

Working Capital Management Practices

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Abstract: VJ Engineers is one of the popular organizations in Chennai. Seeing the good opportunity to study financial systems and practices of VJ Engineers, it is relatively important to take up assignment on 'WORKING CAPITAL MANAGEMENT IN VJ ENGINEERS'. During the project work, it is being analyzed the working capital position of this organization. [1],[3],[5] Decisions relating to working capital and short term financing are referred to as working capital management. These involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of Working capital management is to ensure that the firm is able to continue its operations and that it has sufficient money flow to satisfy both maturing short-term debt and upcoming operational expenses. The study of working capital management is very helpful for the organisation to know its liquidity position. The study is relevant to the organization to know the day to day expenditure. This study is relevant to give an idea to utilise the current assets. This study is also relevant to the student as they can use it as a reference. This report will help in conducting further research. Other researcher can use this project as secondary data uncovering of PDA incorporation in effects on police reports.

Keywords : management, capital, inventors

I. INTRODUCTION

Whatever may be the organization, working capital plays an important role, as the company needs capital for its day to day expenditure. Thousands of companies fail each year due to poor working capital management practices. Entrepreneurs often don't account for short term disruptions to cash flow and are forced to close their operations.

In simple term, working capital is an excess of current assets over the current liabilities. Good working capital management reveals higher returns of current assets than the current liabilities to maintain a steady liquidity position of a company. Otherwise, working capital is a requirement of funds to meet the day to day working expenses. So a proper way of management of working capital is highly essential to ensure a dynamic stability of the financial position of an organization. Seeing the good opportunity to study financial systems and practices of VJ Engineers, it is relatively important take up internship assignment on 'Working Capital Management in VJ Engineers'. During the project work, it is being analyzed the working capital position of this organization. Decisions relating to working capital and short term financing are referred to as working capital

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management. These involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of Working capital management is to ensure that the firm is able to continue its operations and that it has sufficient money flow to satisfy both maturing short-term debt and upcoming operational expenses. [2],[4],[6]

Working capital management deals with maintaining the levels of working capital to optimum, because if a concern has inadequate opportunities and if the working capital is more than required then the concern will lose money in the form of interest on the blocked funds. Therefore working capital management plays a very important role in the profitability of a company. And also due to heavy competitions among different organization's it is now compulsory to look after working capital[7],[9] ,[11]

The selection of topic is a crucial factor in any research study. There should be newness and it should give maximum scope to explore the ideas from different angles. In present day due to increase in competition, working capital is becoming necessary for the organisation. It is that part of capital which is necessary to undertake day to day expenditure of the business organization. Whatever may be the organization, working capital plays an important role, as the company needs capital for its day to day expenditure. Thousands of companies fail each year due to poor working capital management practices. Entrepreneurs often don't account for short term disruptions to cash flow and are forced to close their operations. Working capital is the fund invested by a firm in current assets. [8],[10] ,[12]

Now in a cut throat competitive era where each firm competes with each other to increase their production and sales, holding of sufficient current assets have become mandatory as current assets include inventories and raw materials which are required for smooth production runs. Holding of sufficient current assets will ensure smooth and uninterrupted production but at the same time, it will consume a lot of working capital. Here creeps the importance and need of efficient working capital management. After due to consultation with the external guide /internal guide, the topic was finalized and titled as-"A Study on Working Capital Management in VJ Engineers, Chennai" [13], [15] ,[17]

II. OBJECTIVES

A. Primary objectives

To study the working capital management of VJ Engineers

B. Secondary Objectives

To evaluate whether the speculation of VJ Engineers current resources are adequate, contrasted with the situation of current liabilities

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- To study the current arrangement of working capital administration including money the executives, make back the initial investment investigation and influences independently
- To find and recommend, at every possible opportunity, available resources of lessening the present degrees of stock by improving present frameworks and office working technique. [14],[16], [18]
- To decrease inertness of money and give, productive working capital through keeping up need based money balance without imperiling the liquidity needs of the business. [19],[21],[23]
- To study the gainfulness proportions and discover the adjustments in benefit because of changes in credit measures, credit period, and money markdown.
- To decide the security, liquidity and benefit of the organization with the assistance of proportions identified with working capital administration and examinations them with proposals.

