**CHAPTER – 1**

**INTRODUCTION**

Decisions relating to working capital (Current assets-Current liabilities) and short term financing are known as working capital management. It involves the relationship between a firm’s short-term assets and its short term liabilities.

The goal of working capital management is to ensure that the firm is able to continue its operation and that it has sufficient cash flow to satisfy both maturing short term debt and upcoming operational expenses.

Working capital is used in BCM private ltd., for the following purpose:-

Raw material, work in progress, finished goods, inventories, sundry debtors, and day to day cash requirements. The BCM private ltd., keep certain funds which is automatically available to finance the current assets requirements.

The various information regarding “Working Capital Management” such as classification, determinants, sources have been discussed relating to BCM private ltd.,

Ratio Analysis has been Carried out using Financial Information for last five accounting years i.e. from 2018 to 2022 Ratios like Working capital Turnover Ratio, Quick Ratio, Current Ratio, Inventory Turnover Ratio, Debtor Turnover Ratio, Creditors turnover ratio have also been analyzed. A Statement of Changes in Working Capital has also been analyzed.

At BCM private ltd., the working capital management has shown increase in the period of study. This shows working capital is managed effectively and all the other departments are working in perfect co-ordination to ensure the progress of BCM private ltd., but I have given some Suggestions & Conclusions on the basis of my Project Study.

**1.1 Objectives of the Study:**

* To study the sources and uses of the working capital.
* To study the liquidity position through various working capital related ratios.
* To study the working capital components such as receivables accounts, Cash management, Inventory management.
* To make suggestions based on the finding of the study.

**1.2 Need for the Study:**

* The study has been conducted for gaining practical knowledge about Working Capital Management & activities of Bahety Chemicals & Minerals pvt ltd.,
* The study is undertaken as a part of the MBA curriculum in the form of summer in plant training for the fulfillment of the requirement of MBA degree.

**1.3 Scope of the Study:**

The scope of the study is identified after and during the study is conducted. The main scope of the study was to put into practical the theoretical aspect of the study into real life work experience. The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital. Further the study is based on last 5 years Annual Reports of Bahety Chemicals & minerals pvt ltd.

**1.4 Limitations of the Study:**

* The study duration (summer in plant) is short.
* The analysis is limited to just five years of data study (from year 2006 to year 2010) for financial analysis.
* Limited interaction with the concerned heads due to their busy schedule.
* The findings of the study are based on the information retrieved by the selected unit.

**CHAPTER – 2**

**REVIEW OF LITERATURE**

"Cash is the lifeblood of business" is an often repeated maxim amongst financial managers. Working capital management refers to the management of current or short-term assets and short-term liabilities. Components of short-term assets include inventories, loans and advances, debtors, investments and cash and bank balances. Short-term liabilities include creditors, trade advances, borrowings and provisions. The major emphasis is, however, on short-term assets, since short-term liabilities arise in the context of short-term assets. It is important that companies minimize risk by prudent working capital management.

**Introduction:**

Capital is the keynote of economic development. In this modern age, the level of economic development is determined by the proportion of capital available.

**Meaning of Capital:**

In the ordinary sense of the word Capital means initial investment invested by businessman or owner at the time of commencing the business.

[Capital (economics)](http://en.wikipedia.org/wiki/Capital_(economics)), a factor of production that is not wanted for itself but for its ability to help in producing other goods.

**Definition:**

***Capital*** is a factor of production with a specific, changeable value attached to it that could, potentially, provide its owner with more wealth.  It is an abstract economic concept, and, as such, has many different definitions and classifications, but the unifying feature of capital is that it has a certain value, so it in itself is a type of wealth, and it has the potential of generating more wealth.

**Features of Capital:**

Capital has the following features.

1. Capital is a man made.
2. Capital is a perishable.
3. Capital is a human control possible.
4. Capital is a mobile.
5. Capital is a human sacrifice.
6. Capital is a scarce.
7. Capital is a passive factor.

**INTRODUCTION OF WORKING CAPITAL:**

Working capital is the life blood and nerve centre of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully without an adequate amount of working capital.

There is operative aspects of working capital i.e. current assets which is known as funds also employed to the business process from the gross working capital Current asset comprises cash receivables, inventories, marketable securities held as short term investment and other items nearer to cash or equivalent to cash. Working capital comes into business operation when actual operation takes place generally the requirement of quantum of working capital is determined by the level of production which depends upon the management attitude towards risk and the factors which influence the amount of cash, inventories, receivables and other current assets required to support given volume of production.

Working capital management as usually concerned with administration of the current assets as well as current liabilities. The area includes the requirement of funds from various resources and to utilize them in all result oriented manner. It can be stated without exaggeration that effective working capital management is the short requirement of long term success.

The importance of working capital management is indisputable; Business liability relies on its ability to effective management of receivables, inventory, and payables. By minimizing the amount of funds tied up in current assets. Firms are able to reduce financing costs or increase the funds available for expansion. Many managerial efforts are put into bringing non-optimal level of current assets and liabilities back towards their optimal levels.

**MEANING OF WORKING CAPITAL**

Working capital means the funds (i.e.; capital) available and used for day to day operations (i.e.; working) of an enterprise. It consists broadly of that portion of assets of a business which are used in or related to its current operations. It refers to funds which are used during an accounting period to generate a current income of a type which is consistent with major purpose of a firm existence.

In Accounting:

**DEFINITIONS:**

Many scholars’ gives many definitions regarding term working capital some of these are given below.

According to***Weston & Brigham***

“Working capital refers to a firm’s investment in short-term assets cash, short term securities, accounts receivables and inventories.

***Mead Mallott & Field***

“Working capital means current assets”.

***Bonnerille***

“Any acquisition of funds which increases the current assets increases working capital for they are one and the same”.

Positive working capital means that the company is able to pay off its short-term liabilities companies that have a [lot](http://www.investorwords.com/2899/lot.html) of working capital will be more successful since they can expand and improve their [operations](http://www.investorwords.com/3467/operation.html).

Negative working capital means that a company currently is unable to meet its short-term liabilities with its current assets. . Companies with [negative working capital](http://www.investorwords.com/8111/negative_working_capital.html) may lack the [funds](http://www.investorwords.com/2130/funds.html) [necessary](http://www.businessdictionary.com/definition/necessaries.html) for [growth](http://www.investorwords.com/2258/growth.html)

**OBJECTIVES OF WORKING CAPITAL MANAGEMENT**

Effective management of working capital is means of accomplishing the firm’s goal of adequate liquidity. It is concerned with the administration of current assets and current liabilities. It has the main following objectives-

1. To maximize profit of the firm.
2. To help in timely payment of bills.
3. To maintain sufficient current assets.
4. To ensure adequate liquidity of the firms.
5. It protects the solvency of the firm.
6. To discharge current liabilities.
7. To increase the value of the firm.
8. To minimize the risk of business.

**THE NEED FOR THE WORKING CAPITAL**

The need for working capital arises due to the time gap between production and realization of cash from sales. Working capital is must for every business for purchasing raw-materials, semi finished goods, stores & spares etc and the following purposes.

1. **To purchase raw materials, spare parts and other component.**

A manufacturing firm needs raw-materials and other components parts for the purpose of converting them in to final products, for this purpose it requires working capital. Trading concern requires less working capital.

1. **To meet over head expenses.**

Working capital is required to meet recurring over head expenses such as cost of fuel, power, office expenses and other manufacturing expenses.

1. **To hold finished and spare parts etc.**

Stock represents current asset. A firm that can afford to maintain stock of required finished goods, work in progress & spares in required quantities can operate successfully. So for that adequate quantity of working capital is required.

1. **To pay selling & distribution expenses.**

Working capital is required to pay selling & distribution expenses. It includes cost of packing, commission etc.

1. Working capital is required for repairs & maintenance both machinery as well as factory buildings.
2. Working capital is required to pay wages, salaries and other charges.
3. It is helpful in maintain uncertainties involved in business field.

**WORKING CAPITAL MANAGEMENT**

Working Capital Management refers to management of current assets and current Liabilities. The major thrust of course is on the management of current assets. This is understandable because current liabilities arise in the context of current assets.

Working Capital Management is a significant fact of financial management. Its

Importance stems from two reasons:-

* Investment in current assets represents a substantial portion of total investment.
* Investment in current assets and the level of current liabilities have to be geared quickly to change in sales. To be sure, fixed asset investment and long term financing are responsive to variation in sales. However, this relationship is not as close and direct as it is in the case of working capital components.

**CLASSIFICATION OF WORKING CAPITAL**

**WORKING CAPITAL**

On The Basis of Concepts

On The Basis of Time

Gross Working Capital

Net Working Capital

Permanent / Fixed Working Capital

Temporary / Fluctuating Working Capital

Initial Working Capital

Regular Working

Capital

Seasonal Working Capital

Special Working Capital

1. **On The Basis of Concepts**
2. **Gross Working Capital**

Gross working capital is the amount of funds invested in various components of current assets. Current assets are those assets which are easily / immediately converted into cash within a short period of time say, an accounting year. Current assets includes Cash in hand and cash at bank, Inventories, Bills receivables, Sundry debtors, short term loans and advances.

This concept has the following advantages:-

1. Financial managers are profoundly concerned with the current assets.
2. Gross working capital provides the correct amount of working capital at the right time.
3. It enables a firm to realize the greatest return on its investment.
4. It helps in the fixation of various areas of financial responsibility.
5. It enables a firm to plan and control funds and to maximize the return on investment.

For these advantages, gross working capital has become a more acceptable concept in financial management.

1. **Net Working Capital**

This is the difference between current assets and current liabilities. Current liabilities are those that are expected to mature within an accounting year and include creditors, bills payable and outstanding expenses.

Working Capital Management is no doubt significant for all firms, but its significance is enhanced in cases of small firms. A small firm has more investment in current assets than fixed assets and therefore current assets should be efficiently managed.

The working capital needs increase as the firm grows. As sales grow, the firm needs to invest more in debtors and inventories. The finance manager should be aware of such needs and finance them quickly.

