

A study on working capital management in Acc Pvt Ltd

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Abstract

Effective management of working capital is crucial for sustaining operational efficiency and financial stability in organizations. This study focuses on understanding and analyzing the working capital management practices within ACC Pvt Ltd, a prominent player in the Indian cement industry. Working capital, defined as the difference between current assets and current liabilities, signifies an organization's ability to meet short-term financial obligations and maintain liquidity. The project investigates the current trends and challenges in working capital management, emphasizing the importance of optimizing the balance between current assets and liabilities. Using a descriptive research design, secondary data from ACC's audited financial statements and industry sources were analysed. Key financial ratios such as current ratio and quick ratio were employed to assess ACC's liquidity position and working capital efficiency.

Introduction

Working capital administration is an essential facet of monetary administration that entails managing a firm's temporary properties as well as responsibilities to make sure effective procedure. It concentrates on handling the everyday monetary requirements of an organization to keep liquidity, assistance functional requirements, and maximize success. Functioning resources stands for the distinction in between a business's present properties and its present responsibilities. It is a step of a business's liquidity as well as its capability to fulfil temporary commitments. In easier terms functioning resources is the cash money as well as various other possessions that an organization has easily offered to cover its everyday functional expenditures. It has been typically observed that the lack of functioning funding brings about the failing of a company. The correct administration of functioning funding might produce the success of a company. The monitoring of functioning resources consists of the monitoring of present possessions and present obligations. A variety of business for minority years have been locating it hard to address the enhancing troubles of taking on seriously the administration of functioning funding. A company might exist without earning a profit however cannot make it through without liquidity. The feature of functioning funding administration in a company is comparable that of the heart in a body. Likewise, it is an essential feature of economic monitoring. The monetary supervisor should establish the sufficient degree of functioning funding funds plus the maximum mix of present possessions along with present responsibilities. He should make sure that the proper resources of funds are made use of to fund functioning resources and must

additionally see that short-term commitment of business are fulfilled well promptly.

The concrete field significantly plays a crucial duty in the financial development of the nation as well as its trip in the direction of clear-cut development. Concrete is important to the building field plus all facilities tasks. The building field alone makes up 7 percent of the nation's (GDP). The sector inhabits an essential area in the Indian economic situation because of its solid linkages to various other industries such as building, transport, coal as well as power.

India is the 2nd biggest manufacturer of high-quality concrete on the planet. The concrete market in India makes up 183 big concrete plants plus over 365 mini concrete plants. Presently there are 40 gamers in the sector throughout the nation.

Existing Properties: These are possessions that are anticipated to be exchanged money or consumed within one year. Instances consist of money, accounts receivable (cash owed by consumers), stock, as well as temporary financial investments.

Existing Liabilities: These are responsibilities that schedule within one year. Instances consist of accounts payable (cash owed to distributors), temporary financings plus built-up expenditures.

Having an ample quantity of functioning resources is critical for organizations to keep smooth procedures. It permits them to cover their temporary expenditures such as pay-roll, lease, energies plus stock acquisitions. Insufficient functioning funding can result in liquidity issues lost possibilities, along with also personal bankruptcy, while extreme functioning funding might suggest ineffective use sources.

Reliable functioning funding monitoring entails enhancing the equilibrium in between present possessions plus responsibilities to make sure sufficient liquidity without linking excess funding. It is a crucial facet of monetary monitoring that straight influences a business's capability to maintain procedures and go after development possibilities.

Indian concrete majors-- ACC Ltd, Shree Cement Ltd-- have authorized a teamwork pact to sustain low-carbon financial investments in India. The pact was authorized in Geneva with participant business of the World Business Council (WBC) for Sustainable Development's Cement Sustainability Initiative as well as International Finance Corporation (IFC). Under the pact a Low Carbon Technology Roadmap for the Indian concrete market is to be introduced this year-end. The guidebook will certainly detail a feasible shift course for the concrete sector to decrease its straight exhausts by 18 percent by 2050.

