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# A STUDY ON WORKING CAPITAL MANAGEMENT AT DR. REDDY'S LAB

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**ABSTRACT**
*This research makes use of secondary data gleaned from financial statements and annual reports to calculate several ratios, including working capital cycle, payables deferral period, current ratio, quick ratio, inventory turnover ratio, receivables turnover ratio, and payables turnover ratio. The results show that the firm keeps its cash situation fairly constant and uses inventory optimization to keep production and R&D running smoothly. A more stringent supervision of credit policies and optimization of supplier relationships are necessary, however, because of fluctuations in the payables and receivables cycles. According to the research, a company's cash flows and ability to compete in the global pharmaceutical industry may be greatly improved by increasing the efficiency of its working capital.*

## INTRODUCTION

An organization's working capital is a measure of its overall efficiency as it shows its short-term financial condition. The current ratio is shown on the balance sheet and is determined by deducting current liabilities from current assets.

What we call "current assets" are things like bank accounts and other assets that can be quickly turned into cash if needed. Debts that a person is required to pay off within a certain time frame are known as current liabilities. The amount that remains after deducting an individual's obligations from their bank accounts is their working capital.

Things like inventories, receivables, and cash are what are known as current assets. Wages, taxes, and interest are all examples of current obligations.

Working capital is a more general indicator of a company's financial stability. A healthy firm will have a wider gap between its short-term assets and liabilities than an individual would. A negative working capital position could lead to the closure of a corporation if its debts exceed its assets.

Working capital is only used for funding operations, meeting short-term obligations, and ensuring there is enough working capital. It continues to pay its suppliers and workers in order to satisfy other commitments, such as taxes and interest, regardless of any difficulties with cash flow.

Another way a company might develop without taking on debt is by investing in working capital. Even if the business is hesitant to take out a loan, its positive working capital makes it easy to qualify for other types of financing.

A number of financial groups primarily aim to accomplish the following:

Having an accurate picture of one's cash on hand and a well-defined objective Secondly, to have sufficient operating cash to pay all responsibilities while collaborating with other firms.

A few broad categories characterize the many forms of working capital:

**Gross Working Capital**

The sum of all current assets is known as gross working capital. Investments with a shorter time horizon, such as cash and receivables, as well as market securities, are considered current assets.

There is an omission of current liabilities from gross working capital. To determine gross working capital, subtract current liabilities from current assets.

What remains after deducting all of a company's expenses is its functional capital, which it uses to pay its bills.

**Net Working Capital**

Net Working capital is calculated as the gap between a company's current assets and current liabilities. A positive working capital shows that a corporation is financially able to satisfy its commitments, which happens when its assets exceed its current liabilities.

On the other hand, financial trouble looms on the horizon for a business if its assets fall short of its current liabilities—a situation known as negative working capital.

In contrast to net working capital, which is a positive number at all times, gross working capital is always positive. Contrarily, the value of networking capital might go up or down.

**Long-Term Funding for Operations**

A company needs a certain level of permanent working capital

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in order to run its day-to-day activities smoothly and without interruption.

A good illustration of perpetual working capital is the minimal amount of money a business needs to keep operations operating smoothly and efficiently.

**Consistent Working Capital**
Businesses need a certain level of regular working capital to pay for their day-to-day operations. Regular working capital includes things like the funds required to pay for labor, raw supplies, and salaries.

**Risk-Free Working Capital**
Beyond the usual operating expenses, unexpected events may need a certain amount of cash for a corporation. Just as ordinary working capital, reserve margin working capital is a sum of money set aside specifically for margin purposes. To protect against unforeseen circumstances like hurricanes, floods, and other natural disasters, these monies are kept in a separate account.

**Need of the study**
Every day, working capital affects a company's operations and financial health, therefore it's crucial for businesses to understand it. The current asset value less the current liabilities value is the working capital of a corporation. It is a measure of the operational liquidity and general health of a firm that is based on short-term financial data. A company's working capital is a good indicator of its liquidity. The level of working capital a firm has is proportional to its liquidity, or its capacity to handle cash flow and have enough money on hand when needed.

**Scope of the study**
Dissecting working capital into its constituent elements—cash, accounts receivable and payable, inventory, and accounts payable—is a crucial aspect of the research. This calls for research into how well these components are managed to keep routine operations running. The strategies and plans a firm has in place for its working capital should be carefully examined. This requires looking at the ways the company makes the most of its working capital, including its cash conversion cycle, inventory turnover, and credit policy.

