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An Empirical Analysis of Working Capital Management of Varun Motors in India

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Abstract
Optimal management of working capital is an important financial decision and contributes positively to the value creation of business. Every business needs investment to procure fixed assets, which remain in use for a longer period. Money invested in these assets is called 'Long term Funds' or 'Fixed Capital'. Business also needs funds for short-term purposes to finance current operations. Investment in short term assets like cash, inventories, debtors etc. is called 'Short-term Funds' or 'Working Capital'. The 'Working Capital' can be categorized, as funds needed for carrying out day-to-day operations of the business smoothly. The management of the working capital is equally important as the management of long-term financial investment. The role of finance manager, therefore, is a very vital and vested with responsibility of maintaining the business operations in an efficient and profitable manner. Mismatch, if any in effective management of current assets and current liabilities would not only result negative impact of profitability and firm's growth but also financial distress and bankrupt of business entity. This study considering the significance of the above, shall make an attempt to investigate the efficiency of working capital management of Varun Motors and its relationship with profitability and net worth.

Keywords: Working Capital, financial investment, management, Varun Motors.

1. Introduction

Working Capital Management is the process of planning and controlling the level and mix of current assets of the firm as well as financing these assets. Specifically, Working Capital Management requires financial managers to decide what quantities of cash, other liquid assets, accounts receivables and inventories the firm will hold at any point of time. It measures how much in liquid assets a company has available to build its business. A short-term loan which provides money to buy earning assets. 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.

Capital is what makes or breaks a business, and no business can run successfully without enough capital to cover both short- and long-term needs. Maintaining sufficient levels of short-term capital is a constantly ongoing challenge, and in today's turbulent financial markets and uncertain business climate external financing has become both harder and more costly to obtain. Companies are therefore increasingly shifting away from traditional sources of external financing and turning their eyes towards their own organizations for ways of improving liquidity. One efficient but often overlooked way of doing so is to reduce the amount of capital tied-up in operations, that is, to improve the working capital management of the company. Working capital is a financial metric of operating liquidity which describes the amount of cash tied up in operations and defines the short-term condition of a company. A positive working capital position is required for the continuous running of a company's operations, i.e., to pay short term debt obligations and to cover operational expenses. A company with a negative working capital balance is unable to cover its short-term liabilities with its current assets.

Working capital is calculated with the following formula:

Working Capital = Current Assets - Current Liabilities

The above formula includes three important balance sheet accounts which all have a direct impact on the business, namely accounts receivable (A/R), accounts payable (A/P) and inventory. These accounts are often referred to as the three areas of working capital. Money owed to the company for products/services that have been delivered to customers but not yet paid for. The raw materials, work-in-progress goods and finished goods that are ready or will be ready for sale. Inventory represents a key asset to most businesses as the turnover of inventory is a primary source of revenue generation and subsequently earnings for the shareholders/owners of the company.

2. AIM

The main aim of any firm is to maximize the wealth of shareholders. This can be achieved only by a steady flow of profits which in turn depend on successful sales activity. To generate sales, investment of sufficient funds in current assets is required. The need of current assets should be emphasized, as the sales don't convert into cash immediately but involved a cycle of operations, namely operating cycle. VARUN MOTORS is multi product dealing unit with varying cycle for each product. The capital requirement for each department in an organization of VARUN MOTORS is large which (depends on the product target for that particular year) calls for an effective working capital management. Monitoring the operation on cycle duration is an important aspect of working capital.

3. Objectives of the Study

- To study in general the working capital management procedure in VARUN MOTORS.
- To analyze and apply operating cycle concept of working capital in VARUN MOTORS.
- To know how the working capital is being financed.
- To know the various methods to be followed by VARUN MOTORS for inventories and accounts receivables.
- To give suggestions, if any, for better working capital management in VARUN MOTORS.

4. Methodology

Methodology adopted is collection of information in a systematic manner in order to analyses and verify a phenomenon. The information is collected through primary and secondary sources during the course of the study. That information was utilized for computing ratios after the analysis of which interpretation were made.

There are two types' data collection methods.

1. Primary data:

Primary data is collected fresh or first hand and for first time which is original in nature. Primary data is collected through personal interviews will concern officer and staff to support the secondary data.

