FINAL PROJECT REPORT

ON

"A STUDY ON WORKING CAPITAL MANAGEMENT OF DINSHAW'S DAIRY FOOD PVT LTD."

Submitted to:

G. S. College of Commerce and Economics, Nagpur

(An Autonomous Institute)

Affiliated to:

Rashtrasant Tukdoji Maharaj Nagpur University, Nagpur

In Partial fulfillment for the awards of the Degree of

Master of Business Administration

Submitted By

Swati Subhash Garghate

Under the Guidance of

Dr. Kamlesh Thote

Department of Management Sciences & Research

G. S. College of Commerce & Economics, Nagpur

NAAC Accredited "A" Grade Autonomous Institution

For academic Year
2022-2023

Department of Management Sciences & Research,

<u>G.S. College of Commerce & Economics, Nagpur</u>

NAAC Accredited “A” Grade Autonomous Institution

For Academic Year
2022-23

<u>CERTIFICATE</u>

This is to certify that **“Swati Subhash Garghate”** has submitted the Project titled “**A STUDY ON WORKING CAPITAL MANAGEMENT OF DINSHAW`S DAIRY FOOD PVT. LTD.** ” towards partial fulfillment of **Master of Business Administration** degree examination. This has not been submitted for any other examination and does not form part of any other course under gone by the candidate.

It is further certified that she has ingeniously completed her project as prescribed by DMSR G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR (NAAC Re accredited “A” Grade Autonomous Institution) affiliated to Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.

Dr. Kamalesh Thote
(Project Guide)

Dr. Sonali Gadekar
(Co- Ordinator)

Place: Nagpur
Date :

Department of Management Sciences & Research

G.S. College of Commerce & Economics, Nagpur

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DECLARATION

I here-by declare that the project with title **"A STUDY ON WORKING CAPITAL MANAGEMENT OF DINSHAW`S DAIRY FOOD PVT. LTD."** has been completed by me in partial fulfillment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR - G. S. COLLEGE OF COMMERCE & ECONOMICS, NAGPUR** (NAAC Re-accredited "A" Grade Autonomous Institution) affiliated to Rashtrasant Tukdoji Maharaj Nagpur University, Nagpur and this has not been submitted for any other examination and does not form the part of any other course under taken by me.

Place: Nagpur **Swati S. Garghate**

Date:

Department of Management Sciences & Research

G.S. College of Commerce & Economics, Nagpur

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For Academic Year
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ACKNOWLEDGEMENT

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

I am extremely thankful to my Project Guide **Dr. Kamlesh Thote** for his guideline throughout the project. I tender my sincere regards to Co-ordinator**, Dr. Sonali Gadekar** for giving me guidance, suggestions and valuable encouragement which helped me in the completion of the project.

I will fail in my duty if I do not thank the 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.

Place: Nagpur **Swati S. Garghate**

Date:

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CHAPTER I

INTRODUCTION

INTRODUCTION

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. 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 management.

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 concerns 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 toproduction 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 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.

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 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.

CHAPTER II
COMPANY PROFILE

COMPANY PROFILE

INTRODUCTION

Dinshaw's Dairy Foods Private Limited

Dinshaw's established in the year 1932 by Dinshaw and Erachshaw Rana. It started out as a dairy business in Gittikhadan, Nagpur. Their obsession with expanding the business resulted in the birth of "Dinshaw's Ice- cream". By the mid-fifties they decided to extend ice cream eating into the non-summer months and in turn, hand-churners were replaced with vertical freezers. Spanning across India, Dinshaw's was a dream come true of two enterprising brothers, Dinshaw and Erachshaw Rana. Their constant emphasis on quality consciousness and innovating with new flavors gave people ice creams that truly were delightful.

Presence of Dinshaws

With Dinshaw's ice creams available all over India, our dairy products are mainly distributed in Central India.
Our Presence in Maharashtra, Madhya Pradesh, Chhattisgarh, Orissa, Andhra Pradesh, Goa, Karnataka, Uttar Pradesh, Jharkhand, Delhi, Haryana, has been adding Whole some goodness o the lives of thousands since decades.
Dinshaw’s Dairy Foods Private Limited is an unlisted private company incorporated on 19 August, 1998. It is classified as a private limited company and is located in Nagpur, Maharashtra. It's authorized share capital is INR 7.65 cr and the total paid-up capital is INR 6.50 cr.
Dinshaw S Dairy Foods's operating revenues range is Over INR 500 cr for the financial year ending on 31 March, 2020. It's EBITDA has decreased by -49.29 % over the previous year. At the same time, it's book networth has decreased by -10.74 %. Other performance and liquidity ratios are available here.

Description: The company produces and markets dairy products for consumers. It offers ice creams, ghee, butter, paneer etc.

Products & Services: Ice Cream, Dairy Products, Bakery Products, and skimmed milk powder, curd, chaj, lassi, and milk Category: Manufacturer

The current status of Dinshaw’sDairy Foods Private Limited is - Active.

The last reported AGM (Annual General Meeting) of Dinshaw’s Dairy Foods Private Limited, per our records, was held on 06 October, 2021. Also, as per our records, its last balance sheet was prepared for the period ending on 31 March, 2021.

DinshawDairyFoods Private Limited has six directors – AspiDinshawBapuna, Abad DinshawBapuna, and others.

The Corporate Identification Number (CIN) of Dinshaw S Dairy Foods Private Limited is U15200MH1998PTC116277. The registered office of Dinshaw S Dairy Foods Private Limited is at GITTIKHADAN GOREWADA ROAD, NAGPUR, NAGPUR, Maharashtra.

