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# A Study on Working Capital Management at Jtekt India Limited

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**Abstract:** Working capital management is crucial for businesses to maintain liquidity and efficiently utilize their resources. It involves managing the relationship between a company's short-term assets and liabilities. The top considerations in working capital management typically include: *Cash Flow Management:* Ensuring that there is enough cash on hand to cover day-to-day operational expenses, investments, and unforeseen contingencies. *Inventory Management:* Balancing the level of inventory to meet customer demand while minimizing carrying costs and the risk of obsolescence. *Accounts Receivable Management:* Efficiently managing the collection of outstanding invoices to shorten the cash conversion cycle and reduce the risk of bad debts. *Accounts Payable Management:* Extending payment terms with suppliers to optimize cash flow while maintaining good relationships and avoiding late payment penalties. *Short-term Financing:* Evaluating the need for short-term financing options such as lines of credit, overdraft facilities, or trade credit to bridge temporary cash flow gaps. *Forecasting and Planning:* Regularly analyzing cash flow projections, sales forecasts, and other financial data to anticipate future working capital needs and adjust strategies accordingly. By effectively managing these aspects of working capital, businesses can enhance their liquidity, profitability, and resilience in the face of economic challenges.

**Key word:** working capital management; relationships; customer; receivables; organizational; balancing; strategies; cash flow.

## 1. INTRODUCTION

Working capital management involves overseeing a company's short-term assets and liabilities to ensure efficient operation and maximize profitability. It includes tasks such as managing cash flow, inventory, accounts receivable, and accounts payable to maintain liquidity while minimizing costs and risks. Effective working capital management is crucial for sustaining day-to-day operations and supporting growth initiatives.

## 2. OBJECTIVES OF THE STUDY

To study on employee's attrition towards Ascent staffing Ascent staffing Solutions, Hosur.

To study the employee attrition rate in the company

Determine the factors for employee attrition in the company

To find the ways to reduce the employee attrition in the company

To be aware about the attrition among employees in the company

To provide remedial measures and Suggestion to retain the employees in the Organization

## 3. SCOPE OF THE STUDY

The scope of a study on working capital management typically includes analyzing the efficiency of a company's current assets and liabilities to ensure smooth operations, assessing cash flow, inventory management, accounts receivable, and payable processes, and evaluating strategies to optimize working capital to maximize profitability

and liquidity. It often involves examining financial ratios, forecasting cash needs, and implementing policies to improve working capital efficiency.

#### 4. REVIEW OF LITERATURE

Rao and Rao (1991) in their study among a few public enterprises belonging to manufacturing sector in the state of Karnataka, have attempted to probe in to the capacity of the various techniques, in this study evaluating working capital efficiency of business enterprises. Singh (2004) study on Working capital in Lupin Laboratories Ltd. Attempted to assess the significance of management of working capital through working capital ratio and operating cycle. Having analysed seven years' data (1995 – 2002), In this research work concluded that the liquidity position of the company was good, mean percentage of current assets was very high when compared to the percentage of net fixed assets and the operating cycle showed declining trend. The element wise analysis of working capital also revealed that trade debtors constituted the highest percentage of current assets followed by loan and advances, inventories and cash and bank balances. Parasuraman (2004) study attempts to understand the relationship between credit period given by companies and their actual performance in terms of sales and profitability. In this study has also attempted to find average level of other key financial parameters connected to working capital management. Having laid the emphasis on Indian Pharmaceutical companies, he found out that leading companies have employed greater working capital for enhancing profitability. The study also revealed the day's sales outstanding had gone up in the sample companies. The study inferred that the top pharmacy company's strategies on their working capital policy to relax the credit policy to achieve greater sales and greater profits.

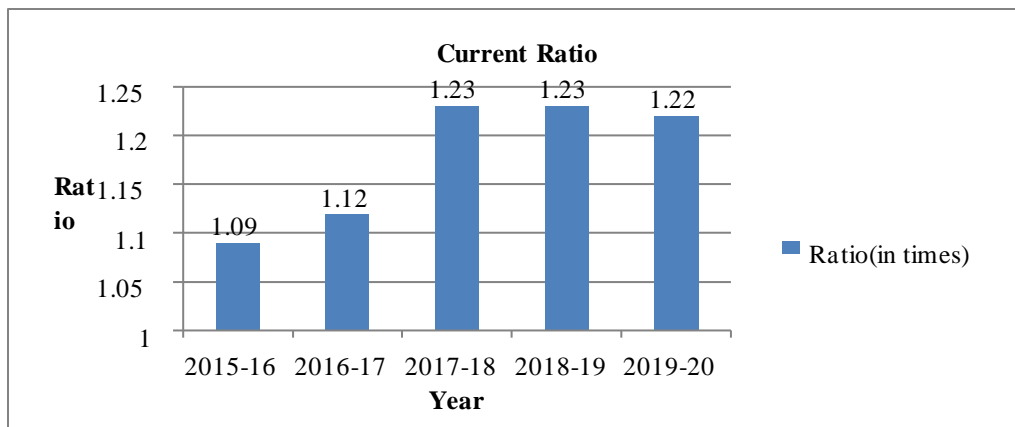
#### 5. RESEARCH METHODOLOGY

Working capital management involves overseeing a company's short-term assets and liabilities to ensure efficient operation and maximize profitability. It includes tasks such as managing cash flow, inventory, accounts receivable, and accounts payable to maintain liquidity while minimizing costs and risks. Effective working capital management is crucial for sustaining day-to-day operations and supporting growth initiatives.

