

WORKING CAPITAL MANAGEMENT DURING RECESSION PERIOD OF SELECTED PVT. LTD. UNITS IN SHIROLI MIDC, KOLHAPUR

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INTRODUCTION: Industrialization is an effective means for solving the problems of economic and social progress in developing countries of the world. It can be rightly described the relationship of Industrialization to economical development when we observe the manufacturing industry represents a higher stage of production in advanced countries. The development of manufacturing has been concomitant with these countries spectacular economic progress and rise in levels of living. Entrepreneurship is indispensable to accelerate the industrial growth. Small, Medium and Large enterprises are an effective means for the development of entrepreneurship. This sector is the only solution to the problems of poverty, insecurity, unemployment, over population in the modern world.

Large Small And Medium Enterprises Definition: According To New The Micro, Small And Medium Enterprises Development Act, 2006 the MSME Definitions are as follows:

Micro Enterprise - A micro enterprise is, where the investment in plant and machinery does not exceed twenty five lakh rupees.

Small Enterprise - A small enterprise is, where the investment in plant and machinery is more

than twenty five lakh rupees but does not exceed five core rupees.

Medium Enterprise - A medium enterprise, where the investment in plant and Machinery is more than five crore rupees but does not exceed ten crore rupees.

Large Enterprises: A large enterprise, where the investment in plant & machinery is more than ten crores rupees.

WORKING CAPITAL: For running any industry the most important factor is Finance. This finance is raised by raising capital and borrowing of funds and used for acquiring fixed assets and working capital.

The working capital is the life-blood and nerve centre of every business enterprise. No business can run effectively without adequate quantity of working capital. Management of working capital is an integral part of overall management. Working capital is the funds invested in current assets and it is needed for meeting day to day requirements of the organisation. Working capital is that portion of firm's capital which is employed in short term operations. The term current assets refer to those assets held by business which can be converted into cash within a short period of time of say one year. The need for current assets arises because of operating cycle. The operating cycle is a continuous process and therefore need for current assets are felt continuously. Each and every current asset is nothing but backbone of funds. The main types of current assets are stock, receivables and cash, Investment in short term assets like inventories, debtors etc. Which can be called as 'short term uses' or "gross working capital" which comprise of

- Amount for raw material of various kinds
- Amount for stock in process
- Amount for all finished goods in stores and transit.
- Amount for receivable or sundry debtors
- Other routine expense

The term current liabilities refer to those liabilities which are to be paid off during course of business, within a short period of time say one year. They are expected to be paid out of current assets or earnings from the business. The current liabilities mainly consist of sundry creditors, bill payable, bank overdraft or cash credit, outstanding expenses etc.

In manufacturing business, the time gap between the acquisitions of raw material till end of final production of finished product itself is quite high. As such more amounts may be blocked either in raw materials, or work in progress or finished goods or even in debtors. Naturally, their needs of working capital are higher. On the other hand if the production cycle is shorter, the requirement of working capital is less.

RECESSION: There is no official definition of recession, but there is general recognition that the term refers to a period of decline in economic activity. Very short periods of decline are not considered recessions. Most commentators and analysts use, as a practical definition of recession, two consecutive quarters of decline in a country's real (inflation adjusted) gross domestic product (GDP)—the value of all goods and services a country produces .

The term recession can be further defined as *“a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough.”*

Why do recessions happen?

Understanding the sources of recessions has been one of the enduring areas of research in economics. There are a variety of reasons recessions take place. Some are associated with sharp changes in the prices of the inputs used in producing goods and services. For example, a sharp increase in oil prices can be a harbinger of a coming recession. As energy becomes expensive, it pushes up the overall price level, leading to a decline in aggregate demand. A recession can also be triggered by a country's decision to reduce inflation by employing monetary or fiscal policies. When used excessively, such policies can lead to a decline in demand for goods.

Recessions can be the result of a decline in external demand, especially in countries with strong export sectors. Adverse effects of recessions in large countries—such as Germany, Japan, and the United States—are rapidly felt by their regional trading partners, especially during globally synchronized recessions.

