A STUDY ON THE WORKING CAPITAL MANAGEMENT OF ABT MARUTI, COIMBATORE

SUMMER PROJECT REPORT

Submitted to the

Faculty of Management Sciences, Anna University

In partial fulfillment of the requirement

For the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

By

S.PREETHI MEEGAL

(REG NO: 71205631040)

October 2006

DEPARTMENT OF MANAGEMENT STUDIES

KUMARAGURU COLLEGE OF TECHNOLOGY

COIMBATORE- 641 006.

DEPARTMENT OF MANAGEMENT STUDIES
KUMARAGURU COLLEGE OF TECHNOLOGY
COIMBATORE.

BONAFIDE CERTIFICATE

Certified that this project titled **A Study on the Working Capital Management performance of ABT Limited** is the bonafide work of **Miss. S.Preethi Meegal (Reg. no: 71205631040)**, who carried out this research under my supervision. Certified further , that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

A.Senthil Kumar
Faculty Guide

Prof. S. Ganesan
Director

Evaluated and Viva Voce conducted on 17.11.06

Examiner 1

Examiner 2

DECLARATION

I, **S.Preethi Meegal, Reg.No. 71205631040,** final year MBA student of KCT Business School, hereby declare that the project entitled "A study on the Working Capital Management performance of The ABT Ltd, Coimbatore" has been done by me under the guidance of Mr. A. Senthil Kumar M.B.A., submitted in partial fulfillment for the award of the degree of Master of Business Administration of Anna University.

Station: Coimbatore

Signature of the candidate

Date : 17.11.06

Certificate

ABT MARUTI

(A Division of ABT Limited)

MARUTI SUZUKI
Count on u

Head Office : 180, Race Course, Coimbatore - 641 018. Phone : 5333666 Fax : 5333100

06 – 11 – 2006

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Miss.S.Preethi Meegal (Reg.no.71205631040), final year MBA student of Kumaraguru College of Technology has done her summer project work " A Study on Working Capital Management " at our R.S.Puram sales outlet during July ' 2006.

During the course of her project work she has showed keen interest in learning and completed the study in an organized manner.

We wish her all success in her future career.

For ABT Maruti,
(A Division of ABT Limited)

V.Asokan
Dy.Manager – Personnel.

Acknowledgement

ACKNOWLEDGEMENT

I sincerely thank our college Principal **Dr. Joseph V. Thanikal** and our beloved Director **Prof. S.Ganesan** for giving me an opportunity to undergo the summer placement project and earn valuable knowledge out of it.

I am deeply indebted to **Mr. A.Senthil Kumar**, for extending his cooperation and guidance for the study and for the preparation of this report. I also thank all my faculty members who have guided me and helped me in completing the report.

I extend my heartfelt gratitude to the human resource manager Mr.Asokan, Coimbatore for having given me the utmost co-operation, guidance and enthusiastic inspiration in completing this project.

EXECUTIVE_SUMMARY

In the Modern industrial economy, Finance is one of the basic foundations of all kinds of Economic activities. The Finance function of the enterprise deals with raising the funds and their effective utilization, keeping in view the overall objective of the Company. The Management of the company makes use of various financial techniques, devices etc for administrating financial affairs of the company in the most effective and efficient way.

The objective of the project is to study the organization as a whole and to study the various activities undergone in all the functional departments of the organization. Also the working capital management of The ABT limited was analyzed for the past 5 years from 2001 to 2005 to find the financial health of the organization.

In general, the working capital position of the organization has increased in all aspects for the past years. It shows the good sign to its shareholders to invest more in the organization, and can be forecasted that it will grow higher in the future.

Contents

TABLE OF CONTENTS

LIST OF TABLES

LIST OF CHARTS

Chapter one
Introduction

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

The study of working capital management analysis of the ABT Limited., and the organizational study are the background of this project. The study enables the stakeholders of the company to understand well about the company's past performance and thereby enables to estimate the future performance.

1.2 PROBLEM OF THE STUDY

The study is mainly done to analyze the performance of the company in the past five years and to understand the financial health of the organization.

1.3 OBJECTIVES OF THE STUDY

The objective of the study is to study the working capital management prevailing in the organization.

1.4 SCOPE OF THE STUDY

The scope of study is to determine and compare the working capital performance of ABT Ltd., for the past 5 years. The study will be useful for improvement in the performance of the firm. The study covers a period of 5 years.

1.5 TYPE OF STUDY:

The state of affairs has been presented without any influence over the variables. Hence the study in Descriptive in nature.

Data collection:

There are two types of data collection made. The primary data was collected through the employees there and the secondary data was collected through the internet.

Tools analysis:

Ratios relating to the working capital management have been used for analysis.

1.6 LIMITATIONS

- The reliability of the secondary data collected based on the published details and the annual reports are subjected to window dressing.
- The external factors are not given much importance in the study.
- Non-availability of depth of data required for the financial performance analysis.

1.7 CHAPTER SCHEME:

Chapter-one:

The chapter deals about the history of the company and its details.

Chapter-two:

The chapter deals about the Organization's profile that is it contains the details about the structure, strengths, products profile.

Chapter-three:

The chapter deals with the data analysis and interpretation.

Chapter-four:

The chapter deals with the output from previous chapters in the form of results and recommendations.

Chapter two
Organizational Profile

CHAPTER- TWO

ORGANIZATIONAL PROFILE

2.1 HISTORY OF THE ORGANIZATION:

ABT MARUTI was started in the year 1983 by Mr.N.Mahalingam. ABT is not a small concern. Their business group legacy span for the past 75 years. They have so many divisions in them, few of these divisions are mentioned below:

- ABT Maruti
- Gounder and company
- Mahalingam & co
- ABT Parcel Service
- ABT Courier Service
- ABT Petrol Bunk
- Sakthi Sugars
- Sakthi Educational Institutions
- Sakthi Transport
- Mahalingam Travels
- Sakthi Milk Production Limited
- Suzuki Two Wheeler Dealers...Etc...

2.1.a ABT MARUTI SHOWROOMS

ABT Maruti showrooms are located in five different places in India. The places are as follows:

- Madurai
- Chennai
- Tiruchy
- Salem
- Coimbatore.

2.1.b ABT MARUTI SERVICE CENTRES

ABT Maruti service centers are located I eight different places. The places are as follows:

- Coimbatore
- Madurai
- Chennai

- Salem
- Tiruchy
- Pollachi
- Karur
- Tirupur.

