A Study on Working Capital Management With Special Reference To Neycer India Ltd, Vadalur

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ABSTRACT - This project is based on A STUDY ON WORKING CAPITAL MANAGEMENT IN NEYCER INDIA LIMITED, VADALUR. As in sight view of the project will encompass what it is all about, what is it purpose and scope, the various method used for collecting data and their sources, include literature survey done, drawing inferences from the learning so far. Working capital ensures an integral part of the business. If fixed assets have long-term implication, working capital contains short-term and current significance.

Keywords: working capital, data, literature, capital

I. INTRODUCTION

"Working capital occupies a peculiar position in the capital structure of a company The decision as to the adequacy of working capital is a complicated and yet a very important decision''.

Working capital is the life blood and nerve center of a business. Just as circulation of blood essential in the human body for maintaining life , working capital is vary essential to maintain the smooth running of a business. No business can run successfully without an adequate amount of working capital.

One of the most important areas in the day to day management. The firm in the management of working capital. Working capital refers to the funds in the current assests.

Working capital is needed for the following purposes.

- To purchase raw materials.
- To pay wages and salaries.
- To meet selling cost such as packing, advertising.

Disadvantages of excessive working capital:

Excessive working capital means idle funds which earn no profit for the business. Hence, the business cannot earn proper rate of return on its investments.

- Due to low rate of return on investments, the value of shares may also fall.
- Redundant working capital may lead to unnecessary purchasing and accumulation of inventories. As result, chance of theft, waste and losses will increase.
- Excessive working capital is an indication of excessive debtors and effective credit policy. Consequently, there may be delay in collection and higher incidence of bad debts.
- Excessive working capital makes management complicate. It leads to overall inefficiency in the organization.

Process of working capital:

Importance or advantages of working capital

The advantages of maintain working capital are as follows.

1.continues production-working capital ensure regular supply of raw materials and continues production.

2. Solvency and good Will- Adequate Working capital enables prompt payment to creditors. This helps in crediting in maintaining good will.

3. Easy Loans-A concerns having sufficient working capital enjoys high liquidity and good credit standing. Hence, it can secure loans from banks and others on easy and favorable term.

NEEDS OR OBJECTS OF WORKING CAPITAL:

Every business enterprise needs some amount of working capital the need for working capital arises due the time gap between purchase of raw material and production; production and sales; and sales and realization of cash. This time gap is technically termed as "operating cycle" of the business. The following stages are usually found in the operating cycle of a manufacturing firm

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- Conversation of cash into raw material
- Conversation of raw materials into work in progress.
- Conversation of work in progresses into finished goods.
- Conversation of finished goods into debtors and sales.
- Conversation of debtors into sales.

Working capital is needed for the following purposes.

- To purchase raw materials.
- To Pay wages and salaries.
- To meet selling cost such as packing, advertising.
- To provide credit facilities to customers.

To maintain inventories of raw material, work in progress and finished goods.

Company profile.

II. REVIEW OF LITRATURE

Deloof Marc. (2003) presents a picture of how working capital management affects the profitability of Belgium firms. The writer has made use of empirical analysis for the sample firms. It was observed that most of the firms have a large amount of cash invested in working capital.

Filbeck Greg and Krueger Thomas M. (2005) base their study on the ratings of working capital management published in CFO magazines. The findings of the study provides insight into working capital performance and working capital management, which is explained by macro economic factors, interest rates, competition, etc., and their impact on working capital management.

Chowdhury Anup and Amin Md. Muntasir (2007) examine the working capital management practice in pharmaceutical companies listed in Dhaka Stock Exchange. Among all the problems of financial management, the problems of working capital management have been recognized as the most crucial one. It is because of the fact that working capital always helps a business concern to gain vitality and life strength.

Appuhami Ranjith B. A. (2008) investigates the impact of firms‟ capital expenditure on their working capital management. The data used in this article was collected from listed companies in the Thailand Stock Exchange. In this work the writer has used Shulman and Cox‟s (1985) net liquidity balance and working capital requirement as a proxy for working capital measurement and developed multiple regression models.

Filbeck Greg and Krueger Thomas M. (2005) base their study on the ratings of working capital management published in CFO magazines. The findings of the study provides insight into working capital performance and working capital management, which is explained by macro economic factors, interest rates, competition, etc., and their impact on working capital management. The article further studies the impact of working capital management on stock prices.

Meszek Wieslaw and Polewski Marcin (2006) examine the profiles of selected construction companies from the viewpoint of working capital formation and their management strategies applied to working capital. The

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analysis is based on the financial ratios. The authors conclude with the observation that complex working capital management requires controlling methodology to be developed. A specific character of the construction industry, including operational factors and market requirements make working capital management a task exceeding the financial sphere, as it embraces the issues of organization of investment processes, the organization of production processes and logistics.

Chowdhury Anup and Amin Md. Muntasir (2007) examine the working capital management practice in pharmaceutical companies listed in Dhaka Stock Exchange. Among all the problems of financial management, the problems of working capital management have been recognized as the most crucial one. It is because of the fact that working capital always helps a business concern to gain vitality and life strength. The objective of the study is to critically evaluate the working capital management practices in the selected firms of the pharmaceutical industry. To achieve this goal, the study also examines the policies and practices of cash management and evaluates the principles, procedures and techniques of inventory management, receivables management and payable management. From the analysis, the authors conclude that the pharmaceutical firms operated in Bangladesh efficiently deal with their liquidity preferences and investment criteria. And this is due to the competitive nature of this industry.

