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A STUDY ON WORKING CAPITAL MANAGEMENT AT BRITANIA INDUSTRIES LTD HYDERABAD

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Abstract

Working capital management is a critical aspect of financial management for businesses, as it directly affects their liquidity, profitability, and operational efficiency. This abstract provides an overview of working capital management, its importance, and key strategies employed to optimize it. Effective working capital management involves managing the company's current assets and liabilities to ensure that it has sufficient liquidity to meet its short-term obligations and fund its day-to-day operations. It requires a delicate balance between maintaining an optimal level of working capital to avoid liquidity problems and minimizing the idle funds that can impact profitability. Furthermore, the study presents several key strategies for effective working capital management. These strategies encompass efficient cash flow management, inventory control techniques, optimizing receivables and payables cycles, and utilizing financial instruments such as credit lines and factoring. It also emphasizes the role of technology in streamlining working capital processes, including automated payment systems and real-time financial reporting tools.

Keywords: Current assets, Non-current assets, Current liabilities, Ratios etc.

I. Introduction

The working capital is the life-blood and nerve center of a business firm. The sufficiency of working capital assists in raising credit standing of a business because of better terms on goods bought, lesser cost of manufacturing due to the acceptance of cash discounts, favorable rates of interest etc. No business can run effectively without a sufficient quantity of working capital. It is crucial to retain right level of working capital. Finance manager is required to decide the amount of accurate working capital. A business enterprise with ample working capital is always in a position to avail advantages of any favorable opportunity either to buy raw materials or to implement a special order or to wait for enhanced market status

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Knowing the amount of working capital a company has is vital to many aspects. The working capital calculation will tell the company, as well as the investors, exactly how well the company is doing. In addition, the company's working capital constitutes the monies used for purchasing new equipment, new stock lines and much more. Working capital is the single most important aspect of a company, whether you are judging performance or speculating on expanding the company. Without the required working capital and knowledge of how to perform a working capital calculation, it may be impossible for a business to grow and prosper. Having the right amount of working capital is the only way in which a company can advance.

ACC is a large organization. That' why a lot of day to day operations goes on. Like purchase of raw material, stores and spares, etc. ACC require a lot of working capital to finance its current assets.

II. Review of literature

Weston and Brigham (2018) Further extended the second proposition suggested by Walker by dividing debt into long term debt and short term debt should be used in place of long term debt whenever their use would lower the average cost of capital to the firm they also suggested that a business would hold short term marketable securities only if there were excess funds after meeting short term debt obligations

Van Horne(2019), recognizing working capital management as an area largely lacking in theoretical perspective, attempted to develop a framework in terms of probabilistic cash budget for evaluating decisions concerning the level of liquid assets and the maturity composition of debt involving risk-return trade-off. He proposed calculation of different forecast liquid asset requirements along with the subjective probabilities under different possible assumptions

Reflow(2019), the major policy issued encountered in the management of working capitalists related to the level of investment and its financing. According to them firms have two goals liquidity and profitability. working capital management is important for creating value for shareholders according to Shin and semen in 1998 management of working capital was found to have a significant impact on both profitability and liquidity.

Ray (2020) Felt that in the five decades post nationalization of banks, they have

grown substantial in size and asset base but this growth has generated huge amount of non- performing assets. This has adversely impacted the profitability thereby exposing managerial inefficiencies in the system. Faulty credit appraisal by untrained staff is one of the biggest contributors to managerial inefficiency leading to rising delinquencies.

III. Need for the study

- The need for working capital to run day to day business activities cannot be overemphasis.We will hardly find a business firm which does not require any amount of working capital.
- We know that the firm aims at

maximizing the wealth of the shareholder.

- In its endeavor to maximize shareholder wealth the firm should earn sufficient return from its operation earning a steady amount of profit requires successful sales activity.
- The firm has invested enough funds in current assets for the success of sales activity.
- Current assets are needed because sales do not convert into cash instantaneously. There isalways operating cycle involved in the conversion of cash.

