



A Study on Working Capital Management Srikalahastipipes Ltd (Ecl-Kolkata)

D. Srikanth^{1*}, P. Haritha²

¹Student, MBA 2nd Year, Department of MBA, Annamacharya institute of Technology & Sciences: Tirupati

² Assistant professor Department of MBA, Annamacharya institute of Technology & Sciences: Tirupati,

ABSTRACT: -

Working capital management defines how much of funds used on regular business activities. This article defines working capital efficiency in the organization. The working capital can be classified, as funds needed for carrying out day to day operations of the business smoothly. The management of the working capital is equally priority as the management of long-term financial investment. It is also concerned with maintaining liquidity in the business to make sure for smooth running of day-to-day operations and to meet its financial obligations.

INTRODUCTION:

Finance is regarded as the life-blood of a business enterprise. This is because in the modern money-oriented economy, finance is one of the basic foundations of any kinds of economic activities. It is the master-key which provides access to all the sources for being employed in manufacturing merchandising activities. It has rightly been said that,

“Business needs money to make more money”

However it is also true that money begets more money, only when it is properly managed. Hence efficient management of every business enterprise is closely linked with efficient management of its finance.

MEANING OF FINANCIAL MANAGEMENT

“Financial management is concerned with efficient use of important economic resources, namely capital funds.

-Soloman

“Financial management is concerned with the managerial decisions that result in the acquisition and financing of long term and short term credits for the firm. The analysis of these decisions is based on the expected inflows and outflows of funds and their effects upon managerial objectives.”

Phillipatus

FINANCE FUNCTIONS

It may be difficult to separate the finance functions from production, marketing and other functions, but the functions themselves can be readily identified. The functions of raising funds investing them in assets and distributing returns earned from assets to shareholders are respectively known as.

1. Investment Decision
2. Financing Decision
3. Dividend Decision
4. Liquidity Decision

GOALS OF FINANCIAL MANAGEMENT

- Maximize the value of the firm to its equity shareholders.
- Maximization of profit
- Maximization of earnings per share.
- Maximization of return on equity (defined as equity earnings/net worth)

- Maintenance of liquid assets in the firm.
- Ensuring maximum operational efficiency through planning directing and controlling of the utilization of the funds.
- Building up of adequate reserves for financing growth and expansion.

REVIEW OF LITERATURE

This article defines an overview of working capital management. A company in its business cannot invest whole of capital in long term assets. Thus it becomes necessary for the company to maintain a considerable amount of working capital in its regular course of business. Working capital is the lifeblood of an organization. The management should maintain the requisite amount of working capital on a continuous basis to ensure proper functioning of business operations.

The term working capital is defined as the capital which is needed for day to day operations in a business concern such as purchase of raw material, for meeting daily expenditure on salaries, wages, rents, advertisements etc. Working capital management is concerned with a problem that arises in attempting to manage the current assets, the current liabilities and inter-relationship that exist between them.

DEFINITION:

The sum of the current assets is the working capital of a business”

“Any acquisition of funds which increase the current assets, increased working capital, for they are one and the same”

-BONNEVILLE and DEWEY

TYPES OF WORKING CAPITAL:

Concepts

Gross working capital: it involves day to day business activities.

Networking capital: it defines difference between current assets and current liabilities.

Time basis:

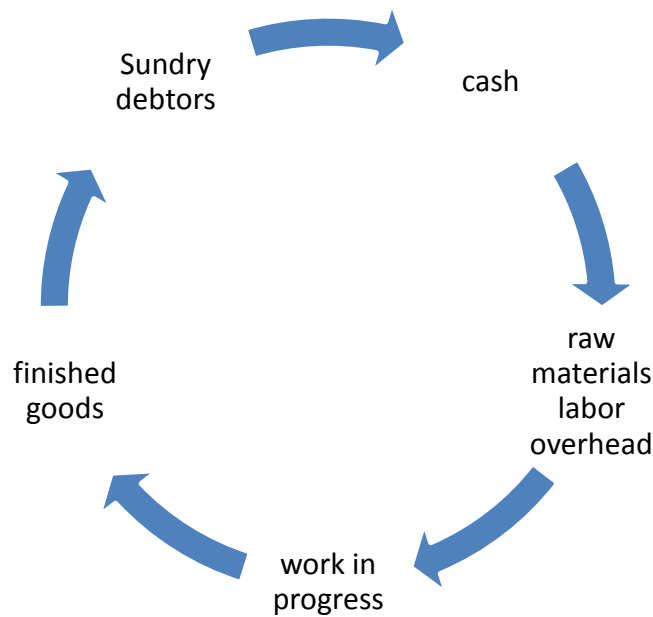
Permanent: those capital permanently blocked in the business.

