



A Study on Working Capital Management in MOA Engineering Pvt Ltd.: A Five-Year Empirical Analysis (FY2021-FY2025)

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Abstract – Working capital management is a crucial aspect of financial management that ensures a company's liquidity, operational efficiency, and overall financial health. This study examines the working capital management of MOA Engineering Pvt. Ltd., focusing on its strategies for optimizing current assets and liabilities to maintain profitability and growth. MOA Engineering Pvt. Ltd. effectively manages its cash flow, inventory, receivables, and payables to ensure smooth operations while minimizing financial risks. The company employs just-in-time (JIT) inventory management to reduce holding costs and optimize the production cycle. Additionally, it maintains a balanced approach to credit policies, ensuring timely receivables without straining customer relations. A detailed analysis of financial reports reveals how MOA Engineering Pvt. Ltd. maintains a healthy working capital ratio, ensuring liquidity while leveraging short-term financing efficiently. The study also explores how the company navigates challenges such as fluctuations in demand, supply chain disruptions, and market competition. By implementing robust working capital management strategies, MOA Engineering Pvt. Ltd. enhances its operational efficiency, reduces financial costs, and sustains profitability. This research underscores the significance of efficient working capital management in sustaining long-term business success.

Keywords — working capital, profitability, financial management, financial reports, leveraging short-term financing.

I. INTRODUCTION

Exploring the intricacies of working capital management is pivotal due to its fundamental significance in the realm of corporate finance and business operations. Effective management of working capital is crucial for ensuring the financial health, operational efficiency, and long-term sustainability of organizations across industries. This research paper aims to provide a comprehensive analysis of working capital management, with a specific focus on its implications for company performance and success. The rationale behind this topic lies in the recognition of working capital as a critical aspect of financial management that significantly influences a company's liquidity, profitability, and risk profile.

By investigating working capital management, this research seeks to shed light on the strategies, practices, and challenges associated with optimizing the balance between current assets and liabilities within an organization. Working capital management stands as a cornerstone of financial strategy for companies across industries, serving as a vital determinant of their operational efficiency, financial health, and overall competitiveness.

Working capital, comprising current assets and liabilities, forms the lifeblood of a company's day-to-day operations,

enabling it to meet short-term financial obligations and fund ongoing business activities.

The purpose of the study will be to examine the ways in which MOA Engineering Pvt. Ltd. The five-year period between the FY2021-FY2025 in order to successfully surmount the financial decreases and gain performance. Through analysing audited financial information using a number of analytical techniques, such as cost variance analysis and profitability analysis, the study aims at offering the understanding of the efficiency of these practices within an actual manufacturing scenario. The results should provide an addition to the existing body of knowledge that could prove the feasible implications of budgeting in promoting financial recovery and operational efficiency.

II. LITERATURE REVIEW

Priyanga V et. al (2023) Working capital management is deemed crucial for a firm's success, as both fixed and current assets significantly contribute to organizational achievement. The working capital of a firm encompasses investments such as cash and bank balances, inventories, receivables, and short-term investments, thereby highlighting the importance of managing these current assets.



Uzoamaka Gloria. et.al., (2023) This research investigates the strategies for managing capital within Nigerian manufacturing industries and their influence on the value of firms, as indicated by Earnings per Share (EPS). Using an ex post facto research design, the investigation covers a group of industrial goods industries, focusing on a selection of quoted manufacturing firms.

Kaula Stephen (2023) The study examines on the determinants of working capital management. The study came about following a necessity of managing working capital for efficient running of firm's day- to-day operations.

Imam Hidayat .et.al., (2023) This study aims to explore the impact of liquidity, leverage, and working capital turnover on the profitability of coal mining companies listed on the Indonesia Stock Exchange over a period. Utilizing quantitative and secondary data, the research employs purposive sampling to select 12 companies for analysis, resulting in a total of 48 observations.

Dharma Raj .et.al., (2022) The management of working capital is influenced by both internal organizational factors, including the company's size, age, profitability, revenue growth, market share, operating risk, and cash flow from operations, as well as external macroeconomic factors like the Gross Domestic Product, interest rates, and tax rates.

Zaid Tareq Abdulhameed (2022) Optimal management of working capital is an important financial decision and contributes positively to the value creation of business. Every business needs investment to procure fixed assets, which remain in use for a longer period. Money invested in these assets is called 'Long term Funds' or 'Fixed Capital'. Augustine Tarkm (2022) This study explores the effects of the COVID-19 pandemic on the working capital management (WCM) of US-publicly traded companies, focusing on the period from the first quarter of 2019 through the second quarter of 2021. Alak Kumar Das (2022) Management of working capital become more important than the management of long-term funds because the day-to-day operations of any business largely depend upon this source of finance. Many firms have been seen in the past closing down for the want of short-term finance Uzoamaka Gloria. et.al., (2023) This research investigates the strategies for managing capital within Nigerian manufacturing industries and their influence on the value of firms, as indicated by Earnings per Share (EPS). Using an ex post facto research design, the investigation covers a group of industrial goods industries, focusing on a selection of quoted manufacturing firms.

