

A STUDY ON WORKING CAPITAL MANAGEMENT IN SHENG LONG BIOTECH PVT LTD.,

Submitted in partial fulfillment of the requirements for the award of

Bachelor of Commerce

By

VISHALY.D

(40740404)



**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

APRIL - 2023



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DEPARTMENT OF BUSINESS ADMINISTRATION

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **VISHALY.D (40740404)** who carried out the Project Training at "**SHENG LONG BIOTECH PRIVATE LIMITED**" under our supervision for a period of 3 months from January 2023 to March 2023.

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DECLARATION

I **VISHALY.D (40740404)** hereby declare that the Project work done by me under the guidance of **Ms.SHANTHINI.S (Internal)** and **Mr.SHIVAM.R (External)** at **SHENG LONG BIOTECH PRIVATE LIMITED** is submitted in partial fulfillment of the requirements for the award of Bachelor of Commerce.

DATE: 29-04-2023



PLACE: CHENNAI

SIGNATURE OF THE CANDIDATE



SHENG LONG BIO-TECH (INDIA) PVT.LTD.

Regd. Office (Feedmill Unit) : Plot No. A-11/1, Part-A, Sipcot Industrial Park, Thervoykandigai Village, Gummidipoondi Taluk, Thiruvallur District, Tamilnadu-601 202, India. Phone : 044-6790 1001, Fax: 044 6790 1017, Email : info@shenglongindia.com | Website : www.shenglongindia.com CIN : U08004TN2014PTC098651

Hatchery Unit : No.61, Vilambur Village, Panalyur, Cheyyur Taluk, Kanchipuram Dist.,Tamilnadu-603 304, India.

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Ms. Vishaly D. Reg No. 40740404 student of the final year B.com (General) from Satyabhama Institute of Science and Technology in Chennai, has successfully completed her project on " A STUDY ON WORKING CAPITAL MANAGEMENT " during the month of 5 January 2023 to 24 April 2023 at our Organization.

Her association with us was fruitful and we wish her all the best in future endeavours.

For Sheng long Bio-Tech India Pvt Ltd


Authorized Signatory



QUALITY SHENG LONG, WE USE LIFE LONG

ACKNOWLEDGEMENT

I am pleased to acknowledge my sincere thanks to Board of Management of SATHYABAMA for their kind encouragement in doing this project and for completing it successfully. I am grateful to them.

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I would like to express my sincere and deep sense of gratitude to my Project Guide Ms. Shanthini S M.com, MBA, NET, for her valuable guidance, suggestions and constant encouragement paved way for the successful completion of my project work.

I wish to express my thanks to all Teaching and Non-teaching staff members of the Department of Business Administration who were helpful in many ways for the completion of the training.

VISHALY.D



ABSTRACT

This report contains the work done during the internship period which was held in **SHENG LONG BIO TECH PRIVATE LIMITED.**, It not only provide a different environment ,but also helps to get more knowledge about the different kinds of works in that environment . The students get a chance to know about finance department in a in-depth manner in a organization and the activities done in this department.

It is extraordinary opportunity to experience partial industrial environment, work discipline, team work, time management, quality controlling and to obtain a clear understanding of the theoretical knowledge from the company.

The Finance department gained knowledge in corporate finance, about receivables, payables, taxation, profit ratio, balance sheet, auditing, pricing.

The reports shows a view of the tasks done during the period of internship in detail. The internship aims to increase the knowledge of the students during the internship process. The internship helps us hope that it has helped everyone to gain some organizational knowledge which can be used in the future.

TABLE OF CONTENTS

CHAPTER NO.	TITLE	PAGE NO.
	ABSTRACT	6
	LIST OF TABLES	9
	LIST OF FIGURES	10
1	INTRODUCTION	
	1.1 Introduction about the topic	11
	1.2 Industry profile	12
	1.3 Company profile	13
	1.4 Statement of the Problem	14
	1.5 Objective of the Study	15
	1.6 Need for the Study	15
	1.7 Scope of the Study	16
	1.8 Limitations of the Study	16
2	2.1 REVIEW OF LITERATURE	17
3	RESEARCH METHODOLOGY	
	3.1 Research Design	22
	3.2 Sources of Data	22
	3.3 Sample design	22
	3.4 Sample size	23
	3.5 Sampling technique	23
	3.6 Period of the Study	23
	3.7 Analytical Tools	23
4	DATA ANALYSIS AND INTERPRETATION	
	4.1 Introduction- Data analysis and Interpretation	24
	4.2 Ratio Analysis	24
5	FINDINGS, SUGGESTIONS AND CONCLUSION	

	5.1 Findings of the Study	37
	5.2 Suggestions	38
	5.3 Conclusion	38
	REFERENCES	40
	ANNEXURE I	42
	ANNEXURE II	44

LIST OF TABLES

TABLE NO.	PARTICULARS	PAGE NO.
4.2.1	Working capital turnover ratio	25
4.2.2	Stock turnover ratio	26
4.2.3	Profit Margin ratio	28
4.2.4	Asset turnover ratio	29
4.2.5	Gross margin ratio	30
4.2.6	Long term Debt ratio	32
4.2.7	Short term debt ratio	33
4.2.8	Debt ratio	34

LIST OF CHARTS/FIGURES

CHART NO.	PARTICULARS	PAGE NO.
1.2	Industry profile	12
1.3	Company profile	13
1.3.1	Company Logo	14
4.2.1	Working capital turnover ratio	25
4.2.2	Stock turnover ratio	27
4.2.3	Profit Margin ratio	28
4.2.4	Asset turnover ratio	29
4.2.5	Gross margin ratio	31
4.2.6	Long term Debt ratio	32
4.2.7	Short term debt ratio	33
4.2.8	Debt ratio	35

CHAPTER 1

INTRODUCTION

1.1 WORKING CAPITAL MANAGEMENT

Working Capital is the key difference between the long term financial management and short term financial management in terms of the timing of cash. Long term finance involves the cash flow over the extended period of time i.e. 5 to 15 years, while short term financial decisions involve cash flow within a year or within operating cycle. Working capital management is a short term financial management.

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities & the inter relationship that exists between them. The current assets refer to those assets which can be easily converted into cash in ordinary course of business, without disrupting the operations of the firm.

