

A Study of Working Capital Analysis & its Impact on Credit Facility of Aditya Birla Money Pvt Ltd

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Abstract: Working capital is an important in business firm as blood in a human life. Each and every business concern should have adequate funds to meet out day to day expenses and to finance current asset debtor, BIR and inventories. The funds tied up in current asset are known as working capital funds. Proper management of working capital is necessary to maintain both liquidity and profitability. Liquidity is a necessity for the survival of the firm. While comparing liquidity with profitability, liquidity gets higher priority. No firm can survive if it has no liquidity. A firm having no profit may be treated as sick but no having liquidity may die over a period of time. In this way the working capital management includes deciding upon amount and composition of current asset and how to finance these assets.

Keywords: Working Capital, Cash flow management, Project Finance, Current Assets

I. INTRODUCTION

Working capital is an important in business firm as blood in a human life. Each and every business concern should have adequate funds to meet out day to day expenses and to finance current asset debtor, BIR and inventories. The funds tied up in current asset are known as working capital funds. Proper management of working capital is necessary to maintain both liquidity and profitability. Liquidity is a necessity for the survival of the firm. While comparing liquidity with profitability, liquidity gets higher priority. No firm can survive if it has no liquidity. A firm having no profit may be treated as sick but no having liquidity may die over a period of time. In this way the working capital management includes deciding upon amount and composition of current asset and how to finance these asset.

1.1 Concept

There are two concept of working capital: • Quantitative: - According to Quantitative concept the term working capital refers to the total of all current assets. The various economists like mean mellot, Adam smith, and Baker field supported the view. In other words Adam smith "The good of merchant yield him to revenue or profit till he sells them for money and the money yields him a little till is again exchanged for goods". • Qualitative :- The second concept of working capital is qualitative in nature Guthh Mann stated the qualitative concept explain working. Capital as "Excess of current asset over current liability" According to this concept asset must exceed current liability and then only there can be working Capital. On the other hand if current liability exceed than the current asset there is no working capital but there is a working capital deficit.

1.2 Definition

"Working capital is the amount of necessary to over the cost of operating the enterprise"

1.3 Objectives

The objectives of the study are as follows:-

- To study the investment in current assets.
- To study how the company meet its current Profitability.
- To know the impact of Credit Facility.
- To study the balance between current assets & current liabilities.

1.4 Hypothesis –

The Current Study says that:-

- H1:- The Company should utilize the funds more efficiently to maximize shareholder return, equity fund & debt fund.
- H0:- The Company should not utilize the funds more efficiently to maximize shareholder return, equity fund & debt fund.

II. RESEARCH METHODOLOGY

Data collection: -

Sources of information:- There are mainly two sources for the data and information collection that is the

- 1) Primary sources
- 2) Secondary sources

In this project I used both the data collection sources where,

1) Primary sources :- There are various methods of collecting the primary information i.e. interview methods, questionnaire methods, observation methods, etc. in this case it is the study of a single organization, so personnel interview methods is used for collection the necessary information and data. For this purpose, at the time of every visit personal interview of the managing directors, secretary, finance manager are taken, through which the point like requirement of working capital, sources of working capital, history of organization etc. and other relevant issues are discussed and the required information is collected.

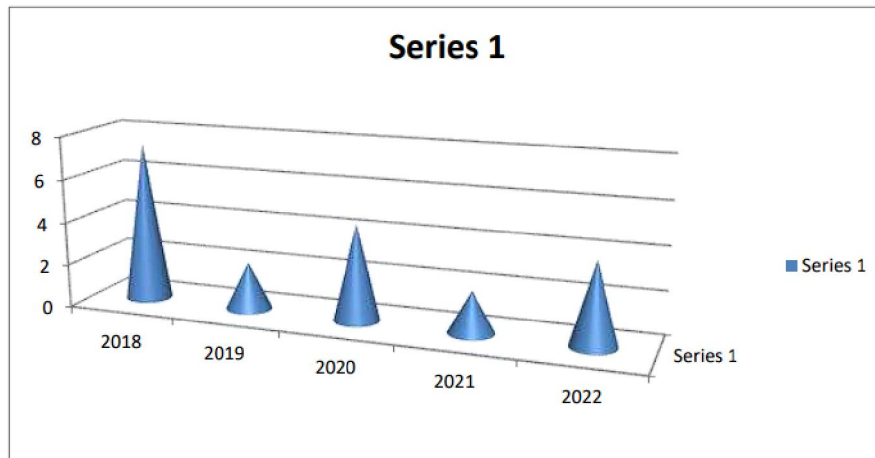
2) Secondary sources :- This study is based on facts and figures for which the sources are also used for collecting the data and information for this project. Secondary data was gathered from various documents and articles from finance and steps follows and steps follows for effective and efficient management find out the actual capital. This data help me a lot to find actual information and data about working capital.

III. DATA ANALYSIS & INTERPRETATION –

LIQUIDITY RATIO 1. CURRENT RATIO (Amount in Rs.)

