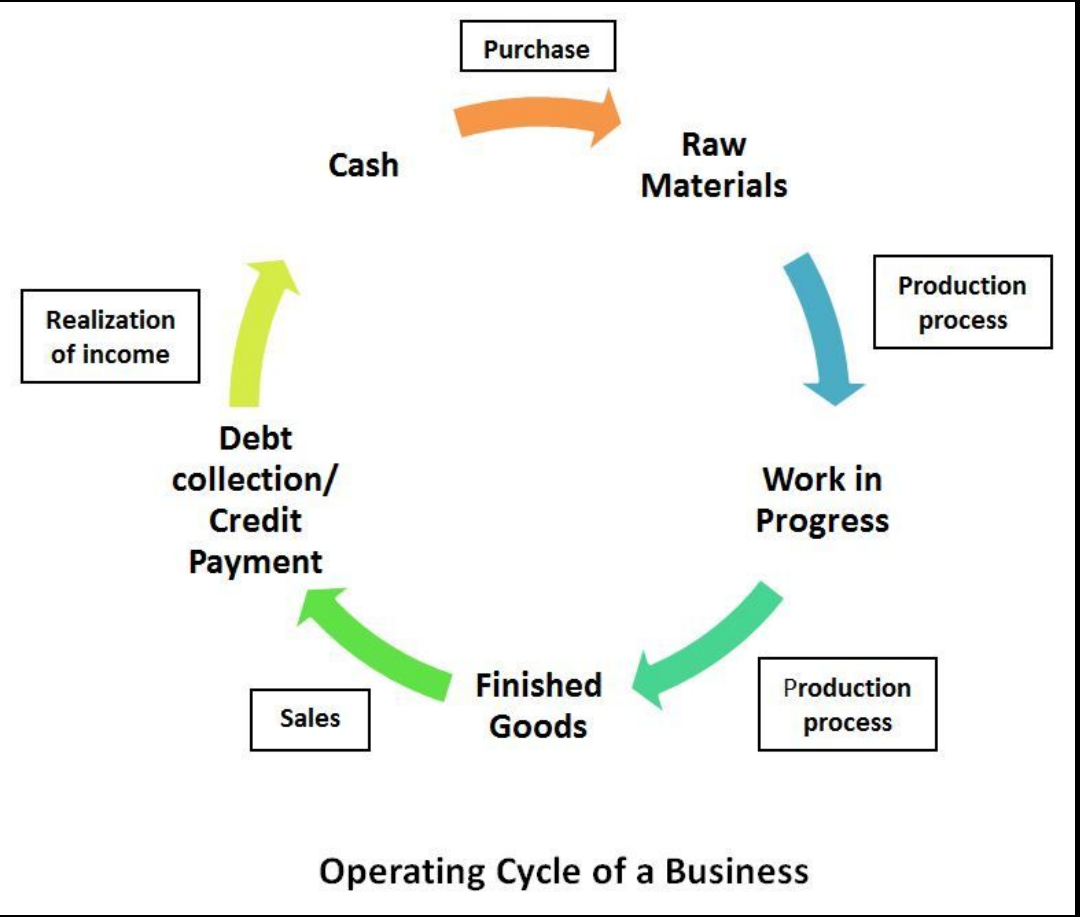
Working Capital Cycle

Members of WCC:

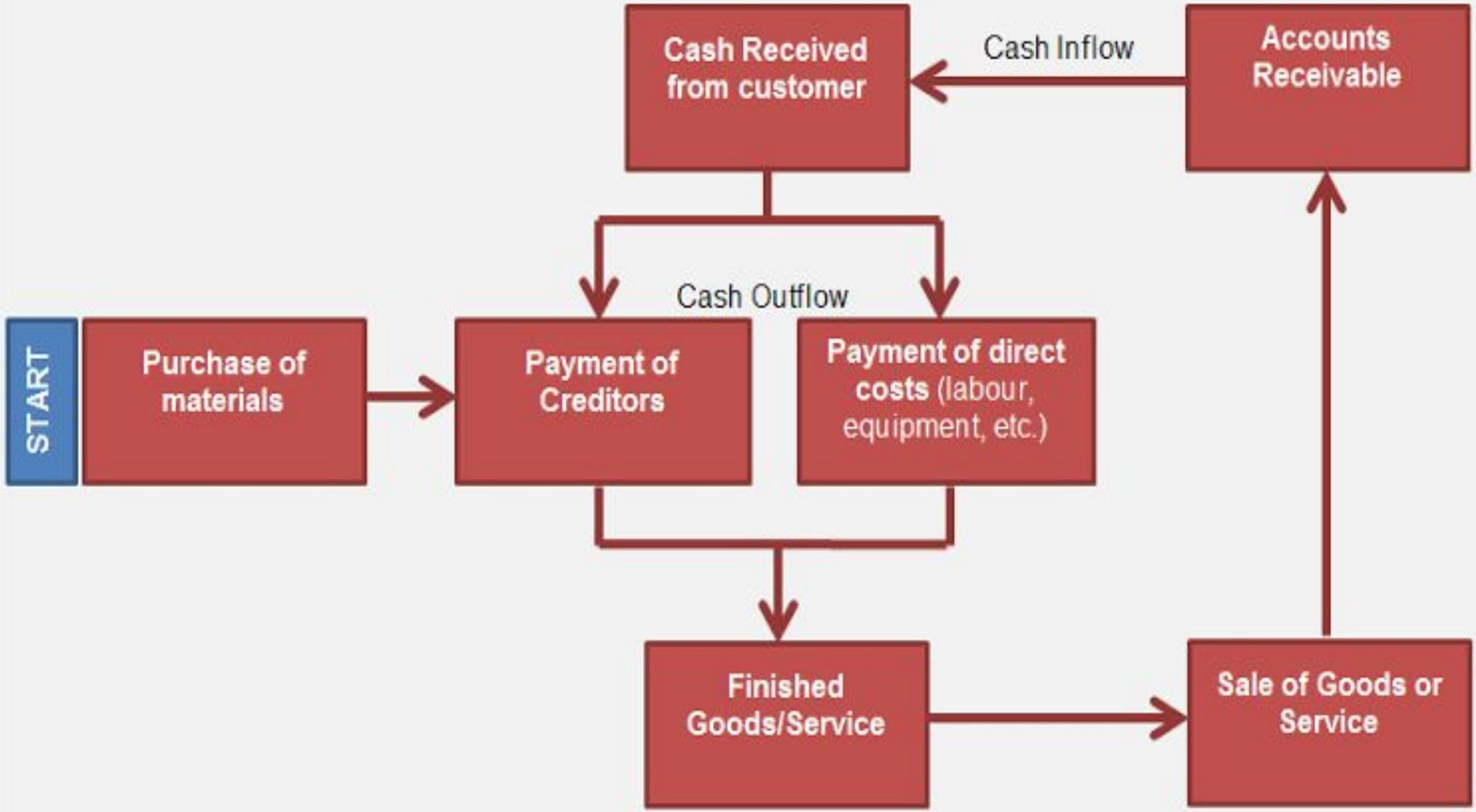
- Aakash Mahadevan (16UCC001) - Cash Manager
- Dikshit Maheshwari (16UCC030) - Raw Material Inventory Manager
- Vibhor Agarwal (16UCS209) - WIP Inventory Manager
- Yash Vekaria (16UCS221) - Warehouse Inventory Manager

Working Capital Cycle



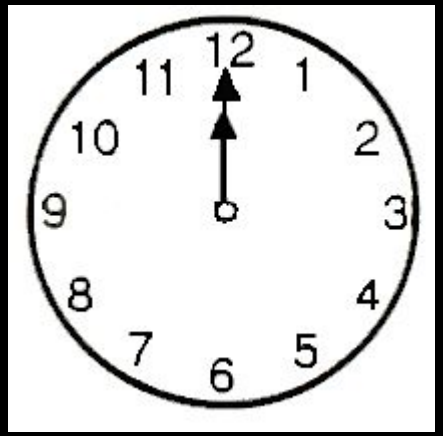
What is Working Capital Cycle (WCC)?