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III.LIMITATIONS OF THE STUDY

- This study shows the availability and accuracy of financial data pertaining to MOA Engineering Pvt. Ltd. might affect the depth and reliability of the analysis.
- The study analysis economic conditions, market trends, and regulatory changes could impact the results, but these external factors may not be fully accounted
- Assumptions made in the analysis, such as constant efficiency of operations or stable market conditions, could impact the accuracy of the results.
- The study has made comparative analysis with other companies or industry standards may be limited by data availability or differences in accounting 35 practices.

IV. RESEARCH OBJECTIVES

Primary Objectives:

An analysis of working capital management with reference to Wheels India Limited Company.

Secondary Objectives:

- To examine the liquidity and to ensure sufficient cash by managing assets and liabilities.
- To analyze the impact of working capital management in profitability.
- To analyze strategies for optimizing the operating cycle.
- To examine the relationship between working capital management and profitability is key to effective business management.

V. METHODOLOGY

To measure the performance of budgeting and budgetary control practices at MOA Engineering Pvt. Ltd. over the next four years FY2021-2025, the methodology of the study is aimed to systematically measure the effectiveness of Working Capital Management at MOA Engineering Pvt. Ltd. The research approach taken is quantitative and analytical based, which is based on audited financial report and internal budget reports. The framework combines various financial performance assessment instruments to



evaluate the role of budgeting in cost management, operation excellence and maximizing profits. The research takes a systematic procedure that encompasses data gathering, categorization, processing and interpretation to achieve reliability and uniformity in results. The methodology has six major parts that dwell on each of the major aspects of Working Capital Management and the financial implication of the same.

VI. DATA ANALYSIS AND INTERPRETATION

This research is mainly based on the use of secondary data through audited standalone financial statements of MOA Engineering Pvt. Ltd. over the five-year period between FY2021 and FY2025. These records contain income statements, balance sheets, statements of cash flow and notes to accounts. Other internal budget reports and cost sheets were also consulted in an attempt to make sense of how the working capital. The data gathered was checked against figures of financial statements and adherence to accounting standards to ensure the accuracy and consistency of the collected data. Discrepancies found were resolved using supporting schedules. The availability of audited information will increase the study credibility and reduce chances of bias or manipulation. This is done to provide the basis of all the other analysis and to guarantee that the conclusions made are informed by sound financial data.

Research Tools

The analytical tools used for the study are:

1. Operating cycle
2. Schedule of changes of working capital
3. Ratio analysis

Operating Cycle:

The duration of time required to complete the sequence of events right from purchase of raw material / goods for cash to the realization of sales in cash is called the operating cycle, working capital cycle or cash cycle. In a manufacturing company, the operating cycle is the length of time required to complete a series of events.

Schedule Of Changes In Working Capital

The statement of changes in working capital shows the net change in working capital over a time period of operation. Preparing the statement of changes in working capital is one of the easiest financial statements to do. Recall that working capital is the difference between current assets and current liabilities.

Working Capital = Current Assets – Current Liabilities

VII. RATIO ANALYSIS

The current Ratio is a financial metric used to evaluate a company's ability to meet its short- term obligations its short-term assets. It's calculated by dividing a company's current assets by its current liabilities. Current assets are those that are expected to be converted into cash or used up within one year, such as cash, accounts receivable, and inventory.

VIII. CONCLUSION

Optimizing working capital management through lean inventory techniques, particularly just-in-time (JIT) practices, alongside enhanced receivables collection processes, stands as a pivotal strategy for businesses aiming to minimize their operating cycles. These measures effectively reduce excess inventory while accelerating cash inflows, ensuring that resources are allocated efficiently and contributing to overall financial health. Negotiating favourable payment terms with suppliers and employing advanced cash management solutions enable companies to better manage their cash outflows and maintain liquidity. The strategic use of cash flow forecasting further provides essential insights into future cash requirements, helping to prompt and mitigate potential liquidity challenges. The adoption of integrated technology solutions, such as ERP systems, is instrumental in streamlining operations across all facets of working capital management, including inventory, receivables, and payables. These systems furnish real- time financial data, facilitating informed decision- making and enhancing operational efficiency.

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