

A STUDY ON WORKING CAPITAL MANAGEMENT

Submitted in partial fulfillment of the requirements for the award of

Master of Business Administration

by

ARSHATHY A
Register No.39410023



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

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

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

APRIL - 2021



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AICTE Jeppiaar Nagar, Rajiv Gandhi Salai, Chennai – 600 119
www.sathyabama.ac.in

SCHOOL OF BUSINESS

ADMINISTRATION BONAFIDE

CERTIFICATE

This is to certify that this Project Report is the bonafide work of Ms. Arshathy A (39410023) who has done the Project work entitled , "**A Study On Working Capital Management**" under my supervision from December 2020 to February 2021.

DR. A. PALANI
Internal Guide

External Guide

Dr. BHUVANESWARI G.
Dean – School of Business Administration

Submitted for Viva voce Examination held on _____.

Internal Examiner

External Examiner

DECLARATION

I, **Arshathy A, (39410023)** hereby declare that the Project Report entitled, “**A Study On Working Capital Management**” done by me under the guidance of Dr.

A. Palani, MBA., M.Phil.,Ph.D is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

ARSHATHY A

ACKNOWLEDGEMENT

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

I convey my sincere thanks to **Dr. BHUVANESWARI G.**, Dean, School of Business Administration and **Dr. PALANI A.**, Head, School of Business Administration for providing me necessary support and details at the right time during the progressive reviews.

I would like to express my sincere and deep sense of gratitude to my Project Guide **Dr. A. PALANI**, Faculty, School Of Business Administration for her valuable guidance, suggestions and constant encouragement paved way for the successful completion of my project work.

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

ARSHATHY A

ABSTRACT

Administration of Working Capital is one of the most vital functions of corporate management. Every organization whether public or private, profit oriented or not, regardless of its extent and nature of business, needs sufficient amount of working capital. The proficient working capital management is most critical factor in maintaining existence, liquidity, solvency and accomplishment of the any business organization. A company needs sufficient finance to carry out purchase of raw materials, payment of predictable operational expenses and funds to meet these expenses are together known as working capital. Keeping in view the importance of working capital management as a grey area of corporate finance function, an effort has been made to examine the working capital styles and practices particularity in FMCGs sector in India by selecting five FMCGs companies (HindustanUnilever Limited, Nestle India Limited, Britannia Industries, Proctor and gamble, and ITC).The FMCG sector in India is at present-day, the fourth leading sector with a total market size in excess of USD 14 billion as of 2013. This sector is expected to grow to a USD 35 billion industry by 2016. This industry primarily includes the production, circulation and marketing of consumer packaged goods, that is those categories of products which are consumed affixed intervals. The study is based on secondary data i.e. Annual Reports of the selected companies. The period of study is five years and method of data analysis and ratio analysis as tools of financial statement analysis to examine the degree of efficiency of working capital management has been embraced

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CHAPTER 1

WORKING CAPITAL

INTRODUCTION

Every business whether big, medium or small, needs finance to carry on its operations and to achieve its target. In fact, finance is so indispensable today that it is rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can possibly accomplish its objectives. So this chapter deals with studying various aspects of working capital management that is necessary to carry out the day-to-day operations. The term working capital refers to that part of firm's capital which is required for financing short term or current assets such as cash, marketable securities, debtors and inventories. Funds invested in current assets keep revolving fast and are being constantly converted into cash and this cash flows out again in exchange for other current assets. Hence it is known as revolving or circulating capital. On the whole, Working Capital Management performs a key function and is of top priority for every finance manager. All managers must, however, keep in mind that in their pursuit of liquidity, they should not lose sight of these basic goals of profitability. They should be able to attain a judicious mix of liquidity and profitability while managing their working capital.

Working capital management deals with the most dynamic fields in finance, which needs constant interaction between finance and other functional managers. The finance manager acting alone cannot improve the working capital situation. In recent times a few case studies regarding management of working capital in selected companies have been in order to make in-depth analysis of the several aspects of working capital management. The findings of such studies not only throw new lights on the technical loopholes of management activities of the concerned companies, but also help the scholars and researchers to develop new ideas, techniques and methods for effective management of working capital.

Decisions relating to working capital and short-term financing are referred to as working capital management. These involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

WORKING CAPITAL MANAGEMENT

In simple terms working capital means is that the amount of funds that a company require finance for its day-to-day operations. Working capital states that the period of debtors, receivables etc for a company to raise finance from them at the earliest. Finance manager should develop sound techniques of managing current assets.

Working capital management involves managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

The following should be effective in working capital management:

Cash management: Identify the cash balance which allows for the business to meet day to day expenses, but reduces cash holding costs.

Inventory management: Identify the level of inventory which allows for uninterrupted production but reduces the investment in raw materials—and minimizes reordering costs—and hence increases cash flow. Besides this, the lead times in production should be lowered to reduce Work in Process (WIP) and similarly, the Finished Goods should be kept on as low level as possible to avoid over production.

Debtor's management: Identify the appropriate credit policy, i.e. credit terms, discounts etc. which will attract customers, such that any impact on cash flows and the cash conversion cycle will be offset by increased revenue and hence return on Capital. Debtor's credit period should be less than 90 days to achieve good working capital ratio and position of the company.

OPERATING CYCLE

The operating cycle is the average period of time required for a business to make an initial outlay of cash to produce goods, sell the goods, and receive cash from customers in exchange for the goods. If a company is a reseller, then the operating cycle does not include any time for production - it is simply the date from the initial cash outlay to the date of cash receipt from the customer.

The operating cycle is useful for estimating the amount of working capital that a company will need in order to maintain or grow its business. A company with an extremely short operating cycle requires less cash to maintain its operations, and so can still grow while selling at relatively small margins. Conversely, a business may have fat margins and yet still require additional financing to grow at even a modest pace, if its operating cycle is unusually long.

In case of a manufacturing company, the operating cycle is the length of time necessary to complete the following cycle of events –

- Conversion of cash into raw materials
- Conversion of raw materials into work-in-progress
- Conversion of work-in-progress into finished goods
- Conversion of finished goods into accounts receivables
- Conversion of accounts receivable into cash

The above operating cycle is repeated again and again over the period depending upon the nature of the business and type of product etc. the duration of the operating cycle for the purpose of estimating working capital is equal to the sum of duration allowed by the suppliers.

