

A STUDY ON WORKING CAPITAL MANGEMENT IN ASIAN WIRE INDUSTRIES PRIVATE LIMITED

AT

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EXECUTIVE SUMMARY

The project entitled “A study on the Working capital management at Asian industries Pvt. Ltd” in this study is Decisions relating to working capital (Current assets-Current liabilities) and short term financing are known as working capital management. It involves 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 operation and that it has sufficient cash flow to satisfy both maturing short term debt and upcoming operational expenses. Working capital is used in Asian Wire Industries private ltd., for the following purpose:-Raw material, work in progress, finished goods, inventories, sundry debtors, and day to day cash requirements. The Asian Wire Industries private ltd., keep certain funds which is automatically available to finance the current assets requirements. The various information regarding “Working Capital Management” such as Importance, Components, Influence Factors have been discussed relating to Asian Wire Industries private ltd., Ratio Analysis has been Carried out using Financial Information for last five accounting years i.e. from 2017 to 2021 Ratios like Quick Ratio, Current Ratio, Inventory Turnover Ratio, Absolute liquidity Ratio, Gross Profit ratio have also been analyzed. A statement of Changes in Working Capital has also been analyzed. At Asian Wire Industries private ltd., the working capital management has shown increase in the period of study. This shows working capital is managed effectively and all the other departments are working in perfect co-ordination to ensure the progress of Asian Wire Industries private ltd., but I have given some Suggestions & Conclusions on the basis of my Project Study.

REVIEW OF LITERATURE

By definition, working capital management entails short term decisions generally, relating to the next one year period - which are "reversible" These decisions are therefore not taken on the same basis as Capital Investment Decisions (NPV or related, as above) rather they will be based on cash flows and/or profitability. One measure of cash flow is provided by the cash conversion cycle - the net number of days from the outlay of cash for raw material to receiving payment from the customer. As a management tool, this metric makes explicit the inter-relatedness of decisions relating to inventories, accounts receivable and payable, and cash. Because this number effectively corresponds to the time that the firm's cash is tied up in operations and unavailable for other activities, management

generally aims at a low net count. In this context, the most useful measure of profitability is Return on capital (ROC). The result is shown as a percentage, determined by dividing relevant income for the 12 months by capital employed: Return on equity (ROE) shows this result for the firm's shareholders. Firm value is enhanced when, and if, the return on capital, which results from working capital management, exceeds the cost of capital, which results from capital investment decisions as above. The origins of operations management can be traced back to the Industrial Revolution, and Frederick Winslow Taylor's scientific management. The key concepts that led towards a formal management discipline were the interchangeable parts by Samuel Colt, the moving assembly line and mass production system at Ford, and Taylor's application of scientific methods to management problems. Combined, these ideas allowed for the standardization and continuous improvement of production processes. A key feature of these early production systems was the departure from skilled craftsmen, to a rigid division of labour. Adam Smith treats the topic of the division of labour when opening his 1776 book: *An Inquiry into the Nature and Causes of the Wealth of Nations* also commonly known as *The Wealth of Nations*. The first documented effort to solve operation management issues comes from Eli Whitney in 1798, leading to the birth of the American System of Manufacturers (ASM) by the mid-1800s. It was not until the late 1950s that scholars noted the importance of viewing production operations as systems, considering socio-technical aspects of humans interacting with machines. Operations research as a sub-discipline gained prominence during World War II, when mathematicians applied analytical tools to optimize operational questions, initially with a military context, and later also within general operations. Historically, the body of knowledge stemming from industrial engineering formed the basis of the first MBA programs, and is central to operations management as used across diverse business sectors, industry, consulting and nonprofit organizations.

RESEARCH METHODOLOGY AND DESIGN

NEED OF THE STUDY:

- The concept of working capital has gained vital role in the business activity of any firm.
- The study furnishes the management of idea about the performance of working capital of the company.
- Management of working capital refers to management of current assets, current liabilities and relationship between them.
- It's difficult to find a firm without any amount of working capital.
- The main purpose behind this project is to know how working capital is managed Asian wire Industries private Limited.

SCOPE OF THE STUDY:

- This study tries to cover all aspects of Working Capital Management in Asian wire industry.
- It studies the important areas to establish a better control over all the components of Working Capital in an industry.
- This study tries to identify optimum Working Capital requirements for Asian wire industry and various sources available for financing the Working Capital in general.

OBJECTIVES OF THE STUDY:

- The main aim of the study is to analyze the short-term financial performance of Asian wire Industries.
- To evaluate the working capital management of Asian wire Industries.
- To study the liquidity position through working capital related ratios.
- To know the overall operational efficiency and performance of Asian wire Industries.

LIMITATIONS OF THE STUDY:

- This study is purely based on the historic data.
- Due to the time constraint the study is confined to the assessment of working capital management only.
- Data collected for 5 years which is limited.
- The study is confined to the secondary source of data and figures are taken from the annual reports and suggestions of various accountants.
- The data which is used in this project are taken from the annual reports, published at the end of the year.

DATA SOURCES:

The data obtained for study as to be divided in to two groups.

1. Primary data
2. Secondary data

Primary data: The primary data is mainly based on the personal discussion with finance executives.

