

TO STUDY ON WORKING CAPITAL MANAGEMENT OF TVS MOTOR LTD

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Abstract

Working capital management plays a most critical role in the financial decision-making process. The present study analyzes the efficiency of working capital of TVS Motor Company Limited during a span of five years (from 2020-21 to 2024-25). Descriptive and analytical approach has been applied for the analysis of the data collected through annual reports. Ratio analysis and comparative financial statements have been used as important techniques to analyze liquidity, profitability, solvency, and efficiency.

Introduction

Working capital can be very essence of any business enterprise since it ensures that the business runs smoothly.

Working capital management becomes very important in India's automobile industry and especially in the two-wheeler market as a number of challenges are involved in the management process in the form of demand variations, credit policy, and inventory management.

Objectives

- To assess working capital performance
- To review liquidity, profitability, and solvency
- To analyze financial trends through comparative analysis
- To recommend actions for enhancing financial effectiveness

2. Literature Review

Sharma A.K. & Kumar N. (2020) :

Effective management of working capital assists organizations to remain solvent during uncertain economic times,

Altaf Nadeem & Shah Farooq (2021) :

There was a positive link between working capital management and profitability of firms

According to Pandey I.M. (2022) :

effective working capital management plays an important role in mitigating risks and earning returns on investments.

Pratap (2023)

conducted an empirical analysis of various research works and concluded that proper management of receivables, inventories, and payables affects profits.

3. Methodology

Research Design

The current study is of the type that is analytical and descriptive.

* Descriptive Research is employed to describe the financial position of the company using working capital elements for a certain time period.

* Analytical Research is used to analyze financial performance with the help of various financial ratios.

This will help us understand the current performance and condition of the company.

Nature of Data

Sources of Data

* Annual Report of TVS Motor Company Limited

* Audited Accounts (Balance Sheet & Income Statement)

* Published material of the Company

* Industry publications & Financial Websites

The secondary data can be trusted because they have been published and audited.

Tools and Techniques of Analysis

Following financial tools are employed in order to achieve our research objectives:

1. Ratio Analysis

Ratio analysis is considered one of the most essential financial tools that can be utilized for assessing financial performance. The following ratios will be analyzed.

2.Liquidity Ratios

* Current Ratio

* Quick Ratio

Above mentioned ratios determine the liquidity position of the company.

3. Efficiency (Activity) Ratios

- * Inventory turnover ratio
- * Debt equity ratio
- * Working capital turnover ratio

4. Main Body / Discussion

Explanation of Concept

Working capital can be defined as the balance between current assets and current liabilities which is very important in the running of any organization it enables transactions within the business.

It entails efficient management of its components such as cash, inventory, receivables, and payables. Effective management ensures efficient management of liquidity and reduction in operational cost.

Components of Working Capital

- Cash
- Inventory
- Receivables
- Short term Investments
- Creditors
- Bills payable
- Short-term Borrowings

