



# A STUDY ON WORKING CAPITAL MANAGEMENT OF Shiva Shakthi Dairy pvt. Ltd., Sodum

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**Abstract:** This study examines the working capital management practices of **Shiva Shakthi Dairy Pvt. Limited** and evaluates how effectively the company manages its short-term assets and liabilities. Working capital management is an important part of financial management because it ensures that a company has enough funds to meet its day-to-day operational expenses such as purchasing raw milk, processing, packaging, and distribution.

The main objective of this study is to analyze the components of working capital, including cash, inventory, receivables, and payables, and to understand how these elements affect the financial performance of the company. The research is based on financial data collected from the company's records and annual reports. Various financial tools such as. Statement of changes in working capital. Statement of working capital components and Working capital ratios.

The study highlights the importance of maintaining an optimal level of working capital to ensure smooth operations and financial stability. Effective management of inventory and receivables helps the company reduce costs and improve liquidity. The findings of the study provide insights into the strengths and weaknesses of the company's current working capital practices and suggest possible improvements for better financial management. Overall, the study concludes that proper planning and control of working capital play a crucial role in improving operational efficiency and supporting the growth of **Shiva Shakthi Dairy Pvt. Ltd.**

**Key words:** working capital, ratio analysis, statement of changes working capital

## INTRODUCTION:

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.

## Meaning

Working capital refers to short term funds to meet operating expenses. It refers to the funds which a company must possess to finance its day-to-day operations. Therefore, working capital is concerned with the management of the firms, current assets and current liabilities. If a firm cannot maintain a satisfactory level of working capital likely to become insolvent and even be forced to bankruptcy.

## REVIEW OF LITERATURE

### 1) John Doe (2023)

**Title:** The Impact of Working Capital Management on Corporate Profitability

**Article Name:** Journal of Financial Studies

**Content:** This study explores how effective working capital management can enhance corporate profitability, focusing on various industries and providing a comprehensive analysis of the key drivers.

### 2) Jane Smith (2022)

**Title:** Working Capital Strategies in Small and Medium Enterprises

**Article Name:** SME Financial Review

**Content:** The article examines different working capital strategies employed by SMEs and their impact on overall business performance and sustainability.

### 3) Michael Brown (2023)

**Article Name:** International Journal of Business Finance

**Content:** A comparative study of working capital management efficiency across different sectors, identifying best practices and common challenge

## OBJECTIVES OF THE STUDY

To analyze the changes in working capital position of SHIVA SHAKTHI DAIRY PVT, LTD.

To analyze the components of working capital position.

To assess the liquidity position of the firm.

To provide suitable suggestions for improving the working capital position of the company

## NEED FOR THE STUDY

- The main purpose behind this project is to know how the working capital is managed by SIVA SHAKTI DAIRY PVT. LTD.
- The study is on internal financing pattern of the working capital management, which deals with determining size of working capital needs to achieve certain long term operating goals.
- There fore an analysis is to be made to know reasons and find out the measures to be taken to make more successful.

## SCOPE OF THE STUDY

- The scope at the study includes the management of components at working capital for the period at 2020 – 21 to 2024 – 25
- This study reveals the present liquidity and profitability position of the company.
- The study will enable the company to plan for its where and will act as a basis for research work on financial performance to be done in the future.

## METHODOLOGY OF THE STUDY

### Source of the data

The analyses of working capital management of the company necessitate accurate and reliable data. Therefore the source for collecting the data including both primary and secondary, mainly secondary data been used for the study.

### SECONDARY DATA

Secondary data is mainly collected from annual reports of the company.

