



**“A study on working capital Management of ITC Ltd”.**

**Josheena Jose\***

**Assistant Professor, Christ College (Autonomous) Irinjalakuda**

**Athira V.M\*\***

**Student, M.Com, Christ College (Autonomous) Irinjalakuda**

**Abstract:**

Working capital is essential to maintain the smooth running of business. Every business concern is needed adequate working capital to run its business. Adequate working capital is maintained the solvency and creating the goodwill of the company. It creates the environment security, confidence, and high morale and overall efficiency of the business. Working capital management of a firm has a great effect in its profitability, liquidity and structural health of the organization .Proper management of working capital is essential for every business. This paper focuses on the study of working capital management of ITC Ltd and analyse its efficiency in performance.

**Key words:** *Working capital management of ITC Ltd. Performance Index (PI) Utilization Index (UI) Efficiency Index (EI) as product of PI and UI.*

**Part 1**

**1.1 Introduction**

Finance is the lifeblood and nerve center of a business. It is the crucial factor in the establishment and success of any concern. Every business needs funds for two purposes -for its establishment and to carry out its day to day operations. The most effective utilization of capital requires the establishment of sound and consistent management policies. Capital required for a concern can be classified in two, fixed capital and working capital. Fixed capital allows production capacity. Funds that are invested in current assets are known as working capital. Working capital refers to that part of the firm capital, which is required for financing short term or current assets such as cash, receivables and inventories. The need for working capital arises due to the time gap between production and realization of cash from sales.

Working capital management is concerned with management of current assets. One aspects of the working capital management is the tradeoff between profitability and risk. If the firm does not have adequate working capital, it may become illiquid and constantly may not have the ability to meet its current obligations. Current assets and current liabilities are adversely affected in the profitability. Ensure a tradeoff between profitability and liquidity is one of the major dimensions of working capital management. Adequate and appropriate working capital financing ensures that the firm has sufficient cash flows to pay its bills, as if a waits the full collection of revenue. Working capital is the light of any industry. Working capital should be optimum to run the business operation in most effective manner. The excess or shortage of working capital would be dangerous to any business. The excessive working capital can be result into reduce profits, unnecessary purchasing, accumulation of inventories, defective debtors, defective credit policy and lesser efficiency in organization. Inadequate working capital result in difficulty for the firm to exploit favorable market condition and it also leads to inefficiencies, increased cost, reduced profits etc. The availability of adequate working capital is must for every business. It is enhance the liquidity, solvency and credit worthiness of the concern. It is possible to meet the unseen contingencies and utilize the fixed assets. It also increases the profitability of the business. Here an attempt is made to analyse the efficiency in the working capital management of ITC Ltd.