

# PROJECT WORK

Working Capital Analysis  
In  
JSW Steel

**Name: \*\*\***

**Reg Number: \*\*\***

ProjectQ.in

**Place:**

**Date:**

**Signature of Student**

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## CERTIFICATE

This is to certify that **Mr. \*\*\*Student Name\*\*\*** has planned and conducted the project entitled "**Working Capital analysis in JSW Ltd**" under my guidance and supervision and the report submitted therewith was the result of the confide work done by him.

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Place: (Signed)

Date: **\*\*\*Project Guide\*\*\***

(Project Guide)

## **ACKNOWLEDGEMENTS**

In pursuing and completion of my MBA\*\*\* and other commitments, I undertook the task of completing my Project on **“Working Capital Analysis in JSW Ltd”**.

I am fortunate in having sought and secured valuable guidance, continuous encouragement and strong support at every stage of my guide **Mr. \*\*\*\*** and am deeply grateful to him/her.

Finally, I also acknowledge with deep gratitude, the immense support I received from my family members who have always encouraged me and have been a source of inspiration and help in continuing my effort.

Last but not the least my special thanks go to all those who have given all the secretarial support – despite all other commitments.

**Sign**

**Student Name\*\*\***

# **CHAPTER 1**

## **INTRODUCTION**

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# **CHAPTER 1: INTRODUCTION**

## **Company Overview**

A \$11 billion conglomerate, with presence across India, USA, South America & Africa, the JSW Group is a part of the O.P. Jindal Group with strong footprints across core economic sectors, namely, Steel, Energy, Infrastructure, Cement, Ventures and Sports.

The JSW Group is amongst the leading conglomerates in India, with presence across the vital sectors of the Indian economy. We are a \$11 billion conglomerate, with presence across India, USA, South America & Africa, the JSW group is a part of the O.P. Jindal Group with strong footprints across viz Steel, Energy, Infrastructure, Cement, Ventures and Sports.

With a diverse workforce of over 40,000 individuals, JSW is known to be the “strategic first mover” to venture away from status quo, have the conviction to make fundamental changes and drive operational excellence.

Built on a strong foundation of core values i.e Transparency, Excellence, Dynamism and Passion for Learning, in a short span, JSW group has grown multifold. Technological innovations, a strong focus on sustainability and a philosophy to give back to the communities at large set each JSW Company apart.

JSW Steel is India's leading private sector steel producer and amongst the world's most illustrious steel companies with an installed capacity of 18 MTPA. JSW Steel boasts of one of the largest blast furnace with a capacity of 3.3 MTPA, taking JSW's overall capacity to 10 MTPA at Vijayanagar, Karnataka, its flagship steel plant. With its plants located across 6 strategic locations in South and West India, JSW Steel will continue to raise the bar with its high quality & diverse product range.

JSW Energy is one of the earliest private entrants into the power sector positioned strongly as a full-spectrum integrated power company with a presence across the power sector value chain. With 4531 MW operational capacity, it remains one of the most efficient Power Company in the country with one of the country's largest open cast mining operation by volume and one of the largest private sector Hydro Operator in India.

JSW Cement is currently upgrading production capacity from 6 MTPA to 20 MTPA by the year 2020. Its plants at Vijayanagar in Karnataka, Nandyal in Andhra Pradesh and Dolvi in Maharashtra utilise slag from the JSW Steel plants to produce Green cement, which is engineered for strength and durability. By converting industrial by-product into a useful product, it has reduced the carbon footprint of the Group. It is currently executing expansion projects in Vijayanagar plant (South) and Salboni (West Bengal) and gearing up to set up a plant in Jajpur (Orissa).

In its first 14 years, JSW Infrastructure has grown to become one of India's leading Infrastructure development companies. Its ports

and terminals in Maharashtra and Goa currently have an operational capacity of 33 MTPA. Within the next four years this is going to increase more than six-fold to reach 200 MTPA through greenfield and brownfield expansions. This capacity is underpinned by the assurance that comes from JSW Infrastructure's excellent track record of successful operations benchmarked to international standards.

