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**INTRODUCTION**

**Maruti Suzuki India Limited**is a publicly listed automaker in INDIA. It is a leading four-wheeler automaker manufacturer in south a Asia. Suzuki Motor Corporation of Japan holds a majority stake in the company. It was the first company in India to mass-produce and sell more than a million cars. It is largely credited for having brought in an automobile revolution to India.

It is the market leader in India and on 17 September 2007, Maruti Udyog was renamed Maruti Suzuki India Limited. The company headquarter is in Gurgoan, Haryana*.* Maruti Suzuki is one of India's leading automobile manufacturers and the market leader in the car segment, both in terms of volume of vehicles sold and revenue earned.

Maruti Udyog Limited (MUL)was established in February 1981, though the actual production commenced in 1983 with the Maruti 800, based on the SUZUKI Alto kei car, which at the time was the only modern car available in India, it’s only competitors- the Hindustan Ambassadorand premier Padmini were both around 25 years out of date at that point Through 2004, Maruti has produced over 5 Million vehicles. Maruti are sold in India and various several other countries, depending upon export orders.

Models similar to Maruti (but not manufactured by Maruti Udyog) are sold by Suzuki and manufactured in Pakistanand other South Asian countries. The company annually exports more than 50,000 cars and has an extremely large domestic market in India selling over 730,000 cars annually. Maruti 800, till 2004, was the India's largest selling compact car ever since it was launched in 1983. More than a million units of this car have been sold worldwide so far. Due to the large number of Maruti 800s sold in the Indian market, the term "Maruti*"* is commonly used to refer to this compact car model. Till recently the term "Maruti*",* in popular Indian culture, was associated to the Maruti 800model. Maruti Suzukiwas born as a government company, with Suzuki as a minor partner to make a people's car for middle class India. Over the years, the product range has widened, ownership has changed hands and the customer has evolved.

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**MISSION**-To provides maximum value for money to their customers through continuous improvement of products and services.

**VISION** *-* Creating customer delight and shareholders wealth.

**HISTORY OF AUTOMOBILES**

In 1953, the government of India and the Indian private sector initiated manufacturing processes to help develop the automobile industry, which had emerged by the 1940s in a nascent form. Between 1970 to the economic liberalization of 1991, the automobile industry continued to grow at a slow pace due to the many government restrictions.

A number of Indian manufactures appeared between 1970-1980. Japanese manufacturers entered the Indian market ultimately leading to the establishment of Maruti Udyog. A number of foreign firms initiated joint ventures with Indian companies. Timeline of Indian automobile industry:

· 1897 First Person to own a car in India - Mr. Foster of M/s Crompton Greaves

Company, Mumbai

· 1901 First Indian to own a car in India - Jamshedji Tata

· 1905 First Woman to drive a car in India - Mrs. Suzanne RD Tata

· 1905 Fiat Motors

· 1911 First Taxi in India

· 1924 Formation of traffic police

· 1928 Chevrolet Motors

· 1942 Hindustan Motors

· 1944 Premier Auto Limited

· 1945 Tata Motors

· 1947 Mahindra Motors

· 1948 Ashok Motors

· 1948 Standard Motors

· 1974 Sipani Motors

· 1981 Maruti Udyog

· 1994 Rover Motors

· 1994 Mercedes Benz

· 1994 Opel

· 1995 Ford Motors

· 1995 Honda SIEL

· 1995 Reva Electric Car Company

· 1995 Daewoo Motors

· 1996 Hyundai Motors

· 1997 Toyota Kirloskar Motors

· 1997 Fiat Motors (Re-Entry)

· 1998 San Motors

· 1998 Mitsubishi Motors

· 2001 Skoda Auto

· 2003 Chevrolet Motors (Re-Entry)

Following the economic reforms of 1991, the automobile section underwent deli censing and opened up for 100 percent Foreign Direct Investment. A surge in economic growth rate and purchasing power led to growth in the Indian automobile industry, which grew at a rate of 17% on an average since the economic reforms of 1991.

The industry provided employment to a total of 13.1 million people as of 2006- 07, which includes direct and indirect employment. The export sector grew at a rate of 30% per year during early 21st century. However, the overall contribution of automobile industry in India to the world remains low as of 2007.

Increased presence of multiple automobile manufacturers has led to market competitiveness and availability of options at competitive costs. India was one of the largest manufacturers of tractors in the world in 2005-06, when it produced 2,93,000/- units. India is also largely self-sufficient in tyres production, which it also exports to over 60 other countries. India produced 72 million tyres in 2010. *Fig. showing the* *****2010 the market share of automotive company of India.*

**OVERVIEW**

India’s car market has emerged as one of the fastest growing in the world. The number of cars sold domestically is projected to double by 2010, and domestic production is skyrocketing as foreign makers are setting up their own production plants in India. The government’s 10-year plan aims to create a $145 billion auto industry by 2016.

According to McKinsey, the auto sector’s drive to lower costs will push outsourcing. The auto sector could be worth $375 billion by 2015, up from $65 billion in 2002. McKinsey thinks India could capture $25 billion of this amount. Out of 400 Indian suppliers, 80 percent have the ISO 9000 certificate—the international standard for quality management.

**The production of automobiles in India is largely aimed at local consumers. Several Indian**

**Manufacturers also export a diverse variety of auto components. Tiku (2008) predicts a sale of 4.2 million four wheeler automobiles in India by 2015. Indian passenger vehicle exports are also expected to rise from 170,000 in 2006 to 500,000 in 2010. Indian automobile companies.**

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**MARUTI SUZUKI SALES IN 2009-2010 (MILSTONE)**

