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## **WORKING CAPITAL MANAGEMENT AT R. L. STEEL & ENERGY LTD., AURANGABAD**

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**Abstract:-** This Research named Study of Working Capital Management was carried out at R. L. Steel & Energy Ltd to analyze and understand movement of working capital over a period of time the company in terms of increase or decrease in working capital reflects flow of funds.

Research the different components of working capital and its impact on the performance of the firm. And learn the effective management of working capital. While an accountant will regard working capital as current assets minus current liabilities and called is as net working capital. When one ask a production controller; what is working capital? His answer is very simple and straightforward. To him working capital is the fund needed to meet day to- day working expenses. Net working capital is that liquidity which takes care if he working expenses gets extended due to any reason.

**Keywords :** Working Capital Management , effective management , straightforward.

### **INTRODUCTION**

Analytical research is suitable for this Research because there is critical analysis of critical evaluation of the material used like profit and loss account and balance sheet.

In the entire Research of that company will have to improve stock turn over & debtor's turnover ratio which means clearing the inventory and collection of debtors on time. Further company will have to re-develop the procedure for inventory management.

To change in working capital and reasons behind the same. Research how to keep the capital that is tied up in the working capital cycle at a minimum and maximizing profit.

### **Definition of Working Capital**

According to Shubin, "Working Capital is the amount of fund necessary to cover the cost of operating the enterprise."

According to Gere Stenberg, "Circulating capital means current assets of a company that are changed in the ordinary course of business from one to another, as for example, from cash to inventories, inventories to receivables, receivables to cash."

According to Hoagland define, "Working capital is descriptive of that capital which is not fixed. But the more common use of working capital is to consider it as the difference between the book value of the current asset and current liability."

### **WORKING CAPITAL= CURRENT ASSETS-CURRENT LIABILITIES**

### **OUTLINE OF THE PROBLEM:-**

For the practical knowledge that how to works in the company and how to handle the pressure of work or

any other task. Working Capital is the lifeblood of every company without working capital no any company can run, and wanted to know what exactly working capital is, why Manager or management give it to important. That's why I did my Research in working capital.

For research the need of working capital in a business, one has to study the business under varying circumstances such as a new concern requires a lot of funds to meet its initial requirements such as promotion and formation etc. These expenses are called preliminary expenses and are capitalized. The amount needed for working capital depends upon the size of the company and ambitions of its promoters. Greater the size of the business unit, generally larger will be the requirements of the working capital.

### RESEARCH METHODOLOGY AND DATA ANALYSIS.

#### Need and Importance:

Working capital management is important for any kind of sector including service. The important of a management arises due to following reasons:

1) Working capital is proportional to sales, it is impossible to increase sales without increasing working capital. Faulty financial working capital management results in either over or under liquidity of capital and also affects the solvency and reputation of the firm.

#### OBJECTIVES OF THE RESEARCH

Main object of the Research is to match theoretical aspects of the working capital with practical experience. During the past decade, all sorts of businesses have flourished in India. due to increasing competition, market prices of the products are increasing cost reduction can be achieved by various methods like proper inventory management, managing debtors and creditors and other current assets and liability and values engineering etc. to achieve the things effective working capital is necessary. Summarized view the position of current assets and current liabilities and how to manage them have an efficient and optimum working capital.

1. To study the working capital management of R. L. Steel and Energy Ltd
2. To analyze the current assets and liabilities of the organization.
3. To study the liquidity position through various working capital related ratios.
4. To estimate the working capital requirement of R. L. Steel and Energy Ltd
5. To know the present working capital position in the organization.
6. To find out the operating cycle period for each year, by taking into account, the raw material, storage period, work in progress, finishing goods storage period average collection period and average payment period.

#### RESEARCH DESIGN AND METHODOLOGY:

##### Types of Research Method:-

##### Descriptive Research Method:-

This type of research methods involve describing in details specific situation using research tools like interviews, surveys, and Observations. It focuses on gathering of mainly verbal data rather than measurements.

