

A Study on Working Capital Management on M/S.SGE Innovative Toolcraft Pvt. Ltd.

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ABSTRACT

Working Capital is one of the most vital functions of business management. Every organization needs sufficient amount of working capital for extent and improve in nature of business which may be a private or public, whether profit oriented or not. The most critical factor is to be maintaining existence, liquidity, solvency and accomplishment of the any business organization for the proficient working capital management.

KEYWORDS: MANAGEMENT, WORKING CAPITAL, LIQUIDITY, SOLVENCY

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INTRODUCTION

Working capital is calculated as difference from Current Assets to Current Liabilities. Working capital is also called as Net Working Capital (NWC), along with fixed assets such as Plant, Building and Equipment which is considered as a part of Operating Capital. It is a financial metric which analyzing the availability of Liquidity to Operating a business. Every organization has to be maintaining the day to day operations through working capital.

Working Capital = Current Assets – Current Liabilities.

A company can be given with assets and profitability but short of liquidity if its assets cannot easily be converted into cash.

Every manufacturing unit, the ratio of raw material in the aggregate cost of the product will be the uppermost and hence if the organization wants to minimize the cost of production it's to tackle the value of material first.

It implicates the correlation between a firm's short-term assets and its short-term liabilities.

Mostly, working capital usually means the firm's current or short -term assets such as cash, receivables, inventory and marketable securities. These articles are also denoted to as circulating capital. It's concerned with the difficulties that

arise in endeavoring to accomplish the current assets, the current liabilities and the interrelations that exist between them. For instance we recognized, current assets refer to those assets which within the ordinary sequence of business are often, or going to be, converted into cash within one year without undergoing a reduction in value and without disrupting the processes of the firm.

REVIEW OF LITREATURE

Working Capital Management

Ray Sarbapriya (2012), Joseph Jisha (2014), Madhavi K. (2014), Bhunia Amalendu (2010), Shrotriya Vikas (2008), Dr Arbab Ahmed and Dr Matarneh Bashar (2011) and, Das P. K. (2008) those research scholars are examine the study of working capital management, the liquidity position of the organization and the solvency position of the business with the help of different firms and industries to be taken as sample. The research scholars are made this study effectively and efficiently. It helps to advice the organization if the change is needed or not and then improved the business to be well in good.

RESEARCH METHODOLOGY

Objectives of research

To estimate the working capital requirement

To evaluate the working capital management

To evaluate the liquidity position of the company and utilization of working capital

To analyzing the level of current assets with relation to current liabilities

Research design

Study Period 2014-2019

Method of Data Collection Secondary data collected from The Director of the Company

Tools for Analysis Ratio Analysis and Changes in Working Capital

Scope Of The Study The main scope of the study was put into practical and theoretical aspect into real life experience.

Limitations of the study

The study is restricted for a period of 5 years from 2014-2015 to 2018- 2019.

Ratio analysis and statement changes in working capital are the important tool used in this project. so; it is subjected to the limitations of the study.

The study is only for one particular company, so general conclusion about the aluminum die industry as a whole cannot be made.

Data Analysis and Interpretation

Statement of Changes in Working Capital

Years	Net working capital	Increase/ (Decrease)
2014-2015	692,524	(1,524,004)
2015-2016	(783,215)	48,265
2016-2017	(597,863)	185,352
2017-2018	(462,757)	135,106
2018-2019	(290,594)	172,163

Interpretation

From the above table it is inferred that the net working capital was quite increasing from the year 2015 to 2019 and decreasing in the year 2014.

Ratio analysis

Years	Current Ratio (Times)	Quick Ratio (Times)	Absolute Cash or Liquidity Ratio (Times)
2014	1.226	0.740	0.986
2015	0.845	0.485	0.996
2016	0.862	0.458	0.995
2017	0.833	0.283	0.962
2018	0.836	0.379	0.935
2019	0.896	0.420	0.980

Interpretation

From the above table inferred that current ratio and quick ratio is highest in the year 2014 and then absolute cash ratio is take the 3rd place, compared from 2014 to 2019.

The current ratio and quick ratio is lowest in the year 2017 and absolute cash ratio is 5th place, compared from 2014 to 2019.

Suggestion and conclusion

Therefore, the company need to meet its current obligations with sufficient funds and the conversion of liquidity ratios are low which is compared to the idle ratios. However, the Net Working Capital was decreased in 2014 and quiet increasing from the following year of 2015,2016,2017,2018 and 2019. It indicating the performance of the company is improved to the profitability and liquidity position.

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