



A STUDY ON WORKING CAPITAL MANAGEMENT WITH REFERENCE TO HEMALAYA PVT LTD AT TRICHY

ABINAYA.R

MBA(final year student)

Department of Business Administration

Dhanalakshmi Srinivasan College of Arts and Science for Women

(Autonomous) Perambalur

Ms.Binija CS

Assistant professor Department of Business Administration

Dhanalakshmi Srinivasan College of Arts and Science for Women

(Autonomous), Perambalur

ABSTRACT

Decisions with reference to capital involve managing relationship between a firms short assets and liabilities to make sure a firm is in a position to continue its operations ,and have sufficient money flows to satisfy each maturing short debts and future operational expenses at lowest prices,increasing firms gain.The capitals noticeably go along with the operative cycle.A poring over of the operative cycle reveals that funds endowed within the operation area unit recycled back in to money. The shorter the amount of operative cycle the large are going to be the turnover of the funds endowed in varied functions . The shorter amount of operative cycle shows higher potency of a firm. The potency of assets management are often determined by the in operation

cycle of the firm. This paper aims at analysis the potency of assets management through the connection between in operation cycle amount and profitableness of Himalaya Ltd. To measure the capital management potency. Operative cycle has been calculated and therefore the relationship is formed with margin quantitative relation.

INTRODUCTION

Working capital (abbreviated WC) is a financial metric which represents operating liquidity available to a business, organization, or other entity, including governmental entities. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Gross working capital is equal to current assets. Working capital is calculated as current assets minus current liabilities. If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit and Negative Working capital.

A company can be endowed with assets and profitability but may fall short of liquidity if its assets cannot be readily converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

1.4 RESEARCH METHODOLOGY

Research is a process in which the researches wish to find out the end result for a given problem and thus the solution helps in future of actions. The research has been defined as “A careful in investigation or enquiry especially through search for new facts in branch of knowledge”.

REVIEW OF LITERATURE

Verma (2015) – study examined the working capital management in Tata iron and steel company ltd, Indian iron and steel company and steel authority of India ltd. during the period of 1978-1979 to 1985-1986 there are using various financial and statistical techniques finally concluded the three firm use of bank borrowings to finance the working capital requirement.

Vijaykumar and A. Venkatachalam (2016) – the study focuses Tamilnadu Sugar Corporation for the period of 1985-86 to 1993-94. That indicate the corporation has maintain moderate level of working capital.in that long term funds has been used for meeting short term liability and excess liability. This period of study to as affected the profitability.

Kazmi Azar and mohd. amirkhan(2016)-the study define working capital analysis some used various tools like cash, management of account receivables and management of inventory. The study only for short term period there may comparison based on the international financial sector.so the study get some importance of working capital enjoy full of profit in competitive industry.

Bansal (2017)-researcher study the working capital management in Himachal Pradesh agro industries for the period of 1985-86 to 1994-95 with the help of various financial tools that are define working capital, cash inventory, receivable and production capacity have not been managed properly by the company under study.

Raheman Abdul and Mohamed nasr (2018)-in that study he observed that working capital management and its effect on liquidity as well as profitability of firm. He selected 94 Pakistani firm on Karachi stock exchange for 6 years period i.e. 1999-2004.he used various tool and techniques of persons correlation and regression analysis. Finally find the negative and positive relationship in working capital management in a firm

Paul (2018) – this is comprehensive study of working capital management in motor industries company limited. During the period of 2001 to 2005 for 5year data collected. To analysis purpose uses various kinds of ratio analysis. Finally shows that working capital of company under study has not been managed efficiently and effectively.

