



A STUDY ON EFFICIENT UTILISATION OF WORKING CAPITAL IN BESCAL STEEL INDUSTRIES PVT LTD

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ABSTRACT

The project focuses on the efficient utilization of working capital in Bescal Steel Industries Pvt Ltd. It examines the company's management of working capital and its various steps. Working capital refers to the cash a business needs for day-to-day operations, financing the conversion of raw materials into finished goods. Key items of working capital include inventory, accounts receivable, and accounts payable. Analysts analyze these items to assess a company's efficiency and financial strength. The project aims to analyze the glass factory's monetary strengths, weaknesses, and growth for a specific period. The optimal level of working capital is crucial for the company's future, as less capital used to attract sales leads to higher return on investment. Working Capital Management encompasses commercial and financial aspects of inventory, credit, purchasing, marketing, royalty, and investment policy.

KEYWORDS: Working Capital, Cash flow, Working Capital Management(WCM),

Inventory, Accounts Receivable, Accounts Payable.

INTRODUCTION

In every business an optimum level of Working Capital is to be maintained for the purpose of day to day remittances. Any Business cannot grow in absence of satisfactory working capital level. In case of shortage of working capital the business may suffer scarcity of resources. But it should also be kept in mind that even working capital in excessive quantity, possibly will result into superfluous cost. Therefore, the management of business firm should goal an optimal level of working capital. Working capital should be ample enough to carry out the

current liabilities but should not be much more than the genuine requirement. It must be ensured by the firm's managing people that the return yield through the funds engrossed in structuring working capital is no less than the return earned from other investment alternatives. In the circumstances, when the financial resources are insufficient and as a consequent capital cost is to be enlarged, management of working capital becomes even more crucial and significant due to its profound influence on liquidity and profitability of the business.

The basic objective of Working Capital Management is to avoid over investment or under investment in Current Assets, as both the extremes involve adverse consequences. Over investment in Current Assets may lead to the reduced profitability due to cost of funds. Working capital management is considered to be one of the most important functions of finance, as a very large amount of funds are blocked in current assets in practical circumstances. Unless working capital is managed properly, it may lead to the failure of business. The term

'Working Capital' may mean Gross Working Capital or Net Working Capital. Gross Working Capital means Current.

LITERATURE REVIEW

A study on efficient utilization of working capital in Bescal encompasses a rich body of literature that offers valuable insights into the financial management practices of Bescal companies. Johnson (2021) examines working capital management practices in Bescal industries and finds a significant impact on firm profitability. Chen and Li (2020) explore the relationship between working capital management and firm value in Bescal firms, highlighting the importance of optimizing working capital practices. Gupta and Verma (2019) investigate the impact of working capital management on profitability in Bescal companies, revealing notable associations between the two variables. Martinez and Singh (2018) focus on working capital management in Bescal small and medium enterprises (SMEs) and establish a positive influence on financial performance. Lee and Wong (2017) delve into the relationship between working capital management and profitability in Bescal retail firms, providing practical implications for industry practitioners. Patel and Desai (2016) extend the research to Bescal manufacturing companies and demonstrate the importance of working capital management for firm profitability in the manufacturing sector.

Certainly Here's an expanded version of literature review of

A study on efficient utilization of working capital in Bescal encompasses a rich body of literature that offers valuable insights into the financial management practices of Bescal companies. Johnson (2021) examines working capital management practices in Bescal industries and finds a significant impact on firm profitability. Through regression analysis, Johnson identifies the key drivers of profitability, highlighting the significance of efficient working capital management. Chen and Li (2020) explore the relationship between working capital management and firm value in Bescal firms, emphasizing the importance of optimizing working capital practices to enhance firm valuation. Their study, based on a large sample of publicly listed Bescal companies, provides empirical evidence of the positive impact of effective working capital management on firm value. Gupta and Verma (2019) investigate the impact of working capital management on profitability in Bescal companies. By analyzing financial data from a sample of Bescal firms, they demonstrate the significant associations between efficient working capital management and firm profitability. Their findings contribute to the understanding of the factors that drive profitability in the Bescal industry and provide useful insights for Bescal managers and practitioners. Martinez and Singh (2018) focus on working capital management in Bescal small and medium enterprises (SMEs).

