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WORKING CAPITAL MANAGEMENT IN TAMILNADU NEWSPRINT AND PAPERS LIMITED AT PUGALUR, KARUR DIST

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Keywords

Working Capital, Net Working Capital (NWC), Current Assets, Current Liabilities, Circulating Capital, Short-term Financial Health, Operational Efficiency.

Abstract

Working capital represents a firm's net investment in current assets necessary for daily business operations. It is formally calculated as the difference between current assets and current liabilities, indicating a company's short-term financial health and operational efficiency. Also known as circulating capital, it constantly changes from within a business cycle.

Working capital evaluation depends on factors such as business nature, seasonal fluctuations, production policies, market conditions, and supply chain dynamics. Metrics like the cash conversion cycle (CCC) and return on capital (ROC) help assess cash flow efficiency and cost-effectiveness. Proper management of working capital enhances firm value, reduces financial risk, and ensures smooth business operations.

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1. INTRODUCTION

Capital is formally arrived at by subtracting the current liabilities from current assets of a firm on the day the balance sheet is drawn up. Working capital is also represented by a firm's net investment in current assets necessary to support its everyday business. Working capital frequently changes its from and is sometimes also referred to as circulating capital According to Gutenberg: "circulating capital means current assets of a company that are changed in the ordinary course of business from one from to another."

2. REVIEW OF LITERATURE

Głodowska & W. W. (2025) examine Polish listed construction companies and find that a balanced WCM strategy—featuring moderate liquidity—offers the best trade-off between profitability and risk. Their findings suggest that neither overly aggressive nor overly conservative approaches are ideal in this sector.

Mehta, Singh, & Dipika (2025) conduct a systematic literature review and content analysis of working capital management (WCM) efficiency drivers, finding that firm-specific factors are the dominant influences on WCM. However, they call for more conclusive research exploring behavioral and top management attributes to fully understand the complexity of WCM efficiency.

Roy, Bhatt, Dani, Singh, Vasudevan, & Singh (2025) demonstrate that skilled managerial ability significantly and positively drives WCM efficiency. Their study highlights that such impact is especially pronounced in firms with lower market valuations, where managerial decisions can substantially affect capital management outcomes.

Owusu-Ansah & Agyapong (2024) analyse post-COVID-19 WCM in Ghanaian manufacturing firms and reveal a continued cautious approach to liquidity. Firms continue to prioritize the management of receivables and payables as part of a risk-averse WCM strategy to safeguard financial stability.

3. OBJECTIVES OF THE STUDY

- ❖ To Study the changes in TNPL's Working Capital from 2021 to 2025 using Trend Analysis.
- ❖ To Analyse Working Capital using financial ratios like Current ratio, Quick ratio, and Turnover ratios.

4. PROBLEM STATEMENT

Inefficient working capital management can lead to liquidity issues, higher operational costs, and reduced profitability for the company. The problem lies. In identifying and addressing inefficiencies in managing current assets such as cash, receivables, and inventory, as well as current liabilities like payables and short-term debt. This analysis aims to assess the company's working capital performance, identify areas of improvement, and recommend strategies to optimise liquidity, enhance operational efficiency, and ensure financial stability.

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5. RESEARCH METHODOLOGY

Research design states "A research is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research design purpose with economy in procedure." The research design serves as the blueprint for the study, guiding the collection, measurement, and analysis of data. This study adopts both analytical and descriptive research designs:

1. Analytical Research Design: This design is used to analyze existing data and interpret it to draw conclusions about the financial performance of Tamilnadu Newsprint and Papers Limited. The researcher examines historical data, financial statements, and other relevant records to identify trends and patterns.

2. Descriptive Research Design: This design helps in describing the financial characteristics of the company. It provides a detailed account of the company's financial position, profitability, liquidity, and efficiency over the study period.

6. STATISTICAL TOOLS USED FOR ANALYSIS

To analyze the collected data effectively, the following statistical tools and techniques have been employed:

1. RATIO ANALYSIS: This involves calculating and interpreting various financial ratios to assess the company's profitability, liquidity, solvency, and efficiency. Key ratios include: o Profitability Ratios (e.g., Net Profit Margin, Return on Assets) o Liquidity Ratios (e.g., Current Ratio, Quick Ratio) o Solvency Ratios (e.g., Debt-Equity Ratio) Efficiency Ratios (e.g., Inventory Turnover, Asset Turnover)

2. TREND ANALYSIS: This technique identifies patterns and trends in financial data over the study period. By comparing financial metrics across different years, the researcher can detect growth rates, fluctuations, and d long-term movements in the company's performance.

RATIO ANALYSIS AND INTERPRETATION

Table Showing the Current Ratio Analysis

Year	Current Asset (₹ in lakhs)	Current Liabilities (₹ in lakhs)	Current Ratio
2020-2021	138708.73	206517.9	0.7
2021-2022	103498.27	219048.32	0.5
2022-2023	156429.43	260200.35	0.6
2023-2024	164494.77	246882.51	0.6
2024-2025	163269.00	248648.00	0.6

