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Working Capital Management In Manque Global Airport Service Pvt Ltd.

Dr. Prem Anand, Professor, Department of MBA (PG), Sri Ramakrishna College of Arts & Science, Coimbatore-06

Ms. Nimisha S, II MBA, Department of MBA (PG), Sri Ramakrishna College of Arts and Science, Coimbatore-06

Mr Sathya Narayanan. V, II MBA, Department of MBA (PG), Sri Ramakrishna College of Arts and Science, Coimbatore-06

ABSTRACT: Working capital management is a critical aspect of financial management that ensures a company maintains sufficient liquidity to meet its short-term obligations while optimizing operational efficiency. It involves managing the balance between current assets such as cash, accounts receivable, and inventory and current liabilities, including accounts payable and short-term debt. Effective working capital management enhances a firm's ability to sustain daily operations, minimize financial risk, and maximize profitability.

Key Words: Working capital management, liquidity, operational efficiency, cash, account receivables, inventory, current liabilities, account payable, Short-Term Debt, Financial Risk, Profitability.

Introduction:

Working capital management is a crucial financial strategy that ensures a company maintains optimal cash flow to meet short-term operational expenses and debt obligations. It involves managing current assets such as cash, marketable securities, accounts receivable, and inventory, alongside current liabilities like accounts payable and short-term debts. Effective working capital management enhances liquidity, profitability, and overall financial stability.

Established in 2000, Manque Global Airport Services Pvt Ltd is a leading airport services provider, committed to delivering seamless passenger experiences through customer-centric operations. Based in Bangalore, the company specializes in transportation, logistics, and airport management, employing 700 professionals. Services include meet-and-assist, baggage handling, security screening, and retail operations, ensuring convenience and safety for travelers.

Statement of problem:

This project examines working capital management at Manque Global Airport Services Pvt Ltd, focusing on its role in daily operations and financial efficiency. Effective working capital management ensures smooth business functioning, supports future planning, and enhances control decisions. Unlike fixed assets, working capital fluctuates constantly, making its management crucial for business success. A strong working capital position is reflected in optimal inventory levels, minimal debtors, and efficient bank facility utilization, highlighting its importance in financial management.

Objective

- To analyze the efficiency of working capital management in Manque global airport service using ratio analysis.
- To find out the changes in working capital of Manque global airport service using comparative financial statement analysis.
- To estimate the working capital requirement of the company by analyzing the past record of the company.
- To study need of working capital requirement in organization.
- To analyze the effective utilization of working capital.
- To analyze impact of profitability on working capital.

Review of Litereature

Rahman et al. (2024) underscores the significance of WCM in enhancing profitability and return on assets, identifying emerging research trends and gaps in the field.

Purushotham (2024) compares the working capital efficiency of selected Indian FMCG and automobile companies, revealing sector-specific practices and their implications on financial performance.

Talreja's (2023) systematic literature review delves into the relationship between WCM and profitability, emphasizing the importance of the cash conversion cycle and its effect on firm performance.

Mavropulo, Rapp, and Udoieva (2021) provide empirical evidence on the dynamics of WCM within value-based management control systems, offering insights into how strategic financial controls impact working capital efficiency.

Suman Talreja (2023) An Overview on Working Capital Management and Profitability, a study that systematically examines the relationship between working capital management and profitability, with a particular focus on how the cash conversion cycle influences profitability.

RESEARCH METHODOLOGY

- This study examines the Working Capital Management of **MANQUE GLOBAL AIRPORT SERVICE Pvt Ltd,** over a five-year period (2019-2020 to 2023-2024) using secondary data. The analysis focuses on key financial metrics to assess the company's growth, stability, and industry standing.

- It utilizes various analytical tools, including **Ratio Analysis** to assess liquidity and efficiency, **Changes in Working Capital** to track fluctuations in current assets and liabilities, and the **Working Capital Cycle** to evaluate the time taken to convert current assets into cash flows.

ANALYSIS:

1)Liquidity

Year	Current ratio`	Quick ratio	Super quick ratio	Working capital ratio
2019-2020	2.1	1.17	0.009	2.1
2020-2021	2.3	1.81	0.467	2.3
2021-2022	1.5	0.93	0.028	1.5
2022-2023	1.3	1.04	0.020	1.3
2023-2024	1.12	0.60	0.022	1.12

INTERPRETAION:

Current Ratio: Strong in 2019-21, indicating good liquidity, but a steady decline from 2021-22 to 2023-24 suggests increasing financial stress.

