



A STUDY ON WORKING CAPITAL MANAGEMENT IN ARASU CEMENT FACTORY ARIYALUR DISTRICT

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Abstract:

Business concerns intent on developing their business have to use to the utmost, their available resources for the improvement and development of the business there by enabling them to increase their profits. The object of working capital management is to manage firm's current assets and liabilities in such a way that a satisfactory level of working capital is maintained. If the firm cannot maintain a satisfactory level of working capital, it is likely to become insolvent and may even be forced into bankruptcy. Thus, need for working capital to run day-to-day business activities smoothly can't be overemphasized.

Key Words: Capital Cost, Liabilities, Ratio & Working Capital.

Introduction:

Working capital management is the functional area of finance that covers the entire current asset at the firm; it is concerned with management at the level of individual current asset as the management of total working capital. A number of companies for the past few years have been finding it difficult to solve the increasing problems of adopting seriously the management of working capital. Business concerns intent on developing their business have to use to the utmost, their available resources for the improvement and development of the business there by enabling them to increase their profits.

Meaning of Working Capital:

The capital require for purchasing raw materials, payment of direct and indirect expenses, carrying out production, investment in stocks and stores, receivables and assets to be maintained in the form of cash is generally known as working capital refers to the investments made in current assets such as cash, inventory, receivables etc. All such assets are likely to be convertible into cash within one trade ng cycle, generally a year. Because of this revolving nature of the assets constituting working capital the latter is also known as fluctuating 'revolving' floating or circulation capital.

Concept of Working Capital Management:

There are two concepts of working capital viz. quantitative and qualitative. Some people also define the two concepts as gross concept and net concept. According to quantitative concept, the amount of working capital refers to 'total of current assets'. What we call assets? Smith called, circulating capital. Current assets are considered to be gross working capital in this concept. The qualitative concept gives an idea regarding source of financing capital. According to qualitative concept the amount of working capital refers to "excess of current assets over current liabilities."

Definition of Working Capital:

- ✓ Mead, Maillot and Field, "Working Capital means current assets.
- ✓ Shubin, "Working Capital is the amount of funds necessary to assets cost of operating the enterprise".
- ✓ Hoagland, "Working Capital is descriptive of that capital which fixed. But the more common use of the working capital is to common the difference between the book value of the current assets and liabilities".

Company Profile:

Tamilnadu Cements Corporation Limited (TANCEM), a wholly owned Government of Tamilnadu undertaking, started business from 1st April 1976 with an authorized share capital of Rs. 18 crores taking over cement plant at Alangulam and setting up another plant at Ariyalur in the year 1979. TANCEM, as its expansion and conversion activities, set up Asbestos Sheet unit at Alangulam during 1981. TANCEM also took over during 1989, a Stoneware pipe plant from TACEL with a view to provide employment to the retrenched employees. TANCEM has, thus become a multi plants, multi locations and multi products company with an annual turnover of around Rs. 250 crores and the authorised capital as of now is Rs. 37.43 Crores.

The company has its main objective in production of cement and cement based products and primarily cater to the needs of Government departments. Limestone being the main raw material, the company acquired and reserved enough limestone bearing lands in and around Alangulam and Ariyalur which are sufficient to run the cement plants for decades to come. Hence, the role of TANCEM in the development of state is immense.

Business of TANCEM:

Cement is supplied directly to the Govt. departments and stockists appointed in various places in Tamilnadu and Kerala. A. C. Sheets are supplied directly to the stockists and through our depots situated in Pondicherry, Kerala. Stoneware Pipes are directly supplied from the factory. Quality complaints on Cement, A. C. Sheets and Stoneware Pipes are received at the respective factories and our quality personnel attend to the same on war footing basis as and when the situation warrants. Generally the quality complaints are attended within a week's time.

The company periodically conducts the stockists meeting at various important cities in Tamilnadu and redresses the stockists / customers' grievances.

Plants of TANCEM:

- ✓ Alangulam Cement Works,
- ✓ Ariyalur Cement Works
- ✓ Tamilnadu Asbestos Sheet Plant
- ✓ Stoneware Pipes Plant