**Objectives of the Study**
- To study about the Working Capital of the Organization.
- To know the financial performance of organization with the help of the ratios.
- To analyze the effect of current assets on working capital.
- To evaluate the company’s working capital and provide a recommendation for the working capital for the year.

**Research Methodology**
This study and interpretation is based on secondary data, namely information that was collected from the annual reports of the corporation. Analysis of ratios is used for the aim of doing computations. For the purpose of showcasing the project, visual aids such as tables, graphs, and explanations of their significance are used. It is not necessary to carry out a survey or an observation study in order to evaluate the performance of the fixed assets owned by the firm.

**Sources of Information**
The following are some of the sources from which the data that is necessary for this project is culled: To begin, all of the information is derived from other sources.

Each and every piece of theoretical knowledge has been borrowed from reputable reference sources and textbooks.
The yearly reports of the corporation are the key sources of information and data about the company's finances.

**Limitations of the Study**
- The scope of the investigation is restricted to the information and dates that were supplied by Zuari Cements with regard to its annual reports.
- It is possible that the report does not specify the status and position of Zuari Cements' current assets; this may be subject to change from time to time and depending on the circumstances.
- The study does not come in handy when it comes to investing in Zuari Cements
- Using either the capital market or the process of disinvestment.
- The accounting method and other accounting rules are restricted by the changes that the firm makes, which results in the possibility of variations in the performance of current assets

## LITERATURE REVIEW

**Working Capital Management and Its Impact on Profitability by Nimalathasan Balasundaram, (Jan 2010):** The primary objective of this research is to determine, for the fiscal years 2003–2007, how a subset of listed manufacturing businesses fared in relation to working capital management and profitability. We ran regression and correlation analyses. A very significant negative correlation between cash conversion cycle (CCC) and return on assets (ROA) (-0.127 at the 1% significance level) indicates that ROA declines with increasing CCC. This means that a 5.03% drop in ROA is connected with a one-day increase in the cash conversion cycle. According to the findings, managers may boost manufacturing companies' bottom lines by cutting down on accounts receivable and the amount of inventory kept on hand each day.

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**An analysis of working Capital Management in India: An urgent need to refocus by Najib H S Farhan, Fozi Ali Belhaj, Waleed M. Al-Ahdal, Faozi A Almaqtari, (Jan 2021):** The purpose of this research is to analyze the relationship between working capital and the bottom lines of pharmaceutical firms in India. The financial performance of Indian pharmaceutical firms, as evaluated by return on assets and net operating margin, is favorably influenced by the number of days' collecting period, number of days' payment period, and number of days' inventory holding period. To the contrary, ROA, NOM, and Tobin's Q are all negatively affected by the cash conversion cycle.

**A Study on Working Capital Management & Impact of Profitability of Electrical Industries in India by Vikas Mathapati, Sanatkumar Nirgude, (Oct 2021):** Companies are prepared to reduce financing prices and/or boost investment available for expansion by reducing the amount of money committed in existing assets. Utilizing the annual capital management survey conducted by CFO magazine, we provide insights into how surveyed organizations performed in important areas of capital management. The findings show that managers may generate value by decreasing the amount of days accounts receivable and inventory, and these findings hold true even when endogeneity is present. In a similar vein, increasing the firm's profitability is another benefit of decreasing the cash conversion cycle.

**Study on Working Capital Management Practices by Dayananda Reddy and C S Gowtham, (Oct 2020):** Among the many well-known companies in the Chennai area is VJ Engineers. The phrase "working capital management" describes the process of making decisions about short-term funding and working capital. In these cases, the manager is tasked with overseeing the interplay between the short-term assets and liabilities of the company. This research is significant because it suggests ways to put the present assets to use. Because it serves as a reference, this research is also useful for the learner. Additional research may be aided by this paper. Secondary data from this experiment may be used by other researchers.

**Analyzing the Efficiency of Working Capital Management: A New Approach Based on DEA – Malmquist Technology by Ahmed Mohamed Habib, Nahia Mourad (July 2022):** Our research begins with a comparison of Gulf enterprises' WCME efficiency pre- and post-coronavirus crisis, and then moves on to examine how the latter affected the former. To accomplish its aims, this research makes use of many methods, such as Tobit regression, data envelopment analysis (DEA), and the Malmquist index (MI). The majority of companies (around 84% to be exact) take a cautious approach to their WCM, according to the findings. a new method based on DEA-Malmquist technology to assess and analyze the WCME for firms both before and after the coronavirus crisis. We next look at how the coronavirus crisis has impacted the WCME.

