

A STUDY ON WORKING CAPITAL MANAGEMNET IN FUSION BULIDING BLOCKS & MATERIALS PVT. LTD

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ABSTRACT

Working capital management is all about making sure a business can smoothly handle its day-to-day operations by balancing its short-term assets and liabilities. It involves keeping a close eye on things like cash, inventory, customer payments (receivables), and what the business owes to others (payables). When managed well, it helps a company stay financially healthy, avoid cash shortages, and even reduce the need for external borrowing. Good practices—like managing stock efficiently, collecting payments on time, and negotiating better payment terms with suppliers—can lead to improved cash flow and overall profitability. On the flip side, poor management can cause serious issues like delayed operations or financial stress. Ultimately, working capital management isn't just about the numbers; it's about keeping the business running smoothly every day and being ready to take advantage of new opportunities when they come. It's a key part of staying competitive and growing sustainably.

Keywords: Liquidity, Profitability, Cash Flow, Efficiency.

INTRODUCTION

Fusion Building Materials Private Limited, a subsidiary of the Fusion Group of Companies, is a leading manufacturer of eco-friendly Autoclaved Aerated Concrete (AAC) blocks, headquartered in Hyderabad, India. Established in 2015 under the leadership of Dr. Suresh Babu Sadineni, the company emphasizes sustainable construction solutions. Fusion operates state-of-the-art manufacturing facilities in Vizag, Gudur, and Pune, producing lightweight, high-strength AAC blocks that adhere to IS:2185 Part 3 standards. Certified by ISO 9001:2015, GRIHA, and IGBC, Fusion is committed to delivering innovative, green building materials that reduce environmental impact and construction costs.

The significance of Fusion Building Blocks and Material Pvt. Ltd. lies in its commitment to promoting sustainable construction through eco-friendly AAC blocks. It plays a vital role in reducing carbon footprints by offering energy-efficient and recyclable building materials. The company supports fast, cost-effective, and durable construction practices in India's growing real estate and infrastructure sectors. With ISO and GRIHA certifications, it sets industry standards for green building solutions. Fusion's expansion and technological innovation reflect its influence in transforming conventional construction methods.

Working capital is a financial metric which represents the operating liquidity of a business enterprise. It is a measure of a company's efficiency and its short-term financial position. Working capital is the difference between the current assets and the current liabilities. Working capital, also known as net working capital (NWC), is the difference between a company's current assets—such as cash, accounts receivable/customers' unpaid bills, and inventories of raw materials and finished goods and its current liabilities, such as accounts payable and debts. It's a commonly used measurement to gauge the short-term health of an organization.

REVIEW OF LITERATURE

Abuzayed (2012) investigates the role of working capital management (WCM) in determining firm performance in Jordan, an emerging market. The study finds that firms maintaining an optimal level of working capital achieve better performance. It emphasizes the importance of liquidity management during economic fluctuations. Results show that both over- and under-investment in working capital hurt profitability. The paper suggests a strategic, balanced approach to WCM. Emerging markets benefit more from efficient capital allocation.

Aktas, Croci, & Petmezas (2015) explore whether WCM enhances firm value by examining its effects on performance and investment behaviour. Using a global dataset, the authors demonstrate that efficient WCM contributes positively to firm value. The study links aggressive WCM policies with higher investment levels. It suggests that optimized WCM supports future growth opportunities. Firms can use WCM to enhance liquidity without sacrificing profitability. The research emphasizes WCM as a tool for financial flexibility.

Aminu & Zainudin (2015) provide a theoretical review of WCM, connecting key theories with its practical components. The paper discusses how effective management of receivables, payables, and inventories influences financial health. It stresses the need for theoretical grounding in understanding working capital practices. The authors present a conceptual framework to guide future empirical studies. They argue that aligning theory with practice enhances strategic decision-making. The study contributes to the academic foundation of WCM.

Baños-Caballero, García-Teruel, & Martínez-Solano (2010) focus on WCM in SMEs and highlight its importance due to limited access to finance. The study finds that maintaining an optimal level of working capital is crucial for SME performance. SMEs are more sensitive to liquidity constraints, making WCM critical. The authors show that a moderate working capital policy maximizes firm value. Overinvestment ties up resources, while underinvestment risks operational efficiency. The paper offers practical insights for small business managers.

