Ananalysis Ofworking Capital Management With Reference To G.V Industries

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Abstract- *This study hasbeen enriched in "G.V. INDUSTRIES, CHENNAI". Analysis the "working capital management". Working capital management involves the relationship between a short-term assets and short-termliabilities, the goal of working capital management. It is the process of identifying the financial strength and weakness of the firm properly establishing a relationship between the item of balance sheet and profit and loss account. The details regarding the history and finance details of the bank were collected through discussion with the company officers.*

Main objective is a study is working capital management with reference to G.V. industries of the company. Secondary is to maintain a minimizing cost of capital and to find out the change in the working capital management. The various tools used for the study are working capital management.Financial tools used to analysis working capital management the ratio analysis, schedule change in working capital, comparative analysis. This analysis is help to identifying the weakness and strength company past five year with help of balance sheet.

The financial data shows that the current assets and current liabilities are increasing trends leading to an increase (day to day) of net working capital. Schedule change of working capital to decrease in past three year and increase 2021-2023. Comparative analysis help compared the current assets, current liabilities and fixed assets past year and present year when decrease present year to maintain the health of the company.

Suggestion are Quick ratio idle position has not been reached so far. So the company may take necessary steps to improve it by maintain a strong liquid asset they increase company performance. Cash ratio has not met its idle position. Therefore, by keeping as healthy cash and cash equivalent position, the company may take the required actions to strength implementing the stated suggestion, the company may shine very well in the near future.

Keywords- Ratio analysis, schedule change of working capital, comparative balance sheet. Five years of 2019-2023.

I. INTRODUCTION

Working capital management is to enhance the utilization of a company's resources by overseeing and improving the management of its current assets and liabilities. a firm's long-term value hinges on its ability to endure in the short term. A primary reason for firms' failure is their inability to fulfil their working capital requirements. Hence, effective working capital management is vital for a firm's viability. This financial domain encompasses the management of all current assets, including individual asset levels and total working capital. We'll explore different aspects of financing and overseeing working capital.

Working capital management, as a business procedure, aids companies in efficiently utilizing their current assets and optimizing cash flow. It focuses on meeting short-term financial obligations and expenses while also advancing longer-term business goals. The aim of working capital management is to optimize operational efficiency.

Working capital management plays a vital role akin to the heart's function in the human body within an organization and is a crucial aspect of financial management. It falls upon the financial manager to ascertain the adequate level of working capital funds and the optimal balance between current assets and liabilities.

Types of working capital:

- Gross working capital
- Net working capital
- permanent working capital
- Temporary working capital

Operating Cycle of Manufacturing Cycle:

- Every manufacturing firm has to maintain some stock of raw materials in stores in order to meet the requirement of the production process.
- In most of the cases, some goods remain in stores for some time before they are sold. Such unsold goods are called stock of finished goods.
- financial metric that measures the average number of days it takes for a company to collect payment from its customers after a sale is made.

II. NEED FOR THE STUDY

This study is needed to analyse the working capital management of GV industries ,Chennai. This study has been carried out to identify the working capital process in GV industries. To know the financial aspect of the organization and to test the effective use of working capital in organization during a particular period and to analyses the funds position of the company and to study the source and applications of fund in the organization in that particular time period. The study needs to measure managerial efficiency of the firm, to measure short term and long term efficiency of the business.

III. OBJECTIVE OF THE STUDY

- To analysis the components of working capital.
- To find out the liquidity position of the company.
- To analyze the efficiency of working capital management.

IV. SCOPE OF THE STUDY

This study is conducted to analyse the working capital of GV industries ,Chennai. This study for the financial years 2018-2019 to 2021-2023 may help to analyse the financial aspect of the company. Analyse the ratios with the help of financial statement. To analyse the working capital position of the firm for the past 5 financial years. The adequacy of working capital management in organization. To examine the composition if working capital items in organization for five financial years.

