

Final Project Report

“STUDY OF WORKING CAPITAL MANAGEMENT OF MSSK LTD. ”

Submitted to:

DMSR

**G.S. College of Commerce and Economics, Nagpur
(An Autonomous Institution)**

In partial fulfilment for the award of the degree of
Master of Business Administration

Submitted by:

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Under the Guidance of:

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NAAC Accredited “A” Grade Institution**



Academic Year 2022-2023

**Department of Management Sciences and Research,
G.S. College of Commerce & Economics, Nagpur
NAAC Accredited "A" Grade Institution**



Academic Year 2022-2023

CERTIFICATE

This is to certify that **DIVYANI VITTHAL SAYAM** has submitted the project report titled, **STUDY OF WORKING CAPITAL MANAGEMENT OF MSSK LTD.** towards the partial fulfilment 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 undergone by the candidate.

It is further certified that she has ingeniously completed her project as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to **Rashtrasant Tukadoji Maharaj Nagpur University, Nagpur.**

Dr. Afsar Sheikh

(Project Guide)

Place: Nagpur

Date:

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NAAC Accredited "A" Grade Institution**



Academic Year 2022-2023

DECLARATION

I here-by declare that the project with title “**STUDY OF WORKING CAPITAL MANAGEMENT OF MSSK LTD.**” has been completed by me in partial fulfilment of **MASTER OF BUSINESS ADMINISTRATION** degree examination as prescribed by **DMSR, G. S. College of Commerce and Economics, Nagpur, (NAAC Reaccredited "A" Grade Autonomous Institution)** affiliated to 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 under taken by me.

DIVYANI SAYAM

Place: Nagpur

Date:

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Academic Year 2022-2023

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. Afsar Sheikh** for his guidance throughout the project. I tender my sincere regards to the Coordinator, **Dr. Sonali Gadekar** for giving me guidance, suggestions and invaluable 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.

DIVYANI SAYAM

Place: Nagpur

Date:

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INTRODUCTION TO THE PROJECT

The life or death of any business enterprise depends upon the availability of cash. A Business firm / enterprise incurring losses still survive because of sufficiency of cash. Similarly, lack of cash can give rise to failure in the face of actual or prospective earnings.

Efficient cash planning through a relevant and timely cash budget may enable a firm to obtain optimum working capital and ease the strains of a cash shortage, facilitating temporary investment of cash and providing funds for normal growth.

Many company/ factories are interested in increasing their profits. However, very few companies worry about managing their working capital. Many companies fail due to bad management of working capital. They may be profitable, but they are not able to pay their bill.

Working capital management involves the relationship between a company's short-term assets and its short-term liabilities. The management of working capital involves managing inventories, accounts receivable and payable and cash management Working capital refers to the amount of capital that is readily available to an organization.

Organization needs both-terms and short-term fund, Funds are needed for long term purposes of fixed assets, such as plant and machinery, land building, furniture. Funds are also required for short-term purpose like purchases of raw materials, payment of

wages and other day-to-day expenses. The objective of working capital management is to maintain the optimum balance of each of working capital components.

Working capital Managements takes place at two levels:

1. Ratio Analysis can be used to monitor overall trends in working capital and to identify areas requiring management.
2. The individual components of working capital can effectively managed by using various techniques and strategies.

When considering these techniques and strategies, company needs to recognize that each department has a unique mix of working capital components. The emphasis that needs to be placed on each component varies according to the department. Working capital management keeps your cash flowing as quickly as possible. If cash flow is considered as the lifeblood of a business, then working capital management becomes the heart- this is what pumps cash around a successful business, perfectly as quickly as possible! Pricing and costing can be considered as the lungs because they are the system that takes in revenue, expels costs and makes sure you have plenty of oxygen to keep the business alive.

A healthy body needs healthy lungs and in the same way to build or maintain a healthy business you need to:

- Set prices and control costs for your healthy lungs.

➤ Manage working capital for your healthy heart.

Liquidity and profitability are two more important and major aspects of corporate business life. No firms can survive if it has no liquidity. A firm may exist without making profits but cannot survive without liquidity may soon meet with its downfall and ultimately die. Working capital management is thus a basic and broad measure of judging the performance of a business.

