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A STUDY ON ACCOUNT RECEIVABLE MANAGEMENT WITH SPECIAL REFERENCE TO LAKSHMI MACHINE WORKS LIMITED, COIMBATORE

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ABSTRACT

The project examined the company performance towards receivables action executing in Lakshmi Machine Works Ltd., Coimbatore. The prime objective is to analyze and evaluate the receivables management and its performance in Lakshmi Machine Works Ltd., Coimbatore. The study used ratio analysis and trend analysis as tools to find out that the efficiency of receivables management during the study period. The ratios were Receivables to Current Assets Ratio, Receivables to Total Assets Ratio, Receivables to Sales Ratio, Receivables Turnover Ratio, Average Collection Period, and Working Capital Ratio, have been computed to show the impact on working capital. Data was analyzed using descriptive research to give results. Charts, tables and graphs were used to report findings. The study concluded that, accounts receivable management as practiced in Lakshmi Machine Works Ltd was adequate. Recommendations were made to better enhance accounts receivable management in Lakshmi Machine Works Ltd. Findings of the study are only related to the financial statements of Lakshmi Machine Works Ltd.

Keywords - Receivables Management, Trend analysis, Ratio, working capital.

1. INTRODUCTION

Receivable management is otherwise known as Debtor's management. Accounts receivable is an accounting transaction which deals with the billing of customer who owes money to a person, company or organization for goods and services that has been provided to the customers. In most business entities this is typically done by generating an invoice and mailing or electronically delivering it to the customer, who in turn must pay it within an established timeframe called credit or payment terms. An example of a common payment term is Net 30, meaning payment is due in the amount of the invoice 30 days from the date of invoice. Other common payment terms include Net 45and Net 60 but could in reality be for any time period agreed upon by the vendor and the customer.

On a company's balance sheet, accounts receivable is the amount that customers owe to that company. Sometimes called trade receivables, they are classified as current assets assuming that they are due within one year. To record a journal entry for a sale on account, one must debit a receivable and credit a revenue account. When the customer pays off their accounts, one debits cash and credits the receivable in the journal entry. The ending balance on the trial balance sheet for accounts receivable is always debit. Accounts receivable departments use the sales ledger. Other types of accounting transactions include accounts payable, payroll, and trial balance.

1.1BOOK KEEPING FOR ACCOUNTS RECEIVABLE

Companies have two methods available to them for measuring the net value of account receivables, which is computed by subtracting the balance of an allowance account from the accounts receivable account. The first method is the allowance method, which establishes a liability account, allowance for doubtful accounts, or bad debt provision, that has the effect of reducing the balance for accounts receivable. The amount of the bad debt provision can be computed in two ways -either by reviewing each individual debt and deciding whether it is doubtful (specific provision) or by providing for a fixed percentage, say 2%, of total debtors (a general provision). The change inthe bad debt provision from year to year is posted to the bad debt expense account in the incomestatement.

The second method, known as the direct write-off method, is simpler than the allowancemethod in that it allows for one simple entry to reduce accounts receivable to its net realizablevalue. The entry would consist of debiting a bad debt expense account and crediting the respective account receivable in the sales ledger.

1.2 RECEIVABLE MANAGEMENT –CONCEPT

The term receivable management is defined as "debt owed to the firm by customer arising from the sale of goods/ services in the ordinary course of business." The receivable represents an important component of the current assets of the firm. Receivables may be known as accounts receivables, trade creditors or customer receivable. When a firm its products / services and does not receive cash for it immediately, the firm has said to be granted trade credit to the customers. Trade credit thus creates receivable / book debts, which the firm is expected to collect in near future. Accounts receivable are thus amounts due from customers, which bear no interest in essence, a company is providing no cost financing to the customer to encourage the purchase of the company's product/services.

The extension of credit can be justified only if the increase in the sales and related cash collections (discounted for the time until collection) exceeds the amount otherwise cash generated under a "cash only" policy. These customer from whom receivable or book debt are to be collected in the future are called as "trade debtors" or simply as "debtor" and represents the firm's claim on assets. Trade debtors are expected to be converted into cash within a short period and are included in the current assets. Since receivables often accounts for the significance portion of total assets, it requires careful attention and adequate management. It is skill demanding field because the customer has to be bestowed with trust along with continuous vigilance.

1.2.1 OBJECTIVES OF RECEIVABLE MANAGEMENT

It is not always possible to sell goods on cash basis only, sometimes other firms in that line might have establish a practice of selling goods on credit under these circumstances, it is not possible to avoid credit sales without adversely affecting the sales. Hence the firm is required to allow the credit sale in order to expand its sales volume. The increase in sales is also essential to increase profitability. The sales of goods have become an essential part of the modern competitive economic system. In fact credit sales and receivables are treated as a marketing tool to aid the sale of goods. Credit sale is generally made in an open account in the sense that there is no formal acknowledgement of debt obligation through a financial instrument. As a marketing tool they are indene to promote sales and thereby profits. However extension of credit involves risk and cost. Management should weigh the benefits as well as the costs to determine the goals of receivable management.

Thus the objective of receivable management is: "To promote sales and profit until that point is reached where the return on investment in further funding of receivable is less than the cost of funds raised to finance that additional credit(i.e. cost of capital)"

1.2.2 NEED FOR GRANTING TRADE CREDIT:

Trade Credit Is An Important Marketing Tool. A policy of trade credit is followed nearly in all capital intensive industries either for sales expansion and /or sales retention. Under any circumstances investment in receivable is growth oriented.

1.2.3 TERMS OF TRADE:

The size of receivables also depends upon the term of trade. The period of credit allowed and rates of discounts given are linked with receivables. If the credit period allowed is more, the receivable will also be more similarly if the rate of discount are reasonable, then also the size of the receivable will increase.

1.2.4 PROFIT:

The level of receivables increases as a result of increase in sales. When sales increase beyond a certain level, the additional cost incurred are less than the increase in revenue. It will be beneficial to increase sales beyond a point because it will bring more profit. The increase in profit will be followed by an increase in the size of the receivable.

1.2.5 MARKET:

It may be necessary for the firm to explore a new market for its products/services. One of the attractive way in which a firm enters a new market is by giving incentives to the customers in the form of credit facilities. In doing so, the size of receivable will increase.

1.2.6 GRANT OF CREDIT:

Size of the receivable depends upon the policies and practices of the firm in determining which customer are to be granted credit.

