

A STUDY ON ANALYSIS OF WORKING CAPITAL MANAGEMENT IN TEXAN STONE INDIA PVT LTD

Submitted in partial fulfillment of the requirement for the award of

Master of Business Administration

by

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Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **SHALINI L (41410286)** who carried out the project entitled **"A study on Analysis of Working capital Management in Texan stone India Pvt Ltd||** under our supervision from January 2023 to April 2023.

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TO WHOMSOEVER IT MAY CONCERN

This is to certify that Shalini L has successfully completed her internship program as "Finance Intern" with Texa Stone Private Limited, Chennai from 18 January 2023 to 31 march 2023.

She efficiently contributed to the work and was found to be hard - working keen to learn & ready to accept responsibilities.

We wish her all the best in future endeavors.

For,

Texa stone private limited

Authorised Signature

DECLARATION

I **SHALINI L (41410286)** hereby declare that the Project Report entitled “**A Study on Analysis of Working capital Management in Texan Stone Pvt Ltd**” done by me under the guidance of **DR. BLESSIE PATHMU** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

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TABLE OF CONTENTS

CHAPTER NO	CHAPTERS	PAGE NO
	ABSTRACT	I
	LIST OF TABLES	II
	LIST OF CHARTS	III
I	INTRODUCTION	1
	1.1 Introduction	1
	1.2 Industry Profile	3
	1.3 Company Profile	5
	1.4 Objectives Of The Study	6
	1.5 Need For The Study	6
	1.6 Scope Of The Study	7
	1.7 Limitation Of the Study	7
II	2.1 REVIEW OF LITERATURE	8
	2.1 Review Of Literature	8
III	3.1 RESEARCH METHODOLOGY	15
	3.1 Research Design	15
	3.2 Data Source	15
	3.3 Tools Used For Analysis	16
IV	4.1 ANALYSIS AND INTERPRETATION	22
	4.1 Ratio Analysis	22
	4.2 Trend Analysis	44
V	5.1 FINDINGS, SUGGESTION, CONCLUSION	47
	5.1 Findings	47
	5.2 Suggestions	48
	5.3 Conclusion	49
VI	BIBLIOGRAPHY	50
VII	REFERENCES	50
VIII	ANNEXURE	52

ABSTRACT

The review is on working capital administration in Texan Stone India Pvt Ltd. The review outfits the administration of thought regarding the presentation of working capital of the organization. The issues that come up while trying to manage current assets, current liabilities, and their relationships are addressed by working capital management. The assets that can be turned into cash in the normal course of business within a year without losing value are considered current assets. Cash on hand, cash in the bank, various debtors, bills receivable, shares, pre-paid costs, etc. are examples of current assets. The term "current liabilities" refers to debt obligations that must be settled in the normal course of business within a year using the company's current assets or earnings. Every business requires money for two things: to get started and to run its daily operations. The management of the company's short-term assets and liabilities is crucial for this goal. For every firm to function, working cash is absolutely necessary. Before starting to sell the products, a decent manufacturing business needs some basic money to produce the items. It must take care of the costs associated with manufacturing, administration, and selling. This project intends to study the working capital position of the Public enterprises. This study aids in locating potential improvement areas. Further recommendations were given, which the business may include into a future programme to improve the efficient use of all resources.

The key components of the theory of working capital management are the optimal level of current assets, the trade-off between profitability and risk that depends on the ratio of current assets to current liabilities, and financing mix methods.

LIST OF TABLES

SL.NO	PARTICULARS	PAGE NO
1	Size of working capital	22
2	Working capital ratio	23
3	Cash to working capital	24
4	Current ratio	25
5	Quick ratio (or) liquid ratio	26
6	Absolute liquid ratio	27
7	Debtors turnover ratio	28
8	Average collection period	29
9	Inventory turnover ratio	30
10	Working capital turnover ratio	31
11	Fixed assets turnover ratio	32
12	Current assets turnover ratio	33
12	Gross profit ratio	34
13	Net profit ratio	35
14	Operating profit ratio	36
15	Return on equity	37
16	Return on asset	38
17	Debt equity ratio	39
18	Current liabilities to inventory ratio	40
19	Changes in working capital 2017 - 2018	41
20	Changes in working capital 2018 - 2019	42
21	Changes in working capital 2019 - 2020	43
22	Changes in working capital 2020 - 2021	44
23	Table showing trend analysis for the year 2017- 2021	45

LIST OF CHARTS

SL.NO	PARTICULARS	PAGE NO
1	Size of working capital	22
2	Working capital ratio	23
3	Cash to working capital	24
4	Current ratio	25
5	Quick ratio (or) liquid ratio	26
6	Absolute liquid ratio	27
7	Debtors turnover ratio	28
8	Average collection period	29
9	Inventory turnover ratio	30
10	Working capital turnover ratio	31
11	Fixed assets turnover ratio	32
12	Current assets turnover ratio	33
12	Gross profit ratio	34
13	Net profit ratio	35
14	Operating profit ratio	36
15	Return on equity	37
16	Return on asset	38
17	Debt equity ratio	39
18	Current liabilities to inventory ratio	40
19	Trend on percentage of current asset	46

CHAPTER - I

INTRODUCTION

Any company occasionally uses its short-term assets and short-term financing sources to conduct its regular business. Working capital management is the term used to describe the management of such assets and liabilities. A fundamental component of the study of financial management is working capital management. Given that both fields deal with the examination of risk and profitability, it may also be likened to the process of making long-term decisions.

A company uses a portion of its permanent capital to purchase fixed assets and keeps the remainder for working, or meeting daily needs. We will hardly find a firm which does not require any amount of working capital for its normal operations. The requirements of working capital vary from firm to firm depending upon the nature of Business, Production Policy, Market conditions. Seasonality of operations, conditions of supply etc. Working capital is simply the term for the portion of a company's capital that is needed to finance short-term or current assets, such as cash marketable securities, debtors, and inventories.

Working capital types

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

- **Net Working Capital:** The difference between current assets and current liabilities is referred to as "net working capital." It refers to the difference between current assets and current liabilities the net working capital is qualitative term which demonstrates the liquidity position of a firm and the extent to which working capital needs may be financed by permanent source of fund. The difference between current assets and current liabilities is known as the "positive net working." The networking capitals turn to be negative when current liabilities are exceeding the current asset. The negative working capital

position will adversely affect the operation of the firm and its profitability. Working capital is also to of permanent and temporary working capital.

Gross Working Capital: The Gross working capital is the amount of funds invested in various components of current assets. Current assets are assets that can be easily and quickly converted into cash over a short period of time, such as an accounting year. Current assets include Cash in hand and cash at bank, Inventories, Bills receivables, Sundry debtors, short term loans and advances.

THE WORKING CAPITAL CYCLE

The working capital cycle refers to the minimum amount of time which is required to convert net current assets and net current liabilities into cash. From a more simplistic viewpoint, working capital cycle is the amount of time between the payment for goods supplied and the final receipt of cash accumulated from the sale of the same goods. There are mainly the following elements of which the working capital cycle is comprised of:

Cash

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

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

Creditors and Debtors

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

Inventory

Inventory refers to the stock in hand. Inventories are an integral component of working capital and careful planning, and proper investment is necessary to maintain the inventory in a healthy state of affairs. Management of inventory has two aspects and involves a trade-off between cost and risk factors. Maintaining a sizable inventory has its accompanying costs that include locking of funds, increased maintenance and documentation cost and increased cost of storage. Apart from these things, there is also a chance of damage to the stored goods. On the other hand, maintaining a small inventory can disrupt the business lifecycle and can have serious impacts on the delivery schedule. As a result, it is extremely important to maintain the inventory at optimum levels which can be arrived at after careful analysis and a bit of experimentation.

1.2 INDUSTRY PROFILE

Introduction

The expansion of the industry and the export of Indian chemicals are the goals of numerous private sector groups. The Indian Pesticides Manufacturers and Formulators Association, the Chemicals and Petrochemicals Manufacturers Association, and the Indian Chemical Manufacturers Association are a few of these.

Since the country's independence in 1947, the chemical industry—one of the India's oldest domestic sectors—has significantly aided the country's industrial and economic growth. Currently, the chemical industry produces close to 70,000 commercial products, falling into a variety of categories such as inorganic and organic chemicals, drugs and pharmaceuticals, plastics and petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides, agrochemicals, and fertilizers.

The Indian government aggressively encourages the growth of the local chemical sector because of its strong emphasis on modernization. Since 1991, the Department of Chemicals and Petro-chemical, which is a division of the Ministry of Chemicals and Fertilizers, has coordinated the policy, planning, development, and regulation of the industry.

The Indian economy heavily depends on the chemical industry. It is projected to be worth approximately US\$ 35 billion, which is comparable to 3% of India's GDP. Over US\$ 60 billion worth of investment has been made in India's chemical industry, and 1 million jobs have been created as a result. 13-14% of the nation's total exports and 8-9% of its total imports are accounted for by the chemical industry in India. It is the third largest in Asia and the twelfth largest in the world in terms of volume.

India currently consumes around 1/10th the global average of chemical industry products per person. The Indian chemical industry has developed over the past ten years, going from being a producer of basic chemicals to a cutting-edge one. Because of investments in R&D, the industry is experiencing significant expansion in the knowledge sector, which includes medicines, fine chemicals, and specialty chemicals.

1.3 COMPANY PROFILE

Texas Minerals and Chemicals LLC (Texan Stone India Pvt Ltd),

A Houston-based business focuses on the global wholesale supply chain of importing and exporting industrial goods. It is the fastest-growing garnet and staurolite distributor in the country at Texas Minerals and Chemicals LLC because it imports more abrasive minerals every year. Texan Stone India Pvt Ltd was established in 2006 with the aim of supplying wholesale businesses in the oil and gas and industrial sectors with the best products, such as guar gum, friction reducers, xanthan gum, polymers, shale chemicals, abrasive minerals, granite, citric acid etc.,

Processing:

The best materials are used at Texas Minerals & Chemicals from all around the world, including China and Europe. Together with the depth and breadth of network, professional personnel frequently connect with farming communities, chemical companies, miners and processors, refineries, and other businesses. Texan gets items directly from reputable producers that uphold high standards for their products.

Quality:

The best components, including those from Asia and Europe, are used at Texas Minerals & Chemicals. Together with the depth and breadth of our network, trained workers also constantly connect with farming communities, chemical manufacturers, miners and processors, refineries, and other businesses. The items are sourced directly from reputable

Warehouse Handling:

All products are handled, packed, and kept in a suitable manufacturer that adheres to high quality requirements. Facility at the appropriate temperature. Because certain products are hygroscopic and will be impacted by humidity, this is extremely important. So take great care to assure the best possible quality and adequate security of priceless goods.

Load out to make sure the right lots are transported on schedule. In order to send stone, Texas Stone can assist with finding a reliable trucking vendor.

PRODUCTS:

1. Staurolite
2. Garnet
3. Guar gum
4. Shale chemicals
5. Citric Acid
6. Calcium chloride
7. Logistics
8. Sillimanite
9. Friction Reducers
10. Ilmenite

1.4 OBJECTIVES OF THE STUDY

- To understand the management of working capital at Texan stone India Pvt ltd
- To investigate and forecast the movements of an element based on current and historical data
- To know about the liquidity and solvency position of Texan stone India Pvt ltd
- To know about the profitability position of Texan stone India Pvt ltd

1.5 NEED OF THE STUDY

- The management of working capital at Texas Stone Pvt Ltd is the subject of the research. The study provides a managerial understanding of the working capital performance of the organization.

Monitoring current assets, current liabilities, and their interactions are part of working capital management.

- A successful working capital policy guarantees a company's increased profitability and enough liquidity.
- Every company needs money for two things: starting up and maintaining everyday operations. For this to happen, it is essential that the company's short-term assets and liabilities are managed.

1.6 SCOPE OF THE STUDY

- The study's primary objective is to evaluate past and current performance
- The main scope of the study was to put into practice the theoretical aspect of the study into practical implementation.
- The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital.
- Further, the study is based on the 5 years Annual Reports (2016-2021)
- To improve business using trend data in decision-making.

1.7 LIMITATIONS OF THE STUDY

- Due to the company's strategic and competitive position, it was unable to divulge any sensitive information
- The estimations are based on assumptions about the current workplace.
- Due to their hectic schedules, had little engagement with the relevant heads.

CHAPTER-2

REVIEW OF LITERATURE

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

Mo Saswata Chatterjee (2017) the importance of fixed and current assets in the successful operation of any organization was highlighted. He has a direct impact on profitability and liquidity. In the business world, it has been observed that most companies increase their profit and loss margins because doing so reduces the size of working capital relative to sales. However, if a company wants to increase or improve its liquidity, it must increase its working capital. As a result of this policy, the organization's sales will be reduced, and thus its profitability will suffer as a result. For this purpose, 30 UK- based companies that are listed on the London Stock Exchange were chosen. The data ranged from 2007 to 2015. He investigated the effect of working capital on profit. This study includes quick ratios, current ratios, C.C.C, average days of payment, inventory turnover, and A.C.P (average collection period) on the net operating profitability of UK companies.