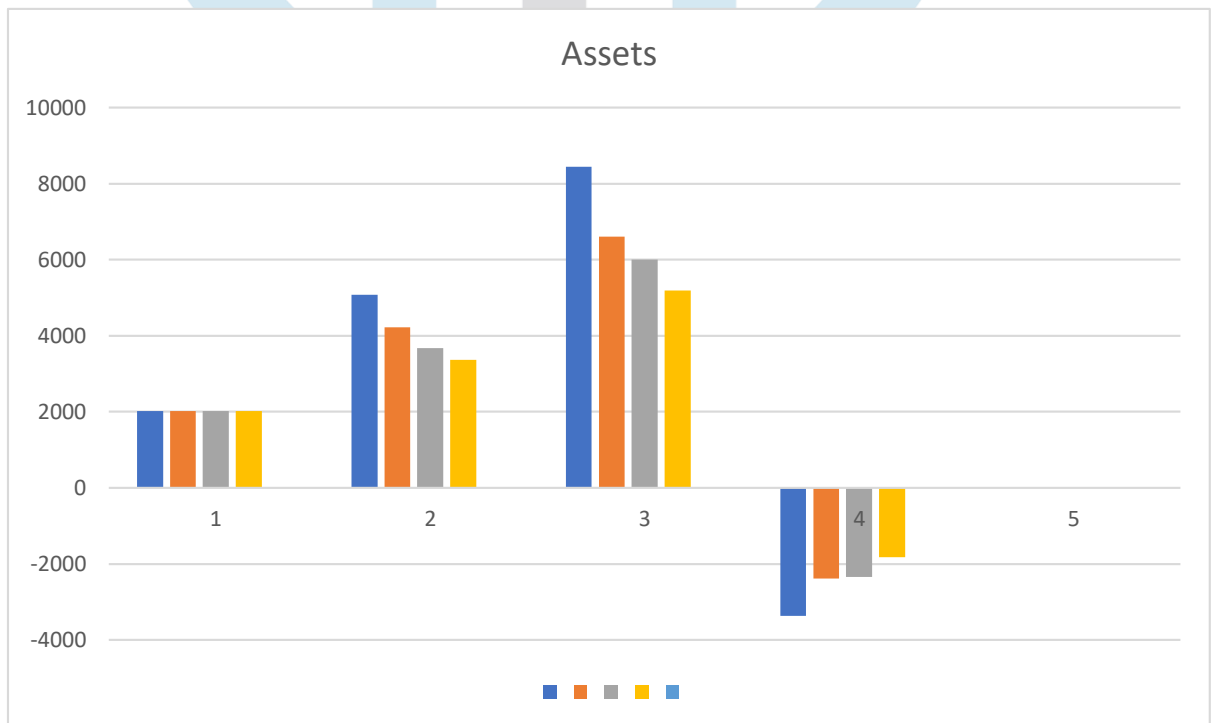
General Discussion

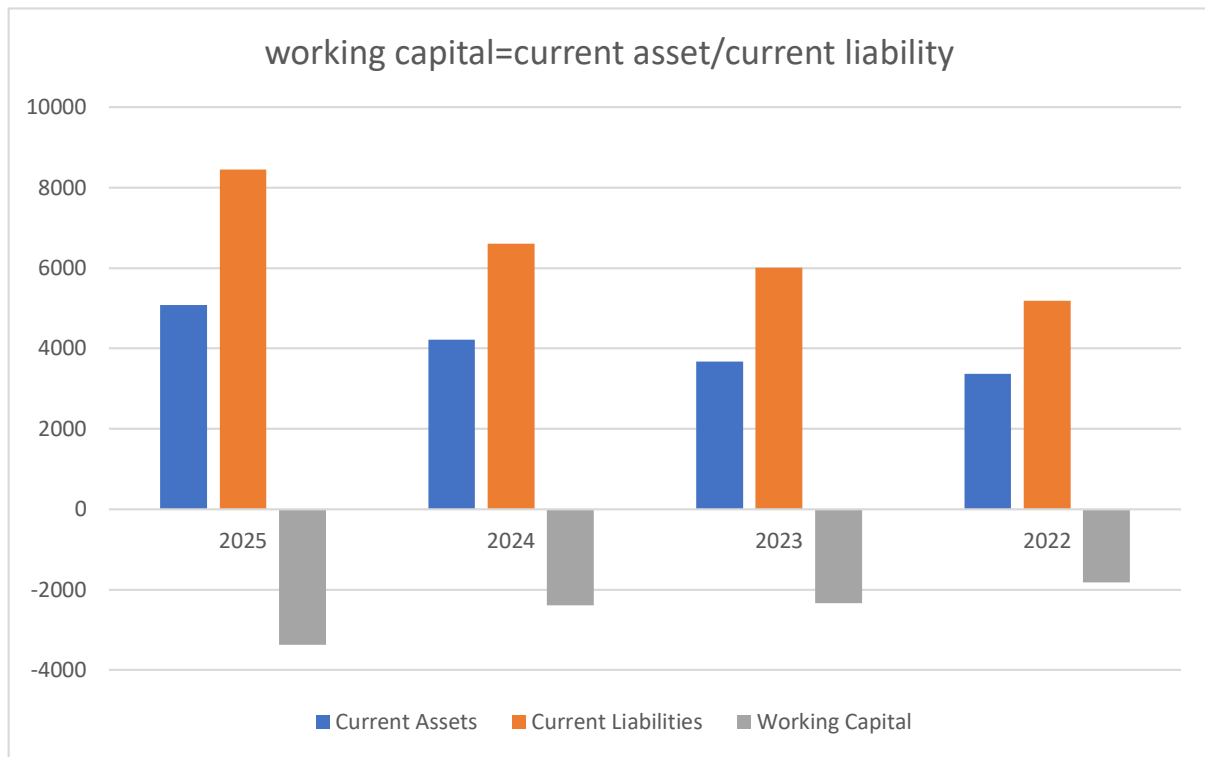
findings indicate that TVS Motor Company has been effectively managing its working capital. Nevertheless, there is still room for improvement in the following areas:

- Cut down idle current assets
- Manage better receivables collection
- Consistency in liquidity management

Effective management of working capital would be beneficial to the company as it continues to grow and expand despite stiff competition.

Data analysis





RATIO

CALCULATION

Current Ratio=Current Liabilities/Current Assets

Year	Ratio
2025	0.6
2024	0.64
2023	0.61
2022	0.65
2021	0.75

Quick ratio = current asset-inventory/current liability

Year	Quick Assets	Ratio
2025	3356.11	0.4
2024	2847.02	0.43
2023	2431.14	0.4
2022	2239.6	0.43
2021	2294.98	0.5

Debt–Equity Ratio = Total liabilities/Shareholder fund

Year	Ratio
2025	2
2024	2.07
2023	2.31
2022	2.46
2021	2.44

Inventory turnover ratio

Year	Average Inventory (₹ Cr)
2025	2,332.49
2024	2,084.96
2023	1,781.94
2022	1,504.90
2021	1,367.43

Sales (Approx values for TVS Motor)	
Year	Sales (₹ Cr)
2025	44,000
2024	39,000
2023	31,000
2022	26,000
2021	20,000

Inventory Turnover	
Year	Inventory Turnover Ratio (Times)
2025	18.87
2024	18.71
2023	17.4
2022	17.27
2021	14.63

Interpretation

Analysis of TVS Motor Company Limited reveals that the company has an aggressive approach to working capital management since their working capital is always negative and liquidity ratios are lower than the benchmark standards. The current and quick ratios suggest a relatively weak short-term liquidity position, with significant dependence on current liabilities and inventory to support operations.

Nevertheless, the continuous growth in shareholders funds, reserves and surplus, and total assets highlights strong profitability, effective resource utilization, and sustained business expansion. Furthermore, the gradual decline in the debt-equity ratio and improvement in the proprietary ratio signify enhanced financial stability and a strengthening capital structure. Overall, the company exhibits sound financial performance and operational efficiency; however, prudent management of liquidity is essential to mitigate potential short-term financial risks.

Findings

1. The firm always possesses negative working capital throughout the year.
2. It has a poor liquidity position (low current and quick ratios).
3. Shareholders' capital and reserves are growing consistently.
4. There is consistent growth in total assets, suggesting growth.
5. There is heavy reliance on current liabilities to run the business.
6. Its debt position is high but improving slowly.
7. It has a positive ownership position (higher proprietary ratio).

Suggestion

1. There is a need for the organization to enhance liquidity by either improving current assets or decreasing short-term liabilities.
2. It is important that the organization seeks to decrease reliance on short-term liabilities to fund operations.
3. It is essential that the company holds an appropriate amount of working capital.

4. The inventory system of the company needs to be improved to minimize surplus.
5. The cash management activities of the organization should be strengthened.
6. Other actions that could be taken include lowering debt levels..
7. The company needs to emphasize balancing profitability and liquidity in its operations.

Conclusion

The examination of the working capital management of TVS Motor Company Limited reveals that a sustained growth in respect of the company asset base, reserves, and finances during the period under review. Nevertheless, the result has shown that the organization is operating in a negative working capital environment, with low liquidity ratios implying that the organization is pursuing an aggressive working capital approach. On the other hand, the organization is quite efficient in its operations and manages to maintain stability in finances and resource usage.

References

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