INTERNATIONAL JOURNAL OF ADVANCE RESEARCH AND DEVELOPMENT

(Volume 2, Issue 11)
Available online at www.ijarnd.com

Working Capital Management of NMDC Ltd. An Analysis

Poonam Rani*, Dr. Pradeep Kumar Aggarwal**

**Research Scholar, School of Business Studies, Sharda University, Greater Noida, U.P, India.*
***Professor, School of Business Studies, Sharda University, Greater Noida, U.P, India.*

ABSTRACT

Working capital is nerve system of the company. Working capital management is important for firm's profitability. The objective of financial management i.e. to maximize the wealth of the shareholders cannot be attained if the operations of the firm are not optimized, thus every firm must have adequate working capital. We will hardly find a business firm which does not require any amount of working capital, indeed firms differ in their requirements of working capital. The present paper examines the working capital performance of NMDC (National Minerals Development Corporation) limited during the period of 2012 to 2016. Financial ratios are applied to measure the working capital performance of the company.

Keywords: ***Working Capital Management, Financial Ratios, Liquidity and Profitability and NMDC***.

INTRODUCTION

Working capital, the money needed day-to-day operations of a firm, is described as an investment of the firm's capital in current assets and the use of current liabilities to fund part of the investment (Napompech, 2012). Management of working capital is an important component of the corporate financial management because it directly affects the profitability of the firms. Management of working capital means the management of current assets to current liabilities (Gill et al., 2010). According to Deloof (2003), the way that working capital is managed has a significant impact on the profitability of firms. Such results indicate that there is a certain level of the working capital requirement, which potentially maximizes returns. Every firm must maintain a sound working capital position otherwise business activities may be adversely affected.

The term working capital refers to current assets which may be defined as (i) those which are convertible into cash or cash equivalents with in a period of one year, and (ii) those which are required to meet day-to-day operations (Rustagi, 2010). A firm's working capital consists of its investments in current assets. Managing current assets require more attention than managing fixed assets. Too large investment in current assets means tying up funds that can be productively used elsewhere. On the other hand, too little investment also can be expensive. There are two concepts of working capital (i) Gross working capital: the gross working capital refers to the firm's investment in all current assets taken together (ii) Net working capital: the term net working capital may be defined as the excess of total current assets over total current liabilities. Current assets are the assets which can be converted into cash with in an accounting year and includes cash, short term securities, debtors, bills receivables, and inventory. Current liabilities are those claims of outsiders which are expected to mature for payment with in an accounting year. It includes creditors, bills payables and outstanding expenses (Pandey, 2010). This working capital generates the important elements of cost viz., material, wages, and expenses. This cost usually leads production and sales in case of manufacturing concern and sales alone in case of others. It is also known as circulating capital which means current assets of a company that are changed in the ordinary course of

© 2017, www.IJARND.com All Rights Reserved

business from one form to another form. Working capital is the very important component of the corporate finance. Because it directly effects the profitability and liquidity of the firm.

The working capital management refers to the management of current assets. Management of these current assets and liabilities is important in creating value for shareholders. If a firm can minimize its investment tied up in current assets, the resulting funds can be invested in value-creating projects, thereby increasing the firm's growth opportunities and shareholders returns (Napomech, 2012). The working capital management includes the management of the level of individual current assets as well as the management of total working capital. If the working capital level is not properly maintained and managed, then it may result in unnecessary blocking of scare resources of the firm. Therefore working capital management needs the attention of all the financial managers. Working capital management is a new area emphasised by the productive utilization of their available funds created out of good cash flow, financial solvency and growth strategies. It should have neither the excessive working capital nor inadequate working capital. The working capital level of the firm must be maintained and managed at an appropriate level. The financial manager must establish (i) a well-defined working capital policy at (ii) a self-sufficient working capital management system. The working capital system should be established to take care of the management of all aspects of the current assets. The efficient working capital management is important from the point of view of both liquidity and profitability. Keeping in view the importance of working capital management, the financial manager should look into the framing of a suitable working capital policy for the firm.