1. **On The Basis of Concepts**
2. **Permanent / Fixed Working Capital**

Permanent or fixed working capital is minimum amount which is required to ensure effective utilization of fixed facilities and for maintaining the circulation of current assets. Every firm has to maintain a minimum level of raw material, work- in-process, finished goods and cash balance. This minimum level of current assts is called permanent or fixed working capital as this part of working is permanently blocked in current assets. As the business grow the requirements of working capital also increases due to increase in current assets.

* 1. **Initial working capital**

At its inception and during the formative period of its operations a company must have enough cash fund to meet its obligations. The need for initial working capital is for every company to consolidate its position.

* 1. **Regular working capital**

Regular working capital refers to the minimum amount of liquid capital required to keep up the circulation of the capital from the cash inventories to accounts receivable and from account receivables to back again cash. It consists of adequate cash balance on hand and at bank, adequate stock of raw materials and finished goods and amount of receivables.

1. **Temporary / Fluctuating Working Capital**

Temporary / Fluctuating working capital is the working capital needed to meet seasonal as well as unforeseen requirements. It may be divided into two types.

1. **Seasonal Working Capital**

There are many lines of business where the volume of operations are different and hence the amount of working capital vary with the seasons. The capital required to meet the seasonal needs of the enterprise is known as seasonal Working capital.

1. **Special Working Capital**

The Capital required to meet any special operations such as experiments with new products or new techniques of production and making interior advertising campaign etc, are also known as special Working Capital.

**IMPORTANCE OF WORKING CAPITAL**

1. **Solvency of the business:** Adequate working capital helps in maintaining the solvency of the business by providing uninterrupted of production.
2. **Goodwill :** Sufficient amount of working capital enables a firm to make prompt payments and makes and maintain the goodwill.
3. **Easy loans:**  Adequate working capital leads to high solvency and credit standing can arrange loans from banks and other on easy and favorable terms.
4. **Cash discounts:** Adequate working capital also enables a concern to avail cash discounts on the purchases and hence reduces cost.
5. **Regular Supply of Raw Material:** Sufficient working capital ensures regular supply of raw material and continuous production.
6. **Regular payment of salaries, wages and other day to day commitments:** It leads to the satisfaction of the employees and raises the morale of its employees, increases their efficiency, reduces wastage and costs and enhances production and profits.
7. **Exploitation of favorable market  conditions:** If a firm is having adequate working capital then it can exploit the favorable market conditions such as purchasing its requirements in bulk when the prices are lower and holdings its inventories for higher prices.
8. **Ability to Face Crises**: A concern can face the situation during the depression.
9. **Quick and regular return on investments:** Sufficient working capital enables a concern to pay quick and regular of dividends to its investors and gains confidence of the investors and can raise more funds in future.
10. **High morale:** Adequate working capital brings an environment of securities, confidence, high morale which results in overall efficiency in a business.

**ADEQUACY OF WORKING CAPITAL:**

Working capital should be adequate so as to protect a business from the adverse effects of shrinkage in the values of current assets. It ensures to a greater extent the maintenance of a company’s credit standing and provides for such emergencies as strikes, floods, fire etc. It permits the carrying of inventories at a level that would enable a business to serve satisfactorily the needs of its customers. It enables a company to operate its business more efficiently because there is no delay in obtaining materials etc; because of credit difficulties.

**INADEQUATE OF WORKING CAPITAL:**

When working capital is inadequate, a company faces many problems. It stagnates the growth and it becomes difficult for the firm to undertake profitable projects for non-availability of working capital funds. Difficulty in implementing operating plans and achieving the firm’s profit targets. Operating inefficiencies creep in when it becomes difficult even to meet day-to-day commitments. Fixed assets are not utilized efficiently thus the firm’s profitability would deteriorate. Paucity of working capital funds renders the firm unable to avail attractive credit opportunities. The firm loses its reputation when it is not in a position to honor it short-term obligations thereby leading to tight credit terms.

**DANGERS OF EXCESSIVE WORKING CAPITAL:**

Too much working capital is as dangerous as too little of it. Excessive working capital raises problems.

1. It results in unnecessary accumulation of inventories. Thus chances of inventory mishandling, waste, theft and losses increase.
2. Indication of defective credit policy and slack collection period. Consequently, it results in higher incidence of bad debts, adversely affecting profits,
3. Makes the management complacent which degenerates in to managerial inefficiency.
4. The tendencies of accumulating inventories to make a speculative profit, which tends to liberalize the dividend policy, make it difficult for the concern to cope in the future when it is not able to make speculative profits.

**ESTIMATION OF WORKING CAPITAL REQIUREMENTS**

Managing the working capital is a matter of balance. The firms must have sufficient funds on hand to meet its immediate needs. The Bahety chemicals & minerals (pvt) Limited is manufacturing oriented organization.

The following aspects have to be taken into consideration while estimating the working capital requirements.

They are:

1. Total costs incurred on material, wages and overheads.
2. The length of time for which raw material are to remain in stores before they are issued for production.
3. The length of the production cycle or work-in-process, i.e., the time taken for conversion of raw material into finished goods.
4. The length of sales cycle during which finished goods to be kept waiting for sales.
5. The average period of credit allowed to customers.
6. The amount of cash required paying day-today expenses of the business.
7. The average amount of cash required to make advance payments.
8. The average credit period expected to be allowed by suppliers.
9. Time lag in the payment of wages and other expenses.

**OPERATING CYCLE OF WORKING CAPITAL:**

The working capital cycle reserves to the length of time between the firm paying cash for materials etc., this working capital also known as operating cycle. Working capital cycle or operating cycle indicates the length or time between companies paying for materials entering into stock and receiving the cash from sales of finished goods. The operating cycle (Working Capital) consists of the following events. Which continues throughout the life of business?

**RAW MATERIALS**

**WORK-IN-PROGRESS**

**FINISHED STOCK**

**DEBTORS**

**CASH**

* Conversion of cash into raw materials.
* Conversion of raw materials into work in progress.
* Conversion of work in progress into finished stock.
* Conversion of finished stock into accounts receivables(Debtors)through sale and
* Conversion of account receivables into cash.

**FINANCING OF WORKING CAPITAL**

**Introduction:**

After determining the level of working capital, a firm has to decide how it is to be financed.

In that BCM, it was financing the working capital from the following four common sources. They are,

* + 1. **SHARES:**

The BCM has issued the equity shares for raising the funds. The Equity shares do not have any fixed commitment charges and the dividend on these shares is to be paid subject to the availability of sufficient funds. These funds have been injected from the company’s own personal resources and from the members.

* + 1. **TRADE CREDIT:**

The trade credit refer to the credit extended by the suppliers of goods in the normal course of business. The firm has a good relationship with the trade creditors. So that suppliers send the goods to the firm for the payment to be received in future as per the agreement or sales invoice. In this way, the firm generates the short-term finances from the trade creditors. It is an easy and convenient method to finance and it is informal and spontaneous source of finance for the firm.

* + 1. **BANK CREDIT:**

Commercial banks play an important role in financing the trade & industry Bank provides short-term, medium term & long term finance to an industrialist or a business man.

* + - 1. **Loans:** The BCM (PVT) LTD., has taken loan from the commercial bank for working capital requirement for a certain period at certain interest rate.
      2. **Cash Credit / Overdrafts:** Under cash credit/overdraft from/arrangement of bank finance, the bank specifies a determined borrowings/credit limit. The borrower can draw/borrow up to the stipulated credit/overdraft limit. Within the specified limit/ line of credit, any number of drawals/drawings are possible to the extent of his requirement periodically. This form of financing of working capital is highly attractive to the borrowers because, firstly, it is flexible in that although borrowed funds are repayable on demand, banks usually do not recall cash advances/roll them over and, secondly, the borrower has the freedom to draw the amount actually outstanding. However, cash credit/overdraft is inconvenient to the banks and hampers credit planning.
    1. **CUSTOMER ADVANCES:**

The BCM (pvt) Limited follow the practice of collecting advance money from the customers as soon as orders are placed and before the actual delivery of the goods. Such an advance received from the customers constitutes one of the short-term sources of finance.

Certain % of the price of the goods to be sold to the customers is collected in the of an advance. Seller can utilize the advance money so collected for meeting these urgent financial obligations.

**DETERMINANTS OF WORKING CAPITAL REQUIREMENTS**

In order to determine the amount of working capital needed by the firm a number of factors have to be considered by finance manager. These factors are explained below.

1. **Nature of Business:**

The Nature of the business effects the working capital requirements to a great extent. For instance public utilities like railways, electric companies, etc. need very little working capital because they need not hold large inventories and their operations are mostly on cash basis, but in case of manufacturing firms and trading firms, the requirement of working capital is sufficiently large as they have to invest substantially in inventories and accounts receivables .

BCM is a production firm, there for working capital required is more in period of production as compared to other period.

1. **Production Policies:**

The production policies also determine the Working capital requirement. Through the production schedule i.e. the plan for production, production process etc.

The BCM has small production process.

1. **Credit Policy:**

The credit policy relating to sales and affects the working capital.

The credit policy influence the requirement of working capital in two ways:

* + 1. Through credit terms granted by the firm to its customers/buyers.
    2. Credit terms available to the firm from its creditors.

The credit terms granted to customers have a bearing on the Magnitude of Working capital by determining the level of book debts. The credit sales results is higher book debts (re available) higher book debt means more Working capital.

On the other hand, if liberal credit terms are available from the suppliers of goods [Trade creditors], the need for working capital is less. The working capital requirements of business are, thus, affected by the terms of purchase and sale, and the role given to credit by a company in its dealings with Creditors and Debtors.

In BCM company raw materials are purchased with a credit or cash and finished goods are sold on cash basis and also credit basis.

**4. Changes in Technology:**

Technology used in manufacturing process is mainly determined need of working capital. Modernize technology needs low working capital, where as old and traditional technology needs greater working capital.

**5. Size of the Business Unit:**

The size of the business unit is also important factor in influencing the working capital needs of a firm. Large Scale Industries requires huge amount of working capital compared to Small scale Industries.

