

AN COMPARATIVE ANALYSIS OF WORKING CAPITAL AND PROFITABILITY IN ONLINE SERVICES SECTOR WITH REFERENCE TO IRCTC AND NYKAA

Hingu Kajal G

Ph.D. Research Scholar Department of Commerce Saurashtra University Rajkot

Dr. Sonal Nena

Assistant Professor J. J. Kundaliya Arts and Commerce College Rajkot

ABSTRACT

The Online Services Sector is one of the most important industry in India. In India there are many large and developing industries (Crude oil, Coal, Refinery, Cement, Textile, Steel, FMCG, Agriculture) and has significant contribution to GDP of India. The main Objective of the study is to analyse the Working Capital and Profitability of company during the study period is 2019-20 to 2022-23. Data Collection is based on secondary data collection method. Sample Selection is judgemental non parametric sampling method is used. For Data Analysis T-test is applied for Analysis of Working Capital and Profitability, Findings is that there is a significant difference between Current Ratio and Quick Ratio of company, and there is no significant difference between Inventory Turnover Ratio of both company. Due to their Working Capital Ratio Profitability of company also effected so NYKAA should maintain their Working Capital Ratio for increase their Profitability.

WORKING CAPITAL AND PROFITABILITY

Working capital (WC) is a financial metric which represents operating liquidity available to a business, organisation, or other entity, including governmental entities. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Gross working capital is equal to current assets. Working capital is calculated as current assets minus current liabilities.

Profit margin is a financial ratio that measures the percentage of profit earned by a company in relation to its revenue. Profit margin is important because this percentage provides a comprehensive picture of the operating efficiency of a business or an industry. All margin changes provide useful indicators for assessing growth potential, investment viability and the financial stability of a company relative to its competitors.

ONLINE SERVICES SECTOR

India's e-commerce sector has transformed the way business is done in India and has opened various segments of commerce ranging from business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C) and consumer-to-business (C2B). Major segments such as D2C and B2B have experienced immense growth in recent years. India's D2C market is expected to reach US\$ 60 billion by FY27. The overall e-commerce market is also expected to reach US\$ 350 billion by 2030 and will experience 21.5% growth in 2022 and reach US\$ 74.8 billion. In FY23, the Gross Merchandise Value (GMV) of e-commerce reached US\$ 60 billion, increasing 22% over the previous year. In FY22, the GMV of e-commerce stood at US\$ 49 billion.

LITERATURE REVIEW

(Prashant D, 2013) The purpose of this study is to investigate the impact of working Capital management on liquidity, profitability and element of risk on the Infosys and TCS Company. To achieve these objectives, data has been collected from secondary sources and For getting results various kind of financial ratios are used. The financial ratios of both Companies are analyzed with paired T-test. This study will help to both companies in Management of their working capital and improving short term solvency position of the Companies.

(Kandil G, 2020) This study aims to calculate the working capital management efficiency of 19 companies, which

are listed on the BIST Sustainability Index (XUSRD), created in 2014, between 2015 and 2018, by using the Index method developed by Bhattacharya (1997). Besides, the Wilcoxon Signed Ranks Test is used to see whether there is a significant difference between the working capital efficiency values Of the companies listed on the sustainability index before and after their inclusion. Findings- The companies' working capital management index values decrease after being included in the sustainability index. Additionally, The difference between the working capital management index values before and after being included in the corporate governance index is Found to be significant.

(Bhattacharya S, 2023) The paper argues that automotive industry occupies a significant proportion of global economy. Therefore, an effort has been made to undertake an in-depth study on the industry. The study besides identifying the industry leader, explores diverse techniques to advance comparative study on the industry efficiency level in managing working capital process. The research outcome facilitates investors to choose the most commendable automotive companies for investments.

(Sugathi P, 2014) This paper analyse Working Capital Management By Public and Private sector Banks for the period of 2008 to 2013. It indicate the importance of Working Capital Management in both Public and Private sector Banks for insolvency using T-test. It is concluded that both Public and Private sector Banks are aggressive approaches and concentrating Profit maximization and also short term solvency has not been neglected.

RESEARCH OBJECTIVE

- 1) To evaluate the comparative working capital position of both company.
- 2) To analyse the performance of both company.
- 3) To evaluate the relationship between working capital and profitability of company.

