

# A Study on Working Capital Management in Sibar Auto Parts Limited, At Renigunta

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## Abstract:

This study examines the working capital management practices of SIBAR Auto Parts Ltd, a manufacturer in the automotive components industry. Effective working capital management is crucial for maintaining liquidity, improving operational efficiency, and ensuring business sustainability. The analysis focuses on key components such as inventory management, accounts receivable, accounts payable, and cash conversion cycles. Using financial data and performance indicators over recent years, the study evaluates how SIBAR Auto Parts balances its current assets and liabilities to maintain smooth operations and financial health. The findings suggest that efficient working capital strategies have a direct impact on the company's profitability and growth potential. Recommendations are provided to enhance working capital efficiency and support long-term value creation.

**Key Words:** working capital management, Ratio Analysis, Statement of change in working capital.

## Introduction:

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelation ship that exists between them. The management of current assets is similar to that of fixed assets in the sense that in both cases a firm analyses their effects on its return and risk.

**Current assets:** refer to those assets which in the ordinary course of business can be, or will be, converted into cash within one year. The major current assets are cash, marketable securities, accounts receivable and Inventory. **Current liabilities:** are those liabilities which are intended, at their inception, to be paid in the ordinary course of business, within a year. The basic current liabilities are accounts payable, bills payable, bank overdraft and outstanding expenses.

## Definition:

"Working capital is the amount of funds necessary to cover the cost of operating the enterprise. Working capital in a going concern is a revolving fund it consists of cash receipts from sales which are used to cover the cost of current operations"

## Review of literature:

### 1 Bibliometric Analyses and Research Trends

Basnet & Kumari (2024) conducted a ten-year bibliometric review using the Dimensions AI database, analyzing 198 peerreviewed articles from 2015 to 2024. The study identified key contributors, with the United States and Pakistan leading in research output. Notable themes included profitability, digitalization in supply chain finance, and practices in family firms .

**Chaudhary & Sharma (2024)** performed a bibliometric study covering publications from 2003 to 2024. The analysis revealed that 2023 was the most productive year, with significant contributions from authors like Ahsan and Minhas Akbar. The study also highlighted the United Kingdom as a leading country in terms of citations

## 2.WCM and Firm Profitability

**Talreja (2023)** conducted a systematic literature review focusing on the relationship between WCM and profitability. The study emphasized the significance of the cash conversion cycle (CCC) as a measure of WCM efficiency and its impact on profitability. The review suggested that firms should maintain an optimal CCC level to enhance profitability.

**Garg & Singh (2023)** examined the impact of WCM on the profitability of steel sector firms in India. The study found that components like the inventory conversion period (ICP) and accounts payable period (APP) positively influenced profitability, while an increase in the CCC was associated with higher profitability .

## 3.Technological Advancements in WCM

**Umeorah et al. (2024)** explored the role of Artificial Intelligence (AI) in transforming WCM practices. The study highlighted how AI and machine learning algorithms enhance operational efficiency, improve demand forecasting, and optimize cash flow predictions. It also discussed challenges in integrating AI with legacy systems and suggested future research directions .

## 4. Specific Studies

**Paul (2024)** analyzed the financial health of Indian retail companies, such as Aditya Birla Fashion & Retail Ltd. And Avenue Supermarts Ltd., in relation to their WCM practices. The study found a significant positive correlation between Return on Assets (ROA) and accounts receivable days, emphasizing the importance of efficient receivables management .  
**Asare et al. (2023)** conducted a thematic literature review focusing on WCM in the construction industry. The study identified a paucity of research in this area and called for more studies to address the unique challenges faced by the construction sector in managing working capital.

## 5. Impact of Market Competition and Crises

**Banerjee & Deb (2025)** examined the relationship between WCM efficiency and product market competition (PMC). The study found that firms facing increased competition tend to implement more efficient WCM strategies to free up scarce resources, with the CCC serving as a mediator between PMC and firm performance.

