



AN ANALYSIS OF WORKING CAPITAL OF STEEL AUTHORITY OF INDIA LTD

Authors

Dr. Binay Kumar Singh

Assistant Professor
Department of Commerce
Jamshedpur Co-operative College
Kolhan University

Gaurav Kumar

Research Scholar
Department of Commerce & Business Management
Kolhan University

ABSTRACT

Management of a company's working capital entails controlling the balance between its current assets and current liabilities. The term "working capital" refers to money that a company uses to purchase immediate assets. Namely, goods in stock, accounts receivable, cash on hand, and loans and advances made to other parties. These current assets are crucial to the efficient running of the firm and effective utilisation of the fixed assets. Both liquidity and profitability may be affected by how effectively you manage your working capital. The cash available for daily operations is the engine that keeps a company running. Similar to how blood flow is vital to keeping a physical organism alive, a company's working capital is critical to keeping operations going smoothly. Without regular access to funds, it would be impossible to keep a firm afloat. It is often held that a company's profitability and liquidity levels are correlated negatively. To assist sustain future development, this study analyses the effect of steel authority of India Ltd.'s working capital management practises over the fiscal years 2006 through 2016. Ratio analysis and a declaration of W.C. change are employed as research methods here.

Keywords:- Working Capital Management, Liquidity, Capital.

INTRODUCTION

There are two main uses for money in business: getting the firm off the ground and keeping it afloat after it's up and running. In order to set up a manufacturing facility, it is necessary to get long-term financing for the acquisition of fixed assets including factories, machines, land, buildings, and furnishings. Tied capital refers to the percentage of a company's capital that is invested in such assets and cannot be withdrawn under any circumstances. Short-term financing needs include paying for things like raw material purchases and operations expenditures like payroll. Working capital is the term for these types of money. Working capital,

in its most basic definition, is the sum of money available to a corporation for use in financing its most liquid short-term assets. These assets include cash, marketable securities, debtors, and inventories. Therefore, money invested in liquid assets constantly changes hands in the form of cash and is transformed into other liquid assets. The network capital of a corporation may be both advantageous and detrimental. Capital so also circulates or rotates, thus the other names. This recurring cycle of expenditure and receipt is the foundation of the working capital cycle. The cash is realised via the selling of completed items, and the cycle starts with the acquisition of raw materials and other resources. Working capital needs are based on the time/speed at which the cycle may be completed. The need for working capital grows in direct proportion to the length of the cycle time.

INTRODUCTION OF THE STUDY

One of the seven maharatnas of India's core public sector businesses, Steel Authority of India limited (SAIL) is the country's biggest steelmaking corporation. About 75% of SAIL's stock is held by the government of India, giving it veto power. New Delhi, India is home to the company's headquarters.

SAIL manages and owns three specific steel mills at Saleon, Durgapur, and Bhadravath, in addition to five integrated steel plants in Bhilai, Durgapur, Rourkela Bokaro, Burnpur (Asansol). Also, it has a ferro alloy facility in Chandrapur that it operates. SAIL's founding may be traced back to the formation of Hindustan Steel Limited (HSL) on January 19, 1954.

SAIL is India's third-largest steel producer, with annual output of 16.30 million metric tonnes, making it the 20th-largest steel producer in the world. So said the results of a recent poll. SAIL is one of India's most successful government organisations. The 182-story building uses 12,000 tonnes (or more than 50 percent) of SAIL steel. The Lucknow-Agra Motorway, which includes the world-famous "Statue of Unity," required 33,500 MT of steel, which was supplied by SAIL. The Indian Navy's anti-submarine stealth corvette INS Kamorta was built using steel from SAIL's defence division.

It is projected that by 2025, the company's annual output of hot metal would have reached 50 million tonnes.

REVIEW OF LITERATURE

Kaur and Singh (2013), Research found that proper management of working capital was the key to optimising both efficiency and profitability. Their research backed with previous studies' conclusions that working capital management is crucial to a company's bottom line. Working capital management has an effect on manufacturing enterprises' profitability, as well indicated by Kumar and Ramanan (2013). Debtors' day and inventory days were shown to have a favourable correlation with profits.

