



A STUDY ON WORKING CAPITAL MANAGEMENT IN COCA-COLA ITD, SRIKALASTHI:

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ABSTRACT:

Working capital management plays an important role in maintaining the financial stability and operational efficiency of any organization. This study focuses on the analysis of working capital management practices in the Srikalahasti unit of The Coca-Cola Company. The main objective of the study is to evaluate how effectively the company manages its short-term assets and liabilities to ensure smooth business operations.

The study examines key components of working capital such as cash, inventory, accounts receivable, and accounts payable. Financial tools like the current ratio, quick ratio, and inventory turnover ratio are used to analyze the liquidity and efficiency of the company. Data for the study is collected from company financial statements, reports, and other secondary sources.

The findings of the study indicate that effective working capital management helps the company maintain adequate liquidity, improve operational performance, and ensure timely fulfillment of short-term obligations. Proper management of inventory and receivables contributes to better cash flow and profitability.

KEY WORDS: : working capital, ration analysis, statement in working capital

INTRODUCTION:

Working capital is the life blood and nerve center of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully without an adequate amount of working capital.

Working capital management Meaning:

Working capital refers to short term funds to meet operating expenses. It refers to the funds which a company must possess to finance its day-to-day operations. Therefore, working capital is concerned with the management of the firms, current assets and current liabilities. If a firm cannot maintain a satisfactory level of working capital likely to become insolvent and even be forced bankruptcy. **REVIEW OF LITERATURE NCEAR (1966):-**

The National council of applied Economic Research (NCEAR) in 1966 first time formal study was conducted on working capital management in India. The council published a structure of working capital" which was limited analysis of the creation of working capital with special attention to the fertilizers, and cement and sugar industries the main objective of this study was emphasized on come out with findings that working capital management practices were extremely unplanned and hence need to develop proper accounting policies like inventory management, debtors management as above. And the study suggested developing suitable working capital policies required in the success of business.

Dutta (2000):-

Author Dutta has done study on "Working Capital Management of Horticulture Industry in Humachal Pradesh" that was a case study of Himachal Pradesh Horticulture Produce Marketing and Processing Corporation for the stage 1991 to 1998. The study was thrown the light on financing pattern of working capital management. The study exposed that the working capital of HRMC was going worse gradually during the study period. Though, huge losses of the firm holding the huge amount of inventory and that was a main cause of failed trade off among liquidity and profitability. The conclusion of study like that there was no significant correlation between gross working capital and sales.

Jain P. K. and YadavSurendra S. (2001):-

That was a study of corporate Working capital management related practices in India, Singapore and Thailand. This study tried to understand the relationship of working capital management and current assets and current liabilities. In other hand, authors have revealed the analysis liquidities ratios like current assets and current liabilities. Every sample of study have been pertained these ratios for the management of working capital. In a sum up of the paper the data of samples of three countries confirm that there were wide inter-industry variations in liquidity ratios. At the end, authors suggest the serious consideration attention to be given by respective nation as well industry groups of three companies and should develop corrective measures to take care of areas concern.

OBJECTIVES OF THE STUDY

- To study and evaluate the working capital position and its management in the company.
- To study the short term liquidity position of the company.
- To offer feasible ways and means to improve the financial health of the company.
- To identify techniques used to maintain of short debts and short term expenses.

NEED FOR THE STUDY

Working capital is the life blood of the organization. The working capital is having great influence on the development and progress of any organization. The efficient management of working capital is a smooth functioning of day -t day operation of Hindustan Coca Cola Beverages Pvt Ltd. Hence, there is a need to study the importance of working capital management in the Hindustan Coca Cola Beverages Pvt Ltd. Therefore the present study has been undertaken in this direction.

SCOPE OF THE STUDY:

The scope of the study is limited to collecting 5 years(2018-2019 to 2022-2023) of financial data published in annual reports of the company with reference to the objectives stated above and an analysis of data with a view to understand the solutions by applying various ratios relating to balance sheets.

LIMITATIONS OF THE STUDY

- Considering the information provided by the company to be true and the correct in the study conducted.
- Some of the needed secondary data were not provided by the company.
- Primary data was collected only in Finance and Accounts Department of the Hindustan Coca Cola Beverages Pvt Ltd.

