

PROJECT PROPOSAL

A STUDY OF WORKING CAPITAL MANAGEMENT OF CEMENT INDUSTRY: A CASE OF ACC LIMITED (ACC)



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INTRODUCTION

Working capital management, which is concerned with short term financial decision, appears to have been relatively neglected in the literature of finance. Leslie R Howard, rightly points out that a deeper understanding of the importance of working capital and its satisfactory provisions can lead to not only a material saving in the economical use of capital, but also assist in furthering the ultimately aim of business, namely that of maximizing financial return on the minimum amount to be employed.

Working Capital Management always affects marketing, production, personal and other areas of management. No areas of business unit are so ultimately reported to its other areas as the area of Working Capital Management. For the success of every business and concern not only fair capitalization is required, but the management of capital especially working capital is very much important concern and its profitable operations.

Every functions of the business unit or everything that happens in the business is related to the functional area of business as well as reported to other disciplines. It draws helpful concepts and techniques particularly from discipline, like economics and accounting.

RATIONALE OF THE STUDY

Capital is the nucleus around which the entire corporate sector relates and receives nourishment. In the area of economics capital is often calculated as a capital goods consisting of machines, plants, buildings, raw materials, goods in process etc. According to the one of the Economist, Irving Fishier, “Capital is concerned as a sketch of wealth at an instant of time”.

Working Capital Management is concern with the problems that arise in attempting to manage the current assets- currents liabilities and the integration ship that exist between them. The concept of working capital was first endowed by Karl Marx in a different form and using the term variable capital. In his views, the variable capital means the outlays for payroll is advanced to worker to spend now before the goods they work on are complete. The variable capital is nothing but usage fund which remains blocked in work-in-progress along with other operating expenses until it is realized though the sale of finished goods. The concept of working capital has changed a lot, with the evolution of business.

From the above indicated theoretical foundation of working capital, it presents that if the finance manager does not properly estimate the working capital, the enterprise will have to face severe problems in connection with the production as well as meeting daily requirements.

The main rationale behind the study is to reflect our attention on the position of working capital in ACC Limited and discuss various aspects of working capital management in the company.

REVIEW OF LITERATURE

Very much literature on Cement Industry in relevance to its long history and economic importance is available. Plenty of analytical literature is before us on problems associated with productivity, size and technology, capacity utilization, financial performance and plant location. Relevant material and literature have been disclosed below:

Poddar write two most important books in 1962 and 1966 in which he elaborated all the facts regarding various aspects of the industry. Institutions such as C.M.A., Association of Trade and Industry, Commerce research Bureau, Economic Times, Tariff Commission, National Productivity Council etc. have made efforts to study the general problems in historical perspective.

Indian Association of trade and Industry having made a study on the basis of annual reports of the leading 19 companies which accounts for 90% of the total production in India and published. It covered analysis of the financial trend and productivity on the basis of the study of the consolidate balance sheet and profit and loss account of these companies. It also compared various features of productivity and profitability with other important cement producing countries like U.K., U.S.A., Belgium and Japan.

Various other aspects of the cement industries like origin and growth of the industry, under utilization of the capacity and its causes, efficiency of labour capital and raw material have been included in the study on productivity trends of the industries from 1954 to 1976 by V.K.Goel and N.K.Nair. Its shows total productivity indices. They also considered financial performance, pricing and future direction in which the industry may grow.

Chakravarty and Reddy make study on ratio analysis as major tool for financial performance by studying 22 ratios of productivity, profitability, proprietary, liquidity and turn over groups of the industries for the period from 1961 to 1971.

Dr. D.K.Ghosh covered 18 private sector companies having a paid up capital of Rs.50 lacs or more for the period from 1972 to 1996. In his study he analysed the balance sheet assets and liabilities and condensed common size income and expenditure statement. In 1979 Kaura and Subramaniam used conventional ratio analysis and merit rating approach for the study of financial performance of 10 units for the period from 1972 to 1979.

He observed liquidity, profitability, financial structure and over all performance which revealed that the financial strength of the units had declined over the years.

On the other hand Rao and Chandar have made an attempt to assess the financial efficiency of 70% of the cement companies of the industry for the period from 1971 to 1978.

They found that national economy and environmental problems such as inflation, drastic power cuts and shortage of resources like coal, oil and Wagon have caused for decreased in profitability of the cement companies. However the profitability was increase in 1975-76 because of appreciable increase in the sales.

Dr. Kumar Bar Das published a comprehensive book in 1987, which covered period from 1970 to 1980. He included various aspect like factor productivity, location degree of competition, capacity utilization, size efficiency, financial performance, distribution pattern and Governmental policies with respect to pricing and distribution. He indicated

that all profitability ratios decreased gradually and became negative for 1973-74 and 1974-75 but improved gradually thereafter.

ABOUT ACC LIMITED

ACC Limited (ACC) is a leading player in the Indian building materials space, with a pan-India manufacturing and marketing presence. With 18 cement manufacturing units, 82+ ready mix concrete plants, highly skilled workforce, a vast distribution network of channel partners and a countrywide spread of sales offices, it contributes tremendously to the landscape of the country.