Relationship between Liquidity and Profitability: This is the very important concept of the working capital management. A firm must maintain enough cash balances or other liquid assets so that it never faces problems of payment to liabilities. Greater liquidity makes the firm meeting easily its payment commitments, but simultaneously greater liquidity involves cost also. By maintaining a large investment in current assets the firm increases its investment in working capital, there is not a corresponding increase in its expected returns. This means the firms return on investment drops because the profit is unchanged while the investment in current assets increases. More and more funds will be blocked in current assets which are less profitable and therefore the profitability of the firm will suffer. The risk return syndrome can be summed up as follows: when liquidity increases, the risk of insolvency is reduced, but the profitability is also reduced. However, when the liquidity is reduced, the profitability increases but the risk of insolvency also increases. So the profitability and risk move in the same direction. Every firm must monitor the working capital position and for this purpose, certain accounting ratios may be calculated. (Rustagi, 2010).

Importance of Working Capital Management

- The level of current assets changes constantly, due to the change in actual and forecasted sales. This requires that the decisions to bring a level of current assets to the desired levels of current assets should be made at the earliest opportunity and as frequently as required.
- The changing levels of current assets may also require review of the financing pattern. How much working capital needs to be financed by different sources of financing must be periodically reviewed.
- Inefficient working capital management may result in loss of sales and consequently, the decline in profits of the firm.
- Inefficient working capital management may also lead to insolvency of the firm.
- The targeted sales level can be achieved only if supported by adequate working capital. The increase in sales level requires an increase in working capital and thus the financial manager must be able to respond quickly to providing and arranging additional working capital.
- The efficient working capital management is important from the point of view of both the liquidity and the profitability.

LITERATURE REVIEW

Some of the important work that has been carried out in the area of working capital management is outlined below:

Babu and Chalam (2014) in their paper investigated the relationship between the components of working capital and firms' profitability of firms in Indian leather industry. The study period was taken from 1997-98 to 2010-11(14 years) the regression results show that profitability has an insignificant positive relationship of inventory conversion period and the significant positive relationship of the average collection period. Even though average payment period and cash conversion cycle were significantly negatively related to profitability. The results show that for the overall leather industry, working capital management has a significant impact on the profitability of the firms.

© 2017, www.IJARND.com All Rights Reserved

In the research study of five Indian cement companies for the period 2001 to 2010, Panigrahi and Sharma (2013), were found that there was a negative significant relationship between accounts receivable period and firm's profitability, a negative relationship between inventory conversion period and profitability, negative significant relationship between accounts payable period and profitability but a positive relationship between firm's cash conversion cycle and its profitability. This shows that firms were selling their inventory and collecting the receivables before they have to pay their payables.

According to Kumar and Joshi (2012) "the working capital management of Cipla Ltd was satisfactory during all the years under the study. The company had shown significant improvement in liquidity position over the years under study. However, there was a need for further improvement in the working capital turnover ratio as well as in the current assets turnover ratio in order to generate liquidity efficiently in the coming years besides inventory of slow moving items, if any, should be reduced to the maximum possible extent. The empirical findings revealed significant positive trend growth in most of the selected performance indicator. The selected ratios showed satisfactory performances during the study period. There exists a significant negative relationship between liquidity and profitability, which indicated that Cipla Ltd had maintained post optimal level of liquidity during the period under study.

Bhunia and Khan (2011) concluded in their paper that the association between the liquidity management and profitability of 230 Indian private sector steel companies. For the period 2002 to 2010.A descriptive statistics disclose that liquidity and solvency position in terms of debt is very satisfactory and relatively efficient liquidity, management is found but liquidity position has no impact on profitability. Multiple regression tests confirm a lower degree of association between the working capital management and profitability.

According to Singh and Asress (2010) "The regression result indicates that sales and cash conversion cycle have the highly positive significant effect to determine required current liabilities whereas return on assets and current ratio have the highly negative significant effect to determine required current liabilities. The result of the negative association between profitability and liquidity is statistically insignificant. With the help of student t- test, the study also revealed that firms with adequate working capital achieved better performance than those firms which have less working capital in relation to their operational sizes. Therefore, the null hypothesis that there is no difference between firms which have adequate working capital and less working capital in relation to their operational size on profitability is rejected as the p value is less than 0.05". Their research study based on 250 manufacturing firms for the study period of 10 years.

