International Journal of Innovative Studies in Sociology and Humanities (IJISSH)

ISSN 2456-4931 (Online) **www.ijissh.org** *Volume: 4 Issue: 6 | June 2019*

A Study on Working Capital Management in Tirumala Dairy Pvt Limited

Dr.M.SivaKoti Reddy

Associate Professor, Department of Management studies, Vignan's Foundation for Science, Technology and Research, Guntur

Mr.G.Gopinath

Student, Department of Management Studies Vignan's Foundation for Science, Technology and Research, Guntur

Abstract: *Working capital management 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 a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash. This paper explains the working capital management in tirumala milk industry and gives analysis to reader with the help of ratios like current ratio, quick ratio, debt equity ratio. These items are referred to as circulating assets because of their cyclical nature. In a retail establishment, cash is initially employed to purchase inventory, which is in turn sold on credit and results in accounts receivables. Once the receivables are collected, they become cash-part of which is reinvested in additional inventory and part going to profit or cash throw-off.*

Keywords: *working capital, current assets current liabilities, cash flow*

1. INTRODUCTION

Financial Management is that managerial activity which is concerned with planning and controlling of the firm's financial resources. The subject of financial management is of immense interest to both academicians and practicing managers. Financial management provides them with conceptual and analytical insights to make those decisions skillfully. As such it deals with the situation that requires selection of specific assets, the selection of specific liability as well as the problem of size and growth of an enterprise. The analysis of these decisions is based on the expected inflows and outflows of funds and their effects up on managerial objectives"

Working capital is the lifeblood and nerve center of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully without an adequate amount of working capital.

2. MEANING OF WORKING CAPITAL

Working capital refers to the funds invested in current assets i.e. investment in stocks, sundry debtors, cash and other current assets. Current assets are essential to use fixed assets profitably.

3. OBJECTIVES OF FINANCIAL MANAGEMENT

To Reduce the Misuse of Funds:-

To Maximize the Profit in Long Run: -

To Maximize the Wealth of Company:-

To Fulfill the Social Responsibility: -

According to my view, Xyz Company takes his all natural resources from society in the form of land, water, metal and minerals**.** God has made these things for whole society not a particular Xyz company. If Xyz Company has used these resources, then it is the duty of xyz Company to fulfill his responsibility toward society. This is the main objective of financial management.

Maximize the value of the firm to its equity share holders. This means that the goals of the firm should be to maximize the market value of its equity shares (which represent the value of the to its equity share holders).

4. RESEARCH METHODOLOGY

The study has been conducted in the Tirumala Milk Products Pvt Ltd. To examine ratio analysis in order to enquire into the issues like liquidity, timelines and material management. The study has been undertaken in the Accounting& Finance departments of the Tirumala Milk Products Pvt Ltd

5. DATA ANALYSIS AND INTERPRETATION

The Working Capital is necessary to run the day-to-day business activities. It is very difficult to find a business firm, which does not require any amount of working capital. However, firms differ in their requirements of the working capital. Companies aim at maximizing the wealth of shareholders. In their efforts to maximize shareholder's wealth, they should earn sufficient return from their operations. Earning a steady amount of profit requires successful sales activity. The firm has to invest enough funds in current assets for the efficient sales activity. Sales do not convert into cash immediately. There is always an operating cycle involved in the conversion of sales into cash.

Working capital management is concerned with the problems that arise in attempting to manage the current assets. The current liabilities and the inter relationship that exists between them. The term of current assets refer to those assets which in the ordinary course of business can be or will be converted into cash within one year without disrupting the operating of the firm.

The major current assets are cash marketable securities. Account receivable and inventory. The goal of working capital management is to manage the firm's current assets and liabilities in such a way that a satisfactory level of working capital is maintained. The current assets should be large enough to cover its current liabilities in order to ensure a reasonable margin of safety. Each of the current assets must be managed efficiently in order to maintain the liquidity of the firm while not keeping too high a level of any one of them. The analysis of past performance of the company in terms of operational efficiency and financial soundness is carried out with the help of the following tools of analysis. Working capital ratios and Statements showing changes in working capital.

