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A STUDY ON WORKING CAPITAL MANAGEMENT IN ZTT INDIA PVT. LTD

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ABSTRACT

Working capital management is a crucial aspect of financial management that involves managing a company's short-term assets and liabilities. Effective working capital management enables businesses to maintain liquidity, reduce costs, and improve profitability. This review examines the key concepts, strategies, and challenges of working capital management, including cash management, inventory management, accounts receivable and payable management, and short-term financing. The review also discusses the impact of working capital management on firm performance and highlights the importance of adopting a holistic approach to managing working capital Management.

Keywords: Working capital management, financial management, Short-term assets.

INTRODUCTION

A study of working capital is of a major importance of internal and external analysis because of its close relationship with the current day to day operation of a business. Funds, collected from the different sources are invested in the business for the acquisition of assets. These assets are employed for earning revenue. Thus, working capital management is concerned with the problems that arise in attempting to discuss in details determining optimum level of working capital. In order to maintain flow of revenue from operation, every firm needs certain amount of current assets. For example, funds required either to pay for expenses or to meet obligations for service received or goods purchased etc by a firm. These funds are known as working Capital.

The power and telecom cable manufacturing industry plays a crucial role in supporting national infrastructure development. It enables reliable electricity transmission and fast, secure communication networks, which are essential for industrial growth and digital connectivity. This sector fuels economic progress by attracting investments, creating employment, and fostering innovation. It also supports key initiatives like Digital India, Smart Cities, and rural electrification. By strengthening energy and communication backbones, the industry accelerates overall economic development and global competitiveness

The power and telecom cable industry significantly impacts society by improving access to electricity and high-speed communication. It enhances the quality of life by enabling better education, healthcare, and connectivity, especially in rural and remote areas. Reliable power and internet infrastructure promote digital inclusion and bridge the urban-rural divide. The industry also contributes to public safety, emergency services, and smarter, more sustainable cities. Overall, it plays a vital role in building a more connected, informed, and empowered society. ZTT India Private Limited is a leading manufacturer and EPC (Engineering, Procurement, and Construction) service provider in India's power and telecommunications

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sectors. Established in May 2012, it operates as a wholly-owned subsidiary of Jiangsu Zhongtian Technology Co., Ltd. (ZTT Group), a prominent Chinese enterprise specializing in optical communications, power transmission, renewable energy, and marine systems.

ZTT India Private Limited plays a vital role in enhancing India's power transmission and telecom infrastructure by manufacturing high-quality cables like OPGW and OFC. As part of the "Make in India" initiative, it supports domestic production and reduces import dependence. With advanced technology from its parent company in China, ZTT India brings innovation and expertise to local projects. It has executed major EPC projects, including one of the world's largest OPGW installations. The company also contributes to economic growth by generating employment and supporting smart grid and Digital India initiatives.

LITERATURE REVIEW

Bhatt V. V. (1972) widely touches a method of appraising working capital finance applications of large manufacturing concern states that similar methods need to be devised for other sectors such as agriculture, trade etc. The author is of the view that banks while providing short-term finance, concentrate their attention on adequacy of security and repayment capacity. being satisfied with these two criteria they do not generally carry out any detail approval of the working of the concert

Zaman M. (1991) studies the working capital management practices of Public Sector Jute. Enterprises in Bangladesh which have been found to be seriously affected. This has been attributed to several factors like low demand for jute goods and serious competition in the international market, insufficient inventory Management policy, poor collection policy and efficient cash policy. The author has formulated a long term flexible and operational working capital management model.

