

**ANALYSIS ON WORKING CAPITAL MANAGEMENT - AT RACORS DEWATERING  
PUMP**

**A. M. PAVITHRA  
(REG NO.17PBM021)**

**A Major Project Report Submitted to**

**Avinashilingam Institute for Home Science and Higher Education for Women,  
Coimbatore - 641 043**

**In Partial Fulfillment of the Requirements for the Degree of  
Masters in Business Administration  
(IT Organisation Administration)**

**April 2019**

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**CERTIFIED AS BONAFIDE RESEARCH WORK**

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**Signature of the  
Supervisor**

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**Signature of the  
Head of the Department**

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**Signature of  
External Examiner**

## ACKNOWLEDGEMENT

The Researcher takes this opportunity to express her gratitude to the people who have been instrumental in the successful completion of this project.

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## **SYNOPSIS**

Every business requires working capital for its survival. Working capital is a very important part of business operations. It is required by a firm to maintain its liquidity, solvency and profitability. Working capital mainly represents the current assets of firm which is the portion of financial resources of business that changes from one type resources to another during the day-to-day execution of business activities.

Net working capital can be measured by deducting current liability of a firm from its current assets. If the value of current assets is less than of current liabilities then net working capital would have a negative value showing a deficit working capital.

The term profitability refers to the ability of a firm to earn profit. profitability can also be termed as the rate of return on investment. If there will be an indefensibility over investment in current assets then this would negatively affect the rate of return on investment. The basic purpose of managing working capital is controlling of current financial resources of a firm in such a way that balance is created between profitability of the firm and risk associated with that profitability.

The study uses descriptive research design. This includes formulating research objectives. To collect the data required using a company balance sheet. Ten years balance sheet is used for this research,

The findings are analyzed and the results are interpreted. From the analyzed results working capital management on firm's profitability has been studied.

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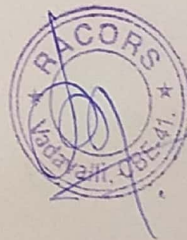
Date: 01.04.2019

### CERTIFY

This is to certify that **Ms. PAVITHRA A M (17PBM021)** Final Year – **MBA**, Student of Avinashilingam School of management Technology, Coimbatore has completed her project in Finance Department in our organization during the period from 24.12.2018 to 24.02.2019.

For **RACORS**

Authorised Signatory



## CHAPTER – I

### 1.1 INTRODUCTION

A pump is a device that moves water or fluids by mechanical action. Most pumping applications use centrifugal pump, which converts the input power to lift the water or liquid. The pump has got various parts such as pump casing, impeller and sleeve connected with motor shaft. When fluid enters the pump through the eye of the impeller which rotates at high speed, the fluid is accelerated radically outward from the pump casing. As in this connection the pump manufacturing industries got a great potential to reduce energy consumption, this could bring not only, business opportunities, new challenges but also a great help to the electricity board and for the society as a whole. Since the potential for electric current savings are huge in energyEfficiency pump sets. Realizing the opportunity to manufacture and market the energy efficient pump sets, Coimbatore has got a major role.

Dewatering pumps are centrifugal pumps installed in a building that is situated below the groundwater level, to reduce the water level and then maintain it at this level. One example is in underground mining in which water penetrating into the adits is pumped up to the surface.

Standard Centrifugal Pumps are versatile pumps that provide an economical choice for general purpose clear water dewatering. The design uses a direct mounted impeller to move water by creating a partial vacuum. The velocity of the rotating impeller pressurizes the water through the discharge outlet. These pumps are suitable for construction, municipal, agricultural, and residential applications and should be used in clear water with limited solids.

Centrifugal force created by the rotating impeller pushes water away from the eye; where pressure is the lowest, to the vane tips where pressure is the highest. The velocity of the rotating vanes pressurizes the water forced through the volute and discharged from the pump.

Despite the presence of competition problems, due to the global recovery trend is clear, investors are still optimistic about this area; the future will still have more new investment enter the field. Even so, the market is intensely competitive .The study group recommends the new entrants just having money but without technical advantage and upstream and downstream support do not to enter into this field.

According to this study, over the next five years the Dewatering Pump market will register a 7.2% CAGR in terms of revenue, the global market size will reach US\$ 4420 million by 2024, from US\$ 3120 million in 2019. In particular, this report presents the global market share (sales and revenue) of key companies in Dewatering Pump business.

This presents a comprehensive overview, market shares, and growth opportunities of Dewatering Pump market by product type, application, key manufacturers and key regions and countries. This study considers the Dewatering Pump value and volume generated from the sales of the following segments:

**Segmentation by product type: breakdown data from 2014 to 2019, in Section 2.3; and forecast to 2024 in section 11.7.**

- Submersible Dewatering Pumps
- Non-Submersible Dewatering Pumps

**Segmentation by application: breakdown data from 2014 to 2019, in Section 2.4; and forecast to 2024 in section 11.8.**

- Mining and Construction
- Oil and Gas
- Industrial
- Municipal
- Others

### **Pump Industry – An Overview**

The Indian Pump industry is growing at an **annual CAGR of ~10%**– which is **higher than the international CAGR** average of ~6% –due to the surge in infrastructure development, growth in agriculture and other water intensive industries.

The Indian Pump industry offers among the **highest net value additions** in the engineering industry – of over 20%. Moreover, the domestic market for Indian Pumps is growing at a **healthy rate of 16-18%** per annum.

## India today:

- Exports pumps to 100+ countries
- Is totally self-sufficient in
  - captive power generation
  - pulp and papers
  - energy efficient pumps in utilities and agriculture
- Is almost self-sufficient in pumps for nuclear power

A number of Indian Pump manufacturers are focusing on Bio-Pharma applications, such as Infusion Pumps, among other things.

## Pump Industry – Market Size

- The Indian pump market was worth over **US\$ 1.2 billion** in 2014 (i.e. over **INR 8,000crore**)
- India has over **800pump manufacturers**
- India manufactures more than **4.5millionpumps** every year
- Among ‘machineries’, Indian pumps are produced and used in largest numbers after electric motors
- The Indian Pump industry offers excellent growth opportunities for **international collaborations**
- Indian Pumps are exported to **more than 100 countries**

## Indian Pumps – Market Segmentation by Share & Value

	Market Share	Value
Agriculture	27%	INR 2295 crore
Building Services	19%	INR 1615 crore
Water & Wastewater Management	17%	INR 1445 crore
Power Generation	12%	INR 1020 crore
Oil & Gas	8%	INR 680 crore
Metal & Mining	4%	INR 340 crore
Others	13%	INR 1105 crore

**Agriculture** and **Building Services** comprise 46% of the market by value (INR 3910 crore). This segment of the Indian pump market is highly fragmented as well as competitive – with a large number of small and medium enterprises (SMEs) competing to increase their market share.

The **biggest markets for agricultural pumpsets** are the central Indian states of Madhya Pradesh, Maharashtra, Tamil Nadu, Karnataka and Andhra Pradesh.

The **Industrial Sector** comprises the remaining 54% of the market by value (INR 4590 crore). This segment of the India pump market consists of sectors like **Water & Sewage Treatment, Power Generation, Oil & Gas, Metals & Mining** and **Others**. Being technologically intensive, it is a relatively hard sector for small and medium enterprises (SMEs) to penetrate.

### **Pumps Industry – Key Strengths**

- India offers among the **highest net value additions** in the world (20%-plus)
- A **ready export market** in 100-plus countries
- 16% of India's pump manufacturing capacity is **geared for exports** (and growing)
- **Healthy domestic market** for pumps in India – US\$ 1.2 billion-plus (INR 8,500-plus crore)
- **Above-average growth** – projected at a CAGR of 10% from FY 2014 to 2017
- **Technological capabilities** to meet the highest quality standards – such as ISO 9000, ANSI, API or EUNO series
- **Proactive government policies** to stimulate agricultural growth (and demand for pumps), through:
  - subsidized electricity
  - exemptions on use of solar water pumps

Such policies have inspired farmers to install independent irrigation facilities to ensure consistent availability of water. As a result of these schemes, the **demand for water pumps has increased significantly**.

- Rapid growth of the **Indian chemical market** has stimulated the demand for high quality **industrial pumps**

- The growing demand for **lower cost of operation** and **zero downtime pumps** gives India a **competitive advantage** to offset the labour cost advantage offered by low-cost/low-quality manufacturers in some Asian countries

### **Indian Pumps – Growth Opportunities**

70% of India's US\$ 15 trillion GDP projected for 2030 will have to be supported by urban infrastructure – and will require massive doses of investment in urban infrastructure. The other **growth drivers** for Indian pumps include population growth, higher water-intensive food consumption, industrialisation, growing public awareness about drinking water quality, decreasing water quality, lower water levels, and environmental pressure from government bodies on wastewater discharge, thereby amplifying the demand many times over for the recycle and reuse of water.

- Sustained **medium to long term demand** from
  - Infrastructure
  - Energy
  - Roads
  - Ports
  - Irrigation
  - Agriculture
  - Manufacturing
  - Water Supply
  - Sanitation – which alone will require a USD 1 trillion investment by 2017
- The Government of India is actively encouraging **technology development and transfer** to enable the small scale sector (i.e. small pump manufacturers) to enter high-tech areas such as **aerospace** and **defence**
- Indian companies are increasingly looking for **international partnerships** via technology collaborations to enter foreign markets
- Many small scale pump manufacturers have created **price sensitive offerings** as viable alternatives to costly pumps manufactured by large pump manufacturers
- The **Indian chemical market**– growing at a rapid pace – is fuelling the demand for industrial pumps
- **Government regulations** and **energy crisis** are motivating water pump manufacturers to develop energy efficient products

The Government of India has introduced several **policies to promote agricultural growth** in the country. These policies range from **subsidized electricity** to **exemptions on use of solar water pumps**. The announcement of such policies has inspired farmers to install independent irrigation facilities to ensure consistent availability of water. Consequently, this is pushing the demand for water pumps in India.

### **Government Initiatives to Promote the Indian Pump Industry**

- The Government of India envisages the installation of 1, 00,000 **solar water pumps for irrigation** and drinking water purposes across the country.
- India's industrial policy actively supports the small scale sector – which is the backbone of the Indian engineering sector and contributes significantly to India's engineering exports – via **Government funded R&D collaboration** through Sitarc, Coimbatore, SIEMA, CSIR, Ministry of Science & Technology, etc.
- PCPIR (Petroleum, Chemicals and Petrochemicals Investment Region), an initiative taken by Government of India, is specifically designed to encourage foreign investment in petroleum, chemical and petrochemicals sector. This is expected to accelerate economic growth and positively impact the demand for water pumps in India.

### **Quality Certifications for Indian Pumps**

The Indian Pump industry complies with highest quality standards – such as ISO 9000, ANSI, API or EUNO series. For instance:

- The indigenously manufactured Fuel Booster Turbo Pump was used in ISRO's **Cryogenic Engine**
- India operates some of the world's best performing space rockets 'PSLVs' on **Fuel Booster Turbo Pump technologies**
- Indian Pumps are extensively used in **Indian refineries**, including the Reliance Refinery – which **ranks among the top 5%** in the Energy Efficient Index of Shell Benchmarks

### **International Recognition for Indian Pumps**

Indian Pumps are globally accepted for their quality.

- **Lowest Life Cycle cost (LLC) Pumps**, which are highly demanded globally on account of sustained energy efficiency and lower maintenance costs
- **Vertical Execution Multi-Stage Multi-Outlet (MSMO) Pumps**, which are ideally suited for high rise urban development projects because they require less space
- **Concrete Volute (CV) Pumps**, which are extremely reliable and cost effective, and ideal for handling large volumes of water

Some of the other important products manufactured in India include **solar centrifugal pumps** and **solar power conditioning units**– which have helped save millions of units of electricity annually.

**Energy Efficient Systems** and **Intelligent Process Equipment Systems** are being integrated to meet international demands and retain cost effectiveness for domestic industrial and infrastructural goals. Kirloskar Brothers Ltd., a globally renowned Indian pump brand, recently created a record in its all-women Coimbatore plant by successfully reducing its “assembly time from 60 seconds to a record breaking 20 seconds; thereby increasing the plant production to 34 000 pumps per line per month”.

