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THE ROLE OF WORKING CAPITAL IN ENHANCING FINANCIAL EFFICIENCY: INSIGHTS FROM ROCK WORTH CO., LTD.

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ABSTRACT

This study explores the effectiveness of working capital management at Rock Worth Pvt. Ltd., focusing on liquidity, operational efficiency, and profitability. It analyses components like inventory, receivables, payables, and cash flow cycles. The objective is to assess how well the company maintains a balance between current assets and liabilities. Data from financial reports and ratios are used to evaluate performance. The study also identifies challenges and suggests improvements for optimal capital utilization. Findings aim to aid decision-makers in enhancing financial stability and efficiency.

Keywords: Working Capital, Liquidity, Cash Flow, Inventory Management.

INTRODUCTION

Rock Worth Pvt. Ltd. is a globally recognized manufacturer of modular office furniture, headquartered in Bangkok, Thailand. Since its establishment in 2002, the company has built a strong presence across Asia, the Middle East, and Europe. Rock Worth specializes in high-quality workstations, ergonomic seating, collaborative spaces, and smart storage solutions. Its commitment to innovation, aesthetics, and sustainability has positioned it as a preferred brand in the commercial furniture industry.

In India, Rock Worth operates a state-of-the-art manufacturing facility in Sri City, Andhra Pradesh. The Indian unit caters to both domestic and international markets, combining precision engineering with environmentally responsible practices. The company upholds global standards through certifications like ISO 9001 and ISO 14001, and its core values include customer focus, innovation, integrity, and teamwork. With a mission to enhance workplace productivity and design, Rock Worth continues to deliver modern, functional, and sustainable office solutions.

The modular office furniture industry is a dynamic segment of the broader furniture market, driven by the growing demand for flexible, ergonomic, and space-efficient workplace solutions. With rapid urbanization, the rise of start-ups, and increasing focus on employee well-being, businesses are shifting toward modular workstations, collaborative setups, and ergonomic seating that

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enhance productivity. The industry caters to commercial spaces such as corporate offices, coworking hubs, educational institutions, and government facilities.

In recent years, India has emerged as a key manufacturing and consumption hub due to its expanding commercial infrastructure and cost-efficient production capabilities. The industry is also influenced by trends such as smart workspace integration, sustainability, and post-pandemic hybrid work models. Leading companies focus on customizable designs, eco-friendly materials, and digital ordering platforms. With the global market projected to grow steadily, the modular office furniture industry continues to evolve with innovations in design, technology, and user-centric solutions.

This study holds significant value as it provides critical insights into the financial health and operational efficiency of Rock Worth Pvt. Ltd., a leading player in the modular office furniture industry. By conducting ratio analysis over a five-year period, the research helps assess the company's liquidity, profitability, inventory efficiency, and capital structure. These findings are essential for internal decision-making, guiding the management in formulating strategies for cost control, cash flow optimization, and sustainable financial planning. Additionally, the study contributes to the broader understanding of how financial metrics can support performance evaluation in the manufacturing sector. It also benefits investors, stakeholders, and academic researchers by offering a practical example of how ratio analysis can be used to evaluate a company's growth potential and financial discipline.

Rock worth Systems Furniture (India) Pvt. Ltd. is a prominent manufacturer of office, educational, and laboratory furniture, headquartered at 800 West, Road R1 South, Sri City Special Economic Zone (SEZ), Chittoor District, Andhra Pradesh – 517 588. Established in 2008, the company has been operational for over 17 years, contributing significantly to India's furniture manufacturing sector .Rock worth is known for its commitment to quality and innovation, offering a range of products including chairs, desks, tables, storage solutions, and smart office systems. The company celebrated its 13th anniversary in September 2024, marking over a decade of excellence and growth in the industry. Rock worth's dedication to community development is evident through initiatives like supporting the education of workers' children up to graduation level.

