MASTER OF BUSINESS ADMINISTRATION

AWARDED BY NOTTINGHAM TRENT UNIVERSITY

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Assignment Title: Working Capital Analysis of any Publically Quoted Company

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EXECUTIVE SUMMARY

This piece of work has been done to satisfy the need of MBA and to analyze the working capital management of very well known company "PROTON HOLDINGS BERHAD". Before starting the analysis of the working capital management of the company, I have given an introduction to Working capital, working capital management and working capital cycle. After having an idea of the main theme of working capital and its concerns, an introduction of the company is being given to have an idea of company and its position in Malaysian and international market and its income statement and balance sheets are given to utilize them in different working capital calculations. In working capital analysis I have done different calculations to support the analysis and to suggest the best possible choices of company strategies for the improvement of its working capital management. After analayzing working capital management of the company I have suggested some improvements in organization's working capital management on the basis of the analyzation made from its income statements, balance sheets and annual report. And in the end we have concluded our analysis showing the overall background of the company current working capital management strategies.

CONTENTS

1.0 INTRODUCTION

In a perfect world or an ideal organization where everything is perfect and on time, If the organization is built and where every thing it buy like its raw materials, accessories, machines, tools etc and at the same time produce the products from its inventories, sell them and receive the price along with profits on the same time when it has to pay its suppliers. Then this organization will only need money to start of the organization to buy the machines, building and the starting raw materials etc and will not need money to support later because it is earning at the same time and can work by hand to hand method.

But nothing is perfect. Organizations always need to pay their suppliers at different time because of difference in time of receiving of cost of goods sold. Organizations are always liable to pay their employees on the very first day of month without keeping their receivables in sight. Organizations always keep stocks in their stores whether in terms of raw materials or finished goods. Organizations always have to pay their overheads on time. Also owners or shareholders do not pay all the liabilities from their own pocket.

To support all these factors i.e. payments to their suppliers, employees, stocks, awaiting to sell finished goods organizations always take loans and borrowings whether long term or short term, organizations, owners or shareholders always try to manage these inventories and factors involved by means of different sources. E.g.

- Shareholders
- Profits
- Long term loans
- Short term loans / borrowings
- Bank overdrafts
- Accounts receivable and
- Cash reserves

To manage these all assets, companies which are always divided in two major portions. i.e.

- Long term assets OR Fixed assets &
- Short term OR Current assets

Long term or fixed assets always include property, plant, equipment, intangible assets etc which will run for a long time or more than 12 months.

While short term or current assets include raw materials and other inventories, accounts receivable and cash as assets of the organization.

Organizations always try to support their long term assets by long term sources because they will be liable on long term basis and organization will not suddenly face any problem. While short term assets can be from short term sources which will be liable shortly.

Reversibly these short term sources will also liable shortly and will be current liabilities of the company. Companies always try to reduce short term liabilities in order to secure the company from any risk of liquidity or at least try to support their short term or current liabilities from both current liabilities and a portion from long term liabilities.

As long term assets are tried to be supported by long term liabilities, which is fixed either per year or in a portion of time but current liabilities are always variables. Current or short term liabilities can be short term borrowings, bank overdrafts, payments to employees, payments of overheads, payments to suppliers etc.

These current liabilities are always thought to be managed and organizations always try to keep sources to support these current liabilities at the same time. To support these current liabilities again companies try to have sufficient currents assets which can be immediately cash out and can be paid for current liabilities. To support these companies always use its following current assets;

- Stocked finished goods
- Accounts receivable
- Cash or bank balances

This management of supporting current liabilities by different current assets or managing current liabilities or in simple words management of TIME and MONEY of the company is called as “**Working capital management**”.

While **working capital** include those current assets of the organization which are either in raw material form or involved in work in progress. These also come in current assets and therefore working capital will be current assets less current liabilities.

