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# A STUDY ON WORKING CAPITAL MANAGEMENT IN KALEESWARAR MILLS B UNIT, KALAYARKOIL

**S. Prasath* & Dr. A. Dinesh Kumar****

* Assistant Professor, Department of Management Studies, Dhanalakshmi Srinivasan Engineering College, Perambalur, Tamilnadu

** Associate Professor & Head, Department of Management Science & Humanities, Dhanalakshmi Srinivasan Engineering College, Perambalur, Tamilnadu

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**Introduction:**

Finance is the nerve center of economic activity. It plays an important role for the survival and growth of a business. Capital has to be utilized effectively to increase the rate of development and to raise the efficiency of the unit. The issue of shares, debentures through borrowings, can raise the capital. Finance invested in purchase of fixed assets and installations of machines are considered as fixed capital. The capital formation includes both fixed and working capital. The finance used for the purpose of meeting day-to-day operations of the business. Working capital may be regarded as the lifeblood of a business. Its effective provision can do much to ensure the success of a business. A study of working capital is of major importance to internal and external analysis because of its close relationship with the current day-to-day operations of a business. Every business needs funds for two purposes. Long-term funds are required to create production facilities through purchase of fixed assets, such assets, plants, machineries, lands, buildings, etc. Investments in these assets represent that part of capital. Funds are also needed for short-term purposes for the purchase of raw materials, payment of wages and other day-today expenses etc. These funds are known as working capital. Working capital is also known as revolving or circulating capital or short-term capital.

Working capital may be regarded as the lifeblood of a business. It's effective Provision can do much to ensure the success of a business, while its inefficient management can lead not only to loss of profits, but also to the ultimate down fall of what otherwise might be considered as a promising concern. The capital plays the same role in business as the role of the heart in the human body. Just as the hearts gets the blood and circulates the same in the whole body, the working capital funds are also generated and circulated in the business. Through commercial banks and other short-term financial position or test of liquidity. It is valuable aid to management in checking the efficiency with which working capital is being employed in the business. A study of working capital is of major importance to internal and external analysis because of its close relationship with the current day-to-day operations of a business. Working capital is the leading cause of that portion of the assets of the assets of a business which are used in, or related to current operations, and represented at any one time by the operating cycle of such items as against receivables, inventories of raw materials, stores, work-in-process and finished goods, merchandise, notes or bills receivables and cash management. Working capital is the difference between the inflow and outflow of funds. In other words, it is the net cash inflow. It is defines as the excess of current assets over current liabilities and provision. In other words, it is "net current assets or net working capital". Working capital refers to that part of the firm's capital, which is required for financing short-terms or current assets, such as cash, marketable. Securities, debtors, inventories bill receivable etc., The assets of this type are relatively temporary in nature.

Finance is an important function of any business, as money is required to meet the various activities of it. It has given birth to "Financial Management" as a separate subject. The subject is of recent origin. It draws heavily on "Economics" for its theoretical concepts. In the early half of the 20th century the job of financial management was largely confined to the acquisition of funds. But as business firms continued to expand their markets and became larger and more diversified, greater control of financial operation became highly essential. Thus the scope of financial management is very wide and it is not merely restricted to raising of capital. It also covers other aspects of financing such as assessing the needs of capital, raising sufficient amount of funds, cost of financing, budgeting, maintaining liquidity, lending and borrowing policies, dividend policy, and so on. Financial management occupies a significant place because it has an impact on all the activities of a firm. Its primary responsibility is to discharge the finance function successfully. Thus financial management is an appendage of the finance function. No one can think of any business activity in isolation from its financial implications. The management may accept or reject a business proposition on the basis of its financial viabilities. In other words, the live executives who are directly involved in the decision making process should give supreme importance for financial considerations.

In the perfect world, there would be no necessity for current assets and current liabilities because there would be no uncertainty, no transaction costs, information search costs, scheduling costs, or production and technology constraints. The unit cost production would not vary with the quantity produced. Borrowing and lending rate shall be same. Capital, labor and products markets shall be perfectly competitive and would reflect on all available information. Thus in such an environment, there would be no advantage for investing in short term assets. Working capital is the lifeblood of business and the controlling nerve of a firm. No business can be successfully run without adequate amount of working capital. In ordinary parlance working capital is taken to be 'the fund available for meeting day to day requirements of an enterprise'. Working capital management is concerned with two factors viz, the level of current assets to be held and the type of assets and the method by which these assets are financed. Working capital is known as circulation capital or revolving capital. Since investment in current assets represents a substantial portion of total investment, the study of working capital management becomes important.

The present research seeks to study in depth the Working Capital Management of selected paper companies in India, with special emphasis on an examination of the management performance in regard to financial management. It hardly needs mentioning that inventory, accounts receivables and cash and its alert administration can go a long way in solving the problem of the efficient working capital management. In fact, the present research of working capital management needs special attention for the efficient working and the business. It has been often observed that the shortage of working capital leads to the failure of a business. The proper management of working capital may bring about the success of a business firm. The management of working capital includes the management of current assets and current liabilities. The present research undertakes to deal with the net concept of working capital: excess of current assets over current liabilities.

A number of companies for the past few years have been finding it difficult to solve the increasing problems of adopting seriously the management of working capital. Business concerns intent on developing their business have to use to the utmost, their available resources for the improvement and development of the business there by enabling them to increase their profits. Working Capital and change in working capital, especially in inventories, which is one of the components of working capital form a very important part of the total gross-capital formation in the paper companies. Efficient and the optimal utilization of fixed assets is very closely related to the proper management of working capital. The present research attempts to recognize initially the importance of working capital as a part of the total capital. It further goals to recognize the factors influencing the working capital, its volume, and in the process try to suggest remedial measures which might help in optimizing the use of working capital. It also considers as to how precisely "financing working capital" and further more what should be mix of different components of working capital.

Working Capital is the life blood of every business concern. Business firm cannot make progress without adequate working capital. Inadequate working capital means shortage of inputs, whereas excess of it leads to extra cost. So the quantum of working capital in every business firm should be neither more nor less than what is actually required. The management has to see that funds invested as working capital in their organization earn return at least as much as they would have earned return if it invested anywhere else. At the time of increasing capital costs and scare funds, the area of working capital management assumes added importance as it deeply influences a firm's liquidity and profitability. A notable feature of utilization of funds is that they are of recurring nature. Therefore, efficient working capital management requires a proper balance between generation and utilization of these funds without which either shortage of funds will cause obstruction in the smoother functioning of the organization or excess funds will prevent the firm from conducting its business efficiently. So the main objective of working capital management is to arrange the needed funds on the right time from the right source and for the right period, so that a tradeoff between liquidity and profitability may be achieved.

A firm may exist without making profits but cannot survive without liquidity. The function of working capital management organization is similar that of heart in a human body. Also it is an important function of financial management. The financial manager must determine the satisfactory level of working capital funds and also the optimum mix of current assets and current liabilities. He must ensure that the appropriate sources of funds are used to finance working capital and should also see that short term obligation of the business are met well in time.

