

A Study on Working Capital Management of JSW Steel LTD., Bellari

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Abstract : Working capital management plays a vital role in ensuring the smooth functioning and financial stability of manufacturing organizations. This study focuses on the analysis of working capital management practices in JSW Steel Limited, one of India's leading integrated steel manufacturing companies with large-scale production facilities and global operations. The company manufactures a wide range of steel products used in industries such as construction, infrastructure, automotive, and appliances. The findings indicate that effective working capital management helps JSW Steel maintain liquidity, control operational costs, and improve profitability.

Key Words: Working capital ,Ratio analysis,Statement in working capital

Introduction:

Working capital may be regarded as the life blood of a business. Working capital Management is one of the most important aspects of Financial Management. It forms a major function of the finance manager and accountant. Working Capital Management (WCM) refers to the planning, controlling, and monitoring of a firm's short-term assets and liabilities to ensure smooth day-to-day operations and financial stability. It focuses on managing current assets—such as cash, inventory, accounts receivable—and current liabilities like accounts payable, short-term loans, and other obligations.

The primary objective of working capital management is to maintain an optimal balance between liquidity and profitability. Adequate working capital ensures that a business can meet its short-term obligations on time, avoid operational disruptions, and take advantage of growth opportunities. On the other hand, excessive working capital may lead to inefficient use of resources, while insufficient working capital can cause financial stress and hinder production and sales activities.

Review of Literature:

● **NATARAJAN SUNDAR(1980) :** Working capital is important at both, the national and the corporate level. Control on working capital at the national level is exercised primarily through credit controls. The Tendon Study Group has provided a comprehensive operational framework for the same. In operational terms, efficient working capital consists of determining the optimum level of working capital, financing it imaginatively and exercising control over it. He concludes that at the corporate level investment in working capital is as important as investment in fixed assets. And especially for a company which is not growing, survival will possible only so long as it can match increase in operational cost with improved operational efficiency, one of the most important aspects of which is management of working capital

● **AGARWAL(1983) :** Also studied working capital management on the basis of sample of 34 large manufacturing and trading public limited companies in ten industries in private sector for the period 1966-67 to 1976-77. Applying the same techniques of ratio analysis, responses to questionnaire and interview, the study concluded the although the working capital per rupee of sales showed a declining trend over the years but still there appeared a sufficient scope for reduction in investment in almost all the segments of working capital. An upward trend in cash to current assets ratio and a downward trend in cash turnover showed the accumulation of idle cash in these industries. Almost all the industries had overstocking of raw materials shown by increase in the share of raw material to total inventory while share of semi-finished and finished goods came down. It also revealed that long-term funds as a percentage of total working capital registered an upward trend, which was mainly due to restricted flow of bank credit to the industries.

● **KAVERI V.S(1985) :** has based his writing on the RBI's studies on finances of large public limited companies. This review of working capital finance refers to two points of time i.e., the accounting years ending in 1979 and 1983

and is based on the data as given in the Reserve Bank of India on studies of these companies for the respective dates. He observes that the Indian industry has by and large failed to change its pattern of working capital financing in keeping with the norms suggested by the Chore Committee. While the position of working capital management showed some investment between 1975-79 and 1979-83, industries have not succeeded in widening the base of long-term funds to the desired extent. The author concludes with the observation that despite giving sufficient time to the industries to readjust the capital structure so as to shift from the first method to the second method, progress achieved towards this end fell short of what was desired under the second method of working capital finance.

● **Vijayakumar and Venkatachalam (1995)** : This study was made on observed analysis in working capital and profitability. Study was carried with 13 firms belonging sugar industry for the 10 years period from 1982-1983 to 1991-1992. The correlation and regression statistical method has been used to analyze the impact of working capital ratios on profitability. In this study total four ratios has been taken in to consideration; Liquidity ratio, inventory turnover ratio, receivable turnover ratio and cash turnover ratio. The discovery of the study said that liquid ratio and cash turnover ratio have harmful impact on profitability on the other hand inventory turnover ratio and receivables Have positive impact on profitability.

● **Rafuse (1996)** : The article stressed on working capital enhancement by halting payment of creditors. That was clear many UK companion delayed payment for the long period. Very surprisingly the story revealed in 1994 by the Forum for Private Business, that was a small business association, and reverse side 50 days before payment of debtors were been paid beyond the due date. This article stressed to maintain healthy and close relationship among supplier and customer. The discovery of the study warranted the firms to reduce inventory level as fast as possible in order to increase the profit of the firms. Another fact of study was that control over working capital responsibility goes on the head of finance manager.

