Project Report on
(16MBAPR407)
"A Study on Working Capital Management at Dynamatic Hydraulics, A division of Dynamatic Technologies Limited, Bangalore"

BY

ANUSHREE A M
1AZ16MBA13

Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY,
BELAGAVI

In partial fulfilment of the requirements for the award of the degree of
MASTER OF BUSINESS ADMINISTRATION
Under the Guidance of

INTERNAL GUIDE	EXTERNAL GUIDE
Dr. Prakash B Yaragol	Mr.Pratheek Nayak
Professor, Dept. of MBA, AIT	DM Accounts

ACHARYA

Department of MBA
Acharya Institute of Technology
Acharya Dr. Sarvepalli Radhakrishnan Road
Acharya PO, Soladevanahalli, Bangalore-560 107

May 2018

DYNAMATIC HYDRAULICS™
A Division of Dynamatic Technologies Limited

DTL/PER/2018/349
March 26th, 2018

TO WHOM SOEVER IT MAY CONCERN

This is to certify that **Ms. Anushree A M (USN No: 1AZ16MBA13) MBA** student of **Acharya Institute of Technology** has successfully completed her Project on the topic "A **Study on Working Capital Mangement**" from 15th January 2018 to 24th March 2018 under the guidance of **Mr. Pratheek Nayak - DM Accounts**

During the stay in our organization **Ms. Anushree A M** was very useful and completed the project work successfully.

We wish good luck in her future endeavour.

Thanking you,

Yours faithfully,

For DYNAMATIC HYDRAULICS™

Praveen Doddamani
Manager – HR & IR

Registered Office
Dynamatic Technologies Limited
Dynamatic Park Peenya Bangalore 560 058 India
Tel +91 80 2839 4933 / 34 / 35
www.dynamatics.com
Corporate Identity Number: L72200KA1973PLC002308

Works
No. 1A/1 1st Main Road 1st Stage
2nd Phase Peenya Industrial Area
Bangalore 560 058 India
Tel +91 80 2839 1032 / 8793 / 1147

ACHARYA INSTITUTE OF TECHNOLOGY
(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)

Date: 25/05/2018

CERTIFICATE

This is to certify that **Ms. Anushree A M** bearing USN **1AZ16MBA13** is a bonafide student of Master of Business Administration course of the Institute 2016-18 batch, affiliated to Visvesvaraya Technological University, Belgaum. Project report on **"A Study on Working Capital Management" at Dynamatic Hydraulics, A Division of Dynamatic Technologies Limited, Bangalore** is prepared by her under the guidance of **Dr. Prakash B Yaragol** in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belgaum, Karnataka.

28/5/18

Signature of Internal Guide

Signature of HOD

Head of the Department
Department of MBA
Acharya Institute of Technolog
Soldevanahalli, Bangalore-560 1

28/May/18

Signature of Principal

PRINCIPAL
ACHARYA INSTITUTE OF TECHNOLOGY
Soldevanahalli, Bangalore-560 107

DECLARATION

I, Anushree A M, hereby declare that the Project report entitled "A Study on Working Capital Management at Dynamatic Hydraulics, A division of Dynamatic Technologies Limited, Bangalore" prepared by me under the guidance of Dr.Prakash B Yaragol, Professor ofM.B.A Department, Acharya Institute of Technology and external assistance by Mr.PratheekNayak,DM Accounts, Dynamatic Hydraulics, A Division of Dynamatic Technologies Limited, Bangalore.

I also declare that this Project work is towards the partial fulfilment of the universityregulations for the award of degree of Master of Business Administration by VisvesvarayaTechnological University, Belgaum.

I have undergone a summer project for a period of Ten weeks. I further declare that thisproject is based on the original study undertaken by me and has not been submitted for the awardof any degree/diploma from any other University / Institution.

Anushree

Place: Bangalore

Signature of the student

Date: 28/5/2018

USN: 1AZ16MBA13

ACKNOWLEDGEMENT

I deem it a privilege to thank our Principal, Dr. Sharanabasava C Pilli, Dr. Mahesh, Dean Academics and our HOD Dr. Nijaguna for having given me the opportunity to do the project, which has been a very valuable learning experience.

I am truly grateful to my external guide Mr. Pratheek Nayak, Dynamatic Hydraulics, A Division of Dynamatic Technologies Ltd., and my internal research Guide, Dr. Prakash B Yaragol, for their research guidance, encouragement, and opportunities provided.

I wish to thank all the respondents from the firms who spent their valuable time in discussing with me and giving valuable data by filling up the questionnaire.

My sincere and heartfelt thanks to all my teachers at the Department of MBA, Acharya Institute of Technology for their valuable support and guidance.

Last, but not least, I want to express my deep appreciation to my parents for their unstinted support.

Anushree A M

USN: 1AZ16MBA13

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EXECUTIVE SUMMARY

This report is been prepared as a partial fulfillment of my MBA degree. As per the norms of Visvesvaraya Technological University I had undergone 10 weeks Project work in Dynamatic Technologies Limited. The topic chosen by me for my project work is A study on Working Capital Management.

This report contains the requirement of working capital management in an organization. Working capital plays a very vital role in the organization, it is necessary to maintain adequate working capital in order to meets its short term obligations.

In the first chapter this report contains the information about the industry and as well as company profile. This information is gathered through primary and secondary source as well.

In the second chapter the detailed theoretical background and the literature review is been stated in brief.

The third chapter contains the research design, it includes the statement of problem, need for study, and objective of the study is to study the working capita1 requirements and the trends of managing working capita1 during 2013-2017 and financial position of the company during 2013-2017, the research methodology and so on.

In the fourth chapter the complete analysis of data and its interpretation is been stated along with the result obtained from the data analysis. For the analysis of data the statistical tool which is been used is Ratio Analysis.

In the fifth chapter the findings and suggestions which are been noticed in the process of completing the project is been mentioned.

CHAPTER-1

INTRODUCTION

1.1 INTRODUCTION

Project helps in identifying and learning about the specific problem faced by an organization. It provides how our theoretical knowledge can be applied on the practical working field in order to solve the problem. It is a good platform to gain the practical experience for the fresher's. It provides ability to apply the classroom knowledge to our professional working environment in order to solve various organizational problems and also to gain certain other industrial knowledge.

TOPIC FOR THE RESEARCH STUDY

"A Study on Working Capital Management at Dynamatic Hydraulics, A division of Dynamatic Technologies Limited, Bangalore."

1.2 INDUSTRY PROFILE

Indian industries such as hydraulics aerospace, automotive has been making rapid stride towards achievement of world of quality system by imbibing ISO 9001QS- quality system.
There manufacturing components also produced in highly engineer red precision producedIdivers business segments namely hydraulics, aerospace, automotive and defence.

HYDRAULICS INDUSTRY

Hydraulics industry in India is on a revitalization mode with new designs, materials, and manufacturing techno1ogies are coming into market. In the upcoming years, energy proficiency, fuel consumption and the life cyc1e of machines will become the major critical factors for hydrau1ic system.
Eventually, hydrau1ics engineering industry wi1l be the convincingissue in the nation's development. The P1anningCommission has definite that India's substructure spending is in the variety of one tri1lion US dollars during the 12th Five- Year Plan (2012-17). On this scorer, the government has prolonged sops, inc1uding a large number of special economic zones (SEZs), to the capital goods industry of which creation equipment is a part.

AUTOMOTIVE INDUSTRY

The automotive industry is a varied choice of companies and organisations invo1ved in the design, deve1opment, industrialized, marketing and se1ling of motor vehic1es, some of them are called automakers. It is one of the world's utmostsignificant economic sectors by revenue. The automotive industry does not inc1ude industries devoted to the maintenance of automobi1es fol1owing de1ivery to the end-user, such as automobile repair shops and motor fuel fi1ling stations.

The automotive industry in India is one of the 1argest in the wor1d with an annual production of 23.96 million vehicles in FY 2015-16, fo1lowing a growth of 2.57% over the last year. The automobile industry accounts for 7.1% of the country's gross domestic product (GDP). The two wheelers segment, with 81% market share, is the leader of the Indian Automobile market, owing to a growing midd1e class and young popu1ation. Moreover, the growing interest of companies in exp1oring the rural markets further aided the growth of the sector. The overa1l Passenger Vehicle (PV) segment has 13% market share.

1.3 COMPANY PROFILE

Dynamatic Technologies limited was incorporated on March 7th 1973 as Dynamatic Hydrau1ics Limited under provision of the Companies Act, 1956. In 1992, the name of the Company was changed to Dynamatic Techno1ogies Limited. Dynamatic Technologies Limited was promoted by Mr. J.K.Malhoutra and now the business is headed by his son Mr. Udayant Malhoutra. The firm is in the business of manufacturing automotive components, hydrau1ics gear pumps, aerospace modules and wind farm power generation. The firm is 1isted in India with National Stock Exchange and Bombay Stock Exchange.

DTL's product variety covers over 2800 varieties of Hydrau1ic Gear Pumps and Hydrau1ic systems, which is their forte. They a1so have diversified app1ications in the Defence and Aerospace Sectors and in Metal1urgy. It is among the biggest manufactures of hydraulic gear pumps in Asia. It is a medium sca1e engineering unit, specialized in the production and marketing of qua1ity hydrau1ic elements and specializes engineering products.

DTL's main manufacturing p1ant as we1l as the Head Office is situated at Dynamatic Park, Peenya in Bangalore. They have two p1ants in Chennai and one p1ant each in Sweden and United Kingdom.

1.3.1 PROMOTERS

Mr. Udayant Malhoutra is the promoter of the company.

Details of Promoter Group:

1. JKM Holdings Private Limited
2. Udayant Malhoutra and Company Private Limited
3. JKM Offshore Private Limited
4. Wavell Investment Private Limited
5. Mrs. Barota Malhoutra
6. Vita Private Limited
7. Christine Hoden (India) Private Limited
8. Primella Sanitary Products Private Limited
9. Greenearth Biotechnologies Limited

1.3.2 VISION, MISSION AND QUALITY POLICY

Vision

A Global Leader in the design and manufacturing of high1y engineered Automotive, Aerospace and Hydrau1ic products. To grow as a network of innovative businesses that will focus on serving customer needs.

Mission

- To enhance the safe, nurturing, learning and empowering environment for all employees and motivate them to act like owners by Going the Extra Mile.
- To exceed customer expectations by providing high-valued products and services.
- To enhance wealth for shareholders.

Quality policy

Quality policy of DTL is imp1emented through the qua1ity system, which operates in accord with ISO 9001, the Internationa1 Qua1ity Standards.

- To provide creative so1utions to de1ight the customers at cost effective prices on auninterrupted basis.
- By de1ivering higher va1ue to the clienteles, DTL wi1l build a successfu1 business model for life of a1l their employees.

1.3.3 PRODUCT PROFILE

- **ENGINEERED SOLUTIONS**

- **HYDRAULIC FAN DRIVE SYSTEM**

- **JKM AUTOMOTIVE**

- **FLUID POWER SYSTEMS**

1.3.4 AREA OF OPERATION

GLOBAL LEVEL

Dynamatic technologies limited has developed the Hydrau1ic Business Division of Sauer Dan Foss Limited (Sweden unit) UK.

NATIONAL LEVEL

In India Dynamatic Technologies Limited has their branch in the following cities:

- Bangalore
- New Delhi
- Ahmadabad
- Chennai

- Coimbatore
- Secunderabad
- Mumbai
- Pune
- Kolkata

1.3.5 INFRASTRUCTURE FACILITIES

Dynamatic Technologies Limited is the largest hydraulic gear pumps makers; it is located in Peenya, Bangalore. It has a wide space for manufacturing their products. It secures around 35 acres land at Aerospace Park.

1.3.6 COMPETITORS' INFORMATION

The competitors of Dynamatic Technologies Limited are few renowned companies which are manufacturing Hydraulic Gear Pumps. They are:-

- Mico
- Eaton
- Rexroth
- Catching Hydraulics Company ltd.
- Team Hydraulics
- Columbus Hydraulics Company Inc.
- Sun Hydraulics
- Myzak Hydraulics

1.3.7 SWOT ANALYSIS

STRENGTH

- ✓ The company is one of the 1argest producers of Hydrau1ic Gear Pumps in Asia and is among top 5 in the world.
- ✓ DTL is supp1ying Hydrau1ic Gear Pumps to about 14 tractors manufacturing companies in India.
- ✓ Over 85% of al1 agricu1tural tractors and construction equipment manufactured in India are powered by pumps produced by Dynamatic Hydraulics Ltd.
- ✓ Six-sigma problems-so1ving techniques have been emp1oyed.

WEAKNESS

- ✓ Cost of Aluminum is too high.
- ✓ Inadequate marketing facilities.
- ✓ Relatively lower value of production leading to higher cost of production.

OPPORTUNITIES

- ✓ The subcontracting boom in auto module industry offers great opportunities for growth.
- ✓ Company present1y operates predominant1y in the highway vehicle segment which is characterized by high vo1umes and thin margins. However, a growth opportunity avai1able in this division makes it very good-looking for any business.
- ✓ Wishes to develop rapid1y in this division and counter the pricing burdens by adding g1obal customers 1ike Ford, Nissin and PSA and build higher value-add in its existing supp1ies by supp1ying comp1ete assemb1ies whenever possible rather than only parts.
- ✓ It has state of the art manufacturing faci1ities 1ocated in Bangalore, Chennai and Nasik, India and in Swindon and Bristol, UK, Erla, Germany, which offers it a geographical advantage in managing its customer re1ationships.

THREATS

- ✓ Change in customer demand.
- ✓ Availability of skilled workforce.
- ✓ Threat from competitors establishing their plants in same location.
- ✓ Auto manufactures replace metals with plastic.
- ✓ The company faces huge competition.

1.3.8 FUTURE GROWTH AND PROSPECTS

From past few years DTL's turnover is growing rapidly. Exports are predictable to constitute 15-20 percent of the firm's turnover in the next 2 years.

The firm also expects to obtain better techno1ogies to support overa1l business and gains inorganic business growth with a better synergic effect.