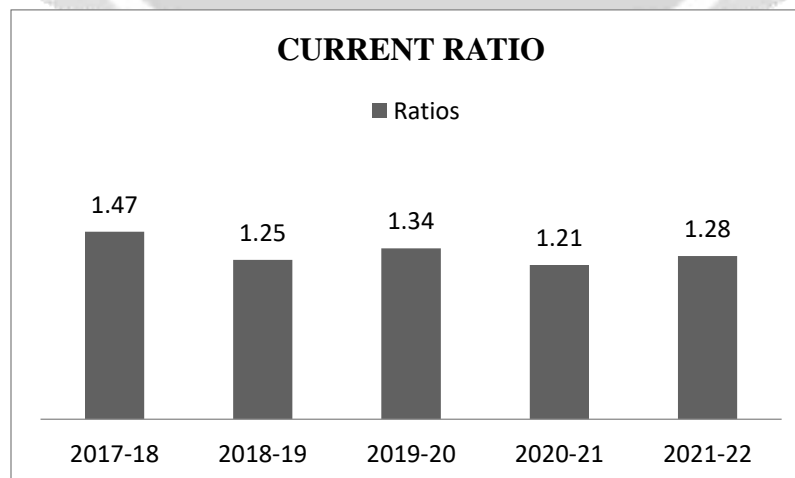
Secondary data: secondary data comprises of information obtained from annual reports, balance sheets and other financial statement files, and some other important document maintained by the organization is also helpful.

DATA ANALYSIS AND INTERPRETATION**CURRENT RATIO:**

This Table showing current assets, current liabilities and current ratio

years	C. Assets	C. Liabilities	Ratio
2017-18	1,23,14,393.87	8,36,30,27.81	1.47:1
2018-19	1,83,49,611.98	1,46,49,601.11	1.25:1
2019-20	1,68,55,932.87	1,25,17,984.96	1.34:1
2020-21	2,32,95,447.13	1,92,96,290.18	1.21:1
2021-22	2,018,0231.4	1,56,49,345.15	1.28:1

Graph showing Current Ratios



INTERPRETATION:

It is observed from the graph that the current ratio was 1.47:1 during the year 2017-18. It marginally decreased to 1.28:1 by 2021-22.

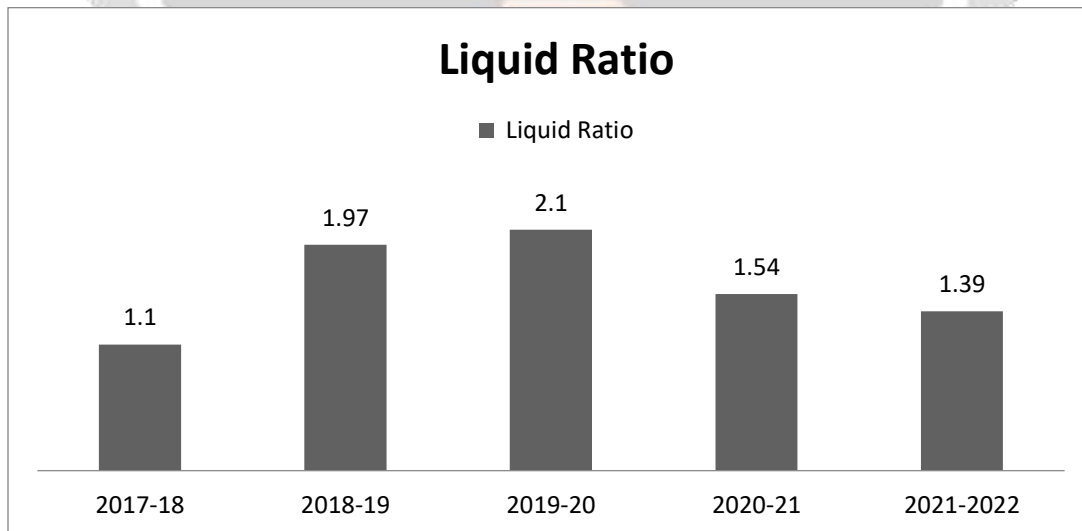
Therefore the company is do not meet its current liabilities and short term obligations.

QUICK RATIO OR LIQUID RATIO

Table showing liquid assets, liquid liabilities and quick Ratio

Year	Quick Assets	Quick Liabilities	Ratio
2017-18	40,3,946.74	37,02,328.4	1.10:1
2018-19	1,04,14,947.29	52,72,272.65	1.97:1
2019-20	80,41,950.47	38,27,298.79	2.10:1
2020-21	1,12,35,329.97	73,07,671	1.54:1
2021-22	6,18,987.20	170,64,149.95	1.39:1

Graph showing liquid ratio

**INTERPRETATION:**

It is observed from the graph that the liquid ratio was 1.10:1 during the year 2017-18. It is increased to 1.39:1 by 2021-22. This shows that the company is highly liquid and has the ability to provide a cover to its current liabilities.

FINDINGS

- The current ratio has been fluctuating over the years and as compared to 2017-2022 the current ratio is decreased from 1.47:1 to 1.28:1.
- The quick ratio has been ups and downs through the years and in the year 2018-19 it is at 2.10. Due to fluctuation in the current liabilities, which is more than ideal ratio of 1:1.

CONCLUSION

Through my study I found that the company has to improve upon inventory turnover maintaining sufficient cash and bank balances to fulfill working capital needs by increasing investment in current assets. So it is advised to the company to adopt better management, practices, techniques, methods etc. Then the company can improve its liquidity position. Can utilize its assets effectively and can earn good profits. We are of the opinion that the company is doing well and meeting the competition effectively.

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