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IMPACT OF WORKING CAPITAL MANAGEMENT ON THE PROFITABILITY OF THE COMPANY- A CASE STUDY OF MARUTI SUZUKI INDIA LIMITED

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ABSTRACT
Working capital is a financial metric which represents operating liquidity available to a business. Working capital is an important element in investment decisions; it is important determinant of profitability of the company. The present study focuses on the impact of working capital on the profitability of Maruti Suzuki India ltd. 2012-13 to 2016 – 17. The study is based on secondary data, it has been collected from the published annual reports of the company, books, journals, magazines newspapers and websites. The study concludes that there is a negative relationship between profitability and working capital of the company during the study period. The performance of the company is significantly increasing during the study period.

KEYWORDS: Network security,Biometrics, Authentication

INTRODUCTION
Working capital *is the lifeblood of a business. It shows strength of the company in short period of time.* The management of working capital concerns the management of cash, inventories, accounts receivable and accounts payable. The company has to invest enough funds in current assets for a successful production, sales process and to carry it's the routine activities. It is necessary for a company to monitor working capital properly and maintain at appropriate levels. The shortage of working capital may lead to lack of liquidity as well as loss in production and sales. Efficient working capital management involves planning and control of current assets and current liabilities in a manner to strike a balance between liquidity and profitability. The decisions relating to working capital are referred as working capital management. Working capital management is one of the key areas of financial decision making. It is essential for the long term success of the company.
There are two concepts used for working capital.

1. Gross working capital
2. Net working capital

Gross working capital: The concept of gross working capital refers to the total value of current assets. In other words, gross working capital is the total amount available for financing of current assets. However, it does not reveal the true financial position of an enterprise.
Net working capital: Net working capital is an accounting concept which represents the excess of current assets over current liabilities. Working capital normally refers to net working capital.

OBJECTIVES OF THE STUDY:
- To know the working capital position of the company
- To examine the impact of working capital on the profitability of the company

RESEARCH METHODOLOGY:
The study is descriptive in nature. The study is based on secondary data, it has been collected from the published annual reports of the company, books, journals, magazines newspapers and websites.

I. Scope of the study:
The present study focuses on the working capital position and the impact of working capital on the profitability of Maruti Suzuki India ltd.

II. Period of the study:
The analysis of working capital position of Maruti Suzuki India ltd. is made on the basis of information abstracts from the annual reports of the company for a period of five years 2012-13 to 2016 – 17.

III. Data analysistechniques:
In order to analyze the impact of working capital on the profitability of the company different ratios, percentages and correlation are used.

PROFILE OF THE MARUTI SUZUKI INDIA LTD.
Maruti Suzuki India Ltd. was incorporated on February 24 1981 with the name Maruti Udyog Ltd. The company was formed as a government company with Suzuki as a minor partner to make a people's car for middle class India. Over the years the company's product range has widened ownership has changed hands and the customer has evolved. On 2nd October 1982 the company signed the license and joint venture agreement with Suzuki Motor Corporation Japan.
Maruti Suzuki India Ltd. is India's largest passenger car company accounting for over 50 % of the domestic car market. The company is engaged in the business of manufacturing purchase and sale of motor vehicles and

spare parts. It is the market leader in the automobile industry.

RESULTS AND ANALYSIS:

Net worth of the Company:Net worth is the amount by which assets exceed its liabilities. Net worth is a concept applicable to business as a key to measure how much an entity is worth. A consistent increase in net worth indicates good financial health. In the business context, net worth is also known as book value or shareholders' equity.

Table No. 1 Net Worth of the Company

Year	Net worth	% of Growth Rate
2012-13	18,578.90	-
2013-14	20,978.00	12.9%
2014-15	23,704.20	13.0%
2015-16	27,007.10	13.9%
2016-17	36,171.10	33.9%

Source: Compiled from annual reports of the company

The above table shows that the net worth of the company shows an increasing trend from 12.9 percent to 33.9 percent over the study period. The growth rate of the company was highest (33. 9 percent) in the year 2016-17.

Working Capital: Working capital is calculated as current assets minus current liabilities of the company. Positive working capital generally indicates that a company is able to pay off its short-term liabilities. Negative working capital generally indicates a company is unable to pay off its short-term liabilities.

Table No. 2 Working capital

Year	Current Assets	Current Liabilities	Working capital	Working Capital Ratio
2012-13	109,248	68,280	40,968	1.60
2013-14	141,914	81,381	60,533	1.74
2014-15	81,962	88,213	-6,251	0.93
2015-16	78,460	110,392	-31,932	0.71
2016-17	86,099	132,313	-46,214	0.65

Source: Compiled from annual reports of the company

The above table shows the current assets and current liabilities of the company from the year 2012-13 to 2016-17. It shows that the current assets of the company are in decreasing trend and liabilities are in increasing trend. With this effect the working capital of the company is also decreasing over the study period. The working capital ratio of the company shows a decreasing trend over the study period. This indicates that the company does not have enough assets to pay back its liabilities.