V. LITERATURE REVIEW

Al Naqbi, K., and Al Zaabi, R., (2024), This study examines the relationship between working capital management and firm value in the UAE. The authors found need to increase. liabilities through company assets that efficient working capital management has a positive impact on firm value.

Beshai and Osman ,(2023),This literature review provides a comprehensive analysis of the relationship between working capital management and financial performance. The authors. suggest that efficient working capital management can enhance a firm's financial performance through improved liquidity, profitability, and cash flow management.

Dhawan, A., and Sharma, A.,(2022),Working capital management and firm performance: Evidence from Indian pharmaceutical companies. Global Business Review, 22(2), 441-452. This study examines the relationship between working capital management and firm performance in Indian pharmaceutical companies. The authors found that the liabilities have to increase to make profit maximization efficient working capital management positively affects firm performance. These studies highlight the importance of efficient working capital management in improving firm performance and profitability.

Abdulai and Ozili .,(2021),This study examines the relationship between working capital management and financial performance in small and medium-sized enterprises (SMEs) in emerging economies. The authors find they need more investment for make an next level of enterprises to company that more efficient working capital management is positively associated with higher profitability and liquidity.

Islam, M. A., & Rahman, M. M. (2020) , The impact of working capital management on firm profitability: Evidence from Bangladesh. Asian Journal of Accounting and Governance, 11. 47-57. This study investigates the impact of working capital management on firm profitability in Bangladesh. The authors found that efficient working capital management has a positive impact on firm profitability.

According to B.A Ranjith. "The impact of firms' capital expenditure on working capital management: an empirical study across industries in Thailand", International Management (2019),The purpose of this research is to investigate the impact of firms capital expenditure on their working capital management. The author used the data collected from listed companies in the Thailand Stock Exchange. The study used Shulman and Cox's, Net Liquidity Balance and Working Capital Requirement as a proxy for working capital measurement and developed multiple regression models. The empirical research found that firms' capital expenditure has a significant impact on working capital management The findings enhance the knowledge base of working capital management and will help companies manage working capital efficiently in growing situations associated.

Wang, Dong, and Fang (2018),This study uses a meta-analysis approach to synthesize the results of previous studies on the relationship between working capital management and firm performance. The authors find that there is a significant and positive relationship between working capital management and firm performance.

According to Lazaridis, Ioannis, and DimitriosTryfonidis, "Relationship between working capital management and profitability of listed companies in the Athens stock exchange"., Journal of Financial Management & Analysis,(2017),In this paper this project has been discussed that investigate the relationship of corporate profitability and working capital management, used a sample of 131 companies listed in the Athens Stock Exchange (ASE) for the period of 2001-2004. The purpose of this paper is to establish a relationship that is statistically significant between profitability, the cash conversion cycle and its components for listed firms in the ASE.

VI. RESEARCH MEDHODOLOGY

Analytical Research

In the analytical research, the fact and a man's already available from annual reports and financial statement and analyses these to make critical evaluation. It is form of research where available secondary data is processed to derive necessary information to solve the research
problem at hand.

Sources of data

Data refers to information or fact. The two main sources for collecting data are primary data and the secondary data. The main sources of the data used in this study in secondary data.

Primary data

The primary data is collected from secondary source.

Secondary data

The secondary data on the other hand. Are those which have already been collected by someone else and which have already been passed through the statistical tool.

Statistical tool :

MS Excel (Microsoft Excel) They allows users to organize and analyze financial data, create complex financial models, and present financial information clearly and concisely. Excel is widely used in finance because it is efficient, accurate, flexible, and allows for easy collaboration.

Financial Tool :

Financial Tools understands the changing landscape of business lending. Financial tools which are used in this study are:

- ❖ Ratio Analysis.
- ❖ Schedule of change in working capital.
- ❖ Comparative balance sheet.

Ration Analysis

A ratio is a mathematical relationship between two items expressed in a quantitative form. Ratio can be defined as "relationships expressed in quantitative terms, between figures which have caused and effect relationships or which are connected with each other in some manner or the other".

