

A Study on Working Capital with Special Reference to FPL Hyundai

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Abstract

Working capital management is an important aspect of financial management that ensures the smooth functioning of daily business operations. It refers to the management of current assets and current liabilities to maintain adequate liquidity and operational efficiency. In the automobile dealership industry, efficient working capital management plays a significant role because companies deal with high inventory levels, credit sales, and continuous cash flow requirements. The present study focuses on analyzing the working capital management of FPL Hyundai. The study aims to evaluate the efficiency of the company in managing its short-term assets and liabilities over a period of five years. The research is based on analytical research design and mainly uses secondary data collected from financial statements and annual reports.

Various financial tools such as ratio analysis, working capital turnover ratio, current ratio, quick ratio, inventory turnover ratio, and receivable turnover ratio are used to evaluate the company's working capital efficiency. The study also applies comparative balance sheet analysis and trend analysis to understand the changes in working capital components. The findings of the study indicate that the company maintains a reasonable level of working capital, though certain areas such as inventory management and receivable collection require improvement. The study suggests adopting better credit policies, effective inventory control, and improved financial monitoring to enhance working capital efficiency and overall financial stability of the organization.

Keywords: Working Capital, Liquidity, Inventory Management, Ratio Analysis, Automobile Industry, Financial Efficiency.

I. INTRODUCTION

Working capital refers to the difference between current assets and current liabilities of a company. It represents the funds required for the day-to-day operations of a business such as purchasing inventory, paying salaries, and meeting short-term financial obligations. Effective working capital management ensures that a company maintains sufficient liquidity to operate smoothly without financial stress. In any organization, especially in automobile dealerships, working capital plays a crucial role because large amounts of funds are invested in inventory, spare parts, and customer credit facilities. Proper management of working capital helps organizations maintain a balance between profitability and liquidity.

FPL Hyundai is one of the well-known automobile dealerships engaged in the sale and service of Hyundai vehicles. The company manages various operational activities including vehicle sales, spare parts management, and service operations. Efficient working capital management is essential for such organizations to ensure smooth operations and maintain financial stability. Working capital management includes managing components such as cash, inventory, accounts receivable, and accounts payable. Proper control of these elements improves operational efficiency and helps organizations achieve long-term financial sustainability. Therefore, this study attempts to analyze the working capital management practices of FPL Hyundai and evaluate its efficiency in managing current assets and liabilities.

Objectives of the Study

Primary Objectives

- To study the working capital management with special reference to FPL Hyundai.

Secondary Objectives

- To analyze the liquidity position of the company.
- To evaluate the efficiency of inventory management.
- To study the receivables management of the company.
- To examine the relationship between working capital and profitability.
- To suggest measures for improving working capital efficiency.

Review of Literature

- **Chandra and Chakraborty (2016)** studied financial management practices in Indian manufacturing companies and concluded that efficient financial management improves liquidity and profitability.
- **Jain and Jain (2016)** conducted a study on financial performance analysis and found that proper management of financial resources helps companies improve operational efficiency and maintain stable profitability.
- **Khatik and Pandey (2017)** analyzed financial performance in manufacturing firms and concluded that better management of working capital significantly improves the financial strength of organizations.
- **Rao and Rao (2018)** examined the financial performance of public sector enterprises and observed that effective management of current assets such as receivables and inventory plays an important role in improving working capital efficiency.
- **Arindam Ghosh (2019)** conducted a study on working capital ratios and their impact on profitability in selected industries. The study revealed that efficient working capital management contributes significantly to improved profitability.
- **Selkari and Ghyar (2020)** analyzed the financial performance of Mahindra and Mahindra Ltd. and concluded that maintaining adequate levels of inventory, cash, and other current assets ensures effective working capital management.
- **Bhubaneswar (2021)** emphasized that financial stability and business growth depend largely on proper management of working capital and financial resources.

Scope of the Study

The scope of the study includes an analysis of the working capital management practices of FPL Hyundai over a period of five years. The study focuses on evaluating the liquidity position, inventory management, and receivable management of the company. The research also examines the effectiveness of financial tools used by the company in managing its working capital. The study aims to identify strengths and weaknesses in the company's financial practices and provide suggestions for improving working capital efficiency.

