

A STUDY ON WORKING CAPITAL MANAGEMENT IN ANANTHA PVC PIPES PVT LTD, AT HAMPAPURAM, ANANTHAPUR, ANDHRA PRADESH

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Abstract:

Working capital management is crucial for the financial stability and growth of businesses across industries. This project aims to explore and analyze various strategies and techniques for optimizing working capital management with the ultimate goal of improving overall financial performance. This project investigates the optimization of working capital management to improve financial performance. It examines working capital components, theories, and models, utilizing quantitative methods to analyze historical financial data across companies. The study explores the influence of technology on working capital practices. Findings offer insights into strategies for liquidity enhancement, cost reduction, and profitability improvement, aiding businesses in achieving sustained growth.

KEY WORDS: Working capital Company profile Liquidity ratio Financial performance Anantha PVC Pipes Pvt Ltd Secondary data

I INTRODUCTION

Working capital refers to the amount of money a company has available to cover its day-to-day operational expenses and short-term liabilities. It represents the difference between a company's current assets and its current liabilities. Current assets include cash, accounts receivable, inventory, and other assets that are expected to be converted into cash within one year. Current liabilities, on the other hand, include accounts payable, accrued expenses, and other short-term debts that are due within one year. The concept of working capital is crucial because it reflects a company's ability to meet its short-term financial obligations and fund its ongoing operations.

MEANING OF WORKING CAPITAL

Working capital refers to the financial metric that measures a company's operational liquidity and short-term financial health. It represents the difference between a company's current assets and its current liabilities. In other words, working capital is the amount of money a company has available to cover its day-to-day operational expenses and short-term obligations. Current assets typically include cash, accounts receivable (money owed to the company by customers), inventory, and other short-term assets that can be easily converted into cash within a year. Current liabilities include accounts payable (money owed by the company to suppliers and creditors), short-term debt, and other obligations that need to be settled within a year.

II INDUSTRY PROFILE

Modern living is now linked with plastic. Undoubtedly, this is a product that has a significant impact on everyday life for the average person. It is understandable why the industry has succeeded in terms of raw material supply expansion, processing capability diversification, and production of processing apparatus and equipment. This adaptable material will likely replace many traditional and expensive industrial materials like wood, metal, glass, jute, lather, etc. to a great extent in the future because of its superior properties like light weight, easy processing, corrosion resistance, energy conservation, etc.

COMPANY PROFILE

A dynamic businessperson Nandi Pipes Pvt Ltd, a black pipe manufacturing business founded in 1977 by Sri S.P.Y.Reddy, is located in the Kurnool district's Nandyal. In 2002, Anita PVC Pipes Pvt Ltd was established. The factory was taken over by Nandi Group Company and is located in NH-7,

Hampapuram Village, Raptadu Mandal, and Anantapur District. Under the direction of Mr. S.Sreedhar Reddy, a youthful, seasoned, and dynamic managing director, a team of professionals handle the business.

SCOPE OF THE STUDY

- The study focuses on the Working capital management in Anantha PVC Pipes Pvt Ltd, Anantapur.
- The study covers period of 5 years i.e., 2018- to 2022-2023.

OBJECTIVES OF THE STUDY

- To study the working capital position of the Anantha PVC Pipes Pvt Ltd.
- To know the liquidity position of the Anantha PVC Pipes Pvt Ltd.
- To analyze the operating efficiency of the Anantha PVC Pipes Pvt Ltd.
- To find the correlation between Current Assets and Current Liabilities of Anantha PVC Pipes Pvt Ltd.

III RESEARCH METHODOLOGY

The study is mainly based on the “secondary data”.

Secondary data

The secondary data is collected from the annual reports of the Anantha PVC Pipes Pvt limited.

The related data is obtained from the printed and published journals and financial statements of the corporation.