III. RESEARCH METHODOLOGY

OBJECTIVE: To analysis the current Ratio in working capital management.

WORKING CAPITAL FORMULA:

CURRENT ASSETS - CURRENT LIABILITES

TOOLS USED FOR ANALYSIS:

Comparative balance sheet in two years.

Current ratio

Current ratio formula: $\dfrac{\textbf{current assets}}{\textbf{Current liabilities}}$

LIMITATION OF THE STUDY:

As only limited secondary data was made available it was not possible to compute for 2 years only.

IV. DATA ANALYSIS AND INTERPRETATION

TABLE-1 SCHEDULE OF CHANGE IN WORKING CAPITAL OF THE NEYCER INDIA LTD AS ON 2012 -2013

PARTICULAR	2012	2013
Current Assets:		
Inventories	91445828	75189831
Trade receivables	46039705	42497417
Cash and cash equivalents	2240596	2153318
Short –term loans	16843828	24161368
Total Current Assests:(A)	156569957	144001934
Current Liabilities:		
Short term borrowing	81818338	77246720
Trade payable	54392305	55993566
Other current liabilities	67623906	75762260
Short term provision	19399979	12814108
Total current liabilities (B)	223234528	221816654
Net Working capital (A-B)	66664571	77814720
Increase in working capital	11150149	-
TOTAL	77814720	77814720

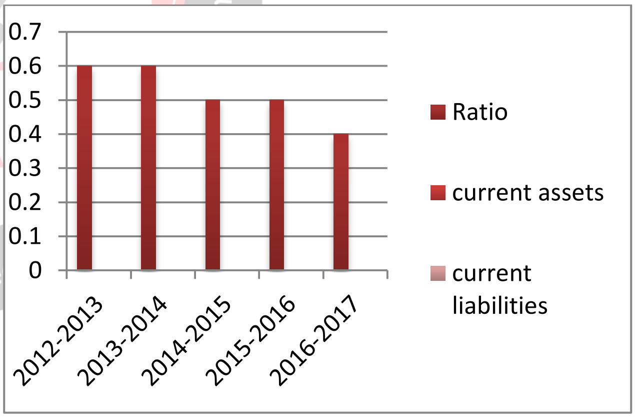
TABLE SHOWS THE CASH TO CURRENT ASSET RATIO FORMULA:

Current ratio = Current assets / Current liabilities

1.1 TABLE SHOWS THE CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-2013	144001934	221816655	0.6
2013-2014	140455347	227115365	0.6
20142015	143086091	254631317	0.5
2015-2016	140901847	272713583	0.5
2016-2017	135823945	298641124	0.4

CHART 4.1



INTERPRITATION

From the above table clearly shows that the current ratio 0.6 in the working capital based on the year of 2012-2014.

SCHEDULE OF CHANGE IN WORKING CAPITAL OF THE NEYCER INDIA LTD., AS ON 2013-2014

PARTICULAR	2013	2014
Current Assets:		

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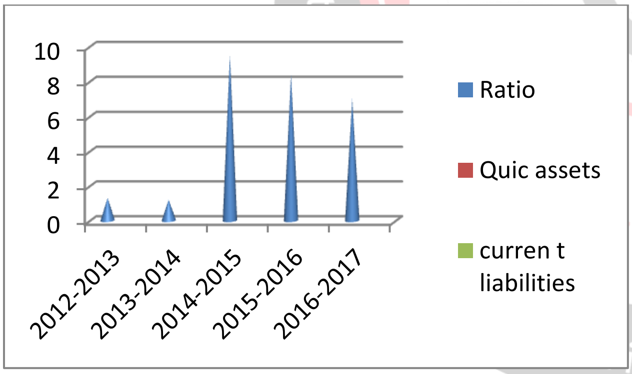
Inventories	75189831	74439953
Trade receivables	42497417	38797339
Cash and cash equivalents	2153318	2525864
Short –term loans	24161368	24692191
Total Current Assests:(A)	144001934	140455347
Current Liabilities:		
Short term borrowing	77246720	71188808
Trade payable	55993566	42454641
Other current liabilities	75762260	97886577
Short term provision	12814108	15585339
Total current liabilities (B)	221816655	227115365
Net Working capital (A-B)	77814721	86660018
Increase in working capital	8845297	-
TOTAL	86660018	86660018

CHART 4.2



V. FINDINGS, SUGGESTION & CONCLUSION

FINDINGS

- The current ratio and the company increased in 0.6 in 2012-2013.ther are same position of the 2013-2014 of the company.
- The quick ratio and the company decreased in 1.2 in 2013-2014.There are increased to the ratio of 9.1 in 2014-2015
- The working capital ratio and the company increased in 0.17 in 2014-2015. There are decreased to the ratio of 0.14 2015-2016.
- The inventory to current asset ratio and the company increased in 0.55 in 2015-2016. There are decreased to the ratio of 2016-2017.
- The current asset to total asset ratio and the company increased in 1.0 in 2015-2016. There are decreased to the ratio of 0.8 in 2016-2017.

V. SUGGESTION

This cash position of the company has not been property maintained. So the company has to make an effort to reduce the expenses and also cash to current assets ratio.

VI. CONCLUSION

The company should use the minimum investment in inventory to organize in profitability. Whether the company may invest large size of inventory to the concern. The effective and production levels are decreased. So the concern should maintain the maximum the maximum in inventory. The company able to achieve the working capital management objectives in proper way.

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