



STUDY OF WORKING CAPITAL MANAGEMENT OF TECHNIK CNC ENGINEERING, HOSUR AND COMPARATIVE ANALYSIS WITH SELECTED COMPANIES

By

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Under the guidance of
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KCT BUSINESS SCHOOL

A PROJECT REPORT
Submitted

In partial fulfilment of the requirements for the award of the degree
Of

MASTER OF BUSINESS ADMINISTRATION

**Department of Management Studies
Kumaraguru College of Technology**
(An autonomous institution affiliated to Anna University, Chennai.)
Coimbatore – 641049.

September, 2012

BONAFIDE CERTIFICATE

Certified that this project report titled "STUDY OF WORKING CAPITAL MANAGEMENT IN TECHNIK CNC ENGINEERING,HOSUR AND COMPARATIVE ANALYSIS WITH SELECTED COMPANIES" who carried out the project 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.

Faculty Guide

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Professor

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Submitted for the Project Viva-Voce examination held on _____

Internal Examiner

External Examiner

DECLARATION

I, hereby declare that this project report entitled as "STUDY OF WORKING CAPITAL MANAGEMENT OF TECHNIK CNC ENGINEERING,HOSUR AND COMPARATIVE ANALYSIS WITH SELECTED COMPANIES", has undertaken for academic purpose submitted to Anna University in partial fulfilment of requirement for the award of degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Prof. S. SWAMINATHAN Professor during the academic year 2011-2012.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and behalf.

Place: Coimbatore

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Date:

(V.MOHAN RANGAN)

ACKNOWLEDGEMENT

I would like to express my gratitude to our beloved chairman **Arutchelvar Dr. N. MAHALINGAM, and Management** for the prime guiding spirit of **Kumaraguru College of Technology** for giving me an opportunity to undergo the MBA Degree course and to undertake this project work.

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I wholeheartedly thank **Mr.MADESHWARAN, MANAGER TECHNIK CNC ENGINEERING** and employees of TCE for their support to complete the project successfully

At the outset, I wish to record my sincere gratitude to my beloved parents and my friends, who gave me the courage and strength for the successful completion of this project.

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This project study gives the analysis on working capital management of Technik CNC Engineering, Hosur. At most care has been taken in all levels of the project beginning from preparing all the ratios till the analysis and findings. The study has a great significance to management in knowing the effective utilization of working capital. The main objective of the study is to analyze the liquidity position of the company. The study has been conducted by using the fact and information already available through financial statement of earlier years and analyzed these to make critical evaluation of the available material. The components of working capital among the various tools, ratio analysis were selected for the purpose of analyzing and interpreting the work. The company has maintained good balance between the current assets and current liabilities to keep the solvency position under the control. Optimum utilization of working capital can be planned so as to result in sound financial position.

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**CHAPTER 1
INTRODUCTION**

1.1 ABOUT THE STUDY

This project study is about the analysis of Working Capital Management in Technik CNC Engineering Company, Hosur. In this study the liquidity position of the firm and its status in working capital management was analysed by using Ratio analysis. In this study the working capital performance of the company is compared with other similar firms like Batliboi Ltd, Jyoti CNC and Galaxy Machinery. In study the data is collected for past five years from 2007-2012.

WORKING CAPITAL MANAGEMENT

The accounting principles board of the America Institute of certified public accountants, USA, has defined working capital as follows:

"Working capital, sometimes called net working capital, is represented by the excess of current assets over current liabilities and identifies the relatively liquid portion of total enterprises capital which constitutes a margin or buffer for maturing obligation within the ordinary operating cycle of the business.

NEED FOR WORKING CAPITAL

The need for working capital arises from two considerations. Firstly, Maintaining of working capital at a reasonable level is essential in any firm, the fixed assets which usually require a huge quantity of investments, can be used at an optimum level only if it is supported by sufficient quantity of working capital and secondly, the working capital involves investment of firms of the firm, If working capital level is not properly maintained and managed, than, it may unnecessary blockage of scares resources of the firm. On the other and the insufficiency of working capital, cause different hindrances in smooth operation of the firm. Therefore proper management of working capital is of utmost importance for all corporate houses.