TOOLS AND TECHNIQUES

Ratio analysis-liquidity ratio, turn over ratio

Statement shows changes in working capital

Correlation

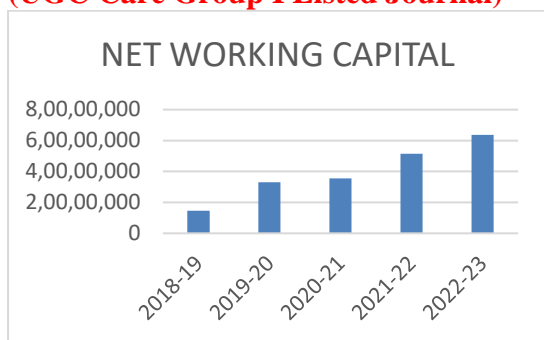
LIMITATIONS OF THE STUDY

- The study is based on the secondary data obtained from the published reports.
- The study is confined to a period of 5 years i.e., 2018-19 to 2022-23.

IV DATA ANALYSIS AND INTERPRETATION

Components of working capital during the period 2018-19 to 2022-23

YEAR	NET WORKING CAPITAL
2018-19	1,45,64,785
2019-20	3,29,60,711
2020-21	3,54,70,519
2021-22	5,15,50,021
2022-23	6,35,70,599



Interpretation:

From the above table it is clear that the net working capital has been increasing during the above years of study period. In the year 2018-2019 it is Rs.1,45,64,785 and it has increased to Rs.6,35,70,599 in the year 2022-23.

1.LIQUIDITY RATIOS

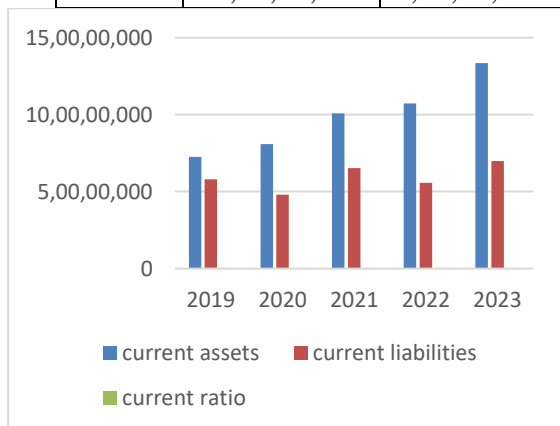
- Current ratio
- Quick ratio
- Cash ratio
- Net working ratio

CURRENT RATIO

Current ratio is calculated by dividing total current assets to total liabilities. This ratio is also known as “working capital ratio”.

Current ratio=Current assets\Current liabilities

Years	Current Assets	Current Liabilities	Current Ratio
31/3/19	7,26,42,918	5,80,78,133	1.25
31/3/20	8,09,04,249	4,79,43,538	1.68
31/3/21	10,08,08,626	6,53,38,107	1.54
31/3/22	10,72,83,084	5,57,33,063	1.92
31/3/23	13,35,15,335	6,99,44,736	1.90



Interpretation:

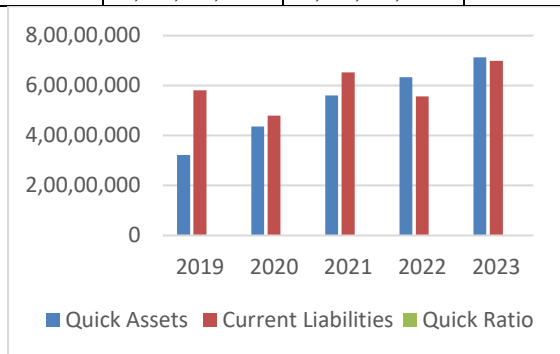
The standard ratio of current ratio is 2:1. The above graph reveals that the current ratio is fluctuating trend. The highest current ratio is 1.92 in the year 2021-22 and lowest current ratio is 1.25 in the year 2018-19.