METHODOLOGY OF THE STUDY

1. **The data required for the study is mainly based on secondary data.**
2. **The required information is collected from the annual report of the Hindustan Coca Cola Beverages Pvt Ltd comprising of balance sheets, P&L accounts.**
3. **The related data is obtained from the printed and published journals and financial statement of the corporation.**

Tools for data analysis:

Financial tools such as,

- **Financial ratio analysis, and**
- **Working capital statements**

Period of study:

Data for a period of 5 years has been taken for the study i.e. starting from 2015-16 to 2019 - 2020

Research design : Analytical

Analytical Tools : Ratio analysis, statement showing changes in working capital

Data sources : Secondary data

Secondary data : The secondary data has been collected from company records, annual Reports.

Period of the study : 2019-20 – 2023-24

- DATA ANALYSIS AND INTERPRETATIONS**

STATEMENT SHOWING CHANGES IN WORKING CAPITAL FOR THE YEAR ENDING 31ST MARCH 2020-21

(Rs. in Lakhs)

PARTICULARS	Previous Year 2020	Current Year 2021	Efficiency on Working Capital	
			Increase	Decrease
CURRENT ASSETS				
Inventory	5081.79	5784.25	702.46	-----
Sundry Debtors	7666.47	6481.67	-----	1184.80
Cash & Bank Balance	217.28	195.15	-----	22.13
Loans & Advances	799.37	1180.81	381.44	-----
TOTAL CURRENT ASSETS (A)	13764.93	13641.90		
CURRENT LIABILITIES				
Current liabilities	4106.23	3911.51	194.72	-----
Provisions	290.00	270.05	19.5	-----
TOTAL CURRENT LIABILITIES (B)	4396.23	4181.56		
WORKING CAPITAL = (A-B)	9368.70	9460.34		91.64
NET INCREASE/DECREASE IN WORKING CAPITAL	91.64			
TOTAL	9460.34	9460.34	1298.12	1298.12

Interpretation;

The above table 4.1 shows statements of changes in working capital during the 2020-21 which has a net increase in working capital Rs.91.64 lakhs.

STATEMENT SHOWING CHANGES IN WORKING CAPITAL FOR THE YEAR ENDING 31ST MARCH 2021-22

(Rs. in Lakhs)

PARTICULARS	Previous Year	Current Year	Efficiency on Working Capital	
	2021	2022	Increase	Decrease
CURRENT ASSETS				
Inventory	5784.25	7149.78	1365.53	-----
Sundry Debtors	6481.67	10246.29	3764.62	-----
Cash & Bank Balance	195.15	144.96	-----	50.19
Loans & Advances	1180.81	1893.41	712.3	-----
TOTAL CURRENT ASSETS (A)	13641.90	19434.46		
CURRENT LIABILITIES				
Current liabilities	3911.51	6013.69	-----	2102.18
Provisions	270.05	715.21	-----	445.16
TOTAL CURRENT LIABILITIES (B)	4181.56	6728.9		
WORKING CAPITAL = (A-B)	9460.33	12705.56		3245.22
NET INCREASE/DECREASE IN WORKING CAPITAL	3245.22			
TOTAL	12705.56	12705.56	5742.752	5742.75

Interpretation:

The above table 4.2 shows statements of changes in working capital during the 2021-22 which has a net increase in working capital Rs.3245.22 lakhs

STATEMENT SHOWING CHANGES IN WORKING CAPITAL FOR THE YEAR ENDING 31ST MARCH 2022-23

(Rs. in Lakhs)

PARTICULARS	Previous Year 2022	Current Year 2023	Efficiency on Working Capital	
			Increase	Decrease
CURRENT ASSETS				
Inventory	7149.78	9441.09	2291.23	-----
Sundry Debtors	10246.29	10745.34	499.04	-----
Cash & Bank Balance	144.96	971.53	826.57	-----
Loans & Advances	1893.41	3501.91	1608.5	-----
TOTAL CURRENT ASSETS (A)	19434.46	24659.89		
CURRENT LIABILITIES				
Current liabilities	6013.69	6480.91	-----	467.22
Provisions	715.21	1100.80	-----	385.59
TOTAL CURRENT LIABILITIES (B)	6728.9	7581.71		
WORKING CAPITAL = (A-B)	12705.56	17078.17		4372.52
NET INCREASE/DECREASE IN WORKING CAPITAL	4372.52			
TOTAL	17078.17	17078.17	5225.33	5225.33

Interpretation:

The above table 4.3 shows statements of changes in working capital during the 2022-23 which has a net increase in working capital Rs.4372.52 lakhs.

