

A STUDY ON WORKING CAPITAL MANAGEMENT WITH REFERENCE TO FENNER PRIVATE LIMITED, CHENNAI.

Submitted in partial fulfilment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

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Register No.41410205



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

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **NAGARAJ.G 41410205** who carried out the project entitled "" under my supervision from January 2023 to march 2023.

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ABSTRACT

Working capital is a word used to describe the current or short-term assets that a company has on hand, such as cash, accounts receivable, inventories, and marketable securities. The administration of working capital is one of the most crucial aspects of the company's daily operations. Making decisions on short-term finance is a continuous process that deals with current assets and current liabilities. The fictitious domain of working capital management includes all of the company's current accounts. In actuality, managing working capital has emerged as one of the most crucial concerns facing the company, with many finance executives attempting to pinpoint the fundamental drivers of working capital and the ideal level of working capital. Consequently, by understanding the function and determinants of working capital, businesses may reduce risk and enhance overall performance. Maintaining an ideal balance between each of the working capital components is the basic goal of working capital management. Therefore, effective management of working capital is a necessary condition for a business concern to operate successfully. It lowers the likelihood of business failure, fosters a sense of security and confidence among employees, and ensures the organization's stability and solvency. Given the importance of the foregoing, this study will seek to examine the effectiveness of working capital management at JK FENNER INDIA PRIVATE LIMITED, CHENNAI, and its connection to return on assets. The study would also offer policymakers suggestions for efficient working capital management. The study's findings support the conclusion that the working capital needs of the company may be predicted annually and for the foreseeable future. Similar to that, working capital management performance may be assessed using a variety of methodologies. The research can be used to gauge the firm's performance in terms of profitability and liquidity. The study's findings demonstrate that the organisation has experienced rising net sales and net profit over time. However, the rise in net sales and net profit is insufficient.

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CHAPTER 1- INTRODUCTION

1.1. INTRODUCTION:

Working capital typically means the firm's holding of current or short-term assets such as cash, receivables, inventory and marketable securities. These items are also referred to as circulating capital corporate executives devote a considerable amount of attention to the management of working capital. It is a continuous process of making decisions relating to short term financing it deals with current assets and current liabilities. Management of working capital refers to the management of current assets as well as current liabilities.

Determination of level of current assets an important working capital decision is concerned with determining the level of investment in current assets. There are two types of working capital policies Flexible policy (conservative) Restrictive policy (aggressive). Flexible policy: under this policy the investment in current asset is high. This means that a firm has huge balance of cash and marketable securities, large amount of inventories, and high level of debtors. Restrictive policy: under this policy the investment in current asset is low. This means that firm has small balance of cash and marketable securities, small amount of inventories, and low level of debtors. Working capital management involves the relationship between a firm's short-term assets and its short-term liabilities the goal of Working capital management is to ensure that a firm is able to continue its operation and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. In general form the View point of the chief financial officer (CFO) management of

Working capital is simple and a simple concept of ensuring the ability of the organization to finance the difference between the current assets and current liabilities. In reality management of working capital has become one of the most important issues in the organization where many financial executives are trying to identify mutants of working capital and the basic determine optimal level of working capital consequently. Companies can minimize risk and improve the overall performance by understanding the role and determine maintains of working capital.

Firms can reduce their financial costs and increase the amount of investment tied up in short term assets. Most of the financial manager's time and effort are allocated in optimizing the level current assets and liabilities back toward optimal levels. In general, current assets are considered as one of the important components of total assets of a firm.

A firm may be able to reduce the investment of total assets by renting or leasing plant and machinery. whereas the same policy cannot be followed for the components of working capital. the high level of current assets the risk of liquidity associated with the opportunity cost of funds that may have been invested in long-term assets. the impact of working capital policies on profitability is highly important, however a little empirical research has been carried out to examine this relationship. Thus, efficient management of working capital is an important prerequisite for successful working of a business concern it reduces the chances of business failure generates a feeling of security and confidence in the minds of personnel in the organization its assurance solvency of steady of organization. A few key performance ratios of a working capital management system are the working capital ratio, inventory turnover and the collection ratio.

Ratio analysis will lead management to identify areas of focus such as inventory management, cash management, accounts receivable and payable management. Decisions relating to working capital and short-term financing are referred to as working capital management. Working capital management ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.

Working capital management is one of the most important aspects of financial management. Management of working capital refers to the management of current assets as well as current liabilities. The major thrust is one of the managements of current assets. This is because current liabilities arise in the context of current assets. Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and their inter relationships that exist between them. It also refers to management of short-term financing, negotiating favourable credit terms, controlling the movement of cash, administering accounts receivables and monitoring the investments in inventories.

The interaction between current assets and current liabilities is therefore, the main theme of working capital management.

MEANING:

Working capital management is the management of current assets and current liabilities. The term current assets refer to those assets which be turned into cash within one year without undergoing a dimension in value and without disrupting the operations of the firm. The current assets consist of cash in hand, advances, prepaid expenses EU. Current liabilities are those liabilities, which are intended at their inception to be paid in the ordinary course of action, within a year of the concern. The basic current liabilities are accounts payable, bills payable, bank overdrafts and outstanding expenses. The main goal of working capital management is to manage the firms' current assets and current liabilities in such a way that satisfactory level of working capital is maintained.

CONCEPT OF WORKING CAPITAL:

GROSS WORKING CAPITAL:

The term gross working capital refers to the firm's total investment in current assets. Current assets are the assets which can be converted into cash within an accounting year which includes cash, short- term securities, debtors, bills receivables and inventory.

NET WORKING CAPITAL:

The firms net working capital refers to the difference between current assets and current liabilities. Current liabilities can claim the payments within an accounting year which includes bills payable and outstanding expenses. A positive net working capital will raise when current assets exceed current liabilities. A negative net working capital occurs when current liabilities exceed current assets.

NEED FOR WORKING CAPITAL:

The need of working capital is to run the day-to-day business activities. Every firm requires working capital to run its business. The need for working capital arises due to the time gap between production and realization of cash from sales. For this, the firm has to invest enough funds in current assets for the success of sales activity.

FACTORS INFLUENCING WORKING CAPITAL REQUIREMENTS:

A firm's general policy is to maintain optimum level of working capital. A firm should plan its operations in such a way that it should have neither too much nor little working capital. The total working capital requirements is determined by a wide variety of factors, and these factors affect different enterprises differently. They also vary from time to time. The following are the factors which affects the working capital requirements.

NATURE AND SIZE OF BUSINESS:

Working capital requirement of a firm is basically influenced by the nature of its business. The size of the business also has an important impact on its working capital needs. Size may be measured in terms of the scale of operations. A firm with larger scale of operation will need more working capital than a small firm.

SEASONAL FLUCTUATIONS:

Seasonal fluctuations in sales affect the level of variable working capital. Often, the demand for products may be of a seasonal nature. Yet inventories have to be purchased during certain seasons only. The size of working capital in one period may, therefore, be bigger than that another.

GROWTH AND EXPANSION:

As the company grows, it is logical to expect that a larger amount of working capital will be required. Other things being equal, growing industries require more working capital than those that are static.

PRODUCTION CYCLE:

Production cycle or manufacturing cycle refers to the time involved in manufacture of goods. It covers the time span between the procurement of raw materials and the completion of manufacturing process. The longer the production cycle the larger will be the working capital.