QUICK RATIO

Quick ratio=Quick assets\Current liabilities

Years	Quick Assets	Current Liabilities	Quick Ratio
2019	3,21,73,304	5,80,78,133	0.55
2020	4,35,84,013	4,79,43,538	0.99
2021	5,60,22,841	6,53,38,107	0.85

2022	6,33,43,615	5,57,33,063	1.13
2023	7,12,67,298	6,99,44,736	1.1



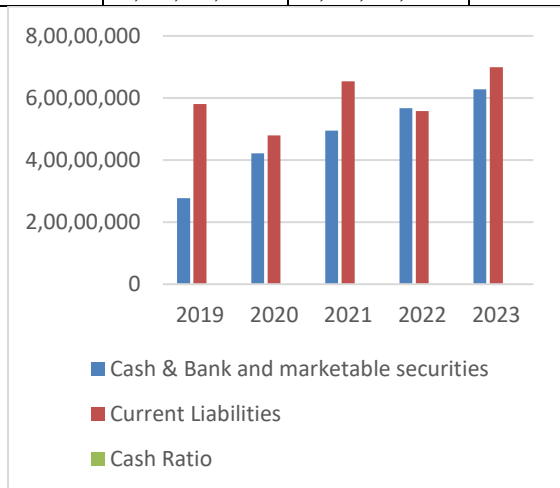
Interpretation:

The standard ratio of quick ratio is 1:1. The above graph represent that the quick ratio is in fluctuating trend. The highest quick ratio is 1.13 in the year 2021-22 due to decrease in sundry creditors. The lowest quick ratio is 0.55 in the year 2018-19 due to decrease in cash and sundry debtors.

CASH RATIO

Cash ratio=cash+marketable Securities\current liabilities

Years	Cash & Bank and marketable securities	Current Liabilities	Cash Ratio
2019	2,76,79,796	5,80,78,133	0.48
2020	4,21,60,014	4,79,43,538	0.88
2021	4,95,06,442	6,53,38,107	0.76
2022	5,66,77,708	5,57,33,063	1.02
2023	6,27,59,886	6,99,44,736	0.90



Interpretation:

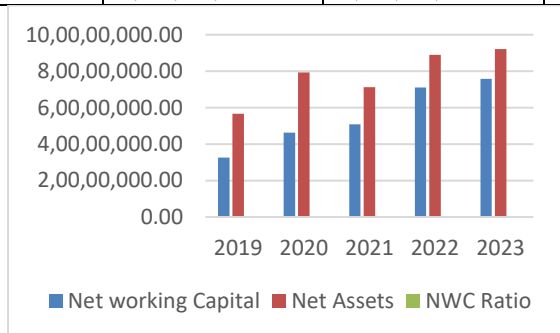
The standard cash ratio is 0.5:1. The above graph represent that the cash ratio is in fluctuating trend .The cash ratio is higher in the year 2021-22 due to maintain the high level of cash balance and the lowest quick ratio is 0.48 in the year 2018-19 due to increase in current liabilities.

Net working capital ratio

Net working capital ratio= net working capital\net assets

Years	Net working Capital	Net Assets	NWC Ratio
2019	3,26,11,748.28	5,66,67,463.28	0.58
2020	4,62,34,394	7,92,61,853	0.58

2021	5,08,29,601.53	7,12,40,478.48	0.71
2022	7,09,99,123.60	8,89,77,044.55	0.80
2023	7,57,34,176.66	9,22,27,498.61	0.82



Interpretation:

From the above table it is clear that the net working capital ratio has been showing increasing trend during the above years of study period. In the year 2019-20 the ratio is 0.58 and it has increased to 0.82 in the year 2022-23. The net working capital ratio is satisfied.