##### Quantitative Research Method:-

This type of research methods requires quantifiable data involving numerical and statistical explanations. Quantitative analysis hinges on researchers understanding the assumptions inherent within different statistical models. It generates numerical data or information that can be converted into numbers. The presentation of data is through tables containing data in the form of numbers and statistics.

**Research Application to the paper:** Analytical research is suitable for this Research because there is critical analysis of critical evaluation of the material used like profit and loss account and balance sheet.

**Research Design:** "A Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure" The research design followed to study the working capital management in GAJANAN SOLVEX LIMITED, KHAMGAON is Descriptive and Analytical Research Design.

#### **TOOLS DATA COLLECTION METHOD**

In the Research following types were adopted. Methodology is a process of collecting the information and to help find out a solution to the topic selected by research. Whereas research has to study and find out techniques with proper process. It is a systematic way of presenting information.

#### **In order to collect the required information for the followings:-**

##### **Primary Data:-**

Primary data are obtained by a study specifically designed to fulfil the data needs of the problems at hand. Such data are original in character and are generated in large number of survey. It is collected by the following tools:

- Discussion with the accountant regarding the figures and balance sheets.
- Observation of records related to working capital.

##### **Secondary Data:**

Data which are not original collected but rather obtained from publish or unpublished sources. Secondary data is provided by the organization. The needed information is collected from:

- Books of accounts R. L. Steel and Energy Ltd 2010-11.
- Annual reports of R. L. Steel and Energy Ltd 2011-12.
- Website of R. L. Steel and Energy Ltd.
- Text books of accounts.

#### **SCOPE OF THE RESEARCH:**

- This Research is carried to analyze the working capital of R. L. Steel and Energy Ltd for the last years from 2010 to 2014.
- As the part of the study of working capital and its circulation, statement of changes in working capital with its conclusion and interpretation of working capital with the help of graph has been done.

#### **Limitations of the Research:**

##### **1) Limited data:-**

This Research has completed with annual reports; it just constitutes one part of data collection i.e. secondary. There were limitations for primary data collection because of confidentiality.

##### **2) Limited period:-**

This Research is based on five year annual reports. Conclusions and recommendations are based on such limited data. The trend of last five year may or may not reflect the real working capital position of the company.

##### **3) Limited area:-**

Also it was difficult to collect the data regarding the competitors and their financial information. Industry figures were also difficult to get.

##### **4) Limited places:-**

While computing ratio, average, percentage, the figures are shown to two decimal places. Therefore sometime the final total may not exactly tally.

