

“A Study On Working Capital Management On Malabar Cements, Ltd Palakkad”

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Abstract- *The economic development of a country is based on the growth and development of industries and the companies present. Here the study is conducted at MALABAR CEMENTS LTD, Palakkad. The study has been conducted to know the working capital management in the company. Working capital is important in a company as the company's day to day expenses are met using the working capital. Working capital is the amount of fund invested in the assets of the company. The primary objective is to study the working capital management of MALABAR CEMENTS ltd and to assess the company's liquidity position. By analysing the 5 years data of the company it shows that there is an improvement in the level of working capital of the company. The liquidity position of the company shows that the company have enough current assets to meet its liability. The company working capital requirements is based on its sales and internal funds. Thus the overall performance of the company is increasing year by year.*

I. INTRODUCTION

Working capital management refers to the set of activities performed by a company to make sure it got enough resources for day-to-day operating expenses. Working capital management is concerned with the problems that arise in attempting to manage the current assets, current liability and the inter relationship that exists between them. The goal of working capital management is to maximize operational efficiency. Working capital is essential to the health of every business and improving working capital position can boost the operational efficiency of a business but managing it effectively is something of a balancing act.

The management of assets in any organization is an essential part of overall management. The enterprise at the time of formation gives greater importance to fixed assets management as a part of investment decision making. However, in the overall day to day financial management after the initial investment the management gives more importance to managing working capital. Working capital is an essential metric for businesses to pay attention to as it represents the amount of capital, they have on hand to make payments, cover

unexpected costs and ensure business runs as usual. Ensuring that the company possesses appropriate resources for its daily activities means protecting the company's existence and ensuring it can keep operating as a going concern. Working capital management if carried out effectively, efficiently and consistently will ensure the health of an organization. The management of working capital is no less important than the management of long-term financial investment. Sufficient liquidity is necessary and must be achieved and maintained to provide the fund to pay off obligation as they arise or mature. Working capital management involves balancing movements related to five main items – cash, trade receivables, trade payables, short-term financing, and inventory – to make sure a business possesses adequate resources to operate efficiently. If one look at any financial statement it will be evident that the investment in fixed assets remains more or less static but the working capital is constantly changing. Thus, the study of working capital management occupies an important place in financial management.

INDUSTRIAL PROFILE

The Indian cement industry, particularly cement industry in south India plays a significant role in the country's economic development which generates substantial revenue for the central and state Government through sales taxes and excise duties. Cement is one of the key infrastructure industries. India, the world's second largest producer of cement, the recent boom in infrastructure and the housing market has only boosted its cement industry. Add to that an increasing global demand and a flurry of activity in infrastructure projects - highways roads, bridges, ports and houses - has sparked off a spate of mergers and acquisitions in the sector.

COMPANY PROFILE

Malabar Cements Limited is a high-tech manufacturing company in the public sector, situated in Walayar, Palakkad district, Kerala. Incorporated in the year 1978, the company commenced production in 1984. The company, through its eighteen years of operation, could

survive and prosper even during the present era of liberalization and globalization. Since 1996, company started consolidation, modernization and technical up gradation phase to improve upon profitability, cutting production cost, improving the efficiency to face the competitive environment. MCL achieved ISO-9002 certification in November 1996 being the first cement factory in the public sector in the country. The major efforts of the modernization and up gradation fronts are realigning and computerized operation of the kiln system, installation of 2.5MW multi fuel diesel generator, belt bucket elevator etc. company could reduce production cost and inefficiency due to these efforts. The company achieved all-time record performance during the year 1999-2000. MCL is the first public sector company to receive the converted national award for energy conservation from NCBM, New Delhi. Malabar cements contribute to the developmental activities of the state by supplying a basic construction material. The presence of “Malabar” in the market helps to control the cement price to some extent. MCL has the largest dealer network in Kerala for cement sales. Only Malabar cements can reach its cement factory. Fresh without any deterioration in the original strength either due to moisture or humidity, within 12 hrs anywhere in Kerala. Company has systems to educate the consumer’s usage of cement and provide after sales services.

