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## **WORKING CAPITAL ANALYSIS OF EIC METERS PVT LTD AT BANGALORE**

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### **ABSTRACT**

In today's world, electrical measuring devices are extremely important in a number of areas, including agriculture, weather, the motor industry, hospitals, and many other places. Nowadays there is a need for calibrated electrical measuring device to match the readings of a certain standard. The present study analyses the financial performance of the company using profit and loss account and balance sheet, a secondary data of EIC Meters Pvt Ltd for five-year from 2016-17 to 2021-22. The study determines the profitability and financial position of the business concern. This study analysed using working capital to find-out the cashflow year on year. The calculation on working capital were made and interpreted. The overall outcome of the study depicts the financial position of the company is satisfactory.

**Keywords:** *Electrical measuring devices, working capital, EIC Meters, Financial position, Profit and loss account, Balance sheet.*

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### **1. INTRODUCTION**

The electrical sector in India is enormous and was expected to be worth Rs. 1,10,000 crore (US\$ 25 billion) in 2010–2011. Bharat Heavy Electricals Limited (BHEL), Crompton Greaves Ltd., ABB Ltd. India, and Alstom Limited India are some of the well-known companies in this sector.

The company EIC METERS PVT LTD, 30 year old and ISO 9001:2008 certified company, manufactures analogue and digital electrical measuring instruments includes voltage, amperage, and power metres, energy metres and energy calibrators. The company gets the approval for their quality goods through telecommunication industries, consultants, contractors and so on. The backbone of a developing country is mostly made up of the electricity industry. The power sector's network of high and low-tension transmission lines, which serve as the arteries and veins of the industry, must consistently provide electricity for it to operate effectively. Transformers, capacitors, and a variety of other electrical devices must be arranged carefully for reliable transmission.

The present study analyses the efficiency of day to day activities and handling working capital for 5 years from 2017-2022. In order to better comprehend a company's situation and performance, it is necessary to evaluate the basic components of financial statements. Investors and creditors can assess past, present, and future performance as well as their financial condition by using financial performance analysis. The study shows the flexibility, liquidity position, financial health, and handling short term obligations.

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### **2. STATEMENT OF THE PROBLEM**

The present study comprehends company's position and performance, it is necessary to evaluate the basic components of financial statements. Thorough Review of Literature failed to identify any research on working capital, which provided an opportunity to undertake the current investigation. The balance sheet of the firm is compared in the study with the goal of identifying the working capital analysis of the firm, the research assesses the performance of the organization.

#### **Objectives of the study:**

- To evaluate the working capital of EIC Meters Pvt Ltd
- To examine the financial status of the company

### 3. REVIEW OF LITERATURE

- **Najib H S Farhan, et al (2021)**, The purpose of the current study is to assess how working capital factors affect the financial success of Indian pharmaceutical enterprises. The analysis makes use of 82 pharmaceutical firms' panel data covering the years 2008 to 2017. For estimating the outcomes, a Generalized Method of Moment (GMM) model is utilised.
- **Umar Nawaz Kayani (2019)**, This thorough study demonstrates that a significant amount of attention in the body of research is devoted to examining the empirical connection between WCM and business performance. Additionally, the research of WC practises has received attention.
- **T. Poojitha (2019)**, This analysis is based on the company's secondary data. The literature claims that working capital has a direct impact on the firm's profitability and liquidity, and this study comes to the conclusion that working capital has a significant impact on the firm's growth.

#### Research gap:

The extensive research on the literature review found that working capital were minimum. No one have released publication on EIC Meters Pvt Ltd. Therefore, the present study has been taken to apply both the analysis to figure out the financial performance of the company from 2017 to 2022.

#### Research Design:

The present study is a descriptive and analytical in nature. The study depends on secondary data collection include as company's financial statements for five years. The study focuses on analysing the company's profitability and financial stability from 2017 to 2022.

#### Statistical Tools and Techniques:

- Net working capital
- Working capital turnover Ratio

### 4. OPERATIONAL DEFINITIONS AND FORMULAS

- **Net Working Capital (NWC)** is the difference between a company's current assets and current liabilities on its balance sheet. It is a measure of a company's liquidity and its ability to meet short-term obligations, as well as fund operations of the business.
- **Working capital turnover Ratio** The working capital turnover ratio measures how well a company is utilizing its working capital to support a given level of sales. It is net annual sales divided by working capital.