Quick Ratio: Peaked in 2020-21, showing high liquid asset availability, but a sharp drop in 2023-24 indicates reliance on inventory to cover short-term liabilities.

Super quick ratio: Improved in 2020-21 but remained critically low in other years, signaling cash flow issues and insufficient immediate liquidity.

Working Capital Ratio: Mirrors the current ratio, steadily declining from 2019-20 to 2023-24, indicating rising liquidity concerns and financial risk.

2)Solvency Ratios

Year	Debt to equity ratio	Debt to asset ratio	Proprietary ratio	Equity ratio	Interest coverage ratio	Cash flow to debt ratio
2019-2020	2.34	0.87	0.19	12.17	32.3	0.47
2020-2021	0.63	0.92	0.90	22.30	30.51	11.76
2021-2022	0.87	0.95	0.51	9.52	43.15	9.3
2022-2023	1.76	0.97	0.20	1.98	12.34	7.9
2023-2024	0.81	0.93	0.22	1.67	29	5.25

INTERPRETAION:

Debt to Equity Ratio: Fluctuated over the years, peaking in 2019-20 (2.34) and 2022-23 (1.76), indicating high reliance on debt. A lower ratio in 2020-21 (0.63) and 2023-24 (0.81) suggests improved equity financing.

Debt to Asset Ratio: Consistently high, reaching 0.97 in 2022-23, showing heavy dependence on debt for asset financing, which poses financial risk.

Proprietary Ratio: Peaked in 2020-21 (0.90), indicating strong financial stability, but a steep decline afterward suggests decreasing ownership funding and increased debt reliance.

Equity Ratio: Fell sharply from 22.30 (2020-21) to 1.67 (2023-24), highlighting a significant reduction in equity financing and rising financial risk.

Interest Coverage Ratio: Strongest in 2021-22 (43.15), indicating excellent debt servicing ability, but dropped significantly in 2022-23 (12.34), reflecting reduced earnings to cover interest expenses.

Cash Flow to Debt Ratio: Highest in 2020-21 (11.76), showing strong cash flow management, but a steady decline to 5.25 (2023-24) signals weakening liquidity and debt repayment capacity.

3)PROFITABILITY

Year	Operating profit ratio	Net profit ratio	Gross profit ratio	Return on investment	Return on asset ratio	Return on equity
2019-2020	1.76	1.79	21.4	272	3.5	27.26
2020-2021	-6.31	-6.12	20	10.8	10.87	143
2021-2022	1.79	1.81	27.5	89.12	4.2	89.12
2022-2023	1.58	1.61	24.6	145.5	2.8	145.5
2023-2024	1.54	1.59	20.9	4.8	4.8	291.10

INTERPRETAION:

Operating Profit Ratio: Fluctuated over the years, turning negative in 2020-21 (-6.31) due to possible operational inefficiencies but remained stable around 1.5% in later years, indicating low but positive profitability.

Net Profit Ratio: Similar to the operating profit ratio, it dropped to -6.12 in 2020-21, signaling losses but recovered from 2021-22 onwards, maintaining a low but steady profit margin.

Gross Profit Ratio: Peaked in 2021-22 (27.5%), showing strong cost efficiency but declined in 2023-24 (20.9%), indicating higher production costs or reduced pricing power.

Return on Investment (ROI):Highly volatile, peaking at 272 in 2019-20 but plunging to 10.8 in 2020-21. It rebounded in 2022-23 (145.5) but dropped sharply to 4.8 in 2023-24, indicating declining investment efficiency.

Return on Asset (ROA) Ratio: Fluctuated significantly, reaching a low of 2.8 in 2022-23 before improving slightly to 4.8 in 2023-24, indicating low asset utilization efficiency.

Return on Equity (ROE): Extremely volatile, jumping from 27.26 (2019-20) to 143 (2020-21), then fluctuating before surging to 291.10 in 2023-24, suggesting high returns for shareholders despite operational inconsistencies.