- Cash: Physical Product in
  - Day-to-Day working of a Company
- Amount of time taken to:
  - convert net current assets and liabilities
  - Into cash
- Longer the cycle => Longer a business is without return
- Companies strive to reduce its WCC


Cash Received from customer
Cash Inflow
Accounts Receivable
Cash Outflow
START
Purchase of materials
Payment of Creditors
Payment of direct costs (labour, equipment, etc.)
Finished Goods/Service
Sale of Goods or Service

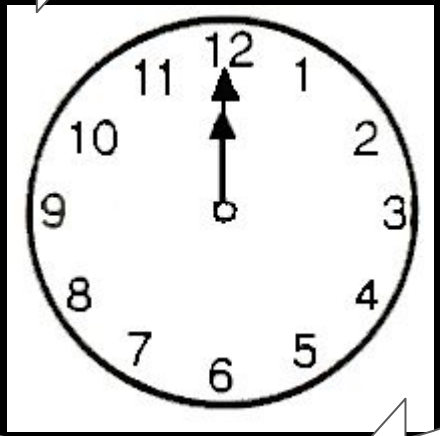
Objective of WCC

Cash



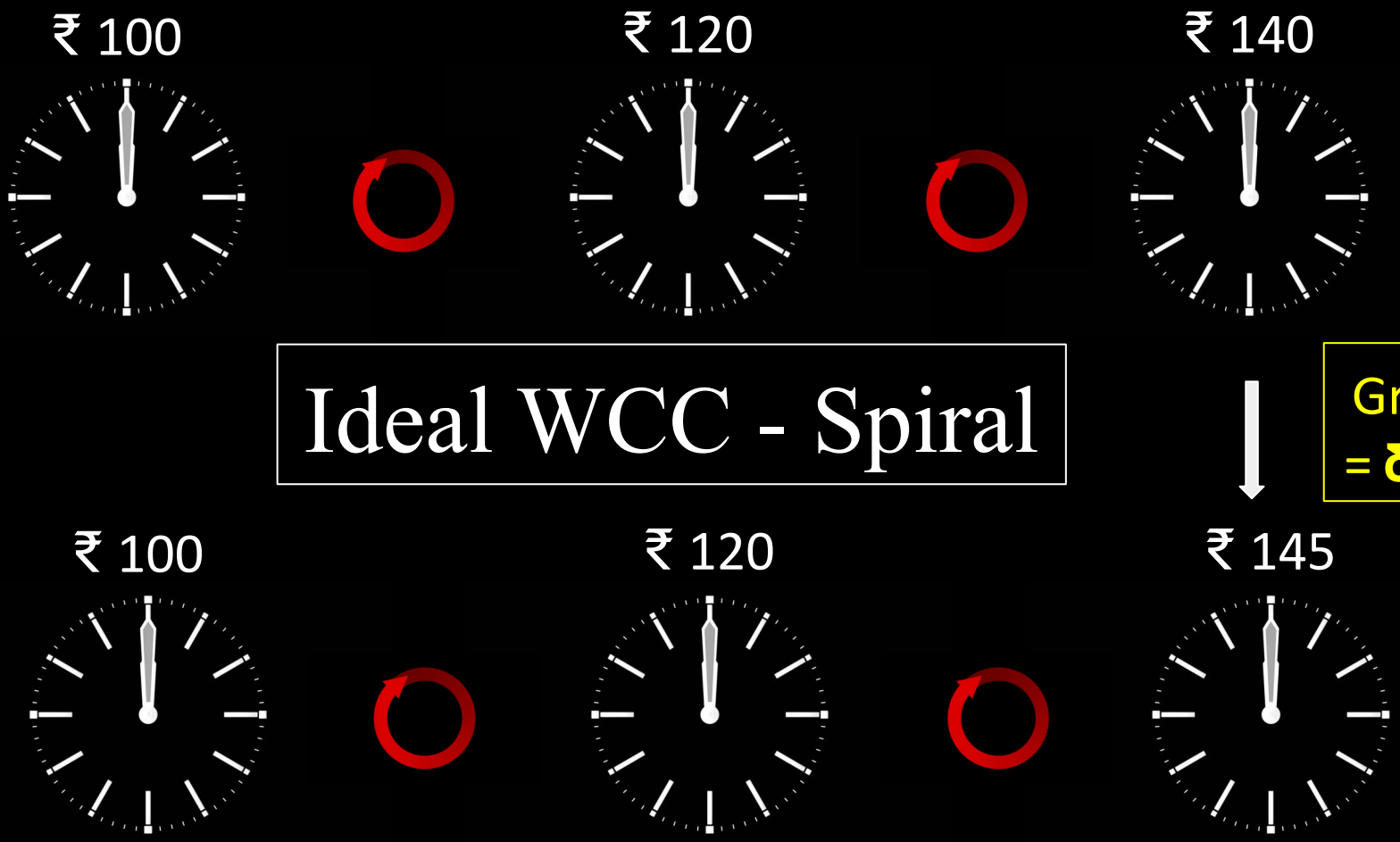
δ-Ability

δ-Cash



- Increasing Value
- Shortening time

“Time is Value. Time is Money”


₹ 100
₹ 120
₹ 140
Ideal WCC - Spiral
Growth
= δ on δ
₹ 100
₹ 120
₹ 145

Components of WCC

- Cash used for:
  - Raw Material Purchase
  - Labour (Paying Wages)

- Buy Raw Material
- Manufacture of Goods (WIP)
- Sell Products to generate Revenue (**δ**-cash)

Realistic WCC

Process

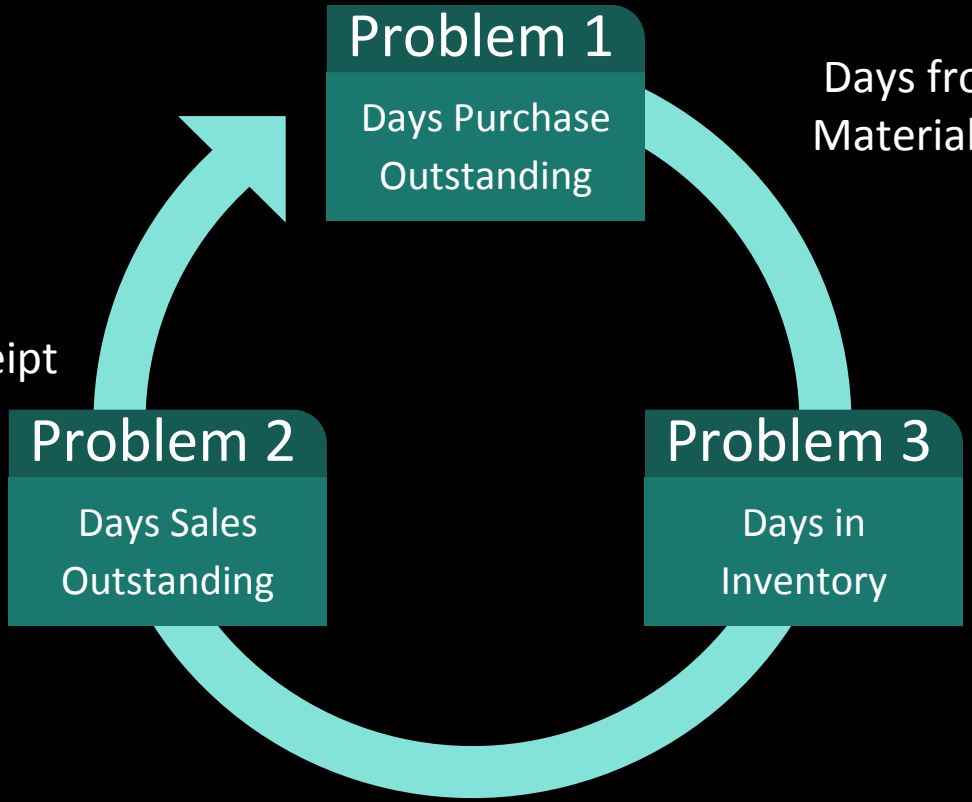
- Raw material
- Raw material Inventory
- WIP Inventory
- Finished Goods
- Warehouse Inventory