### Objectives of the study:

- To Study Schedule of changes in Working Capital During the study period.
- To assess the impact of cash, receivables, on liquidity and profitability
- To examine the relationship between the working capital management and profitability, Cash Conversion of the company.
- To study the liquidity position of the company through working capital ratio
- To evaluate the relationship between liquidity and profitability of the firm

### Need for the study:

- Management of working capital is an important function of finance department of a corporate organization
- While managing current assets two important factors that are considered is liquidity and profitability.
- The excess working capital results in deterioration in profits and inadequate working capital results in liquidity risk.
- So this study is undertaken to know to what extend the successful in trade-off liquidity and profitability

**Scope of the study:**

The scope of the study is defined below in terms of concepts adopted and period under focus. First, the study of working capital management and profitability are confined only to the sibar auto parts limited company . Secondary, the concepts of working capital and profitability i.e., Gross and Net is used in measuring the working capital management and profitability performance and also to arrive at various objectives of the study. Thirdly, the study is based on the annual reports of the company for a period of 5 years from 2020– 2025. Due to time constraint the study period is restricted. The purpose of the project isto analyze the past and present performance of the company on various financial areas like.

**LIMITATIONS OF STUDY**

- The Information used is primarily from historical annual reports that are available to the public. The financial statements relating to 5 accounting years are taken up for the study. But detailed analysis could not be carried for the project work because of the limited time span
- The interpretation from the analysis of financial statements is based on quantitative information only. Qualitative factors are not considered for the analysis.
- The ratio analysis is applied to the extent of data available.

**SOURCES OF DATA****Data collection:**

The study is dependent on secondary data from various sources.

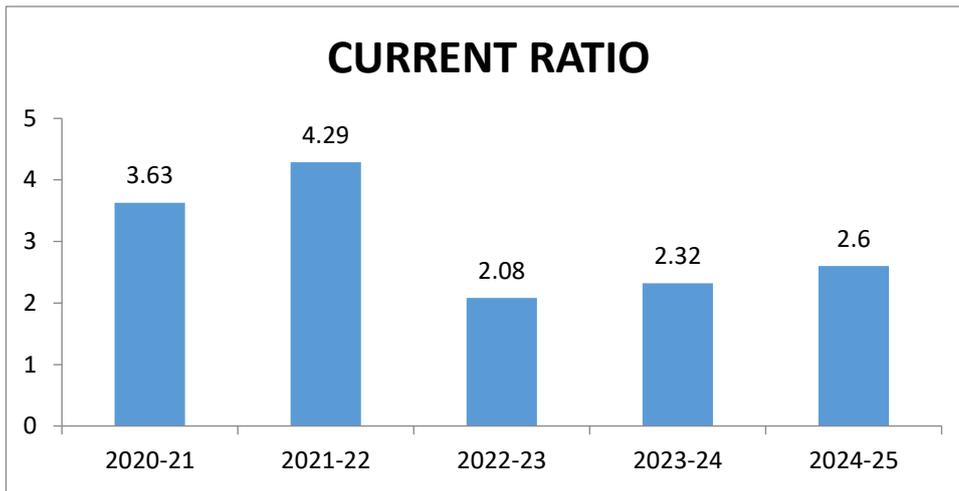
**Secondary data:**

The secondary data was collected from the annual reports, schedule, budgets and other statements provided by the finance department sibar auto parts limited COMPANY Books and internet

**Data analysis & interpretation:**

1. **Current ratio:  $\text{current asset/ Current Liabilities}$**

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2020-21	31,31,12,005	8,62,29,274	3.63
2021-22	34,31,23,264	7,99,38,108	4.29
2022-23	27,72,03,371	13,32,80,414	2.08
2023-24	30,19,24,932	13,00,61,660	2.32
2024-25	33,74,91,265	12,96,20,400	2.60