Patel (2015), The effect of Indian Oil Corporation's working capital management on the company's bottom line was analysed. Secondary data were used for this analysis, which covered the years 2009-2010 through 2013-2014. The study methods used were descriptive statistics, the INM SPSS, and the Pearson correlation.

The findings point to a negative association between liquidity and profitability and a substantial negative correlation between working capital management and net profit.

Sharma and Kaur (2015), Analyse how Bharti Airtel Telecom Company's working capital management influences its bottom line. Data was collected and analysed using statistical and economic methods during the 2007-08 and 2014-15 fiscal years. Quick ratio, inventory turnover ratio, debtors turnover ratio of company shows satisfactory performance, and current ratio of company was found not satisfactory, while results show a significant inverse relationship between liquidity and profitability of the company.

OBJECTIVES OF THE STUDY

- To analyse the Financial position of the SAIL.
- To analyse the efficiency of working capital in SAIL through financial ratios.
- To analyse the majors to improve the working capital management SAIL

RESEARCH METHODOLOGY

The data collection, time range, statistical analysis, and tools employed in this research are described as follows: The majority of the information came from secondary sources. These were gathered from various sources, such as newspapers, magazines, and company annual reports. This study covers a period of ten years, from 2006–2007 to 2015–2016. The researcher examined the Current Ratio, Quick Ratio, Cash Ratio, Working Capital Turnover Ratio, and Fixed Assets Turnover Ratio of the companies selected for this study.

TOOLS USED FOR THE ANALYSIS

The following tools were adapted to analysis the working capital management.

The accounting methods and tools used include financial ratios like:

1. Current ratio
2. Quick Ratio
3. Cash ratio
4. Working capital Turnover ratio
5. Fixed Assets Turnover ratio

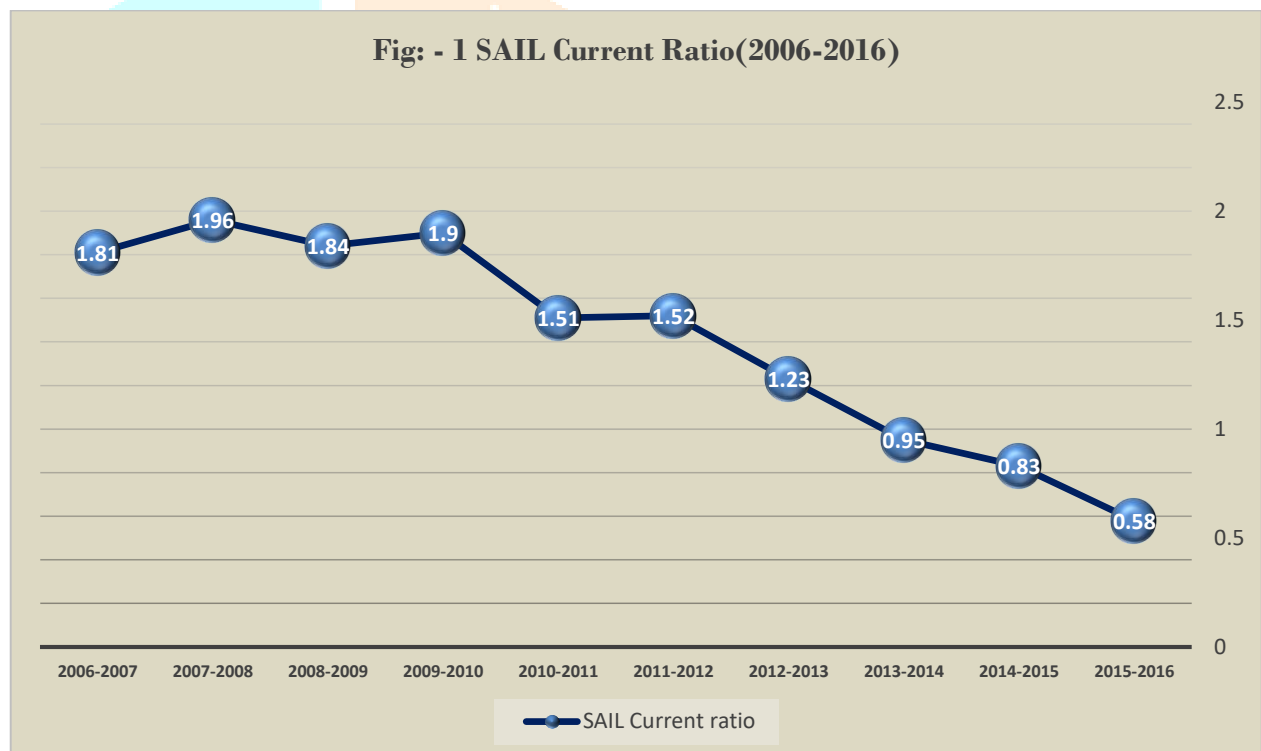
DATA ANALYSIS AND INTERPRETATION

➤ Current Ratio

Table 1:- SAIL Current Ratio(2006-2016)

Years	SAIL Current ratio
2006-2007	1.81
2007-2008	1.96
2008-2009	1.84
2009-2010	1.90
2010-2011	1.51
2011-2012	1.52
2012-2013	1.23
2013-2014	0.95
2014-2015	0.83
2015-2016	0.58