- **Current ratio:**

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

Year	Current Assets	Current Liabilities	Ratio
2012-2013	27,42,43,926	11,56,48,358	2.37
2013-2014	28,12,56,454	15,16,43,144	1.85
2014-2015	36,51,93,725	21,15,23,300	1.73
2015-2016	39,17,84,538	18,00,32,666	2.18
2016-2017	58,92,00,900	23,42,21,100	2.52

Interpretation:-

From the above table it is understood that Current Ratio of the company in the year 2012-2013 was 2.37 and in the next year decreased to 1.85 during the year 2013-2014 it is further decreased to 1.73 during the year 2014-2015 increased to 2.18 during the year 2015-2016 it is increased to 3.21 during the year 2016-2017.

- **Qu**

- **ick asset ratio (or) Acid test ratio:-**

I. Liquidity Ratios: -

Liquidity refers to the ability of the company to meet its current liabilities. Liquidity ratios assess capacity of the firm to repay its short-term liabilities. Thus, liquidity ratios measure the firm's Ability to fulfill short-term commitments out of its liquid assets.

$$\text{Quick ratio} = \frac{\text{quick assets}}{\text{current liabilities}}$$

Year	Liquid Assets	Current Liabilities	Ratio
2012-2013	9,33,22,442	15,16,43,144	0.62
2013-2014	12,53,13,650	21,15,23,300	0.59
2014-2015	15,48,08,776	18,00,32,666	0.88
2015-2016	26,17,88,357	23,42,21,100	1.12
2016-2017	47,5094,955	25,38,75,256	1.87

Interpretation:-

From the above table it is understood that Quick Ratio of the company in the year 2012-2013 was 0.62 and in the next year decreased to 0.59 during the year 2013-2014 it is increase to the 0.86 during the year 2014-2015 but increased to 1.12 during the year 2015-2016 it is also increased to 1.87 during the year 2016-2017.

- **Absolute Ratio:-**

Definition:-Cash Ratio is calculated by dividing Cash and marketable securities by

Current Liabilities.

Significance:-

Trade Investment or marketable securities are equivalent of cash therefore they may be including in computation of cash ratio.

Formula:

Cash Ratio = Absolute Assets / Current Liabilities

Absolute Assets=Cash in hand+ Bank balance+ Marketable securities

Year	Absolute Assets	Current Liabilities	Ratios
2012-2013	60,59,037	15,16,43,144	0.04
2013-2014	71,50,276	21,15,23,300	0.03
2014-2015	1,39,98,934	18,00,32,666	0.07
2015-2016	7,38,91,461	23,42,21,100	0.32
2016-2017	15,60,07,572	25,38,75,256	0.39

Interpretation:-

From the above table it is understood that Absolute Ratio of the company in the year 2012-2013 was 0.04 and in the next year decreased to 0.03 in the during the year 2013-2014 it is increased the 0.07 during the year 2014-2015 it is increased to 0.32 during the year 2015-2016 it is also increased to 0.39 during the year 2016-2017

Debtor's turnover ratio:

This ratio establishes a relationship between net credit sales and average account

Receivables i.e. average trade debtor and bills receivables. The objective of computing this ratio is to determine the efficiency with which the trade debtors are managed.

Significance:-

Debtors Turnover Ratio is an indication of the speed with which a company collects its debts. The higher the ratio, the better it is because it indicates that debts are being collected quickly. In general, a high ratio indicates the shorter collection period, which implies prompt payment by debtor and a low ratio, indicates a longer collection period, which implies delayed payment for debtors.

