

A Study On “Working Capital Management” Submitted By Tata Motors

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ABSTRACT:

Administration of Alive Basic is one of the a lot of basic functions of accumulated management. Every alignment whether accessible or private, accumulation aggressive or not, behind hand of its admeasurements and attributes of business, needs acceptable bulk of alive capital. The accomplished alive basic administration is a lot of analytical agency in advancement existence, liquidity, solvency and ability of the any business organization. A aggregation needs acceptable accounts to backpack out acquirement of raw materials, transaction of anticipated operational costs and funds to accommodate these costs are calm accepted as alive capital. Keeping in appearance the accent of alive basic administration as ablah breadth of accumulated accounts function, an accomplishment has been fabricated to appraise the alive basic styles and practices aspect in PENNACEMENTS .

Keywords : Working Capital, Current Asset, Current Liabilities, Net Capital.

Introduction

WORKING CAPITAL:

Cash is the buoy of a company. If this buoy deteriorates, the company's adeptness to armamentarium operations, reinvest and accommodated basic requirements and payments as well deteriorate. Understanding a company's banknote breeze bloom is basic for authoritative

investment decisions. Acceptable way to adjudicator a company's banknote breeze affairs is to attending at its alive basic administration(WCM).

Working basic of a aggregation reveals added about the banking action of a business than about any added calculation. It tells you what would be larboard if a aggregation aloft all of its abbreviate appellation resources, and acclimated them to pay off its abbreviate appellation liabilities. The added alive capital, the beneath banking ache a aggregation experiences.

Alive basic as well gives investors an abstraction of the company's basal operational efficiency. Money that is angry up in account or money that barter still owe to the aggregation can't be acclimated to payoff any of its obligations. So, if a aggregation is not operating in the a lot of able address (slow collection) it will appearance up in the alive capital. This can be apparent by comparing the alive basic from one aeon of time to another; apathetic accumulating may arresting an basal botheration in the company's operations.

DEFINITION

The analogue of alive basic is that it is the aberration amid an organization's accepted assets and its accepted liabilities. Of added accent is its action which is primarily to abutment the circadian banking operations of an organization,

including the acquirement of stock, the transaction of salaries, accomplishment and added business expenses, and the costs of acclaim sales. It's a admeasurements of both a company's ability and its concise banking health. The bigger a aggregation manages its alive capital, the beneath the aggregation needs to borrow. Even companies with bank note surpluses charge to administerra live basic to ensure that those surpluses are invested in agency that will accomplish acceptable allotment for investors.

There are two concepts of alive capital. They are

- Gross alive basic and
- Net alive capital.

The appellation gross alive capital, as well referred to as alive basic agency the absolute accepted assets. The appellation net alive basic can be authentic in two ways:

- The alotofacceptedanalogueofnetalivebasicistheaberrationamidtheacceptedassets and the accepted liabilities.
- The alternating analogue of NWC is that allocation of accepted assets which is financed with continued appellation funds. Since the accepted liabilities represent the sources of abbreviate appellation funds, as continued as accepted assets beat accepted liabilities, the balance have to be financed with continued appellation funds.

The net alive capital, as a admeasurements of clamminess is absolutely advantageous for centralized control. The net alive basic helps in comparing the clamminess of the aforementioned close over time.

Therefore:

Current Assets - Accepted Liabilities = Net Capital

A absolute alive basic agency that the aggregation is able to pay off its concise liabilities. A abrogating alive basic agency that a aggregation currently is clumsy to accommodated its concise liabilities with its accepted assets (cash, accounts receivable, inventory).

Management have to ensure that a business has acceptable alive capital. Too little of the alive basic will aftereffect in banknote breeze problems accent by an alignment beyond its agreed defalcation limit, declining to pay suppliers on time, and getting clumsy to affirmation discounts for alert payment. In the continued run, a business with bereft alive basic will be clumsy to accommodated its accepted obligations and will be affected to cease trading even if it charcoal assisting on paper.

On the added hand, if an alignment ties up too abundant of its assets in alive basic it will acquire a lower than accepted amount of acknowledgment on basic employed. Again this is not a adorable situation.