2. Secondary data:

i. Most of the computations are made from the figures contained in the Working Capital Management provided by the company.
ii. Collection of some of the information regarding theoretical aspects by referring standard text and books.
iii. Observation of functioning of the Finance Department.
iv. Research methodology used for study includes both primary& secondary sources of data. However, most of study is conducted based on secondary sources.
v. Secondary sources of data mainly include annual reports of VARUN MOTORS. Statement of changes in working capital for the past 5 years is done using the data taken from these financial reports. Similarly, time series analysis of operating cycle and calculations of ratios is done. Apart from this, the website of VARUN MOTORS is referred to know the products, product facilities, network etc.

5. Limitations of study

i. Although every effort has been made to study the "Working Capital Management" in detail, in an organization of VARUN MOTORS size, it is not possible to make an exhaustive study in a limited duration of 6weeks.
ii. It is not possible to include data of 2012-13, as the audited financial report has not come yet (at the time of preparation of this report). However, data of 2012-13 is included partially from the unaudited financial reports of VARUN MOTORS.
iii. Apart from the above constraint, one serious limitation of the study is that it is not possible to reveal some of the financial data owing to the policies and procedures laid down by VARUN MOTORS. However, the available data is analyzed with great effort to get an insight into Working Capital Management in VARUN MOTORS.

6. THEORETICAL FRAME WORK

The Indian Automotive Industry after de-licensing in July 1991 has grown at a spectacular rate on an average of 17% for last few years. The industry has attained a turnover of USD $35.8 billion, (INR 165,000 crores) and an investment of USD 10.9 billion. The industry has provided direct and indirect employment to 13.1 million people. Automobile industry is currently contributing about 5% of the total GDP of India. India's current GDP is about $1.4 trillion and is expected to grow to $3.75 trillion by 2020.[18] The projected size in 2016 of the Indian automotive industry varies between $122 billion and $159 billion including USD 35 billion in exports. This translates into a contribution of 10% to 11% towards India's GDP by 2016, which is more than double the current contribution.

7. Data Analysis and Interpretation

Working Capital Management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter-relationship that exists between them. The term current assets refer to those assets which in the ordinary course of business can be, or will be, converted into cash within one year without disrupting the operation of the firm. The major current assets are cash, marketable and inventory. Current liabilities are those liabilities which are intended at their inception to be paid in the ordinary course of business. Within a year out the current assets of the earnings of the concern. The basic current liabilities are accounts payable, bills payable bank overdraft and outstanding expense. The interaction between current assets and current liabilities is

therefore the main them of the theory of management of Working Capital Management.

The calculate Working Capital Management the data is collected from the Varun Motors Pvt. Ltd. for the year 2004-2009.

The major source of Working Capital Management finance for Varun Motors Pvt. Ltd is the banks the follows banks provide Working Capital Management requirement of company.

(1) State Bank of India
(2) Andhra Bank
(3) Indian Bank

There is a consolation arrangement between these banks and a lend bank in the consolation approach would finance the Working Capital Management needs of the Varun Motors Pvt. Ltd. The lend bank offer all necessary formalities will release the initial requirements of the company and thereafter it obtains reimbursement from the member bank to the extent of their shares in advance paid to Varun Motors Pvt. Ltd.

7.1 WORKING CAPITAL MANAGEMENT IN VARUN MOTORS PVT. LTD.

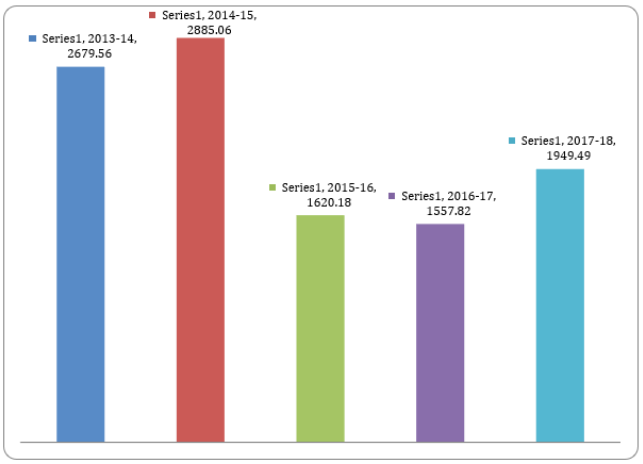
The Company takes in to the Account current Assets Current liabilities for the purpose of calculating the Working Capital Management.