4) Turnover ratio

Year	**Fixed asset turnover ratio**	**Working capital turnover ratio**	**Asset turnover ratio**	**Inventory turnover ratio**	**Account receivable turnover ratio**	**Account payable turnover ratio**
2019-2020	90.7	3.93	1.92	186.28	3.86	17.68
2020-2021	85.7	3.68	1.77	26.16	4.62	14.73
2021-2022	12.1	8.84	2.28	1.12	6.11	2.04
2022-2023	9.6	9.03	1.78	11.25	4.34	21.16
2023-2024	19.82	33.57	3.06	10.75	6.35	34.51

INTERPRETAION:

Fixed Asset Turnover Ratio: Declined sharply from **90.7 (2019-20)** to **9.6 (2022-23)**, indicating reduced efficiency in utilizing fixed assets. A slight recovery to **19.82 (2023-24)** suggests improvement but remains below earlier levels.

Working Capital Turnover Ratio: Initially stable but surged from **8.84 (2021-22)** to **33.57 (2023-24)**, indicating efficient use of working capital to generate revenue.

Asset Turnover Ratio: Fluctuated, peaking at **3.06 (2023-24)**, showing improved asset utilization in recent years after a dip in 2022-23.

Inventory Turnover Ratio: Drastically dropped from **186.28 (2019-20)** to **1.12 (2021-22)**, reflecting slow inventory movement. Although it slightly improved to **10.75 (2023-24)**, it remains low, indicating potential inventory management issues.

Accounts Receivable Turnover Ratio: Improved from **3.86 (2019-20)** to **6.35 (2023-24)**, suggesting better credit management and faster collection of receivables.

Accounts Payable Turnover Ratio: Fluctuated significantly, hitting a low of **2.04 (2021-22)** but rising to **34.51 (2023-24)**, indicating faster payment to suppliers, possibly due to improved cash flow or supplier pressure.

5)Changes in working capital

Year	Current asset	Current liability	Increase /Decrease in working capital
2020-2021	3855282	6352024	2496742
2021-2022	6352024	5544259	(807765)
2022-2023	5544259	9961108	4416879
2023-2024	9961108	5441915	(4519193)

INTERPRETAION:

The company's working capital fluctuated significantly. It increased in **2020-21** and **2022-23**, indicating improved liquidity, but declined in **2021-22** and **2023-24**, suggesting rising short-term liabilities and potential liquidity risks. Better cash flow and liability management are needed to ensure financial stability.

6) Working capital cycle

YEAR	DAYS	WORKING CAPITAL REQUIREMENT
2019 - 2020	71	29511280
2020 - 2021	92	5896766
2021 - 2022	106	14254921
2022 – 2023	142	34998191
2023 - 2024	92	46133673

INTERPRETAION:

The company's working capital requirement fluctuated, peaking in 2023-24 at ₹46,133,673 lakhs. While financial needs increased over time, the reduction in working capital days in 2023-24 suggests improved efficiency and cash flow management.

FINDINGS:

The company experienced declining liquidity ratios from 2021-2024, signaling rising liabilities and financial stress. The debt-to-equity and proprietary ratios declined**,** indicating increased reliance on debt financing, while the debt-to-asset ratio remained high, posing financial stability risks. Profitability fluctuated, with net profit and ROI declining, though ROE surged, reflecting improved profitability despite increased investment. Asset utilization improved**,** as seen in the fixed asset, working capital, and asset turnover ratios, but maintaining long-term efficiency is crucial. Receivables and payables turnover increased, indicating better cash flow management, yet working capital fluctuations highlight liquidity concerns. The working capital requirement rose significantly in 2023-24**,** but fewer days were needed, suggesting improved cash conversion efficiency. Strengthening cost control, cash flow management, and financial planning is essential for sustainable growth.

SUGGESTION:

- **Liquidity:** Strengthen cash flow, receivables collection, and working capital management.
- **Debt Stability:** Reduce debt reliance, refinance high-interest loans**,** and maintain a balanced debt-to-equity ratio**.**
- **Profitability:** Control **costs,** optimize pricing, and improve ROI & ROA**.**
- **Efficiency:** Enhance asset utilization, supplier terms**,** and inventory management.
- **Working Capital:** Improve receivables, balance turnover**,** and streamline cash cycles.
- **Risk Management:** Conduct financial analysis, plan contingencies**,** and ensure sustainable growth**.**

CONCLUSION:

The financial analysis reveals declining liquidity ratios, signaling higher short-term financial risk, and growing debt reliance, raising concerns about stability. Profitability ratios are recovering, but fluctuating margins highlight the need for better cost control. Operational efficiency is improving, but sustaining this while ensuring financial stability is key. To foster long-term growth, the company should optimize working capital, manage debt, and enhance profitability through cost control and strategic investments, with a focus on proactive financial planning and risk management.

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