A

PROJECT REPORT

ON

A Study on working capital of Aditya Birla Finance Limited

SUBMITTED FOR PARTIAL FULFILLMENT OF REQUIREMENT FOR THE AWARD OF DEGREE

OF

BACHELOR OF BUSINESS ADMINISTRATION

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UNDER THE GUIDANCE OF

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DECLARATION

I Janvi Bansal, hereby declare that the bona-fide record of “A Study on working capital of Aditya finance” done in partial fulfillment of the Bachelor of Business Administration degree of under the guidance of Ms. Swati , professor in HIERANK BUSINESS SCHOOL.

I also declare that the project has not formed the basis of reward of any degree or any other similar title to any other University

Janvi Bansal

ACKNOWLEDGEMENT

I Janvi Bansal, V semester student of BBA, Hierank Business School, it is glad to express my deep sense of gratitude to all the persons connected with the successful completion of this project work. This report is obviously not the result of my work alone, many persons have directly and indirectly involved, without whom this work would not have been accomplished.

I express my deep sense of gratitude to **Ms Divya**, Professor of, **Hierank Business School, Noida** for her guidance and continuous untiring support during the course of this project work.

I am also thankful to my parents and friends who helped and encouraged me in the completion of this project and above all I am very much thankful to God for giving me his blessings, without which this project would not have been successfully completed.

Finally, I acknowledge with thanks to the co-operation and support extended to us by the respondents who helped in successful completion of this project work.

Executive summary

This project work was done in Aditya Birla finance limited. The topic which was selected is to do a project report on "A study on working capital management of Aditya Birla Finance limited".

The study of working capital management is to understand practically. The working capital management is the maintain a ratio between current assets and current liabilities this ratio shows the present ability of the organization to pay its short time finance obligations, it‟s components like inventories bills payables bills receivables and those items which can be used as short term payments and recievables. The objective of the study is to understand the impact of working capital on profitability of the company.

Working capital affects to both profitability and liquidity because the working capital is the difference between current assets and liabilities if the current ratio is more liquidity is more and if the liquidity position is high the profitability if quite low return from current assets is always low

The study of working capital management by using 3 years financial reports analyzing through various ratios and graphs

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INTRODUCTION

INTRODUCTION OF WORKING CAPITAL MANAGEMENT

Working capital management is a financial strategy that involves monitoring and managing a company's assets and liabilities to ensure it has enough liquidity to meet its short-term obligations and maintain operations. It's a key part of treasury management and is a key financial metric that illustrates a company's health.

It is a business process that helps companies make effective use of their current assets and optimize cash flow. It’s oriented around ensuring short-term financial obligations and expenses can be met, while also contributing towards longer-term business objectives. The goal of working capital management is to maximize operational efficiency.

By improving the way they manage working capital, companies can free up cash that would otherwise be trapped on their balance sheets. As a result, they may be able to reduce the need for external borrowing, fuel growth, fund mergers or acquisitions, or invest in R&D.

Working capital is essential to the health of every business and improving your working capital position can provide a boost to the operational efficiency of a business, but managing it effectively is something of a balancing act.

Working capital formula

Working capital in financial management is defined as current assets minus current liabilities, meaning it can be calculated simply by subtracting current liabilities from current assets. The working capital formula can therefore be illustrated as:

Working capital = current assets – current liabilities

Current assets include assets such as cash and accounts receivable, and current liabilities include accounts payable.

Working capital ratio – a measure of liquidity and another way of looking at current working capital, calculated by dividing total current assets by total current liabilities

➔ Working Capital Management Components

Certain balance sheet accounts are more important when considering working capital management. Though working capital often entails comparing all current assets to current liabilities, there are a few accounts that are more critical to track.

- Cash

The core of working capital management is tracking cash and cash needs. This involves managing the company's cash flow by forecasting needs, monitoring cash balances, and optimizing cash flows (inflows and outflows) to ensure that the company has enough cash to meet its obligations.

Because cash is always considered a current asset, all accounts should be considered. However, companies should be mindful of restricted or time-bound deposits.

- Receivables

To manage capital, companies must be mindful of their receivables. This is especially important in the short term as they wait for credit sales to be completed. This involves:

❖ Managing the company's credit policies

- ❖ Monitoring customer payments
- ❖ Improving collection practices

At the end of the day, having completed a sale does not matter if the company is unable to collect payment on the sale.

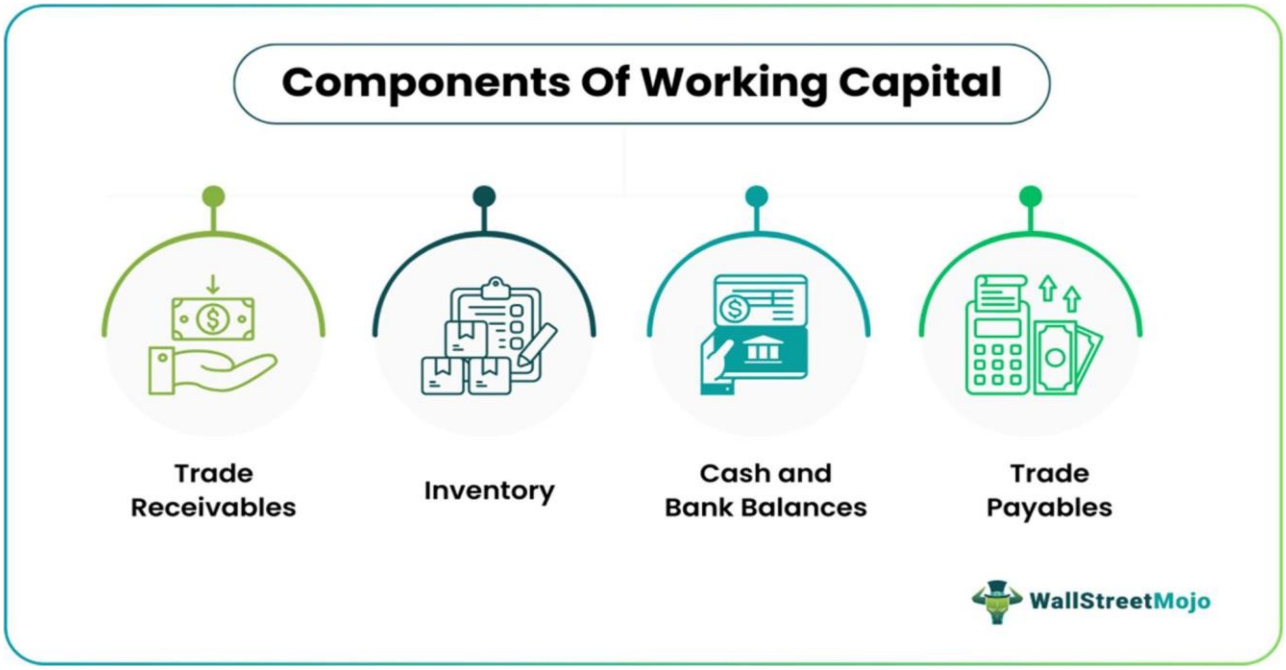
- Accounts Payable

Accounts payable refers to one aspect of working capital management that companies can take advantage of that they often have greater control over. While other aspects of working capital management may be uncontrollable, such as selling goods or collecting receivables, companies often have a say in how they pay suppliers, what the credit terms are, and when cash outlays are made.

- Inventory

Companies primarily consider inventory during working capital management as it may be the most risky aspect of managing capital. When inventory is sold, a company must go to the market and rely on consumer preferences to convert inventory to cash.

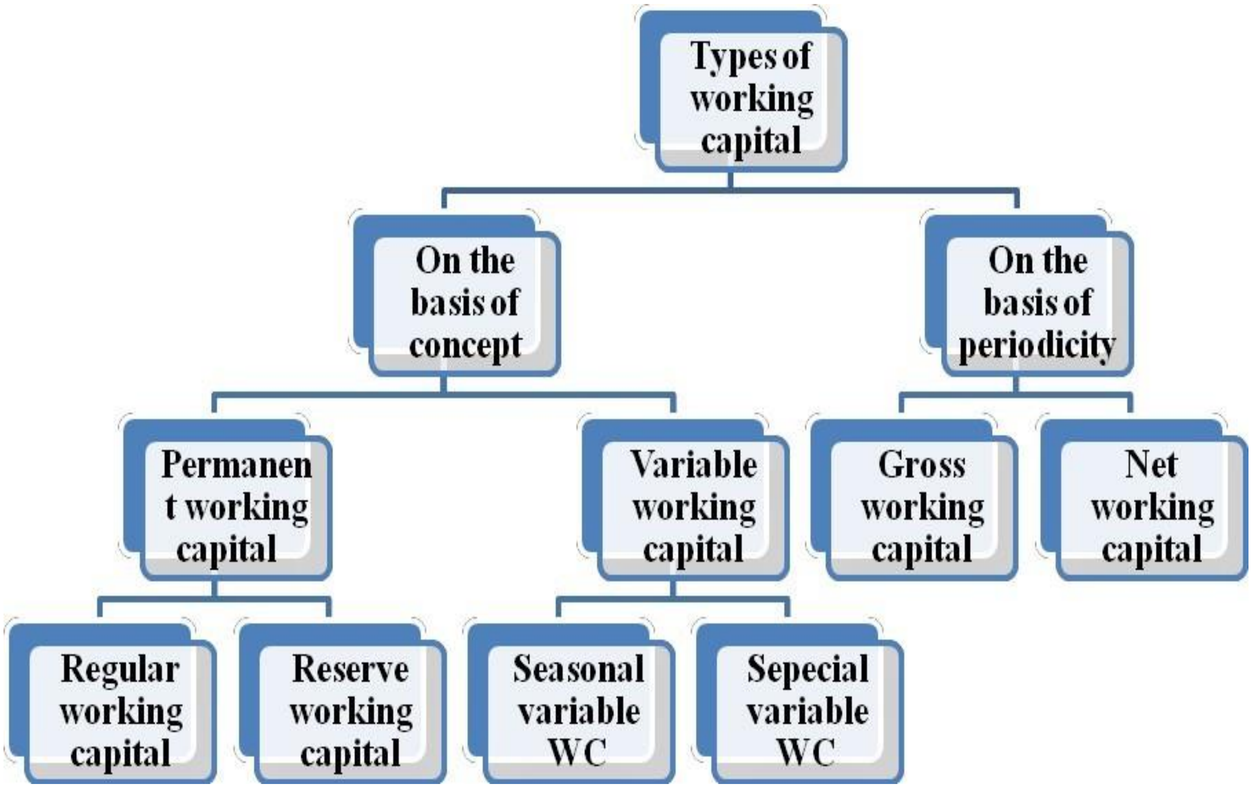
If this cannot be completed quickly, the company may be forced to have its short-term resources stuck in an illiquid position. Alternatively, the company may be able to quickly sell the inventory but only with a steep price discount.


Components Of Working Capital
Trade Receivables
Inventory
Cash and Bank Balances
Trade Payables
WallStreetMojo

➔ Types of Working Capital

In its simplest form, working capital is the difference between current assets and current liabilities. However, different types of working capital may be important to a company to best understand its short-term needs.

- Permanent working capital: Permanent working capital is the amount of resources the company will always need to operate its business without interruption. This is the minimum amount of short-term resources vital to a company's operations.
- Regular working capital: Regular working capital is a component of permanent working capital. It is the part of the permanent working capital that is required for day-to-day operations and makes up the most important part of permanent working capital.
- Reserve working capital: Reserve working capital is the other component of permanent working capital. Companies may require an additional amount of working capital on hand for emergencies, seasonality, or unpredictable events.
- Fluctuating working capital: Companies may be interested in only knowing what their variable working capital is. For example, companies may opt to pay for inventory as it is a variable cost. However, the company may have a monthly liability relating to insurance it does not have the option to decline. Fluctuating working capital only considers the variable liabilities the company has complete control over.
- Gross working capital: Gross working capital is simply the total amount of current assets of a business before considering any short-term liabilities.
- Net working capital: Net working capital is the difference between current assets and current liabilities.

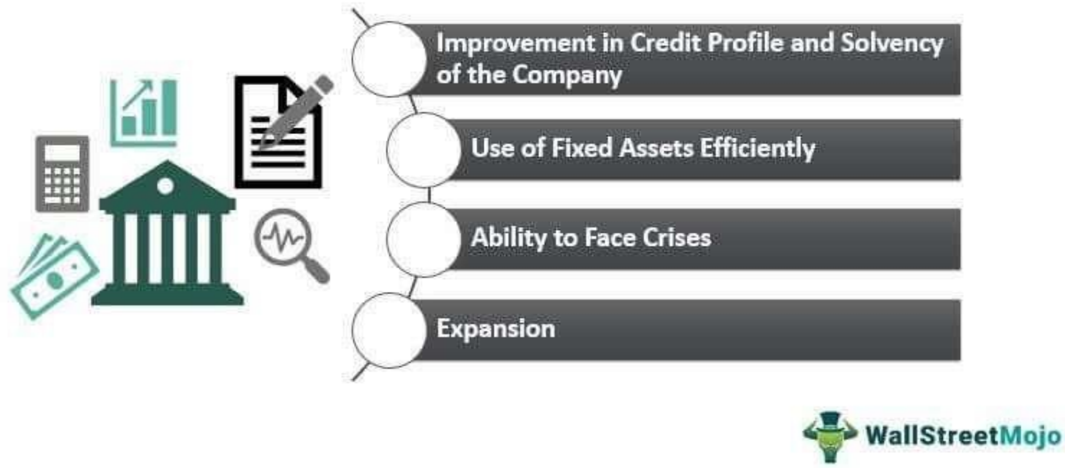


➔ **Why Manage Working Capital?**

Working capital management can improve a company's cash flow management and earnings quality through the efficient use of its resources. Management of working capital includes inventory management as well as management of accounts receivable and accounts payable.

Working capital management also involves the timing of accounts payable like paying suppliers. A company can conserve cash by choosing to stretch the payment to suppliers and make the most of available credit.

Working Capital Management Importance



➔ **Working Capital Management Ratios**

Three ratios that are important in working capital management are the working capital ratio, the collection ratio, and the inventory turnover ratio.

- Working Capital Ratio

The working capital ratio or current ratio is calculated by dividing current assets by current liabilities. This ratio is a key indicator of a company's financial health as it demonstrates its ability to meet its short-term financial obligations.

A working capital ratio below 1.0 often means a company may have trouble meeting its short-term obligations. That's because the company has more short-term debt than short-term assets. To pay all of its bills as they come due, the company may need to sell long-term assets or secure external financing.

Working capital ratios of 1.2 to 2.0 are considered desirable as this means the company has more current assets compared to current liabilities. However, a ratio higher than 2.0 may suggest that the company is not effectively using its assets to increase revenues. For example, a high ratio may indicate that the company has too much cash on hand and could be more efficiently utilizing that capital to invest in growth opportunities.

- **Collection Ratio (Days Sales Outstanding)**

The collection ratio, also known as days sales outstanding (DSO), is a measure of how efficiently a company manages its accounts receivable. The collection ratio is calculated by multiplying the number of days in the period by the average amount of outstanding accounts receivable.

This product is then divided by the total amount of net credit sales during the accounting period. To find the average amount of average receivables, companies most often simply take the average between the beginning and ending balances.

The collection ratio calculation provides the average number of days it takes a company to receive payment after a sales transaction on credit. Note that the DSO ratio does not consider cash sales. If a company's billing department is effective at collecting accounts receivable, the company will have quicker access to cash which it can deploy for growth. Meanwhile, if the company has a long outstanding period, this effectively means the company is awarding creditors with interest-free, short-term loans.

➔ Inventory Turnover Ratio

Another important metric of working capital management is the inventory turnover ratio. To operate with maximum efficiency, a company must keep sufficient inventory on hand to meet customers' needs. However, the company also needs to strive to minimize costs and risk while avoiding unnecessary inventory stockpiles.

Dr. Ajay Tyagi, via Google Books. "Capital Investment and Financing for Beginners," Pages 4-5. Horizon Books, 2017.

The inventory turnover ratio is calculated as the cost of goods sold (COGS) divided by the average balance in inventory. Again, the average balance in inventory is usually determined by taking the average of the starting and ending balances.

➔ What is the Working Capital Cycle?

Working Capital Cycle (WCC) is the time it takes to convert net current assets and current liabilities (e.g. purchased stock) into cash. A long cycle means tying up capital for a longer time without earning a return. Short cycles allow your business to free up cash faster and to be more agile.

