
**A STUDY ON WORKING CAPITAL MANAGEMENT IN HATSUN AGRO PRODUCT,
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M.Phil Research Scholar**ABSTRACT**

The present study is to study on working capital management of Hatsun Agro Product Ltd Chennai. This study focuses on company's working capital management on these six years. Currently during the last six years company incurred profit. In this study gives importance to if there is any increase or decrease in loss of the company in last six years. This study also analyzes the capital structure of the company. Tools of financial analysis may be used to analyzing the working capital management of the company. This study also finds relationship between various components of the balance sheet. This study also gives importance to analyze the profitability of the business.

Introduction

The dairy sector in the India has shown remarkable development in the past decade and India has now become one of the largest producers of milk and value-added milk products in the world. The dairy sector has developed through co-operatives in many parts of the State. During 1997-98, the State had 60 milk processing plants with an aggregate processing capacity of 5.8 million liters per day. In addition to these processing plants, 123 Government and 33 co-operatives milk chilling centers operate in the State.

With the increase in milk production. Maharashtra now regularly exports milk to neighbouring states. It has also initiated a free school feeding scheme, benefiting more than three million school children from over 19,000 schools all over the State.

Indian dairy industry

Dairy is a place where handling of milk and milk products is done and technology refers to the application of scientific knowledge for practical purposes.

Dairy Industry in India

More than 2,445 million people economically active in agriculture in the world, probably 2/3 or even more 3/4 of them are wholly or partly dependent on livestock farming. India is endowed with rich flora & Fauna & continues to be vital avenue for employment and income generation, especially in rural areas. India, which has 66% of economically active population, engaged in agriculture, derives 31% of Gross Domestic Product GDP from agriculture. The share of livestock product is estimated at 21% of total agricultural sector.

The Dairy Market

India is the largest milk producing country in the world with a milk output of around 100 million tonnes in 2004 and the largest bovine stock population in the world. While the world's

dairy production is growing at around 1-2% p.a., India is amongst the highest growth dairy market with production growing at 3-4% p.a. In the wake of subsidies for dairy products being phased out in developed countries following WTO agreements, India is poised to play an important role in the international dairy business. The milk production and dairy business has shown a strong growth in the last 2-3 years and is expected to be one of the fastest growing markets for milk/milk products especially in the context of its current low per capita availability and consumption of milk and milk products.

The future of the world dairy market is positive as demand is increasing and production rising in several countries. A large portion of the growth is expected to come from the developing nations, which are expected to become hubs for sourcing dairy products for export. The Govt. on its part have also done away with the stringent milk shed provision from MMPO 1992 thus enabling the dairies to procure milk from anywhere in the country without restrictions. This move is expected to improve the milk supplies to private dairies from Co-operative sector whose track records on making prompt payments to milk producers are not so encouraging.

Product portfolio

The Company manufactures and sells the following products:

- Ice creams under the brand “Arun”
- Standardised milk – “Arokya”
- Toned milk ,
- Cream, Butter & Ghee.
- Skimmed Milk Powder, Whole Milk Powder & Dairy Whitener

The Company's key markets are whole of Tamil Nadu and Karnataka, and in major cities in Kerala like Trivandrum, Quilon, and etc. for milk. Ice cream is marketed through out South India. Dairy Ingredients are marketed on all India basis and also exported to more than 30 countries.

Arun Ice Creams:

The company has been in the Ice cream business for more than 35 years and it is the premium product of the company. The company was the first to introduce the “Sit & eat concept” in ice cream industry. It has been successful in giving varieties in ice creams satisfying the tastes and preferences of various analogous groups. The brand “Arun” is a house hold name in South India and the brand value itself worth several crores.

During the year 2007-08, the ice cream division achieved a turnover of around Rs.438 millions and it expects to achieve a target of around Rs.500 millions during the current financial year.

The company also earns export revenue by exporting ice creams to Maldives. It has been despatching ice creams by air to Andaman Island. Arun is a familiar brand in Brunei and Seychelles.