Rock worth Pvt. Ltd. plays a significant role in India's organized furniture manufacturing sector, particularly within the Sri City SEZ. As a key player, it contributes to industrial growth, employment generation, and export development. The company stands out for its focus on quality, ergonomic design, and smart workspace solutions. Its operations also support the local economy

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and promote sustainable practices. Additionally, Rockworth is recognized for its employee welfare initiatives, such as sponsoring education for workers' children.

The furniture manufacturing industry contributes to GDP growth by supporting industrial output and increasing export revenues. It generates employment across skilled and unskilled sectors, including design, manufacturing, logistics, and sales. The industry also encourages investments in infrastructure, machinery, and innovation.

This industry enhances living and working environments through functional, ergonomic, and aesthetic solutions. It supports community development by creating job opportunities and encouraging skill development. Additionally, many firms contribute to social welfare through education, health, and sustainability initiatives.

Effective working capital management is fundamental to the financial health and operational efficiency of any organization. It involves the administration of current assets and current liabilities in a manner that ensures a company can meet its short-term obligations while also supporting its day-to-day operations. The objective of working capital management is to ensure adequate liquidity, minimize the cost of capital, and enhance profitability through optimized use of resources.

This study focuses on analyzing the working capital management practices at **Rock Worth Co., Ltd**, a company engaged in [insert company's nature of business – e.g., the manufacture of concrete products, construction materials, etc., if known]. The firm operates in a sector where the efficient management of receivables, inventories, and payables plays a crucial role in maintaining operational stability and profitability. Given the competitive nature of the industry and the capital-intensive operations involved, it becomes imperative to monitor and manage working capital effectively.

In many organizations, poor working capital management has been directly linked to financial distress and operational inefficiencies. Conversely, an optimized working capital cycle not only improves liquidity but also enhances overall business performance. This study is undertaken to evaluate how well Rock Worth Co., Ltd. manages its short-term assets and liabilities, identify the gaps in current practices, and suggest improvements based on financial data and industry benchmarks.

The study involves an in-depth analysis of the various components of working capital including inventory management, accounts receivable, accounts payable, and cash management. It examines historical financial data, key financial ratios, and the company's working capital cycle to assess the

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effectiveness of its current strategies. The research also aims to understand how working capital policies at Rock Worth Co., Ltd. align with its overall corporate goals and operational requirements.

By conducting this study, the aim is to provide insights into the challenges and opportunities in working capital management within Rock Worth Co., Ltd., and offer strategic recommendations to improve liquidity, reduce financial costs, and support sustainable growth.

REVIEW OF LITERATURE

Agha, H. (2014) This study examines the relationship between working capital management (WCM) and firm profitability. Findings indicate a significant inverse correlation between the cash conversion cycle and profitability. It suggests that shorter working capital cycles enhance firm performance. The study reinforces the need for efficient current asset management. It uses regression models to analyse data from various sectors. The paper concludes that effective WCM is a key driver of financial success.

Arabahmadi & Arabahmadi (2013) This paper explores the role of WCM in Iran's automobile industry. The authors highlight that liquidity management is critical in capital-intensive industries. Findings suggest that reducing inventory and receivables improves profitability. It emphasizes the need for industry-specific WCM strategies. The study reveals that firms often suffer from poor receivables turnover. It recommends integrating financial and operational planning for WCM.

Chatterjee, S. (2012) Chatterjee studies the impact of WCM on profitability among Indian firms. Using panel data, the study finds a negative relation between working capital and net profits. Firms with leaner working capital cycles perform better financially. The research supports the trade-off theory in capital management. Inventory and receivables days are found to be critical influencers. It recommends periodic evaluation of WCM strategies for sustained growth.

Deloof, M. (2003) Deloof's landmark study examines Belgian firms and finds WCM significantly affects profitability. The study shows that firms can improve profitability by reducing the number of days accounts receivable. Inventory management and supplier payment periods also impact firm performance. The findings highlight a negative relationship between working capital components and profitability. It uses a large data set to ensure robustness of results. This paper is widely cited in WCM research for its empirical strength.