### 5. DATA ANALYSIS

The present study showing the data analysis of Working Capital Analysis:

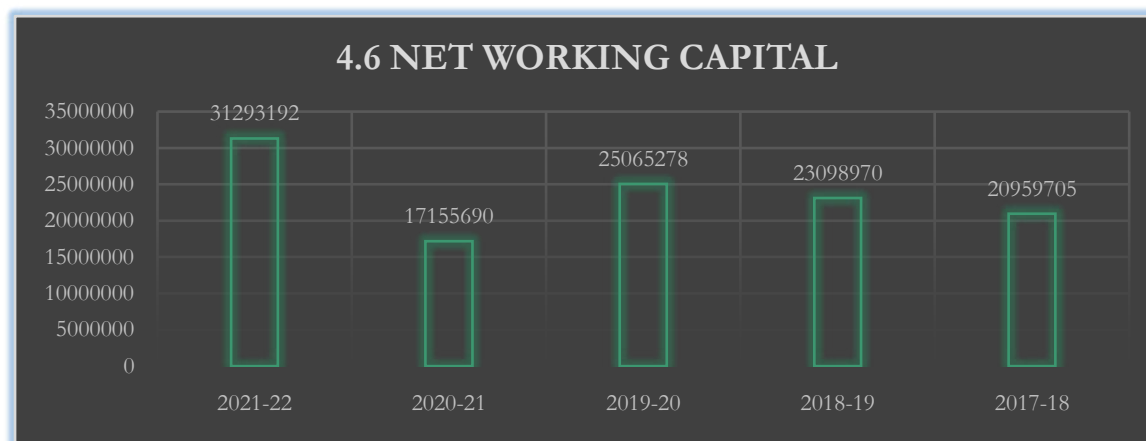
**Table no 4.6 showing the Net working capital of EIC Meters Pvt Ltd**

<i>Net Working Capital = Current assets – Current liabilities</i>			
YEARS	CURRENT ASSETS	CURRENT LIABILITIES	(Rs in crores)
			NET WORKING CAPITAL
2021-22	4,21,72,192	1,08,79,000	3,12,93,192
2020-21	2,09,23,282	37,67,592	1,71,55,690
2019-20	2,90,91,285	40,26,007	2,50,65,278
2018-19	2,79,61,805	48,62,835	2,30,98,970
2017-18	2,62,09,637	52,49,932	2,09,59,705

#### Analysis:

From the above table, the study reveals that the current assets have increased year on year since 2017-22. The current assets show a higher value during 2021-22 i.e., ₹ 4,21,72,192. On the other side i.e., during 2017-18 as ₹ 52,49,932, 2018-19 as ₹ 48,62,835, 2019-20 as ₹ 40,26,007, 2020-21 as ₹ 37,67,592. Current liabilities were high during 2021-22 as ₹ 1,08,79,000. Net working capital have increased from 2017-20 as ₹ 2,09,59,705, ₹ 2,30,98,970, ₹ 2,50,65,278, ₹ 3,12,93,192 and during 2021-22 show a decreased value which is ₹ 1,71,55,690 respectively.

**Graph no 4.6 showing the net working capital of EIC Meters Pvt Ltd**



**Interpretation:**

From the above table, the study found that the net working capital during the year 2017-18 and 2018-19 is low and during the financial year 2019-22 has gradually increased. Later on, it has increased in the year 2021-22. This indicates that there is a higher cash outflow to increase current assets by the firm. Current liabilities have decreased more than current assets. As a result, the firm has acceptable financial stability.

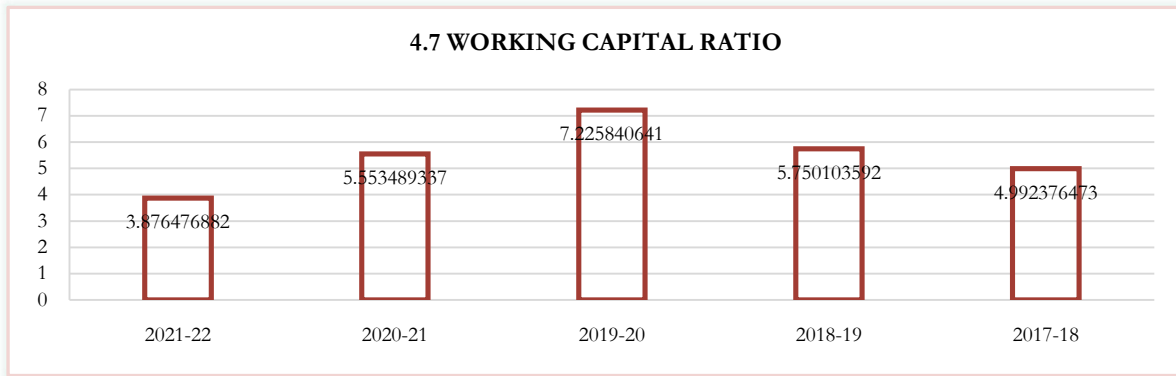
**Table no 4.7 showing the working capital ratio of EIC Meters Pvt Ltd**

$Working\ capital\ ratio = \frac{current\ assets}{current\ liabilities}$			
YEARS	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL RATIO
2021-22	4,21,72,192	1,08,79,000	3.88
2020-21	2,09,23,282	37,67,592	5.55
2019-20	2,90,91,285	40,26,007	7.23
2018-19	2,79,61,805	48,62,835	5.75
2017-18	2,62,09,637	52,49,932	4.99

**Analysis:**

From the above table the study reveals that the working capital ratio for the financial year 2017-18 as 4.99, 2018-19 as 5.75, 2019-20 as 7.23, 2020-21 as 5.55, and during 2021-22 as 3.88 respectively.

