



Enhancing Working Capital Efficiency through Inventory Turnover Optimization– Special Reference Vasantham Agro Products.

Ms. Subhashini B¹, Ms. Vaishnave S²

*School of Management Studies
Karpagam College of Engineering
Coimbatore*

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ABSTRACT: This study presents a method to analyse (and design) intellectual capital information so that it can be an input to the management of knowledge resources where knowledge resources are related to questions about economizing, organizing and modularizing them. The financial data for a period of five years of Vasantham Agro Products Ltd. were analysed for the study. The performance of the business was evaluated by analysing and interpreting the financial statements of the company, with the help of Ratio Analysis. The results indicate (i) the existence of an optimal level of working capital policy; and (ii) firms that converge to that optimal level (either by increasing or decreasing their investment in working capital) improve their stock and operating performance. This also document that corporate investment is the channel through which efficient working capital management translates into superior firm performance.

Key words: Working Capital, Performance, Financial Statements, Efficiency and Management.

I. INTRODUCTION

The accounting principles board of the American institute of certified public accountants, USA, has defined working capital as follows: - “Working capital, sometimes called net working capital, is represented by the excess of current assets over current liabilities and identifies the relatively liquid portion of total enterprise capital which constitutes a margin or buffer for maturing obligations within the ordinary cycle of the business.

Working capital means the fund available for day-to-day operations of an enterprise presents the excess of current assets over current liabilities. It is concerned with the problem that arises in attempting to manage the current assets, the current liabilities and the inter-relationships that exist between them.

WORKING CAPITAL= CURRENT ASSETS-
CURRENT LIABILITES

Current assets include cash in hand, cash at bank, stocks, bills receivables, debtors, etc. Current liabilities include credit, over draft, bills payable short-term loans, outstanding expenses, creditors etc.

The basic objective of working capital management is to manage the firm’s current assets and current liabilities in such a way satisfactory level of working capital is maintained, i.e., it is neither inadequate nor excessive.

The current assets should be sufficient enough to cover current components of working capital are to be properly balance. In the absence of such a situation, the financial position in respect of the firm’s liquidity may not be satisfactory in spite of satisfactory current ratio and quick ratio.

Working capital management policies have a great effect on a firm’s profitability and liquidity and its structural health. The management should chalk out appropriate working capital management policies in respect of each of the components of working capital so as to ensure higher profitability, proper liquidity and sound structural health of the organization.

II. OBJECTIVES OF THE STUDY

- To assess current inventory turnover rates within the coir industry to establish a baseline for improvement and analyze the impact of inventory turnover optimization on working capital requirements and cash flow management.
- To evaluate the effectiveness of inventory forecasting techniques in minimizing excess inventory levels while meeting customer demand.



- To examine the implications of inventory turnover optimization on overall

operational efficiency and productivity in coir manufacturing

III. LIMITATIONS OF THE STUDY

Financial analysis is based upon monetary information. As the financial statements are prepared on the basis of a going concern, it does not give exact position.

The accounting concepts and conversion cause a serious limitation to financial analysis.

IV. STATEMENT OF THE PROBLEM

Management of Working Capital is of utmost importance for the success of any organization. Only those organizations, which are capable of managing the working capital and related effectively, can take the lead in the industry. Only such organizations are able to see that the shareholders wealth is maximized which is the main objective of any business. The current study has undertaken to analyze the functioning of "Vasantham Agro Products Ltd" To evaluate the performance of the company.

V. REVIEW OF LITERATURE

Vanhornex (2020) in his study recognizing working capital management as an area largely lacking in theoretical perspective, attempted to develop a framework in terms of probabilistic cash budget for evaluating decisions concerning the level of liquid assets and the maturity composition of debt involving risk-return trade-off. Once the risk and opportunity cost for different alternatives were estimated, the firm could determine the best alternative by balancing the risk of running out of cash against the cost of providing a solution to avoid such a possibility depending on management's risk tolerance limits. Thus, his study presented a risk-return trade-off of working capital management in entirely new perspective by considering some of the variables probabilistically.

