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Unlocking Capital for Growth: A Study on Working Capital in Navayuga Engineering Company Ltd

* M Teja[1], and V Hari Kumar[2]
Department of management studies, Narayana Engineering College (Autonomous), Gudur

ABSTRACT

This study focuses on the effectiveness of working capital management, which is essential for maintaining operational liquidity in a business. It analyzes how Navayuga Engineering Company (NEC), a major infrastructure and construction firm based in Vijayawada, manages its current assets and liabilities to support smooth day-to-day operations. Key areas of focus include cash flow, receivables, payables, inventory management, and short-term financing. The research evaluates efficiency through financial ratios such as the current ratio, quick ratio, and cash conversion cycle. It also explores the impact of working capital on NEC's liquidity and profitability, highlighting strategies used for optimization. Furthermore, the study identifies challenges faced by NEC, including delayed client payments, inventory issues, and fluctuating project timelines, all of which affect cash flow and performance.

Key Words: Working Capital, Financial Viability, Secondary Data, Cash Flow

INTRODUCTION

Working capital refers to the funds a business needs to manage its day-to-day operations. It is used to cover short-term expenses such as purchasing raw materials, paying employee wages, covering utility bills, and handling other operational costs. Essentially, it is the difference between a company's current assets and current liabilities. Adequate working capital ensures that a business can meet its short-term obligations and maintain smooth operations. It plays a crucial role in sustaining production, managing inventory, and supporting customer service. Positive working capital indicates good financial health, while negative working capital can signal liquidity issues. Proper management of working capital helps improve efficiency, profitability, and overall business stability. It is often considered the lifeblood of a company, as it supports the continuous flow of business activities. Without sufficient working capital, even profitable businesses may struggle to survive.

Working capital is a key financial metric that represents the difference between a company's current assets and current liabilities. It is essential for managing the day-to-day operations of a business, as it reflects the liquidity available to meet short-term obligations and maintain smooth business activities. Current assets include cash, accounts receivable, and inventory, while current liabilities include accounts payable and short-term debts. Adequate working capital ensures that a company can pay its bills on time, purchase raw materials, and handle unexpected expenses. Positive working capital indicates good financial health and operational efficiency, while negative working capital may signal financial difficulties and potential disruptions in operations. Effective management of working capital is crucial for sustaining growth, profitability, and long-term success.

Navayuga Engineering Company Limited (NEC), founded in 1986, is a prominent infrastructure development company based in India. Specializing in the engineering, procurement, and

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construction (EPC) of infrastructure projects, Navayuga has gained a strong reputation in the construction industry. Over the years, the company has successfully executed large-scale projects across multiple sectors, including transportation, water resources, power generation, and ports. With an unwavering commitment to quality and timely delivery, Navayuga Engineering has established itself as a reliable partner for major infrastructure development across India and globally. The company's mission revolves around building world-class infrastructure solutions that contribute to economic growth, social development, and environmental sustainability.

Navayuga's operations span the length and breadth of India, with the company also venturing into international markets. The company is recognized for adopting innovative technologies and offering engineering solutions that meet the highest standards of safety, quality, and environmental responsibility. Through strategic leadership, an experienced workforce, and a customer-centric approach, Navayuga Engineering has become a leader in the Indian infrastructure space.

Navayuga Engineering Company Limited , headquartered in Vijayawada, Andhra Pradesh, is a leading infrastructure and engineering firm and the flagship company of the Navayuga Group. Renowned for its execution of large-scale projects across India and internationally, NEC operates in key sectors such as marine infrastructure, port development, roadways, bridges, irrigation, and power. Some of its notable projects include the Dhola-Sadia Bridge (India's longest river bridge), the Penumudi–Puligadda Bridge over the Krishna River, and the Quazigund-Banihal Highway in Jammu & Kashmir.The company is also active in corporate social responsibility through its CVR Foundation, focusing on housing, education,employment generation, and women's empowerment. With a strong technical foundation and commitment to sustainable growth, NEC plays a vital role in India's infrastructure development.

