

# Working Capital Analysis of Bajaj Auto Limited

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**Abstract-** With the progressive liberalization of the automobile industry more and more players have been set up production facilities in India. They are currently producing 15 multipurpose cars, 9 commercial vehicles, 14 two / three wheels, and 14 tractors. The industry has an investment of more than Rs.50,000 million. The industry also offers significant employment opportunities. It currently provides 4.5 billion direct labors and also it offers indirect labor. The automobile industry's contribution to GDP increased from 2.77% in 1992-1993 to 4.7% in 2002-2003. Right now it's contributing 7.1% to GDP. The Bajaj Auto factory sells motorcycles, scooters and auto rickshaws. Bajaj Auto is a member of the Bajaj Group. It was founded by Jammalal Bajaj in Rajasthan in the 1940s and is based in Pune, Mumbai, with plants in Chakan (Pune), Waluj (near Aurangabad) and Pantnagar in Uttarakhand. The company also plays a crucial role in contribution to GDP.

**Key words:** Bajaj, Automobile, working capital

## INTRODUCTION

The automotive industry began in the 1860s with hundreds of manufacturers that pioneered the horseless carriage. For many decades, the United States led the world in total automobile production. In 1929, before Great Depression, the world had 32,028,500 automobiles in use, and the U.S. automobile industry produced over 90% of them. At that time, the U.S. had one car per 4.87 persons. After 1945, the U.S. produced about 75 percent of world's auto production. In 1980, the U.S. was overtaken by Japan and then became a world leader again in 1994. In 2006, Japan narrowly passed the U.S. in production and held this rank until 2009, when China took the top spot with 13.8 million units. With 19.3 million units manufactured in 2012, China almost doubled the U.S. production of 10.3 million units, while Japan was in third place with 9.9 million units. From 1970 (140 models) over 1998 (260 models) to 2012 (684

models), the number of automobile models in the U.S. has grown exponentially. The automobile company was originated in Europe in the late 19th century, the United States dominated the world industry entirely in the first half of the 20th century with the invention of mass production techniques. During the second half of the century, the situation changed noticeably, as the countries of Western Europe and Japan became major producers and exporters.

## BAJAJ AUTO LTD

Bajaj Auto Limited is one of the main trading companies and the flagship of the company, Bajaj Auto is ranked as the world's fifth-largest manufacturer of three and two-wheel vehicles. The Bajaj brand is known in many countries of Latin America, Africa, the Middle East, South and South East Asia. Their flagship company produces Chetak scooters which were the top seller in the Indian market. The company even made the bikes like pulsar and now they are still working on it. At present, Bajaj has activities in 50 countries in creating a bicycle line tailored to the preferences of the original buyers. Near Bajaj Auto exported 35 per cent of its total sales and 47 per cent of its exports to Africa. The Boxer Motorcycle is the best trading name in Africa. Bajaj Scooter built with Vespa license. Bajaj Auto began operations on 29 November 1944 M/s Bachraj Trading Corporation Private Limited. They started selling two and three wheeled vehicles imported to India. In 1959, the company licensed by the Indian government to build two and three motorcycles and was licensed by Piaggio to manufacture Vespa Brand Scooters in India. In 1970, it rolled out its 100,000th vehicle. In 1977, it sold 100,000 vehicles in a financial year. In 1985, it started producing at Waluj near Aurangabad. In 1986, he sold 500,000 vehicles in one financial year. In 1995, released the tenth produced millions of cars and sold one million vehicles a year.

With the launch of motorcycles in 1986, the company changed the scooter manufacturer's image for a two-wheel manufacturer. In 2017 it was announced that Bajaj Auto and Triumph Motorcycles Ltd will form an alliance to build medium-sized motorcycles.

#### STATEMENT OF THE PROBLEM

- What is the background of Bajaj Auto Limited?
- Do the working capital of the company is satisfactory?

#### OBJECTIVES OF THE STUDY

Though the primary objective of the study is to analyze the working capital of the Bajaj Auto Limited

- To bring out an overview Bajaj Auto Limited.
- To examine the working capital position of the company.