We implicitly believe that success in sports is a formidable force to engender unity, instil a sense of pride and promote a patriotic outlook across the nation. With the ambition of increasing India's presence and stature at the Olympics, JSW Sports runs the Sports Excellence Program (SEP) which was set up to identify, nurture and develop Indian athletes by providing them world class training facilities and putting in place an effective support-system to ensure that they bring sporting glory to the nation on the global stage. We are training over 32 athletes currently, to enable them secure quotas and represent India at the Olympics in Rio JSW Sports also runs the Bengaluru Football Club & The Bengaluru Yodhas wrestling team.

JSW Foundation is the social development division of the JSW Group. It works with corporate social responsibility (CSR) teams of Group companies in addressing the critical issues relevant to the communities, involving suitable partners (selected through a rigorous screening process) to enable the planning and effective execution. The objective is to serve the most vulnerable groups within communities with rightful interventions. JSW Foundation



today works in 16 locations across India, in the Direct Influence Zone of JSW's plant locations and beyond.

JSW Ventures partners with ambitious and growth oriented entrepreneurs who leverage technology to build long-term capital efficient businesses. The fund supports ventures and ideas with JSW Group's expertise in building scalable and profitable businesses.

## **Business**

### **JSW Steel**

Today, with an installed capacity of 14.3 Million Tonnes Per Annum (MTPA) which is being upgraded to 18 MTPA by the end of FY 16, JSW Steel, \$9 billion global conglomerate (approx.), has its plants' located across 6 strategic locations in South and West India, namely, Karnataka, Tamil Nadu and Maharashtra. Going forward, the plan is to increase the overall capacity to 40 MTPA by 2025. We are expanding capacities at our existing sites and setting up plants in new locations. On the anvil, are two 10 million tonne Greenfield facilities.

Our strategy of always staying on the leading edge of technical advancement has led to partnerships with global sector leaders such as JFE Steel, Marubeni Itochu Steel, Praxair and Severfield Rowen Plc. This technological edge has helped our plants rank amongst the lowest-cost steel producers in the world.

## **JSW Energy**

To become India's leading power companies, JSW Energy worked hard from the early years of liberalization. From managing operations, enhancing social and economic benefits, minimizing environmental impact and employing cutting age innovation, JSW Energy has driven its way to the top.

JSW Energy operates 4,531 MW (Thermal - 3140 MW & Hydel - 1,391 MW) of power generation capacity with the vision to achieve 10,000 MW in power generation by 2020. With transparent operations, stringent corporate governance norms and a clear vision JSW Energy is setting benchmarks in the power sector. The Company's presence extends across several Indian states and includes stakes in natural resource companies in South Africa. The company's strategic approach to expansion, ensuring diversity in geographic locations, fuel sources and power off-take arrangements, helps de-risk the business. During the last 6 years JSW Energy has enhanced the power generation capacity from 260MW to 4,531MW.

## **Infrastructure**

As a commitment to the nation, JSW Infrastructure is dedicated to developing world-class seaports and terminals, shipyards, townships, port based special economic zone (SEZ), industrial clusters and last mile connectivity projects like road, rail, pipeline, costal shipping and inland water transport.

Today, JSW Infrastructure has an operating capacity of 33 MTPA and operates environment-friendly seaports and terminals in Maharashtra and Goa that offer mechanised and multi-cargo handling facilities to its customers. It is connected by rail and road to the industrial hinterlands of Maharashtra, Goa and Karnataka.

### **Cement**

Since its inception in 2009, JSW cement entered the market with a vision to ensure a sustainable future for the country by producing eco-friendly cement. At Vijayanagar in Karnataka, Nandyal in Andhra Pradesh and Dolvi in Maharashtra, JSW Cement utilizes slag cement from the JSW Steel plants to produce green cement.

JSW Cement is currently upgrading production capacity from 6 MTPA to 20 MTPA by the year 2020. Its plants at Vijayanagar in Karnataka, Nandyal in Andhra Pradesh and Dolvi in Maharashtra utilise slag from the JSW Steel plants to produce Green cement, which is engineered for strength and durability.