IV. Objectives of study

- To study overall working capital position of Britannia Industries Ltd.
- To examine the changes in working capital of Britannia Industries Ltd.
- To study existing system of working capital management in Britannia Industries Ltd.
- To analyze financial performance of company with reference to its working capital components.

V. Scope of the study

- The research considers historical and contemporary sources that were actively usedbetween 2018 and 2022.
- The study is conducted for the duration of five (5) years from 2018 to 2022
- Study is concerned with the management of current assets & current liabilities.
- Financial ratios are computed to assess the financial performance of thechosen firm during the study period.

VI. Research methodology

The purpose of the methodology is to describe the process involve in the research work. This includes the overall research design, the data collection method Research Methodology refers to the various sequential steps (along with a rationale, of each such steps) to be adopted by a researcher in studying a problem with certain object or objectives in view. It would be appropriate to mention that research project are not susceptible to any one complete and inflexible sequence of steps and type of problems to be studied will determine the particular steps to be taken and their order too.

Data Sources

Data was collected by using secondary methods alone. In case of secondary ways of data collection, the following sources are used.

Secondary data:

Secondary data means data that are already available i.e. they refer to the data which havealready been collected and analyze by someone else.

- Books
- Reports
- Magazine
- Internet

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Data analysis Tools:

- MS excel 2010
- Graphs

VII. Limitations of the study

- The time period for the project is very less for understanding the wide organization.
- The ratio of the one company cannot always be compared with the performance of the otherfirm.
- Price level change affects the validity of comparisons of ratios computed for different timeperiods.
- Comparisons are also made difficult due to differences of the terms like gross profit,operating profit, net profit etc.
- If company resort to 'window dressing', outsiders cannot look into the facts and affect thevalidity of comparisons.
- There is no free access of reputed libraries. The scope of study is very wide .A large sample would have provided more confidence in the findings but due to cost and time constraint the sample size was kept small.
- Most of the business units in our country do not have confidence that the information sharedby them with the people will not be misused.
- So this makes the employees reluctant to share information with them. Reluctance is more if information pertains to financial position and business operations.

VIII.Empirical results:

A sample result of data analysis are presented in this section.

Tabular representation of current assets 2018-2022

CURRENT ASSETS	22-Mar	21-Mar	20-Mar	19-Mar	18-Mar
Current Investments	802.5	1,292.96	882.06	594.7	735.48
Inventories	1,251.64	991.28	633.53	718.89	594.58
Trade Receivables	253.85	198.36	242.23	350.96	230.32
Cash And Cash Equivalents	52.29	110.8	39.16	40.48	97.25
Short Term Loans And Advances	698	946.09	1,075.73	1,121.41	820.41
Other Current Assets	534.78	475.44	332.44	243.83	289.48
TOTAL	**3,593.06**	**4,014.93**	**3,205.15**	**3,070.27**	**2,767.52**
TOTAL ASSETS	**7,002.95**	**7,416.01**	**7,253.34**	**5,652.97**	**4,627.30**

Table no 4.1: tabular representation of current assets

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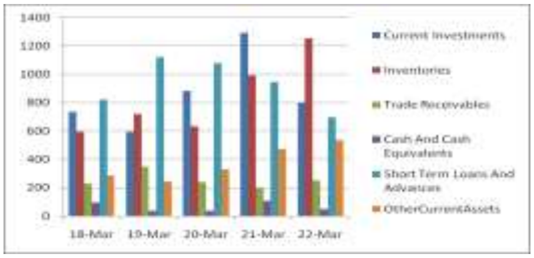

Graphical representation of current assets

The above graph shows that the CURRENT ASSETS. The Current Investments is high in the year 2021 while comparing to the financial year 2022, and the Inventories is high in the year 2022 while comparing to the financial years 2022-18, and the Trade Receivables is high in the year 2019 while comparing to the financial year 2022, and the Cash And Cash Equivalents is high in the year 2021 while comparing to the financial year 2022, and the Short Term Loans And Advances is high in the year 2019 while comparing to the financial year 2022, and the Other Current Assets is high in the year 2021 while comparing to the financial year 2022, and the TOTAL CURRENT ASSETS is high in the year 2021 while comparing to the financial year

2022, and the TOTAL ASSETS is high in the year 2021 while comparing to the financial year2022.