Working Capital=Current Assets–Current Liabilities

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Review of literature

Brigham and Houston, 2009: WCM is just one of the monitoring principles that concentrate on discovering the optimum degree of cash money, supply as well as borrowers, likewise funding this degree at the most affordable feasible price via present responsibilities to satisfy the firm's day-to-day requirements.

Rathi Raneer Yogendra Rajah, 2014: An Operating resources monitoring makes certain a firm has ample capital to fulfil its temporary financial debt commitments plus overhead. The performance of operating resources administration was checked out with the cash money conversion cycle. The effective working funding administration has solid effect on monetary efficiency.

Rajashik sen, parban dutta, Sarbani Mitra, (2023): This research study concentrates on functioning funding administration as well as their different economic proportions to comprehend different facets of Indian Financial sector led by Reserve Bank of India (Central Bank of India). Indian financial market undertakes massive change from earlier years because of their numerous advancements in financial market regarding technical element, globalization, and privatization.

Hemant bhanawat, (2018): Functioning funding is taken into consideration to be the primary part of an affordable entity as well as its reliable administration determines the concession in between liquidity plus success. There are several elements that identify the capital demand in a company for instance development in sales. Efficiency & dimension of the company and so on. This paper attempts to identify the variables which evaluate the capital requirement in Indian concrete market.

Research Design

This study is descriptive in nature, aiming to provide a detailed and systematic analysis of working capital management practices within ACC Pvt Ltd.

Objectives of the study

To Understand working capital management.

To Analyse the ratios through ratio analysis

Data Collection Method

Secondary Data: The data for this study was collected using secondary sources. This involved gathering information from the company's audited financial statements, books of accounts, and relevant websites. These sources provided comprehensive and reliable data necessary for analysing the company's financial and operational performance.

Tools and Techniques:

The data collected was systematically analysed using various tools and techniques, including websites, graphs, and tables. These methods facilitated a clear visualization and understanding of the financial trends and patterns related to working capital management in ACC Pvt Ltd.

