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Working Capital Management at Carpenta Marbonit PVT Ltd Mannampetta

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Abstract: *The present research seeks to study in depth the Working Capital Management of carpenta Carbonite Company, Mannampetta. The present research of working capital management needs special attention for efficient working and the business .It has been often observed that the shortage of working capital leads to the failure of a business. The proper management of working capital may bring about the success of a business firm. The management of working capital includes the management of current assets and current liabilities. The present research undertakes to deal with the net concept of working capital; excess of curliabilities over current liabilities. Working capital management is also known as short term financial management and is mainly concerned with the decisions relating to current assets and current liabilities.*

Keywords: Working Capital, Financial Management, Current Assets And Current Liabilities

I. INTRODUCTION

Working Capital Management requires monitoring a company's assets and liabilities to maintain sufficient cash flow. The strategy involves tracking three ratios: the working capital ratio, the collection ratio, and the inventory ratio. Keeping those three ratios at optimal levels ensures efficient working capital management. The goal of working capital management is to maximise operational efficiency. Efficient working capital management helps maintain smooth operations and can also help to improve the company's earnings and profitability. Management of working capital includes inventory management and management of accounts receivables and accounts payables. Working capital is a daily necessity for businesses, as they require a regular amount of cash to make routine payments, cover unexpected costs, and purchase basic materials used in the production of goods.

II. REVIEW OF LITERATURE

Rabiul Alam and Syed Zabid Hussian (2004) have made an attempt to examine The strengths and weaknesses of working capital management of Khulna Shipyard Lad (KSLE) in Bangladesh during 1987 to 199) Necessary data have been collected from annual report The study reveals that KS has not working capital policy. Accounting ration indicate that KSI has negative working capital due to excess Current liabilities and shows an increasing trend .inventory and accounts receivable Occupies 5 per cent of current assets which is the main reason for poor liquidity and Ineffective utilization of current assets is observed KSL depends highly on short-term bank credit for financing working capital while the company allows more trade Credit than it obtains from others.

Bardia (2006) carried out a comparative study to investigate the comparative Liquidity trends in SAIL and TISCO. Data have been culled from annual reports Of the 180 companies from 1997.08 to 2003-04 Analysis reveals a lack of Steadiness in liquidity trends of SAIL Relationship between working capital and Sales is poor and the rotation of working capital is slow SAIL has used relatively Larger liquid funds attain sales in comparison to TISCO. Liquidity management of TISCO is far better than that of SAIL.

Nandkishore Sharma (2007) has examined the current assets in Indian Textile Industry. A sample of fifty textile companies is selected. Data have been collected For a period of four years from 2002-2006. The results shows that difference between Actual and trend values of current assets at well as current liabilities are significant In the all textile companies. A fluctuating trend in cash flow is observed. A low Liquidity position is prevailing doe to thing trend of inventory as well as receivables. Further, the study reveals that for financing current it, the textile companies resorts To both long-term and short-term funds.

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Das (2007) examined the various methods of financing working capital in the Associated Cement Companies Limited (ACC) The data have been collected from Annual reports covering 13 years from 1992-03 to 2004-05: The result shows that ACC uses more short-term funds for financing working capital and adopts Aggressive policy with mixed pattern of various sources, Miscellaneous current Liabilities are found to be the major source of financing. Further internal source alone Is preferred by the company.

III. STATEMENT OF THE PROBLEM

Proper management of working capital is essential to a companies fundamental Financial health and operational success as a business. A hallmark of good business Management is the ability to utilise working capital management to maintain a solid Balance growth, profitability and liquidity. So there have more importance for the study Of working capital management. This project entitled "a study on working capital Management of Carpenta Marbonit Mannampetta" aims to analyse the liquidity, Profitability and turn over capacity of the company.

IV. SCOPE OF THE STUDY

Working capital management is an integral part of overall corporate management In Highly competitive environment , working capital management is an important factor Which determines the smooth operation and success of a firm. Hence studies in this area Can highlight the recent trend that has been incorporated in the industrial finance Practice. It also enables us to make a comparative analysis of the current trends in Working capital management in general so that of the existing practices in the Organisation. They are also useful in identifying areas where more focus is required and Also provides opportunity to benchmark successful financial practices with regard to Corporate financing.

V. OBJECTIVES OF STUDY

5.1 Primary Objective

To know about working capital management in Carpenta Marbonit

5.2 Secondary Objective

- To know factors affecting working capital management.
- To analyse liquidity position of the company
- To understand the relationship between the current assets and current liabilities

VI. DATA COLLECTION METHODS

6.1 Primary Data

Fresh data and first hand information collected by the researcher personally. Source Of primary data is through schedule- respondent and researcher are directly Contacted.