There are more than 70 delicious varieties like exotics, cups, bars, delights and specialities.

Manufacturing facility

The company's dairy units are located in Salem and Kancheepuram in Tamil Nadu, Belgaum in Karnataka and the ice cream unit in Chennai.

Key features in dairies

- Capacity to handle 16,00,000 litres of milk per day;
- Spray drying capacity of 15 MT and 20 MT cumulative of 35 tonnes per day in Kancheepuram.
- Spray drying capacity of 25 MT per day in Salem.
- Totally the company is equipped to handle 60 MT of Milk Powder and 30 MT of FAT.

- ISO 9001 certified manufacturing facility that has been extensively upgraded in the last three years; ISO 14000 certification for environment standards: HACCP certificate for manufacturing process for milk and ice creams
- Export Inspection Agency approval for the production facility and process.
- First company in India using Bactofuge Technology to clarify liquid milk:
- State of the art laboratory for process control, product quality control and product development including Micro Biological Lab;
- Capable of being scaled up for higher volumes and enhanced product range;
- Well-maintained assets

Milk procurement

- The Company has an excellent milk collection system with chilling centres in operation.
- Chilling centres in more than 50 places and a fleet of more than 1,500 milk vans on contract.
- Its milk-shed area is spread over 15 districts in Tamil Nadu and 5 in Karnataka and covers over 3,00,000 milk producers and 2000 medium and bulk milk vendors.
- The Company is also involved in dairy extension services to farmers for the development of livestock quality and yields.
- Besides this the company also has tie up with banks for arranging agricultural loans to milk producers.
- More than 100 Veterinary doctors under direct employment rendering full scale animal care to the milk producers.

Sales and Distribution Network

- The company has strong logistics and distribution network in ice cream and milk.
- Around 1,000 exclusive ice cream parlours spreading over entire Tamil Nadu and Parts of Andhra Pradesh and Karnataka cater to the needs of the consumers.
- The company has 12 Cold room distribution points, strategically located for quick and easy distribution of its products.
- In the milk segment, the Company's distribution network comprises of 150 wholesale distributors and over 8,500 dealers for milk.
- More than 500 milk van handling distribution and covering a distance of 250 to 300 KMs each.
- Leader in liquid milk among the private sector dairies and market leader for southern ice cream market.
- Export of milk powder and butter oil to more than 30 countries namely Dubai, Saudi Arabia, Iran, Ceylon, Singapore, Yemen, Thailand, Malaysia, Algeria, Canada, Japan etc. and targeting 20% of the total revenues from export by 2008-09.

The company has started manufacturing value added milk powder, butter oil, butter and ghee and has started exporting powder and butter oil to Gulf, Canada, South Asian nations and African countries. The export potentials look very promising with the cut back and abolition of subsidies for dairy products in American and European countries.

In addition, ARUN ice creams are available in Brunei and Seychelles and steps are being taken to market ARUN ice creams in Singapore.

The company derives its strength from its strong rural linkage with farmers by sheer organization of geographically penetrated milk collection network

The company enjoys excellent relation with bankers under multiple banking and the track record of loan is standard.

OBJECTIVES OF STUDY

Primary objective

To analyze the working capital management of Hatsun Agro product Ltd from the financial year 2005 to 2009.

Secondary objective

- To analyze the liquidity position of Hatsun agro product ltd during the period 2005 to 2009.
- To analyze the current assets of Hatsun Agro product Ltd during the period 2005 to 2009.
- To analyze the current liabilities of Hatsun Agro product Ltd during the period 2005 to 2009.

RESEARCH METHODOLOGY

What is research:- Research could be understood as an organized activity with specific focus (objective) on a problem or issue supported by compilation of related data and facts, involving application of relevant tools of analysis and deriving logically sound inferences based on originality.

