



A STUDY ON WORKING CAPITAL MANAGEMENT OF G.V.MILLS AND KRISHNARAJ WEAVING MILLS – COIMBATORE

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Abstract

The working capital management refers to the management of working capital, or precisely to the management of current assets. A firm's working capital consists of its investments in current assets, which includes short-term assets—cash and bank balance, inventories, receivable and marketable securities. The research report on working capital management is based on the study of working capital management in G.V.Mills and Krishna Raj Weaving Mills.

Key Terms: Working Capital Management, Current Assets, Current Liability, Etc.

Introduction

Working capital is the money needed to fund the normal, day to day operations of the business. It ensures the business to have enough cash to pay the debts and expenses as they fall due, particularly during your start-up period. Very few new businesses are profitable as soon as they open their doors. It takes time to reach the breakeven point and start making a profit.

Sources of Working Capital

1. Short-Term Loans.
2. Line of Credit.
3. Asset-Based Financing
4. Trade Credit.

A sufficient working capital allows management to take advantage of unexpected opportunities, and to qualify for bank loan and favourable trade credit terms. In the normal trade cycle of a company, working capital equals working assets. Also called net current assets.

Types of Working Capital

The working capital in certain enterprise may be classified into the following kinds.

1. Regular working capital.
2. Fluctuating working capital.
3. Reserve Margin working capital.

Objectives of the Study

1. To study about the Working capital of G.V.Mills and Krishna Raj Weaving Mills.
2. To study the source for working capital for the companies.
3. To study the operating effectiveness and financial strength of the companies.
4. To determine the efficiency of working capital by using Ratio Analysis.

Research Methodology

The following are the financial tools, which are used in this study.

1. Ratio analysis
2. Statement of changes in working capital
3. Ratio Analysis
4. Liquidity ratios
5. Working capital ratios



Data Analysis

Liquidity Ratios

1. Current Ratio: Current ratio = Current assets/Current liabilities

Year	Current Ratio	
	Krishna Raj	GV Mills
2011-12	1.99	6.13
2012-13	2.27	8.17
2013-14	1.79	3.52
2014-15	1.24	2.79
2016-17	2.84	2.13
Average	2.02	4.54

2. Quick Ratio: Liquid/ Quick ratio = Current assets Current liabilities

Year	Krishna Raj	GV Mills
2011-12	1.21	1.79
2012-13	1.02	3.19
2013-14	0.91	1.96
2014-15	1.31	1.84
2015-16	3.72	0.69
Average	1.63	1.89

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3. Current Ratio: Current ratio = Current assets/Current liabilities

Year	Current Ratio	
	Krishna Raj	GV Mills
2011-2012	0.21	2.27
2012-2013	0.31	0.31
2013-2014	0.46	1.96
2014-2015	0.27	0.12
2015-2016	0.31	0.23
Average	0.31	0.97

Findings

1. Krishna Raj Weaving Mills current ratio increased high level in 2016-2017. By average it keeps the ratio position to 2.02 which show the company is able to meet its current obligation.
2. G.V Mill's current ratio increased in 2011-12 as 8.17. The average ratio is 4.54 which shows it maintains above the bench mark level of 2:1.
3. Krishna Raj Mill's Quick ratio increased in the year 2015-2016 with 3.72. The average ratio is 1.6 more than the bench mark level 1:1 indicating the concerns capacity to pay of current obligations immediately.
4. G.V Mill's quick ratio increased in the year of 2011-2012 as 3.19. The average quick ratio is 1.89 which is above the benchmark level 1:1 indicating a satisfactory position.
5. Krishna Raj Mill's gross working capital to sales ratio was high in the year 2012-2013 with 0.46.The average gross working capital to sales ratio is 0.31.
6. G.V Mill's gross working capital to sales ratio was high in the year 2011-2012 with 2.27. The average gross working capital to sales ratio is 0.97 and it indicates that the company is efficiently utilizing the current assets.



Conclusion

The study concerned about the working capital management of Krishna Raj Weaving Mills and G.V Mills was undertaken with objective of assessing the performance of working capital management in terms of the existing system of inventory, receivables and payables management of the companies by analysis the financial data with help of ratio analysis and schedules of changes in working capital. It is observed from the analysis that the working capital of the companies is efficiently managed throughout the study period. It is also observed that over all the working capital management of the companies is found to be satisfactory.

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