#### PERIOD OF THE STUDY

This study is based solely on secondary data. The study covers a period of 10 years from 2011-12 to 2020-2021

#### REVIEW OF LITERATURE

Panigrahi (1990)<sup>1</sup> discussed the objectives of the working capital analysis and its impact on profitability. The study reveals that the liquidity position is not satisfactory. The impact of working capital indicators on profitability has had a negative and positive impact on profitability in the transport sector.

Vijayakumar and Venkatachalam (1995)<sup>2</sup> discussed working capital and profitability: an empirical analysis for the purpose of the study on the impact of working capital on the profitability of the Tamil Nadu sugar industry by selecting a sample of 13 companies. 6 cooperative companies and 7 private companies for the period 1982-83 to 1991-92. For the purpose of the

analysis, they applied simple correlation and multiple regression analysis to working capital and profitability indicators. Also, through correlation and regression analysis, it was concluded that the liquidity ratio, turnover ratio, credit turnover ratio and cash changeover report affected the profitability of the Tamil Nadu sugar industry.

#### TOOLS FOR DATA ANALYSIS

Simple Growth Rate (SGR)

To calculate the average growth rate of the company simple growth rates is used.

$$SGR = (X_2 - X_1) / X_1$$

Where,

SGR = Simple Growth Rate

X<sub>1</sub> = Previous Year

X<sub>2</sub> = Current Year

Working capital

Working capital is a vital element of the day-to-day business of companies, regardless of the size of the company. Working capital is the short-term obligation but, if not treated properly, affects the profitability of the company. The optimal use of working capital and investment in current assets are one of the most important parts of a company's financial management. Excessive working capital endangers the profitability of company and inadequate working capital affects the company's solvency due to its inability to meet its current obligations. Therefore, the company has to keep its working capital at an optimal level. Net working capital shows the liquidity position of companies. It also proposes that the extent to which the necessary working capital can be financed through a permanent source of funds. It is a conventional rule that current assets must be twice the current liabilities of a company. Some important determinants of working capital are the nature and size of the business, market conditions and demand.

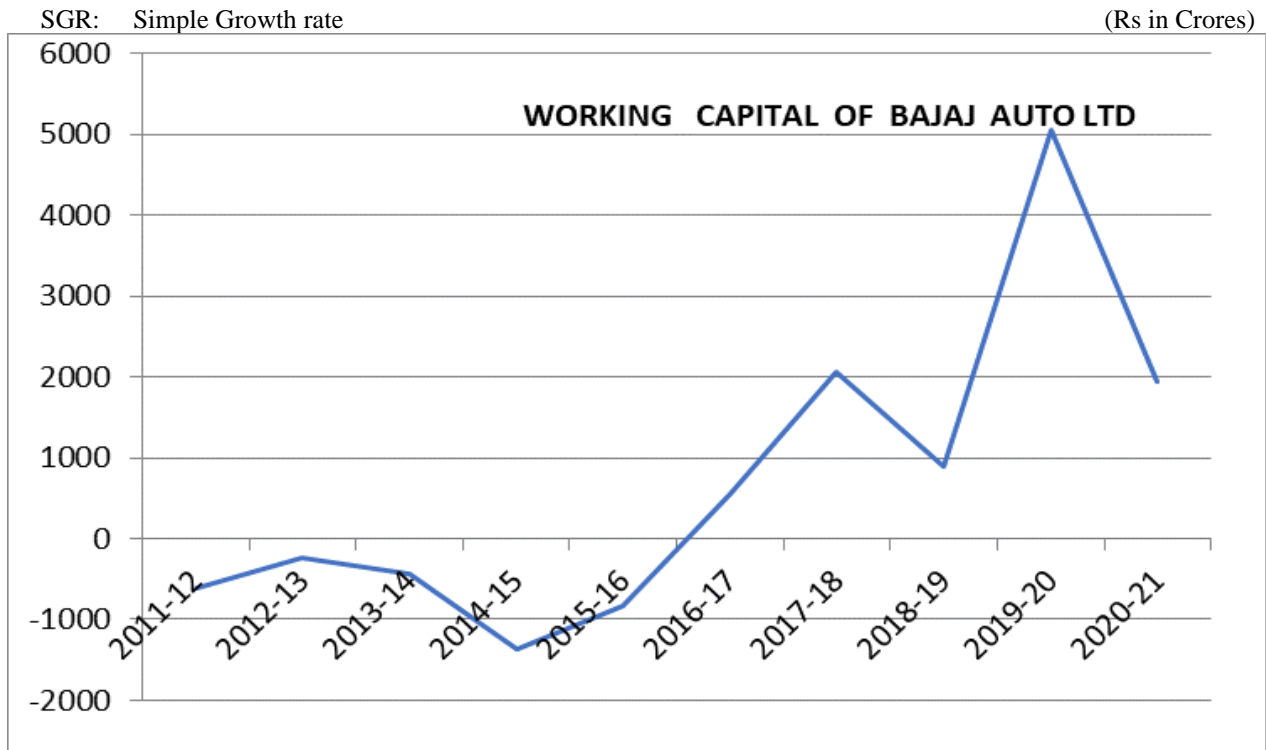
<sup>1</sup> Panigrahi, J. (1990), "Working Capital Management of Large Indian Companies", The Management Accountant, October, pp. 653-656.