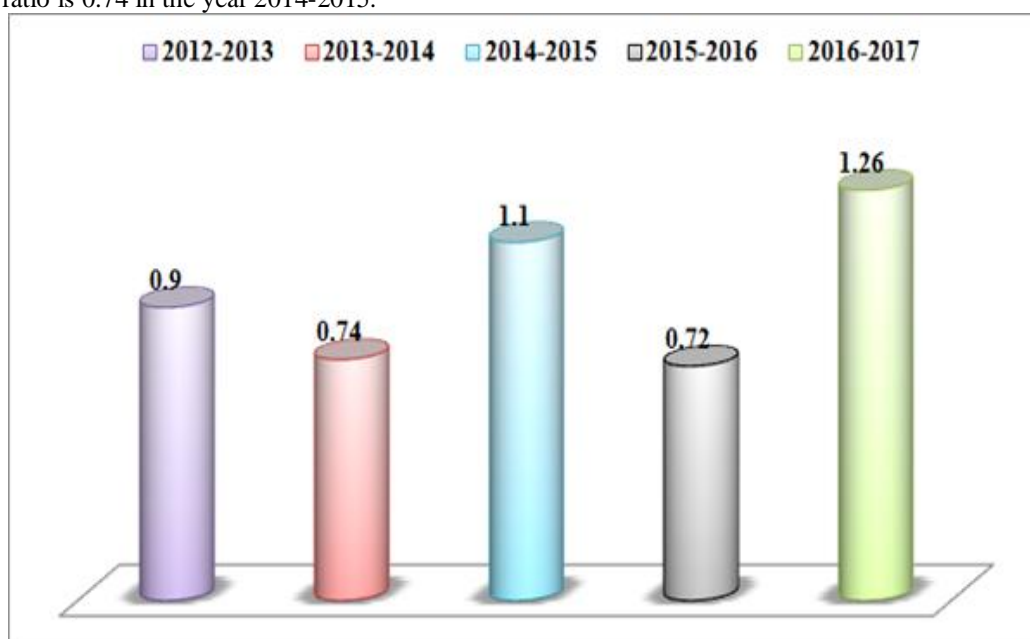
Data Analysis and Interpretation:

Year	Current Asset (in lakhs)	Current Liabilities (in lakhs)	Current Ratio
2013-2014	69492759.5	76826322.8	0.9
2014-2015	89744130	121092738	0.74
2015-2016	79596572.4	72344723.9	1.1
2016-2017	82833859.2	114636646	0.72
2017-2018	90020967.1	70978505.3	1.26

Sources: Company Annual Report

Interpretation:

From the above table inferred that the highest current ratio is 1.26 in the year 2017-2018 and lowest current ratio is 0.74 in the year 2014-2015.

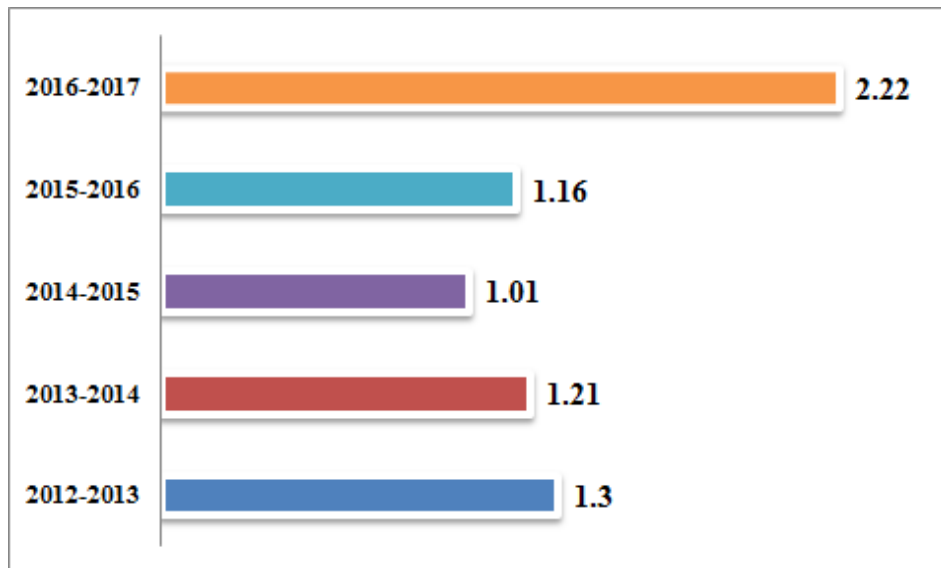


Year	Current Asset	Stock	Liquid Asset	Current Liabilities	Quick Ratio
	(in lakhs)		(in lakhs)		
2013-2014	69492759.53	1503759	5239071.03	76826322.82	1.3
2014-2015	89744130.00	6392928	62760321.00	121092738.00	1.21
2015-2016	79596572.41	12758523	65280248.00	72344723.90	1.01
2016-2017	82833859.17	15620028	65662164.91	114636646.40	1.16
2017-2018	90020967.09	15076883	82977785.61	70978505.27	2.22

Sources: Company Annual Report

Interpretation:

From the above table inferred that the highest quick ratio is 2.22 in the year 2016-2017 and lowest quick ratio is 1.01 in the year 2014-2015.