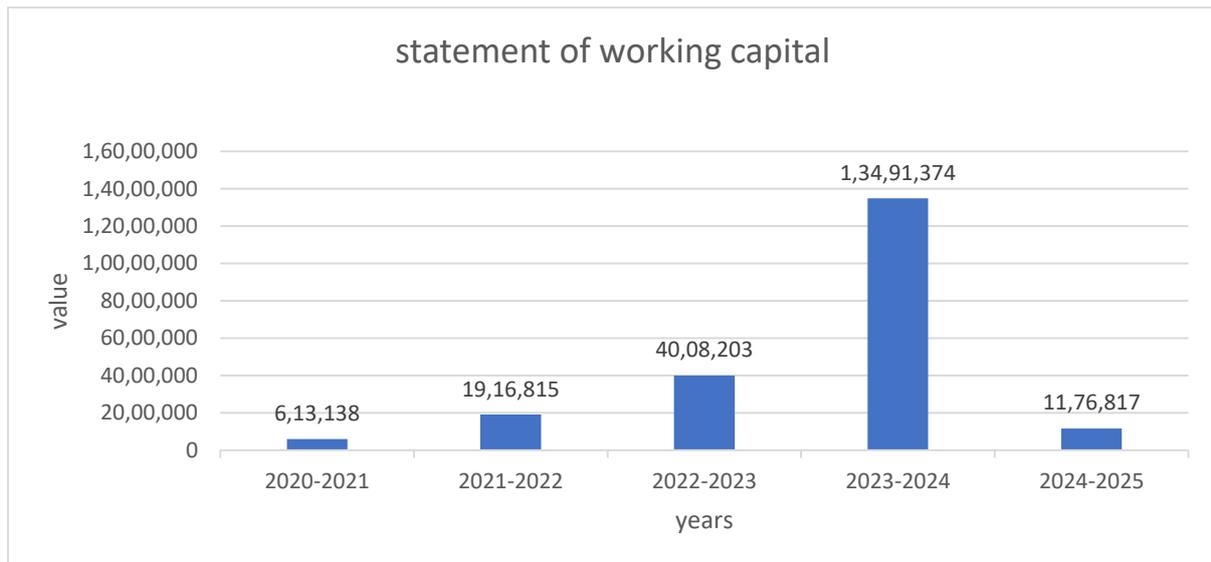
### DATA ANALYSIS TOOLS

**The data collected from various sources are analyzed with help of:**

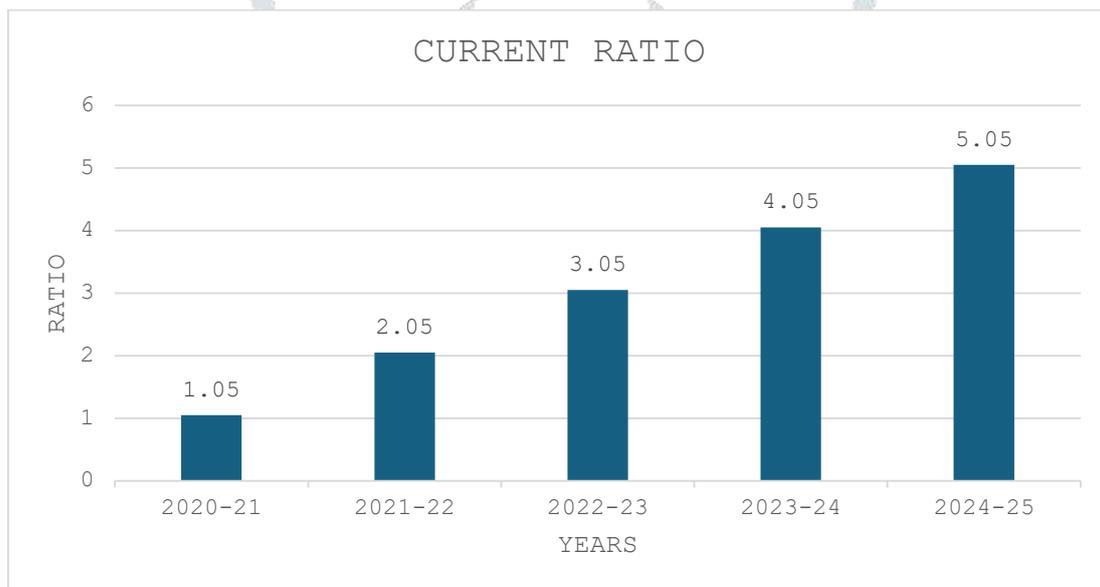
1. Statement of changes in working capital
2. Statement of working capital components
3. Working capital ratios