Use of Ratio analysis tools

- Current assets ratio
- Liquidity ratio
- Cash ratio
- Inventory turnover ratio
- Inventory turnover period
- Debtors turnover ratio
- Debtors collection period
- Working capital turnover ratio
- Current assets turnover ratio
- Total assets turnover ratio

STATEMENT OF THE PROBLEM

In order to maintain flows operations every firm needs certain amount of current assets. For example cash is required to pay for expenses or to meet obligations for services received or goods purchased etc, by a firm. On the identical plane inventories are required to provided the link between production and sale. Similarly accounts receivable generate when goods are sold on credit.

Needless to mention cash, bank, debtors, bill receivables closing stock (including raw materials, work in process, finished goods), prepayments and certain other deposits and investments which are temporary in nature present current assets of a firm.

Economists like mead, mallet, backer and field are of the opinion that the whole of these current assets forms the working capital of a firm. And this concept of working capital of a firm is frequently termed as gross working capital, in the area of financial management.

SCOPE OF THE STUDY

A study is on the investment made by Hatsun agro product Ltd, on its working capital & its adequacy, and the factors determining that investment. Also the study concentrates on the liquidity position of the firm. Study is made on the techniques used by a firm for the management of its current assets and the sources through which the working capital is available for the firm.

LIMITATIONS OF THE STUDY

Study makes an extensive use of information provided by financial statements and if there is window dressing, the findings could be misleading.

- As there is no standard formula for ratios, different people may express different opinions.
- No other company in the same sector has been considered to evaluate the ratio standards.

This being an academic study, suffers from time and cost consideration.

CURRENT RATIO

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio, also known as working capital ratio. This ratio is most widely used to make the analysis of a short-term financial position or liquidity of a firm. It is calculated by dividing the total of current assets by current liabilities. Thus,

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

TABLE-1
CURRENT RATIO

year	Current assets(Rs)	Current liabilities(Rs)	Ratio
2004-05	252949	283753	0.89
2005-06	317,994	321,535	0.98
2006-07	380,592	470,225	0.80
2007-08	892,978	776,965	1.14
2008-09	648807	614916	1.05

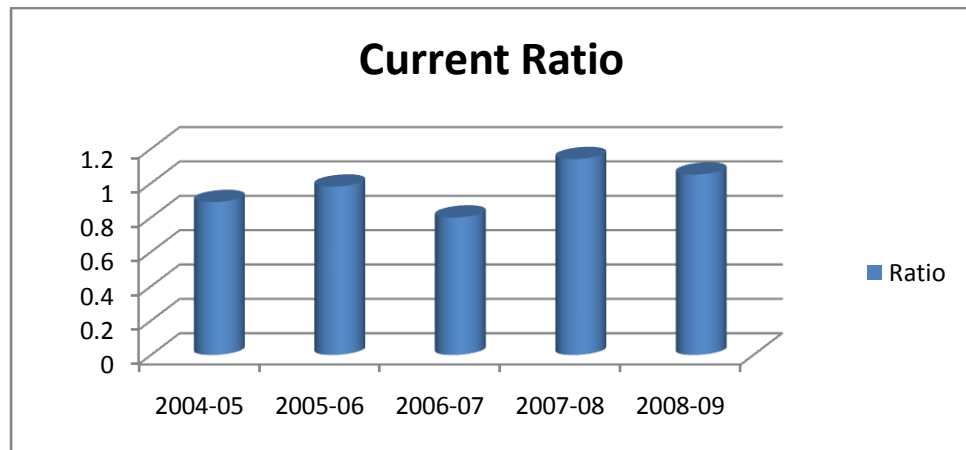


CHART-1

INTERPRETATION

The ratios are lesser than the standard norm (2:1), which indicates the downtrend

CONCLUSION

Hatsun Agro Products Limited Company's main process is Manufacturing and distribution of dairy products. They are dealing with the familiar products like Arun ice creams, Arokiya milk products etc., their focus is to Maximize sales for the current year. This study helps me a lot to know what exactly the working capital management is in Hatsun Agro Products Ltd. Chennai They are maintaining good working capital ratio for the current year. The study is very useful to the company and the company has to make some changes in the working capital and this study will be helpful for the company to achieve its goal.

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