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A STUDY ON CASH FLOW MANAGEMENT AT AUROBINDO PHARMA LIMITED HYDERABAD

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ABSTRACT

The pharmaceutical industry needs a lot of money to operate. Making a medicine doing clinical trials getting approvals and selling a product can take more than ten years and cost a lot of money. For companies like Aurobindo that make medicines the process is shorter but they still have to spend a lot on manufacturing following rules, developing products and making sure they are good quality.

It is very important to look at how money the pharmaceutical industry is making and spending. This is because it shows if the company has money to pay for its own expenses without borrowing too much from others. It also shows how well the company turns its sales and profits into money. This helps people who have a stake in the company see if it can pay its debts keep paying dividends and buy companies. For people who invest in the pharmaceutical industry and analysts looking at how money the company has like Free Cash Flow, Operating Cash Flow and Cash Return on Investment gives a better idea of how healthy the company is financially than just looking at how much money it makes.In the pharmaceutical industry the government can suddenly stop a company from selling a medicine, which can hurt its sales. So it is more important to understand how much money the company has and how well it can manage its money. A company that makes a lot of money from its operations and manages its money well is better able to handle problems with the government without hurting its ability to grow in the long term. The pharmaceutical industry is a business and companies like Aurobindo need to be careful with their money. The pharmaceutical industry has to deal with a lot of rules and regulations so it is crucial for companies, in the industry to have a lot of money and manage it well.

INTRODUCTION

Cash flow analysis is an important part of financial management. It involves the examination of cash inflows and outflows of an organization over a defined period.This is crucial when assessing the financial stability, liquidity status, and efficiency of operations within a business organization. The cash flow, however, is determined by whether there is enough cash available to meet daily operational costs, repay debts, and fund future investments. Cash flow is not related to accounting concepts such as profit. Consequently, the analysis of cash flow is essential for the planning, control, and decision-making of any organization.

Cash flow analysis involves the activity of analyzing how the cash flows into and out of the company. This allows the company to have an overall understanding of cash flow and its implications in decision-making in matters of finance and investment.

The company can see everything about money moving out. This helps the company make decisions about money and investments.

A cash flow statement, which is required by Accounting Standard 3 (AS-3) in India and International Accounting Standard 7 (IAS-7) around the world, is a report that shows all the money coming in and going out during a certain time. This report also comprises other items like cash and items similar to cash.

Operating Activities:

Operating activities are about the money that comes in and out of the business when it does its job. This is the money that the business gets from its customers and the money it pays to its suppliers and employees. The business also pays income taxes. Gets other kinds of money from its daily work. If operating activities constantly yield revenues higher than payments made, then it's a clear indication that the company is performing well financially.

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Investing Activities:

The term "investing activities" refers to the cash flows that pertain to buying or selling of long-term assets like property or equipment. The business can also use this money to buy stocks or other companies. If the investing activities cost the business money, that might mean the business is spending money to grow in the future. If the investing activities bring in money for a long time, that might mean the business is selling some of its assets.

Financing Activities:

Finance activity is concerned with finances that a company uses to finance its operations and debt repayments. It encompasses the amount of money a firm raises from selling portions of itself to investors, as well as money spent on loan repayments. The business also uses some of this money to pay dividends to its shareholders and to pay interest on its loans. This part of the business shows how the business pays for its structure and how it rewards the people who own its shares.

The net income and operating cash flow are connected through a method that shows how working capital changes and non-cash items affect them. This method gives analysts information about the net income. It helps them understand if the reported earnings are good or not. The working capital changes and non-cash items have an impact on the net income and operating cash flow.

SCOPE OF THE STUDY

The study is focused on the operations of Aurobindo Pharma Limited. This includes all subsidiaries and joint ventures and encompasses step-down subsidiaries located within 150 jurisdictions. The period of analysis is five years only, covering FY2021 until FY2025, although the analysis will be concentrated more heavily on FY2024 and FY2025 than the other three fiscal years. The scope of the analysis will only include cash flow statements. While profit or loss and balance sheet data are mentioned throughout, they are only referenced to provide further context, while the primary goal will be to analyse the statement of cash flows itself. In this research, the theoretical background for cash flow analysis will be outlined, specifying the difference between cash and accrual accounting, the structure of cash flow statements (in terms of the International Accounting Standard [IAS] 7 and its equivalents), and the analytical frameworks available for interpreting cash flow data.