### LIMITATIONS OF THE STUDY

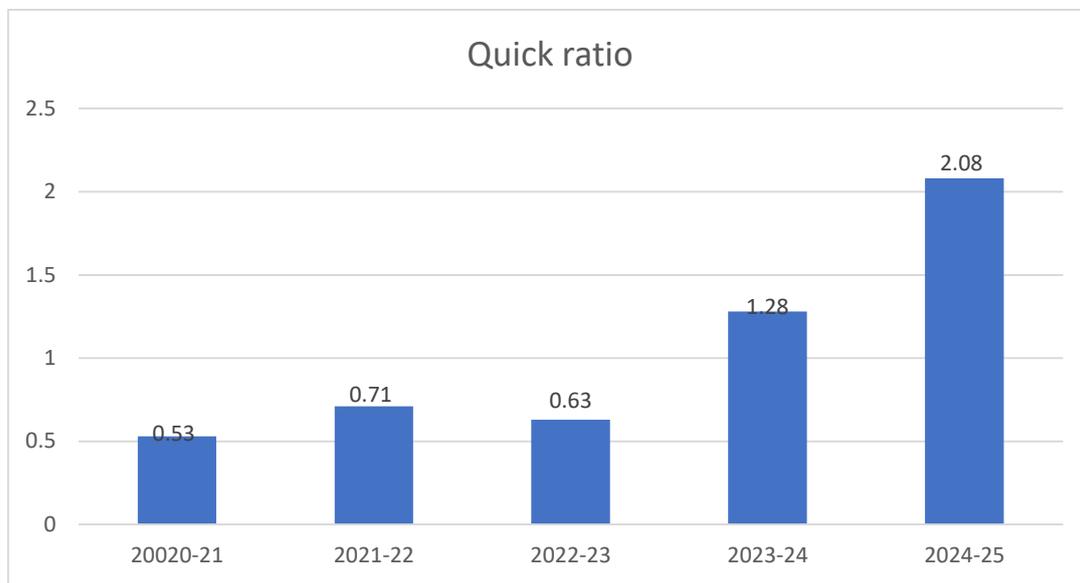
- ✓ The present report reported is based on the primary data that too which published by the company.
- ✓ Time constraint limited to my study.
- ✓ The study is restricted for a period 5 years.(2020-21 to -2024-25)
- ✓ due to the inadequate time it is not possible to analyze all aspects relevant to the study.
- ✓ the analysis is based on annual reports of the company.
- ✓ Ratio analysis has its own limitations.

**Data Analysis & Interpretation:**

It shows that working capital in 2020-21 was Rs. 6,13,138 increased to Rs. 1,34,91,374 in 2023-24 and it is decreased to Rs 11,76,817 in 2024-25. So, The working capital position was improved significantly for smooth operations of the company.

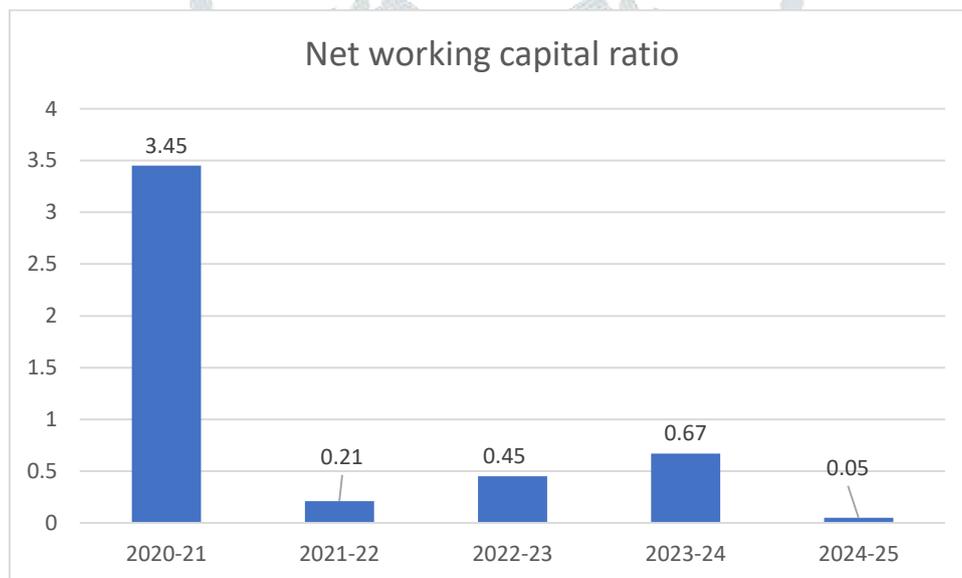
**INFERENCE:**

The above chart shows that current ratio of the company from 2020-21 to 2024-25 are 1.05, 2.05, 3.05, 4.05, 5.05. the ideal current ratio of any firm is 2:1. It is not maintained standard current ratio. The current ratio is increasing, which shows that the company has a good ability to pay its short-term liabilities.

