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**AN ANALYSIS OF WORKING CAPITAL MANAGEMENT
PRACTICES AT BANNARI AMMAN FOOD PRODUCTS PVT.
LTD.**

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Keywords	Abstract
Financial Analysis, Ratio Analysis, Financial Stability, Operational Efficiency, Growth Potential, Financial Health, Position, Sustainability.	This study examines the working capital management efficiency of Bannari Amman Food Products Pvt Ltd. for the period 2021–2025. It analyses key liquidity and efficiency ratios to assess the company's ability to manage short-term assets and liabilities effectively. The findings reveal that the firm maintains good liquidity and operational efficiency, ensuring smooth cash flow and profitability. Overall, efficient working capital management has strengthened the company's financial performance and growth in the food processing sector.

1. INTRODUCTION

Working capital management plays a key role in maintaining a company's liquidity and profitability. It ensures that a firm can meet its short-term obligations while efficiently using its current assets and liabilities.

This study focuses on Bannari Amman Food Products Pvt. Ltd., a major player in India's food processing industry and part of the Bannari Amman Group. The company produces items like maida, atta, sooji, bran, and flakes for domestic and international markets.

The success of any business depends on efficient liquidity and working capital management. Banari Amman Food Products Pvt. Ltd. maintained a stable current and quick ratio, showing



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adequate liquidity. However, these ratios did not improve significantly over the years, reflecting a conservative policy. Working capital increased steadily, but efficiency in its utilization showed signs of decline. Inventory turnover ratio gradually decreased, indicating slower stock movement. The operating cycle and cash conversion cycle lengthened due to higher inventory holding. Receivables collection remained consistent but showed limited improvement. The average payment period increased, improving liquidity but risking supplier relationships. The working capital cycle fluctuated, with a sharp rise in 2025, tying up more cash in operations. Hence, the problem lies in balancing liquidity with efficiency to optimize cash flow and profitability.

2. OBJECTIVES

- To study the liquidity position of the company using ratios like Current Ratio and Quick Ratio.
- To analyse the working capital position and its trend over five years.
- To examine the efficiency of inventory, receivables, and payables management.
- To identify the growth trends and financial stability of the company over the five-year period.

3. REVIEW OF LITERATURE

Ali et al. (2025): This research on Indian sectors found that managing receivables and payables efficiently improves financial performance. Longer receivable and payable periods were beneficial, while longer inventory and cash cycles reduced profitability.

Gupta and Narayan (2024): This study on Indian FMCG companies found a negative relationship between cash conversion cycle and profitability, indicating that shorter cycles improve performance.

Sah (2023): The study on Nepalese banks found that efficient receivable and payable management increases return on assets and equity, strengthening financial stability.

Hossain and Islam (2022): Their study on Bangladeshi banks confirmed that effective working capital and asset utilization improve return on equity through better liquidity management.

Desai and Shah (2021): This research highlighted that firms maintaining moderate leverage and efficient working capital achieve higher profitability and stronger financial performance.

4. RESEARCH DESIGN

The study follows a descriptive and analytical research design to evaluate the working capital efficiency of the company from 2021 to 2025. It uses secondary financial data such as current assets, liabilities, inventory, receivables, and payables. Key ratios like the current ratio, quick ratio, inventory turnover, debtors' turnover, operating cycle, and cash conversion cycle are analysed through trend and ratio analysis. This approach helps assess how effectively the company manages its short-term resources to maintain liquidity and operational efficiency.

➤ ANALYSIS

Table 1: Liquidity Ratio:

Year	Current Ratio	Quick Ratio	Working Capital
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2021	1.67272727	1.18181818	18.5
2022	1.69672131	1.20491803	21.25
2023	1.67883212	1.18248175	23.25
2024	1.65584416	1.18831169	25.25
2025	1.6746988	1.19277108	28

Current Ratio:

The current ratio remained steady between 1.65 and 1.69 during 2021–2025, showing that the company maintained sufficient current assets to meet short-term liabilities and a healthy liquidity position.