*****Current ratio	***** Working capital turnover ratio
*****Inventory turnover ratio	***** Operating profit ratio.

CURRENT RATIO: It is also known as 'Working capital ratio". Current ratio may be defined as the relationship between current assets and current liabilities. It shows whether the short term obligations are sufficiently covered by the current assets.

Current ratio $= \frac{\text{current assets}}{\text{current liabilities}}$

INVENTORY TURNOVER RATIO:

Inventory turnover ratio, also known as stock turnover ratio, is a financial metric used to measure how efficiently a company manages its inventory by evaluating the number of times inventory is sold and replaced during a specific period. Every firm has to maintain a certain level of inventory to finished goods. It was able to meet the requirements of the business,inventory turnover indicates the number of times stock has been turned during the period and evaluate the efficiency with which a firm is able to manage.

INVENTORY TURNOVER RATIO$= \frac{\text{Net sales}}{\text{inventory}}$

WORKING CAPITAL TURNOVER RATIO:

Working capital refers to the difference between a company's current assets and current liabilities. This ratio indicates the number of time the working capital is converted into sales. The higher ratio indicates efficient utilization of working capital. The higher may be the result of high turnover of inventories of receivable.

Working capital turnover ratio=$\frac{\text{Net sales}}{\text{Net working capital}}$

Net working capital=Current Assets-Current liabilities

OPERATING PROFIT RATIO :

Operating profit ratio indicates the operational efficiency of the firm and is a measure of the firm's ability to cover the total operating expenses. A lower operating ratio indicates that a company is more efficient in managing its operating expenses relative to its revenue, which is generally seen as positive.

Operating profit= $\frac{\text{operating profit}}{\text{Net sales}}$

NET PROFIT RATIO:

Net profit ratio is the ratio of net profit earned by a business and its net sales. It measures overall profitability. Net profit ratio indicates efficiency as well as profitability of business. It determines the returns to the owners. The net profit ratio, also known as net profit margin, is a financial metric that measures the percentage of profit a company generates from its total revenue after deducting all expenses, including operating expenses, interest, taxes, and other costs. Higher the ratio is the profitability.

Net profit ratio=$\frac{\text{Net profit}}{\text{Net sales}} \times 100$

QUICK RATIO:

Quick ratio also known as acid test or liquid ratio established a relationship between quick or liquid assets and liquid liabilities. An asset is said to be liquid if it can be converted cash within a short period without loss of value. The other liquid assets or bill receivables, such debtors, marketable securities and temporary investment.

Quick ratio=$\frac{\text{Liquid assets}}{\text{current assets}}$

VII. LIMITATION OF THE STUDY

- The information provided may be biased.
- Time period was major limitation.
- Most of the information has been kept confidential

VIII. DATA ANALSIS AND INTERPRETATION

Table No: 2.1 Table showing current ratio for the financial years 2018-19 to 2022-23:

Years	Current assets	Current liabilities	Ratio
2018-2019	9422.60	16,869	0.56
2019-2020	8981.90	14,210	0.64
2020-2021	11945.00	18,872	0.63
2021-2022	15936.30	19,319	0.82
2022-2023	14679.50	22,806	0.65

INTERPRTATION:

In 2018-2019, the current ratio was 0.56, indicating that the company had more liabilities than assets available to cover them. This might suggest potential liquidity issues. In 2019-2020, the current ratio improved to 0.64, indicating a slight increase in liquidity compared to the previous year. In 2020-2021, the current ratio further improved to 0.63, suggesting continued progress in managing short-term obligations. In 2021-2022, there was a significant improvement in the current ratio to 0.82, indicating a substantial increase in liquidity and potentially improved financial health. In 2022-2023, the current ratio decreased to 0.65, but still remained relatively healthy compared to earlier years

Chart No: 2.1 (a) Table showing current ratio for the financial years 2018-19 to 2022-23:

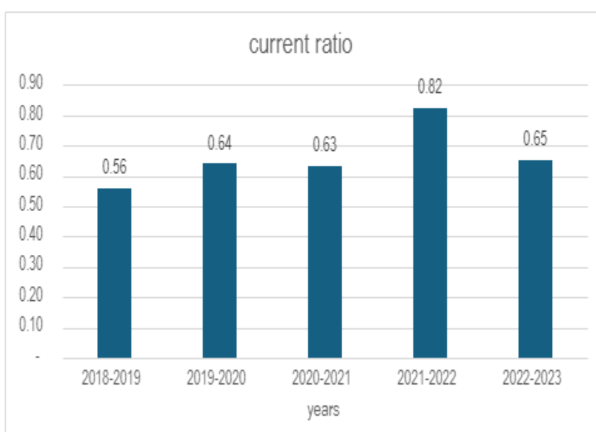

Table No: 2.2 Table showing Inventory Ratio for the financial years 2018-19 to 2022-23:

Years	Sales	Inventory	Ratio
2018-2019	86,068.50	3,323	25.90
2019-2020	75,660.00	3,214	23.54
2020-2021	70,372.00	3,049	23.08
2021-2022	88,329.80	3,532	25.01
2022-2023	117,571.30	4,284	27.44

INTERPRTATION:

From the table above 2018-2019, the Inventory Turnover Ratio was 25.90, indicating that the company's inventory turned over. This suggests a relatively efficient management of inventory. In 2019-2020, the ratio decreased to 23.54, suggesting an improvement in inventory turnover compared to the previous year. In 2020-2021, there was a further decrease in the ratio to 23.08, indicating continued efficiency in inventory management. In 2021-2022, the ratio increased slightly to 25.01, suggesting a slight decline in inventory turnover compared to the previous year. In 2022-2023, the ratio increased further to 27.44, indicating a decrease in inventory turnover compared to earlier years.

Chart No: 2.2 (a) Table showing Inventory ratio for the financial years 2018-19 to 2022-23:

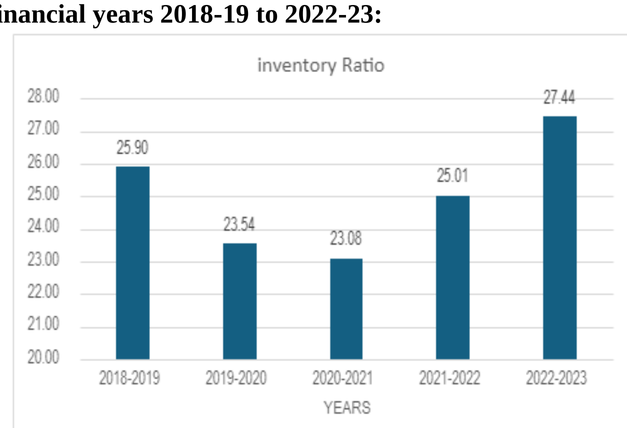

Table No: 2.2 Table showing working capital ratio for the financial years 2018-19 to 2022-23:

Years	Net sales	Net working capital	Ratio
2018-2019	86,068.50	7,294	11.80
2019-2020	75,660.00	5,049	14.99
2020-2021	70,372.00	6,390	11.01
2021-2022	88,329.80	2,960	29.84
2022-2023	117,571.30	6,879	17.09

INTERPRTATION:

The above data shows that the In 2018-2019, the Net Working Capital to Sales Ratio was 11.80%,In 2019-2020, the ratio improved significantly to 14.99%, suggesting a more efficient use of working capital in relation to sales. In 2020-2021, the ratio decreased to 11.01%, indicating a slight decline in efficiency compared to the previous year. In 2021-2022, there was a substantial increase in the ratio to 29.84%, suggesting a significant improvement in the company's ability to manage working capital in relation to sales. In 2022-2023, the ratio decreased to 17.09%, but still remained relatively high compared to earlier years, indicating continued efficiency in working capital management.