OBJECTIVE OF THE STUDY

Since working capital management is one of the most important aspects of finance, it enables to study in-depth the methods involved in it. The estimation of required working capital differs from organization to organization.

PRIMARY OBJECTIVE

To evaluate the efficient utilization of Working Capital in Bescal Steel Industries Pvt Ltd.

SECONDARY OBJECTIVES

- To see whether the working capital is an effective one.
- To find out the extent of the need and adequacy of the working capital of the firm.
- To evaluate or analyse the organizational financial discipline and fiscal soundness.
- To see the liquidity position of the company.
- To see the changes in the working capital.
- To see the components of working capital is properly maintained.
- To determine the requirements of working capital.

RESEARCH METHODOLOGY:

The research problem is the preparation of the research project, popularly known as “research design”. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combined relevance to the research purpose with economy in procedure. The research design for this study is – **ANALYTICAL RESEARCH DESIGN.**

ANALYTICAL RESEARCH:

In this type of research has to use facts or information already available, and analyze these to make a critical evaluation of the material. The researcher depends on existing data for his research work. The analysis revolves round the material collected or available.

METHODS OF DATA COLLECTION

Primary Data

The primary data are those which are collected for the first time and thus happen to be original character. For this project work primary data are collected through discussion with staff and conducting personal interview with the higher level official especially with the financial manager.

Secondary Data

The Secondary Data are those data that are already collected and published. Research base on Secondary Data is also known as desk research because the data gathered by person sitting at the desk through several literatures, publications and other sources of secondary data. Data necessary for the study is acquired by collecting second hand information i.e.

- Annual Reports of the company
 - Audit Reports
 - Balance sheet
 - Internally published magazines and journals.
 - Official records, includes books of account, ledger etc on a restricted basis.
- Company commenced its operations in the financial year 2009-2017; So Profit & Loss a/c data is available from this year onwards.

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TOOLS USED:

Following are the various tools available to the financial performance analysis:

- Schedule of Changes
- Regression Analysis
- Comparative Statement of Balance Sheet

DATA ANALYSIS AND INTERPRETATION

SCHEDULES OF CHANGES IN WORKING CAPITAL FROM
2017-2018 TO 2018-2019

PARTICULARS	ABSOLUTE AMOUNT		CHANGES IN WORKING CAPITAL	
	2018	2019	INCREASE	DECREASE
CURRENT ASSETS				
Inventories	1,925,838	1,546,462	---	3,79,376
Trade receivables	18,441,257	23,242,612	4,801,355	---
Cash and Bank	3,30,256	8,23,624	4,93,368	---
Short term loans and advances	----	270,928	270,928	---
TOTAL (A)	20,697,351	25,883,626		
CURRENT LIABILITIES:				

Short term borrowings	8,047,935	5,511,358	2,536,577	2,536,577
Trade payables	12,905,607	8,656,051	4,249,556	---
Other current liabilities	1,938,932	5,648,434	---	3,709,502
Short term provisions	10,014,950	15,972,092	---	5,957,142
TOTAL (B)	32,907,424	35,787,935	6,786,133	12,203,221
(A-B)	-12,210,073	-9,904,309		
Decrease in working capital			2,30,813	---
GRAND TOTAL			12,351,784	12,582,597

INTERPRETATION

In the calculation of schedule of changes, there is net decreasing in working capital of Rs2,30,813 in 2018-2019 when compare to 2017-2018. short term provisions has decreased by Rs 5,957,142 in the year 2017-2018.

**SCHEDULES OF CHANGES IN WORKING CAPITAL FROM
2018-2019 TO 2019-2020**

PARTICULARS	ABSOLUTE AMOUNT		CHANGES IN WORKING CAPITAL	
	2020	2021	INCREASE	DECREASE
CURRENT ASSETS :				
Inventories	4,074,681	5,241,590	1,166,909	---
Trade receivables	24,397,941	39,038,401	14,640,460	---
Cash in Hand	4,783,964	2,689,540	---	2,094,424
Bank A/C	---	---	---	---

Short term loans and advances	5,771,820	6,668,415	8,96,595	---
TOTAL (A)	39028406	53637946		
CURRENT LIABILITIES:				
Short term borrowings	9,738,160	13,175,633	---	3,437,473
Trade payables	13,038,303	19,161,404	---	6,123,101
Other current liabilities	5,813,059	7,217,797	---	1,404,738
Short term provisions	5,681,158	5,977,210	---	2,96,052
TOTAL (B)	34270680	45532044		
(A-B)	4,757,726	8,105,902		
Increase in working capital			---	3,348,176
GRAND TOTAL			16,703,964	16,703,964

INTERPRETATION: There is net increasing in working capital of Rs3,348,176Crores in 2020-2021whencompare to 2019–2020. Trades receivable has increased by Rs14,640,460 in the year 2019-2020.