Further more working capital management is not an end in itself. It is an integral part of a company's overall management. The needs of efficient working capital management must be considered in relation to other aspects of the company's financial and non-financial performance. Thus, an attempt has been made to study the management of working capital of "Mula Sahkari Sakhar Karkhana Ltd. Sonai".

COMPANY PROFILE
MULA SAHKARI SAKHAR KARKHANA LTD.



Location:-

Sonai , Tal: Newasa, Dist.: Ahmednagar.

Pin: 414105

Ph: (02427) 231303/4/5/6

Fax: (02427) 231307

E-mail ID: info@mulasugar.com

Website: <https://mulasugar.com>

Vat teen no:27840410669-V

G.S.T.REG. NO:27AAAAM1145M1ZL

Registration No :- A.N.G/P.R.G./(A)-3 Date:-27-7-1970.

Chairman: Mr.Nanasaheb Kashinath Tuwar

Vice Chairman: Mr. B. N. Mote

Managing Director: Mr. S. B. Thomabre

Product:

- **Sugar Production**

Processing:

The harvested Sugar cane material is crushed and the juice is collected and filtered the liquid is then treated to remove impurities; this is then neutralize with Sulphur dioxide. The juice is then boiled sediment settles the bottom and can be dredged out, usually while being stirred to produce sugar crystals. Resultant sugar is then either sold as it for use or processed further to produce lighter grades.

Products:-

Sugar •



We produce two grades of sugar, M-30, and S-30, which is of export quality with an International Commission for Uniform Methods of Sugar Analysis (ICUMSA) value less than.

We use Double Sulphuration Process for sugar production, where the clarified sugarcane juice is treated and mixed with Sulphur Di-oxide in tanks and the outcome is known as ‘Sulphur Syrup’ which is further sent to be converted as sugar crystals.

Molasses



Molasses is the by-product separated from ‘C’ grade sugar during the centrifuging of sugar crystals. The yield of molasses per ton of cane is in the range of 4 to 4.5%. The entire quantum of molasses produced is being used for captive consumption in our distilleries.

Bagasse



Bagasse is the fibrous residue from the sugar cane after extracting cane juice. We produce Steam and Power by using bagasse as fuel for the high-pressure boilers in the Cogeneration power plants

Press Mud



Press mud, the solid waste produced while processing sugar cane is rich in potassium, calcium, phosphorous and organic matters. Press mud is also a base material for producing bio-earth which is done by composting with spent wash, a liquid- waste generated out of distillery operation.

Distillery



Mula S.S.K.Ltd. is engaged in manufacturing of Alcohol from molasses by state-of-art plant having production capacity of 30000 litres per day, at Nanglamal (Meerut). The plant incorporates atmospheric distillation and integral evaporation technology to produce high

quality product and simultaneously reduce the effluent being generated from the plant. This plant is capable of producing Rectified Spirit and Denatured Spirit as per international quality standards. Our strengths are adequate in-house availability of molasses from own sugar factories and large dispatch & storage facility. The distillery is employs bio composting process as the effluent treatment method to produce organic manure for soil enrichment.

By Product:

- Distillery
- Rectified spirit
- Molasses

Sub Product:

- Electricity Power Plant.

Social Ability:

- Mula Education Society, Sonai.
- Medical Facility
- Library
- Cultural Centre

Economical Activity:

- Mula Co-Operative Bank, Sonai.
- **Mula Sahakari Grahak Bhandar. (Mula bajar)**

Basic Raw Material

Land requirement

Total Plot area is 280 acres. No additional land will be required for expansion. The number of standing trees is 68668 nos. The existing distillery unit is on 13.0 Acre land and for expansion 4.69 acre land will be required for the proposed expansion of distillery project.

Raw material:

Molasses is one of the waste products produced from sugar factory. Molasses (C- heavy and B- heavy), Syrup and Juice can be used as raw material for distillery. The resultant alcohol has various uses in chemical industry, pharmaceutical industry and as Ethanol. Distillery unit needs the raw material as molasses & this can be fulfilled by sugar factory of our own. Total requirement of Molasses will be 70200 MT for 55 KLPD and 24000 B heavy Molasses for 45 KLPD distillery.