CHAPTER III

LITERATURE REVIEW

REVIEW OF LITERATURE

The field of corporate finance deals relates to different types of decisions like capital budgeting decisions, capital structure decisions and working capital management decisions. The fact that working capital management affects the profitability and liquidity position of the company makes it a factor of important consideration in the ask of financial planning (Addae& Nyarko, 2013).

Importance of financial planning

According to Kallberg, White & Ziemba (1982), there are different reasons that make proper financial planning vital for the companies. A proper financial planning includes the incorporation of proper variables that are important to a firm. This financial planning will in turn help the companies to decide their short and long-term financial goals so that a plan can be created to meet those obligations in the near future. The companies can attain their financial goal of highest profitability if the appropriate financial planning is observed. Income: It's conceivable to adequately manage the net income withthe help of this financial planning. This will help the companies to keepthe upcoming a check and balance for the amount of cash that it will require for taxes, other month to month uses, retain and investment funds. Cash Flow: The companies can increase money streams via precisely checking its uses and sources. The cautious planning ofexpenditure will help the company to maintain a cash reserve so that end time arrangements are not necessary on larger interest rates.

Capital: An expansion in money streams can prompt an increment in capital. It will permit the companies to consider ventures to enhance growth of the companybest possible coverage and arrangements set up can give genuine feelings of serenity to the company's management andbest possible coverage and arrangements set up can give genuine feelings of serenity to the company's management andshareholders along with all other stakeholders. Invest Security: Having ment: The financial planning will allow the companies to gauge their risk absorbing capability and thus the investments shall not breach the level of risk identified through legitimate budgetary arrangement. It helps the company to pick the right sorts of ventures that fit the company's needs, identity, and objectives.

Avoid Bankruptcy Risk: The savings funds made from great arrangingcan prove beneficial in troublesome times. For example, the company company dividends from the retained earnings in case of loss reported in thatperiod. This will help the company's rating and its stock price from falling down. Financial Understanding: Better monetary comprehension could be attained when measurable budgetary objectives are situated, the impacts .

Those choices are understood, and results are inspected periodically. It provides an entirely new approach to have an enhanced control over the financial position of the company.

Assets: - Companies desire a pleasant 'cushion' in the form of assets. At the same time numerous liabilities are also to be managed by the company.

If The financial planning helps the companies to manage a balance position between the assets and the liabilities. The general procedure helps construct holdingsthat don't turn into a load later on.

Working Capital Management

Working Capital management refers to the optimal level of current assets and current liabilities because the working capital tends to meet the short-term financial requirements of a business enterprise. It is an exchanging capital, not held in the business in a specific structure for more than a year. The cash put into the business changes its structure throughout the ordinary course of business operations (Rafuse, 1996).

The requirement for keeping up a satisfactory working capital can barely be questioned. In the same way that course of blood is exceptionally essential in the human body to keep up the life, the stream of funds is extremely important in keeping up the business. If by chance it gets weak, the business can barely flourish and continue. Working capital shortage is considered as a real cause if not the significant reason for the failure of business in many emerging countries (Rafuse, 1996).

Profitability of the Firms

The profitability of the firms is the reason why the businesses keep operating. Thus, it is important for the firms to find the ways that will help it to maximize the profitability and reap the full potential. the profitability is the return that the company is getting from investing in particular assets and the profitability of the shareholders or equity holders is the returns that they are getting on their invested dollar. So, all of the stakeholders are really concerned with the profitability of the firm (Geroski, Machin & Van Reenen, 1993).

There are different factors that affect the profitability of the firms. These factors might include the choice between the available alternatives for investment, efficient working capital management, the capability of the management to run the firm in a well demonstrating manner etc. (Geroski, Machin & Van Reenen, 1993).

Gaps in the Literature

There have been many debates in the past literature as to the importance of working capital for ensuring the profitability of the firms. While most of the researches accept the theoretical model that encourages the use of proper working capital management for maximizing the profitability of the shareholders, there have been debates on the use of fixed capital investment as a result of working capital management rather than the attractiveness and importance of the project at a given time to avoid the financial constraints.

Along with that, there have been researches on the Pakistani firms for gauging the effects of working capital on the profitability but none of them considered the fact across different industries considering the different nature if those industries. Those researches were focused on a particular segment only, thus limiting the scope of the study.

An additional gap filled by this research study is the effect of fixed capital investment on the profitability and there will be comparability as to whether working capital or fixed capital is more important for the firm to manage.

OBJECTIVES OF THE STUDY

1. To study the working capital structure on the basis of various ratio.
2. To study the working capital components such as receivables accounts, Cash Management, Inventory Management.
3. To analyze the working capital trend.
4. To study the sources and uses of the working capital at Dinshaws dairy foods Pvt. ltd.
5. To study the Working capital Turnover Ratio of the Company.

HYPOTHESIS

- **We state the hypothesis of this study in alternative form as shown below :**

H_0 : There is no significant relation in inventory turnover in days and gross operating profitability.

H_1 : There is a significant relation in inventory turnover in days and gross operating profitability.

SCOPE OF STUDY

1. The study is entirely based on the balance sheet and other financial statements provided by the company.
2. The basic aim of the study is to acquire the insights in to the tools of the theoretical data analysis and its application to practical data.
3. The study also intends to use modern tools and techniques of ratio analysis.

LIMITATIONS OF THE STUDY

- Although every effort has been made to study the "Working Capital

  Management in detail, in an organization of Dinshaw's dairy food Pvt. ltd. 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 Dinshaw's dairy food Pvt.Ltd. However the available data is analyzed with great effort to get an insight into Working Capital Management.

CHAPTER IV

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

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

RESEARCH PROCESS:

Following are the steps which are guideline regarding the research

1. Formulating the research problem
2. Extensive literature survey
3. Developing working hypotheses
4. Preparing the Research Design
5. Determining Sample Design
6. Execution of the project
7. Analysis of data
8. Hypothesis-testing

Research design

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.