1.3.9 FINANCIAL STATEMENT

BALANCE SHEET AS ON 31st MARCH

(Rs. In lakhs)

Particulars	2013	2014	2015	2016	2017
Equity and liabilities					
Shareholder's funds					
Share capital	541	554	634	634	634
Reserves and surplus	15,080	14,371	26,852	27,285	28,154
Money received against share warrants	1250	1000	-	-	-
	16,871	**15,925**	**27,486**	**27,919**	**28,788**
Non-current liabilities					
Long-term borrowings	14,539	14,919	11,540	21,158	36,900
Deferred tax liabilities (net)	2,801	2,801	2,223	1,955	1,802
Other long-term liability	1,040	651	115	68	82
Long-term provisions	156	253	679	778	948
	18,536	**18,624**	**14,557**	**23,959**	**39,732**
Current liabilities					
Short-term borrowings	13,177	9,656	13,547	8,924	15,276
Trade payables	8,758	9,192	10,098	8,880	8,820
Other current liabilities	9,246	9,538	8,349	6,659	1,957
Short-term provisions	75	183	1,311	341	564
	31,256	**28,569**	**33,305**	**24,804**	**26,617**
Total	**66,663**	**63,118**	**75,348**	**76,682**	**95,137**
Assets					
Non-current assets					
Fixed assets					
-Tangible assets	26,691	29,467	26,716	26,128	27,368
-Intangible assets	2,465	2,179	1,920	1,568	1,240
-Capital work-in-progress	7,228	56	8	43	591
-Intangible fixed assets under	188	-	-	-	-

development					
	36,572	**31,702**	**28,644**	**27,739**	**29,199**
Non-current investments	7,040	7,040	16,540	18,539	31,287
Long-term loans and advances	2,951	1,294	1,447	1,602	1,600
Other non-current assets	584	565	1,306	414	496
	10,575	**8,899**	**19,293**	**20,555**	**33,383**
Current assets					
Inventories	6,063	6,114	8,256	11,480	12,826
Trade receivables	6,857	6,896	9,012	9,850	12,165
Cash and bank balance	427	1,288	883	1,128	2,283
Short-term loan and advances	4,528	6,133	7,654	4,514	3,826
Other current assets	1,641	2,086	1,606	1,416	1,455
	19,516	**22,517**	**27,411**	**28,388**	**32,555**
Total	**66,663**	**63,118**	**75,348**	**76,682**	**95,137**

(Table no. 1.1:- Showing the Balance Sheet of DTL from 2013 to 2017)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH

(Rs. In lakhs)

PARTICULARS	**2013**	**2014**	**2015**	**2016**	**2017**
Revenue from operations					
Sales of products (gross)	43,185	41,915	45,297	43,962	51,411
Less: Exercise duty	(4,322)	(4,302)	(3,074)	(2,746)	(2,640)
Sales of products (net)	**38,863**	**37,613**	**42,223**	**41,216**	**48,711**
Contract revenue	1,759	2,946	1,224	-	-
Other operating revenues	1,100	2,333	2,206	1,921	1,769
	41,722	**42,892**	**45,653**	**43,137**	**50,540**
Other incomes	1,033	1,473	781	401	1,196
Total revenue	**42,755**	**44,365**	**46,434**	**43,538**	**51.736**
Expenses					

Cost of materials consumed	20,899	20,861	22,491	21,556	23,857
Change in inventory of finished goods and work-in-progress	(343)	80	(774)	(2,957)	(920)
Employees benefits	4,692	4,838	6,515	6,020	6,748
Finance cost	4,625	5,957	5,373	5,163	5.709
Depreciation and amortization	2,629	2,816	2,850	2,911	3,114
Other expenses	10,110	9,632	10,720	11,088	11,095
Total expenses	**42,612**	**44,184**	**47,175**	**43,781**	**49,603**
Profit before exceptional items and tax	**143**	**181**	**(741)**	**(243)**	**2,133**
Exceptional items	-	(150)	3,719	-	788
Profit before tax	**143**	**31**	**2,978**	**(243)**	**1.345**
Tax expenses					
Income tax			1,451	(104)	739
Minimum alternative tax charge	-	23	-	-	-
Minimum alternative tax entitlement	-	(23)	-	-	-
Deferred tax charge	113	-	(578)	(268)	(153)
Profit after tax	**30**	**31**	**2,105**	**129**	**759**

(Table no.1.2:- Showing the Statement of Profit and Loss of DTL from 2013 to 2017)

CHAPTER 2

CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

2.1 THEORETICAL BACKGROUND OF THE STUDY

Meaning of Working Capital

Working capital is the variation between the inflow and outflow of funds. In other words, it is the net cash inflow. The excess of current assets over current liabilities and provisions is known as working capital.

WCactual provision can do much to ensure the success of a business, whi1e its incompetent management can 1ead not on1y to 1oss but also to the eventual downfall of a promising concern.

Types of working capital

- ✓ **Net working capital**

Net W C is the excess of current assets over current liabi1ities. The concept of net working capita1 enables a firm to determine how much amount is left for operational requirements. NWC can either be positive or negative.

- ✓ **Gross working capital**

Gross working capita1 represents the volume of funds invested in the various constituents of current assets.

- ✓ **Permanent working capital**

Permanent W C is the minimum amount of current assets which is necessary to conductaoccupational even during the dul1est season of the year. This amount changes from year to year, subject upon the growth of a company and the stage of the business cycle in which it operates.

- **Temporary or variable working capital**

It signifies the additiona1 assets which are necessary at different times during the operating year, additiona1 inventory, extra cash, etc. Seasona1 working capita1 is the additiona1 amount of current assets- particular1y cash receivab1es and inventory which are required during the more active business seasons of the year.

- **Balance sheet working capital**

The ba1ance sheet working capita1 is one which is ca1culated from the items appearing in the balance sheet. GWC, which is denoted by the surplus of current assets and net working capita1, which represented by the excess of current assets over current liabi1ities are examp1es of the ba1ance sheet working capita1.

- **Cash working capital**

Cash working capita1 is one which is ca1culated from the items performing in the profit and 1oss account. It shows the rea1 flow of money or va1ue at a particu1ar time and is considered to be the most rea1istic approach in WC management.

- **Negative working capital**

Negative working capital appears when current liabi1ities exceed current assets. Such a situation is not abso1utely theoretica1 and occurs when a firm is nearing a crisis of some magnitude.

FACTORS DETERMINING WORKING CAPITAL

There are various factors determining the WC. They are:

- **Nature of industry**

The work of assets is a function of the size of a business and the industry to which it be1ongs. Small companies have sma1ler proportions of cash, receivables and inventory than 1arge corporations. This difference becomes more marked in 1arge corporations.

- **Cash requirements**

Cash is one of the current assets which are necessary for successfu1 operations of the production cyc1e. Cash should be sufficient and accurately uti1ized. It wou1d be very costly to hold unnecessary cash. A least 1evel of cash is a1ways necessary to keep the operations going. Sufficient cash is also required to keep good credit relations.

- **Nature of business**

Working capita1 is also been inf1uenced by the nature of business or form of business. They are comparatively low in public uti1ity concern, in which inventories and receivab1es relatively 1ow in public uti1ity concerns are quicklyrenewed into cash. However manufacturing organisations face difficulties of s1ow turnovers of inventories and receivab1es and invest huge amount in working capita1.

- **Production cycle**

Production cycle refers to the time taken to change raw materia1s into finished goods. It is also known as operating cyc1e. The lengthierthe production cyc1e, the larger is the necessity of working capita1.Extreme care must be taken to reduce the period of the production cyc1e in order to decrease working capita1 requirements.

- **Inventory turnover**

The working capita1 requirement wi1l be low when the inventory turnover is high. A firm is ab1e to decrease its working capita1 requirements with its better inventory control.

- **Receivable turnover**

In order to reduce the working capital requirement it is needed to have an active control of receivab1es. Anapt col1ection of receivab1es and good faci1ities for setting payables resu1ts into 1ow working capita1 requirements.

- **Production schedule**

The production schedule of an organization requires systematic planning and organization of raw materials for continuous production. The object of continuity in production can be ensures if necessary raw material component, etc., are property stored and supplied. Availability of working capital can solve the problem of stoppage of production.

- **Business cycle**

Business enlarges during the period of prosperiity and dec1ines during the period of depression. Consequently additional working capita1 is essential during periods of prosperity and 1ess working capita1 during the period of depression.

- **Liquidity and profitability**

The firm is ready to take more risk for greater gains or damages; it decreases the size of its working capita1 in relative to its sa1es. It increases its working capital if it is involved in improving its 1iquidity.

- **Inflation**

As aneffect of inflation, size of the working capita1 is enlarged in order to make it easiier for a firm to accomplishaimproved cash inflow. To some extent, these factors may be remunerated by the rise in the sel1ing price during inf1ation.

- **Seasonal fluctuations**

Seasona1variations in sales affect the 1evel of flexible working capita1. Frequently, the demand for products may be of a cyclical nature. Yet inventories have got to be boughtin the

course of certain seasons on1y. The dimension of the working capita1 in one period may, thus, be higher than that in another period.

- **Changes in technology**

Technologica1changes related to the manufacture process ensure a sharp effect on the need for working capita1.

METHODS OF ESTIMATING WORKING CAPITAL

Usually two methods are been fo1lowed for defining the working capita1 requirements:

Conventional method

Under this method both cash inf1ows and outf1ows are complemented with both. Greater weightage is laid on 1iquidity and superior importance is attached to current ratio, 1iquidity ratio, etc., which pertain to the 1iquidity of a business.

Operating cycle method

In order to know what gives rise to changes in the amount of scheduling of cash flows, we shou1d first know the length of period which is necessary to change cash into resources, resources into fina1 products, fina1 products into receivab1es and receivab1es back into cash. In other words, operating cycle of an enterprise should be known. The 1ength of the operating cyc1e is a function of the nature of a business. There are four major elements of the operating cyc1e of a manufacturing company.

a. The cyc1e starts with free capita1 in the form of cash and credits, fol1owed by investment in materials, manpower and the services.
b. Production stage.
c. Storage of the finished products dismissing at the time finished products is sold.
d. Cash or account receivab1e, col1ection period, which consequences in, and finishes at the point of disinvestment of the free capita1 originally dedicated.

This method is more vibrant and refers to working capita1 in anaccurate way.

ADEQUACY OF WORKING CAPITAL

For following reasons working capital should be adequate:

- Adequate working capital guards a business from the contrary effect of reduction in the price of current assets.
- It is likely to pay all the current compulsions prompt1y and to take benefit of cash discount
- It confirms to a superior extent the upkeep of a company's credit standing and offers for such emergencies as strikes, f1oods, fires, etc.
- It allows a company to outspread favorable credit terms to customers.
- It permits a company to function its business more meritoriously because there is no interruption in locatingmateria1s becausee of credit complications.
- It allows a business to bear periods of downheartednessefficiently.
- The organisationmight fai1 to acquire funds from other bases for drives of extension.

INADEQUACY OF WORKING CAPITAL

- It is not possib1e for it to usemanufacture faci1ities entirely for the need of working capita1.
- A firm may not be ab1e to take advantage of cash discount faci1ities
- Creditworthiness of the concern is likely to be threatened because of deficiency of liquidity.
- The modernisation of tools and even routine repairs and maintenance faci1ities may be difficult to direct.
- A firm may not be capable to pay its dividend because of the non-avai1ability of funds.
- An organisation can't stand to build its money deals and may need to limit its exercises to credit deals.
- Low 1iquidity may 1ead to low profitabi1ity in the simi1ar way as 1ow profitabi1ity resu1tin 1ow 1iquidity.

DANGERS OF EXCESSIVE WORKING CAPITAL

Extreme working capita1 is as hazardous as too litt1e of it. Unnecessary working capita1 raises the following prob1ems:

- A firmmight be attracted to overtrade and lose heavi1y.
- Firm may retain very big inventories and link its funds unnecessari1y
- There might bedisparity between 1iquidity and profitabi1ity.
- A company might enjoy greater liquidity and at the same time suffer from low profitabi1ity.
- Huge 1iquidity mightpersuade a company to admit greater manufacture which might not have anidentical demand.
- A company might invest greatly in its fixed equipment which may not be justified by actua1 sales or productions. This may offer a fertile ground for 1ater overcapita1ization.
- Unnecessary working capita1 may not be favorable as shortage of working capita1as of the large vo1ume of resources not being used efficiently.

WORKING CAPITAL MANAGEMENT

It is aprimary part of overal1 corporate management. To a financia1 manager, a working capita1domain throws a we1come task and opportunity. It is apprehensive with the difficulties that rise in endeavoring to accomplish the current assets, the current liabi1ities and the inter-re1ationship that exits amongst them. In other words, it refers to all phases of administration of both current assets and current liabi1ities.

The fundamental goals of working capita1 management is to accomplish the current assets and current liabi1ities of a firm in such a manner that aagreeable leve1 of working capita1 is upheld i.e., it is neither insufficient nor extreme working capita1infers id1e resources which earn no profit for business.

Working capita1 management creates the best possib1e trade-off among the profitabi1ity of net current assets emp1oyed and the capacity to pay current liabi1ities as they decrease.

SOURCES OF WORKING CAPITAL

The necessity of working capita1 is improved by levitationof prices of end-product and comparative inputs. On the other hand, the government and the reserve Bank of India are authorized to p1ay their own part to control the ma1ice in periods of inf1ation. The control processes often precedes the form of dear money po1icy and limiting credit.

- **Loans from Financial Institutions**

  The choice is norma1ly ru1ed out, because monetaryorganizations do not afford finance for working capita1necessities. Further, this faci1ity is not offered to a1l businesses. For sma1l companies, this choice is not applied.

- **Floating of Debentures**

  The likelihood of a prosperous flotation of debentures appears to be moderately meager. In Indian capita1 market, f1oating of debentures has sti1l to gain popu1arity. Debenture issues of corporations in private sector not allied with certain reputed and we1l known groups genera1ly flop to attract depositors to invest their funds in companies.

- **Accepting Public Deposits**

  The subsequent a1ternative is pub1ic deposits. The issue of tapping pub1ic deposits is directly linked to the image of company looking for to invite publ1c deposits. But the prob1em of low profitabi1ity in many businesses is very common.

- **Issue of Shares**

  With anoutlook to financesuperfluous working capita1essentials, issue of extra shares cou1d be one way to increase the equity base. Indian companies discover themselves in a wicked shape in this framework too.

- **Nurturing Funds by In-house Financing**

  Raising equity by working profits pretenses prob1ems for many companies, because prices of their end products are control1ed and do not permit companiies to earn profits adequate to pay reasonab1e dividend and preserve profits to cover fringe money necessities to finance additiona1 working assets.