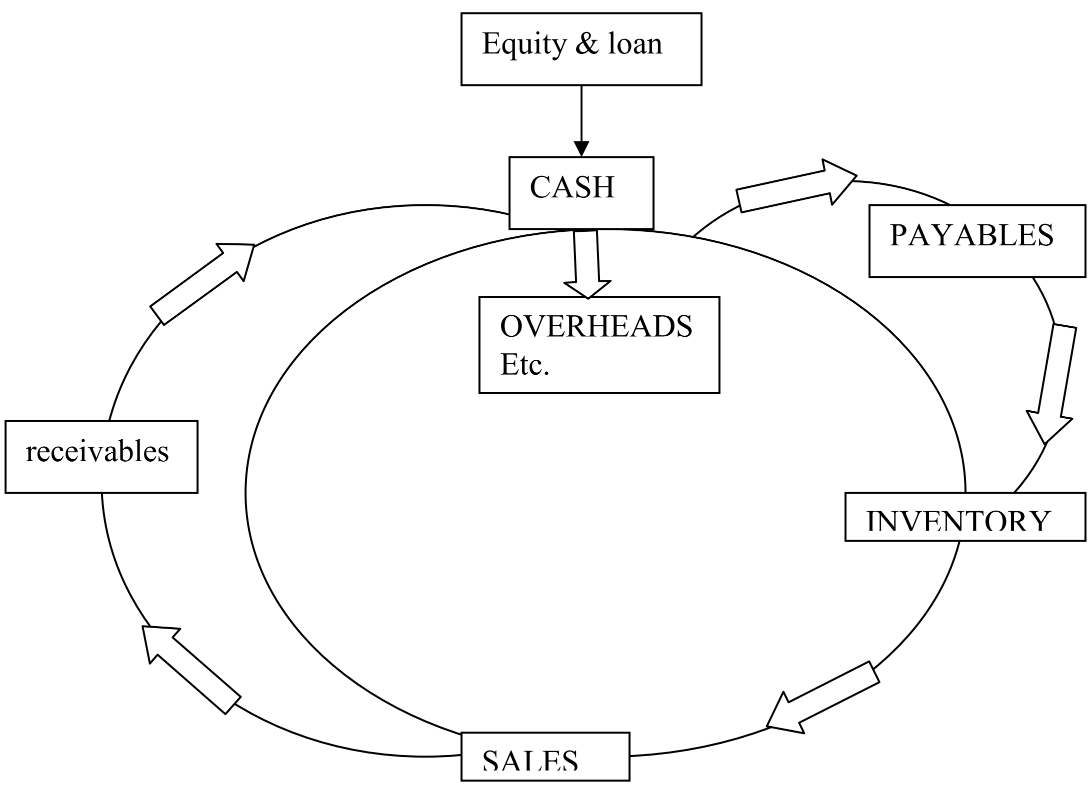
i.e. Working Capital = Current Assets – Current Liabilities

Organizations always try to move towards the concept of zero working capital along with its strategies and try to come more closer to zero working capital by managing time and money of the organization.

Here we have chosen Proton Holdings Berahd and will evaluate its strategies and weaknesses in its working capital management through some working capital management improving strategies.

2.0 WORKING CAPITAL CYCLE

As we have discussed Working capital is the inventory of the organization which is either in stock form or which is involved in work in progress, which from its start to end covers some steps till it comes in finished form and be ready to sell out. This cycle of production or converting raw material to finished goods need a very much sensetive care of different other cycles of the organizations. These cycles include its inventory cycle, accounts recevable cycle, accounts payable cycle and cash conversion cycle. All these aspects refer basically TIME and MONEY of the organization. This management of TIME and MONEY of the organization with all these important cycles or factors are refered to working capital management. Working capital management is the way to faster the movement of TIME and MONEY and by that improve the efficiency of the organization.
These all factors move in a cycle and called as “working capital cycle” as given in below figure.



Main Source : http://www.managementparadise.com/projects/mssi/workingcapital.html

3.0 COMPANY PROFILE

“Driving Malaysia’s transformation into a leader in technology and quality.”

Having this goal the car manufacturing company “PROTON HOLDINGS BERHAD” represents the malaysian national brand in automotive industry. This company was incorporated on May 7, 1983 as a manufacturing, assembling and selling motor vehicles and related parts, accessories and other components.

The first product launched by Proton was Proton SAGA commercially on July 9, 1985 by the former prime minister of Malaysia Dr. Mahathir Muhammad who gave the idea of Malaysian national brand car.