Huynh Phuong Dong, et al (2017) in this analysis, reported that working capital management affects firm profitability and liquidity. Pooled data are chosen for carrying out research for the period 2007- 2015 in order to assess the companies listed on the Vietnamese stock exchange. He concentrated on the variables such as profitability, conversion cycle, and its related elements, as well as the relationship that exists between them. According to his findings,

The relationships between these variables are strongly negative. This indicates that a decrease in profitability occurs as the cash conversion cycle lengthens. It has also been discovered that reducing the number of days of accounts receivable and inventories reduces profitability while increasing the number of days of accounts receivable and inventories.

Jason Kasozi (2017) This investigated the impact of working capital management on profitability in 69 South African listed manufacturing firms from 2007 to 2016. His research discovered that ACP and APP have a negative but significant effect on profitability as measured by return on assets. Furthermore, Kasozi (2017) discovered that the number of days in inventory, as a proxy for working capital management, has a significant positive effect on profitability.

Shrivastava et al. (2017), studied the impact of working capital on profitability in Indian corporate entities from 2003 to 2012. Data was analyzed using traditional panel data and Bayesian techniques. According to their findings, a longer CCC has a negative impact on profitability. They contend that financial accuracy indicators are important in determining profitability. According to the Bayesian approach, larger companies appear to be more profitable and significant.

Shivakumar et al. (2016), Working capital management its impact on liquidity and profitability a study of coal India Ltd is a paper that attempts to provide a conceptual understanding of working capital management and assess its impact on the liquidity and profitability of coal India Ltd. The liquidity and profitability trade has become an important aspect for all organizations, and an attempt has also been made to test the liquidity and profitability position using correlation and the spearman's rank method According to the correlation Spear man ranking method, there is a low correlation and a negative relationship between liquidity and profitability. The total test has also been used to evaluate liquidity performance.

Nufazil Altaf and Farooq Ahmed Shah (2018), the aim of this paper is to investigate the link between how does working capital management affect the profitability of Indian enterprises. Working capital management (WCM) and company profitability for 437 nonfinancial Indian enterprises were studied. The study used a two- step generalized methods of moments (GMM) strategy to arrive at conclusions based on secondary financial data acquired from a Capital database during a ten-year period. The study's findings support the inverted U-shape association between WCM and corporate profitability. Furthermore, it completes its CCC in an average of 63 days.

Mukti R Barot (2016), in this study, the researcher attempted to conduct a comparative analysis on working capital management of reymond and vardhman textile limited. The goal of this study is to determine which company's performance is superior to that of other companies. For this analysis, the researcher used only secondary data from 2006 to 2015.

Apurba Kumar Sharma (2015), the efficiency of working capital management of some select proprietary tea estates registered with the Tea Board of India and operating in the Jordan district of assume from 2008-09 to 2012-13 was investigated. instead of calculating common method of analyzing different working capital management ratio three index value performance index, utilization index and efficiency index have been to working capital requirement of a firm where as operating cash flows and sales growth are positively related to working capital to recruitment.

Hina Agha (2014), examined the profitability impact of working capital management The main goal of the study is to empirically test the impact of working capital management on profitability; with this goal in mind, he studied the GlaxoSmithKline pharmaceutical company listed on the Karachi stock exchange from 1996 to 2011. The interpretation of the results is that by increasing the debtor's turnover, inventory turnover, and decreasing the

creditor's turnover ratios, the company can increase its profitability; however, there is no significant effect of increasing or decreasing the current ratio on profitability; thus, the research results indicate that the company can increase its profitability through proper working capital management.

Adina Elena Danuletiu (2010), the goal of this study is to examine how well industries, businesses, or countries in Alba manage their working capital. The researcher also looked into the link between profitability and how well working capital is managed. Working capital management and profitability have a bad relationship, according to the study's result.

Ashok Sharma and Kumar (2011), this article's primary goal is to investigate how working capital affects the profitability of Indian businesses. The researcher's findings demonstrate a major departure from the numerous global marketplaces. The findings indicate a strong correlation between working capital management and profitability in Indian enterprises. The inventory of the number of days and the number of days accounts, according to research. Payment has a negative correlation with company profitability, although the number of days receivable and the cash conversion period have favorable correlations.

Islam Uddin Khan (2011), the best liquidity management may be accomplished by a corporation that handles the trade-off between profitability and liquidity management. Liquidity management is of utmost significance in financial management decisions. A descriptive statistic reveals that the liquidity and solvency positions are quite good and that the liquidity management is generally effective. Working Capital is always disregarded in financial decision-making since it involves investments and money over a short period of time, according to several regression tests that have been conducted.

Jaiswal Vikas Kumar and Pandey, Shishir (2011), the research also attempts to examine the relationship between NALCO's liquidity and profitability. It is

entirely secondary data-based, and the 1995- 2008 study period is covered. It is crucial to manage working capital since it directly affects revenue and liquidity. In this essay, an effort has been made to examine the elements of working capital and the effect that working capital management has on profitability.

Akinwande (2010), the author of the paper talked about working capital management and how it affects profitability, portfolio diversification, and liquidity. The success or failure of a firm depends on the three factors described above. Hence, efficient working capital management benefits small- scale businesses by positively affecting these crucial factors and promotes the growth, success, and expansion of the business. His study mainly focuses on the notion that a firm has to manage its working capital effectively in order to thrive. Research has examined several working capital management techniques and how well small to medium-sized businesses apply them. If you pay too much attention to working capital management, these will also not provide favorable results.

Mohamad Alipur (2011), the researcher's primary goal is to investigate the connection between working capital management and profitability. One crucial instrument for determining working capital Management efficiency is the cash conversion cycle. There is a significant relationship between Working Capital Management and the profitability of the firms throughout the study period of 2001- 2006.

Sari Vishan Milla Prittila and Timo karri (2011), and key component of short-term finance and financial flows is working capital management. The effect of working capital management on a company's relative profitability is also demonstrated by earlier studies. The purpose of the current paper is to examine how the management of working capital assets, such as inventories, accounts receivables, and accounts payable, affects a company's profitability along the value chain. The findings indicate a positive relationship between working capital assets and firm profitability.

Sanjiv Mittal, Mohinder Kumar and Bhavet (2011) in earlier studies, it was discovered that working capital and profitability had a strong and substantial link. The most effective working capital management practices improved operational effectiveness, profitability, and liquidity in small-scale industries. It shows that the small businessman places a premium on working capital management.

Anusha Agrawal (2011), The Working Capital Management approach to liquidity management has long been the dominant method to plan and regulate liquidity. Planning and controlling current assets and current liabilities in such a way as to eliminate the risk of not being able to meet due short-term obligations on the one hand, and avoiding an excessive investment in these assets on the other, is the foundation of effective liquidity profitability management. The things listed on a company's balance sheet as short-term or current assets are all included in the working capital, but current liabilities are not included in net working capital. This study examines how the car industry's profitability, liquidity, and Risk trade-offs.

Sayed Talmina Quayyum (2011), this study aims to determine whether there is any connection between manufacturing companies' profitability and working capital management. The goal of this study is to determine whether there is a statistically significant relationship between profitability and working capital management. Additionally, the researcher explained how management actively participates in maximizing their liquidity, profitability, and working capital components. This essay also demonstrates how the degree of relevance of a link varies from sector to industry.

Jayshri kadam (2011), Small-scale industries cover a wide range of activities, such as manufacturing, banking, and the construction of infrastructure. The economic growth of every nation is dependent on small-scale industries. In a developing country like India, it is more significant. Its contribution to domestic

production, employment, and export is increasing. Raw material, financial, marketing, capacity underutilization, and lack of working capital management knowledge are other problems that Small Scale Companies face. Also, a lack of funds has resulted in the dissolution of some minor firm divisions.

David Mathuva (2010), the influence of working capital management factors on business profitability is the study's main topic. Second, there is a highly substantial positive link between the time it takes for businesses to turn their inventory into sales. These two relationships are highly significant in both directions. Lastly, there is an extremely significant positive link between the amount of profit and the length of time it takes to pay a creditor.

CHAPTER-3

RESEARCH METHODOLOGY

The methodical process of obtaining and analyzing data in order to better understand the topic that fascinates or worries us is known as "research." It is the diligent pursuit of knowledge. It is a comprehensive investigation or inquiry, especially one that seeks for fresh data in any area of study. The study includes both descriptive and analytical components. It is analytical and descriptive in terms of the theoretical idea since it assesses and analyses supporting data to get the correct conclusion. Ratios and percentages are used to interpret data.

3.1 RESEARCH DESIGN

The research design is the road map that will be used to carry out the study's methodology. The master plan is the collection of decisions that specify the methods and procedures for data collection, measurement, and analysis. Research has made use of descriptive research. Descriptive studies are fact-finding investigations with proper interpretation. It concentrates on particular elements of the research. It is aimed to gather descriptive information and offer details for developing more involved study.

3.2 DATA SOURCE

Types of data collection:

- Secondary Data Collection Technique

SECONDARY DATA

Secondary data came from published papers such the firm's annual reports, balance sheets, profit and loss statements, booklets, and documents like files and reports kept by the company. The annual report is divided mostly into two parts:

- 1) Profit and Loss Account
- 2) The Balance Sheet Profit and loss account shows the company's revenue and expenses. The organization's financial situation is shown on the balance sheet. These two assertions were created by highly trained specialists with the use of knowledge or data that was readily available.

3.3 TOOLS USED FOR ANALYSIS:

- ❖ Working capital finance
- ❖ Liquidity Ratios
- ❖ Turnover Ratios
- ❖ Profitability Ratios
- ❖ Solvency Ratios
- ❖ Trend Analysis

1) LIQUIDITY RATIOS

The importance of having enough liquidity for a corporation to meet short-term and current obligations as they become due cannot be overstated. In actuality, a company's capacity to retain liquidity is essential to its existence. The short-term liquidity or solvency of the company is a worry to its creditors. The short-term liquidity or solvency of the company is a worry to its creditor. Yet, liquidity means that the company's funds are either underutilized or earning very little from their utilization.

CURRENT RATIO

The current ratio is the ratio of total current assets to total current liabilities. By deducting current liabilities from current assets, one can calculate:

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

The assets that can be quickly converted into cash in the normal course of business—typically within a year—are referred to as current assets. These assets include cash and bank balances, marketable securities, inventory of raw materials, semi-finished goods, and finished goods, debtors net of provisions for bad and doubtful debts, bills receivable, and prepaid expenses.

QUICK RATIO

The quick assets divided by the current liabilities yields the acid-test ratio, which is the ratio of quick assets to current liabilities.

$$\text{QUICK RATIO} = \frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

Quick assets are current assets that can be quickly and easily converted into cash without suffering a loss in value. Current assets fall into three categories: debtors/receivables, short-term marketable securities, and cash in the bank.

ABSOLUTE LIQUID RATIO:

The overdue liability ratio and cash position ratio are other names for the absolute liquid ratio. With respect to absolute liquid assets, which include cash on hand, cash in the bank, and marketable securities or short-term investments, this ratio established the relationship between them and current absolute liquid assets. The absolute liquid ratio indicates that there are sufficient funds in cash to cover short-term obligations if the ratio is significantly higher than one.

2) TURNOVER RATIOS

A measurement of how frequently a corporation replaces its inventory over a specific time period. Cost of goods sold divided by average inventory throughout the time period is how turnover ratio is computed. A high turnover rate indicates a business that produces and sells its products or services quickly

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

AVERAGE COLLECTION PERIOD:

The average collection period is added to the debtor's turnover ratio in order to determine the rate at which cash is earned by turnover of receivables. The average collection period clearly specifies how many days on average a credit sale is related to the buyer's debt. The ratio shows how well the debts have been paid off in a timely manner. It provides the typical collection period, to put it another way. Quick payment of book debts will free up those cash, which can then be used for other purposes. The ratio may be calculate by

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

INVENTORY TURNOVER RATIO

This ratio shows how frequently inventory is changed over the course of a year. It gauges the correlation between inventory levels and cost of goods sold. You can calculate the ratio in

$$\text{INVENTORY TURNOVER RATIO} = \frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE INVENTORY}}$$

There are two possible types of the average inventory figure. First off, it can be the average monthly inventory. If the accounting year is a calendar year, the opening inventory for each month from January through January is added, and the sum is divided by thirteen to get the monthly average. When a company's accounting year, such as a financial year (April and March), differs from a calendar year, the average

The opening inventory for each month from April through April can be added, and the level of inventory can be calculated by dividing the result by thirteen. As it evens out the swings in inventory level overtime, this method has the benefit of being bias-free.

WORKING CAPITAL TURNOVER RATIO

This percentage should reflect how frequently working capital generates revenue. In other words, this ratio shows how effectively or ineffectively short-term money is used to make sales. The amount of current assets above current liabilities is referred to as working capital. In actuality, the current liabilities are what have the biggest impact in the short term. A careful managing of the short-term assets and money will result in less capital being used, which will increase turnover.. The formula used to measure is:

$$\text{WORKING CAPITAL TURNOVER RATIO} = \frac{\text{SALES}}{\text{NET WORKING CAPITAL}}$$

FIXED ASSETS TURNOVER RATIO

It is important to gauge the level of performance in this area since the company uses capital on fixed assets to outfit it with the appropriate production facilities to produce goods and services that can be sold to customers to generate income. The link between sales and fixed assets is expressed by this ratio. The ratio is calculated using the following.

$$\text{FIXED ASSETS TURNOVER} = \frac{\text{SALES}}{\text{NET FIXED ASSETS}}$$

Fixed assets are often taken into account at their written-down value at the end of the year when calculating the fixed assets turnover ratio.

