



A STUDY ON WORKING CAPITAL MANAGEMENT OF ACC LIMITED, COIMBATORE

KHAVYA S M¹, ROSHINI S²

¹ M.COM., Assistant professor, department of commerce with professional accounting, sri krishna Adithya college of arts and science, kovaipudur, Coimbatore.

² Student of III B.com (PA), Department of Commerce with Professional Accounting, Sri Krishna Adithya College Of Arts and Science, Kovaipudur, Coimbatore.

ABSTRACT :

This project conducts a comprehensive analysis of the working capital management practices of ACC Limited, a leading manufacturer of cement and ready-mixed concrete in India. The study examines the various components of working capital, including inventory management, accounts receivable management, and accounts payable management, to assess the efficiency and effectiveness of ACC Limited's working capital management strategies. By analyzing key financial ratios and performance indicators, the project aims to provide insights into the company's liquidity, operational efficiency, and financial health. Additionally, the project explores the impact of working capital management on ACC Limited's profitability and cash flow position, highlighting the importance of effective working capital management in sustaining business operations and driving long-term growth.

KEYWORDS : Working capital management, ACC Limited, financial ratios, liquidity, profitability, cash flow, long term growth.

INTRODUCTION:

Working capital refers to the amount which the company requires with the purpose of financing the day to day operation. Working capital serves as a metric for how efficiently a company is operating and how financially stable it is in the short-term. Working capital analysis is used to determine the liquidity and sufficiency of current assets in comparison to current liabilities.

Working capital management commonly involves monitoring cash flow, current assets, and current liabilities through ratio analysis of the key elements of working capital, including the liquidity ratio, profitability ratio, working capital ratio, and inventory turnover ratio.

OBJECTIVE OF THE STUDY:

- To analyse the solvency and liquidity position of the company & how the company is managing working capital.

SCOPE OF THE STUDY:

A study is conducted on the Working Capital analysis with reference to ACC limited for past five years 2018-2019 to 2022-2023 profitability ratio and working capital position of the company. The study has been used the facts and analysed them to make a critical evaluation of growth and working capital of the company. This study suggests various measures by which the company can utilize the opportunities available to them and strive for their betterment.

LIMITATION OF THE STUDY

- The study is limited only with the secondary data , hence the result is confined only with company's annual reports.
- The study is conducted only for 5 years based on the availability of data.

STATEMENT OF THE PROBLEM

Working capital management plays an important role in the operation of a company, because it is a company's ability to manage its liquidity and profitability depends on managing the working capital efficiently. Proper control of working capital management strategies would increase the

shareholders wealth and maintenance of adequate liquidity without compromising the profitability is the prime requirement of an efficient working capital management. Therefore, an attempt is made to understand the working capital practices of ACC limited.

REVIEW OF LITERATURE

1. **Awalakk Manjunath (2020)** has studied the efficiency of working capital management an efficiency index is constructed and compared with firm's profitability, and Return on Current Assets is used as proxy for measuring the firms' Profitability. The paper used statistical tools like correlation, and regression model, with diagnostic tests for justification of accuracy of the model. The study highlights that selected firms doesn't have significant relationship with earnings of the firms. The importance of Working capital management is not new the finance literature.
2. **T. Poojitha (2019)**, Working capital is known as the life blood of the organizations. The Purpose of this study is to understand efficiency and utilization of working capital in the Kdmpmacu ltd., Vijayawada Analyze for six years form 2011-12 to 2016-17. This study is based on the secondary data of the firm. The literature reviles that working capital is directly affects the profitability and liquidity of the firm and this study concludes that working capital is very much effects to the development of the firm.
3. **Mr. N. SureshBabu and Prof. G.V.Chalam (2014)**, Suggest that the managers can make value for their shareholders by reducing the number of day's accounts receivable and cumulative the account payment period and inventories to a sensible maximum and also proposes that managers of these firms should spend more time to manage cash conversion cycle of their firms and make strategies of efficient management of working capital.
4. **Arunkumar O.N. and Jayakumar S. (2010)**, explain how working capital is considered to be the lifeblood and controlling nerve centre of the business. Profitability and solvency are two vitas aspects of working capital management. The survival and growth of the company depends upon the ability to meet profitability and solvency. Here the authors have concentrated on the analysis of liquidity and solvency position of the major public sector electrical industries in kerala such as kerala electrical and allied engineering company Ltd 2007-08 and 1997-98 to 2005-06 respectively. In conclusion the authors have made a few important observations with regard to the companies. Both the companies show a trend of very low level of solvency position. The liquidity position of the companies is below the normal value. KEL has a lower level of net profit compared to TELK for the stated period. In comparison with KEL, the sensitivity of changes in the level of current assets is high in case of TELK.
5. **Meszek Wieslaw and Polewski Marcin (2006)**, examine the profiles of selected construction companies from the viewpoint of working capital formation and their management strategies applied to working capital. The analysis is based on the financial ratios. The authors conclude with the observation that complex working capital management requires controlling methodology to be developed. A specific character of the construction industry, including operational factors and market requirements make working capital management a task exceeding the financial sphere, as it embraces the issues of organization of investment processes, the organization of production processes and logistics.

