

An Empirical Study on Working Capital Management of Ammayeppar Textiles Pvt Ltd Chennai

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Abstract- In our textile industry is of the fastest developing. In especially Ammayeppar textiles is one of the largest Exporting Business. In this study especially concentrated on working capital management. This research will help to find out how company efficiently utilize the working capital. It contains how the company balance the short term payments and short term receivables. The business was effectively managed the current assets and current liabilities. The manager knows the fund raised and efficiently utilize the funds. The fund manager is knows all the cause and effect of the working capital management. It shows that shortage of funds will not keep by the working capital management team. Budget allocated by fund manager to working capital management to meet the short term obligation.

Index Terms- flow of working capital Management, efficiently utilize the working capital management.

INTRODUCTION

WORKING CAPITAL:

Amount spending on day to day purpose is called working capital. It is also known as short term financing.

Working capital management refers to decisions relating to working capital and short-term financing. These involve managing the relationship between a firms' short – term liabilities.

CURRENT ASSET – CURRENT LIABILITIES = WORKING CAPITAL.

ASSETS: it means that, the company owning their own value of benefits and strength.

LIABILITIES: that the company obligation to repay its creditors.

CURRENT ASSETS: stock, debtors, bills receivables, cash, bank, short term investment, prepaid expenses.

CURRENT LIABILITIES: creditors, bills payables, I.T provisions, outstanding expenses, bank overdraft, prepaid income.

WORKING CAPITAL MANAGEMENT:

Working capital management means that, the company able to manage the short term receivable and short term payables. The finance manager is able to manage the working capital management in a business.

SHORT TERM RECEIVABLES: debtors are the customer to whom the goods and services sold on a credit basis. Amount receives in future on short term period.

SHORT TERM PAYABLES: creditors are the suppliers to whom the goods and services bought on a credit basis. Amount has to pay in future on short term period.

FUND FLOW STATEMENT:

It is one of the tools and techniques which are available in management accounting for the purpose of decision making.

Fund refers to working capital and flow refers to changes. Therefore fund flow measures the changes in working capital.

GROSS WORKING CAPITAL:

- Inventories (raw materials and components, work-in-progress, finished goods, others)
- Trade debtors
- Loans and advances
- Cash and bank balances
- Bills receivables
- Short-term investment
- Trade creditors
- Bills payable
- Accrued or outstanding expenses
- Trade advances

- Short term borrowings
- Provisions
- Bank overdraft.

If we have insufficient working capital and try to increase in sales, we can easily over stretch the financial resources of the business. This is called overtrading. Early warning signs include:

- Pressure on existing cash
- Bank overdraft exceeds authorized limit
- Part paying suppliers or there creditor
- Management pre occupation with surviving rather than managing.

CHANGES IN WORKING CAPITAL

- Current assets increases - Current liabilities = Working capital increases
- Current assets decreases - Current liabilities = Working capital increases
- Current assets increases - Current liabilities = Working capital decreases
- Current assets decreases - Current liabilities = Working capital decreases

OBJECTIVES OF THE STUDY

- The major objective is the in depth analysis of the financial statements of the corporation and their effectiveness is the key decision making of the organization.
- To understand how working capital contributes profit maximization.

SCOPE OF THE STUDY

- The scope of the study is limited to collecting financial data published in the annual reports of the company every year.
- The study of working capital is based on tools like Calculation of changes in working capital, Ratio Analysis, Working capital leverage, Operating cycle etc. Further the study is based on previous five years Annual Reports of the company.

LIMITATIONS OF THE STUDY

- The Study is restricted to three month
- The study was conducted only in Ammayeppar Textiles Pvt Ltd. Hence, the results arrived from the study may or may not be applied to other company.

- The study of data taken only from 2013 to 2018 financial year.

REVIEW OF LITERATURE

- A good researcher has to keep up to date with the current knowledge about what and how much work has been carried out in the field related to the current study and where more exploration is required. Such a review has not only provided a sound rationale for the current study but also helped in defining boundaries for this present study. A proper review of related literature helps, to a great extent, in defining problem, developing a research design and determining the size and scope of further study. Different researchers have analyzed and interpreted working capital management and its policy in different ways. The following literature review has been done for the present study:

VERMA

- (1989) founded in iron and steel industry of working capital management by collected a sample of selected units in both public and private sectors over a period of 1978-1979 to 1985-86. Sample included Tata iron and steel company ltd. (TISCO) in private sector and steel authority of India ltd.(SAIL) and Indian iron and steel company, a wholly owned subsidiary of SAIL, in public sector. By using the techniques of ratio analysis, growth rates and simple linear regression analysis, the study revealed that private sector had certainly an edge over public sector in respect of working capital.

Ghosh and Maji

- (2004) attempted to examine the efficiency of working capital management of Indian cement companies during 1993 – 2002. Instead of using working capital management ratios, By using regression analysis and industry norms as a target efficiency level of individual firms, they tested the speed of achieving target level of efficiency by individual firms s=during the period of study and found that some of the sample firms successfully improved efficiency during these years.

Kesseven padachi

- (2006) is to examine the causes of significant differences between the industries during 1998-2003. They calculated 58 small manufacturing firms, that analyzing the inventories days, accounts receivables f=days, accounts payable days and cash conversion cycle. This research concludes that there is a pressing need for further empirical studies to be under taken= n on small business financial management. The studies will aim at increasing the sample size for still better and consistent panel estimates.

During my study I have analysed and interpreted the working capital of fortis malar hospitals limited. From the study I have used some techniques like working capital leverage, ratio analysis and operating cycle. While doing my training in the company I found that the company’s liquidity position is satisfactory. Some of the short comings were there in the year 2014-2015 i.e. there was sluggish demand in sales. Overall the company is maintaining its goodwill name across the world.