**Tabulation of Data:**

**Balance Sheet of R.L. STEEL & ENERGY LTD.  
Ended on 31st March**

| Year                                      | 2010              | 2011              | 2012              | 2013              |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Capital and Liabilities</b>            |                   |                   |                   |                   |
| Total Share Capital                       | 966.4             | 1,086.75          | 1,239.83          | 1,249.34          |
| Equity Share Capital                      | 616.4             | 736.75            | 889.83            | 899.34            |
| Share Application Money                   | 0                 | 0.02              | 0                 | 0                 |
| Preference Share Capital                  | 350               | 350               | 350               | 350               |
| Reserves                                  | 7,394.16          | 11,813.20         | 21,316.16         | 23,413.92         |
| Revaluation Reserves                      | 0                 | 0                 | 0                 | 0                 |
| <b>Net Worth</b>                          | <b>8,360.56</b>   | <b>12,899.97</b>  | <b>22,555.99</b>  | <b>24,663.26</b>  |
| Deposits                                  | 14,108.58         | 16,818.78         | 19,083.17         | 21,510.19         |
| Borrowings                                | 30,740.24         | 33,544.50         | 38,521.91         | 51,256.03         |
| Total Debt                                | 16,848.82         | 18,363.28         | 21,605.08         | 26,766.22         |
| <b>Other Liabilities &amp; Provisions</b> | <b>18,019.49</b>  | <b>21,396.17</b>  | <b>25,227.88</b>  | <b>38,228.64</b>  |
| Total Liabilities                         | <b>125,228.87</b> | <b>167,659.42</b> | <b>251,388.95</b> | <b>344,658.12</b> |
| <b>Assets</b>                             |                   |                   |                   |                   |
| Cash & Balances with RBI                  | 5,408.00          | 6,344.90          | 8,934.37          | 18,706.88         |
| Balance with Banks, Money at Call         | 3,062.64          | 6,585.07          | 8,105.85          | 18,414.45         |
| Advances                                  | 62,095.52         | 91,405.15         | 146,163.11        | 195,865.60        |
| Investments                               | 42,742.86         | 50,487.35         | 71,547.39         | 91,257.84         |
| Gross Block                               | 5,090.20          | 5,525.65          | 5,968.57          | 6,298.56          |
| Accumulated Depreciation                  | 1,033.79          | 1,487.61          | 1,987.85          | 2,375.14          |
| Net Block                                 | 4,056.41          | 4,038.04          | 3,980.72          | 3,923.42          |
| Capital Work In Progress                  | 93.99             | 96.3              | 147.94            | 189.66            |
| Other Assets                              | 7,769.45          | 8,702.59          | 12,509.57         | 16,300.26         |
| Total Assets                              | <b>125,228.87</b> | <b>167,659.40</b> | <b>251,388.95</b> | <b>344,658.11</b> |
| Contingent Liabilities                    | 74,091.00         | 97,507.79         | 119,895.78        | 177,054.18        |
| Bills for collection                      | 8,025.13          | 9,803.67          | 15,025.21         | 22,717.23         |
| Book Value (Rs)                           | 130.67            | 170.35            | 249.55            | 270.37            |

**Profit & Loss account of R.L. STEEL & ENERGY LTD.**

| Profit & Loss account               | in Rs. Cr.       |                  |                  |                  |
|-------------------------------------|------------------|------------------|------------------|------------------|
|                                     | Mar '10          | Mar '11          | Mar '12          | Mar '13          |
| <b>Income</b>                       |                  |                  |                  |                  |
| Interest Earned                     | 8,894.04         | 9,409.89         | 13,784.50        | 22,994.29        |
| Other Income                        | 3,064.92         | 3,416.23         | 5,036.62         | 6,962.95         |
| <b>Total Income</b>                 | <b>11,958.96</b> | <b>12,826.12</b> | <b>18,821.12</b> | <b>29,957.24</b> |
| <b>Expenditure</b>                  |                  |                  |                  |                  |
| Interest expended                   | 7,015.25         | 6,570.89         | 9,597.45         | 16,358.50        |
| Employee Cost                       | 546.06           | 737.41           | 1,082.29         | 1,616.75         |
| Selling and Admin Expenses          | 921.58           | 1,040.49         | 2,360.72         | 4,900.67         |
| Depreciation                        | 539.44           | 590.36           | 623.79           | 544.78           |
| Miscellaneous Expenses              | 1,299.53         | 1,881.77         | 2,616.78         | 3,426.32         |
| Preoperative Exp Capitalized        | 0.00             | 0.00             | 0.00             | 0.00             |
| Operating Expenses                  | 2,955.35         | 3,177.78         | 5,274.23         | 8,849.86         |
| Provisions & Contingencies          | 351.26           | 1,072.25         | 1,409.35         | 1,638.66         |
| <b>Total Expenses</b>               | <b>10,321.86</b> | <b>10,820.92</b> | <b>16,281.03</b> | <b>26,847.02</b> |
| <b>Net Profit for the Year</b>      | <b>1,637.11</b>  | <b>2,005.20</b>  | <b>2,540.07</b>  | <b>3,110.22</b>  |
| Extraordinary Items                 | 0.00             | 0.00             | 0.00             | 0.00             |
| Profit brought forward              | 5.05             | 53.09            | 188.22           | 293.44           |
| <b>Total</b>                        | <b>1,642.16</b>  | <b>2,058.29</b>  | <b>2,728.29</b>  | <b>3,403.66</b>  |
| Preference Dividend                 | 0.00             | 0.00             | 0.00             | 0.00             |
| Equity Dividend                     | 544.06           | 632.96           | 759.33           | 901.17           |
| Corporate Dividend Tax              | 69.71            | 90.10            | 106.50           | 153.10           |
| Per share data (annual issued)      |                  |                  |                  |                  |
| Earnings Per Share (Rs)             | 26.71            | 27.22            | 28.55            | 34.59            |
| Equity Dividend (%)                 | 75.00            | 85.00            | 85.00            | 100.00           |
| Book Value (Rs)                     | 130.67           | 170.35           | 249.55           | 270.37           |
| Appropriations                      |                  |                  |                  |                  |
| Transfer to Statutory Reserves      | 975.30           | 547.00           | 248.69           | 1,351.12         |
| Transfer to Other Reserves          | 0.00             | 600.01           | 1,320.34         | 0.00             |
| Proposed Dividend/Transfer to Govt. | 613.77           | 723.06           | 865.83           | 1,054.27         |
| Balance c/f to Balance Sheet        | 53.09            | 188.22           | 293.44           | 998.27           |
| <b>Total</b>                        | <b>1,642.16</b>  | <b>2,058.29</b>  | <b>2,728.30</b>  | <b>3,403.66</b>  |

