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"A STUDY ON WORKING CAPITAL MANAGEMENT OF GLOBUS SPIRITS LIMITED"

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ABSTRACT

Working capital has a effect on profitability due to the fact powerful working capital control is set putting a tradeoff between profitability and liquidity. Running capital control refers to the administration of all components of working capital-cash, marketable securities, debtors and inventory and lenders, running capital is one of the effective measurements of the economic function. The aim of running capital management is to manage the company's contemporary property and modern-day liabilities in the sort of manner that a exceptional stage of operation capital is maintained. In numerous gadgets there is good enough running capital however the mismanagements of running capital will increase the prices and reduces the fee of go back. The green control will increase the prices and reduce the fee of go back. The green control of running capitals minimizes the fee and may do a whole lot extra for the success of the enterprise. With this background this paper attempts to make a comparatives loot at of working capital control with the help of monetary and statistical tools in Globus Spirits confined, that is capital intensive companies of liquor enterprise with great investments in working capital I.e., stock, receivables and cash

Keywords: Working Capital Management Globus Spirits Limited, Liquor Industry: Costs and rate of return etc.

1. Introduction of the company

Globus Spirits (GSL) become at the start included as Globus Agonies limited on February 16, 1993 with the Registrar of groups, Delhi & Haryana, and obtained the certificate of commencement of enterprise on March 19, 1993. Globus Spirits restrained (GSL), promoted by using Shri Ajay Kumar Swarup of Delhi, is engaged inside the business of producing, marketing and sale of branded IMFL, IMIL and Bulk Alcohol comprising of Rectified Spirit and ENA and additionally involved in franchisee bottling to cater to famend emblem owners. GSL currently operates three modern-day and completely included grain based totally distilleries at Behror, Rajasthan & Samalkha and Hisar, Haryana, having a blended potential of 126.4 million bulk liters (bl) consistent with annum. The company derives majority of its revenue from IMIL phase (~ 50% of its sales) with fundamental emblem being 'Nimboo' for IMIL phase. it is indexed on the BSE with a BSE Code of 533104, NSE with an NSE image of GLOBUSSPR and ISIN of INE615I01010. Its registered office is at F-0, floor floor, The Mira corporate Suites, Plot No. 1 & 2, Ishwar Nagar, Mathura Road New Delhi-110065, New Delhi. Their Registrars are ACC Ltd. it is auditors are Deloitte Haskins & Sells.

1.1 Introduction of the topic

Working capital control refers to a enterprise's managerial accounting strategy designed to reveal and utilize the 2 components of operating capital, modern property and modern liabilities, to ensure the maximum financially green operation of the business enterprise. The number one reason of running capital control is to make sure the corporation always maintains enough coins waft to fulfill its quick-time period working prices and short- time period debt obligations.

Working capital management is involved with the problems that arise in attempting to manage the contemporary assets, the present-day liabilities and the interrelationship that exists among them. The time period contemporary assets talk over with those property which in the normal path of commercial enterprise may be, or may be, converted in to cash inside 12 months without present process a diminution in fee and without disrupting the operation of the company.

The aim of working capital control is to ensure that a company is able to maintain its operations and that it has sufficient capacity to meet both maturing brief-time period debt and upcoming operational fees. The management of running capital involves coping with inventories, money owed receivable and payable, and coins. The excess of contemporary property 'of a business enterprise over its modern liabilities 'is named because the running capital 'of that business enterprise.

The main modern property are cash, marketable security, account receivable and inventory. modern liabilities are the ones liabilities which are supposed, at their inception, too be paid in the everyday path of business, within a yr., out of the modern-day belongings or earning of the concern. The primary current liabilities are account payable, bills payable, bank overdraft and superb charges.

1.2 Objective of the Study

- To analyse the effective utilization of working capital.
- To study the structure of working capital.
- To study the sources of working capital finance.
- To study need of working capital requirement in organization.
- To study the liquidity position through various working capital related ratios.