Working Capital Management = Current Assets – Current Liabilities

The following table shows the Working Capital Management in 2013-18.Rs. In Lakhs

Table 1: Working Capital Management

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL MANAGEMENT
2013-14	8152.24	10831.8	2679.56
2014-15	7937.55	10822.63	2885.06
2015-16	13045.18	11425.11	1620.18
2016-17	10557.73	12115.55	1557.82
2017-18	9273.09	11222.58	1949.49



INTERPRETATION:

From the above table it can be seen that the Working Capital Management. The increased in the Working Capital Management can be attributed to the increase in the operations of the company. The operation in the net Working Capital Management in the Varun Motors.

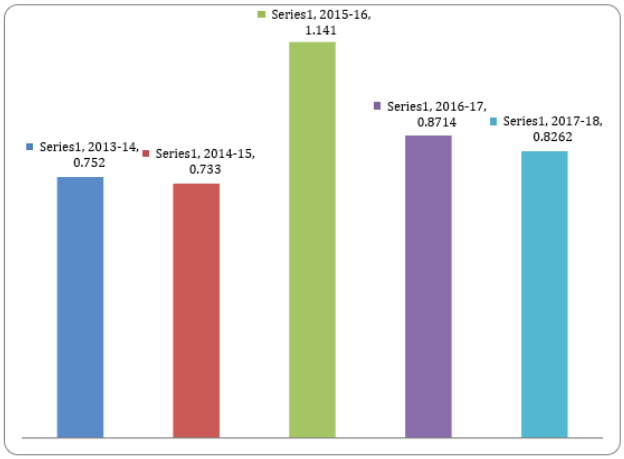
7.2 Current Ratio:

Current ratio may be defined as the relationship between current assets and current liabilities. It measures the firm short-term financial position. A current asset includes cash and those assets, which can be easily converted into cash within a year. Current liabilities include creditor, bills payable, short – term loans etc.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}} = 2:1$$

Table 2: Current Ratio

YEAR	QUICK ASSETS	CURRENTS LIABILITIES	QUICK RATIO
2013-14	1645.47	10831.8	0.1519
2014-15	1566.32	10822.63	0.1447
2015-16	1727.11	11425.11	0.1510
2016-17	2987.44	12115.55	0.4373
2017-18	6727.24	11222.58	0.5999



INTERPRETATION:

The above Ratio explains the relationship between current assets and current liabilities it shows and the firm's ability to cover its current liabilities through its current assets Generally 2:1 is considered ideal for a concern i.e.; the current assets should be twice the current liabilities. If the ratio is less than 2 difficulties may be experienced in the payment of current liabilities. Low of this ratio may lead to current insolvency. So, the company has to raise current position so as to create confidence among inventories.

From the financial year 2017-18 the current ratio has been gradually decreasing that is it was 0.761 in 2015-16 but again increasing 1.141 in 2015-16 and decrease in 2016-17 it is 0.8714.

7.3 QUICK RATIO:

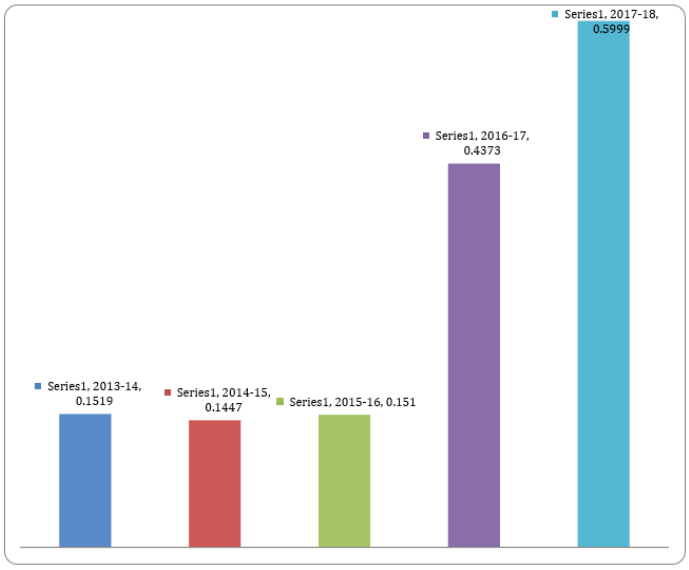
In This ratio is calculated by dividing the total quick ratio assets by total current liabilities. Generally, the quick ratio 1:1 is considered to represent satisfactory financial condition. Current assets without stock and prepaid expenses are called quick assets because the assets take time in realization and also subject to fluctuation in value. A Company with a low value of quick ratio may really be proposed and playing its current obligations time by turning over its inventory's efficiency.
The calculation of the quick ratio of the corporation from the year 2013-14 to 2017-18 is tabulated as below.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = 1:1$$

