PROJECT REPORT

"A STUDY ON WORKING CAPITAL MANAGEMENT OF NESTLE WITH REFERENCE TO FINANCIAL FEASIBLITY"

Submitted to

Rashtrasant Tukadoji Maharaj Nagpur University,

Nagpur

In partial Fulfillment for the award of the degree of

Bachelor of Business Administration

Submitted By

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Under the Guidance

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Academic Year 2021 – 22

G.S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR

Academic Year 2021 – 22

CERTIFICATE

This is to certify that **"RESHAM BALMIKI"** has submitted the project report titled **"A STUDY ON WORKING CAPITAL MANAGEMENT OF NESTLE WITH REFERENCE TO FINANCIAL FEASIBILITY"** towards partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination. This has not been submitted for any other examination and does not form part of any other course undergone by the candidate.

It is further certified that she has ingeniously completed her project as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Dr. Pragati Richa Pandey — **Dr. Afsar sheikh**

(Project Guide) — **(Co- ordinater)**

Place:

Date:

G.S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR

Academic Year 2021 – 22

DECLARATION

I hereby declare that the project with title **"A STUDY ON WORKING CAPITAL MANAGEMENT OF NESTLE WITH REFERENCE TO FINANCIAL FEASIBILITY"** has been completed by me in partial fulfillment of BACHELOR OF BUSINESS ADMINISTRATION degree examination as prescribed by Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course undertaken by me.

RESHAM BALMIKI

Place:

Date:

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Academic Year 2021 – 22

ACKNOWLEDGEMENT

With immense pride and sense of gratitude, I take this golden opportunity to express my sincere regards to **Dr. N.Y. Khandait**, Principal, G.S. College of Commerce & Economics, Nagpur.

I am extremely thankful to my Project Guide **Dr. Pragati Richa Pandey** for her guidance throughout the project. I tender my sincere regards to Director, **Dr. Devender Kawday** for giving me outstanding guidance, enthusiastic suggestions and invaluable encouragement which helped me in the completion of the project.

I will fail in my duties if I do not thank subject teacher and also Teaching staff and Non-Teaching staff of the college for their co-operation.

I would like to thank all those who helped me in making this project complete and successful.

RESHAM BALMIKI

Place:

Date:

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INTRODUCTION

WHAT IS WORKING CAPITAL?

Working capital is the lifeblood and nerve centre 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. In case adequate working capital is not available the company will not be in a position to sustain to continue production (purchase the raw materials, components and spares, to pay wages and salaries, to incur day –to- day expenses and overhead costs such as fuel , power and office expenses) to meet the selling costs as packaging , advertising , etc. to provide credit facilities to the customers and to maintain the inventories of raw material, work-in-progress . stores and spares and finished goods of Working capital

ADVANTAGES OF WORKING CAPITAL :

The main advantages of maintaining adequate amount of working capital are as follows:

- **Solvency of the Business:**

Adequate working capital helps in maintaining solvency of the business by providing uninterrupted flow of production.

- **Goodwill:**

Sufficient working capital enables a business concerns to make prompt payments and hence helps in creating and maintaining goodwill.

- **Easy Loan:**

A concern having adequate working capital, high solvency and good credit standing can arrange loans from bank and other on easy and favourable terms.

- **Cash Discount:**

Adequate working capital also enables a concern to avail cash on the purchase and hence it reduces costs.

- **Regular Supply of Raw Material:**

Sufficient working capital ensures regular supply of raw material and constitutes production.

- **Regular payment of Salaries Wages and Other Day –to- Day Commitments:**

A company which has ample working capital can make regular payment of salaries, w ages and other day-to-day commitments which raises the morale of its employee's , increases their efficiency, reduces wastages and costs and enhances production and profit.

DISADVANTAGE OF EXCESS OR INADEQUATE WORKING CAPITAL

Every business concern should have adequate working capital to run its business operations. It should have neither excess working capital nor shortage of working capital. Both excess as well as short working capital position are bad for any business. However, out of the two, it is the inadequacy of working capital which is more dangerous from the point of view of the firm.

The disadvantages suffered by a company with insufficient working capital are as follows:

1) Unable to Adept Changes:

The company is unable to take advantages of new opportunity or to adapt to changes. Since it does not have sufficient elbow room, it is unable to finance the development of new products or the alteration to production to production techniques needed when new opportunity occur.

TRADE DISCOUNT ARE LOST:-

A company with ample working capital is able to finances large stocks and can therefore places larger orders. The bigger the order the more generous the trade discount offered by the supplier, who uses it as a method of reducing the price so that the company is included to places an order.

If a company is unable to places larger orders it will find that prices it has to pay for raw material and components are higher than those paid by its rivals, so it is at a competitive disadvantage in the market

CASH DISCOUNT ARE LOST:

Some companies will try to persuade their debtors to pay early by offering a cash discount off the price owed. The advantage of being able to offer a credit line to customers is forgone.

FINANCIAL REPUTATION IS LOST:

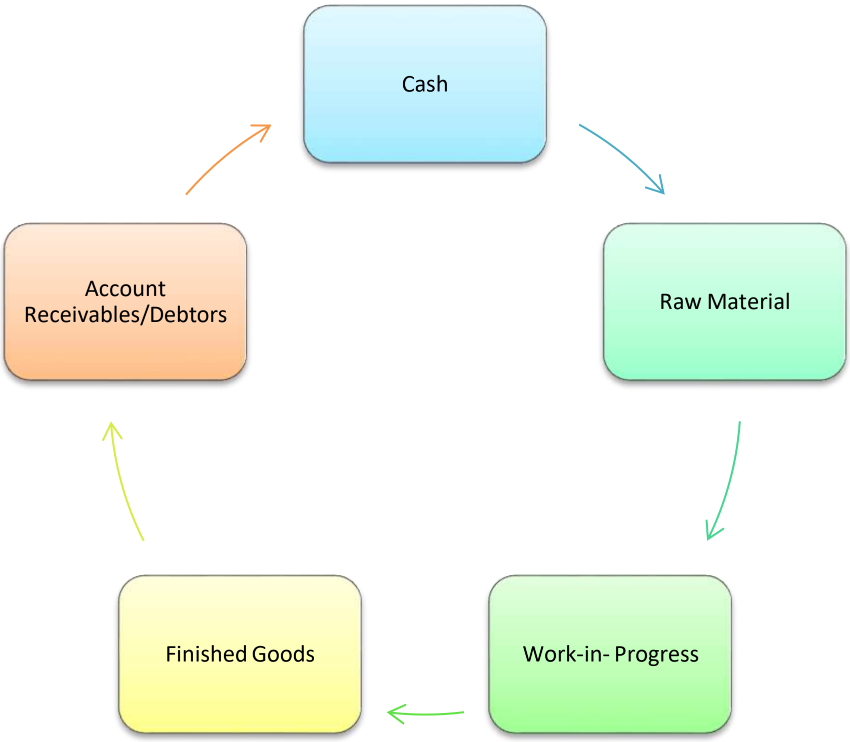
A company with ample working capital is able to pay its bill to suppliers and other creditors in good time . Thus it achieves a reputation as beings a good payer and this will enhances the goodwill a reputation of business. A company with a good reputation can expect co-operation from trade creditors at times of financial difficulty. Conversely, a company with a bad reputation can expect credit controller in trade to be on their guard if it attempts to exceed the credit limits they have set . At such times, a credit controller may cut-off supplies of raw material to a factory, thus seriously disrupting production.