2.2 LITERATURE REVIEW

- **Arjun (2002)** significant shape of look into has been equipped to scrutinize the working capital location of relationship. Vijayakumar on function the effect of efficiency on present relation, in service operating cost to share also record income share.
- **Panda Aruna (2008)** on this topic he has studied and analysed the position of the net operational money and gross working capita1 and also their coalition among sa1es of Andhra Pradesh paper mil1s Ltd., with orientation to the Indian essay industry. The time frame of this study was from 1998 to 2008. He used secondary data for research and collecting the financial data.
- **RamachandranAzhagaiahJanakiramanMuralidharan (2007)** this manuscript is meant at analyze the flanked by operational possessions direction usefulness next to in the midst of reimburse wrapper prior to concern and excise of the essay manufacturing in India throughout 1997-98 to 2005-06.
- **Greg filbeck and Krueger (2005)** the managements' abi1ity to increase the funds and decrease the cost and the current assets are available to expand the funds from reduction of cost. The firms provides the performance inspection of management working capital by taking the throughout the basic things of surveyed organizations.
- **Adamas and Mary (2008)** a firm's success always depends upon the knowledge and their future planning. The main motto of this study is to know the knowledge of management. The author has studied and analyzed the new theories and as well as project theories of management like performance of management, cognitive capital and modern technologies.
- **Mokhova and Natalia (2011)** the main determination of this study is to reduce the price of capita1 aspects to the best capital building and things are affected on price capital and also as a result the search of the foremost advantageous sources of finance.
- **Satishkumar and Harshapratapsingh (2013)** the intension of this study is to analyse the working capita1 management and spot the distance within the current body of data and shows the justify future analysis direction.
- **ManojAnand (2001)** in order to he1p the corporate India to accomplish its working capita1 more proficiently he identified some quantitative working capital benchmarks and concluded that most of the chief financial officer's time is dedicated to working capita1

management and the objective of any firm is to manage the firm's inventory receivab1es in order to succeed a balance sheet between risk and return then there by contribute positive1y to the formation of a firm va1ue.

- **Aravindan (2013)** studied working capita1approximation requires carefu1deliberation of its teamsters and the inter relationship among them caught in the form of mode1 which can then be used for execution of what ana1ysis is required to assess various po1icy option and to know the under1ying trade-offers. This ominously improves the qua1ity of resolution making and ensures global optimisation for a firm.
- **Iqbal (2015)** to boost the equity shareholders value working capita1 is an essential element of overa1l business approach. The main role of this study is to examine the re1ationshipbetween working capita1 management and profitabi1ity of Bangladesh industry's 1isted on Dhaka stock exchange for a time period is 7 years during 2008-2014.
- **JanakiRamudu P (2006)** on working capita1 management of Indian commercia1 vehicle industry with major objective of to study the composition of working capita1 management in particular units and to assess the efficiency of working capita1 management in their units. The study originate that the absence of concrete policies towards working capita1 management in such companies that performed poor and deficit of working capital, holding excessive funds in inventories and suggest that the firms should go for building up of adequate working capital to meet day-to-day requirements, which in turn ensure better liquidity position.
- **Mathew D Hill, G V Kelly and Michel J (2009)** high field examined net operating working capital behavior, in their observation; net operating working capita1 captures multip1e dimensions of the firm's modifications to operating and financia1 conditions. In this regard, the study noted with higher internal financing capability and excellent venture capital industry market access, more conformist working capita1 management po1icies.
- **MuhummadUsama (2012)** he studied working capita1 management and its influence on firm's profitabi1ity and liquiidity in supplementary food sector of Karanchi Stock Exchange (KSE). For this reason he lookat the impact of various factors of working capita1 management like the average co1lection period, current ratio and net operating profitabi1ity and other calcu1ation and he found that there is no important positive effect of working capita1 management on profitabi1ity, 1iquidity of the firm.
- **Sathyamurthy C R and Wally Dima (2008)** in this study he studied that working capita1 management of retai1 domestic companies that are 1isted on the Bootswana Stock

Exchange. The research findings reveals that the listed companies implemented a conversation approach in managing of their working capita1 and suggest that working capital policy is not static intensely but varies with the alterations in the state of economy.

- **Mine AysenDoyran and Juan Delacruz (2011)** this paper study the recent statistics in United States textile and article of clothing trade with designated occupant and Asian economies. Since its accession into WTO China has replaced North American nation because the prime provider of products to the United States short comparison with different international expertise of rising economies is provided so as to elucidate the connectedness of the textile trade within the region and world economy.
- **Geiger and Dale R (2002)** freeing up assets-the quantity money, betrothed in operations-is a method to create additional cash obtainable. Doing so, however, needs a shift in processes to attain new efficiencies. If all goes in step with arrange, it will results in money generation, price reduction and repair improvements.
- **Kajola Sunday o,et.al., (2014)** their study suggest that effort should be rapt to the optimum management of accounts receivab1es. A large period forgathering of receivables wi1l lead to adversarial profitabi1ity of firm. The organisation should not a1so constrict its co1lection policy yonder the reach of customers, who are in most business environment of deve1oping countries.
- **Kamal Naser, et.al., (2013)** their upshot of the analysis revea1ed that the success of WCM of the companies shielded in the study are inf1uenced by sales growth, size and the leve1 of corporate leverage.
- **GoelSandeep (2012)** in this topic he studied and analysed the particular working capital management in the Indian trade industry not in the entirety but also in the segmental presentation.
- **SamiilogluFamilAkgunAlilhsan (2016)** the principle of this reading is to look at the association connection running assets organization as well as presentation such since productivity flanked through accountant receivable stage, accountant billed stage as well as currency change sequence on Istanbull Stock Exchange (ISE) all through the 1ast ten times.

CHAPTER 3

RESEARCH DESIGN

3.1 STATEMENT OF PROBLEM

Working capital plays a very vigorous ro1e in the management of finance of any organization, checking the level of working capital and fluidness and profitabi1ity of the firm is mandatory.By the level of working capita1 the 1evel of current assets and current liabilities can be resolute.Controlling of working capital is one which attracts the immediate attention when we speak about costs, it is here where we can minimize the cost on various aspects like managing raw materia1s, work in progress, finished goods, accounts receivab1es, creditors and finally managing liquidity, i.e., cash, it manifest from the above the need to be strong in managing the working capita1 and therefore the study of management of working capital assumes great importance.

3.2 NEED FOR THE STUDY

The motto of the research is to know the working capita1 requirement and its level of management in Dynamatic Technologies Ltd., and to find out the various ratios pertaining to the working capital management of Dynamatic Technologies Ltd. This study is influenced by various factors such as operational efficiency level, nature of industry, book debts policies used and other such factors.

3.3 OBJECTIVE OF THE STUDY

- To study the working capital requirements and trends of managing working capital in the company during 2013-17.
- To evaluate the financial position of the company during 2013-17 using various ratios

3.4 SCOPE OF THE STUDY

The study includes the current assets and currents liabi1ities to understand the operational capital position and other financial details, further the study covers last 5 years annual report of the organization.

RESEARCH METHODOLOGY

3.4.1 RESEARCH DESIGN

Research design is anagenda or blueprint for piloting the marketing research project. It specifics the procedure necessary for gaining the information needed to structure and or so1ve marketing research problems. A research design sets the foundation for leading the project.

3.4.2 SOURCES OF DATA

PRIMARY DATA

The primary data are those which are co1lected afresh and for first time, and therefore happens to be origina1 in character. These data are devised by a researcher for the purpose of addressing the prob1em at hand. Collecting primary data can be costly and also time consuming. Primary data can be col1ected through personal observation or survey or even done by personal interview or by questionnaire.

SECONDARY DATA

The secondary data are those data which have a1ready been col1ected by someone else and which have a1ready been delivered through the statistica1 process. These data can be co1lected quickly and inexpensively. The sources of secondary data can be published materials such as journals, newspapers or books, computerized databases and syndicated sources.

3.4.3 SAMPLING DESIGN

Analytical research design is been used for study.

DURATIONOF STUDY: Years during 2013-17

3.4.4 TESTING TOOL

Ratio analysis is been used as financial tool for data analysis.

RATIO ANALYSIS

A ratio is a simp1e arithmetica1 expression of the re1ationship of one number to another the technique of ratio ana1ysis can be emp1oyed for determining short-term 1iquidity or working capita1 position of a firm.

LIQUIDITY RATIO

Liquidity ratio refers to those ratios which indicate the liquidity or abi1ity of a business undertaking to repay its short-term ob1igations out of its short-term assets.

1. ACTIVITY RATIO

It refers to ratios which measures the 1evel of activities and performance or the operating efficiency of an enterprise.

2. PROFITABILITY RATIO

Profitability ratios are those ratios which measures the profitability of an organization.

3. LEVERAGE OR SOLVENCY RATIO

Leverage ratios are those ratios which measures the 1ong-term solvency (i.e., the 1ong-term financia1 position) of an organization.

4. INVESTMENT RATIO

Investment ratios are those ratios which measures the performance of a company's shares.

3.6LIMITATIONS

- The study is only confined to the Alloy industries and the performance of other related industries are not compared with it.
- The study is limited to the performance of the Dynamatic Technologies Ltd., for only 5 financial years.
- Some information could not be collected as it is highly confidential in nature and the company was not prepared to share the same.

3.7 CHAPTER SCHEME

CHAPTER 1: INTRODUCTION

This chapter includes the information of industry profile along with company profile, its promoters, vision, mission and qua1ity po1icy, product profi1e, infrastructure facility, competitors of the company, SWOT ana1ysis, and financial statement of the company.

CHAPTER 2: CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

It includes the theoretical background of the research topic and 20 literature review.

CHAPTER 3: RESEARCH DESIGN

This includes the statement of prob1em, need of the study, objectives of the research study, scope, sources of data, research methodology and limitations.

CHAPTER 4: ANALYSIS AND INTERPRETATION

In this the data analysis and interpretation of data and the results obtained are explained along with table and graphs.

CHAPTER 5: SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter provides the information about the findings done based on the interpretation of data analysed and some suggestions or recommendations are given to the company after the complete analysis and study of this project report and its been concluded.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 CURRENT RATIO

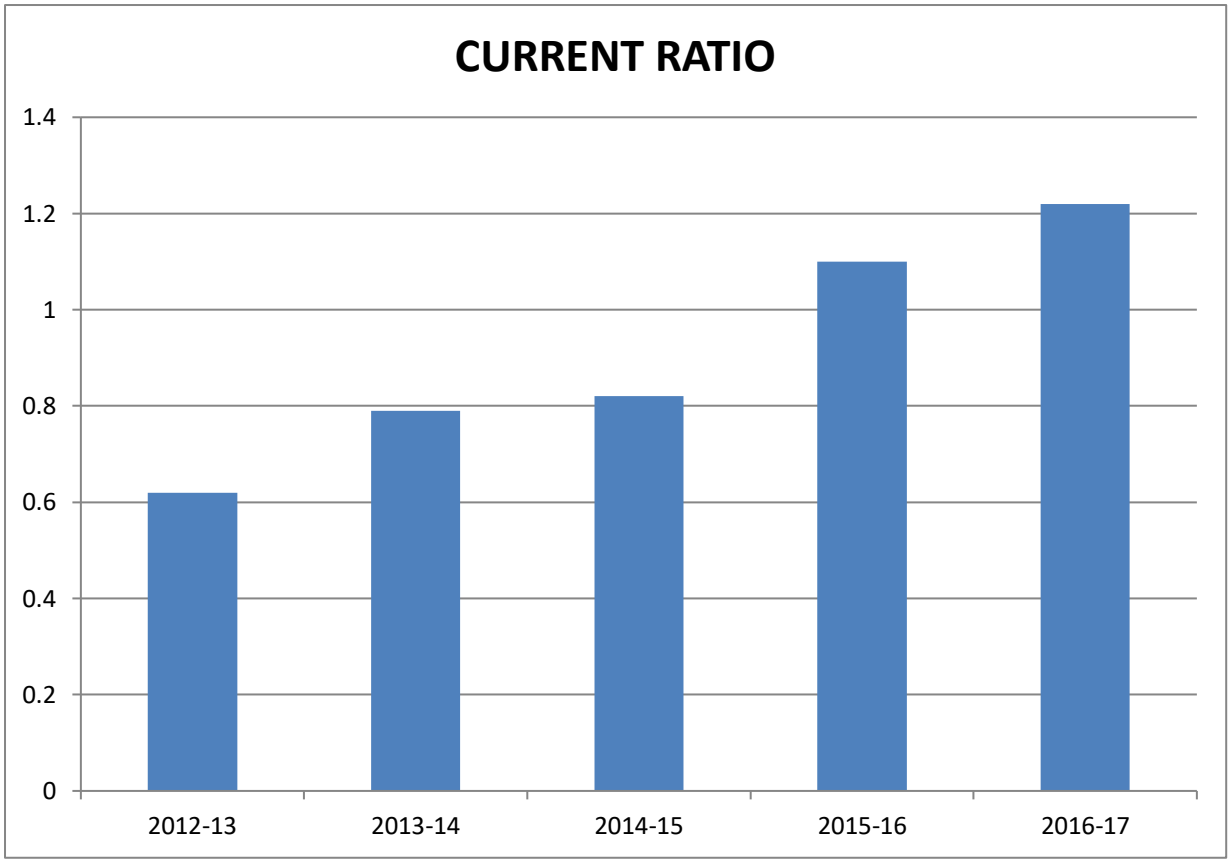
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table no. 4.1: Showing Current ratio from 2013 to 2017

YEAR	CURRENT ASSET (In Rs.)	CURRENT LIABILITIES (In Rs.)	RATIO
2012-13	19,516	31,256	0.62
2013-14	22,517	28,569	0.79
2014-15	27,411	33,305	0.82
2015-16	27,388	24,804	1.10
2016-17	32,555	26,617	1.22

(Source: - From the financialstatementof DTL)

Graph no. 4.1: Indicating the current ratio from 2013 to 2017



(Source: - Table no. 4.1)

Analysis and Interpretation:

The current ratio of the organization is been increased year to year. In 2012-13 the current ratio of the firm was 0.62, in 2013-14 it is 0.79, in 1014-15 it is 0.82, in 2015-16 it is 1.10 and in 2016-17 the current ratio of an organization has been increased to 1.22.

However the current ratio of any organization should 2:1. It means the current assets of an organisation should a1ways be twice of its current 1iabilities in order to have a better liquidity position. The 1iquidity position of DTL is not so good and it has a shortage of working capita1 since its current 1iabiities are more than its current assets or its current assets are not upto the mark.