**6. Growth and Expansion:**

The growth in volume and growth in working capital go hand in hand, however, the change may not be proportionate and the increased need for working capital is felt right from the initial stages of growth.

**7. Dividend Policy:**

Another appropriation of profits which has a bearing on working capital is dividend payment. Payment of dividend utilizes cash while retaining profits acts as a source as working capital Thus working capital gets affected by dividend policies.

The BCM follows liberal dividend policy will require more working capital than company that follows a strict dividend policy.

**8. Supply Conditions:**

If supply of raw material and spares is timely and adequate, the firm can get by with a comparatively low inventory level. If supply is scarce and unpredictable or available during particular seasons, the firm will have to obtain raw material when it is available. It is essential to keep larger stocks increasing working capital requirements.

**9. Market Conditions:**

The level of competition existing in the market also influences working capital requirement. When competition is high, the company should have enough inventories of finished goods to meet a certain level of demand. Otherwise, customers are highly likely to switch over to competitor’s products. It thus has greater working capital needs. When competition is low, but demand for the product is high, the firm can afford to have a smaller inventory and would consequently require lesser working capital. But this factor has not applied in these technological and competitive days.

**10. Business Cycle:**

The working capital requirements are also determined by the nature of the business cycle. Business fluctuations lead to cyclical and seasonal changes which, in turn, cause a shift in the working capital position, particularly for temporary working capital the variations in the business conditions may be in two directions:

1. Upward phase when boom condition prevail,
2. Downswing phase when economic activity is marked by a decline.

**11. Profit Level:**

Profit level also affects the working capital requirements as a concern higher profit margin results in higher generation of internal funds and more contributing to working capital.

**ESTIMATION OF CURRENT ASSETS**

1. **Raw Material Inventory**:

The Investment in Raw Material can be computed with the help of the following formula:-

Budgeted Cost of Raw Average Inventory

Production x Material(s) x Holding Period

( In units ) per unit (months/days)

12 months / 52 weeks / 365days

1. **Work-in-progress (W/P) Inventory**:

The relevant cost of determine work in process inventory are the proportionate share of cost of raw material and conversion costs ( labors and Manufacturing over Head cost excluding depreciation) In case, full until of raw material is required in the beginning the unit cost of work is process would be higher, i.e., cost of full unit + 50% of conversion cost compared to the raw material requirement. Throughout the production Cycle, working process is normally equivalent to 50% of total cost of production. Symbolically,

Budgeted Estimated work- Average Time Span

Production x in-progress cost x of work-in-progress

( In units ) per unit inventory (months/days)

12 months / 52 weeks / 365days

1. **Finished Goods Inventory:**

Working capital required to finance the finished goods inventory is given by factors summed up as follows:-

Budgeted Cost of Goods Produced Finished Goods

Production x per unit (excluding x Holding Period

( in units ) depreciation) (months/days)

12 months / 52 weeks / 365days

1. **Debtors:**

The working capital tied up in debtor should be estimated in relation to total cost price ( excluding depreciation ) symbolically,

Budgeted Cost of Sales per Average Debt

Production x unit excluding x Collection Period

( In units ) depreciation (months/days)

12 months / 52 weeks / 365days

1. **Cash and Bank Balances:**

Apart from Working Capital needs for Financing Inventories and Debtors, Firms also find it useful to have such minimum cash Balances with them. It is difficult to lay down the exact procedure of determining such an amount. This would primarily be based on the motives of holding cash balances of the business firm, attitude of management towards risk, the access to the borrowing sources in times of need and past experience.

**ESTIMATION OF CURRENT LIABILITIES**

The Working Capital needs of business firms are lower to the extent that such needs are met through the Current Liabilities(other than Bank Credit) arising in the ordinary course of business. The Important Current Liabilities in this context are Trade-Creditors, Wages and Overheads:-

1. **Trade Creditors:**

The Funding of Working Capital from Trade Creditors can be computed with the help of the following formula:-

Budgeted Yearly Raw Material Credit Period

Production x Cost x Allowed by creditors

( In units ) per unit (months/days)

12 months / 52 weeks / 365days

**Note:-** Proportional adjustment should be made to cash purchases of Raw Materials.

1. **Direct Wages:**

The Funding of Working Capital from Direct Wages can be computed with the help of the following formula:-

Budgeted Yearly Direct Labor Average Time-lag in

Production x Cost x Payment of wages

( In units ) per unit (months/days)

12 months / 52 weeks / 365dayss

**Note:-** The average Credit Period for the payment of wages approximates to half-a-month in the case of monthly wage payment. The first days monthly wages are paid on the 30th of the month, extending credit for 29 days, the second day’s wages are, again , paid on the 30th day, extending credit for 28 days, and so on. Average credit period approximates to half-a-month.

1. **Overheads (other than Depreciation and Amortization):**

The Funding of Working Capital from Overheads can be computed with the help of the following formula:-

Budgeted Yearly Overhead Average Time-lag in

Production x Cost x Payment of overheads

( In units ) per unit (months/days)

12 months / 52 weeks / 365days

**Note:-** The amount of Overheads may be separately calculated for different types of Overheads. In the case of Selling Overheads, the relevant item would be sales volume instead of Production Volume.

**FORMAT FOR DETERMINATION OF WORKING CAPITAL:**

|  |  |  |
| --- | --- | --- |
| **SL.No** | **PARTICULARS** | **AMOUNT** |
| **1**  **2** | ESTIMATION OF **CURRENT ASSETS**   1. Minimum desired cash and Bank balances. xxx 2. Inventories   Raw material xxx  Work-in-progressxxx  Finished stock xxx   1. Debtors xxx   Total Current Assets  ESTIMATION OF **CURRENT LIABILITIES**   1. Creditors xxx 2. Wages xxx 3. Overheads xxx   Total current liabilities  **NET WORKING CAPITAL**  (Total Current assets – Total Current liabilities)  Add : Margin for contingency net  Working capital requirement | **XXX**  **XXX**  **XXX**  **XX**  **XXXX** |

**COMPONENTS OF WORKING CAPITAL**

The components of working capital are:

* **CASH MANAGEMENT**
* **RECEIVABLES MANAGEMENT**
* **INVENTORY MANAGEMENT**
* **CASH MANAGEMENT:**

Cash is the important current asset for the operation of the business. Cash is the Basic input needed to keep the business running in the continuous basis, it is also the ultimate output expected to be realized by selling or product manufactured by the firm.

The firm should keep sufficient cash neither more nor less. Cash shortage will disrupt the firm’s manufacturing operations while excessive cash will simply remain ideal without contributing anything towards the firm’s profitability. Thus a major function of the financial manager is to maintain a sound cash position. Cash is the money, which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheques held by the firm and balances in its bank account.

**NEED FOR HOLDING CASH**

The need for holding Cash arises from a variety of reasons which are,

1. **Transaction Motive:**

A company is always entering into transactions with other entities. While some of these transactions may not result in an immediate inflow/outflow of cash (E.g. Credit purchases and Sales), other transactions cause immediate inflows and outflows. So firms keep a certain amount of cash so as to deal with routine transactions where immediate cash payment is required.

1. **Precautionary Motive**:

Contingencies have a habit of cropping up when least expected. A sudden fire may break out, accidents may happen, employees may go on a strike, creditors may present bills earlier than expected or the debtors may make payments earlier than warranted. The company has to be prepared to meet these contingencies to minimize the losses. For this purpose companies generally maintain some amount in the form of Cash.

1. **Speculative Motive:**

Firms also maintain cash balances in order to take advantage of opportunities that do not take place in the course of routine business activities. For example, there may be a sudden decrease in the price of Raw Materials which is not expected to last long or the firm may want to invest in securities of other companies when the price is just right. These transactions are purely of speculative nature for which the firms need cash.

**OBJECTIVES OF CASH MANAGEMENT**

Primary object of the cash management is to maintain a proper balance between liquidity and profitability. In order to protect the solvency of the firm and also to maximize the profitability. Following are some of the objectives of cash management.

1. To meet day to day cash requirements.
2. To provide for unexpected payments.
3. To maximize profits on available investment opportunities.
4. To protect the solvency of the firm and build up image.
5. To minimize operational cost of cash management.
6. To ensure effective utilization of available cash resources.

**CASH BUDGETING**

Cash budgeting is an important tool for controlling the cash. It is prepared for future period to know the estimated amount of cash that may be required. Cash budget is a statement of estimated cash inflows and outflows relating to a future period. It gives information about the amount of cash expected to be received and the amount of cash expected to be paid out by a firm for a given period.

Cash budgeting indicates probably cash receipts and cash payments for an under consideration. It is a statement of budgeted cash receipts and cash payment resulting in either positive or negative cash or for a week or for a year and so on.

* + **RECEIVABLES MANAGEMENT:**

Receivables or debtors are the one of the most important parts of the current Assets which is created if the company sells the finished goods to the customer but not receive the cash for the same immediately. Trade credit arises when a company sales its products or services on credit and does not receive cash immediately. It is an essential marketing tool, acting as a bridge for the moment of goods through production and distribution stages to customers.

The receivables include three characteristics

1) It involve element of risk which should be carefully analysis.

2) It is based on economic value. To the buyer, the economic value in goods or services passes immediately at the time of sale, while seller expects an equivalent value to be received later on.

3) It implies futurity. The cash payment for goods or serves received by the buyer will be made by him in a future period.

A company gives trade credit to protect its sales from the competitors and to attract the potential customers to buy its products at favorable terms. Trade credit creates receivables or book debts that the company is accepted to collect in the near future. The customers from who receivables have to be collected are called as “Trade Debtors” receivables constitute a substantial position of current assets.

Granting credit and crediting debtors, amounts to the blocking of the company’s funds. The interval between the date of sale and the date of payment has to be financed out of working capital as substantial amounts are tied up in trade debtors. It needs careful analysis and proper management.

In BCM ltd., they are selling the goods on cash basis and also on credit basis.