Recessions are infrequent but costly: There were 122 completed recessions in 21 advanced economies over the 1960–2014 period. Although this sounds like a lot, recessions do not happen frequently. Indeed, the proportion of time spent in recession—measured by the percentage of quarters a country was in recession over the full sample period—was typically about 10 percent. Although each recession has unique features, recessions often exhibit a number of common characteristics:

- They typically last about 2-3 years and often result in a significant output cost. In particular, a recession is usually associated with a decline in GDP.
- The fall in consumption is often small, but both industrial production and investment register much larger declines than that in GDP.
- They typically overlap with drops in international trade as exports and, especially, imports fall sharply during periods of slowdown.
- The unemployment rate almost always jumps and inflation falls slightly because overall demand for goods and services is curtailed.

A STUDY ABOUT: In this research we have studied how overall recessionary trends in the market since last 3 years have affected the selected foundry units in Shioli MIDC, Kolhapur area. What are the financial trends (especially working capital) of these units by doing the analysis of their annual financial statements. What are the steps taken by these units to come out of problem? What is present situation in terms of working capital management? Which are the industries have managed their

working capital properly and faced no consequences and which are the industries were not able to manage their working capital and faced problems? What are the solutions to the problems and what better can be done?

STATEMENT OF THE PROBLEM:

In place of above preposition the researcher is interested to study the working capital by selected units in Shirol MIDC, Kolhapur since April 2009 till March 2015 therefore researcher will take the research work title “Working Capital Management During Recession Period Of Selected Pvt. Ltd. Units In Shirol MIDC, Kolhapur”

OBJECTIVES:

- To study the working capital management in recession period.
- To know the factors affecting working capital management
- To study various problems faced by selected units in recessionary trend
- To study the effect of recession on working capital management of selected units.
- To give suggestion if any on recessionary trends and effective working capital management.

SCOPE:

1. Geographical scope: 11 Selected Private Limited Foundry units in Shirol MIDC only.
2. Theoretical scope: The study covers working capital management
3. Time period scope: The time period under study is
April 2009 to March 2012 (Phase-I)
April 2012 to March 2015 (Phase-II)

RESEARCH METHODOLOGY: Research methodology is the base of every project work. The concept of research methodology refers to the collected data is properly analysis, classified and results generated in a systematic form.

Data used for the study are in following form:-

1. Primary Data: The primary data implies data collected by the researcher exclusively for his research using various techniques. Such as questionnaire method, personal interview, discussion method, survey method, telephonic interview method, E-mailing method etc.

But for the present study the following methods are used for collecting primary data.

i) Interview Method: In interview method, personal interviews were conducted with the chief finance officers (CFO) in selected units of Shirol MIDC, Kolhapur

ii) Discussion Method: In discussion method, the information was collected through discussion with other functional managers, and other staff member of the organization.

2. Secondary Data: “The Data which is already collected and available in published or unpublished form is called as secondary data.” It includes company profile, financial statements, magazines, reference books, internet etc.

But for the present study following steps were used in secondary data.

1. Various reports published by SMAC, Kolhapur
2. Financial reports published by selected units
3. Various articles in news papers, magazines and websites
4. Various reports/research papers.

SAMPLING TECHNIQUE: Sampling is done because it is difficult to contact all the units. So information is collected from 11 Private limited foundry units from the entire Shirol MIDC, Kolhapur area. These units are foundry units. There are 96 foundry units in Shirol MIDC out of which 33 units are Pvt. Ltd. Companies.

The study of 11 units (33%) is done. Among the various sampling methods convenient sampling method was used for selecting the units for present study.

DATA ANALYSIS & INTERPRETATION

With the available information in the form of financial statements and discussion CFO's the researcher has done trend analysis using various parameters, which is presented in the following tables.

Table 1:

Table showing percentage of change in net sales of selected companies on YOY basis.

