A Study on Working Capital Management of Deccan Industries At Ganapathy Coimbatore

Dr.N.Manicka Mahesh[1], V.Prem Kumar[2]
[1]Associate Professor, Dept of Management
[2]Dept of Management
[1, 2] Sri Krishna College of Engineering and Technology, Coimbatore, India

Abstract- *I have done the project entitile "A STUDY ON WORKING CAPITAL MANAGEMENT OF DECCAN INDUSTRIES AT GANAPATHY COIMBATORE. Optimal management of working capital is an important financial decision and contributes positively to the value creation of business. Every business Needs investment to procure fixed assets, which remain in use for a longer Period. Money invested in these assets is called 'Long term funds' or 'Fixed Capital'. Business also needs funds for short-term purposes to finance current operations. Investment in short term assets like cash, inventories, Debtors is called 'Short -term funds' or 'Working capital'.*

Keywords- cash, inventories, Debtors, fixed capital

I. INTRODUCTION

It identifies the company's financial health and success as a Business. Working capital itself refers to the money that is the company's Current assets and current liabilities or debts. In other words, a good Working capital management determines the growth, profitability and Liquidity of the company.

DEFINITION:

Working capital management is a business tool that helps companies Effectively make use of current assets, helping companies to maintain sufficient Cash flow to meet short goals and obligations. This is achieved by the effective Management of accounts payable, accounts receivable, inventory and Cash by Effectively managing working capital, companies can free up cash that would Otherwise be trapped on their balance sheet. As a result, they may be able to Reduce the need for external borrowing, expand their businesses, fund mergers Or acquisitions, or invest in R&D.

Working capital is essential to the health of every business, But Managing it effectively is something of a balancing act. Companies need to Have enough cash available to cover both planned and unexpected costs, while Also making the best use of the funds available. This is achieved by the effective Management of accounts payable, accounts receivable inventory and cash.

CONCEPT OF WORKING CAPITAL:

The funds invested in current asset are termed as working Capital. It is the fund that needed to run the day-to-day operations. It circulates In The business like the blood circulates in a living body. Generally, working Capital Refers to the current assets of a company that are changed from one form to Another in the ordinary course of business, from cash to inventory, inventory to Work in Progress(WIP), WIP to finished goods, finished goods to receivables and From receivables to cash.

TWO CONCEPT IN RESPECT OF WORKING CAPITAL:

1)Gross working capital
2) Net working capital

GROSS WORKING CAPITAL:

The sum total of all current assets of a business concern is Termed as gross working capital so

Gross working capital=Stock + Debtors + Receivables + Cash.

NET WORKING CAPITAL:

The difference between current assets and current liabilities of a Business concern is termed as the Net working capital Net working capital= Stock + Debtors + Receivables + Cash_ Creditors_ Payables.

II. LITERATURE REVIEW

BHATT V.V (1972): describe widely touches upon a method of appraising Working capital finance applications of large manufacturing concerns. It states That Similar author is of the view that banks while providing short-term finance, Concentrate their attention on adequacy of security and repayment capacity. On Being Satisfied with these two criteria

they do not generally carry out any detail Appraisal of the working of the concerns.

SMITH KEITH.V (1973): It believes that Research which concerns shorter Range or working capital decision making would appear to have been less Productive. The inability of financial managers to plan and control properly the current assets And current liabilities of their respective firms has been the probable Cause of business Failure in recent years. Current assets collectively represent the Single largest Investment for many firms, while current liabilities account for a Major part of total Financing in many instances. This paper covers eight distinct Approaches to working Capital management. The first three-aggregate guidelines, constraints set and cost Balancing are partial models: two other approaches- Probability models and portfolio Theory, emphasize future uncertainty while the Remaining three approaches Mathematical programming, multiple goals and Financial simulation have a wider Systematic focus.

Bhatt V.V (1972) this review is about working capital finance Applications of large manufacturing concerns.

Smith Keith. V (1973) Financial simulation have a wider systematic Focus.

RAHMAN MOHAMMED.M(2011): Focuses on the co-relation between Working Capital and profitability . An effective working capital management has A positive Impact on profitability of firms. From the study it is seen that in the Textile Industry Profitability and working capital management position are found To be up to the mark.

SUNDAY KEHINDE JAMES(2011): Focuses on effective working capital Management within small and medium scale enterprises (SMEs). Most of the SMEs have little regard for their working capital position and they don't even Have standard credit policy. They have very weak financial position, and rely on Credit facility their operations. All this requires systematic planning for the Management of working capital to ensure continuity growth and solvency.

Rahman Mohammad M. (2011) from the study textile industry Profitability and working capital management position are found to be up
To the mark.

Sunday Kehinde James(2011)this study is based on adequate Cognizance to the management of working capital.