* **INVENTORY MANAGEMENT:**

Inventories are goods held for eventual sale by a firm. Inventories are thus one of the major elements, which help the firm in obtaining the desired level of sales. Inventories includes raw materials, semi finished goods, finished products.

In company there should be an optimum level of investment for any asset, whether it is plant, cash or inventories. Again inadequate disrupts production and causes losses in sales. Efficient management of inventory should ultimately result in wealth maximization of owner’s wealth. It implies that while the management should try to pursue financial objective of turning inventory as quickly as possible, it should at the same time ensure sufficient inventories to satisfy production and sales demand.

The main objectives of inventory management are operational and financial.

The operational mean that means that the materials and spares should be available in sufficient quantity so that work is not disrupted for want of inventory. The financial objective means that investments in inventories should not remain ideal and minimum working capital should be locked in it.

The following are the objectives of inventory management:-

* To ensure continuous supply of materials, spares and finished goods.
* To avoid both over and under stocking of inventory.
* To maintain investments in inventories at the optimum level as required by the operational and sale activities.
* To keep material cost under control so that they contribute in reducing cost of production and overall purchases.
* To minimize losses through deterioration, pilferage, wastages and damages.
* To design proper organization for inventory control so that management. Clear cut account ability should be fixed at various levels of the organization.
* To ensure perpetual inventory control so that materials shown in stock ledgers should be actually lying in the stores.
* To ensure right quality of goods at reasonable prices.

**BENEFITS OF HOLDING INVENORIES:**

Holding of large and adequate inventories is very beneficial to every firm. The benefits or advantages of holding inventories area as follows.

1. Reducing orders cost.
2. Continuous production.
3. To avoid loss.
4. Availing quantity discount.
5. It enables the firm to avoid scarcity of goods meant for either production o sale.

**COST OF HOLDING INVENTORIES:**

Holding of inventory exposes the firm to a number of risks and costs. Risks of holding inventories can be put as follows.

1. Material cost
2. Order cost
3. Storage cost
4. Insurance
5. Obsolescence
6. Spoilage

In the BCM, each of the above mentioned costs have to be controlled through efficient inventory management technique. That is:

**Economic Order Quantity (EOQ):**

This refers to the optimal ordering quantity that will incur the minimum total cost (order cost and carrying cost) for an item of inventory. With the increase in the order size, the ordering cost decreases but the carrying cost increases and the optimal order, quantity is determined where these two costs are equal. The company is always tried to keep an eye on the level of safety stock and the lead-time associated with the orders made.

E.O.Q = **√** 2AO

C

Here, A= Annual consumption. O= Ordering cost per order. C= Carrying cost per unit.

**CHAPTER – 3**

**3.1 INDUSTRY PROFILE**

**HISTORY**

The chemical industry is one of the oldest domestic industries in India, contributing significantly to both the industrial and economic growth of the country since it achieved independence in 1947. The chemical industry currently produces nearly 70,000 commercial products, ranging from cosmetics and toiletries, to plastics and pesticides.

The wide and diverse spectrum of products can be broken down into a number of categories, including inorganic and organic (commodity) chemicals, drugs and pharmaceuticals, plastics and petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides and agrochemicals, and fertilizers.

The Indian pesticide industry has advanced significantly in recent years, producing more than 1,000 tons of pesticides annually. India is the 13th largest exporter of pesticides and disinfectants in the world, and in terms of volume, is the 12th largest producer of chemicals. The Indian agrochemical, petrochemical, and pharmaceutical industries are some of the fastest growing sectors in the economy. With an estimated worth of $28 billion, it accounts for 12.5 percent of the country's total industrial production and 16.2 percent of the total exports from the Indian manufacturing sector.

Having a strong focus on modernization, the Indian government actively promotes the advancement of the domestic chemical industry. Policy, planning, development, and regulation of the industry is all coordinated by the Department of Chemicals and Petro-chemicals, which has been part of the Ministry of Chemicals and Fertilizers since 1991.

Several organizations in the private sector are working towards growth of the industry and the export of Indian chemicals. Among these are the Indian Chemical Manufacturers Association, the Chemicals and Petrochemicals Manufacturers Association, and the Pesticides Manufacturers and Formulators Association of India.

**INDIAN CHEMICAL INDUSTRY SCENARIO**

Chemical Industry is one of the oldest industries in India, which contributes significantly towards industrial and economic growth of the nation. It is highly science based and provides valuable chemicals for various end products such as textiles, paper, paints and varnishes, leather etc., which are required in almost all walks of life. The Indian Chemical Industry forms the backbone of the industrial and agricultural development of India and provides building blocks for downstream industries.

Chemical Industry is an important constituent of the Indian economy. Its size is estimated at around US$ 35 billion approx., which is equivalent to about 3% of India's GDP. The total investment in Indian Chemical Sector is approx. US$ 60 billion and total employment generated is about 1 million. The Indian Chemical sector accounts for 13-14% of total exports and 8-9% of total imports of the country. In terms of volume, it is 12th largest in the world and 3rd largest in Asia. Currently, per capita consumption of products of chemical industry in India is about 1/10th of the world average. Over the last decade, the Indian Chemical industry has evolved from being a basic chemical producer to becoming an innovative industry. With investments in R&D, the industry is registering

Significant growth in the knowledge sector comprising of specialty chemicals, fine Chemicals and pharmaceuticals.

The Indian Chemical Market Segment wise is as under: -

|  |  |
| --- | --- |
| **Segment** | **Market Value (billion US $)** |
| Basic Chemicals | 20 |
| Specialty Chemicals | 9 |
| High End / Knowledge Segment | 6 |
| **TOTAL** | 35 |

**CHEMICAL INDUSTRY STRUCTURE**

* Highly fragmented and widely dispersed.
* Western India accounts for 45-50% of total Indian chemical Industry.
* Large players in bulk chemicals. Both large and small players in Fine and Specialty
* Chemicals. Presence of many multinational companies also.

**FOREIGN TRADE**

India was a net importer of chemicals in early 1990s, but has now become a net exporter due to reduction in Imports because of implementation of many large scale petrochemical plants like Reliance etc. and also because of tremendous growth of exports in sectors like bulk drugs and pharma, pesticides, dyes and intermediates.  
**Basic Chemicals Export did exceedingly well...**

Exports by the basic chemical sector in 1995-96 surpassed the target of Rs 6,742 crore by reaching a figure of Rs 7,979.30 crores and showing a massive growth of 24% over the preceding year's figure of Rs 6,403.90 crores. During 1994-95 exports totaled Rs 6,403.90 crores against the target of Rs 5,504.60 crores, while in the preceding year shipments reached Rs 4,904.40 crores against the target of Rs 4,584.00 crore.

The drugs and pharmaceuticals and the organic/inorganic/agro-chemicals contributed as much as 63% of total exports. This has been a herculean task, which has been achieved by competing with big multinational corporations of the world. Turnover for the year ended 1998-99 is close to Rs.15, 000 crores.

The website carries detailed information regarding different varieties of chemical and terminology of chemical such as Chemical Processing, Chemical Industry, Chemical Technology, Chemical Association, Chemical Engineering, Chemical News etc. Such information will enable you to properly assess the usage of different chemicals in safe & secure manner. The voluminous knowledge about chemical related issues can be easily and instantly obtained from this website.

**LISTS OF CHEMICAL INDUSTRIES**

* 20 Microns Ltd
* ABR Organics
* Aimco Pesticides
* Alkyl Amines Chemicals Ltd
* Allied Resins & Chemicals Ltd s
* Alpanil Industries
* Chemplast Sanmar
* Galaxy Surfactants
* Gulshan Polyols
* Hindustan Insecticides Limited
* Indo German Carbons
* Jainco Inks & Chemicals
* Jyoti Chemical

**CHEMICAL INFORMATION**

The website carries detailed information regarding different varieties of chemical and terminology of chemical such as Chemical Processing, Chemical Industry, Chemical Technology, Chemical Association, Chemical Engineering, Chemical News etc. Such information will enable you to properly assess the usage of different chemicals in safe & secure manner. The voluminous knowledge about chemical related issues can be easily and instantly obtained from this website.

**CHEMICAL COMPOUNDS**

Chemical compound is formed by combination of two or more elements into one substance form. In a chemical compound atoms of its constituent elements are bonded together in molecules. Millions of chemical compounds can be made by combining the roughly 120 chemicals.

The ratio determining the composition of chemical compound remains fixed. The ratio of each element in a chemical compound is generally expressed by chemical formula like, water which is represented by chemical formula H2O is a chemical compound consisting of two hydrogen.

Chemical compounds are further divided into subcategories. Those chemical compounds which are based on carbon and hydrogen atoms are called organic compounds and other chemical compounds which are based on elements other than carbon and hydrogen are called inorganic compounds. Another form of chemical compound which contain bond between carbon and metal are called organ metallic compound.

Chemical compounds in which components share electrons are known as covalent compounds whereas compounds consisting of oppositely charged ions are known as iconic chemical. Talking about property of chemical compounds, a chemical compound may have several possible phases. At low enough temperatures all compounds can exist as solids. Some chemical compounds may also exist as liquids, gases, and even plasmas. Every known chemical compound decompose when heat is applied.Indian chemicals industry during 2017-18was US$30.59 billion, a growth of 10.23%over the previous year and a CAGR of 8.68% during the last 3 years. Chemical industry occupies an important place in the country’s economy. During 2017-18 contributed about 3% of GDP and 17.6% of the manufacturing sector. However, India continued to be a net importer in 2005-06, with imports of US$7.92 billion and exports of $9.5 billion the post WTO era, Indian chemical industry is undergoing a massive expansion, brand building and increased global reach. The industry is expected to grow at aCAGR of over 10% for the next 3 years, in line with the growth of manufacturing industry.

