

A STUDY ON WORKING CAPITAL MANAGEMENT IN RASI NUTRI FOODS INDIA PRIVATE LIMITED AT PUDUCHATRAM

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Abstract— Working capital can be defined as the difference between the value of current assets and short-term liabilities together with other short-term accruals. It is equivalent to the part of the current assets financed with equity, provisions for liabilities, long-term liabilities, and the remaining part of accruals. Working capital management is always crucial in any business. Efficiency of working capital is determined based various tools used by the companies. However in practice, companies do follow different tools to reduce working capital which is directly impacting profitability of the company. Whether to adopt aggressive policy or lenient policy is exclusively depends on the Firm. Therefore, it is the capital that finances only that part of the current assets that are not financed with short-term liabilities. This amount is financed with fixed capital. Summing up, net working capital is the fixed capital that finances the company's current assets.

Key-words: Working capital; strategy; financial liquidity; financial security

1. INTRODUCTION

Working capital means the fund available for day to day operations of an enter pries 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.

Need for working capital

The need for working capital arises from two considerations. Firstly Maintaining of working capital at a reasonable level is essential in any firm. The fixed assets which usually require a huge quantity of investments can be used at an optimum level only if it is supported by sufficient quantity of working capital

COMPONENTS OF WORKING CAPITAL: All current assets are the components of working capital. The following are the principle components of current assets.

- Cash on the hand and at the bank.
- Inventory.
- Bills receivables.
- Debtors.
- Prepaid expenses.

ISSN: 2455-7188 (Online)

www.ijirms.com

- Short term securities.

CONCEPTS OF WORKING CAPITAL: There are two concepts of working capital:

- Gross concept
- Net concept

OBJECTIVES OF THE STUDY

Primary Objective: To analyse the changes in the working capital of Rasi Seeds Pvt Ltd, for period of 5 years

Secondary Objective:

- To analyse the financial performance of the company using ratio's.
- To identify the liquidity position of the company.
- To suggest suitable measure so as to improve the working capital position.
- To study the need and importance of working capital.
- To identify the problems, if any, faces by the company in managing the working capital.
- To review the profitability position of the food.

SCOPE OF THE STUDY

- The present study is designed to make effort to understand the management of working capital in foods with the help of financial ratios so as to enable to determine the financial viability of the company.
- To study the aspect of working capital management in foods prepares a project report.
- This report is compiled result of the information gathered during the five years period of Food products
- The project is mainly based on the study of management of the working capital.
- The analysis of the working capital has been done with the help of financial ratios, which acts as a powerful tool, financial analysis.

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

2. REVIEW OF LITERATURE

Eves and Dervisi (2019) Sales forecasts have a key role in operational management of menu due to the perishable nature of food products. More specifically, an accurate prediction of demand to menu items ensures the smooth functioning of production and service without falling behind the demand, which may cause customer dissatisfaction, or exceeding the demand, which increases the costs.

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

Neeraj Sharma (2022) Indian food processing industry accelerated their growth rate but still food processing industry under developed even after good base of agricultural production. India is largest producer of cashew nuts, fruits, tea, milk and coconut in world and contributes 1.17% Export share in world processed food market

3. RESEARCH METHODOLOGY

PERIOD OF THE STUDY: The financial data for a period five years of Food industry analysed for the study.

RESEARCH DESIGN: The methodology used in this study is descriptive in nature where the researcher has to use facts (or) information already available and study the characteristics of a particular group respectively and there by analyses to make a critical evaluation of the study.

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

TOOLS USED FOR ANALYSIS DATA

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 Foods., with the help of Ratio Analysis.

- Ratio Analysis
- Changes of Working Capital
- Trend Analysis

RATIO ANALYSIS

Ratio analysis refers to the analysis of various pieces of financial information in the financial statements of a business. They are mainly used by external analysts to determine various aspects of a business, such as its profitability, liquidity, and solvency.

TREND ANALYSIS: Trend analysis is a mathematical technique that uses historical results to predict future outcome. This is achieved by tracking variances in cost and schedule performance. In this context, it is a project management quality control tool.

