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An Analysis of Working Capital Management with Reference to Wheels India Limited

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Exploring the intricacies of working capital management is pivotal due to its fundamental significance in the realm of corporate finance and business operations. Effective management of working capital is crucial for ensuring the financial health, operational efficiency, and long-term sustainability of organizations across industries. This research paper aims to provide a comprehensive analysis of working capital management, with a specific focus on its implications for company performance and success, The rationale behind this topic lies in the recognition of working capital as a critical aspect of financial management that significantly influences a company's liquidity, profitability, and risk profile. By investigating working capital management, this research seeks to shed light on the strategies, practices, and challenges associated with optimizing the balance between current assets and liabilities within an organization. Moreover, the selection of Wheels India Limited as a case study offers a practical and insightful perspective into the real-world application of working capital management principles within the automotive components sector. As a prominent player in this industry, Wheels India Limited presents an ideal opportunity to examine how working capital management strategies are tailored to address the unique dynamics and requirements of its business environment. Through this research paper, the aim is to explore various facets of working capital management, including inventory management, accounts receivable and payable management, cash flow optimization, and the use of financial ratios and metrics. By conducting a thorough analysis of Wheels India Limited's working capital practices, valuable insights can be extracted, best practices identified, and recommendations proposed to inform decision-making processes for practitioners, policymakers, and stakeholders alike. In essence, this research endeavor contributes to the existing body of knowledge on working capital management while offering actionable insights to empower organizations to enhance their financial performance, mitigate risks, and achieve sustainable growth in today's dynamic business landscape. Working capital management stands as a cornerstone of financial strategy for companies across industries, serving as a vital determinant of their operational efficiency, financial health, and overall competitiveness. Within this realm, the automotive components industry presents a dynamic and complex landscape, characterized by evolving market dynamics, technological advancements, and stringent quality standards. Amidst these challenges and opportunities, Wheels India Limited emerges as a prominent player, re410nowned for its longstanding legacy of excellence, innovation, and customer-centric approach.

Established in 1960 as a flagship company of the esteemed TVS Group, Wheels India Limited has cemented its position as a leading manufacturer of steel wheels for commercial vehicles, catering to a diverse range of markets spanning both domestic and international territories. The company's journey towards prominence has been underpinned by a relentless commitment to quality, innovation, and customer satisfaction, propelling it to the forefront of the automotive components industry. Working capital, comprising current assets and liabilities, forms the lifeblood of a company's day-to-day operations, enabling it to meet short-term financial obligations and fund ongoing business activities. For Wheels India Limited, optimizing working capital is not merely a financial exercise but a strategic imperative that underpins its ability to thrive in a fiercely competitive marketplace. In an industry characterized by rapid technological advancements and fluctuating demand patterns, the company's ability to effectively manage its working capital holds the key to unlocking operational excellence, mitigating financial risks, and seizing growth opportunities. By delving into the intricacies of working capital management within Wheels India Limited, this analysis seeks to unravel the strategies, practices, and performance drivers that underpin its financial operations. Through a comprehensive examination of key components such as inventory management, accounts receivable and payable optimization, cash flow forecasting, and sustainability integration, valuable insights can be unearthed that inform decision-making processes and drive sustainable growth in the automotive components industry. Moreover, Wheels India Limited's commitment to corporate responsibility and sustainability adds another layer of complexity to the analysis of working capital management. As businesses increasingly recognize the importance of environmental stewardship and social responsibility, understanding how Wheels India Limited integrates these principles into its financial decision-making processes offers valuable insights into the evolving role of finance in driving long-term value creation and stakeholder engagement. In essence, this analysis endeavors to provide a holistic understanding of working capital management within Wheels India Limited, shedding light on the strategic imperatives, operational challenges, and performance drivers that shape its financial operations. Through a nuanced exploration of the company's approach to managing working capital, actionable insights can be extracted that inform decision-making processes and drive sustainable growth in today's dynamic and interconnected business landscape.