ABT Maruti was started in the year 1983 with the joint venture of Suzuki Motor Corporation, Japan. Suzuki Motor Corporation is the largest manufacturer of small cars in the world. The number of manufacturers at that time was only two. The number of models produced was also two, annual sale during the year 1983 was 20,000.

In the beginning the cars were segmented as A segment, B segment, C segment and D segment. The car under each and every segment is as follows:

A segment: Maruti 800, Omni
B segment: Zen, Wagon R, Alto, Santro, Matiz, Palio and Indica.
C segment: Esteem, Baleno, Accent, Indigo, Corsa, City, Ikon and Lancer.
D segment: Vectra, Octavia, Sonata, Mondeo, Accord, Camry, Corolla and Mercedes.

The person in charge all over India is Mr.Jagadeesh Katter and for Tamil Nadu is Mr.Satish Ponnuswamy.

2.2 BOARD OF DIRECTORS

ABT Maruti Udyog Limited is a Board-managed company. Currently the directors on the board are:

Mr. Shinzo Nakanishi, Chairman
Mr. Jagdish Khattar, Managing Director
Mr. Hirofumi Nagao, Joint Managing Director
Mr. Shinichi Takeuchi, Joint Managing Director
Mr. Shuji Oishi, Director - Marketing and Sales
Mr. Osamu Suzuki, Director
Mr. R. C Bhargava, Director
Mr. Tsuneo Kobayashi, Director
Mr. D. S. Brar, Director
Mr. Amal Ganguli, Director
Ms. Pallavi Shroff, Director
Mr. Manvinder Singh Banga, Director.

2.3HISTORY OF THE VEHICLE

INTRODUCTION TO AUTOMOTIVE TECHNOLOGY

There are seven things to be remembered in the introduction stage of automotive technology. They are explained as follows:

- Automotive Production Process
- Engine
- Body
- Steering Systems
- Transmission Systems
- Safety Systems
- Suspension
- Emissions

2.3.a Automotive Production Process:

The process consists of eight steps in them. They are:

Blanking
Stamping
Welding
Painting
Machining
Engine Assembly
Vehicle Assembly
Inspection.

2.3.b Blanking:

Steel Blanks are cut out from the steel rolls on blanking machines.

2.3.c Stamping:

Steel Plates are stamped out to make body parts such as roof, doors, etc.

2.3.d Welding:

Stamped parts are welded together by spot welding machines by operators or industrial robots to make the main body.

2.3.e Painting:

The body is painted for rust prevention. The painting is done by three coats for effectiveness.

2.3.f Machining:

Parts formed by casting, forging are cut and polished by machines to make parts for engine etc.

2.3.g Engine Assembly:

The parts are assembled together to form the engine.

2.3.h Vehicle Assembly:

One by one all the parts are fitted on the painted body and it is moved for inspection.

2.3.i Inspection:

The assembled vehicle is inspected for appearance and its performance.

2.3.j Engine:

There are four strokes in an engine. They are as follows:

Intake or suction stroke
Compression stroke
Power stroke
Exhaust stroke

2.3.k Body:

There are various styles of bodies available in the market for passenger cars today. The broad classifications of car present in the Indian market are as follows:

Saloon/Notchback
Hatchback
Station Wagon
Multi Purpose Vehicles
Sports Utility Vehicle

2.3.l Notchback/Saloon:

Saloons are basically vehicle with an engine area, passenger area, and boot area separated with four doors in the vehicle.
Examples of these types of vehicle in India are Esteem, Baleno, Vectra, Camry, Ikon.

2.3.m Hatchback:

Hatchbacks are vehicles with a separate engine area, passenger area. The luggage area is enclosed with the passenger area behind the rear seats. They have 4 passenger doors as all vehicles have in India. Examples of this model in India are Maruti 800, Alto, Zen, Wagon R etc

2.3.n Station Wagon:

Station Wagons are modified saloon vehicles by combining the boot with passenger area and extending it till the roof. These types of vehicles can carry big objects in them. Examples of these types of vehicles in India are Swing etc.

2.3.o Multi Purpose Vehicles:

They have the passenger area, engine area and the boot area enclosed together. They can otherwise separate the engine area alone and have the remaining areas enclosed to them. They can also have third row seating arrangement in them. They are also taller and generally more spacious. Examples of these types of vehicles in India are Omni, Qualis, Sumo, and Versa.

2.3.p Sports Utility Vehicle:

These vehicles have large tyres, higher seating, higher ground clearance. Examples of these vehicles in India are Scorpio, Gypsy, Pajero, Safari.

2.3.q Body construction:

There exists two ways of body construction. They are as follows:

- The Chassis and Body method &
- The Monocoque method.

In the Chassis method the body is made as a separate unit and then joined with ladder type structure known as the chassis. The benefit of this type of construction is that they have higher load capacity and strength. In Maruti Gypsy is such a vehicle.

In the Monocoque method the ladder frame is absent and the parts are bolted directly to the body. In this the load cannot be carried in a higher level as in chassis type of vehicle.

2.3.r Steering Systems:

The steering system enables the driver to have effective directional control of the vehicle. There are two types of steering systems they are Electronic Power steering and Hydraulic Power steering.

2.3.s Transmission Systems:

The main function of transmission is to transfer the power generated by engine to wheels. There are two types of transmissions used in cars. They are:

- Manual Transmissions and

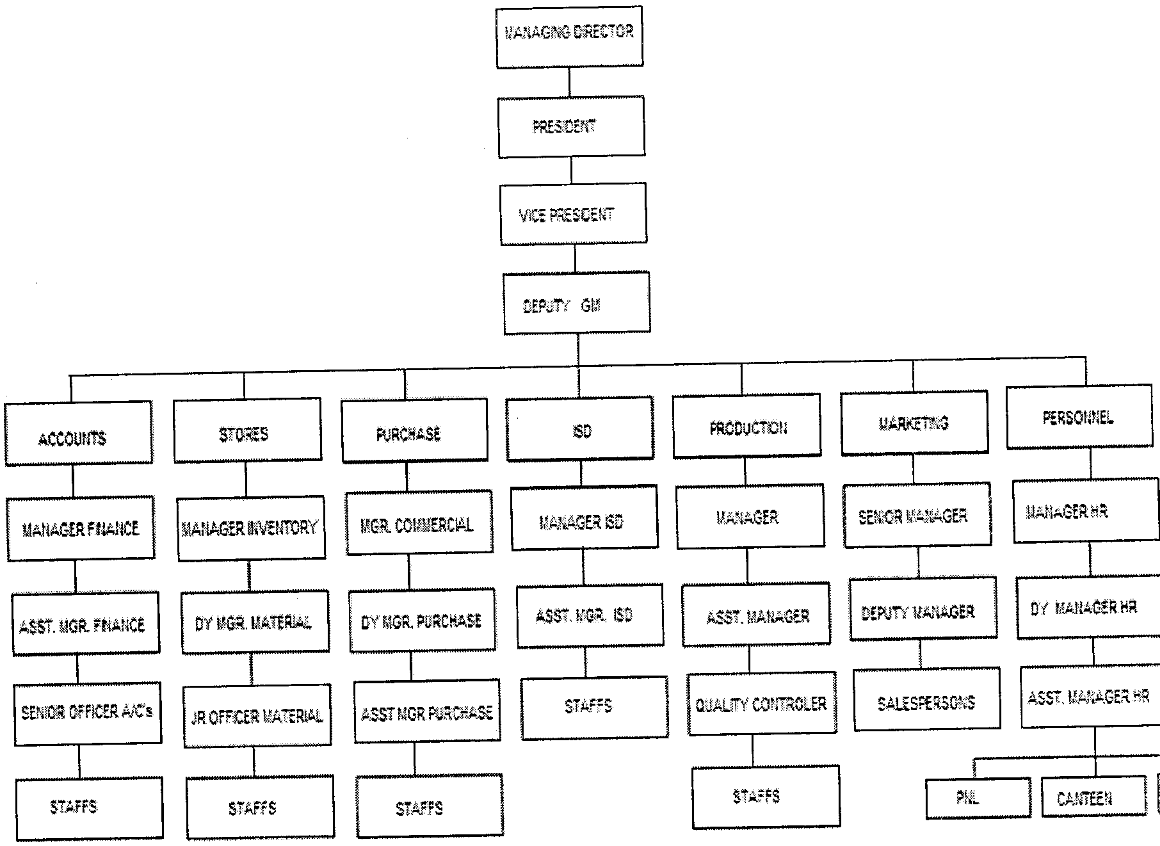
- Automatic Transmissions.

2.3.t Safety Systems:

All safety systems are designed for use with seat belts and are as such not intended to replace them. The brake system of the car is intended to bring the car to a halt or to slow down the vehicle.

2.4ORGANIZATIONAL CHART:

Organization Chart



2.5PRODUCTS PROFILE:

2.5.a Alto:

Colors available in Alto:

Wine Red, Silky Silver, Carribean Blue, Superior White, Pearl Silver, Bright Red, Brilliant Yellow, Midnight Black.

Price of the Vehicle in rupees:

Variant	Non metallic price	Metallic price
Alto Std	232704	236191
Alto LX	267207	270693
Alto LXi	285862	289348

2.5.bMaruti 800:

Colors available are:

Icy Blue, Superior White, Carribean Blue, Crystal Gold, Bright Red, Silky Silver.

Price of the vehicle in rupees:

Maruti 800 std	Non-metallic	194834
Maruti 800 std	Metallic	197383
Maruti 800 AC std	Non-metallic	216156
Maruti 800 AC std	Metallic	218705

2.5.c Esteem:

Colors available are:

Superior White, Metallic Pearl Silver, Metallic Silky Silver, Metallice Icy Blue, Metallic Midnight Black.

Price of the vehicle in rupees:

Esteem LX	425380
Esteem LXi	455665
Esteem VXi	491080

2.5.d ZEN:

Colors available are:

Bright Red, Silky Silver, Superior White, Beam Blue, Pearl Silver.

2.5.e Wagon R:

Colors available are:

Ocean Blue, Bahamas Beige, Midnight Black, Royal Gold, Forest Flush, Passion Red, Superior White, Silky Silver.

2.5.f Maruti Omni:

Colors available are:

Carribean Blue, Crystal Gold, Silky Silver, Superior White, Icy Blue.

2.5.g Swift:

Colors available are:

Solid Bright Red, Metallic Midnight Black, Metallic Silky Silver, Metallic Crystal Gold, Metallic Azure Grey, Metallic Garnet Orange, Metallic Mint Frappe, Metallic Beam Blue.

2.5.h Baleno:

Colors available are:

Pearl Silver, Silky Silver, Superior White, Midnight Black, Beam Blue.

2.5.i Gypsy:

Colors available are:

Bright Red, Silky Silver, Icy Blue, Superior White.

2.6COMPETITIVE STRENGTH OF THE COMPANY

STRENGTHS

- Health and safety measures provided to the employees
- Leader in the domestic market
- Use of advanced technology
- It provides high quality branded products with superior customer service.
- Management and the employees readily accept the changing environment.

WEAKNESS

- Heavy equipments are subject to operational hazardous
- Material disruption and Industrial disruptions
- Accidents, delays, Unfavorable climatic conditions

OPPORTUNITIES

- Growth in infrastructure sector

THREATS

- Competitors
- Substitutes

2.7 FUNCTIONAL DEPARMENTS

The major functional departments of the ABT Company Ltd., Coimbatore are as follows,

- Purchase Department
- Stores Department
- Personnel Department
- Information Systems Department
- Accounts and Finance Department
- Production Department
- Marketing Department

Chapter three
Data collection and Interpretation

CHAPTER-3

DATA ANALYSIS AND INTERPRETATION

3.1 FINANCIAL STATEMENTS

Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the status of the investment in the business and the results achieved during the period under the review. Thus, financial statements provides a summary of the accounts of an organization. The two major financial statements are,

- Balance Sheet
- Profit and Loss account

The balance sheet shows the financial position or condition of the firm at a given point of time. The profit and loss account or the income statement reflects the performance of the firm over a period of time. These statements are used by the investors and financial analysts to examine the firm's performance in order to make investment decisions.

3.2 FINANCIAL ANALYSIS

Financial analysis is the process of determining the significant operating and financial characteristics such as the profitability and the financial soundness of a firm from the accounting data. Once the analysis of the entire financial statement is completed, the next step is to explain or interpret the real significance of those statements. Interpretation is not possible without analysis and without interpretation analysis has no value.