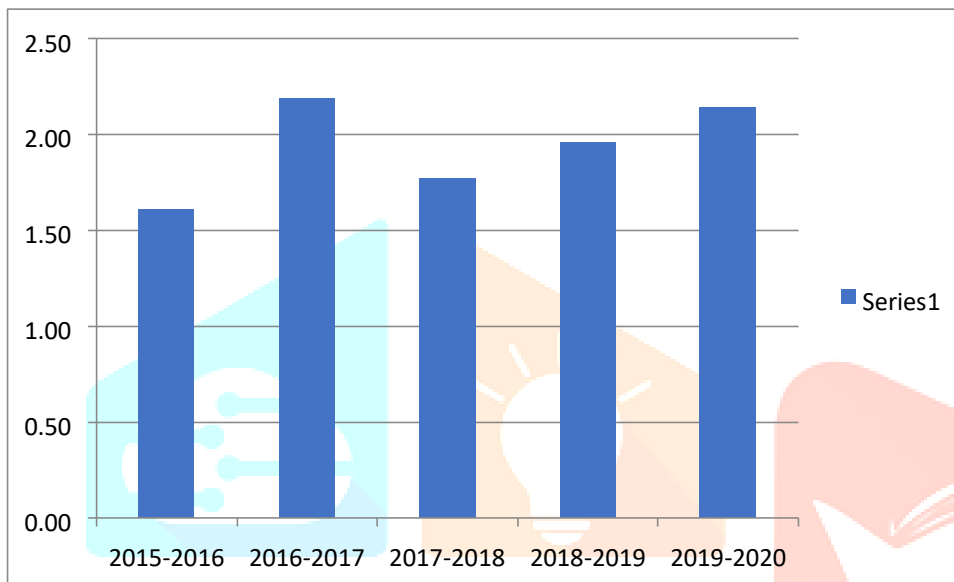
TABLES AND CHARTS

Table : 1 CURRENT RATIO

YEARS	CURRENT RATIO
2015-2016	1.61:1
2016-2017	2.19:1
2017-2018	1.77:1
2018-2019	1.96:1
2019-2020	2.14:1

INTERPRETATION:

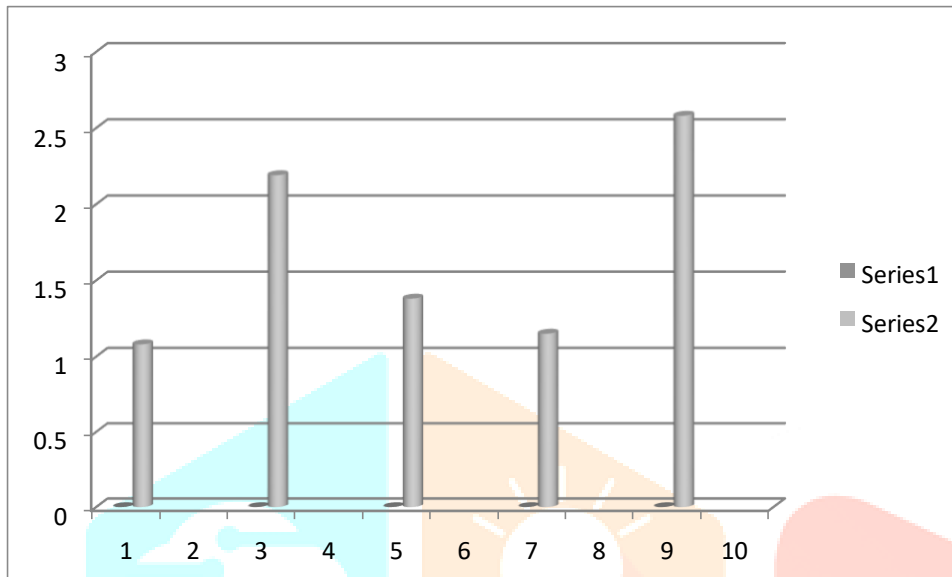
It is generally believed that 2:1 ratio shows a comfortable working capital position. The tendon committee appointed by RBI had wide recommended a current ratio of 2:1. Company has maintained this ration and increased it year by year. A current ratio is 1.61 in the current year. But in the other year the ratio is nearer to 1:2 so we can say that the company having comfortable working capital position. **CHART: 1**

CURRENT RATIO**TABLE: 2 ACID-TEST RATIO**

YEARS	ACID-TEST RATIO
2015-2016	1.08:1
2016-2017	2.19:1
2017-2018	1.38:1
2018-2019	1.15:1
2019-2020	2.58:1

INTERPRETATION:

Acid-test ratio is near to one in current year that is 1.08 as compare to 1.38 in the previous year. Over all the acid-test ratio of last five year is very satisfactory so we can conclude that the absolute liquidity of the Himalaya Pvt Ltd is in favor.