1.3 Significance of the study

Working capital control is huge in monetary management because of the truth that it performs a critical function in retaining the wheel of the enterprise strolling. each business calls for capital, without which it can't be promoted. investment choice is involved with investment in modern asset and fixed asset. There are assets required to be financed by means of constant capital and running capital. In different words, the required capital can be divided into two categories, which includes constant capital and operating capital. fixed capital required for established order of a business, while working capital required utilizing constant asset. fixed asset can't be utilized without contemporary asset. it's far similar to blood within the human body, without which there is no body

2.0 Review of literature

S. NO	Topic	Year of Publication	Author	Research Methodology	Conclusion
1	Analyzed five liquor companies to know the comparative position and uses of working capital.	2012	Parjapati	Secondary as this is based on the company published annual report	The study reveals that united spirits ltd has highest growth of net working capital.
2	To measure the relationship b/w working capital management ratios and firms profitability.	2012	Dr. Ashok Kumar Panigrahi	Secondary study by collecting data relevant balance sheet and profit and loss items, such as Return on Assets, Average Collection Period, Inventory Conversion Period, Average Collection Period.	The correlation analysis shows that ROA has negative relationship with ACP, ICP, CCC and Current ratio.

3	To measure the overall efficiency of working capital and measured the relationship between efficient management of working capital and profitability of the firm in liquor industry.	2014	Harsh, Vineet, Kaur.	Performance Index of Working Capital, Utilization Index of Working capital and Efficiency Index of Working capital.	It was found that in some of firms there is scope for the improvement in management of either the individual components of current assets or the current assets as a whole for generating increased sales revenue.
4	The aim was to understand how various working capital metrics influence the profitability of the liquor firms in India.	2016	M. Aravind	Secondary data used for year 2006-2015.	One of the major finding of the study was- most of the firms have high short-term debt.

3.0 Research Methodology

Research method describes about the studies goals, layout and method followed to behavior the examiner. The facts gathered may be both primary or secondary. The above records is carried on with the cooperation of control of **Globus Spirits Ltd.**

Research Design: research design is the arrangement of conditions for collection and analysis of records in a manner that goals to combine relevance to the research cause with financial system in process. It constitutes the blueprint for the gathering, measurement and evaluation of records. The design adopted in the take a look at is each descriptive and analytical completed at organization degree.

Statistical tool used: There are some of the tools, which can be applicable for the look at of ration evaluation and overall performance of **Globus Spirits restricted.**

- Net working capital
- Ratio analysis
- Balance sheet

Data collection Method: The sources of data include secondary data.

4. Data Analysis and Interpretation

CURRENT RATIO

Current ratio may be defined as a relationship between current assets and current liabilities. It is a measure of general liquidity and is most widely used to make the analysis of short-term financial position of a firm.

➤ The ideal value of current ratio is 2:1

Current Ratio = Current Assets / Current Liabilities

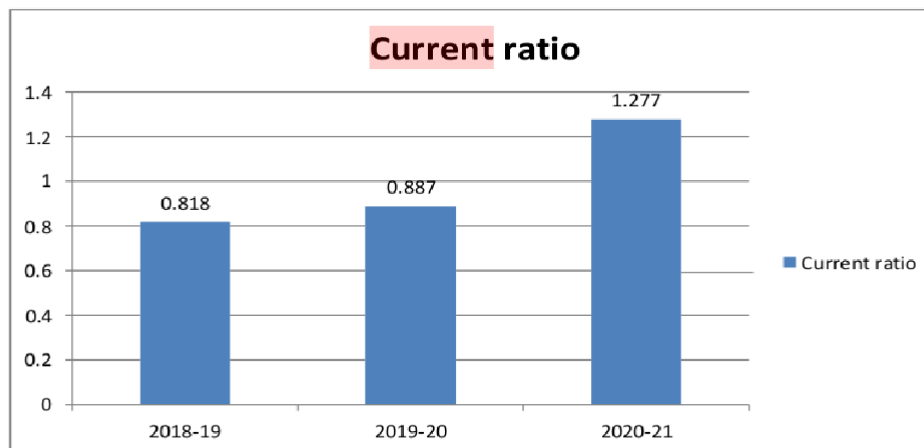
Year	Current Assets	Current Liabilities	Current Ratio
2018-19	14,108.76	17,218.49	0.818
2019-20	16,167.68	18,216.61	0.887
2020-21	29,174.32	23,595.31	1.277

Source: Balance sheet of Globus Spirits ltd

ANALYSIS

From the above table, we can observe that current ratio in 2018-2019 it is 0.818, in 2019-2020 it is 0.877, in 2020-2021 it is 1.277. This is lower than ideal ratio. The ideal value of current ratio is 2:1

Current ratio



■ **INTERPRETATION**

The chart shows that current ratio in 2018-2019 is 0.818, in 2019-2020 it's far zero.887 and in 2020-2021 it's far 1.277. The cutting-edge ratio of all the above three years is underneath the standard, so the enterprise can face troubles in meeting its quick time period responsibility. The enterprise is not capable of generate enough from operations to pay for its current responsibilities with contemporary assets; this means that corporation can accumulate cash from clients long before they need to pay their providers.