3) SOLVENCY RATIO:

Solvency ratio gauges a company's financial stability and ability to meet both short- and long-term obligations. D&B measures an organization's solvency using six important financial business ratios.

A. DEBT TO EQUITY RATIO

A well-liked indicator of a company's long-term financial health is the link between borrowed money and owner capital. The debt-to-equity ratios illustrates the link. This ratio illustrates the proportionate claims of shareholders and creditors against the firm's assets. There are numerous methods to depict the relationship between owner capital and outsider claims, which leads to a wide variety of debt-equity ratios.

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

B. CURRENT LIABILITIES TO INVENTORY RATIO:

This ratio illustrates, in percentage form, the dependence on available inventory for loan repayment this ratio is calculated using the following formula

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

CHAPTER-4

ANALYSIS AND INTERPRETATION

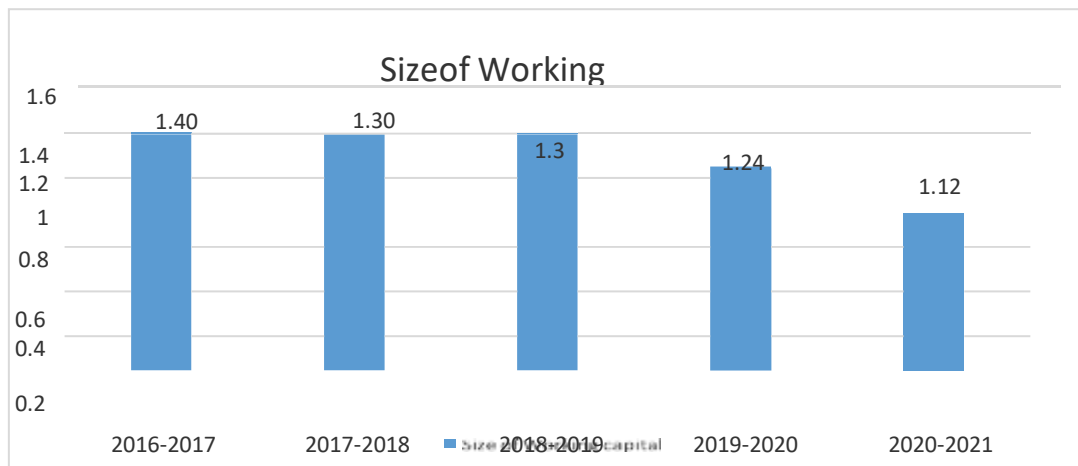
The ratio analysis is one of the best techniques for working capital analysis. It entails the creation and analysis of various ratios. A simple mathematical expression of the connection between two numbers is a ratio.

A. SIZE OF WORKING CAPITAL

4.1.1 TABLE SHOWING SIZE OF WORKING CAPITAL

Year	Amount
2016 - 2017	1.40
2017 - 2018	1.30
2018 - 2019	1.36
2019 - 2020	1.24
2020 - 2021	1.12

(Source: Secondary data)



4.1.1. CHART SHOWING SIZE OF WORKING CAPITAL

INTERPRETATION

From the above chart shows working capital of the company has considerably increased (2016-2017) 1.40

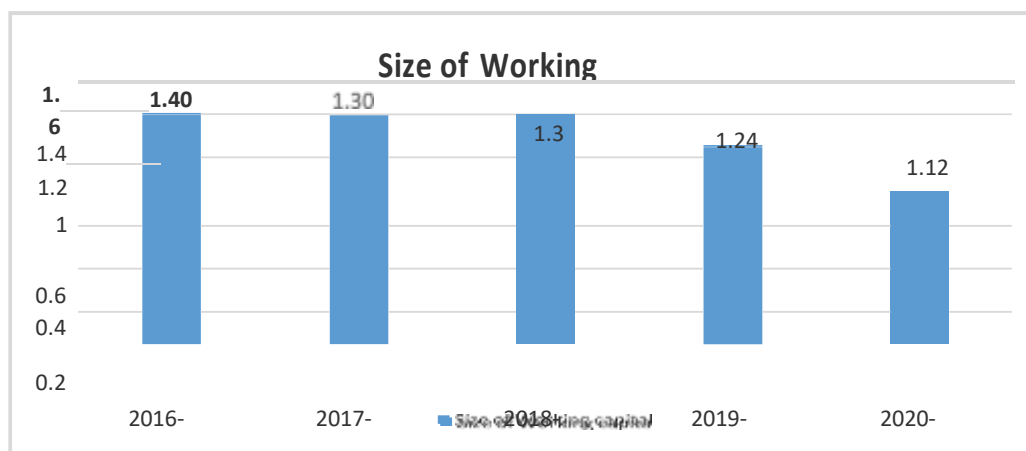
A. WORKING CAPITAL RATIO

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

4.1.2 TABLE SHOWING PERCENTAGE OF WORKINGCAPITAL

Percentage of working capital			
Rs. Lakhs			
Year	Current Assets	Current Liabilities	Net working capital
2016 - 2017	155	110	1.40
2017 - 2018	141.10	108	1.30
2018 – 2019	131.02	96.15	1.36
2019 – 2020	109.70	87.78	1.24
2020 - 2021	102.21	90.85	1.12

(Source: Secondary data)



4.1.1. CHART SHOWING SIZE OF WORKING CAPITAL

INTERPRETATION

From the above chart shows working capital of the company has considerably decreased from (2016-2017) 1.408450704, and in 2020-2021 it is further decreased to 1.12

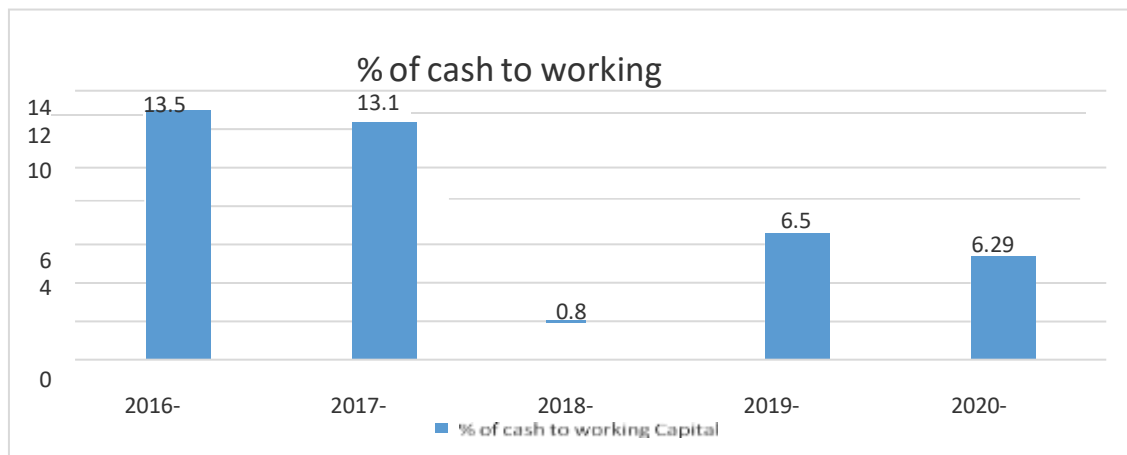
PERCENTAGE OF CASH TO WORKING CAPITAL

It is an indicator of the current assets to current liabilities ratio also known as working capital ratio. The short-term solvency of the company is gauged by the current ratio.

4.1.2 TABLE SHOWING PERCENTAGE OF CASH TO WORKING CAPITAL

Percentage of working capital			
Rs. Lakhs			
Year	Current Assets	Current Liabilities	Net working capital
2016 - 2017	19	1.40	13.57
2017 - 2018	18	1.37	13.13
2018 – 2019	1.12	1.40	0.8
2019 – 2020	8.2	1.25	6.56
2020 - 2021	7.24	1.15	6.29

(Source: Secondary data)



4.1.2 CHART SHOWING PERCENTAGE OF CASH TO WORKING CAPITAL

INTERPRETATION

From the above chart it can be seen that the percentage of cash and bank balance to working capital was 13.57% in the year 2016- 2017, in the year 2017-2018 it is decreased to 13.1, later it is further decreased to 0.8% during 2018-2019. Then it is settled around 6.29% this is because of more fluctuation in cash and bank balance.

LIQUIDITY RATIOS

A. CURRENT RATIOS:

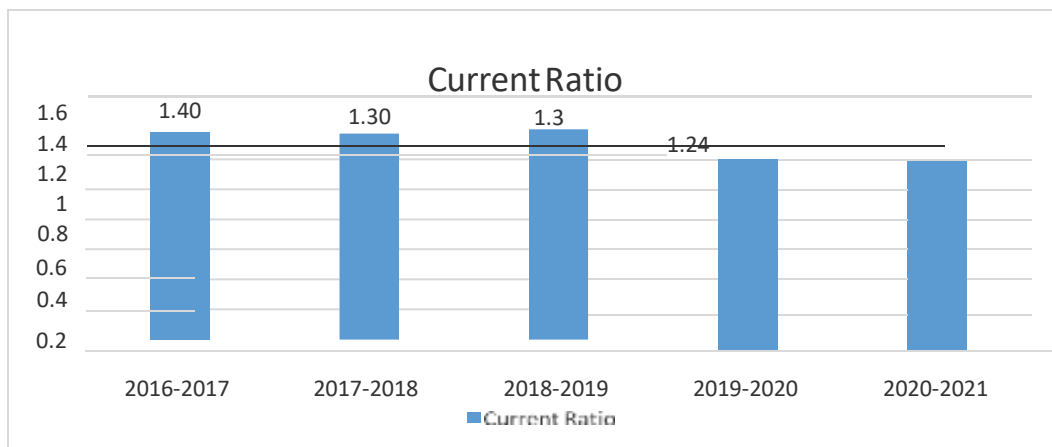
The ratio of all current assets to all current liabilities is known as the current ratio. It demonstrates the company's capacity to meet its short-term obligations with its short-term resources. This is how it is put into words.

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

4.1.3 TABLE SHOWING CURRENT RATIO

CURRENT RATIO			
Rs. Lakhs			
Year	Current Assets	Current Liabilities	Current Assets
2016 - 2017	155	110	1.40
2017 - 2018	141.10	108	1.30
2018 - 2019	131.02	96.15	1.36
2019 - 2020	109.70	87.78	1.24
2020 - 2021	102.21	90.85	1.12

(Source: Secondary data)



4.1.3 CHART SHOWING CURRENT RATIO

INTERPRETATION

From the above chart showing Current Ratio is increasing third year over the period of study, in (2016-2017) its current ratio was 1.40% and but from the period of 2020 and 2021 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.

QUICK RATIO (OR) LIQUID RATIO

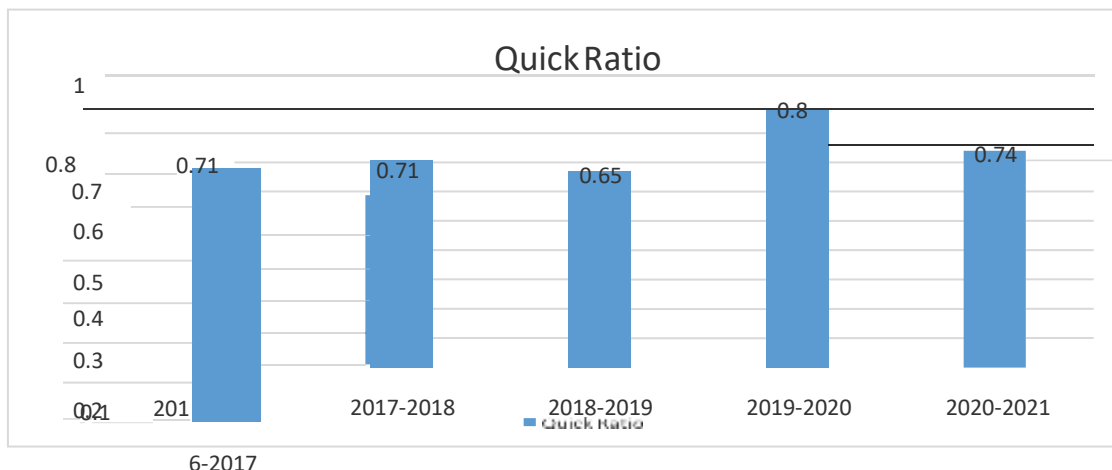
The link between liquid assets and liabilities is known as the quick ratio. The reason why it is called the "quick ratio" is because it measures how quickly a company can use its current assets to pay its current liabilities. It is said in the following way:

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

4.1.3 TABLE SHOWING LIQUID RATIO

QUICK RATIO			
Rs. Lakhs			
Year	Quick Assets	Current Liabilities	Quick Assets
2016 - 2017	79	110	1.40
2017 - 2018	77	108	1.30
2018 – 2019	63.10	96.15	1.36
2019 – 2020	75.58	87.78	1.24
2020 - 2021	67.36	90.85	1.12

(Source : Secondary data)



4.1.4 CHART SHOWING LIQUID RATIO

INTERPRETATION:

As a quick ratio of 1:1 is considered satisfactory as a firm can easily meet all current claims. It is a more rigorous and penetrating test of the liquidity position of a firm. From the above chart, it is clear that the liquidity position of the company is satisfactory.