Quick assets = cash + bank +bills receivable+ debtor

Table 3: Quick Ratio

YEAR	QUICK ASSETS	CURRENTS LIABILITIES	QUICK RATIO
2013-14	1645.47	10831.8	0.1519
2014-15	1566.32	10822.63	0.1447
2015-16	1727.11	11425.11	0.1510
2016-17	2987.44	12115.55	0.4373
2017-18	6727.24	11222.58	0.5999



INTERPRETATION:

The Acid Test Ratio is a rigorous measure of a firm's ability to service short-term liabilities. This ratio interpretation of the firm generally, speaking an acid test ratio 1:1 is considered satisfactory, as a firm can easily need all current claims. The quick ratio has been deviating from the year to year that is it was 0.1525 in 2013-14. Increase 0.151 in 2014-15 then for the decrease to 0.1447 in and again decrease 0.4373 in 2016-17 and increase 0.5999 in 2017-18.

7.4 CASH TO CURRENT LIABILITIES:

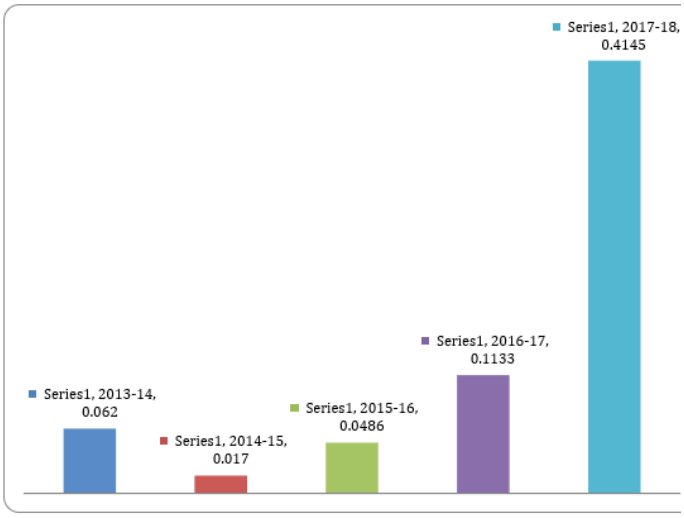
Ratio of cash to current liabilities is significant because cash is the most liquid current assets. Investment is marketable securities and deposits in bank are also considered in this ratio since they can be converted into cash if required to meet current liabilities. This ratio

indicates the relationship between cash and bank balance with the current liabilities. The ideal ratio is 0.5:1.

$$\text{Cash to Current Liabilities} = \frac{\text{Cash \& Bank Balance}}{\text{Current Liabilities}} = 0.5:1$$

Table 4: CASH TO CURRENT LIABILITIES

YEAR	CASH&BANK BALANCE	CURRENT LIABILITIES	Cash to curren Liabilities
2013-14	373.33	10831.8	0.062
2014-15	184.55	10822.63	0.017
2015-16	555.4	11425.11	0.0486
2016-17	1373.08	12115.55	0.1133
2017-18	4652.54	11222.58	0.4145



INTERPRETATION:

The ratio various from 0.017 to 0.062 generally depend up on the business operations the ideal Ratio 0.5:1 but there the ration never reaches the ideal Ratio. So, the company must increase the cash and balance to meet the ideal Ratio. If not, it will face severe problems to pay the current liabilities.

7.5 NET WORKING CAPITAL RATIO:

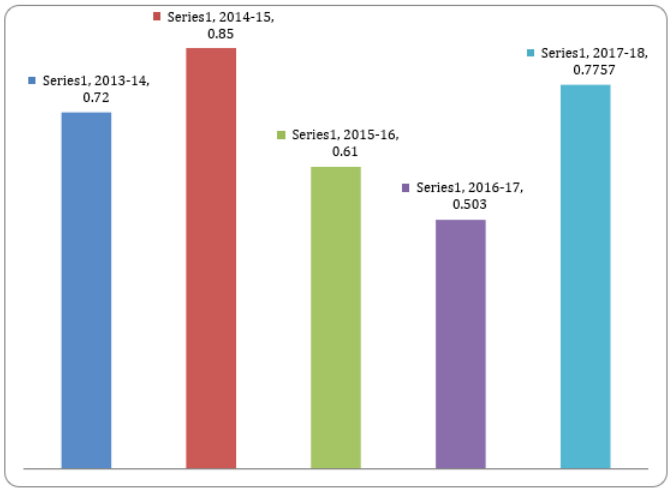
The difference between current assets and current liabilities is called Net Working Capital Management (NWC) is sometimes used as a measure of a firm's liquidity. It is considered that between two firms the one having the larger NWC has the greater ability to meet its current obligations. This is not necessary so the measure of liquidity is a relationship, rather than the difference between current assets and current liabilities.