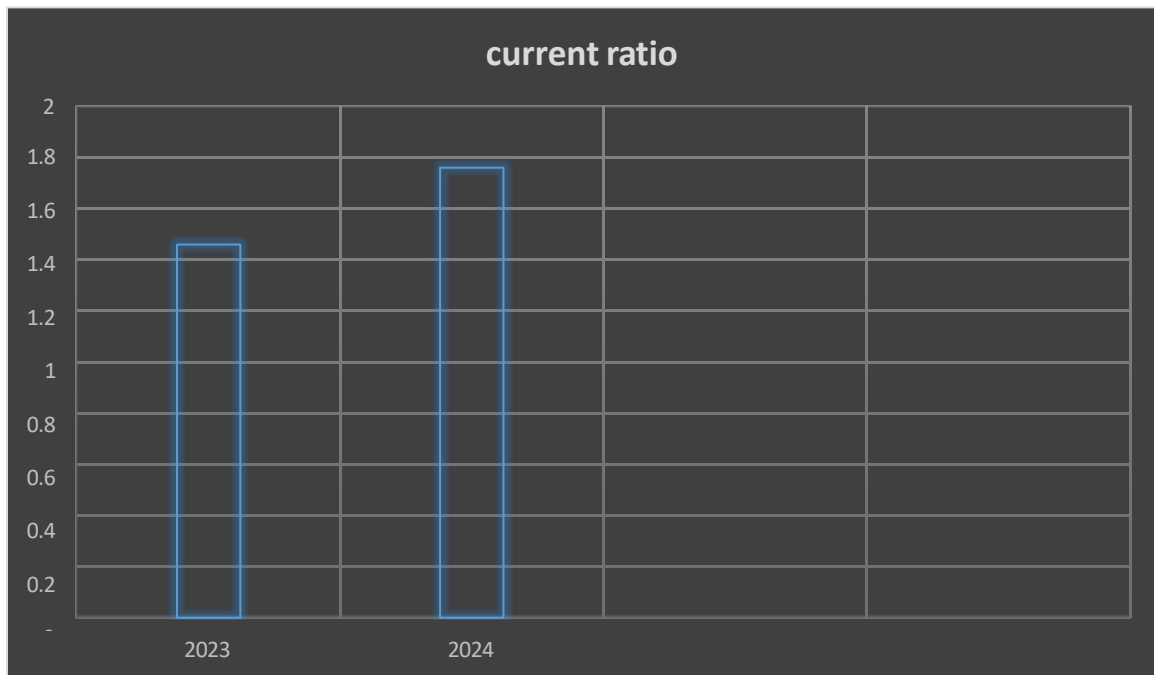
Analysis of working capital with ratios

➤ Current ratio

This is a current asset to current liabilities ratio. A higher current ratio proportion suggests that there suffice properties readily available with the company which can be transformed through of Money. Therefore, greater is the current ratio, far better is the circumstance. A current ratio of 2:1 is expected to be perfect.

Current ratio = $\frac{\text{CURRENT ASSETS}}{\text{Current liabilities}}$

Year	Current assets	Current liabilities	Ratio
2022-23	8255	5641	1.46
2023-24	10711	6096	1.76



Interpretation: Ideally 2:1 is considered satisfactory. ACC PVT Ltd ratios are 1.46 AND 1.76 for the year 2022- 23 to 2023-24, respectively. It is not considered as benchmark as it differs from industry to industry. Based on industry standard, ACC PVT Ltd.'s current ratio is below 2. It indicates current liabilities have increase more than the increase in current assets.

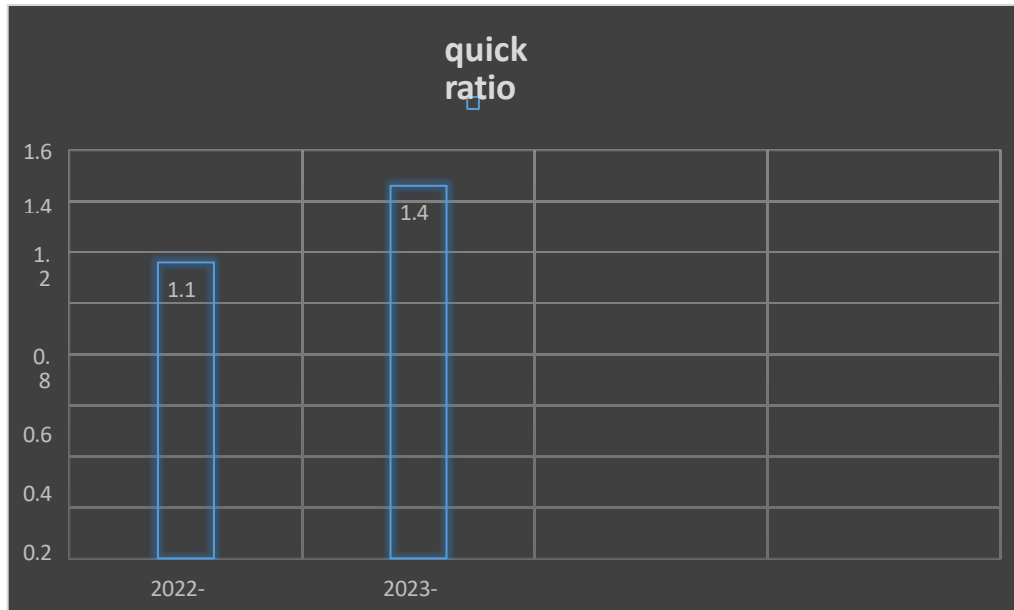
➤ Quick ratio

This is also known as ACID TEST RATIO. When paying capacity of assets of a going concern is to be tested for their ability to meet short – term obligation. Standard ratio is 1:1.