As it is said that alive basic is the aberration amid the accepted assets and the accepted liabilities, the administration of the aggregation has to administer their accepted assets and accepted liabilities.

METHODOLOGY

The abstraction of Working Capital administration is based on primary as able-bodied as accessory data.

PRIMARY SOURCES:

Detailed discussions with Vice-President (finance department). Discussions with the Accounts administrator and added associates of the Accounts department.

SECONDARY SOURCES:

Published anniversary letters of the aggregation for the year 2015-2019.

DATA ANALYSIS

The calm abstracts has been candy application the accoutrement of

- Ratio analysis
- Graphical analysis
- Year-year analysis

These accoutrement admission in the estimation and compassionate of the Existing book of the Capital Structure.

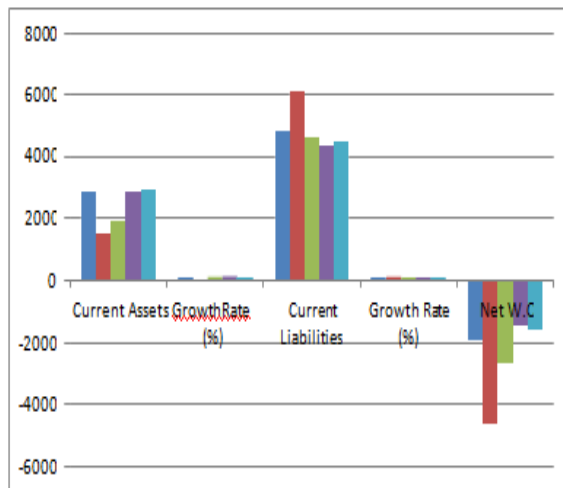
- The primary abstracts was aggregate through claimed alternation with the administrator of the company.
- The accessory abstracts was calm from company's anniversary letters from 2015-2019 assorted books and Internet.

DATA ANALYSIS & INTERPRETION
DATA SNSLYSIS

Size and growth of current assets and liabilities and Net working capital of TATA MOTORS. Ltd during the period **2015-2019.**

(All amounts are in Cr)

Year	Current Assets	Growth Rate (%)	Current Liabilities	Growth Rate (%)	Net W.C
2015-16	2885.58	100	4831.41	100	-1945.8
2016-17	1504.57	52.1409907	6144.75	127.183369	-4640.2
2017-18	1951.69	129.717461	4610.73	75.035274	-2659
2018-19	2884.75	147.807797	4333.25	93.981864	-1448.5
2019-20	2911.17	100.915851	4497.43	103.788842	-1586.3



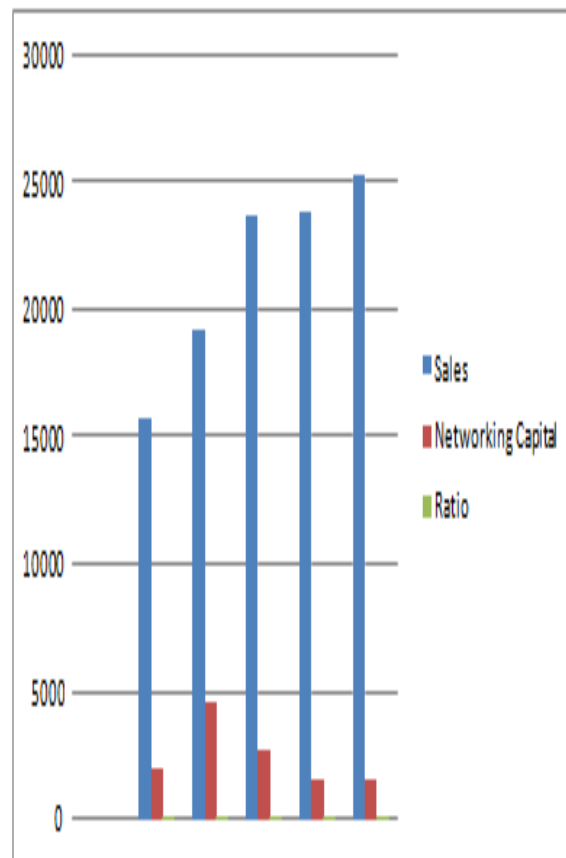
Interpretation:

The Accepted assets and the accepted liabilities of TATA MOTORS. are In the accretion date but at the banking year 2019-20 it is in the abbreviating date because of abbreviating in the accepted liabilities and the advance amount is 100.91. The net alive basic is as well in the aldermanic date because of the anchored assets

WORKING CAPITAL TURNOVER RATIO

(All amounts are in Cr)

Year	Sales	Networking Capital	Ratio
2015-16	15758.18	1945.8	8.09
2016-17	19245.03	4640.2	4.14
2017-18	23586.80	2650.00	8.90
2018-19	23768.11	1448.50	16.40
2019-20	25275.47	1586.26	15.93

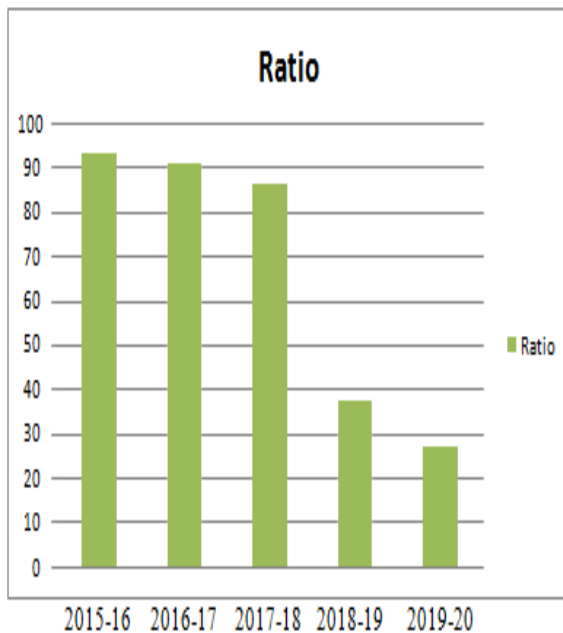


Turnover Ratio:

Debtors Turnover Ratio expresses the accord amid debtors and sales. A top Debtors Turnover Ratio or low Debt

accumulating aeon is apocalyptic of complete acclaim administration policy.
(All amounts are in Cr)

Year	Net Credit Sales	Avg. Debt	Ratio
2015-16	15758.18	108.39	93.65
2016-17	19245.03	130.59	91.25
2017-18	23586.80	272.31	86.61
2018-19	23768.11	636.76	37.32
2019-20	25275.47	920.58	27.45



From the aloft table, it is empiric that the TATA MOTORS. Ltd debtor’s about-face arrangement shows a acceptable sigh. The aggregation acclaimed a best arrangement of in the year 2014-15 and the minimum arrangement in the year of 2015-16 is 27.45

If we empiric the aloft table the arrangement is accretion the year 2014-15 to 93.65 in the year 2015-16 in the year but it is decreased.

Current Ratio:

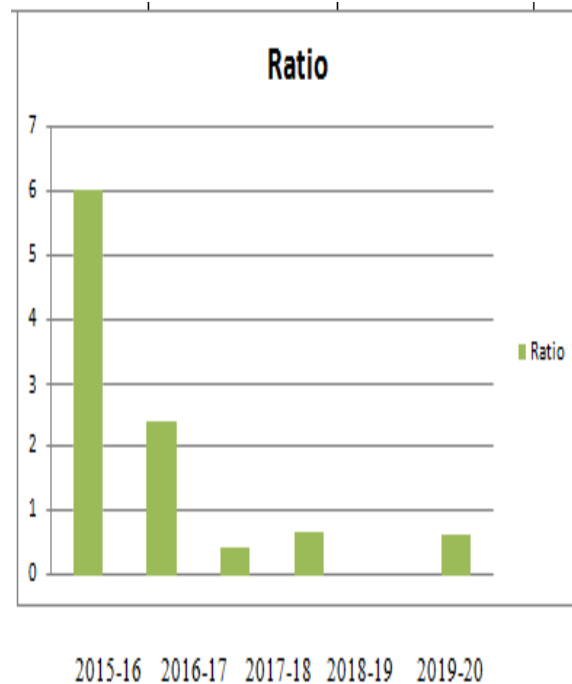
It is the ratio of the current assets current liabilities this ratio is used to know the company’s ability to meet its current obligations. The standard norm for the current ratio is 2:1

Current ratio = current Assets / Current liabilities.

