WORKING CAPITAL MANAGEMENT OF CHARANKATTU COIR Mfg. (P) Ltd.

Project Report

Submitted by

SOUPARNIKA. C.C (Reg. No. SB22BMS029)

Under the guidance of

Dr. Minu Mary Joseph

In partial fulfilment of the requirements for the award of the degree of

Bachelor of Management Studies (International Business)

ST. TERESA'S COLLEGE (AUTONOMOUS). ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited at 'A++' Level (Fourth Cycle)

March 2025

ST. TERESA'S COLLEGE (AUTONOMOUS) , ERNAKULAM, KOCHI - 682011

CERTIFICATE

This is to certify that the project report entitled, "Working Capital Of Charankattu Coir Mfg. (P). Ltd", is a bonafide record submitted by Ms. Souparnika C C, Reg. No.SB22BMS029, in partial fulfillment of the requirements for the award of the Degree of Bachelor of Management Studies in International Business during the academic years 2022-2025.

25/4/2025

Date:

Dr. Alphonsa Vijaya Joseph
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Date: 28/4/2025

Dr. Minu Mary Joseph
INTERNAL FACULTY GUIDE

DECLARATION

I, ***SOUPARNIKA C C, Reg. No. SB22BMS029****, hereby declare that this project work entitled "Working Capital Of Charankattu Coir Mfg. (P). Ltd" is my original work.*

I further declare that this report is based on the information collected by me and has not previously been submitted to any other university or academic body.

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Reg No. SB22BMS029

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SOUPARNIKA C C

EXECUTIVE SUMMARY

Working Capital Management (WCM) is a critical aspect of financial management that ensures the smooth operation and financial stability of a firm. It involves managing current assets and liabilities efficiently to maintain liquidity and profitability. For manufacturing firms like **Charankattu Coir Manufacturing (CCM)**, an industry leader in coir products, WCM plays a crucial role in sustaining operations, optimizing resources, and ensuring business continuity. The study delves into the WCM practices at CCM, analyzing its cash flow efficiency, inventory management, accounts receivable, and accounts payable. The primary objective is to assess the effectiveness of the company's working capital policies and identify areas for improvement.

The coir industry, particularly in India, faces unique financial challenges due to its dependence on seasonal raw material availability, fluctuating demand, and credit-based sales structures. As a manufacturing firm that relies heavily on coconut fiber, CCM must carefully manage its working capital to maintain seamless production while avoiding liquidity crunches. The cyclical nature of raw material procurement and the significant lag between production and sales realization make WCM a critical determinant of the company's financial health.

In this research, we explore **the significance of WCM in enhancing operational efficiency, reducing financial risks, and ensuring the sustainability of firms operating in resource-dependent industries like coir manufacturing**. Managing working capital effectively is particularly crucial in industries where supply chain disruptions, fluctuating raw material prices, and delayed receivables can directly impact profitability. CCM, with its decades-long presence in the coir industry, presents an ideal case study to understand how a manufacturing firm balances liquidity with growth and profitability.

CHAPTER-1

INTRODUCTION

INTRODUCTION

In today's dynamic and competitive business environment, financial stability is a key factor in ensuring long-term success. Working capital management (WCM) plays a crucial role in maintaining this stability, particularly for manufacturing firms like **Charankattu Coir Manufacturing (CCM)**. Efficient WCM enables a company to manage its short-term obligations while ensuring smooth business operations.

This study investigates **CCM's working capital management strategies**, focusing on **inventory control, receivables and payables management, and liquidity optimization**. By analyzing how CCM balances these financial elements, the research aims to provide **insights into best practices and areas for improvement in WCM**.

OBJECTIVES OF STUDY

1. To analyze the working capital management (WCM) practices of Charankattu Coir Manufacturing (CCM), focusing on liquidity, short-term investments, cash flow, and fund flow management.
2. To study the organizational structure, financial performance through ratio analysis, and the social responsibilities of the coir business.