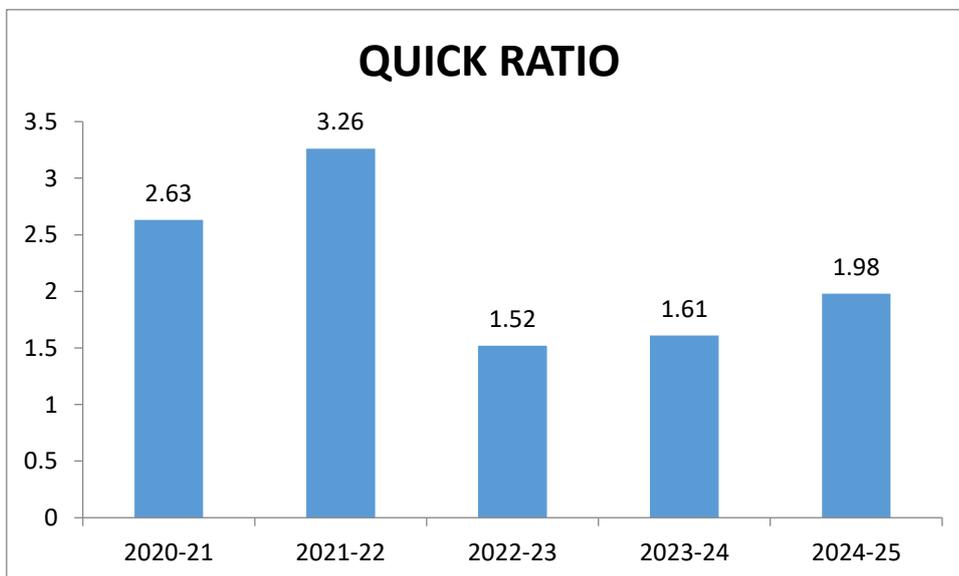
**Interpretation**

The above table shows the **current ratio of the company from 2020–21 to 2024–25**. The ratio increased from **3.63 in 2020–21 to 4.29 in 2021–22**, indicating strong liquidity. However, it declined to **2.08 in 2022–23** due to higher current liabilities. Later, the ratio gradually improved to **2.32 in 2023–24 and 2.60 in 2024–25**. Overall, the company maintained a **satisfactory liquidity position as the ratio remained above the standard 2:1 level**

**2. QUICK RATIO Quick Ratio/ Current Liabilities**

**TABLE: QUICK RATIOS**

YEAR	QUICK ASSETS	CURRENT LIABILITY	QUICK RATIO
2020-21	22,68,18,755	8,62,29,274	2.63
2021-22	26,02,49,648	7,99,38,108	3.26
2022-23	20,22,49,648	13,32,80,414	1.52
2023-24	20,28,65,132	13,00,61,660	1.61
2024-25	25,69,85,179	12,96,20,400	1.98

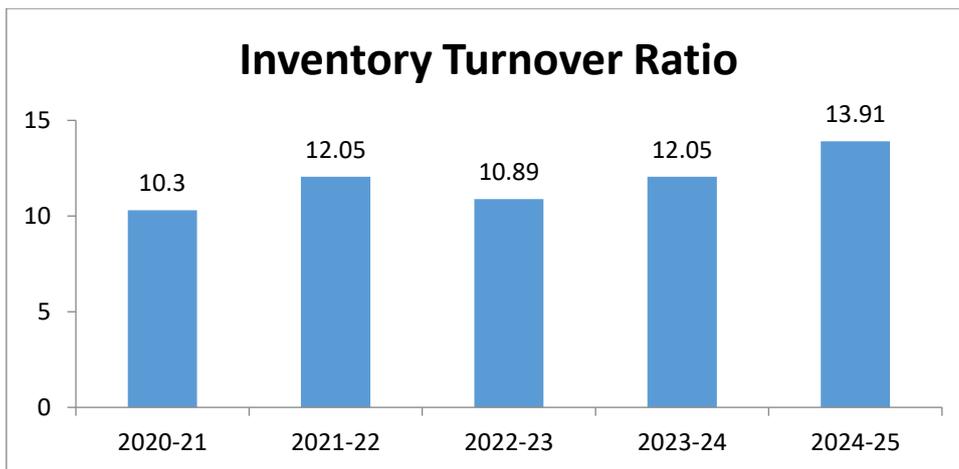


**Interpretation**

The above table shows the Quick Ratio of the company from 2020–21 to 2024–25. The quick ratio increased from 2.63 in 2020–21 to 3.26 in 2021–22, indicating strong immediate liquidity. However, it decreased to 1.52 in 2022–23 due to an increase in current liabilities. Later, the ratio slightly improved to 1.61 in 2023–24 and 1.98 in 2024–25. Overall, the company maintained a reasonable ability to meet its short-term obligations without relying on inventory

**3 INVENTORY TURN OVER RATIO =SALES/INVENTORY**

YEARS	SALES Rs	INVENTORY Rs	INVENTORY TURNOVER RATIO
2020-21	88,95,90,076	8,62,93,250	10.30
2021-22	99,88,83,919	8,28,73,616	12.05
2022-23	80,96,78,391	7,43,38,239	10.89
2023-24	1,11,16,31,603	9,22,40,814	12.05
2024-25	1,12,03,59,310	8,05,06,086	13.91



