

A Study on Working Capital Management of MG Keshvin Automotors Private Limited, Tirupati, Andhra Pradesh

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Abstract

The aim of the present paper is to know the working capital position of the business and suggest feasible measures for improving of the business. Working capital management is a business strategy designed to ensure that a company operates effectively by monitoring and using its current assets and liabilities in the most effective way it helps maintain smooth operations of the net operating cycle the current study aims to evaluate the impact of the working capital components on the financial performance of the business organization.

Key Words: Working capital, Ratio analysis

A STUDY ON WORKING CAPITAL MANAGEMENT OF MG KESHVIN AUTOMOTORS PRIVATE LIMITED, TIRUPATI, ANDHRA PRADESH

Introduction:

Working capital management is concerned with the problem is that arise in attempting to manage the current assets and the current liabilities and they're into relationships there arise between them. Current assets refers to those assets which to the ordinary course of business can be or will be turned into cash within one year without undergoing a diminution in value and without disputing the operations of the firm. The major current asset are cash marketable securities account receivable and their inception to be paid in the ordinary course of the business within a year out of current assets or earnings of the concern. The basic current liabilities are bills payable, bank overdrafts and outstanding expenses.

Review of literature

Dr .V. Bhuvanewari (2020) Highlighted the working capital which will determine whether the position of the company from the working capital point of view is sound and satisfactory. She concluded that the overall working stability, soundness and overall financial performance have improved over the years.

Singh et al. (2017) Indicated that WCM is negatively connected with corporate profitability. Which means an aggressive WCM policy leads to higher profitability.

Mr. V. Venkatachalam (2016), The researcher conducted a study on "working capital management on Mahendra and Mahindra private limited". The main objective of the study is to analyze whether the companies are viable in the long run through ratio analysis and statement of changes in working capital. He concluded that the overall working stability-soundness of the company has improved over the years very well.

Kaur Harsh V. and Singh Sukhdev (2013) This article focuses on cash conversion efficiency and setting up the operating cycle days. The study tests the relationship between the working capital attain and profitability calculated by income to current assets and income to average total assets. Authors did study with companies listed in BSE 200 that is spread over 19 industries for the period 2000 to 2010. At the end, the study laid emphasis on that proficient management of working capital notably affects profitability.

Objectives of study:

- ✓ To study the concept of working capital management in general, and MG Keshvin Automotors Private limited in particular.
- ✓ To find the working capital requirement and study the financial soundness of the company.
- ✓ To study the schedule of changes in working capital required in the study period.
- ✓ To analysis the working capital position in the study period and suggest for improving the working capital towards MG Keshvin Auto Motors Pvt., Limited.

Scope of the study

The scope of the study is defined below in terms of concepts adopted and period under focus. First, the study of working capital management and profitability are confined only to the MG keshvin auto motors private limited. Secondary, the concept of working capital and profitability i.e., Gross and Net is used in measuring the working capital management and profitability performance and also to arrive at objectives of the study. Thirdly, the study is based on the annual reports of the company for a period of 5 years from 2020-2025. Due to time constraint the study period is restricted. The purpose of the project is to analyze the past and present performance of the company on various financial areas like

- ❖ Cash management
- ❖ Inventory management
- ❖ Receivables management

Methods

Secondary data: The secondary data has been collected from information through annual reports, Bulleting and other printed materials supplied by the company.

- Annual Reports
- Books
- Internet
- Other material and report published by company.

Research Design

Evaluation study has been adopted in the present study. It interprets the already available information and also analysis and interpretation of the existing results.

Tools For Analysis:

Financial tools such as ratio analysis, working capital cycle analysis and MS Excel.

Limitations of the study:

- The ratios are calculated using the past financial statements and they may not the right indicators for the future performances of the company.
- Time is also one of the major constraints.
- It is based on the data supplied by the factory personnel.
- It is based on consultation, decisions of all concerned officials.

- Since only 5 years take into account while analyzing working capital of company (analyzing and interpretation on the basis of published annual report of KESHVIN AUTOMOTORS PRIVATE LIMITED. Due to limitations of time, it was unable to go for a depth study into the subject.

Quick ratio of MG Keshvin Automotors Private Limited

Year	Quick assets	Current liabilities	Ratio
2020-21	2,71,39,853	11,65,78,270	0.23
2021-22	6,51,30,718	31,70,10,701	0.21
2022-23	6,73,66,949	32,38,62,791	0.21
2023-24	7,26,98,790	32,90,34,915.3	0.22
2024-25	7,93,55,581	33,39,81,159.7	0.24

Source : Annual reports of MG Keshvin Automotors Private Limited.

