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WORKING CAPITAL MANAGEMENT IN AMARA RAJA BATTERIES LIMITED, CHITTOOR DISTRICT, ANDHRA PRADESH.

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ABSTRACT

The battery is one of the most important man-made inventions all throughout history. Today, it is generally used as a portable source of power. Batteries are classified by chemistry and the most common are lead, lithium and nickel based. The battery industry in India that comprises automobile, sealed maintenance free (SMF), tubular and lead acid batteries, has been registering an annual growth rate of 25 per cent year on year. Amara Raja Batteries Limited is a multi-national company which manufactures and sells lead-acid storage batteries for industrial and automotive applications in India. It is one of the biggest company of Amara Raja Group of companies located at Chittoor district, Andhra Pradesh. It was incorporated in February 1985 as a private limited company and later converted into public limited company in the year 1990. The company is the largest supplier of stand-by power systems to various customer groups, such as telecom, railways, power control, solar, UPS, automobile, replacement markets, and private label customers. The company is also having prestigious automotive clients including Ford, General Motors, Daimler Chrysler, Ashok Leyland, TELCO and Mahindra & Mahindra. Working capital is often referred to as life blood of an organization. It is the money required for carrying on day today activities of an organization. An effective working capital management system helps businesses not only to cover their financial obligations but also boosts their earnings. Hence, an attempt is made to study the working capital management in Amara Raja Batteries Limited. The present study covered aspects such as current assets, liquid assets, current liabilities and various ratios relating to working capital for the period 2017-18 and 2021-22 i.e., 5 years.

KEYWORDS: Current assets, Current liabilities, Inventory, Working capital.

1.Introduction: The battery is one of the most important manmade inventions all throughout history. Today, it is generally used as a portable source of power. But in the past, batteries were our only source of electricity. Without its conception, modern comforts such as computers, vehicles and communication devices may not have been possible. Batteries are classified by chemistry and the most common are lead, lithium and nickel based. The battery industry in India that comprises automobile, sealed maintenance free (SMF), tubular and lead acid batteries, has been registering an annual growth rate of 25 per cent year on year. Demand for Indian batteries from importers worldwide has increased. The main sectors in which demand for batteries are solar, telecom, automation and power conditioning. The present article mainly focuses on the working capital management in Amara Raja Batteries Limited. Amara Raja Batteries Limited is a multi-national company which manufactures and sells lead-acid storage batteries for industrial and automotive applications in India.

2. Profile: Amara Raja Batteries Limited is located at Karakambadi, Tirupati, Chittoor District, Andhra Pradesh. It is one of the biggest companies of Amara Raja Group of company's others being Amara Raja Electronics Limited, Amara Raja Power Systems Limited, Amara Raja Infra Private Limited, Amara Raja Industrial Services Private Limited, Mangal Industries Limited, Galla Foods and Silver Lining Storage Solutions Limited. Amara Raja Batteries Limited was incorporated in February 1985 as a private limited company. The company was converted into public in the year 1990. In May 1992, they designed and implemented the most advanced battery manufacturing facility in India. In December 1997, they signed a joint venture agreement with the Johnson Controls Incorporation, USA for the import of technology for the manufacture of automotive batteries. In the year 2000, the company launched Amaron automotive batteries. In the year 2002, they launched Quanta UPS, Amaron Hiway and Harvest batteries. In the year 2004, they launched Amaron PRO, GO,

and FRESH automotive batteries. In May 2007, the company has launched a new retail store format 'Power zone' to cater the growing need for better technology and better service at affordable price in the rural markets. They are offering a platter of products of global quality at local prices, right from automotive batteries, tractor batteries and home UPS, from the House of Amara Raja. In May 2008, the company entered the two-wheeler battery segment with the launch of Amaron Pro Bike Rider 2-wheeler batteries. It is the largest manufacturer of Standby Valve Regulated Lead Acid batteries in the Indian Ocean Rim comprising the area ranging from Africa and the Middle East to South East Asia. It is in the business of Industrial Battery, Automobile Battery and Power System. The company offers its batteries under the Amaron, Power Zone, Power Stack, Amaron Volt, and Quanta brands. It also provides installation, commissioning, and maintenance services; and exports its products to various countries. The company is the largest supplier of stand-by power systems to various customer groups, such as telecom, railways, power control, solar, UPS, automobile, replacement markets, and private label customers. The company is also having prestigious Automotive clients including Ford, General Motors, Daimler Chrysler, Ashok Leyland, TELCO, and Mahindra & Mahindra. The total workforce of the Amara Raja Batteries Limited is more than 15417 people.

