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Ratio Analysis and Working Capital Management in M/S. Pantaloon Retail (India) Limited

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***Abstract* — Working Capital Management plays a vital role in decision making in almost all kinds of industries. But it is more important in Multi-Chain Retail Industries, Manufacturing, Construction & Engineering Procurement and Contracting (EPC) Industry. The basic tool used to understand the Working Capital Management is Ratio Analysis of previous consecutive five year's data collected from M/s. Pantaloon Retail (India) Limited. The company involves retail operations in Fabric Materials, Food Materials, Electronic Goods, Home Needs and Logistics. But all these operations are focused on retail markets in India. There was an increase in current assets during the period 2006-2009 due to purchase of current assets. During the period 2006-2009 the working capital has been increased, but there was a decrease in the year 2010 also the other current liabilities were decreased at this year. The firm has greater solvency of 4.87 in the year 2007.The quick ratio shows satisfactory position from the year 2006-2007 and operating ratio shows an unsatisfactory position. From 2006 -2009 the debt-equity ratio was increased. The proprietary ratio of the company decreasing up to 2009 and suddenly increase in 2010. Fixed asset turnover ratio indicates the relationship between the sales and fixed assets it reached maximum at 2010. The financial position of the firm was good at the year 2010.**

***Index Terms* — Current assets, Current liabilities, working capital, Profitability Ratio, Turnover Ratio, Solvency Ratio, Schedule of changes in working capital.**

I. INTRODUCTION

There are many studies available in the same area but no study has been undertaken to analyze the working capital management of Pantaloon Retail (India) Ltd. The result of this study is purely from the management point of view and not from the worker's point of view.

This study titled "Working Capital Management with special reference to Pantaloon Retail (India) Ltd". This study covers the analysis and interpretation of working capital. Analysis and interpretation of working capital refers to a care of the information accommodate in the annual report to diagnosis the profitability and financial health of the business.

The firm has to spend large funds in current assets for earning profit and continuous production activity. When the company earns sufficient profit then only it's possible. It's mainly depends on the magnitude of sales, which cannot be converted into cash immediately.

There should be a proper duration between the sale of goods and receipt of cash. At this period in order to sustain the sales activity working capital is required. The company cannot sustain its sales with inadequate working capital. During that time, it may not be in a position to purchase pay wages, raw material, which are required for manufacturing the goods to be sold.

The pantaloons retail moved into modern retail when they launched fashion retail chain in Kolkata at 1997. The food bazaar and grocery chain are located in the most of the indian cities.

II. REVIEW OF LITERATURE

Corporate profitability and working capital management relationship was analyzed by Lazaridis Dr Ioannis and Tryfonidis Dimitrios. They used Athens Stock Exchange (ASE) during the period of 2001-2004. They found that there is a statistical significance between profitability, which can be studied via the conversion of cash cycle and gross operating profit. The managers can create profit by efficiently utilizing the cash conversion cycle [1].

Working capital management trends and its impaction firms' performance was analyzed by Padachi Kesseven. To identify the root for any significant differences between the industries, working capital needs and profitability of firms were examined. Here, the dependent variable and return on total assets were used as a measure of profitability. The sample of 58 small manufacturing firms was taken to analyze the correlation between working capital management and corporate profitability at the period 1998 –2003. The result shows that big investment in inventories and receivables which is associated with lower profitability. To analyze this inventories, accounts receivables, accounts payable and cash conversion cycle are used. He found there is a notable relationship between working capital management and profitability compared to the previous work. An increasing trend in the short-term elements of working capital financing reveals these findings [2].

For the period 2000 to 2006 they investigated the determinants of working capital management of listed firms in Malaysia. Their results designate the growth of the company, debt ratio and economic growth associate in the firm's working capital management [3].
They analyzed the performance of liquor industry from 2002 to 2008. They studied among 12 listed companies, which are on low level overall. They found so many ups and downs from 2002 to 2008[4].

An attempt to bridge the space in the survey by offering empirical proof about working capital management and its outcome to the performance of Malaysian companies from the position of market valuation and profitability.
The data for this analysis is retrieved from Bloomberg's database for the period 2003-2007. The result shows that there were notable negative associations between working capital variables with firm's performance by applying correlations and multiple regression analysis [5].

At the period 2005-2009 the South Africa's commercial banking sector performance was analyzed by Kumbirai and Robert Webb. For the first two years the overall bank performance was increased. In 2007, there is a significant change in the trend noticed at the onset of global financial crises also it reaches its peak during 2008-2009. Due to this crisis profitability of the South African Banking sector feldown [6].

Working capital management of Andhra Pradesh Paper Mills Limited (APPML) and Seshasayee Paper Mills Limited (SSPML) was analyzed by K. Madavi. She found that the cash ratio was not satisfactory in APPML compared to SSPML. So the APPML should take corrective actions to exploit the idle cash and bank balances in strinking investments [7].

Dr. T.N.R. Kavitha, and N. Manimuthu were analyzed the financial position of Birla Corporation Cement Ltd during 2009-10 to 2012-13. The net profit margin was high at this period, so it has good financial position. There was an increment in the inventory turnover ratio at the financial year 2012, which is also leads the company to be in great position. On the authority to the investment in current assets, the liquidity position was excellent. Excess investment in current assets would block the funds, so they must concentrate on not to make further investment on it [8].

In this paper ratio analysis, working capital and the schedule of changes in working capital was calculated. The data taken to this analysis for the period 2005-2010 from the annual report of Pantaloon Retail (India) Ltd [13].
This paper is organized as follows: Section II describes the Review of Literature. The Section III indicates the Research Methodology and Data analysis with interpretation was shown in section IV. Section V shows Summary of Findings and Suggestions given in section VI. Section VII concludes the paper.

III. RESEARCH METHODOLOGY

The data have been suitably rearranged, classified and tabulated according to the requirements of the study.

- Nature of study: Case Study
- Sample Design: Judgmental
- Data Source: Annual report of the company
- Type of Data: Secondary Data
- Period of Data: 2005-06 to 2009-10

IV. DATA ANALYSIS AND INTERPRETATION

A. Ratio Analysis

I) Profitability Ratio

Profitability is an indication of the efficiency with the operations of the business is carried on [9-11].

1. Operating Ratio

This ratio designates the proportion of the cost of goods sales and also operating expenses to the net.

$$\text{Operating Ratio} = \frac{\text{Cost of Goods Sold + Operating Expenses}}{\text{Net Sales}} \times 100$$

TABLE I: OPERATING RATIO

S.No.	YEAR	COST OF GOODS SOLD + OPERATING EXPENSES	NET SALES	OPERATING RATIO
1	2005-2006	1636.91	1808.58	90.50
2	2006-2007	2889.63	3175.52	91.10
3	2007-2008	4456.03	4832.47	92.21
4	2008-2009	5597.32	5989.17	93.46
5	2009-2010	5336.90	5716.22	93.36

Increasing in the cost of operating expenses over the past four years the operating ratio goes to unsatisfactory position. Therefore, it is better for the management to control increasing rate of cost of operating expenses.

2. Operating Profit Ratio

It is the ratio of profit made from operating sources to the sales, usually shown as a percentage.

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Sales}} \times 100$$

TABLE II: OPERATING PROFIT RATIO

S.No.	YEAR	OPERATING PROFIT	SALES	OPERATING PROFIT RATIO
1	2005-2006	152.28	1808.58	8.42
2	2006-2007	217.95	3175.52	6.86
3	2007-2008	463.41	4832.47	9.59
4	2008-2009	672.25	5989.17	11.22
5	2009-2010	600.44	5716.22	10.50

The operating profit ratio flexuating during the study period. It has maximum ratio at 2008-2009 the value is 11.22.

3. Overall Profitability Ratio

It is the return on investment which shows the percentage of return on the total capital employed in the business.

It is also called as "Return on investment" (ROI) or return on capital employed (ROCE). It indicates the percentage of return on the total capital employed in the business.

$$\text{Overall Profitablity Ratio} = \frac{\text{Operating Profit}}{\text{Capital Employed}} \times 100$$

TABLE III: OVERALL PROFITABILITY RATIO

S.No.	YEAR	OPERATING PROFIT	CAPITAL EMPLOYED	OVERALL PROFITABILITY RATIO
1	2005-2006	152.28	910.77	16.72
2	2006-2007	217.95	2088.02	10.44
3	2007-2008	463.41	3468.58	13.36
4	2008-2009	672.25	4327.05	15.54
5	2009-2010	600.44	3327.27	18.05

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During the year 2005-2006 the overall profitability ratio is more i.e.16.72%, the company earned more. Later during the next year, it had a heavy loss so its percentage decreased to 10.44%. after that the company increased its productivity and had a good growth in Return On Investment(ROI) is subsequent years and at last 18.05% during the year 2009-2010.so it is utilizing its capital efficiency and usefully.

ii) Turnover Ratio

The turnover ratios are also called as activity or efficiency ratio. They show the efficiency with the capital employed is spin in the business. The overall profitability of the business depends on two factors:

i. The rate of return on capital employed.

ii. The turnover, i.e. the speed at which the capital employed in the business spins. Higher the rate of rotation, then the greater will be the profitability.

$$\text{Turn Over} = \frac{\text{Sales}}{\text{Capital Employed}}$$

TABLE IV: TURNOVER RATIO

S.No.	YEAR	SALES	CAPITAL EMPLOYED	TURN OVER RATIO
1	2005-2006	1808.58	910.77	1.99
2	2006-2007	3175.52	2088.02	1.52
3	2007-2008	4832.47	3468.58	1.39
4	2008-2009	5989.17	4327.05	1.38
5	2009-2010	5716.22	3327.27	1.72

The turn over towards the capital employed during the year 2005-2006 is 1.99.so that it has much earnings towards that. The turnover decreased during the next year and subsequently for all the year it has increased; during the year 2009-2010 the ratio has increased its maximum level at 1.72.

1. *Working Capital Turnover Ratio*

The ratio which indicate the working capital has been effectively utilized in sales or not. For small amount of working capital a company can achieve large volume of sales, this is an indication of operating efficiency of the company.

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

TABLE V: WORKING CAPITAL TURNOVER RATIO

S.No.	YEAR	NET SALES	NET WORKING CAPITAL	WORKING CAPITAL TURN OVER RATIO
1	2005-2006	1808.58	599.05	3.01
2	2006-2007	3175.52	1389.87	2.28
3	2007-2008	4832.47	1990.92	2.43
4	2008-2009	5989.17	2370.88	2.53
5	2009-2010	5716.22	1030.17	5.55

The company's working capital ratio has been increasing up to 2007-2010. It reaches 5.55 at 2009-2010. Therefore, the company should take necessary steps for effective utilization of working capital.

2. *Fixed Asset Torn over Ratio*

This ratio indicates the investments in the fixed assets contribute towards sales. A comparison with a previous period's, it indicates whether the investment on fixed assets are judicious or not.

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Net Sales}}{\text{Net Fixed Assets}}$$

TABLE VI: FIXED ASSET TURNOVER RATIO

S.No.	YEAR	NET SALES	NET FIXED ASSETS	FIXED ASSET TURN OVER RATIO
1	2005-2006	1808.58	395.49	4.57
2	2006-2007	3175.52	805.75	3.94
3	2007-2008	4832.47	1528.81	3.16
4	2008-2009	5989.17	1913.99	3.12
5	2009-2010	5716.22	1181.83	4.84

It has started decreasing from the year 2006-2009 and finally it increases in 2010.wheareas in the year 2010 it reached to maximum of 4.84.

iii) Solvency Ratio

1. Shortem Solvency Ratio

i) Current Ratio

This ratio shows the firm's commitment to meet its short-term liabilities. The assets that will be converted into cash within a year is called current assets. A company's debts or obligations that are due within one year is called current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

TABLE VII: CURRENT RATIO

S.No.	YEAR	CURRENT ASSETS	CURRENT LIABILITES	CURRENT RATIO
1	2005-2006	844.48	245.43	3.44
2	2006-2007	1749.45	359.58	4.87
3	2007-2008	2628.58	637.66	4.12
4	2008-2009	3282.74	911.86	3.60
5	2009-2010	1917.80	887.63	2.16

The normal ratio is 2:1 it shows a good position in short term financing. Whereas in this it has more than that, the company is utilizing more current assets to meets out their current liabilities but it has reduced in recent years than the past. This solvency of the firm is more reasonable to evolve its fund. The firm has greater solvency in the year 2007 i.e. 4.87 whereas in the year 2010 it reduced to 2.16.

ii) Quick Ratio

It's the ratio of liquid assets to current liabilities. We cannot consider prepaid expenses and stocks as liquid assets.

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

TABLE VIII: QUICK RATIO

S.No.	YEAR	LIQUID ASSETS	CURRENT LIABILITES	QUICK RATIO
1	2005-2006	337	245.43	1.37
2	2006-2007	863.49	359.58	2.40
3	2007-2008	1198.74	637.66	1.88
4	2008-2009	1494.9	911.86	1.64
5	2009-2010	647.13	887.63	0.73

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For average run 1:1 ratio is more acceptable. This ratio is 2:4 in the year 2007 which had a lesser thing in all those subsequent years, so it cannot meet its liabilities. At the year 2010 it has 0.73 which utilizes less efficiency.

2. *Longterm Solvency Ratio*

i) *Debt Equity Ratio*

It can be used to measure the relative proportions of outsider's funds and shareholder's funds invested in the company. Here, the Shareholders funds includes preference share capital, equity share capital, profit and loss a/c and capital reserves.

$$\text{Debt Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Shareholders Fund}}$$

TABLE IX: DEBT EQUITY RATIO

S.No.	YEAR	LONG TERM DEBT	SHAREHOLDERS FUND	DEBT EQUITY RATIO
1	2005-2006	428.10	526.90	0.81
2	2006-2007	951.93	1092.18	0.87
3	2007-2008	1991.77	1846.62	1.08
4	2008-2009	2525.53	2272.42	1.1
5	2009-2010	1236.03	2756.25	0.45

The shareholders fund was increased and the long term debts were flexuating during the study period. This indicates positive position of the company.

i) *Proprietary Ratio*

Proprietary ratio is the relationship between proprietor's funds and total assets.

$$\text{Proprietary Ratio} = \frac{\text{Shareholders Fund}}{\text{Total Assets}}$$

Shareholders Funds = Share Capital + Reserves and Surplus

It indicates the proportion at shareholder's funds in the total assets. At the time of winding up there is less danger to the creditors when the proprietary ratio is high.

TABLE X: PROPRIETARY RATIO

S.No.	YEAR	TOTAL ASSETS	SHAREHOLDERS FUND	PROPRIETARY RATIO
1	2005-2006	1156.20	526.90	0.46
2	2006-2007	2447.60	1092.18	0.45
3	2007-2008	4106.24	1846.62	0.44
4	2008-2009	5238.91	2272.42	0.43
5	2009-2010	4214.90	2756.25	0.65

It's clear that the proprietary ratio of the company decreasing during the study period. This is due to an increase in shareholder's fund and reserves and surplus. It indicates efficient management of shareholder's fund and less risk to creditors in the event of wind up.

B. *Working Capital Management*

It's a main part of firm's capital which is required to financing current assets. The working capital can also be defined as the difference between the current assets and current liabilities [9-11].

I) *Gross Working Capital*

The firm's investment in current assets (such as cash and marketable securities, Receivables and inventory). The assets, which are all converted into cash within the current year is called as current assets. Here, cash on hand, debtors, accounts and bills receivable, stock and short-term securities are the current assets.

Gross Working Capital = Total Current Assets of the company during the financial year.

II) *Net Working Capital*

This is a qualitative concept. Current Assets should be optimally more than Current Liabilities. To financing the current assets, it requires good mixture of long term and short-term funds.

A specific quantity of net working capital is changeless for every firm, so it can be financed with long period funds. The net working capital system is directly related to the current ratio. In this paper we can use the same balance sheet data which can be used to calculate the net working capital and current ratio.

Net Working Capital = Total Current Assets – Total Current Liabilities

TABLE XI: WORKING CAPITAL FOR JUNE 2006

PARTICULARS	JUNE 2006 (Rs. in Crores)
Current Assets	
Inventories	507.02
Debtors	17.03
Cash & Bank Balances	21.77
Loans & Advances	297.57
Other Current Assets	1.09
Total Current Assets (A)	**844.48**
Current Liabilities	
Creditors	136.08
Other Current Liabilities	93.73
Provisions	15.62
Total Current Liabilities (B)	**245.43**
Gross Working Capital (A)	**844.48**
Net Working Capital (A-B)	**599.05**

TABLE XII: WORKING CAPITAL FOR JUNE 2007

PARTICULARS	JUNE 2007 (Rs. in Crores)
Current Assets	
Inventories	855.96
Debtors	65.17
Cash & Bank Balances	162.97
Loans & Advances	633.85
Other Current Assets	1.50
Total Current Assets (A)	**1749.45**
Current Liabilities	
Creditors	223.72
Other Current Liabilities	120.15

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Provisions	15.71
Total Current Liabilities (B)	**359.58**
Gross Working Capital (A)	**1749.45**
Net Working Capital (A-B)	**1389.87**

TABLE XIII: WORKING CAPITAL FOR JUNE 2008

PARTICULARS	JUNE 2008 (Rs. in Crores)
Current Assets	
Inventories	1429.84
Debtors	113.16
Cash & Bank Balances	121.10
Loans & Advances	962.32
Other Current Assets	2.16
Total Current Assets (A)	**2628.58**
Current Liabilities	
Creditors	310.40
Other Current Liabilities	309.68
Provisions	17.58
Total Current Liabilities (B)	**637.66**
Gross Working Capital (A)	**2628.58**
Net Working Capital (A-B)	**1990.92**

TABLE XIV: WORKING CAPITAL FOR JUNE 2009

PARTICULARS	JUNE 2009 (Rs. in Crores)
Current Assets	
Inventories	1787.84
Debtors	177.25
Cash & Bank Balances	109.34
Loans & Advances	1202.56
Other Current Assets	5.75
Total Current Assets (A)	**3282.74**
Current Liabilities	
Creditors	385.38
Other Current Liabilities	506.01
Provisions	20.47
Total Current Liabilities (B)	**911.86**
Gross Working Capital (A)	**3282.74**
Net Working Capital (A-B)	**2370.88**

TABLE XV: WORKING CAPITAL FOR JUNE 2010

PARTICULARS	JUNE 2010 (Rs. in Crores)
Current Assets	
Inventories	1270.67
Debtors	123.57
Cash & Bank Balances	100.54
Loans & Advances	421.68
Other Current Assets	1.34
Total Current Assets (A)	**1917.80**
Current Liabilities	
Creditors	446.48
Other Current Liabilities	416.93
Provisions	24.22
Total Current Liabilities (B)	**887.63**
Gross Working Capital (A)	**1917.80**
Net Working Capital (A-B)	**1030.17**

C. Schedule of Changes in Working Capital

The working capital is defined as the difference between current assets and current liabilities. The schedule of changes in working capital is prepared to find out the increase or decrease in working capital during the year. Current assets and current liabilities are taken to schedule working capital at the end of the current year is compared with that of the previous year – This difference shows either increase or decrease in working capital. The individual current items (current assets and current liability) are compared to find out the effect of changes in working capital.

Increase in current asset will lead to increase in working capital and vice versa. On the other hand, increase in current liabilities will lead to decrease in working capital and vice versa.

TABLE XVI: SCHEDULE OF CHANGES IN WORKING CAPITAL FOR JUNE 2006-07

PARTICULARS	JUNE-2006	JUNE-2007	CHANGES IN WORKING CAPITAL	
			INCREASE IN 2007	**DECREASE IN 2007**
Current Assets				
Inventories	507.02	885.96	378.94	-
Debtors	17.03	65.17	48.14	-
Cash & Bank Balances	21.77	162.97	141.12	-
Loans & Advances	297.57	633.85	336.28	-
Other Current Assets	1.09	1.50	0.41	-
Total Current Assets (A)	**844.48**	**1749.45**		
Current Liabilities				
Creditors	136.08	223.72	-	87.64
Other Current Liabilities	93.73	120.15	-	26.42
Provisions	15.62	15.71	-	0.09
Total Current Liabilities (B)	**245.43**	**359.58**		
Working Capital (A-B)	**599.05**	**1389.87**		
Increase in Working Capital	**790.74**			**790.74**
Total	**1389.87**	**1389.87**	**904.89**	**904.89**

There was an increase in working capital in the year 2007. The financial position of company is good.

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TABLE XVII: SCHEDULE OF CHANGES IN WORKING CAPITAL FOR JUNE 2007-08

PARTICULARS	JUNE-2007	JUNE-2008	CHANGES IN WORKING CAPITAL	
			INCREASE IN 2008	DECREASE IN 2008
Current Assets				
Inventories	885.96	1429.84	543.88	-
Debtors	65.17	113.16	47.99	-
Cash & Bank Balances	162.97	121.10	-	41.87
Loans & Advances	633.85	962.32	328.47	-
Other Current Assets	1.50	2.16	0.66	-
Total Current Assets (A)	**1749.45**	**2628.58**		
Current Liabilities				
Creditors	223.72	310.40	-	86.68
Other Current Liabilities	120.15	309.68	-	189.53
Provisions	15.71	17.58	-	1.87
Total Current Liabilities (B)	**359.58**	**637.66**		
Working Capital (A-B)	**1389.87**	**1990.92**		
Increase in Working Capital	**601.05**			**601.05**
Total	**1990.92**	**1990.92**	**921**	**921**

There was an increase in working capital in the year 2008. This indicates higher investment in current assets. Thus the company has an ability to meet its current obligations.

TABLE XVIII: SCHEDULE OF CHANGES IN WORKING CAPITAL FOR JUNE 2008-09

PARTICULARS	JUNE-2008	JUNE-2009	CHANGES IN WORKING CAPITAL	
			INCREASE IN 2009	DECREASE IN 2009
Current Assets				
Inventories	1429.84	1787.84	358	-
Debtors	113.16	177.25	64.09	-
Cash & Bank Balances	121.10	109.34	-	11.76
Loans & Advances	962.32	1202.56	240.24	-
Other Current Assets	2.16	5.75	3.59	-
Total Current Assets (A)	**2628.58**	**3282.74**		
Current Liabilities				
Creditors	310.40	385.38	-	74.98
Other Current Liabilities	309.68	506.01	-	196.33
Provisions	17.58	20.47	-	2.89
Total Current Liabilities (B)	**637.66**	**911.86**		
Working Capital (A-B)	**1990.92**	**2370.88**		
Increase in Working Capital	**379.96**			**379.96**
Total	**2370.88**	**2370.88**	**665.92**	**665.92**

There was an increase in working capital in the year 2009. There was an increase in current asset and decrease in current liabilities and provisions. This indicates satisfactory position of working capital.

TABLE XIX: SCHEDULE OF CHANGES IN WORKING CAPITAL FOR JUNE 2009-10

PARTICULARS	JUNE-2009	JUNE-2010	CHANGES IN WORKING CAPITAL	
			INCREASE IN 2010	DECREASE IN 2010
Current Assets				
Inventories	1787.84	1270.67	-	517.17
Debtors	177.25	123.57	-	53.68
Cash & Bank Balances	109.34	100.54	-	8.8
Loans & Advances	1202.56	421.68	-	780.88
Other Current Assets	5.75	1.34	-	4.41
Total Current Assets (A)	**3282.74**	**1917.80**		
Current Liabilities				
Creditors	385.38	446.48	-	61.1
Other Current Liabilities	506.01	416.93	89.08	-
Provisions	20.47	24.22	-	3.75
Total Current Liabilities (B)	**911.86**	**887.63**		
Working Capital (A-B)	**2370.88**	**1030.17**		
Decrease in Working Capital		**1340.71**	**1340.71**	
Total	**2370.88**	**2370.88**	**1429.79**	**1429.79**

There was a decrease in working capital in the year 2010. There was a decrease in current assets and fluctuating in the current liabilities.

V. SUMMERY OF FINDINGS

Due to purchase of current assets there was an increase in current assets during the period 2006-2009. During the study period the working capital has been increased in the year 2006-2009. In the year 2010 there was a decrease in working capital. In the year 2010 other current liabilities were decreased. The standard current ratio is 2:1. The firm has greater solvency in the year 2007 i.e., 4.87 where as in the year 2010 the ratio is 2:16 .so the company has not maintained an ideal ratio. The quick ratio shows satisfactory position from the year 2006-2007. Operating ratio shows an unsatisfactory position. Debt-equity ratio was increased from 2006 -2009. The proprietary ratio of the company decreasing up to 2009 and suddenly increase in 2010. Fixed asset turnover ratio indicates the relationship between the sales and fixed assets. It reached maximum at 2010.

VI. SUGGESSIONS

The company has to improve its performance towards making higher sales year by year. The companies working capital need gas been increasing during the past four years. Therefore, the company should take necessary steps for effective utilization of working capital. The company should take necessary steps to maintain an ideal current ratio. The company can try to reduce operation expenses. The company may increase its fixed assets. The companies try to increase their units in many places.

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VII. CONCLUSION

Based on analysis and subsequent findings it is concluded that working capital management of the company is comparatively good in the study period. However, the company has to make an improvement in certain areas to bring the position better. In the year 2010 there was a decrease in working capital because the other current liabilities were decreased. The company has to invest more on fixed assets to improve their working capacity. In the last year of the study when compared to the previous year it is found that profit was lower. Therefore, the company is suggested to have a control over its expenses in all possible ways. The efficiency ratio of the company shows good performance. Still the company has to concentrate on its sales aspect than the monetary aspects because it will make the firm more profitable.

APPENDIX

Balance Sheet for June 2006-16 (Rs. In Crores)

Balance Sheet as at	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Sources of Funds					
Equity Share Capital	26.88	29.35	31.86	38.06	41.23
Share Capital (Pending)	-	-	-	-	64.66
Share Application Money	-	0.01	-	-	-
Warrant Applicatin Money	-	-	63.26	22.88	122.88
Reserves & Surplus	500.02	1,062.82	1,751.50	2,211.48	2,527.48
Shareholders Fund	526.90	1,092.18	1,846.62	2,272.42	2,756.25
Secured Loans	428.10	951.93	1,991.77	2,525.53	1,236.03
Unsecured Loans	173.29	347.65	200.01	324.86	150.19
Total Loans	601.39	1,299.58	2,191.78	2,850.39	1,386.22
Deferred Tax Liability	27.92	55.84	67.84	116.10	72.43
Total Liabilities	1,156.20	2,447.60	4,106.24	5,238.91	4,214.90
Application of Funds					
Gross Block	366.01	767.07	1,368.76	1,876.45	1,417.04
Depreciation	56.58	92.47	170.59	307.69	294.89
Net Block	309.43	674.60	1,198.17	1,568.76	1,122.15
Capital WIP	86.06	131.13	330.64	345.23	59.68
NB + CWIP	395.49	805.73	1,528.81	1,913.99	1,181.83
Investment	161.67	252.01	586.52	954.03	2,002.91
Current Assets					
Inventories	507.02	885.96	1,429.84	1,787.84	1,270.67
Debtors	17.03	65.17	113.16	177.25	123.57
Cash & Bank Balance	21.77	162.97	121.10	109.34	100.54
Loans & Advances	297.57	633.85	962.32	1,202.56	421.68
Other Current Assets	1.09	1.50	2.16	5.75	1.34
Total Current Assets	844.48	1,749.45	2,628.58	3,282.74	1,917.80
Current Liabilities					
Creditors	136.08	223.72	310.40	385.38	446.48
Other Current Liabilities	93.73	120.15	309.68	506.01	416.93
Provisions	15.62	15.71	17.58	20.47	24.22
Total Current Liabilities	245.43	359.58	637.66	911.86	887.63
Net Current Assets	599.04	1,389.86	1,990.91	2,370.88	1,030.17
Misc. Expenditure	-	-	-	-	-
Total Assets	1,156.20	2,447.60	4,106.24	5,238.91	4,214.90

Profit and Loss Account for June 2006-10

(Rs. InCrores)

Profit Loss Account	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Income					
Operating Income	1960.86	3393.47	5295.88	6661.42	6316.66
Expenses					
Material Consumed	1268.15	2239.53	3556.21	4481.95	4089.51
Manufacturing Expenses	58.96	78.15	100.66	115.91	99.14
Personnel Expenses	112.72	207.74	275.78	275.94	280.18
Selling Expenses	170.07	291.72	372.54	443.36	543.13
Admin Expenses	198.69	358.38	527.28	672.01	704.26
Expenses Capitalized	-	-	-	-	-
Cost of Sales	1808.58	3175.52	4832.47	5989.17	5716.22
Operating Profit	152.28	217.95	463.41	672.25	600.44
Other Recurring Income	3.93	4.36	30.93	12.08	22.33
Adjusted PBDIT	156.21	222.31	494.34	684.33	622.77
Financial Expenses	43.22	95.93	201.45	317.76	299.79
Depreciation	20.82	36.86	83.39	140.05	161.88
Other write offs	-	-	-	-	-
Adjusted PBT	92.18	89.52	209.50	226.52	161.10
Tax Charges	27.67	60.96	69.68	75.38	37.25
Adjusted PAT	64.52	28.56	139.82	151.14	123.85
Non Recurring Items	-0.25	91.49	-13.83	-10.29	51.41
Other Non Cash Adjustments	-0.11	-0.06	0.03	-0.27	3.17
Reported Net Profit	64.16	119.99	125.97	140.58	178.43
Earnings Before Appropriation	130.66	236.58	341.73	408.14	558.97
Equity Dividend	6.72	7.54	10.67	11.57	17.13
Preference Dividend	-	-	-	-	-
Dividend Tax	0.94	1.28	1.81	1.97	2.91

Retained Earnings	123.00	227.76	329.25	394.60	538.93

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