

A Study on Working Capital Management in Anantha PVC Pipes, Anathapuram

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Abstract

Working capital management is a crucial aspect of financial management that deals with the planning and control of short-term assets and liabilities to ensure smooth daily operations and financial stability. This study focuses on the working capital management practices at Anantha PVC Pipes Pvt Ltd, a PVC pipe manufacturing firm located in Hampapuramu village, Raptadu mandal in Anantapur district, Andhra Pradesh. The company's working capital comprises current assets such as cash, inventory, receivables, and current liabilities like payables, which are essential for its production and sales activities. The research analyses the changes in working capital over a defined period, evaluates the liquidity position of the firm through ratios such as current and quick ratios, and examines operational efficiency via working capital turnover. The findings indicate fluctuations in working capital components and turnover ratios over the study period, reflecting variations in how efficiently assets are managed. While liquidity remains generally satisfactory, the study suggests improvements in inventory and receivables management to enhance overall working capital efficiency. Effective management of working capital is shown to be important for maintaining adequate cash flow, meeting short-term obligations, and supporting the company's profitability and operational continuity.

Keywords: working capital, liquidity, profitability, current ratio, inventory turnover ratio.

INTRODUCTION :

Any firm, from time to time, employs its short-term assets as well as short-term financing sources to carry out its day-to-day business. It is this management of such assets as well as liabilities which is described as working capital management. Working capital management is a quintessential part of financial management as a subject. It can also be compared with long-term decision-making the process as both of the domain's deal with the analysis of risk and profitability.

Definition of Working Capital

R.P. Rustagi : R.P. Rustagi explains working capital management as the process of regulating investment in current assets and arranging short-term financing to maintain financial stability.

Dr. S. Gurusamy : Dr. S. Gurusamy describes working capital management as the strategic control of cash, receivables, inventory, and payables to maintain adequate liquidity in an organization.

REVIEW OF LITERATURE

Kanaiyalal Shantilal Parmar(2024) Their research addresses the role of technology and automation in improving working capital management in the cement sector. The study finds that adopting digital tools for inventory tracking and receivables management significantly improves operational efficiency.

Haritha Kumari. Andalavari, & Dr. P. Basaiah (2020) in their study found that there is a significant difference between current liabilities and current assets. They also suggested to improve the inventory level and recommended the company to increase the cash components.

Vibhav Pratap,(2021) The researcher conducted a study on "Working Capital Management on Mahindra and Mahindra Private Limited". The main objective of the study is to analyze whether the companies are viable in the long run through

ratio analysis and statement of changes in working capital. He concluded that the overall working stability-soundness of the company has improved over the years.

COMPANY PROFILE:

Anantha PVC Pipes Pvt. Ltd. was incorporated on 23 March 2006 as a Private Limited Company and is classified as a Medium Enterprise under the MSME category. The company's Corporate Identification Number (CIN) is U25209TG2006PTC049592. Its registered office is located in Hyderabad, Telangana, while its manufacturing plant operates from Anantapur, Andhra Pradesh. The company is engaged in the production and supply of PVC pipes and related products, catering to various sectors such as agriculture, irrigation, plumbing, and construction.

Leadership & Governance

Key Directors:

- Aravinda Rani Vemuri
- Sajjala Siddharth Reddy
- Sujala Sannapu Reddy

Experienced management in PVC manufacturing and trading

INDUSTRY PROFILE:

The pipes industry in India comprises a mix of large organized manufacturers and regional players that produce a wide range of piping solutions—plastic (PVC, CPVC, uPVC, HDPE), metal, and other engineered pipes—used in agriculture, water supply, plumbing, drainage, industrial and infrastructure projects. In the plastic pipes segment, major players include Supreme Industries Ltd, which operates multiple plants and has a significant PVC/uPVC/CPVC production capacity across the country; Finolex Industries Ltd, known for one of the largest PVC pipe capacities (around 370,000 tons per annum) and extensive distribution; Astral Ltd, which has rapidly grown its CPVC and uPVC offerings; Prince Pipes and Fittings Pvt. Ltd. and Jain Irrigation Systems Ltd, which both have substantial installed capacities and broad product portfolios in PVC and HDPE pipes. Other notable players include Ashirvad Pipes Pvt Ltd and Apollo Pipes. In the metal and steel pipes segment, large industrial groups such as Tata Steel Ltd and companies like Welspun Group are expanding capacity to meet demand for water, gas, and oil-and-gas pipelines. The organized segment continues to grow as infrastructure expansion, government water and sanitation programmers, and agricultural irrigation requirements drive increased demand for high-quality, branded pipe products across India.

NEED FOR THE STUDY

Working capital is “life blood “of business proper management is necessary for reaching short-term as well as long term goals of the organization. Working capital management determines success or failure of the company. If the company maintains sufficient working capital that may leads to success of the organization. It has influence on profits of the company either directly or indirectly.

SCOPE OF THE STUDY

The scope of the study is to give a picture about the financial position of Anantha PVC Pipes Pvt. Ltd , to identify the shortcomings and suggest the measure to overcome the problem if any.

The present study is concerned with the analysis of financial statements with the help of a powerful tool like ratio analysis. It covers various ratios like liquidity ratios, activity ratios, leverage ratios, profitability ratios

RESEARCH METHODOLOGY

SECONDARY DATA: The study is based on secondary data. It was collected from the company annual reports, websites and journals.

TOOLS & TECHNIQUES

- Statement showing changes in working capital
- Liquidity ratios

- Turn over ratios
- Tables & Bar diagrams

LIMITATIONS

- The study of the project was confined to Anantha Pvc Pipes Pvt Ltd, Anantapur.
- The data collected for analysis is related to five years financial statements only.
- Collection of data is a limiting factor because of the confidentiality.
- Time was a major constraint in completion of this study.

DATA ANALYSIS AND INTERPRETATION:

Statement showing changes in working capital is prepared to show the changes in the working capital between two balance sheet dates. This statement is prepared with the help of current assets and current liabilities taken from the two balance sheets.

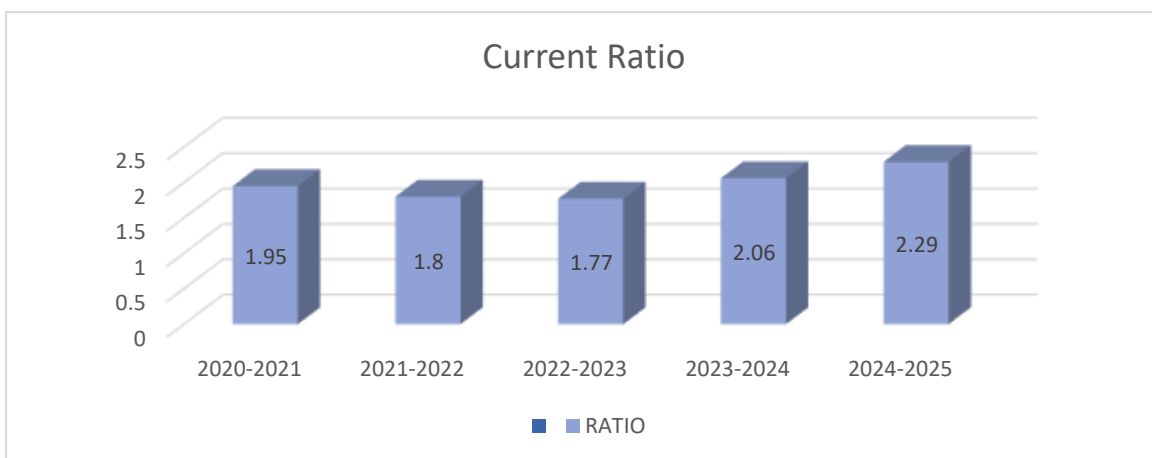
WORKING CAPITAL=CURRENT ASSETS CURRENT LIABILITIES