Baños-Caballero, García-Teruel, & Martínez-Solano (2012) examine how WCM impacts profitability among Spanish SMEs. Their results reveal a non-linear relationship—too much or too little investment in working capital reduces returns. The study finds an optimal WCM point that maximizes profitability. The authors recommend continuous monitoring of working capital metrics. Firms must balance between liquidity needs and cost of capital. This study offers a quantitative foundation for efficient SME cash flow management.

Baños-Caballero, García-Teruel, & Martínez-Solano (2014) analyse how financial constraints influence the link between WCM and corporate performance. They find that firms under tighter credit constraints benefit more from efficient WCM. The study highlights that good WCM mitigates external financing needs. Firms with limited access to capital markets rely more on internal liquidity. Effective WCM enhances performance by improving operational flexibility. It underscores WCM's role in supporting financially constrained firms.

Deloof (2003) investigates Belgian firms and finds a significant negative relationship between cash conversion cycle and profitability. The study recommends reducing the time firms take to

collect receivables and manage inventory. Extending payables also helps improve profitability. Deloof shows that efficient WCM leads to better resource utilization. His research provides early empirical support for WCM's role in performance. The findings remain influential in corporate finance literature. Dong & Su (2010) explore the Vietnamese context to assess the link between WCM and firm profitability. They find that firms with shorter cash conversion cycles perform better financially. The study supports the idea that WCM efficiency enhances profitability, especially in emerging markets. It suggests minimizing inventory and receivables duration while maximizing payables period. The research underscores WCM's strategic value in liquidity-sensitive economies. Findings highlight its practical relevance in transitional markets.

Enqvist, Graham, & Nikkinen (2014) examine WCM's impact across economic cycles in Finnish firms. The study finds that WCM is more critical during recessions than in booms. Efficient WCM helps firms sustain profitability when external funding is scarce. The cash conversion cycle plays a key role in navigating business fluctuations. The research recommends dynamic WCM policies based on economic conditions. It highlights WCM as a counter-cyclical performance tool. Padachi (2006) analyses working capital trends and performance among Mauritian small manufacturing firms. The study reveals that ineffective WCM—particularly poor inventory and receivables control—negatively affects profitability. It emphasizes the need for strategic WCM in small businesses. Firms must adopt better financial practices to enhance cash flow. The research suggests training and policy support for small firms. It provides a regional perspective on WCM challenges in developing economies.

Howorth & Westhead (2003) investigate WCM practices in UK small firms, focusing on managerial priorities. The study finds that owners prioritize cash flow over profitability when managing working capital. WCM is often reactive and informal in small firms. The authors highlight a lack of structured financial management systems. This approach can hinder long-term financial performance. The paper calls for improved financial literacy and planning among small business managers. Working Capital Management (WCM) is a dynamic and strategic process that ensures a company's liquidity, operational efficiency, and short-term financial health. It involves managing current assets and liabilities to maintain an optimal balance between profitability and risk. Efficient WCM enhances cash flow, reduces financing costs, and improves overall business performance. Companies that master WCM can swiftly respond to market changes and seize growth opportunities. In today's competitive landscape, it is a powerful tool for sustaining business resilience and maximizing value.

The title entitles “A Study on working capital with reference to fusion building materials” which facilitates to take instant decisions and increase organization productivity and efficiency in day-to-day performances.

RESEARCH METHODOLOGY

Financial Management is an appendage to the Finance function. With the creation of complex industry structure, the finance function has grown to very great heights. one can't think of any business activity in isolation from its financial implication. The company is facing problems with inventory mishandling Defective credit policy and stock collection period. So, there is

need to study of working capital management in FUSION BUILDING BLOCKS for giving good solutions for its problems.

The prime objective of the company is to obtain maximum profit through the business. The amount of profit largely depends up on the magnitude of sales. However, the sale does not convert into cash instantaneously. There is always a time gap between the sales and their actual realization in cash is technical termed as operating cycle. Additional capital required to have uninterrupted business operations, and the amount will be locked up in the current assets. This study was conducted from 2019-2024.

