
A STUDY ON WORKING CAPITAL MANAGEMENT IN DALMIA CEMENTS

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ABSTRACT

This study examines the working capital management practices of Dalmia Cement (Bharat) Ltd., a major company in the Indian cement industry. The primary focus of the research is to analyze how the company manages its short-term assets and liabilities to maintain liquidity and operational efficiency. Working capital management is critical for capital-intensive industries like cement, where large amounts of funds are tied up in inventories, receivables, and payables. The analysis involves a review of working capital components such as current assets, current liabilities, liquidity ratios, and key working capital ratios like the current ratio, quick ratio, and cash conversion cycle. The study also uses ratio analysis over a period of years to identify trends in Dalmia Cement's liquidity position and its ability to meet short-term financial obligations. Findings indicate that the company generally maintains sufficient working capital, but there are periods where liquidity can be improved—especially through better receivables collection and inventory optimization. Efficient management of these components helps the company reduce financing costs and supports smooth day-to-day operations, contributing to overall financial stability and performance. The research suggests that Dalmia Cement's working capital strategy must continually adapt to market changes to sustain competitive advantage and improve profitability.

KEY WORDS

Working Capital Management, Liquidity, Cash Conversion Cycle, Profitability.

INTRODUCTION

Working capital management is a key area of financial management that focuses on maintaining an optimal balance between a company's short-term assets and its short-term liabilities. Effective management of working capital ensures that an organization has sufficient liquidity to meet its day-to-day operational needs, enhances profitability, and minimizes financial risk. It involves the planning and controlling of inventories, accounts receivable and payable, and cash to ensure smooth business operations.

In the context of manufacturing industries, such as cement production, efficient working capital management becomes critical due to high inventory requirements, long production cycles, and

the need to maintain adequate raw materials for uninterrupted production. The fluctuating demand for construction materials and the capital-intensive nature of cement plants further emphasize the importance of managing current assets and liabilities effectively.

Dalmia Cements (Bharat) Limited is one of India's prominent cement manufacturers with a comprehensive presence across various regions. The company operates in a highly competitive market where profitability is influenced not only by production capacity but also by how well financial resources are managed. Given the cyclical and seasonal nature of the cement industry, working capital plays a significant role in determining operational efficiency and financial stability.

This study aims to analyze the working capital management practices at Dalmia Cements, examining how the company manages its current assets and current liabilities to maintain liquidity while striving for profitability. The study evaluates key components of working capital such as inventory management, receivables, payables, and cash flow, and assesses their impact on the company's overall financial performance. By understanding these aspects, the study provides insights into the effectiveness of financial strategies adopted by Dalmia Cements in managing its working capital.

OBJECTIVES OF THE STUDY:

1. To study and analyze the working capital management practices in Dalmia Cement.
2. To examine the components of working capital in Dalmia Cement.
3. To assess the working capital cycle of Dalmia Cement.
4. To compare working capital requirements across different years.
5. To analyze the sources and uses of working capital

NEED OF THE STUDY:

The need for the study on working capital at Dalmia Cement is important to understand how the company maintains its day-to-day operations smoothly. Proper working capital management ensures liquidity, which helps the company meet its short-term obligations without any difficulty. The study also examines the various components of working capital, such as cash, inventory, and receivables, to understand how efficiently they are managed. In addition, it helps in handling fluctuations in demand and seasonal changes in the cement industry. Effective management of working capital can enhance profitability by reducing unnecessary costs and improving operational efficiency. Overall, this study is essential to ensure financial stability and maintain the solvency of Dalmia Cement.

SCOPE OF THE STUDY:

The scope of the study is confined to analyzing the working capital management practices of Dalmia Cement and evaluating its efficiency in managing short-term financial resources. Working capital plays a crucial role in ensuring the smooth functioning of day-to-day business operations, especially in a capital-intensive industry like cement manufacturing. Therefore, this

study focuses on examining how effectively the company maintains liquidity while ensuring profitability.

