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Department of English and Psychology



**One Day Online International Conference on
Multidisciplinary Approaches to Humanities**

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This is to certify that **DR. ANUJA VIKRAM GAWADE** of **AMRUTESHWAR ARTS, COMMERCE AND SCIENCE COLLEGE, VINZAR, TEL. VELHE DIST - PUNE** has participated in One Day Online International Conference on Multidisciplinary Approaches to Humanities on 26th March, 2021. He/She has presented the paper entitled **IMPACT OF COVID-19 ON HIGHER EDUCATION IN INDIA**.

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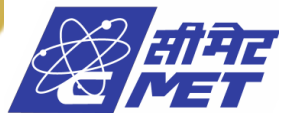
Topic **Effect of static stretch training on Kabaddi women
players in Maharashtra. By Dr. Sheetal Laxman Shendkar**

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STUDY OF WORKING CAPITAL OF VARDHMAN FERTILIZER & SEEDS PRIVATE LIMITED, DISTRICT SOLAPUR, MAHARASHTRA

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ABSTRACT

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship that exists between them. This paper tries to make an attempt to study the working capital, components of working capital and liquidity of 'Vardhman Fertilizer & Seeds Private Limited, District Solapur'.

The paper also tries to study the correlation between liquidity and profitability of this fertilizer unit. The study is based on secondary data collected from annual report of this fertilizer unit for the period of 5 years on website of ministry of company affair of India. In this paper, there is an application of correlation analysis for identify the significant of working capital management include the current ratio and quick ratio on the liquidity position of this fertilizer units.

KEY WORDS: Working Capital, objectives, Hypothesis, sources of data collection, limitation, Net Working Capital, Net Working Capital Ratio, Current Ratio, Liquid Ratio, Findings, Suggestion, Conclusion & References.

INTRODUCTION

Working capital study of 'Vardhman Fertilizer & Seeds Private Limited, District Solapur' (VFSP LDS) is of major importance of internal & external analysis because of its relationship with the current day to day operations of business. Funds, collected from different sources are invested in the business for the acquisition of assets. These assets are employed for earning revenue. The basic problem facing the finance manager of an enterprise is to trade-off between conflicting but equally important goals of liquidity and profitability and vice versa.

NEED OF STUDY

1. To study the need of maintain sufficient working capital of fertilizer units.
2. To check balance between liquidity and short term.

OBJECTIVES OF THE STUDY

- 1) To study the position of working capital of selected fertilizer units.
- 2) To make suggestions for the better working capital management of fertilizer units.

HYPOTHESIS

H0: Insufficient working capital has adverse affected in the liquidity of fertilizer units under study.

H1: Insufficient working capital has not effecting in the liquidity of fertilizer units under study.

PERIOD OF STUDY

The present study is undertaken for the period of five accounting year starting from 2012-2013 to 2016-2017. The researcher has selected 2012-2013 as **base year** for the purpose of analysis and evolution.

SOURCES OF DATA COLLECTION

Researcher has used secondary data as main sources for the presented research study. Annual accounting reports such as Income statement position statement are collected from web side of Ministry of Corporate Affairs (MCA), Maharashtra Regional Division, of Government of India.

LIMITATION OF THE STUDY

1. The study is limited to five year only.
2. Ratio analysis has its own limitations.
3. This study is based on only secondary data of fertilizer units.

NET WORKING CAPITAL

The net working capital is qualitative that indicating the fertilizer units were ability to meet its operation expenses and currents liability. The term net working capital refers to the difference between current assets and current liabilities.

Net Working Capital = Current Assets – Current Liabilities

Current Assets: Cash balance + Banks Balance + short term Marketable Securitas + Sundry Debtors + Bill Receivables + Inventory + Prepaid Expenses + Short Term Loan and advances + Notes etc.

Current Liabilities: Sundry Creditors + Bill Payable + Outstanding Expenses + Short Term Loans + Short Term Borrowings + Dividend Payable + Provisions + Any Short Term Dues etc.

As per the above given numerical table no. 1 and chart no. 2, it has found that all financial years amount of net working capital (NWC) of 'Vardhman Fertilizer & Seeds Private Limited, District Solapur' (LMBTPLDS). The total of five years NWC was Rs. 1038,65,865, arithmetical mean of NWC was Rs. 207,73,173, standard derivation was Rs. 183,63,179 and coefficient variance it was 88.40%.

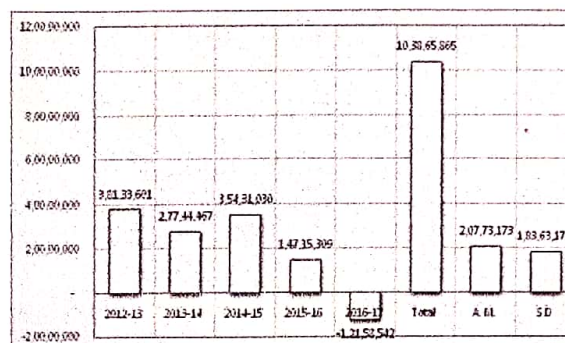
Table No. – 1

Net Working Capital of VFSPPLDS

Fertilizer Unit - Solapur	Vardhman Fertilizer & Seeds Pvt. Ltd.	Last 5 Years Figures			
Particulars	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
A) Current Assets					
1. Current Investment					
2. Inventories	1394,01,660	1453,08,164	1754,55,685	1763,72,714	969,97,541
3. Trade Receivables	372,28,312	498,69,536	507,84,245	202,71,443	226,58,604
4. Cash & Cash Equivalent	72,43,476	36,65,919	27,44,317	32,96,109	23,81,005
5. Short Term Loan & Adv.	88,13,594	74,89,101	86,51,625	53,96,921	55,48,975
6. Other Current Assets	8,06,387	5,41,313	7,75,866	5,98,889	2,32,936
Total A)	2544,93,429	2068,74,033	2384,11,738	2059,96,076	1278,19,011
B) Current Liabilities					
1. Short Term Borrowings	545,38,086	457,05,599	573,81,767	755,77,273	719,67,133
2. Trade Payables	882,59,101	1138,06,624	1211,68,813	943,86,210	495,06,872
3. Short Term Provision	125,22,641	126,44,119	143,59,545	102,83,469	84,16,069
4. Other Current Liab.	-	69,73,224	100,70,583	109,73,815	100,87,479
Total B)	1553,59,828	1791,29,566	2029,80,708	1912,20,767	1399,77,553
Net Working Capital (A-B)	991,33,601	277,44,467	354,31,030	147,15,309	-121,58,542
Total of Last 5 Years Net Working Capital	1038,65,865				
Arithmetical mean (A.M)	207,73,173				
Standard Derivation (S.D)	183,63,179				
Coefficient of Variance (CV)	88.40%				

Chart No. – 2

Net Working Capital of VFSPPLDS



In financial year 2012-2013 the NWC was little high and in 2016-2017 NWC was very low and minus as compare to other financial years. There was no any insufficient short-term investment and net working capital was good all financial years except last year. **This fertilise units was positive net working capital except last year.**

CURRENT RATIO (CR)

Current Assets Ratio also knows as current Ratio, working capital ratio. This ratio expresses the relationship between current assets and current liabilities. The current ratio is calculated by dividing the current assets by current liabilities. Thus can be expressed as pure number or percentage ratio. And the idea current ratio id 2:1. The formulas of current ratio is follows:

Current Assets Ratio = Current Assets / Current Liabilities

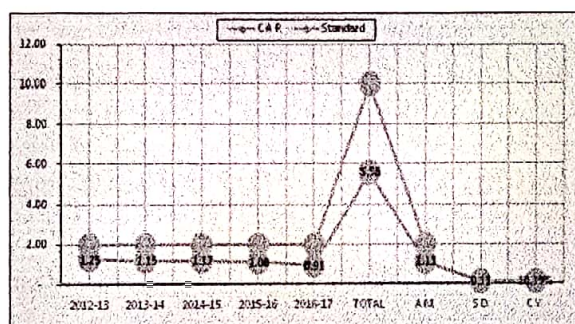
As per the above given numerical table no. 3 and diagram no. 4 has shown the Current Ratio (CR) of Vardhman Fertilizer & Seeds Private Limited, District Solapur' (LMBTPLDs). The CR in year 2012-2013 was 1.25, in 2013-2014 was 1.15, in 2014-2015 was 1.17, in 2015-2016 was 1.08 and 2016-2017 was 0.91. Total of CR in five years was 5.56, arithmetic mean was 1.11, standard derivation was 0.11 and coefficient variance was 10.19%.

Table No. – 3

Current Ratio of VF&SPLDS

Financial Year	CA	CL	CAR	Standard	Remarks
2012 - 2013	1934,93,429	1553,59,828	1.25	2.00	-0.75
2013 - 2014	2068,74,033	1791,29,566	1.15	2.00	-0.85
2014 - 2015	2384,11,738	2029,80,708	1.17	2.00	-0.83
2015 - 2016	2059,36,076	1912,20,767	1.08	2.00	-0.92
2016 - 2017	1278,19,011	1399,77,553	0.91	2.00	-1.09
Total of last 5 Years	9725,34,287	8686,68,422	5.56	10.00	-4.44
Arithmetic Mean (A.M)	1945,06,857	1737,33,684	1.11	2.00	-0.89
Standard Derivation (S.D)	36495,228	230,97,086	0.11	-	0.11
Coefficient of Variance (C.V)	18.76%	13.29%	10.19%	-	-12.79%

Chart No. – 4
Current Ratio of VF&SPLDS



The CR of five financial years was decreasing order and it was too much below of Standard ratio. In financial year 2014-2015 the CR was high as compare to other years but not sufficient as the standard ratio i.e. 1.17. The chart Show that orange curve line of standard ratio was line shape and blue curve line of CR which was goes little down and below of the Standard Line. The average CR in five years was 1.11 which was below 0.89 of standard. This fertilizer unit was over trading and under capitalization situation. This CR also shows that there was no short-term solvency position, insufficient & unsatisfactory liquidity.

LIQUID RATIO

Liquid Ratio also knows 'Quick Ratio', 'Acid Test Ratio' this ratio is concerned with the establishment of relationship between the liquid assets and quick liabilities. The liquid assets refers to those assets which can be immediately or at a short notice, be converted into cash without loss or diminution value. The ideal quick ratio of 1:1.

Liquid Ratio = Liquid Assets / liquid liabilities
• Liquid Assets= All Current Assets – Inventory

& Prepaid Expenses

• **Liquid Liabilities = All Current Liabilities – Bank Overdraft**

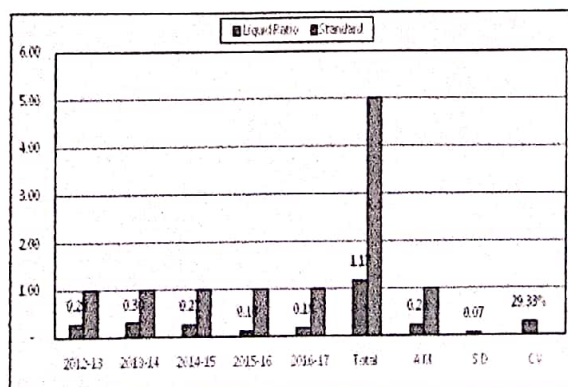
As per the above statistical table no. 5 and diagram no. 6 has shown Liquid Ratio (LR) of Vardhman Fertilizer & Seeds Private Limited, District Solapur (VF&SPLDS). The LR in year 2012-2013 was 0.29, for 2013-2014 was 0.30, for 2014-2015 was 0.27, in 2015-2016 was 0.13 and 2016-2017 it was 0.18. And total of LR in five years was 1.17, arithmetic mean was 0.23, standard derivation was 0.07 and coefficient variance it was 29.33%.

Table No. – 5
Liquid Ratio of VF&SPLDS

Financial Year	LA	LL	LR or CR	STD.	Remarks
2012 - 2013	452,78,175	1553,59,828	0.29	1.00	-0.71
2013 - 2014	540,76,768	1791,29,566	0.30	1.00	-0.70
2014 - 2015	543,04,428	2029,80,708	0.27	1.00	-0.73
2015 - 2016	241,66,441	1912,20,767	0.13	1.00	-0.87
2016 - 2017	252,72,545	1399,77,553	0.18	1.00	-0.82
Total of last 5 Years	2030,98,357	8686,68,422	1.17	5.00	-3.83
Arithmetic Mean (A.M)	406,19,671	1737,33,684	0.23	1.00	-0.77
Standard Derivation (S.D)	133,88,882	230,97,086	0.07	-	0.07
Coefficient of Variance (C.V)	32.96%	13.29%	29.33%	-	-8.94%

The LR of five financial years was decreasing order and it was very lower than standard ratio. In year 2013-2014 the LR was higher and in 2015-2016 it was lower as compare to other years. The chart show that grey bars are standard bars and blue bars of LR were going straight line but overall it was very lower than the Standard bars as compared to all years

Chart No. – 6
Liquid Ratio of VF&SPLDS



The average liquid ratio was 0.23 in five years which was very lower 0.77 than the standard ratio and it was not maintained sound short-term liquidity. This fertilizer unit was not enable to pay its current liabilities quickly and facing difficulty.

TESTING OF HYPOTHESIS

Table No. 7

Correlation of Accounting Ratio

Accounting Ratio		NWC	NWCR	CAR	LR
NWC	P.C.	1	.557**	.365**	.436**
	S (2-T)		0.000	0.001	0.000
	N	75	75	75	75
NWCR	P.C.	.557**	1	.738**	.709**
	S (2-T)	0.000		0.000	0.000
	N	75	75	75	75
CAR	P.C.	.365**	.738**	1	.898**
	S (2-T)	0.001	0.000		0.000
	N	75	75	75	75
LR	P.C.	.436**	.709**	.898**	1
	S (2-T)	0.000	0.000	0.000	
	N	75	75	75	75

*. Correlation is significant at the 0.05 level (2-tailed) and **. Correlation is significant at the 0.01 level (2-tailed).

P.C = Pearson Correlation, S (2-T) = Sig. (2-tailed) and SMD = Standard

"Insufficient working capital has adverse effect in the liquidity and profitability position of fertilizer units under study. Hence alternative hypothesis is accepted (H1), Insufficient working capital has not effecting in the liquidity and profitability position of fertilizer units under study."

The Null Hypothesis (H0) rejected and alternate Hypothesis (H1) is accepted
FINDING

The researcher has found the following some points in the study of working capital of diamond lifter organic fertilizer private limited, district Pune.

1. Net Working Capital of this unit have not any short term investment and liabilities over currents assets and minus all financial years so it was negative NWC.

2. The average Current Assets Ratio (CAR) of this unit for the last five years was 0.66 which is less 1.34 of standard ratio. Form the

above analysis it is understand that this unit's short term liquidity is not insufficient and it is very poor.

3. The average Liquid Ratio (LR) one can say that this unit for the last five years was 0.27 which is little less 0.73 of the standard. It is found that above liquidity analysis of this company are not sufficient and it is not good liquid position during the selected period.

SUGGESTION

1. This fertilizer unit should investment at least 1% of their net profit in short-term investments and loan and advance as current assets.

2. This fertilizer unit should reduce at least 10% of short-term borrowings in every financial year.

3. This fertilizer unit should maintain the standard ratios of liquidity such as current assets ratio 2:1, quick ratio 1:1 and standard of cash ratio.

CONCLUSION

As per table number 7 of accounting ratio of Vardhman Fertilizer & Seeds Private Limited, District Solapur (VF&SPLDS), there is significant correlation exists between net working capital with liquidity such as current ratio, liquidity ratio of this fertilizer unit. But there is no statistically significant correlation between net working capital and liquidity.

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