**A Research on Working Capital Management Efficiency and Performance in Indian Industries by Durgesh, (Feb 2019):** An important aspect of every company's plan to increase shareholder value is the management of working capital efficiently. One of the most critical and difficult parts of modern financial management is controlling working capital. The goal of optimizing working capital balance is to maximize revenues while lowering working capital needs. Firms' growth prospects and returns to shareholders are both enhanced by efficient WCM, which boosts free cash flow. The analysis found that all working capital components—current ratio (CR), quick ratio (QR), inventory holding periods (ID), payable days (RD), and inventory days (PD)—strongly affect profitability. Profitability is inversely related to the cash conversion cycle (CCC), while working capital is inversely related to firm size. Working capital will be required at a higher rate as a company grows in size. While company size does have an effect on EBIT, it has no effect on ROA and ROE, according to the research.

**AS study on Working Capital management by Ms. Arshathy A, Dr. Palani A, (May 2021):** Among the most important responsibilities of company management is the administration of working capital. A adequate quantity of working capital is essential for any organization, whether it public or private, profit-oriented or not, and regardless of the size or kind of business it operates. Any company's viability, liquidity, solvency, and success depend on its competent management of its working capital. The term "working capital" refers to the money a business requires to buy raw materials, pay predictable operating expenditures, and cover other immediate financial obligations.

**Data Analysis**

To analyses the current assets impact on working capital the following ratios to be analyzed

- Liquidity Ratio
- Current Ratio
- Quick Ratio
- Net Working Capital Ratio
- Total Assets Turnover Ratio
- Inventory Turnover Ratio
- Fixed Assets Turnover ratio
- Creditors Turnover Ratio
- Creditors Collection Period
- Debtors Turnover Ratio
- Debtors Collection Period
- Gross Profit Margin Ratio

**Liquidity Ratio**

**Current Ratio**

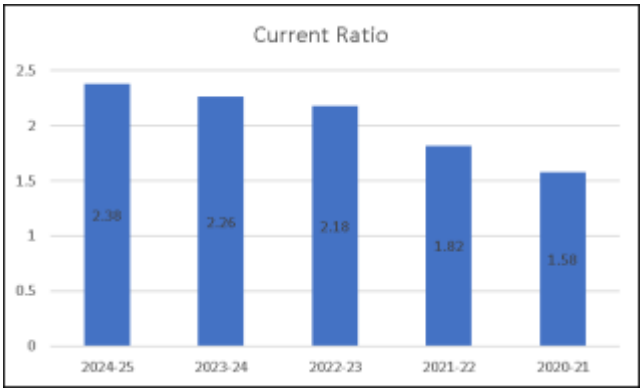
It is the ratio of short-term assets to short-term liabilities. A company's current ratio indicates its relative capacity to meet its short-term obligations. This ratio shows how quickly a business may pay off its short-term debts in the event of an unexpected

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demand.

Current Ratio = Current Assets / Current Liabilities

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Total Current Assets | 13,875.73 | 12,747.92 | 9,956.54 | 5,825.70 | 6,053.35 |
| Total Current Liabilities | 5,831.46 | 5,647.44 | 4,575.33 | 3,195.05 | 3,841.41 |
| **Current Ratio** | **2.38** | **2.26** | **2.18** | **1.82** | **1.58** |




**Interpretation**

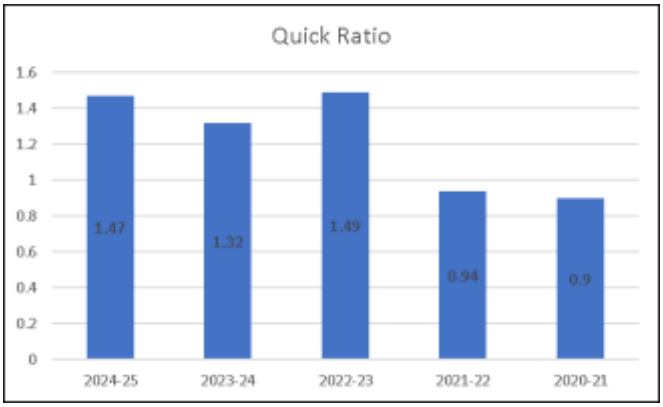
From the above calculations we can state that, Calulcated Current Ratio for the year 2020-21 & 2021-22 shows the below the standard value i.e 1.58 & 1.82 resectively is less than the 2:1, so in this years the liquidity position is weak. Where as in the years 2022-23, 2023-24, 2024-25 the calculated value shows 2:1 i.e 2.18, 2.26, 2.38 respectively which is more than the standard value 2:1, so the companies liqidity position in these years are strong.