STATEMENT SHOWING CHANGES IN WORKING CAPITAL FOR THE YEAR ENDING 31ST MARCH 2023-24

(Rs. in Lakhs)

PARTICULARS	Previous Year 2023	Current Year 2024	Efficiency on Working Capital	
			Increase	Decrease
CURRENT ASSETS				
Inventory	9441.09	11991.91	2550.82	-----
Sundry Debtors	10745.34	22315.01	11569.67	-----
Cash & Bank Balance	971.53	725.61	-----	245.92
Loans & Advances	3501.91	5745.15	2243.24	-----
TOTAL CURRENT ASSETS (A)	24659.89	40777.69		
CURRENT LIABILITIES				
Current liabilities	6480.91	14193.96	-----	7713.05
Provisions	1100.80	1270.80	-----	170.00
TOTAL CURRENT LIABILITIES (B)	7581.71	15464.76		
WORKING CAPITAL = (A-B)	17078.17	25312.92		8234.76
NET INCREASE/DECREASE IN WORKING CAPITAL	8234.76			
TOTAL	25312.92	25312.92	16363.73	1636.73

Interpretation:

The above table 4.4 shows statements of changes in working capital during the 2023-24 which has a net increase in working capital Rs.8234.76 lakhs.

STATEMENT SHOWING CHANGES IN WORKING CAPITAL FOR THE YEAR ENDING 31ST MARCH 2024-25

(Rs. in Lakhs)

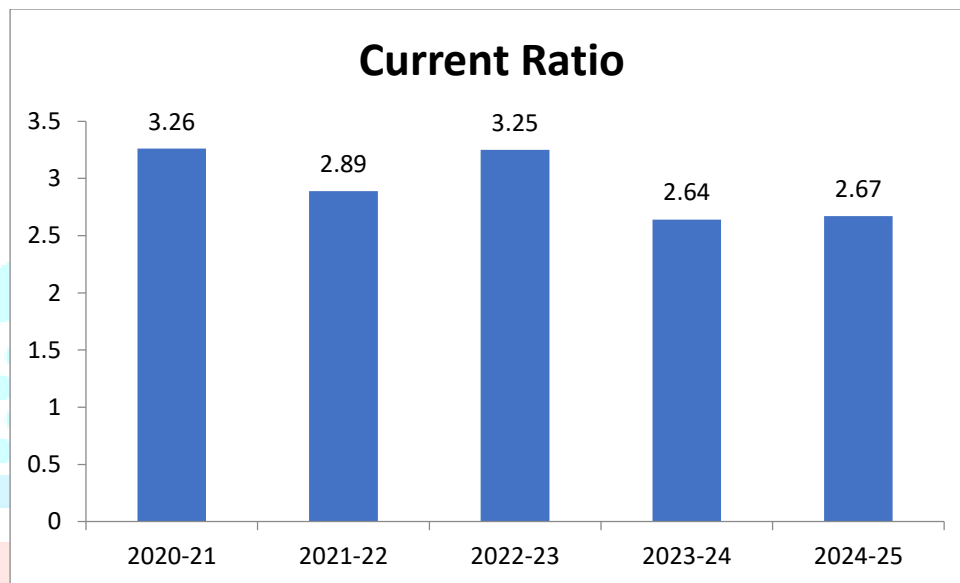
PARTICULARS	Previous Year 2024	Current Year 2025	Efficiency on Working Capital	
			Increase	Decrease
CURRENT ASSETS				
Inventory	11991.91	14282.10	2290.19	-----
Sundry Debtors	22315.01	22770.20	455.19	-----
Cash & Bank Balance	725.61	954.68	229.07	-----
Loans & Advances	5745.15	7028.09	1282.94	-----
TOTAL CURRENT ASSETS (A)	40777.69	45035.09		
CURRENT LIABILITIES				
Current liabilities	14193.96	14887.93	-----	693.97
Provisions	1270.80	1954.09	-----	683.29
TOTAL CURRENT LIABILITIES (B)	15464.76	16842.02	-----	
WORKING CAPITAL = (A-B)	25312.92	28193.07		2880.15
NET INCREASE/DECREASE IN WORKING CAPITAL	2880.15			
TOTAL	282193.07	282193.07	4257.39	4257.39