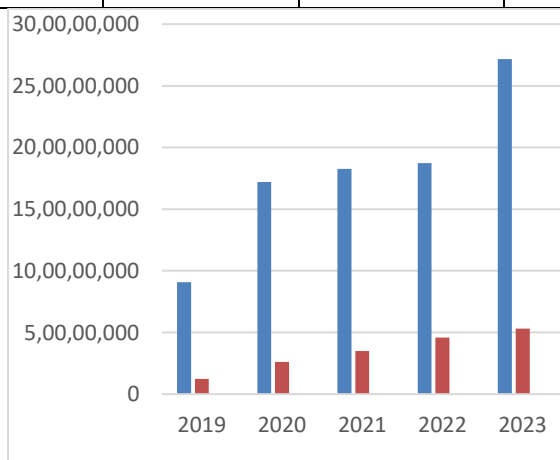
TURNOVER RATIOS

DEBTOR TURNOVER RATIO:

Debtors turnover ratio expenses the relationship between average debtors and sales. It is calculated as follows:

$$\text{Debtors turnover ratio} = \frac{\text{Credit sales}}{\text{Average debtors}}$$

Years	Credit sales	Average Debtors	Debtors Turnover Ratio
2019	9,06,92,666	1,23,92,788.5	7.32
2020	17,21,22,322	2,62,32,686.5	6.56
2021	18,27,85,083	3,49,19,905	5.23
2022	18,73,06,621	4,58,33,228	4.09
2023	27,18,35,766	5,30,92,075	5.12



Interpretation:

Debtors turnover ratio indicates the number of times debtors are converted into sales in the each year. The above graph represents that the debtors turnover ratio is in fluctuating trend. In the year

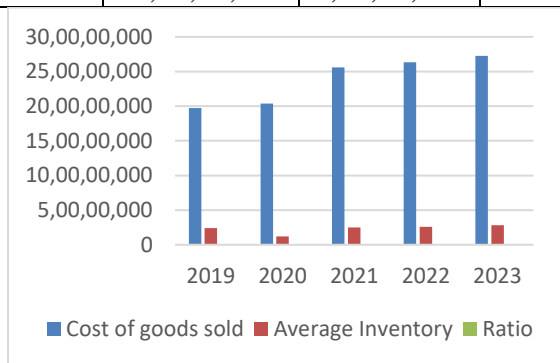
2022-23 the debtors turnover ratio is (5.12times) as compared to (4.09 times) in the year 2021-22 due to increase in credit sales.

INVENTORY TURNOVER RATIO

Inventory turnover ratio=cost of goods sold\average inventory

Average inventory=(Opening stock+closing stock)\2

Years	Cost of goods sold	Average Inventory	Ratio
2019	19,73,72,529	2,42,10,278	8.15
2020	20,35,84,013	1,21,43,524	16.7
2021	25,60,22,841	2,50,32,101	10.22
2022	26,33,43,615	2,57,33,063	10.23
2023	27,24,65,789	2,79,86,917	9.73



Interpretation:

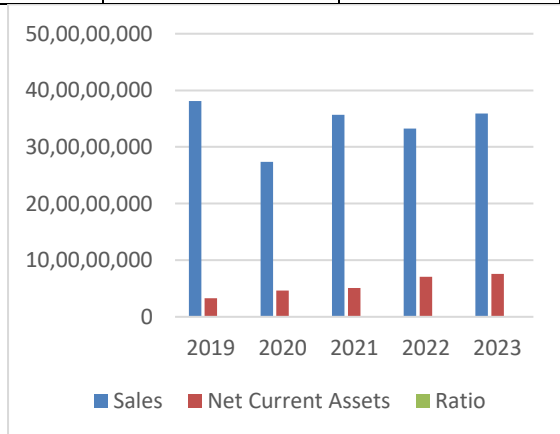
From the above graph represent that the inventory turnover ratio is in fluctuating trend. The highest inventory turnover ratio is 16.7 in the year 2019-20 due to increase in COGS.