● **Swamy (1997)** : Swami was done research with 19 key agricultural area in the contour of Dashing Kannada district in Katakana. The research exposed that maintenance of liquidity and profitability is a major problem in the targeted area. To be safe in side of working capital management were found to be suffered and low profitability due to the interest burden. The effects of this firms raised the fund for working capital requirement by borrowing fund from depositors. This study has been given stressed on proper management of working capital so the future of business would be bright

● **According to Sweetmeat (2006)** : Working Capital as the amount of long-term finance the business has to provide in order to keep current assets working for the business. Working Capital as explained is the financing of the firm's liabilities from their current assets and involves the usage of the component of current asset thus, inventory, account receivables and cash to meet the firm's liabilities. For an organization to thrive and survive, it pays for it to be endowed with enough current assets that can meet its obligations in the short term. However, failure by management to put into reality such a practice will lead to the eventual insolvency of the business (Collaborator, 2008; Bhutan, 2007). In essence, the effective management of working capital produces a promising drive in ensuring that a firm's current assets are in a better position to meet its current liabilities as and when the need arises.

● **Mensah (2014)** : revealed that there has not been much empirical work on its relationship with profitability of listed trading companies in Ghana. Efficient operations of listed companies are characterized by the proper utilization of resources such as accounts receivables, accounts payable s and inventory. The efficient management of the above should be geared towards attaining equilibrium. It was against this background that, the research was carried out to evaluate and establish the relationship between Working Capital Management and the profitability of listed trading companies on the Ghana Stock Exchange.

● **Poonam Gautam Sharma and Preet Kaur (2015)** : examine the impact of working capital management on profitability of Bharti Airtel Telecom Company. The study period was 2007-08 to 2014-15 and statistical and econometric tools were used for study. The results reveal that there is significant negative relationship between liquidity and profitability of the company and it also reveals that quick ratio, inventory turnover ratio, debtors turnover ratio of company shows satisfactory performance and current ratio of company was found not satisfactory

Objective of the study:

- ❖ To study liquidity position of the JSW steel limited
- ❖ The study the changes of working capital management
- ❖ To analyze the efficiency of working capital management in the organization.
- ❖ To examine the management of current assets and current liabilities.

Need for the study:

The main purpose behind this project is to know the working capital is managed by JSW steel limited, Ballari. The study is on internal financing pattern of the working capital management, which deals with determining size of working capital needs to achieve certain long term operating goals. There fore an analysis is to be mode to know reasons and find out the measure to be taken to make t more successful.

Scope of the study:

The scope of working capital management includes planning, controlling, and monitoring a firm’s short-term assets and liabilities to ensure smooth day-to-day operations. It covers the efficient management of cash to meet operational expenses, proper control of receivables to ensure timely collection of dues, and effective inventory management to avoid over-stocking or shortages.this study covers the working capital management of JSWSTELL LIMITED Ballari for the last five year 2020-2021 to 2024-25.

Research Methodology:

Research design: analytical research

Data collection:

In data collection, as basically used the secondary data,as available in the records of the financial statement in company annual reports during the study period.

Data Anlysis Tools:

Analysis of data is made using certain financial tools and techniques.

- ✧ Ratio analysis
- ✧ Statement of changes in working capital

The data is presented using various graghs and charts

Limitations Of The Study:

- ✧ The study is based on only five years financial data.
- ✧ It uses past records, so it may not predict future performance.
- ✧ The time period of the study is limited.

Data Analysis & Interpretation:

Statement of changes in working capital from the year 2020-2021

Particulars	As on 31-03-20	As on 31-03-21	Change of working capital	
			Increase Rs/-	Decrease Rs/-
a. Current Assets				
Cash bank balance	1290.71	1576.48	285.77	
inventories	2503.20	2889.51	386.31	
Sundry debtors	2467.39	1866.11		601.28
Loans&advances	1906.20	3442.81	1536.61	
A. Total Current Assets	8167.50	9774.91		
b. Current Liabilities				
Current Liabilities	3381.69	6020.09		2638.04
Provisions	12790	566.86		438.96
B.Total Current Liabilities	3509.59	6586.95		
Net Working Capital(A-B)	4657.91	3187.96		
DecreaseinWorking Capital		1469.95	1469.65	
TOTAL	4657.91	4657.91	3678.64	3678.64

