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WORKING CAPITAL MANAGEMENT OF PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED (PCMIL)

P. VENKATESWARLU

Lecturer, Department of Commerce, Government Degree College, Banaganapalli, Andhra Pradesh, India

ABSTRACT

Working capital is considered to be the life force of an economic entity and its efficient management decides the trade off between liquidity and profitability. The words of H. G. Guthmann clearly explain the importance of working capital. "Working Capital is the life-blood and nerve centre of the business." In the words of Walker, "A firm's profitability is determined in part by the way its working capital is managed." The object of working capital management is to manage firm's current assets and liabilities in such a way that a satisfactory level of working capital is maintained. If the firm cannot maintain a satisfactory level of working capital, it is likely to become insolvent and may even be forced into bankruptcy. Thus, need for working capital to run day-to-day business activities smoothly can't be overemphasized. So in this perspective, the present study is undertaken to examine and evaluate the working capital management of Panyam Cements & Mineral Industries Limited by adopting Ratio Analysis.

KEYWORDS: Current Assets, Current Ratio, Liquidity, Ratio Analysis, Working Capital Management

INTRODUCTION

Every company wants to know its financial efficiency to make best use of available resources to the maximum extent and able to sort out its weaknesses to initiate and adopt suitable corrective actions to improve its industrial operations in terms of solvency, efficiency and profitability. For this purpose, Ratio analysis is a power tool. It is a process of establishing and interpreting quantitative relationship between figures and group of figures. Ratios are indicators of financial strength, soundness, position and weakness of a firm. Ratio can assist the management in its basic functions like forecasting, planning, coordinating, control and communication. If ratios are properly analyzed and interpreted the management can strengthen its solvency position, improve its efficiency and growth in profits.

Hence, the present study is undertaken to examine and evaluate the working capital management of Panyam Cements & Mineral Industries Limited by adopting Ratio Analysis. An attempt has been made to analyze the financial results basing on the financial statements from 2003-04 to 2012-13.

Review of Literature

Some of the important works that have been carried out in the area of working capital management are outlined below:

Shin and Soenen, (1998): highlighted that efficient Working Capital Management was very important for creating value for the shareholders. The way working capital was managed had a significant impact on both profitability and liquidity. The relationship between the length of Net Trading Cycle, corporate profitability and risk adjusted stock return was examined using correlation and regression analysis, by industry and capital intensity. They found a strong negative relationship between lengths of the firm's net-trading Cycle and its profitability. In addition, shorter net trade cycles were associated with higher risk adjusted stock returns.

Padachi in the study Trends in Working Capital Management and Its Impact on Firms Performance: An analysis of Mauritian small Manufacturing Firms conducted on small business firms in Mauritania working capital is very important for small firms. Working capital plays an important role for all the firms, whether they are small firms or large firms, but it becomes even more when the firm size is small because. This happens because small firms tend to emphasize more on the working capital, so that they can increase their returns and improve their performance by better working capital management.

Eljelly (2004) empirically examined the relationship between profitability and liquidity, as measured by current ratio and cash conversion cycle on a sample of joint stock companies in Saudi Arabia and he found significant negative relationship between the firm's profitability and its liquidity level, as measured by current ratio. This relationship is more pronounced for firms with high current ratios and long cash conversion cycles.

Reddy (1995) in his study on "Management of working capital", studies various issues related to working capital management among selected (six companies) private large – scale companies in the state of Andhra Pradesh during the period from 1977 to 1986 . The study revealed that investment in current assets was more than that of fixed assets and inventories constituted highest percentage of total current assets. Study also pointed out that the liquidity and solvency position of sample units was found to be highly unsatisfactory. The study is based on his findings, suggested the direct need for improvement of liquidity and solvency position of sample companies failing which the situation would lead to serious liquidity crunch.

Kevin and Young (2009) in their article, "Need Cash? Look Inside Your Company" had taken a hard look at the way company manages its working capital. He identified that a lot of capital tied up in receivables and inventory could be turned into cash by challenging the working capital practices and policies of the company. He had explored six common mistakes that companies make in managing working capital. He says that the simple act of correcting them could free up enough cash to make the difference between failure and survival in the current recession.

\Brahma (2011) conducted a study to examine and evaluate the importance of liquidity management on profitability as a factor accountable for poor financial performance in the private sector steel Industry in India.