Quick Ratio:

The quick ratio stayed consistent between 1.18 and 1.20, indicating adequate liquid assets to cover immediate obligations without depending on inventory sales.

Working Capital:

Working capital increased from ₹18.5 million in 2021 to ₹28 million in 2025, reflecting strong liquidity and efficient management of short-term funds

Table 2: Efficiency Ratio:

Year	Inventory Turnover	Debtors Turnover Ratio (Times)	ACP (Days)	Average Payment Period (APP)
2021	6.490196	6.66666667	54.75	60.83333
2022	6.217544	6.5	56.15385	59.59184
2023	5.96875	6.66666667	54.75	56.53533
2024	5.9	6.52173913	56.12	55.97647
2025	5.789474	6.4	57.03125	55.89063

Operating Cycle (OC) (Days)	Cash Conversion Cycle (CCC) (Days)	working capital turnover ratio	WCC (Breakdown)	YoY % Change (WCC)
117.7955	59.7218	0.506996	59.81944	0
115.3977	58.84367	0.50992	61.06683	2.04%
113.2947	60.12957	0.530736	59.21111	3.13%
110.9503	57.10077	0.514652	60.17469	1.60%
109.4678	55.42928	0.506352	64.33125	6.46%



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Inventory Turnover Ratio:

The inventory turnover ratio declined from 6.49 times in 2021 to 5.79 times in 2025, indicating that inventory is being held for a longer period. This suggests a need to improve inventory management and enhance stock utilization efficiency.

Debtors Turnover Ratio:

The debtor's turnover ratio remained steady between 6.4 and 6.7 times throughout the period, showing consistent and efficient recovery from customers. The company effectively managed its credit policies and maintained good collection performance.

Average Collection Period (ACP):

The ACP ranged between 54 to 57 days, which reflects a stable collection pattern. This consistency indicates that the company is able to collect dues from customers in nearly two months, ensuring steady cash inflows.

Average Payment Period (APP):

The APP decreased from 60.83 days in 2021 to 55.89 days in 2025, showing that the firm is paying its suppliers faster. While this strengthens supplier relationships, it may slightly reduce the firm's cash reserves.

Operating Cycle (OC):

The operating cycle reduced from 117.79 days in 2021 to 109.47 days in 2025, showing improved efficiency in converting inventory and receivables into cash. This decline reflects better control over current assets and faster movement of working capital.

Cash Conversion Cycle (CCC):

The cash conversion cycle also shortened from 59.72 days to 55.43 days over the fiveyear period. This indicates enhanced cash flow management, as the company now takes fewer days to recover cash invested in operations.

Working Capital Turnover Ratio:

The working capital turnover ratio remained around 0.50 times, indicating consistent utilization of working capital to generate revenue. Though stable, a higher turnover could further improve profitability.

5. WORKING CAPITAL CYCLE (WCC) & YOY CHANGE:

The working capital cycle increased from 59.82 days in 2021 to 64.33 days in 2025, with a year-on-year growth of up to 6.46%. This shows that while efficiency improved in certain areas, there is still scope to optimize short-term fund management.

➤ **Comparative Trend Analysis**

The comparative trend analysis of Bannari Amman Food Products Pvt. Ltd. from 2021 to 2025 shows steady and consistent financial growth. Total assets and liabilities increased each year, indicating continuous business expansion. Reserves and surplus rose strongly, reflecting improved profitability and effective earnings retention. Fixed assets and capital work-in-progress grew, showing ongoing investment in infrastructure and capacity. Borrowings increased moderately to



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support expansion, while inventory and receivables rose due to higher production and sales. Cash balances slightly declined as funds were reinvested. Overall, the company maintained a stable financial position with sustained growth and efficient resource management.

• Balance Sheet Performance

Total Assets increased from ₹84.5 crore in 2021 to ₹119.5 crore in 2025, showing steady growth and expansion.

Total Liabilities also rose proportionally, indicating moderate reliance on debt for business growth. Shareholder's Funds strengthened, with Reserves & Surplus increasing from ₹18 crore to ₹30 crore, reflecting strong profit reinvestment.