The basic objective of financial management is to maximize shareholders wealth.. This is possible only when the company earns sufficient profit. The amount of such profit largely depends upon the magnitude of sales. However, sales do not convert into cash instantaneously. There is always a time gap between the sale of goods and receipt of cash. Working capital is required for this period in order to sustain the sales actively.

CONCEPTS OF WORKING CAPITAL

There are two concepts of working capital, namely, gross concepts and net concept.

GROSS WORKING CAPITAL

According to this concept working capital refers to a firm's investment in current assets. The amount of current liabilities is not deducted from the total of current assets. This concept views working capital and aggregate of current assets as two interchangeable terms. This concept is also referred to as 'current capital' or "circulating capital".

NET WORKING CAPITAL

The net working capital refers to the differences between current assets and current liabilities. Current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year and include creditor's dues, bills payable, bank overdraft and outstanding expenses. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed liabilities. A negative net working capital occurs when current liabilities are in excess of current assets.

KINDS OF WORKING CAPITAL

Working capital is classified into two categories

1. Fixed, regular, or permanent working capital and
2. Variable Fluctuating, seasonal, temporary or special working capital.

FIXED WORKING CAPITAL

The need for current assets is associated with in the operating cycle. the magnitude of investment in current assets however may not always be the same. The need for investment in current assets may increase or decrease over a periods of time according to the level of production.

Nevertheless, there is always certain minimum level of current assets which is essential for the firm to carry on its business irrespective of the level of operations. This is the irreducible minimum amount necessary for maintaining the circulation of the current assets.

The minimum level of investment in current assets is permanently locked up business and is therefore referred to as permanent or fixed or regular working capital. It is permanent in the same way as investment in the firm's fixed assets is.

FLUCTUATING WORKING CAPITAL

Depending upon the changes in production and sales, the need for working capital, over and above the permanent working capital, will fluctuate the need for working capital may also vary on account of seasonal changes or abnormal or unanticipated conditions. Any special advertising campaigns organized for increasing sales or other promotional activities may have to be financed be additional capital, needed to support the changing business activities is called fluctuating working capital. The extra working capital needed to support the changing business activities is called fluctuating working capital.

IMPORTANCE OF WORKING CAPITAL MANAGEMENT

1. The level of current assets changes constantly and regularly depending upon the level of actual and forecasted sales. This requires that the decisions to bring the levels of current assets should be made at the earliest opportunity and as frequently as required.
2. The changing levels of current assets may also require of the financing pattern. How much working capital needs to be financed be different of financing must be periodically reviewed.

3. Inefficient working capital management may result in loss of sales and consequently decline in the profits of the firm.
4. Inefficient working capital management may also lead to insolvency of the firm. If it is not in a position to meet its liabilities and commitments.
5. Current assets usually represent a sustained portion of the total assets of the firm, resulting in the investment of a larger chunk of funds in the currents assets.
6. There is an obvious and inevitable relationship between the sales growth and the level of current assets. The target sales can be achieved only if supported by adequate working capital. The increase in sales level requires increase in working capital and thus the financial manager must be able to respond quickly in providing and arranging additional working capital.

COMPONENTS OF WORKING CAPITAL

The main components working capital are cash, marketable securities, accounts receivable , trade credits and loans from banks , etc.,

CASH

Cash is one of the most liquid and important component of working capital. It is necessary for a business firm to maintain a certain amount of cash in hand (or) at bank always, even if the other current assets are at a substantial figure. Cash and bank balance have three important functions namely transaction function, precautionary function and speculative function. The transaction function requires a firm to hold cash to conduct its business in the ordinary course. The firm cash primarily to make payment for purchase, wages, operating expenses, taxes, diligence, etc., the precautionary function is the need to hold cash to meet ant contingencies in future. It provides a cushion (or) buffer to withstand some unexpected emergency. The speculative function relates to the holding of cash for investing in profit making opportunities as and when they rise. Often some profitable opportunities come and if they are not immediately exploited it may not be possible to take advantages of them subsequently. It may be necessary therefore to maintain a certain amount of cash balance to en able the firm to exploit such opportunities.

INVENTORY

Every enterprise needs inventory for smooth running of its activities. It serves as a link between production and distribution processes. The investment in inventories includes the following things:

RAW MATERIALS

Raw material form a major input to the organization. The quantity of raw materials required will be determined by the rate of consumption and the time required for replenishing the supplies.