Mansoori & Muhammad (2012) This paper investigates how WCM affects profitability in Singapore-based firms. It confirms that shorter cash conversion cycles positively influence

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profitability. The study finds inventory and receivables days as key variables. Firms with efficient WCM policies achieve better operational outcomes. It supports adopting industry-tailored strategies for WCM optimization. The study also discusses regional financial behavior influencing WCM.

Gill, Biger & Mathur (2010) The authors examine U.S. firms to understand how WCM influences profitability. Their results show that accounts receivable periods are negatively associated with gross operating profits. Efficient WCM improves operational efficiency and liquidity. They emphasize timely collection and inventory control as profit drivers. The research uses cross sectional data for generalizability. It recommends stronger credit policies and vendor negotiations.

Mohanty, S. C. (2013) Mohanty analyzes WCM in mining-sector firms across public and private organizations. Findings indicate public firms have less efficient WCM practices than private ones. Delayed receivables and overstocking hurt liquidity and performance. The paper suggests process automation to improve inventory and credit cycles. The study highlights the role of financial control in resource-heavy sectors. It concludes that WCM is vital for capital-intensive industries.

Panigrahi, C. M. A. (2015) This study presents a practical approach to managing working capital across sectors. It outlines strategies for managing inventory, receivables, and payables effectively. The author emphasizes real-time data usage for WCM decisions. Case examples show how efficient WCM reduces financing needs. It also covers the link between liquidity and business sustainability. The paper acts as a practical guide for WCM in small and mid-size enterprises.

Sharma & Kumar (2011) This empirical study explores how WCM affects Indian manufacturing firms' profitability. A strong inverse relationship is found between the cash conversion cycle and return on assets. The study uses a large sample over several years to ensure robustness. It supports minimizing the time lag between cash outflows and inflows. WCM is shown to be a key determinant of firm value. The study recommends financial managers monitor working capital ratios closely.

Shin & Soenen (1998) Shin and Soenen provide early empirical evidence linking WCM to profitability. Their analysis across U.S. firms shows a negative relationship between net trading cycle and profitability. Firms with more efficient WCM structures exhibit higher earnings. The study highlights the importance of managing each component—inventory, receivables, and payables. It pioneered the Net Trade Cycle (NTC) concept in finance literature. Their work remains a foundational reference for modern WCM studies.

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Beaumont Smith & Begemann (1997) This study explores the association between WCM and return on investment in South African firms. Findings indicate a moderate positive correlation between efficient WCM and ROI. The study focuses on liquidity and investment returns as performance indicators. It emphasizes optimizing inventory and cash balances to improve capital returns. The research uses correlation analysis to derive results. It contributes to understanding WCM in emerging economies.

Despite the importance of working capital management, limited research exists on its application in mid-sized manufacturing firms like Rock worth Systems Furniture (India) Pvt. Ltd. Most studies focus on large corporations or SMEs in general, lacking industry-specific insights. There's insufficient data on how WCM practices impact operational efficiency in SEZ-based firms. Behavioural and technological influences on decision-making remain underexplored. A focused study can bridge this gap and offer actionable recommendations for similar firms.

RESEARCH METHODOLOGY

This study is essential to understand how working capital management affects operational efficiency and profitability in the context of furniture manufacturing firms. It will provide valuable insights into financial practices tailored to mid-sized companies within SEZs. The findings will help businesses optimize their liquidity and financial strategies. Furthermore, it will guide policymakers in improving sector-specific financial frameworks. The study will focus on Rockworth Systems Furniture (India) Pvt. Ltd. as a case example to explore working capital management practices. It will analyze financial data, inventory management, and cash flow strategies. The scope will also include examining industry-specific challenges and opportunities within the SEZ framework. Insights from this study can be applied to similar firms in the furniture manufacturing sector.

