

## A STUDY ON WORKING CAPITAL MANAGEMENT IN SANGAM DAIRY

Dr.C.Vindya Vasini MBA,PhD Asso Prof. MBA Department Santhiram Engineering College(Autonomous)  
Nandyal

S P. Naveen Kumar MBA Student Santhiram Engineering College(Autonomous) Nandyal

---

### ABSTRACT:

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

---

### INTRODUCTION

Financial Management is that managerial activity which is concerned with planning and controlling of the firm's financial resources. The subject of financial management is of immense interest to both academicians and practicing managers. Financial management provides them with conceptual and analytical insights to make those decisions skillfully. As such it deals with the situation that requires selection of specific assets, the selection of specific liability as well as the problem of size and growth of an enterprise. The analysis of these decisions is based on the expected inflows and outflows of funds and their effects up on managerial objectives” Working capital is the lifeblood and nerve center of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully without an adequate amount of working capital.

### MEANING OF WORKING CAPITAL

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

### OBJECTIVES OF FINANCIAL MANAGEMENT

To Reduce the Misuse of Funds

To Maximize the Profit in Long Run

To Maximize the Wealth of Company

To Fulfill the Social Responsibility

## **RESEARCH METHODOLOGY**

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

## **DATA ANALYSIS AND INTERPRETATION**

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

The term of current assets refer to those assets which in the ordinary course of business can be or will be converted into cash within one year without disrupting the operating of the firm. The major current assets are cash marketable securities, Account receivable and inventory. The goal of working capital management is to manage the firm's current assets and liabilities in such a way that a satisfactory level of working capital is maintained. The current assets should be large enough to cover its current liabilities in order to ensure a reasonable margin of safety. Each of the current assets must be managed efficiently in order to maintain the liquidity of the firm while not keeping too high a level of any one of them. The analysis of past performance of the company in terms of operational efficiency and financial soundness is carried out with the help of the following tools of analysis. Working capital ratios and Statements showing changes in working capital.

## **STATEMENT OF WORKING CAPITAL FOR THE YEAR 2021-2022 OF SANGAM DAIRYFOODS**

Particulars	Years		Change in working capital	
	2021	2022	Increase	Decrease
<b>Current assets</b>				
Sundry debtors	40,28,423.08	6,72,027.1		33,56,395.98
Closing stock	75,500	4,70,018.41	3,94,518.41	
Cash at bank	55,204.94	5,49,282	4,94,077.06	
Cash on hand	1,93,966.78	57,105		1,36,861.78
<b>(A)Total current assets</b>	<b>4,353,094.8</b>	<b>17,48,432.51</b>		
<b>Current liability</b>				
Sundry creditors	7,31,787.83	7,63,844.28	32,056.45	
Outstanding liability	1,53,088	1,24,085		29,003
<b>(B)Total current liabilities</b>	<b>8,84,875.83</b>	<b>8,87,929.28</b>		
<b>Net working capital(A-B)</b>	<b>34,68,218.97</b>	<b>8,60,503.23</b>		
<b>Change in working capital</b>				<b>26,07,715.74</b>

### Interpretation:

From the above working capital analysis between the two years 2021 and 2022 intimating the sundry debtors is decreased Rs. 33,56,395.98/-, Closing stock increased Rs. 3,94,518.41/-, Cash at bank increased Rs. 494077.06/- and cash on hand decreased Rs:1,36,861.78/-.

In current liabilities the sundry creditors increased Rs. 32,056.45/- and outstanding liability decreased Rs. 29,003/-.

According to the above analysis the working capital is decreased Rs. 26,07,715.74/-, Compared than the before assessment year 2022.

### Findings:

The following observation has been made while studying the liquidity of Sangam dairy foods.

1. The current ratio is high in the assessment year of 2019-2020. And low current ratio is 1.47% in the assessment years of 2018-2019.
2. The receivable to working capital is high in the assessment year of 2019-2020 as 2.47%, and low receivable to working capital is in the assessment year of 2020-2021 as 0.99%.
3. The receivable to current assets are high in the assessment years of 2020-2021 as 0.92%, and low receivable to current assets are in the assessment year of 2017-2018 as 0.38%.
4. The cash and bank balance to working capital ratio is high in the assessment years in 2020-2021 as 0.63% and low cash and bank balance to working capital is in assessment year of 2020-2021 as 0.01%.

### **Suggestions :**

From the above financial analysis of the company, my opinion on the working capital management on the **Sangam Dairy Foods**.

1. mpany image. So maintain bank balance it will useful in the critical situations.
2. The sundry debtors have more than 85% in current asset. So reduce that amount or percentage to avoid the debts arising in the organization. And increase the current assets.
3. In the working capital amount the sundry debtors have more than half percentage of amount so try to decrease the doubtful debts for better performance.

I suggested that the working capital faced some fluctuation for production. Try to maintain growth stage of working capital for better performance.

### **Conclusion:**

Working capital is considered to be an important tool for progress. Working capital management techniques are playing significant role in assisting the management for decision making. The study of working capital management at Sangam dairy. Is found to be very effective. The working capital contains the management of Cash, Debtors, and creditors. The Sangam dairy has profit oriented company .The profit of the company will be increases every year .The company has able to the repay the amount of the creditor. The company has more working capital and also sale has increases year to year.

### **Bibliography:**

#### **Books:**

- Shashi. K Gupta and R K Sharma, Management Accounting, 10<sup>th</sup> Edition, Kalyani publisher Pvt., Ltd., New Delhi: 2012.
- Ashish K Bhattacharyya, Management Accounting, Kalyani publisher Pvt., 8<sup>th</sup> Edition, (Kindle), New Delhi, 2022.
- Inamdar, Cost & Management Accounting, Everest Publishing House 6<sup>th</sup> Edition,, New Delhi, 2018

### Websites:

- <https://www.sangamdairy.com>, [feedback@sangamdairy.com](mailto:feedback@sangamdairy.com)
- [www.milkproducts.com](http://www.milkproducts.com)
- [www.andhamilkproducts.com](http://www.andhamilkproducts.com)