WORKING-IN-PROGRESS

The work in progress is that stage of stock, which is in between raw materials and finished goods. The raw materials enter the manufacturer but they are yet to attain a final shape of finished goods. The quantum of work-in-progress depends upon the time in the manufacturing process.

FINISHED GOODS

Finished goods are both those completely manufactured products, which are ready for sale. The stock of finished goods is required for smooth marketing operations. The need for finished goods will be more when production is undertaken in general without waiting for specific orders.

BOOK DEBTS/RECEIVABLE

Receivable constitute a significant portion of current assets of a firm. Receivable represent amounts owed to the firm as a result of sale of goods (or) services in the ordinary course of business. These are claim s of the firm against its customs and form part of its current assets. Receivable are also known as Accounts, receivable, trade receivable, customer receivable (or) book debts. The period of credit and extent of receivable depends upon the credit policy followed by the firm. The purpose of maintain (or) investing in receivable is to meet competition and to increase the sales and profits. The concern incurs the following cost on maintaining receivable, cost of financing receivable, cost of collections and bad debts.

MARKETING SECURITIES

A firm has to maintain a reasonable balance of cash. This is necessary because, there is no perfect balancing of inflows and outflows of cash. Sometimes more cash is received than required for quick payment instead of keeping the surplus cash as idle; the firm tries to invest it in marketable securities. It will bring some income to the business.

The cash surplus will be available during slack seasons and will be required when demand picks up again. The investment of cash in securities needs a prudent and cautions approach. The selection of securities for investment should be carefully made so that the amount is raised quickly on demand.

ELEMENTS OF WORKING CAPITAL MANAGEMENT: INVENTORY MANAGEMENT

Inventories represent substantial amount of a firm's current assets. Proper management of inventories is necessary so that this inventory does not become too large as it would result in blocked capital which could be put to productive use elsewhere. On the other hand having too small, an inventory would result in loss of sales (or) loss of customer goodwill. An optimum level of inventory should therefore be maintained. The main objectives of inventory management are operational and financial; the operational objectives mean that investment in inventories should not remain idle and minimum working capital should be locked in it. An effective inventory management should ensure a continuous supply of materials to facilitate uninterrupted production, maintain sufficient stocks of raw materials in a period of short and supply and anticipate price changes, maintain sufficient finished goods for smooth sales and efficient customer services. Reducing the carrying costs and time and control investment in inventories and keep it at an optimum level. Proper control over inventory not only solves the acute problem of liquidity but also increases the annual profits and causes sustainable reduction in the working capital of the firm.

CASH MANAGEMENT

Cash management has assumed importance because it is the most significant of all the current assets. It is required to meet business obligation and it is unproductive when not used. Efficient cash management requires proper cash planning, an organization for managing receipt, disbursements, an efficient control and review mechanism. Cash budgeting, lockbox system and cash forecasts are the important strategic, regarding cash management.

RECEIVABLE MANAGEMENT

Receivable management is the process of making decision relating to investment in trade debtors. The objective of receivable management is to take sound decision as regards investment in debtors. Maintaining accounts receivables has its costs implications in that the firm's monetary resources get tied up.

The basic objective of receivables management is to maximum the value of the firm. It does not aims at maximum sales and minimize the risk of bad debt. To put it clearly, sales will be maximized if the firm sells on credit to all. A sound receivable management is needed to expand credit sales to a limit where the risk of bad debt will remain minimum. The management of receivables aims at establishing an optimum credit policy. Credit policy relates to factors that influence the amount of trading credit, in other words, investment in receivable. Certain factors influence the decision making on the amount of trade credit, making on the amount of trade credit or credit policy. Receivable management to be successful should ensure a comparatively slower growth of receivable as against sales, a satisfactory receivable turnover and collection period minimum bad debt losses and effective use of capital use of capital invested. In order to achieve these objectives, the firms formulate sound credit and collection policies.