CHANGES OF WORKING CAPITAL

Working Capital = Current Operational Assets – Current Operational Liabilities

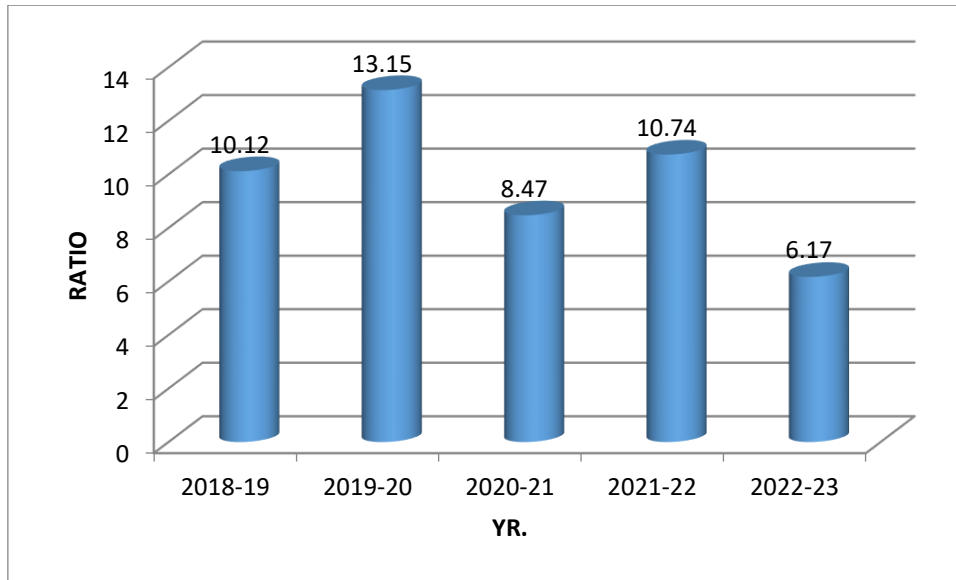
4. DATA ANALYSIS AND INTERPRETATION

4.1.1 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

INTERPRETATION: The above table shows that the inventory turnover ratio from 2017-23. The ratio shows increasing trend during the study period. The ratio shows highest as 10.12 at 2018-19 and shows highest as 6.17 at 2021-23. The ratio indicates at the year 2018-19 the company performs better of inventory and at the year 2022-23 the company performs low level of inventory.

CHART – 4.1.1 INVENTORY TURNOVER RATIO

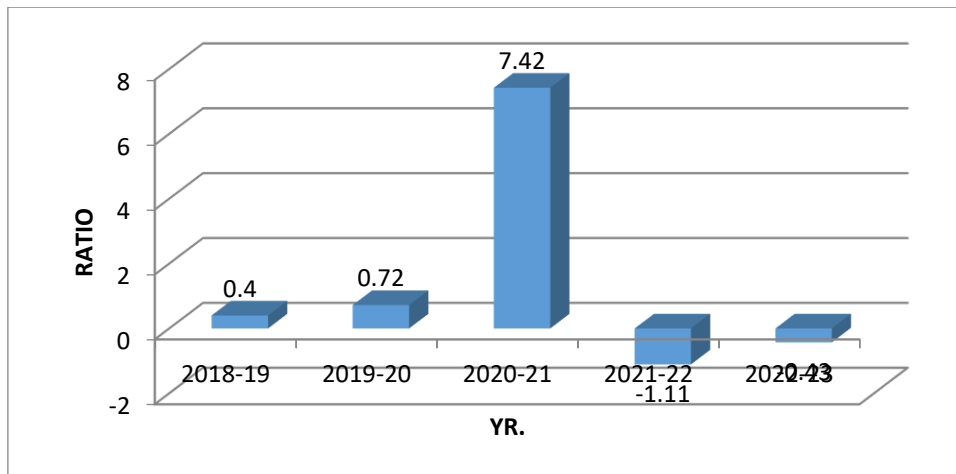


4.1.2 STOCK TO WORKING CAPITAL RATIO

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

INTERPRETATION: From the above table it was clear the stock to working capital ratio for the year 2018-2019 the ratio was 0.40, the stock to working capital ratio is 0.72 to 2019-2020, the stock to working capital ratio is 7.42 to 2020-2021, the stock to working capital ratio is -1.11 to 2021-2022 and the stock to working capital ratio is -0.43 to 2022-2023.