C. RESEARCH METHODOLOGY

Research philosophy is an orderly methodology in the executives research to accomplish pre-characterized targets. It causes a specialist to control over the span of research work. Principles and procedures expressed in research technique spare time and work of the specialist as scientist realize how to continue to lead the investigation according to the target. The location for study was selected as the VJ Engineers, Chennai.

III. RESEARCH DESIGN

SOURCES OF DATA COLLECTION

Secondary data collection

The optional information are those which have effectively gathered and put away. Optional information effectively get those auxiliary information from records, diaries, yearly reports of the organization and so on. It will spare the time, cash and endeavors to gather the information. Auxiliary information additionally made accessible through exchange magazines, yearly reports, books and so on. [20],[22], [24]

This task is based optional information gathered through yearly reports of the association. The information accumulation was gone for investigation of working capital administration of the organization.

Study is made by gathering data for the budgetary years 2013, 2014, 2015, 2016, and 2017

- The information in regards to the money the executives were gathered from the fund division of the organization.

•The gathered information are determined and dissected utilizing different ostensible scales.

•Based on the different examination recommendations were given.

IV. DATA ANALYSIS AND INTERPRETATION

TABLE :1 CURRENT ASSETS RATIO

Year	Current assets	Current liabilities	Current asset ratio
2013	56132794.31	7929635.83	7.08
2014	78987183.77	8690005.75	9.09
2015	99628120.4	14066553.76	7.08
2016	119900229.5	93253414.74	1.29
2017	136700747.4	98234418.41	1.39

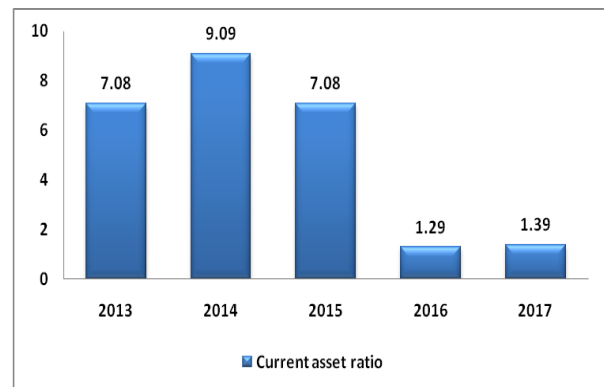


Fig:1 CURRENT ASSETS RATIO

TABLE 2 LIQUID RATIO

Year	Liquid assets	Current liabilities	Liquid ratio
2013	26600196.41	7929635.83	3.35
2014	42350445.3	8690005.75	4.87
2015	61083326.19	14066553.76	4.34
2016	70825254.15	93253414.74	0.76
2017	83676938.44	98234418.41	0.85

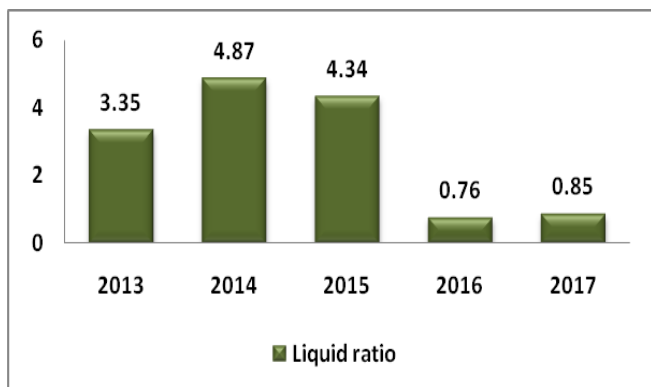


Fig: 2 LIQUID RATIO

TABLE 3 NET PROFIT RATIO

Years	Net Profit	Net Sales	Net Profit Ratio
2013	30,854,152.38	124,612,231.32	0.248
2014	102,250,057.89	148,745,150.78	0.687
2015	81,117,232.38	142,008,057.06	0.571
2016	92,429,095.13	148,703,146.00	0.622
2017	104,283,901.36	147,856,830.33	0.705

