



**WORKING CAPITAL MANAGEMENT IN CASHEW
PROCESSING INDUSTRY
(A Case study of Paranjape Agro Product Pvt. Ltd, Ratnagiri)**

Dr. Suvarna Deuskar
Associate Professor and Head,
Department of Commerce Arts, Commerce and Science College,
Lanja Dist- Ratnagiri.



ABSTRACT

In case of cashew processing industry working capital has significant importance. Cashew processing units in the Ratnagiri district are labour intensive, seasonal nature, small and tiny. Paranjape Agro Pvt. Ltd. Co. is one of the largest and leading cashew processing company in the Ratnagiri district. Compared to other cashew processing units is managed by professional approach. Providing qualitative products as per customers needs in various taste is the motive of this company. Though is company is fast growing, there are some problems in working capital management of company due its seasonal nature. Huge amount blocked up in inventory of raw material, finished product as well as in form of account receivables. It results in requirement of huge amount of working capital as well as inefficient management of working capital. In this research an attempt is made evaluate management of working capital of the company.

KEYWORDS: *Management, working capital, current ratio, absolute liquid ratio, cashew processing industry.*

INTRODUCTION

Working capital is the life blood and nerve centre of a business. Just as circulation of blood is essential in the human body for maintaining life, working capital is very essential to maintain the smooth running of a business. No business can run successfully without an adequate amount of working capital. Working capital management refers to the management of current or short-term assets and short-term liabilities. Components of short-term assets include inventories, loans and advances, debtors, bills receivables, marketable investments and cash and bank balances. Short-term liabilities include creditors, trade advances, bills payable, borrowings and provisions. The major emphasis is, however, on short-term assets, since short-term liabilities arise in the context of short-term assets. It is important that companies minimize risk by prudent working capital management. The concept of gross working capital includes total investment in current assets of the firm. Net working capital is the difference between current assets and current liabilities. Hence working capital management is usually concerned with administration of the current assets as well as current liabilities. Negative working capital indicates that a company currently is unable to meet its short term liabilities with its available current assets. Companies with negative working capital may lack the funds necessary for growth. Effective management of working capital is means of accomplishing the firm's goal of adequate liquidity.

In case of cashew processing industries, working capital has more significance than fixed capital. In case cashew processing industry raw material i. e. cashew nut is a seasonal produce. Therefore it is available in the market for certain period generally March to May. It results in huge working capital blocked in stock of raw material. On the other hand the finished product cashew kernels sold throughout the year as per demand in the market. It results in huge amount blocked in finished stock also. From the study relating to the marketing of finished products it seems that there is

dominance of mediators in the marketing channels. The credit period allowed to mediators is also in general more than four months. Therefore working capital in cashew processing industry is more.

M/s. Paranjape Agro Products (India) Private Limited is one of the leading cashew processing unit in the Ratnagiri district selling variety of cashew kernels and value added products of cashew in the domestic as well as export market. This is one of the growing unit which is managed professionally. It has its clear vision and mission for expansion. On this background the researcher has finalized research topic as:

OBJECTIVES OF THE STUDY

1. To take an overview of the "Paranjape Agro Product Pvt. Ltd." Which is one of the largest cashew processing unit in the Ratnagiri district.
2. To study working capital management in the selected cashew processing industry.
3. To evaluate problems in the working capital management in the selected cashew processing industry.
4. To suggest the measures to overcome the problems relating to the working capital management.

RESEARCH METHODOLOGY

Secondary Data:

For the present study secondary data have been collected from the company. For acquire qualitative information discussion have been made with owners and office bearers.

DISCUSSION

Profile of the Company

M/s. Paranjape Agro Products (India) Private Limited was established in 2010 with an objective of buying and selling of agro products mainly cashew kernels. It was established with an authorized Capital ₹ 5,00,00,000 and its paid up capital was ₹ 4,86,12,000.

M/s. Paranjape Cashew Products is owned by Mrs. Samruddhi Paranjape who is chairperson and Mr. Hrushikesh Paranjape is a managing director of this company. At the beginning company's daily processing capacity was 1 ton but due to overwhelming response by customers, the capacity of cashew processing plant of 10 tons. It process cashew kernels in 32 grades, cashew nuts in 15 flavours as well as cashew nut shell liquid with a motto "Quality Products at Reasonable Price".

Mrs. Samruddhi Paranjape received "Women Entrepreneur Award for 2013" (Maharashtra & Goa states combined) by Sakal newspaper and MITCON. "Quality Products at Reasonable Price" is a motto of company. It is contributing a worth as a corporate social responsibility for welfare of the workers in the company.