**Quick Ratio**

The link between current obligations and quick or liquid assets is established. To be considered liquid, an asset must be able to be quickly and easily turned into cash without suffering a significant decline in value. The most liquid asset is cash. In addition to debtors, accounts receivable, and marketable securities, the fast assets also comprise other assets that are deemed reasonably liquid. Some reasons why inventories aren't as liquid as other types of assets include the fact that they take longer to turn into cash and that their value might change over time.

Quick Ratio Formula = Quick Assets / Current Liabilities

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Total Current Assets | 13,875.73 | 12,747.92 | 9,956.54 | 5,825.70 | 6,053.35 |
| Stock + Prepaid Expenses | 5,321.79 | 5,277.61 | 3,124.61 | 2,827.47 | 2,585.10 |
| Quick Assets = (Total Ca - (Stock + Prepaid Expenses) | 8,553.94 | 7,470.31 | 6,831.93 | 2,998.23 | 3,468.25 |
| Total Current Liabilities | 5,831.46 | 5,647.44 | 4,575.33 | 3,195.05 | 3,841.41 |
| **Quick Ratio** | **1.47** | **1.32** | **1.49** | **0.94** | **0.90** |




**Interpretation**

From the above calculations we can state that, Calulcated Quick Ratio for the year 2020-21 & 2021-22 shows the below the standard value i.e 0.90 & 0.94 resectively is less than the 1:1, so in this years the liquidity position is weak. Where as in the years 2022-23, 2023-24, 2024-25 the calculated value shows 1.49, 1.32, 1.47 respectively which is more than the standard value 1:1, so the companies liqidity position in these years are strong.

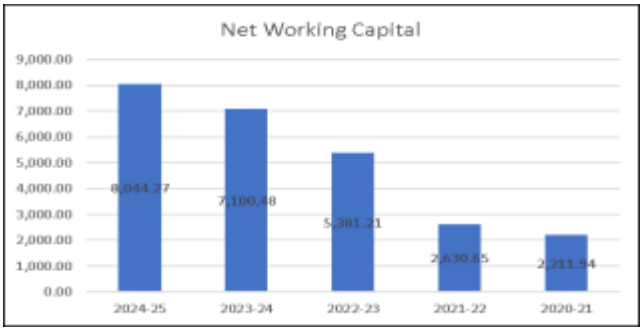
**Net Working Capital (NWC) Ratio**

It is the difference between a company's current assets and its current liabilities. It is an important financial metric that measures a company's liquidity and ability to meet short-term obligations

Net Working Capital =
Current Assets – Current Liabilities

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Total Current Assets | 13,875.73 | 12,747.92 | 9,956.54 | 5,825.70 | 6,053.35 |
| Total Current Liabilities | 5,831.46 | 5,647.44 | 4,575.33 | 3,195.05 | 3,841.41 |
| Net Working Capital | 8,044.27 | 7,100.48 | 5,381.21 | 2,630.65 | 2,211.94 |

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**Interpretation**

From the above data we can interpret that, Net Working Capital ratio is highest in the year 2024-25 i.e 8044.27 and lowest in the year 2020-21 i.e 2211.94.

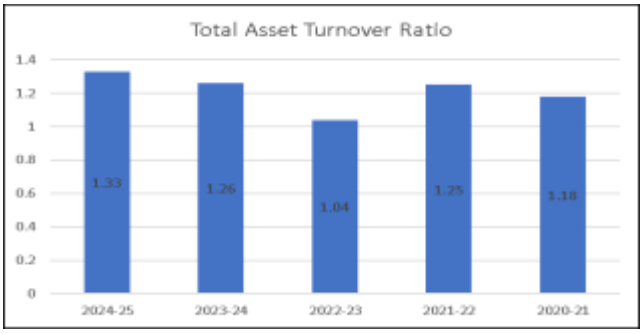
**Total Asset Turnover ratio**

In place of or in addition to net current assets, the total assets turnover ratio This ratio reveals how well a company is able to turn its total assets into revenue.