### **Indian manufacturers of various types of Pumps**

- Dynamic Pumps
  - Rotary pumps
    - Axial Flow Pumps
    - Centrifugal Pumps
    - Mixed Flow Pumps
  - Special Pumps
    - Electromagnetic pumps for Liquids and Metal
    - Fluid Actuated/Gas Lift or Hydraulic Pumps
    - Jet Pumps
- Positive Displacement Pumps (PDP)
  - Reciprocating Pumps
    - Diaphragm Pumps
      - Double Diaphragm
      - Single Diaphragm
    - Piston / Plunger Pumps

- Double Acting Duplex Pumps
- Double Acting Simplex Pumps
- Single Acting Piston Pumps
- Rotary Pumps
  - Single Rotor
    - Flexible Tube or Lining Pumps
    - Radial pumps
    - Screw Pumps
    - Sliding vane pumps
  - Multiple Rotor
    - Double Lobe Pumps
    - Gear Pumps
    - Triple Lobe Pumps

## **1.2 COMPANY PROFILE**

### **Racors: Leading Manufacturers of Dewatering Pumps**

Dewatering Pump Suppliers, Manufacturers & Dealers from Coimbatore. Manufacturer and Exporter of Dewatering pumps. Wide variety in Sewage, Submersible Pumps, Polder Pumps, centrifugal pumps, High Pressure pump, Pump manufacturer India, Racors leading exporter of Dewatering pumps Kuwait, Dubai, Oman, and Saudi Arabia.

### **About Company**

Racors one among the leading special pump manufactures in India. The company was formed in 3rd quarter of 1998, supplying pumps and parts to the Onshore Land Draining (Dewatering), Marine and Offshore Services market. From humble beginnings, the business has flourished into a Specialist Engineering Services company, with office and service locations spread throughout the globe.

In various aspects of Hydraulics; Pumps and Control Engineering, Racors offer a comprehensive service to the clients. By combining quality manufactured products into a value added solution to customer needs, Racors demonstrates how their integrator skills benefit to clients. Strategically located office and service centres allow Racors to understand customer requirements and effectively deliver solutions.

### **PRINCIPAL ACTIVITIES**

We are involved in wide spectrum of activities manufacturing, trading or providing technical assistance through Consulting & project Management and technical assistance to our clients in oil & gas, civil, mechanical and electromechanical construction sector. And synergy effects derived through our diverse operations.

### **In the field of engineering:**

We with our associates are both experienced and innovative in the approach to any of the major projects we are involved in. We aid in completing projects on schedule, on budget and with precision. The skills and knowledge gained through years of experience in providing solutions, ensures we maintain the highest level of workmanship throughout our projects. We offer turnkey systems including design, project management, equipment supply, system installation, programming, and commissioning. We provide comprehensive solutions to issues

faced by our customers by systems and structural engineering, planning and integrated logistic.

Support and environmental services to a wide variety of commercial clients. By taking advantage of the synergy between our various associates we provide and recommend integrated solutions to precisely respond to customer needs. Business will be proposal-driven and customer focused for growth potential to ensure a cohesive link between customer development and project completion. In brief to provide superb product and service to effectively utilize the limited resources of land and space for convenience of clients due to high cost of real-estate.

### **Pumps Manufacturers India Coimbatore**

Monobloc Pumps, Self-Priming Pumps, Submersible Pumps, Centrifugal Pumps, Electric Submersible Dewatering Pumps are best from Racors, Coimbatore, India. They offer a wide range of diesel-driven self-priming centrifugal dewatering pumps manufactured by our trusted vendors using the finest quality raw materials in complete compliance with international quality standards. Our clients can choose from these products designed for handling, groundwater, muddy water and even contaminated water with solid components.

Irrespective of their varied purpose and specifications, our dewatering pumps are easy to manoeuvre and can be effectively installed and operated in any position of convenience whether vertical, horizontal or inclined. Our dewatering pumps are fabricated using stainless steel and cast iron ensures maximum life, easy portability, and strength, less downtime, minimum maintenance and durability. The cost of running these pumps are relatively low and ensure extreme reliability when it comes to performance.

They offer a wide range of diesel-driven self-priming centrifugal dewatering pumps manufactured by our trusted vendors using the finest quality raw materials in complete compliance with international quality standards. Our clients can choose from these products designed for handling, groundwater, muddy water and even contaminated water with solid components.

For many years we have Sold our Engines and pumps in the Middle East namely UAE, Kuwait, Dubai , Bahrain, Bangladesh, Brazil, Sri Lanka, Taiwan, Ethiopia, Greece, Indonesia, Iraq, Kazakhstan, Kenya, South Korea, Malaysia, Nepal, Nigeria, Philippines, Qatar, Saudi Arabia, Singapore, Vietnam, South Africa, Thailand, United Arab Emirates, Turkey, Uganda, Egypt, Tanzania, Zambia, United Kingdom, United States of America, China, Poland, Brunei and Oman.

Besides these we have Sales are Service Center in African countries like Angola, Nigeria, Khanna and Kenya. Our dewatering pumps and Deep Well submersible pumps are proven for the toughest groundwater applications at the most demanding locations.

Besides, these are submersible pumps that do not warrant any priming. They have been designed to ward off suction problems and reduce the probability of a motor burn out.

Some of the pumps we offer, for instance, the Racors dewatering pumps are so reliable with their performance that they hardly need supervision all the time when they are in operation. Its unique vacuum system ensures fully automatic priming and re-priming. With diesel-powered engine as default option, all dewatering pumps are available with alternative engines, motors and chassis configurations to go in with the widest range of accessories and fittings

Besides, these are submersible pumps that do not warrant any priming. They have been designed to ward off suction problems and reduce the probability of a motor burn out.

Our wide series of high pressure jetting pumps are most suitable industries looking to flush out dirt from their manufacturing sites. This is the preferred product of industries engaged in the manufacturing of engineering and rail components and cleaning of ships, mines, equipment's and earth movers

The longevity and proper maintenance of our pumps are ensured thanks to the wide range of accessories we make readily available. They can be customized to suit the requirements of clients without drilling a hole in their pockets.

When it comes to dewatering services, oil and gas, construction, marine and industries can hardly think of another name than Racors. Whether its groundwater control, Mining,

Onshore Land Draining, Offshore Services, manufacturing, or trading, our expertise know no bounds. We have valued clients network across the globe.

- Dewatering Pumps
- Pumps spares and Accessories
- Engines and Gensets
- Industrial and Domestic Pumps
- Agriculture Pumps
- Dewatering Projects

### **Dewatering Pumps**

They offer a wide range of diesel-driven self-priming centrifugal dewatering pumps manufactured by our highly experienced and well versed production team and we are using the finest quality raw materials in complete compliance with international quality standards. Our clients can choose from these products designed for handling ground water, muddy water and even contaminated water with soild components.



## **Pumps Spares and Accessories**

Racors is India's prestigious manufacturer and supplier, engaged in offering a superb range of Pumps Spares and Accessories. We have with us the support of highly qualified engineers and state of the art manufacturing facility to produce these pumps spares and accessories as per the norm set by the international market. We can also provide pump spares and accessories according to customer requirements.



## **Racors: Centrifugal Pumps**

Centrifugal pump technology is a clear favourite among oil & gas producers. Racors offer enhanced oil recovery techniques and unconventional plays make Racors Centrifugal Pumps more efficiency.

Racors offer a Wide range of Centrifugal pumps for domestic and industrial applications. Our centrifugal pumps are Single-impeller and dual-impeller.

Racors Series Centrifugal pump is a long proven horizontal end suction centrifugal pump that will reliably and economically handle abrasive and corrosive medium duty services.

Racors Centrifugal pumps represent the highest pressure-rated, large, lined pumps available with priority given to increased safety, wear life and reliability.

For many years we have sold our Centrifugal pumps in the Middle East namely Dubai, Qatar, Kuwait, UAE, Oman and Bahrain. Besides these we have Sales and Service Centre in African countries like Angola, Nigeria, Ghana and Kenya. Our Centrifugal pumps are proven for the toughest groundwater applications at the most demanding locations.

- Fire Fighting Pump
- High pressure, High Volume Centrifugal Pumps
- High pressure, High Volume Centrifugal Pumps

## **PRODUCTS & SERVICES**

### **Refine Search**

- Dewatering Pumps (26)
- Centrifugal Pumps (3)
- PRODUCTS & SERVICES (107)
- Submersible & Vacuum Pumps (2)
- WellPoint Drilling Machine & Equipments (2)
- Our Drilling services (1)
- Accessories (73)

### **Submersible & Vacuum Pumps**

Racors is India's prestigious manufacturer and supplier, engaged in offering a superb range of Racors Submersible Pump. We have with us the support of highly qualified engineers and state of the art manufacturing facility to produce these pumps as per the norm set by the international market. Our pumps are used in construction sites, agricultural sectors and industries for pumping water. Moreover, our pumps are regarded for their stands for like strong design, less maintenance and advance service life. We offer this Racors Submersible Pump to the clients at reasonable prices.

- Industrial Submersible Pump
- Industrial Portable Submersible Pump

- Industrial RACORS Submersible Pump
- Stainless Steel Racors Submersible Pumps
- Submersible Racors Water Pump

For many years we have Sold our Engineers in the Middle East, UAE, Kuwait, Dubai , Bahrain, Bangladesh, Brazil, Sri Lanka, Taiwan, Ethiopia, Greece, Indonesia, Iraq, Kazakhstan, Kenya, South Korea, Malaysia, Nepal, Nigeria, Philippines, Qatar, Saudi Arabia, Singapore, Vietnam, South Africa, Thailand, United Arab Emirates, Turkey, Uganda, Egypt, Tanzania, Zambia, United Kingdom, United States of America, China, Poland, Brunei and Oman. . Besides these we have Sales are Service Centre in African countries like Angola, Nigeria, Khanna and Kenya. Our dewatering pumps and Deep Well submersible pumps are proven for the toughest groundwater applications at the most demanding locations.

### **WellPoint Drilling Machine &Equipments**

They offer wide range of Drilling Machine &Equipments, which are a used for drilling that are equipped with winder, wire ropes as well as sheaves. These cranes are used to lift and shift materials as well as in moving them horizontally. We offer a varied range of Drilling Machine for our clients with different weight bearing and functional capacities at the most affordable prices.

RACORS well point drilling machine and equipment are available in the Middle East, UAE, Kuwait, Dubai, Bahrain, Bangladesh, Brazil, Sri Lanka, Taiwan, Ethiopia, Greece, Indonesia, Iraq, Kazakhstan, Kenya, South Korea, Malaysia, Nepal, Nigeria, Philippines, Qatar, Saudi Arabia, Singapore, Vietnam, South Africa, Thailand, United Arab Emirates, Turkey, Uganda, Egypt, Tanzania, Zambia, United Kingdom, United States of America, China, Poland, Brunei and Oman.

- Drilling Equipments
- Well Point Drilling Machine

## Our Drilling services

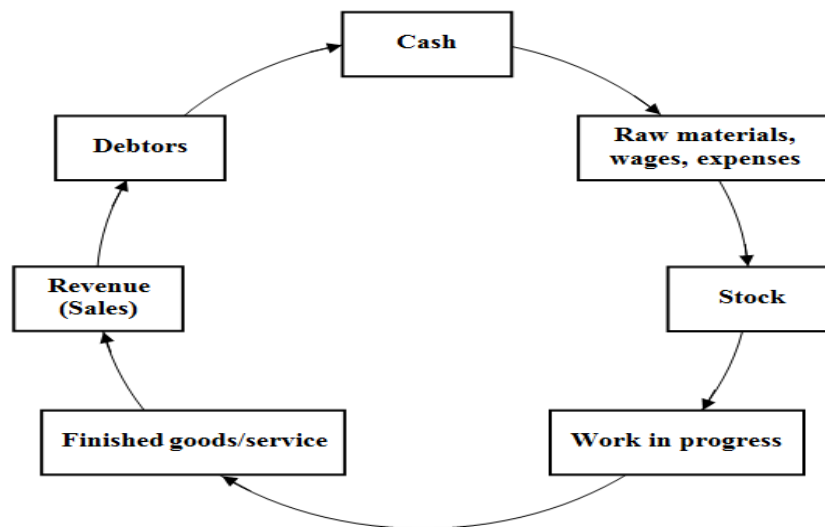
They offer to our clients Drilling Services. Which is performed by skilled professionals, we also have experienced water diviners and qualified geologists who assist us in offering reliable drilling services to customers.

## PUMPS



### 1.3 WORKING CAPITAL LIFE CYCLE

The Working Capital Requirement of a firm depends, to a great extent upon the operating cycle of the firm. The duration of time required to complete the sequence of events right for purchase of raw material /goods for cash to the realization of sales in cash is called the operating cycle or working capital cycle.



#### Working Capital Life Cycle

The above Working Capital Cycle is repeated again and again over the period during upon the nature of the business and type of product etc. the duration of the operating cycle for the purpose of estimating working capital is equal to the sum of the duration's allowed by the suppliers.

### DETERMINANTS OF WORKING CAPITAL

#### Nature of Business

Business units selling service (like public utilities) instead of a commodity, have little needs for working capital, as they have little demand for large inventories. Generally they operate in cash and prepay basis. But trading concerns (merchandising companies) make a greater use of working capital, since inventory represents a major item of investment. A relatively small proportion will consist of working capital in case of manufacturing concerns. Larger working capital will require in labor intensive industries than in highly merchandized industries. In chemical or engineering industries, working capital would be relatively larger.