STATEMENT OF CHANGES IN WORKING CAPITAL:

The analysis is on the changes in working capital has been done for the period 2018 to 2022. During this period of time, some hurdles (or) problems and changes were faced by the company. There are various reasons for these changes, which can be seen in the following pages. The statement of changes in working capital is prepared with the help of current assets and current liabilities of the two periods. The figures of the two periods are compared.

1.2. INDUSTRY PROFILE:

The World Production of rubber was considered to be very unstable during the last few years. Comparatively, India's production of rubber is consistent at the rate of 6% per annum. The Indian rubber industry has been growing in strength and important. This is the result of India's burgeoning role in the global economy, India is the world's largest producers and third largest consumer of natural rubber. Moreover, India is also one of the fastest growing economies globally. These factors along with high growth of automobiles production and the presence of large and medium industries have led to the growth of rubber industry in India.

- India is the third largest producers of rubber in the world.
- It is the fourth largest consumer of natural rubber.
- It is the fifth largest consumer of natural rubber and synthetic rubber together in the world.
- India is the world's largest manufacturer of reclaim rubber.

CHARACTERISTICS OF INDIAN RUBBER INDUSTRY

The following are the special characteristics of the rubber industry in the country, which make India a little different from many of the other natural rubber producing countries:

- India is a major producer and consumer of natural rubber.
- The rubber products manufacturing industry in India had been mostly inward oriented, catering to the domestic market.
- In recent years India has entered the global market exporting both raw natural rubber as well as rubber products.
- With its large population base, India is emerging as a large market for rubber products and with the opening up of the economy, import of rubber products has also been increasing in recent years.

- The rubber product mix in India is based mostly on dry forms of rubber, dictated by the requirements of the domestic market.
- The natural rubber / synthetic rubber consumption ratio in the country is presently 75:25.
- While the Indian tyre companies have been performing well, multinational tyre manufacturers are establishing production facilities in India.
- Manufacture of non-tyre products particularly high-value technical goods need further investments

PRESENT SCENARIO OF INDIAN RUBBER MARKET

India's rubber production varies between 6 and 7 lakh tons annually which amounts to RS.3000 crores. Seventy percentage of the total rubber production in Indian is in the form of ribbed smoked sheet (RSS). This is also imported by India accounting for 45% of the total import of rubber. The Indian rubber industry has a turnover of RS.12000 Crores. Most of the rubber production is consumed by the tyre industry which is almost 52% of the total production of India. Among the states, Kerala is the leading consumer of rubber, followed by Punjab and Maharashtra. The exports of Indian natural rubber have increased tremendously over the years and have reached 76000 tons in 2003-2004.

1.3. COMPANY PROFILE:

About JK Fenner

In 1987 JK Organization became a strategic investor in Fenner Cockill Limited and eventually acquired company in the year 2004. Right from the time of its Inception the name has been synonymous with Mechanical Power Transmission and Sealing Solutions. The company was acquired by JK Organization in 1987, and currently, as a member of the conglomerate J.K Fenner operates 5 state-of-the-art manufacturing units and 3 world-class Research & Development facilities. With quality, commitment and relentless service Fenner has established itself as the market leader for Power Transmission Belts in India catering to diverse industrial applications.

J.K Fenner is also a name to reckon with in the design and manufacturing of Oil Seals, Hoses, Gear Boxes, Geared Motors, Pulleys, Power Transmission Belts, FEAD Systems, Belt Tensioners, and Molded Rubber Products, EV Products for Automotive & Industrial Applications. The Organization addresses the needs of major sectors like Steel, Cement, Coal, Sugar, Power, Paper, Textiles, Food processing, Agriculture and many more. Over several decades Fenner products have stood for performance, reliability, efficiency and economy. The Continuous and collaborative R&D has been instrumental in Promoting the organization as the most preferred solution provider in Auto OEMs and the Industrial Sectors. With a large network of Channel Partners in India, J.K. Fenner has acquired countrywide reach and also shines in the export market with supply to more than 50 countries globally. The Company has received the rave appreciation of being recognized as one of India's Greatest Mid-Size Workplaces, conferred by the "Great Place to Work" Institute. **HISTORY**

A Journey started 50 years back a long and momentous journey punctuated with epic achievements and break through. Right from the very first day to the present the motto has been the relentless pursuit to

"Achieve Customers Delight".

Fenner (India) Ltd has witnessed consistent growth and achievements 50years full of innovation, expansion and leadership. Fenner (India) Ltd trail blazing performance evolves from its philosophy of excellence and customer satisfaction.

ORIGIN AND GROWTH

In 1929, J.K Fenner (India) Ltd was established in Calcutta as a trading company for selling of products imported from Fenner, UK. Fenner (India) Ltd, originally incorporated as Fenner, cockill Limited on 15th July 1955, was prompted by J.H Fenner @co. ltd., and Madura Mills company limited with A&F Harvell as their Managing agents. The company commenced production in 1955 with fat transmission Belting and later introduced Industrial and Auto V-Belts, conveyor belting and oil seals. The company achieved substantial expansion in the year 1973, and the same year J.K. Fenner &co., (India)ltd., Calcutta a trading company of V-Belts and power transmission belts was amalgamated with the company. In 1975, the company name was changed to Fenner (India) Ltd., and by 1979 the foreign equality holding was reduced to 35%. In 1983, the company established material handling division for carrying on the business of designing and supplying of baggage handling and industrial material handling system. The company had been making good profits till the early 80's from 1980, competition in the 'V-Belt' area increased substantially.

Fenner has identified the need to create and accelerating organization that changes continually and skillfully. Always in alignment with our vision "where we want to be" by landing ways to keep changing and improving. In 1987, the J.K. Group acquired share held by Madura coats limited and took management control of the company. The holding of J.K. Group and associates is 39.87% and that of Fenner international ltd is 30.07%. As a measure of diversification, the company took over a 12,840 spindles cotton yarn spindles spinning unit near karur in Tamil Nadu. The strengthened out derive through nightly focused action towards cost reduction, rationalization of workforce and productivity improvement, the company turned around in 1988. In 1992 the company entered in the field of textile. In 1995, it took over another textile near Salem having 21,872 spindles. The capabilities were further expanded to 36,636 spindles.

Our Vision

To become a Global Player in our Core Businesses and grow all businesses significantly.

Our Core Values

- Caring for People Integrity, including:
- Intellectual Honesty
- Openness
- Fairness
- Trust
- Commitment to Excellence

1.4. OBJECTIVE OF THE STUDY

- ❖ To study the structure of working capital.
- ❖ To analyse the working capital position.
- ❖ To analyse the liquidity and profitability position.
- ❖ To make suggestions based on the finding of the study.

1.5. NEED FOR THE STUDY:

- The need for working capital management arises due to the time gap between production and realisation 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.

- The study of working capital helps us to know the current assets and current liability of an organization.

1.6. SCOPE OF THE STUDY:

- The scope of the present study on composes within its fold a theoretical frame work of working management.
- In general, analysis of working capital trends, relationship of working capital to sales liquidity of working capital, analysis the management of working capital components and the management of working capital finance in the select unit.
- The period covered by the study in four years from April 2018 to March 2022.

