

A STUDY ON RECEIVABLE MANAGEMENT WITH REFERENCE TO POWER SOAPS PVT.LTD

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

By

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

SATHYABAMA

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

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

MAY 2023



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SCHOOL OF MANAGEMENT STUDIES

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **SATHASIVAM.S 41410279** who carried out the project entitled "A STUDY ON RECEIVABLE MANAGEMENT WITH REFERENCE TO POWER SOAPS PVT.LTD " under my supervision from January 2023 to March 2023.

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DECLARATION

I **SATHASIVAM.S (41410279)** hereby declare that the Project Report entitled “**A STUDY ON RECEIVABLE MANAGEMENT WITH REFERENCE TO POWER SOAPS PVT.LTD**” done by me under the guidance of **DR.B.BHAVYA, MBA, M.COM, M.Phil, PGDLL&AL, PGGHRL, M.A (LM), Ph.D** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE : 06.05.2023

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Thanking You,

For **Power Soaps (P) Limited**,


Finance Manager
M. Naveenkumar



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ABSTRACT

Receivable management is otherwise known as Debtor's management. Accounts receivable is an accounting transaction which deals with the billing of customer who owes money to a person, company or organization for goods and services that has been provided to the customers. In most business entities this is typically done by generating an invoice and mailing or electronically delivering it to the customer, who in turn must pay it within an established timeframe called credit or payment terms. The research topic is "A Study On Receivable Management With Reference to Power Soaps Pvt.Ltd". The data used are of last five years from 2017-18 to 2021-22. This study covers analysis like ratio analysis and trend analysis and also includes the sales prediction. Secondary data is used in this study. After analyzing the account receivable management of Power Soaps Pvt. Ltd., Chennai during the five financial years, it is clear that the annual sales marked a higher growth rate of 121.73 % in the year 2020-2021 and there was decreasing trend in percentage of bad debts losses from the year 2019-2020 to 2021-2022. The study concludes by saying that the performance of the overall Receivable Management has improved when compared to the previous year. It is found from the survey that the company's credit management is not very strict.

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CHAPTER 1 - INTRODUCTION

1.1 INTRODUCTION

Receivable management is otherwise known as Debtor's management. Accounts receivable is an accounting transaction which deals with the billing of customer who owes money to a person, company or organization for goods and services that has been provided to the customers. In most business entities this is typically done by generating an invoice and mailing or electronically delivering it to the customer, who in turn must pay it within an established timeframe called credit or payment terms.

An example of a common payment term is Net 30, meaning payment is due in the amount of the invoice 30 days from the date of invoice. Other common payment terms include Net 45 and Net 60 but could in reality be for any time period agreed upon by the vendor and the customer.

On a company's balance sheet, accounts receivable is the amount that customers owe to that company. Sometimes called trade receivables, they are classified as current assets assuming that they are due within one year. To record a journal entry for a sale on account, one must debit a receivable and credit a revenue account. When the customer pays off their accounts, one debits cash and credits the receivable in the journal entry. The ending balance on the trial balance sheet for accounts receivable is always debit. Accounts receivable departments use the sales ledger. Other types of accounting transactions include accounts payable, payroll, and trial balance.

1.1.1.Receivable management – Concept

The term receivable management is defined as “debt owed to the firm by customer arising from the sale of goods/ services in the ordinary course of business.” The receivable represents an important component of the current assets of the firm. Receivables may be known as accounts receivables, trade creditors or customer receivable. When a firm its products / services and does not receive cash for it immediately, the firm has said to be granted trade credit to the customers. Trade credit thus creates receivable / book debts, which the firm is expected to collect in

near future. Accounts receivable are thus amounts due from customers, which bear no interest in essence, a company is providing no cost financing to the customer to encourage the purchase of the company's product/services.

The extension of credit can be justified only if the increase in the sales and related cash collections (discounted for the time until collection) exceeds the amount otherwise cash generated under a "cash only" policy. These customer from whom receivable or book debt are to be collected in the future are called as "trade debtors" or simply as "debtor" and represents the firm's claim on assets. Trade debtors are expected to be converted into cash within a short period and are included in the current assets. Since receivables often accounts for the significance portion of total assets, it requires careful attention and adequate management. It is skill demanding field because the customer has to be bestowed with trust along with a continuous vigilance.

1.1.2.Objective Of Receivable Management

It is not always possible to sell goods on cash basis only, sometimes other firms in that line might have establish a practice of selling goods on credit under these circumstances, it is not possible to avoid credit sales without adversely affecting the sales. Hence the firm is required to allow the credit sale in order to expand its sales volume. The increase in sales is also essential to increase profitability. The sales of goods have become an essential part of the modern competitive economic system. In fact credit sales and receivables are treated as a marketing tool to aid the sale of goods. Credit sale is generally made in an open account in the sense that there is no formal acknowledgement of debt obligation through a financial instrument. As a marketing tool they are indene to promote sales and thereby profits. However extension of credit involves risk and cost. Management should weigh the benefits as well as the costs to determine the goals of receivable management. Thus the **objective of receivable management** is: "To promote sales and profit until that point is reached where the return on investment in further funding of receivable is less than the cost of funds raised to finance that additional credit (i.e. cost of capital)"

Need For Granting Trade Credit:

Trade Credit Is An Important Marketing Tool. A policy of trade credit is followed nearly in all capital intensive industries either for sales expansion and /or sales retention. Under any circumstances investment in receivable is growth oriented.

1.1.3.VARIOUS FACTORS THAT FAVOURS CREDIT

Market Factor

Market factors like price, forces accompany to grant credit. For example, company whose price is comparatively higher is forced to grant credit in order to maintain sale.

Competition

In view of stiff competition from both domestic and international players, the company is left with no option then to grant credit. Competition is another vital factor, which affects the credit policy of a firm.

Customer's Requirement

As the market has changed to the buyer's market, the customers have become kings. If the customer expects credit and is worthy of it, he gets it.

Marketing Tool

To push up sales of slow moving products and encourage bulk purchase of fast moving products, credit plays an effective role in this context.

Recessionary Economic Conditions

Liquidity crunch forces the company to grant credit.

Determinant Of Size Of Receivables

Beside sales, a number of factors also influence the size of receivables. The following factors directly or indirectly determine the size accounts receivables.

Level of sales

The most important factor in determining the volume of receivable is the level of firm's credit sales. With an increase in the size of the sales, it may bring about a proportional increase in the magnitude of receivable.

Terms of trade

The size of receivables also depends upon the term of trade. The period of credit allowed and rates of discounts given are linked with receivables. If the credit period allowed is more, the receivable will also be more similarly if the rate of discount are reasonable, then also the size of the receivable will increase.

Credit policies

The firm with the liberal credit policy will have a higher level of receivable than with a conservative or rigid credit policy.

Profit

The level of receivables increases as a result of increase in sales. When sales increase beyond a certain level, the additional cost incurred are less than the increase in revenue. It will be beneficial to increase sales beyond a point because it will bring more profit. The increase in profit will be followed by an increase in the size of the receivable.

Market

It may be necessary for the firm to explore a new market for its products/services. One of the attractive way in which a firm enters a new market is by giving incentives to the customers in the form of credit facilities. In doing so, the size of receivable will increase.

Grant of credit

Size of the receivable depends upon the policies and practices of the firm in determining which customer are to be granted credit.

Paying habit of the customer

The paying habits of the customers also have a bearing on the size of receivables. The customers may be in habit of delaying payments even though they are financially sound. In such case, the firm should remain in constant touch with its customers.

Collection policies

The vigor with which a firm collects its dues from the customers also affects its receivables, for if the amounts due are not collected timely; a firm suffers some financial difficulties, if not losses.

Operating efficiency

The degree of operating efficiency in billing, record keeping and other function also exercise some influence on a firm's credit policy which in turn influences its receivables. Credit collection machinery will reduce the size of receivable. Individual firms often set up their own well organized credit collection department.

1.1.4.COSTS AND BENEFITS ASSOCIATED WITH RECEIVABLE MANAGEMENT

Costs:

The major categories of cost associated with extension of credit and receivable are:

- Collection cost
- Capital cost
- Delinquency cost
- Default cost

Collection Cost:

These costs are administrative cost incurred in collecting the receivable from the customers. This category includes:

1. Additional expenses on the creation and maintenance of a credit department with staff, accounting, records, stationary, postage and other related items.
2. Expenses involved in acquiring credit information either through outside specialist agencies or by the staff of the firm itself.

Capital Cost:

Accounts receivables, being an investment in current assets, have to be financed involving a cost. There is a time lag between the sale of goods to, and the payment by, the customers. Meanwhile the firm has to pay employees and suppliers of raw material i.e. the firm should arrange for additional funds to meet its own obligations. Thus, the cost on the use of additional capital to support credit sales is therefore apart of the cost of extending credit.

Delinquency Cost

This cost arises out of the failure of the customer to meet their obligations when payment on credit sales becomes due after the expiry of the period of credit. Such cost includes:

- Blocking up of funds for an extended period.
- Cost associated with steps that have to be initiated to collect the overdue, such as reminders and other collection efforts, legal charges, where necessary , and so on.

Default Cost

In addition of the above cost the firm may not be able to recover the overdue because of inability of the customers. Such debts are treated as bad debts and have to be written off, as they cannot be realized. Though a concern may be able to reduce bad debts through efficient collection mechanism, one cannot altogether rule out the possibility of this cost

1.1.5.Benefits

Apart from the cost, another factor that has a bearing on accounts receivable is the benefit emanating from credit sales. The benefits are: “The **increased sale and thereby profits**”. However, the benefits would depend upon the credit policy adopted by the firm, i.e., a conservative or liberal credit policy. The impact of liberal credit policy is likely to have two forms:-

- i. Sales expansion
- ii. Sales retention

In sales expansion a firm may grant credit either to increase sales or to attract new customer. This motive is growth oriented; on the other hand the sales retention the firm may grant credit to protect its current sales against emerging competition. No matter whatever is the motive, the result the result of increased sales is the increase the profit of the firm.

1.2.INDUSTRY PROFILE

1.2.1.Soap Industry

Soap is a salt of fatty acids in the form of a solid shape that is used as a surfactant for washing, bathing and cleansing. Soaps can be made from natural plant oils or acids derived from animal fat. They also have the ability to kill microorganisms such as any bacteria during the cleaning process. In addition, soap functions as a thickener in industrial settings, an element in the composition of lubricants, and as a precursor to catalysts.

The soap manufacturing industry is one of the oldest industries operating in the FMCG sector in India, and accounts for more than 50% of the consumer goods sector. The soap and detergent industry covers laundry and toilet soaps, and synthetic detergents in the form of liquid, powder, and bar. Bar soaps can be classified into three sections—premium, popular, and economic.

The Soap Industry in India is comprised of about 700 companies, which generate a combined annual revenue of approximately \$17 billion US dollars. Soaps are distributed to all of India's major metropolitan cities, and an estimated 50 percent of the soaps that are produced in the country are sold in rural markets. The size of India's soap market is expected to grow at a moderate rate over the next few years.

The soap industry plays a key role in the economy of India. Though soaps were once products that were only used by the elite, today, the increase of disposable incomes throughout India has led to an increase demand for soaps. The soap products that are produced in India are not only distributed and used by residents of the country, but they are also distributed and sold to various regions throughout the world.

Around 50% of soaps produced are sold in rural markets. Increasing awareness of hygienic standards in rural areas is providing growth opportunities to several players. Manufacturers are introducing soaps in different sizes and ranges, targeting consumers from low-income groups. Currently, there are around 5 Mn retail outlets in India which sell soaps, out of which 3.75 Mn operate in rural areas.

Herbal soap is the fastest growing category in the soap market in India. Margo and Medimix dominate the herbal and medicinal soap segment. Government initiatives like Swachh Bharat Mission, which promotes health and hygiene, has led to the growth of the soap manufacturing industry. During FY 2017, the United Arab Emirates (UAE), Nepal, and the United States of America (U.S.A.) were the top three export destinations of soaps.

1.2.2.Size of India's Soap Industry

There are about 700 companies that act as key vendors in India's soap industry. Together, these companies have combined yearly revenue of an estimated \$17 billion US dollars. The key vendors in this market include Unilever, P&G and Dial, among others. The soap industry in India is highly concentrated. An estimated 50 companies hold approximately 90 percent of the shares of this market.

1.2.3.Market segment insights:

The soap market in India is segmented based on brands, (Lux, Dove, Pears, Santoor, etc.), category (beauty soaps, health soaps, and others), and players operating in the market (Hindustan Unilever, ITC, Wipro, and others). During FY 2017, the beauty soaps segment had a market share of ~50%, followed by the health soaps segment. Popular beauty soap brands operating in the market are Lux, Dove, Pears, Santoor, and Vivel. During the same period, Lux was the leading soap brand with a market share of ~13.5%, followed by Santoor, Vivel, and other brands.

Bathing soaps with cooling agents and herbal ingredients are attracting more customers. People these days prefer herbal soaps because of their therapeutic value. Nearly 315 Mn users in rural areas will be connected to the internet by 2020. Increased internet penetration will help rural consumers to explore the market and avail offers online. Growing awareness about sanitation and increasing disposable income in rural India will be key drivers for the growth of the soap market.

1.2.4.Major Soap Manufacturing Companies

1. Colgate Palmolive (India) Ltd.
2. Godrej Consumer Products Ltd.
3. Hindustan Unilever Ltd.
4. ITC Ltd.
5. Jyothy Laboratories Ltd.
6. Wipro Ltd.
7. Cholayil Pvt. Ltd.
8. Karnataka Soaps and Detergents Ltd.
9. The Himalaya Drug Company
10. Reckitt Benckiser (India) Pvt. Ltd.

1.2.5.India Bathing Soap Market Overview, 2020-2025

Traditional bathing soap and bath product companies are striving to meet the need of these new types of consumers. Bathing soap retailers that are previously resided firmly in niche markets are rapidly moving to the forefront of the soap and bath products industry. Companies have been rolling out the products with cheap price value is attracting the largest consumer base especially the rural regions.

Bathing soap products is a prominent segment of countries' overall bathing products market. The market has been segmented in various ranges of soap types like premium, Standard, Herbal, Deo and Baby soaps. Due to this varied range of products the market has been growing leaps and bounds and further expected to show healthy and positive growth with an Expected CAGR of above 7% in the coming years. In the last couple of years bathing soap, the market has got a boost with the government of India's swachh Bharat mission. Every soap maker in the country has gained from the initiative and encroached on the category to capitalize on growth current market scenario.

Brands like Dettol have actively participated in the initiative by making the rural peoples aware of their range of cheap products. The bathing soap products have their availability in pan India irrespective of urban or rural and have flexible pricing which ranges from as low as Rs 10/piece, Rs 11/piece - Rs 20/piece to more than Rs 100/piece.

Such reasons have played a huge role in increasing the adaption of products. Another reason for its adaption is that bathing soaps are distributed widely through the general retail stores as such products are easy to afford and have high availability. Standard soap segment dominates the market as these soaps are of the lowest price range which values not more than Rs 20 - 24/piece Lifebuoy, santoor, lux, etc are some of the prominent brands in this category.

Whereas the market has the fastest growing product in the form of baby soaps such as Johnson & Johnson, Himalaya with a CAGR of over 18%. To attract more sets of consumers the companies have been manufacturing the soap products with a range of fragrances such as Lemon, sandal, glycerine, menthol, rose, lavender, etc.

1.2.6.Major Soap Companies

- ITC Limited - Vivel, Fiam Di Wills, Superia
- Hindustan Unilever Limited - Lux, Lifebuoy, Dove
- Godrej Consumer Products Limited (GCPL) - Cinthol, Godrej No.1
- Reckitt Benckiser (India) limited - Dettol
- Karnataka Soaps and Detergents Limited - Mysore Sandal

1.3.COMPANY PROFILE

Power Soaps Limited

Power Soaps is a household name in the detergent and bathing soap segment in South India. The brand stands proud as a triumph of entrepreneurial spirit, vision and a customer-centric business. Power Soaps are one of the leading manufacturers, exporters and suppliers of handmade soap engaged in manufacturing and export of Toilet soap, Luxury soaps, Beauty soap, Herbal and Scrub soap and Laundry soaps. Leveraging on its extensive industry experience of about more than forty years (established in 1970), we have developed our expertise in catering the customized demands of our customers.

A trusted brand in home care and skin care products since 1970 The Power soaps have been bringing out the queenly feel in all women since 1970's. The brand Power soaps has been built on the philosophy of delivering trusted quality in home care and skin care products by introducing a number of varieties. Experience our lovely scented and rich lathering soaps for a refreshing and exfoliating shower.

Power Soaps Private Limited is a Private incorporated on 25 April 1997. It is classified as Non-govt company and is registered at Registrar of Companies, Chennai. Its authorized share capital is Rs. 75,000,000 and its paid up capital is Rs. 54,000,000. It is involved in Manufacture of other chemical products. Ensuring high quality in its range of soaps, it has been globally recognized by its patrons. Further, it has requisite technical and chemicals know how related with the products, which boost it to manufacture of safe and pure products. Further, its endeavours are directed towards meeting the growing demands of this industry and offering its clients with complete customer satisfaction.

A Dream Unfolds : Started in the 1970's, Power Soaps was established as the Gold Company and operated with a single unit at Kodai Road, Dindigul Dist, Tamilnadu. It was founded by Krishna Nadar, a visionary entrepreneur who believed that there existed a great demand for quality yet affordable detergent soaps. His sharp business acumen and astute strategies paved the way for the rapid growth of the brand. He built the business on the strong foundation of ethics and building enduring customer relationships.

Moving to The Next Level

After R Krishnan Nadar's regime, the mantle was taken over by his son K.Dhanapal who took it to newer heights and the company expanded. In 1998, detergent powder was introduced and this was an extremely successful venture too. Three more manufacturing units Power Soaps Limited at Puducherry, Abirami Chemicals Pondicherry and Praveen Chem Industry at Karaikal were added to meet the increasing demand for Power products.

MILESTONES

1970- A dream unfolds started in the 1970s.

1994- They renamed the brand name as "POWER".

