

A STUDY ON WORKING CAPITAL MANAGEMENT AT ASHLEY ALTEAMS INDIA LIMITED

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ABSTRACT

This study delves into the intricacies of operating capital management within Organization, analyzing the company's strategies and practices in keeping most suitable tiers of liquidity and operational performance. Through a comprehensive analysis of monetary statements, cash go with the flow patterns, and enterprise benchmarks, the studies evaluate the effectiveness of numerous running capital control techniques employed by way of Organization. Furthermore, the study explores the impact of powerful running capital control at the enterprise's profitability, cash go with the flow dynamics, and common economic performance. By providing treasured insights into the agency's control of cutting-edge assets and liabilities, this study contributes to the wider understanding of running capital control practices inside the context of contemporary business operations. This observe examines the fluctuations in economic ratios through the years and the general working capital management practices of Organization.

Key words: Operating Capital Management, Liquidity Management, Profitability Analysis, Financial Performance

INTRODUCTION

Working capital operation aims at more effective use of a company's coffers by covering and optimizing the use of current means and arrears. The thing is to maintain sufficient cash inflow to meet its short- term operating costs and short- term debt scores and maximize profitability. Working capital operation is crucial to the cash conversion cycle, or the quantum of time a establishment uses to convert working capital into usable cash.

Working capital operation – defined as current means minus current arrears – is a business tool that helps companies effectively make use of current means and maintain sufficient cash inflow to meet short- term pretensions and scores. By effectively managing working capital, companies can free up cash that would else be trapped on their balance wastes. As a result, they may be suitable to reduce the need for external borrowing, expand their businesses, fund combinations or accessions, or invest in R&D.

Working capital is essential to the health of every business, but managing it effectively is commodity of a balancing act. Companies need to have enough cash available to cover both planned and unanticipated costs, while also making the stylish use of the finances available. This is achieved by the effective operation of accounts outstanding, accounts receivable, force, and cash. Working capital operation refers to the set of conditioning performed by a company to make sure it got enough coffers for day- to- day operating charges while keeping coffers invested in a productive way.

FORMULA

Working Capital = Current Assets - Current Liabilities

PRINCIPLE OF WORKING CAPITAL MANAGEMENT

1) Principle of Risk Variation

Risk then refers to the incapability of a establishment to meet its obligation as and when they come due for payment. Larger investment in current means with lower dependence on short term borrowing increase liquidity, reduce dependence on short term borrowing increase liquidity, reduce threat and thereby drop the occasion for gain or loss. On the other hand, lower investment in current means with lesser dependences on short- term borrowing increase threat reduces liquidity and increase due for payment. Larger investment in current means with lower dependence on short- term borrowing increase liquidity, reduce dependence on short- term borrowing increase liquidity, reduce threat and thereby drop the occasion for gain or loss.

2) Principle of cost of capital

Sound working capital operation should always try to achieve a proper balance between working capital and cost of capital. Generally, advanced the threat lower is the cost and lower the threat advanced the cost.

3) Principle of Equity position

According to this principle, the quantum of working capital invested in each element should be adequately justified by the establishment equity position. Every rupee invested in the current means should contribute to the net worth of the establishment.

4) Principle of Maturity Payment

According to this principle, a establishment should make every trouble to relate majorities of payment to its inflow of internally generated finances. Generally shorter the maturity schedule of current arrears in relation to anticipated cash inrushes the lesser the incapability to meet its obligation in time.

SIGNIFICANCE OF WORKING CAPITAL

Working capital may be regarded as the lifeblood of the business. Without inadequate working capital, any business association cannot run easily or successfully. In the business the Working capital is similar to the blood of the mortal body. thus, the study of working capital is of major significance to the internal and external analysis because of its close relationship with the current day to day operations of a business. The inadequacy or mismanagement of working capital is the leading cause of business failures. To meet the current conditions of a business enterprise similar as the purchases of services, raw accoutrements etc. working capital is essential. It's also refocused out that working capital is nothing but one member of the capital structure of a business.

NEED FOR THE STUDY

- Effective working capital management can boost profitability and financial stability for Organization
- Understanding industry benchmarks and best practices in working capital management is crucial
- This study will provide an objective assessment of Organization's current working capital management using financial ratios
- Provide valuable data for strategic decisions on inventory, credit policies, and financing.

OBJECTIVES FOR THE STIDY

- To analyse and evaluate the effectiveness of working capital management practices at Organization.
- To assess the company's current working capital position, including its liquidity, solvency, and efficiency ratios.
- To identify areas for improvement in the company's working capital management practices.
- To suggest specific strategies for improving working capital management at Organization.