Water Requirement

The fresh water 1144 m³/day (Existing 309 m³/day and 835 M³/day) will be required for the project and permission is obtained from Mula Right Bank Canal, which is very close to the factory. The water is lifted through pumps from the canal. Factory has obtained permission from Irrigation Department; Govt. of Maharashtra for lifting the water.

Power requirement:

The steam and power generation from Boiler & TG set are 22TPH and 2 MW respectively. The steam requirement for the proposed distillery process is 13.6 TPH, 5.2TPH steam either condensed in dump condenser or used in existing distillery. The remaining steam 3.2 TPH is used for deaerator for boiler.

The total power consumption for proposed distillery with incineration boiler is estimated as 1455Kw/hr

Fuel requirement:

Conc. Spent wash, Bagasse and coal will be used as a fuel for the 22 TPH incineration Boiler.

Details of Fuel Requirement

Sr. No.	Fuel	Fuel Consumption
1	Bagasse	44.4TDP
2	Coal	42TDP
3	Conc. Spent Wash	170 TDP

Manpower requirement:

Sugar ad Cogeneration: About Nos. of people working in Sugar and Cogen unit.

Distillery; Construction Phase: 50 people will be required for the construction phase.

Operation Phase; Existing Distillery Unit -27 Persons working & for Proposed expansion of 55 KLPD distillery, additional 45 persons will be required.

❖ RESEARCH OBJECTIVE ❖

- ❖ To study and analyses the concept of working capital.
- ❖ To study the operating cycle.
- ❖ To study the different ratios related to working capital.

RESEARCH METHODOLOGY

❖ AREA:

Finance

❖ SOURCES OF DATA

Secondary Data: -

The secondary data has been collected from

- ❖ The sugar factory's divisional balance sheet
- ❖ The sugar factory MIS Accounts over last five-year.
- ❖ Annual Reports and Journals

LIMITATION

1. Some Information is confidential that information may not be made available in the project.
2. The research conducted was only regarding the information available till the duration of the project.
3. Information is based on Balance Sheet figures, which has some inherent limitations

INTRODUCTION TO WORKING CAPITAL

➤ **Definition: -**

Working capital is defined as “Excess of current liabilities and provisions” it is that part of the capital with which the business is worked over.

Working capital is also called as circulating capital.

A firm invests a part of its permanent capital in fixed asset and keeps a part of it for working i.e. for meeting the day-to-day requirements. We will hardly find a firm which does not require any amount of working capital for its normal operations. The requirements of working capital vary from firm to firm depending upon the nature of Business, Production Policy, Market conditions. Seasonality of operations, conditions of supply etc.

A company invests its fund for long-term purposes and for short-term operation. That portion of a company's in short-term current assets to carry on its day to day operation smoothly is called the working capital.

Investment in short-term assets, cash, short-term securities, amounts receivable and inventories of raw materials, work in process and finished goods.

In simple words, working capital refers to that of firm's capital, which is required for financing short term or current assets such as cash marketable securities, debtors and inventories.

Working capital = current Asset - Current Liabilities



Debtors

Trade

Stock

Creditor

Cash

Bills Payable

Investment

Short-term

Loan advances

loans

Taxation

Dividend

The primary objective of working capital management is to ensure that sufficient cash is available :

1. Meet day to day cash flow needs
2. Pay wages and salaries
3. Pay creditors to ensure continued supplies of goods and services
4. Ensure long-term survival of the business entity.

CONCEPT OF WORKING CAPITAL

Working capital differs from fixed capital in terms of time required to recover the investment in a given asset. In case of fixed capital or long-term asset such as land, building and equipment, a firm usually needs several year or more to recover the initial, investment in contrast, working capital is turned over or circulated at a relatively repaid rate.

There are two concept of working capital gross and net working capital. Generally the working capital has its significance in two perspectives. There are gross working capital and net working capital are called “Balance sheet Approach” of working capital.

GROSS WORKING CAPITAL

The terms ‘gross working capital’ refers to the firm’s investment in current asset. According to this concept working capital refers to firm’s investment in current asset. The amount of current liabilities is not deducted from total of current asset.

NET WORKING CAPITAL

The term ‘net working capital’ refers to the excess of current assets over current liabilities. It refers to the difference between current assets and current liabilities the net working capital is qualitative concept which indicates the liquidity position of a firm and the extend to which working capital needs may be financed by permanent source of fund.