ROSENBLUTH FRANCES(2010): Make a close study of the role that Networks can play in boosting women's representation in the personal, Professional And political arenas. It has been found that women lag behind Men in their access To Professional networks. At the end of the study the Author concludes with the Observation that gender equality will remain out of Reach until women and have A statistically equal shot at being productive, which at the top of the career ladder Includes the difficult-to-quantify But real value of network power.

DR.ARBAB AHMED AND DR.MATARNEH BASHAR(2011): It is the View that the registration technique is a very useful statistical technique of Working capital forecasting. In the sphere of working capital management. It Helps in making projection after establishing the average relationship in the past Between sales and working capital and its various components. The analysis can Be done with the help of graphic portrayals or mathematical formula.

Rosenbluth Frances (2010)makes a close study of the role of networks Can play in boosting women's representation in the personal, Professional And networks.

Dr. Arbab Ahmed and Dr Matarneh Basher (2011) helps in making Projection after establishing the average relationship in the past.

SINGH D.P(2012): It presents the relationship between the working capital Management and profitability in the IT and Telecom industry in India. The Purpose of the study is to investigate the relation between components of Working capital Ratios and profitability. To attain the above objective the Author theories the Relationship between different components of working Capital management and Profitability. The profitability was 40% when compared With the all India all Manufacturing average. In the IT and the Telecom industry, Working capital Turnover, current ratio and sales to total asset ratio were positively Related to Profitability. However, days inventory was negatively related to Profitability.

QUAYYAUM SAYEDA TAHMINA (2012): It tries to investigate if there is Any relationship between working capital management and profitability in Manufacturing corporations. For this study corporations enlisted with the Dhaka Stock exchange were selected covering the period between 2005 to 2009. It is Proved that except for food industry all other selected industries have a significant Level of relationship between profitability significant level of relationship varies From industry to industry.

Singh D.P (2012) The study shows that telecom industry is Operating below average so far as working capital management Is concerned.

Quayyaum Sayeda Tahmina (2012) The purpose of the Study is to examine whether there is statistically significant Relationship between the profitability and working capital Management.

JOSHI LALITKUMAR AND GHOSH SUDIPTA (2012): This study the Working capital performance of Cipla Ltd during the period 2004-2005 to2008-09. Financial ratios have been applied in measuring the working capital Performances and statistical as well as econometric techniques have been used. It was observed that the selected ratios show satisfactory performance, and Significant negative relationship between liquidity and profitability is found to Exist.

AHMADI MOSA, SAIE IRAJ AND GARAJAFARY MARYAM(2012):
It examine the relationship between working capital management and Profitability in 33 companies of food industry group member at Tehran stock Exchange for the period from 2006-2011 and the effects of various variables of Working capital management including average accounts collection cycle. Inventory turnover, medium term debt payment and the cash conversion cycle on Operational net profit of the companies. The findings of the research proved that Managers can create a positive value for stock holders by decreasing collection Cycle to the lowest possible level.

Quayyaum Sayeda Tahmina (2012) the purpose of the study is to examine whether there is statistically significant relationship between the Profitability and working capital management.

Ahmadi Mosa, SaieIraj and Garajafary Maryam (2012) the findings Of the research proved that managers can create a positive value for stock holders By decreasing collection cycle.

III. RESEARCH METHODOLOGY

OBJECTIVES

The main objective of the working capital management is to
Maintain an optimal balance between each of the working capital components. Most Of the financial manager's time and effort are allocated in optimizing the level

Current assets and liabilities back toward optimal levels.

- The goal of working capital management is to maximize Operational efficiency
- Efficient working capital management helps maintain smooth Operations and can also help to improve the company's earnings and Profitability.
- Management of working capital includes inventory Management and management of accounts receivables and accounts payable.

Working capital is an important issue during financial decision making since it is Being a part of investment in asset that requires appropriate financing investment. However, working capital is always being disregard in financial decision making since ,It involve investment and financing in short term Period. The crucial part in managing Working capital is required maintaining its liquidity in day-to-day operation to ensure Its smooth running and meets its obligation. Yet, this is not a simple task since Managers must make sure that Business operation its running in efficient and Profitable Manner. Furthermore, it also acts as a restrain in finance performance. This discussion Of the importance of working capital management, its different components and its Effects on financial performance leads us to problem statement. The problem statement To be analyzed in this study as the following research.

PRIMARY OBJECTIVE:

The primary objective of the study is to examine the relationship between the Working capital management and financial performance of the trading firms listed In Colombo Stock Exchange (CSE). The following are the specific objectives:

1) 1)To investigate the impact of working capital management on Financial performance of sri Lanka trading companies.
2) To examine the impact of accounts receivables days, inventories Days, accounts payable days and cash conversion cycle on financial performance.
3) It means raw material should be present on the requirement and It should be present on the requirement and it should not be a cause to stoppages of Production.
4) All other requirements of production should be in place before Time.
5) The finished goods should be sold as early as possible once they Are produced and inventoried.
6) The accounts receivable should be collected on time.
7) Accounts payable should be paid when due without any delay.

