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A STUDY ON IMPACT OF WORKING CAPITAL @ YS CONSTRUCTION PVT. LTD.

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ABSTRACT

Effective working capital management is crucial for sustaining the financial health and operational efficiency of companies in the construction industry. This abstract explores the working capital management practices employed by YS Construction Pvt Ltd, a fictional construction company. YS Construction Pvt Ltd recognizes the significance of maintaining a balanced and optimal level of working capital to support its day-to-day operations, ensure timely project completion, and manage financial obligations. The company employs a combination of strategies to achieve efficient working capital management. YS Construction places emphasis on optimizing its working capital cycle. By synchronizing its inventory turnover, accounts receivable collection, and accounts payable payment periods, the company reduces the cash conversion cycle, thereby maximizing the efficient use of available funds.

Key Words: working capital, inventory

1. INTRODUCTION

Working Capital Management refers to the strategic management of a company's short-term assets and liabilities to ensure its day-to-day operational efficiency, financial stability, and overall business success. It involves optimizing the balance between a company's current assets, which are assets that can be easily converted into cash within a short period, and its current liabilities, which are obligations that need to be settled within the same short timeframe. The primary goal of working capital management is to ensure that a company has sufficient liquidity to cover its operational expenses and short-term obligations, while also avoiding overinvestment in current assets that could tie up valuable resources unnecessarily. Effective working capital management requires a delicate balance between maintaining enough liquidity to meet obligations and investing excess funds to generate returns

2. OBJECTIVES OF THE STUDY

- To identify the financial position in ys construction
- To analysis the various ratios and effectiveness of working capital management
- To study the working capital structure of the construction
- To optimize the balance between short term assets between liabilities

3. RESEARCH METHODOLGY

SOURCES OF DATA

Primary Data- Secondary data are those that have undergone the statistical process after being gathered by someone else. Virtual data that is pertinent to the research has also been gathered from YS Constructions and company publications, brochures, journals, and magazines

Tools For Data Collection- Primary data refers to the original data collected directly from the source for a specific research or analysis purpose.

4. LIMITATIONS OF THE STUDY

- The study is limited only in one company YS Constructions developer.
- Hectic schedules of YS Constructions developer executives are another limiting factor.
  Due to the active schedule of the officers, I was not able to get all the

5. DADA ANAIYSIS AND INTERPRETATION

Table:5.1 - Current Ratio- Current Ratio = Current Assets /Current Liability

Year	2021	2022
Current Assets	34,06,260	31,87,867
Current Liability	19,03,273	27,39,808
Current Ratio	1.78	1.16

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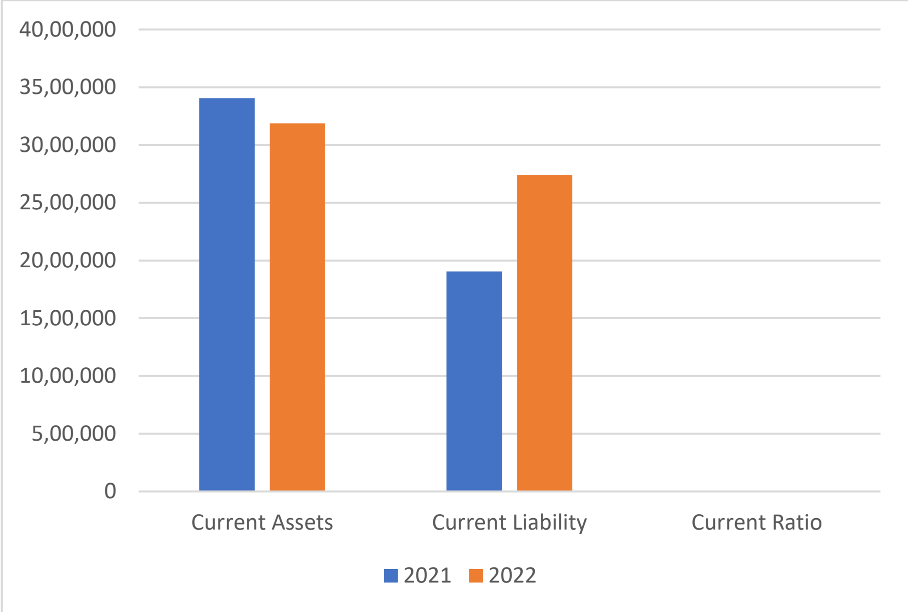
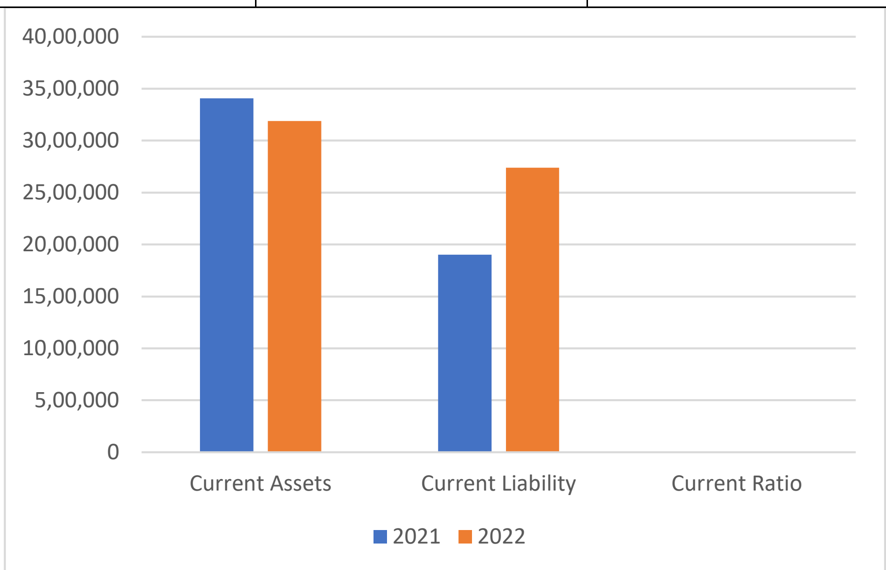