SIGNIFICANCE OF STUDY

Understanding working capital management (WCM) is vital for any manufacturing business, including Charankattu Coir Manufacturing (CCM), as it directly influences financial stability and operational efficiency. This study demonstrates how CCM can enhance its financial performance by optimizing WCM strategies, focusing on inventory management, accounts receivable, and payables. Maintaining an optimal cash conversion cycle (CCC) helps preserve liquidity, minimize holding costs, and prevent production disruptions. Additionally, effective WCM reduces reliance on external financing, allowing CCM to reinvest internally for growth. Given the seasonal fluctuations in raw material availability and demand in the coir industry, adopting tailored WCM practices can mitigate liquidity risks and improve cash flow. This approach positions CCM for sustainable growth and resilience in a competitive market environment.

SCOPE OF STUDY

This research focuses on **Charankattu Coir Manufacturing (CCM)** and its **working capital management practices**. The study covers:

- **Inventory control mechanisms** for raw materials and finished goods.
- **Accounts receivable policies** and their impact on cash flow.
- **Supplier payment cycles** and their effect on procurement.
- **Liquidity management strategies** employed by CCM.

RESEARCH PROBLEM

The major problem that firms like **CCM** face is **the challenge of balancing liquidity with profitability**. Delayed receivables, high raw material procurement costs, and seasonal fluctuations in demand can create financial stress. This study examines these challenges and seeks to provide solutions for optimizing WC

LIMITATIONS OF THE STUDY

- Limited access to confidential financial data of the company.
- Short duration of the study restricted deeper and seasonal analysis.
- Heavy reliance on secondary data sources.
- Limited primary data due to restricted interaction with key personnel.

LITERATURE REVIEW

1. Megenasa and Lecturer (2019) examined the impact of working capital management (WCM) on Finchaa Sugar Factory's profitability. They found that optimizing short-term assets and liabilities improves financial performance by balancing liquidity and efficiency. Efficient management of inventory, receivables, and payables enhances return on assets (ROA) and return on equity (ROE). Moreover, proper WCM reduces dependency on external financing and prepares firms for seasonal demand fluctuations. Their findings align with prior studies, emphasizing that well-structured WCM policies promote financial stability and long-term growth.

2. Aktas, Croci, and Petmezas (2014) explored whether WCM enhances firm value by improving financial performance and investment efficiency. Their research shows that firms with optimized WCM experience higher profitability and better resource allocation. By maintaining a balanced cash conversion cycle (CCC), firms improve return on assets (ROA) and return on equity (ROE). Effective WCM also reduces reliance on external financing, enhancing resilience during economic downturns. These insights underscore the importance of tailored WCM strategies, particularly for capital-intensive and seasonal industries like coir production.

3. Baños-Caballero, García-Teruel, and Martínez-Solano (2013) studied the relationship between WCM, corporate performance, and financial constraints. Their research highlights a non-linear relationship, where both excessive and insufficient working capital harm profitability. Effective WCM helps financially constrained firms maintain liquidity and reduce dependency on external funding. The study emphasizes that firms with optimized cash conversion cycles (CCC) perform better during economic downturns, making strategic WCM critical for sustaining operations, particularly in industries with fluctuating cash flows, such as coir manufacturing.

4. Mohamad and Saad (2010) investigated how WCM affects market valuation and profitability in Malaysian firms. Their findings suggest that efficient WCM enhances firm value and operational efficiency, making companies more attractive to investors. Firms with optimal cash conversion cycles (CCC) and effective credit policies tend to have higher profitability and reduced financial distress. The study emphasizes that capital-intensive

industries, like coir manufacturing, benefit from careful WCM planning to avoid liquidity shortages, enhancing long-term profitability and financial stability.

5. Filbeck and Krueger (2005) analyzed WCM practices across industries, highlighting that capital-intensive industries require higher working capital to manage raw materials and production costs. Their research shows that firms optimizing CCC, receivables, and inventory turnover maintain better financial health and outperform competitors. Benchmarking WCM performance across industries provides valuable insights for coir firms, where effective inventory management and receivables collection are crucial. Implementing industry-specific WCM strategies helps reduce financial constraints, improve profitability, and strengthen competitiveness.