1995 - The production touched 3,000 tonnes with a turnover of Rs.2 lakhs.

1996 - The Company expanded by building toilet soap plant of a capacity of 20,000 tonnes per annum, at cost total cost of Rs. 17.21 crore.

1997 - Power Soaps Private Limited is a Private incorporated on 25 April 1997

1998, detergent powder was introduced and this proved an extremely successful venture.

1999- Krishna Nadar Dhanapal appointed as Managing Director on 22 July 1999.

2000 - Detergent Plant started its function.

2001- Punitha Thangadurai appointed as Director on 22 July 1999.

2008 - Samuel Thomas Gnanadoss appointed as Director on 04 February 2008.

2009- Production capacity of soaps was increased to 26,000 tonnes per annum.

2010 – Various flavor of Nature Power bath soaps are introduced like papaya, lime, rose, sandal, herbal etc.

2010- The company secured ISO 14001 certificate.

2012 - Subalakshmi appointed as Director on 10 October 2012.

2013- Gio Power Diswash gel is introduced.

2015- Ultimate Power Liquid detergent is introduced.

2017- ICWAI National Award for Excellence in Cost Management.

BOARD OF DIRECTORS

- **Krishna Raja- Director**
- **Punitha Thangadurai - Director**
- **Subalakshmi - Director**
- **Samuel Thomas Gnanadoss - Director**
- **Krishna Nadar Dhanapal - Managing Director**

The Growth Spurt

The consistent success of the company inspired it to diversify into various segments. It ventured into the personal care industry too, with hair care products like the Nature Power range of shampoos and skin care products like the Nature Power range of beauty soaps, Clora Toothpaste, Laa Talc and Laa Fair Fairness cream.

The company also diversified into the soft drink market with Powersoft Drinks Pvt Ltd., formerly Elanjikal Soft Drinks Chennai Pvt. Ltd., at Padappai, 14 kms from Tambaram in Tamil Nadu. The Mango Dice brand was manufactured here. Hello Water and Power Water mineral water brands were also introduced.

Taking on a New Identity

The next step was to consolidate all brands under one umbrella and this was done through creating the Power Soaps identity. This created a leap in brand value and image. Later, Power exited the soft drink and water business to sharpen the focus on detergents and personal care.

Powering Today's World

Power Soaps with its huge bouquet of detergent and personal care brands has a huge presence across South India and exports to countries like the Gulf. The quality products have been appreciated by customers making it a household name. The brands are backed by a strong manufacturing infrastructure with plants in Sembiapalayam, Gummudipoondi, Periyapalayan, Silvassa and Karaikal.

INFRASTRUCTURE

Power Soaps has always stayed at the forefront of technology, innovation and quality built on a backbone of a strong infrastructure. State-of-art technology and equipment are the norm at every plant. Quality processes and the Best Practices ensure that what reaches each customer is world class quality at an affordable cost.

It has its own manufacturing plants at Sembiapalayam, Gummudipoondi, Periyapalayan, Silvassa and Karaikal. This allows them to control the quality and maintain the consistency of products. Its plants are manned by dedicated and efficient technical personnel with domain expertise who keep operations moving smoothly.

1.3.1.PRODUCT PROFILE

BATH SOAP

- Nature Power Beauty Soap
- Nature Power Beauty Soap – Lime
- Nature Power Beauty Soap - Rose
- Nature Power Beauty Soap - Sandal
- Nature Power Beauty Soap - Lavender
- Nature Power Beauty Soap – Herbal

DETERGENT CAKE

- Triple Power Detergent Cake – Blue
- Active Power Detergent Cake - Blue
- Active Power Detergent Cake - Yellow

HI POWER

- Hi Power Detergent Cake – Blue
- Hi Power Detergent Cake – Yellow
- Hi Power Detergent Cake – Pink
- 3d Neam Metal
- Active Power Breeze 1kg
- Active Power Breeze 500g
- Active Power DC 180 Pink
- Active Power DC 180g Tellow
- Active Power Detergent Cake
- Blue Front Fabric Conditioner
- Gio Dish Wash Bar
- Gio Dish Wash Round
- Gio Power DW Liquid 750ml

POWER JUMBO

- Power Jumbo – Blue
- Power Jumbo - Yellow
- Power Jumbo - Pink

TYKO

- Tyko Extra Detergent Cake – Blue
- Tyko Detergent Cake - Yellow
- Tyko Detergent Cake - Pink
- Tyko Detergent Cake - Blue

DETERGENT POWDER

- Triple Power Detergent Powder
- Active Power Detergent Powder
- Tyko Detergent Powder

DISH WASH BAR

- Gio Dish Wash Bar

OTHER PRODUCTS

- Papaya Aura
- Laa Fair Fairness Cream
- Laa Talc - Blossom
- Laa Talc – Lavender
- Laa Talc – Sandal
- Nature Power Shampoo
- Nature Power Black Shine Shampoo
- Nature Power Jasmine Shampoo

1.4.STATEMENT OF THE PROBLEM

Present day business is highly complex and very difficult to manage. Because of increased competition the marketers are offering their best terms to the customer. Providing trade credit is the general practice followed by the firms to attract the customer towards them. The problem of management of receivables arises when merchandise is sold on credit.

Trade credit is used to stimulate sales. So there is a greater possibility of business profits to expand. But the flow of fund from cash back to cash dose not cycle as rapidly in credit sales as if credit were not offered. The funds tied up in inventory are converted in to receivables. If these funds had not been tied up in receivables, the firm would have invested the same elsewhere and earned income thereon. Thus the cost of carrying receivables is the last opportunity earnings. Also the firm has to incur expenses in investing credit worthiness of the customers and collecting the funds owned and bad debts losses.

If a firm decides to sell on cash it may save cost of carrying receivables, but the volume of sales and its earnings may show decline. The finance manager should find ways and means of optimizing the volume of receivables. A proper understanding of the activities of the company is needed in order to study its performance in managing the receivables and to suggest necessary steps to improve its performance in near future. So the researcher had made an attempt to study the management of Power Soaps Pvt. Ltd, Chennai. This will help to find the efficiency of present credit policy of the firm and receivables position. It also helps to predict future prospects of the organization.

1.5. OBJECTIVES OF THE STUDY

1.5.1. Primary objective

The main objective of the current study is the company performance towards receivables action executing in Power Soaps Pvt. Ltd, Chennai. The prime objective is to analyze and evaluate the receivables management and its performance in Power Soaps Pvt. Ltd, Chennai.

1.5.2. Secondary objectives

- To analyse the receivable management of the company from 2017-18 to 2021-22.
- To know how the receivables were managed
- To analyze to what extent they were offering credit
- To know who were the major defaulters
- To know how much extent of cash is blocked as bad debts

1.6.NEED FOR STUDY

Business activity is dynamic in character and subject to wide fluctuation. Most of the firms treat account receivables as marketing tool to promote sales and profit. Every firm has a set of credit terms and policies under which goods are sold on credit and every policy has a cost and benefit associated with it. This project attempts as how to improve the account receivables management and its impact of it at the company. In a competitive environment sometimes the firms are compelled and sometimes the firms desired to adopt liberal credit policies for pushing up the sales and the factoring has been done. So a careful analysis of various aspect of credit policy is required. The result of the research could lead to credit appraisal, since the number of receivables days has increased slightly in recent years in the company.

1.7.SCOPE OF THE STUDY

The scope of this study is limited to the study of Receivable Management at Power Soaps Pvt. Ltd, Chennai. The scope encompassed with the debtors section of the company which is a part of finance and accounting department. An extensive study is done on the blocking up of receivables and its retaining activities, and the factors determining these notes receivables. The study concentrates on the liquidity position of the firm, and a brief study is made on the techniques used by the firm.

CHAPTER 2 - REVIEW OF LITERATURE

2.1.Review Of Literature

Literature review deals with the article related to the topic Critical Management. It helps to get a clear idea about the topic. The review of the literature for this study focuses on how accounts receivable management concentrating on the efficiency of collection. This chapter reviews the literature that forms the basis of the study. It will highlight the theoretical framework where theories relating to the study will be discussed. Also in the chapter a review of Empirical literature where past studies by various scholars locally and globally on receivables management/performance are discussed.

Sagan (2017) pointed out the money manager's operations were primarily in the area of cash flows generated in the course of business transactions. However, money manager must be familiar with what is being done with the control of inventories, receivables and payables because all these accounts affect cash position. Thus, Sagan concentrated mainly on the cash component of working capital. Sagan indicated that the task of money manager was to provide funds as and when needed and to invest temporarily surplus funds as profitably as possible in view of his particular requirements of safety and liquidity of funds by examining the risk and return of various investment opportunities. He suggested that money manager should take his decisions on the basis of cash budget and total current assets position rather than on the basis of traditional working capital ratios. This is important because an efficient money manager can avoid borrowing from outside even when his net working capital position is low. The study pointed out that there was a need to improve the collection of funds but it remained silent about the method of doing it.

Chowdhury and Amin (2017) have written an article on "receivables Management Practices in Pharmaceutical Companies Listed in DSE". Among all the problems of financial management, the problems of receivables management have probably been recognized as the most crucial one. It is because of the fact that receivables management helps a business concern to gain vitality and life strength and to maximize profit.

Divya Jindal and Simran Jain (2017) undergone a study on effect of receivables management on profitability: a study of commercial vehicle industry in India. This study empirically examines the effect of efficiency of receivables management, measured by debtor's turnover ratio, in the commercial vehicle industry in India on the firm's profitability. Profitability was measured using Return on Capital Employed.

Appuhami, Ranjith B (2017) studied impact of firms' receivable on their working capital management. The author used the data collected from listed companies in the Thailand Stock Exchange. The study used Schulman and Cox's (1985) Net Liquidity Balance and Working Capital Requirement as a proxy for working capital measurement and developed multiple regression models. The empirical research found that firms' receivable has a significant impact on working capital management. The study also found that the firms' operating cash flow, which was recognized as a control variable, has a significant relationship with receivable management.

Haris (2017) in many organizations the growth in access to credit has led to a rising level of consumer indebtedness which is having a significant impact on business profitability. Accounts receivables management is an issue for every institution offering credit to its customers and the challenge for organizations is to protect profit margins by reducing write-offs, cutting the cost to collect and maximizing the cash collected.

Pasuvappa. M (2018) Accounts receivable of a firm is a legally enforceable claim for payment from a business to its customers / clients for goods supplied and / or services rendered in execution of the customer's order. On the balance sheet, it is reported as a current asset and is considered part of an organization's working capital. The foundation behind accounts receivable is a firm's policies and procedures for sales. A system must be in place to track accounts receivable. This should include balance forwards, listing of all open invoices and generation of monthly statements to customers. An aging of receivables should be used to collect overdue accounts. Several empirical papers also address trade receivable.

Petersen and Rajan (2018), who give a comprehensive examination of the determinants of trade credit. Using data from the 2012 National Survey of tiny Business Finance, they analyze each trade receivables and trade payables, and look at the theories described antecedently. According to the information advantage explanation of trade credit, they realize proof that better and faster access to information makes companies additional competitive lenders than financial institutions, particularly once their clients are credit constrained.

Khandelwal. N M (2018) investigated the receivable management process and practices among 40 small scale industries in the state of Rajasthan, between 2009-2010 to 2012-2013. The study revealed that the management of receivables was highly ineffective and disorderly. It was found that bills of receivables constituted as much as 50% of total current assets. Highlighting the sickness in the Jodhpur industrial estate, the study attributed the main reason to the inefficient management of receivable. The study also revealed that entrepreneurs had to be educated on the concepts of receivables.

Sinha .KP, Sinha.AK and Singh. SC (2019) in their study on the analysis of receivable management in Fertilizer Corporation of India with reference to Gujarat State Fertilizer Corporation revealed that a huge portion of funds was tied up in the form of working capital, especially in inventories and receivables. The study revealed ineffective management of receivable as the prime cause for erosion in profits. It found that the management of receivables particularly was highly unplanned and ineffective, which resulted in unpredicted cash inflows and huge amount of bad debts. The study strongly recommended urgent action to avoid further deterioration.

Padachi. K (2019) examined the trends in receivable management and its impact on firm's performance. The results proved that a high investment in inventories and receivables is associated with lower profitability. Further, he showed that inventory days and cash conversion cycle had positive relation with profitability. On the other hand, account receivables days and account payables days correlated negatively with profitability.

Ramachandran, A and Janakiraman, M (2019) analyzed the relationship between receivable management efficiency and earnings before interest and tax of the paper industry in India. The study revealed that cash conversion cycle and inventory days had negative correlation with earnings before interest and tax. While accounts payable days and accounts receivable days related positively with earnings before interest and tax.

Sagan in his paper (2019), perhaps the first theoretical paper on the theory of receivable management, emphasized the need for management of receivable accounts and warned that it could vitally affect the health of the company. He realized the need to build up a theory of receivable management. He discussed mainly the role and functions of money manager inefficient receivable management.

Lazaridis and Tryfonidis (2020) also investigated relationship between accounts receivables management and corporate profitability for the firms listed in Athens Stock Exchange for a sample of 131 listed companies. The researcher used the company financials from 2001-2004 for the study. The results of the study of regression analysis showed that there was a statistically significant relationship between gross operating profit, a measure of profitability and the cash conversion cycle. He suggested that by optimizing the cash conversion cycle the managers could create value for the shareholders. Results of empirical analysis show that there is statistical evidence for a strong relationship between the firm's profitability and its receivables management efficiency.

Afza and Nazir (2020) made an attempt to investigate the traditional relationship between receivables management policies and a firm's profitability for a sample of 204 non-financial firms listed on Karachi Stock Exchange (KSE) for the period 1998-2005. The study found significant difference among their receivables requirements and financing policies across different industries. Moreover, regression results found a negative relationship between the profitability of firms and the degree of aggressiveness of receivables investment and financing policies.

Deloof, M (2020) found a significant negative relation between gross operating income and the number of days accounts receivables, inventories and accounts payables of Belgian firms. These results suggested that managers can create value for their shareholders by reducing the number of day's accounts receivables and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability inconsistent with the view that less profitable firms wait longer to pay their bills.

Vanhorne in his study (2021), recognizing receivable management as an area largely lacking in theoretical perspective, attempted to develop a framework in terms of probabilistic cash budget for evaluating decisions concerning the level of liquid assets and the maturity composition of debt involving risk-return trade-off. He proposed calculation of different forecasted liquid asset requirements along with their subjective probabilities under different possible assumptions of sales, receivables, payables and other related receipts and disbursements. He suggested preparing a schedule showing, under each alternative of debt maturity, probability under each alternative of debt maturity, probability distributions of liquid asset balances for future periods, opportunity cost, maximum probability of running out of cash and number of future periods in which there was a chance of cash stock-out. Once the risk and opportunity cost for different alternatives were estimated, the firm could determine the best alternative by balancing the risk of running out of cash against the cost of providing a solution to avoid such a possibility depending on management's risk tolerance limits. Thus, Vanhorne study presented a risk-return trade-off of receivable management in entirely new perspective by considering some of the variables probabilistically. However, the usefulness of the framework suggested by Vanhorne is limited because of the difficulties in obtaining information about the probability distributions of liquid-asset balances, the opportunity cost and the probability of running out of cash for different alternative of debt maturities.

Beneda, Nancy; Zhang, Yilei (2021), studied impact of receivable management on the operating performance and growth of new public companies. The study also sheds light on the relationship of receivable with debt level, firm risk, and industry. Using a sample of initial public offerings (IPO's), the study finds a significant positive association between higher levels of accounts receivable and operating performance. The study further finds that maintaining control (i.e. lower amounts) over levels of cash and securities, inventory, fixed assets, and accounts.

Deloof (2021) surveyed on Belgian Firms to find out whether the receivables management affects profitability. He found that most firms had a large amount of cash invested in receivables. It can be expected that the way in which working capital is managed, will have a significant impact on the profitability of those firms. Using correlation and regression tests he found a significant negative relationship between corporate profitability and number of days accounts receivable, inventories and accounts payable of Belgian firms. On the basis of these he suggested that manager could increase corporate profitability by reducing the number of days accounts receivable and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills.

Pass C.L., Pike R.H (2021), studied that over the past 40 years major theoretical developments have occurred in the areas of longer-term investment and financial decision making. Many of these new concepts and the related techniques are now being employed successfully in industrial practice. By contrast, far less attention has been paid to the area of short-term finance, in particular that of receivable management. Such neglect might be acceptable were receivables considerations of relatively little importance to the firm, but effective receivables management has a crucial role to play in enhancing the profitability and growth of the firm. Indeed, experience shows that inadequate planning and control of receivables is one of the more common causes of business failure.

Waweru Yusuf (2022) carried out a study on the relationship between receivables management and the value of companies quoted at the NSE. The study used secondary data obtained from annual reports and audited financial statements of companies listed on the NSE. A sample of 22 companies listed on the NSE for a period of seven years from 2012 to 2006 was studied. The 27 average stock price was used to measure the value of the firm. The regression models indicated that there was some relationship between receivables management and the firm's value while the result of the Pearson correlation indicated a negative relationship between average cash collection period, inventory turnover in days, cash conversion cycle and the value of the firm.

Pandey (2022) Trade credit creates receivables or book debts which the firm is expected to collect in the near future. Accounts receivable is money owed to a firm when it sells its products or services on credit and does not receive cash immediately. Selling on credit is one of the company's approaches in enhancing sales and it has turned up to be an enticement for customers in retaining the business relationship with the company and in time increase the company's sales volume and eventually optimizing the company's profit (Barad,2010). Selling on credit is almost a universal practice especially for manufacturing firms who sell primarily to other firms. Almost all sales are on credit terms making accounts receivable to account for a significant proportion of the firms current assets.

Molina and Preven (2022) examine the impact of financial distress on the investment in trade receivables. Their paper's main finding is that companies tend to extend their investment in trade receivables after they begin having profitability problems; however, as soon as they enter financial distress (and start having cash flow problems), they show a decrease in client funding. If we assume that companies that aren't facing financial issues have a best investment policy, then we will infer that companies in financial distress have a suboptimal policy of under investing in financing clients. Such suboptimal investment policy contains a cost that is among the various costs of financial distress.