Bhattacharyya Hrishikes (2020) tries to develop a comprehensive theory and tool of working capital management from the systems point of view. According to this study, capital is often used to refer to capital goods consisting of a great variety of things, namely, machines of various kinds tools, raw materials and goods-in-process. A finance manager of a firm looks for these things on the assets side of the balance sheet. For capital he turns

his attention to the other side of the balance sheet and never commits a mistake.

Walker viii (2018) in his study made a pioneering effort to develop a theory of working capital management by empirically testing, though partially, three propositions based on risk-return trade-off of working capital management. He tried to build-up a theory of working capital management by developing three prepositions. However, Walker tested empirically the first proposition only. Walker's Study would have been more useful — had he attempted to test all the three propositions.

Saganvii (2017) in his paper perhaps the first theoretical paper on the theory of working capital management, studies the need for management of working capital accounts and said that it could be importantly affect the health of the firm. He concluded that there should be a theory on working capital. He suggested that money manager should take his decisions on the basis of cash budget and total current assets position rather than on the basis of traditional working capital ratios. This is important because efficient money manager can avoid borrowing from outside even when his net working capital position is low. The study pointed out that there was a need to improve the collection of funds but it remained silent about the method of doing it. Moreover, this study is descriptive without any empirical support.

Nihat Aktas ed al (2017) We examine the value effect of working capital management (WCM) for a large sample of US firms. Our results indicate (i) the existence of an optimal level of working capital policy; and (ii) firms that converge to that optimal level (either by increasing or decreasing their investment in working capital) improve their stock and operating performance. We also document that corporate investment is the channel through which efficient WCM translates into superior firm performance. In particular, efficient WCM allows firms to redeploy underutilized corporate resources to higher-valued use, such as the funding of cash acquisitions.



VI. RESEARCH METHODOLOGY PERIOD OF THE STUDY

The financial data for a period five years of Vasantham Agro Products Ltd analysed for the study.

RESEARCH DESIGN:

The methodology used way to systematically solve the researcher has to use facts (or) information already available and study the characteristics of a particular group respectively and there by analyze to make a critical evaluation of the study.

POPULATION

The aggregate elementary units in the survey are referred to as the population. Here it covers the entire 250 employees of Vasantham Agro Products Ltd.

SAMPLING UNIT:

Sampling unit is in Vasantham Agro Products Ltd at Coimbatore.

SOURCE OF DATA:

The secondary data is used for the study and are collected from the annual reports of the company.

Analytical tools and methods:

The collection data were tabulated and presented in appropriate places of various chapters. The performance of the business was evaluated by analysing and interpreting the financial statements of the company, with the help of Ratio Analysis.

- Ratio analysis
- Statement of changes in working capital
- Trend analysis
- Correlation analysis

Ratio analysis

A ratio is a simple arithmetic expression of relationship of one number to another. Ratio is an expression of the quantitative relations between two numbers. Ratio analysis is a technique of analysis and interpretation of financial statements. It is a process of establishing and interpreting various ratios which help in making certain decisions.

Three steps involved in ratio analysis are:

- Selection of relevant data from the financial statement depending upon the objective of analysis.
- Calculation of appropriate ratios from the above data.

- Comparison of the calculated ratios with the ratios of the same firm or the ratios of some other firm or the comparison with the ratios of the industry to which this firm belongs and interpretation of ratios.

Trend analysis

Trend analysis is the widespread practice of collecting information and attempting to spot a pattern. In some fields of study, the term has more formally defined meanings.

Although trend analysis is often used to predict future events, it could be used to estimate uncertain events in the past, such as how many ancient kings probably ruled between two dates, based on data such as the average years which other known kings reigned.

Statement of changes in working capital

The excess of current assets over current liabilities is referred to as the company's working capital. The difference between the working capital for two given reporting periods is called the change in working capital.

Correlation analysis

There are several different correlation techniques. The survey systems optional statistics module includes the most common type, called the person or product moment correlation. The module also includes a variation on this type called partial correlation. The latter is useful when you want to look at the relationship between two variables while removing the effect of none or two other variables.

$$r = \frac{\sum XY}{\sqrt{(\sum X^2) (\sum Y^2)}}$$

DATA ANALYSIS AND INTERPRETATION

ANALYSIS OF DATA

The analysis of data requires a number of closely related operations such as establishment of categories, the application of these categories to raw data through coding, tabulation and then drawing inferences. The unwieldy data should necessarily condense into a manageable groups and tables for further analysis.