OPERATING CYCLE OF MANUFACTURING BUSINESS

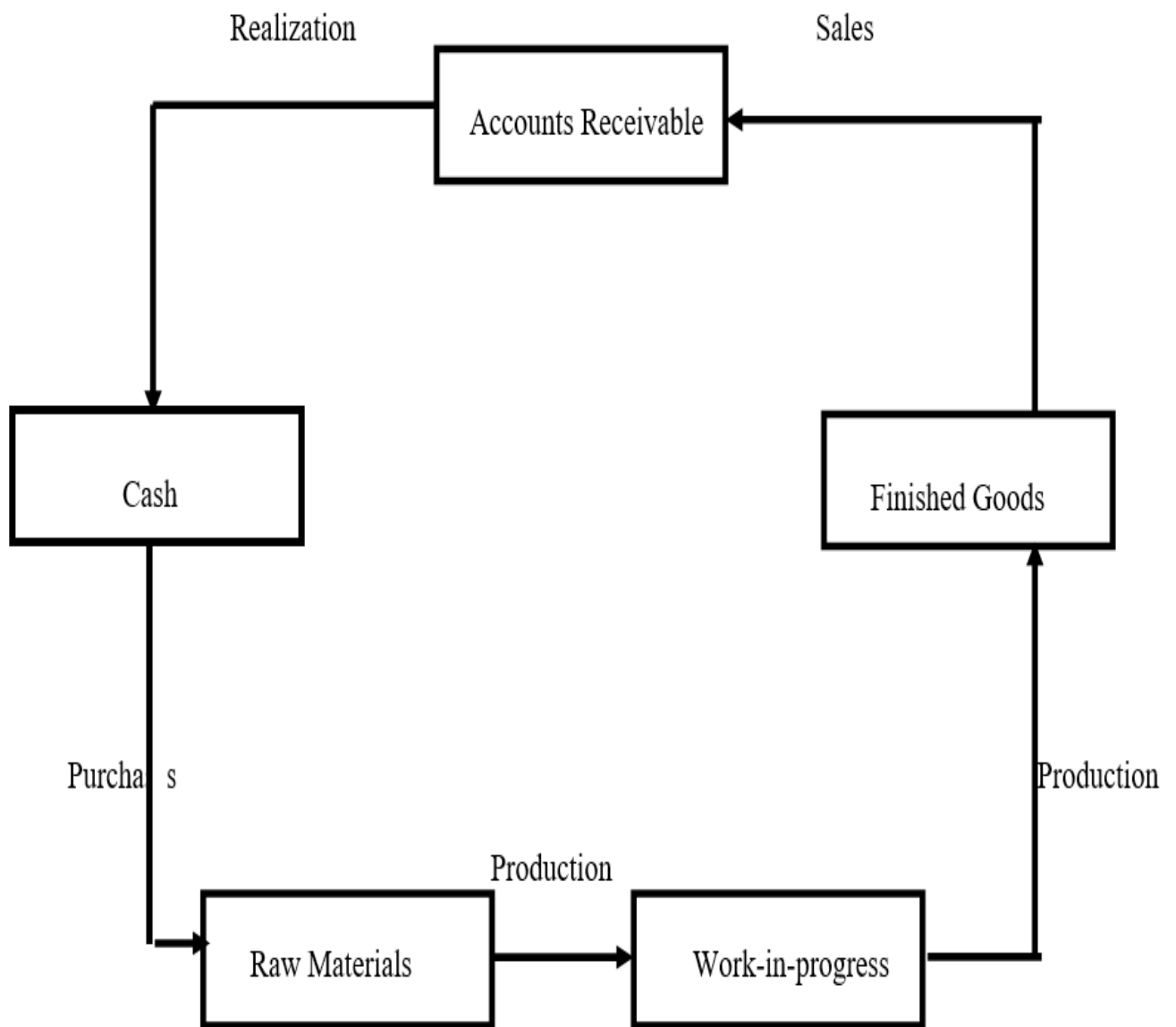


Fig1.1: Operating Cycle Of Manufacturing Business

CONCEPT OF WORKING CAPITAL

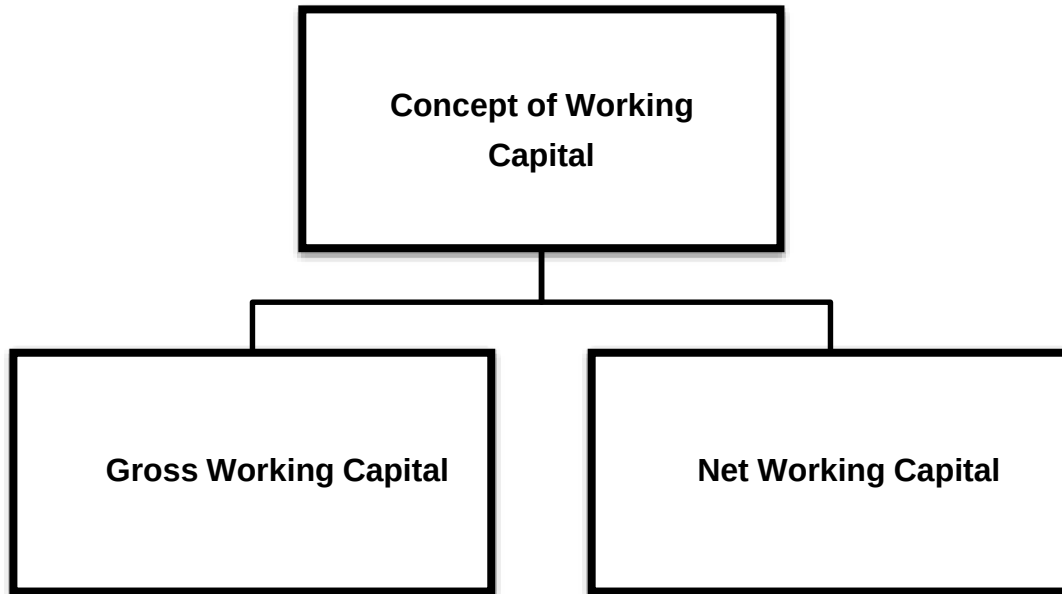


Fig.1.2: Concept Of Working Capital

The concept of working capital includes current assets and current liabilities both. There are two of working capital they are gross and net working capital.

1. Gross working capital: Gross working capital refers to the firm's investment in current assets. Current assets are the assets, which can be converted into cash within an accounting year or operating cycle. It includes cash, short term securities debtors (account receivables or book debts), bills receivables and stock (inventory).

2. Net working capital: Net working capital refers to the difference between current assets and liabilities. Those claims of outsiders, which are expected to mature for payment within an accounting year, are those liabilities. It includes creditors or accounts payables, bills payable and outstanding expenses. Net working capital can be positive or negative. A positive working capital will arise when current assets exceed current liabilities and vice versa.

OBJECTIVES

Every company has their own objectives of working capital that is they try to keep company position at upper level through working capital. Company may get good position by giving less credit period to debtors, receivables, etc. and by taking more credit period from creditors, payables etc. Its main objective is to get back cash in short term period and meets company's day to day operations. Effective working capital helps a company to borrow shortterm funds and long term funds from public, banks, investment banking and financial institutions.

The overall financial management objectives of an organization could be summarized in terms of the following five objectives:

- To ensure that the organization always has enough cash to meet its legal obligations and avoid illiquidity- that is, to maintain adequate short-term financial flexibility.
- To arrange to obtain whatever funds are required from external sources at the right time, in the right form, and on the best possible terms.
- To ensure that the organization's assets and liabilities – current and long-term, financial and operating are utilized as effectively as possible.
- To forecast and plan for the financial requirements of future operations.
- To make all decisions and recommendations on the basis of one primary criterion: maximizing the long-term value of the organization. This objective is attained in a publicly owned corporation through maximization of the wealth of the owners (stockholders) by maximizing stock price.

The last point is particularly important; without this requirement, financial executives could find many suboptimal solutions to problems. It would be easy, for example, to satisfy the first requirement by maintaining enormous cash balances or investing very large sums in readily salable short-term securities; but such a policy would normally not be in the best interests of the stockholders of a typical corporation.

IMPORTANCE

Proper management of working capital is very important for the success of an enterprise. "It aims at protecting the purchasing power of assets and maximizing the return on Investment. The manager of administration of current assets to a very large extent determines the success of the operations of a firm. Constant management is required to maintain appropriate levels in the various working capital accounts. A study of working capital is of major importance to internal and external analysis because of its close relationship to current day-to-day operations of business, Inadequacy or mismanagement of working capital is the leading cause of business failures. Shortage of working capital, so often advanced as the main cause of failure of Industrial concerns, is nothing but the clearest evidence of mismanagement, which is so common. The current assets and current liabilities flow round in a business like an electric current. The working capital plays the same role in the business as the role of the heart in the human body. Just as the heart gets blood and circulated the same in the body, in the same enterprise, adequate amount of working capital is pre-requisite. The adequacy of cash and current assets together with their efficient handling virtually determine the survival or demise of a concern. Inadequate working capital is a business ailment as compared to the availability of excess working capital may lead carelessness.

About costs and therefore, to inefficiency of operations. Many a times business failure takes place due to lack of working capital. If a concern maintains an adequate amount of working capital, it enjoys a good credit rating and gets discount on payment. It will ensure proper functioning of the business operations and help in the maximization of threat of return. A business house can maximize its rate of return on the capital invested provide in keeps pace with the scientific and technological developments taking place in the field to which it pertains. As soon as some technological and scientific development takes place, a business enterprise in order to accelerate its profitability should immediately introduce the same to its productive process. In reality, however the sufficiency of working capital will determine the course of decision in this regard.

Working capital helps to operate the business smoothly without any financial problem formaking the payment of short-term liabilities. Purchase of raw materials and payment of salary, wages and overhead can be made without any delay. Adequate working capital helps in maintaining solvency of

the business by providing uninterrupted flow of production. Quick payment of credit purchase of raw materials ensures the regular supply of raw materials from suppliers. Suppliers are satisfied by the payment on time. It ensures regular supply of raw materials and continuous production. A firm having adequate working capital, high solvency and good credit rating can arrange loans from banks and financial institutions in easy and favorable terms.