Working capital management is a critical aspect of financial management for companies across industries, encompassing the management of current assets and liabilities to ensure efficient day-to-day operations and long-term financial stability. It involves striking a delicate balance between liquidity and profitability, ensuring that a company has sufficient resources to meet its short-term obligations while maximizing returns on its assets. The significance of working capital management cannot be overstated, as it directly impacts a company's ability to fund its operations, pursue growth opportunities, and withstand financial shocks. In essence, it serves as the lifeblood of a company, enabling it to sustain its business activities and navigate through various economic cycles. At its core, working capital management revolves around optimizing the levels of current assets such as cash, inventory, and accounts receivable, while also effectively managing current liabilities such as accounts payable and short-term debt. By efficiently managing these components, companies can enhance their liquidity position, minimize financing costs, and improve overall profitability. In practice, working capital management entails a range of strategic decisions and operational actions aimed at maintaining an optimal balance between inflows and outflows of cash and other liquid assets. This includes implementing inventory control measures to minimize carrying costs and reduce stockouts, managing accounts receivable to accelerate cash inflows, and negotiating favorable payment terms with suppliers to optimize accounts payable. Moreover, effective working capital management requires careful monitoring and analysis of key financial metrics and ratios, such as the current ratio, quick ratio, and cash conversion cycle. These metrics provide valuable insights into the financial health and efficiency of a company's working capital management practices, allowing management to identify areas for improvement and take corrective actions as needed. In today's dynamic and competitive business environment, the importance of working capital management has only intensified, with companies facing increasing pressure to optimize their capital structure and maximize shareholder value. As such, businesses must adopt a proactive and strategic approach to working capital management, continually assessing their liquidity needs, refining their cash flow forecasting processes, and implementing best practices to enhance efficiency and resilience. In conclusion, working capital management plays a pivotal role in driving the financial performance and sustainability of companies across industries. By effectively managing their current assets and liabilities, companies can improve liquidity, minimize financial risks, and capitalize on growth opportunities, thereby positioning themselves for long-term success in today's ever-evolving business landscape..

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

An analysis of working capital management with reference to Wheels India Limited Company.

SECONDARY OBJECTIVE

- ✓ To examine the liquidity and to ensure sufficient cash by managing assets and liabilities.
- ✓ To analyze the impact of working capital management in profitability
- ✓ To analyze strategies for optimizing the operating cycle
- ✓ To examine the relationship between working capital management and profitability is key to effective business man

NEED FOR THE STUDY

- ✓ To understand financial stability and meet short-term obligations in the company.
- ✓ It helps to contribute the increased sales and profits in the company.
- ✓ This study analysis the need to plan for future financial requirements through working capital management.
- ✓ To identify the working capital requirements of day-to-day operation

SCOPE OF THE STUDY

- ✓ To improve liquidity, assess the current position, enhance efficiency in managing assets and liabilities effectively.
- ✓ To enhance overall profitability and assess financial performance and operations.
- ✓ To achieve future financial needs through working capital management.
- ✓ To increase day to day financial operations and achieve desirable profit.

REVIEW OF LITERATURE

Kaula Stephen (2023) The study examines on the determinants of working capital management. The study came about following a necessity of managing working capital for efficient running of firm's day- to-day operations. By taking samples of 10 manufacturing firms listed in Dar es Salaam stock exchange period of 2012-2023. It is found that there are positive and significant effects of firm size, profitability and cash conversion cycle on working capital, while leverage and capital expenditure revealed to be positive and insignificant determinant of working capital management. this study recommends the financial managers to efficiently focus much on managing firm size, profitability and gross domestic product while less effort being subjected to firm leverage and capital expenditures to sales management.

Dharma Raj .et.al., (2022) The management of working capital is influenced by both internal organizational factors, including the company's size, age, profitability, revenue growth, market share, operating risk, and cash flow from operations, as well as external macroeconomic factors like the Gross Domestic Product, interest rates, and tax rates. Effective and well-orchestrated management of working capital plays a critical role in determining a company's success or failure over both the short and long term, as it impacts the balance between liquidity and profitability. The ability of financial managers to efficiently handle components of working capital such as cash, receivables, inventories, and payables is essential to the success of any business. Maintaining a balance between liquidity and profitability is crucial for a business to smoothly carry out its day-to-day operations. This article aims to discuss the various factors that influence the management of working capital.

