

A STUDY ON WORKING CAPITAL ANALYSIS OF TATA STEEL LIMITED

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Abstract - Working capital management involves managing the relationship between a firm's short-term assets and its short terms liabilities. In other words working capital is the capital invested in different items of current assets needed for the business, viz, inventory, debtors, cash and other current assets such as loans and advances to third parties. These current assets are necessary for efficient business operations and good fixed asset management. Additionally, short-term funds are required for the acquisition of raw materials, the payment of wages, and other daily costs. Easy availability of low cost manpower and preference of abundant referrers make India competitive in the global set up.

Key Words: current assets, working capital management, current liabilities.

INTRODUCTION

Working capital management is important in financial management since it's essential to keeping a business operation functioning smoothly. The management of working capital is focused on making short-term financial decisions. Lack of operating cash has stunted the growth of numerous enterprises and contributed to the failure of many others. Working capital is not used effectively and

efficiently, which results in a low rate of return on invested capital or even forces a company to suffer losses. Thus, there has been an increase in the demand for expert working capital management in recent years. A company uses some of its working capital, or money set aside for covering day-to-day expenses, and invests a portion of its permanent capital in fixed assets.

STATEMENT OF THE PROBLEM

Steel industry is one of the leading industries in India, which leads to the development of the country. Every management of the industry is desirous to know their financial strength to make best of available resources to the maximum extent and able to sort out its weakness to initiate and adopt suitable corrective actions to improve its industrial operations. The study has analysed working capital performance of tata steel ltd at micro level to examine and evaluate its current financial position in terms of solvency, liquidity, efficiency and profitability by adopting ratio analysis.

SCOPE OF THE STUDY

This study helps to control the short terms assets and liabilities. The goals of working capital managements to manage the current assets and liabilities in such a way that satisfactory level of working capital is maintained the record may be given the best idea to investors, profitability also know the investor in future.

OBJECTIVE OF THE STUDY

- To know the profitability, liquidity and solvency position of the organization.
- To analyse working capital of the TATA steel limited.

- Liquidity ratio
- Profitability ratio
- Activity ratio

DATA ANALYSIS AND INTERPRETATION

TABLE – 1

TABLE SHOWING CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2017-2018	67877.16	55661.41	1.21
2018-2019	58990.98	61034.13	0.96
2019-2020	58732.72	61660.91	0.95
2020-2021	60211.90	70867.13	0.84
2021-2022	92556.61	90588.00	1.02

(Source: Secondary data)

INTERPRETATION:

The rule of thumb for the current ratio is 1:2. The above table shows that the highest current ratio is 1.21 in the year 2017-2018 whereas the ratio is lowest to 0.84 in the year 2020-2021.

TABLE - 2

TABLE SHOWING QUICK RATIO

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2017-2018	39546.12	55661.41	0.71
2018-2019	27334.88	61034.13	0.44

REVIEW OF LITERATURE

- **Dr. K. K. Vyas (2020)**, ‘A comparative study of working capital management of steel companies in India’. The management of assets is important because it may enforce an, on the spot impact on profit and liquidity. The vital element of finance is functioning capital management since it directly influences firm’s profit also a liquidity in everyday activities. Financial ratio should be compared with industry standards to determine whether such ratios are normal or deviate materially from what is expected.
- **Mukti. R. Barot (2019)**, ‘A study on the role of working capital management in selected steel companies’. In the modern economy steel industry plays an essential role in the country’s development. In fact, socio economic growth and living standard of the people is also measured by per capita consumption of steel. This study covers the period of five years from 2012-2017. This results that in the management of current asset and liabilities the performance of SAIL, JSW and TATA are best among others.

METHODOLOGY OF THE STUDY

The research design for the study is descriptive and analytical in nature. The study is based on secondary data. The required data were collected from the published annual report of TATA steel limited. This study covers the period of five years from 2017-2018 to 2021-2022.

TOOLS AND TECHNIQUES

2019-2020	27664	61660.91	0.44
2020-2021	26935.52	70867.13	0.38
2021-2022	43732.22	90588.00	0.48

(Source: Secondary data)

INTERPRETATION:

The rule of thumb for Quick ratio is 1:1. The above table shows that the highest quick ratio is 0.71 in the year 2017-2018 and the lowest ratio is 0.38 in the year 2020-2021.

TABLE - 3

TABLE SHOWING SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR ENDED 2021-2022

PARTICULARS	2021	2022	INCREASE	DECREASE
Current assets:				
Inventories	33276.38	48824.39	15548.01	
Trade receivable	9539.84	12246.43	2706.59	
Cash and cash equivalents	5782.18	15898.93	10116.75	
Short term loans and advances	5.59	5.84	0.25	
Other current assets	4389.02	7056.60	2667.58	

Total assets (A)	52993.01	84032.19	31039.18	
Current liabilities:				
Short term borrowings	14968.97	24064.61		9095.64
Trade payables	25967.49	36764.87		10797.38
Other current liabilities	25205.35	26990.03		1784.68
Short term provisions	4725.32	2768.49	1956.83	
Total liabilities (B)	70867.13	90588.00	1956.83	21677.7
Net working capital (C)	-17874.12	-6555.81		
(A)-(B)=(C)				
Decrease in working capital		-11318.31		11318.31
Total	-17874.12	-17874.12	32996.01	32996.01

INTERPRETATION:

From the above table, it is clear that the working capital is decrease for the year 2021 is Rs. -11318.31. The current assets as increased by Rs.31039.18. current liabilities as increased by Rs.1956.83 and decreased by Rs.21677.7.

FINDING AND CONCLUSION

FINDINGS

- The standard current ratio is 2:1 and the company's highest current ratio is 1.21 in the year 2018 and lowest ratio in the year 2021 as 0.84. The current ratio is growing so, it is satisfactory.
- The standard quick ratio is 1:1 and the company show highest level of 0.27 in the year 2018 and lest level of performance was in 2021 at 0.38. Quick ratio is growing so, it is satisfactory.

FINDINGS OF SCHEDULE OF CHANGES IN WORKING CAPITAL

The current asset in 2022 is increased than the current asset of 2021. So, the working capital is decreased in 2022.

CONCLUSIONS

A company's day-to-day operations depend on working capital. It is abundantly obvious from the analysis that the various working capital components are interconnected. A decrease in one component will result in an increase in the other, keeping working capital at the same level. In this study it is clear that the overall financial ratios are satisfactory. The company as to work towards improved capital management to increase profits during the coming years by maintaining a positive working capital.

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WEBSITE

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