Raheman and Nasrthey (2007) have studied the effect of different variables of working capital management including the average collection period, inventory turnover in days, average payment period cash conversion cycle and current ratio on the net operating profitability of Pakistani firms. They have selected a sample of 94 companies from Karachi stock exchange for a period from 1999-2004.The result showed that there was a strong negative relationship between variables of the working capital management and profitability of the firm. They also found a strong positive relationship between the size of the firm and its profitability. There was also a significant negative relationship between debt used by the firm and its profitability.

Ramachandran and Jankiraman have analysed the relationship between Working Capital Management Efficiency (WCME) and Earning before Tax and Interest (EBIT) of the paper industry in India during 1997-1998 to 2005 to 2006 from NSE. The study revealed that the paper industry has managed the working capital satisfactory. The accounts payable days has a significant negative relationship with EBIT, which indicates that by deploying payment to suppliers they improve the EBIT. The paper industry in India performed well during the period, however less profitable firms wait longer to pay their bills and perused a decrease in cash conversion cycle.

K. Padachi's (2006) regression results show that high investment in inventories and receivables is associated with lower profitability. The key variables used in the analysis are inventoried days, account receivables days accounts payables days and cash conversion cycle. A strong significant relationship between working capital management and profitability has been found in previous empirical work. An analysis of the liquidity, profitability and operational efficiency of the five industries shows significant changes and how best practices in the paper industry have contributed to performance. The findings also reveal an increasing trend in the short term components of working capital financing. This study showed that the paper and printing industry has been able to achieve high scores on the various components of working capital and this has positively impact on its profitability. The working capital needs of an organisation change over time as does its internal cash generation rate. As such the small firms should ensure a good synchronisation of its assets and liabilities. The study was based on 58 small Mauritian manufacturing firms, using panel data analysis for the period from 1998 to 2003.

© 2017, www.IJARND.com All Rights Reserved

Deloof (2003) used a sample of 1009 large non-financial companies of Belgium from the period of 1992-96 to test the relationship between the working capital management and corporate profitability. By using correlation and regression tests, he found a significant negative relationship between gross operating income and the number days account receivable, inventories and account payables of the firms of the Belgium. Based on the study results, he suggests that managers can increase corporate profitability by the reducing the number of day's accounts receivables and inventories.

Ghosh and Maji attempted to examine the efficiency of working capital management of Indian companies during 1992 to 2002.They calculated three index values- performance index, utilization index and overall efficiency index to measure the efficiency of working capital management instead of using some common working capital management ratios. By using regression analysis and industry norms as a target efficiency level of individual firms, they tested the speed of achieving that target level of efficiency by individual firms during the period of study and found that some of the sample firms successfully improved efficiency during these years.

Terual and Solano had conducted a study on SME's of Spain during the period of 1996-2002. They collected a panel of 8872 SME's.They found a significant negative relationship between SME's profitability and then a number of days accounts receivables and days of inventory. SME's have to be concerned with working capital management because they can create value by reducing their cash conversion cycle to a minimum, as far as that is reasonable.

NMDC Ltd: The NMDC (National Mineral Development Corporation) is a state-controlled mineral producer of the government of India. It was incorporated in 1958. It is owned by the government of India and under the administrative control of the ministry of steel. It is India's largest producer and exporter, producing about 30 million tons of iron ore from three fully mechanised mines in Chhattisgarh and Karnataka. It also operates the only diamond mine in the country at Panna in M.P. It is a Navratan public sector enterprise. Its products are iron ore, copper, rock phosphate, lime stone, dolomite, gypsum, bentonite, magnesite, diamond, tin, tungsten, graphite, and beach sand.

OBJECTIVE OF THE STUDY

The main objective of the present study is to examine and evaluate the working capital management of selected company i.e. NMDC ltd over a period of 5 years from 2012 to 2016. This major objective based on these sub-objectives.

- To analyse the working capital performance of the company.
- To understand the concept of working capital and its importance.
- To determine the amount of the working capital employed by the company.

RESEARCH METHODOLOGY

To carry out the present study, the methodologies that have been adopted are stated as follows:

- **Sample Design:** The study has been carried out by selecting a company namely NMDC Ltd, which is one of the leading iron ore company in India.
- **Data Source:** The study is completely based on secondary data which is collected from published annual reports of the company from its own website.
- **Study Period:** The study period is of five years i.e. from 2012 to 2016.
- **Tools and Techniques of Data Analysis:** The collected data is analysed through ratio analysis and only important tables are used for data analysis.