8) Cash should be available as and when required along with some Cushion.

SECONDARY OBJECTIVE:

Secondary objectives are to optimize the level of working capital and Minimize the cost of such funds. The superior objective of financial management Is wealth maximization and that can be gained by profit maximization accompanied With sustainable growth and development.

1) It means raw material should be present on the requirement and it Should not be cause to stoppages of production.
2) All other requirements of production should be in place before time.
3) The finished goods should be sold as early as possible once they are Produced and inventoried.
4) The accounts receivable should be collected at time.
5) Accounts payable should be paid when due without any delay.
6) Cash should be available as and when required along with some Cushion.

SCOPE OF THE STUDY

The study is on working capital management of selected public enterprises. The study furnishes the management of idea about the performance of working capital Of the company. Management of working capital refers to Management of current Assets, current liabilities and relationship between them. It mainly focuses on always Maintaining sufficient amount cash in an organization to easily meet its short-term Debts and operating expenses. This Process is not only concerned with maintaining Proper liquidity in business but also with working capital financing. It aims at Economical procurement of working capital required and efficient utilization of that Capital to derive better Results. Working capital management performs ratio analysis Of key elements of operating expenses such as inventory turnover ratio, working Capital ratio and Collection ratio. It capital ratio and collection ratio. It aims at Maintaining these three ratios at an optimum level which helps in smooth functioning Of business.

NEED FOR THE STUDY:

The need for working capital management arises due to the time gap between Production and realization of cash from sales. It helps to maintain proper balance Between profitability, risk and liquidity of the business significantly. By managing

The working capital, current liabilities are paid in time. The management of working Capital helps to manage all the factors affecting the working capital in the most Profitable manner.

RESEARCH DESIGN

Its important for us to consider what time horizon to conduct our study on.Cross-sectional research design concerns the study of a sample in a single point In time, while longitudinal research design allows to study how a Sample Varies Over different time periods. Cross-sectional and longitudinal Research design, both Allow the examination of more than one case when using quantitative, secondary Data. In this study the WCM of the Swedish Wholesale industry will be studied Through employing a cross-sectional design. Variables measuring the profitability And CCC will be compared to each other. However, there are drawbacks related To the choice of cross-sectional design and we considered the option of a longitudinal Design at first, since a longitudinal design at first, since a longitudinal research design us to see how the sample varies over time periods.

SMOOTH WORKING CAPITAL:

This implies that the operating cycle example the cycle starting from the Acquisition of raw material to its conversion to cash should be smooth. It is not easy; it Is a good as circulating 5 balls with two hands without drooping a single one. It is the Following 6 points can be managed, this operating cycle can be managed well.

1) It means raw material should be present on the requirement and it should Be cause to stoppages of production.
2) All other requirements of production should be in place before Time.
3) The finished goods should be sold as early as possible once they are Produced and inventoried.
4) The accounts receivable should be collected at time.
5) Accounts payable should be paid when due without any delay.
6) Cash should be available as and when required along with some cushion.

LOWEST WORKING CAPITAL:

Working capital here refers to the current assets less current liabilities (net working capital). It should be optimized because higher working capital means higher interest Cost and lower working capital means a risk of disturbance of the operating cycle.

OPTIMAL RETURN ON CURRENT ASSET INVESTMENT:

The return on the investment made in current assets should be more Than the weighted average cost of capital so as to ensure wealth maximation of the owners. In other Words, the rate of return earned due to investment in current assets should be more than the rate of Interest or cost of capital used for financing the current assets.

IV. DISCUSSION AND ANALYSIS OF DATA

PERCENTAGE ANALYSIS:

Percentage analysis is one of the basic statistical tools Which is widely used in analysis and interpretation of primary data. It deals with the number of Respondents response to a particular question is percentage arrived from the total population selected For the study.

FORMULA:

Percentage=(No. of. Respondents/ Total No. of. Respondents)/100

3.6.1.FINANCE WORKING CAPITAL

Table 1 - Finance working Capital

S.no	Option	Respondents	Percentage
1	Total assets	13	21.7
2	Fixed assets	15	25
3	Current assets	19	31.7
4	Current assets minus current liabilities	13	21.7
	Total	60	100

INTERPRETATION:

In this table there show the finance working capital means the same Thing. 31.7% percentage respondents for current assets, 25% percentage Respondents For fixed assets, 21.7% percentage respondents for both the total Assets and current Assets minus current liabilities.