CHART:3**TABLE: 3****DEBTORS TURNOVER RATIO**

YEARS	DEBTORS TURNOVER RATIO
2015-2016	31.21:1
2016-2017	22.60:1
2017-2018	29.92:1
2018-2019	19.50:1
2019-2020	16.82:1

INTERPRETATION

We know that the higher Debtor's turnover ratio is not good for the firm. In the year 2013-14 it is 31.21:1 but in the previous year it was 22.60:1. So some improvement is needed.

CHART:3

DEBTORS TURNOVER RATIO

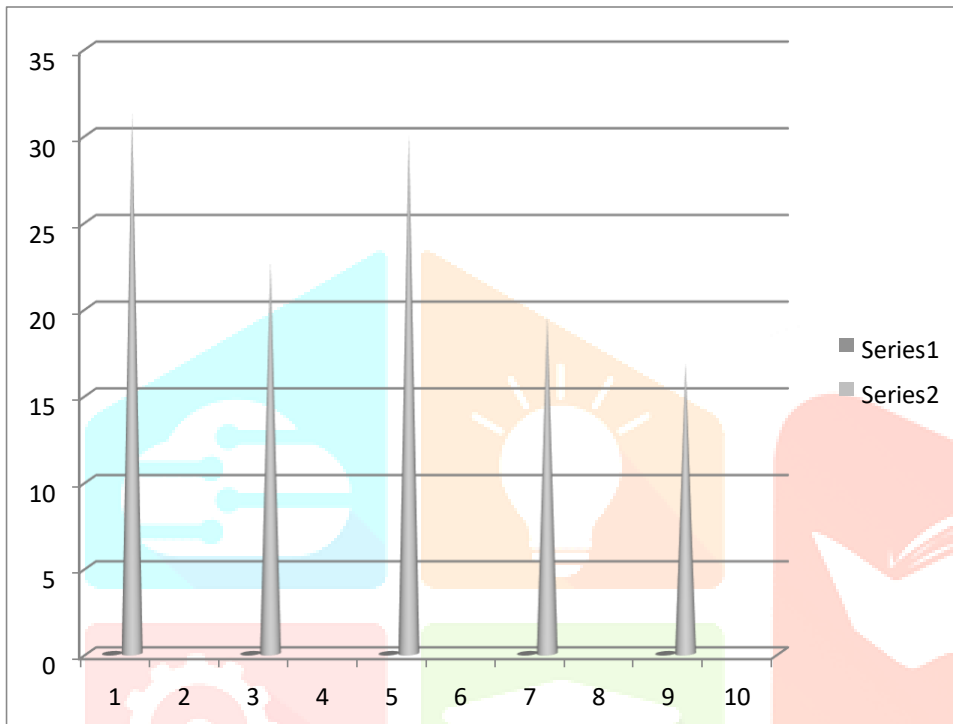


TABLE NO :4 CREDITORS TURNOVER RATIO

YEARS	CREDITOR'S TURNOVER RATIO
2015-2016	3.33:1
2016-2017	4.62:1
2017-2018	5.47:1
2018-2019	5.49:1
2019-2020	3.96:1

INTERPRETATION:

Higher Ratio of creditor turnover forces the company to check that payment is made with in credit period properly or not. The creditors' turnover ratio is 3.33 in 2013-14 as compare to 2014-15 the ratio is 4.62 which is higher than the other years.