Name of the company	Year							STD DIV *
	31.03.09	31.03.10	31.03.11	31.03.12	31.03.13	31.03.14	31.03.15	
Abhijit Casting Pvt Ltd	958.16	914.95	1119.77	1350.75	1182.17	1248.99	1448.79	
% change on YOY basis		-4.51%	22.39%	20.63%	-12.48%	5.65%	16.00%	0.14
Caspro Metal industries Pvt ltd	5424	6322	7557.64	9498.68	9624.44	10348.27	9833.5	
% change on YOY basis		16.56%	19.55%	25.68%	1.32%	7.52%	-4.97%	0.12
Gangadhar Alloy Pvt Ltd	459.52	461.24	505.77	521.1	514.66	541.04	526.24	
% change on YOY basis		0.37%	9.65%	3.03%	-1.24%	5.13%	-2.74%	0.05
Gnat Foundry Pvt Ltd	2519.69	2129.75	2673.26	3542.62	3029.79	3227.64	3621.37	
% change on YOY basis		-15.48%	25.52%	32.52%	-14.48%	6.53%	12.20%	0.2
K & K Foundry Pvt Ltd	605.02	1711.8	3505.75	5393	5612	5549	4300	
% change on YOY basis		182.93 %	104.80%	53.83%	4.06%	-1.12%	-22.51%	0.78
Tough Casting Pvt Ltd	580.23	961.4	1985.49	1993.97	966.66	1680.25	700.45	
% change on YOY basis		65.69%	106.52%	0.43%	-51.52%	73.82%	-58.31%	0.69
K & K craftsman Pvt Ltd	0	0	0	169.91	898.82	1262.72	2453.02	
% change on YOY basis		0.00%	0.00%	0.00%	429.00%	40.49%	94.26%	1.68
Mayura Steels Pvt Ltd	3321.96	4146.68	5631.96	6637.31	6470.86	5150.23	5353.01	
% change on YOY basis		24.83%	35.82%	17.85%	-2.51%	-20.41%	3.94%	0.2
Rocket Engineering Pvt Ltd	5931.12	8140.02	9157.6	9160.37	10508.05	10378.52	8293.02	
% change on YOY basis		37.24%	12.50%	0.03%	14.71%	-1.23%	-20.09%	0.19
YashMetalics Pvt Ltd	6093.77	7168.39	9078.08	12116.73	13116.57	11821.09	11887.22	
% change on YOY basis		17.63%	26.64%	33.47%	8.25%	-9.88%	0.56%	0.16
Versatile Alucast Pvt Ltd	0	0	35.72	38.52	235.19	250.69	280.57	
% change on YOY basis		0.00%	0.00%	7.84%	510.57%	6.59%	11.92%	2.06

* STANDARD DEVIATION

Source: annual financial statements published by the companies

Interpretation: From the above table it comes to know that in phase I i e from Year 2009 to 2012, there is no drastic fall in the sales of the companies. Out of 11 companies sales of 18% companies have increased and sales of 82% companies have shown normal trend.

In phase II i e from year 2013-2015, downward trend in sales of 55% companies have been observed. Sales of 18% companies have increased and there is no drastic change in the sales figures of 27% companies.

Out of 11 companies the performance of Gangadhar Alloy Pvt. Ltd. is the best (standard deviation is 0.05) and performance of Versatile Alucast Pvt. Ltd. is worst (standard deviation is 2.06).

Table 2:

Table showing change in current assets of selected companies on YOY basis.