REVIEW OF LITERATURE

1. Abuzayed, B. (2012)
This study examines the relationship between working capital management and firm performance in Jordan. It highlights that efficient management of receivables, payables, and inventory positively impacts profitability. The paper uses panel data of Jordanian listed firms. Results show that firms with conservative working capital policies perform better. It also discusses the context of emerging markets. The study supports active working capital oversight for financial success.

2. Afrifa, G. A. (2013)
Afrifa uses a mixed-method approach to explore working capital management in AIM-listed UK companies. The research integrates both quantitative data and qualitative interviews. It finds that customized WCM strategies based on firm-specific contexts yield better profitability. The study emphasizes the role of managerial perception in financial decision-making. It also adds a

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behavioral dimension to financial management. The mixed methodology enhances the depth of insights.

3. Afrifa, G. A. (2016)
This paper investigates how net working capital and cash flow relate to SME performance in the UK. It argues that efficient working capital management improves liquidity and overall firm profitability. Cash flow mediates the relationship between WCM and performance. The study applies regression models to SME data. It offers practical advice for financial planning. The paper highlights the need for balanced WCM strategies in small businesses.

4. Afrifa, G. A., & Padachi, K. (2016)
The authors explore how the level of working capital affects the profitability of SMEs. Using UK firm data, they find that both excessive and insufficient working capital levels harm performance. An optimal level of working capital improves profitability. The study supports the U-shaped relationship hypothesis. The findings are valuable for SME financial managers. It emphasizes the need for precision in working capital allocation.

5. Aggarwal, A., & Chaudhary, R. (2015)
This study investigates the effect of working capital management on profitability in Indian firms. The results suggest a strong correlation between efficient WCM and improved firm performance. Indian companies benefit from maintaining shorter cash conversion cycles. The paper stresses timely receivables and payables management. It encourages managers to regularly review their WCM strategies. The Indian business environment is a key focus.

6. Ahanga, N., & Shah, F. (2017)
This paper studies the interplay between WCM, firm performance, and financial constraints in India. It finds that firms facing capital restrictions benefit more from efficient WCM. The research uses empirical data to validate its hypothesis. Efficient WCM helps such firms optimize internal funding. It emphasizes the strategic role of WCM in constrained environments. The results have policy implications for developing economies.

7. Ahmadpour, A., Zare, M. J., & Rostami, K. H. (2012)
The authors analyze the association between working capital management and firm performance using Tehran stock exchange data. The results confirm that better WCM practices enhance profitability. The study evaluates components like inventory days and receivables turnover. It advocates for reduced collection periods. Iranian companies can gain competitive advantage through efficient WCM. The study is relevant for emerging market economies.

8. Ahmed, Z., et al. (2016)
This research focuses on the pharmaceutical sector in Pakistan to explore the link between WCM and profitability. It confirms a strong positive relationship between efficient WCM and firm returns. Companies with tighter control over cash cycles outperform their peers. The study underscores sector-specific WCM needs. It offers actionable insights for the pharmaceutical industry. It supports tighter inventory and receivables control.

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9. Ajao, O. S., & Adebayo, A. S. (2010)
Using Nestle Nigeria PLC as a case study, the authors examine WCM as a financial strategy. They find that WCM significantly impacts firm liquidity and profitability. The study emphasizes the role of inventory and receivables in cash flow management. It advocates for regular performance reviews. The Nigerian business context provides unique insights. The research is useful for finance professionals in developing countries.

10. Ajibolade, S. O., & Sankay, O. C. (2013)
This paper investigates how working capital decisions interact with financing strategies to affect firm performance. It introduces the idea of a "synergetic effect" where aligned strategies produce better outcomes. The study uses Nigerian corporate data. Efficient WCM enhances the positive effect of financing decisions. The authors call for integrated financial planning. This approach is especially relevant in resource-constrained economies.

11. Al-ahdal, W. M., et al. (2020)
This paper links corporate governance to financial performance in Indian and GCC firms. Though not purely focused on WCM, it considers governance's role in managing capital effectively. Better-governed firms tend to manage working capital more efficiently. The study uses regression models on panel data. It highlights the importance of board oversight in financial planning. The paper bridges governance and financial strategy.