© 2017, www.IJARND.com All Rights Reserved

ANALYSIS OF WORKING CAPITAL PERFORMANCE OF NMDC LTD

Table 1: Current Assets of NMDC (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Inventories	458.92	637.46	681.19	691.88	636.96
Debtors	737.02	1082.21	1448.42	1772.33	1896.08
Cash and bank balance	20264.58	21025.75	18660.51	18486.06	14809.06
Short term loans and advances	1047.64	2058.10	2320.86	1965.63	1253.02
Other current assets	690.51	789.53	725.94	1007.81	742.47
Total current assets	23198.67	25593.05	23836.92	23903.71	19337.59

Source: annual reports of NMDC

Interpretation: The above table depicts the current assets of the company for the time period of 2012 to 2016. In 2012 the total current assets of the company were 23,198.67 crores, in 2013 it was 25,593.05crore and in 2014 it was 23836.92 and so on. Inventories and debtors showing increasing trend throughout the years but in 2016 inventories decrease to 636.96. Cash and bank balance are in decreasing mode. From the above table it can be observed that there is a growth in the current assets in 2013 and after that, there is a decline in current assets.

Table 2: Current Liabilities of NMDC (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Short term borrowings	_	_	_	_	1496.92
Creditors	165.82	160.76	185.67	226.44	324.52
Other current liabilities	781.15	1214.53	1153.20	1148.43	1225.52
Short term provisions	1158.16	1860.39	1.95	622.04	2.19
Total current liabilities	2105.13	3235.68	1340.82	1996.91	3049.18

Source: annual reports of NMDC

Interpretation: This table shows the current liabilities of the NMDC. Through this table, we can interpret that there is a continuous increase in company's creditors from 165.82 cr in 2012 to 324.52 cr in 2016. While short term provisions decrease to 2.19 cr from 622.04 cr and it was 1.95 cr in 2014. In 2016 company has a liability of 1496.92 as a short term borrowing. Overall there is an increase in current liabilities in 2013 it was highest.

Table 3: Showing Current Ratio of NMDC (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Current assets	23198.67	25593.05	23836.92	23903.71	19337.59
Current liabilities	2105.13	3235.68	1347.96	1996.91	3049.18
Current ratio	11.02	7.90	17.68	11.97	6.34

Source: annual reports of NMDC

Interpretation: This ratio shows the short-term financial soundness of the business. A Higher ratio means better capacity to meet its current obligations the ideal current ratio is 2:1. But the very high current ratio is not good for a firm it shows the idleness of the funds. The current ratio for five years is calculated and presented in the above table. The current ratio of the company shows mixed trend during this period, in the first year it shows growing trend and in next year it dips sharply due to increase in current liabilities and in 2014 it reaches very high at 17.68 and in 2015 again decrease to the level of 11.97 and in 2016 it falls to 6.34.

© 2017, www.IJARND.com All Rights Reserved

The overall position of the company is very good due to the relatively higher current ratio which indicates the company's assets are highly liquid and the ability to pay its current obligations at the time. But at the same time company's funds are being idle.

Table 4: Showing Quick/liquid Ratio of NMDC (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Liquid assets	22739.75	24955.59	23155.73	23211.83	18700.43
Current liabilities	2105.13	3235.68	1347.96	1996.91	3049.18
Liquid ratio	10.80	7.71	17.17	11.62	6.13

Source: annual reports of NMDC

Interpretation: liquid ratio is a fairly stringent measure of liquidity. It is based on those which are highly liquid. Liquid assets are the assets which are either in the form of cash and cash equivalent or can be converted into cash with in a very short period. A quick ratio of 1:1 is considered as ideal. Higher the quick ratio betters the short term financial position. The objective of computing liquid ratio is to access short term solvency of the enterprise. As like current ratio, the company shows fluctuation in liquid ratio also over the study period. It decreases in 2013 at 7.71 and in 2014 sharply increase to 17.17due to lower level of current liabilities. In all years the company's position is very healthy. It is clear from above table that the company has very high liquid assets compared to the current liabilities, which shows the company is in liquid form.

