

# Working Capital Management in Alok textile industry

**Keerthana**

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## ABSTRACT

Working capital management is the part of the financial consideration that a finance manager needs to determine and plays an important role in determining the profitability of the firms. Keeping in view the requirements I have prepared the project on topic has specified .This topic “Working Capital Management In Alok Textile Industry “ chosen by me has a significant impact in the current scenario,especially after examination of the internal and external environmental factors affecting the operating and financial affairs of the business organisation.

The said topic has been prepared after referring various social networking sites, print media and other relevant reliable sources as mentioned as Secondary database in my project report.

Finally Based on the study conducted, it is also revealed that there is a significant difference between the mean profitability of service and manufacturing firms during the year 2016-2020

## INTRODUCTION

The project focuses on the importance of financial analysis for the company as financial Statements are useful as they provide information that allows investors and creditors to make better decisions. However, because of selective reporting of economic events as well as non-comparable accounting methods and estimates, financial statements are only an approximation of reality. In addition, because of the tendency to delay accounting recognition, financial statements also tend to lag reality.

A primary objective of financial analysis is to determine comparable risk and return of companies and their securities. Financial statements include the Balance Sheet, Income Statement ,Cash Flow Statement The financial statements are interrelated and are used and analyzed together. Methods of financial statement analysis are divided into two general categories, internal analysis and comparative or external analysis. Internal analysis uses figures from the financial statements of any one date or period to gain an

understanding of the customer. Comparative analysis is used to determine trends when two or more successive sets of figures are reviewed, or is used to evaluate the company's financial statement against industry standards. These methods are used separately or in combination.

The major tools for internal analysis are balance sheet ratios and a working knowledge of the line of business including the method of operation and seasonal influences. Ratios are mathematical aids for appraisal and comparison of financial statements. They are used to supplement currency amount inspection, to examine inter-item relationships and to compare a specific company's performance against its industry standard. The use of ratios reduces the influence of currency size on analysis since these comparisons are expressed as a percentage, fraction, decimal, or rates of turnover. Only the combinations that could be made of the items appearing in both schedules limit the number of ratios that can be developed from the balance sheet and income statement. The type of operation represented by the account and the nature of the risk has an important bearing on what ratios are to be computed and studied.

## **NEED OF STUDY**

The study has been conducted for gaining practical knowledge about working capital management and activities of Alok textile industries

## **STATEMENT OF PROBLEM**

- The working capital management of the firm is important for the following two reasons

Level of current assets will change quickly with the variation in sales.

The working capital management of a firm will have a greater impact on the firm's profitability.

## **OBJECTIVES OF STUDY**

### **Primary objectives**

- A study on working capital management on Alok textile industries

### **Secondary objectives**

- To analyze the liquidity position of the company
- To analyze the performance of the company
- To estimate the amount of working capital of the company for a period of 5 years

- To project the future position
- To offer suggestions for improving the working capital position of the company

### **SCOPE OF THE STUDY**

The scope of the study is identified after and during the study is conducted. The main scope of the study was to put into practical the theoretical aspect of the study into real lifework experience.

The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital. Further the study is based on last 5 years Annual Reports of Alok textile industry

### **LIMITATION OF STUDY**

- The study duration is short.
- The analysis is limited to just five years of data study (from year 2006 to year 2010) for financial analysis.
- No interaction with the concerned heads.
- The findings of the study are based on the information retrieved by the selected source of information

### **REVIEW OF LITERATURE**

- "Impact of working capital management on profitability of textile sector of Pakistan from **Sumaita Tufail** A literature review journal of business research retrieved from sumaira\_08sep@yahoo.com. Moreover liquidity and size of the firm have positive relation profitability whereas debt to equity ratio is negatively correlated with profitability. Textile sector is one of the major sectors of Pakistan.
- Working Capital Management and Corporate Financial Performance: Evidence from Panel Data Analysis of Selected Quoted Tea Companies in Kenya from **Charles Yego, Kirui Joseph Kiprono, C. Willy** Published in 2014 journal of finance and accounting. The study utilized panel data econometrics of 6 tea firms which are listed on Nairobi Securities Exchange. The study also concludes that tea firms in Kenya are following conservative working capital management policy and the firms are needed to concentrate and improve their collection and payment policy.

### **Data collection**

The research data is secondary in nature as for this particular research. The data is collected for the last five years i.e. from 2014-2019, in the form of annual reports from the office, containing: Balance sheet, Income statement , Profit & Loss account

For a research, researcher may depend either on primary data on secondary data. Primary data is usually collected with the help of questionnaire. Secondary data is collected from published journals or magazines or reports.

In the present study, most of the information is collected from balance sheet , profit and loss accounts and other books of accounts of the company. Besides , some information's are collected through discussions with finance and other executives of the finance department.