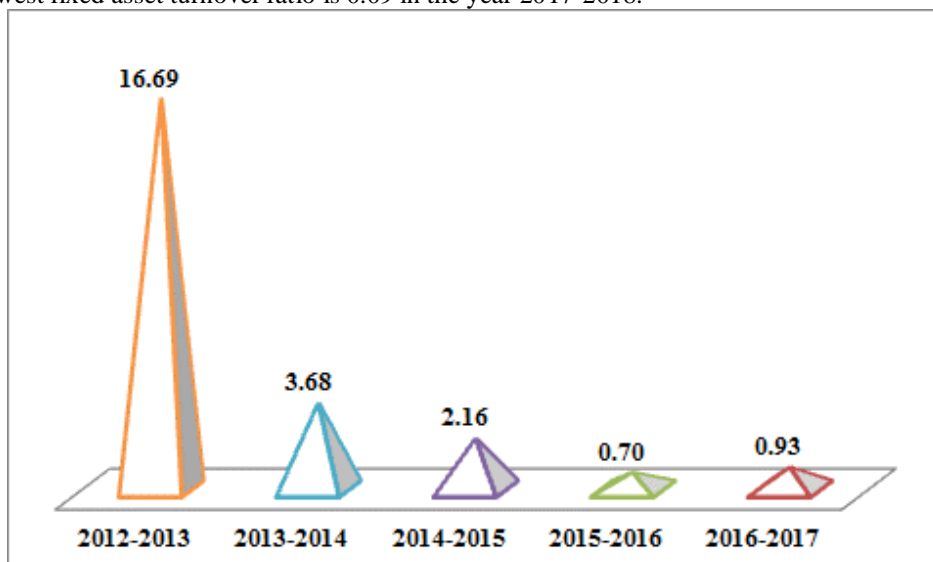
Fixed Assets Turn Over Ratio:

Years	Sales	Fixed Asset	Fixed Asset Turnover Ratio
	(in lakhs)	(in lakhs)	
2013-2014	111467194	6678570	16.69
2014-2015	213465357	57971505	3.68
2015-2016	142768822	66185716.06	2.16
2016-2017	52410907	74384897.06	0.70
2017-2018	66112107	71428384.06	0.93

Sources: Company Annual Report

Interpretation:

From the above table inferred that the highest fixed asset turnover ratio is 16.69 in the year 2013-2014 and lowest fixed asset turnover ratio is 0.09 in the year 2017-2018.

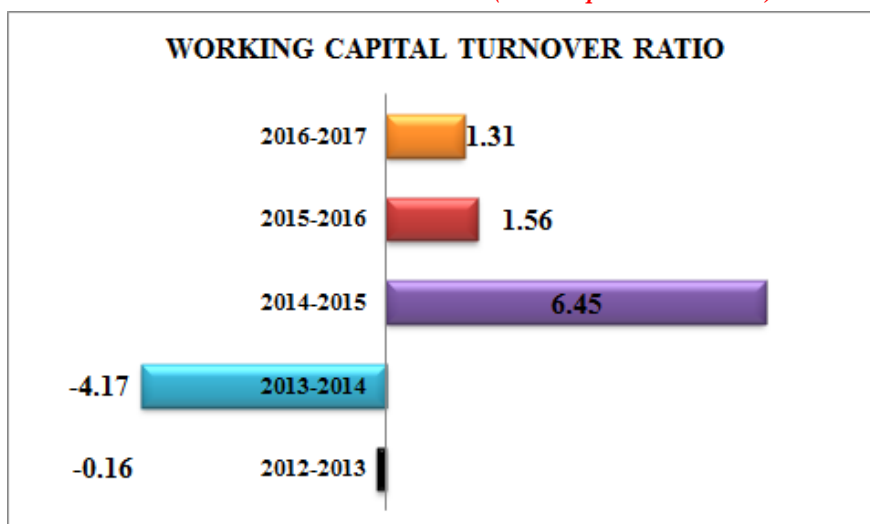


Working Capital Turnover Ratio:

Year	Sales (in Lakhs)	Working Capital (in Lakhs)	Working Capital Turnover Ratio
2013-2014	11467194	-70083492.79	-0.16
2014-2015	213465357	-51167379	-4.17
2015-2016	142768822	22148147.69	6.45
2016-2017	52410907	33628998.4	1.56
2017-2018	66112107	50279325.86	1.31

Source: Company Annual Report

From the above table inferred that the highest working capital turnover ratio is 6.45 in the year 2016 - 2017 and lowest working capital turnover ratio is -4.17 in the year 2014 - 2015.