The study covers a detailed analysis of the major components of working capital, including current assets such as cash and bank balances, inventories, short-term investments, and trade receivables, as well as current liabilities such as trade payables, short-term borrowings, and other short-term obligations. It evaluates how these components are planned, controlled, and monitored by the company.

The research also includes an assessment of the working capital cycle, which measures the time taken to convert raw materials into finished goods and then into cash through sales. By analyzing inventory turnover ratio, receivables turnover ratio, payables turnover ratio, current ratio, quick ratio, and net working capital, the study attempts to determine the liquidity position and operational efficiency of the company.

IMPORTANCE OF WORKING CAPITAL MANAGEMENT:

1.Ensures Smooth Business Operations

Proper working capital management helps a company meet its day-to-day expenses such as payment of wages, purchase of raw materials, and settlement of short-term liabilities without interruption.

2.Maintains Liquidity

It ensures that the business has sufficient cash and liquid assets to meet short-term obligations, reducing the risk of insolvency and financial distress.

3.Improves Profitability

Efficient management of inventory, receivables, and payables helps in reducing unnecessary costs and increasing overall profitability.

4.Enhances Creditworthiness

A company with good working capital management maintains a strong liquidity position, which improves its reputation and credibility with suppliers, creditors, and financial institutions.

5.Supports Business Growth

Adequate working capital enables the company to expand operations, increase production, and take advantage of new business opportunities without financial strain.

REVIEW OF LITERATURE:

Muhammad Matin Khan, Md. Ismail Hossain Shagor, Abu Kalam & Md. Sojib Ahmed (2020)
Title: Working Capital Management and Firm Profitability in the Textile Industry of Bangladesh

Kushagra Goel & Surya Jain (2021)

Title: Impact of Working Capital Management on Profitability: Empirical Evidence from Indian Textile Industry

Yousif, M., Ziaullah, M., & Jatoi, M. (2023)

Title: Examining the Impact of Working Capital Management Approaches on Financial Performance in the Textile Sector of Pakistan

Liu, Z. (2024)

Title: Sustainable Financing and Working Capital Strategies in Textile and Apparel Manufacturing Firms

Chaudhary, R. & Sharma, P. (2024)

Title: Working Capital Management and Profitability: A Comprehensive Review (2003–2024)

Díaz Ortega, J., et al. (2025)

Title: Working Capital Management and Profitability: A Bibliometric and Systematic Review

Jamal Hanaffy (2025)

Title: Liquidity and Firm Size as Determinants of Firm Value: An Empirical Study on Textile and Garment Companies in the Indonesia Stock Exchange (IDX)

RESEARCH METHODOLOGY:

1. Introduction

Research methodology explains the systematic process adopted to conduct the study. It describes the methods used for collecting data, analyzing financial information, and interpreting results. The present study focuses on examining the working capital management practices of Dalmia Cement and evaluating its efficiency in managing short-term assets and liabilities.

2. Type of Research

The study is analytical in nature.

- It involves examination of financial statements.
- It evaluates relationships between current assets and current liabilities.
- It measures efficiency using financial ratios and trend analysis.
- The research is mainly quantitative, supported by practical insights from company operations.

3. Objectives of the Study

- To analyze the working capital position of the company.

- To evaluate liquidity and short-term financial strength.
- To study the management of inventory, receivables, and payables.
- To identify trends in working capital over a specific period.
- To suggest improvements if required.

4.Sources of Data

A. Primary Data

Interaction with employees in the finance and accounts department.

Discussions regarding credit policy, inventory handling, and cash management practices.

B. Secondary Data

Annual reports of the company.

Audited financial statements (Balance Sheet, Profit & Loss Account, Cash Flow Statement).

Industry reports and reference books related to working capital management.

Official company website and published financial data.

5.Tools and Techniques Used

The following financial tools are used for analysis:

1.Ratio Analysis

- Current Ratio
- Quick Ratio
- Inventory Turnover Ratio
- Debtors Turnover Ratio
- Working Capital Turnover Ratio

2.Comparative Financial Statements

To compare performance over different years.