The wide and diverse spectrum of chemical products can be broken down into number of categories - inorganic and organic (commodity) chemicals, drugs and pharmaceuticals, plastics an petrochemicals, dyes and pigments, fine and specialty chemicals, pesticides and agrochemicals and fertilizers. This report covers all the segments except petrochemicals, drugs and pharmaceuticals. The report covers overall industry scenario in the context of global chemicals industry, various segments, growth drivers, critical success factors, issues and challenges and future outlook for the industry. The report also profiles the major 17companies in the Indian industry (11 Indian companies and 6 MNCs).The report is useful for industry analysts, banks and financial institutions, investors, consultants, corporate engaged directly or indirectly in the chemicals industry and international readers who want to keep abreast of the Indian manufacturing sectors.

**ORGANIC CHEMICALS**

Organic chemicals are compounds that are formed from the two basic building blocks of carbon and hydrogen. It is one of the most important sectors of the chemical industry, providing the basic feedstock for a variety of other industrial sectors such as drugs and pharmaceuticals, dyes and dye intermediates, leather chemicals, paints and pesticides.

As in the case of most of the other chemical sectors, the domestic industry is a late starter, with the pioneers in the field being the National Organic Chemical Industries Limited (Nocil) and Hindustan Organic Chemicals Limited (Hocl). The Indian industry has traditionally used the alcohol route for the manufacture of many organic chemicals, but is now shifting over to the globally accepted petrochemical route, with the alignment of petrochemical feedstock prices with the international levels. The industry is valued at around US$ 4.5 billion (1999-00).

The oil crisis of the 1970s saw a shift to process-oriented research in the global economies. After a fall in the 1980s, the last decade of the century has rekindled interest in the industry and has seen the emergence of Asia as a power to reckon in the industry. The Indian industry however saw a spurt in growth in the 1980s, which was sustained in the last decade. The industry is today valued at US$ 1.1 billion and has emerged as a key player in the Asia Pacific region. A few large companies with a wide range of products dominate the industry. The industry is highly fragmented, there being more than 10,000 manufacturing units in total.

**SPECIALITY CHEMICALS**

Specialty chemicals are those that are customized to perform specific functions, applications and operating conditions.

Speciality Chemicals are high priced, low volume chemicals used for specific applications by various industries. Main specialty chemicals are rubber chemicals, water treatment chemicals, polymer additives, lubricating additives, specialty pigments etc. These chemicals are mainly based on organic chemicals. Globally the contribution of specialty chemicals is up to 25% of the chemical sector i.e. it is approximately worth US$ 453 billion. The average annual growth

Is expected to be 7.5%. In India, the capacity of speciality chemical is 5272

Thousand MTs and production is approx. 3690 thousand MTs.

**3.2 COMPANY PROFILE**

**HISTORY OF THE COMPANY**

Bahety chemicals and Minerals (Pvt) Limited is a small-scale industry. The company purchased and constructed building in the year 1993. It started production in the year 1996. It is a private company situated in the Industrial estate, Ambewadi. On the outskirts of Dandeli city which is enjoying all the required facilities like water, power, transport, labors and good environment and materials.

The company is achieving its sales target with some ups and downs. The company has been receiving good response from customers and expected to achieve better sales in coming years .The Company has its nature of business.

The company has not accepted any deposits from public as per the provisions of section 58A of the company Act, 1956.

**PROFILE OF BAHETY CHEMICALS AND MINERALS PVT. LTD**

|  |  |
| --- | --- |
| **Name of the company** | **BAHETY CHEMICALS AND MINERALS PVT.LTD,**  **DANDELI – 581325.** |
| **Year of establishment** | 1993. |
| **Chairman** | Shri Chandrashekhar. J. Bahety |
| **Type of company** | Private Limited. |
| **Area of operation** | Bahety Chemicals and Minerals (Pvt) Ltd.,  C – 1, Industrial Estate,  Ambewadi, Dandeli – 581325. Dist: Karwar ( u.k ),  Karnataka State. Tel:-08284 - 232342. |
| **Nature of Business** | Production and Sale of Alumina Sulphate (Alum). |
| **Export places** | Dandeli, Harihar, Goa, Hyderbad, Hubli, Dharwad,  Banglore, Nagpur, Belgaum. |
| **No. of departments** | 6 [Six] Departments. |
| **Number of employees** | 127 |
| **Number of working days** | 6 days in a week. |
| **Production capacity** | 800 MT of Aluminium sulphate (Alum) per month as per the 2009-2010 report. |
| **Storage Capacity** | 1000 Metric TON. |

**CAPITAL STRUCTURE OF BCM.CO.LTD**

**SHARE CAPITAL:-**

1. Authorized capital Rs. 10,00,000

10,000 equity shares of Rs. 100 each.

1. Subscribed/ paid-up share capital Rs. 10,00,000

10,000 equity shares of Rs .100 each.

**BORROWED FUND**:-

The Company has taken long term loans from Corporation Bank Dandeli. It has also taken unsecured loans from its joint associate Shri. Raghavendra Chemicals. The company has also received government subsidy of 25% on capital investments.

**TABLE SHOWING THE LONG TERM LOANS TAKEN BY BCM.CO.LTD**

|  |  |  |
| --- | --- | --- |
| **Year** | **Loan** | |
| **Secured Loan** | **Unsecured Loan** |
| 2005 -2006 | 2019216.00 | 569734.00 |
| 2006 - 2007 | 3651599.00 | 115000.00 |
| 2007 - 2008 | 3742360.00 | 2664000.00 |
| 2008 - 2009 | 2238845.00 | 2651471.00 |
| 2009 - 2010 | 2574672.00 | 3049192.00 |

**INVESTMENT IN FIXED ASSETS IS SOWN BELOW**

|  |  |  |
| --- | --- | --- |
| **SL.NO** | **Fixed Assets** | **Total Investment (Rs.)** |
| 1 | Land and Building | 30,00,000.00 |
| 2 | Machinery | 12,00,000.00 |
| 3 | Adjacent Building | 15,00,000.00 |

**VISION AND MISSION OF BCM .CO.LTD**

**“VISION”**

“To fulfill the growing demand of Alum and increasing the production”

**“MISSION”**

1. To provide employment.
2. Quality product,
3. Maximum satisfaction to customers.
4. To ensure enterprise growth.
5. To create clean and healthy environment.
6. To develop the establishing the organization in the city.

**COMPANY OWNERSHIP**

* **SHARE HOLDERS**
  + Shri Chandrashekhar. J. Bahety
* Shri Jawaharlal Bahety.
* Shri Pritvipal Bahety.
* Shri Badal Kumar Bahety.
* Smt.Laxmi Bahety.
  + **BOARD OF DIRECTORS**
* Shri Chandrashekhar Bahety.
* Shri Jawaharlal. J. Bahety.
  + **MANAGING DIRECTOR**
* Shri Chandrashekhar Bahety.
  + **STAFF**

|  |  |
| --- | --- |
| NAMES | DESIGNATION |
| Mr. Mahesh. Nadkarni | Finance Manager |
| Mr.V.R. Deshpande | Administrative Manager |
| Mr. Rajendra. Mahalkar | Production Manager |
| Mr. Neil | Purchase Manager |
| Mr. Patil | Laboratory In-charge |

**Note:** Marketing Department is handled by MD.

**OBJECTIVES OF BCM.CO.LTD**

* To expand their market into other states.
* To modernize the organization by using the hi-tech machines in the production process.
* To increase the productivity.
* To produce chemical into different area.
* To know the customer attitude towards alum Chemical.

**PRODUCT PROFILE:-**

The BCM Company is engaged in the production of Alum (Aluminium sulphate)Alum is used in water treatment as mordant in dyeing. Aluminium sulphate mainly used in paper sizing and in water treatment. Pharmaceutically, it is employed in dilute solution as a mild astringent and antiseptic for the skin. Soda alum or aluminium sulphate is used in some baking powders. Aluminium sulphate is known more as alum. It is a colourless solid, which is soluble in water but insoluble in alcohol.

**MAJOR PRODUCTS OF THE COMPANY**

* Viz ferric alum.
* Viz ferric liquid alum.
* Non – ferric alum.



**Aluminium-Sulphate**

**Ferric-Alum**

**USES:**

* Industrial wastewater treatment.
* Municipal wastewater treatment.
* Clarification and phosphorus removal.
* Potable and process water treatment Color and turbidity removal.
* Pulp and paper mills, Paper sizing, Soap manufacturers, Manufacture of glycerin from soap lyes Swimming pools, oil well operators.

**USE:** Dyeing and purification, Water treatment.

****

**Aluminium-Sulphate**

**Non-Ferric-Alum**

**USES:**

* Used for dyeing and purification.
* Used in the pulp & paper industry.
* Used in Water and Waste water Treatment Plants.

**EXPANSION AND DIVERSIFICATION**

Expansion of the company is under progress. The company is planning to produce alum ferric solid through conventional process, Boiler evaporation of water from liquid alum. Estimated investment in expansion process is Rs 27 Lacks. The funds required for expansion is borrowed from bank through term loans. Expansion of the company is likely to give 10 – 12 employment opportunities.

The company is also planning to diversify. It is planning to manufacture crystal alum for which the market is better Swimming pools are one of the markets for crystal alum. 50% of the diversification process is already developed. The estimated investment required starting up producing crystal alum is Rs .3 Lacks.

**INFRASTRUCTURE FACILITIES PROVIDED BY BCM.CO.LTD:**

**WELFARE FACILITIES:**

The workers in Bahety Chemicals and Minerals are given some facilities for their. Betterment and comfort.

**1. WASHING RESTING FACILITIES:**

Facility for washing, storing, drying materials, resting first aid facilities have been provided inside the factory for the benefits of workers on duty.

**2. DRINKING WATER:**

The company has made provision of clean, drinking water providing to the workers during the working hours. There are drinking taps and coolers placed in every department.

**3. SHELTER AND LUNCHROOM:**

After the working hours to take rest rooms have been made by the company and to have food in lunchtime.

**4. CANTEEN:**

Canteen is also provided to the workers. It runs on “no profit and no loss basis”.

**5.** **PARKING FACILITIES:**

As the raw materials are brought in Lorries, there is a proper facility to park them and unload them.