Thus, researcher should classify the raw data into some purposeful and usable categories. Analysis work after tabulation is generally based on the computation of various percentages, coefficients, etc., by applying various well defined statistical formulae.



INTERPRETATION OF DATA

The real value of research lies in its ability to arrive at certain generalizations. If the researcher had no hypothesis to start with, he might seek to explain his findings on the basis of some theory. It is known as interpretation. The process of interpretation may quite often trigger off new questions which in turn may lead further researches.

RATIO ANALYSIS

TURNOVER RATIOS

The turnover ratios or activity ratios indicate the efficiency with which the capital employed is rotated in the business. The overall profitability of the business depends on two factors: (i) the rate of return of capital employed; and (ii) the turnover, i.e., the speed at which the capital employed in the business rotates.

DATA ANALYSIS AND INTERPRETATION

WORKING CAPITAL TURNOVER RATIO

Working capital of a concern is directly related to sales (i.e.) the current assets like debtors, bills receivables, cash, stock etc., and change with the increase (or) decrease in sales.

Working capital = Current Assets - Current liabilities

This excess of current assets over current liabilities is referred to as net working capital. Working capital turnover ratio indicated the velocity of the utilization of net working capital. This ratio indicated the number of times the working capital is turned over in the course of a year. A higher ratio indicates efficient utilization of working capital and a low ratio indicated otherwise.

TABLE: WORKING CAPITAL TURNOVER RATIO

Year	Sales (In lakhs)	Networking capital (In lakhs)	Ratio (Rs in Cr)
2018-19	1404.37	464.04	3.03
2019-20	2164.00	194.44	11.12
2020-21	1103.16	16.03	68.81
2021-22	1170.41	-88.64	-13.20
2022-23	707.28	-306.52	-2.30

Sources: Balance sheet

INTERPRETATION:

From the above table shows that the working capital turnover ratio is 3.03 in 2018-19 and increased to 11.12 in 2019-20 and increased 68.81 in 2020-21 and decreased to -13.20 in 2021-22 and again decreased to -2.30 in 2022-23. This shows working capital turnover ratio is fluctuating.

INVENTORY TURNOVER RATIO

Inventory turnover ratio implicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory.

TABLE: INVENTORY TURNOVER RATIO

Year	Cost of goods sold (In lakhs)	Average stock (In lakhs)	Ratio (Rs in Cr)
2018-19	1404.37	138.79	10.12
2019-20	2164.00	164.57	13.15
2020-21	1103.16	130.12	8.47
2021-22	1170.41	108.96	10.74
2022-23	707.28	114.51	6.17

Sources: Balance sheet

INTERPRETATION:

The above table shows that the inventory turnover ratio from 2018-19 to 2022-23. The ratio shows increasing trend during the study period. The ratio shows highest as 10.12 at 2018-19 and shows lowest as 6.17 at 2022-23. The ratio indicates at the year 2019-20 the company performs better of inventory and at the year 2022-23 the company performs low level of inventory.



TABLE: DEBTORS TURNOVER RATIO

Year	Sales (In lakhs)	Average Debtors (In lakhs)	Ratio (Rs in Cr)
2018-19	1404.37	36.00	39.01
2019-20	2164.00	94.76	22.83
2020-21	1103.16	116.39	9.47
2021-22	1170.41	106.86	10.95
2022-23	707.28	78.22	9.04

Sources: Balance sheet

INTERPRETATION:

From the above table shows that the Debtors turnover ratio lies within its upper limit and also maintains a reasonable level which is useful for the liquidity of the firm. The ratio shows lowest as 9.04 at 2022-23 and shows highest as 39.01 at 2018-19 and there is no standard norm for Debtors turnover ratio.

GROSS PROFIT RATIO

The gross profit ratio is also known as gross margin ratio, trading margin ratio etc., it is expressed as a “percent ratio”. The different between net sales and cost of goods sold is known as gross profit.

