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A STUDY ON WORKING CAPITAL MANAGEMENT IN PONKULAZHLAI INDUSTRIES AT COIMBATORE

Mr. S. ARUNESWARAN, MBA., M.Phil., (Ph.D.)

&

REVATHI. K, MBA.,

Department of Management Studies - PG
K.S.Rangasamy College of Arts and Science (Autonomous), Tiruchengode

Abstract

The influence of strategic choice on working capital configurations and observe how the relationship between working capital ratio and operational performance differs depending on strategy. By clustering the strategic factors of the wholesale and retail industry, we find three categories of strategies: terminal market strategy, middle market strategy, and hybrid strategy. Using the panel data of the listed companies of the wholesale and retail industry as our sample, we analyze the differences in the ways companies configure.

Keywords: Working Capital Management, Financial Performance, Financial Analysis.

INTRODUCTION

Working capital is a financial tool to measure the operating liquidity available to organizations or business, working capital is considered as a part operating capital gross working capital is equal to current assets. Working capital is measured as current assets - current liabilities, if current assets are compared with current liability is very less, the organization has working capital deficiency, it's also called as working capital deficit. A company can be empowered with assets and profitability but may fall short of liquidity if its assets cannot be readily converted into cash. Positive working capital is required to ensure that firm is able to continue its operation and it has a sufficient fund to satisfy to meets its current obligation and future operational expenses.

OBJECTIVES OF THE STUDY

- To study the comparative balance sheet and profit and loss account of the company.
- To know the relationship between current assets and current liabilities values.
- To analyze the financial performance of a company for a period of 5 years.
- To analyze the liquidity and profitability of the company.

LIMITATIONS OF THE STUDY

- Information shown in financial statements is not precise since it is based on practical experience and the conventions.
- Balance sheet of a concern is a static document as it discloses the financial position of a concern on a particular date.

SCOPE OF THE STUDY

- A detailed analysis is done to know about the working capital of Ponkulazhlai Industries.
- The study helps to calculate the value of different ratios to be carried out for Ratio analysis and also to calculate the value of different Assets and Liabilities.
- An attempt can be made during this study to understand the efficiency of the company in other aspects of Financial Management.

REVIEW OF LITERATURE

Anusuya Biswas & Prof. Kalpana Singh (2021) in their research paper dealt with the exports performance of MSMEs according to regions and of the states in India. The authors have considered the firm size, firm age and productivity of labor, cost of labor, capital cost, intensity of capital, share of wages in GVA. The main objective of this paper was to investigate empirically the major determinant of export performance of MSMEs. Relevant data were collected on exports from 1990-91 to 2011-12 to estimate the share of exports from MSMEs in the total exports from India it is estimated at around 29.0 per cent of total exports.

Ramamoorthy, Sangeetha, & Kamal (2020) Working Capital Cycle is additionally regarded as an Operating cycle. The operating cycle is the total time gap between the purchase of raw fabric and the receipt from Debtors. The working capital estimation as per the technique of operating cycle is the most systematic and logical approach. In this case, the working capital estimation is made based on an analysis of every aspect of the working capital individually.

RESEARCH METHODOLOGY

Research methodology is a process in which the researcher wishes to find out the end result for a given problem and the solution helps in future course of action. The study is based on analytical method. The secondary data is used for analytical study.

RESEARCH DESIGN

Research design is the basic framework, which provides guidelines for the Research process. It is the map of blue print accounting to which the research is to be conducted.

SOURCES OF DATA

The secondary data is mainly used for the study. The major source of data for the study has been collected from the published annual reports, profit and loss account of 5 years period from 2018 – 2019 to 2022 – 2023 of the Ponkuzhali Industries. Some more information has been collected from different websites, magazines, official publications, accounting records, text books and journals etc.

DATA COLLECTION

The data which was collected for this project was secondary in nature. The secondary data was collected from balance sheet, profit & loss account and annual report of the industry.