|  |
| --- |
| Car market leader Maruti Suzuki India Limited sold a total of 10, 18,365 vehicles in 2009-10. This is the first time in Indian automobile history that a car company has sold over a million units in a financial year. This included 8, 70,790 units sold in the domestic market, the highest ever by the company in a fiscal. The export sales of 1, 47,575 units in the year were the highest ever annual exports by the company.  The total sales numbers in 2009-10 mark a growth of 29 per cent over last financial year. Maruti Suzuki's total sale in 2008-09 was 792,167units.  The domestic sales in the fiscal, in A2 segment grew by 23.8 per cent while in the A3 segment the sales growth was 30.8 per cent, as compared to 2008-09  The export numbers in the year were led by A-star. This fuel efficient compact car clocked over 1.27 lakh export sales in the fiscal. A-star was exported across Europe including United Kingdom, France, Germany, Italy, Netherlands etc. The major non-European export markets are Algeria, Chile, Indonesia and neighboring countries. South Africa, Hong Kong, Australia and Norway were new markets where Maruti Suzuki cars were exported during the year.   **March 2010 Sales**  During March 2010, Maruti Suzuki sold total of 95,123 units, growing 11 percent over March 2009 (85,669 units). The March 2010 numbers include domestic sales of 79,530 units and the highest ever monthly exports of 15,593 units. The previous highest monthly exports were in August 2009 at 14,847 units.  **The sales numbers for March 2010 and the fiscal 2009-10 are as under:** |
|  |
| |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **Segment** | **Models** | **In March** | | | **Till March** | | | | **2010** | **2009** | **% Change** | **2009-10** | **2008-09** | **% Change** | | A1 | M800 | 2762 | 2430 | 13.7% | 33028 | 49383 | -33.1% | | C | Omni, Versa, Eeco\* | 10875 | 6021 | 80.6% | 101325 | 77948 | 30.0% | | A2 | Alto, Wagon-R, Estilo, Swift, A-Star, Ritz\* | 54763 | 55415 | -1.2% | 633190 | 511396 | 23.8% | | A3 | SX4, DZire | 10453 | 8595 | 21.6% | 99315 | 75928 | 30.8% | | **Total Passenger Cars** | | **78853** | 72461 | 8.8% | 866858 | 714655 | 21.3% | | MUV | Gypsy, Grand Vitara | 677 | 1394 | -51.4% | 3932 | 7489 | -47.5% | | **Domestic** | | **79530** | 73855 | 7.7% | 870790 | 722144 | 20.6% | | **Export** | | 15593 | 11814 | 32.0% | 147575 | 70023 | 110.8% | | **Total Sales** | | **95123** | 85669 | 11.0% | 1018365 | 792167 | 28.6% | |
|  |
| **\*Ritz launched in May 2009, Grand Vitara launched July 2009 and Eeco launched in January 2010** |
|  |
| On March 23, 2010, Maruti Suzuki rolled out the one millionth car of the year 2009-10. This feat takes the company into a very select group of global automakers with such volumes.   Maruti Suzuki is now expanding its production capacity to reach 12, 50,000 units (1.25 million) by 2012. In March 2010, the company announced an investment of Rs 1,700 Crore for expansion of the production facilities by 2.5 lakh units at its Manesar plant.  A spate of new launches and product refreshments during 2009-10 helped the company to clock sterling performance in the fiscal. These included Maruti Suzuki Ritz (May 2009), all-new Grand Vitara (July'09), new Estilo with K-series engine (Aug'09), new SX4 with VVT engine and SX4 with automatic transmission (Oct'09) and Eeco (January 2010).  **MARUTI SUZUKI SALES IN MAY 2010**   |  | | --- | | **The sales figures for May 2010 are given below**: | |  | | |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **Segment** | **Models** | **In May** | | | **Till May** | | | **April'09 - March'10** | | **2010** | **2009** | **% Change** | **2010-11** | **2009-10** | **% Change** | | A1 | M800 | 2558 | 2336 | 9.5% | 4816 | 4681 | 2.9% | 33028 | | C | Omni, versa,  Eeco\* | 12953 | 7619 | 70.0% | 23607 | 15343 | 53.9% | 101325 | | A2 | Alto, Wagon-R, Estilo, Swift,  Ritz\*, A-Star | 62679 | 53760 | 16.6% | 119095 | 100577 | 18.4% | 633190 | | A3 | SX4, D'zire | 10883 | 6782 | 60.5% | 20877 | 13848 | 50.8% | 99315 | | **Total Passenger Cars** | | **89073** | **70497** | **26.4%** | **168395** | **134449** | **25.2%** | **866858** | | MUV | Gypsy, Grand Vitara\* | 968 | 288 | 236.1% | 1680 | 1193 | 40.8% | 3932 | | **Domestic** | | **90041** | **70785** | **27.2%** | **170075** | **135642** | **25.4%** | **870790** | | **Export** | | 12134 | 9087 | 33.5% | 25158 | 15978 | 57.5% | 147575 | | **Total Sales** | | **102175** | **79872** | **27.9%** | **195233** | **151620** | **28.8%** | **1018365** | | |  | |  | |

**AWARDS**

**Indian award**

|  |  |
| --- | --- |
| http://www.marutiswift.com/images/award-arrow.jpg | No. 1 in Initial Quality Study - JD Power |
| http://www.marutiswift.com/images/award-arrow.jpg | Total Customer Satisfaction - TNS Study |
| http://www.marutiswift.com/images/award-arrow.jpg | Car of the Year - BS Motoring |
| http://www.marutiswift.com/images/award-arrow.jpg | Car of the Year - CNBC Autocar |
| http://www.marutiswift.com/images/award-arrow.jpg | Best Value for Money Car - CNBC Autocar |
| http://www.marutiswift.com/images/award-arrow.jpg | Best Design and Styling - CNBC Autocar |
| http://www.marutiswift.com/images/award-arrow.jpg | Viewer's Choice - CNBC Autocar |
| http://www.marutiswift.com/images/award-arrow.jpg | Small Car of the Year - NDTV Profit |
| http://www.marutiswift.com/images/award-arrow.jpg | Design Car of the Year - BBC Top Gear |
| http://www.marutiswift.com/images/award-arrow.jpg | Car of the Year – Overdrive |
| http://www.marutiswift.com/images/award-arrow.jpg | Number one premium compact car in - JD POWER INDIA APEAL STUDY 2007 |

**International Awards**

|  |  |
| --- | --- |
| http://www.marutiswift.com/images/award-arrow.jpg | **Japan:**   * RJC Car of the Year - Automotive Researchers' & Journalists' Conference * 2005-2006 Car of the Year Japan "Most Fun" - COTY * Goof Design Award - Japan Industrial Design Promotion Organization * Car view of the Year 2005-2006 - Car view |
| http://www.marutiswift.com/images/award-arrow.jpg | **Iceland:**   * Car of the Year 2006 - BIBD the Association of Automotive Journalists |
| http://www.marutiswift.com/images/award-arrow.jpg | **Ireland:**   * Samper it Irish Car of the Year 2006 - Irish Motoring Writers Association |
| http://www.marutiswift.com/images/award-arrow.jpg | **New Zealand:**   * Fairfax AMI Small Car of the Year - AUTOCAR * National Business Review Small Car of the Year - The National Business Review |
|  | **Australia:**   * 2005 Cars guide Car of the Year - Cars guide |
| http://www.marutiswift.com/images/award-arrow.jpg | **United Kingdom:**   * 2005 Car of the Year - CAR (Automobile Magazine) |
| http://www.marutiswift.com/images/award-arrow.jpg | **Malaysia:**   * NST MasterCard Car of the Year 2005 "Small Car" - New Strait Times |
| http://www.marutiswift.com/images/award-arrow.jpg | **China:**   * 2005 CTV COTY "Economical Car" - CCTV * Motor Show COTY "Hatchback" - 2005 Shanghai International Motor Show * Most Popular Hatchback Car - 4th Changchun Motor Show * 2005 Shenzhen Market Car Ranking "Best Design" - Shenzhen Daily * 2005 Chengdu Market Car Ranking "Best Design" - Chengdu Economic Daily |
|  |  |

**COMPANY PROFILE**

Maruti Suzuki India limited, a subsidiary of SMC, Japan, is the leader in passenger cars and multipurpose vehicle (MPVs) in India, accounting for almost 55% of the total industry sales.

The company formerly known as **Maruti Udyog limited** was incorporated as a joint venture (JV) between government of India and SMC, Japan on 24th February, 1981.The first car was rolled out from its Gurgaon facility on 14 Dec 1983.Since then; it has sustained its leadership position in the Indian car market.

We, at Maruti Suzuki, celebrated 26 years of car manufacturing in India 2009-10. Having achieved manufacturing excellence in India, we are now in the process of enhancing our R&D capabilities to design and develop cars.

In 2009-10, the company sold 722,144 cars in the domestic market and exported 70,023 cars .Cumulatively, it has produced and sold over seven million cars .The total income of the company for 2009-10 stood at Rs. 214,538 million (USD4.46 billion@ 1USD=Rs.48). We now aim at selling 750,000 units in the domestic market and exporting 130,000 units in 2009-10.

