

A STUDY ON WORKING CAPITAL MANAGEMENT IN SKY&SKY AIR TRAVELS

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

PRINCE JUNO MILTON J

Register No.41410239



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

May 2023



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the Bonafide work of **PRINCE JUNO MILTON J 41410239** who carried out the project entitled **A Study on working capital management in sky & sky air travels** under my supervision from January 2023 to February 2023.

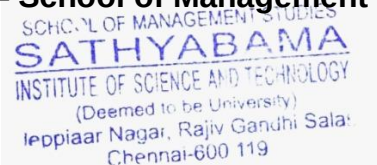
DR.K.SASIREKHA Bsc.,B.Ed.,MBA.,Ph.D.

Internal guide

External Guide

Dr. BHUVANESWARI. G, MBA, M.Phil., Ph.D.

Dean – School of Management Studies



Submitted for Viva voce Examination held on 05/05/2023

Internal Examiner

External Examiner



SKY & SKY AIR TRAVELS
(Leaders in Air Ticket Booking & Specialist in Money Exchange)

• International & Domestic Air Tickets • Money Exchange • Visa • Passport

Date: 31/03/2023

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Mr. Prince Juno Milton. J (Reg No: 41410239) from Sathyabama Institute of Science and Technology, has successfully completed the Internship from January 2023 to March 2023 submitted the project “ **A STUDY ON WORKING CAPITAL MANAGEMENT IN SKY&SKY AIR TRAVELS** ”.

He was highly motivated and hardworking. He worked sincerely on the task given and did a great job.

We wish him great success in his future endeavours.

Warm Regards,

Yours Sincerely,

For SKY AND SKY AIR TRAVELS

Proprietor

Anil Kumar
(Proprietor)

No.18, Ramaswamy Street (Near Fathima Jewellery), T.Nagar, Chennai - 600 017.

Phone : 044 - 43081194 Mobile : 99765 03938, 99415 55355, 98415 55155 E-mail : skyandskyairtravels@gmail.com

DECLARATION

I **PRINNCE JUNO MILTON J (41410239)** hereby declare that the Project Report entitled "**A Study on working capital management in sky & sky air travels**" done by me under the guidance of **DR.K.SASIREKHA Bsc.,B.Ed.,MBA.,Ph.D.** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE: 05/05/2023

PLACE: Chennai

A handwritten signature in black ink, appearing to be 'Prince Juno Milton J', written in a cursive style.

PRINCE JUNO MILTON J

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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PRINCE JUNO MILTON J

ABSTRACT

The study is on working capital management in Sky & Sky Air Travels. The study furnishes the management of idea about the performance of working capital of the company. Management of working capital refers to management of current assets, current liabilities and relationship between them. The basic goal of working capital is to maintain the satisfactory level of working capital. A sound working capital policy ensures higher profitability and proper liquidity of a firm. Every business needs funds for two purposes: for its establishment and to carry out its day to day operations. For this purpose it is important for the company to manage its short term assets and liability. Working capital is quite essential for the working of any business. For a good manufacturing company, some basic capital for producing the goods is required before it starts selling them. It has to take care of production expenses, administration expenses as well as selling expenses. Moreover, since business is usually done on credit, there is a time lag between the date of sale and date of receipt of revenues, which can be as high as 90 days at times. Considering all these, it is essential that a company has sufficient capital to keep it going before it converts its purchases into goods and then finally into cash. Each and every study has its own scope. This project intends to study the working capital position of the Public enterprises. This study helps to identify the areas that could be improved. Further suggestions were quoted which the company could use it in the future program enhancing better utilization of all resources.

The funds required by every business organization can be broadly classified in to fixed capital and working capital. Fixed capital is need for the acquisition of fixed assets. Fixed assets constitute the basic tools or the means of production. Investment in fixed assets by itself is dead investment and the funds so locked up do not circulate. In the same every business organization requires some funds to carry on its operations and to produce goods for sale to earn profit. These funds, which are represented by the current capital used through the various stages of production and distribution, are invested in current assets

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CHAPTER-1

1. INTRODUCTION

Any firm, from time to time, employs its short-term assets as well as short-term financing sources to carry out its day to day business. It is this management of such assets as well as liabilities which is described as working capital management. Working capital management is a quintessential part of financial management as a subject. It can also be compared with long-term decision-making the process as both of the domains deal with the analysis of risk and profitability.

Definition of Working Capital

Working capital is formally arrived at by subtracting the current liabilities from current assets of a firm on the day the balance sheet is drawn up. Working capital is also represented by a firm's net investment in current assets necessary to support its everyday business. Working capital frequently changes its form and is sometimes also referred to as circulating capital. According to Gretsensberg:

“circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another.”

Types of working capital

Working capital, as mentioned above, can take different forms. For example, it can take the form of cash and then change to inventories and/or receivables and back to cash.

- **Gross and Net Working Capital:** The total of current assets is known as gross working capital whereas the difference between the current assets and current liabilities is known as the net working capital.
- **Permanent Working Capital:** This type of working capital is the minimum amount of working capital that must always remain invested. In all cases, some amount of cash, stock and/or account receivables are always locked in. These assets are

necessary for the firm to carry out its day to day business. Such funds are drawn from long term sources and are necessary for running and existence of the business.

- **Variable Working Capital:** Working capital requirements of a business firm might increase or decrease from time to time due to various factors. Such variable funds are drawn from short-term sources and are referred to as variable working capital.

Objectives of working capital management

The main objectives of working capital management are:

- **Maintaining the working capital operating cycle and to ensure its smooth operation.** Maintaining the smooth operation of the operating cycle is essential for the business to function. The operating cycle here refers to the entire life cycle of a business. From the acquisition of the raw material to the smooth production and delivery of the end products – working capital management strives to ensure smoothness, and it is one of the main objectives of the concept.
- **Mitigating the cost of capital.** Minimizing the cost of capital is another very important objective that working capital management strives to achieve. The cost of capital is the capital that is spent on maintaining the working capital. It needs to be ensured that the costs involved for maintenance of healthy working capital are carefully monitored, negotiated and managed.
- **Maximising the return on current asset investments.** Maximising the return on current investments is another objective of working capital management. The **ROI** on currently invested assets should be greater than the weighted average cost of the capital so that wealth maximization is ensured.

THE WORKING CAPITAL CYCLE

The working capital cycle refers to the minimum amount of time which is required to convert net current assets and net current liabilities into cash. From a more simplistic viewpoint, working capital cycle is the amount of time between the payment for goods

supplied and the final receipt of cash accumulated from the sale of the same goods. There are mainly the following elements of which the working capital cycle is comprised of:

Cash

The cash refers to the funds available for the purchase of goods. Maintaining a healthy level of liquidity with some buffer is always a best practice. It is extremely important to maintain a reserve fund which can be utilized when:

- There is a shortage of cash inflow for some reason. In the absence of reserve cash, the day to day business will get hampered.
- Some new opportunity springs up. In such a case, the absence of reserve cash will pose a hindrance.
- In case of any contingency, absence of a reserve fund can cripple the company and poses a threat to the solvency of the firm.

Creditors and Debtors

- The creditors refer to the accounts payable. It refers to the amount that has to be paid to suppliers for the purchase of goods and /or services.
- Debtors refer to the accounts receivables. It refers to the amount that is collected for providing goods and/or services.

Inventory

Inventory refers to the stock in hand. Inventories are an integral component of working capital and careful planning, and proper investment is necessary to maintain the inventory in a healthy state of affairs. Management of inventory has two aspects and involves a trade-off between cost and risk factors. Maintaining a sizable inventory has its accompanying costs that include locking of funds, increased maintenance and

documentation cost and increased cost of storage. Apart from these things, there is also a chance of damage to the stored goods. On the other hand, maintaining a small inventory can disrupt the business lifecycle and can have serious impacts on the delivery schedule. As a result, it is extremely important to maintain the inventory at optimum levels which can be arrived at after careful analysis and a bit of experimentation.

Properties of a healthy working capital cycle

It is essential for the business to maintain a healthy working capital cycle. The following points are necessary for the smooth functioning of the working capital cycle:

- **Sourcing of raw material:** Sourcing of raw material is the beginning point for most businesses. It should be ensured that the raw materials that are necessary for producing the desired goods are available at all times. In a healthy working capital cycle, production ideally should never stop because of the shortage of raw materials.
- **Production planning:** Production planning is another important aspect that needs to be addressed. It should be ensured that all the conditions that are necessary for the production to start are met. A carefully constructed plan needs to be present in order to mitigate the risks and avert unforeseen issues. Proper planning of production is essential for the production of goods or services and is one of the basic principles that must be followed to achieve smooth functioning of the entire production lifecycle.
- **Selling:** Selling the produced goods as soon as possible is another objective that should be pursued with utmost urgency. Once the goods are produced and are moved into the inventory, the focus should be on selling the goods as soon as possible.
- **Payouts and collections:** The accounts receivables need to be collected on time in order to maintain the flow of cash. It is also extremely important to ensure timely payouts to the creditors to ensure smooth functioning of the business.

- **Liquidity:** Maintaining the liquidity along with some room for adjustments is another important aspect that needs to be kept in mind for the smooth functioning of the working capital cycle.

APPROACHES TO WORKING CAPITAL MANAGEMENT

The short-term interest rates are, in most cases, cheaper compared to their long-term counterparts. This is due to the amount of premium which is higher for short term loans. As a result, financing the working capital from long-term sources means more cost. However, the risk factor is higher in case of short term finances. In case of short-term sources, fluctuations in refinancing rates are a major cause for concern, and they pose a major threat to business.

There are mainly three strategies that can be employed in order to manage the working capital. Each of these strategies takes into consideration the risk and profitability factors and has its share of pros and cons. The three strategies are:

- **The Conservative Approach:** As the name suggests, the conservative strategy involves low risk and low profitability. In this strategy, apart from the permanent working capital, the variable working capital is also financed from the long-term sources. This means an increased cost capital. However, it also means that the risks of interest rate fluctuations are significantly lower.
- **The Aggressive Approach:** The main goal of this strategy is to maximize profits while taking higher risks. In this approach, the entire variable working capital, some parts or the entire permanent working capital and sometimes the fixed assets are funded from short-term sources. This results in significantly higher risks. The cost capital is significantly decreased in this approach that maximizes the profit.
- **The Moderate or the Hedging Approach:** This approach involves moderate risks along with moderate profitability. In this approach, the fixed assets and the permanent working capital are financed from long-term sources whereas the variable working capital is sourced from the short-terms sources.

1.2 INDUSTRY PROFILE

INTRODUCTION

With a total area of 3,287,263 sq. km extending from the snow-covered himalayan heights to the tropical rain forests of the south, India has a rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. This provides a significant opportunity to fully exploit the potential of the tourism sector.

India being one the most popular travel destinations across the globe has resulted in the Indian tourism and hospitality industry to emerge as one of the key drivers of growth among the services sector in India. Tourism industry in India has significant potential considering the Tourism is an important source of foreign exchange in India similar to many other countries. The foreign exchange earnings from 2016 to 2019 grew at a CAGR of 7% but dipped in 2020 due to the COVID-19 pandemic.

It is widely acknowledged that the tourist and hospitality sector, which encompasses travel and hospitality services like hotels and restaurants, is a development agent, a catalyst for socioeconomic growth, and a significant source of foreign exchange gains in many countries. India's rich and exquisite history, culture, and diversity is showcased through tourism while also providing significant economic benefits. The consistent efforts of the central and the state governments has helped the tourism industry to recover from the covid-19 pandemic shock and operate at the pre pandemic level.

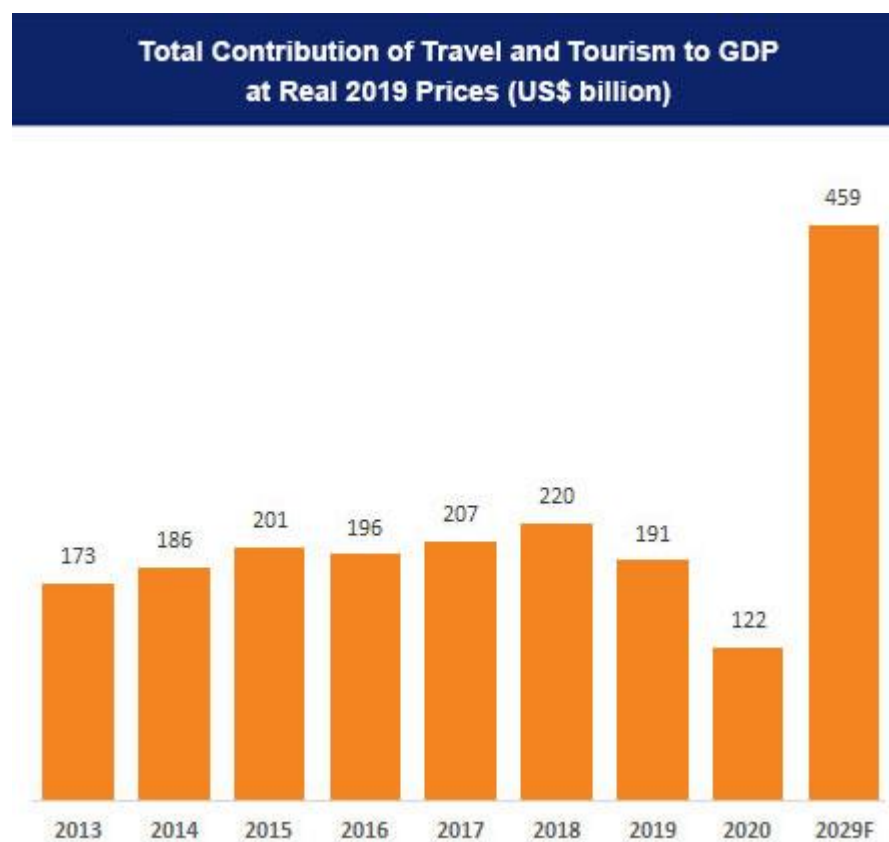


MARKET SIZE

According to WTTC, India is ranked 10th among 185 countries in terms of travel & tourism's total contribution to GDP in 2019. During 2019, contribution of travel & tourism to GDP was 6.8% of the total economy, Rs. 1,368,100 crore (US\$ 194.30 billion). In 2020, the Indian tourism sector accounted for 39 million jobs, which was 8% of the total employment in the country.

The travel market in India is projected to reach US\$ 125 billion by FY27 from an estimated US\$ 75 billion in FY20. The Indian airline travel market was estimated at ~US\$ 20 billion and is projected to double in size by FY27 due to improving airport infrastructure and growing access to passports. The Indian hotel market including domestic, inbound and outbound was estimated at ~US\$ 32 billion in FY20 and is expected to reach ~US\$ 52 billion by FY27, driven by the surging demand from travelers and sustained efforts of travel agents to boost the market.

By 2028, international tourist arrivals are expected to reach 30.5 billion and generate revenue over US\$ 59 billion. However, domestic tourists are expected to drive the growth, post pandemic. International hotel chains are increasing their presence in the country, and it will account for around 47% share in the tourism and hospitality sector of India by 2020 and 50% by 2022. Foreign Tourist Arrivals (FTAs) in August 2022 were 498,243 with a positive growth rate of 437.3% as compared to 92,728 in August 2021. FTAs during the period January-August, 2022 were 3,263,219 as compared to 638,524 in January-August 2021. The percentage share of Foreign Tourist Arrivals in India during August, 2022 among the top 15 source countries was highest from Bangladesh (24.89%), followed by USA (16.93%), UK (10.74%), Australia (3.77%), Canada (3.44%), Sri Lanka (3.18%), Nepal (2.56%), Malaysia (2.54%), Germany (2.16%), France (2.01%), Oman (1.98%), Singapore (1.73%), UAE (1.45%), Italy (1.19%) and Japan (1.17%).



INVESTMENTS/DEVELOPMENTS

- FDI inflows in the Tourism & Hospitality sector reached US\$ 16.48 billion between April-June 2022.
- A total of 48,775 accommodation units (both classified and unclassified) have been registered on the National Integrated Database of Hospitality Industry (NIDHI) portal and 11,220 units have self-certified for SAATHI standards in September 2022.
- In October 2022, Indian Hotels Company (IHCL) announced the launch of its new Indian-concept restaurant brand, Loya. Debuting at Taj Palace, New Delhi, Loya captures the culinary essence traversing the landscape of North India.
- Hospitality unicorn OYO has acquired Europe-based vacation rental company Direct Booker for US\$ 5.5 million in May 2022.
- Accor, a French hospitality major will expand its India's portfolio by adding nine additional hotels in the mid-scale and economy categories, bringing the total number of hotels 54 in India.
- The Medical Tourism sector is expected to increase at a CAGR of 21.1% from 2020-2027.
- India was globally the third largest in terms of investment in travel and tourism with an inflow of US\$ 45.7 billion in 2018, accounting for 5.9% of the total investment in the country.
- Indian government has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030-31. Dream Hotel Group plans to invest around US\$300 million in the next 3-5 years for the development of the cruise sector in India.
- India is the most digitally advanced traveller nation in terms of digital tools being used for planning, booking, and experiencing a journey. India's rising middle class and increasing disposable income has supported the growth of domestic and outbound tourism.

