

A STUDY ON WORKING CAPITAL MANAGEMENT IN DORA PLASTIC PVT LTD

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ABSTRACT

The aim of the descriptive research study was to know the Working capital may be regarded as lifeblood of a business. The success of business is depends upon the efficiency of Working capital, while its inefficient management can lead not only to loss profits but also the ultimate downfall of what otherwise might be considered as a promising concern. A study of Working capital is of major importance to internal & external analysis because of its close relationship with the current day-to-day operations of business. In the words of “Ralph Kennedy”and “Steward MC Muller”, inadequacy of mismanagement is the leading cause of risk in business which U related to current operations and represented at any one time by the operating cycle of such items as against receivables, Raw material stores, Work in process, finished goods, bins receivables and cash. In accounting “working capital is the difference between the inflow and outflow of funds”, it is also called net cash inflow. It is defined as the excess of current assets and current liabilities and provisions”.

Key words: Risk variation, cost of capital, equality of position, maturity of payments.

EXECUTIVE SUMMARY

Working Capital Management is also known as Short term financial Management, which is concerned with the decision relating to current assets & current liabilities. The key difference between long-term financial management & Working capital Management is in terms of timing of cash. Long term financial decisions like buying equipment or issuing debentures involve cash flows over an extended period of time (5 to 15 years or even more), while short term financial decisions typically involve cash flows within a year or within the operating cycle of the firm.

REVIEW OF LITERATURE

Neither Working Capital management nor administration of all aspects of working capital, which manage the firm’s current payment of wages and other day to day expenses etc, These funds are also known as working capital. Mainly the organization used working capital day to day business obligations purposed used. The main goal of working capital is to mange current assets and current liabilities. The following formula is used calculation of working capital.

Net Working Capital = Current Assets-----Current Liabilities

According to **Genstenberg** “**Circulating** capital means current assets of a company that are changed in the ordinary course of business from one form to another, as for example from cash to inventories, inventories to receivables, receivables into cash”.

RESEARCH METHODOLOGY

NEED OF THE STUDY

- Financial Management is an appendage to the Finance function. With the Creation of complex industry structure, the finance function has grown to very great heights. One cannot think of any business activity in isolation from its financial implication.
- The company is facing problems with inventory mishandling. Defective credit policy and stock collection period. So there is need to study of working capital management in dora plastic pvt ltd for giving good solutions for it's problems.

SCOPE OF THE STUDY

The prime objective of the company is to obtain maximum profit through the business. The amount of profit largely depends up on the magnitude of sales. However the sale does not convert into cash instantaneously. There is always a time gap between the sales and their actual realization in cash is technical termed as operating cycle. Additional capital required to have uninterrupted business operations, and the amount will be locked up in the current assets. This study was conducted from 2015-2020.

OBJECTIVES OF THE STUDY

- To analyze the working capital through schedule of changes in working capital.
- To study the liquidity position of the dora plastics private limited company.
- To study the position of the current assets and current liabilities of dora plastics private limited company.

DATA SOURCES

The researcher has taken the advantage of only secondary data source. The secondary source data includes

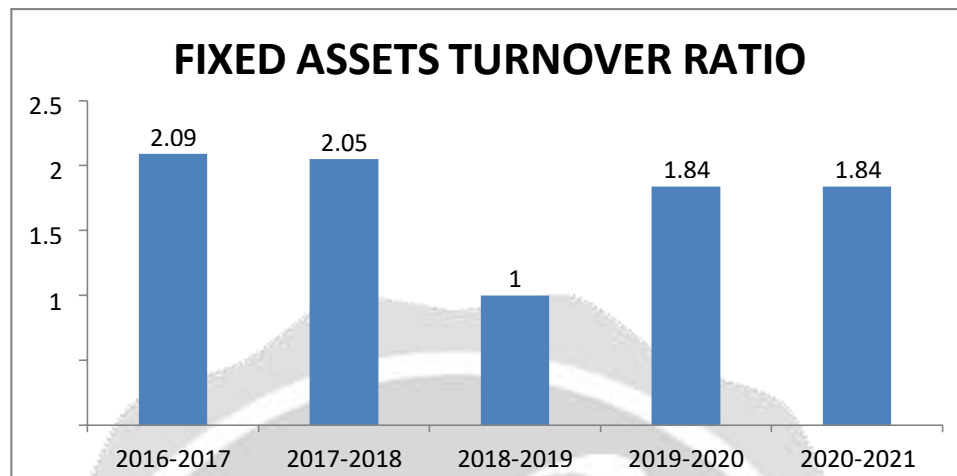
- ✓ Balance sheet/profit and loss a/c
- ✓ The secondary data collected from the financial reports, previous records, published records and other statements provided by finance department of “DORA PLASTICS PVT LTD.

DATA ANALYSIS AND INTERPRETATION

FIXED ASSETS TURNOVER RATIO

INTERPRETATION;

Fixed assets turnover ratio is high in the year 2017-18 that is 2.09. the lowest position in the year 2019-2020 that is 1.00.



FINDINGS

- ❖ Current ratio of the company is less than the year standard norm of 2.1 during the year study period except 2018-2019 when it was 7.86.
- ❖ Working capital turnover ratio during the year 2017-2018 is 1.88 and it was increased to 32.79 in 2018-2019.
- ❖ Fixed assets turnover ratio are highest position during the year 2016-2017 that is 2.09. the lowest position during the year 2017-2018 that is 1.00. the ratios are 2016- 2021, 2.09, 2.05, 1.00, 1.84, 1.84.
- ❖ Net working capital was high in the year 2016-2017 that is 0.53. the lowest position in the year 2018-2019 that is 0.05.
- ❖ Gross profit ratio was high in the year 2018-2019 that is 51.14. the lowest position in the year 2014-2015 that is 36.51.

CONCLUSION

From this analysis it was concluded that the working capital management of Dora plastics pvt ltd was satisfactory during the study period. But some of the ratios are fluctuating during the study period. So the company must take steps to reduce these fluctuations by managing and using its resources efficiently and effectively.