**Graph no 4.7 showing the working capital ratio of EIC Meters Pvt Ltd**



**Interpretation:**

From the above graph, the study interprets that the ratio of working capital was high during the year 2019-20. This indicates the company has functioned more efficiently during 2019-20. Later on, from the year 2020-22 the liabilities of the company have increased when compared to assets, hence the working capital ratio has been slowly decreased year on year. From the analysis it shows that the working capital ratio of the company has been decreasing since 2020. However, the company could retain its working capital ratio more than standard ratio.

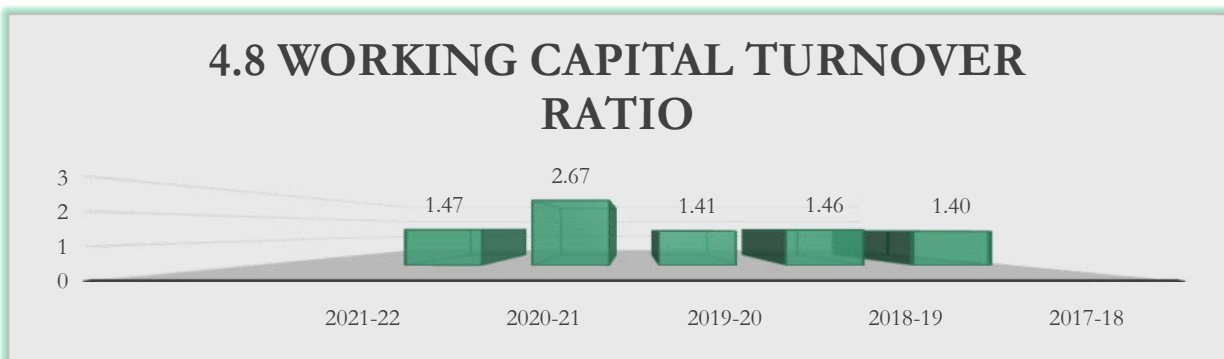
**Table no 4.8 showing the Working capital turnover ratio of EIC Meters Pvt Ltd**

$Working\ capital\ turnover\ ratio = \frac{Net\ annual\ sales}{Working\ capital}$			
YEARS	NET ANNUAL SALES	WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2021-22	4,61,32,000	3,12,93,192	1.47
2020-21	4,58,29,205	1,71,55,690	2.67
2019-20	3,52,97,486	2,50,65,278	1.41
2018-19	3,37,72,199	2,30,98,970	1.46
2017-18	2,92,95,653	2,09,59,705	1.40

**Analysis:**

From the above table, the study shows that the working capital turnover ratio during the financial year 2017-18 as 1.48, during 2018-19 as 28.10, during 2019-20 as 1.53, during 2020-21 as 1.63, during 2021-22 as 1.47 respectively.

**Graph no 4.8 showing the working capital turnover ratio of EIC Meters Pvt Ltd**



**Interpretation:**

From the above graph, the study reveals that the working capital turnover ratio was very high during the financial year 2020-21, this indicates that the company is able to generate larger number of sales. Later on, from 2017 to 2019 and during 2021-22 the working capital ratio lies within 1.50. Though the ratio lies approximate to standard ratio. This shows that the company's efficiency in producing sales.

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## 6. FINDINGS

1. There has been an annual growth in net working capital. This demonstrates that the corporation is effectively raising current assets through cash outflow. This further demonstrates that the change in current assets has outpaced the change in current liabilities.
2. The working capital ratio have consistently increased since 2017-19. From then, the working capital has slowly decreased year on year. However, the company could retain its working capital ratio more than standard ratio.
3. During the financial years 2017–18, 2018–19, 2019–20, and 2021–22, the working capital turnover ratio increased and was equal to the statutory ratio of 1.5 and 2. This demonstrates that the business is more effective at increasing sales.

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## 7. CONCLUSION

Investors, academics, and researchers used to concentrate on long-term corporate finance choices such capital structure, dividends, and firm valuation. As a result, the current study set out to investigate how WCM affected EIC Meters Pvt Ltd financial performance, which had previously gone unresearched. It has been determined that EIC Meters Pvt Ltd's working capital components follow a consistent trend. Overall, the company's financial status is satisfactory.

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