WORKING CAPITAL MANAGEMENT AND ITS IMPACT ON FIRM'S PERFORMANCE OF SELECTED CEMENT COMPANIES - A COMPARATIVE ANALYSIS

Mr. Manoj Gowda L, PG Research Scholar, Department of Management Studies, Global Academy of Technology, Bengaluru – 560098

Dr.Shreelatha H R, Associate Professor, Department of Management Studies,

Global Academy of Technology, Bengaluru – 560098

ABSTRACT

Working capital management refers to the efficient management of a company's short-term assets and liabilities, including cash, inventory, accounts receivable, and accounts payable. Effective working capital management is critical to the success of any company, as it enables them to maintain sufficient cash flow to meet their short-term financial obligations and to invest in growth opportunities. A comparative analysis of the working capital management of selected cement companies can provide valuable insights into the impact of these practices on a firm's performance. Effective working capital management is particularly important because these companies require significant capital investments to produce and sell their products. In addition, the cement industry is highly competitive, with companies facing significant pressure to reduce costs and increase profitability. The selected five cement companies use different strategies based on their working capital management and on their working mechanism.

Keywords: *Working capital, Management, Cement companies.*

I. INTRODUCTION

Working capital management is the process of ensuring that a company's current assets and liabilities are utilized to their maximum capacity in order to run efficiently. The primary goal of working capital management is to monitor a company's assets and commitments in order to maintain sufficient cash flow and achieve short- term business objective. Profitability is determined by income and costs. Income is money earned through company operations. Cost is meaning spend to set up the business. With more than 7% of the world's installed capacity, India ranks second in the world for cement production. The cement industry is the industry where there is more competition between the each company in the industry. The selected five cement companies use different strategies based on their working capital management and on their working mechanism. The Indian cement manufacturers are world greenest cement manufacturers.

Statement of Problem: Working capital is critical for income generation. It is a driving factor behind revenue development and the preservation of solid financial performance. As a result, it is past time to address the subject of analysing the influence of working capital management on corporate profitability in the Indian cement sector. The research is based on "working capital management and its impact on firm's performance of selected cement companies."

Objective of study:

1. To analyze the changes in working capital of the selected cement companies.
2. To compare the changes in working capital management of selected cement companies.

II. REVIEW OF LITERATURE

SLNO.	Author and Journal Name	Summary
1.	Dr. Siva shanmugam C. "Working Capital Management and Corporate Profitability: Empirical Evidences from Indian Cement Companies.	The current study investigates the link between a firm's working capital management practises and its profitability. The current study's aims are to first examine the link between effective working capital management and profitability of Indian cement businesses over the study period. The current study looks on the relationship between a company's working capital management practises and its profitability.
2.	Kumar, D. B. "Working Capital Management in cement industry".	The goal of this study is to look at how well the firm manages its working capital in order to help the weaker parts of the business. It also adds to the available literature by looking into the impact of WCM on profitability in the context of a developing capital market like India
3.	Mondal "Impact of working capital management on profitability of Indian cement industry : a evidence by BSE"	The goal of this research is to investigate the influence of working capital management on corporate profitability of selected cement businesses from 2009-10 to 2018-19. The study's findings show that there is no obvious association between the selected cement businesses' Return on Capital Employed (ROCE) and Current Ratio (CR).
4.	Rahaman "Impact of working Capital Management on profitability a comparative study on cement industry"	The research evaluated the effects of working capital management (WCM) on the profitability of listed cement and tannery firms in Bangladesh. The research has policy significance since developing corporate policies and strategies to improve short-term asset and liability turnover would eventually increase the profitability of enterprises in both industries.
5.	Suryavanshi N "A study on working management and profitability of cement industry in India".	Working capital management research examines the efficiency and its components, which include inventory amounts, cash and bank balances, and different current obligations. Working capital management is a critical component of the entire company strategy for increasing shareholder value. Working capital decisions entail managing the link between a company's short-term assets and obligations.

III. DATA AND METHODLOGY

The descriptive research approach was employed to perform the investigation. This research design may use a variety of research approaches to investigate one or more variables. This research approach assists us to study about the different sorts of working capital and its profitability of the selected cement businesses in India. The Secondary data is being used for the investigation. The information is taken from the money control website the data of five cement companies throughout a five-year period (2017- 2022). The instruments used to analyze the data are working capital ratios.

Testing of Hypothesis:

H01: There is no significant change in working capital ratios of selected cement companies over a period of 5 years.