CHART – 4.1.2 STOCK TO WORKING CAPITAL RATIO



4.2 CHANGES OF WORKING CAPITAL FOR THE YEAR 2021-23

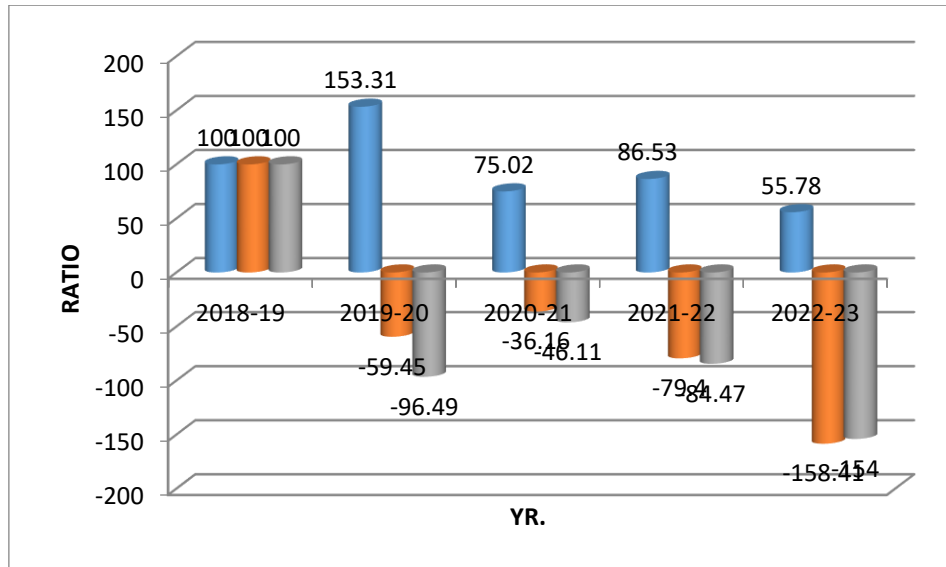
Particulars	2021-22	2022-23	Increase/ Decrease	% of Changes
Currents Assets				
Inventories	98.94	130.84	31.9	32.24
Sundry debtors	110.74	45.71	-65.03	58.72
Cash and Bank Balance	16.17	6.84	-9.33	-57.70
Loans and advances	402.62	447.47	44.85	11.14
Total (A)	628.47	630.86	2.39	0.38
Current Liabilities and provisions				
Current Liabilities	688.26	843.39	155.13	22.54
Provisions	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

4.3 TREND ANALYSIS

RAW MATERIALS			PROFIT BEFORE TAX		PROFIT AFTER TAX	
YEAR	AMOUNT	TREND %	AMOUNT	TREND %	AMOUNT	TREND %
2018-19	1076.40	100	147.95	100	103.49	100
2019-20	1650.28	153.31	-87.97	-59.45	-99.86	-96.49
2020-21	807.62	75.02	-53.50	-36.16	-47.72	-46.11
2021-22	931.49	86.53	-117.48	-79.40	-87.42	-84.47
2022-23	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 2018-2023. The profit after tax percentage was decreased to the last year.

CHART – 4.3 TREND ANALYSES



5. FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

INTERPRETATION: The ratio shows highest as 10.12 at 2018-19 and shows highest as 6.17 at 2021-23. The ratio indicates at the year 2018-19 the company performs better of inventory and at the year 2022-23 the company performs low level of inventory.

INTERPRETATION: From the above table it was clear the stock to working capital ratio for the year 2018-2019 the ratio was 0.40, the stock to working capital ratio is 0.72 to 2019-2020, the stock to working capital ratio is 7.42 to 2020-2021, the stock to working capital ratio is -1.11 to 2021-2022 and the stock to working capital ratio is -0.43 to 2022-2023.

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5.2 SUGGESTIONS

- The company facing loss for the 2018-2023 due to high cost of production, and high amount spent on food industry. 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.

5.3. 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 Rasi Seeds Ltd industry by produce working capital management and however it facts problems in respect of collecting does from its customers

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