ABSOLUTE LIQUID RATIO

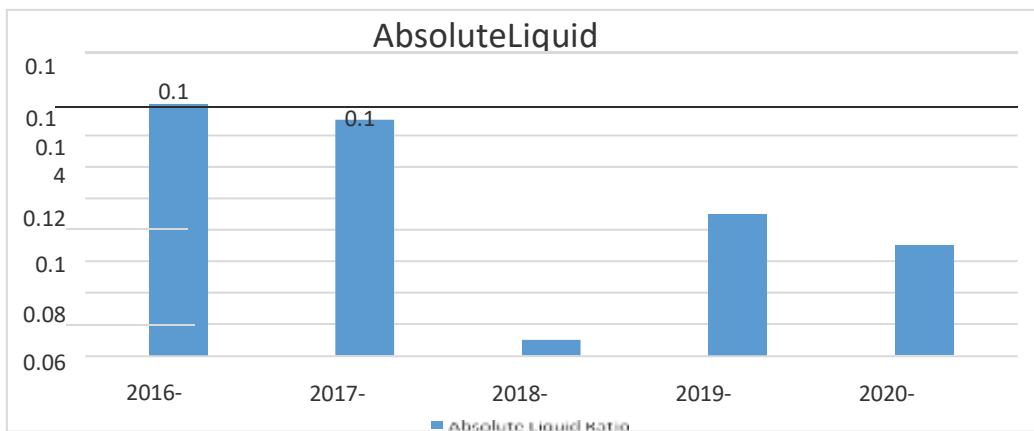
The term "absolute liquid ratio" can also refer to the "cash position ratio" or the "overdue liability ratio." The absolute liquid assets, which comprise cash on hand, cash in the bank, and marketable securities or short-term investments, were compared to the present absolute liquid assets using this ratio.

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

4.1.4 TABLE SHOWING ABSOLUTE LIQUID RATIO

ABSOLUTE LIQUID RATIO			
Rs. Lakhs			
Year	Absolute Assets	Current Liabilities	Absolute Liquid Assets
2016 - 2017	79	110	1.40
2017 - 2018	77	108	1.30
2018 - 2019	63.10	96.15	1.36
2019 - 2020	75.58	87.78	1.24
2020 - 2021	67.36	90.85	1.12

(Source: Secondary data)



4.1.5 CHART SHOWING ABSOLUTE LIQUID RATIO

INTERPRETATION

From the above chart shows standard ratio 0.5:1. So compared to this absolute liquid ratio are exceptionally good till 2016- 2017. but later in 2018- 2019 it is decreased into 0.01%. Absolute liquid asset are considered adequate to pay with current liabilities in time as all creditors are not expected to demand cash at same time and then cash may realized from debtor sand inventories.

TURNOVER RATIOS

A. Debtors Turnover ratio

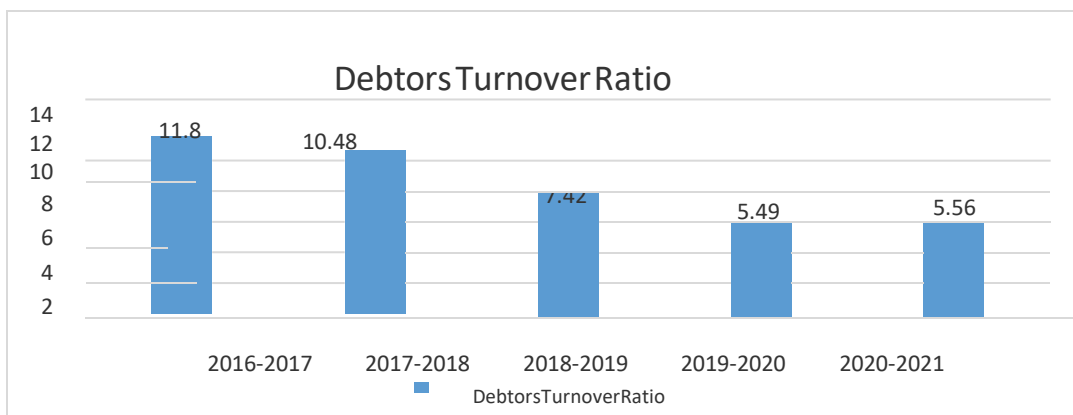
A business may sell products both on credit and in cash. One of the key components of sales marketing is credit. Using a lenient credit policy will improve sales volume. This ratio displays the amount of given trade credit as well as the effectiveness of debt collection. It shows how frequently the typical debtor is switched out on a yearly basis.

$$\text{DEBTORS TURNOVER RATIO} = \text{TOTALSALES} / \text{DEBTORS}$$

4.1.6 TABLE SHOWING DEBTORS TURN OVERRATIO

DEBTORSTURNOVER RATIO			
Rs. Lakhs			
Year	Total sales	Debtors	Debtors Turnover Ratio
2016 - 2017	590	50	11.8
2017 - 2018	515	49.1	10.48
2018 – 2019	460.19	61.98	7.42
2019 – 2020	369.71	67.3	5.49
2020 - 2021	334.69	60.12	5.56

(Source: Secondary data)



4.1.6 CHART SHOWING DEBTOR TURNOVER RATIO

INTERPRETATION

From the above chart shows in the year 2016-2017 the ratio is 11.8%. Also the ratio was increasing gradually debtor turnover ratio is higher in the end of the study period. And it is higher than Standard 6 it reflects the efficient debt management.

AVERAGE COLLECTION PERIOD

Significance

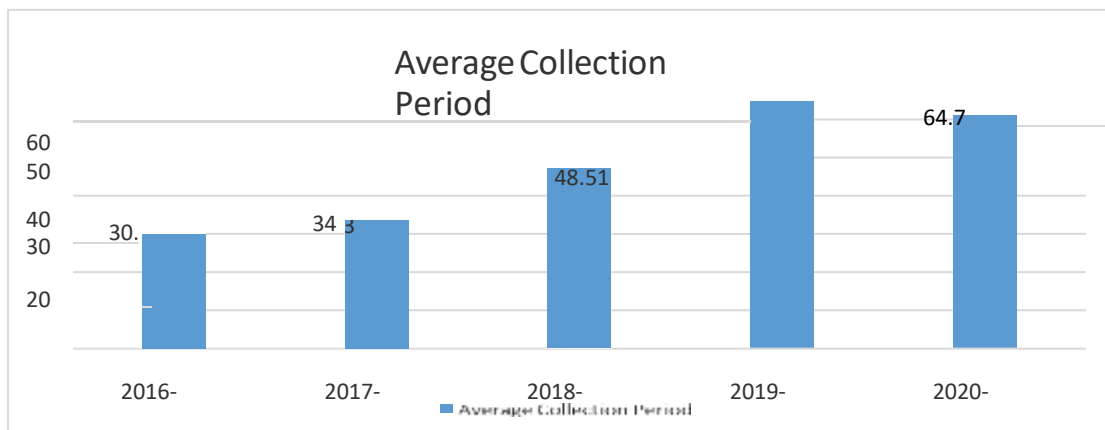
The average collection period reflects the caliber of debtors by evaluating how fast or slowly the debt collection procedure proceeds. The better the debtors are, the shorter the average collection period is since it indicates prompt payment from the debtors. The ability of a company to meet its short-term obligations out of its present liabilities is negatively impacted by prolonged collection duration, which is similar to an inadequate collection performance. Also, the average collection period's duration is inversely correlated with the frequency of bad debts.

$$\text{AVERAGE COLLECTION PERIOD} = 360 \text{ DAYS} / \text{DEBTORSTURNOVER RATIO}$$

4.1.7 TABLE SHOWING AVERAGE COLLECTION PERIOD

AVERAGE COLLECTION PERIOD			
Rs. Lakhs			
Year	Days in a year	Debtors Turnover Ratio	Average Collection Period
2016 - 2017	590	50	11.8
2017 - 2018	515	49.1	10.48
2018 - 2019	460.19	61.98	7.42
2019 - 2020	369.71	67.3	5.49
2020 - 2021	334.69	60.12	5.56

(Source: secondary data)



4.1.7 CHART SHOWING AVERAGE COLLECTION PERIOD

INTERPRETATION

From the above chart shows that above ratio is decreasing continuously and reached to 64.74. It implies the different debt management.

INVENTORY TURNOVER RATIO:

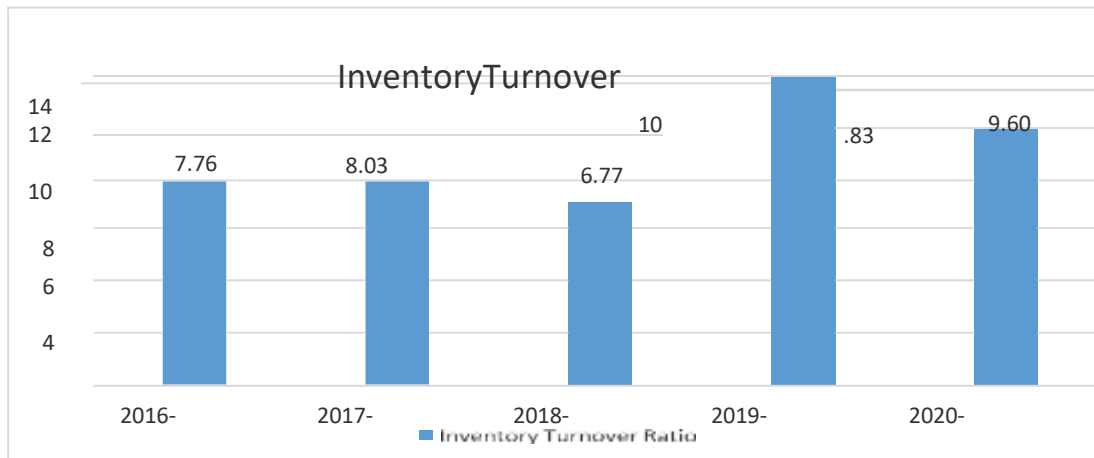
By comparing the stock to the turnover, this ratio determines the frequency of stock turnover in a firm. It displays how well the business sells its products. It is calculated by subtracting the cost of goods sold from the average inventory.

INVENTORY TURNOVER RATIO = NET SALES / AVERAGE INVENTORY

4.1.8 TABLE SHOWING INVENTORY TURNOVER RATIO

INVENTORY TURNOVER RATIO			
Rs. Lakhs			
Year	Net Sales	Average Inventory	Inventory Turnover Ratio
2016 - 2017	590	76	7.76
2017 - 2018	515	64.1	8.03
2018 – 2019	460.19	67.92	6.77
2019 – 2020	369.71	34.12	10.83
2020 - 2021	334.69	34.85	9.60

(Source: Secondary data)



4.1.8 CHARTSHOWING INVENTORY TURNOVER RATIO

INTERPRETATION

From the above chart shows a higher turnover ratio brisk sale. The above chart shows that are an inventory trend in the ratio. In the year 2019-2020, inventory ratio is high 10.83 when compared to other years. In the year 2020 – 2021 Inventory turnover ratio is 9.60.

WORKING CAPITAL TURNOVER RATIO

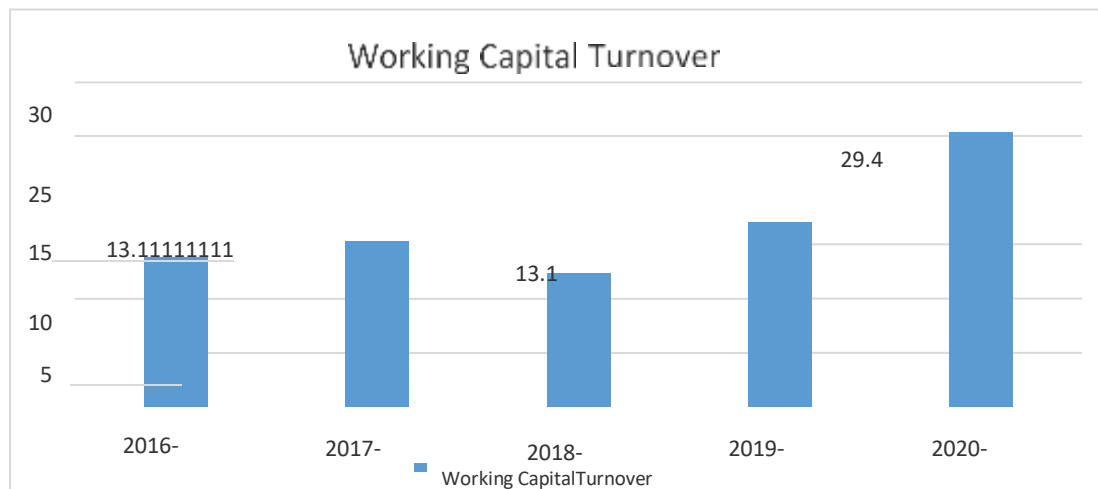
This ratio displays the frequency with which working capital contributes to sales. In other words, this ratio shows how effectively or ineffectively short-term money is used to make sales. The difference between current assets and current liabilities is known as working capital. In actuality, current assets and current liabilities play a significant influence in the short run.

$$\text{WORKING CAPITAL TURNOVER RATIO} = \text{SALES} / \text{NETWORKING CAPITAL}$$

4.1.9 TABLE SHOWING WORKING CAPITAL TURNOVER RATIO

WORKING CAPITAL TURNOVER RATIO			
Rs. Lakhs			
Year	Net Sales	Net Working Capital	Working Capital Turnover Ratio
2016 - 2017	590	45	13.11111111
2017 - 2018	515	33.1	15.55
2018 - 2019	460.19	34.87	13.19
2019 - 2020	369.71	21.92	16.86
2020 - 2021	334.69	11.36	29.46

(Source: Secondary data)



4.1.9 CHART SHOWING WORKING CAPITAL TURNOVER RATIO

INTERPRETATION

From the above chart shows working capital turnover ratio has considerably increased from 2016-2017. But from the period of 2017- 2018 start decreasing. The higher ratio indicates efficient utilization of the working capital. In the year of 2020-2021 the ratio was 31.231, so the utilization of working capital is Satisfactory than the years. And in the year of 2018-2019 the ratio is 13.773 and there is more working capital seen in the year.

