

AN ANALYSIS OF WORKING CAPITAL MANAGEMENT OF STEEL AUTHORITY OF INDIA LIMITED

Dr. D. SIVASAKTHI, Associate Professor, Department of Commerce (PA), Dr.N.G.P Arts & Science College, Coimbatore,

Ms. J. SATHYAVARSHINI, Student of III B.Com PA, Dr.N.G.P Arts & Science College, Coimbatore

ABSTRACT:

An Working capital sphere, therefore, throws open a welcome challenge and an opportunity for the finance manager to play a key role for effective planning, controlling, directing and utilizing the working funds in an enterprise. They are (a) optimum investment in current assets and (b) financing of current assets. Working capital plays the same role in the business as the role of heart in the human body. This project was very useful for the judgment of the financial status of the company from the management point of view. This evaluation proved a great deal to the management to make a decision on the regulation of the funds to increase the sales and bring profit to the company.

Keywords: Liquidity Ratios, Liquidity Ratios, Activity ratios, Leverage ratios.

INTRODUCTION:

The Working capital sphere, therefore, throws open a welcome challenge and an opportunity for the finance manager to play a key role for effective planning, controlling, directing and utilizing the working funds in an enterprise. To understand the concept of working capital it is important to know the precise meaning of current assets and current liabilities. Current assets are those assets, which are used in the production and selling operations of the business and can be converted into cash with in a year. Current liabilities are those which are intended to be paid during the accounting period out of current assets or the income of the business. They include bank loans, loan other than bank, bills payable and sundry creditors.

STATEMENT OF 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

The main aim is to make a detail study on working capital management of SAIL LTD which every company treated as a life blood which is working capital. So the researcher put whole her dedication in this project work to make a detail different area of working capital management and which way the SAIL LTD maintains it

OBJECTIVES OF THE STUDY

- To Analyse the working capital position of SAIL Ltd.
- To measure the performance of SAIL Ltd through ratio analysis
- To Study the relationship between profitability and working capital management of SAIL Ltd.

RESEARCH METHODOLOGY

This research depends wholly on secondary data which is exclusively related with report of sail ltd.

- **RESEARCH DESIGN**- The research design for the study is analytical in nature
- **SOURCE OF DATA**- The data require for the study has been collected form secondary sources and the relevant information were taken from annual report, journals and internet
- **PERIOD OF STUDY**- The period of study was undertaken for 5 years from 2017-2018 to 2021-2022.
- **TOOLS USED**
 - Liquidity Ratios
 - Current ratio

- Quick ratio
 - Net working capital ratio
- Profitability ratios
 - Gross profit ratio
 - Net profit ratio
 - Operating profit ratio
- Activity ratios
 - Inventory turnover ratio
 - Debtors turnover ratio
 - Debt collection period
- Leverage ratios
 - Debt ratio
 - Debt equity ratio
- Comparative balance sheet

REVIEW OF LITERATURE:

Bhatt V. V. (2022)¹ widely touches upon a method of appraising working capital finance applications of large manufacturing concerns. It states that similar methods need to be devised for other sectors such as agriculture, trade etc. The author is of the view that banks while providing short-term finance, concentrate their attention on adequacy of security and repayment capacity. On being satisfied with these two criteria they do not generally carry out any detail appraisal of the working of the concerns.

T. Poojitha (2019)¹² This study examines Working capital is known as the life blood of the organizations. The Purpose of this study is to understand efficiency and utilization of working capital in the Kdmpmacu ltd., Vijayawada. Analyze for six years from 2011-12 to 2016-17. This study is based on the secondary data of the firm. The literature reveals that working capital directly affects the profitability and liquidity of the firm and this study concludes that working capital is very much effects to the development of the firm.

Hossain, Syed Zabid (2018) throws light on the various aspects of working capital position. He has evaluated working capital and its components through the use of ratio analysis. For each aspect of analysis certain ratios are computed and then results are compared with the standard ratio or industry average.