Objectives of the study

- To analyze the components of working capital and their impact on the financial efficiency of Rock Worth Co., Ltd.
- To evaluate the relationship between working capital management practices and the company’s profitability and liquidity.
- To assess how effectively Rock Worth Co., Ltd. utilizes its current assets and liabilities to support operational efficiency.
- To provide recommendations for improving working capital strategies to enhance overall financial performance.

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Research Design

The research will adopt a descriptive and exploratory design to analyze the working capital management practices of Rock worth Systems Furniture (India) Pvt. Ltd. It will involve a case study approach, focusing on financial data and operational performance over a specific period. This design will allow in-depth exploration of the firm's strategies and their impact.

Data will be collected through primary methods such as interviews with key management personnel and surveys of employees involved in financial decision-making. Secondary data will be sourced from company financial reports, industry publications, and relevant academic literature. This multi-source approach will ensure comprehensive data coverage.

Quantitative data will be analyzed using financial ratios like the cash conversion cycle, liquidity ratios, and profitability analysis. Qualitative data from interviews and surveys will be analyzed through thematic analysis. Statistical tools like Excel will be used for numerical analysis, while NVivo can be employed for coding and categorizing qualitative responses.

Data Analysis

The current ratio is a key financial metric used to evaluate a company's short-term liquidity and operational efficiency by measuring its ability to meet short-term obligations with its current assets. This ratio, calculated by dividing current assets by current liabilities, serves as an essential indicator of a firm's financial health and working capital management. A higher current ratio generally reflects a stronger liquidity position, suggesting that the organization is well-equipped to handle its immediate financial commitments.

Table 1 Current Ratio

Year	Current Asset	Current Liabilities	Current Raio
2020	12,00,000	8,00,000	1.5
2021	14,50,000	9,50,000	1.53
2022	15,20,000	10,10,000	1.50
2023	16,00,000	11,00,000	1.45
2024	18,50,000	13,00,000	1.42

Source: Secondary Data

The analysis in the table 1, the current ratio from the years 2020 to 2024 reveals a gradual downward trend in the company’s short-term liquidity position. In 2020, the current ratio stood at 1.5, indicating that the company had ₹1.50 in current assets for every ₹1.00 of current liabilities.

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This ratio slightly increased to 1.53 in 2021, reflecting a marginal improvement in liquidity. However, from 2022 onwards, the current ratio consistently declined, falling to 1.50 in 2022, 1.45 in 2023, and reaching 1.42 in 2024. Despite the growth in current assets over the five-year period, the corresponding increase in current liabilities has been proportionately higher, leading to a steady decline in the ratio.

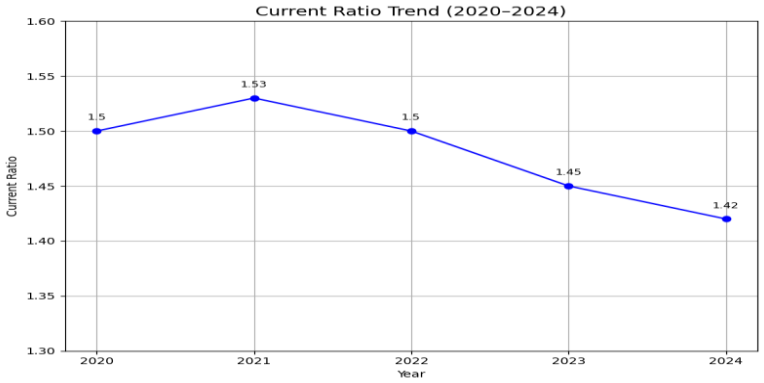

Figure 1 Current Ratio

Figure 1 illustrates a slight downward trend in Rock Worth's current ratio over the five-year period. The peak was in 2021 at 1.53, followed by a consistent decline, reaching 1.42 in 2024. While still within a healthy liquidity range, this downward slope signals the need for better management of short-term assets and liabilities. The company should monitor this trend closely and ensure working capital remains adequate to maintain financial stability.