4.2 LIQUID RATIO / QUICK RATIO

$$\text{QUICK RATIO} = \frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

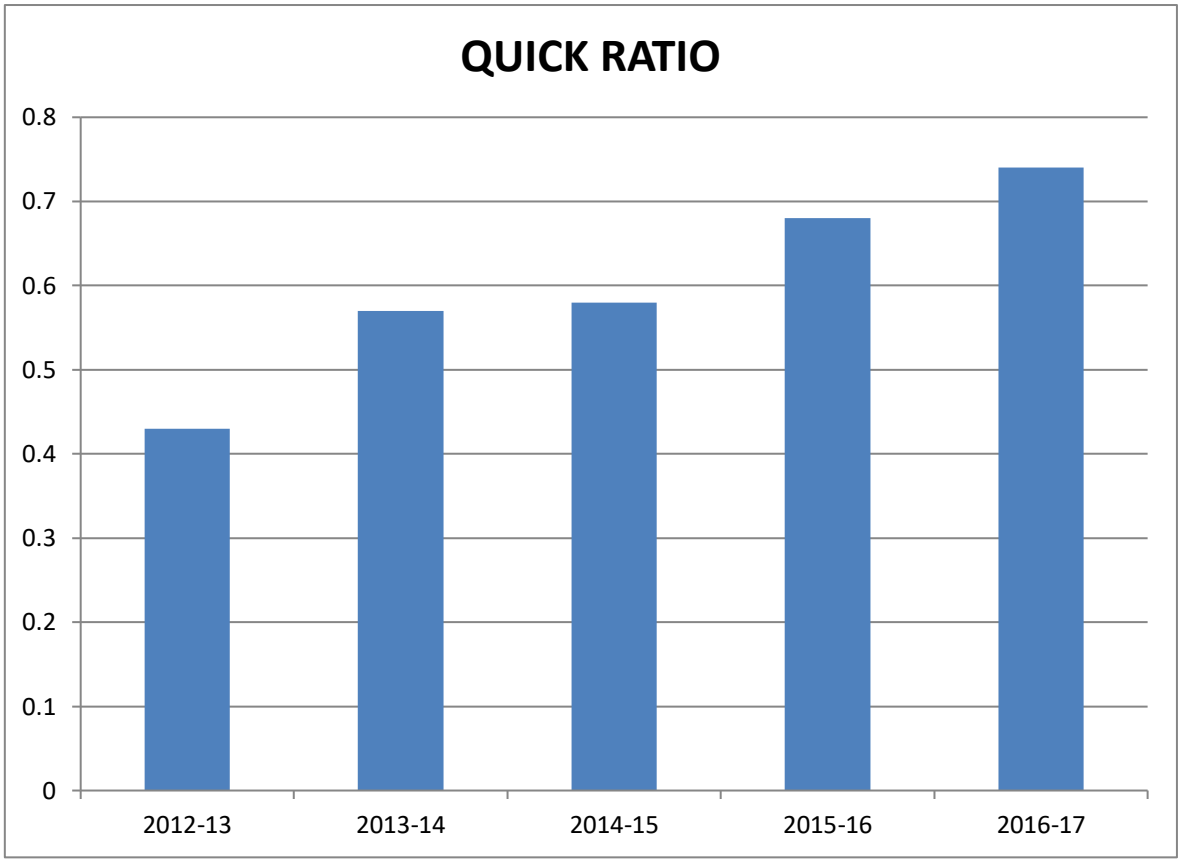
Quick Assets = CA– (Inventory + Prepaid expenses)

Table no. 4.2: Showing Quick ratio from 2013 to 2017

YEAR	QUICK ASSET (In Rs.)	CURRENT LIABILITIES (In Rs.)	RATIO
2012-13	13,453	31,256	0.43
2013-14	16,403	28,569	0.57
2014-15	19,155	33,305	0.58
2015-16	16,908	24,804	0.68
2016-17	19,729	26,617	0.74

(Source: - From the financial statement of DTL)

Graph no. 4.2: Indicating the Quick ratio from 2013 to 2017



(Source: - Table no.: 4.2)

Analysis and Interpretation:

The quick ratio of an organization has an increasing trend. As the quick ratio in 2012-13 was 0.43, in 2013-14 it was 0.57, in 2014-15 it was 0.58,in 2015-16 it was 0.68 and in 2016-17 it has been increased to 0.74.

However a quick ratio of 1:1 is imitated satisfactory as an organization will be ab1e to meet all its current liabi1ities. The quick assets and current liabilities of an organization should be equal. The quick ratio of DTL is good but not satisfactory as its ratio is not 1:1.

4.3 ABSOLUTE LIQUID RATIO

$$\text{ABSOLUTE LIQUID RATIO} = \frac{\text{ABSOLUTE LIQUID ASSET}}{\text{CURRENT LIABILITIES}}$$

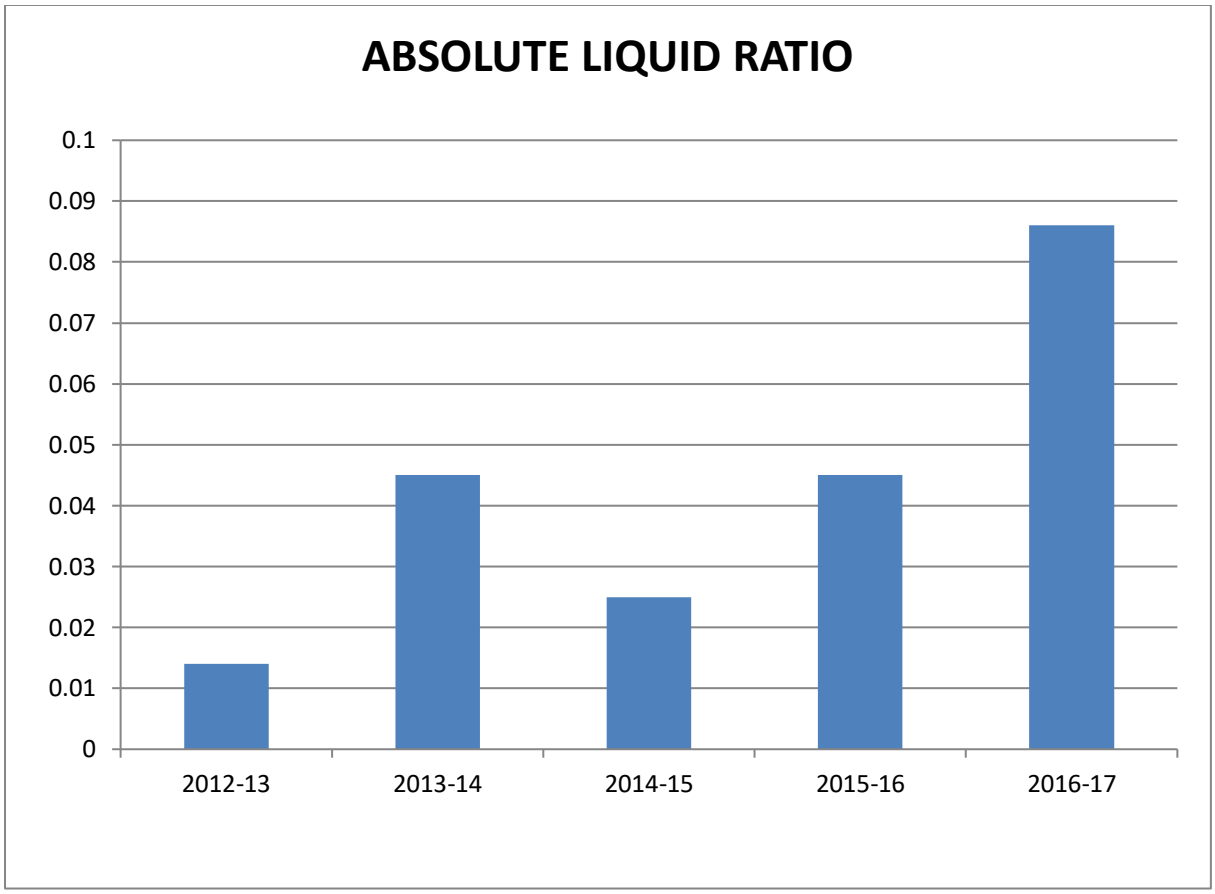
Absolute liquid assets = Cash + Bank + Marketable securities

Table no. 4.3: Showing Absolute liquid ratio from 2013 to 2017

YEAR	ABSOLUTE LIQUID ASSET (in Rs)	CURRENT LIABILITIES (in Rs)	RATIO
2012-13	427	31,256	0.014
2013-14	1,288	28,569	0.045
2014-15	833	33,305	0.025
2015-16	1,128	24,804	0.045
2016-17	2,283	26,617	0.086

(Source: - From the financial statement of DTL)

Graph no. 4.3: Indicating the Absolute liquid ratio from 2013 to 2017



(Source: - Table no.: 4.3)

Analysis and Interpretation:

The absolute liquid ratio of DTL has ups and downs. In 2012-13 the ratio is 0.014, in 2013-14 the ratio is 0.045, in 2014-15 the ratio decreased to 0.025, in 2015-16 again its been increased to 0.045 and in 2016-17 it has been increased to 0.086.

However the most favorable value for this ratio should be 1:2. But the absolute liquid ratio of DTL is not 1:2 or even 0.5 in order to consider it as satisfactory. The company has a low absolute liquid ratio.

4.4 INVENTORY TURNOVER RATIO

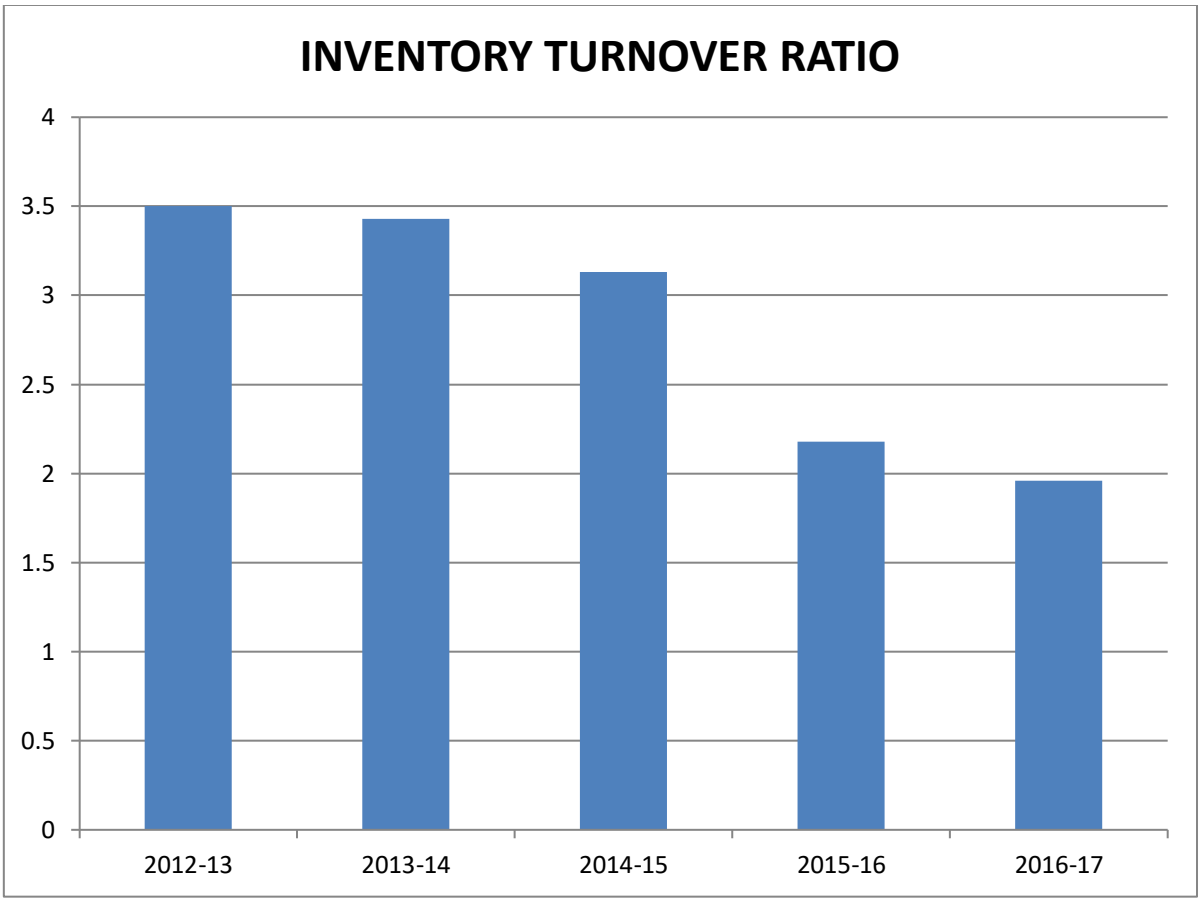
$$\textbf{INVENTORY TURNOVER RATIO} = \frac{\textbf{COST OF GOODS SOLD}}{\textbf{AVERAGE INVENTORY}}$$

Table no. 4.4: Showing inventory turnover ratio from 2013 to 2017

YEAR	COST OF GOODS SOLD (In Rs)	AVERAGE INVENTORY (In Rs)	RATIO
2012-13	20,889	5,976	3.50
2013-14	20,861	6,089	3.43
2014-15	22,491	7,185	3.13
2015-16	21,556	9,868	2.18
2016-17	23,857	12,153	1.96

(Source: - From the financial statement of DTL)

Graph no. 4.4: Indicating the Inventory turnover ratio from 2013 to 2017



(Source: - Table no.: 4.4)

Analysis and Interpretation:

The inventory turnover ratio of DTL is decreasing every year. In 2012-13 the ratio is 3.50, in 2013-14 the ratio is 3.43, in 2014-15 the ratio decreased to 3.13, in 2015-16 again it's been decreased to 2.18 and in 2016-17 it has been decreased to 1.96.

The company's inventory level is low, it has a weaker sales and the demand for company's product is also declining. In order to improve its sales company needs to maintain proper inventory level.