Name of the company	Year							STD DIV*
	31.03.09	31.03.10	31.03.11	31.03.12	31.03.13	31.03.14	31.03.15	
Abhijit Casting Pvt Ltd	209.87	269.8	330.57	447.78	449.46	515.38	639.26	
% change on YOY basis		28.56%	22.52%	35.46%	0.38%	14.67%	24.04%	0.12
Caspro Metal industries Pvt Ltd	1353.59	1553.75	2053.63	2456.31	2007.413	2348.34	2613.9	
% change on YOY basis		14.79%	32.17%	19.61%	-18.28%	16.98%	11.31%	0.17
Gangadhar Alloy Pvt Ltd	171.3	216.28	265.14	299.96	337.88	361.38	380.48	
% change on YOY basis		26.26%	22.59%	13.13%	12.64%	6.96%	5.29%	0.08
Gnat Foundry Pvt Ltd	1545.51	1465.44	1590.39	1764.12	1923.99	1952.57	1989.07	
% change on YOY basis		-5.18%	8.53%	10.92%	9.06%	1.49%	1.87%	0.06
K & K Foundry Pvt Ltd	556.88	1000.1	1218.43	1606.36	2498.45	3303.86	2355.73	
% change on YOY basis		79.59%	21.83%	31.84%	55.53%	32.24%	-28.70%	0.36
Tough Casting Pvt Ltd	506.33	630.65	893.19	1235.8	995.23	1422.55	773.16	
% change on YOY basis		24.55%	41.63%	38.36%	-19.47%	42.94%	-45.65%	0.37
K & K craftsman Pvt Ltd	0	0	162.81	303.59	1235.15	1034.74	1874.92	
% change on YOY basis		0	0	86.47%	306.85%	-16.23%	81.20%	1.21
Mayura Steels Pvt Ltd	1767.81	2012.18	2248.56	3450.23	2934.77	2125.7	2484.17	
% change on YOY basis		13.82%	11.75%	53.44%	-14.94%	-27.57%	16.86%	0.28
Rocket Engineering Pvt Ltd	2604.69	3079.09	3076.55	3329.28	4584.33	7328.42	7628.76	
% change on YOY basis		18.21%	-0.08%	8.21%	37.70%	59.86%	4.10%	0.23
YashMetalics Pvt Ltd	2004.47	2170.4	3313.64	4870.74	4064.21	3405.92	3446.87	
% change on YOY basis		8.28%	52.67%	46.99%	-16.56%	-16.20%	1.20%	0.30
Versatile Alucast Pvt Ltd	0	0	22.97	69.91	117.17	211.15	362.43	
% change on YOY basis		0	0	204.35%	67.60%	80.21%	71.65%	0.75

* STANDARD DEVIATION

Source: annual financial statements published by the companies

Interpretation: From the table no 7 it comes to know that in phase I i e from Year 2009 to 2012, The current assets of all 11 companies have been increased.

In phase II i e from year 2013-2015, upward trend in the current assets of 55% companies have been observed. Upward and downward fluctuations in the current assets figures of 45% companies are observed.

Out of 11 companies the performance of Gnat Foundry Pvt Ltd is the best (standard deviation is 0.06) and performance of K & K craftsman Pvt Ltd is worst (standard deviation is 1.21).

Table 3:

Table showing change in current liabilities of selected companies on YOY basis.

