

“A STUDY ON WORKING CAPITAL MANAGEMENT” AT ADITYA AUTO PRODUCTS AND ENGINEERING PRIVATE LIMITED, DODDABALLAPUR

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Abstract :

This study delves into the intricacies of working capital management (WCM) within Aditya Auto Products and Engineering Private Limited. The objective is to analyze the company's strategies for efficiently managing, its current assets & liabilities to maintain optimal liquidity and operational efficiency. By examining the company's cash conversion cycle , inventory turnover, & accounts receivable/payable processes, this research aims to provide insights into the effectiveness of Aditya Auto Products' WCM practices. The findings from this study will contribute to a better understanding of company's financial health and provide recommendations for potential improvements in its WCM strategies.

Keywords :

WCM , Financial health, Operational efficiency, Short-term assets, Liabilities, Liquidity, Resource, Profitability, Cash , Accounts receivable , Accounts payable Inventory, Efficient etc.

Introduction :

WCM plays a pivotal role in the financial health and operational efficiency of businesses across industries. It involves the management of a company's short-term assets and liabilities, ensuring a delicate balance B/w maintaining sufficient liquidity to meet immediate obligations and utilizing resources efficiently to maximize profitability. Efficient WCM entails overseeing components such as cash , accounts receivable , accounts payable , and inventory. A well-structured approach to working capital management allows business's to optimize their cash flow, reduce financing costs, and enhance their ability to respond to market dynamics. As such, understanding the principles and practices of working capital management is crucial for organizations striving to maintain stability, support growth, and navigate the challenges of a dynamic business environment.

Working Capital Types:**1. Persevering or Settled WC :****• Systematic WC :**

The sum of amount needed to support the smooth flow of current resources, including the transferral of cash from accounts receivable to cash & other crucial elements, is known as WC.

• Reserve WC :

Safety WC is the part of WC set aside to deal with unanticipated occurrences like strikes, price increases, emergencies, and other contingencies.

2. Brief or Variable WC :**• Standard WC :**

The money required to pay on-going costs in a organization venture is referred to as standard Wc . For instance , based on current sales activity, a operation of coolers, heaters, or woolen materials may need additional replenishments to support output and maintain inventory levels.

Standard WC is a short-term asset by nature and should be funded with short- term resources like bank loans & other kinds of cash advances.

• Particular WC :

A kind of WC known as specialist WC is needed to handle unusual requirements, such as moving sizable

campaigns for analysis, etc.

- **Featured aspects of working capital:**

The essential components of WC are as follows:

- A concise life expectancy
- A focus on now
- Extraordinary Transformation
- Constant and Visit
- Liquidity
- The relationship B/w different assets

Literature Review :

1. The Relationships between WC Management and Financial Performance: Evidence from Jordan

Author: Tareq Mohammad , Mohammad Abdullah Year:2021

In this study, the moderating impacts of WC management, WC finance, and investment strategy on financial performances of industrial businesses recorded on the Amman Stock Exchange (ASE) were investigated. Return on assets was used to evaluate financial presentation of sample, which consisted of 42 manufacturing businesses. Inventory turnover, receivables turnover, current asset turnover, WC turnover, and the inventory-to-sales ratio were some of criteria used to assess success of WCM . results display that these measurements, despite clearly distinguishing between direct and moderating models, had a big impact on financial health of manufacturing companies.

2. A Study on WC Management of Selected Automobile Companies

Author: Dr. Seema Pandit Year:2020

The study intends to look into the WC management practises used by various auto sector businesses. The Motaal test was used to evaluate these companies' liquidity situation and see whether there is link b/w liquidity and profitability. Measures of the corporations' profitability were Return on Capital Working and Return on Net Worth. Tata Motors placed tenth, indicating a severely low liquidity position, according to Motaal test results, while Bajaj Auto Ltd. displayed the greatest liquidity condition among the ten selected corporations.

3. Title: A Study on WC Management of Steels Companies in India Author: Priyadarshna , Dr.

Meenakshi Kumari**Year:2023**

Every business's entire financial management must include managing WC. It entails managing current assets, responsibilities, & short-term liabilities. Maintaining appropriate levels of different WC components, such as cash receivables, inventories, and payables, calls for regular monitoring. The optimum level of working capital is directly influenced by the management strategies used for current assets and liabilities.

4. Impact of WC Ratios on Profitableness in Selected Four-Wheeler Automobile Companies in India

Author: Abdul Rahman Year:2023

The report examined relation ship between WCM ratios & profitability in particular four-wheel automotive industries using coefficient of correlation, correlation matrix, and multiple fixation analysis. Ten passenger car manufacturers were chosen to span the years 2011–2012 to 2020–21. Using correlativity and regression techniques, effects of six different WC component ratios—current ratio (CR), liquidity ratio (LR), WC turnover ratio (WCTR), inventory turnover ratio (ITR), receivables turnover ratio (RTR), and cash turnover ratio (CTR)—on profitability were examined. The results demonstration that WC ratios (CR, LR, WCTR, ITR, RTR, and CTR) and profitability ratios have a pleasing association. With exception of cash turnover ratio, five out of the six working capital component ratios demonstrated meaningful relationships with profitability.

