts." When negotiating the price of "a company," the parties involved are essentially trading the claims of the company's investors. Loans, debentures, preference shares, and stock are all part of the present financial commitments. Finance is the starting point for prudent investing. By attempting to evaluate her shares using fundamental analysis, an investor may make intelligent decisions about purchasing and selling stocks. When value isn't there to begin with, all one can do is ride out temporary price swings and emotional responses.

### **A Review of the Company**

Good management necessitates the difficult but necessary task of creating value for the company. This is because buying, investing, or financing anything without proper thought may lead to its worth rapidly declining. In this lesson, students will study the fundamentals of evaluating a company, starting with the most fundamental financial statements and statistics. A more sophisticated level of methodology, including discounted free cash flow and others, will thereafter be covered. Part two of the day will concentrate on applying the techniques to real-world situations, such as valuing a company in distress, an acquisition target, and using FINANCE in a corporate reorganisation. Valuation techniques for corporations are purpose-specific.

### **SCOPE OF THE STUDY**

Aurobindo Pharmaceuticals, a pharmaceutical firm situated in Hyderabad, and Dr. Reddy's laboratories were the only entities investigated throughout the 35 days of the probe. Businesses should only utilise trustworthy data when making strategies for the future. Acquisitions, mergers, restructuring, and capital raising are just a few examples of the various financial processes that need an accurate assessment of the target company. If you use Accurate Finance, you can improve your investment and strategy choices. The monetary factors are often the centre of attention in financial transactions. In order to achieve their objectives, businesses and professionals in the industry must immediately begin using FINANCE as a strategic weapon.

### **OBJECTIVES OF THE STUDY**

Acquire a thorough understanding of business finance. In order to determine the worth of

businesses, the Discounted Cash Flow (DCF) Method is used. Obtaining the valuations of Aurobindo Pharma Ltd. and Dr. Reddy's Laboratories Ltd. is not possible without so that we may compare the two companies' worth. So that you may see how much the company is worth in relation to its stock price.

## **METHODOLOGY OF THE STUDY**

### **Methods for Gathering Data:**

Careful data selection during collection and subsequent integration into analysis and decision-making is the product of a well-designed system. If the data is inaccurate, then the study's results can't be trusted.

### **Information Sources:**

There are two paths we can go with this data. I agree, those people are

Main Source Statistics  
Independent Validation

### **Primary Source of Information:**

Being a comparative analysis, this research omits the core data and instead relies on secondary sources for its data. All of my observations and recommendations were based on the project manual and my personal perspective.

### **What We Used and Where We Got Our Data**

All of the data included in the study came from secondary sources, such as the annual reports of the two firms from 2021 to 2015. Aurobindo Pharmaceuticals Ltd. and Dr. Reddy's Laboratories Ltd. are the two firms that will be evaluated.

### **This approach incorporates**

We used the Discounted Cash Flow (DCF) approach to find the worth of the two companies. As a third point, visual aids like charts and graphs

## **LIMITATIONS OF THE STUDY**

In order to get a feel for how much the business is worth, we'll just look at its financials from the last four years. Aurobindo Pharmaceutical Limited and Dr. Reddy's Laboratories Limited are the only firms whose financial patterns have been examined in this

research, which spans the years 2011–2024. The primary source of information was the company's annual reports, which are considered secondary sources. Accounting principles, conventions, conventional business practice, regulatory requirements, and generally accepted accounting standards (GAAP) all contribute to the possibility that the data shown here may not accurately represent the financial health of the organisation. To determine a company's worth, we'll just apply the discounted cash flow method. If a developing business wants to use the discounted cash flow method to determine its value, it must discount its cash flows over an infinite time horizon. It is a really intimidating task. *Foretelling the Future Requires a Great Deal of Experience and Sound Decision-Making.* To find out how much a company will be valued in the future, several assumptions are made.

## **1. INTRODUCTION OF THE STOCK EXCHANGE**

The financial markets first gained significant attention in the 17th century, when the industrial revolution was taking hold. To purchase the largest buildings and equipment, a substantial sum of money would be required. Investors were few and far between throughout the industrial revolution, when businesses desperately required large sums of money. Many people's attempts to save and invest led to the formation of the financial markets. Europe was the birthplace of the first financial markets, which facilitated industrialisation and the growth of the British Empire. The first financial markets really occurred in churches, which is a surprising fact for most people. To handle the influx of new traders, financial markets like the London Stock Exchange expanded. Modern financial markets came into being to facilitate the exchange of money. The stock market is where most stock trading takes place. Issuing more shares of stock to the public is one way for companies to raise extra funds for investments. Profits are generated when investors sell their shares for more than they originally paid for them. Three global financial capitals—London, New York, and the Stock Exchanges—are home to the vast bulk of the world's financial markets. Nevertheless, a proliferation of internet stockbrokers and exchanges like NASDAQ has arisen in response to this heightened interest.