Aditya Banerjee.et.al., (2021) This study investigates the effect of working capital management (WCM) efficiency, specifically through the lens of the cash conversion cycle (CCC), on the stock market performance, identified by the stock's Alpha, of non-financial Indian corporations. It discusses four theoretical models identified in existing literature to support the anticipated non-linear relationship between WCM efficiency and stock performance. The generalized method of moments (GMM) technique is applied to analyze data from firms across multiple industries listed on the Bombay Stock Exchange (BSE) over a set period. The findings confirm a negative association between WCM efficiency and stock performance. Interestingly, this study reveals that neither a quadratic relationship nor variations from the industry median CCC adequately capture this relationship for Indian firms, challenging previous research conclusions.

Mohannad Abu Daqar et.al., (2020) The main aim of conducting this research work is to explore the impact of Corporate Governance (CG) on the Working Capital Management Efficiency (WCME) for the Manufacturing firms in Palestine. The Data for this study was collected from secondary data sources; annual reports for manufacturing firms, 15 Palestinian manufacturing firms have been selected for this purpose for three years from (2016 to 2018). The result shows that a significant relationship exists between Cash Conversion Cycle and (firm size, and sales growth), Sales Growth & Firms Size explains 42% of the variation in the Working Capital Management component (Cash Conversion Cycle). Current Ratio as the second dimension of Working Capital Management has a significant correlation with CEO Duality, Firm Size and Firm Performance. CEO Duality & Firms Performance explains 25.9% of the variation in the Working Capital Management component (Current Ratio). The researcher recommended that the manufacturing companies need to implement corporate

RESEARCH METHODOLOGY

INTRODUCTION

Research is defined as human activity based on intellectual application in the investigation of matter. The primary purpose for applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe.

RESEARCH DESIGN

ANALYTICAL STUDY

The proposed study is of ANALYTICAL STUDY. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible.

This is a type of research where the researcher uses the facts or the information already available and analyses these to make a critical evaluation of the material.

DATA COLLECTION

SECONDARY DATA

This study is mainly based on secondary data which have been collected from the ANNUAL REPORTS and FINANACIAL STATEMENT of the company world and the universe.

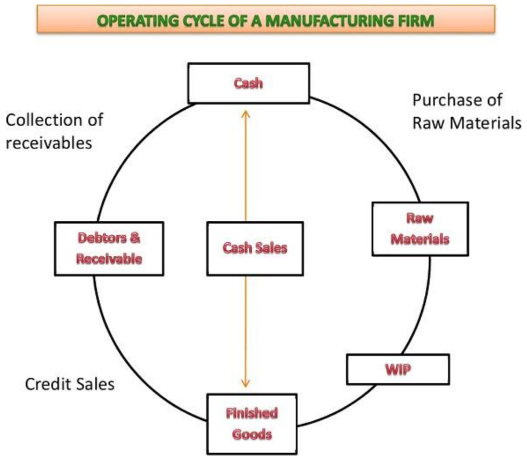
ANALYTICAL TOOL USED FOR THE STUDY

1. OPERATING CYCLE

The duration of time required to complete the sequence of events right from purchase of raw material / goods for cash to the realization of sales in cash is called the operating cycle, working capital cycle or cash cycle. In a manufacturing company, the operating cycle is the length of time required to complete a series of events described as follows:

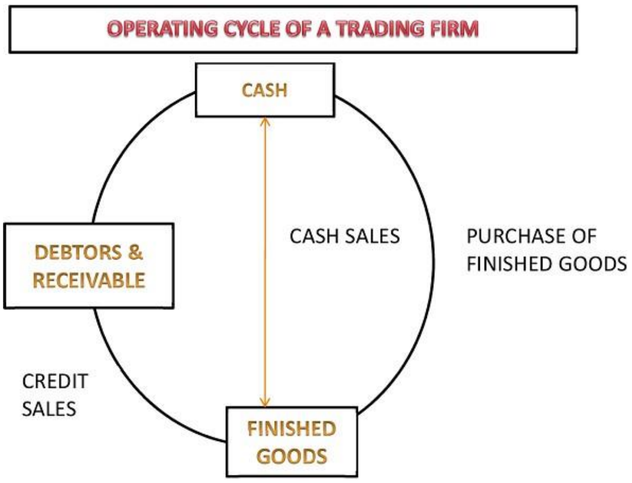
- Conversion of cash into raw materials.
- Conversion of raw materials into work-in-progress.
- Conversion of work-in-progress into finished goods.
- Conversion of finished goods into accounts receivable.
- Conversion of accounts receivable into cash.

OPERATING CYCLE OF MANUFACTURING CYCLE



An operating cycle refers to the time it takes a company to buy goods, sell them and receive cash from the sale of said goods. In other words, it's how long it takes a company to turn its inventories into cash. The length of an operating cycle is depe

OPERATING CYCLE OF TRADING FIRM



An operating cycle refers to the time it takes a company to buy goods, sell them and receive cash from the sale of said goods. In other words, it's how long it takes a company to turn its inventories into cash

2 SCHEDULE OF CHANGES IN WORKING CAPITAL

The statement of changes in working capital shows the net change in working capital over a time period of operation. Preparing the statement of changes in working capital is one of the easiest financial statements to do. Recall that working capital is the difference between current assets and current liabilities.

WORKING CAPITAL = CURRENT ASSETS – CURRENT LIABILITIES

Working capital is bound to change due to an increase or decrease in the current assets and current liabilities. A statement of changes in working capital is prepared to measure the increase or decrease in the individual items of current assets and current liabilities. I

Particulars	Base Year ($)	Current Year ($)	Effect on Working Capital	
			Increase ($)	Decrease ($)
Current Assets				
Cash in hand	******	******	******	******
Cash at bank	******	******	******	******
Bills Receivable	******	******	******	******
Stock	******	******	******	******
Debtors	******	******	******	******
Shot term/Temporary/Marketable Investments	******	******	******	******
Prepaid Expenses	******	******	******	******
Accrued Income	******	******	******	******
Short-term Loans and Advances	******	******	******	******
Total Current Assets (A)	******	******		
Current Liabilities				
Sundry Creditors	******	******	******	******
Bills Payable	******	******	******	******
Provision for Taxation	******	******	******	******
Bank Overdraft	******	******	******	******
Short-term Loans or Deposits	******	******	******	******
Proposed Dividend	******	******	******	******
Total Current Liabilities (B)	******	******		
Working Capital (A) - (B)	******	******	******	******
Net Increase or Decrease in Working Capital	******	******	******	******
Total	******	******	******	******

SCHEDULE OF CHANGE IN WORKING CAPITAL MANAGEMENT

Fund flow statement

- ✓ Increase in current asset - Increase working capital
- ✓ Decrease in current asset – Decrease working capital
- ✓ Increase in current liability – Decrease working capital
- ✓ Decrease in current liability – Increase working capital

DATA ANALYSIS AND INTERPRETATION

OPERATING CYCLE

OPERATING CYLE = RAW MATERIALS + WORK IN PROGRESS + FINISHED GOODS +DEBTORS – CREDITORS

TABLE NO 4.1.1 OPERATING CYCLE

RAW MATERIALS	WIP		FINISHED GOODS	DEBTORS	CREDITORS	OPERATING CYCLE
26	67		34	65	68	124
38	52		28	69	67	120
62	51		30	117	132	128
46	60		46	87	96	143
38	38		27	69	87	85

SOURCE OF DATA: COMPANY ANNUAL REPORT 2018 -2019 TO 2022 – 2023

INTERFRENCE:

The operating cycle of wheels India limited for the year 2018-2019 was 124 days, 2019-2020 was 120 days furthermore in 2020-2021 the operating cycle was 128 days, 2021-2022 has 143 days and in the current data analysis the operating cycle of 2022-2023 was 85 days. This fluctuation indicates the efficiency levels in managing inventory, production processes, and receivables over the years.

