

A Study on Analysis of Working Capital Management in Prime Roads Pvt Ltd.

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ABSTRACT: This internship report provides a comprehensive overview of my experience at Prime Roads. It details the key responsibilities undertaken during the internship, including understanding production processes, quality control practices, inventory handling, and operational support within the organization. The report also explores the company's manufacturing systems, supply chain operations, and adherence to quality and safety standards in the road infrastructure industry. Additionally, it highlights the valuable insights gained through practical exposure and interaction with industry professionals. Prime Roads, a well-established company in the field of road safety and infrastructure, is known for manufacturing and supplying thermoplastic road marking materials, reflective glass beads, and other traffic safety solutions. The organization provided a dynamic environment to understand how manufacturing operations, quality assurance, and project execution are managed in a real-world business setting. During my internship, I had the opportunity to observe and participate in various operational activities such as production workflow analysis, material handling, and quality inspection processes, which are essential for ensuring product reliability and performance.

KEYWORDS: Working capital management, Accounts receivable management, Accounts payable management, Cash conversion cycle

I. INTRODUCTION

Working capital management is a fundamental aspect of financial management that plays a crucial role in ensuring the liquidity, operational efficiency, and financial stability of business organizations. Effective working capital management enables firms to meet their short-term obligations, sustain day-to-day operations, and achieve long-term growth. It involves managing current assets such as cash, inventory, and accounts receivable, along with current liabilities such as accounts payable and short-term borrowings. An optimal balance between liquidity and profitability is essential for the smooth functioning of any manufacturing enterprise. The importance of working capital management lies in its direct influence on a company's operational continuity and financial performance. Inadequate working capital can disrupt production activities, delay payments, and lead to financial distress; whereas excessive working capital may result in inefficient utilization of resources and reduced profitability. Therefore, efficient planning, control, and monitoring of working capital components are necessary to enhance organizational performance and minimize financial risks.

This study focuses on the analysis of working capital management with reference to Prime Roads, a manufacturing company engaged in the production of thermoplastic road marking paints and other road safety infrastructure materials. As a manufacturing organization, Prime Roads requires substantial investment in raw materials, inventory, and receivables to support continuous production and project-based supply requirements. Efficient management of working capital is critical for the company to maintain uninterrupted manufacturing operations, meet client demands, and remain competitive in the infrastructure and construction materials industry. The dynamic nature of the manufacturing sector, characterized by fluctuating raw material prices, project-based demand, and competitive market conditions, makes working capital management a strategic necessity for Prime Roads. Proper control over inventory levels, timely collection of receivables, and effective management of payables are essential to maintain liquidity and reduce financing costs. In this context, analyzing the working capital practices of Prime Roads provides valuable insights into how manufacturing companies manage short-term financial resources to support operational efficiency and profitability.

OBJECTIVES OF THE STUDY

- To study the concept and importance of working capital management in a manufacturing organization.
- To analyze the structure and components of working capital of Prime Roads Pvt Ltd.
- To examine the efficiency of current assets and current liabilities management.
- To evaluate the liquidity position of the company using relevant financial ratios.
- To study the management of inventory, receivables, and payables.

II. REVIEW OF LITERATURE

Uzoamaka Gloria et al. (2023) examined working capital management strategies in Nigerian manufacturing industries and their impact on firm value measured through Earnings Per Share (EPS). The study found that inefficient management of accounts receivable negatively affects firm value. This insight is applicable to Prime Roads, where delayed payments from clients or government bodies can adversely affect liquidity and project continuity.

Zaid Tareq Abdulhameed (2022) emphasized that efficient working capital management is as important as long-term financial management. The study highlighted that poor coordination between current assets and current liabilities can result in financial distress. This observation is highly relevant to Prime Roads, where mis matches between inflows and outflows can delay project completion and increase borrowing costs.

Aditya Banerjee et al. (2021) examined the relationship between working capital management efficiency, measured through the cash conversion cycle (CCC), and stock market performance of non-financial Indian firms listed on the Bombay Stock Exchange. Using the Generalized Method of Moments (GMM), the study identified a negative association between CCC efficiency and stock performance. The findings indicate that firms with inefficient working capital cycles tend to underperform in the market. This study is relevant to Prime Roads, as prolonged cash conversion cycles due to delayed project payments can negatively affect financial performance and investor confidence.

III. RESEARCH METHODOLOGY

This study adopts a 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 (2022-2023 to 2025-2026).