Right now, the London Stock Exchange (L.S.E.) is a hub for trading activities such as: Trading stocks of the bonds issued by the state.

Responsibilities. Both immediate and future insurance. Items with Potential for Future Resale" In the past, "jobbers" and "stockbrokers" played a significant role in the operation of the LSE. Those who work with stockbrokers as jobbers are responsible for buying and selling shares on the trading floor. Jobbers generate income by buying shares from the public at prices lower than what stockbrokers are willing to pay. The LSE's system remained largely unaltered from the 1800s all the way into the 1980s. In the past, when stockbrokers primarily helped market participants with buying and selling, the London Stock Exchange's (LSE) primary function was to publish share prices. Prior to the influx of new stock market investors in the 1880s, everything was OK. After then, the stock exchange needed a complete overhaul. A fresh strategy was required by the stock market. According to the data, the majority of the stock market's traded shares in the 1960s were held by only thirty entities. By 1981, only financial companies had 59% of the stock.

The number of transactions completed by the stock market increased as people's discretionary income rose. Now that the stock exchange has decided to equip the trading floors with dual capability, jobbers may buy and sell shares like stockbrokers while still serving their clients. The supplementary transactions were no problem for our function. Curiously, the stockbrokers who compete on the London Stock Exchange (LSE) are also the owners of the private corporation.

Structured trading has been around for a long time in India's securities market. In the loan stocks of the East India Company, which were recorded towards the end of the 18th century, the first capital market transactions in India were documented. Markets for cotton mill and bank securities had taken over Bombay and Calcutta by the time the 1830s came around. Stocks in financial institutions were the most actively traded. Indians were more active in the stock market after the 1850 Improvement of the Co. Act brought limited liability to the country. "Native share and stock Brokers Association" laid the groundwork for India's first SE, Bombay, in 1875. Got a new name: BSE. It set a major historical precedent as Asia's first stock exchange. The Foreign Exchange Regulatory Act was passed by the Indian legislature between 1956 and 1980. It had an impact on the securities market and helped to fuel the growth of the Indian stock market. In order to comply with FERA, some Indian corporations had to lower the amount of

foreign ownership if it was more than 40%. As a result, a number of these companies started giving shares to people in India. From 1980 until 1999, the Indian SE had a comprehensive restoration. Markets that were most significant at that time were automation, mobilisation, trade, and stringent regulation.

## COMPANY PROFILE

Clients have come to rely on Invest Leaf Management Solutions, a "Premier Investment Consultancy Firm," because of the ease, quality, and success with which they have made their investment decisions. This enterprise is structured as an LLC. Among the numerous products and services offered by the company are stocks, futures, currencies, commodities, initial public offerings (IPOs), insurance, mutual funds, real estate, portfolio management, and depositories.

### Equities:

By visiting InvestLeaf, you'll have access to the top '3-IN-1' online trading accounts provided by several trading businesses. We combine conventional brokerage with state-of-the-art technologies to give you a leg up. If you are looking for an equity trading partner, Invest Leaf Management Solutions Ltd. is a good option. Institutions were the only ones who had access the option of studied investing before Invest Leaf Management Solutions. Invest Leaf Management Solutions was the first to provide retail investors with research.

### Exchanges for Capital:

Mutual fund research is the forte of an in-house team of Investleaf specialists. Very few other businesses provide this one-of-a-kind service. The group's members have doctorates in subjects as varied as statistics, economics, and finance. Our various experiences allow us to evaluate investments and results using a wide range of traditional and alternative methods. We take both quantitative and qualitative aspects into account when we evaluate each mutual fund client individually. The group is prepared to work with businesses and people alike. We work with asset management firms and fund managers in addition to doing independent research.

### Standard fare:

The top commodities trading teams and commodities are available at Investleaf. A wide variety of academic disciplines are

represented among this group's analysts, including economics, statistics, agronomy, finance, and many more. Our diversified team of experts allows us to examine any commodity from several angles and modify the data according to the trading choice. The group is prepared to work with businesses and people alike. Our renowned studies cover all the bases: we talk to actual market participants, do primary surveys, and analyse fundamental, derivative, technical, and statistical factors.

#### **Property Market:**

All of Investleaf's offerings are conveniently located in one place. Here you may find a compilation of all the new commercial, industrial, and residential projects that were selected from various builders and satisfied our rigors criteria. Building operations, administrative assistance, and maid services for business and residential complexes are our specialities. Obtaining financing for commercial and residential real estate requires expert expertise. Giving advice to homeowners on which insurance coverage will best meet their needs.