SCHEDULE OF CHANGES IN WORKING CAPITAL

TABLE NO 4.2.1 SCHEDULE OF CHANGES IN WORKING CAPITAL (2018-2019)

PARTICULARS	2018	2019	CHANGES IN WORKING CAPITAL	
			INCREASE IN WORKING CAPITAL	DECREASE IN WORKING CAPITAL
CURRENT ASSETS				
CASH	7.19	7.47	0.28	
INVENTORIES	349.02	403	54.4	
TRADE RECEIVABLES	478.34	558	80.02	
OTHER CURRENT ASSETS	125.93	134	7.72	
TOTAL(A)	**960.48**	**1103**		
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	158.49	217		58.26
TRADE PAYABLES	470.22	585		115
OTHER CURRENT LIABILITIES	162.12	161	1.27	
SHORT TERM PROVISIONS	22.53	28.9		6.38
TOTAL CURRENT LIABILITIES (B)	**813.36**	**992**		
WORKING CAPITAL (A-B)	**147.12**	**111**		
NET DECREASE IN WORKING CAPITAL		35.9	35.95	
TOTAL	**147.12**	**147.12**	**179.64**	**179.64**

INFERENCE:

According to 2018-2019 senses it is analyze the working capital value is decrease with 35.9 lakhs. A decrease in working capital could boost cash flow through better efficiency or inventory management. It could also indicate liquidity problems or a decline in sales, threatening profitability.

TABLE NO 4.2.2 SCHEDULE OF CHANGES IN WORKING CAPITAL (2019- 2020)

PARTICULARS	**2019**	**2020**	**CHANGES IN WORKING CAPITAL**	
			INCREASE IN WORKING CAPITAL	**DECREASE IN WORKING CAPITAL**
CURRENT ASSETS				
CASH	7.47	4.49		2.98
INVENTORIES	403.42	388		15.3
TRADE RECEIVABLES	558.36	458		99.98
OTHER CURRENT ASSETS	133.65	80.6		53.09
TOTAL(A)	**1102.9**	**932**		
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	216.75	223		5.94
TRADE PAYABLES	585.22	441	144.19	
OTHER CURRENT LIABILITIES	160.85	179		18.52
SHORT TERM PROVISIONS	28.91	25.1	3.77	
TOTAL CURRENT LIABILITIES (B)	**991.73**	**868**		
WORKING CAPITAL (A-B)	**111.17**	**63.3**		
NET DECREASE IN WORKING CAPITAL		47.9	47.85	
TOTAL	**111.17**	**111.17**	**195.81**	**195.81**

INFERENCE:

According to 2019-2020 senses it is analysed the the working capital value is decrease with 47.9 lakhs . A decrease in working capital could boost cash flow through better efficiency or inventory management. It could also indicate liquidity problems or a decline in sales, threatening profitability..

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TABLE NO 4.2.3 SCHEDULE OF CHANGES IN WORKING CAPITAL (2020-2021)

PARTICULARS	2020	2021	CHANGES IN WORKING CAPITAL	
			INCREASE IN WORKING CAPITAL	DECREASE IN WORKING CAPITAL
CURRENT ASSETS				
CASH	4.49	2.62		1.87
INVENTORIES	388.12	512	123.97	
TRADE RECEIVABLES	458.38	706	247.62	
OTHER CURRENT ASSETS	80.56	130	49.32	
TOTAL(A)	**931.55**	**1351**		
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	222.69	214	8.51	
TRADE PAYABLES	441.03	794		352.96
OTHER CURRENT LIABILITIES	179.37	211		31.31
SHORT TERM PROVISIONS	25.14	24	1.01	
TOTAL CURRENT LIABILITIES (B)	**868.23**	**1243**		
WORKING CAPITAL (A-B)	**63.32**	**108**		
NET INCREASE IN WORKING CAPITAL	44.29			44.29
TOTAL	**107.61**	**107.61**	**430.43**	**430.43**

INFERENCE:

The above table observed that in 2020-2021, 44.29 lakhs. A increase in working capital generally Indicates growth ,increased investment in asset and receivables .It would significantly expanding operations and higher sales and a more conservative approach to managing cash flow .

