International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 06 Issue: 11 | November - 2022 Impact Factor: 7.185 ISSN: 2582-3930

A STUDY ON "WORKING CAPITAL MANAGEMENT" With Reference To KRISHNA PATANAM OIL PACKING PVT LTD.

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ABSTRACT:

Financial management refers to the managerial activity of planning and controlling the firm's financial resources. It was a branch of economics until 1890, and it is a relatively new discipline. Even today, it lacks a distinct body of knowledge and relies heavily on economics for theoretical concepts.

Academics and practising managers are both fascinated by the subject of financial management. It is of great interest to academics because the subject is still developing and there are still areas where controversies exist with no unanimous solution.

KEY WORDS:

Capital, working capital management, capital structure

1. INTRODUCTION:

Working capital is often referred to as a company's "lifeblood." The efficiency of working capital is critical to the success of a business, and inefficient management can result in not only a loss of profit but also the ultimate demise of what could otherwise be a promising venture. Because of its close relationship with the current day-to-day operation of business, a study of working capital is critical to internal and external analysis. According to "Ralph Kennedy" and "Steward MC Muller," the leading cause of risk in business is inadequacy of miss management, which is related to current operations and represented at any given time by the operating cycle of such item as against receivables and cash. Working capital is defined in accounting as "the difference between the inflow and outflow of funds," also known as net cash inflow.

2.REVIEW OF LITERATURE:

Categorization of sample studies under different themes is followed by a content analysis of the same. This is essential as the content analysis highlights different proxies used as inputs which effectively drive efficient WCM. The findings of our study have several academic and practical implications. First, it provides an idea about the most cited area of researches related to WCM and the recent growth of studies in this domain. Academicians can decide upon their future area of research based on the findings related to the proxies and outcome from these studies. Second, it shows the most popular avenue for publishing the articles related to WCM. It has been observed from the analysis that majority of the impactful articles are published in relatively lower ranked journals. Therefore, this study identifies the reason behind the same and lists down some innovative research questions to provide certain future research directions. Third, the managers can use this finding to identify the relevant consequences of poor WCM. Finally, it can serve as a reference point for studies related to WCM.According to our limited knowledge, such an extensive literature review on WCM is rare. So far, we have identified following three studies which have performed detailed literature review on WCM: Gentry,1988; Viskari et al., 2011, Singh and Kumar, 2014. Gentry (1988) presented his review in the year 1988but the major publication activities on WCM are occurred on and after financial slowdown of 2008.Vis ka ri et al. (2011) in their WCM literature review used bibliometric methods with a small sample of 23firms and restricted articles published from 1990 till 2010 that dealt with the WCM topic as a whole and not a single subarea of it. Singh and Kumar (2014) applied systematic literature review (SLR) method for reviewing WCM literatures that were indexed in Google Scholar. Their content analysis was concentrated on mainly two aspects, impact of WC on profitability of firm and WC practices. Our current study differs from these three in certain ways. First, it considers the most recent pool of literature related to WCM.Second, unlike Singh and Kumar (2014), this study does not aim to analyse only the existing literature on certain themes such as impact of WC on profitability of the firms. Rather, its purpose is to take a complete stock of literature, classify them on different themes, and then identify some future scopes of research. Third and most importantly, this study analyses the quality of journals, that have published the highly cited articles on WCM, based on categorization or impact factors provided by Australian Business Deans Council (ABDC), Association of Business Schools (ABS), Web of Science, and Scopus.7Thus, it provides some new insights about the prospective sources of publishing studies on WCM.The remainder of this paper is organized as follows. Section 2 describes the methodology of the study. Section 3 performs the citation-based analysis and lists down the most cited articles and journals once. The content analysis of the most cited articles based on various themes are discussed in detailing Section 4. Section 5 presents the directions for future research on WCM and the finally, Section 6concludes the study**.**

3.RESEARCH METHODOLOGY:

Research methodology is a way to systematically solve the research problem may be understood as a science of studying how research is done ally. It is studying the various steps that are generally adopted by a researcher in studying his research problem along with logical behind then, it is necessary for the researcher to know not only the research methods techniques but also methodology for his problem as the same way differ from problem the research methodology is wider that of research methods. The research methodology is concerning a research problem of study.