<sup>2</sup> Vijayakumar, A., and Venkatachalam, A. (1995). "Working Capital and Profitability - An Empirical Analysis", The Management Accountant, Vol.15, No.3, pp. 748-750.

Networking Capital = Current Asset – Current Liabilities

Year	Inventories	SGR	Sundry Debtors	SGR	Cash and Bank	SGR	Loans and Advances	SGR	Total Current Assets	SGR	Total Current Liabilities	SGR	Net Working Capital	SGR
2011-12	309.7		529.83		83.48		2814.92		3737.93		4355.22		-617.29	
2012-13	349.61	11%	275.31	-92%	56.07	-49%	968.72	-191%	1649.71	-127%	1877.29	-132%	-227.58	-171%
2013-14	338.84	-3%	358.65	23%	136.87	59%	1406.49	31%	2240.85	26%	2686.06	30%	-445.21	49%
2014-15	446.21	24%	272.84	-31%	101.41	-35%	2101.17	33%	2921.63	23%	4287.95	37%	-1366.32	67%
2015-16	547.28	18%	359.89	24%	228.78	56%	992.09	-112%	3031.15	4%	3855.47	-11%	-824.32	-66%
2016-17	678.53	19%	422.79	15%	1653.83	86%	1042.81	5%	5190.15	42%	4625.16	17%	564.99	246%
2017-18	636.28	-7%	767.58	45%	558.86	-196%	1311.72	21%	6198.08	16%	4133.63	-12%	2064.45	73%
2018-19	639.72	1%	796.21	4%	495.48	-13%	978.45	-34%	5616.63	-10%	4730.24	13%	886.39	-133%
2019-20	814.15	21%	716.96	-11%	586.15	15%	1261.61	22%	9526.27	41%	4476.79	-6%	5049.48	82%
2020-21	719.07	-13%	717.93	0%	859.52	32%	1319.94	4%	4725.25	-102%	2780.99	-61%	1944.26	-160%

GROWTH OF WORKING CAPITAL COMPONENTS: BAJAJ AUTO



FINDINGS

- ❖ The working capital of Bajaj Auto Ltd is highly variable from the year 2016-17. There is a sharp decline in working capital in the year 2019-2020.
- ❖ The SGR of Net working capital of Bajaj Auto shows highest value of 82% during the year 2019-20, however it shows highest fluctuations of working capital during the study period

SUGGESTION

The downward position in working capital may be reduced by adopting proper and consistent working capital management policy by the company.

CONCLUSION

The automobile industry is one of the key players in the Indian economic development. It has the world top most ranking of manufacturing sector and emerge as

the largest segment. The industry contributes greater to the GDP of our nation. It is concluded, in the aspects of working capital performance of Bajaj Motors shows positive growth though it has greatest fluctuations in the initial stage.

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