#### **Assessment of Investments:**

Nobody does a better job than Investleaf of covering the Indian investment ecosystem. Investleaf is a great resource for learning about and researching FINANCES, such as initial public offerings (IPOs), private placements (PPs), private equity (PE), and venture capital (VC) agreements. The firms, investors, and consultants involved in these deals are also detailed. Because data is always accessible on the hosted platform, users may spend less time exploring and more time evaluating. In order to make data more accessible and easy to understand, Investleaf employs cutting-edge web technologies. Investleaf has simplified things even more for those working in financial research by including spreadsheet and pdf data types. A group of skilled journalists and analysts who are familiar with Investleaf's clientele's information requirements back the firm up. Investleaf is an essential tool for anybody involved in the Indian transaction environment, whether they are private equity, venture capital, investment banking, consultants, corporate lawyers, or financiers.

#### **Details Regarding the Business:**

In 2010, after its 2007 launch, Investleaf Management Solutions changed its legal status from that of a partnership to that of a limited

liability corporation. There are around 120 people working for our firm. Its headquarters are in Hyderabad, India, but it also has marketing departments in the United States and the United Kingdom. When it comes to managing their clients' wealth, Investleaf Management Solutions uses innovative and moral strategies.

## **THEORETICAL FRAMEWORK**

### **CORPORATE FINANCE**

In financial management, the overarching goal is value maximisation. If management is unable to increase value, shareholders will put pressure on them to do so. Thus, it is essential that all C-suite executives have a firm grasp of what value is and how to assign a monetary value to it. Knowledge in finance is widely prized by modern managers, contrary to the subject's reputation as a dry academic field. Some of the consequences of economic liberalisation include a greater reliance on capital markets, more mergers and reorganisations, more employee stock option programmes, and a struggle for regulatory agencies to determine tariffs. One major issue in these endeavours is determining how much a business or its parts are worth.

One of the main purposes of this kind of study is to determine how much a firm is worth in the market. U.S. Internal Revenue Service standards are the gold standard for determining fair market value. A fair market value is defined as "the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts."When arguing over how much "a company" is worth, both parties are effectively exchanging the assertions of the firm's stockholders. Current financial obligations include loans, debentures, preference shares, and stock.

A company's worth may be estimated mainly using four methods: A method based on adjusted book value is used here. The strategy using stocks and debts follows. The third approach is to compare the components side by side. Those pesky discounted cash flow calculations.

### **Refined Approaches to Determining Books' Value**

Looking at a company's financial sheet is the simplest approach to determine its value. From the data shown by the balance sheet, one may get two equally valid valuation estimates for a business. The sum of all investor claims' book values is an excellent starting point. The second step is to take stock of all of a company's assets and then subtract any claims that do not pertain to investors, such accounts payable and provisions. The degree to which the net book values of the assets are reflective of their fair market values determines the reliability of the book value method.

### Handling Financing and Assets

The market value of all outstanding shares of stock of a publicly traded corporation is the sum of all its assets. This straightforward method is referred to by property tax appraisers as the stock and debt technique. The word "market technique" might also describe it.

### DATA ANALYSIS AND INTERPRETATION

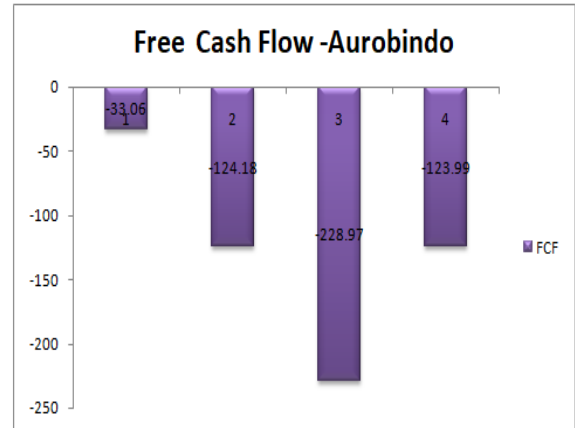
#### AUROBINDO PHARMACEUTICALS

##### 1. Calculation of Free Cash Flows

Free Cash Flows	2021	2022	2023	2024
Net Fixed Assets at the end of the year	170.07	298.28	473	578.05
Net Current Assets at the end of the year	420.12	530.88	728.38	786.14
<b>Total</b>	<b>590.19</b>	<b>829.16</b>	<b>1201.38</b>	<b>1364.19</b>
Net Fixed Assets at the beginning of the year	160.60	170.07	298.28	473
Net Current Assets at the beginning of the year	307.30	420.12	530.88	728.38
<b>Total</b>	<b>467.9</b>	<b>590.19</b>	<b>8209.16</b>	<b>1201.38</b>
Net Investment	122.29	238.97	372.22	162.81
NOPLAT	89.23	114.79	143.25	38.82
<b>FCF</b>	<b>-33.06</b>	<b>-124.18</b>	<b>-228.97</b>	<b>-123.99</b>

#### FREE CASH FLOWS OF AUROBINDO PHARMACEUTICALS

Years	2021	2022	2023	2024
FCF	-33.06	-124.18	-228.97	-123.99



##### INTERPRETATION:

The investigation revealed that Aurobindo's FCF was declining. The value was -33.06 in 2021 and -123.99 in 2024.