Objectives Of the Study

- To Determine the Working Capital Requirement of Firm.
- To Ascertain the Motaal Liquidity Test.
- To Study on Effect of Change in Working Capital on Profitably of the Firm.

LIMITATIONS OF STUDY:

- Study's limited timeframe may limit findings, excluding business strategies or economic changes.
- Study reliability relies on accurate financial data availability, avoiding inconsistencies and gaps to ensure validity.
- External factors that influence WC management, including as legislative constraints, market conditions, and technical advancements, may not be taken into consideration by the study.
- Study may overlook internal factors impacting WC management, including organizational structure,

managerial choices, and employee performance.

RESEARCH METHODOLOGY:

Primary data :

- It was made available throughout the process complete direct communication with company employees.

Secondary data :

- Referencing standard text books and reference books collected for information about theoretical aspects
- Articles and journals
- Companies & other websites.

Motaal test : TABLE:4.1.1

Year	WC to CA Ratio	Rank	Inventor y to CA Ratio	Rank	LA to CA Ratio	Rank	NWC to CA Ratio	Rank	Total Rank	Ultimat e Rank
2017-18	(0.36)	1	22.26	1	10.62	5	4.15	1	8	1
2018-19	(33.93)	5	39.04	3	21.35	2	2.80	2	12	2
2019-20	(18.50)	4	43.63	5	23.41	1	1.01	3	13	3.5

2020-21	(17.65)	3	38.52	2	19.03	4	(7.48)	4	13	3.5
2021-22	(12.64)	2	41.24	4	19.89	3	(7.70)	5	14	5

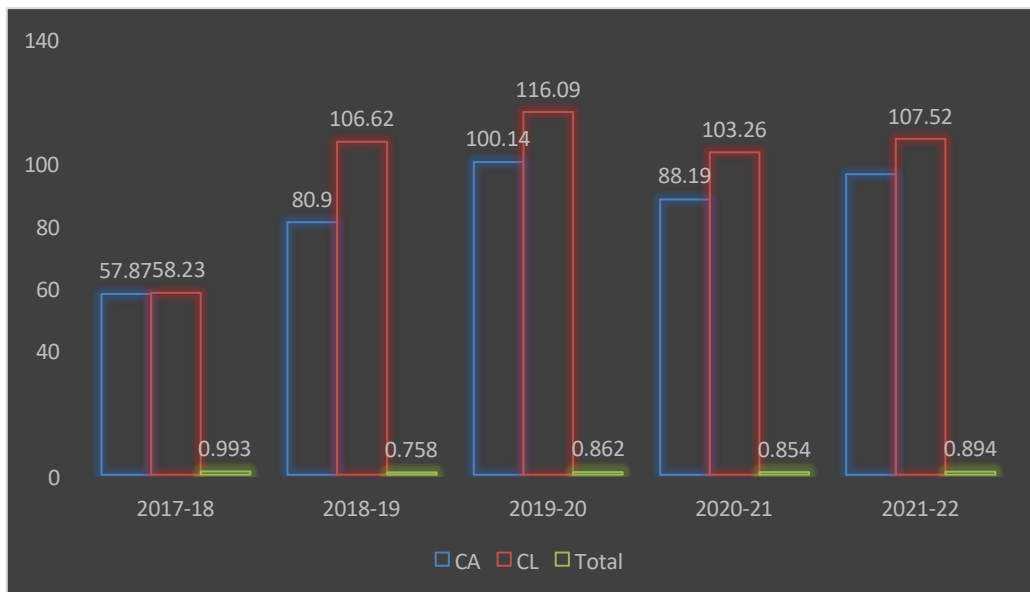
This test has remained applied for determining the liquidity position of Aditya auto products & engineering pvt ltd over the period under consideration. On basis of ultimate ranking as suggestion by motaal it may be concluded that liquidity position of Aditya auto products & engineering pvt ltd in year 2017-18 was best followed by years 2018-19,2019-20,2020- 21,2021-22respectively in the order.

Ratio

CURRENT RATIO CR

= CA / CL TABLE:4.2. 1

Year	2017-18	2018-19	2019-20	2020-21	2021-22
CA	57.87	80.9	100.14	88.19	96.22
CL	58.23	106.62	116.09	103.26	107.52
Total	0.993	0.758	0.862	0.854	0.894



GRAPH:4.2.1

INVESTIGATION:

From above table we can analyze that the current ratio is less than < 1 that is CL are more than CA .