OBJECTIVES OF THE STUDY

- To analyze the working capital through schedule of changes in working capital.
- To study the liquidity position of the fusion building blocks private limited company.
- To study the position of the current assets and current liabilities of FUSION BUILDING BLOCKS private limited company.

Research Design

The research follows a descriptive and analytical design. The descriptive aspect involves presenting the financial condition of selected firms using historical data, while the analytical component focuses on interpreting financial ratios to assess performance, efficiency, and stability. The study relies entirely on secondary data. Annual reports Company websites and financial portals (like Money control, Screener, etc.) Publications from regulatory authorities (e.g., SEBI, RBI) The following tools and techniques are used to analyze the collected financial data: Liquidity Ratios (Current Ratio, Quick Ratio) Profitability Ratios (Net Profit Margin, Return on Equity, ROA) Solvency Ratios (Debt-Equity Ratio, Interest Coverage Ratio) Activity Ratios (Inventory Turnover, Debtors Turnover)

DATA ANALYSIS

The current ratio establishes the relationship between current assets and current liabilities. The objective of computing this ratio is to measure the ability of the firm to meet its short-term financial strength/solvency of a firm. If a firm having high degree of liquidity funds is unnecessarily tied up in current assets. The satisfactory current ratio is 2:1. In other words, the objective is to measure the safety margin available for short term indicators.

Table 1: Current Ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2019-2020	7298225	2212261	1.75
2020-2021	856835	4875235	1.83
2021-2022	17429456	2216073	7.86
2022-2023	6594661	5696773	1.15
2023-2024	8490426	7259690	1.16

Source: Secondary data

In the above table 1 explains, the current ratio indicates the company's ability to meet short-term obligations. In 2019–2020 and 2020–2021, the ratios (1.75 and 1.83) suggest a healthy liquidity position. The sharp rise in 2021–2022 to 7.86 implies excess current assets, potentially signaling underutilized resources.

However, the ratio drops significantly in 2022–2023 and 2023–2024 (1.15 and 1.16), indicating tighter liquidity. While still above 1, the recent trend suggests the company should monitor its short-term financial stability more closely. It dipped below 1 in 2020–2021 and 2022–2023, signaling potential liquidity stress. A sharp rise to 6.94 in 2021–2022 suggests strong liquid asset availability, possibly due to high receivables or cash. In 2023–2024, the ratio improves to 0.88 but still indicates reliance on inventory to meet obligations.

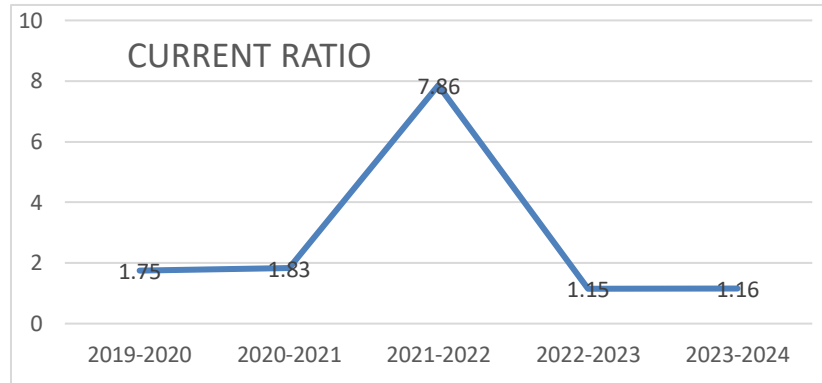


Figure 1: Current Ratio

In the figure 1, during 2019-20 the current ratio of the company was 1.75, 1.83, 7.86, 1.15 and 1.16. the highest during the year 2020-2021 that is 7.86. the lowest position during the year 2021-2022 that is 1.15.

Quick Ratio

In a short period, a firm should be able to meet all its short-term obligations i.e. current abilities and provisions. Current assets are those assets which can be converted into cash in the short run or within one year. Current assets should not only yield sufficient fund to meet current liabilities as they fall due.