CHAPTER 2 – REVIEW OF LITERATURE

2.1. INTRODUCTION

(Vinod Kumar 2013) - Working capital management is the process of planning and controlling the level and mix of the current assets specifically, working capital management requires financial managers to decide what quantities of cash, other liquid assets, accounts receivable, and inventories the firm will hold at any point in time. In addition, financial manager must decide how their current assets are to be financed. Financing choices include the mix of current as well as long – term liabilities.

(Robert Kieschnick 2014) - Many corporate financial officers identify working capital management as being very important to their firms' value. This importance is implied by the fact that a substantial portion of most firms' assets, >27% on average for US corporations in our sample, is tied up in net operating working capital. Reflecting this importance, CFO Magazine sponsors and reports on an annual study of corporate working capital management performance, both in the USA and other countries. Such studies typically consider working capital management to imply the management of a firm's accounts receivable, accounts payable, and inventories. While there are empirical studies of individual aspects of working capital management.

(Ettore Croci 2015) - The literature proposes several theoretical arguments to understand the relation between working capital and firm performance. On the one hand, additional investment in working capital is expected to have positive effects, in particular for firms with low level of working capital. This is because working capital allows firms to growth by increasing sales and earnings. Larger inventories are known, among other issues, to reduce supply cost, provide hedge against input price fluctuations, and minimize loss of sales due to potential stock-outs (see, e.g., Blinder and Maccini (1991), Fazzari and Petersen (1993) and Corsten and Gruen (2004)). Supplying credit to customers may also affect positively firm sales because it allows for price discrimination, serves as a warranty for product quality, and fosters long-term relationship with customers (see, e.g., Brennan et al. (1988), Long et al. (1993) and Summers and Wilson (2002)). On the other hand, overinvestment in

working capital may generate adverse effects and lead to value destruction for shareholders. Like any investment, increases in working capital require additional financing, which in turn involves financing and opportunity costs (see, e.g., Kieschnick et al. (2013)).

S. Pramila and K. Kumar (2016): Working capital management refers to the administration of all components of working capital-cash, marketable securities, debtors, and stock and creditors. Working capital is one of the powerful measurements of the financial position the goal of working capital management is to manage the firm's current assets and current liabilities in such a way that a satisfactory level of working capital is maintained in several units there is adequate working capital but the mismanagement of working capital increases the post and reduces the rate of returns. The efficient management of working capital minimizes the cost and do much more for the success of business.

Shiv Kumar S (2016): Working capital is regarded as the "life blood of business". Every business need fund for two needs - long term funds which are required to create production facilities though purchase of fixed assets, like plant machinery, land, building etc. and short-term funds for the purchase of raw materials, payment of wages and other day to day expense etc. These funds are also known as working capital or circulating capital or short-term capital. Working capital needs are generally financed through outside sources. The main objective of the study is to analyze the various components of working capital of the company and to assess the impact of working capital on profitability. The main objectives of the study are to analyze and evaluate the liquidity position of the company and to analyze the components of working capital of the company also to determine the impact of working capital on the profitability

(Hakim Lyngstad as 2016) - The results indicate that reducing inventories held, time spent paid for receivables and settling own accounts payable will increase profitability. Even though endogeneity may exist, this does not affect the results from the previous analysis. Similar results are also obtained when industry-specific effects are controlled for, supporting the robustness of the results obtained. The relevance of quadratic dependencies of the profitability on independent variables was also identified and suggests a decreasing trend of return on assets with increasing values of the working capital management characteristic variables.

(Satish Kumar 2017) - Respondents tend to use an informal approach for WCM and consider receivables management as the most important component of working capital management. In terms of WCM monitoring and financial measures, respondents mainly consider the cash conversion cycle and net working capital. Indian firms tend to use centralized cash management and rely heavily on material requirement planning (MRP) and enterprise resource planning (ERP) for proper inventory management.

(Hoang - Lan Le 2018) - It is proven by many empirical studies that the performance of firms can be influenced by many factors, one of which is working capital management. Working capital is viewed as a measurement of both firms' liquidity and efficiency. In the world, many empirical researches have been conducted in order to examine the impact of working capital management on firm's financial performance. Most of the studies concluded that working capital management significantly influences firm's profitability. However, the specific relationship between the two factors varied according to countries and markets. The impact of working capital management on firm performance was positive in a number of studies. One of them is Acidizing and Chowdhury (2014) in Bangladesh, an empirical study which was built upon the data from Bangladeshi Textiles firms. The authors found a significant relationship between working capital management and profitability, using four measures, Days of Inventory Outstanding (DIO), Days of Sales Outstanding (DSO), Cash Conversion Cycle (CCC), and Days of Payables Outstanding (DPO) to represent working capital management. While DPO showed a negative impact on profitability, the rest indicated a positive correlation with firms' profitability.

(Akbayan Kinase Yekti Mastitis 2019) - This study aims to test the effect of working capital management on firms' profitability and the effect of this relationship on sustainable growth. Our sample firms are 136 manufacturing firms listed in the Indonesian Stock Exchange from 2010 to 2017. We use data panel regression with fixed effect estimation model to analyse our data. The results demonstrate that working capital significantly affects firms' profitability. However, working capital management does not exhibit a significant direct influence on sustainable growth but a significant indirect influence through firms' profitability. Thus, this study

suggests that firms need to manage their working capital to increase their profits and eventually to achieve sustainable growth. This study contributes by including sustainable growth in the analysis of the relationship between working capital and firm performance. In addition, this study will likely contribute to managers in efforts to increase sustainable growth for their enterprises through working capital management.

(Thomas E Conine Jr 2020) - This paper examines the longitudinal impact from 1990 to 2017 of continuous improvement programs and aggressive working capital practices on accounts receivable turnover, inventory turnover, days payables outstanding, and cash conversion cycle. We find statistically significant shifts in the means and in the skew for these variables consistent with stricter financial management and less risk taking in trade credit. The results are strongest in the transportation and communications industry and weakest in financial services. These metrics are associated with equity valuation impacts and with improved profitability as captured by return on invested capital.

(Hrishikesh Bhattacharya 2021) - A finance manager of a firm looks for these things on the assets side of the balance sheet. For capital, he turns his attention to the other side of the balance sheet and never commits the mistake – as warned by the economists – of adding the two together while taking the census of total capital of the business. His purpose is to balance the two sides in such a way that the net worth of the firm increases without increasing the riskiness of the business. This balancing may be called financing, i.e., financing the assets of the dynamism of the former. The term 'liability' implies a promise to be fulfilled. By making promises to various parties, including the shareholders, the firm obtains funds to install plant and machinery which, in the process of operation, generate various kinds of operating assets wherein further funds get blocked.

CHAPTER 3 – RESEARCH METHODOLOGY

3.1. INTROUDUCTION:

Research methodology is a way to systematically solve the research problem. It may be understood as a source of studying. Now research is done systematically. In that various step, those are generally adopted by a researcher in studying his problem along with the logic behind the methods.

The primary aim of this paper is to investigate the impact of Working capital Management of corporate. This is achieved by developing a similar empirical framework first used. The study focusses exclusively on the research. The data reported in this paper were collected for a period of 2018 - 2022. As a part of a study designed to analyse working capital management from financial reports. The secondary data audited financial statements, brochures, bulletin, statistical returns and company profiles.

3.2. SAMPLE DESIGN:

Sampling unit: Financial statements

Sampling size: Last five years financial statement

3.3. DATA COLLECTION:

The secondary data is collected from the published annual documents and the website of fenner ltd.