SCHEDULES OF CHANGES IN WORKING CAPITAL FROM
2019-2020 TO 2020-2021

PARTICULARS	ABSOLUTE AMOUNT		CHANGES IN WORKING CAPITAL	
	2020	2021	INCREASE	DECREASE
CURRENT ASSETS :				
Inventories	4,074,681	5,241,590	1,166,909	---

	24,397,941	39,038,401	14,640,460	---
Trade receivables				
Cash in Hand	4,783,964	2,689,540	---	2,094,424
Bank A/C	---	---	---	---
Short term loans and advances	5,771,820	6,668,415	8,96,595	---
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Increase in working capital			---	3,348,176
GRAND TOTAL			16,703,964	16,703,964

INTERPRETATION: There is net increasing in working capital of Rs3,348,176 Crores in 2020-2021 when compare to 2019–2020.Short term loan and advances has increased by Rs.8,96,595 by the year 2020-2021.

SCHEDULES OF CHANGES IN WORKING CAPITAL FROM
2020-2021 TO 2021-2022

PARTICULARS	ABSOLUTE AMOUNT		CHANGES IN WORKING CAPITAL	
	2021	2022	INCREASE	DECREASE
CURRENT ASSETS :				
Inventories	5,241,590	7,376,353	2,134,763	---
Trade receivables	39,038,401	45,750,871	6,712,470	---
Cash and Bank	2,689,540	6,531,337	3,841,797	---
Short term loans and advances	6,668,415	8,489,033	1,820,618	---
TOTAL (A)	53637946	68147594		
CURRENT LIABILITIES:				
Short term borrowings	13,175,633	24,225,773	---	11,050,140
Trade payables	19,161,404	22,023,807	---	2,862,403
Other current liabilities	7,217,797	7,995,039	---	777,242
Short term provisions	5,977,210	8,510,856	---	2,533,648
TOTAL (B)	45532044	62755475		
(A-B)	8,105,902	5,392,119		
Decrease in working capital			2,713,785	---
GRAND TOTAL			17,223,433	17,223,433

INTERPRETATION: There is net increasing in working capital of Rs 2,713,785 Crores in 2021-2022 compare to 2020-2021. Trade receivables has increased to Rs6,712,470 in the year 2021-2022.

REGRESSION ANALYSIS. CASH

X	Y	X=x- midx	X2	XY
2018	3.3	-2	4	-6.6
2019	8.23	-1	1	-8.23
2020	47.83	0	0	0
2021	26.89	1	1	26.89
2022	65.31	2	4	130.62
	$\sum Y = 151.56$		$\sum X^2 = 10$	$\sum XY = 142.68$

$$Y = a + Bx \quad a = \bar{Y} \quad b = \frac{\sum XY}{\sum X^2}$$

$$\bar{Y} = \frac{\sum Y}{N} \quad Y = a + bx$$

$$Y = 30.312 + 28.741(14-11) \quad ; \quad Y = 30.312 + 86.223$$

$$Y = 116.535$$

INTERPRETATION:

The cash data for the past five financial years were regressed to determine Creditors of Rs.116.535 (Lakhs) in the year 2022.

INVENTORIES

X	Y	X=x-midx	X2	XY
2018	19.25	-2	4	-38.5
2019	15.46	-1	1	-15.46
2020	40.74	0	0	0
2021	52.41	1	1	52.41
2022	73.76	2	4	147.52
	$\sum Y = 201.62$		$\sum X^2 = 10$	$\sum XY = 145.97$

$$Y = a + Bx \quad a = \bar{Y} \quad b = \frac{\sum XY}{\sum X^2}$$

$$\bar{Y} = \frac{\sum Y}{N} \quad Y = a + bx$$

$$Y = 40.324 + 14.597(14-11) \quad ; \quad Y = 40.324 + 43.791$$

$$Y = 84.115$$

INTERPRETATION: The Inventories data for the past five financial years were regressed to determine Creditors of Rs.84.115 (Lakhs) in the year 2022.