The production plant was established in Shah Alam, Malaysia at area of 923,900 sq meters and had capacity of 80,000 car units per year which then increased to 230,000 units per year.

Previously Proton was dealing only in Malaysia and had aim to provide cars to provide ease to Malaysian citizens that be able to afford this national brand car. But then after Proton also tried to deal in international market and applied the strategy of Market penetration, for which it started to sell its product SAGA in more cheaper price than it was in Malaysia to penetrate in the market.

Malaysia is a big market in automotive industry but then even Proton in past years dramatically changed its position in market with the lack of engineering services which were initially taken from Mitsubishi Ltd: but because of fear of transfer of technology Mitsubishi never given all the best performances to Proton which now is being replaced after a huge loss to Lotus engineerings and now Proton has started its manufacturing by Lotus engineering which is quite satisfactory.

Proton was facing decline in market shares from years is now looking in a right way by change of management, engineering services and also it is expecting more sales because of government's scrapping scheme which was launched in march 2009 according to which on RM 50,000 the owners can buy a new car in replacement. But this type of scheme is already running by Proton itself since 2007.

Proton has faced decline in market shares also because of change in management and ways of managing. But nowadays the Proton chairman is DATO' MOHD. NADZMI MOHD. SALEH.

Proton after many changes in its strategies and penetration in international market is now expecting more sales and increase in market shares which according to its director's report are continuously increasing but we have to evaluate the one aspect of the company that how it is dealing with its working capital management and will try to evaluate its weaknesses in working capital management.

3.1 INCOME STATEMENT OF FINANCIAL YEAR 2007-2008

	Group Restated		Company Restated	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Revenue	5,621,594	4,687,330	41,203	667,983
Gross profit	564,740	139,793	41,203	667,983
Research and development grant	193,782	-	-	-
Other operating income	134,889	136,882	302	393
Distribution costs	(201,095)	(185,678)	-	-
Administrative expenses	(512,914)	(618,147)	(607)	(333,065)
Other operating expenses	(38,121)	(60,462)	-	-
Profit/(loss) before finance cost	141,281	(587,612)	40,898	335,311
Finance cost	(17,936)	(35,541)	-	-
Share of results of associated companies	13,134	3,219	-	-
Share of results of jointly controlled entities	7,837	1,805	-	-
Profit/(loss) before taxation	144,316	(618,129)	40,898	335,311
Taxation	40,235	28,596	(10,517)	(101,532)
Profit/(loss) for the year	184,551	(589,533)	30,381	233,779
Attributable to:				
Equity holders of the Company	184,551	(589,533)	30,381	233,779
Earnings/(loss) per share (sen)				
- basic	34	(107)		
- diluted	N/A	N/A		

3.2 BALANCE SHEET FOR FINANCIAL YEAR 2007-2008

	Group Restated		Company Restated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	3,150,446	3,169,495	-	-
Prepaid land lease payments	24,031	9,944	-	-
Goodwill	29,008	29,008	-	-
Intangible assets	275,192	169,075	-	-
Subsidiary companies	-	-	1,708,651	1,708,651
Associated companies	165,443	169,758	13,600	13,600
Jointly controlled entities	192,747	223,550	-	-
Investments	10,397	10,397	6,475	6,475
Total Non-Current Assets	3,847,264	3,781,227	1,728,726	1,728,726
CURRENT ASSETS				
Inventories	1,100,286	1,273,612	-	==
Trade and other receivables	969,344	981,025	14	5
Amounts due from subsidiary companies	-	-	66,219	66,219
Amounts due from associated companies	10,713	24,314	-	-
Amounts due from jointly controlled entities				
Tax recoverable	4,430	10,618	-	-
Current investments	114,479	176,048	273	314
Dividends receivable	20,822	73,448	-	-
Deposits, bank and	-	-	14,800	-
cash balances	1,226,010	626,475	26,296	10,610
Total Current Assets	**3,446,084**	**3,165,540**	**107,602**	**77,148**
TOTAL ASSETS	**7,293,348**	**6,946,767**	**1,836,328**	**1,805,874**

BALANCE SHEET FOR THE FINANCIAL YEAR 2007-2008 Continued…..