Inventory / Stock turnover ratio:

Inventory is the main part of the working capital. High level of inventory can increase the sales growth, reducing the cost of supply and additionally reducing the cost of production. Stock turnover indicate the number of times the stock has turned over into sales in a year. It shows the efficiency of the firm in producing and selling its products.

Debtor / Receivable Turnover Ratio:

Debtor turnover ratio is one of the key turnover ratios used to analyze the performance of a business. This ratio throws light on the effectiveness of the business in utilizing its working capital blocked in debtors. It indicates the frequency of conversion of receivables into cash in a given financial year. Lower turnover indicates sluggish and inefficient collection leading to the doubts that receivables might contain significant doubtful debts.

Table No. 3 Stock and ReceivableTurnover Ratio

Year	Stock Turnover Ratio	Debtors Turnover Ratio
2012-13	26.67	36.21
2013-14	28.65	30.31
2014-15	21.08	40.24
2015-16	20.84	48.76
2016-17	23.69	54.48

Source: Compiled from annual reports of the company

The above table shows that the stock turnover ratio of the company is more than the ideal ratio (stock turnover ratio of '8' is considered ideal),The company has maintained high stock turnover ratio, which indicates that the stocks are fast moving and get converted in to sales quickly. It shows the effective inventory management system where less cash is required to finance the stock and also to convert the stock to liquid cash. Debtors' turnover ratio of the company has increased from 36.21 to 54.48 percent during the study period. It indicates the speedy and effective recovery system of the company.

PROFITABILITY RATIOS:

There are several measures of profitability which a company can use. Few measures of profitability are Net Profit Margin, ROI, ROA and ROE.

Net Profit Margin: Net Profit Margin measures overall efficiency of a company. The Profit margin tells investors how well the company executes on its overall pricing strategies as well as how effective in controlling its costs.

ROA indicate how efficiently a company uses its assets to generate profit. It measures the percentage of net profits in terms of the value of company assets.

ROE is especially used to analyze the performance of the company. It measures management's ability to generate income from the equity available to it. It is one of the most important profitability metrics of the company.

ROI is the most common profitability ratio. It indicates whether or not a company is using its resources in an efficient manner.

Table No. 4 Profitability Ratios

Year	Operating Margin (%)	Gross Profit Margin (%)	Net Profit Margin (%)	ROA	ROE	ROI
2012-13	9.7	5.43	5.48	9.7	14.2	14.3
2013-14	11.66	6.89	6.36	9.7	14.1	13.82
2014-15	13.43	8.49	7.42	11.2	16.6	16.72
2015-16	15.54	10.65	7.91	13.1	19.4	17.88
2016-17	15.21	11.39	10.78	14.6	22.2	23.05

Source: Compiled from annual reports of the company

The above table shows that the operating profit margin has increased from 9.7 percent to 15.21 percent during the study period. The gross profit margin of the company has increased 5.43 percent to 11.39 percent over the study period. The net profit margin of the company has also been increased from 5.48 in the year 2013 to 10.78 percent in the year 2016-17. This shows that the overall profitability of the company is increasing over the study period.

The ROA, ROE and ROI of the company show an increasing trend during the study period. It indicates the company has efficiently managed its resources to increase returns to stockholders.

WORKING CAPITAL RATIO AND NET PROFIT MARGIN:

Working Capital is measure of company efficiency and operating liquidity. It is important indicator of the firm ability to continue its normal operations without additional debt obligations. Net Profit Margin shows the amount of money that the company makes from total sales or revenue.

Table 5 Working Capital Ratio and Net Profit Margin

Year	Working capital Ratio	Net profit Margin
2012-13	1.60	5.48
2013-14	1.74	6.36
2014-15	0.93	7.42
2015-16	0.71	7.91
2016-17	0.65	10.78

Source: Compiled from annual reports of the company

The correlation between Working Capital and Net profit Margin is -0.82018. There is a negative correlation between working capital and Net profit Margin of the company.

CONCLUSION

Maruti Suzuki is one of the leading automobile manufacturing companies in India. The profitability of the company has an increasing trend over the study period. The study analyses that there is a negative relationship between profitability and working capital of the company during the study period. The company takes very less time to convert working capital into sales. It shows the effective inventory management system where less cash is required to finance the stock and also to convert the stock to liquid cash. And also the company maintained speedy and effective recovery system. The profitability of Maruti Suzuki India Ltd. is significantly increasing during the study period.

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