➔ Working Capital Cycle formula

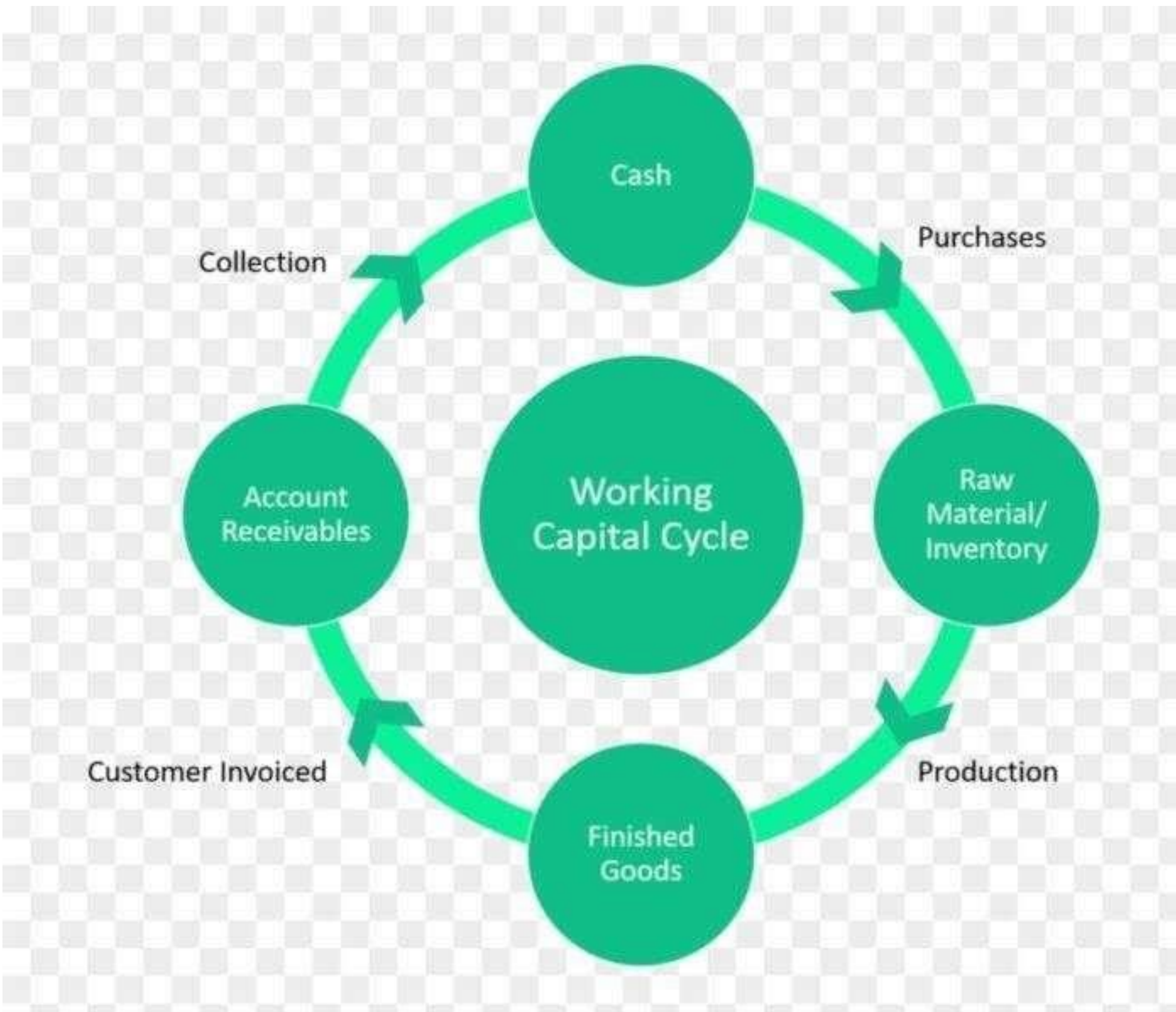
To calculate Working Capital Cycle, add the number of inventory days to your receivable days, then subtract the number of payable days.

The Working Capital Cycle formula is:

Inventory Days + Receivable Days - Payable Days = Working Capital Cycle in Days

The Working Capital Cycle formula may vary depending on different types of business. For example, a manufacturing business will have more phases than a retailer.

Every business organisation needs adequate working capital because the conversion of cash into finished goods to debtors and back to cash is not instantaneous. The continuing flow from cash to suppliers, to inventory, to accounts receivable and back into cash is called the working capital cycle or operating cycle. In other words, the term operating cycle refers to the length of time which begins with the acquisition of raw materials of a firm and ends with the final realisation of cash from debtors. The amount of working capital depends upon the length of working capital cycle. Longer the working cycle, higher is the need of working capital to be maintained. This is because the fund will then remain tied-up in various items of current assets for a longer period. The length of operating cycle varies from industry to industry and from business to business.


Cash
Purchases
Raw Material/ Inventory
Production
Finished Goods
Customer Invoiced
Account Receivables
Collection
Working Capital Cycle

➔ INTRODUCTION OF ADITYA BIRLA FINANCE LTD PVT.

Aditya Birla Capital Limited ("ABCL") is the holding company for the financial services businesses of the Aditya Birla Group. Through its subsidiaries/JVs, ABCL provides a comprehensive suite of financial solutions across Loans, Investments, Insurance, and Payments to serve the diverse needs of customers across their lifecycle. Powered by over 50,000 employees, the businesses of ABCL have a nationwide reach with over 1,505 branches and more than 200,000 agents/channel partners along with several bank partners.

As of June 30, 2024, Aditya Birla Capital Limited manages aggregate assets under management of Rs. 4.63 Lakh Crore with a consolidated lending book of Rs 1.27 Lakh Crore through its subsidiaries/JVs.

Aditya Birla Capital Limited is a part of the US$66 billion global conglomerate Aditya Birla Group, which is in the league of Fortune 500. Anchored by an extraordinary force of over 187,000 employees belonging to 100 nationalities, the Group is built on a strong foundation of stakeholder value creation. With over seven decades of responsible business practices, the Group's businesses have grown into global powerhouses in a wide range of sectors - from metals to cement, fashion to financial services and textiles to trading. Today, over 50% of the Group's revenues flow from overseas operations that span over 40 countries in North and South America, Africa, Asia, and Europe.

Aditya Birla Finance Limited ("ABFL"), a subsidiary of Aditya Birla Capital Limited, is among the leading well-diversified non-banking financial services company in India. ABFL offers end-to-end lending, financing, and wealth management solutions to a diversified range of customers across the country. ABFL is registered with RBI as an Upper Layer non-deposit accepting non-banking finance company ("NBFC") and is amongst the top five largest private diversified NBFCs in India based on AUM.

➔ ABFL Services

ABFL caters to the varied needs of a diverse set of customers across retail, HNI, ultra HNI, micro-enterprises, SMEs, and mid and large corporates. ABFL offers customized solutions in the areas of personal finance, mortgage finance, SME finance, corporate finance, wealth management, debt capital markets and loan syndication.

➔ **Vision and Values**

"To be a leader and role model in a broad-based and integrated financial services business."

The 4 pillars of our vision that will help us achieve it are:

- **To be a leader** – we are committed to being a leader in all facets of our businesses, rather than being just another participant in this race.
- **To be a role model** – we will not become leaders by cutting corners or making compromises. Whatever we do, we will strive to be the best in class. And if we are the best, then our customer will have no reason to go elsewhere – therefore our leadership is assured, on pure merit.
- **To be a broad-based player** – we are committed to meeting all the felt and unfelt needs of our target customer. And thereby, we can retain him or her across their needs and life- stages.
- **We aim to be an integrated player** –we believe that this approach gives us a competitive edge through sharing of best practices, deriving cross – business synergies & providing talent pool with world of opportunity to grow.

customers place a lot of trust when they choose us as a partner for fulfillment of their dreams - be it buying a dream home or investing their hard earned money in mutual funds or for meeting their retirement or child's education or protection needs or taking a business loan for expansion. At Aditya Birla Capital, our endeavor is to become a preferred financial services brand of choice for all our customers' needs across their life cycle - a brand that customers will not only just trust but also happily endorse. Keeping this customer insight in mind, we have created a unique strategy & structure to present our spectrum of businesses and offerings under one virtual brand. From a customer perspective, this offers simplicity & convenience. For our employees, we offer a world of growth opportunities across all our financial services offerings. And to our shareholders, this gives the reassurance that we will attract and retain our customers, cost effectively, across their life-cycle needs.

➔ **Achievements**

In pursuit of our leadership vision

We are among the Top 5 Private Diversified NBFCs in India

In pursuit of our desire to be a role model

We are today, a leading non-bank financial services player with a strong focus on quality of growth

Our long-term credit rating of AAA (Stable) has been reaffirmed by ICRA in September 2020.

We also have a long-term credit rating of AAA (Stable) by India Ratings, Perpetual debt credit rating of AA+ (Stable) by ICRA and AA+ (Stable) by India Ratings (Stable) and short-term credit rating of A1+ by ICRA & India Ratings

We have continued to build a Broad based & Integrated financial services business

We continue to be one of the few players in the industry with a diversified portfolio that allows us to meet almost any customer need across the entire spectrum of his / her lifecycle

Our integrated play has helped us gain a competitive edge by allowing us to share best practices, derive cross-business synergies & provide our talent pool an opportunity to grow their career through cross-functional and cross-sectoral experience

Our distributors and partners see tremendous value in association with our businesses

We are successfully expanding the market for our offerings, along with our market share in each of our businesses

➔ Awards & Accolades

ABFL has been declared a 'Winner-Large NBFC' in the Lending category at the Assocham 17th Annual Summit & Awards Banking & Financial Sector Lending Companies.

ABFL won the 'Excellence in Personal Loan Journey' award at Lentra Digital Lending Transformation Global Summit 2022, in association with ET Edge

ABFL won the CSR Times Award 2020 for transforming underperforming Primary Health Centers and Sub Centers through a Public Private Partnership model, in Rajasthan

Quality improvement team at Aditya Birla Finance Limited (ABFL) won a Gold Award at the International Convention on Quality Circle (NCQC) forum held in Tokyo in September 2019.

ABFL won an award at The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2019 in the 'Best Payments and Collections Solution' category

ABFL Wealth has won the prestigious EuroMoney Private Banking Award for India's Best Investment Research for 2023 & 2024.

History

Aditya Birla Finance Ltd., established in 1991, is one of India's leading and most reputed NBFCs today, which boasts of a 26 years journey of mono-line focus and diversification. Let's take a look at the various milestones that we have crossed on our way, so far:

1991: Foray in NBFC business - Engaged in Capital Market & Corporate Finance segments

2005: BGFL was merged with AB Nuvo to consolidate financial services businesses under one roof

2009: BGFL renamed as Aditya Birla Finance

2011: Foray in Mortgages & Infrastructure Finance

2013: India Ratings assigns Long-term rating to AA+

2014: CARE upgrades long term rating to AA+

2015: Foray into Unsecured lending

2016: Lending Book reaches USD 4.6 bn in Dec-16

2017: Loan book crosses ₹ 25,000 crore mark

2018: Foray into Digital Lending. ICRA & CARE upgrade Long term rating to AAA

2019: Loan book crosses ₹ 50,000 crore mark

2020: Increased focus towards Retail + SME + HNI – Mix crossed 50%

2022: Classified by RBI as Upper layer NBFC

2023: Launch of Udyog Plus – Business Platform for MSME customers

LITERATURE AND REVIEWS

LITERATURE REVIEWS

1. **Bhatt V. V. (1972)** widely touches upon a method of appraising working capital finance applications of large manufacturing concerns. It states that similar methods need to be devised for other sectors such as agriculture, trade etc. The author is of the view that banks while providing short-term finance, concentrate their attention on adequacy of security and repayment capacity. On being satisfied with these two criteria they do not generally carry out any detail appraisal of the working of the concerns.
2. **Chakraborthy S. K. (1974)** tries to distinguish cash working capital v/s balance sheet working capital. The analysis is based on the following dimensions: a) Working capital in common parlance b) Operating cycle concept b) Computation of operating cycle period in all the four cases. The purpose of the analysis is to demonstrate operating cycle concepts based on published annual reports of the firms.
3. **Natarajan Sundar (1980)** is of the opinion that working capital is important at both, the national and the corporate level. Control on working capital at the national level is exercised primarily through credit controls. The Tandon Study Group has provided a comprehensive operational framework for the same. In operational terms, efficient working capital consists of determining the optimum level of working capital, financing it imaginatively and exercising control over it. He concludes that at the corporate level investment in working capital is as important as investment in fixed assets. And especially for a company which is not growing, survival will be possible only so long as it can match increase in operational cost with improved operational efficiency, one of the most important aspects of which is management of working capital.
4. **Rao K.V. and Rao Chinta (1991)** observe the strong and weak points of conventional techniques of working capital analysis. The result has been obviously mixed while some

of the conventional techniques which could comprehend the working capital behavior well; others failed in doing the job properly. The authors have attempted to evaluate the efficiency of working capital management with the help of conventional techniques i.e., ratio analysis. The article concludes prodding future scholars to search for a comprehensive and decisive yardstick in evaluating the working capital efficiency.

5. **Fazzari Steven M. and Petersen Bruce C. (1993)** throws light on new tests for finance constraints on investment by emphasising the often neglected role of working capital as both a use and a source of funds. The authors believe that working capital is also a source of liquidity that should be used to smooth fixed investment relative to cash-flow shocks if firms face finance constraints. They have found that working capital investment is "excessively sensitive" to cash flow fluctuations. Besides, when working capital investment is included in a fixed-investment regression as a use or source of funds, it has a negative coefficient. They conclude that controlling for the smoothing role of working capital results in a much larger estimate of the long-run impact of finance constraints than reported in other studies.

6. **Hossain Saiyed Zabid and Akon Md. Habibur Rahman (1997)** emphasise the basic objective of working capital management i.e., to arrange the needed working capital funds at the right time, at right cost and from right source with a view to achieving a trade-off between liquidity and profitability. The analysis reveals that BTMC had followed an aggressive working capital financing policy taking the risk of liquidity. There was uninterrupted increasing trend in negative net working capital throughout the period of the study which suggested that BTMC had exploited the entire short-term sources available to it without considering the actual needs.

7. **Prof. Mallick Amit and Sur Debasish (1998)** attempt to make an empirical study of AFT Industries Ltd, a tea producing company in Assam for assessing the impact of working capital on its profitability during the period 1986-87 to 1995 96. The author has explored the co-relation between ROI and several ratios relating to working capital management. On the whole, this study of the co relation between the selected ratios in the area of working capital management and profitability of the company revealed both negative and positive effects. Moreover, the WCL of the company recorded a fluctuating trend during the period under study.

8. **Hossain, Syed Zabid (1999)** throws light on the various aspects of working capital position. He has evaluated working capital and its components through the use of ratio analysis. For each aspect of analysis certain ratios are computed and then results are compared with the standard ratio or industry average.

9. **Garg Pawan Kumar (1999)** focuses on the study of working capital trend and liquidity analysis in the selected public sector enterprises of Haryana. The study suggests forecasting of working capital requirement confined mainly to various components of working capital. After considering the facts the author realized the need for proper

assessment and forecasting of working capital in the public sector undertaking. For this purpose, he has suggested the analysis of production schedule, sales trend, labour cost etc., should be taken into consideration. He further suggested the need for better management of components of working capital.

10. **Batra Gurdeep Singh (1999)** gives an overview of working capital and its determinants. According to the author working capital management involves deciding upon the amount and composition of current assets and how to finance them. He emphasizes on the hedging approach to finance current assets. He also adds that a management can use ratio analysis of working capital as a means of checking upon the efficiency with which working capital is being used in the enterprises.

11. **Bansal S. P. (1999)** opines that working capital management refers to the management of current assets and current liabilities for maintaining the optimum levels of various components and increasing the profitability of an enterprise. The author has insisted on application of various techniques for management of working capital and its three main components cash, receivables and inventories.

12. **Garg Pawan Kumar (1999)** suggests that working capital should be financed with both the sources – long-term as well as short-term sources of funds. He further suggests that permanent working capital should be obtained with the help of long-term sources of finance while variable/ fluctuating working capital should be collected through short-term sources of finance. Efficient utilization of working capital enhances operating efficiency as well as income of the units.

13. **Rao Govinda D. and Rao P. M. (1999)** believes that management of working capital is a continuous process requiring proper monitoring and studying of the relationship of all variables with constant, and drawing inferences. This provides proper direction to the managers.