Formula

Total Asset turnover Ratio = Net Sales / Total Assets

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Sales | 29953.12 | 25002.09 | 18280.06 | 17025.61 | 16209.44 |
| Total Assets | 22,529.84 | 19,908.33 | 17,582.67 | 13,587.62 | 13,682.89 |
| **Total Asset Turnover Ratio** | **1.33** | **1.26** | **1.04** | **1.25** | **1.18** |




**Interpretation**

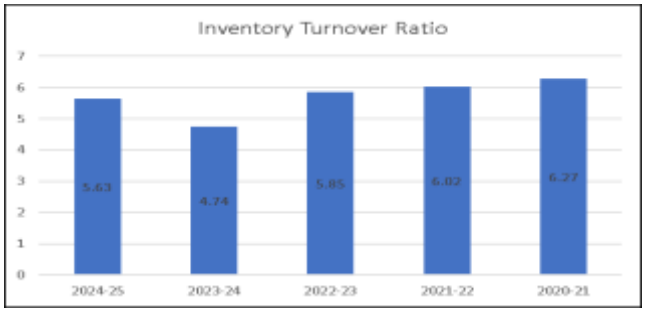
From the above data we can state that, Total Asset turnover ratio is more in the year 2024-25 i.e 1.33 which is 133% and lowest in the year 2022-23 i.e 1.04 which is 104%

**Inventory Turnover Ratio**

A high number indicates that the company is good at making and marketing its goods. This ratio shows the rate of inventory turnover. If you're concerned about liquidity, a high ratio is ideal. Inventory that does not sell quickly and remains unsold for an extended period of time is indicated by a low ratio.

Inventory Turnover ratio = Net Sales / Avg Inventory

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Sales | 29953.12 | 25002.09 | 18280.06 | 17025.61 | 16209.44 |
| Inventory | 5,321.79 | 5,277.61 | 3,124.61 | 2,827.47 | 2,585.10 |
| **Inventory Turnover Ratio** | **5.63** | **4.74** | **5.85** | **6.02** | **6.27** |




**Interpretation**

From the above data we can state that, Inventory Turnover ratio is Highest in the year 2020-21 i.e 6.27 and lowest in the year 2023-24 i.e 4.74

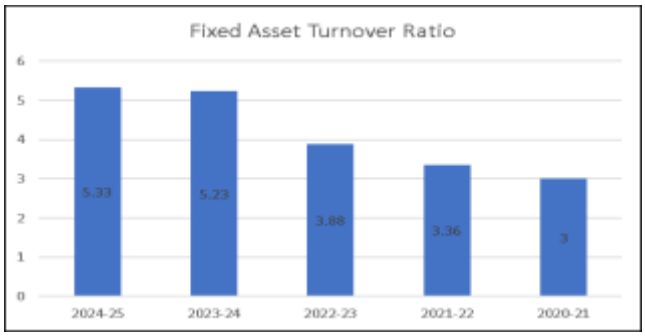
**Fixed Assets Turnover Ratio**

Turnover of Fixed Assets is a measure of sales relative to the investment in fixed assets in rupees. It is a way to find out how well the company is using its fixed assets. An efficient use of assets is indicated by a high degree of ratio, and vice versa.

Formula

Fixed Asset Turnover Ratio = Net Sales / Fixed Assets

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Sales | 29953.12 | 25002.09 | 18280.06 | 17025.61 | 16209.44 |
| Fixed Assets | 5,620.73 | 4,779.41 | 4,712.72 | 5,068.95 | 5,400.51 |
| **Fixed Asset Turnover Ratio** | **5.33** | **5.23** | **3.88** | **3.36** | **3.00** |



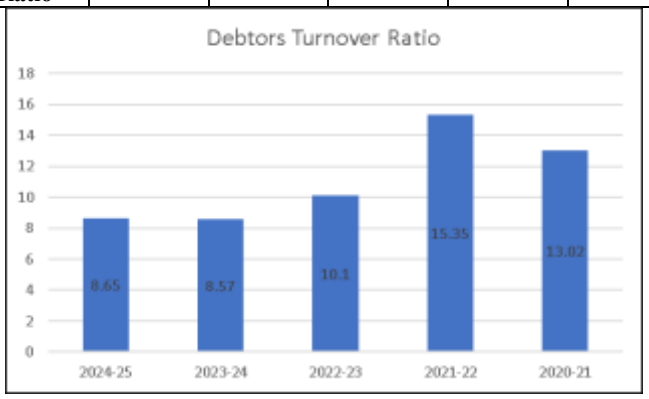
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**Interpretation**
From the above data we can interpret that, Fixed Asset Turnover ratio is highest in the year 2024-25 i.e 5.33 and lowest in the year 2020-21 i.e 3.

**Debtors Turnover Ratio**
It shows the annual turnover rate of borrowers. In most cases, a greater percentage of debtor turnover indicates better credit management. This ratio will show you how many days it will take to recover your debts.