Inventory Turnover Ratio (2020–2024)

The inventory turnover ratio shows how efficiently Rock Worth is managing its inventory by comparing cost of goods sold (COGS) to average inventory.

Table 2 Inventory Turnover Ratio

Year	Cost of Goods Sold	Average Inventory	Inventory Turnover
2020	25,00,000	5,00,000	5.0
2021	28,00,000	5,20,000	5.38
2022	30,00,000	5,60,000	5.36
2023	33,00,000	6,00,000	5.50
2024	35,00,000	6,50,000	5.38

Source: Secondary Data

Over five-year period, indicating consistent efficiency in inventory management. In 2023, the company achieved its highest inventory turnover ratio of 5.50, reflecting the most efficient inventory movement and sales performance during the period. This suggests that in 2023, the

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company was able to convert its inventory into sales more quickly than in other years. The lowest turnover was recorded in 2020 at 5.00, which is still a healthy figure, showing that even at its lowest, inventory was turned over five times a year. The steady ratios across the years indicate that Pals Plush has maintained good control over its stock levels, avoiding overstocking and reducing holding costs.

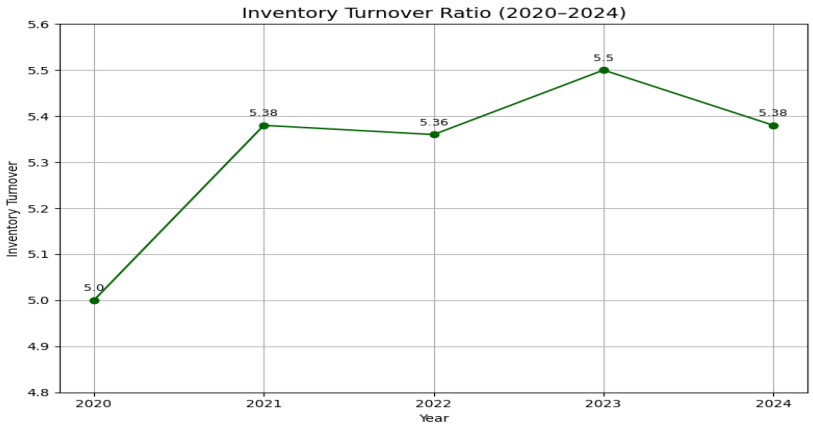

Figure 2 Inventory turnover ratio

Above figure reveals a generally upward and stable trend in inventory turnover, peaking in 2023 at 5.50. This suggests that Rock Worth has been effective in minimizing holding costs and ensuring a healthy balance between inventory levels and sales. The slight dip in 2024 is not alarming but should be monitored to prevent excess inventory accumulation. Maintaining this efficiency is crucial for strong working capital management and cash flow.

Receivables Collection Period (in Days)

Table 3 Receivables Collection Period

Year	Accounts Receivable	Credit Sales	Collection Period (days)
2020	20,00,000	24,00,000	30.4
2021	2,50,000	28,00,000	32.6
2022	2,80,000	30,00,000	34.1
2023	3,20,000	33,00,000	35.4
2024	3,60,000	35,00,000	37.5

Source: Secondary Data

In tha Table 3, the receivables collection period of Rock Worth Company has shown a gradual increase over the five-year period, indicating a slowdown in the pace at which the company is collecting payments from its credit customers. In 2020, the collection period was 30.4 days, which was the shortest, suggesting efficient credit management and timely customer payments during

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that year. However, by 2024, the collection period had risen to 37.5 days, marking the highest duration in the given timeframe. This increase of over 7 days suggests that receivables are taking longer to convert into cash, potentially affecting the company's short-term liquidity and cash flow.