WORKING CAPITAL ANALYSIS

CURRENT ASSETS:

Current assets are those which can be converted into cash as and when needed, i.e., those assets which can turn to cash as per the requirement of the business within the accounting period.

SUNDRY DEBTORS

Debtors are those to who products are supplied on credit basis. These amounts are collected within the accounting period. Therefore, they are converted into cash as per requirement, hence they are considered under current assets.

INVENTORIES

Closing stocks or inventory includes raw materials, work in progress and finished goods, which are needed for the smooth running of the organization. Generally inventory is maintained by every organization, which is bound to meet its demand in the market. The amount of inventory maintained by the firm represents its profitability position. The quality must not be in excess or inadequate, it must be according to the requirement. The quality stores must be able to meet the market demand.

CASH AND BANK

Every organization or firm maintains cash reserves in their accounts. This is the major key on which working of the entire organization is dependent upon. This is required in every aspect of production, marketing, financing etc. In other words, it can be said that it plays a vital role in the functioning of any organization.

LOANS AND ADVANCES

Advances to staff are those advances, which are given to the employees as festival advances. These advances are treated as current assets as they are given advance to the employees and are collected within the accounting year. It doesn't result in any default payment as the amount is deducted from their salaries directly during their payment. Their advances are prepared and are collected in the accounting year. These are the loans and advances amount that are given by the organization in procuring of raw materials. Amount is given in advance to its supplier in supplying the raw

materials required and this is adjusted after receiving the raw material. The final settlements take place only after deducting the advances amount from total amount.

CURRENT LIABILITIES:

Current liabilities are those which are payable during an accounting year. These are paid out of current assets like cash. When current assets availability is present there exist the current liabilities but current assets must always be in excess to current liabilities. This provides the organization to be in a good position.

SUNDRY CREDITORS

Creditors are those from whom products are purchased on credit basis. These amounts are paid within the accounting period. If the creditors number increase the amount payable also increases which further increases the liquidity.

LINE OF CREDIT:

Banks to new business do not often give lines of credit. However, if your new business is well capitalized by equity and you have good collateral, your business might qualify for one. A line of credit allows you to borrow funds for short term needs when they arise. The funds are repaid once you collect the accounts receivables that resulted from the short-term sales peak. Lines of credit typically are made for one year at a time and are expected to be paid off for 30 to 60 consecutive days sometime during the year to ensure that the funds are used for short-term needs only.

SHORT TERM LOAN:

While your new business may not qualify for a line of credit from a bank, you might have success in obtaining a one-time short-term loan (less than a year) to finance your temporary working capital needs. If you have established a good banking relationship with a banker, he or she might be willing to provide a short-term note for one order or for a seasonal inventory and/or accounts receivable buildup. In addition to analyzing the average number of days it takes to make a product (inventory days) and collect on an account (account receivable days) Vs. the number of days financed by accounts payable, the operating cycle analysis provides one other important analysis. From the operating cycle, a computation can be made of the dollars required to support one day of accounts receivables and inventory and the dollars provided by a day of accounts payable. Working capital has a different impact on cash flow in a business.

CHAPTER 2

RESEARCH METHODOLOGY

What is Research...?

Research means search for facts in order to find answers to certain questions or to find solutions to certain problems. It is often referred to as 'scientific inquiry' or 'scientific investigation' into a specific problem or situation. This is because; the search for facts should be made by scientific method rather than by arbitrary method. The scientific method uses systematic rational approach to search for facts, whereas, the arbitrary method attempts to find answers to questions on the basis of imagination and one's own beliefs and judgment.

In simple words Research is the systematic process of finding out problems between variables by investigating inside or outside of the company and giving better solutions to it.

TYPES OF RESEARCH

Types of research are very important to research something in the company or somewhere else. There are many researches which suits for different areas to find out the problems in an organization, for e.g. quantitative research at numerical area. I have been used three types of researches for my project work that is Descriptive Research, Historical Research and Quantitative Research.

Descriptive Research:

Descriptive research helped me to find out facts and details of the SJ Engineering I have been enquired directly to senior executives and senior employees about what has happened and what is happening in the company.

Historical Research:

S.J ENGINEERING COMPANY was established in 1994 and is currently made up of a team of experienced technicians. We are one of the leading companies for Plumbing and Sanitary installation. We uphold the principles of loyalty, trustworthiness and integrity.

Quantitative Research:

This research has undertaken to measure the quantity or amount of the company. I glanced at company's balance sheet then I came to know since 3- 4 years they are in loss. Company's expenses and current liabilities are more than profit and current assets respectively.

OBJECTIVES OF THE STUDY

- To study the various components of working capital.
- To analyze the liquidity trend of S.J Engineering.
- To appraise the utilization of current asset and current liabilities and find out short-comings if any.
- To suggest measure for effective management of working capital.
- To measure and evaluate the liquidity and profitability position of S.J Engineering.

LIMITATIONS OF THE STUDY

- Time factor is the most crucial one. The study was conducted within a short period of twomonths.
- S.J Engineering executives were hesitating to provide information.
- I had to wait for a long time to make contact with the executives, because they were busywith their work.
- Due to busy work schedule, detailed discussions were not possible
- It is also found that some of the executives lack interest, enthusiasm, initiative andinvolvement, which was de-motivated me.
- Competitors of S.J Engineering have given less information and data.
- Lot of time consumed during survey.

STATEMENT OF PROBLEM

At early stage S.J Engineering company facing many problems from suppliers because of low capital they are unable to make payment on time so more than 50% of suppliers are not supplying on credit basis. So that company has to make payment in advance and on delivery.

Customers delaying invoice payment was deemed by survey respondents to have had a high or very high impact on working capital over the past 12 months. Similarly, customers exerting pressure on businesses to extend their credit and payment terms were also placing high or very high pressure on working capital.

The main problem from suppliers i.e. 80% suppliers are from India from that 70% suppliers allowing 30 - 45 days credit and for rest of them company has to make payment in advance. 20% suppliers from rest of the country from that 40% of suppliers allowing 60 - 90 days credit and for rest of them company has to make payment in advance.

Stretching credit period of suppliers is the main source to improve working capital but here it is not there. So this is one of the cause for working capital. Company spending a lot for unnecessary things therefore Company's expenditure is also more than income since 3 years.

REVIEW OF LITERATURE

Working capital is very important for every company to meet day to day operation expenses and urgent payments. Effective working capital increase the company profit and vice versa. For effective working capital, collection days should be less and payment days should be more overall cash conversion cycle days should very low or in negative.

Many researchers have studied working capital from different views and in different environments. The following ones were very interesting and useful for our research:

Eljelly (2004) Identified the relation between profitability and liquidity who was examined, as measured by current ratio and cash gap (cash conversion cycle) on a sample of joint stock firms in Saudi Arabia. The study found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. The size variable was found to have significant effect on profitability at the industry level. The results were stable and had important implications for liquidity management in various Saudi firms. First, it was clear that there was negative relationship between profitability and liquidity indicators such as current ratio and cash gap in the Saudi sample examined. Second, the study also revealed that there was great variation among industries with respect to the significant measure of liquidity.

Lazaridis and Tryfonidis (2006) have explored the relationship between corporate profitability and WCM in the Athens Stock Exchange. The finding of results shows a negative relationship between profitability and working capital indicators like days of accounts receivable, account payable and cash conversion cycle. They concluded that firms can create profits by effectively handling each component of the cash conversion cycle.

Saswata Chatterjee (2010) Focused on the importance of the fixed and current assets in the successful running of any organization. It poses direct impacts on the profitability liquidity. There have been a phenomenon observed in the business that most of the companies increase the margin for the profits and losses because this act shrinks the size of working capital relative to sales. But if the companies want to increase or improve its liquidity, then it has to increase its working capital. In the response of this policy the

organization has to lower down its sales and hence the profitability will be affected due to this action. For this purpose 30 United Kingdom based companies were selected which were listed in the London Stock exchange. The data were taken of three years 2006-2008. It analyzed the impact of the working capital on the profitability. The dimensions of working capital management included in this research which is quick ratios, current ratios C.C.C, average days of payment, Inventory turnover, and A.C.P (average collection period. on the net operating profitability of the UK companies.