1.1.1 COMPOSITION OF WORKING CAPITAL

Major Current Assets

- 1) Cash
- 2) Accounts Receivables
- 3) Inventory
- 4) Marketable Securities

Major Current Liabilities

- 1) Bank Overdraft
- 2) Outstanding Expenses
- 3) Accounts Payable
- 4) Bills Payable

The Goal of Capital Management is to manage the firm's current assets & liabilities, so that the satisfactory level of working capital is maintained. If the firm cannot maintain the satisfactory level of working capital, it is likely to become insolvent & may be forced into bankruptcy.

To maintain the margin of safety current asset should be large enough to cover its current assets. Main theme of the theory of working capital management is interaction between the current assets & current liabilities.

1.2 INDUSTRY PROFILE

Sheng Long Biotech India Pvt. Ltd., is a subsidiary company of Guang Dong Haid Group., which is specialized in aquatic feed & premix manufacturing, fish and shrimp breeding and animal health products. The integrated aquaculture Group provides outstanding technical services to the end-users. Presently the Haid Group owned around 120 subsidiaries and 1 research and development center. The total sales volume of aquatic feed in 2014 was 5.54 million metric tons with 3.4 billion US dollars revenue.

Sheng Long Bio-tech (India) Pvt. Ltd. is a 100% foreign company, it is specialized in manufacturing and marketing of aquatic feeds, animal health product and breeding. After a few years of hard working on team- building, quality optimization, brands-building and distribution-networks development since 2014, with the advantages in clear strategy allocation, technology research and development, premium quality and excellent service, the company has built considerable reputation and influence in the market. The demand of our prawn feed already exceeds the supply during peak season and the sale volume had reached nearly 40,000 tons in 2018.

Today, Sheng Long Bio-Tech (India) has already set up 1 feed mill in Tamil Nadu, and another new feed mill is scheduled to start construction by 2020. Besides, the company also operate 1 hatchery to produce L. Vannamei SPF post larva in Tamil Nadu. The production facility includes 3 lines for pelleting prawn feed with an annual capacity of 50,000 metric tons. The hatchery can supply 2 billion PLs to market annually.



FIG: 1.2 INDUSTRY PROFILE

1.3 COMPANY PROFILE

SHENG LONG BIOTECH PRIVATE LIMITED

Sheng Long Bio-Tech (India) Private Limited is an unlisted private company incorporated on 30 December, 2014. It is classified as a private limited company and is located in Thiruvallur, Tamil Nadu. Its authorized share capital is INR 185.00 cr and the total paid-up capital is INR 184.32 cr.

Sheng Long Bio-Tech (India)'s **operating revenues range is INR 100 cr - 500 cr** for the financial year ending on 31 March, 2021. It's **EBITDA has decreased by -69.50 %** over the previous year. At the same time, its book net worth has decreased by -12.63 %.

Description: The Company is engaged in manufacturing of animal health products such as zeolite, aqua chip, sada etc.

Products & Services: Super Mix, NutriPro, Zeolite, Aqua Chip, Sada etc.

Category: Manufacturer.



FIG: 1.3 COMPANY PROFILE

The current status of Sheng Long Bio-Tech (India) Private Limited is - Active.

The last reported AGM (Annual General Meeting) of Sheng Long Bio-Tech (India) Private Limited, per our records, was held on 31 December, 2021. Also, as per our records, its last balance sheet was prepared for the period ending on 31 March, 2021.

Sheng Long Bio-Tech (India) Private Limited has five directors - Chuang Jie Cheng, Jiang Xiewu, and others.

The Corporate Identification Number (CIN) of Sheng Long Bio-Tech (India) Private Limited is U05004TN2014PTC098651. The registered office of Sheng Long Bio-Tech

(India) Private Limited is at PLOT NO.A-11/1 PART A, SIPCOT INDUSTRIAL PARK THERVOYKANDIGAI, GUMMIDIPOONDI TALUK, Thiruvallur, Tamil Nada.

1.3.1 COMPANY LOGO



FIG: 1.3.1 COMPANY LOGO

1.3.2 OUR VISION

Become a leading aqua feed producer in Southeastern & Southern Asia and best Service provider.

1.3.3 OUR MISSION

The greatness of an ocean comes from the ability to hold hundreds of rivers". We aim to **provide superior service, to help farmers maximize profitability and create value for our clients.**

1.4 STATEMENT OF THE PROBLEM

In the management of working capital, the firm is faced with two key problems:

1. To find out the level of sales and the relevant cost considerations, and to identify the optimal amounts of cash, inventories that a firm should to maintain.
2. To identify the most economical way to finance these working capital investments.
3. To analyses the cause of working capital on business.
4. To identify the relationship between working capital and capital employed.

1.5 OBJECTIVES OF THE STUDY

The Study of the working capital management is important because unless the working capital is managed effectively, monitored efficiently planned properly and reviewed periodically at regular intervals.

With this primary objective of the study, the following further objectives are framed for depth analysis.

- To study the working capital management of sheng long bio tech private limited.
- To study the optimum level of current assets and current liabilities of the company.
- To study the liquidity position through various working capital related ratios.
- To study the working capital components such as receivables accounts, cash management, inventory position.
- To estimate the working capital requirement of sheng long bio tech private limited.
- To study the operating and cash cycle of the company.

1.6 NEED FOR THE STUDY

- The projects is helpful in knowing the company's position of funds maintenance and setting the standards for working capital inventory levels, quick ratio current amount turnover level and web torn turnover level.
- This project is helpful to the management for expanding the dualism and the project viability and present availability of funds.
- This project is also useful as it companies the present year data with the previous year data and thereby it show the trend analysis i.e. increasing fund or decreasing fund.
- The project is useful in further expansion decision to be taken by Management.

1.7 SCOPE FOR THE STUDY

It helps to understand the working capital requirement of the company. The study of working capital is based on tools like trend analysis, Ratio Analysis, working capital leverage, operating cycle etc.

The study is based on last 5 year (2018- 2022) annual reports of Sheng long bio tech private limited by analyzing the profit and loss account ,Statement and balance sheet account.

1.8 LIMITATION OF THE STUDY

The following are the various aspects involved in the analysis of the Study.

- The Study is limited to the accounting year of 5years (2018-2022).
- The Study is based on information provided by the company as per annual report.
- The Study the working capital management does not take in to account the price level changes.

CHAPTER 2

REVIEW OF LITERATURE

2.1 REVIEW OF LITERATURE

1. NCEAR (1966):

The National council of applied Economic Research (NCEAR) in 1966 first time formal study was conducted on working capital management in India.

The council published a structure of working capital" which was limited analysis of the creation of working capital with special attention to the fertilizers, and cement and sugar industries the main objective of this study was emphasized on come out with findings that working capital management practices were extremely unplanned and hence need to develop proper accounting policies like inventory management, debtors management as above. And the study suggested developing suitable working capital policies required in the success of business.

