IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN : 2278-487X, p-ISSN : 2319-7668, PP 72-75
www.iosrjournals.org

A Study of Working Capital Management with Special Reference to Birla Corporation Cement Ltd, Kolkata

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ABSTRACT:*The analysis working capital management is the process of evaluating the relationship between components parts of financial statement to gain better understands the five financial statement. The primary objectives of the study of analysis of working capital management for birla corporation cement limited.The research designed adopted in the study is exploratory research. The sample size of study is five years annual report of birla corporation cement limited.The tools describe the working capital management for ratio analysis. The overall performance of working capital during 2009 to 2013.Birla corporation cement limited has been found to be good according to information provided has high net profit margin as the sales performance during the period was commendable.*

I. Introduction

Cement industry is one of the important industries to country development in the light of the main important basis for construction industry and also the important indicator showing domestic economic growth. In the past, the domestic demand of cement used to be up to 36 million tons. But, the severely negative effects from economic crisis in 1997 have caused real estate and construction industry subdued; the domestic demand of cement has shrunk and been in oversupply atmosphere. Until 2001–2003, the government has launched many economic actuating policies. This has made real estate and construction industry recovered and the demand of cement has been increasing gradually from 21 million tons in 2001 to 25 million tons and 26.82 million tons in 2002 and 2003 respectively; and the price level is higher in line with increased production cost. Cement Industry originated in India when the first plant commenced production in 1914 at Porbandar, Gujarat. The industry has since been growing at a steady pace, but in the initial stage, particularly during the period before Independence, the growth had been very slow. Since indigenous production was not sufficient to meet the entire domestic demand, the Government had to control its price and distribution statutorily. Large quantities of cement had to be imported for meeting the deficit.

II. REVIEW OF LITERATURE

Extensive research works on working capital management have been done in both public and private sectors including multinational companies in Bangladesh. Sayaduzzaman (2006) in his article on "Working Capital Management: A study on Birla Corporation cement Limited " mentions that the efficiency of working capital management of Birla Corporation cement Limited . is highly satisfactory due to the positive cash inflows and planned approach in managing the major elements of working capital. He found that working capital management helps to maintain all around efficiency in operations. In the article "Liquidity-Profitability Tradeoff: An Empirical Investigation in an Emerging Market," Eljelly (2004) examined the relation between profitability and liquidity by using correlation and regression analyses and found that the cash conversion cycle was of more importance as a measure of liquidity than the current ratio that affects profitability. Raheman (2007) studied the effect of different variables of working capital management including the Average Collection Period, Inventory Turnover in Days, Average Payable Period, Cash Conversion Cycle and Current Ratio on the Net Operating Profitability of Pakistani Firms. By using Pearson's correlation and regression analysis he found that there was a strong negative relationship between variables of Working Capital Management and Profitability. He also finds that as the cash conversion cycle increases, it leads to decrease in profitability of the firm and managers can create a positive value for the shareholders by reducing the cash conversion cycle to a possible minimum level. Islam & Rahman (1994) conducted a study on working capital trends of enterprises in Bangladesh. They find that optimum working capital enables a business to have its credit standing and permits the debts payments on maturity date and helps to keep itself fairly in liquid position which enables the business to attract borrowing from the banks.

III. Research Methodology:

The major source of data for this project was collected through annual reports, profit and loss account of 5 year period from 2009-2013 & some more information collected from internet and text sources. The Primary data has been collected from Personal Interaction with Finance manager

IV. OBJECTIVES

The study of ratio analysis in quick, inventory, debtor and creditors

RATIO ANALYSIS:

Table Showing In Inventory Turnover Ratio

Year	Cost of goods sold (in lakhs)	Average stock (in lakhs)	Inventory turnover ratio
2009	187964	6783	27
2010	173360	7834	22
2011	151081	5489	27
2012	230272	4685	49
2013	268532	8856	30

Table Showing In Debtor Turnover Ratio

Year	Net credit sales (in lakhs)	Average account receivable(in lakhs)	Debtor turnover ratio
2009	202127.62	16985	11.23
2010	238706	18071.2	13
2011	241539	20766	11.63
2012	203563	42170	4.82
2013	263732	28242	9.33

Table Showing In Creditor Turnover Ratio

Year	Net credit purchase (in lakhs)	Average accounts payable (in lakhs)	Creditor turnover ratio
2009	22146.55	23442.59	0.94
2010	5275.06	5549.31	0.95
2011	1524.58	3292.36	0.46
2012	947.79	2165.34	0.43
2013	1726	3842	0.44