Temporary: those capital which can't be blocked in the business.

Ex: strikes, lockouts.

DETERMINATION OF REQUIREMENTS OF WORKING CAPITAL:

- Nature of industries
- Need to stock raw materials
- Need to share finished goods
- Available cash balance
- Size of business unit
- Terms of purchase and sale
- Importance of labor
- Length of processing period
- Seasonal variations

WORKING CAPITAL OPERATING CYCLE**Objectives of the study**

The main objectives of the study of working Capital Management in a SRIKALAHASTI PIPES Ltd. are as follows

- ✓ To understand the structure of Working Capital.
- ✓ To examine the utilization of working Capital by constructing the operating cycle.
- ✓ To study the financial position of the company.
- ✓ To know the liquidity position of the company.

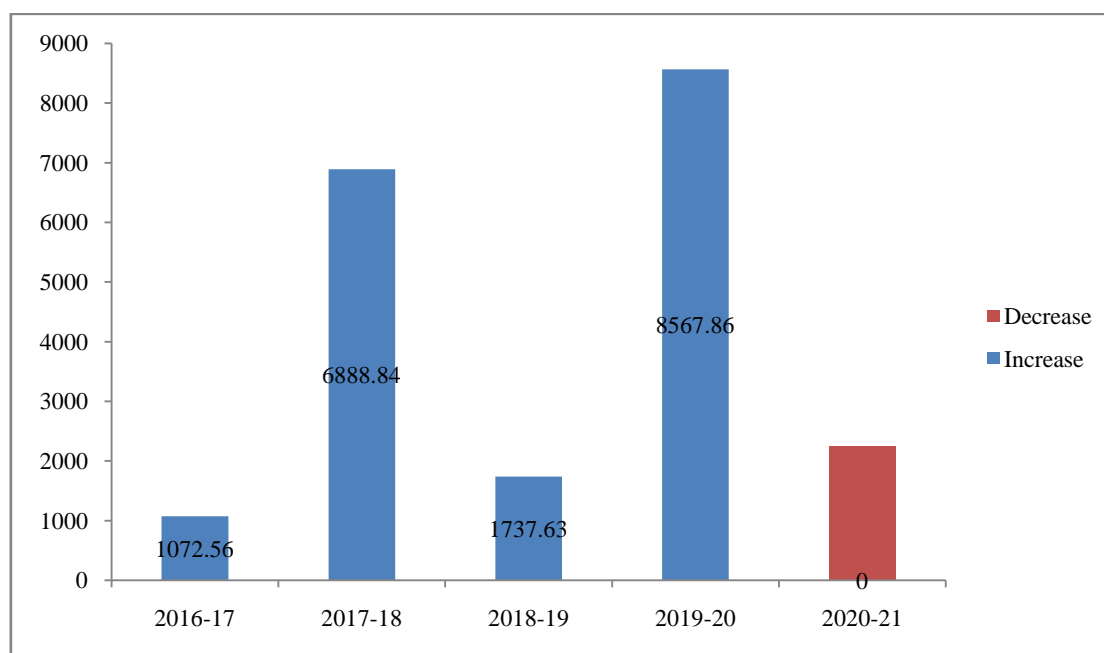
SCOPE OF THE STUDY

- The contents of the total evaluation of current and current liabilities and their percentage contribution in the total turnover. The yearly increases or decrease of current assets or current liabilities in the budget of SRIKALAHASTI PIPES Ltd., are being reviewed. From this one would be in a position to glance the performance of current assets and current liabilities of the Company.
- The project greatly deals with the working capital requirements of SRIKALAHASTI PIPES Ltd., and emphasizes on the yearly composition of Working Capital in the total turnover of the Company. This also deals with key ratios to obtain a clearer picture of different resources available and at the disposal of the organization, which performance, if any, will enable one to give appropriation suggestion to the Company to improve its
- The scope of the study is limited to collecting financial data published in the annual reports of the company every year. The analysis is done to suggest the possible solutions. The study is carried out for 5 years (2016-17 to 2020-21).