SCOPE OF THE STUDY

The observe of running capital management in Ashley Alteam India Limited specializes in studying key monetary ratios, trends, and operational strategies. It aims to assess the performance of running capital management practices through metrics which includes contemporary asset to liability ratio and cash conversion cycle. By comparing the organisation's overall performance with enterprise benchmarks, the have a look at seeks to become aware of areas for development and strategic opportunities. Trend evaluation through the years will offer insights into fluctuations and patterns, enabling a deeper understanding of financial dynamics.

REVIEW OF LITERATURE

Amer Morshed (1 January 2024) Mathematical Analysis of Working Capital Management in MENA SMEs: Panel Data Insights .

In this paper, we analyze running capital control strategies (competitive vs conservative) hired by 2901 MENA SMEs from 2007-2021, assessing their impact on long-term monetary resilience. It offers critical insights for MENA SMEs navigating their specific financial landscape and contributes to the discourse on developing economies. The findings, in particular applicable amid evolving monetary technology, empower MENA SMEs to refine their strategies and pave the way for further studies in this dynamic discipline.

Dr.G.Prahlad Chowdri (December 2016) Working Capital Management In Manufacturing Companies.

This research studies how a company's strategic approach (terminal, center, or hybrid market) influences running capital control and performance. Analyzing facts from wholesalers and outlets, it finds the perfect running capital stage and adjustment velocity range based on

strategy. Traditionally, working capital's impact on commercial enterprise overall performance has been debated, with a few arguing for better ranges and others for an ideal center ground. This study shows strategic choice plays a key function on this dating.

Dr.Cirappa.I.B. (November 2016) The Study On Working Capital Management Of KSRTC With Special Reference To Bangaklore Division.

This article emphasizes the critical role of working capital management for businesses, comparing it to the lifeblood of a company. It then highlights the particular importance for transportation companies. The study focuses on the public transport service in Bengaluru, India, managed by the Bengaluru Metropolitan Transport Corporation (BMTC). By analyzing BMTC's financial statements and reports, the study aims to provide an overview of their working capital management.

Pedro Martinez Salano, Pedro J.Garcia Terual (April 2006) Effects Of Working Capital Management On Sme Profitability.

The objective of the studies offered here is to offer empirical proof approximately the outcomes of operating capital control on the profitability of a pattern of small and medium-sized Spanish firms. With this in mind, we gathered a panel of 8,872 SMEs masking the length 1996-2002. The effects, which can be sturdy to the presence of endogeneity, demonstrate that managers can create fee through decreasing their company's range of days money owed receivable and inventories. Equally, shortening the coins conversion cycle additionally improves the firm's profitability.

RESEARCH METHODOLOGY

Research methodology refers to the systematic process of collecting, analysing, interpreting and drawing conclusions about a particular topic or subject of study. It outlines the procedures, techniques and tools that researchers use to conduct their investigations, ensuring that the research is accurate, reliable and valid.

ANALYTICAL RESEARCH

Analytical research is a specific type of research that involves critical thinking skills and the evaluation of facts and information relative to the research being conducted. From analytical research, a person finds out critical details to add new ideas to the material being produced.

METHOD OF DATA COLLCTION

Secondary data: Published data and the data collected in the past or other parties are called secondary data. This method is used for the analysis purpose.

STATISTICAL TOOLS USED

- Descriptive Statistics
- Correlation
- Regression

TEST ANALYSIS

DESCRIPTIVE STATISTICS

Variables	N	Range	Minimum	Maximum	Mean	Std. Deviation
Current Ratio	5	.20	.59	.79	.7140	.08019
Quick Ratio	5	.22	.27	.49	.4080	.09176
Cash Ratio	5	.00486	.00082	.00568	.0026134	.00187180
DIO	5	109.81	89.68	199.49	1.2691E2	46.39346
DSO	5	70.25	40.12	110.37	71.7560	28.83072
Operating cycle	5	155.32	154.54	309.86	1.9867E2	63.51390
DPO	5	57.45	80.36	137.81	1.0458E2	21.66613
CCC	5	102.26	69.79	172.05	94.0860	43.69075
ITR	5	2.24	1.82	4.06	3.1420	.95725
ARTR	5	2.89	4.47	7.36	5.7300	1.13974
APTR	5	1.36	2.47	3.83	3.0720	.63688
ROA	5	.11	.01	.12	.0515	.05156
WCIP	5	.18	.34	.52	.4480	.07823
WCFP	5	.25	.50	.75	.6240	.09555

INTERPRETATION

The analysis of Organization's operating capital management reveals important insights into its financial health. The Current Ratio (mean: 0.7140) and Quick Ratio (mean: 0.4080) indicate slightly below optimal liquidity levels, with potential issues when excluding inventory. Cash Ratio (mean: 0.0026) reflects low immediate liquidity, posing short-term financial challenges.

