



WORKING CAPITAL MANAGEMENT IN CEMENT INDUSTRY

(A Case Study of Bhavya Cement Ltd., Andhra Pradesh)

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Abstract:

The purpose of this study is to examine that how far that the company is managing their working capital in order to give their support for the weaker sections of the company. The results of the study significantly depart from the other international studies conducted in various places. It also contributes to the accessible literature by investigating the impact of WCM on profitability in the context of a budding capital market like India.

Key Words: Cement Company, Current Ratio, Current Assets Turnover Ratio & Quick Ratio.

Introduction:

Management is basically concerned with the performance of planning organizing, directing, coordinating and controlling which in fact are its main functions. Management is also regarded as the act of getting things done through the others. The work is always shared with others. The term management accounting refers to accounting for the management. Management accounting provides necessary information to assist the management in the creation of policy and in the day-to-day operations or working capital. It enables the management to discharge all its functions i.e., planning, organization, staffing, direction and control efficiently with the help of accounting information system.

Working capital is the amount of funds which a company must have to finance its day to day operations like purchase of raw materials, to pay wages and salaries to the employees, to pay taxes and rent etc. It can also be regarded as that proportion of the company's total capital which is employed in short term operation in other word, it is the amount available at all times in the form of near-cash and assets, which can be converted into cash within a short period.

Statement of the Problem:

The company movement is necessary to protect the interest of weaker section of the factory. The primary objective of this movement is how to safeguard economically the weaker sections of the company from the opposition strong segment of the company. In all forms of organization, it a sole trade partnership or joint stock company, the primary motive is to increase profits. The philosophy behind co-operative movement is "all for each and each for all". Hence, the researcher would like to carry out the research in Bhavya Cement Ltd., in order to know how far the company is more helpful in fulfilling the needs of the weaker sections of the company.

Methodology:

A structured and scientific way to solve the problems under study is main purpose of research methodology. It includes all the tools irrefutable. The research explains the means of collecting data, the area under study, the determination of the sample size and various statistical tools used to analyze the data in order to follow a structured path of conducting the study.

Data Collection Methods:

The entire study is based on the secondary data. Hence the information has been gathered from the annual reports of the company, Journals, websites etc.

Objectives of the Study:

The objectives framed for the study are as follows:-

- To analyze the working capital position of the company for the past five years.
- To assess the liquidity of the firm.

Limitations of the Study:

The study is subject to the following limitations,

- The period of study is of 5 years and the performance evaluation is also limited.
- The study is purely based on the data available in the form of annual reports and appraisal reports.

Hypotheses:

H₀: There is a significant relationship between Current ratio and Quick ratio.

H₁: There is no significant relationship between Current ratio and Quick ratio.

TWO WAY TABLE

S.NO	CURRENT RATIO	QUICK RATIO	TOTAL
1	2.42	1.91	4.33
2	1.33	1.03	2.36
3	1.6	1.28	2.88
4	1.91	1.38	3.29
5	1.88	1.30	3.18
Total	9.14	6.9	16.04

(Source: Computed data)

Chi-Square Test:

O _i	E _i	O _i - E _i	(O _i - E _i) ²	(O _i - E _i) ² / E _i
2.42	2.47	-0.05	0.0025	0.001012146
1.91	1.86	0.05	0.0025	0.001344086
1.33	1.34	-0.01	0.0001	0.000007462
1.03	1.02	0.01	0.0001	0.000009804
1.6	1.64	-0.04	0.0016	0.00097561
1.28	1.24	0.04	0.0016	0.001290323
1.91	1.87	0.04	0.0016	0.000855615
1.38	1.42	-0.04	0.0016	0.001126761
1.88	1.81	0.07	0.0049	0.002707182
1.30	1.37	-0.07	0.0049	0.003576642
Total				0.01306103

The above test shows that the table value is greater than calculated value (i. e. 0.01306103). Therefore the null hypothesis is to be accepted. Therefore it is evident that there is a significant relationship between Current ratio and Quick ratio of the respondents in the study.

The Association Table between Current Assets Turn Over Ratio and Cash Turnover Ratio:

H₀: There is a significant relationship between Current assets turnover ratio and Cash turnover ratio.

H₁: There is no significant relationship between Current assets turnover ratio and Cash turnover ratio.

TWO WAY TABLE

S. No	Current Assets Turnover Ratio	Cash Turnover Ratio	Total
1	2.25	6.74	8.99
2	2.24	13.54	15.78
3	2.44	56.04	58.48
4	2.08	30.31	32.39
5	1.75	34.62	36.37
Total	10.76	141.25	152.01

Chi-Square Test:

OI	EI	O _i - E _i	(O _i - E _i) ²	(O _i -E _i) ² /E _i
2.25	0.64	1.61	2.5921	4.05015625
6.74	8.38	-1.64	2.6896	0.32095465
2.24	1.12	1.12	1.2544	1.12
13.54	14.66	-1.12	1.2544	0.08556617
2.44	4.14	-1.7	2.89	0.69806763
56.04	54.34	1.7	2.89	0.05318366
2.08	2.29	-0.21	0.0441	0.01925764
30.31	30.10	0.21	0.0441	0.00146512
1.75	2.57	-0.82	0.6724	0.26163424
34.62	33.80	0.82	0.6724	0.01989349
Total				6.63017885

From the above analysis the calculated value (i.e. 6.63017885) is less than the table value. Hence the null hypothesis is to be accepted. Therefore it is clear that there is significant relationship between Current assets turnover ratio and Cash turnover ratio.

Findings:

- The Current ratio had showed a decreasing trend over the past five years i.e. from 2.42 to 1.88.
- The Quick ratio was decreased to 1.91 in the year 2009- 10 and 1.30 in the year 2013-14.
- The Current assets turnover ratio is increased from 2.24 to 2.44 in the year 2011-12. It was further decreased to 1.75 in the year 2013-14.
- The Cash turnover ratio has been increased from 6.75 to 56.04 over the past three years from 2009-10 to 2011-12.
- The working capital turnover ratio attained a higher value in the year of 2010-11 i.e. 8.99.

Conclusion:

The Bhavya Cement limited financial position is good. It is an expert in all over international contracts and the employees of the company are fully enjoying for getting a job in the company. It also provides various promotional activities exclusively for the benefits of the employees. The working capital management of Bhavya Cement Ltd. was found satisfactory. It was clear that the company was effectively managing its funds.

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