**Cash Flow of R.L. STEEL & ENERGY LTD.**

| Cash Flow                                    | in Rs. Cr. |          |          |           |
|--|------------|----------|----------|-----------|
|  | Mar '10    | Mar '11  | Mar '12  | Mar '13   |
| Net Profit Before Tax                        | 1902.22    | 2527.2   | 3096.61  | 3648.04   |
| Net Cash From Operating Activities           | 7891.69    | 9131.72  | 4652.93  | 23061.95  |
| Net Cash (used in)/from                      |            |          |          |           |
| Investing Activities                         | -1323.04   | -3445.24 | -7893.98 | -18362.67 |
| Net Cash (used in)/from Financing Activities | -4587.02   | -1227.13 | 7350.9   | 15414.58  |
| Net (decrease)/increase In                   |            |          |          |           |
| Cash and Cash Equivalents                    | 1981.63    | 4459.34  | 4110.25  | 20081.1   |
| Opening Cash & Cash Equivalents              | 6489       | 8470.63  | 12929.97 | 17040.22  |
| Closing Cash & Cash Equivalents              | 8470.63    | 12929.97 | 17040.22 | 37121.32  |

**Changes in Working capital of R.L. STEEL & ENERGY LTD.**

| Particular                         | Amt. In Lakh     | Amt. In Lakh     | Increase In    | Decrease In WC |
|------------------------------------|------------------|------------------|----------------|----------------|
|                                    | Year 2010        | Year 2011        | WC             |                |
| <b>Current Assets :</b>            |                  |                  |                |                |
| Cash & Balances with RBI           | 5,408.00         | 6,344.90         | 936.9          |                |
| Balance with Banks, Money at Call  | 3,062.64         | 6,585.07         | 3522.43        |                |
| Advances                           | 62,095.52        | 91,405.15        | 29309.63       |                |
| Capital Work In Progress           | 93.99            | 96.3             | 2.31           |                |
| Investments                        | 42,742.86        | 50,487.35        | 7744.49        |                |
| Other Assets                       | 7,769.45         | 8,702.59         | 933.14         |                |
| <b>Total current asset</b>         | <b>121172.46</b> | <b>163621.36</b> |                |                |
| <b>Current Liabilities:</b>        |                  |                  |                |                |
| Deposits                           | 14,108.58        | 16,818.78        |                | 2710.2         |
| Total Debt                         | 16,848.82        | 18,363.28        |                | 1514.46        |
| Borrowings                         | 30,740.24        | 33,544.50        |                | 2804.26        |
| Other Liabilities & Provisions     | 18,019.49        | 21,396.17        |                | 3376.68        |
| <b>Total current liability</b>     | <b>79717.13</b>  | <b>90122.73</b>  |                |                |
| <b>Net working capital</b>         | <b>41455.34</b>  | <b>73498.63</b>  |                |                |
| <b>Increase in working Capital</b> | <b>32043.3</b>   |                  |                | <b>32043.3</b> |
| <b>Total</b>                       | <b>73498.63</b>  | <b>73498.63</b>  | <b>42448.9</b> | <b>42448.9</b> |