BOOK KEEPING FOR ACCOUNTS RECEIVABLE

Companies have two methods available to them for measuring the net value of account receivables, which is computed by subtracting the balance of an allowance account from the accounts receivable account. The first method is the allowance method, which establishes a liability account, allowance for doubtful accounts, or bad debt provision, that has the effect of reducing the balance for accounts receivable. The amount of the bad debt provision can be computed in two ways -either by reviewing each individual debt and deciding whether it is doubtful (a specific provision) or by providing for a fixed percentage, say 2%, of total debtors (a general provision). The change in the bad debt provision from year to year is posted to the bad debt expense account in the income statement. The second method, known as the direct write-off method, is simpler than the allowance method in that it allows for one simple entry to reduce accounts receivable to its net realizable value. The entry would consist of debiting a bad debt expense account and crediting the respective account receivable in the sales ledger.

CHAPTER 3 - RESEARCH METHODOLOGY

3.1.METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

3.2.RESEARCH DESIGN

A research design is a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the information needed to structure or solve marketing research problems. In simple words it is the general plan of how a researcher will go about the research. A research is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or framework of the project that stipulates what information is to be collected from which sources by what procedures. Analytical research is used in this study.

3.3.SOURCES OF DATA

DATA COLLECTION

Data Collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. Data collection methods for impact evaluation vary along a continuum. At the one end of this continuum are quantitative methods and at the other end of the continuum are Qualitative methods for data collection.

3.3.1.Secondary Data

Secondary data is a type of data that has already been published in books, newspapers, magazines, journals, online portals etc. There is an abundance of data available in these sources about your research area in business studies, almost regardless of the nature of the research area. Therefore, application of appropriate set of criteria to select secondary data to be used in the study plays an important role in terms of increasing the levels of research validity and reliability.

These criteria include, but not limited to date of publication, credential of the author, reliability of the source, quality of discussions, depth of analyses, the extent of contribution of the text to the development of the research area etc.

3.4.PERIOD OF STUDY

The sources of data are from the annual reports of the company from the year 2017-18 to 2021-22.

3.6.TOOLS FOR ANALYSIS

RATIO ANALYSIS

A ratio is the quotient of two mathematical expressions and the relationship between two or more numbers. In financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. The absolute accounting figures are reported in the financial statement which do not provide a meaningful understanding of the performance and financial position of a firm. The relationship between the two accounting figures expressed mathematically is known as a financial ratio.

It involves comparison for an useful interpretation of the financial statements and it should be compared with some standards. Standards of comparison may consist of ratios calculated from the evidence of past financial statements of the firm or ratios developed by using the financial statements of the firm or ratios of some selected firms or at least ratios of the industry to which the firm belongs.

STATEMENT OF CASH COLLECTION AND PAYMENTS

The statement of cash collection and payments shows the amount of money collect against, and paid out of, the receivables. The amount collected against the receivables in a year is calculated by subtracting the closing balance of debtors from the sum of opening balance of debtors and annual credit sales. The money paid to the creditors is found by subtracting the closing balance of creditors from the sum of opening balance of creditors and annual credit purchases.

CASH COLLECTED AGAINST RECEIVABLES

Cash collected against receivables during a period is calculated by subtracting the closing balance of debtors from the sum of credit sales during the period and opening balance of debtors.

Cash realized = (credit sales + debtors at the beginning) – debtors at the end.

The effectiveness of the collection policy of the firm can be studied with the help of this information.

DEBTORS TURNOVER RATIO / RECEIVABLES TURNOVER RATIO

Debtors turnover ratio is called “debtors velocity” or receivables turnover. Debtor turnover indicates the velocity of debt collection of the firm. In simple words it represents the number of times debtors (receivables) are turned over during a year. Generally the higher the value of debtor turnover, the more efficient is the management of credit. This ratio is a test of the liquidity of the debtors of the firm.

Debtor turnover is found out by using the formula :

$$\text{Debtor's turnover ratio} = \frac{\text{Credit sales}}{\text{Average debtors}}$$

RECEIVABLES TO WORKING CAPITAL

The receivables to working capital ratio show the importance of receivables among the working capital of the firm.

$$\text{Receivables to working capital (ratio)} = \frac{\text{Amount of Receivables}}{\text{Amount of Working capital}} * 100$$

RECEIVABLES TO CURRENT ASSETS

The receivables to current assets ratio show the importance of receivables among the current assets of the firm.

$$\text{Receivables to Current Assets} = \frac{\text{Receivables}}{\text{Current assets}}$$

GROWTH OF CREDIT SALES AND RECEIVABLES

The study about growth of credit sales and receivables helps in revealing the extent to which the sales are increase in receivables (due to extension of more credit) and vise versa. From this efficiency of credit policy of the firm and the sufficiency of its investments in receivables can be studied.

AVERAGE COLLECTION PERIOD

The average collection period represents the average number of days for which a firm has to wait with before its receivables are converted in to cash. It helps in measuring the liquidity of the firm's debtors. It is calculated by using this formula,

$$\text{Average collection period} = \frac{\text{Days in a year}}{\text{Debtor's turnover ratio}}$$

RATIO OF BAD DEBT LOSSES TO CREDIT SALES

This ratio indicates the percentage of bad debts losses incurred against the credit sales. With the help of this ratio the effectiveness of credit policy of a firm can be studied. Also it helps to know about the level of investment made in receivables.

RETURN ON TOTAL ASSETS

Return on assets is a measure of how effectively the firm's assets are being used to generate profits. It is defined as:

$$\text{Return on Assets} = \frac{\text{Net profit}}{\text{Total Assets}}$$

CREDITORS TURNOVER RATIO

This ratio is similar to the debtors turnover ratio. It compares creditors with the total credit purchases. It signifies the credit period enjoyed by the firm in paying creditors. Accounts payable include both sundry creditors and bills payable. Same as debtors turnover ratio, creditors turnover ratio can be calculated in two forms, creditors turnover ratio and average payment period.

$$\text{Creditors Turnover Ratio} = \frac{\text{Credit Purchase}}{\text{Average Trade Creditors}}$$

CASH POSITION RATIO

The ratio of a company's total cash and cash equivalents to its current liabilities. The cash ratio is most commonly used as a measure of company liquidity. It can therefore determine if, and how quickly, the company can repay its short-term debt. A strong cash ratio is useful to creditors when deciding how much debt, if any, they would be willing to extend to the asking party.

$$\text{Cash position ratio} = \frac{\text{Cash \& bank balance}}{\text{Current liabilities}}$$

RETURN ON INVESTMENT

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

$$\text{Return on investment} = \frac{\text{Operating profit}}{\text{Capital employed}}$$

AVERAGE PAYMENT PERIOD

Average payment period ratio gives the average credit period enjoyed from the creditors. It can be calculated using the following formula:

$$\text{Average Payment Period} = \frac{\text{Creditors turnover}}{\text{Creditors payment period}}$$

NET PROFIT RATIO

The net profit percentage is the ratio of after-tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. As such, it is one of the best measures of the overall results of a firm, especially when combined with an evaluation of how well it is using its working capital. The measure is commonly reported on a trend line, to judge performance over time. It is also used to compare the results of a business with its competitors.

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

CURRENT RATIO

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as "**working capital ratio**". It is a measure of general liquidity and is most widely used to make the analysis for short term financial position or liquidity of a firm. It is calculated by dividing the total of the current assets by total of the current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

LIQUID OR LIQUIDITY OR ACID TEST OR QUICK RATIO:

Liquid ratio is also termed as "Liquidity Ratio", "Acid Test Ratio" or "Quick Ratio". It is the ratio of liquid assets to current liabilities. The true liquidity refers to the ability of a firm to pay its short term obligations as and when they become due.

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

TREND ANALYSIS

Time series or trend analysis of ratios indicates the direction of change this kind of analysis is particularly applicable to the items of profits and loss account. It is advisable that trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion or secular trend in the growth of the business and the general price level.

For trend analysis, the use of index numbers generally advocated. The procedure followed is to assign the number 100 to items of the base year and to calculate percentage changes in each item of other years in relation to the base year. This procedure may be called as "trend-percentage method".

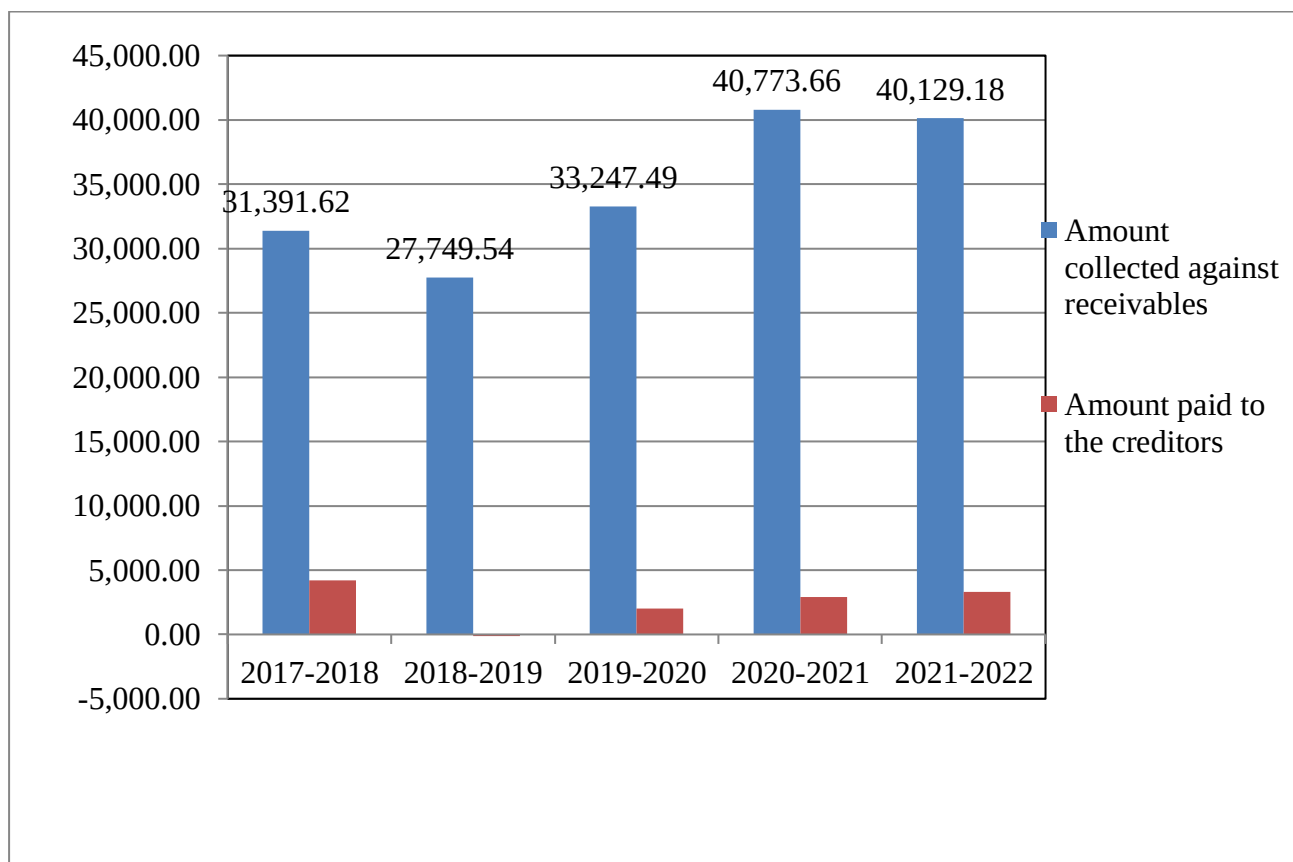
CHAPTER 4 - ANALYSIS AND INTERPRETATION

TABLE NO 4.1.1.STATEMENT OF CASH COLLECTION AND PAYMENTS

(In lakhs)

Year	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Annual credit sales		31,590.46	29,021.15	32,605.16	39,689.62	39,789.62
Outstanding debtors	1,639.27	1,838.11	3,109.72	2,467.39	1,383.35	1043.79
Amount collected against receivables		31,391.62	27,749.54	33,247.49	40,773.66	40,129.18
Annual credit purchases		1,075.42	155.08	1,574.49	3,288.27	3,388.27
Outstanding creditors	3,108.67	3,557.46	3,827.41	3,381.69	3,758.62	3,858.62
Amount paid to the creditors		4,184.09	-114.87	2,020.21	2,911.34	3,288.27
Balance		27,207.53	27,864.41	31,227.28	37,862.32	36,840.91

CHART NO - 4.1.1.STATEMENT OF CASH COLLECTION AND PAYMENT



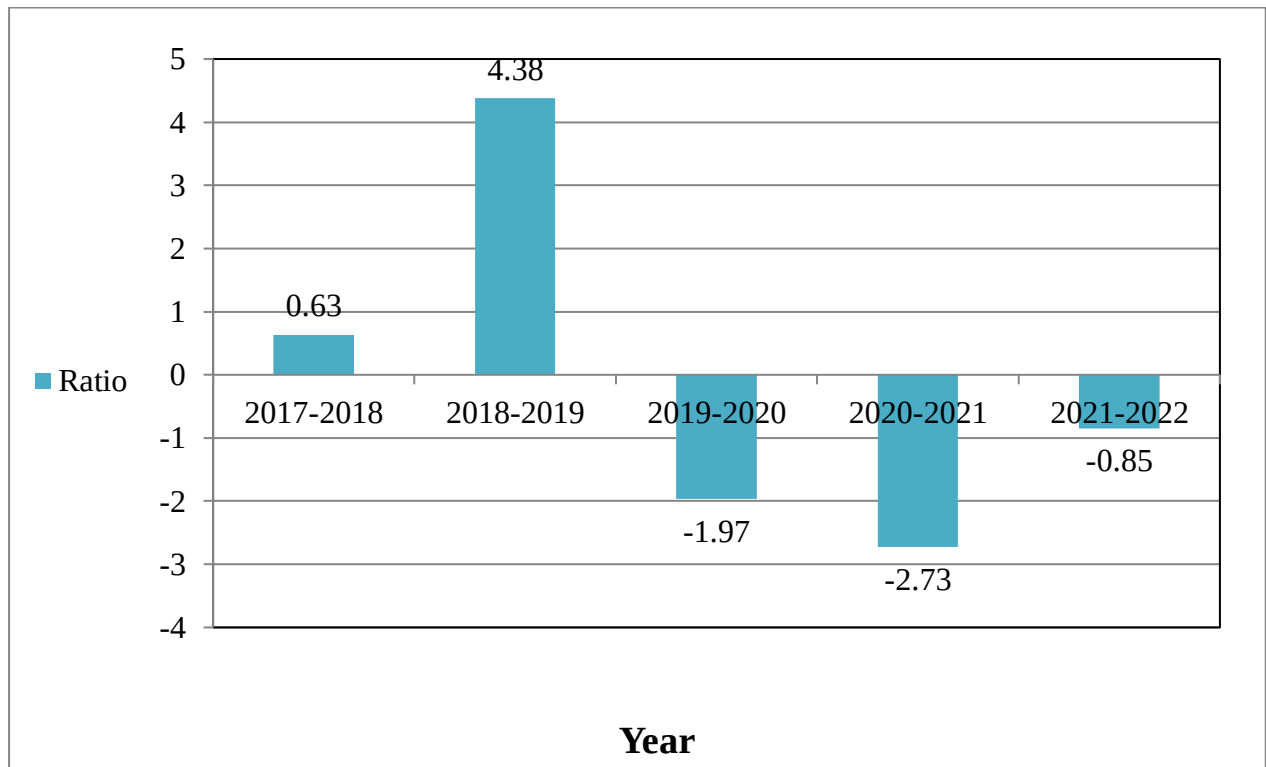
INTERPRETATION

The above table shows that the amount of money collected Rs. 40,773.66 against the receivables was high in the year 2020-2021 and the amount paid to the creditors Rs. 4,184.09 was high in the year 2017-2018. In the year 2018-2019 the amount of money collected was low. The balance remained after making the payment to the creditors showed an increasing in 2020-2021.