Formulae
Debtors Turnover Ratio = Net Sales / Avg Debtors

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Sales | 29953.12 | 25002.09 | 18280.06 | 17025.61 | 16209.44 |
| Debtors | 3,462.61 | 2,915.77 | 1,809.75 | 1,109.22 | 1,244.95 |
| **Debtors Turnover Ratio** | **8.65** | **8.57** | **10.10** | **15.35** | **13.02** |

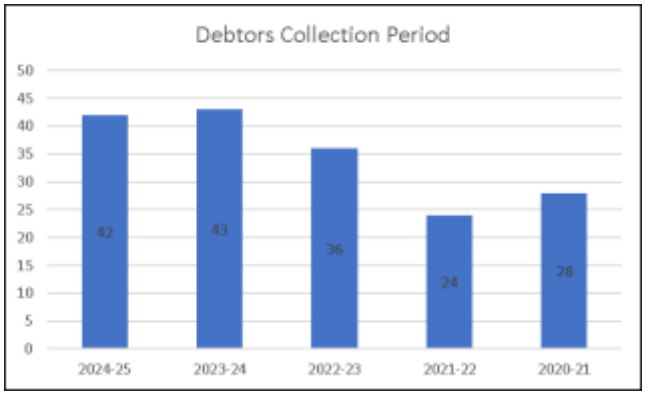



**Interpretation**
From the above data we can interpret that, Debtors Turn over ratio is highest in the year 2021-22 i.e 15.35 and lowest in the year 2023-24 i.e 8.57

**Debtor Collection Period**
The debtor's turnover ratio and the number of days it takes to finish a period are the primary factors that determine the debtor's payment period.

Formula
Debtors Collection Period = 365 Days / Debtors Turnover Ratio

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Sales | 29953.12 | 25002.09 | 18280.06 | 17025.61 | 16209.44 |
| Debtors | 3,462.61 | 2,915.77 | 1,809.75 | 1,109.22 | 1,244.95 |
| Debtors Turnover Ratio | 8.65 | 8.57 | 10.10 | 15.35 | 13.02 |
| Days | 365 | 365 | 365 | 365 | 365 |
| **Debtors Collection Period** | **42** | **43** | **36** | **24** | **28** |

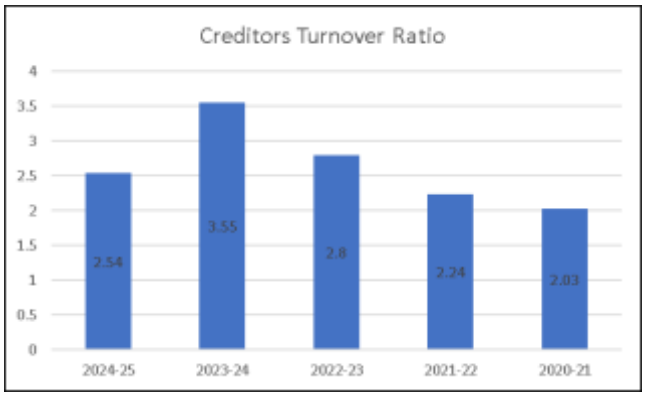



**Interpretation**
From the above data we can interpret that, Debtors collection period is highest in the year 2023-24 i.e 43 days and lowest in the year 2021-22 i.e. 24 days

**Creditors Turnover Ratio**
It shows the annual turnover rate of Suppliers. In most cases, a greater percentage of Creditors turnover indicates better credit management. This ratio will show you how many days it will take to pay the debts.

Formulae
Creditors Turnover Ratio = Net Purchases / Avg Creditors

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Purchases | 227.66 | 252.38 | 204.75 | 147.85 | 147.16 |
| Avg Creditors | 89.55 | 71.18 | 73.08 | 66.11 | 72.44 |
| **Creditors Turnover Ratio** | **2.54** | **3.55** | **2.80** | **2.24** | **2.03** |




**Interpretation**
From the above data we can state that, highest creditors turnover ratio is in the year 2023-24 i.e. 3.55 and lowest creditors turnover ratio is in the year 2020-21 i.e 2.03