The scope of this study will only involve an analysis of the cash flow position of the Aurobindo Pharma Limited. In this study, the following will be covered:

- The analysis of the cash flow statements prepared by the firm for some financial years selected for study.
- An analysis of cash flows arising from operations to determine efficiency in operations.
- An analysis of cash flows from investments to examine investment strategies.
- An analysis of cash flows from financing activities to analyse financing policies.
- A determination of trends and changes in cash inflows and outflows during the period under study.
- Determining the ability of the firm to have sufficient cash to enable growth and pay off debt.

OBJECTIVES OF THE STUDY

The study has been undertaken with the following primary and secondary objectives:

Primary Objective:

- To analyse and interpret the cash flow statements of Aurobindo Pharma Limited for the financial years 2024 and 2025.

Secondary Objectives:

- To examine the structure and composition of operating, investing, and financing cash flows.
- To compute and interpret cash-flow-based ratios such as Operating Cash Flow Ratio, Cash Flow Margin, Cash Flow to Debt, and Free Cash Flow.
- To examine the quality of earnings by comparing operating cash flow with reported net profit.

We need to look at the cash flows over the five years from FY2021 to FY2025 so we can see what is happening with the money. This will help us understand what is going on with the cash flows during this time. We are talking

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about the cash flows from FY2021 to FY2025.

To suggest practical measures for strengthening cash generation and capital allocation.

RESEARCH METHODOLOGY

Research Design

The present study uses a descriptive and analytical methodology of research. It is descriptive in that it documents the cash flow profile of Aurobindo Pharma Limited over a five-year window, and analytical in that it interprets that profile through the framework of cash flow ratios and qualitative business drivers.

Research Design

It helps in collecting data measuring data and analyzing data of Aurobindo Pharma Limited.This study uses a research design with a framework to understand Aurobindo Pharma Limited.

The design is analytical because it uses existing data of Aurobindo Pharma Limited and applies evaluation ratio analysis and statistical tools to draw conclusions about Aurobindo Pharma Limited.

- It is also descriptive because it explains the structure of cash flows of Aurobindo Pharma Limited and the financial position of Aurobindo Pharma Limited in a way.

The study covers years of Aurobindo Pharma Limited, which helps in understanding trends and patterns and changes in the cash flow of Aurobindo Pharma Limited.

Types of Research

Research – this study uses existing data of Aurobindo Pharma Limited to evaluate the financial position of Aurobindo Pharma Limited

Descriptive research – this study describes the cash flow patterns and ratios of Aurobindo Pharma Limited.

research – this study relies on financial data of Aurobindo Pharma Limited and statistical tools to analyze the data of Aurobindo Pharma Limited.

Variables Considered

The main factors in this study of Aurobindo Pharma Limited are:

- Independent variables of Aurobindo Pharma Limited:

Sales of Aurobindo Pharma Limited

Total revenue of Aurobindo Pharma Limited

Profit of Aurobindo Pharma Limited

Total assets of Aurobindo Pharma Limited

Total debt of Aurobindo Pharma Limited

Capital expenditure of Aurobindo Pharma Limited

Dividend payouts of Aurobindo Pharma Limited

- Dependent variables of Aurobindo Pharma Limited:

Operating cash flow of Aurobindo Pharma Limited

Investing cash flow of Aurobindo Pharma Limited

Financing cash flow of Aurobindo Pharma Limited

Cash flow of Aurobindo Pharma Limited

Cash flow ratios of Aurobindo Pharma Limited

The relationships between these factors of Aurobindo Pharma Limited are explored using correlation and regression analysis of the data of Aurobindo Pharma Limited.

Conceptual Model of the Study

The conceptual model can be summarized as follows:

* External factors like industry growth and regulation and currency movements and

* Company-level decisions, like acquisitions and investments and financing structure

Jointly determine the cash flow performance of Aurobindo Pharma Limited.