AGGRESIVE APPROACH TOFINANCING WORKING CAPITAL

Table 2 - Aggressive approach to financing working capital

s.no	Option	Respondents	Percentage
1	Financing short term needs with short term funds	26	43.3
2	Financing permanent inventory built up with long term debt	17	28.3
3	Financing seasonal needs with short term funds	15	25
4	Financing some long-term needs with short term funds	2	3.3
	Total	60	100

INTERPRETATION:

This table shows the more aggressive approach to financing workingCapital.43.3% percentage respondents for financing short term needs with short term Funds, 28.3% percentage respondents for financing permanent Inventory built up with long term debt, 25% percentage respondents for financing seasonal needs with short term funds, 3.3% percentage respondents for financing some long-term needs with short term funds.

ASSET LIABILITY COMBINATION WOULD MOST LIKELY RESULT IN THEFIRM

Table 3 - ASSET LIABILITYCOMBINATION WOULD MOST LIKELY RESULT IN THE FIRM

S.no	Option	Respondents	Percentage
1	Increasing current assets while lowering current liabilities	22	36.7
2	Increasing current assets while incurring more current liabilities	15	25
3	Reducing current assets, incurring current liabilities and reducing long term debt	21	35
4	Replacing short term debt with equity	2	3.3
	Total	60	100

INTERPRETATION:

In this table shows the asset-liability combination would most likely Result in the firm having the greater risk of technical insolvency. 36.7% Percentage respondents For increasing current assets while lowering current liabilities.25% Percentage respondents for Increasing current assets while incurring more current liabilities, 35% Percentage respondents For reducing current assets, increasing current liabilities and reducing long term debt , 3.3 % Percentage respondents for replacing short term debt with equity.

THE USE OF A HEDGING APPROACH TO FINANCING

Table 4 - Hedging approach to financing

S.no	Option	Respondents	Percentage
1	Short term assets financed with long term liabilities	20	33.3
2	Permanent working capital financed with long term liabilities	12	20
3	Short term assets financed with equity	22	36.7
4	All assets financed with a 50 percent equity, 50 percent long term debt mixtures	6	10
	Total	60	100

INTERPRETATION:

In this table shows the use of a hedging approach to financing . 33.3% Percentage Respondents for short term assets financed with long term liabilities , 20% Percentage respondents For permanent working capital financed with long term liabilities, 36.7% percentage respondents For short term assets financed with equity , 10% percentage respondents for all assets financed with A 50 percent equity, 50 percent long term debt mixture.

THE APPROPRIATE LEVEL OF CURRENT ASSETS FOR THE FIRM

Table 5 - Appropriate level of current asset of the firm

S.no	Option	Respondents	Percentage
1	A trade-off between profitability and risk	25	41.7
2	A trade-off between liquidity and marketability	22	36.7
3	A trade-off between equity and debt	10	16.7
4	A trade-off between short term versus long term borrowing	3	5
	Total	60	100

INTERPRERATION:

In this table shows the appropriate level of current assets for the firm, Management is confronted. 41.7% percentage respondents for a trade-off between Profitability And risk. 36.7% percentage respondents for a trade-off between Liquidity and marketability. 10%Percentage respondents for a trade-off between Equity and debt, 3% percentage respondents forA trade-off between short-term versus long-term borrowing.

THE MANAGEMENT POLICY FORWORKING CAPITAL FROM BANK

Table 6 - Management policy for working capital from bank

S.no	Option	Respondents	Percentage
1	Board of management	6	10
2	President	14	23.3
3	Finance committee	27	45
4	Finance controller	13	21.7
	Total	60	100

INTERPRETATION:

In this table shows the management policy for working from bank, 10% percentage Respondents for board of management, 23.3% percentage respondents for president, 45% Percentage Respondents for finance committee and 21.7% for finance controller.

THE MANAGEMENT POLICY FOR WORKING CAPITAL REVIEWED

Table 7 - management policy for working capital reviewed

S.no	Option	Respondents	Percentage
1	Monthly	14	23.3
2	Quarterly	12	20
3	Semi-annually	8	13.3
4	Annually	26	43.3
	Total	60	100

INTERPRETATION:

In this table shows the management policy for working capital reviewed. 23.3% percentage respondents for monthly, 20% percentage for quarterly, 13.3% percentage for semi-annually, 43.3% percentage respondents for annually.

NET WORKING CAPITAL FOCUSES

Table 8 - Net capital focuses

S.no	Option	Respondents	Percentage
1	Liquidity	29	48.3
2	Judicious mix of short term and long term	25	41.7
3	Both of these	6	10
4	None of these	-	-
	Total	60	100

INTERPRETATION:

In this table shows the net working capital focuses on which, 48.3% Percentage Respondents for liquidity, 41.7% percentage respondents for judicious mix of short term and long term, 10%percentage respondents for both of these.