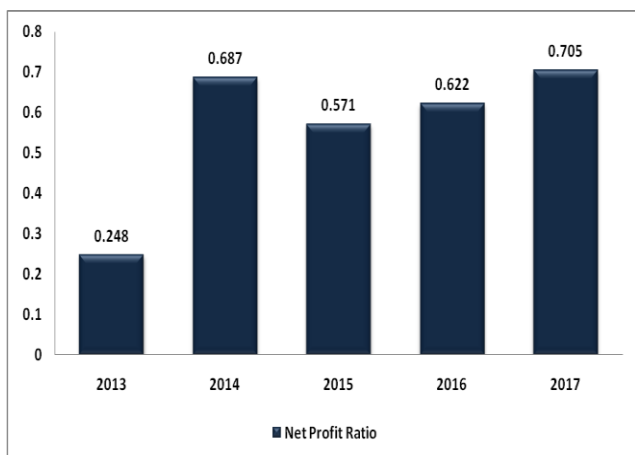


Fig: 3 NET PROFIT RATIO

TABLE 4 GROSS PROFIT RATIO

Years	Gross Profit	Net Sales	Gross Profit Ratio
2013	30,854,152.38	124,612,231.32	0.248
2014	102,250,057.89	148,745,150.78	0.688
2015	81,117,232.38	142,008,057.06	0.572
2016	92,429,095.13	148,703,146.00	0.622
2017	104,283,901.36	147,856,830.33	0.706

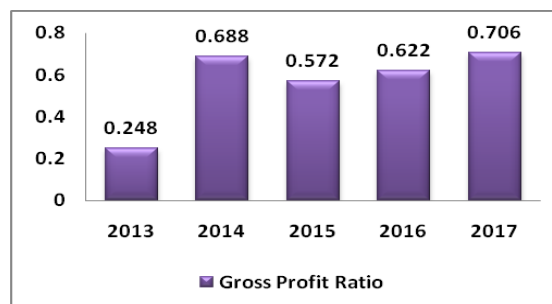


Fig:4 GROSS PROFIT RATIO

TABLE 5 EXPENSES RATIO

Years	Total Expenses	Net Sales	Expenses Ratio
2013	98,484,416.21	124,612,231.32	0.79
2014	51,333,109.93	148,745,150.78	0.35
2015	65,746,075.79	142,008,057.06	0.46
2016	60,930,728.84	148,703,146.00	0.41
2017	51,370,565.77	147,856,830.33	0.35

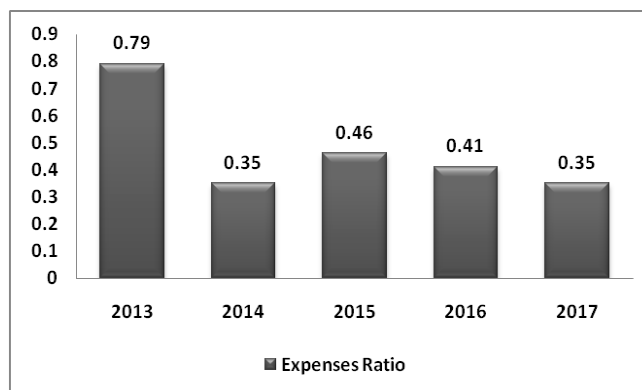


Fig 5 CHART SHOWING EXPENSES RATIO

TABLE 6 TREND ANALYSIS OF CURRENT ASSETS

Years	X	Y	X ²	XY	Trend Value	Deviation
2013	-2	56132794.31	4	-112265589	-57860024.76	113992819.1
2014	-1	78987183.77	1	-78987183.8	-8725117.2	87712300.97
2015	0	99628120.40	0	0	40409790.36	59218330.04
2016	1	119900229.51	1	119900229.5	89544697.92	30355531.59
2017	2	136700747.36	4	273401494.7	138679605.5	-1978858.14
TOTAL		491349075.35	10	202048951.8		

