

A Study on Liquidity Management and Effect on Profitability in SUNRAJA Oil Industries Pvt Ltd. International Journal of Multidisciplinary Research & Reviews, Vol. 5, Special Issue-1, pp. 107-112.



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A STUDY ON LIQUIDITY MANAGEMENT AND EFFECT ON PROFITABILITY IN SUNRAJA OIL INDUSTRIES PVT LTD

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Keywords	Abstract
<i>Liquidity Management, Profitability, Working Capital, Financial Ratios, Edible Oil Industry, Sunraja Oil Industries, Inventory Control, Receivables Management.</i>	This study analyses the relationship between liquidity management and profitability at Sunraja Oil Industries Pvt. Ltd., a key regional player in India's competitive edible oil industry. Using an analytical research design based on financial data spanning 2020–2024, the study evaluates the company's short-term solvency, operational efficiency, and capital management. The findings indicate that Sunraja has demonstrated inconsistent working capital management, with the Current Ratio frequently falling below the recommended industry benchmark of 2:1 during the study period. Specifically, liquidity pressure was noted in 2022 and 2024, attributed to rising trade payables, slower inventory turnover, and delayed customer receivables. A clear correlation was established: efficient working capital management directly correlates with improved profit margins, while weak liquidity control, driven by high raw material costs and slow receivable collections, inversely impacted the Net Profit Margin. Recommendations focus on implementing stricter credit control, utilizing modern inventory techniques (like EOQ/ABC analysis), and optimizing the payables strategy to improve cash conversion cycles and ensure sustained financial growth.

1. INTRODUCTION

This study seeks to analyze the overall performance, structure, and strategic direction of Sunraja Oil Industries Pvt. Ltd. It focuses on understanding the company's financial efficiency, operational management, and its response to competitive and economic challenges in the edible oil sector. The



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research also examines how organizational factors, leadership, and market strategies influence the company's sustainability and growth prospects. By combining financial analysis, SWOT evaluation, and organizational assessment, the study aims to provide a comprehensive picture of how Sunraja Oil Industries Pvt. Ltd. functions and competes in a rapidly changing business environment, emphasizing the role of sound financial management in ensuring sustainable profitability. The insights derived from this analysis will be valuable for management decision-making, future planning, and academic understanding of small and medium-scale enterprises in India's agro-based industries.

2. OBJECTIVES OF THE STUDY

- To evaluate the company's financial health using key financial ratios such as liquidity, profitability, and solvency ratios.
- To analyse the overall performance and strategic position of Sunraja Oil Industries Pvt. Ltd. in terms of financial efficiency, operational effectiveness, and market competitiveness.

3. REVIEW OF LITERATURE

Ajayi (2021): Banking sector study (Nigeria) finds a positive relationship between liquidity management (liquid ratios, loan-to-asset mixes) and bank profitability. Sectoral dynamics differ from non-financial firms.

Garg & Singh (2023): Working Capital Management on the Firm's Profitability of Steel Sector Firms in India Steel sector, India Sectoral edge. Steel has long inventory cycles, raw material cost volatility. This study gives insight into how big real-world constraints influence liquidity's effect on profit.

Haris, M. et al. (2024) — The impact of liquidity risk and credit risk on bank profitability during COVID-19. Compares Q1-2020–Q4-2021 and shows that liquidity risk significantly altered profitability dynamics during the pandemic, interacting with credit risk; banks with better liquidity.

4. RESEARCH METHODOLOGY

A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It involves defining the research problem, determining how to collect the data and from whom, establishing how the data will be analyzed, estimating costs, and preparing the research proposal. In simple terms, it is a framework or plan for a study that guides the systematic collection and analysis of data.

5. STATISTICAL TOOL USED FOR ANALYSIS

- Ratio Analysis: This involves calculating and interpreting various financial ratios to assess the company's liquidity, financial stability, and operational efficiency. Key ratios include:
- Liquidity Ratios (Current Ratio, Quick Ratio, Cash Ratio) to measure the company's ability to meet short-term obligations.



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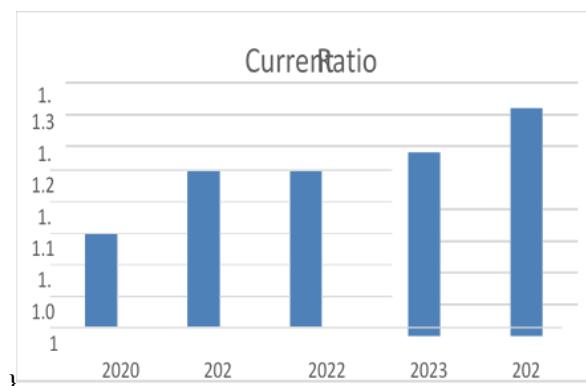
- Profitability Ratios (e.g., Net Profit Margin, Return on Assets, Return on Equity) to evaluate the impact of liquidity management on profitability.
- Trend Analysis: This technique identifies patterns and trends in liquidity and financial performance over the study period (2020–2024). By comparing liquidity ratios and working capital metrics across different years, the researcher can detect fluctuations, seasonal variations, and long-term movements in the company's liquidity.