## **Size of Business**

The working capital requirements of a concern are directly influenced by the size of the business which may be measured in terms of scale of operations. Greater the size of a business unit generally larger will be the requirement of working capital. However, in some cases even a smaller concern may need more working capital due to high overhead charges insufficient use of available resources and other economic disadvantage of small size.

## **Production Policy**

In certain industries the demand is subject to wide fluctuation due to seasonal variation. The requirement of working capital, in such cases depends upon the production policy. The production could be kept either steady by accumulating inventories during slack period with a view to meet high demand during the peak season or the production could be curtailed during the slack season and increased during peak season. If the policy is to keep production steady by accumulating inventories it will require higher working capital. A company should have some production policy i.e. to maintain the production is a considerable range in order to meet the changing demand. A company like SUZLON ENERGY whose productive capacities can be utilized for manufacturing varied products can have the advantage of diversified activities and solve their working capital problem.

## **Manufacturing Process/Length of the Production Cycle**

In manufacturing business, the requirements of working capital increase in direct proportion to length of manufacturing process, longer the process period of manufacture, longer is the amount of working capital required. The longer the manufacturing time, the raw materials and other supplies have to be carried for a longer period in the process with progressive increment of labour and services costs before the finished products is finally obtained. Therefore, if there is alternative process of production, the process with the shortest production period should be chosen.

## **Working Capital Cycle**

In manufacturing concern, working capital cycle starts with the purchase of raw materials and ends with realization of cash from the sale of finished goods. The cycle involves the purchase of raw materials and ends with the realization of cash from the sale of finished products. The cycle involves purchase of raw materials and stores, its conversion in

to stock of finished goods through work in progress with progressive increment of labor and service cost, conversion of finished stock into sales and receivables and ultimately realized of cash and this cycle continuous again from cash to purchase of raw materials and so on.

### **Market Condition**

The degree of competition prevailing in the market places has an important bearing on working capital needs. When competition keeps, a larger inventory of a firm that maintains steady high rate of cash dividends irrespective of its generation of profits needs more capital than the firm retains larger part of its profits and does not pay high rate of cash dividend.

### **Price Level Changes**

Changes in the price level also affect the working capital requirements. Generally the rising prices will require the firm to maintain larger amount of working capital as more funds will require maintaining the same current assets. The effect of rising prices may be different firms. Some firms may be affected much while some other may not be affected at all by the rise in prices.

### **Condition of Supply:**

The inventory of raw material, spares and stores depends on the condition of supply. If the supply is prompt the firm can manage with small inventory. However if the supply is unpredictable then the firm to ensure continuity of production, should acquire stocks as and when they are available and have to carry larger inventory on an average.

### **Other Factors:**

Certain other factors as operating efficiency, management ability, irregularities of supply, import policy, asset structure, importance of labour, banking facilities, time lag, etc., also influence the requirement of working capital. So these are the main determinants of working capital. The importance of influencing the main determinants of working capital. The importance of influence of these determinants on working capital may differ from firm to firm.

## **WORKING CAITAL**

Capital required for a business can be classified under two main categories via,

- Fixed Capital
- Working Capital

Every business needs funds for two purposes for its establishment and try to carry out its day-to-day operations. Long terms fund are required to create production facilities through purchase of fixed assets such as plant and machinery, land, building, furniture, etc. investments in these assets represent that part of firm's capital which is blocked on permanent or fixed basis and is called fixed capital. Funds are also needed for short-term purposes for the purchase of raw material, payment of wages and other day-to-day expenses etc.

These funds are known as working capital. In simple words, working capital refers to that art of the firm's capital which is required for financing short-term or current assets such as cash, marketable securities, debtors & inventories. Thus, Funds invested in current assets keep revolving fast are being constantly converted in to cash and this cash flows out again in exchange for other current assets. Hence, it is also known as revolving or circulating capital or short term capital.

## **CONSTITUENTS OF CURRENT ASSETS**

- Cash in hand and Cash at bank
- Bills Receivables
- Sundry Debtors
- Short Term Loans and advances
- Inventories of stock as:
  1. Raw material
  2. Work in process
  3. Stores and spares
  4. Finished Goods
- Temporary Investment of Surplus Funds
- Prepaid Expenses
- Accrued Incomes
- Marketable Securities

## **SOURCES OF WORKING CAPITAL**

Among the various sources available for financing working capital needs finance manager has to select the best suitable source depending on working capital need of company.

The need of working capital is increased by raising prices of end products and relative inputs. On the other hand the government and monetary authorities play their own role to curb the malice in period of inflation. The control measures often take the form of dear money policy and restriction credit. Financing of additional working capital in such an environment becomes a real problem to finance manager of a concerned unit. Commercial banks play the most significant role in providing working capital, finance particularly in Indian context. In view of mounting inflation, the R.B.I has taken up certain social measures to check the money supply in the economy. The balancing needs has to be managed either by long-term borrowings or by issuing equity or by earning sufficient profits and retaining the same of coping with the additional working capital requirements. The first choice before a finance manager, where banks do not provide a part of additional working capital, is to take the long-term sources of finance.

### **Long Term Financing:**

The **Sources of Long Term Finance** is the sources from where the funds are raised for a longer period of time, usually more than a year. Long term financing is required for modernization, expansion, diversification and development of business operations.

### **Floating of Debentures:**

The profitability of a successful floating of debentures seems to be rather merging. In Indian capital market, floating of debentures has still to gain popularity. Debentures issues of companies in private sector not associated with certain reputed groups generally failed to attract investors to invest their funds in companies. In this context the mode of raising funds by issuing convertible debenture/bonds is also gaining.

### **Accepting of Shares:**

In a view of financing additional capital needs, issue of additional equity could be considered. Many Indian Company have still to go ahead to command respect of investors in the context low profit margin as well as lack knowledge about company make the success of a capital issue very dim.

### **Raising Fund by Internal Financing:**

Raising funds from operational profit poses problems for many companies, because price of their end products are controlled and do not permit companies to earn profit sufficient requirements to finance additional working assets, still a largely feasible solution lies in increase profitability through cost control and cost reduction measures managing the cash operating cycle, rationalizing inventory stock and so on.

### **PROBLEMS ASSOCIATED WITH EXCESS & IN ADEQUATE WORKING CAPITAL:**

#### **Dangers of Excess working Capital:**

- It results in unnecessary accumulation of inventories. Thus the changes of inventory mishandling, the losses increase.
- It is an indication of defective credit policy and stock collection period.
- Excessive working capital makes management Compliment, which degenerated into managerial efficiency.
- Tendencies of accumulating to make speculative profit grow. This may tend to make dividend policy liberal and difficult to cope with in future when the firm is unable to make speculation profits.

#### **Dangers Inadequate Working Capital:**

- In strategies growth. It becomes difficult to undertake profitable profit due to Non-availability of the working capital funds
- It becomes difficult to implement to operating plans and achieve the firms profit target.
- Operating inefficient creep in when it becomes difficult even to meet day-to-day commitments slumps.

#### **1.4 NEED FOR THE STUDY**

- ❖ The main need for this study is to bring out the importance of effective and efficient operation of the working capital in the company. This study is conducted to find out whether the company has enough liquidity to meet its obligations.
- ❖ To study the role of working capital and its application in the organization.
- ❖ To understand the various components of working capital.
- ❖ To know more information about the working capital management.

## **1.5 OBJECTIVES**

This study is mainly focused to examine the short-time financial viability of “The Racors Dewatering Pump Private Ltd.” As stated below:

1. To study the efficiency of working capital.
2. To analysis the firm’s working capital position.
3. To analysis and forecasting the working capital required.

## **1.6 SCOPE**

The present study “Working Capital Management in Racors Dewatering Pump” analyses the efficiency of the working capital management and its components of liquidity ratio and profitability ratio. The study attempts to determine the efficiency and effectiveness of management in each segment of working capital. Since the net concept of working capital has been taken in the present study, management of both current assets and current liabilities will be critically reviewed.

The importance of the study is emphasized the fact of administration of current asset and current liabilities of a business. The efficient and effective management of working capital is of crucial importance for the success of a business, which involves the management of the current assets and the current liabilities. The business concern has therefore to optimize the use of available resources through the efficient and effective management of the current assets and current liabilities. This will enable to increase the profitability of the concern and the firm could be able to meets its current obligation will in time.

### **1.7 LIMITATIONS:**

1. It is based on the data supplied by the factory personnel.
2. It is based on consultation, decisions of all concerned officials.
3. Since only 5 years data is used for the analysis the outcomes may not be generalized.
4. Due to limitations of time, it was unable to go for a depth study into the subject.

## CHAPTER II

### REVIEW F LITERATURE

A literature review is the process of reading, analysing, evaluating, and summarizing scholarly materials about a specific topic, which includes the current knowledge including substantive findings, as well as theoretical and methodological contribution to a particular topic. Literature review use secondary sources, and do not report new or original experimental work. The results of literature review may be compiled in a report or they may serve as part of a research article, thesis or grant proposal.

**Shin&Soenen (1998)** highlighted that effective Working capital Management (WCM) was very important for creating value for the shareholders. The way working between the lengths of Net Trading Cycle, corporate profitability and risk adjusted stock return as examined using correlation and regression analysis, by industry and capital intensity. They found a strong negative relationship between lengths of the firm's net-trading Cycle and its profitability. In addition, shorter net trade cycles were associated with higher risk adjusted stock returns.

**Lyrودي and Lazaridis (2000)** investigated the relationship of liquidity and cash conversion cycle for the food industry of Greece. They concluded that a considerable positive relationship exists among Cash Conversion Cycle and current ratio, average age of inventory and average collection period. Also thy located an inverse relationship between CCC and average payment period. They concluded that there was no spastically significant relationship between variables used for liquidity measurement and that used for profitability measurement. Also they suggested that cash conversion cycle had no significant relationship with debt ratio.

**AbbasaliPouraghajan and MiladEmamgholipourarchi (2002)** empirically tested the impact of working capital management on profitability and market evaluation of the Tehran Stock exchange listed companies. Keeping in mind these objectives, they studied a sample of companies during the years 2006 to 2010 registered in Tehran Stock Exchange and analyzed them. Also, they used various variables to measure these two factors. The estimated result of the research shows that there is a significant positive relationship between the effective working capital management and profitability of company. Also, the results of the

study show that management can enhance the profitability of company through minimizing cash conversion cycle and the total debts to total assets ratio.

**Deloof (2003)** surveyed on Belgian Firms to find out whether the working capital management affects profitability. He found that most firm had a large amount of cash invested in working capital. It can be expected that the way in which working capital is managed, will have a significant impact on the profitability of those firms. Using correlation and regression tests he found a significant impact negative relationship between corporate profitability and number of days accounts receivable, inventories and accounts payable of Belgian firms. On the basis of these he suggested that manager could increase corporate profitability by reducing the number of days account receivable and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills.

**Gosh and Maji (2003)** examined the efficiency of working capital management of the Indian cement companies during 1992-1993 to 2001-2002. For measuring the efficiency of working capital management, performance, utilization, and overall efficiency indices were calculated instead of using some common working capital management ratio. Setting industry norms as target efficiency levels of efficiency by an individual firm during period of study. It was found that the Indian Cement Industry as a whole did not perform remarkably well during this period.

**Eljelly A (2004)** examined the relation between profitability and liquidity by using correlation and regression analysis and found that the cash conversion cycle was of more important as a measure of liquidity than the current ratio that affects profitability.

**Lazaridis and Tryfonidis (2006)** investigated relationship between working capital management and corporate profitability of listed companies in the Athens Stock Exchange. the results of the article showed that there was a statically significant relationship between profitability and cash conversion cycle. Moreover managers could create profits for their companies by handling correctly the cash conversion cycle and keeping each different component (accounts receivable account payable, inventory) to an optimum level.

**Padachi (2006)** analyzed working capital management and its relation with profitability by examining a sample of manufacturing firm of Mauritius. Period of the study was a six years i.e. 1998-2003. He used days of receivables, inventory turnover, cash

conversion cycle and days payables as explanatory variables, and return on total assets (RAO) as dependent variable. They used regression analysis to find out the results. They found that paper and printing industry showed greater scores for different working components amongst the overall manufacturing industry. These greater scores affect the profitability of this industry positively. Finally they concluded that a firm will invest heavily in its inventory and accounts receivables then the profitability of that firm would be lower.

**S.M.Amir Shah and Sana (2006)** was based on a period of five years i.e. 2001-2005. They used working capital ratios to determine the effect of working capital management on financial performance. These working capital ratios include inventory turnover, current ratio, quick ratio, average collection period and average payment period. They used correlation analysis and OLS method to reach the results. Finally they revealed that Gross Profit is negatively associated with all working capital ratios expect number of days payable.

**Sayaduzzaman (2006)** a study on “British American Tobacco Bangladesh Company Limited” mentioned that the efficiency of working capital management of British American Tobacco Bangladesh Company Ltd., is highly satisfactory due to the positive cash inflows and planned approach in managing the major elements of working capital. He found that working capital management helps to maintain all around efficiency in operations.