Source:- Annual Reports of SAIL



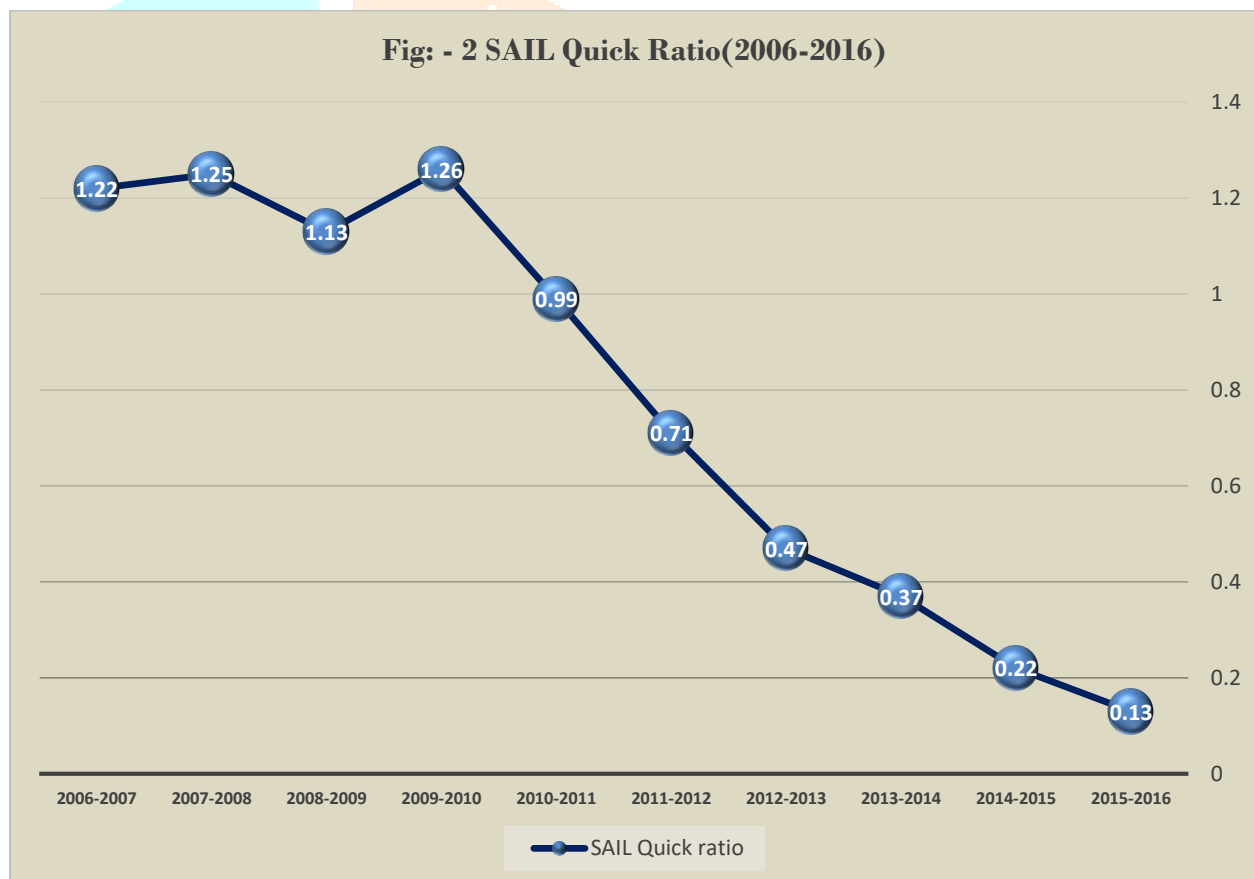
Source:- Annual Reports of SAIL

➤ Quick Ratio or Liquid Ratio

Table 2:- SAIL Quick Ratio(2006-2016)

Years	SAIL Quick ratio
2006-2007	1.22
2007-2008	1.25
2008-2009	1.13
2009-2010	1.26
2010-2011	0.99
2011-2012	0.71
2012-2013	0.47
2013-2014	0.37
2014-2015	0.22
2015-2016	0.13