RESEARCH METHODOLOGY

Both primary and secondary data are collected from the organisation.

PRIMARY DATA

Primary data is collected through interview with employees at various levels. When the researcher herself collects the data for a particular purpose from source available it becomes primary data. Therefore primary data are those collected by the investigator herself for the first time and thus they are original in character. They are collected for a purpose. Since they are collected for the first timefor the purpose of a study it is primary in nature. Primary data is used in this study through

- The observation of organizational activities.
- Personal interview with departmental heads.

SECONDARY DATA

Some kind of information like company financial report, previous data of sales like company financial report, previous data of sales and profile of the company are one of the source pf secondary data. Secondary data are those which have been collected by some other person for their purpose and published. So a researcher is said to make use of data already collected by some other person. Secondary data are usually in the shape of finished products. Data's published in journals and if a researcher make use of that information for his purpose he can be said to be using secondary data. Therefore primary data in the hand of one will be secondary data in the hand of other. The main secondary data sources are;

Journals and Company Vouchers

- Company records
- Company Magazine
- Auditor's report
- Balance Sheet

CHAPTER-2

PROFILES

INDUSTRY PROFILE

EVOLUTION OF COIR INDUSTRY

Coir is one of the primary by-products of coconut and has a long and rich history. The Indian Puranas mention both coconut and coir, highlighting their significance. However, some scientists suggest that coconut palm cultivation first began in Jamaica, in the region of Zylon. Historical records indicate that as early as the 13th century, coir was used in ship cables and rigging due to its strength and durability. In the Indian industry, coir has held a value comparable to that of pepper, emphasizing its economic and cultural importance.

HISTORY OF COIR INDUSTRY

The coir is a very old and traditional product of Kerala, of which several historical accounts are available from centuries ago. The Indian Puranas refer to the great significance of the coconut and the coir, which was conferred on coir due to its importance in the trade of commodities and also in day-to-day life. However, the coir industry gained prominence only with the arrival of James Darragh, a British businessman, in 1850. Alappuzha, or Alleppey, was in the trader's way in his mission to visit Kerala, and this is where he recognized the possibilities in the manufacture of coir in Kerala. Realizing the economic opportunities involved, he established Darragh Mills in 1857, which was the beginning of large-scale manufacture of coir in this region. The developments in the coir manufacturing industry compelled many entrepreneurs to start coir manufacturing units throughout Alappuzha, which was made a coir-oriented industrial town for export uptil its modern day. There are fungible reasons of economy, geography, and society for the development of the coir industry in Kerala. It is indubitable that Kerala has a plethora of coconut plantations, which form the lifeline of raw materials for the coir industries. All water resources in Kerala-the backwaters, rivers, ponds, etc.-provide enough adequate conditions to cast for retting of coir to soften the husk coconut and release the fiber. The availability of skilled labor in the field also played an instrumental role in uplifting the industry since coir spinning and weaving are traditional skills passed on for generations through families. The huge participation from the commercial activities initiated by the European traders and their well-established net of contacts aided the commercialization process of coir which started its journey in the market for exports. The efficient transport system of Kerala, which is well supported by an extensive network of natural waterways, played a very important role in ensuring the easy transport of raw materials and finished products.

The entry of James Darragh into the industry saw several foreign companies, mainly British and European, setting up manufacturing units in Alappuzha. The region offered ample raw materials, cheap labor, proximity to ports, and long-established business relations between Kerala and European merchants. The small-scale coir production units increased in operations by the early twentieth century. Many of these units worked through various stages of processing with retting, fiber extraction, spinning, and weaving now within one manufacturing unit. Industrial advancement notwithstanding, spinning so far has remained a workshop process in which the women worked entirely at home. The major part of the labor force was women; however, they were underpaid compared to their male partners. The coir industry in Kerala has been estimated to engage some five lakh workers, of whom about eighty percent were women during those times.