2. Bhatt V. V. (1972):

He has given concentration on system to appraise working capital management and its finance specially for the large scale companies. This tools also helpful to other sectors like agriculture as well retail trade etc.

As bank provide short term finance to operation of business at the same time need to pay attention on repayment of loan and required finance necessity. If these two area is to be maintain properly no need to appraise the working capital management concern.

3. Smith Keith V. (1973):

It focused on the short term finance for the success of the individual firm. They give more attention on current assets and current liability. This consist of eight distinct approaches to working capital management. Out of it first three gives common guidelines. Next three regarding constrain set and cost balancing. Last two about probability models and portfolio theory.

4. Chakraborty S. K. (1974):

In this research author try to make difference among cash working capital v/s balance sheet working capital. This research is based on two dimensions. First is operating cycle concept. Second calculation of operating cycle period in all the four cases. Main aim of this research published annual report of the firm.

5. Rajeshwar (1985):

He has done the study on few selected public enterprises in India. He tried to check the working capital policies adopted by the sample units. He made attempt to examine the working capital components how efficiently managed. In this study it is found that majority of investment was made in finished goods inventory. It indicates that working capital was not managed in planned way. Thus, study recommended for careful management of working capital in finance management.

6. Rao K.V. and Rao Chinta (1991):

This study observed that strong and weak point of conventional techniques of working capital analysis. Outcomes of this study shows that some of the conventional techniques which could realized the working capital behavior well. And some of them fail to do so. And thus authors suggest proper working capital management with conventional method i.e. ratio analysis.

7. Fazzari Steven M. and Petersen Bruce C. (1993):

Research has been put light on financial restraint on investment by giving focus the ignoring role of working capital in both as use and source of funds.

As per the views of author liquidity can be maintain by maintaining working capital on smooth manner means to be investment in a manner which does not create cash flow constrain.

Through the research found that working capital investment should be “excessively sensitive” with summing up that controlling on smoothing working capital create a long term impact of finance constraints and reported in many other studies also

8. Vijayakumar and Venkatachalam (1995):

This study was made on observed analysis in working capital and profitability. Study was carried with 13 firms belonging sugar industry for the 10 years period from 1982-1983 to 1991-92. The correlation and regression statistical method has been used to analyze the impact of working capital ratios on profitability.

In this study total four ratios has been taken in to consideration; Liquidity ratio, inventory turnover ratio, receivable turnover ratio and cash turnover ratio. The discovery of the study said that liquid ratio and cash turnover ratio have harmful impact on profitability on the other hand inventory turnover ratio and receivables have positive impact on profitability.

9. Rafuse (1996):

The article stressed on working capital enhancement by halting payment of creditors. That was clear many UK companies delayed payment for the long period. This article stressed

to maintain healthy and close relationship among supplier and customer. The discovery of the study warranted the firms to reduce inventory level as fast as possible in order to increase the profit of the firms. Another fact of study was that control over working capital responsibility goes on the head of finance manager.

10. Swamy (1997):

Swamy was done research with 19 key agricultural area in the contour of Dakshina Kannada district in Karnataka. The research exposed that maintenance of liquidity and profitability is a major problem in the targeted area. To be safe in side of working capital management were found to be suffered and low profitability due to the interest burden. The effects of this firms raised the fund for working capital requirement by borrowing fund from depositors. This study has been given stressed on proper management of working capital so the future of business would be bright.

11. Ahmed Habib (1998):

This study is evaluated that the interest rate of fund reducing money power on output. For the study rational expectation model is used to find out relation between production decisions and debt finance. As working capital having immense important factors and its cost, the rate of interest, affects the supply of goods, this study revealed that this model helps to identify the alarming situation when interest rate is used. This model also revealed that effects of monetary policy on the price level and supply side.

12. Hyon – Han Shin an LUC Soemen (1998):-

The study is on the efficiency of the working capital management and business profitability. There are 58 companies are taken for the research and period for the study is 1975 to 1994. This study found that there is a strong negative relationship if firm having long Net Trade Cycle and its profitability. In other side short Net Trading cycle created the risk. It has also found measuring liquidity differently, need to be maintain appropriate current ratio having positive relation with profitability.

13. Garg Pawan Kumar (1999):-

This study was done in selected public sectors firms of Hariyana study relate with working capital and liquidity analysis. The analysis of the study says that forecasting of working capital necessity constrained on different factors. After realizing the facts like needs of working capital in public sectors.

It need to analyze

- Production schedule
- Labor cost
- Sales trend etc.

14. Bansal S. P. (1999):

Review of this study on working capital management refers to the management of current assets and current liabilities. To be maintain the various components. To increasing the profitability of the firm. The author persists on application of various methods and techniques for the management of working capital. Its three main gears cash, receivables and inventors.

15. RaoGovinda D. and Rao P. M. (1999):

As per the study management of working capital is constant process. So that proper observation on various components is needed. At the end relationship between different components are needed. This provides proper direction.

16. Singh O. N. (1999):

The research discussed the needs of credit to the farmers or agriculture segment. Another need is having proper system of working capital finance in agriculture segment in line and commerce finance, with some changes. Research advised a system which is quite similar useful and fulfill the need of both farmers as well as the bankers. Main aim of the study is to make farmers strong in terms of capital.

17. Dutta (2000):

Author Dutta has done study on "Working Capital Management of Horticulture Industry in Himachal Pradesh" that was a case study of Himachal Pradesh Horticulture Produce Marketing and Processing Corporation for the stage 1991 to 1998. The study was thrown the light on financing pattern of working capital management. The study exposed that the working capital of HRMC was going worse gradually during the study period. Though, huge losses of the firm holding the huge amount of inventory and that was a main cause of failed trade off among liquidity and profitability. The conclusion of study like that there was no significant correlation between gross working capital and sales

18. Arindam Ghosh (2007):

That was the study carried on Cement Industry of India specific area of study was "Working Capital Management. Its practices and impact on profitability. Main aim of the study is to evaluate efficiency of working capital management of selected cement companies in India during the period 1992 to 2001. For the study targeted 20 large cement companies avail in India having very large portion in cement industry of India.

19. Ramachandran Azhagaiah and Janakiraman Muralidharan (2009):

Main aim of his study is to evaluate the trends and parameters of effectiveness of working capital. Its utilization in terms of volume of the firms of cotton textiles industry in India. For that three parameters are taken i.e. different indices first one performance Index, utilization index and efficiency Index. The output of the study is like that linear growth rate model is used to find out the significance with working capital.