For over 80 years, ACC has been synonymous with cement, establishing its reputation as a pioneer organisation that consistently sets new benchmarks in research and innovative product development.

History was created more than eight decades ago when the doyens of the Indian cement industry unified their operations to build the foundation of a company that has only grown stronger with every passing year. From the Bhakra Nangal Dam in 1960 to the Mumbai-Pune Expressway, ACC cement is at the heart of iconic landmarks across the country.

Our success over the years can be attributed to our unrelenting focus on customer centricity, ethical business practices and sustainable development.

ACC's brand architecture comprises the Gold range and Silver range of products assuring superior quality for general construction as well as for specialised applications and environments. The ready mix concrete product range provides one-stop solutions from basic requirements to high grades of concrete to build the country's tallest structures.

Sustainability is an integral part of our business strategy, with our Sustainable Development 2030 Plan focused on four broad themes: Climate, Circular Economy, Water & Nature and People & Communities. Our corporate social responsibility efforts

benefit local communities across the country by furthering economic and social progress. ACC's earliest initiatives in community development date back to the 1940's - long before the term 'corporate social responsibility' was coined. ACC was among the first Indian companies to include commitment to environmental protection as one of its corporate objectives. Since inception, we have integrated this commitment into all activities of our value chain, from mining to sales to promoting the use of alternative fuels and resources, resulting in one of the lowest carbon footprints in the cement industry.

OBJECTIVES OF THE STUDY

The following objectives are formulated for the proposed study:

- To study the trend of working capital in ACC Limited during the study period.
- To measure the efficiency of working capital management in ACC Limited.
- To measure the liquidity and solvency ratios of working capital management in ACC Limited.
- To make suggestions for the better working capital management for ACC Limited.

SCOPE OF THE STUDY

The working capital management has immense potential to be reviewed for the betterment of the firm in the competitive world. The issue of working capital administration also has major contribution to the upcoming researcher and scholars in this field. The corporate executives can use it as a tool box and guideline to chalk out the future strategies regarding optimum utilization of scare resources.

RESEARCH METHODOLOGY

Research Methodology is the process used to collect information and data for the purpose of making business decisions. The methodology may include publication research, interviews, surveys and other research techniques, and could include both present and historical information.

The main source of data, used for the study will be secondary drawn from the annual profit and loss account and balance sheet figures as found in the annual reports of the company. The selected data will be complemented through direct personal unstructured investigation of general managers, senior personnel of accounts department of ACC Limited Company. The main information and data will have been collected from head offices of the selected units. Opening expressed in commercial journals magazines, news papers accounting literature, various journals and magazines will have also been used in this study.

The study will be based on secondary data taken the annual reports of the ACC Limited for the period from 2014-15 to 2018-19. Unstructured personal interviews will have been taken for secondary data and understand the internal and external factors affecting the working capital management of the ACC Limited. The data obtained will have been duly classified edited and tabulated under various groups as per requirements of the study.

PERIOD OF THE STUDY

The present study is undertaken for a period of five accounting year starting from 2019-20 to 2023-24

EXPECTED CONTRIBUTION FROM THE STUDY

Working Capital management is the management of assets that are current in nature. Current assets, by accounting definition are the assets normally converted in to cash in a period of one year. Hence working capital management can be considered as the management of cash, market securities receivable, inventories and current liabilities.

The main aim of the study is to analyze the liquid capital need of the business firm to maintain the smooth flow of the production process as well as organizational setup.

The study is to solve the problem of improper management of working capital that leads not only to decrease in profit but also to ultimate failure of business, which otherwise might be considered as a promising business unit. Due to the adoption of the credit squeeze policies by the commercial banks and the inflationary trend during the last few years, industries have been finding it difficult to procure adequate working capital funds.

Working Capital, so called life blood of the business is the basic ingredient of each and every kind of business, whatever is the nature of business. The working Capital requirement is omnipresent, infect no organization can survive exclusively relying upon fixed investments.

The business concerns have, therefore, to optimize the use of the available resources through the efficient and the effective management of working capital. The present study shall attempt a detailed examination of the management of working capital in the ACC Limited.

LIMITATIONS OF THE STUDY

The main limitations of the study are as follows:

- The study is limited to five year 2019-2020 to 2023-24
- This study is based on secondary data derived from published annual reports of the company. The reliability and finding are largely depending on the data published in annual reports.
- There are many approaches to the performance measurement. There is no uniformity among experts.
- The calculation of working capital has many practical difficulties there are different methods to calculate the working capital of an industry.

CHAPTERIZATION

- CHAPTER 1: INTRODUCTION
- CHAPTER 2: PROFILE OF INDIAN CEMENT INDUSTRY
- CHAPTER 3: DATA ANALYSIS AND INTERPRETATIONS
- CHAPTER 4: CONCLUSIONS & SUGGESTIONS
- BIBLIOGRAPHY
- FINANCIAL STATEMENT (2018-2019)

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