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# A STUDY ON WORKING CAPITAL MANAGEMENT OF NAGARJUNA HERBAL CONCENTRATES LTD.

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#### Introduction

Ayurveda means Science (knowledge) of life Ayurveda is the holistic and natural health care system of India. It is usage in abroad also. Ayurveda is more than a system of medicine It is a way of life encompassing science, religion and philosophy that enhances wellbeing, increases longevity and ultimately brings self realisation. Within a short span of 20years (commercial production commenced in 1989), Nagajuna has become the second largest Ayurvedic house in Kerala with a turnover of 27 crores, continuously making profit since 1991 and declaring dividends regularly for the last 16 years.

Ayurveda = Ayur Veda (Time of Birth to Death) + (Knowledge of Learning)

The important traditional medicines of Nagarjuna are:

- Arishtams •
- Asavams
- Thailams
- Kuzhambus
- Chruthams
- Lehyams
- Gulikas
- **Avarthies**
- Choornams
- **Kashavams**
- KashayamasChoornams
- Kashayam Capsules

working capital is essential for the smooth running of a business it is important to study whether the Nagarjuna Herbal Concentrates Ltd. Has achieved adequate amount of working capital or not. So the proposed study is to analyze the working capital of Nagarjuna Herbal Concentrates Ltd for analysis of the working capital position of the Nagarjuna Herbal Concentrates Ltd various statistical and accounting tool like ratio analysis, schedule of changes in working capital etc. are used.

#### Statement of the Problem

An analysis of working capital and research work in to the topic will help the organization to find out lacunas in the field of working capital management and take vital

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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 NagarjunaHerbal 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 NagarjunaHerbal Concentrates Ltd.
- To determine the liquidity and profitability of the company with the help of Ratio Analysis.

## Marketing

These products are marked through a wide network of over 800 franchise agencies in Kerala over 150 outside the state. In facts Nagarjuna was the first to establish such a wide distribution network in the Aurvedic 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, Gujarath 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, Hungry 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

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## 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

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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.

| 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  |  |

## Debtors or Receivables Turnover Ratio

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

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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 Ayorvedic 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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