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DEBTORS MANAGEMENT: A SPOTLIGHT ON INDIAN CEMENT

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Abstract
A debtor is an entity that owes a debt to another entity. The entity may be an individual, a firm, a government, a company or other legal person. The counter party is called creditor. When the counterpart of this debt arrangement is a bank, the debtor is more often referred to as a borrower.

Lack of capital is another impediment to businesses in their early stages. Results of the study indicated a significant proportion of the respondents, this as a major problem. Poor record keeping as also a cause for start up business failure. In most cases, this is not only due to the low priority attached by new and fresh entrepreneurs, but also a lack of the basic business management and skills.

Most business people, therefore, end up losing track of their daily transactions and cannot account for their expenses and their profits at the end of the month. It was concluded that there is a weak positive relationship between debtor management and organizational performance which implies that the more effective debtor management, the better organizational performance.

It is recommended that firms should ensure that there is effective management in coordination of its activities, owners of firms should access loans to resolve lack of capital problem which is another impediment to businesses in their early stages, there should be poor record keeping as also a cause for startup business failure, owners of firms should have a control system or process for managing debtors.

Key words: Debtors, Creditors in banking sector,.Debtors Management: A spotlight on Indian Cement.

Introduction

Meaning of Debtor management

Debtor management means the process of decisions relating to the business debtors. The term ‘debtor’ is used to define as ‘debt owed to the firm by customers rising from sale of goods or service in the ordinary course of businesses. Debtors/Receivables, as asset, represent amounts owed to the firm by customer from sale of goods or services.

A firm grants trade credit to maintain its sales from the hands of the competitors and, at the same time, to attract the potential customers to purchase its products at favorable terms. Trade credit arises only when the firm sells its product to the customers but does not receive immediate cash, i.e., at the time of credit sales. Receivables/Debtors are created out of trade credit and which are collected in the near future.

In credit selling, it is certain that we have to pay the cost of getting money from debtors and to take some risk of loss due to bad. To minimize the loss due to not receiving money from debtors is the main aim of debtor management.

Debtors are people or businesses who owe you money. Proper management of your debtors will help you get paid faster and prevent bad debts. Prompt collection of debtors' accounts will also help you maintain a healthy cash flow.

Giving your customer an invoice or bill after they have supplied a product or service is a way of offering credit,

since you have to wait for the payment. By giving your customers time to pay for goods or services already delivered, you are making it easier for them to make purchases. This will increase sales, but will reduce the cash flow critical to your business.

Managing debtors is often referred to as credit management, and includes:

1. Collecting debts on time
2. Setting credit limits and payment terms
3. Making credit applications and credit checks
4. Enforcing a clear credit policy
5. Considering debtor finance.

Literature Review

Company can sell the goods on credit or Cash sale is inflow of cash and it is controlled under. But credit sale creates sundry. Company has to receive money from them. If company starts to sell one of cash, then it decreases the level of company's sale and profitability. On the other side, if company promotes credit sale, it can increase the risk of. So, it is required to control and to manage debtors.

Main elements or dimensions of Debtors management

Credit policy effects debtor management because it guides management about how to control debtors and how to make balance between liberal and strict credit. If company does not restrict to sell the products on credit after a given limit of sale. This liberated credit policy will increase the amount of sale and profitability. But risk will also increase with increasing of sale. If we sell the good to those debtors whose capability to pay is not good, then it is possible that some amount will become bad debts. Company can increase the time limit for paying by such debtors. On the other hand, if company's credit policy is strict, then it will increase liquidity and security, but decrease the profitability. So, finance manager should make credit policy at **optimum level** where **profitability** and **liquidity** will be equal. We can show it graphically

Sub part of credit policy

(a) Length of Credit period

Length of credit period is also an element that affects decisions of finance manager relating to manage debtors. It is the time which allows to debtor to pay his debt for purchasing goods on credit from vendor. Finance manager can increase the length of credit period according to reputation of customers.

Objectives of the Study

- To understand the credit policies of India Cement Limited.
- To analyze the debtors turnover ratios and analyze collection period of Indian cement and bring out the suggestions accordingly.

Research Methodology

The data used for analysis and interpretation from annual reports of the company.
That is secondary forms of data. DDR, ACP, debit ratios and Increase in credit period analysis are the Techniques used for calculation purpose.

Primary data: Primary data is collected from the Execute of the organization.
Secondary data: Secondary data obtained from the annual reports, books, magazines and websites.

Sample collection

- In order to meet the objectives of the study ten sample companies of the cement industry were selected on the basis of companies which recorded higher turnover of sales (more than 1000 crores) during the year 2018.
- The sample companies include ACC Ltd., Ambuja Cements Ltd., Birla Corporation Ltd., Century Textiles & Inds. Ltd., Dalmia Cement (Bharat Ltd., Grasim Industries Ltd., Indian Cement Ltd., Madras Cement Ltd., Prism Cement Ltd., and sheer Cement Ltd.

Data Analysis

Calculation of DTR

This measures a relationship between debtor's and sales.

$$DTR(Crs) = \frac{\text{credit sales (or) sales}}{\text{Debtors}}$$

Calculation for: 2016:-

$$DTR = \frac{22936.17}{1203.19} = 19.06$$

Calculation for: 2015:-

$$DTR = \frac{20279.80}{1281.02} = 15.83$$

Calculation for: 2014:-

$$DTR = \frac{20174.94}{1017.24} = 19.83$$

Calculation for: 2013:-

$$DTR = \frac{18270.69}{765.96} = 23.85$$

Calculation for: 2012:-

$$DTR = \frac{13205.64}{602.29} = 21.92$$

DTR from 2012 to 2016 are :-

Year	DTR
2012	21.92
2013	23.85
2014	19.83
2015	15.83
2016	19.06

Suggestions and findings

1. The **Keosram cements limited** net capital is satisfactory between the years 2014-18 since it shows decreasing trend; but after that it is in declining position.
2. Debtor's turnover ratio increasing every year from 2014 to 2018.
3. Average collection period decreasing every year from 2014 to 2018.
4. It is suggested to management to offer more incentives for prompt payment of credit. So that receivables are paid promptly by dealers.
5. In management can be little bit liberal in credit policies so that more profits are achieved.
6. Relaxing credit standards will enable to increases the customers.

Conclusion

1. Although a relatively young discipline, credit risk management has matured rapidly.
2. Improved risk measurement and reporting techniques paired with comprehensive credit risk policies can provide extremely effective protection against credit risk losses.
3. The best risk management techniques are operational and legal, with collateral providing the best financial risk mitigation.
4. Credit insurance and credit default swaps offer financial protection against default, but each at its own cost—which must be compared to the benefits of reducing the specific risk it is intended to mitigate.

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