Mohamad and Saad (2010) Used Bloomberg's database of 172 listed companies randomly selected from Bursa Malaysia main board for five year period from 2003 to 2007. Applying correlations and multiple regression analysis, they found that current assets to total asset ratio shows positive significant relationship with Tobin Q, ROA and ROI. Cash conversion cycle, current asset to current liabilities ratio and current liabilities to total assets ratio illustrate negative significant relations with Tobin Q, ROA and ROIC.

All the above studies provide us a solid base and give us idea regarding working capital management and its components. They also give us the results and conclusions of those researches already conducted on the same area for different countries and environment from different aspects. On basis of these researches done in different countries, we have developed our own methodology for research.

RESEARCH DESIGN

Problem: In S.J. engineering, since 3 years there is negative and equal relationship between current assets and current liabilities. Collection period is more than payment period so cash conversion cycle is more which should be less or negative. This is main pressure on working capital.

Objective: The main objective of research is to appraise the utilization of current asset and current liabilities and find out short-comings if any and to suggest measure for effective management of working capital.

Sampling Design: I have been used judgement method in non-random sampling. Because all will not be good respondents to answer my questions. I have selected those who know about working capital, debtors, creditors, stock etc.

Data Collection: I have been collected data through both primary and secondary. Primary data from Questionnaire, Observation and Personal interview with CFO, executives and senior employees. Secondary data from annual reports and company websites.

Areas of Data Collection: I was visiting different company to collect data. I have done survey other than S.J. engineering

Time Frame: I have done this research activity in two months.

SAMPLING DESIGN

Sampling Method:

I have been used appropriate sample to collect right data from respondents. For research in finance we cannot ask information to everyone regarding finance. We should concern the person who is aware about the company finance. So that I have used non random sampling under this I have used judgement method to collect data. I have gathered data by judgement. I have concerned the one those who aware about company's working capital i.e. debtors, creditors, receivables, payables, stock cycle etc.

Sample Size:

The study encompassed a representation of a sample of 30 respondents from S.J. engineering.

TABLE 1: Sample Size Distribution

Department	No of Respondents
Production	5
Marketing and Distribution	15
Finance	20
Total	30

Source: Primary Data

Table 2.1: Sample Size Distribution

DATA COLLECTION

Sources of Data:

There were mainly two major sources of data namely;

Primary Data:

Primary data has been obtained through personal discussions with managers and senior officials of the organization, observations and questionnaire both open ended and closed ended.

Secondary Data:

Secondary data has been obtained from published reports like the annual reports of the company, balance sheets, and profit and loss account, websites, records such as files, reports maintained by the company.

CHAPTER 3



INTRODUCTION

S.J Engineering Company was established in 1994 by a team of highly qualified and experienced professionals to employ the best engineering practices in the field of plumbing and sanitary installations. Under the careful supervision of seasoned professionals and a dedicated team of workers, technicians and site engineers, we are equipped to take up projects right from the pre-planning phase and see them through to completion. With a workforce of 25 staff and over 40 trained technicians and workers, we treat every project with the finest of attention to detail it requires.

There are new techniques, materials and innovations advancing the art of plumbing in several parts of the world, benefitting millions of end users. Little of that knowledge, expertise and benefits are reaching our part of the world. The reason is that this sector is highly fragmented and unorganized. We have two area site offices located at Ernakulum and Trivandrum to ensure a smooth and speedy execution. Over the 24 years of operations, we have completed over 85 plumbing and sanitary installation projects for apartments, hotels, hospitals, educational institutions and commercial complexes.

ENGINEERING WORKS

Engineering is the application of scientific, economic, social, and practical knowledge in order to design, build, and maintain structures, machines, devices, systems, materials and processes. It may encompass using insights to conceive, model and scale an appropriate solution to a problem or objective. The discipline of engineering is extremely broad, and encompasses a range of more specialized fields of engineering, each with a more specific emphasis on particular areas of technology and types

CONSTRUCTION WORKS

In the fields of architecture and civil engineering, construction is a process that consists of the building or assembling of infrastructure. Far from being a single activity, large scale construction is a feat of human multitasking. Normally, the job is managed by a project manager, and supervised by a construction manager, design engineer, construction engineer or project architect.

PLUMBING WORKS

Plumbing is the system of pipes, drains fittings, valves, valve assemblies, and devices installed in a building for the distribution of water for drinking, heating and washing, and the removal of waterborne wastes, and the skilled trade of working with pipes, tubing and plumbing fixtures in such systems. A plumber is someone who installs or repairs piping systems, plumbing fixtures and equipment such as water heaters and backflow preventers.

CONSULTING SERVICES

We can provide a qualified, tested and successful consulting solution to businesses new to the region, or those already established who are looking to boost growth and profitability. Every consulting solution is bespoke according to each client's specific needs, time frame and budget. While our primary goal here is to help clients in solving complex business problems; we plan and implement strategies that are data backed and proven to effectively aid better decision-making. We help organizations engage people and uncover insight from data to shape the products, services and experiences they offer.

CLIENTS OF S.J. ENGINEERING

TABLE 2:

RESIDENTIAL	COMMERCIAL	HOTELS	HOSPITALS	EDUCATIONAL INSTITUTIONS
Kalyan Jewellers	National Paint Factories	Hotel Avenue Centre	Cosmopolitan Hospital	The Choice School
Kalyan Sapphire	CRD Head Quarters	Hotel Gopika Residency	Sangetham Hospital	Pushpagiri Medical College
SFS Casaflora	Ernakulam District Collectrate	Hotel Laya	Pushpagiri Medical Society	Fluid Control Research Institute
Amala Heights	Muthoot Commercial Complex	Hotel Nayana	Sivapriya hospital	Jawaharlal Nehru College of Engineering And Technology
Confident Orion	Sion Commercial Complex	Green Oasis	Athani Hospital	

Table 3.1: Clients of S.J. Engineering

FIGURE 1:

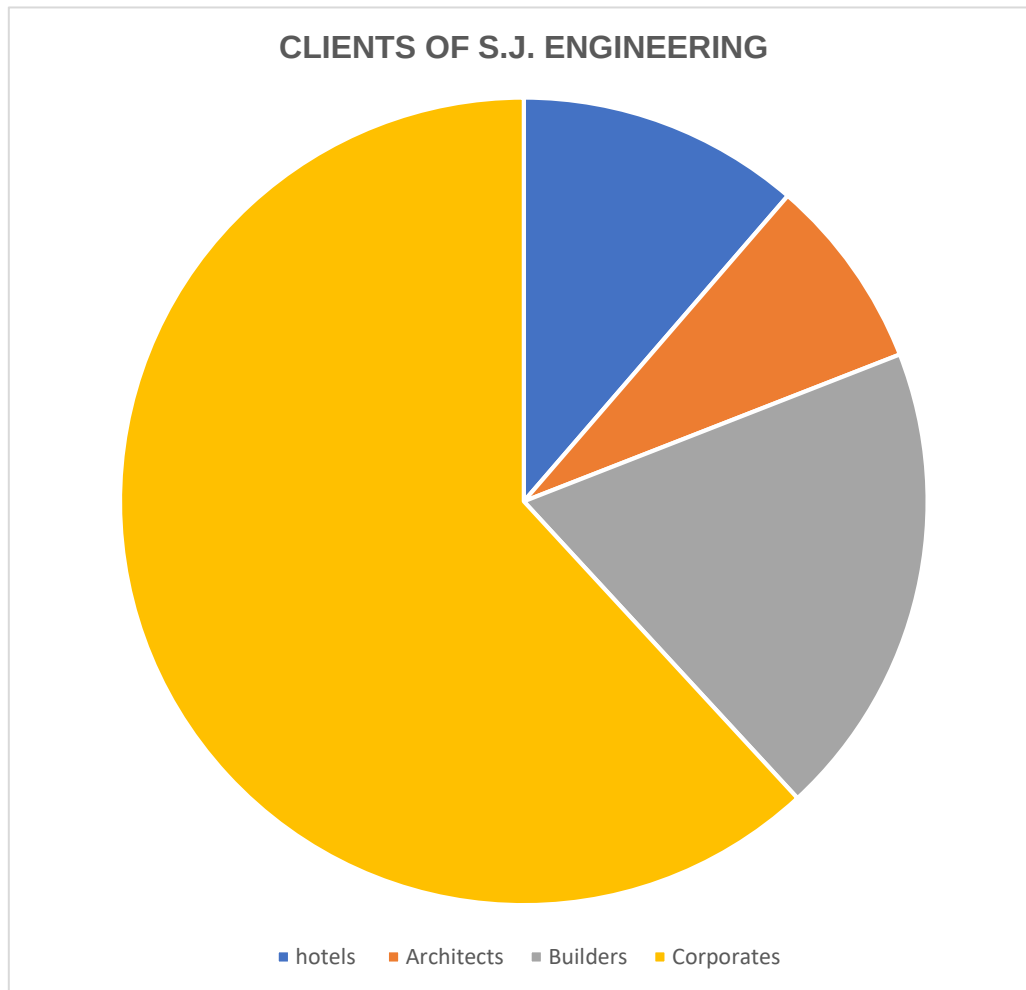


Figure 3.1: Clients of S.J. Engineering

VISION & MISSION

Vision:

- SJ Engineering Company came into existence with a vision to achieve the highest standards of excellence in the plumbing sector in Kerala.
- They thought that a good, problem-free plumbing installation is fundamental to a comfortable life.

Mission:

- Focus and maintain business in its most profitable segments while expanding into new business segments.
- Deliver exceptional client service with an unrelenting focus on value creation
- To set standards in service to customers.
- Pursue operational excellence with a strong focus on quality and margins

SWOT ANALYSIS



Strengths:

- Qualified and expert team of professional and management
- World-class technology and equipment
- Continuous innovation and quality control
- Strong branding

Weakness:

- No established reputation.
- Competition from established players with global backing

Opportunities:

- Strong entry barrier due to the capital-intensive nature of the industry

Threats:

- Competition in processing from established international players

DRIVERS OF S.J. ENGINEERING FUTURE GROWTH

At S.J. Engineering, we feel the following factors will ensure our growth in the coming years:

MEN:

We believe every single resource involved in a project – be it a manager, an engineer or a technician – plays a vital role in its successful completion. That is why we inculcate the culture of good decision making, right from managerial positions to the lower levels, and encourage our employees to take full ownership of their work. To help our people keep up with the trends and technological advancements in the industry, employees at all levels are given training periodically to arm them with the latest of knowledge and skills. Today our biggest asset is our team of highly qualified and dedicated people who deliver every task, however small, with the highest degree of perfection.

METHOD:

During the year, we focused on controlling costs and improving quality. We initiated steps to control inventory, reduce process costs and machine downtimes and ensuring efficient utilization of energy during the year. In doing this, our ERP system played a vital role in identifying addressable segments within the processes.

MATERIAL:

We use superior quality of materials for all our projects which increased our customer statisfaction, which resulted in more numbers of projects to work on. Due to fine quality of materials we use the final output too came in a very fine quality.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATIONS

Profession wise classification:

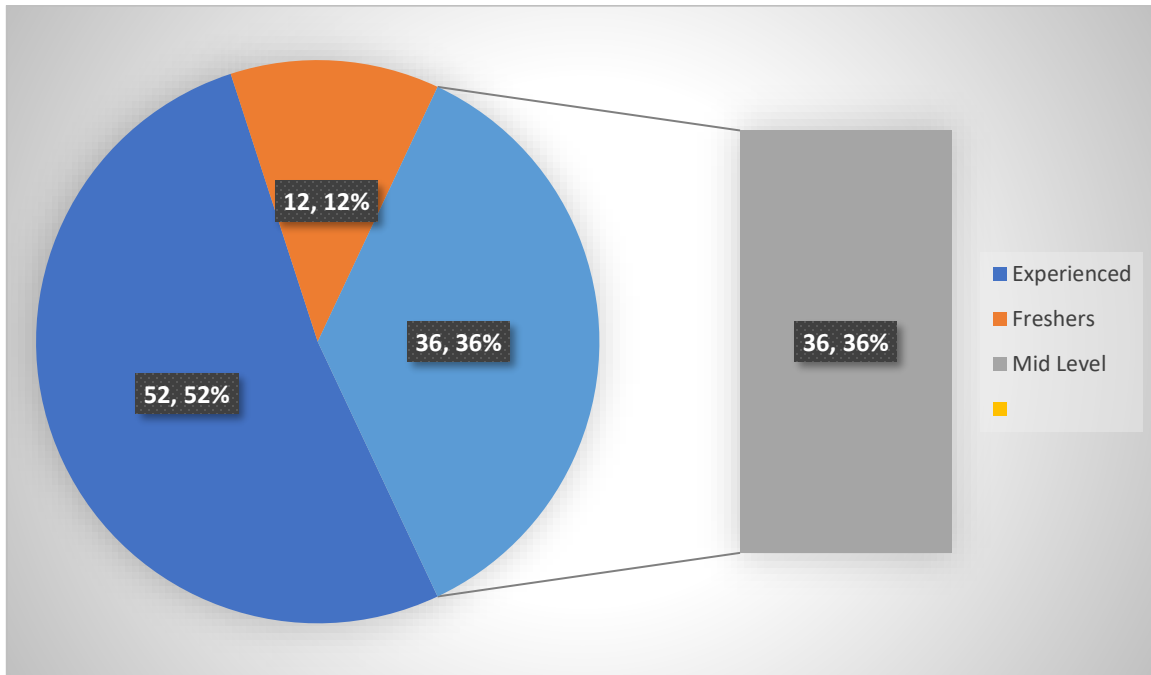


Fig. 4.1: Profession of Respondents

TYPE	NO. OF RESPONDERS	PERCENTAGE
Experienced	120	52%
Mid-Level	86	36%
Fresher	71	18%

Table 4.1: Profession of Respondents

Gender wise classification:

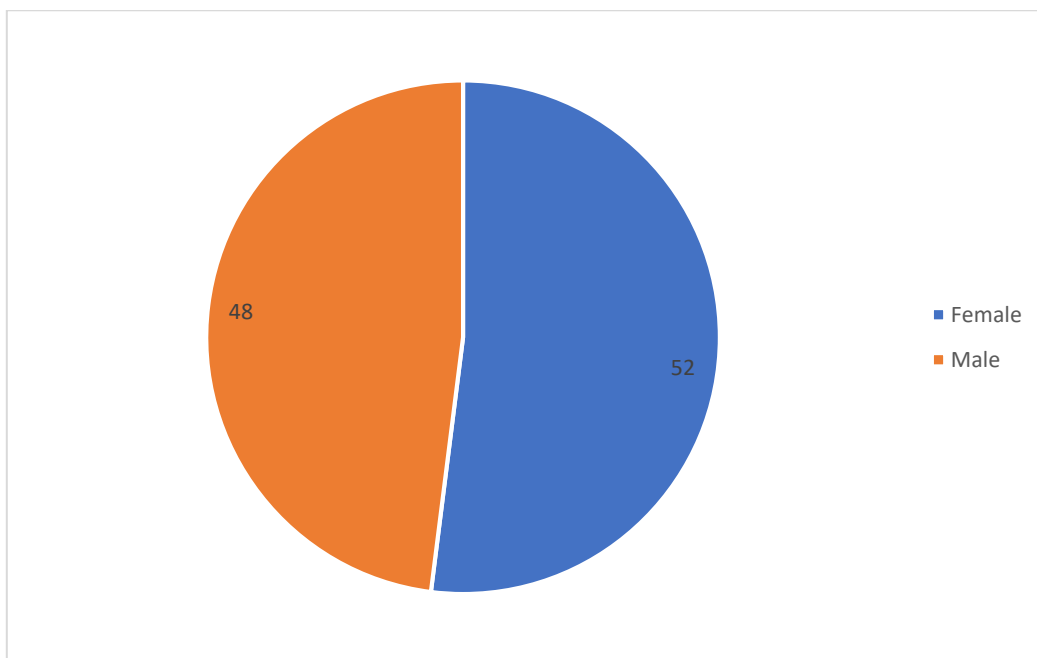


Fig. 4.2: Gender of Respondents

GENDER	NO. OF RESPONDENTS	PERCENTAGE
Male	107	48%
Female	156	52%
Total	263	100%

Table 4.2: Gender of Respondents

Inference:

From the above table, 263 respondents accounting to 48% are male and 156 respondents accounting to 52% are female.