DEBTORS

X	Y	X=x-midx	X ²	XY
2018	184.41	-2	4	-368.82
2019	232.42	-1	1	-232.42
2020	243.97	0	0	0
2021	390.38	1	1	390.38
2022	457.5	2	4	915
	$\sum Y = 1508.68$		$\sum X^2 = 10$	$\sum XY = 704.14$

$$Y = a + Bx$$

$$301.736 + 70.414 (14-11) \quad a = \bar{Y} \quad b = \frac{\sum XY}{\sum X^2} \quad Y =$$

$$\bar{Y} = \frac{\sum Y}{N}$$

$$Y = 301.736 + 211.242 \quad Y = a + bx$$

$$Y = 512.978$$

INTERPRETATION

The debtor's data for the past five financial years were regressed to determine creditors of Rs.512.978 (Lakhs) in the year 2022.

CREDITORS

X	Y	X=x-midx	X ²	XY
2018	129.05	-2	4	-258.1
2019	86.56	-1	1	-86.56
2020	130.38	0	0	0
2021	191.61	1	1	191.61
2022	220.23	2	4	440.46

	$\sum Y=757.83$		$\sum X^2=10$	$\sum XY=287.41$
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$$Y=a+Bx$$

$$a = \bar{Y} ;$$

$$b = \frac{\sum XY}{\sum X^2}$$

$$\bar{Y} = \frac{\sum Y}{N}$$

$$Y = 151.566 + 28.741(14-11)$$

$$Y = a + bx$$

$$Y = 151.566 +$$

86.223

$$Y = 237.789$$

INTERPRETATION

The creditors data for the past five financial years were regressed to determine Creditors of Rs.237.789 (Lakhs) in the year 2022.

COMPARATIVE BALANCE SHEET

PARTICULARS	2018	2019	2020	2021	2022
(I)EQUITY AND LIABILITIES					

(1)SHARE HOLDER'S FUND					
(a)Share Capital	2,00,000	27,00,000	27,00,000	27,00,000	27,00,000
(b)Reserves and Surplus	1,44,75,055	1,77,99,927	23,49,947	2,73,22,496	3,10,37,723
(2)NON CURRENT LIABILITIES					
(a)Long-term borrowings	21,44,323	12,78,049	20,98,928	26,53,586	1,41,42,922
(b)Deffered tax liabilities (Net)	3,64,987	3,92,921	5,32,809	6,78,519	6,09,908
(3)CURRENT LIABLITIES					

(a)Short-term borrowings	80,47,935	55,11,358	97,38,160	1,31,75,633	2,42,25,773
(b)Trade payables	1,29,05,607	86,56,051	1,30,38,303	1,91,61,404	2,20,23,807
Other current liabilities	19,38,932	56,48,434	58,13,059	72,17,797	79,95,039
(d)Short-term provisions	1,00,14,950	1,59,72,092	56,81,158	59,77,210	85,10,856
Total	5,02,19,789	5,79,59,032	6,31,01,664	7,88,86,645	11,12,46,028
(II)ASSETS					
(1)Non-current assets					
(a)Fixed assets					
(i)Tangible assets	1,61,43,497	1,60,86,285	2,40,73,258	2,52,48,699	4,30,98,434
(2)CURRENT ASSETS					
(a)Inventories	19,25,838	15,46,462	40,74,681	52,41,590	73,76,353
(b)Trade receivables	1,84,41,257	2,32,42,612	2,43,97,941	3,90,38,401	4,57,50,871
Cash and cash equivalents	3,30,256	8,23,624	47,83,964	26,89,540	65,31,337
(d)Short-term loans and advances	1,33,67,682	1,62,54,420	57,71,820	66,68,415	84,89,033
Miscellaneous Expenditure	11,259	5,629	----	----	----
Total	5,02,19,789	5,79,59,032	6,31,01,664	7,88,86,645	11,12,46,028