Cash flow performance of Aurobindo Pharma Limited in turn affects liquidity and solvency and dividend capacity and ultimately shareholder value of Aurobindo Pharma Limited.

The methodology of this study is structured to capture each of these linkages through accounting and statistical

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techniques to understand Aurobindo Pharma Limited.

Sources of Data

The study is based primarily on secondary data. Secondary data refers to information that has already been collected, processed and published by some agency for purposes other than the present study. The use of secondary data is appropriate here because the financial statements of Aurobindo Pharma Limited, being a publicly listed company, are audited, standardised and easily accessible.

Sources of Secondary Data

Annual reports of Aurobindo Pharma Limited for the study period.

Audited consolidated and standalone financial statements, especially the cash flow statement.

Stock exchange filings on BSE and NSE.

Reports of industry bodies such as the Indian Pharmaceutical Alliance and IBEF.

Publications by SEBI, RBI and the Ministry of Chemicals and Fertilizers.

Research articles, journals, magazines, newspapers and authoritative websites such as moneycontrol.com and the company's investor relations portal.

The data collected from these sources have been cross-verified to ensure consistency and reliability before being used for analysis.

Wherever inconsistencies were noticed across sources, the figures reported in the audited annual report of Aurobindo Pharma Limited were treated as authoritative. For ratios that require industry benchmarks, average values published by the Indian Pharmaceutical Alliance and major equity research houses were used. Care has been taken to use only that data which is available in the public domain, in accordance with the ethical norms of academic research.

Period of Study

The current research is going to look over a span of 5 years and from this try and understand and gain insight from the financial years of 2020-21 to 2024-25. The time span of 5 years can be thought as appropriate because it does not exceed the limits and the changes which has happened in regard of the revenue coming in and going out for Aurobindo Pharma Limited can be studied for the period. This period will give us an insight into what Aurobindo Pharma Limited as of today.

This period of 5 years is crucial for Aurobindo Pharma Limited because a lot of change happened during this period such as Aurobindo Pharma Limited sold the injectables business unit to Eugia; CuraTeQ had funded biosimilars and finally Aurobindo Pharma Limited had invested largely in USA expansion. These changes are significant when studying the expenditure.

Sampling Design

Single company case study – hence no traditional probability sampling involved. Aurobindo Pharma Ltd is chosen through purposive (judgemental) sampling technique. Purposive sampling involves selection of units on the basis of researcher's judgment and their representativeness of the phenomena studied.

Reason for choosing Aurobindo Pharma Ltd

It's one of the largest Indian generic pharma companies by revenues.

Its strong presence in the international market with significant revenues originating from the United States of America.

Being a listed company, a standardized and audited financial data readily available.

Its diversified range across formulations, API's and biosimilars make it a good representative of the industry.

Has acquired quite a number of companies, thereby making it more relevant for investment and financing cash flows analysis.

Statistical Tools

Mean, standard deviation and coefficient of variation to study central tendency and variability.

Compound Annual Growth Rate (CAGR) to assess long-term growth in cash flows.

Karl Pearson's coefficient of correlation to test the relationship between profit and operating cash flow.

Regression analysis to study the dependence of operating cash flow on revenue and other variables.

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ANOVA / t-test to test differences in cash flow performance across years.
Trend lines and percentage change analysis for visual interpretation.
Accounting Tools
Comparative cash flow statement to study year-on-year changes.
Common-size cash flow statement to study structural composition.
Trend analysis with a base year to track the direction of cash flows.
Justification for Choice of Tools
The accounting tools listed above are widely used in financial statement analysis as they provide both year-on-year and structural perspectives on the data. Cash flow ratios complement traditional profitability and liquidity ratios by focusing on actual cash generation rather than accrual-based measures, which can be influenced by non-cash items such as depreciation, deferred tax and provisions.
The statistical tools selected are appropriate to the nature of data and the size of the sample. Pearson's correlation captures the strength and direction of linear association between two variables, while regression analysis quantifies the dependence of one variable on others. ANOVA and t-tests are used to compare Averages across years and against industry benchmarks. Together, these tools allow for both descriptive and inferential analysis of the cash flow performance of Aurobindo Pharma Limited.
Software Used
The data have been organised, processed and analysed using Microsoft Excel 2019 for ratio computation, trend analysis and chart preparation. Statistical tests such as correlation, regression and ANOVA have been performed using Microsoft Excel's data analysis tool pack and cross-verified with IBM SPSS Statistics version 26 wherever necessary. The use of widely available standard software
Cash flow analysis does not consider non-cash strategic factors such as brand value, regulatory pipeline strength and intellectual property.
These limitations have been kept in mind while interpreting the results presented in subsequent chapters. Despite the limitations, the methodology adopted is rigorous enough to draw meaningful insights about the cash flow management of Aurobindo Pharma Limited.

