

A Study on Working Capital Management for MPL Light Vehicles Pvt Ltd

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Abstract- The study focuses on analyzing the working capital management of MPL Light Vehicles Pvt. Ltd., a dealership of Ashok Leyland in Cuddalore, Tamil Nadu. Working capital management ensures liquidity, operational efficiency, and profitability. The research aims to examine the company's liquidity, profitability, and financial performance. It uses tools like ratio analysis and statements of changes in working capital. The study is based on secondary data from annual reports for 2020–2024. Findings show that current and quick ratios improved gradually. This reflects better short-term financial stability. However, the cash ratio remained inconsistent. Profitability ratios such as gross profit and net profit showed an upward trend. This indicates effective cost control and operational growth. The working capital turnover ratio fluctuated significantly. Such variations suggest irregular management of short-term assets and liabilities. The study concludes that MPL Light Vehicles achieved notable profitability growth. However, consistency in liquidity and cash flow management is still needed. Effective planning and improved working capital monitoring are recommended for long-term sustainability.

Keywords- Working Capital Management, Liquidity, Profitability, Operational Efficiency, Financial Performance, Ratio Analysis, Cash Flow, Short-term Assets, Current Ratio, Quick Ratio, Gross Profit, Net Profit, Turnover Ratio, Cost Control, Sustainability.

I. INTRODUCTION

Any company occasionally uses its short-term assets and short-term financing sources to conduct its regular business. Working capital management is the term used to describe the management of such assets and liabilities. A fundamental component of the study of financial management is working capital management. Given that both fields deal with the examination of risk and profitability, it may also be likened to the process of making long-term decisions.

A company uses a portion of its permanent capital to purchase fixed assets and keeps the remainder for working, or meeting daily needs. We will hardly find a firm which does not require any amount of working capital for its normal operations. The

requirements of working capital vary from firm to firm depending upon the nature of Business, Production Policy, Market conditions. Seasonality of operations, conditions of supply etc. Working capital is simply the term for the portion of a company's capital that is needed to finance short-term or current assets, such as cash marketable securities, debtors, and inventories.

Working Capital Management (WCM) means managing a company's short-term assets and liabilities in such a way that it maintains enough liquidity to run day-to-day operations smoothly, while also using its resources efficiently.

- It is the administration of current assets and current liabilities (like cash, receivables, inventory, and payables).
- Its goal is to ensure the company has enough cash flow to meet short-term obligations and operational needs.
- It balances between profitability (using funds efficiently) and liquidity (ability to pay debts on time).
- It focuses on the working capital cycle – how quickly money invested in operations is converted back into cash.
- Good working capital management avoids both excessive working capital (which locks money unnecessarily) and inadequate working capital (which may cause liquidity problems).
- Proper WCM helps in maintaining a smooth working capital cycle (cash → inventory → sales → receivables → cash).

STATEMENT OF THE PROBLEM

Working capital management is a critical aspect of financial management that directly influences a firm's liquidity, profitability, and overall financial health. Despite its importance, many organizations struggle to maintain the right balance between current assets and current liabilities. Inefficient management of working capital can lead to liquidity shortages, overstocking or understocking of inventory, delayed receivables, excessive reliance on short term borrowings, and ultimately, financial distress.

OBJECTIVE OF THE STUDY

- To study the gross working capital at MPL light vehicles Pvt Ltd.

- To analyse the net working capital at MPL light vehicles Pvt Ltd.
- To examine the profitability and liquidity position at MPL light vehicles Pvt Ltd.

SCOPE OF THE STUDY

- The study's primary objective is to evaluate past and current performance
- The main scope of the study was to put into practice the theoretical aspect of the study into practical implementation.
- The study of working capital is based on tools like Ratio Analysis, Statement of changes in working capital.
- Further, the study is based on the 5 years Annual Reports (2020-2024)
- To improve business using trend data in decision making

II. REVIEW OF LITERATURE

Nufazil Altaf and Farooq Ahmed Shah (2025), the aim of this paper is to investigate the link between how does working capital management affect the profitability of Indian enterprises. Working capital management (WCM) and company profitability for 437 nonfinancial Indian enterprises were studied. The study used a two- step generalized methods of moments (GMM) strategy to arrive at conclusions based on secondary financial data acquired from a Capital database during a ten-year period. The study's findings support the inverted U- shape association between WCM and corporate profitability. Furthermore, it completes its CCC in an average of 63 days.