Interpretation:

The above table 4.5 shows statements of changes in working capital during the 2024-25 which has a net increase in working capital Rs.2880.15 lakhs.

CURRENT RATIO

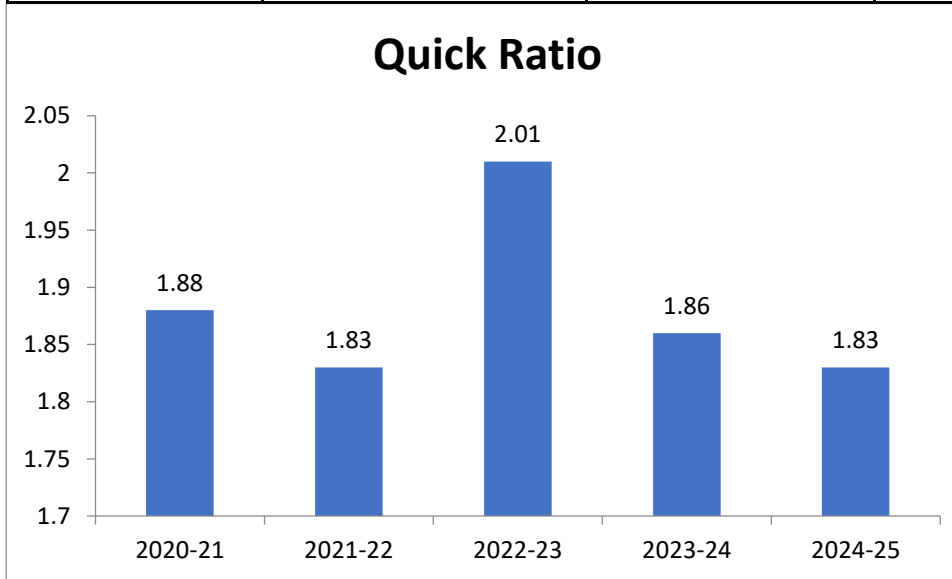
Year	Current assets Rs.	Current liabilities Rs.	Current Ratio
2020-21	13641.9	4181.6	3.26
2021-22	19434.46	6728.9	2.89
2022-23	24659.89	7581.7	3.25
2023-24	40777.69	15464.8	2.64
2024-25	45035.09	16842	2.67

**Inference:**

It is observed from the above graph and table the current ratio for the period of 2020,2021,2022,2023,2024 and 2025, are 3.26, 2.89,3.25,2.64 and 2.67.