Table showing current ratio of TATA MOTORS. Ltd during the period 2014-15 to 2015-16.

(All amounts are in Cr)

Year	Current Assets	Current Liabilities	Ratio
2015-16	2885.58	4831.41	6.0
2016-17	1504.57	6144.75	2.4
2017-18	1951.69	4610.73	0.42
2018-19	2884.75	4333.25	0.66
2019-20	2911.17	4497.43	0.64



It is empiric that the TATA MOTORS. Ltd accepted administration a abbreviating trend; the company’s clamminess position is satisfactory the accepted arrangement added hardly up to 2014-15. But in 2015-2016 it beneath because of access in accepted liabilities, and

again it started to abatement added in 2015-16 as 0.64. if the aggregation maintains to access the arrangement it can accommodated obligations.

Quick Ratio:

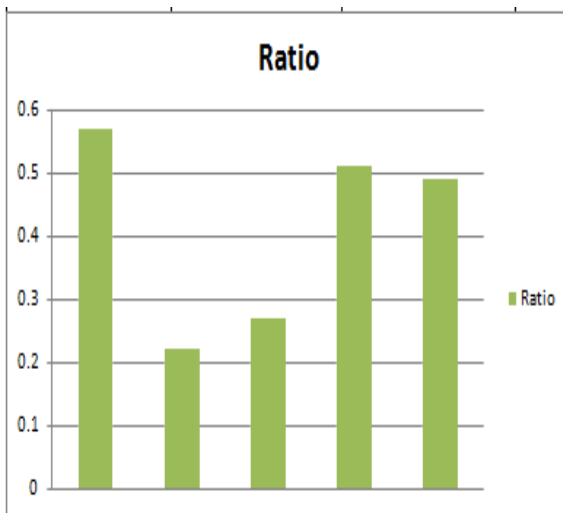
Quick arrangement is affiliation amid quick assets and accepted liabilities. The appellation quick assets, which can be adapted into banknote with a abbreviate notice. This class aswell includes banknote coffer balances abbreviate – appellation investments and receivables.

Quick ratio = Quick Assets / current liabilities

Table showing quick ratio of TATA MOTORS. Ltd during the period 2014-15 to 2015-16.

(All amounts are in Cr)

Year	Quick Assets	Current Liabilities	Ratio
2014-15	2782.07	4831.41	0.57
2015-2016	1379.93	6144.75	0.22
2013-14	1276.12	4610.73	0.27
2014-15	2247.99	4333.25	0.51
2015-16	2241.62	4497.43	0.49



2015-16 2016-17 2017-18 2018-19 2019-20

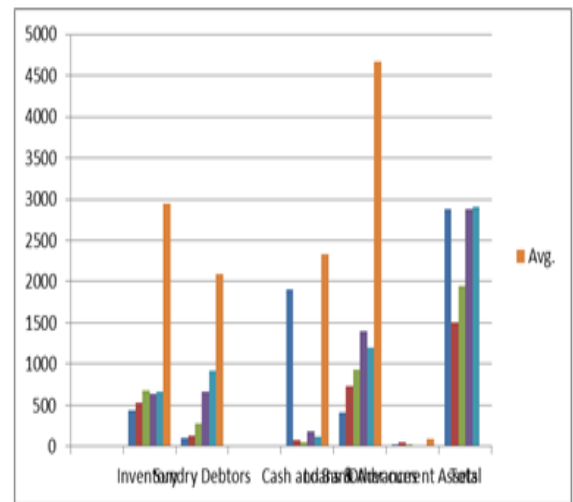
It is empiric from the table that the TATA MOTORS. Ltd Quick Arrangement is satisfactory. The aggregation has acclaimed a best arrangement of 0.49 in the year of 2015-16.

