

# A SHORT-TERM INVESTMENT DECISIONS- A COMPARATIVE STUDY OF JAYPRAKESH AND ASSOCIATES & INDIAN CEMENTS

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## **Abstract:**

Working capital is the life blood of business, which includes the management of day-to-day activities of the company. It is a measure which indicates the company's efficiency and financial health of organisation. The main of this study is to ascertain the working capital management of selected cement companies in India. The cement companies selected for this study are Indian cement and Jaypee cements & associates. The working capital management of the companies are analysed for the period of 2015-2019 based on the information provided in balance sheet of selected companies. This research is analytical research in nature. The data analysis was done using the descriptive statistics and ratio analysis. The results of analysis clearly indicates that networking capital of Jaypee cements & associates is very good, they recorded highest networking capital over the selected period of study, while compared to other cement company, whereas Indian cements recorded negative working capital, which means the current liabilities of company are higher than current assets which is not good sign of financial health of company. Hence through this study it is recommended to key officials of Indian cements they must take measures to control the current liabilities of company, in order to ensure financial health or liquidity of the company for day-to-day operations.

## **Introduction:**

Money related administration is an administrative action that manages controlling and arranging of the association's monetary assets. In different quarters, it manages acquiring, financing and dealing with advantages for accomplish the total goal of a business undertaking (The primary point is to amplify the abundance of investors). Monetary administration is stressed over successful acquisition (financing) and division (putting resources into resources, working capital, and so forth.) of assets with a plan to make a benefit (profit) for owners. There are two rudimentary parts of financial administration. They're Funds acquirement and a powerful usage of these assets to achieve business goals.

Working capital is a day-to-day requirement for business, as they need a scientific amount of money to form routine expenses, cover unanticipated costs, and buy basic resources utilized within the manufacture of products. It is a metric for proficiency, liquidity and complete well-being of the firm. It imitates results of several corporation events, also revenue collection, liability management, inventory management and costs to dealers. The absence of acceptable working capital not only weakens the firm's cost-effectiveness but also results in strike of manufacture and productivity in payment of its present requirements. Therefore, it's considered because the life force of the business.

It means capital management required by an organization for its daily events which contains the study of cash management, marketable investments, receivable accounts, payable accounts, accruals and variety means of short-run financing. The optimal investment level in current assets. A suitable mix of short-run and long-run financing used to support this level of investment in current assets. It involves handling the balance between the company's short-run assets and its short-run liabilities. The objective of working capital management is intended to safeguard that the company can remain its actions and it has adequate cash flows to satisfy maturation of short-term obligation and future operative expenses. The collaboration between current assets and current liabilities remains, therefore, the key theme of the Working capital management.

Provisions of tax and dividends are current liabilities. Therefore, they can't be postponed. The finance that could be used in paying these requirements acts as working capital till the point these are not paid. Short-term working capital funding can be availed from financial institutions and banks are expensive when compared with long-term sources and spontaneous in expressions of interest rates although contain a great time elasticity. Due to time elasticity, the finance supervisor can utilize the money and pay interest on the funds which his company utilizes and can pay them anytime when cash is accessible. On the whole, in comparison to long-term where you must hold finances even when not mandatory, these services prove cheaper.

## **RESEARCH METHODOLOGY**

### **NEED FOR STUDY**

Many companies fail to satisfy their goal due to the deficiency of working capital. Financial management must recognize the essential working capital amount. If there's any longer working capital fund that might be used for spending in fixed assets additionally to any longer investment purpose. Working capital necessity mostly depends on the operational cycle's period. If the organization functions the duration of an operational cycle by optimal utilization of resources which benefits to rise in efficiency & well-organized working capital management.

**OBJECTIVES OF THE STUDY**

- To inspect the varieties inside the working capital of the two foundations for a time of 5 years of information.
- To study and understand the operational cycle and implying approaches to diminish the measure of the operational cycle.
- To examine the strategy that is followed for financing working capital.
- To study the short-run speculation result dependent on working capital.