Name of the company	Year							STD DIV*
	31.03.09	31.03.10	31.03.11	31.03.12	31.03.13	31.03.14	31.03.15	
Abhijit Casting Pvt Ltd	182.48	282.23	320.09	448.28	377.85	387.87	435.83	
% change on YOY basis		54.66%	13.41%	40.05%	-15.71%	2.65%	12.36%	0.26
Caspro Metal industries Pvt Ltd	677.79	611.84	1600.98	2122.31	1812.13	1537.5	1963.76	
% change on YOY basis		-9.73%	161.67%	32.56%	-14.62%	-15.16%	27.72%	0.68
Gangadhar Alloy Pvt Ltd	86.17	116.32	124.72	300.93	257.86	284.28	269.52	
% change on YOY basis		34.98%	7.22%	141.28%	-14.31%	10.25%	-5.19%	0.57
Gnat Foundry Pvt Ltd	1034.17	1053.46	1118.05	1408.85	1655.45	1793.37	1914.56	
% change on YOY basis		1.87%	6.13%	26.01%	17.50%	8.33%	6.76%	0.09
K & K Foundry Pvt Ltd	537.66	944.19	1142.24	1202.54	1455.15	2335.1	2311.03	
% change on YOY basis		75.61%	20.98%	5.28%	21.01%	60.47%	-1.03%	0.31
Tough Casting Pvt Ltd	565.95	690.95	627.85	1061.2	797.06	1198.91	1126.08	
% change on YOY basis		22.09%	-9.13%	69.02%	-24.89%	50.42%	-6.07%	0.37
K & K craftsman Pvt Ltd	0	0	7.66	297.71	859.33	509.86	1138.33	
% change on YOY basis		0	0	3786.55%	188.65%	-40.67%	123.26%	15.26
Mayura Steels Pvt Ltd	829.88	1372.7	1312.67	2795.37	1893.74	939.78	786.25	
% change on YOY basis		65.41%	-4.37%	112.95%	-32.25%	-50.37%	-16.34%	0.63
Rocket Engineering Pvt Ltd	987.03	1715.12	4075.84	4207.5	5576.87	4816.45	4896.93	
% change on YOY basis		73.77%	137.64%	3.23%	32.55%	-13.64%	1.67%	0.57
YashMetalics Pvt Ltd	1807.62	1964.35	2415.43	3733.36	4075.21	3382.42	3784.57	
% change on YOY basis		8.67%	22.96%	54.56%	9.16%	-17.00%	11.89%	0.23
Versatile Alucast Pvt Ltd	0	0	0.08	6.27	43.05	159.99	279.11	
% change on YOY basis		0	0	7737.50%	586.60%	271.64%	74.45%	30.91

*** STANDARD DEVIATION.**

Source: annual financial statements published by the companies. **Interpretation:**

From the table no 8 it comes to know that in phase I i e from Year 2009 to 2012, The current liabilities of 82% companies have been increased and current liabilities of 18% companies have shown upward as well as downward trend.

In phase II i e from year 2013-2015, upward trend in the current liabilities of 36% companies have been observed. Upward and downward fluctuations in the current assets figures of 55% companies is observed and current liabilities of 9% companies has been decreased.

Out of 11 companies the performance of Gnat Foundry Pvt Ltd is the best (standard deviation is 0.09) and performance of Versatile Alucast Pvt Ltd is worst (standard deviation is 30.91).

Table 4:

Table showing change in net working capital of selected companies on YOY basis.

Name of the company	Year							STD DIV*
	31.03.09	31.03.10	31.03.11	31.03.12	31.03.13	31.03.14	31.03.15	
Abhijit Casting Pvt Ltd	27.39	-12.43	10.48	-0.5	71.61	127.51	203.43	
% change on YOY basis		-145.38%	-184.31%	-104.77%	-14422.00%	78.06%	59.54%	58.65
Caspro Metal industries Pvt Ltd	675.8	941.91	452.65	334	195.283	810.84	650.14	
% change on YOY basis		39.38%	-51.94%	-26.21%	-41.53%	315.21%	-19.82%	1.40
Gangadhar Alloy Pvt Ltd	85.13	99.96	140.42	-0.97	80.02	77.1	110.96	
% change on YOY basis		17.42%	40.48%	-100.69%	-8349.48%	-3.65%	43.92%	34.09
Gnat Foundry Pvt Ltd	511.34	411.98	472.34	355.27	268.54	159.2	74.51	
% change on YOY basis		-19.43%	14.65%	-24.79%	-24.41%	-40.72%	-53.20%	0.23
K & K Foundry Pvt Ltd	19.22	55.91	76.19	403.82	1043.3	968.76	44.7	
% change on YOY basis		190.89%	36.27%	430.02%	158.36%	-7.14%	-95.39%	1.86
Tough Casting Pvt Ltd	-59.62	-60.3	265.34	174.6	198.17	223.64	-352.92	
% change on YOY basis		1.14%	-540.03%	-34.20%	13.50%	12.85%	-257.81%	2.24
K & K craftsman Pvt Ltd	0	0	155.15	5.88	375.82	524.88	736.59	
% change on YOY basis		0	0	-96.21%	6291.50%	39.66%	40.33%	25.70
Mayura Steels Pvt Ltd	937.93	639.48	935.89	654.86	1041.03	1185.92	1697.92	
% change on YOY basis		-31.82%	46.35%	-30.03%	58.97%	13.92%	43.17%	0.40
Rocket Engineering Pvt Ltd	1617.66	1363.97	-999.29	-878.22	-992.54	2511.97	2731.83	
% change on YOY basis		-15.68%	-173.26%	-12.12%	13.02%	-353.09%	8.75%	1.47
YashMetalics Pvt Ltd	196.85	206.05	898.21	1137.38	-11	23.5	-337.7	
% change on YOY basis		4.67%	335.92%	26.63%	-100.97%	-313.64%	1537.02%	6.58
Versatile Alucast Pvt Ltd	0	0	22.89	63.64	74.12	51.16	83.32	
% change on YOY basis		0	0	178.03%	16.47%	-30.98%	62.86%	0.75

