



A Study on Working Capital Management in Steel Industry

Moinuddin Shaik^a, Sudha Rani. D^b

^a Department of management studies, Narayana Engineering college (Autonomous), Gudur

Mail: moinsk1318@gmail.com Mobile: 7013479911

^b Asst. Professor, Department of management studies, Narayana engineering college (Autonomous), gudur

Mail: sadhusudharani@gmail.com Mobile: 7673960068

ABSTRACT:

The aim of the working capital management is to optimise the cash flows and making the effective use of the current assets in the organisation. This is a business process which helps to meet the short-term obligations, by using the formula of the working capital which is to subtract the current liabilities from the current assets we can optimise the cash and the cash equivalents. In simple words, working capital defines the turning of the cash into material and finished goods and finally into accounts receivables.

KEY WORDS: Cash equivalents, short-term obligations, current assets, current liabilities, accounts receivables.

INTRODUCTION:

Working Capital

One of the most important areas in the day-to-day management of the firm is the management of working capital. Working capital management is the functional area of the finance that covers all the current accounts of the firm. It is concerned with management of the level of individual current assets as well as the management of total working capital. Financial management means procurement of funds and effective utilization of these procured funds. Working Capital is the difference between resources in cash or readily convertible into cash (Current Assets) and organizational commitments for which cash will soon be required (Current Liabilities). It refers to the amount of Current Assets that exceeds Current Liabilities (ie., CA - CL).

REVIEW OF LITERATURE:

- **Afrifa, padachi (2016)**
From this article, working capital management is one of the most decisions which effects the organisation behaviour and practices where it performs better in larger companies than smaller companies.
- **Ahmed, Hamdan (2016):**
From this article, it shows that the working capital significances the organisation and effects the positive performance depending on the industry, country, size of the firm. Larger companies increase their performances and can lower the costs of financing due to the controlling
- **Das p. k (2022):**
According to the research, working capital management is the stellar essence for the organisation. Current assets and current liabilities should be well managed which facilitates the organisation. This study sources the secondary data which shows the essence of the working capital management practices.
- **Kalyani (2019):**
In this journal, it says the relation between working capital management and firm performance because when there is a effective working capital then the performance of the firm is also in positive and effectively manner. Therefore, we should give proper attention to the working capital for the better organisation performance.
- **Prathap Singh (2014):**
In this article, making the decisions of the working capital is very crucial and it develops the next step in the organisation, dealing with these decisions may reverse over time and the decisions on the capital investment indicates the corporate performance.
- **Asare (2023):**
In this article, it shows the relationship between working capital management and profitability, where there is a effective and positive working capital there is more effective and positive profitability for the organisation.

OBJECTIVES OF THE STUDY:

- To Analyze working capital Position of Amman Try Spong & Power (P) LTD.
- To understand the relationship between Working capital position and company profitability.
- To Study the effect of working capital on the company's Profit maximization and wealth Maximization.
- To have an understanding of liquidity aspects.

SCOPE OF THE STUDY:

- To be done the scope of the study includes the management of components at working capital for the period at 2019 to 2023.
- This study reveals the present liquidity and profitability position of the company.
- The study will enable the company to plan for it and will act as a basis for research work on financial performance in the future, in the analyze company five years balance sheets.

NEED OF THE STUDY:

- Every business needs some amount of working capital. The needs for working capital, arises due to time gap between production and realization of cash from sales. There is an operating cycle involved in sales and realization of cash.
- For studying the need of working capital in a business, one has to study the business under varying circumstances such as new concern, as a growing and one, which has attained maturity.
- A new concern requires a lot of funds to meets its initial requirement such as promotion and formation etc

RESEARCH METHODOLOGY:

It is a Descriptive in nature.

Types of data collection: -

There are two types of data collection methods available

Primary data collection

Secondary data collection

1) Primary data collection: -

Discussions with the finance manager and other members of the finance department.

