

decisions. So the proposed study to analyze the working capital of Nagarjuna Herbal Concentrates Ltd. is significant.

Scope of the Study

The present analysis of working capital in Nagarjuna Herbal Concentrates Ltd. was entitled to assessing the solvency of the business and analyzing the performance. The scope of the study includes an analytical study of current assets and current liabilities of Nagarjuna Herbal Concentrates Ltd. for judging the comparative operational efficiency of business.

Objectives of the Study

The working capital analysis was done on the behalf of the fulfillment of MBA degree. The study was conducted for the following purpose.

Primary objective

- The main aim of the study is analyze the Working Capital of Nagarjuna Herbal Concentrates Ltd

Secondary objective

- To analyze the working capital of Nagarjuna Herbal Concentrates Ltd.
- To determine the liquidity and profitability of the company with the help of Ratio Analysis.

Marketing

These products are marketed through a wide network of over 800 franchise agencies in Kerala over 150 outside the state. In fact Nagarjuna was the first to establish such a wide distribution network in the Ayurvedic sector particularly in the rural areas outside Kerala, Nagarjuna has presence in as many as 17 states such as Karnataka, Andhra Pradesh, Tamil Nadu, Goa, Orissa, Maharashtra, Gujarat and Delhi as well as joint ventures in many North Indian States. Nagarjuna overseas presence is in countries such as UK, USA, Switzerland, Holland, Australia, Italy, UAE, Singapore, West Indies, Hungary and Bahrain, Russian and Saudi Arabia.

Limitation of the Study

- The basic limitation of the study is that the study is purely based on the secondary data. There are possible chances that the information from different sources might be different. To avoid this data has been taken from the most reliable sources
- As project had to be completed within a short span of time, the scarcity of time was an important hindrance and hence much information could not be gathered, or evaluated

Data Analysis and Interpretation

Ratio Analysis

Table 1 Current Ratio

Year	Current Asset	Current Liabilities	Current ratio
2007-2008	11,05,49,798	4,06,47,887	2.72
2008-2009	12,67,22,770	4,87,12,447	2.60
2009-2010	15,30,99,083	6,46,88,453	2.37
2010-2011	15,21,49,449	5,94,80,380	2.56
2011-2012	15,58,72,097	5,73,07,462	2.72

Source: Annual Report (2007-2012) Nagarjuna Herbal Concentrates Ltd, Thodupuzha

The ideal current ratio is 1:1. In the every year (2007-2012), the current ratio shows more than the standard ratio which means the short-term solvency position of the company was satisfactory. The highest ratio (2.72) is in the years of (2007-2008) (2011-2012). The lowest ratio (2.37) is in the year of 2009-2010. The above calculations shows that the current ratios for the study period are more than the standard ratio.

Quick ratio

Table 2 Quick Ratio

Year	Quick Asset	Quick Liabilities	Quick Ratio
2007-2008	5,39,31,648	4,06,47,887	1.33
2008-2009	6,83,55,763	4,87,12,477	1.40
2009-2010	8,08,97,116	6,46,88,453	1.25
2010-2011	8,29,40,329	5,99,72,229	1.38
2011-2012	7,77,56,637	5,73,07,462	1.36

Source: Annual Report (2007-2012) Nagarjuna Herbal Concentrates Ltd, Thodupuzha

The ideal ratio is 1:2. In the every year (2007-2012), liquidity ratio shows more than the standard ratio which was very good for the company to meet his short term liabilities. The highest ratio (1.40) is in the year 2008-2009 and the lowest ratio (1.25) is in the year 2009-2010.

Absolute Liquidity Ratio

Table 3 Absolute Liquidity Ratio

Year	Quick Asset	Quick Liability	Quick Ratio
2007-2008	53,54,196	4,06,47,887	0.13
2008-2009	19,84,628	4,87,12,477	0.04
2009-2010	74,12,543	6,46,88,453	0.11
2010-2011	1,01,09,729	5,99,72,229	0.17
2011-2012	1,40,21,207	5,73,07,462	0.24

Source: Annual Report (2007-2012) Nagarjuna Herbal Concentrates Ltd, Thodupuzha

The acceptable norms for this ratio are 1:3. It is clear from the table that cash to current liabilities of Nagarjuna herbal concentrates limited falls below the standard norms

5:1 in all the years under study. The ratio was very low. This says that the company was not in a position to pay its current liabilities out of cash and bank balance immediately.

Debtors or Receivables Turnover Ratio

Table 4 Debtors or Receivables Turnover Ratio

Year	Sales	Average Debtors	Ratio
2007-2008	18,30,36,578	3,21,66,423	5.69
2008-2009	22,42,43,415	4,06,81,100	5.51
2009-2010	26,57,64,540	5,17,39,967	5.14
2010-2011	26,50,42,554	5,45,25,500	4.86
2011-2012	28,50,29,616	5,18,03,010	5.50

Source: Annual Report (2007-2012) Nagarjuna Herbal Concentrates Ltd, Thodupuzha

From the table, it is clear that the highest ratio (5.69) in the year 2007-2008 compare to other next years. In the years 2008-2009, 2009-2010, 2010-2011 showing decreasing trend. The lowest ratio is (4.86) in the year 2010-2011.in the year 2011-2012 showing increasing trend.

Working Capital Turnover Ratio

Table 5 Working Capital Turnover Ratio

Year	Sales	Working Capital	Ratio
2007-2008	18,30,36,578	6,99,01,902	2.62
2008-2009	22,42,43,415	7,80,10,293	2.87
2009-2010	26,57,64,540	8,84,10,630	3.00
2010-2011	26,50,42,554	9,26,69,069	2.86
2011-2012	28,50,29,616	9,85,64,635	2.89

Source: Annual Report (2007-2012) Nagarjuna Herbal Concentrates Ltd, Thodupuzha

In the analysis of working capital turnover ratio of four year shows increasing trend. But 2010-2011 year it was decreasing. So the company hadn't efficient utilization of working capital in this year. The highest ratio is in the year 2009-2010 and the lowest ratio is in the year

Cash and Working Capital Ratio

Table 6 Cash and Working Capital Ratio

Year	Working Capital	Cash	Ratio
2007-2008	6,99,01,902	53,54,196	0.08
2008-2009	7,80,10,293	19,84,628	0.03
2009-2010	8,84,10,630	74,12,543	0.08
2010-2011	9,26,69,069	1,01,09,729	0.11
2011-2012	9,85,64,635	1,40,21,207	0.14

Source: Annual Report (2007-2012) Nagarjuna Herbal Concentrates Ltd, Thodupuzha

The table indicates from the year highest ratio (0.14) in the year 2011-2012.The lowest ratio is (0.03) in the year 2008-2009. The ratio shows a fluctuating trend and the

ratio was too low in all the year. In the year 2011-2012 the ratio was 0.14. This shows that the ratio is in increasing trend.

Conclusion

Nagarjuna Herbal Concentrates Ltd. is the second largest Ayurvedic house in Kerala. As the working capital is essential for the smooth running of a business it is important to study whether the NHC LTD. has achieved adequate amount of working capital or not. Maintaining adequate working capital ensures the important of profitability. The finance manager always tries to maintain an adequate working capital at every time so as to carry on operations successfully and maximize the return on investment. Better working capital will reduce interest cost.

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