**WORKING CAPITAL MANAGEMENT AT R. L. STEEL & ENERGY LTD., AURANGABAD**

**Interpretation:** - Working capital was increased in the year of 2010-11 because of increase in current assets and debtors, cash & bank balance and also decreased in current liabilities

**Changes In Working capital of R.L. STEEL & ENERGY LTD.**

| Particular                         | Amt<br>Year<br>2011 | Amt<br>Year<br>2012 | Increase<br>In<br>WC | Decrease<br>In<br>WC |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|
| <b>Current Assets :</b>            |                     |                     |                      |                      |
| Cash & Balances with RBI           | 6,344.90            | 8,934.37            | 2589.47              |                      |
| Balance with Banks, Money at Call  | 6,585.07            | 8,105.85            | 1520.78              |                      |
| Advances                           | 91,405.15           | 146,163.11          | 54757.96             |                      |
| Capital Work In Progress           | 96.3                | 147.94              | 51.64                |                      |
| Investments                        | 50,487.35           | 71,547.39           | 21060.04             |                      |
| Other Assets                       | 8,702.59            | 12,509.57           | 3806.98              |                      |
| <b>Total current asset</b>         | <b>163621.36</b>    | <b>247408.23</b>    |                      |                      |
| <b>Current Liabilities:</b>        |                     |                     |                      |                      |
| Deposits                           | 16,818.78           | 19,083.17           |                      | 2264.39              |
| Total Debt                         | 18,363.28           | 21,605.08           |                      | 3241.80              |
| Borrowings                         | 33,544.50           | 38,521.91           |                      | 4977.41              |
| Other Liabilities & Provisions     | 21,396.17           | 25,227.88           |                      | 3831.71              |
| <b>Total current liability</b>     | <b>90122.73</b>     | <b>104438.04</b>    |                      |                      |
| <b>Net working capital</b>         | <b>73498.63</b>     | <b>142970.19</b>    |                      |                      |
| <b>Increase in working Capital</b> | <b>69,471.56</b>    |                     |                      | <b>69,471.56</b>     |
| <b>Total</b>                       | <b>142970.19</b>    | <b>142970.19</b>    | <b>83786.87</b>      | <b>83786.87</b>      |

**Interpretation:** - Working capital is continuously increased in the year of 2011-12 because of increase in current assets, cash & bank balance and debtors and also decreased in current liabilities.

**Changes in Working capital of R.L. STEEL & ENERGY LTD.**

| Particular                        | Amt<br>Year<br>2012 | Amt<br>Year<br>2013 | Increase<br>In<br>WC | Decrease<br>In<br>WC |
|-----------------------------------|---------------------|---------------------|----------------------|----------------------|
| <b>Current Assets :</b>           |                     |                     |                      |                      |
| Cash & Balances with RBI          | 8,934.37            | 18,706.88           | 9772.51              |                      |
| Balance with Banks, Money at Call | 8,105.85            | 18,414.45           | 10308.6              |                      |
| Advances                          | 146,163.11          | 195,865.60          | 49702.49             |                      |
| Capital Work In Progress          | 147.94              | 189.66              | 41.72                |                      |
| Investments                       | 71,547.39           | 91,257.84           | 19710.45             |                      |