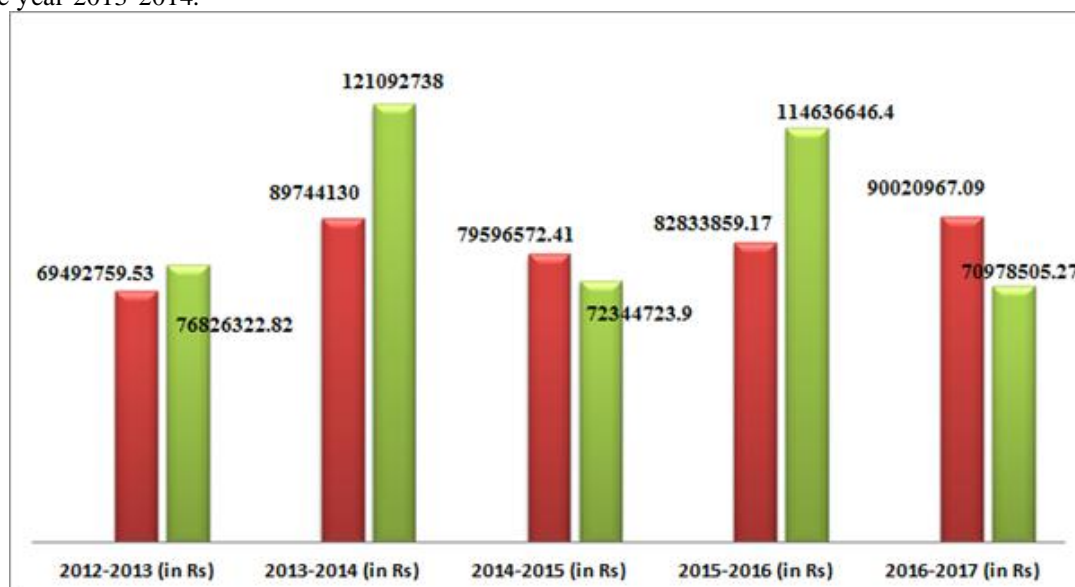


Over All Statement of Working Capital From:

Particulars	2013-2014 (in Rs)	2014-2015 (in Rs)	2015-2016 (in Rs)	2016-2017 (in Rs)	2017-2018 (in Rs)
Current Assets	69492760	89744130	79596572	82833859	90020967
Less: Current Liabilities	76826323	123457346	72344724	11556678	70978505
Net Working Capital	-7333563	-31348608	7251849	-31802787	19042462

Interpretation:

From the above table is inferred that the working capital 19042461.82 in the year 2017-2018 the working capital Rs.7251848.51 in the year 2016 and the working capital Rs. 31802787.23 in the year 2016-2017 and working capital Rs.-31348608.00 in the year 2014-2015 and the working capital 7333563.29 in the year 2013-2014.



Findings:

- ✓ Inferred that the highest current ratio is 1.26 in the year 2017-2018 and lowest current ratio is 0.74 in the year 2014-2015.
- ✓ Inferred that the highest quick ratio is 2.22 in the year 2017-2018 and lowest quick ratio is 1.01 in the year 2015-2016.
- ✓ Inferred that the highest fixed asset turnover ratio is 16.69 in the year 2013-2014 and lowest fixed asset turnover ratio is 0.09 in the year 2017-2018.
- ✓ Inferred that the highest working capital turnover ratio is 6.45 in the year 2016 – 2017 and lowest working capital turnover ratio is -4.17 in the year 2014 - 2015

Suggestions:

- For the betterment of the Cement Companies the humble suggestions.
- ✓ To raise the rate of return on capital employed, the companies should try to increase the production so as to get economies of large-scale production..

- ✓ In order to increase the profitability of the companies, it is suggested to control the cost of goods sold and operating expenses.
- ✓ The management should try to adopt cost reduction techniques in their companies to get over this critical situation.
- ✓ The quantum of sales generated should be improved impressively in order better to enjoy better per of the assets and capital employed.

Conclusion:

The foregoing study in the preceding six chapters leads to many conclusions about the cement industry working capital management but with one caution. As already pointed out in earlier the biggest limitation of the study had been that a large number of companies had to be left out because cement is not their main business though they are big producers of Cement. Further, beyond data published in annual accounts no further data were made available by any company. Therefore, detailed probe could not be made on many aspects which have been pointed out at relevant places.

Subject to These Limitations Following Conclusions can be drawn from the Study:

The basic objective of working capital management is to minimize cost to the firm whether managing cash, receivables (Sunday debtors) or inventory or miscellaneous current assets, minimize risk to the company on receivables, ensure just level of inventory to operate full level of capacity with minimum inventory. It also implies that as far as possible miscellaneous current assets should be utilized for company's operations. In other words the working capital management should aim to optimize production and sales with minimum risk and cost. However, this had not been achieved by cement industry because scientific techniques have not been utilized and decisions have been taken on ad hoc basics. It seems from the analysis of data of selected sample companies that in cement industry by and large there is no proper working capital management. Every decision has been left out to market forces without working out cost benefit analysis or applying various formulas suggested by experts. This is very much evident from wide variations in various ratios from company to company and in different years for the same company.

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