FIXED ASSETS TURNOVER RATIO:

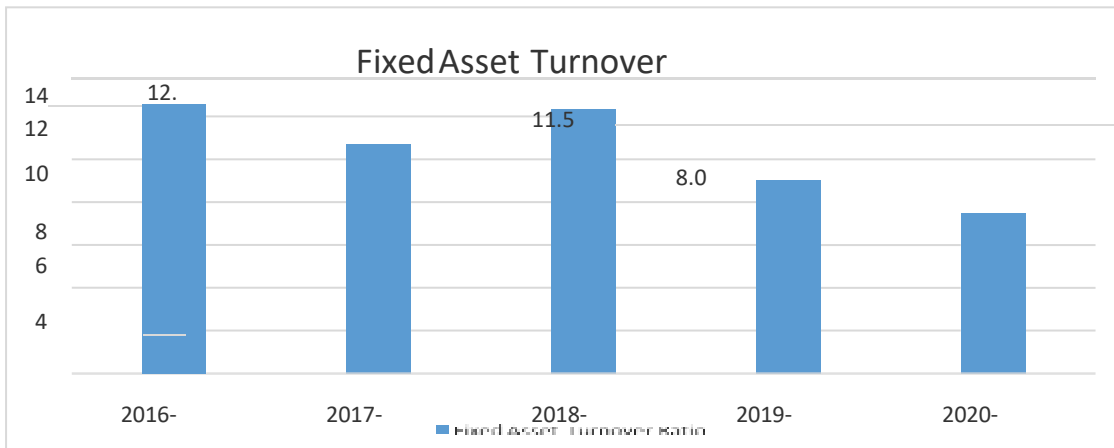
The fixed assets turnover ratio gauges how effectively the company has been generating sales by employing its fixed assets. It is determined by dividing the company's sales by its net fixed assets in the manner shown below:

$$\text{FIXED ASSETS TURNOVER} = \text{SALES} / \text{NET FIXED ASSETS}$$

4.1.9 TABLE SHOWING FIXED ASSETS TURNOVER RATIO

FIXED ASSET TURNOVER RATIO			
Rs. Lakhs			
Year	Net Sales	Net Fixed Capital	Fixed Asset Turnover Ratio
2016 - 2017	590	48	12.29
2017 - 2018	515	50	10.33
2018 – 2019	460.19	39.96	11.51
2019 – 2020	369.71	45.89	8.05
2020 - 2021	334.69	48.48	6.90

(Source: Secondary data)



4.1.10 CHART SHOWING FIXED ASSET TURNOVER RATIO

INTERPRETATION:

From the above chart shows fixed asset turnover ratio has considerably increased from 2016-2017. But from the period of 2019- 2020 start decreasing. Thus the fixed assets turnover ratio for the Five years is satisfactory as such. There is 2020 and 2021 underutilization of the fixed assets.

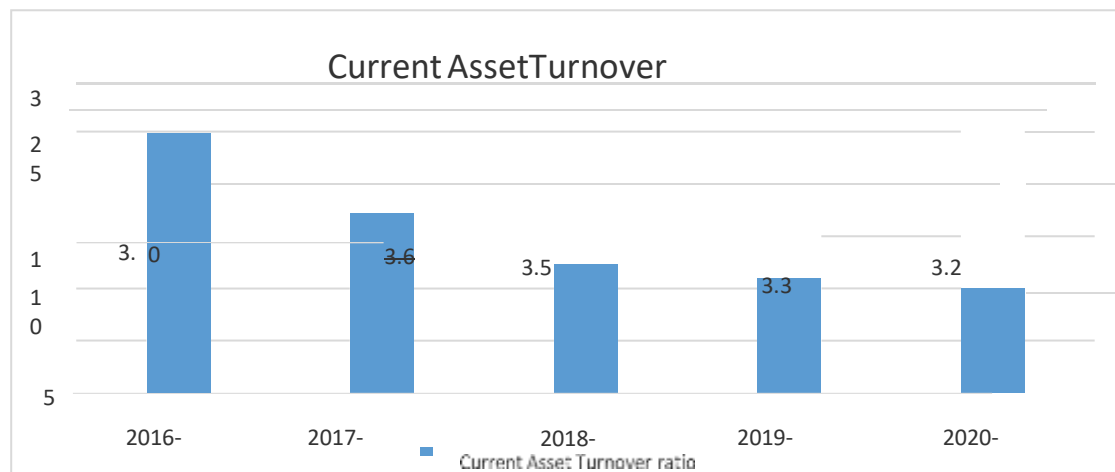
CURRENT ASSET TURNOVER RATIO:

A greater asset turnover ratio demonstrates an organization's capacity to maximize sales while requiring the least amount of current asset investment. It shows that existing assets changed hands more frequently in the form of sales. Better conditions will result from a higher current asset turnover ratio.

4.1.10 TABLE SHOWING CURRENT ASSET TURNOVER RATIO

CURRENT ASSET TURNOVER RATIO			
Rs. Lakhs			
Year	Net Sales	Current Asset	Current Asset Turnover Ratio
2016 - 2017	590	155	3.8
2017 - 2018	515	141.10	3.6
2018 – 2019	460.19	131.02	3.5
2019 – 2020	369.71	109.70	3.3
2020 - 2021	334.69	102.21	3.2

(Source: Secondary data)



4.1.12 CHART SHOWING CURRENT ASSET TURNOVER RATIO

INTERPRETATION

From the above chart shows working capital turnover ratio has considerably increased from 2016-2017. But from the period of 2017- 2018 start Decreasing. In the year of 2020- 2021 the ratio was 3.2. Higher current asset in turnover ratio better will be the situation. The company should maintain and proper utilization of the current assets.

PROFITABILITY RATIOS

A. GROSS PROFIT MARGIN

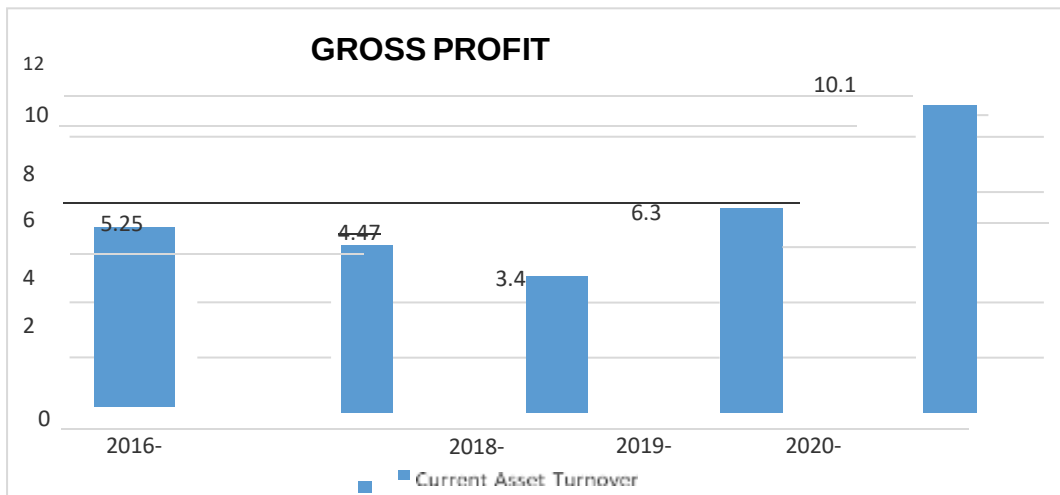
In most cases, the gross profit must increase proportionately with sales. Although there are frequently valid reasons for any discrepancies, it might be instructive to compare the gross profit margins of comparable businesses.

$$\text{GROSS PROFIT RATIO} = \text{GROSS PROFIT} / \text{NET SALES} * 100$$

4.1.12 TABLE SHOWING GROSS PROFIT RATIO

GROSS PROFIT RATIO			
Rs. Lakhs			
Year	Gross Profit	Total Sales	Gross Profit Ratio
2016 - 2017	31	590	5.25
2017 - 2018	23.04	515	4.47
2018 - 2019	15.89	460.19	3.45
2019 - 2020	23.35	369.71	6.31
2020 - 2021	33.96	334.69	10.14

(Source: Secondary data)



4.1.13 CHART SHOWING GROSS PROFIT RATIO

INTERPRETATION

From the above chart shows the gross profit ratio of the firm. However the company is being able to maintain a gross profit of 5% and above. It also increases over the years. But first three years lightly decreased in the year of 2017, 2018, 2019. This indicates that the management is taking measures to reducing cost of production and improves the profit.

NET PROFIT MARGIN

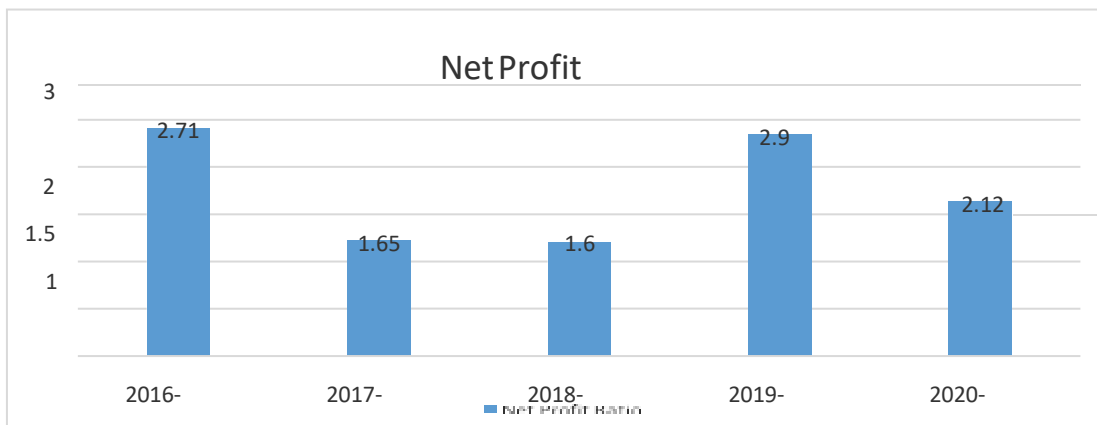
This performance metric is often used and comparable across businesses in related industries. There are several industries that operate on a premise of large turnover and low margins, such as supermarkets and auto dealers, thus the fact that a business operates on a relatively low margin need not be concerning. In every trend, the margin and how it stacks up against other enterprises are more crucial.

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

4.1.13 TABLE SHOWING NET PROFIT RATIO

NET PROFIT RATIO			
Rs. Lakhs			
Year	Net Profit	Net Sales	Net Profit Ratio
2016 - 2017	16	590	2.71
2017 - 2018	8.53	515	1.65
2018 - 2019	7.7	460.19	1.67
2019 - 2020	10.9	369.71	2.9
2020 - 2021	7.2	334.69	2.12

(Source: Secondary data)



4.1.14 CHART SHOWING NET PROFIT RATIO

INTERPRETATION

From the above chart shows that there is a consistent growth in net profit ratio from the year 2016-2017 the ratio is 2.71 and 2019-2020 the ratio is 2.9. But in the year 2018- 2019 net profit has fallen 1.6 this is mainly because of the increase in the production which has brought down the net profit.