Maruti Suzuki has a strong balance sheet with Reserves and Surplus of Rs.92, 004 million & debt equity ratio of 0.07 as on 31st March, 2010.

**DOMESTIC SALES AND SERVICE NETWORK**

*TOTAL SERVICE NETWORK*--------------2767

TOTAL SALES NETWORK-------------681

REGIONAL OFFICES--------------------16

*AREA OFFICES----------------------09*

*ZONAL OFFICES------------------04*

*DELHI CORPORATE OFFICE* The company has the largest sales and service network amongst car manufacture in India .It had 681 sales outlets in 454 cities as on 31st March, 2009. The car park of the company is in excess of seven million vehicles and to service this car park ,the company has 2,767 service workshops in 1,314 cities .The service network of Maruti Suzuki includes Dealer workshop, Maruti Authorized services stations (MASs),Maruti service masters (MSM)and Maruti service Zones (MSZ).

Besides selling and servicing vehicles, the company provides its customers with “one stop-shop” experience such as automobile Finance, Automobile insurance, Maruti Genuine Parts and Accessories, Extended warranty and Maruti Certified pre-owned car outlets in 181 cities as on 31st March, 2009.

**EXPORTS**

Maruti Suzuki exported the first lot of 500 car to Hungary in September, 1987.Presently, we are exporting to over 100 markets in Europe, Asia, Latin America, Africa and Oceania.In2008-09, the company launched a new model A-Star that meets stringent European safety and emission regulation. The company has exported over 500,000 cars so far.

**PORT FACILITIES FOR EXPORT**

In 2009-10, in association with Mundra Port SEZ Limited, the company had set up the company had set up the state-of -the art facilities at Mundra Port ,Gujarat for Export terminal offers a “Roll On, Roll Off”(RORO) berth ,which speeds up the loading process and minimizes the chance of damage to cars. The company also has a Pre-Delivery Inspection (PDI) Centre at Mundra.

In a first of its kind initiative, the company, in partnership with Indian Railways, has developed double Decker rail wagons for transporting export cars Mundra.

**MARUTI AND CRM:-**  Maruti created a land-mark in CRM by launching a website for the customers in the year 1998.

**SWOT ANALYSIS OF MARUTI SUZUKI**

**STRENGHS**

* Bigger name in the market
* Trust of People
* Maruti Udyog Ltd. is the market leader for more than two decade.
* Has a great dealership chain in the market.
* Better after sales service
* Low maintenance cost of vehicle

**WEAKNESSES**

* Exports are not that good.
* Lesser diesel models in the market compare to others
* Global image is not that big

**OPPORTUNITIES**

* Great opportunities to go global with success of Swift and SX4All over
* Introduction of more diesel models. The diesel car segment is growing.
* Opportunity to grow bigger by entering into bigger car markets
* Already a market leader so great opportunity to be the king of market in every stage of industry

**THREATS**

* Foreign companies entering market; so a bigger threat from MNCs.
* To the market share, as many big names are coming in the industry
* There is hardly any diesel models
* Rs. 1 lakh – Rs. 1.5 lakh car

**COMPANY PRODUCT**

The company offers a portfolio of 13 brands, ranging from the people’s car Maruti 800 to the stylish hatch – back, Swift, SX4 sedan and luxury sport utility vehicle (SUV), Grand Vitara. More than half the cars sold in India wear a Maruti Suzuki badge. As per the classification by the society of Indian Automobile manufacturers (SIAM), Maruti Suzuki models are categorized under the following heads:

A1 Segment (up to 3400 mm) : Maruti 800

A2 Segment (3400 mm to 4000 mm): Alto, Estilo, WagonR, A-star, Ritz, Swift

A3 Segment (4000mm to 4500 mm): Dzire & SX4

Multy utility Vehicle (MUA) Segment: Gypsy & Grand Vitara

Multi Purpose vehicle (MPV) Segment: Omni & Versa

**(1)Maruti 800 -*change your life:* -** Maruti 800 has gone beyond just being a car

; It has transformed the lives of countless people, by bringing the joy of motoring to million across the length and breadth of the country.

**(2)Alto-*Let’s go:-*** Alto is a great combination of economy, practicality & styling, It

****** exemplifies the benchmark in build ,quality & reliability in a compact car. These a attributes make it the largest selling car in Indian automobile market .This is testified by the 24 hr endurance record set by covering 3,082 kms in 24 hrs at an average speed of 128 kmph.

**(3)Dzire-*The heart car: -*** A car that has everything you ever desired; striking looks, l******luxurious interiors & enough power to capture your heart just slide in the DZire & take it for a spin, it’s sure to steal many a heart, beginning with yours.

**(4)** **SX4**- ***Men are back:-*** Revolutionary European design ,world class “drive by wire” technology, most spacious in its class, steering mounted audio controls, maximum ground clearance in its class ,high on safety with dual airbags, Anti-lock Brake system (ABS) & Electronic rack force Distribution (EBD) feature.

**(5) GRAND VITARA\*-2.4-Reloaded:-** Distinctively styled, the third generation Grand Vitara takes three decades of Suzuki SUV heritage to the next level. The Vitara model first hit the road in Japan in 1988 as a 3-door part –time four wheel drive (4WD). In its second avatar, the Vitara came armed with a stylish design, superior engineering and a new name, the Grand Vitara. *Launched in India on 1st July, 2009*

**(6) VERSA –*The joy of travelling together:-*** Experience the joy of travelling together. Equipped with twin –ACs, large sliding doors and flexible seating, the Versa encourages family and friend to enjoy long drives and getaways together. In spite of being so spacious, its design allows for easy maneuverability in the city.

**(7) SWIFT –*You are the fuel:*** A new kind of computer car ,one that’s based on a fresh approach to design and development, Swift delivers the kind of driver and passenger experience that places it in a class of its own and has true worldwide appeal.

**(8) OMNI –Ab Kamyabi se hai sirf Omni bhar ka faasla**

Omni is truly India’s original MPA .Today it as available in five variants-5 seater, 8 seater, Cargo,  Ambulance & liquefied petroleum Gas (LPG).It meets diverse needs across different user segments & can double up both as a people carrier and a goods carrier .it is easy on the pocket, yet tough on the job.

**(9) WAGONR-*For the smarter race:-*** Drive with complete peace of mind .The world class safety features of the WagonR keeps you safe and secure, always. Wearing new vibrant colors, the new WagonR is full of freshness and energy to keep you charged up and always ready to go.

**(10) GYPSY KING –*There is a Gypsy in everyone:-*** With superb maneuverability, maneuverability,  smooth handling and raw energy packed in to a sleek yet rugged frame, the Gypsy King is the real adventure MUV ,whether ploughing through the dirk tracks, climbing formidable terrain or making way through the city traffic .Maruti Suzuki is proud to support the operations of our country’s defense services with the tailor made Gypsy King .Gypsy has proved its mettle during defense operation in the Himalayas and Thar desert.

