



# **A Study on Working Capital Management towards Ava Cholayil Health Care Pvt. Ltd., Chennai**

**Shwathika S, Sandhya V**

Student, Department of MBA, School of Management Studies, Sathyabama Institute of Science and Technology,  
Chennai, Tamil Nadu, India

Professor, Department of MBA, School of Management Studies, Sathyabama Institute of Science and Technology,  
Chennai, Tamil Nadu, India

## **ABSTRACT**

The term working capital means the circulation of capital in one form or another during the day to day operations business Working capital is defined in the annual survey of the industries to the include stock of material, stores, fuels, semi finished goods including work-in- progress and finished and by products, cash in hand and algebraic sum of sundry creditors. The objective of the study is to analyse working capital management in Ava Cholayil Health Care Pvt. Ltd., Chennai. The analytical research design is used on the study. Ratio analysis, common size balance sheet and comparative balance sheet tools have been applied to the study. It is found that current ratio has decreased from 1.48 to 1.42 in the year of 2020-2021 and 2021-22 and Debt ratio has decreased from 0.14 to 0.08 in the year of 2020-2021 to 2021-22. It is suggested that there should be close co-ordination between production, sales, inventory and credit collection .it should back by an efficient information system. It is concluded that credit policy aids in the retention of existing customers as well as the acquisition of new customers by luring them away from rivals. Better coordination across departments (such as sales, manufacturing, and purchasing) is critical since it helps to eliminate credit risk and reduces debt collection days.

**KEYWORDS:** Working Capital Management, Liquidity Management, Current Assets, Financial Efficiency

## **I. INTRODUCTION**

### **WORKING CAPITAL MANAGEMENT**

The movement of capital in whatever form during daily business activities is referred to as working capital. In the yearly survey of the industries, "working capital" is defined to encompass material stock, stores, fuels, semi-finished items, including work-in-progress and finished and by-products, cash on hand, and an algebraic sum of various creditors. Concerned with the issue that occurs while attempting to manage current assets and current liabilities is working capital management. Working capital management's primary objective is to manage a company's current assets and liabilities in such a way that a reasonable level of working capital is maintained, meaning that it is neither insufficient nor excessive—both of which are negative for any corporation. It would be wonderful if there were no scarcity of finances or working capital. A company's working capital management policies have a significant impact on its likelihood, liquidity, and structural health. As a result, working capital management is three dimensional. "Working Capital is the amount of funds necessary to cover the cost of operating the enterprise."A company's working capital could be thought of as its vital force. Its efficient management can contribute significantly to a company's success while its ineffective provision can ultimately bring about the failure of what was once thought to be a promising enterprise.

Working capital and fixed capital are the two basic forms of capital needed for a firm. The word "fixed capital" refers to the sum of money needed on a long-term basis to buy fixed assets including buildings, land, machinery, and other manufacturing facilities. Working capital is the portion of a company's capital that is required to finance current or short-term assets like marketable securities, debtors, and inventories, among others. The control of current assets relative to current liabilities is the subject of working capital management. A crucial aspect of financial management is working capital management. Insofar as the firm analyses their effects on return and risk, current assets and fixed assets are identical.

### OBJECTIVES OF THE STUDY

- To understand the working capital components of the company.
- To analyse the working capital efficiency of the company.
- To understand the profitability of the company
- To study the liquidity position of the firm.

### II. REVIEW OF LITERATURE

**Poojitha (2025)** Working capital is known as the life blood of the organizations. The Purpose of this study is to understand efficiency and utilization of working capital in the Kdmpmacu ltd., Vijayawada. Analyze for six years from 2011-12 to 2016-17. This study is based on the secondary data of the firm. The literature reveals that working capital is directly affects the profitability and liquidity of the firm and this study concludes that working capital is very much effects to the development of the firm. The importance of the working capital management is to study about the daily financial analysts operations on accounts of its intimate associations of the firm in that the short-term financial management is essential due to most of the assets deals with fixed assets.