3.Trend Analysis

To understand growth patterns and changes in working capital components.

4.Cash Flow Analysis

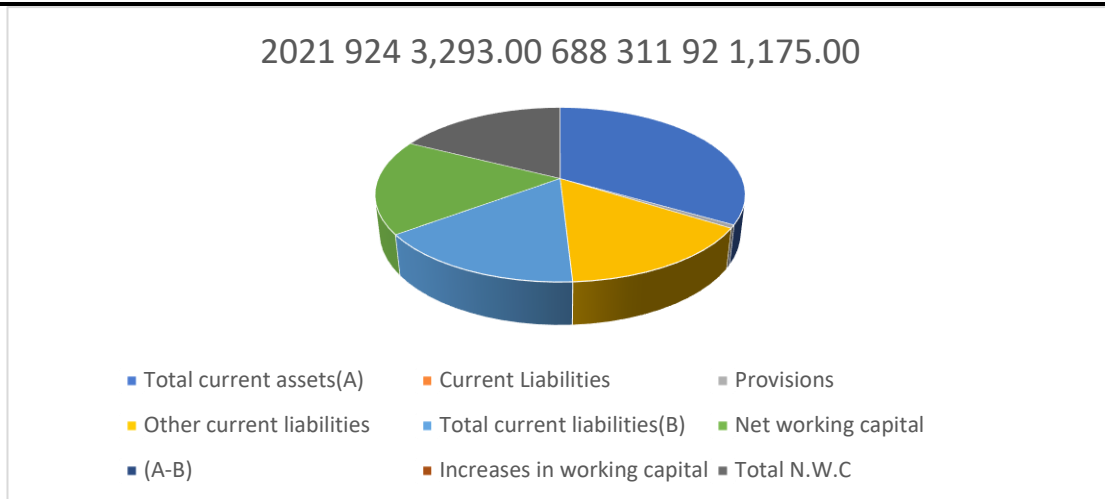
To evaluate liquidity position and cash management efficiency

DATA ANALYSIS AND INTERPRETATION:

TABLE-1

SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2020-2021
(RS. Crores)

Particulars	2021	2020	Increase	Decrease
Current assets				
Inventories	924.00	974.00	-----	50.00
Investments	3,293.00	2,698.00	595.00	-----
Trade Receivables	688.00	397.00	291.00	-----
Cash & cash equivalents	311.00	403.00	-----	92.00
Loans	92.00	71.00	21.00	-----
Other current assets	1,175.00	1,126.00	49.00	-----
Total current assets(A)	6,483.00	5,669.00		
Current Liabilities				
Provisions	116.00	64.00	-----	52.00
Other current liabilities	2,951.00	2,683.00	-----	268.00
Total current liabilities(B)	3,067.00	2,747.00		
Net working capital (A-B)	3,416.00	2,922.00		
Increases in working capital		494.00		494.00
Total N.W.C	3,416.00	3,416.00	956.00	956.00