CURRENT RATIO:

The current ratio compares all of a enterprise's presentday assets to its current liabilities. These are usually described as property which might be coins or will be turned into cash in a year or less and liabilities in order to be paid in a year or less.

$$\text{Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2020-2021	9840.20	5052.57	1.95
2021-2022	14520.79	8090.45	1.80
2022-2023	16251.34	9202.11	1.77
2023-2024	20955.15	10188.34	2.06
2024-2025	21327.32	9319.38	2.29



INTERPRETATION:

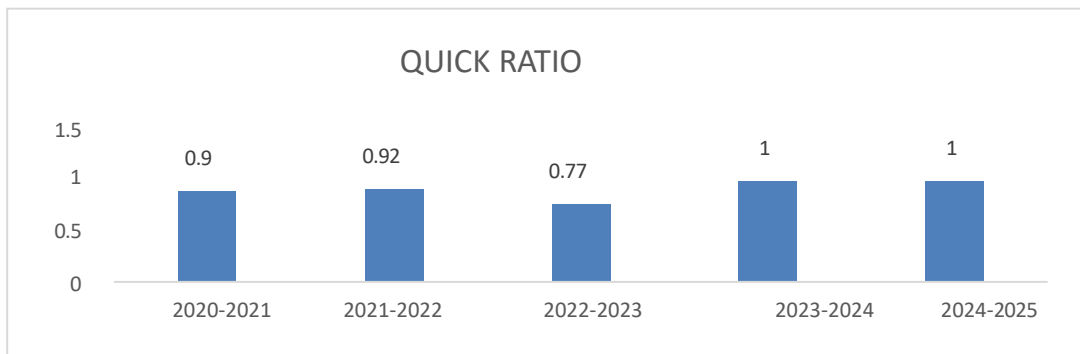
The company experienced a slight decline in liquidity during the middle years, followed by a strong improvement in the last two years. Overall, it maintains a good and stable liquidity position, with a possibility of excess idle current assets in recent years.

QUICK RATIO:

The Quick Ratio, also referred to as the Acid-test ratio or Liquidity ratio, measures the capacity of an enterprise to pay its quick-term liabilities with the aid of having property that are effortlessly convertible into cash. These properties are, particularly, cash, marketable securities, and bills receivable

$$\text{QUICK RATIO} = \frac{\text{CURRENT ASSETS} - \text{INVENTORIES}}{\text{CURRENT LIABILITIES}}$$

YEAR	CURRENT ASSETS	INVENTORY	QUICK ASSETS	CURRENT LIABILITIES	RATIO
2020-2021	9840.20	5294.05	4545.15	5052.57	0.90
2021-2022	14520.79	7075.18	7445.61	8090.45	0.92
2022-2023	16251.34	9194.05	7057.26	9202.11	0.77
2023-2024	20955.15	10636.86	10318.29	10188.34	1.00
2024-2025	21327.32	12092.91	9234.41	9319.38	1.00