3.3 RATIO ANALYSIS

- Turnover/ Activity ratio
- Liquidity ratio
- Solvency/Leverage ratio

3.3.1 LIQUIDITY RATIOS

1. CURRENT RATIO

Current ratio is used for measuring the liquidity i.e. the short-term solvency. Current assets are those amounts which can be realized within a period of one year and Current liabilities are the amounts that are payable within one year. A Current ratio of 2:1 is considered as an ideal one.

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

Table-1

Table showing Current Ratio

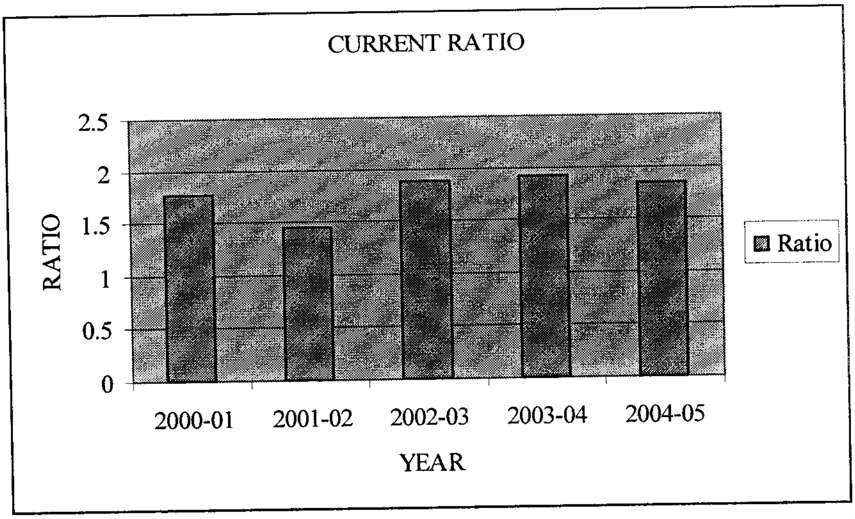
Year	Current Assets	Current Liabilities	Ratio
2000-01	22510	12661	1.77
2001-02	21100	14652	1.44
2002-03	27828	14786	1.88
2003-04	29189	15318	1.91
2004-05	29720	16080	1.85

INTERPRETATION

During the year 2000-01, the current ratio was 1.77 which is decreased to 1.44 during 2001-02. During 2002-03 it has increased to 1.88 and during 2003-04 it has increased to 1.91. There shows a slight decrease in ratio during 2004-05.

CHART- 1

Chart showing Current ratio



INFERENCE

From the table we can infer that the ratio shows a slight decrease in the year 2001-02 of increased current liabilities due to increase in income tax, sales tax and excise liability.

2. QUICK RATIO

Quick ratio can be defined as the relationship between quick assets and current liabilities. Quick assets are cash like assets representing all current assets other than inventory. It is also called Acid test ratio. It is more severe and stringent test of a firm's ability to meet current obligations assessing how liquid the firm would be if the business operations come to an abrupt halt. A quick ratio of 1:1 is considered as a fair indication of the good financial condition of a business concern.

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

Table no: 2

Table showing Quick ratio

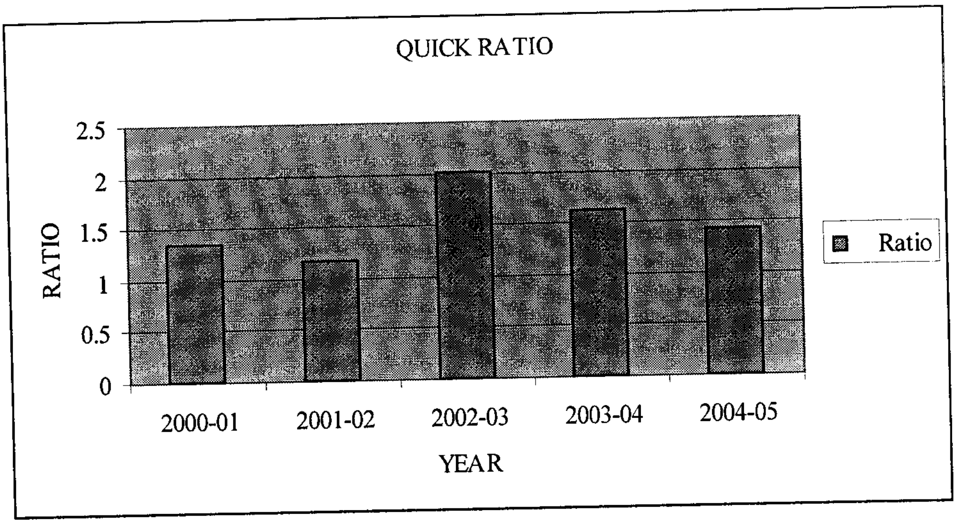
Year	Quick Assets	Current Liabilities	Ratio
2000-01	13855	10267	1.35
2001-02	14195	12017	1.18
2002-03	22958	11359	2.02
2003-04	24791	15318	1.62
2004-05	23054	16080	1.43

INTERPRETATION

Quick ratio during 2000-01 was 1.35 and it has decreased to 1.18 in 2001-2002 and increased in 2002-03 to 2.02 and decreased in 2003-2004 to 1.62 likewise in 2004-2005 it again decreased to 1.43 respectively. In 2001-02 the ratio has decreased to 1.18 because of increase in current liability. In 2002-03 again it was increased to 2.02. This increasing trend was due to increased quick assets because of increase in price of products, cash credit balance.

Chart no: 2

Chart showing Quick ratio



INFERENCE

From table 2 we can infer that during 2002-03 the increasing trend was due to increase in quick assets especially increase in cash credit balance and decrease in obligation to creditors.