HYPOTHESIS OF THE STUDY

- 1) H₀ : There is a no significant difference between Current Ratio of both company during the study period.
- 2) H₀ : There is a no significant difference between Quick Ratio of both company during the study period.
- 3) H₀ : There is no significant difference between Inventory Turnover Ratio of both company during the study period.
- 4) H₀ : There is no significant difference between Net Profit Margin Ratio of both company during the study period.

Period Of The Study:

Period of the study has been considered from 2019-20 to 2022-23.

Scope Of The Study:

There are mainly two scope of study 1) Functional Scope: In this working capital and profitability and their analysis is covered. And 2) Geographical Scope: Whole India is Geographical scope for the study.

Data Collection:

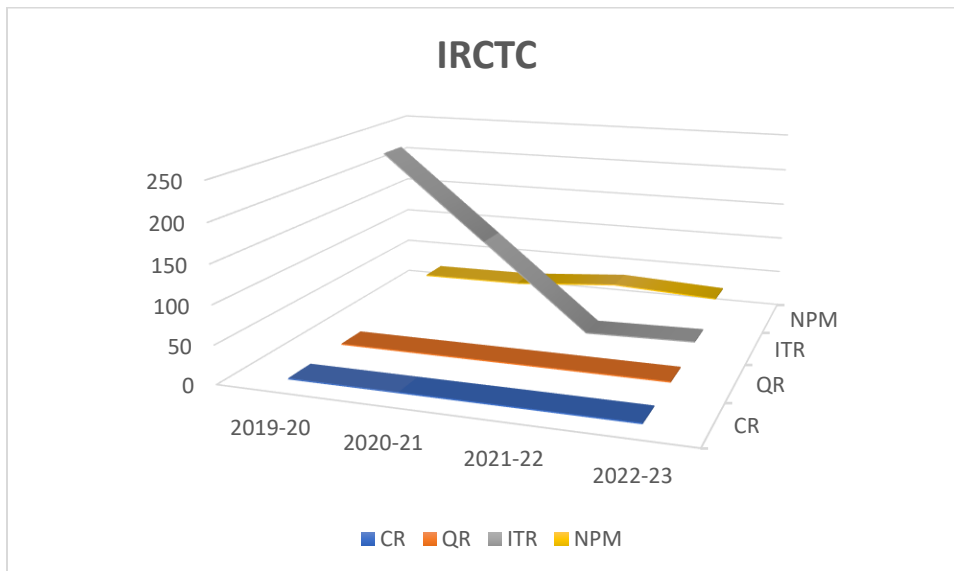
Data collection for this study is mainly based on secondary data collection method. Which published in annual reports of the company and official website of company and Government.

Sample Selection:

There are mainly two sample selected based on market capitalisation as on (15/01/2024) and listed on National Stock Exchange.