Data analysis and interpretation

Table No. 1 OPERATING CYCLE

PARTICULARS	YEAR 1 (2022-2023)	YEAR 2 (2023-2024)	YEAR 3 (2024-2025)	YEAR 4 (2025-2026)
Average Inventory	204.13	301.53	333.87	278.41
Cost of Goods Sold (COGS)	4434.44	5046.58	3694.43	3467
Inventory Holding Period (Days)	16days	21days	32days	29days
Average Debtors	1040.61	1161.4	884.22	963.18
Net Credit Sales	3021.42	3942.21	2955.26	4459.22
Debtors Collection Period (Days)	125days	107days	109days	78days
Operating Cycle(Days)	142days	128days	142days	108days

Source: Primary data

Interpretation

The operating cycle of the company showed fluctuations during the study period from 2022–2023 to 2025–2026. In 2022–2023, the operating cycles toad at 142days, which decreased to 128 days in 2023–2024, indicating improved efficiency in inventory and receivables management. However, it again increased to 142 days in 2024–2025, suggesting a slower conversion of working capital into cash. In 2025–2026, the operating cycle reduced significantly to 108 days, reflecting better working capital management and faster realization of cash. Overall, the reduction in the latest year indicates an improvement in the company’s operational efficiency.

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Table No. 2 CASH INTO INVENTORY

YEAR	DIO	DSO	DPO	CCC
2022-2023	16.8	125	146	-4
2023-2024	22	108	155	-25
2024-2025	32	109	158	-17
2025-202	29.3	79	154	-46

Source: Primary data

Interpretation

The Cash Conversion Cycle (CCC) of the company remained negative throughout the study period, indicating efficient working capital management where cash is recovered before payments to suppliers are due. In 2022–2023, the CCC was – 4 days, showing a slightly favourable position. This improved further in 2023–2024 with the CCC reducing to – 25 days, reflecting stronger control over receivables and payables. In 2024–2025, the CCC increased to –17 days, indicating a temporary slowdown in efficiency. However, in 2025–2026, the CCC declined sharply to –46 days, highlighting a significant improvement in cash management as the company was able to convert cash into inventory and sales while delaying cash outflows more effectively. Overall, the consistently negative CCC demonstrates strong liquidity and efficient cash flow management.

Table No. 3 INVENTORY INTO ACCOUNTS RECEIVABLES

YEARS	COGS(Inlaks)	AVG INVENTORY(Inlaks)	INVENTORY CONVERSION PERIOD(In days)
2022-2023	204	4434.4	17
2023-2024	301.5	5046.5	22
2024-2025	333.87	3694.43	33
2025-2026	278.4	3467	29

Source: Primary data

Interpretation

The above table shows the inventory conversion period of the company for the four years. In the year 2022–2023, the inventory was converted into sales in 17 days, indicating efficient inventory management. In 2023–2024, the conversion period slightly increased to 22 days, showing a small delay in selling inventory. In 2024–2025, the inventory conversion period further increased to 33 days, which indicates that the company took more time to convert its inventory into sales. However, in 2025–2026, the conversion period reduced to 29 days, suggesting some improvement in inventory management. Overall, the company’s inventory turnover shows fluctuations during the study period, but it maintains a relatively moderate time in converting inventory into sales.

Table No. 4 CURRENT ASSETS TO FIXED ASSETS RATIO

YEAR	CURRENT ASSETS	FIXED ASSETS	CURRENT TO FIXED ASSETS RATIO
2022-2023	1746	766	2.2
2023-2024	1889	1040	1.8
2024-2025	1461	764	1.9
2025-2026	1336	825	1.6

Source: Primary data

Interpretation

The Current Assets to Fixed Assets Ratio shows how much current assets are available compared to fixed assets in the company. In 2022–2023, the ratio was 2.2, indicating that the company had higher current assets compared to fixed assets. In 2023–2024, the ratio decreased to 1.8, showing a slight increase in fixed asset investment or reduction in current assets. In 2024–2025, the ratios lightly improved to 1.9, suggesting a moderate balance between current and fixed assets. However, in 2025–2026, the ratio declined to 1.6, indicating that the proportion of current assets has reduced compared to fixed assets. Overall, the trend shows a gradual decline in the ratio, which suggests that the company is increasingly investing more in fixed assets relative to current assets.

Table No. 5 CURRENT ASSETS TO HOLDING PERIOD

YEAR	CURRENTASSETS	NET SALES	HOLDINGPERIOD
2022-2023	1746	3442	185
2023-2024	1889	4803	144
2024-2025	1461	3617	147
2025-2026	1336	3876	126

Source: Primary data

Interpretation

The Current Assets to Holding Period indicates the number of days the company takes to convert its current assets into sales. In 2022–2023, the holding period was 185 days, which shows that the company took a longer time to convert its current assets into sales. In 2023–2024, the holding period reduced to 144 days, indicating improved efficiency in utilizing current assets to generate sales. In 2024–2025, the holding period slightly increased to 147 days, showing a minor slowdown in the conversion process. However, in 2025–2026, the holding period further decreased to 126 days, which reflects better management and faster conversion of current assets into sales. Overall, the trend shows an improvement in efficiency as the holding period has decreased over the years.

