Table of Contents
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Acknowledgements</th>
<th>i</th>
</tr>
</thead>
<tbody>
<tr>
<td>List of Tables</td>
<td>viii</td>
</tr>
<tr>
<td>List of Exhibits</td>
<td>x</td>
</tr>
</tbody>
</table>

### CHAPTER

**An Anatomy of Working Capital Management in Large Steel Companies in India**

#### I INTRODUCTION

1.1 Introduction

1.2 Working Capital Management in Steel Companies

1.3 Statement of the Problem

1.4 Objectives

1.5 Methodology

1.6 Period of Study

1.7 Sample

1.8 Framework of Analysis

1.9 Significance of the Study

1.10 Limitations of the Study

1.11 Chapter Scheme

#### II REVIEW OF LITERATURE

2.1 Introduction

2.2 Studies in foreign countries

2.3 Studies in Indian countries

2.4 Conclusion
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>III</td>
<td>3.1</td>
<td>Introduction</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>3.2</td>
<td>Sample</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>3.2.1</td>
<td>Sampling Procedure</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>3.3</td>
<td>Data and Sources of Data</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>3.3.1</td>
<td>Adjustment in the Data</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>3.4</td>
<td>Framework of Analysis</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>3.4.1</td>
<td>Tools Used - Chapter IV</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>3.4.2</td>
<td>Tools Employed - Chapter V</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>3.4.3</td>
<td>Tools Used - Chapter VI</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>3.4.4</td>
<td>Tools Used - Chapter VII</td>
<td>64</td>
</tr>
<tr>
<td></td>
<td>3.5</td>
<td>Definition of Terms</td>
<td>66</td>
</tr>
<tr>
<td>IV</td>
<td>4.a</td>
<td>Size of Working Capital</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>4.a.1</td>
<td>Introduction</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>4.a.2</td>
<td>Investment in Current Assets (Gross Working Capital)</td>
<td>69</td>
</tr>
<tr>
<td></td>
<td>4.a.3</td>
<td>Current Liabilities</td>
<td>73</td>
</tr>
<tr>
<td></td>
<td>4.a.4</td>
<td>Current Assets to Total Assets</td>
<td>77</td>
</tr>
<tr>
<td></td>
<td>4.a.5</td>
<td>Current Assets to Gross Fixed Assets</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td>4.a.6</td>
<td>Current Assets to Sales</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td>4.a.7</td>
<td>Net Working Capital</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>4.a.8</td>
<td>Growth of Working Capital</td>
<td>94</td>
</tr>
<tr>
<td></td>
<td>4.a.9</td>
<td>Relationship between GWC and Sales</td>
<td>96</td>
</tr>
<tr>
<td></td>
<td>4.b</td>
<td>Composition of Working Capital</td>
<td>98</td>
</tr>
</tbody>
</table>
4.b.1 Introduction
4.b.2 Composition of Working Capital
4.b.3 Inventory
4.b.4 Sundry Debtors
4.b.5 Cash and Bank Balances
4.b.6 Loans and Advances

V Aggressive or Conservative Working Capital Policies

5.1 Introduction
5.2 Aggressiveness of Current Assets Investment and Financing Policies
5.3 Method of Policies
5.4 Stability between Policies
5.5 Relationship between Current Asset Investment and Financing Policies
5.6 Changes in Policies
5.7 Summary

VI Efficiency of Working Capital Performance

6.1 Introduction
6.2 Efficiency Analysis through Ratios
6.2.1 Current Ratio
6.2.2 Quick Ratio
6.2.3 Inventory Turnover Ratio
6.2.4 Debtors Turnover Ratio
6.2.5 Cash Turnover Ratio
6.2.6 Creditors Turnover Ratio
6.2.7 Cash conversion Cycle
6.3 Liquidity Ranking Motaal’s Comprehensive Test 173
  6.3.1 Method of Ranking 174
  6.3.2 Testing Relative Liquidity of Companies 176
6.4 Assessing Working Capital efficiency: Bhattacharya Model
  6.4.1 Performance Index 177
  6.4.2 Utilization Index 181
  6.4.3 Efficiency Index 183
6.5 Summary 185

VII Interrelationship between Working Capital and Profitability
  7.1 Introduction 189
  7.2 Choice of Variables 191
  7.3 Working Capital and Return on Asset - All Companies 195
    7.3.1 Variables Associated with Return on Asset 195
    7.3.2 Determinants of Return on Asset 198
    7.3.3 Variables Prominently Associated with Return on Asset 202
  7.4 Summary 202

VIII Summary of Findings
  8.1 Introduction 207
  8.2 Methodology 207
  8.3 Findings 208
    8.3.1 Size of Working Capital 208
    8.3.2 Composition of Working Capital 210
    8.3.3 Component Analysis 211
  8.4 Aggressive or Conservative Working Capital Policies 212
  8.5 Efficiency of Working Capital Management 213
    8.5.1 Ratio Analysis 213
8.5.2 Motaal’s Ultimate Test of Comparative Liquidity 216
8.5.3 Bhattacharya’s Model for Assessing Efficiency of Working Capital 216

8.6 Interrelationship between Working Capital and Profitability 217
8.6.1 Impact of Working Capital and Profitability 217

8.7 Suggestions 219
8.7.1 Gross Working Capital 219
8.7.2 Current Assets to Total Assets 219
8.7.3 Current Assets to Gross Fixed Assets 219
8.7.4 Current Assets to Sales 219
8.7.5 Net Working Capital 220
8.7.6 Composition of Working Capital 220
8.7.7 Working Capital Policy 221
8.7.8 Utilization of Working Capital 221
8.7.9 Impact of working capital on profitability 222

8.8 Scope for Further Research 222

Bibliography 224