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### **Statement of the Problem:**

Management of working capital is concerned with the problem that arises in attempting to manage the current assets, current

liabilities. The basic goal of working capital management is to manage the current assets and current liabilities of a firm in such a way that a satisfactory level of working capital is maintained, i.e. it is neither adequate nor excessive as both the situations are bad for any firm. There should be no shortage of funds and also no working capital should be ideal. Working Capital Management Policies of a firm has a great on its probability, liquidity and structural health of the organization.

### **Why is the particular topic chosen?**

As a student and employee in JSW, I would like to further deepen my knowledge about working capital analysis. I am very interested to investigate all the aspects presented for this study.

I believe that this topic can be utilized as a reference in the study of my course as well as job profile.

### **What contribution would the project make and to whom?**

This would focus deeply in providing effective analysis for working capital.

# **CHAPTER 2**

## **OBJECTIVE AND SCOPE**

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## **CHAPTER 2: OBJECTIVE AND SCOPE**

### **Objective:**

- To study the sources and uses of the working capital.
- To study the liquidity position through various working capital related ratios.
- To study the working capital components such as receivables accounts, Cash management and Inventory management.

### **Scope:**

The scope of the study is identified after and during the study is conducted. The main scope of the study was to put into practical the theoretical aspect of the study into real life work experience. The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital. Further the study is based on last 5 years Annual Reports of JSW Ltd

**CHAPTER 3**  
**THEORETICAL FRAMEWORK**

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## **CHAPTER 3: THEORETICAL FRAMEWORK**

The working capital is the life blood and nerve centre for any business. The importance of working capital in any industry needs no special emphasis. No any business can run effectively without a sufficient quantity of working capital. It is crucial to retain right level of working capital. Working capital management is one of the most important functions of corporate house. A business enterprise with ample working capital is always in a position to avail advantages of any favorable opportunity either to buy raw materials or to implement a special order or to wait for enhanced market status. Working capital can be utilized for the payment of lease, employee's payroll, and pretty much any other operating costs that are involved in the everyday life of business. Even very successful business owners may need working capital funds when the unexpected circumstances arise. The overall success of the company depends upon its working capital position. So, it should be handled properly because it shows the efficiency and financial strength of company.

Working capital management is highly important in firms as it is used to generate further returns for the stakeholders. When working capital is managed improperly, allocating more than enough of it will render management non-efficient and reduce the benefits of short term investments. On the other hand, if working capital is too low, the company may miss a lot of profitable investment opportunities or suffer short term liquidity crisis, leading to degradation of company credit, as it cannot respond effectively to temporary capital requirements. Efficient



# **CHAPTER 3**

## **METHODOLOGY**

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## **CHAPTER 3: METHODOLOGY**

Research methodology is a way to systematically solve the research problem. It May be understood as a science of studying how research is done systematically. In that various steps, those are generally adopted by a researcher in studying his problem along with the logic behind them.

### **Type of Research:**

This project "Working Capital Management Impact on profitability of Mining Companies" is considered as an analytical research.

Analytical Research is defined as the research in which, researcher has to use facts or information already available, and analyze these to make a critical evaluation of the facts, figures, data or material.

### **SOURCE OF RESEARCH DATA:**

There are mainly two through which the data required for the research is collected.

### **PRIMARY DATA:**

The primary data is that data which is collected fresh or first hand, and for first time which is original in nature.

## SECONDARY DATA

The secondary data are those which have already collected and stored. Secondary data easily get those secondary data from records, annual reports of the company etc. It will save the time, money and efforts to collect the data.

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# **CHAPTER 5**

## **DATA COLLECTED**

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# **CHAPTER 6**

## **DATA ANALYSIS**

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## **CHAPTER 6: DATA ANALYSIS**

### Debt Ratio analysis

The increase in the debt-to-capital ratio during 2013 resulted primarily from the increased borrowings during the year by 5898.59 whereas increase in equity is only 573.65.