The 'positive net working 'represents the excess of current assents over current liabilities.

The networking capitals turn to be negative when current liabilities are exceeding the current asset. The negative 'working capital' position will adversely affect the operation of the firm and its profitability. Working capital is also to of permanent and temporary working capital.

TYPES OF WORKING CAPITAL

➤ Permanent Working Capital

It is that portion of the working capital that remains permanently tied up in current assets to undertake business activity uninterrupted. In other words, permanent working capital is the least amount of current assets needed to carry out business effortlessly. Thus, it is also known as fixed working capital.

The amount of fixed working capital required by a business depends upon the size and the growth of the business. For instance, minimum cash or stock required by a firm to undertake the operational activities of the business. Now, permanent working capital can be further subdivided into two categories:

➤ Regular Working Capital

This is defined as the least amount of capital required by a business to fund its day-to-day operations of a business. Examples include payment of salaries and wages and overhead expenses for the processing of raw materials.

➤ **Reserve Margin Working Capital**

Apart from day-to-day activities, a business may need some amount of capital for unforeseen circumstances. Reserve Margin Working Capital is nothing but the amount of capital kept aside apart from the regular working capital. These pool of funds are kept separately for unforeseen circumstances such as strikes, natural calamities, etc

➤ **Variable Working Capital**

This can be defined as the working capital invested for a temporary period of time in the business. For this reason, it is also called as fluctuating working capital. Such a capital varies with respect to the change in the size of the business or changes in the assets of the business.

Further, variable working capital is subdivided into two categories

➤ **Seasonal Variable Working Capital**

This refers to the increased amount of working capital a business needs during the peak season of the year. A business may even have to borrow funds to meet its working capital needs. Such a working capital specifically meets the demands of business having a seasonal nature.

➤ **Special Variable Working Capital**

Supplementary working capital may also be required by a business to undertake exceptional operations or unforeseen circumstances. The capital required for such circumstances is termed as special variable working capital. Funds needed to finance marketing campaigns, unforeseen events like accidental fires, floods, etc.

➤ **Gross Working Capital**

This refers to the aggregate amount of funds invested in the current assets of the business. In other words, Gross Working Capital is the total of the current assets of the business. These include:

- Cash
- Accounts Receivable
- Inventory
- Marketable Securities and
- Short-Term Investments

Gross Working Capital used alone neither shows the complete picture of the short-term financial soundness. Nor does it showcase the operational efficiency of the business. Current assets should be compared with the current liabilities to get a better understanding of a business's operational efficiency. That is, how efficiently a business utilizes its short term assets to meet its day-to-day cash requirements.

➤ **Net Working Capital**

Net Working Capital is the amount by which current assets exceed the current liabilities of a business. Thus, the working capital equation is defined as the difference between current assets and current liabilities. Where current assets refer to the sum of cash, accounts receivable, raw material and finished goods inventory. Whereas, current liabilities include accounts payable.

The amount of working capital in a business is the indicator of liquidity, operational efficiency and short-term financial soundness of the business. Businesses having adequate working capital typically have the ability to invest and grow.

On the other hand, businesses having insufficient working capital have higher odds of going bankrupt. This is because of their inability to pay for their short-term obligations, thus making it difficult for them to grow.

OBJECTIVE OF WORKING CAPITAL MANAGEMENT

By optimizing the investment in current assets and by reducing the reducing the level of current liabilities. The company can reduce the looked-up of the fund in working capital thereby. It can improve the return on capital employed in the business.

The second important objective of working is that the company should always be in a position to meet. It's current obligation which should properly be supported by current asset available with the firm. But maintaining excess funds in working capital means locking of fund without return.

The firm should manage its current assets in such way that the Marginal return on investment in these assets is not less than the cost of capital employed to financial the current asset.

The firm should maintain proper balance sheet current assets and current liabilities to enable the firm to meet its day-to-day financial obligation.