12. Alipour, M. (2011)
Alipour analyzes the relationship between working capital management and corporate profitability in Iranian firms. The study finds that aggressive WCM policies enhance profitability. It particularly focuses on minimizing receivables and inventory days. The research supports short cash conversion cycles. Iranian corporate data validates the findings. It serves as a guide for financial managers in similar economies.

13. Almaqtari, F. A., et al. (2018)
This paper explores profitability determinants in Indian commercial banks using panel data analysis. Though focused broadly, it includes working capital components. The study finds that liquidity and WCM practices influence banking profitability. Efficient asset-liability management is crucial. It supports strategic WCM in financial institutions. The findings aid in regulatory and managerial decision-making.

14. Almazari, A. A. (2013)
This research studies the Saudi cement sector to understand the WCM-profitability link. Findings show a direct relationship between tighter WCM and higher firm profits. Inventory and receivables control were key factors. The cement industry context adds unique sectoral insight. The study recommends sector-focused WCM strategies. It also contributes to WCM literature in Gulf economies.

RESEARCH METHODOLOGY

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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 outsourcing can be made for the funds 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 touchstone for efficiency. The project is useful in further expansion decisions 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 practice the theoretical aspects of the study into real-life work experience. The study of working capital is based on tools like ratio analysis and the statement of changes in working capital. Further, the study is based on the last 5 years' annual reports of Navayuga Engineering Company Ltd.

Objectives of the study

- To know the financial position of the firm by analyzing the working capital through the schedule of changes in working capital.
- To analyze the position of the current assets and current liabilities of Navayuga Engineering Company 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.

In preparing this project the information collected from the following sources. The Primary data has been collected from personal interaction with finance manager and other staff members.

The Major source of data for this project was collected through annual reports, profit &loss account

Of 5-year period from 2020-2024 & some more information collected from internet and text sources.

Financial statements of the last five years were considered for the study

The various statistical tools used for data analysis is as follows,

- Tables.

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- Bar-chart.
- Graphs.

This study is conducted within a short period. Due to the limited time, the study may not be fully detailed or cover all aspects. Financial accounting does not take into account price level changes. Future plans of the company are not disclosed to us. Lastly, due to the shortage of time, it is not possible to cover all the factors and details regarding the subject of study.

DATA ANALYSIS AND INTERPRETATION

1. Current assets ratio

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

Year	2019-20	2020-21	2021-22	2022-2023	2023-24
Current Assets	1303.89	1361.61	1472.39	3758.70	4357
Current Liabilities	1278.56	1242.72	1299.09	3453.90	4195
Current ratio	1.019	1.095	1.133	1.088	1.48

Source: Secondary Data

The current ratio of the company has shown a gradual improvement over the five-year period from 2019–20 to 2023–24, indicating an overall enhancement in its short-term financial health. In 2019–20, the ratio stood at 1.019, suggesting that the company had just enough current assets to meet its current liabilities, reflecting a tight liquidity position. This slightly improved to 1.095 in 2020–21 and 1.133

in 2021–22, showing steady progress in managing working capital. However, in 2022–23, the ratio slightly dipped to 1.088, despite a significant increase in both current assets and liabilities, which indicates that the rise in obligations slightly outpaced asset growth. The most notable improvement came in 2023–24, where the current ratio surged to 1.48. This sharp increase suggests a strong liquidity position, with ample current assets available to cover short-term liabilities.

While this is a positive sign of financial strength, it may also point to under-utilization of resources if excess assets are not being effectively employed. Overall, the trend reflects a strengthening liquidity position, enhancing the company's ability to manage its short-term obligations.