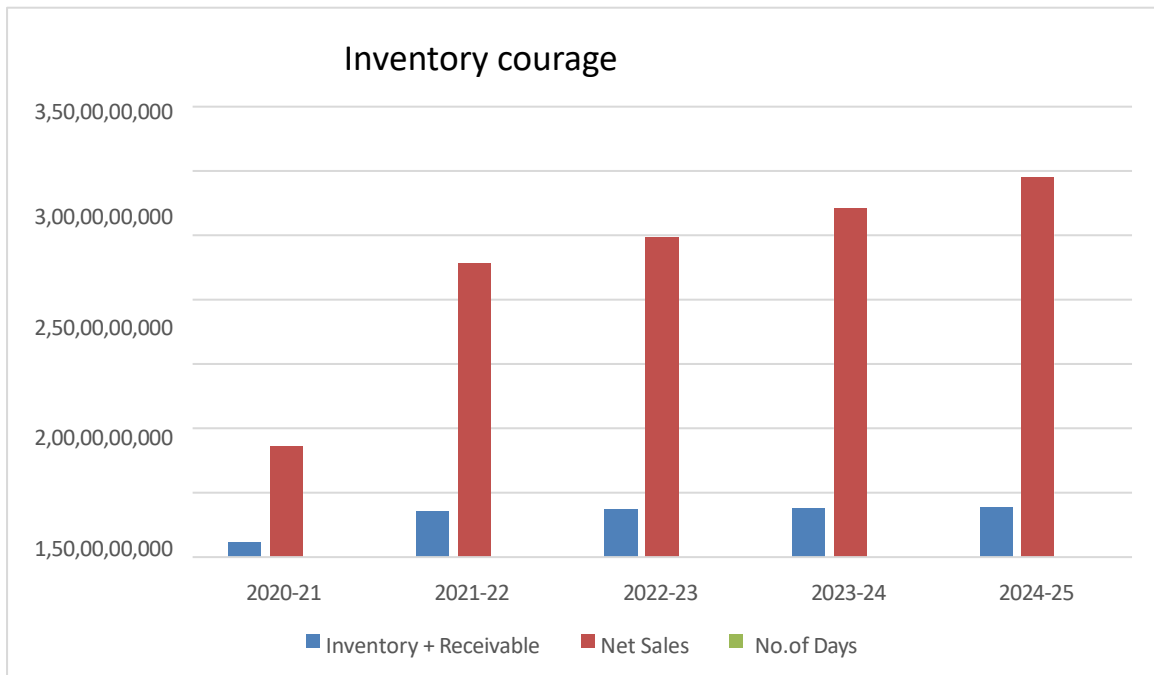
Interpretation

The slight increase in the quick ratio from 0.21 to 0.24 over the five-year period indicates a gradual improvement in liquidity. However, the ratio is still below the generally accepted benchmark of 1, suggesting that there is room for further improvement

Inventory Coverage of MG Keshvin Automotors Private Limited.

Year	Inventory + Receivable	Net Sales	No.of Days
2020-21	11,20,55,302	85,76,09,568	47.69
2021-22	35,50,00,000	2,28,00,00,000	56.83
2022-23	36,50,00,000	2,48,25,00,000	53.67
2023-24	37,60,00,000	2,70,52,50,000	50.73
2024-25	38,80,00,000	2,95,01,75,000	48.00

Source : Annual reports of MG Keshvin Automotors Private Limited.