According to quantitative concept, the amount of working capital refers to 'total of current assets'. What we call current assets? Smith called, 'circulating capital'. Current assets are considered to be gross working capital in this concept. The qualitative concept gives an idea regarding source of financing capital. According to qualitative concept the amount of working capital refers to "excess of current assets over current liabilities." L.J. Guthmann defined working capital as "the portion of a firm's current assets which are financed from long–term funds." The excess of current assets over current liabilities is termed as 'Net working capital'. In this concept "Net working capital" represents the amount of current assets which would remain if all current liabilities were paid. Both the concepts of working capital have their own points of importance. "If the objectives is to measure the size and extent to which current assets are being used, 'Gross concept' is useful; whereas in evaluating the liquidity position of an undertaking 'Net concept'

becomes pertinent and preferable. It is necessary to understand the meaning of current assets and current liabilities for learning the meaning of working capital, which is explained below.

**Current assets –** It is rightly observed that "Current assets have a short life span. These type of assets are engaged in current operation of a business and normally used for short– term operations of the firm during an accounting period i.e. within twelve months. The two important characteristics of such assets are, (i) short life span, and (ii) swift transformation into other form of assets. Cash balance may be held idle for a week or two; account receivable may have a life span of 30 to 60 days, and inventories may be held for 30 to 100 days."Fitzgerald defined current assets as, "cash and other assets which are expected to be converted in to cash in the ordinary course of business within one year or within such longer period as constitutes the normal operating cycle of a business."

**Current liabilities –** The firm creates a Current Liability towards creditors (sellers) from whom it has purchased raw materials on credit. This liability is also known as accounts payable and shown in the balance sheet till the payment has been made to the creditors. The claims or obligations which are normally expected to mature for payment within an accounting cycle are known as current liabilities. These can be defined as "those liabilities where liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current assets, or the creation of other current liabilities."

**Meaning of Working Capital:**

Working capital is the amount of capital is available to meet the day to day cash requirement of its business operations. Working capital is the difference between resources in cash or readily convertible into cash[current asset]and organizational commitment for which cash will soon be required[current liabilities].It refers to the amount of current assets that exceeds current liabilities [i.e CA-CL].Working capital refers to that part of the firm's capital, Which is required for financing short term or current assets such as, marketable securities ,debtors and inventories .Working capital is also known as revolving or circulating capital or short term capital

**Definition:**

Working capital refers to that part of the firm's capital, which is required for financing short term or current assets such as cash, marketable, securities, debtors and inventories. Working capital is defined as "the difference between current assets and current liabilities. There are some variations in how working capital is calculated. Variation includes the treatment of short-term debt. In addition, current assets may or may not include cash and cash equivalents, depending on the company".

**Different Aspects of Working Capital:**

- Management of inventory.
- Management of Receivable\Debtors.
- Management of cash
- Management of payable\creditors

**Classification of Working Capital:**

The working capital can be classified as follows

**Gross Working Capital:** Gross working capital is the total amount of fund invested in the various components of current assets such as cash, inventory, marketable securities and account receivables.

**Net Working Capital:** Net working capital is the difference between current asset and current liabilities. This type of working capital enables a firm to determine how much amount is left for operational requirement.

**Permanent Working Capital:** Permanent or fixed working capital is the minimum amount which is required to ensure effective utilization of fixed facilities and for maintaining the circulation of current assets. There is always a minimum level of current assets which is continuously required by the enterprise to carry out its normal business operations .For examples, every firm has to maintain a minimum level of current asset is called permanent or fixed working capital as this part of capital is permanently blocked in current assets. As the business grow the requirement of permanent working capital also increase due to the increase in current assets.

**Fluctuating or Variable Working Capital**: Temporary or variable working capital is the amount of working capital which is require to meet the seasonal demands and some special exigencies. Variable working capital can be further classified as seasonal working capital and special working capital. Most of the enterprises have to provide additional working capital to meet the seasonal and special needs. The capital required to meet the seasonal needs of the enterprises is called seasonal working capital. Special working is that part of working capital which is required to meet special exigencies such as launching of extensive marketing companies for conducting research etc.

**Cash Working Capital:** Cash working capital is calculated from the items appearing in the profit and loss account of a business. It shows the real flow of money at a particular time. It is the basis of the operation cycle concepts which is assumed a great importance in financial management in recent years.
The reason is that the cash working capital indicates the adequacy of working capital.

**Balance Sheet Working Capital:** The working capital, which is calculated from the balance sheet items is known as balance sheet working capital (Eg: gross working capital and net working capital).

**Negative Working Capital**: Negative working capital is the excess of current liabilities over current assets.

**Working Capital Financial Policy:**

After having established the optimum level of current assets, (as per the current assets policy), the company must determine and decide about the source of financing the current assets. This would in essence mean to arrive at a crucial decision as to what should be the optimal mix of long term and short term source of funds, to finance the company's working capital requirements.

**Types of Capital in a Business:** Capital required for a business can be classified under two main categories via,

- Fixed Capital
- Working Capital

**Fixed Capital**: Every business needs for two purposes for its establishment and to carry out its day-today operations. Long terms funds are required to create production facilities through purchase of fixed assets such as plant and machinery, land, building, furniture, etc. Investments in these assets represent that art of firm's capital which is blocked on permanent or fixed basis is called fixed capital. Funds are also needed for short-term purposes for the purchase of raw material, payment of wages and other day-to-day expenses etc.

**Working Capital:** These funds are known as working capital. In simple words, working capital refers to that part of the firm's capital which is required for financing short-term or current assets such as cash, marketable securities, debtors & inventories. Funds, thus, invested in current assets keeps revolving fast and are being constantly converted in to cash and this cash flows out again in exchange for other current assets. Hence, it is also known as revolving or circulating capital or short term capital.

NET WORKING CAPITAL = CURRENT ASSETS-CURRENT LIABILITIES

**Current Asset:** Assets which can be converted into cash within a short period normally one accounting year. An asset such as receivable, inventory , work in process, or cash , that is constantly flowing in and out of a organization in the normal course of its business, as cash is converted into goods and then back into cash. In accounting, any asset expected to last or be in use for less than one year is considered a current asset. Also called as circulating asset.

**Working Capital Management:**

Working capital may be regarded as the lifeblood of business. It inefficient management can lead not only to loss of profit but also to the downfall of business. Every business needs funds for two purposes. Long term funds are required to create production facilities through purchase of fixed assets, such as plant, machinery, land, building etc, funds are also needed for short term purpose for the purchase of raw materials, payment of wages and other day to day expense etc. These funds are also known as working capital. Working capital is also revolving or circulating capital or short-term capital.

**Theoretical Framework of Working Capital Management:**

There are two concepts of working capital.

- Gross Concept.
- Net Concept.

**Gross Concept:** Gross working capital refers to the firm's investment in current assets. Current asset which can be converted into cash within an accounting year includes cash, marketable securities, debtors, bills receivable and inventory.