14. **Jain P. K. and Yadav Surendra S. (2001)** study the corporate practices related to management of working capital in India, Singapore and Thailand. In this paper the authors have tried to understand the working capital management and current assets and current liabilities, and their inter-relationship. Further the authors have shown an aggregative analysis of current assets and current liabilities in terms of major liquidity ratios. It also states working capital position in terms of these ratios pertaining to various industries. From the paper one can infer that the available data in respect of the sample companies from the three countries confirm the wide inter-industry variations in liquidity ratios. Towards the end, the authors suggest that serious consideration needs to be given by the respective governments as well as industry groups in these three countries in order to take corrective measures to take care of and rectify the areas of concern.

15. **Deloof Marc. (2003)** presents a picture of how working capital management affects the profitability of Belgium firms. The writer has made use of empirical analysis for the sample firms. It was observed that most of the firms have a large amount of cash invested

in working capital. It can, therefore, be deduced that the way in which working capital is managed will have a significant impact on the profitability of the firms.

16. **Filbeck Greg and Krueger Thomas M. (2005)** base their study on the ratings of working capital management published in CFO magazines. The findings of the study provides insight into working capital performance and working capital management, which is explained by macro economic factors, interest rates, competition, etc., and their impact on working capital management. The article further studies the impact of working capital management on stock prices.

17. **Meszek Wieslaw and Polewski Marcin (2006)** examine the profiles of selected construction companies from the viewpoint of working capital formation and their management strategies applied to working capital. The analysis is based on the financial ratios. The authors conclude with the observation that complex working capital management requires controlling methodology to be developed. A specific character of the construction industry, including operational factors and market requirements make working capital management a task exceeding the financial sphere, as it embraces the issues of organization of investment processes, the organization of production processes and logistics.

18. **Thappa Sankar (2007)** focuses on the importance of proper working capital management of Sun Pharmaceutical Company. The paper throws light on the concepts of working capital, working capital policy, components of working capital and factors affecting working capital in the Sun Pharma Industries Ltd during the last five years, and identifies certain factors which are responsible for the improvement of working capital of the company. The article concludes with a warning to the Company that if satisfactory level of working capital is not maintained, the company would become bankrupt.

19. **Appuhami Ranjith B. A. (2008)** investigates the impact of firms‟ capital expenditure on their working capital management. The data used in this article was collected from listed companies in the Thailand Stock Exchange. In this work the writer has used Shulman and Cox‟s (1985) net liquidity balance and working capital requirement as a proxy for working capital measurement and developed multiple regression models. At the end it is derived that the firms‟ capital expenditure has a significant impact on working capital management, and that the firms operating cash flow which was recognized as a control variable, has a significant relationship with working capital management.

20. **Samiloglu F. and Demirgunes K. (2008)** intend to analyse the effect of working capital management on firm‟s profitability. To consider statistically significant relationship between the firm‟s profitability and the components of cash conversion cycle at length, a sample consisting of Istanbul Stock Exchange (ISE) listed manufacturing firms for the period from 1989 to 2007 has been analysed under a multiple regression model. Empirical findings of the study show that accounts receivable period, inventory period and leverage affect firm‟s profitability negatively, while growth (in sales) affects firm‟s profitability positively.

21. **Dinesh M. (2008)** explicates the concepts of working capital, the different challenges being faced by the business firms in managing working capital and the strategies to be adopted for its prudent management. The author concludes with the view that most of the businesses failed not for want of profit but for lack of cash. The fast growth in production and sales may cause the business to utilize all of the financial resources seeking growth and making assets such as inventories, accounts receivable and other assets as more illiquid.

22. **Dr.Khatik S. K. and Jain Rashmi (2009)** state that the management of working capital is one of the most important and key resources of an organization for its day-to-day operations. Working capital can be taken as funding resources for routine activities of business. It is the most vital and important part of fund management and profitability for business. The writer has analyzed the working capital position of MPSEB (Madhya Pradesh State Electricity Board) by ratio analysis technique and it was found that the position of current ratio, quick ratio, acid-test ratio, working capital ratio, inventory turnover ratio are not up to the standard benchmark.

23. **Baig Viqar Ali (2009)** aims at reporting comparative findings of a survey of working capital management practices of selected agribusiness firms from diary co-operatives, private and MNC diary firms as a part of the research thesis completed in July 2008. Besides, an attempt has been made to know the effect of the ownership, government regulations, managerial empowerment and cultural factor on the working capital decision making.

24. **Singh Swaran and Dr Bansal S. K. (2010)** has carried out a study of the structure of working capital, the management of inventory, accounts receivable, accounts payable and cash. The authors have used the data from the published annual reports of IFFCO and KRIBHCO starting from the year 1999-00 to 2006-07. The main objective of the present study is to examine and evaluate the working capital management in IFFCO and KRIBHCO. The analysis has been done with the help of various ratios to derive conclusions. It may be concluded that as far as management of working capital is concerned, IFFCO was performing better than KRIBHCO.

25. **Rahman Mohammad M. (2011)** focuses on the co-relation between working capital and profitability. An effective working capital management has a positive impact on profitability of firms. From the study it is seen that in the textile industry profitability and working capital management position are found to be up to the mark.

26. **Sunday Kehinde James (2011)** focuses on effective working capital management within small and medium scale enterprises (SMEs). Most of the SMEs have little regard for their working capital position and they don"t even have standard credit policy. They have very weak financial position, and rely on credit facility to finance their operations. This credit facility is available from accounts payable most of the time. In conclusion the authors recommend that for SMEs to survive within the Nigeria economy they must design a standard credit policy and ensure good financial report and control system. Besides, they must give adequate cognizance to the management of working capital. All this requires systematic planning for the management of working capital to ensure continuity, growth and solvency.

27. **Ramadu Janaki P. and Parasuraman N. R. (2012)** focus on the growth and sales compared with the changes in profitability and in working capital of Indian Pharmaceutical Industries. The study revealed that the growth rate in profits was disproportional to the sales and working capital components like inventory and debtors. The study ends with the view that there was no rationale or relationship between the sales growth and other components like net working capital, inventory turnover and debtors turnover. Further, it can be deduced that growth rate in sales need not reflect the growth rate in profitability and inventory turnover, and debtors turnover also need not exercise any impact on profitability of the firms.

28. **Chandra Bihas, Chouhan Vineet and Goswami Shubham Chandra Bihas, (2012)**, analyse the trends and profitability vis-à-vis working capital of some selected information technology organizations in India. The author concludes with the observation that the increased requirement of working capital in IT companies is significantly established. He further observes that there exists a positive relationship between working capital and profitability of all the selected companies, with the exception of Patni Computer Systems. The positive direction of relationship indicates that increase in working capital leads to increase in profitability.

29. **Akoto Richard K., Vitor Dadson A. and Angmor Peter L. (2013)** closely study the relationship between working capital management policies and profitability of the thirteen listed manufacturing firms in Ghana. At the end of the study, a significantly negative relationship between profitability and accounts receivable days is found to exist. Profitability is significantly positively influenced by the firm"s cash conversion cycle (CCC), current assets ratio and current asset turnover. It is also suggested that managers can create value for the shareholders by creating incentives to reduce their accounts receivable to 30 days.

30. **Madhavi K. (2014)** makes an empirical study of the co-relation between liquidity position and profitability of the paper mills in Andhra Pradesh. It has been observed that inefficient working capital management makes a negative impact on profitability and liquidity position of the paper mills.

31. **Joseph Jisha (2014)** closely examines the study of working capital management in Ashok Leyland and points out that the liquidity and profitability position of the company is not satisfactory, and needed to be strengthened in order to be able to meet its obligations in time.

32. **Gurumurthy N. and Reddy Jayachandra K. (2014)** have conducted a study on the working capital management of four pharmaceutical companies APSPDCL, APEPDCL, APNPDCL and APCPDCL and have come to the conclusion that the existing system of working capital management was not up to the mark and needed to be improved.

RESEARCH METHODOLOGY

➔ JUSTIFICATION OF TOPIC

In today's competitive world maintaining financial strength on a day to day basis has become a challenge. Every firm wants to see themselves financially sound. The financial attributes like liquidity, solvency and profitability can be improved by effective implementation of the working capital management. Working capital supports the day to day operations of the firm. As it includes items like cash, inventory, receivables, payables etc the working capital shows the activities of the companies. Empirical studies have shown that ineffective management of working capital as one of the major cause of industrial sickness. So, efficient management of working capital is one of the important indicators of financial soundness

➔ STATEMENT OF PROBLEM

This Project report tries to evaluate how the management of working capital is carried out in Aditya Birla Finance Limited.

➔ OBJECTIVES OF THE STUDY:

1) To understand the concept of Working Capital Management.

2) To study the components of Working Capital Management.

3) To analyze the efficiency of working capital management in Aditya Birla Finance Ltd. using Intra Firm Ratio Analysis.

4) To find out the changes in working capital of Aditya Birla Finance Ltd using Comparative Financial Statement Analysis.

➔ AREA OF STUDY

Area of study is Financial Management.

➔ PERIOD OF STUDY

Data of 5 years (2019-20 to 2023-24) has been collected for the study.

➔ SAMPLE SIZE

The sample for the study has been selected a company named Aditya Birla Finance ltd, which is one of the market leader in fluid management.

➔ TECHNIQUE OF ANALYSIS

The study is based on secondary data which is collected from the annual reports and other proprietary reports of Aditya Birla Finance Ltd.

Ratio Analysis and Comparative Statement Analysis is used for analysis of the data. The data is presented using various graphs and charts.

➔ LIMITATIONS OF STUDY

This study is based on secondary data. The period of study is restricted to 5 years.

ANALYSIS AND INTERPRETATION OF DATA

LIQUIDITY RATIOS

Liquidity ratios are calculated to measure the short-term solvency of the business, i.e. the firm's ability to meet its current obligations. These are analysed by looking at the amounts of current assets and current liabilities in the balance sheet.

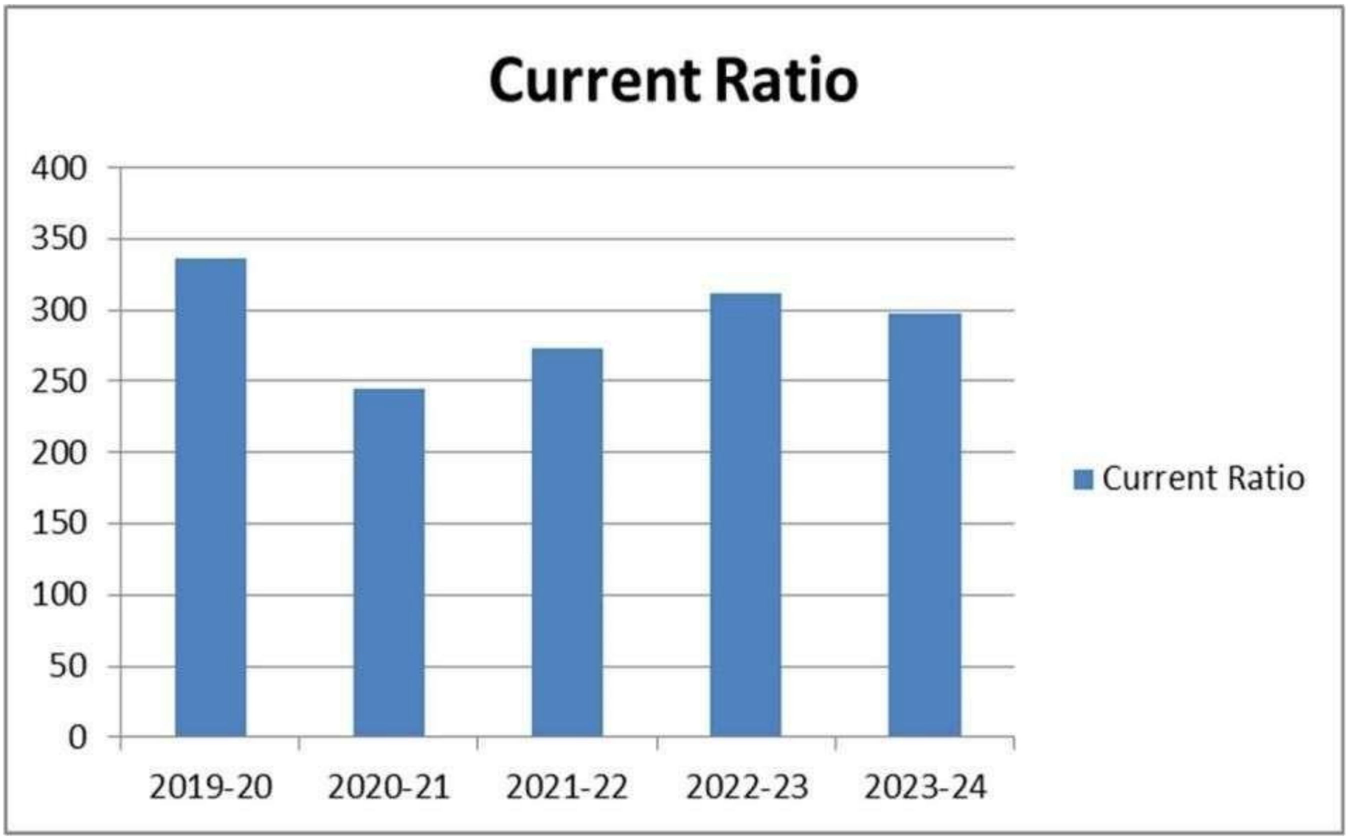
1 CURRENT RATIO

A Current Ratio is that liquidity ratio with which we can identify a company's ability to pay its short term obligations or those that are to be due within one year.

Current Ratio = Current assets / Current Liabilities

Conventionally, a current ratio of 2:1 is considered satisfactory. This ratio can be considered as safe and conservative because even if the current assets get reduced to half, then also the company will be able to clear off its short term debts and liabilities. A very high current ratio indicates that a company is unable to utilize its assets efficiently. A persistent trend of good current ratio (of more than 1) is a good signal of impending growth.

Year	Current Assets(Amt.)	Current Liabilities(Amt.)	Current Ratio
2019-20	9572.35	28.42	336.82
2020-21	9672.39	39.6	244.25
2021-22	10021.09	36.74	272.76
2022-23	10243.79	32.8	312.31
2023-24	14080.23	47.21	298.25



INTERPRETATION:

It can be seen from the above graph that the company's liquidity position is ideal as per the standard ratio 2:1 it is greater than 1 which indicates the company's ability to pay off its current obligations. A higher ratio means the company can easily fund its day-to-day operations.

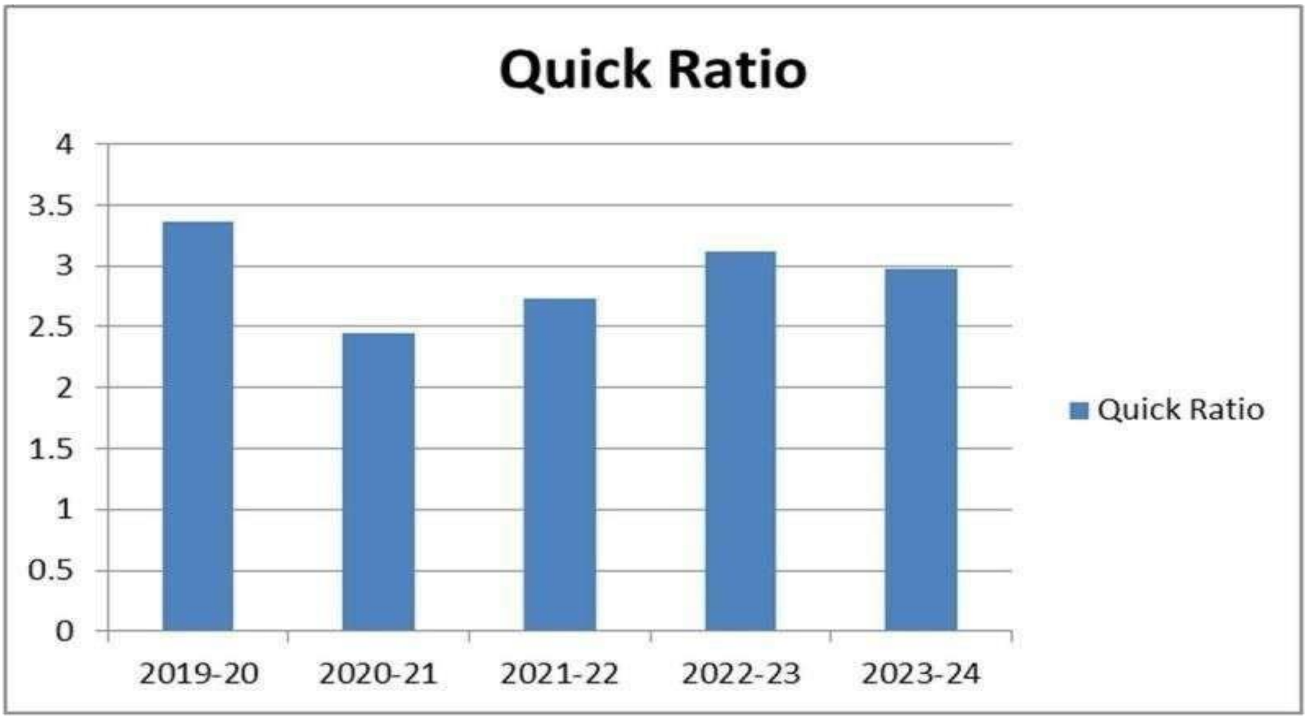
2 QUICK RATIO

The ratio provides a measure of the capacity of the business to meet its short-term obligations. It is calculated to serve as a supplementary check on liquidity position of the business and is therefore, also known as 'Acid-Test Ratio'. While calculating quick assets we exclude the inventories. The quick assets are defined as those assets which are quickly convertible into cash.