- The United Nations World Tourism Organisation selected Pochampally in Telangana as one of the best tourism villages in November 2021.

GOVERNMENT INITIATIVES

The Indian Government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. Some of the major initiatives planned by the Government of India to boost the tourism and hospitality sector of India are as follows:

- In the Union Budget 2022-23:
 - Rs. 2,400 crore (US\$ 309.13 million) has been allocated to the Ministry of Tourism which is 18.42 %higher than the allocation for FY 2021-22.
 - Rs. 1,181.30 crore (US\$ 152.16 million) is allocated for the Swadesh Darshan Scheme.
 - Rs. 235 crore (US\$ 30.27 million) for the Pilgrimage Rejuvenation and Spiritual and Heritage Augmentation Drive (PRASHAD) Scheme.
- In August 2022, Ministry of Tourism sanctioned 76 projects for Rs. 5,399.15 crore (US\$ 678.39 million) under Swadesh Darshan Scheme for development of tourism infrastructure in the country.
- In June 2022, the Ministry of Tourism along with Associations of Indian Universities (AIU) initiated a 12 episode webinar series under 'Azadi Ka Amrut Mahotsav' (AKAM) to engage and expose young minds of our country to the rich and diverse heritage of the country.
- Till the end of September 2022, a total of 155 Dekho Apna Desh webinars have been organized by Ministry of Tourism.
- The Ministry of Tourism has launched the National Strategy for Sustainable Tourism and Responsible Traveller Campaign in June 2022.

- From November 15, 2021, India allowed fully vaccinated foreign tourists to visit India, which in turn will help revive the Indian travel and hospitality sector.
- In November 2021, the Ministry of Tourism signed a Memorandum of Understanding (MoU) with Indian Railway Catering and Tourism Corporation to strengthen hospitality and tourism industry. The ministry has also signed a MoU with Easy My Trip, Cleartrip, Yatra.com, Make My Trip and Goibibo.
- In November 2021, the Indian government planned a conference to boost film tourism in the country with an aim to establish domestic spots as preferred filming destinations. This move is expected to create jobs and boost tourism in the country.
- In September 2021, the government launched NIDHI 2.0 (National Integrated Database of Hospitality Industry) scheme which will maintain a database of hospitality sector components such as accommodation units, travel agents, tour operators, & others. NIDHI 2.0 will facilitate the digitalisation of the tourism sector by encouraging all hotels to register themselves on the platform.
- Government is planning to boost the tourism in India by leveraging on the lighthouses in the country. 71 lighthouses have been identified for development as tourist spots.
- The Ministry of Road Transport and Highways has introduced a new scheme called 'All India Tourist Vehicles Authorisation and Permit Rules, 2021', in which a tourist vehicle operator can register online for All India Tourist Authorisation/Permit. This permit will be issued within 30 days of submitting the application.
- The Indian Railway Catering and Tourism Corporation (IRCTC) runs a series of Bharat Darshan tourist trains aimed at taking people to various pilgrimages across the country.

- During 2019-20, an additional fund Rs. 1,854.67 crore (US\$ 269.22 million) was sanctioned for new projects under the Swadesh Darshan scheme.
- Ministry of Tourism sanctioned 18 projects covering all the North Eastern States for Rs. 1,456 crore (US\$ 211.35 million) to develop and promote of tourism in the region under Swadesh Darshan and PRASHAD schemes.
- Statue of Sardar Vallabhbhai Patel, also known as 'State of Unity', was inaugurated in October 2018 and the total revenue generated till November 2019 stood at Rs. 82.51 crore (US\$ 11.81 million).

STATE GOVERNMENT INITIATIVES

- In October 2021, the Tripura government collaborated with Infovalley Educational & Research (P) Ltd. as part of a public-private partnership (PPP) to run the State Institute of Hotel Management (SIHM). Through the SIHM, the government aims to empower the youth and contribute to the growth of hotels and hospitality management in the state.
- The Ministry of Tourism sanctioned three projects for a total amount of Rs. 179.68 crore (US\$ 24.24 million) under the Swadesh Darshan scheme in Gujarat. The Ministry of Tourism has approved 16 projects for over Rs. 1300 crore (US\$ 171.2 million) in India's North East under the "Swadesh Darshan" Scheme.
- In July 2021, the Tamil Nadu state government decided to implement an integrated mega tourism plan, which included new lighting arrangements for the Thiruvalluvar statue at Kanyakumari, starting renovations at Poompuhar tourist spot and improving roads leading to tourist spots, spiritual places and adventure tourism spots. It also includes unveiling a new tourism policy, establishing more hotels, resorts, and convention centres and increasing contribution of public and private sectors in the tourism sector.
- In July 2021, Andhra Pradesh Tourism Authority urged stakeholders in the tourism sector in the state to register with the Andhra Pradesh Tourism under the Tourism Trade Registration and Facilitation Guidelines 2020.

ROAD AHEAD

Staycation is seen as an emerging trend where people stay at luxurious hotels to revive themselves of stress in a peaceful getaway. To cater to such needs, major hotel chains such as Marriott International, IHG Hotels & Resorts and Oberoi hotels are introducing staycation offers where guests can choose from a host of curated experiences, within the hotel. India's travel and tourism industry has huge growth potential. The industry is also looking forward to the expansion of e-Visa scheme, which is expected to double the tourist inflow in India. India's travel and tourism industry has the potential to expand by 2.5% on the back of higher budgetary allocation and low-cost healthcare facility according to a joint study conducted by ASSOCHAM and Yes Bank.

It is irrefutable that the tourist industry is becoming a more significant economic force and has the potential to be used as a tool for development. The tourist industry not only drives growth, but it also raises people's standards of living with its ability to provide significant amount of diverse employment opportunities. It promotes environmental preservation, champions diverse cultural heritage, and bolsters international peace. By 2028, Indian tourism and hospitality is expected to earn US\$ 50.9 billion as visitor exports compared with US\$ 28.9 billion in 2018.

1.3 COMPANY PROFILE

We are a one stop shop for all the travel needs ranging from domestic to international tours. We understand how important your holiday is to you & we put all our efforts in making your trip memorable. We believe your holiday should truly be an unforgettable experience, from making your first enquiry until you return home from your tour. Our main motto is customer satisfaction of highest level.

"Sky And Sky Air Travels. leaders in money exchange and specialist in air ticket booking Sky and Sky air travels and Sky and Sky FOREX (P) LTD hereby proudly introduce ourselves as one of the leading company in providing all sought of traveling solutions and had left a smile on our customers with our prompted service and reasonable rate Since 1989. We take care: • Flights-Domestic & International Air Ticketing • Money Exchange • Holidays Tour Package • Hotels • Visa-All countries • Passport • Travel insurance

1.4 OBJECTIVES OF THE STUDY

- To evaluate efficiency in managing working capital.
- To estimate the working capital requirements.
- To know about the practices in current asset and current liability.
- To identify the issues related with the working capital management
- To determine the structure and effective utilization of working capital.

1.5 NEED FOR THE STUDY

- The study is on working capital management in Sky & Sky Air Travels. The study furnishes the management of idea about the performance of working capital of the company. Management of working capital refers to management of current assets, current liabilities and relationship between them.
- The basic goal of working capital is to maintain the satisfactory level of working capital. A sound working capital policy ensures higher profitability and proper liquidity of a firm. Every business needs funds for two purposes: for its establishment and to carry out its day to day operations. For this purpose it is important for the company to manage its short term assets and liability.
- Working capital is quite essential for the working of any business. For a good manufacturing company, some basic capital for producing the goods is required before it starts selling them. It has to take care of production expenses, administration expenses as well as selling expenses.

1.6 SCOPE OF THE STUDY

- ⇒ The scope of the study defined below in terms of concept adopted and period under focus.
- ⇒ The study of management of working capital is only the Sky & Sky Air Travels.
- ⇒ The study based on annual report of the company for five years
- ⇒ The whole purpose of the project is to analyze the past and present performance of the company on various financial area like cash, inventories and receivables.
- ⇒ Past performance data essential for predicting future planning process.

CHAPTER-2

2. REVIEW OF LITERATURE

Research work in working capital management gives us an outstanding view about the exploration of the topic in different dimensions by different authors. The authors have emphasized that working capital management has to be effectively utilized for generating fund from sales. They have examined the effectiveness of working capital management in different aspects.

Mohammad Neab and Noriza BMS (2018) worked on creating the relationship between Working Capital Management (WCM) and performance of firms. For their analysis they chose the Malaysian listed companies. They administered the perspective of market valuation and profitability. They used total of 172 listed companies from the databases of Bloomberg. They randomly selected five year data (2004-2008). This research likewise the researches quoted before studied the impact of the dimensions of working capital component i.e. C.C.C., current ratio (C.R.), current asset to total asset ratio (C.A.T.A.R), current liabilities to total asset ratio (C.L.T.A.R.), and debt to asset ratio (D.T.A.R.) in effect to the firm's performance whereby firm's value dimension was taken as Tobin Q (T.Q.) and profitability i.e. return on asset (R.O.A.) and return on invested capital (R.O.I.C). They applied two different techniques for analyzing the data that are multiple regression and correlations. They found that there is a negative relationship between working capital variables and the firm's performance.

Dong (2018) reported that the firms' profitability and liquidity are affected by working capital management in his analysis. Pooled data are selected for carrying out the research for the era of 2007-2015 for assessing the companies listed in stock market of Vietnam. He focused on the variables that include profitability, conversion cycle and its related elements and the relationship that exists between them. From his research it was found that the relationships among these variables are strongly negative. This denotes that decrease in the profitability occurs due to increase in cash conversion cycle.

It is also found that if the number of days of account receivable and inventories are diminished then the profitability will increase numbers of days of accounts receivable and inventories.

Saswata Chatterjee (2018) focused on the importance of the fixed and current assets in the successful running of any organization. It poses direct impacts on the profitability liquidity. There have been a phenomenon observed in the business that most of the companies increase the margin for the profits and losses because this act shrinks the size of working capital relative to sales. But if the companies want to increase or improve its liquidity, then it has to increase its working capital. In the response of this policy the organization has to lower down its sales and hence the profitability will be affected due to this action. For this purpose 30 United Kingdom based companies were selected which were listed in the London Stock exchange. The data were taken of three years 2007-2015. It analyzed the impact of the working capital on the profitability. The dimensions of working capital management included in this research which is quick ratios, current ratios C.C.C, average days of payment, Inventory turnover, and A.C.P (average collection period. on the net operating profitability of the UK companies.

Mathuva (2017) studied the impact of working capital management on the performance. He took almost 30 listed firms as a sample and all these companies were listed in Nairobi stock exchange and the data was taken from 1993 to 2015. There were certain findings of his research by analyzing the fixed effects regression models. Firstly, there is a negative relationship between the time when the cash is collected from the customers and the firm's productivity. This depicts, firms that are more profitable enjoys less time period for the collection of cash from the customers as compare to ones which are less profitable. Secondly, there is a positive relationship between the inventories when they were brought in and the period to which they are sold and the firm's profitability. The interpretation comes out as that the firms or the organizations which take more time to keep the inventories it reduces the costs of the disruption in the process of production and usually the business losses as there is the insufficiency in the goods. This situation decreases the operating cost of the firm. The third assumption of the research was the association between the average payment period and profitability and found out to be

positive ($p < 0.01$). The more the time taken to disburse the creditors, the profitability will increase

In our present day economy, finance is defined as the provision of money at time when it is required. Every business whether big, medium or small, needs finance to carry on its operations and to achieve its target. Infact, finance is so indispensable today that its rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives. A firm is required to maintain a balance between liquidity and profitability while conducting its day to day operations .liquidity is a precondition to ensure that the firm are able to meet its short term obligations and its continued flow can be guaranteed from a profitable venture. The importance of cash as an indicator of continuing financial health should not be surprising in view of its crucial role within the business. This requires that business must be run both efficiently and profitably. In the process, an asset-liability mismatch may occur which may increase firm's profitability in the short run but at a risk of its insolvency. On the other hand, too much focus on liquidity will be at the expense of profitability. Thus, the manager of a business entity is in a dilemma of achieving desired tradeoff between liquidity and profitability in order to maximize the value of a firm Working capital management deals with the most dynamic fields in finance, which needs constant interaction between finance and other functional managers. The finance manager acting alone cannot improve the working capital situation. In recent times a few case studies regarding management of working capital in selected companies have been in order to make in-depth analysis of the several experts of working capital management, The finding of such studies not only throws new lights on the technical loopholes of management activities of the concerned companies, but also helps the scholars and researchers to develop new ideas, techniques and methods for effective management of working capital. An effort has been made to make an in-depth study of working capital management with special reference to Hindustan Newsprint Limited, Kottayam.

Adesh Sharma (1994) applied accelerator model with financial variables to determine the factors influencing investment in inventories in pesticides industry in India. Data had been taken from the Stock Exchange Official Directory, Mumbai for the period 1978-1992 in respect of 18 firms in this industry. The coefficients of the accelerator and financial variables were found to be significant and positive. The coefficient of inventory of inventory stock was significant and negative.

CHAPTER-3

3. RESEARCH METHODOLOGY

Research is the systematic process of collecting and analyzing data in order to increase our understanding of the phenomenon about which we are concerned or interested. It is the in- depth search for knowledge. It is a careful investigation or inquiry especially through search for new facts in any branch of knowledge. The study exhibits both descriptive and analytical character. Regarding the theoretical concept it is descriptive since it interprets and analysis the secondary data in order to arrive at appropriate conclusion, it is also analytical in character. The interpretation of data is done based on ratio and percentage.

RESEARCH DESIGN

Research Design is the strategy for the study and the plan by which the strategy is to be carried out. It is the set of decisions that make up the master plan specifying the methods and procedures for the collection, measurement and analysis of data. Research has used descriptive research. Descriptive studies are fact finding investigation with adequate interpretation. It focuses on particular aspects of in the study. It is designed to gather descriptive information and provides information for formulating more sophisticated studies.

DATA SOURCE

Types of data collection:

- Primary Data Collection Technique
- Secondary Data Collection Technique

SECONDARY

Secondary data's has been obtained from published reports like the annual reports of the company, balance sheets, and profit and loss account, booklets, records such as files, reports maintained by the company. Mainly the annual report consists of two parts;

1) Profit and Loss Account

2) Balance Sheet Profit and loss account reveals the income and expenditure of the company.

Balance Sheet reveals the financial position of the organization. Those two statements are prepared by the highly qualified and experts with the help of available information or data.

TYPES OF RATIOS

LIQUIDITY RATIOS

The importance of adequate liquidity in the sense of the ability of a firm to meet current/short-term obligations when they become due for payment can hardly be overstresses. In fact, liquidity is a prerequisite for the very survival of a firm. The short-term creditors of the firm are interested in the short-term solvency or liquidity of a firm. The short-term creditors of the firm are interested in the short-term solvency or liquidity of a firm. But liquidity implies from the viewpoint of utilization of the funds of the firm that funds are idle or they earn very little. A proper balance between the two contradictory requirements, that is, liquidity and profitability, is required for efficient financial management. The liquidity ratios measures the ability of a firm to meet its short-term obligations and reflect the short-term financial strength and solvency of a firm.

CURRENT RATIO

The current ratio is the ratio of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities:

CURRENT ASSETS

CURRENT RATIO = _____

CURRENT LIABILITIES

The current assets of a firm, as already stated, represent those assets which can be, in the ordinary course of business, converted into cash within a short period of time, normally not exceeding one year and include cash and bank balances, marketable securities, inventory of raw materials, semi-finished (work-in-progress) and finished goods, debtors net of provision for bad and doubtful debts, bills receivable and prepaid expenses. The current liabilities defined as liabilities which are short-term maturing obligations to be met, as originally contemplated, within a year, consist of trade creditors, bills payable, bank credit, and provision for taxation, dividends payable and outstanding expenses.

QUICK RATIO

The liquidity ratio is a measure of liquidity designed to overcome this defect of the current ratio. It is often referred to as quick ratio because it is a measurement of a firm's ability to convert its current assets quickly into cash in order to meet its current liabilities. Thus, it is a measure of quick or acid liquidity. The acid-test ratio is the ratio between quick assets and current liabilities and is calculated by dividing the quick assets by the current liabilities.