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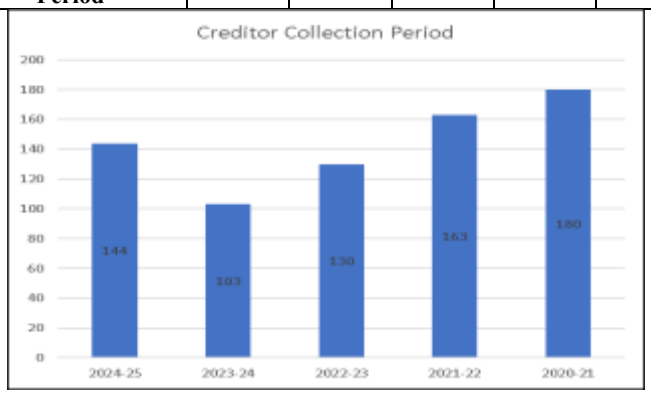
**Creditor Collection Period**

The Creditors turnover ratio and the number of days it takes to finish a period are the primary factors that determine the Creditors collection period.

Formula

Creditors Collection Period = 365 Days / Creditors Turnover Ratio

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Purchases | 227.66 | 252.38 | 204.75 | 147.85 | 147.16 |
| Avg Creditors | 89.55 | 71.18 | 73.08 | 66.11 | 72.44 |
| Creditors Turnover Ratio | 2.54 | 3.55 | 2.80 | 2.24 | 2.03 |
| Days | 365 | 365 | 365 | 365 | 365 |
| **Creditor Collection Period** | **144** | **103** | **130** | **163** | **180** |




**Interpretation**

From the above data we can state that, Highest Credit Payment Period is in the year 2020-21 i.e. 180 days and lowest payment period is in the year 2023-24 i.e. 103 days

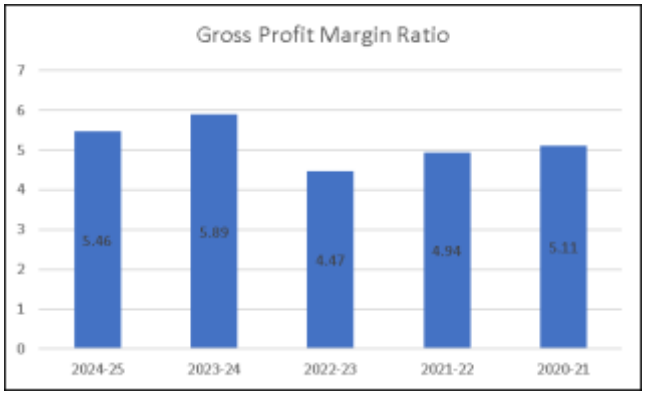
**Gross Profit Margin Ratio**

The correlation between selling price, sales volume, costs, and gross profit margin ratio is the product of these four variables. All of these things have the potential to affect gross profit margin. It stands for the threshold beyond which a decline in sales price is considered unacceptable.

Formulae

Gross Profit margin Ratio = Gross Profit / Net Sales x 100

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Net Sales | 29953.12 | 25002.09 | 18280.06 | 17025.61 | 16209.44 |
| Gross Profit | 5489.6 | 4247.87 | 4089.6 | 3446.23 | 3170.25 |
| **Gross Profit Margin Ratio** | **5.46** | **5.89** | **4.47** | **4.94** | **5.11** |




**Interpretation**

From the above data we can Interpret that, Gross Profit Margin Ratio is highest in the year 2023-24 i.e. 5.89 and lowest in the year 2022-23 i.e. 4.47

**Comparison of all the Ratios**

| Year | 2024-25 | 2023-24 | 2022-23 | 2021-22 | 2020-21 |
|---|---|---|---|---|---|
| Current Ratio | 2.38 | 2.26 | 2.18 | 1.82 | 1.58 |
| Quick Ratio | 1.47 | 1.32 | 1.49 | 0.94 | 0.90 |
| Net Working Capital | 8,044.27 | 7,100.48 | 5,381.21 | 2,630.65 | 2,211.94 |
| Total Asset Turnover Ratio | 1.33 | 1.26 | 1.04 | 1.25 | 1.18 |
| Inventory Turnover Ratio | 5.63 | 4.74 | 5.85 | 6.02 | 6.27 |
| Fixed Asset Turnover Ratio | 5.33 | 5.23 | 3.88 | 3.36 | 3.00 |
| Debtors Turnover Ratio | 8.65 | 8.57 | 10.10 | 15.35 | 13.02 |
| Debtors Collection Period | 42.19 | 42.57 | 36.14 | 23.78 | 28.03 |
| Creditors Turnover Ratio | 2.54 | 3.55 | 2.80 | 2.24 | 2.03 |
| Creditor Collection Period | 144 | 103 | 130 | 163 | 180 |
| Gross Profit Margin Ratio | 5.46 | 5.89 | 4.47 | 4.94 | 5.11 |



