



A Study on Working Capital Management in Sri Varsha Food Products India Limited

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ABSTRACT

Working capital management is part of the financial considerations that a finance manager needs to determine and plays an important role in determining the profitability of the firm. In view of its importance, this study aims to investigate on the effect of working capital management components and working capital management policy towards profitability of Sri Varsha Food Products India Limited for a five year period from 2017-18 to 2021-22.

Key words:Working capital management,Finance Manager, Profitability Of The Firms.

Introduction:

One of the most important areas in the day-to-day management of the firm is the management of working capital. Working capital management is the functional area of the finance that covers all the current accounts of the firm. It is concerned with management of the level of individual current assets as well as the management of total working capital. Financial management means procurement of funds and effective utilization of these procured funds. Procurement of funds is firstly concerned for financing working capital requirement of the firm and secondary for financing fixed assets. Inadequate working capital means shortage of raw materials, labor etc., resulting in partial current assets less current liabilities-has no economic meaning in the sense of implying some type of normative behavior

REVIEW OF LITERATURE

Singh and Kumar (2014) believe that the development in the existing literature of WCM is limited. Nyamao ., 2012; found a positive association between WCM variables and firm's performance. He conducted a survey using a stratified random sampling technique.

OVERVIEW OF THE COMPANY

VARSHA FOOD PRODUCTS INDIA LIMITED:

Sri Varsha Food Products India Limited was quick to see the potential in the sector and jumped into the fray even as the industry was still in its infancy. They have over 400 acres of farm-land where various crops are cultivated. Initially in 2004, they set up a canning facility signalling our intention to venture into fruit processing operations. As Economy and Food Industry was growing, so is our production and market. Later in 2008 we have established production and packing facilities and stated a full-fledged production process.

They were established to bridge the demand-supply gap of the rapidly expanding processed food niche. As company based in Tirupati Demand for the prized totapuri mangoes and delightful alphonso mangoes grows at nearly 15% per annum, so does our ability of producing, processing, aseptic packaging and canning them. Further on our fruit palette, we process guava, papaya, banana and tomato as pulps and concentrates. To catch up with the burgeoning markets, we have forayed into chilli and tamarindpaste production too. Chairman of the company is **Mr. K.Viswanada Naidu**.

NEED FOR THE STUDY

- 1.The projects is helpful in knowing the company's position of funds maintenance and setting the standards for working capital inventory levels, quick ratio current amount turnover level and web torn turnover level.
- 2.This project is helpful to the management for expanding the dualism and the project viability and present availability of funds.

3. This project is also useful as it compares the present year data with the previous year data and thereby it shows the trend analysis i.e. increasing fund or decreasing fund.

SCOPE OF THE STUDY

1. Working capital management plays a major role in the financial management of a Working capital management necessary.
2. Thus the study made to know the liquidity position of SRI VARSHA FOOD PRODUCTS this study as to be concentrated to know the current assets and current liabilities of company, and also to know the short term solvency of the company based on the finance reports.
3. The present study aims to analyzing the liquidity working capital of SRI VARSHA FOOD PRODUCTS. the emphasis of the study has to study concentrated to know the current assets and current liabilities of company, and also to know the short term solvency of the company based on the finance reports.

OBJECTIVES OF THE STUDY

The study is primarily to scan the financial health condition of SRI VARSHA FOOD PRODUCTS INDIA LIMITED through financial analysis and evolve package of measures for their betterment. The following are specific Objectives set of the study

1. To study the changes in net working capital of the SRI VARSHA FOOD PRODUCTS INDIA PVT LTD.
2. To know the liquidity position of the SRI VARSHA FOOD PRODUCTS INDIA PVT LTD.
3. To know the working capital turnover of the SRI VARSHA FOOD PRODUCTS INDIA PVT LTD.

METHODOLOGY OF THE STUDY

The secondary data that is required for the study is collected from the annual reports, schedules, budgets and other statements provided by finance department of "SRI VARSHA FOOD PRODUCTS INDIA PVT LTD"

LIMITATIONS OF THE STUDY

The present study suffers from the following limitations:

1. To information provided to company of balance sheet are only data sources available.
2. Some required secondary data is not provided the company.
3. To researchers as only six weeks to finish the project due lack of the time in the death of financial matter have not been touched.
4. The information available in the balance sheet have taken from published annual reports so it has it is only limitation.
5. Since financial matters are sensitive in nature the same could not be acquired easily.
6. The source of the study is limited to 5 years from 2017-18 to 2021-22.