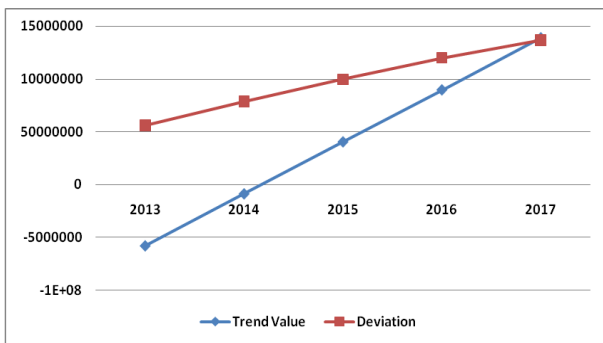


Fig:6 TREND VALUE OF CURRENT ASSETS

TABLE 7 PROJECTED TREND VALUE – CURRENT ASSETS FOR THE FORTHCOMING YEARS (2017 to 2021)

YEAR	FUTURE TREND (Trend value + B)
2017	138679605.5
2018	187814513.1
2019	236949420.6
2020	286084328.2
2021	335219235.7

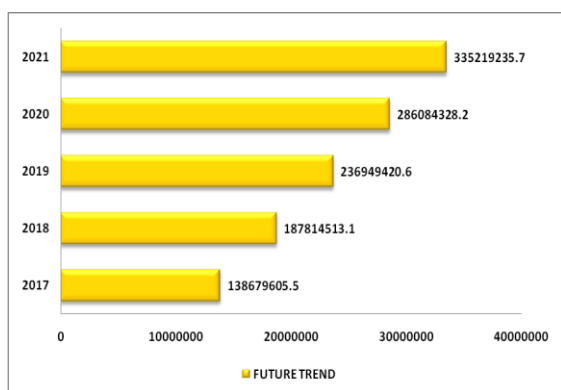


Fig: 7 CHART SHOWING TREND ANALYSIS OF CURRENT ASSETS

V.RESULTS

- ✓ The working capital statement of VJ Engineers for the year 2016 and 2017 shows Current assets of the

company an increasing trend from the year 2016-2017. Current liabilities increased from 2016 – 2017. This results in a decrease in working capital

- ✓ The working capital statement of VJ Engineers for the year 2015 and 2016 shows Current assets of the company an increasing trend from the year 2015-2016. Current liabilities increased from 2015 – 2016. This results in an increase in working capital
- ✓ The working capital statement of VJ Engineers for the year 2014 and 2015 shows Current assets of the company an increasing trend from the year 2014-2015. Current liabilities increased from 2014-2015. This results in a decrease in working capital [25],[27],[29]
- ✓ The working capital statement of VJ Engineers for the year 2013 and 2014 shows Current assets of the company an increasing trend from the year 2013-2014. Current liabilities increased from 2013-2014. This results in a decrease in working capital
- ✓ The current ratio in 2013 and 2014, the current asset ratio was 7.08 and 9.09 respectively. But it started decreasing in the consequent years to 1.29 in 2016, 1.39 in 2017
- ✓ The liquid ratio for the year 2013 was 3.35, and in 2017 it was 0.85. This sudden fall is due to the increase in current liabilities
- ✓ In the year 2013, the cash position ratio was 3.35 and it increased in 2014 and 2015 but meet a sudden fall during 2016 and 2017 as 0.76 and 0.85
- ✓ In the year 2013, the net profit ratio was 0.248 and it is increasing thereafter
- ✓ In the year 2013, the gross profit ratio was 0.248 and it is increasing thereafter
- ✓ In the year 2013, the expenses ratio was 0.79 and it is decreasing year on year showing a favourable sign for the company
- ✓ In the year 2013, this ratio was 0.25 and it is increasing from then every year showing a good sign for the company
- ✓ In the year 2013, the stock turnover ratio was 4.22 and is decreasing gradually from then
- ✓ In the year 2013, debtor turnover ratio was 6.82 and it is decreasing gradually from then
- ✓ In the year 2016, creditor turnover ratio was 4.50 and in 2017 it is 6.14
- ✓ The working capital of the company shows the increasing trend in 2013, 2014 and 2015 but meets a sudden fall in 2016 and 2017 due to increased current liability proportionate to current assets
- ✓ In the year 2013, the working capital turnover ratio was 2.59 and it is highly volatile
- ✓ In the year 2013, working Capital to fixed Assets ratio was 3.02 and it showed an increasing trend up to 2015 but meets a sudden fall during 2016 and 2017 reaching 1.67 in 2017
- ✓ In the year 2015, the ROI percentage is 2.41 and it increased in 2017 as 2.83%. Showing a good sign of returns to the company in its investments