1.2.7 PAYING HABIT OF THE CUSTOMER:

The paying habits of the customers also have a bearing on the size of receivables. The customers may be in habit of delaying payments even though they are financially sound. In such case, the firm should remain in constant touch with its customers.

1.2.8 COLLECTION POLICIES:

The vigour with which affirm collects its dues from the customers also affects its receivables, for if the amounts due are not collected timely; a firm suffers some financial difficulties, if not losses.

1.2.9 OPERATING EFFICIENCY:

The degree of operating efficiency in billing, record keeping and other function also exercise some influence on a firm's credit policy which in turn influences its receivables. creditcollection machinery will reduce the size of receivable. Individual firm of tern set up their ownwell organized credit collection department.

1.3 COSTS AND BENEFITS ASSOCIATED WITH RECEIVABLE MANAGEMENT

The major categories of cost associated with extension of credit and receivable are:

- Collection cost
- Capital cost
- Delinquency cost
- Default cost

1.3.1 COLLECTION COST:

These costs are administrative cost incurred in collecting the receivable from thecustomers. This category includes:

- Additional expenses on the creation and maintenance of a credit department withstaff,accounting, records, stationary, postage and other related items.
- Expenses involved in acquiring credit information either through outside specialistagenciesor by the staff of the firm itself.

1.3.2 CAPITAL COST:

Accounts receivables, being an investment in current assets, have to be financedinvolving a cost. There is a time lag between the sale of goods to, and the payment by, the customers. Meanwhile the firm has to pay employees and suppliers of raw material i.e. the firmshould arrange for additional funds to meet its own obligations. Thus, the cost on the use of additional capital to support credit sales is therefore apart of the cost of extending credit.

1.3.3 DELINQUENCY COST:

This cost arises out of the failure of the customer to meet their obligations when payment on credit sales becomes due after the expiry of the period of credit. Such cost includes:

- Blocking up of funds for an extended period.
- Cost associated with steps that have to be initiated to collect the overdue, such a reminders and other collection efforts, legal charges, where necessary , and so on.

1.3.4 DEFAULT COST:

In addition of the above cost the firm may not be able to recover the overdue because of inability of the customers. Such debts are treated as bad debts and haveto be written off, as they cannot be realized. Though a concern may be able to reduce bad debts through efficient collection mechanism, one cannot altogether rule out the possibility of this cost.

1.3.5 BENEFITS:

Apart from the cost, another factor that has a bearing on accounts receivableis the benefit emanating from credit sales. The benefits are: "The increased sale and thereby profits".However, the benefits would depend upon the credit policy adopted by the firm, i.e., a conservative or liberal credit policy. The impact of liberal credit policy is likely to have two forms:-

- Sales expansion
- Sales retention

In sales expansion a firm may grant credit either to increase sales or to attract new customer. This motive is growth oriented; on the other hand the sales retentionthe firm may grant credit to protect its current sales against emerging competition. No matter whatever is the motive, the result the result of increased sales is the increase the profit of the firm.

2. INDUSTRY PROFILE

2.1.1 AUTOMOTIVE INDUSTRY

The Automotive industry is the key driver of any growing economy. A sound transportation system plays a pivotal role in a country's rapid economic and industrial development. The well-developed Indian automotive industry ably fulfils this catalytic roleby producing a wide variety of vehicles. The automobile industry comprises automobile and auto component sectors. It includes passenger cars; light, medium and heavy commercial vehicles; multi-utility vehicles such as jeeps, scooters, motorcycles, three-wheelers and tractors; and auto components like engine parts, drive and transmission parts, suspension and braking parts, and electrical, body and chassis parts. India's automotive industry is now worth $34 billion and expected to grow$145billion in another ten years. The Indian automotive industry is growing at a very high ratewith sales of more than one companion passenger vehicles per annum. The overall growth rateis 10-15 per cent annually. India is the world's second largest

manufacturer of two-wheelers, fifthlargest manufacturers of commercial vehicles as well as largest manufacturer of tractors. It is thefourth largest passenger car marketin Asia and home to the largest motorcycle manufacturer. Major players in this sector include Tata, Mahindra, Daewoo Motor India, Hyundai Motors India and General Motors India, Maruti, Ashok Leyland, Bajaj, Hero Honda, Ford, Fiatand few other players. The Indian auto components industry is worth $10 billion. Indigenous firms like Bharat Forge, Sundaram Fasteners, Minda Industries and Gabrial India Ltd. are in the limelight. There is a boom in the auto components segment because of strong demand and robust economy. Indian companies are very optimistic. The Auto Components Manufacturers Association (ACMA) along with McKinsey has pegged domestic demand for components at $20-25 billion in 2020 from $1.4 billion in 2015-16. This would take the overall industry size to $40-45 billion by 2015 in India. The Indian automotive industry has made rapid strides since witnessing the entry of several new manufacturers with state-of-the-art technology.

2.1.2 AUTOMOBILE PARTS MANUFACTURING INDUSTRY PROFILE

Companies in this industry manufacture automobile parts, including transmission and power train components, engines and engine parts, body parts and trim, electronics, braking systems, and steering and Suspension Components. Economic expansion in emerging markets worldwide is expected to drive healthy growth in the auto manufacturing sector over the next several years, which should bolster demand for auto parts.

2.1.3 COMPETITIVE LANDSCAPE

Demand for auto parts is driven by new bike sales, which are strongly affectedby interestrates, and by the replacement market. Company profitability depends partly on the difficulty ofmanufacturing products and partly on demand volume, since many costs are fixed. Small companies can compete successfully by focusing on a small number of products or some highlytechnical ones.

2.1.4 FACTORS DETERMINING THE GROWTH OF THE INDUSTRY

Fuel economy and demand for greater fuel efficiency is a major factor that affects consumer purchase decision that will bring leading companies across two-wheeler and four-wheeler segment to focus on delivering performance- oriented products.

- Increased affordability, heightened demand in the small bike segment and the surgingincome of the Indian population
- India is the third largest investor base in the world
- The Government technology modernization fund is concentrating on establishing Indiaas an auto-manufacturing hub.
- Availability of inexpensive skilled workers
- Industry is perusing to elevate sales by knocking on doors of women, youth, rural andluxury segments
- Market segmentation and product innovation

2.1.5 EMPLOYMENT OPPORTUNITIES

There are a wide range of jobs available in the automobile industry in 2020. With the number of vehicles available on the road today, the need and requirement for people who can fix these machines is fast increasing. Careers like automobile technician, bike or bike mechanics are a great option. Becoming a diesel mechanic is also a significant alternative. Diesel mechanics are responsible for repairing and servicing diesel engines. As they are also required to repair engines of trucks and buses, other than bikes, they are provided with hefty wages.If communication with people instead of repairing bikes is what interests you, then youhave the opportunity of becoming a salesperson or sales manager in an automobile company. Career opportunities in automobile design, paint specialists, job on the assembly line and insurance of vehicles is also available.