**(11)ESTILO\*-*Take a fresh view of life:-*** The all new ESTILO is a new landmark in terms of design and technology, with its all new aerodynamic design , Estilo sets the benchmark and makes each drive a fresh new experience .Complementing its stylish looks are new ,classy and elegant interiors that redefine comfort .What’s more ,the all new Estilo with its advance K-series engine gives you incredible power each time you turn on the ignition.\**Launched in August,2009*

**(12) A-STAR*- Stop @ Nothing***:- Designed to perfection ,driven only to succeed ,A-Star has taken over the world. Made in India to meet European standards, the car symbolizes the beginning of a revolution with its unique aerodynamic stylish ,Powered by the latest state –of-art ,light weight K-series petrol engine, it has the best in class pick-up and segment beating mileage of 19.59 kmpl. It is expected to many European and Non-European countries under the brand name of Suzuki alto and Suzuki Celerio respectively. *As tested by Automotive Research Association of India (ARAI),Pune ,India’s premier automotive research agency.*

**(13) RITZ\*-*live the moment:-*** The Ritz combines modern European design, the sportiness of the swift, the latest in engine technology and Suzuki’s globally acclaimed expertise in compact cars, Ritz is an exceptional blend of modern design & practicality .The interior of the car are smartly styled providing a very comfortable space to all the people in the cabin .The K12M petrol engine and 1.3 liter DDiS diesel engine powering the Ritz are supremely refined & silent with best in class fuel efficiency.*\*launched on 15th May,2009.*

**Product Line Products**

**A1------- 800**

**A2------- Alto, Zen, WagonR, Swift, A-star**

**A3------- D ZiRE, Sx4**

**SUV---- Vitara, Gypsy**

**C - ----Class Omani, Versa**

**PRODUCT PROFILE**

**The all-new Maruti Suzuki Swift is fully loaded with a range of exciting new features. It's a perfect complement to your evolved tastes and lifestyle. And the best way to take your driving pleasure to a brand-new high European Styling. Japanese Engineering Dream-Like Handling.**

The new Swift is a generation different from Suzuki design. Styled with a clear sense of muscularity, its one-and-a-half box, aggressive form makes for a look of stability, a sense that it is packed with energy and ready to deliver a dynamic drive. Its solid look is complemented by an equally rooted road presence and class defining ride quality. New chassis systems allow for the front suspension lower arms, steering, and gearbox and rear engine mounting to be attached to a suspension frame. You get lower road noise and a greater feeling of stability as you sail over our roads with feather-touch ease.

**Reviews of swift**

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| --- |
| **Car India** The Swift has more than its fair share of silicon livery under its hood…This intricate network of processors controls everything on the Swift. |
| **Auto India** The Swift is really peppy in city traffic/conditions… The torque comes into action in truly linear motion. |
| **Car India** Average mileage of 15.6 kmpl. |
| **Auto India** Unlike other hatchbacks on the road, this one also boasts an Automatic Climate Control System… You just set the specific temperature you want, and leave the rest to the system. |
| **Car India** The suspension is tuned to be taut and sporty. This means that handling and feedback…are brilliant. |
| **Car India** The Swift leads the charge in the occupant safety stakes by being the first hatchback in the country to have front air bags in its specification sheet. |

**INTRODUCTION**

**TO**

**TOPIC**

**WORKING CAPITAL MANAGEMENT**

Working capital management is concerned with the problems arise in attempting to manage the current assets, the current liabilities and the inter relationship that exist between them. The term current assets refers to those assets which in ordinary course of business can be, or, will be, turned in to cash within one year without undergoing a diminution in value and without disrupting the operation of the firm. The major current assets are cash, marketable securities, account receivable and inventory. Current liabilities ware those liabilities which intended at their inception to be paid in ordinary course of business, within a year, out of the current assets or earnings of the concern. The basic current liabilities are account payable, bill payable, bank over-draft, and outstanding expenses. The goal of working capital management is to manage the firm’s current assets and current liabilities in such way that the satisfactory level of working capital is mentioned. The current should be large enough to cover its current liabilities in order to ensure a reasonable margin of the safety.

Definition:-

1. According to Guttmann & Dougall-“Excess of current assets over current liabilities”.

**NEED OF WORKING CAPITAL MANAGEMENT**

The need for working capital gross or current assets cannot be over emphasized. As already observed, the objective of financial decision making is to maximize the to shareholders wealth. Achieve this, it is necessary to generate sufficient profits can be earned will naturally depend upon the magnitude of the sales among other things but sales cannot convert into cash. There is a need for working capital in the form of current assets to deal with the problem arising out of lack of immediate realization of cash against goods sold. Therefore sufficient working capital is necessary to sustain sales activity. Technically this is refers to operating or cash cycle. If the company has certain amount of cash, it will be required for purchasing the raw material may be available on credit basis. Then the company has to spend some amount for labor and factory overhead to convert the raw material in work in progress, and ultimately finished goods. These finished goods convert in to sales on credit basis in the form of sundry debtors. Sundry debtors are converting into cash after expiry of credit period. Thus some amount of cash is blocked in raw materials, WIP, finished goods, and sundry debtors and day to day cash requirements. However some part of current assets may be financed by the current liabilities also. The amount required to be invested in this current assets is always higher than the funds available from current liabilities. This is the precise reason why the needs for working capital arise

**GROSS WORKING CAPITAL AND NET WORKING CAPITAL**

**1. Gross working capital-**

Gross working capital refers to the firm’s investment I current assets. Current assets are the assets which can be convert in to cash within year includes cash, short term securities, debtors, bills receivable and inventory.

**2. Net working capital-**

Excess of current assets over current liabilities are called the net working capital or net current assets. Net working capital can be positive or negative efficient working capital management requires that firms should operate with some amount of

(Net working capital = Current Assets – Current Liabilities)

Further, following formula can be used to determine the conversion periods.

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**DETERMINANTS OF WORKING CAPITAL**

Working capital requirements of a concern depends on a number of factors, each of which should be considered carefully for determining the proper amount of working capital. It may be however be added that these factors affect differently to the different units and these keeps varying from time to time. In general, the determinants of working capital which re common to all organization’s can be summarized as under:

**1. Nature of Business**

Working capital requirement of a firm are basically influenced by nature of business. Trading and financial firms require a large sum of money to be invested in working capital to carry large stocks of a variety of goods to satisfy varied and continuous demands of their customers. Manufacturing and construction firms have to invest substantially in working capital. In contrast, Public utilities may have limited need for working capital because they may have only cash sales and supply services, not product. So such concern have to make adequate investment in current assets depending upon the total assets structure and other variables.

**2. Size and growth of business**

In very small company the working capital requirement is quit high due to high overhead, higher buying and selling cost etc. as such medium size business positively has edge over the small companies. But if the business start growing after certain limit, the working capital requirements may adversely affect by the increasing size.

**3. Business/ Trade cycle**

If the company is the operating in the time of boom, the working capital requirement may be more as the company may like to buy more raw material, may increase the production and sales to take the benefit of favorable market, due to increase in the sales, there may more and more amount of funds blocked in stock and debtors etc. similarly in the case of depressions also, working capital may be high as the sales terms of value and quantity may be reducing, there may be unnecessary piling up of stack without getting sold, the receivable may not be recovered in time etc.

**4. Length of production cycle**

In some business like machine tools industry, the time gap between the acquisition of raw material till the end of final production of finished products itself is quit high. As such amount may be blocked either in raw material or work in progress or finished goods or even in debtors. Naturally there need of working capital is high.

**5. Fluctuations of supply and seasonal variations**

Some companies need to keep large amount of working capital due to their irregular sales and intermittent supply. Similarly companies using bulky materials also maintain large reserves’ of raw material inventories. This increases the need of working capital. Some companies manufacture and sell goods only during certain seasons. Working capital requirements of such industries will be higher during certain season of such industries period.