- ✓ The trend analysis for the above years shows only a marginal increase. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current assets value. There was no phenomenal increase in growth in term of assets during 2018 and this is the one of the major reasons that the projections are also showing only a marginal increase. In reality if we assume that the same increasing in trend continues compared to 2017, the ratio for the above five years will be still higher.

VI. DISCUSSION

The organization should focus to keep up the liquidity position on money equalization and attempt to prepare assets from banks/monetary foundations. [26],[28],[30]

- Bring extra working capital as far as long haul reserves. This cash ought to be utilized to reimburse sundry leasers and improve the present proportion.
- The organization is prescribed to assemble assets from different sources might be outer or structure inside.
- The organization can get long haul assets either by method for value and use it to fortify the working capital. [31],[33],[32]
- Creditors ought to be paid in time.
- In request to maintain a strategic distance from awful obligations the organization should charge enthusiasm on the sum not paid on the due date.
- Frequent alterations ought to be done on the different plans and arrangements.
- The organization can limit credit to clients who constantly make default in their installments. This will empower the organization to pay off its awful obligations.
- Well prepared and productive Field Sales Staff (FSS) can be named and they will be remunerated as it propels them to even out genuine and evaluated accumulations.
- The inactive working capital ought to be completely used by decreasing the working cycle to a base level.
- The organization builds the agreement receipts volume. So as results in ideal use of limit and amplification of benefit.
- Cost control systems are to be embraced on the organization any place conceivable.
- Company can use the stores and surplus by either underwriting or contribute the cash some place a venture to get advantage.

VII. CONCLUSION

The suggestions have been advanced to the board for its thought. Despite the fact that the proposals are done dependent on the projections of the verifiable information accessible for the books of records, the Management of VJ Engineers needs to take endeavors to actualize the vital strides by investigating the money related execution of the past year. Actually, a fruitful budgetary official is intrigued not in keeping up a decent present proportion but rather in keeping up a movable record of current resources so the business may work easily. Subsequently the working capital ideas are progressively essential to the administration so as to keep up the present resources and current liabilities. The organization has ideal net resources worth, deals and salary of the organization likewise is in expanding pattern. The organization has ideal Earnings before premiums and assessments, income. Income per offer worth are expanding each year. Price per deals proportion and Price per Earnings proportion are bit by bit diminishing. The lower the PSR worth is the better.

The market products worth and deals products worth are in expanding pattern. This demonstrates the organization is one of the real players in the market just as in the business. Executive's advantage worth is additionally expanding drastically. Working capital keep up by the organization is insufficient and the consumption of that organization likewise exceptionally high. Deficient working capital will prompt need liquidity position of the company. Cash and bank adjusts are high. The organization ought to keep up this level in the progressive years. To end with, if the organization takes the above activities proposed, the organization would continue as the pioneer in the vitality business, with its past records.

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