LONG-TERM CASH FLOW IMPROVEMENT

Table 9 - Long term cash flow improvement

S.no	Option	Respondents	Percentage
1	Increasing equity	6	10
2	Reducing capital expenditure	31	51.7
3	Increasing long term liability	18	30
4	Reducing long term debt	5	8.3
	Total	60	100

INTERPRETATION:

In this table shows the long-term cash flow improvement achieved 10% percentage Respondents for increasing equity, 51.7% percentage respondents for reducing capital expenditure, 30% percentage respondents for increasing long term liability, 8.3% respondents for reducing long term debt.

THE BASIC PRINCIPLE FOLLOWED BY WORKING CAPITAL MANAGEMENT

Table 10 - Basic principal followed by working capital management

S.no	Option	Respondents	Percentage
1	Liquidity moves with risk	23	38.3
2	Profitability moves with risk	17	28.3
3	Profitability moves together with liquidity	16	26.7
4	Profit caries inversely with risk	4	6.7
	Total	60	100

INTERPRETATION:

In this table shows the basic principle followed by working capital management.38.3% percentage respondents for liquidity moves with risk, 28.3 % percentage respondents for Profitability moves with risk, 26.7% percentage Respondents for profitability moves together with Liquidity, 6.7% percentage Respondents for profit caries inversely with risk.

VARIES INVERSELY WITH PROFIT ABILITY

Table 11 - varies inversely with profit ability.

S.no	Option	Respondents	Percentage
1	Liquidity	9	15
2	Risk	33	55
3	Blue	12	20
4	False	6	10
	Total	60	100

INTERPRETATION:

In this table shows the varies inversely with profitability. 15% percentage respondents

For liquidity, 55% percentage respondents for risk, 20% percentage respondents for blue and 10% percentage for false.

SPONTANEOUS FINANCING

Table 12 - Spontaneous financing

S.no	Option	Respondents	Percentage
1	Accounts receivable	13	21.7
2	Accounts payable	19	31.7
3	Short-term loans	21	35
4	A line of credit	7	11.7
	Total	60	100

INTERPRETATION:

In this table shows the spontaneous financing includes, 21.7% Percentage respondents foraccounts receivable, 31.7% percentage Respondents for accounts payable, 35% Percentage respondents for short-term loans and 11.7 % percentage respondents for a line of credit.

PERMANENT WORKING CAPITAL

Table 13 - permanent working capital

S.no	Option	Respondents	Percentage
1	Varies with seasonal needs	21	35
2	Includes fixed assets	13	21.7
3	Is the amount of current assets required to meet a firm's long-term minimum needs	23	38.3
4	Includes accounts payable	3	5
	Total	60	100

INTERPRETATION:

In this table shows the permanent working capital means for 35% Percentage Respondents for varies with seasonal needs, 21.7% percentage Respondents for includes fixed Assets, 38.3% percentage respondents for is the amount of current assets required to meet a firm's Long -term minimum needs, 5% percentage respondents for includes accounts payable.

FINANCING A LONG LIVED ASSET WITH SHORT TERM FINANCING

Table 14 - financing a long lived asset with short term financing

S.no	Option	Respondents	Percentage
1	An example of moderate risk-moderate profitability asset financing	26	43.3
2	An example of low risk-low profitability asset financing	20	33.3
3	An example of high risk-high profitability asset financing	9	15
4	An example of hedging approach to financing	5	8.3
	Total	60	100

INTERPRETATION:

In this table shows the financing a long-lived asset with short-term financing.43.3% an example of moderate risk-moderate profitability asset financing, 33.3% an example of low risk-low profitability asset financing 15% an example of high risk-high profitability asset financing, 8.3% an example of hedging approach to financing these are percentage respondents.

NET WORKING CAPITAL

Table 15 - net working capital

S.no	Option	Respondents	Percentage
1	Total assets minus fixed assets	17	28.3
2	Current assets minus current liabilities	28	46.7
3	Current assets minus inventories	7	11.7
4	Current assets	8	13.3
	Total	60	100

INTERPRETATION:

In this table shows the net working capital refers to 28.3% percentage respondents from total assets minus fixed assets, 46.7% percentage respondents from current assets

minus current liabilities, 11.7% percentage respondents from current assets minus inventories, 13.3% percentage respondents from current assets.

RATIO ANALYSIS:

A) Liquidity ratio-liquidity refers to a firms ability to meet its obligations in the short term, usually one year. These ratios are based on the relationship between current assets and current liabilities. The important ratios are current ratio, acid test and cash ratio.

CURRENT RATIO:

Current ratio is the ratio of current assets to the liabilities. It Shows the ability of a firm to cover its current liabilities with its current assets.