. Quick Ratio

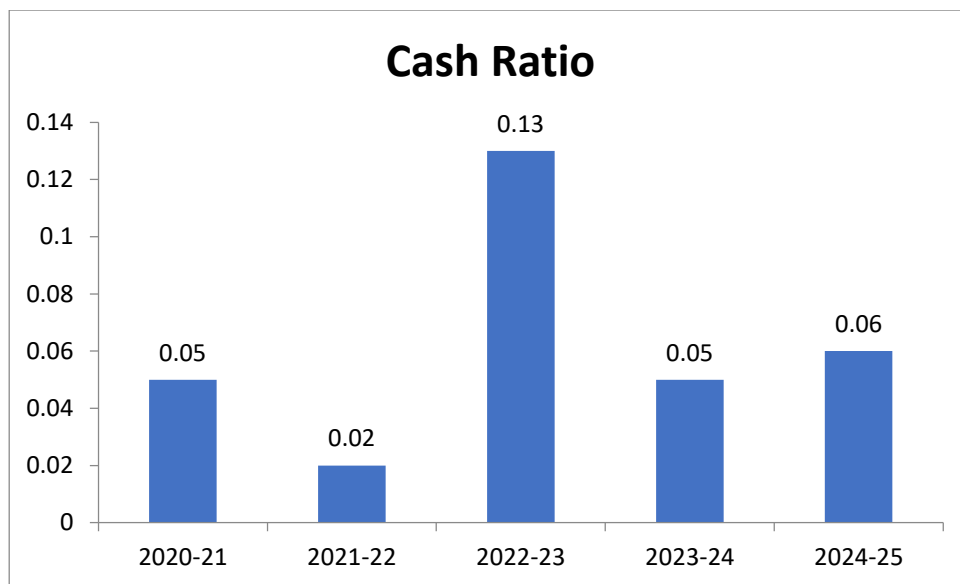
Years	Quick assets Rs.	Current liabilities Rs.	Quick Ratio
2020-21	7858.00	4181.6	1.88
2021-22	12284.68	6728.9	1.83
2022-23	15218.8	7581.7	2.01
2023-24	28785.78	15464.8	1.86
2024-25	30752.99	16842	1.83

**Inference:**

It is observed from the above graph and table the current ratio for the period of 2020,2021,2022,2023,2024 and 2025, are 1.88, 1.83,2.01,1.86 and 1.83.

CASH – RATIO

Year	Cash balance Rs.	Current liabilities Rs.	Cash Ratio
2020-21	195.16	4181.6	0.05
2021-22	144.96	6728.9	0.02
2022-23	971.54	7581.7	0.13
2023-24	725.61	15464.8	0.05
2024-25	954.68	16842	0.06



Inference:

It is observed from the above graph and table the current ratio for the period of 2020,2021,2022,2023,2024 and 2025, are 0.05, 0.02,0.13,0.05and 0.06.

FINDINGS

- ❖ The current ratio however is around 3.26 with a value greater than 2 in all the years. There is enough security for the short term lenders and trade creditors.
- ❖ The average quick ratio is 2.06 times higher than the standard norm of 1:1. It shows that the company is maintaining sufficient investment in current assets.
- ❖ The average cash ratio is 0.062 which is much below the standard norm of 0.5:1. It indicates that the company has failed in keeping sufficient cash and bank balances.
- ❖ The inventory turnover ratio increased from 3.25 in 2020-21 to 5.8 in 2023-24 due to the increase in net sales.
- ❖ The debtors turnover ratio increased from 2.49 in 2020-21 to 4.28 in 2022-23.
- ❖ The average collection period decreased from 144 days in 2019-20 to 84 days in 2021-22, the decrease indicates the efficiency of collection of debts except in 2018-19, where the average collection period went up to 102 days.
- ❖ The total assets turnover ratio increased from 0.85 in 2020-21 to 1.21 in 2022-23, indicating that the firm was successful in generating sales from total assets except in 2023-24 where the ratio was 1.11.
- ❖ The net profit ratio increased from 8.3% in 2020-21 to 11% in 2022-23, but in 2023-24 it was 9%. This shows that there is scope for further improvement in the net profit.

SUGGESTIONS

- ❖ There is a scope for the company to reduce the current assets especially debtors, and inventories to reduce the networking capital and improve the profitability.
- ❖ The company has to implement strict credit policy & procedures to collect the dues from debtors in time.
- ❖ The company has to achieve its set targets by striving for its fulfillment.

- ❖ The company has to utilize its fixed assets properly to generate sales.
- ❖ The company can make use of its financial strength to borrow and improve returns for the share holder
- ❖ Current assets and current liabilities should be efficiently utilized in order to increase the Working Capital Ratio.
- ❖ The company may follow the same level of working Capital in Future Ratio.

CONCLUSION

The overall performance of the company will depend upon the performance from liquidity, solvency and turnover .Therefore, it is concluded that the Company's working capital position is good .The company has to evaluate the appropriate strategy in all such directions, which will certainly drive the company to the new heights.

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