*** STANDARD DEVIATION**

Source: annual financial statements published by the companies.

Interpretation: From the table no 9 it comes to know that in phase I i e from Year 2009 to 2012, The net working capital of 27% companies have been increased, 27% companies have been decreased and that of 46% companies have shown upward as well as downward trend.

In phase II i e from year 2013-2015, upward trend in the net working capital of 46% companies have been observed. Upward and downward fluctuations in the current assets figures of 27% companies are observed and current liabilities of 27% companies has been decreased.

Out of 11 companies the performance of Gnat Foundry Pvt Ltd is the best (standard deviation is 0.23) and performance of Abhijit Casting Pvt Ltd is worst (standard deviation is 58.65).

Table 5:

Table showing change in current ratio of selected companies on YOY basis.

Name of the company	Year							STD DIV*
	31.03.09	31.03.10	31.03.11	31.03.12	31.03.13	31.03.14	31.03.15	
Abhijit Casting Pvt Ltd	1.15	0.96	1.03	1	1.19	1.33	1.47	0.186
Caspro Metal industries Pvt ltd	2	2.54	1.28	1.16	1.11	1.53	1.33	0.524
Gangadhar Alloy Pvt Ltd	1.99	1.86	2.13	1	1.31	1.27	1.41	0.425
Gnat Foundry Pvt Ltd	1.49	1.39	1.42	1.25	1.16	1.09	1.04	0.175
K & K Foundry Pvt Ltd	1.04	1.06	1.07	1.34	1.72	1.41	1.02	0.264
Tough Casting Pvt Ltd	0.89	0.91	1.42	1.16	1.25	1.19	0.69	0.252
K & K craftsman Pvt Ltd	0	0	21.25	1.02	1.44	2.03	1.65	7.685
Mayura Steels Pvt Ltd	2.13	1.47	1.71	1.23	1.55	2.26	3.16	0.653
Rocket Engineering Pvt Ltd	2.64	1.8	0.75	0.79	0.82	1.52	1.56	0.691
YashMetalics Pvt Ltd	1.11	1.1	1.37	1.3	1	1.01	0.91	0.166
Versatile Alucast Pvt Ltd	0	0	287.13	11.15	2.72	1.32	1.3	107.556

*** STANDARD DEVIATION**

Source: annual financial statements published by the companies.

Interpretation: From the table no 10 it comes to know that in phase I i e from Year 2009 to 2012, The current ratio of 18% companies have been decreased and current ratio of 82% companies have shown upward as well as downward trend.

In phase II i e from year 2013-2015, improvement in current ratio of 18% companies have been observed. Upward and downward fluctuations in the current ratio of 46% companies are observed and current ratio of 36% companies has been decreased.

Out of 11 companies the performance of Yash Metalics Pvt Ltd is the best (standard deviation is 0166) and performance of Versatile Alucast Pvt Ltd is worst(standard deviation is 107.556).