### **Tools Used for Analysis**

The following are major tools used in analysis and interpretation.

- Ratio analysis
- Comparative balance sheet statement
- Trend analysis

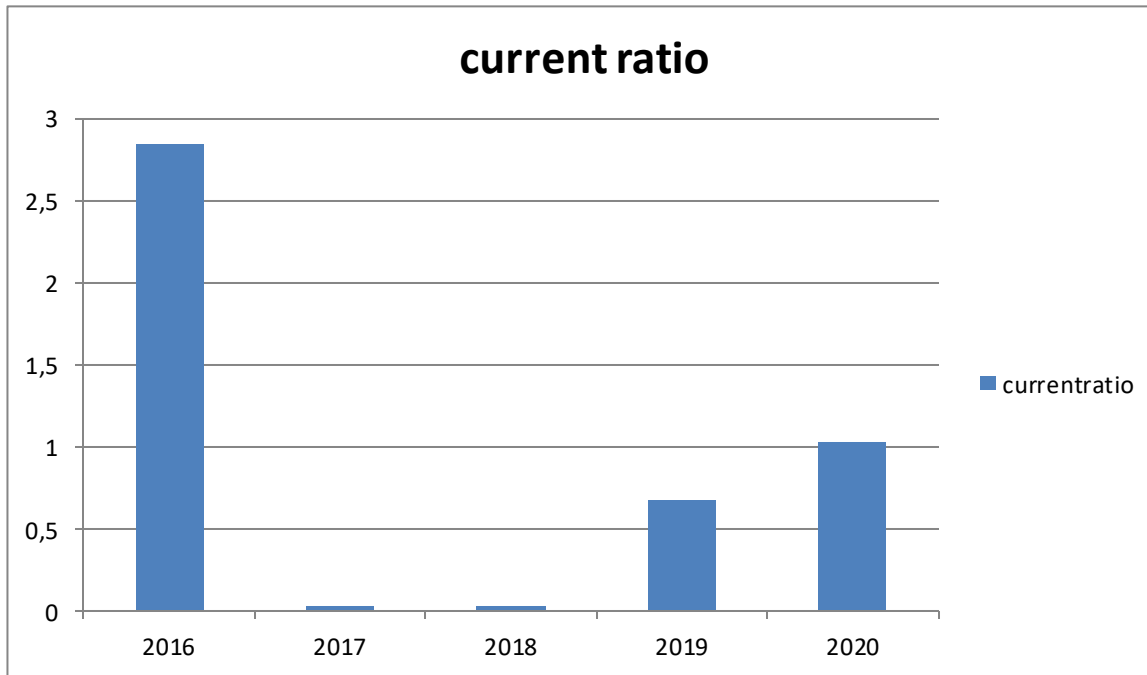
### **Current ratio or working capital ratio:**

**Current ratio =current assets/current liabilities**

YEAR	CURRENT ASSETS	CURRENTLAIBILITIES	CURRENTRATIO
2016	15332.09	16220.42	2.84
2017	14187.06	21639.96	0.03
2018	1062.03	27853.13	0.03

2019	900.59	26347.25	0.68
2020	1434.54	1877.44	1.03

**4.2 Table of current ratio**



**Figure 4.2 current ratio**

### INTERPRETATION:

The chart shows that current ratio in 2016 it is 1.03, in 2017 it is decrease to 0.68 and in 2018 again it is decrease and reached to 0.03 and in 2019 again it is 0.68 and in 2020 it is increased and reached to 1.03. The company is able to generate enough from operations to pay for its current obligations with current assets

### Gross profit ratio

Gross profit ratio = gross profit/sales

Year	Gross profit	sales	Total	Trend
2016	-5492	12924	-42.4982	100
2017	-4832	8733	-55.3322	130.199
2018	-18024	5537.2	-325.51	765.9385

