A

PROJECT REPORT

ON

"ANALYSIS OF WORING CAPITAL"

A STUDY MADE WITH SPECIAL REFERENCE TO

YOGIRAJ FURNITURE PVT LTD, PUNE

IN PARTIAL FULFILMENT OF

THE REQUIREMENT OF THE DEGREE OF

BACHALAR OF BUSINESS ADMINISTRATION

(PUNE UNIVERSITY)

SUBMITTED BY

MR. GOSAVI SHREYASH NARAYAN

UNDER THE GUIDANCE OF

Prof. TAMBE. Y .B.

Art, Commerce & Science College Sonai

AHMEDNAGAR, MAHARASHTRA

(2020-2021)

Declaration

I hereby declare that this Project Report titled “Yogiraj Furniture Pvt Ltd pune.’’ **submitted by me is based on actual work carried out by me under the guidance and supervision of Prof. Tambe .Y.B. I further declare that, this has not been submitted, in full or in part, to any other university for any degree or whatsoever.**

Date:- / / 2021

Place:- Sonai

(Mr. Shreyash Narayan Gosavi)

ACKNOWLEGMENT

The project is a great source of learning and a good experience as it made me aware of professional culture and conducts that exist in an organization. Inspiration and guidance are valuable in all aspects of life especially in an academic field.

I express my gratitude towards **Prof. Tambe Y.B** my **Project guide** and **Arts, Commerce Science College of Sonai** , under whose supervision and guidance it has become possible for me to bring out this work successfully.

Also I would like to express my heart felt thanks to the team members, my friends and Finance Department at Yogiraj furniture pvt.ltd, pune

(Mr. Shreyash Narayan Gosavi)

To Whom so ever It may Concern

This is to certify that **Mr. Gosavi Shreyash Narayan.** A student of T.Y. B.B.A. of our institute has successfully completed the project and submitted a report on **" Analysis of Working Capital**". As partial fulfilments of BBA degree of Savitribai phule University Pune for the academic year 2020-21.

Her displayed high level of inter personal skill during the project .
We wish her all the very for her future endeavours.

Project Guide **Examiner** **Internal Examiner**

INDEX

INTRODUCTION

INTRODUCTION

Working capital management is significant in financial management due to the fact that it plays a vital role in keeping the wheels of a business enterprise running. Working capital management is concerned with short-term financial decisions. Shortage of working capital may cause many businesses to fail. Lack of efficient and effective utilization of working capital leads to earn low rate of return. The need for skilled working capital management has thus become greater in recent years.

A firm invests a part of its capital in fixed assets and jeeps a part of it for working capital i.e. for meeting its day to day requirements. We will hardly find any firm which does not require any amount of working capital for its normal operations. The requirement of working capital varies from firm to firm depending upon the nature of business, production policy, conditions of sale and purchase etc.

Working capital to a company is like the blood to human body. It is the most vital ingredient of a business. Working capital management if carried out effectively efficiently and consistently will assure good health of an organization.

COMPANY PROFILE

COMPANY PROFILE

Yogiraj Furniture Private Limited, Pune.

CEO :- Yogesh kohakade

Location:-

Dawkhar wasti , Rahuri.

Tal :- Rhuri Dist :- Ahmednagar

Maharashtra

Pin: 413705

Ph: 096735 00001

E-mail ID: ykproperties09@gmail.com

Registration No :- U36931PN2014PTC152072

YOGIRA

FURNITUR

Products:-

Wooden Bed

Wooden Computer Table

Designer Sofa

Dining Table

Bedroom Set

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

OBJECTIVES

- To study Working Capital financing patterns
- To study concept Working Capital and factors affecting it
- To analyze Working Capital with the help of ratios
- To study and analyze Operating Cycle

SCOPE

The scope of study was extended for three years viz.

Financial data

1) 2018-19
2) 2019-20
3) 2020-21

DATA COLLECTION

PRIMARY DATA:

Information was collected from discussion with various managers of department on related topic**,** In-depth interviews of company owners, Social media monitoring, Market analysis, apart from finance manager and external guide.

SECONDARY DATA :-

Initially information was collected from company's Audited financial statements, Book's of Account.

AREA OF STUDY

Finance

LIMITATIONS

- Most of the information used in the analysis was from secondary sources.
- Confidential data was not allowed to be accessed or published in the project report.
- Time duration for the analysis was very short therefore detailed analysis was not possible.
- Due to time constrain all the measures were not considered for analysis.

ANALYSIS OF WORKING CAPITAL

CONCEPT OF WORKING CAPITAL

There are two concepts of working capital – **Gross concept and Net concept**. **Gross working capital** simply called as working capital, refers to the firm's investment in current assets. The gross working capital concept is financial or going concern concept where as net working capital is an accounting concept of working capital.

Net working capital refers to the difference between current assets and current liabilities. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceeds current liabilities. A negative net working capital occurs when current liabilities are in excess of current assets. The consideration of the level of investment in current assets should avoid two danger points – excessive and inadequate investment in current assets. Investment in current assets should be neither excess nor short. Idle investment earn nothing but it block capital, on the other hand, inadequate amount of working capital can threaten solvency of the firm, if it fails to meet its current obligations.

Working capital needs of the firm may be fluctuating with change in business activities. The management should be prompt to initiate an action and correct the imbalance. It indicates the liquidity position of the firm and suggests the extent to which working capital needs may be financed by permanent sources of funds. Working capital drives the ordinary operating cycle of business, running expenses, daily expenses of the firm. In a narrow sense, the term working capital refers to the net Working capital. Net working capital is the excess of current assets over current liabilities.

Net working capital = Current assets – Current liabilities

Net working capital may positive or negative. When the current assets exceed the current liabilities the working capital is positive and the negative working capital results when the current liabilities are more than the current assets. Current liabilities are those liabilities, which are intended to be paid in the ordinary course of business within a short period of normally one accounting year out of current assets or the income of the business.

Gross concept is sometimes preferred to the net concept of working capital for the following reasons:

1. It enables the enterprise to provide correct amount of working capital at the right time. Every management is more interested in the total current assets with which it has to operate than the sources from where it is made available.

2. The gross concept of working capital is more useful in determining the rate of return on investment in working capital. The net working capital concept, however, is also important for the following reasons:

i) It is qualitative concept, which indicates the firm's ability to meet its operating expenses and short – term liabilities.
ii) It indicates the margin of protection available to the short – term creditors, i.e. the excess of current assets over current liabilities.
iii) It is an indicator of financial soundness of an enterprise.

WORKING CAPITAL CYCLE:

Operating cycle is the time duration required to convert raw materials into cash. The operating cycle of a production unit involves three phases:

- Acquisition of resources such as raw material, labour, etc.
- Production of the product.
- Conversion of raw materials into finished products. Sales of the finished products either for cash or credit.