LIMITATION OF THE STUDY

- Although every effort has been made to ensure the accuracy and reliability of the analysis, the study has the following limitations that the reader must keep in mind while interpreting the findings.
- The study is based exclusively on secondary data, and therefore inherits any limitations of those sources.
- The analysis is confined to a single company; hence the findings cannot be generalised to the entire pharmaceutical industry.
- The five-year period may not capture very long-term cyclical patterns of the industry.
- Differences in accounting policies, restatements and consolidation adjustments may affect comparability.
- Cash flow analysis does not consider non-cash strategic factors such as brand value, regulatory pipeline strength and intellectual property.
- These limitations have been kept in mind while interpreting the results presented in subsequent chapters. Despite the limitations, the methodology adopted is rigorous enough to draw meaningful insights about the cash flow management of Aurobindo Pharma Limited

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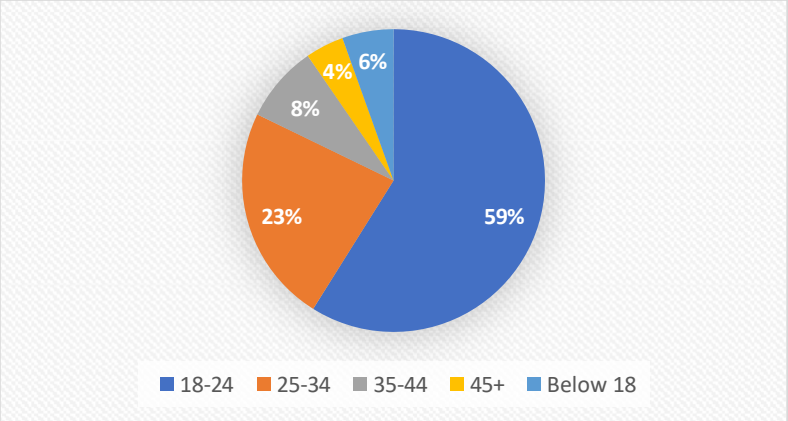
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DATA ANALYSIS & INTERPRETATION

1.Age Distribution

18-24	59%
25-34	23%
35-44	8%
45+	4%
Below 18	6%



Interpretation:

Zara has a primarily young audience, with 59% of its customer base falling between 18 and 24 years old. This data points to the reality that Zara is most likely to be popular among Gen Z consumers, who are highly trendy and active on social media, which is aligned with Zara's fast fashion business model.

The 25-34 age group comprises 23% of buyers, which means millennials take a significant part of Zara's target audience, which could be caused by its trendy, yet elegant styles suitable both for casual wear and office wear.

At the same time, it appears that Zara isn't popular with everyone. Just 8% of Zara shoppers are aged 35-44, while only 4% are aged 45 and older, meaning that the brand is less popular among older demographics. This could be a result of style preferences, pricing, or the brand's positioning as a retailer targeting a younger audience

Surprisingly, 6% of shoppers are below 18. This means teenagers engage with Zara. They might be influenced by social media, celebrity fashion trends, or their parents.

