

Evaluating The Impact Of Working Capital Administration In Luker Private Limited

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Abstract- This research explores the significance of working capital management in sustaining financial health and operational efficiency within Luker Private Limited. It aims to identify the key components of working capital—namely cash, inventory, receivables, and payables—and to evaluate the company's financial practices through statement analysis. The study assesses how effectively the organization balances its short-term assets and liabilities to ensure uninterrupted business activities and enhanced liquidity. It also investigates potential improvements in the company's working capital policies that can contribute to profitability and resource optimization.

I. INTRODUCTION

Working capital management is a fundamental aspect of financial strategy, dealing with the control and utilization of a firm's current assets and liabilities. It ensures the smooth operation of daily business functions and supports long-term profitability. Effective administration of working capital involves maintaining optimal levels of inventory, ensuring timely collection of receivables, and managing payables efficiently. This study seeks to understand how Luker Private Limited handles these elements and to offer actionable insights.

II. REVIEW OF LITRATURE

Numerous studies have examined the dynamics between working capital management and business performance. Rao and Rao (1991) observed that mismanagement of working capital in public manufacturing firms in Karnataka led to inefficiencies, whereas companies following standardized norms performed better. Singh (2004) analyzed Lupin Laboratories, noting a strong liquidity position but an over-reliance on receivables. Parasuraman (2004) found that pharmaceutical companies using flexible credit policies saw improved profitability. Eljelly (2004) concluded that cash conversion cycles are better indicators of liquidity than current ratios. Further studies, including those by Lazaridis and Tryfonidis (2006), Arindam Ghosh (2007), and others,

reinforce the impact of efficient working capital practices on corporate performance.

III. RESEARCH OBJECTIVES

Primary Objectives:

- To identify key components of working capital.
- To analyze financial statements of Luker Private Limited.
- To examine the company's working capital strategies.

Secondary Objective:

- To recommend improvements for cost control and liquidity enhancement.

SCOPE OF THE STUDY

This study evaluates the real-world application of working capital management at Luker Private Limited. It bridges theoretical frameworks with practical execution, providing insights that are applicable to similar companies. The analysis focuses on financial data from recent years to assess how well the company maintains cash flow and meets operational needs.

PROBLEM STATEMENT

Though working capital is vital for operational success, many firms face challenges in managing it effectively. Inadequate liquidity can disrupt daily activities, while excessive capital may reflect inefficiencies. Luker Private Limited's working capital practices need critical assessment to understand their impact on the company's performance.

III. RESEARCH METHODOLOGY

The study employs an analytical approach using secondary data from the company's financial reports. Tools such as ratio analysis, trend analysis, and comparative

financial statements are used to examine liquidity, efficiency, and solvency. Key metrics include current ratio, quick ratio, working capital turnover, and inventory turnover.

IV. DATA ANALYSIS

The data reveals a fluctuating trend in net working capital over the years, with significant increases in current assets from 2016 to 2022. Although current liabilities also increased, the company has generally maintained a positive working capital position. Ratio analysis highlights variations in liquidity and efficiency, while comparative balance sheets show growth in both assets and liabilities.

Table 4.1 shows the calculation of networking capital

Networking capital:

Networking capital = Current - Current Liabilities

Calculation of current assets

YEAR	INVENTORY	Trade receivables	cash and cash equivalents	short term and advances	current assets
2016-2017	16,201,579	63,471,592	470,516	1,060,360.00	81,204,047
2017-2018	207,436,098	117,279,253	1,496,213	2,291,473.17	328,503,037
2018-2019	517,538,404	245,218,964	24,568,029	45,508,164	832,833,561
2019-2020	658,295,983	334,135,322	309,245,541	73,579,031	1,375,255,877
2020-2021	697,866,482	393,784,268	255,079,599	28,028,252	1,374,758,601
2021-2022	769,999,909	505,325,026	29,625,437	57,405,619	1,362,355,991