OPERATING PROFIT MARGIN

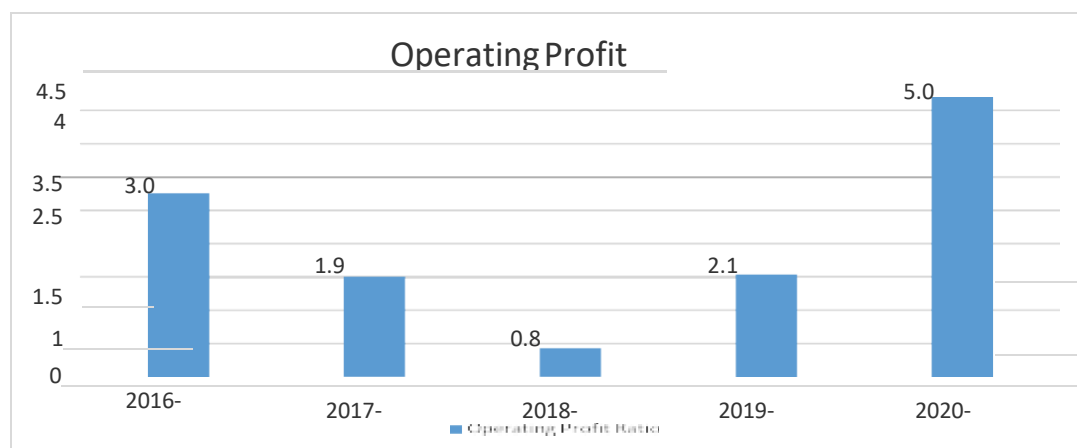
Earnings before interest and taxes, or EBIT, or operational income for a business are contrasted with sales to determine the operating profit margin (operating margin). It shows how effective management has been at making money from running the company. The calculation is as follows:

$$\text{OPERATING PROFIT MARGIN} = [\text{SALES} - \text{COST OF GOODS SOLD} - \text{SELLING, GENERAL \& ADMINISTRATIVE (SG\&A) COSTS}] \div \text{SALES}$$

4.1.15 TABLE SHOWING OPERATING PROFIT RATIO

OPERATING PROFIT RATIO			
Rs. Lakhs			
Year	Operating Profit	Net Sales	Operating Profit Ratio
2016 - 2017	18	590	3.05
2017 - 2018	10.02	515	1.94
2018 - 2019	4.09	460.19	0.88
2019 - 2020	7.86	369.71	2.12
2020 - 2021	16.82	334.69	5.02

(Source: Secondary data)



4.1.15 CHART SHOWING OPERATING PROFIT RATIO

INTERPRETATION

From the above chart shows that there is an operating profit trend in the ratio. In the year 2020-2021, the gross profit ratio is high 5.02; this indicates that the company has reduced its expenses or its sales.

RETURN ON EQUITY (ROE)

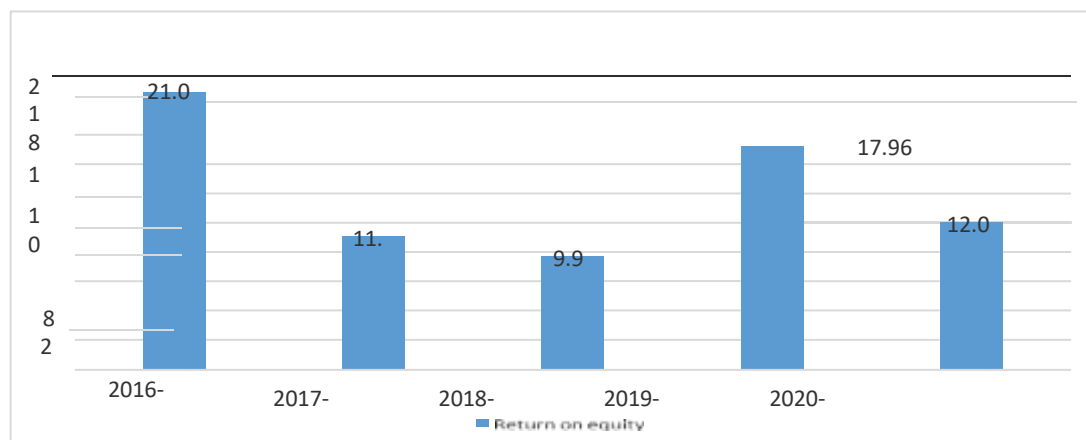
This ratio displays the profit that can be attributed to the capital the company's owners invested. It also demonstrates to potential investors in the company what kind of return they could anticipate. Share capital, share premium, distributable and non-distributable reserves are all part of the stockholders' equity. Here is how the ratio is calculated:

$$\text{RETURN ON EQUITY} = \text{NET INCOME} / \text{SHAREHOLDER'S EQUITY}$$

4.1.15 TABLE SHOWING RETURN ON EQUITY

RETURN ON EQUITY			
Rs. Lakhs			
Year	Net profit after interest and tax	Equity Capital	Return on Equity
2016 - 2017	18	590	3.05
2017 - 2018	10.02	515	1.94
2018 - 2019	4.09	460.19	0.88
2019 - 2020	7.86	369.71	2.12
2020 - 2021	16.82	334.69	5.02

(Source: Secondary data)



4.1.16 CHARTSHOWING RETURN ONEQUITY RATIO INTERPRETATION

From the above chart shows Return on equity ratio shows an increasing trend except in the year 2016-2017. Therefore the return on equity ratio for the five years reveals a satisfactory condition of the business.

RETURN ON TOTAL ASSETS

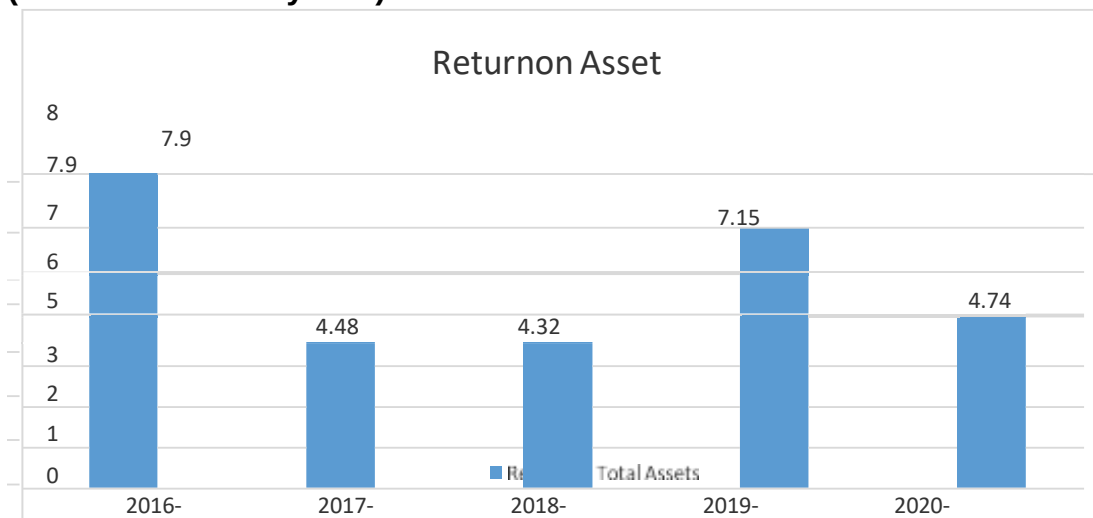
This ratio is also known as the profit-to-assets ratio. This ratio establishes the relationship between net profits and assets. As these two terms have conceptual differences, the ratio may be calculated taking the meaning of the terms according to the purpose and intent of analysis. Usually, the following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

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

4.16 TABLE SHOWING RETURN ON TOTAL ASSETS RATIO

RETURN ON TOTAL ASSETS			
Rs. Lakhs			
Year	Net Profit after Interest and Tax	Total Assets	Return on Total Assets
2016 - 2017	16	201.90	7.02
2017 - 2018	8.53	190.20	4.48
2018 - 2019	7.7	177.93	4.32
2019 - 2020	10.9	152.39	7.15
2020 - 2021	7.2	151.6	4.74

(Source: Secondary data)



4.1.16 CHART SHOWING RETURN ON EQUITY RATIO

INTERPRETATION

From the above charts interprets that the return on total assets was fluctuating in the years (2017 to 2018) and (2020 to 2021), in 2016-2017 it was 7.9 and in 2019-2020 it was 7.15. This is due to more fluctuation in net profit.

SOLVENCY RATIOS

A. Debt to Equity ratio

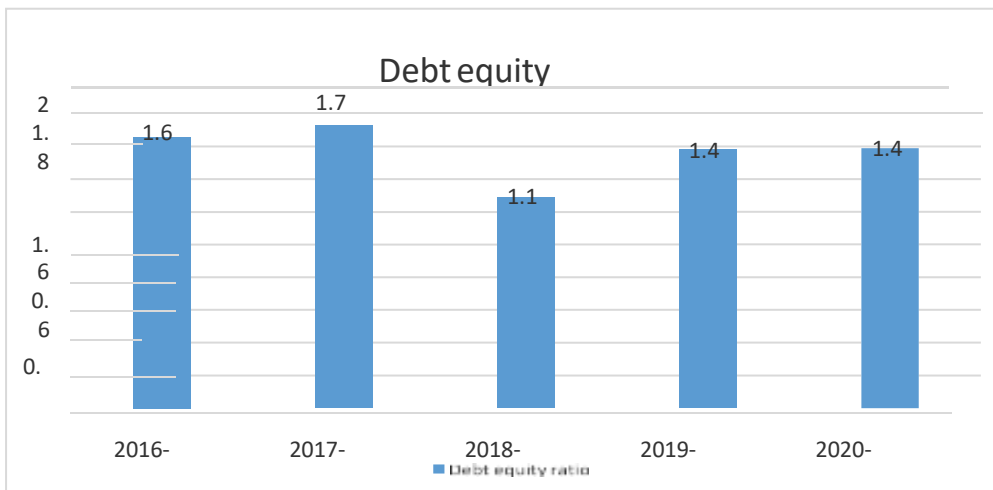
This ratio shows how much of the debt is paid down with funds from shareholders. It displays the relative positions of equity owners and lenders and reveals the company's policy regarding the distribution of capital funds.

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

4.1.17 TABLE SHOWING DEBT EQUITY RATIO

DEBT EQUITY RATIO			
Rs. Lakhs			
Year	Total Debt	Total Equity	Debt Equity ratio
2016 - 2017	16	201.90	7.02
2017 - 2018	8.53	190.20	4.48
2018 - 2019	7.7	177.93	4.32
2019 - 2020	10.9	152.39	7.15
2020 - 2021	7.2	151.6	4.74

(Source: Secondary data)



4.1.18 CHART SHOWING DEBT EQUITY RATIO

INTERPRETATION

From the above chart shows debt equity ratio was relatively satisfactory in the year 2016-2017 and 2017-2018. compared to standard ratio 1:1 during 2018-2019 is satisfactory. It shows firms are solvent.

CURRENT LIABILITIES TO INVENTORY RATIO:

This ratio illustrates, in percentage form, the dependence on available inventory for loan repayment (how much a company relies on funds from disposal of unsold inventories to meet its current debt.)

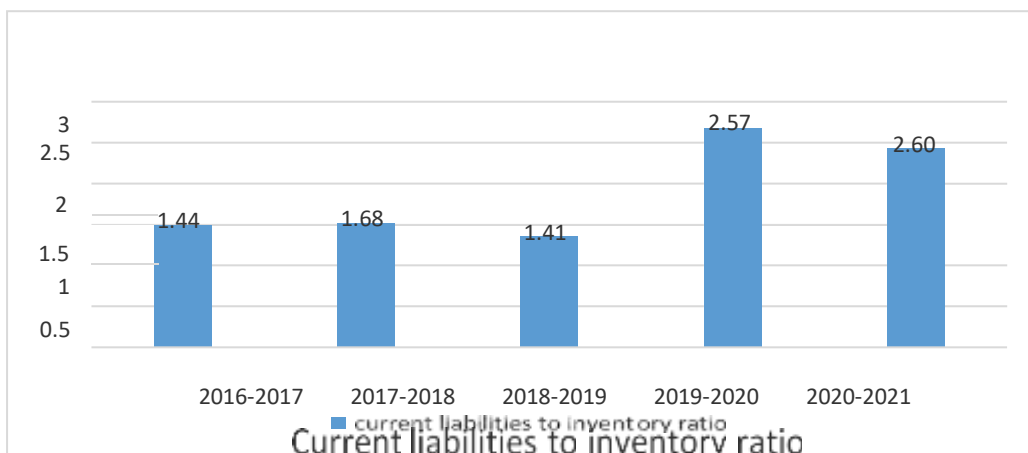
This ratio is calculated using the following formula

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

4.1.18 TABLE SHOWING CURRENT LIABILITIES TO INVENTORY RATIO

CURRENT LIABILITIES TO INVENTORY RATIO			
Rs. Lakhs			
Year	Current Liabilities	Inventory	Current Liabilities to Inventory ratio
2016 - 2017	110	76	1.44
2017 - 2018	108	64.1	1.68
2018 - 2019	96.15	67.92	1.41
2019 - 2020	87.78	34.12	2.57
2020 - 2021	90.85	34.85	2.60

(Source: Secondary data)



4.1.19 CHART SHOWING CURRENT LIABILITIES TO INVENTORY RATIO

INTERPRETATION

From the above chart shows the current liability turnover ratio, it is observed from the table that a highest ratio of 2.60 percent was recorded during the 2020-2021.