**Chodhury and Amin (2007)** have written an article on “Working Capital Management Practices in Pharmaceutical Companies Listed in DSE”. Among all the problems of financial management, the problems of working capital management have probably recognized as the most crucial one. It is because of the fact that working capital always helps a business concern to gain vitality and life strength and to maximize profit.

**Raheman (2007)** studied the effect of different variables of working capital management including the Average Collection Period, Inventory Turnover in Days, Average Payable Period, Cash Conversion Cycle and Current Ratio on the Net Operating Profitability of Pakistan Firms. By using Pearson’s correlation and regression analysis he found that was a strong negative relationship between variables of Working Management and Profitability. He also finds that as the cash conversion cycle increases, it leads to decrease in profitability of the firm and managers can create a positive value for the shareholders by reducing the cash conversion cycle to a possible minimum level.

**Vishnani& Shah (2007)** this study finding indicate one angle loud and clear that a company inventory man-agreement policy, debtors management policy and creditors management policy play an important role in its profitability performance. The concerned managers should give due attention towards policy formulation in this regard as well as implementation of such working capital policies.

**Samiloglu&Demrtgunes (2008)** studied determinants of firm using sample of Turkish manufacturing firms for the period, inventory period of 1998-2007. Study shows that account receivable period, inventory period, and leverage significantly and positively. And also examine the cash conversion cycle, and size of organization not having significant effects on firm profitability but leverage is important variables to effecting profitability negatively.

**Mathuva (2009)** studied the impact of working capital management on the performance. He took almost 30 listed firms as sample and all these companies were listed in Nairobi stock exchange and the data was taken from 1993-2008. There were certain findings of his research by analyzing the fixed effects regression models. Firstly, there is a negative relationship between th time when the cash is collected from the customers and the firms productivity. This depicts, firms that are more profitable enjoys less time period for the collection of cash from the customers compare to ones which are less profitable. Secondly, there is a positive relationship between the inventories when they were bought in and the period to which they are sold and the firms profitability. The interpretation comes out as that the firm or the organizations which take more time to keep the inventories it reduces the costs of the disruption in the process of production and usually the business losses as there is the insufficiency in the goods. This situation decreases the operating cost of the firm. The third assumption of the research was the association between the average payment period and profitability and found to positive ( $p < 0.01$ ). The more the time taken to disburse the creditors, the profitability will increase.

**Mohammadi (2009)** in their study investigated the impact of working capital management on profitability of listed companies in Tehran stock exchange between the years 1996-2005 in 92 companies as the sample. Research results suggest that there is a significant inverse relationship between the profitability of the companies and cash conversion cycle and its components.

**Zariyawati et al (2009)** the fundamental principles of working capital management are to reduce the capital employed and to improve efficiency in the areas release capital employed and increase profitability that can be used for strategic investments or the reduction of debt. Working capital management increases availability of liquid assets in a business.

**Binti Mohamad and MohdSaad (2010)** were based on secondary sata of 172 firms of Malaysia. They evaluated the impact of various components of working capital on profitability and market value of the firms. The study covered a time span components namely cash conversion cycles (CCC), debt ratio (DR), current assets to total assets ratio (CATAR), current liabilities to total asset ratio (CLTAR) and current ratio (CR). To see the effect of these working capital components on financial performance they used Tobin's Q (TQ), return on invested capital (ROIC) and return on assets (ROA) as a measurement of financial regression analysis. The results showed that exists an inverse relationship between different working capital components and performance of firms.

**Danuletiu (2010)** conducted an analysis on 20 companies of Alba country. He assessed the effect of working capital management efficiency on the financial performance of these companies for a period of five years i.e. 2004 to 2008. For his analysis he used net working capital (NWC) as a measure of long-term financial balance, working capital necessary (WCN) as measure of short-term financial balance and net treasury (NT) a difference both NWC and WCN. Return on Assets (ROA), Return on equity (ROE) was used to measure the profitability. To find the results.Pearsons correlation analysis was used. The study concluded that profitability has an inverse relationship with working capital management components.

**Dong (2010)** reported that the firm profitability and liquidity are affecting by working capital management to his analysis. Pooled data are selected for carrying out the research for the era of 2006-2008 or assessing the companies listed in stock market of Vietnam. He focused on the variable that exists between them. From his research it was found that the relationships among these variables are strongly negative. This denoted that decrease in the profitability occur due to increase in cash conversion cycle. It is also found that if the number of day of account receivable and inventories are diminished then the profitability will increase number of days of account receivable and inventories.

**Gill (2010)** in their study surveyed the relationship between working capital management and profitability for the 88 U.S. companies listed on the New York Stock

Exchange during the years 2005 to 2007. The results suggest that statically there is a significant relationship between the working capital and profitability.

**Izadinia and Taki (2010)** investigated the impact of working capital management on profitability potential companies listed in Tehran Stock Exchange during the period 2001-2008. The results showed that there is a significant negative relationship between the cash conversion cycle with return on assets.

**Mohammad Neab and Noriza BMS (2010)** worked on crating the relationship between Working Capital Management (WCM) and performance of firms. For their analysis they choose the Malaysian listed companies. They administered the perspective of market valuation and profitability. They used total of 172 listed companies from the databases of Bloomberg. They randomly selected five year data (2003-2007). This search likewise the researches quoted before studied the impact of the dimensions of working capital components i.e. C.C.C., current ratio (C.R.), current asset to total asset ratio (C.A.T.A.R), current liabilities to total asset ratio (C.L.T.A.R), and debt to asset ratio (D.T.A.R.) in effect to the firm's performance whereby firm's value dimension was taken as Tobin Q (T.Q.) and profitability i.e. return on asset (R.O.A.) and return on invested capital (R.O.I.C.). They applied two different techniques for analyzing the data that are multiple regression and correlations. They found that there is a negative relationship between working capital variables and the firm's performance.

**Ali (2011)** investigate that the companies in the Pakistan have relationship among profitability and working capital management. Days of working capital cash conversion cycle efficiency and days operating cycle these factor are use o measure the performance of WCM. The profitability through the net profit margin, ROA and ROE. In this purpose collect the data from 160 companies in Pakistan year to 2000-2005. Inventory turnover in days and ROA have positive relationship but ROA and collection period are negative linked examine in this paper. Future examine is that CCC are positive relationship between ROA. Positive relationship existed between profitability performance measure by the ROA and working capital measure by CCC. This direct relationship indicates that when ROA decrease the cash conversion cycle also decreases. The purpose of this study examines that ROA significantly impacted by the variable. Average payment period, average collection period and inventory in days used to measure.

**Alipour M (2011)** this research shows that firm performance is influenced by WCM. It also show the negative linked among GOP, CCC, ACP, ITOD, NOPD and these variables are also negatively linked. This research also analyzes the WCM important impact on profitability of firms. The manager maximize the shareholder wealth through minimize average collection period, stock and efficient administrative are large impact on firms performance and productivity.

**Ching HY (2011)** conducted a study to find out the relationship between working capital management and profitability in Brazilin-listed companies. The objectives of their study were to investigate if there was any difference between corporate profitability and working capital management in two separate groups of companies: working capital intensive and fixed capital intensive; and to identify three different ways: Return on Sales (ROS), Return on Assets (ROA) and (ROE). The capital, days of receivable and days of inventory. Multiple linear regression used in their study identified that, there exists negative relationship between CCC (equal to days of working capital), debt ratio and profitability.

**MobeeAlam (2011)** also examined the impact of working capital management on profitability and 65 companies in Pakistan were used as sample for the periods between 2005 and 2009. Resulted showed that there is significant correlation between the components of working capital with market value and profitability of the company and concluded that Pakistani companies correlated heavily on current assets to maximize profits.

**Sharma and Kumar (2011)** conducted to determine the effect of working capital management on profitability of Indian firms used a sample of 263 non-financial firms listed on the Bombay Stock Exchange during 2002-2008. Data were analyzed using OLS multiple regression. The study found a positive relation between WCM and firm profitability, although the relationship between cash conversion cycle and ROA was not statistically significant. The study also found that account receivables are also positively related to ROA and that account payables are negatively related to ROA. The results assert that Indian firms can increase profitability by increasing cash collection cycle.

**Vijay Kumar (2011)** examined the relationship between woring capital management and firms profitability in automobile industries in India. He used 20 firms as sample for the period from 1996-2009. The result showed that there is negative relationship between the length of cash conversion cycle and firm profitability.

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## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology is a science of studying how research is done scientifically. In this various steps adopted for the study is stated along with the logic behind it.

#### **3.1 Research Design**

A research design encompasses the methodology and producers employed to conduct research. Research Design can be defined as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to research purpose with economy in procedure. The research design is the conceptual structure within which research is conducted. It constitutes the blueprint for the collection measurement and analysis of data.

#### **3.2 Type of research**

The type of research method used for the study is analytical research. The main characteristic of this method is the uncontrollable variables. Here there is no control over the variables that affect the working capital of the company. The variables can only be measured as it exists at present.

#### **3.3 Sources of Data**

The secondary sources for the data comprise the following:

- Balance Sheet
- Books
- Annual Reports
- Website

#### **3.4 Tools for analysis**

The data collected through company balance sheet and P & L a/c has been analyzed using

1. Current Ratio
2. Average Collection Period
3. Cash Conversion Cycle

4. Debt Equity
5. Gross Profit Margin Ratio
6. Return on Asset
7. Return on Equity
8. Correlation

### 3.5 Research Hypotheses

Hypotheses	Tools used for the Study
<p><b>Ho:</b> There is no significant relationship between Average Collection Period (ACP) and Profitability of the firm.</p> <p><b>H1:</b> There is significant relationship between Average Collection Period (ACP) and Profitability of the firm.</p>	<p><b>CORRELATION</b></p>
<p><b>Ho:</b> There is no significant relationship between Working Capital Turnover (WTC) and profitability of the firm.</p> <p><b>H1:</b> There is significant relationship between Working Capital Turnover (WTC) and profitability of the firm.</p>	
<p><b>Ho:</b> There is no significant relationship between Cash Conversion Cycle (CCC) and Profitability of the firm.</p> <p><b>H1:</b> There is significant relationship between Cash Conversion Cycle (CCC) and Profitability of the firm.</p>	

## CHAPTER - IV

### ANALYSIS AND INTERPRATION

Analysis is the process of breaking a complex topic of substance into smaller parts to gain a better understanding of it. The purpose of the data analysis and interpretation phase is to transform the data collected into credible evidence about the development of intervention and its performance.

#### 4.1 WORKING CAPITAL MANAGEMENT

A managerial accounting strategy focuses on maintaining efficient levels of both components of working capital, Current Assets and Current Liabilities, in respect to each other. Working Capital Management ensures sufficient cash flow in order to meet company's short-term debt obligation and operating expenses. A few key performance ratios of a Working Capital Management system are the working capital ratio, inventory turnover and the collection ratio. Ratio analysis will lead management to identify areas of focus such as inventory management, cash management, accounts receivables and payable management.

#### CURRENT RATIO

The Current Ratio expresses the relationship between the firm's Current Assets and its Current Liabilities. Current Assets normally include cash, marketable securities, account receivables and inventories. Current Liabilities consist of accounts payable, short term notes payable, short-term loans, current maturities of long term debt, accrued income taxes and other accrued expenses (wages).

**Current Assets**

**Current Ratio = -----**

**Current Liabilities**

**Table No.1**

**Current Ratio**

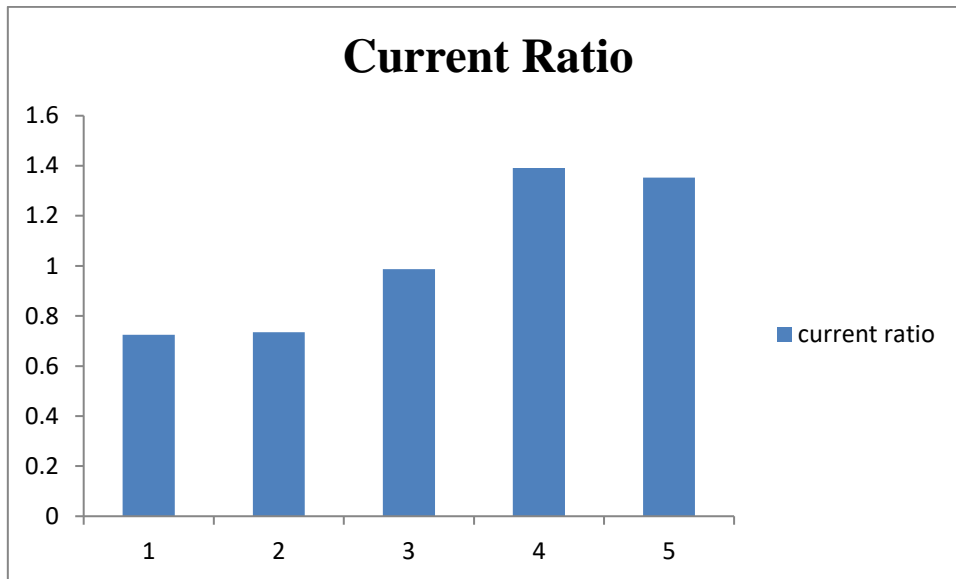
<b>YEAR</b>	<b>CURRENT ASSET</b>	<b>CURRENT LIABILITIES</b>	<b>CURRENT RATIO</b>
<b>2014</b>	2,256.16	3,113.91	0.724
<b>2015</b>	2,753.35	3,745.42	0.735
<b>2016</b>	3617.94	3664.38	0.987
<b>2017</b>	4,826.35	3,468.03	1.391
<b>2018</b>	4,418.14	3,265.64	1.352
<b>AVERAGE</b>	<b>3,574.39</b>	<b>3451.476</b>	<b>1.035611</b>

**INTERPREATION:**

In above table it shows that the Current Ratio of 2:1 is considered satisfactory. The Current Ratio represents the margin of safety for creditors. The current ratio has been decreasing in the year 2014-2016 and increase in the year 2018. From the above table the liquidity position of the Racors Dewatering Pump Private Limited is not satisfactory because the current ratio is much below the standard of 2:1.