Table 5: Showing Working Capital Turnover Ratio (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Sales	11261.89	10704.27	12058.20	12356.41	6455.80
Net working capital	21093.54	22357.37	22488.96	21906.80	16288.41
W.C turnover ratio	0.53	0.47	0.53	0.56	0.39

Source; annual reports of NMDC

Interpretation: working capital turnover ratio shows the relationship between working capital and revenues from operations or net sales. This ratio shows the number of times working capital has been employed in the process of carrying on business. Higher the ratio, better the efficiency in the utilization of working capital. It is analysed from the table that the working capital turnover ratio of the company is 0.53 in 2012 and year it decreases to the level of 0.47 and in 2014 it is again 0.53 and in 2015 it reaches to 0.56 and in 2016 it decreases to 0.39 due to a decrease in net sales. Above ratio indicate that there is underutilization of the working capital resources. Hence it is not a good sign for the company.

Table 6: Showing Current Liabilities to Net worth Ratio (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Current liabilities	21093.54	3235.68	1347.96	1996.91	3049.18
Net worth	24406.36	27,510.96	29,946.83	32,257.25	29992.36
Cl to net worth ratio	0.864	0.117	0.045	0.061	0.101

Source: annual reports of NMDC

Interpretation: This ratio indicates the amount due to creditors within a year's time as a percentage of the shareholders' investment. The desirable level for this ratio is 1/3. The net worth of the company is 24,406.36 in 2012 and 27,510.96 in 2013, it is 29,946.83 in 2014 and 32,257.25 in 2015. The ratio indicates the relative contribution of short term creditors and owners to the capital of an enterprise.

If the ratio is high it means it is difficult to obtain long term funds from the financial institution. The above table depicts the current liabilities to net worth ratio is lower. It is a good sign for the company.

Table 7: Showing Debtors Turnover Ratio (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Net credit annual sale	11261.89	10704.27	12058.20	12356.41	6455.80
Average debtors	737.02	1082.21	1448.42	1752.33	1896.08
Debtors turnover ratio	15.28	9.89	8.53	6.88	3.40

Source: annual reports of NMDC

Interpretation: Debtors turnover ratio establishes the relationship between net credit sales and average trade receivables i.e. debtors and bills receivables of the year. This ratio indicates the number of times receivables are turned over in a year in relation to credit sales. It shows how quickly receivables are converted into cash and cash equivalent and thus shows the efficiency in collection of the amount due from debtors. A high ratio is better since it indicates that debtors are collected more promptly. A lower ratio shows inefficiency in the collection and more investment in debtors than required. The above table depicts the company's debt turnover ratio it is in decreasing trend from 2012 to 2016 it was 15.28 in 2012, 9.89 in 2013, 8.53 in 2014, 6.88 in 2015 and 3.40 in 2016. In 2012 it was highest and in 2016 it is lowest. Debtors are continuously increasing. But the overall position is good.

Table 8: Showing average Collection Period (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Average no. of working days	365	365	365	365	365
Debtor turnover ratio	15.28	9.89	8.53	6.88	3.40
Average collection period	24(approx.)	37(approx.)	43(approx.)	53(approx.)	107(approx.)

Note average collection period in days.

Source: annual reports of NMDC

Interpretation: Average collection period provides an approximation of the average time that it takes to collect debtors. From the above analysis, the average collection period of debtors has an increasing trend from 24 days in 2012, 37 days in 2013 and 43 days in 2014 and further increase to 53 days in 2015 and it increased to 107 days in 2016. But the company's position is very strong because the average time of collection is low in all the years except 2016. Overall company's credibility is high.

Table 9: Showing Valuation of Inventory Management (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Inventories	458.92	632.46	681.19	691.88	636.96
Net working capital	21093.54	22357.37	22488.96	21906.80	16288.41
Inventory management ratio	0.022	0.028	0.030	0.031	0.039

Source: annual reports of NMDC

© 2017, www.IJARND.com All Rights Reserved

Interpretation: From the above analysis it is clear that the company's inventory little bit same in 2011 and 2012 and it increased in 2013 and also in 2014 and 2015.The inventory management ratio showing increasing trend due to a continuous increase in inventory and working capital of the company. It was 0.023 in 2011 and increased to 0.031 in 2015.

Table 10: Showing Inventory to Current Assets Ratio (fig. in cr.)