3.4. TOOLS AND ANALYSIS:

Data collection from the secondary sources in the forms of annual reports was analyse using the following tools.

- Schedule of changes in working capital
- Ratio analysis

3.5. TYPES OF RATIO ANALYSIS

❖ **Current ratio:**

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

Current ratio = Current asset/current liabilities

❖ **Liquid ratio:**

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio.

Liquid ratio = Liquid asset/current liabilities

❖ **Absolute liquid ratio:**

Cash ratio is a measure of a company's liquidity in which it is measured whether the company has the ability to clear off debts only using the liquid assets (cash and cash equivalents such as marketable securities). It is used by creditors for determining the relative ease with which a company can clear short term liabilities.

Absolute liquid ratio = Absolute liquid asset/current ratio

❖ **Working capital turnover ratio:**

Working capital turnover is a ratio that measures how efficiently a company is using its working capital to support sales and growth. Also known as net sales to working capital, working capital turnover measures the relationship between the funds used to finance a company's operations and the revenues a company generates to continue operations and turn a profit.

Working capital turnover ratio = Net sales/net working capital

❖ **Fixed asset turnover ratio:**

The fixed asset turnover ratio (FAT) is, in general, used by analysts to measure operating performance. This efficiency ratio compares net sales (income statement) to fixed assets (balance sheet) and measures a company's ability to generate net sales from its fixed-asset investments, namely property, plant, and equipment (PP&E).

Fixed asset turnover ratio = Net sales/net fixed asset

❖ **Inventory turnover ratio:**

Inventory turnover is a financial ratio showing how many times a company turned over its inventory relative to its cost of goods sold (COGS) in a given period. A company can then divide the days in the period, typically a fiscal year, by the inventory turnover ratio to calculate how many days it takes, on average, to sell its inventory.

The inventory turnover ratio can help businesses make better decisions on pricing, manufacturing, marketing, and purchasing. It is one of the efficiency ratios measuring how effectively a company uses its assets.

Inventory turnover ratio = Cost of goods sold/average inventory

❖ **Debtor turnover ratio:**

The accounts receivables turnover ratio measures the number of times a company collects its average accounts receivable balance. It is a quantification of a company's effectiveness in collecting outstanding balances from clients and managing its line of credit process. An efficient company has a higher accounts receivable turnover ratio while an inefficient company has a lower ratio. This metric is commonly used to compare companies within the same industry to gauge whether they are on par with their competitors.

Debtor turnover ratio = Net credit sales/average account receivable

❖ **Net profit ratio**

The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. It is the ratio of net profits to revenues for a company or business segment.

Net profit margin is typically expressed as a percentage but can also be represented in decimal form. The net profit margin illustrates how much of each dollar in revenue collected by a company translates into profit.

Net profit ratio = Net profit after tax/net sales

3.6. PERIOD OF STUDY:

The study was conducted from a period of 3 months from January 02, 2023 to March 31, 2023.

CHAPTER 4 - DATA ANALYSIS AND INTERPRETATION

TABLE 4.1 SCHEDULE OF CHANGES IN WORKING CAPITAL 2017-2018

Particulars	2017	2018
Current asset		
Current investment	-	35
Inventories	73	74.32
Trade receivables	0.09	0.11
Cash and cash equivalents	10.44	11.4
Short term loans and advances	4.38	4.6
Other current assets	0.12	0.11
Total current assets(A)	88.02	125.54
Current liabilities		
Short term borrowings	2.44	30.22
Trade payable	8.02	7.51
Other current liabilities	18.4	22.63
Short term provisions	8.39	1.79
Total current liabilities(B)	37.25	62.16
Working capital(A-B)	51.37	63.38
Increase in working capital	12.01	
	63.38	63.38

(Source- annual report)

Interpretation

In this table 4.1 shows increase in working capital by 12.01 crores. Working capital of this company have sufficient amount of working capital to meet their working capital needs.

TABLE 4.2 SCHEDULE OF CHANGES IN WORKING CAPITAL 2018-2019

Particulars	2018	2019
Current assets		
Current investment	35	83.33
Inventories	74.32	90.52
Trade receivables	0.11	0.17
Cash and cash equivalents	11.4	20.74
Short term loans and advances	4.6	1.39
Other current assets	0.11	4.14
Total current assets (A)	125.54	200.30
Current liabilities		
Short term borrowings	30.22	34.62
Trade payables	7.51	15.12
Other current liabilities	22.63	29.51
Short term provisions	1.79	-
Total current liabilities (B)	62.16	79.25
Working capital (A-B)	63.38	121.05
Increase in working capital	57.67	
	121.05	121.05

(Source- annual report)

Interpretation

In this table 4.2 shows increase in working capital by 57.67 crores. Working capital of this company have sufficient amount of working capital to meet their working capital needs.

TABLE 4.3 SCHEDULE OF CHANGES IN WORKING CAPITAL 2019-2020

Particulars	2019	2020
Current assets		
Current investment	83.33	42.61
Inventories	90.52	87.63
Trade receivables	0.17	0.17
Cash and cash equivalents	20.74	25.60
Short term loans and advances	1.39	1.56
Other current assets	4.14	11.49
Total current assets	200.30	169.03
Current liabilities		
Short term borrowings	34.62	32.99
Trade payables	15.12	8.00
Other current liabilities	29.51	19.35
Short term provisions	-	-
Total current liabilities	79.25	60.34
Working capital (A-B)	121.05	108.69
Decrease in working capital		12.36
	121.05	121.05

(Source- annual report)

Interpretation

In this table 4.3 shows decrease in working capital by 16.96 crores. Working capital of this company have sufficient amount of working capital to meet their working capital needs.

TABLE 4.4 SCHEDULE OF CHANGES IN WORKING CAPITAL 2020-2021

Particular	2020	2021
Current asset		
Current investment	42.61	66.01
Inventories	87.63	80.66
Trade receivables	0.17	0.29
Cash and cash equivalents	25.60	37.78
Short term loans and advances	1.56	4.96
Other current assets	11.49	0.14
Total current assets(A)	169.03	190.47
Current liabilities		
Short term borrowings	32.99	8.82
Trade payable	8.00	16.33
Other current liabilities	19.35	25.5
Short term provisions	-	10.24
Total current liabilities(B)	60.34	60.38
Working capital(A-B)	108.69	130.09
Increase in working capital	21.4	
	130.09	130.09

(Source- annual report)

Interpretation

In this table 4.4 shows increase in working capital by 12.4 crores. Working capital of this company have sufficient amount of working capital to meet their working capital needs.