**6. Production policies**

Production policies of the organization effect working capital requirements very highly. Seasonal industries, which produces only in specific season requires more working capital. Some industries which produces round the year but sale mainly done in some special seasons are also need to keep more working capital.

7**. Operating efficiency**

If the business is carried on more efficiently, it can operate in profits which may reduce the strain on working capital; it may ensure proper utilization of existing resources by eliminating the waste and improved coordination etc.

**8. Terms of purchase and sales**

Some time due to competition or custom, it may be necessary for the company to extend more and more credit to customers, as result which more and more amount is locked up in debtors or bills receivables which increase the working capital requirement. On the other hand, in the case of purchase, if the credit is offered by suppliers of goods and services, a part of working capital requirement may be financed by them, but it is necessary to purchase on cash basis, the working capital requirement will be higher.

**9. Profitability**

The profitability of the business may be vary in each and every individual case, which is in turn its depend on numerous factors, but high profitability will positively reduce the strain on working capital requirement of the company, because the profits to the extend that they earned in cash may be used to meet the working capital requirement of the company.

**10. Current asset policies**

The quantum of working capital of a company is significantly determined by its current assets policies. A company with conservative assets policy may operate with relatively high level of working capital than its sales volume. A company pursuing an aggressive amount assets policy operates with a relatively lower level of working capital.

**11. Other factors**

Effective co ordination between production and distribution can reduce the need for working capital. Transportation and communication means. If developed helps to reduce the working capital requirement.

**MEANING OF WORKING CAPITAL MANAGEMENT**

Decisions relating to working capital and short term financing are referred to as *working capital management*. These involve managing the relationship between a firm's [short-term assets](http://en.wikipedia.org/wiki/Asset#Current_assets) and its [short-term liabilities](http://en.wikipedia.org/wiki/Current_liability).

The goal of working capital management is to ensure that the firm is able to continue its [operations](http://en.wikipedia.org/wiki/Operations_management) and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

Efficient management of working capital is one of the pre-conditions for the success of an enterprise. Efficient management of working capital means management of various components of working capital in such a way that an adequate amount of working capital is maintained for smooth running of a firm and for fulfillment of twin objectives of liquidity and profitability. While inadequate amount of working capital impairs the firm’s liquidity. Holding of excess working capital results in the reduction of profitability. But the proper estimation of working capital actually required, is a difficult task for the management because the amount of working capital varies across firms over the periods depending upon the nature of business, production cycle, credit policy, availability of raw material, etc.

**TYPES OF WORKING CAPITAL**

**WORKING CAPITAL**

**BASIS OF CONCEPT**

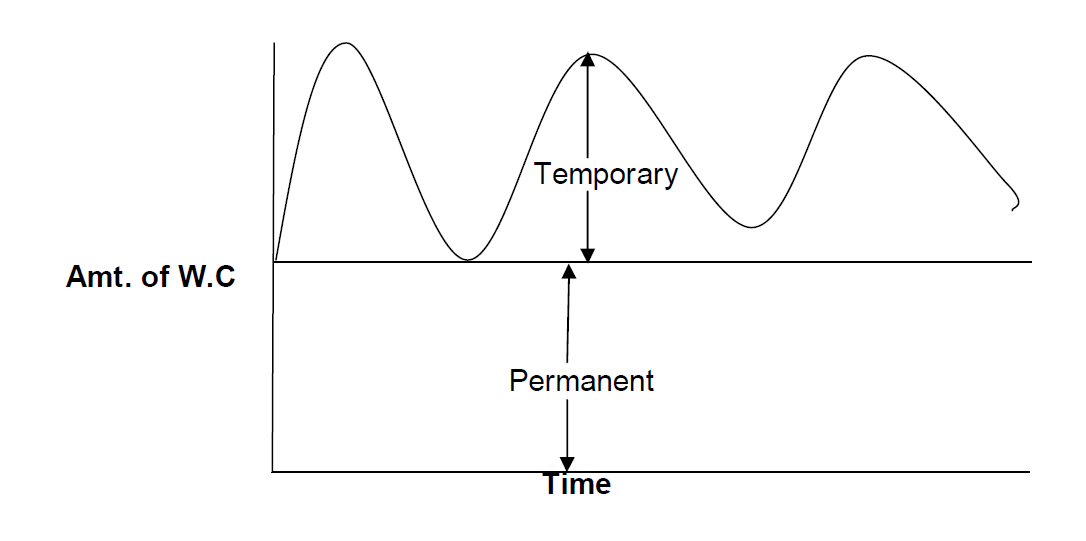
**BASIS OF TIME**

**Gross Working Capital**

**Net Working Capital**

**Permanent / Fixed WC**

**Temporary / Variable WC**



**DETERMINANTS OF WORKING CAPITAL**

The amount of working capital is depends upon a following factors-

1. Nature of business

2. Length of production cycle

3. Size and growth of business

4. Business/ Trade cycle

5. Terms of purchase and sales

6. Profitability

7. Operating efficiency

**SOURCES OF WORKING CAPITAL FINANCE**

1) Trade credit

2) Bank Finance

3) Letter of credit

**1) Trade credit**

Trade credit refers to the credit that a customer gets from suppliers of goods in the normal course of business. The buying firms do not have to pay cash immediately for the purchase made. This deferral of payments is a short term financing called trade credit. It is major source of financing for firm. Particularly small firms are heavily depend on trade credit as a source of finance since they find it difficult to raised funds from banks or other sources in the capital market. Trade credit is mostly an informal arrangement, and it granted on an open account basis. A supplier sends goods to the buyers accept, and thus, in effect, agrees to pay the amount due as per sales terms in the invoice. Trade credit may take the form of bills payable. Credit terms refer to the condition under which the supplier sells on credit to the buyer, and the buyer required to repay the credit. Trade credit is the spontaneous source of the financing. As the volume of the firm’s purchase increase trade credit also expand. It appears to be cost free since it does not involve explicit interest charges, but in practice, it involves implicit cost. The cost of credit may be transferred to the buyer via the increased price of goods supplied by him.

**2) Bank finance for working capital**

Banks are main institutional source of working capital finance in India. After trade credit, bank credit is the most important source of financing working capital in India. A banks considers a firms sales and production plane and desirable levels of current assets in determining its working capital requirements. The amount approved by bank for the firm’s working capital is called credit limit. Credit limit is the maximum funds which a firm can obtain from the banking system. In practice banks do not lend 100% credit limit; they deduct margin money.

**Forms of bank finance:-**

1. Term Loan

2. Overdraft

3. Cash credit

4. Purchase or discounting of bills

**1) Term Loan**

In this case, the entire amount of assistance is disbursed at one time only, either in cash or the company’s account. The loan may be paid repaid in installments will charged on outstanding balance.

**2) Overdraft**

In this case, the company is allowed to withdraw in excess of the balance standing in its Bank account. However, a fixed limit is stipulated by the Bank beyond which the company will not able to overdraw the account. Legally, overdraft is a demand assistance given by the bank i.e. bank can ask repayment at any point of time.

**3) Cash credit**

In practice, the operations in cash credit facility are similar to those of those of overdraft facility except the fact that the company need not have a formal current account. Here also a fixed limit is stipulated beyond which the company is not able to withdraw the amount.