6.2 Secondary Data

Secondary data refers to data that is collected by someone other than the primary User. Common sources of secondary data for social science include censuses, Information collected by government departments, organizational records and data That was originally collected for other research purposes.

VII. DATA ANALYSIS AND INTERPRETATION

7.1 Current Ratio

Current Ratio = Current liabilities/Current assets

Year	Current assets	Current liabilities	Current ratio
2017-18	1175108	94185	12.47659
2018-19	1726579	81910	21.07897
2019-20	2664783	161416	16.50879
2020-21	3044334	171759	17.72445
2021-22	2378180	213138	11.15793

The current ratio is an indication of a firm's liquidity. Large current ratios are not always a good sign for investors. Here the company's current ratio is too high it may indicate that the company is not efficiently using its current assets or its short-term financing facilities.

7.2 Liquid Ratio

Liquid Ratio = Liquid Asset / Liquid Liabilities

Year	Liquid assets	Liquid liabilities	Liquid ratio
2017-18	1175108	94185	12.47659
2018-19	1726579	58047	29.74450
2019-20	2664783	161416	16.50879
2020-21	3044334	171759	17.72445
2021-22	2378180	213138	11.15793

Liquid ratio from the data calculated are high in ratio. High or increasing liquid ratio indicates a company has faster inventory turnover and cash conversion cycles. Companies with higher liquid ratios are considered to be more financially stable than those with a lower quick ratio. Liquid ratio greater than 1 is considered healthy.

7.3 Working Capital Turnover Ratio

Working Capital Turnover Ratio = Net Sales/ Net Working Capital

Year	Net sales	Net working capital	Working capital turnover ratio
2017-18	5343403	1080923	4.943377
2018-19	5843403	1644669	3.552935
2019-20	6054539	2503367	2.418558
2020-21	6927354	2872575	2.411548
2021-23	6406992	2165042	2.959292

Most analysts consider the ideal working capital ratio to be between 1.2 and 2. If the company experience more demand for their products, then they are less likely to suffer inventory shortages that sometimes come with rising sales. It is important to compare a company's ratio to those of similar companies within its industry.

7.4 Inventory Turnover Ratio

Inventory Turnover = Cost of Goods Sold / Average Inventory

Year	Cost of goods sold	Average inventory	Inventory turnover ratio
2017-18	4180852	711237	5.87828
2018-19	4089378	1031545	3.96432
2019-20	4213185	1756612	2.39847
2020-21	5570645	2255590	2.46970
2021-22	5064328	1989397	2.54565

A good inventory turnover ratio is between 5 and 10 for most industries, which indicates that the company sell and restock the inventory every 1-2 months. This ratio strikes a good balance between having enough inventory on hand and not having to reorder too frequently. A low turnover implies weak sales and possibly excess inventory, also known as overstocking.

7.5 Debtors Turnover Ratio

Debtors Turnover ratio = Net credit sales/ Average debtors

Year	Net credit sales	Average debtors	Debtors turnover ratio
2017-18	5343403	282985.5	18.8822
2018-19	5875448	299330	19.6286
2019-20	6054539	355071.5	17.0516
2020-21	6927354	450138.5	15.3893

2021-22	6906992	543406	12.7105

Usually, the higher turnover ratio is preferred as it indicates the company's efficiency to collect its receivables. A low receivables turnover ratio might be due to a company having a poor collection process, bad credit policies, or customers that are not financially viable or creditworthy. Typically, a low turnover ratio implies that the company should reassess its credit policies to ensure the timely collection of its receivables

7.6 Gross Profit Ratio

Gross Profit Ratio = (Gross Profit / Net Sales)*100

Year	Gross profit	Net sales	Gross profit ratio
2017-18	1162550	5343403	21.7567
2018-19	1786068	5875448	30.3988
2019-20	1871353	6054539	30.9082
2020-21	1356710	6927354	19.5848
2021-22	1342664	6406992	20.9562

The company gross profit ratio is high as per calculation. A high gross profit margin means that the company did well in managing its cost of sales. It also shows that the company has more to cover for operating, financing, and other costs. The gross profit margin may be improved by increasing sales price or decreasing cost of sales.

7.7 Net Profit Ratio

Net Profit Ratio = (Net Profit after Tax / Net Sales)*100

Year	Net profit after tax	Net sales	Net profit ratio
2017-18	108273	5343403	2.02629
2018-19	600186	5875448	10.2151
2019-20	107009	6054539	1.76741
2020-21	189617	6927354	2.73722
2021-23	136246	6406992	2.12652

A high net profit margin means that a company is able to effectively control its costs and/or provide goods or services at a price significantly higher than its costs.. A lownet profit margin means that a company uses an ineffective cost structure and/orpoor pricing strategies. Therefore, a low ratio can result from: Inefficient management. High costs (expenses) Weak pricing strategies.