The present study is based on both

Primary Data

First-hand information was collected from experts of Finance department on their course ofactions towards collections.

Secondary Data

The secondhand information was collected from annual reports, schedules, budgets, company,and previous reports etc.

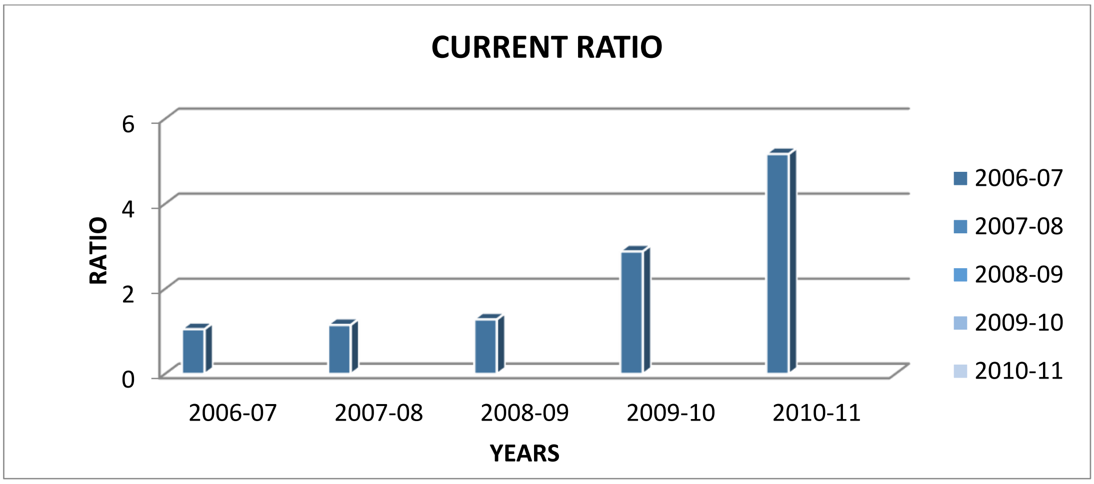
DATAANALYSIS &INTERPRETATION

CURRENT RATIO:

This ratio is a barometer of general measures of liquidity and state of trading current ratio shows the firm's commitment to meet its shot-term liabilities. It expresses the relationship between current assets and current liabilities.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

Year	Current assets	Current liabilities	Ratio
2006-07	11405087	10791949	1.05
2007-08	13922432	12005681	1.15
2008-09	18173935	14165732	1.28
2009-10	20640425	7149051	2.88
2010-11	1458971	282154	5.17



INTERPRETATION:

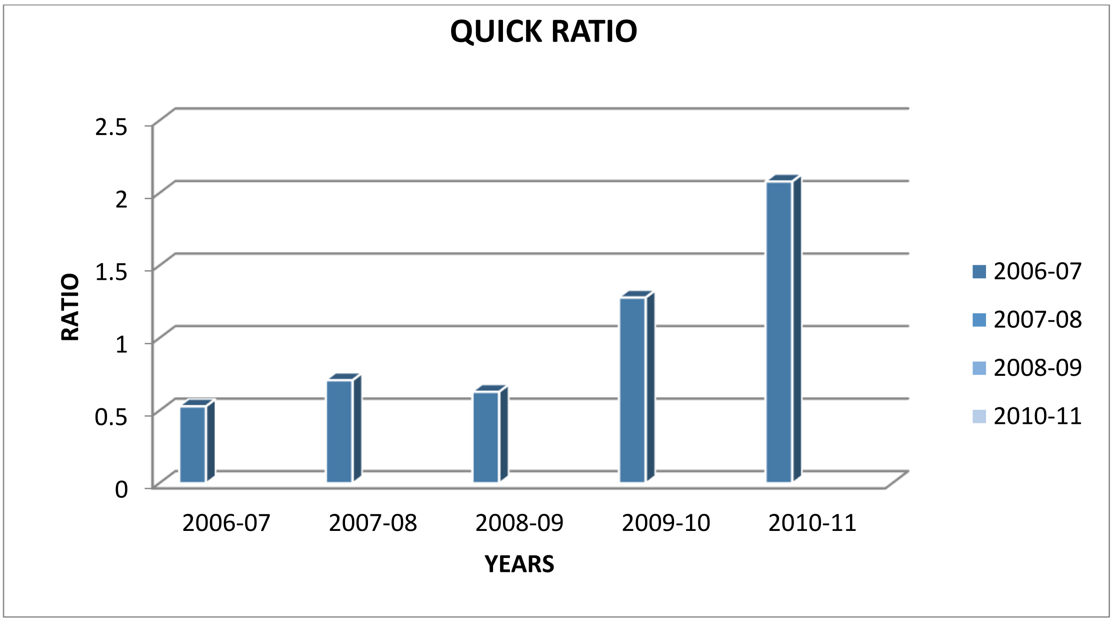
Current ratio measures the firm's short-term solvency. The standard norm for current ratio is (2:1). It is evident that in the year 2009-10and2010-11 Current Ratio is satisfactory. In remaining years current ratio is less than 2 is not satisfactory. Therefore, it can be calculated that the liquidity performance of the company is poor.

