



A Study on Working Capital Management in Sibar Auto Parts Private Ltd.

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ABSTRACT:

Working capital is much like the coronary heart of each commercial company. A have a look at focuses on brief time period economic management and Working capital control. Working capital refers to that a part of the company's capital it is required for short-time period financing modern-day assets, this keeps revolving fast and constantly transformed to coins. Hence, this paper analyses economic viability, shape and usage of operating capital inside the corporation as analyses for 5 years from 2016-17 to 2020-21. The examine is specially based on the Secondary information of the agency. Further, to measure the powerful utilization of the statement of operating capital, Ratio analyses had been used. It have become concluded that the working capital is a crucial role of an employer.

INTRODUCTION:

Working capital is that quantity of rate range that's required to perform the day- nowadays operations of a corporation. It might also regard as that position of an employer ordinary capital, that is employed in its brief – time period operations. This operation includes usually such devices consisting of uncooked materials, semi – finished gadgets, finished gadgets, sundry borrowers, short – time period investments and so on., Thus working capital moreover refers to all the fast – time period assets diagnosed vital. There isn't any one of these enterprise for which jogging capital is not needed. The number one goal each enterprise is to maximize shareholders wealth.

Firm should earn sufficient returns to increase the shareholder wealth. To earn regular quantity of earnings, a success profits activity is crucial. Firm can generate earnings if enough quantity is invested in Current belongings. The want of present day-day property is important due to the fact income do no longer convert into cash at once. There is always a strolling cycle worried inside the conversion of sales into coins. Working capital control is one of the most essential elements of economic management. It paperwork a number one characteristic of the finance supervisor and accountant. It is worried with the troubles that arise in trying to control the modern-day assets, the modern liabilities and the interrelation deliver that exists among them. The manage of contemporary-day belongings is just like that of steady belongings inside the texture that in both instances a firm analyses their effects on its go back and hazard

Working capital management is the useful location of the finance that covers all of the contemporary money owed of the organisation. It is involved with control of the level of character present-day belongings similarly to the control of ordinary going for walks capital.

Mainly the agency used operating capital each day employer responsibilities purposed used. The predominant cause of running capital is to control contemporary assets and cutting-edge-day liabilities. The following technique is used calculation of operating capital.

Net Working Capital = Current Assets ----- Current Liabilities

DEFINITION OF WORKING CAPITAL

Working Capital refers to that a part of the company's capital, which is required for financing quick-time period or cutting-edge property this kind of coins marketable securities, borrowers and inventories. Funds as a consequence, invested in contemporary belongings maintain revolving speedy and are constantly converted into coins and this cash float out once more in trade for different modern-day assets. Working Capital is likewise referred to as revolving or circulating capital or brief-term capital.

The following are some definitions of this institution:

“Working capital way modern property”

MEAD, BAKER, MOOT.

“Working capital refers to a company's investment in brief-term Assets like cash, Short-term securities, and Account receivables inventories.”

-WESTON & BRIGHAM.

“The sum of the Current Assets identification the operating capital of a Business”

-J.S. MILL.

“Any acquisition of price range of which increase the Current Assets boom Working Capital also, for the are one and those equal”

-BONNEVILLE.

REVIEW OF LITERATURE

Deloof (2003) investigates the connection between running capital management and firm profitability by way of the use of CCC as a measure of running capital management

Eljelly, (2004) elucidated that efficient liquidity management includes planning and controlling current property and contemporary liabilities in any such way that eliminates the risk of incapacity to meet due quick-time period duties and avoids immoderate funding in those property.

Filbeck G. Et al. (2005) investigated the data of 26 industries by way of taking the facts of 970 companies at some stage in 1996 to 1999. They located out that companies are capable of decrease financing value and/or augment the budget available for improvement by means of reduce the amount of funds connected to the modern-day belongings.

Lazaridis and Tryfonidis (2006) find a bad relationship among profitability and CCC for 131 indexed agencies indexed in Athens Stock Exchange for the period 2001 - 2004. Similar to the outcomes of those studies focused on large companies, the findings of Garcia-Terfel and Martinez-Solano (2007) also shows terrible relationship between profitability and CCC for small and medium sized corporations from Spain.

Sayaduzzaman MD. (2006), tested that the management of British American Tobacco is especially reasonable because of the positive coins inflows, designed method in running the most important components of working capital by way of evaluating 5 years information from 1999-2000 to 2002-2003.

Ganesan (2007) used a pattern of 349 telecommunication device companies covering the period 2001-2007. The unbiased variables used have been contemporary ratio, day's receivable, day's inventory, day's payable, day's running capital and coins

Lazaridis and Tryfonidis (2006) money owed payable has tremendous courting. No battle among the authors concerning leverage and/or debt financing with negative dating. Finally, the variable cash conversion performance turned into used by best one writer (Ganesan, 2007) and gives no association at all with profitability.

Raheman and Nasr (2007) decided on a sample of 94 indexed Pakistani corporations from extraordinary sectors of economy for a length of 8 years, from 1999-2004. The unbiased variables used have been modern ratio, day's receivable, day's inventory, days payable and coins conversion cycle.