2.1.6 EMPLOYMENT TRENDS

The Automotive Mission Plan for the period of 2019-2020 aims to make India emerge as a global automotive hub. The idea is to make India as the destination choice for design and manufacture of automobiles and auto components, with outputs soaring to reach US$ 145 billionwhich is basically accounting for more than10% of the GDP. This would also provide further employment to over 25 companion people by 2016 making the automobile the sunrise sector of the economy. According to the Confederation of Indian Industry, the automobile sector currently employs over 80 lac people. An extension in production in the automobile industry is forecasted, it is likely to rise to Rs. 600000 crore by 2020.

2.1.7 FUTURE TRENDS IN THE AUTOMOBILE INDUSTRY

As the auto-shows starts in February 2016, the industry promised a blend of technologyand automotive. With the recession trend breaking its leashes form the past two years, 2020 is expected to get back on track with the sales of automobiles in the country.

- Almost Self-governing bikes are predicted to be on the streets by 2021
- More than half the bikes on the streets are going to be powered by diesel by2021

The Indian automobile industry has a prominent future in India. Apart from meeting theadvancing domestic demands, it is penetrating the international market too. Favored with various benefits such as globally competitive auto-ancillary industry; production of steel at lowest cost; inexpensive and high skill manpower; entrenched testing andR & D centers etc., the industry provide immense investment and employment opportunities.

2.1.8 KEY STATISTICS

- The amount of cumulative foreign direct investment (FDI) inflow into the automobileindustry during April 2000 to November 2012 was worth US$ 7,518 companion, amounting to 4 per cent of the total FDI inflows (in terms of US$), as per data published by Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce.
- India's scooter and motorcycle manufacturers have registered 4 percent growth duringApril-November 2012, according to the recent data released by the Society of Indian Automobile Manufacturers (SIAM).
- Moreover, the passenger vehicles segment grew at 9.71 per cent during April-June 2012, while overall commercial vehicle segment registered an expansion of 6.06 per cent year-on-year (y-o-y).
- The Indian small and light commercial vehicle segment is expected to more than double by 2025-26 and to grow at 18.5 per cent compound annual growth rate (CAGR)for the next five years, according to a report titled, 'Strategic Assessment of Small and Light Commercial Vehicles Market in India' by Frost & Sullivan

2.1.9 THE AUTOMOTIVE AFTERMARKET BUSINESS IN INDIA

The Indian automotive aftermarket is currently estimated at Rs 33,000 Crores, where theglobal market is at Rs 2, 70,000 Crores. India has been one of the few markets globally to buckthe recessionary trend and recorded a strong 25.6% volume growth in FY 2019. The growth momentum continues to be non-track with first 11 months of FY 2019, registering a growth of29.8% over the corresponding period in the previous year.The automotive aftermarket for parts in India is a large and growing market that spansmanufacturers, distributors, retailers, service providers and garages. Currently worth INR19,000 crore to INK 24,000 crore, the market has been growing at 11 per cent, and is estimatedto reach INR 39,000 crore to INR 44,000 crore by 2025. This growth will primarily be fuelledby the increasing number of vehicles on the road, as well as the aggressive expansion of independent and foreign players. While current margins for the industry remain attractive, players across the value chain may see margins reducing to the lower levels observed in developed economies. Therefore, to sustain profitability, it is imperative that players evaluate additional ways of capturing value, including expanding service networks, developing brandedgeneric parts, forward integrating and building scale. Looking ahead, revenue pools remain large across the value chain; hence, if players are able to pursue appropriate strategies, significant profits can be made in this sector.

2.2 COMPANY PROFILE

Lakshmi Machine Works Limited is India's largest textile machinery and CNC Machine Tool manufacturers, based in Coimbatore founded by Dr. G.K. Devarajulu. Inmid 1980's the company bought over its Coimbatore based longtime rival and an older Textile & Engineeringgiant Textool. The company is promoted and owned by the Lakshmi Mills family. LMW has 60% market share in the domestic Textile Spinning Machinery Industry. LMW diversified into CNC Machine Tools and is a brand leader in manufacturing customizedproducts. LMW's Global presence has grown over the years, with a market presence not only in developing countries, but also in Europe. Its Textile Machinery Division was awarded the Confederation of Indian Industry MostInnovative Company of the Year for 2020. It started its operation in 1962 in Periyanaickenpalayam in Coimbatore city with technical collaboration with Swiss-based textilemachinery manufacturer Rieter for textile machines and German based Steel & Ammunition major Krupp.

Lakshmi Machine Works Limited (LMW), a leading Textile Machinery Manufacturer in India and one among the three in the world to produce the entire range of Spinning Machinery. In 1962, LMW was founded to provide Indian textile mills with the latest SpinningTechnology. It caters to the domestic market as well as exports products to the Asian and Oceanic regions. LMW diversified into CNC Machine Tools and is a brand leader in manufacturing customised products. LMW Foundry makes Precision Castings for industries world over. LMW has added the Advanced Technology Centre to manufacture components for the Aerospace Industry.

2.2.1 MACHINE TOOL DIVISION

The company is a recognized name in the CNC machine space offering the entire rangeof CNC lathes and machining centers to leading corporate in India.

2.2.2 TEXTILE MACHINERYDIVISION

Established as a provider of spinning technology to Indian textile mills, the company is a leading textile machinery manufacturer in India and one among the fewin the world to offer complete spinning solution to the customers.

2.2.3 FOUNDRY DIVISION

This division caters to original equipment manufacturers (OEM) in the global&domestic market with niche products.

2.2.4 CORPORATE SOCIAL RESPOSIBILITY

LMW has incorporated the values of trust and responsibility towards society where it operates. As a responsible corporate entity, LMW contributes towards the inclusive growth bysupporting and empowering the communities and accelerating development. Under its Corporate Responsibility, LMW drive has taken up various social initiatives aimed at the welfare of the economically weaker population of the society and also in the development of infrastructure in the rural areas of Coimbatore. As a result the Company's CSR initiatives focuses on an inclusive model of development programs positioning the community as change agents in the path to progress rather than being just a recipient.