The study of Ashraf Mohammad Salem Alrojoub and Ahmad Mustafa Alrawashdesh (2012) made an attempt to investigate the working capital management in cement units in Rajasthan on a sample of four companies, for a period of 5 years from 2006 – 2010. 1) It was noticed that selected cement companies have huge cash amount in their accounts which could be used for further expansions, 2) The working capital of these companies increased drastically which indicated that proper working capital management should be improved in time, 3) The current ratio of the companies indicated more than twice can be borne by the current assets and so the company can confidently expand their operations, and 4) The inventory turnover ratio for the selected cement was increasing.

Suk. H, Kim. SH and Rowland have conducted a survey among 94 Japanese companies in USA (1992) found that they differed in working capital management practices from the US companies in terms of lower levels of inventory and higher levels of accounts receivables. The study revealed that the US firms piled-up their inventories; Japanese firms had higher percentage of receivables to total assets.

S. K. Ghosh and S. G. Maji examined the efficiency of working capital management of Indian cement companies by taking a sample size of 20 large cement companies of India for the period 1992-93 to 2001-2002. They observed that the Indian Cement industry did not perform remarkably well during this period. Industry average for efficiency index was greater than one in 6 years out of 10 years study period. Though some of the sample firms had successfully improved efficiency during these years, the existence of a very high degree of inconsistency in this matter clearly points out the need for adopting sound working capital management policies by these firms. Further, they concluded that, in the matter of achieving the target level (industry norm) of efficiency by the firms, Associated Cement and Dalmia were the most successful firm followed by Decan, Kanoria& Madras. In view of the observed values, once again it may not be unwise to conclude that firms under study should take necessary steps in order to improve efficiency in this regard.

Koti Reddy and Raghav Baheti (2010) in their study seeks to examine current policies and practices of working capital management at Saregama India Limited and tries to identify the strengths and weaknesses of the company; the opportunities it has and the threats it faces. It contains a detailed analysis of the various factors affecting the working capital requirements of the company and the impact they have on its profitability. The study concludes by suggesting solutions to address the concern areas that have been identified. The company is recommended to focus on digital sales, incentivize cash sales, follow a forecasting model that captures the tastes and preferences of consumers and strictly implement its credit policy.

Need of the Study

Today financial soundness and profitability of business enterprises largely depend upon the working capital management by the firm. The importance of adequacy of working capital can hardly be over emphasized. Many other business failure takes place due to lack of working capital. Hence Working Capital is considered as the lifeblood and the controlling nerve centre of a business. Inadequate working capital is a business ailment. Therefore, a firm has to maintain adequate working capital. It is as important as blood circulation in our body to maintain life and flow of funds is very necessary to maintain business. Inadequate working capital affects the firm's solvency adversely and excessive working capital affects the firm's profitability adversely. Inadequate working capital implies shortage of regular funds to carry on the normal business operation, if there is excess of working capital, fund become idle it also affects the financial soundness of the firm. In this perspective there is need to manage the working capital effectively in any business. The question which strikes the mind during reviewing various literatures that how Panyam Cements & Mineral Industries Limited is managing its working capital. Hence, the present study is undertaken to answer the above mentioned question.

Profile of the Panyam Cements & Mineral Industries Limited

It was set up in 1955 at Banaganapalli in Kurnool District of Andhra Pradesh by Padmashri Machani Somappa of M. G. Group who was inspired by the small weavers and small businessmen of Rayalaseema region to invest in equity of company to the tune of Rs. 184 lakh. It was the first cement plant in Rayalaseema region and forth in the state of Andhra Pradesh with an installed capacity of 200 tones for day (tpd). In 1998 it changed hands as the MG Bros. of Adoni sold their controlling interest in the company to MV Subba Rao of VBC Group at that time it had net worth in negative. He made a reference to BIFR in 1989. The company repaid all the dues to financial institutions by way of one time settlement as sanctioned by BIFR in 1995. V Ramanath has taken over it from Subba Rao who passed away on 12/09/2011. Again it was plunged into losses and became sick. As a result in 2002-03 its capacity utilization had fallen to very low; less than 10% of the capacity.

A sitting Member of Parliament representing Nandyal Parliamentary constituency in Andhra Pradesh and Chairman of Nandi Group of Companies, Nandyal, Sri S. P. Y. Reddy has taken over the company in September 2004 and invested Rs.35 crore. It restarted operations and allotted shares to the promoters aggregating to Rs.7.10 crore in pursuant to section 81(1A) of the companies Act, 1956 in compliance with the takeover regulations under SEBI. The new Management implemented several steps including cost effective measures to improve the operations and capacity expansion from 0.65 million tons to 1.20 million tons per year. It is manufacturing the products of (i) OPC 53 Grade cement , (ii) OPC 43 Grade cement and (iii) PPC cement. The company which is in operations since last 56 years has been on – and – off with change of ownership; now, not only improving its performance but expanding capacity as well.

