A PROJECT ON

“WORKING CAPITAL MANAGEMENT”

AT

SETCO SPINDLES INDIA PVT. LTD.

SUBMITTED TO

SAVITRIBAI PHULE PUNE UNIVERSITY, PUNE

IN PARTIAL FULFILLMENT OF

MASTER OF BUSINESS ADMINISTRATION

SUBMITTED BY

MISS. PALLAVI GANESH VISPUTE

(2021-2023)

UNDER THE GUIDANCE OF

PROF. SHILPA DUBEY

ZEAL COLLEGE OF BUSINESS ADMINISTRATION, COMPUTER APPLICATIONS & RESEARCH

2021-2023

DECLARATION

I Miss **Pallavi Ganesh Vispute**, student of MBA Session 2021-2023, hereby declare that my work entitled **" Analysis of Working Capital Management "** at **Setco Spindles India Private Limited** is the outcome of genuine efforts done by me under an able guidance of Mrs. Nidhi Kulkarni and been submitted to the Zeal college of Business administration, Computer application & Research, Pune as a dissertation in partial fulfillment for the award of the Degree of Master of Business Administration (MBA) comprises only my original work and due to an acknowledgement has been made in the text to all other material used.

Date – **Signature**

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CIN: U29299PN2002PTC017250

Date: 1 Nov 2022

Internship Certificate

This is to certify that **Miss Pallavi Vispute**, has successfully completed her internship at **Setco Spindles India Private Limited, Pune** from **1st September 2022 to 31st October 2022.**

During the above period we found her sincere and hardworking, and she has taken proper initiative and efforts towards completing her internship.

"WE WISH HER ALL THE BEST FOR FUTURE CAREER"

For Setco Spindles India Pvt. Ltd.

M Gaikwad

Mayur Gaikwad

Manager - HR

ACKNOWLEDGEMENT

Application of Theoretical Knowledge to a practical situation is the Bonanzas of this Survey. Without a proper combination of inspections & perspiration, it’s not easy to achieve anything. There is always a sense of gratitude, which we express to others for help and the needy service they render during the different phases of our lives. We would do it as we really wish to express my gratitude toward all those who have been helpful to us directly or indirectly during the development of this Training Reports.

We would like to thank my Supervisor Mrs. Nidhi Kulkarni (Finance Manager) who was always there to help and guide us when we needed help. Her perceptive criticism kept us working to make this report more full proof. We are thankful to her for encouraging & valuable support. Working under her was an extremely knowledgeable & enriching experience for me. We are very thankful to her for all the value additions and enhancement done to me. I also Thanks to our Internal SIP Guide Mrs. Shilpa Dubey of Zeal Institutes.

No words can adequately express our overriding debt of gratitude to my parents, whose support helps me in all the way. Above all we shall thank our Colleagues who constantly encouraged and blessed me so as to enable us to do this work successfully.

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EXECUTIVE SUMMERY

Title of the study:
"The study of working capital management"

As a part of curriculum, every student studying MBA has to undertake a project on a particular subject assigned to him/her. Accordingly I have been assigned the project work on the study of working capital management in Setco Group, Pune. 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 Setco Group, Pune, for the following purpose:- Raw material, work in progress, finished goods, inventories, sundry debtors, and day to day cash requirements. The Setco Group, Pune, 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 Setco Group, Pune.

Ratio Analysis has been carried out using Financial Information for last three accounting year's i.e. ., 2019-2020, 2020-2021 & 2021-2022. From 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 Setco Group, Pune. 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 Setco Group, Pune, but I have given some Suggestions & Conclusions on the basis of my Project Study.

CHAPTER – 1

INTRODUCTION

INTRODUCTION

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As a part of curriculum, every student studying MBA has to undertake a project on a particular subject assigned to him/her. Accordingly I have been assigned the project work on the study of working capital management in Setco Group, Pune.

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The various information regarding "Working Capital Management" such as classification, determinants, sources have been discussed relating to Setco Group, Pune.

Ratio Analysis has been carried out using Financial Information for last five accounting years i.e. from 2019-2022 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 Setco Group, Pune. 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 Setco Group, Pune, but I have given some Suggestions & Conclusions on the basis of my Project Study.

1.1.2Need of the study:

In the management of working capital, the firm is faced with two key problems:
1. Given the level of sales and the relevant cost considerations, what are the optimal amounts of cash, accounts receivable and inventories that a firm should choose to maintain?
2. Given these optimal amounts, what is the most economical way to finance these working capital investments? To produce the best possible results, firms should keep no unproductive assets and should finance with the cheapest available sources of funds. Why? In general, it is quite advantageous for the firm to invest in short term assets and to finance short- term liabilities.

1.1.3 Objectives of the study:

The following are the objectives of present project.
1. To study the concept of Working Capital Management.
2. To measure the financial soundness of the company by analyzing various ratios.
3. Management of working capital at Setco Group.
4. To suggest ways for better management and control of working capital at the concern.
5. Evaluation of Liquidity Position & Inventory of Setco Group.
6. Evaluation of Accounts Receivables & Accounts payables of Setco Group.
7. To appraise the utilization of Current Assets & Liabilities & find out short comings if any,

1.1.4 Scope of the study:

This project is vital to me in a significant way. It does have some importance for the company too.

These are as follows-

Scope of the study was confirmed to internal environment only. The study based on the secondary data collected from annual report, journal, magazines, newspapers, website etc. financial statement analysis is the process of identifying the financial position of the company. After duly recognizing the importance of financial statement analysis of this topic has been chosen as the focus of the project.

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 WCM is based on tools like Ratio Analysis, Further the study is based on 3 years annual reports of Setco Spindles India Pvt. Ltd.

CHAPTER – 2

COMPANY PROFILE

COMPANY PROFILE

SETCO is owned by Holden Industries, Inc., a 100% Employee-Owned Company headquartered in Deerfield, Illinois, USA. Holden Industries operates four wholly-owned subsidiaries which comprise four core business areas. For over 100 years -- since 1912 – Setco has designed, built, and serviced precision spindles and is recognized worldwide as a technical leader in design, engineering, and manufacturer of precision spindles and spindle/slide combinations. Setco is a major spindle manufacturer with over 275,000 spindles in the field -- new and rebuilt -- which include belt-driven, geared, motorized, high speed and high frequency models. In addition, Setco offers a complete line of precision linear slides; which include dovetail, hardened way and linear rail slides in 21 standard sizes and hundreds of standard catalog models. Setco products are used worldwide in a variety of industries; including automotive, aerospace, construction, die/mold, cabling and winding, plastics, woodworking, stone cutting and general metalworking industries. Through acquisitions, Setco is the home of MASTER, POPE and WHITNON, NEO brand spindles, slides, and modules.

REPAIR – REBUILD – REPLACE:

We would provide you an accurate diagnosis and a cost benefit analysis of all options which might be appropriate in your case on which you can make an informed decision. Many a time concerns, which might be appropriate in your case on which you can make an informed decision. Many a times, replacing is the ultimate choice for time concerns, which might not always be true, as we can repair or rebuild your spindles in relatively lesser time and obviously lesser price.

RECONDITIONING:

Reconditioning Type:

Machine Centre Spindle

Grinding Spindle & PCB Spindle

Wood Work & allied applications

1. Setco India also manufactures custom built spindles though our focus lies on reconditioning of spindles.

2. Setco India repairs about 100 spindles per month.

REPAIR:

Rebuilding may not be advised in all cases, and although we are experts in rebuilding we may not recommend every time depending on the case. Our experienced technicians provide prompt repair for any size machine tool spindle or other high precision rotating devices that incorporates ball, roller, taper bore, various types of bearing. Full in-house machining operation one-source capability to repair or totally remanufacture your spindle. We repair high speed and precision spindles comprise of grinding spindles, boring spindles, milling spindles, machine tool spindles as well as wood router spindles. We attend to every detail with an obsession for cleanliness, dimensional accuracy and geometric perfection. Our advanced inspection procedure and experience allow us to determine the root causes of failure. With tolerances measured in microns, bearing and spindles will perform as expected only when every detail is attended with hypercritical attention. Precision bearings rely on extremely small tolerance. That is why spindle rebuilders need specialized knowledge, experience and equipment, which Setco India certainly has.

MANAGEMENT COMMITTEE –

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  Email ID: pradeepw@setco.com

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  Chief Executive Officer
  Phone No: +91 982-245-4204
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HISTORY

For over 100 years, since 1912, Setco is recognized as the technical leader in the design, manufacture, and service of precision spindles, milling heads, slides, and spindle/slide combinations. Setco is a major spindle manufacturer with over 275,000 spindles in the field, both new and rebuilt, that include belt-driven, geared, motorized, high speed and high frequency models. In addition, Setco offers a complete line of precision linear slides – dovetail, hardened way, and linear rail slides in 21 standard sizes and hundreds of standard catalog models. Setco products serve the automotive, aerospace, construction, die/mold, cabling and winding, plastics, woodworking, stone cutting and general metalworking industries. Through its nine global locations, Setco is the industry forerunner in the repair and servicing of spindles for over 350 machine tool brands. Through acquisitions, Setco is the home of MASTER, POPE, WHITNON, NEO brand spindles, slides, and modules.

Global Expansion - As a first step to being a global supplier for spindles and spindle repairs, in 2012, Setco acquired India's leading independent spindle repair company Ultra Precision Spindles (UPSPL) to expand product and service offerings in the fast-developing India market. Later in 2012, Setco acquired Taiwan's leading spindle and milling head technology provider, NEO Precision to be a leader in the ever-growing Taiwan/China spindle markets. As part of a continuation strategy of Setco's expansion into Asia, in 2015, Setco opened spindle service centers in Shanghai, China and Chennai, India. In 2017, Setco further expanded its service offerings by opening a third service center in Delhi, India, and also expanded its spindle and milling head offerings by acquiring the intellectual property of Headtec. While Setco has grown its presence in Asia, it also looked to expand North American support and in March of 2020 Setco opened its first service operation in Ramos Arizpe to support Mexico. These acquisitions, demonstrate Setco is committed to being a leader in the global markets they serve.

Setco is owned by Holden Industries, Inc., a 100% Employee-Owned Company headquartered in Deerfield, Illinois, USA. Holden Industries operates four wholly owned subsidiaries which comprise four core business areas.

VISION & MISSION

VISION STATEMENT –

- ✓ **Transparent Organization –** Transactional Transparency in all Business Documentation.
- ✓ **Innovative –** Innovation & Continuous Improvements in solution providing.
- ✓ **Learning & Adaptive –** Willing to learn & adaptable to changes around.
- ✓ **Integral & Committed –** Integrity & Commitment in a all-work practices.
- ✓ **Respect Stakeholders –** Fulfillment of aspiration of an employee, customers, suppliers & stakeholders.