VISION:

MCL industrial units have a capital outlay of Rs. 69 cores. The factory is rated to produce Rs 4.2 lakh tones cement per annum (24000 bags per day). The company meets about 10% of the total cement consumption of Kerala and the company will reach near 13% of total consumption by 2010 and the company will achieve self- sufficient its own power supply.

MISSION:

"Achieving prosperity through quality" In a society where there is steep erosion of value and at time when relationship is getting strain day by day. MCL a well-run public-sector company of the state, committed to the society nurtures a corporate theme "of building values strengthening relationship" which also relevant to its products

II. REVIEW OF LITERATURE

Dr. R. Senthil Kumar (2023): The primary focus of the study is the working capital management of MARUTI SUZUKI LIMITED OF INDIA. Because working capital management decisions are not made in a single instance, the study's objective is to determine the company's financial performance.

We most frequently employ trend analysis, common-size statements, and ratio analysis for financial statement analysis. To ascertain the relative strength and performance of the company under analysis, these procedures may involve computations and comparisons of the results to previous and secondary data of the banks, competitors' annual reports, or industry averages. The problem that arises from trying to manage current assets, current liabilities and the relationships between them is addressed by effective financial management.

Dr. Omprakesh M. Purohit(2023): this article focuses on cash conversion efficiency and setting up the operating cycle days. The study tests the relationship between the working capital and profitability calculated by income to current assets and income to average total assets. To analyse profitability of concern Profitability ratios like Gross Profit Margin, Net Profit Margin and Return on Assets are used and as working capital management components Average **Collection Period**, Inventory Conversion Period Average Payable Period and Cash Conversation Cycle are taken into consideration. To analyse relationship between working capital management and profitability, Karl Person’s correlation analysis is used.

Julius Enqvist (2018): In this study entitled on “The Impact of Working Capital on Firm Profitability in Different Business Cycles: Evidence from Finland” stated about the recent economic downturn of 2007-2008 has brought renewed focus on working capital policies. In this paper they examine the role of business cycles on the working capital – profitability relationship using a sample of finish listed companies over an 18-year period. They find the impact of business cycle on the working capital – profitability relationship is more pronounced in economic downturns relative to economic booms. They further shows that the significance of efficient inventory management and accounts receivables conversion periods increase during periods of economic downturns.

III. OBJECTIVES

PRIMARY OBJECTIVES

Study on Working Capital management on Malabar Cements Ltd, Palakkad

SECONDARY OBJECTIVE

- To study the structure of Working Capital
- To study the sources of Working Capital finance
- To study the need of Working Capital requirement in organisation

TOOLS AND TECHNIQUES

RATIO ANALYSIS

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis. Investors and analysts employ ratio analysis to evaluate the financial health of companies by scrutinizing past and current financial statements. Comparative data can demonstrate how a company is performing over time and can be used to estimate likely future performance. This data can also compare a company's financial standing with industry averages while measuring how a company stacks up against others within the same sector. Investors can use ratio analysis easily, and every figure needed to calculate the ratios is found on a company's financial statements. Ratios are comparison points for companies.

WORKING CAPITAL

working capital refers to the current assets of a company that are changed from one form to another in the ordinary course of business, i.e., from cash to inventory, inventory to work in progress (WIP), WIP to finished goods, finished goods to receivables and from receivables to cash.

The two concepts of working capital include:

- Gross Working Capital
- Net Working Capital

SCOPE OF THE STUDY

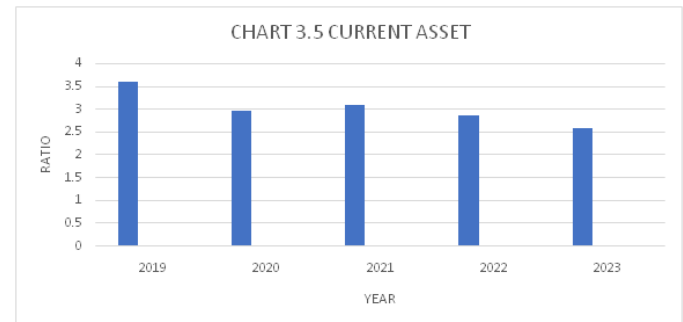
The study of working capital management has a wide scope in the present scenario. It reflects the short-term investment and financing of a firm. It is very helpful to the firm for their day-to-day operations. The scope of my study is to know if there is adequate working capital available in the firm for the operation or if firm faces inadequacy in their working capital. By this study various suggestions and recommendations can be given to the firm in their inadequacy in the working capital. Further the study is based on the last 5years Annual reports of Malabar Cements Ltd.

