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A STUDY ON WORKING CAPITAL MANAGEMENT IN DALMIA BHARATH CEMENT LIMITED

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ABSTRACT

"Working capital" is the cash a business, regardless of how enormous or little, expects to keep running consistently. An organization's transient tasks capital might incorporate things like crude materials, semi-completed merchandise, completed products, different obligations, momentary speculations, and so on. In this way, an organization's all's transient resources, once in a while called current resources, utilized in its day-to-day tasks comprise what is known as working capital. The expression "working capital," moreover known as "organizing capital," alludes to an organization's capacity to change over its current rapidly resources into cash in order to meet its quick monetary commitments surprisingly during the ordinary course of business. Working capital is determined by deducting its current liabilities from its ongoing resources. Bookkeeping guidelines laid out by the AICPA Board on Bookkeeping Standards. Structured presentations, tables, proportions, examinations, and working capital charges are the essential instruments and techniques used to achieve this objective of dissecting the development of stock and net deals of the organization through assessing the organizational capital.

Key Words: Current Ratio, Quick Ratio.

INTRODUCTION

Working capital management:

Each business need capital for two primary reasons: beginning startup costs and progressing working expenses. Ventures underway offices (counting gear, apparatus, structures, and so forth)

require long haul financing, and this part of the association's capital is classified "fixed capital" since it is forever or for all time confined. Momentary financing is expected for crude supplies, finance installments, and other functional expenses. The expression "working capital" is utilized to portray these funds. Present moment or current resources incorporate things like money, attractive protections, loan bosses, and financial backers, what's more, this section of an organization's capital is alluded to as "working capital."

Definition:

“Working capital management is the process of managing the company’s current assets and short-term financing to ensure the most financially efficient operation of the company”.

--LAWRENCE J. GITMAN

“Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities, and the interrelationship that exists between them.”

--I.M. PANDE

PERMANENT / FIXED WORKING CAPITAL

It's the extremely least expected to continue moving capital and existing resources and take advantage of fixed speculations. To keep up with its customary business exercises, a specific least measure of current resources is consistently important. Fixed working capital alludes to the base measure of cash that must continuously be kept in fluid resources. The requirement for extremely durable subsidizing ascends couple with the development of any business.

TEMPORARY / VARIABLE WORKING CAPITAL

How much working capital expected to cover occasional interest and unforeseen expenses. Occasional and one-time working capital are two subcategories. Working capital is partitioned into two classifications: occasional, which alludes to the assets expected to meet the business' occasional requirements, and unique, which alludes to the assets expected to meet explicit exigencies.

Tools for using in the Working Capital:

1. Working capital = Current Assets – Current Liabilities
2. Current Ratio = Current Assets / Current Liabilities
3. Quick ratio (or) Acid-test ratio = Quick Assets / Current Liabilities
4. Cash position ratio = Cash + Marketable Securities / Current Liabilities
5. Gross Profit Ratio = Gross profit / Sales * 100

6. Net Profit Ratio = Net profit / Sales * 100

7. Working capital turnover ratio = Current Assets / Current Liabilities * 100

REVIEW OF LITERATURE:

According to Singaravel, P. (1999), "He emphasizes the interdependence among working capital, liquidity, and profitability." Having sufficient liquidity is the top priority, followed by having sufficient working capital and then having sufficient profitability. In-depth information about liquidity analysis is provided, along with a discussion of its connection to working capital and earnings. Triangular relationships between working capital, liquidity, and profitability mean that achieving one does not depend on the other two. Instead, long-term funding options are evaluated in light of working capital needs, which can have a significant impact on it.

Rao Chinta K. V., and Rao K. V. Rao, 1991: - He has endeavored to assess the merits and drawbacks of the more commonplace approaches to working capital management. The outcomes have been inconsistent, with certain aspects of conventional theory proving fruitful and others falling short of expectations. The authors have tried to assess the efficacy of working capital management by employing tried-and-true methods like ratio analysis. The article states that the working capital decision is an all-encompassing measure for gauging the effectiveness of working capital.