Rae Govinda D. and Rao P. M. (1999) believes that management of working capital is a continuous process requiring proper monitoring and studying of the relationship of all variables with content, and drawing inferences This provides proper direction to the managers. Large and Stickney (1980) reportable that the then-recent bankruptcy of W.T. Grant, a nationwide chain of department stores, ought to are anticipated as a result of the corporation had been running a deficit income from operations for eight of the last 10 years of its company life

Chakraborthy S.K. (1974) tries to distinguish cash working capital vis balance sheet working capital. The analyse is based on the following dimensions. Baig Vicar Ali (2009) aims at reporting comparative findings of a survey of working capital management practices of selected agribusiness firms from diary co-operatives private and MNC diary firms as a part of the research thesis completed in July 2008, Besides, an attempt has been made to know the effect of the ownership, movement regulations, managerial empowerment and cultural factor on the working capital decision making

Rahman Mohammad M. (2011) focuses on the co-relation between working capital and profitability. An effective working capital management has a positive impact on profitability of farms. From the state it is seen that in the textile industry profitability and working capital management possession ate found to be up to the mark

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Gilbert and Reichert (1995) realize that accounts receivable management models square measure employed in fifty-nine % of these corporations to enhance capital comes, while

inventory management models were employed in sixty % of the corporations.

Awalakki Manjunath (2020) has studied the efficiency of working capital management an efficiency index is constructed and compared with firm"s profitability, and Return on Current Assets is used as proxy for measuring the firms" Profitability. The paper used statistical tools like correlation, and regression model, with diagnostic tests for justification of accuracy of the model

.Kleiman and Saho (1999) realize that fifty-five % of corporations within the S&P Industrial index complete some variety of an income assessment, but did not gift insights relate to assets and inventory management, or the variations of any current asset accounts or liability accounts across industries.

From the above reviews, it is understood that the working capital of the company plays an important role in ascertaining the profitability of the business, and good working capital practices help them to boost its financial performance. To identify the effects and increases inefficient working capital management policy, the ratio of current assets is a low difference or it contrasts between the higher ratio of current assets to total assets is a low difference or a higher ratio.

RESEARCH METHODOLOGY

Although many studies have examined the Working capital Management Practices in "ztt india pvt ltd.There is a lack of research on how different types of Working Capital Management Practices influence different aspects of Financial Platforms. This research limits our understanding of how Working Capital can optimize their financial aspects and cope with potential risks. Therefore, this study aims to explore how Working Capital Management Practices affect the Profits and losses of the Organization, and help us to Understand Current Position of the Company in the Market.

Objectives

- To know the financial position of the firm by analyzing the working capital through schedule changing in working capital.
- To analyze the position of the current assets and current liabilities of global alloys (P) LTD.
- To analyze the trends of net working capital that is being maintained by the firm for a period of 5 years.
- To analyze the Performance of the organization through ratios.

Working Capital Management Plays a vital role in any organization and one should have a clear knowledge about the working Capital Position.In View of this Context, I have undertaken this study and it would be a great advantage to the company also to know its working capital position.The out sourcing can be made for the finds by the study. The study helps in estimating the assets and liabilities of an organization.This Project work is an attempt to get acquainted with various facts of short-term finance management.Far from the routine academic exercise, it is an opportunity to go through the Practical management where adequacy at the needy hour is the

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touchstone for efficiency.The project is useful in further expansion decision to be taken by Management.

The Scope of the study is identified after and during the study is Conducted. The main scope of the study was to put into Practical the theoretical aspect of the study into real life work experience. The study of working Capital is based on tools like Ratio Analysis, Statement of Changes in working Capital. Further the study is based on last 5 years Annual reports of global alloys (p) ltd.

In preparing this project the information collected from the following sources.Primary data The Primary data has been collected from personal interaction with finance manager and other staff members.Secondary data The Major source of data for this project was collected through annual reports, profit &loss account of 5-year period from 2019-2023 & some more information collected from internet and text sources, Sampling Design.

The following were the data collection methods used in the study Financial Statements, Annual reports, Interviews, Credit reports Market Research Bank statements, Inventory Turnover Data.

DATA ANALYSIS AND INTERPRETATION

Current ratio- A firm’s total Current assets are divided by its total Current Liabilities. It Shows the Ability of a firm to meets its current Liabilities with Current assets.