**4) Bills purchased / discounted**

This form of assistance is comparatively of recent origin. This facility enables the company to get the immediate payment against the credit bills / invoice raised by the company. The banks hold the bills as a security till the payment is made by the customer. The entire amount of bill is not paid to the company. The company gets only the present worth of amount of bill from of discount charges. On maturity, bank collects the full amount of bill from the customer.

**3) Letter of credit**

In this case the exporter and the importer are unknown to each other. Under these circumstances, exporter is worried about getting the payment from the importer and importer is worried as to whether he will get goods or not. In this case, the importer applies to his bank in his country to open a letter of credit in favor of the exporter whereby the importers bank undertakes to pay the exporter or accept the bills or draft drawn by the exporter on the exporter fulfilling the terms and conditions specified in the letter of credit.

Banks have been certain norms in granting working capital finance to companies. These norms have been greatly influenced by the recommendation of various committees appointed by the Reserve Bank of India from time to time. The norms of working capital finance followed by bank since mid-70were mainly based on the recommendations of the Tondan committee. The Chore committee made further recommendations to strengthen the procedure and norms for working capital finance by banks.

**VARIOUS CONSTITUENTS OF WORKING CAPITAL**

The two constituents of working capital are as follows :

* current assets
* current liabilities

Current assets : these are the assets, which can be converted onto cash with in an accounting year or are held for short period of time.

The major components of current assets include

* inventories
* cash and bank balance
* accounts receivables
* loans and advances
* short term investment

Current liabilities : there are short term debates and obligations due to outside parties. The major components of current liabilities includes

* + trade credit
  + bank loans overdrafts and cash
  + short term loans from FI tax payment due.

**OPERATING CYCLE OF WORKING CAPITAL**

The need of working capital arrived because of time gap between production of goods and their actual realization after sale. This time gap is called Operating Cycle or Working Capital Cycle . The operating cycle of a company consist of time period between procurement of inventory and he collection of cash from receivables. The operating cycle is the length of time between the company's outlay on raw materials, wages and other expanses and inflow of cash from sales of goods. Operating cycle is an important concept in management of cash and management of cash working capital. The operating cycle reveals the time that elapses between outlays of cash and inflow of cash. Quicker the operating cycle less amount of investment in working capital is needed

and it improves profitability. The duration of the operating cycle depends on nature of industries and efficiency in working capital management.

In manufacturing concern ,the working capital cycle/operating cycle starts with the purchase of raw material and ends with the realization of cash from the sale of finished products. This cycle involves purchase of raw material and stores, its conversion through into stocks of finished goods through work-in-progress with progressive increment of labor and service costs, conversion of finished stock into

sales, debtors and receivables and ultimately realization of cash and this cycle continues again from cash to purchase

DEBTORS

(RECEIVABLES)

FINISHED GOODS

CASH

RAW MATERIALS

WORK-IN-PROCESS

**(WORKING CAPITAL CYCLE/OPERATING CYCLE)**

The speed with which the working capital completes one cycle determines the requirements of working capital-longer the period of the cycle larger is the requirement of working capital

**RESEARCH**

**METHODOLOGY**

**INTRODUCTION**

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying now research is done systematically. In that various steps, those are generally adopted by a researcher in studying his problem along with the logic behind them. It is important for research to know not only the research method but also know methodology. ”The procedures by which researcher go about their work of describing, explaining and predicting phenomenon are called methodology.”

Methods comprise the procedures used for generating, collecting and evaluating data. All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem.

Data collection is important step in any project and success of any project will be largely depend upon now much accurate you will be able to collect and how much time, money and effort will be required to collect that necessary data, this is also important steps. Data collection plays an important role in research work. Without proper data available for analysis you cannot do the research work accurately.

**RESEARCH METHODLGY**

Research is common parlance refers t a search for knowledge. One can also define research as a scientific and systematic search for pertinent information n a specific topic.

The word research has been derived from French word Researcher means to search. FRANCIES RUMMER defines research It is a care inquiry r examination t discover new information or relationship and expand or verify existing knowledge. Research is the solution of the problem, whether created already generated. When research is done, some new outcome, so that the problem (created or generated) to be solved.

**RESEARCH DESIGN:**

RESEARCH DESIGN is the conceptual structure within which research is conducted. It constitutes the blueprint for collection, measurement and analysis of data. The design used for carrying out this **research is descriptive.**

**SAMPLIG PLAN:**

It is very difficult to collect information from every member of speculation. As time ad costs are the major limitation that the researcher faces.

a sample of 100 was taken the sample size of 100 employees were selected o the basis of freedom sampling technique. The individual were selected in the random manner to form sample and data were collected from them for the research study.

SAMPLE UMT: 100 Employees

AREA OF STUDY: **Maruti Suzuki India Limited**

**ANALYSIS AD INTERPRETATIO:**

Data collection through questionnaires ad personal interview resulting in availability of the desire information but these were useless until there were analyzed. Various steps required for this purpose were editing coding ant tabulation. Tabulation refers to bringing together similar data and compiling them in an accurate and meaningful manner. The data collected by questionnaire was analyzed interpretation with the help of table, bar chart and pie chart.

Project is based on

1. **Maruti Suzuki India Limited**. 2005-06

2. **Maruti Suzuki India Limited**. 2006-07

3. **Maruti Suzuki India Limited**2007-08

4 **Maruti Suzuki India Limited**. 2008-09

5. **Maruti Suzuki India Limited**2009-10

**OBJECTIVES OF THE STUDY**

Study of the working capital management is important because unless the working capital is managed effectively, monitored efficiently planed properly and reviewed periodically at regular intervals to remove bottlenecks if any the company cannot earn profits and increase its turnover. With this primary objective of the study, the following further objectives are framed for a depth analysis.

1. To study the working capital management of **Maruti Suzuki India Limited**

2. To study the optimum level of current assets and current liabilities of the company.

3. To study the liquidity position through various working capital related ratios.

4. To study the working capital components such as receivables accounts, cash management, Inventory position.

5. To study the way and means of working capital finance of the **Maruti Suzuki India Limited**

6. To estimate the working capital requirement of **Maruti Suzuki India Limited**

7. To study the operating and cash cycle of the company.

**SCOPE & LIMITATION**

**OF**

**STUDY**

**SCOPE & LIMITATIONS OF THE STUDY**

**Scope of the study-**

The study of working capital is based on tools like trend Analysis, Ratio Analysis, working capital leverage, operating cycle etc. Further the study is based on last 5 years Annual Reports of Company. And even factors like competitor’s analysis, industry analysis were not considered while preparing this project.

**Limitations of the study-**

Following are the limitations of the study being conducting:

**1) Limited data:-**

This project has to be done on the basis of the annual reports; it just constitutes one part of data collection i.e. secondary. There are limitations for primary data collection because of confidentiality.

**2) Limited period:-**

This project is based on five year annual reports. Conclusions and recommendations are based on such limited data. The trend of last five year may or may not reflect the real working capital position of the company

**3) Limited area:-**

Also it is difficult to collect the data regarding the competitors and their financial information. Industry figures were also difficult to.

**FINDING**

* Make available just adequate quantum of working capital. Some of the existing machinery is new with absolute equipment requiring modernization and rebuilding.
* The company should administrate their credit on the basis of certain well recognized ad established principle of credit administration.
* The company should maintain a optimum level f cash in the business in order to maintain a proper liquidity in the business.