2019	2624.8	3375.5	77.75934	-182.971
2020	1849.8	3352.1	55.18262	-129.847

Chart 4.10 Gross profit ratio

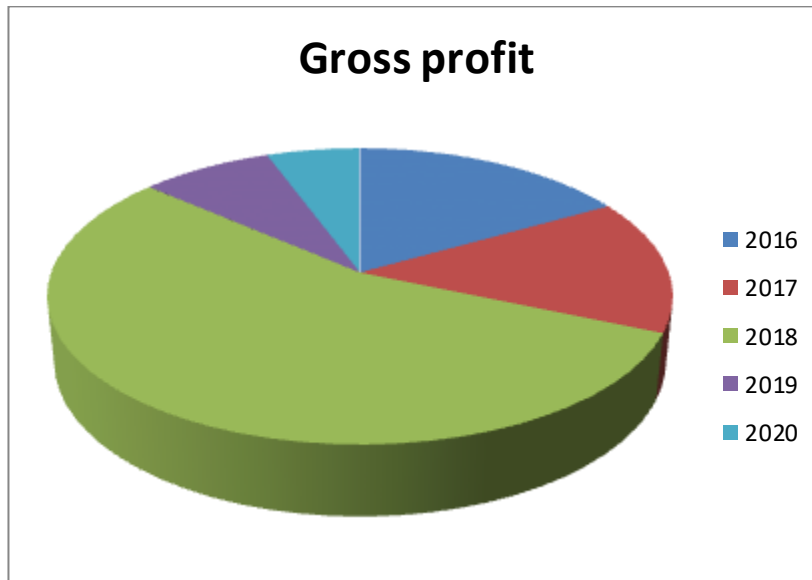


Figure 4.10 Gross profit ratio

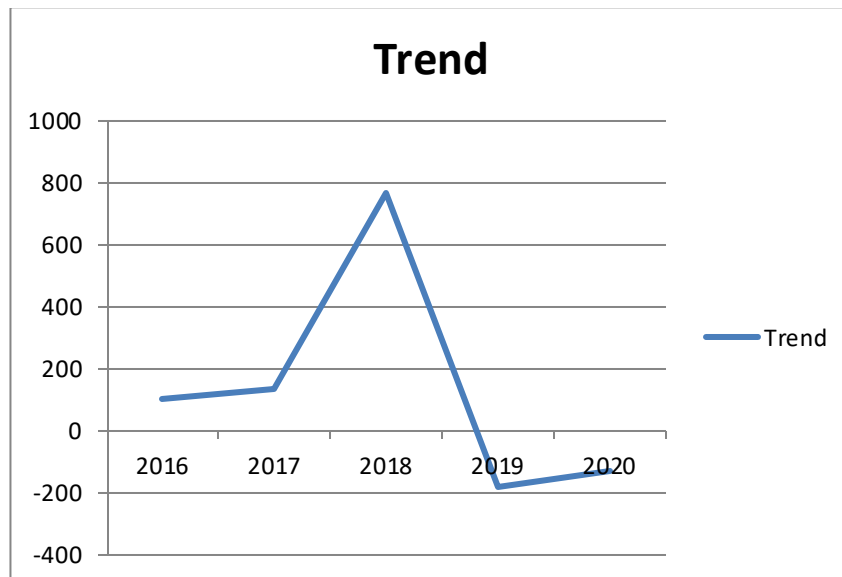


Figure 4.10 gross profit ratio

## CHANGES IN WORKING CAPITAL 2016-17

Particulars	31/3/2016	31/3/2017	Increase / decrease
<b>Current assets</b>			
Inventories	8299.89	3329.67	-4970.22
Trade receivable	6041.03	10069.74	4028.71
cash	169.46	98.05	-71.41
Short term loans	0.19	81.44	81.25
Other current assets	821.52	608.16	-213.36
<b>A=total current assets</b>	<b>15332.09</b>	<b>14187.06</b>	-1145.03
<b>Current liabilities</b>			
short term borrowing	11562.85	14182.71	2619.86
Trade payable	1377.81	1456.23	78.42
Other current liabilities	3165.30	5991.90	2826.6
short term provision	114.46	9.12	-105.34
<b>B=TOTAL CURRENT LIABILITIES</b>	<b>16220.42</b>	<b>21639.96</b>	<b>5419.54</b>
<b>NET WC = (A – B)</b>	<b>888.33</b>	<b>7452.9</b>	<b>6564.57</b>

## INTERPRETATION:

The above table clearly shows the increase in the working capital for the year 2016 to 2017. All the Current assets except receivable and loans have decreased in year 2017 compared to year 2016. The end result of the

statement of changes in working capital after comparing all the increases and decreases is the net increase in the amount of working capital. The above table focuses on the fact that the increase in working capital is Rs.6564.57.

## SUGGESTIONS

- Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term.
- The Current and quick ratios are almost up to the standard requirement. So the Working capital management. Alok textile industries are satisfactory and it has to maintain it further.
- The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.
- The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.
- The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.
- Creditor's turnover ratio has increasing from 2007-08 to 2008-09 and in the last year 2009- 2010 it is same as compared to 2008-09. Company is making prompt payment to its creditors. This is good sign for the company. On-time payment to suppliers will increase the credibility of the firm. It has to maintain it further to survive in the market.
- The company is utilizing working capital effectively this is good for the company. It has to maintain it further.

## CONCLUSION

The study on working capital management is conducted on Alok textile industries to analyze the financial position of the company. The company financial position is analyzed by the tools of annual report from 2016-2020

The company liquidity position is good with regards to the investment in current assets there are adequate funds invested in it .

The financial status of Alok textile industries is very good in the last year the inventory turnover has increased this is the good sign for the company.