RESEARCH METHODOLOGY

Objectives of the Study

- To review the concept and importance of working capital and the concept of ratio, utility of ratio analysis, compiling of ratios.
- To determine the amount of the working capital employed by Panyam Cements & Mineral Industries Limited.
- To analyze the working capital management financial performance of the Panyam Cements & Mineral Industries Limited.
- To discuss summary of findings in form of conclusions and suggestions for effective functioning of Panyam Cements & Mineral Industries Limited.

Scope of the Study

The present study is restricted to Panyam Cements & Mineral Industries Limited.

Period of the Study

Study was performed on data of 10 years from 2003-04 to 2012-13.

Data Collection

To achieve the aforesaid objectives data is gathered from secondary sources, like annual reports, journals, related other research papers and websites.

Tools of Analysis

For the present study secondary data alone have been compiled from the financial statements of Panyam Cements & Mineral Industries Limited. Financial tools like ratios have been used to analyze the data.

Limitations of the Study

- The study covers the period from 2003-04 to 2012-13. The changes that took place before and after this period were not taken into consideration,

- The data are secondary in nature and any bias in them is reflected in the analysis and the conclusion of the study.

Data Analysis

The data collected is analyzed through ratio analysis and important tables are used for data discussion as per needed. The ratios and various tables prepared are used for data analysis.

Table 1: Table Showing Components of Current Assets of PCMIL. (Rs. In Lakh)

Years	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Inventories	614.55	698.51	282.36	732.52	1171.83	1322.97	1808.53	1896.74	2801.85	1972.88
Sundry Debtors	1795.70	1317.19	187.20	925.20	936.15	1125.08	1649.82	1828.23	1751.52	1800.59
Cash & Bank balance	79.26	55.50	55.96	21.00	113.73	228.90	332.09	303.05	352.97	140.28
Loans & Advances	244.72	253.10	268.65	2130.07	5800.82	10694.98	11049.81	10584.21	10070.00	7786.00
Other current assets	12.35	14.58	11.30	16.79	19.28	9.42	18.65	19.12	19.61	32.93
Total Current Assets	2746.58	2338.88	805.47	3825.58	8041.81	13381.35	14858.89	14631.36	14995.95	11732.68

Sources: Annual reports

Interpretation

Table-1 depicts the current assets of the company from 2003-04 to 2012-13. From the above table it can observe that there is a tremendous decrease in the value of current assets from Rs.2746.58 lakh in the year 2003 -04 to 805.47 lakh in the year 2005 -06. The probable reason for this is that the company was under verge of sickness during this period. But after that, the value of current assets is gradually increased from Rs. 3825.58 lakh in the year 2006-07 to 14995.95 lakh in the year 2011-12. This tremendous improvement is due to the change of management in the year 2006-07. In the year 2012-13 the current assets are decreased to Rs. 11732.68 lakh. From this, it can be said that the new management has adopted an effective policy of inventory and credit sales from the year 2006-07 onwards.

Table 2: Table Showing Current Ratio of Pcmil (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Current Assets	2746.58	2338.88	805.47	3825.58	8041.81	13381.35	14858.89	14631.36	14995.95	11732.68
Current Liabilities	6034.43	6527.88	7072.72	4824.92	3582.80	4212.28	5291.81	5253.95	10925.59	11447.97
Current Ratio	0.46	0.36	0.11	0.79	2.24	3.18	2.81	2.78	1.37	1.02

Sources: Annual reports

Interpretation

Table-2 shows the current ratio of the company from 2003-04 to 2012-13. The standard current ratio is 2:1. From the above table it is analyzed that when compared to the standard value of current ratio, the current ratio of the company is very less in the first four years(from 2003-04 to 2006-07) and the last two years(2011-12 & 2012-13) of the study period. The company has higher value than the standard value in the years from 2007-08 to 2010-11. From this it can be concluded that the liquidity position of the company is very bad in the first four years (from 2003-04 to 2006-07).

It might be caused due to the sickness of the company during that period. After that period the liquidity position of the company is tremendously increased due to the prudent management initiatives introduced by the new management taken over by SPY Reddy in 2006.