INSOLVENCY:

If working capital of a business is generously inadequate it will be forced to finance its operation more and more by short-term borrowing such as overdraft and trade credit. Eventually the point will be reached beyond which short-term lenders are notwilling to extent credit and it is at this point that the policy and indeed the continuation of the business, is dependent not on the wishes of the owners, shareholders or directors, but on the action of the creditors. Even though the business is a profitable one, in the absences of repayment, the creditors will apply to the court to appoint a liquidator or force the company to commence a voluntary winding-up.

OPERATING/WORKING CAPITAL CYCLE

The working capital requirement of a firm depends, to great extent upon the operating cycle of the firm. The duration of time required to complete the sequences of events right from purchase of raw materials/goods for cash to the realization of sales in cash is called the operating cycle or working capital cycle as shown in the figure.



OPERATING CYCLCLE

Operating cycle can be determined by adding the number of days required for each stage in the cycle. In case of manufacturing concerns, working capital is required to cater the following needs to the following needs of business in order:

- Raw materials are to be purchased for cash.
- Production process converts raw materials into work- in- process.
- Work- in -process is converted into finished goods, during courses of time through production process.
- Finished goods ar3e converted into accounts receivables (debtors and bills receivables) th4rough sale.
- Accounts receivables are realized into cash in due course of time.

COMPANY PROFILE

Nestle India Ltd, one the biggest players in FMCG segment, has a existence in milk & nutrition, beverages, prepared dishes & cooking aids & chocolate & confectionery segments. The company is unavailable in the food business. The food business incorporate product groups, such as milk products and nutrition, beverages, prepared dishes and cooking aids, chocolates and confectionery. Nestle India manufactures products under brand names, such as Nescafe, Maggi, Milky bar, Milo, Kit Kat, Bar-One, Milkmaid and Nestea.

The company has also introduced products of daily utilization and use, such as Nestle Milk, Nestle Slim Milk, Nestle Fresh ‘n’ Natural Dahl and Nestle Jeera Raita. The company’s brands include milk products and nutrition, prepared dishes and cooking aids, beverages, and chocolates and confectionery. Their milk products and nutrition includes Nestle Everyday Dairy Whitener, Nestle Everyday Ghee, Nestle Milk, Nestle Slim Milk and Nestle Dahl. Beverages Include Nescafe Classic, Nescafe Sunrise Premium, Nescafe Sunrise Special and Nescafe Cappuccino.

Nestle India is a secondary of Nestle S.A. The company has attendance across India with 7 manufacturing facilities and four branch offices extend across the region. The four branch offices in the country help facilitate the sales and marketing of its products. They are in Delhi, Mumbai, Chennai and Kolkata.

The company’s four factories were awarded the internationally predictable external certification ISO 14001 for adherence to environmental processes and OSHAS 18001 for Health and Safety. In the year 2008, the company launched Nestle Nesvita Pro-Heart Milk with Omega-3 in Mumbai. Nestle Nesvita Pro-Heart is part of daily diet and has Omega-3 heart friendly nutrients scientifically known to help manage cholestrol. As part of their ongoing dedication to offering best in class nutrition products to Indian consumers, the company launched NESTLE NAN 3, a follow-up formula for older infants. During the year, MAGGI PICHKOO Tomato Ketchup was launched in a unique easy to handle day pack to drive affordability, taste and convenience for a larger number of consumers.

Nestlé S.A. is a Swiss multinational food and drink processing conglomerate corporation headquartered in Vevey, Vaud, Switzerland. It is the largest food company in the world, measured by revenue and other metrics, since 2014. It ranked No. 64 on the Fortune Global 500 in 2018 and No. 33 in the 2016 edition of the Forbes Global 2000 list of largest public companies.

Nestlé's products include baby food, medical food, bottled water, breakfast cereals, coffee and tea, confectionery, dairy products, ice cream, frozen food, pet foods, and snacks. Twenty-nine of Nestlé's brands have annual sales of over 1 billion CHF (about US$1.1 billion), including Nespresso, Nescafé, Kit Kat, Smarties, Nesquik, Stouffer's, Vittel, and Maggi. Nestlé has 447 factories, operates in 189 countries, and employs around 339,000 people.[12] It is one of the main shareholders of L'Oreal, the world's largest cosmetics company.

Nestlé was formed in 1905 by the merger of the Anglo-Swiss Milk Company, established in 1866 by brothers George and Charles Page, and Farine Lactée Henri Nestlé, founded in 1867 by Henri Nestlé. The company grew significantly during the First World War and again following the Second World War, expanding its offerings beyond its early condensed milk and infant formula products. The company has made a number of corporate acquisitions, including Crosse & Blackwell in 1950, Findus in 1963, Libby's in 1971, Rowntree Mackintosh in 1988, Klim in 1998, and Gerber in 2007. The company has been associated with various controversies, facing criticism and boycotts over its marketing of baby formula as an alternative to breastfeeding in developing countries, its reliance on child labour in cocoa production, and its production and promotion of bottled water.

Mission:

Positively influence the social environment in which we operate as responsible corporate citizens, with due regard for those environmental standards and societal aspirations which improve quality of life.”

Vision:

To be a leading, competitive, Nutrition, Health and Wellness Company delivering improved shareholder value by being a preferred corporate citizen, preferred employer, preferred supplier selling preferred products.

LITERATURE REVIEW

Since Nestle began over 143 years ago, Nestlé's success with product innovations and business acquisitions has turned it into the largest Food Company in the world. As the years have passed, the Nestle family has grown to include chocolates, soups, coffee, cereals, frozen products, yoghurts, mineral water and other food products. Beginning in the 70s, Nestle has continued to expand its product portfolio to include pet foods. pharmaceutical products and cosmetics too. (Bountypat, 2008) Today, Nestlé markets a great number of products, all with one thing in common: the high quality for which Nestlé has become renowned throughout the world. The Company's strategy is guided by several fundamental principles. Nestlé's existing products grow through innovation and renovation while maintaining a balance in geographic activities and product lines. Long-term potential is never sacrificed for short term performance. The Company's priority is to bring the best and most relevant products to people, wherever they are, whatever their needs, throughout their lives. Taste of Nestlé in each of the countries where Nestlé sell products. Nestlé is based on the principle of decentralization, which means each country is responsible for the efficient running of its business - including the recruitment of its staff. That's not to say that every operating company can do as it wishes. Headquarters in Vevey sets the overall strategy and ensures that it is carried out. It's an approach that is best summed up as: 'centralize what you must, decentralize what you can'. Nestlé is a company which is present in all over the world but It has difference and unique motto to deal in all over the world. Nestlé believes that they should think about their organizations globally but they deal with people by interacting with them locally.

"Thinking globally-acting locally"

RESEARCH STUDY

What is research?

Research a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. It is an academic activity and as such the term should be used in a technical sense. Research is, thus an original contribution to the existing stock of knowledge making for its advancement. It is a per suit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through objective & systematic method of finding solution to a problem is "research".

DEFINITION:

1**. According to Advanced Learner's Dictionary**," A research is a careful investigation or inquiry especially through search for new facts in any branch of knowledge".

2. **According to Clifford woody**," Research comprises defining and redefining problems, formulating hypothesis or suggested solution; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis".

Research methodology

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are the generally adopted by researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods / technique but also methodology.

A researcher has to design his methodology that is in addition to the knowledge of methods / techniques he has to apply the methodology as well the methodology may research may differ from problem to problem. Thus the scope of research methodology is wider the research methods. In a way, research methodology deals with the research methods and takes into consideration the logic behind the methods we use.

RESEARCH TECHNIQUES:

1. Descriptive Vs. Analytical
2. Applied Vs. Fundamental
3. Quantitative Vs. Qualitative
4. Conceptual Vs. Empirical
5. Some Other Types of research**.**

1. Descriptive vs. Analytical:

Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exits of present. The main feature of this method is that the researcher has no control over the variables; he can only report what has happened or what is happening.