	Group Restated		Company Restated	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
EQUITY AND LIABILITIES				
Share capital	549,213	549,213	549,213	549,213
Reserves	4,872,043	4,681,375	1,278,604	1,248,223
Equity attributable to equity- holders of the Company	5,421,256	5,230,588	1,827,817	1,797,436
Total Equity	**5,421,256**	**5,230,588**	**1,827,817**	**1,797,436**
NON-CURRENT LIABILITIES				
Long term liabilities	230,473	181,637	-	-
Deferred tax liabilities	2,439	754	-	-
Total Non-Current Liabilities	**232,912**	**182,391**	**-**	**-**
CURRENT LIABILITIES				
Trade and other payables	1,235,520	1,046,338	575	790
Provisions	186,556	196,067	-	-
Amounts due to subsidiary companies	-	-	7,936	7,648
Amounts due to associated companies	84,984	99,675	-	-
Amounts due to jointly controlled entities	16,958	25,060	-	-
Taxation	1,556	2,222	-	-
Short term borrowings	113,606	164,426	-	-
Total Current Liabilities	**1,639,180**	**1,533,788**	**8,511**	**8,438**
LIABILITIES	**1,872,092**	**1,716,179**	**8,511**	**8,438**
TOTAL EQUITY AND LIABILITIES	**7,293,348**	**6,946,767**	**1,836,328**	**1,805,874**
Net assets per share attributable to equity holders of the Company (RM)	9.87	9.52		

4.0 ANALYSIS OF WORKING CAPITAL OF COMPANY

Working capital management as we already discussed is the main factor cmpany success and its improvements. Working capital throughly provides sufficient help to the company to manage its working capital, inventories, receivables and payables. Mainly companies always go for the following strategies as per their analysis to manage the working capital and its factors of time and money. i.e.

SITUATION (If You…	ACTION (Then….)
• Collect Receivables faster.	• Release cash from cycle.
• Collect Receivables slower.	• Your receivables soack up cash.
• Get better credits from suppliers.	• You increase your cash reserves.
• Shift inventory faster.	• You free up cash.
• Move inventory slower.	• You consume more cash.

Source : http://www.managementparadise.com/projects/mssi/workingcapital.html

Mainly there are two main areas of working capital management which covers its objectives. i.e.

1. To satisfy that company has sufficient working capital to function or produce and grow or improve.
2. To decide that company has invested sufficient working capital as per minimum requirement to increase its profitability.

To cover both of the objectives of the working capital management, we will be dealing with them separately and will try to analyze more adequately to provide best possible suggestions to manage its working capital. But before that we will have a view of the company in terms of its capital cmployed, earnings per share, working capital and working capital per doallar of sales.

4.1 TOTAL CAPITAL EMPLOYED BY COMPANY

Total Capital Employed = Fixed assets + Current assets

Total capital employed in financial year 2007 = 3,781,227 + 3,165,540
Total capital employed in financial year 2007 = 6,946,767

Total capital employed in financial year 2008 = 3,847,264 + 3,446,084
Total capital employed in financial year 2008 = 7,293,348

Keeping the current assets and current liabilities of the company this shows that company has exopanded its production range or production capacity but if we see the brief fixed and current assets of the company in given balance sheet. We will analyze that company has not improved but this difference is only because of holding lot of cash.

4.2 COMPARISON OF WORKING CAPITAL OF COMPANY

Working capital = Current assets – current liabilities

Working capital of financial year 2007 = 3,165,540 - 1,533,788
Working capital of financial year 2007 = 1,631,752

Working capital of financial year 2008 = 3,446,084 – 1,639,180
Working capital of financial year 2008 = 1,806,904

Proton holdings Berhad in 2008 has increased 9.6% of its working capital in comparison to working capital of 2007 from 1,631.752 million to 1,806.904 million and at the same time company has increased 16.61% of its sales from 4,687.330 million to 5,621.594 millions which shows that company is either expanding its production or holding more raw materials than that of 2007.