**Net Concept:** Net working capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders, which are expected to mature for payment within an accounting year and include creditors, bills payable and outstanding expenses. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed current liabilities. A negative net working capital occurs when current liabilities are in excess of current assets.

**Industry Profile:**

The Indian Textile industry occupies an important place in the economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. At present, the contribution of the textile industry to GDP is about 4 percent. The textile industry provides direct employment to about more than 35 million people and is the second largest employment provider in India after agriculture of this textile industry alone accounts for 29 million and the apparel industry account for balance 6 million people. With export as well as domestic sector growing rapidly the Textile and Apparel Industry is expected to provide direct employment to 40 million people by year 2010. Size of the Indian Textile and Apparel Industry estimated to be US $85 bn comprising US $45 bn in domestic and balance in exports by 2010. The contribution of this industry to gross export earning is about 17% and it adds less than 2% to the gross import bill of the country in 2004-05.

The textile industry is a self-reliant industry from the production of raw materials to the delivery of final product with considerable value addition at each stage of processing. The industry was relicensed in 1991 and under the current policy no prior government approval is necessary to set up textile mills. The per capita cloth availability in the country has increased from 22.87 square meters in 1991-92 to 33.51 square meters in 2004-05. The cotton Textile Export promotion Council of India the non-profit council, popularly known as "Texprocil," was founded in 1954 by the government of India and currently represents approximately 4000 Indian companies of all size, including both manufacturers and trading house specializing in production of cotton textile. Indian exports more than US $4 billion of cotton yarns, fabrics

and ready-made home fashions. The European Union represents the largest export market, accounting for about 30 percent of the country's production. The United States is a rapidly growing market, representing about 23 percent of India's exports of cotton home textiles.

These products are sold in all major channels of distribution ranging from mass merchants and national chains to upscale department stores and specialty shops cotton production. Although India is a major cotton producer with significant potential to expand output, it is not clear if domestic production will keep pace with the quantity and quality needs of an expanding textile and apparel industry. India is the third-largest cotton producer in the world. Cotton area is significantly larger than any other country in the world accounting for about 25 percent of global cotton area but average yields are the lowest among the top-10 global cotton producers. Area and yield gains have boosted cotton production 2.4 percent annually since 1990, but progress in raising yields toward levels achieved by other major producers has been slow. In addition to low yields, the quality of India's cotton is often poor because of an array of technical, economic, and institution factors. The extent to which these productivity and quality factors can be addressed will be critical in determining India's competitiveness in global textile markets and whether rising cotton demand will be supplied by supplied by domestic producers or by global markets.

**Production Trends:**

Cotton production has grown significantly since mid-1980s due to improvements in both area and yield, but growth slowed in the 19990s because of a sharp slowdown in yield gains. Since 2000, rising yields and, more recently, a rebound in area planted have again restored stronger growth in production, but it is uncertain if these gains will be sustained. Output continues to show large annual variations due primarily to weather induced fluctuations in average yields. About 65 percent of cotton area is not irrigated and is dependent on erratic monsoon rainfall, a share that has remained relatively constant since the late 1980s. Area yield and production trends have varied sharply across each of India's distinctly different cotton producing regions. India: cotton area, production and yield 1960-2004.

India has traditionally been a net cotton exporter, but emerged as a significant net importer in 1998. Increased import demand has been associated with a combination of steady growth in domestic consumption, raising exports of cotton-based textile, and a period of stagnating cotton production during 1997-2002. Rising imports have also been supported by more liberal import policies for cotton since the early 1990s and, in the late 1990s, by increased demand for quality cotton not available in India. Although imports declined in 2003 and 2004 along with the recovery in cotton production, it remains uncertain if the recent gains in production can be sustained. For more than half a century, The Cotton Textile Export promotion Council of India has been promoting products from Indian manufactures to the world. The non-profit council, popularly known as "Texprocil" was founded in 1954 by the government of India and currently represents approximately 4000 India companies of all sizes including both manufacturers and trading houses specializing in production of cotton textiles. India exports more than US $ 4 billion of cotton yarns, fabrics and ready-made home fashions.

The European Union represents the largest export market, accounting for about 30 percent of the country's production. The United States is a rapidly growing market, representing about 23 percent of India's exports of cotton home textiles. These products are sold in all major channels of distribution, ranging from mass merchants and national chains to upscale department stores and specialty shops. Indian manufacturers are investing heavily in state of the art machinery and equipment, expanding spinning, weaving, finishing, processing and cut and sew facilities. The abundant availability of a highly skilled workforce allows these companies to be low cost producers of high quality cotton textiles.

India is the second largest producer of fibre in the world and the major fibre produced is cotton. Other fibres produced in India include silk, jute, wool, and man-made fibers. 60% of the Indian textile Industry is cotton based. Indian textile Industry is cotton based. The strong domestic demand and the revival of the Economic markets by 2009 has led to huge growth of the Indian textile industry. In December 2010, the domestic cotton price was up by 50% as compared to the December 2009 prices. The causes behind high cotton price are due to the floods in Pakistan and China. India projected a high production of textile (325 lakh bales for 2010 -11). There has been increase in India's share of global textile trading to seven percent in five years.[5] The rising prices are the major concern of the domestic producers of the country.

- Man Made Fibers: These include manufacturing of clothes using fiber or filament synthetic yarns. It is produced in the large power loom factories.
- They account for the largest sector of the textile production in India.
- This sector has a share of 62% of the India's total production and provides employment to about 4.8 million people.[6]
- The Cotton Sector: It is the second most developed sector in the Indian Textile industries. It provides employment to huge amount of people but its productions and employment is seasonal depending upon the seasonal nature of the production.
- The Handloom Sector: It is well developed and is mainly dependent on the SHGs for their funds. Its market share is 13%. of the total cloth produced in India.
- The Woolen Sector: India is the 7th largest producer. of the wool in the world. India also produces 1.8% of the world's total wool.

- The Jute Sector: The jute or the golden fiber in India is mainly produced in the Eastern states of India like Assam and West Bengal. India is the largest producer of jute in the world.
- The Sericulture and Silk Sector: India is the 2nd largest producer of silk in the world. India produces 18% of the world's total silk. Mulberry, Eri, Tasar, and Muga are the main types of silk produced in the country. It is a labor-intensive sector.

**Company Profile:**

Kaleeswarar Mills B Unit, Kalayarkoil is a unit of National Textile Corporation (Tamilnadu & Pondicharry) Ltd Coimbatore, owned by Government of India. This mill was constructed and started by Shri. P. S. S. Somasundaram Chettiar in October 1965. During 1974, when the condition of the textile mill was worse the Government of India decided to take over the management of this sick textile mills. Accordingly an act was passed which was called "The Sick Textile Undertaken (Nationalisation) Act 1974"

**The main intention of this enactment is**

- To provide continuous employment to the employees.
- To fulfill the basis necessities of worker at cheaper rate.
- To protect Government revenue (Tax/Duty).

