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A COMPARATIVE STUDY ON WORKING CAPITAL MANAGEMENT IN STEEL AUTHORITY INDIA LIMITED

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Abstract: Working capital, sometimes known as "organizational life blood," is critical to the smooth running of any corporation. In this article, I have also made an attempt to analyze the impact of working capital management strategies on BSE/NSE earnings by analyzing a variety of assets and liabilities.

companies producing steel that are publicly traded in India. Data for this research was culled from publicly available sources, including the 2009-2016 annual reports of many major steel producers. In order to determine the significant impacts of managing current assets and current liabilities on profit, I have employed the ratio analysis approach throughout the research for this work. Asset management is crucial because it has the potential to have an instant effect on profitability and liquidity. Six Indian steel companies, both public and commercial, were chosen for this research.

I. INTRODUCTION

Working capital management is the process by which a financial manager makes decisions about current assets and current liabilities. A specific level of current assets is required to meet short-term liabilities and liquidity, which must be considered when making decisions. Another way to freeze a firm's capital is through current assets. Because of this, profitability was impacted. The decision of management about working capital has a negative impact on profitability or return on investment.

To find out how working capital management affects profitability, this study was conducted. A company's profitability is measured by its return on assets. Also included in this study are the current ratio, debt to equity ratio, operational profit to debt ratio, and the firms' inventory turnover ratios. A six-year period of secondary data on electrical equipment manufacturers listed on the Karachi Stock Exchange was collected. The data was subjected to regression analysis. In addition, a normality and linearity test were performed. The results were overwhelmingly favourable. In conclusion, working capital management has a favourable and substantial effect on business profits.

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For example, **Haresh (2012)** wrote in his study, for businesses, the word "working capital" describes the money they have available to invest in short-term assets. Working capital management is crucial to the success of companies of all sizes. The liquidity and profitability of a corporation, and hence its net worth, are directly tied to the effectiveness with which its working capital is managed. The primary goal of **Gumbert and Kumar's (2012)** article was to compare and contrast the cooperative sector and public sector fertilizer businesses' current assets and current liabilities, as well as to examine the relevance and growth of key components of each. To put it another way, the co-operative sector had more working capital than the public sector and its working capital needs were growing at about double the pace of the public sector. When compared to the public sector, the co-operative sector fared better in terms of liquidity and payment to creditors, since their loan length was much shorter.

Effective management of current assets is what "working capital management," as advocated by **T. Chandaria, D. J. (2011)**, is all about. Increases in working capital requirements are proportional to a company's rate of expansion. With rising revenue, the company must raise its outlay on working capital items. Working capital represents the liquidity condition of the company and reveals the extent to which the working capital is maintained.

Bauchi, B. and Khanduri, B. (2010) Ten Indian FMCG (Fast Moving Consumer Goods) businesses were chosen at random from the 2000-01 to 2009-10 records in the CMIE database for this research. Return on assets has been used as a metric for determining profitability (ROA). The debt-equity ratio, the age of inventory, the age of creditors, the age of debtors, and the cash conversion cycle (CCC) have all been utilized as explanatory factors. The research makes use of pooled ordinary least squares regression analysis and Pearson's correlation. According to the findings of the research, there is a direct inverse correlation between working capital management factors and corporate profitability. Profitability drops as the CCC rises; therefore, managers may maximize value for shareholders by keeping it as low as they can.

Abd al-Rahman and Mohamed N. Nasr (2004) The purpose of this article was to analyse a sample of 94 Pakistani enterprises listed on the Karachi Stock Exchange during a 6-year period (from 1999 to 2004) to determine the relationship between working capital management and profitability. A strong inverse correlation between liquidity and profitability was discovered. They demonstrated unequivocally that a company's size significantly contributes to its financial success. Additionally, the firm's usage of debt significantly correlates negatively with its profitability.

(2017), by Afzal and Nasir.