**SWOT ANALYSIS OF BAHETY CHEMICALS & MINERALS PVT.LTD.**

* **STRENGTHS**
  1. Availability of manpower.
  2. High quality product.
  3. Low price high quality.
  4. Availability of raw materials.
     + **WEAKNESS**
       1. Heavy transport charges.
       2. Major consumption in paper industries but limited paper industries in Karnataka.
* **OPPORTUNITIES**
  1. Technological up gradation.
  2. Foreign market expansion.
  3. Online ordering process.
  4. Product expansion.
  5. Market expansion.
     + **THREATS**
       1. Entry of competitors.
       2. Product substitution.

**CHAPTER – 4**

**RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problem. It May be understood as a science of studying now research is done systematically. In that various steps, those are generally adopted by a researcher in studying his problem along with the logic behind them.

“The procedures by which researcher go about their work of describing, explaining and predicting phenomenon are called methodology”.

**TYPE OF RESEARCH:**

This project **“A Study on Working Capital Management of Bahety chemicals & minerals Private Ltd”** is considered as an analytical research.

Analytical Research is defined as the research in which, researcher has to use facts or information already available, and analyze these to make a critical evaluation of the facts, figures, data or material.

**SOURCE OF RESEARCH DATA:**

There are mainly two through which the data required for the research is collected.

**PRIMARY DATA:**

The primary data is that data which is collected fresh or first hand, and for first time which is original in nature.

In this study the Primary data has been collected from Personal Interaction with Finance manager i.e., Mr. Mahesh Nadkarni. and other staff members.

**SECONDARY DATA:**

The secondary data are those which have already collected and stored. Secondary data easily get those secondary data from records, annual reports of the company etc. It will save the time, money and efforts to collect the data.

The major source of data for this project was collected through annual reports, profit and loss account of 5 year period from 2018-2022 & some more information collected from internet and text sources.

**SAMPLING DESIGN**

Sampling unit : Financial Statements.

Sampling Size : Last five years financial statements.

Tool Used for calculations: - MS-Excel.

**TOOLS USED FOR ANALYSIS OF DATA**

The data were analyzed using the following financial tools. They are

* Ratio analysis.
* Statement of changes in working capital.

**CHAPTER – 5**

**DATA ANALYSIS AND INTERPRETATION**

**A] NET WORKING CAPITAL**

An analysis of the net working capital will be very help full for knowing the operational efficiency of the company. The following table provides the data relating to the net working capital of BCM.

**NET WORKING CAPITAL = CURRENT ASSETS-CURRENT LIABILITIS**

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Current Asset | Current Liabilities | NWC |
| 2005-06 | 4563099.00 | 2041543.00 | 2521556.00 |
| 2018-19 | 9599646.00 | 3887765.00 | 5711881.00 |
| 2007-08 | 9077617.00 | 2829079.00 | 6248538.00 |
| 2008-09 | 11003428.00 | 3889899.00 | 7113529.00 |
| 2009-10 | 11946666.00 | 4165659.00 | 7781007.00 |

**INTERPRETATION:-**

The above chart shows that during the year 2017-18 the company has 2521556.00 N.W.C. In the year 2018-19 huge increase in the N.W.C is 5711881.00 and in the year 2019-20 the company has 6248538.00 N.W.C in the year 2020-21the company has 7113529.00 N.W.C the N.W.C of the company is increasing compared to the previous years, in the year 2021-22 the company has 7781007.00 N.W.C this means the company in a positive position & N.W.C has improved vary fast as compared to the previous years which show liquidity Position of the Bahety chemicals & minerals Pvt Ltd has always more & sufficient working capital available to pay off its current liabilities.

**B] RATIO ANALYSIS**

**INTRODUCTION:**

Ratio Analysis is a powerful tool of financial analysis. Alexander Hall first presented it in 1991 in Federal Reserve Bulletin. Ratio Analysis is a process of comparison of one figure against other, which makes a ratio and the appraisal of the ratios of the ratios to make proper analysis about the strengths and weakness of the firm’s operations. The term ratio refers to the numerical or quantitative relationship between two accounting figures. Ratio analysis of financial statements stands for the process of determining and presenting the relationship of items and group of items in the statements.

**Note**: I have used the ratio analysis in this project in order to substantiate the managing of working capital. For this, I used some of the ratios to get the required output.

**Various working capital ratios used by me are as follows:**

1. **LIQUIDITY RATIOS:**

Liquidity refers to the ability of a firm to meet its current obligations as and when these become due. The short-term obligations are met by realizing amounts from current, floating or circulating assets.

Following are the ratios which can help to assess the ability of a firm to meet its current liabilities.

* 1. Current ratio
  2. Acid Test Ratio / Quick Ratio / Liquidity Ratio
  3. Absolute liquid ratio

1. **TURNOVER/ACTIVITY RATIOS:**

These are the ratios which indicate the speed with which assets are converted or turned over into sales.

* 1. Inventory Turnover Ratio.
  2. Debtors/ Accounts receivables Turnover Ratio.
  3. Creditors/Accounts Payables Turnover Ratio.
  4. Working Capital Turnover Ratio.

1. **CURRENT RATIO:-**

It is a ratio, which express the relationship between the total current Assets and current liabilities. It measures the firm’s ability to meet its current liabilities. It indicates the availability of current assets in rupees for every one rupee of current liabilities. A ratio of greater than one means that the firm has more current assets than current liabilities claims against them. A standard ratio between them is 2:1.

**Current Ratio: Current Assets**

**Current Liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Current Assets | Current Liabilities | Current Ratio |
| 2017-18 | 4563099.00 | 2041543.00 | 2.23 |
| 2018-19 | 9599646.00 | 3887765.00 | 2.47 |
| 2019-20 | 9077617.00 | 2829079.00 | 3.21 |
| 2020-21 | 11003428.00 | 3889899.00 | 2.83 |
| 2021-22 | 11946666.00 | 4165659.00 | 2.87 |

**INTERPRETATION:-**

It is seen from the above chart that during the year 2017-18the current ratio was 2.23, during the year 2018-19 it was 2.47 and in the year 2019-20 it was 3.21. This shows the current ratio increases every year but in the year 2020-21 the current ratio was dropped to 2.83 due to increase in current liabilities. In the year 2021-22 the current ratio has increases 2.87. The current ratio is above the standard ratio i.e., 2:1. Hence it can be said that there is enough current assets in Bahety chemicals & minerals Pvt Ltd to meet its current liabilities.

1. **ACID TEST RATIO / QUICK RATIO / LIQUIDITY RATIO:-**

This ratio establishes a relationship between quick**/**liquid assets and current liabilities. It measures the firms’ capacity to pay off current obligations immediately. An asset is liquid if it can be converted in to cash immediately without a loss of value; Inventories are considered to be less liquid. Because inventories normally require some time for realizing into cash. This ratio is also known as acid-test ratio. The standard quick ratio is 1:1. Is considered satisfactory.

**Quick Ratio = Quick Assets (current assets - Inventory)**

**Current Liabilities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Current Assets | Inventories | Quick Assets | Current Liabilities | Quick Ratio |
| 2017-18 | 4563099.00 | 1532455.00 | 3030644.00 | 2041543.00 | 1.48 |
| 2018-19 | 9599646.00 | 2161071.00 | 7438575.00 | 3887765.00 | 1.91 |
| 2019-20 | 9077617.00 | 3336430.00 | 5741187.00 | 2829079.00 | 2.03 |
| 2020-21 | 11003428.00 | 2622901.00 | 8380527.00 | 3889899.00 | 2.15 |
| 2021-22 | 11946666.00 | 2360611.00 | 9586055.00 | 4165659.00 | 2.30 |

**INTERPRETATION:-**

During the year 2017-18 the quick ratio was 1.48, in the year 2018-19 it increases to 1.91 This shows the company maintains satisfactory quick ratio, in the year 2019-20 the quick ratio increases to 2.03, in the year 2020-21it increases 2.15, in the year 2021-22 it increases 2.30, due to increase in quick assets. The quick ratio is above the standard ratio i.e., 1:1. Hence it shows that the liquidity position of the company is adequate.

1. **ABSOLUTE LIQUID RATIO:-**

Absolute liquid ratio may be defined as the relationship between Absolute liquid assets and current liabilities. Absolute liquid assets include cash in hand and cash at bank. The standard ratio is 0.5: 1.

**Absolute Liquidity Ratio = Cash & Bank Balance**

**Current Liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Cash & Bank Balance | Current Liabilities | Absolute Liquidity Ratio |
| 2017-18 | 493742.00 | 2041543.00 | 0.24 |
| 2018-19 | 1205660.00 | 3887765.00 | 0.31 |
| 2019-20 | 1033152.00 | 2829079.00 | 0.36 |
| 2020-21 | 1720815.00 | 3889899.00 | 0.44 |
| 2021-22 | 1978938.00 | 4165659.00 | 0.47 |

**INTERPRETATION:**

During the year 2017-18the Absolute liquidity ratio was 0.24, during the year 2018-19 it was 0.31 and in the year 2019-20it was 0.36, in the year 2020-21 it was 0.44 This shows the Absolute liquidity ratio increases every year but it is below the standard ratio. In the year 2021-22the Absolute liquidity ratio has increases 0.47.

Hence it shows that the liquidity position of the company is satisfactory.

1. **INVENTORY TURNOVER RATIO:-**

Inventory turnover ratio is the ratio, which indicates the number of times the stock is turned over i.e., sold during the year. This measures the efficiency of the sales and stock levels of a company. A high ratio means high sales, fast stock turnover and a low stock level. A low stock turnover ratio means the business is slowing down or with a high stock level.

**Inventory Turnover Ratio = Net Sales**

**Closing Inventory**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Sales | Closing inventory | Inventory Turnover ratio |
| 2017-18 | 19542081.00 | 1532455.00 | 12.75 Times |
| 2018-19 | 31321229.00 | 2161071.00 | 14.49 Times |
| 2019-20 | 27894285.00 | 3336430.00 | 8.36 Times |
| 2020-21 | 38496046.00 | 2622901.00 | 14.68 Times |
| 2021-22 | 42345651.00 | 2360611.00 | 17.94 Times |

**INTERPRETATION:**

It is seen from the above chart that During the year 2017-18the Inventory t/o ratio is 12.75 times, in the year 2018-19 it increased to 14.49 times, But in the year 2019-20it decreased to 8.36 times . There was a subsequent increase in the year 2020-21and 2021-22to 14.68 times and 17.94 times respectively.