IX. Findings, Suggestions and Conclusion

Findings

- I find that working capital of the Britannia industry share capital is increased comparing to 2019 is 24.04 and in the year 2020 is 24.05 Reserves and Surplus are also increased compare to other year total shareholders' funds non-current liabilities current liabilities total current assets everything are increased comparing to other years 2016-2020 and also additional information are like contingent funds foreign exchange and also noncurrent investment ,current investment are also increased from 2016-2020The above graph shows that the SHAREHOLDER'S FUNDS. The Equity Share Capital is high in the year 2022-21 while comparing to the financial years 2022-18 , and the TOTAL SHARE CAPITAL is high in the year 2022-21 while comparing to the financial years 2022-18 , and the Reserves and Surplus is high in the year 2019 while comparing to the financial year 2022, and the TOTAL RESERVES AND SURPLUS is high in the year 2020 while comparing to the financial year 2022, and the TOTAL SHAREHOLDERS FUNDS is high in the year 2020 while comparing to the financial year 2022.
- The above graph shows that the NON-CURRENT LIABILITIES. The Long Term Borrowings is high in the year 2020 while comparing to the financial year 2022, and the Deferred Tax Liabilities is high in the year 2020 while comparing to the financial year 2022, and the Other Long Term Liabilities is high in the year 2022 while comparing to the financial years 2022-18, and the TOTAL NON-CURRENT LIABILITIES is high in the year 2020 while comparing to the financial year 2022.

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- The above graph shows that the CURRENT ASSETS. The Current Investments is high in the year 2021 while comparing to the financial year 2022, and the Inventories is high in the year 2022 while comparing to the financial years 2022-18, and the Trade Receivables is high in the year 2019 while comparing to the financial year 2022, and the Cash And Cash Equivalents is high in the year 2021 while comparing to the financial year 2022, and the Short Term Loans And Advances is high in the year 2019 while comparing to the financial year 2022, and the Other Current Assets is high in the year 2021 while comparing to the financial year 2022, and the TOTAL CURRENT ASSETS is high in the year 2021 while

  comparing to the financial year 2022, and the TOTAL ASSETS is high in the year 2021 while comparing to the financial year 2022.

- The above graph shows that the NON-CURRENT ASSETS. The Tangible Assets is high in the year 2020 while comparing to the financial year 2022, and the Intangible Assets is high in the year 2022, and the Capital Work-In-Progress is high in the year 2022, and the Other Assets is high in the year 2020 while comparing to the financial year 2022, and the FIXED ASSETS is high in the year 2022, and the Non-Current Investments is high in the year 2020 while comparing to the financial year 2022, and the Deferred Tax Assets is high in the year 2022, and the Long Term Loans And Advances is high in the year 2020 while comparing to the financial year 2022, and the Other Non-Current Assets is high in the year 2021 while comparing to the financial year 2022, and the TOTAL NON-CURRENT ASSETS is high in the year 2020 while comparing to the financial year 2022.

- The above graph shows that the CURRENT LIABILITIES. The Short Term Borrowings is high in the year 2022 while comparing to the financial years 2021-18 and the Trade Payables is high in the year 2021 while comparing to the financial year 2022, and the Other Current Liabilities is high in the year 2022 while comparing to the financial years 2021-18 and the Short Term Provisions is high in the year 2022 while comparing to the financial years 2021- 18 and the TOTAL CURRENT LIABILITIES is high in the year 2022 while comparing to the financial years 2021-18 and the TOTAL CAPITAL AND LIABILITIES is high in the year 2021 while comparing to the financial year 2022.

