

A Study on Working Capital Analysis In Roots Cast Private Ltd., Coimbatore

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Abstract- *An Examination of Roots Cast Private Ltd.'s Working Capital Management in Coimbatore (2019–2024) The flow of money in several forms that support a business's daily operations is referred to as working capital. Materials, stores, fuel, semi-finished and finished items (including work-in-progress and by-products), cash on hand, and the net worth of various debtors are all considered to be part of working capital, according to the Annual Survey of Industries. Managing current assets and liabilities to prevent financial bottlenecks is a key component of effective working capital management. The purpose of this study is to investigate the working capital management practices of Roots Cast Private Ltd. in Coimbatore throughout the 2019–2020 to 2023–2024 timeframe. The study uses secondary data from the company's financial records and takes an analytical research technique. The data was evaluated using tools like trend analysis, ratio analysis, and the working capital change schedule. According to the findings, the working capital turnover ratio rose between 2020 and 2021 but fell in the years that followed. This pattern implies that increased investment levels were a result of the creditors' liquidation at that time. The management of the business must adopt more proactive and effective working capital procedures to handle these swings. Maintaining smooth business operations depends on locating and fixing operational problems. In the end, the study's conclusions provide useful advice to improve the business's working capital management. Over time, increased effectiveness in this area can benefit the business and its stakeholders by improving overall performance, profitability, and financial stability.*

Keywords- Working Capital, Profitability, creditpolicy, Financial Working Capital

I. INTRODUCTION

When assessing a company's short-term financial stability, working capital is a crucial financial statistic. It is calculated by subtracting current liabilities from current assets on the balance sheet. Professionals frequently use this metric to evaluate operational efficacy and liquidity, as well as whether a company can pay its short-term financial

obligations. Working capital basically shows if a business has enough liquid assets to pay off its short-term debt that is due within a year.

Categories of Working Capital

- **Gross Working Capital**—The total amount of a company's current assets.
- **NetWorkingCapital**—
The surplus of current asset over current liabilities.
- **Permanent Working Capital** – The baseline level of working capital required for continuous business operations.
- **TemporaryWorkingCapital**—
The extra working capital needed to manage seasonal or short-term fluctuations in business activity.

II. REVIEW OF LITERATURE

Song Zhen, Liu Duan and Chen Shou (2024) study the two aspects - turnover capacity and liquidity, and have analyzed the effects of working capital on engineering product market completion performance in the manufacture industry. The study discovers that enterprise working capital turnover ability has positive effect on product market competition performance while enterprise working capital liquidity has a negative relationship with market competition performance. But according to regression equation to predict the competition effects of working capital, exists larger error because the actual impact of working capital on competition performance may be non-linear so the authors have used B P Neural Network Model to predict the competition performance and the results show that the overall prediction effect is good. **Samson Adediran A, MaryJosiah, Yemisi Bosun- Fakunle and Erekpitan Imuzeze** hope to empirically investigate the impact of working capital management on the profitability of a sample of 30 SME's of Nigeria during 2009

Jaworski, J., & Czerwonka, L. (2023). The aim of this paper is to identify the relationships between measures of working capital management (cash conversion cycle /CCC/, working capital value /WC/ and the financial liquidity /CR/) and

profitability of companies listed on the Warsaw Stock Exchange. The research material consisted of data of 326 companies from 1998–2016. The analysis revealed significant non-linear relationship between WC, CR and profitability. When WC and CR values grow, profitability increases, but at a slower pace. However, there is a linear negative relationship between CCC and profitability. The results are influenced by the industry and the GDP growth. This indicates that profit-driven entrepreneurs try to delay payments to suppliers. They pay off bank loans from the funds thus generated. This study contributes to the verification of theories linking profitability with working capital management with emphasison the influence of the industry.

Juan Gallegos Mardones (2022). Working capital management is one of the most important decisions that affect an organisation's financial performance. Despite the importance of this topic, the empirical evidence for emerging economies is scarce; therefore, this research attempts to estimate and compare how investment in working capital impacts the financial performance of companies listed on the stock exchanges in Chile, Mexico, Peru, and Brazil for the years 2000 to 2018. This study uses panel data methodology, and the results show the existence of a positive and significant but non-linear relationship between investments in working capital and firm performance. However, there are mixed results for different countries and industries that could be explained by macroeconomic variables that favour access to financing for such investments. Furthermore, the results show that investments in working capital perform better for larger companies than smaller companies.