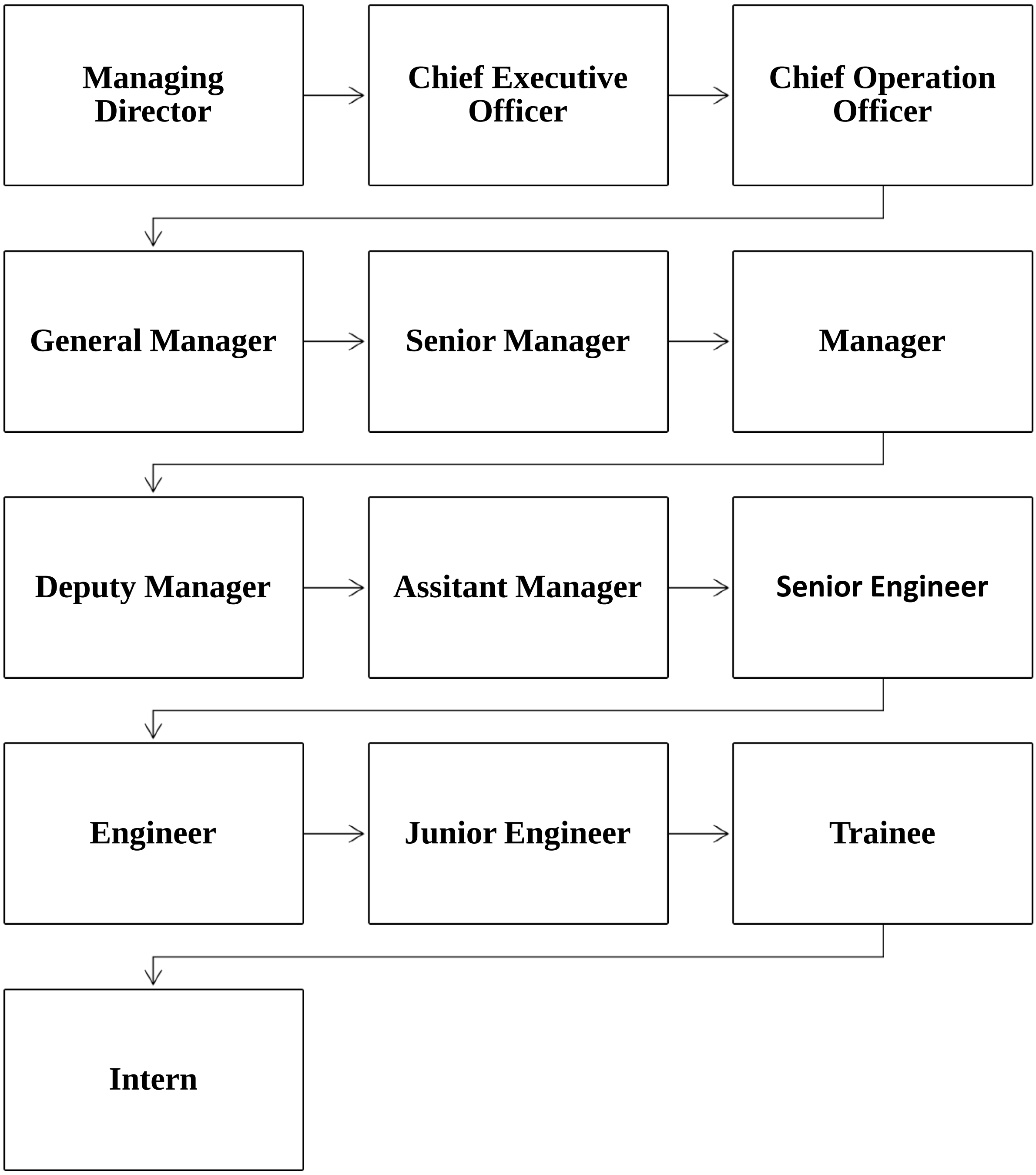
MISSION STATEMENT –

We aim to be one of the Top 3 Spindle Rebuilders in the world & a leading manufacturer of an integrated spindles and Milling heads by 2025.

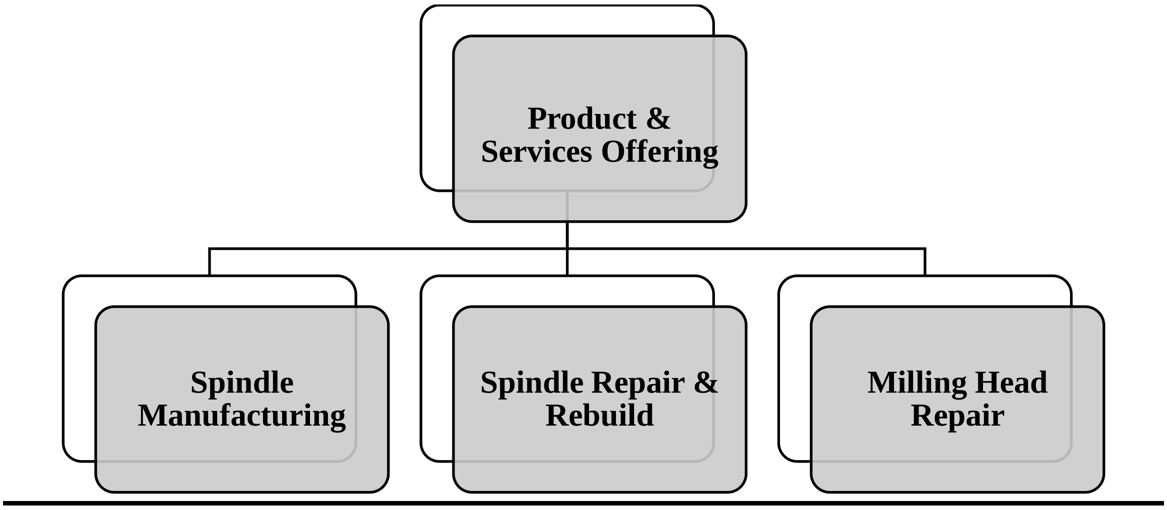
How we are achieving this –

By offering comprehensive solutions to entire spectrum of manufacturing industry for repairs & manufacturing of precision rotary machine accessories by adapting innovative mindset to achieve complete delight of all the stakeholders.

<u>ORGANIZATIONAL HIEARCHY</u>



PRODUCT & SERVICES OFFERING



A product is a tangible item that is put on the market for acquisition, attention, or consumption, while a service is an intangible item, which arises from the output of one or more individuals. Although it seems like the main distinction between the two concepts is founded on their tangibility which is not always the case. In most cases services are intangible, but products are not always tangible.

Setco is the global leader in the design, manufacture & service of high performance precision spindles, repair & service, slides, milling heads, precision parts and special products.

Setco provides various Products & Services for their customers at a effective cost and to satisfy their customers by providing services with a good qualities.

Spindle Repair & Rebuild Process –

- Spindle Received
- Dismentling
- Cleaning Parts
- Inspection of a Spindle
- Inspection Report
- Sales Engineer
- Quotation
- Purchase Requisition
- Direct Goods Receipt Note
- Sub Contract Job Order
- Internal Job Order
- Work Done
- Job Issue
- Assembly
- Testing
- Quality
- Invoices
- Dispatched

➢ Spindle Repair & Rebuild -

In this Spindle Product & Services, 2 Departments are working under this-

1) ISR Department –

1. Types -

In ISR Spindle Department various types of spindles are rebuild & repair under this –

a. **Belt Driven –** Belt Driven Spindle are those spindles in which Pulley are included.

b. **Gear Driven -** Gear Driven Spindle are those spindles in which Gears are included.

c. **Direct Driven -** Direct Driven Spindle are those spindles in which Coupling are included.

d. **Integrated –** In Integrated Spindles Wires and Stators are included.

2. Weights –

Weights of These spindles are around **30 KG** to **150 KG**

3. Taper Specifications –

A machine taper is a system for securing cutting tools or tool holders in the spindle of a machine tool or power tool. In this taper there are so many specifications are available –

a. **BT** – BT-30, BT-40, BT-45, BT-50
b. **ISO** – ISO-30, ISO-40, ISO-50
c. **BBT** – BBT-30, BBT-40, BBT-50
d. **SK** – SK-30, SK-40, SK-50
e. **HSK** – HSK-20, HSK-30 HSK-40, HSK-50, HSK-63, HSK-100
f. **Capeta** –

4. Works –

The ISR division offers its services to the Defense Intelligence Agency (DIA), the engineering, the woodworking, and the automobile industries.

5. Make & Models –

Many businesses produce integrated spindles for service delivery and client satisfaction. For Example –Hass, Tal, Fillar, Setco, Doosan, Electronic, DMG, Kessler, Makino, Mazak, Okuma, Mori Salki, Fisher

6. **Rotation Per Minute (RPM) –**

Integrated Spindles **RPM** are around **6000 to 18000**

2) <u>SSR Department-</u>

1. Types -

In SSR Spindle Department various types of spindles are rebuild & repair under this –

a. Belt Driven –

i. Rotation Per Minute (RPM) –

RPM of Belt Driven Spindles are around **Min 2000** to **Max 30000**.

ii. **Works –**

Belt Driven spindles are used for the Drilling work & Normal work.

iii. **Weight –**

Weights of These spindles are around **5 KG** to **30 KG**.

iv. **Make & Models -**

Many businesses produce Belt Driven spindles for service delivery and client satisfaction. For Example SMS & Dresser (Roughing Work, Smooth Work & Finished Work).

b. Allied & Integrated Spindles –

a. Rotation Per Minute (RPM) –

RPM of Allied & Integrated Spindles are around **Min 3000** to **Max 100000.**

ii. Weight –

Weights of These spindles are around **9 KG** To **12 KG.**

iii. Works –

Allied & Integrated Spindles are used for the OD & ID Grinding Machines, Precision Work, Dental Drilling Instruments, Plastic Engraving, & Wood Working.

iv. **Make & Models -**

Many businesses produce Allied & Integrated Spindles for service delivery and client satisfaction. For Example Jagger Z-80, Z-42, Z-33, F-100, Z-100 (Dental Drilling Instruments, Plastic Engraving & Wood Working – HSK-20, HSK-30, HSK-40, HSK-50, HSK-63) & HSD WDW, E929, E786, E959 (Wood Working – HSK-50 & HSK-63).

c. Printed Circuit Board (PCB) –

PCB Spindle are those spindles in which Air Collet & Air Bearing are included.

i. Rotation Per Minute (RPM) -

RPM of PCB Spindles are around **Min 100000** to **Max 200000.**

ii. Weight –

Weights of These spindles are around **5 KG** to **20 KG**.

iii. Works –

PCB Spindles are used for the Circuit Board Hole Drilling Working.

iv. Make & Models -

Many businesses produce PCB spindles for service delivery and client satisfaction. For Example Dake Model, West wind Model & Posolux (Circuit Board Hole Drilling Working)

➢ Milling Head Repair –

1. Make & Models -

Many businesses produce integrated spindles for service delivery and client satisfaction. For Example – Setco, Formet, Jurastic, Butler, Nicolas Korea, Avai, Hukuma and Misu Bishi.