20. Rahman Mohammad M. (2011):

Research is based on correlation among working capital and profitability. To analyze the effectiveness of working capital management of the selected textile companies. Conclusion of the study found that overall good management in working capital management of selected textile companies and thus most of the companies are profitable way going on.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

Research design is the base on which researcher proceed toward the study of the problem. The sources of information are generally classified in secondary data. Research design is one of the method is used to conducting the research investigation.

A research design in simple words is a plan of action, a plan for collecting and analyzing data in an economic, efficient and relevant manner.

A research design is the arrangement of conditions for collection and analysis data in a manner that aims to combine relevance to the research purpose with economy in procedure.

In this research design secondary data are collected and analyzed for further process such as profit and loss statement and balance sheet.

3.2 SOURCES OF DATA

SECONDARY DATA

The analysis relies on already existing data that may be either published or unpublished. This source of data is updated source of information.

Ratio analysis is a tool for calculating working capital management. This is dealing with secondary - ratio analysis such as current ratio, balance sheet etc.

The data is collected through the secondary source like:

1. Annual reports of the company
2. Office manuals of the department
3. Magazines, reports in the company
4. Policy documents of various departments.

3.3 SAMPLE DESIGN

Sampling and sample design is an essential factor as it is based on the judgement of the researcher to provide the best information for the objective study.

Here we going to take profitability statement and balance sheet as a secondary data for past 5 years (2018-2022).

3.4 SAMPLE SIZE

Sample size is collected based on secondary data of the company for past 5 years such as Balance sheet and profitability statement.

3.5 SAMPLING TECHNIQUE

This project is based on secondary data such as profitability and balance sheet statement. Ratio analysis is a technique which is to calculate the working capital. This technique is used to find ratio and financial position the company with ratio.

RATIO ANALYSIS

Ratio analysis is a technique to evaluate a company's financial performance and health using various ratios derived from its financial statements.

3.6 PERIOD OF THE STUDY

This project report is prepared by studying the overall statement (profitability and balance sheet) of the Sheng Long Biotech Private Limited.

The internship training in Sheng Long Biotech Private Limited was from 9.30 am to 3.00 pm for the period of 3 months from Jan to April.

3.7 ANALYTICAL TOOLS

Tool for analysis working capital management such as

1. Working capital turnover ratio
2. Stock turnover ratio
3. Credit turnover ratio
4. Debtor turnover ratio
5. Profit margin ratio
6. Gross margin ratio
7. Asset turnover ratio
8. Long term ratio
9. Short term ratio
10. Debt ratio

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION- DATA ANALYSIS AND INTERPRETATION

This chapter focuses on the highly liquid (on the assets side) and shortly due (on the liabilities side) balance sheet items. It is presumed that the liquidity of a company is measured by the extent to which it can meet its short-term obligations. In other words, liquidity is an expression of the company's ability to meet its short term obligations. Liquidity implies there is a possibility that the assets will be converted into cash or that the company will collect receivables. The time span of liquidity is usually one year. One possible approach to elucidate the nature and the importance of liquidity as a subject of financial analysis is to examine the consequences that stem from the lack of ability to meet short-term obligations.

4.2 RATIO ANALYSIS

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis

4.2.1 WORKING CAPITAL TURNOVER RATIO

A working capital turnover ratio measures how effectively a business uses its operational dollars to generate sales.

FORMULA

Working capital turnover ratio = net sales / working capital

Net sales = Total sales - sales return

Working capital = current asset – current liability

TABLE 4.2.1 WORKING CAPITAL TURNOVER RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
SALES	8533500	7757728	7052480	6411345	5828496
WORKING CAPITAL	8393522	6310410	4513641	2935382	1555765
WORKING CAPITAL TURN OVER RATIO	1.016	1.22	1.56	2.18	3.7

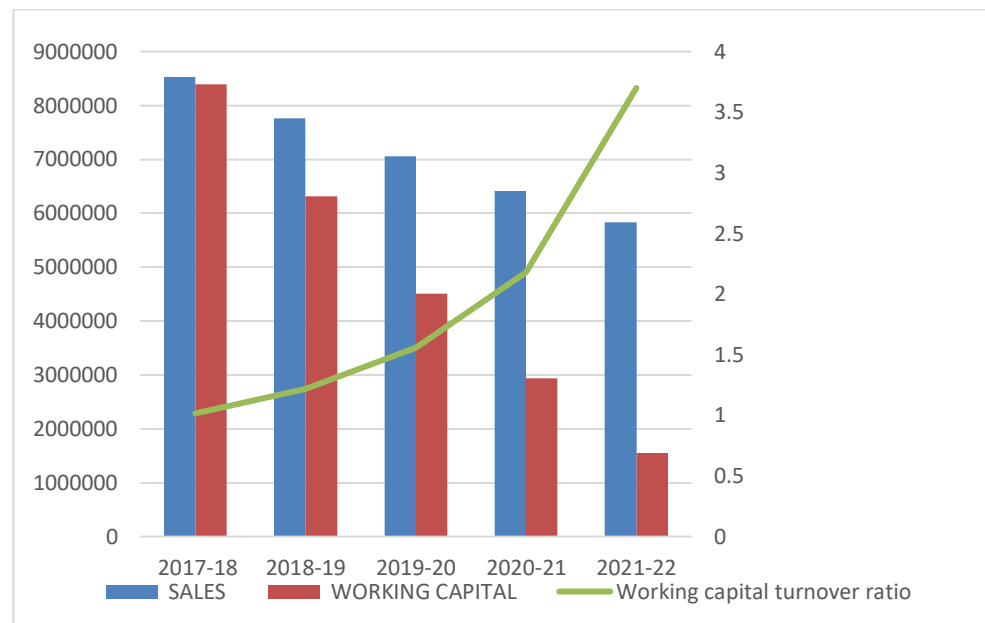


CHART 4.2.1 WORKING CAPITAL TURNOVER RATIO

INTERPRETATION

A high working capital turnover ratio indicates efficiency in utilization of resources and the ratio has improved from 1.016 in 2017-18 to 3.7 in 2021-22. Hence we can see that the component of working capital is consistently reducing which is considered as a positive sign from the point view of the finance.

4.2.2 STOCK TURNOVER RATIO

The stock turnover ratio, commonly known as the inventory turnover ratio. It refers to the performance ratio that helps determine how good a company is managing its stock inventory.