This shows the company has more sales.

1. **INVENTORY HOLDING PERIOD :-**

This period measures the average time taken for clearing the stocks. It indicates that how many days’ inventories take to convert from raw material to finished goods.

**Inventory Holding Period = Days in a year**

**Inventory turn over ratio**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Days in a Year | Inventory Turnover Ratio | Inventory Holding Period |
| 2017-18 | 365 | 12.75 Times | 28.63 Days |
| 2018-19 | 365 | 14.49 Times | 25.19 Days |
| 2019-20 | 365 | 8.36 Times | 43.66 Days |
| 2020-21 | 365 | 14.68 Times | 24.86 Days |
| 2021-22 | 365 | 17.94 Times | 20.34 Days |

**INTERPRETATION:**

Inventory holding period fluctuating over the years. It was 28.63 days in the year 2017-18. It decreased to 25.19 days in the year 2018-19, it increased to 43.66 days in the year 2019-20, there was a subsequent decrease in the year 2020-21and 2021-22to 24.86 days and 20.34 days respectively.

This shows the company is minimizing these inventory-holding days thereby to increase the sales.

1. **DEBTORS /** **ACCOUNTS RECEIVABLES TURNOVER RATIO:-**

Debtor’s turnover ratio indicates the speed of debt collection of the firm. This ratio computes the number of times debtors (receivables) has been turned over during the particular period.

**Debtors Turnover Ratio = Net Sales**

**Average Debtors**

**Note:** in BCM, we have taken the total net sales instead of the credit sales, because the credit sales information has not available for the calculation of DTR.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Sales | Average Debtors | Debtors Turnover Ratio |
| 2017-18 | 19542081.00 | 2201381.00 | 8.88 Times |
| 2018-19 | 31321229.00 | 4958527.00 | 6.32 Times |
| 2019-20 | 27894285.00 | 1805948.00 | 15.44 Times |
| 2020-21 | 38496046.00 | 3787274.00 | 10.16 Times |
| 2021-22 | 42345651.00 | 4355365.00 | 9.72 Times |

**INTERPRETATION:**

It is clear that debtor turnover ratio fluctuating over the years. It was 8.88 times in the year 2005-06. It decreased to 6.32 times in the year 2018-19, It again increased to 15.44 times in the year 2019-20but it decreased to 10.16 times and 9.72 Times in the year 2020-21and 2021-22respectively. This shows the company is not collecting debt rapidly.

1. **DEBTORS COLLECTION PERIOD :-**

Debtors collection period measures the quality of debtors since it measures the rapidity or the slowness with which money is collected from them a shorter collection period implies prompt payment by debtors. It reduces the chances of bad debts. A longer collection period implies too liberal and inefficient credit collection performance.

**Average Collection Period = Days in a Year**

**Debtors Turnover Ratio**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Days in a Year | Debtors Turnover Ratio | Debtors Collection Period |
| 2017-18 | 365 | 8.88 Times | 41.10 Days |
| 2018-19 | 365 | 6.32 Times | 57.75 Days |
| 2019-20 | 365 | 15.44 Times | 23.64 Days |
| 2020-21 | 365 | 10.16 Times | 35.92 Days |
| 2021-22 | 365 | 9.72 Times | 37.55 Days |



**INTERPRETATION:**

Debt collection period changing over the years. It was 41.10 days in the year 2017-18. It increased to 57.75 days in the year 2018-19, but in the year 2019-20it decreased to 23.64 days. There was a subsequent increase in the year 2020-21and 2021-22 to 35.92 days and 37.55 days respectively.

This shows the inefficient credit collection performance of the company.

* 1. **CREDITORS/ACCOUNTS PAYABLES TURNOVER RATIO:-**

Creditor’s turnover ratio is the ratio, which indicates the number of times the debts are paid in the year. This ratio is calculated as follows.

**Creditors Turnover Ratio = Net Purchases**

**Average Creditors**

**Note:** In the BCM, we have taken the total Purchases instead of the credit purchases, because the credit purchases information has not available for the calculations of CTR.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Purchases | Average Creditors | Creditors Turnover Ratio |
| 2017-18 | 11691090.00 | 1673515.00 | 6.98 Times |
| 2018-19 | 17778675.00 | 3492127.00 | 5.09 Times |
| 2019-20 | 18896828.00 | 2649781.00 | 7.13 Times |
| 2020-21 | 23605773.00 | 2658999.00 | 8.88 Times |
| 2021-22 | 27146639.00 | 3057849.00 | 8.88 Times |

**INTERPRETATION:**

It is clear that creditor turnover ratio changing over the years. It was 6.98 times in the year 2017-18. It decreased to 5.09 times in the year 2018-19, there was a subsequent increase in the year 2019-20and 2020-21to 7.13 times and 8.88 times respectively. In the year 2021-22it is same as compared to 2008-09. It shows that company has making prompt payment to the creditors.

* 1. **CREDITORS PAYMENT PERIOD:-**

The Creditors Payment Period represents the average number of days taken by the firm to pay the creditors and other bills payables.

**Average Payment Period = Days in a Year**

**Creditors Turnover Ratio**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Days in a Year | Creditors Turnover Ratio | Average Payment Period |
| 2017-18 | 365 | 6.98 Times | 52.29 Days |
| 2018-19 | 365 | 5.09 Times | 71.71 Days |
| 2019-20 | 365 | 7.13 Times | 51.19 Days |
| 2020-21 | 365 | 8.88 Times | 41.10 Days |
| 2021-22 | 365 | 8.88 Times | 41.10 Days |

**INTERPRETATION:**

Average payment period changing over the years. It was 52.29 days in the year 2017-18. It increased to 71.71 days in the year 2018-19, But in the year 2019-20and 2020-21it decreased to 51.19 days and 41.10 days respectively. In the year 2021-22it is same as compared to 2008-09. It indicates that the company has taken the steps to prompt payment to the creditors.

* 1. **WORKING CAPITAL TURNOVER RATIO:-**

This ratio indicates the number of times the working capital is turned over in the course of the year. This ratio measures the efficiency with which the working capital is used by the firm. A higher ratio indicates efficient utilization of working capital and a low ratio indicates otherwise. But a very high working capital turnover is not a good situation for any firm.

**Working Capital Turnover Ratio = Net Sales**

**Net Working Capital**

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Net Sales | Net Working Capital | WCTR |
| 2017-18 | 19542081.00 | 2521556.00 | 7.75 Times |
| 2018-19 | 31321229.00 | 5711881.00 | 5.48 Times |
| 2019-20 | 27894285.00 | 6248538.00 | 4.46 Times |
| 2020-21 | 38496046.00 | 7113529.00 | 5.41 Times |
| 2021-22 | 42345651.00 | 7781007.00 | 5.44 Times |

**INTERPRETATION:**

The working capital t/o ratio is fluctuating year to year that was high in the year 2017-18, 7.75 times; there was a subsequent decrease in the year 2018-19 and 2019-20 to 5.48 times and 4.46 times. But it increases in the year 2020-21and 2021-22to 5.41 and 5.44 times respectively. This shows the company is utilizing working capital effectively.

**C] FUND FLOW STATEMENTS**

Principles of working capital for calculation purpose

**CURRENT ASSETS**

1. If the current assets increase as a result of this, working capital also increases.
2. If the current assets decreases as a result of this working capital decreases.

**CURRENT LIABILITIES**

If the current liabilities increases as a result of this working capital decreases.

If the current liabilities decreases as a result of this working capital Increase.

**Statement of Changes in Working Capital:**

The purpose of preparing this statement is for finding out the increase or decrease in working capital and to make a comparison between two financial years.

**Table 1: Statement of Changes in Working Capital for the Year 2017-2018**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **As on 31-3- 2017** | **As on 31-3-2018** | **Increase** | **Decrease** |
| **CURRENT ASSETS** |  |  |  |  |
| Inventories | 2001305.00 | 1532455.00 | \_\_ | 468850.00 |
| Sundry debtors | 1438810.00 | 2201381.00 | 762571.00 | \_\_ |
| Cash & Bank balance | 503667.00 | 493742.00 | \_\_ | 9925.00 |
| Other current assets | 134364.00 | 148822.00 | 14458.00 | \_\_ |
| Loans and Advances | 193081.00 | 186699.00 | \_\_ | 6382.00 |
| **(A)Total Current Assets** | **4271227.00** | **4563099.00** |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |
| Sundry creditors | 1606195.00 | 1673515.00 | \_\_ | 67320.00 |
| Provisions | 511561.00 | 368028.00 | 143533.00 | \_\_ |
| **(B)Total Current Liabilities** | **2117756.00** | **2041543.00** |  |  |
| **(A)-(B) Net Working Capital** | **2153471.00** | **2521556.00** |  |  |
| **Increase in Working Capital** | **368085.00\*** | \_\_ | \_\_ | **368085.00\*** |
| **TOTAL** | **2521556.00** | **2521556.00** | **920562.00** | **930487.00** |

**INTERPRETATION:**

In the above table, it is seen that during the year 2017-18 there was a net increase in working capital of Rs 368085.00. It indicates an adequate working capital in Bahety chemicals & minerals pvt ltd.,

This is because of

1. Increase current assets such as Sundry debtors by Rs 762571.00, other current assets by Rs 14458.00. And decrease in Inventories by Rs 468850.00, Cash & Bank balance by Rs 9925.00, Loans and Advances by Rs 6382.00.
2. Increase in current liabilities such as in Sundry creditors by Rs 67320.00 and decrease in Provisions by Rs 143533.00.