Table 2: Quick Ratio

YEAR	CURRENT ASSETS INVENTORIES	CURRENT LIABILITIES	QUICK RATIO
2019-2020	4880959	4875235	1.00
2020-2021	3107994	3415798	0.90
2021-2022	15383869	2216073	6.94
2022-2023	4393962	5696773	0.77
2023-2024	6448550	7259690	0.88

Source: Secondary data

The Quick Ratio, also known as the acid-test ratio, is a key liquidity metric that evaluates a company's ability to pay off its short-term liabilities with its most liquid assets, excluding inventories. Analyzing the data presented in Table 2, it is evident that the company's quick ratio fluctuates significantly over the five-year period.

In 2019-2020, the quick ratio was 1.00, indicating a balanced situation where the company's liquid assets were equal to its current liabilities. However, the ratio declined to 0.90 in 2020-2021,

suggesting a minor liquidity crunch, as the company had slightly less liquid assets than required to cover its liabilities. This situation worsened in 2022-2023, with a quick ratio of 0.77, signaling a more severe liquidity problem, as the company's liquid assets were only 77% of its short-term obligations.

In contrast, 2021-2022 saw a dramatic improvement, with the quick ratio rising sharply to 6.94, reflecting a strong liquidity position with the company having excess liquid assets compared to its liabilities. However, the ratio again dropped in 2023-2024 to 0.88, indicating that while the company remained in a relatively stable position, it was still not able to fully cover its liabilities with liquid assets alone.

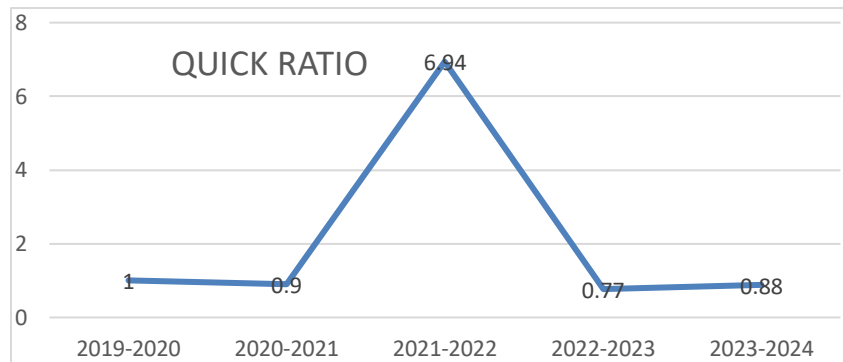


Figure 2: Quick Ratio

In the above figure 2, the quick ratio was the highest during the year 2021-2022 that is 6.94, the lowest position during the year 2022-2023 that is 0.77. it is showing a fluctuating.

Net Working Capital Ratio

As its name suggests it is the relationship between turnover and working capital. It is a measurement comparing the depletion of working capital to the generation of sales over a given period. This provides some useful information as to how effectively a company is using its period. working capital to generate sales. A company uses working capital to fund operations and purchase inventory. These operations and inventory are then converted into sales revenue for the company. The working capital turnover ratio issued to analyze the relationship between the money used to fund operations and the sales generated from these operations.

Table 3: Net Working Capital Ratio

YEAR	NET WORKING CAPITAL	NET ASSETS	N.W.C. RATIO
2019-2020	3693118	15808403	0.23
2020-2021	2847500	16103210	0.17
2021-2022	15213383	28626173	0.53
2022-2023	897888	15963249	0.05
2023-2024	1230736	17057397	0.07

Source: Secondary data

In the table 3 explains, The Net Working Capital (N.W.C.) ratio shows how much of a company's net assets are funded by working capital. In 2019–2020 and 2020–2021, the ratios (0.23 and 0.17) indicate moderate short-term financial strength. A significant increase to 0.53 in 2021–2022

suggests improved liquidity and operational flexibility. However, a sharp decline to 0.05 and 0.07 in 2022–2023 and 2023–2024 reflects weak short-term financial positioning. This trend signals that the company may struggle to cover short-term obligations and needs better working capital management.

