A STUDY ON WORKING CAPITAL MANAGEMENT WITH REFERENCE TO GUIDEHOUSE INDIA PRIVATE LIMITED, CHENNAI

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Abstract-
• Working Capital Management is part of the financial considerations that a finance manager needs to determine and play an important role in determining the profitability of the firm’s.
• Optimal management of working capital is an important financial decision and contributes positively to the value creation of business.
• Company’s balance sheet and Profit & Loss account are used as the mandate internal audit reports and manuals are used for the analysis such as Trend Analysis, Ratio Analysis etc.
• A Personal talk with the Finance and Accounting Department has been made the discussion has helped a lot in the analysis of cost include in Working capital management and Ratio Analysis in particular and the financial performance in general.

INTRODUCTION
Working capital administration is huge in Monetary Administration because of the way that it assumes an essential part in keeping the wheels of a business venture running. Working capital administration is worried about momentary monetary choices. Lack of assets for working capital has made numerous organizations fizzle and by and large, has hindered their development. Absence of productive and viable usage of working capital prompts procure low pace of return on capital utilized or even constrains to support misfortunes.

The requirement for gifted working capital administration has consequently become more prominent as of late. A firm contributes a piece of its long-lasting capital in fixed resources and saves a piece of it for working capital i.e., for meeting the everyday necessities. We will scarcely find a firm which requires no measure of turning out capital for its not unexpected operations. The necessity of working capital changes from one firm to another relying on the idea of business, creation strategy, economic situations, irregularity of tasks, states of supply and so on. Working funding to an organization resembles the blood to human body. It is the most imperative element of a business.

REVIEW OF LITERATURE
1. Ray Sarbapriya (2012) studies the relationship between liquidity and profitability in the manufacturing industry. The writer has taken as a sample 311 manufacturing firms for a period of 14 years, and studied the effect of different variables of working capital management. In this study strong adverse relationship between measures of working capital management and corporate profitability have been observed. In the end insignificant negative relationship between firm size and its net operating profit ratio was detected.

2. Akoto Richard K., Vitor Dadson A. And Angmor Peter L. (2013) closely study the relationship between working capital management policies and profitability of the thirteen listed manufacturing firms in Ghana. At the end of the study, a significantly negative relationship between profitability and accounts receivable days is found to exist. Profitability is significantly positively influenced by the Firm’s cash conversion cycle (CCC), current assets ratio and current asset Turnover. It is also suggested that managers can create value for the shareholders by creating incentives to reduce their accounts receivable to 30 days.

3. Joseph Jisha (2014) closely examines the study of working capital management in Ashok Leyland and points out that the liquidity and profitability position of the company is not satisfactory, and needed to be strengthened in order to be able to meet its obligations in time.
4. Madhavi K. (2014) makes an empirical study of the co-relation between liquidity position and profitability of the paper mills in Andhra Pradesh. It has been observed that Inefficient working capital management makes a negative impact on profitability and liquidity position of the paper mills.

5. N. And Reddy Jayachandra K. (2014) have conducted a study on the working capital management of four pharmaceutical companies APSPDCL, APEPDCL, APNPDCL and APCPDCL and have come to the conclusion that the existing system of working capital management was not up to the mark and needed to be improved.

OBJECTIVES OF THE STUDY
1. To Understand the concept of Working Capital Management.
2. To Study the components of Working Capital Management.
3. To Analyse the efficiency of Working Capital Management in Guidehouse India Private limited, Chennai.
4. To find out the changes in Working Capital Management of Guidehouse India Private limited using comparative Financial Statement Analysis.

TABLES AND CHARTS

TABLE- 1 SHOWING THE TREND ANALYSIS POSITION

<table>
<thead>
<tr>
<th>YEAR</th>
<th>CURRENT ASSETS</th>
<th>CURRENT LIABILITIES</th>
<th>NET WORKING CAPITAL</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3522.08</td>
<td>904.92</td>
<td>2617.16</td>
<td>100</td>
</tr>
<tr>
<td>2014</td>
<td>3616.4</td>
<td>740.5</td>
<td>2876.25</td>
<td>110</td>
</tr>
<tr>
<td>2015</td>
<td>5398.09</td>
<td>1653.28</td>
<td>3744.81</td>
<td>143</td>
</tr>
<tr>
<td>2016</td>
<td>5883.75</td>
<td>1834.04</td>
<td>4049.71</td>
<td>154</td>
</tr>
<tr>
<td>2017</td>
<td>7586.18</td>
<td>2856.75</td>
<td>4729.43</td>
<td>180</td>
</tr>
</tbody>
</table>

INTERPRETATION:
On review of the above figures of current assets and current liabilities, the working capital increased to 180 in the year 2017.