Source:- Annual Reports of SAIL



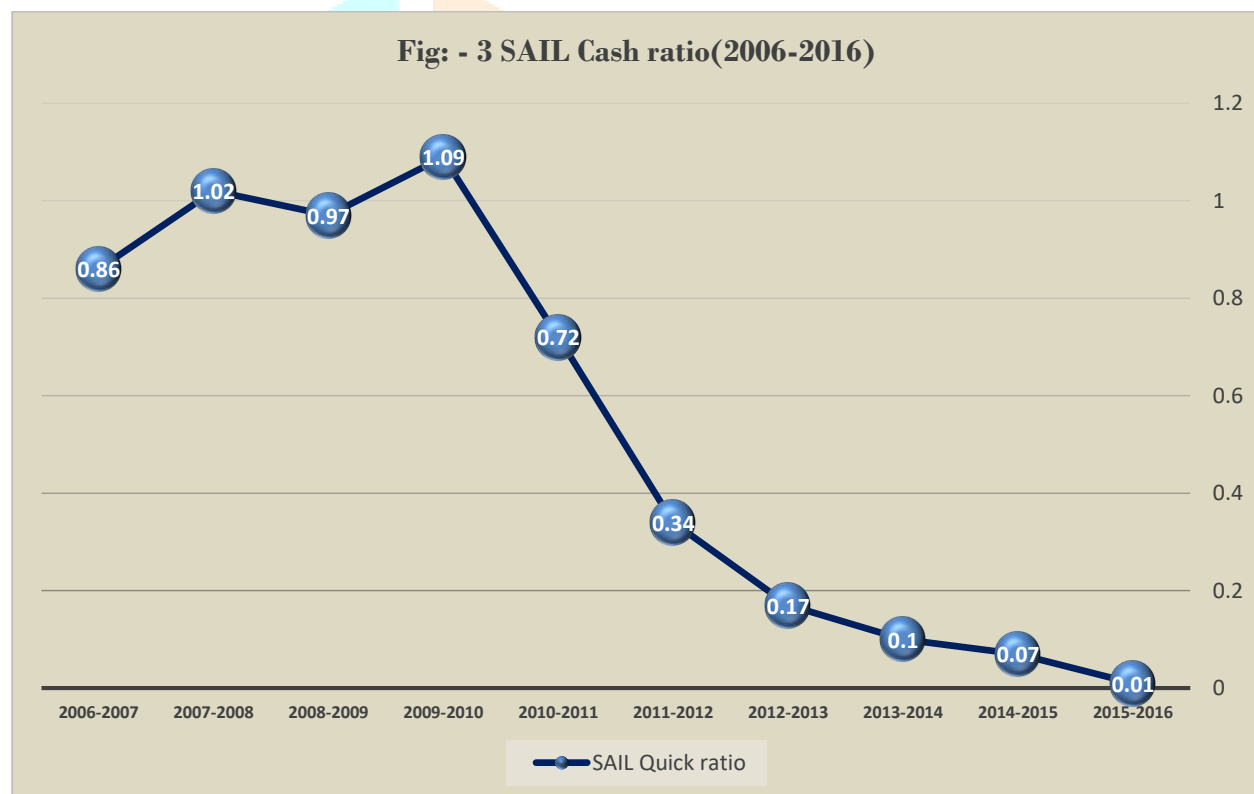
Source:- Annual Reports of SAIL

➤ Cash Ratio

Table 3 :- SAIL Cash ratio(2006-2016)

Years	SAIL Quick ratio
2006-2007	0.86
2007-2008	1.02
2008-2009	0.97
2009-2010	1.09
2010-2011	0.72
2011-2012	0.34
2012-2013	0.17
2013-2014	0.10
2014-2015	0.07
2015-2016	0.01

Source:- Annual Reports of SAIL



Source:- Annual Reports of SAIL

From 2006–2007 to 2010–2011, the Cash Ratio of SAIL paints a more positive picture; however, after that, things start to become worse, thus the aforementioned businesses should increase their liquidity to pay for their day-to-day expenses.

➤ Working Capital Turnover Ratio

Table 4:- Working Capital Turnover Ratio(2006-2016)

Years	SAIL Working Capital Turnover ratio
2006-2007	3.76
2007-2008	3.11
2008-2009	2.79
2009-2010	2.19
2010-2011	3.50
2011-2012	4.76
2012-2013	8.73
2013-2014	-32.22
2014-2015	-7.65
2015-2016	-2.46

Source:- Annual Reports of SAIL



Source:- Annual Reports of SAIL

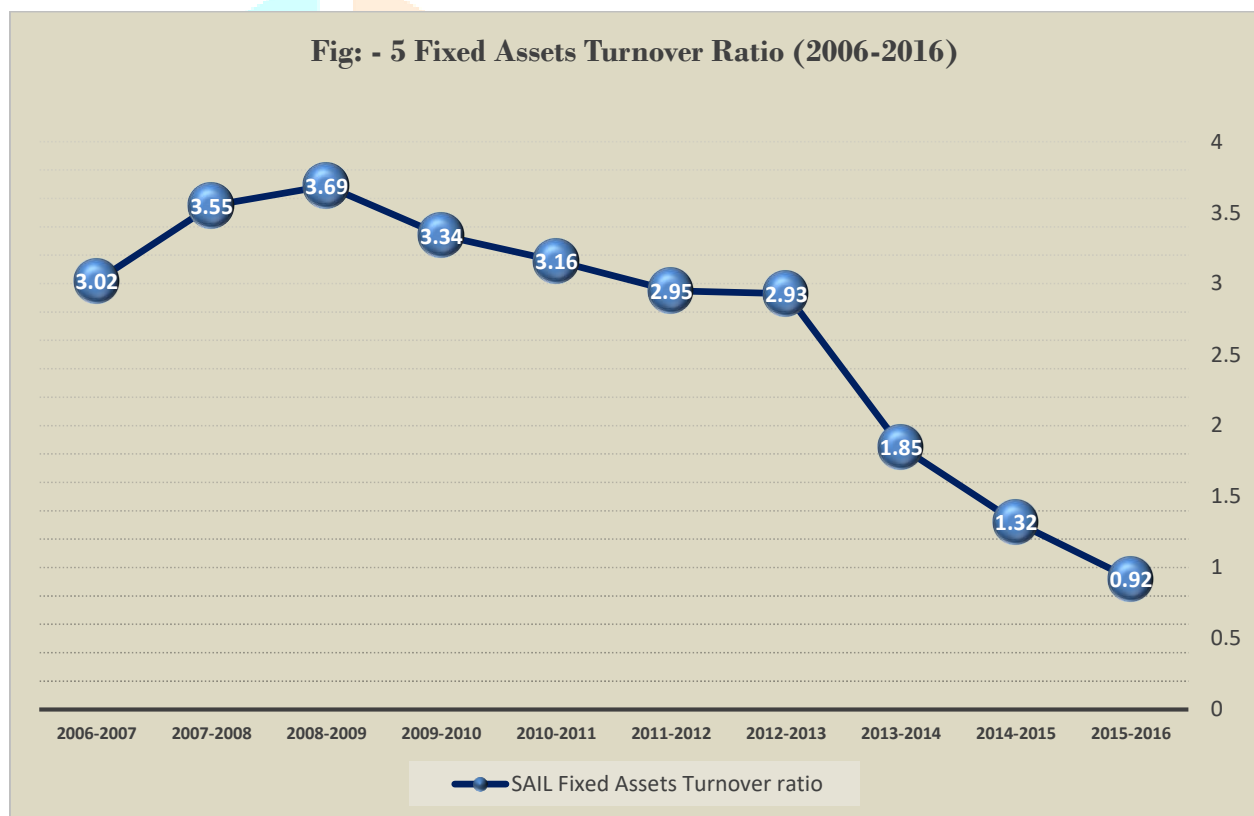
Working capital turnover as a percentage is below average. The findings show that corporations are spending their extra revenue on capital projects rather than on working capital. For SAIL for the three years under examination, the working capital turnover ratio was negative. The companies run the danger of being unable to meet their obligations on time.