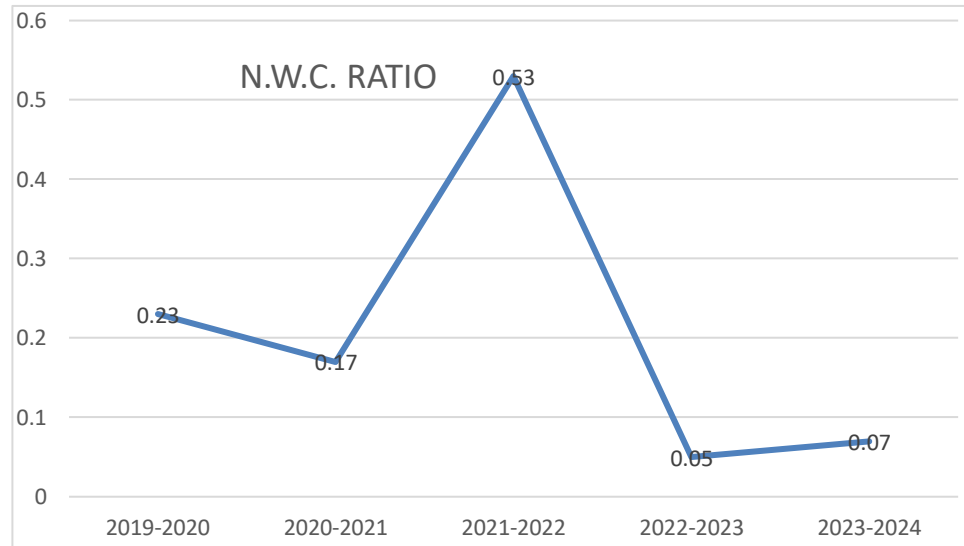


Figure 3: NET WORKING CAPITAL RATIO

In the above figure 3, the net working capital ratio was high in the year 2021-2022 that is 0.53. the lowest position in the year 2022-2023 that is 0.05. it is showing a fluctuating.

Fixed Assets Turnover Ratio

The Fixed Asset Turnover (FAT) ratio measures how efficiently a company uses its fixed assets to generate sales. It is calculated by dividing net sales by the average net fixed assets. A higher FAT ratio indicates better utilization of fixed assets, implying the company is generating more sales per unit of investment in fixed assets. This ratio is important for assessing asset management and operational efficiency. A low ratio may suggest underutilized assets or poor investment in fixed assets.

Table 4: Fixed Assets Turnover Ratio

YEAR	SALES	NET FIXED ASSETS	F.A.T RATIO
2019-2020	33182207	15808403	2.09
2020-2021	33149158	16103210	2.05
2021-2022	28717072	28626173	1.00
2022-2023	29455716	15963249	1.84
2023-2024	31546070	17057397	1.84

Source: Secondary data

In the above table 4 explains, The Fixed Assets Turnover (F.A.T) ratio measures how efficiently a company uses its fixed assets to generate sales. In 2019–2020 and 2020–2021, high ratios (2.09 and 2.05) indicate strong asset utilization. The drop to 1.00 in 2021–2022 suggests

underutilization, possibly due to increased investment or lower sales. The recovery to 1.84 in 2022–2023 and 2023–2024 reflects improved efficiency. Overall, the company regained better control over asset productivity after a dip

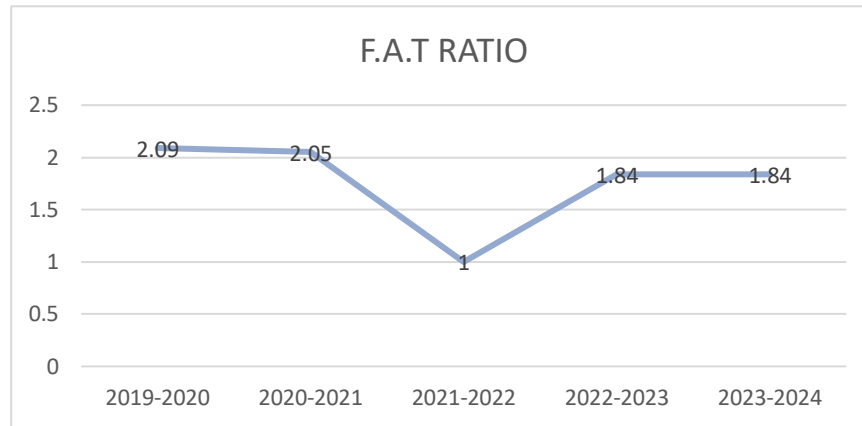


Figure 4: Fixed Assets Turnover Ratio

In the above figure 4, Fixed assets turnover ratio is high in the year 2019-20 that is 2.09, the lowest position in the year 2021-2022 that is 1:00.