IMPORTANCE OF WORKING CAPITAL MANAGEMENT

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 the business. No business can run successfully without an adequate amount of working capital. The main advantages of maintaining adequate amount of working capital is as follows:

- **Solvency of business**: Adequate working capital helps in maintaining solvent of the business by providing uninterrupted flow of production.
- **Goodwill**: Sufficient working capital enables a business concern to make prompt payment and helps in creating and maintaining goodwill.
- **Easy loan**: A concern having adequate working capital, high solvency and good credit Standing can arrange loans from banks and other on easy and favourable terms.
- **Cash credit**: Adequate working capital also enables a concern to avail cash discounts on the purchases and hence it reduce the cost.
- **Regular supply of raw material**: Sufficient working capital ensures regular supply of raw material and continuous production.

- **Regular payments of day to day commitments**: Working capital can make regular payments of salaries, wages and other day to day commitment, which raise morale of its employees, increase their efficiency, reduces wastage' and costs and enhances production and profit.

- **Exploitation of favourable market conditions**: Only concerns with adequate working capital can exploit favourable market conditions such as purchasing its requirements in bulk when the prices are lower and by holding its investment for higher prices.

- **Ability to face crisis**: Adequate working capital enables a concern to face business crisis in emergencies such as depression because during such period, generally, there is a much pressure on working Capital.

- **Quick and regular return on investment**: Every investor wants a quick and regular return on investment. sufficient of working capital enables a concern to pay quick and regular dividends to its investors, as there may not be much creates the favourable market to raise addition fund in future.

- **High morale**: Adequacy of working capital creates an environment of security, confidence, and high morale and creates overall efficiency in business

OPERATING CYCLE CONCEPT

Working capital is the life blood of any business, without which the fixed assets inoperative. Working capital circulates in the business, and the current assets change from to other. Cash is used for procurement of raw materials and stores items and for payment of operating expenses, and then converted into work-in-progress, then to finished good. When the finished goods are sold on credit terms receivables balances will be formed. When the receivable are collected, it is again converted into cash. The need for working capital arises because of time gap between production of good their because of time production of good and their actual realization after sales. This time gap is called technically called as ‘operating cycle ’or ‘working capital cycle’.

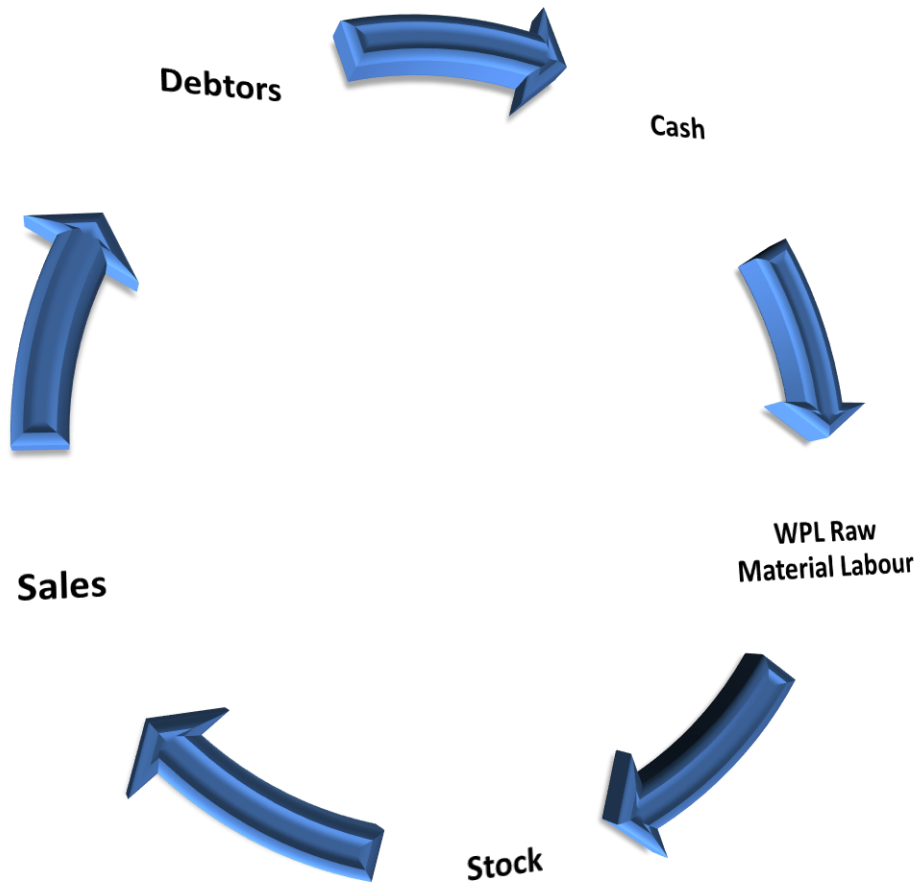
If a business is operating profitably, than in theory it should generate cash surplus. If it doesn't generate surplus , the business will eventually run out of cash and expire.