Quick Ratio = Quick Assets/Current Assets

Normally, it is advocated to be safe to have a ratio of 1:1 as unnecessarily low ratio will be very risky and a high ratio suggests unnecessarily deployment of resources in otherwise less profitable short-term investments.

Year	Current Assets (A) (Amt.)	Inventory (B) (Amt.)	Quick Assets (A-B) (Amt.)	Current Liabilities	Quick Ratio (in times)
2019-20	9572.35	0.00	9572.35	28.42	3.3682
2020-21	9672.39	0.00	9672.39	39.60	2.4425
2021-22	10021.09	0.00	10021.09	36.74	2.7276
2022-23	10243.79	0.00	10243.79	32.80	3.1231
2023-24	14080.23	0.00	14080.23	47.21	2.9825

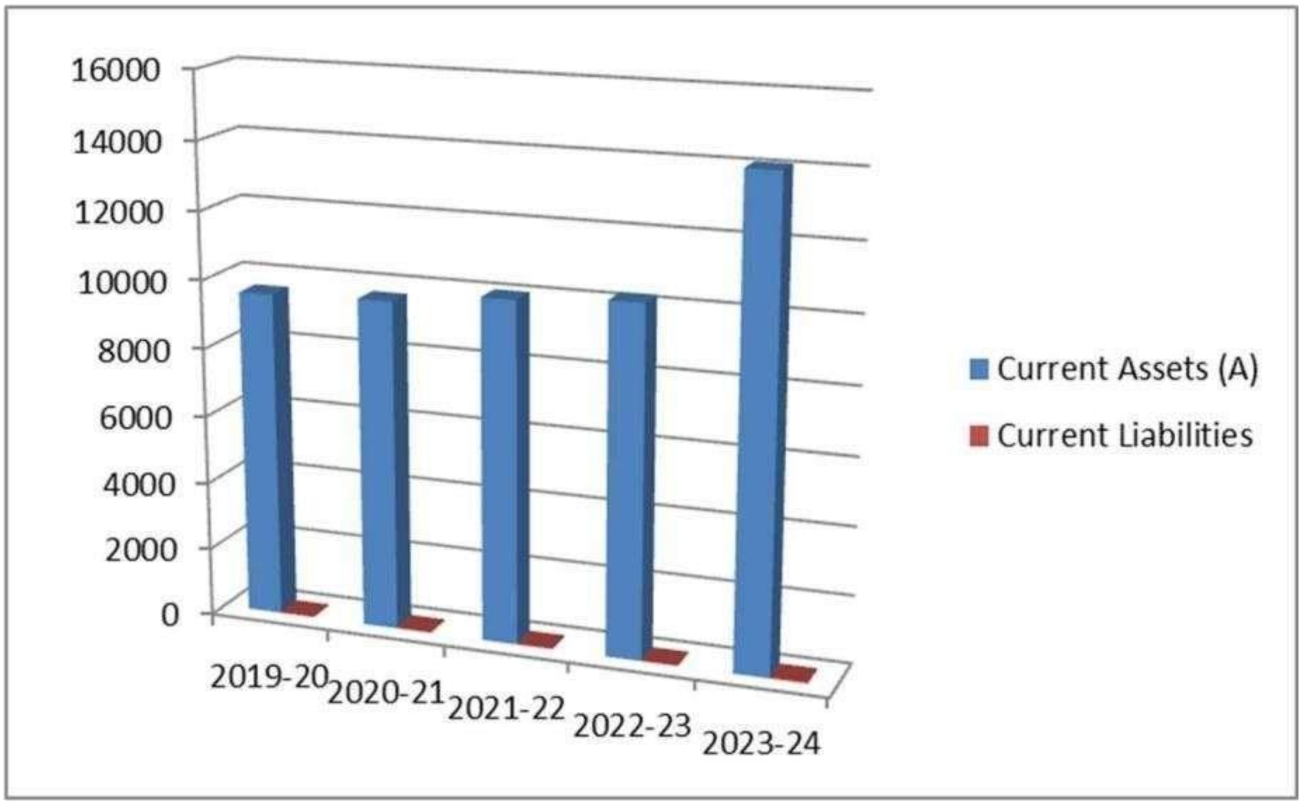


INTERPRETATION:

In all the years, ABF has ratio more than 1. A company which has a quick ratio of more than 1 able to fully pay off its current liabilities in the short term. Higher the ratio result, the better a company's liquidity and financial health and the lower the ratio, the more likely the company will struggle with paying debts.

➔ A COMPARISON OF CURRENT ASSETS AND CURRENT LIABILITIES

Positive working capital is the excess of current assets over current liabilities. In other words, when the net working capital is a positive figure, it is said that the firm has a positive working capital. Working capital can be negative if a company's current assets are less than its current liabilities.

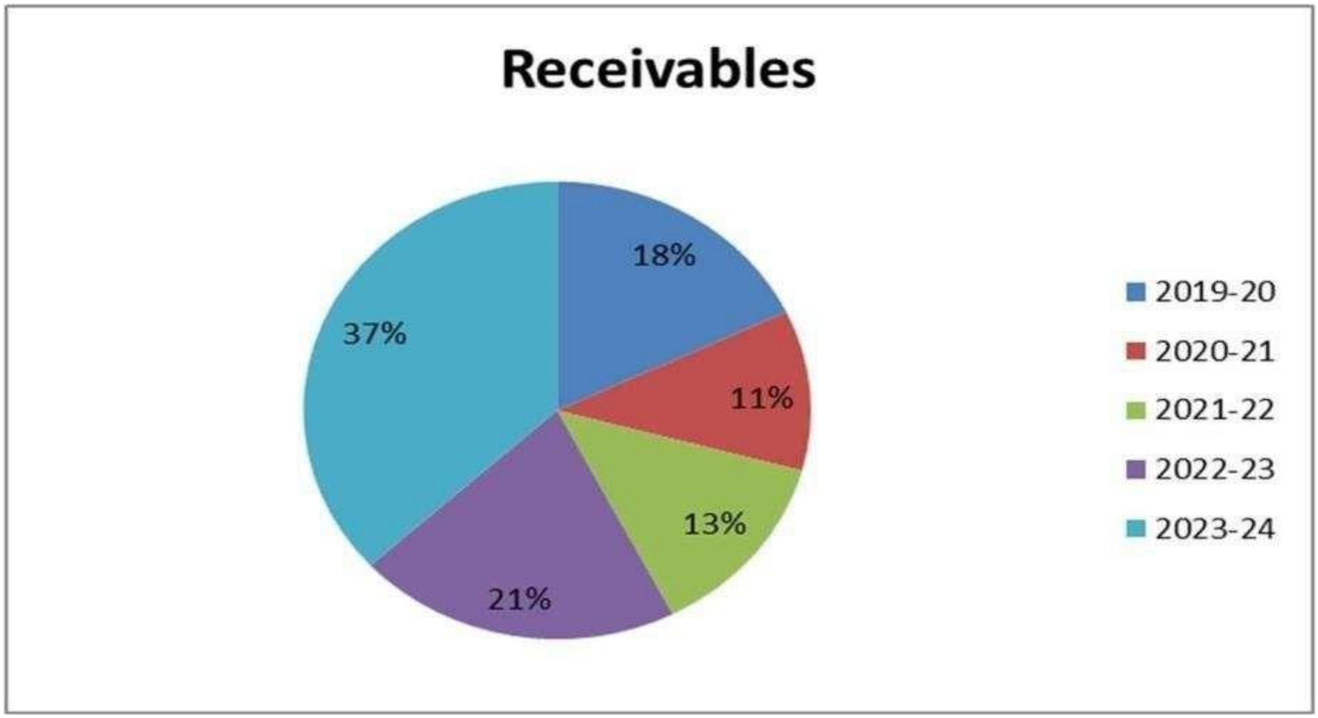


INTERPRETATION:

The company has more current assets than current liabilities, which means it has positive working capital. Having enough working capital ensures that a company can fully cover its short-term liabilities as they come due in the next twelve months. This is a sign of a company's financial strength.

➔ ANALYSIS OF WORKING CAPITAL COMPONENTS

1. RECEIVABLES



INTERPRETATION:

• Advantages of Higher Side(Profitability):

A higher credit period attracts customers and increases revenue.The highest amount of receivables were in 2023-24.

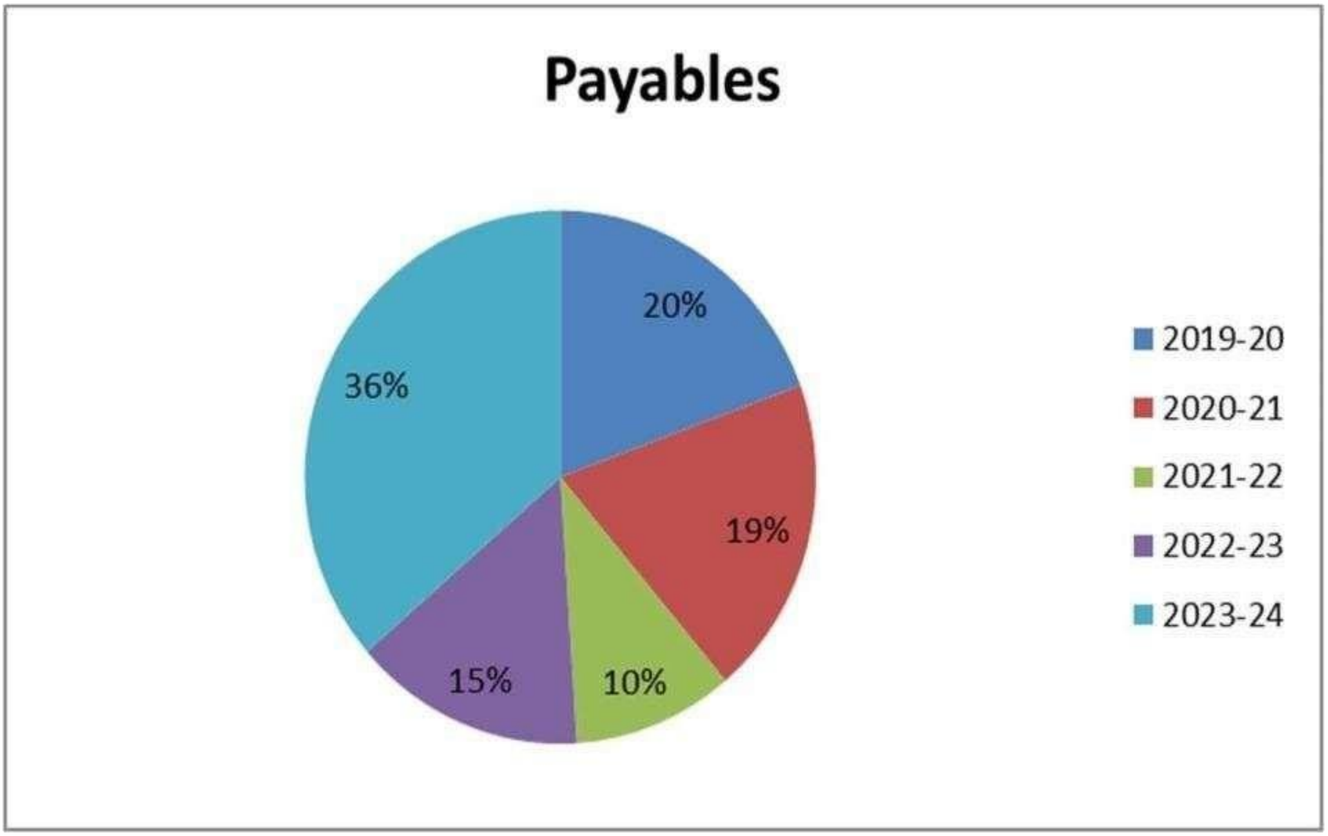
- **Advantages of lower side (Liquidity):**

Cash sales boosts liquidity but does not increase sales and revenue.The lowest receivables were in 2020-21

- **Trade off between Profitability and liquidity:**

Evaluate credit policy and use of debt management services like factoring can help to achieve optimum amount of receivables.

2. PAYABLES



INTERPRETATION:

• Advantages of Higher Side(Profitability):

Capital can be used in some other investment avenues. Highest payables were in 2023-24.

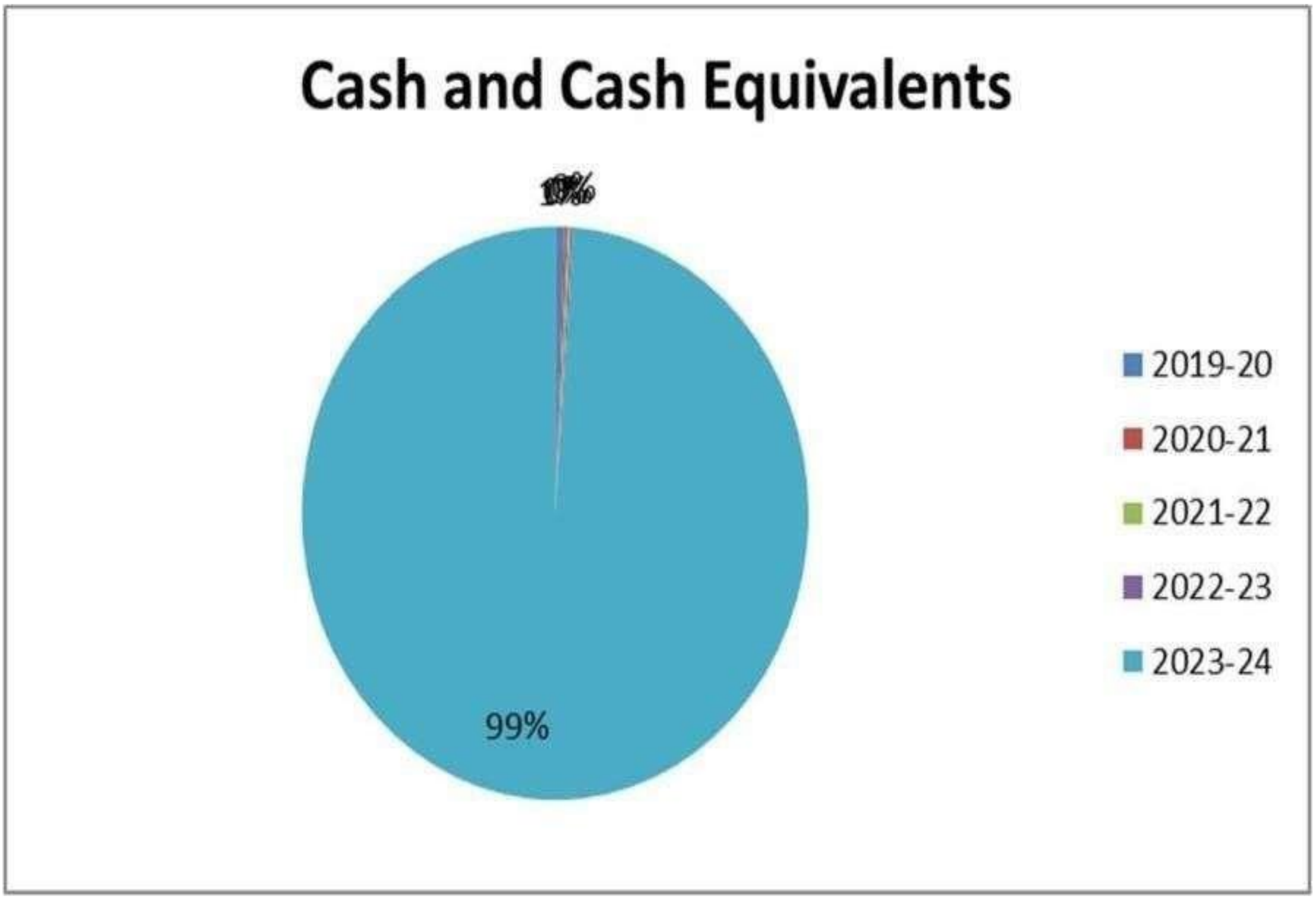
- **Advantages of lower side (Liquidity):**

Payables are honoured in time,improves goodwill and is helpful in getting future discounts.Lowest payables were in 2021-22.

