

Vol 6 Issue 1 Feb 2016

ISSN No : 2230-7850

International Multidisciplinary
Research Journal

*Indian Streams
Research Journal*

Executive Editor
Ashok Yakkaldevi

Editor-in-Chief
H.N.Jagtap

Welcome to ISRJ

RNI MAHMUL/2011/38595

ISSN No.2230-7850

Indian Streams Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial board. Readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Regional Editor

Manichander Thammishetty
Ph.d Research Scholar, Faculty of Education IASE, Osmania University, Hyderabad.

Mr. Dikonda Govardhan Krushanahari
Professor and Researcher ,
Rayat shikshan sanstha's, Rajarshi Chhatrapati Shahu College, Kolhapur.

International Advisory Board

Kamani Perera Regional Center For Strategic Studies, Sri Lanka	Mohammad Hailat Dept. of Mathematical Sciences, University of South Carolina Aiken	Hasan Baktir English Language and Literature Department, Kayseri
Janaki Sinnasamy Librarian, University of Malaya	Abdullah Sabbagh Engineering Studies, Sydney	Ghayoor Abbas Chotana Dept of Chemistry, Lahore University of Management Sciences[PK]
Romona Mihaila Spiru Haret University, Romania	Ecaterina Patrascu Spiru Haret University, Bucharest	Anna Maria Constantinovici AL. I. Cuza University, Romania
Delia Serbescu Spiru Haret University, Bucharest, Romania	Loredana Bosca Spiru Haret University, Romania	Ilie Pintea, Spiru Haret University, Romania
Anurag Misra DBS College, Kanpur	Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	Xiaohua Yang PhD, USA
Titus PopPhD, Partium Christian University, Oradea,Romania	George - Calin SERITAN Faculty of Philosophy and Socio-Political Sciences AL. I. Cuza University, IasiMore

Editorial Board

Pratap Vyamktrao Naikwade ASP College Devrukh,Ratnagiri,MS India	Iresh Swami Ex - VC. Solapur University, Solapur	Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur
R. R. Patil Head Geology Department Solapur University,Solapur	N.S. Dhaygude Ex. Prin. Dayanand College, Solapur	R. R. Yalikar Director Managment Institute, Solapur
Rama Bhosale Prin. and Jt. Director Higher Education, Panvel	Narendra Kadu Jt. Director Higher Education, Pune	Umesh Rajderkar Head Humanities & Social Science YCMOU,Nashik
Salve R. N. Department of Sociology, Shivaji University,Kolhapur	K. M. Bhandarkar Praful Patel College of Education, Gondia	S. R. Pandya Head Education Dept. Mumbai University, Mumbai
Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai	Sonal Singh Vikram University, Ujjain	Alka Darshan Shrivastava Shaskiya Snatkottar Mahavidyalaya, Dhar
Chakane Sanjay Dnyaneshwar Arts, Science & Commerce College, Indapur, Pune	G. P. Patankar S. D. M. Degree College, Honavar, Karnataka	Rahul Shriram Sudke Devi Ahilya Vishwavidyalaya, Indore
Awadhesh Kumar Shirotiya Secretary,Play India Play,Meerut(U.P.)	Maj. S. Bakhtiar Choudhary Director,Hyderabad AP India.	S.KANNAN Annamalai University,TN
	S.Parvathi Devi Ph.D.-University of Allahabad	Satish Kumar Kalhotra Maulana Azad National Urdu University
	Sonal Singh, Vikram University, Ujjain	

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.isrj.org

Indian Streams Research Journal

International Recognized Multidisciplinary Research Journal

ISSN: 2230-7850

Impact Factor : 4.1625(UIF)

Volume - 6 | Issue - 1 | Feb - 2016



IMPACT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY OF ULTRATECH CEMENT LIMITED



Sirajbeg Salimbeg Mirza¹ and Devendra N. Vyas²

¹Research Scholar, Dept. of Commerce, Rai University, Saroda, Dholka, Ahmedabad.

²Research Guide, Dept. of Commerce, Rai University, Saroda, Dholka, Ahmedabad.

ABSTRACT:

The main aim of this research paper is to find out the impact of working capital management on profitability of UltraTech Cement Limited. Secondary data are collected from 2005 to 2014 for this study. Regression model is run to find out the impact of working capital management on profitability. We found that there no significant

KEYWORDS: *Working capital, Profitability, working capital management, Regression*

INTRODUCTION:

Working capital is one of the most important requirements of any business concern. Working capital can be compared with the blood of human beings. As human cannot survive without blood, in the same way no business concern can survive without working capital.

Working capital management deals with maintaining the levels of working capital to optimum, because if a concern has inadequate opportunities and if the working capital is more than required then the concern will lose money in the form of interest on the blocked funds. Therefore working capital management plays a very important role in the profitability of a company.

umThe Indian cement industry is the second largest in the world. UltraTech Cement Limited Company is taken for the study. It is India's largest cement exporter.



Objectives:

1. To examine the efficiency of working capital management in selected unit.
2. To determine relationship between working capital management and profitability in selected unit.
3. To determine nature of such relationship (if any).

Data Sources:

Secondary Data are collected from the annual report of UltraTech Cement Limited from 2005 to 2014.