TABLE 4.5 SCHEDULE OF CHANGES IN WORKING CAPITAL 2021-2022

Particulars	2021	2022
Current asset		
Current investment	66.01	76.01
Inventories	80.66	90.66
Trade receivables	0.29	2.29
Cash and cash equivalents	37.78	57.78
Short term loans and advances	4.96	8.96
Other current asset	0.14	2.14
Total current asset(A)	190.47	233.47
Current liabilities		
Short term borrowings	8.82	12.82
Trade payable	16.33	26.33
Other current liabilities	25.5	35.5
Short term provisions	10.24	10.24
Total current liabilities(B)	60.38	86.38
Working capital(A-B)	130.09	147.09
Increase in working capital	16.96	
	147.05	147.05

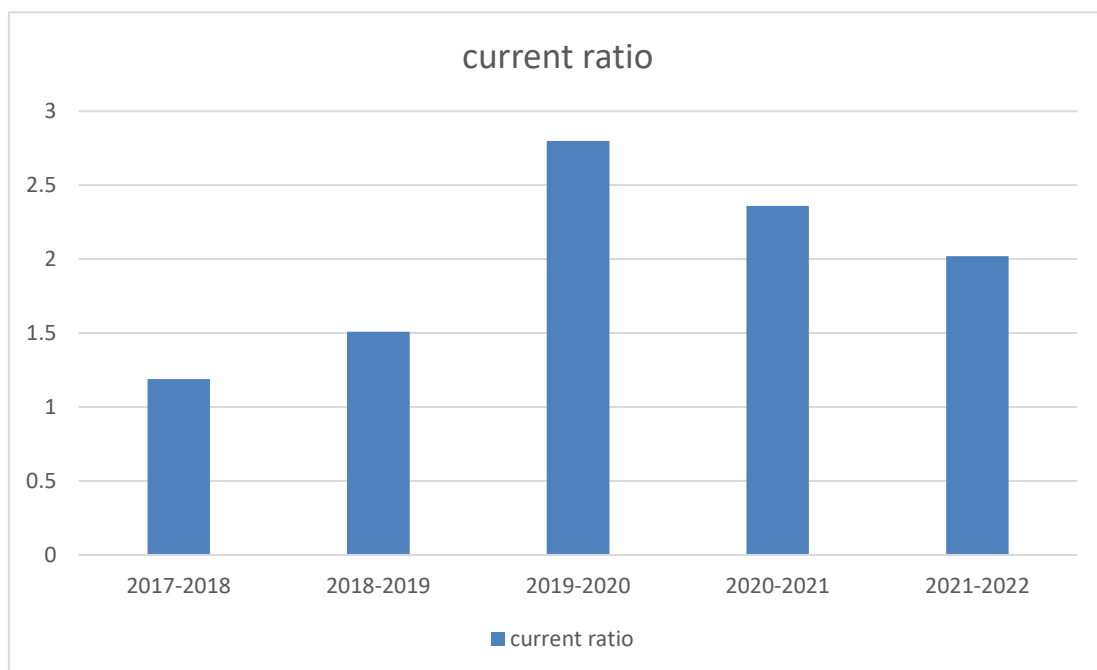
(Source- annual report)

Interpretation

In this table 4.5 shows increase in working capital by 16.96 crores. Working capital of this company have sufficient amount of working capital to meet their working capital needs.

TABLE 4.6 CURRENT RATIO

Years	Current assets	Current liabilities	Current ratio
2017-2018	54.82	45.74	1.19
2018-2019	57.94	38.48	1.51
2019-2020	169.03	60.34	2.80
2020-2021	88.02	37.25	2.36
2021-2022	125.54	62.16	2.02

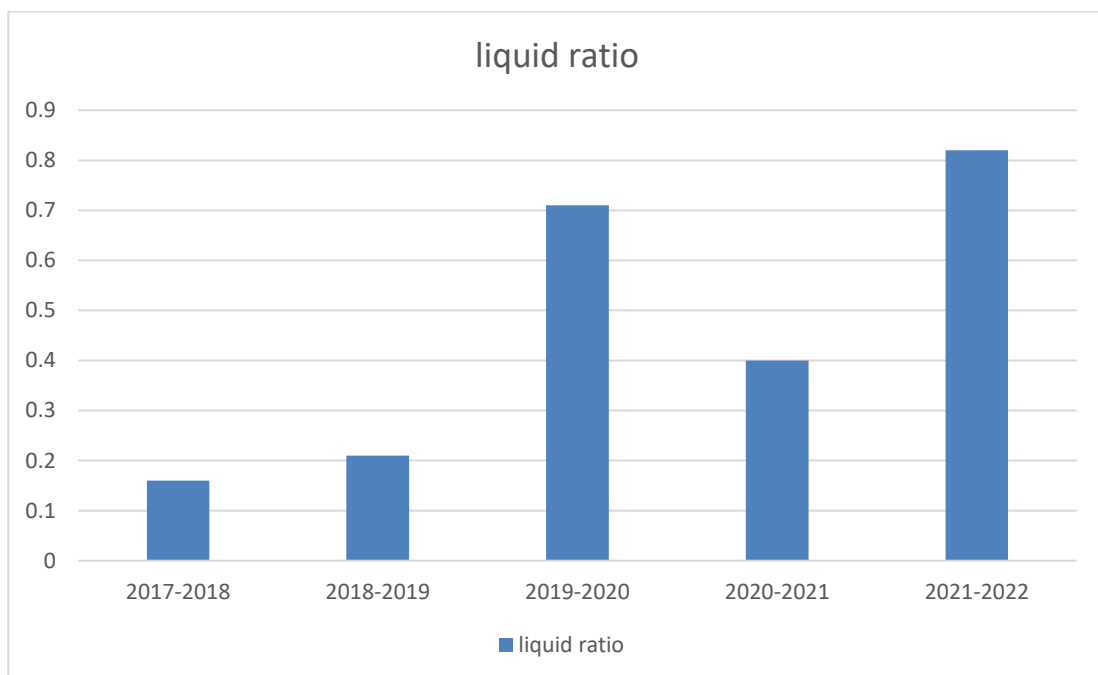
CHART 4.1**Interpretation**

From the above table shows the current ratio is good. It satisfies the standard norm for current ratio 2:1.

TABLE 4.7 LIQUID RATIO

Year	Liquid assets	Current liabilities	Liquid ratio
2017-2018	7.45	45.74	0.16
2018-2019	8.24	38.48	0.21
2019-2020	43.17	60.38	0.71
2020-2021	15.02	37.25	0.4
2021-2022	51.22	62.16	0.82

CHART 4.2



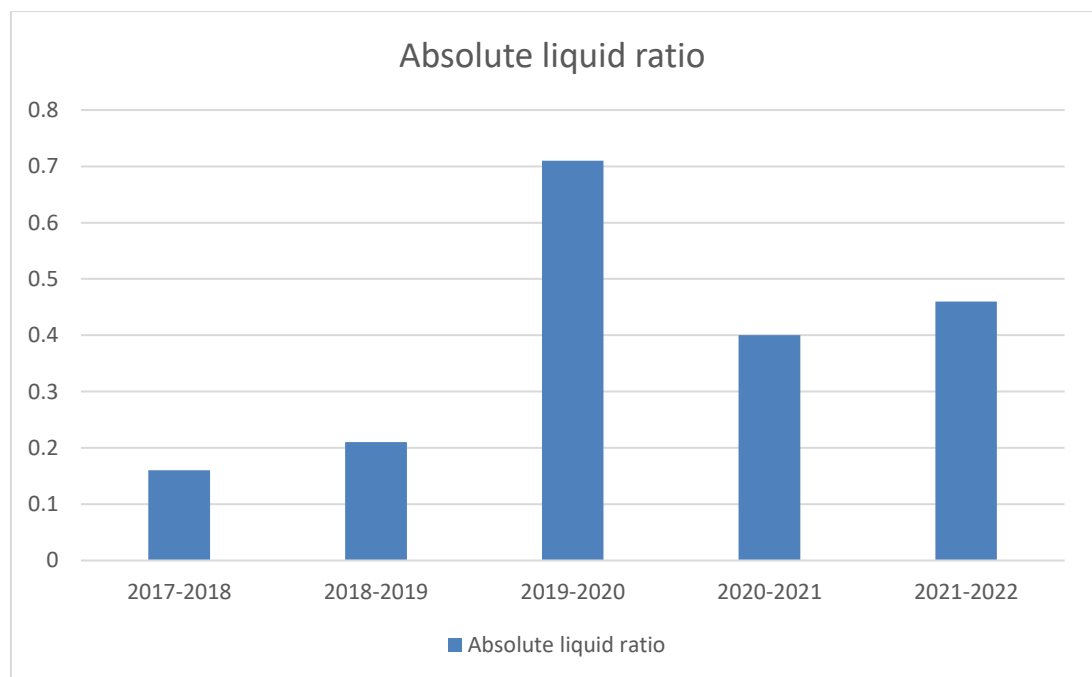
Interpretation

From the above table shows liquidity ratios is not good. The company's liquidity position is not satisfactory as the ratio is below the standard ratio of 1:1.