4.3 ANALYSIS OF WORKING CAPITAL PER DOLLAR OF SALES OF COMPANY

As we have seen above company is not increasing its working capital in same percentage as its sales are increased. So to evaluate the stablization or reduction of working capital in comparison to its sales we will look on the working capital per dollar sales of the organization.

$$\text{Working capital per dollar of sales} = \frac{\text{working capital}}{\text{Total sales}} \times 100$$

$$\text{Working capital per dollar of sales of 2007} = \frac{1,631,752}{4,687,330} \times 100$$

Working capital per dollar of sales of 2007 = 34.8 %

$$\text{Working capital per dollar of sales of 2008} = \frac{1,806,904}{5,621,594} \times 100$$

Working capital per dollar of sales of 2008 = 32.1 %

Companies differ on their working capital per dollar of sales like any company selling low price items like any grocery shop will need on 10 to 15 % of working capital per dollar of sales while for any organization producing heavy duty machines or high cost products will need more working capital per dollar of sales to about 20 – 25%. Therefore as in our organization have good working capital per dollar of sales but comparing both of the years its working capital per dollar of sales is decreased from 34.8 % to 32.1%. This is because of extra working capital per dollar of sales which company has reduced by 2.7% but still company is holding 5% extra working capital per dollar which company is trying to reduce and utilize in other investments. But at the same time looking on increase in sales of company more than percentage of increase in working capital, it also shows that in 2007 company was holding more finished goods which company has sold out in 2008 and increased its sales but now company is trying to decrease its raw materials storage and trying to generate cash more quickly.

Working capital of the organizations is the main factor in comparison of their sales which effects their overall image and liquidity. But at the same time it is also dependant to their ability to generate cash that how much quick they can generate cash. For Proton Holdings Berhad it is very important to have sufficient current assets to support their current liabilities and must have sufficient working capital but some companies may generate more quickly like Restaurants.

Example:

1. McDonald which had $698.5 millions of negative working capital which meants that whatever the products it produced, most of them has been sold out looking on its sales.

2. Wallmart ordered 500,000 DVDs from Warner brothers and had to pay them within 30 days. On the sixth day Wallmart received the DVDs and put in shelves on te seventh day. On twenteeth day it may have sold all of its DVDs but still they had 10 more days to pay to Warner Brothers. On this time if we calculate the working capital for this order, then we will have 0 current assets as well as working capital while liabilities are the same of payment to Warner brothers which shows that Wallmart is also saving 10 days time value of money in this order and will not require any current assets like cash or borrowings to support its liabilities to Warner Brothers only if all the accounts have been received but if the accounts are still not received than it will need its current assets to support its liabilities.

But for companies it is also very important to measure that how much liquid are the companies current assets. For this we will calculate the current ratio of the company, which will show us that how much fast the company can convert its inventories into cash.

4.4 CURRENT RATIO ANALYSIS OF COMPANY

Current Ratio analysis of company is carried out to ensure that company has sufficient resources to meet its current liabilities or how much company is capable to meet its current liabilities within the period of 12 months.

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

$$\text{Current Ratio for financial year 2007} = \frac{3,165,540}{1,533,788}$$

Current Ratio for financial year 2007 = 2.063

$$\text{Current Ratio for financial year 2008} = \frac{3,446,084}{1,639,180}$$

Current Ratio for financial year 2008 = 2.102

Most likely the current ratio is thought to lie in the range of 1.5 to 3 or 4. But if the current ratio of the company is lying less than 1 means company is converting its inventories into cash very fast. Again the companies like restaurants will always have less current assets than its liabilities and this will decrease their current ratio as well. If this current ratio lies less than 1 means the working capital of the company is negative as we dicussed in the case of McDonald.

Proton Holdings Berhad in 2007 had current ratio of 2.063 and in 2008 it increased to 2.102. But looking on the balance sheet of the company which shows that in 2007 company was holding almost half cash i.e.626.475 million to support its liabilities while in 2008 this amount boosted to double i.e. 1,226,010 millions which is about 65.48% of current liabilities which is not preferable for the company to hold such a big amount of cash in its accounts. So the current ratio is not decreased because of slow conversion of its inventories into cash but its main cause is because of holding lot of cash in hand.