India's independence in 1947 changed the scenarios of the coir industry. Control of the entire coir business has now passed into the hands of Indian entrepreneurs, which was formerly under the British. However, most of the British industrialists lost their direct control over the production units based in Kerala. They, however, maintained their technical know-how and established fully mechanized coir manufacturing units in England, Germany, and other European countries. The newly emerged mechanized units began to import coir fiber and yarn from India to keep alive the global demand for Kerala's coir products. The formation of the Coir Corporation, initiated by the government of the Madras Presidency in 1920, is an important defining event in the modernization of the coir industry. This authority will help organize and structure this indigenous industry and lay a foundation for mechanization, standardization, and coir production expansion. The corporation in particular has endeavored to raise the standard of labor, promote better working conditions for the laboring people engaged in this enterprise, and to assure certain economic stability to such laborers. By the mid-twentieth century, Kerala developed into a center of coir production globally, and its products were exported to Europe, the USA, and a host of other international markets. Increasing global demand for coir products such as mats, ropes, and brushes further enhanced the significance of this trade to the economy. Government-led initiatives were a solution to the woes of the coir sector in the post-Independent period. Such initiatives were directed at protecting the workers' wages, modernizing production facilities, and promoting further research in product development based on coir. Setting up of Coir Board of India with its headquarters in Kochi not only strengthened the efforts for standardization of production but

for the establishment of quality control measures and mainstreaming of Kerala's coir products into global markets.

Today, Kerala stands stillifier in exporting coir than any other country, because Kerala has thousands of small-, medium-, and large-scale businesses manufacturing and exporting coir-based products. The industry has come to witness drastic and rapid development, thanks to the advent of semi-mechanized and fully automated ways of production. These technologies have also pushed the effort of coir production to be more sustainable by developing eco-friendly and biodegradable coir products to meet the increasing demand of people looking for sustainable alternatives in global markets. Introduction of labor rights, fair wages, and proper working conditions by the government has supported the industry toward its full development. Though aided, the industry continued facing challenges such as competition posed by synthetic alternatives and occasional fluctuations in global trade; yet, the coir industry continues to be a stronghold of Kerala’s economy, providing work for thousands and holding a heritage ingrained within the region’s identity for centuries.

COMPANY PROFILE

HISTORY

Charankattu Coir Manufacturing (CCM) was founded in 1925 by Sir Charangattu Velu in the Alappuzha district of Kerala. Initially, he established a small-scale factory at Kanichukulangara with just 10 looms. During this period, many small coir factory owners in the region were struggling and incurring losses. However, Mr. Velu made a bold decision to take over one of these small factories and began expanding his business.

With a strong commitment to quality, Mr. Velu established contacts with large coir factories in Alappuzha and secured orders by ensuring that he delivered high-quality coir products. His dedication and hands-on involvement in all aspects of the business proved to be a turning point for Charankattu Coir Manufacturing, which soon began to grow rapidly.

As demand increased, the company expanded its operations by increasing the number of looms and hiring more workers, which led to further growth. Recognizing the need for a more strategic location to accommodate the growing business, Mr. Velu decided to shift the factory to a site near the Alappuzha-Aroor Road, which is now part of NH-47. The first structure built at the new location was a godown to store raw materials and finished products.

Over the years, CCM also established branches in Vaikom and Chenganda, but unfortunately, these branches did not sustain operations for long. Despite these challenges, the main unit of Charankattu Coir Manufacturing continued to thrive, becoming one of the most prominent coir manufacturers and exporters in the region.

FINANCE DEPARTMENT

Finance is the life blood of any industrial or commercial undertaking. So its management merits great importance. Finance department maintains all the finance related records of the company. It maintains profit and loss account. Balance sheet, cash book, cash vouchers and other cash records. This department may also ask to exercise credit control on scale.