TABLE: 4.1.20. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2017–2018

RS.LAKHS				
PARTICULARS	31 st MARCH 2017	31 st MARCH 2018	INCREASE	DECREASE
CURRENT ASSETS				
INVENTORIES	64.1	76	11.9	
SUNDRY DEBTORS	49.1	50	0.9	0
CASH AND BANK BALANCES	18	19	1	
OTHER CURRENT ASSETS	10	10	0	0
TOTAL CURRENT ASSETS	141.10	155	12.8	
CURRENT LIABILITY				
SHORT TERM BORROWINGS FROM BANK	94	95		1
SUNDRY CREDITORS	14	15		1
TOTAL CURRENT LIABILITY	108	110	12.8	2
			12.8	2
INCREASING IN WORKING CAPITAL			10.8	

TABLE: 4.1.21. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2018–2019

RS.LAKHS				
PARTICULARS	31 st MARCH 2018	31 st MARCH 2019	INCREASE	DECREASE
CURRENT ASSETS				
INVENTORIES	67.92	64.1		3.82
SUNDRY DEBTORS	61.98	49.1		12.88
CASH AND BANK BALANCES	1.12	18	16.88	
OTHER CURRENT ASSETS	0	10	10	
TOTAL CURRENT ASSETS	131.02	141.10	10.08	
CURRENT LIABILITY				
SHORT TERM BORROWINGS FROM BANK	82.55	94		10.45
SUNDRY CREDITORS	12.6	14		1.4
TOTAL CURRENT LIABILITY	96.15	108		11.85
			10.08	11.85
DECREASING IN WORKING CAPITAL				-1.77

TABLE: 4.1.22. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2019–2020

RS.LAKHS				
PARTICULARS	31 st MARCH 2019	31 st MARCH 2020	INCREASE	DECREASE
CURRENT ASSETS				
INVENTORIES	34.12	67.92	33.8	
SUNDRY DEBTORS	67.38	61.98		5.4
CASH AND BANK BALANCES	8.2	1.12		7.08
TOTAL CURRENT ASSETS	109.70	131.02	21.32	
CURRENT LIABILITY				
SHORT TERM BORROWINGS FROM BANK	82.08	83.56		1.48
SUNDRY CREDITORS	5.7	12.6		6.9
TOTAL CURRENT LIABILITY	87.78	96.16		8.38
			21.32	8.38
INCREASING IN WORKING CAPITAL			12.94	

TABLE: 4.1.23. STATEMENT SHOWING CHANGES IN WORKING CAPITAL 2020 –2021

RS.LAKHS				
PARTICULARS	31 st MARCH 2020	31 st MARCH 2021	INCREASE	DECREASE
CURRENT ASSETS				
INVENTORIES	34.85	34.12		0.73
SUNDRY DEBTORS	60.12	67.38	7.26	
CASH AND BANK BALANCES	7.24	8.2	0.96	
TOTAL CURRENT ASSETS	102.21	109.70	7.49	
CURRENT LIABILITY				
SHORT TERM BORROWINGS FROM BANK	84.89	82.08	2.81	
SUNDRY CREDITORS	5.96	5.7	0.26	
TOTAL CURRENT LIABILITY	90.85	87.78	3.07	
			10.56	
INCREASING IN WORKING CAPITAL			10.56	

4.2 TREND ANALYSIS

The goal of trend analysis is to foresee a trend, such as a bull market run, and ride it until data point to a trend reversal, such as a bull-to- bear market. Trend analysis is useful because an investor will make money if they follow trends rather than bucking them. Its foundation is the belief that by looking at the past, traders can predict what will happen in the future.

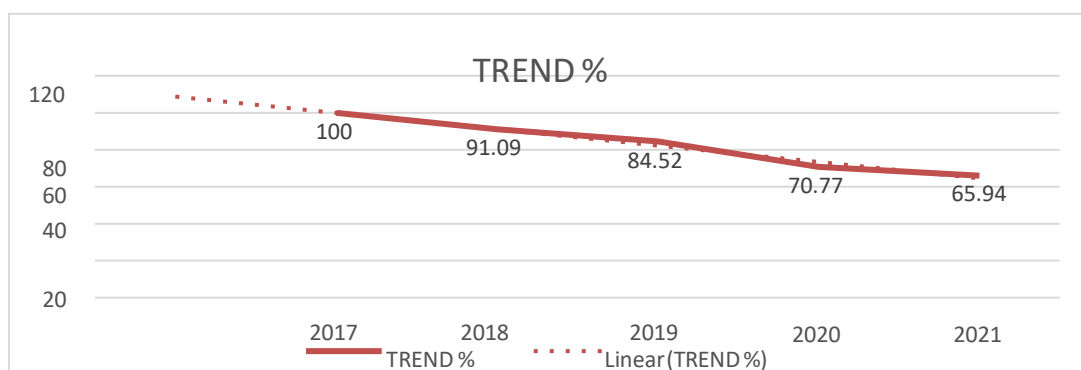
$$\text{TREND ANALYSIS} = \frac{\text{CURRENT YEAR}}{\text{BASE YEAR}} \times 100$$

TABLE: 4.2.1 TABLE SHOWING TREND ANALYSIS FOR THE YEAR 2017-2022

Liabilities	2017	2018	2019	2020	2021
Short term borrowings	100	98.94	87.95	86.4	89.35
Sundry Creditors	100	93.33	84	38	39.7
Total Current Liabilities	100	98.18	87.4	79.8	82.59
Total Term Liabilities	100	51.28	26.26	24.64	5.19
Total Outside Liabilities	100	92.22	79.64	72.79	72.76
Net worth	100	97.36	102.07	79.82	78.86
Total	100	94.16	88.08	75.44	75.06
Assets	2017	2018	2019	2020	2021
Cash deposits bank balances	100	94.73	5.89	43.15	38.1
Sundry Debtors	100	98.2	123.9	134.76	120.24
Inventory	100	84.32	89.36	44.89	45.85
Other current assets	100	0	0	0	0
Total Current asset	100	91.09	84.52	70.77	65.94
Fixed Asset					
Gross Block (Land & Building, Machinery, Work in process)	100	104.9	100	93.5	106.9
Net Block	100	109.81	101.49	114.3	120.46
Other Non-current Assets	100	104.27	99.82	90.84	105.17
Total Assets	100	94.16	88.08	75.44	75.06

4.2.2: TABLE SHOWING TREND PERCENTAGE OF CURRENT ASSET

Year	CURRENT ASSET	TREND %
2017	155	100.00
2018	141.2	91.09
2019	131.02	84.52
2020	109.7	70.77
2021	102.21	65.94



4.2.1 CHART SHOWING TREND ON PERCENTAGE OF CURRENT ASSET

INTERPRETATION

From the above trend analysis showing, it is inferred as base year 2017. Current asset has been decreased during the year 2021, 2020 and 2019. The current year 2021 trend percentage for current asset is 65.94.

CHAPTER 5

FINDINGS AND SUGGESTIONS

5.1 FINDINGS:

The study conducted at Texan stone pvt Ltd, the following were made.

- The current ratio of Texan stone pvt Ltd is showing increasing third year over the period of study, in (2018-2019) its current ratio was 1.40 % and but from the period of 2020 and 2021 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.
- The current quick ratio position of Texan stone pvt Ltd favorable in the year 2016-2021 quick ratio is above 1:1.
- Absolute liquid asset are considered adequate to pay with current liabilities in time as all creditors are not expected to demand cash at same time and then cash may realized from debtors and inventories.
- The debt equity ratio is increased to 1.70 in 2017-2018, so the company is having long term solvency position.
- The working capital turnover ratio increased continuously from 2016-2021. Hence the company's utilization of working capital is more.
- In the year 2016-2017 the value of inventory turnover ratio is higher. But in the 2018-2019 the value has decreased. Then in 2019-2020 it increased 10.83.
- Debtor turnover ratio is continuously decreased from 2016-2017 to 2019-2020. In the year 2020-2021 it has increased to higher value of 5.56 this indicates cash sales is more in the period 2020-2021 compared to previous year.
- The net profit ratio of 2.71 in the year 2016-2017 and then decreased to 1.65 in 2017-2018 and further increased to 1.67 in 2018-2019, again increased to 2.9 in 2019-2020 we can see that every year net profit ratio of the company is goes increasing

- The current liability turnover ratio is increased to 1.52 in 2017-2018. But In 2018- 2019 it has decreased to 1.36, and again increased in 2019 - 2020 it has higher value of 2.68, and again decreasing in 2020 - 2021.
- The fixed asset turnover ratio has considerably increased from 2016-2017. But from the period of 2019-2020 start decreasing. The higher ratio indicates efficient utilization of the fixed asset. The fixed assets turnover ratio for the Five years are satisfactory as such there is 2020 and 2021 underutilization of the fixed assets.
- The return on total asset ratio was fluctuating in the years 2017-2018 and 2020-2021, in 2016-2017 it was 7.9 and in 2019-2020it was 7.15. This due to more fluctuation in net profit.
- Making better business and decision by using trend analysis to analyzed and forecast movements.

5.2 SUGGESTIONS

- The management can take effective measures to recover the outstanding of Texan stone pvt Ltd as the major portion of currents is in the form of debtors.
- The management can take effective measures to reducing operating expenses to increasing the net profit and gross profit.
- Texan stone pvt Ltd higher working capital turnover ratio in the year2020-2021and it has over stock and low liquidity position. So the company reduces the inventory or overstocking.
- The inventory turnover ratio is above 4 times so the company increase the sales and reduce the over stock of materials.
- The company can increase their absolute liquid assets in order to maintain the standard.
- The company can decrease their credit sales as much as possible.

5.3 CONCLUSION

In order to maintain a company's financial stability throughout typical business operations, working capital management is crucial. To maximize the return on investment in fixed assets, the company should maintain a level of working capital that is sufficient to produce up to a specified capacity. Research carried out by Texas Stone Pvt Ltd allowed for a practical perspective on the subject of the company's working capital management. Low working capital availability results in decreased capacity utilization

A sufficient amount of money must be on hand to cover the costs of material, labor, selling, administrative, and other business-related expenses in order to keep the company solvent and keep on producing goods. An ongoing supply of raw materials and established credit for the future or for normal operations are ensured by quick payment of bills to material suppliers.

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ANNEXURE-1

CONSOLIDATED BALANCE SHEET

	LIABILITIES	2017	2018	2019	2020	2021
		Audited	Audited	Audited	Audited	Audited
	CURRENT LIABILITIES	I.	II.	III.	IV.	V.
1	Short-term borrowings from Banks (including bills purchased, Discounted & borrowing Placed on repayment basis)					
		95,00,000	94,00,000	83,56,00	82,08,00	84,89,00
				0	0	0
2	(1) From applicant banks					
3	(2) From other banks					
4	(3)Of which BP & BD SUB					
5						
6	TOTAL					
7	Short term borrowing from others	15,00,000	14,00,000			
				12,60,00	57,00,00	59,60,00
8	Sundry creditors			0		

9	(Trade) Advance payments from customers/deposite from dealers Provision for taxes Dividend payable Other statutory liabilities(due within one year) Deposits/installments o term loans /DPGs/debentures,et c. (due within one year) Other current liabilities & provisions (due within one yr) (specify major items) SUB TOTAL (B)					
	TOTAL CURRENT LIABILITIES	1,10,00,000	1,08,00,000	96,15,000	87,78,000	90,85,000
	TERM LIABILITIES	As on 31 st March				
11	Debentures(not maturing within					
12	one year)					
	Preference shares					
13	(redeemable after one year)	15,99,000	8,20,000	4,20,000	3,94,000	83,999
	Tem loans (excluding					
14	installment)					
	Payable within					
15	one year)					
	Sales tax					
16	deferred credits(excluding					
17	installment due within one year)					
	Hire purchase					

	loans					
	Creditors for					
	capital goods					
	Other term					
	liabilities(loans					
	From					
	directors/relatives					
	/sister concern)					
	TOTAL TERM					
	LIABILITIES					
18	TOTAL	1,25,99,000	1,16,20,000	10,035,000	91,72,000	91,68,999
	OUTSIDE					
	LIABILITIES					

1	NET WORTH	76,00,000	74,00,000	77,58,000	60,67,000	59,94,001
2	Ordinary share capital					
2	Share application money					
2	General reserve					
2	Revaluation reserve					
2	Surplus (+) or deficit (-) in P&L account					
2	Deferred tax liability (DTL)					
2	NET WOTH					
	TOTAL LIABILITIES	201,99,000	190,20,000	177,93,000	152,39,000	151,63,000

SI. NO	ASSETS	2017	2018	2019	2020	2021
		Audited	Audited	Audited	Audited	Audited
		I.	II.	III.	IV.	V.
2	Cash deposits bank balances	19,00,000	18,00,000	1,12,000	8,20,000	7,24,000
2	Fixed deposits with	50,00,000	49,10,000	61,98,000	67,38,000	60,12,000

2	banks					
3	(1)receivables other than deferred & exports(include bills purchased & discounted by banks					
3	Installments o deferred receivables (due within one year)	76,00,000	64,10,000	67,92,000	34,12,000	34,85,000
3	Inventory (1)Raw materials					
3	(including stores & other items used in the process of manufacture)					
	(a) imported				10,00,000	10,00,000
3	(b) indigenous					
	Advance to suppliers of raw materials & stores and spares					
	Advance payment & taxes					
	Other current assets Income tax orearlier years					
	Interest accrued on fixed deposits Other current assets (Specify major items)					
	TOTAL CURRENT ASSETS	155,00,000	141,20,000	131,02,000	109,70,000	102,21,000

	FIXED ASSETS					
35	Gross Block (land & building, machinery	53,00,000	55,60,000	53,01,000	49,56,000	56,66,000

	,work-in-process)					
	Depreciation to date					
3	NET BLOCK	6,01,000	6,60,000	6,10,000	6,87,000	7,24,000
	OTHER NON-CURRENT	46,99,000	49,00,000	46,91,000	42,69,000	
37	ASSETS					49,42,000
	Investment/book					
	debts/advance s/deposits which					
38	are not current assets					
	(1)a) investment in subsidiary					
	Co./affiliates					
	b) other investments					
	(2) Advance to suppliers of					
	capital goods & contractors					
	(3) Deferred receivables					
	(maturity exceeding one year)					
	(40 Others					
	(a) debtors > 6 months					
	(b) Security deposits					
	(c) project surplus					
	Non-consumables stores &					
	spares					
39						
	Other non-current assets					
	including dues from directors					
40						
	Intangible					

	assets(patents					
	,					
	goodwill, elim					
	expenses,					
	bad/doubtful					
	exp, not					
41	provided					
	for etc)					
	TOTAL	201,99,000	190,20,000	177,93,000	152,39,000	151,63,000
	ASSETS					

A STUDY ON ANALYSIS OF WORKING CAPITAL MANAGEMENT IN TRADING COMPANY

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Abstract

The evaluation provides the administration with food for thought regarding the presentation of the organization's operating capital. The problem of managing current assets, current liabilities, and their interactions is dealt with through working capital management. Current assets can be converted into cash without depreciating in value within a year. Current assets include things like cash on hand, cash in the bank, various debtors, bills receivable, shares, pre-paid charges, etc. The phrase "current liabilities" refers to debt commitments that must be paid off within a year in the usual course of business using the company's current assets or earnings.