Hypothesis:

H_0 : There is no significant relationship between working capital management and profitability of UltraTech Cement Limited.

H_1 : There is a positive relationship between working capital management and profitability of UltraTech Cement Limited.

Variables:

1. Return on total assets [ROTA]: ROTA is used as a dependent variable. Profitability is measured by Return on Total Assets (ROTA). It is the ratio which measures company's earnings before interest and taxes (PBIT) against its total net assets. The ratio is considered as an indicator of how effectively a company uses its assets to generate earnings before meeting contractual obligations. The greater the company's earnings in proportion to its assets, the more effectively the company is said to be using its assets.

2. Current ratio [CR]: Establishes the relationship between Current assets and Current liabilities. Normally, high current ratio is considered to be a sign of financial strength. It is the indicator of the firm's ability to promptly meet its short term liabilities.

3. Quick Ratio [QR]: Establishes a relationship between quick or liquid assets and current Liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of value. Cash is the most liquid asset. It is also known as acid test Ratio.

4. Net Current Assets to Total Assets Ratio [NCA / TA]: Establishes a relationship between current assets and total assets. This ratio indicates the extent of total funds invested for working capital purpose.

5. Working Capital Turnover Ratio [WCT]: Represents how effectively working capital is utilized. Working Capital Turnover Ratio is a relationship between Cost of Sales and net Working Capital.

6. Inventory Turnover Ratio [ITR]: Is the number of times inventory turned over in a year. It is relationship between Cost of Goods Sold and average inventory at cost.

Regression Analysis:

Simple linear regression analysis was done for return on assets (ROTA) with Current Ratio (CR), Quick Ratio (QR), Net Current Assets to Total Assets Ratio (NCA / TA), Working Capital Turnover Ratio (WCT) and Inventory Turnover Ratio (ITR).

Regression model is:

$$\text{ROTA} = \alpha_0 + \beta_1 \text{CR} + \beta_2 \text{QR} + \beta_3 \text{NCA/TA} + \beta_4 \text{WCT} + \beta_5 \text{ITR} + e$$

Table: 1 Descriptive Statistics

Variable	Mean	Standard Deviation
ROTA	0.279	0.099
CR	0.676	0.087
QR	0.415	0.097
NCA/ TA	-0.174	0.038
WCT	-6.747	1.279
ITR	13.937	8.421

Above table shows mean and standard deviation of variables. Mean of ROTA, CR, QR and ITR are positive while NCA/TA and WCT are negative during the study period.

Table: 2 Empirical results of dependent variable

Regression Statistics	
Multiple R	0.92
R Square	0.85
Adjusted R Square	0.67
Standard Error	0.06
Observations	10.00

Dependent variable ROTA	STANDARDIZED COEFFICIENTS		
	- Value	t-Value	Sig.
constant	-0.6725	-1.5939	0.1862
CR	-0.2488	-0.4094	0.7032
QR	0.1099	0.2690	0.8013
NCA/ TA	-2.1153	-2.1716	0.0956
WCT	-0.0979	-2.5670	0.0622
ITR	0.0033	0.7744	0.4819

Findings and conclusion:

Working capital management is an important part in firms' financial management decision. The ability of the firm to operate continuously and for a long period depends on how it deals with investment in working capital. The purpose of this study is to investigate the relationship between working capital management and profitability.

The relationship between dependent and independent variables are analyzed by the regression model. Table no. 2 shows empirical result of dependent variable. P-value of all variables is greater than 0.05. So we accept null hypothesis and reject alternative hypothesis. It revealed that during study period there is no significant relationship between working capital management and profitability of UltraTech Cement Limited.

REFERENCES:

1. Afza, T., & Nazir, M. (2009): Impact of Aggressive Working Capital Management Policy on
2. Firms' Profitability. The IUP Journal of Applied Finance, 15(8), pp. 20-30.
3. Deloof, M. (2003): Does Working Capital Management Affect Profitability of Belgian
4. Firms. Journal of Business Finance and Accounting. 30: pp. 573-587.

5. Khan, M. Y., & Jain, P. K. Financial Manageent (3rd ed.). Tata McGraw-Hill Publishing Company Ltd.
6. Kishore, R. M. Financial Management (6th ed.).
7. Saccurato, F., (1994): The Study of Working Capital. Business Credit Journal, Vol 96: pp.36-37.
8. Shin, H.H and Soenen, L. (1998): "Efficiency of Working Capital Management and
9. Corporate Profitability", Financial Practice and Education, Vol 8 No 2, pp. 37-45
10. Zuber A., & Muhammad G. (2013): "Impact of Working Capital Management on Profitability A Case of The Pakistan Cement Industry". Interdisciplinary Journal of Contemporary Research in Business, Vol 5 No 2, pp. 384-390

Publish Research Article International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Book Review for publication, you will be pleased to know that our journals are

Associated and Indexed, India

- ★ International Scientific Journal Consortium
- ★ OPEN J-GATE

Associated and Indexed, USA

- Google Scholar
- EBSCO
- DOAJ
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database
- Directory Of Research Journal Indexing

Indian Streams Research Journal
258/34 Raviwar Peth Solapur-413005, Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.isrj.org