Efficiency metrics show variability: the Days Inventory Outstanding (DIO) (mean: 126.91 days) and Days Sales Outstanding (DSO) (mean: 71.76 days) suggest fluctuations in inventory turnover and collection periods. The Operating Cycle (mean: 198.67 days) also shows significant variability, pointing to inconsistent conversion of inventory and receivables into cash.

The Days Payable Outstanding (DPO) (mean: 104.58 days) indicates a strategic delay in paying suppliers, aiding cash flow management. The Cash Conversion Cycle (CCC) (mean: 94.09 days) reflects overall efficiency in managing cash flow gaps.

Turnover ratios reveal moderate efficiency: Inventory Turnover Ratio (ITR) (mean: 3.14), Accounts Receivable Turnover Ratio (ARTR) (mean: 5.73), and Accounts Payable Turnover Ratio (APTR) (mean: 3.07) indicate average performance in managing inventory, receivables, and payables.

Profitability, measured by Return on Assets (ROA) (mean: 0.0515), is low, highlighting challenges in asset returns. The working capital indicators, Working Capital Investment Policy (WCIP) (mean: 0.4480) and Working Capital Financing Policy (WCFP) (mean: 0.6240), suggest a balanced yet variable approach to managing and financing working capital needs.

In summary, Organization shows strengths in managing payables and collection periods but faces challenges in liquidity and profitability, necessitating strategic adjustments.

CORRELATION

	ROA	DIO	DSO	DPO	CCC	WCTP	WCFP
ROA Pearson Correlation	1	.182	-.465	.139	-.183	-.365	.264
Sig. (2-tailed)		.770	.430	.823	.768	.546	.668
N	5	5	5	5	5	5	5

DIO	Pearson Correlation	.182	1	.393	.883*	.883*	-.359	-.298
	Sig. (2-tailed)	.770		.513	.047	.047	.553	.626
	N	5	5	5	5	5	5	5
DSO	Pearson Correlation	-.465	.393	1	.656	.752	.662	.370
	Sig. (2-tailed)	.430	.513		.229	.143	.223	.540
	N	5	5	5	5	5	5	5
DPO	Pearson Correlation	.139	.883*	.656	1	.875	-.012	.075
	Sig. (2-tailed)	.823	.047	.229		.052	.984	.905
	N	5	5	5	5	5	5	5
CCC	Pearson Correlation	-.183	.883*	.752	.875	1	.062	-.110
	Sig. (2-tailed)	.768	.047	.143	.052		.921	.861
	N	5	5	5	5	5	5	5
WCIP	Pearson Correlation	-.365	-.359	.662	-.012	.062	1	.791
	Sig. (2-tailed)	.546	.553	.223	.984	.921		.111
	N	5	5	5	5	5	5	5
WCFP	Pearson Correlation	.264	-.298	.370	.075	-.110	.791	1
	Sig. (2-tailed)	.668	.626	.540	.905	.861	.111	
	N	5	5	5	5	5	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

INTERPRETATION

The correlation analysis of Organization’s operating capital management variables shows weak and statistically insignificant correlations between Return on Assets (ROA) and all other metrics, indicating that working capital metrics do not strongly influence profitability.

Days Inventory Outstanding (DIO) has a strong positive correlation with Days Payable Outstanding (DPO) (0.883, $p = 0.047$) and Cash Conversion Cycle (CCC) (0.883, $p = 0.047$),

suggesting that longer inventory holding periods are associated with extended payment periods and a longer cash conversion cycle.

Days Sales Outstanding (DSO) shows moderate positive correlations with DPO (0.656) and CCC (0.752), though not statistically significant, indicating some relationship between longer receivable periods and extended payable periods and cash conversion cycles.

Days Payable Outstanding (DPO) is positively correlated with CCC (0.875, $p = 0.052$), indicating that longer payment periods tend to extend the cash conversion cycle.

Working Capital Investment Policy (WCIP) and Working Capital Financing Policy (WCFP) are strongly correlated (0.791), suggesting a close relationship between investment and financing strategies for working capital, though this is not statistically significant ($p = 0.111$).

Overall, significant relationships are observed between DIO, DPO, and CCC, but the small sample size limits the statistical significance of most findings.