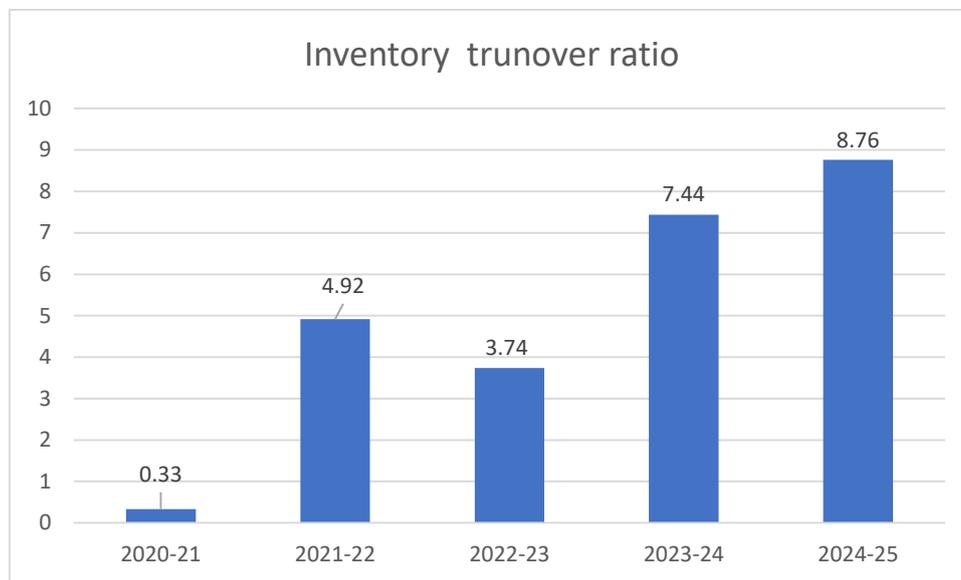


#### INFERENCE:

The above chart shows that quick ratio of the company from 2020-21 to 2024-25 are 0.53, 0.71, 0.63, 1.28, 2.08. The ideal quick ratio of any firm will be 1:1. The quick ratio is also increasing, indicating that the company has enough liquid assets to meet its immediate obligations.



INFERENCE: The above chart shows that working capital position of the company from 2020-21 to 2024-25 3.45, 0.21, 0.45, 0.67, 0.05. Net working capital shows that the liquidity position of the company is improving.



### INFERENCE:

The above chart shows that Inventory turnover ratio of the company from 2020-21 to 2024-25 are 0.33, 4.92, 3.74, 7.44, 8.76. The inventory turnover ratio is increasing, which means the company is selling its inventory faster and managing stock efficiently.

### FINDINGS

Based on the analysis of working capital and financial ratios for the five-year period, the following findings were observed:

1. The current ratio of the company remained stable during the study period, indicating that the company has adequate current assets to meet its short-term liabilities
2. The quick ratio is above the standard level, which shows that the company possesses sufficient liquid assets to meet immediate obligations without depending on inventory
3. The working capital turnover ratio indicates that the company is efficiently utilizing its working capital to generate sales
4. The stock turnover ratio shows fluctuating over the years, indicating not efficient inventory management and slower movement of stock
5. Overall, the financial analysis indicates that the company has maintained a satisfactory liquidity position and operational efficiency during the study period.

### SUGGESTIONS

Based on the findings of the study, the following suggestions are made to improve the financial performance of the company:

1. The company should maintain an optimum level of working capital to ensure smooth business operations.
2. Proper inventory control techniques such as EOQ and regular stock monitoring should be adopted to avoid overstocking or stock shortages.

3. Efforts should be made to improve the current ratio towards the ideal standard level to strengthen the liquidity position.

4. The management should regularly analyze financial ratios and working capital trends to take better financial decisions.

## CONCLUSION

The study on working capital and ratio analysis reveals that the company has maintained a stable financial position during the five-year period. The liquidity ratios indicate that the company is capable of meeting its short-term financial obligations effectively. The turnover ratios show that the company is efficient in managing inventory, receivables, and payables.

Overall, the financial performance of the company can be considered satisfactory and with proper financial planning and efficient working capital management, the company can further improve its operational efficiency and financial stability in the future.

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