QUICK RATIO:

This ratio is also called as "acid test ratio". Quick ratio is the real index of the liquidity or the short-term solvency of a concern. Quick ratio generally expressed as a pure, i.e.., as a promotion between quick assets and quick liabilities.

$$\text{Quick ratio} = \frac{\text{Super Quick assets}}{\text{Current liabilities}}$$

Year	Super Quick assets	Current liabilities	Ratio
2006-07	5801648	10791949	0.53
2007-08	8542212	12005681	0.71
2008-09	9001221	14165732	0.63
2009-10	9189751	7149051	1.28
2010-11	589295	282154	2.08



INTERPRETATION:

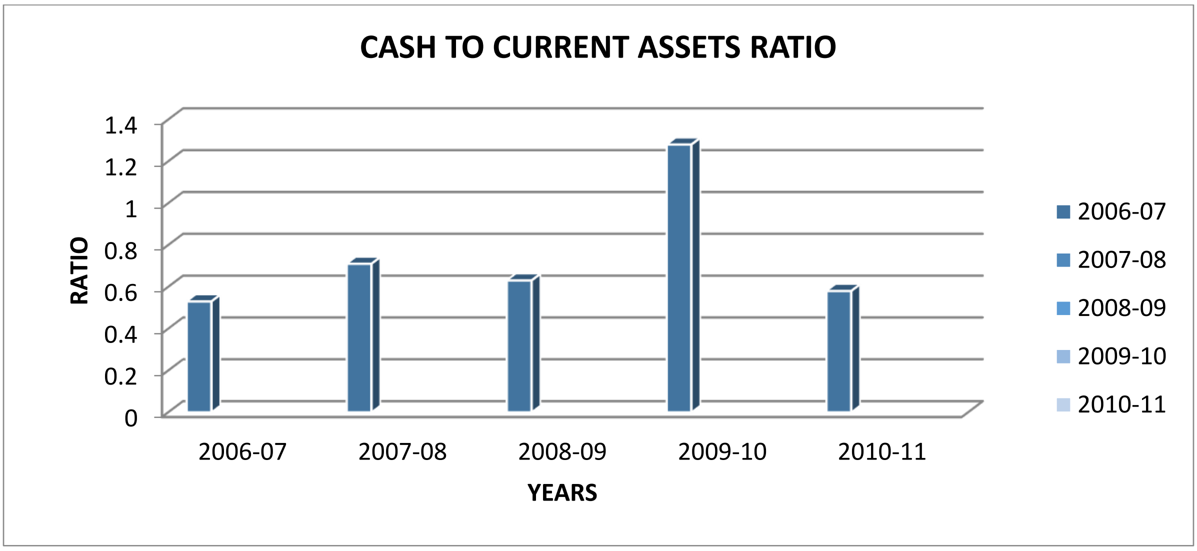
This is the more penetrating test of liquidity than the current ratio. Generally, a quick ratio is 1:1 it considered to represent a satisfactory current financial condition. The quick ratio has never exceeded the standard ratio. Empirically the quick ratio in the year 2009-10 to 2010-11 satisfactory. In remaining years quick ratio is less than 1 is not satisfactory. Therefore it can be calculated that the liquidity performance of the company is poor.