3.3.2 SOLVENCY RATIOS

3. Debt equity ratio:

Debt-Equity ratio is the relationship between the owner's equity and the outside debts. It is also known as External-Internal equity ratio. Debt-equity ratio indicates the long term financial solvency position of the firm. This ratio indicates the relative proportions of debts and equity in financing the assets of a firm. Debt-equity ratio of 2:1 is considered to be acceptable. Long term debt is an outside liability inclusive of loan fund. Loan fund involves secured loans and unsecured loan. Net worth is share holders equity inclusive of share capital, share application money, reserves and surplus and deferred expenditure.

$$\text{Debt-Equity Ratio} = \frac{\text{Long term loan}}{\text{Equity}}$$

Table no: 3

Table showing Debt equity ratio

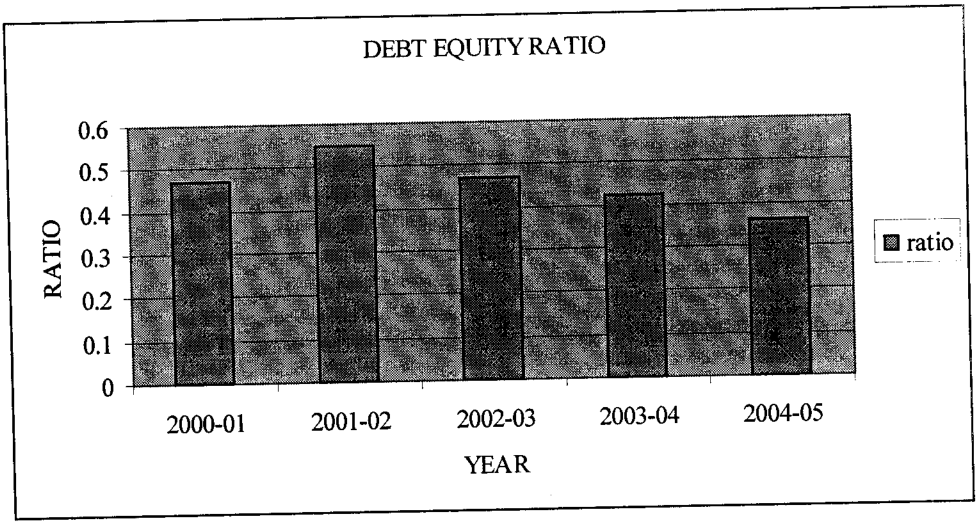
YEAR	long term debt	share holders equity	ratio
2000-01	12661	26425	0.47
2001-02	14652	27073	0.55
2002-03	14786	30983	0.47
2003-04	15318	35812	0.42
2004-05	16080	43788	0.36

INTERPRETATION

During 2000-01 the ratio is 0.47 and it has increased to 0.55 in 01-02 and there was a decreasing trend to 0.47, 0.42 and 0.36 during the years 02-03, 03-04 and 04-05 respectively. The lower ratio was found in the year 2004-05 which shows the satisfactory risk to creditors and high margin of safety and protection against shrinkage of assets. This was due to reduced long term debt and increased net worth. So the debt equity ratio reveals good signal to the company.

Chart no: 3

Chart showing Debt Equity ratio



INFERENCE

From table three we can infer that the lower ratio was found in the year 2004-05 which shows satisfactory risk to creditors and high margin of safety and protection against shrinkage of assets.

4. CURRENT ASSET TO TOTAL ASSET RATIO

Current asset to total asset ratio is defined as the relationship between current assets and total assets indicating the number of times the current assets utilized from total assets. The effect of the level of current assets on profitability-risk tradeoff can be shown using this ratio. An increase in the ratio indicates decline in profitability because current assets are assumed to be less profitable than fixed assets and risk of technical insolvency would be reduced. A decrease in the ratio shows an increase in profitability as well as risk. Increase in profitability is due to the corresponding increase in the total assets which are likely to generate more returns.

Table no: 4

Table showing Current asset to Total asset ratio

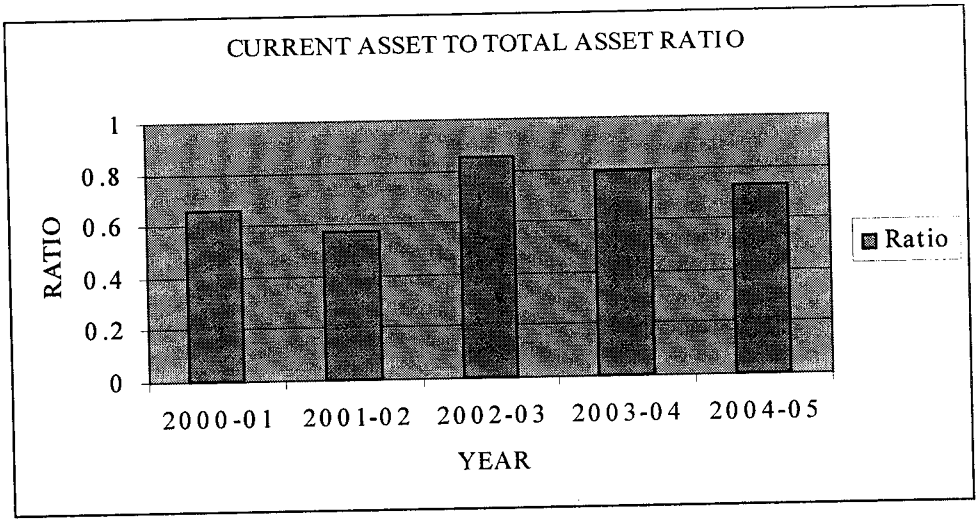
Year	Current Assets	Total Assets	Ratio
2000-01	22510	34059	0.66
2001-02	21100	36959	0.57
2002-03	27828	32441	0.85
2003-04	29189	36724	0.79
2004-05	29720	40701	0.73

INTERPRETATION

Current asset to total asset ratio for the year 2000-01 was 0.66 and was decreased to 0.57, then increased to 0.85, again decreased to 0.79 and 0.73 respectively. Higher ratio was found in 2002-03 due to decline in profitability.

Chart no: 4

Chart showing Current asset to Total asset ratio



INFERENCE

From table 4 we can infer that increase in the ratio during the year 2002-03 is due to increase in current asset utilization resulting in less profitability compared to previous year. Company's overall profitability position shows slight decreasing trend, but overall profitability is satisfactory.

5. INVENTORY TO WORKING CAPITAL RATIO

Inventory to working capital ratio is the relationship between the stock in hand or inventory and the net working capital. The net working capital is the difference between current assets and current liabilities. Here the inventory refers to the crude oil in stock which is supplied as a raw material to various departments. Higher ratio indicates the efficient use of the working capital and continuous supply of inventory.