Education wise classification:

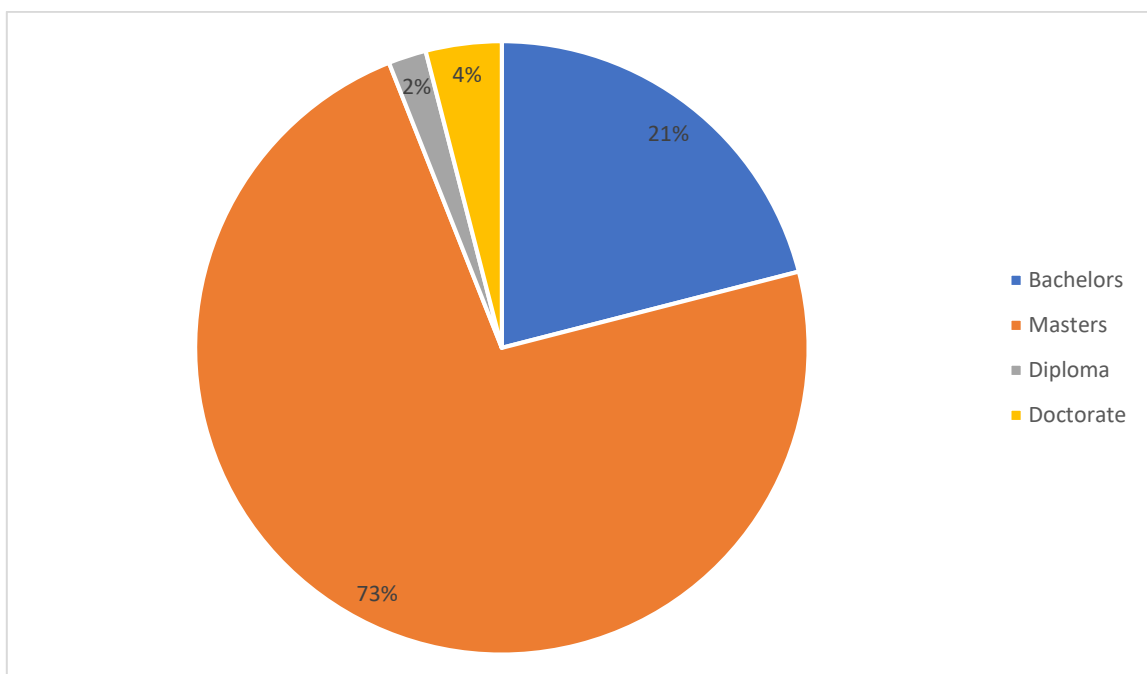


Fig. 4.3: Education of Respondents

EDUCATIONAL QUALIFICATION	NO.OF RESPONDENTS	PERCENTAGE
Graduate	56	21%
Post-graduate	126	73%
Undergraduate	17	2%

Table 4.3: Education of Respondents

Inference:

From the above data, 21% of the respondents are graduates, 73% of the respondents post-graduate, 2% of the respondents are undergraduate.

Experience wise classification:

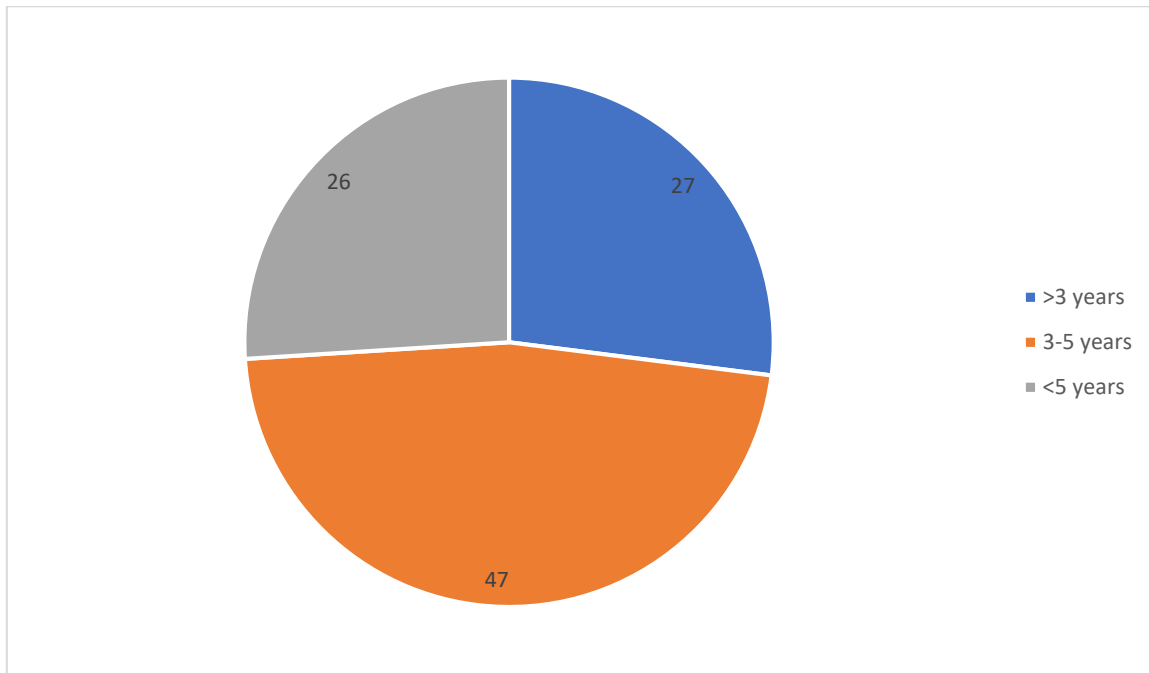


Fig. 4.4: Experience of Respondents

DIMENSIONS	NO.OF. RESPONDENTS	PERCENTAGE
>3 years	87	27%
3-5 years	52	47%
<5 years	34	26%

Table 4.4: Experience of Respondents

Inference:

From the above table, Maximum respondents accounting to 47% have 3 to 5 year experience. 26% of the respondents have <5 years of experience, 27% of the respondents have >3 Years of experience.

Graphical Representation Of Level Of Importance Of Working Capital Management In The Organization:

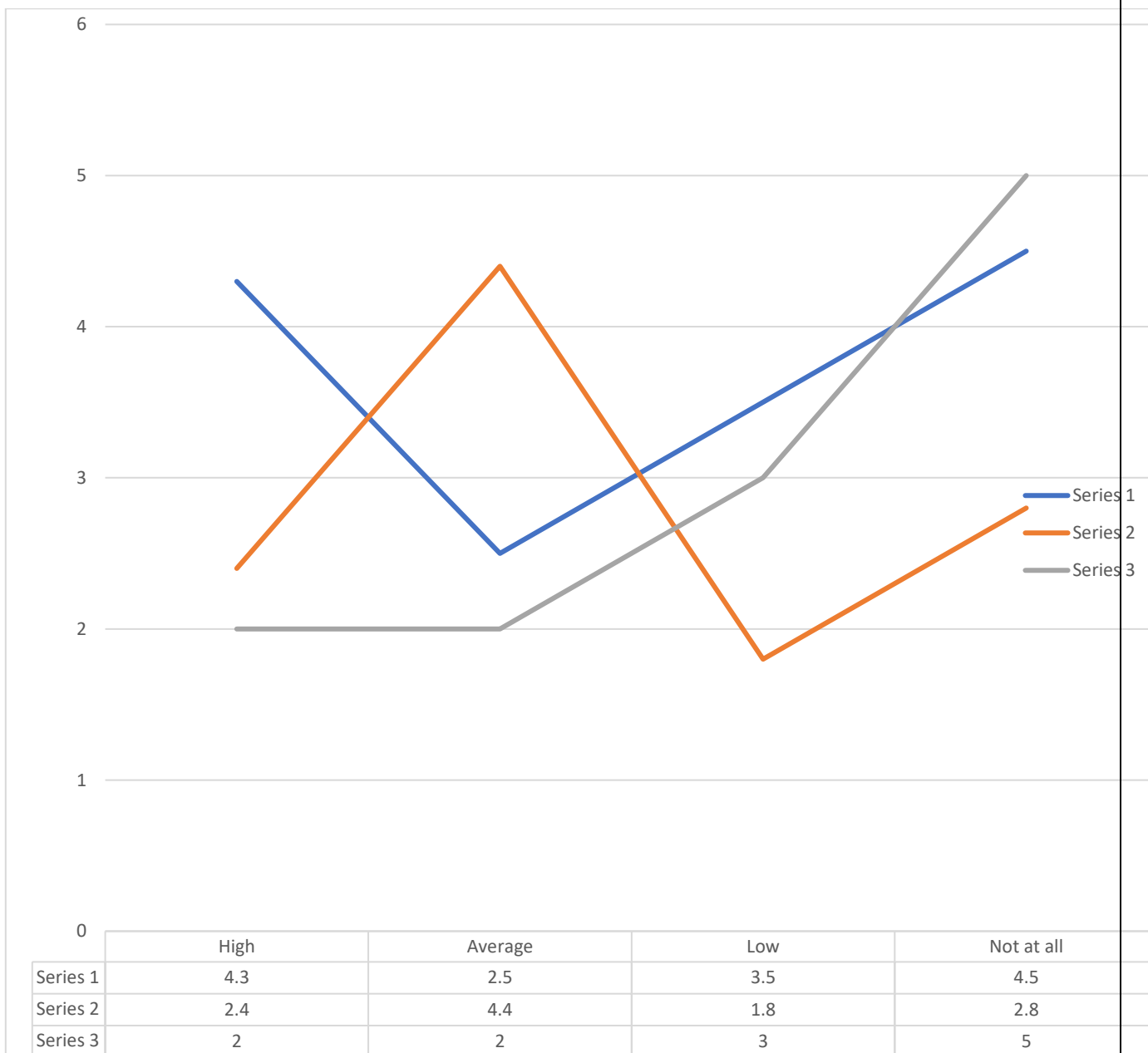


Fig. 4.5: Graphical Representation Of Level Of Importance Of Working Capital Management In The Organization

Credits wise classification:

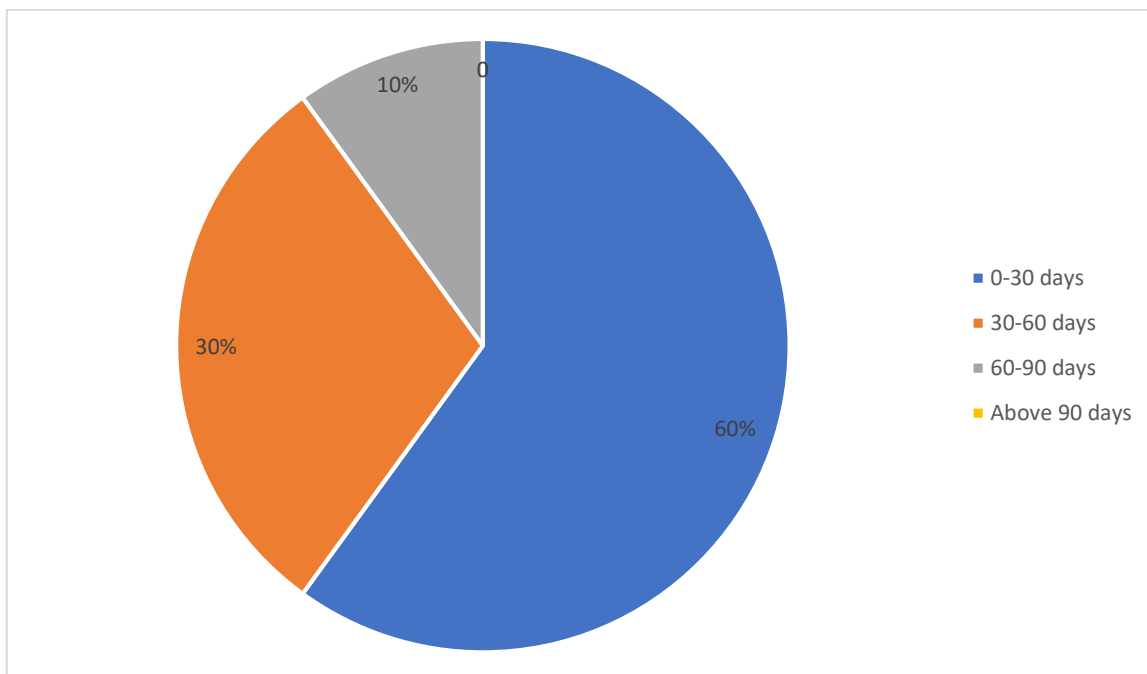


Fig. 4.6: Credits of Respondents

DIMENSION	NO. OF. RESPONDENTS	PERCENTAGE
0-30 days	135	60%
30-60 days	66	30%
60-90 days	26	10%
Above 90 days	10	0%

Table 4.6: Credits of Respondents

Inference:

From the above table, Maximum respondents accounting to 60% have 0-30 days credits. 30% of the respondents gave 30-60 days of credits, 10% of the respondents have 60-90 days of credits.

Interest Wise Classification:

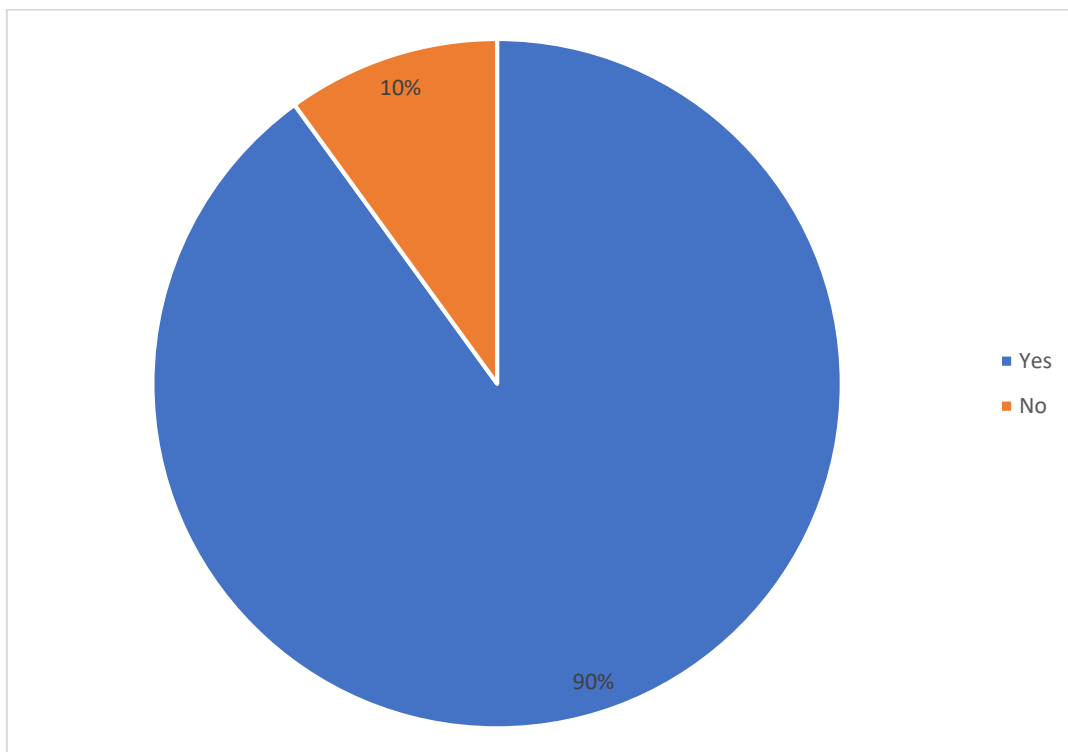


Fig. 4.7: Credits of Respondents

CHARGING INTEREST	NO.OF.RESPONDENTS	PERCENTAGE
Yes	156	90%
No	26	10%

Table 4.7: Credits of Respondents

Inference:

From the above table out of 156 respondents 90% gave yes for charging interest after due date, and out of 26 respondents 10 % gave No for charging interest.