##### CALCULATION OF COST OF CAPITAL (Aurobindo)

Years	2021	2022	2023	2024
<b>% of Equity</b>				
Shareholders Fund	361.36	533.39	756.37	788.59
<b>Total Source of Fund</b>	<b>698.42</b>	<b>1096.69</b>	<b>1461.87</b>	<b>1708.69</b>
<b>Cost of Equity</b>				
Dividend	60.6	79.4	114.2	25.4
Shareholders Fund	698.42	1096.69	1461.87	1708.69
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>% of Debt</b>				
Loan Fund	336.0	525.47	618.39	829.12
<b>Total Source of Fund</b>	<b>698.42</b>	<b>1096.69</b>	<b>1461.87</b>	<b>1708.69</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Cost of Debt</b>				
Interest	42.39	42.59	32.24	39.99
Loan Fund	336.0	525.47	618.39	829.12

##### 3. COST OF CAPITAL (Aurobindo)

(Rs in crores)

(% Ke*Ke)+(%) Kd*Kd)				
Years	2021	2022	2023	
% of Equity	0.51739	0.48636	0.51739	0.
Cost of Equity	0.08676	0.07239	0.078119	0.
<b>Total</b>	<b>0.04488</b>	<b>0.03521</b>	<b>0.04041</b>	<b>0</b>
% of Debt	0.481085	0.47914	0.42301	0
Cost of Debt	0.12616	0.08105	0.052135	0
<b>Total</b>	<b>0.06069</b>	<b>0.03883</b>	<b>0.02205</b>	<b>0</b>
Cost of Capital	0.10557	0.07404	0.06246	0
% for Present Value	11%	7%	6%	
<b>CONTINUING VALUE</b>				
Years	2011	2021	2022	
FCF	-33.06	-124.18	-228.97	-
K	11%	7%	6%	
G	26%	40%	45%	
<b>Continuing Value</b>	<b>=</b>	<b>1127.18</b>		

#### 4. FIRM VALUE (Aurobindo)

(Rs in crores)

PV(FCF)+PV(CV)					
Years	2021	2022	2023	2024	Continuing Value
FCF	-33.06	-124.18	-228.97	-123.99	1127.18
Present Value	11%	7%	6%	3%	3%
<b>Total</b>	<b>-29.78</b>	<b>-108.46</b>	<b>-192.25</b>	<b>-110.16</b>	<b>1001.49</b>
<b>Total Firm Value</b>	<b>=</b>	<b>560.84</b>			

Dr. REDDY'S LABORATORIES LTD

Calculation of Free Cash Flows (Dr. Reddy's)

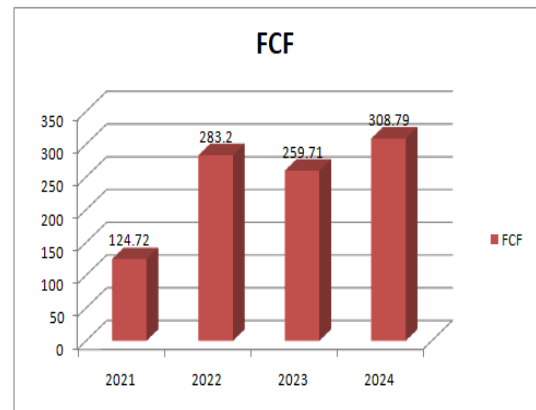
(Rs in crores)

Free Cash Flows				
Years	2021	2022	2023	2024
Net Fixed Assets at the end of the year	395.76	458.1	538.13	563.40
Net Current Assets at the end of the year	1231.87	929.84	1025.7	1139.47
<b>Total</b>	<b>1627.63</b>	<b>1387.94</b>	<b>1563.83</b>	<b>1702.87</b>
Net Fixed Assets at the beginning of the year	348.35	395.76	458.1	538.13
Net Current Assets at the beginning of the year	1011.91	1231.87	929.84	1025.7
<b>Total</b>	<b>1360.26</b>	<b>1627.63</b>	<b>1387.94</b>	<b>1563.83</b>
Net Investment	267.37	239.69	175.89	139.04
NOPLAT	392.09	283.2	435.6	447.83
<b>FCF</b>	<b>124.72</b>	<b>43.51</b>	<b>259.71</b>	<b>308.79</b>