2. Rotation Per Minute (RPM) –

i. For **Normal Milling Head Spindles** RPM is around 3500

ii. And, For **Standardized Finished Growth** RPM is around 5000 to 6000

3. Works –

Milling Head Spindles are used for the Drilling work, Boring work, Milling work & Finished Work

4. Weight –

Weights of These spindles are around **300 KG** to **500 KG.**

5. Axis –

In machine tools, a spindle is a rotating axis of the machine, which often has a shaft at its heart.

i. **3 Axis -** The tool moves along three axes: X, Y, and Z, or width, length, and depth. & It works for 90 Head & Horizontal Works.

ii. **5 Axis -** The term “5-axis” refers to the number of directions in which the cutting tool can move. On a 5-axis machining center, the cutting tool moves across the X, Y and Z linear axes as well as rotates on the A and B axes to approach the work piece from any direction. It works on VMC Machines & Horizontal Works.

Spindle Manufacturing Process –

- Drawing Receipts
- Drawing Study
- Process Planning
- Raw Material Order
- Turning & Milling
- Rough Inspection (Quality Dept.)
- Heat Treatment
- Rough/Thread Grindings
- Grinding (Finished)
- Final Inspection Spindle
- Spindle Assembly
- Testing
- Packing & Dispatched

➢ Spindle Manufacturing –

1. Types of Spindles –

Following is the spindles which is Manufactured under Manufacturing Department –

a. **Belt Driven –** Belt Driven Spindle are those spindles in which Pulley are included.

b. **Gear Driven -** Gear Driven Spindle are those spindles in which Gears are included.

c. **Direct Driven** - Direct Driven Spindle are those spindles in which Coupling are included.

d. **Integrated –** In Integrated Spindles Wires and Stators are included.

2. Rotation Per Minute (RPM) –

Integrated Spindles **RPM** are around **8000** to **14000.**

3. Weight –

Weights of These spindles are around **50 KG** to **150 KG.**

4. Works –

Spindles are used for the CNC (Central Machines), VMC (Vertical Machines), HMC (Horizontal Machines) & OD & ID Grinding.

5. Models -

i. **Belt Driven -** BT-40 – 537, 538, 551, 557
BBT-40 – 537, 538, 557
BT-50 – 536, 546

ii. **Direct Driven -** BT-40 – 101, 104
BT-50 – 108, 109

TYPES OF SPINDLES MANUFACTURED

Direct Driven Milling Spindle

Belt Driven Milling Spindle

Motorized Milling Spindles

Turning Spindles

Boring Spindles

Grinding Spindles

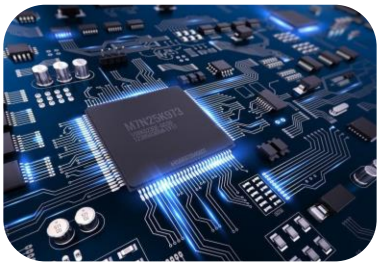
INDUSTRIES THEY SERVE


Auto Components


Aerospace


Medical Implants


Auto Industry


PCB Manufacturing


Wood Working

CHAPTER – 3

OBJECTIVE OF THE PROJECT

Objective of the project:

The objectives of this project were mainly to study the cash and receivable at Setco Group, Pune but there are some more and they are-

1. To study the concept of Working Capital Management.
2. To measure the financial soundness of the company by analyzing various ratios.
3. To suggest ways for better management and control of working capital at the concern.
4. Evaluation of Liquidity Position & Inventory.
5. Evaluation of Accounts Receivables & Accounts payables.
6. To appraise the utilization of Current Assets & Liabilities & find out short comings if any,

The project undertaken is on-Working Capital Management in Setco Group. It describes about how the company manages its working capital and the various steps that are required in the management of working capital. Cash is the lifeline of a company. If this lifeline deteriorates, so does the company's ability to fund operations, reinvest and meet capital requirements and payments. Understanding a company's cash flow health is essential to making investment decisions. A good way to judge a company's cash flow prospects is to look at its working capital management.

The following problem is faced by the firm in management of working capital:
1. What are the optimal amounts of cash, A/C receivable and inventories that a firm should Choose to maintain?

2. What is the most economical way to finance these working capital investments? To produce the best possible results, firms should keep no unproductive assets and should finance with the cheapest available sources of funds. Why? In general, it is quite advantageous for the firm to the invest in short term assets and to finance short-term liabilities.

Working Capital Management gives the solution to the above problem for the better running of the organization and its growth.

Working capital refers to the cash a business requires for day-to-day operations. Among the most important items of working capital are levels of inventory, accounts receivable, and accounts payable. Analysts look at these items for signs of a company's efficiency and financial strength.

CHAPTER – 4

THEORETICAL BACKGROUND

Introduction of Working Capital Management –

"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 & advances, debtors, trade advances, borrowings & provisions. The major emphasis is however, on short term assets, since short term liabilities arise in the context of 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.

Importance of the Study –

There are numerous aspects of working capital management that makes it an important topic for the study.

The Management of assets in any organization is an essential part of overall management. The Enterprise, at the time of formation attaches great importance to fixed assets management, as a part of investment decision-making. However, in the overall day-to-day financial management, after the initial investment. The management gives more importance to managing working capital. If we look at any financial statements, it will be evident that the investment in fixed assets remains more or less static, but the working capital is constantly changing. A Healthy Working Capital Position is the sine-qua-none of a successful business. This is reflected in adequate inventories, lowest level of debtors, minimum utilization of bank facilities for working capital, etc. thus the study of working capital management occupies an important place in financial management.

Introduction of Capital –

Capital is the key note 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 & owner at the time of commencing the business.

Capital (Economics), a Factor of production that is not wanted for itself but for its ability to help in producing other goods.

Definition of Capital –

Capitalist 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 –

a. Capital is Manmade
b. Capital is a Perishable
c. Capital is a Human control possible
d. Capital is a Human sacrifice
e. Capital is a Scarce
f. Capital is a Passive Factor

Introduction of Working Capital –

Working capital is the life blood and nerve center 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 are 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 assets comprises cash receivables, inventories, marketable securities held as short term investments and other items nearer to cash or equivalent to cash. Working capital comes into business operations 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 & Other Current Assets required to support given volume of production.

Working capital management as usually concerned with the administration of the current assets as well as current liabilities. The area includes the requirement of the 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 clay 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:

Working Capital= Current Assets - Current Liabilities

Definition of working capital –

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"**.**

- **According to Mead Mallott & Field** –

"Working capital means Current Assets."

- **According to Bonneville –**

"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 of working capital will be more successful since they can expand and improve their operations.

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 may lack the funds necessary for growth

Objectives of working capital –

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. To increase the value of the firm.
6. To discharge current liabilities.
7. It protects the solvency of the firm.
8. To minimize the risk of business.

Need of 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 –

A. To purchase raw materials, spare parts, and another component-
A manufacturing firm needs raw-materials and other components Parts for the purpose of converting them into final products, for this purpose it requires working capital. Trading concern requires less working capital.

B. To meet overhead expenses –
Working capital is required to meet recurring overhead expenses such as cost of fuel, power, office expenses and other manufacturing expenses.

C. 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.

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

E. To repair & maintenance both machinery as well as factory built –
Working capital is required for repairs &maintenance both machinery as well as factory, buildings.

F. To pay wages, salaries, and other charges –
Working capital is required to pay wages, salaries, and other charges.

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

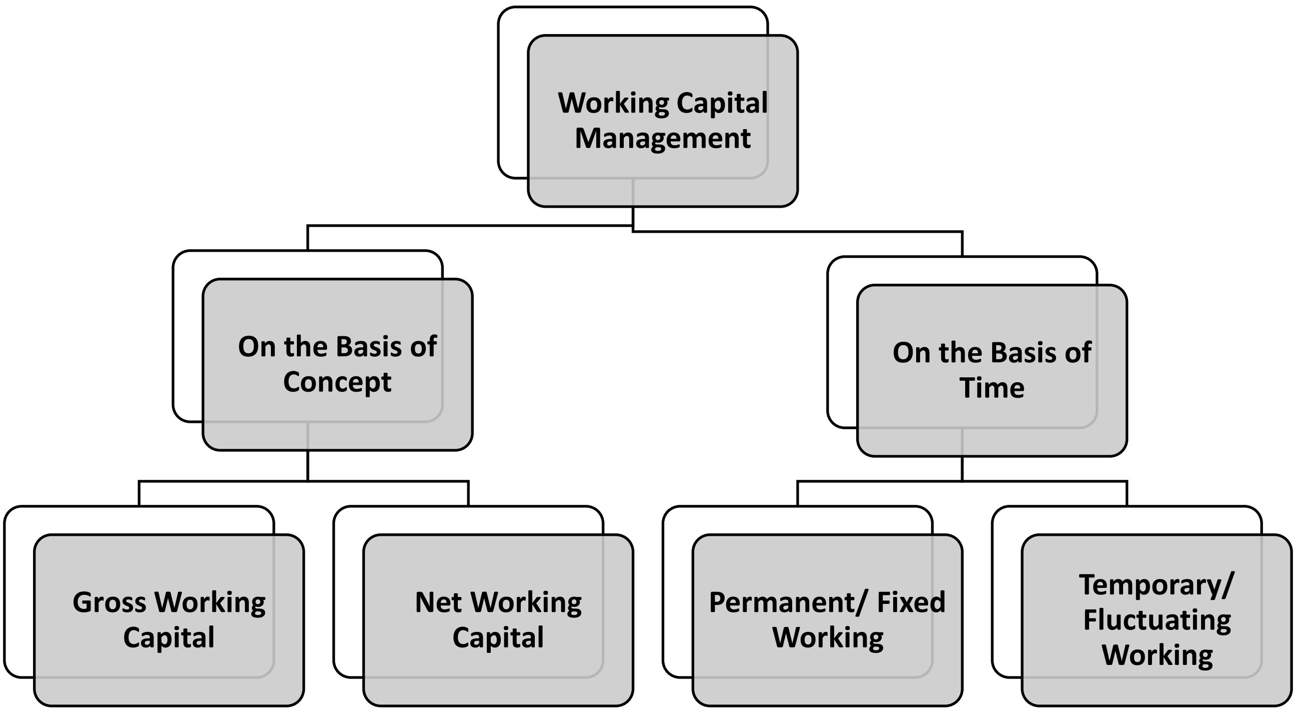
Importance stems from two reasons:-

i) Investment in current assets represents a substantial portion of total investment.
ii) 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 Management:

Working capital can be classified are as follows-

- On the basis of concept
- On the basis of time



II. On the basis of concepts

1) 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:-

i. Financial managers are profoundly concerned with the current assets.
ii. Gross working capital provides the correct amount of working capital at the right time.
iii. It enables a firm to realize the greatest return on its investment.
iv. It helps in the fixation of various areas of financial responsibility.
v. 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

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2) 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 WC 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.