FORMULA

Stock turnover ratio = $\text{Cost of goods sold} / \text{Average stock}$

Cost of goods sold = Net Sales - gross profit

Average stock = $(\text{opening stock} + \text{Closing stock}) / 2$

TABLE 4.2.2 STOCK TURNOVER RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
COST OF GOOD SOLD	5221956	4747234	4615667	3923333	3233334
AVERAGE STOCK	512434	465849	423499	384999	183333
STOCK TURNOVER RATIO	10.19	10.19	10.89	10.19	17.6

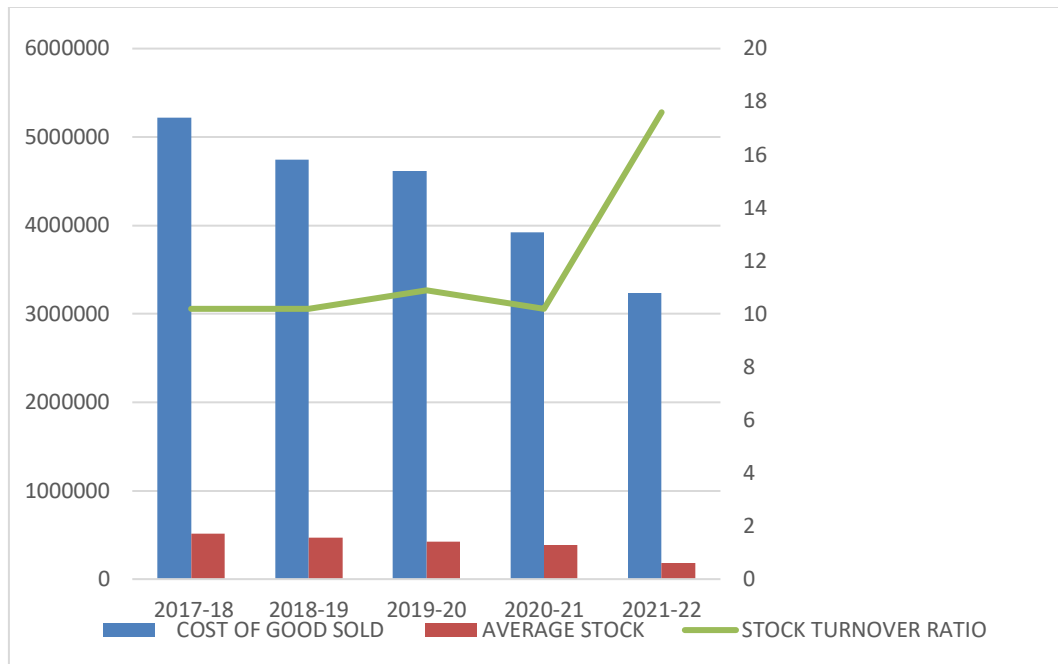


CHART 4.2.2 STOCK TURNOVER RATIO

INTERPRETATION

Inventory turnover is the rate that inventory stock is sold or used, and replaced. A higher ratio tends to point to strong sales and lower one to weak sales. In 2017-18 the stock ratio is 10.19 and in 2021-22 the stock ratio is 17.6. Hence the ratio indicates strong sales.

4.2.3 PROFIT MARGIN RATIO

The profit margin is a **ratio of a company's profit (sales minus all expenses) divided by its revenue.**

FORMULA

Profit margin ratio = Net income / Net sales.

TABLE 4.2.3 PROFIT MARGIN RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
NET INCOME	2468400	2158757	1874100	1611420	1701208
NET SALES	8533500	7757728	7052480	6411345	5828496
PROFIT MARGIN RATIO	0.289	0.27	0.26	0.25	0.29

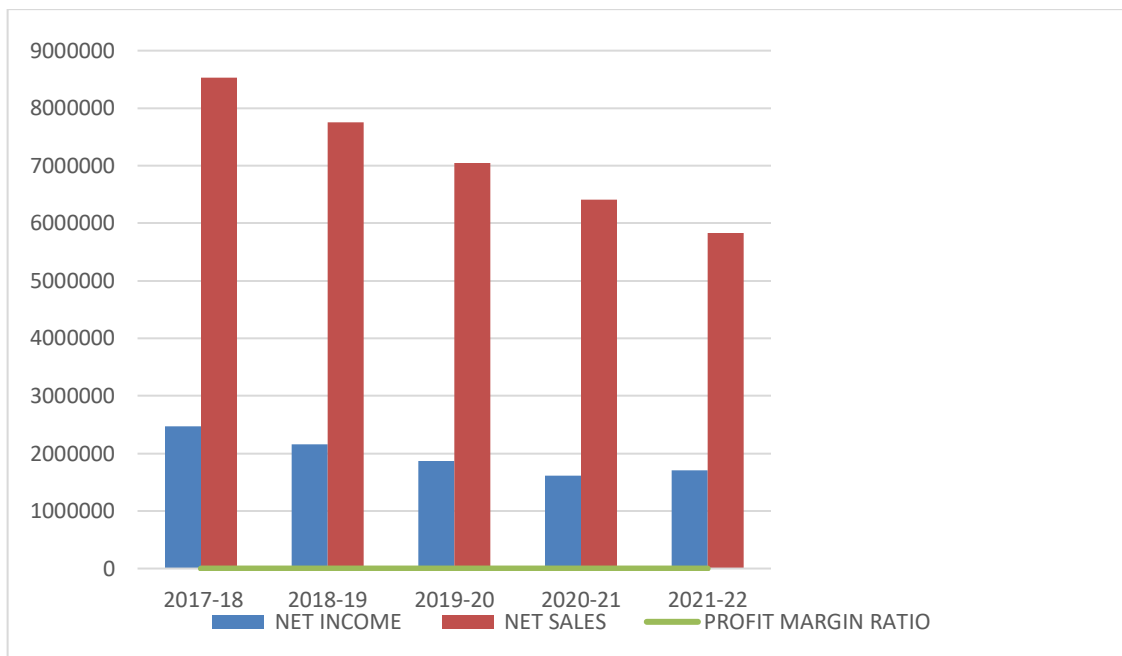


CHART 4.2.3 PROFIT MARGIN RATIO

INTERPRETATION

In the year 2017-18 there was an increase in net sales as well as increase in net income so ratio of profit margin is 0.289. In 2018-19, there was decrease in sale and net income 0.27, (percentage of increase in net income is lower than the percentage of increase in sales). So the ratio of net income and net sales has slightly decreased from 0.289 to 0.27.