Hrishikesh Bhattacharya (1987): - He has tried to create a system-wide theory and set of tools for managing working capital. This is why every finance manager makes it their mission to strike a good balance between the balance sheet's assets and liabilities. His primary focus is on finding ways to boost the company's net value without increasing its vulnerability.

Working capital, in Natarajan Sundar's (1980) opinion, is a crucial concept on both the national and business levels. He argues that credit regulation is an essential first step towards gaining command of a country's working capital. He concludes that fixed asset investment is just as crucial at the company level as working capital investment

NEED OF THE STUDY

Working Capital is one of the key areas of Financial Management must see that an excessive investment in current should protect that company from the problems of stock out. Current assets will also determine the Liquidity position of the company.

The Goal of working capital is to manage the firm current assets and current liabilities in such way that a satisfactory level of working capital is maintained.

Managing a company's working cash is one of the most crucial aspects of running a business. Working capital management focuses on the issues that come up while trying to manage current assets, current obligations, and the long-term relationships between them.

OBJECTIVES:

- ❖ To study the changes in the Working Capital management of the Dalmia Cement.
- ❖ To know the day-to-day activities which occurred in Dalmia Cements.
- ❖ To know the Liquidity position of the company.
- ❖ To determine the working capital financial policy.
- ❖ To Disperse advice on implementing best-in-class methods of financial management.
- ❖ To know the overall operational efficiency and performance.

RESEARCH METHODOLOGY FOR THE STUDY:

The research on the working capital management was made by using the two types data that is Primary data and Secondary data.

PRIMARY DATA:

In this context, "primary data" refers to information gathered via one-on-one interactions assisted by a structured questionnaire. Nevertheless, there are no primary data in the current investigation.

SECONDARY DATA:

Secondary data is information gathered from publicly available sources that was not initially gathered. utilizing a variety of sources, such as the company website, financial records, books of accounts, annual reports, and information from corporate employees. I was able to put together an accurate and thorough picture of the subject at hand.

Study Design: Analytical investigation

Sources of the Data: secondary information

Annual reports from DALMIA CEMENTS serve as a source of secondary data.

DATA ANALYSIS AND INTERPRETATION:

Schedule of changes in working capital for the year ended 2018-2019.

TABLE:1

(Rs in Crores)

Particulars	2019	2018	Increase	Decrease
Current assets				
Inventories	1032	779	253	-----
Current Investments	2315	3408	-----	1093
Trade Receivables	549	564	-----	15
Cash and Cash equivalents	469	354	115	-----
Short term Loans	63	85	-----	22
Other Current Assets	976	1000	-----	24
Total Current assets(A)	5404	6190		

Current Liabilities				
Provisions	90	69	-----	21
Other Current Liabilities	2307	2106	-----	201
Total Current Liabilities(B)	2397	2175		
Net Working Capital(A-B)	3007	4015		
Decrease in Working Capital	1008		1008	
	4015	4015	1376	1376

Interpretation:

The above table shows statements of changes in working capital during the 2018-2019 which has a net decrease in working capital Rs.1008 cr.

Schedule of changes in working capital for the year ending 31st March 2019-2020

TABLE-2

(Rs. In Crores)

Particulars	2020	2019	Increase	Decrease
Current assets				
Inventories	974	1032	-----	58
Investments	2698	2315	383	-----
Trade Receivables	397	549	-----	152
Cash and Cash equivalents	403	469	-----	66
Loans	71	63	8	-----
Other Current Assets	1126	976	150	-----
Total Current assets(A)	5669	5404		
Current Liabilities				
Provisions	90	64	-----	26
Other Current Liabilities	2307	2683	376	-----
Total Current Liabilities(B)	2397	2747		
Net Working Capital(A-B)	3272	2657		
Increase in Working Capital		615		615
	3272	3272	917	917

Interpretation:

The above table shows statements of changes in Working capital during the 2019-2020 which has a net increase in working capital Rs.615 cr.