2.2.5 TRAINING ACTIVITIES

Its training centre specializes in technical training on Spinning machines for Machine Operators, Fitters, Spinning Managers and for the middle management team. The training is imparted by experienced faculty members using scientific methods and tools. Indian firm Lakshmi Machine Works Ltd (LMW) will modernize Eldoret, Kenya based Rift Valley Textile Mills (Rivatex EA) to help it compete with its global counterparts. The Indian government has granted Sh3.016 billion to the textile mill for technology upgrade.

2.3 RESEARCH PROBLEM

Present day business is highly complex and very difficult to manage. Because of increased competition the marketers are offering their best terms to the customer. Providing tradecredit is the general practice followed by the firms to attract the customer towards them. The problem of management of receivables arises when merchandise is sold on credit. Trade credit is used to stimulate sales. So there is a greater possibility of business profits to expand. But the flow of fund from cash back to cash dose not cycle as rapidly in credit sales as if credit were not offered. The funds tied up in inventory are converted in to receivables. If these funds had not been tied up in receivables, the firm would have invested the same elsewhere and earned income thereon. Thus the cost of carrying receivables is the last opportunity earnings. Also the firm has to incur expenses in investing credit worthiness of the customers and collecting the funds owned and bad debts losses.

If a firm decides to sell on cash it may save cost of carrying receivables, but the volume of sales and its earnings may show decline. The finance manager should find ways and means of optimizing the volume of receivables. A proper understanding of the activities of the company is needed in order to study its performance in managing the receivables and to suggest necessary steps to improve its performance in near future. So the researcher had made an attempt to study the management of Lakshmi Machine Works Ltd., Coimbatore. This will help to find the efficiency of present credit policy of the firm and receivables position. It also helps to predict future prospects of the organization.

2.4 OBJECTICES OF THE STUDY

PRIMARY OBJECTIVE

The main objective of the current study is the company performance towards receivables action executing in Lakshmi Machine Works Ltd., Coimbatore. The prime objective is to analyze and evaluate the receivables management and its performance in Lakshmi Machine Works Ltd., Coimbatore.

SECONDARY OBJECTIVE

- To analyse the receivable management of the company from 2016-17 to 2020-21.
- To know how the receivables were managed
- To analyze to what extent they were offering credit.

2.5 SCOPE OF THE STUDY

The scope of this study is limited to the study of Receivable Management at Lakshmi Machine Works Ltd., Coimbatore. The scope encompassed with the debtors section of the company which is a part of finance and accounting department. An extensive study is done on the blocking up of receivables and its retaining activities, and the factors determining these notes receivables. The study concentrates on the liquidity position of the firm, and a brief study is made on the techniques used by the firm.

3. REVIEW OF LITERATURE

Lazaridis and Tryfonidis (2020) also investigated relationship between accounts receivables management and corporate profitability for the firms listed in Athens StockExchange for a sample of 131 listed companies. The researcher used the company financials from 2001-2004 for the study. The results of the study of regression analysis showed that therewas a statistically significant relationship between gross operating profit, a measure of profitability and the cash conversion cycle. He suggested that by optimizing the cash conversion cycle the managers could create value for the shareholders. Results of empirical analysis show that there is statistical evidence for a strong relationship between the firm's profitability and its receivables management efficiency.

Afza and Nazir (2020) *made an attempt to investigate the traditional* relationship between receivables management policies and a firm's profitability for asample of 204 non- financial firms listed on Karachi Stock Exchange (KSE) for the period 1998-2005.The study found significant difference among their receivables requirements and financing policies acrossdifferent industries. Moreover, regression results found a negative relationship between the profitability of firms and the degree of aggressiveness of receivables investment and financingpolicies.

Suk. H, Kim.SH and Rowland have conducted a survey among 94 Japanese companies in USA (2013) found that they differed in working capital management practices from the US companies in terms of lower levels of inventory and higher levels of accounts receivables. The study revealed that the US firms piled-up their inventories; Japanese firms hadhigher percentage of receivables to total assets.

Deloof, M (2020) found a significant negative relation between gross operating income and the number of days accounts receivables, inventories and accounts payables of Belgian firms. These results suggested that managers can create value for their shareholders byreducing the number of day's accounts receivables and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability inconsistent with the viewthat less profitable firms wait longer to pay their bills.

Vanhorne in his study (2021), recognizing receivable management as an area largely lackingin theoretical perspective, attempted to develop a framework in termsof probabilistic cash budget for evaluating decisions concerning 51the level of liquid assets and the maturity composition of debt involving risk-return trade-off. He proposed calculation of different forecasted liquid asset requirements along with their subjective probabilities under different possible assumptions of sales, receivables, payables and other related receipts and disbursements. He suggested preparing a schedule showing, under each alternative of debt maturity, probability under each alternative of debt maturity, probability distributions of liquidassetbalances for future periods, opportunity cost, maximum probability of running out ofcashand number of future periods in which there was a chance of cash stock-out. Once the risk andopportunity cost for different alternatives were estimated, the formcould determine the best alternative by balancing the risk of running out of cash against the cost of providing a solutionto avoid such a possibility depending on management's risk tolerance limits. Thus, Vanhorne study presented a risk-return trade-off of receivable management in entirely new perspective byconsidering someof the variables probabilistically. However, the usefulness of the framework suggested by Vanhorne is limited because of the difficulties in obtaining informationabout the probability distributions of liquid-asset balances, the opportunity cost andthe probability of running out of cash for different alternative of debt maturities.

Deloof (2021) surveyed on Belgian Firms to find out whether the receivables management affects profitability. He found that most firms had a large amount of cash investedin receivables. It can be expected that the way in which working capital is managed, will havea significant impact on the profitability of those firms. Using correlation and regression tests he found a significant negative relationship between corporate profitability and number of days accounts receivable, inventories and accounts payable of Belgian firms. On the basis of these he suggested that manager could increase corporate profitability by reducing the number of days accounts receivable and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firmswait longer to pay their bills.

Beneda, Nancy; Zhang, Yilei (2021), studied impact of receivable management on the operating performance and growth of new public companies. The study also sheds light onthe relationship of receivable with debt level, firm risk, and industry. Using a sample of initial public offerings (IPO's), the study finds a significant positive association between higher levelsof accounts receivable and operating performance. The study further finds that maintaining control (i.e. lower amounts) over levels of cash and securities, inventory, fixed assets, and accounts.