Analysis – A Current Ratio of 1.78 in 2021 indicates that decreased in 1.16 in 2022

Interpretation –when the company's current assets decrease, it means the company has become more efficient in managing its short-term financial obligations. This efficiency suggests that the company is in a good position to easily cover its immediate debts. This situation also reflects positively on the company's ability to conduct its day-to-day operations smoothly. In essence, a decrease in current assets can signal improved liquidity and operational capacity for the company.

Table:5.2 Quick Ratio = Quick Assets / Quick Liability

Year	2021	2022
Current Assets	34,06,260	31,87,867
Current Liability	19,03,273	27,39,808
Current Ratio	1.78	1.16



Analysis – A Quick Ratio is decreased from 1.78 to 1.16 in the year 2021 to 2022

Interpretation - The decrease in the Quick Ratio suggests that the firm's efficiency is not meeting its current liabilities, indicating a poor liquidity position. This also reflects on the firm's working capital and its ability to sustain its operations. In simpler terms, a declining Quick Ratio implies that the company might be struggling to cover its short-term obligations using its most liquid assets, like cash and assets that can be quickly converted to cash, without relying on the sale of inventory. This situation could potentially lead to difficulties in managing day-to-day financial obligations and operational expenses.

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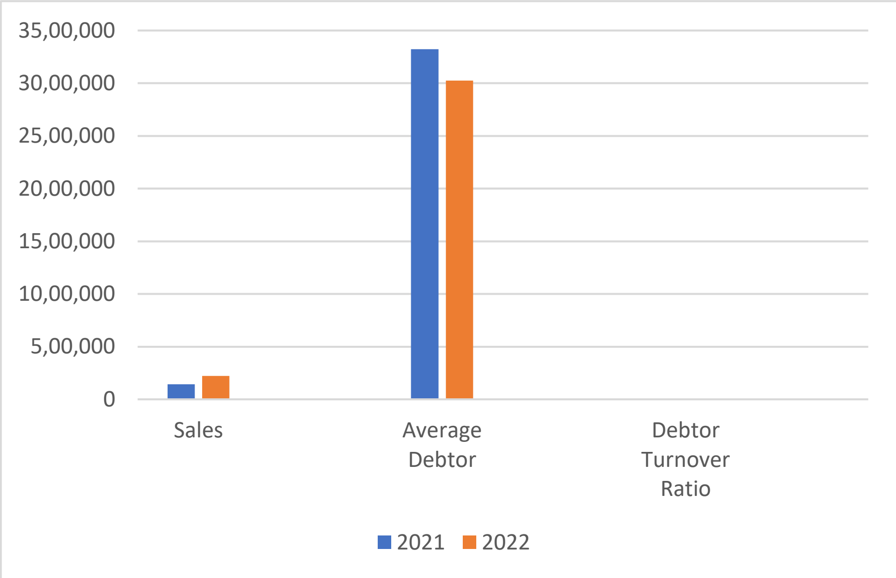
Table:5.3- Debtor Turnover Ratio

DEBTOR Turnover Ratio = Sales / Average Debtor

Year	2021	2022
Sales	1,42,780	2,21,090
Average Debtor	33,22,258	30,24,256
Debtor Turnover Ratio	0.4	0.7



Analysis – The table indicates that the debtor turnover ratio has increased from 0.4 to 0.7

Interpretation –when the debtor turnover increases, it means that the company is collecting payments from its customers more quickly. This is a sign that the company is efficiently managing its sales and is able to convert its sales into cash efficiently. This efficiency indicates that the company's liquidity position is strong, meaning it has enough cash flow to meet its financial obligations.

6. SUGGETIONS

1. increasing the current ratio can indeed help a firm maintain good liquidity. The current ratio is a financial metric that measures a company's ability to cover its short-term liabilities with its short-term assets. It's calculated by dividing current assets by current liabilities.
2. The firm outside borrowing is more than their internal equity, it helps them to get high return on their investment and to barrow money from outsider by paying less rate of interest
3. The working capital of the Y S Construction Limited should be done more efficiently.

7. CONCULSION

A study on working capital management was diligently undertaken by myself at the YS Construction district. The study aimed to assess the status and advancement of working capital over the preceding two years. Based on the comprehensive analysis, it can be affirmed that efficient working capital management holds paramount importance within the construction industry. In view of the discernible outcomes derived from the gathered information, the subsequent critical deductions can be made:

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