



WORKING CAPITAL MANAGEMENT IN JSW COMPANY LIMITED: A STUDY

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ABSTRACT

Working capital is regarded as the life-line of every concern. Without adequate working capital no progress is possible. Inadequate working capital its concept shortage of raw materials and other inputs, resulting in underutilization of fixed assets and ultimately leading to failure of the business. Efficient utilization of working capital leads to the maximization of returns on investment. The efficient management of working capital is determined by the effective administration of its various components like cash trade creditors etc.

It is to be examined whether over the years JSW Steel Industry has revised its working capital financing policies and has explored alternative sources of financing has to be analysed given below are as under – An element-wise analysis of working capital enables one to evaluate in which element the working capital funds are locked up and to answered the factors that are responsible for the important changes in the working capital of different years.

Keywords: *Working Capital Management, Fixed Assets, Investment, Creditors.*

INTRODUCTION:

Every kind of business needs funds for two purposes for its establishment and day to day operations. Therefore, working capital is regarded as the life-line of every concern. Without adequate working capital no progress is possible. Inadequate working capital its concept shortage of raw materials and other inputs, resulting in underutilization of fixed assets and ultimately leading to failure of the business. On the other hand excess working capital might mean less control over worker's performance, dumped stocks, inefficient store keeping, excessive debtors, surplus cash and lack of coordination. So, the amount of working capital in a business should be neither more nor less than what is required. Further, the profitability and liquidity of the companies are directly linked to the efficient management of working capital. The main objective of the working capital management is to arrange sufficient funds needed for it from the best available cost effective source, so that the proper trade-off between liquidity and profitability is achieved.

REVIEW OF LITERATURE:

Review of related literature enables the researcher to get acquainted with the knowledge in the field of study.

Kieschnick Laplante & Moussawi (2013), the recent research has focused on the profitability implications that working capital management has on companies.

Aravindan & Ramanathan (2013), Working capital management is referring to any actions aimed at managing companies' working capital levels and thus does not refer to any specific managing-model or framework.

Ocasio (2011), Management attention is limiting. Thus, in order to sustainably address both the working capital issues as well as the revenue growth issues, goals that create alignment and coherency need to be set up. One way of creating coherency among growth and working capital goals is by putting attention to goals that ensure both sides are being cared for.

Patel and Davidson (2011), it is possible to change focus and view the problem from different angles during the process, which made it suitable to combine interviews and theories

to maximize the outcome. Hence, the aim of this study was not to claim a definite truth or create new theories but to study and gain knowledge about

James Sunday (2011), proposed the appropriate and effectiveness of working capital management on the solvency and liquidity of SME's. For the purpose of this study the standard working capital ratios were used to measure the effectiveness of working capital in the selected 8 firms at Nigeria of Bolton Committee 1971 report has been considered. The firms show signs of over trading and illiquidity, of firms exhibit low debt recovery over credit payment. It was also revealed from this study that there is a poor liquidity in the small business unit in Nigeria.

OBJECTIVES OF THE STUDY:

The following main objectives have been set for the research study -

1. To understand the conceptual framework of working capital management and its importance in present scenario.
2. To analyses the working capital management financial performance and size and structure of current assets of the JSW LTD.

RESERCH METHODOLOGY:

This study is based on secondary data. The data required for this study have been extracted from the annual reports JSW LTD. The study covered a period of five years starting from 2011 – 2012 to 2015 – 2016. The secondary data has been used. The secondary data has been collected from various sources like annual reports of selected company, newspapers, magazines, journals, books, websites, Government Publications, Professional and Academic Journals, Prominent websites dealing with iron and steel company.

TOOLS AND TECHNIQUES USED FOR DATA ANALYSIS OF THE STUDY:

Secondary data collected from annual reports were tabulated and analyzed using percentages. The researcher used to interpret the data, in analyzing the data, charts, graphs and tables have been used to make the study more effective. The study covers mainly the following aspects of working capital analysis, Component of Working Capital, Financing of Working Capital, Trends of Working Capital and Working Capital Impact on Profitability.