**SOURCES OF DATA**

- Balance sheet, Annual reports, profit & loss accounts of previous 5 years. Several websites like www.moneycontrol.com
- Secondary data collected from annual reports of the companies and from www.moneycontrol.com.

**LIMITATIONS OF STUDY**

- As data essential for the study isn't totally accessible, certain conventions are made and created on those conventions this report has been prepared, as a result, this report has become a disclaimer report.
- While secondary data isn't obtainable from annual reports some information is taken from other websites.
- However, Primary data are collected from several sources, this report had been made by primarily that specialized in Secondary Data.
- No data has been obtained concerning the work-in-progress due to which it had been avoided.
- A period constant is also is a constraint for widening the scope of the study.

**DATA ANALYSIS AND RESULTS****INDIAN CEMENT:****NETWORKING CAPITAL:**

This shows the operating budget obtainable to the company.

**Networking capital = current assets – current liabilities.**

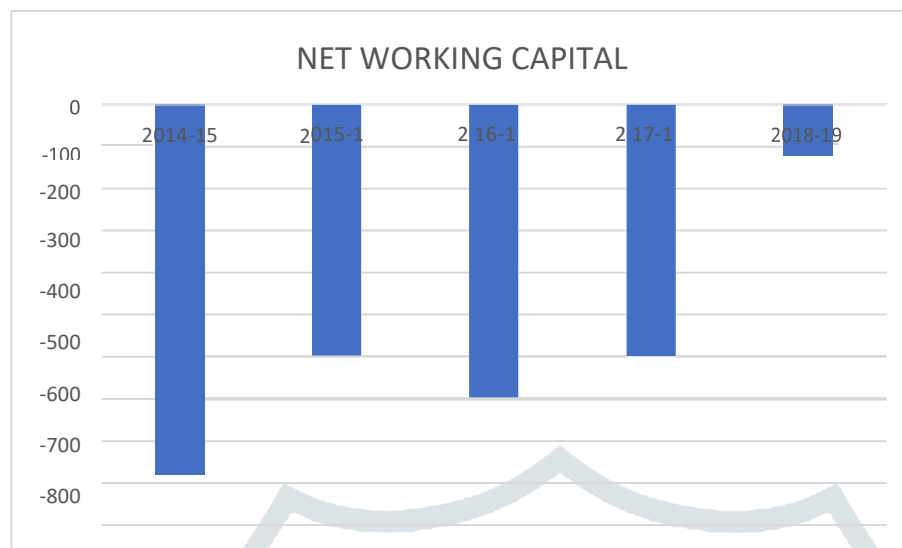
**Table 1:**

The subsequent table represents Indian cement net working capital for the duration of 2014- 2019.

<b>NETWORKING CAPITAL</b>			
Rs in crores			
Year	Total Current Assets	Total Current Liabilities	Net working capital
2014-15	1,545.67	2,425.74	-880.07
2015-16	1,620.18	2,219.98	-599.80
2016-17	1,612.26	2,313.98	-701.72
2017-18	1,798.59	2,411.35	-612.76
2018-19	1,859.61	1,983.16	-123.55

**Graph1.**

The subsequent graph representing Indian cements net working capital for the period of 2014 to 2019.

**Analysis:**

From the table above and graph, we can notice that for INDIAN CEMENT there is a negative Net Working Capital for the duration of the period 2014-15 to 2018-19. We can notice that working capital negative decreases during the years. In the year 2014-15 negative working capital was -880.07crores whereas in 2018-19 it decreases to-123.55. Thus, this implicates steadily rises in its operating liquidity efficiency.

