Prediction of Sales Positin in Pvt Ltd Company

M.UMA[1],R.ROHINI[2]

1-M.Uma,Assistantprofessor,DeptofB.Com(AF)&B.Com(BA),PSGRKrishnammalCollegefor Women.

2-R.Rohini,IIIB.ComA&F,PSGRKrishnammalCollegeforWomen.

ABSTRACT:

Sales turnover measures the number of times inventory is sold and replaced during an accounting period. The study aims to investigate the effect of working capital management components and policy towards profitability of the concern for the past 5 years. The ratio used to implement the study was sales turnover ratio. From the study sales turnover ratio of ABC Ltd for the past 5 years projected that the company covers its average cost of production by 6 times.

KEYWORDS: Working capital and profitability.

1.INTRODUCTION

The total amount of revenue generated by business during the calculation period is the sales turnover. In order to spot meaningful changes in activity levels the concept is used for tracking sales levels on a trend line through multiple measurement period. The calculation period is usually one year. Both cash sales and credit sales of revenue are included in this calculation. The amount includes only revenue that is generated from daily operations, not non-operating revenue.

Objectives of the study

The main objectives of the study is to know the sales turnover ratio of the company for past 5 years.

Advantages

- Regular supply of raw material andcontinuous production.
- Solvency of the business by providing uninterrupted of production
- Exploitation of favorable market conditions.
- Quick and regular return on investment.

Benefits

- Increase in profitability from efficient management of capital.
- Provides a line of credit facility.
- Manage impact of rising commodities prices.

- More cost-effective processes.

Scope of the study

A good manufacturing company has some basic capital for producing the goods required before it starts selling them. It has to take care of production expenses, administration expenses as well as selling expenses. Moreover, since business is usually done on credit, there is a time lag between the date of sale and date of receipt of revenues.

2.RESEARCH METHODOLOGY

Tools used for analysis

Ratio analysis

Limitation of the study

- Due to the time constraint the study is confined to the assessment of working capital management only.
- Data collected for 5years which is limited.
- The study is confined to secondary sources of data and figures are taken from the annual reports and suggestions of various accountants.
- The data which is used in this project are taken from the annual reports, published at the end of year.
- The study is limited to the period of 5 years.

3.REVIEW OF LITERATURE

- **AkinoOlayinkaOlufisayo (2012**) carries out a detailed study of the determinants of working capital requirements – both internal and external of 66 firms in Nigeria. The study covers the period from 1997 to 2007. On the basis of the results it was found that sales growth, firm‟s operating cycle, economic activity, size and permanentworking capital are the firms‟ specificcharacteristics that positively drive working capital policy. Leverage, however, is inversely related to working capital requirements. The results conclude that traditional valuation methods used to quantify the efficiency of corporate working capital policy may be suspect as increased investments in operating working capital may be necessitated by increase in business uncertainties.
- **Chandra H. and Selvaraj A. (2012)**analyses the working capital management of selected Steel Companies in India for the period from 2000-01 to 2009-10. To measure the effective utilization of working capital, operating cycle and cash conversion cycle were used. Besides, to measure the determinants of cash conversion cycle, the Kieschnick model was used. The study concludes with the observation that the size of a company plays a vital role in determining the efficiency of its working capital

management. The working capital ratios across the small, medium and large sized steel companies have played a vital role in determining the working capital management of the selected Indian steel companies.

- **Joshi Lalitkumar and GhoshSudipta (2012)** study the working capital performance of Cipla Ltd during the period 2004-05 to 2008-09. Financial ratios have been applied in measuring the working capital performance, and statistical as well as econometric techniques have been used. It was observed that the selected ratios show satisfactory performance, and significant negative relationship between liquidity and profitability is found to exist.

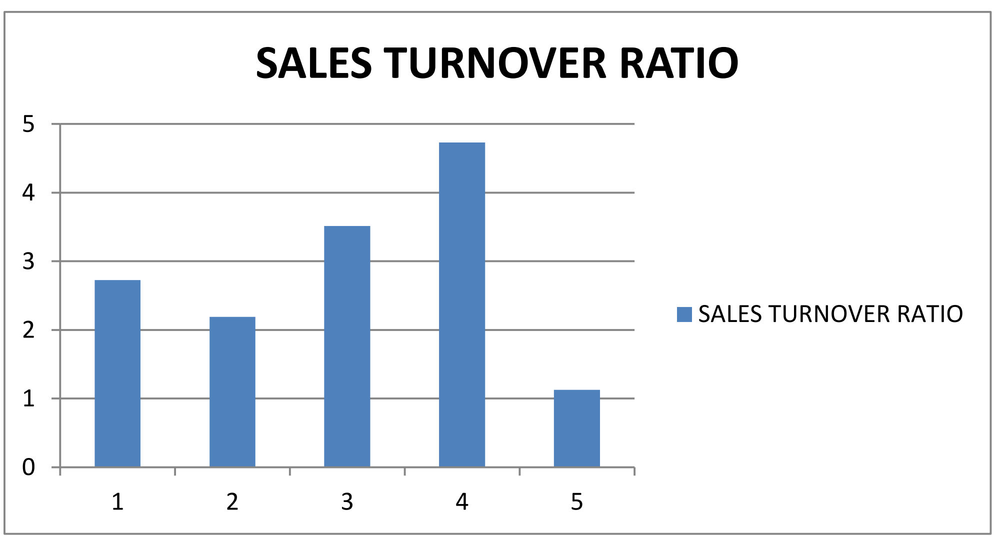
4.FINDING OF THE STUDY

Tools used –Ratio analysis

SALES TURNOVER RATIO

The sales turnover can also be approached based on the amount of products sold. It is the cost of goods sold divided by the average price of your products.

S.NO	YEAR	COST OF GOOD SOLD	AVERAGE AMOUNT OF INVENTORY	SALES TURNOVER RATIO
1	2015	1936400	7102400	2.726
2	2016	1488900	6798700	2.189
3	2017	1478500	4208200	3.513
4	2018	1936100	4090000	4.734
5	2019	2485500	2200520	1.129



INTRPRETATION:

The above chart represent the stock turnover ratio of ABC ltd company for the past 5 years. Generally 4 to 6 is considered as normal sales turnover ratio but the show company reveals that it has the stock turnover ratio of 2.7 to 1.1. It should be noted that company has attained highest sales turnover ratio of 4.7in 2018 and has declined rapidly to 1.1 in 2019.

Note: All the values are INR Millions

5. Conclusion

To be concluded thatafter continuous research and development in an urge to create the cleaners appropriate for Indian condition, the first Overhead Travelling Cleaners were manufactured from scratch and marketed. Ensuing major success in design and technology,culture of quality and customer focus, the company positioned well in the global market and is continuously growing with a variety of products customized to the needs of the fast growing Textile Industry. Therefore from the study sales turnover ratio of ABC ltd for the past 5 years projected that the company covers its average cost of production by 6 times.

BIBLIOGRAPHY:

- Akino Olayinka Olufisayo, (2012), Determinants of Working Capital Requirement in Selected Quoted Companies in Nigeria, Journal of African Business, Vol.13, No. 1, pp. 40-50
- Chandra H. and Selvaraj A., (2012), Working Capital Management in Selected Indian Steel Companies, Indian Journal of Finance, Vol. 6, No. 11, pp.5-15.
- Joshi Lalitkumar and Ghosh Sudipta, (2012), Working Capital Management of Cipla Limited: An Empirical Study, International Journal of Marketing, Financial Services and Management Research, Vol. 1, No. 8, p. 170-186