Current Assets Ratio= Current assets/ Current Liabilities

Table-1. Showing Current Assets Ratio

Years	Current assets	current liabilities	Ratios
2020	31,200	54,250	0.575
2021	42500	56,700	0.75
2022	58,000	53,500	1.084
2023	1,05,000	64,600	1.625
2024	1,30,500	66,000	1.977

Source: Secondary data

The table 1 reveals that the company's current ratio improved significantly, rising from 0.575 to 1.977. In 2020 and 2021, the ratio was below 1, indicating that the company struggled to meet its short-term liabilities with available current assets. However, starting in 2022, the ratio crossed 1, showing better liquidity and a stronger ability to cover obligations. The substantial increase in current assets in 2023 and 2024 further enhanced the company’s financial position. This upward trend reflects improved short-term financial stability and effective asset management over the five-year period.

CASH RATIO

The Cash ratio is a liquidity measure that shows a company’s ability to cover its short-term obligations using only Cash and Cash equivalents. The Cash ratio is derived by adding a company’s total reserves a cash and near-cash securities and dividing that sum by its total current liabilities.

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Cash ratio=Cash/Current liabilities

Table-2. Showing Cash Ratio

Years	Cash	Current Liabilities	Ratio
2020	1000	54,250	0.0184
2021	2500	56,700	0.0441
2022	4000	53,500	0.0748
2023	5000	64,600	0.0774
2024	8500	66,000	0.1288

Source: Secondary data

The table 2 reveals that the company's cash ratio showed gradual improvement, increasing from 0.0184 to 0.1288. This indicates a slow but steady enhancement in the company's ability to cover short-term liabilities using only its most liquid asset—cash. Despite the low ratios throughout, the upward trend reflects better cash management over time. However, the company still maintains relatively low cash reserves compared to its liabilities, which may pose liquidity concerns. Continued efforts are needed to strengthen immediate financial flexibility.

Quick Ratio

Quick ratio, also known as acid-test ratio. An indicator of a company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid asserts.

Quick ratio=Quick asserts/Quick liabilities

Were Quick asserts=current asserts-inventory

Table-3. Showing Quick Ratio

Years	Current Assets	Inventory	Quick Assets	Quick Liabilities	Ratio
2020	31,200	14,000	17,200	54,250	0.317
2021	42,500	20,000	22,500	56,700	0.397
2022	58,000	30,000	28,000	53,500	0.523
2023	1,05,000	40,000	65,000	64,600	1.006
2024	1,30,500	60,000	70,500	66,000	1.068

Source: Secondary data

The table 3 reveals that, the quick ratio of the company has shown a consistent upward trend from 0.317 in 2020 to 1.068 in 2024, indicating improving liquidity. In the early years, the company struggled to meet its short-term obligations without relying on inventory. By 2023, the quick ratio surpassed 1, suggesting that quick assets alone were sufficient to cover current liabilities. This improvement reflects stronger financial health and better management of liquid assets. The positive trend enhances the company's ability to handle short-term obligations efficiently.

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Debtors Turnover Ratio

Debtors' turnover ratio or accounts receivables turnover ratio indicates the total number of times debtors are changed into cash during one financial year. Debtors' turnover ratio is an important financial metric that helps businesses understand their ability to collect outstanding debts. This ratio is calculated by dividing the net credit sales by the average accounts receivables.

Debtors' turnover ratio= sales/debtors

Table-4. Showing Debtors Turnover Ratio

Years	Sales	Debtors	Ratio
2020	1,40,000	39,000	3.59
2021	1,85,000	72,000	2.57
2022	1,50,000	52,000	2.88
2023	1,20,000	44,000	2.73
2024	2,00,000	53,000	3.77

Source: Secondary data

The table 4 reveals that The debtors turnover ratio fluctuated over the years, indicating varying efficiency in collecting receivables. It declined from 3.59 in 2020 to a low of 2.57 in 2021, suggesting slower collection during that period. The ratio gradually improved afterward, reaching a high of 3.77 in 2024, showing enhanced credit management and faster recovery of dues. This improvement in 2024 may be linked to increased sales and more efficient receivables handling. The trend suggests the company has strengthened its collection process over time.

Gross Profit Ratio

The Gross profit ratio (G p ratio) is a financial ratio that measures the profitability of a company by dividing its gross profit by net sales. The gross profit ratio is a percentage-based metric that shows how efficiently a company generates profit from its core business operations.