DATA ANALYSIS AND INTERPRETATION

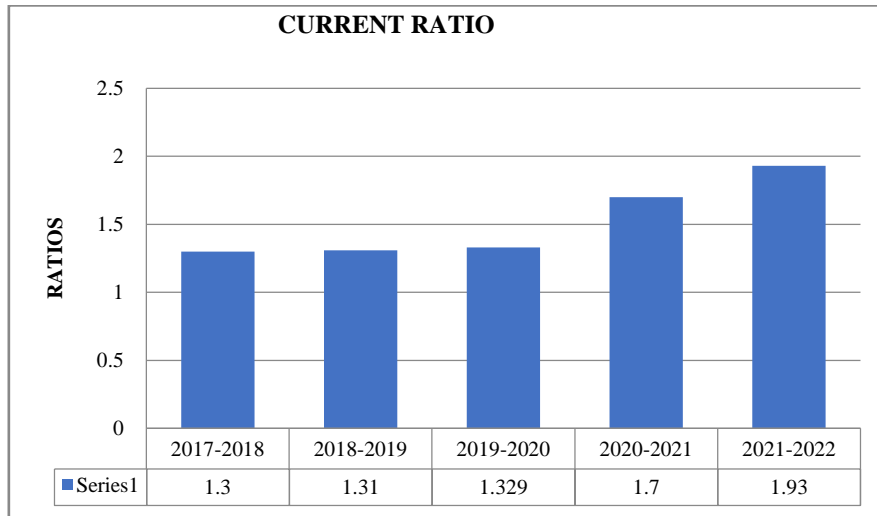
1. CURRENT RATIO:

Current ratio = current assets / current liabilities

TABLE

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2017-2018	98,48,00,467	74,10,29,306	1.3
2018-2019	91,54,07,668	69,74,14,528	1.31
2019-2020	89,20,36,719	67,11,42,723	1.329
2020-2021	78,46,84,550	46,15,15,279	1.70
2021-2022	87,15,69,212	44,93,71,756	1.93

CHART



INTERPRETATION:

The standard ratio of current ratio is 2:1. The higher the current ratio the greater the margin of safety. In the year 2017-18 Current ratio is 1.3. and 2018-19 current ratio is 1.31. the current ratio is gradually increased to 2021-22 the current ratio of 2021-22 is 1.93.

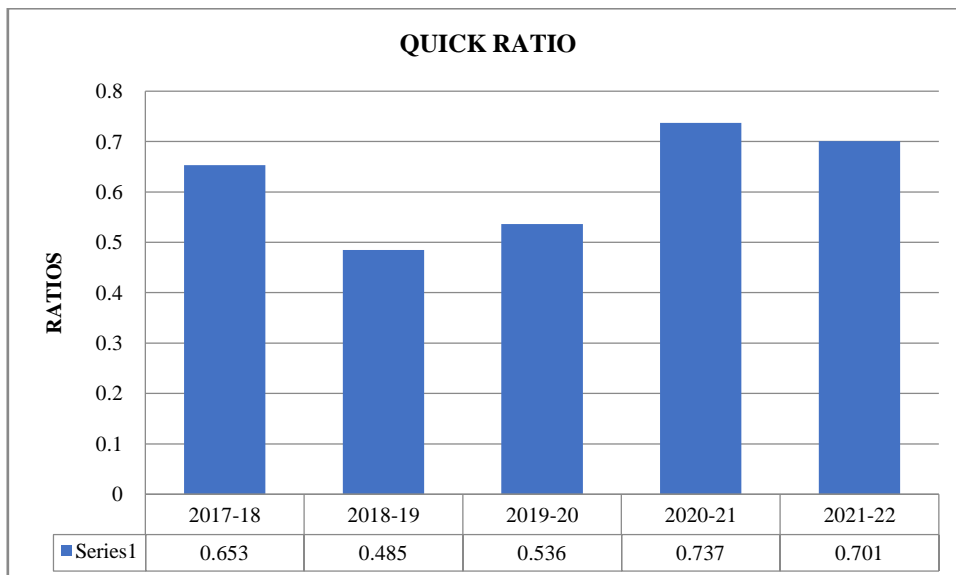
2. QUICK RATIO (or) ACID TEST RATIO:

Quick Ratio= (current assets-Inventories)/current liabilities

TABLE

YEAR	QUICK ASSETS	CURRENT LIABILITIES	RATIO
2017-2018	48,44,08,342	74,10,29,306	0.653
2018-2019	33,83,47,891	69,74,14,528	0.485
2019-2020	36,02,26,692	67,11,42,723	0.536
2020-2021	34,05,69,121	46,15,15,279	0.737
2021-2022	31,50,29,648	44,93,71,756	0.701

CHART



INTERPRETATION:

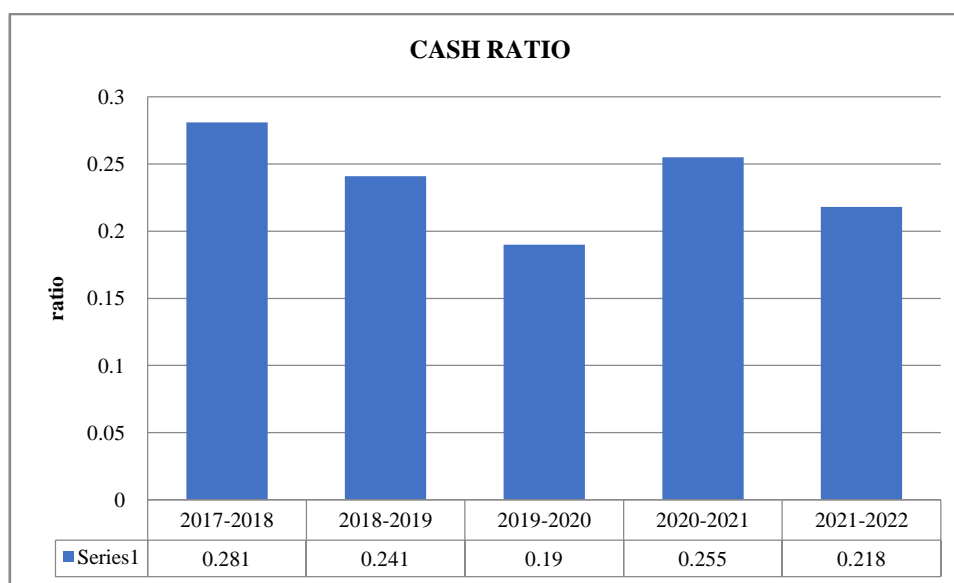
The standard ratio of quick ratio is 1:1. It represents the satisfaction of a company. In the 2017-18 the ratio is 0.653. It has become up to 0.485 in the year 2018-19. The remaining years it was 0.536, 0.737 and 0.701. Hence we can say that the company has maintained more than ideal quick ratio 1:1 expect in the year 2018-19.

3.CASH RATIO:

RATIO= (Cash+ Marketable Securities)/Current Liabilities

TABLE NO

YEAR	CASH	CURRENT LIABILITIES	RATIO
2017-2018	20,08,54,296	74,10,29,306	0.281
2018-2019	16,82,27,888	69,74,14,528	0.241
2019-2020	12,76,11,010	67,11,42,723	0.190
2020-2021	11,79,28,842	46,15,15,279	0.255
2021-2022	9,82,08,143	44,93,71,756	0.218

CHART NO**INTERPRETATION:**

The standard cash ratio is 1: 0.5. It represents the satisfactory level in the years 2017 to 2022 the cash ratio is 0.281,0.241,0.190, 0.255, and 0.218. It represents company is maintaining standard level of cash in the company,except 2019-20.

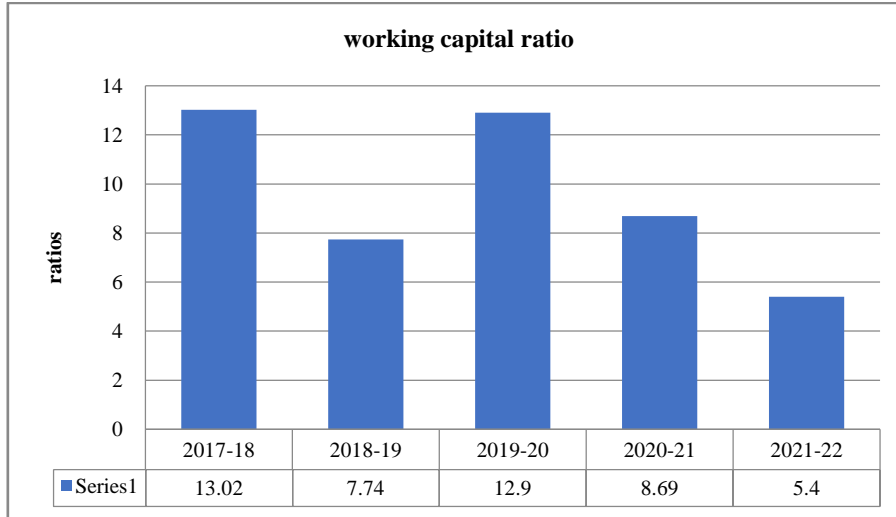
4.WORKING CAPITAL TURNOVER RATIO:

WORKING CAPITAL TURNOVER RATIO=Sales/Net Working capital

TABLE NO4.9

YEARS	NET SALES	NET WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2017-18	3,17,39,00,516	24,37,71,161	13.02
2018-19	1,68,72,66,919	21,79,93,142	7.74
2019-20	2,84,95,32,548	22,08,93,996	12.90
2020-21	2,80,83,40,964	32,31,69,271	8.69
2021-22	2,27,98,66,262	42,21,97,456	5.40

CHART NO



INTERPRETATION:

The higher working capital turnover ratio indicated the better management of working capital in the years 2017-18 to 2022 the ratio is 13.02 and 7.74, 12.90, 8.69, 5.40 respectively. In the year 2020 working capital turnover will be increased that is 12.90 over. Previous. All the five years better management of working capital of the firm.