Problems

(Problem 1)
Cash is sitting
(in form of raw material)

(Problem 2)
Cash sitting again
(in form of finished goods)

3 Crucial Periods in WCC

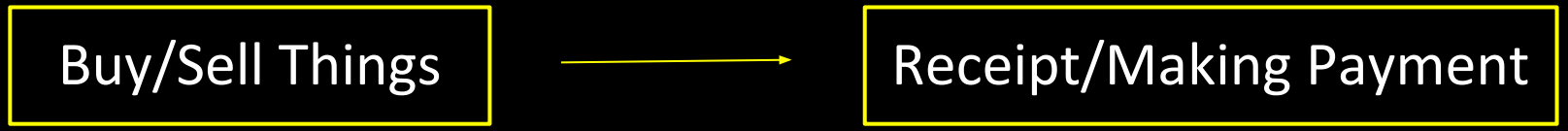


Days from Purchase of Raw Material to making Payment

Days taken from when raw material enters inventory to Finished good leaving inventory

Days from Sale of Finished good to receipt of Payment

Credit (pay-later) Period



Credit Types:

- Purchase Credit (Accounts Payable)
- Sale Credit (Accounts Receivable)

Cash Locking
(Problem 4)

Cash - Takes Time to Unlock
No cash immediately generated after Sale

Motto of Cash

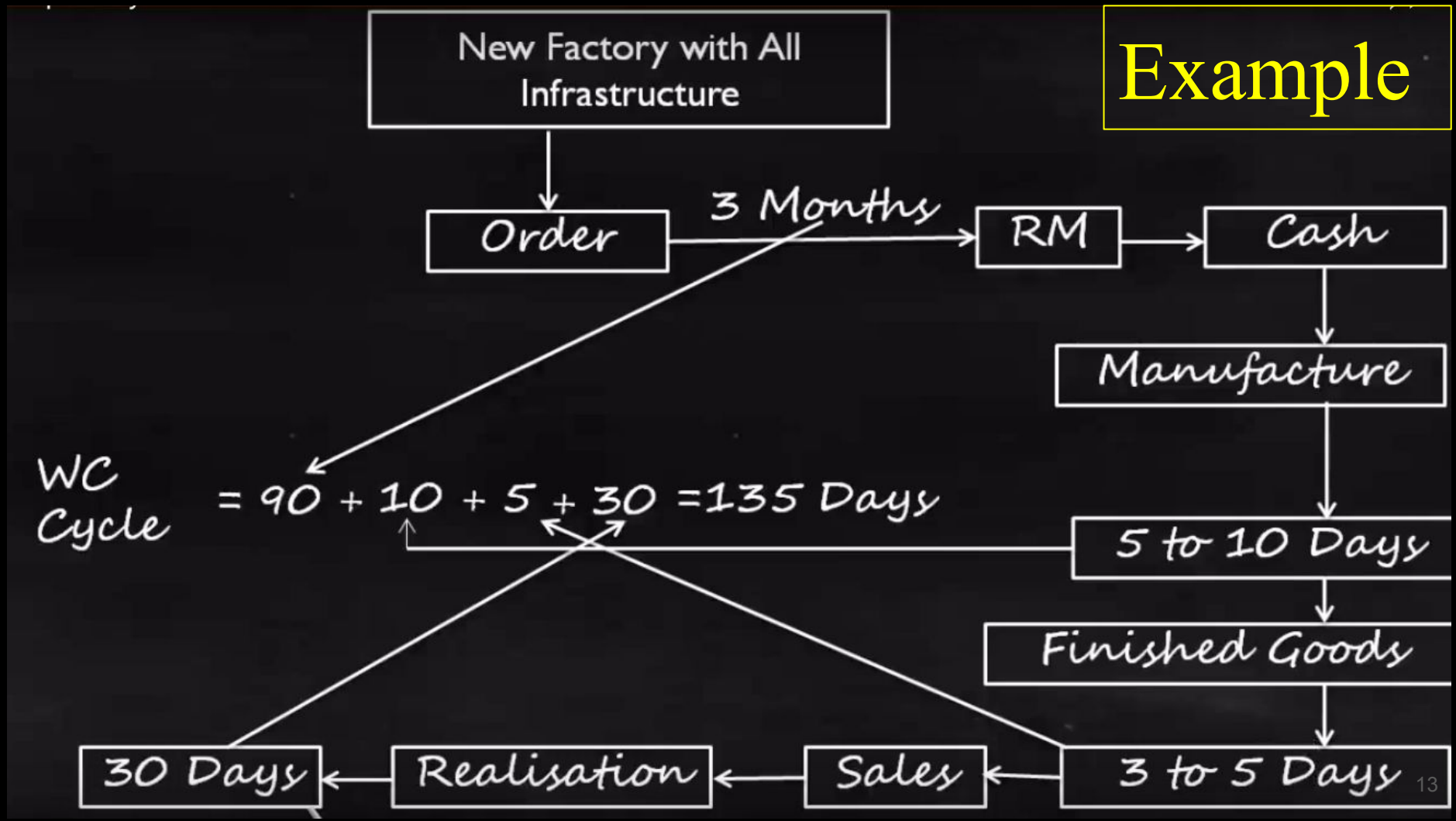
“Make Cash - Walk, Talk & Dance”