Pass C.L., Pike R.H(2021), studied that over the past 40 years major theoretical developments have occurred in the areas of longer-term investment and financial decision making. Many of these new concepts and the related techniques are now being employed successfully in industrial practice. By contrast, far less attention has been paid to the area of short-term finance, in particular that of receivable management. Such neglect might be acceptable were receivables considerations of relatively little importance to the firm, but effective receivables management has a crucial role to play in enhancing the profitability and growth of the firm. Indeed, experience shows that inadequate planning and control of receivables is one of the more common causes of business failure.

Pasuvappa. M (2018) Accounts receivable of a firm is a legally enforceable claim forpayment from a business to its customers / clients for goods supplied and / or services renderedin execution of the customer's order. On the balance sheet, it is reported as a current asset andis considered part of an organization's working capital. The foundation behind accounts receivable is a firm's policies and procedures for sales. A system must be in place to track accounts receivable. This should include balance forwards, listing of all open invoices and generation of monthly statements to customers. An aging of receivables should be used tocollect overdue accounts. Several empirical papers also address trade receivableles.

4 RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

4.1 RESEARCH DESIGN

A research design is a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the information needed to structure orsolve marketing research problems. In simple words it is the general plan of how a researcher will go about the research. A research is the specification of methods and procedures for acquiring the

information needed. It is the overall operational pattern or framework of the project that stipulates what information is to be collected from which sources by whatprocedures.

4.2 DATA COLLECTION

Data Collection is an important aspect of any type of research study. Inaccurate data collection can impact the results of a study and ultimately lead to invalid results. Data collection methods for impact evaluation vary along a continuum. At the one end of this continuum are quantitative methods and at the other end of the continuum are Qualitative methods for data collection. Data collection should be conducted at intervals sufficiently frequent for the management purpose. For example, data for stock monitoring have to be collected constantly, while household data can be at much longer time intervals. In general, frequently collected data will probably have to rely on fishers or industry personnel providing the data. Less frequent data can use enumerators since the costs of collection are much lower.

4.2.1 PRIMARY DATA COLLECTION

Primary data collection methods can be divided into two groups: quantitative and qualitative. Quantitative data collection methods are based in mathematical calculations in various formats. Methods of quantitative data collection and analysisinclude questionnaires with closed-ended questions, methods of correlation and regression, mean, mode and median and others.

4.2.2 SECONDARY DATA COLLECTION

Secondary data is a type of data that has already been published in books, newspapers, magazines, journals, online portals etc. There is an abundance of data available in these sources about your research area in business studies, almost regardless of the nature of the research area. Therefore, application of appropriate set of criteria to select secondary data to be used in the study plays an important role in terms of increasing the levels of research validity and reliability. These criteria include, but not limited to date of publication, credential of the author, reliability of the source, quality of discussions, depth of analyses, the extent of contribution of the text to the development of the research area etc.

4.3 SAMPLING METHODS

Types of Research	Analytical Research
Sampling Area	Lakshmi Machine Works Ltd., Coimbatore
Data Collection Instrument	Questionnaire
Period of study	The sources of data are from the annual reports of the company from the year2016-17 to2020-21
Data analysis Technique	Ratio analysis, Trend analysis

4.3.1 RATIO ANALYSIS

A ratio is the quotient of two mathematical expressions and the relationship between twoor more numbers. In financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. The absolute accounting figures are reported in the financial statement which does not provide a meaningful understanding of the performanceand financial position of a firm. The relationship between the two accounting figures expressedmathematically is known as a financial ratio. It involves comparison for an useful interpretation of the financial statements and it should be compared with some standards. Standards of comparison may consist of ratios calculated from the evidence of past financial statements of the firm or ratios developed by using the financial statements of the firm or ratios of some selected firms or at least ratios of the industry to which the firm belongs.

- Statement Of Cash Collection And Payments
- Cash Collected Against Receivables
- Ratio Of Bad Debt Losses To Credit Sales
- Receivables Turnover Ratio
- Average Collection Period
- Receivables To Working Capital
- Receivables To Current Assets
- Growth Of Credit Sales And Receivables
- Cash Position Ratio
- Return On Investment
- Net Profit Ratio
- Return On Total Assets
- Creditors Turnover Ratio
- Average Payment Period
- Current Ratio
- Quick Ratio

4.3.2 TREND ANALYSIS

Time series or trend analysis of ratios indicates the direction of change thiskind of analysis is particularly applicable to the items of profits and loss account. Itis advisable that trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion or secular trend in the growth of the business and the general price level.

For trend analysis, the use of index numbers generally advocated. The procedure followed is to assign the number 100 to items of the base year and to calculate percentage changes in each item of other years in relation to the base year. This procedure may be called as"trend-percentage method".

5. DATA ANALYSIS AND INTERPRETATION

5.1STATEMENT OF CASH COLLECTION AND PAYMENTS

The statement of cash collection and payments shows the amount of money collect against, and paid out of, the receivables. The amount collected against the receivables in a year is calculated by subtracting the closing balance of debtors fromthe sum of opening balance of debtors and annual credit sales. The money paid to the creditors is found by subtracting the closing balance of creditors from the sum of opening balance of creditors and annual credit purchases.

TABLE NO – 5.1

STATEMENT OF CASH COLLECTION AND PAYMENTS(In lakhs)

Year	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Annual credit sales		31,590.46	29,021.15	32,605.16	39,689.62	39,789.62
Outstanding debtors	1,639.27	1,838.11	3,109.72	2,467.39	1,383.35	1043.79
Amount collected against receivables		**31,391.62**	**27,749.54**	**33,247.49**	**40,773.66**	**40,129.18**
Annual credit purchases		1,075.42	155.08	1,574.49	3,288.27	3,388.27
Outstanding creditors	3,108.67	3,557.46	3,827.41	3,381.69	3,758.62	3,858.62
Amount paid to the creditors		**4,184.09**	**-114.87**	**2,020.21**	**2,911.34**	**3,288.27**
Balance		**27,207.53**	**27,864.41**	**31,227.28**	**37,862.32**	**36,840.91**

INFERENCE:

The above table shows that the amount of money collected against the receivables was high in the year 2018-2019 and the amount paid to the creditors was high in the year2015-2016.In the year 2016-2017 the amount of money collected was low. The balance remained after making the payment to the creditors showed an increasing in 2018-2019.