➢ CURRENT ASSET
Current Assets keeps on increasing throughout the study period. The current has doubled in the end of the study period when compared to its initial year.

➢ CURRENT LIABILITIES
Except the year 2014 the Current Liability also shows an increasing trend.

➢ NET WORKING CAPITAL
The net working capital shows on increasing trend from 2013 to 2017.
THE DIAGRAM SHOWING THE TREND ANALYSIS POSITION

The above diagram showing the Trend Analysis position of Guidehouse India Private limited Chennai. In the year 2017 the company secured highest position (180) & the year 2013 the company secured lowest position (100).

CURRENT RATIO
The current ratio is an index of the concern’s financial stability since its shows the extent of the working capital, which is the amount by which the current assets exceed the current liabilities. A higher current ratio would indicate inadequate employment of funds. While a poor current ratio is a danger signal to the management. It shows the business trading beyond its resources.

Current Ratio = current assets / current liabilities

TABLE -2 SHOWING THE CURRENT RATIO POSITION

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Assets</th>
<th>Current liabilities</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3522.08</td>
<td>904.92</td>
<td>3.8</td>
</tr>
<tr>
<td>2014</td>
<td>3616.40</td>
<td>740.5</td>
<td>4.8</td>
</tr>
<tr>
<td>2015</td>
<td>5398.09</td>
<td>1653.28</td>
<td>3.2</td>
</tr>
<tr>
<td>2016</td>
<td>5883.75</td>
<td>1834.04</td>
<td>3.2</td>
</tr>
<tr>
<td>2017</td>
<td>7586.18</td>
<td>2856.75</td>
<td>2.6</td>
</tr>
</tbody>
</table>

INTERPRETATION:
The short term solvency of the firm is excellent during the past year. It never went below the ideal ratio of 2:1 in any year. Due to high current assets and less current liabilities in the year 2014, the current ratio is 4.8:1. It shows that the short term solvency of the firm is excellent.

However in the year 2017 the current ratio decreased to 2.6 because the current liability increased to Rs 2856.75 crores. Which is three time more than its initial year. But current assets has only doubled than its initial year. When compared with all the years the company’s current ratio position is excellent.
THE DIAGRAM SHOWING THE CURRENT RATIO POSITION

The above diagram shows the current ratio of Guidehouse India Private limited. The year 2014 the company secured the highest current ratio (4.8) & the year 2017 it secured the lowest current ratio (2.6).

Liquid Ratio

This ratio is termed as “Acid-test ratio” or “Quick ratio”. This ratio is ascertained by comparing the liquid assets (i.e. assets which are immediately convertible in to cash without much loss) to current liabilities prepaid expenses and stock are not taken as liquid assets. The ratio indicates the short term solvency of the company. A comparison of the current ratio to quick ratio shall indicate the inventory hold-ups.

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\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Quick liabilities}}
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\text{Quick assets} = \text{Current assets} - \text{[Stock + Prepaid expenses]}
\]

\[
\text{Quick liabilities} = \text{Current liabilities} - \text{Bank OD}
\]

CONCLUSION

- It may be concluded that the firm’s overall performance in the area of working capital is good. But the company can perform still better.
- The company has maintained current assets and current liabilities efficiently and effectively. The financial ratio was found to be comfortable and stores have the most dominate factors which influence working capital. The Working Capital assessment in Guidehouse India Private limited Chennai has been effectively and proper maintained.
- Findings of the liquidity position of the company is good. But it shows high value which means less efficient use of funds.
- Suggestions of the liquidity position of the business is good and also above the required rate. This shows that the company maintains heavy investment in working capital. Hence the company has to take steps to reduce the present working capital.

REFERENCES: