Working Capital Management in Aliaxis Utilities and Industry Private Limited

An Internship Report for

Course code and Course Title: MGA-652 Industry Internship

Credits: 16

Submitted in partial fulfilment of Master's Degree

MBA in Finance

By

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Under the Mentorship of

Dr. NILESH BORDE

Goa Business School
Management Studies

GOA UNIVERSITY

Date: May 2024

Goa Business School ★ Goa University ★

Examined by: 6/5/2024

Seal of the School

Aliaxis Utilities and Industry Private Limited
Regd. Office & Factory :
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Ref: AUI/2024/

January 10, 2024

To,
The Program Director
Management Discipline,
Goa Business School
Goa University,
Taleigao Plateau,
403 206

Sub: MBA 4th Semester Internship.
Ref: GU/GBS/ Internship/2024

Dear Sir,

With reference to the above cited subject, we would like to convey our acceptance for accommodating Ms. Pawar Amita Ashok in our organization for the 16 weeks internship training w.e.f. from 15th January 2024 to 04th May 2024.

You are hereby informed to depute Ms. Pawar Amita Ashok at our factory premises situated at plot no.L-148/L-149, Verna Industrial Estate, Verna Goa 403722.

Thanking you

Yours faithfully
For Aliaxis Utilities and Industry Private Limited

Rajiv Dhaimodkar
Plant Manager

Aliaxis Utilities and Industry Private Limited
Regd. Office & Factory :
Plot No. L-148 & L-149,
Verna Industrial Estate,
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INTERNSHIP CERTIFICATE

This is to certify that Ms. Amita. Ashok. Pawar, Student of the Goa Business School, undergoing Master of Business Administration (MBA) has successfully completed internship between January 15, 2024, to May 4, 2024, at Aliaxis Utilities and Industry Private Limited, Verna-Goa. She has actively participated in various departmental activities during the period of internship and specially focussed to learn the skills needed for Working capital management, Financial Analysis, Ratio analysis, Analytical skills, strategic thinking, and Forecasting techniques.

For Aliaxis Utilities and Industry Private Limited

Mr. Sujay Dicholkar
General Manager- Finance & Account

Rajiv Dhaimodker
Managing Director

Aliaxis Utilities and Industry Private Limited
VERNA
GOA

Date: 6th May 2024
Place: Verna-Goa

COMPLETION CERTIFICATE

This is to certify that the internship report "**A Study Of Working Capital Management In Aliaxis Utilities And Industry Private Limited**" is a bonafide work carried out by Ms.Amita Ashok Pawar under my mentorship in partial fulfilment of the requirements for the award of the degree of **Master of Business Administration** in the Discipline of Management Studies at the Goa Business School, Goa University

6/5/2024

Signature and Name of Mentor
Dr.Nilesh .A. Borde

Date: 06/05/2024

Signature of Dean of School/HoDSchool/Department Stamp
Date: 06/05/2024
Place: Goa University/Goa Business School

I/C
6/5

DECLARATION BY STUDENT

I hereby declare that the data presented in this Internship report entitled, "Working Capital Management" is based on the results of investigations carried out by me in the Management Studies at the Goa Business School, Goa University/ Aliaxis Utilities and Industry Private Limited, under the mentorship of Dr. Nilesh Borde and the same has not been submitted elsewhere for the award of a degree or diploma by me. Further, I understand that Goa University or its authorities will be not be responsible for the correctness of observations / experimental or other findings given the internship report/work.

I hereby authorize the University authorities to upload this dissertation on the dissertation repository or anywhere else as the UGC regulations demand and make it available to any one as needed.

Amita Ashok Pawar

Seat No: 2P0280046

Date: 6th May 2024

Place: Goa University

ACKNOWLEDGEMENT

"I would like to extend my heartfelt gratitude to several individuals who have been instrumental in making my internship experience enriching and fulfilling. Firstly, I am immensely grateful to my mentor Dr Nilesh Borde for his continuous guidance and encouragement, throughout my internship journey.

I am also indebted to the General Manager Finance Manager, Mr. Sujay Dicholkar, for his support and for sharing his expertise, which enhanced my understanding of financial processes. for providing me with opportunities to learn and grow within the company's operations. Additionally, I extend my sincere appreciation to the Managing Director, Mr. Rajiv Dhaimodkar, for their support Furthermore, I am thankful to the HR Manager Mr. Saidatta Mashelker, for their assistance and for creating a conducive work environment. My gratitude also extends to all the staff at Aliaxis Utilities and industry Pvt Ltd for their cooperation. Without the collective support of these individuals, my internship experience would not have been as rewarding. Thank you."

SUMMARY

This report has been compiled to fulfill a portion of the requirements for my MBA degree. In accordance with the guidelines set by Goa Business School, I completed a 16-week project at Aliaxies Utilities and Industry Private Limited. For my project, I selected the topic of studying Working Capital Management.

This report contains the need for effective management of working capital within an organization. Working capital is necessary for conducting daily business operations. In today's competitive market, it is important to have efficient working capital management. Proper management of working capital plays a vital role in maintaining a company's financial stability and operational success. A key aspect of effective business management involves utilizing working capital management to strike a balance between growth, profitability, and liquidity.

The first chapter of this report presents details regarding the company profile. This data has been collected from both primary and secondary sources.

In the second chapter, a concise overview of the comprehensive theoretical foundation and literature review is been stated in brief.

The third chapter contains the research design, it includes the statement of problem, need for study, and objective of the study is to study the working capital requirements and the trends of managing working capital during 2019-2023 and financial position of the company during 2019-2023 and the research methodology.

In the fourth chapter, the full data analysis and its interpretation are presented along with the outcome of the data analysis. The statistical tool used for the data analysis is Ratio Analysis.

In the fifth chapter, the report outlines the findings and Discussion that were observed during the project's implementation.

CONTENTS

CHAPTER 1

INTRODUCTION

This Project helps in identifying and learning about the particular issue facing the organization. It shows how our theoretical understanding can be applied to the practical working environment to solve the issue. It gives us the ability to apply the knowledge gained in the classroom to our professional working environment to solve various organizational issues and to gain certain other industrial knowledge.

Topic for the research study

"A study of Working Capital Management in Aliaxis Utilities and Industry Private Limited".

1.1 COMPANY PROFILE

Aliaxis Utilities And Industry Private Limited, established on November 27, 2007. It operates as a subsidiary or unit of a foreign company and is situated at Verna- South Goa. In India Aliaxis Utilities and Industry Private Limited has their only one Unit Goa. Aliaxis Utilities and Pvt Ltd stands as a beacon of excellence in the manufacturing of electrofusion gas pipeline fittings. As a unit of the esteemed Aliaxis Deutschland Company in Germany, Aliaxis Utilities has carved a niche for itself by producing top-of-the-line fittings that are indispensable in the seamless functioning of gas and water supply networks. Aliaxis Utilities fittings are crafted with precision to withstand the rigors of daily usage, providing a reliable solution for transporting gas and water to homes, industries, and commercial establishments.

One of the key advantages of electrofusion fittings lies in their superior joint strength and leak resistance compared to traditional methods. By leveraging the latest technology and materials, Aliaxis Utilities sets a high standard for quality and performance in the industry.

At the core of Aliaxis Utilities operating in Verna, lays a state-of-the-art manufacturing facility equipped with cutting-edge technology. Each fitting undergoes a meticulous production process, where quality control measures are implemented to ensure adherence to industry standards.

From the initial design stage to the final inspection, precision is the hallmark of every fitting manufactured by Aliaxis Utilities. The company's commitment to excellence shines through in the superior quality of their products, setting them apart as a trusted name in the industry.

1.2 VISION, MISSION, QUALITY POLICY

Vision

“To create positive change in the world by challenging the status quo, innovating, learning quickly, and caring about the environment, customers, and each other.

Mission

To bring solutions to the world's water challenges and accelerate the transition to clean energy.

QUALITY POLICY

Aliaxis utilities and industry is committed to achieve total customer satisfaction through manufacture and supply of world class quality fitting & related accessories, for conveyance of gas and water, to our customers on time, every time

1.3 PRODUCT PROFILE

Figure No.1 Tees

Figure NO.2 90º Elbows

1 Figure NO.3Reducer

Figure NO.4 Tapping Tess

1.5 SWOT ANALYSIS

Strength

- The company has established itself as a dominant player in the Goan market.
- It enjoys a monopoly position in the region with no direct competitors.
- The company has managed to capture a significant market share.
- It has established a strong presence in the market.
- The company specializes in importing products exclusively to foreign countries like Germany, France, Italy, and the UK.
- This specialization contributes to its unique market position.
- The company is renowned for its commitment to delivering products of exceptional quality.

Weakness

- Aliaxis Utilities has a small workforce, with over 100 employees.
- This small size puts a significant burden on each individual employee.
- Each employee is responsible for handling a wide range of tasks and responsibilities.
- This distribution results in a greater workload for each individual employee.
- The increased workload leads to burnout among employees

Opportunity

- Increase its sales by targeting the domestic market
- The company could consider expanding its product line to include other types of pipes. This could help wider customer and increase sales
- This could involve things like improving the company's online presence.

Threat

- There could be other companies in the market producing similar products.
- Economic downturns or recessions in other country can lead to decreased demand for products.
- Since Aliaxis utilities is only exporting, any changes in international trade policies, exchange rates, or global economic conditions could potentially affect the company's sale

- Rapid advancements in technology could lead to new, more efficient products being introduced to the market. If Aliaxis Utilities does not keep up with these advancements, it could lose its market position.
- If Aliaxis Utilities relies heavily on sales to specific markets or countries, any problems in those markets (such as economic instability or trade restrictions) could pose a significant threat.

CHAPTER 2

THE THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 CONCEPTUAL BACKGROUND OF THE STUDY

Meaning of working capital

Financial management can be categorized into two main areas of responsibility: the management of long-term capital and the management of short-term funds, also known as working capital. Working capital refers to the funds that are available and utilized for the day-to-day operations of a company. It encompasses the assets of a business that is directly involved in or connected to its current operations. Effective management of working capital is crucial for the smooth functioning of a business and for enhancing the return on investment in short-term assets. By efficiently managing the working capital, a company can ensure its successful operation and improve its profitability.

The elements of Working Capital Management consist of:

- Cash Managing
- Inventory Managing
- Receivables Managing
- Payables Managing

2.2 TYPES OF WORKING CAPITAL

Depending on the requirements of the Business, working Capital can be categorizes as follows:

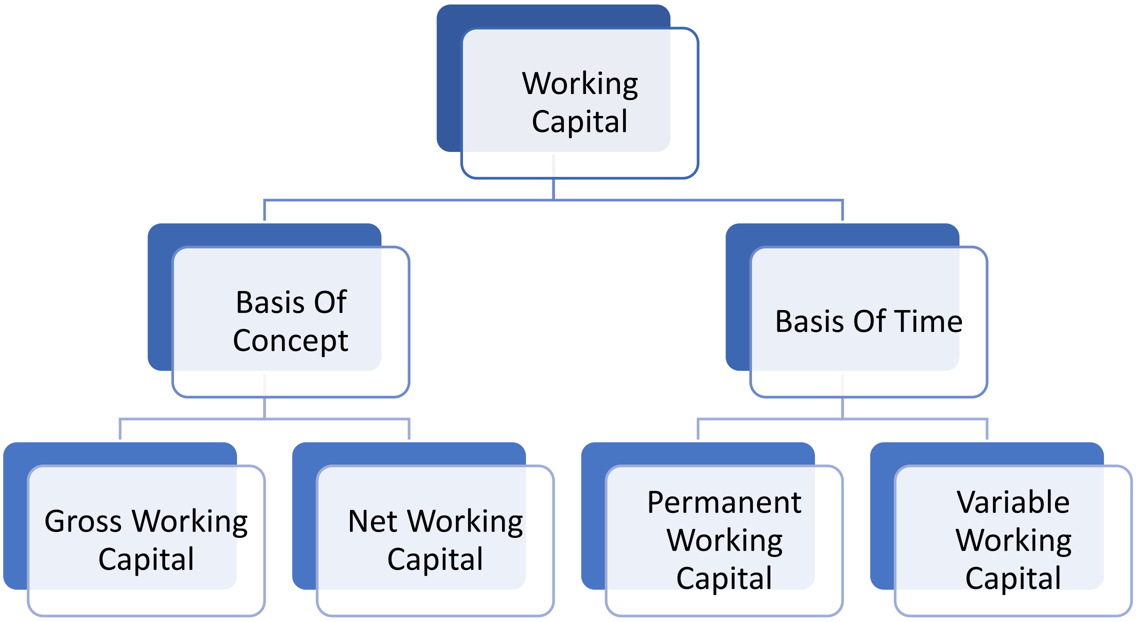


Figure No. 1 Working Capital

2.2.1. On the basic of concept

On the basic of concept working capital can be divided into two categories as follow:

1) Gross working capital

The total amount invested in current assets is referred to as gross working capital. The current assets used by the company provide insight into how working capital is used and how the business is doing financially. The concept of gross working capital is widely used and a notion that is recognized in the finance industry.

2) Net working capital-

Current assets less current liabilities are known as net working capital. Net working capital is the amount that remains after deducting current liabilities from current assets. A business can pay its current liabilities if its net working capital is positive. The idea of net working capital offers a means of measuring a company's creditworthiness.

2.2.2 On the basic of time

On the basic of time working capital can be divided into two categories as fellow:

1) Permanent working capital

This is the minimum investment in all current assets that is required to maintain an adequate level of business activities at all times.

2) Variable working capital

These working capital amounts continually fluctuate based on the operations of the business. Stated differently, it denotes extra current assets needed at certain points throughout the operational year. For instance, extra inventory needs to be kept on hand to support sales during the peak period of year

2.3 FACTOR DETERMINING WORKING CAPITAL

The various factor determining the requirement of working capital:

1) Nature of Companies:

The type of business determines the amount of working capital required. Compared to large enterprises, smaller businesses have lower ratios of cash, receivables, and inventories. Within large companies, the difference becomes increasingly apparent. A public utility, for example, relies primarily on fixed assets for its operations, whereas a merchandising department is more dependent on inventories and accounts receivable.

2) Nature and Size of Business

The type of a company's business basically decides how much working capital it needs. Trading and banking companies need to invest a significant amount of money in working capital but very little in fixed assets. To meet the diverse and ongoing demands of their clientele, retail stores, for example, need to maintain large inventory of a wide range of products.

3**) Volume of Sales**

This is the primary factor influencing working capital's structure and amount. There is a clear correlation between the amount of working capital and sales volume. Working capital is invested more heavily in costs associated with operations, inventory, and receivables as sales volume raises.

4) Time

The amount of working capital needed is determined by how long it requires manufacturing a product. A longer duration indicates a larger working capital amount. Moreover the amount of working capital depends upon inventory turnover and unit cost of goods that are sold.

5) Terms of Purchase and sales

Less money will be invested in inventory if the credit terms for purchases are more favourable and those for sales are more lenient. Reducing working capital requirements is possible with better loan conditions.

6) Business Cycle

During times of growth, business expands and during times of depression, it shrinks. As a result, during good times, more working capital is needed, and during depressed times, less.

7) Liquidity and Profitability

It can raise the amount of working capital it has if it wants to improve its liquidity. But this strategy is probably going to cause sales volume and, consequently, profitability to decline. A company should select between profitability and liquidity and then determine how much working capital it needs.

2.4 COMPONENT OF WORKING CAPITAL MANAGEMENT

2.4.1 Cash Management

Cash management is a critical aspect of day-to-day business operations, focusing on the effective handling of working capital, which encompasses short-term assets vital for daily functions. These assets include cash, marketable securities, accounts receivable, and inventory. Due to their sensitivity to shifts in the firm's operating environment, the balances in these accounts can fluctuate significantly. A robust circulation of cash throughout the business is essential for maintaining financial stability. Every business transaction results in either a cash inflow or outflow. Therefore, it is imperative for a firm to consistently maintain sufficient cash reserves to meet its operational needs. Any surplus or deficit in cash indicates potential mismanagement of finances. Effective cash management requires strategic approaches to address various aspects of cash flow.

2.4.2 Inventory Management

Inventory is a vital part of a business's money and resources. It's all the stuff a company has on hand to sell, as well as the parts needed to make those products. Inventory includes raw materials, things being worked on, and finished products ready to go. Raw materials are what you start with to make something, and finished goods are the products ready to be sold. Every business manages their inventory differently based on what they do and sell.

2.4.3 Payable Management

A significant portion of a company's purchases of products and services are often made on credit. Account Payables Management involves the strategies and actions a company takes to handle these trade credit purchases. This includes establishing credit lines, negotiating favourable purchase terms, and effectively managing the timing and flow of purchases to optimize the company's working capital.

2.4.4 Receivable Management

Managing Receivables involves overseeing and regulating the money owed to a company by customers for credit sales. When a significant sum is tied up in receivables, there's a risk of bad debts. Conversely, if receivables are kept low, it may result in lower sales as competitors offer more lenient terms. Thus, effective receivables management demands well-defined policies and their execution.

2.5 OPERATING CYCLE CONCEPT

The operating cycle refers to the time needed to transform raw materials into cash. For a production unit, this cycle comprises three stages

1. Acquisition of resources such as raw material, labour, etc.
2. Manufacture of the product which include conversion of raw material into work-in-progress into finished goods

3. Sale of the product either for cash or on credit

As a business grows, it requires more cash for working capital and investments. Effective management of working capital can generate cash, leading to enhanced profits and decreased risks.

Following Diagram is Operating cycle

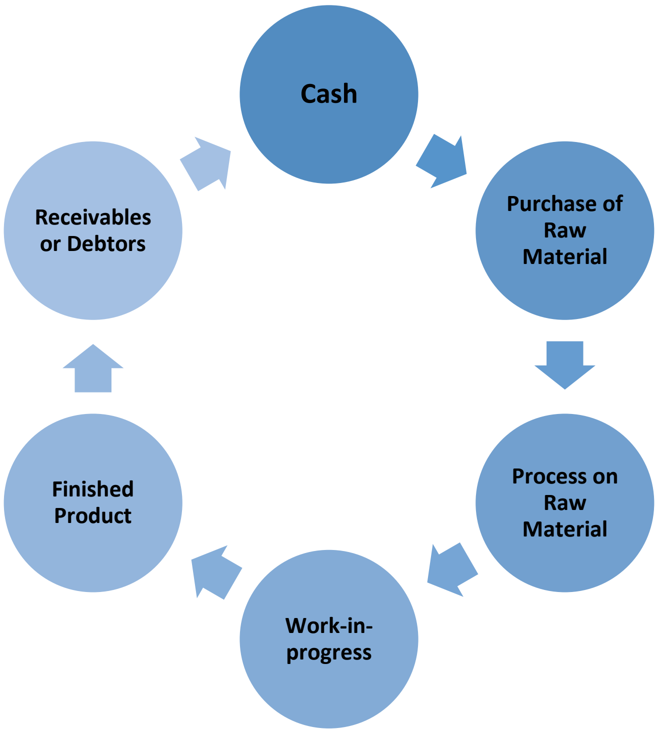


Figure No. 2: Operating cycle

2.6 LITERATURE REVIEW

(seth 2020) The study highlights a gap in existing research on the specific factors affecting WCM efficiency of Indian manufacturing exporters. While prior research explores WCM in general, this paper focuses on exporters. The research finds that several firm-specific variables significantly impact WCM efficiency. These factors include: Leverage (debt ratio), Net fixed asset (NFA) ratio, Profitability, Asset turnover ratio, Total asset growth rate productivity. The study suggests that factors like GDP and interest rates don't significantly impact WCM efficiency for Indian manufacturing exporters.

(Park n.d.) The paper argues that the standard method of calculating working capital (current assets minus current liabilities) can be misleading. This approach doesn't account for the time it takes for a company to convert its resources into cash (operating cycle). The paper suggests that a company's net current assets (working capital) should ideally cover the funding needs of its operating cycle. Insufficient working capital relative to the operating cycle length can lead to liquidity problems.

(Matthew D. Hill n.d.) This paper discusses how firms adjust their net operating working capital (NOWC) in response to various operating and financial conditions. NOWC, which is the difference between current assets and current liabilities, reflects a company's efficiency in managing its short-term resources. Companies experiencing high or uncertain sales growth tend to hold more NOWC. This could be due to needing more inventories to meet demand or extended credit terms offered to customers. Conversely, firms with strong internal cash flow or good access to capital markets can afford to hold higher levels of NOWC to support future growth or take advantage of favourable business opportunities. This paper briefly highlight the concept of working capital as the lifeblood of a small business, essential for day-to-day operations like covering expenses, managing inventory, and meeting payroll.

(Victor L. Andrews n.d.)This paper discusses the relationship between working capital financing, firm performance, and financial constraints in the context of Indian companies. The study finds that firms with fewer financial constraints (easier access to external financing) can leverage a higher proportion of short-term debt for working capital without experiencing negative performance effects. This suggests that financial constraints moderate the relationship between working capital financing and firm performance.

CHAPTER 3

RESEARCH METHODOLOY

3.1 JUSTIFICATION OF TOPIC

Maintaining everyday financial strength has become challenging in modern times. Every business aims to be considered financially sound. It can be achieved to enhance the financial features such as liquidity, solvency, and profitability via the effective implementation of the operating capital management. .Working capital keeps the business operating on a daily basis. Because it involves things like cash, inventories, receivables, payables, and so on, working capital provides insight into the businesses' operations. Research from empirical studies has found that one of the primary causes of industrial illness is inefficient working capital management. As a result, one of the key indicators of financial stability is effective working capital management.

3.2 STATEMENT OF PROBLEM

The problem of working capital management is making decisions about investments in various current assets with the goal of keeping the firm's financial liquidity so that it can fulfil its obligations on time and effectively. The problem is that the research has been conducted to examine the management of working capital.

3.3 NEED FOR THE STUDY

The aim of the study is to identify the working capital demand and management level of Aliaxis Utilities and Industry Pvt Ltd, and to analyse the various ratios related to the company's working capital management. This research is impacted by many variables including industry type, operational efficiency level, and book debt regulations employed, among others

3.4 OBJECTIVE OF STUDY

There is no way to overstate the importance of working capital. Working cash is necessary for all businesses in some capacity. The delay in time between production and cash from sales is the primary source of working capital.

- To study working capital management components.
- To analyse Aliaxis Utilities and Industry Pvt Ltd.'s working capital management effectiveness.
- To analyse the company's current asset and current liabilities position
- To analyse how profitability affects working capital
- To find out the changes in working capital of Aliaxis Utilities and industry Pvt Ltd using Comparative Financial Statement Analysis.

3.4 SCOPE OF THE STUDY

The study covers the company's last four years of annual reports in addition to the current assets and current liabilities in order to understand the operating capital position and other financial facts.

3.5 AREA OF STUDY

The area of study is "Financial Management"

3.6 PERIOD OF STUDY

Data of 4 years (2019-20 to 2022-23) has been collected for the study

3.7 TECHNIQUE OF ANALYSIS

The study is based on primary data which is collected for the company only.

- The data is analysed using ratio analysis and comparative statement analysis.

- The data is presented using graph and charts

3.8 LIMITATION

- Certain information is confidential and cannot be disclosed within the project.
- The company's future strategies will remain undisclosed to the trainees.

CHAPTER 4

ANALYSIS AND INTERPERTATION OF DATA

4.1 LIQUITY RATIO

Liquidity ratios are used to assess a company's short-term solvency, or its capacity to pay its debts when they become due. These are analysed by looking at the amounts of current assets and current liabilities in the balance sheet.

4.1.1 Current Ratio

The liquidity ratio that allows us to identify a company's ability to pay short-term debt or debt that is due within a year is called the current ratio.

$$\boldsymbol{Current\ ratio = \frac{Current\ assets}{Current\ liabilities}}$$

Year	Current Assets(Amt.)	Current Liabilities(Amt.)	Current Ratio(in times)
2019-20	4431.46	2292.05	1.9
2020-21	4983.32	2621.78	1.9
2021-22	4952.32	2542.06	1.9
2022-23	6837.52	1668.23	4.1

Table No. 1 (Amounts in Lakhs)

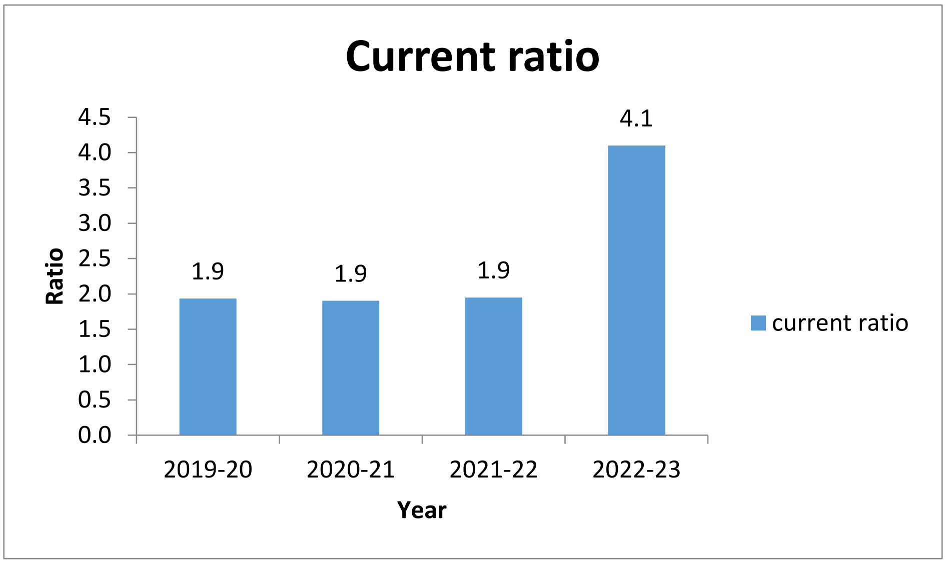


Figure No: 1:

Interpretation:

It can be seen from the above graph that the company's current ratio has not fluctuated over the past 3 years. The liquidity position is not ideal as per the standard ratio 2:1, but it is still greater than 1, which indicates the company's ability to pay off its current obligations. The graph shows that the company's current ratio has increased from 1.9 in 2019-20 to 4.1 in 2022-23. This means that the company is in a better position to pay its short-term obligations in 2022 -23 than it was in 2019-20. However, it is important to note that a high current ratio can also be a sign that a company is not using its current assets efficiently

4.1.2 Quick Ratio

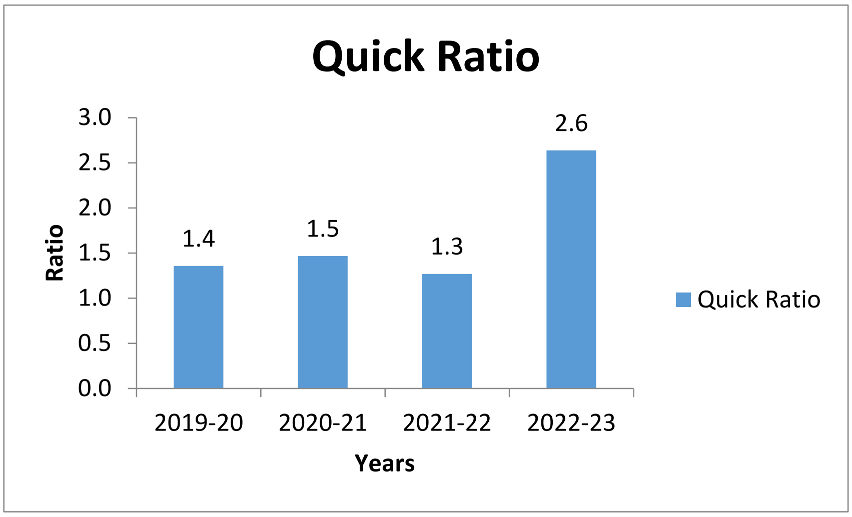
The ratio gives an indication of the company's ability to pay short-term debt. It is also referred to as the "Acid-Test Ratio" since it is computed to act as an additional check on the company's liquidity condition. While calculating quick assets, we exclude the inventories. Quick Assets are defined as those assets which are quickly convertible into cash.

$$Quick\ Ratio = \frac{Quick\ Assets}{Current\ liabilities}$$

Generally, a ratio of 1:1 is advised to be safe because a lower ratio is extremely risky, while a higher ratio implies that resources are being used needlessly in otherwise less profitable short-term investment.

Year	Current Assets (A)(Amt.)	Inventory (B) (Amt.)	Quick Assets(A-B) (Amt.)	Current Liabilities (Amt.)	Quick Ratio(in times)
2019-20	4431.46	1320.79	3110.67	2292.05	1.4
2020-21	4983.32	1137.33	3845.99	2621.78	1.5
2021-22	4952.32	1723.17	3229.15	2542.06	1.3
2022-23	6837.52	2439.82	4397.70	1668.23	2.6

Table No. 2 (Amounts in lakhs)



. Figure No: 2

Interpretation:

It can be seen from the above graph that the company’s quick ratio, a measure of its ability to pay short-term debt with liquid assets like cash. While it fluctuated around a healthy 1.3 over the years, a recent jump to 2.6 in 2022-23 is generally considered good news. It means the company has very strong short-term liquidity. However, there’s a caveat. An extremely high quick ratio could mean the company is holding onto too much cash instead of investing it in growth opportunities. This could be a sign of inefficient resource allocation.

4.2 COMPARISON OF CURRENT ASSETS AND CURRENT LIABILITIES

The difference between current assets and current liabilities is known as positive working capital. It is said that the firm has a positive working capital. Working capital can be negative if a company's current assets are less than its current liabilities.

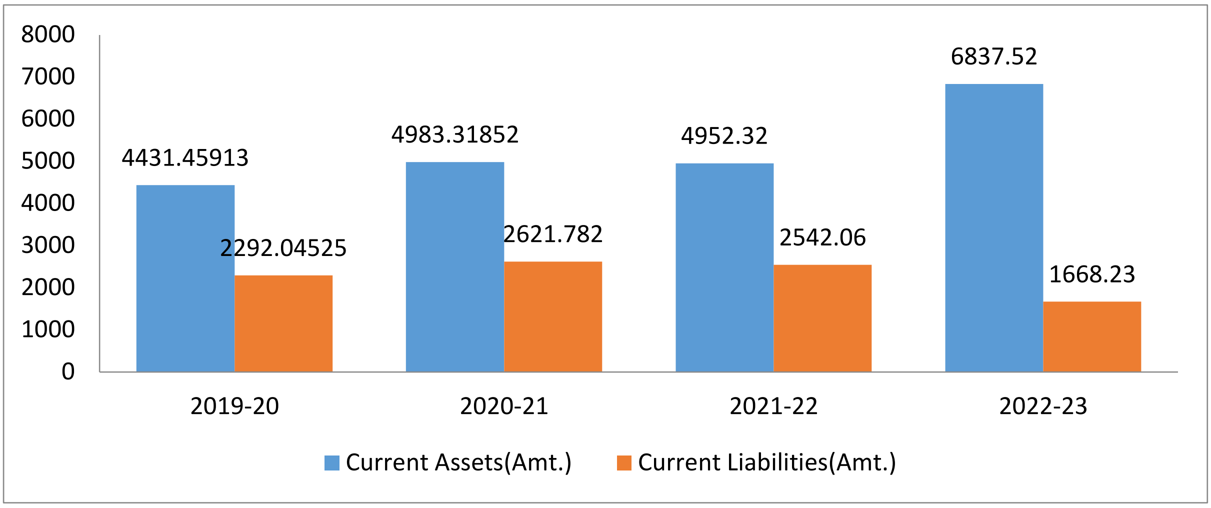


Figure No: 3

Interpretation:

The company has more current assets than current liabilities, which is a good thing for the company; because it means that it has more resources that it can use to pay off its short-term debts. But the company is holding onto too much cash or inventory that could be better invested in growing the business. This can be due to conservative management which might lead to holding onto excess resources even if it's not strictly necessary.

4.3 ANALYSIS OF WORKING CAPITAL COMPONENTS

4.3.1 Working capital Turnover Ratio

It is a difference between the current assets and current liabilities and working capital turnover ratio, which has a relationship between the working capital and net sales generated in companies.

$$Working\ Capital\ Turnover\ Ratio = \frac{Net\ Sales}{Net\ working\ capital}$$

Year	Net sales (Amt)	Net working capital	Ratios (in times)
2019-20	4229.92	2139.41	1.98
2020-21	3207.91	2361.54	1.36
2021-22	3969.96	2410.26	1.65
2022-23	5080.02	5169.29	0.98

Table No.3 (Amounts in lakhs)

Interpretation:

It can be seen from the graph that the ratio is continuously fluctuating. The year 2019-20 had the highest working capital turnover ratio among the other 3 years. A high turnover ratio shows that management is being very efficient in using a company's short-term assets and liabilities for supporting sales. Over the years, the ratio has come to 0.98 in 2020-21, which signifies a shortage of working capital in the company which is not favourable. A low ratio indicates that a business is investing in too many inventories and receivable assets to support its sales, which could eventually lead to an excessive amount of bad debts.

4.3.2 Inventory Turnover Ratio

The ratio that shows how frequently stock is changed, or sold, over a period of a year is called the inventory turnover ratio. This measures how well the company's sales and stock levels are performing. A high ratio means high sales, fast stock turnover, and a low stock level. A low stock turnover ratio means the business slows down or with a high stock level.

$$Invebtory\ Turnover\ ratio = \frac{Cost\ of\ Goods\ Sold}{Average\ Inventory}$$

Year	COGS (Amt.)	Average Inventory (Amt.)	Ratio(in times)
2019-20	1275.94	1583.895	0.8
2020-21	1409.22	1229.06	1.1
2021-22	2094.10	1430.25	1.4
2022-23	2605.40	2081.495	1.2

Table No. 4 (Amounts in Lakhs)

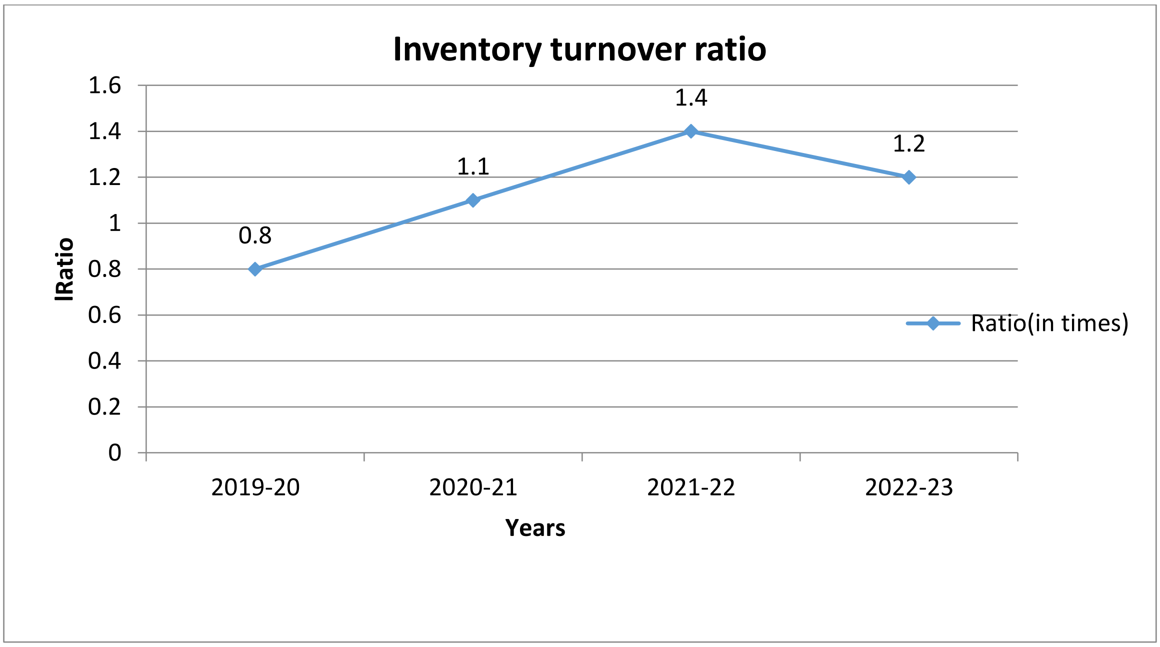


Figure No. 4

Interpretation:

The company's inventory turnover ratio has been steadily increasing over the past 3 years, from 0.8 in 2019-20 to 1.4 in 2021-22, indicating an improvement in inventory management efficiency. This signifies strong sales and that the company is able to sell its stocks. In 2022-23, the ratio is the lowest which is 1.2. Over the years, the ratio is declining. This can be a sign of poor selling or inventory policy which can lead to working capital blockage, piling up **of** inventory and quality deterioration of inventory

4.3.4 Inventory Holding Period

Year	No. of Days in Year	Inventory Turnover Ratio	Days
2019-20	365	0.8	456.3
2020-21	365	1.1	331.8
2021-22	365	1.4	260.7
2022-23	365	1.2	304.2

Table No: 5 (Amounts in Lakhs)

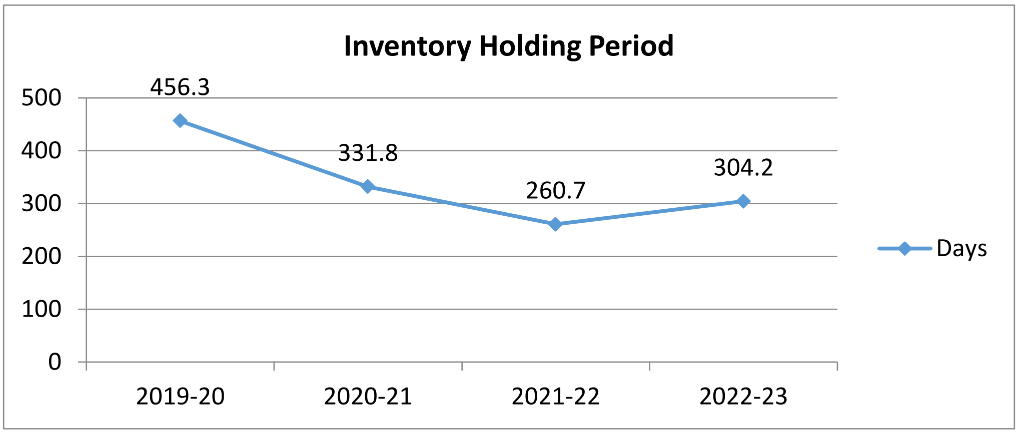


Figure No: 5

Interpretation

The company holds the inventory for a long period of time and signifies poor management of in the year 201-22 the company took approximately 260.7 days to clear its inventory. A shorter period means that the inventory is moving at a fast pace. It shows efficient inventory management. The days taken to clear the inventory has gradually increased over the years. In 2019-20, the company took 68.47 days to clear its inventory which means that inventory.

4.3.2 Debtors Turnover Ratio

An accounting measure called the receivables turnover ratio is used to assess how well a business collects its accounts receivable, or money owed by clients or consumers. This ratio indicates the number of times the receivables are turned over and converted into cash in an accounting period.

$$Debtors\ Turnover\ Ratio = \frac{Net\ Sales}{Average\ Accounts\ Receivable}$$

Year	Net Sales (Amt.)	Average Receivable (Amt.)	Ratio(in times)
2019-20	4229.92	1590.33	2.7
2020-21	3207.91	2326.52	1.4
2021-22	3969.96	2242.365	1.8
2022-23	5080.02	1379.405	3.7

Table No.6 (Amounts in Lakhs)

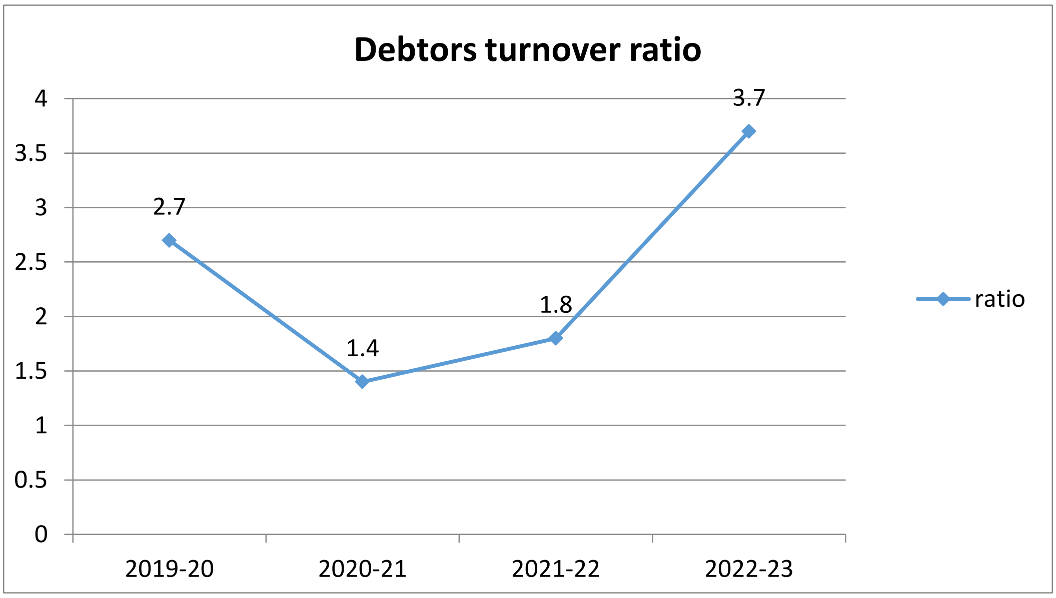


Figure No.6

Interpretation:

The Debtors turnover ratio of company has ups and downs. In 2019-20 the ratio is 2.7, in 2022- 23 the ratio is been increased to 3.5, in 2020-21 the ratio is been decreased to 1.4, However, this ratio has increased steadily and in the year 2021-22 it was at 1.8. A high ratio is desirable as it indicates that the company's collection of receivables is frequent and efficient.

As the company has increase and decrease level of debtors turnover ratio it indicates that there is no stable in the collection of debts.

4.3.3 Average Collection Period

$$Average\ Collection\ Period = \frac{Numbers\ of\ Days}{Debtors\ Turnover\ Ratio}$$

Year	No. of days in the year	Debtors Turnover Ratio	Days
2019-20	365	2.7	137
2020-21	365	1.4	267
2021-22	365	1.8	206
2022-23	365	3.7	99

Table No. 7 (Amount in Lakhs)

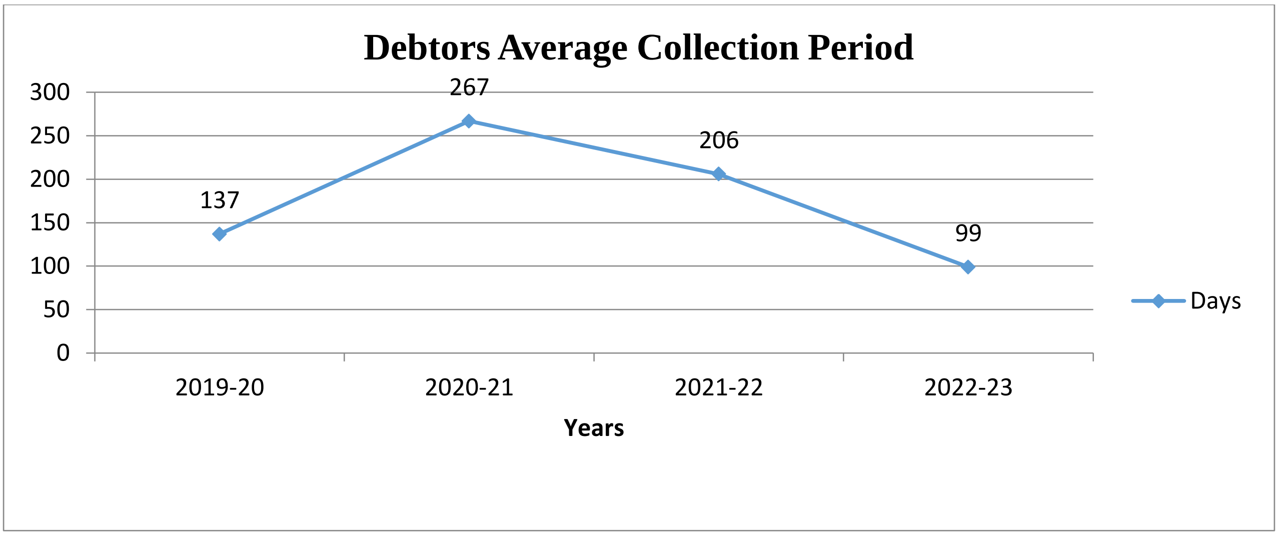


Figure No. 7

Interpretation:

The average collection period fluctuated throughout the four years, ranging from 137 days in 2019-20 to 99 days in 2022-23. This shows a gradual improvement in the company's ability to collect payments from debtors. The year 2022-23 had the lowest collection period which indicates that the organization collects payments faster. The company may have imposed shorter payment terms on its customers. Management may restrict the granting of credit to customers for a number of reasons. A shorter collection is preferred and it represents efficient collection policies.

4.3.4 Creditor Turnover Ratio

The ratio that shows how many times debts are paid off each year is called the creditor turnover ratio. The following ratio is calculated.

$$Creditor\ Turnover\ Ratio = \frac{Net\ Purchase}{Average\ Payable}$$

Year	Net Purchase	Average Payable	Ratio
2019-20	3240.4642	697.2321	4.65
2020-21	2700.8855	2047.675	1.32
2021-22	2601.6013	1954.011	1.33
2022-23	2707.91	2001.545	1.35

Table No. 8 (Amounts in lakhs)

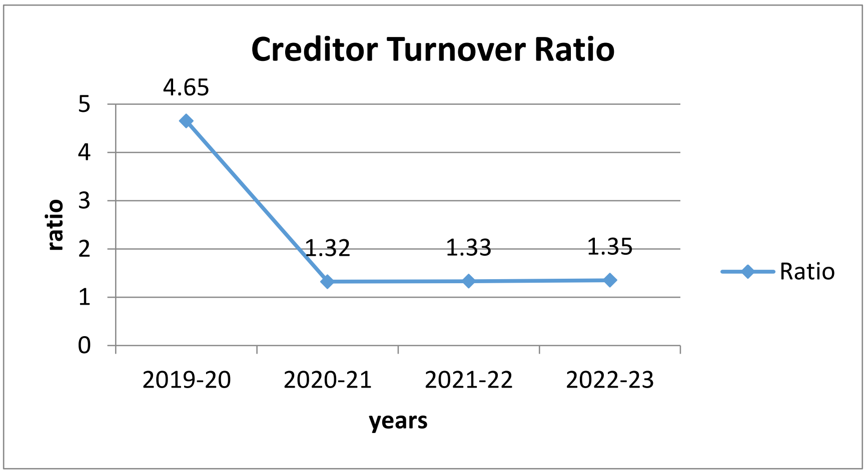


Figure No. 7

Interpretation:

In 2019-20, the ratio was the lowest at 1.32.From 2021-22 it showed a slight increasing trend. Increasing accounts payable turnover ratio could be an indication that the company managing its debts and cash flow effectively. In the year 2019-20, the ratio was at 4.65 which are the highest in the 4 years period. However in 2020-21 it fell down to 1.32.A decreasing turnover ratio indicates that a company is taking longer to pay off its suppliers than in previous periods.

4.3.5 Average Payment Period

$$Average\ Payment\ Period = \frac{No.of\ Days\ in\ a\ year}{Creditors\ Turnover\ Ratio}$$

Year	No. of days in the year	Creditors Turnover Ratio	Days
2019-20	365	4.65	79
2020-21	365	1.32	277
2021-22	365	1.33	274
2022-23	365	1.35	270

Table No. 9 (Amount in Lakhs)

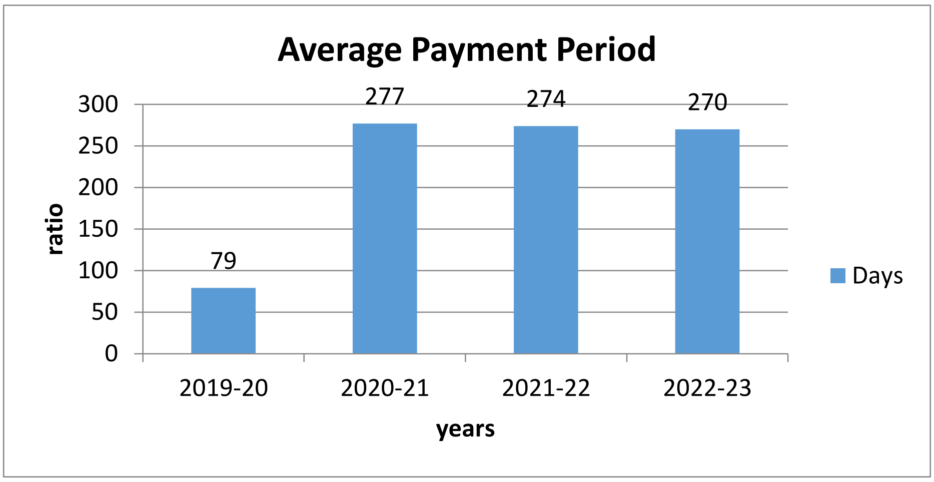


Table No.8

Interpretation:

The year 2019-20 had the shortest payment period of 79 days. A shorter payment period indicates prompt payments to creditors. Like accounts payable turnover ratio, average payment period also indicates the creditworthiness of the company. In the 2020-21, it increased to reach 277 days. Companies having long payment period can use the available cash for short-term investments and to increase their working capital and cash flow. Companies that obtain favourable credit terms usually report a relatively longer payment period.

Net Operating Cycle

The Net Operating Cycle, also known as the Cash Conversion Cycle (CCC), measures how long a company takes to turn its investments in inventory and other assets into cash through sales.

$$\textbf{\textit{Net Operating Cycle}} = (\textbf{\textit{Inventory Holding Days}} + \textbf{\textit{Receivable Collection Days}}) - \textbf{\textit{Payable Days}}$$

Years	Inventory Holding Days (A)	Debtors Collection Days (B)	Creditors Payments Days (C)	Gross Operating Cycle (A+B)	Net Operating Cycle (A+B)-C
2019-20	456.3	137	79	593.3	514.3
2020-21	331.8	267	277	598.8	321.8
2021-22	260.7	206	274	466.7	192.7
2022-23	304.2	99	270	403.2	133.2

Table No: 10 (Amounts in Lakhs)

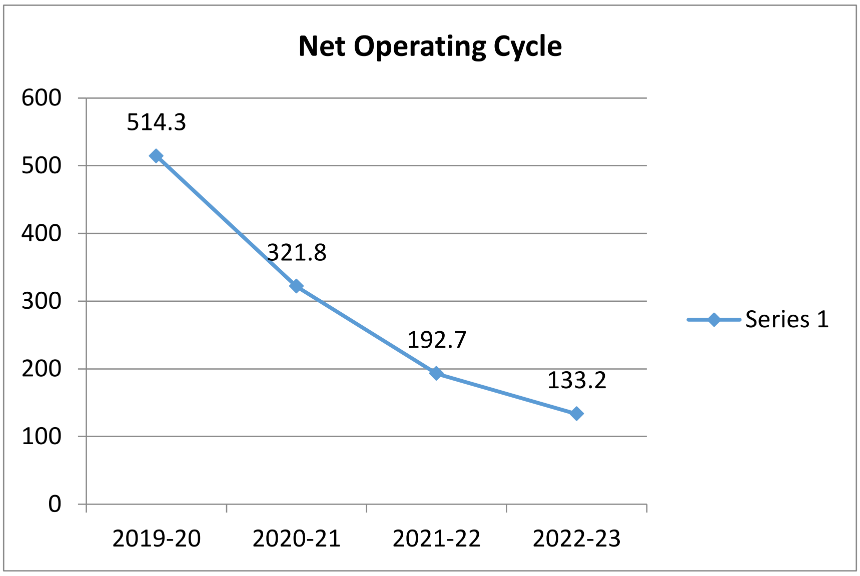


Figure No. 9

Interpretation:

In the year 2019-20, the company takes 514.3 days to receive cash and to pay the creditors .This means that the cash is tied up for 515.3 days. In 2022-23, the company could generate cash in only 133.2 days. Having a shorter net operating cycle signifies an effective management of working capital. Having longer operating cycle's means that the company takes a longer time for generating cash which can pose liquidity problems. The longer the cash is tied up, the more money will be needed to be borrowed to run the day-to-day operation .In the case of Aliaxis Utilities and Industry Pvt Ltd, the net operating cycle has shortened over the years which indicates that the cash is tied down in the operations and is conducive to a healthy working capital level. Over years, Aliaxis Utilities and Industry Pvt Ltd have a positive working cycle.

4.4 PROFITABILITY RATIO

The profitability ratio is a tool used to measure a company's capacity to turn a profit relative to its costs and other income-generating expenses over a given time period. The profit margin and the effectiveness with which the business uses its resources are closely correlated. There is a close relationship between the profit and the efficiency with which the resource employed in the company are utilized

4.4.1 Gross Profit Ratio

The gross profit ratio is calculated as a percentage of operating revenue to get an estimate of the gross margin the formula that follows is used to compute it:

$$Gross\ Profit\ Ratio = \frac{Gross\ Profit}{Net\ Sales}\ X\ 100$$

Year	Gross Profit	Net Sales	Ratio (In %)
2019-20	2953.98	4229.92	69
2020-21	1798.69	3207.91	56
2021-22	1875.86	3969.96	47
2022-23	2474.62	5080.02	48

Table No.11 (Amount in Lakhs)

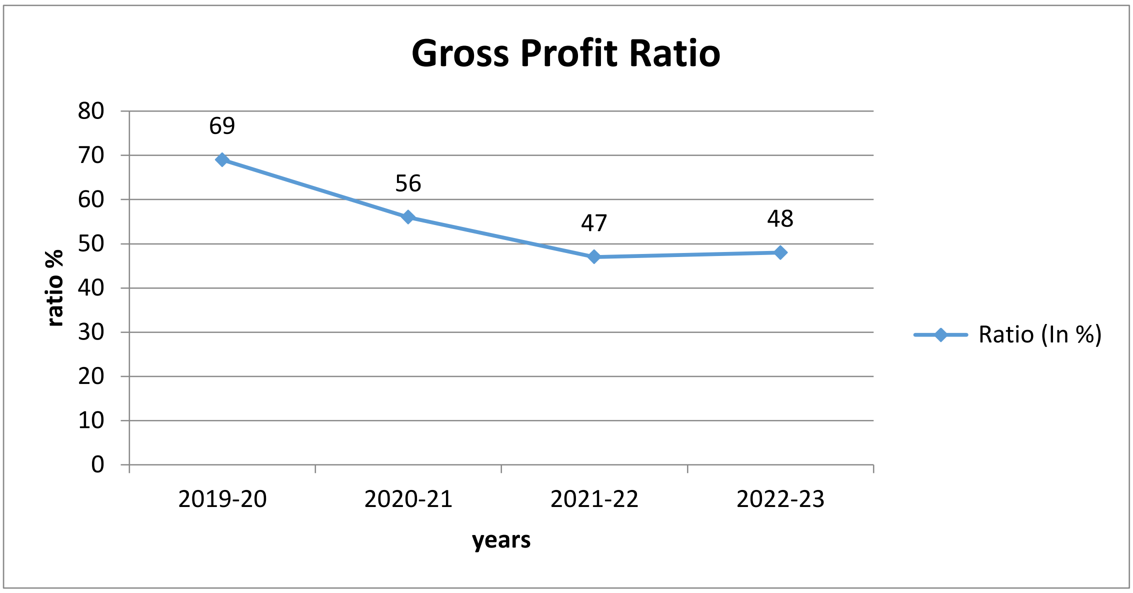


Figure No. 10

Interpretation:

The Gross Profit Ratio graph shows a clear fall. Company's profitability has decreased over the 4 years as indicated by the decline in gross profit margin ratio from a high of 69% in 2019-20 to 48% in 2022-23. A lower Gross Profit Ratio is unfavourable as is means that the company is not able to cover all expenses. An inconsistent deterioration in gross profit ratio over the past years is the indication of inefficient management.

4.4.2 Net Profit Ratio

This ratio measures the overall profitability of a company, taking into account both direct and indirect costs. Typically, net profit represents the profit remaining after taxes (PAT).

$$Net\ Profit\ Ratio = \frac{Net\ Profit}{Net\ sales}\ X\ 100$$

Year	Net Profit	Net Sales	Ratio (In %)
2019-20	222.83	4229.92	5.27
2020-21	264.627	3207.91	8.25
2021-22	4.4	3969.96	0.11
2022-23	99.8	5080.02	1.96

Table No. 12 (Amounts in Lakhs)

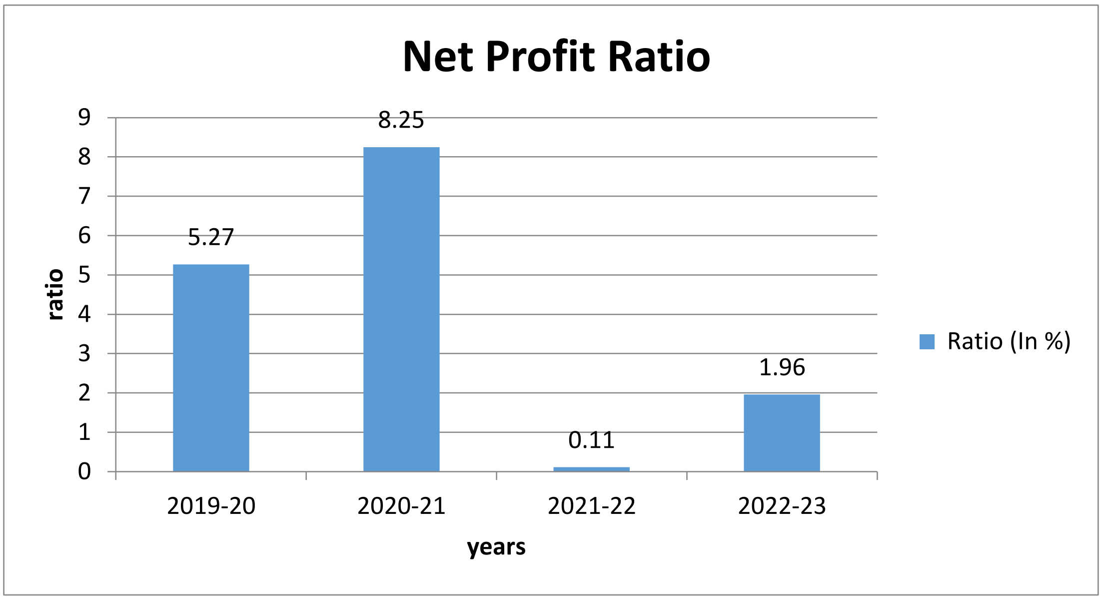


Figure No. 11

Interpretation:

The company's profitability, as measured by net profit ratio, has seen a volatile trend over the past four years. While it reached a high of 8.2%in 2020- 21, it dropped significantly to a mere 0.11% in 2021-22 before showing signs of recovery with a 1.9% ratio in 2022-23. This significant fluctuation could be due to variations in revenue... A low net profit margin means that a company is not able to effectively control its costs and/or provide goods or services at a price significantly lower than its costs. Therefore, a low ratio can result from inefficient management, high costs and expenses.

4.5 COMPARATIVE ANALYSIS OF WORKING CAPITAL

Changes in Working Capital for the year 2020-21:

Particulars	**31 March 20**	**31 March 21**	**Increase/Decrease**	**% Change**
Current Assets: Inventories	1320.79	1137.33	-183.46	-13.89
Financial Assets: 1)Trade Receivables	2057.66	2635.38	577.72	28.07
2)Cash & Cash Equivalents	883.21	955.31	72.1	8.16
3)Loans and advances	153.33	236.82	-83.49	54.45
4)Other current Assets	16.46	18.47	2.01	12.21
Total Current Assets	4431.45	4983.31	551.86	12.45
Gross Working Capital				
(-) **Current Liabilities**				
1)Borrowings				
2)Trade Payables				
i)MSME	15.505	3.236	-12.26	-79.13
ii)Others	1378.96	1303.19	-75.77	-5.49
Other Current Liabilities	896.62	1314.62	418	46.62
Provisions	0.97	0.74	-0.23	-23.71
Total Current Liabilities	2292.05	2621.78	329.73	14.39
Net Working Capital	2139.4	2361.53	222.13	10.38

Table No.13 (Amounts in Lakhs)

Interpretation:

We can see from the above table that there is an increase of 10.38% in the Net Working Capital. If the Net Working Capital is increasing, we can conclude that the company’s liquidity is increasing. There is a decrease inventory (13.89). The Trade Payables have decreased considerably. If Average Payables decreases over a period, it means the company is not buying more goods or services on credit, rather than paying cash it could indicate that the company is able to utilize its existing resource in a better way. This can be attributed to the increase in the Trade receivable and other current assets. Trade receivable was 2057.66 in 2019-20 which increased to 2635.38 in 2020-21.

Changes in Working Capital for the year 2022-23

Particulars	31 March 22	31 March 23	Increase/Decrease	% Change
Current Assets: Inventories	1723.17	2439.82	716.65	41.59
Financial Assets: 1)Trade Receivables	1849.35	909.46	-939.89	-50.82
2)Cash & Cash Equivalents	1106.54	3168.36	2061.82	186.33
3)Loans and advances	251.97	297.81	45.84	18.19
4)Other current Assets	21.29	22.07	0.78	3.06
Total Current Assets	4952.32	6837.52	1885.2	38.07
Gross Working Capital				
(-) **Current Liabilities**				
1)Borrowings				
2)Trade Payables				
i)MSME ii)Others	46.28 1248.9	18.33 1394.4	-27.95 145.5	-60.39 11.65
Other Current Liabilities	1246.08	254.59	-991.49	-79.57
Provisions	0.8	0.91	0.11	13.75
Total Current Liabilities	2542.06	1668.23	-873.83	-34.37
Net Working Capital	2410.26	5169.29	2759.03	114

Table No.14 (Amounts in Lakhs)

Interpretation:

We can see from the above table that there is an increases inventory 41.59. The Trade Payables have slight increased considerably. If Average Payables increases over a period, it means the company is buying more goods or services on credit, rather than paying cash it could indicate that the company is able to utilize its existing resource in a better way. There is decrease in Trade receivable.

CHAPTER 5

FINDINGS & Discussion

5.1 Findings:

- The company's current ratio has shown significant improvement over the past three years, increasing from 1.9 in 2019-20 to 4.1 in 2022-23. This indicates a stronger ability to meet short-term obligations.
- The company's quick ratio has experienced a significant increase from 1.3 to 2.6 in 2022-23, indicating a substantial improvement in short-term liquidity.
- The working capital turnover ratio has fluctuated over the years, with the highest ratio observed in 2019-20, indicating efficient utilization of short-term assets and liabilities to support sales.
- The company's inventory turnover ratio has shown a consistent increase over the past three years, indicating improved efficiency in inventory management and strong sales
- The company's inventory holding period has significantly increased over the years This prolonged holding period indicates poor inventory management practices
- The company's debtors average collection period has decreased over past 4 years. This indicates an improvement in the company's ability to collect payments from debtors.
- The company's net operating cycle has significantly decreased over the years, from 514.3 days in 2019-20 to 133.2 days in 2022-23. This reduction indicates more efficient management of working capital.
- The company's gross profit ratio has decline over the past four years, decreasing from 69% in 2019-20 to 48% in 2022-23. This trend indicates a decrease in profitability.
- The net profit ratio has fluctuate over the past four years, ranging from a high of 8.2% in 2020-21 to a low of 0.11% in 2021-22, before recovering to 1.9% in 2022-23..

5.2 Discussion

Overall, the company's financial performance exhibits a mix of positive and negative trends. While there are notable improvements in liquidity indicators such as the current and quick ratios, along with a reduction in the net operating cycle suggesting better working capital management, there are concerning signs such as the declining gross profit ratio and fluctuating net profit ratio, indicating potential challenges in maintaining profitability. Efforts to streamline inventory management have yielded mixed results, with an increase in turnover ratio but also a prolonged holding period, highlighting the need for continued optimization in this area. Despite improvements in debt collection, sustaining and enhancing profitability remains a key focus area for the company moving forward.

5.3 Conclusion

The company has made strides in enhancing its short-term liquidity and managing working capital more efficiently, as evidenced by improvements in ratios like the current and quick ratios, as well as a reduction in the net operating cycle. However, challenges persist in maintaining profitability, as indicated by declining gross profit ratios and fluctuating net profit margins. Additionally, while efforts to improve inventory turnover have shown some success, there is still room for improvement in inventory management practices. Moving forward, a balanced approach that addresses both liquidity and profitability concerns will be crucial for the company's sustained financial health and long-term success.

5.4 Managerial Implication

1. Prioritize initiatives to increase profitability in response to declining gross profit ratios and fluctuating net profit margins.
2. Implement strategies to optimize inventory management, and to reduce holding costs and improve cash flow.
3. .Maintain a focus on working capital efficiency through measures such as payment terms and maximizing asset utilization.

5.5 Learning Derived

Through analysing the company's operating cycle, I learned the critical importance of efficiently managing accounts receivable, inventory, and accounts payable to minimize the time it takes to convert sales into cash. This experience showed me how important it is to make our day-to-day operations run smoothly.

By looking at numbers and how the company was doing, I learned that managing the money available directly affects how well company does overall. By making sure we have the right amount of money available and using it wisely, we can make more profit, keep the money flowing smoothly, and make sure the company stays strong and valuable in the long run.

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