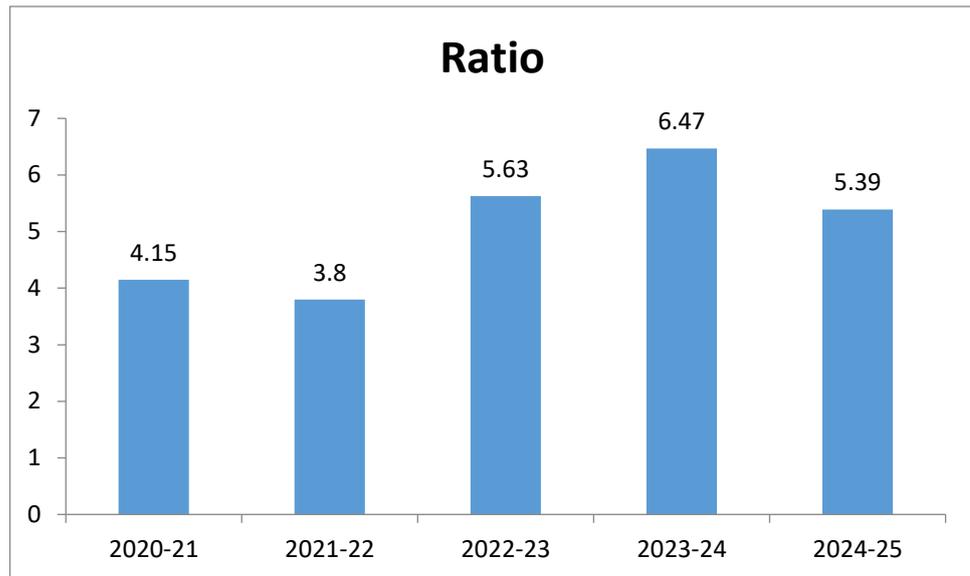
**Interpretation:** From the above table years 2020-21, to 2021-22 the company inventory turnover ratio is increasing. That is 10.30, 12.05, and 10.89. From 2022-23 onwards the inventory turnover ratio is highly increasing 2023-24 & 2024-25 i.e. 12.05, 13.91.

**4. WORKING CAPITAL TO SALES RATIO**

Net Current Assets Turnover= Sales/ Net Working Capital

**TABLE:**

YEARS	Net Sales	Working capital	Ratio
2020-21	94,15,69,46	22,68,82,731	4.15
2021-22	99,88,39,169	26,31,85,156	3.80
2022-23	80,96,78,391	14,39,22,957	5.63
2023-24	1,11,18,31,03	17,18,63,272	6.47
2024-25	1,12,03,09,310	20,78,70,865	5.39



**Interpretation:**

Overall, the table indicates that the company has improved its efficiency in utilizing working capital to generate sales, especially in the later years, reflecting better financial and operational management