PAYABLES MANAGEMENT

Trade credit is a form of short term financing common to all business. In fact, it is the largest source of short-term funds for business firms collectively, In trade credit, cash discounts and payment period was are two important aspects. Credit

terms regarding payment period may be classified in several groups such as cash before delivery, cash on delivery, net terms with discounts and seasonal dating. The firm should maintain a sound working capital position by acquiring the finance from various sources such as bank credit, commercial paper, etc., to reply the short-terms loans and borrowing.

1.2. ABOUT THE ORGANIZATION

TECHNIK CNC ENGINEERING. (TCE) was established by Mr Madeswaran during 1997. The company is located in Hosur, the well known industrial hub of Tamil Nadu. Technik CNC Engineering., caters to the Tools and Fixture needs of Automotive giants such as M/s. Ashok Leyland Ltd., M/s Harita Seating systems Ltd., M/s.TVS Motor Company Ltd., They are specialist to produce Tools and Fixtures using MS. They have a state of art tool design and tool room facilities to exclusively support our associate companies.

1.2.1 COMPANY FACT SHEET:

Year Establishment	of : 1997
Nature of Business	: Supplier, Manufacturer
Major Markets	: Indian Subcontinent

1.2.2 MISSION:

- It has been targeted to double our sales turnover for the current financial year
- To enter global market for auto parts of our specialization.
- Diversifying to product line with joint venture.

1.2.3 QUALITY POLICY:

TECHNIK CNC ENGINEERING., are committed to manufacture and supply Tools and Fixtures that will ensure customer satisfaction through continual improvement and total employee involvement.

1.2.4 SPECIAL FEATURES:

- They design and develop all the toolings, jigs, fixtures and receiver gauges wholly in-house.
- Robust organization - technical strength – financial discipline and transparency in operations to handle multi customers & more varieties.

1.2.5 PRODUCTS:

Technik CNC Engineering is focused on manufacture and supply of

- Bending Tools
- Deep Drawn Components
- Formed Components
- Injection Molds
- Jig And Fixture
- Precision Machined Components
- Pressure Die Molds
- Riveted And Welded Assy
- Rubber Molds

1.3 STATEMENT OF THE PROBLEM

In this study the main problem is to find out the Working Capital Management of Technik CNC Engineering Company, Hosur for past five years from 2007-2012 and also comparing its performance with other similar companies in their industries.

1.4 SCOPE OF THE STUDY

The study covers Technik CNC Engineering and other three similar kind of companies in it. This study is about their changes in Net Working Capital. The data covers a period of past six years from, 2007 – 2012. This study will help to improve the performance of the company.

CHAPTER 2

2.1 LITERATURE REVIEW:

Dr. Ioannis Lazaridis and Dimitrios Tryfonidis¹: In this paper we investigate the relationship of corporate profitability and working capital management. We used a sample of 131 companies listed in the Athens Stock Exchange (ASE) for the period of 2001-2004. The purpose of this paper is to establish a relationship that is statistically significant between profitability, the cash conversion cycle and its components for listed firms in the ASE. The results of our research showed that there is statistical significance between profitability, measured through gross operating profit, and the cash conversion cycle. Moreover managers can create profits for their companies by handling correctly the cash conversion cycle and keeping each different component (accounts receivables, accounts payables, inventory) to an optimum level.

Arunkumar O.N. and T. Radharaman²: This paper analyzes the effect of working capital management on the profitability of manufacturing firms. The study considers different variables affecting working capital management and their effect on the profitability of manufacturing firms. The authors apply correlation and regression analysis to identify the effects of the above variables on profitability. The results of correlation analysis show that there is negative relation between profitability and debtor's days, inventory days, and creditor's days. Regression analysis uses two different methods, the fixed effects model and ordinary least squares model. The regression analysis reveals that the cash velocity, size of the firm, and net working capital leverage are significant in two methods. The study shows a positive relationship for number of days of inventory and number of days of accounts payable with the profitability. The study also finds that profitability improves when a shorter cash conversion cycle exists and, when the current assets and current liabilities are equal.