III. On the basis of concepts

1) Permanent / Fixed Working Capital:

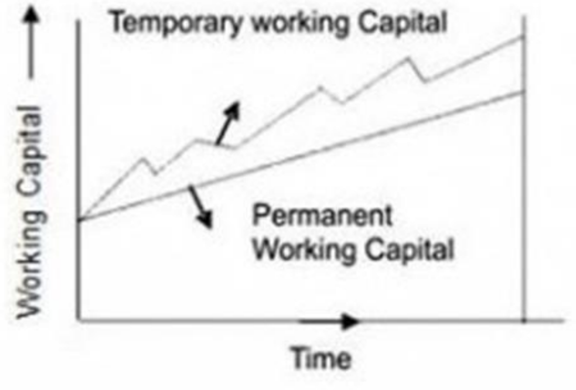
Permanent or fixed working capital is minimum amount which is required to ensure effective utilization of fixed facilities and for maintaining the circulation of current assets. Every firm has to maintain a minimum level of raw material, work-in-process, finished goods and cash balance. This minimum level of current assets 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.

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.

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.



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.

a) Seasonal Working Capital:

There are many lines of business where the volume of operations are different 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.

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.

<u>Importance of working capital:</u>

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 concem 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 requirements:

Managing the working capital is a matter of balance. The firms must have sufficient funds on hand to meet its immediate needs. The Setco group 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, 0 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.

Requirements of working capital:

There are no set rules or formula to determine the working capital requirements of the firms. A large number of factors influence the working capital need of the firms. All factors are of different importance and also an important change for the firm over time. Therefore, an analysis of the relevant factors should be made in order to determine the total investment in working capital. Generally, the following factors influence the working capital requirements of the firm:

- Nature and size of the business
- Seasonal fluctuations
- Production policy
- Taxation & Depreciation policy
- Reserve, Dividend policy & Credit policy
- Growth and expansion

Sources of working capital:

The financial manager is always interested in obtaining the working capital at the right time at a reasonable cost and at the best possible favorable terms. A part of the working capital investment is a permanent investment in fixed assets. These following are the various sources of working capital:-Source of working capital divided into two parts

- Long - term
- Short - term

Sources of long term working capital:

- Issues of share
- Floating of debenture
- Public deposit
- Loans

Sources of short term working capital:

- Internal source
    - Depreciation
    - Taxation
    - Accrued expense
    - Ploughing back of profit
- External source
    - Bank credit
    - Trade credit
    - Government assistance
    - Loan from Director
    - Security of employee

Working capital management:

- Working capital management means management or administrating of all aspects of working capital: current assets and current liabilities.
- In other word of Adam Smith; “working capital management is concerned with the problems that arise in attempting to manage the current assets, current liabilities and the interrelationship that exist between them”

Structure of Working Capital:

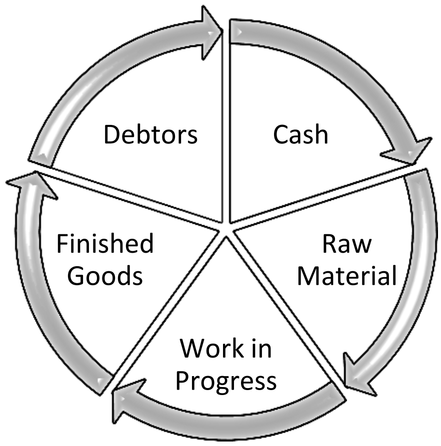
The different elements or components of current assets and current liabilities constitute the structure of working capital, which can be illustrated in the shape of a chart as follows –

Structure of Current Assets and Current Liabilities:

Current Assets	Current Liabilities
Bank Overdraft	Cash and Bank Balance
Creditors	Inventories - Raw-Materials, Work-in-progress & Finished Goods
Outstanding Expenses	Spare Parts
Bills Payable	Accounts Receivables
Short-term Loans	Bills Receivables
Proposed Dividends	Accrued Income
Provision for Taxation, etc.	Prepaid Expenses - Short-term Investments

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 of time between companies paying for materials entering into a 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 or business?



- 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 Setco Spindles India Pvt Ltd it was financing the working capital from the following four common sources they are –

1) **Shares**:
The Setco Group 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 & from the members.

2) 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. ln 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.

3) 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 businessman.

i. **Loans –** The Setco Group has taken loan from the commercial bank for Working Capital requirement for a certain period at certain interest rate.

ii. **Cash Credit / Overdraft –** Under Cash Credit / Overdraft from arrangements 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 drawls/drawings are possible to the extent or his requirement periodically. This form of financing or 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.

4) Customer Advances:

The Setco Group follow the practice or collecting advance money from the customers as soon as orders arc placed and before the actual delivery or the goods. Such as advance received from the customers constitutes one or the short-term sources or 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. Setco Group is a production firm, there for working capital required is more in period of production as compared to other period.

2. Production policies:

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

3. 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 Setco Group 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 Setco Group 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 Production * Cost of Raw Materials * Avg Inventory Holding Period

(In Units) (Per Units) (Months/ Days)

12 Months / 52 Weeks / 365 Days

2. 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 Production * Estimated WIP Cost * Avg Time span of WIP Inventory

(In Units) (Per Units) (Months/ Days)

12 Months / 52 Weeks / 365 Days

3. Finished goods inventory:

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

Budgeted Production * Cost of Goods Produced * Finished Goods Holding Period

(In Units) (Excluding Depreciation) (Months/ Days)

12 Months / 52 Weeks / 365 Days

4. Debtors:

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

Budgeted Production * Cost of sales per unit * Avg Debt Collection Period

(In Units) (Excluding Depreciation) (Months/ Days)

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12 Months / 52 Weeks / 365 Days

5. 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:-

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

Budgeted Yearly Production * Raw Material Cost * Credit period allowed by creditors

(In Units) (Per Unit) (Months/ Days)

---

12 Months / 52 Weeks / 365 Days

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

2. Direct Wages:

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

$$\frac{\underset{\text{(In Units)}}{\text{Budgeted Yearly Production}} * \underset{\text{(Per Unit)}}{\text{Direct Labor Cost}} * \underset{\text{(Months/ Days)}}{\text{Avg. Time-lag on payment of wages}}}{\text{12 Months / 52 Weeks / 365 Days}}$$

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.

3. Overheads (other than depreciation and amortization):

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

$$\frac{\underset{\text{(In Units)}}{\text{Budgeted Yearly Production}} * \underset{\text{(Per Unit)}}{\text{Overhead Cost}} * \underset{\text{(Months/ Days)}}{\text{Avg Time-lag in payment of overhead}}}{\text{12 Months / 52 Weeks / 365 Days}}$$

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.

Formula for determination of Working Capital:

AMOUNT	PARTICULARS	SR. No
	Estimation of **CURRENT ASSETS** 1) Minimum desired Cash & Bank Balances XXX 2) Inventories Raw Materials XXX Work-in-progress XXX Finished Stocks XXX 3) Debtors XXX	**1**
XXX	**Total Current Assets**	**2**
	Estimation of **CURRENT LIABILITIES** 1) Creditors XXX 2) Wages XXX **3)** Overheads XXX	
XXX	**Total Current Liabilities**	
XXXX	**NET WORKING CAPITAL** (Current Assets – Current Liabilities **)**	
XXX	**Add:** Margin for Contingency net	
XXXX	Working capital requirement	

Components of working capital:

The components of working capital are:
i. Cash management
ii. Receivables management
iii. Inventory management

A) 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.

2. 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.

3. 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.

4. To minimize operational cost of cash management.

5. 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 Setco Group., 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 & 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:

i. To ensure continuous supply of materials, spares and finished goods.

ii. To avoid both over and under stocking of inventory.

iii. To minimize losses through deterioration, pilferage, wastages and damages.

iv. To design proper organization for inventory control so that management. Clear cut account ability should be fixed at various levels of the organization.

v. To ensure perpetual inventory control so that materials shown in stock ledgers should be actually lying in the stores.

vi. To ensure right quality of goods at reasonable prices.

Benefits of holding inventories:

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 on 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 Setco Group, 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.

$$\mathbf{E.O.Q} = \frac{\sqrt{\mathbf{2AO}}}{\mathbf{C}}$$

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

CHAPTER – 5

RESEARCH METHODOLOGY

INTRODUCTION:

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

“The procedure by which a researcher goes about their work of describing, explaining predicting phenomenon is called methodology”.

Research Design -

A research design is an arrangement of condition for collection at analysis of data in a manner that combines relevance to the research purpose with the economy in the process.

Process of Research -

- Formulating the objective of the study (What the study is about and why it is being made)
- Designing the method of data collection (What technique of gathering data will be adopted)
- Selecting the sample (How much material will be needed)
- Collecting the data (Where can be required data can be found and with what time period should the data be related)
- Processing and analysis the data
- Reporting and finding

Sampling Design -

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure adopted in selecting items for the sample.

The main constituents of the sampling design below-

- Sampling unit
- Sample size

Sampling unit -

A sampling framework, i.e., developed roe the target population that will be sampled i.e., who is to be surveyed

- Sample unit taken by me – Financial statement of the company

Sample size -

It is the substantial portions of the largest population that are sampled achieve reliable results.

- Sample size – the last three years, i.e., 2019-2020 to 2021-2022 financial statements of the company.

A tool used for calculation – MS - Excel.