Working Capital Turnover Ratio

This ratio shows the number of times working capital is turned-over in a stated period, profits, However, a very high turnover of working capital is a sign of overtrading and may put the higher is the ratio, the lower is the investment in working capital and the greater are the concern into financial difficulties. On the other hand, a low working capital turnover ratio indicates that working capital is not efficiently utilized. It is calculated as follows.

Table 5: Working Capital Turnover Ratio

YEAR	SALES	WORKING CAPITAL	W.C.T RATIO
2019-2020	33182207	3693118	8.98487592
2020-2021	33149158	2848100	11.6390429
2021-2022	28717072	15213383	1.88761908
2022-2023	29455716	898218	32.7935045
2023-2024	31546070	1230736	25.6318739

Source: Secondary data

In the table 5 explains, The Working Capital Turnover (W.C.T) ratio shows how efficiently the company uses its working capital to generate sales. In 2019–2020 and 2020–2021, the ratios of 8.98 and 11.64 indicate strong working capital utilization, with a relatively higher sales generation per unit of working capital. However, a sharp drop to 1.89 in 2021–2022 suggests either excessive working capital or declining sales efficiency. The ratio surges to 32.79 in 2022–2023, signaling

improved efficiency, although the very low working capital could indicate potential liquidity concerns. The ratio remains high in 2023–2024, indicating continued strong performance, but caution is needed regarding working capital levels.

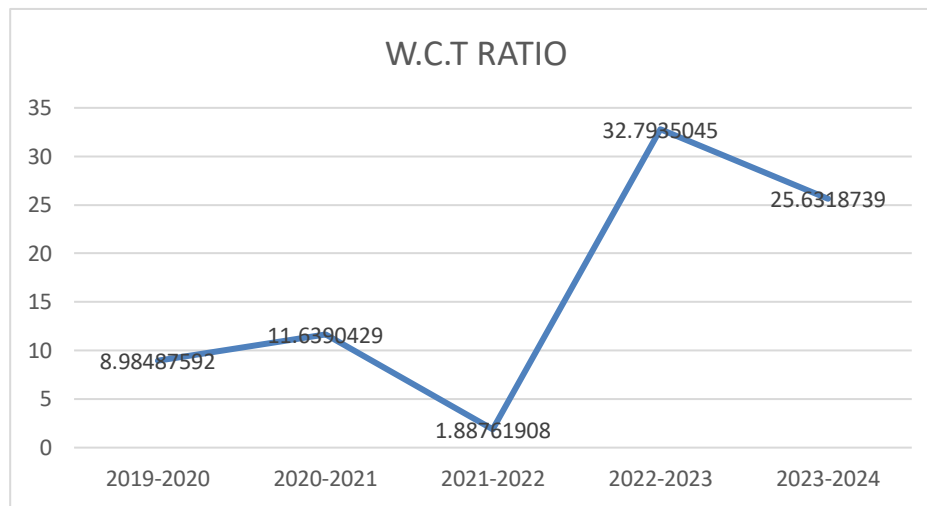


Figure 5: Working Capital Turnover Ratio

In the above figure 5, The highest position in the year 2022-2023 that is 32.79. The lowest position in the year 2021-2022 that is 1.88. The higher the working capital turnover ratio is more favorable for the company.

Gross Profit Ratio

This ratio establishes the relationship between net profit and sales. This ratio indicates the portion remaining out of every rupee worth of sales after all operating costs and expenses been met. Higher the ratio, the better it is.