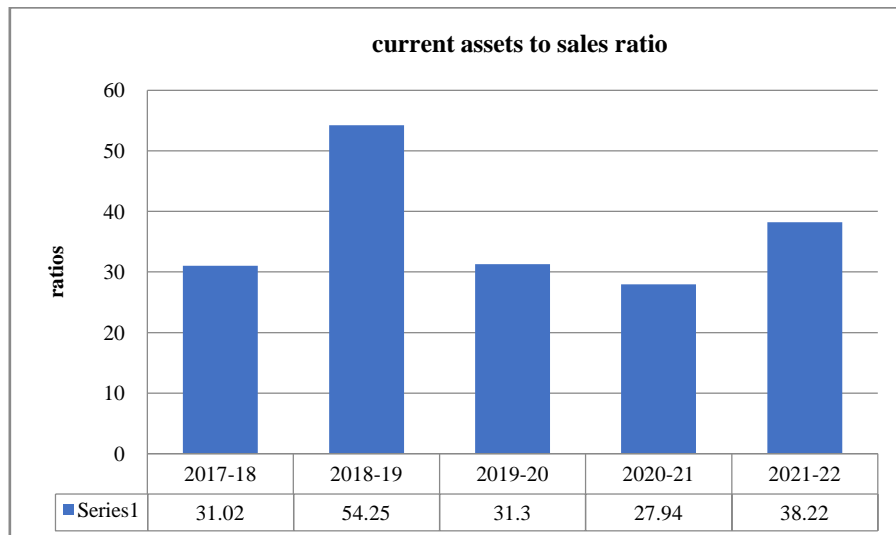
5. CURRENT ASSETS TO SALES RATIO

$$\text{CURRENT ASSETS TO SALES RATIO} = \text{Current assets/net sales} * 100$$

TABLE NO:4.10

YEARS	CURRENT ASSETS	NET SALES	CURRENT ASSETS TO SALES RATIO
2017-18	98,48,00,467	3,17,39,00,516	31.02
2018-19	91,54,07,668	1,68,72,66,919	54.25
2019-20	89,20,36,719	2,84,95,32,548	31.3
2020-21	78,46,84,550	2,80,83,40,964	27.94
2021-22	87,15,69,212	2,27,98,66,262	38.22

CHART NO



INTERPRETATION:

The ratios of all years i.e. 2017-2018 to 2021-2022 ratios: 31.02,54.25,31.3,27.94, and 38.22 respectively.

FINDINGS

1. The current ratio is not satisfactory as it is not meeting standard 2:1 it shows poor liquidity position of the firm
2. The quick ratio is satisfactory except two financial years during study period it shows the firm sound quick assets proportion to the liabilities as it is meeting the standard 1:1 in the financial years 2017-18,2018-19,2019-20,2020-21 &2021-22.
3. The cash ratio is not satisfactory as it is not meeting standard 0.5:1 it shows poor cash balances with firm which is not a good sign to the company.
4. Working capital turnover ratio is fluctuating the during the study period which shows in effective conversion of working capital into sales it is satisfactory only financial year 2021-22.

SUGGESTION

1. It is suggested to company to manage the current assets bill receivable and cash management etc... Effectively in order to improve the liquidity position of projection to meet the current liabilities.
2. Company may go for effectively cash management techies by the reducing the debtor's collection period and etc... in order to meet immediate cash requirement.
3. It suggested to the company to improve the inventory turnover ratio by reducing the length inventory operating cycle.
4. It suggested to the company may go for reduce the debtors collection period by alternating the company's credit policy.
5. The company may go for effectively utilization of working capital and current asset by the reducing operating &non operating expenditures and improve in the operating income y increasing sales.

CONCLUSION

The study of working capital management as it shown importance in financial management which studded the change net working capital &working capital ratio in which I observed poor current &cash ratio &other turnover ratios and suggested to improve the operating efficiency by reducing operating and non operating expenses &reducing debtors collection period by applying effective inventory control techniques.

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