TABLE NO – 4.1.2.CASH COLLECTED AGAINST RECEIVABLES**(In lakhs)**

Year	Annual credit sales	Debtors at the beginning of the year	Debtors at the end of the year	Cash realised against receivables	Percentage of outstanding debtors
2017-2018	31,590.46	1,639.27	1,838.11	31,391.62	0.63
2018-2019	29,021.15	1,838.11	3,109.72	27,749.54	4.38
2019-2020	32,605.16	3,109.72	2,467.39	33,247.49	-1.97
2020-2021	39,689.62	2,467.39	1,383.35	40,773.66	-2.73
2021-2022	39,789.62	1,383.35	1043.79	40,129.18	-0.85

CHART NO - 4.1.2.CASH COLLECTED AGAINST RECEIVABLES



INTERPRETATION

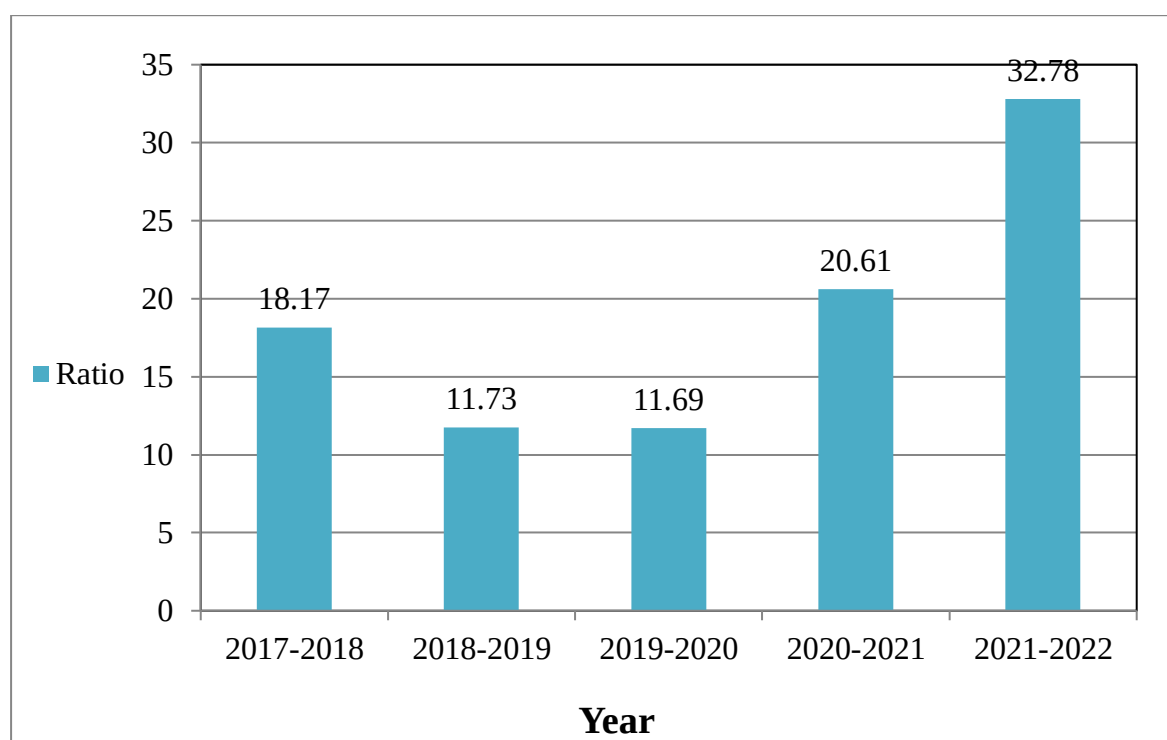
The above table shows that the cash realized against receivables was steadily increasing from the year 2018-2019 to 2021-2022 the value is (27749.54, 33247.49 , 40773.66). The percentage of outstanding debtors showed fluctuating trend. The percentage of outstanding debtors was high in the year 2018-2019 (4.38). But in the next year 2019-2020 (-1.97) this percentage has been decreased at negative percentage.

TABLE NO – 4.1.3 DEBTORS TURN OVER RATIO / RECEIVABLES TURNOVER RATIO

(In lakhs)

Year	Annual credit sales	Average trade debtors	Debtors turnover ratio(times)
2017-2018	31,590.46	1738.69	18.17
2018-2019	29,021.15	2473.91	11.73
2019-2020	32,605.16	2788.55	11.69
2020-2021	39,689.62	1925.37	20.61
2021-2022	39,789.62	1213.57	32.78

CHART NO – 4.1.3.DEBTORS TURN OVER RATIO / RECEIVABLES TURNOVER RATIO

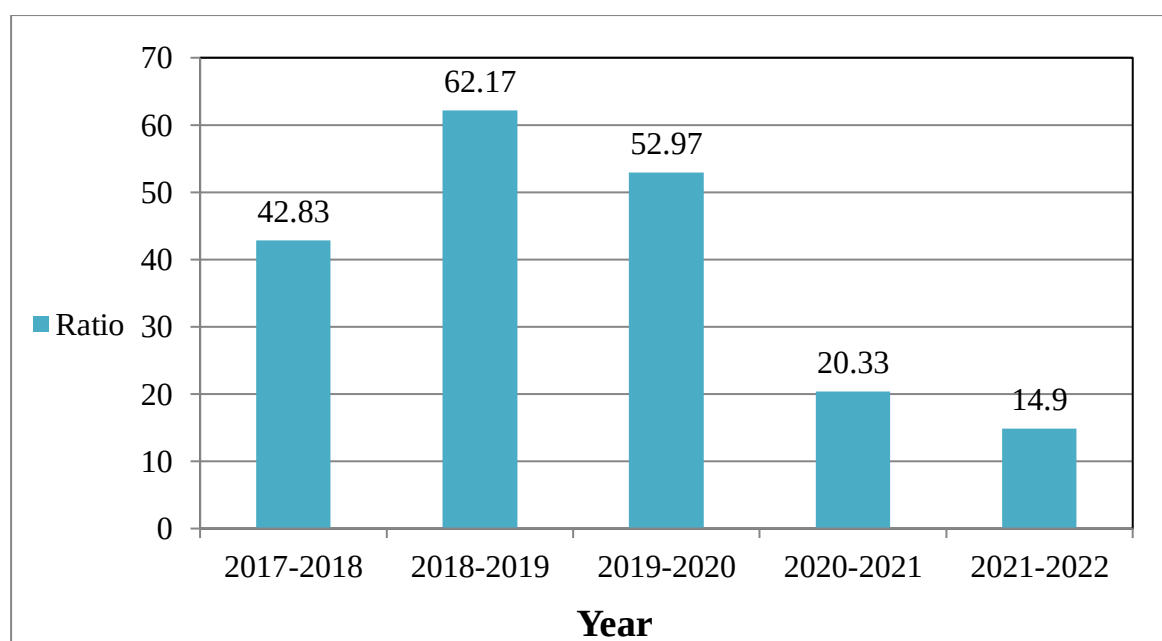


INTERPRETATION

From the above table, it can be inferred that the debtor turnover ratio of the firm was decreased (18.17 , 11.73 , 11.69) from the year 2017-2018 to 2019-2020. Then the ratio was increased (20.61 , 32.78) from the year 2020-2021 to 2021-2022. The ratio shows a fluctuating trend.

TABLE NO – 4.1.4.RECEIVABLES TO WORKING CAPITAL**(In lakhs)**

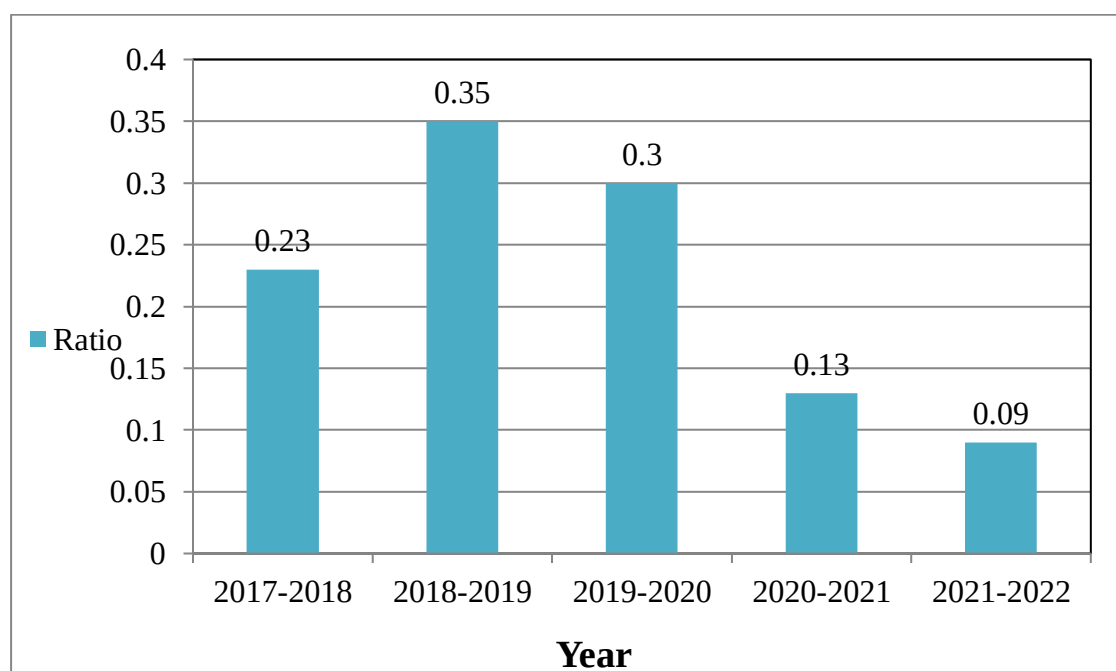
Year	Receivables	Working capital	Ratio(times)
2017-2018	1,838.11	4,291.90	42.83
2018-2019	3,109.72	5,001.66	62.17
2019-2020	2,467.39	4,657.91	52.97
2020-2021	1,383.35	6,803.46	20.33
2021-2022	1043.79	7,003.46	14.90

CHART NO - 4.1.4.RECEIVABLES TO WORKING CAPITAL**INTERPRETATION**

From the above table it is inferred that in all the year a major portion of the working capital was occupied by receivables. The ratio of receivables to working capital has shows an increase (42.83 , 62.17) from the year 2017-2018 to 2018-2019. Then it has decreased (52.97 , 20.33) from the year 2019-2020 to 2020-2021. The ratio of receivables to working capital is very low (14.90) in the year 2021-2022. It shows that the concern utilized its working capital for necessary needs.

TABLE NO – 4.1.5.RECEIVABLES TO CURRENT ASSETS**(In lakhs)**

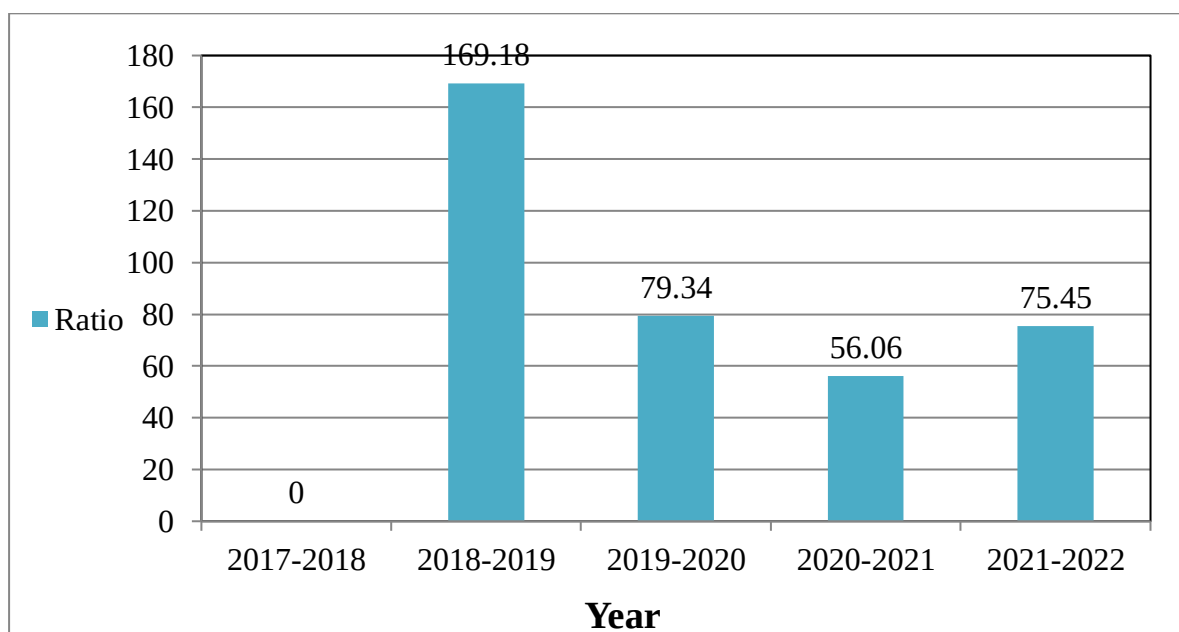
Year	Receivables	Current assets	Ratio(times)
2017-2018	1,838.11	7,885.65	0.23
2018-2019	3,109.72	8,879.50	0.35
2019-2020	2,467.39	8,167.50	0.30
2020-2021	1,383.35	10,725.94	0.13
2021-2022	1043.79	11,125.94	0.09

CHART NO – 4.1.5.RECEIVABLES TO CURRENT ASSETS**INTERPRETATION**

From the above table it is inferred that certain portion of the current assets was occupied by receivables. The ratio of receivables to current assets has shown an increase from 2017-2018 to 2018-2019. Then it decreased from the year 2019-2020 to 2020-2021. It shows that 0.09 is very least during the year 2021-2022.

TABLE NO – 4.1.6.GROWTH OF CREDIT SALES AND RECEIVABLES**(In lakhs)**

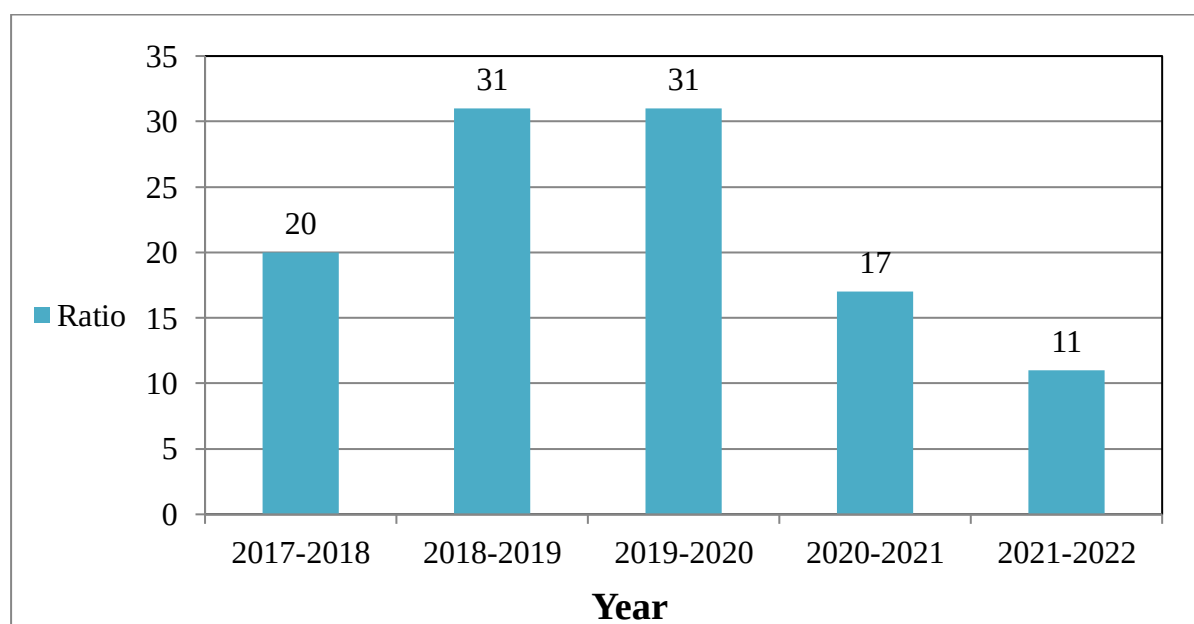
Year	Credit sales	Growth rate in annual sales	Receivables	Growth rate in annual receivables
2017-2018	31,590.46	-	1,838.11	-
2018-2019	29,021.15	91.87	3,109.72	169.18
2019-2020	32,605.16	112.35	2,467.39	79.34
2020-2021	39,689.62	121.73	1,383.35	56.06
2021-2022	39,789.62	100.25	1043.79	75.45

CHART NO – 4.1.6.GROWTH OF CREDIT SALES AND RECEIVABLES**INTERPRETATION**

The above table shows that the growth rate of the both net sales and receivables has fluctuating during the study period. The annual sales marked a higher growth rate of 121.73% in the year 2020-2021. The receivables showed higher growth rate 169.18% in the year 2018-2019. The growth rate in annual receivables was in decreasing trend from the study period.

TABLE NO – 4.1.7.AVERAGE COLLECTION PERIOD**(In lakhs)**

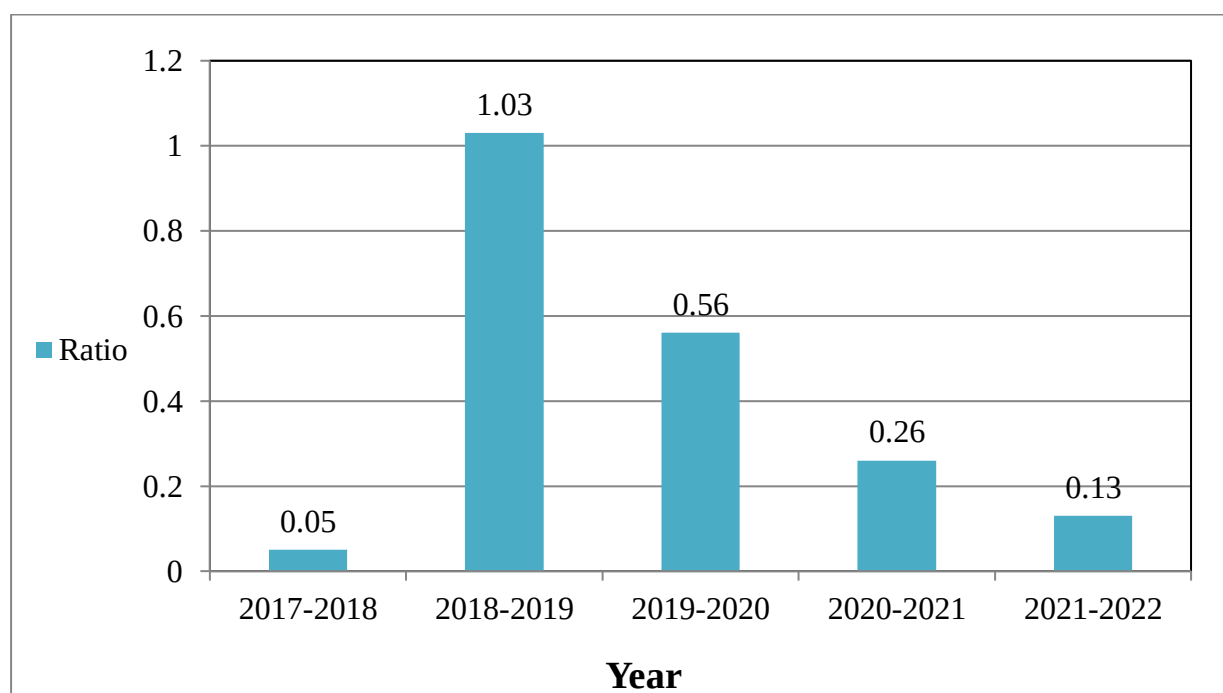
Year	Debtors turnover ratio(times)	Debt collection period(days)
2017-2018	18.17	20
2018-2019	11.73	31
2019-2020	11.69	31
2020-2021	20.61	17
2021-2022	32.78	11

CHART NO – 4.1.7.AVERAGE COLLECTION PERIOD**INTERPRETATION**

The above table shows that the debt collection period has decreased (20,31,31) from the year 2017-2018 to 2018-2019. In the year 2019-2020 and 2020-2021 the debt collection period was high which indicates the slackness in collection and recovery policy. The least collection period was 11 days during the year 2021-2022 which implied the better quality of receivables.