Table no: 5
Table showing Inventory to Working capital ratio

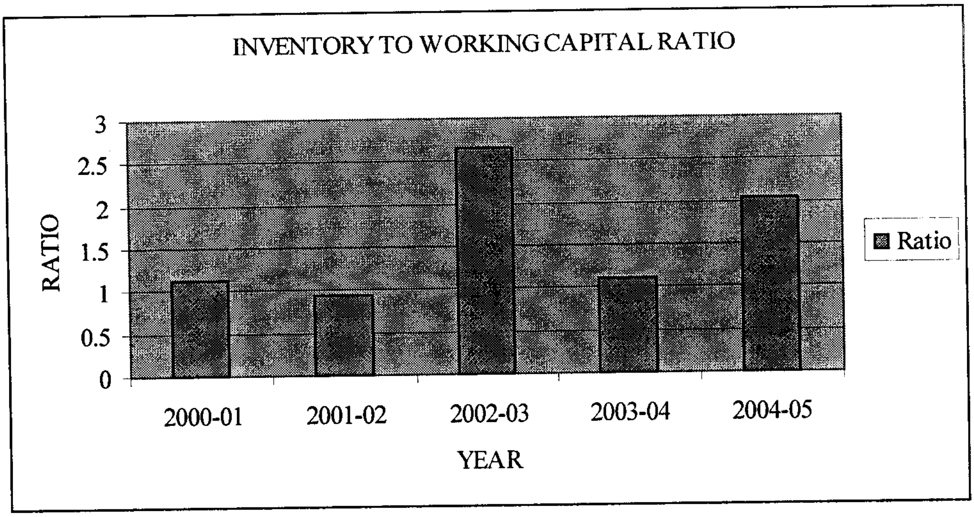
YEAR	Working Capital	Inventory	Ratio
2000-01	9849	8655	1.13
2001-02	6448	6905	0.93
2002-03	12952	4870	2.65
2003-04	4871	4398	1.10
2004-05	13640	6666	2.04

INTERPRETATION

Fixed capital to working capital ratio for the year 2000-01 was 1.13 and was decreased to 0.93, then increased to 2.65, again decreased to 1.10 and then increased to 2.04 respectively. Higher ratio was found in 2002-03 due to decline in profitability. It shows that company's profitability position shows slight decreasing trend. But overall profitability is satisfactory.

Chart no: 5

Chart showing Inventory to Working capital ratio



INFERENCE

From table 5 we can infer that the ratio shows a declining trend, but during 2002-03 the ratio shows an increase because of increase in working capital and the inventory has also decreased accordingly.

4.3.3 TURNOVER RATIOS:

6.CURRENT ASSET TURNOVER RATIO

It is defined as the relation between sales and current assets of the company. It indicates the number of times current asset turned over in the business to generate sales volume and also for analyzing the efficiency with which the current asset of the company are used in the business. High ratio indicates efficient use of inventories and receivables to increase sales volume. A low ratio indicates inefficiency and slow collection of debts.

Table no: 6

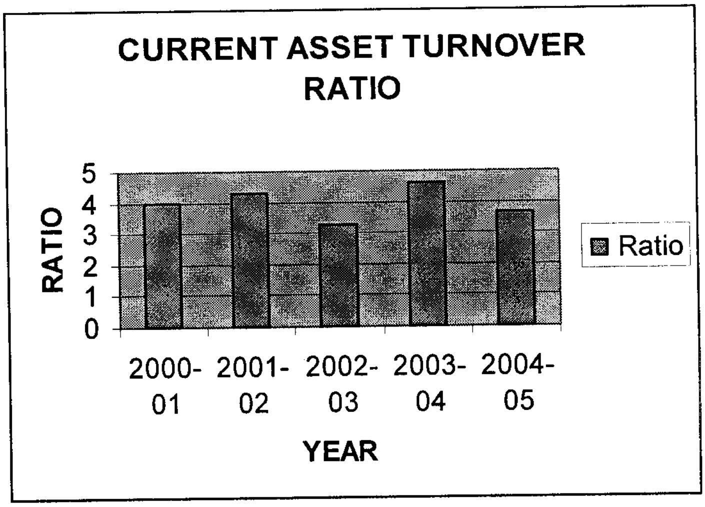
Table showing Current asset turnover ratio

Year	Net Sales	Current Assets	Ratio
2000-01	89287	22510	3.97
2001-02	90809	21100	4.30
2002-03	90636	27828	3.26
2003-04	93456	20189	4.63
2004-05	109108	29720	3.67

INTERPRETATION

During 2000-01 the ratio is 3.97 and after that 4.30, 3.26, 4.63, 3.67 for the years 2001-02, 2002-03, 2003-04 and 2004-05 respectively. The highest ratio was found in 2003-04, due to the efficient use of current assets.

Chart no: 6
Chart showing Current asset turnover ratio



INFERENCE

From table 6 we can infer that the ratio shows efficient use of inventories and receivables to increase sales volume. A low ratio shows slow collection of debts.

7. DEBTORS TURNOVER RATIO

Debtor's turnover ratio is the relationship between net credit sales and average debtors. This ratio shows how quickly receivables or debtors are converted to cash. It is also called accounts receivable. Sound credit and collection period results in efficient receivables management. Net credit sales include sale of products, recoveries, excise duty adjustment and products consumed internally. The higher the ratio, the better debts are being collected more promptly and vice versa.

$$\text{Debtors turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Debtors}}$$

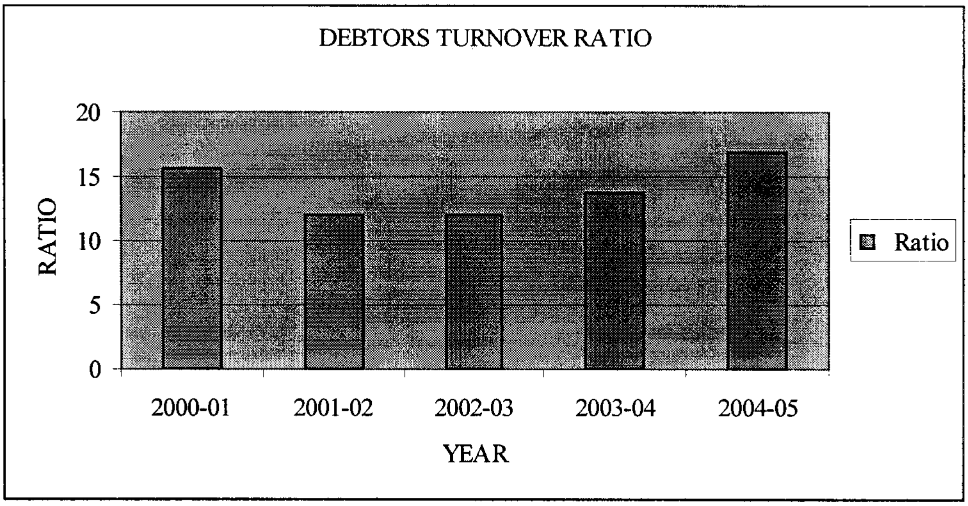
Table no: 7
Table showing Debtors turnover ratio