➤ Fixed Asset Turnover Ratio

Table 5:- Fixed Assets Turnover Ratio (2006-2016)

Years	SAIL Fixed Assets Turnover ratio
2006-2007	3.02
2007-2008	3.55
2008-2009	3.69
2009-2010	3.34
2010-2011	3.16
2011-2012	2.95
2012-2013	2.93
2013-2014	1.85
2014-2015	1.32
2015-2016	0.92

Source:- Annual Reports of SAIL



Source:- Annual Reports of SAIL

The assets that will be utilised in a corporation's ongoing activities for the foreseeable future are referred to as fixed assets. A low turnover percentage for fixed assets is thus preferred. SAIL's FATR is higher in the first five to six years of the study before slowly declining in the latter several years.

CONCLUSION

The working capital management has been proceeding according to plan, and strong coordination between the finance, technical, and other executive levels has been evident. There is also a commitment to delivering positive outcomes in order to create harmony in the working environment of the organisation. Following the investigation of numerous facts linked to SAIL, a theoretical assertion was made. Test results overwhelmingly support SAIL's increased Fixed Assets Ratio. With the exception of one or two years over the study's time frame (2006–2007 to 2015–2016), SAIL's ratios are subpar and uninspiring. According to the study, SAIL has a sufficient working capital turnover ratio since the excess money it receives is utilised to buy fixed assets rather than provide working capital. In order to effectively utilise cash and bank balances, management may choose to make prudent investments with them or pay off short-term debt current ratio.

REFERENCES

1. *Annual Reports From 2006 – 2016 of Companies Websites*
www.sail.co.in,
2. <http://indiainfoline.com>,
3. <http://moneycontrol.com>, <http://www.google.com>,
4. Nazir, M. S. (2009). *Impact of Aggressive Working Capital Management Policy on Firms' Profitability. IUP Journal of Applied Finance*, 19-30.
5. Pandey, J. P. (2008). *Impact of Working Capital Management in the Profitability of Hindalco Industries Limited. The IUP Journal of Financial Economics*, 62-72.
6. Patel, K. A., 2015. *Impact of working capital management on profitability in Indian petroleum industry with special reference to Indian Oil Corporation. Research Hub International Multidisciplinary Research Journal*, 2(5), pp.1-4.
7. Sharma, Poonam Gautham, M. R. P. K., 2016. *Working capital management and its impact on profitability: A case study of Bharti Airtel Telecom Company. Imperial journal of Interdisciplinary Research*, 2(3), pp.265-271.