SOURCES OF FUNDS

The company requires finance for three purpose:

1. For financing working capital.
2. For financing fixed capital.
3. For financing extension and improvement.

The CCM Pvt.Ltd company has the following sources to get fund. The first source is its paid up capital. The company has 934 paid up shares Rs.1000/- each. The other sources are Union Bank of India Cherthala, Union Bank of India Cochin and other 18 small bank providing finance for the company

WORKING CAPITAL

Working capital is required for the purchase of raw materials and for meeting current and day to day expenses on salaries, wages,rent,advertising etc. Working capital is also called circulating capital or revolving capital.

PRODUCT PROFILE

Charankattu Coir Manufacturing Private Limited Company produces the following products:

- **Coir Mattings**

  It is made in handloom and power weaving out of various type of coir yarn like ANJENGO, ARATIRY, VYCOM etc. and weaver namely 2 TREDIL, 3 TRC, 4TTREDIC, BOUCLE, MULTISHAFT etc. The coir fiber is plenty in the state itself.

- **Jute Mattings**

  It is made in handloom and power weaving for the jute mattings, jute is the raw material. The raw material jute is purchased from Calcutta. For the jute yarn to be weaved there are various weavers namely 2 TREDIL, 3 TREDIL, BOUCLE, Multishaft etc.

- **Abaca Mattings**

  It is made in handloom and power weaving. The raw material is abaca is an important fiber for abaca mattings. The abaca is an important fiber from Brazil, African countries like Tanzania, Kenya etc. for the baca yarn to be weaved there are various weavers such as 2, 3, 4 TREDIL, BOUCLE.

- **Sea Grass Mattings**

  Sea grass is the raw material for the sea grass matting. It is a type of grass obtained from Delhi and Tamil Nadu. The sea grass mattings are made in handloom and power weaving. Contrary to the name indicates, the raw material has no relation with sea. This is used to make floor coverings.

- **Wool Mattings**

  The company has a manufacturing unit in Coimbatore for manufacturing of wool rays.

- **Rubber Mats**

  In rubber mats 100% Vulcanised rubber is used.

- **Poly Propylene Mats**

  This is a type of plastic mats produced by the company.

CHAPTER-5

DATA ANALYSIS AND INTERPRETATION

INTRODUCTION

Ratio analysis in working capital management is an essential technique used to evaluate a company's ability to efficiently manage its short-term assets and liabilities. It helps assess the firm's liquidity, operational efficiency, and profitability by analysing key financial ratios. These ratios provide valuable insights into how well the company is balancing its resources to maintain smooth operations and meet short-term obligations. In the context of Charankattu Coir Manufacturing (P) Ltd., ratio analysis plays a crucial role in identifying strengths and potential gaps in working capital management. Ratios such as the current ratio and quick ratio highlight the company's liquidity position, while the asset turnover ratio and cash turnover ratio measure the efficiency of asset utilization and cash management. Additionally, the gross profit ratio indicates the company's profitability and cost efficiency. By analysing these ratios and presenting them through charts, management can visually track performance trends over time and identify areas that require improvement. Effective working capital management not only enhances liquidity but also minimizes operational risks and improves overall financial stability, ensuring long-term growth and sustainability for the firm.

INTERPRETATION

Ratios are one of the most useful tools available to management for assessing a company's operational efficiency and financial status. They provide valuable insights and help draw conclusions regarding the firm's performance. However, ratios should not be interpreted in isolation, as a single ratio may present an incomplete or misleading picture, potentially leading to incorrect conclusions. To avoid this, ratios should be analyzed in conjunction with other related ratios and relevant financial information. For example, a high current ratio may suggest liquidity, but if the inventory turnover ratio is low, it indicates that a large portion of assets is tied up in slow-moving inventory. Similarly, an impressive quick ratio may point to strong short-term liquidity, but if the receivables collection period is extended, it could still create cash flow difficulties. Therefore, it is essential to view ratios holistically and compare them with industry benchmarks and historical data to gain a more accurate understanding of the firm's financial position. While ratios are an effective aid for evaluating business performance, relying solely on them may lead to misinterpretations. For informed decision-making, it is crucial to analyse ratios alongside related financial indicators and consider industry-specific factors.