TABLE 4.8 ABSOLUTE LIQUID RATIO

Year	Absolute liquid assets	Absolute liquid liabilities	Absolute liquid ratio
2017-2018	7.16	45.74	0.16
2018-2019	8.07	38.38	0.21
2019-2020	42.88	60.38	0.71
2020-2021	14.94	37.25	0.40
2021-2022	16.11	62.16	0.46

CHART 4.3

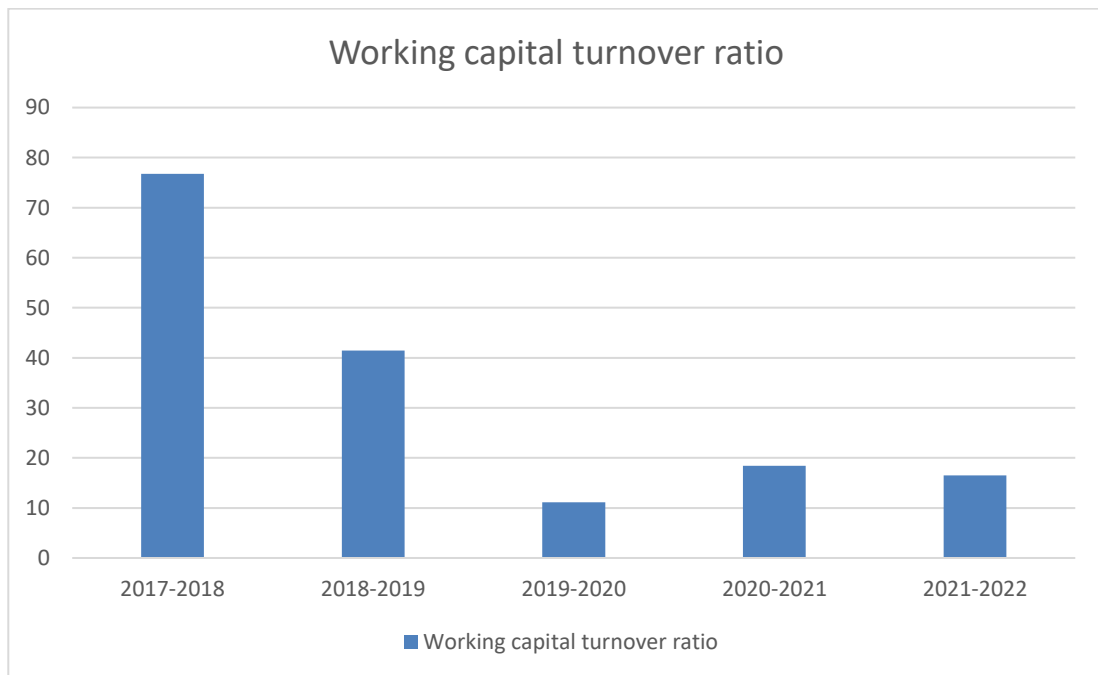


Interpretation

From the above table shows absolute liquid ratios is not good. The standard norm for absolute liquid ratio is 5:1. So, the absolute liquid ratio of the company is not satisfactory

TABLE 4.9 WORKING CAPITAL TURNOVER RATIO

Year	Net sale	Net working capital	Working capital turnover ratio
2017-2018	1047.25	63.38	16.52
2018-2019	1034.17	121.14	8.54
2019-2020	1209.41	108.09	11.13
2020-2021	924.93	130.09	18.42
2021-2022	1047.25	147.05	16.52

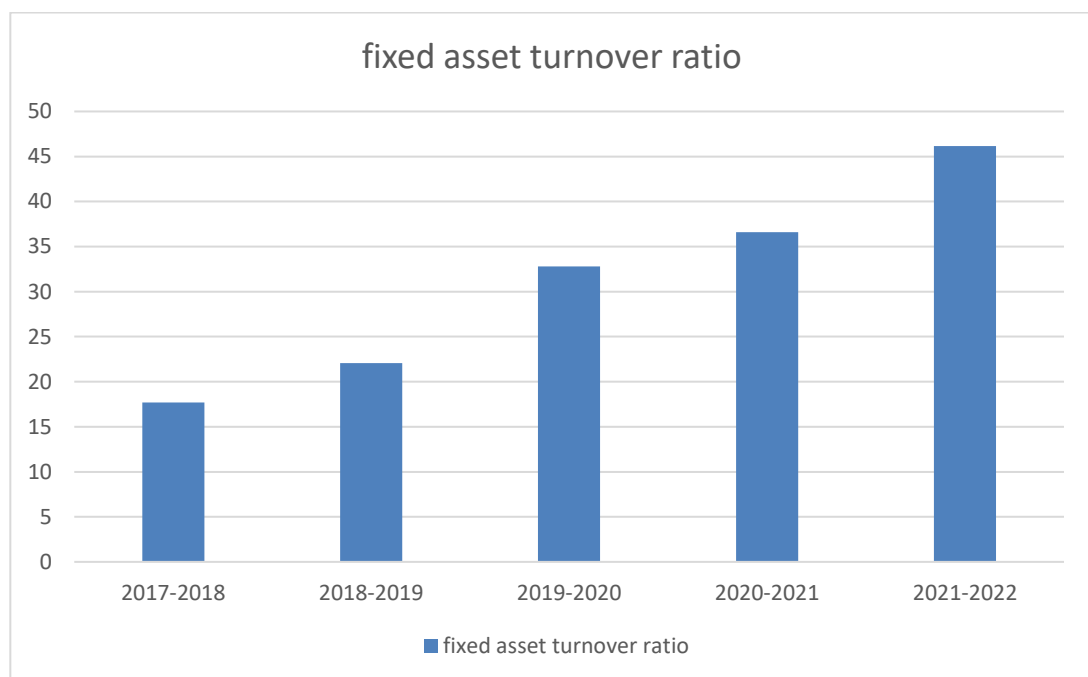
CHART 4.4**Interpretation**

The above table shows poor working capital turnover ratio. In 2017-2018 the turnover ratio was better. But after this year the working capital shows decreasing trend. In 2019-2020 the ratio was very low (11.13). It indicates that the over trading, that means working capital is not sufficient to meet the increased volume of sales.