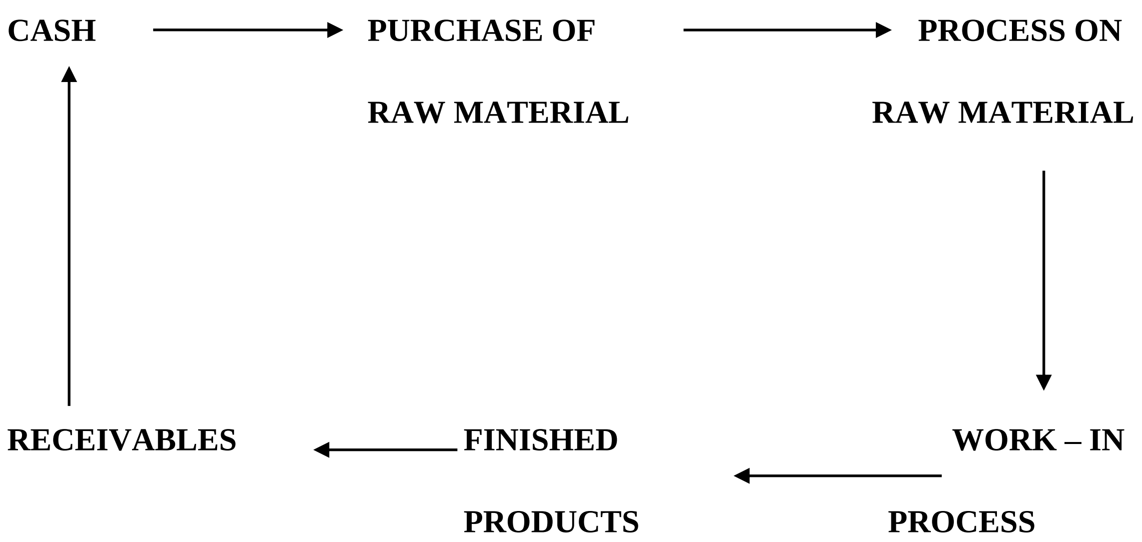
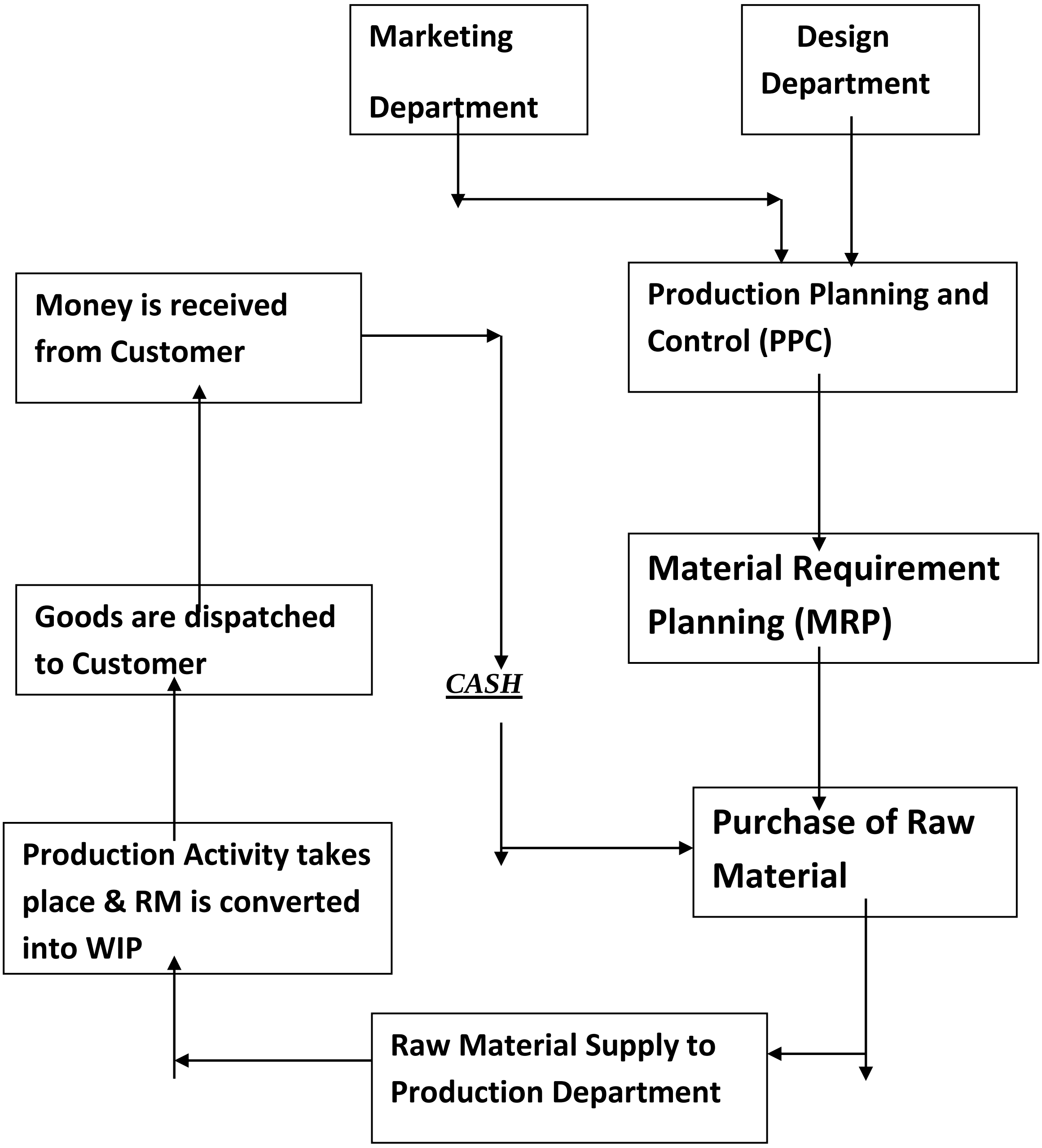


Diagram shows Production Cycle. Working capital is required for each and every stage of production. The current assets are required because the operations do not convert into cash immediately. Following is the Working Capital Cycle.

WORKING CAPITAL CYCLE FOR YOGIRAJ FURNITURE PVT.LTD



IMPORTANCE OF WORKING CAPITAL

Working capital is the lifeblood and never center of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of business. No business can run successfully without an adequate amount of working capital. The main advantages of maintaining adequate amount of working capital is as follows:

1. **Solvency of the business:**

   Adequate working capital helps in maintaining solvency of the business by providing uninterrupted flow of production.

2. **Goodwill:**

   Sufficient working capital enables a business concern to make prompt payments and helps in creating and maintaining goodwill.

3. **Cash discounts:**

   Adequate working capital also enables a concern to avail cash discounts on the purchases and hence it reduces the costs.

4. **Regular supply of raw material:**

   Sufficient working capital ensures regular supply of raw materials and continuous production.

5. **Regular payments of day – to – day activity:**

   Working capital can make regular payments of salaries, wages and other day – to – day a commitment, which raises the morale of its employees,

   Increase their efficiently, reduces wastages and costs and enhances production and profits.

6. **Exploitation of favorable market conditions:**

   Only concerns with adequate working capital can exploit favorable market condition such as purchasing its requirements in bulk when the prices are lower and by holding its inventories for higher prices.

FACTORS DETERMINING THE WORKING CAPITAL

The working capital requirements of concern depend upon a large number of

factors such as

1. **Nature of business:**

The Working Capital requirements of a firm basically depend upon the nature of its business. Public utility undertakings like Electricity, Water Supply and Railways need very limited working capital because they offer cash sales only and supply services, not products, and as such no funds are tied up in inventories and receivables. On the other hand, trading and financial firms require less investment in fixed assets but have to invest large amounts in current assets like inventories, receivables and cash; as such they need large amount of working capital

2. **Size of business / Scale of operation:**

The scale of operations directly influences the working capital requirements of concern. Greater the size of a business unit, generally large will be the requirements of working capital. However, in some cases even a smaller concern may need more working capital due to high overhead charges, inefficient use of available sources and other economic advantages of small size

3. Production Policy:

In certain industries the demand is subject to wide fluctuations due to seasonal variations. The requirements of working capital, in such cases, depend upon the production policy. The production could be kept either steady by accumulating inventories during slack periods with a view to meet high demand during the peak seasons or the production could be curtailed during slack season and increased during peak period. If the policy is to keep production steady by accumulating inventories it will require higher working capital.