Table 3: Table Showing Liquid Ratio of PCMIL (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Liquid Assets	2132.03	1640.37	523.11	3093.06	6869.98	12058.38	13050.37	12734.62	12194.10	9759.80
Current Liabilities	6034.43	6527.88	7072.72	4824.92	3582.80	4212.28	5291.81	5253.95	10925.59	11447.97
Liquid Ratio	0.35	0.25	0.07	0.64	1.92	2.86	2.47	2.42	1.12	0.85

Sources: Annual reports

Interpretation

Table-3 shows the liquid/quick ratio of the company from 2003-04 to 2012-13. The standard quick ratio is 1:1. From the above table it is clear that when compared to the prescribed norm, the quick ratio of the company is very less in the first four years (from 2003-04 to 2006-07). And the company has higher value than the standard value in the years from 2007-08 to 2011-12. From this it can be concluded that the liquid assets are not satisfactory in terms of liquidity for the first four years (from 2003-04 to 2006-07) It might be caused due to the sickness of the company during that period. After that period, the liquidity position of the company improved a lot due to the steps taken by the new management. But it is slightly decreased in the year 2012-13 , which shows company is not in liquid form & exposed to risk in that particular year.

Table 4: Table Showing Working Capital Turnover Ratio of PCMIL (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sales	6437.07	4499.77	1343.20	11758.64	18733.49	21537.18	15943.90	15826.53	21857.06	13300.89
Net Working Capital	-3287.85	-4189.00	-6267.25	-999.34	4459.01	9169.07	9567.08	9377.41	4070.36	284.71
Working Capital Turnover ratio	-1.96	-1.07	-0.21	-11.77	4.20	2.35	1.67	1.69	5.37	46.72

Sources: Annual reports

Interpretation

Table-4 depicts the working capital turnover ratio of the company from 2003-04 to 2012-13. From the above table it is analyzed that the working capital turnover ratio of the company is negative for the first four years (from 2003-04 to 2006-07) and turned into positive position from the year 2007-08 onwards. It is understood that:1) negative ratio of working capital to turnover indicates less capacity utilization, less production and low sales. 2) Stress on earnings due to shortage of working capital.

Table 5: Table Showing Current Liabilities to Net Worth Ratio (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Net Working Capital	-3287.85	-4189.00	-6267.25	-999.34	4459.01	9169.07	9567.08	9377.41	4070.36	284.71
Current Liabilities	6034.43	6527.88	7072.72	4824.92	3582.80	4212.28	5291.81	5253.95	10925.59	11447.97
Current Liabilities to Net worth Ratio	-0.54	-0.64	-0.89	-0.21	1.24	2.18	1.81	1.78	0.37	0.02

Interpretation

Table-5 reveals the Current Liabilities to Net worth ratio of the company from 2003-04 to 2012-13. Desirable level for this Ratio is 1/3. The ratios calculated above are negative for the first four years (from 2003-04 to 2006-07), very high in the years from 2007-08 to 2010-11and less in the years from 2011-12 to 2012-13 compared to the desirable ratio. It means it is very difficult to obtain long-term funds from any financial institutions when the ratio is negative and it is easy when the ratio is high/positive.

Table 6: Table Showing Debtors Turnover Ratio (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Net credit annual sales	6437.07	4499.77	1343.20	11758.64	18733.49	21537.18	15943.90	15826.53	21857.06	13300.89
Average Sundry debtors	1795.70	1317.19	187.20	925.20	936.15	1125.08	1649.82	1828.23	1751.52	1800.59
Debtors turnover Ratio	3.58	3.42	7.18	12.71	20.01	19.14	9.66	8.66	12.48	7.39

Sources: Annual reports

Interpretation

Table-6 depicts the company's debt turnover ratio from 2003-04 to 2012-13. From the above table it is analyzed that the trend is highly fluctuated during the study period because neither sales nor debtors are constant. From this it can be concluded that the credit policy is not steady implying rigidity in some period and liberal in some period.

Table 7: Table Showing Average Collection Period (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Average No of working days	365	365	365	365	365	365	365	365	365	365
Debtors turnover ratio	3.58	3.42	7.18	12.71	20.01	19.14	9.66	8.66	12.48	7.39
Average collection period	102	107	51	29	18	19	38	42	29	49

Note: Average Number of working days is assumed to be 365 days
Sources: Annual reports

Interpretation

Table-7 shows the average collection period of debtors from 2003-04 to 2012-13. The first two years (from 2003-04 to 2004-5) of the study period, the average collection period of debtors is very high and after that it is tremendously decreased. This analysis evidently becomes basis for drawing conclusions which are: 1) Debt collection period is high which implies the credit policy is liberal, 2) Debt collection period, however, has improved by reducing to, around, 18 days in the year 2007-08. 3) This reduction reflects the efficiency of management of the company through strategic plans after 2005-06 onwards.4) Progressive rise and decline in sales and credit sales respectively results in efficiency in collection period of the company.