**Analysis of the Problem under Study**

Funds available for period of one year or less is called short term finance. In India short term finance is used as working capital finance. Two most significant short term sources of finance for working capital are trade credit and bank borrowing. Trade credit ratio of current assets is about 40%, it is indicated by Reserve Bank of India data that trade credit has grown faster than the growth in sales. Bank borrowing is the next source of working capital finance. The relative importance of this varies from time to time depending on the prevailing environment. In India the primary source of working capital financing are trade credit and short term bank credit. After determine the level of working capital, a firm has to consider how it will finance. Following are sources of working capital finance.

**Sources of working Capital Finance**

1) Trade credit

2) Bank Finance

3) Letter of credit

**1) Trade credit**

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**Table -Working capital loan and interest**

(Rs.in millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particular** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** |
| Working Capital term Loan from Bank | 8152 | 7622 | 3527 | 2670 | 1967 |
| **Consortium of Bank** |  |  |  |  |  |
| Working Capital Demand Loan | 5482 | 1919 | 905 | 359 | 728 |
| Foreign Currency Demand Loan |  | 4965 | 5383 | 4451 | 5286 |
| Cash Credit Account | 6094 | 3848 | 1589 | 4579 | 5952 |
| Export Packaging Credit | 587 | 1398 | 6736 | 11907 | 19655 |
| Foreign Bill Discount from bank | 431 | 1518 | 494 |  |  |
| Letter of Credit | 728 |  |  |  |  |
| **Total** | **21474** | **21270** | **18634** | **23966** | **33588** |
| **Interest on Working Capital** | **1801** | **2060** | **1947** | **1960** | **3549** |

**Chart-**



**Chart No.**



**Observations**

Maruti Suzuki India Ltd takes huge working capital loan to fulfill the requirement of working capital, thus company had paid huge amount of interest on working capital loan. Company raised the funds for working capital through term loan from bank, and working capital loan from consortium of banks. Maruti Suzuki India Ltd. also used cash credit account but cash credit is not cost free source of working capital because it involves implicit cost. The supplier extending trade credit incurs cost in the form of opportunity cost of funds invested in accounts receivable. The annual opportunity cost of forgoing cash discount can be very high. Therefore Maruti Suzuki India Ltd. should compare the opportunity cost of trade credit with the cost of other sources of credit while making its financial decisions.

**Estimation of working capital**

After considering the various factors affecting the working capital needs, it is necessary to forecast the working capital requirements. For this purpose, first of all estimate of all current assets should be made, these should be followed by the estimation of all current liabilities. Difference between the estimated current assets and estimated current liabilities will represent the working capital requirements.

The estimation of working capital requirement of MSIL is based on few assumptions such as follows.

1. Gross sales will increase by 40%

2. Receivables collection period will be 90 day as per standards fixed by company.

3. Unnecessary balance of Cash may reduce by finance management.

4. For working capital finance company can use maximum trade credit.

5. Inventory holding period can be 60 days instead of present 95 days.

**Table -Estimation of the working capital**

**For the year 20010-11 for MSIL**

|  |  |
| --- | --- |
| **Particulars** | **Estimated Amount (Rs. In Millions)** |
| **Current Assets** |  |
| Inventories (Holding Period 60 Days) | 40254 |
| Sundry Debtors(Avg. Collection Period 90 Days | 50921 |
| Cash & Bank Balance | 5666 |
| Other Assets | 1345 |
| Loan & Advances | 25543 |
| **Total of A** | **123729** |
| **B) Current Liabilities** |  |
| Current Liabilities (40% Increment) | 60484 |
| Provisions(40% increment) | 4632 |
| **Total of B** | **65116** |
| **Net Working Capital (A-B) (Estimated)** | 58613 |

**Observations**

Maruti Suzuki India Ltd took benefit of such position to raise the funds for working capital finance. In the year 2005-06 term loan from bank was the major source of finance, but it reduced by 75% it indicate that company changed the finance policy to get benefit sources like term credit (export package credit) which is not directly affect on cost of finance. In the year 2005-06 company used letter of credit but after that company not used such facility from third person, company start own offices in foreign country to transactions. Company used the cash credit account for working capital finance such as cash credit facility provided by co-operative and national banks.

Company required such huge amount for working capital finance because liquidity of the company locked in debtors. Company had around 50 % receivables account of total current assets. Company fixed normal collection period of 90 days, but collection system of the company was not able to collection from debtors within credit term. Company has receivable but not liquidity to payment of creditors thus company took cash credit and credit term, which increased the interest on working capital finance by around 96% from year 2006 to year end 2010. Cash management of the company is more conservative thus company carry huge amount in terms of liquid assets.

**INTERPRETATION OF RESULT**

**Working capital level**

The consideration of the level investment in current assets should avoid two danger points excessive and inadequate investment in current assets. Investment in current assets should be just adequate, not more or less, to the need of the business firms. Excessive investment in current assets should be avoided because it impairs the firm’s profitability, as idle investment earns nothing. On the other hand inadequate amount of working capital can be threatened solvency of the firms because of it’s inability to meet it’s current obligation. It should be realized that the working capital need of the firms may be fluctuating with changing business activity. This may cause excess or shortage of working capital frequently. The management should be prompt to initiate an action and correct imbalance.

**Table - Size of working capital**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  | (Rs. In Millions.) | |
| **A) Current Assets** |  |  |  |  |  |
| Inventories | 9180 | 10827 | 15437 | 18373 | 27430 |
| Sundry Debtors | 13346 | 16200 | 22304 | 28305 | 44051 |
| Cash & Bank Balance | 2228 | 1378 | 1127 | 22619 | 3566 |
| Other Assets | 1556 | 349 | 329 | 571 | 1010 |
| Loan & Advances | 7765 | 7341 | 7271 | 7577 | 10751 |
| **Total of A(Gross W.C)** | 34075 | 36095 | 46468 | 77445 | 86808 |
| **B) Current Liabilities** |  |  |  |  |  |
| Current Liabilities | 14515 | 16572 | 20019 | 30789 | 43203 |
| Provisions | 138 | 308 | 369 | 3018 | 2549 |
| Total of B | 14653 | 16880 | 20388 | 33807 | 45752 |
| **Net W.C(A-B)** | 19422 | 19215 | 26080 | 43638 | 41056 |

**WORKING CAPITAL TREND ANALYSIS**

In working capital analysis the direction at changes over a period of time is of crucial importance. Working capital is one of the important fields of management. It is therefore very essential for an analyst to make a study about the trend and direction of working capital over a period of time. Such analysis enables as to study the upward and downward trend in current assets and current liabilities and its effect on the working capital position.

**In the words of S.P. Gupta** “The term trend is very commonly used in day-today conversion trend, also called secular or long term need is the basic tendency of population, sales, income, current assets, and current liabilities to grow or decline over a period of time.”

**According to R.C.galeziem “**The trend is defined as smooth irreversible movement in the series. It can be increasing or decreasing.”

Emphasizing the importance of working capital trends, **Man Mohan** and **Goyal** have pointed out that “analysis of working capital trends provide as base tojudge whether the practice and privilege policy of the management with regard to working capital is good enough or an important is to be made in managing the working capital funds.