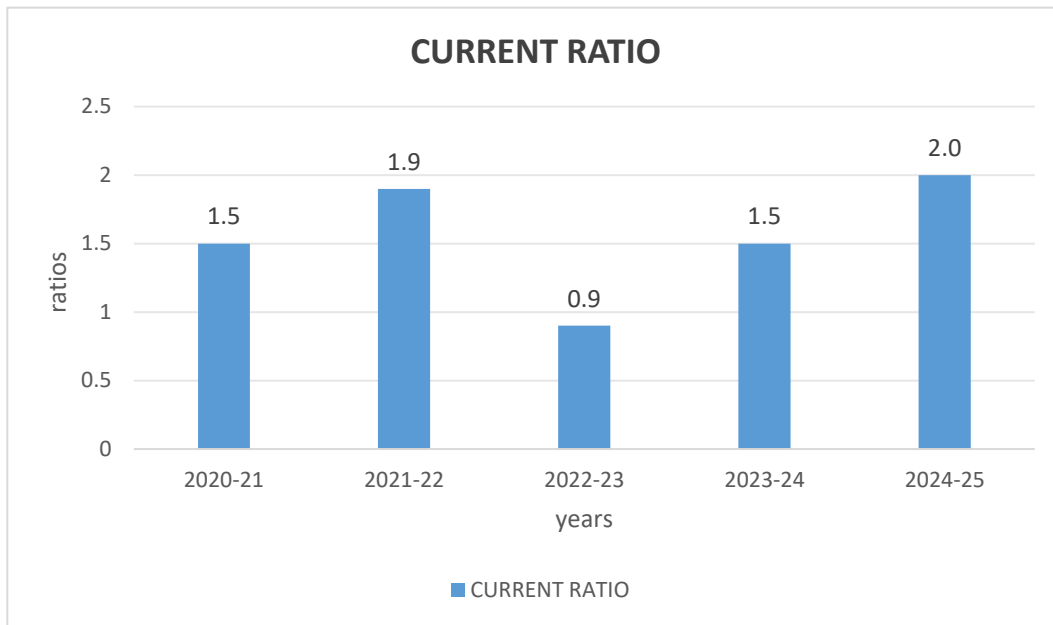
INTERPRETATION:

From the above table in the year 2020-2021, the company total assets are RS : 9774.91 . And the current liabilities are RS :6586.95 And the working capital is RS:4657.91.And the net decrease working capital is RS:1469.95

CURRENT RATIO

Current ratio = current assets / current liabilities

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2020-2021	9774.91	6586.95	1.5
2021-2022	27336.10	14506.15	1.9
2022-2023	24288.00	25214.04	0.9
2023-2024	36866.00	24366.35	1.5
2024-2025	36245.94	32118.16	2.0



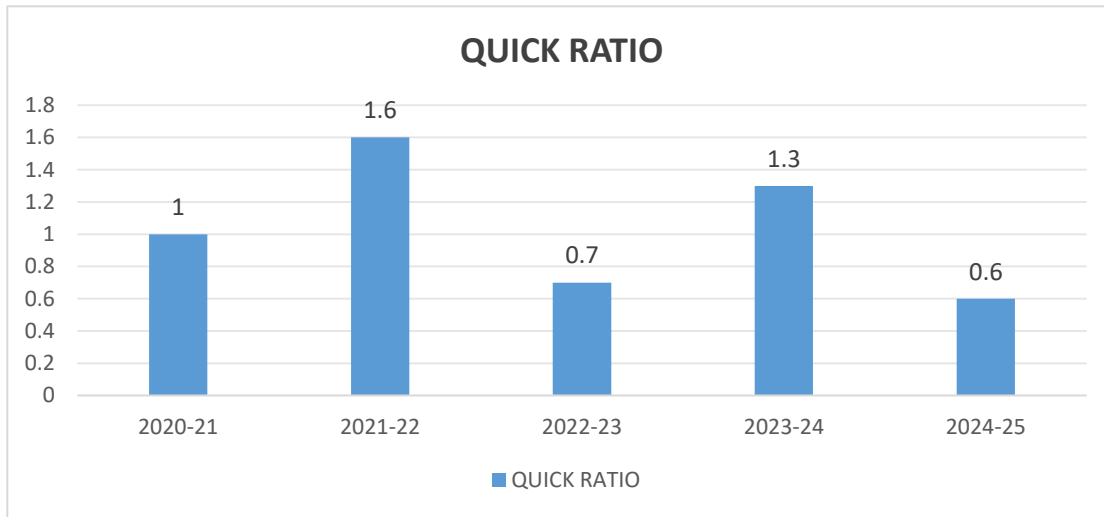
INTERPRETATION:

The standard ratio of current ratio is 2:1. in the year 2020-21,the current ratio is 1.5, and in 2021-22,the current ratio is 1.9.the current ratio is gradually increased ratio of 2.0

QUICK RATIO (or) ACID TEST RATIO

Quick ratio = (current assets-inventories) / curremnt liabilities.