#### FREE CASH FLOWS OF Dr. REDDY'S LABORATORIES LTD

(Rs in crores)

Years	2021	2022	2023	2024
<b>FCF</b>	<b>124.72</b>	<b>283.2</b>	<b>259.71</b>	<b>308.79</b>



#### INTERPRETATION

Dr. Reddy's free cash flow is 124.72 crores in 2021, 283.2 crores in 2022, 259.71 crores in 2023, and 308.79 crores in 2024, returning to a rising trend. The FCF, on the whole, was going up.

#### CALCULATION OF COST OF CAPITAL (Dr. Reddy's)

(Rs in crores)

Year	2021	2022	2023	2024
<b>% of Equity</b>				
Shareholders Fund	1806.92	2047.02	2047.01	2074.08
Total Source of Fund	1835.68	2105.24	2109.09	2149.97
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Cost of Equity</b>				
Dividend	150	100	100	100
Shareholders Fund	1806.92	2047.02	2047.9	2074.08
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>% of Debt</b>				
Loan Fund	28.76	58.22	62.08	75.89

Total Source of Fund	1835.68	2105.24	2109.09
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Cost of Debt</b>			
Interest	6.05	4.23	1.48
Loan Fund	28.76	58.22	62.08

#### COST OF CAPITAL (Dr.Reddy's)

(Rs in cror)

(% Ke*Ke)+(% Kd*Kd)				
Years	2021	2022	2023	2024
% of Equity	0.984332	0.972345	0.970987	0.9647
Cost of Equity	0.083014	0.048851	0.048831	0.0482
<b>Total</b>	<b>0.0817133</b>	<b>0.04750</b>	<b>0.047414</b>	<b>0.0465</b>
% of Debt	0.015667	0.027654	0.02943	0.0352
Cost of Debt	0.2103616	0.072655	0.02384	0.1312
<b>Total</b>	<b>0.003295</b>	<b>0.002009</b>	<b>0.000701</b>	<b>0.004</b>
Cost of Capital	0.085008	0.049509	0.048115	0.0511
% for Present Value	9%	5%	5%	5%

CONTINUING VALUE				
Years	2021	2022	2023	2024
FCF	124.72	283.2	259.71	308.79
K	9%	5%	5%	5%
G	20%	15%	13%	9%
<b>Continuing Value</b>	<b>=</b>	<b>-7719.75</b>		

#### 4. FIRM VALUE (Dr.Reddy's)

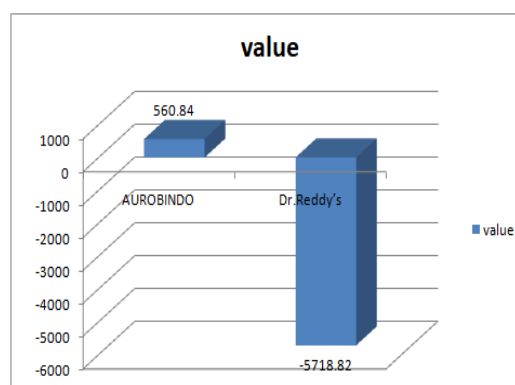
(Rs in crores)

PV(FCF)+PV(CV)					
Years	2021	2022	2023	2024	Continuing Value
FCF	124.72	43.51	259.71	308.79	-7719.75
Present Value	9%	5%	5%	5%	5%
<b>Total</b>	<b>114.42</b>	<b>39.46</b>	<b>224.35</b>	<b>254.04</b>	<b>-6351.09</b>
<b>TOTAL FIRM VALUE</b>	<b>=</b>	<b>-5718.82</b>			

#### COMPARISON OF VALUE OF THE FIRM'S

(Rs in crores)

Company	AUROBINDO	Dr.Reddy's
value	560.84	-5718.82



#### INTERPRETATION

Two companies, Aurobindo Pharmaceutical Limited and Dr. Reddy's Laboratories Limited, have valuations of 560.84 Crores and -5718.82 Crores, respectively. Dr. Reddy's Laboratories is valued less than Aurobindo Pharmaceutical.