INTERPRETATION

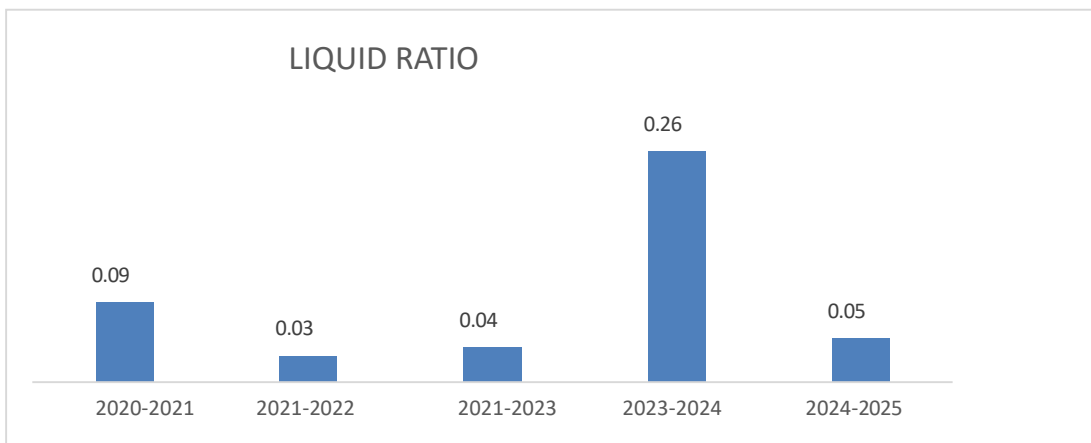
The company faced liquidity pressure during 2020–21 to 2022–23, especially in 2022–23. However, the improvement in 2023–24 and 2024–25 shows better management of receivables, cash, and other quick assets. Overall, the liquidity position has stabilized in the last two years.

ABSOLUTE LIQUID RATIO:

It is suggested that it would be useful, for the management if the liquidity measure also takes into account reserve borrowing power as the firm’s real debt paying ability depends not only on cash resources available with it but also on its capacity on its capacity on borrow from the market at short notice.

$$\text{Absolute Liquid Ratio} = \frac{\text{Absolute Liquid Asset}}{\text{Current liabilities}}$$

YEAR	CASH	CURRENT LIABILITIES	LIQUID RATIO
2020-2021	447.49	5052.57	0.09
2021-2022	247.72	8090.45	0.03
2022-2023	350.67	9202.11	0.04
2023-2024	2650.37	10188.34	0.26
2024-2025	420.10	9319.38	0.05



INTERPRETATION:

Throughout the study period, the company maintained a low absolute liquid ratio, which indicates weak immediate liquidity. Although there was improvement in 2023–24, the company generally depends on receivables and inventory rather than cash to meet short-term obligations. Proper cash management is required to strengthen the liquidity position.

WORKING CAPITAL TURNOVER RATIO:

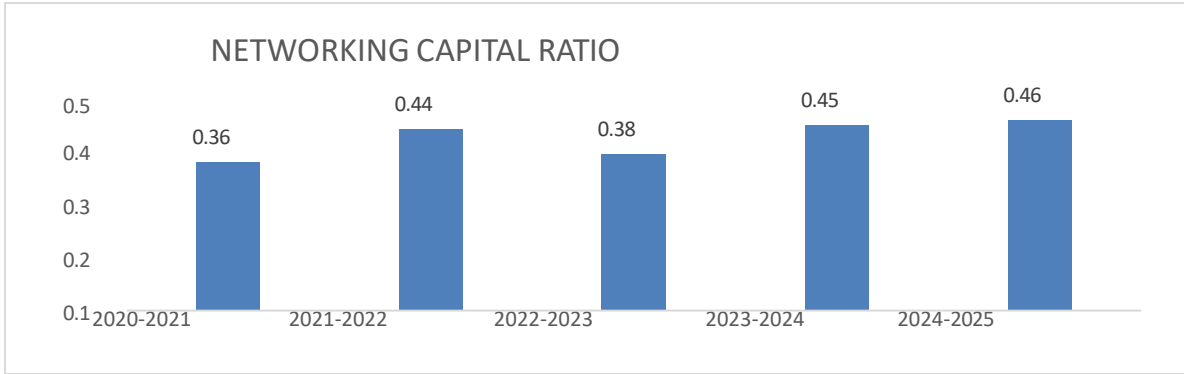
This ratio measures the connection between operating capital and income. The ratio shows the quantity of instances the operating capital results in income. Working capital as typical is the extra of modern-day property over current liabilities. The following system is used to measure the ratio:

$$\text{Net working capital} = \frac{\text{Networking capital}}{\text{Net Assets}}$$