CHART:4

CREDITORS TURNOVER RATIO

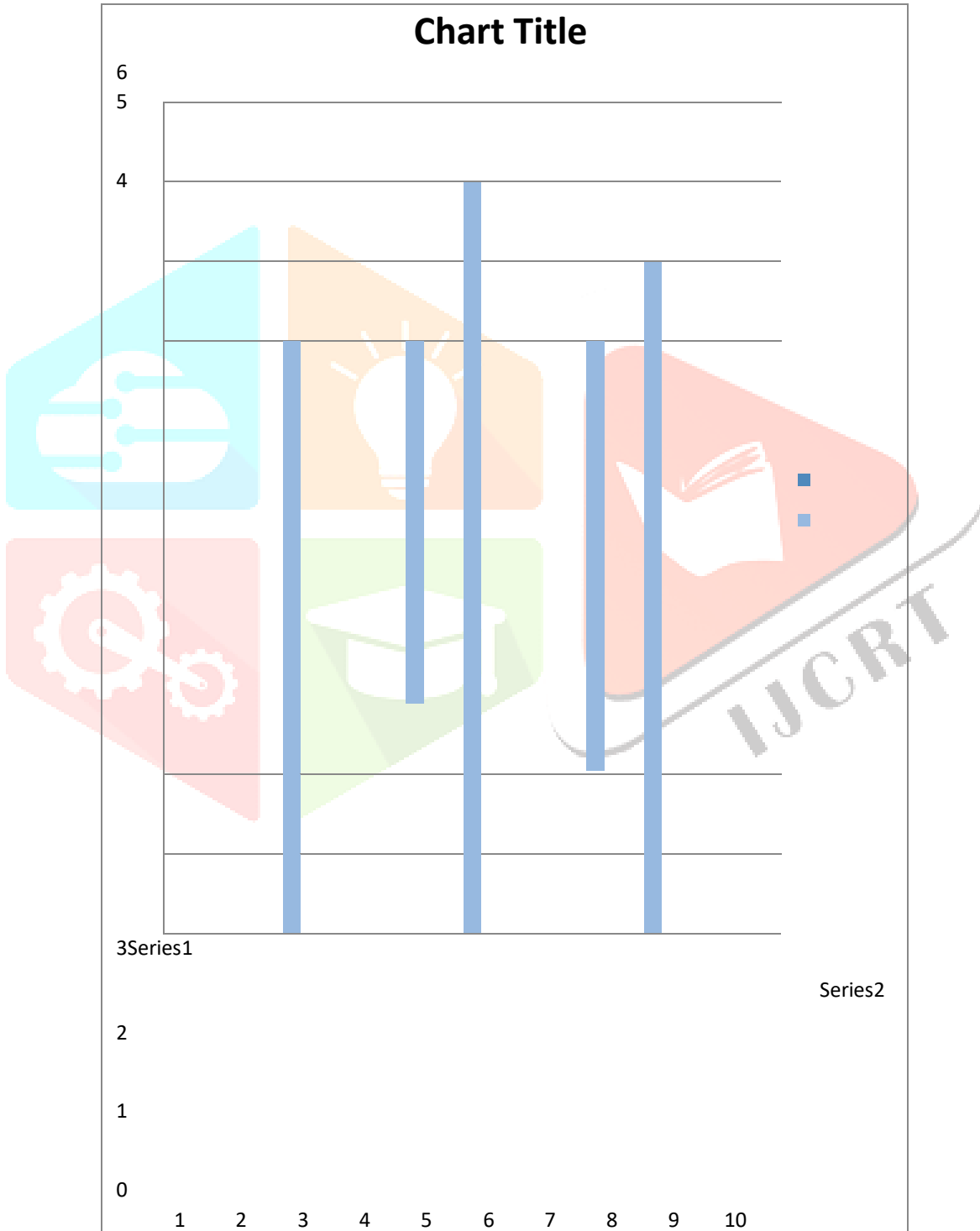
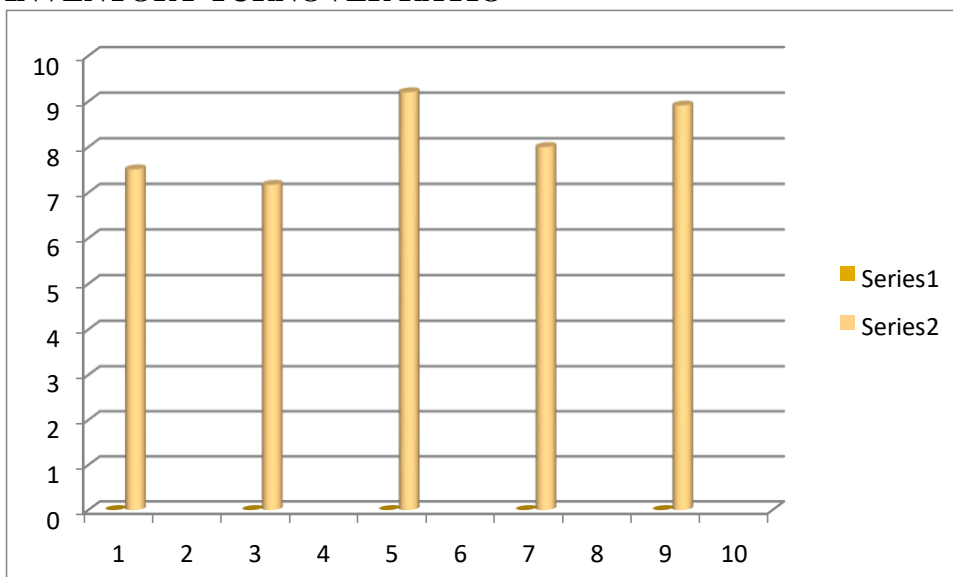