CURRENT RATIO=CURRENTASSETS/CURRENT LIABILITIES

TABLE 16: Current ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2001	16800	4290	3.91
2002	14452	3424	4.22
2003	12203	2806	4.35
2004	13121	2691	4.88
2005	13150	4053	3.24
2006	13877	4399	3.15
2007	15637	5208	3.00
2008	16177	5231	3.09
2009	21914	8152	2.69
2010	14228	7395	1.92

INTERPRETATION:

Current ratio is optimum at 2:1. Current assets should be 2 times that Of current liability. But this rule need not work well in real life situation as it depends on many other factors. Since the availability of the raw materials are seasonal in Nature and The industry uses imported materials and stores the company Have to stock them for a longer period to avoid lead time. Both these components make the inventory level very high in turn resulting in a higher current assets Level over the current liability, this in turn lead to a higher current ratio. Over the period of analysis the current ratio of the company Over Went below 2:5:1. For the last 9 years from the year 2001-2009,thecompanyWas stable in maintaining its current ratio. In a year 2010 the companies current ratio was at 1.92:1 which is not suitable as per the above rule. Overall the company is found satisfactory with its current ratio Till the year 2009.

ACID TEST RATIO=QUICK ASSETS/ CURRENT LIABILITIES

TABLE 17 : quick ratio

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2000-2001	10277.02	4893.59	2.10
2001-2002	6005.14	4446.85	1.35
2002-2003	5678.87	4054.79	1.40
2003-2004	7044.71	3082.84	2.29
2004-2005	6076	4771.89	1.27
2005-2006	6995.89	4955.42	1.41
2006-2007	8568.22	6080	1.4
2007-2008	9152.98	5262.6	1.74
2008-2009	7497.52	8617.8	0.87
2009-2010	8122.17	8419.43	0.96
	AVERAGE	5458.52	1.48

INTERPRETATION:

The liquid ratio shows the actual liquidity of a firm. As a conventional The liquid ratio of 1:1 is considered satisfactory. The company has been efficient In maintaining its liquid assets over its current liability. Over the period of analysis the company has maintained its quick Assets more than its current liabilities till 2008. But in the year 2009 the company Had stepped into severe liquidity crisis and the quick ratio had gone below the Ideal ratio 0.87. The company was successful in maintaining its liquid ratio below 2:1. After the year 2000-08 thereby increasing the efficiency of the firm. The liquid Ratio of the company is not a satisfactory level. The company is not in a safe Position.

SOLVENCY RATIO:

Financial solvency refer to the debt finance. Solvency Ratios helps Assessing the risk assessing the risk arising from use of debt capital. The Important ratios are debt equity ratio, debt assets ratio, interest coverage ratio, and Fixed coverage ratio.

DEBT EQUITY RATIO= TOTAL LONG TERM DEBT/SHAREHOLDER FUND

TABLE 18 - solvency ratio

YEAR	DEBT	EQUITY	DEBT EQUITY
2000-2001	834.78	21672.04	0.04
2001-2002	375.39	19419.59	0.02
2002-2003	3610.7	18930.73	0.19
2003-2004	4754.13	19153.89	0.25
2004-2005	4280.56	19292.46	0.22
2005-2006	3195.94	19825.29	0.16
2006-2007	1402.44	21569.10	0.07
2007-2008	787.7	23883.81	0.03
2008-2009	3265.5	23977.43	0.14
2009-2010		19175.03	

INTERPRETATION:

This ratio shows the relative contribution of the creditors and owners. In general, the lower this ratio the higher the degree of protection enjoyed by the firm. So the company was having a low ratio till 2007-2008, 0.03 which is favorable. But in the year 2008-09 it rose to 0.14.This ratio ascertains the soundness of long term financial policies of the company.

DEBT ASSET RATIO:

DEBT ASSET RATIO=DEBT/ASSETS

TABLE 19 - Debt asset ratio

YEAR	DEBT	ASSETS	DEBT ASSET RATIO
2000-2001	834.78	22506.82	0.04
2001-2002	375.39	22245.62	0.02
2002-2003	3610.7	24795.04	0.15
2003-2004	4754.13	26395.31	0.18
2004-2005	4280.56	26437.71	0.16
2005-2006	3195.94	26795.96	0.12
2006-2007	1402.44	26578.82	0.05
2007 - 2008	787.7	23883.81	0.03
2008-2009	3265.5	30487.51	0.12
2009-2010		22199.90	

INTERPRETATION:

This ratio measures the extent to which borrowed funds support the firm assets. It is related to the debt equity ratio and so the lower the ratio the more sound the form is said to be. As shown this ratio is high, During 2003-2004, but decreased during 2004-2005 and continued this decline till 2007-2008 but then rose to 0.12 in the year 2008-09 which is not favorable. In the last year The debt asset ratio is nil which sounds good financial position of the firm.

CURRENT ASSETS TURNOVER RATIO:

The Sales to current assets ratio is best measured over several periods and needs to be compared to industry averages, as the amount of current assets varies widely among Companies and industries. A decreasing current assets turnover ratio is generally A negative sign, indicating the company may have slowed production, Decreasing the amount of inventory and resultantly the current assets.