This company is managed by professional approach which include:

- Clear focus on quality
- Increase in Quantity
- Smart pricing policy

Mission

- To deliver Zero defect" but positive effects products.
- To empower employees for their as well as Company's betterment.
- To gain confidence of customers by providing the best quality products in essential quantity.

Varieties of Cashew Kernels:

1. W-180

This type is big in size, pure white in color, without any scratches or blade marks, and consists of undamaged and quality cashews. 50 gm. in weight are equivalent to 18-20 cashew nuts.

2. **W-210**
This cashew is slightly smaller than W-180 and is big in size, pure white in color, without any scratches or blade marks. 50 gm. in weight are equivalent to 23-24 cashew nuts.
3. **W-240**
This cashew is slightly smaller than W-210 and is big in size, pure white in color, without any scratches or blade marks, and consists of undamaged and quality cashews. 50 gm. in weight are equivalent to 26-27 cashew nuts.
4. **W-320**
This cashew is slightly smaller than W-240 and is big in size, pure white in color, without any scratches or blade marks, and consists of undamaged and quality cashews. 50 gm. in weight are equivalent to 30-32 cashew nuts.
5. **W-400**
This cashew is smaller amongst all and is big in size, pure white in color, without any scratches or blade marks, and consists of undamaged and quality cashews. 50 gm. in weight are equivalent to 36-38 cashew nuts.
6. **JH**
In this split type W-180, W-210, W-240 are the varieties of cashew split included here.
7. **K**
In this type W-320, W-400 varieties of cashews which have bottom split part cut are included.
8. **S :**
In this split type W-320, W-400 are the varieties of split included here.
9. **BB:**
In this type the very small pieces of cashew nuts are included.
10. **SWP:**
In this type half part of cashew splits are included

Other value added products of cashew kernels

Barbeque, Chatpata, Cheese, Cheese Jalapeno, Green Chutney, Hot Chili, Khatti Mitthi Imali, Manchurian, Cashew Nacho Cheese, Red Chilly Cashews Coated, Classic Salted Cashew Nuts, Sour Cream And Onion, Thy Curry, Tomato Pepper Chilly

Awards & Achievements

- Maharashtra Udyogini Award- 2013
- Press Release source Prahar Newspaper on 14- 10-2015
- Paranjape Cashew Story on ABP Maza

Nutritious Values of Cashew

Nutritious Values	
Protein	21.2 gm.
Carbohydrate	29.5 gm.
Fat	44.2 gm.
Energy	601 Kcal
Moisture	0.40 %
Total Ash	1.30 %
Calcium	48 mg
Phosphorous	346 mg
Vitamin C	0.05 mg
Crude Fiber	Nil

COMPONENTS OF WORKING CAPITAL MANAGEMENT

The components of working capital management are:

1. Cash Management
2. Receivables Management
3. Inventory Management
4. Cash Management:

ANALYSIS AND INTERPRETATION OF DATA

For analysis of data financial tools and techniques have been used like comparative statement , Ratio Analysis etc.

COMPARATIVE WORKING CAPITAL STATEMENT FOR THE YEARS

Particulars	2014-2015	2015-16	Increase	Decrease
Current Assets				
Current Investment	46,02,986	20,48,500	--	(25,54,486)
Inventories	2,10,80,141	4,02,23,155	1,91,43,014	--
Trade Receivable	1,17,89,589	1,99,33,003	81,43,414	--
Cash & Bank Balance	2,97,936	23,97,862	20,99,926	--
Short Term Loans & Advances	-	4,62,707	4,62,707	--
Other Current Assets	7,56,676	11,83,810	4,27,134	--
Total Current Assets	3,85,27,328	6,62,49,038	2,77,21,710	--
Current Liabilities				--
Short Term borrowing	2,34,07,714	4,58,66,094	2,24,58,380	--
Trade Payable	53,27,001	71,61,634		--
Short Term Provision	7,50,144	26,88,869	45,76,857	--
Other Current liabilities	600	6,600	6,000	--
Total Current liabilities	2,94,85,459	5,57,23,198	2,62,37,739	--
Net Working Capital	90,41,869	1,05,25,840	14,83,971	--

From the above table it shows that during the year 2014-15 the company has ₹ 90,41,869 net working capital. In the year 2015-16 there is an increase to ₹ 1,05,25,840 in the net working capital. There is net increase in working capital by ₹ 14,83,971.

