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## **A STUDY ON WORKING CAPITAL MANAGEMENT OF ADITYA BIRLA MUTUAL FUND AT CHENNAI**

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### **ABSTRACT :**

•Managing a company's short-term asset and liability relationships is crucial to ensuring that it can sustain operations and generate enough cash flow to pay off maturing short-term debts and future operating expenses at the lowest possible cost, thereby boosting the firm's profit. There is a clear correlation between the capitals and the working cycle. Examining the operational cycle shows that money allocated to the operating area unit is recycled back into money. The turnover of the cash allocated to various functions will be higher the shorter the length of the operating cycle. A shorter operational cycle indicates more firm potency. The firm's operational cycle is a key factor in determining the effectiveness of asset management. The purpose of this research is to analyse the effectiveness of asset management by examining the relationship between the industry's profitability and the quantity of its operational cycle. The operational cycle has been estimated in order to gauge the capital management efficacy, and as a result, a quantitative link with margin has been developed.

Keywords: Working Capital, Operating Cycle, Profitability, Operating Profit

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### **INTRODUCTION:**

The funds available to cover your immediate and short-term obligations is known as working capital.

- Working capital is the term used to describe the liquid assets that a company maintains to cover its daily operating costs. These assets can be cash or bank deposits.
- Working capital, sometimes referred to as net working capital (NWC), is the difference between a business's current liabilities, such as debts and accounts payable, and its current assets, which include cash, inventories of raw materials and completed goods, and accounts receivable/customers' unpaid bills.

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### **STATEMENT OF THE PROBLEM:**

- Every business needs funds for two purposes: one, for the establishment and the other to carry out the day-to-day operations.
- It needs some amount of working capital to meet daily obligations.
- The need for working capital arises due to the time gap between production and realization of cash from sales.
- Effective and efficient working capital management of a firm has a great effect on its profitability, liquidity and structural health of the organization, and hence it is important to study the working Capital management of the organization

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### **OBJECTIVE OF THE STUDY:**

- To evaluate the liquidity and working capital efficiency of the concern.
- Analysis of different elements of working capital such as cash, receivables and inventory.
- To suggest suitable measures so as to improve the working capital position.
- To study the need and importance of working capital.
- To identify the problems, if any, faced by the company in managing the working capital. Above all, to gain real knowledge regarding the working capital.

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**SCOPE OF THE STUDY:**

- The analysis is mainly carried out to find out the working capital management of mutual fund industry.
- The industry is a seasonal based industry in which the working capital management plays an important role.
- Study is conducted to review the performance of the working capital management of the company for a period of five years.
- It also provides suitable suggestions and conclusions based on the

findings

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**LIMITATIONS OF THE STUDY:**

- Financial analysis is based upon monetary information. As the financial statements are prepared on the basis of a going concern, it does not give exact position.
- The accounting concepts and conversion cause a serious limitation to financial analysis

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**COMPANYPROFILE:**

- Aditya Birla Money India Consumption Portfolio / Multi cap / Thematic A unique one of a kind portfolio, this multi cap fund strives to beat the benchmark (BSE 200) using superior stock selection
- Portfolio Features
- Multi cap strategy
- A Consumption focused portfolio with 12 – 18 stocks ideas
- Benchmark – BSE 200

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**RESEARCHMETHODOLOGY:*****RESEARCH DESIGN***

- The methodology used in this study is descriptive in nature where the researcher has to use facts (or) information already available and study the characteristics of a particular group respectively and there by analyse to make a critical evaluation of the study.

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**PERIOD OF THE STUDY:**

- The financial data for a period five years of Aditya Birla Mutual fund analyzed for the study

***SOURCE OF DATA:***

- The secondary data is used for the study and are collected from the annual reports of the company.

***TOOLS USED FORANALYSIS DATA***

- The collection data were tabulated and presented in appropriate places of various chapters.
- The performance of the business was evaluated by analyzing and interpreting the working capital of Aditya Birla Mutual fund.
- Ratio analysis
- Trend analysis
- Comparative balance sheet

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**FINDINGS:**

- The working capital turnover ratio is -56.64 in 2018-19 and increased to 74.00 in 2019-20 and then decreased to -17.02 in 2020-21.then last year decreased to -2.00. This shows working capital turnover ratio is decrease level.
- The fixed assets ratio during the period 2018-19 to 2022-23. The table indicates that the company has 0.02 in the year of 2018-19. Then next year maintain same level in 2019-20. Then next year of 2020-21 ratio was increased to 0.06. The last year decreased 0.03 in the year of 2022-23. The Fixed asset ratio is fluctuating trend.
- The Debtors turnover ratio lies within its Higher limit. The ratio shows lowest as 35.05 at 2021-22 and shows highest as 57.01 at 2022-23 and there is no standard norm for Debtors turnover ratio. Debtors turnover ratio is Increasing trend.
- The gross profit ratio. This ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (0.40) was obtained during the period 2018-19 and the highest ratio (0.70) value obtained during the period 2022-23. The gross profit ratio is increasing trend.

- The Net profit ratio from 2018-19 to 2022-23. The ratio shows that 26.48 at 2018-19 and increased to 32.42 at 2019-20 and then it was increased to -40.03 in 2020-21 and then increase to 52.26 in 2022-23. So the Net profit ratio is increasing trend.
- The current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio 0.46 was obtained during the period 2021-2022 and the highest ratio 1.09 value obtained during the period 2019-2020. The current asset ratio is above than the decreased in year by year. Therefore the current ratio is considered not satisfactory.

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### **SUGGESTIONS:**

- Further research should be undertaken to find out why Mutual fund does not have a statistically significant effect on financial performance of selected Aditya Birla despite the fact that past literature is suggesting otherwise. Further research should also be undertaken on the effect of regulation and supervision on loan performance in microfinance in Chennai. Further research should also be done on the relationship between debt management and non- performing loans on Aditya Birla industries and the reasons behind loan default in organizations from the clients' perspective.

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### **CONCLUSION:**

- The provisions of the effect of credit approval procedure practices on growth impacted on the hire purchase sector for Aditya Birla positively. The above observations proved that proper records were kept and control exercised in most of the business enterprises, although there were certain areas that were not satisfactory. This resulted in some hire purchase sector for SMEs incurring losses because they had not kept proper accounting records of their previous customers by updating the old records. The summary showed that most of hire purchase sector for mutual fund approve credit customers before credit allowance and append with proper valid timing practices. This made the hire purchase sector for more cautious in managing the liquidity. Moreover, the approval procedures were used in all the four companies in depth and that could mean low credit pending factors from a majority of customers who had a straight record.