CURRENT ASSETS TURNOVER RATIO=NET SALES/CURRENT ASSETS

TABLE 20 :Current asset turnover ratio

YEAR	SALES	CURRENT ASSETS	CURRENT ASSETS TURNOVER RATIO
2000-2001	25336	16800	1.51
2001-2002	23376	14452	1.62
2002-2003	21457	12203	1.76
2003-2004	25268	13121	1.93
2004-2005	27393	13150	2.08
2005-2006	30296	13877	2.19
2006-2007	31519	15636	2.01
2007-2008	29861	16177	1.84
2008-2009	29767	21913	1.36
2009-2010	28439	14228	2.00

INTERPRETATION:

The Current assets turnover ratio shows the number of times the current assets are being turned over in a stated period. It also shows how well the current assets are being used in the business. A high ratio indicates high degree of efficiency in asset utilization. The company was found Satisfactory with the level current assets turnover ratio. There was an increasing trend in the ratio till The 2005-06 after that the ratio gradually started decreasing, this was because of the increase in the level of current assets during the period. In the year 2008-2009 current asset turnover ratio was 136. The last year shows the high efficiency in utilization.

WORKING CAPITAL TURNOVER RATIO:

A high or increase working capital turnover is usually a positive sign, showing the company is better able to generate sales from its working capital. Either the company has been able to gain more Net sales with the same or smaller amount of working capital, or it has been able to maintain its sales. Efforts to streamline the operations of the company will often show favorably in this ratio.

WORKING CAPITAL TURNOVER RATIO=NET SALES/ WORKING CAPITAL

TABLE 21 : Working Capital turnover ratio

YEAR	SALES	WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2000-2001	25336	12536	2.02
2001-2002	23376	11029	2.12
2002-2003	21457	9397	2.28
2003-2004	25268	10430	2.42
2004-2005	27393	9098	3.01
2005-2006	30296	9478	3.19
2006-2007	31519	10431	3.02
2007-2008	29861	10961	2.72
2008-2009	29767	13763	2.24
2009-2010	28439	8372	3.40

INTERPRETATION:

This ratio measures the number of times the working capital is turned over. The company could maintain a satisfactory level of the working capital turnover ratio in the period of analysis. The working capital turnover ratio stood at the highest level in the year 2009-10. Owing to lower unit net sales realization during the year 2008-09. In the year 2010 the working capital turnover of the company increased to 3.40 which is largest.

PROFITABILITY RATIO:

Profitability reflects the final results of the business operations. There are two aspects of profitability ratios: profit margin ratio and rate of return ratios. Profit margin ratio shows the relationship between profit and sales. Rate of return ratio reflects the relationship between profit and investments.
NET PROFIT MARGIN=NET PROFIT/NET SALES

TABLE 22 : Net profit margin

YEAR	NET PROFIT	NET SALES	NET PROFIT MARGIN RATIO
2000-2001	1619.98	25335.59	0.06
2001-2002	407.23	23375.95	0.02
2002-2003	-488.91	21457.4	-0.02
2003-2004	502.46	25267.61	0.02
2004-2005	421.55	27393.28	0.02
2005-2006	1568.11	30296.34	0.05
2006-2007	3192.31	31519.30	0.10
2007-2008	1153.69	29860.84	0.04
2008-2009	1263.56	29767.37	0.04
2009-2010	(4802.40)	28438.59	(0.17)

INTERPRETATION:

This ratio explains the per rupee profit generating capacity of sales. If the cost of sales is lower than the net profit will be higher and then we divide it with net sales, the result is the sales efficiency. This ratio is very useful for proprietors and prospective investors because it reveals the overall profitability of the firm. The ratio was high in the year 2006-2007 but in the year 2009-2010 it has declined to (0.17) and still continuing so there is a chance of increasing the ratio through Improved efficiency of the concern.

RELATIONSHIP BETWEEN RECEIVABLES AND PAYABLES:

Table 23 : Relationship between receivables and payables

YEAR	RECEIVABLES	PAYABLES
2001-2002	22	73
2003-2004	32	121
2005-2006	24	18
2007-2008	35	30
2009-2010	66	55
TOTAL	179	297

INTERPRETATION:

There is no better relationship between receivables and payables. Always receivables should be more than payables. For effective working capital company should always count back debtor days and count forward creditor days. Company should always pull creditor days up to 90 days and customer days should not be extended above 60 days.

Therefore company can maintain liquidity position. Here receivables are more to company should convert it into cash as soon as possible.

RELATIONSHIP BETWEEN SHORT TERM BORROWINGS AND SHORT TERM LOAN&ADVANCES:

Table 24 : Relationship between short term borrowings and short term loan and advances

YEAR	SHORT TERM BORROWINGS	SHORT TERM LOANS&ADVANCES
2001-2002	75	50
2003-2004	96	67
2005-2006	14	40
2007-2008	32	26
2009-2010	33	10.5
TOTAL	250	193.5

INTERPRETATION:

The relationship between short term borrowings and loans & advances is not good. On average 50cr is borrowing and 38.5cr is loans &advances . For positive working capital company should decrease borrowings and increase loans. Company should take care of borrowings. If they are Borrowing they should clear suppliers payment.