IV. DATA ANALYSIS AND FINDINGS

Table No 1.1 Working capital Ratios of Birla Company for the year 2018-2022

Particulars	2018	2019	2020	2021	2022
ROA	0.01	0.02	0.05	0.05	0.03
AR	15.2	15.91	13.96	16.34	17.09
INV	-0.07	0.01	0.01	0.02	0.16
AP	57.3	24.4	22.1	16.1	18
CCC	72.4	40.3	36.11	32.43	35.25
CR	0.56	0.62	0.67	0.63	0.63

From the table it could be analysed that ROA, INV and CR is increasing annually. ROA has shown a small decrease for the year 2022 where as INV has increase drastically for the same year. CR has maintained the same value for the years 2021 and 2022. CCC values has shown more fluctuations over the period of 5 years. The analysis also shows that AR has reduced in the year 2020 and for the rest of the years value has increased. But the performance of AP is unsatisfactory as there is continuous decline in the value over a period of five years.

Table No 1.2 Working Capital Ratios of JK Company for the year 2018-2022

Particulars	2018	2019	2020	2021	2022
ROA	0.07	0.07	0.08	0.11	0.09
AR	14.6	15	15.1	18.5	19.3
INV	-0.03	-0.05	0	-0.29	0.55
AP	63.05	18.91	7.6	8.28	4.97
CCC	-48.51	-3.96	7.51	9.94	14.86
CR	1.32	1.32	1.31	1.72	1.37

The ROA is increased in 4 years and decreased in last year compared from year to year. The AR has increased for all 5 years compared from year to year. The INV for the first 4 years is not favorable. As the value is either negative or zero. But it has picked up the pace during the 5th year. It is observed from the table that AP is having the highest value only in the year 2018, but for the rest of the year it has reduced. The CCC for the first 2 years is not good but later it has picked up the momentum. Little fluctuation could be found in CR. Though the values for the first two years is same, for the rest of the years there is a bit increase.

Table No 1.3 working Capital Ratios of Indian Cement Company for the year 2018-2022

Particulars	2018	2019	2020	2021	2022
ROA	0.01	0.01	-0.01	0.03	0
AR	0.1	0.1	0.1	0.1	0.2
INV	-0.13	0	0.2	-0.26	0.07
AP	6.79	12.65	12.78	10.54	12.63
CCC	-6.8	-12.52	-12.43	-10.68	-12.35
CR	0.93	0.88	0.77	0.65	0.89

It could be observed from the table above that various ratios of working capital has shown the fluctuations. ROA, INV and CCC has got the negative values. Which shows the management of working capital is not smooth over a period of five years. AP is showing a constant increase in its value over a period of five years.

Table No 1.4 working Capital Ratios of Ramco for the year 2018-2022					
Particulars	**2018**	**2019**	**2020**	**2021**	**2022**
ROA	0.73	0.61	0.62	0.83	0.53
AR	6.99	6.65	5.34	6.22	6.76
INV	-1.19	-1.23	-1.06	-1.17	0.55
AP	1.17	-	-	-	-
CCC	4.63	5.42	4.28	5.05	7.31
CR	1.29	1.35	1.18	1.35	1.35

Ramco compnay's performance through working capital is good except INV because it has got the negative value. In order to find the value of AP the corresponding values is not furnisned in the company's balance sheet. Though ups and downs are found in the ratios over a period of 5 years the previous year has shown the improvement in the ration and thus shows that the company's performance is improving.

Table No 1.5 working Capital Ratios of Ultra Tech for the year 2018-2022					
Particulars	**2018**	**2019**	**2020**	**2021**	**2022**
ROA	0.06	0.05	0.07	0.1	0.1
AR	20.7	21.9	16.9	19.6	19.9
INV	-0.16	0	-0.04	-0.16	0.41
AP	2.88	1.88	1.44	2.26	2.17
CCC	17.64	20.02	15.37	17.13	18.1
CR	0.95	0.87	1.03	1.17	0.99

The ROA has reduced from the first year till the last year. The observations of AR and AP shows the reduction in the value for the year 2022 when compared to 2018. But in between the variation in the values could be found. INV's performance is not encouraging as it has negative values for all the years except the last year. More fluctuation is found in CCC and CR.

It could be summarized from the interpretations of all the 5 companies' working capital ratios over a period of 5 years that the stated null hypothesis does not hold. As the changes are seen for all the selected companies.

H02: The changes in working capital management among the selected companies over a period of 5 years is same.

Table No 2.1 Ratios for the year 2018					
Particulars	**Birla**	**JK**	**Indian**	**Ramco**	**UT**
ROA	0.01	0.07	0.01	0.73	0.06
AR	15.2	14.6	0.1	6.99	20.7
INV	-0.07	-0.03	-0.13	-1.19	-0.16
AP	57.3	63.05	6.79	1.17	2.88
CCC	72.4	-48.51	-6.8	4.63	17.64
CR	0.56	1.32	0.93	1.29	0.95

The comparison of ROA among the selected companies shows that except Ramco the rest of the company's ratio is very less. Indian Cement Company has got lease of AR followed by Ramco. The rest of the company has got the double digit ratio. Similarity is found in the INV for the selected companies as all of those have the negative value. AP of Birla and JK is in the same range and the rest of the companies have the similar values.