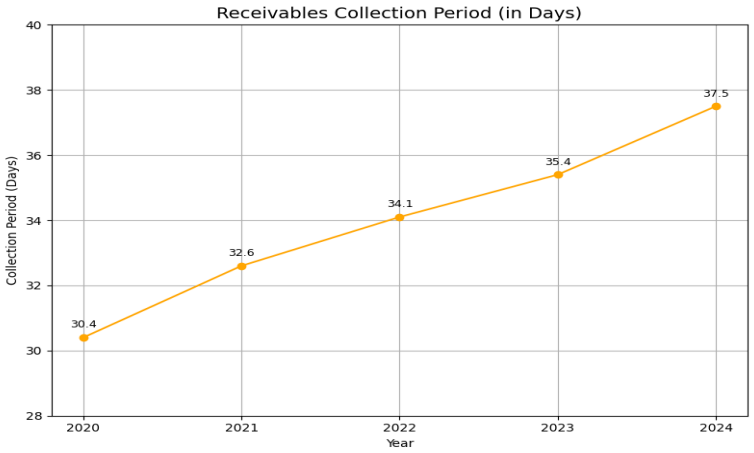

Figure 3 Receivables Collection Period

Figure 3 clearly depicts a gradual rise in the collection period, with a consistent upward slope from 2020 to 2024. This indicates that customers are taking longer to pay, which may reduce liquidity and delay cash inflows. Although the rise is moderate, it suggests a need for improved receivables management, possibly through reviewing credit policies, offering early payment discounts, or automating follow-ups.

Cash Conversion Cycle (in Days)

The Cash Conversion Cycle (CCC) of Rock Worth Company has shown a consistent downward trend from 2020 to 2024, indicating an improvement in the efficiency of its working capital management.

Table 4 Cash Conversion Cycle

Year	Inventory days	Receivables Days	Payables Days	Cash Conversion Cycle
2020	45	30	20	55
2021	42	33	21	54
2022	40	34	22	52
2023	38	35	23	50
2024	36	37	25	48

Source: Secondary Data

The Table 4, In 2020, the CCC was 55 days, which was the highest during the five-year period. This means it took the company 55 days to convert its investments in inventory and receivables

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into cash. By 2024, the CCC had reduced to 48 days, the lowest, demonstrating that the company was able to accelerate its cash flow cycle by managing inventory and receivables more efficiently while slightly extending payables. The reduction in inventory days from 45 to 36 and the extension of payables from 20 to 25 days played a significant role in shortening the CCC.

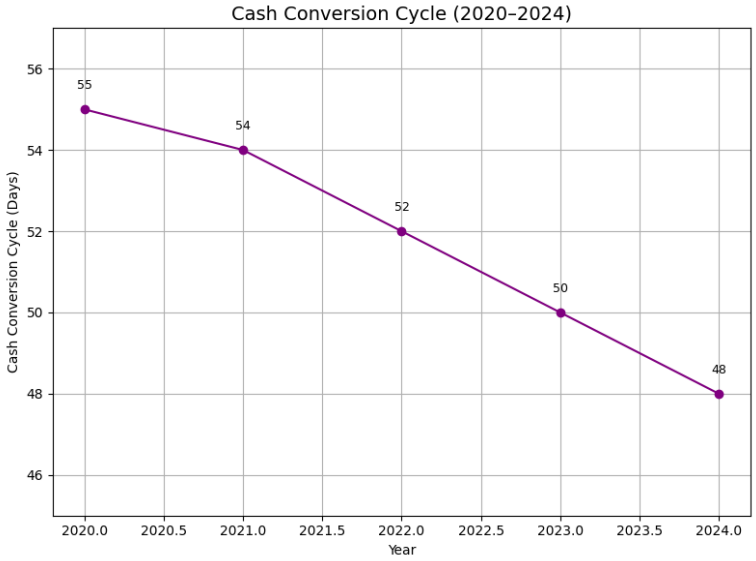

Figure 4 Cash Conversion Cycle

Above figure displays a consistent downward trend in the Cash Conversion Cycle, declining from 55 days in 2020 to 48 days in 2024. This trend signals that Rock Worth is becoming more efficient at converting investments in inventory and receivables into cash. Despite a small rise in receivables days, reductions in inventory days and strategic extension of payables have contributed to this positive movement. Maintaining or improving this cycle is crucial for healthy working capital and cash flow management.