Company Reminding Customers To Pay The Balance Amount Wise Classification:

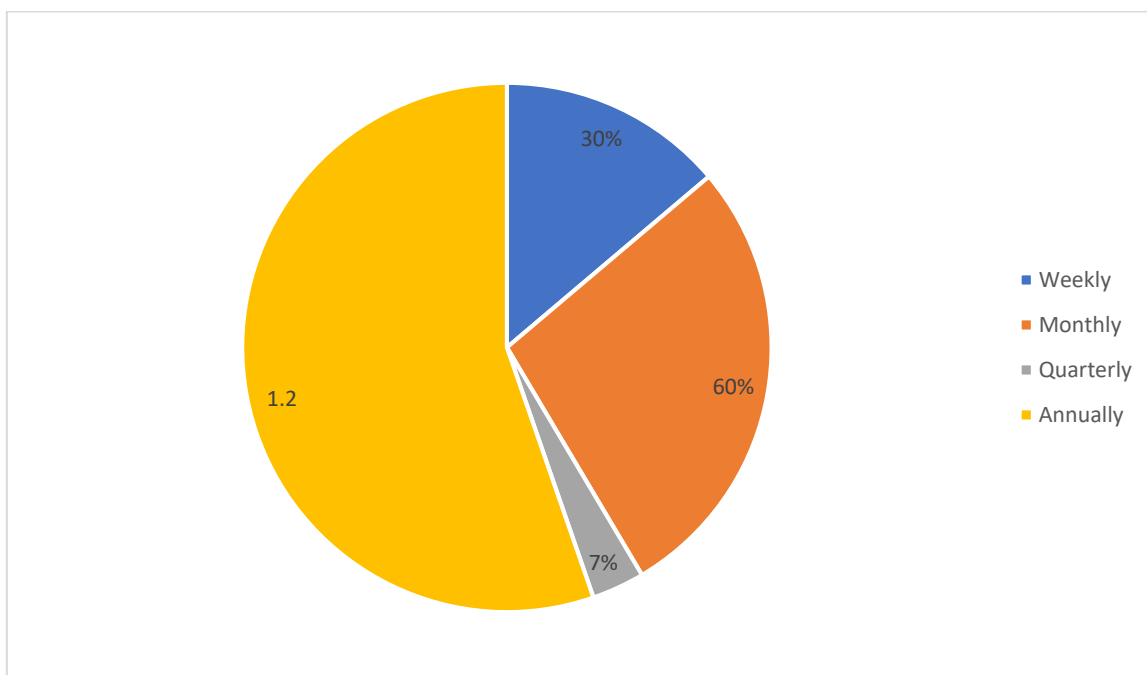


Fig. 4.8: Company Reminding Customers To Pay The Balance Amount of Respondents

DIMENSION	NO. OF. RESPONDENTS	PERCENTAGE
Weekly	67	30%
Monthly	88	60%
Quarterly	20	7%
Annually	17	3%

Table 4.8: Company Reminding Customers To Pay The Balance Amount of Respondents

Inference:

From the above table 60% of the respondents reminded weekly to pay the balance 30 % are weekly 7% are quarterly 3%are annually.

CHAPTER 5

FINDINGS AND SUGGESTIONS

FINDINGS:

- At the early stage, company facing many problems from suppliers because of low capital they are unable to make payment on time so more than 50% of suppliers are not supplying on credit basis. So that company has to make payment in advance and on delivery.
- Customers delaying invoice payment was deemed by survey respondents to have had a high or very high impact on working capital over the past 12 months. Similarly, customers exerting pressure on businesses to extend their credit and payment terms were also placing high or very high pressure on working capital.
- The main problem from suppliers i.e. 80% suppliers are from India from that 70% suppliers allowing 30 - 45 days credit and for rest of them company has to make payment in advance. 20% suppliers from rest of the country from that 40% of suppliers allowing 60 - 90 days credit and for rest of them company has to make payment in advance.
- Stretching credit period of suppliers is the main source to improve working capital but here it is not there. So this is one of the cause for working capital. Company spending a lot for unnecessary things therefore Company's expenditure is also more than income since 3 years.
- Since three years Receivables is more than Payables and borrowings is also more than advances & loans.

SUGGESTIONS:

Debtors & Receivables:

- Company should keep reminding customers about outstanding amount on a weekly basis.
- Company should call and inform customers about cash discount offered for early payment.
- Company should try to convince customer for acceptance of bill so you can release cash from bank with discount.
- Company should count back debtor days as far as possible.

Creditors & Payables:

- Because of long outstanding amount suppliers are not ready to supply on credit so company should try to clear outstanding amount of suppliers so that they can ask more credit days as far as possible.
- Company should maintain good relationship with suppliers, for that they have to make payment on due date.
- Company should make payment on due date so they can escape from interest.

Inventory:

- Company should try to reduce inventory cycle.
- Company should ensure that on time delivery.

Liquidity:

- Company should maintain liquidity in bank so they can meet urgent needs.

Cash Conversion Cycle:

- Since 3 years inventory days and receivables days are more than payables days which should be less. So they should work on it.

CHAPTER 6

CONCLUSION

Liquidity is an attribute that signifies the capacity to meet financial obligations of the company when required. The importance of liquidity to meet the day to day operations and urgent payment to suppliers. A firm should maintain adequate level of working capital to meet the day to day operations and maintain business operations. The effective management of working capital requires both medium-term planning and immediate reactions to the fast changes taking in the present business environment. The effectiveness of working capital depends on all current assets and current liabilities.

S.J. Engineering should count back credit days of customers and they should keep reminding them about outstanding amount and they should give discount offers for early payment. Company should settle outstanding amount of suppliers and maintain good relationship then they should pull suppliers credit days as far as possible.

Raw materials used to be in factory for high period to convert into finished goods. Receivables days also more so more days tied up with inventory and receivables. Therefore S.J. Engineering should be taken care of operating cycle and cash conversion cycle.

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ANNEXURE

Questionnaire

(Tick as Appropriate)

Section-A: Personal Data

1. Your Age
 - 1) Bellow 25 yrs
 - 2)25-29 yrs
 - 3) 30-34 yrs
 - 4) 35 yrs & Above
2. Gender
 - 1) Male
 - 2) Female
3. What is Your Qualification?
 - 1) Undergraduate
 - 2) Graduate
 - 3) Post-Graduate

Section-B: Working Capital

5. How would you rate the level of importance by which working capital is placed in the organization?
1) High 2) Average 3) Low 4) Not at all
6. How many days credit do you give to Customers/ Debtors?
1) 0-30 days 2) 30-60 days 3) 60-90 days 4) Above 90 days
7. Is there Bill of Exchange facility in your company? If yes, why don't you release cash from bank against bill.

8. Do you charge interest if customers/ debtors will pay you after due date?
1) Yes 2) No
(If no why?)
-

9. How many days credit do you take from Suppliers/ Creditors?
1) 0-30 days 2) 30-60 days 3) 60-90 days 4) Above 90 days

10. How often does your company remind customers to pay the balance amount?
1) Weekly 2) Monthly 3) Quarterly 4) Annually

11. Do you give discount offer to customers/ Debtors for early payment?
1) Yes 2) No
If No why?
-

12. What is stock cycle in your company?
1) Less than 30 days 2) 31 days – 60 days 3) more than 60 days

13. Rate the percentage of credit risk in your company
1) Less than 5% 2) 5-10% 3) Over 10%

14. What is the bad debt level in your accounts receivable?
1) Less than 1% 2) 1% - 5% 3) 6% - 10% 4) Over 10%

15. How many days do you take to convert into finished goods from the date of purchase of raw materials?
1) Less than 10 days 2) 10 days - 20 days 3) more than 20 days

16. Do you use banking source to finance your working capital?
1) Yes 2) No
If No why?
-

17. How often does your company review its working capital policy?
1) Weekly 2) Monthly 3) Quarterly 4) Whenever necessary