4.5 INEFFICIENCY OF PROTON HOLDINGS BERAHD

While looking on the current ratio on the company we have seen that company is holding lot of cash in hand and because of that its current ration gone up. This situation is not likely to our organization because from years and years we are looking that Proton is loosing its market shares. So to cover that company must increase its investments and increase its market shares but company is holding such a big amount in cash reserves which is showing inefficiency of the organization that company is not very much good in investment its money in different projects or for its increase in market shares.

4.6 QUICK RATIO / ACID TEST RATIO ANALYSIS OF COMPANY

Quick ratio is also called as Acid test ratio or liquidity test ratio of the company. This shows that how much company is liquid and how much fast company can convert its quick assets into cash. This analysis only include those current assets which company can quickly convert into cash. In our company almost all the current assets can be termed as quick assets except the inventories from which also we will only substract those inventories which can not be quickly converted into cash. According to the annual report of the company, the inventories comrise of following.

Inventories of Company

	2008 RM'000	2007 RM'000
Raw materials:		
- completely knocked-down parts of vehicles	511,065	230,077
- others	9,541	77,220
Parts, accessories and general stores	12,582	84,992
Work-in-progress	193,514	149,973
Finished vehicles	89,290	693,339
Land held for development	73,995	-
Properties for sale	188,779	14,939
TOTAL INVENTORIES	**1,100,286**	**1,273,612**

Here the assets like Raw materials, completely knocked-down parts of vehicles, others, Parts, accessories, general stores and Work-in-progress are those assets which can not be termed as quickly convertible assets. So we will substract these assets from current assets and other all current assets will be termed as quick assets of the company.

i.e.

Quick Assets of Year 2007 = Current assets – Quickly not convertible assets

Quick Assets of Year 2007 = 3,165,540 - 230,077 -77,220 - 84,992 - 149,973

Quick Assets of Year 2007 = 2,623,278

Quick Assets of Year 2008 = 3,446,084 - 511,065 - 9,541 - 12,582 - 193,514

Quick Assets of Year 2008 = 2,719,382

$$\text{Quick Ratio / Acid Test Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio for financial year 2007} = \frac{2,623,278}{1,533,788}$$

Quick Ratio for financial year 2007 = 1.71

$$\text{Quick Ratio for financial year 2008} = \frac{2,719,382}{1,639,180}$$

Quick Ratio for financial year 2008 = 1.659

Looking on our calculations which shows that in 2007 company as had quick ratio of 1.71 and in 2008 it decreased to 1.659 which is not a big difference so company has almost same ability of converting its assets into cash as it had in 2007.

4.7 ACCOUNTS RECEIVABLE CYCLE OF COMPANY

As the financial year 2008 was a leap year which had 366 days and we are calculating for whole the year, so we will use 366 days as number of days in our calculations.

$$\text{Accounts Receivables Period} = \frac{\text{Average accounts receivable}}{\text{Total sales}} \times 366$$

In our case company has some other amounts receivable from its associated companies along with its trade and other receivables but according to the annual report of the company whose refernce is given in references section, these amounts due from associated companies is some advances given to companies which doesn't have any relation to production and sales so we will not include them and will only take the inventory in our calculation.

$$\text{Accounts Receivables Period} = \frac{\frac{(981{,}025 + 969{,}344)}{2}}{5{,}621{,}514} \times 366$$

$$\text{Accounts Receivables Period} = \frac{975{,}184.5}{5{,}621{,}514} \times 366$$

Accounts Receivables Period = 0.173 x 366

Accounts Receivables Period = 63.318

Accounts Receivables Period = 64 days

Accounts receivable are always dependant on average age on inventory of the company, so we will first calculate average age of inventory and then will discuss and evaluate the average age of receivables.

4.8 INVENTORY CONVERSION PERIOD OF COMPANY

$$\text{Inventory Conversion Period} = \frac{\text{Average inventory for the period}}{\text{Cost of goods sold}} \times 366$$

$$\text{Inventory Conversion Period} = \frac{\frac{(1{,}273{,}612 + 1{,}100{,}286)}{2}}{5{,}621{,}594} \times 366$$

$$\text{Inventory Conversion Period} = \frac{1{,}186{,}949}{5{,}621{,}594} \times 366$$

Inventory Conversion Period = 0.211 x 366

Inventory Conversion Period= 77.226

Inventory Conversion Period = 78 days

The average age of inventory turnover is 77 days while the average age of recivables is 63 days which means company is receivables are 14 days earlier and its inventories are turned into cash. This shows that company does not require high amount in cash reserves and as well does not require high working capital and previously calculated working capital and its working capital per dollar of sales in 2008 as 34.8% and 32.1% in 2007 is so high and company must reduce this to likely situations.