TABLE: GROSS PROFIT RATIO

Year	Gross Profit / Loss (In lakhs)	Net Sales (In lathes)	Ratio (Rs in Cr)
2018-19	182.40	1372.84	0.13
2019-20	-46.18	2138.33	-0.02
2020-21	11.78	1103.16	0.01
2021-22	-51.50	1170.41	-0.04
2022-23	-168.00	707.28	-0.23

Sources: Balance sheet

INTERPRETATION:

The above table shows that the gross profit ratio. This ratio is an indicator of the firm’s ability to meet its current obligations. The lowest ratio (-0.23) was obtained during the period 2022-23 and the highest ratio (0.13) value obtained during the period 2018-19.

NET PROFIT RATIO

It establishes a relationship between net profit (after tax) and sales. It is determined by dividing the net income after tax to the sales for the period and measures the profit per rupee of sales.

TABLE: NET PROFIT RATIO

Year	Net Profit / Loss (In lakhs)	Net Sales (In lakhs)	Ratio (%) (Rs in Cr)
2018-19	103.49	1372.84	7.53
2019-20	-99.86	2138.33	-4.66
2020-21	-47.72	1103.16	-4.32
2021-22	-87.42	1170.41	-7.47
2022-23	-159.38	707.28	-22.53

Sources: Balance sheet

INTERPRETATION:

The above table shows that the net profit ratio from 2018-19 to 2022-23. The ratio shows that (7.53) at 2018-19 and decreased to (-4.66) at 2019-20 and again it was continuously decreased to year by year.



TABLE: CURRENT RATIO

Year	Current Assets(In lakhs)	Current liabilities(In lakhs)	Ratio (Rs in Cr)
2018-19	957.36	493.32	0.99
2019-20	799.29	604.85	0.33
2020-21	683.90	667.87	0.02
2021-22	628.47	717.11	-0.13
2022-23	630.86	937.38	-0.36

Sources: Balance sheet

INTERPRETATION:

The above table shows that the current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (-0.36) was obtained during the period 2022-23 and the highest ratio (0.99) value obtained during the period 2018-19. The current asset ratio is above than the standard level. Therefore, the current ratio is considered satisfactory.

LIQUIDITY RATIO

Quick ratio also known as acid test or liquid ratio established a relationship between quick (or) liquid assets and liquid liabilities. An asset is said to be liquid if it can be converted into cash within a short period without loss of value. The other liquid assets are bills receivables, such debtors, Cash and bank balance marketable securities and temporary investment. The liquid liabilities are outstanding, Tax, Dividend.

TABLE: LIQUIDITY RATIO

Year	Liquid Assets (In lakhs)	Liquid liabilities (In lakhs)	Ratio (Rs in Cr)
2018-19	769.46	493.32	1.56
2019-20	658.04	604.85	1.08
2020-21	564.91	667.87	0.84
2021-22	529.53	717.11	0.74
2022-23	500.02	937.38	0.53

Sources: Balance sheet

INTERPRETATION:

The above table shows that quick ratio from 2018-19 to 2022-23. The quick ratio shows decreasing trend throughout the study period. Even though it had decreased the quick ratios satisfy the standard norm. The ratio shows highest as 1.56 at 2018-19 and shows lowest as 0.53 times at 2022-23.

CURRENT ASSET TURNOVER RATIO

The ratio between sales and the current assets is called current assets turnover ratio.

TABLE: CURRENT ASSET TURNOVER RATIO

Year	Sales (In lakhs)	Current asset (In lakhs)	Ratio (Rs in Cr)
2018-19	1404.37	957.36	1.46
2019-20	2164.00	799.29	2.70
2020-21	1103.16	683.90	1.61
2021-22	1170.41	628.47	1.86
2022-23	707.28	630.86	1.12

Sources: Balance sheet

INTERPRETATION

The above table shows that there is a fluctuation in current assets turnover ratio throughout the study period range between 1.46 and 1.12, even though the fund contributed in the current assets shows an increasing



trend there is no proportionate increase in sales. The ratio shows highest as 2.7 at 2019-20 and shows lowest as 1.12 times at 2022-23.