National Textile Corporation took possession and management only from 20.03.1976. The mill had only 3360 Spindles G 5/1 Ring home frames. The machinery condition was very bad. With the financial assistance of the holding company the capacity was increased to 18,184 spineless during 1977-1978 as a first stage. Kaleeswarar Mills 'B' Unit Kalayarkoil, A unit of NTC Ltd New Delhi is situated in Sivaganga Distict Tamil Nadu. Backward area previously it was run by Sir. P. S. S. Somasundram Chettiar among one of the Industrialist in Tamil Nadu. The mill was started on 25.01.1965. Due to financial crisis and sickness the mills was stopped in the year 1971-73. At that time in Tamil Nadu so many mills were logout for the same reason stated above. So the Trade Unions were agitated to takeover and run the mills by Government of Tamil Nadu for Employees Rehabilitation. Accordingly the Tamil Nadu Government take over the mills management only vide ordinance promo- gated in the year 1971. The all over India logout mills were listed to Nationalize the mills. According all over India 105 textile mills were nationalize by ordinance Nationalization Act 1974 including kaleeswarar mills B unit kalayarkoil. But the previous owner's stay order for challenging the nationalization act the Supreme Court New Delhi and thereby Supreme Court was appointed receiver from 23.09.2014 to 19.03.2016. The stay order was vacated by Supreme Court on 20.03.1976. From 20.03.1976 the mill was taken over by Government of India with retrospective effect from 1.04.1974 as per nationalization Act 1974. It is one of the leading mills among NTC mills in India. NTC that is the holding company New Delhi selected this unit as a model mill and it deputes techniques and higher officials of various subsidiaries to this unit for field study.

"ENTYLE" yarn produced by kaleeswarar mills 'B' unit kalayarkoil are sold through their selling agent Sangita Trading corporation, JJ complex trade Mumbai, 90% of their yarn produced are sold in the Mumbai market and some of the are sent to their own deptfor sales. The capacity of this unit was increase only after 1984. The mill had entered into export marketing during 1987-1988. The mill already exported 2/40 2COMBED LONE, 2/412 COMBED CONE and 5/50 2 COMBED yarn to Belgium, west Germany, U.K etc in internal, Products are sold the depot at Madurai, Erode, Trippur, and Somanur. In II stage Expansion 19896 spindles were increased to give employment since the mill is situated in sivaganga District. Due to Global market condition and to promote export the management started another Unit in the same mill premises with the capacity of 14688 spindles and manufacturing yarn from 2013 on words.

| | | |
|---|---|---|
| Location of the mill | : | Kalayarkoil, Sivaganga (Taluk), Sivaganga (District). |
| Date of Registration | : | 20.03.1976 |
| Area of Operation | : | Tamil Nadu |
| Land Area Covered | : | Rs.50 Lakhs (Including Building) |
| Main Object | : | To give employment opportunity and to gain Profit. |

**Scope of the Study:**

This study will help to find out the working capital of the company and its impact on productivity. The study tells us the components of working capital. This study will let us know the impact of current assets and current liabilities. The study will also help us to know the contribution of working capital in balance sheet.

**Need for the Study:**

Working capital constitutes part of the Crown's investment in a department. Associated with this is an opportunity cost to the Crown. (Money invested in one area may "cost" opportunities for investment in other areas). If a department is operating with more working capital than is necessary this overinvestment represents an unnecessary cost to the Crown. From a department's point of view, excess working capital means operating inefficiencies. In addition, scarcity of working capital increases the amount of the capital charge which departments are required to meet in future. So that the researcher under take the study on Working capital management in Kaleeswarar mill B unit perspective.

**Objective of the Study:**

**Primary Objectives:** To study the working capital management with reference to the Kaleeswara mill B unit, Kalayarkoil.

**Secondary Objectives:**

- To analyze the current position of working capital
- To examine the working capital policy of the company
- To examine the relationship between working
- capital position and variable sales total current assets
- To study the efficiency in the management of cash, receivables and inventories
- To assess the net profit margin obtained by the firm
- To analyze the liquidity position of the company through ratio analysis

**Research Methodology:**

**Research Design:** Different types of research designs have emerged on account of the different perspectives from which a research study can be viewed frequently used classification system is to group research designs under three broad categories.

**Descriptive Research:** Descriptive study is a fact finding investigation with adequate interpretation. It is the simplest type of research. Is framed to gather descriptive information and provides information for formulating more sophisticated studies. The descriptive study is interested in knowing the characteristics of certain groups such as age, sex, educational level, occupation or income, a descriptive study may be necessary other cases when a descriptive study could be taken up are when is interested in knowing the proportion of people in a given population who have behaved in particular manner, making projection of a certain thing.

**Types of Data Collection:** There are two techniques for collecting the data

- Primary Data Collection Technique
- Secondary Data Collection Technique

**Primary Data:** Primary data are measurement observed and recorded as part of an original study. When the data is required for a particular study can be found neither in the internal records of the enterprise, nor in published sources, it may become necessary to collect original data, i.e., to conduct first hand investigation. Time, money and manpower available for the study usually limit the work of collecting original data. The researcher adopted questionnaire and interview method to collect the primary data collection.

**Secondary Data:** When an investigator uses the data, which has already been collected by others, such data is called secondary data. The information was collected from the company and competitors in the form of leaflets, pamphlets, brochure, journals etc. The company's website is also used to get more information about the history of the company.

**Tools of the Study:**

**Ratio Analysis:** The most important tools used for anlaysis is ratio analysis. Mathematical expression of the relationship bet5weemn the two figures is called ratio. It helps to evaluate the financial condition and performance of the firm. Some important ratios are applied as a measure of working ratios have been calculated with the help of annual published financial statements of the sample unit. The calculated ratios have been compared with previous periods and norms, deviations from the norms are analysed.

**Liquidity Ratio: [Short Term Solvency Ratios]** Liquidity ratios measure the firm's ability to meet its current obligations i.e. ability to pay its obligations as and when they become due. They show whether the firm can pay its short term obligation out of short-term resources or not. Liquidity ratios establish a relationship between cash and other current assets to current obligations.

**Current Ratio:** Current ratio is used to measure the liquidity position and it shows the short term solvency of the firm. The ratio explains the relationship between the current assets and current liabilities. The desirable ratio of the firm is 2:1. A high current ratio is an indication that the firm is more liquid and ability to meet its current liabilities. A low current ratio indicates that the firm is in difficulty to pay its current obligation.

Current Ratio = Current Asset / Current Liabilities

Current asset includes cash, marketable securities, B/R, sundry debtors, stock, work in progress etc., current liabilities are those obligations which are payable within a short period of time.

**Fixed Assets Turnover Ratio:** The express the number of times fixed assets are being turned over in a stated period. The ratio is calculated as under.

Fixed asset Turnover Ratio = Sales / Net Fixed Asset

**Sales to Working Capital:** The ratio shows the number of times working capital is turned over in a stated period. It is calculated as under.