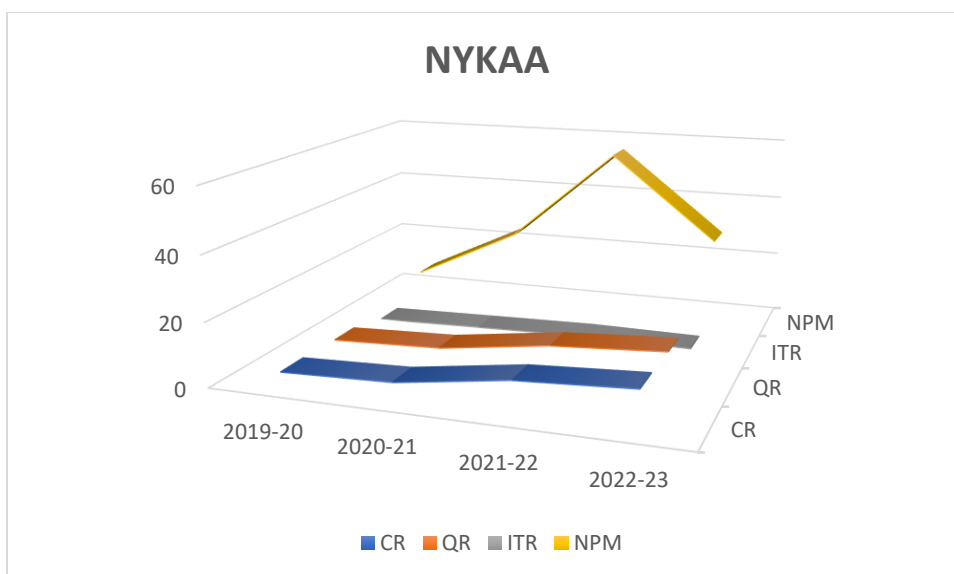
DATA ANALYSIS

IRCTC	CR	QR	ITR	NPM
2019-20	1.60	1.59	233.07	23.22
2020-21	1.77	1.77	119.73	24.25
2021-22	1.87	1.86	5.55	35.31
2022-23	1.82	1.82	8.63	28.40



Current Ratio of IRCTC is highest 1.87 in 2021-22 and lowest 1.6 in 2019-20 but it is average for company because they maintain standard Current Ratio during the study period. Quick Ratio of IRCTC is also maintain at standard level during study period. So for that Net Profit Margin Ratio of company is also Good in increasing level at day by day during study period. Inventory Turnover Ratio of IRCTC is too high 233.07 in 2019-20 and lowest 5.55 in 2021-22.

NYKAA	CR	QR	ITR	NPM
2019-20	3.57	2.94	0.00	8.03
2020-21	4.61	4.12	0.71	24.81
2021-22	9.49	8.76	1.36	55.41
2022-23	11.29	10.77	0.97	28.14



Current Ratio of NYKAA 11.29 is highest in 2022-23 and lowest 3.57 in 2019-20, Quick Ratio of NYKAA is also highest 10.77 in 2022-23 and lowest 2.94 in 2019-20, Inventory Turnover Ratio of company is zero in Year 2019-20 And highest 1.36 in 2021-22. Net Profit Margin Ratio is also high 55.41 in 2021-22 when company increase their Inventory Turnover Ratio and lowest 8.03 in 2019-20 when Inventory Turnover Ratio is Zero, so company should

maintain their Inventory Turnover Ratio with Current Ratio.

T – Test Two Sample Assuming Equal Variance

1. **H₀ : There is a no significant difference between Current Ratio of both company during the study period.**

T Stat (Calculated value)	-2.93
P Value	0.02
Table Value (Critical)	2.44 (Two tail)
H₀	Failed to Accept

From the above calculation we can said that the Calculated value -2.93 is not under Two tail critical value so our null hypothesis there is a no significant difference between Current Ratio of both company is Failed to Accept.

2. **H₀ : There is a no significant difference between Quick Ratio of both company during the study period.**

T Stat (Calculated value)	-2.62
P Value	0.03
Table Value (Critical)	2.44 (Two tail)
H₀	Failed to Accept

From the above calculation we can said that the Calculated value -2.62 is not under Two tail critical value so our null hypothesis there is a no significant difference between Quick Ratio of both company is Failed to Accept.

3. **H₀ : There is a no significant difference between Inventory Turnover Ratio of both company during the study period.**

T Stat (Calculated value)	1.68
P Value	0.14
Table Value (Critical)	2.44 (Two tail)
H₀	Accepted

From the above calculation we can said that the Calculated value 1.68 is lower than the Two tail critical value 2.44 so our null hypothesis there is a no significant difference between Inventory Turnover Ratio of both company is Accepted.

4. **H₀ : There is a no significant difference between Net Profit Margin Ratio of both company during the study period.**

T Stat (Calculated value)	-0.12
P Value	0.44
Table Value (Critical)	2.44 (Two tail)
H₀	Accepted

From the above calculation we can said that the Calculated value -0.12 is lower than the Two tail critical value 2.44 so our null hypothesis there is a no significant difference between Net Profit Margin Ratio of both company is Accepted.

FINDINGS

- IRCTC is Maintain standard Current Ratio and Quick Ratio, Inventory Turnover Ratio is high in starting study period but during study period it is maintained and company's Net Profit Margin Ratio is increasing day by day. So company should keep maintain their Working Capital Ratio and achieve fruitful results.
- Current Ratio and Quick Ratio of NYKAA is too fluctuating and also not maintain at standard level and Inventory Turnover Ratio of company is zero in starting study period so company should increase their Inventory Turnover Ratio and also maintain standard Current Ratio and Quick Ratio for higher and continuously Profit.

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