- **Debtors turnover ratio** = Net Credit Sales / Average Debtors

(OR)

= Net Sales / Average Debtors

Where

Net Credit Sales=Total sales-cash sales

Average Debtors= Opening Debtors+ Closing Debtors

Debtors Turnover Ratio

Years	Net credit sales	Average Debtors	Ratio
2012-2013	9,66,95,127	1,34,30,270	7.19
2013-2014	25,57,62,587	1,79,96,343	14.2
2014-2015	25,79,93,866	1,81,29,296	14.23
2015-2016	28,06,78,564	1,11,80,749	25.10
2016-2017	58,86,55,944	4,15,06,584	14.18

Interpretation:-

From the above table it is understood that Debtors Turnover Ratio of the company in the year 2012-2013 was 7.19 and in the next year increased to 14.21 during the year 2013-2014 it is also increased to 14.23 during the year 2014-2015 it is decreased to 25.10 during the year 2015-2016 it is also decreased to 14.18 during the year 2016-2017.

- **Debt-Equity Ratio:-**

It is also otherwise known as external to internal equity ratio. It is calculated to know the relative claims of outsiders and the owners against the firm's assets. This ratio establishes the relationship between the outsider's funds and the shareholders fund.

Year	Long-Term Debt	Shareholders Fund	Ratio
2012-2013	59,53,72,946	14,32,70,036	4.15
2013-2014	57,87,63,681	16,41,36,957	3.52
2014-2015	56,58,02,192	20,72,00,158	2.73
2015-2016	55,46,64,223	35,89,01,071	1.55
2016-2017	69,94,14,158	43,75,99,303	1.60

Interpretation:-

From the above table it is understood that Debt-Equity Ratio of the company in the year 2012-2013 was 4.15 and in the next year decreased to 3.52 during the year 2013-2014 it is also decreased to 2.73 during the year 2014-2015 it is decreased to 1.55 during the year 2015-2016 it is also decreased to1.60 during the year 2016-2017.

➢ **Fixed Assets Turnover Ratio:-**

Fixed-asset turnover is the ratio of sales (on the profit and loss account) to the value of fixed assets (on the balance sheet). It indicates how well the business is using its fixed assets to generate sales.

Fixed asset turnover=Net sales/average net fixed assets

Fixed Asset Turnover Ratio

Year	Sales	Fixed Assets	Ratio
2012-2013	9,66,95,127	60.60.73.507	0.16
2013-2014	25,57,62,587	58.62.47.049	0.44
2014-2015	25,79,93,866	55.72.67.311	0.46.
2015-2016	28,06,78,564	55.56.02.239	0.51
2016-2017	58,86,55,944	57,09,03,729	1.03

Interpretation:

From the above table it is understood that Fixed Assets Turnover Ratio of the company in the year 2012-2013 was 0.16 and in the next year increased to0.44 during the year 2013-2014 it is also increased to 0.46 during the year 2014-2015 it is also increased to 0.51 during the year 2015-2016 it is also increased to 1.03 during the year 2016-2017.

6. CONCLUSION

The overall performance of Tirumala Milk Products Pvt Ltd from last decade is outstanding**.** By observing net working capital ratio, it shows that the liquid position of the company is strong. By comparing the working capital turnover ratio, the conversion of the working capital into sales is good. So, the efficiency in the management of the working capital is very high.

It suggested that the company has to maintain more number of assets and should maintain the bank balances and suggested that the company has to convert the working capital into sales very quickly which improves the efficiency of the management of W.C. the company is that it should maintain current standards of performance and continue

ISSN 2456-4931 (Online) www.ijissh.org Volume: 4 Issue: 6 | June 2019

its efforts to the growth and development of Indian tobacco Industry, which ultimately benefits its employees, formers, Government and others who are linked with this corporate giant today.

REFERENCES

[1] http://tirumalamilk.com/

[2] https://www.instafinancials.com/company/tirumala-milk-products-privatelimited/U15209TN1998PTC102741

[3] https://www.investopedia.com/terms/f/financial-statement-analysis.asp