TABLE NO – 4.1.8.RATIO OF BAD DEBT LOSSES TO CREDIT SALES**(In lakhs)**

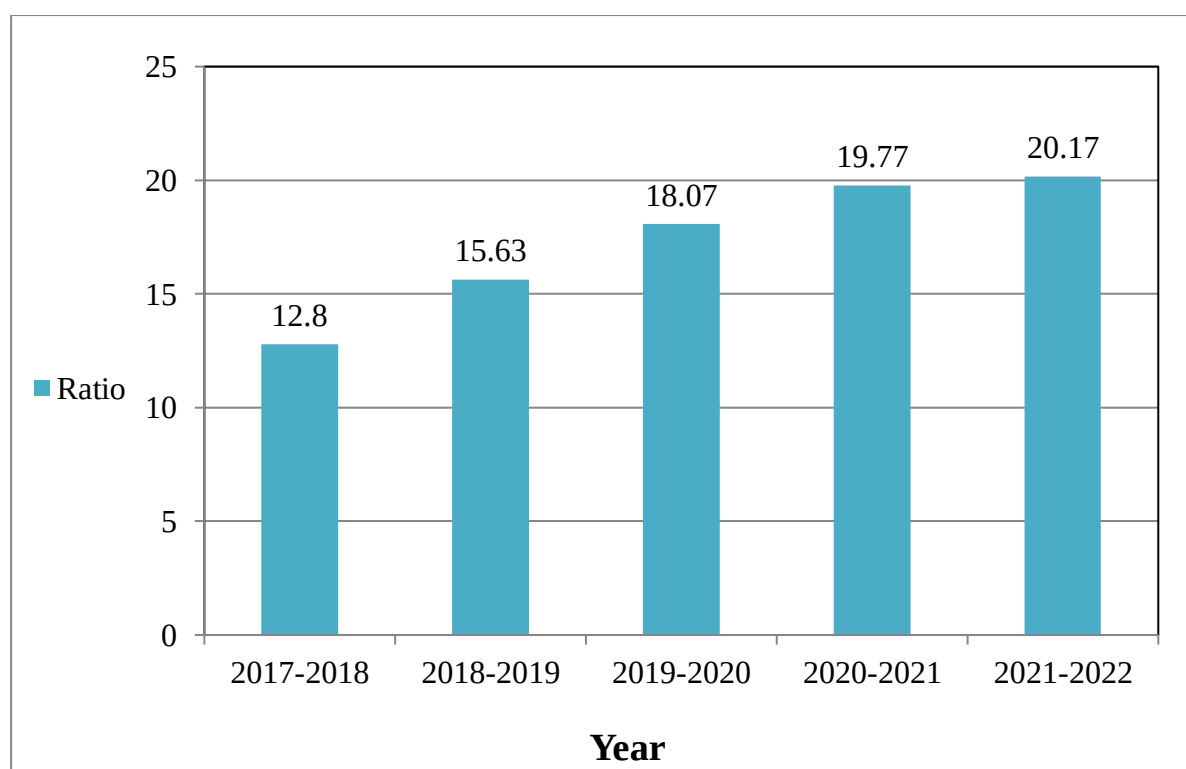
Year	Credit sales	Bad debts	Ratio of bad debts losses to sales
2017-2018	31,590.46	18.38	0.05
2018-2019	29,021.15	300	1.03
2019-2020	32,605.16	182.67	0.56
2020-2021	39,689.62	102.25	0.26
2021-2022	39,789.62	52.70	0.13

CHART NO – 4.1.8.RATIO OF BAD DEBT LOSSES TO CREDIT SALES**INTERPRETATION**

The above table shows that, the bad debts losses to sales were increasing (0.05 , 1.03) from the year 2017-2018 to 2018-2019. There was decreasing trend in percentage of bad debts losses (0.56 , 0.26 , 0.13) from the year 2019-2020 to 2021-2022.

TABLE NO – 4.1.9.RETURN ON TOTAL ASSETS**(In lakhs)**

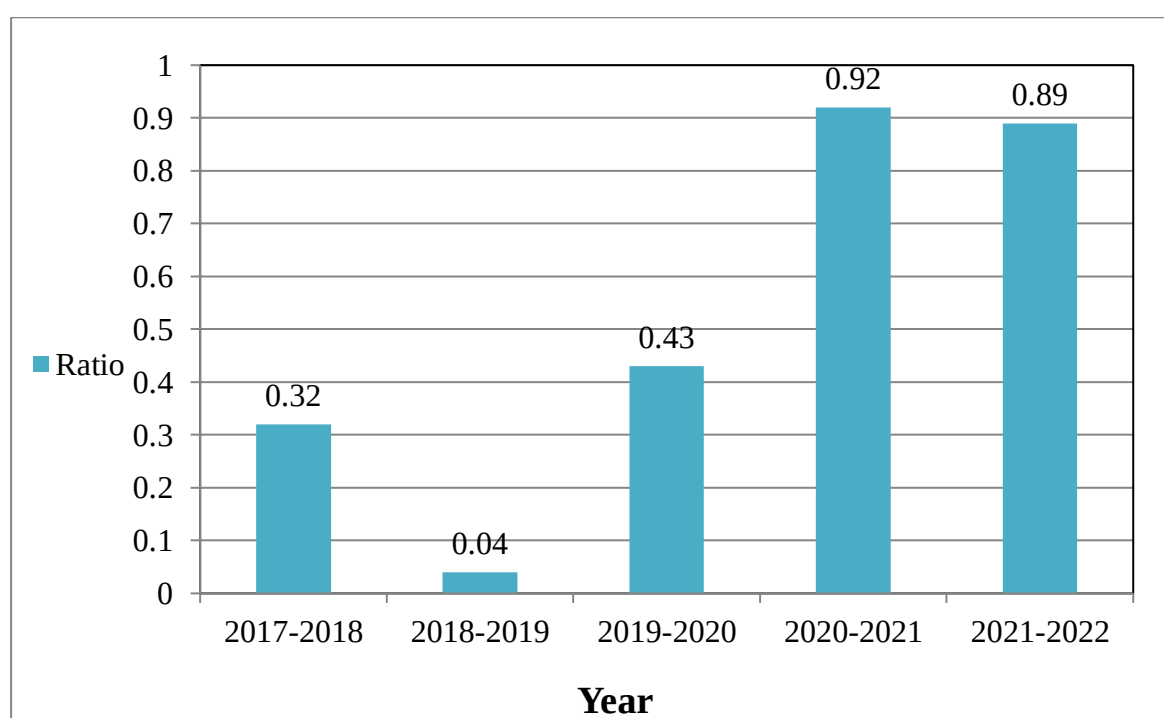
Year	Net profit	Total assets	Ratio
2017-2018	11,756.35	91,828.09	12.80
2018-2019	14,504.26	92,787.09	15.63
2019-2020	16,609.18	91,896.51	18.07
2020-2021	17,768.27	89,896.69	19.77
2021-2022	18,217.36	90,296.69	20.17

CHART NO – 4.1.9.RETURN ON TOTAL ASSETS**INTERPRETATION**

The above table shows that the return on total assets ratio was in increasing trend. It has increased from the year 2017-2018 to 2021-2022. It shows the highest ratio 20.17 in the year 2021-2022.

TABLE NO – 4.1.10.CREDITORS TURNOVER RATIO**(In lakhs)**

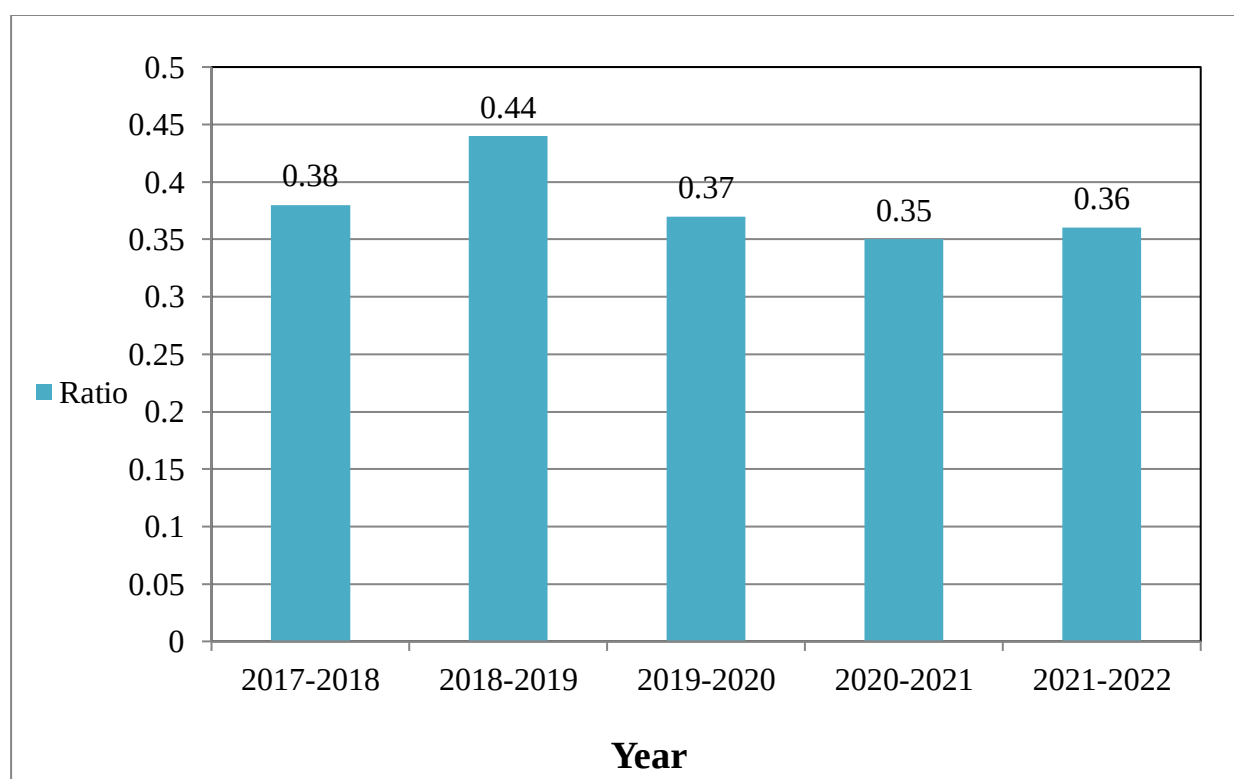
Year	Credit purchases	Average accounts payable	Ratio
2017-2018	1,075.42	3333.06	0.32
2018-2019	155.08	3692.43	0.04
2019-2020	1,574.49	3604.55	0.43
2020-2021	3,288.27	3570.15	0.92
2021-2022	3,388.27	3808.62	0.89

CHART NO – 4.1.10.CREDITORS TURNOVER RATIO**INTERPRETATION**

The above table shows that there is a fluctuating trend in creditors turnover ratio during the study period. It has decreased from 0.32 to 0.04 from the year 2017-2018 to 2018-2019 respectively. It has increased from 2018-2019 to 2019-2020. And again it has increased to 0.92 in the year 2020-2021. And again it has decreased to 0.89 in the year 2021-2022. The lowest creditors turnover ratio is 0.04 in the year 2018-2019. It shows its bargaining power with their suppliers.

TABLE NO – 4.1.11.CASH POSITION RATIO**(In lakhs)**

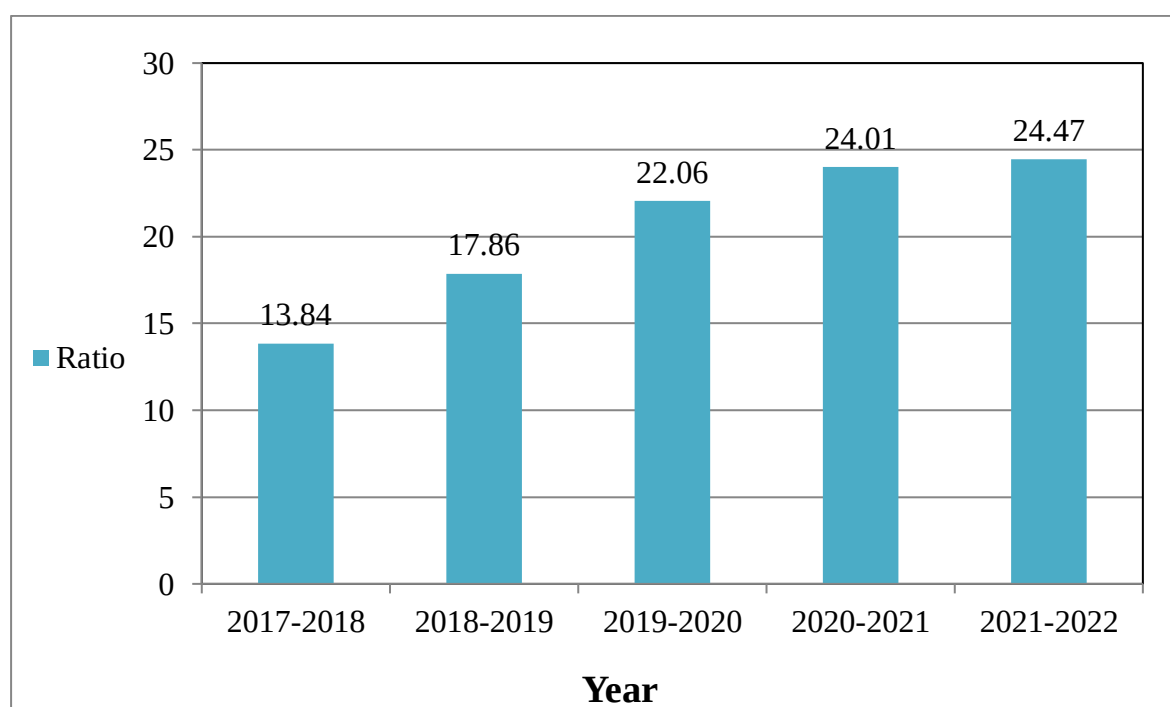
Year	Cash & bank balance	Current liabilities	Ratio
2017-2018	1,371.05	3,593.75	0.38
2018-2019	1,716.40	3,877.84	0.44
2019-2020	1,290.71	3,509.59	0.37
2020-2021	1,383.35	3,922.48	0.35
2021-2022	1,483.35	4,122.48	0.36

CHART NO – 4.1.11.CASH POSITION RATIO**INTERPRETATION**

The above table shows that the cash position ratio has increased (0.38 , 0.44) from 2017-2018 to 2018-2019. Then it has decreased (0.37 , 0.35) from the year 2019-2020 to 2020-2021. It shows fluctuating trend during the study period.

TABLE NO – 4.1.12.RETURN ON INVESTMENT**(In lakhs)**

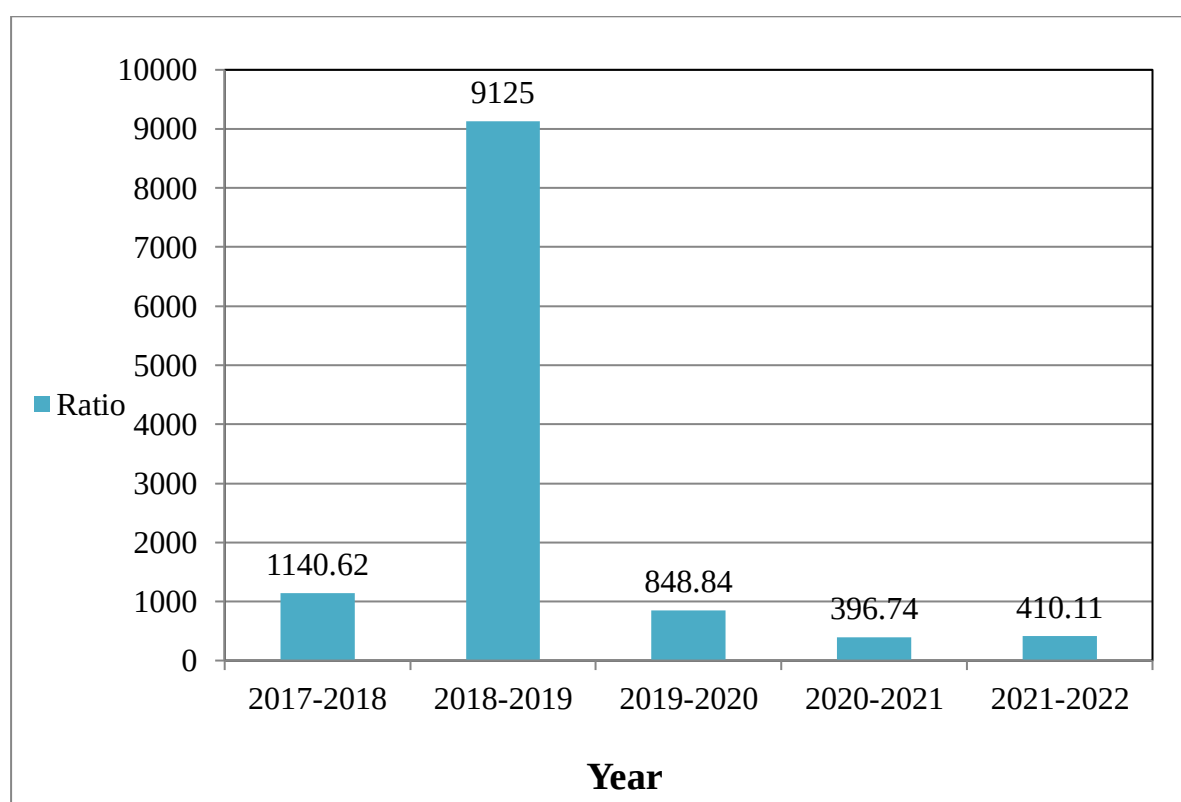
Year	Operating profit	Capital employed	Ratio
2017-2018	6603.68	47698.07	13.84
2018-2019	11554.80	64698.07	17.86
2019-2020	14275.80	64698.07	22.06
2020-2021	15533.39	64698.07	24.01
2021-2022	15882.48	64898.07	24.47

CHART NO – 4.1.12.RETURN ON INVESTMENT**INTERPRETATION**

The above table shows that there is increasing trend in the return on investment ratio during the study period. Though the concern has debtors to collect the debt amount and bad debt losses during the study period, the company earn return on investment steadily. The highest percentage is 24.47 in the year 2021-2022. It shows the company is not going with very bad return.