3. **Manufacturing process / Length of production cycle:**

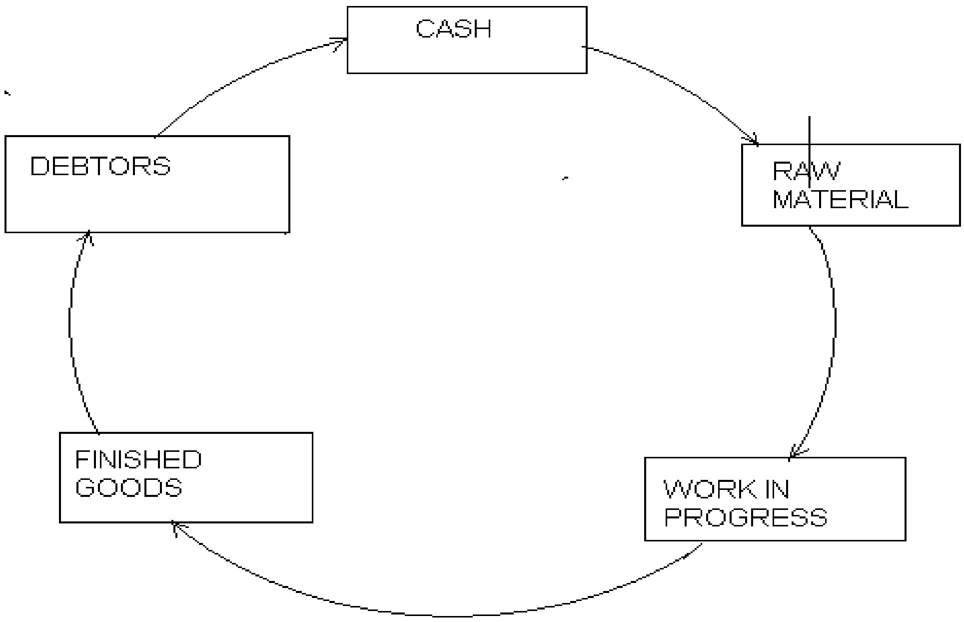
In manufacturing business, the requirements of working capital increases in direct proportion to length of manufacturing process. Longer the process of manufacture, larger is the amount of working capital required.

4. **Credit Policy:**

The credit policy of a concern in its dealing with debtors and creditors influence considerably the requirement of working capital. A concern that purchases its requirements on credit and sells its products / services on cash requirement lesser amount of working capital. On the other hand, a concern buying its requirements for cash and allowing credit to its customers, shall need larger amount of working capital as very huge amount of funds are bound to be tied up in debtors of bills receivables.

Both credit policies of customer and vendor change from customer to customer and from vendor to vendor depending on relation with company.

OPERATING CYCLE



OPERATING CYCLE

OPERATING CYCLE

The time lag between the purchases of raw materials and the collection of cash for sales is referred to as the Operating Cycle for the company.

The time lag between the payment for raw materials purchases and the collection of cash from sales is referred to as the Cash Cycle.

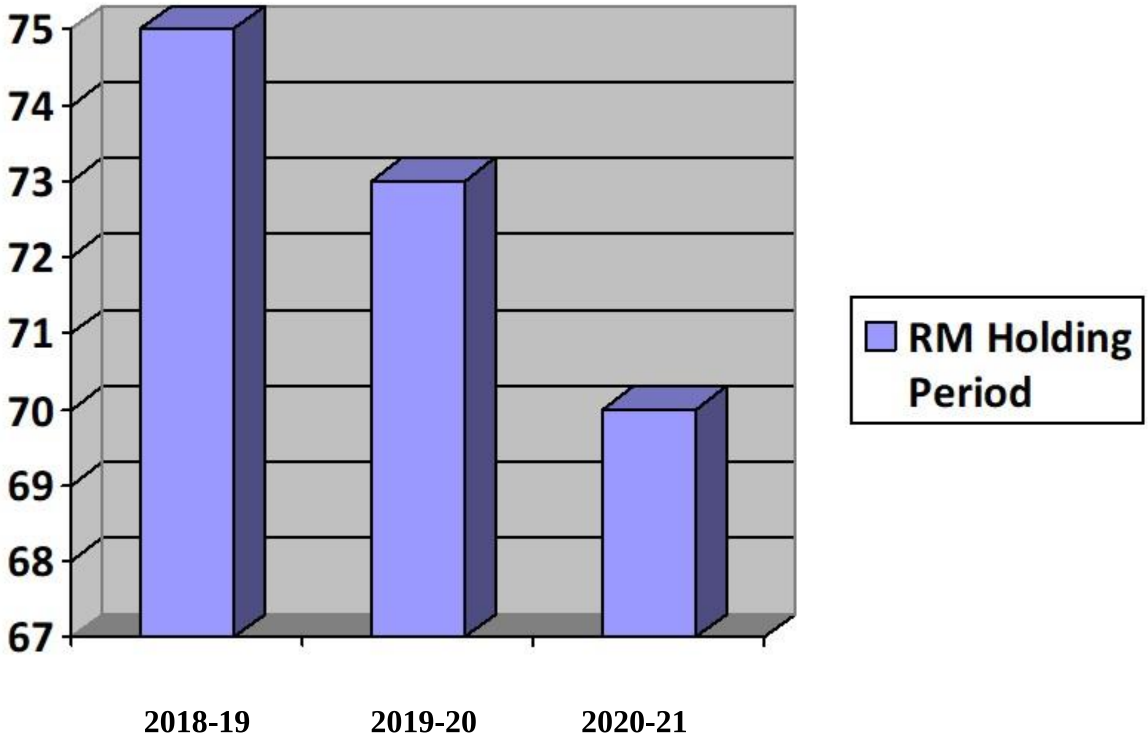
CALCULATION OF NET OPERATING CYCLE:

1) **Raw Material Holding Period**

$$\text{Raw Material Holding Period} = \frac{\text{Average Inventory}}{\text{Annual Cost of Good Sold}} * 365$$

Rs. In Crores

Particular	2018-19	2019-20	2020-21
Avg. Inventory	456.04	466.75	482.65
Cost of good sold	2218.99	2319.51	2518.45
Raw Material Holding Period	75 days	73 days	70 days



Interpretation:

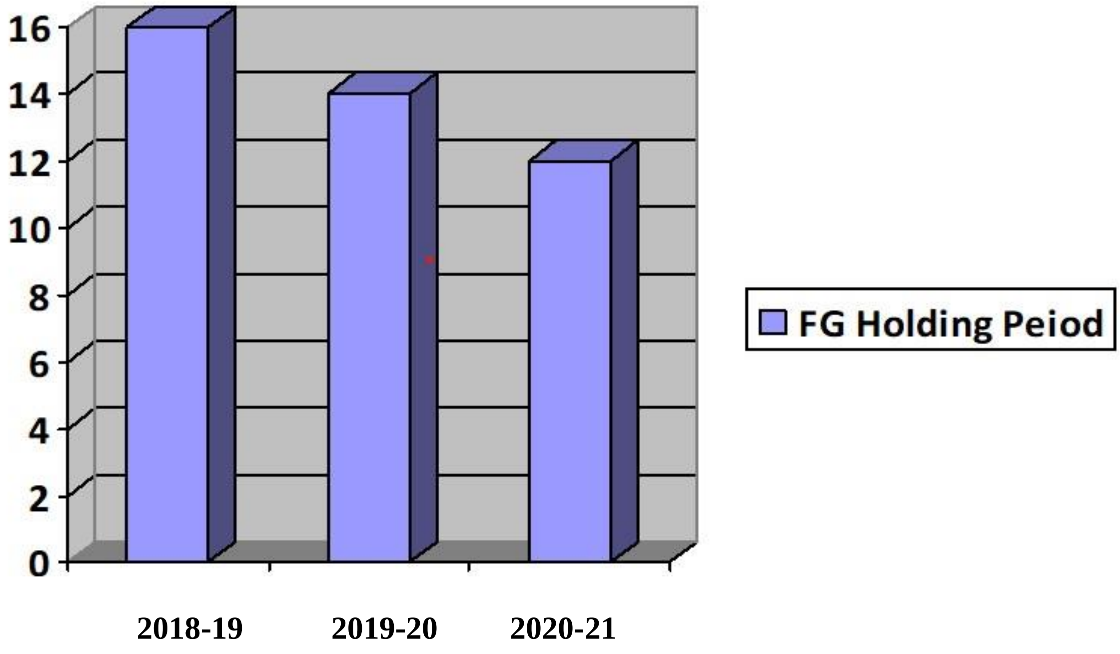
The raw material holding period is showing decreasing trend as the average Inventory and annual cost of goods sold is continuously increasing from the year 2018-19 to 2020-21. As raw material holding period decreases, the requirement of working capital is low.