**Chart No. 1**

**Current Ratio**



**INTERPREATION:**

It shows that the highest ratio is 1.39 in the year 2017 and in the next year there is a decrease of 1.35. Thus the current ratio is not satisfactory.

## AVERAGE COLLECTION PERIOD

The Average Collection Period measure the quality of debtors since it indicate the speed of their collection. It measures the number of times the receivables rotate in a year in term of sales. It shows how quickly the debtors are converted into cash. It is calculated by dividing debtors by the total sales and multiplies into number of days.

**Debtor**

**Average Collection Period = ----- \* 360**

**Sales**

**Table No. 2**

### Average Collection Period

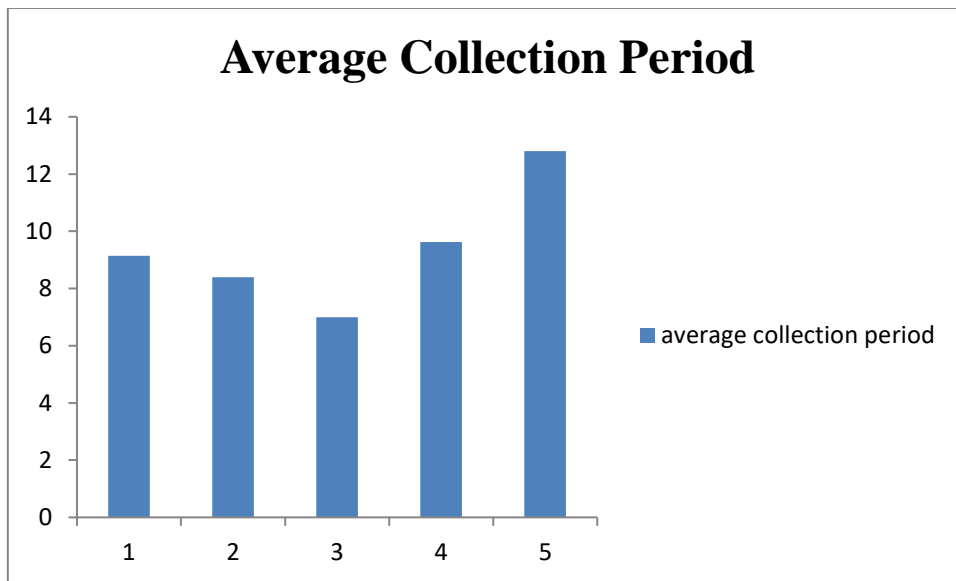
<b>YEAR</b>	<b>SALES</b>	<b>DEBTORS</b>	<b>AVERAGE COLLECTION PERIOD RATIO</b>
<b>2014</b>	8021.59	203.7	9.141
<b>2015</b>	7647.77	178.28	8.392
<b>2016</b>	9660.29	187.74	6.996
<b>2017</b>	11357.96	303.45	9.618
<b>2018</b>	11168.94	397.22	12.803
<b>AVERAGE</b>	<b>9571.31</b>	<b>254.078</b>	9.556

### INTERPREATION:

In above table it shows that the Average Collection Period implies the prompt payment by debtors. Here, collection period decreases from 8.392 days in the year 2015 and increase from 12.803 days in the year 2018. The shorter Average Collection Period, the better trade credit management and the liquidity of debtors. Therefore the average collection period of the Racors Dewatering Pump Private Limited for the years are said to be satisfactory.

**Chart No. 2**

### Average Collection Period



#### INTERPREATION:

The chart shows that the Average Collection Period is increasing in the last 3 years where in the last year it increases 12.80. Thus, the Average Collection Period is Satisfactory.

## CASH CONVERSION CYCLE

The cash conversion cycle is a cash flow calculation that attempts to measure the time it takes a company its investment in inventory and other resources inputs into cash. The cash as it is first convert into inventory and accounts payable through sales and accounts receivable, and then backed into cash.

**Cash Conversion Cycle = Inventory Conversion Period + Average Collection Period**

**Table No. 3**

### Cash Conversion Cycle

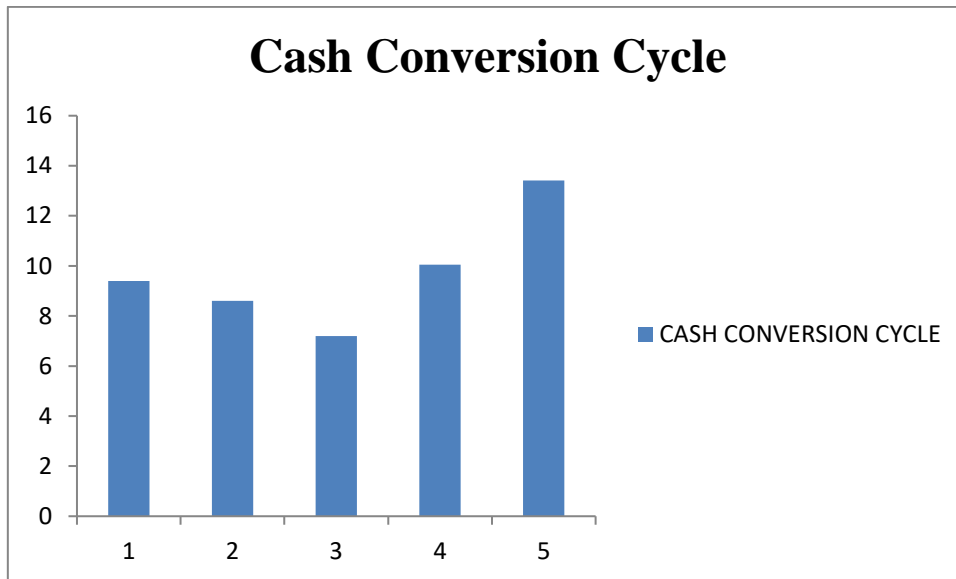
<b>YEAR</b>	<b>INVENTORY CONVERSION PERIOD</b>	<b>AVERAGE COLLECTION PERIOD</b>	<b>CASH CONVERSION CYCLE</b>
<b>2014</b>	0.26	9.14	9.4
<b>2015</b>	0.21	8.39	8.6
<b>2016</b>	0.203	6.99	7.193
<b>2017</b>	0.44	9.61	10.05
<b>2018</b>	0.61	12.8	13.41
<b>AVERAGE</b>	<b>0.3446</b>	<b>9.386</b>	<b>9.7306</b>

### INTERPREATION:

In above table it shows that the Cash Conversion Cycle for the year 2014 is 9.4 is increased and in the next year 2015 and 2016 Cash Conversion Cycle decreases, but in 2017 and 2018 it slightly increased. So, the Cash Conversion Cycle of the Racors Dewatering Pump Private Limited for the years is satisfactory.

**Chart No. 3**

**CASH CONVERSION CYCLE**



**INTERPREATION:**

The chart shows that the Cash Conversion Cycle has an increase in the last 3 years where it increases 13.41 in the last year. Thus, the Cash Conversion Cycle is satisfactory

## WORKING CAPITAL TURNOVER RATIO

Working capital turnover ratio indicates the number of times the working capital is turned over in the year. It measures the efficiency with which the working Capital is used by the firm. It helps in determining with which the working capital is used by the firm. It helps in determining the liquidity of a firm in as much as it gives the rate at which inventories are converted to sales and then to cash. A high ratio indicates the efficient utilization of working capital and a low ratio indicates otherwise. The following formula is use to measure this ratio

**Sales**

**Working Capital turnover Ratio = -----**

**Net Working Capital**

**Table No. 4**

### Working Capital turnover Ratio

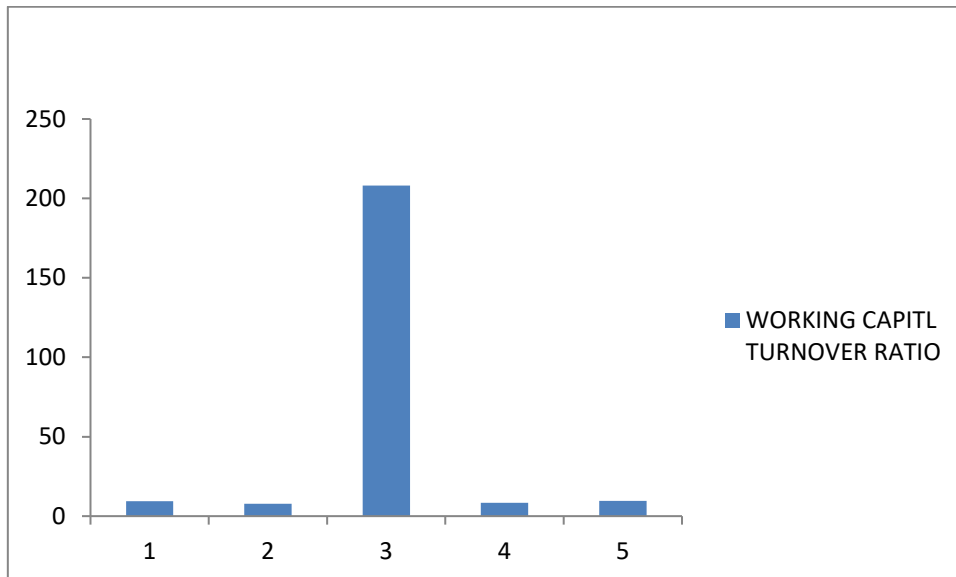
<b>YEAR</b>	<b>SALES</b>	<b>NET WORKING CAPITAL</b>	<b>WORKING CAPITAL TURNOVER RATIO</b>
<b>2014</b>	8021.59	857.75	9.35
<b>2015</b>	7647.77	993.07	7.70
<b>2016</b>	9660.29	46.44	208.01
<b>2017</b>	11357.96	1358.32	8.36
<b>2018</b>	11168.94	1152.5	9.69
<b>AVERAGE</b>	<b>47856.55</b>	<b>4408.08</b>	<b>10.85</b>

### INTERPREATION:

In above table it shows that the highest working capital turnover ratio is 208.01 in the year 2016 both sales and working capital has increased simultaneously. Thus, it is clear from the table that the liquidity of the firm is greater and the lowest working capital turnover ratio is 8.36 in the year 2017.

**Chart No. 4**

**Working Capital Turnover Ratio**



**INTERPREATION:**

It shows that the above chart shows that in the year 2016 it increases 208.01 and simultaneously there is a decrease 2017 and increase in the year 2018 of 6.96. Thus, the Working Capital Turnover Ratio is Satisfactory.

## DEBT RATIO

The debt ratio measures the extent to which money has been used to finance a company's operations. Investors like to see a low Debt Ratio, since it shows whether company is relying less on creditors to finance its operation. This ratio establishes the relationship total debt and total assets.