Data collection –

This Project "A Study of Working Capital Management of Setco Spindles India Private Limited" 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.

The data have been collected from two types-

- Primary data
- Secondary data

Primary data -

Primary data are the data which is collected from first hand, for the first time which is original in nature.

The Primary data has been collected personally by visiting all the department of Setco Company, Manufacturing, ISR & SSR Department & Milling Head Department, and Operation Department & Finance Department.

Secondary data -

Secondary data are those data 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 of this project was collected through annual reports, profit, and loss account of the three year period of company, i.e., from 2019-2020 to 2021-2022 and some more information collected from the internet and text source.

CHAPTER – 6

DATA ANALYSIS

AND

INTERPRETATION

1. Net working capital:

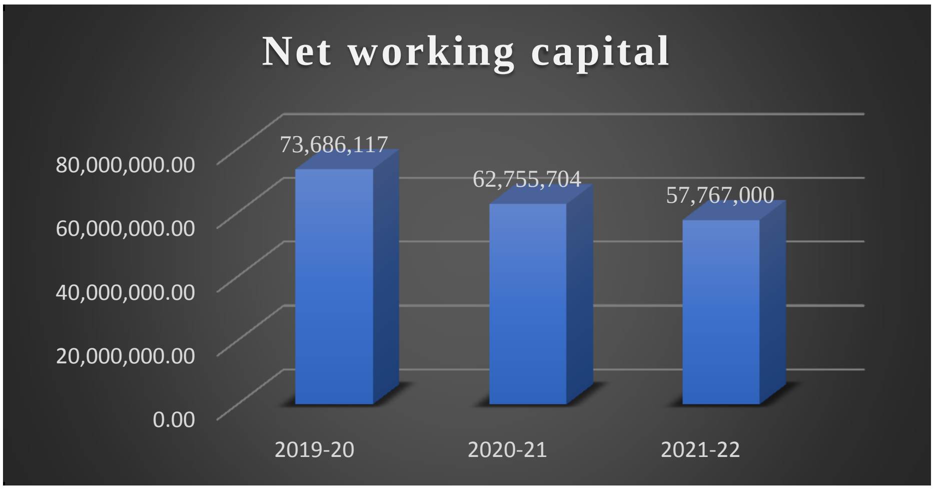
An analysis of the net working capital will be very helpful for knowing the operational efficiency of the company. The following table provides the data relating to the net working capital of Setco Group, Pune.

Net Working Capital = Current Assets – Current Liabilities

Table 1

Sr No	Years	Current Assets	Current Liabilities	Net working capital
1.	2019-20	142,782,804	69,096,686	73,686,118
2.	2020-21	133,130,383	70,374,679	62,755,704
3.	2021-22	146,036,000	88,269,000	57,767,000

Graph 1



Interpretation:

The above chart shows that during the financial year 2019-20, The Company had NWC about Rs. 73,686,118 Crore. During the next year i.e. 2020-21 It decreased by 10,09,30,414 Crore. It was Rs. 62,755,704 Crore in the year 2020-21. And, in the year 2021-22 It was 57,767,000 Crore which again Decreased by Rs. 4,988,704 Crore as compared to Last year, i.e. 2021-22.

The above chart interprets that the company is continuing decrease in the net working capital till 2021-22 this means that the company is in a negative position and it has a insufficient capital to pay off its Current Liabilities.

2. 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 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.

i. Current ratio

ii. Acid Test Ratio / Quick Ratio / Liquidity Ratio

iii. Absolute liquid ratio

2. Turnover/activity ratios:

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

i. Inventory Turnover Ratio.

ii. Debtors/Accounts receivables Turnover Ratio.

iii. Creditors/ Accounts Payables Turnover Ratio.

iv. Working Capital Turnover Ratio.

i. Current ratio:

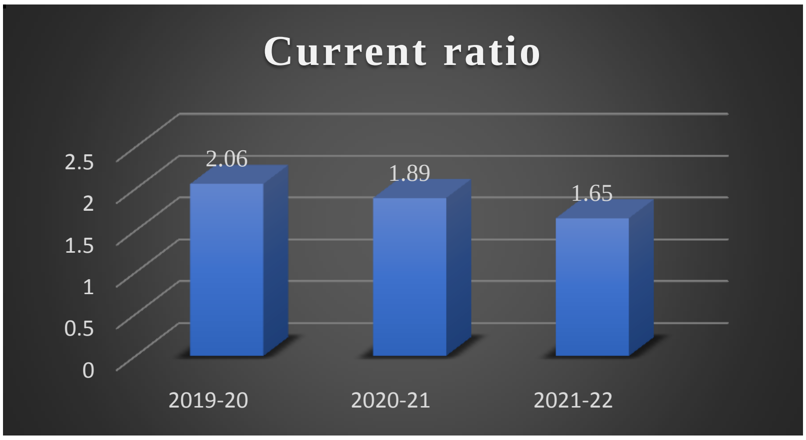
It is a ratio, which express the relationship between the total current Assets and current liabilities. It measures the firm's ability to meet its current liabilities. It indicates the availability of current assets in rupees for every one rupee of current liabilities. A ratio of greater than one means 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

Table 2

Sr No	Years	Current Assets	Current Liabilities	Current ratio
1.	2019-20	142,782,804	69,096,686	2.06
2.	2020-21	133,130,383	70,374,679	1.89
3.	2021-22	146,036,000	88,269,000	1.65

Graph 2



Interpretation:

The above chart shows that during the financial year 2019-20 The Company had a Current Ratio 2.06. During the next year i.e. 2020-21 it decreased by 0.17. It was about 1.89 in the year 2020-21 And in the year 2021-22 it was again decreased by 0.24. During this year i.e. 2021-22 it was about 1.65. These Shows that the Current ratio was decreased every year Due to decreased in Current ratio, Hence it can be said that there is not enough current assets in Setco Group to meet its Current liabilities.

ii.Acid Test Ratio / Quick Ratio / Liquidity Ratio:

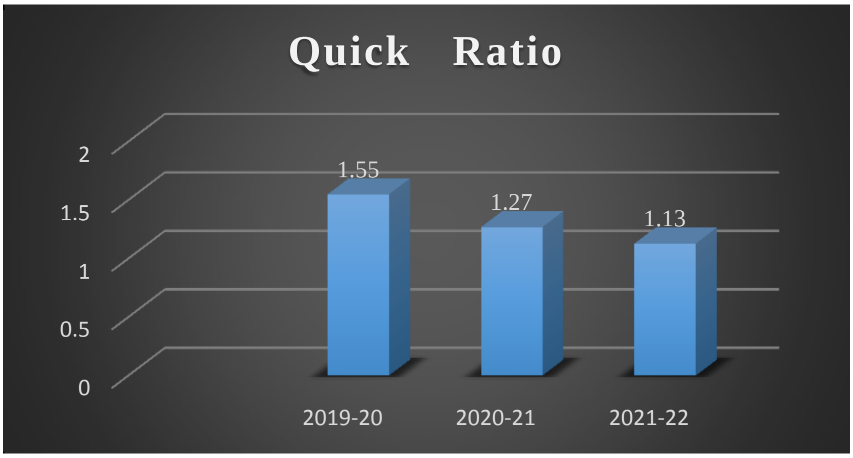
This ratio establishes a relationship between quick/liquid assets and current liabilities. It measures the firms' capacity to pay off current obligations immediately. An asset is liquid if it can be converted in to cash immediately without a loss of value; Inventories are considered to be less liquid. 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 as satisfactory.

$$\text{Quick Ratio} = \frac{\text{Quick Assets (Current Assets – Inventory)}}{\text{Current Liabilities}}$$

Table 3

Sr No	Years	Current Assets	Inventories	Quick Assets	Current Liabilities	Quick Ratio
1.	2019-20	142,782,804	35,092,434	107,690,370	69,096,686	1.55
2.	2020-21	133,130,383	43,311,931	89,818,452	70,374,679	1.27
3.	2021-22	146,036,000	46,026,000	100,010,000	88,269,000	1.13

Graph 3



Interpretation:

The above chart shows that during the financial year 2019-20 The Company had a Quick Ratio of 1.55. In the next year, i.e. 2020-21 it decreases by 0.28. It was about 1.27 in the year 2020-21, during the year 2021-22, The quick ratio was again decreased by 0.14. And it was about 1.13 in the year 2021-22 due to increases in Current Liabilities.

The Quick Ratio of the company is greater than to the standard ratio, i.e. 1:1. Hence, it shows that the Liquidity position of the company is adequate.

iii. Absolute liquid ratio:

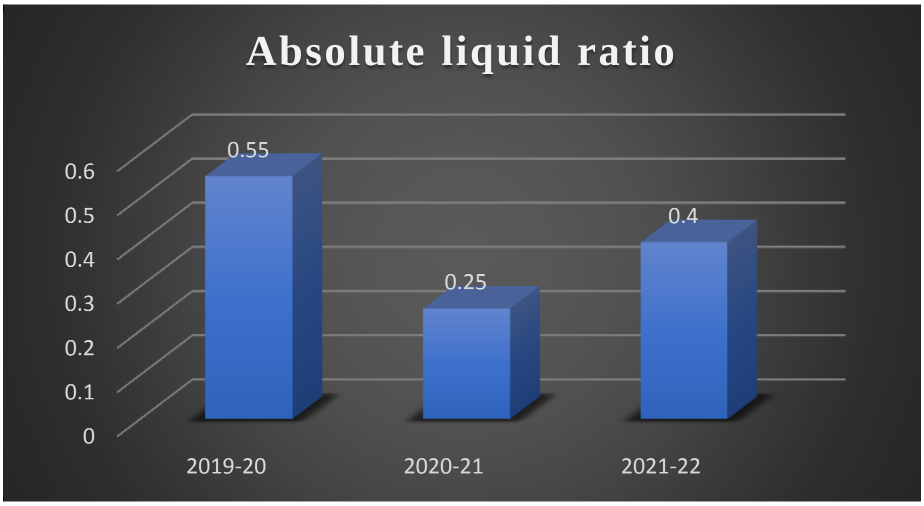
Absolute liquid ratio may be defined as the relationship between Absolute liquid assets and current liabilities. Absolute liquid assets include cash in hand and cash at bank. The standard ratio is 0.5: 1

$$\textbf{Absolute liquid ratio} = \frac{\textbf{Cash \& Bank Balance}}{\textbf{Current Liabilities}}$$

Table 4

Sr No	Years	Cash & Bank	Current Liabilities	Absolute liquid ratio
1.	2019-20	38,573,338	69,096,686	0.55
2.	2020-21	17,850,919	70,374,679	0.25
3.	2021-22	35,650,000	88,269,000	0.40

Graph 4



Interpretation:

The above chart shows that during the financial year 2019-20 the Absolute liquid ratio of the company was about 0.55. In the next year 2020-21 it decreased by 0.3. It was about 0.25 in the year 2020-21. In the year 2021-22 Absolute liquid ratio was increased by 0.15 and it was about 0.40 in the year 2021-22. After 2020-21 the Absolute liquid ratio of the company is increased in the next year 2021-22. But besides of 2019-20 the Absolute liquid ratio of the company is less than to the Standard rate i.e. is 0.5: 1.