USES AND ADVANTAGES OF RATIO ANALYSIS

Ratio analysis is powerful financial analysis. It is used as a tool to analyses and interprets the financial of an enterprise. The suppliers of goods on credit, banks financial institution. Shareholders and managers all make use of ratios as tools in evaluating the financial position and performance of a firm for granting credit or providing loans to the firm.

1. CURRENT RATIO = CURRENT ASSET / CURRENT LIABILITY

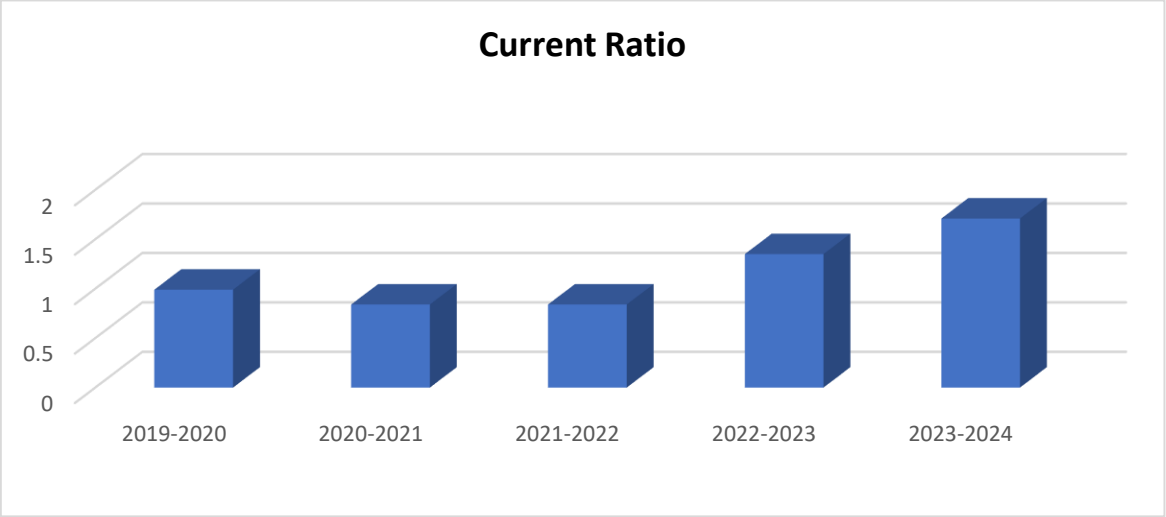
Current assets = All current assets are taken expect loans and advances

Current liabilities = All current liabilities are taken expect provisions

Table 1

Years	Current Assets	Current Liabilities	Ratio
2019-2020	318,467,981	322,429,814	0.99
2020-2021	292,643,818	348,738,351	0.84
2021-2022	286,315,774	339,282,763	0.84
2022-2023	356,991,462	263.728,832	1.35
2023-2024	372,847,766	218,132,315	1.71

Chart 1



Interpretation:

- **2019-2020 (0.99:1):**
  The ratio is slightly below 1, indicating that the company's current liabilities slightly exceed its current assets. This suggests a tight liquidity position, where the company might struggle to meet its short-term obligations if needed.
- **2020-2021 & 2021-2022 (0.84:1):**
  A declining and sub-optimal ratio for two consecutive years signals increasing

pressure on liquidity. This could be due to increased liabilities or reduction in current assets. The company may have faced short-term financial constraints or increased reliance on credit.

- **2022-2023 (1.35:1):**
  A significant improvement in liquidity. The ratio indicates that the company now has ₹1.35 in current assets for every ₹1 in liabilities, showing better financial flexibility. This may result from better inventory and receivables management, or reduced short-term liabilities.
- **2023-2024 (1.71:1):**
  The highest ratio during the 5-year period, suggesting a healthy and improving liquidity position. Although still below the ideal 2:1, it shows that the company is in a much stronger position to meet its obligations and cover its short-term debts without financial stress.