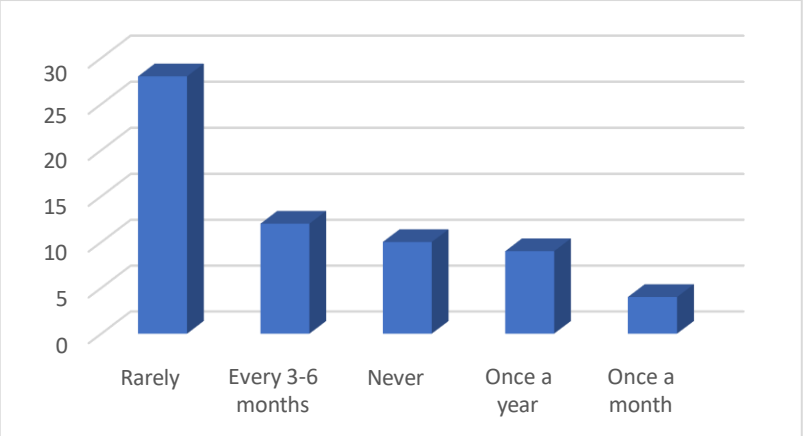
The only exception to this rule is Zara. Zara has a high degree of recognition among the young (from 18 to 34 years old), which indicates that the company has a lot of opportunities in terms of marketing and

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product design. Nevertheless, Zara can work with older customers as well, expanding the product line and launching separate campaigns.

2.Shopping Frequency at Zara

Rarely	28%
Every 3-6 months	12%
Never	10%
Once a year	9%
Once a month	4%



Interpretation:

Data on the shopping frequency in Zara shows a significant part of respondents do not shop in Zara at all, they make up 28% of respondents. This can be explained by the fact that the brand is not in the consideration set of such respondents. A 12% share of respondents purchase clothes in Zara every 3-6 months; this shows a moderate level of brand engagement.

Interesting is the fact that 10% of people never shop at Zara. This might mean that they do not like Zara clothes, they have no access to the shops, or they find Zara clothes quite expensive. Some people go to Zara once a year, possibly because they only buy clothes for special occasions or for the winter. The smallest percentage of people go to Zara once a month which might be a signal that Zara does not have many regular customers.

Overall, the above findings suggest that Zara customers are generally engaged with the brand only sporadically; frequent shopping is not common. However, the customers who shop more frequently also do not do so with any kind of regularity, indicating that a significant portion of the customer base is not in the habit of shopping at Zara. This could be seen as a potential opportunity for Zara to focus on improving its customer retention strategies.

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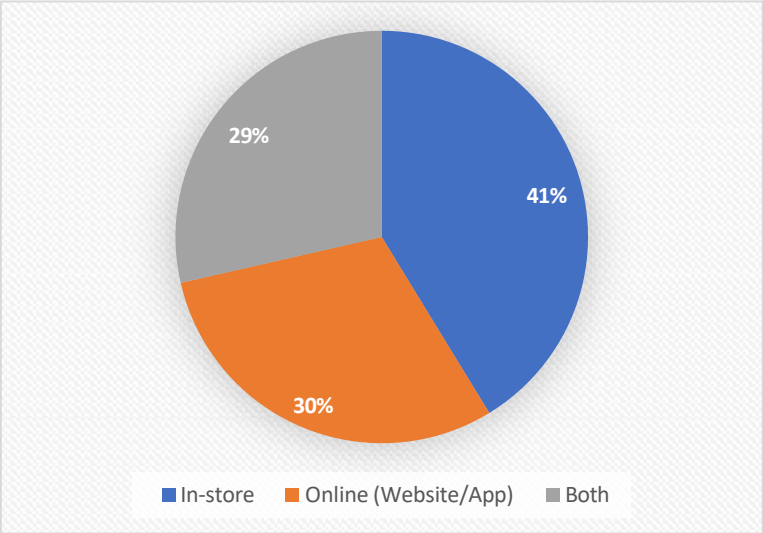
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3.Shopping Method Preferences

In-store	26%
Online (Website/App)	19%
Both	18%



Interpretation:

26% of Zara shoppers prefer to shop in-store, suggesting a large number of customers still enjoy the tactile shopping experience, where they can see, feel, and try on products before making a purchase.

19% of respondents shop online through Zara's website or app, indicating that a large number of customers appreciate the convenience of digital shopping.

Interestingly, 18% of respondents used both channels, which means that these customers like to switch between physical and digital shopping, depending on the situation.