Schedule of changes in working capital for the year ending 31st March 2020-2021

TABLE: 3

(Rs. In lakhs)

Particulars	2021	2020	Increase	Decrease
Current assets				
Inventories	924	974	-----	50
Investments	3293	2698	595	-----
Trade Receivables	688	397	291	-----
Cash and Cash equivalents	311	403	-----	92
Loans	92	71	21	-----
Other Current Assets	1175	1126	49	-----
Total Current assets(A)	6483	5669		
Current Liabilities				
Provisions	116	64	-----	52
Other Current Liabilities	2951	2683	-----	268
Total Current Liabilities(B)	3067	2747		
Net Working Capital(A-B)	3416	2922		
Increase in Working Capital		494		494
	3416	3416	956	956

Interpretation:

The above table shows statement of changes in working capital during the year 2020-2021 which has a net increase in working capital Rs.496 cr.

Schedule of changes in working capital for the year ending 31st March 2021-2022

TABLE: 4

(Rs. In crores)

Particulars	2022	2021	Increase	Decrease
Current assets				
Inventories	945	924	21	-----
Investments	4399	3293	1106	-----
Trade Receivables	673	688	-----	15
Cash and Cash equivalents	160	311	-----	151
Short term Loans	10	92	-----	82
Other Current Assets	1325	1175	150	-----
Total Current assets(A)	7512	6483		
Current Liabilities				
Provisions	88	116	28	-----
Other Current Liabilities	2641	2951	310	-----
Total Current Liabilities(B)	2729	3067		
Net Working Capital(A-B)	4783	3416		
Increase in Working Capital		1367		1367
	4783	4783	1615	1615

Interpretation:

The above table shows statements of changes in working capital during the year 2021-2022 which has a net increase in Rs. 1367 cr.

Schedule of changes in working capital for the year ending 31st March 2022-2023

TABLE: 5

(Rs. In Crores)

Particulars	2023	2022	Increase	Decrease
Current assets				
Inventories	1316	945	-----	1464
Current Investments	2935	4399	371	-----
Cash and cash equivalents	285	160	27	-----
Loans and advances	8	10	125	-----
Trade Receivables	700	673	-----	2
Other Current assets	2106	1325	781	-----
Total Current assets(A)	7350	7512		
Current Liabilities				
Current Liabilities	2709	2641	-----	68
Short term Provisions	84	88	4	-----
Total Current Liabilities(B)	2793	2729		
Net Working Capital(A-B)	4557	4783		
Decrease in Working Capital	226		226	
	4783	4783	1534	1534

Interpretation:

The above table shows statements of changes in working capital during the year 2022-2023 which has a net increase in Rs.1534 cr.

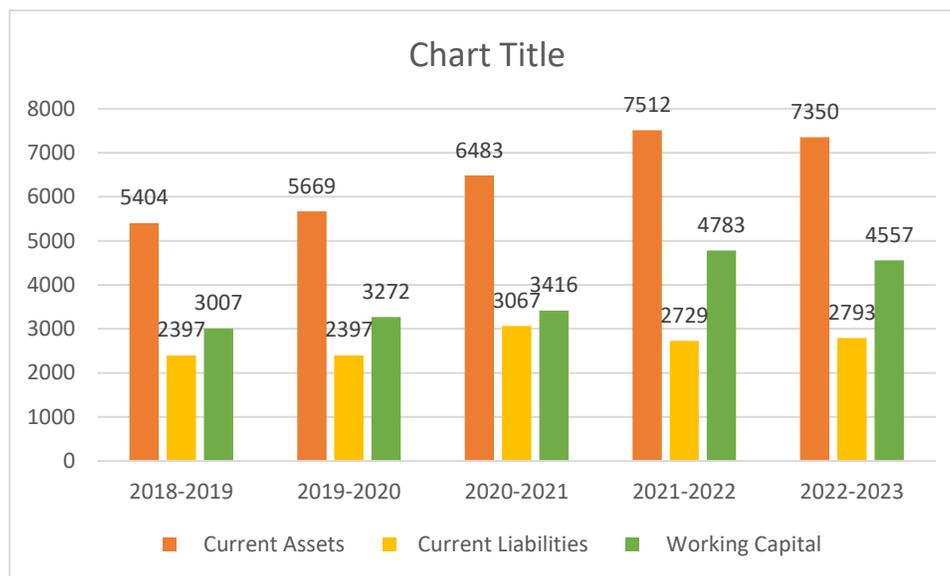
RATIO ANALYSIS:

1.WORKING CAPITAL RATIO

Working capital also known as net working capital (NWC) is the difference between a company's current assets and current liabilities.