INTERPRETATION

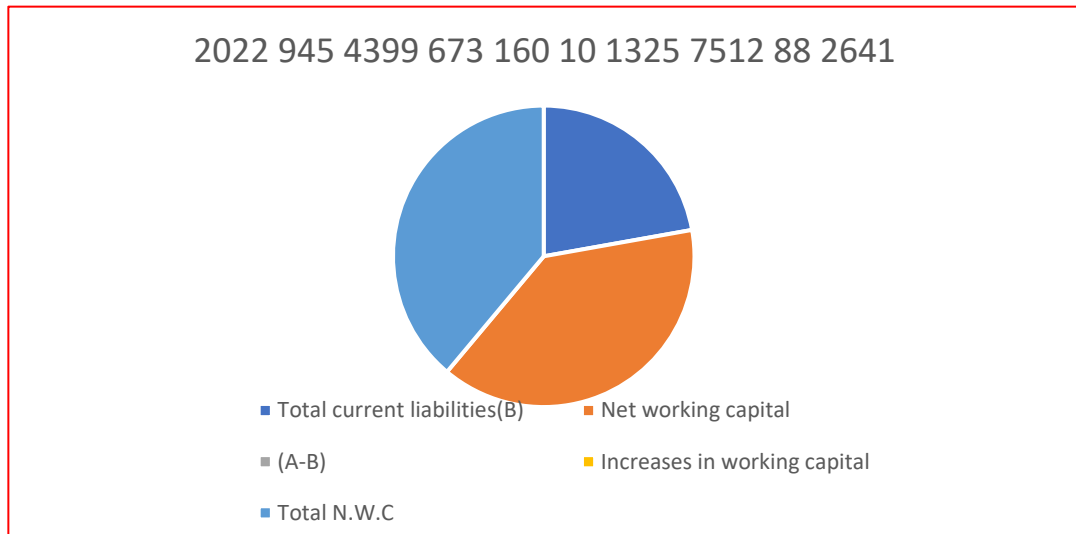
Working capital increased in 2020–2021, indicating an improvement in the company’s short-term liquidity position.

TABLE-2

SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2021-2022
(RS. Crores)

Particulars	2022	2021	Increase	Decrease
Current assests				
Inventories	945.00	924.00	21.00	-----
Investments	4,399.00	3,293.00	1,106.00	-----
Trade Receivables	673.00	688.00	-----	15.00
Cash & cash equalents	160.00	311.00	-----	151.00
Short term loans	10.00	92.00	-----	82.00
Other current assets	1,325.00	1,175.00	150.00	-----
Total current assets(A)	7,512.00	6,483.00		
Current Liabilities				
Provisions	88.00	116.00	28.00	-----
Other current liabilities	2,641.00	2,951.00	310.00	-----

Total current liabilities(B)	2,729.00	3,067.00		
Net working capital (A-B)	4,783.00	3,416.00		
Increases in working capital		1,367.00		1,367.00
Total N.W.C	4,783.00	4,783.00	1,615.00	1,615.00



INTERPRETATION

Working capital decreased during 2021–2022 because the increase in current liabilities was higher than the increase in current assets.

TABLE-3

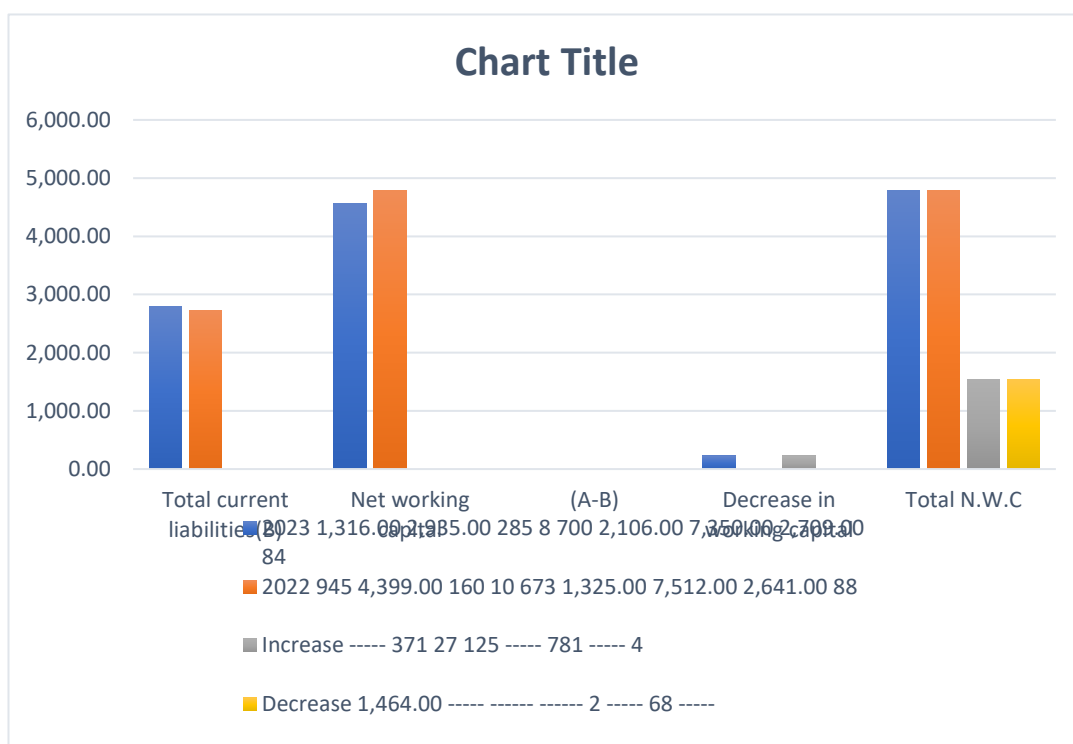
SCHEDULE OF CHANGES IN WORKING CAPITAL FOR THE YEAR