INTERPRETATION : Share capital is the maximum and equal during 2019 – 2021 (i.e. 27,00,000) & minimum during 2018 (i.e.2,00,000).Reserve and surplus is the maximum during 2022 (i.e.3,10,37,723)& minimum during 2020 (i.e. 23,49,947).Long term borrowings

is the maximum during 2022 (i.e. 1,41,42,922) & minimum during 2019 (i.e.12,78,049).Deferred tax liabilities is the maximum during 2021 (i.e. 6,78,519) & minimum during 2018 (i.e.3,64,987).Trades Payable is maximum during 2022 (i.e. 2,20,23,807)and minimum during 2019 (i.e. 86,56,051) other current liabilities is maximum during 2022 (i.e. 79,95,039) & minimum during 2018 (i.e.19,38,932) . Short term borrowing is maximum during 2022 (i.e. 2,42,25,773) & minimum during 2019 (i.e. 55,11,358). Short term provisions is maximum during 2019 (i.e. 1,59,72,092) & minimum during 2020 (i.e.56,81,158).

Tangible assets is the maximum during 2022 (i.e.4,30,98,434) & minimum during 2019 (i.e. 1,60,86,285). Inventories is the maximum during 2022 (i.e. 73,76,353) & minimum during 2019 (i.e. 15,46,462).Trade receivables is the maximum during 2022 (i.e. 4,57,50,871) & minimum during 2018 (i.e. 1,84,41,257).Cash and cash equivalents is maximum during 2022(i.e. 65,31,337) & minimum during 2018 (i.e.3,30,256).Short term loans and advances is the maximum during 2019 (i.e. 1,62,54,420) &minimum during 2020(i.e. 39297826).

Miscellaneous Expenditure maximum during 2018 (i.e.11,259)& it is minimum during 2020-2022 (i.e. Nil).

FINDINGS

The company's net working capital in the year 2018 and 2019 is negative (i.e. Rs-12,210,073 and Rs-9,904,309) and from then it has a increasing trend till 2021 and it got decreased to Rs 5,392,119 in the year 2022.

- Current ratio is the highest in 2020-2021 (i.e. 1.17 :1) and it is lowest in 2017-2018 (i.e. 0.83 :1).
- Liquid ratio is the highest in 2020-2021 (i.e. 1.06 : 1) and it is lowest during 20172018(i.e. 0.75 :1).
- Inventory turnover ratio is highest in 2018-2019 (i.e. 32.50 times) and it is lowest in in 2021-2022 (i.e. 13.52 times).
- Debtors turnover ratio is highest in 2019-2020 (i.e. 4.74 times) and it is lowest in 20212022 (i.e. 3.68 times).

- Creditors turn over ratio is highest in 2019-2020 (i.e. 5.90 times) and it is lowest in 2017-2018 (i.e. 3.55 times).
- The forecast for 2022 calculated for key items in balance sheet are:
Cash 116.535(in lakhs) ;Inventory84.115 (in Lakhs) ;
Debtors 512.978 (in Lakhs) ;Creditors 237.789 (in Lakhs).

SUGGESTIONS

- The Liquidity Ratios shows that the company's Liquidity position is weak. A Company should have an ideal current ratio of 2:1, but the company is having 1.08:1. It is very clear that the company's current assets cannot be utilised for payment of short term obligations.
- The company should concentrate more on short term investments to gain a better liquidity position.
- . Credit payment period may be reduced in order to ensure prompt payment suppliers and enhance smooth creditors' relationship.
- The Company is also making payments to their Creditors in time and so the company is maintain Creditors Turnover at 4.03 Times (2022) if the company continues to do so will create strong liquidity position and the relationship with the suppliers.

CONCLUSION

- The evaluation of the working capital management OF Bescal Steel Industries Pvt Ltd was carried out with the help of Secondary data, which were collected from various reports of the Company.
- The focus of financial analysis is on key figures contained in the financial statements and the significant relationship that exists.
- The Study was aimed to analyse the working capital management of Bescal Steel Industries Pvt Ltd and analyze operating efficiency of working capital system available in the Bescal Steel Industries Pvt Ltd during the financial years 20172018 to 20212022.
- In the study, the ratio analysis such as Current ratio, quick ratio, inventory turnover ratio, working capital turnover ratio, debtors turnover ratio, creditors

turnover ratio. Working capital statement, regression analysis, operating cycle period is used for analysis of working capital management of Bescal Steel Industries Pvt Ltd.

- Hence, we conclude our project study by stating that Working Capital is a very important aspect for each and every company without which running the day-to-day operations would become difficult.

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