QUICK ASSETS

QUICK RATIO = _____

CURRENT LIABILITIES

The term quick assets refers to current assets which can be converted into cash immediately or at a short notice without diminution of value. Included in this category of current assets are (i) cash a bank balance; (ii) short-term marketable securities and (iii) debtors/receivables. Thus, the current which are included are: prepaid expenses and inventory. The exclusion of expenses by their very nature are not available to pay off current debts. They merely reduce the amount of cash required in one period because of payment in a prior period.

ABSOLUTE LIQUID RATIO:

Absolute liquid ratio is also called as cash position ratio (or) overdue liability Ratio. This ratio established the relationship between the absolute liquid assets and current absolute liquid assets include cash in hand, cash at bank and marketable securities or temporary investments.

The optimum value of the ratio should be one, i.e. 1:2 it indicates that 50% worth that liquid assets are considered adequate to pay the 100% worth current liabilities in time if the ratio is relatively lower than one, it represents that the company's day to day cash management is poor. If the ratio is considerably more than one, the absolute liquid ratio represents enough funds in the form of cash to meet its short term.

$$\text{ABSOLUTE LIQUID RATIO} = \frac{\text{ABSOLUTE LIQUID ASSETS}}{\text{CURRENT LIABILITIES}}$$

TURNOVER RATIOS

A measure of the number of times a company's inventory is replaced during a given time period. Turnover ratio is calculated as cost of goods sold divided by average inventory during the time period. A high turnover ratio is sign that the company is producing and selling its goods or services very quickly.

AVERAGE COLLECTION PERIOD:

In order t know the rate at which cash is generated by turnover of receivables, the debtors turnover ratio is supplemented by another ratio viz., average collection period. The average collection period states unambiguously the number of days' average credit sales tied up in the amount owed by the buyers. The ratio indicates the extent to which the debts have been collected in time. In other words, it gives the average collection period. Prompt collection of book debts will release such funds which may, then, put to some other use. The ratio may be calculate by

$$\text{AVERAGE COLLECTION PERIOD} = \frac{360 \text{ DAYS}}{\text{DEBTORS' TURNOVER RATIO}}$$

DEBTORS' TURNOVER RATIO

INVENTORY TURNOVER RATIO

This ratio indicates the number of times inventory is replaced during the year. It measures the relationship between the cost of goods sold and the inventory level. The ratio can be computed in

COST OF GOODS SOLD

INVENTORY TURNOVER RATIO = _____

AVERAGE INVENTORY

The average inventory figure may be of two types. In the first place, it may be the monthly inventory average. The monthly average can be found by adding the opening inventory of each month from, in case of the accounting year being a calendar year, January through January and dividing the total by thirteen. If the firm's accounting year is other than a calendar year, say a financial year, (April and March), the average level of inventory can be computed by adding the opening inventory of each month from April through April and dividing the total by thirteen. This approach has the advantage of being free from bias as it smoothens out the fluctuations in inventory level at different periods. This is particularly true of firms in seasonal industries. However, a serious limitation of this approach is that detailed month-wise information may present practical problems of collection for the analyst. Therefore, average inventory may be obtained by using another basis, namely, the average of the opening inventory and the closing inventory.

WORKING CAPITAL TURNOVER RATIO

This ratio, should the number of times the working capital results in sales. In other words, this ratio indicates the efficiency or otherwise in the utilization of short term funds in making sales. Working capital means the excess of current assets over the current liabilities. In fact, in the short run, it is the current liabilities which play a major role. A careful handling of the short term assets and funds will mean a reduction in the amount of capital employed, thereby improving turnover. The following formula is used to measure this ratio:

SALES

WORKING CAPITAL TURNOVER RATIO = _____

NET WORKING CAPITAL

FIXED ASSETS TURNOVER RATIO

As the organization employs capital on fixed assets for the purpose of equipping itself with the required manufacturing facilities to produce goods and services which are saleable to the customers to earn revenue, it is necessary to measure the degree of success achieved in this bearing. This ratio expresses the relationship between cost of goods sold or sales and fixed assets. The following is used for measurement of the ratio.

SALES

FIXED ASSETS TURNOVER = _____

NET FIXED ASSETS

In computing fixed assets turnover ratio, fixed assets are generally taken at written down value at the end of the year. However, there is no rigidity about it. It may be taken at the original cost or at the present market value depending on the object of comparison. In fact, the ratio will have automatic improvement if the written down value is used.

It would be better if the ratio is worked out on the basis of the original cost of fixed assets. We will take fixed assets at cost less depreciation while working this ratio.

PROFITABILITY RATIOS

The main object of a business concern is to earn profit. A company should earn profits to survive and to grow over a long period. The operating efficiency of a business

concern is ultimately adjudged by the profits earned by it. Profitability should distinguish from profits. Profits refer to the absolute quantum of profit, In other words, an ability to earn the maximum from the maximum use of available resources by the business concern is known as profitability. Profitability reflects the final result of a business operation. Profitability ratios are employed by the management in order to assess how efficiently they carry on business operations. Profitability is the main base for liquidity as well as solvency. Creditors, banks and financial institutions are interest obligations and regular and improved profits enhance the long term solvency position of the business.

GROSS PROFIT MARGIN

The gross profit margin is also known as gross margin. It is calculated by dividing gross profit by sales. Thus,

$$\text{GROSS PROFIT MARGIN} = \frac{\text{GROSS PROFIT}}{\text{SALES}} * 100$$

Gross profit is the result of the relationship between prices, sales volume and cost. A change in the gross margin can be brought about by changes in any of these factors. The gross margin represents the limit beyond which fall in sales price are outside the tolerance limit. Further, the gross profit ratio/margin can also be used in determining the extent of loss caused by theft, spoilage, damage, and so on in the case of those firms which follow the policy of fixed gross profit margin in pricing their products.

A high ratio of gross profit to sales is a sign of good management as it implies that the cost of production of the firm is relatively low. It may also be indicative of a higher sales price without a corresponding increase in the cost of goods sold. It is also likely that cost of sales might have declined without a corresponding decline in sales price. Nevertheless, a very high and rising gross margin may also be the result of unsatisfactory basis of valuation of stock, that is, overvaluation of closing stock and/or undervaluation of opening stock.

A relatively low gross margin is definitely a danger signal, warranting a careful and detailed analysis of the factors responsible for it. The important contributory factors may be (i) a high cost of production reflecting acquisition of raw materials and other inputs on unfavorable terms, inefficient utilization of current as well as fixed assets, and so on; and (ii) a low selling price resulting from severe competition, inferior quality of the product, lack of demand, and so on. A thorough investigation of the factors having a bearing on the low gross margin is called for. A firm should have a reasonable gross margin to ensure adequate coverage for operating expenses of the firm and sufficient return to the owners of the business, which is reflected in the net profit margin.

NET PROFIT MARGIN

It is also known as net margin. This measures the relationship between net profits and sales of a firm.

EARNINGS AFTER INTEREST AND TAXES

$$\text{NET PROFIT MARGIN} = \frac{\text{EARNINGS AFTER INTEREST AND TAXES}}{\text{NET SALES}} \times 100$$

A high net profit margin would ensure adequate return to the owners as well as enable a firm to withstand adverse economic conditions when selling price is declining, cost of production is rising and demand for the product is falling.

A low net profit margin has the opposite implications. However, a firm with low profit margin can earn a high rate of return on investment if it has a higher turnover. This aspect is covered in detail in the subsequent discussion. The profit margin should, therefore, be evaluated in relation to the turnover ratio. In other words, the overall rate of return is the product of the net profit margin and the investment turnover ratio. Similarly, the gross profit margin and the net profit margin should be jointly evaluated.

RETURN ON INVESTMENT

The basic objective of making investments in any business is to obtain satisfactory return on capital invested. The nature of this return will be influenced by factors such as, the type of the industry, the risk involved, the risk of inflation, the comparative rate of return on gilt-edged securities and fluctuations in external economic conditions. For this purpose, the shareholders can measure the success of a company in terms of profit related to capital employed. The return on capital employed can be used to show the efficiency of the business as a whole. The overall performance and the most important, therefore, can be judged by working out a ratio between profit earned and capital employed. The resultant ratio, usually expressed as a percentage, is called rate of return or return on capital employed to express the idea, the purpose is to ascertain how much income the use of Rs.100 of capital generates. The return on “capital employed” may be based on gross capital employed or net capital employed. The formula for this ratio may be written as follows.

OPERATING PROFIT

$$\text{RETURN ON INVESTMENT} = \frac{\text{OPERATING PROFIT}}{\text{CAPITAL EMPLOYED}}$$

RETURN ON EQUITY (ROE)

This is also known as return on net worth or return on proprietors' fund. The preference shareholders get the dividend on their holdings at a fixed rate and before dividend to equity shareholders, the real risk remains with the equity shareholders. Moreover, they are the owners of total profits earned by the firms after paying dividend on preference shares. Therefore this ratio attempts to measure the firm's profitability in terms of return to equity shareholders. This ratio is calculated by dividing the profit after taxes and preference dividend by the equity capital. Thus

NET PROFIT AFTER TAXES AND PREFERENCE DIVIDEND

RETURN ON EQUITY = _____

EQUITY CAPITAL

RETURN ON TOTAL ASSETS

This ratio is also known as the profit-to-assets ratio. This ratio establishes the relationship between net profits and assets. As these two terms have conceptual differences, the ratio may be calculated taking the meaning of the terms according to the purpose and intent of analysis. Usually, the following formula is used to determine the return on total assets ratio.

NET PROFIT AFTER TAXES AND INTEREST

RETURN ON TOTAL ASSETS = _____ *** 100**

TOTAL ASSETS

SOLVENCY RATIO:

Solvency ratio measures financial soundness of business and how well the company can satisfy its short, and long term obligations. D&B uses six key financial business ratios to measure company's solvency.

DEBT TO EQUITY RATIO

The relationship between borrowed funds and owner's capital is a popular measure of the long-term financial solvency of a firm. The relationship is shown by the debt-equity ratios. This ratio reflects the relative claims of creditors and shareholders against the assets of the firm. The relationship between outsiders' claims and owner's capital can be shown in different ways and, accordingly, there are many variants of the debt-equity ratio.

TOTAL DEBT

DEBT TO EQUITY RATIO = _____

TOTAL EQUITY

The debt-equity ratio is, thus, the ratio of total outside liabilities to owners' total funds. In other words, it is the ratio of the amount invested by the owners of business.

CURRENT LIABILITIES TO INVENTORY RATIO:

This ratio shows, as a percentage the reliance on available inventory for payment of debt (how much a company relies on funds from disposal of unsold inventories to meet its current debt.)

This ratio is calculated using the following formula

$\text{CURRENT LIABILITIES TO INVENTORY RATIO} = \frac{\text{CURRENT LIABILITIES}}{\text{INVENTORY}}$

CHAPTER-4

4. ANALYSIS AND INTERPRETATION

4.1. RATIO ANALYSIS

MEANING:

The ratio analysis is the one of the most powerful tools of working capital analysis. It is the process of establishing and interpreting various ratios. A ratio is a simple arithmetical expression of the relationship of the one number to another.

DEFINITION:

Ratio analysis is may be defined as the indicate quotient of the two mathematical expressions. A ratio “is an expression of the quantitative relationship between two members”.

The following are the important point of ratio analysis

- **Useful in working capital position analysis**

Accounting ratio reveals the working capital position of the concern. This helps the Banks, insurance companies and financial institution in lending and making investment decisions.

- **Useful in simplifying accounting figures**

According ratio's simplify summaries and systematize the accounting figures in the order to make them more understandable in lucid from the highlight the interrelationship, which exists between various segments of the business as expressed by s=accounting statements often alone cannot help them to convey any meaning and ratios help them with other figure.

Advantages

- ✓ Ratio analysis simplifies and systematize the long array of Accounting Figures.
- ✓ It explain the inter relationship between various segments of the business.
- ✓ It is an instruments for diagnosis of the financial health of an enterprise.
- ✓ Liquidity, cash, inventory and Receivable ratio enable t make conclusion to be drawn regarding the financial strengths and the capabilities of business units.
- ✓ The ratio analysis is of immense use and to the management in the discharge of its basic functions of forecasting planning coordination, communication.
- ✓ The data's are usually estimates. Estimates regarding the use assets, the rates of depreciation, provision of doubtful assets etc. Which differ from realities? So ratios may conceal reality.
- ✓ Ratios are only a fraction of information needed for decision making. The information obtain from ratios must be used conjunction with that from other sources so as ensure a comprehensive analysis.

STEPS INVOLVED IN RATIO ANALYSIS:

- Selection of relevant data from the financial statement depending upon the objective the analysis.
- Calculation of appropriate ratios from the above data.
- Comparison of the ratios calculated ratios of the same firm in the past, or the ratios developed from projected financial statements or the some other firms.
- Interpretation of ratios.

TOOLS USED FOR ANALYSIS:

- ❖ Working capital finance
- ❖ Liquidity Ratios
- ❖ Turnover Ratios
- ❖ Profitability Ratios
- ❖ Solvency Ratios.

WORKING CAPITAL FINANCE:

A. SIZE OF WORKING CAPITAL

Funds available for a period of one year or less are called short term finance. In India, short term funds are used to finance working capital. Two most significant short term sources of finance for working capital are: trade credit and bank borrowing. The use of trade credit as a ratio of current assets is 40 percent. Reserve bank of India data that credit has grown faster than the growth sales indicates it.

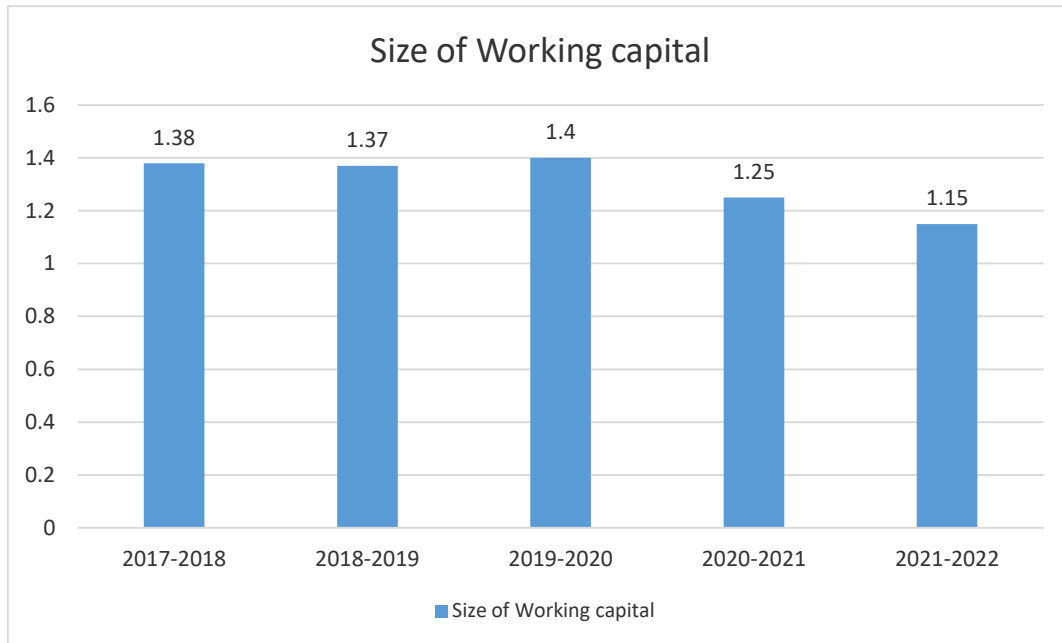
Bank Borrowing is the next important source of working capital finance. Before seventies, bank credit was liberally available to firms. It became a scarce resource after eighties because of the change in the government policy.

4.1. TABLE SHOWING SIZE OF WORKING CAPITAL

Year	Amount
2017-2018	1.38
2018-2019	1.37
2019-2020	1.40
2020-2021	1.25
2021-2022	1.15
AVERAGE	0.26

(Source: Secondary data)

4.1.1. CHART SHOWING SIZE OF WORKING CAPITAL



INTERPRETATION

From the above chart shows working capital of the company has considerably increased from (2019-2020) 1.408450704. The average working capital over the study period amount to (Rs in lakhs) 0.263292399

B.WORKING CAPITAL RATIO

PERCENTAGE GROWTH OF WORKING CAPITAL It represents the ratio of current assets to current liabilities. It is also called working capital ratio. The current ratio is a measure of the firm's short term solvency.

It indicates the availability of current assets in rupees for every one rupee of current liability.