IV. DATA ANALYSIS TECHNIQUES

RATIO ANALYSIS

1)CURRENT RATIO= CURRENT ASSETS / CURRENT LIABILITIES (Amount in lakhs)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIOS
2019	16947.28	4708.43	3.59
2020	12268.49	4136.39	2.96
2021	15534.15	5042.76	3.08
2022	13235.48	4642.81	2.85
2023	11652.19	4531.56	2.57



INTERPRETATION: Current Asset is used to evaluate the short -term Solvency of an Organisation and a Current Ratio of 2:1 is considered as Standard. The Company has higher Current Ratio in2019 (3.59) and lowest begin in 2023 (2.5)

WORKING CAPITAL

SCHEDULE OF CHANGES IN WORKING CAPITAL

Schedule of changes in working capital of Malabar cements ltd for the financial year 2018-2019 (amount in lakhs)

TABLE NO: 5.2.1

Particulars	2018	2019	Increase in working capital	Decrease in working capital
Current Assets:				
1. Inventories	11781.48	9398.34		2382.14
2. Financial Assets				
a) Trade receivables	85.38	91.22	5.84	
b) cash and cash equivalents	728.23	1046.72	318.49	
c) other bank balances	2643.85	2843.72	199.87	
d) Loans	1858.73	1851.38		7.35
e) other financial assets	865.44	921.28	55.48	
3. Other Current Assets	1539.95	794.62		745.33
Total Current Assets	19503.06	16947.28		
Current Liabilities:				
1. Financial liabilities				
a) Trade payables	1779.55	1740.31	39.24	
b) other financial liabilities	2309.79	2118.02	191.77	
2. Other current liabilities				
3. Provisions	873.28	873.77	24.51	
	18.85	1.33	17.53	
Total Current Liabilities	4981.47	4708.43		
Net working capital	14521.59	12238.85	853.09	3134.82
Decrease in working capital.		2282.74	2282.73	
Total	14521.59	14521.59	3134.82	3134.82

INTERPRETATION:

The table shows the changes in working capital. From the table it indicates there is a decrease of 2282.74 in the working capital in the year 2019 compared to 2018. However, the net decreasing working capital indicates the company was not able to generate additional working capital during the year. The company may need to closely monitor its working capital position to ensure smooth operations in future.

V. FINDINGS

- The company's current ratio is more than the standard ratio in each five years that shows that the firm has enough current assets to meet its current liabilities
- The quick ratio has a higher value than its ideal ratio that shows the liquidity of the company.
- The Company has high Fixed Asset 3.07 highest ratio in favour to show the Company's effectiveness in generating sales and Revenue.
- The fixed asset turnover ratio is higher than the standard. This indicates the company having better utilisation of fixed assets in generating sales
- The company takes long term to convert its inventory in to sales.
- The working capital turnover ratio of the company indicates that there is sufficient working capital.
- Proprietary Ratio of the company is above the standard level that indicates the safety to creditor.
- In the year 2019, 2020,2022,2023 there is a decrease in working capital of the company. The other one year shows a increase in the working capital.
- In the year 2021 there is an increase in Working capital other four it shows decreasing in working capital.

VI. CONCLUSION

The study titled "A STUDY ON WORKING CAPITAL MANAGEMENT" was conducted in MALABAR CEMENTS LTD, PALAKKAD. The study was focused on the working capital and its management on the company. The study helped me to know the practical knowledge on working capital and analysis of financial statements. The liquidity position of the company is satisfactory. The working capital ratio for the last 2 years was below the ideal ratio so the company may give more concentration on its working capital, which may lead to efficient management of working capital. The gross profit of the firm was good which shows that the company has enough profit to cover the operating expenses and company's efficiency at using its labour and supplies in producing goods or services. The net profit of the company

shows a Positive trend in the year 2021 that is an indication of efficiency in generating profit. As the main reason of decreased net profit is its indirect costs, may be company could try adopting measures to reduce it.

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