- **Trade off between Profitability and liquidity:**

Evaluating the credit policy and related cost.

3. CASH AND CASH EQUIVALENTS



INTERPRETATION:

• Advantages of Higher Side(Profitability):

Payables are honoured in time,improves thegoodwill and helps in getting future discounts.Highest Cash balance was in 2023-24.

- **Advantages of lower side (Liquidity):** Cash can be invested in other investment avenues which can help to generate profits.The lowest cash balance was in 2021-22.

- **Trade off between Profitability and liquidity:**

Cash budgets and other cash management techniques can be used to boost and maintain adequate cash flow.

EFFICIENCY RATIOS

Efficiency ratios are metrics that are used in analyzing a company's ability to effectively employ its resources, such as capital and assets, to produce income. The following ratios are presented in this study:

1. Working Capital Turnover Ratio

2. Trade Receivables Turnover Ratio

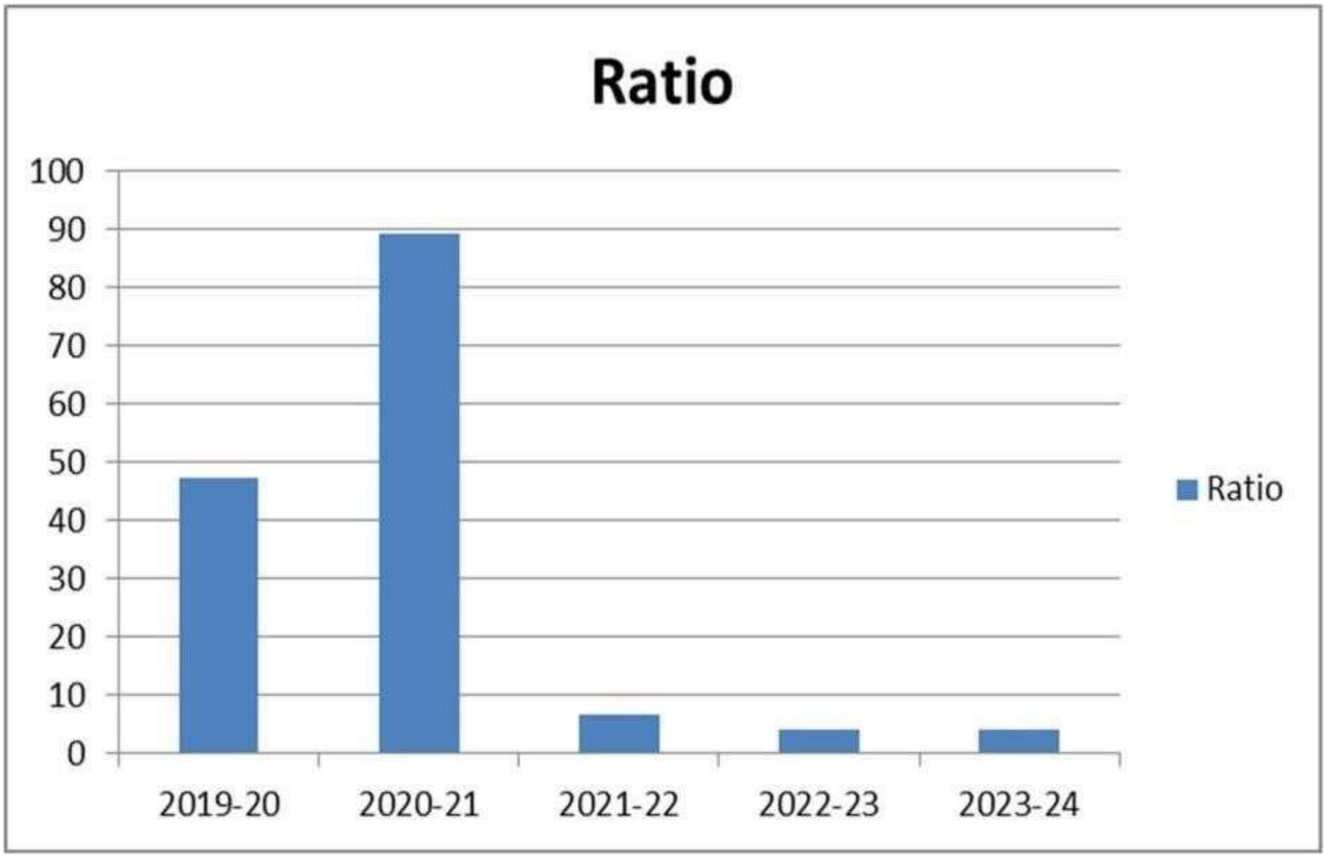
3. Trade Payables Turnover Ratio

1. WORKING CAPITAL TURNOVER RATIO

It is defined as the difference between the current assets and current liabilities and working capital turnover ratio establishes a relationship between the working capital and net sales generated by the business.

Working Capital turnover Ratio = Net Sales / Net Working Capital

Year	Net sales (Amt.)	Net Working capital (Amt.)	Ratio (in times)
2019-20	199.82	9543.93	47.46
2020-21	107.89	9632.79	89.28
2021-22	1474.92	9984.35	6.76
2022-23	2491.03	10210.99	4.09
2023-24	3471.13	14033.02	4.04



INTERPRETATION :

It can be seen from the graph that the ratio is continuously fluctuating. The year 2020-21 had the highest working capital turnover ratio amongst the other years. A high turnover ratio shows that management is being very efficient in using a company’s short-term assets and liabilities for supporting sales. Over the years, the ratio has come in 2023-24 which signifies a shortage of working capital in the company which is not favourable. A low ratio indicates that a business is investing in too many accounts receivable and inventory assets to support its sales, which could eventually lead to an excessive amount of bad debts and obsolete inventory.

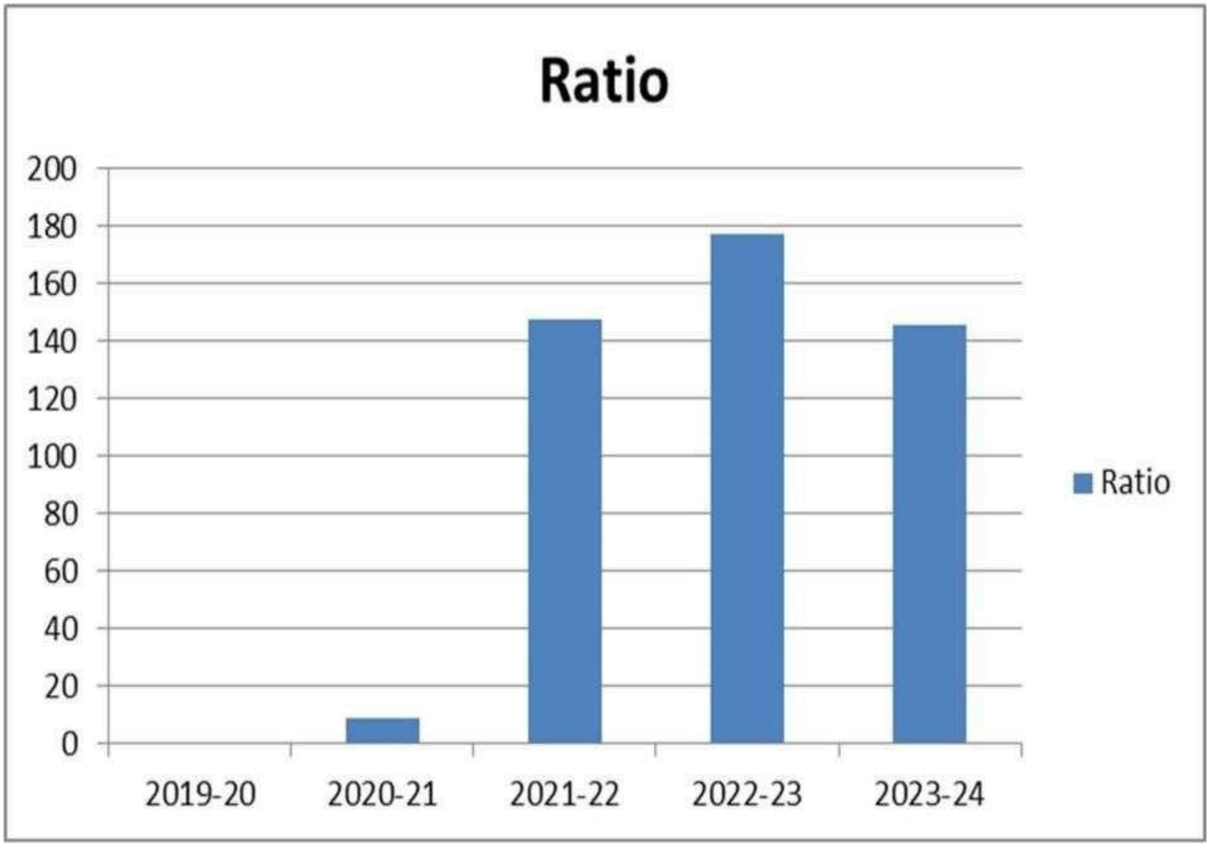
2. TRADE RECEIVABLES TURNOVER RATIO

The receivables turnover ratio is an accounting measure used to quantify a company's effectiveness in collecting its accounts receivable, or the money owed by customers or clients. This ratio indicates the number of times the receivables are turned over and converted into cash in an accounting period.

Receivables Turnover Ratio = Net Sales / Average Accounts Receivable

- ❖ **Average Collection Days = Days in a year i.e 365 / Ratio**
- ❖ **Average Receivables = Opening Receivables + Closing Receivables / 2**

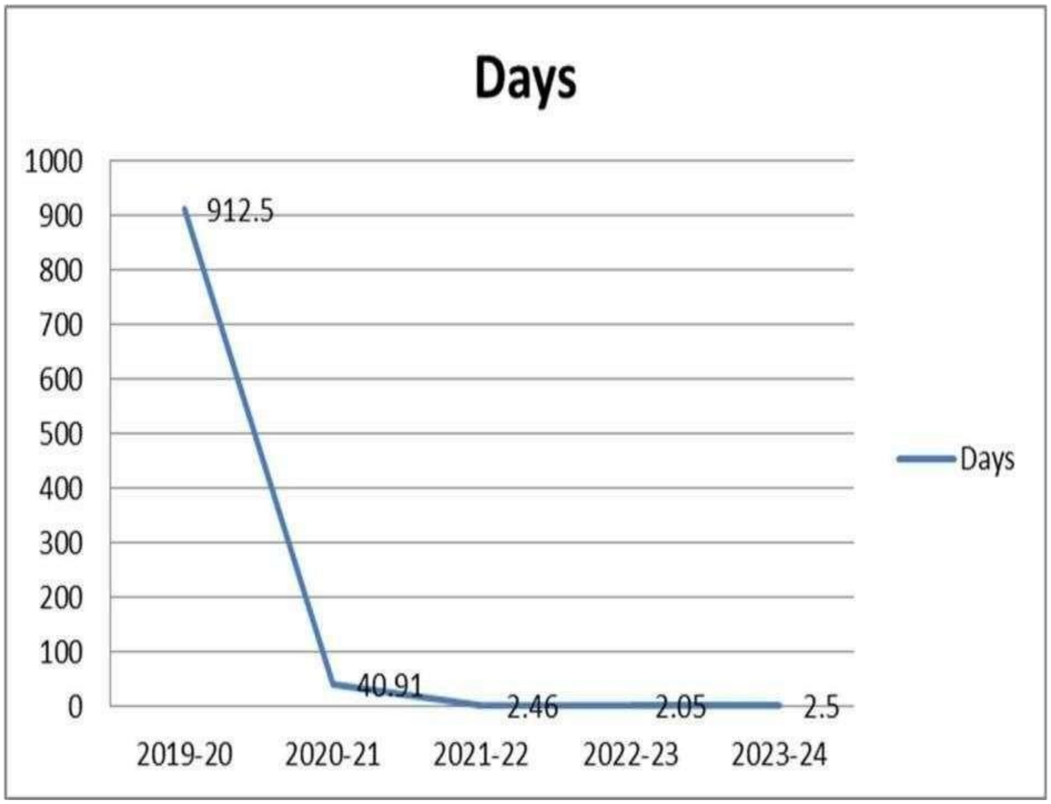
Year	Opening trade receivables (Amt.)	Closing Trade Receivables (Amt.)	Average Trade Receivables (Amt.)	Net sales (Amt.)	Ratio(in times)	Average Collection Days
2019-20	975.10	14.83	494.96	199.82	0.40	912.5
2020-21	14.83	9.36	12.09	107.89	8.92	40.91
2021-22	9.36	10.96	9.98	1474.92	147.78	2.46
2022-23	10.96	17.12	14.04	2491.03	177.42	2.05
2023-24	17.12	30.48	23.8	3471.13	145.84	2.50



INTERPRETATION:

In the year 2019-20, the company collected its average receivables approximately 0.40 times in a year. A low ratio indicates the company's collection process is poor. However, this ratio has increased steadily and in the year 2022-23 it was at 177.42 which is the highest among the other years. A high ratio is desirable as it indicates that the company's collection of receivables is frequent and efficient.

➔ **Average collection period**



INTERPRETATION:

In the year2019-20, the customer took approximately 912.5 days to repay their debt.This is the longest duration among the 5 years. A longer period of repayment is generally not favourable .It can be because of liberal credit policies. The year 2022-23 had the lowest collection period which indicates that the organization collects payments faster. The company may have imposed shorter payment terms on its customers. Management may restrict the granting of credit to customers for a number of reasons, such as in anticipation of a decline in economic conditions or not having enough working capital to support the current level of accounts receivable.