- How to Attain Motto?

  - To reduce 3 Periods &
  - Problems as discussed

Process Quality v/s Product Quality

- WCC: Process Quality
- Speeding up WCC => More products manufactured => More δ-cash
- But on speeding up,
  - Defects should not increase
  - Product quality should be maintained
- 6-Sigma: Product Quality

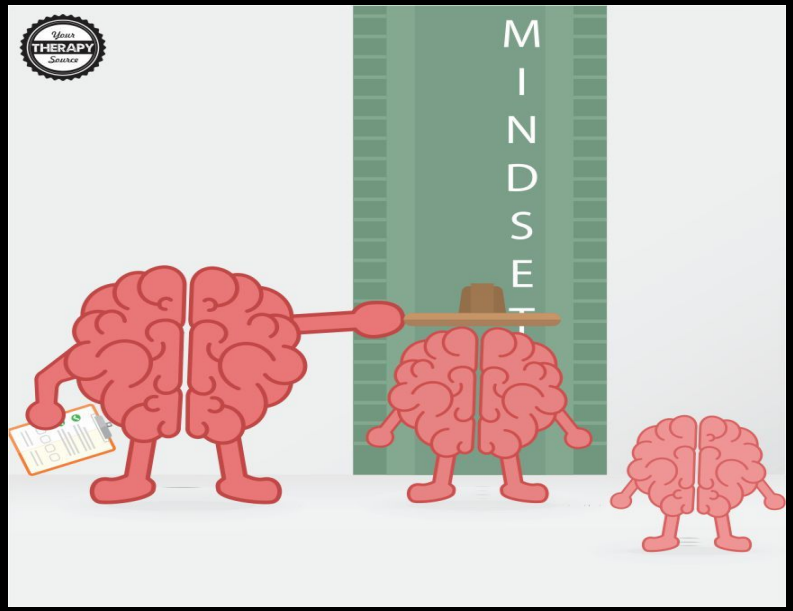

New Factory with All Infrastructure
Example
Order
3 Months
RM
Cash
Manufacture
WC Cycle
= 90 + 10 + 5 + 30 =135 Days
5 to 10 Days
Finished Goods
30 Days
Realisation
Sales
3 to 5 Days