2) Finished Goods Holding Perio

$$\text{FG Holding Period} = \frac{\text{Average FG}}{\text{Sales}} * 365$$

Rs. In Corer's

Particular	**2018-19**	**2019-20**	**2020-21**
Avg. FG	108.78	102.41	101.35
Sales	2441.47	2578.27	3140.16
Finished Goods Holding Period	16 Days	14 Days	12 Days



Interpretation:

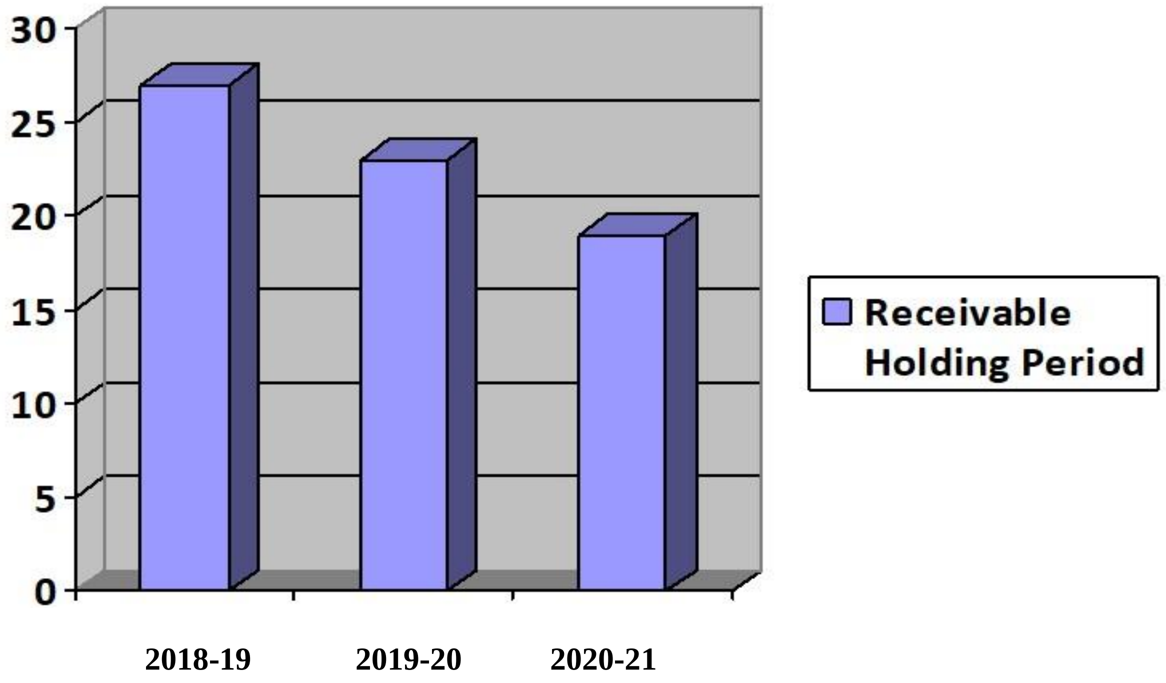
The Finished goods holding period is inversely proportional to ratio average finished goods to sales. So, when the finished goods cost decreases and sales increases then the finished goods holding period will also decrease. As finished goods holding period increases, the requirement of working capital is high.

3) Debtors Collection Period

$$\text{Debtors Collection Period} = \frac{\text{Average Debtors}}{\text{Sales}} * 365$$

Rs. In Crores

Particular	2018-19	2019-20	2020-21
Avg. Debtors	208.51	188.04	182.59
Sales	2789.12	2962.37	3506.31
Debtors Collection Period	27 Days	23 Days	19 Days



Interpretation:

Debtors Collection Period is inversely proportional to the sales. So, when sale will increase, the receivable holding period will decrease. As debtors' collection period decreases, the requirement of working capital is low.

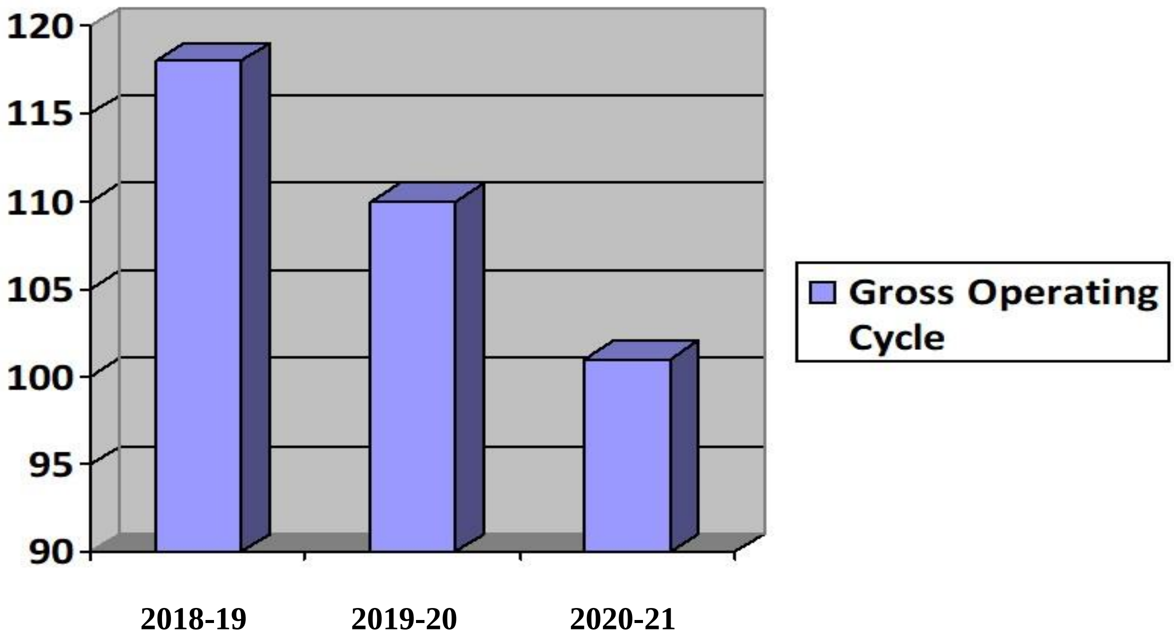
4) Gross Operating Cycle

Gross Operating Cycle = Raw Material Holding Period

+ Finished Goods Holding Period

+ Debtors Collection Period

Particular	**2018-19**	**2019-20**	**2020-21**
Raw Material Holding Period	75 Days	73 Days	70 Days
Finished Goods Holding Period	16 Days	14 Days	12 Days
Debtors Collection Period	27 Days	23 Days	19 Days
Gross Operating Cycle	118 Days	110 Days	101 Days



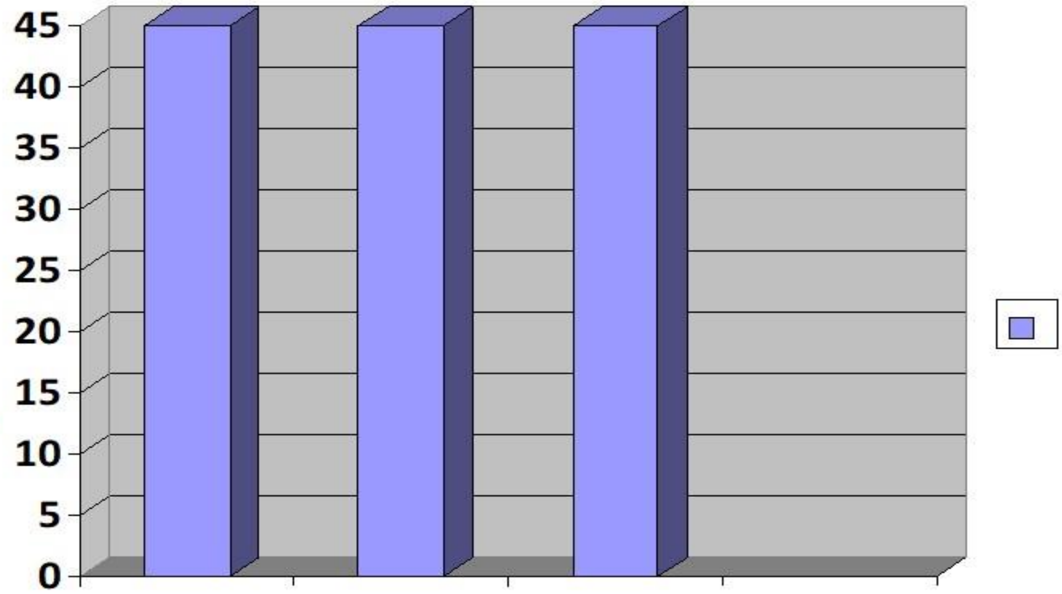
Interpretation:

The gross operating cycle is directly proportional to the Raw material holding period Finished goods holding period and Receivables holding period. As the cost of goods sold and sale increases, the Raw material holding period,Finished goods holding period and Receivables holding period decreases. As a result of that the gross operating cycle also decreases. As gross operating period decreases, the requirement of working capital is low.

5) Payment Deferral (Creditors) Period

$$\text{Creditors Period} = \frac{\text{Average Creditors}}{\text{Purchases}} * 365$$

Particular	2018-19	2019-20	2020-21
Creditors Period	45 Days	45 Days	45Days



2018-19 2019-20 2020-21

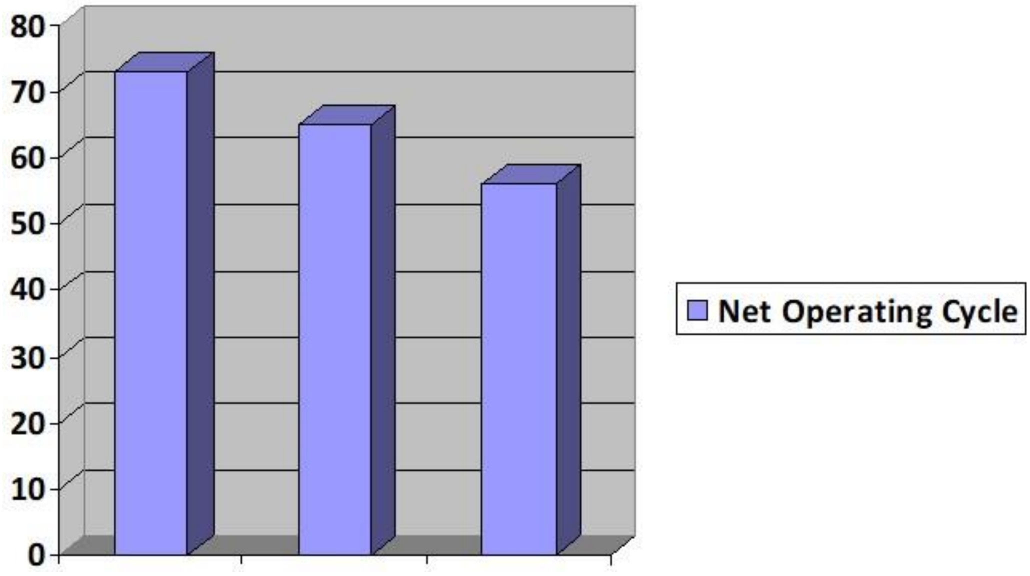
Interpretation:

The company's creditors period is constant i.e. for the last three years i.e. from the year 2018-19 to 2020-21. As creditors period is constant, the requirement of working capital will also remain same in all the three years

6) Net Operating Cycle

Net Operating Cycle = Gross Operating Cycle – Creditors Period

Particular	**2018-19**	**2019-20**	**2020-21**
Gross Operating Cycle	118 Days	110 Days	101 Days
Creditors Period	45 Days	45 Days	45 Days
Net Operating Cycle	**73 Days**	**65 Days**	**56 Days**



2018-19 2019-20 2020-21

Interpretation:

The gross operating period will decrease by increase in cost of goods sold and sale. As a result of that the Net Operating Cycle will decrease. As net operating cycle decreases, the requirement of working capital is low

ANALYSIS OF WORKING CAPITAL WITH RATIOS

In financial statements, there are some limitations. There is need of analyzing interpretation of financial statements. This is necessary to find out realistic picture of business and to analyze the business from various angles like liquidity, profitability, solvency etc. The most important objective of analysis and interpretation of financial statements are to understand the strength and weakness of a business firm so as to facilitate the future prospect of the business firm.

Financial ratio indicates about the financial position of the company. A company is deemed to be financially sound if it is in position to carry on its business smoothly and meet the obligations, both short term as well as long term requirement of funds. Ratio analysis techniques are of great help in analyzing the efficiency of financial operations. It gives at a glance comparative study of the firm of various years.

This ratio is very useful in inert-firm and intra-firm comparison. Accounting ratios are of great assistance in locating the weak spot in the business. Ratio analysis of working capital helps the management in checking upon the efficiency with which the working capital is being used in business. The analysis of working capital can be done with the help of following ratios:

1) Current Ratio
2) Acid Test Ratio
3) Working Capital Turnover Ratio
4) Inventory Turnover Ratio
5) Debtors Turnover Ratio
6) Creditors Turnover Ratio
7) Operating Profit Margin Ratio

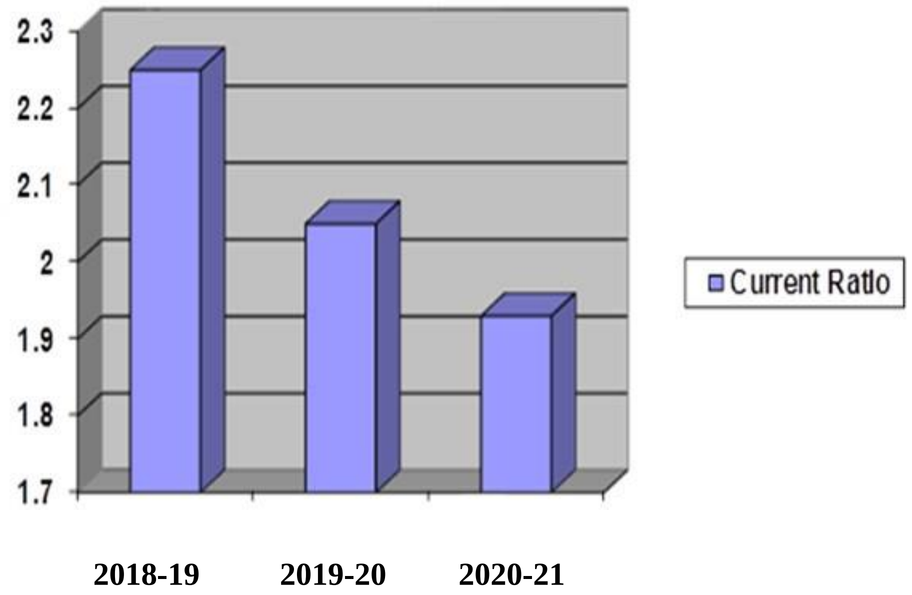
1) <u>Current Ratio:</u>

This is a current asset to current liabilities ratio. A higher current assets ratio indicates that there are sufficient assets available with the organization, which can be converted in the form of Cash. As such higher is the current ratio, better is the situation. A current ratio of 2:1 is supposed to be ideal.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

Rs. In Crores

Year	**Current Assets**	**Current Liabilities**	**Ratio**
2018-19	885.24	393.38	2.25:1
2019-20	1015.58	496.18	2.05:1
2020-21	1135.95	589.02	1.93:1



Interpretation:

Ideally 2:1 is considered satisfactory. Century Textiles & Industries Ltd.'s ratios are 2.25, 2.05 and 1.93 for the year 2018-19 to 2020-21 respectively. It is not considered as benchmark as it differs from industry to industry. Based on industry standard, Century Textiles & Industries Ltd.'s current ratio is below 2. It indicates current liabilities have increase more than the increase in current assets.

2) Acid Test Ratio:

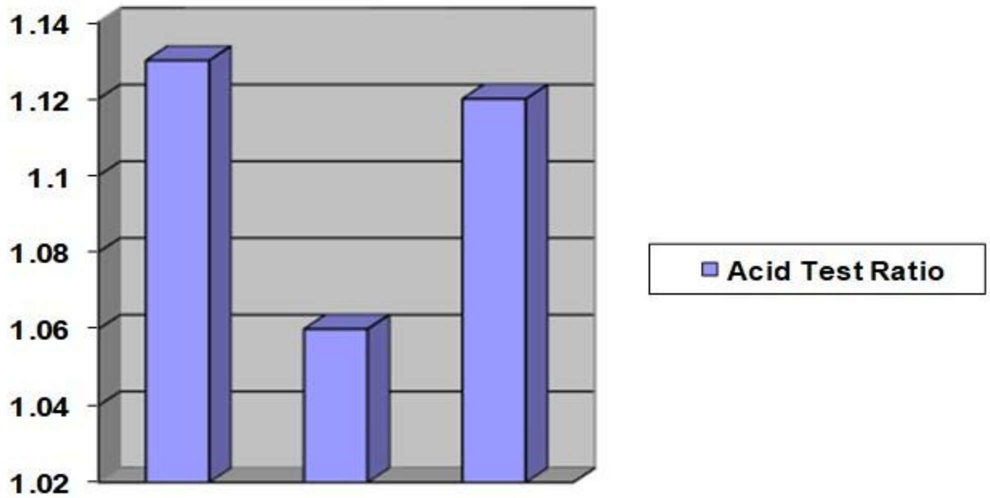
This is also known as Quick Ratio. When paying capacity of assets of a going concern is to be tested for their ability to meet short – term obligation. Standard ratio is 1:1.

$$\text{Acid Test Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

Quick Assets = Current Assets – Inventories

Rs. In Crores

Year	Current Assets	Inventories	Quick Assets	Current Liabilities	Ratio
2018-19	885.24	442.56	442.68	393.38	1.13:1
2019-20	1015.58	490.93	524.31	496.18	1.06:1
2020-21	1135.95	474.37	661.58	589.02	1.12:1



2018-19 2019-20 2020-21

Interpretation:

This ratio should ideally be 1:1. When the ratio goes below 1, it is a danger sign. So, this ratio must be minimum 1. Above table shows company's Quick assets are sufficient to meet its current liabilities. In the year 2018-19 has decreased to 1.06 but in the year 2020-21, it has increased to 1.12.

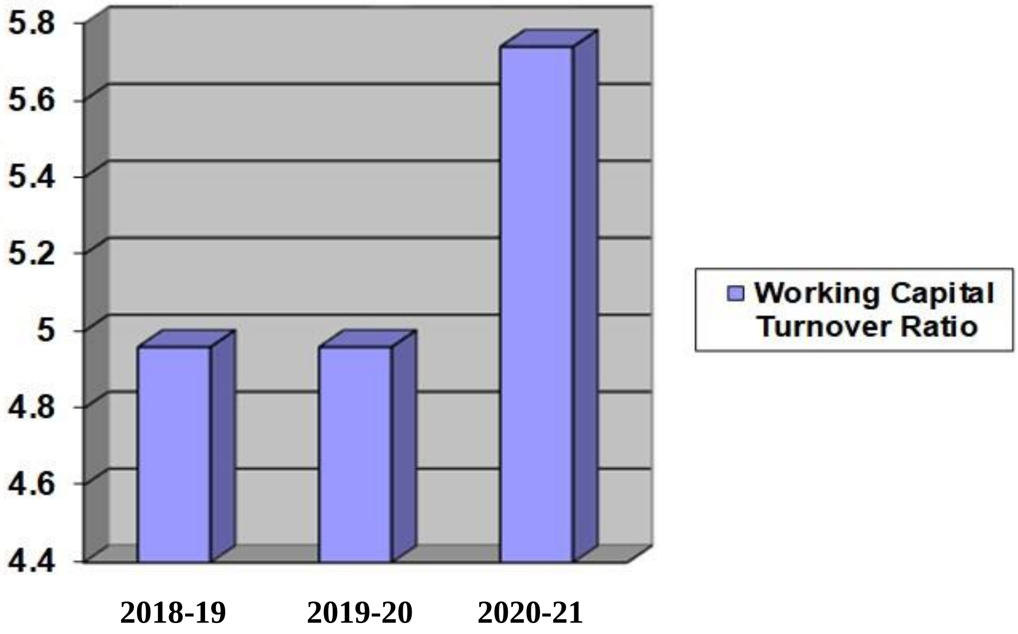
3) Working Capital Turnover Ratio:

This is a sale to working capital ratio. The turnover ratio should be stable if not increasing over time. On the contrary if it is falling, it indicates longer build up current assets or fall in level of current liabilities or both. Whatever may be the reason, the demand for fund will rise, the non – availability of which may lead to default in payment.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net working capital}}$$

Rs. In Crores

Year	**Current Assets**	**Current Liabilities**	**Net Working Capital**	**Net Sales**	**Ratio**
2018-19	885.24	393.38	491.86	2441.47	4.96
2019-20	1015.58	496.18	519.40	2578.27	4.96
2020-21	1135.95	589.02	546.93	3140.16	5.74



Interpretation:

It indicates how efficiently the company is employing its working capital. A higher working capital turnover indicates that with less working capital, company is able to sell more. In YOGIRAJ FURNITURE PVT LTD, this ratio was 4.96 in 2018-19 and now for the year 2020-21 it is 5.74. It clearly indicates better utilization of working capital.

4) **Inventory Turnover Ratio:**

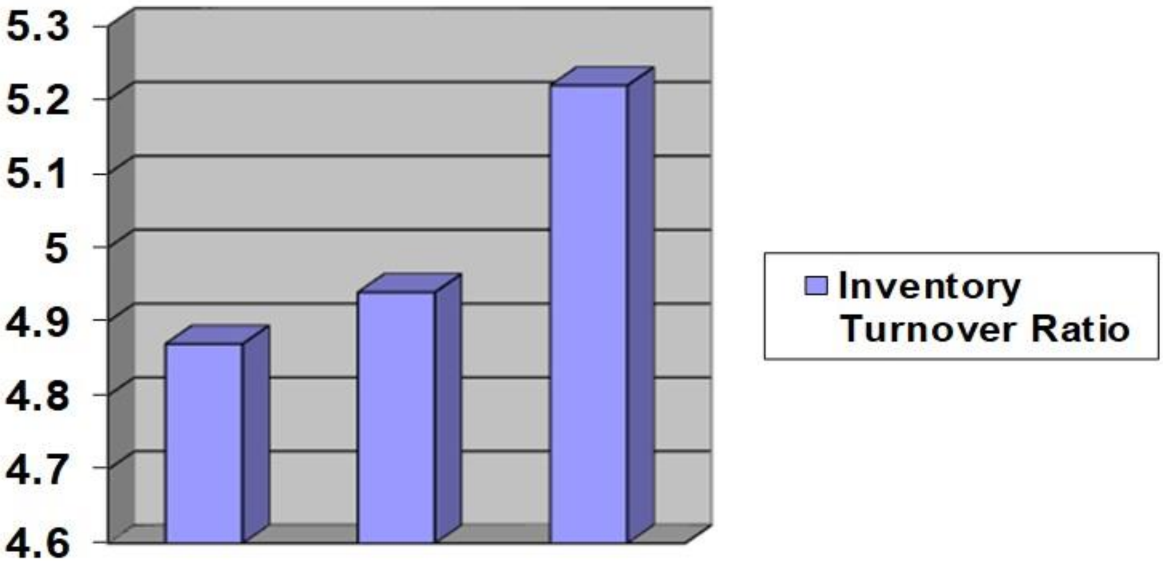
This indicates many times finished goods stock is moving. Lower ratio indicates less demand for finished goods and vice – versa.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average Stock}}$$

Average Stock = Opening Stock + Closing Stock

Rs. In Crores

Year	Cost of goods sold	Opening Stock	Closing Stock	Average Stock	Ratio
2018-19	2219.69	469.52	442.56	456.04	4.87
2019-20	2303.60	442.56	490.93	466.75	4.94
2020-21	2518.45	490.93	474.37	482.65	5.22



2018-19 2019-20 2020-21

<u>Interpretation:</u>

This ratio display efficiency of the firm in selling its products. Century Textiles & Industries Ltd. Inventory turnover ratio was 4.87 in 2018-19 and now in 2020-21, it s 5.22, which is good sign and has directly contributed to the profitability of the firm, which is reflected in improved profit margins.

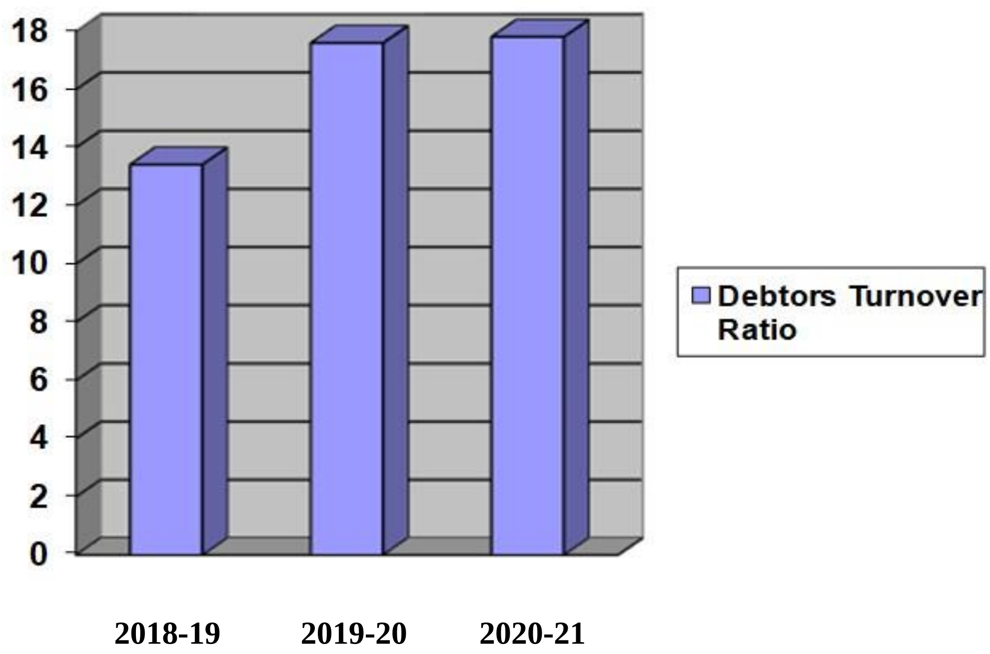
5) Debtors Turnover Ratio

This is a sale to debtor's ratio. If sales are regarded as the growth variable of a business, receivable is the first constraints to such variable. Hence, high debtor's turnover ratio indicates less percentage of debtors.

$$\text{Debtors Turnover Ratio} = \frac{\text{Sales}}{\text{Debtors}}$$

Rs. In Crores

Year	**Sales**	**Debtors**	**Ratio**
2018-19	2789.12	207.80	13.42
2019-20	2962.37	168.28	17.60
2020-21	3506.31	196.90	17.81



Interpretation:

Every company sells goods on credit. The credit period may differ from debtor to debtor. This ratio indicates how many days credit is given to debtors. Higher ratio indicates efficiency in collection from debtors. YOGIRAJ FURNITURE PVT LTD Debtors turnover ratio shows increasing trends which indicate that the company has been able to collect its debtors faster.

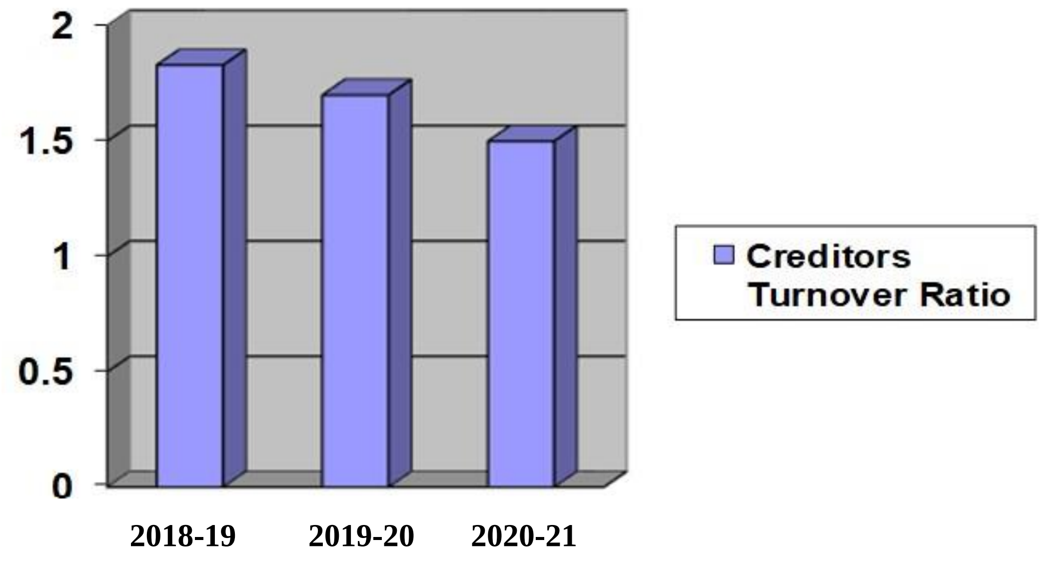
6) **Creditors Turnover Ratio:**

The measurement of the creditor turnover period shows the average time taken to pay for goods and services purchases by the company. In general the longer the period achieved the better because a delay in payment means that supplier, which, if they are operating in a seller's market, may harm the company, is financing the operation of the company. If too longer period is taken to pay creditors, the credit rating of the company may suffer. Thereby making it more difficult to obtain suppliers in future.

$$\text{Creditors Turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Creditors}}$$

Rs. In Crore

Year	**Purchases**	**Creditors**	**Ratio**
2018-19	567.68	308.99	1.83
2019-20	600.58	352.63	1.70
2020-21	606.70	406.09	1.50



<u>Interpretation:</u>

This ratio shows the speed with which payments are made to the suppliers for purchases made to them. YOGIRAJ FURNITURE PVT LTD creditors' turnover ratio is decreased from 1.83 to 1.50 in 2018-19. It means that the trade creditors are being paid promptly.

