Preface

Working & fixed capital are necessary financial requirement to run any industrial or service enterprise through their relative share and importance varies according to the nature of the industry. In heavy capital intensive industries like cement fixed capital requirement is much more than working or floating funds. But over the years with inflation in the prices of inputs, the share of working capital in total assets has gone up and gradually problem of resources is becoming more serious than ever before.

In order to properly understand the working capital needs of cement industry and its management, this study has selected certain companies whose main activity is “manufacture of cement”.

The major components of working capital are cash and bank balances, sundry creditors or receivables, inventory & miscellaneous current assets (which in many cases had been found of larger significance than others).

The study reveals that there are wide year to year fluctuations in all components of working capital. These variations have not dependent merely upon economic factors but have been greatly influenced by indifferent management of current assets. It appears from the study that most of the matters have been left to chance. Modern techniques of management which call for detailed evaluation of cost benefit analysis is not often employed in decision-making for various components of working capital.

The management of cash requires reduction and lowering cash current ratio to 2 to 4 per cent and proper utilization of surplus cash to earn interest by investing them in short-term profitable securities. There is also great scope to economise in cash balances by more accurate forecast of inflows and outflows and timely receipt of funds due from sundry debtors.

In the matter of receivables companies have depended generally on the judgement of marketing department and proper credit assessment is not done by finance department, nor are limits fixed on scientific basis. There are increasing over-dues and
bad debts due to faulty system of collection besides defects in existing system of assessment of financial position of customers.

Inventory is not properly managed in India in general and cement industry management is no exception. The economics of scale in inventory management have not been achieved with enlargement of capacities. In certain areas there is cluster of factories, which provides opportunity for reduction in inventory through joint efforts. A number of factories belong to a limited number of business groups but no effort has been to take its advantage to reduce inventories.

The two major limitations of the study have been multifarious activities of many big cement units belonging to large companies. Therefore, they had to be left out irrespective of their share in cement production because separate financial data are not available for cement operations. Secondly, the study had to be restricted to the data published in annual accounts, as no one was willing to provide any further information. But in spite of these limitations the research has come out with important results and suggestions.

The study has been divided into Eight chapters. The first chapter “Introduction” is industrial development of Madhya Pradesh. Industrial policy of Madhya Pradesh in respect to development of private & public sector historical and present scenario of Ultratech.

The second chapter is on ‘Research Introduction’ and purpose of the study including the problem identification and objectives of the research, review of the literature preparation of research design, collection, classification, tabulation, methods, analysis interpretation, limitation of the study

The third chapter is on “Capital Structure” highlights an introduction of capital structure, types of capital and its importance, source of capital, estimate of capital efficiency.

The fourth chapter “Related to working capital management” incorporate working capital introduction, factors, effective working capital, and source of working
capital analytical working capital of Ultratech cement.

The fifth chapter “Working capital management & ratio management” evaluated importance of ratio analysis, working capital analysis, profitability analysis, condition analysis, capacity research analytical and evaluation of working capital management.

The sixth chapter “Inventory Management Cash and Fund Flow analysis” assesses the importance cash and fund flow methods and evaluation of fund and cash flow analysis.

The Seventh chapter “Earning Based” assesses the introduction and management of earning and profit method.

The last chapter of the study has conclusions drawn including problem suggestion and utility of present study.

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