CHAPTER V

DATA ANALYSIS & INTERPRETATION

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 shortterm 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:

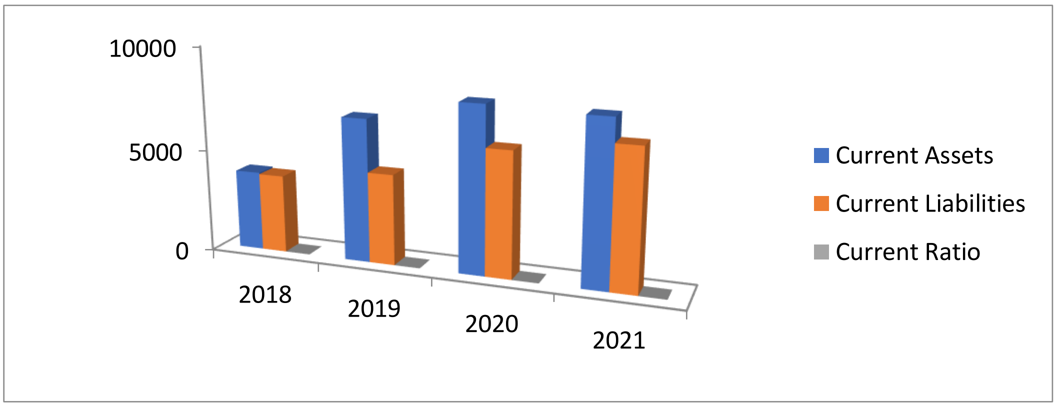
The current ratio is balance-sheet financial performances measure of company liquidity. The current ratio indicates a company’s ability to meet short-term debt obligations. The current ratio measures whether or not a firm has enough resources to pay its debts over the next 12 months. Potential creditors 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

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

Calculation of current Ratio:

(Rs in cr.)

Year	2018	2019	2020	2021
Current Assets	3,856	6,926.40	8,022.70	7,868.30
Current Liabilities	3788.40	4387.40	6036.50	6719.90
Current 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

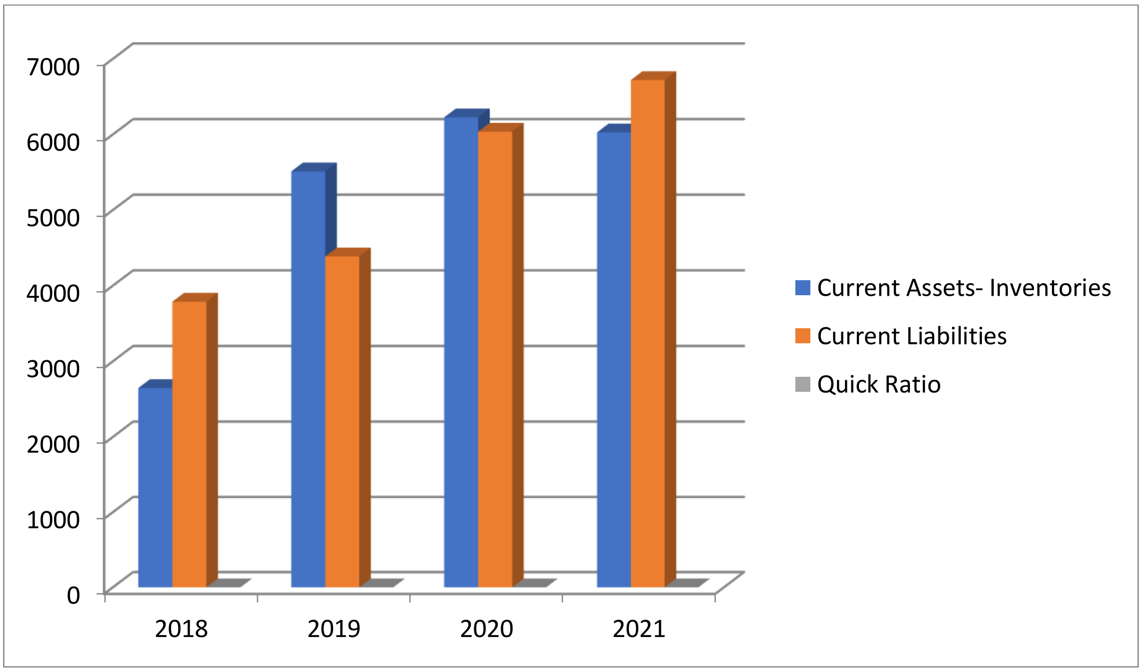
The Quick Ratio is a measure of a company's ability to meet its short-term obligation using its most liquid assets (near cash or quick assets). Quick assets include those current assets that presumably can be quickly converted to cash at close to their book values. Quick ratio is viewed as a sign of 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.

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

Calculation of Quick Ratio

Year	2018	2019	2020	2021
Current Assets- Inventories	2647.2	5511.4	6226.2	6027.6
Current Liabilities	3788.40	4387.40	6036.50	6719.90
Quick Ratio	0.70	1.26	1.03	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 2017the quick ratio is less than the ideal quick ratio and In the year 2018 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 2019&2020 this indicates company is facing liquidity problem.