**WORKING CAPITAL MANAGEMENT AT R. L. STEEL & ENERGY LTD., AURANGABAD**

|                                    |                  |                  |                 |                 |
|------------------------------------|------------------|------------------|-----------------|-----------------|
| Other Assets                       | 12,509.57        | 16,300.26        | 3790.69         |                 |
| <b>Total current asset</b>         | <b>247408.23</b> | <b>340734.69</b> |                 |                 |
| <b>Current Liabilities:</b>        |                  |                  |                 |                 |
| Deposits                           | 19,083.17        | 21,510.19        |                 | 2427.02         |
| Total Debt                         | 21,605.08        | 26,766.22        |                 | 5161.14         |
| Borrowings                         | 38,521.91        | 51,256.03        |                 | 12734.12        |
| Other Liabilities & Provisions     | 25,227.88        | 38,228.64        |                 | 13000.76        |
| <b>Total current liability</b>     | <b>104438.04</b> | <b>137761.08</b> |                 |                 |
| <b>Net working capital</b>         | <b>142970.19</b> | <b>202973.61</b> |                 |                 |
| <b>Increase in working Capital</b> |                  |                  |                 |                 |
| <b>Capital</b>                     | <b>60045.14</b>  |                  |                 | <b>60045.14</b> |
| <b>Total</b>                       | <b>202973.61</b> | <b>202973.61</b> | <b>93326.46</b> | <b>93326.46</b> |

**Interpretation:** - Working capital is continuously increased in the year of 2012-13 because of increase in current assets, debtors and cash & bank balance also again decreased in current liabilities.

**CONTRIBUTION TO THE HOST ORGANIZATION.**

Research can help to the organization to develop a host of skills that are increasingly important in the professional world. Positive group experiences, moreover, have been shown to contribute to student learning, National Survey of Properly structured, group Researchs can reinforce skills that are relevant to both group and individual work, including the ability to:

- Break complex tasks into parts and steps
- Plan and manage time
- Refine understanding through discussion and explanation

**CONCLUSIONS:**

Working Capital is the lifeblood of every industry, bank, firms, and working Capital is the prime and most important requirement for carrying out the day to day operations of the business. Working Capital Finance reduce the overall fund requirement, required to build up the Current Assets, Which in turn help to any organization improve their Turnover Ratio.

In the entire Research I can conclude that company will have to improve stock turn over & debtor's turnover ratio which means clearing the inventory and collection of debtors on time. Further company will have to re-develop the procedure for inventory management.

- The standard current ratio is 2:1 and Company current ratio in the year 2010 is 1.52:1. The bank ratio is satisfactory and Company current ratio is continuously improving.
- The working capital of the Cash at bank is increases it means the Company utilization of capital is good.
- Quick ratio of 1.34 at the end of FY13 which is consistent with the current ratio for the same year. It should be kept in mind that all debtors may not be liquid, and cash may be immediately needed to pay operating expenses.
- The Inventory turnover ratio indicates the efficiency of the firm with which it manages and utilizes its assets, the speed with which the assets are converted into sales
- Company should try to clear its inventory & tread debtor's so it will result in better cash flow in organization and increases the velocity of working capital.

**SUGGESTIONS:**

- 1.Suggested the company should follow the present working capital.
- 2.The company spend reasonable amount on inventory so that it should be followed.
- 3.The current ratio is maintained at a satisfied level. So that company peruses this much of current assets to meet the objective of the firm.
- 4.Company is maintaining high quick assets to overcome current liabilities for better results.
- 5.For better results company has to maintain cash inflow to overcome current liabilities of the firm.

6. To gain good profits company has to improve the sales through inventory management.
7. The company should be tried to reduce external liabilities, having paid high EPS and DPS.
8. The company should make arrangement of receivables and cash.

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- 1) [www.google.com](http://www.google.com)
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