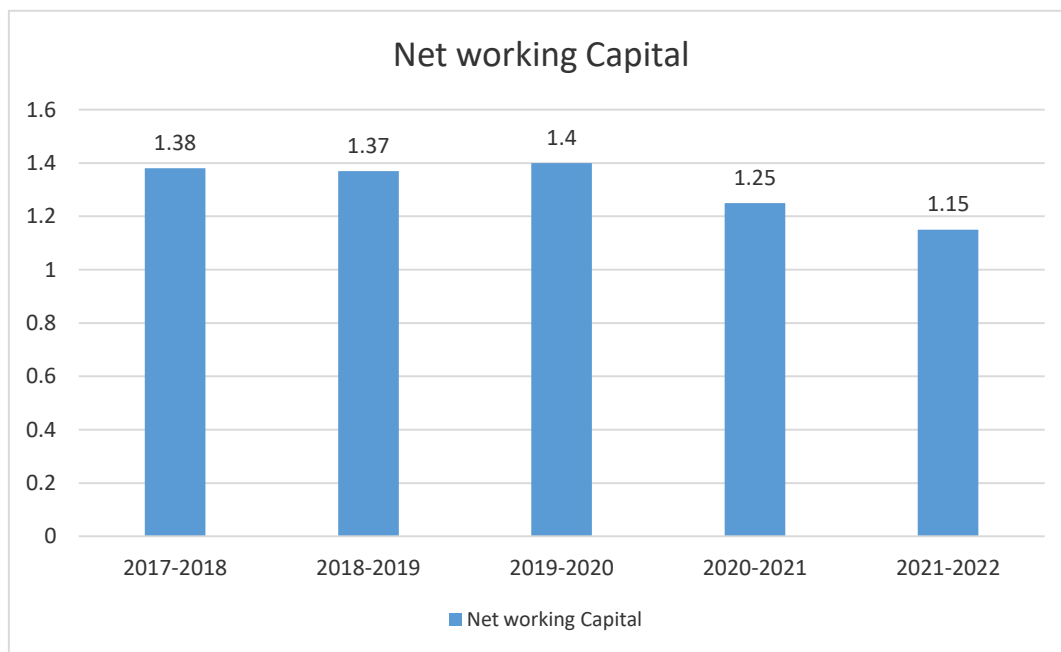
Working capital Ratio = Current assets – Current liabilities

4.2. TABLE SHOWING PERCENTAGE GROWTH OF WORKING CAPITAL

(Source: Secondary data)

Percentage Growth of Working Capital				
Rs.Lakhs				
Year	Current Assets	Current Liabilities	Net working Capital	Growth %
2017-2018	151	109	1.38	100
2018-2019	147	107	1.37	99.17
2019-2020	134	95.14	1.40	102.51
2020-2021	109.08	86.78	1.25	89.24
2021-2022	102.83	88.82	1.15	92.10

4.2.1 CHART SHOWING PERCENTAGE GROWTH OF WORKING CAPITAL



INTERPRETATION

The chart shows working capital represents the relationship between the current assets and current liabilities.

From the above chart there is a continuous growth in working capital. This indicates that there are enough current assets in relation to current liabilities.

PERCENTAGE OF CASH TO WORKING CAPITAL

It represents the ratio of current assets to current liabilities. It is also called working capital ratio. The current ratio is a measure of the firm's short term solvency.

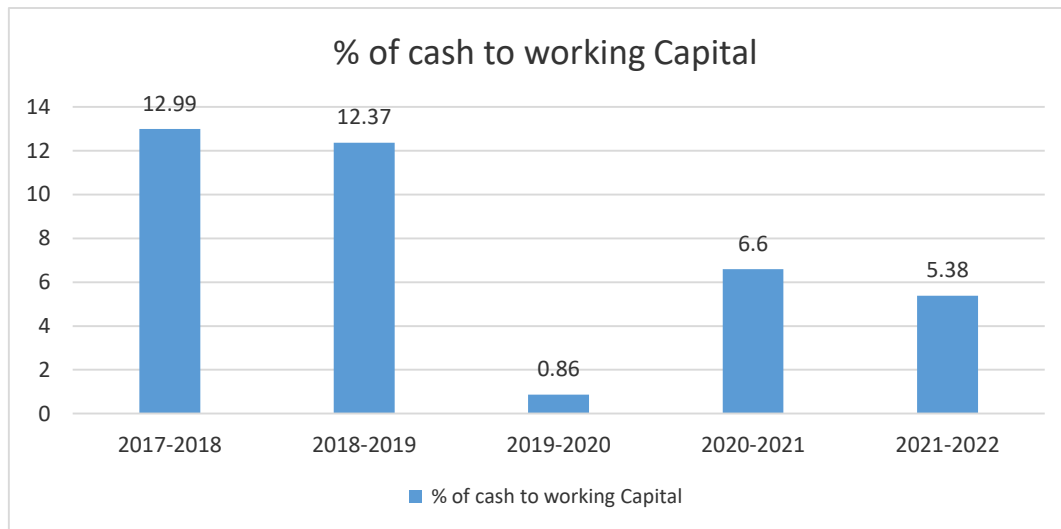
It indicates the availability of current assets in rupees for every one rupee of current liabilities

4.3. TABLE SHOWING PERCENTAGE OF CASH TO WORKING CAPITAL

(Source: Secondary data)

Percentage of cash to Working Capital			
Rs.Lakhs			
Year	Current Assets	Working Capital	% of cash to working Capital
2017-2018	18	1.38	12.99
2018-2019	17	1.37	12.37
2019-2020	1.22	1.40	0.86
2020-2021	8.3	1.25	6.60
2021-2022	6.24	1.15	5.38

4.3.1. CHART SHOWING PERCENTAGE OF CASH TO WORKING CAPITAL



INTERPRETATION

From the above chart it can be seen that the percentage of cash and bank balance to working capital was 12.99% in the year 2017-2018, but it is decreasing to 0.8% during 2020-2021. Then it is settled around 5.3% this is because of more fluctuation in cash and bank balance.

LIQUIDITY RATIOS

A. CURRENT RATIOS:

Current Ratio is the ratio of total current assets and current liabilities. It shows the firm's ability to cover its current liabilities with its current assets. It is expressed as follows.

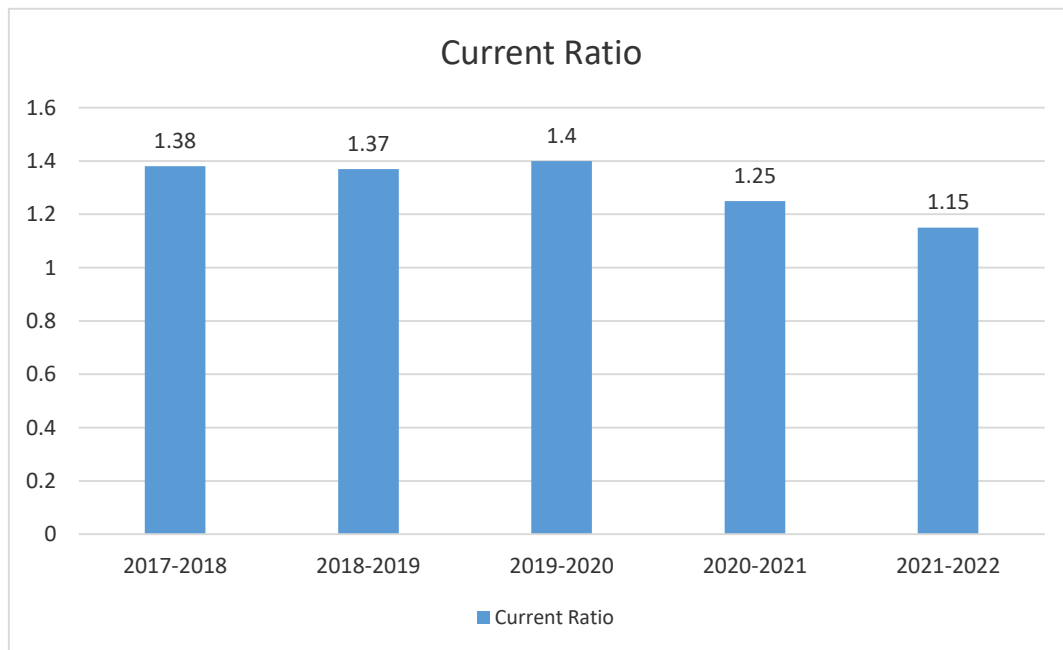
$$\text{Current ratio} = \text{Current assets} / \text{Current liabilities}$$

4.4. TABLE SHOWING CURRENT RATIO

(Source: Secondary data)

CURRENT RATIO			
Rs.Lakhs			
Year	Current Assets	Current Liabilities	Current Ratio
2017-2018	151	109	1.38
2018-2019	147	107	1.37
2019-2020	134	95.14	1.40
2020-2021	109.08	86.78	1.25
2021-2022	102.83	88.82	1.15

4.4.1 CHART SHOWING CURRENT RATIO



INTERPRETATION

From the above chart showing Current Ratio is increasing third year over the period of study, in (2019-2020) its current ratio was 1.40 % and but from the period of 2021 and 2022 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.

QUICK RATIO (OR) LIQUID RATIO

Quick ratio may be defined as relationship liquid assets and liabilities. It is referred to quick ratio because it is a measurement of the firm's ability to convert its current assets quickly into order to meet its current liabilities. It is expressed as follows,

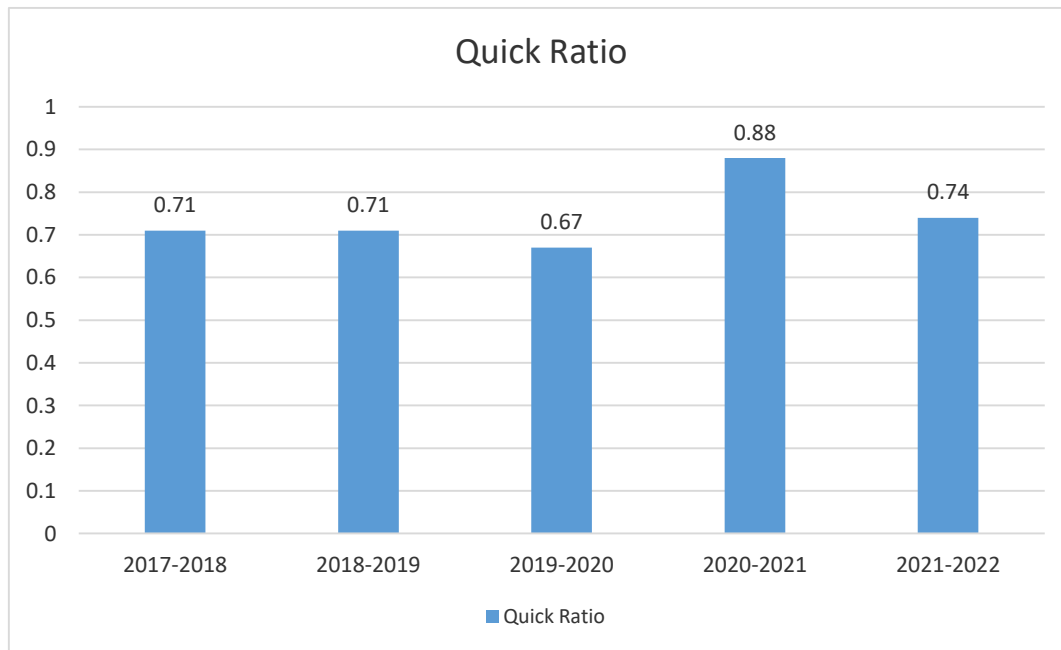
$\text{Liquid Ratio} = \text{Liquid assets} / \text{liquid liabilities}$
--

4.5. TABLE SHOWING LIQUID RATIO

Quick Ratio			
Rs.Lakhs			
Year	Quick Assets	Current Liabilities	Quick Ratio
2017-2018	78	109	0.71
2018-2019	77	107	0.71
2019-2020	64.11	95.14	0.67
2020-2021	76.69	86.78	0.88
2021-2022	66.45	88.82	0.74

(Source: Secondary data)

4.5.1 CHART SHOWING LIQUID RATIO



INTERPRETATION:

As a quick ratio of 1:1 is considered satisfactory as a firm can easily meet all current claims. It is a more rigorous and penetrating test of the liquidity position of a firm.

From the above chart, it is clear that the liquidity position of the Sky & Sky Air Travels is satisfactory. Because the entire Five years liquid ratio is not below the standard ratio of 1:1.

ABSOLUTE LIQUID RATIO:

Absolute liquid ratio is also called as cash position ratio (or) overdue liability Ratio. This ratio established the relationship between the absolute liquid assets and current absolute liquid assets include cash in hand, cash at bank and marketable securities or temporary investments.

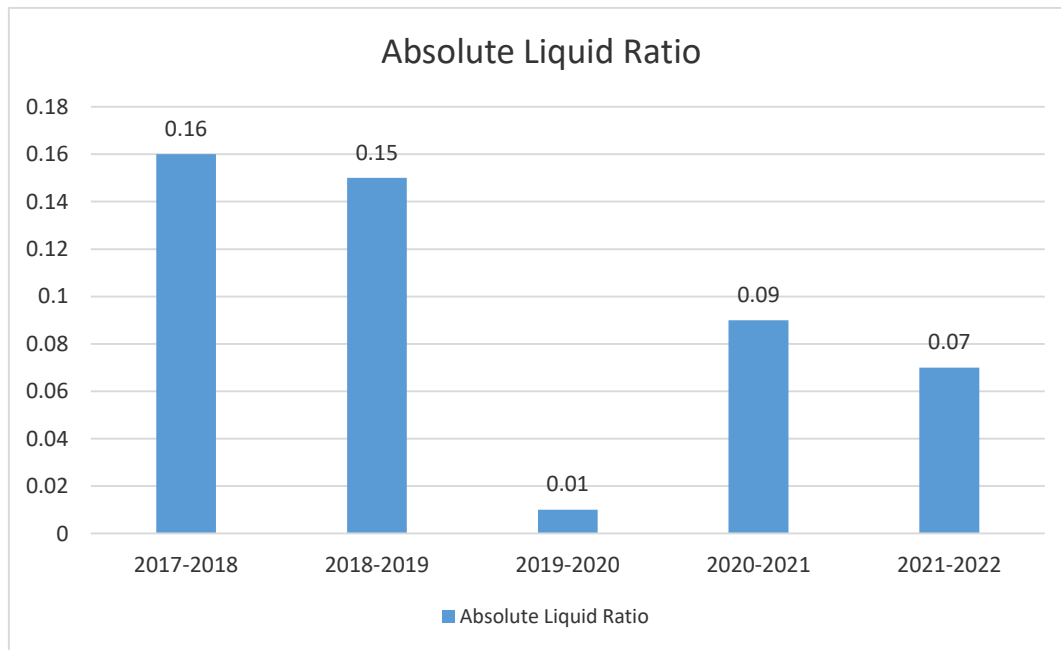
ABSOLUTE LIQUID RATIO= ABSOLUTE LIQUID ASSETS / CURRENT LIABILITIES
--

4.6. TABLE SHOWING ABSOLUTE LIQUID RATIO

Absolute Liquid Ratio			
Rs.Lakhs			
Year	Absolute Liquid Assets	Current Liabilities	Absolute Liquid Ratio
2017-2018	18	109	0.16
2018-2019	17	107	0.15
2019-2020	1.22	95.14	0.01
2020-2021	8.3	86.78	0.09
2021-2022	6.24	88.72	0.07

(Source: Secondary data)

4.6.1 CHART SHOWING ABSOLUTE LIQUID RATIO



INTERPRETATION

From the above chart shows standard ratio 0.5:1. So compared to this absolute liquid ratio are exceptionally good till 2017-2018. but later in 2019- 2020 it is decreased into 0.01%. Absolute liquid asset are considered adequate to pay with current liabilities in time as all creditors are not expected to demand cash at same time and then cash may realized from debtors and inventories.

TURNOVER RATIOS

A. Debtors Turnover ratio

A concern may sell goods on cash as well as credit. Credit is one of the important elements of sales promotion. The volume of sales can be increased by following a liberal credit policy. This ratio shows the extent of trade credit granted and the efficiency the collection of the debt. It indicates the number of times the average debtors are turned over during the year.