¹ Dr. Ioannis Lazaridis & Dimitrios Tryfonidis(2004), "The Relationship between Working Capital Management and profitability of listed companies in Athens Stock Exchange"

² Arunkumar O.N & T.Radharaman(2012), "Analysis of Effects of Working Capital Management on Corporate Profitability of Indian Manufacturing Firms"

GRABOWSK MARLINA³: This study is about the empirical analysis of the role played by working capital and cash flow in effective management of companies. A generally accepted strategic long-term aim of companies is to maximize their market value, whereas a fundamental goal of short-term activities involves decision-making which implies maintaining current financial liquidity of the entity. It can be assumed that decisions connected with maintaining financial liquidity relate to managing current components of company's property (accounts receivable, inventory and cash funds) as well as managing its current liabilities.

Ruta AUTUKAITE and Eric MOLAY⁴: Although companies deal with day-to-day short term financial decisions, in corporate finance the emphasis is being put on long term financial issues when talking about company's value. In this paper a sample of French listed companies was chosen to assess the importance of short term financial decisions to company's value by testing the following hypotheses: an extra euro invested in cash or net working capital is valued less than one euro. Running a panel data analysis, evidences prove that shareholders undervalue cash holdings and net working capital. The results of this paper alert management not to underestimate importance of cash holdings and working capital management; moreover, the results encourage investors to follow company's actions in this area to maximise their return on investment.

Julius Enqvist, Micheal Graham and Jussi Nikkinen⁵: The current economic downturn has brought renewed focus on working capital policies. This paper therefore examines the role of business cycles on the working capital-profitability relationship using a sample of Finnish listed companies over an 18year period. We find the impact of business cycle on the working capital profitability relationship is more pronounced in economic downturns relative to economic booms. We further show that the significance of efficient inventory management and accounts receivables conversion periods increase during periods of Economic downturns. Our results demonstrate that active working capital Management matters and thus should be included in firms' financial planning.

³ GRABOWSK MARLENA(2010), "Analysis of Role of Working Capital in Limited Liability Companies"

⁴ Ruta AUTUKAITE & Eric MOLAY, "Cash Holdings, Working Capital and Firm Value: Evidence From France"

⁵ JULIUS ENQVIST, MICHAEL GRAHAM & JUSSI NIKKINEN(2012), "The Impact of Working Capital Management on Firm Profitability in Different Business Cycles: Evidence From Finland"

CHAPTER 3

RESEARCH METHODOLOGY:

3.1 TYPES OF RESEARCH:

The methodology used in this study is analytical and descriptive in nature where the researcher has to use facts (or) information already available and study the characteristics of a particular group respectively and there by analyze to make a critical evaluation of the study. Research was done on the available information hence it is descriptive in nature.

3.2 OBJECTIVE OF THE STUDY

The primary objective of the study is to make an analysis on the working capital management of the company for last five years, to identify the efficiency and liquidity position using ratios of the company. The second objective is to determine the efficiency in cash, inventories, debtors, and to understand the liquidity and profitability position of the firm and compare company performance with selected companies in manufacturing sector.

3.3 SAMPLE DESIGN:

In this study the sample was selected by using non probabilistic sampling method. Here data samples are collected from last the company annual reports and balance sheets for last five years from 2007-2012.

3.4 DATA AND SOURCES OF DATA COLLECTION:

The research is primarily based on secondary data, with addition information gathered from the finance department. The main sources are company's five year annual reports and schedules. Data about other companies in same industry are obtained from internet.

3.5 TIME PERIOD COVERED:

From the population the sample of 5 years has been selected for the study of the working capital management of the company.

3.6 TOOLS OF ANALYSIS:

The analysis is done with the Ratio analysis and the statement showing changes in working capital was prepared to analyze the working capital.

3.7 LIMITATIONS OF STUDY:

- The study is mainly based on the information presented in the annual reports of the company.
- Research is based only on four companies from that sector.
- The study is confined to a very limited period of five years to criticize about the working capital management of Technik CNC Engineering.
- It is based only on secondary data.

CHAPTER 4

4.1 DATA ANALYSIS AND INTERPRETATION:

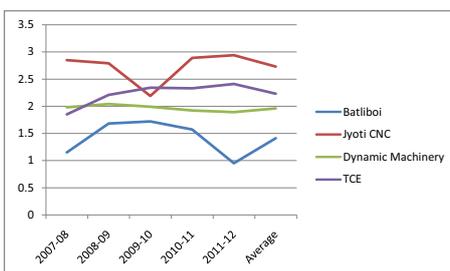
4.1.1 Current Ratio:

Current Ratio= Current Asset / Current Liabilities.