Current Assets Turnover Ratio:

Current Assets turnover ratio expresses the relationship between net current assets and sales. It is calculated as follows:

Current assets turnover ratio=sales\net current assets

Years	Sales	Net Current Assets	Ratio
2019	38,10,13,523	3,26,11,748.28	11.68
2020	27,36,30,389	4,62,34,394	5.92
2021	35,65,74,550.48	5,08,29,601.53	7.02
2022	33,23,96,494.49	7,09,99,123.60	4.68
2023	35,92,77,141.83	7,57,34,176.66	4.74



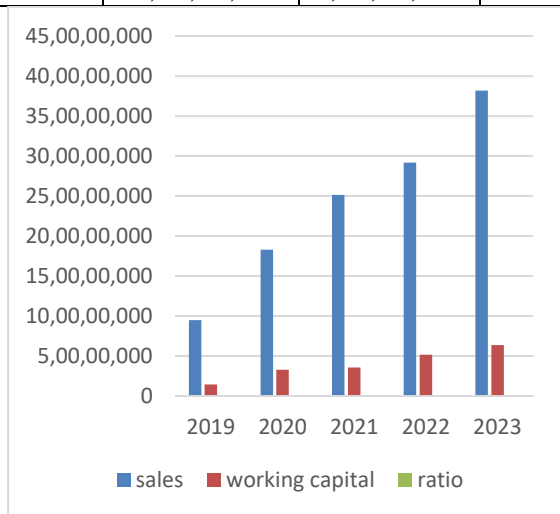
Interpretation:

From the above table it is clear that use of current assets is fluctuating year by year. In the year 2019-20 the ratio is 11.68 and it has decreased to 4.74 in the year 2022-23.

Working Capital Turnover Ratio:

Working capital turnover ratio=sales\working capital

Years	Sales	Working Capital	Ratio
2019	9,49,62,380	1,45,64,785	6.52
2020	18,27,85,083	3,29.60,711	5.54
2021	25,12,01,421	3,54,70,519	7.08
2022	29,18,35,766	5,15,50,021	5.66
2023	38,18,38,298	6,35,70,599	4.90



Interpretation:

From the above graph represent the higher working capital turnover ratio is 7.08times in the year 2020-21 it indicates the greater the profits. The low working capital turnover ratio is 4.90 times in the year 2023,it indicates that the working capital is not effectively utilised.

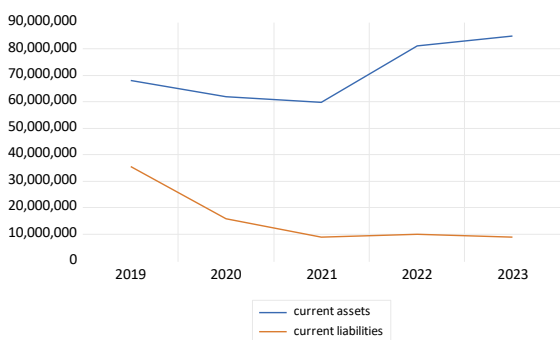
HYPOTHESIS TESTING USING CORRELATION

Null Hypothesis (H0): There is a negative correlation between current assets and current liabilities.

Alternate Hypothesis (Ha): There is a positive correlation between current assets and current liabilities.

CALCULATION OF CORRELATION BETWEEN CURRENT ASSETS AND CURRENT LIABILITIES

	CURRENT ASSETS	CURRENT LIABILITIES
CURRENT ASSETS	1.000000	-0.253873
CURRENT LIABILITIES	-0.253873	1.000000



Interpretation:

The correlation between "CURRENT ASSETS" and "CURRENT LIABILITIES" is negative but relatively weak, with a value of -0.253873. It indicates that there is a slight tendency for companies

or entities with higher levels of current assets to have slightly lower levels of current liabilities and vice versa.

THUS, WE ACCPET NULL HYPOTHESIS BECAUSE THERE IS A NEGATIVE CORRELATION BETWEEN CURRENT ASSETS AND CURRENT LIABILITIES.