TABLE: 5**INVENTORY TURNOVER RATIO**

YEARS	INVENTORY TURNOVER RATIO
2015-2016	7.51 times
2016-2017	7.17 times
2017-2018	9.20 times
2018-2019	8 times
2019-2020	8.91 times

INTERPRETATION:

Higher the ratio more profitability the business would be. The ratio is joining the ability of management with which it can move the stock. Inventory turnover ratio is highest in the year 201516 is 9.20 as compare to the other year but in current year it is 7.51 which is little lower than previous year but it is obvious that in heavy industries like Himalaya Pvt Ltd have lower ration as compare to FMCG.

CHART: 5**INVENTORY TURNOVER RATIO**

FINDINGS Findings of working capital management of Himalaya Pvt Ltd

- The Company having comfortable working capital position.
- The absolute liquidity of the Himalaya Pvt Ltd is in favor.
- The collection policy of the company is very good.
- The creditor's turnover ratio is 3.33 in 2015-16 as compare to 2016-17 the ratio is 4.62 which is higher than the other years.
- Inventory turnover ratio is highest in the year 2016-17 is 9.20 as compare to the other year but in current year it is 7.51 which is little bit lower than previous year but it is obvious that in heavy industries like Himalaya India Ltd have lower ratio as compared to others.
- The working capital ratio is 7.60 in 2015-16 and 5.57 in 2016-17 but the best favorable ratio is in 2018-19 which is 10 times. So, it indicates better working capital condition of the company.

CONCLUSION

In the present study I have analyzed the working capital management of Himalaya Pvt Ltd. The study involves practical and conceptual over view of decisions concerning current assets like cash and bank balance ,inventories(like raw materials ,w-i-p, finished goods),sundry debtors, loans and advances, other current assets and current liabilities like sundry creditors, securities and other deposits, other current liabilities and provisions of Himalaya Pvt Ltd. Was with the objective of maximizing the overall net profit of the bank. And complete synchronization and coordination among the working capital components which shall contribute to optimum level of operations. Mismanagement of each or any of these components shall be detrimental to the objectives of efficient operation, profitability and maximization of overall value of the company. The working capital limits would be considered only after the project nearing completion and after ensuring control over the inventory. The inventory is a great concern for Himalaya Pvt Ltd and it needs proper procurement and management.

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