

WORKING CAPITAL MANAGEMENT OF PAPER MILLS

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ABSTRACT

A well designed and implemented working capital management has a significant contribution for firm's profitability as well as to maintain liquidity powers. The purpose of this study is to assess working capital adequacy and its impact on profitability; to investigate the relationship between profitability and liquidity of firms. Working capital refers to the firm's investment in short term assets. The management of working capital is important to the financial health of business of all sizes. The amounts invested in working capital are often high in proportion to the total assets employed and so it is vital that these amounts are used in an efficient way. The management of working capital affects the liquidity and the profitability of the corporate firm and consequently its net worth (Smith, 1980). Working capital management therefore aims at maintaining a balance between liquidity and profitability while conducting the day to day operations of business concern. Inefficient working capital management not only reduces the profitability of business but also ultimately lead to financial crises, Chowdhury and Amin (2007). The study aims to provide empirical evidence about the effects of in current assets and current liabilities of Andhra Pradesh Paper Mills Limited and Seshasayee Paper Mills Limited.

KEYWORDS: Working Capital, Liquidity Ratio, Short Term Liquidity Position, Current Ratio, Acid Test Ratio
Cash Ratio, Current Liabilities and Current Assets