Mo Saswata Chatterjee (2025) the importance of fixed and current assets in the successful operation of any organization was highlighted. He has a direct impact on profitability and liquidity. In the business world, it has been observed that most companies increase their profit and loss margins because doing so reduces the size of working capital relative to sales. However, if a company wants to increase or improve its liquidity, it must increase its working capital. As a result of this policy, the organization's sales will be reduced, and thus its profitability will suffer as a result. For this purpose, 30 UK-based companies that are listed on the London Stock Exchange were chosen. The data ranged from 2007 to 2015. He investigated the effect of working capital on profit. This study includes quick ratios, current ratios, C.C.C, average days of payment, inventory turnover, and A.C.P (average collection period) on the net operating profitability of UK companies.

Jason Kasozi (2024) This investigated the impact of working capital management on profitability in 69 South African listed manufacturing firms from 2007 to 2016. His research discovered that ACP and APP have a negative but significant effect on profitability as measured by return on assets. Furthermore, Kasozi (2017) discovered that the number of days in inventory, as a proxy for working capital management, has a significant positive effect on profitability.

Shrivastava et al. (2023), studied the impact of working capital on profitability in Indian corporate entities from 2003 to 2012. Data was analyzed using traditional panel data and Bayesian techniques. According to their findings, a longer CCC has a negative impact on profitability. They contend that financial accuracy indicators are important in determining profitability. According to the Bayesian approach, larger companies appear to be more profitable and significant.

Mukti R Barot (2023), in this study, the researcher attempted to conduct a comparative analysis on working capital management of reymond and vardhman textile limited. The goal of this study is to determine which company's performance is superior to that of other companies. For this analysis, the researcher used only secondary data from 2006 to 2015.

III. RESEARCH METHODOLOGY

As the nature of the study relates no finance performance the main part used was secondary data it includes profit and loss account, balance sheet etc. Thus the study is based on the published accounts and annual reports of MPL light vehicle P LTD company. A combination of primary data, gained through surveys or experiments, and Secondary data, gathered through financial statements, market reports, and other sources, is frequently used by finance researchers.

RESEARCH DESIGN

The research design adopted for this project falls under the category of descriptive and analytical research. This approach involves the use of data, facts, and information that are already available, rather than generating new data through experiments or surveys. The researcher carefully examines and interprets these existing resources to gain insights and form conclusions. In the analytical aspect, the emphasis is placed on critically evaluating the subject matter in this case, the performance being studied—by systematically analyzing the available information. This method allows the researcher to identify patterns, relationships, and underlying issues, ultimately leading to a deeper understanding of the topic based on factual evidence and logical reasoning.

ANALYTICAL RESEARCH

The foundation of this study is primarily built upon the internal documents and annual reports maintained by the company. These official records serve as a crucial source of factual data, offering insights into the organization's operational and financial performance over a specific period. In addition to analyzing these documented resources, the study also incorporates qualitative information obtained through informal discussions and interactions with key company officials. These conversations provided valuable context, clarifications, and insider perspectives that enriched the overall understanding of the company's practices, challenges, and strategic direction. By combining both documented data and firsthand insights, the study ensures a more comprehensive and balanced analysis.

IV. DATA ANALYSIS TOOLS AND TECHNIQUES

Data analysis is a critical part of research, These tools enable the company to enable the company to evaluate the feasibility, profitability, and risks associated with long-term projects.

Gross Working Capital

Net Working Capital

Ratio Analysis

Liquidity Ratio

- Current Ratio
- Quick Ratio
- Cash Ratio

Profitability Ratio

- Net profit ratio
- Gross profit ratio
- Return on Equity ratio
- Working Capital Turnover ratio

Gross Working Capital

Gross Working Capital refers to the total value of a company's current assets. It includes cash, accounts receivable, inventory, and other short-term assets. It represents the funds available for day-to-day operations. Efficient management of gross working capital ensures smooth business functioning and liquidity.

Net Working Capital

Net Working Capital refers to the difference between a company's current assets and current liabilities. It indicates the firm's short-term financial health and liquidity position. A positive net working capital shows the company can meet its

short-term obligations. Efficient management of net working capital helps maintain smooth business operations and stability.

Ratio Analysis

Ratio analysis is a financial tool used to evaluate a company's performance and financial health by analyzing relationships between various items in the financial statements. It helps measure profitability, liquidity, efficiency, and solvency of a business.