Zara maintains its reputation as the world's largest apparel retailer by prioritizing the physical store format as the primary means of shopping. It remains the most favored method among customers. Nevertheless, the significant number of visitors to the site still emphasizes the importance of having a properly developed omnichannel strategy to ensure a seamless shopping experience both online and offline.

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4.Customer Rating of Zara

4 Star	22%
3 Star	16%
5 Star	13%
2 Star	7%
1 Star	5%



Interpretation:

In the case of Zara, the general satisfaction of customers in the store, presentation, and customer service is great. A full 22% of the respondents gave the store a 4-star rating and another 13% gave it a 5-star rating. This means that a significant number of customers are happy with the shopping experience at Zara, suggesting that the store is well organized, visually appealing, and provides adequate customer service.

Yet, 16% of customers rated it as a 3-star experience. Thus, it means that their experience was decent, but not particularly impressive. Perhaps, some of the customers found the layout of the store confusing, or the customer service was not always helpful, or the checkout process was slow.

Only 7% at the low end of the scale rated the store 2 stars and 5% gave it 1 star indicating discontent. They probably faced problems with unhelpful staff, a crowded store, long lines at the checkout counter, or difficulty locating products.

Zara, overall, maintains a generally positive shopping experience, although there is room for improvement. The enhancement of customer service training, ensuring better product availability, and optimization of store layouts to reduce congestion could further increase customer satisfaction.

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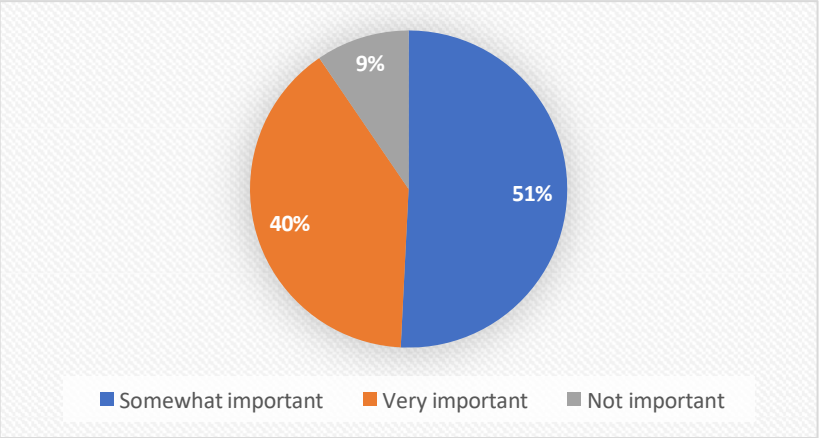
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5.Importance of Sustainability in Shopping Decisions

Somewhat important	32%
Very important	25%
Not important	6%



Interpretation:

Sustainability plays a critical role in the purchase decision for Zara customers, but the level of importance varies.

32% of respondents find sustainability "somewhat important", showing they appreciate eco-friendly practices but don't necessarily prioritize it when shopping.

25% of those surveyed feel that this is "very important", that is, a significant part of buyers carefully consider the environmental impact of the store and may opt for more sustainable products.

Only 6% consider it "not important," showing that most of the customers think of sustainability while purchasing.

Sustainability is a significant concern for many Zara customers but is not the most important deciding factor for most. This implies that Zara should keep on investing in sustainable practices and transparently communicating this information to attract more eco-minded consumers.

6.Zara Vs Other Fashion Brands

Slightly better	22%
About the same	21%
Much better	13%
Slightly worse	5%
Much worse	2%

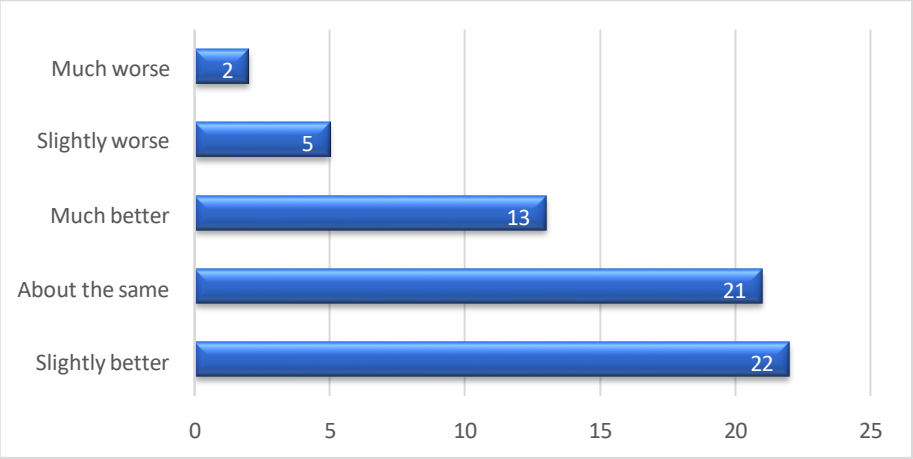
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Interpretation:

Zara is typically better seen by 22% of the interviewees compared to some other fast fashion firms like H&M, Uniqlo, and Forever 21. Hence, many consumers view Zara as having a competitive advantage, which might be attributed to fashion trends, quality, or shopping experience.

However, 21% think that Zara is about the same as its competitors. It means that for a large portion of customers, Zara does not stand out in the fast fashion market.

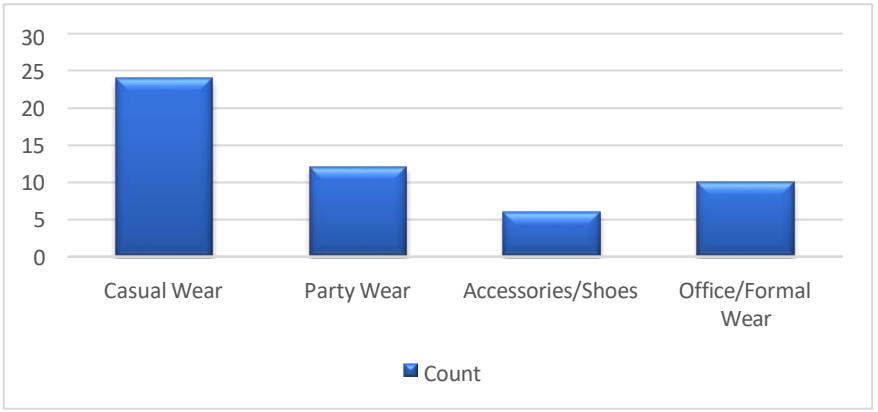
A not-insignificant 13% rated Zara as "much better," suggesting that there are shoppers who like Zara much more than other stores, perhaps because of its trendiness, quality, or perception as a brand.

In contrast, 5% think Zara is slightly worse, while 2% rate it as much worse, indicating that there may be some concerns about the pricing, durability, or shopping experience relative to the other brands.

In general, Zara is well-regarded. However, it does not dominate the competitors. To increase its position, Zara could focus on improving the quality, sustainability, or customer service to create more differentiation in the fast fashion market.

7.**Most Purchased Product Categories at Zara**

Casual Wear	24%
Party Wear	12%
Accessories/Shoes	6%
Office/Formal Wear	10%



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Interpretation:

Zara buyers mostly buy casual wear (24%), pointing out that the company is famous for everyday fashion and relaxed looks. This is consistent with Zara's trendiness in providing ready-to-wear clothes that are appealing to a broad audience.

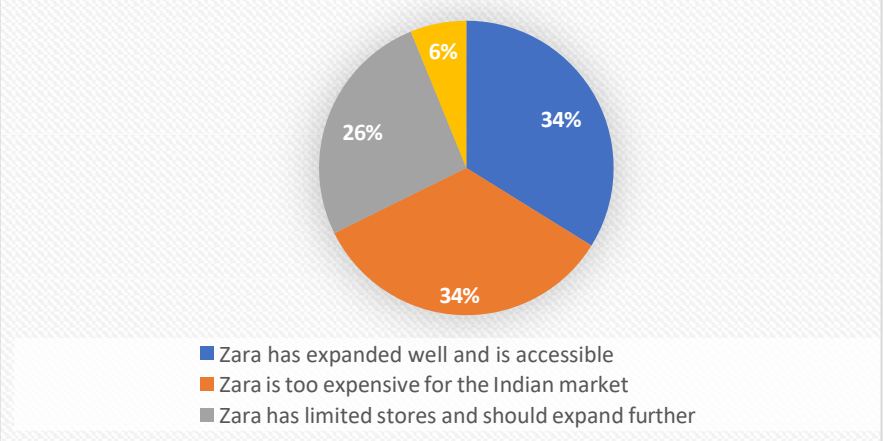
Party wear (12%) and office/formal wear (10%) are other significant categories, implying that while Zara is not only known for these areas, a notable proportion of customers do come to the brand for fashionable event wear and work wear options.