3. Need for the study: Working capital is often referred to as "life blood" of an organization. It is also called as circulating capital. It is denied as the money required for carrying on day today activities of an organization. It is the functional area of the finance that covers all the current accounts of the firm. It is an amount of fund which is necessary to cover the cost of operating the enterprise. Whether it is manufacturing or non-manufacturing one without adequate working capital, there can be no progress in the industry. Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The primary purpose of working capital management is to make sure that the company always maintains sufficient cash ow to meet its short-term operating costs and short-term debt obligations. It commonly involves monitoring cash ow, assets and liabilities through ratio analysis. Efficient working capital management helps company's smooth financial operation and improves the company's earnings and profitability. A hallmark of good business management is the ability to utilize working capital management to maintain a solid balance between growth, profitability and liquidity. An effective working capital management system helps businesses not only to cover their financial obligations but also boosts their earnings. Hence, an attempt is made to study the working capital management in Amara Raja Batteries Limited.

4. Objectives: The objectives of the present study are as follows.

- To study the status and structure of current assets and current liabilities and
- To analyze the working capital management in Amara Raja Batteries Limited.

5. Data Collection and Statistical techniques: The study is primarily based on the secondary data which includes books, magazines, annual reports, records, websites etc. The data has been analyzed with the help percentages and financial and statistical tools like ratio analysis, averages.

6. Period of Study: The study covered a period of 5 years from 2017-18 to 2021-22.

7. Scope: The present study covers only the important aspects such as current assets, liquid assets, current liabilities and various ratios relating to working capital for the above said period.

8. Descriptive Study: The description of the study is given in the following pages.

8.1. Current Assets and Current Liabilities of Amara Raja Batteries Limited: Current assets are those which are easily converted into cash. It is evident from table 1 that of all the

Table 1: Current Assets during 2017-18 and 2021-22. (Rs.Crores)

Particulars	2017-18	2018-19	2019-2020	2020-21	2021-22
Inventories	15.33 (0.71)	0.30 (0.01)	142.25 (6.40)	34.73 (1.23)	273.42 (9.69)
Trade Receivables	1049.71 (48.77)	1061.42 (48.16)	1142.69 (51.41)	1803.78 (63.87)	1438.24 (50.99)
Cash and bank balances	782.45 (36.35)	768.58 (34.87)	636.28 (28.62)	792.56 (28.06)	787.46 (27.92)
Short term loans and advances	111.28 (5.17)	71.75 (3.25)	84.51 (3.80)	53.57 (1.90)	175.81 (6.23)
Other current assets	193.53 (9.00)	302.02 (13.71)	217.17 (9.77)	139.38 (4.94)	145.94 (5.17)
Total	2152.30 (100.00)	2204.07 (100.00)	2222.90 (100.00)	2824.02 (100.00)	2820.87 (100.00)

Source: Annual Reports of Amara Raja Batteries.

Note: Figures in parentheses indicate the percentage to total. Current assets, trade receivables formed more than 48 per cent during 2017-18 and 2021-22, recording the highest of 63.87 per cent during 2020-21 and lowest of 48.16 per cent during 2018-19. The percentage of inventories to total gradually increased from 0.71 per cent to 9.69 per cent during the study period. However, the proportion of cash and bank balances decreased from 36.35 per cent to 27.92 per cent and short-term loans and advances increased from5.17 per cent to 6.23 per cent respectively during the aforesaid period. Other current assets include interest accrued, prepaid expenses, advances to employees, export incentives etc. The contribution of other current assets to total current assets was fluctuating from year to year.

Table2: Current Liabilities during 2017-18 and 2021-22. (Rs. Crores)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Short term borrowing	-	-	-	-	6.87 (0.45)
Trade payables	592.26 (59.64)	510.44 (56.56)	614.89 (55.80)	746.47 (56.15)	806.45 (52.80)
Other current liabilities	344.76 (34.72)	330.14 (36.58)	387.66 (35.18)	464.40 (34.93)	576.77 (37.76)
Short term provisions	55.96 (5.64)	61.89 (6.86)	99.41 (9.02)	118.58 (8.92)	137.25 (8.99)
Total	992.98 (100.00)	902.47 (100.00)	1101.96 (100.00)	1329.45 (100.00)	1527.34 (100.00

Source: Annual Reports of Amara Raja Batteries.

Note: Figures in parentheses indicate the percentage to total. It can be inferred from table 2 that the percentage of trade payables slightly decreased from 59.64 per cent during 2017-18 to 52.80 per cent during 2021-22 with relative ups and downs. Here other current liabilities include unclaimed dividend, outstanding liabilities, excise duty, service tax, sales tax payable, TDC/TCS payable, advances from customers etc. There was a growth of other current liabilities from 34.72 per cent to 37.76 per cent during the study period. The proportion of short-term provisions was fluctuating year to year but was highest during the period 2019-2020 of 9.02 per cent. The company borrowed short term borrowings only in the year 2021-2022 for 0.45 per cent.

8.2. Working Capital Ratios: To study and evaluate the working capital management in Amara Raja Batteries, working capital ratios such as current ratio, quick ratio, inventory to current assets ratio, working capital turnover ratio are computed.