**Hardcastle (2025)** studied that Working capital, sometimes called gross working capital, simply refers to the firm's total current assets (the short-term ones), cash, marketable securities, accounts receivable, and inventory. While long-term financial analysis primarily concerns strategic planning, working capital management deals with day-to-day operations. By making sure that production lines do not stop due to lack of raw materials, that inventories do not build up because production continues unchanged when sales dip, that customers pay on time and that enough cash is on hand to make payments when they are due. Obviously without good working capital management, no firm can be efficient and profitable.

**Pass C.L., Pike R.H (2024)**, studied that over the past 40 years major theoretical developments have occurred in the areas of longer-term investment and financial decision making. Many of these new concepts and the related techniques are now being employed successfully in industrial practice. By contrast, far less attention has been paid to the area of short-term finance, in particular that of working capital management. Such neglect might be acceptable were working capital considerations of relatively little importance to the firm, but effective working capital management has a crucial role to play in enhancing the profitability and growth of the firm. Indeed, experience shows that inadequate planning and control of working capital is one of the more common causes of business failure.

### III. RESEARCH METHODOLOGY

The study adopts an analytical research design. The sampling design adopted for the study is convenience sampling. The study is based entirely on secondary data. The sample consists of financial data for (2021-2025).

#### Data analysis and interpretation

TABLE No. 1

CURRENT RATIO			
Year	Current Assets	Current Liabilities	Ratio
2020-21	424.01	287.45	1.48
2021-22	481.53	339.4	1.42
2022-23	563.98	341.34	1.65
2023-24	479.04	301.32	1.59
2024-25	702.92	387.49	1.81

(Source: secondary data)

**Interpretation**

It shows that the current ratio has decreased from 1.48 to 1.42 in the year of 2020-21 and 2021-22. It has increased to 1.65 in the year of 2022-23. It has decreased to 1.59 in the year of 2023-24. It has increased to 1.81 in the year of 2024-25.

**TABLE No .2**

<b>QUICK RATIO</b>			
<b>Year</b>	<b>Quick assets</b>	<b>Current Liabilities</b>	<b>Ratio</b>
2020-21	205.97	287.45	0.72
2021-22	240.25	339.4	0.71
2022-23	274.43	341.34	0.8
2023-24	209.91	301.32	0.7
2024-25	414.65	387.49	1.07

(Source: secondary data)

**Interpretation**

It shows that the quick ratio has decreased from 0.72 to 0.71 in the year of 2020-21 to 2021-22. It has increased to 0.80 in the year of 2022-23. It has decreased to 0.70 in the year of 2023-24. It has increased to 1.07 in the year of 2024-25.

**TABLE No .3**

<b>GROSS PROFIT RATIO</b>			
<b>Year</b>	<b>Gross profit</b>	<b>Net sales</b>	<b>Ratio</b>
2020-21	499.25	1,147.48	43.51
2021-22	559.68	1,315.40	42.55
2022-23	639.4	1,582.10	40.41
2023-24	631.67	1,444.27	43.74
2024-25	847.38	1,531.47	55.33

(Source: secondary data)

**Interpretation**

It shows that the gross profit ratio has decreased from 43.51 to 42.55 in the year of 2020-21 to 2021-22. It has again decreased to 40.41 in the year of 2022-23. It has increased to 43.74 in the year of 2023-24. It has further increased to 55.33 in the year of 2024-25.

**TABLE No.4**

<b>OPERATING PROFIT RATIO</b>			
<b>Year</b>	<b>Operating profit</b>	<b>Net sales</b>	<b>Ratio</b>
2020-21	148.61	1,147.48	12.95
2021-22	182.55	1,315.40	13.88
2022-23	202.14	1,582.10	12.78
2023-24	185.9	1,444.27	12.87
2024-25	261.59	1,531.47	17.08

(Source: secondary data)

**Interpretation**

It shows that the operating profit ratio has increased from 12.95 to 13.88 in the year of 2020-21 to 2021-22. It has decreased to 12.78 in the year of 2022-23. It has increased to 12.87 in the year of 2023-24. It has increased to 17.08 in the year of 2024-25.