4.2.4 ASSET TURNOVER RATIO

The asset turnover ratio measures the value of a company's sales or revenues relation. The asset turnover ratio measures is an efficiency ratio that measures how profitably a company uses its assets to produce sales.

FORMULA

Asset turnover ratio = Sales / Total assets

TABLE 4.2.4 ASSET TURNOVER RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
SALES	8533500	7757728	7052480	6411345	5828496
TOTAL ASSET	10644872	8655558	6967414	5515116	4281750
ASSET TURNOVER RATIO	0.801	0.89	1.01	1.16	1.36

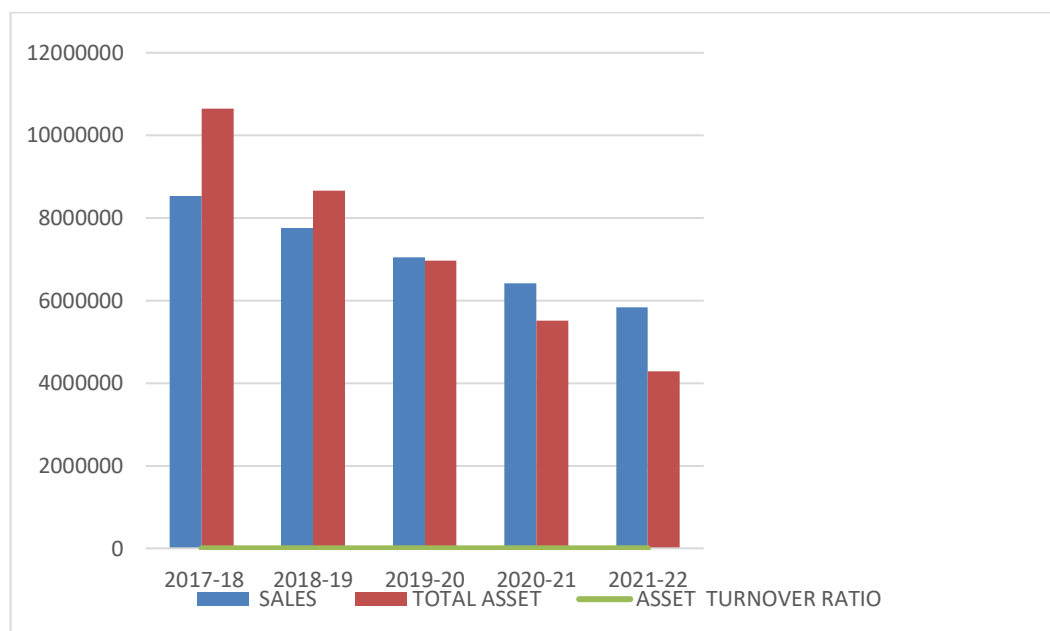


CHART 4.2.4 ASSET TURNOVER RATIO

INTERPRETATION

The total asset turnover ratio is a **measure of how well a company uses its assets to generate sales**. It is calculated by dividing net sales by average total assets. A higher ratio indicates that the company is more efficient in using its assets, while a lower ratio suggests the opposite. Here in 2021-22 is indicate higher ratio 1.36 and the company is more efficient in using it asset, while in 2017-18 lower ratio 0.801 and the company is inefficient in using the asset.

4.2.5 GROSS PROFIT MARGIN RATIO

Gross profit margin is a ratio that indicates a company's sales performance—specifically, the percentage of revenues left after you've deducted the cost of goods sold.

Gross profit margin is important because it shows if a company's sales are enough to cover its costs.

FORMULA

Gross profit margin = $\frac{\text{Net sales} - \text{Cost of goods sold}}{\text{Net sales}}$

TABLE 4.2.5 GROSS PROFIT MARGIN RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
NET SALES	8533500	7757728	7052480	6411345	5828496
COST OF GOODS SOLD	5221956	4747234	4615667	3923333	3233334
GROSS MARGIN PROFIT	0.38	0.38	0.34	0.38	0.44

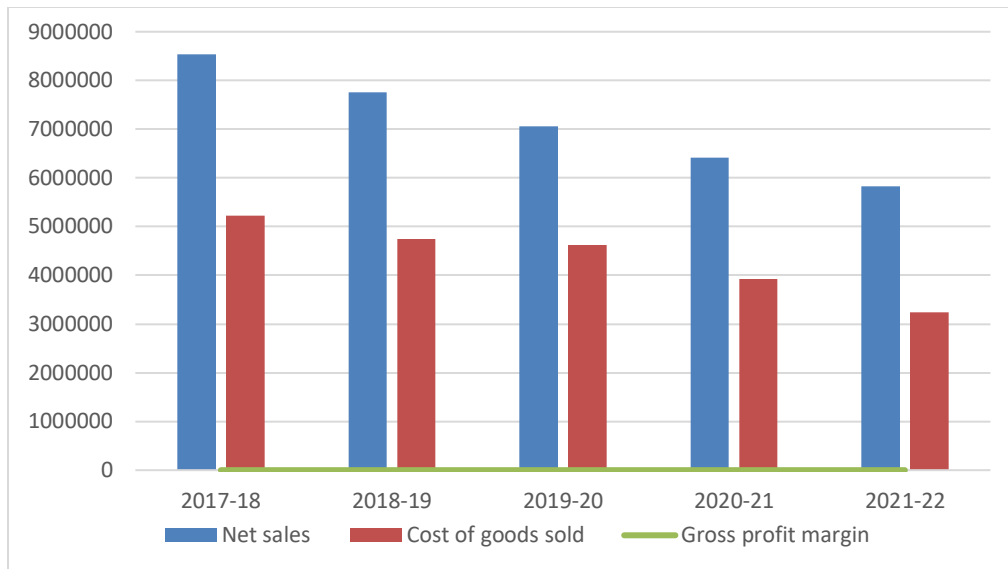


CHART 4.2.5 GROSS PROFIT MARGIN RATIO

INTERPRETATION

A measure of a company's profitability, computed as: gross profit divided by total sales. The higher the Gross profit margin, the better; a high ratio means that the company makes huge gross profits to soak up operating and other expenses to come up with a net income. Here, In 2021-22 has a higher Gross profit margin is 0.44, and lower Gross profit margin is 0.34 in 2019-20.

4.2.6 LONG TERM DEBT RATIO

The long-term debt-to-total-assets ratio is a measurement representing the percentage of a corporation's assets financed with long-term debt, which encompasses loans or other debt obligations lasting more than one year. Long-term debt is debt that matures in more than one year.