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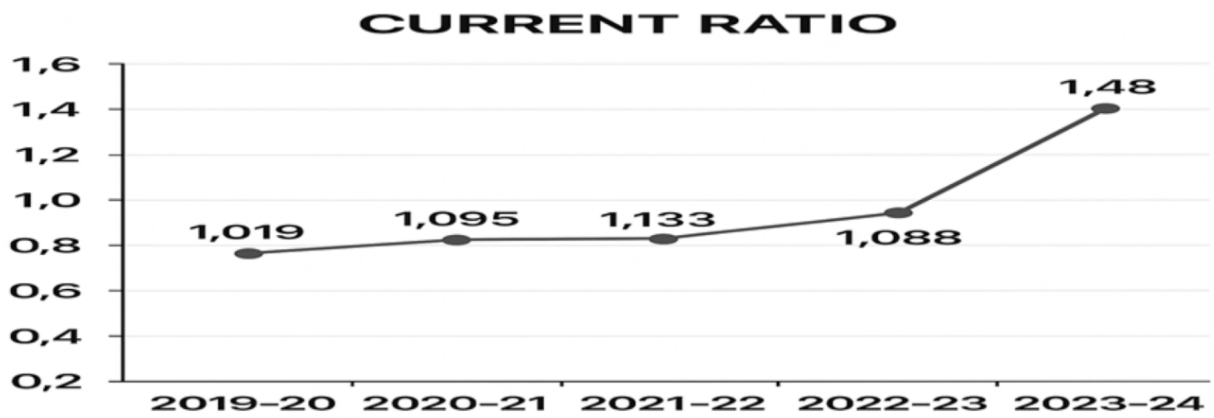

Figure 1 Showing Current Assets Ratio

Form the above table no 4.1The current ratio for the study period from 2019-2024 is 1.019, 1.095, 1.133, 1.088, 1.48 respectively. The standard norm of current ratio is 2:1.The ratio is mainly used to give an idea of the company's ability to pay back its short- term liabilities (debt and payables) with its short-term assets (cash, inventory, receivables). The higher the current ratio shows the capability of the company in paying its obligations. A ratioin each year suggests that the company would be able to pay off its obligations.

2. 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.

Cash ratio=Cash/Current liabilities

Table-2 Showing Cash Ratio

Year	2019-20	2020-21	2021-22	2022-2023	2023-24
Cash	271.59	1139.29	1751.28	3602.58	2829.13
Current liabilities	1278.56	1242.72	1299.09	3453.90	4195
Cash ratio	0.21	0.91	1.34	1.04	0.67

Source: Secondary Data

The cash ratio of the company has experienced significant fluctuations over the five-year period from 2019–20 to 2023–24, reflecting varying levels of immediate liquidity. In 2019–20, the cash

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ratio was 0.21, indicating that the company had only 21 paise in cash and cash equivalents for every ₹1 of current liabilities—signaling a weak ability to cover short-term obligations using only the most liquid assets. However, in 2020–21, there was a dramatic improvement, with the ratio rising sharply to 0.91, showing a much stronger liquidity position. This trend continued in 2021–22 with the ratio peaking at 1.34, suggesting the company had more than enough cash to settle its current liabilities without needing to liquidate other assets.

In 2022–23, the cash ratio slightly declined to 1.04, which, while still healthy, indicates a reduction in the buffer of cash relative to liabilities. The decline continued in 2023–24, with the ratio dropping to 0.67. Although this is lower than the previous two years, it still suggests a moderate liquidity position where the company holds 67 paise in cash for every ₹1 of current liabilities. Overall, the trend shows that while the company reached very strong liquidity levels in the middle of the period, there has been a recent decline, which may warrant attention to ensure sufficient cash reserves are maintained to meet short-term obligations efficiently.

Form the above table no 4.3The cash ratio of the company during the study period was0.21, 0.91, 1.34, 1.04, 0.67. There is a gradual increase up to 2020 & 2024 then there is a fall in the ratio. The ratio for all the years is above the standard norms i.e. 0.5:1. It makes the cash into idle which may not generate any revenue.

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 assets/Quick liabilities Where, Quick assets=current asserts-inventory

Table-3 Quick Ratio

Year	2019-20	2020-21	2021-22	2022-2023	2023-24
Quick Assets	694.13	669.64	650.69	1802.18	2322
Current liabilities	1278.56	1242.72	1299.09	3453.90	4195
Quick ratio	0.54	0.53	0.50	0.52	0.55

Source: Secondary Data

The quick ratio of the company has remained relatively stable but consistently below 1 over the five-year period from 2019–20 to 2023–24, indicating a cautious liquidity position. In 2019–20, the quick ratio was 0.54, meaning the company had only 54 paise in quick assets (excluding inventory and other less liquid current assets) for every ₹1 of current liabilities. This suggests that the company would face challenges in meeting short-term obligations using only its most liquid assets. The ratio slightly declined to 0.53 in 2020–21 and further to 0.50 in 2021–22, reflecting a weakening ability to meet immediate liabilities without relying on the sale of inventory.

