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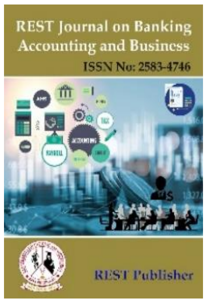

A Study on Working Capital Management with Rerefnce to Heritage Foods

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Abstract: *Working capital gives investors an idea of the company's underlying operational efficiency. Money that is tied up in inventory or money that customers still owe to the company can't be used to pay off any of its obligations. So, if a company is not operating in the most efficient manner (slow collection) it will show up in the working capital. This can be seen by comparing the working capital from one period of time to another; slow collection may signal an underlying problem in the company's operations*

Keywords: *Working capital , inventory , operational efficiency.*

1. INTRODUTION

Cash is the lifeline of a company. If this lifeline deteriorates, the company's ability to fund operations, reinvest and meet capital requirements and payments also deteriorate. Understanding a company's cash flow health is essential for making investment decisions. A good way to judge a company's cash flow prospects is to look at its working capital management (WCM). Working capital of a company reveals more about the financial condition of a business than almost any other calculation. It tells you what would be left if a company raised all of its short term resources, and used them to pay off its short term liabilities. The more working capital, the less financial strain a company experiences.

2. REVIEW OF LITERATURE

Tile: An analysis of working capital management in India: An urgent need to refocus
Author: Najib H.S. Farhan1, Fozi Ali Belhaj2, Waleed M. Al-ahdal3 and Faozi A. Almaqtar
Source: Farhan et al., Cogent Business & Management (2021), 8: 1924930
The current study aims to evaluate the impact of working capital components on the financial performance of Indian pharmaceutical companies. Moreover, it aims to analyze working capital among small, medium and large firms. The study uses a panel data of 82 pharmaceutical companies for the period from 2008 to 2017. Generalized Method of Moment (GMM) model is used for estimating the results. Findings show that there is a significant dif-ference in managing working capital among small, medium and large firms. Furthermore, it is found that number of days' collection period, number of days' payable period and number of days' inventory holding period positively impact the financial performance of Indian pharmaceutical company's mea-sured by return on assets and net operating margin. Whereas, cash conversion cycle has a negative impact on return on assets, net operating margin and Tobin's Q.
Tile: Effects of working capital management on firm performance: Evidence from the EFQM certified firms
Author: Muhammad Yousaf1* and Petr Bris
Source: Farhan et al., Cogent Business & Management (2021), 8: 1924930.
The main aim of the current study is to explore the relationship between working capital (WC) and firm performance. We chose a sample of 326 Czech firms, including 20 certified firms from the EFQM (European Foundation for Quality Management) Excellence Model from the Albertina database. The sample of the Czech

firms was taken from three sectors: manufacturing, automobile, and con-struction. We employed a two-step system generalized method of moment (GMM) technique to determine the results. The study results revealed a negative impact of WC on firm performance; moreover, the firms having a quality certificate from the EFQM Excellence Model perform better. The findings of previous research, which were held globally, and the current study results will encourage the directors, managers, and leaders of the Czech firms to participate in the quality

3. DATA ANALYSIS & INTERPRETATION

Size and growth of current assets and liabilities and Net working capital of during the period **2018-19 to2022-23.**

Data analysis of HERITAGE FOODS IND. LTD. (In Cr)

Year	Current Assets	Growth Rate (%)	Current Liabilities	Growth Rate (%)	Net W.C
2018-19	32000.29	150	23803.06	150	7997.23
2019-20	41918.78	181.1942	29207.75	172.66385	17518
2020-21	52208.19	175.0382	32664.91	161.87475	20493.2
2021-22	55487.68	156.3835	36584.65	161.99985	20903
2022-23	72423.07	180.521	58092.20	208.78832	19330.9

Interpretation:
The Current assets and the current liabilities of HERITAGE FOODS IND LTD are in the increasing stage but at the financial year 2021-2022 it is in the decreasing stage because of increasing in the current liabilities and the growth rate is 180.52. The net working capital is also in the increasing stage.

Working Capital Turnover Ratio
Turnover ratio (In Cr)

Year	Sales(Income)	Networking Capital	Ratio
2018-19	4816.17	7997.23	0.602098
2019-20	7028.66	17518.03	0.562073
2020-21	9203.20	20493.2	0.472171
2021-22	15186.83	20903.03	0.537841
2022-23	16748.32	19330.92	0.820788

Interpretation:
The sales are in increasing stage at the financial year 2022-2023. The net working capital was increasing till 2021-2022 but it decreased in the financial year 2022-2023.The working capital turnover ratio is also in the increasing stage.

Debtors Turnover Ratio:
Debtors Turnover Ratio expresses the relationship between debtors and sales. A high Debtors Turnover Ratio or low Debt collection period is indicative of sound credit management policy.
Table shows Debtors Turnover Ratio during 2018-19 to 2022-23

debtor's turnover ratio(In Cr)

Year	Net Credit Sales	Avg. Debt	Ratio
2018-19	4816.17	40984.92	0.167388
2019-20	7028.66	55182.04	0.177488
2020-21	9203.20	71939.39	0.178824
2021-22	15186.83	72067.91	0.191768
2022-23	16748.32	87015.02	0.185022

Interpretation
From the above table, it is observed that the HERITAGE FOODS IND LTD debtor's turnover ratio shows a good sigh. The company noted a maximum ratio of 19.17 in the year 2021-22 and the minimum ratio in the year of

2019-20 is 16.73.Present year i.e. on 2022-23 is 18.50.If we observed the above table the ratio is increasing the year 2018-19 is 16.73 in the year 2019-20 in the year but it is decreased in the year 2021-22. It shows a good sign for the company.