To learn more, check out Successful management of working capital was shown to have a significant and beneficial effect on financial outcomes. We must now proceed. One of the variables, Cash Conversion Cycle (CCC), exhibited a negative link with WCM, but the connection between WCM and Profitability was rather strong.

It was published in 2019 by Lue, Lee, and Hwang.

Improving a company's value leads to a shorter cash conversion cycle. Using the Pearson correlation model, we know that a company may maximize its profits by maintaining the optimum balance between its accounts receivable, inventories, and payables.

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When analyzing the relationship between a company's cash conversion cycle and its return on assets, they discovered a strong positive link. The cash conversion cycle has been shown to correlate positively with financial success in India. According to, current assets may greatly affect ROIC.

The authors Gul, B., R., K., & K. (2016)

Our study analyzed how SMBs in Pakistan reacted to changes in their WCM. A/R/I Turnaround Time and Inventory Turnaround Time in Days.

Based on the research of Oladipo and Okafor (2015)

Its working capital management procedures were analyzed for their effect on the company's bottom line and dividend pay-outs. Both the Pearson product moment correlation method and the ordinary least square (OLS) regression method, as shown by their research, are associated with increased corporate profitability. It analyzed how proper management of working capital affected profits and dividend pay-outs. Stock market financials from 12 manufacturing businesses were gathered during a five-year time span.

OBJECTIVES OF THE STUDY

- Using financial ratios, investigate the effectiveness of working capital in steel majors.
- Examining SAIL and other companies to see how they handle their working capital in comparison.
- The goal is to analyse the steel industry's financial health.
- Purpose: Analyse the financial health of leading Indian steel producers.

Years	Current Ratio	
	Tata Steel	SAIL
2006-07	2.03	1.81
2007-08	4.64	1.96
2008-09	0.96	1.84
2009-10	1.23	1.90
2010-11	1.38	1.51
2011-12	0.76	1.52
2012-13	0.70	1.23
2013-14	0.61	0.95
2014-15	0.71	0.83
2015-16	0.68	0.58

RESEARCH METHODOLOGY

Secondary Data - Books and journals were used as secondary sources of information.

Logistics for magazines on the internet.

Sampling - The sampling approach used for data collection is convenient sampling. The convenience sampling technique is a non-probability approach.

Sampling size - The number of individuals to be polled is indicated by logistics. Although big samples provide more trustworthy findings than small samples, owing to time and financial constraints.

Data Analysis: Current Ratio

- Having collected the necessary data, the next step is to formulate an analysis plan detailing the criteria that will be used to evaluate the results of the data collection.
- Third, you'll put into practice what you've learned in the first two steps by performing the required procedures and analysing the sample data.
- The final step is to extrapolate from the data and decide whether or not the null hypothesis can be rejected.

INTREPRETATION:

The table below shows the statistical information pertaining to current ratio calculation that was calculated using the financial statements referred to in their separate annual reports of Tata Steel Limited for the study period from 2006-07 to 2014-16.

A current ratio of 2:1 is typically regarded as adequate. Low current ratios suggest that the unit may not have enough cash on hand to cover its debts or that it may be trading beyond its limit, therefore they should not be blindly followed. A higher current ratio may not be advantageous owing to slow-moving stocks, stock accumulation as a result of bad sales, unsatisfactory debt collection efforts, and idle cash and bank balances as a result of insufficient investment opportunities.

With the exception of 2006-07 and 2007-08, this ratio falls below the established standard norm of Tata Steel Limited throughout the whole research period. In the case of SAIL, it was acceptable until 2009–2010. Later on, it is evident that the business embraced the typical, generally acknowledged solvency in order to fulfil their present commitments on schedule. The management of both steel businesses must take the appropriate actions to either pay off their short-term creditors or invest their idle cash and bank balances in lucrative investments.