Acid Test Ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities Quick}}$

Assets = Current Assets – Inventories

Year	Current assets	inventories	Quick assets	Current liab.	Ratio
2022-23	8255	1,623.50	6631.5	5641	1.16
2023-24	10711	1,842.85	8868.15	6096	1.43



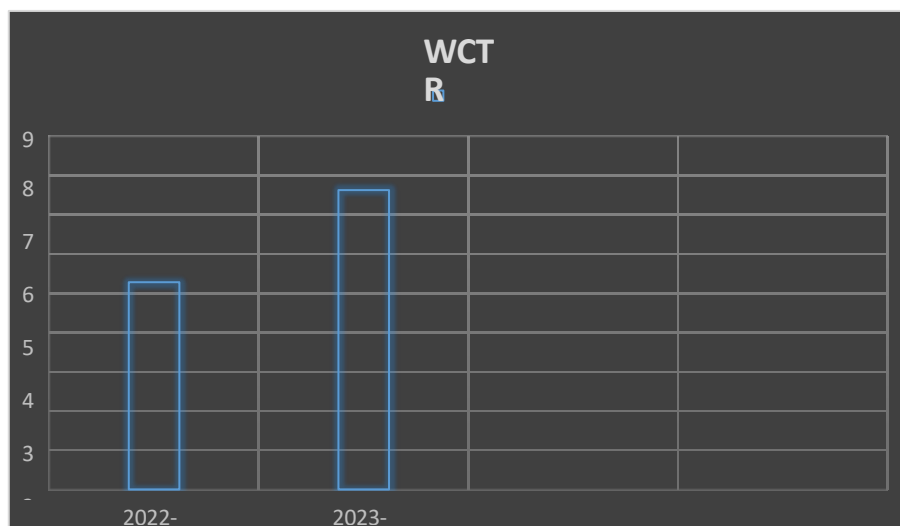
Interpretation: This ratio should ideally be 1:1. When the ratio goes below 1, it is a danger sign. So, this ratio must be minimum 1. Above table shows company's Quick assets are sufficient to meet its current liabilities. In the year 2022-23 has decreased to 1.16 but in the year 2023-24, it has increased to 1.46.

➤ **Working capital turnover ratio**

This is a sale to working capital ratio. The turnover ratio should be stable if not increasing over time. On the contrary if it is falling, it indicates longer build up current assets or fall in level of current liabilities or both. Whatever may be the reason, the demand for fund will rise, the non – availability of which may lead to default in payment.

Working Capital Turnover Ratio = net sales/net working capital

Year	Current assets	Current liab.	Net working capital	Net sales	Ratio
2022-23	10711	6096	4615	17419.20	5.28
2023-24	8255	5641	2614	19952.23	7.63



Interpretation: It indicates how efficiently the company is employing its working capital. A higher working capital turnover indicates that with less working capital, company can sell more. In ACC PVT LTD, this ratio was 5.28 in 2022-23 and now for the year 2023-24 it is 7.63. It clearly indicates better utilization of working capital.

➤ **Inventory turnover ratio**

This indicates many times finished goods stock is moving. Lower ratio indicates less demand for finished goods and vice – versa.

Inventory Turnover Ratio = Cost of goods sold/ Average Stock

Average Stock = Opening Stock + Closing Stock/ 2

YEAR	COGS	OPENING STOCK	CLOSING STOCK	AVERAGE STOCK	RATIO
2022-23	2219.69	469.56	442.53	456.04	10.83
2023-24	2303.05	442.53	490.54	466.75	13.68