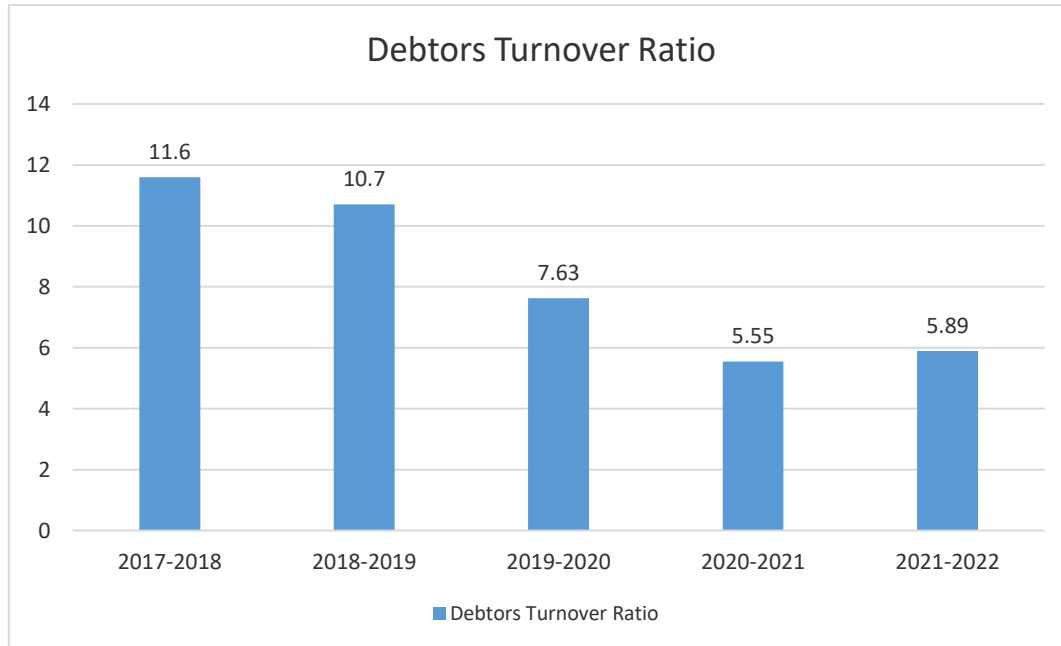
DEBTORS TURNOVER RATIO = TOTAL SALES / DEBTORS

4.7. TABLE SHOWING DEBTORS TURN OVER RATIO

Debtors Turnover Ratio			
Rs.Lakhs			
Year	Total Sales	Debtors	Debtors Turnover Ratio
2017-2018	580	50	11.6
2018-2019	535	50	10.7
2019-2020	480.29	62.89	7.63
2020-2021	379.82	68.39	5.55
2021-2022	354.79	60.21	5.89

(Source: Secondary data)

4.7.1 CHART SHOWING DEBTOR TURNOVER RATIO



INTERPRETATION

From the above chart shows in the year 2017-2018 the ratio is 11.6%. Also the ratio was increasing gradually debtor turnover ratio is higher in the end of the study period. And it is higher than Standard '6' it reflects the efficient debt management.

AVERAGE COLLECTION PERIOD:

Significance

Average collection period indicates the quality of debtors by measuring the rapidity or slowness in the collection process. Generally, the shorter the average collection period, the better is the quality of debtors as a short collection period implies quick payment by debtors. Similarly, a higher collection period implies as inefficient collection performance which, in turn, adversely affects the liquidity or short term paying capacity of a firm out of its current liabilities. Moreover, longer the average collection period, larger is the chances of bad debts.

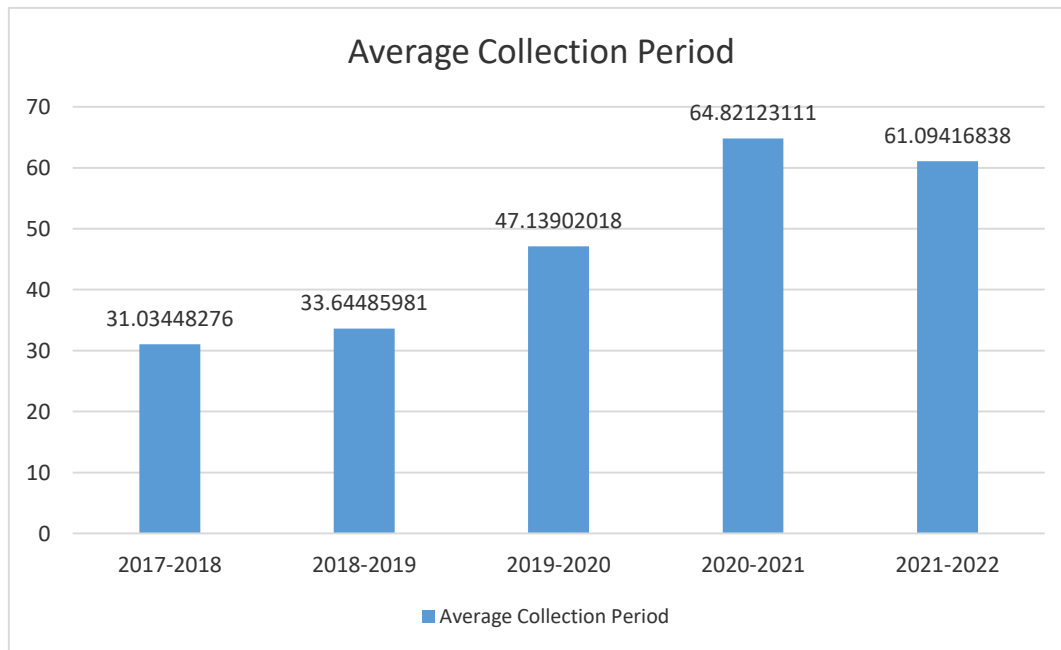
AVERAGE COLLECTION PERIOD = 360DAYS / DEBTORS TURNOVER RATIO

4.8. TABLE SHOWING AVERAGE COLLECTION PERIOD

Average Collection Period			
Rs.Lakhs			
Year	Days In A Year	Debtors Turnover Ratio	Average Collection Period
2017-2018	360	11.6	31.03448276
2018-2019	360	10.7	33.64485981
2019-2020	360	7.636985212	47.13902022
2020-2021	360	5.553735926	64.82123111
2021-2022	360	5.892542767	61.09416838

(Source: Secondary data)

4.8.1 CHART SHOWING AVERAGE COLLECTION PERIOD



INTERPRETATION

From the above chart shows that above ratio is decreasing continuously and reached to 61.09. It implies the different debt management.

INVENTORY TURNOVER RATIO:

This ratio measures the stock in relation to turnover in order to determine how often the stock turns over in the business. It indicates the efficiency of the firm in selling its product. It is calculated by dividing the cost of goods sold by the average inventory.

INVENTORY TURNOVER RATIO = NET SALES / AVERAGE INVENTORY

Significance:

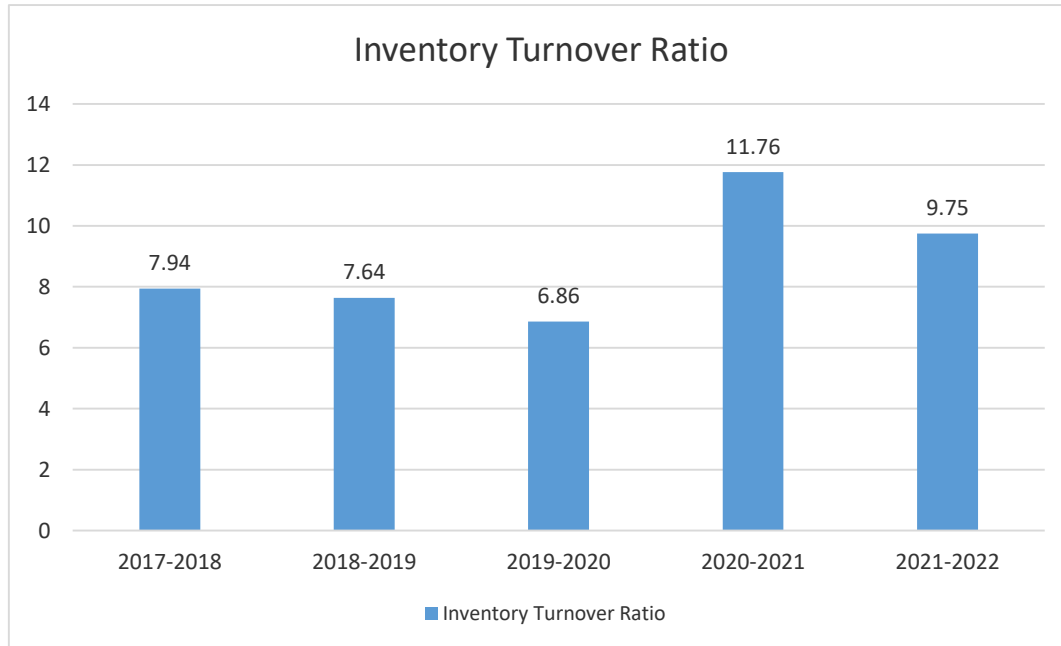
This ratio is calculated to ascertain the number of times the stock is turned over during the periods. In other words, it is an indication of the velocity of the movement of the stock during the year. In case of decrease in sales, this ratio will decrease. This serves as a check on the control of stock in a business. This ratio will reveal the excess stock and accumulation of obsolete or damaged stock. The ratio of net sales to stock is satisfactory relationship, if the stock is more than three-fourth of the net working capital. This ratio gives the rate at which inventories are converted into sales and then into cash and thus helps in determining the liquidity of a firm.

4.9. TABLE SHOWING INVENTORY TURNOVER RATIO

Inventory Turnover Ratio			
Rs.Lakhs			
Year	Net Sales	Average Inventory	Inventory Turnover Ratio
2017-2018	580	73	7.94
2018-2019	535	70	7.64
2019-2020	480.29	69.95	6.86
2020-2021	379.82	32.29	11.76
2021-2022	354.79	36.38	9.75

(Source: Secondary data)

4.9.1 CHART SHOWING INVENTORY TURNOVER RATIO



INTERPRETATION

From the above chart shows a higher turnover ratio brisk sales. The above chart shows that is an inventory trend in the ratio. In the year 2020-2021, inventory ratio is high 11.76 when compared to other years. In the year 2021-2022, inventory turnover ratio is 9.75.

WORKING CAPITAL TURNOVER RATIO

This ratio shows the number of times the working capital results in sales. In other words, this ratio indicates the efficiency or otherwise in the utilization of short term funds in making sales. Working capital means the excess of current assets over current liabilities. In fact, in the short run, it is the current assets and current liabilities which play a major role. A careful handling of the short term assets and funds will mean a reduction in the amount of capital employed, thereby improving turnover.

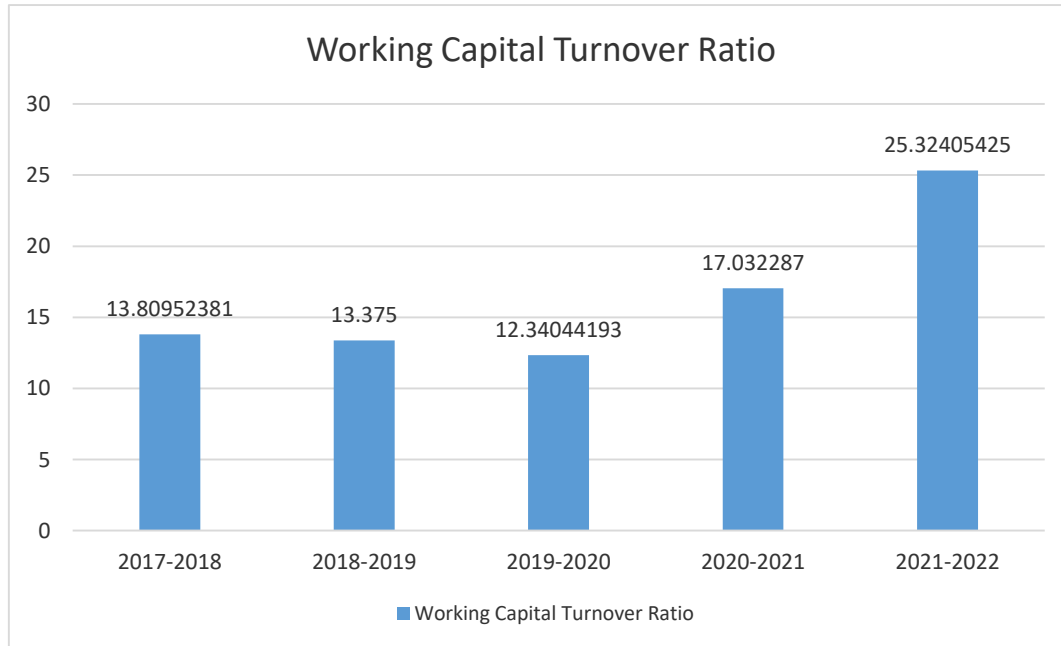
WORKING CAPITAL TURNOVER RATIO = SALES / NET WORKING CAPITAL

4.10. TABLE SHOWING WORKING CAPITAL TURNOVER RATIO

Working Capital Turnover Ratio			
Rs.Lakhs			
Year	Net Sales	Net Working Capital	Working Capital Turnover Ratio
2017-2018	580	42	13.80952381
2018-2019	535	40	13.375
2019-2020	480.29	38.92	12.34044193
2020-2021	379.82	22.3	17.032287
2021-2022	354.79	14.01	25.32405425

(Source: Secondary data)

4.10.1 CHART SHOWING WORKING CAPITAL TURNOVER RATIO



INTERPRETATION

From the above chart shows working capital turnover ratio has considerably increased from 2021-1014. But from the period of 2018-2019 start decreasing. The higher ratio indicates efficient utilization of the working capital. In the year of 2021-2022 the ratio was 25.32, so the utilization of working capital is satisfactory than the years. And in the year of 2019-2020 the ratio is 12.34 and there is more working capital seen in the year.

FIXED ASSETS TURNOVER RATIO:

The fixed assets turnover ratio measures the efficiency with which the firm has been using its fixed assets to generate sales. It is calculated by dividing the firm's sales by its net fixed assets as follows:

FIXED ASSETS TURNOVER = SALES / NET FIXED ASSETS

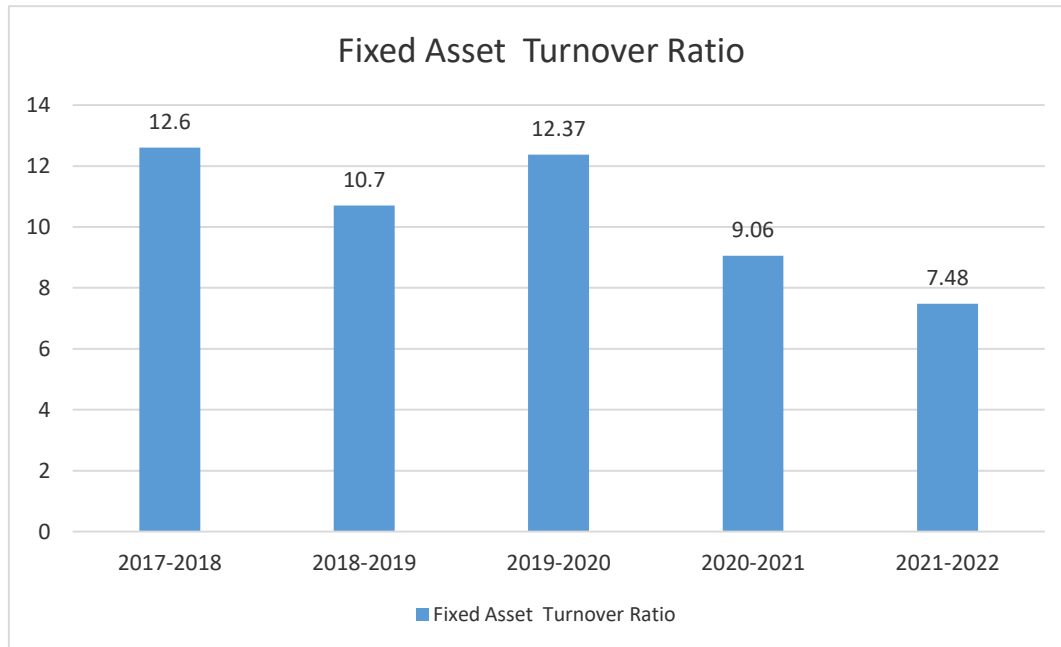
Significance: This ratio gives an idea about adequate investment or over investment or under investment in fixed assets. As a rule, over-investment in unprofitable fixed assets should be avoided to the possible extent. Under-investment is also equally bad affecting unfavorably the operating costs and consequently the profit. In manufacturing concerns, the ratio is important and appropriate, since sales are produced not only by use of working capital but also the capital invested in fixed assets. An increase in this ratio is the indicator of efficiency in work performance and a decrease in this ratio speaks of unwise and improper investment in fixed assets.

4.11. TABLE SHOWING FIXED ASSETS TURNOVER RATIO

Fixed Asset Turnover Ratio			
Rs.Lakhs			
Year	Net Sales	Net Fixed Asset	Fixed Asset Turnover Ratio
2017-2018	580	46	12.60
2018-2019	535	50	10.7
2019-2020	480.29	38.82	12.37
2020-2021	379.82	41.89	9.06
2021-2022	354.79	47.42	7.48

(Source: Secondary data)

4.11.1 CHART SHOWING FIXED ASSET TURNOVER RATIO



INTERPRETATION:

From the above chart shows fixed asset turnover ratio has considerably increased from 2021-1014. But from the period of 2020-2021 start decreasing. The higher ratio indicates efficient utilization of the fixed asset.