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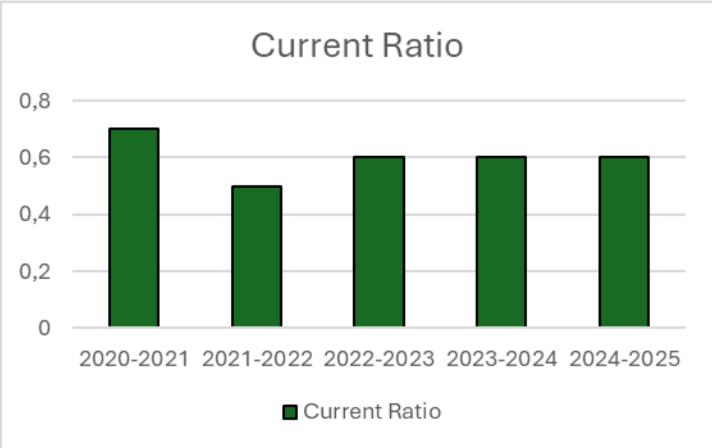
Chart Showing the Current Ratio Analysis



INTERPRETATION

The current ratio is a key indicator of a company's short-term financial health and its ability to meet current liabilities using current assets. A standard benchmark is 1.5 to 2.0, meaning the firm has enough assets to comfortably meet its short-term obligations. From the table In 2020–2021, the current ratio was 0.7, which is below the ideal level, suggesting potential liquidity issues. The ratio declined to 0.5 in 2021–2022, indicating a further weakening of short-term financial health. For the next three years (2022–2023 to 2024–2025), the current ratio stabilized around 0.6, but still remained below the recommended level.

Table Showing the Trend Analysis for Net Profit

Year	Net Profit (₹ in lakhs)	Trend value
2020-2021	-11734.85	100
2021-2022	2203.19	-18.77
2022-2023	60276.00	2735.85
2023-2024	32476.31	53.87
2024-2025	530.00	1.63

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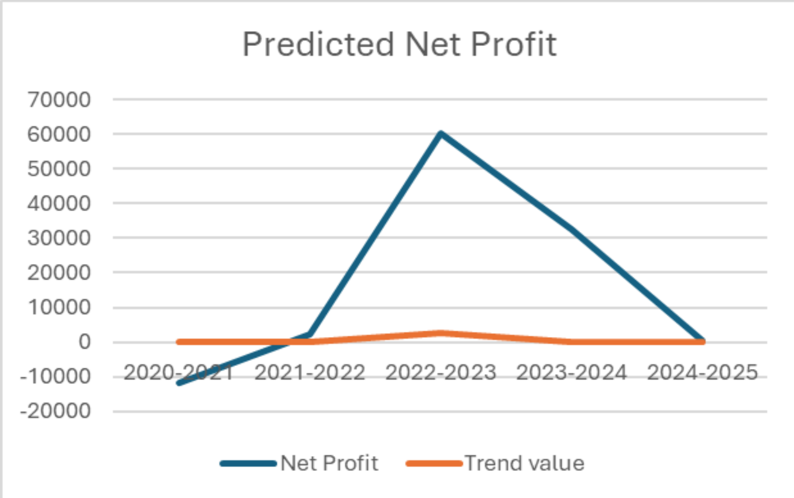
Table Showing the Trend Analysis for Net Profit



INTERPRETATION

Net profit shows a dramatic turnaround from a loss in 2020–2021 to a peak in 2022–2023. The sharp rise in 2022–2023 indicates strong profitability, possibly due to improved operations or cost control. However, profits declined in the following years, suggesting reduced efficiency or market challenges. The trend value in 2021–2022 was negative, reflecting recovery from losses. By 2024–2025, profit dropped significantly, nearing break-even levels. Overall, the data highlights a volatile profit pattern with a brief high-performance phase.

7. FINDINGS & SUGGESTIONS

To study the changes in TNPL's working capital from 2021 to 2025 using trend analysis**.** The trend analysis showed that TNPL's working capital levels changed significantly over the five-year period. While there were years of improvement, some years showed a decline, reflecting inconsistency in short-term financial management. To analyze working capital using financial ratios like current ratio, quick ratio, and turnover ratio**.** The ratio analysis showed that TNPL's current ratio remained below the ideal 2:1 throughout the study period, indicating tight liquidity. However, the inventory turnover ratio was strong, showing good inventory management, and the working capital turnover ratio was high, suggesting efficient use of working capital in generating revenue.

In certain years, the current ratio is not adequate. The researchers' advices the business to raise for the present ratio level in upcoming training sessions. Current liabilities and current assets are in balance. This can go on for the outcome that you want. Over the course of the five years of the study. The company's working capital displays negative dependency. This suggest that the company does not have enough working cash. Therefore, in the next years, the corporations should focus on increasing its working capital.

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8. CONCLUSION

The study on Working Capital Management at Tamil Nadu Newsprint and Papers Limited (TNPL) reveals that while the company has shown an overall improvement in financial performance, including a notable increase in annual turnover driven by effective cost-control strategies, its working capital position requires closer attention. Although TNPL's financial condition is generally satisfactory, the company is approaching a negative working capital situation in upcoming financial years. If unaddressed, this could hinder future growth and operational stability. The current trend suggests that the financial management team has prioritized profitability over liquidity, aiming to keep working capital at what is perceived to be an optimal level. However, this strategy could risk short-term solvency if current liabilities begin to outpace current assets.

9. AUTHOR(S) CONTRIBUTION

The writers affirm that they have no connections to, or engagement with, any group or body That provides financial or non-financial assistance for the topics or resources covered in this Manuscript.

10. CONFLICTS OF INTEREST

The authors declared no potential conflicts of interest with respect to the research, authorship, And/or publication of this article.

11. PLAGIARISM POLICY

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