Hence, it shows that the Liquid position of the company is satisfactory.

i. Inventory turnover ratio:

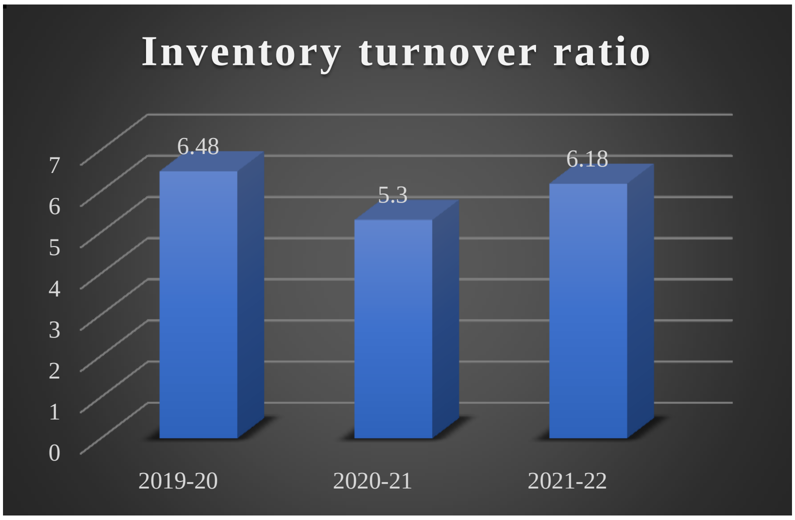
Inventory turnover ratio is the ratio, which indicates the number of times the stock is turned over i.e., sold during the year. This measures the efficiency of the sales and stock levels of a Company. A high ratio means high sales, fast stock turnover and a low stock level. A low stock turnover ratio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

$$\textbf{Inventory turnover ratio} = \frac{\textbf{Net Sales}}{\textbf{Closing Inventory}}$$

Table 5

Sr No	Years	Net Sales	Closing Inventory	Inventory turnover ratio
1	2019-20	163,225,571	25,164,883	6.48 Times
2	2020-21	186,066,844	35,092,434	5.30 Times
3	2021-22	267,821,000	43,311,000	6.18 Times

Graph 5



Interpretation:

The above chart shows that during the financial year 2019-20 the inventory turnover ratio of the company was about 6.48. In the next year 2020-21, it decreased by 1.18. It was about 5.30 in the year 2020-21. In the year 2021-22 Inventory turnover ratio was increased by 0.88 and it was about 6.18 in the year 2021-22.

It shows that the last year 2021-22, the company increased in its sales as compared to last two previous years i.e. 2019-20 & 2020-21.

a) Inventory holding period:

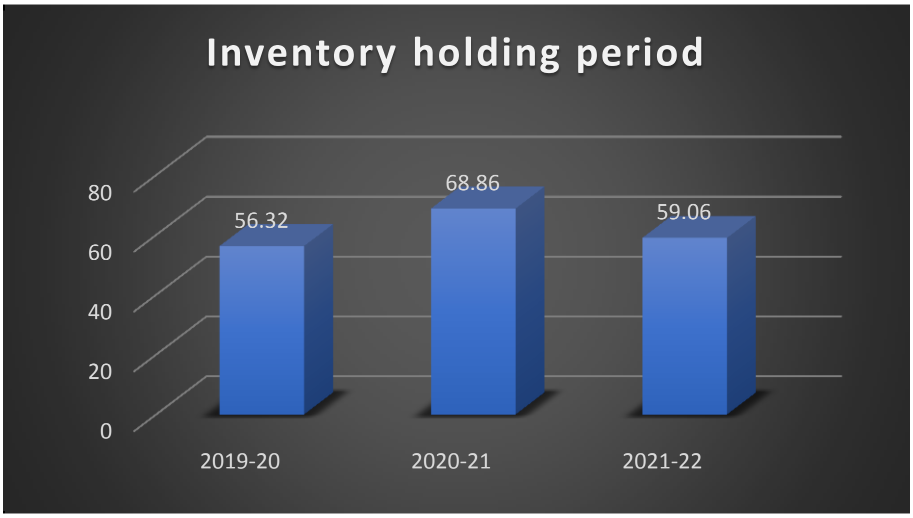
This period measures the average time taken for clearing the stocks. It indicates that how many days' inventories take to convert from raw material to finished goods.

$$\textbf{Inventory holding period} = \frac{\textbf{Days in a Year}}{\textbf{Inventory turnover Ratio}}$$

Table 6

Sr No	Years	Days in a Year	Inventory turnover Ratio	Inventory holding period
1	2019-20	365	6.48 Times	56.32 Days
2	2020-21	365	5.30 Times	68.86 Days
3	2021-22	365	6.18 Times	59.06 Days

Graph 6



Interpretation:

Table 6 shows that inventory holding period is fluctuating over the years. It was 56.32 days in the year 2019-20. It increased to 68.86 days in the year 2020-21, it decreased to 59.06 days in the year 2021-22.

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

ii. Debtors /accounts receivables turnover ratio:

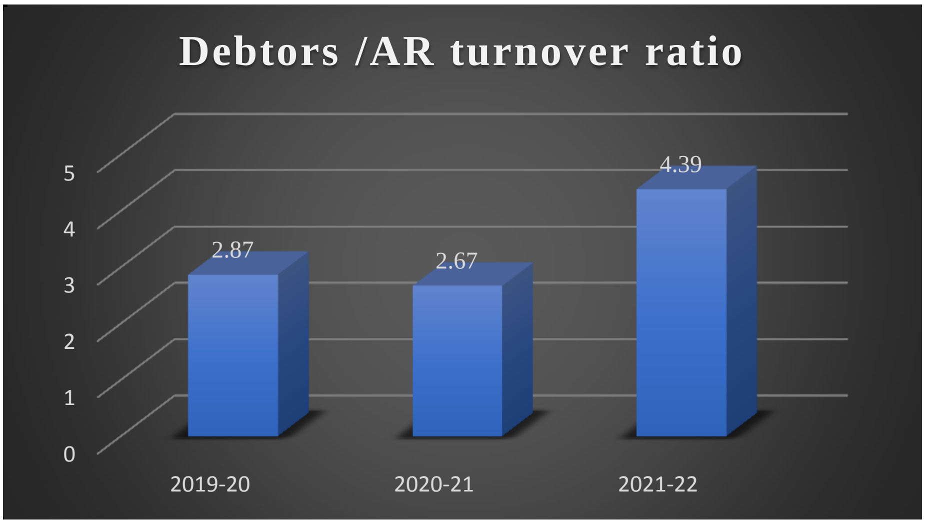
Debtor's turnover ratio indicates the speed of debt collection of the firm. This ratio computes the number of times debtors (receivables) has been turned over during the particular period.

$$\textbf{Debtors /accounts receivables turnover ratio} = \frac{\textbf{Net Sales}}{\textbf{Average Debtors}}$$

Table 7

Sr No	Years	Net Sales	Avg. Debtors	Debtors /AR turnover ratio
1	2019-20	163,225,571	56,751,414	2.87 Times
2	2020-21	186,066,844	69,663,171	2.67 Times
3	2021-22	267,821,000	60,938,000	4.39 Times

Graph 7



Interpretation:

The above chart shows that the Debtors /accounts receivables turnover ratio is Fluctuating over the years. It was about 2.87 times in the year 2019-20. It decreased by 0.2 times in the year 2020-21. It was about 2.67 times in the year 2020-21, But in the year 2021-22 it was increased by 1.72 times and it was about 4.39 times in the year 2021-22.

This figures is showing that the company is not collecting debts rapidly.

a. Debtors collection period :

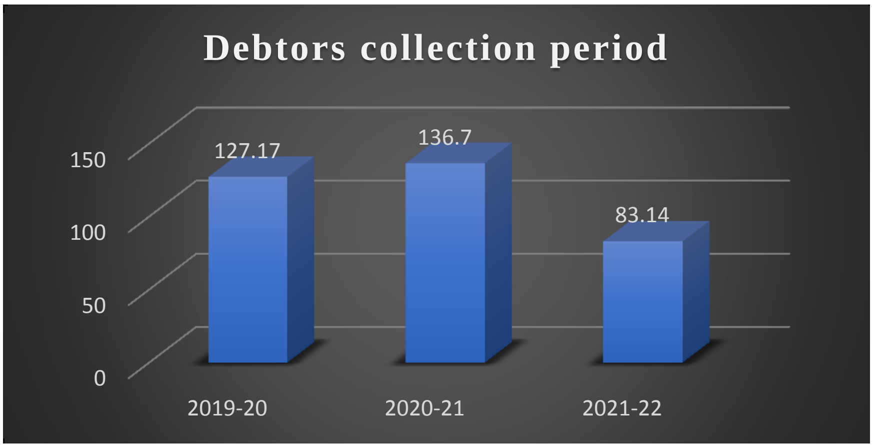
Debtors collection period measures the quality of debtors since it measures the rapidity or the slowness with which money is collected from them a shorter collection period implies prompt payment by debtors. It reduces the chances of bad debts. A longer collection period implies too liberal and inefficient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

$$\textbf{Debtors collection period} = \frac{\textbf{Days in a Year}}{\textbf{Debtors /AR turnover ratio}}$$

Table 8

Sr No	Years	Days in a Year	Debtors /AR turnover ratio	Debtors collection period
1	2019-20	365	2.87 Times	127 .17 Days
2	2020-21	365	2.67 Times	136.70 Days
3	2021-22	365	4.39 Times	83.14 Days

Graph 8



Interpretation:

It is observed from Table 8 that debt collection period changing over the years, it was 127 .17 days in the year 2019-20. It increased to 136.70 days in the year 2020-21, but in the year 2021-22, it decreased to 83.14 days.