TABLE 4.10 FIXED ASSET TURNOVER RATIO

Year	Net sale	Fixed asset	Fixed asset turnover ratio
2017-2018	697.18	39.44	17.68
2018-2019	806.30	36.54	22.07
2019-2020	899.70	27.45	32.78
2020-2021	924.93	25.27	36.60
2021-2022	1047.25	26.20	46.16

CHART 4.5



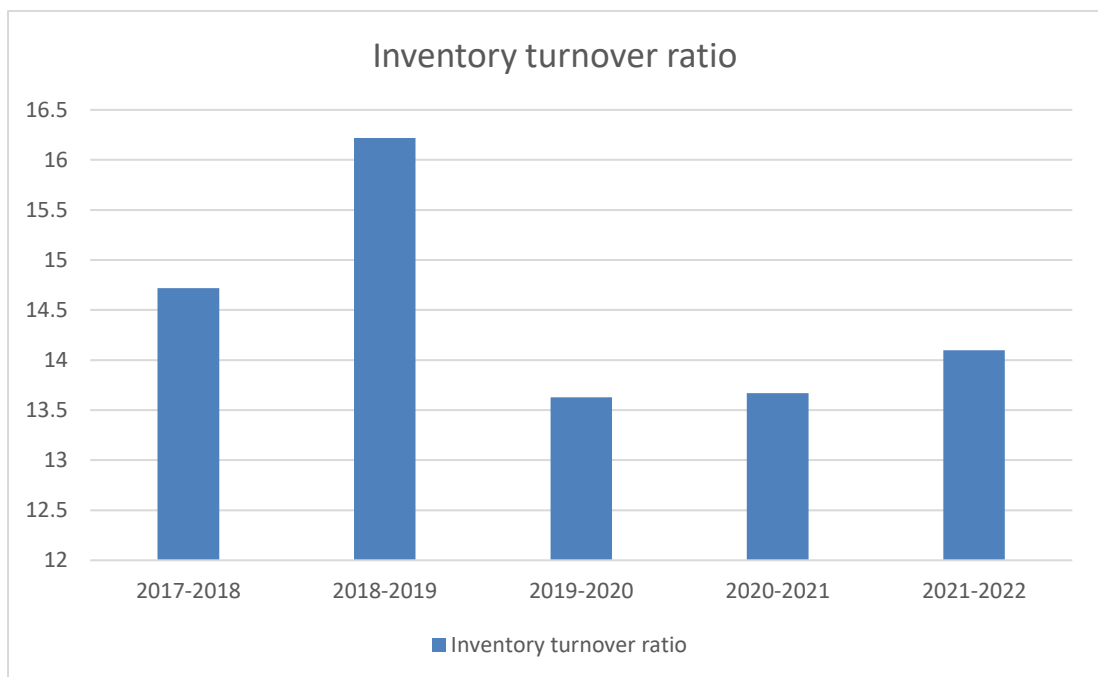
Interpretation

From the above table shows higher fixed asset turnover ratio. The turnover ratios are 17.68, 22.07, 32.78, 36.60 and 46.16 higher turnover ratios indicate the better utilization of fixed assets in these years.

TABLE 4.11 INVENTORY TURNOVER RATIO

Years	Net sale	Inventories	Inventory turnover ratio
2017-2018	697.18	47.37	14.72
2018-2019	806.30	49.70	16.22
2019-2020	899.70	66.01	13.63
2020-2021	924.93	73	13.67
2021-2022	1047.25	74.32	14.10

CHART 4.6

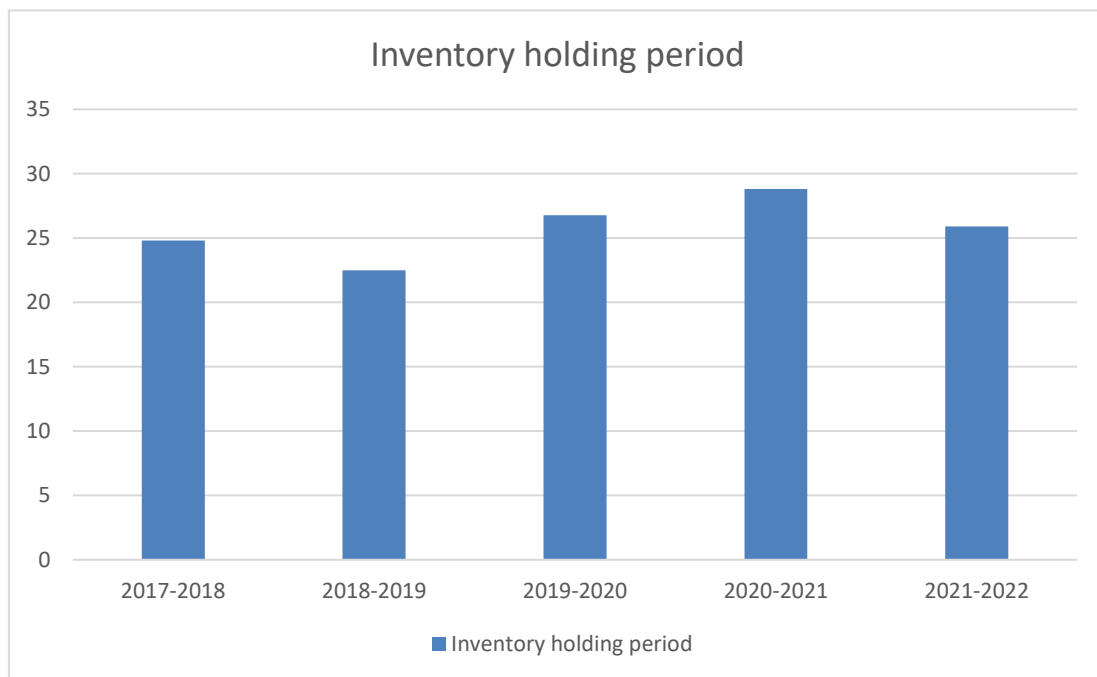


Interpretation

From the above table shows a good inventory turnover ratio.

TABLE 4.12 INVENTORY HOLDING PERIOD

Years	Number of days in a year	Inventory turnover ratio	Inventory holding period
2017-2018	365	14.72	24.81
2018-2019	365	16.22	22.50
2019-2020	365	13.63	26.78
2020-2021	365	13.67	28.81
2021-2022	365	14.10	25.89