Current Ratio:

It is the ratio of the current assets current liabilities this ratio is used to know the company's ability to meet its current obligations. The standard norm for the current ratio is 2:1

Current ratio = current Assets / Current liabilities.

Table showing current ratio during the period 2018-19 to 2022-23

(in Cr)

Year	Current Assets	Current Liabilities	Ratio
2018-19	32000.29	23803.06	1.335975
2019-20	41918.78	29207.75	1.428664
2020-21	52208.19	32664.91	1.596763
2021-22	55487.68	36584.71	1.51869
2022-23	72423.07	58092.20	1.246692

Interpretation

It is observed that the current rationing a increasing trend; the company's liquidity position is satisfactory The current ratio increased slightly up to 2019-20 is 1.42. But in 2018-19 it declined because of increase in current liabilities, and then it started to decrease further in2017-18 as 0.33. If the company maintains to increase the ratio it can meet obligations.

Quick Ratio:

Quick ratio is relation between quick assets and current liabilities. The term quick assets, which can be converted into cash with a short notice. This category also includes cash bank balances short – term investments and receivables.

Quick ratio = Quick Assets / current liabilities

Table showing quick ratio of during the period 2018-19 to 2022-23.

current ratio **(In Cr)**

Year	Quick Assets	Current Liabilities	Ratio
2018-19	32000.29	23803.06	1.33598
2019-20	41918.78	29207.75	1.42866
2020-21	52208.19	32664.91	1.59676
2021-22	53987.54	36584.71	1.47569
2022-23	62548.67	58092.20	1.07672

Interpretation

It is observed that the current rationing a increasing trend; the company's liquidity position is satisfactory The current ratio increased slightly up to 2018-19 is 1.33. But in 2018-19 it declined because of increase in current liabilities, and then it started to decrease further in2022-23 as 1.07. if the company maintains to increase the ratio it can meet obligations.

Composition of current Assets (in Cr)

Total current assets (in Cr)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	Avg.
Sundry Debtors	40984.9	55182	71939.4	72067.91	87015	326534
Cash and Balance with RBI	2157.72	2018.49	2207.9	2,948.23	3928.3	18208
Advances	29329.3	39079.2	48469	53,027.63	66180.7	236065
Balance with bank	363.26	620.06	1981.26	3,031.66	2334.06	7828
Total	72785.2	96845.8	173598	180975.43	209433	

Interpretation

It is observed that the current assets are in increasing trend from the financial year 2018-2019 to 2022-2023.Thecompany's liquidity position is satisfactory.

If the company maintains same level of increase in current assets or more it can meet its obligations.

Working capital turnover ratio of 2022-2023

Working capital turnover ratio 2023		
Particulars	**2022**	**2023**
Total current Assets		
Sundry Debtors	72067.91	87015.02
Cash and Balances with RBI	2,948.23	3928.3
Balance with Bank	3,031.66	2334.06
Advances	53,027.63	66180.71
Total	**180975.43**	**209433.09**
Total Current Liabilities		
Borrowings	17,895.58	17199.71
Other Liabilities	3,333.82	4857.97
Contingent Liabilities	46,903.54	68092.20
Total	**63,182.94**	**85099.83**
Net working capital	**67842.49**	**74333.26**
Increase\decrease in net working capital	**6490.77**	

Interpretation:
The networking capital has been increased to 6490.77 Cr the financial position i.e. the performance has increased and the current assets defects its current liability.

4. FINDINGS

1. The net working capital is satisfactory between the years 2019-23 since it shows increasing trend; but after that it is in declining position.
2. The current ratio is satisfactory during the period of study 2018-19 to 2022-23. It is increased but after that it is declining.
3. The average quick ratio is not good though the quick ratio is showing maximum value of 1.07 in the year 2022-23 and then it is declining to be deal.
4. Fixed assets turnover ratio increased. The company has to maintain this.
5. Inventory turnover ratio of is also increased gradually, without any fit falls up to 2018-19. In the year 2018-19 it is inclined, and again it has increased in the year 2022-23. Good inventory management is good sign for efficient management
6. Total Assets turnover ratio is not satisfactory because it is always below one, except in the year 2022-23 having a value of 5.67
7. Return on investment is not satisfactory. This indicates that the company’s funds are not being utilized in a better way.

5. SUGGESTIONS

1. Improve position funds should be utilized properly.
2. Better Awareness to increase the sales is suggested.
3. Cost cut down mechanics can be employed.
4. Better production technique can be employed.
5. The investment on raw material should be made as per the requirement. Unnecessary investment may block up the funds.
6. Neither too high nor too low inventory turnover ratios may reduce profit and liquidity position of the industry. So, proper balance should be made to increase profits and to ensure liquidity.
7. The raw material should be acquired from the right source at right quality and at right cost.

8. The process that was being used by HERITAGE FOODS IND LTD with the purchasing department should undergo changes; so that, it seeks enhance the celerity of the delivery of a product without compromising its quality by improving the utilization of materials, labour and equipment.

6. CONCLUSION

The Net Profit Ratio is showing profit in the year 2018-19. This event is an expected one because since from the previous two years it is showing the decline stage in Net Profit Ratio. Profit Margin is decreasing and showing negative profit because there is increase in the price of banking services. The Net Working Capital Ratio is satisfactory. The return on Total Assets ratio shows a negative sign in the year 2018-19. There is an increase in operating ratio in the year 2018-19, in the year 2022-23 and reached in the year 2021-22 So the company has to reduce its operating costs. The operating ratio is satisfactory. Due to increase in cost of production, this ratio is decreasing. So, the has to reduce its office administration expenses. Working capital position is good but there is always some scope for improvements and growth company can adopt better financial policies and inventory management techniques have it be implemented, so the financial position would become stronger.

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