



A STUDY ON WORKING CAPITAL MANAGEMENT IN APEX GLOBAL SOLUTIONS

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Abstract: Working Capital is required for carrying out day- to -day business operations. The present day competitive market environment calls for efficient management of working capital. Good business management is the ability to utilize working capital management to maintain a balance between growth, profitability, and liquidity. Decisions with reference to capital involve managing the relationship between a firm's short assets and liabilities to make sure a firm is in a position to continue its operations, and have sufficient money flows to satisfy each maturing short debts and future operational expenses at the lowest prices, increasing firm's gain.

Keywords: working capital management, profitability position, liquidity position, financial performance.

INTRODUCTION:

Working capital management involves the relationship between short term assets and its short term liabilities. The goal of Working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both short term debt and operational expenses. The main objective of the working capital management is to maintain an optimal balance between each of the working capital components.

COMPANY PROFILE:

Apex Global Solution was founded in the year 2008. The Company recognizes the importance of skill gap prevailing across students and job seekers community and designed solution in form of number of courses to overcome the challenges in order to empower them to address the requirement of 21st century workforce development. It provide various benefits for employees like training, education. To provide our learners with a quality service that is measurable and cost effective

OBJECTIVES OF THE STUDY:

Primary Objective:

- ❖ To study the working capital management in Apex Global Solutions

Secondary Objective:

- ❖ To evaluate the profitability position of the company.
- ❖ To analyse the current assets and current liabilities of the company.
- ❖ To Measure the liquidity position of the company.

NEED FOR THE STUDY:

The projects is helpful in knowing the company's position of funds maintenance and setting the standards for working capital. Working capital keeps the business operations going. It is needed to purchase raw materials, to pay the workers and staff and also to pay for recurring expenses like electricity and power bills, rent, etc.

SCOPE OF THE STUDY:

This will show the liquidity position of the company and also how do they maintain a particular liquidity position. It helps to measure the profitability of the company. Sufficient working capital helps maintain an uninterrupted flow of production by supplying raw materials and payment of wages. It enhance liquidity, solvency and reputation of the company.

REVIEW OF LITERATURE:

Smith Keith V (1984) believes that which concerns shorter range or working capital decision making would appear to have been less productive. The inability of financial managers to plan and control properly the current assets and current liabilities of their respective firms has been the probable cause of business failure in recent years. In operational terms, efficient working capital consists of determining the optimum level of working capital, financing it imaginatively and exercising control over it. It emphasis the basic objective of working capital management i.e., to arrange the needed working capital funds at the right time, at right cost and from right source with a view to achieving a trade-off between liquidity and profitability.

Hamlin Alan P (1991) that working capital is necessary input to the production process and yet is ignored in most economic models of production. It focuses on the interdependency among working capital, liquidity and profitability, of which sufficiency of liquidity comes in the first preference followed by sufficiency of working capital and profitability. They have suggested a few measures for further improvement in management of working capital, like necessity of greater attention in the inventory control; active sales department, speedy dispatch of orders and reduction of dependency on trade creditors.

Batra Gurdeep Singh (1999) gives an overview of working capital management involves deciding upon the amount and composition of current assets and how to finance them. Working capital management refers to the management of current assets and current liabilities for maintaining the optimum levels of various components and increasing the profitability of an enterprise. The causes of the changes in the size of working capital mainly (a) sources of funds (b) applications of funds.

Manohar Babu B. V (2002) the changes in working capital are analysed with the help of the changes in working capital and funds flow statement. Suggests that working capital should be financed with both the sources long-term as well as short-term sources of funds. It believes that management of working capital is a continuous process requiring proper monitoring and studying of the relationship of all variables with constant, and drawing inferences. This provides proper direction to the managers.

Jain P. K. and Yadav Surendra S (2004) the authors have tried to understand the working capital management and current assets and current liabilities, and their inter-relationship. Further the authors have shown an aggregative analysis of current assets and current liabilities in terms of major liquidity ratio. There is a intend to analyse the effect of working capital management on firm's profitability. To consider statistically significant relationship between the firm's profitability and the components of cash.

SOURCES OF DATA:

Data collection is the term used to describe a process of preparing and collecting data. Secondary data has been obtained from published reports like annual reports of the company, balance sheets, profit and loss account, records maintained by the company. Balance sheet reveals the financial position of the company.

Period of Study: 3 months

Tools for Analysis:

The study is based on the secondary data which is collected from the annual reports of the company. Ratio Analysis and Comparative Statement Analysis is used for analysis of the data. The data is presented using various graphs and charts.

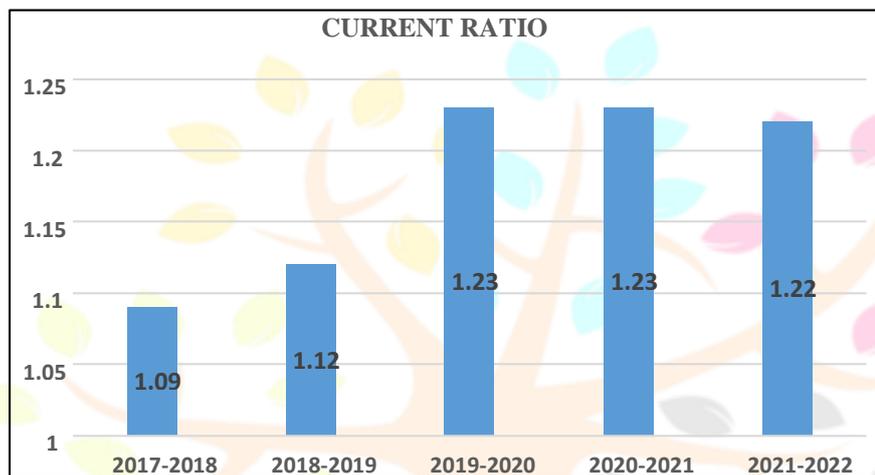
DATA ANALYSIS:**A) RATIO ANALYSIS****1. CURRENT RATIO**

A Current Ratio is that liquidity ratio with which we can identify a company's ability to pay its short term obligations or those that are to be due within one year.

$$\text{Current Ratio} = \text{current assets} / \text{current liabilities}$$

TABLE 1.1

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2017-2018	1066806	975966	1.09
2018-2019	1102693	987564	1.12
2019-2020	1304190	1060941	1.23
2020-2021	1408574	1146218	1.23
2021-2022	1505875	1237061	1.22

**CHART 1.1****INTERPRETATION**

It can be seen that above graph that the company's liquidity position is not ideal as per the standard ratio 2:1 but still it is greater than 1 which indicates the company's ability to pay off its current obligations. A higher ratio means the company can easily fund its day-to-day operations. The ratio 1.09 shows there are almost equal current assets and liabilities. The year 2017-2018 had the unsatisfactory current ratio as compared to the current ratios of other years.

2. GROSS PROFIT RATIO

Gross profit ratio as a percentage of revenue from operations is computed to have an idea about gross margin. It is calculated using the following formula:

$$\text{Gross profit ratio} = \text{Gross profit} / \text{Revenue from operations} * 100$$

TABLE 2.1

YEAR	GROSS PROFIT	REVENUE FROM OPERATIONS	RATIO
2017-2018	74438	17212231	0.43
2018-2019	532889	18230387	2.92
2019-2020	923322	19345627	4.77
2020-2021	1241561	22234860	5.58
2021-2022	1200083	20970322	5.72

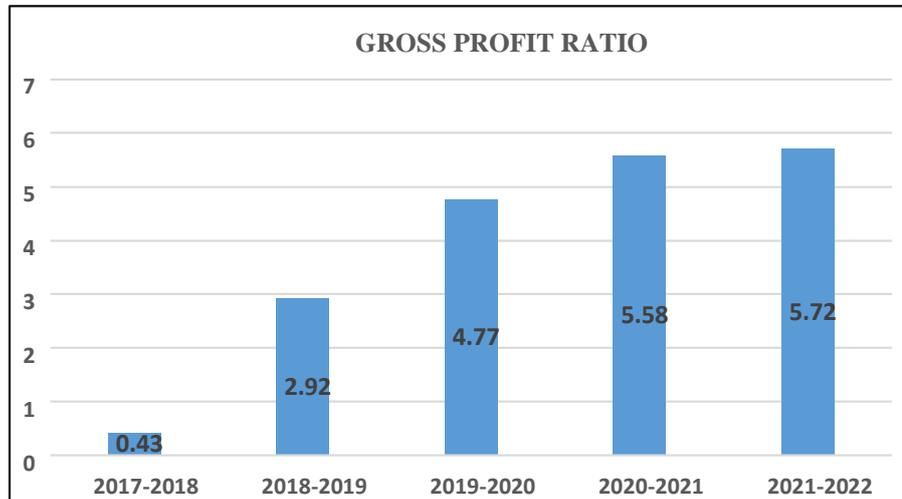


CHART 2.1

INTERPRETATION

The Gross Profit Ratio graph shows a clear rise. In 2017-18, the ratio was lowest at 0.43. It steadily increased every year and was the highest in the year 2021-2022 at 5.72. A higher Gross Profit Ratio is favourable as it means that the company can cover all expenses and provide for profit. A consistent improvement in gross profit ratio over the past years is the indication of efficient management.

3. WORKING CAPITAL TURNOVER RATIO

It is defined as the difference between the current assets and current liabilities and working capital turnover ratio establishes a relationship between the working capital and net sales generated by the business.

$$\text{Working Capital turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Working Capital}}$$

TABLE 3.1

YEAR	NET SALES	NET WORKING CAPITAL	RATIO
2017-18	1721223	90837	18.94
2018-19	1823038	115129	15.83
2019-20	1934562	243249	7.95
2020-21	2223486	2323561	8.47
2021-22	2097032	268814	7.80

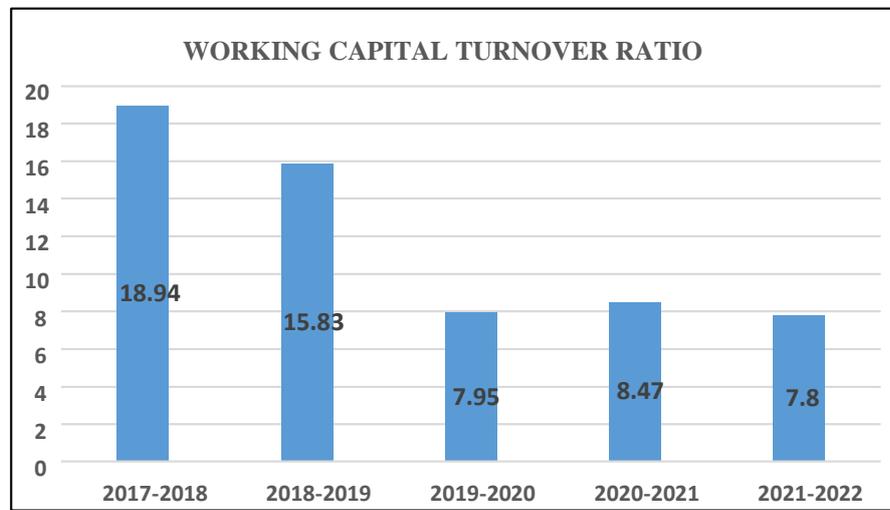


CHART 3.1

INTERPRETATION

It can be seen from the graph that the ratio is continuously fluctuating. The year 2017-18 had the highest working capital turnover ratio amongst the other years. A high turnover ratio shows that management is being very efficient in using a company's short-term assets and liabilities for supporting sales. Over the years, the ratio has come to 7.80 in 2021-22 which signifies a shortage of working capital in the company which is not favourable.

B) COMPARATIVE ANALYSIS OF WORKING CAPITAL

1) CHANGES IN WORKING CAPITAL FOR THE YEAR 2021-2022

PARTICULARS	2021	2022	Increase/Decrease	% change
Current Assets				
Inventories	367025	419697	52672	14.35
FINANCIAL ASSETS				
1. Investments	Nil	45028	45028	Nil
2. Trade Receivables	47127	33905	(13221)	(28.05)
3. Cash & Cash Equivalents	333002	194606	161306	484.40
4. Other bank balance	21064	21787	723	3.43
5. Loans	95000	113945	18944	19.94
6. Other financial assets	19459	41460	22001	113.06
Other current assets	437922	387217	(507049)	(11.57)
Total current assets	1408574	1505875	97301	6.9
Gross working capital	1408574	1505875	97301	6.9
(-) Current liabilities				
Financial liabilities				
1. Borrowings	123770	225000	10123	81.78
2. Trade payables	53698	45226	8472	15.77
Other financial liabilities	77183	140715	63532	82.31
Other current liabilities	366683	377896	11213	3.05
Provisions	41599	42810	1211	2.91
Total current liabilities	1146218	1237061	90843	7.92
Net working capital	262356	268814	6458	2.46

INTERPRETATION

We can see from the above table that there is an increase of 2.46% in the Net Working Capital. If the Net Working capital is increasing, we can conclude that the company's liquidity is increasing. It could indicate that the company is able to utilize its existing resources in a

better way. This can be attributed to the major increase in the Cash & Cash Equivalents and Other Financial Assets. Companies with a healthy amount of cash and cash equivalents can reflect positively in their ability to meet their short-term debt obligations.

2) CHANGES IN WORKING CAPITAL FOR THE YEAR 2020-2021

PARTICULARS	2020	2021	Increase/Decrease	% change
Current Assets				
Inventories	312653	367025	54372	17.39
FINANCIAL ASSETS				
1.Investments	Nil	Nil	Nil	Nil
2.Trade Receivables	38178	47127	8941	23.43
3.Cash&Cash Equivalents	58276	33300	(24976)	(42.85)
4.Other bank balance	24619	21064	(3555)	(14.44)
5.Loans	97573	95000	(2573)	(2.63)
6.Other financial assets	20306	19459	(847)	(4.17)
Other current assets	449409	437922	(11487)	(2.55)
Total current assets	1304190	1408574	104384	8.00
Gross working capital	1304190	1408574	104384	6.9
(-) Current liabilities				
Financial liabilities				
1.Borrowings	116898	123770	6872	5.87
2.Trade payables	44199	53698	9499	21.49
Other financial liabilities	82611	77183	(5427)	(6.57)
Other current liabilities	38105	366683	(14374)	(3.77)
Provisions	38378	41599	3221	8.39
Total current liabilities	1060941	1146218	85277	8.03
Net working capital	243249	262356	19107	7.85

INTERPRETATION

The Net working Capital has increased by 7.85%. There is a decrease in many components of Financial Assets. The Trade Payables have increased considerably. If Average Payables increases over a period, it means the company is buying more goods or services on credit, rather than paying cash.

3) CHANGES IN WORKING CAPITAL FOR THE YEAR 2019-2020

PARTICULARS	2019	2020	Increase/Decrease	% change
Current Assets				
Inventories	259511	312653	53042	20.43
FINANCIAL ASSETS				
1.Investments	Nil	Nil	Nil	Nil
2.Trade Receivables	33997	38178	4181	12.29
3.Cash&Cash Equivalents	22375	58276	35901	160.44
4.Other bank balance	30913	24619	(6294)	(20.36)
5.Loans	93392	97573	4181	4.47
6.Other financial assets	28455	20306	(8149)	(28.63)
Other current assets	381504	449409	67902	17.79
Total current assets	1102693	1304190	201497	18.27
Gross working capital	1102693	1304190	201497	18.27
(-) Current liabilities				
Financial liabilities				
1.Borrowings	187763	116898	(70865)	(37.74)
2.Trade payables	41388	44199	2811	6.79
Other financial liabilities	81615	82611	996	1.21
Other current liabilities	26716	38105	11389	42.63
Provisions	37137	38378	1250	3.34
Total current liabilities	987564	1060941	73377	7.43
Net working capital	115129	243249	128120	111.28

INTERPRETATION

The Inventories have increased by 20.43% .The Cash Balance has increased by 160.44%.The Borrowing have reduced by 37.74%.There is a substantial increase in the Net Working Capital by 111.28%.

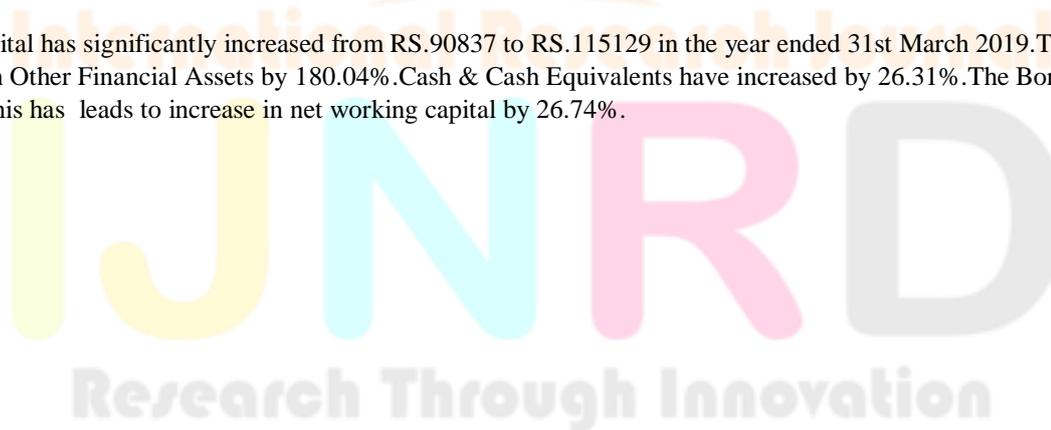


4) CHANGES IN WORKING CAPITAL FOR THE YEAR 2018- 2019

PARTICULARS	2018	2019	Increase/Decrease	% change
Current Assets				
Inventories	206221	259511	53290	25.84
FINANCIAL ASSETS				
1.Investments	Nil	Nil	Nil	Nil
2.Trade Receivables	35660	33997	(1663)	(4.66)
3.Cash&Cash Equivalents	20161	25466	5305	26.31
4.Loans	92890	93392	502	0.54
5.Other financial assets	10161	28455	18294	180.04
Other current assets	389908	381504	(8404)	(2.15)
Total current assets	1066806	1102693	35887	3.36
Gross working capital	1066806	1102693	35887	3.36
(-) Current liabilities				
Financial liabilities				
1.Borrowings	251716	187763	(63923)	(25.40)
2.Trade payables	39083	41388	2305	5.89
Other financial liabilities	60195	81615	21420	35.59
Other current liabilities	241027	267161	26134	10.84
Provisions	32193	37137	4944	15.35
Total current liabilities	975969	987564	11595	1.18
Net working capital	90837	115129	24292	26.74

INTERPRETATION

The Net Working Capital has significantly increased from RS.90837 to RS.115129 in the year ended 31st March 2019. This can be attributed to the rise in Other Financial Assets by 180.04%. Cash & Cash Equivalents have increased by 26.31%. The Borrowings have reduced by 25.40%. This has leads to increase in net working capital by 26.74%.