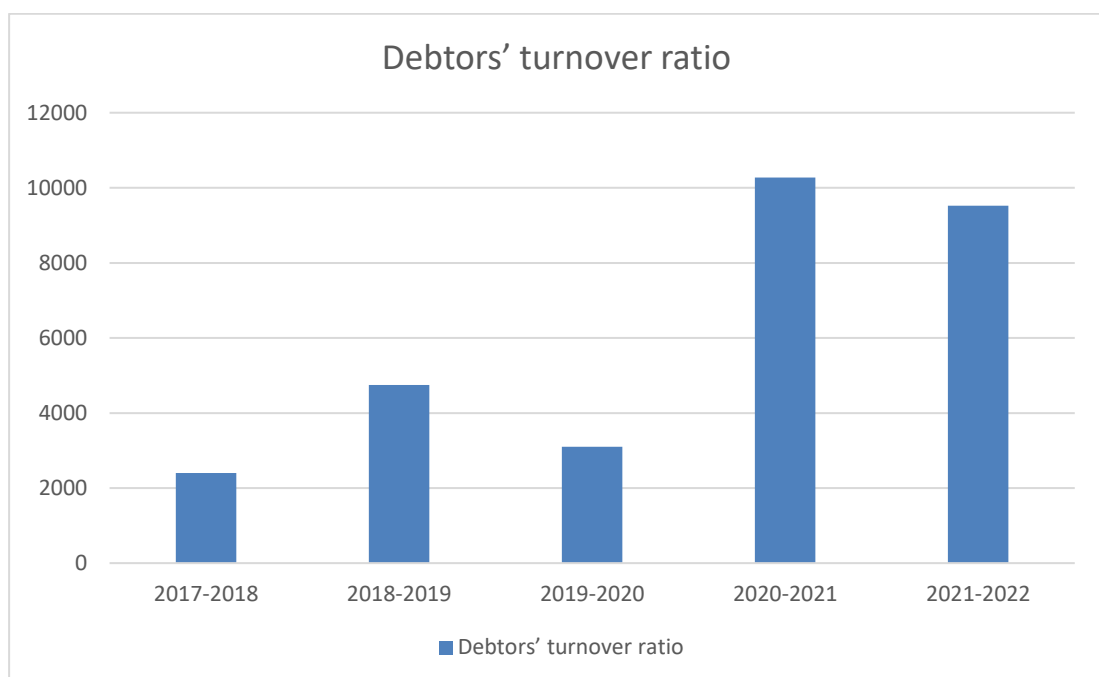
CHART 4.7**Interpretation**

From the Above table shows inventory holding period of fenner ltd. In 2018-2019 the inventory holding period is less that means shorter inventory period is better for the company. So, it indicates that inventory is sold fast

TABLE 4.13 DEBTORS' TURNOVER RATIO

Year	Net sale	Debtors	Debtors' turnover ratio
2017-2018	697.18	0.29	2404.07
2018-2019	806.30	0.17	4742.94
2019-2020	899.70	0.29	3102.41
2020-2021	924.93	0.09	10277
2021-2022	1047.25	0.11	9520.45

CHART 4.8

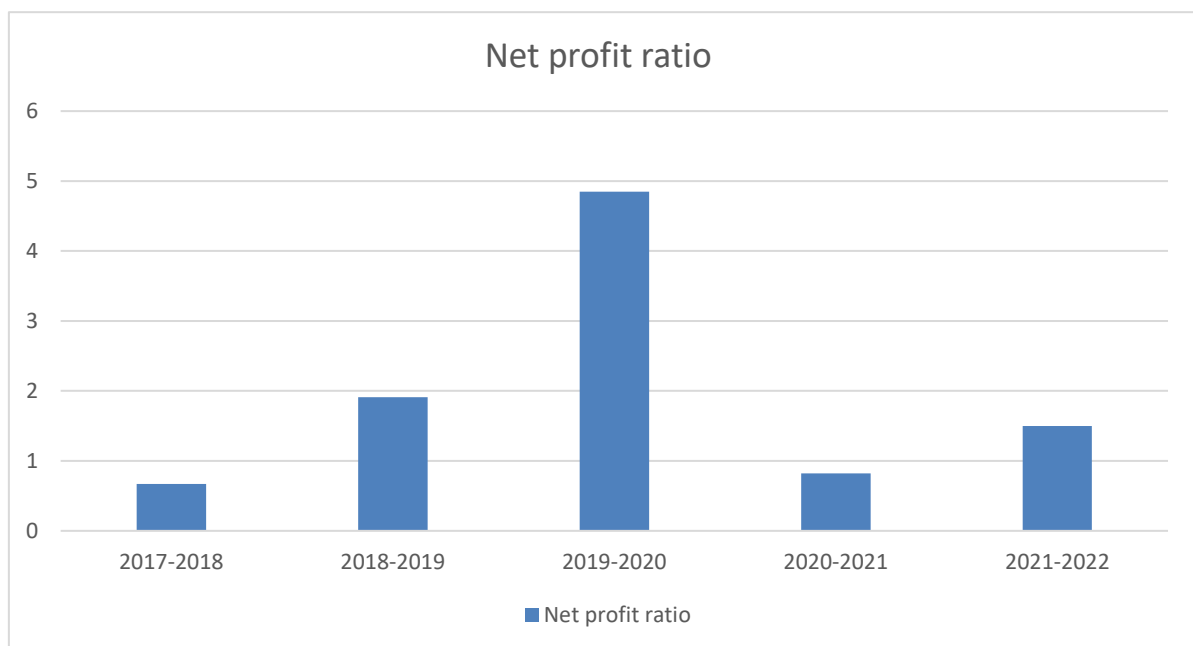


Interpretation

From the Above table shows higher debtors' turnover ratio in 2021-2022.

TABLE 4.14 NET PROFIT RATIO

Years	Net profit	Net sale	Net profit ratio
2017-2018	4.65	697.18	0.67
2018-2019	15.37	806.30	1.91
2019-2020	43.63	899.70	4.85
2020-2021	7.58	924.93	0.82
2021-2022	15.62	1047.25	1.50

CHART 4.9**Interpretation**

From the above table shows net profit of the company. In 2020-2021 it shows an increasing trend compare with the net profit in 2021-2022. So that indicates more return to shoulders compare with 2020-2021.then it shows very less net profit ratio in 2017-18 and then it shows very high net profit in 2019-20.

CHAPTER 5 - FINDINGS, SUGGESTIONS AND CONCLUSION

5.1. FINDINGS OF THE STUDY:

- ❖ Schedule of changes in working capital shows an increasing in the years of 2018, 2019, 2021 and 2022. But it shows decreasing in the year of 2020
- ❖ From the above table shows the current ratio is good. It satisfies the standard norm for current ratio 2:1.
- ❖ From the above table shows liquidity ratios is not good. The company's liquidity position is not satisfactory as the ratio is below the standard ratio of 1:1.
- ❖ From the above table shows absolute liquid ratios is not good. The standard norm for absolute liquid ratio is 5:1.
- ❖ From the above table shows poor working capital turnover ratio. In 2017-2018 the turnover ratio was better
- ❖ From the above table shows higher fixed asset turnover ratio. The turnover ratios are 17.68, 22.07, 32.78, 36.60 and 46.16 higher turnover ratios indicate the better utilization of fixed assets in these years.
- ❖ From the above table shows a good inventory turnover ratio.
- ❖ From the above table shows inventory holding period of fenner ltd. In 2018-2019 the inventory holding period is less that means shorter inventory period is better for the company.
- ❖ From the above table shows higher debtors' turnover ratio in 2021-2022.

- ❖ From the above table shows net profit of the company. In 2020-2021 it shows an increasing trend

5.2. SUGGESTIONS AND RECOMMENDATION:

- Management should pay more attention towards the management of current assets. Company holds very high amount of current assets as compare to current liabilities. This severely affects the profitability of the company.
- The company can try to reduce its investment in inventory.
- Company can give more importance to their collection policy of the company. It helps to improve the management of debt collection.
- The company should reduce their direct and indirect expenses. So, it will help to increasing net profit of the company
- In future company can give more importance to cash transactions than credit facilities. It may help to maintain liquidity position of the company

5.3. CONCLUSION:

This project deals with the study of working capital management of fenner ltd. It is centered on the analysis of working capital management of the company during the period 2017-2018 to 2021-2022. Ratio analysis and schedule of changes in working capital were used for this analysis to find out the management of working capital as well as they efficiency of the company. The study reveals that the management of working capital has to improve and also the liquidity position of the company.in total the financial position of the company is sound.

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