**Total Debt**

**Debt Ratio = -----**

**Total Assets**

**Table No. 5**

**Debt Ratio**

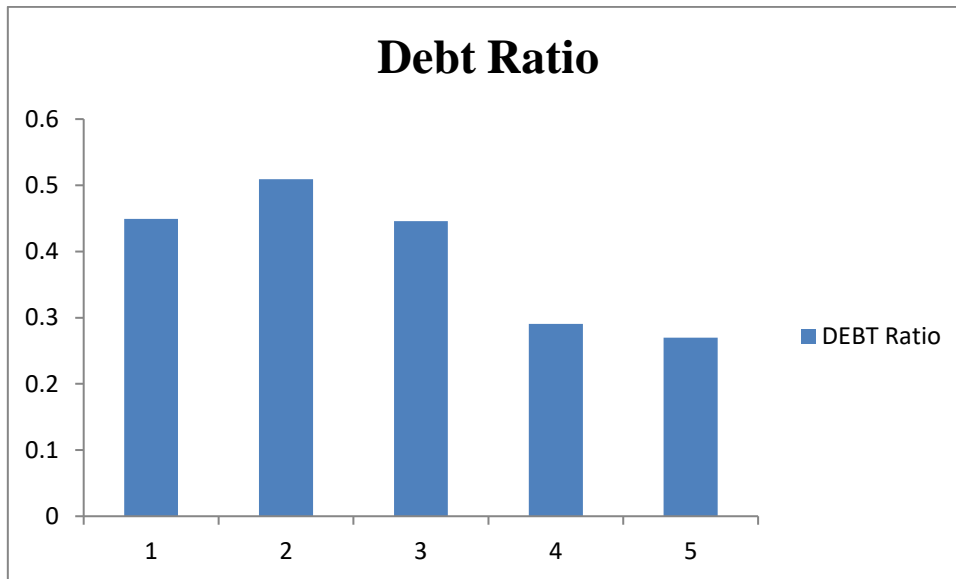
<b>YEAR</b>	<b>TOTAL DEBT</b>	<b>TOTAL ASSETS</b>	<b>DEBT RATIO</b>
<b>2014</b>	3113.91	6932.39	0.449
<b>2015</b>	3746.42	7354.84	0.509
<b>2016</b>	3664.38	8221.36	0.445
<b>2017</b>	3468.03	11926.23	0.290
<b>2018</b>	3265.64	12093.59	0.270
<b>AVERAGE</b>	<b>3451.676</b>	<b>9305.682</b>	<b>0.370</b>

## INTERPREATION:

In the above table it shows that the Debt Ratio mean how much percentage of company assets are financed by creditors. So from the above table, debt ratio for the year 2014 is 0.449, it mean 44% of the company assets are financed by the creditors and in 2017 is 0.29, it mean 29% of the company assets are financed by creditors. Therefore debt ratio of the Racors Dewatering Pump Private Limited, for the years is satisfactory.

**Chart No. 5**

**Debt Ratio**



**INTERPREATION:**

In the above chart it shows that the Debt Ratio is been decreasing in the year of 0.27 and the Debt Ratio of the company is satisfactory.

## DEBT –TO- EQUITY RATIO

Debt to equity ratio indicates the extent to which debt is covered by shareholders funds. It reflects position of the equity holders and the lenders and indicates the company's policy on the mix of capital funds. The debt to equity ratio is calculated as follows

**Total Debt**

**Debt to Equity Ratio = -----**

**Total Equity**

**Table No. 6**

### Debt to Equity Ratio

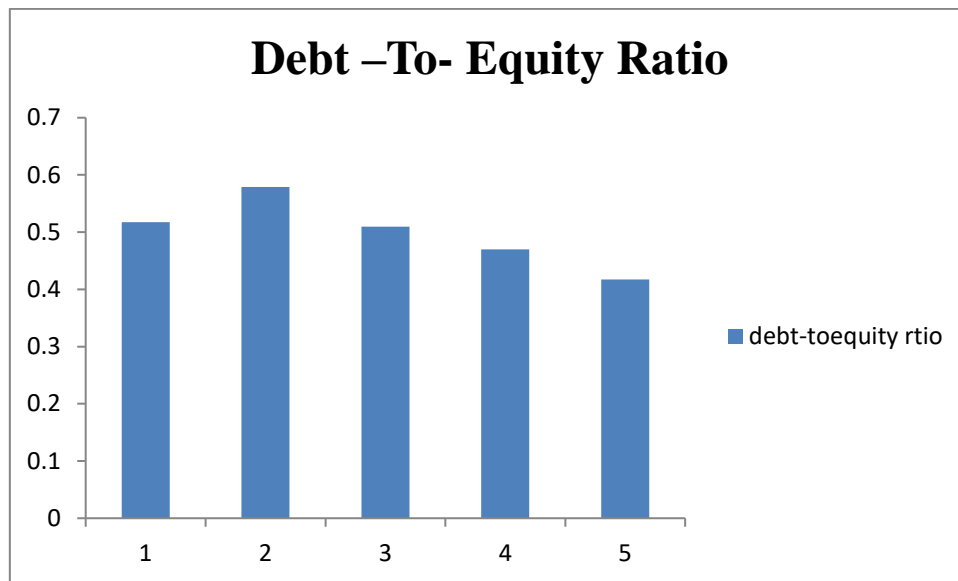
<b>YEAR</b>	<b>TOTAL DEBT</b>	<b>TOTAL EQUITY</b>	<b>DEBT-TO-EQUITY RATIO</b>
<b>2014</b>	3113.91	6016.22	0.517586
<b>2015</b>	3746.42	6469.49	0.57909
<b>2016</b>	3664.38	7192.27	0.509489
<b>2017</b>	3468.03	7382.8	0.469745
<b>2018</b>	3265.64	7824.84	0.417343
<b>AVERAGE</b>	<b>3451.676</b>	<b>6977.124</b>	<b>0.494713</b>

### INTERPREATION:

In above table it shows that the Debt to Equity Ratio has been fluctuating in the before years. A low debt equity ratio is considered favourable for the management. It means greater claim of shareholders over the assets of the company than those of creditors. Therefore, the company's debts to equity ratio of the Racors Dewatering Pump Private Limited, for the year are satisfactory.

**Chart No. 6**

**Debt –To- Equity Ratio**



**INTERPREATION:**

In the above chart it shows that the Debt to Equity Ratio is almost same in all the year and it reduces its debt equity of the company. Thus, the Debt to Equity Ratio is satisfactory.

## 4.2 PROFITABILITY RATIOS

The main object of a business concern is to earn profit. A company should earn profits to survive and to grow over a long period. Profitability is the main base for liquidity as well as solvency. Creditors, Banks and Financial intuitions are interest obligation and regular and improved profits enhance the long term solvency position of the business.

### GROSS PROFIT MARGIN RATIO

Normally the gross profit has to increase proportionately with sales. It can also be useful to compare the gross profit margin across similar businesses although there will be often good reasons for any disparity.

#### Gross Profit

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}} * 100$$

#### Sales

Table No. 7

#### Gross Profit Margin

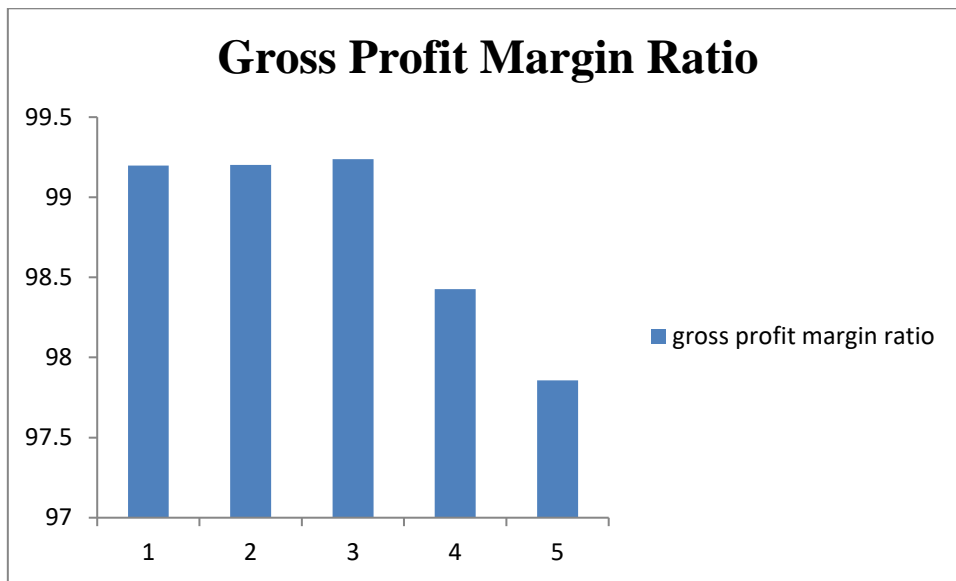
YEAR	SALES	COST OF GOODS SOLD	GROSS MARGIN	GROSS PROFIT MARGIN RATIO
2014	8021.59	64.42	7957.17	99.196
2015	7647.77	61.05	7586.72	99.201
2016	9660.29	73.69	9586.6	99.237
2017	11357.96	178.77	11179.19	98.426
2018	11168.94	239.39	10929.55	97.856
<b>AVERAGE</b>	<b>9571.31</b>	<b>123.464</b>	<b>9447.846</b>	<b>98.710</b>

**INTERPREATION:**

In above table it shows that the Gross Profit Margin Ratio has a continuous increase in the preceding years which indicates that the cost of production has reduced. Therefore the Gross Profit Margin Ratio of Racors Dewatering Pump Private Limited, for the year is satisfactory.

**Chart No. 7**

**Gross Profit Margin Ratio**



**INTERPREATION:**

In the above chart it shows that the Gross Profit Margin Ratio have a continuous increase in the preceding years and have a decrease in the cost of production. Thus, the Gross Profit Margin Ratio for the company is satisfactory.

## NET PROFIT MARGIN RATIO

Net Profit Margin Ratio is a widely used measure of performance and is comparable across companies in similar industries. The fact that a business works on a very low margin need not cause alarm because there are some sectors in the industry that works on a basis of high turnover and low margin, for examples supermarkets and motors dealers.

**Earning after interest and taxes**

**Net Profit Margin = ----- \*100**

**Sales**

**Table No. 8**

### Net Profit margin

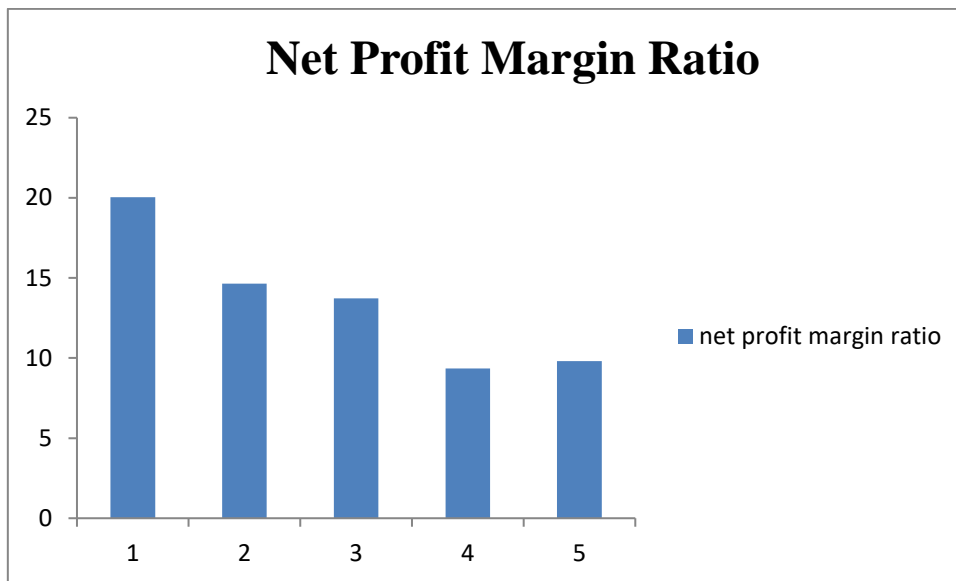
<b>YEARS</b>	<b>NET INCOME AFTER TAXES</b>	<b>SALES</b>	<b>NET PROFIT MARIN RATIO</b>
<b>2014</b>	1606.73	8021.59	20.030
<b>2015</b>	1120.01	7647.77	14.644
<b>2016</b>	1325.26	9660.29	13.718
<b>2017</b>	1061.19	11357.96	9.3431
<b>2018</b>	1095.76	11168.94	9.8107
<b>AVERAGE</b>	<b>1241.79</b>	<b>9571.31</b>	<b>12.974</b>

### INTERPREATION:

In the above table it shows that the Net Profit Margin Ratio is 20.030% in the year 2014 which could not sustain the same in the succeeding years and this ratio decreased to 9.34% in 2017. This may be attributed to excess selling and distribution expenses. The management is moderate which necessitates an improvement in the operational efficiency of the business.

**Chart No. 8**

**Net Profit Margin Ratio**



**INTERPREATION:**

In the above chart it shows the Net Profit Margin Ratio is decreased in the year 2017 where the company could not sustain properly. Thus, the company is moderate and should have an increase in the Net Profit of the Company.