5) CHANGES IN WORKING CAPITAL FOR THE YEAR 2017- 2018

PARTICULARS	2017	2018	Increase/Decrease	% change
Current Assets				
Inventories	187656	206221	18565	9.89
FINANCIAL ASSETS				
1.Investments	Nil	Nil	Nil	Nil
2.Trade Receivables	40058	35660	(4398)	(10.97)
3.Cash&Cash Equivalents	15140	20161	5021	33.16
4.Loans	96617	92890	(3727)	(3.85)
5.Other financial assets	22551	10161	(12390)	(54.94)
Other current assets	421879	389908	31971	(7.57)
Total current assets	1124138	1066806	57332	(5.1)
Gross working capital	1124138	1066806	57332	(5.1)
(-) Current liabilities				
Financial liabilities				
1.Borrowings	243193	251716	8523	3.50
2.Trade payables	40373	39083	(1290)	(3.19)
Other financial liabilities	65187	60195	(4992)	(7.65)
Other current liabilities	272963	241027	(31936)	(11.69)
Provisions	29712	32193	2481	8.34
Total current liabilities	1005794	975969	(29825)	(2.96)
Net working capital	118344	90837	(27507)	(23.24)

INTERPRETATION

In the year 2017-18, the current assets have decreased by 5.1%. A component of current assets, namely Other Financial Assets have decreased by 54.94%. Other Current Liabilities have also decreased by 11.69%. This has led to the decrease in Net Working Capital by 23.24%.

FINDINGS, SUGGESTIONS AND CONCLUSION

1. FINDINGS

- The Current Ratio shows that the company's liquidity position is not ideal as per the standard ratio 2:1 but still it is greater than 1 which indicates the company's ability to pay off its current obligations.
- In the year 2021-2022, the Net working Capital has increased by 2.46% and there is a decrease in Trade Receivables.
- In the year 2020-2021, the Inventories have increased by 17.39%. The Cash Balance has decreased by 42.85%. The Borrowing have increased by 5.87%. There is a substantial increase in the Net Working Capital by 7.85%.
- In the year 2019-2020, The Inventories have increased by 20.43%. The Cash Balance has increased by 160.44%. The Borrowing have reduced by 37.74%. There is a substantial increase in the Net Working Capital by 111.28%.
- In the year 2018-2019, The Net Working Capital has significantly increased from RS.90837 to RS.115129. Cash & Cash Equivalents have increased by 26.31%. The Borrowings have reduced by 25.40%. This has led to increase in net working capital by 26.74%.
- In the year 2017-2018, the current assets have decreased by 5.1%. A component of current assets, namely Other Financial Assets have decreased by 54.94%. Other Current Liabilities have also decreased by 11.69%. This has led to the decrease in Net Working Capital by 23.24%.

2. LIMITATION OF THE STUDY

- This study deals only with the data available by the company.
- The study extensively uses the data provided in the financial reports of the company.
- The analysis made on the working capital management is for a particular period of time the current assets and current liabilities.

3. SUGGESTIONS

- There are no major deficiencies in the management of working capital, however, there is a need for improvement in some ratios like Receivables and Working Capital Turnover in order to enhance the liquidity and profitability position to the greater level.
- The Working Capital Turnover Ratio can also be improved by maintaining an optimal level of working capital without incurring liquidity risks which will be beneficial to the company's daily operations and long term investments and the company can reduce the average collection days by reviewing its credit terms and policies with an aim to shorten its Net Operating Cycle.
- It needs a system that will allow the company to state the amount of cash, bills receivable, bill payable, debtors and creditors.
- Management of cash is one of the most important areas in the management of working capital in a company.
- The decision regarding the level of overall investment in working capital is a cost/benefit trade-off between Liquidity and Profitability or Cash flow and Profits.

4. CONCLUSION

The Project was initiated with the objective to study the working capital management in Apex Global Solution. We can conclude that the company's profitability has increased over the years. The Ratios of the company are satisfactory and the company enjoys a balance of liquidity and profitability. On the basis of the analysis, we can further conclude that the overall management of working capital is sound. The study concludes that the overall financial position is sound for this company. The company gives more attention to maintaining sufficient current assets. Company's current assets and liabilities are changing year by year so efforts must be taken to keep it stable. Proper management of working capital is necessary to maintain day to day activities of an organization.

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