#### ANNEXURE

Financial Analysis of Aurobindo Pharmaceuticals Ltd Profit & Loss Accounts

(Rs in crores)

Years	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
<b>INCOME</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>
Sales Turnover	996.10	1037.72	1190.38	1341.07	1159.17
-Exercise Duty	46.91	62.37	76.46	81.18	74.15
<b>Net Sales</b>	<b>949.19</b>	<b>975.35</b>	<b>1113.92</b>	<b>1259.89</b>	<b>1085.02</b>
Other Income	10.37	14.68	11.65	22.06	16.56
+Stock Adjustments	47.24	17.05	31.89	36.35	13.24
<b>TOTAL INCOME(A)</b>	<b>1006.80</b>	<b>1007.08</b>	<b>1157.46</b>	<b>1318.30</b>	<b>1114.82</b>
<b>EXPENDITURE</b>					
Raw Material	581.21	602.45	734.14	753.18	640.48
Purchase of Trading Goods	115.63	64.72	20.63	33.90	16.96
Other Manufacturing Exp	96.31	98.70	120.53	153.74	172.46
Payments to & Provisions for Employees	21.62	25.18	33.52	51.35	66.22
Administration & Selling Expenses	44.86	43.23	42.78	87.31	95.3
<b>TOTAL EXPENSES(B)</b>	<b>859.63</b>	<b>834.28</b>	<b>951.6</b>	<b>1079.38</b>	<b>991.4</b>
Operating profit					
<b>PBDIT (A-B)</b>	<b>147.17</b>	<b>172.8</b>	<b>205.86</b>	<b>238.92</b>	<b>123.4</b>
-Interest	41.68	42.39	42.59	32.24	39.99
<b>PBDT</b>	<b>105.49</b>	<b>130.41</b>	<b>163.27</b>	<b>206.68</b>	<b>83.41</b>
-Depreciation	14.78	15.81	23.18	34.16	40.49
<b>Profit Before Tax</b>	<b>90.71</b>	<b>114.6</b>	<b>140.09</b>	<b>172.52</b>	<b>42.92</b>
-Extra-ordinary items	-	10.0	-	-	-
<b>PBT(post-ord- items)</b>	<b>90.71</b>	<b>104.6</b>	<b>140.09</b>	<b>172.52</b>	<b>42.92</b>
-Tax	15.09	15.37	25.3	29.27	4.1
<b>NET PROFIT</b>	<b>75.62</b>	<b>89.23</b>	<b>114.79</b>	<b>143.25</b>	<b>38.82</b>
Earnings per share(rs)	33.82	33.89	22.73	26.54	6.91
Preference Dividend	1.9	-	-	-	-
Equity Dividend	60.6	60.6	79.4	114.2	25.4

### Balance Sheets of Aurobindo Pharmaceutical Ltd

(Rs in crores)

Years	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
<b>SOURCES OF FUNDS</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>
Total Share Capital	20.0	20.67	23.25	25.38	25.39
Equity Share Capital	20.0	20.67	23.25	25.38	25.39
Preference Share Capital	0	0	0	0	0
Reserves & Surplus	256.42	340.69	510.14	730.99	763.2
Share Capital Suspense	0.2	-	-	-	-
Equity Share Warrants	-	1.06	2.15	35.00	35.00
Secured Loans	137.45	181.4	406.57	514.61	624.4
Unsecured Loans	88.45	154.51	118.90	103.78	204.72
Deferred Tax Liability	-	-	35.95	52.11	55.98
<b>TOTAL</b>	<b>502.52</b>	<b>698.42</b>	<b>1096.96</b>	<b>1461.87</b>	<b>1708.69</b>
<b>APPLICATION OF FUNDS</b>					

Gross Block	198.19	219.12	378.91	584.41	729.74
Less: Depreciation	37.59	49.05	80.63	111.41	151.69
Net Block	160.60	170.07	298.28	473.00	578.05
Capital Work-in-Progress	10.86	55.96	115.49	111.60	176.50
Investments	23.76	73.73	413.77	584.60	151.27
<b>Current Assets Loans &amp; Advances</b>					
Inventories	172.99	125.46	203.52	259.64	323.58
Sundry Debtors	201.30	367.57	407.65	453.85	441.38
Cash & Bank Balances	4.55	11.13	33.15	37.41	13.8
Loans & Advances	63.75	70.45	107.07	149.45	213.47
Interest Accrued on Investments	-	0.02	0.03	0.03	0.03
Other Current Assets	-	-	-	0.34	0.02
	442.59	574.63	751.42	903.72	992.28
Less: Current Liabilities	127.92	142.45	206.49	155.09	195.19
Provisions	7.37	12.06	14.05	20.25	10.99
	135.29	154.51	220.54	175.34	206.14
Net Current Assets	307.3	420.3	530.88	728.38	786.14
Miscellaneous Expenditure	-	0.65	-	-	-
<b>TOTAL</b>	<b>502.52</b>	<b>698.42</b>	<b>1096.96</b>	<b>1461.87</b>	<b>1708.69</b>