#### 6. DATA AND ANALYSIS

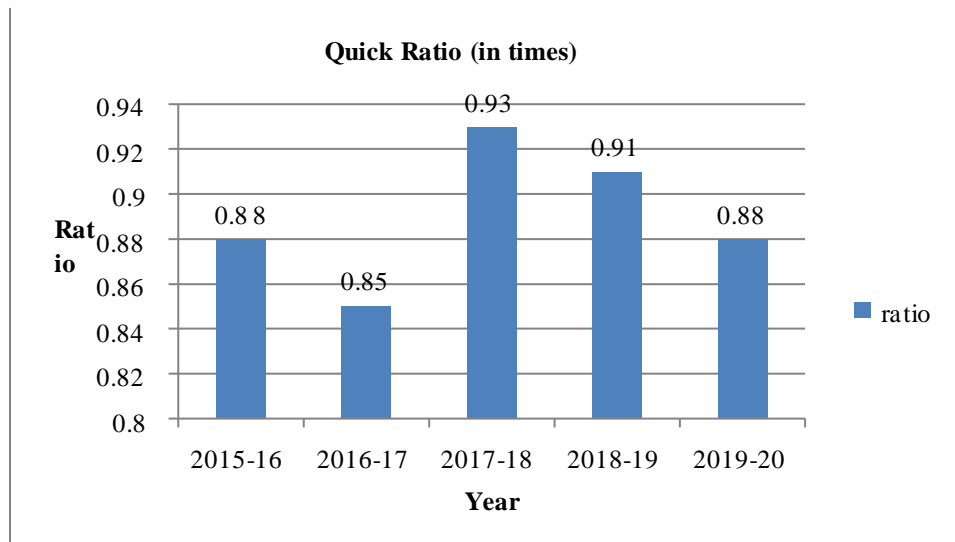
**Current ratio:**

Year	Current Assets(Amt.)	Current Liabilities(Amt.)	Current Ratio(in times)
2015-16	10668.068	9759.669	1.09
2016-17	11026.936	9875.649	1.12
2017-18	13041.904	10609.414	1.23
2018-19	14085.748	11462.187	1.23
2019-20	15058.757	12370.614	1.22



**Quick ratio:** The ratio provides a measure of the capacity of the business to meet its short-term obligations. It is calculated to serve as a supplementary check on liquidity position of the business and is therefore, also known as 'Acid-Test Ratio'. While calculating quick assets we exclude the inventories. The quick assets are defined as those assets which are quickly convertible into cash.

Year	Current Assets (A) (Amt.)	Inventory (B) (Amt.)	Quick Assets (A- B) (Amt.)	Current Liabilities (Amt.)	Quick Ratio (in times)
2015-16	10668.068	2062.218	8605.85	9759.669	0.88
2016-17	11026.936	2595.112	8431.824	9875.649	0.85
2017-18	13041.904	3126.530	9915.374	10609.414	0.93
2018-19	14085.748	3670.251	10415.497	11462.187	0.91
2019-20	15058.757	4196.971	10861.786	12370.614	0.88



## 7. FINDINGS

The study highlighted that the current ratio of NHCL is not good during the period of the study. The liquidity position of NHCL is not satisfactory. The company has achieved a satisfactory quick ratio in the years 2015-2016. After that the company fails to achieve an ideal ratio 1:1. This shows that the company find serious financial difficulties. Gross profit is constant from 2015 to 2018. In 2019-2020 the ratio is decreased due to low selling prices. Net profit ratio of the NHCL is very low. So the lower ratio indicates that the concern has a large amount of manufacturing expense. Return on capital employed ratio indicates whether the proprietors fund have been used properly or not. NHCL shows an increase in return on capital employed ratio.

## 8. SUGGESTION

Working capital management involves managing a company's short-term assets and liabilities to ensure efficient operations. It's crucial for maintaining liquidity, covering day-to-day expenses, and optimizing cash flow. Key components include inventory management, accounts receivable/payable, and cash management. Efficient working capital management can improve profitability and reduce financial risks.

## 9. CONCLUSION

The Nagarjuna Herbal Concentrates Ltd is a ayurvedic products manufacturing company. It is situated in Thodupuzha, Kerala and the required data for the study is collected from there. The main objective of the study is to evaluate the working capital position and the working capital management of the company. Working capital is essential for the smooth running of the business. This study helps to find out the whether the NHCL has achieved working capital or not. The tools used for the study was ratio analysis and statement of changes in working capital. The study has helped to have a clear understanding of the working capital management and also arrived at the following conclusion.

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