TOOL USED FOR STUDY

There are many tools used for data analysis and interpretation. Some of them are

- Ratio analysis
- Schedule of changes in working capital.
- Correlation analysis

RATIO ANALYSIS

A ratio is a mathematical relationship between two items expressed in a quantitative form. Ratio can be defined as "Relationship expressed in quantitative terms between figures which have cause and effect relationship which are connected with each other in some manner or the other ideal range.

CURRENT RATIO :

Current Ratio			
Year	Current Assets (in cr)	Current Liabilities (in cr)	Ratio
2018-19	10,134.86	5,749.40	1.76
2019-20	9,033.41	8,086.41	1.12
2020-21	10,551.74	8,694.74	1.21
2021-22	10,007.92	8,135.18	1.23
2022-23	6,892.35	3,945.32	1.75

INTERPRETATION

The table shows that the current ratio of POKKULAZHLAI INDUSTRIES for the study period of the year from 2019- 2023. the ratio has increased to 1.76 in the year 2018-19, when compared to the 1.75 in the year 2021 - 22 and the ratio has decreased to 1.12 in the year 2019- 18, when compared to the 1.21 in the year 2020 -21 and 1.23 in the year 2021 - 22.

SCHEDULE OF CHANGES IN WORKING CAPITAL

The schedule of changes in working capital can be prepared by comparing the current assets and the current liabilities of two periods. Working capital is the difference between current

assets and current liabilities. The schedule of changes in working capital is prepared to find out the increase or decrease in working capital during the year. Current assets and current liabilities are taken to the schedule. Working capital at the end of the current year is compared with that of the previous year. The difference is either increase or decrease in working capital.

CORRELATION ANALYSIS

Correlation is a statistical tool which studies the relationship between two values and correlation analysis involves various methods and techniques used for studying and measuring the extent of the relationship between two values. To know the relationship between the current assets and liabilities of POKKULAZHLAI INDUSTRIES.

FINDINGS

- A good current ratio between 1.2 to 2 which means the business has 2 times more than current asset the liabilities its cover debts for the company current ratio increases 1.12 in the year 2018- 19 and 1.17 in the year 2022 – 23 which means than having more current assets compare with current liabilities.
- Quick ratio for a company between 1 to 1:1 is a ideal ratio of 1:1 would be company same amount of liquidity as current liabilities for POKKULAZHLAI INDUSTRIES the quick ratio its ranges of 0.94 to 1.49 in the year 2019 – 23 which means that company has sufficient liquid asset in comparative which current liabilities.
- Fixed asset turnover various between companies in different sectors the ratio between 0.50 to 1 for POKKULAZHLAI INDUSTRIES have 0.51 to 0.80 in the 2019 – 2023 which means that the ideal range of fixed asset turnover.
- The company in the utilities sector is more likely to aim for an asset turnover ratio that between 0.25 to 0.5 for POKKULAZHLAI INDUSTRIES have 0.20 to 0.80 in the 2019 – 2023 which means that the ideal range of asset turnover ratio.
- Generally the debt to equity ratio round to 1 to 2 is a considered ideal range. POKKULAZHLAI INDUSTRIES have ratio 0.66 to 1.75 in the 2019 – 2023.
- A higher working capital turnover ratio is better, and indicates that a company is able to generate a larger amount of sales. POKKULAZHLAI INDUSTRIES the working capital turnover ratio its 1.93 to 7.54 in the 2019 – 2023 it is in the ideal range.

SUGGESTION

- In order to improve the net profit, the company would decrease operating and production cost.
- The company could maintain its safe liquidity position.
- The company could continuously maintain its proper planning and control techniques in order to regularize and optimize the consumption of raw material and purchase.
- The companies fixed assets are more, so company could utilize the fixed assets at optimum level.

CONCLUSION

The studying working capital management through Ratio Analysis, schedule of changes in working capital and correlation analysis of POKKULAZHLAI INDUSTRIES for a period of 5 years from 2019- 2023, the study reveals that the financial performance of the company is in good level. The turnover ratios were found to be comfortable with loans and advances being the most dominant factor, hence, influencing the working capital. From the foregoing analysis working capital of POKKULAZHLAI INDUSTRIES, has been effectively and properly maintained with the help of current assets and current liabilities

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