3. ABSOLUTE RATIO

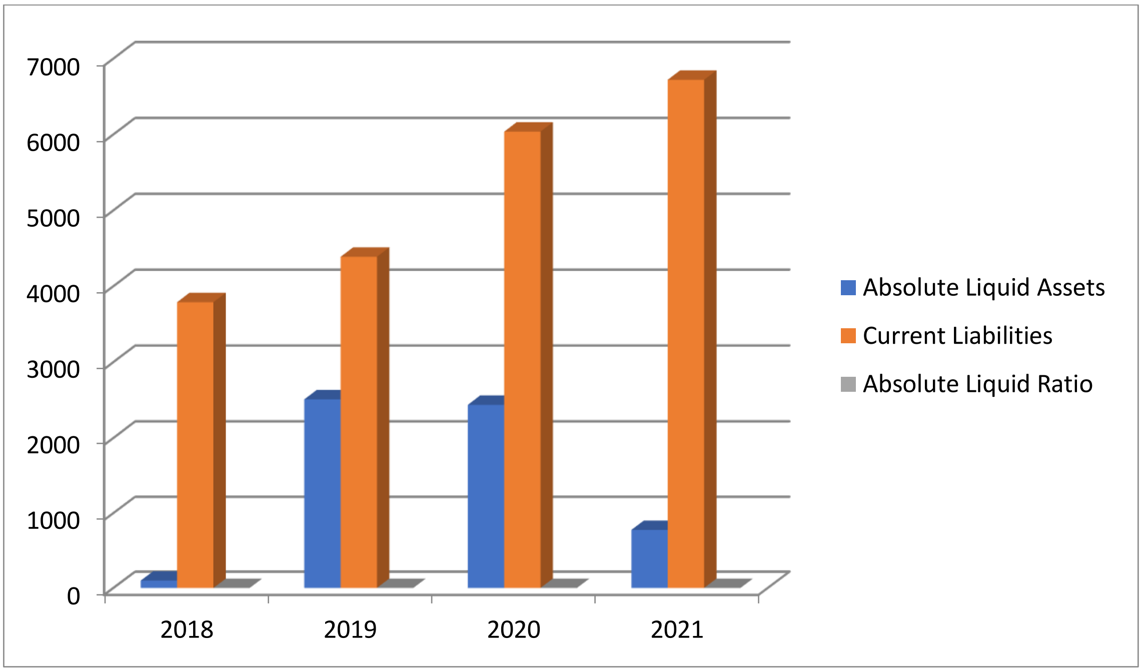
Although receivables, debtors and bill receivables are generally more liquid than inventories, yet there may be doubts regarding their realization into cash immediately or in time. So absolute liquid ratio should be calculated together with current ratio and acid test ratio so as exclude even receivables 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 Assets	98.20	2,508.50	2,436.10	775
Current Liabilities	3788.40	4387.40	6036.50	6719.90
Absolute Liquid Ratio	0.03	0.57	0.40	0.12



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 year2018 .But in the year 2019&2020 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.

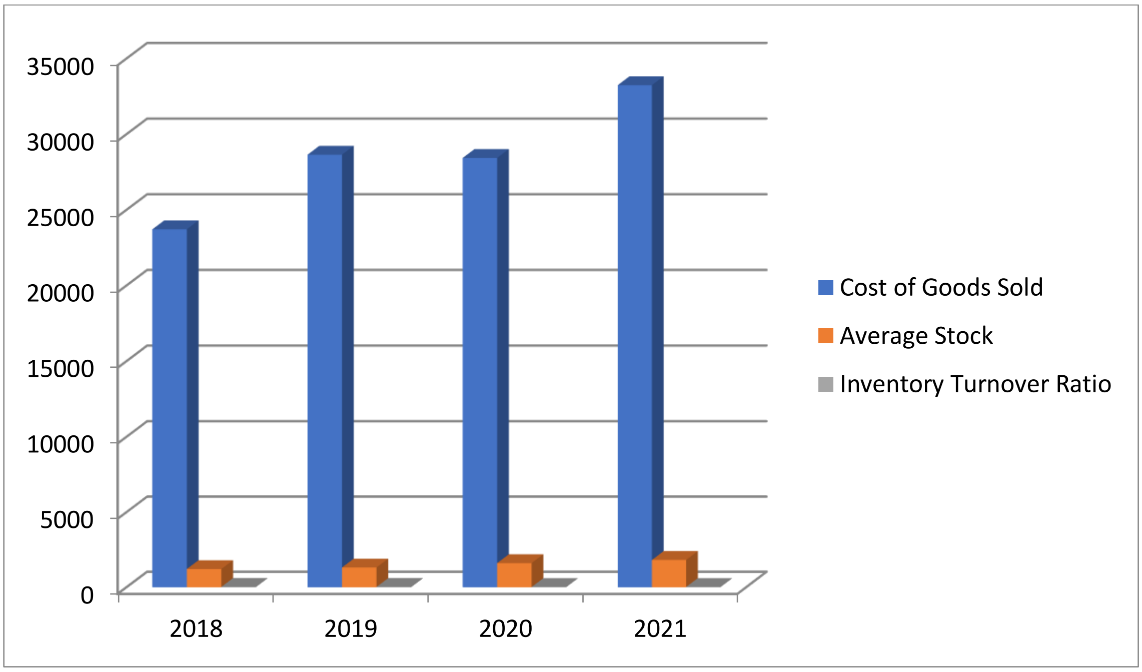
$$\mathbf{InventoryTurnoverRatio} = \frac{\mathbf{CostOfGoodsSold}}{\mathbf{AverageInventory}}$$

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.