### Financial Analysis of Dr. Reddy's Ltd Profit & Loss Accounts

(Rs in crores)

Years	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
<b>Income</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>	<b>12 mths</b>
Sales Turnover	1565.74	1598.33	1740.20	1740.20	1825.08
-Exercise Duty	78.97	84.72	79.98	73.57	57.38
<b>Net Sales</b>	<b>1486.77</b>	<b>1513.61</b>	<b>1661.22</b>	<b>1666.63</b>	<b>1767.70</b>
Other Income	85.89	46.46	75.74	75.74	69.58
+Stock Adjustments	11.02	23.64	9.66	9.66	29.62
<b>TOTAL INCOME(A)</b>	<b>1583.68</b>	<b>1583.71</b>	<b>1746.62</b>	<b>1752.03</b>	<b>1866.9</b>
<b>EXPENDITURE</b>					
Raw Material	402.71	426.82	526.81	590.96	574.04
Power & Fuel	32.84	38.12	41.23	43.96	45.35
Employee cost	100.59	126.63	153.83	153.84	182.36
other manufacturing exp	83.008	105.39	131.28	230.15	293.30
Selling & administration expenses	282.3	248.06	444.74	169.52	186.59
Miscellaneous expenses	149.82	40.64	69.43	34.56	23.98
preoperative exp capitalized	0	0	0	0	0
<b>TOTAL EXPENSES(B)</b>	<b>1051.34</b>	<b>1085.66</b>	<b>1367.32</b>	<b>1222.99</b>	<b>1305.62</b>
Operating profit	446.45	451.59	303.56	432.56	332.26
<b>PBDIT (A-B)</b>	<b>532.34</b>	<b>498.05</b>	<b>379.3</b>	<b>529.04</b>	<b>561.28</b>
-Interest	14.15	6.05	4.23	1.48	9.96
<b>PBDT</b>	<b>518.19</b>	<b>492</b>	<b>375.07</b>	<b>527.56</b>	<b>551.32</b>
-Depreciation	47.42	60.84	71.72	71.72	92.46
<b>Profit before Tax</b>	<b>518.19</b>	<b>492</b>	<b>375.07</b>	<b>527.56</b>	<b>551.32</b>
-Extra-ordinary items	47.42	60.84	71.72	71.72	92.46
<b>PBT(post-ord- items)</b>	<b>470.77</b>	<b>431.16</b>	<b>303.35</b>	<b>455.84</b>	<b>458.86</b>
-Tax	11.12	39.07	20.15	20.24	11.01
<b>NET PROFIT</b>	<b>459.65</b>	<b>392.09</b>	<b>283.2</b>	<b>435.6</b>	<b>447.83</b>
Earnings per share(rs)	42.9	58.4	43.8	52.3	57.9
Preference Dividend	0	0	0	0	0
Book value(rs)	190.54	236.14	237.51	294.24	328.45
Equity Dividend	40	150	100	100	100

Balance sheet of Dr Reddy's Ltd

(Rs in crores)

Years	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sources of fund	12 mths	12 mths	12 mths	12 mths	12 mths
Total share capital	38.26	38.26	38.26	38.26	38.26
Equity share capital	38.26	38.26	38.26	38.26	38.26
preference share capital	0	0	0	0	0
Reserves	1419.73	1768.66	2008.76	2008.75	2035.82
ReFINANCE Reserve	0	0	0	0	0
<b>Networth(A)</b>	<b>1457.99</b>	<b>1806.92</b>	<b>2047.02</b>	<b>2047.01</b>	<b>2074.08</b>
Secured loans(a)	5.3	4.29	35.64	36.45	56.24
un secured loans(b)	8.52	24.47	22.58	25.63	19.65
<b>Total Debt(a+b)(B)</b>	<b>13.82</b>	<b>28.76</b>	<b>58.22</b>	<b>62.08</b>	<b>75.89</b>
<b>Total Liabilities(A+B)</b>	<b>1471.81</b>	<b>1835.68</b>	<b>2105.24</b>	<b>2109.09</b>	<b>2149.97</b>
Application of Funds					
Gross Block	569.94	685.12	810.95	956.45	1035.65
Less: Accum. Depreciation	221.56	289.36	352.85	418.32	472.25
<b>Net Block(I)</b>	<b>348.35</b>	<b>395.76</b>	<b>458.1</b>	<b>538.13</b>	<b>563.40</b>
Capital work in progress(II)	47.61	51.41	105.25	145.36	186.32
<b>Investments(III)</b>	<b>63.94</b>	<b>156.64</b>	<b>612.05</b>	<b>254.35</b>	<b>365.41</b>
Inventories	189.81	240.11	258.01	231.57	254.84
Sundry Debtors	444.95	432.11	444.05	489.23	462.63
Cash & Bank Balance	488.56	688.4	408.08	543.36	498.21
<b>Total current asset</b>	<b>1123.32</b>	<b>1360.96</b>	<b>11110.14</b>	<b>1264.16</b>	<b>1215.68</b>
Loans & Advances	135.88	201.28	233.56	287.36	331.42
<b>(+)Total CA, Loans &amp; Advances (IV)</b>	<b>1259.20</b>	<b>1562.24</b>	<b>1343.70</b>	<b>1551.52</b>	<b>1547.1</b>
Deferred credit	4.73	4.29	3.7	5.21	5.11
Fixed deposit	0	0	0	0	0
<b>Current Liabilities</b>	<b>219.26</b>	<b>275.14</b>	<b>355.73</b>	<b>425.65</b>	<b>512.34</b>
(+)Provision	28.03	55.23	58.13	62.13	68.52
<b>Total CL &amp; Provisions(VI)</b>	<b>247.29</b>	<b>330.37</b>	<b>413.86</b>	<b>487.78</b>	<b>580.86</b>
<b>NET Current Assets</b>	<b>1011.91</b>	<b>1231.87</b>	<b>929.84</b>	<b>1025.7</b>	<b>1139.47</b>
Miscellaneous Expenses(V)	0	0	0	0	0
<b>Total Assets{(I-V)-VI</b>	<b>1471.81</b>	<b>1835.68</b>	<b>2105.24</b>	<b>2345.52</b>	<b>2541.36</b>
Contingent Liabilities	151.65	166.7	226.69	295.32	364.25