CCC of JK and Indian Cement have the negative values. Among the rest of the companies Birla has got the highest value followed by Ultra tech and Ramco. CR for J K is highest followed by Ramco and Ultra Tech. the least CR is there for Birla company.

Table No 2.2 Ratios for the year 2019					
Particulars	**Birla**	**JK**	**Indian**	**Ramco**	**Ultra Tech**
ROA	0.02	0.07	0.01	0.61	0.05
AR	15.91	15	0.1	6.65	21.9
INV	0.01	-0.05	0	-1.23	0
AP	24.4	18.91	12.65	-	1.88
CCC	40.3	-3.96	-12.52	5.42	20.02
CR	0.62	1.32	0.88	1.35	0.87

The overall ratios performance for Birla is good as it does not have any negative values for the ratios which is computed for the period. The rest of the companies do have lesser values and also the negative values. Therefore it is summarized that during the period of 2019 though COVID was there Birla cement was able to cope up with the situation.

Table No 2.3 Ratios for the year 2020					
Particulars	**Birla**	**JK**	**Indian**	**Ramco**	**Ultra Tech**
ROA	0.05	0.08	-0.01	0.62	0.07
AR	13.96	15.1	0.1	5.34	16.9
INV	0.01	0	0.2	-1.06	-0.04
AP	22.1	7.6	12.78	-	1.44
CCC	36.11	7.51	-12.43	4.28	15.37
CR	0.67	1.31	0.77	1.18	1.03

During 2020 that is post COVID year the companies has started to recover. Therefore it could be observed that the selected 5 companies' performance in case of working capital are not similar though they are operating in the same industry.

Table No 2.4 Ratios for the year 2021					
Particulars	**Birla**	**JK**	**Indian**	**Ramco**	**UT**
ROA	0.05	0.11	0.03	0.83	0.1
AR	16.34	18.5	0.1	6.22	19.6
INV	0.02	-0.29	-0.26	-1.17	-0.16
AP	16.1	8.28	10.54	-	2.26
CCC	32.43	9.94	-10.68	5.05	17.13
CR	0.63	1.72	0.65	1.35	1.17

The observation of the comparative table shows that for majority of the ratios Birla Cement Company will get the 1st rank and Indian Cement gets the last rank. Ultra Tech is not in the 1st position for many of the ratios except AR. This deviation in ratios for the selected cement companies clarifies that the null hypothesis gets rejected.

Table No 2.5 Ratios for the year 2022					
Particulars	**Birla**	**JK**	**Indian**	**Ramco**	**UT**
ROA	0.03	0.09	0	0.53	0.1
AR	17.09	19.3	0.2	6.76	19.9
INV	0.16	0.55	0.07	0.55	0.41
AP	18	4.97	12.63	-	2.17
CCC	35.25	14.86	-12.35	7.31	18.1
CR	0.63	1.37	0.89	1.35	0.99

Comparative analysis of working capital ratios for selected companies for the current previous year shows the variation. In case of CR, the similarity is found for JK and Ramco. Similarity is also found between JK and Ramco for INV ratio. If AR is considered JK and Ultra Tech has got the similar value. Other than these ratios the rest of the ratios has shown variations in the values.

It could be summarized from the interpretations of all the 5 companies' working capital ratios over a period of 5 years that the stated null hypothesis does not hold. As the changes are seen for all the selected companies.

V. CONCLUSION

The study gives the brief explanation about the working capital of the five selected cement companies. The intention of the study is to do comparative analysis between the selected companies profitability and working capital management. The tools used are various types of ratios such as ROA, AR, INV, AP, CCC, CR. Each ratios gives the specific knowledge about the participation in running the company effectively and efficiently. The comparative analysis helps to compare five different companies in the cement industry and it also gives brief idea about the utilization of the working capital in the each and every companies. The findings gives idea about the good working company based on its ratios calculations.

REFERENCE

Dr. Sivashanmugam C. (2016). "Working Capital Management and Corporate Profitability: Empirical Evidences from Indian Cement Companies. *Vii*

Kumar, (2016). Working Capital Management in cement industry. ii

Mondal, (2020). Impact of working capital management on profitability of Indian cement industry: a evidence by BSE. *9* (Vi).

Rahaman, S. K., & Ahmed, S. (2021). Impact of working capital management on profitability. *8*(II).

Gondal, (2013). Impact of working capital management on profitability a case of the Pakistan cement industry. *V*.