Further, any one trend by itself is not very informative and therefore comparison with

Illustrated their ideas in these words, “An upwards trends coupled with downward trend or sells, accompanied by marked increase in plant investment especially if the increase in planning investment by fixed interest obligation”

**Table 6.2-Working capital size**

(Rs. In Millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Years** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** |
| **Net W.C(A-B)** | 19423 | 19217 | 26081 | 43640 | 41013 |
| **W.C Indices** | **100** | **98.84** | **134.28** | **224.68** | **211.16** |
|  |  |  |  |  |  |

**Chart- Working capital indices**



**Observations**

It was observed that major source of liquidity problem is the mismatch between current payments and current receipts from the Comparison of funds flow statements for five years. It was observed that in the year 2004-05 current assets increased by around 29% and current liabilities increased only by 19% which affect as working capital increased by 35%. In the year 2005 to 2006 net working capital increased to Rs 4364 million from Rs. 2608 million, the increase in working capital is close to 67%. While current assets increased by 66% and current liabilities by 65%. It shows that management is using long term funds to short term requirements. And it has fallen to Rs.4101 million in the year 2007 because current assets gone up by only 12%, current liabilities grown by 35%. This two together pushed down the net working capital to the present level. The fall in working capital is a clear indication that the company is utilizing its short term resources with efficiency.

**CURRENT ASSETS**

Total assets are basically classified in two parts as fixed assets and current assets. Fixed assets are in the nature of long term or life time for the organization. Current assets convert in the cash in the period of one year. It means that current assets are liquid assets or assets which can convert in to cash within a year.

**Table -Current assets size**

(Rs. In Millions)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** |
| Inventories | 9180 | 10827 | 15437 | 18373 | 27430 |
| Sundry Debtors | 13346 | 16200 | 22304 | 28305 | 44051 |
| Cash & Bank Balance | 2228 | 1378 | 1127 | 22619 | 3566 |
| Other assets | 1556 | 349 | 329 | 571 | 1010 |
| Loan & Advances | 7765 | 7341 | 7271 | 7577 | 10751 |
| **Total of C.A** | **34075** | **36095** | **46468** | **77445** | **86808** |
| **C.A indices** | **100** | **105.93** | **136.37** | **227.27** | **254.75** |

**Chart- C.A. Indices**



**COMPOSITION OF CURRENT ASSETS**

Analysis of current assets components enables one to examine in which components the working capital fund has locked. A large tie up of funds in inventories affects the profitability of the business or the major portion of current assets is made up cash alone, the profitability will be decreased because cash is non earning assets.

**Table - composition of current assets**

(No. in %)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** |
| Inventories | 26.94 | 29.99 | 33.22 | 23.72 | 31.6 |
| Sundry Debtors | 39.16 | 44.88 | 48 | 36.55 | 50.74 |
| Cash & Bank Balance | 6.54 | 3.82 | 2.42 | 29.21 | 4.11 |
| Other assets | 4.57 | 0.97 | 0.71 | 0.74 | 1.16 |
| Loan & Advances | 22.79 | 20.34 | 15.65 | 9.78 | 12.39 |
| **Total of C.A** | **100** | **100** | **100** | **100** | **100** |

**Chart- Current assets components**



**Observations**

It was observed that the size of current assets is increasing with increases in the sales. The excess of current assets is showing positive liquidity position of the firm but it is not always good because excess current assets then required, it may adversely affects on profitability. Current assets include some funds investments for which company pay interest. The balance of current assets is highly increased in year 2005-06, because of increase in cash balance. Cash balance of the company increased in the same year because company got some encashment of deposits in the schedule Banks as current account Rs.439 million and fixed deposits (out of ZCCB funds) Rs.1785 million. Current assets components show sundry debtors are the major part in current assets it indicates that the inefficient collection management. Over investment in the debtor affects liquidity of firm for that company has raised funds from other sources like short term loan which incurred the interest.

**Current liabilities**

Current liabilities mean the liabilities which have to pay in current year. It includes sundry creditor’s means supplier whose payment is due but not paid yet, thus creditors called as current liabilities. Current liabilities also include short term loan and provision as tax provision. Current liabilities also includes bank overdraft. For some current assets like bank overdrafts and short term loan, company has to pay interest thus the management of current liabilities has importance

**Table 6.5-Current liabilities size**

(Rs. In Crore)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** |
| Current Liabilities | 14515 | 16572 | 20019 | 30789 | 43203 |
| Provisions | 138 | 308 | 369 | 3018 | 2594 |
| **Total of C.L** | **14653** | **16880** | **20388** | **33807** | **45797** |
| **Indices of C.L** | **100** | **115.19** | **139.13** | **230.7** | **312.52** |

**Chart6.4**



**Observations**

Current liabilities show continues growth each year because company creates the credit in the market by good transaction. To get maximum credit from supplier which is profitable to the company it reduces the need of working capital of firm. As a current liability increase in the year 2006-07 by 35% it reduce the working capital size in the same year. But company enjoyed over creditors which may include indirect cost of credit terms.

**RECOMMENDATIONS**

Recommendation can be use by the firm for the betterment increased of the firm after study and analysis of project report on study and analysis of working capital. I would like to recommend.

1. Company should raise funds through short term sources for short term requirement of funds, which comparatively economical as compare to long term funds.

2. Company should take control on debtor’s collection period which is major part of current assets.

3. Company has to take control on cash balance because cash is non earning assets and increasing cost of funds.

4. Company should reduce the inventory holding period with use of zero inventory concepts.

Over all company has good liquidity position and sufficient funds to repayment of liabilities. Company has accepted conservative financial policy and thus maintaining more current assets balance. Company is increasing sales volume per year which supported to company for sustain 2nd position in the world and number one position in Asia.

**CONCLUSION**

Working capital management is important aspect of financial management. The study of working capital management of. has revealed that the current ration was as per the standard industrial practice but the liquidity position of the company showed an increasing trend. The study has been conducted on working capital ratio analysis, working capital leverage, working capital components which helped the company to manage its working capital efficiency and affectively.

1. Working capital of the company was increasing and showing positive working capital per year. It shows good liquidity position.

2. Positive working capital indicates that company has the ability of payments of short terms liabilities.

3. Working capital increased because of increment in the current assets is more than increase in the current liabilities.

4. Company’s current assets were always more than requirement it affect on profitability of the company.

5. Current assets are more than current liabilities indicate that company used long term funds for short term requirement, where long term funds are most costly then short term funds.

6. Current assets components shows sundry debtors were the major part in current assets it shows that the inefficient receivables collection management.

7. In the year 2006-07 working capital decreased because of increased the expenses as manufacturing expenses and increase the price of raw material as increased in the inflation rate.

8. Inventory was supporting to sales, thus inventory turnover ratio was increasing, but company increased the raw material holding period.

9. Study of the cash management of the company shows that company lost control on cash management in the year 2005-06, where cash came from fixed deposits and ZCCB funds, company failed to make proper investment of available cash.

**LIMITATIONS OF THE STUDY**

Following limitations were encountered while preparing this project:

**1) Limited data:-**

This project has completed with annual reports; it just constitutes one part of data collection i.e. secondary. There were limitations for primary data collection because of confidentiality.

**2) Limited period:-**

This project is based on five year annual reports. Conclusions and recommendations are based on such limited data. The trend of last five year may or may not reflect the real working capital position of the company

**3) Limited area:-**

Also it was difficult to collect the data regarding the competitors and their financial information. Industry figures were also difficult to get.

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