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A STUDY ON WORKING CAPITAL MANAGEMENT OF KAIRA DISTRICT CO-OPERATIVE MILK PRODUCERS UNION LIMITED

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ABSTRACT

Working capital is known as the life blood of the organizations. The Purpose of this study is to understand efficiency and utilization of working capital in the KAIRA DISTRICT COOPERATIVE MILK PRODUCERS UNION LIMITED .Analyze for three years form 2018-19 to 2019-20.This study is based on the secondary data of the firm. The literature reviles that working capital is directly affects the profitability and liquidity of the firm and this study concludes that working capital is very much effects to the development of the firm.

Keywords: ratio analysis, financial status.

INTRODUCTION

Amul, is an Indian dairy cooperative society, based at Anand in the Indian state of Gujarat. Formed in 1946, it is a cooperative brand managed by a cooperative body, the Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by 36 lakh (3.6 million) milk producers in Gujarat. Amul spurred India's White Revolution, which made the country the world's largest producer of milk and milk products. Amul was spearheaded by Tribhuvandas Patel under the guidance of Sardar Vallabhbhai Patel. As a result, Kaira District Milk Union Limited was born in 1946 (later renamed to Amul). Tribhuvandas became the founding chairman of the organization and led it until his retirement in 70s. He hired Dr. Verghese

Kurien in 1949. He convinced Dr. Kurien to stay and help with the mission. Under the chairmanship of Tribhuvandas, Dr. Kurien was initially the general manager and helped guide the technical and marketing efforts of Amul. Dr. Kurien was the chairman of Amul briefly after Tribhuvandas Patel died in 1994.

REVIEW OF LITERATURE

- Hussein, Syed Zabid (1999) shed light on various aspects of working capital status. He has evaluated working capital and its components through the use of ratio analysis. A certain ratio is calculated for each aspect of the analysis and then the results are compared with the standard ratio or industry average.
- Chakravarti S. That. (1974) Cash Working Capital v / s Balance Sheet Attempts to differentiate working capital The analysis is based on the following parameters: a) Working capital in common parlance b) Cycle operating cycle concept b) Calculation of operating operating cycle duration in all four cases. The purpose of the analysis is to show the operating cycle concepts based on the published annual reports of the payments.
- Rao K.V. and Rao Chinta (1991) observe the strong and weak points of conventional techniques of working capital analysis. The result has been obviously mixed while some of the conventional techniques which could comprehend the working capital behavior well; others failed in doing the job properly. The authors have attempted to evaluate the efficiency of working capital management with the help of conventional techniques i.e., ratio analysis. The article concludes prodding future scholars to search for a comprehensive and decisive yardstick in evaluating the working capital efficiency.
- Hamlin Allen P. and Heath Field David F. (1991) Vote Working capital is the necessary input for the production process and yet most economic models of production are ignored. The effects of modeling the production time parameter, and therefore, the working capital requirements of payoffs, are explored, with special emphasis placed on the competitive advantage gained by companies that have maintained flexibility in their production time frame. In this article they attempt to explore this most fundamental role of time in the construction process and therefore clearly focus on the influence of recognition on the need for working capital.
- Bhatt v. V. (1972) extensively approaches the method of evaluating the working capital finance application of large manufactured concerns. He said similar methods need to be developed for other sectors like agriculture, trade etc. The author is of the opinion that when providing short-term money, his focus is on the adequacy of security and the ability to pay. Satisfied with these two criteria, they usually do not make a detailed assessment of the function of the concerns.

RESEARCH METHODOLOGY

Source of data:

Secondary data: secondary data has been obtained from published reports like annual report of the company, Balance sheet and profit and loss account.

PROBLEM STATEMENT:

The study has been taken for the purpose to know the "working capital management" of Kaira District Cooperative Milk Producers· Union Limited.

OBJECTIVES:

- Examine the structure and composition of working capital.
- Analyze the liquidity position.
- Comparison of present and last three years data.

DATA ANYALISIS

Current ratio:

- The current ratio is used to determine an organisation or individual's ability to pay their short and long-term debts. It compares their total assets (both liquid and fixed) to their total debt.

Formula:

Current ratio = current assets / current liability

year	Mar-20	Mar-19	Mar-18
current asset	1,22,493.46	1,23,221.87	91,640.13
current liability	1,75,802.10	1,70,233.89	1,31,622.37
current ratio	0.70	0.72	0.70

Interpretation

Seeing the above data, the current ratio is the beginning was 0.70 it increase by 0.02 in the next year. That means nominal changes in 2019 and there is no changing in 2020. It was 0.70 current asset of the company is less than the current liability it means it is disadvantage of the company.

Cash ratio:

Cash or equivalent ratio measures a company's most liquid assets such as cash and cash equivalent to the entire current liability of the concerned company. As money is the most liquid form of assets, this ratio indicates how quickly, and to what limit a company can repay its current dues with the help of its readily available assets.

Formula:

Cash ratio = Cash and equivalent / Current liabilities

Year	Mar-20	Mar-19	Mar-18
Cash and cash equivalents	4790.74	5969.71	5285.56
current liability	1,75,802.10	1,70,233.89	1,31,622.37
cash ratio	0.03	0.03	0.04

Interpretation:

This ratio shows that with the cash and cash equivalent, the company is able to pay its current liability. In the above data, the company has not even 1 or more than 1 rupees to pay the liability of 1 rupee. It indicates that the company is not able to pay the current liability through its cash and cash equivalent. Every year, the cash ratio is far from 1 so it requires lot of efforts to get 1. This also regrets the investors from investing in the company.

Inventory turnover ratio:

Inventory turnover is a ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand.

Formula:

Inventory turnover ratio= COGS / Average Inventory

Year	Mar-20	Mar-19	Mar-18
Cogs	693981.38	623134.94	569392.41
Inventory	77,623.89	75,918.60	57,261.70
Inventory turnover ratio	8.94	8.20	9.94

Interpretation

From the above data, I can understand that the inventory turnover ratio is increasing and that is good. The higher ratio shows that the conversation of purchased goods into sales is high whereas the lower ratio shows that the conversation of purchased goods into sales is low. From 2018 to 2020, the ratio has been almost 8 that is good sign among all the years. It can attract the investors to invest because goods are sold too fast so early revenue will be generated.

SUGGESTION

- By considering the profit maximization in the company the earning per share, investment and working capital also fluctuates. Hence, the outsiders can be interested to invest.
- The company should maintain sufficient cash and bank balances; they should invest the idle cash in marketable securities or short term investments in shares, debentures, bonds and other securities.
- The company maintains debtor and creditor management policy but try to reduce its collection and payment period by improving the management policy if possible.
- The net profit of the company is fluctuating over the study period but the organization should maintains good control on all trees of expenses

LIMITATION

1. The study is limited to three years financial data.
2. The study is purely based on secondary data.
3. The data is collected from different different websites only.
4. The ratio is calculated from the financial statement of the company only and
5. Made analysis and prediction for the future

CONCLUSION

Liquidity ratio of the company shows the good position of the company in paying its current liability through the current asset but needs to improve the cash in the company.

Leverage ratio of the company is also strong and the company has the good capacity in paying its long term debts and has effective resources to pay the long term debt Profitability ratio of the company is good and the company has every year good profit against sale and try to enhance in future. Return on asset is appropriate every year so has good profitability position in the company. Finally from all ratios calculated for knowing the financial position of the company, the company has good financial position and also attracts the investors and no need to chance of losing the money in future.

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