FORMULA

$$\text{Long term debt ratio} = \frac{\text{Long term debt}}{\text{Total asset}}$$

TABLE 4.2.6 LONG TERM DEBT RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
LONG TERM DEBT	2,114,999	479086	949699	1371502	1749557
TOTAL ASSET	10644872	8655558	6967414	515116	4281750
LONG TERM DEBT RATIO	0.198	0.55	0.136	2.66	0.40

**CHART 4.2.6 LONG TERM DEBT RATIO****INTERPRETATION**

If a business has a high long-term debt-to-assets ratio, it suggests the business has a relatively high degree of risk, and eventually, it may not be able to repay its debts. In contrast, if a business has a low long-term debt-to-assets ratio, it can signify the relative strength of the business. Here, In the year 2020-21 has higher debt 2.66 so it suggest relatively high risk and has to repay its debts. In 2019-20 has less debt 0.136 this suggest relatively strength of the business

4.2.7 SHORT TERM DEBT RATIO

Short term debt are also referred to as current liabilities. Short-term debt refers to borrowed money that is expected to be paid within one year.

FORMULA

Short term debt ratio = short term debt / total asset

TABLE 4.2.7 SHORT TERM DEBT RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
SHORT TERM DEBT	500000	500000	500000	500000	500000
TOTAL ASSET	10644872	8655558	6967414	515116	4281750
SHORT TERM DEBT RATIO	0.046	0.057	0.071	0.970	0.1167

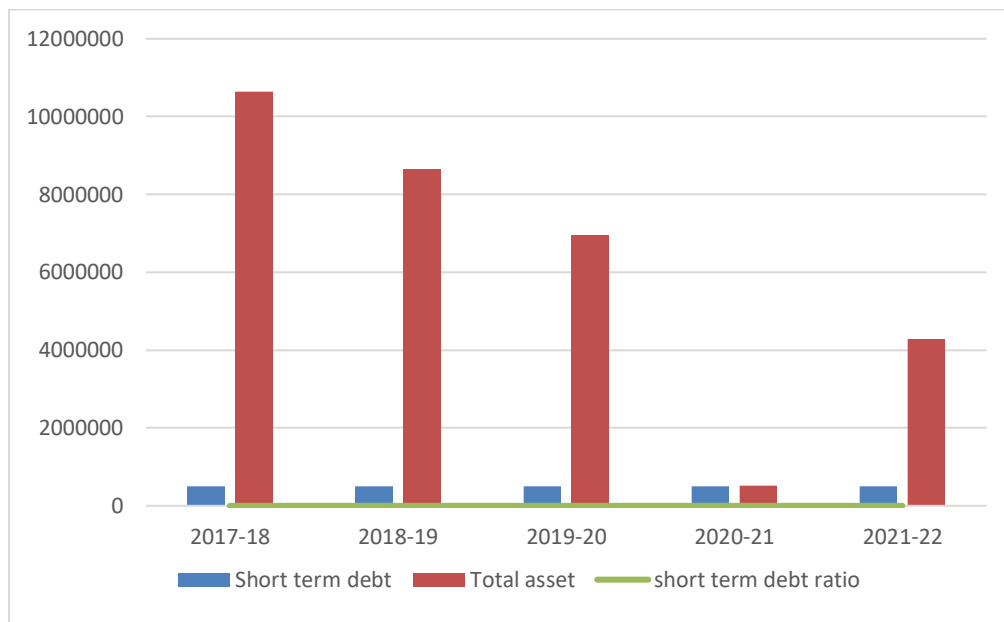


CHART 4.2.7 SHORT TERM DEBT RATIO

INTERPRETATION

A short-term debt ratio indicates the likelihood that a company will be able to deliver payments on its outstanding short-term liabilities. Here, short term debt for 5 years is same as 500000 but it is varying in ratio. In 2020-21 is high ratio is 0.970 as compared to 2017-18 has 0.046

4.2.8 DEBT RATIO

The term debt ratio refers to a financial ratio that measures the extent of a company's leverage.

FORMULA

Debt ratio = $\frac{\text{Total asset} - \text{Total equity}}{\text{Total Assets}}$

TABLE 4.2.8 DEBT RATIO

PARTICULAR	2017-18	2018-19	2019-20	2020-21	2021-22
TOTAL EQUITY	2614999	9790806	1449699	187502	2249557
TOTAL ASSET	10644872	8655558	6967414	515116	4281750
DEBT RATIO	0.24	1.13	0.20	3.63	0.52



CHART 4.2.8 DEBT RATIO

INTERPRETATION

The higher the debt ratio, the riskier the position of the company is. Debt is considered riskier compared to equity. Here, in 2020-21 has higher debt is 3.63 which is at higher risk. And 2019-20 has less debt ratio is 0.20 which is at less risk as compared to the above year.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

The finding are the follows,

- The way of working capital was managed has a significant impact on both profitability and liquidity.
- There is a negative relationship between liquidity and profitability of the company so company with high level of liquidity are expected to post low level of profitability and company with low level of liquidity are expected to post high level of profitability .
- There is a possible positive relationship between efficient working capital management and profitability. Company more efficient in managing their working capital are expected to pose high level of profitability and vice versa.
- The ultimate objective of any company is to maximize the profit, But, preserving liquidity of the company is an important objective too.
- Efficient working capital management involves planning and on the one hand and avoid excessive investment in these assets on controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short term obligations the other hand.
- Profitability can be increased in the expense of liquidity.
- Working Capital Management is a very sensitive area in the field of financial management as it involves the decision of the amount and composition of current assets and the financing of these assets.

5.1.1 WORKING CAPITAL RATIO:

A high working capital turnover ratio indicates efficiency in utilization of resources and the ratio has improved from 1.016 in 2017-18 to 3.7 in 2021-22. Hence we can see that the component of working capital is consistently reducing which is considered as a positive sign from the point view of the finance.

5.1.2 INVENTORY TURNOVER RATIO:

Inventory turnover is the rate that inventory stock is sold or used, and replaced. A higher ratio tends to point to strong sales and lower one to weak sales. In 2017-18 the stock ratio

is 10.19 and in 2021-22 the stock ratio is 17.6. Hence the ratio indicates strong sales.

5.1.3 PROFIT MARGIN RATIO:

In the year 2017-18 there was an increase in net sales as well as increase in net income so ratio of profit margin is 0.289. In 2018-19, there was decrease in sale and net income 0.27, (percentage of increase in net income is lower than the percentage of increase in sales). So the ratio of net income and net sales has slightly decreased from 0.289 to 0.27.