ACC LIMITED PROFILE



ACC Limited is India's foremost manufacturer of cement and ready mixed concrete with a countrywide network of factories and sales offices. Established in 1936, it is acknowledged as a pioneer and trendsetter in cement and concrete technology.

ACC limited is a cement manufacturing company established on august 1,1936 by F E DINSHAW. He is the founder of the ACC limited. ACC ltd (Associated cement company limited) a subsidiary of Adani group, is a manufacturer and supplier of cement and ready-mix concrete. It offers a wide range of products including ordinary Portland cement (OPC), Portland pozzolana cement (PPC), Portland slag cement (PSC), Composite cement, ready-mixed concrete, and construction chemicals.

ACC's brand name is synonymous with cement and enjoys a high level of equity in the Indian market. It is the only cement company that figures in the list of Consumer Super Brands of India. Among the first companies in India to include commitment to environment protection as a corporate objective, ACC has won several prizes and accolades for environment friendly measures taken at its plants and mines. The company has also been felicitated for its acts of good corporate citizenship.

ACC was the first recipient of ASSOCHAM's first ever National Award for outstanding performance in promoting rural and agricultural development activities in 1976. Decades later, PHD Chamber of Commerce and Industry selected ACC as winner of its Good Corporate Citizen Award for the year 2002. Over the years, there have been many awards and felicitations for achievements in Rural and community development, Safety, Health, Tree plantation, afforestation, Clean mining, Environment awareness and protection. Other prominent awards won by us over the years comprise some coveted ones conferred by organisations of repute.

TOOLS AND FINANCIAL ANALYSIS

In the analysis of financial statements, the analyst has a variety of tools available to choose the best that suits his specific purpose. In this report we will confine ourselves to RATIO ANALYSIS based on information provided from financial statement such as balance sheet and profit & loss account.

RATIO ANALYSIS

Ratio analysis is a powerful tool for financial analysis. It is a process of identifying the financial strengths and weakness of the firm by properly establishing the relationship between the profit and loss account for a meaningful understanding of the financial position and performance of the firm. Ratio helps to summarize large quantities of financial data and to make qualitative judgement about the firm's financial performance.

TYPES OF RATIO ANALYSIS

- Liquidity ratio
- Profitability ratio

1. LIQUIDITY RATIO

A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due. The metric helps determine if a company can use its current, or liquid, assets to cover its current liabilities. Three liquidity ratios are commonly used –

1. current ratio,
2. liquid ratio,
3. and absolute liquid ratio.