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	QUICK RATIO
2020-2021	6885.40	6586.95	1.0
2021-2022	23365.09	14506.15	1.6
2022-2023	18216.65	25214.04	0.7
2023-2024	32487.57	24366.35	0.3
2024-2025	20184.33	32118.16	0.6



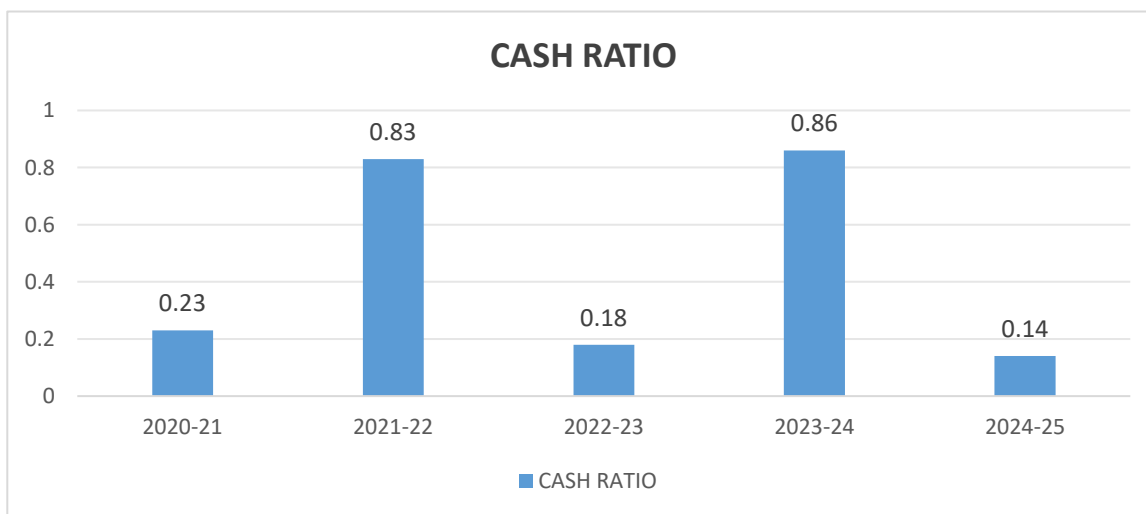
INTERPRETATION:

The standard quick ratio is 1:1. During the study period, the quick ratio of the company is fluctuating, it highest in the period 2021-22 1.6 and it is lowest in the year 2024-25 0.6.

CASH RATIO

Cash Ratio = (cash +marketable securities) / current liabilities

YEARS	CASH	CURRENT LAIBILITIES	CASH RATIO
2020-2021	1576.48	6586.95	0.23
2021-2022	12012.16	14506.16	0.83
2022-2023	4773.47	25214.04	0.18
2023-2024	21081.89	24366.35	0.86
2024-2025	4550.46	32118.16	0.14



INTERPRETATION:

The standard cash ratio is 1:1or 0.5:1.During the study period, the cash ratio of the company is fluctuating, it is highest in the period 2023-24 0.86 and it is lowest in the year 2024-25 0.14.

FINDINGS:

- ❖ From the intrepretation found that there is average of 330% growth in the net working capital during the study period. It became growth in current assets during the study period.
- ❖ The current ratio is not satisfactory as it is not meeting standard 2:1 it shows poor liquidity position of the firm
- ❖ The quick ratio is satisfactory except two financial year during study period it shows the firm sound quick assets proportion to the liabilities as it is meeting the standard 1:1 in the financial year 2020-21,2021-22,2022-23,2023-24&2024-25.
- ❖ The cash ratio is not satisfactory as it is not meeting standard 0.5:1 it shows poor cash balances with firm which is not a good sign to the company.
- ❖ Inventory turn over ratio is decreasing in the trend year by year except in 2022-2023 which shows inability in effective conversion of inventory into the sales.

SUGGESTIONS

- It is suggested to company to manage the current assets bill receivable and cash management et., effectively in order to improve the liquidity position of projection to meet the current liabilities.
- Company may go for effectively cash management techies by reducing the debtors's collection period and etc., in order to immediate cash requirement.
- It is suggested to the company to improve the inventory turn over ratio by reducing the length inventory operating cycle.
- It is suggested that company may go for reduce the debtors collection period by alternating the company's credit policy.
- The company may go for effective utilization of working capital and current assets by reducing operating & non operating expenditures and improve in the operating income increasing sales.

CONCLUSION :

The study of working capital management as it shown importance in financial management which studied the change net working capital & working capital ratio in which I observed poor current & cash ratio & other turnover ratios and suggested to improve the operating effecting by reducing operating & non operating expenses & reducing debtors collection period applying effective inventory control techies.

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