5.1.4 TOTAL ASSET TURNOVER RATIO:

The total asset turnover ratio is a **measure of how well a company uses its assets to generate sales**. It is calculated by dividing net sales by average total assets. A higher ratio indicates that the company is more efficient in using its assets, while a lower ratio suggests the opposite. Here in 2021-22 is indicate higher ratio 1.36 and the company is more efficient in using it asset, while in 2017-18 lower ratio 0.801 and the company is inefficient in using the asset.

5.1.5 GROSS PROFIT MARGIN RATIO:

A measure of a company's profitability, computed as: gross profit divided by total sales. The higher the Gross Profit margin, the better; a high ratio means that the company makes huge gross profits to soak up operating and other expenses to come up with a net income. Here, In 2021-22 has a higher Gross Profit margin is 0.44, and lower Gross Profit margin is 0.34 in 2019-20.

5.1.6 LONG TERM DEBT RATIO:

If a business has a high long-term debt-to-assets ratio, it suggests the business has a relatively high degree of risk, and eventually, it may not be able to repay its debts. In contrast, if a business has a low long-term debt-to-assets ratio, it can signify the relative strength of the business. Here, In the year 2020-21 has higher debt 2.66 so it suggest relatively high risk and has to repay its debts. In 2019-20 has less debt 0.136 this suggest relatively strength of the business.

5.1.7 SHORT TERM DEBT RATIO:

A short-term debt ratio indicates the likelihood that a company will be able to deliver payments on its outstanding short-term liabilities. Here, short term debt for 5 years is same as 500000 but it is varying in ratio. In 2020-21 is high ratio is 0.970 as compared to 2017-18 has 0.046.

5.1.8 DEBT RATIO:

The higher the debt ratio, the riskier the position of the company is. Debt is considered riskier compared to equity. Here, in 2020-21 has higher debt is 3.63 which is at higher risk. And 2019-20 has less debt ratio is 0.20 which is at less risk as compared to the above year.

5.2 SUGGESTIONS

1. Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term.
2. The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.
3. The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.
4. The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.
5. The company is utilizing working capital effectively this is good for the company. It has to maintain it further.

5.3 CONCLUSIONS

Firms are created to generate revenues for their owners in the long-term. However, the long-term value is a sum-total of short – term values. Working capital management takes care of the short – term value creation. Working capital management requires managing the short-term levels of investment and financing them.

Managing working capital levels refer to the investment in cash, inventories and receivables as well as short-term financing sources such as trade credits and bank loans. Working Capital is the lifeline of every industry, irrespective of whether it's a manufacturing industry, services industry. Working Capital is the prime and most important requirement for carrying out the day to day operations of the business. Working Capital gives the much needed liquidity to the business. Working Capital Finance reduces the overall fund requirement, required to build up the Current Assets, which in turn help you improve your Turnover Ratio.

Most of capital is managed will have a significant impact on Profitability of those companies. We have found a strong negative relationship between net operating profitability and the liquidity and a positive relationship between efficient working capital management and profitability of the company. On basis of the above information, we may

further conclude that these results (findings) can be further strengthened if the companies manage their working capital in ways that are more efficient. Management of working capital means "management of current assets and current liabilities, and financing these current assets".

If those companies properly manage their cash, accounts receivables and inventories in a proper way, this will ultimately increase profitability of those companies.

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ANNEXURE – I

PROFITABILITY STATEMENTS

PARTICULAR	2018	2019	2020	2021	2022
Revenue from operation					
Sale from fish	5,828,496.00	6,411,345.60	7,052,480.16	7,757,728.1	8,533,500.9
Add:					
Closing stock	366,666.67	403,333.34	443,666.67	488,033.3	536,836.67
Total	6195162.67	6814678.94	7496146.83	8245761.51	9070337.67
Less:					
Opening stock	0.00	366666.67	403333.34	443666.67	488033.34
Feed	1800000.00	1980000.00	2178000.00	2395800.00	2635380.00
Salary	840000.00	924000.00	1016400.00	1118040.00	1229844.00
Repairs and maintenance charges	120000.00	132000.00	145200.00	159720.00	175692.00
Electricity/ Gas charges	840000.00	924000.00	1016400.00	1118040.00	1229844.00
Total	3600000.00	4326666.67	4759333.34	5235266.67	5758793.34
Gross Profit	2595162.67	2488012.27	2736813.49	3010494.84	3311544.33
Less:					
Insurance expense	60000.00	66000.00	72600.00	79860.00	87846.00
Marketing & advertising cost	36000.00	39600.00	43560.00	47916.00	52707.60
Miscellaneous expenses	119976.00	131973.60	145170.96	159688.06	175656.86

Veterinary medical expense	240000.00	264000.00	290400.00	319440.00	351384.00
Total	455976.00	501573.60	551730.96	606904.06	66794.46
Depreciation	169999.90	146249.91	125962.42	108624.30	93798.97
Interest on TL	212978.44	173767.80	130019.75	81209.23	26750.41
Interest on WC	55000.00	55000.00	55000.00	55000.00	55000.00
Total	893954.34	876591.31	862713.13	851737.58	843143.83
Profit before tax	1701208.33	1611420.95	1874100.36	2158757.26	2468400.49
Income Tax	0.00	0.00	0.00	0.00	0.00
Profit after tax	1701208.33	1611420.95	1874100.36	2158757.26	2468400.49

ANNEXURE – I I

BALANCE SHEET

PARTICULAR	2018	2019	2020	2021	2022
LIABILITY					
A.Shareholder s funds					
Capital	330985.11	330985.11	330985.11	330985.11	330985.11
Reserve &surplus	1701208.33	3312629.28	5186729.64	7345486.90	9813887.40
B.Noncurrent liabilities					
Term Loan	1749557.31	1371502.59	949699.82	479086.52	2114999.10
Current Liabilities					
Working capital Loan	500000.00	500000.00	500000.00	500000.00	500000.00
Account payable	0.00	0.00	0.00	0.00	0.00
Total Liability	4281750.74	515116.98	6967414.57	8655558.54	10644872.13
ASSETS					
A.Non-current assets					
Fixed Assets	2225984.31	2079734.40	1953771.98	1845147.68	1751348.71
B.Current Assets					
Inventory	3666666.67	403333.34	443666.67	488033.34	536836.67

Trade receivables	0.00	0.00	0.00	0.00	0.00
Cash and cash equivalence	1689099.76	3032049.24	4569975.92	6322377.52	8356686.74
Total Asset	4281750.74	515116.98	6967414.57	8655558.54	10644872.13