VIII. FINDINGS

The major findings of working capital management of Carpenta Marbonit, Mannampetta, Thrissur are:

- The current ratio of the company is not satisfactory for the last four years Because the current assets are high and the ratio range between 11-21.The standard ratio 2:1, and the company ratio is comparatively high. The Company's current ratio is too high it may indicate that the company isNot efficiently using its current assets or its short-term financing facilities.
- Liquid ratio from the data calculated are high in ratio. High or increasing Liquid ratio indicates a company has faster inventory turnover and cash Conversion cycles.
- Ideal working capital ratio range between 1.2 and 2.Company's working Capital ratio range between 2-4 which is good. But working capital ratio Is decreasing from 4- 2. Company must maintain the ideal ratio. A high Working capital turnover ratio can potentially give a competitive edge in The company. It indicates the company use up your working capital more Times per year, which suggests that money is flowing in and out of the Small business smoothly.
- The inventory turnover ratio is showing a decreasing trend. A low Turnover implies weak sales and possibly excess inventory, also known As overstocking. It may indicate a problem with the goods being offered For sale or be a result of too little marketing. Low inventory turnover rate May also be caused by overstocking or inefficiencies in the product line Or sales and marketing effort.

- Debtors turnover ratio shows a decreasing trend. This is not good For the company. Low debtors turnover implies inefficient management Of debtors/sales and less liquid debtors. A low receivables turnover ratio Might be due to a company having a poor collection process, bad credit Policies, or customers that are not financially viable or creditworthy.
- The gross profit ratio of the firm is fluctuating. Company has good gross Profit ratio. The company gross profit ratio is high as per calculation. A High gross profit margin means that the company did well in managing Its cost of sales. It also shows that the company has more to cover for Operating, financing, and other costs. Gross profit ratio is very high from 2015-2017.

IX. SUGGESTIONS

Based on the findings, the following suggestions are put forward for the improvement In the performance of the organization:

- The company should reduce its current liabilities or increase its current Asset to the help in maintain the working capital.
- The profitability can be increased by controlling operating costs and Increasing sales. It helps to make more profit.
- The company is to trying to identifying the source of capital for meeting The day to day operations and the working capital is effectively and Efficiently managed.
- Debtors turnover ratio shows decreasing trend all the years. Here The fluctuations in the value of debtors turnover indicates the inefficient Management of the credit. So the company should have to maintain an Efficient credit.
- It is advisable to the management to take necessary steps to speed Up receivables collection procedure in order to avoid blocking of funds.
- The company has good gross profit ratio and if the company is able to Manage the cost of sales properly, good gross profit ratio can be Maintained.
- The net profit ratio shows fluctuating trends. Efficient management of cost Of production, sales and good pricing strategies will help the company to Attain good net profit ratio.
- Working capital decreased in the last year but rest year showed an Increase. The decrease in working capital can be due to the decrease in the Current assets and increase in the current liabilities of the firm. So the Company should try to reduce their current liabilities and increase the short term solvency position
- The company should maintain its cash and bank balance more efficiently.

X. CONCLUSION

Carpenta Marbonit produce polyresin gift statues. For the past 15 years this Company has put forward innovative ideas and they were able to produce different Varieties of products. The company seems to be working in good condition only the Year of 2021 had been a challenging year for them. Over all the woeking capital Management in the company is good, there is idle fund which the company need to Take care of it properly. If it Now the company is trying to expand their products and They are trying to introduce personalized gifts to the customers. There is huge scope In this gifting industry because gifting has been a tradition in our country and it will Never go out of style. Working capital is the life blood of an organization so it must handle Carefully. Working capital is a key operational and financial driver, holding strong Business risk and potentially huge opportunities. Optimal working capital Management will guide business along the road to achieving their strategies while Minimizing these risks and realizing the opportunities. In most markets, competition And innovation are a fact of life that means no firm can afford to stand still for long. The study of Working Capital Management of Carpenta Marbonit company has Provided a lot of valuable information for critical analysis and interpreting the Numerical facts in a systematic manner. The working capital management of Carpenta Marbonit company has thrown light on the various aspects of the company. There have been certain drawbacks which have been studied at appropriate places And suggestions have made. It can be helped that the present study may serve the purpose to some extend; it is not to a great extend.

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