#### Master’s Thesis Synopsis Of FINANCIAL STATEMENT ANALYSIS

#### OF

#### ROURKELA STEEL PLANT, SAIL, ROURKELA



###### MASTER OF BUSINESSADMINISTRATION

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**Abstract**

Working Capital Management of Rourkela Steel Plant

The Rourkela Steel Plant (RSP), a vital unit of Steel Authority of India Limited (SAIL), requires efficient working capital management for its smooth operation. This abstract focuses on the significance of working capital management in the context of RSP.

Key Points:

Working Capital Definition : The balance between a company's current assets (inventory, receivables, cash) and current liabilities (short-term debt) is crucial for daily operations. Effective management ensures sufficient cash flow to meet operational needs and debt obligations.

Importance for RSP : Efficient working capital management in RSP improves liquidity, profitability, and overall financial health. It minimizes cash tied up in unnecessary inventory while ensuring enough stock for production.

Potential Content : This abstract can lead into a detailed exploration of working capital management strategies for RSP. Here are some potential areas to explore:

* Analyzing RSP's current working capital structure using financial ratios (current ratio,

quick ratio)

* Evaluating the operating cycle (time taken to convert raw materials into cash)
* Identifying areas for improvement in managing inventory, receivables, and payables
* Exploring financing options for working capital needs

Target Audience : This abstract caters to financial professionals, investors, and anyone interested in the financial health of RSP and SAIL.

By understanding working capital management practices, stakeholders can gain insights into RSP's operational efficiency and its potential for future growth.

**Need for the study**

The Rourkela Steel Plant (RSP), like any large steel producer, has a significant need for effective working capital management. Here's why studying this aspect is crucial:

Optimizing Cash Flow: Steel production involves a complex supply chain with raw materials, work-in-process inventory, and finished goods. Inefficient working capital management can tie up cash in excess inventory or slow-moving receivables. Studying working capital helps identify areas for improvement, ultimately improving cash flow.

Balancing Liquidity and Profitability : RSP needs to maintain enough current assets (inventory, receivables, cash) to cover its short-term liabilities (accounts payable, short-term loans). Too much working capital can reduce profitability, while too little can lead to liquidity problems and disrupt operations. Studying working capital helps find the right balance.

Industry Context : The steel industry is known for volatile raw material prices and fluctuations in demand. Effective working capital management can help RSP adapt to these changes and ensure smooth operations during challenging economic periods.

Improving Profitability: By optimizing inventory levels, managing credit terms for customers, and negotiating better payment terms with suppliers, RSP can free up cash and improve its overall profitability.

Publicly available information on RSP's working capital management might be limited. However, studying this aspect can provide valuable insights for internal stakeholders and potentially benchmark RSP's performance against industry best practices..

**Review of literature**

The efficient management of working capital is crucial for any company, and steel plants are no exception. Rourkela Steel Plant (RSP), a unit of Steel Authority of India Ltd. (SAIL), is a significant player in the Indian steel industry. Here's a look at what the literature reveals about working capital management at RSP:

Focus on Working Capital Components :

Studies analyze the impact of managing current assets (inventory, receivables, cash) and current liabilities (payables) on RSP's profitability .

Research might explore how efficiently RSP manages its operating cycle (time taken to convert raw materials into cash) to minimize working capital requirements .

Financial Ratio Analysis :

Literature might discuss the use of ratios like the current ratio and quick ratio to assess RSP's liquidity and ability to meet short-term obligations using current assets .

Analysis of inventory turnover ratio and receivable turnover ratio could be present to understand how effectively RSP manages its stock and collections from customers .

Specific Recommendations:

Research papers might propose strategies for RSP to optimize inventory levels, improve ollection practices, and negotiate better payment terms with suppliers to reduce working capital needs .

The adoption of Just-in-Time (JIT) inventory management techniques for smoother production flow and reduced inventory holding could be explored .

Data and Source Limitations :

It's important to consider that publicly available financial data for SAIL might not provide a detailed breakdown specific to RSP's working capital management practices.

Research might rely on case studies or reports from within SAIL to provide a more in-depth analysis [.

Further Research Areas:

The impact of recent market fluctuations in the steel industry on RSP's working capital requirements could be an interesting area for investigation.

Studies could explore how RSP utilizes different financing options (short-term loans, working capital lines) to manage its working capital needs.

Overall, a review of the literature suggests that working capital management is a critical aspect for Rourkela Steel Plant. Researchers have analyzed various aspects like ratio analysis, component management, and potential improvement strategies.

For further research, consider these keywords :

* Working capital management in steel industry
* Steel Authority of India Ltd. (SAIL) working capital management
* Rourkela Steel Plant financial performance
* Inventory management in steel plants

Remember, while the information above provides a starting point, finding specific and recent research on Rourkela Steel Plant's working capital management practices might require a more comprehensive search using scholarly databases and industry reports.

# Research methodology

1. Data Collection :

Financial Statements : You'll need several years of Rourkela Steel Plant's financial statements, including balance sheets and income statements. This data can potentially be found in SAIL's annual reports or financial filings [https://www.sail.co.in/en/investors-relation/annual-reports](https://www.sail.co.in/en/investors-relation/annual-reports).

Industry Reports : Industry reports on the steel sector in India might provide benchmarks for working capital management ratios. You can search for these reports from industry associations or research firms.

Internal Data (if available) : If possible, try to obtain internal data from Rourkela Steel Plant that details their working capital policies, inventory management practices, and accounts receivable/payable cycles.

2. Data Analysis Techniques:

Ratio Analysis: Calculate key working capital ratios like current ratio, quick ratio, inventory turnover ratio, and receivable turnover ratio. Analyze trends in these ratios over time to assess the efficiency of working capital management.

Cash Flow Analysis : Analyze the plant's cash flow statement to understand the inflows and outflows of cash related to working capital activities.

Trend Analysis : Identify trends in working capital components (inventory, receivables, payables) over time.

Benchmarking: Compare Rourkela Steel Plant's working capital ratios with industry benchmarks or those of its competitors.

3. Tools and Techniques:

Spreadsheets : Use spreadsheets like Excel to organize financial data, calculate ratios, and perform trend analysis.

Statistical Software : Consider using statistical software like R or Python for more advanced analysis, such as regression analysis to identify factors affecting working capital requirements.

4. Additional Considerations :

Identify Specific Areas of Focus : Focus your research on specific aspects of working capital management at Rourkela Steel Plant. For example, you might investigate inventory management practices or explore strategies to improve their collection of accounts receivables.

Case Studies : Research case studies of successful working capital management practices in the steel industry. This can provide valuable insights for Rourkela Steel Plant.

Interviews (if possible) : If feasible, conduct interviews with Rourkela Steel Plant's finance or operations personnel to gain a deeper understanding of their working capital management practices and challenges.

**Conclusion**

RSP has not only addressed itself to the country’s need for self sufficiency in Steel, but has also given the country, the technology edge in producing strategic material. Besides being the leader in the domestic primary steel market excluding the semi-finished products ,RSP has also earned a good name in the domestic market in manufacture of crude steel . With its consistent track record in capacity utilization, technology absorption, quality assurance export performance, servicing of loans, internal source generation and posting of profits, RSP has chartered a course of confidence among its stake holders .RSP is a well known public sector unit in the Steel sector in India. It shows well managed company achieves the mission of the company and gives much more profit. Just as circulation

of blood is essential in human body for maintaining life like that working capital is also an important aspect and can be a main contributor to a company’s profit if managed efficiently.50

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