TABLE NO – 4.1.13.AVERAGE PAYMENT PERIOD**(In lakhs)**

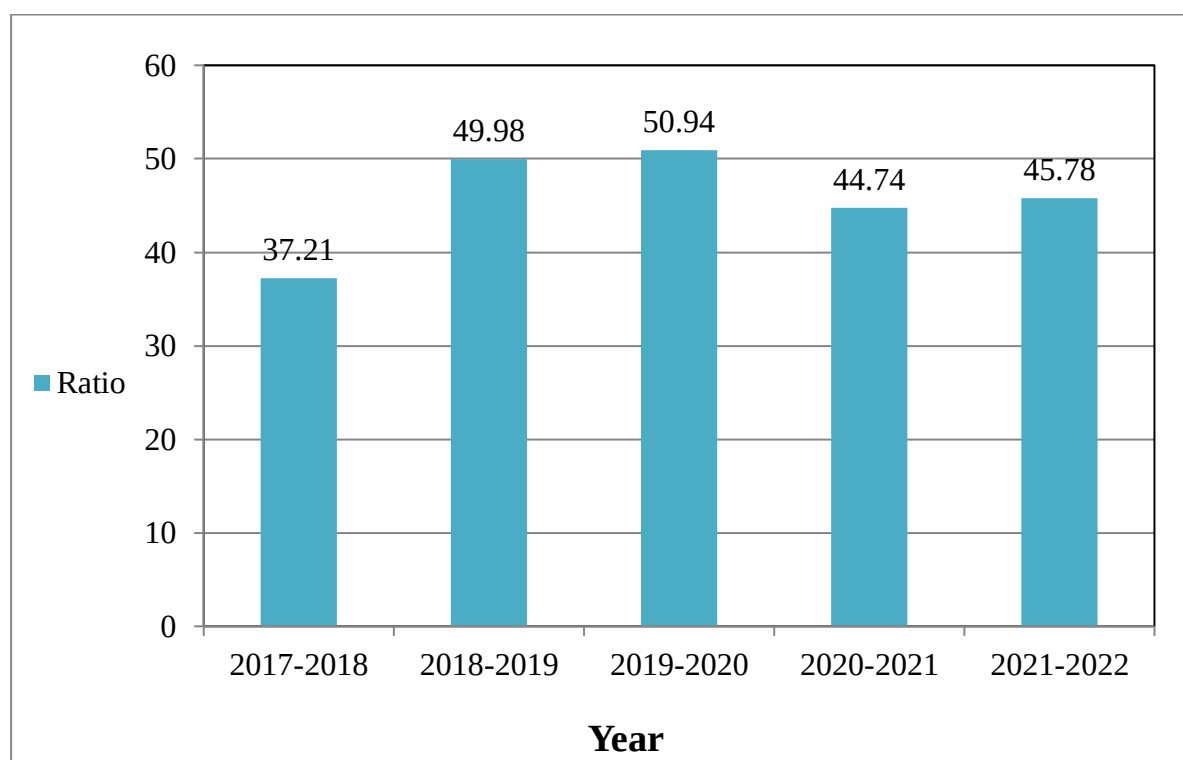
Year	Creditors turnover ratio(times)	Creditors payment period(days)
2017-2018	0.32	1140.62
2018-2019	0.04	9125
2019-2020	0.43	848.84
2020-2021	0.92	396.74
2021-2022	0.89	410.11

CHART NO – 4.1.13.AVERAGE PAYMENT PERIOD**INTERPRETATION**

The above table shows that the average payment period is fluctuating. It has decreased from the year 2017-2018 to 2020-2021. And it has increased to 410.11 in the year 2021-2022. The highest payment period is 1140.62 days in the year 2017-2018. It shows their cash position during the study period.

TABLE NO – 4.1.14.NET PROFIT RATIO**(In lakhs)**

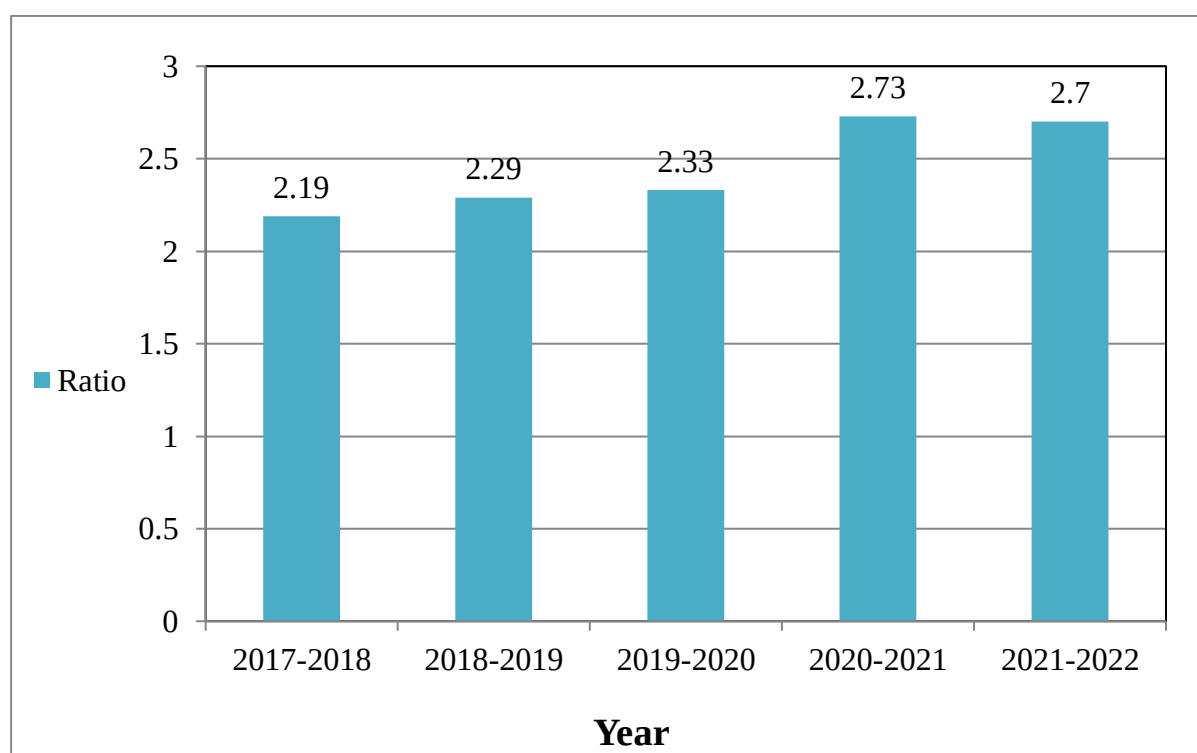
Year	Net profit	Net sales	Ratio
2017-2018	11,756.35	31,590.46	37.21
2018-2019	14,504.26	29,021.15	49.98
2019-2020	16,609.18	32,605.16	50.94
2020-2021	17,768.27	39,689.62	44.74
2021-2022	18,217.36	39,789.62	45.78

TABLE NO – 4.1.14.NET PROFIT RATIO**INTERPRETATION**

The above table shows that there is increasing net profit ratio from 2017-2018 to 2019-2020. And it has decreased to 44.74 and 45.78 in the year 2020-2021 and 2021-2022 respectively. It shows highest net profit ratio 50.94 in the year 2019-2020.

TABLE NO – 4.1.15.CURRENT RATIO**(In lakhs)**

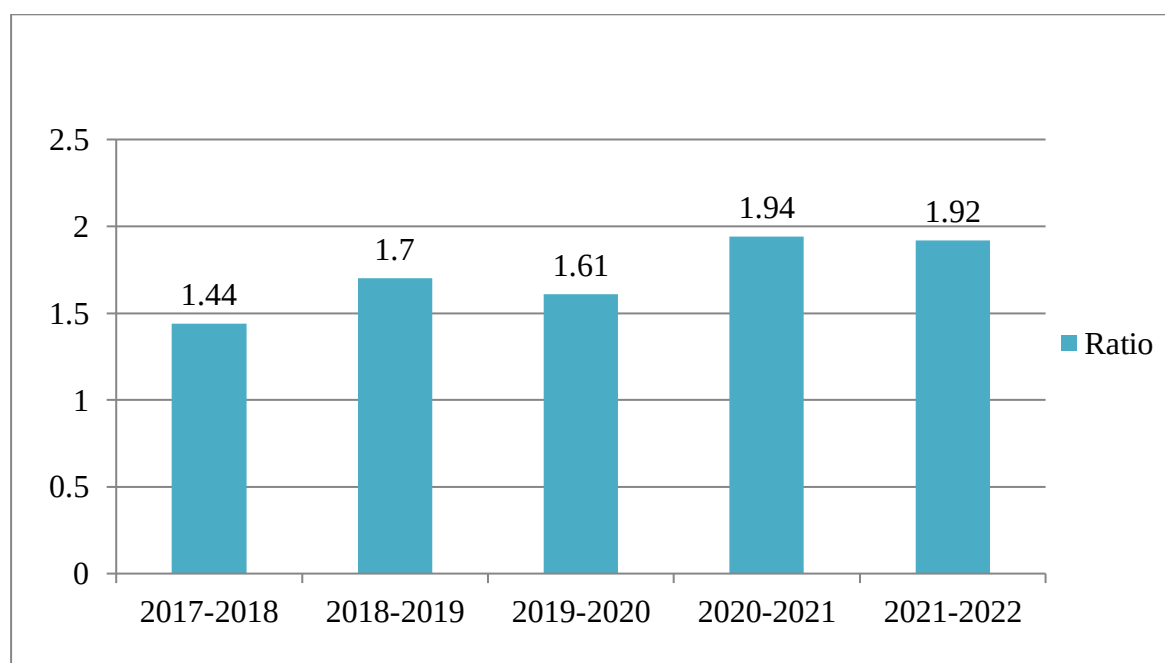
Year	Current assets	Current liabilities	Ratio
2017-2018	7,885.65	3,593.75	2.19
2018-2019	8,879.50	3,877.84	2.29
2019-2020	8,167.50	3,509.59	2.33
2020-2021	10,725.94	3,922.48	2.73
2021-2022	11,125.94	4,122.48	2.70

CHART NO – 4.1.15.CURRENT RATIO**INTERPRETATION**

The above table shows that there is increasing trend during the study period. It has increased from the year 2017-2018 to 2020-2021. And it has slightly decreased to 2.70 in the year 2021-2022. It shows the maximum ratio 2.73 in the year 2020-2021.

TABLE NO – 4.1.16. QUICK RATIO**(In lakhs)**

Year	Quick assets	Current liabilities	Ratio
2017-2018	5192.19	3,593.75	1.44
2018-2019	6597.58	3,877.84	1.70
2019-2020	5664.30	3,509.59	1.61
2020-2021	7611.37	3,922.48	1.94
2021-2022	7911.37	4,122.48	1.92

CHART NO – 4.1.16. QUICK RATIO**INTERPRETATION**

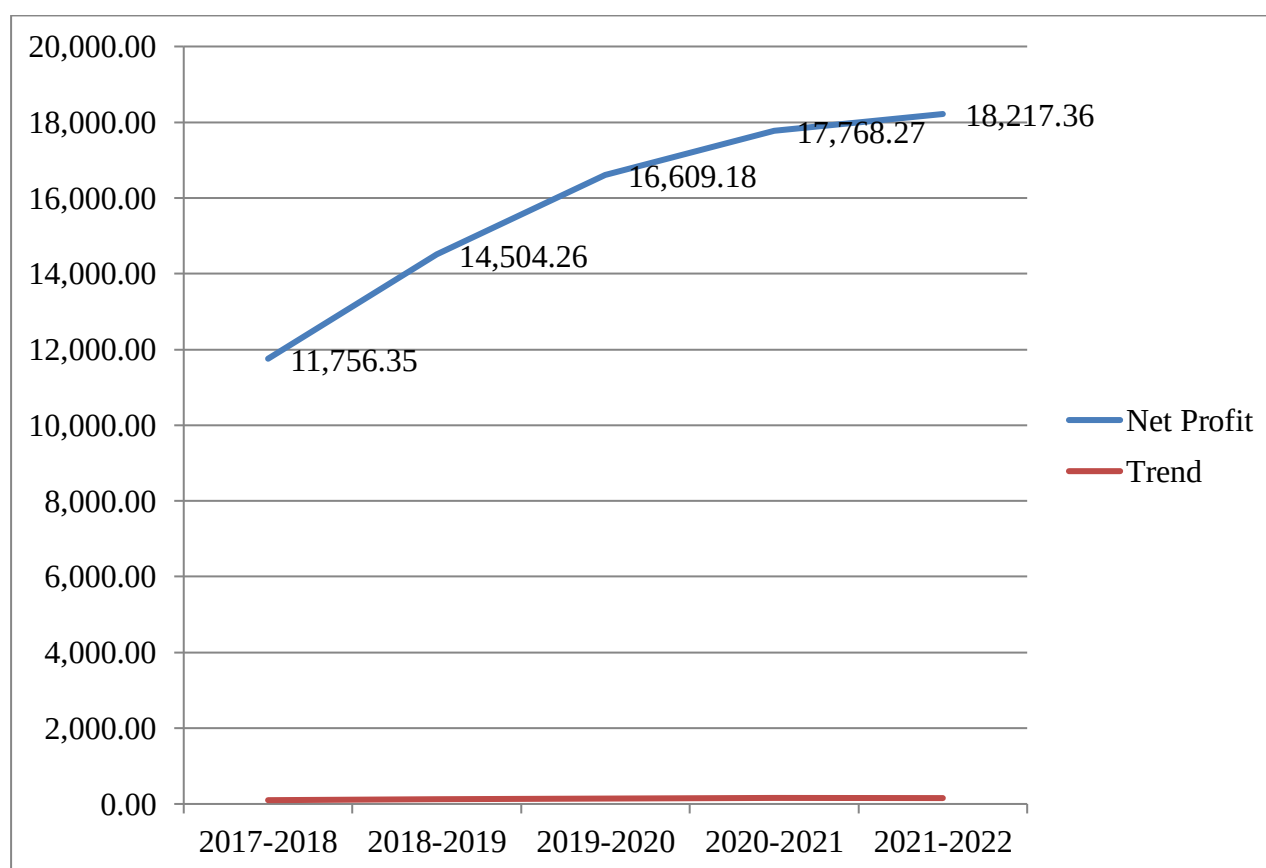
The above table shows that there is fluctuation in quick ratio during the study period. It has increased from 2017-2018 to 2018-2019. It has decreased from 2018-2019 to 2019-2020. And it has increased to 1.94 in the year 2020-2021. And slightly it has decreased to 1.92 in the year 2021-2022.

4.2.TREND ANALYSIS

TABLE NO – 4.2.1.TREND PERCENTAGE OF NET PROFIT

TREND PERCENTAGE OF NET PROFIT		
Year	Net Profit	Trend
2017-2018	11,756.35	100.00
2018-2019	14,504.26	123.37
2019-2020	16,609.18	141.28
2020-2021	17,768.27	151.14
2021-2022	18,217.36	154.96

CHART NO – 4.2.1.TREND PERCENTAGE OF NET PROFIT



INTERPRETATION

From the above table conveys Trend percentage of net profit was 100 in the year of 2017-18. It has increased to 123.37 and 141.28 in the year of 2018-19 and 2019-20 respectively. It has further increased to 151.14 and 154.96 in the year of 2020-2021 and 2021-2022 respectively.

CHAPTER 5 – FINDINGS, SUGGESTIONS, CONCLUSION

5.1.FINDINGS

- The amount of money collected Rs. 40,773.66 against the receivables was high in the year 2020-2021 and the amount paid to the creditors Rs. 4,184.09 was high in the year 2017-2018.
- The percentage of outstanding debtors Rs. 3,109.72 was high in the year 2018-2019. But in the next year this percentage has been decreased -1.97 at negative percentage.
- The debtor turnover ratio of the firm was decreased (18.17 to 11.69) from the year 2017-2018 to 2019-2020.
- The ratio of receivables to working capital is very low 14.90 in the year 2021-2022. It shows that the concern utilized its working capital for necessary needs.
- The ratio of receivables to current assets has shown an increase 0.23 to 0.35 from 2017-2018 to 2018-2019.
- The annual sales marked a higher growth rate of 121.73 % in the year 2020-2021.
- The least collection period was 11 days during the year 2018-2019 which implied the better quality of receivables.
- There was decreasing trend in percentage of bad debts losses (0.56 to 0.13) from the year 2019-2020 to 2021-2022.
- The return on total assets ratio was in increasing trend (12.80 to 20.17) from the year 2017-2018 to 2021-2022.
- There is fluctuating trend in creditor's turnover ratio during the study period (0.32 to 0.89) from 2017-2018 to 2021-2022.

- The cash position ratio has increased from 2017-2018 to 2018-2019 (0.38 to 0.44).
- The highest percentage is 24.47 in the year 2021-2022. It shows the company is not going with good return.
- The average payment period is fluctuating. And it has increased to 410.11 in the year 2021-2022.
- There is increasing net profit ratio from 2017-2018 to 2019-2020 (37.21 to 50.94).
- There is increasing trend during the study period in current ratio. It has increased from the year 2017-2018 to 2020-2021 (2.19 to 2.73).
- Quick ratio has increased from 2017-2018 to 2020-2021 (1.44 to 1.94). It has decreased from 2018-2019 to 2019-2020 (1.70 to 1.61).
- Trend percentage of net profit It has further increased to 151.14 and 154.96 in the year of 2020-2021 and 2021-2022.