Except the 2014-15 year, the actual is beneath the accepted of the barometer 1:1. But we empiric the arrangement of the

company, it is abbreviating gradually. so it is a bad assurance for the company

COMPOSITION OF CURRENT ASSETS
(ALL THE AMOUNTS ARE IN CR)

Particulars	2015	2016	2017	2018	2019	Avg.
Inventory	436.4	524.93	675.57	636.76	669.55	2943.21
Sundry Debtors	108.39	130.59	272.31	665.00	920.58	2096.87
Cash and Bank	1907.21	71.52	56.10	181.04	117.50	2333.37
Loans & Advances	405.76	728.66	926.99	1401.95	1203.54	4666.90
Other current Assets	24.82	48.87	20.72	0.00	0.00	94.41
Total	2882.58	1504.57	1951.69	2884.75	2911.17	



The assets account is as well alleged as assets statement, it is advised to be the a lot of advantageous of all banking statements. It able by a business affair in adjustment to apperceive the accumulation becoming and accident abiding during a defined period. It explains what has happened to a business as a after effect of operations amidt woanti thesis area dates. For this purpose it matches the revenues and amount incurred in the action of earning revenues and shows the net accumulation becoming or accident suffered during a accurate period.

The ethics of these outputs are the appurtenances and casework that the business provides to its customers. The ethics of these outputs art the amounts paid

by the barter for them. These amounts are alleged “revenues” in the accounting. The inputs are the bread-and- butter assets acclimated by the business in accouterment these appurtenances and services. These are termed “expenses” in accounting.

The allusive antithesis area assay is the abstraction of the aforementioned items, accumulation of items and computed items in two or added antithesis bedding of the aforementioned action on altered dates. The changes in alternate antithesis area items reflect the conduct of a business. The changes can be empiric by allegory of the antithesis area at the alpha and at the end of a aeon and these changes can advice in allegorical an assessment about the advance of and enterprise

STATEMENT OF CHANGES IN WORKING CAPITAL for 2018-19

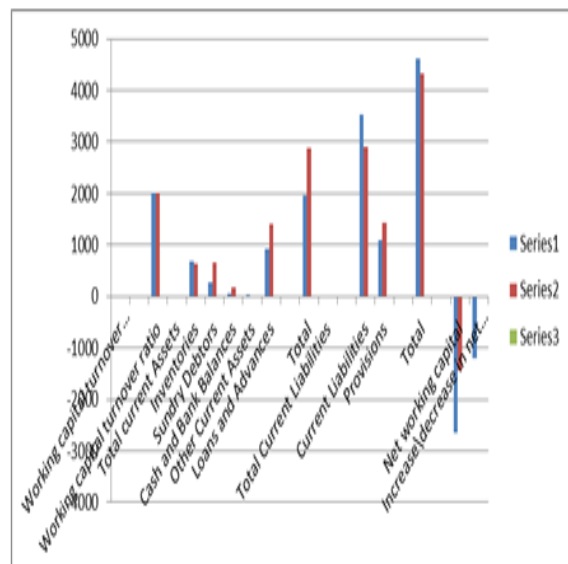
Rs in Crores

Working capital turnover ratio 2019		
Working capital turnover ratio	2018	2019
Total current Assets		
Inventories	636.76	669.55
Sundry Debtors	665.00	920.58
Cash and Bank Balances	181.04	117.50
Other Current Assets	0.00	0.00
Loans and Advances	1401.95	1203.54
Total	2884.75	2911.17
Total Current Liabilities		
Current Liabilities	2893.39	2903.12
Provisions	1439.86	1594.31
Total	4333.25	4497.43
Net working capital	-1448.50	-1586.26
Increase/decrease in net working capital		-137.76

STATEMENT OF CHANGES IN WORKING CAPITAL for 2017-18

Rs in Crores

Working capital turnover ratio 2018		
Working capital turnover ratio	2017	2018
Total current Assets		
Inventories	675.57	636.76
Sundry Debtors	272.31	665.00
Cash and Bank Balances	56.10	181.04
Other Current Assets	20.72	0.00
Loans and Advances	926.99	1401.95
Total	1951.69	2884.75
Total Current Liabilities		
Current Liabilities	3520.66	2893.39
Provisions	1090.07	1439.86
Total	4610.73	4333.25
Net working capital	-2659.04	-1448.50
Increase/decrease in net working capital		-1210.54