4.1.1: Table showing the Current ratios

Year	Batliboi	Jyoti CNC	Galaxy Machinery	TCE
2007-08	1.15	2.85	1.98	1.85
2008-09	1.68	2.79	2.04	2.21
2009-10	1.72	2.19	1.99	2.34
2010-11	1.57	2.89	1.92	2.33
2011-12	0.95	2.94	1.89	2.41
Average	1.41	2.73	1.96	2.23

CHART 4.1.1: Current ratio



Interpretation:

The minimum Current Ratio required for proper running of a firm with good liquidity is 2:1. In the above study Batliboi Ltd and Galaxy Machinery has Current Ratio of less than 2. Technik CNC Engineering and Jyoti CNC has more than 2. In this study the average Current Ratio of Technik CNC Engineering company is 2.23. Thus Technik CNC Engineering has good Liquidity position to meet their needs in Current Liabilities.

4.1.2 Quick Ratio:

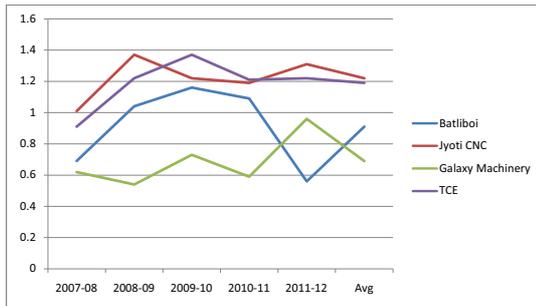
Quick Ratio = Liquid Assets/ Current Liabilities

Quick Assets = Current Assets – (Prepaid Expenses + Inventory)

4.1.2: Table showing the Quick ratio

Year	Batliboi	Jyoti CNC	Galaxy Machinery	TCE
2007-08	0.69	1.01	0.62	0.91
2008-09	1.04	1.37	0.54	1.22
2009-10	1.16	1.22	0.73	1.37
2010-11	1.09	1.19	0.59	1.21
2011-12	0.56	1.31	0.96	1.22
Average	0.91	1.22	0.69	1.19

Chart 4.1.2: Quick Ratio

**Interpretation:**

For a firm Quick Ratio of 1:1 is satisfactory. It is generally thought that if quick assets are equal to current liabilities then the concern may be able to meet its short-term obligations. In the above study Technik CNC Engineering has an average Quick Ratio of 1.19 for last five years which is higher than that of normal 1:1 ratio. Companies like Batliboi Ltd and Galaxy Machinery has average quick ratio lower than 1:1. Thus when compared with other companies Quick Ratio of Technik CNC Engineering has good liquidity position to quickly meet their current liabilities.

4.1.3 Absolute liquid Ratio:

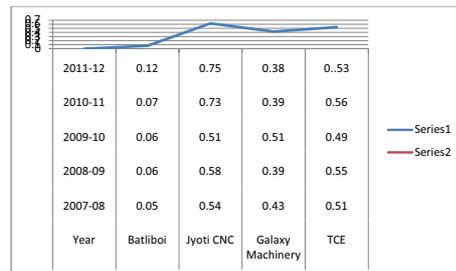
Absolute Liquid Ratio = Absolute Liquid Assets/Current Liabilities

Absolute Liquid Asset = Cash in hand, Cash at bank, Temporary Investments

4.1.3: Table showing Absolute Liquid ratio

Year	Batliboi	Jyoti CNC	Galaxy Machinery	TCE
2007-08	0.05	0.54	0.43	0.51
2008-09	0.06	0.58	0.39	0.55
2009-10	0.06	0.51	0.51	0.49
2010-11	0.07	0.73	0.39	0.56
2011-12	0.12	0.75	0.38	0.53
Average	0.07	0.62	0.42	0.53

Chart 4.1.3: Absolute Liquid Ratio

**Interpretation:**

The acceptable norm for Absolute Liquid Ratio is 50% or 0.5:1. In this study Batliboi Ltd and Dynamic Machinery has an average absolute liquid ratio which is less than 0.5 for last five years which is less than standard one. Technik CNC Engineering has average Absolute Liquid Ratio of 0.53 for last five years thus it has enough Absolute Liquid Ratio for it.

