

CHAPTER VI

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Shreem Capacitors Pvt. Ltd. a medium sized manufacturing company's working capital management seems effective and efficient. However, the conclusion of the study is that company is aggressive in some areas and lacking in some areas of working capital management.

The findings of the study are explained as below -

1. The management of Cash in hand and Cash with Bank is effective.
2. Rise in Debtors is continuous but it is more than 30% of total sales which is alarming one.
3. The position of Current Assets of the company is robust and shows gradual increase.
4. Quantum of Creditors is eroded year by year and it is below 20% of total purchases which invites attention and need to look over company's policy in this context.
5. Scale of working capital is fluctuating and invites attention to study the reasons.
6. Current Ratio of the company is decreasing year after year but still it is not below the benchmark.
7. Quick Ratio is comfortable and shows good sign of liquidity.

8. The company has to revise its policy on accepting Advances from Customers which may give short term funds to the company.
9. Inventory Management seems effective and inventory is managed at most advantageous level.
10. Net Profit Ratio is comfortable and shows good sign of profitability.

The following components are more or less affected on some occasions. However, the company has succeeded to manage risk.

Component	Affecting Factors
Inventory	<ol style="list-style-type: none"> 1) Lead time 2) Level of buffer stock 3) Length of manufacturing cycle 4) Fluctuations in demand and supply lead to keep extra stock.]
Debtors	<ol style="list-style-type: none"> 1) Cash collection and credit control policy. 2) Huge quantum of credit sales. 3) Competition, retaining customers increases quantum of debtors 4) Periodicity of credit 5) Type of customer (normally govt. orders)
Cash and Bank Balance	<ol style="list-style-type: none"> 1) Excess retention to meet urgent needs of raw material demand for uninterrupted production cycle 2) Lacking of Cash and Bank balance retention policy 3) Excess retention for bulk purchases at cheaper rate. 4) Non availability of exceeding / enhancements in cash credit facility with Bank.
Creditors	<ol style="list-style-type: none"> 1) Less quantum of credit purchase. 2) Attitude towards cash purchases for trade discounts. 3) Rigid terms of purchases 4) In time payment to get cash discount. 5) Availability of ample of cash for immediate repayment

On very few occasions, despite every caution, the above factors seem dominating. Company can revitalize the existing policies in consultation with department heads of Sales, Purchases, Stores, Manufacturing, and Accounts.

In short the company should manage its working capital in optimum manner for reducing loss.