The operating cycle involves three phase:

1. Acquisition of resources such as raw material, labour ,power and fuel.
2. Manufacture of the product which includes conversion of raw material into work-in-progress into finished goods.
3. Sale of the product either for cash or on credit. Credit sale create accounts receivable for collection.

The factor a business expands the more cash it will need for working capital and investment. Good management of working capital will generate cash, which will help improve profits and reduce risks.

Following is the operating cycle:



The investment in current asset is circulating in nature. This changes the shape from raw material to semi-finished goods, debtors and finally to cash. Thus, conversion of working capital in to cash may result in the profit or loss. Cash thus, conversion of working capital in to cash may result in the profit or loss.

Working capital cycle consists of following five steps:

- Conversion of cash to raw material.
- Conversion of raw material into work-in-progress.
- Conversion of work-in-progress into finished goods.
- Time for sale of finished goods.(cash and credit sales)
- Time for realization from debtors and bills receivable into cash.

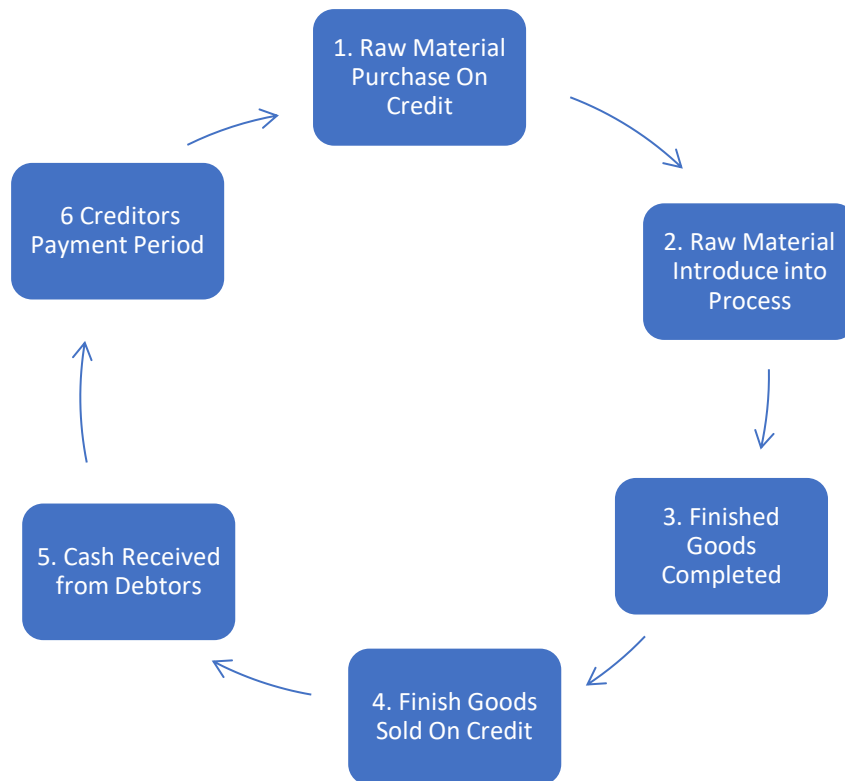
A short operating cycle is a sign of goods working capital management. Conversely a long cash operating cycle indicate that capital is tied up which the business waits for customer to pay.

It is quite possible for a business to have a negative cash operating cycle. I.e. receiving payment from customer before it has pay suppliers.

Example: Typically companies, which employ just in time practices such as dell, and companies that buy on extended credit term and sale for such as Tesco.

The longer the production process, the more cash firm must keep tied up in inventories. Similarly, the longer it takes customers to pay their bills, the higher the value of account receivable. On the other hand, if a firms can delay paying for its own material it may reduce the amount of cash it needs. In simple words accounts payable reduce networking capital.