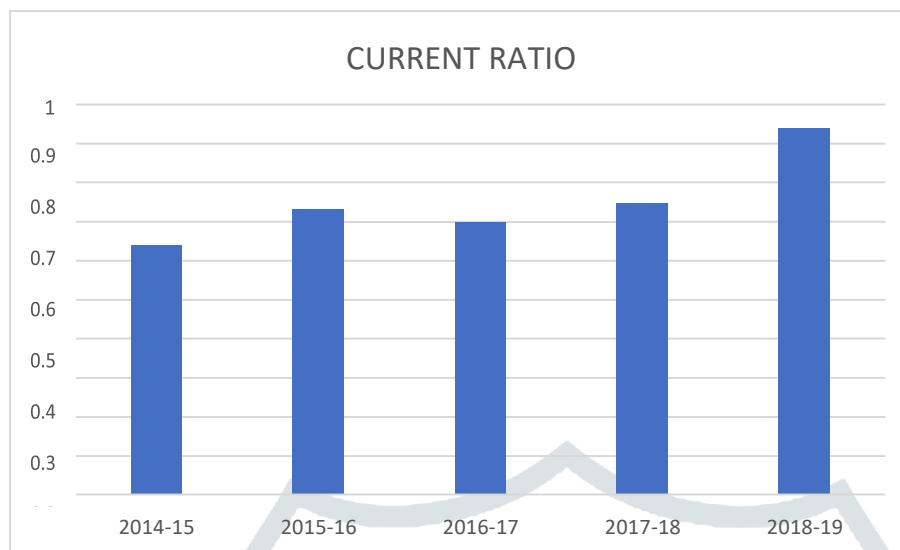
**Table 2:**

The subsequent table represents Indian cement current ratio for the duration of 2014-15 to 2018-19.

CURRENT RATIO				
				Rs. In crores
Year	Total Current Assets	Total Current Liabilities	current ratio	
2014-15	1,545.67	2,425.74	0.637195248	
2015-16	1,620.18	2,219.98	0.729817386	
2016-17	1,612.26	2,313.98	0.696747595	
2017-18	1,798.59	2,411.35	0.745885085	
2018-19	1,859.61	1,983.16	0.937700438	

**Graph 2:**

The subsequent graph representing Indian cements current ratio from 2014 to 2019.

**Analysis:**

The current ratio discloses the company's short-term solvency. It shows the current assets in rupees for one every rupee of current liabilities.

Current ratio in 2014-15	-	0.64
Current ratio in 2015-16	-	0.73
Current ratio in 2016-17	-	0.70
Current ratio in 2017-18	-	0.75
Current ratio in 2018-19	-	0.94

The current ratio has risen from 2014-15 to 2015-16. In 2016-17 there is a fall in the current ratios due to a rise in current liabilities. From 2017 to 2019 there is a rise in the current ratio.

**Table 3:**

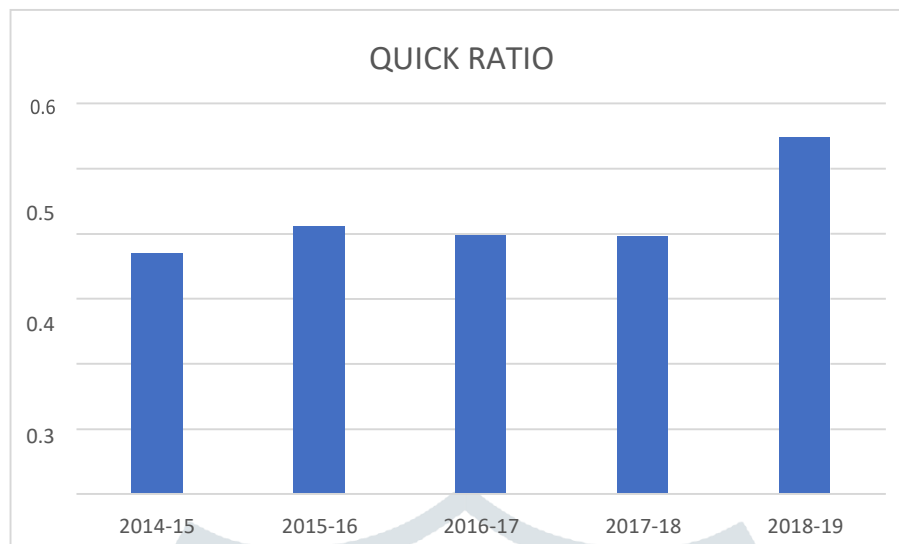
The subsequent table represents Indian cement Quick ratio during 2014-2019.