Table 6: Gross Profit Ratio

YEAR	GROSS PROFIT RATIO	SALES	GROSS PROFIT RATIO
2019-2020	12115285	33182207	36.51139
2020-2021	13255110	33149158	39.9862645
2021-2022	13412790	28717072	46.7066768
2022-2023	15065031	29455716	51.1446777
2023-2024	15826661	31546070	50.1699926

Source: Secondary data

In the above table 6 explains, The Gross Profit Ratio indicates the percentage of sales that is retained as gross profit, and the Operating Profit Ratio shows the efficiency of operating activities. From 2019–2020 to 2023–2024, both ratios demonstrate consistent growth, reflecting improved profitability. The gross profit ratio increases from 36.51% in 2019–2020 to 50.17% in 2023–2024, showing stronger cost control and higher profitability. Similarly, the operating profit ratio grows

from 36.51% in 2019–2020 to 51.14% in 2022–2023, suggesting enhanced operational efficiency. This positive trend indicates a strong, sustainable performance in generating profit from sales.

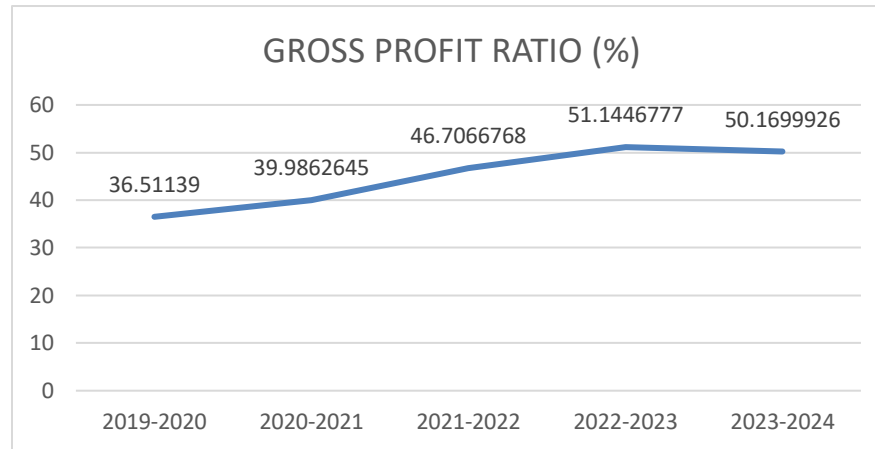


Figure 6: Gross Profit Ratio

In the above figure 6, the highest position during the year 2022-2023 that is 51.14. the lowest position in the year 2019-2020 that is 36.51. the ratios are 2019-2024 36.51, 39.98, 46.70, 51.14, 50.16.

ANALYSIS OF FINDINGS

The standard norms for the quick ratio are 1.00. the quick ratio in the years 2019- 2020, 2020-2021 was 1.00, 0.90 and was suddenly increase to 6.94 in the year 2021-2022 and again increase to 0.77 and 0.88 in the year 2022-2023 and 2023-2024 respectively the ratio was not satisfactory in recent years. Current ratio of the company is less than the year standard norm of 2.1 during the year study period except 2021-2022 when it was 7.86. Working capital turnover ratio during the year 2019-2020 is 1.88 and it was increase to 32.79 in 2020-2021. Fixed assets turnover ratio is highest position during the year 2019-2020 that is 2.09. the lowest position during the year 2020-2021 that is 1.00. the ratios are 2019- 2024, 2.09, 2.05, 1.00, 1.84, 1.84. Net working capital was high in the year 2019-2020 that is 0.53. the lowest position in the year 2021-2022 that is 0.05. Gross profit ratio was high in the year 2022-2023 that is 51.14. the lowest position in the year 2019-2020 that is 36.51.

RECOMMENDATIONS

Managers

Managers at Fusion Building Blocks and Material Pvt. Ltd. should focus on optimizing working capital to ensure liquidity while enhancing operational efficiency. A closer monitoring of current assets, especially inventory, is crucial to avoid overstocking and tying up unnecessary cash. Efficient management of receivables and payables can help improve cash flow and reduce financing costs. Additionally, establishing a more balanced approach between short-term assets and liabilities can reduce the risk of liquidity shortages. Regularly analyzing working capital ratios like the current ratio and quick ratio will provide insights into potential adjustments. Managers should also explore short-term financing options that complement the company's growth and working capital needs, ensuring a sustainable operational model.