YEAR	CURRENT ASSET (RS. IN LAKHS)	CURRENT LIABILITIES (RS. IN LAKHS)	CURRENT RATIO
2018-2019	240.8	45.18	5.33
2019-2020	338.19	64.3	5.26
2020-2021	373.79	38.36	9.74
2021-2022	455.68	54.31	8.39
2022-2023	545.84	74.71	7.31

CURRENT RATIO

The current ratio is a liquidity ratio that measures a company's ability to pay short term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

$$\text{CURRENT RATIO} = \text{CURRENT ASSETS} / \text{CURRENT LIABILITIES}$$

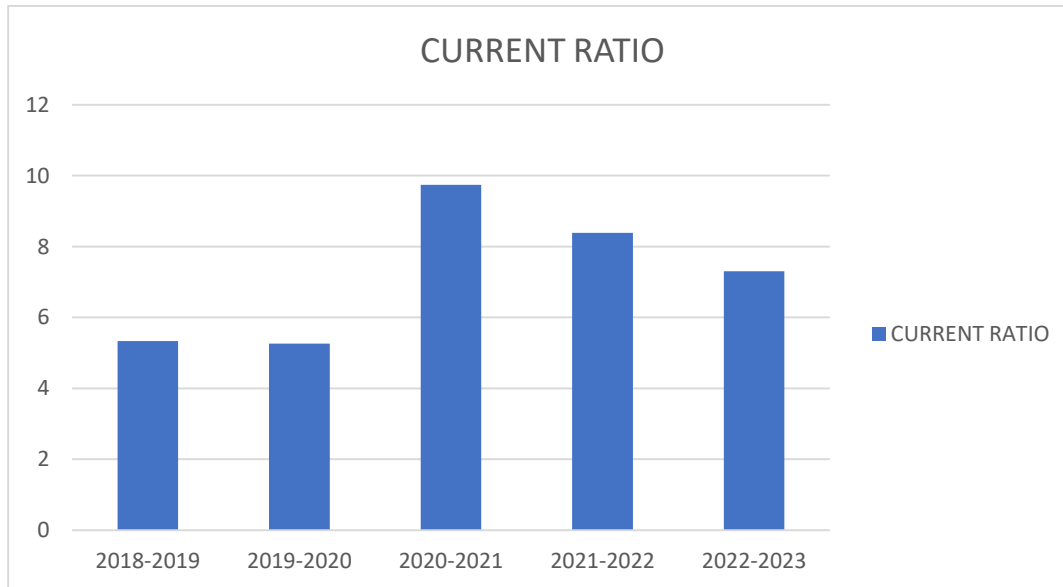
TABLE SHOWING CURRENT RATIO

INTERPRETATION:

Table reveals the relationship between the current asset and current liabilities. During the year 2018-2019 to 2022-2023 was fluctuation in the years. Current ratio is highest during 2020-2021 at 9.74 times. The lowest times was recorded in the year 2019- 2020 which was 5.26 times. It is satisfactory

because the current asset is above the standard norm which shows that the current asset is more than the current liabilities to meet its short term obligations

CHART REVEALS CURRENT RATIO



2. PROFITABILITY RATIO

Profitability ratios compare income statement accounts and categories to show a company's ability to generate profits from its operations. Investors and creditors can use profitability ratios to judge a company's return on investment based on its relative level of resources and assets. In other words, profitability ratios can be used to judge whether companies are making enough operational profit from their asset

Profitability ratio include:

1. Gross profit ratio
2. Net profit ratio
3. Operating profit ratio
4. Return on investment
5. Return on asset

GROSS PROFIT RATIO

Gross Profit Ratio is a profitability ratio that measures the relationship between the gross profit and net sales revenue. This is used to determine the proportion of sales still available after goods and services have been sold to pay for selling and administrative costs and generate a profit. Gross profit is a measure of how efficiently an establishment uses labour and supplies for manufacturing goods or offering services to clients. It is an important figure when checking the profitability and financial performance of a business.