5.2 CASH COLLECTED AGAINST RECEIVABLES

Cash collected against receivables during a period is calculated by subtracting the closing balance of debtors from the sum of credit sales during the period andopening balance of debtors. Cash realized = (credit sales + debtors at the beginning) – debtors at the end. The effectiveness of the collection policy of the firm can be studied with the help of this information.

TABLE NO – 5.2

CASH COLLECTED AGAINST RECEIVABLES(In lakhs)

Year	Annual credit sales	Debtors at the beginningof the year	Debtors at theend of the year	Cash realized against receivables	Percentage of outstanding debtors
2016-2017	31,590.46	1,639.27	1,838.11	31,391.62	0.63
2017-2018	29,021.15	1,838.11	3,109.72	27,749.54	4.38
2018-2019	32,605.16	3,109.72	2,467.39	33,247.49	-1.97
2019-2020	39,689.62	2,467.39	1,383.35	40,773.66	-2.73
2020-2021	39,789.62	1,383.35	1043.79	40,129.18	-0.85

INFERENCE:

The above table shows that the cash realized against receivables was steadily increasingfrom the year 2017-2018 to 2020-2021. The percentage of outstanding debtors showedfluctuating trend. The percentage of outstanding debtors was high in the year 2017-2018. But in the next year this percentage has been decreased at negative percentage.

5.3 RATIO OF BAD DEBT LOSSES TO CREDIT SALES

This ratio indicates the percentage of bad debts losses incurred against the credit sales. With the help of this ratio the effectiveness of credit policy of a firm can be studied.Also it helps to know about the level of investment made in receivables.

TABLE NO – 5.3

RATIO OF BAD DEBT LOSSES TO CREDIT SALES(In lakhs)

Year	Creditsales	Bad debts	Ratio of bad debts losses To sales
2016-2017	31,590.46	18.38	0.05
2017-2018	29,021.15	300	1.03
2018-2019	32,605.16	182.67	0.56
2019-2020	39,689.62	102.25	0.26
2020-2021	39,789.62	52.70	0.13

INFERENCE:

The above table shows that, the bad debts losses to sales were increasing from the year2016-2017 to 2017-2018 .There was decreasing trend in percentageof bad debts losses from the year 2018-2019 to 2020-2021.

5.4 DEBTORS TURNOVER RATIO / RECEIVABLES TURNOVER RATIO

Debtors turnover ratio is called "debtors velocity" or receivables turnover. Debtor turnover indicates the velocity of debt collection of the firm. In simple words it represents the number of times debtors (receivables) are turned over during a year. Generally thehigher the value of debtor turnover, the more efficient is the management of credit. This ratio is a test of the liquidity of the debtors of the firm.

TABLE NO -5.4

DEBTORS TURN OVER RATIO / RECEIVABLES TURNOVER RATIO

(In lakhs)

Year	Annual credit sales	Average trade debtors	Debtors turnover ratio(times)
2016-2017	31,590.46	1738.69	18.17
2017-2018	29,021.15	2473.91	11.73
2018-2019	32,605.16	2788.55	11.69
2019-2020	39,689.62	1925.37	20.61
2020-2021	39,789.62	1213.57	32.78

INFERENCE:

From the above table, it can be inferred that the debtor turnover ratio of the firm was decreased from the year 2016-2017 to 2018-2019. Then the ratio was increased from the year2018-2019 to 2020-2021. The ratio shows a fluctuating trend.

5.5 AVERAGE COLLECTION PERIOD

The average collection period represents the average number of days for which a firmhas to wait with before its receivables are converted in to cash. It helps in measuring the liquidity of the firm's debtors.

TABLE NO – 5.5

AVERAGE COLLECTION PERIOD

(In lakhs)

Year	Debtors turnover ratio(times)	Debt collection period(days)
2016-2017	18.17	20
2017-2018	11.73	31
2018-2019	11.69	31
2019-2020	20.61	17
2020-2021	32.78	11

INFERENCE:

The above table shows that the debt collection period has decreased from the year 2016-2017 to 2017-2018. In the year 2018-2019 and 2019-2020 the debt collection period was highwhich indicates the slackness in collection and recovery policy. The least collection period was11 days during the year 2020-2021 which implied the better quality of receivables.

5.6 RECEIVABLES TO WORKING CAPITAL

The receivables to working capital ratio show the importance of receivables amongthe working capital of the firm.

TABLE NO – 5.6

RECEIVABLES TO WORKING CAPITAL(In lakhs)

Year	Receivables	Working capital	Ratio(times)
2016-2017	1,838.11	4,291.90	42.83
2017-2018	3,109.72	5,001.66	62.17
2018-2019	2,467.39	4,657.91	52.97
2019-2020	1,383.35	6,803.46	20.33
2020-2021	1043.79	7,003.46	14.90

INFERENCE:

From the above table it is inferred that in all the year a major portion of the working capital was occupied by receivables. The ratio of receivables to working capital has shows an increase from the year 2016-2017 to 2017-2018. Then it has decreased from the year 2018- 2019 to 2019-2020. The ratio of receivables to working capital is very low in the year 2020- 2021. It shows that the concern utilized its working capital for necessary needs.

5.7 RECEIVABLES TO CURRENT ASSETS

The receivables to current assets ratio show the importance of receivables amongthe current assets of the firm.

TABLE NO-5.7

RECEIVABLES TO CURRENT ASSETS (In lakhs)

Year	Receivables	Currentassets	Ratio(times)
2016-2017	1,838.11	7,885.65	0.23
2017-2018	3,109.72	8,879.50	0.35
2018-2019	2,467.39	8,167.50	0.30

2019-2020	1,383.35	10,725.94	0.13
2020-2021	1043.79	11,125.94	0.09

INFERENCE:

From the above table it is inferred that certain portion of the current assets was occupiedby receivables. The ratio of receivables to current assets has shown an increase from 2016- 2017 to 2017-2018. Then it decreased from the year 2018- 2019 to 2019-2020. It shows that 0.09 is very least during the year 2020-2021.

5.8 GROWTH OF CREDIT SALES AND RECEIVABLES

The study about growth of credit sales and receivables helps in revealing the extent to which the sales are increase in receivables (due to extension of more credit)and vice versa. Fromthis efficiency of credit policy of the firm and the sufficiency of its investments in receivables can be studied.