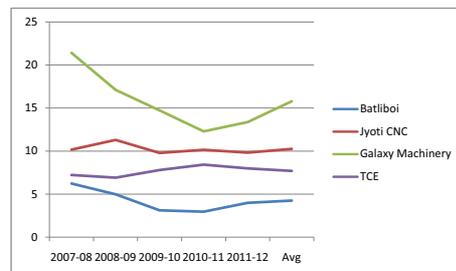
4.1.4 Debtor's Turnover Ratio:

Debtors Turnover Ratio = Total sales/Debtors

4.1.4: Table showing the Debtor's Turn over ratio

Year	Batliboi	Jyoti CNC	Galaxy Machinery	TCE
2007-08	6.23	10.17	21.40	7.23
2008-09	4.98	11.29	17.11	6.91
2009-10	3.12	9.79	14.73	7.80
2010-11	2.97	10.15	12.29	8.42
2011-12	4.00	9.83	13.37	7.98
Average	4.26	10.25	15.78	7.69

Chart 4.1.4: Debtors Turnover Ratio

**Interpretation:**

In the above study the Batliboi Ltd has the lowest average of Debtors Turnover ratio of 4.26. After this Technik CNC Engineering has second lowest Ratio of 7.69. In the year 2008-2009 TCE has lowest Debtor Turnover Ratio of 6.91. When compared with Jyoti CNC and Galaxy Machinery, TCE has low ratio. Low Debtors Turnover Ratio of TCE indicates that the company should take more care in managing the debtors properly.

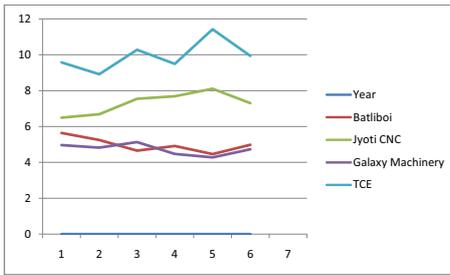
4.1.5: Inventory Turnover Ratio

Inventory Turnover Ratio = Total Sales/Inventory

4.1.5: Table showing the Inventory Turnover Ratio

Year	Batliboi	Jyoti CNC	Galaxy Machinery	TCE
2007-08	5.64	6.49	4.96	9.57
2008-09	5.25	6.68	4.82	8.91
2009-10	4.65	7.54	5.13	10.27
2010-11	4.91	7.68	4.47	9.49
2011-12	4.46	8.10	4.28	11.42
Avg	4.98	7.30	4.73	9.93

Chart 4.1.5 Inventory Turnover Ratio

**Interpretation:**

Inventory Turnover Ratio measures the velocity of conversion of stock in the company into sales. In the above study Technik CNC Engineering has highest average inventory turnover ratio of 9.93 when compared with all other three companies. Technik CNC Engineering company has an inventory turnover ratio of 11.42 in it in the year 2011-2012. Out of all companies Galaxy Machinery has a lowest average inventory ratio of 4.73 for last five years. Thus Technik CNC Engineering has good average inventory turnover ratio. Thus it indicates that it has maintained an effective inventory management system in it.

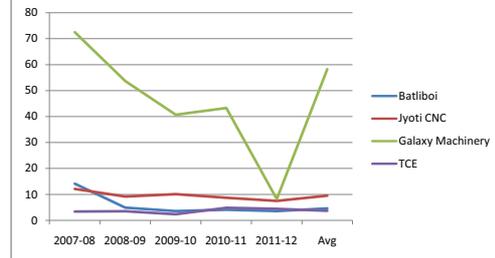
4.1.6 Working Capital Turnover Ratio:

Working Capital Turnover Ratio = Total Sales/Net working capital

Net Working Capital = Current Assets – Current Liabilities

4.1.6: Table showing the Working Capital Turnover ratio

Year	Batliboi	Jyoti CNC	Galaxy Machinery	TCE
2007-08	14.14	12.14	72.50	3.41
2008-09	4.92	9.16	53.7	3.51
2009-10	3.60	10.11	40.7	2.38
2010-11	4.13	8.72	43.3	4.86
2011-12	3.6	7.50	8.2	4.45
Avg	4.64	9.53	58.22	3.73