The company maintained a healthy capital structure with growing net worth, supporting long-term financial stability.

• Profit & Loss Performance

Net Sales grew from ₹120 crore in 2021 to ₹160 crore in 2025, indicating consistent revenue growth.

Gross Profit increased from ₹37.25 crore to ₹50 crore, showing improved cost management and operational efficiency.

Operating Profit (EBIT) rose from ₹15 crore to ₹19.5 crore, reflecting better utilization of resources.

Net Profit improved from ₹10.5 crore in 2021 to ₹14 crore in 2025, highlighting stable profitability and controlled expenses.

The overall profit trend signifies a positive financial trajectory with consistent performance.

• Cash Flow Performance

Operating Cash Flow has shown steady growth, indicating sufficient cash generation from core operations.

Investing Cash Flow reflects continuous investment in fixed assets, underlining a focus on long-term expansion.

Financing Cash Flow shows balanced management of borrowings and dividend payments, ensuring liquidity and shareholder satisfaction.

Overall Financial Position

The company achieved sustainable growth in revenue, profits, and asset base over the five-year period.

Efficient working capital management supported smooth operations and timely financial obligations.

Strong profitability and reinvestment of earnings enhanced overall financial strength.

The company maintained a sound balance between growth, liquidity, and solvency, positioning it well for future expansion.



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6. FINDINGS

➤ Liquidity Position

Current Ratio:

The ratio remained stable between 1.65 and 1.69 during 2021–2025, indicating that the company maintained sufficient short-term assets to meet current liabilities, reflecting a healthy liquidity position.

Quick Ratio:

Quick ratio slightly improved from 1.18 in 2021 to 1.19 in 2025, showing consistent management of liquid assets and limited dependency on inventory for short-term obligations.

Working Capital:

Working capital increased steadily from ₹18.5 lakh in 2021 to ₹28 lakh in 2025, suggesting enhanced liquidity and improved short-term financial strength.

➤ Efficiency Position

Inventory Turnover:

Declined from 6.49 in 2021 to 5.79 in 2025, indicating slower inventory movement and possible overstocking in later years.

Debtors Turnover Ratio:

Remained stable around 6.4–6.6 times, showing consistent credit collection efficiency.

Average Collection Period (ACP):

Increased slightly from 54.75 to 57.03 days, suggesting a modest delay in receivable collections.

Average Payment Period (APP):

Decreased from 60.83 to 55.89 days, implying faster payments to suppliers and reduced credit period availed.

Operating Cycle (OC):

Shortened from 117.79 days in 2021 to 109.47 days in 2025, indicating improved operational efficiency in converting resources into cash.

Cash Conversion Cycle (CCC):

Declined from 59.72 to 55.43 days, reflecting stronger cash management and better coordination between receivables and payables.

Working Capital Turnover Ratio:

Slight improvement up to 2023 (0.53) followed by stability, suggesting moderate efficiency in utilizing working capital to generate sales.

Working Capital Cycle (WCC):

Gradually rose from 59.81 to 64.33 with a 6.46% YoY increase by 2025, showing higher investment in current assets relative to operations.



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7. SUGGESTIONS

- Maintain current and quick ratios around the ideal level (2:1 and 1:1 respectively) by managing short-term assets effectively.
- Control inventory levels through demand forecasting and efficient production planning.
- Strengthen credit policies to reduce the collection period and improve cash flow.
- Negotiate favorable credit terms with suppliers to optimize the payment cycle.
- Use financial planning and digital tracking tools to monitor liquidity and working capital trends.
- Ensure balance between profitability and liquidity by aligning operational efficiency with cash management.

8. CONCLUSION

The company's liquidity and working capital position from 2021–2025 reflects financial stability and gradual improvement. The steady rise in working capital and the reduction in the operating cycle indicate better cash utilization. However, the slight decline in inventory turnover and slower collections signal a need for tighter control over current assets. By optimizing inventory, accelerating receivable recovery, and maintaining balanced cash flow, the firm can achieve stronger liquidity and operational efficiency in the coming years.

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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