Formula:

Working capital ratio=current assets-current liabilities.



Interpretation:

The above table and graph shows the working capital of Dalmia Cement Ltd. of all years are 3007,3272,3416,4783,4557. It is fluctuating in all years.

2. LIQUIDITY RATIOS

Liquidity ratios are used to measure the firm’s ability to meet its short-term obligations. They compare short term obligations to short term resources available to meet these obligations. Liquidity ratios are used to study the liquidity position of the concern. The important liquidity ratios are:

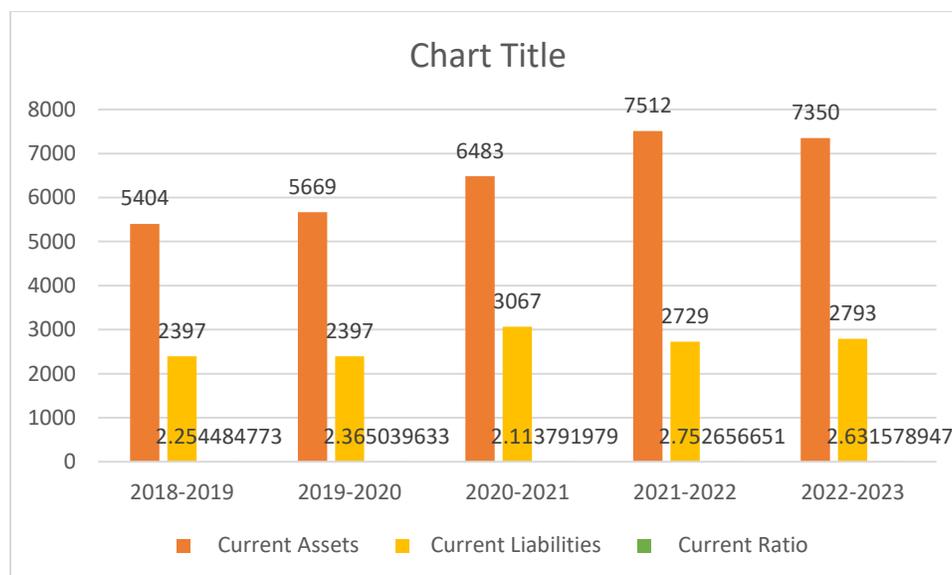
- ❖ Current Ratio Or Working Capital Ratio
- ❖ Quick Ratio Or Acid Test Ratio
- ❖ Absolute Liquidity Or Super Quick Ratio

(A)CURRENT RATIO:

Formula:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Year	Current Assets	Current Liabilities	Current Ratio
2018-2019	5404	2397	2.254484773
2019-2020	5669	2397	2.365039633
2020-2021	6483	3067	2.113791979
2021-2022	7512	2729	2.752656651
2022-2023	7350	2793	2.631578947



Interpretation:

In the above table graph shows the current ratio of Bharathi cements limited. The standard form of current ratio is 2:1. The current ratio of all years are 2.25, 2.36, 2.11, 2.75, 2.63 still it is below the Standard level. Hence, Current Ratio is satisfactory.

(B) QUICK RATIO:

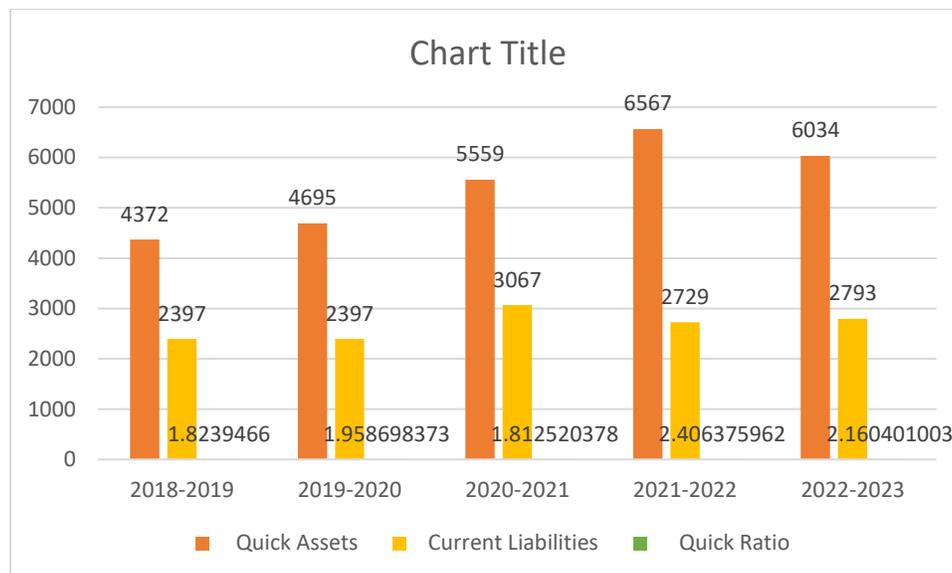
This is the ratio of liquid assets to liquid liabilities. It shows a firm’s ability to meet current liabilities with its most liquid (quick) assets. 1:1 ratio is considered ideal ratio for a concern because it is wise to keep the liquid assets at least equal to the liquid liabilities at all times.

Formula:

$$\text{Quick ratio} = \frac{\text{Liquid assets}}{\text{Current liabilities}}$$

Liquid Assets = Current Assets - [Inventory-prepaid expenses]

Year	Quick Assets	Current Liabilities	Quick Ratio
2018-2019	4372	2397	1.8239466
2019-2020	4695	2397	1.958698373
2020-2021	5559	3067	1.812520378
2021-2022	6567	2729	2.406375962
2022-2023	6034	2793	2.160401003



Interpretation:

In the above table graph shows the Quick ratio of Dalmia Cements Limited the Standard Quick ratio is 1:1. The quick ratio is all years 1.823, 1.958, 1.812, 2.406, 2.160. The Quick Ratio has been increasing or decreasing every year. Hence Quick Ratio is Satisfactory.

(C) ABSOLUTE RATIO:

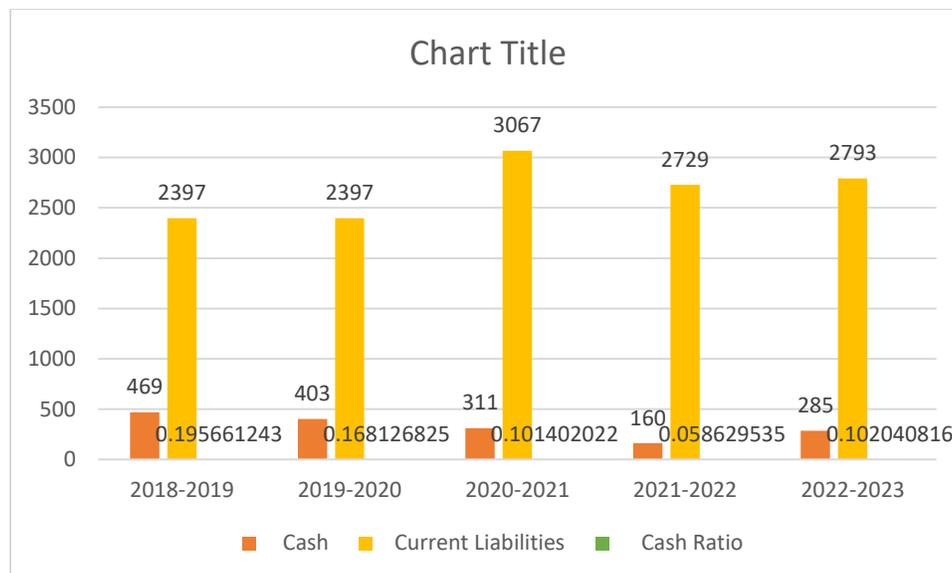
For the management of liquidity measure also takes into account reserves borrowing power is the firms real debt paying ability depends not only on cash resources available with it but also on its capacity borrow from market at short notice.