LIMITATIONS OF THE STUDY:

The study has the following limitations:

1. The study is mainly carried on secondary sources of data provided in the financial statements.
2. This study is based on historical data and information provided in the annual reports therefore it may not be a future indicator.

THE CONCEPT:

- *To understand the conceptual framework of working capital management and its importance in present scenario.*

Working capital refers to that part of firm's capital which is required for financing short term or current assets such as cash, marketable securities, debtors, and inventories. In other words working capital is the amount of funds necessary to cover the cost of operating the enterprise. The sources of financing current assets through current liabilities and provisions involve short-term financing decisions. Therefore these decisions are reversible and the financial manager switches over from one mode of financing to another depending upon the current market conditions and cost of short term funds. Since these decisions have to be revised frequently, short-term financial planning models are required. One of these models involves simulation programs wherein the impact of alternative inputs, assumptions and policies can be seen. Optimization models use liner programming to select the best fit alternative taking into consideration the complex problems faced by the business. Various short-term sources can be used for financing of current assets. The main source of financing the current assets is current liabilities and provisions. Amongst the current liabilities, the main source is creditors, which in most industries will generally consist of 60% of the total current liabilities. The other sources of financing include the short-term bank borrowings, commercial papers, provisions and the difference in the average creditors' payment period and the average debtors' collection period. Prudent management of working capital acts for successful operations of a business undertaking. It is necessary that the working capital should be properly determined and regularly reviewed basing on the dynamics of business operations.

Efficient utilization of working capital leads to the maximization of returns on investment. The efficient management of working capital is determined by the effective administration of its various components like cash trade creditors etc. It is to be examined whether over the years JSW Steel Industry has revised its working capital financing policies and has explored alternative sources of financing has to be analysed given below are as under – An element-wise analysis of working capital enables one to evaluate in which element the working capital funds are locked up and to answered the factors that are responsible for the important changes in the working capital of different years. In respect of tables from 1 to 4 shows the share of each attributes has been calculated in percentage separately for each of the years under study and the average share of percentage for all years has been calculated.

ANALYSIS AND INTERPRETATION OF STUDY DATA:

The impact of Shareholder's Funds in JSW Co. Limited in India is presented in table no.1:

Table No.1:

Shareholders' funds in JSW Co. Ltd India (From 2011-12 to 2015-16)

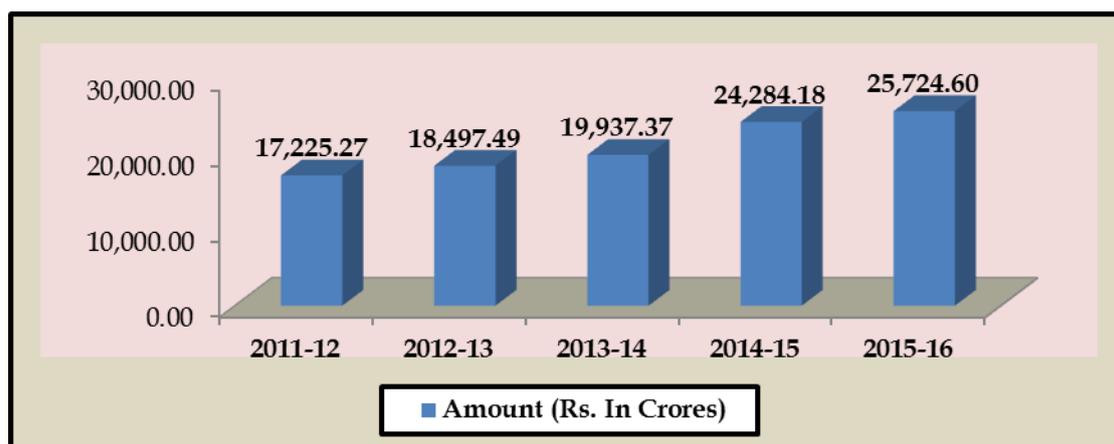
Year	Amount (Rs. In Crores)	In percentage
2011-12	17,225.27	16.30
2012-13	18,497.49	17.50
2013-14	19,937.37	18.87
2014-15	24,284.18	22.98
2015-16	25,724.60	24.35
Total	1,05,668.91	100

Source: Annual Reports of JSW Steel Limited from 2011-12 to 2015-16.