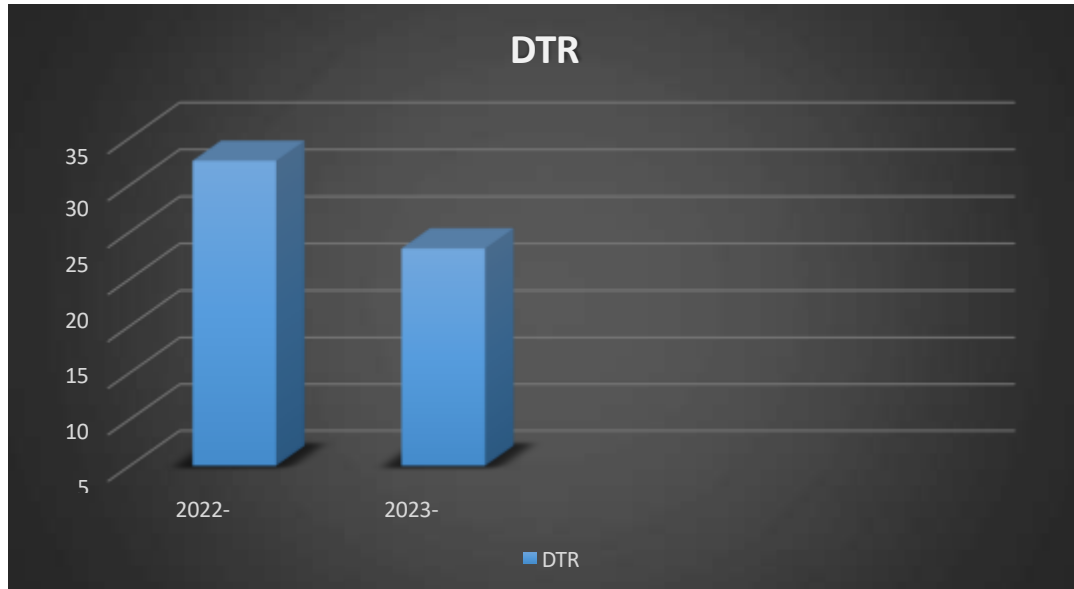
Interpretation: This ratio displays efficiency of the firm in selling its products. ACC PVT. Ltd. Inventory turnover ratio was 4.87 in 2022-23 and now in 2023-24, its 4.94, which is good sign and has directly contributed to the profitability of the firm, which is reflected in improved profit margins.

➤ **Debtors' Turnover ratio**

This is a sale to account debtor's proportion. If sales are considered the development variable of an organization obtainable is the initial restraints to such variable. For this reason, high borrower's turn over proportion. shows much less portion of debtors.

Debtors' turnover ratio = sales/debtors

Year	sales	debtors	Ratio
2022-23	17419.20	841.23	32.57
2023-24	20337.7	874.74	23.25



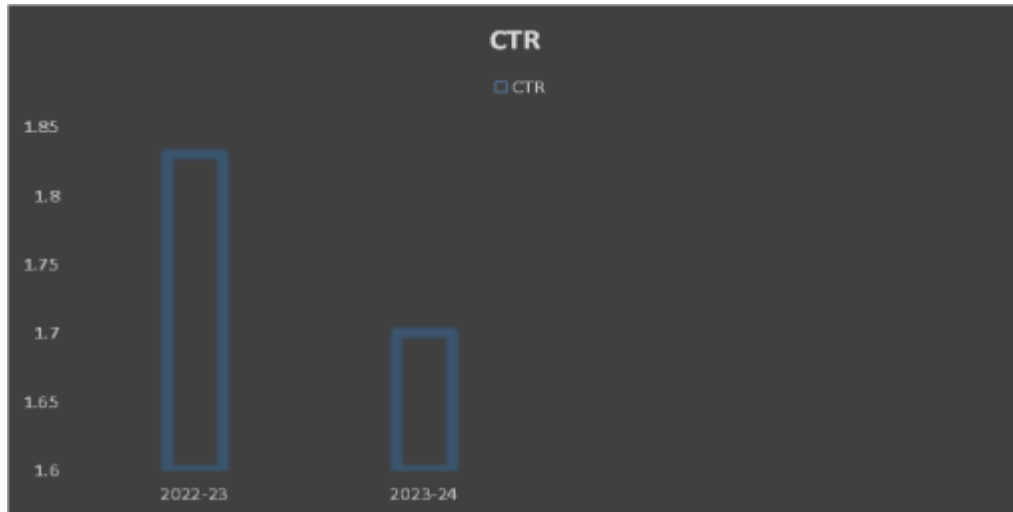
Interpretation: Every company sells goods on credit. The credit period may differ from debtor to debtor. This ratio indicates how many days credit is given to debtors. Higher ratio indicates efficiency in collection from debtors. ACC PVT LTD Debtors turnover ratio shows increasing trends which indicate that the company has been able to collect its debtors faster.