V FINDINGS

Above table and chart represent the net working capital of Anantha pvc pipes pvt ltd, Hampapuramu

- From the components of working capital the period 2018-19 to 2022-23 table it is clear that the net working capital has been increasing during the above years of study period. In the year 2018-2019 it is Rs.1,45,64,785 and it has increased to Rs.6,35,70,599 in the year 2022-23.
- The statement showing the changes in working capital for the year 2018-19 and 2019-20 table shows that there is net increase in the working capital of Rs. **1,45,64,785** during the year 2018-19 with compared to the year 2019-20.
- The statement showing the changes in working capital for the year 2019-20 and 2020-21 table shows that there is net increase in the working capital of Rs.25,09,808 during the year 2019-20 with compared to the year 2020-21.
- The statement showing the changes in working capital for the year 2020-21 and 2021-22 shows that there is net increase in the working capital of Rs.5,51,50,021 during the year 2020-21 with compared to the year 2021-22.
- The statement showing the changes in working capital for the year 2021-22 and 2022-23 table shows that there is net increase in the working capital of Rs.1,20,20,578 during the year 2021-22 with compared to the year 2022-23.
- The standard ratio of current ratio is 2:1. The above graph reveals that the current ratio is fluctuating trend. The highest current ratio is 1.92 in the year 2021-22 and lowest current ratio is 1.25 in the year 2018-19.
- The standard ratio of quick ratio is 1:1. The above graph represent that the quick ratio is in fluctuating trend. The highest quick ratio is 1.13 in the year 2021-22 due to decrease in sundry creditors. The lowest quick ratio is 0.55 in the year 2018-19 due to decrease in cash and sundry debtors.
- The standard cash ratio is 0.5:1. The above graph represent that the cash ratio is in fluctuating trend. The cash ratio is higher in the year 2021-22 due to maintain the high level of cash balance and the lowest quick ratio is 0.48 in the year 2018-19 due to increase in current liabilities.
- From the above table it is clear that the net working capital ratio has been showing increasing trend during the above years of study period. In the year 2019-20 the ratio is 0.58 and it has increased to 0.82 in the year 2022-23. The net working capital ratio is satisfied.
- Debtors turnover ratio indicates the number of times debtors are converted into sales in the each year. The above graph represents that the debtors turnover ratio is in fluctuating trend. In the year 2022-23 the debtors turnover ratio is (5.12 times) as compared to (4.09 times) in the year 2021-22 due to increase in credit sales.
- From the above graph represent that the inventory turnover ratio is in fluctuating trend. The highest inventory turnover ratio is 16.7 in the year 2019-20 due to increase in COGS.
- From the above table it is clear that use of current assets is fluctuating year by year. In the year 2019-20 the ratio is 11.68 and it has decreased to 4.74 in the year 2022-23.
- From the above graph represent the higher working capital turnover ratio is 7.08 times in the year 2020-21 it indicates the greater the profits. The low working capital turnover ratio is 4.90 times in the year 2023.
- The correlation between "CURRENT ASSETS" and "CURRENT LIABILITIES" is negative but relatively weak, with a value of -0.253873. It indicates that there is a slight tendency for companies or entities with higher levels of current assets to have slightly lower levels of current liabilities and vice versa.
- THUS, WE ACCPET NULL HYPOTHESIS BECAUSE THERE IS A NEGATIVE CORRELATION BETWEEN CURRENT ASSETS AND CURRENT LIABILITIES.

SUGGESTIONS

- Inventory turnover has declining year by year. It is suggested Company to increase inventory level.
- The company current ratio is less than standard ratio, it should increase the current assets which are in the form of sundry debtors, inventory etc.
- Debtors turnover ratio has been showing fluctuating trend. So it is suggested to the company that it should have proper control on the credit sales.
- The company must maintain more cash and marketable securities in its accounts to meet their required liabilities immediately.
- Working capital of the company is fluctuating, so it is suggested that the management is better to maintain sufficient level of working capital for smooth operational activities.
- The company should maintain the turnover ratios in terms of debtors, inventory, working capital at the same level to improve efficiency and earn profits.

CONCLUSION

- The liquidity position of the Anantha PVC Pipes Pvt Ltd., is good. It can be concluded that the working capital management efficiency has been fluctuating every year. It needs to be increased further for effective utilization of current assets.