Limitations of the Study

- The study is limited to a period of five years.
- The analysis is based only on secondary data obtained from financial statements.
- The study focuses on a single organization, which may limit generalization.
- External factors such as economic conditions and government policies may influence the results.

Research Methodology

Definition:

- Research methodology refers to the systematic process used to conduct research and analyze data to achieve research objectives.
- Research can be defined as a systematic and scientific investigation aimed at discovering new information or verifying existing knowledge.
- Research methodology involves selecting appropriate research design, data collection methods, and analytical tools to study a specific problem.

Research Design

- The present study adopts an Analytical Research Design.
- Analytical research involves analyzing and interpreting financial data to understand the financial performance and efficiency of an organization. In this study, financial ratios and working capital indicators are analyzed to evaluate the working capital management of FPL Hyundai.

Sample size

The sample size for this study consists of financial data related to FPL Hyundai for a period of five years. The analysis includes financial statements such as balance sheets and income statements to evaluate working capital performance.

Mathematical Tools for Analysis

The following tools are used for analyzing the data:

1. Ratio analysis

A) Current Ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$
B) Working Capital Turnover Ratio = $\frac{\text{Total revenue}}{\text{Net working capital}}$
C) Gross Profit Ratio = $\frac{\text{Gross profit}}{\text{Revenue from operations}} * 100$
D) Net Profit Ratio = $\frac{\text{Net profit}}{\text{Revenue from operations}} * 100$
E) Quick Ratio = $\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$
F) Cash Ratio = $\frac{\text{Cash} + \text{Cash Equivalents}}{\text{Current Liabilities}}$
G) Net Capital Turnover ratio = $\frac{\text{Net Sales}}{\text{Total Shareholders Equity}}$
H) Debt to Equity Ratio = $\frac{\text{Total Debt}}{\text{Total Shareholder Equity}}$
I) Receivable Turnover Ratio = $\frac{\text{AAR}}{\text{RTR}}$
J) Debt-to-Assets Ratio = $\frac{\text{Total Debt}}{\text{Total Assets}}$

2. Trend Analysis of Balance Sheet

Trend analysis is used to evaluate the changes in financial data over a period of time to identify patterns and trends in working capital management.

3. Comparative Balance Sheet

Comparative balance sheet analysis helps in comparing financial data across different years to understand changes in current assets and current liabilities.

Analysis and Interpretation

The working capital analysis of FPL Hyundai indicates that the company maintains a moderate liquidity position. The current assets such as inventory and receivables constitute a significant portion of total assets. Inventory management plays an important role in automobile dealerships because large amounts of capital are invested in vehicles and spare parts. Efficient inventory turnover ensures smooth sales operations and prevents excess stock accumulation. The receivable turnover ratio indicates the efficiency of credit management. A higher receivable turnover ratio suggests that the company collects payments from customers

quickly, thereby improving cash flow. Trend analysis of working capital components reveals fluctuations in liquidity and operational efficiency over the years. However, the company shows overall improvement in managing its working capital resources.

Summary of Findings

- The company maintains an adequate level of working capital for its operations.
- Inventory forms a major component of current assets.
- The liquidity position of the company shows moderate stability.
- Receivable management requires improvement to enhance cash flow.
- Efficient working capital management contributes to improved operational performance.

Suggestions and Recommendations

- The company should adopt effective inventory management practices to reduce excess stock.
- Credit policies should be strengthened to improve receivable collection.
- Regular monitoring of working capital components should be carried out.
- Cost control measures should be implemented to improve profitability.
- Financial analysis should be conducted periodically to identify areas for improvement.

II. CONCLUSION

The study on working capital management of FPL Hyundai reveals that the company maintains a satisfactory financial position in terms of liquidity and operational efficiency. However, certain areas such as inventory management and receivable collection require improvement.

Efficient management of working capital is essential for sustaining business operations and achieving long-term growth. By implementing better financial strategies and monitoring working capital components regularly, FPL Hyundai can improve its financial stability and maintain a competitive position in the automobile industry.

III. REFERENCES

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