

# A Comparative Analysis of Electrical Goods Assembling Units of India about Working Capital Management

Neha Bansal

Research Scholar, CMJ University, Shillong, Meghalaya

**Abstract –** *The associations in the electrical supplies industry have performed equitably well for budgetary year 2010. The bargains of a large portion of the associations have expanded which has brought about a generally speaking build of 10.39% for the year 2010 as contrasted with the year 2009. In this Industry the Multi-Product associations includes associations like ABB, Areva T&D, Crompton, L&T, Siemens, BHEL and so forth. The exhibition of the aforementioned associations (Multi-Product) is reasonably well for the year 2010. The bargains have expanded by 9.8%, Operating benefit has expanded by 37.9% for the year 2010. The management of Working Capital is a standout amongst the most significant and challenging part of the generally speaking exhibition of the conglomeration. Just more adequate and proficient management of working capital can guarantee survival of a business venture. Working Capital Management is concerned with the situations that go out in endeavoring to administer the Current Assets, Current Liabilities and the interrelation that exists between them. This study examinations the similar investigation of working capital management in Indian Electrical Equipment Industry and it is constrained to the associations BHEL and ABB Ltd act for open and private division endeavors separately. Applicable information has been concentrated from the back to back twelve-month reports between fiscal years 2005-06 to 2009-10 of both the associations.*

---

## INTRODUCTION

The planet in which we exist is not idealize. It is portrayed by impressive sum of lack of determination noticing the interest, business cost, value and accesability of own items and those of suppliers. The aforementioned certifiable truths present situations and need the requirement of working capital. The most critical regions in the regular management of the firm, is the management of working capital. Working Capital management implies all management choices and activities that commonly impact the size and viability of the working capital. It is concerned with the best decision of working capital sources and the determination of suitable levels of the present holdings and their utilization. It centers consideration regarding the operating of present possessions, current liabilities and the associations that exist between them. Fitting management of working capital prompts a material reserve funds and guarantees monetary dividends at the ideal level even on the least level of capital utilized. Both exorbitant and deficient working capital is destructive for a firm. Over the top working capital accelerates ineffective utilization of rare subsidizes. Additionally, lacking working capital normally

interferes with the ordinary operations of a business and debilitates profitability. In this article a venture has been made to examine the working capital management in Indian Electrical Equipment Manufacturers throughout the period 2005-06 to 2009-10. Besides this study is restricted to the associations BHEL and ABB Ltd speak for open and private part undertakings separately.

## BACKGROUND OF COMPANIES

BHEL has been at the steerage of indigenouse Heavy Electrical Equipment industry in India with a supported track record of procuring benefit since 1971-72. BHEL has developed in stature over the years with proceeded inflow of requests, assembling dexterity, proceeded thrust on innovation prompting an in number presence in provincial and global business sectors as a major supplier of force plant supplies other than making considerable advances in select fragment of items in Industrial area and Railways. BHEL panders to center areas of the Indian Economy viz., Power Generation and Transmission, Industry, Transportation, Renewable Energy, Defense, and so forth. The wide system of BHEL's 15 assembling divisions, 2

repair units, 4 power area districts, 8 aid focuses, 15 territorial business settings, 1 subsidiary and an expansive number of Project Sites spread onto every part of India and abroad prepares the Company to immediately serve its clients and furnish them with suitable items, frameworks and aids -prudently and at intense costs. ABB is one of the planet's advancing forces, robotization designing associations and give results for secure, vigor-powerful era, transmission and circulation of power and for expanding benefit in streamlined, business and utility operations. ABB operations in India are in abundance of one billion US dollars and the association has 14 assembling offices and over 6,000 representatives in the nation. ABB has a noteworthy countrywide presence with around 18 advertising business settings, 8 aid focuses, 3 logistic warehouses and a system of over 850 channel accomplices.

## METHODOLOGY

The examples chose for this study are BHEL and ABB Ltd speak for open and private division endeavors individually. . The study fronts five years period from 2005-06 to 2009-10. This study is dependent upon optional information which is gathered from twelve-month reports of the associations and different studies made ready through library work. For evaluating the exhibition of the working capital position, in this study the strategy of degree examination have been utilized. The gathered information have been dissected in five ways:

1. Investigation of liquidity proportion.
2. Investigation of liquidity position.
3. Investigation of working cycle.
4. Investigation of parts of Gross working capital.
5. Liquidity standing.

For surveying the conduct of information statistical methods have been additionally utilized e.g. mean, development rate, standard deviation and coefficient of variety in this study.

## FINDINGS

The current proportion of BHEL is diminished from 1.58 in 2005-06 to 1.31 in 2008-09 again it expanded from later years. Vacillations were watched in ABB Ltd Company's current proportion. The normal current proportion of BHEL is less than ABB Ltd . Both the associations having the present degree less than the perfect which is 2:1. The fast proportion of both the associations likewise appropriated in the same size like current proportion. At the same time the

fast degree of both the associations is more than the perfect which is 1:1. It is cleared that association's short-term liquidity position is acceptable for leaser's working capital outlook .