2022-2023

(RS. Crores)

Particulars	2023	2022	Increase	Decrease
Current assets				
Inventories	1,316.00	945.00	371.00	-----
Current Investments	2,935.00	4,399.00	-----	1464.00
Cash & cash equivalents	285.00	160.00	125	-----
Loans and advances	8.00	10.00	-----	2.00
Trade receivables	700.00	673.00	27	-----
Other current assets	2,106.00	1,325.00	781.00	-----

Total current assets(A)	7,350.00	7,512.00		
Current Liabilities				
Current Liabilities	2,709.00	2,641.00	-----	68.00
Short term provisions	84.00	88.00	4.00	-----
Total current liabilities(B)	2,793.00	2,729.00		
Net working capital (A-B)	4,557.00	4,783.00		
Decrease in working capital	226.00		226.00	
Total N.W.C	4,783.00	4,783.00	1,534.00	1,534.00



INTERPRETATION

The overall working capital decreased during 2022–2023 due to a higher increase in current liabilities compared to current assets.

FINDINGS

- Positive cash balance:** The company maintained sufficient cash to meet daily expenses.
- Efficient inventory control:** Raw materials and finished goods were managed well without excess stock.
- Quick receivables collection:** Customers’ payments were collected on time, improving liquidity.

4. **Short credit period:** The company gave shorter credit to dealers, reducing the risk of bad debts.
5. **Good supplier management:** Payments to suppliers were done on time, maintaining healthy relationships.
6. **Stable working capital ratio:** The ratio of current assets to current liabilities remained steady.
7. **Improved cash flow:** Cash inflows and outflows were balanced, helping smooth operations.
8. **Effective use of funds:** Working capital was used efficiently to support daily production and sales.

SUGGESTIONS

1. The company should maintain an optimum level of inventory to avoid excess holding costs.
2. It should improve credit control to collect payments faster from customers.
3. Cash flow planning should be done regularly to avoid shortages.
4. The company can negotiate better credit terms with suppliers.
5. Regular monitoring of working capital ratios should be done.
6. Excess funds should be invested in short-term profitable investments.
7. Modern technology should be used for better inventory and cash management.

CONCLUSION:

The study on Working Capital Management in Dalmia Cement highlights the importance of efficient management of current assets and current liabilities in ensuring smooth business operations. Working capital plays a vital role in maintaining liquidity, meeting short-term obligations, and supporting day-to-day activities of the company.

The analysis of financial statements using tools such as ratio analysis, comparative statements, trend analysis, and cash flow analysis shows that proper control over inventory, receivables, cash, and payables contributes to financial stability and profitability. Maintaining an optimal level of working capital helps avoid both shortage of funds and excess idle resources.

The study concludes that effective planning, monitoring, and control of working capital are essential for improving operational efficiency and sustaining long-term growth. Overall, Dalmia Cement maintains a balanced approach toward working capital management, ensuring both liquidity and profitability.

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