2. Applied vs. Fundamental:

Applied research or fundamental research aims are finding a solution for at immediate problem facing a society or an industrial or business organization. For example: - Research studies, concerning human behaviour carried on with a view to make generalizations about human behaviour.

3. Quantitative vs. Qualitative:

Quantitative research is based on the measurement of quantity and amount. It is applicable to phenomena that can be expressed in terms of quantity. Qualitative research, on the other hand, is concerned with qualitative phenomenon (Involve with quality and kind).

4. Conceptual vs. Empirical:

Conceptual research is that related to some abstract idea or theory. It is generally used by philosophers and thinkers to develop new concepts. On the other hand, empirical research relies on experience or observation alone. It is data-based research.

5. Some other Types of Research: -

1. One-time research or long term research
2. Field-setting research or laboratory research
3. Clinical or Diagnostic research
4. Historical research
5. Conclusion-oriented research
6. Decision oriented research

<u>RESEARCH PROCESS:</u>

Following are the steps which are guideline regarding the research

a) Formulating the research problem

b) Extensive literature survey

c) Developing working hypotheses

d) Preparing the Research Design

e) Determining Sample Design

f)Execution of the project

g)Analysis of data

h)Hypothesis-testing

<u>Research design</u>

A research design is a logical and systematic plan prepared for directing a research study. It specifies the objective of study, the methodology and techniques to be adopted for achieving the objectives. Research design is like a blue-print which an architect prepares for the building. Its like a root map for a journey.

Definition

According to Kerlinger, “Research design is a plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variance.”

Types of Research design

Exploratory Research design

Conclusive Research design

Exploratory research design

It is diagnostic in nature. This is best characterized by its lack of structure and flexibility. It is generally used for the development of hypothesis regarding potential problems and opportunities. This type of research provides insight and understanding of the problems.

Conclusive research design

This type of research is generally more formal and structure as compared to exploratory. Conclusive research is used to provide the information for the evaluation of alternative courses of action. This type of research can be classified into –

Descriptive research and Casual or experimental research.

Collection of data

Data can be defined as the quantitative or qualitative values of a variable. Data can be in numbers, images, words, figures, facts and ideas. Data in itself cannot be understood and to get information from the data one must interpret in into meaningful information.

The investigator faces with one of the most difficult problems of obtaining and gathering the desired data. It is a technical job which requires specialized knowledge and skill. Utmost cases must be taken while collecting data because data constitute the foundation on which the entire structure of statistical analysis is built. the result obtained from the statistical analysis and properly interpreted and policy decision are taken. Hence if the data collected is inadequate the whole statistical analysis may be faulty and the decision taken may be misleading.

Types of data

Primary data

Secondary data

Primary Data

Primary data are those which are collected for the first time and they are original in character. For ex if an individual or an office collects the data to study a particular problem, the data is primary data.

Importance of Primary data

Primary data has got its own importance and cannot be neglected. A research can be conducted without secondary data but a research based on only secondary data is least reliable because secondary data has already been manipulated by human beings.

Sources of primary data

Experiments:

It requires an artificial or natural setting in which one can be perform logical study to collect data.

Survey:

Survey can be conducts in different methods

- Questionnaire
- Interview
- Observation

Secondary data

Secondary data are those which are already collected by someone for some purpose and are available for the present study. Primary data once collected and published becomes secondary data for other investigator. For instance, data obtained during population census by the office of the Registrar general, census commissioner, and minister of home affairs are termed as primary data. And the same data, if used by a research worker for some study becomes a secondary data.

Importance of secondary data

Secondary data can be less valid but its importance is still there. Sometimes it is difficult to obtain primary data ; in this cases getting information from secondary sources is very useful. Sometimes primary data does not exist in such situation. One has to confine the research on secondary data.

Sources of secondary data

Published printed sources

- Books
- Journals
- Newspapers
- E-journals
- Weblogs
- Diaries
- Letters

Secondary data are those which are already collected by someone for some purpose & are available for the present study. Research is based on past financial data so researcher used secondary data.

a) PRIMARY SOURCE:

The primary data will be collected from the books of financial management and various other reference materials

b) SECONDARY SOURCE:

The secondary data required for the study will be collected from annual reports of the company of the respective years and also with the various tools and techniques for evaluate company performance.

SELECTION OF PROJECT TOPIC

The study of working capital behavior occupies an important place in financial management. It helps to find that a firm has sufficient funds 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.

Financial management is one of the most important and integral part of any company. Understanding the financials of the company is necessary for understanding the liquidity and profitability position of the company.

OBJECTIVES OF THE STUDY

- To study the working capital management of Nestle Company Ltd.
- To study the optimum level of current assets and current liabilities of the Nestle Company Ltd.
- To study the liquidity position through various working capital related Ratios.
- To study the working capital components such as receivables accounts, Cash management, Inventory position.
- To study the way and means of working capital finance of the Nestle Company Ltd.

SCOPE OF THE STUDY

- The study provides management an 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.
- A sound working capital policy ensures higher profitability and proper liquidity of the firm.

HYPOTHESIS

A hypothesis in a scientific context is a testable statement about the relationship between two or more variables or a proposed explanation for some observed phenomenon. In a scientific experiment or study, the hypothesis is a brief summation of the researcher's prediction of the study's findings, which may be supported or not by the outcome. Hypothesis testing is the core of the scientific method.

H0 : There’s no significant difference in the ranking of different chocolate brands by consumers.

H1 : There is significant relationship between a firms profitability financial statement analysis and interpretation based management decisions.

H2: There is no significant relationship between a firms profitability financial statement analysis and interpretation based management decisions.

LIMITATIONS OF THE STUDY

- Although every effort has been made to study the "Working Capital Management" in detail, in an organization of Nestle Company. it is not possible to make an exhaustive study in limited duration.
- Though I got all possible information regarding my project but at some level opinion regarding information was biased.
- Lack of information with the staff regarding primary data.
- Apart from the above constraint, one serious limitation of the study is that it is not possible to reveal some of the financial data owing to the policies and procedures laid down by Nestle Company. However the available data is analyzed with great effort to get an insight into Working Capital Management.

DATA ANALYSIS & INTERPRETATION

As we know the working capital is the life blood and the centre of a business . Adequate amount of working capital is very much essential for the smooth running of the business. And the most important part is the efficient management of working capital in the right time. The liquidity position of the firm is the totally effected by the management of working capital. So, a Study of change in the uses and sources of working capital.is necessary to evaluate the efficiency with which the working capital is employed in a business This involves the need of working capital analysis.

The analysis of working capital can be conducted through a number of devices, such as:

1. Ratio Analysis,
2. Schedule of change in working capital
3. Balance sheet

RATIO ANALYSIS

A ratio is the simple arithmetic expression of one number to another. The techniques of ratio analysis can be employed for measuring short- term liquidity or working capital position of a firm. The following ratio can be calculated for these purpose:

1. Current ratio.
2. Quick ratio

3. Absolute ratio
4. Inventory turnover ratio
5. Debtors/ Receivables turnover ratio
6. Creditors/ Payable turnover ratio
7. Working capital turnover ratio

CALCULATION OF RATIOS & ITS INTERPRETATION

Two types of ratios can be calculated for measuring short- term financial position or Short-term solvency position of the firm.

a. Liquidity Ratios.
b. Current Assets Movement Ratios

A) LIQUIDITY RATIOS:

Liquidity ratios are the ratio that measures the ability of a company to meet its short-term debt obligations. These ratios measure the ability of a company to pay of its short-term liabilities when they fall due.