- **Current Ratio:** The current ratio measures a company's ability to pay its short-term obligations using its current assets.
- **Quick Ratio:** The Quick Ratio is a financial metric that measures a company's short-term liquidity, its ability to pay off current liabilities without relying on the sale of inventory.
- **Cash Ratio:** It shows how much cash a company has to pay its short-term debts immediately.
- **Net Profit Ratio:** It shows the percentage of net profit earned from total sales. It measures overall profitability after all expenses and taxes. A higher ratio indicates better cost control and profit performance.
- **Gross Profit Ratio:** It indicates the relationship between gross profit and net sales. It measures production efficiency and cost of goods sold control. A higher ratio reflects better margin on sales.
- **Return on equity Ratio:** It measures how much profit a company makes from the money invested by shareholders.
- **Working Capital Turnover Ratio:** It shows how efficiently a company uses its working capital to generate sales.

DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO

The current ratio of the company shows a gradual improvement over the five-year period. It increased from 0.90 in 2020–2021 to 1.07 in 2024–2025, indicating enhanced ability to meet short-term obligations. A ratio above 1 in recent years suggests a healthy liquidity position compared to earlier years. The steady rise reflects better management of current assets and liabilities. Overall, the firm's working capital position has strengthened, showing improved operational efficiency.

Year	Current Ratio	Current Liability	Ratio
2020-2021	7451.53	8273.84	0.90
2021-2022	9521.81	9547.29	0.99
2022-2023	11703.62	11072.8	1.05
2023-2024	11663.09	12055.2	0.96
2024-2025	12332.3	11430.78	1.07

QUICK RATIO

The quick ratio shows an improving trend from 0.54 in 2020–2021 to 0.89 in 2024–2025, with slight fluctuations in between. This indicates that the company's ability to pay its immediate liabilities with quick assets (excluding inventory) has gradually improved. The rise in quick ratio suggests better liquidity and asset management efficiency. However, since the ratio is still below the ideal benchmark of 1:1, there is room for further improvement.

Year	Quick Asset	Current Liability	Ratio
2020-2021	4494.21	8273.84	0.54
2021-2022	3190.69	9547.29	0.33
2022-2023	8929.14	11072.8	0.80
2023-2024	9587.89	12055.2	0.79
2024-2025	10190.01	11430.78	0.89

CASH RATIO

The cash ratio of MPL Light Vehicle (Ashok Leyland) Pvt. Ltd. shows fluctuating trends during the study period. It increased slightly from 0.099 in 2020–2021 to 0.109 in 2021–2022, then dropped to 0.045 in 2022–2023, indicating weak immediate liquidity. However, it rose sharply to 0.285 in 2023–2024 before slightly decreasing to 0.236 in 2024–2025. This pattern suggests that while the company's cash and cash equivalents improved in later years, liquidity management was inconsistent.

Year	Cash and Securities	Current Liability	Ratio
2020-2021	822.95	8273.84	0.099
2021-2022	1046.96	9547.29	0.109
2022-2023	501.29	11072.80	0.045
2023-2024	3438.18	12055.20	0.285
2024-2025	2705.95	11430.78	0.236

NET PROFIT RATIO

The net profit ratio of MPL Light Vehicle (Ashok Leyland) Pvt. Ltd. over five years. The ratio increased steadily from 0.012 in 2020–2021 to 6.336 in 2024–2025, indicating a strong improvement in profitability. Both net profit and sales grew over the period, but profits increased at a faster pace, reflecting better cost control and operational efficiency. The sharp rise in profit ratio in later years shows enhanced financial performance and stronger earning capability. Overall, the company experienced significant profit growth and improved profitability trends year by year.

Year	Net Profit	Net Sales	Net Profit Ratio
2020-2021	2.52	19454.1	0.012
2021-2022	85.66	26237.2	0.326
2022-2023	906.93	41672.6	2.176
2023-2024	2467.14	45790.6	5.387
2024-2025	3075.2	48535.1	6.336

GROSS PROFIT RATIO

The gross profit ratio of MPL Light Vehicle (Ashok Leyland) Pvt. Ltd. over five years. The gross profit ratio shows a rising trend from 0.13 in 2020–2021 to 0.19 in 2024–2025, indicating improvement in the company's production efficiency and cost control. Both gross profit and net sales increased each year, but the proportionate increase in gross profit was higher in later years. This suggests better management of production expenses and stronger pricing strategy. Overall, the company's gross profitability has

strengthened consistently, reflecting improved operational performance.