OPERATING CYCLE OF SUGAR FACTORY



1. Raw Material Holding Period
2. WIP Period
3. Finished Goods Holding Period
4. Debtors Collection Period

RATIO ANALYSIS

Definition: -

The accounting ratios indicate a quantitative relationship which is used for analysis and decision making.

The primary uses of financial statements are evaluating past performance and predicting future facilitated by comparison. Therefore, the focus of financial analysis is always on the crucial information contained in the financial statement. Thus depends on the objectives and purposes of such analysis. The purpose of evaluating such financial statements is different from person depending on its relationship.

The financial analysts always need certain yardsticks to evaluate the efficiency and performance of any business unit. The one of the most frequently used yardsticks is ratio analysis. Ratio analysis involves the use of various methods for calculating and interpreting financial ratio to assess the performance and status of the business unit. It studies the numerical of quantitative relationship between two variables or items.

ADVANTAGES OF RATIO ANALYSIS

- I. Ratio analysis reflects the working efficiency of a concern.
- II. Ratio analysis facilitates comparison between one firm and another in the same industry over a number of year to ascertain profitability.
- III. Since ratio analysis reflect the financial health of a concern, bank, insurance and other financial institution relay on them while judging loan application and in taking vital investment decisions.
- IV. Ratio analysis helps in establishing trend, since the results are analysed over a number of years. Tread analysis is fruitful in preparing plans for the future.
- V. Ratio analysis is helpful in forecasting likely events in future

ANALYSIS OF WORKING CAPITAL

~~1~~ Total Current Asset

Year	2018-19	2019-20	2020-21
Rs in core	210.199	209.19	119.33

Interpretation: -

The current assets are gradually increasing. This can also be seen diagrammatically. In the year 2019-20, it has decreasing as compare to previous year Rs,1.009 corer in the year 2018-19 it has also decreasing in current asset.

1. Separate Current Asset

Sr. No.	Particular	2018-19	2019-20	2020-21
		Rs	Rs	Rs
1.	Inventory	107.89	98.40	42.94
2.	Debtors	23.09	10.38	36.12
3.	Advances	0.479	15.05	20.83
4.	Cash & Bank	78.74	85.36	19.44
	Total	210.199	209.19	119.33

Interpretation:

The table shows that, major part of current assets is covered by stock every year. After stock the major part is covered by debtors. In the year 2019-20 the cash and bank increased as compare 2018-19 but, in the year 2020-21 the cash and bank in decreased.

2. Total Current Liabilities

Years	2018-19	2019-20	2020-21
Rs. In Core	118.02	138.84	67.35

Interpretation:

In the year 2019-20 the current liabilities are increases as compared to 2018- 19. In the year the 2020-21 the current liabilities decreased in 71.49 crore as compared to 2019- 20.

3. Separate Current Liabilities

Year	Particular	2018-19	2019-20	2020-21
		Rs. In Core	Rs. In Core	Rs. In Core
1.	Creditors	24.34	37.50	(-)8.64
2.	Other Current Liabilities	75.40	61.55	66.80
3.	Provisions	18.28	39.79	9.19
	Total	118.02	138.84	67.35

Interpretation:

This graph shows the separation of creditors, provision, and other current liabilities.

The table show that, major part of current liabilities is covered by creditors every year's small part of amount is covered by other current liabilities is increasing every year.

4. Net Working Capital

Sr. No.	Particular	2018-19	2019-20	2020-21
		Rs. In Core	Rs. In Core	Rs. In Core
1.	Stock	107.89	98.40	42.94
2.	Debtors	23.09	10.38	36.12
3.	Advances	0.479	15.05	20.83
4.	Cash & Bank	78.74	85.36	19.44
	Total(A)	210.199	209.19	119.33
1.	Creditors	24.34	37.50	(-)8.64
2.	Provisions	18.28	39.79	9.19
3.	Other Current Liabilities	75.40	61.55	66.80
	Total(B)	118.02	138.84	67.35
	Net Working Capital (A-B)	92.179	70.35	51.98

Interpretation:

The graph shows the working capital of the company is decreases every year.