The above mentioned table no.1 and chart no.1 show the indicated a study on the impact of shareholder's funds in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The table no.1 shows that changes in shareholder's funds of JSW Co. limited during the study period of 5 years from 2011-12 to 2015-16. The highest amount of shareholder's Fund in 2015-16 is Rs.25, 724.60(24.35%) crores and lowest amount of shareholder's fund in 2011-12 it is Rs.17, 225.27(16.30%) crores. It is also seen in table no.1 that 24.35 percent of the shareholder's fund in 2015-16 which was followed by 22.98 percent in 2014-15. There were 18.87 percent in 2013-14. In the year 2012-13 it was 16.30 percentages it has been increased and reached in study years. It has been also shown in chart no.1.

Chart No.1:

Shareholders' funds in JSW Co. Ltd India (From 2011-12 to 2015-16)



NON-CURRENT LIABILITIES:

The researcher has analysis and interpretation of the data pertaining to Non – Current Liabilities in JSW Co. Limited in India is presented in table no.2.

Table No.2:

Non-Current Liabilities in JSW Co. Ltd India (From 2011-12 to 2015-16)

Year	Amount (Rs. In Crores)	In percentage
2011-12	11,656.66	11.94
2012-13	14,655.80	15.00
2013-14	19,118.06	19.58
2014-15	23,469.90	24.03
2015-16	28,756.36	29.45
Total	97,656.78	100

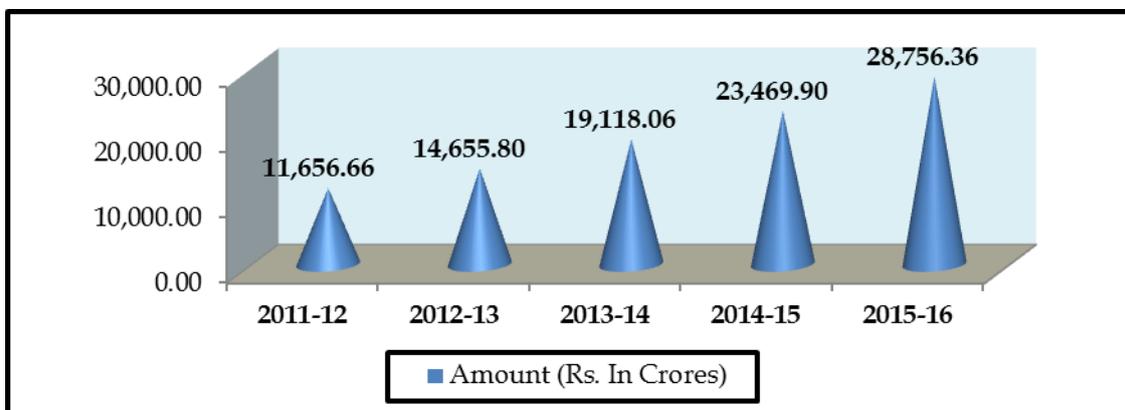
Source: Annual Reports of JSW Steel Limited from 2011-12 to 2015-16.

It is seen in the above mentioned table no.2 and chart no.2 show the indicated a study on the impact of Non-Current liabilities in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The table no.2 shows that variations in Non-Current liabilities of JSW Co. limited during the study period of 5 years from 2011-12 to 2015-16. The highest amount of Non-Current liabilities in 2015-16 is Rs.28, 756.36(29.45%) crores and lowest amount of Non-Current liabilities in 2011-12 it is Rs.11, 656.66(11.94%) crores. It is also highlighted in table no.2 that 29.45 percent of the Non-Current liabilities in 2015-16 which was followed by 24.03 percent in 2014-15. There were 19.58 percent in 2013-14. In the year 2012-13 it was

15.00 percentages it has been increased and reached in study years. It has been also shown in chart no.2.

