PREFACE

In a highly competitive and contemporary industrialized world, managers of every level have to face the dilemma of having a well organized financial administration. Effectiveness of an organization can be measured primarily through various financial parameters such as profits, earnings, taxes, loans, working capital and payments made to investors in the form of dividend etc. Solid financial foundation of any company including fertilizer companies can only be built on a sound fiscal foundation, which eventually depends upon the accessibility to sufficient funds in the shape of working capital. Management of working capital and earnings is a noteworthy role of a Finance Manager since it affects the price of shares in the stock market and dividend to the Shareholders.

Working capital is both life-blood and spirit of a company, just as flow of blood is indispensable to the human body for maintaining life, working capital is equally vital to maintain the smooth functioning of a business, without which no organization can bring a sound solvency to the business. It enables a company in creating and maintaining benevolence. It also enables a business undertaking to pay off its current dues and also provides much needed supply of raw materials. Adequate working capital provides vigor to the company and capability to countenance disaster. Working capital is tremendously crucial for meeting the daily necessities of a company. No business can flourish without working capital.

The study of management of working capital in Fertilizer Industry of India essentially has been undertaken for the objectives which are: 1) to study the structure of working capital, 2) to study the relationship between liquidity and profitability, 3) to study the impact of working capital on profit, 4) to study the trends of working capital, 5) to study the financing of working capital, 6) to examine the management of inventory, receivables, cash and payables. Main objective of the study is to evaluate management of working capital in
the sample companies of Fertilizer Industry of India. However, a comparative logical study has been undertaken wherever it is feasible for better conclusions.

Sample for the present study has been chosen on the basis of stratified random sampling method from population formulated by including the big players of the Fertilizer Industry of India except the Cooperative Sector from which both the companies have been included in the sample for the sake of within sector comparison. Numerous big and small companies are engaged in the business of manufacturing and marketing of fertilizers but only 10 companies were selected from the 26 prominent companies for the purpose of present study.

In this empirical study, statistical techniques i.e. Arithmetic Mean, Standard Deviation, Coefficient of Variation and Correlation have been used for descriptive analysis. Financial Ratio such as Current Ratio, Profit before Tax Ratio, Quick Ratio, Return on Total Assets, Inventory Turnover Ratio, Receivable Turnover Ratio and Payable Turnover Ratio have been utilized for financial analysis.

On the whole present study reveals that management of working capital needs a lot of improvement for the entire industry, especially in the field of inventory and receivables as these constitute major components of working capital. These require special attention so as to abstain from ill effects associated with their imbalance, such as bad debts and inventory carrying costs. Sound financial performance of companies under study can only be improved by managing working capital efficiently and effectively.

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Place: Ludhiana (SWARAN SINGH)