Chart No: 2.2 (a) Table showing working capital ratio for the financial years 2018-19 to 2022-23:

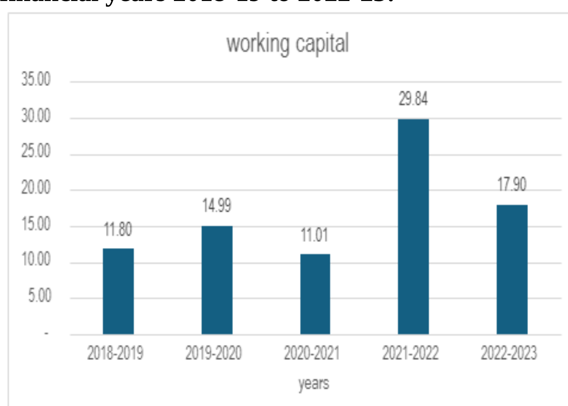

Table No: 2.3 Table showing Operating profit ratio for the financial years 2018-19 to 2022-23:

Years	Operating profit	Net sales	Ratio
2018-2019	11,052.30	86,068.50	12.84
2019-2020	7,355.00	75,660.00	9.72
2020-2021	5,410.60	70,372.00	7.69
2021-2022	5,752.00	88,329.80	6.51
2022-2023	11,029.20	117,571.30	9.38

INTERPRTATION:

From the table above showing, 2018-2019, the Operating Profit Margin Ratio was 12.84%, indicating that 12.84% of the company's net sales revenue converted into operating profit. This suggests a relatively healthy profitability level. In 2019-2020, the ratio decreased to 9.72%, suggesting a decline in profitability compared to the previous year. In 2020-2021, there was a further decrease in the ratio to 7.69%, indicating continued pressure on profitability. In 2021-2022, the ratio increased slightly to 6.51%, but remained relatively low compared to earlier years, indicating ongoing challenges in maintaining profitability.

Chart No: 2.3 (a) Table showing Operating ratio for the financial years 2018-19 to 2022-23:

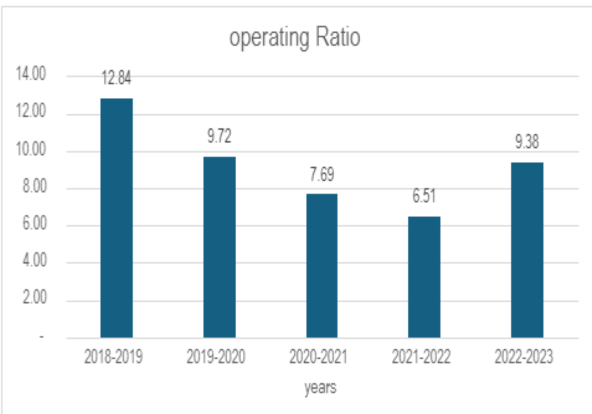

Table No:2.4 Table showing Net Profit Ratio for the financial years 2018-19 to 2022-23:

Years	Net profit	Net sales	Ratio
2018-2019	7501	86,068.50	8.72
2019-2020	5651	75,660.00	7.47
2020-2021	4230	70,372.00	6.01
2021-2022	3766	88,329.80	4.26
2022-2023	8049	117,571.30	6.85

INTERPRTATION:

From the table above In 2018-2019, the Net Profit Margin Ratio was 8.72%, indicating that the company generated a net profit of 8.72% of its net sales revenue. This suggests a relatively healthy level of profitability. In 2019-2020, the ratio decreased to 7.47%, suggesting a decline in profitability compared to the previous year. In 2020-2021, there was a further decrease in the ratio to 6.01%, indicating continued pressure on profitability. In 2021-2022, the ratio decreased significantly to 4.26%, suggesting a substantial decline in profitability compared to earlier years. In 2022-2023, there was an improvement in the ratio to 6.85%, indicating a rebound in profitability compared to the previous year.