➤ Creditors Turnover Ratio

The dimension of the financial institution turns over duration reveals the ordinary time required to spend for. products and solutions acquisition by the business. The longer the duration accomplished. The far better since a hold-up in settlement implies that vendor, which, if they are running in. a vendor's market, might damage the firm, is funding the procedure of the business. If, as well longer duration is required to pay financial institutions; the credit report of the business might endure. Thereby making it more challenging to acquire vendors in future.

Creditors Turnover Ratio = Credit Purchases / Creditors

Year	Credit purchase	creditors	ratio
2022-23	567.67	308.99	1.83
2023-24	600.58	352.63	1.70



Interpretation: This ratio shows the speed with which payments are made to the suppliers for purchases made to them. ACC PVT LTD creditors' turnover ratio is decreased from 1.83 to 1.70 in 2023-24. It means that the trade creditors are being paid promptly.

➤ Operating Revenue Margin Ratio

This proportion reveals what is earnings margin. It is determined to separate EBIT by Sales. EBIT Mean Make prior to Rate of interest plus Tax Obligation.

Operating Revenue Margin ratio = $\frac{\text{EBIT}}{\text{SALES}}$

Year	EBIT	SALES	RATIO
2022-23	145101	17419.20	8.66
2023-24	305867	19952.23	15.33



Interpretation: This ratio shows what the ratio of EBIT on sales is. In ACC PVT Ltd., operating profit margin ratios are 08.66, and 15.33 for the year 2022-23 to 2023-24, respectively. As current assets increase, working capital requirement also increases. Moreover sales increases, the operating profit margin ratio also increases. Also, current assets of the company were sourced from short term funds, so risk increased and as a result profit margin also increased.

FINDING OF THE STUDY

The working capital requirement of the company is showing increasing trend.

Based on industry standard, ACC PVT LTD's current ratio is below 2. It indicates current Liabilities have increase more than the increase in current assets.

ACC pvt ltd is maintaining quick ratio greater than 1. Hence, the short – term liquidity position of company is strong. It indicates good repayment capacity of current liabilities. Company is Investing more amounts in Liquid assets, thus improving its short – term liquidity position.

The working capital result for ACC, throughout the year 2022-23 has boost ready yet throughout the year 2023-24 it reduced.

Right here we can locate that the capital has been boosting for many years yet at a reducing price. Yet earnings have been raising at dual that of capital though in 2022-23 earnings decreased.

Throughout the year 2022-2023 functioning funding turn over proportion the quantity has lowered & in 2023-24 has boosted.

Conclusion

Thus, to conclude through the project study management of working capital is an essential task of economic management. The management must be such that company should not have excessive funds, which may be lying idle, nor should it have fewer funds, which may result in bottleneck during production. Thus, it is the duty of finance department to estimate proper working capital requirements in the organization utilize the funds in the most effective optimum way.

Hence it can be specified that monitoring of functioning resources can make it possible for the company to gain the advantages as well as when they come as well as therefore likewise allow the company to combine its placement out there. A great working resources administration would certainly boost the company's sales, revenue, as well as liquidity placement together with mind share of the customers.

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