The liquidity ratios are a result of dividing cash and other liquid assets by the short-term borrowing and current liabilities. They show the number of times the short-term debt obligations are covered by cash and liquid assets. If the value is greater than it means the short term obligation are fully covered.

Generally, the higher the liquidity ratios are, the higher the margin of safety that the company posses to meet its current liabilities. Liquidity ratios greater than 1 indicate that the company is in a good financial health and it is less likely fall into financial difficulties. Some of the financial ratios are as follows:

1) CURENT RATIO

2) QUICK RATIO
3) CASH RATIO

1. CURRENT RATIO:

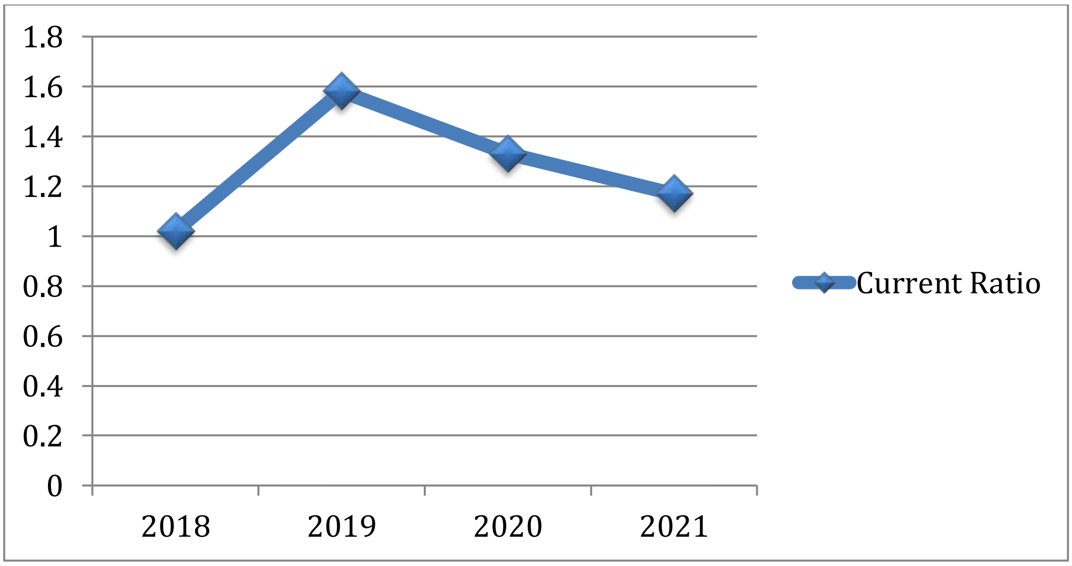
The current ratio is balance-sheet financial performances measure of company liquidity. The current ratio indicates a company's ability to meet short-term debt obligations. The current ratio measures whether or not a firm has enough resources to pay its debts over the next 12 months. Potential creditors use this ratio in determining whether or not to make short- term loans. The current ratio can also give a sense of the efficiency of a company's operation cycle or its ability to turn its product into cash. The current ratio is also known as the working capital ratio

$$\textbf{CurrentRatio} = \frac{\textbf{CurrentAssets}}{\textbf{CurrentLiabilities}}$$

Calculation of current Ratio:

(Rs in cr.)

Year	**2018**	**2019**	**2020**	**021**
rent Assets	3,856	926.40	022.70	68.30
Current bilities	788.40	387.40	036.50	19.90
rent Ratio	1.02	1.58	1.33	1.17



INTERPRETATION:

The higher the ratio the more liquid the company is. Commonly acceptable current ratio is 2; it's a comfortable financials position for most enterprises. As the current ratio is below ideal ratio it indicates the firm facing liquidity problems.

2. QUICK RATIO

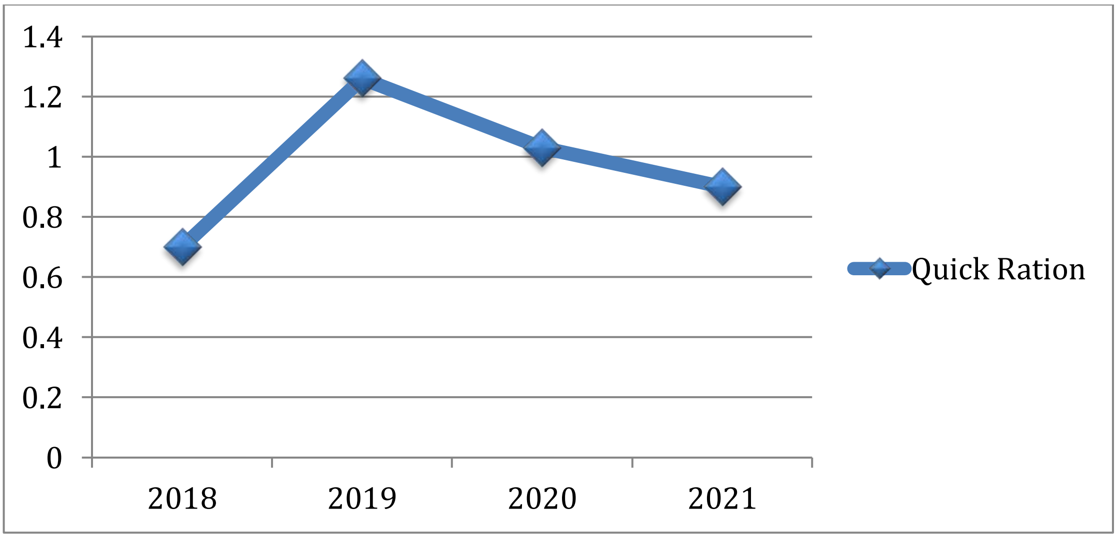
The Quick Ratio is a measure of a company's ability to meet its short-term obligation using its most liquid assets (near cash or quick assets). Quick assets include those current assets that presumably can be quickly converted to cash at close to their book values. Quick ratio is viewed as a sign of a company's financial strength or weakness; it gives information about a company's short term liquidity. The ratio tells creditors how much of the company's short term debt can be met by selling all the company's liquid assets at very short notice.

The Quick ratio is also known as the acid-test ratio or quick assets ratio.

$$\mathbf{QuickRatio} = \frac{\mathbf{CurrentAssets - Inventories}}{\mathbf{CurrentLiabilities}}$$

Calculation of Quick Ratio

Year	2018	19	0.20	021
current Assets- Inventories	2647.2	1.4	26.2	027.6
Current Liabilities	3788.40	7.48	36.50	19.90
Quick Ratio	0.70	26	.03	0.90



INTERPRETATION:

A quick ratio is an indication that the firm is liquid and has the ability to meet its current liabilities in time. The ideal quick ratio is 1:1. In the year 2018the quick ratio is less than the ideal quick ratio and In the year 2019 the quick ratio is more than the ideal ratio this shows company has no liquidity problem. But there is decrease in Quick ratio in the year 2020&2021 this indicates company is facing liquidity problem.