Thus the fixed assets turnover ratio for the Five years are satisfactory as such there is 2021 and 2022 underutilization of the fixed assets.

PROFITABILITY RATIOS

A. GROSS PROFIT MARGIN

- Normally the gross profit has to rise proportionately with sales.
- It can also be useful to compare the gross profit margin across similar businesses although there will often be good reasons for any disparity.

GROSS PROFIT MARGIN = GROSS PROFIT / Total SALES *100

Significance:

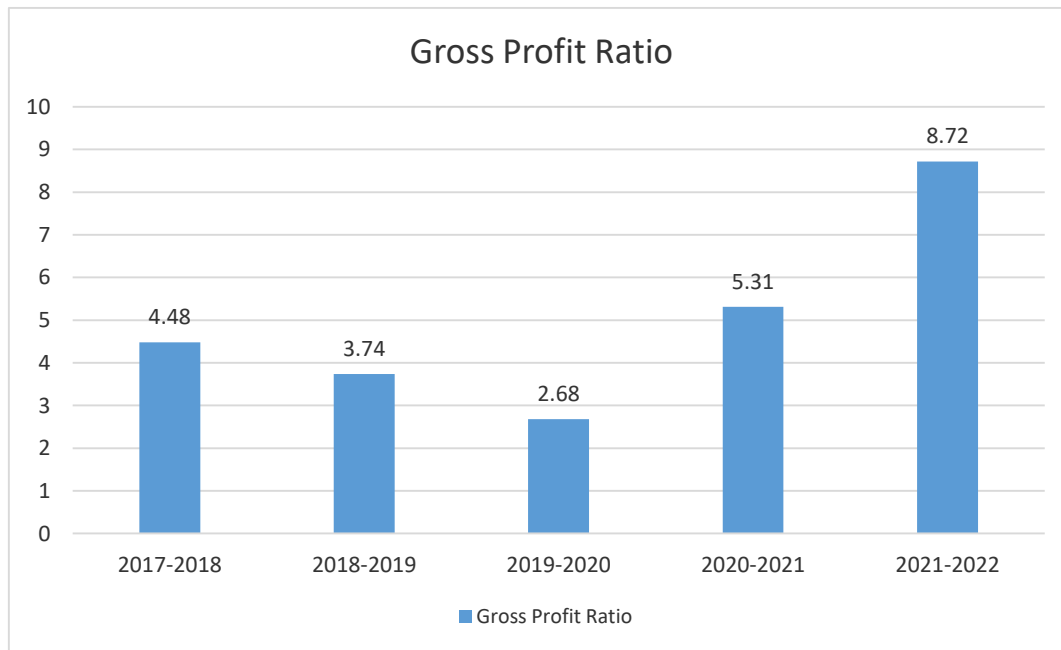
The gross profit shows the gap between revenue and trading costs. It, therefore, indicates the extent to which the revenue have a potential to generate a surplus. In other words, the gross profit reveals the mark up on the sales. Gross profit ratio reveals profit earning capacity of the business with reference to its sale. Increase in gross profit ratio will mean reduction in cost of production or direct expenses or sale at a reasonably good price and decrease in the will mean increased cost of production or sales at a lesser price. Higher gross profit ratio is always in the interest of the business.

4.12. TABLE SHOWING GROSS PROFIT RATIO

Gross Profit Ratio			
Rs.Lakhs			
Year	Gross Profit	Total Sales	Gross Profit Ratio
2017-2018	26	580	4.48
2018-2019	20.05	535	3.74
2019-2020	12.88	480.29	2.68
2020-2021	20.17	379.82	5.31
2021-2022	30.94	354.79	8.72

(Source: Secondary data)

4.12.1 CHART SHOWING GROSS PROFIT RATIO



INTERPRETATION

From the above chart shows the gross profit ratio of the firm. However the company is being able to maintain a gross profit of 5% and above. It also increasing over the years. But first three years lightly decreased in the year of 2018, 2019, 2020. This indicates that the management is taking measures to reducing cost of production and improves the profit.

NET PROFIT MARGIN

This is a widely used measure of performance and is comparable across companies in similar industries. The fact that a business works on a very low margin need not cause alarm because there are some sectors in the industry that work on a basis of high turnover and low margins, for examples supermarkets and motorcar dealers. What is more important in any trend is the margin and whether it compares well with similar businesses.

$$\text{NET PROFIT MARGIN} = \text{EARNINGS AFTER INTEREST AND TAXES} / \text{NET SALES} \times 100$$

Significance:

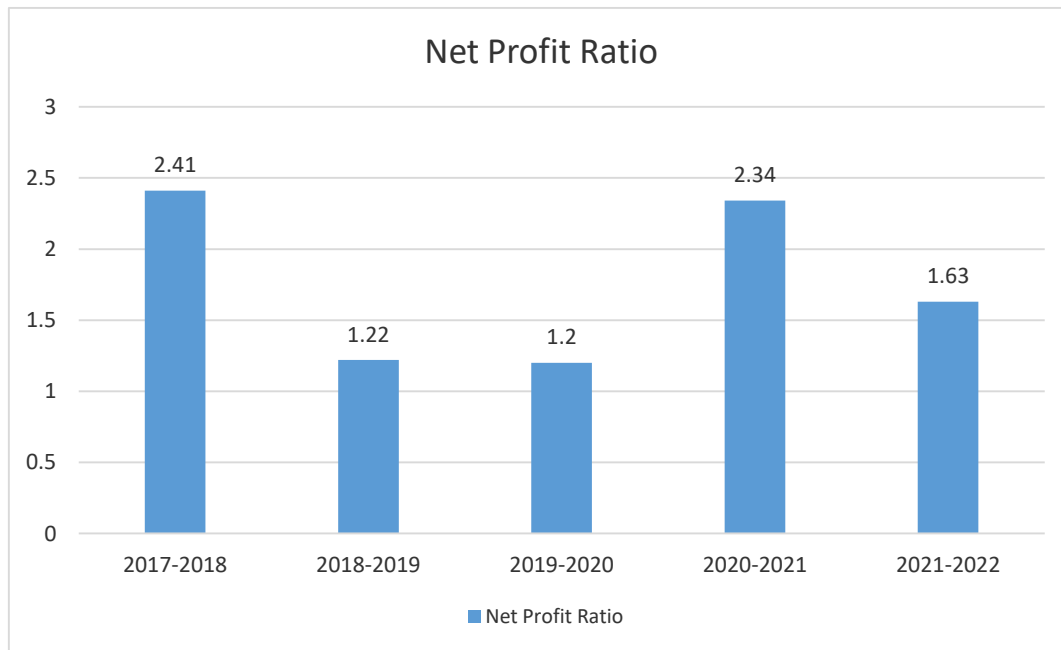
An objective of working net profit ratio is to determine the overall efficiency of the business. Higher the net profit ratio, the better the business. The net profit ratio indicates the management's ability to earn sufficient profits on sales not only to cover all revenue operating expenses of the business, the cost of borrowed funds and the cost of merchandising or servicing, but also to have a sufficient margin to pay reasonable compensation to shareholders on their contribution to the firm. A high ratio ensures adequate return to shareholders as well as to enable a firm to with stand adverse economic conditions. A low margin has an opposite implication.

4.13. TABLE SHOWING NET PROFIT RATIO

Net Profit Ratio			
Rs.Lakhs			
Year	Net Profit	Net Sales	Net Profit Ratio
2017-2018	14	580	2.41
2018-2019	6.55	535	1.22
2019-2020	5.8	480.29	1.20
2020-2021	8.9	5379.82	2.34
2021-2022	5.8	354.79	1.63

(Source: Secondary data)

4.13.1 CHART SHOWING NET PROFIT RATIO



INTERPRETATION

From the above chart shows that there is a consistent growth in net profit ratio from the year 2017-2018 the ratio is 2.41 and 2020-2021 the ratio is 2.34. But in the year 2019-2020 net profit has fallen 1.20 this is mainly because of the increase in the production which has brought down the net profit.

OPERATING PROFIT MARGIN

The operating profit margin (operating margin) compares a company's operating income (earnings before interest and taxes, or EBIT) to sales. It indicates how successful management has been in generating income from operating the business. The calculation is as follows:

$$\text{Operating profit margin} = [\text{sales} - \text{cost of goods sold} - \text{selling, general \& administrative (SG\&A) costs}] \div \text{sales}$$

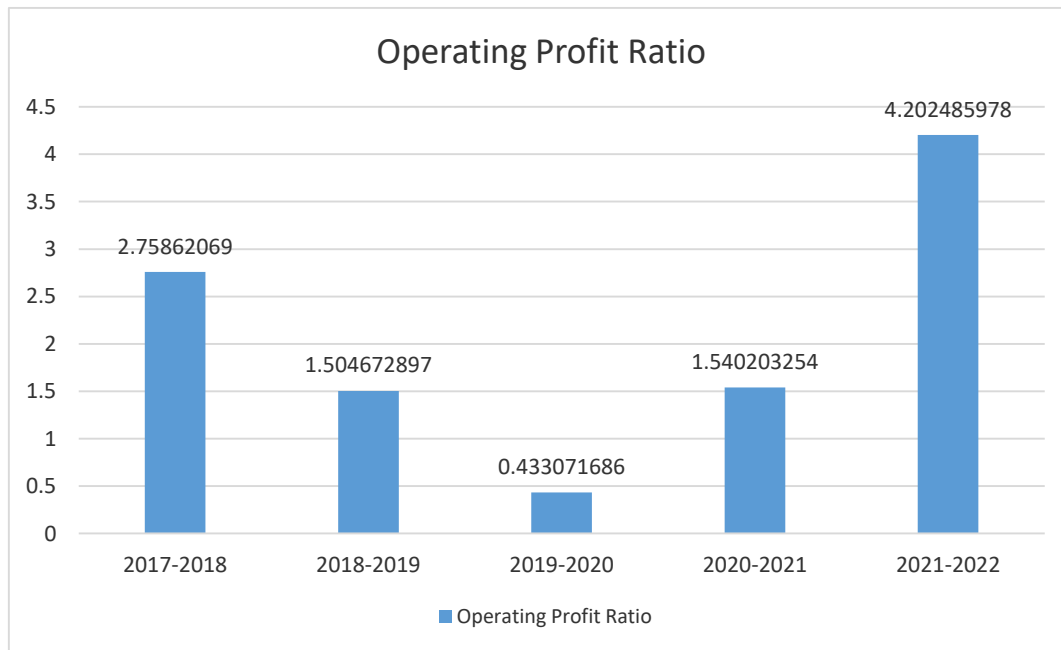
SG&A expense is the sum of all direct and indirect selling expenses and all general and administrative expenses of a company. Direct selling expenses are directly tied to the sale of a specific unit, such as credit, warranty and advertising expenses. Indirect selling expenses cannot be directly linked to the sale of a specific unit, but are proportionally allocated to all units sold during a certain period for example, telephone, interest and postal charges.

4.14. TABLE SHOWING OPERATING PROFIT RATIO

Operating Profit Ratio			
Rs.Lakhs			
Year	Operating Profit	Net Sales	Operating Profit Ratio
2017-2018	16	580	2.75862069
2018-2019	8.05	535	1.504672897
2019-2020	2.08	480.29	0.433071686
2020-2021	5.85	379.82	1.540203254
2021-2022	14.91	354.79	4.202485978

(Source: Secondary data)

4.14.1 CHART SHOWING OPERATING PROFIT RATIO



INTERPRETATION

From the above chart shows that there is an operating profit trend in the ratio. In the year 2021-2022, the gross profit ratio is high 4.20; this indicates that the company has reduced its expenses or its sales.

RETURN ON EQUITY (ROE)

This ratio shows the profit attributable to the amount invested by the owners of the business. It also shows potential investors into the business what they might hope to receive as a return. The stockholders' equity includes share capital, share premium, distributable and non-distributable reserves. The ratio is calculated as follows:

$$\text{RETURN ON EQUITY} = \frac{\text{NET PROFIT AFTER TAXES AND PREFERENCE DIVIDEND}}{\text{EQUITY CAPITAL}}$$

Significance:

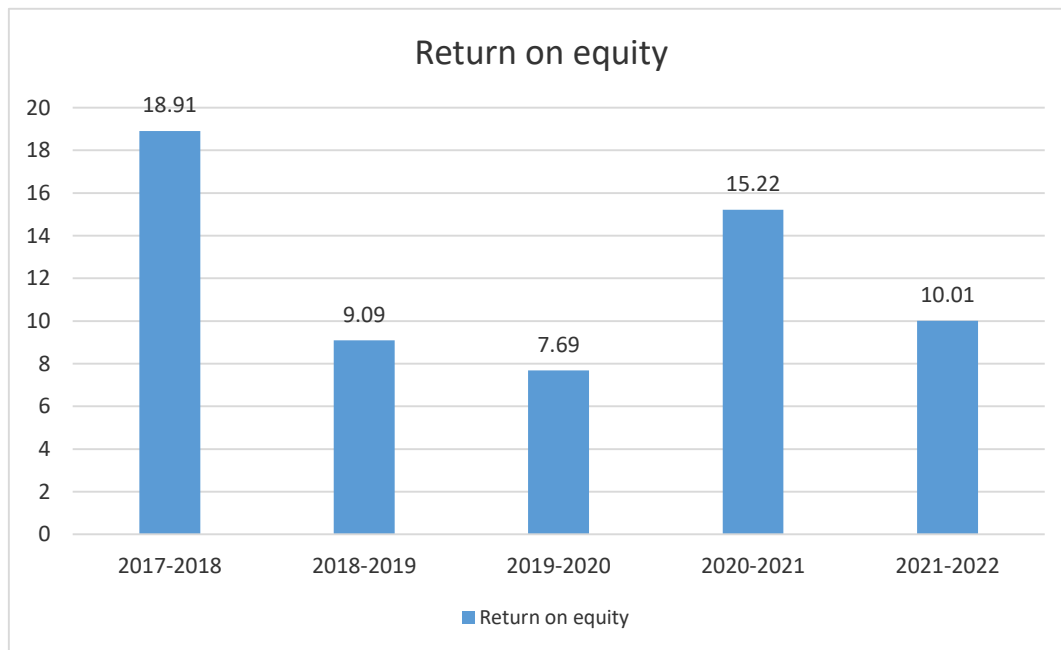
This ratio measures the profitability of the capital invested in the business by equity shareholders. As the business is conducted with a view to earn profit, return on equity capital measures the business success and managerial efficiency. It reveals whether the firm has earned a reasonable profit to its equity shareholders or not by comparing it with its own past records, inter-firm comparison and comparison with the overall industry average. This ratio is of significant use in the ratio analysis from the standpoint of the owners of the firm.

4.15. TABLE SHOWING RETURN ON EQUITY

Return on equity			
Rs.Lakhs			
Year	Net profit after interest and tax	Equity capital	Return on equity
2017-2018	14	74	18.91
2018-2019	6.55	72	9.09
2019-2020	5.8	75.36	7.69
2020-2021	8.9	58.45	15.22
2021-2022	5.8	57.92	10.01

(Source: Secondary data)

4.15.1 CHART SHOWING RETURN ON EQUITY RATIO



INTERPRETATION

From the above chart shows Return on equity ratio shows an increasing trend except in the year 2017-2018. Therefore the return on equity ratio for the five years reveals a satisfactory condition of the business.

RETURN ON TOTAL ASSETS

This ratio is also known as the profit-to-assets ratio. This ratio establishes the relationship between net profits and assets. As these two terms have conceptual differences, the ratio may be calculated taking the meaning of the terms according to the purpose and intent of analysis. Usually, the following formula is used to determine the return on total assets ratio.