TABLE NO – 5.8

GROWTH OF CREDIT SALES AND RECEIVABLES

(In lakhs)

Year	Credit sales	Growth rate in annual sales	Receivables	Growth rate in annual receivables
2016-2017	31,590.46	-	1,838.11	-
2017-2018	29,021.15	91.87	3,109.72	169.18
2018-2019	32,605.16	112.35	2,467.39	79.34
2019-2020	39,689.62	121.73	1,383.35	56.06
2020-2021	39,789.62	100.25	1043.79	75.45

5.9 CASH POSITION RATIO

The ratio of a company's total cash and cash equivalents to its current liabilities. The cash ratio is most commonly used as a measure of company liquidity.It can therefore determineif, and how quickly, the company can repay its short-term debt. A strong cash ratio is useful tocreditors when deciding how much debt, if any,they would be willing to extend to the asking party.

TABLE NO -5.9 CASH POSITION RATIO (In lakhs)

Year	Cash & bank balance	Current liabilities	Ratio
2016-2017	1,371.05	3,593.75	0.38
2017-2018	1,716.40	3,877.84	0.44
2018-2019	1,290.71	3,509.59	0.37
2019-2020	1,383.35	3,922.48	0.35
2020-2021	1,483.35	4,122.48	0.36

INFERENCE:

The above table shows that the cash position ratio has increased from 2016 -2017 to 2017-2018.Then it has decreased from the year 2018-2019 to 2019-2020. It shows fluctuating trend during the study period.

5.10 RETURN ON INVESTMENT

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of aninvestment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

TABLE NO – 5.10
RETURN ON INVESTMENT(In lakhs)

Year	Operating profit	Capital employed	Ratio
2016-2017	6603.68	47698.07	13.84
2017-2018	11554.80	64698.07	17.86
2018-2019	14275.80	64698.07	22.06
2019-2020	15533.39	64698.07	24.01
2020-2021	15882.48	64898.07	24.47

INFERENCE:

The above table shows that there is increasing trend in the return on investment ratio during the study period. Though the concern has debtors to collect the debt amount and bad debt losses during the study period, the company earn return on investment steadily. The highestpercentage is 24.47 in the year 2020-2021.It shows the company is not going with very bad return.

5.11 NET PROFIT RATIO

The net profit percentage is the ratio of after-tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deductedfrom sales, and income taxes recognized. As such, it is one of the best measures of the overallresults of a firm, especially when combined with an evaluation of how well it is using its working capital. The measure is commonly reported on a trend line, to judge performance overtime. It is also used to compare the results of a business with its competitors.

TABLE NO – 5.11

NET PROFIT RATIO
(In lakhs)

Year	Net profit	Net sales	Ratio
2016-2017	11,756.35	31,590.46	37.21
2017-2018	14,504.26	29,021.15	49.98
2018-2019	16,609.18	32,605.16	50.94
2019-2020	17,768.27	39,689.62	44.74
2020-2021	18,217.36	39,789.62	45.78

INFERENCE:

The above table shows that there is increasing net profit ratio from 2016- 2017 to 2018-2019. And it has decreased to 44.74 and 45.78 in the year 2018-2019 and 2020-2021 respectively. It shows highest net profit ratio 50.94 in the year 2018-2019.

5.12 RETURN ON TOTAL ASSETS

Return on assets is a measure of how effectively the firm's assets are be ingused togenerate profits.

TABLE NO – 5.12

RETURN ON TOTAL ASSETS(In lakhs)

Year	Net profit	Totalassets	Ratio
2016-2017	11,756.35	91,828.09	12.80
2017-2018	14,504.26	92,787.09	15.63
2018-2019	16,609.18	91,896.51	18.07
2019-2020	17,768.27	89,896.69	19.77
2020-2021	18,217.36	90,296.69	20.17

INFERENCE:

The above table shows that the return on total assets ratio was in increasing trend. It hasincreased from the year 2016-2017 to 2020-2021. It shows the highest ratio 20.17 in the year 2020-2021.

5.13 CREDITORS TURNOVER RATIO

This ratio is similar to the debtors turnover ratio. It compares creditors with the total credit purchases. It signifies the credit period enjoyed by the firm in paying creditors. Accountspayable include both sundry creditors and bills payable. Same as debtors turnover ratio, creditors turnover ratio can be calculated in two forms, creditors turnover ratio and average payment period.

TABLE NO – 5.13

CREDITORS TURNOVER RATIO (In lakhs)

Rear	Credit purchases	Average accounts payable	Ratio
2016-2017	1,075.42	3333.06	0.32
2017-2018	155.08	3692.43	0.04
2018-2019	1,574.49	3604.55	0.43
2019-2020	3,288.27	3570.15	0.92
2020-2021	3,388.27	3808.62	0.89

INFERENCE:

The above table shows that the there is fluctuating trend in creditors turnoverratio during the study period. It has decreased from 0.32 to 0.04 from the year 2013-2014 and 2017-2018 respectively. It has increased from 2018-2019 to 2019-2020. And again it has decreased to 0.89 in the year 2020-221.The lowest creditors turnover ratio is 0.04 in the year 2017-2018. It shows its bargaining power with their suppliers.

5.14 AVERAGE PAYMENT PERIOD:

Average payment period ratio gives the average credit period enjoyed from the creditors.

TABLE NO – 5.14

AVERAGE PAYMENT PERIOD (In lakhs)

Year	Creditors turnover ratio(times)	Creditors payment period(days)
2016-2017	0.32	1140.62
2017-2018	0.04	9125
2018-2019	0.43	848.84
2019-2020	0.92	396.74
2020-2021	0.89	410.11

INFERENCE:

The above table shows that the average payment period is fluctuating. It has decreasedfrom the year 2016-2017 to 2019-2020. And it has increased to 410.11 in the year 2020-2021. The highest payment period is 1140.62 days in the year 2016- 2017. It shows their cash positionduring the study period.

5.15 CURRENT RATIO

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as "**working capital ratio**". It is a measureof general liquidity and is most widely used to make the analysis for short term financial position or liquidity of a firm. It is calculated by dividing the total of the current assets by total of the current liabilities.