ANALYSIS OF FINDINGS

The current ratio declined from 1.5 in 2020 to 1.42 in 2024, indicating a tightening liquidity position. While the ratio remained above the minimum acceptable level, it suggests that the company is becoming slightly more leveraged and must monitor its short-term obligations more carefully. The inventory turnover ratio remained stable between 5.0 and 5.5 over five years, reflecting efficient inventory practices. This indicates that Rock Worth is effectively managing its stock and minimizing holding costs. The receivables collection period increased from 30.4 days in 2020 to 37.5 days in 2024. This upward trend signals a delay in customer payments, potentially affecting cash flow and overall liquidity. The CCC improved from 55 days in 2020 to 48 days in 2024, showcasing better working capital efficiency. This was mainly driven by reduced inventory

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days and extended payables, despite a rise in receivables days. The company increased its payables period from 20 to 25 days, helping to offset the impact of rising receivables. This strategy improved short-term cash availability without significantly affecting supplier relationships.

RECOMMENDATIONS

Recommendations for Managers

Managers should focus on optimizing cash flow by improving inventory turnover and receivables management. Implementing advanced financial forecasting tools and adopting technology-driven solutions like automation can streamline working capital processes. Regular training on financial management for employees will also enhance decision-making. Collaboration between departments to align financial and operational goals is crucial.

Recommendations for policy makers

Policymakers should consider offering financial incentives for firms in SEZs to improve liquidity management. They should work on simplifying regulatory frameworks for working capital optimization. Encouraging investments in technology and skill development programs will help enhance overall industry performance. Providing access to affordable credit and financial support can aid businesses in managing working capital effectively.

Recommendations for industry development

The furniture manufacturing industry should adopt standardized benchmarks for working capital management to increase operational efficiency. Collaboration with technology providers for automation in financial and inventory management can help reduce inefficiencies. Industry associations should focus on creating a platform for knowledge sharing and best practices. Investment in research on sustainable manufacturing practices is crucial for long-term growth.

Recommendations for scholarly contribution

Scholars should focus on sector-specific studies related to working capital management, particularly for companies in SEZs. Exploring the role of digital transformation and behavioral finance in working capital decisions can offer new insights. Research should also examine the impact of working capital practices on sustainability and long-term profitability. Comparative studies across different industries can provide a broader understanding.

Scope for further study

Further research can explore the impact of cultural and regional differences on working capital management practices across different countries. A longitudinal study focusing on firms in other SEZs can help generalize findings. Future studies could investigate the role of emerging

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technologies such as AI and blockchain in optimizing working capital. Comparative analysis between small and large firms within the same sector could provide additional insights.

Limitation of the study

The study is limited to a single case, Rockworth Systems Furniture (India) Pvt. Ltd., which may not represent the entire sector. The research relies on available data, which may be incomplete or biased due to non-disclosure of certain financial details. It also does not account for external factors like macroeconomic changes or global supply chain disruptions. The study may have limited generalizability due to the specific focus on an SEZ-based firm.

CONCLUSION

In conclusion, this study emphasizes the critical role of effective working capital management in enhancing the operational efficiency and profitability of firms like Rockworth Systems Furniture (India) Pvt. Ltd. Through analyzing the company's financial practices, it becomes evident that optimizing inventory, receivables, and cash flow are key to sustaining business growth. The research also highlights the importance of technology adoption and strategic decision-making for better liquidity management. While challenges such as regulatory constraints exist, the study suggests that adopting industry-specific practices and providing policy support can help firms overcome these hurdles. Overall, the findings contribute to both the academic understanding of WCM and practical recommendations for managers and policymakers.

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