Particulars	Years				
	2012	2013	2014	2015	2016
Inventory	458.92	637.46	681.19	691.88	636.96
Current assets	23093.54	25593.05	23836.92	23903.71	19337.59
Inventory to CA ratio	0.020	0.024	0.028	0.028	0.033

Source: annual reports of NMDC

Interpretation: From the above analysis, the inventories to current assets are in increasing trend. The ratio shows the year on year increase. It was 0.016 in 2011 ,0.019 in 2012, 0.024 in 2013, 0.028 in 2014 and 0.028 in 2015.From the above table, it is clear that the inventories to current assets of the company is fluctuating, which is lead to the decrease in working capital, which has reduced the level of current assets of the company.

Table 11: **Showing Inventory Turnover Ratio (fig. in cr.)**

Particular	Years				
	2012	2013	2014	2015	2016
Sales	11261.89	10704.27	12058.20	12356.41	6457.26
Inventories	2105.13	637.46	681.19	691.88	636.96
Inventories to turnover ratio	5.35	16.79	17.70	17.85	10.13

Source: annual reports of NMDC

Interpretation: This ratio measures how fast inventory is moving and generating sales. The objective of computing inventory turnover ratio is to ascertain whether investment in stock has been judicious or not, i.e. only the required amount is invested in the stock. It measures the efficiency of inventory management. Higher the ratio, more efficient management of inventories and vice-versa. A very high inventory turnover ratio shows overtrading and it may result in a working capital shortage.From the above table, it is analysed that the inventories are highest in 2012 it was 2105.13 so the ratio was lowest in that year. And in next year inventories was decreased to 637.46 and ratio increased to 16.79 and this trend was continued for next two years also. In 2016 sales decreased to 6457.26 so the ratio decreased to 10.13.

Table 12: **Showing Cash Turnover Ratio (fig. in cr.)**

Particulars	Years				
	2012	2013	2014	2015	2016
Sales	11261.89	10704.27	12058.20	12356.41	6455.80
Cash & bank	20264.58	21,025.75	18860.51	18486.06	14806.14
Cash turnover ratio	0.55	0.50	0.63	0.66	0.43

Source: annual reports of NMDC

Interpretation: Cash turnover ratio shows the number of times that cash turnover in a year. A lower ratio may indicate the efficient use of working capital. Cash turnover ratio is used to determine the proportion of cash required to generate sales. The ratio is typically compared to the same result for other business in the same industry to estimate the efficiency with which an organisation uses its available cash to conduct operations and generate sales. The cash turnover ratio of the company is lower in all the five years so it shows the efficient use of working capital. The cash turnover ratio was 0.55 in 2012 and in 2013 it was at the level of 0.50. It increased in 2014 to 0.63 and 0.66 in 2015 and then decrease to 0.43 in 2016.

© 2017, www.IJARND.com All Rights Reserved

FINDINGS

- The current ratio trend shows that the ratio is above the standard of 2:1.Based on the data, the liquid position of the company shall be considered as very strong. But the ratio is very high it indicates idleness of the funds which reduce the profitability of the company.
- Again quick ratio of the company is much higher than the standard of 1:1 which shows that the company has a good liquid position but also shows the underutilization of the available funds.
- Company's working capital turnover ratio is lower. A low ratio indicates that business is investing in too many account receivable and inventory assets to support its sales, which could eventually lead to an excessive amount of bad debts and obsolete inventory.
- Current liabilities to net worth ratio of the company is lower.Therefore the company can get long term funds from financial institution very easily.
- Debtors' turnover ratio of the company is higher in all the years of the study period. It is a good indicator for the company. A high ratio indicates that the company's extension of credit and collection of accounts receivables are efficient. It indicates that company can collect its debts more promptly. But it shows decreasing trend, the company should take proper steps to prevent further decrease in future.
- Inventory turnover ratio indicates very high ratio in all the years it indicates overtrading.
- Cash turnover ratio of the company shows efficient use of working capital.
- Average collection period of the company for the study period is quite lower in previous two years. It shows increasing trend which is not a good indicator. But the overall position is good. It shows company's prompt collection and better management of receivables.

CONCLUSION

From the above study, it may conclude that working capital management of the NMDC Ltd is satisfactory during all the years under study. Most of the ratios are doing very good except one or two ratios like working capital turnover ratio and inventory management. The company should focus on these issues. It is also concluded from the study that though the company's earnings are increasing every year the company's funds are not properly utilized. Therefore NMDC Ltd should try to improve its financial position in the coming years. But company's overall position is still very good it is in liquid position and pays its current as well as non-current liabilities very easily and on time. As it is also concluded from the data company's investment in current assets is quite high on the one hand it increases company's solvency but on the other hand, it also decreases its profitability.