RESULTS AND DISCUSSION

- Current ratio was high during 2021-2022 with 0.13% and low during 2019-2020 with 0.06%
- Quick ratio was high during 2020-2021 with 0.33 and low during 2019-2020 with the value 0.10
- Working capital turnover ratio is low during 2019-2020 with the value 18.9 and high during 2019-2020 with the value 69.69
- Gross profit ratio was high with value 36.82 in 2019-2020. Low ratio was shown during 2020-2021 with the value 28.54.
- Net profit ratio was high during 2019-2020 with 25 and low during 2020-2021 with the value 14
- Operating profit ratio shows decreasing trend. The ratio was high during last financial year 2021-2022 with 7 and low during 2019-2020 and 2022-2023 with the value 6.7
- Inventory turnover ratio was high during 2021-2022 with the value 28.33 and low during 2019-2020 and 2022-2023 with the value 11.37. Overall it shows fluctuation trend.
- Debtors turnover ratio was high during 2022-2023 with the value 233.1 and low during 2020-2021 with the value 50.70.
- Debt collection period was high during 2020-2021 with 7.19% and low during 2022-2023 with 1.56%
- Debt ratio was high during 2019-2020 with the value 15.14 and low during 2021-2022 with the value 10.06
- Debt equity ratio was high during 2022-2023 with the value 43.8 and low during 2019-2020 with the value 27.3

YEARS	TOTAL ASSETS (Increase/ Decrease)	TOTAL Liabilities (Increase/ Decrease)
2018-19	52.4	52.39
2019-20	23.64	80.33
2020-21	113.75	113.72
2021-22	119.73	119.79

SUGGESTIONS

- ✓ Though the company is facing an increasing in the liquidity position, the firm has to increase further more so that they can meet the current liability which increases over the years.
- ✓ The profitability of the concern is showing a decreasing trend for the past couple of the years and they should be increased for the development of the concern.
- ✓ The company should form new policies and procedures so that the resources are used efficiently. The available resources are not used to the fullest extent which will reduce the cost of production and increase the profit.
- ✓ The debtors can be collected soon as it can be used to discharge the creditors and current liability to a certain extent.

CONCLUSION

The financial position of the company has provided a clear view on the activities of the company. The use of the ratio analysis, liquidity ratio, profitability ratio, solvency ratio, helped in this study to find out the financial soundness of the company. This project was very useful for the judgment of the financial status of the company from the management point of view. This evaluation proved a great deal to the management to make a decision on the regulation of the funds to increase the sales and bring profit to the company. The study is conducted to analyze the present performance and profitability position of the organization. The present situation of the organization was taken for the study is through analyzing the three years annual report which

clearly depicts the Balance sheet in which the sources of funds, application of funds, and current liabilities and provisions of the company. The present situation of the organization was taken for the study is through analyzing the five years annual report which clearly depicts the Balance sheet in which the sources of funds, application of funds, and current liabilities and provisions of the company.

REFERENCES:

- [1] Bhavani K Sirasgi (2021) "**A Study on Working Capital Management and Profitability of Steel Industries in India**", International Journal of Research Publication and Reviews, Vol 2, no 11, pp 581-588, November 2021
- [2] Barbara Novak (2021) "**Working Capital Management and Profitability: Empirical Evidence**", Barbara Novak et al | International Journal of Business Management and Economic Research(IJBMER), Vol 12(4),2021, 1953- 1959.
- [3] Natarajan, Sundar, (2020), "**Working Capital Management and Finance, Economic and Political Weekly**", Vol.15 No.8, pp. M25+M27-M31.
- [4] N.K. PRADEEP KUMAR (2020) "**AN ANALYSIS OF WORKING CAPITAL MANAGEMENT IN SAIL AND RINL**" RESEARCH EXPLORER-A Blind Review & Refereed Quarterly International Journal, Volume VIII, Issue 26, p.no 53-60.
- [5] Prof. Mallick, Amit, and Sur Debasish., (2019), "**Working Capital and Profitability: A Case Study in Interrelation, The Management Account**", November 2017, pp. 805-809