**Table 2: Statement of Changes in Working Capital for the Year 2018-20019**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **As on 31-3- 2018** | **As on 31-3-2019** | **Increase** | **Decrease** |
| **CURRENT ASSETS** |  |  |  |  |
| Inventories | 1532455.00 | 2161071.00 | 628616.00 | \_\_ |
| Sundry debtors | 2201381.00 | 4958527.00 | 2757146.00 | \_\_ |
| Cash & Bank balance | 493742.00 | 1205660.00 | 711918.00 | \_\_ |
| Other current assets | 148822.00 | 78260.00 | \_\_ | 70562.00 |
| Loans and Advances | 186699.00 | 1196128.00 | 1009429.00 | \_\_ |
| **(A)Total Current Assets** | **4563099.00** | **9599646.00** |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |
| Sundry creditors | 1673515.00 | 3492127.00 | \_\_ | 1818612.00 |
| Provisions | 368028.00 | 395638.00 | \_\_ | 27610.00 |
| **(B)Total Current Liabilities** | **2041543.00** | **3887765.00** |  |  |
| **(A)-(B) Net Working Capital** | **2521556.00** | **5711881.00** |  |  |
| **Increase in Working Capital** | **3190325.00\*** | \_\_ | \_\_ | **3190325.00\*** |
| **TOTAL** | **5711881.00** | **5711881.00** | **5107109.00** | **5107109.00** |

**INTERPRETATION:**

In the above table, it is seen that during the year 2017-18and 2018-19 there was huge net increase in working capital by Rs 3190325.00 As Compare to 2004-05 and 2005-06. This is because

1. There is Increase in current assets such as Inventories by Rs 628616.00, Sundry debtors by Rs 2757146.00, Cash & Bank balance by Rs 711918.00, Loans and Advances by Rs 1009429.00. And decrease in other current assets by Rs 70562.00.
2. There is Increase in current liabilities such as Sundry creditors by Rs 1818612.00, Provisions by Rs 27610.00.

**Table 3: Statement of Changes in Working Capital for the Year 2019-2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **As on 31-3- 2019** | **As on 31-3-2020** | **Increase** | **Decrease** |
| **CURRENT ASSETS** |  |  |  |  |
| Inventories | 2161071.00 | 3336430.00 | 1175359.00 | \_\_ |
| Sundry debtors | 4958527.00 | 1805948.00 | \_\_ | 3152579.00 |
| Cash & Bank balance | 1205660.00 | 1033152.00 | \_\_ | 172508.00 |
| Other current assets | 78260.00 | 189683.00 | 111423.00 | \_\_ |
| Loans and Advances | 1196128.00 | 2712404.00 | 1516276.00 | \_\_ |
| **(A)Total Current Assets** | **9599646.00** | **9077617.00** |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |
| Sundry creditors | 3492127.00 | 2649781.00 | 842346.00 | \_\_ |
| Provisions | 395638.00 | 179298.00 | 216340.00 | \_\_ |
| **(B)Total Current Liabilities** | **3887765.00** | **2829079.00** |  |  |
| **(A)-(B) Net Working Capital** | **5711881.00** | **6248538.00** |  |  |
| **Increase in Working Capital** | **536657.00\*** | \_\_ | \_\_ | **536657.00\*** |
| **TOTAL** | **6248538.00** | **6248538.00** | **3861744.00** | **3861744.00** |

**INTERPRETATION:**

In the above table, it is seen that during the year 2018-19 and 2019-20 there was also net increase in working capital by Rs 536657.00. As compare to 2017-18 and 2018-19.

This is because

1. There is Increase in current assets such as Inventories by Rs 1175359.00, other current assets by Rs 111423.00, Loans and Advances by Rs 1516276.00 and decrease in Sundry debtors by Rs 3152579.00, Cash & Bank balance by Rs 113618.00.
2. There is Decrease in current liabilities such as Sundry creditors by Rs 842346.00, Provisions by Rs 216340.00.

**Table 4: Statement of Changes in Working Capital for the Year 2020-2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **As on 31-3- 2020** | **As on 31-3-2021** | **Increase** | **Decrease** |
| **CURRENT ASSETS** |  |  |  |  |
| Inventories | 3336430.00 | 2622901.00 | \_\_ | 713529.00 |
| Sundry debtors | 1805948.00 | 3787274.00 | 1981326.00 | \_\_ |
| Cash & Bank balance | 1033152.00 | 1720815.00 | 687663.00 | \_\_ |
| Other current assets | 189683.00 | 206206.00 | 16523.00 | \_\_ |
| Loans and Advances | 2712404.00 | 2666232.00 | \_\_ | 46172.00 |
| **(A)Total Current Assets** | **9077617.00** | **11003428.00** |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |
| Sundry creditors | 2649781.00 | 2658999.00 | \_\_ | 9218.00 |
| Provisions | 179298.00 | 1230900.00 | \_\_ | 1051602.00 |
| **(B)Total Current Liabilities** | **2829079.00** | **3889899.00** |  |  |
| **(A)-(B) Net Working Capital** | **6248538.00** | **7113529.00** |  |  |
| **Increase in Working Capital** | **864991.00\*** | \_\_ | \_\_ | **864991.00\*** |
| **TOTAL** | **7113529.00** | **7113529.00** | **2667512.00** | **2667512.00** |

**INTERPRETATION:**

In the above table, it is seen that during the year 2019-20and 2020-21 there was also net increase in working capital by Rs 864991.00 As compare to 2018-19 and 2019-20.

This is because

1. There is Increase in current assets such as Sundry debtors by Rs 1981326.00, Cash & Bank balance by Rs 687663.00, Other current assets by Rs 16523.00 and decrease in Inventories by Rs 713529.00, Loans and Advances by Rs 46172.00.
2. There is Increase in current liabilities such as Sundry creditors by Rs 9218.00, Provisions by Rs 1051602.00.

**Table 5: Statement of Changes in Working Capital for the Year 2021-2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **As on 31-3-2021** | **As on 31-3-2022** | **Increase** | **Decrease** |
| **CURRENT ASSETS** |  |  |  |  |
| Inventories | 2622901.00 | 2360611.00 | \_\_ | 262290.00 |
| Sundry debtors | 3787274.00 | 4355365.00 | 568091.00 | \_\_ |
| Cash & Bank balance | 1720815.00 | 1978938.00 | 258123 .00 | \_\_ |
| Other current assets | 206206.00 | 185585.00 | \_\_ | 20621.00 |
| Loans and Advances | 2666232.00 | 3066167.00 | 399935.00 | \_\_ |
| **(A)Total Current Assets** | **11003428.00** | **11946666.00** |  |  |
| **CURRENT LIABILITIES** |  |  |  |  |
| Sundry creditors | 2658999.00 | 3057849.00 | \_\_ | 398850.00 |
| Provisions | 1230900.00 | 1107810.00 | 123090.00 | \_\_ |
| **(B)Total Current Liabilities** | **3889899.00** | **4165659.00** |  |  |
| **(A)-(B) Net Working Capital** | **7113529.00** | **7781007.00** |  |  |
| **Increase in Working Capital** | **667478.00\*** | \_\_ | \_\_ | **667478.00\*** |
| **TOTAL** | **8270981.00** | **8270981.00** | **1349239.00** | **1349239.00** |

**INTERPRETATION:**

In the above table, it is seen that during the year 2020-21and 2021-22there was also net increase in working capital by Rs 1157452.00 As compare to 2019-20 and 2020-21.

This is because

1. There is Increase in current assets such as Sundry debtors by Rs 568091.00, Cash & Bank balance by Rs 258123.00 Loans and Advances by Rs 399935.00 and decrease in Inventories by Rs 262290.00, other current assets by Rs 20621.00.
2. There is Increase in current liabilities such as Sundry creditors by Rs 398850.00 and decrease in Provisions by Rs123090.00.

**CHAPTER – 6**

**6.1 Findings:**

* Working capital of the Bahety Chemicals & Minerals Pvt Ltd. was increasing and showing positive working capital per year.
* The Bahety Chemicals & Minerals Pvt Ltd has higher current and quick ratios are i.e., 2.87 and 2.30 respectively.
* Inventory turnover ratio is very low in the year 2019-20. In the year 2020-21 it has increased by 6.32 times as compared to 2019-20 and in the last year 2021-22 it has again increased by 3.26 times as compared to 2020-21.
* Debtor’s turnover ratio is very high in the year 2019-20. In the year 2020-21 it has decreased by 5.28 times as compared to 2019-20 and in the last year 2020-21 it has again decreased by 0.44 times as compared to 2020-21.
* Creditor’s turnover ratio has increased in the years of 2019-20 and 2020-21. It is same in the last year 2021-22 as compared to 2020-21.
* Working capital turnover ratio is very low in the year 2019-20. In the year 2020-21 it has increased by 0.95 times as compared to 2019-20 and in the last year 2020-21 it has again increased by 0.03 times.

**6.2 Suggestions:**

* + Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term.
  + The Current and quick ratios are almost up to the standard requirement. So the Working capital management. Bahety Chemicals & Minerals Pvt Ltd. is satisfactory and it has to maintain it further.
  + The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.
  + The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.
  + The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.
  + Creditor’s turnover ratio has increasing from 2019-20 to 2020-21 and in the last year 2021-2022 it is same as compared to 2020-21. Company is making prompt payment to its creditors. This is good sign for the company. On-time payment to suppliers will increase the credibility of the firm. It has maintain it further to survive in the market.
  + The company is utilizing working capital effectively this is good for the company. It has to maintain it further.

**6.3 Conclusion:**

The study on working capital management conducted in Bahety Chemicals & Minerals Pvt Ltd. to analyze the financial position of the company. The company’s financial position is analyzed by using the tool of annual reports from 2017-18 to 2021-22.

The financial status of Bahety Chemicals & Minerals Pvt Ltd. is good.

In the last year the inventory turnover has increased, this is good sign for the company.

The company’s liquidity position is very good With regard to the investments in current assets there are adequate funds invested in it. Care should be taken by the company not to make further investments in current assets, as it would block the funds, which could otherwise be effectively utilized for some productive purpose. On the whole, the company is moving forward with excellent management.

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