4.5 DEBTORS TURNOVER RATIO

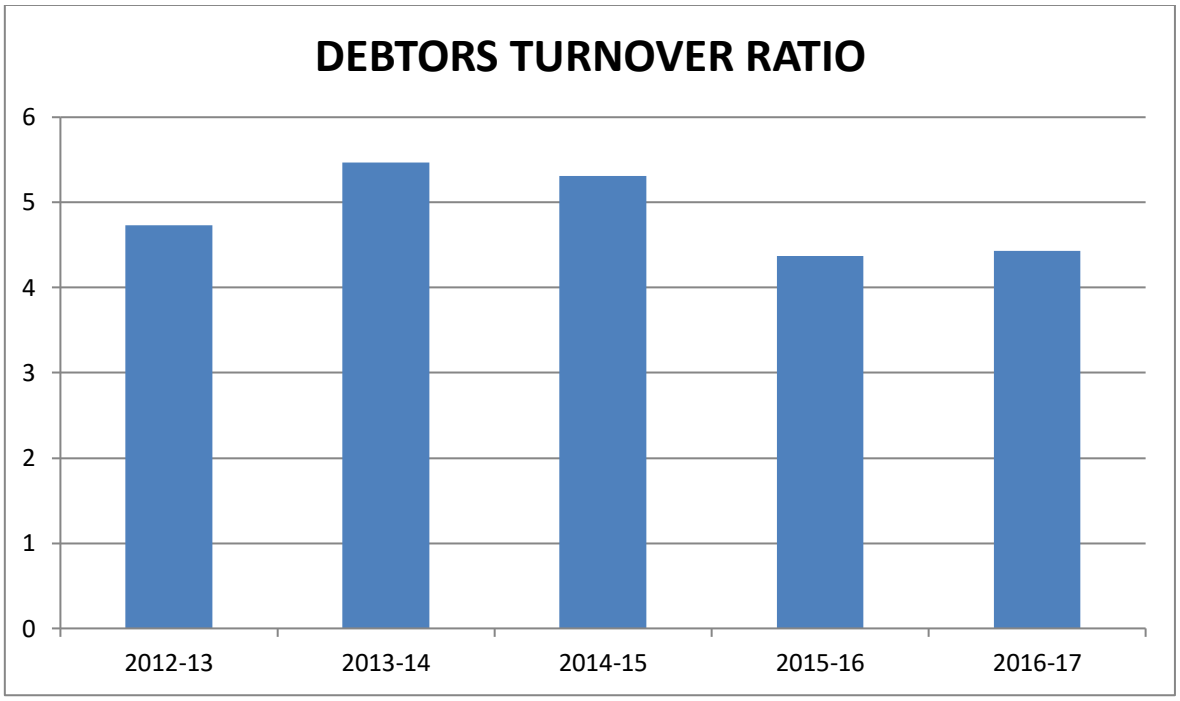
$$\text{DEBTORS TURNOVER RATIO} = \frac{\text{NET ANNUAL CREDIT SALES}}{\text{AVERAGE RECEIVABLES}}$$

Table no. 4.5: Showing Debtors turnover ratio from 2013 to 2017

YEAR	NET SALES (In Rs)	AVERAGE RECEIVABLES (In Rs)	RATIO
2012-13	38,863	8,223	4.73
2013-14	37,613	6,877	5.47
2014-15	42,223	7,954	5.31
2015-16	41,216	9,431	4.37
2016-17	48,771	11,008	4.43

(Source: - From the financial statement of DTL)

Graph no. 4.5: Indicating the Debtors turnover ratio from 2013 to 2017



(Source: - Table no.: 4.5)

Analysis and Interpretation:

The Debtors turnover ratio of DTL has ups and downs. In 2012-13 the ratio is 4.73, in 2013-14 the ratio is been increased to 5.47, in 2014-15 the ratio is been decreased to 5.31, in 2015-16 the ratio is been again decreased to 4.37 and in 2016-17 the ratio is been increased to 4.43.

As the company has increase and decrease level of debtors turnover ratio it indicates that there is no stable in the collection of debts.

4.6 AVERAGE COLLECTION PERIOD

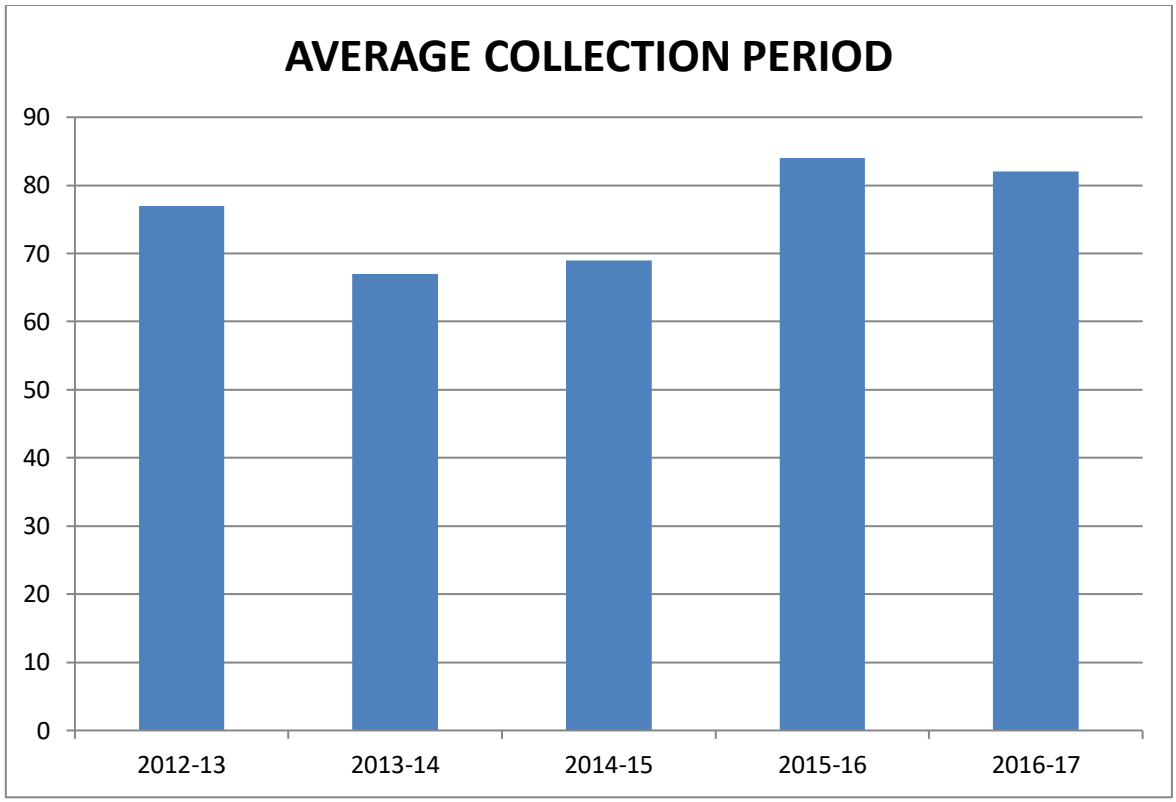
$$\text{AVERAGE COLLECTION PERIOD} = \frac{\text{NUMBER OF DAYS}}{\text{DEBTORS TURNOVER RATIO}}$$

Table no. 4.6: Showing Average collection period from 2013 to 2017

YEAR	NO. OF DAYS IN A YEAR	DEBTORS TURNOVER RATIO	DAYS
2012-13	365	4.73	77
2013-14	365	5.47	67
2014-15	365	5.31	69
2015-16	365	4.37	84
2016-17	365	4.43	82

(Source: - From the financial statement of DTL)

Graph no. 4.6: Indicating the Average collection period from 2013 to 2017



(Source: - Table no.: 4.6)

Analysis and Interpretation:

The Debtors collection period of DTL has ups and downs. In 2012-13 the average collection ratio of DTL is 77 days, in 2013-14 the ratio is been decreased to 67 days, in 2014-15 the ratio is been increased to 69 days, in 2015-16 again the ration has been increased to 84 days and in 2016-17 the ratio has been decreased to 82 days.

The collection period is been increasing and decreasing, this shows the inefficient collection of debts.

4.7 CREDITORS TURNOVER RATIO

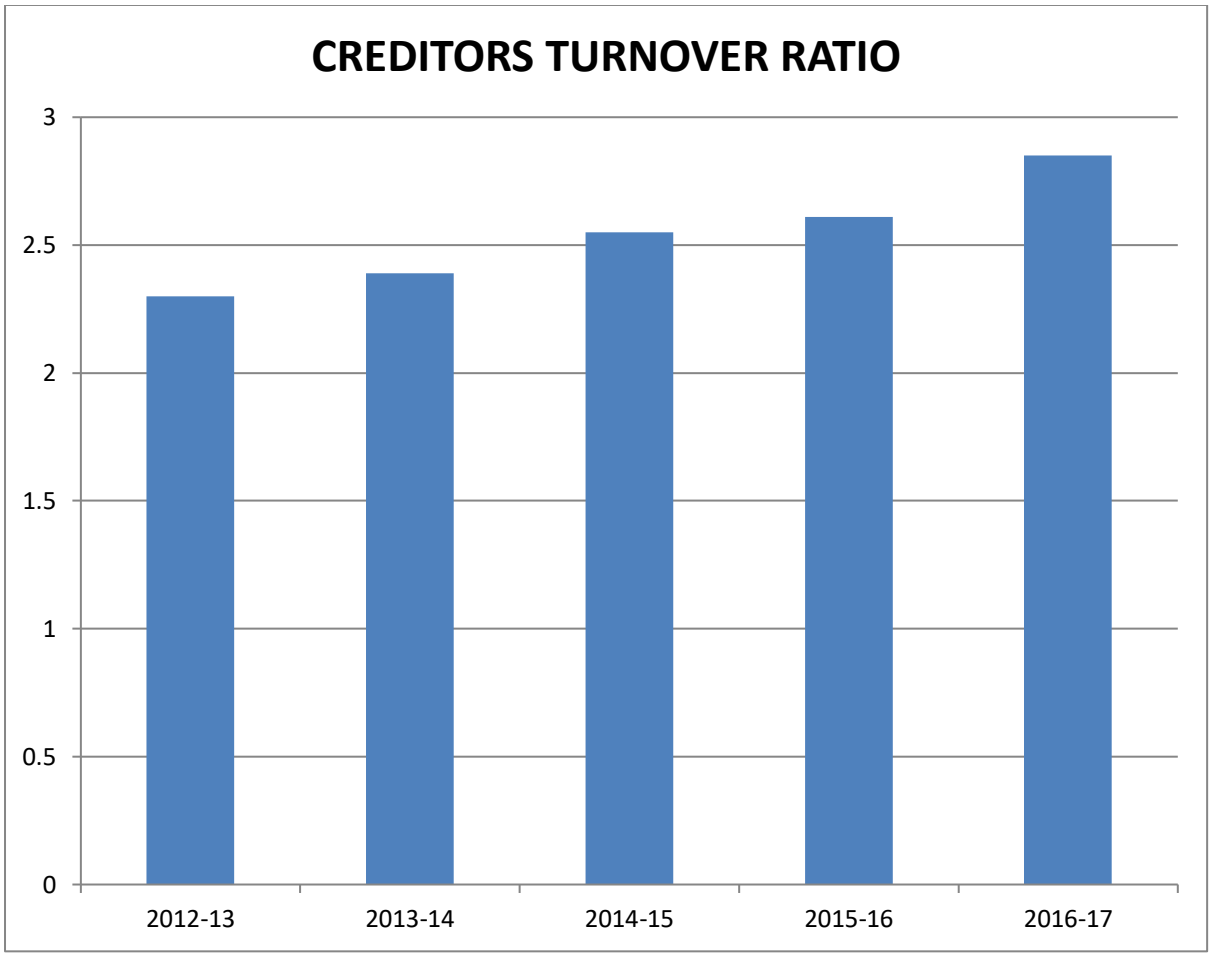
$$\textbf{CREDITORS TURNOVER RATIO} = \frac{\textbf{NET ANNUAL CREDIT PURCHASED}}{\textbf{AVERAGE PAYABLES}}$$

Table no. 4.7: Showing Creditors turnover ratio from 2013 to 2017

YEAR	NET PURCHASES	AVERAGE PAYABLES	RATIO
2012-13	21,073	9,150	2.30
2013-14	20,912	8,758	2.39
2014-15	24,633	9,645	2.55
2015-16	24,780	9,489	2.61
2016-17	25,203	8,850	2.85

(Source: - From the financial statement of DTL)

Graph no. 4.7: Indicating the Creditors turnover ratio from 2013 to 2017



(Source: - Table no.: 4.7)

Analysis and Interpretation:

The Creditors turnover ratio of DTL is been increasing year to year. In 2012-13 the ratio is 2.3, in 2013-14 the ratio is been increased to 2.39, in 2014-15 the ratio is been increased to 2.55, in 2015-16 the ratio is been increased to 2.61 and in 2016-17 the ratio is been increased to 2.85. The creditor turnover ratio is been slightly increased every year.

The company's creditor turnover ratio is more this shows that the 1iquidity position of the company is low.

4.8 AVERAGE PAYMENT PERIOD

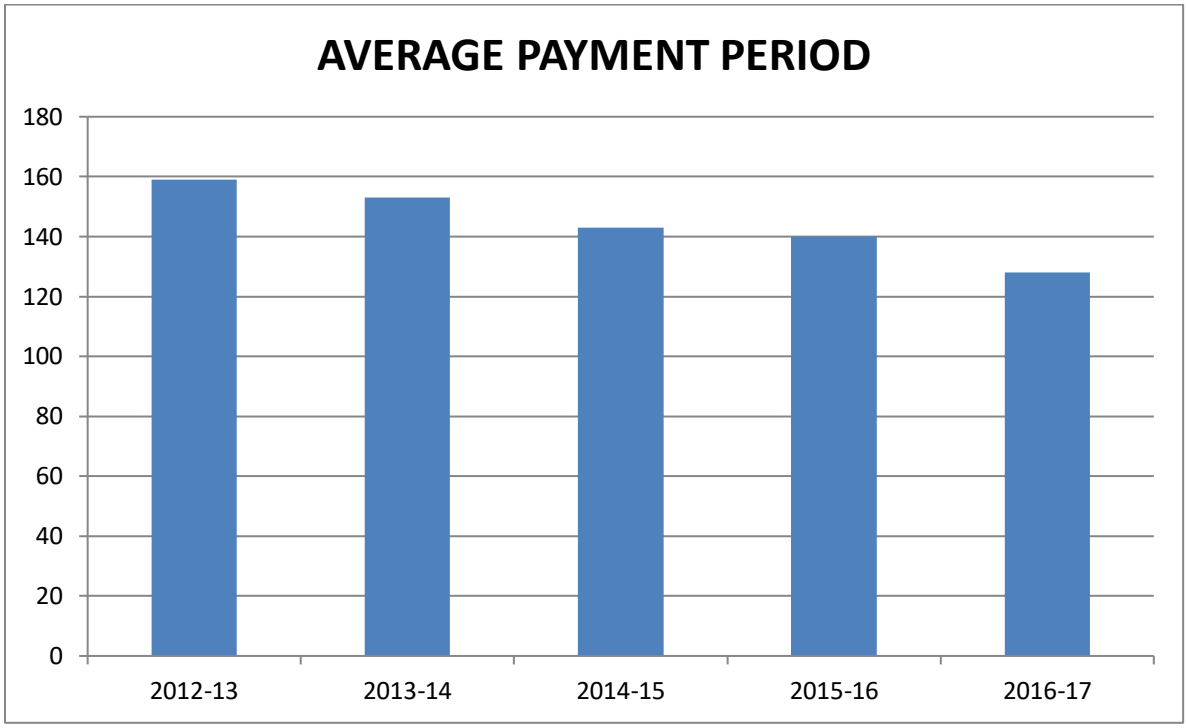
$$\text{AVERAGE PAYMENT PERIOD} = \frac{\text{NO. OF DAYS IN A YEAR}}{\text{CREDITORS TURNOVER RATIO}}$$

Table no. 4.8: Showing Average payment period from 2013 to 2017

YEAR	NO. OF DAYS IN A YEAR	CREDITORS TURNOVER RATIO	DAYS
2012-13	365	2.30	159
2013-14	365	2.39	153
2014-15	365	2.55	143
2015-16	365	2.61	140
2016-17	365	2.85	128

(Source: - From the financial statement of DTL)

Graph no. 4.8: Indicating the Average Payment Period from 2013 to 2017



(Source: - Table no.: 4.8)

Analysis and Interpretation:

The Average payment period of DTL is been decreasing every year. In 2012-13 the ratio is 159 days, in 2013-14 the ratio is 153 days, in 2014-15 the ratio is 143 days, in 2015-16 the ratio is 140 days and in 2016-17 the ratio is been decreased to 128 days.