3. ABSOLUTE RATIO

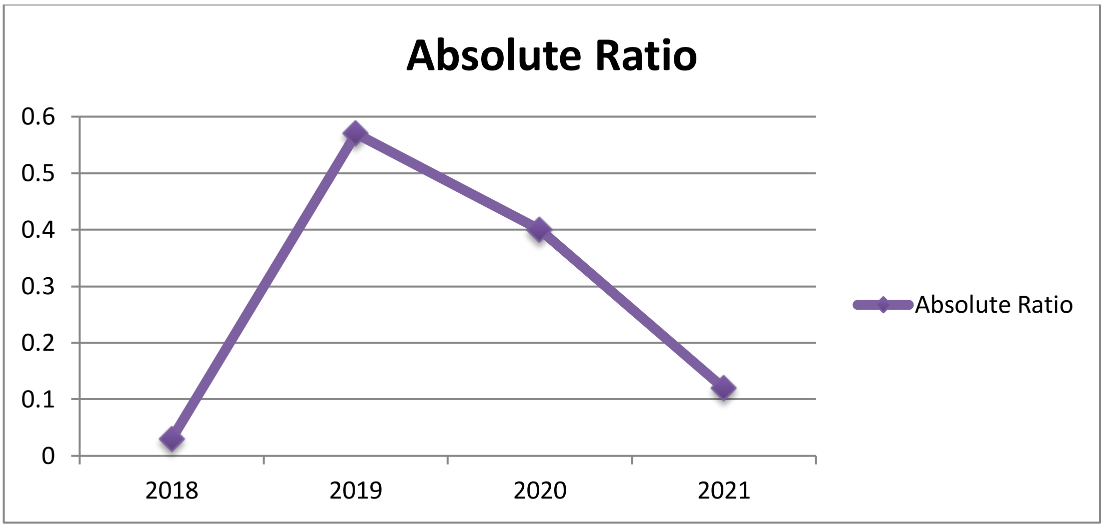
Although receivables, debtors and bill receivables are generally more liquid than inventories, yet there may be doubts regarding their realization into cash immediately or in time. So absolute liquid ratio should be calculated together with current ratio and acid test ratio so as exclude even receivables from the current assets and find out the absolute liquid assets.

Absolute Liquid Assets includes:

$$\textbf{ABSOLUTELIQUIDRATIO} = \frac{\textbf{ABSOLUTELIQUIDASSETS}}{\textbf{CURRENTLIABILITIES}}$$

Calculation of Absolute Ratio

Year	2018	2019	2020	2021
absolute liquid liquid asset	8.20	08.50	436.10	775
Current Liabilities	88.40	87.40	36.50	19.90
absolute liquid Ratio	.03	.57	).40	).12



INTERPRETATION:

An absolute liquid ratio of 0:5:1 is considered ideal for most of the firm. As we see the above ratio it is more than the ideal ratio in the year2019 .But in the year 2020&2021 the absolute ratio is below the ideal ratio which indicate the policy of credit sales and advances payments should be change to improve cash liquidity.

B) CURRENT ASSETS MOVEMENT RATIOS

Funds are invested in various assets in business to make sales and earn profits. The efficiency with which assets are managed directly affects the volume of sales. The better the management of assets, larger is the amount of sales and profits. Current assets movement ratios measure the efficiency with which a firm manages its resources. These ratios are called turnover ratios because they indicate the speed with which assets are converted and turned over into sales. Depending upon the purpose, a number of turnover ratios can be calculated these are:

1) Inventory Turnover Ratio
2) Debtors / Receivables Turnover Ratio
3) Creditors/ payables Turnover Ratio
4) Working Capital Turnover Ratio

1) INVENTORY TURNOVER RATIO

Every firm has to maintain a certain amount of inventory of finished goods so as to meet the requirement of the business. But the level of inventory should neither be too high nor too low. Because it is harmful to hold more inventory at some amount of capital is blocked in it and some cost is involved in it. It will therefore be advisable to dispose the inventory as soon as possible.

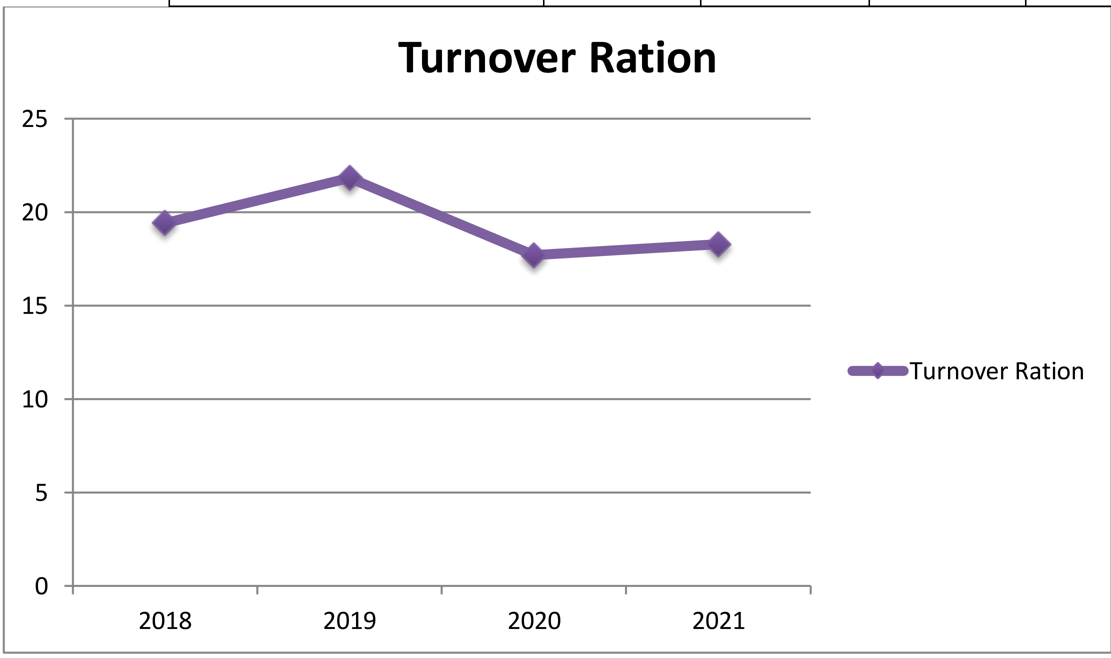
$$\mathbf{InventoryTurnoverRatio} = \frac{\mathbf{CostOfGoodsSold}}{\mathbf{AverageInventory}}$$

Inventory turnover ratio measures the speed with which the stock is converted into sales. Usually a high inventory ratio indicates an efficient management of inventory because more frequently the stocks are sold: the lesser amount of money is required finance the inventory. Whereas, low inventory turnover ratio indicates the inefficient management of inventory. A low inventory turnover implies over investments in inventories, dull business, poor quality of goods, stock accumulation and slow moving goods and low profits as compared to total investments.

$$\boldsymbol{AverageStock} = \mathbf{OpeningStock} + \mathbf{ClosingStock} \div \mathbf{2}$$

CALCULATION OF INVENTORY TURNOVER RATIO

Year	)18	)19	)20	)21
Cost of Goods sold	13.6	544.3	28.9	38.9
Average Stock	8.80	11.90	)5.75	18.60
entory Turnover Ratio	.62	.83	.70	.28



INTERPRETATION:

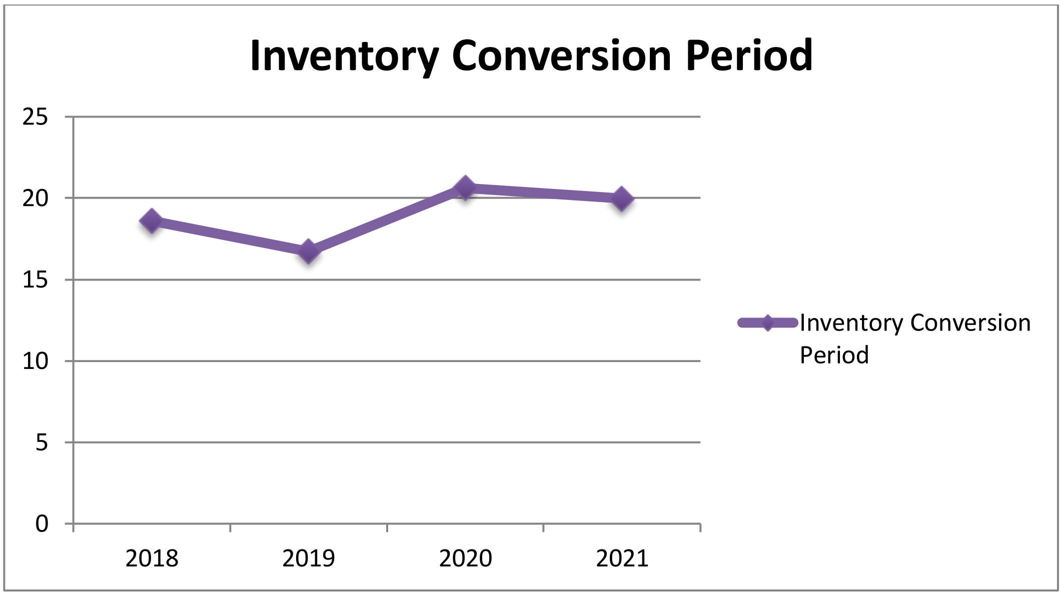
Inventory turnover ratio is a measure of how efficiently a company can control its merchandise, so it is important to have a high turn. The Inventory turnover ratio show fluctuation for the year 2018to 2021.As the ratio in the year 2021increases as compare to the previous year this shows positive improvement in the management of inventories.

2) INVENTORY CONVERSION PERIOD:

Inventory conversion period reports us about the average time to convert our total inventory into sales. It is relationship between total days in year and inventory turnover ratio. In other words, it measures the length of time on average between the acquisitions and sales of merchandise. We can calculate it with following formula.

$$\mathbf{InventoryConversionPeriod} = \frac{\mathbf{365(Networkingdays)}}{\mathbf{InventoryTurnoverRatio}}$$

Year	018	019	020	021
Days	365	365	365	365
ıventory Turnover Ratio	9.62	1.83	7.70	8.28
entory Conversion Period	0 Days	2 Days	2 Days	7 Days



INTERPRETATION:

Less inventory conversion period is better because more fastly, we will convert our inventory into sales, there will be less chance of obsolescence and paying of over- stocking. The ratio shows fluctuation for the year 2018to 2021.which indicates the conversion period fluctuating every year which is not a good sign for the firm.

3) DEBTORS TURNOVER RATIO

A concern may sell its goods on cash to increase its sales and a liberal credit policy may result in trying up substantial funds of a firm in the form of trade debtors . Trade in current assets. So liquidity position of a firm concerns also depends upon the quality of trade debtors. Two types of ratio can be calculated to evaluate the quality of debtors.

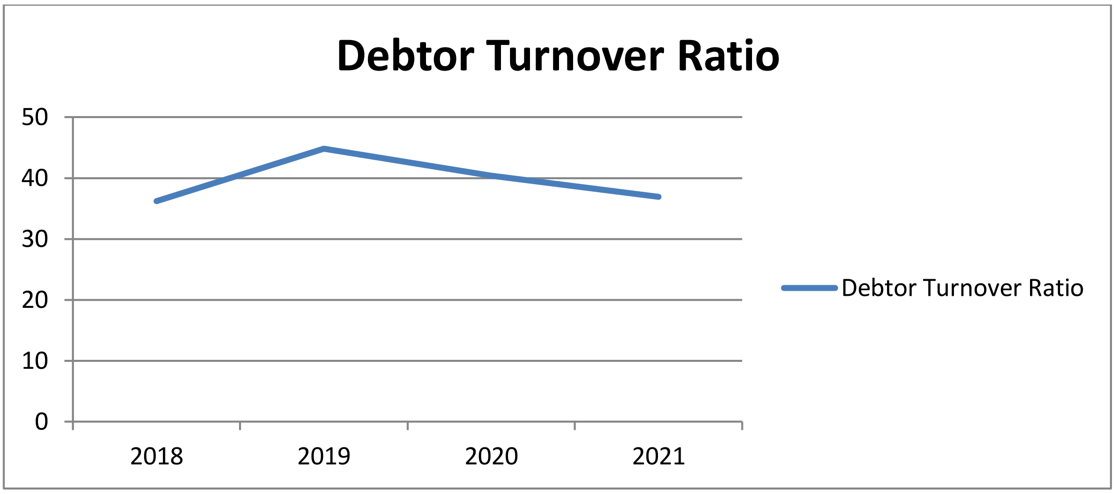
a) Debtors Turnover Ratio
b) Average Collection Period

$$\textbf{DebtorsTurnoverRatio} = \frac{\textbf{TotalSales(Credit)}}{\textbf{AverageDebtors}}$$

Debtor’s velocity indicates the number of times the debtors are turned over during a year. Generally higher the value of debtor’s turnover ratio the management of debtors/ sales or more liquid is the debtors. Whereas a low debtor’s turnover ratio indicates poor turnover management of debtors/ sales and less liquid debtors. This ratio be compared with ratio of other firms doing the same business and a trend may be found to, make a better interpretation of ratio.

$$\textbf{AverageDebtors} = \textbf{OpeningDebtor} + \textbf{ClosingDebtor} \div \textbf{2}$$

Year	2018	019	020	2021
Total Sales(credit)	317.70	518.40	587.10	587.90
Average Debtors	09.90	7.20	1.05	80.65
Debtor Turnover Ratio	0 times	1 times	9 times	2 times



INTERPRETATION:

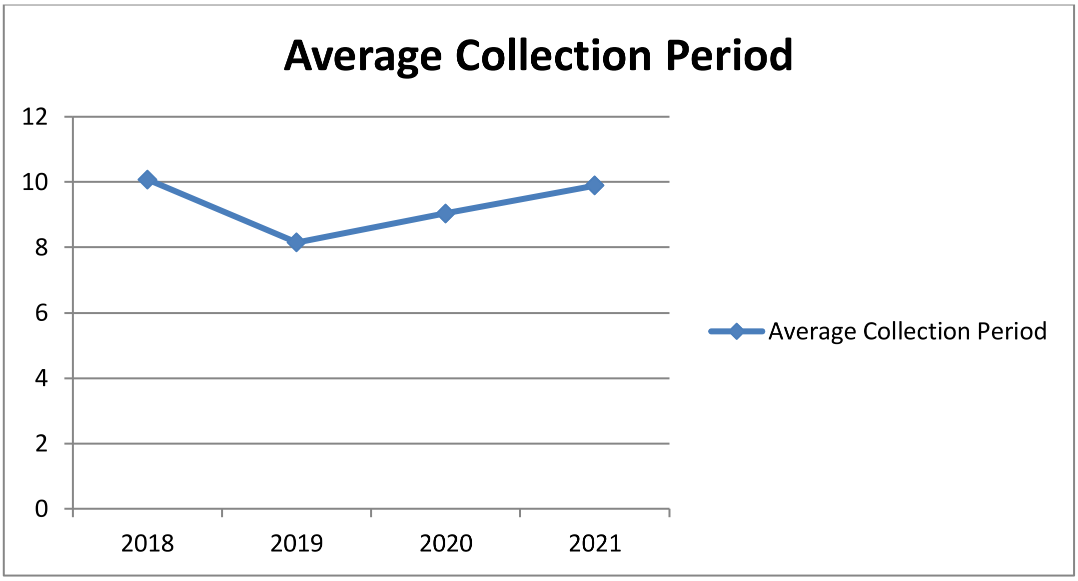
Since the receivables turnover ratio measures a business ability to efficiently collect its receivables, it only makes sense that a higher ratio would be favourable. As we see the Debtor Turnover ratio for the year 2020&2021 it is decreasing this show the inefficiency of the company in collecting its receivables.