Current Ratio			
<i>Year</i>	<i>Current Assets</i>	<i>Current Liabilities</i>	<i>Ratio</i>
2018	5,85,74,151	79,03,952	7.41
2019	6,97,65,346	3,18,84,616	2.19
2020	7,20,21,081	1,60,65,621	4.48
2021	9,13,28,208	4,71,17,199	1.94
2022	11,56,42,068	3,02,66,661	3.82

GRAPHICAL REPRESENTATION



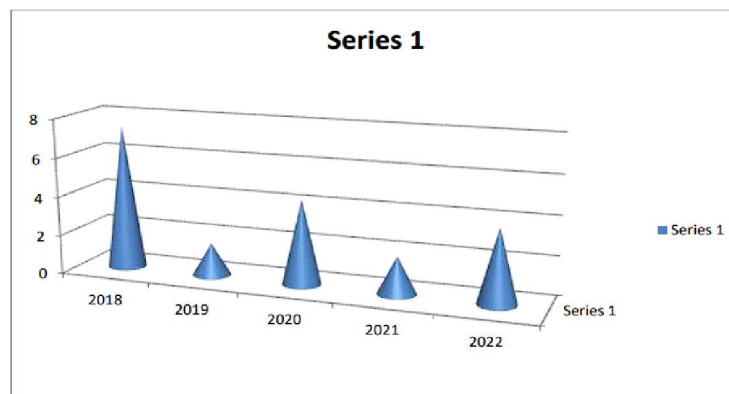
Interpretation

As a rule, the current ratio with 2:1 (or) more is considered as satisfactory position of the firm. When compared with 2020, there is an increase in the provision for tax, because the debtors are raised and for that the provision is created. The current liabilities majorly included Ventura Securities Ltd. for consultancy additional services.

2. QUICK RATIO (Amount in Rs.)

Quick Ratio			
Year	Quick Assets	Current Liabilities	Ratio
2018	5,85,74,151	79,03,952	7.41
2019	5,24,70,336	3,18,84,616	1.65
2020	6,98,83,268	1,60,65,620	4.35
2021	8,94,33,596	4,71,17,199	1.9
2022	11,54,31,868	3,02,66,661	3.81

GRAPHICAL REPRESENTATION



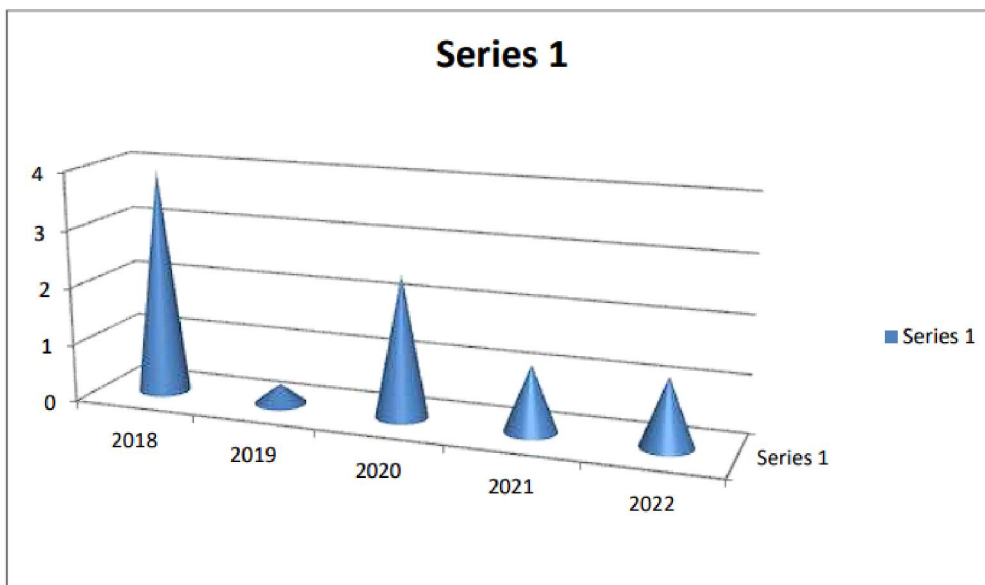
Interpretation

Quick assets are those assets which can be converted into cash within a short period of time, say to six months. So, here the sundry debtors which are with the long period does not include in the quick assets. Compare with 2021, the Quick ratio is increased because the sundry debtors are increased due to the increase in the corporate tax and for that the provision created is also increased. So, the ratio is also increased with the 2020.

3. ABOSULTE LIQUIDITY RATIO (Amount in Rs.)

Absolute Cash Ratio			
<i>Year</i>	<i>Absolute Liquid Assets</i>	<i>Current Liabilities</i>	<i>Ratio</i>
2018	3,10,04,027	79,03,952	3.92
2019	1,08,59,778	3,18,84,616	0.34
2020	3,94,66,542	1,60,65,620	2.46
2021	5,38,50,852	4,71,17,199	1.14
2022	3,56,49,070	3,02,66,661	1.18

GRAPHICAL REPRESENTATION



Interpretation:

The current assets which are ready in the form of cash are considered as absolute liquid assets. Here, the cash and bank balance and the interest on fixed assts are absolute liquid assets. In the year 2021, the cash and bank balance is decreased due to decrease in the deposits and the current liabilities are also reduced because of the payment of dividend. That causes a slight increase in the current year's ratio.

IV. CONCLUSION

- On Inventory Management: - Inventory turnover ratio is also fluctuating in the range. More the ratio greater the efficiency of the inventory management and low inventory turnover ratio suggest poor inventory management. Less of profit and less cost of sale distribution boxes is not allowed to another factory. All factories have to sell distribution boxes under the control of government which result the speed of sales, so DBs factories have to maintain huge stock of finished goods blocking heavy amount.
- On Cash Management: - Cash turnover ratio showing upward trend .the greater cash to sale ratio indicates the effective and better utilization of cash resources. The sale of DBs cannot be used freely used by DBs factories because the amount of sale is deposited in banks working capital loan account as per term of loan.
- On working capital trend and liquidity:- The working capital turnover ratio is found fluctuating during the study period. During the three year period the working capital of the factory showing fluctuating trend. The current assets and current liabilities are showing decreasing trends. A very high ratio may result of over trading and a low ratio may be result of under trading

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