Gross Profit Ratio= gross profit/ Net sales*100

Table-5. Showing Gross Profit Ratio

Years	Gross Profit	Net Sales	Ratio
2020	95,300	1,40,000	68.07
2021	1,20,300	1,85,000	65.03
2022	59,300	1,50,000	39.53
2023	38,000	1,20,000	31.67
2024	78,000	2,00,000	39

Source: Secondary Data

The table 5 reveals that The gross profit ratio shows a declining trend from 68.07% in 2020 to 39% in 2024, indicating reduced profitability over the years. The sharpest drop occurred between 2021 and 2023, suggesting increased cost of goods sold or pricing pressures. Although there was a slight recovery in 2024, the ratio remained significantly lower than the initial years.

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This trend may reflect challenges in cost control or competitive pricing strategies. Overall, the company needs to focus on improving operational efficiency to restore

ANALYSIS OF FINDINGS

The current ratio is in increasing stage from 2020-2024. In this we can know that current ratio at global alloys is at Satisfactory level. Cash reserves also being properly maintained by the company. The company's cash ratio is less than 1, Therefore the company should maintain long credit terms with its suppliers, efficiently managed inventory, and very little credit extended to its customers.The Current assets of the company are also been increasing from 2020-2024.Sales of the company has some fluctuations which shows some decreased sales in the year 2022 &2023.The company has some good inventory levels.The company should reduce inventory and increase inventory turnover.High degree of profitability is maintained by the company in the year 2020 &2021.Quick ratio earned by the company in the year 2023 & 2024are satisfactory.

RECOMMENDATIONS

Managers

Managers at ZTT India Private Limited should focus on maintaining an optimal level of working capital to ensure smooth business operations without compromising liquidity. They should closely monitor receivables and implement efficient collection policies to speed up cash inflow. Inventory levels must be managed effectively to avoid excess holding costs while meeting customer demand. Short-term liabilities should be carefully planned to prevent unnecessary financial strain. Overall, a balanced approach to working capital can enhance operational efficiency and support sustainable growth.

Policy Maker

Policy makers at ZTT India Private Limited should establish clear guidelines for effective working capital management to ensure financial stability and operational efficiency. Policies should promote regular monitoring of key components like receivables, payables, and inventory turnover. Implementing strong internal controls and encouraging the use of technology for real-time tracking can enhance decision-making. Incentives for departments that optimize cash flow and reduce working capital cycles can drive better performance. These strategic policies will support long-term growth and minimize financial risks.

Industry Development

For industry development, ZTT India Private Limited should adopt best practices in working capital management to set a benchmark within the sector. Emphasizing automation and digital tools can streamline cash flow monitoring and enhance transparency. Collaborating with suppliers and distributors to create efficient credit and inventory systems can improve the overall supply chain. Investing in employee training on financial efficiency will foster a culture of accountability and smart resource use. These steps will not only strengthen ZTT's position but also contribute to the growth and resilience of the broader industry.

Scholarly Contribution

Scholarly contributions on working capital management at ZTT India Private Limited should focus on analysing the impact of effective working capital strategies on financial performance and

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overall business sustainability. Research can explore the correlation between inventory management, receivables, and payables, providing insights into optimizing cash flow. Comparative studies with industry peers would offer valuable benchmarks for best practices. Scholars could also delve into the role of technology in improving working capital efficiency, providing actionable recommendations for businesses. These contributions would not only benefit ZTT India but also enrich academic literature on working capital management in emerging markets.

Limitations

The following are the various limitations involved in the study This study in conducted within a short period. During the limited period the study may not be retailed, full-fledged and utilization in all aspects. Financial accounting does not take into account the price level changes. Future plans of the company will not be disclosed to us. Lastly, due to shortage of time it is not possible to cover all the factors and details regarding the subject of study.

CONCLUSION

Effectively managing working Capital is must for financial stability and for the success of the business. By strategically managing current assets and liabilities, Companies can ensure they have the necessary liquidity to meet short-term obligations, invest in growth opportunities, and navigate unexpected financial challenges. The Current assets of the company are increasing year by year which impact a better financial position.

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