Policy Maker's

Policymakers at Fusion Building Blocks and Material Pvt. Ltd. should consider implementing strategies that promote efficient working capital management to support sustainable growth. This could include setting clear guidelines for inventory management, optimizing payment terms with suppliers and customers, and introducing automated systems for better tracking of receivables and payables. Additionally, policies should encourage periodic reviews of working capital metrics to identify potential inefficiencies and areas for improvement. It would also be beneficial to offer flexible credit policies that balance liquidity needs while maintaining customer relationships. Strengthening these areas can help mitigate cash flow risks and enhance financial stability.

Industry Development

For industry development in Fusion Building Blocks and Material Pvt. Ltd., enhancing working capital management is key to supporting long-term growth and competitiveness. The industry should invest in modern financial tools and technologies to monitor and optimize inventory, receivables, and payables in real-time. Developing standardized practices for cash flow forecasting and budget planning can improve financial resilience. Collaborative efforts with suppliers and customers to streamline credit terms and reduce delays can also strengthen the working capital cycle. Furthermore, industry-wide training and development programs on financial best practices can build internal capacity and improve decision-making. These steps will contribute to more efficient capital use and a stronger, more agile industry framework.

Scholarly Contribution

Scholarly contributions to working capital management in Fusion Building Blocks and Material Pvt. Ltd. should focus on developing in-depth research and case studies that explore the relationship between efficient capital utilization and business performance. Academics can analyze real-time data from the company to create models that predict optimal inventory levels, cash flow patterns, and credit policies. There is also scope for comparative studies with industry peers to identify best practices. Research can contribute to innovative frameworks for balancing liquidity and profitability in the construction materials sector. Furthermore, scholars can suggest strategic interventions tailored to seasonal and market fluctuations. These contributions will not only benefit the company but also enrich academic literature and practical applications in similar industries.

Scope of Further Study

The scope for further study on working capital management in Fusion Building Blocks and Material Pvt. Ltd. is vast and promising. Future research can explore the impact of digital tools and automation on improving efficiency in managing receivables, payables, and inventory. Studies could also analyze how fluctuations in raw material prices and market demand affect working capital needs. There's potential to examine sector-specific challenges in the construction materials industry, such as seasonal cash flow variations and credit risk. Moreover, integrating sustainability and green supply chain practices into working capital strategies offers a fresh area for exploration. These insights can help develop more resilient and adaptive financial practices for the company.

Limitations of The Study

The ratios are calculated from past five years financial statement and these are not indicators of future

The study is based on only on the past records

The short span of the time provides also one of limitation Lack of Availability of accurate financial information and completed up so of the company may limits the Analysis of the study.

CONCLUSION

The analysis of financial ratios for Fusion Building Blocks and Material Pvt. Ltd. over the study period reveals significant fluctuations in the company's liquidity and operational efficiency. The current ratio shows a generally healthy liquidity position during 2019–2020 and 2020–2021, although there was a sharp increase in 2021–2022, indicating a surplus in current assets. However, in the subsequent years, 2022–2024, the ratio fell below the standard benchmark, suggesting a tighter liquidity position and the need for better management of short-term assets. Similarly, the quick ratio displayed significant fluctuations, with a dramatic spike in 2021–2022 followed by a decline in the following years, pointing to challenges in meeting short-term liabilities with the company's most liquid assets. The net working capital ratio also experienced a notable decrease in 2022–2023, signaling concerns about the firm's short-term financial strength. The fixed asset turnover ratio showed initial strong performance in 2019–2020 and 2020–2021 but experienced a decline in 2021–2022, reflecting potential underutilization of assets during that year. However, the company showed recovery in the subsequent years, suggesting more efficient asset use. The working capital turnover ratio displayed a positive trend, particularly in 2022–2023, but the company's reliance on limited working capital remains a concern. Additionally, the gross profit ratio demonstrated consistent growth over the years, indicating improved profitability and operational efficiency. The company experienced periods of strong financial performance, recent trends suggest the need for greater focus on liquidity management and more efficient utilization of resources. Effective management of working capital, alongside monitoring liquidity ratios, will be crucial for maintaining financial stability and supporting sustained growth.

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