## RETURN ON EQUITY RATIO

Return on equity ratio shows the profit attributes to the amount invested by the owners of the business. It also shows potential investors into the business what they might hope to receive as a return. The stockholders equity includes share capital, share premium, distributable and non-distributable reserves. The ratio is calculated as follows

**Net Profit after Taxes**

**Return on Equity Ratio = -----**

**Equity Capital**

**Table No. 9**

### Return on Equity Ratio

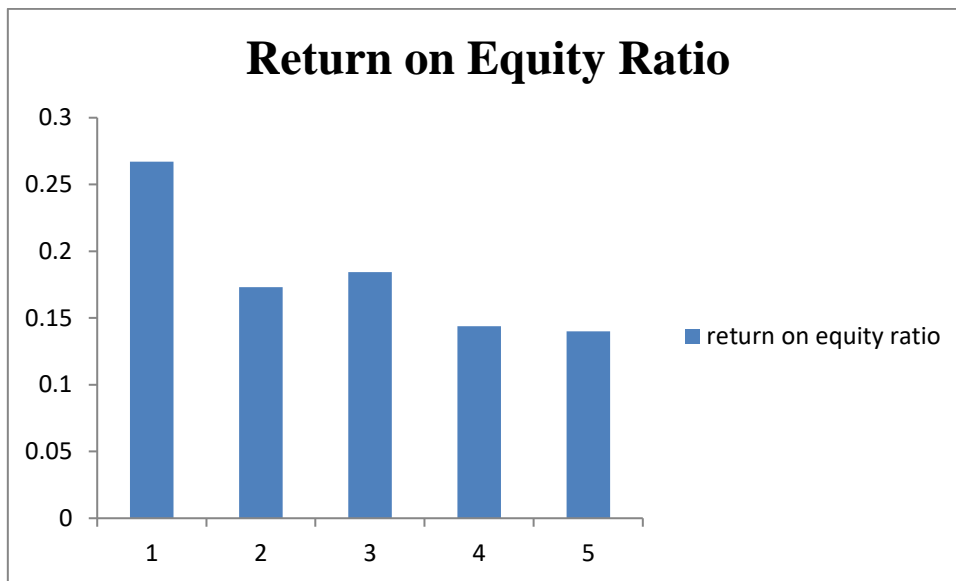
<b>YEAR</b>	<b>NET INCOME AFTER TAXES</b>	<b>TOTAL EQUITY</b>	<b>RETURN ON EQUITY RATIO</b>
<b>2014</b>	1606.73	6016.22	0.267
<b>2015</b>	1120.01	6469.49	0.173
<b>2016</b>	1325.26	7192.27	0.184
<b>2017</b>	1061.19	7382.8	0.143
<b>2018</b>	1095.76	7824.84	0.140
<b>AVERAGE</b>	<b>1241.79</b>	<b>6977.124</b>	<b>0.177</b>

### INTERPREATION:

In above table it shows that the year 2014 the return on Equity Ratio is 0.267, and then it decreased year after year which may due to capital investment. Therefore the return on equity does not enable to Racors Dewatering Pump Private Limited to pay their shareholders.

**Chart No. 9**

**Return on Equity Ratio**



**INTERPREATION:**

In the above chart it shows that the Return on Equity Ratio is been decreasing in the preceding years where the return on equity does not enable the company to pay their shareholders.

## RETURN ON ASSET

A Return on Asset Ratio is also known as the profit-to-asset ratio. This ratio establishes relationship between net profit and assets. As these two terms have conceptual difference, the ratio may be calculated taking the meaning of the terms according to the purpose and intent of analysis. Usually, the following formula is used to determine the return on total assets ratio.

### Net Profit after Taxes and Interest

$$\text{Return on Total Assets} = \frac{\text{Net Profit after Taxes and Interest}}{\text{Total assets}} * 100$$

Total assets

Table No. 10

### Return on Asset

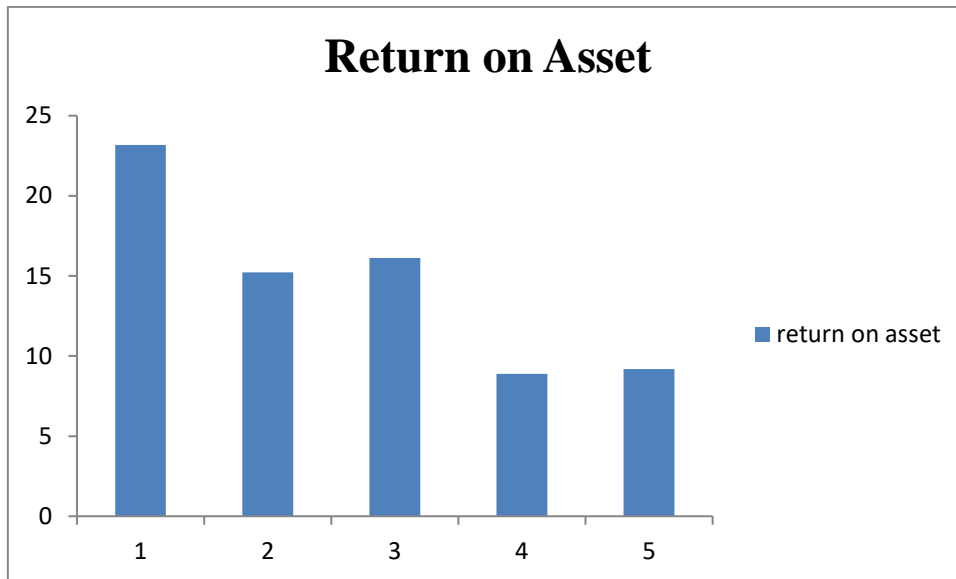
YEAR	NET PROFIT AFTER TAX	TOTAL ASSETS	RETUN ON ASSETS
2014	1606.73	6932.39	23.17
2015	1120.01	7354.84	15.22
2016	1325.26	8221.36	16.11
2017	1061.19	11926.23	8.897
2018	1095.76	11926.23	9.187
AVERAGE	1241.79	9272.21	13.392

### INTERPREATION:

In the above table it shows that the Return on Asset for the year 2014 is 23.177 and in the next year it is increased year by year. Finally, the last year 2018 it was 9.187, compared to previous year, 2018 was slightly increased. This increasing ratio indicates the effective funds invested. Therefore the return on asset ratio of Racors Dewatering Pump Private Limited, for the year is satisfactory.

**Chart No. 10**

**Return on Asset**



**INTERPREATION:**

In the above chart it shows that the Return on Asset is increasing in the last two years where it shows the effective fund invested and the return on asset ratio is been satisfactory.

## CORRELATION

As the correlation shows the degree of relationship between dependent and independent variables. It shows how much strong or weak the relationship between two variables is:

**Correlations**

		average collection period ratio	cash conversion cycle	working capital turnover ratio	return on assets
average collection period ratio	Pearson Correlation	1	1.000**	-.618	-.518
	Sig. (2-tailed)		.000	.267	.371
	N	5	5	5	5
cash conversion cycle	Pearson Correlation	1.000**	1	-.607	-.535
	Sig. (2-tailed)	.000		.277	.353
	N	5	5	5	5
working capital turnover ratio	Pearson Correlation	-.618	-.607	1	.153
	Sig. (2-tailed)	.267	.277		.806
	N	5	5	5	5
return on assets	Pearson Correlation	-.518	-.535	.153	1
	Sig. (2-tailed)	.371	.353	.806	
	N	5	5	5	5

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

## **INTERPRETATION:**

In the above table it shows that the return on asset is negatively related to average collection period and cash conversion cycle. The negative relation between return on asset and average collection period is consistent with the view that the less the time taken by customer to pay their bills, the more cash is available to replenish the inventory hence leading to more sales with result to an increase in profitability. The negative relationship between return on asset and cash conversion cycle is consistent with the view that the time lag between the expenditure for the purchase of raw materials and the collection of sales of finished goods can be too long and that decreasing this time lag increases profitability. The table also shows that the return on asset is positively related to working capital turnover ratio.

## DESCRIPTIVE ANALYSIS

Descriptive statistics is the discipline of quantitatively describing the main feature of a collection of information, or the quantitative description itself. Some measures that are commonly used to describe a data set are measure of central tendency and measures of variability or dispersion. Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation, the minimum and maximum values of the variables, kurtosis and skewness.

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
average collection period ratio	5	6.990	12.803	9.38880	2.151659
cash conversion cycle	5	7.193	13.410	9.73060	2.316623
Current Ratio	5	.724	1.391	1.03780	.322572
Debt Equity Ratio	5	.417	.579	.49820	.060093
Debt Ratio	5	.270	.509	.39260	.106105
Gross Profit Margin Ratio	5	97.857	99.237	98.79533	.611758
Net Profit Margin Ratio	5	9.343	20.030	13.50900	4.327052
Return on Equity Ratio	5	.140	.267	.18140	.051462
return on assets	5	8.897	23.177	14.52160	5.874962
working capital turnover ratio	5	7.700	208.010	48.62200	89.104102
Valid N (list wise)	5				

### INTERPREATION:

The descriptive statistics show that all the variables observations. The dependent variable gross profit margin ratio has the highest mean value of 98.79533, debt ratio is the minimum of .270, and maximum is working capital turnover ratio 208.01. The standard deviation for return on assets is 89.104102

## CHAPTER V

### SUMMARY

#### 5.1 FINDINGS:

- In the current ratio shows that in the year 20-20 the liquidity position of The Racors Dewatering Pump is less i.e. 1.47 compare to all five years.
- Liquidity Ratio of The Racors Dewatering Pump is increasing in the year 20-20 to 0.96 compare with 20-20 (0.95).
- Cash Ratio of The Racors Dewatering Pump is increasing in the year 20-20 & 20-20 to 0.4 compare with 20-20 (0.1).
- Working Capital Turnover Ratio of The Racors Dewatering Pump is increasing in the year i.e. 23.18 compare to 20-20 the ratio is 12.35.
- Debtors Turnover Ratio of The Racors Dewatering Pump is decrease i.e. 26.55 in the year 20-20 compared to 20-20 i.e. 42.69 & 20-20 i.e. 31.10.
- The Debtors Collection Period of The Racors Dewatering Pump is increasing i.e. 14 days in the year 20-20 compare to the year 20-20 i.e. 12 days.
- The Current Asset Turnover Ratio of The Racors Dewatering Pump is high in the recent year i.e. 7.95 compare to last four years. It reflects the good current management.
- In the statement of changes in Working Capital for the year 20-20 & 20-20. The Working Capital decreasing Rs. 4, 61,380 in the year 20-20.
- In the statement of changes in Working Capital for the year 20-20 & 20-20. The Working Capital increasing Rs. 75, 185 in the year 20-20.
- In the statement of changes in Working Capital for the year 20-20 & 20-20. The Working Capital increasing Rs. 1, 33, 04,408 in the year 20-20.
- In statement of changes in Working Capital for the year 20-20 & 20-20 . The Working Capital increasing Rs. 1, 40, 87,931 in the year 20-20.

## 5.2 SUGGESTIONS

- It is suggested that The Racors Dewatering Pump has to increase investment in the form of liquidity assets, so that it can maintain good liquidity position.
- In the recent years, the debt turnover ratio of The Racors Dewatering Pump is decrease so it is suggested to increase the debt turnover it help to maintain the debt collection.
- In the recent years, the debt collection period of The Racors Dewatering Pump to reduce the collection period, so it can maintain sufficient liquid working capital.
- The Current Asset turnover ratio is in the recent year, it is suggested to The Racors Dewatering Pump increase Current Asset Turnover, so it can generate more revenue by investing in the Current Assets.
- The Racors Dewatering Pump should have to appoint skilled and qualified employees and also new technology in machineries. It increases efficiency and quality of the firm.
- The Racors Dewatering Pump should have to computerize all the departments in order to increase efficiency and productivity of employees.

### **5.3 CONCLUSION**

The Study on Working Capital Management Conduct in “The Racors Dewatering Pump Private Limited” is to analyze the financial position of the Company. The company’s financial position is analyzed by using the tool of annual reports from 20-20 to 20-20.

The Study of last five years liquidity position of the company is better. It shows that The Racors Dewatering Pump Private Limited is improving its financial condition & also utilizing its assets &resources properly. The Racors Dewatering Pump Private Limited should have to appoint skilled and qualified employees and also new technology in machineries. It increases efficiency and quality of the firm. The Racors Dewatering Pump Private Limited continues the same performance as in the current financial year, it can earn more profits.