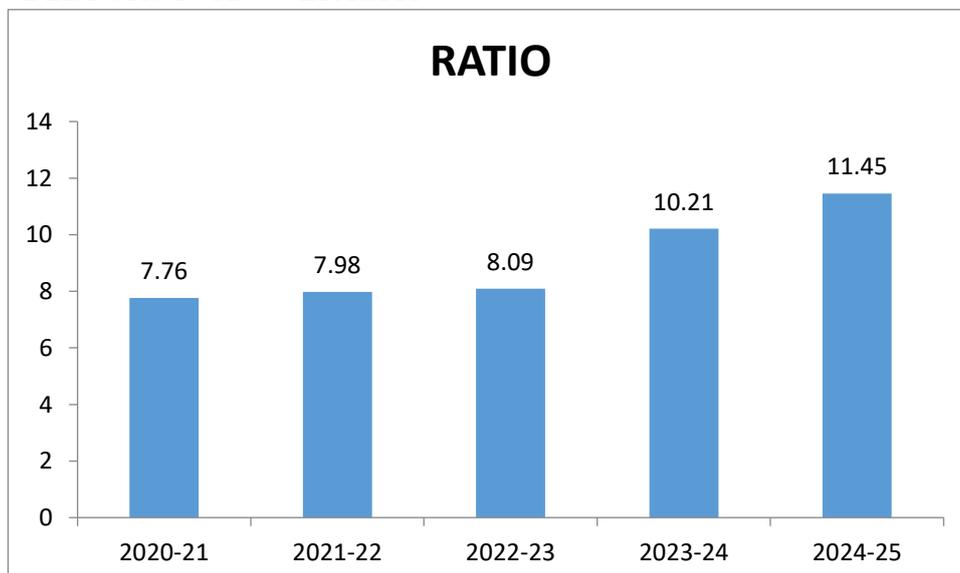
**5. DEBTORS TURNOVER RATIO**

Debtors turnover ratio = credit sales/average debtor

YEAR	NET SALES	DEBTORS	RATIO
2020-21	94,15,69,646	12,13,45,982	7.76
2021-22	99,88,39,169	12,52,08,797	7.98
2022-23	80,96,78,391	10,00,98,882	8.09
2023-24	1,11,18,31,603	10,88,81,625	10.21
2024-25	1,12,03,59,310	97,54,277	11.45

**GRAPH:**

**DEBTORS TURNOVER RATIO**



### Interpretation:

From the above table represent Debtors turnover indicates the number of times debtor turnover each year. Generally, the higher the value of debtor's turnover, the more efficient is the management of credit. From the year 2020-21 to 2024-25 the debtor's turnover ratio is 7.76, 7.98, 8.09, 10.21 and 11.45. It Represent the debtors turnover ratio is increasing. **Overall, the increasing trend of the ratio shows that the company has improved its credit management and collection efficiency over the years**

### 5.1 FINDINGS

After proper analysis of the financial position of the Sibar Auto Parts Ltd with the help of tools of financial analysis, the following are things are found during the study.

- ◆ In the years 2020-21 to 2024-25 the company inventory turnover ratio is highly increasing. That is 0.69, 1.37, 3.80, 13.89, and 26.26.
- ◆ In the years 2020-21 to 2024-25 the current ratio is nearly 1 from 2021-22 is 2 to 1 from year onwards the current ratio is gradually decreasing and them 2022-23. Increasing from 2024-25 it represents the firm's inability to meet its obligations.
- ◆ The debtor's turnover ratio is low due to huge increase in debtors and decrease in the sales.
- ◆ Creditor's payment was not done regularly which indicating that the company is not paying the debts correctly.
- ◆ It is found that the company is getting good percentage of gross profit on sales this is due low cost of production.
- ◆ The part of long term debt is more in capital structure this will effect solvency the position of the company.
- ◆ In the year 2020 to 2021 our company sales has been increases.
- ◆ The cash and bank balances shows increased trend but had come down marginally in the year 2023.
- ◆ In the year 2020 to 2025 sales has been decreased because of in efficient raw materials.
- ◆ In the 2020 to 2025 our sales has increased to 10 cores shares.
- ◆ Turnover of the company is increasing from year to year because of efficient in the cash management.

### 5.2 SUGGESTIONS

After proper analysis of the financial position of the company and according the findings founds in the analysis the following are some of the suggestions recommended to the company for better performance.

- ◆ The profitability of the company is affected due to unnecessary administration expenses incurred by the company. It is better to reduce it to increase the profit.
- ◆ The company must maintain its operating expenses in manner and improve the operating nature.
- ◆ It is suggested to take measures for collecting dues from the debtors, by allowing discount and reduce bad debts.
- ◆ It is suggested to pay the dues to the creditors as earlier as possible, because delay increases more interest charges and damage the credibility.
- ◆ It is suggested to put promotional/advertisements efforts for increasing the sales of the company.
- ◆ It is suggested to make additions/ introduce new technology in the production for better quality of output and for increasing the portion of fixed assets on total application of funds.

### 5.3 CONCLUSION

The of study reveals that the working capital position SIBAR AUTO PARTS PVT LTD is good as it remained a bit above the standard norms throughout the period of the study .On the Whole, it can be conclude that the working capital management and profitability efficiency has been increasing every year. It needs to be maintained and increasing further by effective utilization and control of current assets especial cash and bank balance.

From the study it is noticed that the working capital is fluctuating i.e., increasing and decreasing from year to year with slight variations. So, it is necessary to reduce variations in working capital & profitability to invest more in fixed assets to maintain the company in a better position for a long run.

**REFERENCE**

Websites: [www.sibarautoparts.com](http://www.sibarautoparts.com). [www.sibarauto77@yahoo.com](mailto:www.sibarauto77@yahoo.com).