In 2022–23, there was a marginal improvement to 0.52, and in 2023–24, the ratio increased to 0.55. Although this shows a modest positive trend, the ratio still remains well below the ideal benchmark of 1. This consistent shortfall indicates that the company may not be sufficiently liquid and might struggle to cover its current liabilities in case of sudden financial stress without

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converting inventory or seeking external funding. Overall, while there are signs of slight improvement in recent years, the quick ratio highlights a need for better liquidity management to ensure stronger financial resilience.

Inventory Turnover Ratio

The Inventory turnover ratio is a financial ratio showing how many times a company turned over its inventory. Relative to its cost of goods sold (cogs) in a given period. A company can then divide the days in the period.

The inventory turnover ratio can help businesses make better decisions on pricing, Manufacturing, Marketing, and purchasing. It is one of the efficiency ratios (or) activity ratio measures how effectively a company uses its assets.

Inventory Turnover = Cost of goods sold /Average Inventory

Where,

Cost of goods sold= Starting inventory +Purchases – Ending Inventory Average inventory= Starting inventory + Ending inventory.

Table-4. Showing Inventory Turnover Ratio

Year	2019-20	2020-21	2021-22	2022-2023	2023-24
Cost of goods sold	2185.5	3022.92	2982.99	5128.49	7545.92
Average stock held during the period	521.67	650.86	756.83	1389.11	1996.23
Stock turnover ratio	4.18	4.64	3.94	3.69	3.78

Source: Secondary Data

The stock turnover ratio shows how efficiently a company manages its inventory. In 2019–20, the ratio was 4.18, indicating healthy stock movement. It improved to 4.64 in 2020–21, reflecting better inventory efficiency. However, it declined to 3.94 in 2021–22 and further to 3.69 in 2022–23, suggesting slower turnover. This may point to overstocking or a dip in sales. In 2023–24, the ratio slightly improved to 3.78. Overall, while the company has seen strong inventory performance in earlier years, recent trends call for tighter inventory control.

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.

The debtors turnover ratio of the company has shown notable fluctuations over the five-year period from 2019–20 to 2023–24, reflecting changes in the efficiency of receivables management. In 2019–20, the ratio was 27.53, indicating that the company collected its receivables around 28

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times during the year, which is quite efficient. This improved to 31.69 in 2020–21 and further to a peak of 35.07 in 2021–22, suggesting excellent credit control and faster collection of dues.

Debtors' turnover ratio= sales/debtors

Table-5. Debtors Turnover Ratio

Year	2019-20	2020-21	2021-22	2022-2023	2023-24
Net sales	5509.22	6383.08	7049.68	13209.91	18166.38
Average debtors	200.05	201.39	201.00	409.06	684.12
Debtors turnover ratio	27.53	31.69	35.07	32.29	26.55

Source: Secondary Data

However, in 2022–23, the ratio slightly declined to 32.29, and in 2023–24, it dropped more significantly to 26.55. This decline, despite an increase in net sales, indicates that average debtors have grown at a faster pace, possibly pointing to relaxed credit policies or slower collections. Overall, while the company had strong receivables management in the earlier years, recent trends suggest a need to tighten credit terms and improve collection efficiency.

ANALYSIS OF FINDINGS

During the period from 2019 to 2024, the company's current ratio consistently remained below the standard norm of 2:1, ranging from 1.02 to 1.13, with an average of 1.06. Similarly, the quick ratio also fell short of the ideal 1:1 benchmark, fluctuating between 0.50 and 0.55, resulting in an average of 0.52, which reflects a poor liquidity position. However, the cash ratio presented a more favorable picture, consistently exceeding the standard norm of 0.5:1, with an average of 0.834, suggesting that the company had adequate cash reserves to meet immediate obligations. In terms of operational efficiency, the inventory turnover ratio showed a declining trend, with figures ranging from 3.69 to 4.64 and an average of 4.046, indicating a dip in inventory management efficiency. Additionally, the debtors turnover ratio also experienced a gradual decline, dropping from 35.07 to 26.55 during the study period. This decline was accompanied by an increasing debt collection period, which is a negative indicator, as it implies delayed collections and potential pressure on cash flow. Overall, the analysis highlights concerns regarding liquidity and working capital efficiency.