**QUICK RATIO**

in crores					
year	Total Current Assets	stock	Quick assets	Total Current Liabilities	Quick ratio
2014-15	1,545.67	650.93	894.74	2,425.74	0.368852
2015-16	1,620.18	706.88	913.30	2,219.98	0.411400
2016-17	1,612.26	895.25	917.01	2,313.98	0.396291
2017-18	1,798.59	845	953.59	2,411.35	0.395458
2018-19	1,859.61	772.25	1,087.36	1,983.16	0.548296

**Graph 3:**

The subsequent graph representing the Indian cements Quick ratio from 2014 to 2019.

**Analysis:**

The quick ratio is a connection between quick assets and current liabilities.

There is a regular rise in the quick ratio of Indian cement from the year 2014-15 to 2018-2019 as a result of the rise in the quick assets over the years.

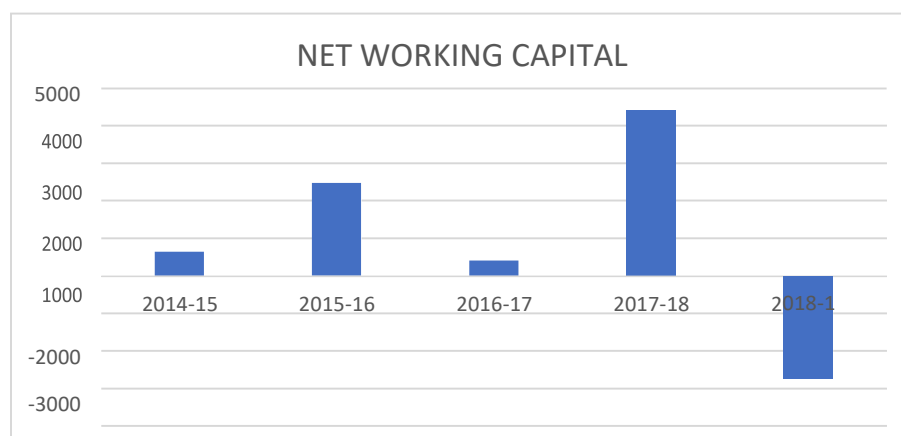
**JAYAPRAKASH AND ASSOCIATES:****Table 1:**

The subsequent table represents Jay pee cements net working capital during 2014-2019.

NETWORKING CAPITAL			
Year	Total Current Assets	Total Current Liabilities	Net Working Capital
2014-15	14,728.04	14,087.73	640.31
2015-16	20,405.75	17,941.49	2,464.26
2016-17	17,683.59	17,274.36	409.23
2017-18	27,442.32	23,049.82	4,392.50
2018-19	18,030.30	20,774.80	-2,744.50

**Graph 1:**

The subsequent graph representing Jay pee cements net working capital during 2014 to 2018.

**NETWORKING CAPITAL:**

This shows operating liquidity available to the company.

Networking capital= current assets – current liabilities.

**Analysis:**

There is a constructive networking capital from 2014-15 to 2017-18 and in 2018-19 there is unnecessary net working capital. In 2017-18 year, it represents maximum net working capital. Due to the rise in current liabilities in excess of current assets in the year 2018-19 there is unnecessary working capital.

