

WORKING CAPITAL MANAGEMENT PRACTICES OF RAJKUMAR SPINNING MILL, SALEM

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ABSTRACT

This study investigates the working capital management practices in spinning mills, focusing on optimizing liquidity and operational efficiency. It examines the relationship between various components of working capital, such as inventory, accounts receivable, and accounts payable, and their impact on the financial performance of spinning mills. The research explores different strategies employed by spinning mills to manage working capital effectively, including inventory management techniques, credit policies, and cash flow forecasting methods. Additionally, it evaluates the challenges faced by spinning mills in managing working capital and proposes recommendations for improving working capital management practices to enhance profitability and sustainability in the spinning industry.

Keywords: Working Capital Management, Cash flow, Inventory, Accounts Receivables...

1. INTRODUCTION

Fund needed to term purpose for a purchase of raw materials, payments of wages and other day-to-day expences etc.. these fund are known as working capital. Simpale working capital refers to the firm capital which is required for financing short term are current assets such as cash. Marketable security, debtors and inventories working capital is also known as revaluing or circulating capital or short-term capital. Finance is the science of funds management. Finance includes saving money and often includes lending money. The field of finance deals with the concepts of time, money, and risk and how they are interrelated. It also deals with how money is spent and budgeted. Finance is related to money and money management. Incidentally, it is also related to the inflow and outflow of funds. In view of the fact that it is the life blood of economic activities.

2. OBJECTIVES OF THE STUDY

- ✓ To effectiveness of working capital management.
- ✓ To analysis strength and weakliness of the company.
- ✓ To determine liquidity position of the company.
- ✓ To analysis financial healthiness of working capital of the company.
- ✓ To make suggestion working capital management of Rajkumar spinning mills.

3. LIMITATIONS OF THE STUDY

- ✓ There is no separate department for planning working capital in Rajkumar SpinningMill Ltd.
- ✓ The topic working capital management is itself a very vast topic yet very importantalso.
- ✓ Due to time restrains it was not possible to study in depth in get knowledge whatpractices are fallowed at super spinning mill ltd.

4. METHODOLOGY

The study has been conducted in the organization to examine working capital Management in order to enquire into the issue like liquidity, timelines and material Management. The study has been undertaken in the accounting and finance departments of the organization.

Secondary data is collected from the annual reports of Rajkumar spinning mills limited during for the last 5 years. and various other reports like company's mangers journals published books and journals at wed sites.

- ❖ A company annual report
- ❖ Reference books
- ❖ Jouranals
- ❖ Web sites

Sample design

I have been used judgement method in non-random sampling. because hall will not be good respondents to answer my questions. I have selected those who knows about working capital., debtors, creditors, stock etc. sample size is 80 in

different Rajkumar spinning mill for different department.

Data collection

I have been collected data through both primary and secondary.

5. RESULTS AND DISCUSSION

STATEMENT SHOWING CHANGE IN WORKING CAPITAL AS ON 31/MARCH/2013-14

Particulars	2013 yearRS	2014 yearRs	CHANGE INWC INCREASE	DECREASE
Current assets				
Inventory	8760.94	14379.77	5618.83	
Debtors	2920.31	2479.27	-	441.04
Cash in bank	2336.25	2479.27	143.02	
Loan and advances	4867.00	6198.18	1330.70	
Total(a)	19468.86	24792.71	-	
Current liabilities				
Liabilities	4725.91	4890.35	164.44	680.56
Provisions	2775.56	2095.00	-	
Total(b)	7501.47	6985.35	-	
(A-b) net Working capital	11967.39	17807.36	-	
Increase in working Capital				6135.39
Total	6135.39		7256.99	7256.99

INTERPRETATION

From the above table we can conclude that current assets such as Inventories, Trade Receivable Short-term L&A has been increased and Cash decreased. In Current abilities such as Trade payable, Short-term borrowings decreased and Short-term provision, Other current liabilities increased. So, in the year 2013 and 2014 working capital shows a decrease of Rs. 6135.39.

STATEMENT SHOWING CHANGE IN WORKING CAPITAL AS ON 31/MARCH /2014 AND 2015.

Particulars	2014 yearRs	2015 yearRs	CHANGE INWC INCREASE	DECREASE
Current assets				
Inventory	14379.77	14446.41	66.64	
Debtors	2479.27	2739.84	260.57	-
Cash and bank	2479.27	3237.99	758.72	-
Loan and advances	6198.18	5023.27	-	117.81
TOTAL(A)	24792.71	24907.61		-
Current liabilities				
Liabilities	4890.35	6135.93	1245.58	-
Provisions	2095.00	2629.68	534.68	
TOTAL(B)	6985.35	8765.61		-
(A-B) NET Working capital	17807.36	16142.00		-
Increase in working	1691.38	-		1691.38
TOTAL			2866.19	2866.19

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6. RECOMMENDATIONS

- ✓ The desirable current ratio is 2:1 and some years it was more than 2:1 and even 3:1 the company should try to reduce this ratio to 2:1 because idle funds earn nothing.
- ✓ Current assets management needs to be more efficient debtors and inventory management should be stabilized.
- ✓ Despite satisfactory results shown in inventory turnover ratio, investment in inventories has been increasing and decreasing from year to year. This should be stabilized.
- ✓ Net working capital should be 1:1.33 but it is less. There fore has to try to improve its working capital.
- ✓ The working capital position of the super spinning mill ltd, is in fluctuating manner so it is better to maintain exact figure.
- ✓ Company has to make a proper forecasting of sale and working capital to reduce large fluctuation in working capital management.
- ✓ Management should develop credit policy and proper sale realization system from customer so that efficient and effective management of account receivable can be ensured. This will significantly improve the profitability and liquidity of the company
- ✓ Over all company has good liquidity position and sufficient funds.

7. CONCLUSION

Working capital turnover is changing from year to year. Hence, working capital is not used efficiently. The cash ratio of Rajkumar Spinning Mill is very low. The current ratio is very high. Trading and inventory management has been decreasing and increasing in inventories has been decreasing and increasing from year to year. Trading ratio was not favorable. Despite satisfactory results shown in inventory turnover ratio, investment in inventories has been decreasing and increasing from year to year. Net profit ratio has been shown an increasing trend. The working capital position of the company is satisfactory, the organization which manages its financial operation effectively proper to be successful to decrease the long term loans and current asset. So it is not finding any difficulties to discharge its obligation under the light of the inferences drawn from the analysis, it is no exaggeration to conclude with information that the overall working capital management Rajkumar spinning mill ltd is fair and reasonably good and thus promoting future growth of the company.

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