Table 8: Table Showing Evaluation of Inventory Management (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Inventories	614.55	698.51	282.36	732.52	1171.83	1322.97	1808.53	1896.74	2801.85	1972.88
Net working capital	-3287.85	-4189.00	-6267.25	-999.34	4459.01	9169.07	9567.08	9377.41	4070.36	284.71
Inventory management Ratio	-0.19	-0.17	-0.05	-0.73	0.26	0.14	0.19	0.20	0.69	6.93

Sources: Annual reports

Interpretation

Table-8 shows the inventory management ratio from 2003-04 to 2012-13. The ratios calculated above are negative for the first four years (from 2003-04 to 2006-07) and turned into positive position from the year 2007-08 onwards. It is ranging from 0.14 to 6.93. From this it can be said that first four years of the study period the company was in a worst situation and after that the situation might be improved, but it is not stable.

Table 9: Table Showing Inventories to Current Assets Ratio (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Inventories	614.55	698.51	282.36	732.52	1171.83	1322.97	1808.53	1896.74	2801.85	1972.88
Current assets	2746.58	2338.88	805.47	3825.58	8041.81	13381.35	14858.89	14631.36	14995.95	11732.68
Inventory to Current Assets Ratio	0.22	0.30	0.35	0.19	0.15	0.10	0.12	0.13	0.19	0.17

Sources: Annual reports

Interpretation

Table-9 shows the inventory to Current Assets ratio from 2003-04 to 2012-13. This ratio indicates the proportion of inventory to the current assets. More the ratio indicates higher proportion of inventory in the current assets and vice versa. First three years from 2003-04 to 2005-06 of the study period the ratio is increased from 0.22 to 0.33. From the next year onwards it is continuously decreased from 0.19 in 2006-07 to 0.10 in 2008-09. Again it is slightly increased for three years from 0.15 in 2007-08 to 0.19 in 2011-12 and again decreased to 0.17 in 2012-13. From this it analyzed that the ratio is frequently fluctuating. Hence it is inferred that company is not maintaining a constant policy in this regard which is led to the decrease in the working capital which again has reduced the current assets of the company.

Table 10: Table Showing Inventories to Turnover Ratio (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sales	6437.07	4499.77	1343.20	11758.64	18733.49	21537.18	15943.90	15826.53	21857.06	13300.89
Inventories	614.55	698.51	282.36	732.52	1171.83	1322.97	1808.53	1896.74	2801.85	1972.88
Inventories on turnover ratio	10.47	6.44	4.76	16.05	15.99	16.28	8.82	8.34	7.80	6.74

Sources: Annual reports

Interpretation

Table-10 shows the inventory turnover ratio from 2003-04 to 2012-13. The inventory turnover shows how rapidly the inventory is turning into receivable through sales. A high inventory turnover is indicative of good inventory management. A low inventory turnover implies excessive inventory levels than warranted by production and sales activities, or a slow-moving or obsolete inventory. From the above table it is analyzed that the inventory turnover ratio is decreased from 10.47 in 2003-04 to 4.76 in 2005-06. It is increased to 16.05 in 2006-07 and is remained constant in 2007-08, 2008-09 with 15.99, 16.28 respectively. Again the ratio is decreased continuously from 8.82 in 2009-10 to 6.74 in 2012. From this it is known that company has no a constant inventory policy.

Table 11: Table Showing Evaluation of Receivables Management (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Receivable	1795.70	1317.19	187.20	925.20	936.15	1125.08	1649.82	1828.23	1751.52	1800.59
Net Working Capital	-3287.85	-4189.00	-6267.25	-999.34	4459.01	9169.07	9567.08	9377.41	4070.36	284.71
Receivable on net Working Capital	-0.55	-0.31	-0.03	-0.93	0.21	0.12	0.17	0.19	0.43	6.32

Sources: Annual reports

Interpretation

Table-11 shows the receivables management ratio from 2003-04 to 2012-13. The ratios calculated above are negative for the first four years (from 2003-04 to 2006-07) and turned into positive position from the year 2007-08 onwards. It is ranging from 0.12 to 6.32. From this it can be said that first four years of the study period the company was in a worst situation and after that the situation is improved, but it is not stable.

