



WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE OF TATA STEEL LTD.

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ABSTRACT

A operating capital management guarantees a agency has sufficient coins drift for you to meet its shortterm debt obligations and working fees. The desires of efficient working capital management have to be taken into consideration when it comes to other factors of the companies' financial and non-financial performance. An green working Capital control is predicted to make a contribution to the excessive monetary overall performance. the principle purpose of this study became to research the running capital control and its impact on firms' financial overall performance. The efficiency of working capital management became investigated via the coins conversion cycle. The studies trouble targeted right here—what quantity the working capital management impacts on financial overall performance of the metal corporations?—a sturdy substantial dating among working capital management and profitability has been identified in preceding studies. It became assumed that — the efficient operating capital management has strong impact on financial overall performance. The based variable return on belongings is used as a measure of profitability of economic overall performance and its' courting with operating capital control became investigated to find out the outcomes.

Keywords : *Working Capital management, monetary performance,.*

INTRODUCTION & REVIEW OF LITERATURE

economic management performs an important role in control activities of groups. financial management sports help to make certain capital for businesses, to take measures so that you can elevate operation efficiency and to manipulate the commercial enterprise operation of firms. The contents of financial management include long- term investment decisions, financing decisions, short-time period monetary choices (or running capital management), and many other choices inclusive of repurchase and mergence, repurchase of organisation's stocks.

operating capital measures a organization's performance and represents the liquid property which can be to be had with a firm. It also shows firm's quick term economic fitness and its ability to meet everyday running rate. accordingly, running capital management has a considerable impact on firm overall performance. but, in exercise, for Vietnamese firms, how to manipulate running capital efficiently continues to be a problem. therefore, it's miles important to quantify the relationship between working capital management and firm performance. From that factor, the managers can have concrete and correct foundations to manipulate operating capital of their corporations.

it is verified through many empirical research that the overall performance of firms can be prompted by many financial control performs an crucial role in management activities of corporations. economic management sports help to ensure capital for enterprises, to take measures with the intention to elevate operation efficiency and to govern the enterprise operation of corporations. he contents of financial control consist of lengthy-time period investment decisions, financing selections, brief-term monetary choices (or running capital control), and many different choices including repurchase and mergence, repurchase of corporation's shares.

METHODOLOGY

First issue is to find out the technique accompanied in financing of operating capital. Use of various proportion of brief term and long term liabilities to finance working capital bears a stage of chance. The hazard can be measured by

$$\text{Risk factor} = \text{CL/CA}$$

In competitive method, current liabilities are used to finance no longer only seasonal contemporary belongings however additionally portion of permanent current assets. it is tough to find out the quantity of everlasting present day belongings, because the only annual facts are available. to manage up with situation, aggressive method is thought to mean that complete current property are financed from present day liabilities. This technique a is indicated by using name, consequences in maximum threat. In phrases of chance measure,, this approach consequences in

$$\text{Risk Factor} = 1$$

A firm is said to have observed moderate technique, while short-term resources are used to finance seasonal current assets and lengthy-term assets are used to finance permanent current assets. inside the look at, slight method is believed to suggest that both short time period and long time assets are used to finance present day belongings i.e. contemporary liabilities are more than zero but less than total current belongings. In phrases of hazard measure, it outcomes in

$$0 < \text{Risk Factor} < 1$$

A company is assumed to have observed a conservative technique while lengthy-term resources are used to finance no longer only permanent current property however additionally a portion of seasonal modern property. It effects in lower risk. within the look at, conservative approach is taken to suggest that each one contemporary assets are finance with the aid of lengthy-term assets. In terms of danger degree,

$$\text{Risk Factor} = 0$$

Financing of operating Capital:

one of the crucial tasks of the finance supervisor is to opt suitable source to finance the current belongings. In most of companies, modern belongings are financed by a aggregate of long-term and brief-time period resources.

Table 1
Risk Measure in Financing of Working Capital

Year	Risk Measure In Financing of Working Capital	Types of Approaches
1995-96	0.65	Moderate
1996-97	0.49	Moderate
1997-98	0.45	Moderate
1998-99	0.49	Moderate
1999-00	0.55	Moderate
2000-01	0.56	Moderate
2001-02	0.65	Moderate
2002-03	0.61	Moderate
2003-04	0.63	Moderate
2004-05	0.71	Moderate
2005-06	0.67	Moderate
2006-07	0.61	Moderate
2007-08	0.31	Moderate
2008-09	0.18	Moderate
2009-10	0.66	Moderate
2010-11	0.64	Moderate
2011-12	0.40	Moderate
2012-13	1.08	Aggressive

2013-14	0.77	Moderate
2014-15	0.95	Moderate

Computed from annual reports of Tata Steel Limited

Long-term supply consist of equity shares, desire stocks, long-term debt, retained profits and provisions. Out of these, retained profits and provisions come underneath inner supply of financing.

WORKING CAPITAL FINANCING METHOD

The table 1 exhibited danger measure in financing of operating capital for Tata metal constrained. maximum of values fall among 0 and 1. It approach that TSL followed moderate method in financing of running capital. Financing sample of 12 months 2012-thirteen well-knowns hows that in that year, TSL assume aggressive approach with a view to finance running capital.

Function OF long term AND brief term price range inside the financing of working Capital.