Year	Net credit sales	Average debtors	Ratio
2000-01	89287	5709	15.64
2001-02	90809	7574	11.99
2002-03	90636	7552	12.005
2003-04	93456	6802.5	13.74
2004-05	109108	6444.5	16.93

INTERPRETATION

In the present study, debtors turnover during 2000-01was 15.64 and reduced to 11.99 in 2001-02. The ratio shows a declining trend. This was due to delay in collection of debts. This was due to increased sundry debtors because of high price of product fixed as per recent government policies. So it is to be concluded that debtor's turnover ratio shows unsatisfactory position during the 2001-2002 and in remaining years it has been improved or increased.

Chart no: 7
Chart showing Debtors turnover ratio



INFERENCE

From table 7 we can infer that the increasing trend in the ratio is due to efficient credit management of the company. This was due to decrease in sundry debtors because of high prices due to change in government policies. The company's debtors turnover ratio shows a satisfactory position.

8.INVENTORY TURNOVER RATIO

Inventory turnover ratio is the number of times the inventory is turned over in the business during a particular period and it measures the relationship between sales and average inventory. This ratio measures how quickly inventory is sold and indicates whether investment in inventory is within proper limits or not, signifying the liquidity of the inventory. Higher the ratio more the sales and minimum level of inventory is held and hence possessing good inventory management.

$$\text{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average Stock}}$$

Table no: 8
Table showing Inventory turnover ratio

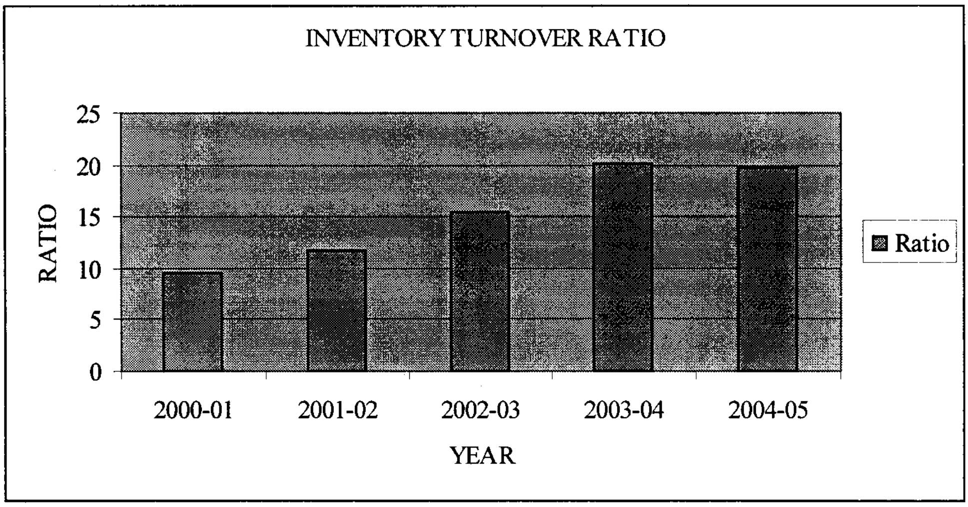
YEAR	Sales	Average Inventory	Ratio
2000-01	89287	9278.5	9.62
2001-02	90809	7780	11.67
2002-03	90636	5840.5	15.52
2003-04	93456	4634	20.17
2004-05	109108	5532	19.72

INTREPRETATION

During the year 2000-01 the inventory turnover ratio was 9.62. It shows an increasing trend till 2002-03. The ratio was highest during 2003-04 and was 20.17 because of increase in sales and minimum level of inventory held on stock. It has decreased to 19.72 in 2004-05.

Chart no: 8

Chart showing Inventory turnover ratio



INFERENCE

From table 8 we can infer that the increase in the ratio is because of increase in sales and minimum level of inventory held on stock. This indicates the efficiency in inventory management and measures the quick sale of inventory there by reducing costing of inventories and maintaining a good profit.

9. FIXED ASSET TURNOVER RATIO

Fixed asset turnover ratio is the relationship between fixed assets and sales. The increase in fixed asset may cause increase in the financial position of the company. An increase in this ratio will lead to increase in sales and the management of fixed assets will be easier. The fixed assets may include all tangible assets. A decrease in ratio shows a decrease in the sales.

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

Table no: 9

Table showing Fixed assets turnover ratio

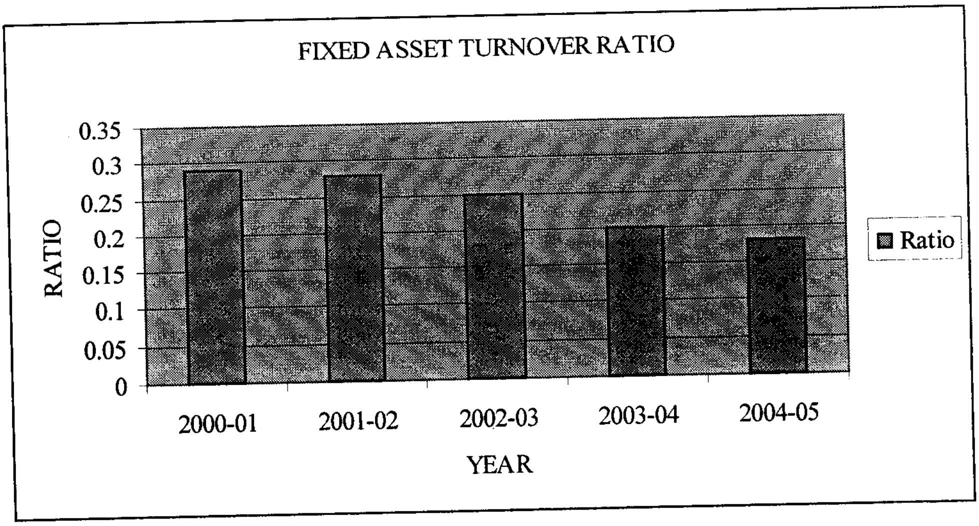
YEAR	Fixed Asset	Sales	Ratio
2000-01	26155	89287	0.29
2001-02	25025	90809	0.28
2002-03	22650	90636	0.25
2003-04	19057	93456	0.20
2004-05	19158	109108	0.18

INTREPRETATION

During the year 2000-01 the fixed asset turnover ratio was 0.29. It shows an decreasing trend in all the years. The ratio was highest during 2000-01 and was 0.29 because of increase in sales and minimum level of fixed assets. It decreases year by year.