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

CALCULATION OF INVENTORY TURNOVER RATIO

Year	2018	2019	2020	2021
Cost of Goods Sold	23713.6	28,644.30	28,428.90	33238.9
Average Stock	1208.8	1311.9	1605.75	1818.6
Inventory Turnover Ratio	19.62	21.83	17.70	18.28



INTERPRETATION:

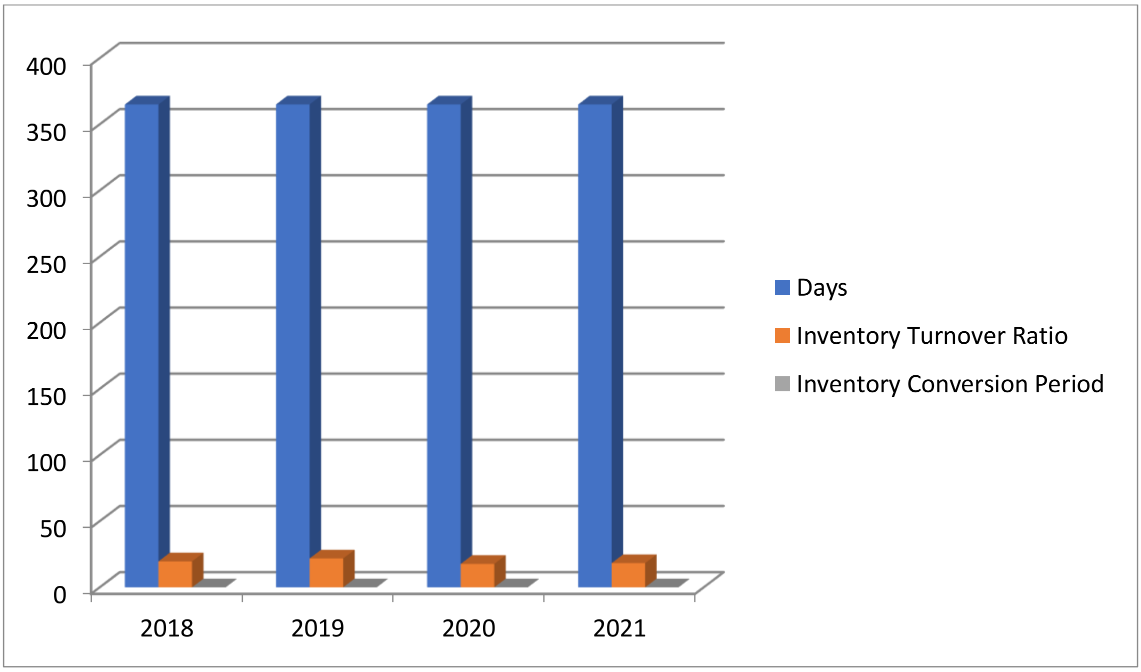
Inventory turnover ratio is a measure of how efficiently a company can control its merchandise, so it is important to have a high turn. The Inventory turnover ratio show fluctuation for the year 2017to 2020.As the ratio in the year 2020increases as compare to the previous year this shows positive improvement 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.

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

Year	2018	2019	2020	2021
Days	365	365	365	365
Inventory Turnover Ratio	19.62	21.83	17.70	18.28
Inventory Conversion Period	18.60 Days	16.72 Days	20.62 Days	19.97 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 2017to 2020.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.

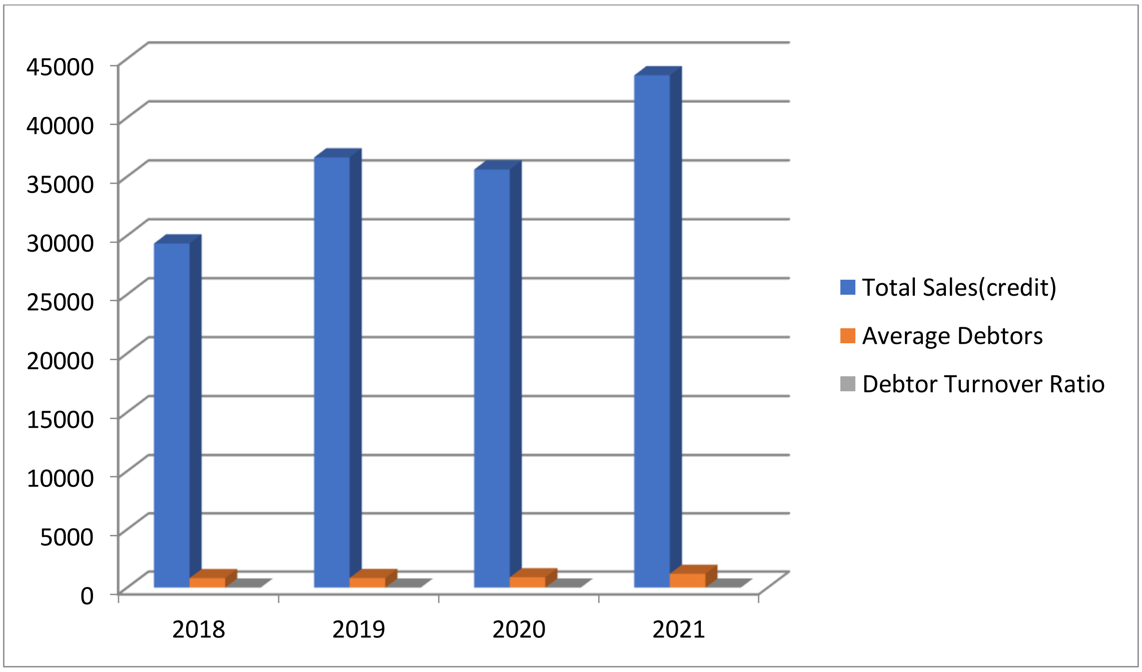
a) Debtors Turnover Ratio
b) Average Collection Period
c)

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

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	2019	2020	2021
Total Sales(credit)	29317.70	36618.40	35587.10	43587.90
Average Debtors	809.90	817.20	881.05	1,180.65
Debtor Turnover Ratio	36.20 times	44.81 times	40.39 times	36.92 times



INTERPRETATION:

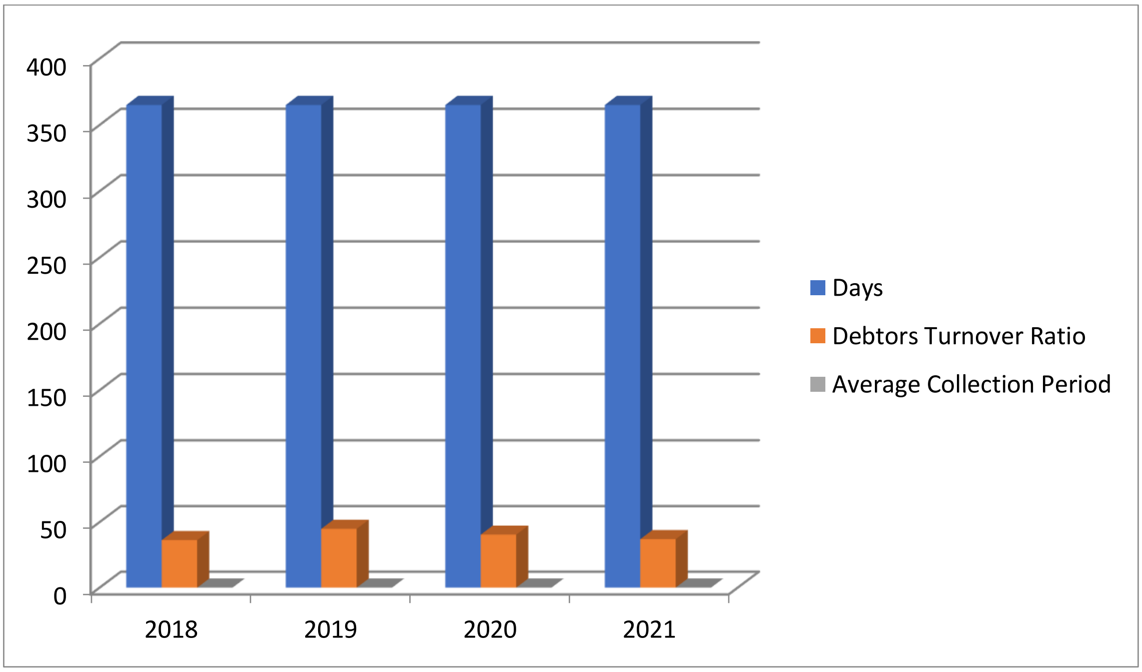
Since the receivables turnover ratio measures a business ability to efficiently collect its receivables, it only makes sense that a higher ratio would be favourable. As we see the Debtor Turnover ratio for the year 2019&2020 it is decreasing this show the inefficiency of the company in collecting its 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.

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

Years	2018	2019	2020	2021
Days	365	365	365	365
Debtors Turnover Ratio	36.20	44.81	40.39	36.92
Average Collection Period	10.08 Days	8.15 Days	9.04 Days	9.89 Days



INTERPRETATION:

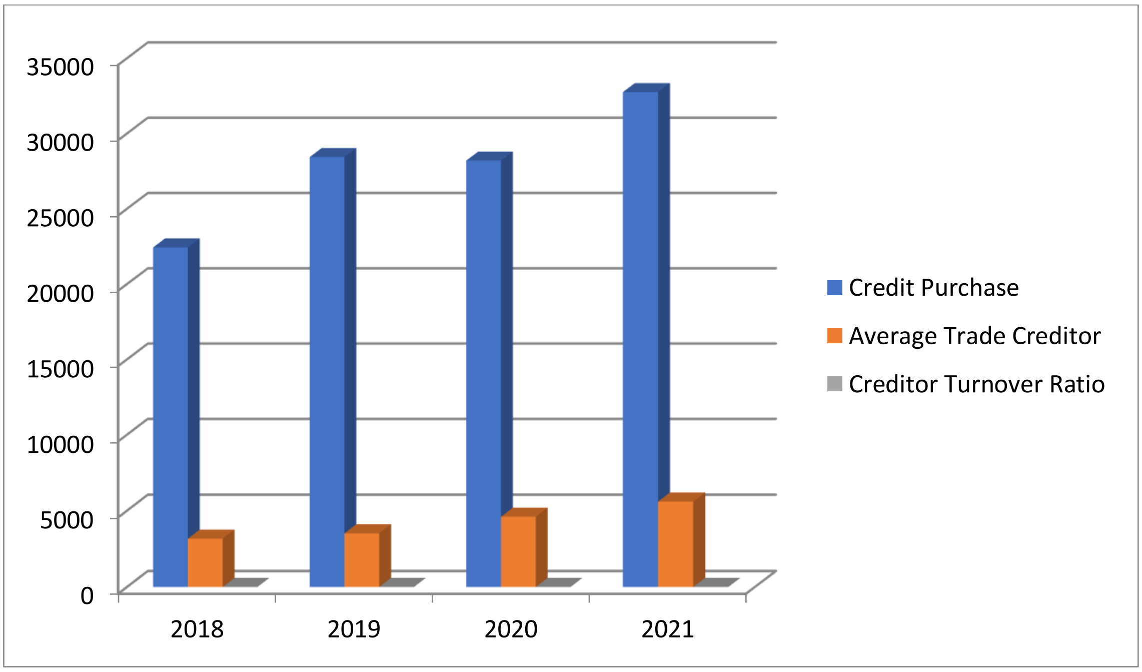
Shorter the average collection period the better is the quality of debtors as a short collection period implies quick payment by debtors. The ratio during year 20172018 show the quality of average collection period is better one year to year basis. Whereas, in the year 2019-2020 the ratio is increasing 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,

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

Year	2018	2019	2020	2021
Credit Purchase	22435.40	28434.10	28199.40	32745.20
Average Trade Creditor	3160	3510.8	4599.8	5591.9
Creditor Turnover Ratio	7.10 times	8.10 times	6.13 times	5.86 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 20172018 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 2019-2020. which means a company is paying its creditors regularly.