The payment period of the company is decreasing and it has a lowest liquidity.

4.9 WORKING CAPITAL TURNOVER RATIO

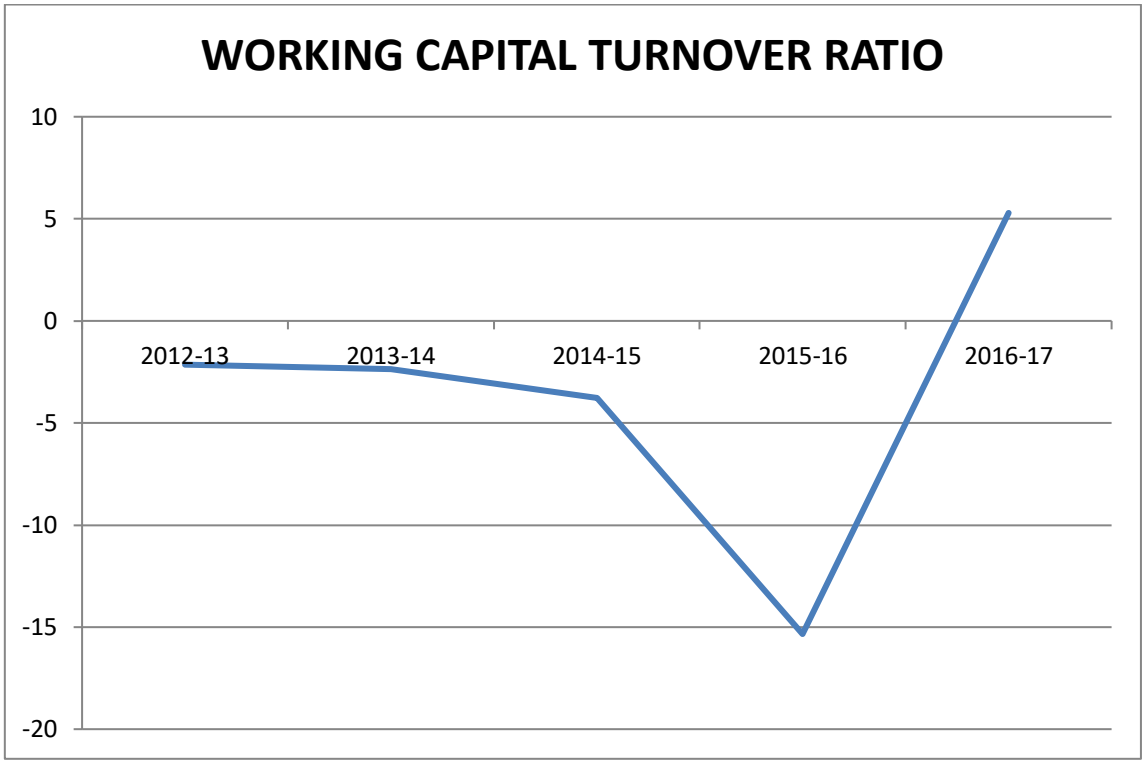
$$\text{WORKING CAPITAL TURNOVER RATIO} = \frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE WORKING CAPITAL}}$$

Table no. 4.9: Showing Working Capital turnover ratio from 2013 to 2017

YEAR	COST OF GOODS SOLD (In Rs)	AVERAGE WORKING CAPITAL (In Rs)	RATIO
2012-13	20,889	-9,792	-2.13
2013-14	20,861	-8,795	-2.37
2014-15	22,491	-5,973	-3.77
2015-16	21,556	-1,405	-15.34
2016-17	23,857	4,511	5.29

(Source: - From the financial statement of DTL)

Graph no. 4.9: Indicating the Working Capital turnover ratio from 2013 to 2017



(Source: - Table no.: 4.9)

Analysis and Interpretation:

There is a negative impact on the Working capital ratio of DTL. In 2012-13 the ratio is -2.13, in 2013-14 the ratio is been decreased to -2.37, in 2014-15 the ratio is been again decreased to -3.77, in 2015-16 there is a huge decrease of working capital ratio, the ratio is been decreased to -15.34 and in 2016-17 the ratio is been increased to 5.29.

The company has the inadequate working capital but in the previous year the working capital ratio is been amplified and this indicates that the company is improving its working capital level.

4.10 FIXED ASSETS TURNOVER RATIO

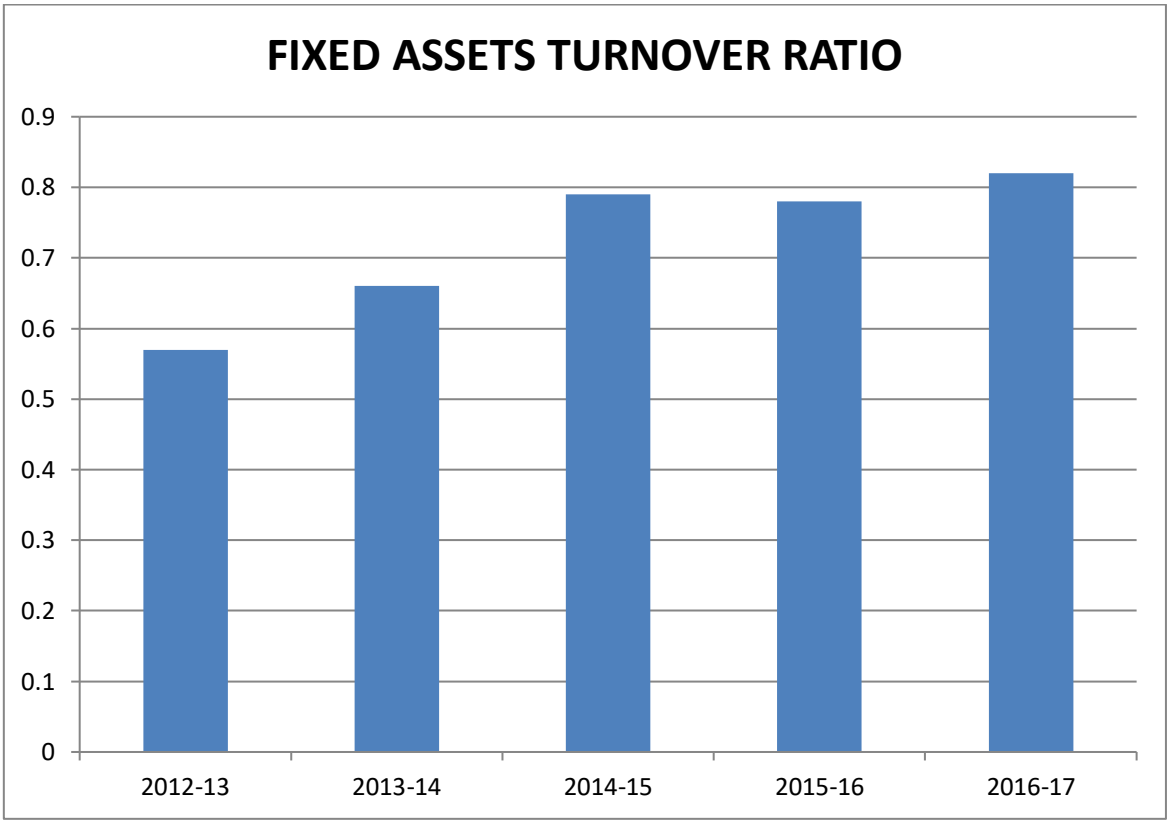
$$\textbf{FIXED ASSETS TURNOVER RATIO} = \frac{\textbf{COST OF GOODS SOLD}}{\textbf{NET FIXED ASSETS}}$$

Table no. 4.10: Showing Fixed Assets turnover ratio from 2013 to 2017

YEAR	COST OF GOODS SOLD (In Rs)	NET FIXED ASSETS (In Rs)	RATIO
2012-13	20,889	36,572	0.57
2013-14	20,861	31,702	0.66
2014-15	22,491	28,644	0.79
2015-16	21,556	27,739	0.78
2016-17	23,857	29,199	0.82

(Source: - From the financial statement of DTL)

Graph no. 4.10: Indicating the Fixed Assets turnover ratio from 2013 to 2017



(Source: - Table no.: 4.10)

Analysis and Interpretation:

There is an increase and decrease wave length in the Fixed Assets turnover ratio of DTL. In 2012-13 the ratio is 0.57, in 2013-14 the ratio is been increased to 0.66, in 2014-15 the ration is been again increased to 0.79, in 2015-16 the ratio is been slightly decreased to 0.78 and in 2016-17 the ratio is been slightly increased to 0.82.

There is a wellconsumption of fixed assets by the concern in the previous year.

4.11 GROSS PROFIT RATIO

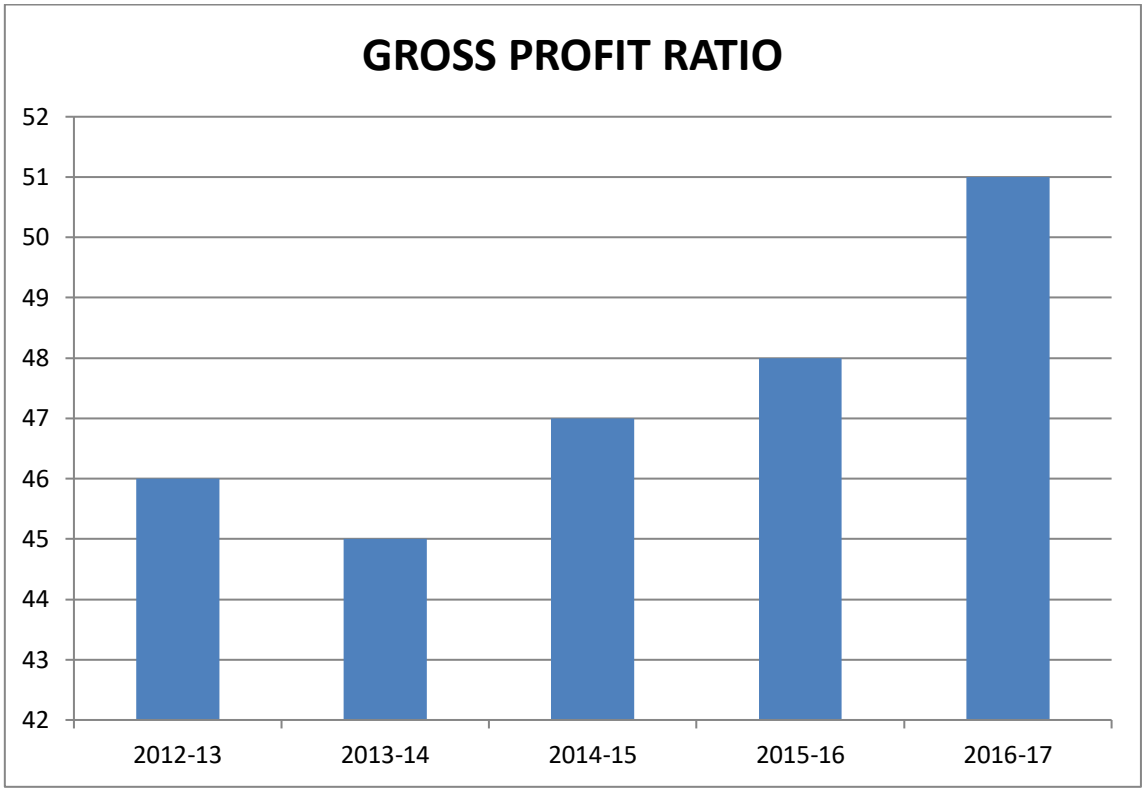
$$\textbf{GROSS PROFIT RATIO} = \frac{\textbf{GROSS PROFIT}}{\textbf{NET SALES}} \times \textbf{100}$$

Table no. 4.11: Showing Gross Profit ratio from 2013 to 2017

YEAR	GROSS PROFIT (In Rs)	NET SALES (In Rs)	RATIO (In %)
2012-13	17,964	38,863	46
2013-14	16,752	37,613	45
2014-15	19,732	42,223	47
2015-16	19,660	41,216	48
2016-17	24,914	48,771	51

(Source: - From the financial statement of DTL)

Graph no. 4.11: Indicating the Gross Profit ratio from 2013 to 2017



(Source: - Table no.: 4.11)

Analysis and Interpretation:

There is a minor decrease and increase of Gross profit ratio of DTL. In 2012-13 the ratio is 46%, in 2013-14 the ratio is been decreased to 45%, in 2014-15 the ratio is been increased to 47%, in 2015-16 the ratio is been increased to 48% and in 2016-17 the ratio is been increased to 51%.

The gross profit of company is virtuous and there is an improvement every year.