Muhammad Yousaf & Petr Bris, David McMillan(2021). The main aim of the current study is to explore the relationship between working capital (WC) and firm performance. We chose a sample of 326 Czech firms, including 20 certified firms from the EFQM (European Foundation for Quality Management) Excellence Model from the Albertina database. The sample of the Czech firms was taken from three sectors: manufacturing, automobile, and construction. We employed a two-step system generalized method of moment (GMM) technique to determine the results. The study results revealed a negative impact of WC on firm performance; moreover, the firms having a quality certificate from the EFQM Excellence Model perform better. The findings of previous research, which were held globally, and the current study results will encourage the directors, managers, and leaders of the Czech firms to participate in the quality award.

SCOPE OF THE STUDY

This study's primary goal is to investigate Roots Cast Private Ltd.'s working capital management procedures in Coimbatore. In addition to assessing how effectively these resources are being used inside the company, it entails analyzing the present assets and liabilities. This project's goal is to evaluate the financial performance of the business, both now and in the past, in areas like cash, inventories, accounts payable, and accounts receivable. Due to time constraints, the company's annual reports covering a five-year period—from 2019–2020 to 2023–2024—were used as the basis for the analysis. The purpose of this study is to help management make informed decisions going forward. Using this type of financial analysis to inform prompt and accurate decision-making can assist propel the business toward greater profitability.

STATEMENT OF THE PROBLEM

Effective working capital management is essential to every company's smooth operation. Many businesses, however, struggle to properly monitor and manage their working capital, which can result in issues like cash shortages, higher borrowing, or excess inventory that locks up necessary funds. Such inefficiencies can limit a company's potential for growth or reaction to new market opportunities, as well as its ability to meet its short-term obligations. These difficulties can raise operating costs, reduce overall profitability, and jeopardize the organization's financial stability if they are not adequately handled. Examining the current shortcomings in working capital management and suggesting workable solutions are the goals of this study.

LIMITATIONS OF STUDY

- A limited picture of the company's overall performance was given by the project's primary secondary data, which included the balance sheet, profit and loss account, yearly reports, and accounting records.
- Due to time limits imposed by the company, only a certain number of days were allotted for the project, which limited the amount of analysis that could be done on the subject.
- The study's scope was restricted to a five-year period, from 2019–2020 to 2023–2024.

RESEARCH OBJECTIVES

- To assess the short-term liquidity status of the business.
- To assess how well the business manages its credit.

- To evaluate the company's long-term financial stability.
- To assess and gauge the profitability of the business.
- To investigate the efficiency with which the business uses its working capital.
- To look into how the working capital of the business has changed over time.

III. RESEARCH METHODOLOGY

The goals, procedures, and expected results of the study are all connected by the research design, which is a strategic framework. Using a data-driven methodology, this study employs a quantitative research strategy to glean insights from the business's financial documents. Five years' worth of financial data are the subject of the analysis. The company's annual reports and financial statements for the given time period are the main sources of the secondary data that was used. The process of choosing a subset of the population to collect and examine data is known as sampling. Numerous sampling techniques can be broadly divided into two categories. To guarantee a representative and random sample for this investigation, the probability sampling technique was utilized.

IV. ANALYSIS AND INTERPRETATION

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TABLESHOWINGCURRENTRATIO

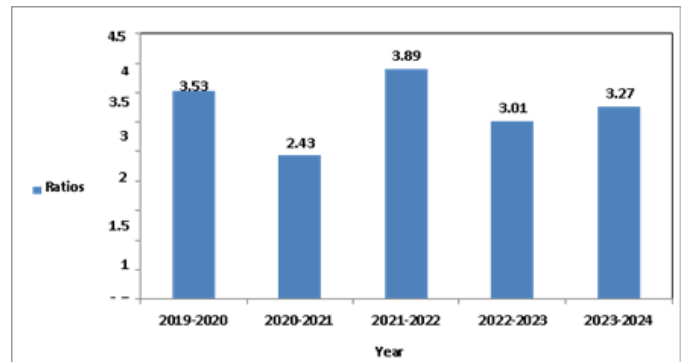
(Rsin Crores)