5.2 SUGGESTIONS

- The company must match its receivable with the payment. It must speed up its receivables in order to meet its payables to its creditors.
- The c company must take all the efforts to collect the debt amount from debtors. Its outstanding debtors amount must be reduced as well as it must not be lose its customers.
- The company must ensure to avoid the bad debts. When it reduces its debtors volume, it can reduce its bad debts position.
- The management must focus to reduce the 11 days debtors' collection period or it needs to maintain the debtors collection period. The debtors' collection period must not be increased.
- As the cash collection against the receivables helps in meeting the short term obligations, the collection system of the company should be maintained in an effective manner.
- A private collection agency may be appointed for looking after the collection of the receivables. If the terms are finds suitable, as the credit sale of the firm is increasing at a high rate. This would help in reducing the work burden of the company's people and to improve the efficiency of managing the receivables.

5.3. LIMITATIONS OF STUDY

- The time horizon is very short, so in depth analysis could be done only of few schemes.
- The project is dependent on the relevance of the secondary data.
- The study has been done on only a handful of data so it cannot be generalized to the entire industry.

5.4. CONCLUSION

During the project study period, major department are covered. The receivable management is the key area of the working capital management. The main purpose of the project is to analysis the financial performance of the company. The detailed observations are presented in the form of analysis in the previous chapter.

The major financial performance indicators of Power Soaps Pvt. Ltd, Chennai for the five year period in terms of ratios like liquidity ratios, creditor's turnover ratio, debtors turnover ratio of the company and so many datas used in this project work. The company should take most care in case of new and risky customers. The credit terms offered by the firm differ from the customer to customer depending upon their past dealings.

The overall credit policy of the firm is well determined and established. The receivables position is at the satisfactory level and the firm would have the better chances for improvements in the future period. The working capital trends of the firm in relation to the receivable position shoes an increase which helps in improving the solvency position of the firm. The study concludes by saying that the performance of the overall Receivable Management has improved when compared to the previous year. It is found from the survey that the company's credit management is not very strict.

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ANNEXURE I – BALANCE SHEET & PROFIT AND LOSS ACCOUNT

BALANCE SHEET OF POWER SOAPS PVT. LTD., CHENNAI

AS ON 31st MARCH, 2018

SI.No.	PARTICULARS		AMOUNT (Rs.Lakhs.) 31.03.2018
I	SOURCES OF FUNDS		
	1)Shareholders funds:		
	Share Capital	25,796.14	
	Share application money	17,000.00	
	Reserves and surplus	21,901.93	
			64,698.07
	2)Loan funds:		
	Secured loans	22,645.23	
	Unsecured loans	4,484.79	
			27,130.02
	TOTAL		91,828.09
II	APPLICATION OF FUNDS		
	1)Fixed assets:		
	Gross block	53,355.44	
	Less: Depreciation	14,266.83	
	Net block	39,088.61	
	Capital work-in-progress	78.64	
			39,167.25
	2)Investments		36,233.99
	3)Current assets:		
	Inventories	2,693.46	
	Sundry debtors	1,838.11	
	Cash and Bank balances	1,371.05	
	Loans and Advances	1,983.03	
		7,885.65	
	Less: current liabilities and Provisions:		
	Current Liabilities	3,557.46	
	Provisions	36.29	
		3,593.75	
	Net Current assets		4,291.90
	4)Miscellaneous expenditure		378.6
	5)Profit and Loss account		11,756.35
	TOTAL		91,828.09

BALANCE SHEET OF POWER SOAPS PVT. LTD., CHENNAI
AS ON 31st MARCH, 2019

Sl.No.	PARTICULARS		AMOUNT (Rs.Lakhs.) 31.03.2019
I	SOURCES OF FUNDS		
	1)Shareholders funds:		
	Share Capital	42,796.14	
	Share application money	-	
	Reserves and surplus	21,901.93	
			64,698.07
	2)Loan funds:		
	Secured loans	19,018.51	
	Unsecured loans	9,070.51	
			28,089.02
	TOTAL		92,787.09
II	APPLICATION OF FUNDS		
	1)Fixed assets:		
	Gross block	53,331.74	
	Less: Depreciation	16,982.13	
	Net block	36,349.61	
	Capital work-in-progress	128.23	
			36,477.84
	2)Investments		36,525.14
	3)Current assets:		
	Inventories	2,281.92	
	Sundry debtors	3,109.72	
	Cash and Bank balances	1,716.40	
	Loans and Advances	1,771.46	
		8,879.50	
	Less: current liabilities and Provisions:		
	Current Liabilities	3,827.41	
	Provisions	50.43	
		3,877.84	
	Net Current assets		5,001.66
	4)Miscellaneous expenditure		278.19
	5)Profit and Loss account		14,504.26
	TOTAL		92,787.09

BALANCE SHEET OF POWER SOAPS PVT. LTD., CHENNAI
AS ON 31st MARCH, 2020

Sl.No.	PARTICULARS		AMOUNT (Rs.Lakhs.)
			31.03.2020
I	SOURCES OF FUNDS		
	1)Shareholders funds:		
	Share Capital	42,796.14	
	Share application money	-	
	Reserves and surplus	21,901.93	
			64,698.07
	2)Loan funds:		
	Secured loans	17,431.03	
	Unsecured loans	9,767.41	
			27,198.44
	TOTAL		91,896.51
II	APPLICATION OF FUNDS		
	1)Fixed assets:		
	Gross block	53,550.07	
	Less: Depreciation	19787.74	
	Net block	33,762.33	
	Capital work-in-progress	140.42	
			33,902.75
	2)Investments		36,557.57
	3)Current assets:		
	Inventories	2,503.20	
	Sundry debtors	2,467.39	
	Cash and Bank balances	1,290.71	
	Loans and Advances	1,906.20	
		8,167.50	
	Less: current liabilities and Provisions:		
	Current Liabilities	3,381.69	
	Provisions	127.9	
		3,509.59	
	Net Current assets		4,657.91
	4)Miscellaneous expenditure		169.1
	5)Profit and Loss account		16,609.18
	TOTAL		91,896.51

BALANCE SHEET OF POWER SOAPS PVT. LTD., CHENNAI
AS ON 31st MARCH, 2021

Sl.No.	PARTICULARS		AMOUNT (Rs.Lakhs.)
			31.03.2021
I	SOURCES OF FUNDS		
	1)Shareholders funds:		
	Share Capital	42,796.14	
	Share application money	-	
	Reserves and surplus	21,901.93	
			64,698.07
	2)Loan funds:		
	Secured loans	15,330.07	
	Unsecured loans	9,868.55	
			25,198.62
	TOTAL		89,896.69
II	APPLICATION OF FUNDS		
	1)Fixed assets:		
	Gross block	54,205.96	
	Less: Depreciation	22,537.12	
	Net block	31,668.84	
	Capital work-in-progress	289.62	
			31,958.46
	2)Investments		36,723.60
	3)Current assets:		
	Inventories	3,114.57	
	Sundry debtors	943.79	
	Cash and Bank balances	1,383.35	
	Loans and Advances	5,284.23	
		10,725.94	
	Less: current liabilities and Provisions:		
	Current Liabilities	3,758.62	
	Provisions	163.86	
		3,922.48	
	Net Current assets		6,803.46
	4)Miscellaneous expenditure		67.1
	5)Profit and Loss account		14,344.07
	TOTAL		89,896.69

BALANCE SHEET OF POWER SOAPS PVT. LTD., CHENNAI
AS ON 31st MARCH, 2022

Sl.No.	PARTICULARS		AMOUNT (Rs.Lakhs.)
			31.03.2022
I	SOURCES OF FUNDS		
	1)Shareholders funds:		
	Share Capital	42,896.14	
	Share application money	-	
	Reserves and surplus	22,001.93	
			64,898.07
	2)Loan funds:		
	Secured loans	15,430.07	
	Unsecured loans	9,968.55	
			25,3 98.62
	TOTAL		90,296.69
II	APPLICATION OF FUNDS		
	1)Fixed assets:		
	Gross block	54,305.96	
	Less: Depreciation	22,637.12	
	Net block	31,668.84	
	Capital work-in-progress	389.62	
			32,058.46
	2)Investments		36,623.60
	3)Current assets:		
	Inventories	3,214.57	
	Sundry debtors	1043.79	
	Cash and Bank balances	1,483.35	
	Loans and Advances	5,384.23	
		11,125.94	
	Less: current liabilities and Provisions:		
	Current Liabilities	3,858.62	
	Provisions	263.86	
		4,122.48	
	Net Current assets		7,003.46
	4)Miscellaneous expenditure		167.1
	5)Profit and Loss account		14,444.07
	TOTAL		90,296.69

PROFIT AND LOSS ACCOUNT OF THE YEAR 31ST MARCH 2018

Sl.No.	PARTICULARS		AMOUNT (In Rs.Lakhs.) 31.03.2018
I	INCOME		
	Sales	31,590.46	
	Other income	364.26	
			31,954.72
II	EXPENDITURE		
	Purchase of finished goods for resale	1,075.42	
	Manufacturing and other expenses	29,230.03	
	Depreciation	2,841.18	
	Interest and other finance charges	5,152.67	
	Decrease in stocks of work-in-process and finished goods	184.18	
			38,483.48
	Loss for the year		6,528.76
	Debit balance brought forward from previous year		5,227.59
	Debit balance carried to balance sheet		11,756.35

PROFIT AND LOSS ACCOUNT OF THE YEAR 31ST MARCH 2019

Sl.No.	PARTICULARS		AMOUNT (In Rs.Lakhs.) 31.03.2019
I	INCOME		
	Sales	29,021.15	
	Other income	236.60	
			29,257.75
II	EXPENDITURE		
	Purchase of finished goods for resale	155.08	
	Manufacturing and other expenses	25,591.08	
	Depreciation	2,850.33	
	Interest and other finance charges	2,949.46	
	Decrease in stocks of work-in-process and finished goods	459.71	
			32,005.66
	Loss for the year		2,747.91
	Debit balance brought forward from previous year		11,756.35
	Debit balance carried to balance sheet		14,504.26

PROFIT AND LOSS ACCOUNT OF THE YEAR 31ST MARCH 2020

Sl.No.	PARTICULARS		AMOUNT (In Rs.Lakhs.) 31.03.2020
I	INCOME		
	Sales	32,605.16	
	Other income	419.40	
			33,024.56
II	EXPENDITURE		
	Purchase of finished goods for resale	1,574.49	
	Manufacturing and other expenses	28,082.30	
	Depreciation	2,839.05	
	Interest and other finance charges	2,333.38	
	Decrease in stocks of work-in-process and finished goods	92.77	
			34,921.99
	Loss before extraordinary item		1,897.43
	Other Schemes	207.49	
	Loss for the year		2,104.92
	Debit balance brought forward from previous year		14,504.26
	Debit balance carried to balance sheet		16,609.18

PROFIT AND LOSS ACCOUNT OF THE YEAR 31ST MARCH 2021

Sl.No.	PARTICULARS		AMOUNT (In Rs.Lakhs.) 31.03.2021
I	INCOME		
	Sales	39,689.62	
	Other income	457.41	
			40,147.03
II	EXPENDITURE		
	Purchase of finished goods for resale	3,288.27	
	Manufacturing and other expenses	32,552.25	
	Depreciation	2,859.77	
	Interest and other finance charges	2,234.88	
	Decrease in stocks of work-in-process and finished goods	244.60	
			41,179.77
	Loss before extraordinary item		1,032.74
	Other losses		126.35
	Loss for the year		1,159.09
	Debit balance brought forward from previous year		16,609.18
	Debit balance carried to balance sheet		17,768.27

PROFIT AND LOSS ACCOUNT OF THE YEAR 31ST MARCH 2022

Sl.No.	PARTICULARS		AMOUNT (In Rs.Lakhs.) 31.03.2022
I	INCOME		
	Sales	39,789.62	
	Other income	557.41	
			40,347.03
II	EXPENDITURE		
	Purchase of finished goods for resale	3,388.27	
	Manufacturing and other expenses	31,652.25	
	Depreciation	2,959.77	
	Interest and other finance charges	2,334.88	
	Decrease in stocks of work-in-process and finished goods	344.60	
			40,679.77
	Loss before extraordinary item		332.74
	Other losses		126.35
	Loss for the year		449.09
	Debit balance brought forward from previous year		17,768.27
	Debit balance carried to balance sheet		18,217.36

ANNEXURE 2 – ARTICLE

A STUDY ON RECEIVABLE MANAGEMENT

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ABSTRACT

Receivable management is otherwise known as Debtor's management. Accounts receivable is an accounting transaction which deals with the billing of customer who owes money to a person, company or organization for goods and services that has been provided to the customers. In most business entities this is typically done by generating an invoice and mailing or electronically delivering it to the customer, who in turn must pay it within an established timeframe called credit or payment terms. The research topic is "A Study On Receivable Management With Reference to Power Soaps Pvt.Ltd". The data used are of last five years from 2017-18 to 2021-22. This study covers analysis like ratio analysis and trend analysis and also includes the sales prediction. Secondary data is used in this study. After analyzing the account receivable management of Power Soaps Pvt. Ltd., Chennai during the five financial years, it is clear that the annual sales marked a higher growth rate of 121.73 % in the year 2020-2021 and there was decreasing trend in percentage of bad debts losses from the year 2019-2020 to 2021-2022. The study concludes by saying that the performance of the overall Receivable Management has improved when compared to the previous year. It is found from the survey that the company's credit management is not very strict.

KEY WORDS : Receivable management, Ratio analysis, Trend analysis, Debtor's management

I. INTRODUCTION

Receivable management is otherwise known as Debtor's management. Accounts receivable is an accounting transaction which deals with the billing of customer who owes money to a person, company or organization for goods and services that has been provided to the customers. In most business entities this is typically done by generating an invoice and mailing or electronically delivering it to the customer, who in turn must pay it within an established timeframe called credit or payment terms. On a company's balance sheet, accounts receivable is the amount that customers owe to that company. Sometimes called trade receivables, they are classified as current assets assuming that they are due within one year. To record a journal entry for a sale on account, one must debit a receivable and credit a revenue account. When the customer pays off their accounts, one debits cash and credits the receivable in the journal entry. The ending balance on the trial balance sheet for accounts receivable is always debit. Accounts receivable departments use the sales ledger. Other types of accounting transactions include accounts payable, payroll, and trial balance.

II. REVIEW OF LITERATURE

Chowdhury and Amin (2017) have written an article on “receivables Management Practices in Pharmaceutical Companies Listed in DSE”. Among all the problems of financial management, the problems of receivables management have probably been recognized as the most crucial one. It is because of the fact that receivables ways helps a business concern to gain vitality and life strength and to maximize profit.

Petersen and Rajan (2018), who give a comprehensive examination of the determinants of trade credit. Using data from the 2012 National Survey of tiny Business Finance, they analyze each trade receivables and trade payables, and look at the theories described antecedently. According to the information advantage explanation of trade credit, they realize proof that better and faster access to information makes companies additional competitive lenders than financial institutions, particularly once their clients are credit constrained.

Padachi. K (2019) examined the trends in receivable management and its impact on firm’s performance. The results proved that a high investment in inventories and receivables is associated with lower profitability. Further, he showed that inventory days and cash conversion cycle had positive relation with profitability. On the other hand, account receivables days and account payables days correlated negatively with profitability.

Afza and Nazir (2020) made an attempt to investigate the traditional relationship between receivables management policies and a firm’s profitability for a sample of 204 non-financial firms listed on Karachi Stock Exchange (KSE) for the period 1998-2005. The study found significant difference among their receivables requirements and financing policies across different industries. Moreover, regression results found a negative relationship between the profitability of firms and the degree of aggressiveness of receivables investment and financing policies.

Beneda, Nancy; Zhang, Yilei (2021), studied impact of receivable management on the operating performance and growth of new public companies. The study also sheds light on the relationship of receivable with debt level, firm risk, and industry. Using a sample of initial public offerings (IPO's), the study finds a significant positive association between higher levels of accounts receivable and operating performance. The study further finds that maintaining control (i.e. lower amounts) over levels of cash and securities, inventory, fixed assets, and accounts.

Molina and Preven (2022) examine the impact of financial distress on the investment in trade receivables. Their paper’s main finding is that companies tend to extend their investment in trade receivables after they begin having profitableness problems; however, as soon as they enter financial distress (and start having cash flow problems), they show a decrease in client fund ing. If we assume that companies that aren't facing financial issues have a best investment policy, then we will infer that companies in financial distress have a suboptimal policy of under investing in financing clients. Such suboptimal investment policy contains a cost that is among the various costs of financial distress.

III. OBJECTIVES OF THE STUDY

Primary objective

The prime objective is to analyze and evaluate the receivables management and its performance in Power Soaps Pvt. Ltd, Chennai.

Secondary objectives

- To analyse the receivable management of the company from 2017-18 to 2021-22.
- To know how the receivables were managed
- To analyze to what extent they were offering credit
- To know who were the major defaulters
- To know how much extent of cash is blocked as bad debts

IV. RESEARCH METHODOLOGY

METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

RESEARCH DESIGN

A research design is a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the information needed to structure or solve marketing research problems. In simple words it is the general plan of how a researcher will go about the research. A research is the specification of methods and procedures for acquiring the information needed. It is the overall operational pattern or framework of the project that stipulates what information is to be collected from which sources by what procedures. Analytical research is used in this study.

SOURCES OF DATA

Secondary data is used as the main source of information. These make up the company's balance sheet for the five years from 2018 to 2022.