OPERATING PROFIT RATIO

It is ratio of profit made form operating sources to the sales, usually shown as a percentage. It shows the operational efficiency of the firm and is a measure of the management's efficiency in running the routine operations of the firm.

TABLE: OPERATING PROFIT RATIO

Year	Operating profit (In lakhs)	Net sales (In lakhs)	Ratio (Rs in Cr)
2018-19	230.27	1372.84	16.77
2019-20	177.98	2138.33	8.32
2020-21	128.43	1103.16	11.64
2021-22	82.06	1170.41	7.01
2022-23	14.83	707.28	2.09

Sources: Balance sheet

INTERPRATATION

From the above table it is obvious that the operating profit ratio shows and increasing tread in the first financial year are 16.77 whereas in the last financial years 2022-23 the operating profit ratio is low 2.09. The lowest ratio (2.09) was obtained during the period 2022-23 and the highest ratio (16.77) value obtained during the period 2018-19.

FIXED ASSETS TURNOVER RATIO

This ratio determines efficiency of utilization of fixed assets and profitability of a business concern. Higher the ratio more is the efficiency in utilization of fixed assets. A lower ratio is the indication of underutilization of fixed assets.

TABLE: FIXED ASSET TURNOVER RATIO

Year	Sales (In lakhs)	Average fixed asset (In lakhs)	Ratio (Rs in Cr)
2018-19	1404.37	903.46	1.55
2019-20	2164.00	928.32	2.33
2020-21	1103.16	1320.69	0.83
2021-22	1170.41	1247.68	0.94
2022-23	707.28	1159.65	0.60

Sources: Balance sheet

INTERPRATATION

From the above table informed that in the financial years the fixed asset turnover ratio is 2018-19 is 1.55 and the next year ratio is increased to 2.33. The next year of 2020-21 is 0.83 and the last two year was decreased to 0.94 and 0.60. The lowest ratio (0.6) was obtained during the period 2022-23 and the highest ratio (2.23) value obtained during the period 2019-20.

STOCK TO WORKING CAPITAL RATIO

The stock to working capital ratio measures how well the company is able to generate cash using working capital at its current inventory level. Working Capital



TABLE: STOCK TO WORKING CAPITAL RATIO

Year	Stock (In lakhs)	W.C (In lakhs)	Ratio (Rs in Cr)
2018-19	187.90	464.04	0.40
2019-20	141.25	194.44	0.72
2020-21	118.99	16.03	7.42
2021-22	98.94	-88.64	-1.11
2022-23	130.84	-306.52	-0.43

Sources: Balance sheet

INTERPRETATION:

From the above table it was clear the stock to working capital ratio for the year 2018-19 the ratio was 0.40, the stock to working capital ratio is 0.72 to 2019-20, the stock to working capital ratio is 7.42 to 2020-21, the stock to working capital ratio is -1.11 to 2021-22 and the stock to working capital ratio is -0.43 to 2022-23.

Year	No. of days	Debtors turnover	Days
2018-19	365	23.51	16
2019-20	365	16.67	22
2020-21	365	10.71	34
2021-22	365	10.57	35
2022-23	365	15.47	24

CURRENT ASSETS TO WORKING CAPITAL RATIO:

Ratio shows the difference between the current assets and working capital thus shows the position of the firm. The purpose of the ratio is to working capital influenced in current assets.

TABLE: CURRENT ASSETS TO WORKING CAPITAL RATIO

Year	C.A (In lakhs)	W.C (In lakhs)	Ratio (Rs in Cr)
2018-19	957.36	464.04	2.06
2019-20	799.29	194.44	4.11
2020-21	683.90	16.03	42.66
2021-22	628.47	-88.64	-7.09
2022-23	630.86	-306.52	-2.05

Sources: Balance sheet

INTERPRETATION:

From the above table it was clear the current assets to working capital ratio for the year 2018-19 the ratio was 2.06, the next year ratio is 4.11 to 2019-20, and the next year ratio is 42.66 to 2020-21, the current assets to working capital ratio is -7.09 to 2021-22 and the last year ratio is decreased to -2.05 to 2022-23.