TABLE NO – 5.15

CURRENT RATIO

(In lakhs)

Year	Currentassets	Current liabilities	Ratio
2016-2017	7,885.65	3,593.75	2.19
2017-2018	8,879.50	3,877.84	2.29
2018-2019	8,167.50	3,509.59	2.33
2019-2020	10,725.94	3,922.48	2.73
2020-2021	11,125.94	4,122.48	2.70

INFERENCE:

The above table shows that there is increasing trend during the study period. It has increased from the year 2016-2017 to 2019-2020. And it has slightly decreased to 2.70 in the year 2020-2021. It shows the maximum ratio 2.73 in the year 2019-2020

5.17 LIQUID OR LIQUIDITY OR ACID TEST OR QUICK RATIO:

Liquid ratio is also termed as "Liquidity Ratio", "Acid Test Ratio" or "Quick Ratio". Itis the ratio of liquid assets to current liabilities. The true liquidity refers to the ability of a firm to pay its short term obligations as and when they become due.

TABLE NO – 5.16QUICK RATIO

(In lakhs)

Year	Quickassets	Current liabilities	Ratio
2016-2017	5192.19	3,593.75	1.44
2017-2018	6597.58	3,877.84	1.70
2018-2019	5664.30	3,509.59	1.61
2019-2020	7611.37	3,922.48	1.94
2020-2021	7911.37	4,122.48	1.92

INFERENCE:

The above table shows that there is fluctuation in quick ratio during the study period. Ithas increased from 2016-2017 to 2017-2018. It has decreased from 2017-2018 to 2018-2019. And it has increased to 1.94 in the year 2019-2020. And slightly it has decreased to 1.92 in theyear 2020-2021.

TABLE NO – 5.17

CORRELATION ANALYSIS CORRELATIONBETWEEN SALES AND DEBTORS

S.No	X	Y	X^2	Y^2	XY
1	31,590.46	1,838.11	997957163	3378648.372	58066740.43
2	29,021.15	3,109.72	842227147.3	9670358.478	90247650.58
3	32,605.16	2,467.39	1063096459	6088013.412	80449645.73
4	39,689.62	1,383.35	1575265936	1913657.223	54904635.83
5	39,789.62	1043.79	1583213860	1089497.564	41532007.46
Total	**172,696.01**	**9,842.36**	**6061760564**	**22140175.05**	**325200680**

$$r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[\, n\Sigma x^2 - (\Sigma x)^2 \,]\,[\, n\Sigma y^2 - (\Sigma y)^2 \,]}}$$

r= 0.83

INTERPRETATION

The above table shows that co-efficient of correlation between sales and debtors is 0.83. It is below 1. So there is positive relationship between these two factors.

TABLE -5.18
TREND ANALAYSIS

Year	Net Profit(y)	X	X^2	Xy
2017	11,756.35	-2	4	**-23,512.70**
2018	14,504.26	-1	1	**-14,504.26**
2019	16,609.18	0	0	**0.00**
2020	17,768.27	1	1	**17,768.27**
2021	18,217.36	2	4	**36,434.72**
TOTAL	**∑Y= 78,855.42**	Ex=0	Ex^2=10	**16,186.03**

.Let the equation of the straight line of best fit, with the origin at the middle year 2020and unit of X as 1 year, be

Y = a + Bx

By the method of least square, the values of a and b are given bya =∑Y/N and b =∑XY/∑X2

N = number of years = 5

Using [2], a =∑y/N = **78,855.42**/5 =15771.084 , and b =∑XY/∑X2 =**16,186.03** /10 =**1,618.60**

Substuting these values in (1),we get, the required equation of the best fitted straightline as :

Y= 15771.084 + **1,618.60** x., with 2011 = 0

Table: 5.19

Trend Values

YEARS	X	TREND VALUES [Y=15771.084 + 1,618.60 x]
2017	-2	15771.084 + 1,618.60 *-(2) = -12533.88
2018	-1	15771.084 + 1,618.60 *-(1) = -14152.48
2019	0	15771.084 + 1,618.60 *-(0) = 15771.084
2020	1	15771.084 + 1,618.60 *+(1) = 17389.68
2021	2	15771.084 + 1,618.60 *+(2) = 19008.28

INTERPRETATION

The trend analysis shows that there was an increase in net profit from the year 2020- 2021. This shows that the company is in a good position. The maximum trend value is 19008.28. And it shows least trend value as 15771.084 in the year 2021.

6. FINDINGS

- The amount of money collected against the receivables was high in the year2019-2020 and the amount paid to the creditors was high in the year 2017- 2018.
- The percentage of outstanding debtors was high in the year 2017-2018. But in the nextyear this percentage has been decreased at negative percentage.
- There was decreasing trend in percentage of bad debts losses from the year2018-2019 to 2020-2021.
- The debtor turnover ratio of the firm was decreased from the year 2016-2017to 2018-2019.
- The least collection period was 11 days during the year 2017-2018 which impliedthe better quality of receivables.
- The ratio of receivables to working capital is very low in the year 2020-2021. It showsthat the concern utilized its working capital for necessary needs.
- The ratio of receivables to current assets has shown an increase from 2016- 2017 to 2017-2018.
- The annual sales marked a higher growth rate of 121.73 % in the year 2019-2020.The cash position ratio has increased from 2016-2017 to 2018-2019.
- The highest percentage is 24.47 in the year 2020-2021. It shows the company is notgoing with good return.
- There is increasing net profit ratio from 2016-2017 to 2018-2019.The return on total assets ratio was in increasing trend
- There is fluctuating trend in creditors turnover ratio during the study period
- The average payment period is fluctuating. And it has increased to 410.11 inthe year2020-2021.
- There is increasing trend during the study period in current ratio. It hasincreased from the year 2016-2017 to 2019-2020.
- Quick ratio has increased from 2014-2017 to 2017-2018. It has decreased from2017-2018 to 2018-2019.

7. CONCLUSION

During the study period, major department are covered. The receivable management is the key area of the working capital management. The main purpose of the project is to analysis the financial performance of the company. The detailed observations are presented in the form of analysis in the previous chapter. The major financial performance indicators of Lakshmi Machine Works Ltd., Coimbatore for the five year period in terms of ratios like liquidity ratios, creditor's turnover ratio, debtors turnover ratio of the company and so many datas used in this work. The company should take most care in case of new and risky customers. The credit terms offered by the firm differ from the customer to customer depending upon their past dealings.The overall credit policy of the firm is well determined and established. The receivables position is at the satisfactory level and the firm would have the better chances for improvementsin the future period. The working capital trends of the firm in relation to the receivable positionshoes an increase which helps in improvingthe solvency position of the firm. The study concludes by saying that the performance of the overall Receivable Management has improvedwhen compared to the previous year. It is found from the survey that the company's credit management is not very strict.

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