Calculation of Current Liabilities

YEAR	Shortterm borrowing	Trade payables	Other current liabilities	Shortterm provisions	current liabilities
2016-2017	11,406,189.89	113,509,35.69	27,953,455.54	3,356,803.00	540,673,84.12
2017-2018	93,054,747.21	110,885,763.69	29,008,123.59	13,265,760.00	246,214,394.5
2018-2019	231,894,456	109,855,912	108,766,115	46,604,060	497,120,543
2019-2020	33,046,460	117,139,466	35,115,322	-	185,301,248
2020-2021	79,129,399	148,933,351	42,941,750	-	271,004,500
2021-2022	-	205,783,509	53,226,321	5,173,138	264,182,968

Calculation of Networking capital

YEAR	Current assets	Current Liabilities	Networking Capital
2016-2017	81,204,047	540,673,84.12	27,136,663
2017-2018	328,503,037	246,214,394.5	82,288,643
2018-2019	832,833,561	497,120,543	335,713,018
2019-2020	1,375,255,877	185,301,248	1,189,954,629
2020-2021	1,374,758,601	271,004,500	1,103,754,101

Interpretation:

The above table shows that the value of Net Working Capital was high (1,189,954,629) in the year 2019 - 2020 and it is low (27,136,663) in the year 2016 – 2017.

COMPARATIVE BALANCE SHEET

Table 4.2 shows the Balance Sheet as on March 2017

Particulars	1st March 2017	1st March 2016	Percentage
	(Amount in Rupees)	(Amount in Rupees)	
ASSETS			
(a) Fixed assets			
(i) Tangible assets	12,365,165.46	2,038,343.89	8.08%
(b) Other non-current asset	89,420.00	100,597.50	0.001%
Current Assets			
(a) Inventories	207,436,098.82	16,201,579.20	4.82%
(b) Trade receivables	117,279,253.92	63,471,592.67	8.52%
(b) Cash and cash equivalents	1,496,212.95	470,515.95	6.68%
(d) Short-term loans and advances	2,291,473.17	1,060,360.00	4.36%
(e) Other current assets	9,634,403.60	543,545.00	1.03%
TOTAL	350,592,027.93	83,886,534.21	2.85%

Table4.3 Balance Sheet as on 2018

Particulars	1stMarch 2018	1stMarch 2017	Percentage
	Amountin Rupees)	Amountin Rupees)	
EQUITYANDLIABILITIES			
Shareholders'funds			
(a) Sharecapital	70,000,000	23,000,000	1.42%
(b)Reservesand surplus	149,656,657	35,137,671	6.68%
Shareapplicationmoney pending allotment			
Non-currentLiabilities			
(a)Long-term borrowings	168,026,389	46,024,434	5.95%
(b)Deferredtaxliabilities(Net)	403,813	195,528	0.00024%
Currentliabilities			
(a)Short-term borrowings	231,894,456	93,054,747	4.31%
(b)Trade payables	109,855,912	73,885,124	9.10%
(c)Othercurrentliabilities	108,766,115	66,512,484	9.19%
(e)Short-termprovisions	46,604,060	13,265,760	2.14%
TOTAL	885,207,399	351,095,749	1.12%

Particulars	1stMarch 2018	1stMarch 2017	Percentage
	Amountin Rupees)	Amountin Rupees)	
ASSETS			
Non-currentassets			
(a)Fixedassets			
(i)Tangibleassets	15,677,678	12,365,165	6.37%
(b)Othernon-currentasset	0	89,420	-
Currentassets			
(a)Inventories	517,538,405.0	207,436,099	1.93%
(b)Tradereceivables	245,218,964.00	117,782,975	4.07%
(c)Cashand cashequivalents	24,568,029.00	1,496,213	4.07%
(d)Short-termloansand advances	7,681,684.00	2,291,473	1.30%
(e)Othercurrentassets	74,522,639.00	9,634,404	1.34%
TOTAL	885,207,399	351,095,749	1.12%

INTERPRETATION:

In the above analysis, the comparison table shows that the shareholder's fund has increased for the year 2018 compared to the year 2017 at 8.1%, and non-current liabilities for the year 2018 has increased compared to the year 2017 at 5.95% and totalcurrent liabilities for the year 2018 has increased compared to the year 2017 at - 24.74% and the non-current assets for the year 2018 has decreased compared to the

year2017at 6.37%andthecurrent assetsforthe year2018has increasedcomparedto the year 2017 at 12,71%.