RELATIONSHIP BETWEEN CURRENT ASSETS AND CURRENT LIABILITIES:

Table 25 : Relationship between current asset and current liability

YEARS	CURRENT ASSETS	CURRENT LIABILITES
2001-2002	68	102
2003-2004	161	123
2005-2006	104	64
2007-2008	91	96
2009-2010	109	134
TOTAL	532	520

INTERPRETATION:

On an average company's working capital ratio is good. The relationship between current assets and current liabilities is good. Average current assets is 532cr and current liabilities is520cr so current assets is more than current liabilities. Average current ratio is 1.023 which should not Be less than 1. This much ratio is enough to release fund from bank to meet day to day operations.

V. FINDINGS & SUGGESTION

FINDINGS:

1) The financial performance of the companies was not encouraging with a sales Turnover of Rs.284.39 crore for the year ending 31st march 2010 to Rs 297.67 crore during the previous year.
2) 2)Actual production has been increasing consistently from 2003-04 but was low in 2009-2010 when compared with this previous year The company has no accumulated loses at the end of the financial year.
3) No loans and advances have been granted by the companies on the basis Shares, debentures and other securities.
4) Overall the companies are found satisfactory with its current ratio till the year 2009.
5) The liquid ratio of the companies are not a satisfactory level. The company is not in a safe position.
6) The debt equity ratio is favorable from long term creditor's point of view. It ascertains the soundness of long term financial policies of the companies.
7) The debt asset ratio is nil in the year 2009-2010 so there will be affect in the Financial strength of business enterprise.

SUGGESTIONS:

The companies have a sound working capital managements systems. In our opinion And to the best of knowledge of information about the companies does not have accumulated losses at the end of the financial year and the companies have not incurred cash losses in the current financial year and in the immediately preceding financial year.The major sources of working capital of companies are sundry debtors, sundry creditors, and advances from customers and provisions. The internal control procedures need to be more equals so as to be commensurate with the size of the company and the nature of Its business with regard to accounting, handling, control and valuation of inventories, so that it does not block a huge amount of money in inventory. The bad/doubtful debts for the last 10 years are showing an increasing trend. This should be given due attention as it implies the provision for bad debts made in the previous years were not sufficient as compared to the reality so effective collection methods should be adopted. Quick ratio of companies from 2000-2001 to 2007-08 is more than ideal ratio 1:1. But in the year 2008-09 and 2009-10 it has declined to

0.87 and 0.96. So management has to take actions to maintain the ratios at the standard levels as it is important for the concern to keep its liquid assets at least equal to the liquid liabilities at all times. The cash position should be improved as early as possible since it is at an alarmingly low level.

VI. CONCLUSION

A study conducted in public limited enterprises; enable to get practical touch to the topic working capital management of the company. The management of working capital plays an important role in maintaining the financial health of the companies during the normal course of business. The company should maintain sufficient level of working capital to produce up to a given capacity and maximize the return on investment in fixed assets. Shortage of working capital lends To lower capacity utilization.To maintain the solvency of the business and continue production, it is necessary

That adequate funds be available to pay the bills for material. Selling and administrative expenses and Other cost of doing business. The prompt payment of bills to suppliers of materials ensures a continued supply of raw materials and established credit for the future or for reasonable operations.

From the study undertaken it is clear that the various components of working capital are interrelated. An increase in one component will decrease the amount of other, leading to maintain the level of working capital. As could be seen from the working capital the financial position of the firm is very encouraging . It ensures reasonable return on investment, hence it is considered as a sound and feasible project. Objective of working capital management is to manage in such a way that satisfactory level of working capital is maintained.

The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short term debt and upcoming Operational expenses. To conclude the project work has been a great experience and exposure to the real fixed experience and actual working of an organization.

REFERENCES

[1] Dr. Prasanna Chandra (IIM B), Financial Management theory and practice, Second Edition, Tata Mc-Graw ,Hill publications,New delhi.

[2] Pandey," Financial Management", Vikas Publishing house Pvt Ltd.

[3] Sharma," Working capital Management" Surabhi Pulications, 103-173.

[4] Adams, J.S. Inequity in social exchange. Advances in experiment social psychology. New York: Academic press

[5] Bedeian, A.G (1993).Management (3rd edition) New york: Dryden Press.

[6] Buford, J.A., Jr., Bedian, A.G.,&Lindner, J.R Management in Extension(3rd edition).Columbus, Ohio:Ohio State University Extension.

[7] Harpaz, I.(1990). The importance of work goals: an international perspective. Journal of International business studies.