Table Showing In Absolute Quick Ratio

Year	Quick asset (in lakhs)	Quick liabilities (in lakhs)	Quick ratio
2009	32047.3	39587.3	0.80
2010	33927.47	42993.69	0.78
2011	37190.68	50326.34	0.73
2012	43856.82	405960.22	0.10
2013	27863	452549	0.06

V. INTERPRETATION

- It increases value the inventory ratio is 49 for the year of 2012. It decreases value the inventory ratio is 22 for the year of 2010.
- It increases value the debtor turnover ratio is 11.63 for the year of 2011. It decreases value the ratio debtor turnover is 4.82 for the year of 2012.
- It increases value the creditor turnover ratio is 0.95 for the year of 2010. It decreases value the creditor turnover ratio is 0.43 for the year of 2012.
- It increases value the absolute quick ratio is 0.8 for the year of 2009. It decrease the value of absolute quick ratio is .06 for the year of 2013.

SUGGESTIONS

- Working capital of the company has increasing every year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term.
- The company has sufficient working capital and has better liquidity position. By efficient utilizing this short-term capital, then it should increase the turnover.

VI. CONCLUSION

The study on working capital management conducted in Birla corporation cement Pvt Ltd. to analyze the financial position of the company. The company's financial position is analyzed by using the tool of annual reports from 2009-10 to 2012-13.The financial status of Birla corporation cement Pvt Ltd. is good. In the last year the inventory turnover has increased, this is good sign for the company.The company's liquidity position is very good With regard to the investments in current assets there are adequate funds invested in it. Care should be taken by the company not to make further investments in current assets, as it would block the funds, which could otherwise be effectively utilized for some productive purpose.

I. APPENDICES:

BALANCE SHEET AS ON 31ST MARCH 2009, 2010, 2011, 2012&2013

PARTICULAR	2008-2009 (in lakhs)	2009-2010 (in lakhs)	2010-2011 (in lakhs)	2011-2012 (in lakhs)	2012-2013 (in lakhs)
SHAREHOLDERS' FUNDS					
Share Capital	7700.89	7700.89	7700.89	7700.89	7700.89
Reserves and Surplus	121070.07	171421.69	198090.71	216637.08	237305.08
	128770.96	**179122.58**	**205791.60**	**224337.97**	**245005.97**
NON-CURRENT LIABILITIES					
Long-Term Borrowings	21940.06	51819.58	60414.85	75223.82	89738.46
Deferred Tax Liabilities (Net)	5704.60	19099.15	11251.66	15324.87	21169.24
Other Long-Term Liabilities	27644.66	70918.73	18637.40	22163.21	25048.41
Long-Term Provisions	7722.76	7951.03	1577.53	1789.29	3622.36
	164138.38	**257992.34**	**91881.44**	**114501.19**	**139578.47**
CURRENT LIABILITIES					
Short-Term Borrowings	19287.91	28371.32	33354.05	37209.52	27788.96
Trade Payables	1999.66	2214.57	10255.66	11293.75	12670.58
Other Current Liabilities	31972.13	33927.47	14756.75	13986.10	21623.05
Short-Term Provisions	15111.30	19662.35	4264.54	4631.69	5882.16
	68371.00	**84175.71**	**62631.00**	**67121.06**	**67964.75**
TOTAL	**361280.34**	**521290.63**	**360304.04**	**405960.22**	**452549.19**
NON-CURRENT ASSETS					
Fixed Assets					
Tangible Assets	135419.78	143001.83	97529.40	134823.04	172823.31
Capital Work-in-Progress	69415.43	73133.42	45578.12	50962.39	459.33
Intangible Assets under Development	66004.35	69868.41	285.69	430.22	22857.31
			143393.21	**186215.65**	**196139.95**
Non-Current Investments	14185.99	32776.69	44696.28	45994.43	89793.14
Long-Term Loans and Advances	80190.34	102645.10	6051.29	4566.68	13503.93
Other Non-Current Assets			518.35	1025.07	2942.00
	55229.01	**114165.22**	**51,265.92**	**51586.18**	**302379.02**
CURRENT ASSETS					

Current Investments			72236.36	58486.57	37279.98
Inventories			35960.47	41709.71	57014.06
Trade Receivables	32962.06	36499.03	4407.20	3724.52	7496.29
Cash and Bank Balances	6689.91	6493.66	34338.23	43856.82	27863.02
Short-Term Loans and Advances	39651.97	42993.69	9027.89	11353.54	9695.44
Other Current Assets	28719.03	41182.02	9674.76	9027.23	10821.38
	164138.38	**257992.34**	**165644.91**	**168158.39**	**150170.17**
TOTAL	**361280.34**	**521290.63**	**360304.04**	**405960.22**	**452549.19**

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