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WORKING CAPITAL MANAGEMENT BHEL

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ABSTRACT

Working capital operation plays a vital part in maintaining the financial health and functional effectiveness of a company. This design focuses on the working capital operation practices of Bharat Heavy Electricals Limited(BHEL), one of India's largest public sector enterprises involved in the manufacturing of power generation and artificial outfit. The end of the study is to anatomize how BHEL manages its current means and current arrears to maintain respectable liquidity and ensure smooth business operations. The disquisition involves a detailed analysis of BHEL's working capital factors, including force, receivables, payables, and cash, over a five- time period. pivotal financial rates analogous as the current rate, quick rate, force development rate, and debtor development rate have been calculated to assess the company's liquidity and effectiveness. The study identifies trends, strengths, and gaps in BHEL's working capital structure and explores how these affect the overall financial performance of the company. Findings suggest that while BHEL maintains a nicely stable liquidity position, there is compass for improvement in receivables and force operation. The report concludes with practical recommendations to optimize working capital and enhance profitability in a capital-ferocious sedulity.

Keywords: Working Capital Management, BHEL, Liquidity, Financial Ratios, Current means, Current arrears, force Development, Receivables Management, functional effectiveness, Public Sector.

INTRODUCTION

Working capital operation(WCM) is one of the most critical aspects of business operation, impacting a company's functional effectiveness, financial stability, and profitability. It revolves around managing a company's short- term means and arrears to ensure smooth operations and sufficient liquidity to meet day- to- day charges. For Integrated Thermoplastic Limited, a company in the manufacturing sedulity, effective working capital operation is especially important due to its reliance on raw paraphernalia, product cycles, Working capital refers to the difference between a company's current means(means that are anticipated to be converted into cash within one time) and current arrears(scores that need to be settled within one time).

RESEARCH METHODOLOGY

Research is the systematic investigation of fact that seeks to establish relationship between two types.

Primary data:

- Officers of accounts sections.
- Executives and staff of financial and accounts department.

Secondary data:

- Annual reports of Nandi Pipes Pvt. Ltd. Co.
- Financial management text books.
- Printed Materials.

TYPES OF DATA COLLECTION

PRIMARY DATA

- The information which is not available in annual reports and other books of accounts has been collected consulting the accounting officers of the panyam cements amd minerals industry pvt ltd

SECONDARY DATA

- The data are collected from the annual reports maintained by the company for the past six years viz., 2019-2024
- Data are collected from the company's website.
- Books and journals pertaining to the topic.
- The data relating to financial statements of panyam cements amd minerals industry pvt ltd has been collected from published Annual Reports for the years 2019-2024 which were obtained from the Administrative office of the company.

Tools of the data analysis and data interpretation

The tools that are to be used for analyzing the risk management by using the tables and the bar diagrams.

1. DATA ANALYSIS

RATIO ANALYSIS

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statement so that the strengths and weaknesses of a firm as well as its historical performance and current financial condition cab be determined.

TYPES OF RATIOS

Ratio can be classified, for the purpose of exposition, into four broad groups:

Liquidity ratios
Capital structure/Leverage ratios
Profitability ratios
Activity ratios

LIQUIDITY RATIOS:

The liquidity ratios measure the ability of a firm of to meet its short-term obligations and reflect the short-term financial strength / solvency of firm. The ratios, which indicate the liquidity of a firm, are:

Current Ratio
Acid Test/Quick Ratio
Cash Ratio

CURRENT RATIO

The current ratio indicates the firm's ability to pay its current liabilities. The ratio should be 2:1, but depending on each industry own peculia problems, the ratio may vary between 1.5: 1 to 3:1

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

The higher the current ratio, the larger the amount of rupees available per rupee of current liability, the more the firms ability to meet current obligations and greater the safety of funds of short-term creditors. Thus current ratio, in a way, is a measure of margin of safety to the creditors. Although thee is no hard and fast rule, conventionally, current ratios of 2:1 i.e., for every one rupee of current liabilities, there should be two rupees of current assets, is considered satisfactory.

Table 3.1 OPERATING RESULTS

Sl. No.	DESCRIPTION	ACTUALS						
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
A	TURNOVER–BHEL	9023	29458	13781	32744	3046	27697	61181
	NON-BHEL	122914	123747	124057	141746	171622	239520	228310
	TOTAL TURNOVER	131937	153205	137838	174490	174668	267217	289491
	CHANGES IN WIP	8507	1578	-3967	-7123	2400	3165	3975
	CHANGES IN FG	2853	-4379	10651	-7040	7295	2338	-8827
	EXPORT INCENTIVES	3476	3115	3287	2049	4238	3397	1779