TOOLS FOR ANALYSIS

- ✓ Ratio analysis
 - Cash collected against receivables
 - Debtors turnover ratio
 - Receivables to working capital
 - Ratio of Bad Debt Losses To Credit Sales
- ✓ Trend analysis

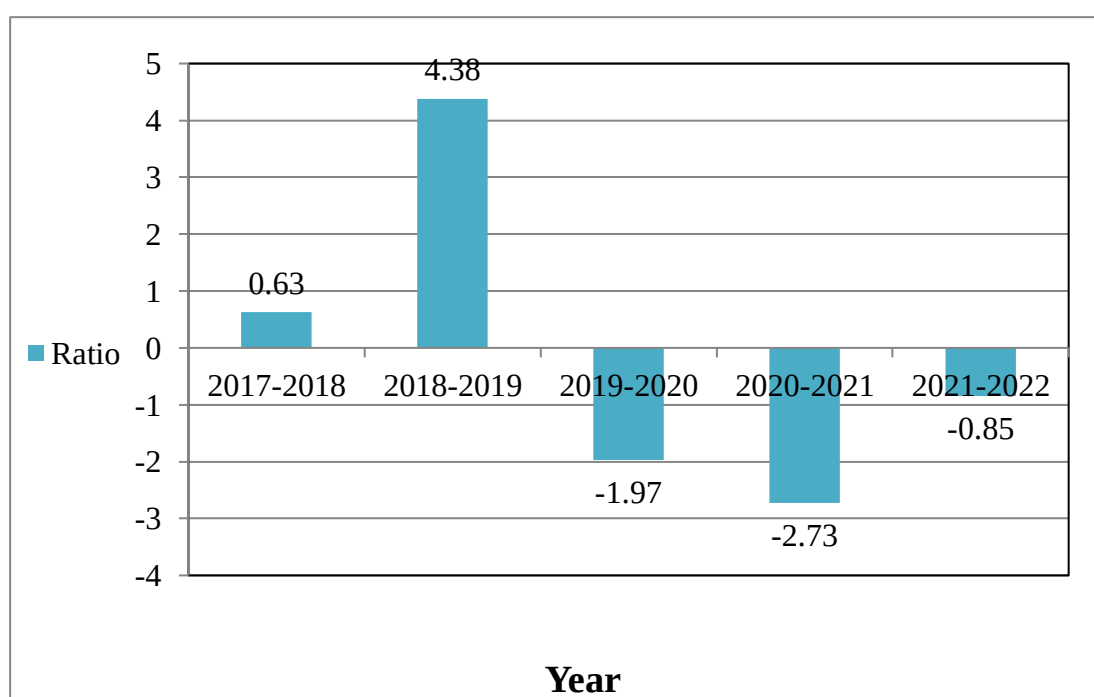
V. DATA ANALYSIS AND INTERPRETATION

TABLE NO – 1.CASH COLLECTED AGAINST RECEIVABLES

(In lakhs)

Year	Annual credit sales	Debtors at the beginning of the year	Debtors at the end of the year	Cash realised against receivables	Percentage of outstanding debtors
2017-2018	31,590.46	1,639.27	1,838.11	31,391.62	0.63
2018-2019	29,021.15	1,838.11	3,109.72	27,749.54	4.38
2019-2020	32,605.16	3,109.72	2,467.39	33,247.49	-1.97
2020-2021	39,689.62	2,467.39	1,383.35	40,773.66	-2.73
2021-2022	39,789.62	1,383.35	1043.79	40,129.18	-0.85

CHART NO – 1.CASH COLLECTED AGAINST RECEIVABLES



INTERPRETATION

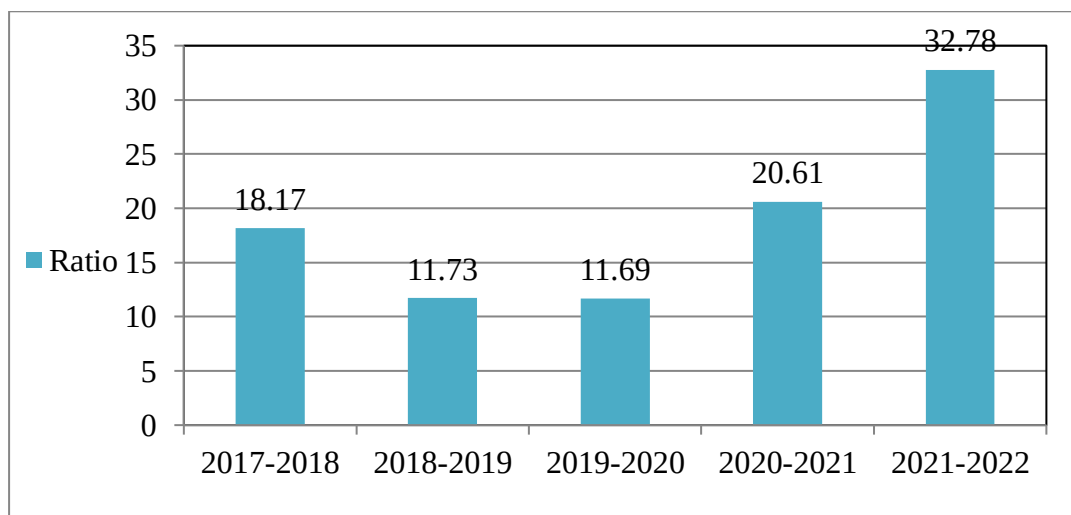
The above table shows that the cash realized against receivables was steadily increasing from the year 2018-2019 to 2021-2022 the value is (27749.54, 33247.49 , 40773.66). The percentage of outstanding debtors showed fluctuating trend. The percentage of outstanding debtors was high in the year 2018-2019 (4.38). But in the next year 2019-2020 (-1.97) this percentage has been decreased at negative percentage.

TABLE NO – 2. DEBTORS TURN OVER RATIO / RECEIVABLES TURNOVER RATIO

(In lakhs)

Year	Annual credit sales	Average trade debtors	Debtors turnover ratio(times)
2017-2018	31,590.46	1738.69	18.17
2018-2019	29,021.15	2473.91	11.73
2019-2020	32,605.16	2788.55	11.69
2020-2021	39,689.62	1925.37	20.61
2021-2022	39,789.62	1213.57	32.78

CHART NO – 2.DEBTORS TURN OVER RATIO / RECEIVABLES TURNOVER RATIO

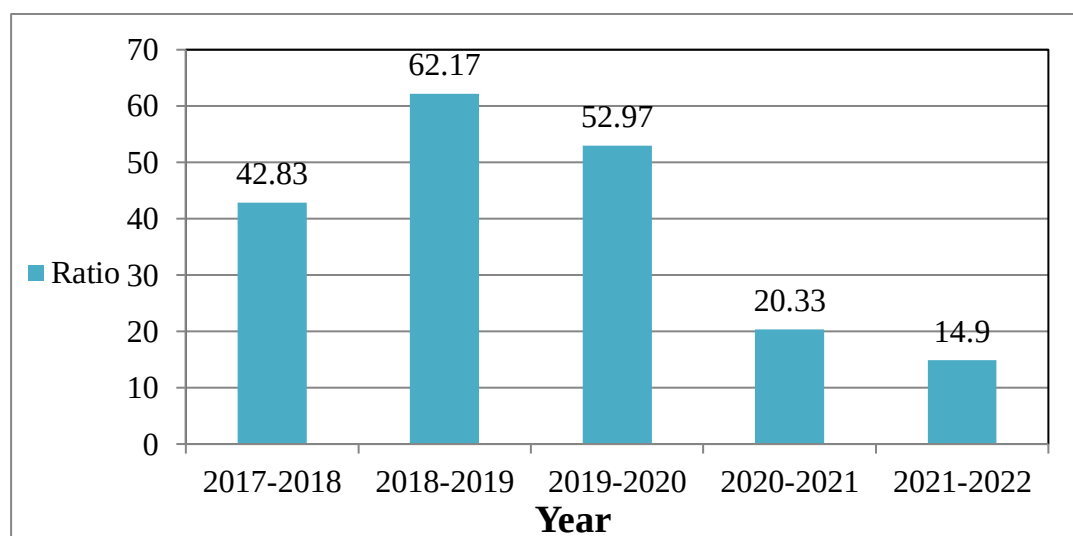


INTERPRETATION

From the above table, it can be inferred that the debtor turnover ratio of the firm was decreased (18.17, 11.73 , 11.69) from the year 2017-2018 to 2019-2020. Then the ratio was increased (20.61, 32.78) from the year 2020-2021 to 2021-2022. The ratio shows a fluctuating trend.

TABLE NO – 3. RECEIVABLES TO WORKING CAPITAL**(In lakhs)**

Year	Receivables	Working capital	Ratio(times)
2017-2018	1,838.11	4,291.90	42.83
2018-2019	3,109.72	5,001.66	62.17
2019-2020	2,467.39	4,657.91	52.97
2020-2021	1,383.35	6,803.46	20.33
2021-2022	1043.79	7,003.46	14.90

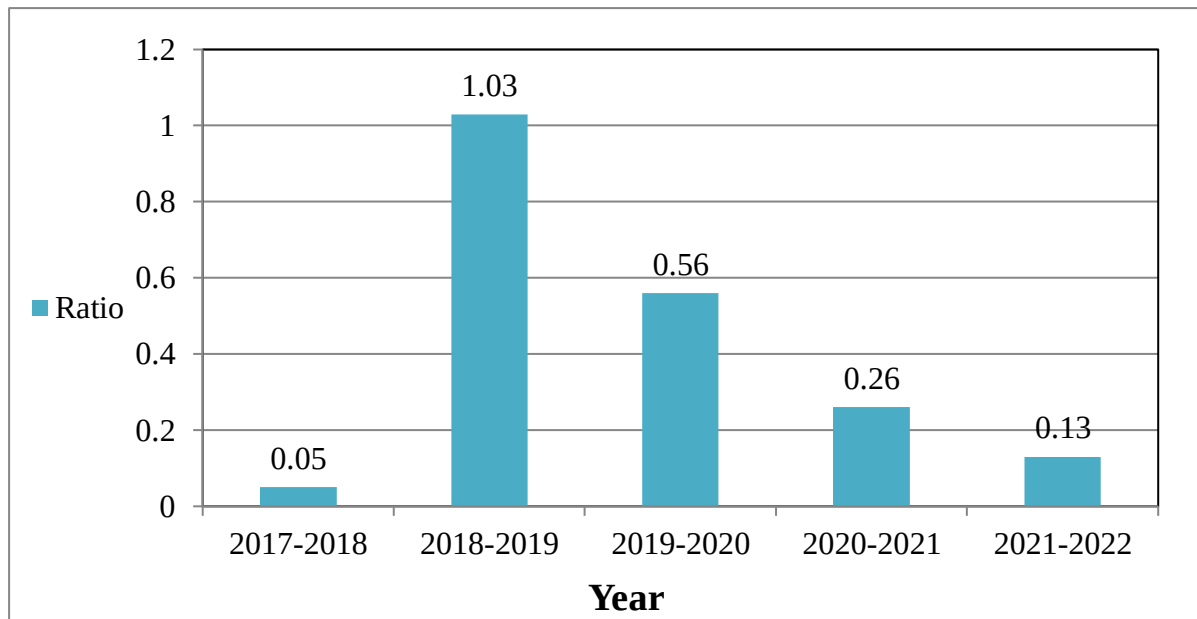
CHART NO – 3. RECEIVABLES TO WORKING CAPITAL**INTERPRETATION**

From the above table it is inferred that in all the year a major portion of the working capital was occupied by receivables. The ratio of receivables to working capital has shows an increase (42.83, 62.17) from the year 2017-2018 to 2018-2019. Then it has decreased (52.97, 20.33) from the year 2019-2020 to 2020-2021. The ratio of receivables to working capital is very low (14.90) in the year 2021-2022. It shows that the concern utilized its working capital for necessary needs.

TABLE NO – 4. RATIO OF BAD DEBT LOSSES TO CREDIT SALES**(In lakhs)**

Year	Credit sales	Bad debts	Ratio of bad debts losses to sales
2017-2018	31,590.46	18.38	0.05
2018-2019	29,021.15	300	1.03
2019-2020	32,605.16	182.67	0.56
2020-2021	39,689.62	102.25	0.26
2021-2022	39,789.62	52.70	0.13

CHART NO – 4. RATIO OF BAD DEBT LOSSES TO CREDIT SALES



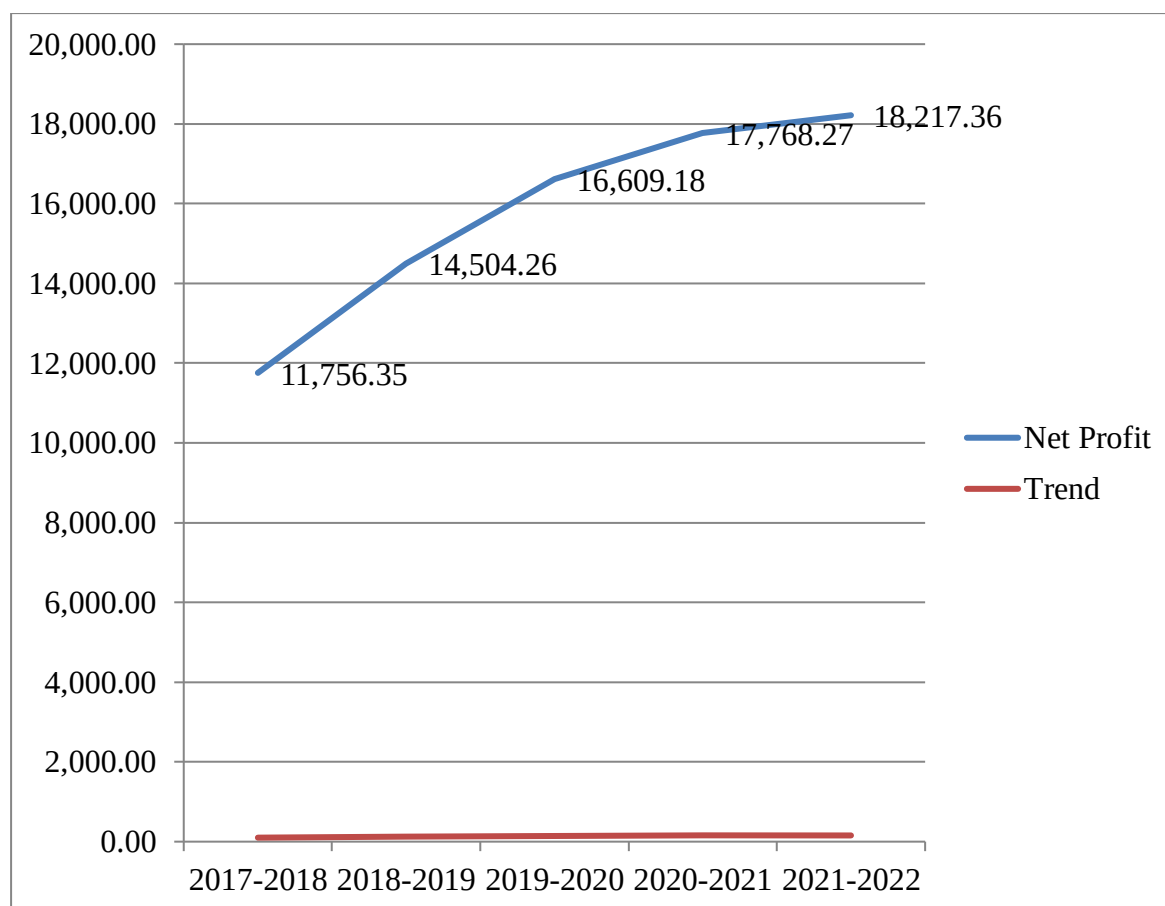
INTERPRETATION

The above table shows that, the bad debts losses to sales were increasing (0.05 , 1.03) from the year 2017-2018 to 2018-2019. There was decreasing trend in percentage of bad debts losses (0.56 , 0.26 , 0.13) from the year 2019-2020 to 2021-2022.

TABLE NO – 5. TREND ANALYSIS

TREND PERCENTAGE OF NET PROFIT		
Year	Net Profit	Trend
2017-2018	11,756.35	100.00
2018-2019	14,504.26	123.37
2019-2020	16,609.18	141.28
2020-2021	17,768.27	151.14
2021-2022	18,217.36	154.96

CHART NO – 5. TREND ANALYSIS



INTERPRETATION

From the above table conveys Trend percentage of net profit was 100 in the year of 2017-18. It has increased to 123.37 and 141.28 in the year of 2018-19 and 2019-20 respectively. It has further increased to 151.14 and 154.96 in the year of 2020-2021 and 2021-2022 respectively.

VI. FINDINGS

- The percentage of outstanding debtors was high in the year 2018-2019 (4.38). But in the next year 2019-2020 (-1.97) this percentage has been decreased at negative percentage.
- The Debtors turnover ratio was increased (20.61, 32.78) from the year 2020-2021 to 2021-2022. The ratio shows a fluctuating trend.
- The ratio of receivables to working capital is very low (14.90) in the year 2021-2022.
- There was decreasing trend in percentage of bad debts losses (0.56 to 0.13) from the year 2019-2020 to 2021-2022.
- Trend percentage of net profit It has further increased to 151.14 and 154.96 in the year of 2020-2021 and 2021-2022.

VII. SUGGESTIONS

- The company must take all the efforts to collect the debt amount from debtors. Its outstanding debtors amount must be reduced as well as it must not lose its customers
- As the cash collection against the receivables helps in meeting the short term obligations, the collection system of the company should be maintained in an effective manner.
- A private collection agency may be appointed for looking after the collection of the receivables. If the terms are found suitable, as the credit sale of the firm is increasing at a high rate. This would help in reducing the work burden of the company's people and to improve the efficiency of managing the receivables.

VIII. CONCLUSIONS

During the project study period, major department are covered. The receivable management is the key area of the working capital management. The main purpose of the project is to analysis the financial performance of the company. The detailed observations are presented in the form of analysis in the previous chapter. The credit terms offered by the firm differ from the customer to customer depending upon their past dealings. The overall credit policy of the firm is well determined and established. The receivables position is at the satisfactory level and the firm would have the better chances for improvements in the future period. The working capital trends of the firm in relation to the receivable position shoes an increase which helps in improving the solvency position of the firm. The study concludes by saying that the performance of the overall Receivable Management has improved when compared to the previous year.

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