CREDITORS TURNOVER RATIO

Creditors Turnover Ratio = Sales / Creditors

TABLE: CREDITORS TURNOVER RATIO

Year	Sales	Creditors	Ratio
2018-19	1404.37	465.38	3.02
2019-20	2164.00	590.32	3.67
2020-21	1103.16	618.32	1.78
2021-22	1170.41	688.26	1.70
2022-23	707.28	843.39	0.84

Sources: Balance sheet



INTERPRETATION

From the above table it was clear the Creditors turnover ratio for the year 2018-19 the ratio was 3.02, then next year increase to 3.67 and then in the year of 2019-20 the Creditors turnover ratio is decreased to 1.78, then again decrease the Creditors turnover ratio is 1.70 in the year of 2021-22 and the last year creditors turnover ratio is decreased to 0.84 in the year of 2022-23. So, the Creditors turnover ratio is decreasing trend.

DEBTORS CONVERSION PERIOD

Debtors conversion period = No. of days in the year / Debtors turnover ratio

TABLE: DEBTORS CONVERSION PERIOD

X	Y	X ²	Y ²	XY
187.90	17.41	35306.41	303.11	3271.34
141.25	10.66	19951.56	113.64	1505.73
118.99	75.79	14158.62	5744.12	9018.25
98.94	16.17	9789.12	261.47	1599.86
130.84	6.84	17119.11	46.79	894.95
$\sum X = 677.92$	$\sum Y = 126.87$	$\sum X^2 = 62087.6$	$\sum Y^2 = 6469.13$	$\sum XY = 16290.1$

Sources: Balance sheet

INTERPRETATION

From the above table it was clear the Debtors conversation period for the year 2018-19 was 16 Days, then next year increase to 22 days and then in the year of 2019-20the Debtors conversion period is increased to 34 days, then again increase to 35 days in the year of 2021-22 and the last year Debtors conversion period is decreased to 24 days in the year of 2022-23. So, the Debtors conversion period is fluctuating

CREDITORS CONVERSION PERIOD

Creditors conversion period = No. of days in the year / Creditor’s turnover ratio

TABLE: CREDITORS CONVERSION PERIOD

Year	No. of days	Creditors turnover ratio	Days
2018-19	365	3.02	121
2019-20	365	3.67	99
2020-21	365	1.78	205
2021-22	365	1.70	215
2022-23	365	0.84	434

Sources: Balance sheet

INTERPRETATION

From the above table it was clear the Creditors conversion period for the year 2018-19 was 121 days, then next year decrease to 99 days and then in the year of 2019-20 the increased to 205 days, then again increase the Creditors conversion period is 215 days in the year of 2021-22 and the last year creditors conversion period is increased to 434 days in the year of 2022-23.

TREND ANALYSIS

Time series or trend analysis of ratios indicates the direction of change this kind of analysis is particularly applicable to the items of profits and loss account. It is advisable that trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion or secular trend in the growth of the business and the general price level.



TABLE: TREND ANALYSIS

RAW MATERIALS			PROFIT BEFORE TAX		PROFIT AFTER TAX	
YEAR	AMOUNT	TREND %	AMOUNT	TREND %	AMOUNT	TREND %
2019	1076.40	100	147.95	100	103.49	100
2020	1650.28	153.31	-87.97	-59.45	-99.86	-96.49
2021	807.62	75.02	-53.50	-36.16	-47.72	-46.11
2022	931.49	86.53	-117.48	-79.40	-87.42	-84.47
2023	600.49	55.78	-234.38	-158.41	-159.38	-154.00

INTERPRETATION

The Raw material consumption percentage was increased year by year. It was good performance to the company. The profit before tax trend percentage was decreased to compare 2019-2023. The profit after tax percentage was decreased to the last year.

CORRELATION

The table shows that the relationship between stock and Cash

$$\frac{\sum XY}{\sum X^2} = \frac{16290.1}{62087.6} \quad \frac{\sum Y}{\sum Y^2} = \frac{126.87}{6469.13} \quad N = 5$$

$$r = -5.2$$

RESULT:

The above calculation reveals that Inventories and Cash and bank balance are negatively correlated. It shows that when Inventories decreases, the Cash and bank balance also get decreases and vice-versa.