TABLE NO 4.2.4 SCHEDULE OF CHANGES IN WORKING CAPITAL (2021-2022)

PARTICULARS	2021	2022	CHANGES IN WORKING CAPITAL	
			INCREASE IN WORKING CAPITAL	DECREASE IN WORKING CAPITAL
CURRENT ASSETS				
CASH	2.62	2.82	0.2	
INVENTORIES	512.09	769.58	257.49	
TRADE RECEIVABLES	706	868.23	162.23	
OTHER CURRENT ASSETS	129.88	178.05	48.17	
TOTAL(A)	**1350.59**	**1818.68**		
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	214.18	573.39		359.21
TRADE PAYABLES	793.99	959.81		165.82
OTHER CURRENT LIABILITIES	210.68	182.08	28.6	
SHORT TERM PROVISIONS	24.13	28.08		3.95
TOTAL CURRENT LIABILITIES (B)	**1242.98**	**1,743.36**		
WORKING CAPITAL (A-B)	**107.61**	**75.32**		
NET DECREASE IN WORKING CAPITAL		32.29	32.29	
TOTAL	**107.61**	**107.61**	**528.98**	**528.98**

INFERENCE:

According to 2021-2022 data it was observed that the working capital value has decrease with 32.29 lakhs.. A decrease in working capital could boost cash flow through better efficiency or inventory management. It could also indicate liquidity problems or a decline in sales, threatening profitability.

TABLE NO 4.2.5 SCHEDULE OF CHANGES IN WORKING CAPITAL (2022-2023)

PARTICULARS	2022	2023	CHANGES IN WORKING CAPITAL	
			INCREASE IN WORKING CAPITAL	DECREASE IN WORKING CAPITAL
CURRENT ASSETS				
CASH	2.82	3.93	1.11	
INVENTORIES	769.58	810.48	40.9	
TRADE RECEIVABLES	868.23	815.66		52.57
OTHER CURRENT ASSETS	178.05	165.19		12.86
TOTAL(A)	**1818.68**	**1795.26**		
CURRENT LIABILITIES				
SHORT TERM BORROWINGS	573.39	538.04	35.35	
TRADE PAYABLES	959.81	1,028.83		69.02
OTHER CURRENT LIABILITIES	182.08	180.47	1.61	
SHORT TERM PROVISIONS	28.08	32.5		4.42
TOTAL CURRENT LIABILITIES (B)	**1,743.36**	**1,779.84**		
WORKING CAPITAL (A-B)	**75.32**	**15.42**		
NET DECREASE IN WORKING CAPITAL		59.90	59.9	
TOTAL	75.32	75.32	138.87	138.87

INFERENCE:

According to 2022-2023 senses it is analysed that the working capital value is decrease with 59.9 lakhs.. A decrease in working capital could boost cash flow through better efficiency or inventory management. It could also indicate liquidity problems or a decline in sales, threatening profitability.

CONCLUSION

Optimizing working capital management through lean inventory techniques, particularly just-in-time (JIT) practices, alongside enhanced receivables collection processes, stands as a pivotal strategy for businesses aiming to minimize their operating cycles. These measures effectively reduce excess inventory while accelerating cash inflows, ensuring that resources are allocated efficiently and contributing to overall financial health. Negotiating favourable payment terms with suppliers and employing advanced cash management solutions enable companies to better manage their cash outflows and maintain liquidity. The strategic use of cash flow forecasting further provides essential insights into future cash requirements, helping to prompt and mitigate potential liquidity challenges. The adoption of integrated technology solutions, such as ERP systems, is instrumental in streamlining operations across all facets of working capital management, including inventory, receivables, and payables. These systems furnish real-time financial data, facilitating informed decision- making and enhancing operational efficiency.

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