ANALYSIS OF WORKING CAPITAL THROUGH DIFFERENT RATIOS

Current Ratios:

This ratio is a measure of the ability of firm to meet its short-term obligation. It is perhaps the best-known measure of financial strength at a given point of time. In general, a ratio of 2:1 is usually considered good. Too small ration indicates that some potential difficulty in covering obligation may exist. A high ratio may indicate that the company has too many assets tied up in current assets and is not making efficient use of them.

Current Ratio = Current Assets/ Current Liabilities

(Rs in Core)

Years	Current Assets	Current Liabilities	Ratios
2018-19	210.199	118.02	1.78
2019-20	209.19	138.84	1.50
2020-21	119.33	67.35	2.95

Quick Ratio:

This ratio is also known as 'liquid ratio' or 'acid ratio' it expresses the relationship between quick current asset & current liabilities. This ratio is a more refined tool and measure the liquidity it is a better test of financial strength than the current ratio. A quick ratio of 1:1 is usually considered satisfactory.

Quick Ratio: liquid assets/liquid liabilities

Year	Quick Asset	Quick Liabilities	Ratio
2018-19	102.309	118.02	0.86
2019-20	110.79	138.84	0.79
2020-21	76.39	67.35	1.13

Working Capital Turnover Ratio:

This ratio helps to measure the efficiency of utilization of net working capital. It is significant that for a number of sales relative amount of working capital should be adequate and thus, this ratio helps management to maintain the adequate level of working capital.

Working Capital Turnover Ratio= Sales /Working Capital

Years	Sales	Working Capital	Ratios
2018-19	(-)225.79	92.179	(-)2.449
2019-20	71.01	70.35	1.009
2020-21	44.30	51.98	0.852

Current asset Turnover Ratio:

A higher asset turnover ratio indicates capability of organization to achieve maximum sales within minimum investment in current asset. It indicates that current assets turned over in the forms of sales more no. of times Higher current asset in turnover ratio better will be the situation.

Current Asset Turnover Ratio=Sales/Current Assets

Years	Sales	Current Asset	Ratios
2018-19	(-)225.79	210.199	(-)1.074
2019-20	71.01	209.19	0.339
2020-21	44.30	119.33	0.222

RESEARCH FINDING

The sugar factory has maintained their working capital position. In the year 2018-19 the working capital was very high but after that in year 2020-21 the working capital is decreasing by 40.19 crores.

Current ratio:

The current ratio recommended is 2:1 and for manufacturing company is 1.33 but the ratio of the sugar factory is more than 2. Hence sugar factory is better position to meet their current obligation.

Liquid ratio:

Liquid ratio checks the immediate liquidity of the firm i.e. availability of the firm to pay its debts with the available most liquid funds. The recommend ratio is 1:1 in the case of sugar factory liquid ratio is 0.84 which highlights they are trying to maintain balance.

Working capital turnover ratio:

In the year 2019-20 and 2020-21 working capital turnover ratios is 1.009 and 0.852 respectively.

Current Asset Turnover Ratio:

Sugar factory shows that ability of using the current asset is up to the minimum level. In the year 2018-19 the current asset turnover ratio gone negatively. But in the year 2019-20 and 2020-21 ratio is 0.33 & 0.37 It means the position is going on positively. But, the company should maintain and proper utilisation of the current assets.

SUGGESTIONS

Working Capital:

Sugar factory is a seasonal industry. Hence their working capital is very high but last three-year company has decreased their working capital. To improve the working capital, the sugar factory should try to adopt latest/approaches to improve the working capital.

Quick Ratio:

The ratio should be 1:1 when the ratio goes below 1; it is a sign of danger. So this ratio must be 1 or more than. It means the quick assets are equal to current liabilities. In the last two-year sugar factories ratio is less than 1. Thus, it is required to improve.

Current Asset Turnover Ratio:

The sugar factory should maintain their Current Asset Turnover Ratio. Last two-year ratio is less than 1. Hence it means not sufficient sale. Sugar factory should maintain their sales level. Sugar factory should be careful about the market condition, government policy.

CONCLUSION

To conclude I would like to mention here that this project work out is very helpful to me. This is a unique opportunity to discuss the concept of textbook with an organization. This is provided a breakthrough to apply theoretical knowledge in practical corporate word. And this experience will be helpful for future performing. It is also help me to know more about the working Capital Management and the ratio analysis.

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