Quick Ratio:

Years	Quick Ratio	
	Tata Steel	SAIL
2006-07	1.50	1.22
2007-08	0.13	1.25
2008-09	0.23	1.13
2009-10	0.56	1.26
2010-11	0.59	0.99
2011-12	0.37	0.71
2012-13	0.25	0.47
2013-14	0.23	0.37
2014-15	0.12	0.22
2015-16	0.29	0.13

One deemed suitable current financial state is a quick ratio of 1:1. If all of the debtors cannot be realized and cash is required right once to pay for current commitments, a fast ratio of 1:1 does not always indicate a suitable liquidity situation. As inventories are not wholly non-liquid, a low quick ratio does not imply a poor liquidity situation. According to the aforementioned statistics, Tata Steel's quick ratio decreased from 2007–08 to 2015–16, whereas SAIL's quick ratio increased from 2006–07 to 2009–10 and was precisely equal to the benchmark in 2010–11. the following years Both firms' quick ratios are quite low, hence these chosen companies will improve their liquidity situation, which will make it easier for them to cover daily costs.

CASH RATIO:

Years	Cash Ratio	
	Tata Steel	SAIL
2006-07	1.14	0.86
2007-08	0.06	1.02
2008-09	0.15	0.97
2009-10	0.32	1.09
2010-11	0.55	0.72
2011-12	0.30	0.34
2012-13	0.16	0.17
2013-14	0.18	0.10
2014-15	0.09	0.07
2015-16	0.25	0.01

The best cash to equity ratio is 1:2, 0.5, or 50%. With the exception of 2006–07 and 2010–11, Tata Steel Ltd.'s cash ratio is below average and unimpressive during the whole research period. The Cash Ratio of SAIL, on the other hand, paints a healthier image up until 2010–2011 from 2006–2007 onward, when things start to become worse. As a result, these chosen enterprises must improve their liquidity position, which will help them pay day-to-day expenditures.

Working Capital Turnover Ratio:

Years	Working Capital Turnover Ratio	
	Tata Steel	SAIL
2006-07	2.51	3.76
2007-08	0.68	3.11
2008-09	-53.80	2.79
2009-10	10.89	2.19
2010-11	5.79	3.50
2011-12	-8.32	4.76
2012-13	-7.61	8.73
2013-14	-5.64	-32.22
2014-15	-8.68	-7.65
2015-16	-5.67	-2.46

The turnover ratio for working capital is unsatisfactory. According to the records of both firms, additional monies collected are invested in fixed assets rather than providing essential operating capital. Working capital turnover ratio was negative for Tata Steel Limited in 2008-09 and has been negative ever since in comparison to SAIL for the previous three years of the research. The businesses might not be able to fulfil their obligations on time.

Results and findings

The study unmistakably demonstrates that liquidity management is a crucial component since it significantly affects Steel Authority of India Limited's profitability (SAIL). There is a need for the company to concentrate on the current ratio and quick ratio as these have been found to be positive explanatory variables to the return on capital employed. Current ratio, quick ratio have significant influence on the profitability of the company. Additionally, the corporation needs to pay close attention to avoid overstocking its inventory, which might result in lower sales and lower profitability. During the research period, it was not discovered that the interest coverage ratio had a substantial influence on the company's profitability. Despite the ICR being shown to be higher Most

financial years, but most recently, starting in 2015-16, it has been shown to be awful due to rising debt loads and interest costs that have a negative impact on profitability. The analysis also shows that more investment is required to significantly lessen the load of current obligations, which would aid in overcoming the weak liquidity position and boost profitability.

Conclusion

- Coordination and efficiency in the administration of working capital have been strong executive staff (financial, technical, and others) who are all invested in getting things done and working together productively.
- Theoretical analysis of data from a sample of Indian steel companies reveals that a company's working capital and profitability are directly tied to its ability to optimize its use of its resources, reduce its costs, and improve the quality of its management functions with respect to its output, its treatment of its customers, its treatment of its employees, its reputation in the market, and its hold on its share of the market.
- In order to maximize profits from both a cost-of-goods-produced and a return-to-investors vantage point, it makes sense to boost production capacity and use cutting-edge technology to reduce production costs and payroll expenses. Some Indian steel manufacturers might expect a rise in future profits thanks to these initiatives.

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