Chart No: 2.4 (a) Table showing Net profit ratio for the financial years 2018-19 to 2022-23:

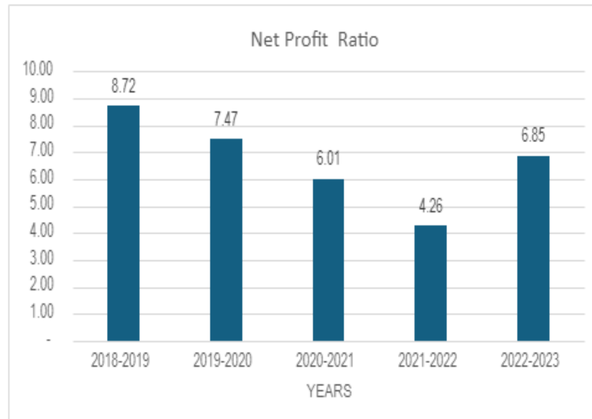

Table No: 2.5 Table showing Quick ratio for the financial years 2018-19 to 2022-23:

Years	Liquid Assets	Current liabilities	Ratio
2018-2019	6,208	16,869	0.37
2019-2020	5,767	14,210	0.41
2020-2021	8,413	18,872	0.45
2021-2022	12,404	19,319	0.64
2022-2023	10,395	22,806	0.46

INTERPRTATION:

From the above table In 2018-2019, the Liquid Assets to Current Liabilities Ratio was 0.37, indicating that the company .This suggests a relatively low level of liquidity compared to its short-term obligations. In 2019-2020, the ratio improved to 0.41, suggesting a slight increase in liquidity compared to the previous year. In 2020-2021, there was a further improvement in the ratio to 0.45, indicating continued progress in managing short-term obligations. In 2021-2022, the ratio increased significantly to 0.64, suggesting a substantial increase in liquidity and potentially improved financial health. In 2022-2023, the ratio decreased slightly to 0.46, but still remained relatively high compared to earlier years, indicating continued liquidity in covering short-term liabilities .

Chart No: 2.5 (a) Table showing Quick ratio for the financial years 2018-19 to 2022-23:

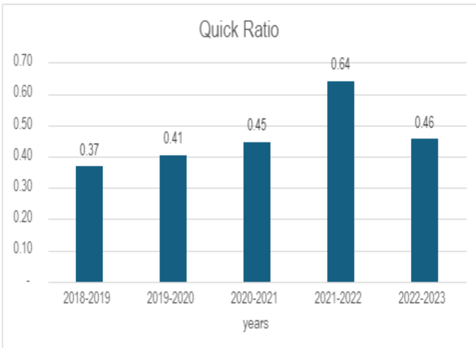

Table No.2.6 Schedule of change in the working capital for the financial year 2022-2023.

Particular	**Amount of 2022 Year Rs.**	**Amount of 2023 Year Rs.**	**Change of working capital**	
			Increase	**Decease**
Current assets				
Inventory	3,532	4,284	752	-
Trade receivable	2,034	3,301	1,267	-
Shortterm loans	2,753	2,651	-	102
Cash and bank	3042	42.00	-	3,000
Outstanding incomes	4,575	4,401	-	174
Total(A)	**15,936**	**14,679**	-	-
Current liabilities:				
Short term Borrowing	423	1248	825	-
Trade Payables	9,765	11,786	2,021	-
Advance from Customers	1,124	1,456	332	-
Outstanding expenses	8,007	8,316	309	-
Total(B)	**74,656**	**22,806**	-	-
Working capital(A-B)	**58,720**	**8,127**	-	-
Decrease in Working capital	-	**50,593**	-	**2,203**
Total	**58,720**	**58,720**	**5,479**	**5,479**

INTERPRETATION:

From the table above schedule of changes in working capital in decrease in the amount of (14,676) current assets in the previous year 2022 as compared to current year of 2023 current assets amount of (15,936). Current liabilities decrease in the amount of (22,806) in the current year 2023 as compared to previous year of 2022 (74,656). Compared to current assets they are less than the current liabilities, so the organization improves liquidity and ensures the company's short-term financial stability. Compared to (2021-2022) of change in working capital was. There is a decrease in working capital. Which is one; the company had increased its inventory and sales and reduced the loans and advance. company cash flow increases. trend. Current liabilities was increase and current assets were decreasing. This because of increase in the payables and expenses, more liquids are liquids cash is spent for paying suppliers and expense.