Sales to working capital Ratio = Sales / Net working capital

Net working capital = Current assets - current liabilities

The higher is the ratio, the lower is the investment in working capital and greater are the profits. However a very high turnover of working capital is a sign of overtrading and may put the concern into financial difficulties. On the other hand, a low working capital turnover ratio indicates that the working capital is not efficiently utilized.

**Solvency Ratio [Long-Term]:** Solvency ratio assess the long-term financial condition of the firm. Bankers and creditors are most interest in liquidity. But shareholder, debenture holders and financial institutions are concerned with the long-term financial prospects.

**A. Debt-Equity Ratio:** The debt-equity ratio establishes the relationship between shareholders funds and outsider's funds. Outsider's funds include long-term debts, while share holders funds consists of preference share capital, equity share capital and reserve and surplus.

Debt equity Ratio = Debt / equity of outsiders funds / shareholders funds

Shareholders fund = share capital + Reserve and surplus.

A debt-equity ratio 1:1 is considered desirable. It gives an idea of the amount of capital supplied by the owners. It indicates the availability of assets to long-term creditors at the time liquidation.

**B. Proprietary Ratio:** Proprietary ratio is the relationship between proprietor's funds and total tangible assets.

Proprietary ratio = share holders funds / total tangible assets

Proprietary ratio indicated the proportion of shareholder's funds in the total asset. A high proprietor's ratio indicates less danger and risk to creditors in the event of winding up.

**C. Ratio of Fixed Assets to Proprietor's Funds:** The ratio established the relationship between fixed assets and proprietor's funds. Proprietor's funds consist of preference share capital, equity share capital and reserve and surplus.

Ratio of fixed assets to proprietary funds = fixed assets/ proprietary funds

The ratio indicates the proportion of fixed assets in the proprietary funds.

**Profitability Ratio:**

Profitability reflects the final result of business operations. Poor operational performance may indicate poor sales and hence poor profits. Owners are interested to know the profitability, as it indicates the return, which they can get on investment. These ratios are calculated on sales and we based on the promise that the firm should earn a sufficient profit on its sales otherwise it may feel difficulty in meeting the operating expenses and shareholders will get no return.

**A. Gross Profit Ratio:** The ratio shows the amount of gross profit made out of the total net sales. It shows the margin left after meeting manufacturing costs. It measures the efficiency of production as well as pricing. The gross profit defined in the trading business as the difference between the creditors to the trading account minus the debits to the trading account is known as "Gross trading profit". "Net sales" is defined as sales minus sales return minus sales discount.

Gross profit ratio = Gross profit / sales X 100

**B. Net Profit Ratio:** This ratio shows the earning left for shareholders as a percentage of net sales. This ratio helps in determining the efficiency with which the affairs at the business are being managed. This ratio measures the relationship between net profits and sales of the firm. It indicates the management activity to earn sufficient profits on sales not only to cover all operating expenses of the business but also for shareholders.

Net profit ratio = net profit / sales X 100

**C. Operating Ratio:** Operating ratio matches cost of goods sold and other operating expenses with sales.

Operating ratio = cost of goods sold + operating expenses / Sales X 100

The ratio shows the percentage of sales absorbed by the cost of sales and operating expenses. A lower ratio is more factorable as it would leave a margin for operating profit. Operating expenses include selling and distribution expenses and administration expenses.

Cost of goods sold = operating stock + purchase – closing stock

Purchase = Raw materials consumed is to be assumed as purchase value

**Activity Ratio (or) Turnover Ratio:**

Activity ratio measures the efficiency of asset management. The efficiency in use of assets would be reflected by the speed with which they are converted into sales. Activity ratio indicates the relationship between sales and various assets of the firm.

- inventory turnover ratio
- debtors turnover ratio
- creditors turnover ratio
- working capital turnover ratio

**Inventory Turnover Ratio:** Inventory turnover ratio measures the velocity of conversion of stock into sales. Inventory turnover ratios, is also known as "Stock turnover ratio". It is defined as the ratio of goods sold to inventory or it may be defined as the cost of goods sold divided by average stock. The stock turnover ratio is expressed as "time" ratio and may be computed each element comprising inventory. The purpose is to see whether the minimum funds have been locked up in inventory. It indicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage into inventory.

Inventory turnover Ratio = cost of goods sold / average inventory

**Debtor's Turnover Ratio:** This ratio shows the number of days taken to collect money from debtors. It also measures the liquidity of the firm. It shows how quickly the debtors are converted into cash. A lower ratio implies quick recovery of money from debtors.

Debtors turnover ratio = debtors + bills receivable / credit sales X no. of working days

**Creditor's Turnover Ratio:** It indicates the speed with which the payments for credit purchase are made to the creditors. The ratio measures the promptness or otherwise with which payment is made to creditors

in prospect of credit purchase. A low rati0o indicates that the creditors are paid promptly thus enhancing the goodwill of the firm. A high ratio signifies the delay in liquidating the claims of the creditors.

$$\text{Creditors turnover ratio} = \frac{\text{Creditors + B/P}}{\text{Credit purchase}} \text{X NO .of working days}$$

Credit purchase = chemical consumed + stores consumed + repairs and maintenance of materials.

**Working Capital Turnover Ratio:** The ratio shows the number of times working capital is turnover in a stated period. T is calculated as under.

Working capital turnover Ratio = sales / net working capital

The higher is the ratio, the lower is the working capital and the greater and the profits. However, a very high turnover of working capital is a sign over trading and may put the concern into financial difficulties. On the other hand, a low working capital ratio indicates the inefficient utilization of resources.

**Limitations of the Study:**

- The study covers only limited aspects i.e. working capital area.
- The officials were reluctant to give complete data as it involves some secrecy.
- The findings and results are formed only form the past five years data.
- The study has considered the period between 2011-2012 to 2015-16. The changes taken place before and after these periods have not been taken into considerations.
- The analysis has been done on the basis of the values and the information obtained from the balance sheet of the company. The Balance sheets and the annexes gave only limited information regarding the performance of the company.
- Calculations made with reference to the figures shown in the Balance Sheet. The figures in the Balance Sheet are not original figures reflect the average because it was prepared on a particular data

**Analysis and Interpretation:**

**Current Ratio:**

Table 1: Showing Current Ratio

| Year | Current assets [Rs. In Lakhs] | Current liabilities [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 30,568.81 | 19,547.82 | 1.56 |
| 2012-13 | 38,540.96 | 18,812.37 | 2.05 |
| 2013-14 | 39,633.87 | 16,513.62 | 2.40 |
| 2014-15 | 36,790.98 | 20,855.25 | 1.76 |
| 2015-16 | 39,051.45 | 23,450.66 | 1.66 |

Source: Annual reports of the company

**Interpretation:** In the above said years the ratio is higher than the ideal ratio. It indicated that more investment is made in current assets. In the year 2012-13, the ratio is equal to ideal ratio. In the next two years the actual current ratio is lower than the ideal ratio. It shoes the firm's inability to pay off some of its debts.