Every company needs money for two things: starting up and maintaining everyday operations. For this to happen, it is essential that the company's short-term assets and obligations are managed. Any firm must have working capital. A respectable manufacturing company needs some basic funding to make the goods before beginning to sell them. It is responsible for covering the costs of production, management, and sales. The purpose of this study is to look into how public companies manage their working capital. This study helps identify areas that might want improvement. Additional suggestions were made, which the company may include into a future plan to increase the effectiveness of all resources.

The ideal level of current assets, the trade-off between profitability and risk that depends on the ratio of current assets to current liabilities, and financing mix techniques are the main tenets of the theory of working capital management.

Keywords: Profitability, Working Capital, Current Ratio, Current liabilities, liquidity

Introduction

Any firm will periodically require short-term assets and short-term finance sources to carry out its daily operations. Controlling such assets and liabilities is what is meant by working capital management. The management of working capital is a key aspect of the study of financial management. It could also be relevant to the process of making long-term decisions given that both fields examine risk and profitability.

A business preserves the remaining permanent capital for functioning, or fulfilling daily demands, and spends a portion of it to buy fixed assets. There aren't many businesses that don't need some sort of working cash to run their daily operations. Working capital requirements differ from company to company based on the nature of the business, the production policy, and the state of the market. Seasonality of business, supply situation, etc. Working capital is the phrase for the percentage of a company's capital that is required to finance certain assets, such as cash marketable securities, debtors, and inventory. Working capital is sometimes referred to as short-term or current assets.

Objectives of the study

- To understand the management of working capital in the company.
- To investigate and forecast the movements of an element based on current and historical data
- To know about the liquidity and solvency position of the company
- To comprehend the state of the business's profitability

Research methodology

The methodical process of gathering and examining data to get a deeper understanding of the subject that interests or concerns us is referred to as "research." It is the devoted search for knowledge. It is a thorough examination or inquiry, particularly one that looks for new facts across all fields of study. Both descriptive and analytical elements are present in the study. Given that it evaluates and examines supporting evidence to get the proper conclusion, it is analytical and descriptive in terms of the theoretical notion. Data is interpreted using ratios and percentages.

Method of Data Collection

The company's annual reports, balance sheets, profit and loss statements, booklets, and other published papers as well as internally maintained files and reports served as the primary sources of secondary data. The annual report is primarily divided into two sections:

- Profit and loss account
- The company's revenue and expenses are displayed in the profit and loss account on the balance sheet. The balance sheet displays the financial health of the company. These two claims were developed by highly skilled professionals using information or knowledge that was easily accessible.

Tools used

Tools used are Working capital finance, Ratio Analysis, Trend Analysis

Scope of the study

- The study's primary objective is to evaluate past and current performance
- The main scope of the study was to put into practice the theoretical aspect of the study into practical implementation.
- Techniques like ratio analysis and a description of changes in working capital are the foundation of working capital analysis. Further, the study is based on the 5 years Annual Reports (2016-2021)
- To improve business using trend data in decision-making.

Need for the study

- The management of working capital is the subject of the research. The study provides a managerial understanding of the working capital performance of the organization. Monitoring current assets, current liabilities, and their interactions are part of working capital management.
- A successful working capital policy guarantees a company's increased profitability and enough liquidity.
- Every company needs money for two things: starting up and maintaining everyday operations. For this to happen, it is essential that the company's short-term assets and liabilities are managed.

Review of literature

Shrivastava, et al (2017) studied working capital's effect on profitability in Indian corporate entities between 2003 and 2012. Traditional panel data and Bayesian methods were used for the data analysis. Their research indicates that profitability is negatively impacted by a longer CCC. They argue that indicators of financial accuracy play a significant role in estimating profitability. Larger businesses seem to be more profitable and significant, according to the Bayesian approach. Shivakumar, et.al. (2016) The effect of working capital management on profitability and liquidity A study of coal India ltd is a piece of writing that aims to explain working capital management conceptually and evaluate how it affects the company's liquidity and profitability. All organisations now consider the liquidity and profitability trade to be crucial, and efforts have been made to test

the liquidity and profitability position using correlation and the spearman's rank method. Liquidity and profitability have a low correlation and a bad relationship, according to the correlation Spearman ranking method. The total test has also been applied to gauge the effectiveness of liquidity.

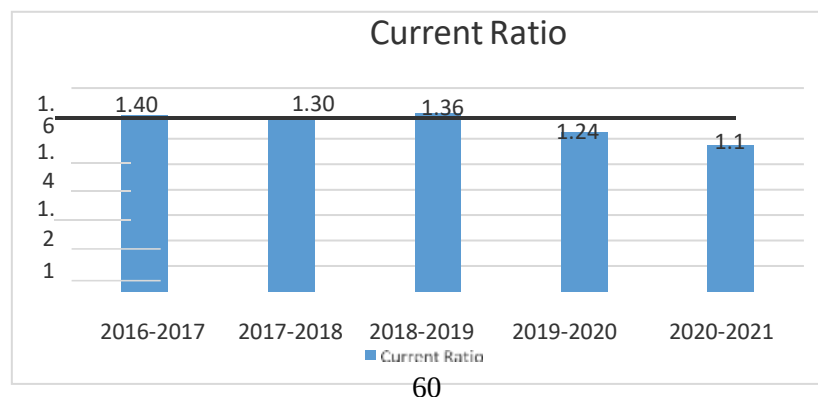
Jason Kasozi (2017), this study examined the effect of working capital management on profitability in 69 listed manufacturing companies in South Africa between 2007 and 2016. According to his research, ACP and APP have a significant negative impact on profitability as determined by return on assets. Additionally, Kasozi found that profitability is significantly positively impacted by the number of days in inventory, which serves as a proxy for working capital management.

Analysis and interpretation

Year	Change in Working Capital	
	Increase in Working capital	Decrease in Working Capital
2017-2018	10.8	
2018-2019		1.77
2019-2020	12.94	
2020-2021	10.56	

Ratio Analysis

CURRENT RATIO			
Rs. Lakhs			
Year	Current Assets	Current Liabilities	Current Assets
2016 - 2017	155	110	1.40
2017 - 2018	141.10	108	1.30
2018 – 2019	131.02	96.15	1.36
2019 – 2020	109.70	87.78	1.24
2020 - 2021	102.21	90.85	1.12

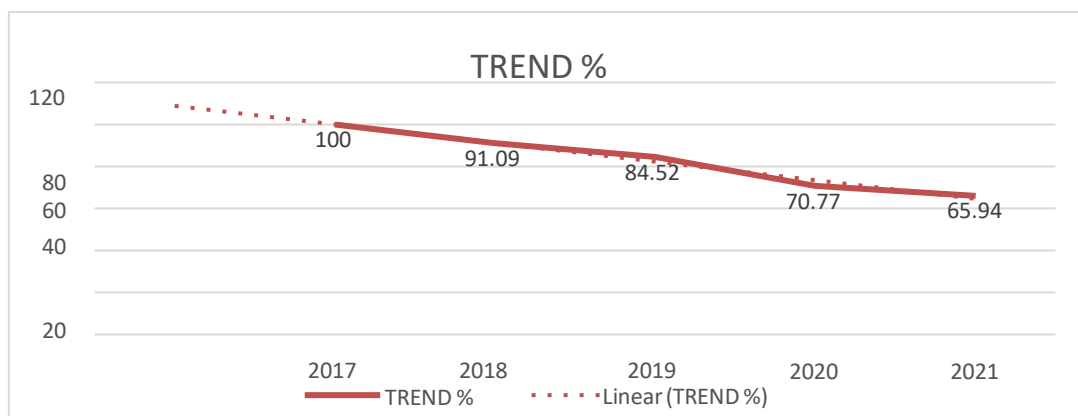


Interpretation

From the above chart showing Current Ratio is increasing third year over the period of study, in (2016-2017) its current ratio was 1.40% and but from the period of 2020 and 2021 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.

Trend Analysis:

Year	CURRENT ASSET	TREND %
2017	155	100.00
2018	141.2	91.09
2019	131.02	84.52
2020	109.7	70.77
2021	102.21	65.94



Interpretation

From the above trend analysis showing, it is inferred as base year 2017. Current asset has been decreased during the year 2021, 2020 and 2019. The current year 2021 trend percentage for current asset is 65.94.

Findings

1. The current ratio of company is increasing third year over the period of study, in (2018-2019) its current ratio was % and but from the period of 2020 and 2021 it started decreasing. But the company is over the standard norms. It would affect the profitability of the company.
2. The current quick ratio position of company is favorable in the year 2016- 2021 quick ratio is above 1:1.
3. Absolute liquid asset are considered adequate to pay with current liabilities in time as all creditors are not expected to demand cash at same time and then cash may realized from debtors and inventories.

4. The debt equity ratio is increased to 1.70 in 2017-2018, so the company is having long term solvency position.
5. The working capital turnover ratio increased continuously from 2016- 2021. Hence the company's utilization of working capital is more. In the year 2016-2017 the value of inventory turnover ratio is higher. But in the 2018-2019 the value has decreased. Then in 2019-2020 it increased 10.83. Debtor turnover ratio is continuously decreased from 2016-2017 to 2019- 2020. In the year 2020-2021 it has increased to the higher value of 5.56 this indicates cash sales is more in the period 2020-2021 compared to the previous year.
6. The net profit ratio of 2.71 in the year 2016-2017 and then decreased to 1.65 in 2017-2018 and further increased to 1.67 in 2018-2019, again increased to 2.9 in 2019-2020 we can see that every year net profit ratio of the company is goes increasing
7. The current liability turnover ratio is increased to 1.52 in 2017-2018. But In 2018-2019 it has decreased to 1.36, and again increased in 2019 2020 it has higher value of 2.68, and again decreasing in 2020 – 2021.
8. The fixed asset turnover ratio has considerably increased from 2016- 2017. But from the period of 2019-2020 start decreasing. The higher ratio indicates efficient utilization of the fixed asset. The fixed assets turnover ratio for the Five years are satisfactory as such there is 2020 and 2021 underutilization of the fixed assets.
9. The return on total asset ratio was fluctuating in the years 2017-2018 and 2020- 2021, in 2016-2017 it was 7.9 and in 2019-2020 it was 7.15. This due to more fluctuation in net profit.
10. Making better business and decision by using trend analysis to analyzed and forecast movements.

Suggestions

1. The management can take effective measures to recover the outstanding of company as the major portion of current is in the form of debtors.
2. The management can take effective measures to reducing operating expenses to increasing the net profit and gross profit.
3. The company has higher working capital turnover ratio in the year 2020- 2021 and it has over stock and low liquidity position. So the company reduces the inventory or overstocking.
4. The inventory turnover ratio is above 4 times so the company increase the sales and reduce the over stock of materials.
5. The company can increase their absolute liquid assets in order to maintain the standard.
6. The company can decrease their credit sales as much as possible.

Conclusion

Working capital management is essential for preserving a company's financial stability throughout routine business operations. The business should maintain a level of working capital sufficient to produce up to a certain capacity in order to maximise the return on investment in fixed assets. Reduced capacity utilisation is a result of low working capital availability.

In order to maintain the company's financial stability and continue producing goods, there must be enough cash on hand to cover the costs of material, labour, selling, administrative, and other business-related expenses. Quick payment of bills to material suppliers ensures an ongoing supply of raw materials and established credit for the future or for normal operations.

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