Only 6% are buying accessories or shoes. This indicates the low popularity of these product categories. It could suggest a potential opportunity to promote these collections more effectively.

Zara is predominantly recognized as a casual fashion brand with a lesser demand for party and formal wear. Increasing awareness and marketing for categories like accessories and shoes might drive additional sales in these categories.

8.**Customer Opinion on Zara's Presence in India**

Zara has expanded well and is accessible	22
Zara is too expensive for the Indian market	22
Zara has limited stores and should expand further	17
Other	2



Interpretation:

Opinions on Zara's presence in India are quite divided.

22% of the respondents believe that Zara has expanded well and is accessible. This percentage means that there are more or less satisfied with the access of the store in major cities and shopping hubs.

However, 22% also feel that Zara is too expensive in India, which might be a barrier for some shoppers. This suggests that while Zara attracts a fashionable audience, people still think about the price.

17% believe that Zara has few stores and should expand more, indicating the need for stores in small towns or emerging markets where people do not have easy access to Zara.

4% chose "Other." The category may contain mixed feelings or other problems. Online availability, store

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experience, or product variety may be among the concerns.

The affordability and accessibility are the issues to be looked into which could affect the future growth of the brand in the Indian market. A good step could be Zara expanding its presence in India by increasing the number of stores. A good strategy to attract Indian consumers would be to introduce different pricing strategies for the goods, for example, seasonal sales, discounts, etc. Localizing the product could be another solution as it would enable the company to offer goods.

FINDINGS

- The cash flow from operating activities rose from Rs. 4,611 crores in the FY2024 to Rs. 5,180 crores in the FY2025, an increase of 12.34 per cent on a year-on-year basis due mainly to growth in EBITDA of the United States and European formulations businesses.
- Working capital absorbed Rs. 1,272 crores in FY2025, with the largest absorption in trade receivables (Rs. 742 crores), reflecting expansion in markets with longer payment cycles.
- Capital expenditure rose by 27.4 per cent to Rs. 2,410 crores in FY2025, attributable largely to the Penicillin-G project, biosimilar facility and injectable capacity expansion.
- Net repayment of borrowings was Rs. 970 crores in FY2025, indicating disciplined deleveraging.

SUGGESTIONS

- Although the present working-capital absorption is justified by growth, the company would benefit from accelerated digitalisation of receivable management, including dynamic discounting and supply-chain financing, particularly in European geographies.
- Given the magnitude of capital expenditure during FY2025 and the likely continuation through FY2026 and FY2027, management should consider providing investors with a multi-year free-cash-flow guidance framework to anchor expectations.
- Inventory days have crept up modestly. A review of safety-stock norms in the post-2024 stabilised supply environment may release additional cash.
- The biosimilar segment is likely to absorb significant cash for the next twenty-four to thirty-six months. A separate cash-flow segment-level disclosure (operationally independent) would assist analysts in modelling segmental contributions.

CONCLUSION

The present study set out to examine the cash flow profile of Aurobindo Pharma Limited over the five financial years from 2020–21 to 2024–25, with the objective of producing a structured, evidence-based assessment of the company's liquidity, solvency and self-funding capability.

The analysis indicates that Aurobindo Pharma is a fundamentally cash-generative enterprise. Operating cash flow remained positive across the study window and recovered strongly from a margin-pressure trough to reach its highest level in the period by 2024–25. Investing cash flows reflect a deliberate growth-investment phase, with capacity creation in biosimilars, penicillin-G, injectables and vaccines. Financing flows reflect progressive deleveraging combined with a consistent dividend record. Free cash flow remained positive in four of the five years and is expected to widen as the present capex cycle matures.

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