This shows the efficient credit collection performance of the company.

iii.Creditors/ accounts payables turnover ratio:-

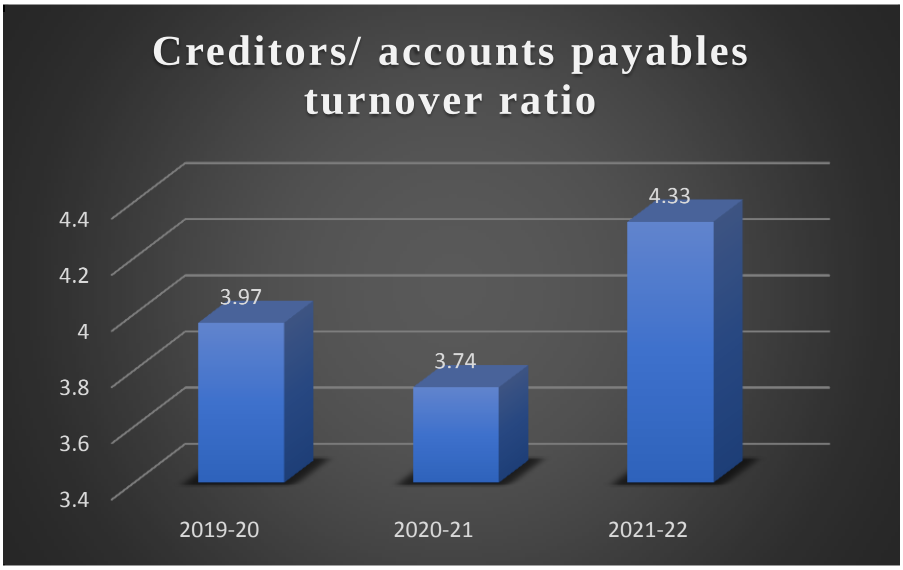
Creditor's turnover ratio is the ratio, which indicates the number of times the debts are paid in the year. This ratio is calculated as follows.

$$\text{Creditors/ accounts payables turnover ratio} = \frac{\text{Net Purchases}}{\text{Average Creditors}}$$

Table 9

Sr No	Years	Net Purchases	Avg Creditors	Creditors/ accounts payables turnover ratio
1	2019-20	164,497,400	41,353,555	3.97 Times
2	2020-21	185,433,094	49,456,701	3.74 Times
3	2021-22	249,269,000	57,443,000	4.33 Times

Graph 9



Interpretation:

The above chart shows that the Creditors/ accounts payables turnover ratio is Fluctuating over the years. It was about 3.97 Times in the year 2019-20. It decreased by 0.23 Times in the year 2020-21. It was about 3.74 Times in the year 2020-21. But, in the year 2021-22 it was increased by 0.59 Times. And it was about 4.33 Times in the year 2021-22.

This Chart shows that the company is paying off suppliers at a faster rate than in a previous periods.

A. Creditors' payment period:

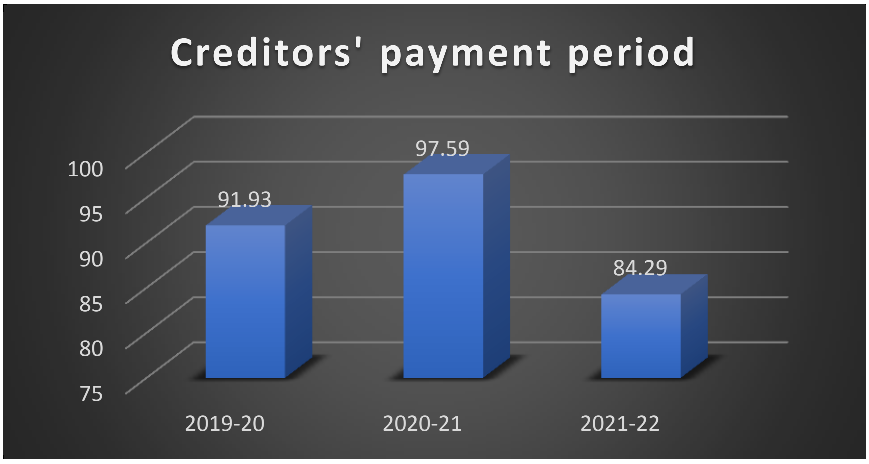
The Creditors Payment Period represents the average number of days taken by the firm to pay the creditors and other bills payables.

$$\text{Creditor's payment period} = \frac{\text{Days in a Year}}{\text{Creditors/ AP turnover ratio}}$$

Table 10

Sr No	Years	Days in a Year	Creditors/ AP turnover ratio	Creditors' payment period
1	2019-20	365	3.97 Times	91.93 Days
2	2020-21	365	3.74 Times	97.59 Days
3	2021-22	365	4.33 Times	84.29 Days

Graph 10



Interpretation:

Table 10 portrays that average payment period changing over the years. It was 91.93 Days in the year 2019-20. It increased to 97.59 Days in the year 2020-21, But in the year 2021-22, it decreased to 84.29 Days.

It indicates that the company has taken the steps to prompt payment to the creditors.

iv.Working capital turnover ratio:

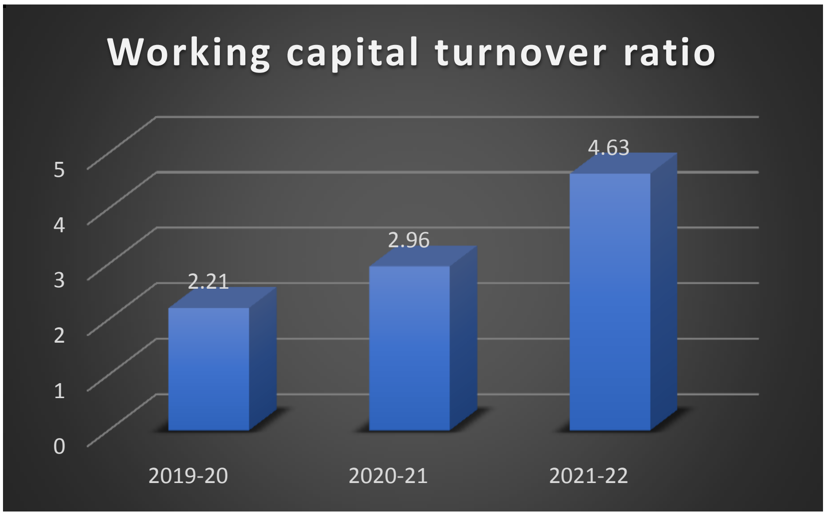
This ratio indicates the number of times the working capital is turned over in the course of the year. This ratio measures the efficiency with which the working capital is used by the firm. A higher ratio indicates efficient utilization of working capital and a low ratio indicates otherwise. But a very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

$$\textbf{Working capital turnover ratio} = \frac{\textbf{Net Sales}}{\textbf{Net Working Capital}}$$

Table 11

Sr No	Years	Net Sales	Net working capital	Working capital turnover ratio
1	2019-20	163,225,571	73,686,117	2.21
2	2020-21	186,066,844	62,755,704	2.96
3	2021-22	267,821,000	57,767,000	4.63

Graph 11



Interpretation:

The above chart shows that the Working capital turnover ratio is fluctuating year to year that was minimum in the year 2019-20 about 2.21 Times. There was a subsequent increases in the year 2020-21 from 0.75 times and it was about 2.96 times.

It was again increased in the year 2021-22 from 1.67 times due to decrease in net working capital.

It was about 4.63 times in the year 2021-22. This chart shows that the company is utilizing working capital efficiency.

CHAPTER – 7

FINDINGS, CONCLUSION AND LIMITATIONS

FINDINGS

- Working capital of the Setco Spindles India Private Limited was increasing and showing positive working capital per year.

- Quick Ratio is increased continuously. Company Liquidity position is adequate

- Inventory Turnover ratio is not constant Setco Spindles India Private Limited is not succeeded to control on inventory level. 2021-22 company increased inventory turnover ratio so more sale.

- Debtors Turnover Ratio Is some time increased some time decreased. But last 2 years compared to the 2021-22 due to increase in sales and better recovery in the current year.

- Creditor's Turnover ratio has continuously increased.

- Working Capital ratio is low in 2019-20 & 2020-21. In the year 2021-22 is has increased.

LIMITATIONS

- We cannot do comparisons with other companies unless and until we have the data of other companies on the same subject.
- Only the printed data about the company will be available and not the back-end details.
- Future plans of the company will not be disclosed to the trainees.
- Lastly, due to shortage of time it is not possible to cover all the factors and details regarding the subject of study.

CONCLUSIONS

The study on working capital management was carried out in Setco Spindles India Private Limited to analyze the financial position of the company. The company's financial position is analyzed by using the ratio analysis technique. The sources of data include the annual reports from 2019-20 to 2021-22. The financial status of Setco Spindles India Private Limited 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 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.

CHAPTER – 8

SUGGESTIONS

SUGGESTIONS

The suggestions made in the present study are fruitful and may provide significant insights about the financial position of Setco Group based on the information provided by which depend upon the depth of information used in the analysis of data.

1. The company must adopt various techniques for holding inventory just in time, economic order quantity and avoid overstocking and under stocking of inventory for smooth functioning of the business.

2. The company should not have to liberal policies as too liberal policies for debtors can incur bad debts.

3. The companies quick ratio is more than the ideal ratio, hence there is liquidity problem the organization should use the excess ideal funds for better opportunities.

4. The company should not invest unnecessary in current asset, which will affect its liquidity and profitability.

CHAPTER – 9
LEARNING FROM STUDY

LEARNING FROM STUDY

- 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. Setco Group 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 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 2013-14 to 2014-15 and in the last year 2015- 16 it is same as compared to 2014-15. 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.

CHAPTER – 10
CONTRIBUTION TO THE HOST ORGANIZATIONS

CONTRIBUTION TO THE HOST ORGANIZATIONS

I completed my internship in Setco Group, Pune. It was pleasure to work here because I was able to learn so much new thing's that is related to a Finance Like, Depreciation, TDS, GST, Prepaid Expenses & many more.

I learnt Time Management & Interpersonal Skills.

I Collected a Data from Different Departments of the Organization, Like Finance Department, ISR & SSR Department & Manufacturing Department for the SIP Project.

I Helped the Organization in Various activities related to a Finance –

1. Maintaining Documentation & Filling.
2. Maintain Books of Accounts.
3. Updating Bank Statements & Bank Reconciliation.
4. Working of Depreciation of an assets & Prepaid Expenses.
5. Working of ESIC, Provident Fund & Professional Tax in a Excel Sheet.
6. Generating a reports of GSTR-1 & GSTR-2, Trial Balance & Ledger Reports from TCSion Software.