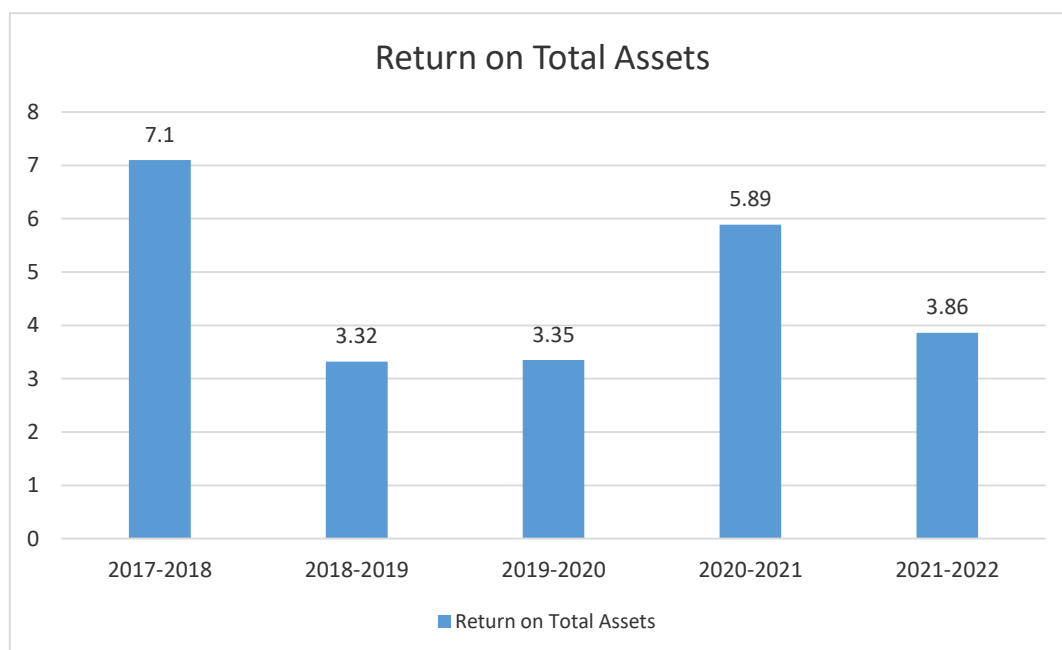
$\text{RETURN ON TOTAL ASSETS} = \frac{\text{PROFIT AFTER TAXES AND INTEREST}}{\text{NET TOTAL ASSETS}} \times 100$

4.16. TABLE SHOWING RETURN ON TOTAL ASSETS RATIO

Return on Total Assets			
Rs.Lakhs			
Year	Net profit after interest and tax	Total assets	Return on Total Assets
2017-2018	14	197	7.10
2018-2019	6.55	197	3.32
2019-2020	5.8	172.88	3.35
2020-2021	8.9	150.97	5.89
2021-2022	5.8	150.25	3.86

(Source: Secondary data)

4.16.1 CHART SHOWING RETURN ON TOTAL ASSETS RATIO



INTERPRETATION

From the above charts interprets that the return on total assets was fluctuating in the years (2018 to 2019) and (2021 to 2022), in 2017-2018 it was 7.1 and in 2020-2021 it was 5.9. This due to more fluctuation in net profit.

SOLVENCY RATIOS

A. Debt to Equity ratio

This ratio indicates the extent to which debt is covered by shareholders' funds. It reflects the relative position of the equity holders and the lenders and indicates the company's policy on the mix of capital funds. The debt to equity ratio is calculated as follows:

$\text{DEBT TO EQUITY RATIO} = \text{TOTAL DEBT} / \text{TOTAL EQUITY}$

Significance:

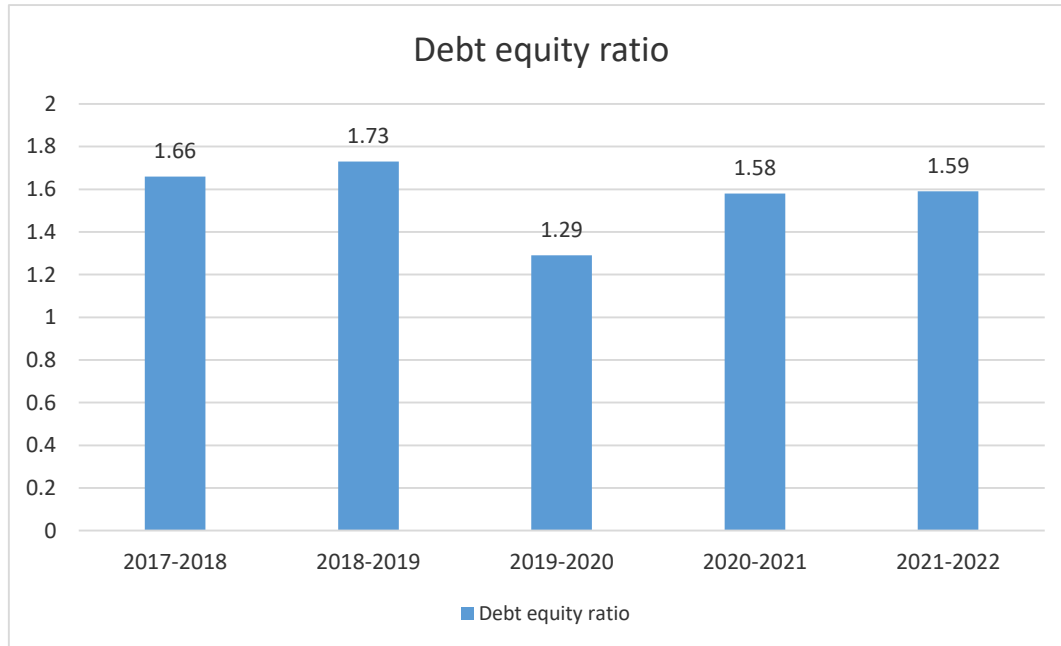
The importance of debt-equity ratio is very well reflected in the words of Weston and Brigham which are reproduced here: "Debt-equity ratio indicates to what extent the firm depends upon outsiders for its existence. For the creditors, this provides a margin of safety. For the owners, it is useful to measure the extent to which they can gain the benefits of maintaining control over the firm with a limited investment." The debt-equity ratio states unambiguously the amount of assets provided by the outsiders for every one rupee of assets provided by the shareholders of the company.

4.17. TABLE SHOWING DEBT EQUITY RATIO

Debt equity ratio			
Rs.Lakhs			
Year	Total debt	Total Equity	Debt equity ratio
2017-2018	123	74	1.66
2018-2019	125	72	1.73
2019-2020	97.52	75.36	1.29
2020-2021	92.52	58.45	1.58
2021-2022	92.33	57.92	1.59

(Source: Secondary data)

4.17.1 CHART SHOWING DEBT EQUITY RQTIO



INTERPRETATION

From the above chart shows debt equity ratio was relatively satisfactory in the year 2017-2018 and 2018-2019. compared to standard ratio 1:1 during 2019-2020 is satisfactory. It shows firms is solvent.

CURRENT LIABILITIES TO INVENTORY RATIO:

This ratio shows, as a percentage the reliance on available inventory for payment of debt (how much a company relies on funds from disposal of unsold inventories to meet its current debt.)

This ratio is calculated using the following formula

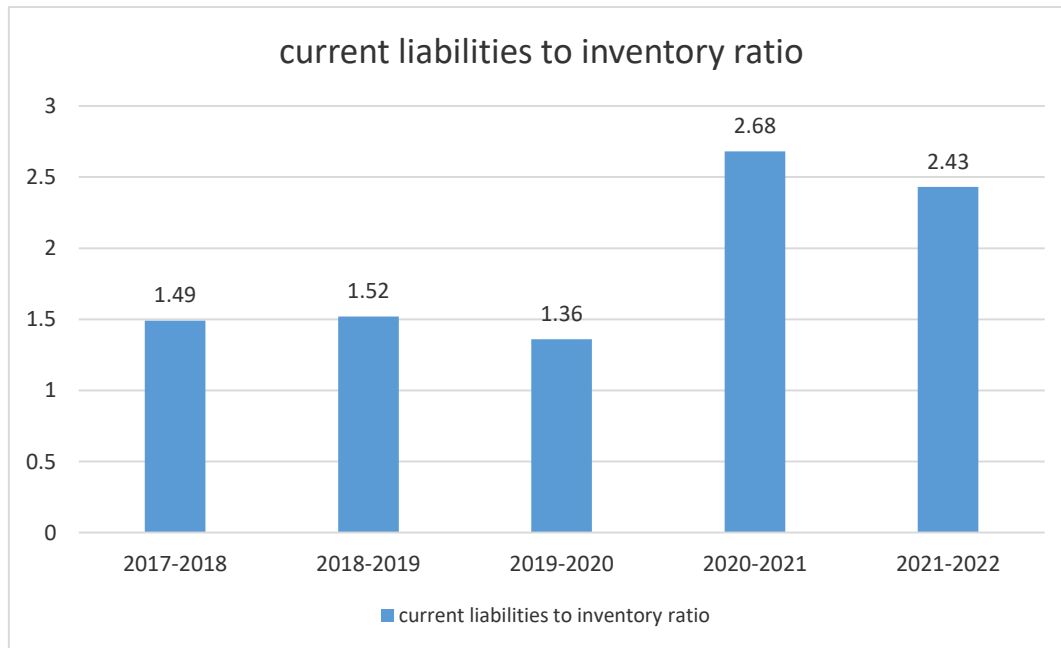
CURRENT LIABILITIES TO INVENTORY RATIO = CURRENT LIABILITIES / INVENTORY

4.18. TABLE SHOWING CURRENT LIABILITIES TO INVENTORY RATIO

CURRENT LIABILITIES TO INVENTORY RATIO			
Rs.Lakhs			
Year	current liabilities	Inventory	current liabilities to inventory ratio
2017-2018	109	73	1.49
2018-2019	107	70	1.52
2019-2020	95.14	69.95	1.36
2020-2021	86.78	32.29	2.68
2021-2022	88.72	36.38	2.43

(Source: secondary data)

4.18.1 CHART SHOWING CURRENT LIABILITIES TO INVENTORY RATIO



INTERPRETATION

From the above chart shows the current liability turnover ratio, it is observed from the table that a highest ratio of 2.69 percent was recorded during the 2020-2021. The higher ratio indicates a high degree of efficiency in current asset. This ratio is decreasing and this is not fair in long run.

Table: 4.19. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2018 – 2019

Rs.Lakhs				
Particulars	31st March 2018	31st March 2019	Increase	Decrease
Current Assets				
Inventories	70	73	3	
Sundry Debtors	50	50	0	0
Cash and Bank Balances	17	18	1	
Other Current Assets	10	10	0	0
Total current Assets	147	151	4	
Current Liability				
Short term borrowings from Bank	94	95		1
Sundry Creditors	13	14		1

Total current Liability	107	109		2
			4	2
Increasing in working capital			2	

Table: 4.20. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2019 – 2020

Rs.Lakhs				
Particulars	31st March 2019	31st March 2020	Increase	Decrease
Current Assets				
Inventories	69.95	70	0.5	
Sundry Debtors	62.89	50		12.89
Cash and Bank Balances	1.22	17	15.78	
Other Current Assets	0	10	10	

Total current Assets	134.06	147	12.94	
Current Liability				
Short term borrowings from Bank	82.54	94		11.46
Sundry Creditors	12.6	13		0.4
Total current Liability (C)	95.14	107		11.86
			12.94	11.86
increasing in working capital			1.08	

Table: 4.21. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2020 – 2021

Rs.Lakhs				
Particulars	31st March 2020	31st March 2021	Increase	Decrease
Current Assets				

Inventories	32.39	69.95	37.56	
Sundry Debtors	68.39	62.89		5.5
Cash and Bank Balances	8.3	1.22		7.08
Total current Assets	109.08	134.06	24.98	
Current Liability				
Short term borrowings from Bank	81.08	82.54		1.46
Sundry Creditors	5.7	12.6		6.9
Total current Liability	86.78	95.14		8.36
			24.98	8.36
Increase in working capital			16.62	

Table: 4.22. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2021 – 2022

Rs.Lakhs				
Particulars	31st March 2021	31st March 2022	Increase	Decrease
Current Assets				
Inventories	36.38	32.39		3.99
Sundry Debtors	60.21	68.39	8.18	
Cash and Bank Balances	6.24	8.3	2.06	
Total current Assets	102.83	109.08	6.25	
Current Liability				
Short term borrowings from Bank	82.86	81.08	1.78	
Sundry Creditors	5.96	5.7		0.26
Total current Liability	88.82	86.78	2.04	
			8.29	4.25
Increase in working capital			4.04	

CHAPTER - 5

FINDINGS ,SUGGESTIONS AND CONCLUSION

5.1 FINDINGS:

The study conducted at Sky & Sky Air Travels, the following were made.

- The current ratio of Sky & Sky Air Travels is showing increasing third year over the period of study, in (2019-2020) its current ratio was 1.40 % and but from the period of 2021 and 2022 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.
- The current quick ratio position of Sky & Sky Air Travels favorable in the year 2017-2022 quick ratio is above 1:1.
- Absolute liquid asset are considered adequate to pay with current liabilities in time as all creditors are not expected to demand cash at same time and then cash may realized from debtors and inventories.
- The debt equity ratio is increased to 1.7361111 in 2018-2019, so the company is having long term solvency position.
- The working capital turnover ratio increased continuously from 2017-2022. Hence the company's utilization of working capital is more.
- In the year 2017-2018 the value of inventory turnover ratio is higher. But in the 2019-2020 the value has decreased. Then in 2020-2021 it increased 11.76277485.
- Debtor turnover ratio is continuously decreased from 2017-2018 to 2020-2021. In the year 2021-2022 it has increased to higher value of 5.892542767 this indicates cash sales is more in the period 2021-2022 compared to previous year.
- The net profit ratio of 2.41 in the year 2017-2018 and then decreased to 1.22 in 2018-2019 and further decreased to 1.20 in 2019-2020, again increased to 2.34 in 2020-2021 we can see that every year net profit ratio of the company is goes increasing except 2019 and 2020.

- The current liability turnover ratio is increased to 1.52 in 2018-2019. But in 2019-2020 it has decreased to 1.36, and again increased in 2020-2021 it has higher value of 2.68, and again decreasing in 2021-2022. This ratio is decreasing and this is not fair in long run.
- The fixed asset turnover ratio has considerably increased from 2017-2018. But from the period of 2020-2021 start decreasing. The higher ratio indicates efficient utilization of the fixed asset. The fixed assets turnover ratio for the Five years are satisfactory as such there is 2021 and 2022 underutilization of the fixed assets.
- The return on total asset ratio was fluctuating in the years 2018-2019 and 2021-2022, in 2017-2018 it was 7.1 and in 2020-2021 it was 5.9. This due to more fluctuation in net profit.

5.2 SUGGESTIONS

- The management can take effective measures to recover the outstanding of Sky & Sky Air Travels as the major portion of current assets is in the form of debtors.
- The management can take effective measures to reducing operating expenses to increasing the net profit and gross profit.
- Sky & Sky Air Travels higher working capital turnover ratio in the year 2021-2022 and it has over stock and low liquidity position. So the company reduces the inventory or overstocking.
- The inventory turnover ratio is above 4 times so the company increase the sales and reduce the over stock of materials.
- The company can increase their absolute liquid assets in order to maintain the standard.
- The company can decrease their credit sales as much as possible.

5.3 LIMITATIONS OF THE STUDY

- ♣ Since the study mostly on secondary data related to the selected unit, any generalization requires an in depth analysis.
- ♣ The study as contained a period of 5 years (2017-2022)
- ♣ The projections based on assumptions on present business environment.

5.4 CONCLUSION

Study conducted in Sky & Sky Air Travels; enable to get practical touch to the topic Working Capital Management of the company. The management of working capital plays an important role in maintaining the financial health of the companies during the normal course of business. The company should maintain sufficient level of working capital to produce up to a given capacity and maximize the return on investment in fixed assets .Shortage of working capital leads to lower capacity utilization.

To maintain the solvency of the business and continue production, it is necessary that adequate funds be available to pay the bills for material, labour, selling and administrative expenses and other cost of doing business .The prompt payment of b ills to suppliers of materials ensures a continued supply of raw materials and established credit for the future or for reasonable operations.