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## FINDINGS

- Working capital for the year 2020-21 to 2021-22 as net increase in the working capital i.e. 418.71 due to the current assets decreased.
- Working capital for the year 2021-22 to 2022-23 as net increase in the working capital i.e. 2750.56 due to the current assets decreased.
- Working capital for the year 2022-23 to 2023-24 as net increase in the working capital i.e. 1719.27 due to the current assets decreased.
- Working capital for the year 2022-23 to 2023-24 as net increase in the working capital i.e. 943.79 due to the current assets decreased.
- Current Ratio for the year 2020-21 & 2021-22 shows the below the standard value i.e 1.58 & 1.82 resectively is less than the 2:1, so in this years the liquidity position is weak. Where as in the years 2022-23, 2023-24, 2024-25 the calculated value shows 2:1 i.e 2.18, 2.26, 2.38 respectively which is more than the standard value 2:1, so the companies liqidity position in these years are strong.
- Quick Ratio for the year 2020-21 & 2021-22 shows the below the standard value i.e 0.90 & 0.94 resectively is less than the 1:1, so in this years the liquidity position is weak. Where as in the years 2022-23, 2023-24, 2024-25 the calculated value shows 1.49, 1.32, 1.47 respectively which is more than the standard value 1:1, so the companies liqidity position in these years are strong.
- Total Asset turnover ratio is more in the year 2024-25 i.e 1.33 which is 133% and lowest in the year 2022-23 i.e 1.04 which is 104%
- Inventory Turnover ratio is Highest in the year 2020-21 i.e 6.27 amd lowest in the year 2023-24 i.e 4.74
- Fixed Asset Turnover ratio is highest in the year 2024-25 i.e 5.33 and lowest in the year 2020-21 i.e 3
- Debtors Turn over ratio is highest in the year 2021-22 i.e 15.35 and lowest in the year 2023-24 i.e 8.57
- Debtors collection period is highest in the year 2023-24 i.e 43 days and lowest in the year 2021-22 i.e. 24 days
- Gross Profit Margin Ratio is highest in the year 2023-24 i.e. 5.89 and lowest in the yar 2022-23 i.e. 4.47

## SUGGESTIONS

- A company's long-term viability and financial health depend on its capacity to effectively manage its working capital.
- Be sure to predict your cash flows on a regular basis so you can prepare for times of plenty or scarcity. To avoid running out of stock or having too much, keep an ideal amount of inventory on hand.
- For efficient management of client credit, it is important to have clear credit rules. Reduce Days Sales Outstanding (DSO) by closely monitoring and collecting receivables as soon as possible.
- Maintain positive connections with suppliers while negotiating advantageous payment conditions. Seize the opportunity to save money by paying in advance.
- In order to negotiate better terms, it is important to cultivate good connections with essential suppliers. To have suppliers take charge of inventory management, look into vendor-managed inventory (VMI) agreements.
- Think about getting a line of credit or a short-term loan. Use supplier finance and trade credit to their full potential. Make use of technological solutions to streamline inventory management, payment processing, and invoicing.
- Financial procedures may be made more efficient and error-free with the use of automation.
- Keep an eye on the working capital-related key performance indicators (KPIs) on a regular basis. Modify plans in response to evolving company requirements and market circumstances.
- To help with financial decision-making, be sure to create precise and reasonable budgets. Keep an eye on costs that go over budget and make changes as needed.
- Prevent economic downturns and supply chain disruptions, which might affect working capital, by identifying and reducing these risks. Avoid taking unnecessary risks by relying on just one provider by spreading them out.

## CONCLUSION

A company's financial health and prosperity depend on its capacity to effectively manage its working capital. Companies may keep their assets and liabilities well-managed and their liquidity at an ideal level by using the correct tactics. A thorough framework for improving working capital efficiency is offered by the ideas, which include cash flow forecasting, inventory management, optimizing accounts receivable and payable, and integrating technology. It is essential to constantly monitor and adjust to new situations. Businesses need to be on the lookout for changing market and economic situations so they can adapt their working capital management methods appropriately. Businesses may better prepare themselves to face problems and take advantage of opportunities if they cultivate strong connections with their suppliers, embrace technology, and promote a culture of efficiency across the company. All things considered, a company's capacity to invest in development possibilities, react to market swings, and weather economic uncertainty is greatly improved by a well-managed working capital cycle. Businesses that want to be around for the long haul know that managing their working capital wisely is crucial to their financial strategy.

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