2) Secondary data collection: -

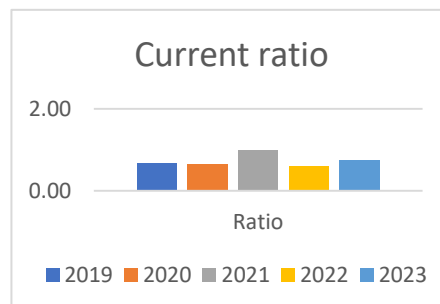
Secondary data is collected through annual reports and balance sheet and manual of the company. Project is based on Annual report (2019-2023), Financial Statements, Articles of the company, Information from internet.

DATA ANALYSIS AND INTERPRETATION:

I. Current Ratio:

Table 1.1

Years	Ratio
2019	0.67
2020	0.65
2021	0.97
2022	0.58
2023	0.73



Graph 1.1

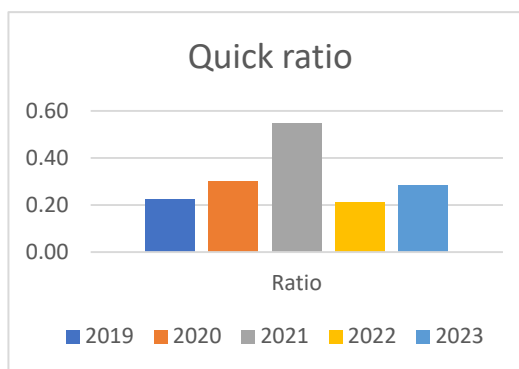
Interpretation:

From the table 1.1 and graph 1.1, it is clearly stating that the company did not attain its ratio more than or equals to 1 and it clearly says that the company made nearer to 1 in the year of 2021 as compared to the previous and other years

2. *Quick ratio:*

Table 1.2

Year	Ratio
2019	0.23
2020	0.30
2021	0.55
2022	0.21
2023	0.28



Graph 1.2

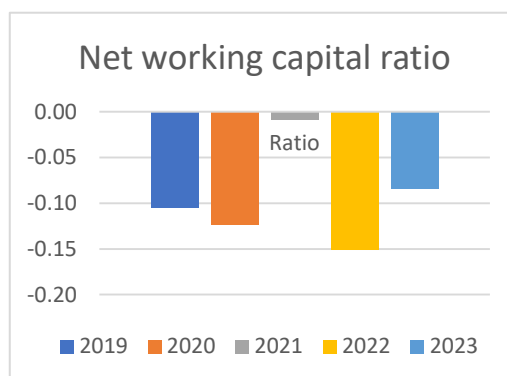
Interpretation:

From the above 1.2, graph 1.2, it is known that that the quick ratio is higher in the year 2021. Comparing to the other years it is higher in the 2021 year.

3. *Net working capital:*

Table 1.3

Year	Ratio
2019	-0.11
2020	-0.12
2021	-0.01
2022	-0.15
2023	-0.08



Graph 1.3

Interpretation:

From the above table 1.3 and graph 1.3, the total net working capital is very least and is less than 1 and so that in the year of 2021 it is nearer to the positive.

FINDINGS:

- From the current ratios, only 2021 attains highest ratio and every year also falls below 1 and only 2021 is nearer to 1.
- From the quick ratio it shows that only 2021 attains the 0.55 ratio and in other years also less than 1 which are 0.23, 0.30, 0.21, 0.28.
- From the net working capital ratio every year shows that the ratio falls less than 1 and also it is in the negative ratios only.
- From the net assets turnover ratio, every year shows the ratio is less than 1 and 2019 & 2023 shows the same ratio which is 0.90.

SUGGESTIONS:

- From the current ratios it is suggested to get the minimum amount of the ratio which is equals to 1 or greater than 1 because it shows that the company is monitoring the assets and liabilities in the proper manner.
- It is suggested to maintain the proper utilization of assets and liabilities because net working capital is forms as negative manner and it creates impact on the business organization.

CONCLUSION:

It is concluded that maintenance of proper assets and liabilities is very importance for the business to run its operations. Ratio has been decreased drastically and it is not good for the performing the operations in the business.

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