3. TRADE PAYABLES TURNOVER RATIO

Trade payables turnover ratio indicates the pattern of payment of trade payable. As trade payable arise on account of credit purchases, it expresses relationship between credit purchases and trade payable. It is calculated as follows:

Trade Payables Turnover Ratio = Net Purchases OR COGS / Average Trade Payables

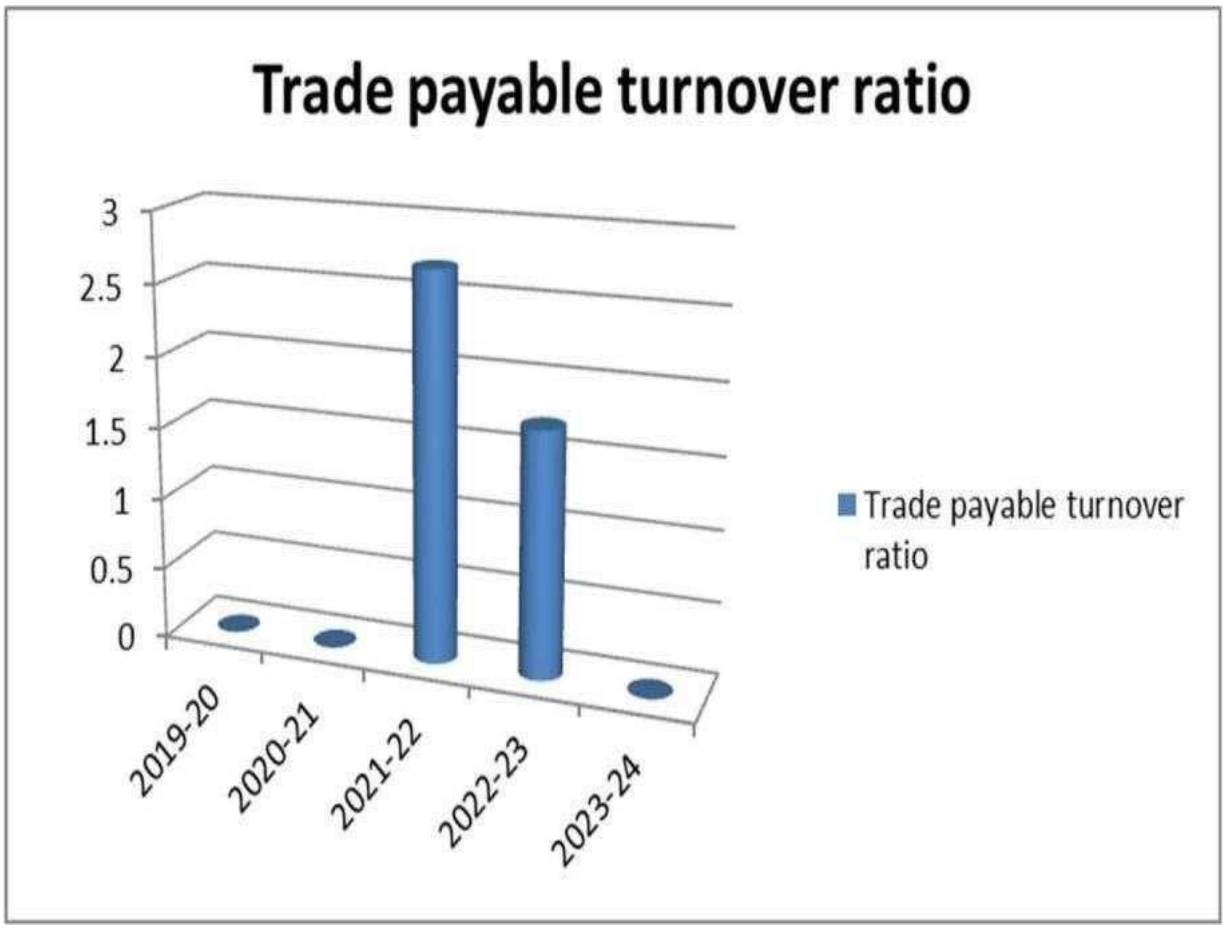
Average Trade Payables = Opening Trade Payables + Closing Trade Payables / 2

Year	Opening Trade Payables(Amt.)	Closing Trade Payables(Amt.)	AverageTrade Payables(Amt.)	Net Purchases or COGS(Amt.)	Ratio (in times)	Average Payment Method
2019-20	4852.32	8.74	2430.53	0.00	**0.00**	0.00
2020-21	8.74	8.74	8.74	0.00	**0.00**	0.00
2021-22	8.74	4.57	6.65	17.97	**2.70**	135.1
2022-23	4.57	6.61	5.59	9.59	**1.71**	213.4
2023-24	6.61	16.37	11.49	0.00	**0.00**	0.00

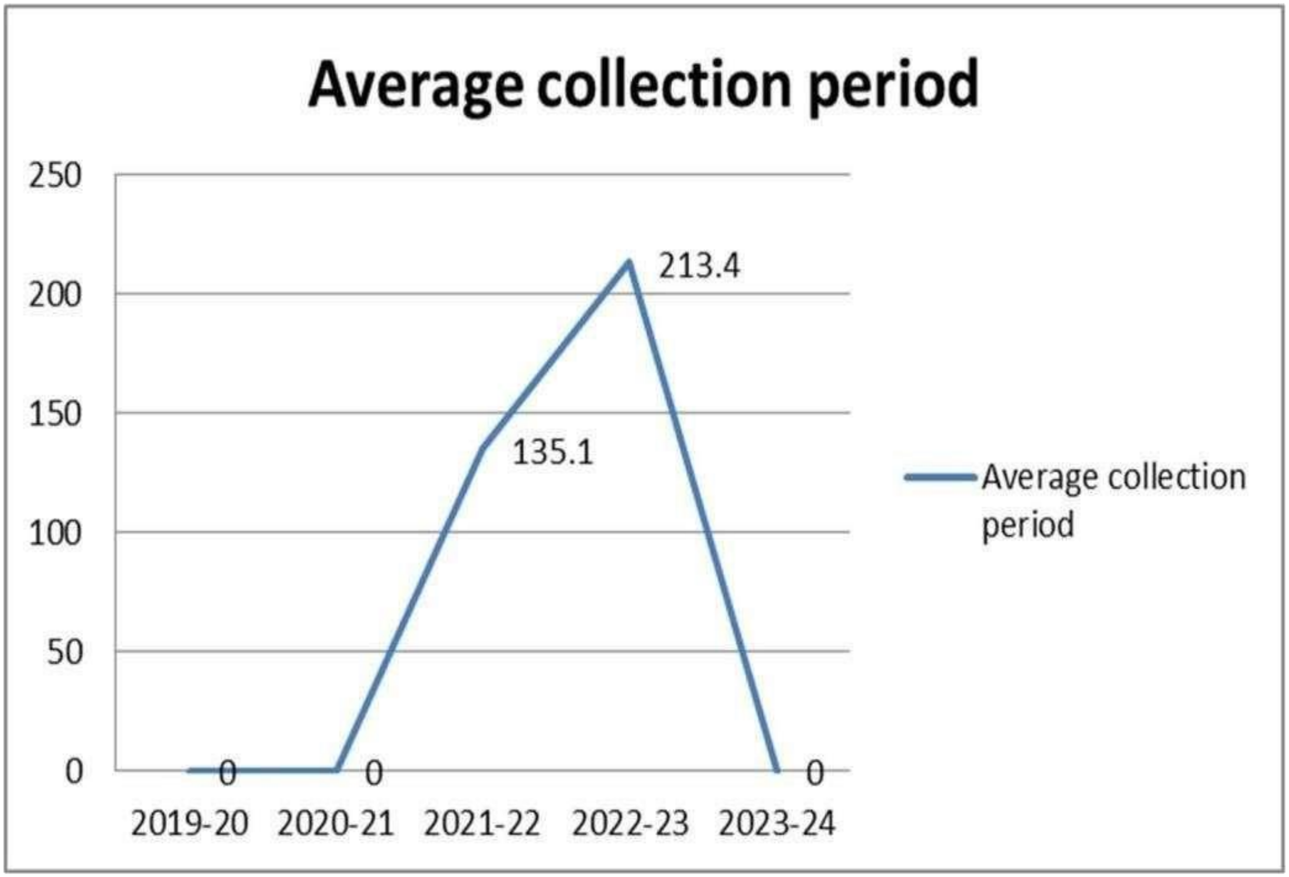
INTERPRETATION:

In 2019-20,21,24,the ratio was the lowest it showed an increasing trend. Increasing accounts payable turnover ratio could be an indication that the company managing its debts and cash flow effectively. In the year 2021-22, the ratio was which is the highest in the 5 years period.

However in 2022-23 it fell down .A decreasing turnover ratio indicates that a company is taking longer to pay off its suppliers than in previous periods



AVERAGE PAYMENT PERIOD



INTERPRETATION:

The year 2019-20,21 had the shortest payment period of 0 days. A shorter payment period indicates prompt payments to creditors. Like accounts payable turnover ratio, average payment period also indicates the creditworthiness of the company. In the 2021-22, it increased to reach 2.70 days. Companies having long payment period can use the available cash for short-term investments and to increase their working capital and cash flow.

➔ NET OPERATING CYCLE

The Net Operating Cycle or the Cash Conversion Cycle (CCC) is a metric that expresses the length of time (in days) that it takes for a company to convert its investments in inventory and other resources into cash flows from sales.

The Net Operating Cycle can be calculated as follows:

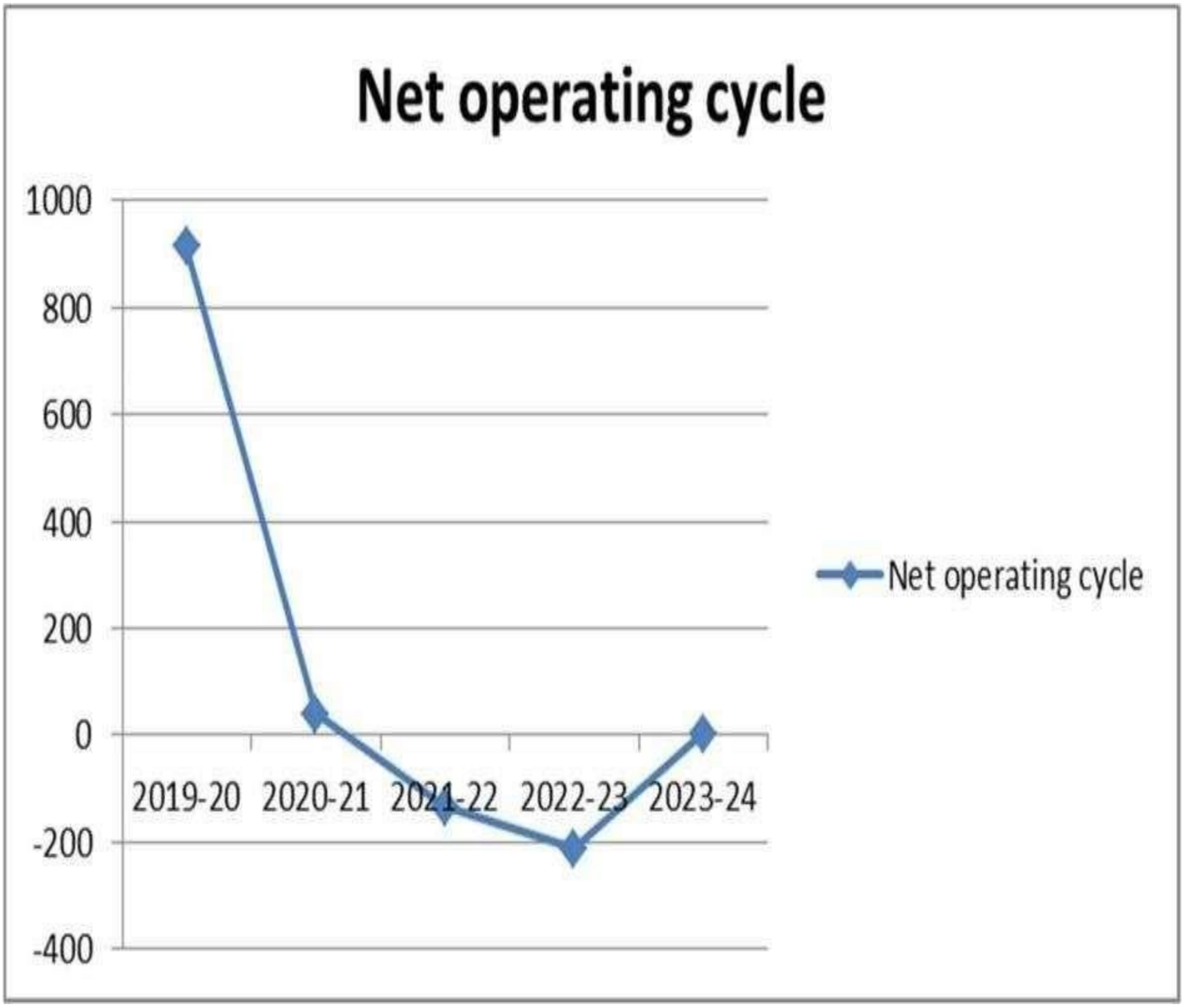
Net Operating Cycle = (Inventory Holding Days + Receivables Collection Days) – Payables Payment Days

Year	Inventory Holding Days (A)	Receivable Collection Days (B)	Payables Payment Days (C)	Gross Operating Cycle (A+B)	Net Operating Cycle(A+B)-C
2019-20	0	912.5	0.00	912.5	912.5
2020-21	0	40.91	0.00	40.91	40.91
2021-22	0	2.46	135.1	2.46	-132.64
2022-23	0	2.05	213.4	2.05	-211.35
2023-24	0	2.50	0.00	2.50	2.50

INTERPRETATION:

In the year 2019-20, the company takes 912.5 days to receive cash and to pay the creditors .This means that the cash is tied up for 912.5 days. In 2022-23, the company could generate cash in only -132.64 days. Having a shorter net operating cycle signifies an effective management of working capital. Having longer operating cycles means that the company takes a longer time for generating cash which can pose liquidity problems. The longer the cash is tied up, the more money will be needed to be borrowed to run the day-to-day operation .In the case of Aditya Birla Finance Ltd,the net operating cycle has shorter over the years which indicates that the cash is generating in the operations and is conducive to a healthy working capital level. For all years, Aditya Birla Finance ltd has a positive working cycle.

Sometimes, businesses can have a negative working capital cycle where they collect money faster than they pay off bills.


Net operating cycle
1000
800
600
400
200
0
-200
-400
2019-20
2020-21
2021-22
2022-23
2023-24
Net operating cycle

3. PROFITABILITY RATIOS

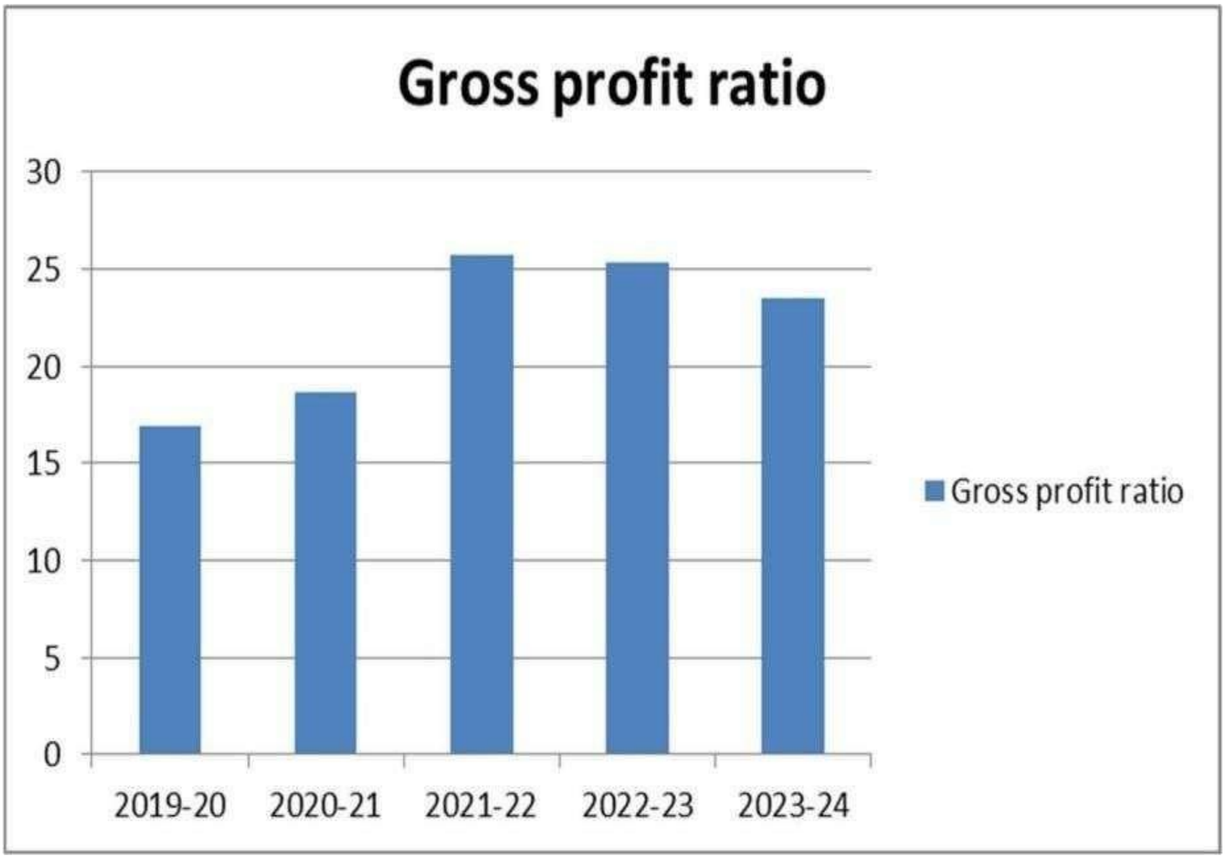
Profitability ratio is used to evaluate the company's ability to generate income as compared to its expenses and other cost associated with the generation of income during a particular period. There is a close relationship between the profit and the efficiency with which the resources employed in the business are utilized.