**FINDINGS**

**Effortless Flow of Funds**

Aurobindo Pharmaceutical's FCF declined throughout the course of the research. This figure fluctuated between -133.06 crores and -123.99 crores from 2011 to 2024. Contrarily, Dr. Reddy's FCF increased throughout the trial. The rise occurred between 2020 and 2023, going from 124.72 crores to 308.79 crores.

**DESIRE PRICE**

For Aurobindo, the cost of capital has dropped. A mere 3% in 2024 compared to 11% in 2011. A different explanation might be that Dr. Reddy's cost of capital went down or stayed the same. It dropped to 5% from 2011 to 2007, and it stayed there until 2021 and 2024, a total of 9%.

**Benefit in the Long Run**

Great things happened for Aurobindo Pharmaceutical in 2023, as the company's Continuing Value reached 11,127.18 crores. The Continuing Value of Dr. Reddy, on the other hand, was -7719.75 crores in the year 2024.

**The Company's Worth**

Dr. Reddy's was valued -5718.82 crores in 2023, while Aurobindo Pharmaceutical was worth 560.84 crores. Compared to Dr. Reddy's Laboratories, Aurobindo Pharmaceutical Ltd. is worth more.

**Dividend on Equity**

An increase from 60.6% in 2006 to 114.2 in 2022 and 25.4 in 2023 was Aurobindo's stock dividend. In contrast, Dr. Reddy's dividend has been steadily rising from 40 in 2023 to 150 in 2006, and it stayed at 100 from 2021 to 2022, thus it surpassed Aurobindo's payout.

**CONCLUSIONS AND SUGGESTIONS**

Investors may think about moving their money from Dr. Reddy's Laboratories Ltd. to Aurobindo Pharmaceutical Ltd. because of the rising trend in the company's corporate worth. Because Aurobindo's business is more valuable, Dr. Reddy's Laboratories has to do a lot to increase the value of the overall organisation. It is critical for both organisations to increase their investments in research and technology so they may become industry leaders, as these areas are essential to their operations. Any company worth its salt knows that a well-executed marketing plan is essential to satisfying customers and achieving growth. Investors must carefully review the offer document for any limitations and requirements and must always act legally. The onus is on the investors to use good judgement once the data is available. A company's worth is influenced by several elements. One notable example of this is FCF, which stands for "free cash flow."

### **Investment Expenses (K)**

How much free cash flow should rise over the long run?

Despite having a market capitalisation of 560.84 crores, Aurobindo Pharmaceutical has negative FCFs from 2011 to 2023. Valuation for Dr. Reddy was negative at -5718.82 crores, despite positive free cash flow (FCF) from 2011 to 2023. It is possible that the aforementioned figures are due to changes in the cost of capital and the pace of firm development. The cost of capital for Aurobindo dropped from 11% in 2022 to 3% in 2024, even though the company's growth rate dropped dramatically from 45% in 2022 to 14% in 2023. The growth rate of Dr. Reddy was 9% in 2023, even if it slowed from 20% in 2021 and the cost of capital was 5%.

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