4) AVERAGE COLLECTION PERIOD

The average collection period ratio represents the average number of days for which a firm has to wait before its receivables are converted into cash. It measures the quality of debtors generally; shorter the average collection period the better is the quality of debtors as a short collection period implies quick payment by debtors and vice – versa.

$$\mathbf{AverageCollectionPeriod} = \frac{\mathbf{365(\ NetWorkingCapital)}}{\mathbf{Debtorsturnoverratio}}$$

Years	2018	)19	)020	2021
Days	365	65	365	365
tors Turnover Ratio	36.20	4.81	0.39	36.92
verage Collection Period	)8 Days	Days	4 Days	89 Days



INTERPRETATION:

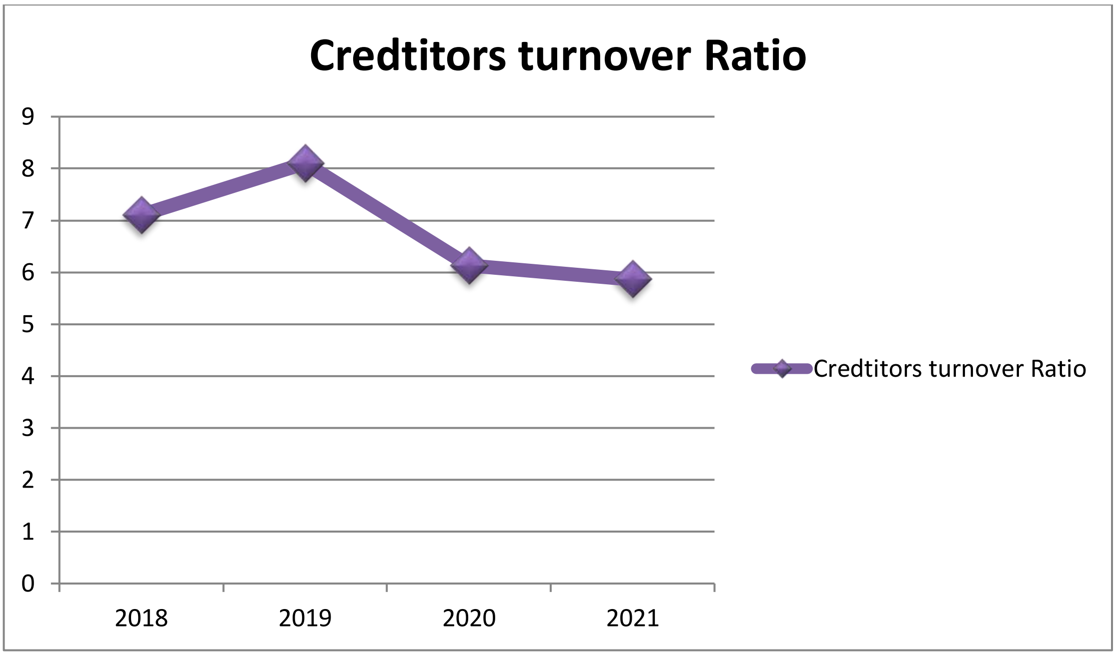
Shorter the average collection period the better is the quality of debtors as a short collection period implies quick payment by debtors. The ratio during year 2018-2019 show the quality of average collection period is better one year to year basis. Whereas, in the year 2020-2021 the ratio is increasing this shows the quality of average collection period decline as compare to the previous year.

5. CREDITORS /PAYABLE TURNOVER RATIO

This ratio is similar to the debtor's turnover ratio. It compares creditors with the total credit purchases. It signifies the credit period enjoyed by the organization in paying creditors. Accounts payable include both sundry creditors and bills payable. Same as debtor's turnover ratio, creditors turnover ratio can be calculated as,

$$\mathbf{CreditorTurnoverRatio} = \frac{\mathbf{CreditPurchase}}{\mathbf{AverageTradeCreditors}}$$

Year	2018	2019	020	021
Credit Purchase	435.40	434.10	99.40	745.20
erage Trade Creditor	3160	510.8	99.8	591.9
ditor Turnover Ratio	0 times	0 times	times	times



INTERPRETATION:

Since the accounts payables turnover ratio indicates how quickly a company pays off its vendors, it is used by suppliers and creditors to help whether or not to grant credit to a business. As the Creditor turnover ratio is increasing during the year 2018-2019 which shows the firm is not paying its creditors regularly. But there is a positive improvement in the ratio as it is decreases during the year 2020-2021. which means a company is paying its creditors regularly.

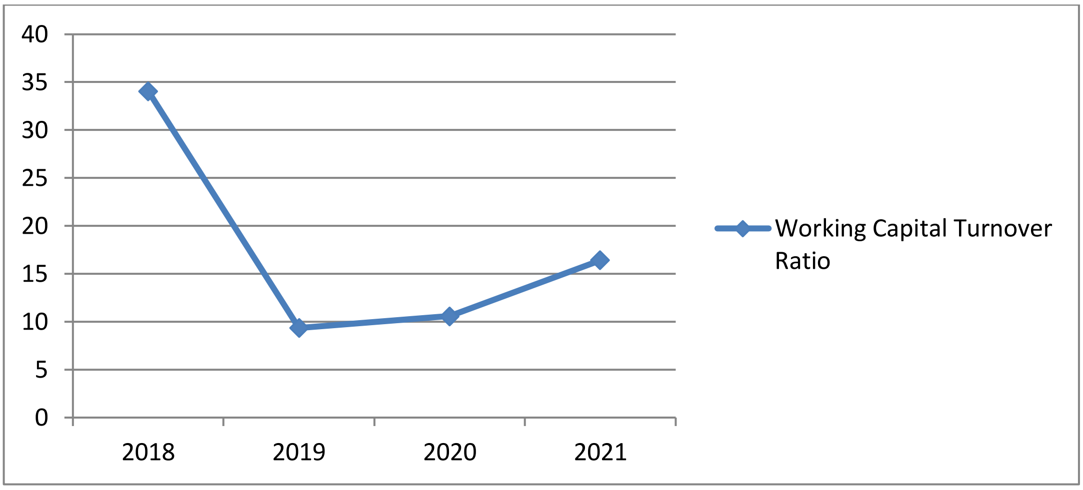
6. WORKING CAPITAL TURNOVER RATIO

Working capital turnover ratio indicates the velocity of utilization of net working capital. The ratio indicates the number of times the working capital is turned over in the course of the year. This ratio measures the efficiency with which the working capital is used by the firm. A higher ratio indicates efficient utilization of working capital and a low ratio indicates otherwise. But a very high working capital turnover is not a good situation for any firm.

$$\mathbf{WorkingCapitalTurnoverRatio} = \frac{\mathbf{CostofSale}}{\mathbf{NetWorkingCapital}}$$

$$\mathbf{NetWorkingCapital} = \mathbf{CurrentAssets} - \mathbf{CurrentLiabilities}$$

Year	2018	2019	020	021
Cost of Sales	3713.6	3644.3	428.9	238.9
et working Capital	696	064.80	84.70	22.50
Working Capital Turnover Ratio	34.07	9.35	0.59	6.43



INTERPRETATION:

The higher working capital turnover ratios lower the investment in working capital and higher ratio would be profitable for the Organization. As we see the above ratio in the year 2018 it is too high it means there is low investment in working capital and it is not a good sign for the firm. .But the ratio show a positive improvement as there is a constant increase in the ratio during the year2020-2021 which is a good sign for the firm and a constant increase in working capital turnover ratio indicate that it is profitable for the Organization.