REGRESSION

Correlations

		ROA	DSO	DPO	CCC
Pearson Correlation	ROA	1.000	-.465	.139	-.183
	DSO	-.465	1.000	.656	.752
	DPO	.139	.656	1.000	.875
	CCC	-.183	.752	.875	1.000
Sig. (1-tailed)	ROA	.	.215	.412	.384
	DSO	.215		.115	.072
	DPO	.412	.115		.026
	CCC	.384	.072	.026	
N	ROA	5	5	5	5
	DSO	5	5	5	5
	DPO	5	5	5	5
	CCC	5	5	5	5

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	CCC, DSO, DPO ^a		Enter

a. All requested variables entered.

b. Dependent Variable: ROA

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.812 ^a	.659	-.364	.06020

a. Predictors: (Constant), CCC, DSO, DPO

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.007	3	.002	.644	.699
	Residual	.004	1	.004		
	Total	.011	4			

a. Predictors: (Constant), CCC, DSO, DPO

b. Dependent Variable: ROA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.087	.200		-.437	.738
	DSO	-.001	.002	-.749	-.846	.553
	DPO	.003	.003	1.270	1.054	.483
	CCC	.000	.002	-.731	-.531	.689

a. Dependent Variable: ROA

INTERPRETATION

The correlation and regression analysis provides insights into the relationships between Return on Assets (ROA), Days Sales Outstanding (DSO), Days Payable Outstanding (DPO), and Cash Conversion Cycle (CCC). The Pearson correlation coefficients indicate:

ROA has weak and statistically insignificant correlations with DSO (-0.465 , $p = 0.215$), DPO (0.139 , $p = 0.412$), and CCC (-0.183 , $p = 0.384$).

DSO is moderately correlated with DPO (0.656 , $p = 0.115$) and CCC (0.752 , $p = 0.072$), suggesting longer receivable periods may link to longer payment periods and a longer cash conversion cycle.

DPO is strongly positively correlated with CCC (0.875 , $p = 0.026$), indicating that longer payment periods tend to extend the cash conversion cycle.

The regression analysis summary shows an R value of 0.812 , indicating a strong overall correlation between the predictors (CCC, DSO, DPO) and ROA. However, the R Square value of 0.659 suggests that only 65.9% of the variability in ROA is explained by these predictors, with an adjusted R Square of -0.364 reflecting a poor model fit due to the small sample size.

The ANOVA results ($F = 0.644$, $p = 0.699$) indicate that the regression model is not statistically significant, implying that the predictors do not reliably predict ROA.

The coefficients indicate:

- The DSO has a negative but statistically insignificant impact on ROA (Beta = -0.749 , $p = 0.553$).
- The DPO has a positive but statistically insignificant impact on ROA (Beta = 1.270 , $p = 0.483$).
- The CCC has a negative but statistically insignificant impact on ROA (Beta = -0.731 , $p = 0.689$).

In summary, the analysis suggests that while there are some correlations between working capital components, their impact on profitability (ROA) is not statistically significant in this dataset. This highlights the need for further investigation with a larger sample size to draw more definitive conclusions.

SUMMARY OF FINDINGS

The financial analysis of organization shows moderate liquidity (current ratio: 0.714, quick ratio: 0.408) and low cash reserves (cash ratio: 0.0026). Inventory turnover (3.142) and accounts receivable turnover (5.73) indicate efficient management. However, the return on assets (ROA) is modest at 5.15%, with a heavy reliance on short-term financing. The correlation matrix reveals weak correlations between ROA and Days Inventory Outstanding (DIO) and Days Sales Outstanding (DSO), with stronger correlations between DIO and Days Payable Outstanding (DPO), suggesting interdependence in inventory and payment cycles. The regression analysis shows that 65.9% of the variability in ROA can be explained by DSO, DPO, and Cash Conversion Cycle (CCC), but the model is not statistically significant. None of the independent variables significantly affect ROA, indicating the need for further research to improve the model's predictive power and better understand factors influencing ROA.

SUGGESTIONS

- Increase cash reserves to improve the cash ratio, ensuring the company can meet immediate obligations without relying heavily on inventory.
- Focus on reducing the cash conversion cycle by improving inventory turnover and accounts receivable collection while managing payables effectively.
- Reduce reliance on short-term financing by exploring long-term funding options, which can stabilize the financial structure and support growth initiatives.
- Investigate additional factors influencing ROA and refine the current model. This could involve analyzing operational efficiencies, cost control measures, and market conditions to identify areas for improvement.
- Implement advanced inventory management and accounts receivable systems to streamline operations and enhance financial control.

CONCLUSION

The study of working capital management in Organization highlights fluctuations in financial ratios over time. Despite a decrease in working capital in 2022, the company maintains a cautious financial positioning, gradually improving liquidity and operational efficiency. Key ratios such as current asset to liability ratio and cash conversion cycle show variability, reflecting shifts in financial management strategies. Notable improvements in receivables and investments in 2021 bolstered liquidity despite increased liabilities. Challenges in managing inventory and cash in 2020 were followed by efficiency improvements in 2021. The findings

emphasize the importance of prudent inventory and receivables management for stability and long-term financial health.

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