	GROSS TURNOVER	146773	153519	147809	162376	188601	276117	286418
	EXCISE DUTY	13473	12412	12651	17145	19597	23131	22027
B	GTO LESS ED	133300	141107	135158	145231	169004	252986	264391
	DIRECT MATERIALS	83538	83866	77154	85031	98043	146246	151552
	SUB-CONTRACT PAYMENT	496	369	328	383	391	459	334
	POWER AND FUEL	1590	1224	1270	1365	1513	1758	491
	TRANSFER IN SERVICE	98	536	481	256	363	1163	1743
C	TOTAL OF 'C'	85722	85995	79233	87035	100310	149626	154120
D	VALUE ADDED	47578	55112	55925	58196	68694	103360	110271
E.	PERSONNEL PAYMENTS	24626	20677	20694	22875	23138	26390	30784
	INDIRECT MATERIALS	2065	2153	2563	2557	2866	3171	4007
	OTHER EXPENSES-BHEL	3961	4062	3794	3975	3274	3894	4670
	OTHER EXPENSES-NON BHEL	7032	7871	9045	9950	7938	8783	13752
	PROVISIONS	1028	3274	5801	1028	2053	5595	-626
	PROV.EXCH.VAR	98	-55	45	803	114	-34	228
	LESS:MISC.INCOME	3843	3452	5498	56020	6565	7500	8351
	TOTAL OF 'E'	34967	34530	36444	35188	32818	40299	44494
F	GROSS MARGIN (PBIDT)	12611	20582	19481	23008	35876	63061	65777
	DEPRECIATION	1546	1617	1649	1659	2153	2194	2487
	DRE ON VRS	3936	5465	4412	5528	601		
G	GROSS PROFIT (PBIT)	7129	13500	13420	15821	33122	60867	63290
	INTEREST	1674	3054	-258	48	1105	-682	-2300
H	PROFIT BEFORE TAX	5455	10446	13678	15773	32017	61549	65590
	OPERATING COST:	117780	131006	116708	149823	136639	201962	221227

4.2 ACID TEST OR QUICK RATIO

The test ration is the ratio between quick assets and current liabilities and is calculated by diving the quick assets by the current liabilities. Quick assets also known as liquid assets represent the liquidity of the firm, this implies the ability of the firm to pay its short-term obligations as and when they become due. By exclusion of inventory and pre-paid expenses from current assets, we get quick assets.

$$\text{ACID TEST RATIO} = \frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

Conventionally, a quick ratio of 1 : 1 is considered satisfactory. It is generally thought that if quick assets are equal to current liabilities then the concern may be able to meet its short-term obligations.

4.3 CASH RATIO OR ABSOLUTE LIQUID RATIO

The cash ratio is the ratio of cash and bank balance to the current liabilities. This ratio is the most rigorous and conservative test of a firm's liquidity position. conventionally, a ratio of 0.5 : 1 i.e., for every rupee of current liability there should be 50 paise of cash and bank balance, which is considered satisfactory.

$$\text{CASH RATIO} = \frac{\text{CASH \& BANK BALACE}}{\text{CURRENT LIABILITIES}}$$

LEVERAGE RATIOS

The long-term creditors would judge the soundness of the firm on the basis of the long-term financial strength measured in terms of its ability to pay the interest regularly as well as repay the installment of the principal on due dates or in one lumps at the time of maturity. The long-term solvency of the firm can be examined by using leverage of capital structure ratios.

There are two aspects of the long-term solvency of the firm:

- Ability to repay the principal when due, and
- Regular payment of interest.

Accordingly there are two types of ratios:

A) Ratios, which are based on the relationship between,

borrowed funds and owners capital.

They include

- Debts-equity ratio
- Debts-assets ratio
- Equity-assets ratio
- **DEBT EQUITY RATIO**

Debt-equity ratio is the ratio between the barrowed funds and owners capital.

$$\text{Debt Equity ratio} = \frac{\text{Total Debt}}{\text{Share holder's equity}}$$

The D/E ratio is, thus, the ratio of total outside liabilities to owner's total funds. In other words, it is the ratio of the amount invested by outsiders to the amount invested by owners of the business.

DEBT TO CAPITAL RATIO

The relationship between creditors funds and owners capital can also be expressed in terms of another leverage ratio. The debt to capital ratio. Here the outsiders liability are related to the total capitalization of the firm and not merely to the shareholders equity.

$$\text{Debt to capital ratio} = \frac{\text{Long term debt}}{\text{Share holders equity}}$$

Conventionally, a ratio of 1:2 is considered satisfactory.

CONCLUSION

Effective working capital operation is pivotal for Bharat Heavy Electricals Limited(BHEL) to maintain fiscal stability and functional effectiveness. By optimizing the balance between current means and arrears, the company ensures smooth day- to- day operations, enhances liquidity, and reduces fiscal pitfalls. Effective operation of force, receivables, and payables allows BHEL to minimize costs and ameliorate profitability. BHEL's approach to working capital operation reflects its commitment to fiscal discipline and sustainability. By using technological advancements and strategic fiscal planning, the company strengthens its capability to meet short- term scores while investing in long- term growth. A well- structured working capital strategy enhances BHEL's competitiveness in the request and contributes to its overall fiscal health.

Tools of the data analysis and data interpretation The tools that are to be used for assaying the trouble operation by using the tables and the bar plates.

5.REFERENCES

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