■ **LIQUID OR QUICK RATIO**

The liquidity ratios are a result of dividing cash and other liquid assets via the quick term borrowings and present-day liabilities. They display the range of instances the quick term debt duties are protected by using the cash and liquid belongings. If the price is extra than 1, its method the quick term responsibilities are completely covered.

Liquidity refers back to the capacity of a subject to satisfy its current obligations and whilst those come to be due.

The ideal value of quick ratio is 1:1.

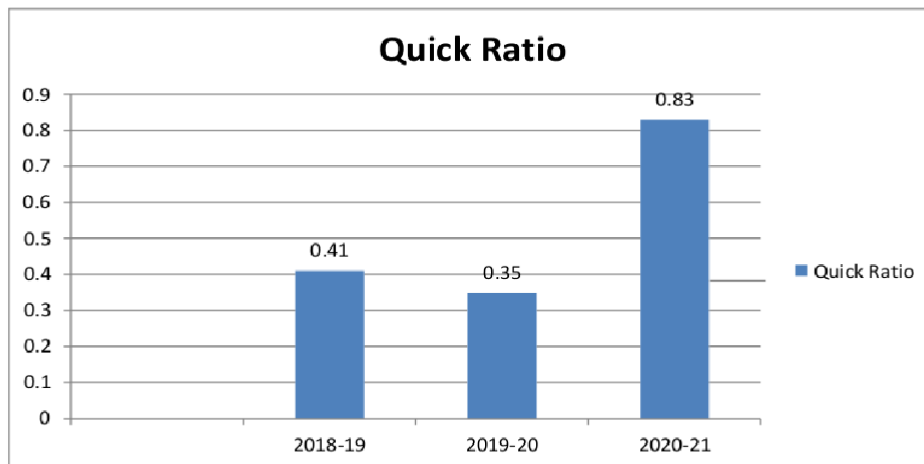
Liquid Ratio = Liquid Assets / Current Liabilities

OR

Quick Ratio = Quick Assets / Quick Liabilities

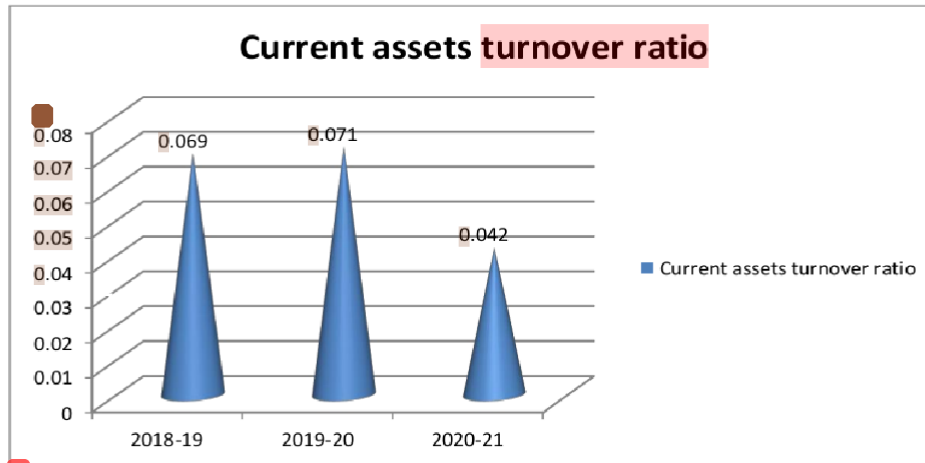
Quick assets = Current assets – (stock + prepaid expenses)

Quick liabilities = Current liabilities – Bank overdraft



INTERPRETATION

The chart indicates that that Liquid or brief ratio in 2018-2019 is 0.4, in 2019-2020 it is 0.35, and in 2020-2021 it's far 0.83. The Liquid or short ratio of all the above 3 years is beneath the usual, so the society cannot meet its short-term responsibility. The business enterprise isn't always able to generate enough from operations to pay for its contemporary duties with modern-day assets.

CURRENT ASSETS TURNOVER RATIO**INTERPRETATION**

The chart shows that current asset turnover ratio in 2018-2019 it is 0.069, in 2019-2020 it is increase to 0.071, and in 2020-21 it is decrease to 0.042. Analysis of current assets turnover ratio reveals that it is increasing during 2019-20 and a decreasing in the 2020-21.

A higher ratio is always more favorable. Higher turnover ratios mean the company is using its assets more efficiently. This chart shows that the company isn't using its assets efficiently.