4.9 ACCOUNTS PAYABLE PERIOD OF COMPANY

In case of accounts payable also company have to pay some ammount to its associated and jointly controlled companies but this is only concerned to advances and also doesn't have any relation to its production and sales so here also we will not add them in our accounts payables.

$$\text{Accounts Payable Period} = \frac{\text{Average Accounts Payable}}{\text{Cost of goods sold}} \times 366$$

$$\text{Accounts Payale Period} = \frac{\dfrac{(1,235,520 + 1,046,338)}{2}}{5,621,594} \times 366$$

$$\text{Accounts Payable Period} = \frac{1,140,929}{5,621,594} \times 366$$

Accounts Payable Period = 0.203 x 366

Accounts Payable Period = 74.298

Accounts Payable Period = 75 days

As our organization is receiving cash 14 days earlier than its average age of inventory turnover so company can easily pay its creditors, but to have a perfect idea we will calculate the cash conversion cycle of the company.

4.9 **CASH CONVERSION CYCLE OF COMPANY**

Cash conversion cycle (CCC) calculates the duration or period of time in which company can convert its resources into cash.

CCC = Inventory conversion period + A/c Receivable period – A/c Payables period

Cash Conversion Cycle = 78 + 64 – 75

Cash Conversion Cycle = 67 days

This shows that company can convert its resources into cash within 67 days which is most likely and acceptable in comparison with the accounts payable period of time.

5.0 SUGGESTED IMPROVEMENTS IN WORKING CAPITAL MANAGEMENT

Proton holdings Berahd is the national brand of the Malaysia and it is very important for this organization to improve its brand name and brand image by improving its strategies and must go for analysis of the organization which according to our calculations is not seen so much better. For the improvement of working capital management of the organization we have evaluated some suggestions as follows but company must re-analyze its working capital management and try to improve it.

On the basis of our calculations here are some suggestions which might help company to manage its resources.

- According to the balance sheet in year 2008 company is using the short term i.e 1,639.180 millions sources more than its long term sources i.e 232.912 millions which is almost 85% more than its long term liabilities which is worst situation for a production plant. Company should keep this in sight and must try to switch its current liabilities to long term liabilities looking on the time value of money which will increase company profitability in long time.

- Company is holding a lot of cash in reserves and from the last year it increased almost 50% which are even 74% of its total current liabilities which is not favorable for the company and these reserves must be invested in company and its market shares improvement.

- The days of payable are notso much in comparison to its inventory turnover, cash conversion period and are less than accounts receivable so company should go for hand to hand method of payment and should reduce its working capital and must reduce other means of supporting current liabilities.

6.0 CONCLUSIONS

From our calculasions we have evaluated that Proton Holdings Berhad is not managing its working capital in favorable manner which is very worst condition for any automotive industry. Our current ratio is also increased from 2.063 to 2.102 due to reserving so much cash as assets of the organization which is not favorable for company's declining market shares. Company is holding finished vehicles of only 89.290 millions in its stocked inventories which according to its annual sales i.e 5,621.590 millions is only stock of 5 days and company at the same time is holding a lot of cash in its reserves which is not a better condition. The time for payables is 75 days while accounts receivable period is 64 days which is quite satisfactory in cars manufacturing industries. While company inventory conversion period is 78 days which must be reduced to reduce the working capital of the company. While looking on the inventories of the company, the raw material kept according to its sales is of about 33 days which is also not favorable situation but this depends upon the suppliers of the company that from where the raw material is coming and how much days it take to reach to company. But according to working capital management it is a very long time and require a lot of space as well to keep and maintain which also effects product cost.

In whole if we see company is not managing its time in a satisfactory way but its Money and stocks are not managed in a more proper way.

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