

**CHAPTER I**

**I N T R O D U C T I O N**

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CHAPTER - I  
INTRODUCTION

This chapter deals with the selection of the problem. It describes the 'Research Design' and Methodology of the study. An attempt has been made about collection of necessary statistics for the purposes of the present analysts.

1.1 APPROACH TO THE PROBLEM :

Cash does not grow on trees, but the manufacturing units do not have much difficulty in getting it one way or another. It would be obtained through extended credit from the suppliers, increased Overdraft facilities from Banks or accelerating date collection.

But during the present inflationary period hiking raw material prices and increasing costs more finance is required. And at the same time inflation factor also affects profit margin which reduces cash inflow from operations.

The interesting feature which is observed in THE MADHAVNAGAR COTTON MILLS LTD., MADHAVNAGAR (SANGLI), was that the tremendous fluctuations of profit, which is clearly given in Table 1.1

TABLE - 1.1  
FLUCTUATION OF PROFIT

YEAR				PROFIT (Rs.in Lacs)
1981-82	..	..	..	( 40.31 )
1982-83	..	..	..	8.55
1983-84	..	..	..	( 73.15 )
1984-85	..	..	..	( 2.34 )
1985-86	..	..	..	( 5.86 )

Source : Company's Annual Reports.

NOTE : Bracket indicates Loss.

This has increased the curiosity of the researcher to know how the cotton mill has managed the financial as well as physical aspect of working capital.

Therefore, the researcher has stated the problem in such a way -

1.2 MANAGEMENT OF WORKING CAPITAL  
IN  
THE MADHAVNAGAR COTTON MILLS LTD., MADHAVNAGAR. (SANGLI)  
1981 - 82 TO 1985 -86.

1.3 OBJECTIVES OF THE STUDY :

The main objectives of the present study can be enumerated as follows.

1. To study and examine the nature of working capital position.
2. To analyse the working capital with some ratios.
3. To assess the working capital in respect of Inventory Management.
4. To make necessary recommendations and suggestions.

1.4 METHODOLOGY OF THE STUDY :

A 'Case Study Method' of research has been used for the purpose of this present study.

1. SOURCES OF DATA COLLECTION - All the necessary data is collected from primary as well as secondary sources.

a. PRIMARY DATA - In order to collect the primary data 'Inquiry Schedule' is used as a major tool of research. This schedule is prepared and issued to the concern authorities of 'The Madhavnagar Cotton Mills Ltd., Madhavnagar (Sangli)' to supply data regarding the

practices, procedures and techniques adopted by them for the management and control of current assets and current liabilities. In addition, the financial executives of the company were interviewed and discussions with concerned officers are also made for the light of required information.

b. SECONDARY DATA - Secondary data i.e. Published Annual Report of The Madhavnagar Cotton Mills Ltd., Madhavnagar (Sangli) were studied and the required statistics were obtained from these annual reports. The needed information for the present study has secured from the Library i.e. Daily News Papers, Periodicals and Magazines, Library Books concerned with management.

2. METHODS OF ANALYSIS - The figures contained in the Annual Reports have been rounded off to lacs of rupees upto two decimal places. The financial statements have also been redesigned and various component are grouped in such a manner as to facilitate the analysis such as editing, classification and tabulation of financial figures. To analyse the problem of working capital management, various techniques of financial management have been used in the present study, such as ratio analysis and common size analysis, So as to reach sound conclusions. To present a graphic view and to make it easy to understand the problem a few diagrams and graphs have also been presented.

1.5 SIGNIFICANCE OF THE STUDY :

The Science of management has made significant progress in the past twenty-five years. The working capital management has also shared in this evolution. Old techniques have been improved and many new techniques have been introduced. The problem of managing working capital

has got a separate intity as against different decision making issues concerning current assets individually. Working capital has to be regarded as one of the conditioning factors in the long-run operations of a firm which is oftern inclined to treat it as an issue of short-run analysis and decission making. The skills for working capital management are some what unique, though the goals are the same as in managing current assets individually, viz. to make and efficient use of funds for minimising the risk of loss to attain profit objectives.

The present study is a research report on concepts involved in and techniques used for effective working capital management of The Madhavnagar Cotton Mills Ltd., Madhavnagar (Sangli) with the following features and dimensions.

1. In recent times, due to increasing amount of uncertainties in business situations, the emphasis on management of working capital of an enterprise has increased. This study deals with the management of overall working capital position and its different constituents in some what greater details.

2. The financial soundness of the concern and the extent of protection afforded to shareholders is determined by the working capital position of concern. Hence the persent study will be helpful not only to the Mill, its Bankers and financial Institutions but also to all other similar types of business enterprises.

3. The study improves the morale of the executives of the mill and their efficiency reaches it higher climax.

4. The importance of the study is emphasized by the fact that the manner of administration of current assets and current liabilities

determines to a very large extent the success or failure of a business.

#### 1.6 SCOPE AND LIMITATIONS OF THE STUDY :

The present study "Management of Working Capital in The Madhavnagar Cotton Mills Ltd., Madhavnagar (Sangli)" is intended to analyse The Madhavnagar Cotton Mills Ltd., practice in working capital management and to examine management performance in this segment of financial management. The efficiency of the working capital management is determined by the efficient administration of its

inventory, The study attempts to determine the efficiency and effectiveness of management in inventory segment of working capital, since the net concept of working capital ( excess of current assets over current liabilities ) has been taken in the present study. More-over this is a case study method and thus, it is limited only to The Madhavnagar Cotton Mills Ltd., Madhavnagar (Sangli). Further more the study covers both the aspects of working capital i.e. financial and physical aspect. The coverage of the research report extends to analysis of working capital with some ratios and assessment of working capital in respect of Inventory management. In order to explain certain points clearly a period of latest five years is considered i.e. from financial year 1981-82 to 1985-86.

#### 1.7 CHAPTER SCHEME :

Whole research report has been arranged into five separate chapters.

The First chapter, 'INTRODUCTION', introduces the reader about the problem, objectives, methodology, significance, scope and limitations of the present study.

The Second chapter, 'PROFILE OF THE ORGANISATION', deals with

the background of Indian Cotton Industries and the history of THE MADHAVNAGAR COTTON MILLS LTD., MADHAVNAGAR (SANGLI). Here the background of its birth up-to-date performance since beginning and more detailed study for the last five years has been covered.

The Third Chapter, 'THEORETICAL ASPECTS OF THE STUDY', is perhaps the least interesting section, yet a vital part of the dissertation. This chapter described how the subject matter i.e. management of working capital should be ?

The Fourth Chapter, 'WORKING CAPITAL MANAGEMENT IN THE MADHAVNAGAR COTTON MILLS LTD., MADHAVNAGAR (SANGLI)', describes about how the working capital position and inventory management ?

The Fifth Chapter, 'CONCLUSIONS AND SUGGESTIONS', is the conclusive section of the research work. This chapter highlights on the best policies of the company as well as on the points where the company still requires some attention for further improvement.

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