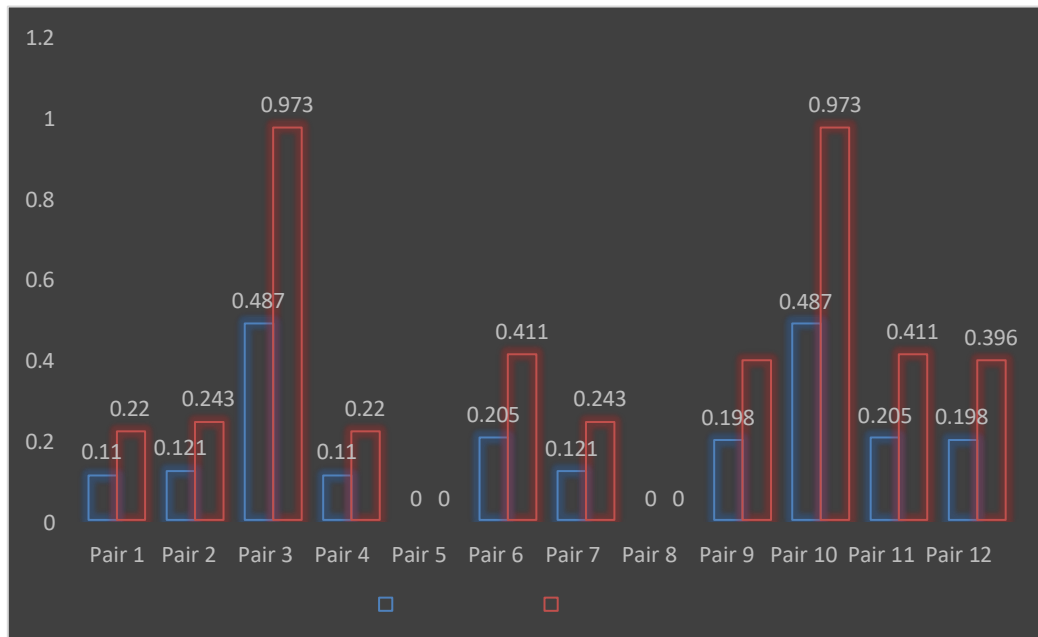
INTERPRETATION :

From the above graph we can infer that the CR is adverse because the CL are more then the CA. The company as increase the sales so the company took more loans to increase sales so the CL are more.

Paired Samples Correlations						
		N	Correlation	Significance		
				One-Sided p	Two-Sided p	
Pair 1	Working capital(WC) to Current Assets(CA) Ratio & Inventory to Current Assets Ratio	5	-.666	.110	.220	
Pair 2	WC to CA Ratio & Liquid Assets to CA Ratio	5	-.642	.121	.243	
Pair 3	WC to CA Ratio & Net WC to CA Ratio	5	-.021	.487	.973	
Pair 4	Inventory to CA Ratio & WC to CA Ratio	5	-.666	.110	.220	
Pair 5	Inventory to CA Ratio & Liquid Assets to CA Ratio	5	.996	<.001	<.001	
Pair 6	Inventory to CA Ratio & Net WC to CA Ratio	5	-.482	.205	.411	

Pair 7	Liquid Assets to CA Ratio & WC to CA Ratio	5	-.642	.121	.243
Pair 8	Liquid Assets to CA Ratio & Inventory to CA Ratio	5	.996	<.001	<.001
Pair 9	Liquid Assets to CA Ratio & Net WC to CA Ratio	5	-.496	.198	.396
Pair 10	Net WC to CA Ratio & WC to CA Ratio	5	-.021	.487	.973
Pair 11	Net WC to CA Ratio & Inventory to CA Ratio	5	-.482	.205	.411
Pair 12	Net WC to CA Ratio & Liquid Assets to CA Ratio	5	-.496	.198	.396

GRAPH:4.3.1



INTERPRETATION :

From the above graph we can analysis the significance of one sided p and two sidedp for each pairs in the graph like WC to CA Ratio and Inventory to CA Ratio and etc

Findings :

- The company is more dependent upon the short term borrowings because to achieve the production target to full fill the order received from the customers.
- The company have negative WC because they have less CA compare to current liabilities so they will be facing difficulty to meet the short term obligations.
- The company have less cash & cash equivalents and they have more short term borrowings so it is effecting on the WC.
- The company need to focus on the increase the WC because the business is not makingproper strategy regarding the WC management.

Suggestions :

- The need to increase the there current assets like some of the % of profit need to kept for the future production that's helps to increase the company profitability.
- The company have more other current liabilities and they have less current assets so the company need to increase there CA and decrease there current liabilities that helpsto increase the company profitability.
- In the company they have negative working capital ratio because the CA are more then the current liabilities so the working capital ratio is in negative, so the companyneed to increase the CA & decrease the current liabilities that will helps to meet thereshort term obligations and to stay in the market.
- The company have less cash and cash equivalentents so they need to increase there cashand cash equivalentents so in company have any risk , uncertainty or any losses happen or acer in the company then will face difficulty to meet that so the company need toincrease the cash & cash equivalentents

Conclusion:

- The examination and interpretation of Aditya Auto Products & Engineering Pvt Ltd's working capital management over a five-year period. The ranking approach used in the analysis, known as Motaal's Test, takes into consideration a number of liquidity measures and combines them to provide a final rank that represents the liquidity status.
- It important to keep in mind, however, this study is predicated on a certain technique & might not cover all facets of the firm's financial health. A thorough review would necessitate a closer look at the company's financial statements and other pertinent elements.

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