Chart no: 9

Chart showing Fixed assets turnover ratio



INFERENCE

From table 9 we can infer that the ratio shows a declining trend even though sales increase, but the fixed asset management was not up to the mark. The fixed asset shows a declining trend.

10. WORKING CAPITAL TURNOVER RATIO

Working Capital Turnover ratio is calculated in order to analyze how working capital has been effectively utilized in making sales. This ratio indicates how many times during a given period, the average working capital has been utilized by the company to increase its sales. Sales include recovery from Government f India, sale of product, excise duty adjustment and products consumed internally. The higher the ratio the lower the investment in working capital and greater the profit. On the other hand lower the ratio greater the investment in working capital and lesser the profit.

Table no: 10
Table showing Working capital turnover ratio

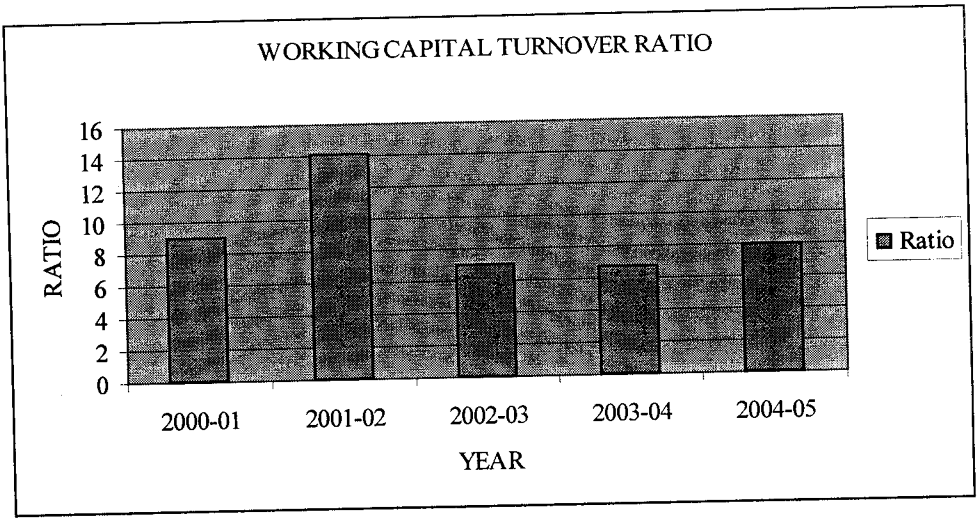
Year	Sales	Net Working Capital	Ratio
2000-01	89287	9849	9.06
2001-02	90809	6448	14.09
2002-03	90636	13042	6.95
2003-04	93456	13871	6.74
2004-05	109108	13640	7.99

INTERPRETATION

The Working Capital Turnover ratio during 2000-01 was 9.06 that of 2001-02 were 14.09 and 2002-03 was 6.95.Lowest was recorded in the year 2003-04, the year in which the net working capital was highest. The ratio shows a decreasing trend from 2000-01 to 2003-04. In 2004-05, the turnover has increased to 7.99.Here sales have increased but at the same time working capital is also increased.

Chart no: 10

Chart showing Working capital turnover ratio



INFERENCE

From table 10 we can infer that sales have increased, but at the same time working capital has also increased. So better management of working capital should be done.

Chapter four
Conclusion

CHAPTER 4

CONCLUSION

4.1 RESULTS AND DISCUSSIONS

- The current ratio shows a slight decrease in the year 2001-02 of increased current liabilities due to increase in income tax, sales tax and excise liability.

- During 2002-03 the increasing trend in quick ratio was due to increase in quick assets especially increase in cash credit balance and decrease in obligation to creditors.

- The lower debt equity ratio was found in the year 2004-05 which shows satisfactory risk to creditors and high margin of safety and protection against shrinkage of assets.

- The increase in the current asset to total asset ratio during the year 2002-03 is due to increase in current asset utilization resulting in less profitability compared to previous year. Company's overall profitability position shows slight decreasing trend, but overall profitability is satisfactory.

- The inventory to working capital ratio shows a declining trend, but during 2002-03 the ratio shows an increase because of increase in working capital and the inventory has also decreased accordingly.

- The current asset turnover ratio shows efficient use of inventories and receivables to increase sales volume. A low ratio shows slow collection of debts.

- The sales have increased, but at the same time working capital has also increased in the case of working capital turnover ratio. So better management of working capital should be done.

- The fixed asset turnover ratio shows a declining trend even though sales increase, but the fixed asset management was not up to the mark. The fixed asset shows a declining trend.

- The increase in the inventory turnover ratio is because of increase in sales and minimum level of inventory held on stock. This indicates the efficiency in inventory management and measures the quick sale of inventory there by reducing costing of inventories and maintaining a good profit.

- The increasing trend in the debtor's turnover ratio is due to efficient credit management of the company. This was due to decrease in sundry debtors because of high prices due to change in government policies. The company's debtor's turnover ratio shows a satisfactory position.

4.2 CONCLUSION

The working capital management of ABT Ltd is in a good and acceptable position instead. From the analysis done through the use of various ratios such as solvency, liquidity and turnover ratios, it is obvious that the company has an upward trend. The company is maintaining a good liquidity position to meet all its current obligations.

The inventory management of the company indicates satisfactory results by holding minimum amount of inventory and by utilizing minimum period for converting raw materials into finished goods and finally reaching the hands of ultimate consumer.

The proper working capital management requires both long term planning and efficient management and utilization of resources thereby maintaining the liquidity position of the business.

Bibliography

BIBLIOGRAPHY

[1]. Management Accounting, R.S.N.Pillai and Bagavathi

[2]. Financial Accounting, S.N Maheswari

[3]. Research Methods in Business, C.R. Kothari

[4]. Advanced Accounts, M.C.Shukla & T.S.Grewal

[5]. Financial management, I.M.Pandey

[6]. Annual reports of The ABT Ltd.

[7]. www.marutiudyog.com