5.FINDINGS

- The end result of the assertion of changes in running capital after evaluating all of the increases and reduces is the internet increase in the amount of working capital is Rs. 690.7Mn all through yr. 2018-19.
- The quit result of the statement of modifications in running capital after evaluating all of the will increase and decreases is the net growth in the quantity of operating capital is Rs.106Mn at some stage in 12 months 2019-20.
- The cease end result of the announcement of changes in running capital after comparing all they will increase and decreases is the net boom in the amount of running capital is Rs.750.4Mn all through year 2020-21.
- Current ratio in 2018-2019 is 0.818, in 2019-2020 it's miles zero.887 and in 2020-2021 it is 1.277. The current ratio of all of the above 3 years is below the usual current ratio, that's 2:1.
- Liquid or brief ratio in 2018-2019 is 0. forty-one, in 2019-2020 it's miles zero.35, and in 2020- 2021 it is 0. eighty-three. The Liquid or brief ratio of all of the above 3 years is beneath the same old liquid or quick ratio, that is 1:1. Absolute short ratio in 2018-2019 is 0.014, in 2019-2020 it's far 0.108, and in 2020-2021 it's miles 0.246. the absolute brief ratio of all the above three years is below the same old absolute brief ratio, that is 0.5:1 or 2:1.
- Operating capital turnover ratio in 2018-2019 it is -zero.316, in 2019-2020 it is lower to -zero.567, and in 2020-2021, it is boom to zero.219. It suggests that the corporation is not the use of its operating capital successfully, so it isn't fine.

5.1 MANAGERIAL IMPLICATIONS OF THE STUDY

This study presents a top-level view of the Globus spirits confined corporation and its average complete observ'e of management and subculture in the agency and discusses the practical implications of the look at for managers and leaders. The observe identifies that the agency subculture, leadership, roles responsibilities perform a v'ery essential role in taking each decision for employer and competing with different competitors inside the market. This have a look at whilst emphasizing factors of the study from the highlights main managerial implications of the studies assignment ranging from extra statistical statistics on the cultural attributes and supplying precious inputs and remarks to all of the employees within the business enterprise it also highlights management dimensions of specific agency or organizations of different agencies of this corporation (subsidiary) to greater dynamic implications along with relationships between lifestyle and management, and relationships between way of life and societal phenomena. The studies conclude by way of emphasizing the importance of the organization have a look at's practical implications for worldwide managers (which include Interns) in modern-day international enterprise global.

5D SOCIETAL IMPLICATIONS OF STUDY

The societal implications of studies are described because the potential or capability for research to effect society in visible or useful ways. As a society member we constantly see that employer must take obligation towards society and take highest requirements of corporate governance, because at ultimate the consumers are the only who uses the made of organization if the business enterprise will payback something to the society, then it'll give advantageous message to the society and boom in income of the company. The enterprise in general must additionally not give any poor message or advertisement to society and spend their appropriate fund to the welfare of society. The groups in alcohol industry attempt to undertake philanthropic sponsorships as a way of indirect logo marketing as well as gaining preferential get right of entry to rising alcohol markets so this need to also be taken care through the business enterprise and no longer bask in such kind of pastime and stop selling alcohol to underage people additionally. government need to additionally deal with this issue and try to implicate this thing in realistic for society.

5.3 CONCLUSION

The study performed on operating capital control of "Globus Spirits Ltd." gives a view of assessing the overall performance of running capital management of the employer with the aid of studying the financial information with the assist of ratio evaluation and statement of trade in working capital.

At some stage in the period of examine, there had been some up and downs in the operating capital and ratio evaluation it'll have an effect on the operations of the company but it is observed that the overall economic position is right. The Globus Spirits Ltd. assets utilization has been very low. The corporation has to take important steps to make use of current asset for improve profitability. it is anticipated that the profitability will improve in the coming years. primarily based at the evaluation and interpretation I tried to offer my findings and recommendations for the enterprise as consistent with my fine knowledge.

5.4 Future scope of the study

The study is the foundation stone for carrying out further research in the field of working capital management. Further research can be also being carried out the study of working capital management. This one of such preliminary research work and further review of this research work can open up many dimensions for researchers. Although the objective taken in research study is diverse, yet a trend can be observed from the findings for future work.

One of the major drawbacks of the study of the study is the lack of time availability. Working capital management is a very vast topic and hence in a limited time it is impossible to know every aspect of working capital management. And also it was study that depends on past 3 years of data. There is future scope for studying these things.

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