CHANGES OF WORKING CAPITAL FOR THE YEAR 2019-20

Particulars	2019	2020	Changes	
			Increase/Decrease	% of Changes
Currents Assets:				
Inventories	187.90	141.25	-46.65	-24.83
Sundry debtors	59.74	129.79	+70.05	+117.26
Cash and Bank Balance	17.41	10.66	-6.75	-38.77
Loans and advances	669.08	495.96	-173.12	-25.87
Total (A)	934.13	777.66	-156.47	-16.75
Current Liabilities and provisions:				
Current Liabilities				
Provisions	645.38	590.32	-55.06	-8.53
	27.94	14.53	-13.41	-47.99
Total (B)	673.32	604.85	-68.47	-10.17
Working Capital [A - B]	260.81	172.81	-88	-33.74

CHANGES OF WORKING CAPITAL FOR THE YEAR 2020-2021

Particulars	2020	2021	Changes	
			Increase/Decrease	% of Changes



Currents Assets:				
Inventories	141.25	118.99	-22.26	-15.76
Sundry debtors	129.79	102.99	-26.8	-20.65
Cash and Bank Balance	10.66	75.79	65.13	610.97
Loans and advances	495.96	386.13	-109.83	-22.14
Total (A)	777.66	683.9	-93.76	-12.06
Current Liabilities and provisions:				
Current Liabilities				
Provisions	590.32	618.32	28	4.74
	14.53	49.55	35.02	241.02
Total (B)	604.85	667.87	63.02	10.42
Working Capital [A - B]	172.81	16.03	-156.78	-90.72

CHANGES OF WORKING CAPITAL FOR THE YEAR 2021-22

Particulars	2021	2022	Changes	
			Increase/ Decrease	% of Changes
Currents Assets:				
Inventories	118.99	98.94	-20.05	-16.85
Sundry debtors	102.99	110.74	7.75	7.52
Cash and Bank Balance	75.79	16.17	-59.62	-78.66
Loans and advances	386.13	402.62	16.49	4.27
Total (A)	683.9	628.47	-55.43	-8.10
Current Liabilities and provisions:				
Current Liabilities				
Provisions	618.32	688.26	69.94	11.31
	49.55	28.85	-20.7	-41.77
Total (B)	667.87	717.11	49.24	7.37
Working Capital [A - B]	16.03	-88.64	-104.67	-652.96

CHANGES OF WORKING CAPITAL FOR THE YEAR 2022-2023

Particulars	2022	2023	Changes	
			Increase/ Decrease	% of Changes
Currents Assets:				
Inventories	98.94	130.84	31.9	32.24
Sundry debtors	110.74	45.71	-65.03	58.72
Cash and Bank Balance	16.17	6.84	-9.33	-57.70
Loans and advances	402.62	447.47	44.85	11.14
Total (A)	628.47	630.86	2.39	0.38
Current Liabilities and provisions:				
Current Liabilities				
Provisions	688.26	843.39	155.13	22.54
	28.85	93.99	65.14	225.79
Total (B)	717.11	937.38	220.27	30.71
Working Capital [A - B]	-88.64	-306.52	-217.88	245.80



VIII. FINDINGS SUGGESTIONS AND CONCLUSION

FINDINGS

The working capital turnover ratio is 3.03 in 2018-19 and increased to 11.12 in 2019-20 and increased 68.81 in 2020-21 and decreased to -13.20 in 2021-22 and again decreased to -2.30 in 2022-23. This shows working capital turnover ratio is fluctuating.

The inventory turnover ratio from 2018-19 to 2022-23. The ratio shows increasing trend during the study period. The ratio shows highest as 10.12 at 2018-19 and shows lowest as 6.17 at 2022-23. The ratio indicates at the year 2019-20 the company performs better of inventory and at the year 2022-23 the company performs low level of inventory.

The debtor's turnover ratio lies within its upper limit and also maintains a reasonable level which is useful for the liquidity of the firm. The ratio shows lowest as 9.04 at 2022-23 and shows highest as 39.01 at 2018-19 and there is no standard norm for debtors' turnover ratio.