$$\text{Net Working Capital Ratio} = \frac{\text{Net Working Capital}}{\text{Net Sales}}$$

Net Working Capital Management = Current Assets – Current Liabilities

Table 5: NET WORKING CAPITAL MANAGEMENT RATIO

YEAR	WORKING CAPITAL MANAGEMENT	SALES	RATIO
2013-14	2679.56	3670.71	0.72
2014-15	2885.08	3387.65	0.85
2015-16	1620.18	2618.76	0.61
2016-17	1557.82	3094.66	0.503
2017-18	1994.49	2570.96	0.7757



INTERPRETATION:

The above table and graphical representation is shown the changes in the net Working Capital Management ratio. In the year 2012-13 the net Working Capital Management ratio is very low i.e., 0.463 and the net Working Capital Management ratio is high in the year 2012-13 i.e., 0.92. The difference between the current assets and current liabilities are influenced the net Working Capital Management. So, the company's overall net Working Capital Management ratio is satisfactory.

7.6 Fixed Assets Turnover Ratio:

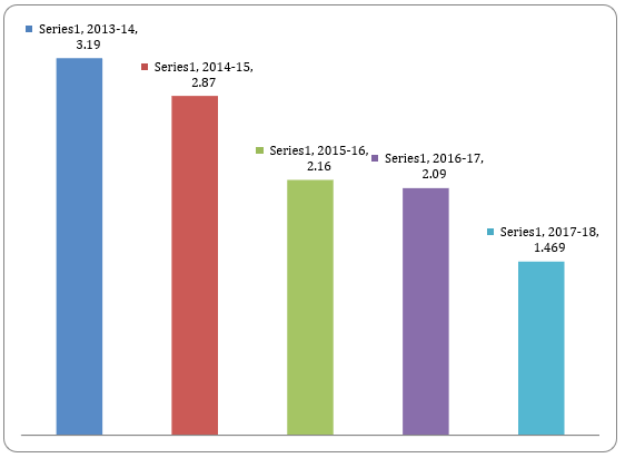
The fixed assets turnover ratio measures by efficiency with which the firm is utilizing its investment in fixed assets. It also indicates the adequacy of sales in relation to the investe4d in fixed assets. Generally, a high fixed assets turnover ratio indicates utilization of fixed assets in generation sales, while a low ratio indicates inefficient management and utilization of fixed assets.

The calculation of fixed assets turnover ratio of the firm for five years is shown below in tabular from and with a graphic representation at the end.

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

Table 6: FIXED ASSETS TURNOVER RATIO

YEAR	SALES	FIXED ASSETS	RATIO
2013-14	3670.71	1147.67	3.19
2014-15	3387.65	1180.30	2.87
2015-16	2618.76	1212.25	2.16
2016-17	3094.66	1474.64	2.09
2017-18	2570.96	1749.57	1.469



Particulars	Year		Changes in Working Capital	
	2013	2014	Increase	Decrease
Current Assets:				
Cash on hand	10.66	7.69	-	2.97
Cash at bank	469.69	668.64	198.95	-
Shares in other institutions	155.81	155.81	-	-
Adj. Head due to	4754.70	4496.74	-	257.96
Debtors	957.20	969.14	11.94	-
Stock on hand	815.42	1694.49	879.07	-
Not overdue interest	10.95	159.73	148.78	-
Total	**7174.43**	**8152.24**		
Current Liabilities:				
Borrowings	3346.92	3645.08	-	298.16
Adj. Head due by	4416.32	5116.22	-	699.90
Creditors	58.14	70.17	-	120.30
Interest payable	948.01	1217.81	-	269.80
Other liabilities	654.03	782.52	-	128.44
Total	**9423.42**	**10831.80**		
Net Working Capital	**2248.99**	**2679.56**		**430.57**
Increase Working Capital	**430.57**	--		
Total	**2679.56**	**2679.56**	-- 430.57	**430.57**

is managing its fixed assets effectively in generating sales/income from operations. By analyzing the above table, it is inferred that the fixed assets turnover ratio IS 4.04 highly in the year 2014-15. In the year 2015-16 the fixed assets turnover ratio is 1.038 it is low with compare the other years. On the whole the fixed assets turnover ratio is satisfactory.