The increase in the debt-to-capital ratio during 2014 resulted primarily from the increased borrowings during the year by 10301.55 whereas increase in equity is only 4564.64.

The increase in the debt-to-capital ratio during 2015 resulted primarily from the increased borrowings during the year by 5714.83 whereas increase in equity is only 1046.37.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt to adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position i.e. long term borrowings and short term borrowings excluding bank borrowings) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, cumulative redeemable preference shares, minority interest, retained earnings and all nature of reserves).

### **Analysis of Net working capital**

The chart shows that during the year 2012 the company has Rs. (8273.13) N.W.C. In the year 2013 slightly increase in the N.W.C

is Rs.(6731.48) and in the year 2014 the company has Rs. (10288.63) N.W.C in the year 2015 the company has Rs. (6437.5) N.W.C the N.W.C of the company is increasing compared to the previous years. This means the company in a positive position & N.W.C has improved fast as compared to the previous years, which show liquidity Position of the JSW Steel Ltd. But N.W.C. is negative in all the four years, so company has not sufficient working capital available to pay off its current liabilities.

### **Current Ratio Analysis**

It is seen from the current ratio chart that during the year 2012 the current ratio was 0.60 during the year 2013 it was 0.64, which is increased from the previous year by 0.04 but again it decreased to 0.60 in the year 2014. In the year 2015 this ratio increased to 0.74. This shows the current ratio change every year. The current ratio is less than the standard ratio i.e., 2:1 in all the years. Hence it can be said that there is not enough current assets in JSW Steel Ltd to meet its current liabilities.

# **CHAPTER 7**

## **FINDING**

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## **CHAPTER 7: FINDING**

- Working capital of JSW Steel Ltd. was fluctuating and showing negative working capital per year.
- Debt ratio is increasing in all the four years i.e. in 2013 it is increased by 31.72%, in 2014 by 28.06% and 19.35%
- NWC fluctuating every year, in the year 2013 it has increased by 18.63% compared to 2012 and in the year 2014 it has decreased by 52.84% compared to 2013 and in the year 2015 it has increased by 37.43% compared to 2014.

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# **CHAPTER 8**

## **RECOMMENDATION**

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## CHAPTER 8: RECOMMENDATION

- Working capital of the company has fluctuating every year. Profit also increasing every year this is good sign for the company. It has to maintain it further, to run the business long term.
- The Current ratios are below to the standard requirement. So the Working capital management of JSW Steel Ltd. is not satisfactory and it has to improve it further.
- The company has negative working capital that means Current Assets are not sufficient to pay its current liability. The company should either increase its sales or reduces its expenditure.
- The company should take precautionary measures for investing and collecting funds from receivables and to reduce the bad debts.
- The company has not sufficient working capital and has not good liquidity position. By efficient utilizing this short-term capital, it should increase the turnover.

# **CHAPTER 9**

# **CONCLUSIONS**

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## **CHAPTER 9: CONCLUSIONS**

The study on working capital management conducted in JSW Steel Ltd to analyze the financial position of the company. The company's financial position is analyzed by using the tool of annual reports from 2012 to 2015.

The financial status of JSW Steel Ltd is not good.

In the year 2015 the inventory turnover has increased, this is good sign for the company.

The company's liquidity position is not good With regard to the investments in current assets there are not adequate funds invested in it. Company should either increase its current assets or decrease its current liability. On the whole, the company has to improve so that liquidity position tends to be positive.

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## APPENDICES

Dear Sir/ Madam,

As part of my MBA curriculum, I, Name\*\*\*\*, is conducting a market research regarding the working capital management for which I need your personal views regarding the net working capital in shape of a questionnaire designed by me. The data being collected are solely for academic purpose. I request you to kindly extend your co-operation.

1) Name:

2) Profession:

3) Age group:

A) 18-30 yrs.

B) 31-40 yrs.

C) 41-50 yrs.

D) 51-60 yrs.

- 4) How do you manage the working capital?
- 5) How much current Assets do you have?
- 6) How do you distribute the current assets?
- 7) How much current liability do you have?
- 8) In which area do you distribute the current liabilities?

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