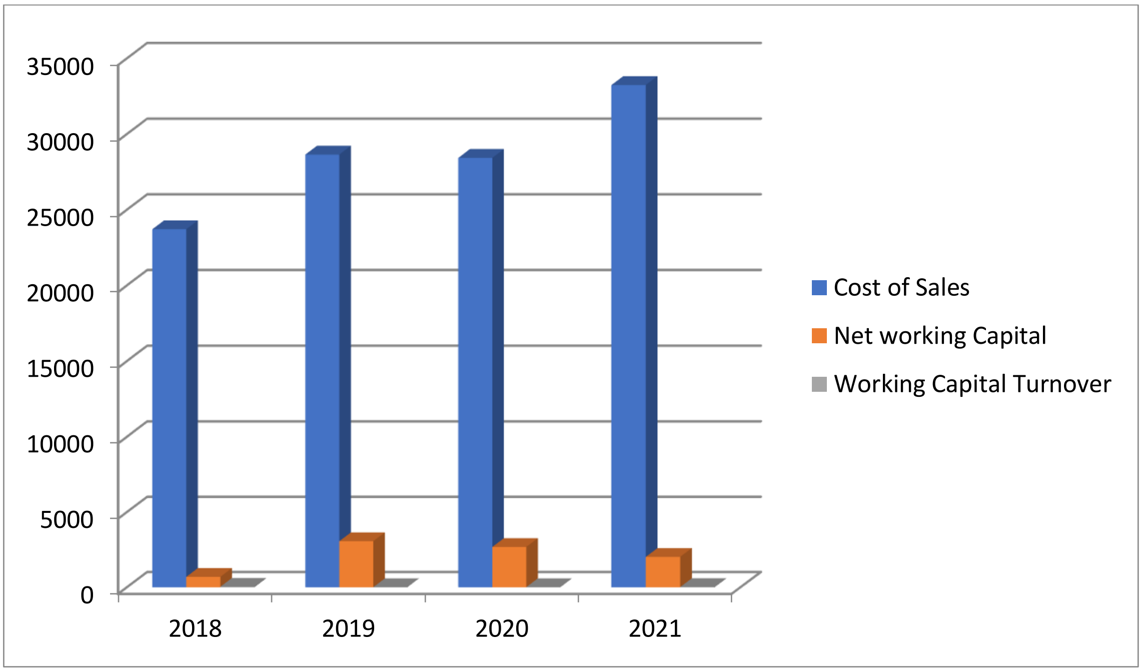
6. WORKING CAPITAL TURNOVER RATIO

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	2020	2021
Cost of Sales	23713.6	28644.3	28428.9	33238.9
Net working Capital	696	3,064.80	2,684.70	2,022.50
Working Capital Turnover Ratio	34.07	9.35	10.59	16.43



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 2017 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 year2019-2020 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.

HYPOTHESIS TESTING

H0: There is no a significant relation in inventory turnover in days and gross operating profitability.

H1: There is a significant relation in inventory turnover in days and gross operating profitability.

Interpretation : There is a significant relation in inventory turnover in days and gross operating profitability as the ratio and Gross operating profitability analyzed through the financial statement of the company.

FINDINGS

- 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 2019 & 2020 this indicates company has liquidity problem.
- In the year 2020 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 2019 & 2020 it is decreasing this show the inefficiency of the company in collecting its receivables.

CONCLUSION

- Learn about the working capital structure on the basis of different ratio.
- Analyze working capital components such as receivable accounts, cash management, inventory management.
- Analyze the working capital trend.
- Learn about the sources and uses of the working capital at Dinshaw's dairy food pvt. Ltd.
- Learn about working capital turnover ratio of the company.
- There is a positive improvement in the Creditor turnover ratio as it is decreases during the year 2019-2020.
- The working capital turnover ratio shows a good sign as there is an increase in ratio every year which profitable for the organization.

1.

SUGGESTIONS & RECOMMENDATIONS

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

2. A firm needs to improve their accounts receivables techniques. As Debtors turnover ratio for the year 2018 & 2020 is decreasing this show the inefficiency of the company in collecting its receivables.

3. 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

Annexure

Dinshaw's Dairy Food Pvt. Ltd.

Standalone Balance Sheet	------------------ in Rs. Cr. -------------------				
	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	96.42	96.42	96.42	96.42	96.42
Total Share Capital	**96.42**	**96.42**	**96.42**	**96.42**	**96.42**
Reserves and Surplus	1,922.92	1,822.45	3,577.32	3,324.17	2,917.28
Total Reserves and Surplus	**1,922.92**	**1,822.45**	**3,577.32**	**3,324.17**	**2,917.28**
Total Shareholders Funds	**2,019.34**	**1,918.87**	**3,673.74**	**3,420.59**	**3,013.70**
NON-CURRENT LIABILITIES					
Long Term Borrowings	31.72	53.14	35.14	35.14	33.15
Deferred Tax Liabilities [Net]	0.00	13.44	58.82	121.96	154.21
Other Long Term Liabilities	87.85	90.03	0.51	0.60	0.00
Long Term Provisions	3,268.27	2,906.91	2,464.92	2,291.59	1,972.21
Total Non-Current Liabilities	**3,387.84**	**3,063.52**	**2,559.39**	**2,449.29**	**2,159.57**
CURRENT LIABILITIES					