**Sales to Working Capital Ratio:**

Table 2: Showing Working Capital Ratio

| Year | Sales [Rs. In Lakhs] | Fixed assets [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 58,359 | 76,033 | 5.30 |
| 2012-13 | 66,823 | 72,836 | 4.35 |
| 2013-14 | 80,141 | 81,726 | 4.80 |
| 2014-15 | 88,040 | 1,17,782 | 8.03 |
| 2015-16 | 96,965 | 1,28,351 | 12.11 |

Source: Annual reports of the company

**Interpretation:** The working capital credit requirement has been based on the net sales turnover of the value of each year. A higher ratio indicated efficient utilization of working capital. The working capital turnover ratio for the first is high and it has gone down during the year 2012-13. If the year 2014-15 it has again increased from 4.80 to 8.03. This indicates the efficient utilization of working capital.

**Dept-Equity Ratio:**

Table 3: Debt Equity Ratio

| Year | Long trade debt [Rs. In Lakhs] | Share holders fund [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 22,761 | 44,923 | 0.51 |
| 2012-13 | 24,948 | 46,474 | 0.53 |
| 2013-14 | 18,192 | 52,212 | 0.34 |
| 2014-15 | 14,885 | 57,631 | 0.26 |
| 2015-16 | 21,788 | 63,990 | 0.34 |

Source: Annual reports of the company

**Interpretation:** From the table it is inferred that the debt equity ratio was maximum during the year 2012-13 i.e. 0.53:1 and thereafter it started declining. During the study period the ownership capital dominated debt capital.

**Proprietary Ratio:**

Table 4: Showing Proprietary Ratio

| Year | Share holder's funds [Rs. In Lakhs] | Total tangible asset [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 44,923.55 | 107,417.50 | 0.42 |
| 2012-13 | 46,543.33 | 1,38,107.70 | 0.34 |
| 2013-14 | 52,212 | 1,43,006.30 | 0.37 |
| 2014-15 | 57,631 | 1,51,207.57 | 0.38 |
| 2015-16 | 63,990 | 1,85,862.20 | 0.34 |

Source: Annual reports of the company

**Interpretation:** From the above table the researcher infer that in all the sturdy period the proportion of shareholders funds in the total tangible asset is almost half. A low proprietary ratio indicates more danger and risk to creditors.

**Ratio of Fixed Assets to Proprietor's Funds:**

Table 5: Showing Ratio of Fixed Assets to Proprietor's Funds

| Year | Fixed assets [Rs. In Lakhs] | Proprietary funds [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 76,033 | 43,067.87 | 1.69 |
| 2012-13 | 72,836 | 48,829.06 | 1.68 |
| 2013-14 | 81,726 | 38,039.96 | 1.67 |
| 2014-15 | 1,17,782 | 41,138.07 | 3.09 |
| 2015-16 | 1,28,351 | 44,923.55 | 3.12 |

Source: Annual reports of the company

**Interpretation:** The above table discloses that in all the study period the ratio of fixed assets to proprietors' funds in high. This shows the concern is depending more upon borrowed capital.

**Gross Profit Ratio:**

Table 6: Showing Gross Profit Ratio

| Year | Gross profit [Rs. In Lakhs] | Sales [Rs. In Lakhs] | Gross profit Ratio in % |
|---|---|---|---|
| 2011-12 | 14,829 | 58,359 | 25.41 |
| 2012-13 | 11,727 | 66,823 | 17.55 |
| 2013-14 | 18,933 | 80,141 | 23.62 |
| 2014-15 | 21,455 | 88,040 | 24.36 |
| 2015-16 | 26,300 | 96,965 | 27.12 |

Source: Annual reports of the company

**Interpretation:** It expresses the relationship of gross profit on sales in terms of percentage. It represents thee percentage of gross profits earned on sales. The table shows that the gross profit ratio is 27.12% in the year 2015-16.In the other years the ratio shows the fluctuating trend. The concerns gross profit is satisfactory.

**Net Profit Ratio:**

Table 7: Showing Net Profit Ratio

| Year | Net profit [Rs. In Lakhs] | Sales [Rs. In Lakhs] | Ratio in % |
|---|---|---|---|
| 2011-12 | 5,284 | 58,359 | 9.05 |
| 2012-13 | 3,795 | 66,823 | 5.68 |
| 2013-14 | 8,055 | 80,141 | 10.02 |
| 2014-15 | 8,606 | 88,040 | 9.77 |
| 2015-16 | 11,283 | 96,965 | 11.64 |

Source: Annual reports of the company

**Interpretation:** The above table shows that the net profit ratio was maximum during the year 2015-16, nearly 11.64% and minimum during the year 2013-13, nearly 5.68%. In all the other years the net profit ratio shows the fluctuating trend. So the concerns net profit ratio is satisfactory.

**Operating Ratio:**

Table 8: Showing Operating Ratio

| Year | Operating cost [Rs. In Lakhs] | Net Sales [Rs. In Lakhs] | Ratio in % |
|---|---|---|---|
| 2011-12 | 14,909.94 | 58,359 | 25.55 |
| 2012-13 | 14,331.05 | 66,823 | 21.45 |
| 2013-14 | 16,792.13 | 80,141 | 20.95 |

| | | | |
|---|---|---|---|
| 2014-15 | 18,465.41 | 88,040 | 20.97 |
| 2015-16 | 19,446.59 | 96,965 | 20.05 |

Source: Annual reports of the company

**Interpretation:** The table shows that the level of the operating ratio during the study period 2011-12 to 2015-16 is favorable to the company

**Inventory Turnover Ratio:**

Table 9: Showing Inventory Turnover Ratio

| Year | Cost of goods sold [Rs. In Lakhs] | Average inventory [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 6,784.45 | 10,062.39 | 0.67 |
| 2012-13 | 63,211.57 | 12,299.50 | 5.13 |
| 2013-14 | 67,419.74 | 12,154.86 | 5.54 |
| 2014-15 | 69,213.56 | 15,638.41 | 4.43 |
| 2015-16 | 72,516.68 | 14,726.46 | 4.92 |

Source: Annual reports of the company

**Interpretation:** The table indicates the stock turnover ratio in high i.e 5.54 during the year 2013-14. Thereafter it is decreased and show a fixed trend of 0.67 during the year 2011-12. A high ratio indicates quick turnover of stock.