RETURN ON CAPITAL RATIO

The return on capital employed shows a fluctuating performance over the five years. In 2020–2021 it was very strong at 22.53%, reflecting efficient use of capital. However, it dropped sharply in 2021–2022 to just 0.41%, showing poor returns. From 2022–2023 onwards, the ratio improved steadily to 0.57 and further to 0.68 in 2023–2024. In 2024–2025 it slightly declined to 0.65 but still indicated better utilization of capital compared to earlier years.

Year	Operating Profit	Capital Employed	Ratio
2020-2021	2293	10176.07	22.5
2021-2022	4411	10786.49	0.40
2022-2023	6594	11518.53	0.57
2023-2024	7848	11556.55	0.67
2024-2025	9232	14095.05	0.65

WORKING CAPITAL TURNOVER RATIO

The working capital turnover ratio shows very high volatility across the years. In 2020–2021 it was extremely high at 4549.39, indicating efficient use of working capital. However, in 2021–2022 it turned negative at –93.59, showing poor liquidity and imbalance. In 2022–2023 it improved to 53.11, reflecting better utilization. Again, in 2023–2024 it sharply declined to –1055.73, indicating serious inefficiency. In 2024–2025 the ratio remained negative at –19.31, showing weak and unstable working capital management.

Year	Cost of Sale	Working Capital	Ratio
2020-2021	41000	901.22	4549.389
2021-2022	36700	-392.11	-93.596
2022-2023	33500	630.73	53.113
2023-2024	26900	-25.48	-1055.730
2024-2025	15900	-823.31	-19.312

GROSS WORKING CAPITAL

The components of gross working capital show steady growth over the years with some fluctuations. Current investments increased sharply from 1298.05 in 2022 to 3018.07 in 2025, showing rising short-term investments.

Inventories and trade receivables also grew overall, reflecting higher business activity, though both slightly declined in 2025. Cash and cash equivalents peaked in 2024 at 3438.18 before reducing to 2705.95 in 2025. Overall, gross working capital increased consistently from 7451.53 in 2021 to 12331.67 in 2025, indicating expansion in current assets.

NET WORKING CAPITAL SCHEDULE ON 2020 to 2025

From 2020 to 2025, MPL Light Vehicle (Ashok Leyland) Pvt. Ltd. showed fluctuating working capital trends. Liquidity improved in 2021–2022 due to higher cash and investments but declined sharply in 2023–2024. By 2025, working capital rose slightly, reflecting modest recovery. Increases in trade payables and other current liabilities indicate continued reliance on short-term credit. Overall, the company's financial position expanded, but liquidity pressure and creditor dependence remain concerns.

V. FINDINGS, SUGGESTION AND CONCLUSION FINDINGS

- The liquidity ratios (current, quick, cash ratio) show overall improvement but remain unstable in certain years, indicating fluctuating short-term liquidity.
- Gross profit and net profit ratios show a consistent rising trend, proving strong revenue growth and better cost control.
- Return on capital employed fluctuated sharply, showing uneven efficiency in utilizing capital across years.
- Working capital turnover ratio shows extreme instability, reflecting inconsistent working capital management.
- Total current assets increased steadily, supported mainly by higher investments and receivables, but reliance on short-term credit is visible.
- Cash and short-term investments show large fluctuations, indicating inconsistent cash management practices.

SUGGESTION

- Improve cash flow planning to maintain a stable cash ratio and avoid liquidity stress. Strengthen credit collection policies to control fluctuations in receivables.
- Maintain an optimum level of inventory to achieve a stronger quick ratio. Enhance capital utilization policies to ensure consistent returns on employed capital.
- Adopt stronger working capital monitoring mechanisms to reduce negative turnover ratios.
- The company should implement periodic liquidity analysis and budgeting techniques for better short-term

fund management. Invest surplus cash in short-term liquid securities to maintain liquidity stability.

V. CONCLUSION

The financial analysis of MPL Light Vehicle (Ashok Leyland) Pvt. Ltd. shows overall improvement in liquidity, profitability, and efficiency. Liquidity ratios improved but remained inconsistent, indicating irregular cash flow. Profitability ratios and returns strengthened due to effective cost control. Working capital increased steadily though turnover fluctuated. The company has shown good growth and financial stability but needs stronger planning and consistent cash management for sustained progress.

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