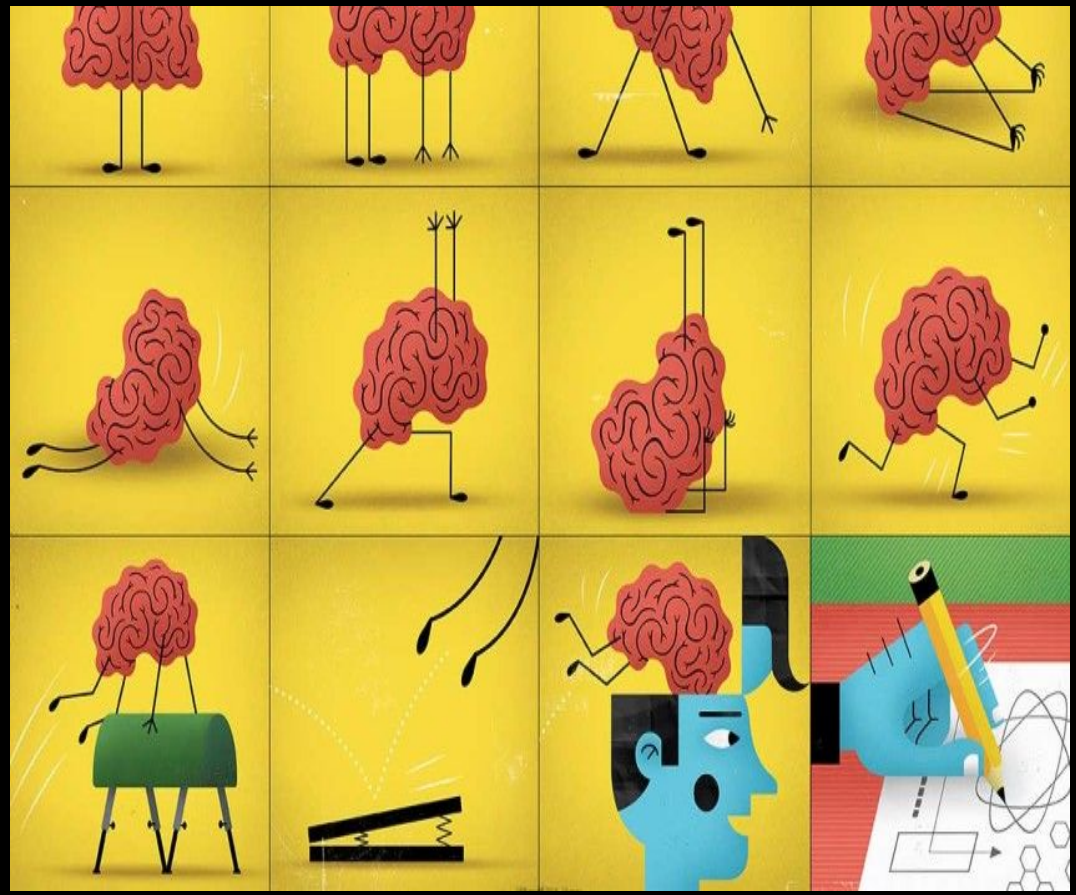
How can IT engineers reduce WCC?

- Technologies like IoT help reduce time issues
  - They can be optimized
- Using computers to:
  - monitor progress
  - schedule tasks
- New machines for mundane & repetitive tasks
- Better route-planning for logistical purposes

δ-ability in Professional World

- **δ** (of **δ**) growth in mindset
- Adding value to skills
- Reducing time for tasks





Key Takeaways

- Aim: To speed up WCC to create **δ**-on-**δ** cash:
  - Increasing Value
  - Shortening Time
- Be accustomed to improve Realistic WCC:
  - Unlocking the Locked Cash
    - Sitting Raw Material/Finished Good
    - Speed up Credit Periods
- Make Cash "*Walk-Talk-Dance*"
- Role as IT Engineers - Thorough Professionalism

References

- Sites to Visit:

  - Working Capital Cycle: https://www.divestopedia.com/definition/1234/working-capital-cycle-wcc
  - https://corporatefinanceinstitute.com/resources/knowledge/accounting/working-capital-cycle/
  - Youtube video: https://www.youtube.com/watch?v=Lnf4f7kkgYs

Dedication

This presentation is dedicated to:

Mr. Lakshmi Niwas Mittal (CEO Arcelormittal)

Thank You