**Interpretation:**

Working capital ratio is the combination of all current liabilities, inventory turnover ratio and debtors turnover ratio. In the above study Galaxy Machinery has highest average working capital ratio for last five years from 2007-2012. The highest working capital was occurred in the year 2007-2008 which has 72.50 as working capital ratio in Dynamic Machinery. Where Technik CNC Engineering has lowest average working capital ratio for last five years of 3.73. It has a lowest value of 2.38 in the year 2009-2010. Thus Technik CNC Engineering has inefficient working capital in it. It has to improve their working capital turnover ratio in order to improve their overall performance. From the above study it shows that the working capital ratio is lower than with other companies even though it has good inventory ratio of all other companies. This shows that the availability of current liabilities is lesser for TCE when compared with other companies.

CHAPTER 5**5.1 FINDINGS:**

From the following study it is founded that the current ratio of Technik CNC Engineering Company was high in the years 2009-2010 with 2.34. Compare with other three companies, Technik CNC Engineering had an average Current Ratio of 2.23 for last five years which is lesser than that of Jyoti CNC of 2.73 but higher than other two companies. The higher Current Ratio represents that the company has good liquidity. This shows that Technik CNC Engineering company has high liquidity position to meet their current liabilities.

Quick Ratio was high in Jyoti CNC with an average value of 1.22 for last five years after that Technik CNC Engineering has an average value of 1.19 which is higher than normal ratio. Thus Technik CNC Engineering company has good quick ratio for meeting their liquidity needs

It is founded that Technik CNC Engineering has an Absolute Liquidity Ratio which is higher than that of normal required Absolute Liquid Ratio of 0.5. Thus Technik CNC Engineering has good amount of absolute liquid assets in it.

In the above study it is founded that Galaxy Machinery has highest average working capital ratio for last five years from 2007-2012. The highest working capital was occurred in the year 2007-2008 which has 72.50 as working capital ratio in Dynamic Machinery. Where in Technik CNC Engineering it has lowest average working capital ratio for last five years of 3.73. It has a lowest value of 2.38 in the year 2009-2010. Thus Technik CNC Engineering has inefficient working capital in it. It has to improve their working capital turnover ratio in order to improve their overall performance

Inventory Turnover Ratio measures the velocity of conversion of stock in the company into sales. In the above study Technik CNC Engineering has highest average inventory turnover ratio of 9.93 when compared with all other three companies. Technik CNC Engineering company has an inventory turnover ratio of

11.42 in it in the year 2011-2012. Out of all companies Galaxy Machinery has a lowest average inventory ratio of 4.73 for last five years. Thus Technik CNC Engineering has good average inventory turnover ratio. Thus it indicates that it has maintained an effective inventory management system in it. From this study it is founded that the Debtors Turnover Ratio of Technik CNC Engineering was low when compared with other companies.

Working capital ratio is the combination of all current liabilities, inventory turnover ratio and debtors turnover ratio. From the above study it shows that the working capital ratio is lower than with other companies even though it has good inventory ratio of all other companies. This shows that the availability of current liabilities is lesser for TCE when compared with other companies

5.2 SUGGESTIONS

- From the current ratio we can infer that the company is good in liquidity position. So they are efficient in conducting the business.
- From the liquid ratio it can be seen that the company has more ratio than that of standard norms so they have to concentrate less in the current assets to meet the contingencies.
- From the Debtors turnover ratio we can suggest that the company should manage their debt policy properly since it has less debtors turnover ratio when compared with other companies
- From working capital management we can say that the company has made significant improvement. Still they can able to improve their working capital ratio.

5.3 CONCLUSION

On studying the financial performance of Technik CNC Engineering Company for a period of five years from 2008-2012, the study reveals that the financial performance of TCE in general is good. It could be concluded that the company is performing well and has a sound financial performance in last few years, but the company should take the following measures

Technik CNC Engineering should have to follow strict credit policy and it should try to increase Debtors Turnover Ratio and also they should take care about their Working Capital Management with more care.

5.4 SCOPE FOR FURTHER STUDY

In future this study about working capital management can be upgraded by using more number of years which is higher than 5 years and also by comparing its performance with more other companies in manufacturing sector.

CHAPTER 6

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