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Title - **WORKING CAPITAL MANAGEMENT IN INDIAN TYRE INDUSTRY**

ABSTRACT

The management of Working Capital is one of the most important and challenging aspect of the overall financial management. Merely more effective and efficient management of working capital can ensure survival of a business enterprise. Working Capital Management is concerned with the problems that arise in attempting to manage the Current Assets, Current Liabilities and the interrelation that exists between them. This is a two-dimensional study which examines the policy and practices of cash management, evaluate the principles, procedures and techniques of Investment Management, Receivable and Payable Management deals with analyzing the trend of working capital management and also to suggest an audit program to facilitate proper working capital management in Indian Tyre Industry. The study covers a period of 8 years viz, 1999-2007. For the purpose of investigation both primary and secondary data is used. The collected data is analyzed by applying research tool which include accounting tools like Analysis, Cash Flow Analysis, Common Size and Trend Analysis. They reveal that the selected corporate have been following either an aggressive or a conservative approach in managing working capital. There is a stand-off between liquidity and profitability and these two don't go hand in hand as in case of MRF where liquidity levels are high as compared to the industry but profitability levels do not rise up-to the expectations even though MRF has the largest market share. The selected corporate has been achieving a trade-off between risk and return. Efficient management of working Capital and its components have a direct effect on the profitability levels of tyre industry. Although faced with up and down swings, CEAT has the best managed Inventory system. Apollo follows an aggressive approach and has the most efficient methods of managing receivables and payables (receiving money from debtors in the shortest time and enjoying maximum credit). But MRF follows a more human approach of receiving money payments within reasonable time, thus maintaining good and healthy relationship with dealers and suppliers. MRF has also the most sensible way of handling cash and therefore it has enough reserves to meet any kind of working capital requirements. The Indian Tyre Industry has to deal with the problem of shortage of crude which affects the pricing and profitability of the industry and therefore should look for alternatives which are not rubber based. It also has to face a big challenge of tyre imports from China at economical prices. This is because China is able to get hold of natural rubber from the world market at very competitive price because of large quantities and the aid given by the Chinese government in terms of free power, loans at minimal interest rates to all those companies who are manufacturing tyres for the purpose of export.

Key Words: Working Capital Management, Cash Management, Inventory Management, Receivables and Payables Management, Indian Tyre Industry.