RESEARCH METHODOLOGY

RESEARCH DESIGN

Descriptive research seeks to certain magnitude by making complete the study of the topic. It is used in this project to find out the effective utilization of the companies working capital management.

Sample design

Sampling is a procedure to draw conclusion about the large group of respondents by studying a sample of the total working capital. Sample is the segment of the company finance manager.

Nature of the data

The data was collected from the primary data by collecting through the articles and secondary data.

PRIMARY DATA

The data is collected from through the questionnaire provided to the working capital management team and finance manager and get the respondents. It is collected from the interactions with analysts in the company during the live interaction to the team.

SECONDARY DATA

It is collected from the company websites, old records, magazines & textbooks. Some websites are:

DATA ANALYSIS

The collected data is find out to analyse the final report. The instrument are used and techniques.

Tools for analysis

- Percentage analysis
- t-Test
- ANOVA

DATA ANALYSIS AND INTERPRETATION

WORKING CAPITAL FOR THE YEAR 2016-2017

PARTICULARS	2016	2017	INCREASE	DECREASE
CURRENT ASSETS				
Inventories	26,114,509	23,122,044		2,992,465
Trade receivables	60,205,634	55,768,805		4,436,829
Cash and bank	250,837,879	74,007,127		176,830,752
Balance				
Short term loans and advances	627,305,612	787,614,876	160,309,264	
Other current assets	58,894,730	12,297,425		46,597,305
TOTAL	1,023,358,364	952,810,277		
CURRENT LIABILITIES				
Short-term borrowings	-	14,421,606	14,421,606	
Trade payables	207,112,489	140,568,345		66,544,144
Other current liabilities	102,272,480	130,737,682	28,465,202	
Short-term provisions	18,155,456	16,362,000		1,793,456
TOTAL	327,540,425	302,089,633		
CURRENT LIABILITIES(B)				
WORKING CAPITAL (A-B)	695,817,939	650,720,644	203,196,072	299,194,951

INTERPRETATION

In the above table, it is seen that during the year 2016 and 2017 there was huge decrease in working capital by Rs. 299,194,951.

- There is decrease in current assets such as debtors, cash and bank balances, inventories, other current assets.
- There is decrease in current liabilities such as trade payables and other current liabilities.

WORKING CAPITAL FOR THE PERIOD OF 2013-2017

PARTICULARS	2013	2014	2015	2016	2017
CURRENT ASSETS					

Inventories	3,942,958	2,692,603	10,021,258	26,114,509	23,122,044
Trade receivables	32,065,317	39,048,019	42,133,983	60,205,634	55,768,805
Cash and bank	29,222,300	101,486,751	183,108,232	250,837,879	74,007,127
Balance					
Short term loans and advances	630,520,277	630,878,016	627,505,549	627,305,612	787,614,876
Other current assets	27,022,303	48,709,905	48,499,147	58,894,730	12,297,425
TOTAL	722,773,155	822,815,294	911,268,169	1,023,358,364	952,810,277
CURRENT ASSETS(A)					
CURRENT LIABILITIES					
Short-term borrowings	-	-	-	-	14,421,606
Trade payables	77,556,329	102,856,208	127,720,958	207,112,489	140,568,345
Other current liabilities	34,507,042	37,709,658	50,042,439	102,272,480	130,737,682
Liabilities					
Short-term provisions	12,066,551	16,939,120	14,805,524	18,155,456	16,362,000
TOTAL	124,129,922	157,504,986	192,568,921	327,540,425	302,089,633
CURRENT LIABILITIES(B)					
WORKING CAPITAL(A-B)	598,643,233	980,320,280	718,699,248	695,817,939	650,720,644
CAPITAL(A-B)					

INTERPRETATION

In the period of huge increase in working capital by 2014 Rs. 980,320,280 and there is a decrease in the current year even though there is decrease in comparing the company having a huge working capital to meet its liquidity positions. All the consequent years the organization has the good working capital to maintain the liquidity position.

FINDINGS

- Decrease in current assets such as inventories, trade receivables or debtor and short term loans and advances.
- Increase in current liabilities like creditors, and short term provisions.
- There is increase in current assets such as debtors, cash and bank balances, short term loans and advances, other current assets.

- There is increase in current liabilities such as trade payables, other current liabilities and short-term provisions.
- The company effectively utilized working capital management
- The business efficiently achieved the productivity based on working capital management.
- The business effectively managed the short term payables and short term receivables.

SUGGESTIONS

- The current ratios are alright to the stable requirement. So that the working capital management. Ammayeppar textiles limited are satisfactory and it has to maintain it further.
- The company has sufficient working capital and has better liquidity position.
- The company should take precautionary measures for investing and collecting funds from receivables and sales and to reduce the bad debts.
- The company is utilizing working capital effectively this is good for the company. It has to maintain it further.

CONCLUSION

AMMA YEPPAR TEXTILES PVT LTD is one of the famous and good hospital in India it have 30 branches all over India. In our south side we have six branches one in Chennai where I finished my internship in finance and another four branches located in Karnataka and one in Andhra Pradesh. Fortis group of hospitals was acquired by Fortis healthcare limited by 1992. Fortis group of companies is very famous for cardiology.

In the end to conclude this report I would like to specify that the work allotted to me was of immense help to me in understanding the working environment of an organization, thereby providing a practical experience. I got an opportunity to interact with suppliers and executives to know about the organization.

In the end I would once again like to thank the people AMMA YEPPAR TEXTILES PVT LTD who helped me in accomplishing my project and boosting my morale by appreciating and recognizing my efforts.

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