CURRENT RATIO

Year	2014-2015	2015-16
Total Current Assets	3,85,27,328	6,62,49,038
Total Current liabilities	2,94,85,459	5,57,23,198
Current Ratio	1.31	1.19

From the above table it indicates that, during the year 2014-15 the current ratio was 1.31 whereas it was decreased to 1.19 in the year 2015-16. Standard current ratio is 2:1. In case of this company, it is below the standard norm. It indicates that short term liquidity position of this company is very poor.

ABSOLUTE LIQUID RATIO

Absolute liquid ratio may be defined as the relationship between absolute liquid assets and current liabilities. Absolute liquid assets include cash in hand and cash at bank. The standard ratio is 0.5: 1.

Absolute Liquidity Ratio = Cash & Bank Balance/ Current Liabilities

Year	2014-2015	2015-16
Cash and bank balance	2,97,936	23,97,862
Current Liabilities	2,94,85,459	5,57,23,198
Absolute liquidity Ratio	0.01	0.04

From the above table it seems that during the year 2014-15, the absolute liquidity ratio was 0.01, and in the year 2015- 16 it was 0.04. It indicates that the absolute liquidity ratio has increased in the year 2015-16 compared to 2014-15. But the actual absolute ratios for both the years are less than standard norms. It indicates immediate liquidity position of this company is poor.

STOCK TO WORKING CAPITAL RATIO

Year	2014-2015 *	2015-16 *
Inventories	2,10,80,141	4,02,23,155
Working capital	90,41,869	1,05,25,840
Stock Working Capital Ratio	233%	382%

From the above table it seems that out in the year 2014-15 inventory was 233% and in the year 2015-16 it increased to 382%. It indicates that short term liquidity position of company is poor due to poor working capital management

Limitations Of The Study:

- The period of study is limited to two years of data study i. e. 2014-15, 2015-16.)
- The working capital is calculated from the balance sheet of the company.

CONCLUSIONS

- Working capital of the “Paranjape Agro Product India Pvt. Ltd.” company shows positive working capital.
- In case of net working capital of this unit it increased during the year 2015-16 compared to the year 2014-15.
- During the year 2014-15 the current ratio was 1.31 whereas it was 1.19 in the year 2015-16. This shows the current ratio has decreased in the year 2015-16. Working capital management in this company is not satisfactory because actual current ratios for 2014-15 and 2015-16 are below the standard norm which is 2:1.
- During the year 2014-15 the absolute liquidity ratio was 0.01, and in the year 2015- 16 it was 0.04. This shows the absolute liquidity ratio has been increased during the year 2014-15. But while comparing with the standard norm i.e. .5:1, it indicates that immediate liquidity position is very poor.
- In case stock working capital ratio it seems that stock to working capital was 233% and 382% during the year 2014-15 and 2015- 16 respectively.
- While evaluating management of inventory management it was found that as cashew nut production is seasonal huge amount is blocked in inventory of raw material i. e. cashew nut.
- Seasonal production and marketing throughout the year is the major problem cashew processing unit. It results in huge amount blocked up in inventory in finished stock.
- In the marketing channel, mediators are dominant. The credit period allowed to debtors is on an average more than 4 months. It results in more necessity of working capital requirement to this industry.

SUGGESTIONS

- Promotion of cashew production and processing on a cluster basis: has been done in some locations, and stakeholders suggested more organized functioning in clusters brings benefits to producers, labourers as well as for processing and marketing.
- Awareness programmes are needed for improved production and processing practices for marketing of Cashew. Training in cashew processing is being provided on regular basis in Ratnagiri by Konkan Krishi Vidypeeth, Dapoli and Vengurle Research Centre
- To store the raw cashew for longer period to make it available in off season, there are requirements of common warehouse and cold storage facilities in taluka on priority basis. Demand for a branch of the Cashew Export Promotion Council of India in either Ratnagiri.
- Scope for cashew apple processing is the best solution to increase profitability by optimal using fixed and working capital as is being tried out in Goa and utilization of cashew apple in Brazil.
- Port development to facilitate direct export from the district, instead of routing via Mumbai.
- Working capital of the company has increased in year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term

All over company should manage the net working capital of the company in such a way that it should enhance the effectiveness and efficiency of the company's profitability.

- To eliminate dominance one brand selling of cashew kernels is one of the best solution.
- Direct marketing channels should be established to avoid huge commission of mediators which is 30 to 40 percent and to increase profitability.

REFERENCES

BOOKS

1. Prasanna Chandra, Financial Management TATA McGraw HILL Publications, (6th Edition),
2. I.M. Pandey financial Management. Vikas publication Pvt. And (9th edition)
3. Robert Allan Hill Working Capital Management strategy

WEBSITES

<http://paranjapeagro.com>