**Debtor's Turnover Ratio:**

Table 10: Showing Debtor's Turnover Ratio

| Year | Debtors [Rs. In Lakhs] | Credit sales [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 8,930.72 | 58,359.00 | 55.86 |
| 2012-13 | 11,874.20 | 66,823 | 64.53 |
| 2013-14 | 12,276.65 | 80,141 | 58.19 |
| 2014-15 | 10,533.06 | 88,040 | 43.66 |
| 2015-16 | 9,856.46 | 96,965 | 37.1 |

Source: Annual reports of the company

**Interpretation:** The above table shows that the company had a maximum debtors turnover ratio as 64.53 in the year 2012-13 and a minimum of 37.10 in the year 2015-16

**Creditor's Turnover Ratio:**

Table 11: Showing Creditor's Turnover Ratio

| Year | Creditors [Rs. In Lakhs] | Credit purchase [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 563.09 | 7,676,.02 | 26.78 |
| 2012-13 | 818.14 | 8,708.62 | 34.29 |
| 2013-14 | 759.52 | 9,633.29 | 28.78 |
| 2014-15 | 1,267.69 | 9,843.34 | 47 |
| 2015-16 | 2,018.14 | 12,627.85 | 58.33 |

Source: Annual reports of the company

**Interpretation:** The above table shows that the company had a minimum creditor's turnover in all the study period. It indicates the efficiency and liquidity of the concern to pay off its creditors.

**Working Capital Turnover Ratio:**

Table 12: Showing working Capital Turnover Ratio

| Year | Net sales [Rs. In Lakhs] | Net working capital [Rs. In Lakhs] | Ratio |
|---|---|---|---|
| 2011-12 | 58,359 | 11,020.99 | 5.3 |
| 2012-13 | 66,823 | 15,377.51 | 4.34 |
| 2013-14 | 80,141 | 16,661.48 | 4.83 |
| 2014-15 | 88,040 | 10,958.86 | 8.03 |
| 2015-16 | 96,965 | 8,003 | 12.12 |

Source: Annual reports of the company

**Interpretation:** From the above table the researcher infer that the ratio is high during years 2012-13 and 2013-14 i.e 4.34 and 4.83 respectively. From 2011-12 to 2015-16 the ratio is some what low. High ratio is the indication of good profit.

**Fund Flow Analysis:**

Table 13: Showing Statement of Changes in Working Capital for 2011-2012

| Particulars | 2012 | 2011 | Increase | Decrease |
|---|---|---|---|---|
| Assets: | | | | |
| Current Assets | | | | |
| Inventories | 199790363 | 95134074 | 104656289 | |
| sundry debtors | 8824110 | 8993082 | | (-)1168972 |
| cash and bank | 55593018 | 68178350 | | (-)12585331 |

| | | | | |
|---|---|---|---|---|
| Loans and advance | 29490226 | 35011523 | 3892956 | |
| other current assets | 4471553 | 578597 | | (-)5521296 |
| Total current assets (a) | 298169271 | 207895626 | 90273645 | |
| Fixed assets | | | | |
| Land | 40720360 | 8278506 | 32441854 | |
| Building | 921693369 | 98256315 | | (-)6086946 |
| Machinery | 45875892 | 77711335 | | (-)31835443 |
| Total Fixed assets | 178775892 | 184246156 | | (-)5480535 |
| Total assets | 476934892 | 392141782 | 84793110 | |
| Liabilities: | | | | |
| current liabilities | 85387067 | 71171103 | 14215964 | |
| Provision | 29566649 | 17915991 | 11650658 | |
| Total current liabilities (b) | 114953 716 | 89087094 | 25866622 | |
| Fixed liabilities: | | | | |
| share capital | 32038200 | 32028200 | | (-)723299 |
| reserve and surplus | 184082009 | 184805308 | 58912601 | |
| secured loans | 76670735 | 17758134 | 737186 | |

Table 14: Showing Statement of Changes in Working Capital for 2013-2014

| Particulars | 2014 | 2013 | Increase | Decrease |
|---|---|---|---|---|
| Assets: | | | | |
| current assets | | | | |
| Inventories | 23455633 | 116550803 | 122905530 | |
| sundry debtors | 10646989 | 9022391 | 1624598 | |
| cash and bank | 36535754 | 90775007 | | (-)54239253 |
| loans and advance | 31852436 | 51187551 | | (-)19335115 |
| other current assets | 150667 | 349364 | | (-)198697 |
| Total current assets (a) | 313742179 | 262985386 | 50757063 | |
| Fixed assets | | | | |
| Land | 46589160 | 33540431 | 13048729 | |
| Building | 116994498 | 98520052 | 18474746 | |
| Machinery | 64393020 | 41562975 | 22830042 | |
| Total Fixed assets | 173623461 | 173623461 | 54353217 | |
| Total assets | 541718857 | 436608577 | 105110280 | |
| Liabilities: | | | | |
| current liabilities | 68691416 | 62044838 | 6646578 | |
| Provision | 50868491 | 71143395 | | (-)20274904 |
| Total current liabilities (b) | 119559907 | 133188233 | | (-)13628326 |
| Fixed liabilities: | | | | |
| share capital | 32028200 | 32028200 | | |
| reserve and surplus | 221554009 | 198295985 | | (-)23258024 |
| secured loans | 92579604 | 45750150 | 46829445 | |
| unsecured loans | 75997137 | 27346000 | 48651137 | |
| Total fixed liabilities | 422158950 | 303420344 | 118738606 | |
| Total liabilities | 541718857 | 436608577 | 105110280 | |
| Net working capital (a-b) | 194182272 | 129797153 | 64385119 | |

Table 15: Showing Statement of Changes in Working Capital for 2014-2015

| Particulars | 2015 | 2014 | Increase | Decrease |
|---|---|---|---|---|
| Assets: | | | | |
| current assets | | | | |
| Inventories | 242981157 | 23455633 | 8424824 | |
| sundry debtors | 9687742 | 10646989 | | (-)959247 |
| cash and bank | 181394578 | 36535754 | 144858824 | |
| loans and advance | 23832267 | 31852436 | | (-)8020169 |
| other current assets | 1181120 | 150667 | 1030453 | |
| Total current assets (a) | 459076864 | 313742179 | 145334685 | |
| Fixed assets | | | | |
| Land | 49279524 | 46589160 | 2690364 | |
| Building | 161611917 | 116994498 | 44617117 | |
| Machinery | 101111119 | 64393020 | 36718099 | |
| Total Fixed assets | 312002560 | 173623461 | 84025882 | |
| Total assets | 77101079434 | 541718857 | 229360577 | |

| | | | | |
|---|---|---|---|---|
| Liabilities: | | | | |
| current liabilities | 108202085 | 68691416 | 39510672 | |
| Provision | 55054144 | 4185653 | 4185653 | |
| Total current liabilities (b) | 163256232 | 119559907 | 8136720 | |
| Fixed liabilities: | | | | |
| share capital | 32038200 | 32028200 | _ | |
| reserve and surplus | 235067312 | 221554009 | 13513303 | |
| secured loans | 80172712 | 92579604 | 4175575 | |
| unsecured loans | 260554978 | 75997137 | 167975374 | |
| Total fixed liabilities | 607823202 | 422158950 | 185664252 | |
| Total liabilities | 771079434 | 541718857 | 229360577 | |
| Net working capital (a-b) | 295820632 | 194182272 | 101638360 | |