CONCLUSION

- The current ratio is below the ideal ratio which means the short-term position in not sound.
- There is decrease in Quick ratio in the year 2020 & 2021 this indicates company has liquidity problem.
- In the year 2021 there is decrease in an inventory conversion period which shows there is a positive improvement as compare to the previous year.
- The Debtor Turnover ratio for the year 2020 & 2021 it is decreasing this show the inefficiency of the company in collecting its receivables.
- There is a positive improvement in the Creditor turnover ratio as it is decreases during the year 2020-2021.
- The working capital turnover ratio shows a good sign as there is an increase in ratio every year which profitable for the organization.

SUGGESTIONS & RECOMMENDATIONS

SUGGESTIONS & RECOMMENDATIONS

- As there is a decrease in current ratio a company needs to make effective management of their current assets & current liabilities.

- A firm needs to improve their accounts receivables techniques. As Debtors turnover ratio for the year 2020 & 2021 is decreasing this show the inefficiency of the company in collecting its receivables.

- There is a fluctuation in Inventory turnover ratio every year therefore, Proper attention should be given in order to manage the inventories efficiently.

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ANNEXURE-1 BALANCE SHEET

ANNEXURE

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Previous Years »

ndalone Balance Sheet	------------------- in Rs. Cr. -------------------				
	ec 21	c 20	c 19	c 18	c 17
	ıOths	nths	nths	nths	nths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	)6.42	6.42	6.42	6.42	6.42
Total Share Capital	**)6.42**	**6.42**	**6.42**	**6.42**	**6.42**
Reserves and Surplus	38.06	2.92	2.45	7.32	4.17
tal Reserves and Surplus	**38.06**	**2.92**	**2.45**	**7.32**	**4.17**

›tal Shareholders Funds	**34.48**	**9.34**	**8.87**	**3.74**	**0.59**
NON-CURRENT LIABILITIES					
›ong Term Borrowings	27.47	1.72	3.14	5.14	5.14
›erred Tax Liabilities [Net]	0.00	0.00	3.44	8.82	1.96
›her Long Term Liabilities	10.20	7.85	0.03	0.51	0.60
Long Term Provisions	34.54	8.27	6.91	4.92	1.59
›l Non-Current Liabilities	**22.21**	**7.84**	**3.52**	**9.39**	**9.29**
CURRENT LIABILITIES					
›hort Term Borrowings	6.59	3.12	0.00	0.00	0.00
Trade Payables	34.85	5.90	6.58	0.37	4.64
›ther Current Liabilities	23.26	7.57	8.51	7.32	0.61
Short Term Provisions	38.54	5.96	5.46	7.26	7.46
›otal Current Liabilities	**.24+**	**2.55**	**0.55**	**4.95**	**2.71**
›al Capital And Liabilities	**)9.93**	**9.73**	**2.94**	**8.08**	**2.59**
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	40.20	9.41	1.45	0.62	6.18
›apital Work-In-Progress	0.00	8.58	3.30	5.20	4.16
Fixed Assets	**40.20**	**7.99**	**4.75**	**5.82**	**0.34**
›on-Current Investments	10.70	0.83	3.60	3.36	5.28
›eferred Tax Assets [Net]	25.84	9.92	0.00	0.00	0.00
Long Term Loans And Advances	49.09	6.55	6.98	0.14	6.35
›ther Non-Current Assets	45.34	9.36	0.44	1.81	3.23
›tal Non-Current Assets	**71.17**	**4.65**	**5.77**	**1.13**	**5.20**
CURRENT ASSETS					
Current Investments	53.28	2.94	7.45	5.13	3.59
Inventories	30.22	6.48	3.07	5.55	2.47
Trade Receivables	55.27	4.93	4.33	4.59	8.97
›sh And Cash Equivalents	35.41	9.87	8.05	0.06	7.42
Short Term Loans And Advances	11.85	3.22	2.46	7.89	8.80
OtherCurrentAssets	32.73	7.64	1.81	3.73	6.14
Total Current Assets	**38.76**	**5.08**	**7.17**	**6.95**	**7.39**
Total Assets	**)9.93**	**9.73**	**2.94**	**8.08**	**2.59**

IER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	0.00	5.40	4.48	7.91	2.24
CIF VALUE OF IMPORTS					
EXPENDITURE IN FOREIGN EXCHANGE					
Expenditure In Foreign Currency	0.00	1.46	2.95	7.13	0.00
REMITTANCES IN FOREIGN URRENCIES FOR DIVIDENDS					
dend Remittance In Foreign Currency	-	-	-	-	-
RNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	-	7.39	8.48	8.69	-
Other Earnings	-	-	-	-	-
BONUS DETAILS					
nus Equity Share Capital	0.00	3.41	3.41	3.41	3.41
ION-CURRENT INVESTMENTS					
Ion-Current Investments Quoted Market Value	-	5.47	5.58	7.81	9.32
Ion-Current Investments Unquoted Book Value	-	-	-	-	-
CURRENT INVESTMENTS					
rrent Investments Quoted Market Value	-	2.94	7.39	5.13	3.46
rent Investments Unquoted Book Value	-	-	-	-	-

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Previous Years »

ndalone Profit & Loss account	------------------- in Rs. Cr. -------------------				
	c '21	c '20	c '19	c '18	c '17
	mths	mths	mths	mths	mths
Income					
Sales Turnover	)9.41	;0.03	;8.90	)2.27	)2.18
Excise Duty	0.00	0.00	0.00	0.00	32.58
Net Sales	)9.41	;0.03	;8.90	)2.27	)9.60
Other Income	16.39	;3.32	)5.54	!8.72	36.20
Stock Adjustments	;2.70	;9.33	14.19	6.01	'9.56
Total Income	**;5.72**	**'2.68**	**)8.63**	**!7.00**	**'5.36**
Expenditure					
Raw Materials	31.62	)8.17	!0.86	;0.12	;6.80
Power & Fuel Cost	0.00	13.68	10.53	14.18	38.44
Employee Cost	!1.30	)0.95	;8.17	!4.15	17.45

ng and Admin Expenses	25.17	53.55	35.34	29.44	06.00
iscellaneous Expenses	02.82	41.51	32.31	32.74	23.94
Total Expenses	30.57	17.86	37.21	30.63	92.63
	c '21	**c '20**	**c '19**	**c '18**	**c '17**
	mths	mths	mths	mths	mths
Operating Profit	**91.54**	**01.50**	**25.88**	**17.65**	**06.53**
PBDIT	75.15	54.82	21.42	46.37	32.73
Interest	01.19	54.18	29.12	11.95	91.90
PBDT	73.96	00.64	92.30	34.42	90.83
Depreciation	00.19	70.38	70.15	35.67	42.25
Profit Before Tax	33.77	20.26	22.15	98.75	48.58
Γ (Post Extra-ord Items)	33.77	20.26	22.15	98.75	48.58
Tax	38.91	30.36	05.05	22.02	14.11
Reported Net Profit	**44.86**	**32.43**	**58.44**	**06.93**	**25.19**
Total Value Addition	98.95	19.69	56.35	30.51	35.83
Equity Dividend	0.00	39.75	50.32	39.50	29.18
orporate Dividend Tax	0.00	0.00	05.94	23.87	58.77
Per share data (annualised)					
hares in issue (lakhs)	54.20	54.16	54.16	54.16	54.16
arning Per Share (Rs)	**22.45**	**15.98**	**04.16**	**56.67**	**27.07**
Equity Dividend (%)	50.00	00.00	20.00	50.00	50.00
Book Value (Rs)	16.19	09.44	99.02	31.03	54.78