

Better Profits Through better working capital management

By

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Abstract:

This paper has genesis in the suggestion made by the author to AMR research a leading firm analyzing top 25 supply chains amongst the leading companies of the world.. AMR research has published a paper in their website analyzing the top 25 companies in industrial supply chains and the author has suggested to adopt this methodology for analyzing the top 25 supply chains.This paper applies the same concept to leading Indian companies and sees how working capital can be better managed amongst these leading firms The author advocates that there two streams of working capital management which in a company should have correlation ship between these two streams..Another aspect is how to estimate the working capital required to manage a company once its projected balance sheet and P&L account is ready.This theoretical working capital is used to estimate the efficiency at which the companies can be better managed. Another aspect presented is how to breakup inventory turns into its constituents such as raw materials, WiP aqnd finished goods and then determine which one is the bottleneck to improve further and accordingly take steps further by the company.