Short Term Borrowings	3.12	0.00	0.00	0.00	0.00
Trade Payables	1,855.90	1,626.58	1,240.37	984.64	799.16
Other Current Liabilities	527.57	478.51	457.32	420.61	512.84
Short Term Provisions	105.96	85.46	157.26	87.46	320.70
Total Current Liabilities	**2,492.55**	**2,190.55**	**1,854.95**	**1,492.71**	**1,632.70**
Total Capital And Liabilities	**7,899.73**	**7,172.94**	**8,088.08**	**7,362.59**	**6,805.97**
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	2,179.41	2,341.45	2,400.62	2,616.18	2,729.46
Capital Work-In-Progress	638.58	143.30	105.20	94.16	188.17
Fixed Assets	**2,817.99**	**2,484.75**	**2,505.82**	**2,710.34**	**2,917.63**
Non-Current Investments	740.83	743.60	733.36	585.28	474.31
Deferred Tax Assets [Net]	19.92	0.00	0.00	0.00	0.00
Long Term Loans And Advances	46.55	46.98	40.14	46.35	135.04
Other Non-Current Assets	89.36	80.44	71.81	83.23	0.00
Total Non-Current Assets	**3,714.65**	**3,355.77**	**3,351.13**	**3,425.20**	**3,526.98**
CURRENT ASSETS					
Current Investments	722.94	1,007.45	1,925.13	1,393.59	1,275.04

Inventories	1,416.48	1,283.07	965.55	902.47	943.18
Trade Receivables	164.93	124.33	124.59	88.97	97.93
Cash And Cash Equivalents	1,769.87	1,308.05	1,610.06	1,457.42	880.00
Short Term Loans And Advances	13.22	12.46	17.89	28.80	57.02
OtherCurrentAssets	97.64	81.81	93.73	66.14	25.82
Total Current Assets	**4,185.08**	**3,817.17**	**4,736.95**	**3,937.39**	**3,278.99**
Total Assets	**7,899.73**	**7,172.94**	**8,088.08**	**7,362.59**	**6,805.97**
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	315.40	394.48	47.91	32.24	81.44
CIF VALUE OF IMPORTS					
Raw Materials	0.00	0.00	0.00	0.00	291.91
Stores, Spares And Loose Tools	0.00	0.00	0.00	0.00	14.58
Trade/Other Goods	0.00	0.00	0.00	0.00	46.21
Capital Goods	0.00	0.00	0.00	0.00	77.16
EXPENDITURE IN FOREIGN EXCHANGE					

Expenditure In Foreign Currency	2,791.46	2,942.95	1,717.13	0.00	476.95
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS					
Dividend Remittance In Foreign Currency	-	-	-	-	354.01
EARNINGS IN FOREIGN EXCHANGE					
FOB Value Of Goods	647.39	638.48	708.69	-	477.32
Other Earnings	-	-	-	-	178.40
BONUS DETAILS					
Bonus Equity Share Capital	73.41	73.41	73.41	73.41	73.41
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	805.47	765.58	727.81	589.32	478.76
Non-Current Investments Unquoted Book Value	-	-	-	-	51.88
CURRENT INVESTMENTS					
Current Investments Quoted Market Value	722.94	1,007.39	1,925.13	1,393.46	1,281.13
Current Investments Unquoted Book Value	-	-	-	-	-

Standalone Profit & Loss account	------------------- in Rs. Cr. -------------------				
	Dec '21	**Dec '120**	**Dec '19**	**Dec '18**	**Dec '17**
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Sales Turnover	13,350.03	12,368.90	11,292.27	10,192.18	9,556.24
Excise Duty	0.00	0.00	0.00	182.58	332.44
Net Sales	13,350.03	12,368.90	11,292.27	10,009.60	9,223.80
Other Income	53.32	95.54	228.72	86.20	87.25
Stock Adjustments	69.33	144.19	6.01	79.56	10.78
Total Income	**13,472.68**	**12,608.63**	**11,527.00**	**10,175.36**	**9,321.83**
Expenditure					

Raw Materials	5,798.17	5,420.86	4,650.12	4,456.80	3,935.73
Power & Fuel Cost	313.68	340.53	344.18	288.44	232.79
Employee Cost	1,500.95	1,258.17	1,124.15	1,017.45	1,073.36
Selling and Admin Expenses	763.55	785.34	729.44	506.00	0.00
Miscellaneous Expenses	1,841.51	1,782.31	1,832.74	1,723.94	2,281.28
Total Expenses	10,217.86	9,587.21	8,680.63	7,992.63	7,523.16
	Dec '20	**Dec '19**	**Dec '18**	**Dec '17**	**Dec '16**
	12 mths	12 mths	12 mths	12 mths	12 mths
Operating Profit	**3,201.50**	**2,925.88**	**2,617.65**	**2,096.53**	**1,711.42**
PBDIT	3,254.82	3,021.42	2,846.37	2,182.73	1,798.67
Interest	164.18	129.12	111.95	91.90	3.51
PBDT	3,090.64	2,892.30	2,734.42	2,090.83	1,795.16
Depreciation	370.38	370.15	335.67	342.25	353.62
Profit Before Tax PBT (Post Extra-ord Items)	2,720.26 2,720.26	2,522.15 2,522.15	2,398.75 2,398.75	1,748.58 1,748.58	1,441.54 1,441.54
Tax	730.36	705.05	822.02	614.11	515.00

Reported Net Profit	**2,082.43**	**1,968.44**	**1,606.93**	**1,225.19**	**926.54**
Total Value Addition	4,419.69	4,166.35	4,030.51	3,535.83	3,587.43
Equity Dividend Corporate Dividend Tax	1,889.75 0.00	2,950.32 605.94	1,089.50 223.87	829.18 168.77	607.42 123.66
Per share data (annualised)					
Shares in issue (lakhs)	964.16	964.16	964.16	964.16	964.16
Earning Per Share (Rs)	**215.98**	**204.16**	**166.67**	**127.07**	**96.10**
Equity Dividend (%)	2,000.00	3,420.00	1,150.00	860.00	630.00
Book Value (Rs)	209.44	199.02	381.03	354.78	312.57