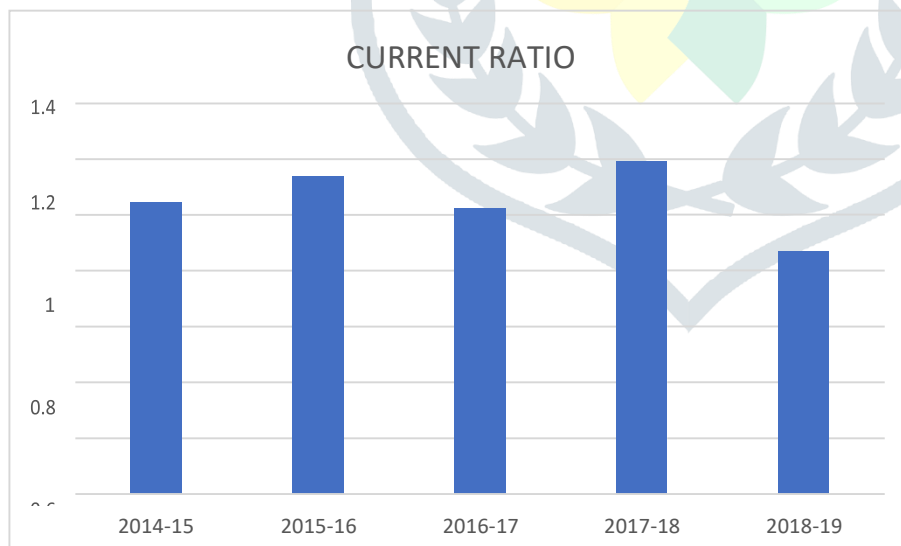
**Table 2:**

The subsequent table shows Jay pee cements current ratio during 2014-2019.

CURRENT RATIO			
Year	Total Current Assets	Total Current Liabilities	Current Ratio
2014-15	14,728.04	14,087.73	1.045451609
2015-16	20,405.75	17,941.49	1.137349796
2016-17	17,683.59	17,274.36	1.023690024
2017-18	27,442.32	23,049.82	1.190565479
2018-19	18,030.30	20,774.80	0.867892832

**Graph 2:**

The subsequent graph representing Jay pee cements the current ratio during 2014 to 2019.

**ANALYSIS:**

The current ratio let us know about the company's short-term solvency. It shows the current assets in rupees for every one rupee of current liabilities.

Current ratio in 2014-15 1.045

Current ratio in 2015-16 1.137

Current ratio in 2016-17 1.023

Current ratio in 2017-18 1.190

Current ratio in 2018-19 0.867

There is a constructive current ratio for the company from the year 2014-15 to 2018-19. In each year current assets are more than current liabilities, but in the year 2018-19 current liabilities go beyond the current assets, so there is a little decline in the current ratio in the FY 2018-19.

The overall current ratio is reasonable.

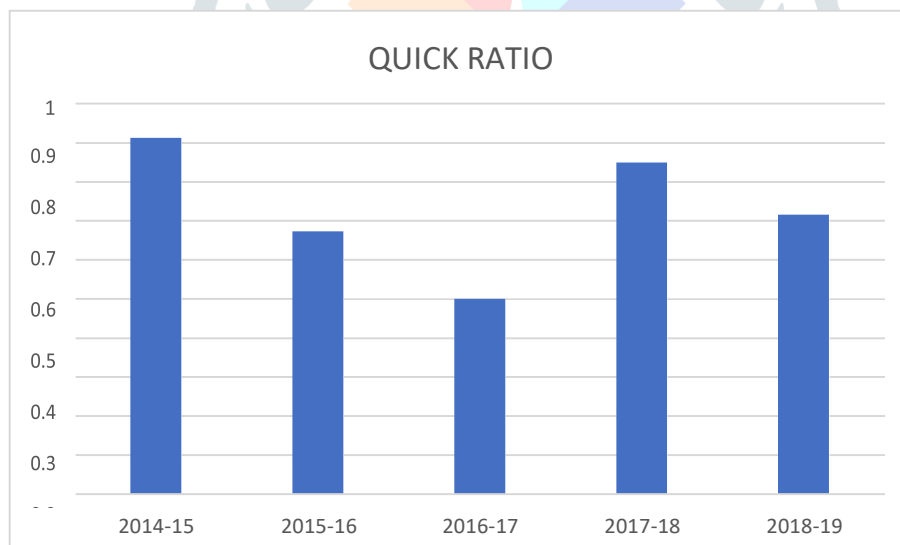
**Table 3:**

The subsequent table represents Jay pee cements Quick ratio during 2014-2019.