Chart No.3:

Non-Current Liabilities in JSW Co. Ltd India (From 2011-12 to 2015-16)



CURRENT LIABILITIES:

The researcher has analysis and interpretation of the data pertaining to Current Liabilities in JSW Co. Limited in India is presented in table no.4.

Table No.4:

A study on the impact of *Current Liabilities* in JSW Co. Ltd India
(From 2011-12 to 2015-16)

Year	Amount (Rs. In Crores)	In percentage
2011-12	12,676.45	14.61
2012-13	17,437.82	20.10
2013-14	15,559.92	17.93
2014-15	20,671.60	23.83
2015-16	20,411.44	23.53
Total	86,757.23	100

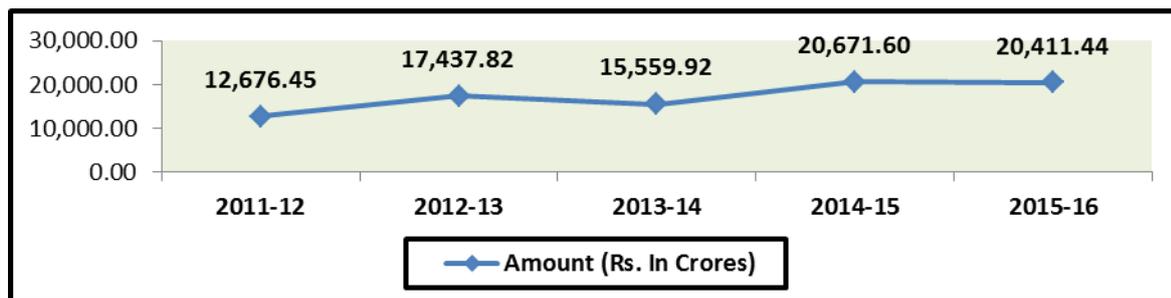
Source: Annual Reports of JSW Steel Limited from 2011-12 to 2015-16.

It is seen in table no.4 and chart no.4 show the indicated a study on the impact of Current liabilities in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The table no.4 shows that deviations in Current liabilities of JSW Co. limited during the study period of five years from 2011-12 to 2015-16. The highest amount of Current liabilities in 2014-15 is

Rs.20, 671.60 (23.83%) crores and lowest amount of Current liabilities in 2011-12 it is Rs.12, 676.45(14.61%) crores. It is also depicted in table no.4 that 23.83 percent of the Current liabilities in 2014-15 which was followed by 23.53 percent in 2015-16. There were 20.10 percent in 2012-13. In the year 2013-14 it was 17.93 percentages it has been increased and reached in study years. It has been also shown in chart no.4 respectively.

Chart No.4:

A study on the impact of *Current Liabilities* in JSW Co. Ltd India
(From 2011-12 to 2015-16)



FINDINGS:

The main findings of the research study are as under -

- The highest amount of shareholder's Fund in 2015-16 is 25, 724.60 crores and lowest amount of shareholder's fund in 2011-12 it is Rs.17, 225.27 crores. The table also highlighted that non-current liabilities of JSW Co. Ltd during the study period of five years from 2011-12 to 2015-16 respectively. The highest amount of non-current liabilities in 2015-16 is Rs.28, 756.36 crores and lowest amount is Rs.11, 656.66 crores.
- The study table also provides the information about current liabilities during the period of 5 years from 2011-12 to 2015-16. The uppermost value of current liabilities in 2015-16 it is Rs.20, 411.44 crores and nethermost value of current liabilities in 2011-12 is 12,676.45 crores respectively.
- The study found that overall study of all equity and liabilities of JSW Co. Limited during the study from 2011-12 to 2015-16 respectively. The peak value of all equity and liabilities in 2015-16 it is Rs.74, 892.40 amount in crores and deepest value of overall it is in 2011-12 is Rs.41,558.38 amount in crores. Finally, the table also

observed in overall percentage of equity and liabilities in JSW Co. Ltd during the study period of five years from 2011-12 to 2015-16, the highest percentage shareholder's fund it is 36.43%(Rs.1,05,668.91 amounts in crores) and Non-current liabilities is 33.66% (Rs.97,656.78 amounts in crores). The lowest percentage it is about 29.91% (Rs.86, 757.23 amounts in crores) it has been increased and reached up to the mark of solvency.