7.7 Debtors Turnover Ratio:

If the firm extends credit to its customers, book debts are created in the firms account and they are expected to be converted in to cash over a short period of time. So as to measure this period the debtor's turnover ratio is calculated. It shows how quickly the debtors are converted in to cash. The liquidity of firm's receivables can be assessed in two ways, debtors or receivables can be assessed in two ways. Debtors or receivable turnover ratio.

$$\text{Debtors Turnover Ratio} = \frac{\text{Gross Sales}}{\text{Debtors}}$$

Table 7: DEBTORS TURNOVER RATIO

INTERPRETATION:

The fixed assets turnover ratio shows the efficiency of utilizing the concerns fixed to maximize is sales/ income operations. If the ratio is normal, it shows that the concern

YEAR	Grass Sales	DEBTORS	RATIO
2013-14	3670.71	1071.70	3.42
2014-15	3387.65	1134.67	2.98
2015-16	2618.76	1243.16	2.10
2016-17	3094.66	1295.79	2.38
2017-18	2570.96	1735.10	1.481

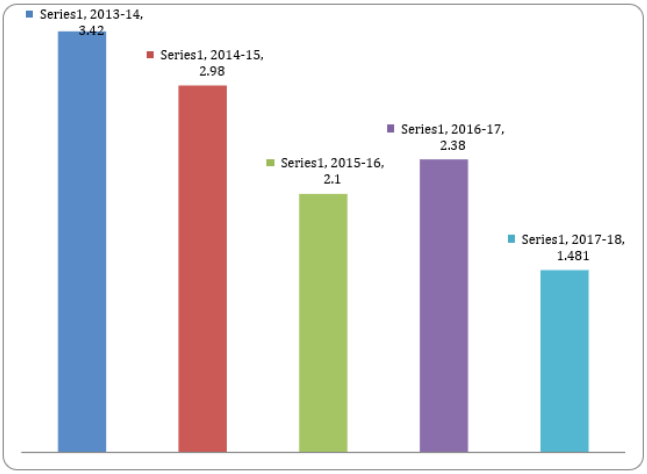


Table 8: STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL DURING THE YEAR 2013-2014

INTERPRETATION:

In the 2013-14 current assets cash on hand 10.66 compared to 2015 year is 7.69 the in this year's different between 2.97 decreasing in 2008 year. Cash at bank compared to 2012-13 year increased 198.95. Current liabilities decreased compared to 2013 year, borrowings, adj. Head due by creditors also increased interest payable is 269.80 to decreased in 2013 year. Total compared to net Working Capital Management compared to 2013-14 increase of 430.57.

Table 9: STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL DURING THE YEAR 2014-15

Particulars	Year		Changes in Working Capital	
	2014	2015	Increase	Decrease
Current Assets:				
Cash on hand	7.69	8.43	0.74	-
Cash at bank	668.64	176.12	-	492.52
Shares in other institutions	155.81	155.81	-	-
Adj. Head due to	4496.74	4542.52	45.78	-
Debtors	969.14	1381.77	412.63	-
Stock on hand	1694.49	1390.50	-	303.99
Not over due interest	159.73	282.40	122.67	-
Total	**8152.24**	**7937.55**		
Current Liabilities:				
Borrowings	3645.08	3126.48	518.60	-
Adj. Head due by	5116.08	5242.36		126.14
Creditors	70.19	77.27		7.10
Interest payable	1217.81	886.10		103.58
Other liabilities	782.52	1490.42		272.61
Total	**10831.80**	**10822.63**		
Net Working Capital	**2679.56**	**2885.08**		
Increase in Working Capital	**205.52**			**205.52**
Total	**2885.08**	**2885.08**	**205.52**	**205.52**

INTERPRETATION:

in the 2014-15 current assets cash on hand 7.69 compared to 2014 is 8.43 the in this year. Different between 0.74 increased in 2009 year. Stock in hand compared to 2014-15 years in decreased 303.99. Current liabilities decreased compared to 2014 year. Borrowings increased are 518.60. Creditors, interest payable and other liabilities decreased of 7.10, 103.58, and 272.61 in 2004 year. Total compared to net Working Capital Management compared to 2014-15 decreases of 205.52.