➤ **DATA ANALYSIS AND INTERPRETATION**

CURRENT RATIO

Table & Chart Showing the Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2020	95.2	82.4	1.15
2021	110.8	90.2	1.23
2022	125.4	100.1	1.25
2023	139.6	108.3	1.29
2024	156.8	115.6	1.36

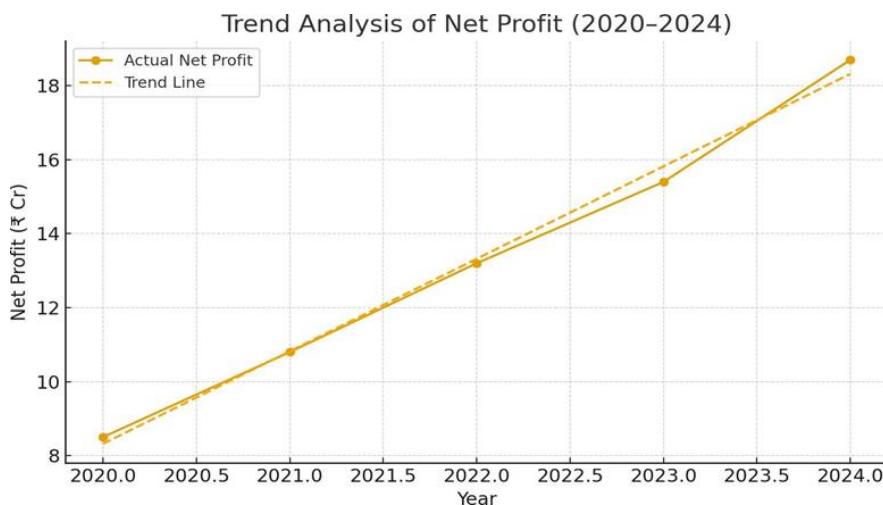


INTERPRETATION:

The Current Ratio shows a steady improvement from 1.15 in 2020 to 1.36 in 2024, signalling stronger liquidity and better short-term solvency. A ratio between 1.2 and 2.0 is typically healthy which means the company maintains enough current assets to pay off.

➤ **TREND ANALYSIS**





Interpretation:

The chart illustrates a steady upward trend in the company's net profit, rising from ₹8.5 crore in 2020 to ₹18.7 crore in 2024. The dotted orange trend line closely aligns with the actual profit curve, reflecting consistent financial growth over the years. This continuous improvement in profitability indicates effective liquidity management, strong cost control, and successful revenue expansion. Overall, the company showcases a solid financial position with a positive and sustainable long-term profit trajectory.

6. FINDINGS SUGGESTIONS AND CONCLUSION

The ratio analysis showed that Sunraja's current ratio remained below the standard benchmark of 2:1 during most of the study years, signaling a tight liquidity position. However, the inventory turnover ratio was strong, indicating efficient inventory handling and faster stock movement. The working capital turnover ratio remained healthy, implying that the company effectively utilized its working capital to generate sales. The trend analysis revealed notable fluctuations in Sunraja Oil Industries' working capital over the five-year period. While certain years showed an upward trend reflecting improved operational efficiency, other years exhibited a decline due to increased short-term obligations and delayed receivables. Overall, the results indicate inconsistent working capital management during the study period.

The comparative balance sheet analysis highlighted variations in both current assets and current liabilities from year to year. These shifts directly influenced the company's net working capital position, where periods of strong cash flow alternated with phases of liquidity pressure. The analysis suggests that efficient monitoring of short-term assets and liabilities is crucial for maintaining financial stability.

The study found a clear correlation between working capital management and profitability. During the years when working capital was efficiently managed, profit margins improved. Conversely, weak liquidity control led to a decline in profitability. A fall in net profit margin was observed due



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to increased raw material costs and delayed receivable collection, suggesting that inadequate working capital management adversely impacted Sunraja's profitability.

7. SUGESTION

The company must implement a robust receivables management system to ensure timely collections. This can be achieved by introducing proper credit evaluation procedures for customers and offering incentives for early payments. Delays in receivables directly affect liquidity, so a disciplined collection process supported by digital invoicing systems can significantly improve cash turnover. Regular follow-up on outstanding accounts will help maintain a steady flow of funds and reduce bad debts.

An efficient payables policy can support the company's liquidity without harming supplier relationships. Sunraja Oil Industries should negotiate favorable credit terms with suppliers and schedule payments in line with cash inflow patterns. This approach allows the firm to retain cash longer while still maintaining a good reputation in the market. When surplus cash is available, the company can take advantage of early payment discounts to reduce procurement costs.

8. CONCLUSION

The study concludes that effective liquidity management plays a vital role in enhancing the profitability of Sunraja Oil Industries Pvt. Ltd. The company has maintained a moderately strong liquidity position and consistent profitability, but there is scope to optimize cash, inventory, and working capital policies for better financial outcomes.

The analysis demonstrates that Proper liquidity management ensures financial stability, reduces dependency on external borrowing, and supports sustainable profitability.

9. ATTRIBUTION NOTE

Portions of this manuscript benefited from editorial assistance generated while using various. However, the author reviewed and edited all content and assumes full responsibility.

10. 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.

11. CONFLICTS OF INTEREST

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

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