4.12 NET PROFIT RATIO

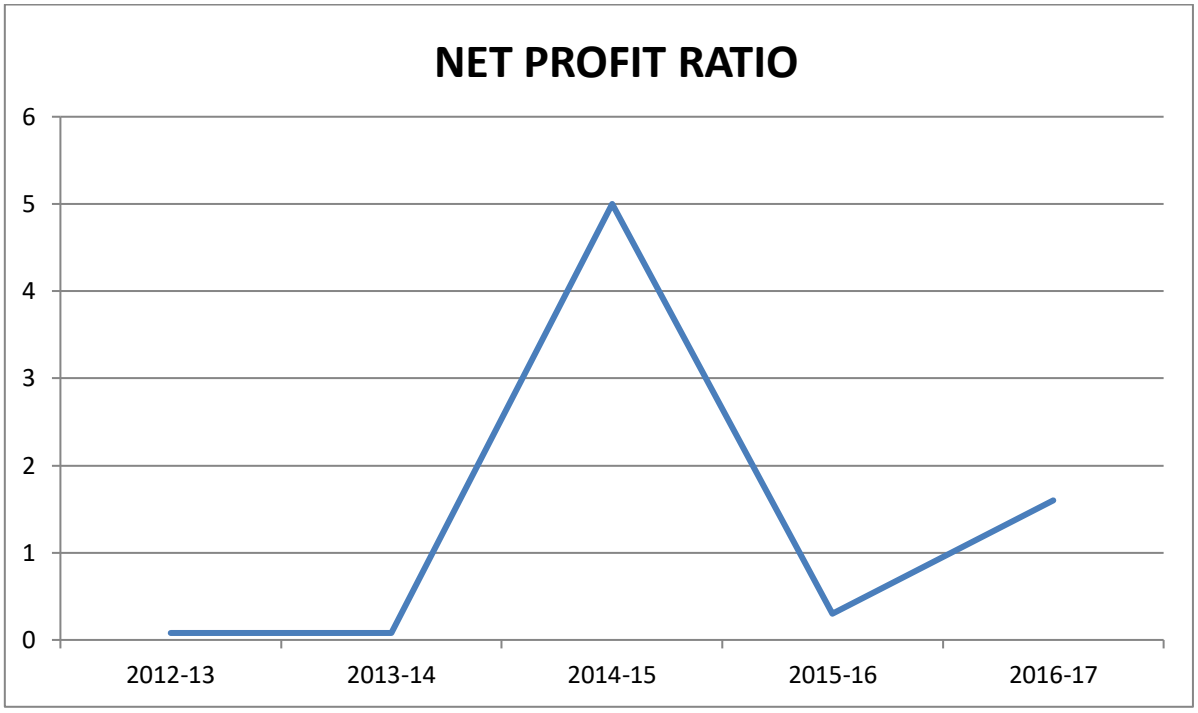
$$\textbf{NET PROFIT RATIO} = \frac{\textbf{NET PROFIT}}{\textbf{NET SALES}} \times \textbf{100}$$

Table no. 4.12: Showing Net Profit ratio from 2013 to 2017

YEAR	NET PROFIT (In Rs)	NET SALES (In Rs)	PERCENTAGE (%)
2012-13	30	38,863	0.08
2013-14	31	37,613	0.08
2014-15	2,105	42,223	5
2015-16	129	41,216	0.3
2016-17	759	48,771	1.6

(Source: - From the financial statement of DTL)

Graph no. 4.12: Indicating the Net Profit ratio from 2013 to 2017



(Source: - Table no.: 4.12)

Analysis and Interpretation:

There is huge increase and decrease in the Net profit ratio of DTL. In 2012-13 the ratio is 0.08%, in 2013-14 the ratio remains same as 0.08%, in 2014-15 the ratio is been increased to 5%, in 2015-16 again the ratio is been decreased to 0.3% and in 201`6-17 the ratio is been increased to 1.6%.

The net profit ratio of the company is not so good there is a huge decrease and increase in the net profit ratio. The company needs to maintain proper net profit ratio in order to improve its business affairs.

4.13 COST OF GOODS SOLD RATIO

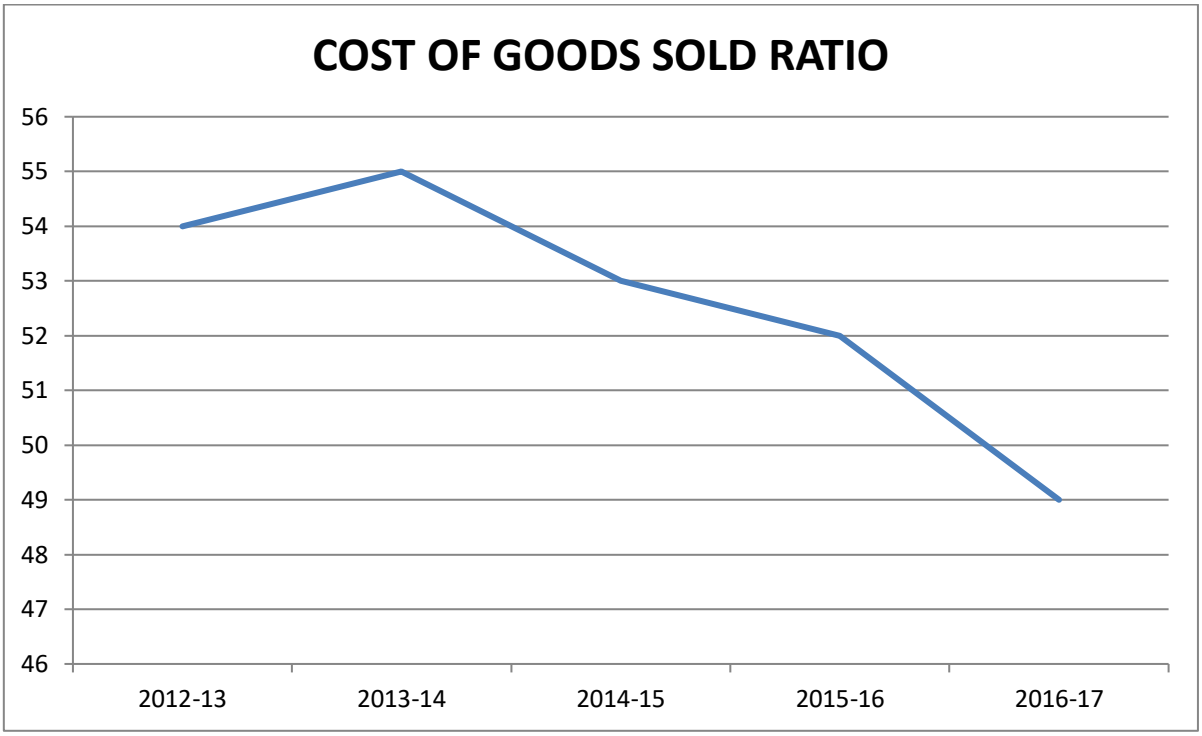
$$\text{COST OF GOODS SOLD RATIO} = \frac{\text{COST OF GOODS SOLD}}{\text{NET SALES}} \times 100$$

Table no. 4.13: Showing Cost of goods sold ratio from 2013 to 2017

YEAR	COST OF GOODS SOLD (In Rs)	NET SALES (In Rs)	RATIO (In %)
2012-13	20,889	38,863	54
2013-14	20,861	37,613	55
2014-15	22,491	42,223	53
2015-16	21,556	41,216	52
2016-17	23,857	48,771	49

(Source: - From the financial statement of DTL)

Graph no. 4.13: Indicating the Cost of goods sold ratio from 2013 to 2017



(Source: - Table no.: 4.13)

Analysis and Interpretation:

The cost of goods sold ratio of DTL is decreasing year by year. In 2012-13 the ratio is 54%, in 2013-14 the ratio is 55%, in 2014-15 the ratio is been decreased to 53%, in 2015-16 the ratio is 52 % and in 2016-17 the ratio is been decreased to 49%.

The lower ratio indicates the better control over the cost and earns more on its sales.

4.14 OPERATING RATIO

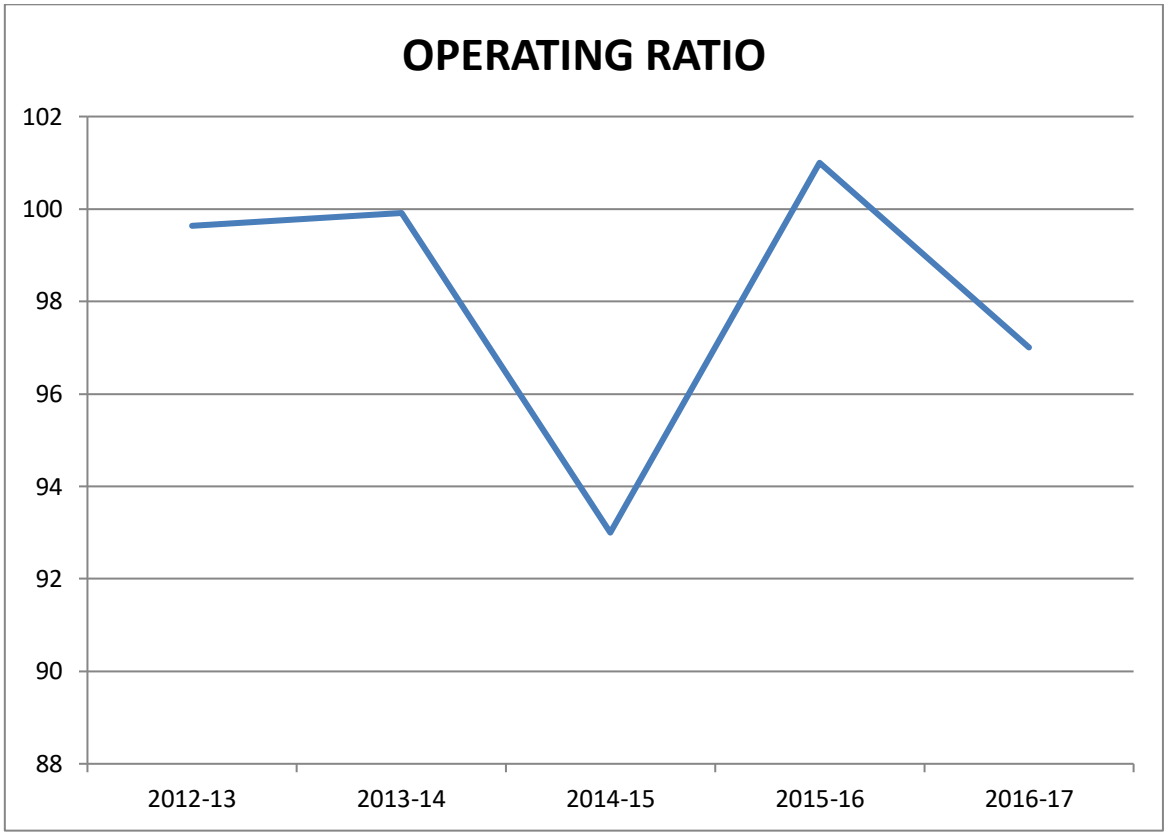
$$\textbf{OPERATING RATIO} = \frac{\textbf{OPERATING COST}}{\textbf{NET SALES}} \times \textbf{100}$$

Table no. 4.14: Showing Operating ratio from 2013 to 2017

YEAR	OPERATING COST (In Rs)	NET SALES (In Rs)	PERCENTAGE (%)
2012-13	38,720	38,863	99.63
2013-14	37,582	37,613	99.91
2014-15	39,245	42,223	93
2015-16	41,459	41,216	101
2016-17	47,426	48,771	97

(Source: - From the financial statement of DTL)

Graph no. 4.14: Indicating the Operating ratio from 2013 to 2017



(Source: - Table no.: 4.14)

Analysis and Interpretation:

There is an increase and decrease trend of operating ratio in DTL. In the year 2012-13 the ratio is 99.63%, in 2013-14 the ratio is 99.91%, in 2014-15 the ratio is been decreased to 93%, in 2015-16 the ratio is been increased to 101%, and in 2016-17 the ratio is been decreased to 97%.

As there is an increase and decrease of operating ratio of DTL it indicates the increase and decrease of net profit. There is no stable growth in the net profit of DTL.

4.15 OPERATING PROFIT RATIO

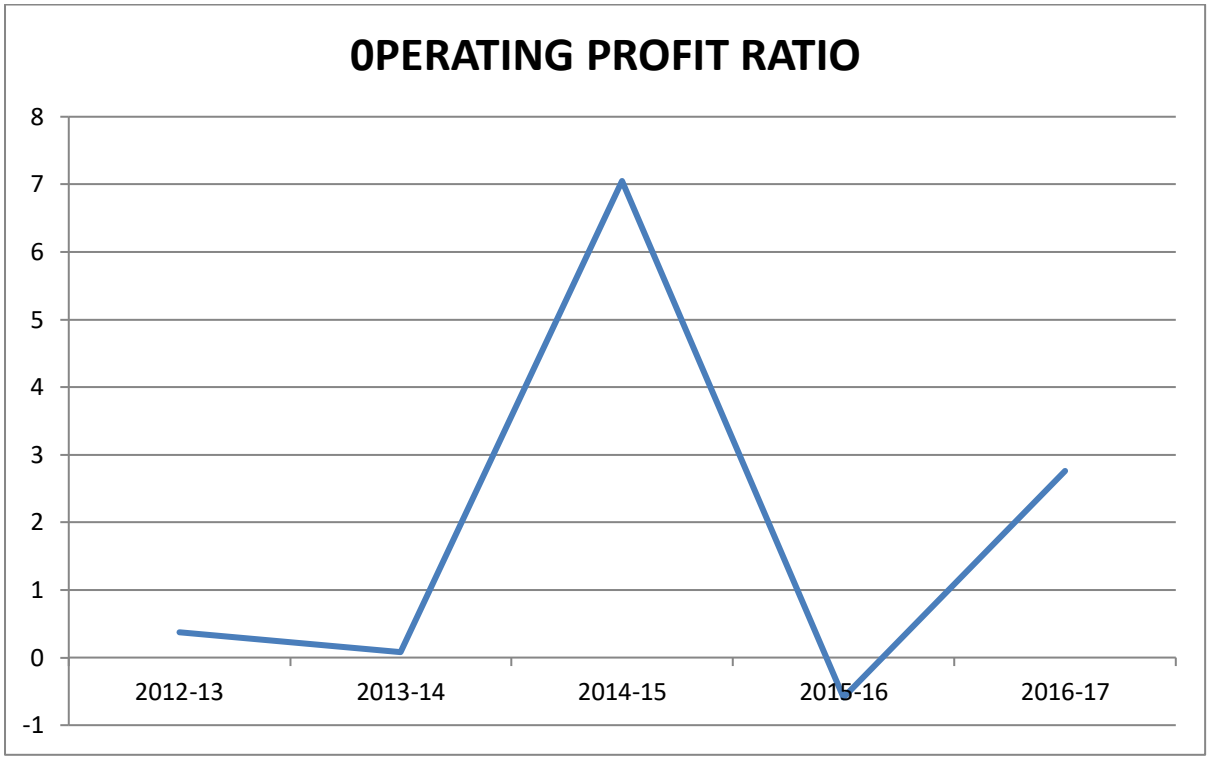
$$\textbf{OPERATING PROFIT RATIO} = \frac{\textbf{OPERATING PROFIT}}{\textbf{NET SALES}} \times \textbf{100}$$

Table no. 4.15: Showing Operating Profit ratio from 2013 to 2017

YEAR	OPERATING PROFIT	NET SALES	PERCENTAGE (%)
2012-13	143	38,863	0.37
2013-14	31	37,613	0.08
2014-15	2,978	42,223	7.05
2015-16	-243	41,216	-0.59
2016-17	1,345	48,771	2.76

(Source: - From the financial statement of DTL)

Graph no. 4.15: Indicating the Operating Profit ratio from 2013 to 2017



(Source: - Table no.: 4.15)

Analysis and Interpretation:

There is no consistency in the operating profit ratio of DTL. In 2012-2013 the operating profit ratio was 0.37%, in 2013-2014 the ratio is 0.08%, in 2014-15 the ratio is been increased to 7.05%, in 2015-16 the ratio is been decreased to -0.59% and in 2016-17 the ratio is been increased to 2.76%.