DATA ANALYSIS AND INTERPRETATION

YEAR WISE CHANGES IN WORKING CAPITAL

Year	Increase	Decrease
2016-17	1072.56	-
2017-18	6888.84	-
2018-19	1737.63	-
2019-20	8567.86	-
2020-21		2256.22



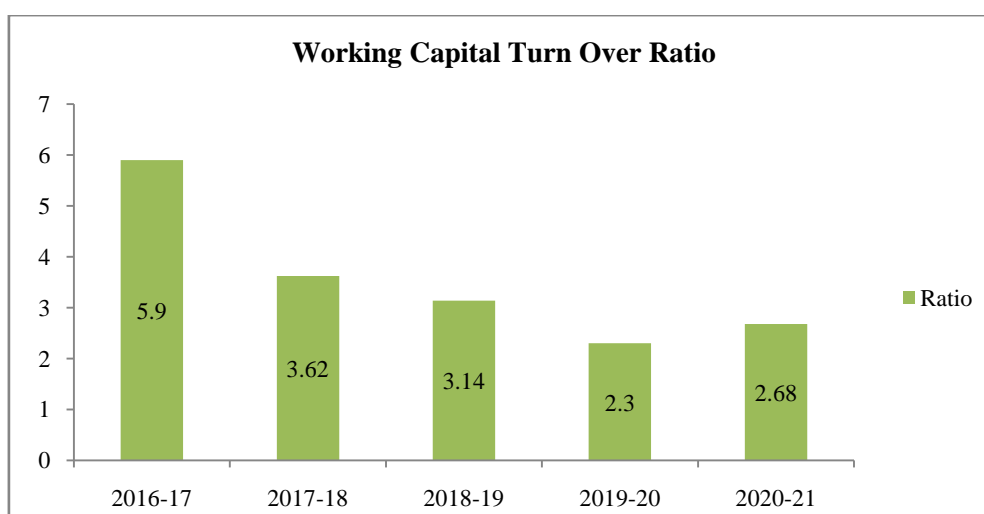
INTERPRETATION

The above table infers that the w in 2016-17 working capital of the company 1072.56, in 2017-18 it increased to 6888.84, in 2018-19 it increased to 1737.63, in 2019-20 it increased again to 8567.86 and in 2020-21 it decreased to 2256.82.

TABLE NO. -4.10

WORKING CAPITAL TURNOVER RATIO

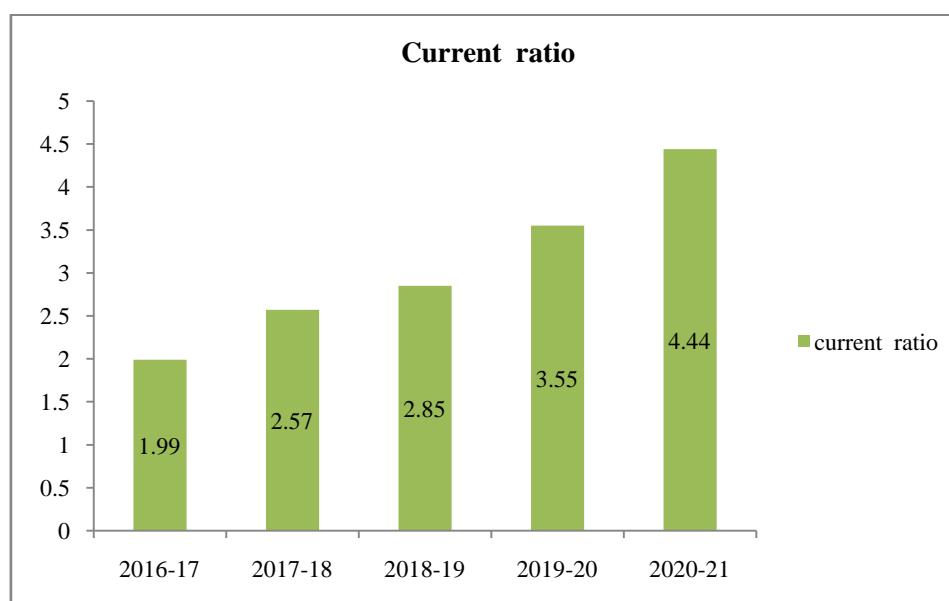
Years	Sales	Working Capital	Ratio
2016-17	9333.97	1579.74	5.90
2017-18	21024.15	5802.90	3.62
2018-19	28607.79	9119.65	3.14
2019-20	36936.65	16008.49	2.30
2020-21	46365.63	17297.60	2.68