**TABLE No.5**

<b>NET PROFIT RATIO</b>			
<b>Year</b>	<b>Net profit</b>	<b>Net sales</b>	<b>Ratio</b>
2020-21	66.05	1,147.48	5.76
2021-22	80.1	1,315.40	6.09
2022-23	96.65	1,582.10	6.11
2023-24	101.83	1,444.27	7.05
2024-25	148.21	1,531.47	9.68

(Source: secondary data)

**Interpretation**

It shows that the net profit ratio has increased from 5.76 to 6.09 in the year of 2020-21 to 2021-22. It has increased to 6.11 in the year of 2022-23. It has again increased to 7.05 in the year of 2023-24. It has further increased to 9.68 in the year of 2024-25.

**TABLE No.6**

<b>RETURN ON INVESTMENT</b>			
<b>Year</b>	<b>Operating profit</b>	<b>Capital employed</b>	<b>Ratio</b>
2020-21	148.61	576.69	0.26
2021-22	182.55	604.65	0.3
2022-23	202.14	801.38	0.25
2023-24	185.9	761.41	0.24
2024-25	261.59	917.92	0.28

(Source: secondary data)

**Interpretation**

It shows that the return on investment ratio has increased from 0.26 to 0.30 in the year of 2020-21 to 2021-22. It has decreased to 0.25 in the year of 2022-23. It has again decreased to 0.24 in the year of 2023-24. It has increased to 0.28 in the year of 2024-25.

**TABLE No.7**

<b>TREND PERCENTAGE OF NET PROFIT</b>		
<b>Year</b>	<b>Net profit</b>	<b>Trend</b>
2020-21	66.05	100
2021-22	80.1	121.27
2022-23	96.65	146.32
2023-24	101.83	154.17
2024-25	148.21	224.39

(Source: secondary data)

**Interpretation**

It shows that the trend percentage of net profit has increased from 100 to 121.27 in the year of 2020-21 to 2021-22. It has again increased to 146.32 and 154.17 in the year of 2022-23 and 2023-24 respectively. It has further increased to 224.39 in the year of 2024-25.

**IV. SUGGESTIONS**

- The firm ought to enhance its current assets or minimize short-term liabilities so as to have a stable current ratio.
- The company needs to improve management of its liquid assets to ensure that there is consistency in the quick ratio.
- The company must be able to use the unnecessary cash that it has rather than keeping money that is idle.
- The company can pay attention to the cost control and pricing strategies in order to increase gross profit ratio.
- The firm must also maintain its operational efficiency in order to maintain the growth in the operating profit
- The company must have a good cost management and revenue management to ensure a growth of net profit.
- The company needs to make more effective investments to enhance further on the return on investment.
- The company is expected to keep up with the efficiency of managing the inventory to have a steady inventory turnover ratio.
- The company ought to have an optimum capital structure through balance between debt and equity.
- The company should keep on lowering the unnecessary liabilities to ensure the company has a healthy debt ratio.
- The company ought to maintain sales growth by advertising and growth strategies.
- The firm ought to work on the strategies of profitability improvement to sustain the rising trend of net profit.

**V. CONCLUSION**

Any company's success is dependent on its ability to manage its working capital effectively. Working capital management is strong, according to the report. Working capital management is in excellent shape, according to the corporation, and profit levels are on the rise. However, in order to provide a better commercial outcome, management may focus on using a more scientific technique to manage working capital. Before modifying credit policy variables, a thorough examination of sales growth and sales levels should be conducted. Credit policy aids in the retention of existing customers as well as the acquisition of new customers by luring them away from rivals. Better coordination across departments (such as sales, manufacturing, and purchasing) is critical since it helps to eliminate credit risk and reduces debt collection days.

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