One of the important obligations of the finance supervisor is to choose type of appropriate assets to finance the modern-day property. commonly, modern-day property of a firm are financed by way of a mixture of long-term and brief-time period sources. The long time supply of provide aid for a small part of current property requirement that's called the internet running capital. the short time period sourced of finance, refers additionally as modern liabilities as the external source are proposed dividends and provisions for taxation because the internal supply. This sourced presents the important support for cutting-edge assets.

Internet working capital measures the quantity of long-term funds in financing of working capital. net working capital to modern assets ratio presents the share of operating capital financed with the aid of long time assets. modern liabilities to cutting-edge property ratio gives the percentage of present day belongings financed by means of cutting-edge liabilities.

NET OPERATING CAPITAL TO CUTTING-EDGE PROPERTY RATIO

Internet operating capital to contemporary property ratio of Tata metal confined is supplied in desk 2. net operating capital to contemporary property ratio at some stage in the have a look at period ranged between - 7.sixty six per cent and 82.18 per cent. On average internet working capital to modern-day belongings ratio stands at 39.sixty seven per cent.

Remark of desk expose that ratio changed into maximum (82.18%) in 12 months 2008-09 whereas it changed into lowest in year 2012-thirteen when it have poor fee (-7.66 %).

Table 2
Net Working Capital to Current Assets Ratio

Year	Net Working Capital to Current Assets Ratio	Growth Rate(in %)	Trend Value
1995-96	35.09	---	---
1996-97	51.25	46.05	43.17
1997-98	54.84	7.01	53.04
1998-99	51.45	-6.18	53.14
1999-00	45.32	-11.91	48.38
2000-01	43.58	-3.83	44.45
2001-02	35.30	-19.02	39.44
2002-03	38.87	10.12	37.08
2003-04	36.61	-5.80	37.74
2004-05	28.98	-20.83	32.80
2005-06	33.42	15.32	31.20
2006-07	39.20	17.28	36.31

2007-08	68.63	75.08	53.91
2008-09	82.18	19.75	75.41
2009-10	33.79	-58.88	57.99
2010-11	35.56	5.23	34.68
2011-12	59.59	67.58	47.58
2012-13	-7.66	-112.86	25.97
2013-14	22.93	-399.28	7.63
2014-15	4.56	-80.09	13.75

Computed from annual reports of Tata Steel Limited

Table 3
Descriptive Statistics of Net Working Capital to Current Assets Ratio

Mean	39.67
G. M.	---
Median	37.74
Range	89.84
Minimum	-7.66
Maximum	82.18
CAGR	-10 %

Annual growth charge of ratio famous that during nine years of take a look at duration it improved. typical, internet running capital to current property ratio was reduced with cumulative annual fee of -10 in step with cent and reached to four.56 according to cent in 2014-15 from 35.09 in keeping with cent in 1995-96.

Current Liabilities to Current Assets Ratio

Cutting-edge liabilities to modern-day assets ratio depicted relative portion of modern liabilities in total modern-day assets. In different phrase it indicated the part of contemporary liabilities this is used to finance operating capital.

Table 4
Current Liabilities to Current Assets Ratio

Year	Current Liabilities to Current Assets Ratio	Growth Rate(in %)	Trend Value
1995-96	64.91	---	---
1996-97	48.75	-24.89	56.83
1997-98	45.16	-7.37	46.96
1998-99	48.55	7.50	46.86
1999-00	54.68	12.62	51.62
2000-01	56.42	3.17	55.55
2001-02	64.70	14.69	60.56
2002-03	61.13	-5.52	62.92
2003-04	63.39	3.69	62.26
2004-05	71.02	12.03	67.20
2005-06	66.58	-6.25	68.80
2006-07	60.80	-8.67	63.69
2007-08	31.37	-48.41	46.09
2008-09	17.82	-43.20	24.59
2009-10	66.21	271.59	42.01

2010-11	64.44	-2.67	65.32
2011-12	40.41	-37.29	52.42
2012-13	107.66	166.44	74.03
2013-14	77.07	-28.41	92.37
2014-15	95.44	23.83	86.25

Computed from annual reports of Tata Steel Limited

Table 5
Descriptive Statistics of Current Liabilities to Current Assets Ratio

Mean	60.33
G. M.	---
Median	62.262
Range	89.844
Minimum	17.82
Maximum	107.66
CAGR	1.9 %

At some stage in the period beneath evaluate on average in Tata metallic confined present day liabilities is used to finance about 60 per cent of working capital. for the duration of the span of examine duration, dependency on modern-day liabilities for the financing of modern-day assets was enlarged as in yr 2014-15 ratio has a parent of 95.44 in line with cent in examine to sixty four.91 in line with cent in 1995-ninety six.

CONCLUSION

In respect of working capital financing, it's been found that Tata steel restrained have observed slight technique in nineteen years whereas in 12 months TSL have accompanied competitive technique. The fee of net running capital to current property disclosed the proportion of working capital financed through lengthy-term source. On average 39.67 according to cent of operating capital is finance by long time resources. it is located that use of lengthy-term assets for the purpose of financing of running capital is reduced during the take a look at period. On common approximately 60 consistent with cent of current property is sponsored through contemporary liabilities in TSL. contrary to internet working capital to current belongings ratio this ratio have lager figure for the duration of the latest length of have a look at.

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