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## WEBSITE

- [www.racors.in](http://www.racors.in)
- [www.investopedia.com](http://www.investopedia.com)

## ANNUEXURE

### BALANCE SHEET FOR THE YEAR ENDING 2014 - 2015

Balance Sheet as at December 31, 2015

	<b>2015</b>	<b>2014</b>
<b>SOURCES OF FUNDS</b>		
Shareholders fund	187.95	187.94
Share Capital		0.08
Share Application Money, pending allotment	6,281.54	5,828.20
Reserves and Surplus	6,469.49	6,016.22
Loan Funds	509.93	550
Secured Loan	13.89	16.92
Unsecured Funds	523.82	566.92
	361.53	349.25
Deferred Tax Liabilities (Net)	<b>7,354.84</b>	<b>6,932.39</b>
<b>TOTAL FUNDS</b>		
<b>APPLICATION OF FUNDS</b>		
Fixed Assets:	8,076.95	6,826.27
Gross Block	2,994.51	2,667.98
Less: Accumulated Depreciation and Amortizations	50,824.44	4,158.29
Net Block	1,562.80	2,156.21
Capital Work-in-Progress (including Capital Advances)	6,645.24	6,314.50
	1,702.67	1,475.64
Investments		
Current Assets, Loans and Advances:	914.98	778.98
Inventories	178.28	203.70
Sundry Debtors	1,080.03	746.38
Cash and Bank Balances	56.12	10.99
Loans and Advances	523.94	516.11
	2,753.35	2,256.16
Less: Current Liabilities and Provisions		
Current Liabilities	2,093.96	1,963.91
Provisions	1,652.46	1,150.00
	3,746.42	3,113.91
Net Current Assets	993.07	857.75
<b>TOTAL ASSETS (Net)</b>	<b>7,354.84</b>	<b>6,932.39</b>
Notes to Accounts		

## PROFIT AND LOSS ACCOUNT FOR THE YEAR 2014-2015

### Profit and Loss Account for the year ended December 31, 2015

	2015	2014
<b>INCOME</b>		
sale of Products and services (Gross)	8,563.71	8,724.24
Less - Excise Duty	846.38	697.04
Sale of Product and Services (Net)	7,717.33	8,027.20
Other Income	356.93	240.42
	<b>8,074.26</b>	<b>8,267.62</b>
<b>EXPENDICTURE</b>		
Manufacturing and Other Expenses	6,163.35	5,546.84
Depreciation and amortization	392.68	324.09
Interest expenses	56.78	84.3
	6,612.81	5973.23
	<b>1,461.45</b>	<b>2294.39</b>
Profit before tax	411.16	673.3
provision for Tax	82	
current Tax	12.28	13.46
Tax adjustment of an earlier year		0.9
Deferred Tax charge	341.44	687.66
Fringe Benefit Tax	<b>1,120.01</b>	<b>1,606.73</b>
	3,203.85	2,477.91
Profit after tax	<b>4,323.86</b>	<b>4,084.64</b>
Balance brought forward from previous year		
Profit available for appropriation	187.75	187.7
Appropriations:	384.88	244.06
Interim Dividend	95.1	73.38
Proposed Dividend	0.93	
Dividend distribution Tax	250	350
Previous year Dividend Distribution Tax	25	25
General Reserve	0.65	0.65
Debenture Redemption Reserve	942.45	880.79
Amortizations Reserve	<b>3,381.41</b>	<b>3,203.85</b>
Surplus carried to Balance Sheet		
Earnings per share		
Basic	59.66	85.6
Diluted	59.52	85.42
Notes to accounts		

## BALANCE SHEET FOR THE YEAR ENDING 2015 - 2016

Balance Sheet as at December 31, 2016

	2016	2015
<b>SOURCES OF FUNDS</b>		
Shareholders fund		
Share Capital	187.95	187.95
Share Application Money, pending allotment	7,004.32	6,281.54
Reserves and Surplus	7,192.27	6,469.49
Laon Funds	500	509.93
Secured Loan	10.73	13.89
Unsecured Funds	510.73	523.82
	518.36	361.53
Deffered Tax Liabilities (Net)	<b>8,221.36</b>	<b>7,354.84</b>
<b>TOTAL FUNDS</b>		
<b>APPLICATION OF FUNDS</b>		
Fixed Assets:	9,645.37	8,076.95
Gross Block	3,437.84	2,994.51
Less: Accumulated Depreciation and Amortisation	6,207.53	50,824.44
Net Block	435.32	1,562.80
Cpaital Work-in-Progress (including Capital Advances)	6,642.85	
	1,624.95	
Investments		
Crrent Assets, Loans and Advances:	1,099.70	914.98
Inventories	260.41	178.28
Sundry Debtors	1,652.56	1,080.03
Cash and Bank Balances	15.01	56.12
Loans and Advances	590.26	523.94
	3,617.94	2,753.35
Less: Current Liabilities and Provisions		
Current Liabilities	2,610.36	2,093.96
Provisions	1,054.02	1,652.46
	3,664.38	3,746.42
Net Current Assets	46.44	993.07
<b>TOTAL ASSETS (Net)</b>	<b>8221.36</b>	<b>7,354.84</b>
Notes to Accounts		

## PROFIT AND LOSS ACCOUNT FOR THE YEAR 2015-2016

### Profit and Loss Account for the year ended December 31, 2016

	2016	2015
<b>INCOME</b>		
sale of Products and services (Gross)	10,478.39	8,563.71
Less - Excise Duty	1,039.73	846.38
Sale of Product and Services (Net)	9,438.66	7,717.33
Other Operating Income	221.63	258.45
Other Income	191.91	98.48
	<b>9,852.20</b>	<b>8,074.26</b>
<b>EXPENDICTURE</b>		
Purchase of Trading	169.78	117.63
Manufacturing and Other Expenses	7,569.79	6,045.72
Depreciation and amortisation	475.3	392.68
Interest expensession	96.91	56.78
	8,311.78	6,613
Profit before tax	<b>1,540.42</b>	<b>1,461.45</b>
provision for Tax		
current Tax	295.43	411.16
Tax adjustment of an earlier year	227.97	82
Deferred Tax charge	147.7	12.28
	215.16	341.44
<b>Profit after tax</b>	<b>1,325.26</b>	1,120.01
Balance brought forward from previous year	3,381.41	3,203.85
Profit available for appropriation	<b>4,706.67</b>	<b>4,323.86</b>
<b>Appropriations:</b>		
Interim Dividend	206.52	187.75
Proposed Dividend	319.17	384.88
Dividend distribution Tax	85.28	95.1
Previous Year Divided Distribution Tax	1.49	131.2
Transfer to General Reserve	250	250
Transfer to Debenture Redemption Reserve	25	25
Transfer to Amortisation Reserve	0.65	0.65
	885.13	942.45
<b>Surplus carried to Balance Sheet</b>	<b>3,821.54</b>	<b>3,381.41</b>
<b>Earning per share</b>		
Basic	70.59	59.66
Diluted	70.42	59.52
Notes to accounts		

## BALANCE SHEET FOR THE YEAR ENDING 2016 – 2017

**Balance Sheet as at December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>EQUITY AND LIABILITIES</b>		
Shareholders fund		
Share Capital	187.95	187.95
Reserves and Surplus	7,626.89	7,194.85
	<b>7,824.82</b>	<b>7,382.80</b>
Non-Current Liabilities		
Long Term Borrowing		85.03
Deferred tax liabilities(Net)	507.27	516.92
Other Long-Term Liabilities	406.75	381.09
Long Term provisions	89.09	92.36
	<b>1,003.11</b>	<b>1,075.40</b>
Current Liabilities		
Trade payables	639.2	660.49
Other current liabilities	1,545.69	1,515.81
Short-term provisions	1,080.75	1,291.73
	<b>3,265.64</b>	<b>3,468.03</b>
	<b>12,093.5</b>	<b>11,926.2</b>
<b>TOTAL</b>	<b>9</b>	<b>3</b>
<b>ASSETS</b>		
Non-Current asset		
Fixed Assets:		
Tangible assets	5,503.13	5,862.85
Intangible assets	0.83	1.02
Capital Worki-in-Progress	819.61	311.3
Non-Current investments	176.81	194.67
Long-Term loans and advances	866.83	564.2
Other Non-Current assets	308.24	165.84
	<b>7,675.45</b>	<b>7,099.88</b>
Current Assets		
Current Investment	2,017.21	2,358.88
Inventories	1,121.47	1,133.55
Trade receivables	397.22	303.45
Cash and bank balances	503.38	678.38
Short-term loans and advances	359.39	323.29
Other Current Assets	19.47	28.80
	<b>4,418.14</b>	<b>4,826.35</b>
	<b>12,093.5</b>	<b>11,926.2</b>
<b>TOTAL</b>	<b>9</b>	<b>3</b>
Significant accounting policies		

## PROFIT AND LOSS ACCOUNT FOR THE YEAR 2016-2017

### Profit and Loss Account for the year ended December 31, 2017

	12,491.0	12,639.4
Revenue from Operation (gross)	7	4
Less - Excise Duty	1,322.13	1,281.48
	11,168.9	11,357.9
Revenue from Operation (net)	4	6
Other Income	223.79	264.82
	<b>11,392.7</b>	<b>11,622.7</b>
Total Revenue	<b>3</b>	<b>8</b>
 <b>EXPENSES</b>		
Cost of material consumed	1,621.48	1,551.47
Purchase of stock-in-trade	232.86	158.75
Employee benefit expenses	6.53	20.02
Power and fuel	661.68	616.65
Freight and Forwarding expenses	2,382.34	2,382.26
Finance Costs	2,316.11	2,221.17
Depreciation and Amortization expenses	51.67	114.65
Other Expenses	573.95	58.88
<b>Total Expenses</b>	2,319.15	2,212.06
	<b>10,165.7</b>	
	<b>7</b>	<b>9,835.91</b>
 <b>Profit before exceptional item and tax</b>		
Exceptional item	<b>1,226.96</b>	<b>1,786.87</b>
<b>Profit before tax</b>		335.38
	<b>1,226.96</b>	<b>1,451.49</b>
 Trade expenses		
Current tax	363.05	439.16
Tax adjustment for earlier years	216.74	25.23
Deferred Tax	15.11	74.09
	131.2	390.3
<b>Profit for the Year</b>	<b>1,095.76</b>	<b>1,061.19</b>
 Earning per equity share		
Basic	58.36	56.52
Diluted	58.23	56.38

Significant accounting policies

## BALANCE SHEET FOR THE YEAR ENDING 2017 – 2018

### Balance Sheet as at December 31, 2018

	2017	2018
<b>EQUITY AND LIABILITIES</b>		
Shareholders fund	187.95	
Share Capital	7,004.32	187.95
Reserves and Surplus	510.73	7,194.85
	<b>8,221.36</b>	7,382.80
Non-Current Liabilities	500	
Long Term Borrowing	10.73	85.03
Deferred tax liabilities(Net)	518.36	516.92
Other Long-Term Liabilities	6,642.85	381.09
Long Term provisions	1,624.95	92.36
		1,075.40
Curren Liabilities		
Trade payables	9,645.37	660.49
Other current liabilities	3,437.84	1,515.81
Short-term porvisions	6,207.53	1,291.73
Other Non-Current assets	46.44	3,468.03
		<b>11,926.2</b>
	<b>8221.36</b>	<b>3</b>
<b>TOTAL</b>		
<b>ASSETS</b>		
Non-Current asset		
Fixed Asets:		
Tangible assets	1,099.70	1.02
Intangible assets	260.41	311.3
Capital Worki-in-Progress	1,652.56	194.67
Non-Current investments	15.01	564.2
Long-Term loans and advances	590.26	165.84
Other Non-Current assets	3,617.94	7,099.88
Current Assets	2,610.36	2,358.88
Current Investment	1,054.02	1,133.55
Inventories	3,664.38	303.45
	10,478.3	
Trade receivabes	9	678.38
Cash and bank balances	1,039.73	323.29
Short-term loans and advances	169.78	28.80
Other Current Assets	7,569.79	4,826.35
		<b>11,926.2</b>
<b>TOTAL</b>	<b>1,540.42</b>	<b>3</b>
Significant accounting policies		

## PROFIT AND LOSS ACCOUNT FOR THE YEAR 2017-2018

**Profit and Loss Account for the year ended December 31,  
2018**

	<b>2017</b>	<b>2018</b>
	12,491.0	12,639.4
Revenue from Operation (gross)	7	4
Less - Excise Duty	1,322.13	1,281.48
	11,168.9	11,357.9
Revenue from Operation (net)	4	6
Other Income	223.79	264.82
	<b>11,392.7</b>	<b>11,622.7</b>
Total Revenue	<b>3</b>	<b>8</b>
 <b>EXPENSES</b>		
Cost of material consumed	1,621.48	1,551.47
Purchase of stock-in-trade	232.86	158.75
Employee benefit expenses	6.53	20.02
Power and fuel	661.68	616.65
Freight and Forwarding expenses	2,382.34	2,382.26
Finance Costs	2,316.11	2,221.17
Depreciation and Amortization expenses	51.67	114.65
Other Expenses	573.95	58.88
<b>Total Expenses</b>	2,319.15	2,212.06
	<b>10,165.7</b>	
	<b>7</b>	<b>9,835.91</b>
 <b>Profit before exceptional item and tax</b>		
Exceptional item	<b>1,226.96</b>	<b>1,786.87</b>
<b>Profit before tax</b>		335.38
	<b>1,226.96</b>	<b>1,451.49</b>
Trade expenses		
Current tax	363.05	439.16
Tax adjustment for earlier years	216.74	25.23
Deferred Tax	15.11	74.09
		131.2
		390.3
<b>Profit for the Year</b>	<b>1,095.76</b>	<b>1,061.19</b>
Earning per equity share		
Basic	58.36	56.52
Diluted	58.23	56.38

Significant accounting policies