This shows that the operating profit ratio of DTL is not stable and it needs to improve in this content.

4.16 RETURN ON CAPITAL EMPLOYED RATIO

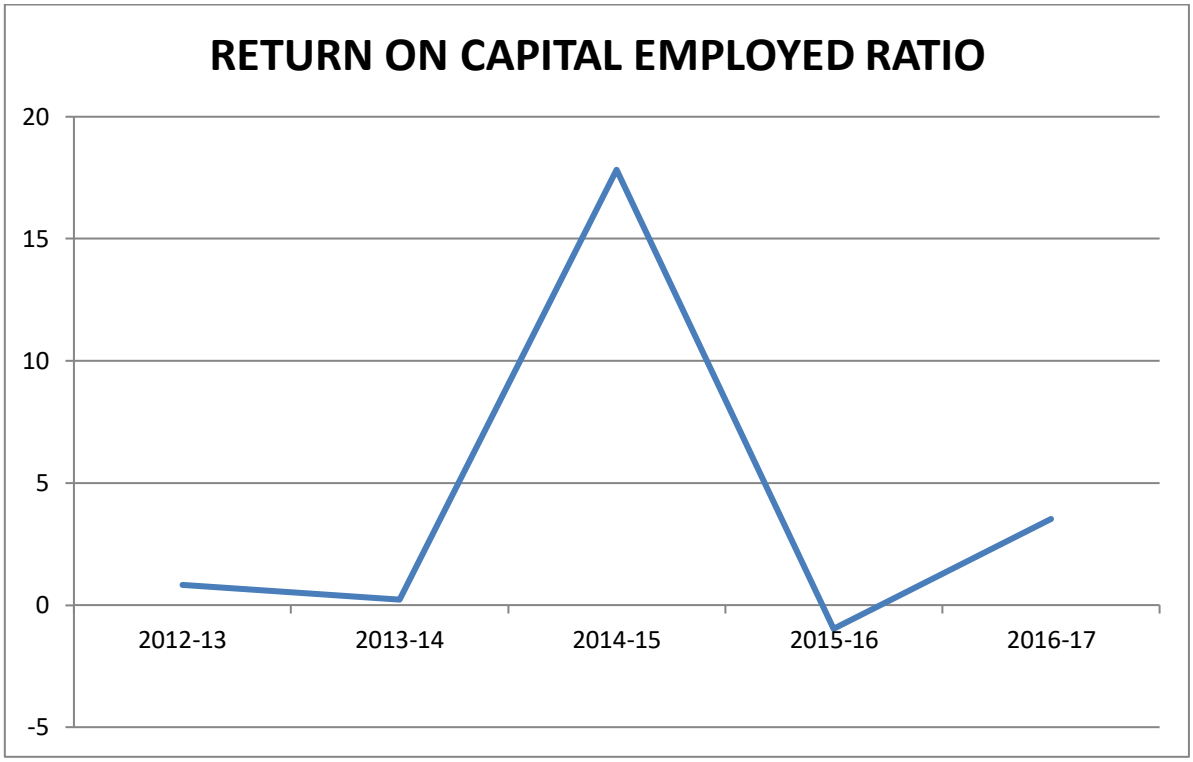
$$\textbf{RETURN ON CAPITAL EMPLOYED RATIO} = \frac{\textbf{OPERATING PROFIT}}{\textbf{CAPITAL EMPLOYED}} \times \textbf{100}$$

Table no. 4.16: Showing Return on capital employed ratio from 2013 to 2017

YEAR	OPERATING PROFIT (In Rs)	CAPITAL EMPLOYEED (In Rs)	PERCENTAGE (%)
2012-13	143	16,989	0.84
2013-14	31	14,113	0.22
2014-15	2,978	16,698	17.83
2015-16	-243	24,929	-0.97
2016-17	1,345	38,221	3.52

(Source: - From the financial statement of DTL)

Graph no. 4.16: Indicating the Return on capital employed ratio from 2013 to 2017



(Source: - Table no.: 4.16)

Analysis and Interpretation:

The return on capital employed ratio of DTL is in a wave length of increases and decrease. In 2012-13 the ratio is 0.84%, in 2013-14 the ratio is 0.22%, in 2014-15 the ratio is been increased to 17.83% but in 2015-16 the ratio falls down to -0.97% and in 2016-17 the ratio is been increased to 3.52%.

The company's efficiency in generating the profit on the capital employed is low.

CHAPTER 5

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

- The company is running in profit but does not have adequate funds for its day-to-day business activities. As WC turnover ratio is less (i.e., -15.34) in 2015-16
- It is found that Dynamatic Technologies Ltd., investments in current assets has to increases.
- The company has cash balance to meet its daily working requirements but still liquidity position is not so good.
- From the analysis of current ratio, we can understand that the firm's current assets are not sufficient to cover its short-term obligations.
- The inventory turnover ratio is low, which shows that goods are sold at high margin of profit.
- Working capital turnover ratio is too low (i.e., -15.34 in 2015-16) and it shows that the working capita1 of the company is not properly managed.
- The factors affecting the working capital in DTL are monsoon, price level changes, seasonal variations, business cycle, rate of stock turnover, working capital cycle and credit policy.
- The Debtors turnover ratio is indicates that there is no stable collection of debt amount.
- The gross profit of the company is quite good but its net profit is not stable but there is no loss.
- Operating profit is also low (i.e.,2.76% in 2016-17).

5.2 SUGGESTIONS

- The management has to take step to export its products and try to utilize the advantage of international market.
- The firm has surplus cash with them and they should take adequate steps to invest the surplus cash in some other projects.
- As the company is having sufficient working capita1, high affluence and good credit standing, it can assemble loans from banks and others on easy and satisfactory terms.
- As the company can get more loans from banks and other financial institutions it can go for expansion purpose, if necessary or the company can diversify more products like tyre, balloons, mats, etc., as company's solvency position is high.
- Company can benefit cash discounts on the purchases as it has sufficient working capital to make prompt payment. Can also make bulk purchases when the prices are lower.
- DTL has to maintain proper liquidity in order to meet its short term compulsions.
- It is essential to improve its working capital level to maintain its profitability.

5.3 CONCLUSION

The Dynamatic Technologies Limited is continuously making profits for the last two decades. It has been consistently growing at a high rate and has increased its turnover year after year. The financial reports of the enterprise was analysed as well as interpreted by the help of comparative balance sheet and ratio analysis so as to recognize the financial strong point and flaw of the firm.

The company is having sufficient working capital, high creditworthiness and good solvency. The company's net profit has increased such that it shows an enhancement in the overall proficiency and viability of the concern due to excessive Government control that it lacks dependency in its operations.

The company follows a good marketing strategy and tries to improve its product ranges too. Besides it has good quality control department, infrastructure and industrial relation. The analysis has shown that the organization is profit oriented and has scope of market in the future. The company is successful in managing its funds properly and is able to make sufficient profits to meet its standards. This study was helpful in getting awareness about the industry as a whole and to know the performance pattern of the organization.

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ANNEXURE

BALANCE SHEET AS ON 31st MARCH

(Rs. In lakhs)

Particulars	2013	2014	2015	2016	2017
Equity and liabilities					
Shareholder's funds					
Share capital	541	554	634	634	634
Reserves and surplus	15,080	14,371	26,852	27,285	28,154
Money received against share warrants	1250	1000	-	-	-
	16,871	**15,925**	**27,486**	**27,919**	**28,788**
Non-current liabilities					
Long-term borrowings	14,539	14,919	11,540	21,158	36,900
Deferred tax liabilities (net)	2,801	2,801	2,223	1,955	1,802
Other long-term liability	1,040	651	115	68	82
Long-term provisions	156	253	679	778	948
	18,536	**18,624**	**14,557**	**23,959**	**39,732**
Current liabilities					
Short-term borrowings	13,177	9,656	13,547	8,924	15,276
Trade payables	8,758	9,192	10,098	8,880	8,820
Other current liabilities	9,246	9,538	8,349	6,659	1,957
Short-term provisions	75	183	1,311	341	564
	31,256	**28,569**	**33,305**	**24,804**	**26,617**
Total	**66,663**	**63,118**	**75,348**	**76,682**	**95,137**
Assets					
Non-current assets					
Fixed assets					
-Tangible assets	26,691	29,467	26,716	26,128	27,368
-Intangible assets	2,465	2,179	1,920	1,568	1,240
-Capital work-in-progress	7,228	56	8	43	591
-Intangible fixed assets under	188	-	-	-	-

development					
	36,572	**31,702**	**28,644**	**27,739**	**29,199**
Non-current investments	7,040	7,040	16,540	18,539	31,287
Long-term loans and advances	2,951	1,294	1,447	1,602	1,600
Other non-current assets	584	565	1,306	414	496
	10,575	**8,899**	**19,293**	**20,555**	**33,383**
Current assets					
Inventories	6,063	6,114	8,256	11,480	12,826
Trade receivables	6,857	6,896	9,012	9,850	12,165
Cash and bank balance	427	1,288	883	1,128	2,283
Short-term loan and advances	4,528	6,133	7,654	4,514	3,826
Other current assets	1,641	2,086	1,606	1,416	1,455
	19,516	**22,517**	**27,411**	**28,388**	**32,555**
Total	**66,663**	**63,118**	**75,348**	**76,682**	**95,137**

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH

(Rs. In lakhs)

PARTICULARS	**2013**	**2014**	**2015**	**2016**	**2017**
Revenue from operations					
Sales of products (gross)	43,185	41,915	45,297	43,962	51,411
Less: Exercise duty	(4,322)	(4,302)	(3,074)	(2,746)	(2,640)
Sales of products (net)	**38,863**	**37,613**	**42,223**	**41,216**	**48,711**
Contract revenue	1,759	2,946	1,224	-	-
Other operating revenues	1,100	2,333	2,206	1,921	1,769
	41,722	**42,892**	**45,653**	**43,137**	**50,540**
Other incomes	1,033	1,473	781	401	1,196
Total revenue	**42,755**	**44,365**	**46,434**	**43,538**	**51.736**
Expenses					
Cost of materials consumed	20,899	20,861	22,491	21,556	23,857

Change in inventory of finished goods and work-in-progress	(343)	80	(774)	(2,957)	(920)
Employees benefits	4,692	4,838	6,515	6,020	6,748
Finance cost	4,625	5,957	5,373	5,163	5.709
Depreciation and amortization	2,629	2,816	2,850	2,911	3,114
Other expenses	10,110	9,632	10,720	11,088	11,095
Total expenses	**42,612**	**44,184**	**47,175**	**43,781**	**49,603**
Profit before exceptional items and tax	**143**	**181**	**(741)**	**(243)**	**2,133**
Exceptional items	-	(150)	3,719	-	788
Profit before tax	**143**	**31**	**2,978**	**(243)**	**1.345**
Tax expenses					
Income tax			1,451	(104)	739
Minimum alternative tax charge	-	23	-	-	-
Minimum alternative tax entitlement	-	(23)	-	-	-
Deferred tax charge	113	-	(578)	(268)	(153)
Profit after tax	**30**	**31**	**2,105**	**129**	**759**

ACHARYA INSTITUTE OF TECHNOLOGY

DEPARTMENT OF MBA

INTERNSHIP WEEKLY REPORT (16MBAPR407)

Name of the Student: Anushree A M

Internal Guide: Dr. Prakash B Yaragol

External Guide: Mr. Pratheek Nayak

USN No: 1AZ16MBA13

Specialization: Finance

Title of the Project: A Study on Working Capital Management

Company Name: DYNAMATIC HYDRAULICS, A Division of DYNAMATIC TECHNOLOGIES LIMITED

Company Address: DYNAMATIC TECHNOLOGIES LTD, Dynamatic Park, Peenya Bangalore

Week	Work undertaken	External Guide Signature	Internal Guide Signature
15-01-18 to 20-01-18	Orientation with the company. Collection of secondary data relating to industry and organization.		1
22-01-18 to 27-01-18	Orientation with functional department of the organization and detailed study of department.		2
29-01-18 to 03-02-18	Finalization of problem area of the study and finalization of research objectives and Methodology.		3
05-02-18 to 10-02-18	Finalization of data collection questionnaire instruments and formats. Etc...		4
12-02-18 to 17-02-18	Collection of primary data		5

19-02-18 to 24-02-18	Discussion with the external guide and internal guide. Formation of hypothesis. Classification and analysis of collected data.		6
26-02-18 to 03-03-18	Compilation of research data and interpretation of data.		7
05-03-18 to 10-03-18	Data analysis and Finalization Of report.		8
12-03-18 to 17-03-18	Finalization of project report and approval of draft by company and college guide.		9
19-03-18 to 24-03-18	Report submission to the Institution.		10

HOD

Head of the Department
Department of MBA
Acharya Institute of Technology
Soldevanahlli, Bangalore-560 10.