GRAPH-4.10 WORKING CAPITAL TURN OVER RATIO**INTERPRETATION**

The above table infers that the Working capital turnover ratio of the company in 2016-17 was 5.90, in 2017-18 it decreased to 3.62, in 2018-19 it decreased to 3.14, in 2019-20 it decreased again to 2.30 and in 2020-21 it increased to 2.68.

CURRENT RATIO

Year	Current Assets (Rs)	Current Liabilities (Rs)	Current Ratio
2016-17	18321.76	9202.11	1.99
2017-18	26196.83	10188.34	2.57
2018-19	26616.98	9319.38	2.85
2019-20	35973.84	10108.38	3.55
2020-21	30463.18	6853.94	4.44

GRAPH-4.1 CURRENT RATIO

INTERPRETATION

The above table infers that the current ratio of the company in 2016-17 was 1.56, in 2017-18 it increased to 2.15, in 2018-19 it decreased to 1.99, in 2019-20 it increased again to 2.57 and in 2020-21 it increased to 2.85.

FINDINGS:

- Current Ratio of the Company shows a good increasing trend. In 2016 it was the minimum with 1.56% and in 2021 it has reached to the maximum with 2.85%.
- Quick Ratio of the Company shows a good increasing trend. In 2016-17 it was the minimum with 1.13% and in 2020-21 it has reached to the maximum with 1.55%.

SUGGESTIONS

- The company's current asset are showing decreasing tendency where has current liabilities are showing increasing tendency. The company must try to improve its liquidity position by maintaining current assets at standardized range and by controlling the increasing current liabilities.
- The working capital ratio is showing decreasing year by year it indicates that the working capital turnover of the company's fell down due to which company has to depend on outside resources. For meeting it operates expenses which are not advisable long run. Hence the company must try to improve its working capital level.
- The Company debtors position is not satisfied its fluctuation between high ranges on the other hand. Creditors of the company continuously increasing. It shows that the company is not in a position to discharge its creditors promptly and unable to maintain the collection from debtors steadily. Hence the company has not take step to adopt stringent credit collection policy and to discharge creditors regularly.
- The firm has to control the sundry creditors outstanding more than six months so has to increase the liquidity of the firm.
- The firm also can use ABC analysis though it use funds flow, cash flow and ratio analysis has tool for working capital management.

CONCLUSION

After Analyzing the Financial position of Srikalahasti pipes it is to give conclusion that the financial performance of the company during the analyzed years (2016-17 to 2020-21) is good & satisfactory.

BIBLIOGRAPHY

- | | | |
|-------------------|---|---------------------------------------|
| Author | : | I.M.PANDEY |
| Title of the book | : | Financial Management |
| Publisher | : | Vikas Publishing House Pvt. Ltd., |
| Edition | : | Eighth Edition. |
| Author | : | M.Y. Khan & P.K. Jain |
| Title of the book | : | Financial Management |
| Publisher | : | Tata Mc. Graw Hill Publishing Co.Ltd. |
| Edition | : | Third Edition. |
| Author | : | Prasanna Chandra |
| Title of the book | : | Financial Management |
| Publisher | : | Tata Mc. Graw Hill Publishing Co.Ltd, |
| Edition | : | Fourth Edition. |

Website

Www. Srikalahastigroups.com

www.google.com

www.wikipedia.com

www.finnace.com

www.scrib.com