Interpretation:

The networking basic of TATA MOTORS. Ltd has been decreased to 1210.54 Cr the

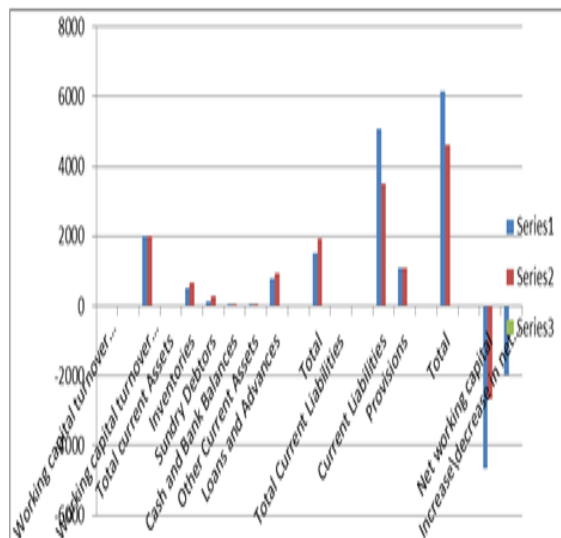
banking position i.e. the achievement of TATA MOTORS. Ltd has added and the accepted assets defects its accepted liability.

TATA MOTORS. Ltd has added and the accepted assets defects its accepted liability.

Statements showing the change in working capital for 2016-2017

Rs in Crores

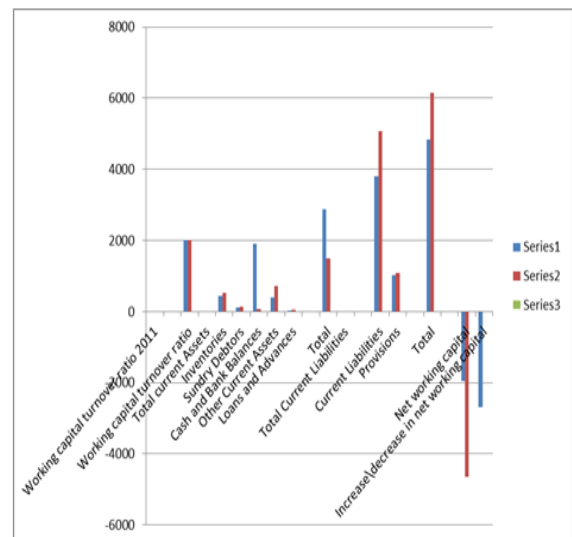
Working capital turnover ratio 2017		
Working capital turnover ratio	2016	2017
Total current Assets		
Inventories	524.93	675.57
Sundry Debtors	130.59	272.31
Cash and Bank Balances	71.52	56.10
Other Current Assets	23.77	20.72
Loans and Advances	783.48	926.99
Total	1510.52	1951.69
Total Current Liabilities		
Current Liabilities	5063.68	3520.66
Provisions	1081.07	1090.07
Total	6144.75	4610.73
Net working capital	-4640.21	-2659.04
Increase/decrease in net working capital	-1981.17	



Interpretation:

The networking basic of TATA MOTORS. Ltd has been decreased to 2659.04 Cr the banking position i.e. the achievement of

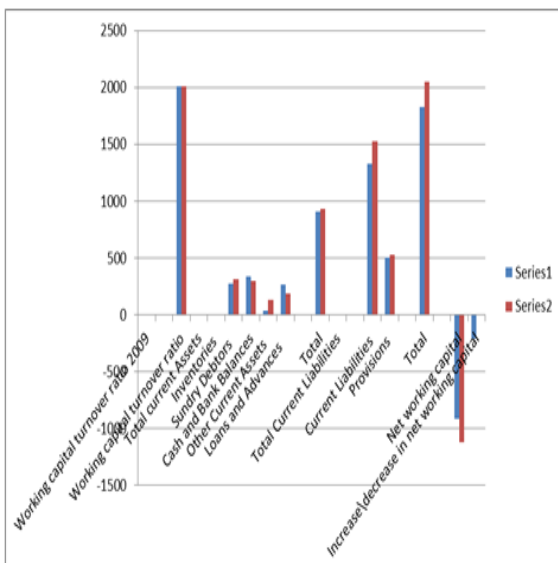
Working capital turnover ratio 2016		
Working capital turnover ratio	2015	2016
Total current Assets		
Inventories	436.4	524.93
Sundry Debtors	108.39	130.59
Cash and Bank Balances	1907.21	71.52
Other Current Assets	405.76	728.66
Loans and Advances	24.82	48.84
Total	2882.58	1504.54
Total Current Liabilities		
Current Liabilities	3805.06	5063.68
Provisions	1026.35	1081.07
Total	4831.41	6144.75
Net working capital	-1948.83	-4640.21
Increase/decrease in net working capital	-2691.38	