Year	Current Assets	Current Liabilities	Ratios
2019-2020	3382.28	957.38	3.53
2020-2021	2630.81	1081.57	2.43
2021-2022	3522.08	904.92	3.89
2022-2023	3616.40	721.91	3.01
2023-2024	5398.09	1653.28	3.27

Sources: Annual report

INTERPRETATION:

The company's current ratio has been varying, but it consistently maintains the ideal ratio of 2:1. In the year 2022-2023, the current ratio rose to 3.01. Generally, the company's current assets have been on the rise, largely due to an increase in surplus funds. These surpluses are designated for investment in upcoming projects.



CHARTNO:8.1.1

CHARTSHOWINGCURRENTRATIO

TABLE8.2

TABLESHOWINGWORKINGCAPITALTURNOVERRATIO

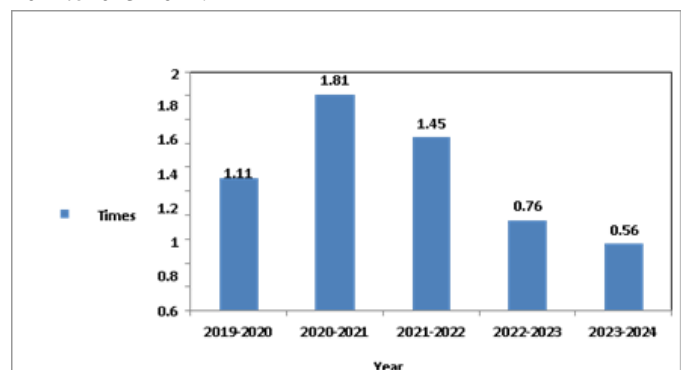
(Rsin Crores)

Year	Sales	Networking capital	Times
2019-2020	2681.48	2424.90	1.11
2020-2021	2806.09	1549.24	1.81
2021-2022	3001.94	2617.16	1.45
2022-2023	2201.41	2894.49	0.76
2023-2024	2108.11	3744.81	0.56

Sources: Annual report

INTERPRETATION

The working capital ratio has been steadily declining over the years, suggesting a reduced ability of the firm to cover its current obligations. The working capital turnover ratio saw an increase in 2020-2021, reaching 1.81. However, a downward trend was observed from 2021-2022 to 2023-2024.



CHARTNO:8.2.2

CHARTSHOWINGWORKINGCAPITALTURNOVERRATIO

V. FINDINGS

CURRENT RATIO:

The company's sound liquidity condition is indicated by the current ratio. It exhibits an upward tendency, with the extra money meant for new project investments.

WORKING CAPITAL TURNOVER RATIO:

After rising in 2020–2021, the working capital turnover ratio began to decline in the years that followed. This resulted from the 2020–2021 conversion of accrued power dues into power bonds. As a result, the business paid off its outstanding obligations, which increased investment.

VI. SUGGESTIONS

- A strong information system should facilitate smooth coordination between production, sales, inventory management, and credit collections; the company's strong financial performance allows it to gain a significant marketshare and experience growth.
- Strong liquidity is suggested by an increasing current ratio; however, if it rises too high, it can mean the business is not making the most use of its resources for expansion.
- The quick ratio demonstrates that the business has enough cash on hand to pay its short-term obligations on schedule.
- The company's ability to produce sales is shown in the turnover ratio; a high turnover ratio over a five-year period is a sign of strength.

VII. CONCLUSION

The study of Roots Cast Private Ltd.'s working capital management in Coimbatore leads to the conclusion that, in spite of the recommendations made, the business must concentrate on cutting production costs in order to increase profitability. Over the course of the five years, the inventory turnover has stayed high. Additionally, the business should strive to maintain a strong liquidity position and boost sales. The suggestions put forth are doable and are probably going to increase profitability. The business should also concentrate on developing its brand, reaching a wider audience, and aiming for excellence. In the dynamic and intricate corporate world of today, management needs to be more proactive and effective in solving problems. Effective working capital management is essential to overcoming these obstacles in order to recognize problems and put the required procedures in place for efficient corporate operations.

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