- The study indicated on the impact of shareholder's funds in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The highest amount of shareholder's Fund in 2015-16 is Rs.25, 724.60(24.35%) crores and lowest amount of shareholder's fund in 2011-12 it is Rs.17, 225.27(16.30%) crores.
- It is also provides information that 24.35 percent of the shareholder's fund in 2015-16 which was followed by 22.98 percent in 2014-15. There were 18.87 percent in 2013-14. In the year 2012-13 it was 16.30 percentages it has been increased and reached in study years.
- A study found on the impact of Non-Current liabilities in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The study shows that variations in Non-Current liabilities of JSW Co. limited during the study period of 5 years from 2011-12 to 2015-16. The highest amount of Non-Current liabilities in 2015-16 is Rs.28, 756.36(29.45%) crores and lowest amount of Non-Current liabilities in 2011-12 it is Rs.11, 656.66(11.94%) crores.
- The study highlighted that 29.45 percent of the Non-Current liabilities in 2015-16 which was followed by 24.03 percent in 2014-15. There were 19.58 percent in 2013-14. In the year 2012-13 it was 15.00 percentages it has been increased and reached in study years.
- The study highlights on the impact of Current liabilities in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The study shows that deviations in Current liabilities of JSW Co. limited during the study period of five years from 2011-12 to 2015-16. The highest amount of Current liabilities in 2014-15 is Rs.20, 671.60 (23.83%) crores and lowest amount of Current liabilities in 2011-12 it is Rs.12, 676.45(14.61%) crores. 23.83 percent of the Current liabilities in 2014-15 which was followed by 23.53 percent in 2015-16. There were 20.10 percent in 2012-13. In the

year 2013-14 it was 17.93 percentages it has been increased and reached in study years.

- The study noticed that a study on the impact of Assets are broad category as Non-current assets(Fixed assets and non-current investment) and Current assets in JSW Co. Ltd in India from 2011-12 to 2015-16 respectively. The highest amount of fixed assets in 2015-16 is Rs.58, 856.19 amounts in crores and lowest amount of fixed assets in 2011-12 it is Rs.26, 810.21 amounts in crores.
- The study table highlighted that non-current investment of JSW Co. Ltd during the study period of five years from 2011-12 to 2015-16 respectively. The highest amount of non-current investment in 2015-16 is Rs.8, 245.66 amounts in crores and lowest amount is Rs.5, 813.84 amounts in crores. The study table also provides the information about current assets during the period of 5 years from 2011-12 to 2015-16. The uppermost value of current assets in 2015-16 it is Rs.18, 817.31 amounts in crores and nethermost value of current assets in 2011-12 is Rs.8, 934.27 amounts in crores respectively.

SUGGESTIONS:

These suggestions have been presented with care for the improved working capital management in JSW Steel Company Limited. The major suggestions of the study are as follows -

- The current assets are more than current liabilities. It also means that the company is in position to fulfil its current obligation properly. The study suggested that industries should try to increase the current assets.
- The company is in position to fulfil its current liabilities. But it is suggested that JSW Company should decries the liabilities as early as possible, and try to accelerate the quick assets.
- Liquid assets are less than liquid assets more than liquid liability. It also means that the company is in position to fulfil its short term debt obligations. Therefore, it is suggested that JSW Company should decries the liquid liabilities as early as possible and further try to increase the liquid assets.

- Cash and marketable securities are almost equal to current liabilities. The concept that the company is in position to fulfil its cash position properly. But it is suggested that JSW Steel company Ltd. should concentrate and decies the liabilities as early as possible, and try to rise the cash and marketable securities.

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