Table No. 6 CURRENT RATIO

YEAR	CURRENT ASSETS (INLAKHS)	CURRENT LIABILITY(INLAKHS)	CURRENT RATIO
2022-2023	2560	1412	1.81
2023-2024	1895	2419	0.78
2024-2025	1461	2045	0.71
2025-2026	1334	1815	0.73

Source: Primary data

Interpretation

The table shows the current ratio of the company from 2022–2023 to 2025–2026. In 2022–2023, the current ratio was 1.81, indicating that the company had sufficient current assets to meet its short-term liabilities. However, in 2023–2024, the ratio decreased sharply to 0.78, showing that current liabilities exceeded current assets. The ratio further declined to 0.71 in 2024–2025 and slightly improved to 0.73 in 2025–2026, but it still remained below 1. This indicates that during the last three years the company faced weak short-term liquidity, as it did not have enough current assets to fully cover its current liabilities.

Table No. 7 WORKINGCAPITALTURNOVERRATIO:

YEAR	NET SALES (INLAKHS)	WORKING CAPTIAL (INLAKHS)	WORKING CAPITAL TO RATIO
2022-2023	3442	1148	2.99
2023-2024	4803	(-524)	(-9.16)
2024-2025	3617	(-584)	(-6.10)
2025-2026	3876	(-481)	(-8.05)

Source: Primary data

Interpretation

The tables how the working capital turnover ratio of the company from 2022–2023 to 2025–2026. In 2022–2023, the ratio was 2.99, indicating efficient utilization of working capital to generate sales. However, from 2023–2024 onwards, the working capital became negative, resulting in negative turn over ratios of -9.16, -6.10, and -8.05 in the following years. This indicates that current liabilities exceeded current assets, leading to negative working capital. It reflects that the company relied heavily on short-term liabilities to support its operations, which may create liquidity risk in the long run.

IV. SUGGESTIONS

- ❖ Implement a robust demand forecasting system using historical data, market trends, and seasonal analysis.
- ❖ Optimize inventory levels by implementing just-in-time (JIT) inventory management and analyzing inventory turnover ratios.
- ❖ Develop a strategy for inventory clear anchor disposal, and implement a first-in, first-out (FIFO) inventory system.
- ❖ Conduct regular physical inventory counts and develop and enforce inventory policies and procedures.
- ❖ Develop and implement a credit policy that outlines credit terms, limits, and collection procedures.
- ❖ Monitor accounts receivable aging and take prompt action on overdue invoices, offering discounts or incentives for early payments.
- ❖ Negotiate with suppliers to extend payment terms or offer early payment discounts, and implement a payment automation system.
- ❖ Develop a cash flow forecast to anticipate and manage cash inflows and outflows, and implement a cash management system to optimize cash balances and reduce borrowing costs.
- ❖ Conduct a comprehensive review of fixed assets to identify underutilized or obsolete assets, and develop a plan to dispose for purpose them.
- ❖ Implement a preventive maintenance program to ensure optimal asset performance, and develop and enforce asset maintenance policies and procedures.
- ❖ Offer discounts or incentives for early payments, and develop a loyalty program to encourage prompt payments.
- ❖ Negotiate with suppliers to extend payment terms or offer early payment discounts, and implement a payment scheduling system.
- ❖ Monitor accounts payable aging and take advantage of early payment discounts, developing and maintaining good relationships with suppliers.
- ❖ Regularly review and update forecasts to ensure accuracy, and monitor inventory levels and adjust as needed.
- ❖ Conduct regular physical inventory counts and review accounts receivable and payable aging.
- ❖ Monitor cash flow added just the cash management strategy as needed, reviewing and updating the comprehensive plan annually.

V. CONCLUSION

Optimizing working capital management within Prime Roads through efficient inventory control and streamlined operational practices plays a crucial role in enhancing overall financial performance. The adoption of structured inventory techniques, including demand-based production planning and minimized stock holding, helps reduce excess inventory while ensuring uninterrupted production of thermoplastic road marking materials and related safety products.

Simultaneously, improving receivables management by implementing effective collection procedures accelerates cash inflows, thereby strengthening liquidity and reducing the operating cycle. Strategic coordination with suppliers and negotiation of favorable credit terms further supports better cash outflow management and financial stability. The integration of modern technological systems, such as ERP-based solutions, enables real-time tracking of inventory, receivables, and payables, thereby improving transparency and supporting informed decision-making. Regular monitoring of financial performance indicators, combined with efficient planning and control mechanisms, allows the company to identify operational gaps and respond proactively to changing market conditions.

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