- The graph shows that the PER SHARE RATIOS. The Basic EPS is high in the year 2018 while com paring to the financial year 2022, and the Diluted EPS is high in the year 2018 while com paring to the financial year 2022, and the Cash EPS is high in the year 2018 while com paring to the financial year 2022, and the

- Book Value [ExclRevalReserve]/Share is high in the year 2018 while com paring to the financial year 2022, and the Book Value [InclRevalReserve]/Share is high in the year 2018 while com paring to the financial year 2022, and the Dividend / Share is high in the year 2021while com paring to the financial year 2022, and the Revenue from Operations/Share is high in the year 2018 while com paring to the financial year 2022, and the PBDIT/Share is high in the year 2018 while com paring to the financial year 2022, and the PBIT/Share is high in the year 2018 while com paring to the financial year 2022, and the PBT/Share is high

in the year 2018 while com paring to the financial year 2022, and the Net Profit/Share is highin the year 2018 while com paring to the financial year 2022, and the

- The above graph shows that the PROFITABILITY RATIOS. The PBDIT Margin is high in the year 2021 while comparing to the financial year 2022, and the PBIT Margin is high in the year 2021 while comparing to the financial year 2022, and the PBT Margin is high in the year 2021 while comparing to the financial year 2022, and the Net Profit Margin is high in the year 2021 while comparing to the financial year 2022, and the Return on Networth / Equity is high in the year 2022, and the Return on Capital Employee is high in the year 2022, and the Return on Assets is high in the year 2021 while comparing to the financial year 2022, and then Total Debt/Equity is high in the year 2022, and the Asset Turnover Ratio is high in the year 2018 while comparing to the financial year 2022.

- The above graph shows that the LIQUIDITY RATIOS. The Current Ratio is high in the year 2019 while comparing to the financial year 2022, and the Quick Ratio is high in the year 2018 while comparing to the financial year 2022, and the Inventory Turnover Ratio is high in the year 2020 while comparing to the financial year 2022, and the Dividend Payout Ratio is high in the year 2021 while comparing to the financial year 2022, and the Dividend Payout Ratio is high in the year 2021 while comparing to the financial year 2022, and the Earnings Retention Ratio is high in the year 2019 while comparing to the financial year 2022, and the Cash Earnings Retention Ratio is high in the year 2019 while comparing to the financial year 2022

- The above graph shows that the VALUATION RATIOS. The Enterprise Value is high in the year 2021 while comparing to the financial year 2022, and the EV/Net Operating Revenue is high in the year 2021 while comparing to the financial year 2022, and the EV/EBITDA is high in the year 2019 while comparing to the financial year 2022, and the Market Cap/Net Operating Revenue is high in the year 2019 while comparing to the financial year 2022, and the Retention Ratios is high in the year 2019 while comparing to the financial year 2022, and the Price/BV is high in the year 2022 while comparing to the financial years 2021-18, and the Price/Net Operating Revenue is high in the year 2019 while comparing to the year 2022, and the Earnings Yield I constant all the financial years.

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Suggestions

- Maintaining good relations with suppliers to get maximum raw materials & capital so that the organization can continue dealing in future as well.

- The organization structure must be flattered for the quicken decision making which will result in higher profitability.

- Management of Britannia ensures the efficient use of various resources & increases the productivity of the enterprise.

- Keeping & maintaining good working condition to ensure fair wage for worker security of employment.

- Complaint and replace the defective product in time, otherwise it will tarnish the imageof the company among the retailers.

- The company can diversify itself by undertaking the manufacturing of various different products apart from manufacturing biscuits at the

- To ensure the proper quality of raw materials before placing an order to the vendor terms and conditions of penalties should be given to the vendors if they supply defectedmaterial.

- Storage capacity of the company should be increased by properly utilizing the waste land of the company.

Conclusion

This report is whole on the basis of financial analysis. The main object of doing this study is to analysis the condition of organization. The tools of financial are used to find out the soundness of the company. It can be concluded that in the fiercely competitive FMCG market with regional players striking so hard at BILs market share the company has not made any compromise with quality, systems and practices in spite of feeling the pinch in its profitability not only due to competition but also because being an agro based industry and because of the seasonality and unpredictability in the availability and price of one of its major raw material Maida.The company is doing well in terms of its marketing approach and the financials of the company seem to be healthy as of now.

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