IX. FINDINGS

- The analysis shows an improvement in liquidity from improvement in liquidity from 2018 – 2019 to 2021-2022, followed by a slight decrease in 2022-2023. This improvement suggests that the company may have been better able to cover its short-term liabilities over the years, though the decrease in the final year indicates a potential need for further examination of its financial position.
- Working capital management, with a significant improvement in 2021-2022 followed by a slight decrease in 2022-2023. This improvement suggests that the company may have been able to better utilize its working capital to generate sales revenue in 2021-2022, although further analysis would be needed to understand the underlying factors contributing to these changes.
- The operating profit of the company has shown fluctuations, starting at 11,052.30 crore in 2018-2019 and decreasing to 5,410.60 crore in 2020-2021, before rebounding to 11,029.20 crore in 2022-2023. Similarly, net sales have varied, peaking at 117,571.30 crore in 2022-2023 from 86,068.50 crore in 2018-2019. However, the ratio of operating profit to net sales has generally declined, indicating a decrease in profitability relative to sales, from 12.84% in 2018-2019 to 9.38% in 2022-2023.

- Net profit has fluctuated, starting at 7,501 crore in 2018-2019, declining to 3,766 crore in 2021-2022, and then sharply increasing to 8,049 crore in 2022-2023. Meanwhile, net sales varied from 70,372.00 crore in 2020-2021 to 117,571.30 crore in 2022-2023. The ratio of net profit to net sales ranged from 4.26% in 2021-2022 to 8.72% in 2018-2019, reflecting changes in profitability over the years.
- Liquidity from 2018-2019 to 2021-2022, followed by a slight decrease in 2022-2023. This improvement suggests that the company may have been better able to cover its short-term liabilities over the years.
- It is inferred that schedule of change in the working capital for the year 2022- 2023. The value is 2,203, it show current liabilities of the provision has been increased.

X. SUGGESTION

- Quick ratio's idle position has not been reached so far. So, the company may take necessary steps to improve it by maintaining a strong liquid asset they increase company performance.
- Cash ratio has not met its idle position. Therefore, by keeping a healthy cash and cash equivalent position, the company may take the required actions to strengthen it.
- Current ratio and liquidity position, increasing the account receivable of company needs to be improved.
- Inventory conversion ratio is decreasing year by year. It is not good for the in order to increase the working capital turnover the company needs to increase its sales.
- The working capital of the company need to be increased to meet the requirements and to maintain more liquid cash to meet day to day requirement.

XI. CONCLUSION

The analysis of GV Industries' working capital management from 2018-2019 to 2022-2023 shows various fluctuations and trends. Overall, there’s been an improvement in liquidity from 2018-2019 to 2021-2022, followed by a slight decrease in 2022-2023. This suggests the company may have better covered its short-term liabilities over the years, though further examination is needed due to the decrease in the final year. There’s been significant improvement in working capital management in 2021-2022, followed by a slight decrease in 2022-2023. This indicates the company may have utilized its working capital better to generate sales revenue in 2021-2022.

Operating profit and net sales have shown fluctuations over the years, with a decline in profitability relative to sales from 2018-2019 to 2022-2023. Cash equivalent has risen steadily, but current liabilities have also increased. The ratio of cash equivalent to current liabilities fluctuated, indicating improved liquidity management. Inventory levels have risen steadily, but the inventory turnover ratio has fluctuated. Debt turnover ratio has also varied, indicating changes in how efficiently the company manages its debt to generate sales. Overall, while there have been improvements in certain areas of working capital management, such as liquidity and inventory management, there are fluctuations and challenges that need to be addressed to maintain stability and efficiency in the company’s financial operations.

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