QUICK RATIO					
					in crores
year	Total Current Assets	Inventories	Quick assets	Total Current Liabilities	Quick ratio
2014-15	14,728.04	2,804.11	11,923.93	13,087.73	0.911077
2015-16	20,405.75	9,009.49	11,396.26	16,941.49	0.672683
2016-17	17,683.59	9,567.43	8,116.16	16,274.36	0.498708
2017-18	27,442.32	8,747.89	18,694.43	22,049.82	0.847826
2018-19	18,030.30	3,888.23	14,142.07	19,774.80	0.715156

**Graph 3:**

The subsequent graph representing Jay pee cements Quick ratio during 2014 to 2019.



#### ANALYSIS:

A Quick ratio is a connection between quick assets and current liabilities.

Quick ratio in 2014-15 0.911

Quick ratio in 2015-16 0.672

Quick ratio in 2016-17 0.498

Quick ratio in 2017-18 0.847

Quick ratio in 2018-19 0.715



There is a constructive quick ratio for Jay pee cement from the year 2014-15 to 2018-19 but to some extent declining because of the decline of its inventory effects quick ratio.

### FINDINGS:

- The current ratio of Indian cements has exposed changeable trend as 0.63, 0.73, 0.697, 0.755, 0.94 for the period 2014-2019 which shows that there is also changes in both current liabilities and current assets. Where Jaypee cements there is a little change in current ratio from the year 2014-2019. In relation with Indian cement current liabilities are enlarged more than the current assets from the period 2014- 2019.
- Quick ratio had rising tendency from the period 2014-19 for both the companies but when compared, Indian cements is more efficient than the Jaypee cements.
- Working capital had enlarged from -880 to -120 crores for the Indian cements company. Whereas for Jaypee cements working capital had enlarged for the period 2014-15 640 crores to 4392.5 crores for the period 2017-18 and then reduced to -2744.5 crores because of decline in current assets.
- Working capital turnover tendency had enlarged for the Indian cements from -5.25 to -44.19 for the period 2014-2019. Whereas for Jaypee cements there is declining tendency which gives to negative side.
- The average collection period for the Indian cement is approximately from 42 days to 30 days for the period 2014-15 to 2018-19. Where for the Jaypee cements, average collection period is around 140 days to 80 days.
- Current assets to net working capital ratio had declining negatively from the period 2014-15 to 2018- 2019 for the Indian cements. Whereas for Jaypee cements, current assets to net working capital declined from 23 to -6.57.

### CONCLUSIONS:

- Both the Company's on the whole position is well and good but Indian cements presentation is good when linked with Jaypee cements. It is better for the company to diversify the resources to the various sectors for the current market scenario.
- Both the firms employed their fixed assets in appropriate manner to raise the funds for short term necessities.
- Both the firms should focus on the inventory management system for efficient use of fixed assets and debtor turnover and inventory turnover and also think on average collection period.

### ACKNOWLEDGEMENT:

This study was successfully completed by me through strong effort and constant support from many people and organisations who stood by me throughout the course. I would like to express my gratefulness and gratitude to my guide, **Dr. Sindhu, Professor, SMS, JNTUH**, who mentored me and guided me with the best of advice to carry on the present topic "**A SHORT-TERM INVESTMENT DECISIONS- A COMPARATIVE STUDY OF JAYPRAKESH AND ASSOCIATES & INDIAN CEMENTS**".

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### WEBSITES:

www.moneycontrol.com