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Research Paper

A study on working capital management through ratio analysis

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ABSTRACT : Working capital is nerve system of any business. Without proper working, capital management firm cannot achieve its objectives and not possible to maintain financial soundness. So in this perspective, this study was undertaken to study working capital management practices of agro-processing and trading firm. Ten years (2006-07 to 2015-16) secondary data related to current assets, current liabilities, liquid assets, debtors etc. was collected directly from the company's annual reports. Ratio analysis, Karl Pearson's correlation and regression analysis were used to analyze the collected data. From the study, it is found that the liquidity position is not sound and it is difficult for the firm to meet its current obligations in time as and when they are due. However, working capital turnover shows fluctuating but increasing trend over a period of time which indicates that efficiency of working capital management is improving. Inventory turnover and working capital turnover is positively correlated with return on assets. The working capital turnover ratio is positively and debtors' turnover ratio is negative correlates with a net profit margin.

KEY WORDS : Working capital, Profitability, Efficiency

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