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APPENDIX

CONSOLIDATED BALANCE SHEET

	LIABILITIES	2018	2019	2020	2021	2022
		Audited	Audited	Audited	Audited	Audited
	CURRENT LIABILITIES		II.	III.	IV.	V.
1	Short-term borrowings from Banks (including bills purchased, Discounted & barrowing Placed on repayment basis)	95,00,000	94,00,000	82,54,000	81,08,000	82,86,000
2	(1)From applicant banks					
3	(2) From other banks					
4	(3)Of which BP & BD					
5	SUB					
6	TOTAL					
7	Short term borrowing from others	14,00,000	13,00,000	12,60,000	57,00,000	59,60,000
8	Sundry creditors (Trade)					
9	Advance payments from customers/deposite from dealers					

Provision for taxes Dividend payable Other statutory liabilities(due within one year) Deposits/installments o term loans /DPGs/debentures,etc. (due within one year) Other current liabilities & provisions (due within one yr) (specify major items) SUB TOTAL (B)						
TOTAL CURRENT LIABILITIES	1,09,00,000	1,07,00,000	95,14,000	86,78,000	88,82,000	

TERM LIABILITIES	As on 31 st March
------------------	------------------------------

11	Debentures(not					
12	maturing within					
13	one year)					
14	Preference					
15	shares					
16	(redeemable					
17	after one year)	14,00,000	18,00,000	2,38,000	5,74,000	3,51,000
18	Tem loans					
19	(excluding					
20	installment)					
21	Payable within					
22	one year)					
23	Sales tax					
24	deferred					
25	credits(excluding					
26	installment due					
27	within one year)					
28	Hire purchase					
29	loans					
30	Creditors for					
31	capital goods					
32	Other term					
33	liabilities(loans					
34	From					
35	directors/relatives					
36	/sister concern)					
37	TOTAL TERM					
38	LIABILITIES					
39	TOTAL	1,23,00,0	1,25,00,0	97,52,000	92,52,000	92,33,000
40	OUTSIDE	00	00			
41	LIABILITIES					

	NET WORTH	74,00,000	72,00,000	75,36,000	58,45,000	57,92,001
19	Ordinary share capital					
20	Share application money					
21						
22	General reserve					
23	Revaluation reserve					
24	Surplus (+) or deficit (-) in P&L account					
25						
26	Deferred tax liability (DTL)					
	NET WORTH					

Sl. NO	ASSETS	2018	2019	2020	2021	2022
		Audited	Audited	Audited	Audited	Audited
		I.	II.	III.	IV.	V.
19	TOTAL LIABILITIES	197,00,000	197,00,000	172,88,000	150,97,000	150,25,000

20

21

22

23

24

25

26

27	Cash deposits bank balances	18,00,000	17,00,000	1,22,000	8,30,000	6,24,000
28	Fixed deposits with banks	50,00,000	50,00,000	62,89,000	68,89,000	60,21,000
29	(1)receivables other than deferred & exports(include					
30	bills purchased & discounted by banks					
	Installments o deferred receivables (due					
31	within one year)	73,00,000	70,00,000	69,95,000	32,39,000	36,38,000
32	Inventory					
33	(1)Raw materials (including stores & other items used in the process o manufacture)					
	(a) imported					
	(b) indigenous					
34	Advance to suppliers of raw materials & stores and spares				10,00,000	10,00,000
	Advance payment & taxes					
	Other current assets					
	Income tax or					

	earlier years Interest accrued on fixed deposits Other current assets (Specify major items)					
	TOTAL CURRENT ASSETS	151,00,000	147,00,000	134,06,000	109,08,000	102,83,000

	FIXED ASSETS	
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3	Gross Block (land & building,	52,00,00	56,50,00	45,02,00	48,65,00	54,57,0
5	machinery ,wok-in-process)	0	0	0	0	00
	Depreciation to date					
3	NET BLOCK	6,00,000	6,50,000	6,20,000	6,76,000	7,15,00
6	OTHER NON-CURRENT	46,00,00	50,00,00	38,82,00	41,89,00	0
3	ASSETS	0	0	0	0	47,42,0
7	Investment/book					00
	debts/advances/deposits which					
3	are not current assets					
8	(1)a) investment in subsidiary					
	Co./affiliates					
	b) other investments					
	(2) Advances to suppliers o					
	capital goods & contractors					
	(3) Deferred receivables					
	(maturity exceeding one year)					
	(40 Others (a)debtors> 6 months					
	(b) Security					
	deposits					
	(c) project surplus					
	Non-consumables stores &					
	spares					
3						
9	Other non- current assets					
	including dues from directors					
4						
0	Intangible assets(patents,					
	goodwill, elim expenses,					
	bad/doubtful exp, not provided					
4	for etc)					
1						

	TOTAL ASSETS	197,00,0 00	197,00,0 00	172,88,0 00	150,97,0 00	150,25, 000



A STUDY ON WORKING CAPITAL MANAGEMENT IN SKY&SKY AIR TRAVELS

DR.K.SASIREKHA,PRINCE JUNO MILTON J

Associate professor-School of Management Studies, Student – 2nd Year MBA,
Department of Management Studies,
Sathyabama Institute of Science and Technology, Chennai, India

Abstract: The study is on working capital management in Sky & Sky Air Travels. The study furnishes the management of idea about the performance of working capital of the company. Management of working capital refers to management of current assets, current liabilities and relationship between them. The basic goal of working capital is to maintain the satisfactory level of working capital. A sound working capital policy ensures higher profitability and proper liquidity of a firm.

Keyword: *Working capital management, current assets, current liabilities, liquidity.*

I.Introduction

Any firm, from time to time, employs its short-term assets as well as short-term financing sources to carry out its day to day business. It is this management of such assets as well as liabilities which is described as working capital management. Working capital management is a quintessential part of financial management as a subject. It can also be compared with long-term decision-making the process as both of the domains deal with the analysis of risk and profitability.

Definition of Working Capital

Working capital is formally arrived at by subtracting the current liabilities from current assets of a firm on the day the balance sheet is drawn up. Working capital is also represented by a firm's net investment

in current assets necessary to support its everyday business. Working capital frequently changes its form and is sometimes also referred to as circulating capital. According to Gretsensberg:

“circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another.”

1.2. Industry Profile:

With a total area of 3,287,263 sq. km extending from the snow-covered Himalayan heights to the tropical rain forests of the south, India has a rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. This provides a significant opportunity to fully exploit the potential of the tourism sector. It is widely acknowledged that the tourist and hospitality sector, which encompasses travel and hospitality services like hotels and restaurants, is a development agent, a catalyst for socioeconomic growth, and a significant source of foreign exchange gains in many countries. India's rich and exquisite history, culture, and diversity is showcased through tourism while also providing significant economic benefits. The consistent efforts of the central and the state governments has helped the tourism industry to recover from the covid-19 pandemic shock and operate at the pre pandemic level.

CHAPTER – 2

REVIEW OF LITERATURE

Review of Literature:

- Mohammad Neab and Noriza BMS (2018) worked on crating the relationship between Working Capital Management (WCM) and performance of firms. For their analysis they chose the Malaysian listed companies. They administered the perspective of market valuation and profitability. They used total of 172 listed companies from the databases of Bloomberg. They randomly selected five year data (2004-2008). This research likewise the researches quoted before studied the impact of the dimensions of working capital component i.e. C.C.C., current ratio (C.R.), current asset to total asset ratio (C.A.T.A.R), current liabilities to total asset ratio (C.L.T.A.R.), and debt to asset ratio (D.T.A.R.) in effect to the firm's performance whereby firm's value dimension was taken as Tobin Q (T.Q.) and profitability i.e. return on asset (R.O.A.) and return on invested capital (R.O.I.C). They applied two different techniques for analyzing

the data that are multiple regression and correlations. They found that there is a negative relationship between working capital variables and the firm's performance.

- Dong (2018) reported that the firms' profitability and liquidity are affected by working capital management in his analysis. Pooled data are selected for carrying out the research for the era of 2007-2015 for assessing the companies listed in stock market of Vietnam. He focused on the variables that include profitability, conversion cycle and its related elements and the relationship that exists between them. From his research it was found that the relationships among these variables are strongly negative. This denote that decrease in the profitability occur due to increase in cash conversion cycle. It is also found that if the number of days of account receivable and inventories are diminished then the profitability will increase numbers of days of accounts receivable and inventories.
- Saswata Chatterjee (2018) focused on the importance of the fixed and current assets in the successful running of any organization. It poses direct impacts on the profitability liquidity. There have been a phenomenon observed in the business that most of the companies increase the margin for the profits and losses because this act shrinks the size of working capital relative to sales. But if the companies want to increase or improve its liquidity, then it has to increase its working capital. In the response of this policy the organization has to lower down its sales and hence the profitability will be affected due to this action. For this purpose 30 United Kingdom based companies were selected which were listed in the London Stock exchange. The data were taken of three years 2007-2015. It analyzed the impact of the working capital on the profitability. The dimensions of working capital management included in this research which is quick ratios, current ratios C.C.C, average days of payment, Inventory turnover, and A.C.P (average collection period. on the net operating profitability of the UK companies.

CHAPTER – 3

RESEARCH METHODOLOGY

Research Methodology:

Research is the systematic process of collecting and analyzing data in order to increase our understanding of the phenomenon about which we are concerned or interested. It is the in- depth search for knowledge. It is a careful investigation or inquiry especially through search for new facts in any branch of knowledge. The study exhibits both descriptive and analytical character. Regarding the theoretical concept it is descriptive since it interprets and analysis the secondary data in order to arrive

at appropriate conclusion, it is also analytical in character. The interpretation of data is done based on ratio and percentage.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS:

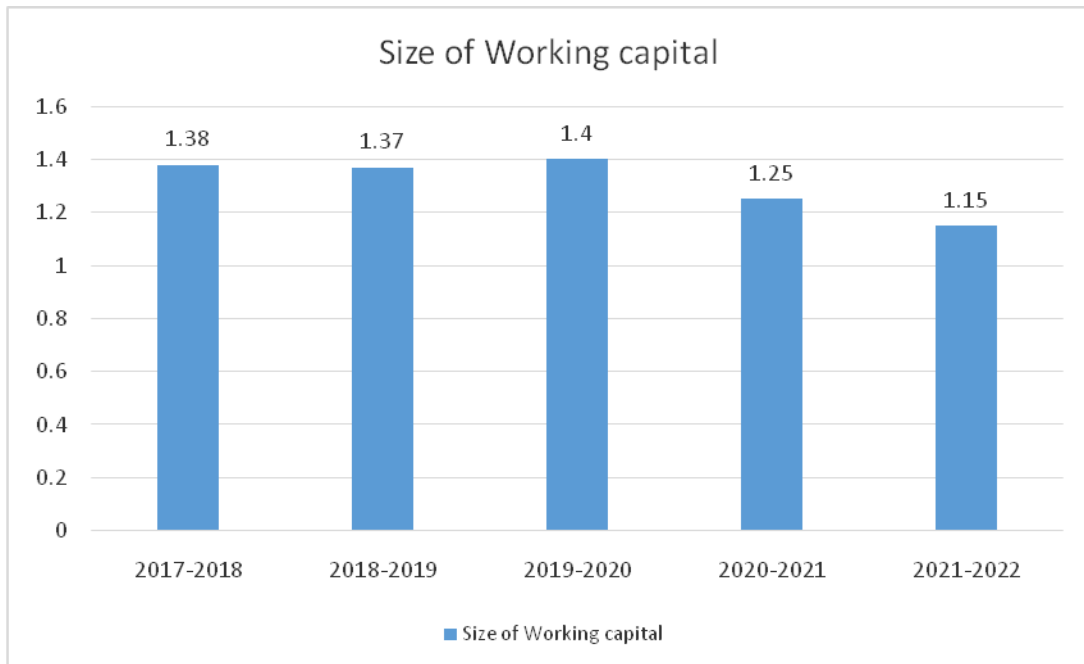
TABLES

4.1. TABLE SHOWING SIZE OF WORKING CAPITAL

Year	Amount
2017-2018	1.38
2018-2019	1.37
2019-2020	1.40
2020-2021	1.25
2021-2022	1.15
AVERAGE	0.26

(Source: Secondary data)

4.1.1. CHART SHOWING SIZE OF WORKING CAPITAL



INTERPRETATION

From the above chart shows working capital of the company has considerably increased from (2019-2020) 1.408450704. The average working capital over the study period amount to (Rs in lakhs) 0.263292399

B.WORKING CAPITAL RATIO

PERCENTAGE GROWTH OF WORKING CAPITAL It represents the ratio of current assets to current liabilities. It is also called working capital ratio. The current ratio is a measure of the firm's short term solvency.

It indicates the availability of current assets in rupees for every one rupee of current liability.

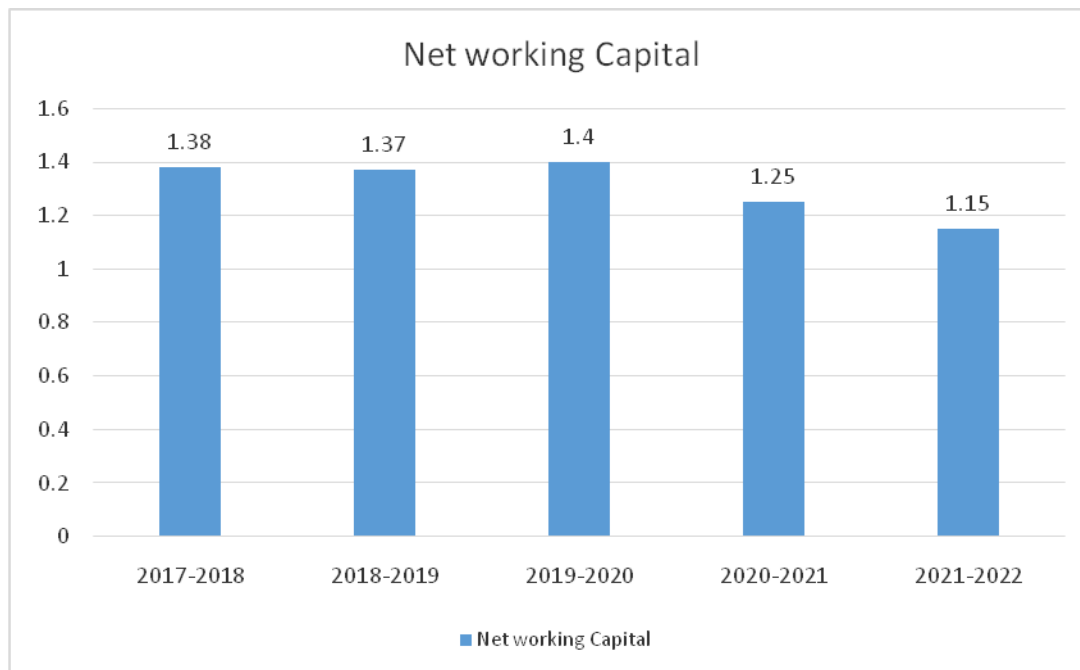
$$\text{Working capital Ratio} = \text{Current assets} - \text{Current liabilities}$$

4.2. TABLE SHOWING PERCENTAGE GROWTH OF WORKING CAPITAL

(Source: Secondary data)

4.2.1 CHART SHOWING PERCENTAGE GROWTH OF WORKING CAPITAL

Percentage Growth of Working Capital				
Rs.Lakhs				
Year	Current Assets	Current Liabilities	Net working Capital	Growth %
2017-2018	151	109	1.38	100
2018-2019	147	107	1.37	99.17
2019-2020	134	95.14	1.40	102.51
2020-2021	109.08	86.78 92	1.25	89.24
2021-2022	102.83	88.82	1.15	92.10



INTERPRETATION

The chart shows working capital represents the relationship between the current assets and current liabilities.

From the above chart there is a continuous growth in working capital. This indicates that there are enough current assets in relation to current liabilities.

CHAPTER - 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

The study conducted at Sky & Sky Air Travels, the following were made.

- The current ratio of Sky & Sky Air Travels is showing increasing third year over the period of study, in (2019-2020) its current ratio was 1.40 % and but from the period of 2021 and 2022 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.
- The current quick ratio position of Sky & Sky Air Travels favorable in the year 2017-2022 quick ratio is above 1:1.
- Absolute liquid asset are considered adequate to pay with current liabilities in time as all creditors are not expected to demand cash at same time and then cash may realized from debtors and inventories.
- The debt equity ratio is increased to 1.7361111 in 2018-2019, so the company is having long term solvency position.
- The working capital turnover ratio increased continuously from 2017-2022. Hence the company's utilization of working capital is more.
- In the year 2017-2018 the value of inventory turnover ratio is higher. But in the 2019-2020 the value has decreased. Then in 2020-2021 it increased 11.76277485.

5.2 SUGGESTIONS & RECOMMENDATIONS:

- The management can take effective measures to recover the outstanding of Sky & Sky Air Travels as the major portion of current is in the form of debtors.
- The management can take effective measures to reducing operating expenses to increasing the net profit and gross profit.
- Sky & Sky Air Travels higher working capital turnover ratio in the year 2021-2022 and it has over stock and low liquidity position. So the company reduces the inventory or overstocking.
- The inventory turnover ratio is above 4 times so the company increase the sales and reduce the over stock of materials.
- The company can increase their absolute liquid assets in order to maintain the standard.
- The company can decrease their credit sales as much as possible.

5.3 Limitation of Study:

- Since the study mostly on secondary data related to the selected unit, any generalization requires an in depth analysis.
- The study as contained a period of 5 years (2017-2022)
- The projections based on assumptions on present business environment

5.4 Conclusion:

- Study conducted in Sky & Sky Air Travels; enable to get practical touch to the topic Working Capital Management of the company. The management of working capital plays an important role in maintaining the financial health of the companies during the normal course of business. The company should maintain sufficient level of working capital to produce up to a given capacity and maximize the return on investment in fixed assets .Shortage of working capital leads to lower capacity utilization.
- To maintain the solvency of the business and continue production, it is necessary that adequate funds be available to pay the bills for material, labour, selling and administrative expenses and other cost of doing business .The prompt payment of bills to suppliers of materials ensures a continued supply of raw materials and established credit for the future or for reasonable operations.