- **GROSS PROFIT RATIO**

Gross profit ratio as a percentage of revenue from operations is computed to have an idea about gross margin.It is calculated using the following formula:

Gross Profit Ratio = (Gross Profit i.e Profit Before Tax / Revenue from operations)x100

Year	Gross Profit (Amt.)	Revenue from operation(Amt.)	Ratio(%)
2019-20	1052.90	6201.74	16.9
2020-21	103141.23	551799.78	18.69
2021-22	148711.64	578485.60	25.7
2022-23	209018.38	823686.83	25.3
2023-24	298706.60	1270221.87	23.51



INTERPRETATION:

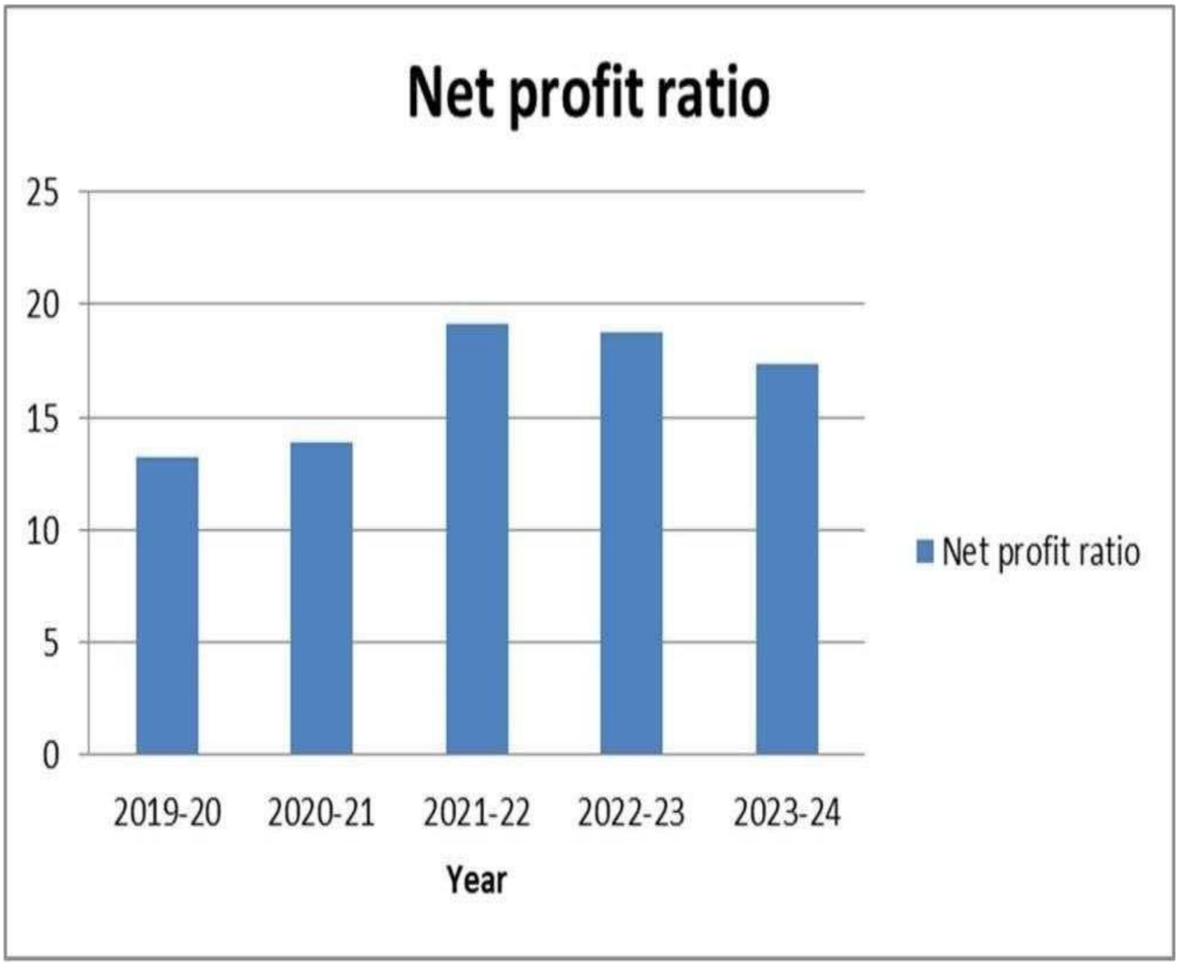
The Gross Profit Ratio graph shows a clear rise. In 2019-20, the ratio was lowest at 16.9. It steadily increased every year and was the highest in the year 2021-22 at 25.7. A higher Gross Profit Ratio is favourable as is means that the company can cover all expenses and provide for profit. A consistent improvement in gross profit ratio over the past years is the indication of efficient management.

- **NET PROFIT RATIO**

This ratio measures the overall profitability of company considering all direct as well as indirect cost. Generally, net profit refers to profit after tax (PAT).

Net Profit Ratio = (Net Profit / Revenue from Operations)x100

Year	Net Profit (Amt.)	Revenue from operation(Amt.)	Ratio (%)
2019-20	80494.60	607642.46	13.2
2020-21	76833.21	551799.78	13.9
2021-22	110833.06	578485.60	19.1
2022-23	155375.75	823686.83	18.8
2023-24	222085.60	1270221.87	17.4



INTERPRETATION:

The Net Profit Ratio has increased over the years. In the year 2019-20 it was 13.2, the lowest among the 5 years. From next year onwards it showed an increasing trend. In 2021-22,It was the highest at 19.1. A higher ratio shows the overall profitability of the business and efficient management of the business affairs. A high net profit margin means that a company is able to effectively control its costs and/or provide goods or services at a price significantly higher than its costs. Therefore, a high ratio can result from efficient management, low costs and expenses or strong pricing strategies.

➔ COMPARATIVE ANALYSIS OF WORKING CAPITAL

1. CHANGES IN WORKING CAPITAL FOR THE YEAR 2023-24

Particulars	31 March 2024	31 March 2023	Increase/decrease	%Change
Current Assets Financial Assets: 1. Investments 2.Trade Receivables 3.Cash & Cash Equivalents 5. Other Financial Assets	 586237.68 2891.50 19030.95 8074.93	 370269.62 4030.61 38763.43 14751.79	 215968.06 -1139.11 -19732.48 -6676.86	 58.3 -28.2 -50.9 -45.2
Other Current Assets	100.00	Nil	100.00	0
Total Current Assets	11007902.47	8312849.19	2695053.28	32.4
Gross Working capital	11007902.47	8312849.19	2695053.28	32.4
(-)Current Liabilities Financial Liabilities: 1. Trade Payables 2.Debt securities 3.Borrowings 4.Subordinated liabilities 5.Lease liabilities 6.other financial Liabilitties	 57689 3052710.49 5889303.38 287201.14 29096.52 227427.24	 69756.46 2353485.51 4478597.46 244990.45 19648.20 68919.82	 -1206.75 699225 1410706 42210.69 9448.32 158507.4	 -20.9 22.9 23.9 14.6 32.4 69.9
Provisions	7920.45	6463.72	1456.73	18.3
Total current liabilities	9551348.22	7241861.62	2309487	24.1
Net Working Capital	**1456554.25**	**1070987.57**	**385566.28**	**8.3**

INTERPRETATION:

We can see from the above table that there is an increase of 8.3% in the Net Working Capital. If the Net Working capital is increasing, we can conclude that the company's liquidity is increasing. It could indicate that the company is able to utilize its existing resources in a better way. This can be attributed to the major decrease in the Cash & Cash Equivalents(C & CE) and Other Financial Assets. Cash & Cash Equivalents were at 38763.63 in 2023 which decreased to 19030.95 Rs in 2024. The change in C & CE was -50.9.Companies with not a healthy amount of cash and cash equivalents can reflect negative in their ability to meet their short-term debt obligations. Other Financial Assets decreased by -4.52%.

2. CHANGES IN WORKING CAPITAL FOR THE YEAR 2022-23

Particulars	31 March 2022	31 March 2023	Increase/decrease	%Change
Current Assets				
Financial Assets:				
1. Investments	169403.56	370269.62	200866.06	118.5
2.Trade Receivables	1243.96	4030.61	2786.65	224.04
3.Cash & Cash Equivalents	59571.14	38763.43	-20807.71	-34.9
5. Other Financial Assets	5361.81	14751.79	9389.98	175.1
Other Current Assets	9681.37	Nil	-9681.37	0
Total Current Assets	560602688	8312849.19	-552289839	-98.5
Gross Working capital	560602688	8312849.19	-552289839	-98.5
(-)Current Liabilities				
Financial Liabilities:				
1. Trade Payables	24221.63	69756.46	45534.83	187.9
2.Debt securities	1578125.70	2353485.51	775359.81	49.1
3.Borrowings	2771715.04	4478597.46	1706882.42	61.5
4.Subordinated liabilities	248733.99	244990.45	-3743.54	-1.5
5.Lease liabilities	12910.38	19648.20	6737.82	52.1
6.other financial Liabilities	47013.29	68919.82	21906.53	46.5
Provisions	10421.69	6463.72	-3957.97	-37.9
Total current liabilities	4693141.72	7241861.62	2548719.9	54.3
Net Working Capital	**555909546.3**	**1070987.57**	**-554838558.7**	**-99.8**

INTERPRETATION:

The Net working Capital has decreased by 99.8% . There is a decrease in many components of Financial Assets. The Trade Payables have increased considerably. The amount payable 187.9.If Average Payables increases over a period, it means the company is buying more goods or services on credit, rather than paying cash

3. CHANGES IN WORKING CAPITAL FOR THE YEAR 2021-2022

Particulars	31 March 2022	31 March 2021	Increase/decrease	%Change
Current Assets Financial Assets: 1. Investments 2.Trade Receivables 3.Cash & Cash Equivalents 5. Other Financial Assets	 169403.56 1243.96 59571.14 5361.81	 79290.90 998.86 151098.56 5117.95	 90112.66 245.1 -91527.42 243.86	 113.6 24.5 -60.5 4.7
Other Current Assets	9681.37	1913.09	7768.28	406.05
Total Current Assets	560602688	4948162.72	555654525.3	11229.5
Gross Working capital	560602688	4948162.72	555654525.3	11229.5
(-)Current Liabilities Financial Liabilities: 1. Trade Payables 2.Debt securities 3.Borrowings 4.Subordinated liabilities 5.Lease liabilities 6.other financial Liabilities	 24221.63 1578125.70 2771715.04 248733.99 12910.38 47013.29	 11172.31 1657875.04 2245460.08 218183.26 10224.64 31157.53	 13049.32 -79749.34 526254.96 30550.73 2685.74 15855.76	 116.8 -4.81 23.4 14.0 26.26 50.8
Provisions	10421.69	8062.51	2359.18	29.2
Total current liabilities	4693141.72	4174072.86	519068.86	12.4
Net Working Capital	**555909546.3**	**774089.9**	**555135456.4**	**717.14**

INTERPRETATION:

The Investment have increased by 113.6 .The trade receivable has increased by 24.5%.The debt have reduced by 4.81%.There is a substantial increase in the Net Working Capital by 717.14%.

4. CHANGES IN WORKING CAPITAL FOR THE YEAR 2020-2021

Particulars	31 March 2021	31 March 2020	Increase/decrease	%Change
Current Assets Financial Assets: 1. Investments 2.Trade Receivables 3.Cash & Cash Equivalents 5. Other Financial Assets	 79290.90 998.86 151098.56 5117.95	 3342.40 11.95 1820.43 43.42	 -2549.49 -1.96 13282.56 7.76	 -76.2 -16.4 729.6 17.8
Other Current Assets	1913.09	nil	1913.09	0
Total Current Assets	4948162.72	51257.63	-1276	-2.4
Gross Working capital	4948162.72	51257.63	-1276	-2.4
(-)Current Liabilities Financial Liabilities: 1. Trade Payables 2.Debt securities 3.Borrowings 4.Subordinated liabilities 5.Lease liabilities 6.other financial Liabilities	 11172.31 1657875.04 2245460.08 218183.26 10224.64 31157.53	 104.67 17869.23 23484.64 2101.42 89.10 114.04	 7.06 -1290.48 -1030.04 80.41 13.15 197.53	 6.7 -7.2 -4.3 3.8 14.7 173.2
Provisions	8062.51	97.03	-16.41	-16.9
Total current liabilities	4174072.86	4386013	-2038.78	-4.6
Net Working Capital	**774089.9**	**7397.5**	**762.78**	**2.2**

INTERPRETATION:

The Net Working Capital has significantly increased from 2.2% in the year ended 31st March 2021.This can be attributed to the rise in Other Financial Assets by 17.8%.Cash & Cash Equivalents have increased by 729.6%.The Borrowings have reduced by -4.3%.

5. CHANGES IN WORKING CAPITAL FOR THE YEAR 2019-2020

Particulars	31 March 2020	31 March 2019	Increase/decrease	%Change
Current Assets Financial Assets: 1. Investments 2.Trade Receivables 3.Cash & Cash Equivalents 5. Other Financial Assets	 3342.40 11.95 1820.43 43.42	 1576.51 10.74 59.09 28.24	 1765.89 1.21 1761.34 15.18	 112.1 11.2 2980.7 53.7
Other Current Assets	nil	nil	0	0
Total Current Assets	51257.63	51862.91	-605.28	-1.1
Gross Working capital	51257.63	51862.91	-605.28	-1.1
(-)Current Liabilities Financial Liabilities: 1. Trade Payables 2.Debt securities 3.Borrowings 4.Subordinated liabilities 5.Lease liabilities 6.other financial Liabilities	 104.67 17869.23 23484.64 2101.42 89.10 114.04	 49.46 22648.56 19667.29 2044.55 Nil 363.12	 55.21 -4779.33 3817.35 56.87 89.1 -249.08	 111.6 -21.1 19.4 2.7 0 -68.5
Provisions	97.03	88.59	8.44	9.5
Total current liabilities	4386013	44861.57	4341151.43	9676.7
Net Working Capital	**7397.5**	**7001.34**	**-4341757**	**-9678.3**

INTERPRETATION:

In the year 2019-20, the current assets have decreased by 1.1%. A component of current assets,namely Other Financial Assets have increased by 53.7%.Other financial Liabilities have also decreased by 68.5%. This has led to the decrease in Net Working Capital by 967.3%.

FINDINGS :

The Current Ratio shows that the company's liquidity position is ideal as per the standard ratio 2:1 it is greater than 1 which indicates the company's ability to pay off its current obligations.

The Net Operating Cycle has decreased from 912.5 days in 2019-20 to 2.50 days in 2023-24.

The Working Capital Ratio has declined over the years from -9678.3 in 2019-20 to 8.3 in 2023-24 which is not favourable.

Trade Payables Ratio, Quick Ratio and Receivables Ratio is stable.

Net Profit Ratio has shown increasing trend.

CONCLUSION :

The Project Report was initiated with the objective to study the working capital management in Aditya Birla Finance Limited.We can conclude that the company's profitability has increased over the years.The Ratios of the company are satisfactory and the company enjoys a balance of liquidity and profitability. On the basis of the analysis, we can further conclude that the overall management of working capital is sound.

SUGGESTIONS :

There are no major deficiencies in the management of working capital, however, there is a need for improvement in some ratios like Receivables ratio in order to enhance the liquidity and profitability position to the greater level. The Working Capital Turnover Ratio can also be improved by maintaining an optimal level of working capital without incurring liquidity risks which will be beneficial to the company's daily operations and long term investments and the company can reduce the average collection days by reviewing its credit terms and policies with an aim to shorten its Net Operating Cycle.

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2. Financial Management for CA Intermediate by Institute of Chartered Accountants of India.