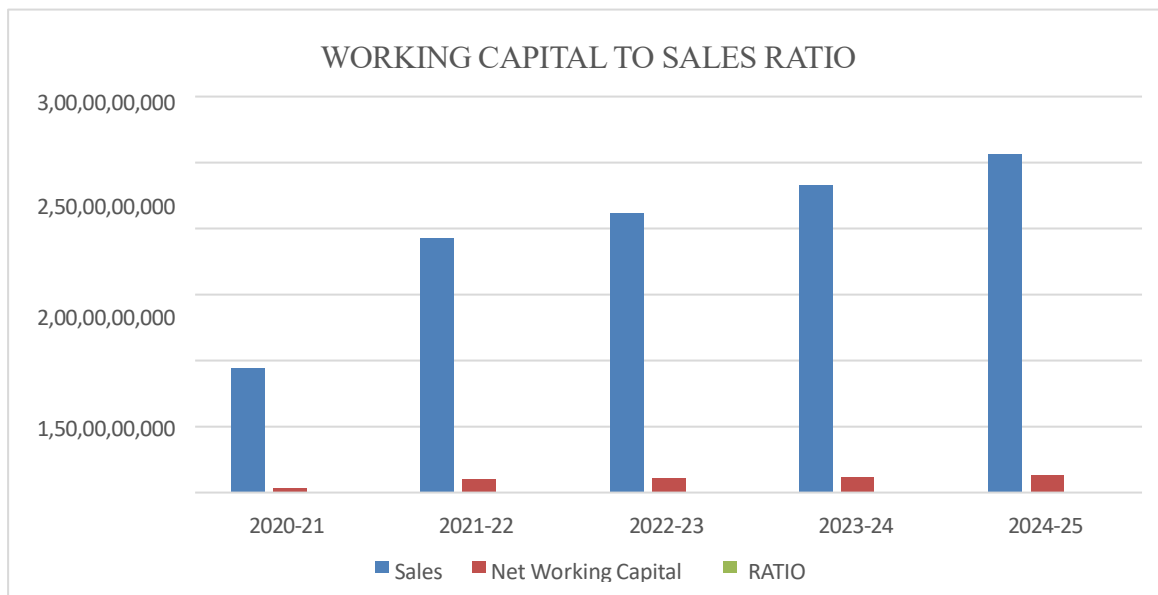
Interpretation:

Efficient turnover days contribute to better liquidity and working capital management, enhancing the company's financial health.

Working Capital to Sales Ratio of MG Keshvin Automotors Private Limited

year	Sales	Net Working Capital	ratio
2020-21	94,19,15,564	3,78,52,775.51	24.88
2021-22	1,92,50,00,000	10,31,20,017.00	18.67
2022-23	2,11,75,00,000	10,85,04,158.00	19.52
2023-24	2,32,92,50,000	11,96,63,875.00	19.46
2024-25	2,56,21,75,000	13,33,74,421.75	19.21

Source : Annual reports of MG Keshvin Automotors Private Limited.



Interpretation:

Despite the initial drop in the efficiency ratio, the company has managed to maintain a stable ratio after the drop. This indicates a consistent ability to generate sales relative to its working capital, though at a slightly reduced efficiency compared to the starting period.

Findings:

The current ratio has gradually improved from 1.32 in 2020-21 to 1.40 in 2024-25, indicating better liquidity management. This steady growth suggests the firm is financially stable and efficiently managing its short-term obligations, supporting overall profitability.

Quick ratio remained low, ranging from 0.21 to 0.24 over five years, indicating weak liquidity. Though there is a slight improvement in 2024-25, the ratio is still below the ideal level of 1. This suggests the firm may face challenges in meeting short-term obligations without depending on inventory.

The inventory turnover ratio has improved over the past three years, indicating efficient inventory management. Rising sales with stable inventory levels reflect strong operational performance. This suggests improved liquidity and financial strength of the firm.

The company initially had a high working capital to sales ratio of 24.88 in 2020-21, which sharply declined to 18.67 in 2022-23, suggesting improved utilization of working capital. From 2022-23 onwards, the ratio stabilized between 19.21 and 19.52, reflecting a consistent ability to generate higher sales with a controlled level of working capital. This indicates steady financial discipline and operational efficiency in recent years.

Suggestions

- Reduce operating and administrative expenses. Analyze and cut unnecessary costs to improve net profitability.
- Improve receivables management. Implement stricter credit policies and follow-up systems to speed up customer payments and enhance cash flow.
- Optimize inventory levels. Maintain appropriate stock levels to avoid overstocking and under stocking, which can impact liquidity and sales.
- Strengthen capital structure. Decrease reliance on borrowed funds by increasing equity financing or keeping more earnings.

- ❑ Invest in technology and automation. Upgrade systems and use automation tools to improve Operational efficiency and lower long-term costs.
- ❑ Focus on high-margin products or services. Prioritize and expand offerings that provide higher profit margins to boost overall business profitability.

Conclusion

The firm shows good financial stability, with decent profitability and liquidity. High operating costs and reliance on inventory impact overall performance. By controlling expenses, managing assets efficiently, and reducing debt, the firm can improve its financial health and ensure sustainable growth.

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