BIBLIOGRAPHY

Following sources have been sought for the preparation this project report-

- **Reference Books –**

a. Pandey L.M. "Financial Management" (3rd Edition) Vikas Publishing House Private Limited.
b. Satish M Inamdar "Principles of Financial Management" Everest Publishing House.
c. Rao A.P. "Cases & Problems on Financial Management" Everest Publishing House.
d. P.V. Kulkarni & B.G. Satyaprasad "Financial Management" Himalaya Publishing House.

- **Annual reports –**

Annual reports for the last Three Years of Setco Spindles India Private Limited.

- **Internet Sites –** https://www.setco.com/

- Direct interaction with the employees of the company.

ANNEXURE

AUDITED BALANCE SHEET AS AT 31ST MARCH, 2020

	Particulars	Note No.	31st March, 20	31st March, 19
I	**EQUITY AND LIABILITIES**			
1	**Shareholder's funds**			
	a. Share Capital	2	701,480.00	610,760.00
	b. Reserves and surplus	3	95,976.029.98	85,215,175.58
			96,677,509.98	**85,825,935.58**
2	**Share application money pending allotment**			
3	**Non-Current Liabilities**			
	a. Long term borrowings	4	43,333,750.00	0
			43,333,750.00	
4	**Current Liabilities**			
	a. Short Term Borrowings	6	5,106,722.57	0
	b. Trade Payable	7	41,353,555.52	28,681,285.33
	c. Other Current Liabilities	8	22,636,407.95	2,981,931.79
	d. Short term provisions	9		1,629,967.57
			69,096,686.04	**33,293,184.69**
	Total		**209,107,946.02**	**119,119,120.27**
II	**ASSETS**			
1	**Non-Current Assets**			
	a. Fixed Assets			
	i. Property, Plant & Equipment’s	10	61,678,348.94	41,744,134.15
	ii. Intangible assets	11	1,488,159.06	432,118.42
	iii. Capital Work in progress		0	0
	iv. Intangible asset under development		0	500,000.00
			63,166,507.99	**42,676,252.57**
	b. Non-current investments	12	30,000	30,000
	c. Other non-current assets	13	2,551,928.00	2,093,898.00
	d. Deferred Tax assets (net)	5	576,706.00	200,069.00
			3,158,634.00	**2,323,967.00**
2	**Current Assets**			
	a. Inventories	14	35,092,434.00	25,164,883.00
	b. Trade Receivables	15	56,751,414.65	35,527,238.39
	c. Cash & Cash Equivalents	16	38,573,338.18	12,292,712.89
	d. Short term loans & advances	17	1,922,978.59	799,598.93
	e. Other current assets	18	10,442,638.61	334,467.49
			142,782,804.03	**74,118,900.70**
	Total		**209,107,946.02**	**119,119,120.27**

AUDITED STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED 31ST MARCH, 2020

	Particulars	Note No	31st March, 20	31st March, 19
I	Revenue from operations	19	160,961,355.13	159,093,966.56
II	Other Income	20	2,264,216.39	2,838,844.10
	Total Revenue		**163,225,571.52**	**161,932,810.66**
III	Expenses			
	Cost of materials consumed	21	78,766,009.02	66,478,453.40
	Changes in process stock & finished goods	22	2,217,188.00	1,469,893.00
	Employee benefit expense	23	38,593,263.56	27,459,555.59
	Finance costs	24	4,014,079.95	186,734.52
	Depreciation & Amortization expense	10	8,842,717.04	5,917,777.37
	Other Expenses	25	36,498,519.11	27,861,660.15
	Total Expenses		**164,497,400.68**	**126,434,288.03**
IV	Profit before exceptional, extraordinary items & tax		**1,271,829.16**	**35,498,522.63**
V	Exceptional Items			
VI	Profit before extraordinary items & tax		1,271,829.16	35,498,522.63
VII	Extraordinary Items			
VIII	Profit before tax		**1,271,829.16**	**35,498,522.63**
IX	Tax expenses:			
	Previous Year Tax Expenses			
	1. Current Tax		752,000.00	10,060,000.00
	2. Deferred Tax		376,637.00	37,347.00
			375,363.00	**10,097,347.00**
X	Profit/(Loss) from discontinuing operations		1,647,192.16	25,401,175.63
XI	Profit/(Loss) from continuing operations			
XII	Profit/(Loss) for the period		**1,647,192.16**	**25,401,175.63**
XIII	Earning per equity share:			
	1. Basic		23.48	415.89
	2. Diluted		23.48	415.89

AUDITED BALANCE SHEET AS AT 31ST MARCH, 2021

	Particulars	Note No.	31st March, 21	31st March, 20
I	**EQUITY AND LIABILITIES**			
1	**Shareholder's funds**			
	a. Share Capital	3	701,480	701,480
	b. Reserves and surplus	4	96,042,628	95,976,029
2	**Share application money pending allotment**			
3	**Non-Current Liabilities**			
	a. Long term borrowings	5	35,851,379	37,683,750
	b. Long term provisions	6	673,132	0
4	**Current Liabilities**			
	a. Short Term Borrowings	7	12,000,000	10,756,723
	b. Trade Payable	8		
	Total O/S dues of Micro & Small Enterprise		3,899,445	6,383,777
	Total O/S dues of Creditors other than Micro & Small Enterprise		45,557,256	36,206,634
	c. Other Current Liabilities	9	4,783,715	21,397,553
	d. Short term provisions	10	4,134,263	0
	Total		**203,643,298**	**209,107,946**
II	**ASSETS**			
1	**Non-Current Assets**			
	a. Fixed Assets	11		
	i. Property, Plant & Equipment’s		58,127,769	61,678,349
	ii. Intangible assets		1,001,135	1,488,159
	b. Non-current investments	12	30,000	30,000
	c. Other non-current assets	13	3,148,663	576,706
	d. Long term loans & advances	14	8,205,348	8,524,570
2	**Current Assets**			
	a. Inventories	15	43,311,931	35,092,434
	b. Trade Receivables	16	69,663,171	56,751,415
	c. Cash & Cash Equivalents	17	17,850,919	38,573,338
	d. Short term loans & advances	18	2,250,302	5,785,727
	e. Other current assets	19	54,060	607,245
	Total		**203,643,298**	**209,107,946**

AUDITED STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED 31ST MARCH, 2021

	Particulars	Note No	31st March, 21	31st March, 20
I	Revenue from operations	20	152,172,304.00	162,320,374.00
II	Other Income	21	3,894,540.00	609,631.00
III	**Total Revenue (I+II)**		**186,066,844.00**	**162,930,005.00**
IV	Expenses			
	Cost of materials consumed	22	86,313,090.00	78,980,280.00
	Changes in inventories of WIP, Finished goods	23	3,520,040.00	2,217,188.00
	Employee benefit expense	24	44,517,759.00	38,593,264.00
	Finance costs	25	3,597,145.00	3,785,762.00
	Depreciation & Amortization expense	11	13,367,329.00	8,842,717.00
	Other Expenses	26	41,157,811.00	36,216,999.00
	Total Expenses		**185,433,094.00**	**164,201,834.00**
V	**Profit/(Loss) before tax (III-IV)**		**633,750.00**	**1,271,829.00**
VI	Tax expenses:			
	Current Tax		3,097,250	752,000
	Less: MAT credit entitlement			
	Deferred Tax		2,571,958.00	376,637.00
	Short/excess provisions of earlier years		41,859	
	Profit/(Loss) for the period (V + VI)		**66,599.00**	**1,647,192.00**
	Earning per equity share:	32		
	1. Basic		0.95	24.18
	2. Diluted		0.95	24.18
	Nominal Value of Equity Share		10.00	10.00

AUDITED BALANCE SHEET AS AT 31ST MARCH, 2022

(Rs. In Lakhs)

	Particulars	Note No.	31st March, 22	31st March, 21
I	**EQUITY AND LIABILITIES**			
1	**Shareholder's funds**			
	a. Share Capital	3	7	7
	b. Reserves and surplus	4	1,089	960
2	**Share application money pending allotment**			
3	**Non-Current Liabilities**			
	a. Long term borrowings	5	361	359
	b.Long term provisions	6	5	7
4	**Current Liabilities**			
	a. Short Term Borrowings	7	131	127
	b. Trade Payable	8		
	Total O/S dues of Micro & Small Enterprise		94	39
	Total O/S dues of Creditors other than Micro & Small Enterprise		481	456
	c. Other Current Liabilities	9	114	41
	d. Short term provisions	10	63	41
	Total		**2,344**	**2,036**
II	**ASSETS**			
1	**Non-Current Assets**			
	a. Fixed Assets	11		
	i. Property, Plant & Equipment’s		782	581
	ii. Intangible assets		7	10
	b. Non-current investments	12	0	0
	c. Other non-current assets	13	44	31
	d. Long term loans & advances	14	5	56
	e. Other non-current assets	15	45.08	25.72
2	**Current Assets**			
	a. Inventories	16	460	433
	b. Trade Receivables	17	609	697
	c. Cash & Cash Equivalents	18	357	179
	d. Short term loans & advances	19	33	23
	e. Other current assets	20	1	1
	Total		**2,344**	**2,036**

AUDITED STATEMENT OF PROFIT & LOSS (Rs. In Lakhs)

FOR THE YEAR ENDED 31ST MARCH, 2022

(Rs. In Lakhs)

	Particulars	**Note No**	**31st March, 22**	**31st March, 21**
I	Revenue from operations	21	2,666.36	1,821.72
II	Other Income	22	11.85	38.95
III	**Total Revenue (I+II**		**2,678.21**	**1,860.67**
IV	**Expenses:**			
	Cost of materials consumed	23	1,186.22	863.13
	Changes in inventories of WIP, Finished goods	24	26.62	35.20
	Employee benefit expense	25	550.55	445.18
	Finance costs	26	38.62	35.97
	Depreciation & Amortization expense	11	128.74	133.68
	Other Expenses	27	615.18	411.58
	Total Expenses		**2,492.69**	**1,854.34**
V	**Profit/(Loss) before tax (III-IV)**		**185.52**	**6.33**
VI	**Tax expenses:**			
	Current Tax		68	31
	Deferred Tax		12.99	25.72
	Short/excess provisions of earlier years		1.70	0.42
	Total Tax Expenses		**57**	**5.67**
VII	**Profit/(Loss) for the period (V + VI)**		**128.70**	**0.66**
	Earning per equity share:	33		
	1. Basic		183.47	0.94
	2. Diluted		183.47	0.94
	Nominal Value of Equity Share		10.00	10.00

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