8.2.1. Current Ratio: To judge the short-term financial strength of an enterprise, the current ratio is computed. Current ratio indicates the rm's ability to pay its current liabilities. It is the ratio between current assets and current liabilities. The standard norm for such ratio is 2:1.

Table 3: Current Ratio during 2017-18 and 2021-22

(Rs.Crores)

Year	Cuurent Assets	Current Liabilities	Current Ratio
2017-18	2152.30	992.98	2.17
2018-19	2204.07	902.47	2.44
2019-20	2222.90	1101.96	2.02
2020-21	2820.87	1329.45	2.12
2021-22	2824.02	1527.34	1.85

Source: Annual Reports of Amara Raja Batteries.

It can be observed from table 3 that the firm maintained standard norms for current ratio during the entire study period. It can be concluded that the overall position of current assets and current liabilities is good as the company is maintaining current assets to meet the current obligations.

8.2.2. Quick Ratio: It is the ratio between quick assets and current liabilities. The standard norm for such ratio is 1:1 and it is taken as a tool for the assessment of liquidity position of a firm. Table 4 reveals that the firm is fluctuating during the period . Hence, it can be inferred that the liquidity position of the firm is satisfactory.

Table 4: Quick Ratio during 2017-18 and 2021-22

(Rs.Crores)

Year	Quick Assets	Current Liabilities	Current Ratio
2017-18	1102.59	992.98	1.11
2018-19	1142.65	902.47	1.27
2019-20	1080.21	1101.96	0.98
2020-21	1382.63	1329.45	1.04
2021-22	1020.24	1527.34	0.67

Source: Annual Reports of Amara Raja Batteries.

8.2.3. Inventory to Current Assets Ratio: This ratio expresses the relationship between inventory to current assets. It highlights how much amount is in the form of stock in current assets. The higher is the value of this ratio, the poorer shall be the efficiency of current assets.

Table 5: Inventory to Current Assets Ratio during 2017-18 and 2021-22

(Rs.Crores)

Year	Inventory	Current Assets	Inventory to Current Assets Ratio
2017-18	1049.71	2152.30	0.49
2018-19	1061.42	2204.07	0.48
2019-20	1142.69	2222.90	051
2020-21	1438.24	2820.87	051
2021-22	1803.78	2824.02	0.64

Source: Annual Reports of Amara Raja Batteries.

It can be seen from table 5 that there was continuous growth of inventory to current assets ratio during the aforesaid study period. It increased from 0.49 to 0.64 during the said period with an average ratio of 0.56. Though the firm is maintaining the efficiency of current assets by reaching the standard norms, but in the years to come there is a need to maintain economic order quantity to have good liquidity position.

8.2.4. Working Capital Turnover Ratio: This ratio indicates the velocity of the utilization of net working capital. It shows firm's efficiency in generating sales revenue using the total working capital available in the business. A higher ratio indicates efficient utilization of working capital.

Table 6: Working Capital Turnover Ratio during 2017-18 and 2021-22

(Rs.Crores)

Year	Net Sales	Net Working Capital	WorkingCapital Turnover Ratio
2017-18	6059.15	1159.32	5.23
2018-19	6793.11	1301.60	5.22
2019-20	6839.46	1120.94	6.10
2020-21	7149.68	1491.42	4.79
2021-22	8695.82	1296.68	6.71

Source: Annual Reports of Amara Raja Batteries.

It is evident from table 6 that working capital turnover ratio varied between 4.79 and 6.71 during the study period. The average working capital turnover ratio is 5.75. It means the firm is maintaining sufficient working capital. It also indicates that the firm has taken all necessary steps to accelerate the sales volume in proportion to the increased investment in working capital. At the same time it can also be inferred that it has more than enough liquid funds to meet short term obligations.

9. Findings and Suggestions: Based on the above analysis, the following findings and suggestions are made.

- The firm is successfully maintaining standard norms for both current ratio and quick ratio.
- Though it reached standard norms for quick ratio, it would be better if it maintains more cash and bank balance in the years to come to meet day to day expenses without any difficulty.
- As far as the inventory is concerned, the firm witnessed continuous growth during the study period. Hence it has to take steps to minimize the investment in inventory which may lead to inefficient capital in future.
- If possible it has to reduce inventory level by adopting scientific inventory management techniques.
- With regard to the average of inventory to current assets ratio, the firm reached standard norms. Excess of standard norms may lead to improper allocation of financial resources.
- The firm is having sufficient working capital turnover ratio that confirms the excellent performance of working capital.

10. Conclusion:

The working Capital position of the company (Amara Raja Batteries Ltd) is satisfactory. The company is maintaining normal levels of current assets and current liabilities. The company can utilize the reserves and surplus by either capitalizing or invest the money were as investment to get benefit.

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