RECOMMENDATIONS

Managers at Navayuga Engineering Company, Vijayawada, should focus on improving project management through advanced tracking tools to ensure Timely completion and cost control. It is crucial to enhance workforce training to boost efficiency and safety on-site. Strengthening quality control measures will help maintain high construction standards. The company should also embrace modern technologies like BIM, AI, and automation to stay ahead of industry trends. Effective communication within the organization is essential to foster collaboration and transparency. Incorporating sustainable practices in construction will meet environmental

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standards and improve the company's reputation. Finally, strengthening client relationship management will help build long-term, trust-based partnerships.

Policy makers should prioritize investment in large-scale infrastructure projects to stimulate economic growth and create job opportunities. Streamlining regulatory processes is essential to reduce bureaucratic delays, enabling quicker project approvals and improving overall efficiency in the sector. Promoting sustainable practices should be a key focus by encouraging the adoption of green technologies and eco-friendly construction methods, which will contribute to long-term environmental goals.

Supporting skill development through training programs will help create a skilled workforce that is essential for the expanding construction and engineering industries. Furthermore, fostering public- private partnerships will enhance collaboration between the government and private entities maximizing resources and expertise for infrastructure development. Strengthening safety regulations and enforcing higher safety standards will help mitigate workplace accidents, ensuring better worker welfare. Finally, incentivizing innovation in construction technologies through research and development programs will lead to more advanced, cost-effective, and sustainable solutions in the sector.

Navayuga Engineering Company in Vijayawada should adopt advanced construction technologies such as Building Information Modeling (BIM), Artificial Intelligence (AI), and automation. These technologies will improve design, planning, and execution processes, resulting in higher efficiency and reduced costs. Additionally, the company should focus on sustainability by incorporating eco-friendly materials renewable energy sources, and reducing carbon footprints in construction projects. This will not only meet environmental goals but also appeal to clients who value sustainability.

Investing in research and development (R&D) is crucial for fostering innovation in construction techniques and materials. This will help the company stay competitive, improve quality, and shorten project timelines. Enhancing workforce skills through regular training in the latest construction techniques and safety protocols will lead to higher productivity and better adherence to safety standards.

Expanding the company's project portfolio by exploring opportunities in emerging sectors such as renewable energy, smart cities, and advanced infrastructure can diversify income streams and reduce reliance on traditional sectors. Strengthening collaboration and communication across departments will streamline operations and improve project execution. Additionally, implementing AI-driven project management software will help monitor progress, predict delays, optimize resources, and ensure timely project completion.

Finally, fostering long-term client relationships by offering customized solutions, maintaining transparency, and ensuring consistent quality will help secure repeat business and generate referrals, contributing to the company's long-term growth. Navayuga Engineering Company in Vijayawada can make valuable scholarly contributions by engaging in research and development (R&D) initiatives that focus on innovative construction technologies and

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sustainable practices. By partnering with academic institutions, the company can help bridge the gap between industry and academia, fostering collaborative research on cutting-edge

engineering solutions. Contributing to industry journals, hosting conferences, or conducting workshops on advanced construction methodologies, project management techniques, and green technologies will position the company as a thought leader in the sector. Additionally, Navayuga can encourage its engineers and project managers to publish case studies, technical papers, and best practice guides, sharing their practical knowledge and experiences. This scholarly engagement will not only elevate the company's reputation but also contribute to the broader engineering community's knowledge and development.

The current work lays a strong foundation for future exploration and development. While it addresses the core objectives effectively, there is significant scope for further study in areas such as enhancing system performance, incorporating advanced technologies, and expanding the application's capabilities. Future research can focus on integrating emerging tools and frameworks, improving scalability, and exploring cross-platform compatibility. Additionally, user feedback and real-world testing can be used to refine the system further and adapt it to dynamic requirements. Such advancements will not only improve the overall efficiency but also open doors for innovative solutions in the related domain.

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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