Table 10: STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL DURING THE YEAR 2015-16:

Particulars	Year		Changes in Working Capital	
	2015	2016	Increase	Decrease
Current Assets:				
Cash on hand	8.47	4.15	-	4.32
Cash at bank	604.60	551.25	-	53.35
Shares in other institutions	155.81	155.81	-	-
Adj. Head due to	4750.86	5012.11	261.25	-
Debtors	1134.68	1171.71	37.03	-
Stock on hand	1560.42	1571.22	10.8	-
Not overdue interest	19.71	244.43	224.72	
Total	**8234.55**	**8710.68**		
Current Liabilities:				
Borrowings	3532.91	3946.49	-	413.58
Adj. Head due by	4931.18	5104.93	-	173.75
Creditors	62.33	58.94	3.39	-
Interest payable	1379.16	1702.84	-	323.68
Other liabilities	656.86	663.65	4.79	-
Total:	**10562.44**	**11476.85**		
Net Working Capital	**2327.89**	**2766.17**		
Increase in Working Capital	**438.28**			**438.28**
Total	**2766.17**	**2766.17**	**438.28**	**438.28**

INTERPRETATION:

In the 2015-16 current assets cash on hand 8.47 compared to 2011 year. 4.15. In these years. Different between 4.32 decreased in 2015-year Cash at bank compared to 2015-16 years decreased is 53.35. current liabilities borrowings and Adi. Head due by also decreasing is 413.58,173.75. Creditors, other liabilities increased but interest payable is decreased in 2016 year. total compared to net Working Capital Management compared to 2015-16 increase of 438.28 overall 2016 Working Capital Management is good.

Table 11: STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL DURING THE YEAR 2016-17:

Particulars	Year		Changes in Working Capital	
	2016	2017	Increase	Decrease
Current Assets:				
Cash on hand	4.17	5.80	1.63	-
Cash at bank	551.25	1367.28	816.03	-
Shares in other institutions	155.81	155.81	-	-
Adj. Head due to	5012.11	6137.21	1125.10	-
Debtors	1171.71	1479.62	307.91	-
Stock on hand	1571.22	1392.01	-	179.21
Not over due interest	244.43	20.00	-	224.43
Total	**8710.68**	**10557.73**		
Current Liabilities:				
Borrowings	3946.49	4320.83		374.34
Adj. Head due by	5104.93	5172.64		17.71
Creditors	58.94	62.71		3.77
Interest payable	1702.84	1883.45		180.61
Other liabilities	663.65	675.92		12.27
Total	**11476.85**	**12115.55**		
Net Working Capital Change in Working Capital	**2766.15**	**1557.82**		
Total	**1557.85**	**2766.15**	**307.91**	**1208.33**

INTERPRETATION:

Current assets cash at bank increased is 816.03 compared to 2015.Year is 551.25 in this year. Cash on bank compared to 2016-17 years increased is 1.63, stock on hand not overdue interest are decreased to 2016-17 years. Total current liabilities all increases compared to 2016-17. the total net Working Capital Management increased in the year in 2010 2436.73.

Table 12:STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL DURING THE YEAR 2017-18:

PARTICULARS	Year		Changes in Working Capital	
	2017	2018	Increase	Decrease
Current Assets:				
Cash on hand	10.32	7.36	--	2.96
Cash at bank	443.60	464.51	20.91	
Shares in other institutions	155.81	155.81	-	--
Adj. Head due to Debtors	5931.49	5962.95	31.46	
Stock on hand	2050.73	1735.10	--	315.63
Not overdue interest	762.86	931.31	168.45	
	8.20	16.05	7.85	--
Total	**9363.01**	**9273.09**		
Current Liabilities:				
Borrowings	2266.16	3294.38	1028.22	--
Adj. Head due by	5095.09	5166.44	71.35	--
Creditors	66.24	74.49	8.25	--
Interest payable	2231.61	2031.19		200.42
Other liabilities	656.08	656.08		--
Total	**10315.18**	**11222.58**		
Net Working Capital	**952.17**	**1949.49**		
Increase in Working Capital				
Total	**1949.49**	**952.17**	**8.25**	**997.32**

INTERPRETATION:

In the 2017-2018 current assets cash on hand are 10.32. Compared to 2013 7.36 the in this year's different between 2.96. increase in 2016 year. Cash at bank compare to 2012-2013 year also increase stock on hand 168.45, shares in other institutions decreases of 2013 year compared to 2017 year is no change. current liabilities decreases compared to 2007 year, borrowings, adj.head due by also increases. Creditors, interest payable decreases of 8.25, Other liabilities also increase in 2017 year. Total compared to net Working Capital Management compared to 2017-18 increases of 1336.49. Overall, 2017 Working Capital Management is good.