The gross profit ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (-0.23) was obtained during the period 2022-23 and the highest ratio (0.13) value obtained during the period 2018-19.

The net profit ratio from 2018-19 to 2022-23. The ratio shows that (7.53) at 2018-19 and decreased to (-4.66) at 2019-20 and again it was continuously decreased to year by year.

The current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (-0.36) was obtained during the period 2022-23 and the highest ratio (0.99) value obtained during the period 2018-19. The current asset ratio is above than the standard level. Therefore, the current ratio is considered satisfactory.

The quick ratio from 2018-19 to 2022-23. The quick ratio shows decreasing trend throughout the study period. Even though it had decreased the quick ratios satisfy the standard norm. The ratio shows highest as 1.56 at 2018-19 and shows highest as 0.53 times at 2022-23. The fluctuation in current assets turnover ratio throughout the study period range between 1.46 and 1.12, even though the fund contributed in the current assets shows an increasing trend there is no proportionate increase in sales.

The operating profit ratio shows and increasing trend in the first financial year are 16.77 whereas in the last financial years 2022-23 the operating profit ratio is low 2.09.

The financial years the fixed asset turnover ratio is 2018-19 is 1.55 and the next year ratio is increased to 2.33. The next year of 2020-21 is 0.83 and the last two year was decreased to 0.94 and 0.60.

The stock to working capital ratio for the year 2018-19 the ratio was 0.40, the stock to working capital ratio is 0.72 to 2019-20, the stock to working capital ratio is 7.42 to 2020-21, the stock to working capital ratio is -1.11 to 2021-22 and the stock to working capital ratio is -0.43 to 2022-23.

The current assets to working capital ratio for the year 2018-19 the ratio was 2.06, the next year ratio is 4.11 to 2019-20, and the next year ratio is 42.66 to 2020-21, the current assets to working capital ratio is -7.09 to 2021-22 and the last year ratio is decreased to -2.05 to 2022-23.

The creditors turnover ratio for the year 2018-19 the ratio was 3.02, then next year increase to 3.67 and then in the year of 2019-20 the creditors turnover ratio is decreased to 1.78, then again decrease the creditors turnover ratio is 1.70 in the year of 2021-22 and the last year creditors turnover ratio is decreased to 0.84 in the year of 2022-23. So, the creditors turnover ratio is decreasing trend.

The debtor's conversion period for the year 2018-19 was 16 days, then next year increase to 22 days and then in the year of 2019-20 the debtors conversion period is increased to 34 days, then again increase to 35 days in the year of 2021-22 and the last year debtor's conversion period is decreased to 24 days in the year of 2022-23. So, the debtors conversion period is fluctuating.

The creditors conversion period for the year 2018-19 was 121 days, then next year decrease to 99 days and then in the year of 2019-20 the increased to 205 days, then again increase the creditors conversion period is 215 days in the year of 2021-22 and the last year creditors conversion period is increased to 434 days in the year of 2022-23. So, the creditors conversion period is increasing trend.

TREND ANALYSIS

The raw material consumption percentage was increased year by year. It was good performance to the company. The profit before tax trend percentage was decreased to compare 2019-2023. The profit after tax percentage was decreased to the last year.

SUGGESTIONS

Cash and bank balance has to be maintained by the company to meet working



capital needs. The company can utilize the shareholders fund in proper way. The company facing loss for the 2019-2023 due to high cost of production, and high amount spent on the company product. If there is any loss the company can adopt the new technology. Capital structure efforts must be taken place to provide an adequate amount of working capital. Working capital management is not proper in the unit. Therefore, it is advisable for the management to consider the working capital policy, in order to ensure the proper utilization of working capital. The company may also take steps to maintain reasonable stock to improve the productivity.

CONCLUSION

“Cash is the life blood of business” is the maximum amongst financial managers. Working capital management refers to the management of current of short-term assets and short-term liabilities with its sound financial position. It is important that the industry by produce working capital management and however it facts problems in respect of collecting does from its customers like central and stare government owned sector units. In recent years by implementing all the latest technology and techniques in all areas and employing all the control measures its efficiency in managing working capital is improving every year. Overall, the profitability of the company is good.

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