

# A Study on the Working Capital Management of Tamilnadu Newsprint and Papers Ltd at Karur

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## ABSTRACT

This research paper examines the financial performance of particular units within the Indian industry, concentrating on financial ratios like Liquidity, Solvency, and Profitability. To evaluate the impact of chosen variables on the financial performance of these identified units, ratio analysis is utilized. The financial performance of the industry can be analyzed from multiple angles, including financial facts, financial ratios, financial health, financial strength, and asset utilization, among others. The operational and financial efficiency of the industry can have a substantial effect on its financial performance. Key indicators of financial performance encompass return on assets, sales, equity, and various other financial metrics. The researcher has assessed the industry's performance in India based on criteria such as profitability, asset utilization, performance growth, and financial strength.

**Keywords:** Financial performance, growth of performance, financial strength

## INTRODUCTION

Working capital, which includes cash, inventories, accounts payable, accounts receivable, and short-term liabilities, indicates how liquid a company is in managing its daily costs. It is a measure of an organization's overall effectiveness as well as its short-term financial situation.

Effective management of working capital is crucial for a company's financial well-being and success. Working capital refers to the funds that businesses utilize to operate and manage their activities. A company that effectively oversees its working capital will consistently maintain sufficient cash flow to meet its short-term debt responsibilities and operational expenses.

## OBJECTIVES OF THE STUDY

- To assess the effectiveness of cash and receivables
- To examine the structure of working capital
- To evaluate the optimal utilization of working capital

- Analyzing the necessity of working capital requirements inside a business and investigating working capital financing sources

## NEED OF THE STUDY

One important idea is working capital management. It includes analyzing a company's day-to-day activities. The objective of this examination is to cultivate an understanding of working capital management within the existing corporate entity and to assist the company in developing effective working capital management procedures. As a result, it facilitates planning and decision-making in the future. It is evident from examining any financial statement that while working capital is constantly changing, investments in fixed assets often stay relatively stable. Any business that wants to succeed must have a strong working capital position. This is demonstrated by sufficient inventory levels, minimal accounts receivable, and the least possible reliance on bank facilities for working capital, among other factors. Therefore, the study of working capital management holds significant importance within the realm of financial management.

## REVIEW OF LITERATURE

**Ramachandran and Janakiraman (2023)** The study examined the connection between earnings before interest and taxes and the effectiveness of working capital management in India's paper sector. The results showed that earnings before interest and taxes were negatively correlated with inventory days and the cash conversion cycle. On the other hand, earnings before interest and taxes were positively correlated with accounts payable and accounts receivable days.

**Bhattacharyya Hrishikes (2023)** A comprehensive theory and tool for managing working capital is being developed from a systems perspective. This study indicates that the term 'capital' frequently refers to capital goods, which encompass a wide range of items, including various types of machines, tools, raw materials, and goods in progress. A finance manager within a company seeks these items on the asset side of the balance sheet. When considering capital, he focuses on the opposite side of the balance sheet, ensuring he does not make any errors. His objective is to achieve a balance between the two sides in such a manner that the firm's net worth increases without

elevating the business's risk. This balancing act is known as financing, which involves funding the firm's assets by continuously generating streams of liabilities that correspond with the dynamic nature of the financial statements.

## RESEARCH METHODOLOGY

### INTRODUCTION

An organized process for solving an issue is represented by the research methodology. It includes the sampling strategy, the data gathering method, the analytic process, and the overall research design.

### RESEARCH DESIGN

A research design is the methodical setting up of parameters for data collecting and analysis with the goal of streamlining processes. Taking into account the time limits and the goals of the study, it is a proactive approach to organizing the collection of relevant data and the methodology to be used in the analysis. This naturally falls under the heading of analytical research design since the researcher looks at past data to predict future patterns.

### PERIOD OF STUDY

This research presents an analysis of financial performance covering a four-year period from 2019-20 to 2023-24.

### DATA COLLECTION

The evaluation of the financial status and performance of the enterprise requires dependable data; consequently, the information for this study is gathered using secondary data. Secondary data pertains to information that has been obtained by another party for a purpose distinct from the current investigation. It consists of pre-existing data that is easily accessible for utilization, including census data, government reports, or data compiled for earlier research.

### TOOLS AND TECHNIQUES

To reach the research findings and conclusions of the current study, ratio analysis, comparative balance sheet analysis, and trend analysis have been employed.

- Ratio analysis
- Trend analysis
- Comparative balance sheet

### LIMITATIONS OF THE STUDY

- The research is limited to a duration of five years, specifically from 2020 to 2024. Therefore, it reflects data from a restricted timeframe.
- Due to the confidential nature of the financial information, they are unwilling to disclose precise data or details.
- The duration of the study is notably brief.

### TREND ANALYSIS

Current asset			Current liability		Working capital	
Year	Amount	Trend %	Amount	Trend %	Amount	Trend %
2019-20	1427.50	100	1962.64	100	-535.14	100
2020-21	1620.31	113.51	2349.68	119.72	-729.37	136.29
2021-22	1772.70	124.18	2084.85	106.23	-312.15	58.33
2022-23	1521.01	106.55	2103.16	107.16	-582.15	108.78
2023-24	1113.31	78.00	1962.54	99.99	-849.23	158.69

### INTERPRETATION

The percentage of current assets exhibited fluctuations from year to year. Conversely, the percentage of current liabilities showed a decline each year. This reflects poorly on the company's performance. Additionally, the working capital percentage also experienced fluctuations annually.

### SUGGESTIONS

- Current assets should not exceed their limits, as this would increase the company's investment.
- The net working capital must remain balanced and should not fluctuate excessively.
- Proper management of inventory should be maintained.
- There is instability in the current assets turnover ratio. This is bad for the business, so the corporation

needs to increase sales to improve the current assets turnover ratio.

- There is irregularity in the gross profit ratio. As a result, the corporation wants to boost output in order to raise gross profit.
- Since receivables make up a sizable amount of the company's existing assets, management can put effective plans in place to collect the outstanding obligations.
- Management can adopt effective measures to reduce operating expenses, thereby increasing both net profit and gross profit.

### CONCLUSION

Paper product production is the organization's area of expertise. It is situated in Karur, where the information required for the study has been acquired. Evaluating the company's working capital condition and management is the main goal of this study. Working cash is essential to the smooth running of the company. The purpose of this study is to ascertain whether the business has effectively reached its working capital. The statement of changes in working capital and ratio analysis were among the approaches used in this investigation.

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