Impact of the recessionary period on the selected companies:

The researcher, after analyzing & interpreting the available financial data of selected group companies, having detailed discussion with the CFO's of selected companies, going through various articles in news papers, internet etc. can summaries Impact of the recessionary period on the selected companies as follows:

1. The manufacturing industry has faced huge problems due to overall recessionary trend in the market. The impact of the same was on external environment as well internal environment of businesses.
2. The external factors such as orders from OEM's have decreased, the payment from them were also delayed.
3. There were problems in raising finance from financial institutions with weakened financial statements/position.
4. The supply chain management was affected due to delayed or nonpayment to suppliers. The various statutory payments were paid with delay etc.
5. The internal factors such as cut down in the number of employees, layoffs, decrease in number of shifts etc had to be done due to decline in orders and delayed payments.
6. The other cost cutting measures have also taken unwillingly. The major impact was on working capital management.

Impact on working capital management

- a.* The recessionary trend had a major adverse impact on working capital management of the companies. Due to overall slow down, the orders have declined drastically. The payments were delayed by the OEM's resulting in disturbance in working capital cycle.
- b.* The entire supply chain management was disturbed. Some suppliers/vendors stopped the supply of raw materials which impacted the production schedule.
- c.* The payment to workers/employees were delayed, some workers/employees were given layoffs which resulted in dissatisfaction among work force.
- d.* The attachment/freeze notices were received from statutory authorities due to delay in payments.
- e.* The working capital limits with banks were in stress. The repayments of term loans were delayed. Some of the companies requested their banks to restructure their limits.

As per above table we come to know that in given period the performance of Companies Namely Caspro Metal works Pvt. Ltd., Gangadhar Alloys Pvt. Ltd., Mayura Steels Pvt. Ltd., Gnat Foundry Pvt Ltd. is satisfactory on given parameters and performance of companies namely Vaersatile Alucast Pvt. Ltd., K & K craftsman Pvt Ltd. is not at satisfactory level.

CONCLUSION AND SUGGESTIONS

With reference to the analysis of data and interpretations of the same. The researcher has drawn following conclusions:

1. Sales are consistent in initial period which reveals that there was no adverse impact on the sales of the companies during this phase. But as the severity of the slowdown in the market increased, the sales of selected companies were impacted adversely.
2. The current liabilities have also shown increasing trend in first phase in proportion to current assets. The companies faced problems with respect to working capital due to slowdown in market, decrease in orders from OEMs, losses and working capital shortage. But the promoters have tried to face them by infusing funds

in form of additional capital, unsecured loans, asset finance term loans, restructuring of existing loans etc.

3. The current ratio which is major indicator of working capital management was fluctuating in the first phase and same has deteriorated in later phase.

4. To come out of these problems the promoters of the companies have tried to infuse the funds in form of additional capital, unsecured loans from relatives friends etc. Some companies raised loans in form of working capital term loan asset finance etc.

Suggestions:

After analyzing the financial data, interpreting it and concluding it the researcher gives following suggestions:

1. The management should give more emphasis on efficient & effective working capital of the company. The review meeting should be taken on monthly basis and all the data related to various aspects of working capital should be reviewed.

2. Supply chain management should be streamlined. The payment to suppliers/vendors to be given in time so that the confidence level is maintained and continued support is received.

3. Recovery from customers/debtors should be monitored strictly. A team headed by one of the promoter/director should be prepared for follow up of recovery.

4. If the management feels there is stress on working capital or liquidity of the company, immediate steps to be taken to resolve the problem.

5. The management should strictly avoid “Diversion of funds” I. e the short term funds to be utilized for short term purposes only.

6. The management should take the steps towards expansion of the company very carefully and only after having detailed study of future opportunities in the market. Capital investment for short term benefits to be avoided.

7. If possible, management should create funds/reserves to face this type of recessionary crises.

8. Dependency on limited customers should be avoided. There should be multiple options available in case of recession in particular sector.

9. There should be strict control on the expenses.

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