CASH TO CURRENT ASSETS RATIO:

Cash is important and sensitive current assets. It is viewed as the most liquid assets. When the proportion of cash in current assents is more then it is said that the company had more liquid. High proportion of cash in current assets also indicates the good stock in receivables. This ratio indicates the cash proportion in current assets.

$$\text{Cash ratio} = \frac{\text{Cash and bank balance}}{\text{Current liabilities}}$$

Year	Cash and bank balance	Current liabilities	ratio
2006-07	5801648	10791949	0.53
2007-08	8545512	12005681	0.71
2008-09	9001221	14165732	0.63
2009-10	9189751	7149051	1.28
2010-11	589295	1176817	0.50



INTERPRETATION:

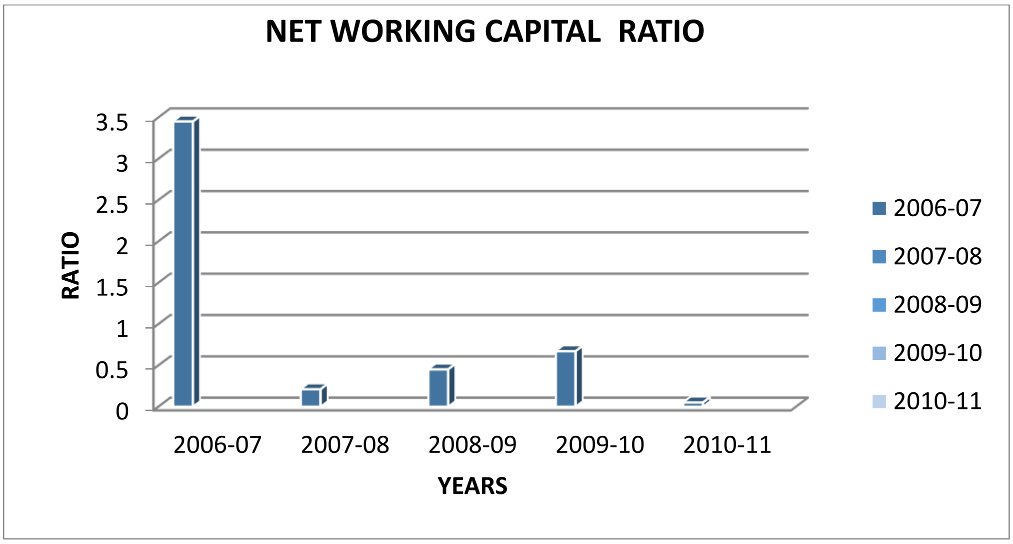
The desirable norm for cash ratio is 1:2. The cash ratio is very low in 2009-10 year. There after it is increased slightly on the years 2006-07 to 2007-08 respectively and declined in 2008-09 and 2010-11. Anyway, finally the company failed in keeping sufficient cash and bank balance and marketable securities.

NET WORKING CAPITAL RATIO:

The difference between current assets and current liabilities excluding short term bank borrowing is called net working capital it is sometimes used as a measure of a firm's liquidity. It is considered that between two firms the one has a largest networking capital bas the greater than liability to meet its current obligations.

$$\text{Net working capital} = \frac{\text{Net working capital}}{\text{Net assets}}$$

Year	NetWorking capital	Net assets	Ratio
2006-07	613138	94930352	3.45
2007-08	1916752	8837584	0.21
2008-09	4008203	8845519	0.45
2009-10	13491374	19921649	0.67
2010-11	1176817	21275690	0.05



INTERPRETATION:

I inferred from the above table that the net working capital is decreasing every year which shows the ideal funds are used for most productive purpose and company continues doing it.

FINDINGS:

- The Krishna patanam oil packing pvt.ltd. has performed well over the past five years is evident from the Gross profit and Net profit Ratios.
- The Company is suffering from lack of adequate working capital.
- The Company is using Current Assets and Fixed Assets well

SUGGESTIONS:

- The Company must take steps to improve Gross and Net profits.
- Working Capital is decreasing Year by Year so adequate Working capital must be maintained.
- The Turnover Ratio was fluctuating so the Company must detect the cause for that and solve it.
- Take steps to increase the Profit.

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	Research Methodology	Maheswari S.N	Wishwa Prakasham 2nd edition
	Financial Management	Prasanna Chandra	Tata McGraw-hill Publishing 3rd edition

Annual reports of Krishna patanam oil packing pvt.ltd.

Websites:

www.google .com

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