Table4.4BalanceSheetason2019

Particulars	1stMarch 2019	1stMarch 2018	Percentage
	(Amount in Rupees)	(Amountin Rupees)	
EQUITYANDLIABILITIES			
Shareholders'funds			
Sharecapital	87,500,000	70,000,000	1.14%
Reservesand surplus	1,138,851,622	149,657,767	8.78%
Non-currentliabilities			
Long-term borrowings	12,233,478	156,400,392	8.17%
Deferredtaxliabilities (net)	-	403,812	0
Long-termprovision	2,415,638	-	-
Currentliabilities			
Short-term borrowings	33,046,460	229,212,826	3.02%
Tradepayables			
(a)Totaloutstandingdues ofmicro enterprisesandsmallenterprises,	892,874	2,124,133	0.00011%
(b) Total outstanding dues of creditorsotherthanmicroenterprises and small enterprises	116,246,592	201,398,081	8.60%
Othercurrentliabilities	35,115,322	29,407,439	2.84%
Short-termprovisions	-	15,101,756	-
TOTAL	1,426,301,986	853,706,206	7.01%

Particulars	1stMarch 2019	1stMarch 2018	percentage
	(Amount in Rupees)	(Amount in Rupees)	
ASSETS			
Non-currentassets			
Property,plantandequipment			
Tangibleassets	40,818,844	15,657,179	2.44%
Intangibleassets	1,669,936	20,500	5.98%
Deferred taxassets(net)	1,441,862	-	-
Long-termloansandadvances	1,788,942	-	-
Othernon-currentasset	441,253	2,936,831	0.00022%
Currentassets			
Inventories	658,295,983	517,538,404	1.51%
Tradereceivables	334,135,322	245,218,964	2.99%
Cashand cashequivalents	309,245,541	24,568,029	3.23%
Short-termloansandadvances	73,579,031	45,508,164	1.35%
Othercurrentassets	4,885,671	2,258,134	2.04%
TOTAL	1,426,301,986	853,706,206	7.01%

INTERPRETATION:

In the above analysis, the comparison table shows that the shareholder's fund has decreased for the year 2019 compared to the year 2018 at 9.92%, non-current liabilities for the year 2019 has increased compared to the year 2018 at 8.17% and totalcurrent liabilities for the year 2019 has increased compared to the year 2018 at - 14.46% and the non-current assets for the year 2019 has decreased compared to the year2018at 8.42%andthecurrent assetsforthe year2019has increasedcomparedto the year 2018 at 11.12%.

V. FINDINGS

- Net Working Capital increased significantly post-2018.
- Shareholder equity and current assets showed consistent growth.
- Liquidity ratios fluctuated, indicating room for better financial planning.
- Inventory turnover varied, suggesting potential for improved stock management.

VI. SUGGESTIONS

- Enhance operational efficiency to reduce liability burdens.
- Allocate more funds to current assets for better liquidity.
- Implement tighter credit control to improve receivable turnover.
- Optimize inventory levels to prevent stockpiling or shortages.
- Increase financial awareness to improve strategic decision-making.

VII. CONCLUSION

The research confirms that effective working capital management directly influences a company's liquidity and operational success. While Luker Private Limited has demonstrated a generally positive trend, there are areas for improvement. Strategic reforms in asset utilization and liability control could strengthen the company's financial standing and long-term sustainability.

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