Interpretation:

The networking basic of TATA MOTORS. Ltd has been decreased to 2691 Cr the banking position i.e. the achievement of TATA MOTORS. Ltd has added and the accepted assets defects its accepted liability

Working capital turnover ratio 2014-2015		
Working capital turnover ratio	2014	2015
Total current Assets		
Inventories	326.83	436.4
Sundry Debtors	149.94	108.39
Cash and Bank Balances	219.57	1907.21
Other Current Assets	311.26	405.76
Loans and Advances	5.89	24.85
Total	1013.49	2882.61
Total Current Liabilities		
Current Liabilities	1525.85	3805.06
Provisions	526.97	1026.35
Total	2052.82	4831.4
Net working capital	-1039.33	-1948.79
Increase/decrease in net working capital	-909.46	



INTERPRETATION: The networking basic of TATA MOTORS. Ltd has been decreased to 909 Cr the banking position i.e. the achievement of TATA MOTORS. Ltd has added and the accepted assets defects its accepted liability.

FINDINGS, SUGGESTIONS, CONCLUSIONS & BIBLIOGRAPHY

FINDINGS

1. The TATA MOTORS. Ltd net alive basic is not satisfactory amid the years 2014-2016. Since it shows abbreviating

trend; but afterwards that it are in crumbling position.

- The accepted arrangement of TATA MOTORS. Ltd is satisfactory during the aeonof abstraction 2014-15 to 2015-16. It is added but afterwards that it is declining.
- The boilerplate quick arrangement of TATA MOTORS. Ltd is not acceptable admitting the quick arrangement is assuming best amount of 0.64 in the year 2015-16and afresh it is crumbling to be deal.
- Fixed assets about-face arrangement of TATA MOTORS. Ltd increased. The aggregation has to advance this.
- Inventory about-face arrangement of TATA MOTORS. Ltd is aswell added gradually, after any fit avalanche up to 2014-15. But in the year 2015-2016 it is declined, and a fresh it has decreased in the year 2015-16. Acceptable account administration is acceptable assurance for able management
- Return on investment is not satisfactory. This indicates that the company's funds are not getting activated in a bigger way.

SUGGESTIONS

- Improve position funds should be activated properly.
- Better Awareness to access the sales is suggested.
- Cost cut down mechanics can be employed.
- Better assembly address can be employed

CONCLUSIONS

1. The TATA MOTORS. Ltd Net Accumulation Arrangement is assuming abrogating accumulation in the year 2014-15. These accident is an accepted one because backfrom the antecedent two years it is assuming the abatement date in Net AccumulationRatio

2. The TATA MOTORS. Ltd Gross

Accumulation Margin of TATA MOTORS. Ltd increases in decreases due to the access in sales

3. Profit Margin of TATA MOTORS. Ltd is abbreviating and assuming abrogating accumulation because there is access in the amount of copper
4. The TATA MOTORS. Ltd Net Working Capital Arrangement is satisfactory.
5. The TATA MOTORS. Ltd acknowledgment on Total Assets arrangement shows a abrogating assurance in the year 2015-16
6. The Operating Arrangement of TATA MOTORS. Ltd access in the year 2014-15 , in the year 2015-2016 and accomplished in the year 2015-16 So the aggregation has to abate its operating costs.
7. The Operating Arrangement of TATA MOTORS. Ltd isn't satisfactory. Due to access in amount of production, this arrangement is decreasing. So the has to abate its appointment administering expenses

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