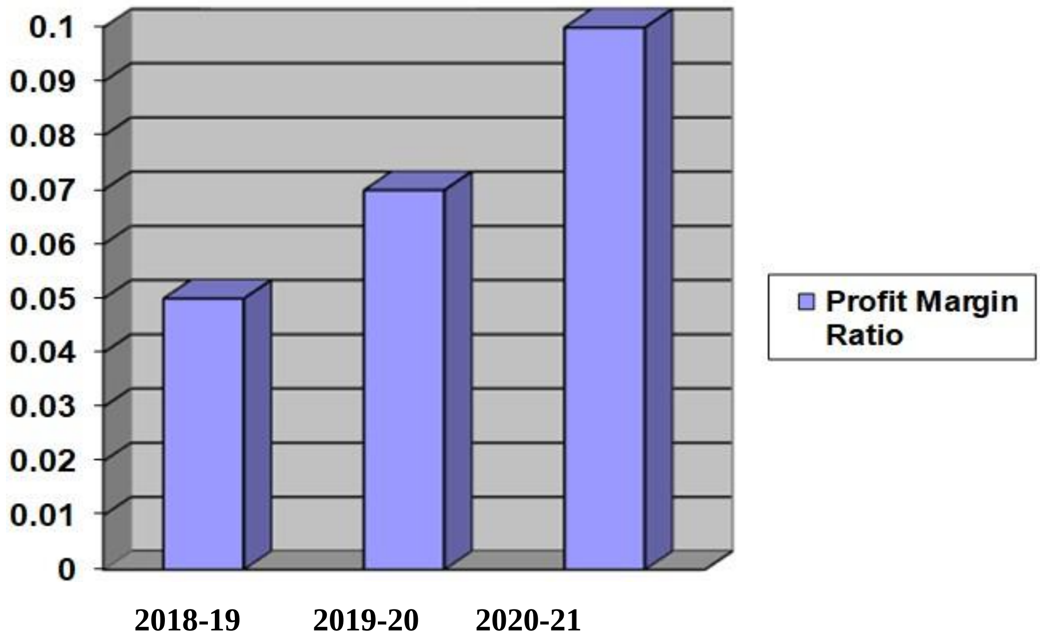
7) **<u>Operating Profit Margin Ratio:</u>**

This ratio shows what is profit margin. It is calculated to divide EBIT by Sales. EBIT stands for Earning before Interest and Tax.

$$\text{Operating Profit Margin Ratio} = \frac{\text{EBIT}}{\text{Sales}}$$

Rs. In Crore

Year	EBIT	Sales	Ratio
2018-19	177.92	2789.12	0.06
2019-20	244.69	2962.37	0.08
2020-21	421.56	3506.31	0.12



<u>Interpretation:</u>

This ratio shows what the ratio of EBIT on sales is. In Century Textiles & Industries Ltd., operating profit margin ratios are 0.05, 0.07 and 0.10 for the year 2018-19 to 2020-21 respectively. As current assets increases, working capital requirement also increases. Moreover sales increases, the operating profit margin ratio also increases. Also current assets of the company were sourced from short term funds, so risk increased and as a result profit margin also increased

FINANCING PATTERN

The basic objective of working capital management is that there should be an optimum investment in working capital. There should not be either excessive working capital or shortage of working capital. In order to decide the optimum investment in working capital, there is need to consider different policies of working capital. The different policies are:

There are three broad policy options i.e.

a) Conservative current assets financing policy
b) An aggressive current asset financing policy
c) Moderate current assets financing policy

In conservative current asset financing policy, a firm relies more on long term financing such as shares, debentures, preference shares, long term debt and retained earnings. In this method, as the emphasis is on long term financing, the firm has less risk of facing problems of shortage of funds.

An aggressive policy is said to be followed by a firm, when it relies heavily on short term bank financing and other short term sources. Even some part of fixed assets is financed by short term funds. The policy exposes the firm to a higher degree of risk but reduces the average cost of financing. Consecutive current assets financing policy reduces the risk but has a higher cost of financing.

There is one more way which is called as hedging approach. In this approach long term sources are used for financing fixed assets and permanent current assets while short term funds are funds used for financing temporary or variable current assets. However exact matching is not possible because of the

Uncertainty about the expected lives of the assets. The different approaches explained above are shown in the following diagrams.

TABLE SHOWING PROPORTION OF SHORT TERM AND LONG TERM FUNDS

Rs. In Crores

Year	2018-19	2019-20	2020-21
Current Assets	885.24	1015.58	1135.95
Current Liabilities	393.38	496.18	589.02
Long term funds	491.86	519.40	546.93
Long term funds (%)	55.56%	51.14%	48.15%
Short term funds (%)	44.44%	48.86%	51.85%

Interpretation:

- In 2018-19, company followed conservative policy as current assets were sourced from long term funds.
- In 2019-20, company followed conservative policy as current assets were sourced from long term funds.
- In 2020-21, company followed aggressive policy as current assets were sourced from short term funds.

RESEARCH FINDINGS

FINDINGS

1) **FACTORS AFFECTING WORKING CAPITAL**

- The working capital requirement of the company is mainly affected by size of the company.
- Working capital requirement of Yogiraj furniture has increased every year because of there was hike in prices.
- The major element of working capital of the company is debtors, creditors and stock.

2) OPERATING CYCLE

- The **NET OPERATING PERIOD** is showing decreasing trend.
- The optimum utilization of inventory Reduces the average inventory cost, and optimum sales will Increase the annual cost of goods sold, which reduces the cost of holding goods.
- The net operating cycle is continuously decreasing but the requirement of net working capital increasing as there was hike in prices.

3) WORKING CAPITAL WITH ITS RATIOS

- The working capital requirement of the company is showing increasing trend.
- Based on industry standard, YOGIRAJ FURNITURE PVT LTD's current ratio is below 2. It indicates current liabilities have increase more than the increase in current assets.

- Yogiraj furniture pvt ltd is maintaining quick ratio greater than 1. Hence, the short – term liquidity position of company is strong. It indicates good repayment capacity of current liabilities. Company is investing more amounts in Liquid assets, thus improving its short – term liquidity position.

- A higher working capital turnover indicates that with less working capital, company is able to sell more. In Yogiraj furniture pvt ltd, this ratio was 4.96 in 2018-19 and now for the year 2020-21 it is 5.74. It clearly indicates better utilization of working capital.

4) FINANCING PATTERN

- The company follows aggressive policy as current assets were sourced from short term funds which helped to increase in profit.

SUGGESTIONS

- The company should try to keep the net operating cycle period low by minimizing raw material holding period, finished goods holding period and debtors turnover ratio.
- Currently, Current Ratio of Yogiraj furniture pvt ltd is 1.93:1 which is as good as standard. Company should take measures so that its Current Ratio is maintained and it's not too below from standard by increasing current assets.
- Yogiraj furniture pvt ltd has its quick ratio more than standard ratio. This is because current assets have increased so company should try to reduce inventories.
- Yogiraj furniture pvt.ltd used aggressive policy, so company is earning more profit at the cost of higher risk. So company should be cautious while taking risk.

CONCLUSION

CONCLUSION

Thus, to conclude through the project study it is clear that management of working capital is an essential task of financial management. The management must be such that company should not have excessive funds, which may be lying idle, nor should it have fewer funds, which may result in bottleneck during production. Thus, it is the duty of Finance Department to estimate proper working capital requirements in the organizations and utilize the funds in the best optimal manner.

Thus it can be stated that management of working capital could enable the organization to reap the benefits as and when they come and thus, also enable the organization to consolidate its position in the market.

A good working capital management would improve the organization's sales, profit, and liquidity position and mind share of the consumers.

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