8. Conclusion

During the early stages, the automobile industry was not accorded much importance by the Indian Government. However, the attitude changed during the 1990's. A number of reforms were initiated in 1991. Liberal policies affected during this period, proved to be beneficial to the automobile industry. The fiscal measures, tax reliefs and reforms in equity regulations and foreign exchange led to significant growth in the automobile sector. A reduction in the percentage of tariffs imposed on exports and a change in the banking policies was instrumental in the expansion and growth of the banking sector.

Prior to the mid 1990's, the Indian automobile sector comprised of indigenous companies. The automobile market in India was however, opened up to foreign investors in 1996. International names like Ford, Hyundai, Toyota, Volvo, Daimler Chrysler and GM Honda were thus, able to make their foray into the Indian automobile sector. Furthermore, the auto emission rules issued by the government in recent years ensured that the vehicles manufactured in India, catered to international standards. At present, the automobiles sector contributes 4 % to the GDP. About 9.7 million automobiles were manufactured in 2005-2006. Export figures had crossed the magic figure of one billion during 2003-2004.

A reduction in the tariff imposed on car exports has been affected by the Indian government. There has also been a removal of the minimum capital investment required from new investors. Maruti will invest in a new plant in Gujarat which will produce 6 million units a year which is being done in an effort to make the company the leader in the car market. The company is having a look at different plants as shown by the Government of India. In another effort, Maruti will introduce four new cars in the Indian market: The mass-market hatchback, a utility vehicle, a new and improved Swift, and a unique SX4.

The company plans to release the design of the YE3, the hatchback by June-July 2011 while the car will actually be shown in the Auto Expo 2012. The company plans to design the YE3 without any involvement of Suzuki which is a major feat since most of its cars have been designed in collaboration with Suzuki in the past The YE3 will be a four-door, four seat hatchback and will be available in a 600-800cc engine and a five-speed manual transmission.

The company also plans to launch the Maruti R3 under a different name. The Maruti R3 is a Multi-Utility Vehicle that will come in a Rs.7 lakhs - Rs.9 lakhs ex-showroom price and is a six-seater compact van strapped with three rows of seats and rear-hinged rear doors. The car will come in both 1.2 litre K Series engines and a 1.6 litre Variable Valve Timing engine, each of which have been present in the popular models of Swift and SSX$. The R3 will compare to an Innova. The company plans to sell it in emerging markets. It will be showcased in the Auto Expo 2012. The company plans to get a diesel engine for the car from Volkswagen.

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9. Findings

1. Varun motors established in 1992 with Bajaj Auto Dealership at Visakhapatnam in 1992.
2. The sales turnover is 168.03 Cr in the year 2017-2018.
3. Working capital position has been gradually decreased but though the total current assets can observe a little increment compared to total current liabilities due to which we can identify the decrease in working capital.
4. The profitability of the Varun motors company is 88.37Cr (Book Value) in the year 2017-2018.
5. Through the Current ratio and Quick ratio, it is found that company has a satisfactory liquidity position in the year 2017-2018 than the previous years.
6. It is found that the cash ratio of the firm is less than 0.5:1 during the entire period of study.
7. Debtors' turnover ratio: It is found that during the current year the debt turnover ratio is at least (or) we can say that there is lots of lapse in recovery of money from debtors.

10. SUGGESTIONS

1. There is a great need for effective management of working capital in this firm.
2. There is no precise way to determine the exact amount of gross or net working capital for the firm.
3. There is a fluctuation in liquidity position of than firm which has be corrected to stabiles this liquidity position.
4. The collection from debtors has to be improved or it has to be speeded up in collection.
5. There is no specific rule as to how current assets should be financed.
6. It is not feasible in practice to finance current assets by short-term sources only.
7. Keeping in view the constraints of the company, a judicious mix of short- and long-term finances should be invested in current assets. Since current assets involve cost of funds, they should be put to productive use.

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