Table 12: Table Showing on Cash Turnover Ratio (Rs. In Lakh)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sales	6437.07	4499.77	1343.20	11758.64	18733.49	21537.18	15943.90	15826.53	21857.06	13300.89
Cash & bank balance	79.26	55.50	55.96	21.00	113.73	228.90	332.09	303.05	352.97	140.28
Cash turnover Ratio	81.21	81.07	24.00	559.93	164.72	94.09	48.01	52.22	61.92	94.82

Sources: Annual reports

Interpretation

Table-11 shows the receivables management ratio from 2003-04 to 2012-13. Lower cash to sales ratio indicates the effective and better utilization of cash resources. But too low ratio indicates overtrading. Higher ratio indicates the ineffective utilization of cash resources. As no standard is available to judge whether the ratio is low or high a comparison with the similar firms in the industry is to be made to conclude whether the company is utilizing its cash efficiently or not. The data reveals that the ratio is ranging from 24.00 times to 559.59 times. It is highly fluctuating. Thus it can be said that the size of cash in relation to sales was very poor in the company and high rate of fluctuations in this ratio indicates absence of specific policy in this in the company.

Findings of the Study

Some of the important findings of the study are as follows:

- There is a tremendous decrease in the value of current assets from Rs.2746.58 lakh in the year 2003 -04 to 805.47 lakh in the year 2005 -06. But after that, the value of current assets is gradually increased from Rs. 3825.58 lakh in the year 2006-07 to 14995.95 lakh in the year 2011-12.
- The liquidity position of the company is very bad in the first four years (from 2003-04 to 2006-07). After that period the liquidity position of the company is tremendously increased and again in the last two years the ratio is less than the standard value.
- The quick ratio of the company is very less in the first four years (from 2003-04 to 2006-07). And the company has higher value than the standard value in the years from 2007-08 to 2011- 12. But it is slightly decreased in the year 2012-13
- The working capital turnover ratio of the company is negative for the first four years (from 2003-04 to 2006-07) and turned into positive position from the year 2007-08 onwards.
- Current Liabilities to Net worth ratio is negative for the first four years (from 2003-04 to 2006-07), very high in the years from 2007-08 to 2010-11and less in the years from 2011-12 to 2012-13 compared to the desirable ratio.
- Debt turnover ratio is highly fluctuated during the study period because neither sales nor debtors are constant.
- The first two years (from 2003-04 to 2004-5) of the study period, the average collection period of debtors is very high and after that it is tremendously decreased.
- The inventory management ratio is negative for the first four years (from 2003-04 to 2006-07) and turned into positive position from the year 2007-08 onwards.
- The inventory to Current Assets ratio is frequently fluctuating.
- The company has no a constant inventory policy.
- The receivables management ratio is negative for the first four years (from 2003-04 to 2006-07) and turned into positive position from the year 2007-08 onwards.
- The size of cash in relation to sales was very poor in the company and high rate of fluctuations in this ratio indicates absence of specific policy in this in the company.

SUGGESTIONS

- To keep on the present good condition of the value of the current assets, the management should continue the effective policy of inventory and credit sales taken from the year 2006-07 onwards.
- The company must maintain a satisfactory and stable liquid policy by financing the net working capital with long term sources
- The company has to adopt a constant policy in regard to inventory levels.

- The management should take effective measures to recover the outstanding of the company.
- The cash balance of the company is required to be improved in order to have immediate liquidity position. But at the same time, precaution should be taken to see that too many funds are not locked up in cash balance, which ultimately may lead to improper utilization of funds.
- The effective and efficient cash inflow provides an opportunity to co-ordinate with cash outflow. Proper coordinated cash inflow and outflow management will maintain sound and better working capital management, the improvement in credit collection and selling will boost their sales and will record them in cash inflow management.

CONCLUSIONS

The study was undertaken to analyze the working capital management of Panyam Cements & Mineral Industries Limited. Based on this analysis proper conclusion has been given, regarding the working capital position of the company. It can be conclude that overall working capital efficiency is satisfactory. But it is found that the company suffers from certain weakness and some suggestions are given to overcome it. If the suggestions are implemented, the company can increase its working capital and overall performance at the right time. The company has to identify the possible ways to control and increase overall working capital efficiency checks at different level which will contribute to the overall growth of the company.

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