LIMITATIONS OF THE STUDY

The study is bound to some limitations also, these are the following:

- **Time period:** The study has been conducted for a very short duration of time i.e only for five years.
- **Data**: Another limitation of the study is that it is based on purely secondary data.
- **Single company:** The study is limited to a single company.
- **Financial statements:** The study is based on consolidated financial statements, which may have some errors.

REFERENCES

[1] Bhuria., A. and Khan. I.U (2011), "Liquidity Management Efficiency of Indian Steel Companies (A Case Study)", Far East Journal of Psychology and Business, Vol.3, No.3.
[2] Babu., N.S., and Chalam., G.V (2014), "Study on Working Capital Management Efficiency in Indian Leather Industry: An Empirical Analysis" , IRACST- International Journal of Research in Management and Technology (IJRMT), ISSN: 2249-9563, Vol.4, No.5.
[3] Chandrabai., T. and Rao. J.V.K (2011), "Working Capital Management in Cement Company: A Study", IJMBS, Vol.1, Issue 3, ISSN: 2330-9519(online), ISSN: 2231-2463(print).
[4] Deloof., M. (2003) "Does Working Capital Management Affect Profitability of Belgium Firms?" Journal of Finance and Accounting, Vol.30, PP.573-588.
[5] Garcia-Teruel., J.and Solane., M., " Effects of working capital management on SME profitability" https://academia.edu.documents/32253336/ssrn-id894865
[6] Gosh., S.K, and Maji., S.G., " Working Capital Management Efficiency: A Study on the Indian Cement Industry" The Institute of Cost and Works Accountants of India [http://www.icwai.org]
[7] Gill., A., Biger., N. and Mathur., N., "The Relationship Between Working Capital Management and Profitability: Evidence from the US", Business and Economics Journal, Vol. 2010: BEJ-10, https://www.researchgate.net.

© 2017, www.IJARND.com All Rights Reserved

[8] Joshi., L.K., and Ghosh., S (2012), "Working Capital Management of Cipla Limited: An Empirical Study", International Journal of Marketing, Financial Services and Management Research, Vol 1, Issue 8, ISSN: 2277-3622.
[9] Napompetch., K. "The Effects of Working Capital Management on the Profitability of Thai Listed Firms", International Journal of Trade, Economics and Finance, Vol.3, No.3, June 2012
[10] Panigrahi., A.K. and Sharma. A. (2013), "Working Capital Management and Firm's Performance: An Analysis of Selected Indian Cement Companies", Asian Journal of Research in Business Economics and Management, available at http://ssrn.com/abstract =2342085.
[11] Padachi., K. (2006), "Trends in Working Capital Management and Its Impact on Firms' Performance: An Analysis of Mauritian Small Manufacturing Firms", International Review of Business Research Papers, Vol.2, No.2, PP. 45-58.
[12] Raheman., A. and Nasr., M.(2007), "Working Capital Management and Profitability – Case of Pakistani Firms", International Review of Business Research Papers, Vol.3, No.1, pp 279-300.
[13] Ramachandran., A. and Jankiraman., M. " The Relationship Between Working Capital Management Efficiency and EBIT." Managing Global Transition, Vol.7, No.1, PP.61-74.
[14] Singh., K. and Asress., F.C.(2010), "Determining Working Capital Solvency Level and Its Effect on Profitability in Selected Indian Manufacturing Firms.", ICBI 2010- the University of Kelaniya, Srilanka, Available at kln.ac.ik/uokr/ICBI2010/21.pdf
[15] Grewal., T.S. "Analysis of Financial Statements", Sultan Chand & Sons (P) Ltd, 2015 edition, Delhi, PP 4.1-4.73.
[16] Pandey., I.M. "Financial Management" , Vikas Publishing House Pvt Ltd., Tenth edition, 2010, Delhi, PP.648-663.
[17] Rustagi., R.P. " Financial Management", Sultan Chand & Sons, 2010, Delhi, PP. 271-285.
[18] www.nmdc.co.in.

© 2017, www.IJARND.com All Rights Reserved