RESEARCH METHODOLOGY

OBJECTIVES

This study is mainly focused to examine the short-term financial viability of SIBAR AUTO PARTS LTD s stated below:

- ◆ To study the financial soundness of the company.
- ◆ To analyze the working capital of sibar auto parts ltd.
- ◆ To study schedule of change in working capital.
- ◆ To estimate working capital requirements.
- ◆ To examine the existing system and give suggestion for better management of working capital

NEED OF THE STUDY

- ❖ Management of working capital is an important function of finance department of a corporate organization.
- ❖ While managing current assets two important factors that are considered is liquidity and profitability.
- ❖ The excess working capital results in deterioration in profits and inadequate working capital results in liquidity risk.
- ❖ So this study is undertaken to know to what extend the successful in trade-off liquidity and profitability

SCOPE OF THE STUDY

- The study is confined to SIBAR AUTO PARTS LIMITED and analysis of its financial statements.
- The main aim of the study is to assess the proper mgt of current assets & current liabilities.
- The study concentrates more on the working capital mgt of SIBAR AUTO PARTS PVT.LTD.,

- Working capital gives only a good basis for quantitative analysis of financial problem

DATA ANALYSIS AND INTERPRETATION

YEAR	NET INCREASE /DECREASE IN WORKING CAPITAL
2017-18	3,59,41,550
2018-19	3,63,02,425
2019-20	11,92,62,199
2020-21	2,79,40,315
2021-22	29,52,48,392

INTERPRETATION:

FROM THE above table the net increase /decrease in working capital from 2017-1/ to 2021-22 are(3,59,41,550),(3,63,02,425),(11,92,62,199), (2,79,40,315),(29,52,48,392) in the year 2017-18 net working capital increased and the years 2018-19 to 2020-21 the net working capital is decreased and 2021-22 is increased.

Ratios used in working capital

years	Current ratio	Quick ratio	Inventory turnover ratio	Sales ratio	Debtors turnover ratio
2017-18	3.63	2.63	10.30	4.15	7.76
2018-19	4.29	3.26	12.05	3.80	7.98
2019-20	2.08	1.52	10.89	5.63	8.09
2020-21	2.32	1.61	12.05	6.47	10.21
2021-22	2.60	1.98	13.91	5.39	11.45

INTERPRETATION: From the above table the years from 2016-17 to 2020-21 all of the ratios used in operating capital had been mention above which can be modern-day, brief, contemporary assets, networking capital, networking turnover, inventory turnover ratios

FINDINGS

After proper analysis of the financial function of the Sibar Auto Parts Ltd with the help of tools of economic evaluation, the subsequent are things are observed in the course of the take a look at.

- In the years 2017-18 to 2021-22 the employer stock turnover ratio is pretty growing. That is 0.69, 1.37, three.Eighty, 13.89, and26.26.
 - In the years 2017-18 to 2021-22 the present day ratio is almost 1 from 2018-19is 2 to 1 from 12 months onwards the present day ratio is steadily lowering and them2019-20. Increasing from 2021-22 it represents the firm's inability to meet its responsibilities.
 - The debtor's turnover ratio is low because of large increase in debtors and reduce in the income.
 - Creditor's fee become now not done regularly which indicating that the employer isn't paying the debts correctly.
 - It is discovered that the enterprise is getting true percentage of gross profit on income this is due low value of manufacturing.
 - The part of long time debt is extra in capital shape this may impact solvency the location of the employer.
 - In the year 2017 to 2018 our business enterprise income has been increases.
 - The coins and bank balances suggests accelerated fashion but had come down marginally in the 12 months 2020.
 - In the yr 2017 to 2018 income has been decreased due to in green uncooked materials.
 - In the 2017 to 2022 our sales has accelerated to 10 cores stocks.
 - Turnover of the company is growing from yr to yr due to green inside the coins management.

SUGGESTIONS

After proper analysis of the economic role of the corporation and according the findings founds in the analysis the subsequent are a number of the suggestions advocated to the organization for better performance.

- The profitability of the employer is affected because of needless administration fees incurred via the company. It is better to reduce it to growth

the earnings.

- The organization must maintain its operating costs in way and improve the operating nature.
- It is suggested to take measures for collecting dues from the debtors, through allowing bargain and decrease terrible money owed.
- It is recommended to pay the dues to the creditors as in advance as feasible, due to the fact delay increases greater interest expenses and damage the credibility.
- It is recommended to position promotional/classified ads efforts for growing the income of the organisation.
- It is usually recommended to make additions/ introduce new technology within the manufacturing for higher great of output and for increasing the portion of constant property on total utility of funds.

CONCLUSION

The of look at reveals that the working capital role SIBAR AUTO PARTS PVT LTD is good as it remained a bit above the same old norms at some stage in the length of the observe .On the Whole, it could be conclude that the running capital management and profitability performance has been increasing each 12 months. It needs to be maintained and increasing in addition by using powerful usage and manage of modern property especial cash and bank stability.

From the study it is noticed that the running capital is fluctuating i.E., growing and lowering from yr to yr with moderate versions. So, it's miles essential to reduce versions in running capital & profitability to invest greater in constant assets to preserve the organisation in a better function for a long term.

WEBSITES

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