Table 16: Showing Statement of Changes in Working Capital for 2015-2016

| Particulars | 2016 | 2015 | Increase | Decrease |
|---|---|---|---|---|
| Assets: | | | | |
| current assets | | | | |
| Inventories | 221765559 | 242981157 | | (-)21215598 |
| sundry debtors | 4725419 | 9687742 | | (-)4962323 |
| cash and bank | 45979790 | 181394578 | | (-)45979790 |
| loans and advance | _ | 23832267 | _ | |
| other current assets | 305529 | 1181120 | 875591 | |
| Total current assets (a) | 302120092 | 459076864 | | (-)156995672 |
| Fixed assets | | | | |
| Land | 37447935 | 49279524 | 11831589 | |
| Building | 133679830 | 161611917 | | (-)27932087 |
| Machinery | 115496853 | 101111119 | 148385734 | |
| Total Fixed assets | 286624618 | 312002560 | | (-)25377961 |
| Total assets | 588744710 | 7.71E+10 | | (-)182334724 |
| Liabilities: | | | | |
| current liabilities | 75370352 | 108202085 | | (-)32831736 |
| Provision | 8677992 | 55054144 | | (-)46376152 |
| Total current liabilities (b) | 16215044 | 163256232 | | (-)147041188 |
| Fixed liabilities: | | | | |
| share capital | 32028200 | 32038200 | _ | |
| reserve and surplus | 221213904 | 235067312 | | (-)13853408 |
| secured loans | 271550344 | 80172712 | 10995366 | |
| unsecured loans | 47737218 | 260554978 | | (-)32435494 |
| Total fixed liabilities | 572529666 | 607823202 | | (-)35293532 |
| Total liabilities | 588744710 | 771079434 | | (-)182334724 |
| Net working capital (a-b) | 285905048 | 295820632 | | (-)9915584 |

Table 17: Showing the Changes in Working Capital

| Year | Net Working Capital |
|---|---|
| 2011-2012 | 64407023 |
| 2012-2013 | 5341840 |
| 2013-2014 | 64385119 |
| 2014-2015 | 101638360 |
| 2015-2016 | 991558 |

**Interperatation:** The net change in working capital table inferred that the amount highest in the year 2014-2015 was 101638360.Which indicates the lower investment of working capital and more profit. In the year 2015-2016 was decreased at 991558. This indicates higher investment of working capital and less profit.

**Findings:**

- The net working capital position of the kaleeswarar mills B unit shows an effective utilization of working capital.
- Current ratio during the year 2011-12 to 2015-16 is satisfactory but in the last two years the ratio is not satisfactory because the ratio lower than normal ratio [2:1]
- Liquidity ratio during the study period is satisfactory because it is higher than the normal ratio [1:1]. This shows the financial soundness of kaleeswarar mill B unit.
- Period fixed asset turnover ratio sound and good.

- Debt-equity ratio is lower than the normal ratio [1:1] it indicates that the ownership capital dominates debt capital.
- Shareholders' funds in the total tangible asset are almost half. This indicates more danger and risk to creditors.
- Fixed assets to proprietary funds ratio is satisfactory during the year study period.
- The gross profit ratio of kaleeswarar mill B unit is satisfactory. They have adequate gross profit during the study period.
- There exist a net profit in the study period. Kaleeswarar mill B unit can able to pay adequate divided to its shareholders.
- The inventory turnover ratio in the year 2005-06 was5.13 times. It was increased in the year 2006-07 and suddenly decreased there after. A high ratio is an indication of quick turnover of stock.
- The debtors turnover ratio is high during the years 2004-05 and 2005-06. In the other years the ratio is somewhat low. High ratio indicates poor recovery of money from its debtors.

**Suggestions:**

- The current ratio is not satisfactory in some years. The researcher recommends that the company should improve the current ratio level in future course.
- The liquidity ratio is satisfactory in all the five years. The researcher recommends that the company can continue to possess adequate liquid funds to meet its future requirements.
- There is balance between current assets and current liabilities. This can be continued for its success.
- Debt-equity ratios for the past five years are low. Kaleeswarar mill B unit is concentrating more on ownership capital. This can be lowered for its future prosperity.
- The gross profit and net profit position is good in kaleeswarar mill B unit. So it can continue the same level.
- Kaleeswarar mill B unit is paying nominal dividend to its shareholders. It is advised that the kaleeswarar mill B unit can follow ploughing back of profit method for its future expansion of capital.
- Receivable management of kaleeswarar mill B unit is good. It can continue to have the same management principles and policies for its prosperity.
- Kaleeswarar mill B unit is giving little attention in worker participation in management. It is better for them to improve workers participation for improving the morality of the workers.
- They have started introducing NTC in kaleeswarar mill B unit. It is advised to have fast implementation of NTC in all fields for the better quality of work.

**Conclusion:**

The researcher based on the findings, concludes that the liquidity position of the company is better in all the years of the study period. The researcher recommended that the bank should review its credit policy extended to its customers. Simultaneously it should obtain greater credit from its suppliers. This will help them in reducing its working capital requires. Employees and executives at each level should understand the great value of the activity measures and financial discipline. Working capital management in general is good in kaleeswarar mill B unit.

**5 Years Balance Sheet on Kaleeswarar Mills B Unit:**

| Particulars | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| current assets | | | | | |
| Inventories | 199.79 | 116.55 | 234.55 | 242.98 | 221.76 |
| sundry debtors | 882.4 | 902.23 | 106.46 | 968.77 | 472.54 |
| cash and bank | 555.93 | 907.77 | 363.35 | 181.39 | 459.79 |
| loans and advance | 294.9 | 511.87 | 318.52 | 238.32 | _ |
| other current assets | 447.15 | 349.36 | 150.66 | 118.11 | 305.52 |
| Total current assets (a) | 298.16 | 262.98 | 313.74 | 459.07 | 302.12 |
| Fixed assets | | | | | |
| Land | 407.2 | 335.4 | 465.89 | 492.79 | 374.47 |
| Building | 921.69 | 985.2 | 116.99 | 161.61 | 133.67 |
| Machinery | 458.75 | 415.62 | 643.93 | 101.11 | 115.49 |
| Total Fixed assets | 178.77 | 173.62 | 173.62 | 312 | 286.62 |
| Total assets | 476.93 | 436.6 | 541.71 | 771.01 | 588.74 |
| Liabilities: | | | | | |
| current liabilities | 853.87 | 620.44 | 686.91 | 108.2 | 753.7 |
| Provision | 295.66 | 711.43 | 508.68 | 550.54 | 867.79 |
| Total current liabilities (b) | 114.95 | 133.18 | 119.55 | 163.25 | 162.15 |
| Fixed liabilities: | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| share capital | 320.38 | 320.28 | 320.28 | 320.38 | 320.28 |
| reserve and surplus | 184.08 | 198.29 | 221.55 | 235.06 | 221.21 |
| secured loans | 766.7 | 457.5 | 925.79 | 801.72 | 271.55 |
| unsecured loans | 692.02 | 273.46 | 759.97 | 260.55 | 477.37 |
| Total fixed liabilities | 361.98 | 303.42 | 422.15 | 607.82 | 572.52 |

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