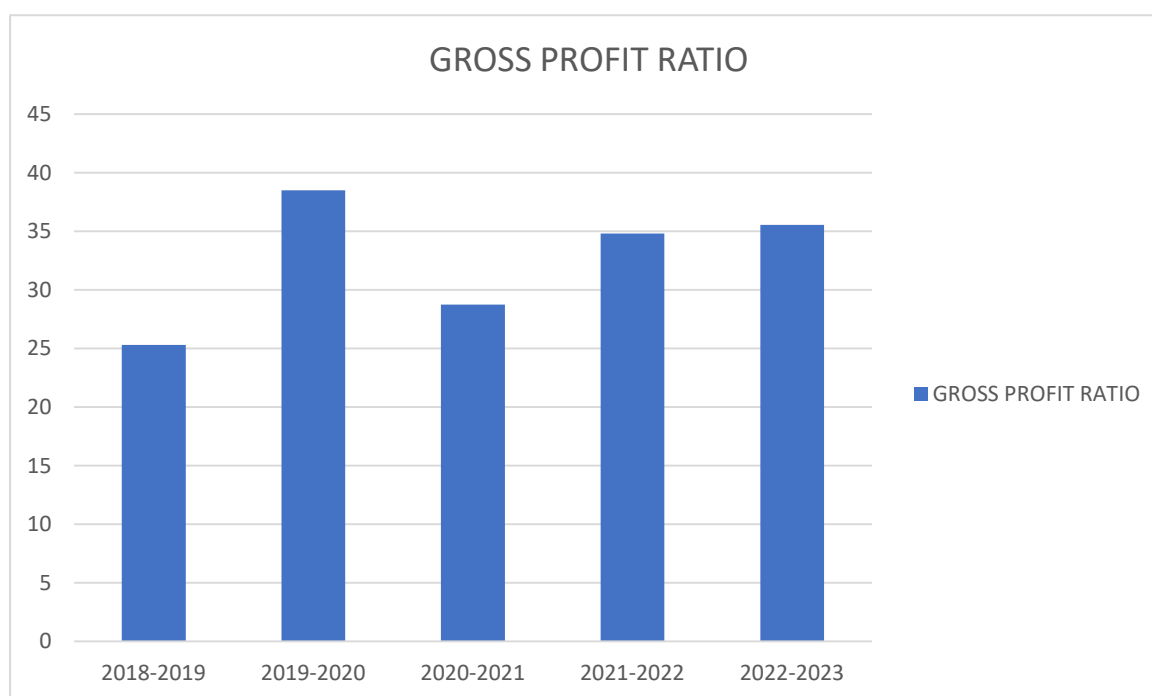
$$\text{GROSS PROFIT RATIO} = \text{GROSS PROFIT} / \text{SALES} * 100$$

TABLE SHOWING GROSS PROFIT RATIO

YEAR	GROSS PROFIT (Rs. In lakhs)	SALES (Rs. In lakhs)	RATIO (%)
2018-2019	73.42	290.27	25.29
2019-2020	133.81	347.49	38.51
2020-2021	107.66	374.55	28.74
2021-2022	113.99	327.52	34.80
2022-2023	106.18	298.66	35.55

INTERPRETATION:

Table 4.4 shows the gross profit of ACC LIMITED for the study period 2018-2019 to 2022-2023. In the above study period there is some ups and downs in the gross profit. A higher ratio is preferable indicating higher profitability. The average gross profit is (35%) so the company's profitability position is considered as good.

CHART REVEALS GROSS PROFIT RATIO**FINDINGS**

- Current ratio of the firm is tend to be increased every year. Debtors of the company plays an important role so that the company has an satisfactory current ratio.
- The average ratio of gross profit of the company is 35.18% during the study period 2018- 2019 to 2022-2023. The gross profit ratio has a fluctuation and increases over year due to proportionate increase in sales.

SUGGESTION

- It can be said that overall financial position of the company is normal but it is required to be improved from the point of view of profitability.
- A company can increase its working capital by increasing its cash flow.

CONCLUSION

The management of working capital plays an important role in maintaining the financial health of the companies during the normal course of the business. Liquidity position of the ACC LIMITED is found good with increase in current ratio. The study enables the researcher to understand the working capital management of the company. The working capital of the concern plays an important role in improving the profitability condition of the business concern.

The study was conducted to analyse the working capital management of ACC LIMITED for the year 2018-2019 to 2022-2023 of five years. This study is found useful to the organization for developing the company's working capital policing in the upcoming year.

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