



A Study on Working Capital Analysis of Selected Bearing Companies

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ABSTRACT

Bearing Industry is likely to witness good times ahead riding on auto sector boom, economic revival and export growth. Valuations of bearing companies have not seen the kind of run up seen by Auto Ancillary peer group due to concerns over industry demand-supply dynamics and huge presence of unorganized sector. However we expect the leading players in the bearing industry to report a better performance over the next two years, as demand growth in key user industries is expected to rise sharply.

KEYWORDS: Bearing Industry; Working Capital; Working Capital Trend

Introduction

Bearing Industry in India can be divided into three segments – the organized sector, unorganized sector and importers.

The Indian bearing industry is estimated at Rs30 bn. The Industry has established a highly diversified product range of around 1000 types of bearings, having high volume demand. The domestic industry caters to almost 70% of total demand for common varieties and sizes of bearings. The remaining demand to the tune of 30% is being imported, essentially for industrial applications and special purpose.

The automobile industry is the largest user segment for Indian bearing market accounting for almost 45% of total demand. The engineering sector is the second largest user segment for Indian bearing market accounting for 28% of bearing sales.

Working Capital Management

Working capital is the net of current assets minus current liabilities. The aim of working capital management is to achieve balance between having sufficient working capital to ensure that the business is liquid but not too much that the level of working capital reduced profitability. Working capital management is essential for the long –term success of a business. No business can survive if it cannot meet its day-to-term obligations. A business must therefore have clear policies for the management of each component of working capital.

Definition

“Working capital is an excess of current assets over current liability. In other words, the amount of current assets which is more than current liability is known as working capital. If current liabilities are nil then, working capital will equal to current assets. Working capital shows strength of business in short period of time. If a company have some amount in the form of working capital, it means company have liquid assets, with this money company can face every crises position in marketing.”

Research Methodology

The study is mainly based on secondary data. The relevant information in this regard is collected from various sources like annual reports of Research units, speeches of chairman & websites. The reference books have been referred from libraries. Thus, various sources have used to collect the relevant data. The data has been collected from the annual report of selected sample unit for this research are **Rahil Industries; Delta Bearing Pvt. Ltd; Rolex Bearing Pvt. Ltd; Menon Bearing Limited; ABC Bearing Limited for the research year 2007-08 to 2011-12 to find out the better working capital management of Bearing Industries.**

Working Capital Trend Analysis

The working capital trend analysis represents a picture of variation in current assets, current liabilities & working capital over a period of time. Such an analysis enables us to study the upward & downward trend in current assets & current liability and its effect on the working capital position. The trend analysis is a tool of financial analysis where the changes in the factor are compared with the base year, keeping the

base year as 100.

- 1) Current Assets Trend Analysis
- 2) Current Liability Trend Analysis
- 3) Net Working Capital Trend Analysis

Table : 1 Current Assets Trend Analysis in percentage :

Particular	2007-08	2008-09	2009-10	2010-11	2011-12	Average
Rahil Industries	100	86.23	161.27	202.23	191.15	148.17
Delta Bearing Pvt. Ltd.	100	256.79	247.64	294.19	327.69	245.26
Menon Bearing Ltd.	100	95.09	96.42	107.11	123.06	104.33
ABC Bearing Limited	100	148.54	197.48	254.83	192.64	198.69
Rolex Bearing Pvt. Ltd	100	85.51	175.6	200.33	224.88	157.26

As per the table of Current Asset trend analysis trend of Rahil Industries show fluctuation during the research period which decreases to 86.23% in the year 2008-09 and increases to 202.23% once again up to 2010-11 and thereafter it reduces to 191.15% Likewise Trend of Menon Bearing decreases to 95.09% in 2008-09 and 96.42 % in 2009-10 thereafter once again it increases to 123.06% Rolex bearing showing decreases to 85.51% in the year 2008-09 thereafter it shows constant increase throughout research period while Delta Bearing Pvt. Ltd. and Abc bearing pvt. Ltd. showing constant increases throughout the research period.

Table : 2 Current Liability Trend Analysis in percentage :

Particular	2007-08	2008-09	2009-10	2010-11	2011-12	Average
Rahil Industries	100	127.45	188.03	235.8	216.16	173.48
Delta Bearing Pvt. Ltd.	100	186.51	182.32	214.61	196.36	175.96
Menon Bearing Ltd.	100	105.99	115.24	123.03	139.52	116.75
ABC Bearing Limited	100	217.04	160.09	212.5	258.81	189.68
Rolex Bearing Pvt. Ltd	100	108	181.97	235.32	254.94	176.04

Table of Current Liability trend Analysis shows constant increase of current liability of all the research unit throughout research period comparing with the first year of research period.

Table : 3 Net Working Capital Trend Analysis in percentage :

Particular	2007-08	2008-09	2009-10	2010-11	2011-12	Average
Rahil Industries	100	28	123.48	154.81	155.83	112.42
Delta Bearing Pvt. Ltd.	100	592.73	559.89	514.59	955.48	576.53

Menon Bearing Ltd.	100	85.94	80.62	93.73	109.25	93.9
ABC Bearing Limited	100	134.83	166.39	211.91	236.35	169.89
Rolex Bearing Pvt. Ltd	100	47.77	164.89	141.62	174.43	123.74

Table of Net Working Capital Trend Analysis shows decrease of net working capital of Rahil industries in the year 2008-09 to 28% and thereafter constant increase upto 155.83% in the year 2011-12 likewise trend of working capital of Menon bearing also showing decrease of working capital in the year 2008-09 to 85.94% and 80.62% in the year 2009-10 and 93.73% in the year 2010-11 which is increased once again in the year 2011-12 by 109.25% . Trend of working capital of Rolex bearing is also showing decrease in the year 2008-09 upto 47.77% and thereafter it increases up to 174.43% in the year 2011-12

Findings:

Working capital trend analysis of all the research unit are showing fluctuation during the research period.

Suggestions:

All the Research units have to focus on lower level management as well as they should have to extend their distribution channel to cover the maximum market with the help of sales promotions. As possible as maximum utilize the latest technology to reduce the cost of production and have to focus on overall current asset management.

Limitation

As Bearing industry is one of the lead industries for manufacturing concern including auto industries. There are various players who plays in Bearing Industry and as such it is difficult to get the resource data for all the concern throughout the country and hence only five research unit is taken for the purpose of this study as well as period of study is also limiting factor for this research study.

Conclusion

The demand for bearing industry is derived from demand in two key user segments – automobile and industrial sector growth. The automobile industry is the largest growth driver for OEM market as it accounts for almost 45% of total bearing market. Engineering sector, which accounts for 28% of total share, holds the second growth driver. Considering the high reliance of bearing industry on automobile sector, the fate of bearing industry is largely dependent on production of vehicles. The demand of bearing is also linked to heavy-duty industrial application in rolling stock, rolling mills, heavy earth moving equipments and other heavy machinery, accounting for 21% of total bearing market. However demand in the latter category is met through imports and therefore does not have significant impact on domestic growth.

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