3. Financial Analysis & Control for M.Com by Nirali Prakas

ANNEXURE

Standalone Balance Sheet

as at 31st March 2024

(₹ Crore)

Particulars	Note No.	As at 31st March 2024	As at 31st March 2023
I ASSETS			
(1) Financial Assets			
(a) Cash and Cash Equivalents	3	9.03	1.48
(b) Bank Balances other than (a) above	4	1,043.07	0.26
(c) Receivables	5		
(i) Trade Receivables		-	-
(ii) Other Receivables		30.48	17.12
(d) Loans	6	11.22	9.70
(e) Other Financial Assets	7	1.16	1.32
(f) Investments	8	12,985.18	10,213.91
Sub Total		**14,080.14**	**10,243.79**
(2) Non-Financial Assets			
(a) Current Tax Assets (Net)	57	2.89	1.88
(b) Investment Property	9	13.94	14.37
(c) Property, Plant and Equipment	10	5.36	5.18
(d) Right-to-Use of Assets	33	10.61	5.50
(e) Other Intangible Assets	11	-	0.03
(f) Other Non-Financial Assets	12	9.27	11.49
(g) Assets Held for Sale	50	0.09	-
Sub Total		**42.16**	**38.45**
Total Assets		**14,122.30**	**10,282.24**
II LIABILITIES AND EQUITY			
LIABILITIES			
(1) Financial Liabilities			
(a) Payables			
- **Trade Payables**			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises		-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises	13	16.37	6.61
- **Other Payables**			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises		-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises		-	-
(b) Lease Liabilities	33	11.78	5.90
(c) Other Financial Liabilities	14	19.06	20.29
Sub Total		**47.21**	**32.80**
(2) Non-Financial Liabilities			
(a) Current Tax Liabilities (Net)	57	0.99	30.08
(b) Provisions	15	25.11	17.23
(c) Deferred Tax Liabilities (Net)	16	100.92	99.45
(d) Other Non-Financial Liabilities	17	9.49	4.74
Sub Total		**136.51**	**151.50**
(3) Equity			
(a) Equity Share Capital	18	2,600.02	2,417.99
(b) Other Equity	19	11,338.56	7,679.95
Total Equity		**13,938.58**	**10,097.94**
Total Liabilities and Equity		**14,122.30**	**10,282.24**

Standalone Statement of Profit and Loss

for the year ended 31st March 2024

(₹ Crore)

Particulars	Note No.	Year ended 31st March 2024	Year ended 31st March 2023
REVENUE FROM OPERATIONS			
Interest Income	20	89.58	19.84
Dividend Income	21	75.62	186.28
Net Gain on Fair Value Changes	22	58.60	12.44
Gain on Sale of Investments	23	635.77	-
Total Revenue from Operations		**859.57**	**218.56**
Other Income	24	1.17	3.96
Total Income		**860.74**	**222.52**
EXPENSES			
(a) Finance Costs	25	0.14	0.08
(b) Impairment on Financial Instruments	26	0.01	(0.60)
(c) Employee Benefits Expense	27	30.66	25.86
(d) Depreciation and Amortisation Expenses	28	0.76	0.81
(e) Other Expenses	29	33.83	12.17
Total Expenses		**65.40**	**38.32**
Profit Before Tax		**795.34**	**184.20**
Tax Expenses			
Current Tax		109.69	43.73
Excess Provision for Current Tax Related to Earlier Years		(30.08)	-
Deferred Tax		1.45	(0.82)
Total Tax Expense (Net)		**81.06**	**42.91**
Profit After Tax		**714.28**	**141.29**
Other Comprehensive Income (OCI)	30		
(i) Items that will not be reclassified to Profit or Loss		(0.16)	(0.54)
(ii) Income Tax relating to items that will not be reclassified to Profit or Loss		0.03	0.14
Other Comprehensive Income for the Year		**(0.13)**	**(0.40)**
Total Comprehensive Income for the Year		**714.15**	**140.89**
Earnings Per Equity Share (Face Value of ₹ 10 each)			
Basic - (₹)	31	2.80	0.58
Diluted - (₹)		2.77	0.58

Standalone Balance Sheet

as at 31st March 2022

(₹ crore)

Particulars	Note No.	As at 31 Mar 22	As at 31 Mar 21
I ASSETS			
(1) Financial Assets			
(a) Cash and Cash Equivalents	3	1.47	2.07
(b) Bank Balances other than (a) above	4	0.26	0.26
(c) Receivables	5		
(i) Trade Receivables		-	-
(ii) Other Receivables		10.96	9.36
(d) Loans	6	160.36	104.08
(e) Other Financial Assets	7	2.32	2.08
(f) Investments	8	9,845.72	9,554.54
Sub-Total		**10,021.09**	**9,672.39**
(2) Non-Financial Assets			
(a) Current Tax Assets (Net)		13.24	17.04
(b) Investment Property	9	14.81	15.24
(c) Property, Plant and Equipment	10	3.85	4.26
(d) Capital Work-in-Progress		-	0.12
(e) Right-to-Use of Assets		8.07	10.79
(f) Other Intangible Assets	11	0.11	0.30
(g) Other Non-Financial Assets	12	16.71	14.96
Sub-Total		**56.79**	**62.71**
Total Assets		**10,077.88**	**9,735.10**
II LIABILITIES AND EQUITY			
LIABILITIES			
(1) Financial Liabilities			
(a) Payables			
Trade Payables			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises		-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises (Refer Note No. 44)	13	4.57	8.74
Other Payables			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises		-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises		-	-
(b) Lease Liabilities		8.45	10.99
(c) Other Financial Liabilities	14	23.72	19.87
Sub-Total		**36.74**	**39.60**
(2) Non-Financial Liabilities			
(a) Provisions	15	29.10	44.42
(b) Deferred Tax Liabilities (Net)	16	100.26	96.33
(c) Other Non-Financial Liabilities	17	3.59	3.78
Sub-Total		**132.95**	**144.53**
(3) Equity			
(a) Equity Share Capital	18	2,416.31	2,415.28
(b) Other Equity	19	7,491.88	7,135.69
Total Equity		**9,908.19**	**9,550.97**
Total Liabilities and Equity		**10,077.88**	**9,735.10**

Standalone Statement of Profit and Loss

for the year ended 31st March 2022

(₹ crore)

Particulars	Note No.	Year Ended 31 Mar 22	Year Ended 31 Mar 21
REVENUE FROM OPERATIONS			
(a) Interest Income	20	13.91	12.47
(b) Dividend Income	21	243.84	82.94
(c) Net Gain/(Loss) on Fair Value Changes	22	(1.16)	12.48
(d) Gain on Sale of Investments	23	196.12	-
Total Revenue from Operations		**452.71**	**107.89**
Other Income	24	1.36	0.88
Total Income		**454.07**	**108.77**
EXPENSES			
(a) Finance Costs	25	0.11	0.14
(b) Impairment on Financial Instruments	26	0.23	0.34
(c) Employee Benefits Expenses	27	20.48	21.98
(d) Depreciation and Amortisation	28	0.88	1.35
(e) Other Expenses	29	13.32	12.67
Total Expenses		**35.02**	**36.48**
Profit Before Tax		**419.05**	**72.29**
Tax Expenses			
Current Tax		70.42	4.38
Deferred Tax		3.94	(5.12)
Total Tax Expenses		**74.36**	**(0.74)**
Profit After Tax		**344.69**	**73.03**
Other Comprehensive Income	30		
(i) Items that will not be reclassified to Profit or Loss (Net of Tax)		0.04	0.34
(ii) Income Tax relating to items that will not be reclassified to Profit or Loss		(0.01)	(0.09)
Other Comprehensive Income for the Year, Net of Tax		**0.03**	**0.25**
Total Comprehensive Income for the Year		**344.72**	**73.28**
Earnings Per Equity Share (Face Value of ₹ 10 each)			
Basic - (₹)	31	1.43	0.30
Diluted - (₹)		1.43	0.30

Standalone Balance Sheet
as at 31st March 2021

₹ crore

Particulars	Note No.	As at 31st March 2021	As at 31st March 2020
I ASSETS			
(1) Financial Assets			
(a) Cash and Cash Equivalents	3	2.07	6.21
(b) Bank Balance other than (a) above	4	0.26	0.26
(c) Receivables	5		
(i) Trade Receivables		-	-
(ii) Other Receivables		9.36	14.83
(d) Loans	6	104.08	20.07
(e) Other Financial Assets	7	2.08	2.84
(f) Investments	8	9,554.54	9,528.14
Sub-Total		**9,672.39**	**9,572.35**
(2) Non-Financial Assets			
(a) Current Tax Assets (Net)		17.04	17.30
(b) Investment Properties	9	15.24	15.68
(c) Property, Plant and Equipment	10	4.26	6.00
(d) Capital Work-in-Progress		0.12	0.12
(e) Intangible Assets Under Development		-	0.05
(f) Right-to-Use of Assets		10.79	1.55
(g) Other Intangible Assets	11	0.30	1.86
(h) Other Non-Financial Assets	12	14.96	11.50
Sub-Total		**62.71**	**54.06**
Total Assets		**9,735.10**	**9,626.41**
II LIABILITIES AND EQUITY			
LIABILITIES			
(1) Financial Liabilities			
(a) Trade Payables			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises		-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises (Refer Note No. 42)		8.74	8.74
(b) Lease Liabilities		10.99	1.24
(c) Other Financial Liabilities	13	19.87	18.44
Sub-Total		**39.60**	**28.42**
(2) Non-Financial Liabilities			
(a) Provisions	14	44.42	34.95
(b) Deferred Tax Liabilities (Net)	15	96.33	101.44
(c) Other Non-Financial Liabilities	16	3.78	4.88
Sub-Total		**144.53**	**141.27**
(3) Equity			
(a) Equity Share Capital	17	2,415.28	2,413.76
(b) Other Equity	18	7,135.69	7,042.96
Total Equity		**9,550.97**	**9,456.72**
Total Liabilities and Equity		**9,735.10**	**9,626.41**

Standalone Statement of Profit and Loss

for the year ended 31st March 2021

₹ crore

Particulars	Note No.	Year Ended 31st March 2021	Year Ended 31st March 2020
REVENUE FROM OPERATIONS			
Interest Income	19	12.47	19.10
Dividend Income	20	82.94	175.72
Net Gain/(Loss) on Fair Value Changes	21	12.48	5.00
Total Revenue from Operations		**107.89**	**199.82**
Other Income	22	0.88	1.46
Total Income		**108.77**	**201.28**
EXPENSES			
(a) Finance Costs	23	0.14	77.02
(b) Impairment on Financial Instruments including Loss on Derecognition of Financial Assets at Amortised Cost (Expected Credit Loss)	24	0.34	(0.05)
(c) Employee Benefits Expenses	25	21.98	22.03
(d) Depreciation and Amortisation	26	1.35	1.28
(e) Other Expenses	27	12.67	44.18
Total Expenses		**36.48**	**144.46**
Profit Before Exceptional Items and Tax		72.29	56.82
Exceptional Items (Refer Note No. 48)		-	(29.17)
Profit/(Loss) Before Tax		**72.29**	**27.65**
Tax Expenses			
Current Tax		4.38	-
(Excess)/Provision for Tax related to earlier years (Net)		-	-
Deferred Tax		(5.12)	(2.20)
Total Tax Expenses		**(0.74)**	**(2.20)**
Profit/(Loss) for the Year		**73.03**	**29.85**
Other Comprehensive Income	28		
(i) Items that will not be reclassified to Profit or Loss (Net of Tax)		0.34	(0.46)
(ii) Income Tax relating to items that will not be reclassified to Profit and Loss		(0.09)	-
Other Comprehensive Income for the Year, Net of Tax		**0.25**	**(0.46)**
Total Comprehensive Income for the Year		**73.28**	**29.39**
Earnings per Equity Share (Face Value of ₹ 10 each)			
Basic - (₹)	29	0.30	0.13
Diluted - (₹)		0.30	0.13
Significant Accounting Policies	2		
The accompanying Notes are an integral part of the Financial Statements.			

STANDALONE BALANCE SHEET

as at 31st March, 2020

₹ crore

Particulars	Note No.	As at 31st March, 2020	As at 31st March, 2019
I ASSETS			
(1) Financial Assets			
(a) Cash and Cash Equivalents	3	6.21	4.26
(b) Bank Balance other than (a) above	4	0.26	0.26
(c) Receivables	5		
(i) Trade Receivables		-	-
(ii) Other Receivables		14.83	11.26
(d) Loans	6	22.91	120.84
(e) Investments	7	9,528.14	8,709.18
	Sub-Total	**9,572.35**	**8,845.80**
(2) Non-Financial Assets			
(a) Current Tax Assets (Net)		17.30	14.77
(b) Investment Properties	8	15.68	16.11
(c) Property, Plant and Equipment	9	6.00	8.26
(d) Capital Work-in-Progress		0.12	-
(e) Intangible Assets Under Development		0.05	-
(f) Right-to-Use of Assets		1.55	-
(g) Other Intangible Assets	10	1.86	3.78
(h) Other Non-Financial Assets	11	11.50	10.59
	Sub-Total	**54.06**	**53.51**
	Total Assets	**9,626.41**	**8,899.31**
II LIABILITIES AND EQUITY			
LIABILITIES			
(1) Financial Liabilities			
(a) Trade Payables			
(i) Total Outstanding Dues of Micro Enterprises and Small Enterprises		-	-
(ii) Total Outstanding Dues of Creditors other than Micro Enterprises and Small Enterprises (Refer Note No. 42)		8.74	8.62
(b) Debt Securities	12	-	1,439.88
(c) Lease Liabilities		1.24	-
(d) Other Financial Liabilities	13	18.44	22.04
	Sub-Total	**28.42**	**1,470.54**
(2) Non-Financial Liabilities			
(a) Provisions	14	34.95	28.24
(b) Deferred Tax Liabilities (Net)	15	101.44	103.65
(c) Other Non-Financial Liabilities	16	4.88	1.88
	Sub-Total	**141.27**	**133.77**
(3) Equity			
(a) Equity Share Capital	17	2,413.76	2,201.40
(b) Other Equity	18	7,042.96	5,093.60
	Total Equity	**9,456.72**	**7,295.00**
	Total Liabilities and Equity	**9,626.41**	**8,899.31**

STATEMENT OF PROFIT AND LOSS

for the year ended 31st March, 2020

₹ crore

Particulars	Note No.	Year ended 31st March, 2020	Year ended 31st March, 2019
REVENUE FROM OPERATIONS			
Interest Income	19	19.10	18.45
Dividend Income	20	175.72	162.21
Net (Loss)/Gain on Fair Value Changes	21	5.00	(2.88)
Total Revenue from Operations		**199.82**	**177.78**
Other Income	22	1.46	0.71
Total Income		**201.28**	**178.49**
EXPENSES			
(a) Finance Costs	23	77.02	88.53
(b) Impairment on Financial Instruments including Loss on Derecognition of Financial Assets at Amortised Cost (Expected Credit Loss)	24	(0.05)	0.18
(c) Employee Benefits Expenses	25	22.03	27.05
(d) Depreciation and Amortisation	26	1.28	0.87
(e) Other Expenses	27	44.18	43.18
Total Expenses		**144.46**	**159.81**
Profit Before Exceptional Items and Tax		**56.82**	**18.68**
Exceptional Items (Refer Notes No 43 and 49)		(29.17)	(30.32)
Profit/(Loss) Before Tax		**27.65**	**(11.64)**
Tax Expenses			
Current Tax		-	-
(Excess)/Provision for Tax related to earlier years (Net)		-	(2.43)
Deferred Tax		(2.20)	0.39
Total Tax Expenses		**(2.20)**	**(2.04)**
Profit/(Loss) for the Year		**29.85**	**(9.60)**
Other Comprehensive Income	28		
(i) Items that will not be reclassified to Profit or Loss (Net of Tax)		(0.46)	0.03
Total Comprehensive Income for the Year		**29.39**	**(9.57)**
Earnings per Equity Share (Face Value of ₹ 10 each)			
Basic - (₹)	29	0.13	(0.04)
Diluted - (₹)		0.13	(0.04)
Significant Accounting Policies	2		

The accompanying Notes are an integral part of the Financial Statements.

➔ Questionnaire

1. What is the primary focus of working capital management at Aditya Birla Finance Limited?

[ ] Maximizing profits

[ ] Ensuring liquidity and smooth operations

[ ] Reducing operational costs

[ ] Expanding market share

2. What strategy is used to optimize the cash conversion cycle?

[ ] Extending payment terms with creditors

[ ] Accelerating receivables collection

[ ] Reducing inventory levels

[ ] All of the above

3. How are accounts receivable managed to ensure timely collections?

[ ] Strict credit policies

[ ] Offering cash discounts

[ ] Regular follow-ups with clients

[ ] All of the above

4. What is the typical approach to managing accounts payable?

[ ] Paying immediately upon receiving invoices

[ ] Negotiating longer credit terms with suppliers

[ ] Prioritizing payments based on vendor relationship

[ ] Delaying payments to maximize cash reserves

5. Which tools are used for cash flow management and forecasting?

[ ] Excel spreadsheets

[ ] ERP systems like SAP/Oracle

[ ] Custom in-house software

[ ] Don’t know

6. What is the most common source of short-term funding for working capital?

[ ] Bank overdrafts

[ ] Commercial papers

[ ] Short-term loans

[ ] Internal reserves

7. How does the company handle surplus cash?

[ ] Invest in short-term market instruments

[ ] Maintain it in liquid cash reserves

[ ] Allocate to long-term projects

[ ] Pay off short-term liabilities

8. What is the biggest challenge in managing working capital?

[ ] Delays in receivables collection

[ ] High financing costs

[ ] Volatility in cash flow

[ ] Lack of technological tools

9. What recent initiative has been taken to improve working capital management?

[ ] Implementation of advanced cash flow forecasting tools

[ ] Negotiating better terms with vendors

[ ] Automating accounts receivable/payable processes

[ ] All of the above

10. How does Aditya Birla Finance align working capital management with growth objectives?

[ ] By reducing operational costs

[ ] By ensuring sufficient liquidity for expansion

[ ] By diversifying funding sources

[ ] All of the above