The supreme liquidity proportions of both the associations are in tasteful position since it is more than the perfect proportion which is 0.5:1. It indicates both the associations having enough trade in for spendable dough hand and money at bank.

Inventory to deals proportion measures the velocity of transformation stock into deals. For the most part, an elevated stock deals shows proficient administration of stock since all the more oftentimes the stock will be sold, the lesser sum of cash is instructed to fund the stock. This proportion in BHEL is higher than ABB Ltd and variances were watched in both the associations.

Age of Inventory shows moving position of stock throughout the year. Provided that time period characterized by stock is least it indicates associations action position is acceptable, they are equipped to pitch their item inside shorter time of time which demonstrate sound liquidity position of conglomeration. This is exceptionally less in BHEL than ABB Ltd and changes were watched in both the associations. On the other, if time period characterized by stock is too elevated it demonstrate abate moving of stock, which influenced straight liquidity position of association.

Debtors to bargains degree demonstrate the velocity of indebtedness accumulation of the firm. For the most part, the higher worth of borrower's turnover the more proficient is the administration of debtors/sales or more fluid are the account holders. This proportion is higher in BHEL than ABB Ltd and it is expanded from 2005-06 to 2009-10 ceaselessly, which is bad mark for liquidity outlook.

Working capital turnover degree measures the proficiency with which the working capital is being utilized by a firm. A higher proportion shows productive use of working capital. At the same time an extremely heightened working capital turnover proportion is not a great scenario for any firm. This degree is higher in BHEL than ABB Ltd.

Current resources for bargains proportion shows the productivity with which working capital transforms into deals. An easier degree suggests generally a more effective utilization of stores. Consequently, a High turnover rate demonstrates decreased secure up of trust working capital. This degree is higher in BHEL than ABB Ltd.

Average gathering period measures the nature of indebted individuals. For the most part, shorter the normal gathering

period the better is the nature of debt holders as a short gathering period intimates snappy installment by borrowers. Longer the normal gathering period, longer are the shots of couch obligations. This degree is higher in BHEL than ABB Ltd.

## CONCLUSION

From the perspective of tried and true standard of working capital, the brisk proportion, categorical liquidity degrees in both the associations are attractive. The time period characterized by stock, working capital turnover is exceptionally greatly fulfilled in BHEL than ABB Ltd, so some change is needed if there should be an occurrence of ABB Ltd. In this study it is cleared that the generally speaking position of the working capital in both the associations are attractive. In both the associations the major divide of the present stakes are in manifestation of borrowers and advance and propels. The liquidity position for the most part relies on account holders and liability accumulation approach, however different parts like stock, credit and progresses, money and bank parity and bills receivable and so on. are likewise capable. The proportion indebted individuals to horrible working capital is exceptionally heightened if there should arise an occurrence of ABB Ltd, Average gathering period is exceptionally heightened if there should be an occurrence of BHEL, so in this study we discovered that there is a need of change in account holders and obligation gathering approach. The management of ought to be attempt to legitimate use of borrower's and additionally attempt to look after the indebted individuals according to their necessity so liquidity won't intruded.

## REFERENCES

- Lazaridis, I., & Tryfonidis, D. (2006). Relationship between working capital management and profitability of listed companies in the Athens stock exchange. *Journal of Financial Management and Analysis*, 19(1), 26-35.
- Smith. (1980). Profitability versus liquidity tradeoffs in working capital management, in readings on the management of working capital. New York. St. Paul: West Publishing Company.
- M. Pandey: "Financial Management theory and practices", Vikas publishing company, New Delhi (2000).
- Prasanna Chandra: "Financial Management theory and practice", TMH, New Delhi (2001).
- Sanger, J. S. (2001). Working capital: a modern approach. *Financial Executive*, 69.
- Enyi, E. P. 2005. *Applying Relative Solvency to Working Capital Management*. The Icfai University Press.
- Singh, P. K. 2004. *Working Capital Management in Lupin Laboratories Ltd. A Case Study*. The Management of Accounting, 4.
- Hsiao, Ch. & Tahmiscioglu, A. K. 1997. *A Panel Analysis of Liquidity Constraints and Firm Investment*. Journal of American Statistical Association, 92(438), 455-465.
- Hausman, J. A. 1978. *Specification Tests in Econometrics*. Econometrica, 46, 1251-1271.
- Mehar, A. 2001. *Impacts of Equity Financing on Liquidity Position of a Firm*. Applied Financial Economics, 15, 425-438.
- Smith K. V, "State of the art of working capital management", Financial Management Autumn, pp.50-55, 1973.
- Shin H. H. and Soenen L, "Efficiency of Working Capital and Corporate Profitability", Financial Practice and Education, Vol. 8, Issue 2, pp.37-45, 1998.
- Carole Howorth and Paul Westhead, "The Focus of Working Capital Management in UK Small Firms", Management Accounting Research, Vol. 14, pp. 94-111, 2003.
- Erik Hofmann and Herbert Kotzab, "A Supply Chain Oriented Approach of Working Capital Management", Journal of Business Logistics, Vol. 31, No. 2, pp. 305-330, 2010.