Formula:

Absolute Liquid Ratio = Absolute Liquid assets / Current liabilities

(Absolute Liquid Assets= Cash in hand, cash in bank, marketable securities, short term investments)

Year	Cash	Current Liabilities	Cash Ratio
2018-2019	469	2397	0.195661243
2019-2020	403	2397	0.168126825
2020-2021	311	3067	0.101402022
2021-2022	160	2729	0.058629535
2022-2023	285	2793	0.102040816



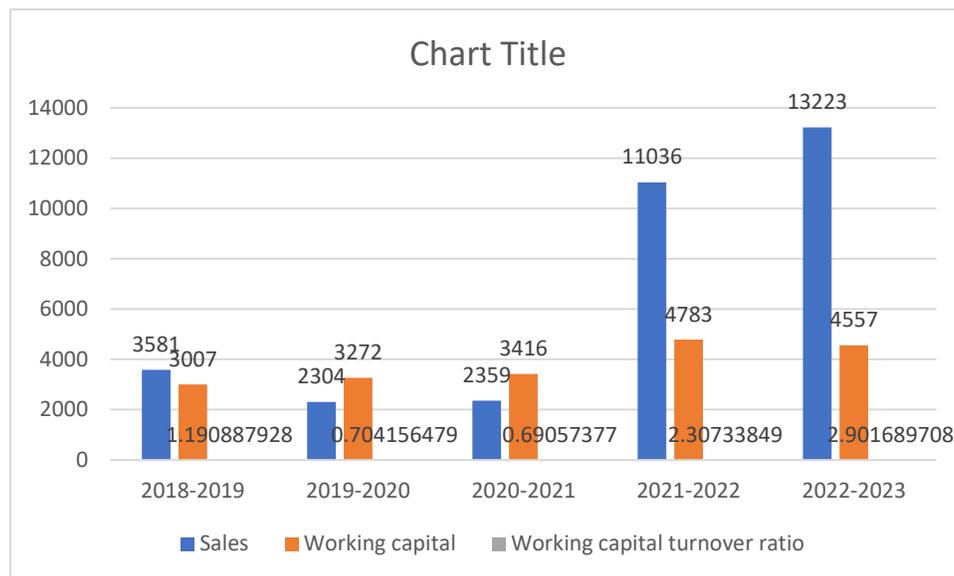
Interpretation:

In the above table graph shows the cash ratio of Dalmia Cements Limited. The cash ratio is all years decreasing 2018 to 2023 are 0.19, 0.16, 0.10, 0.05, 0.10. The ideal Absolute Liquid Ratio is 0.42. The cash Ratio is Above the ideal level in all years. Hence Absolute Liquid Ratio is Satisfactory.

3.WORKING CAPITAL TURNOVER RATIO:

Formula: Working Capital turnover ratio = Net Sales / Working capital

Year	Sales	Working capital	Working capital turnover ratio
2018-2019	3581	3007	1.190887928
2019-2020	2304	3272	0.704156479
2020-2021	2359	3416	0.69057377
2021-2022	11036	4783	2.30733849
2022-2023	13223	4557	2.901689708



Interpretation:

The above table and graph show the working capital turnover ratio of Dalmia cements ltd. The working capital turnover ratio of all years are 1.190, 0.704, 0.690, 2.307, 2.901. It has increases from 2022 to 2023.

SOURCE: Secondary data

FINDINGS:

1. Net working capital has decreased (1008.00) in the year 2019 when compared to 2018.
2. Net working capital has increased (615.00) in the year 2019 when compared to 2020.
3. Net working capital has increased (494.00) in the year 2020 when compared to 2021.
4. Net working capital has increased (1367.00) in the year 2021 when compared to 2022.
5. Net working capital has decreased (226.00) in the year 2023 when compared to 2022.

CONCLUSION:

The working capital management of "The Dalmia cement Private Limited" is the subject of this analysis. The analysis of the company's working capital utilization revealed the many challenges it faces. The fact ltd needs more working capital so it can boost its sales. Therefore, the corporation should make persistent efforts to discover new outside markets to raise the amount of its exports. Operating cash flows and increased sales volume allowed the company to satisfy all its capital expenditure and increased working capital commitment needs.

The organization needs to keep up its effective methods of planning and control. Therefore, Working Capital Management, which incorporated financial and analytical measurements based on internal, intermediate, and external sources within an organization.

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