Net working capital = Current Assets –Current Liabilities

YEAR	NET WORKING CAPITAL	NET ASSETS	NETWORKING CAPITAL RATIO
2020-2021	4787.63	13236.37	0.36
2021-2022	6430.24	14604.33	0.44
2022-2023	7049.23	18525.70	0.38
2023-2024	10766.81	24158.35	0.45
2024-2025	12007.94	26388.35	0.46

INTERPRETATION:



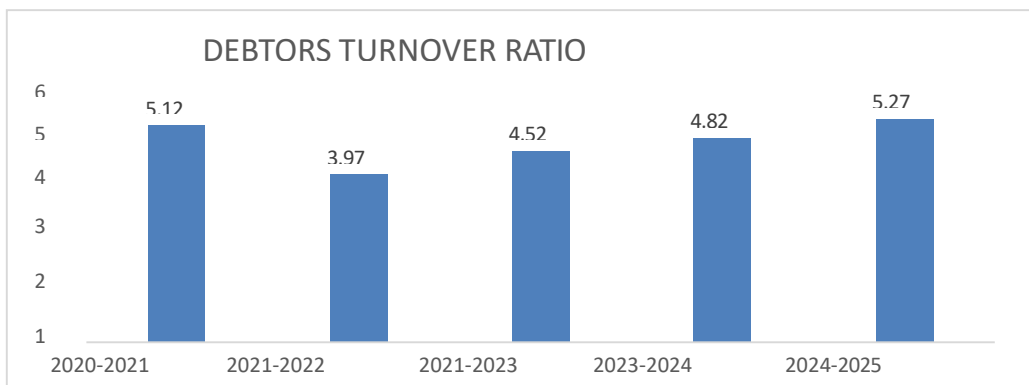
The company’s net working capital ratio shows an overall increasing trend during the study period, except for a small decline in 2022–23. The consistent rise in the last two years indicates better management of current assets and liabilities, leading to improved financial stability and operational efficiency.

DEBTORS’ TURNOVER RATIO:

The Debtors Turnover then number of times the debtors are turned over during a year. Generally, the higher the value of debtors’ turnover the more efficient is the management of debtors/sales or more liquid are the debtors.

$$\text{Debtors' Turnover Ratio} = \frac{\text{Credit Sales}}{\text{Debtors}}$$

YEAR	CREDIT SALES	DEBTORS	RATIO
2020-2021	21024.15	4098.66	5.12
2021-2022	28607.79	7197.89	3.97
2022-2023	30295.60	6706.59	4.52
2023-2024	36936.65	7667.92	4.82
2024-2025	46365.63	8814.31	5.27



INTERPRETATION:

Although there was a decline in 2021–22, the company showed continuous improvement in the following years. The increasing trend from 2022–23 to 2024–25 indicates efficient receivables management and improved liquidity position. Overall, the company’s credit policy appears to be effective in recent years.

FINDINGS:

- The Current Ratio is increasing year to year which is considered satisfactory to the company.
- It is interpreted that the Quick Ratio of Anantha PVC Pipes Pvt Ltd is having 1 :o 1 ratio which implies sound Liquidity position.
- The Debtors Turnover Ratio is increasing year to year which indicates the better Liquidity Position of company.
- The firm is efficiently managing the cash in the current assets.

SUGGESTIONS:

- It is suggested that the company has to maintain the same Current Ratio in future for further growth.
- Quick Ratio should not be more than 1 to 1 ratio and should be remembered that all debtors may not be liquid and cash may be immediately needed to pay operating expenses.
- It is suggested that the company has to reduce the expenditure of administration through staff control.

CONCLUSION:

An Analysis of financial statements show that the organization making good profits. The working capital management system followed by Anantha Pvc Pipes Pvt Ltd. shows a satisfactory position. Proper working capital management is used to establish a cause and effect, relationship between variables to help the management in making effective strategic planning to forecast the future and take necessary steps to reach the organizational goals. Various crucial areas that need attention were identified and practical suggestion were given to improve performance.

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