2. QUICK RATIO = QUICK ASSET / QUICK LIABILITIES

Quick assets = Current assets – (Stock + Prepaid Expenses)

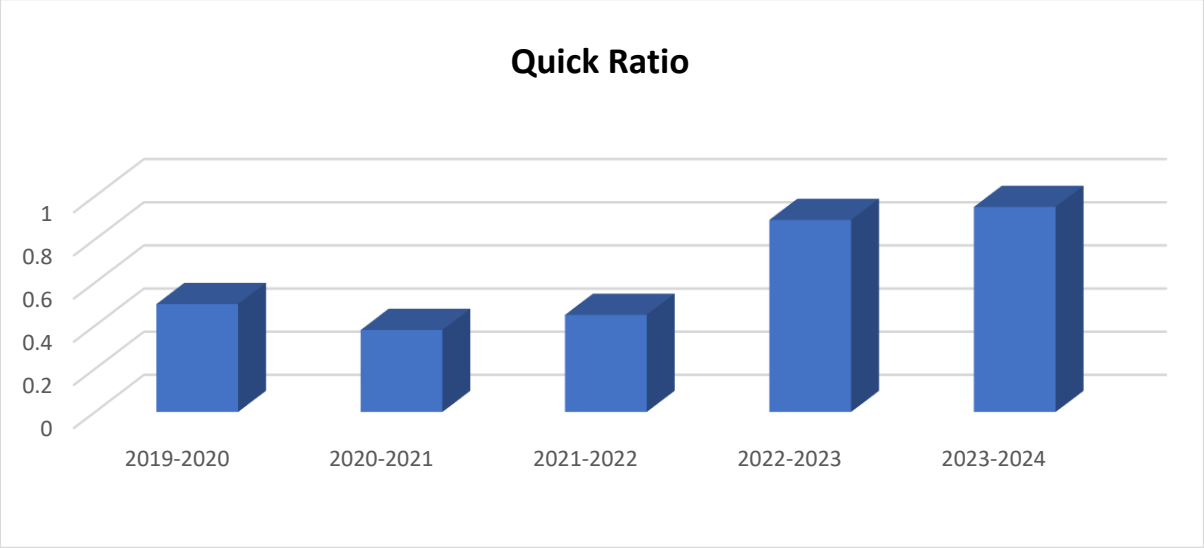
Quick Liabilities = Current Liabilities – Bank Overdraft

There is no prepaid expenses and bank overdraft

Table 2

Year	Quick Assets	Quick Liabilities	Ratio
2019-2,020	161,899,163	322,429,814	0.50
2020-2021	133,269,450	348,738,351	0.38
2021-2022	152,889,594	339,282,763	0.45
2022-2023	233,493,211	263,728,832	0.89
2023-2024	206,344,011	218,132,315	0.95

Chart 2



Interpretation:

- **2019–2020 (0.50:1):**
  This means the company had only ₹0.50 of quick assets (cash + receivables) for every ₹1 of quick liabilities. It indicates a **weak short-term liquidity position**, unable to meet immediate obligations without relying on inventory.

- **2020–2021 (0.38:1):**
  A further decline in the ratio, which is concerning. The company was more exposed to liquidity risk, possibly due to delays in receivables collection or poor cash reserves. It would have had to depend heavily on inventory sales to meet short-term debts.
- **2021–2022 (0.45:1):**
  Slight improvement but still far below the ideal. The company was **still in a vulnerable liquidity position** with insufficient liquid assets.
- **2022–2023 (0.89:1):**
  A **significant recovery** from the past three years. The quick ratio now approaches the standard benchmark, suggesting the company was better prepared to cover its short-term liabilities without selling inventory.
- **2023–2024 (0.95:1):**
  Nearly at the ideal 1:1 benchmark, indicating a **strong short-term liquidity position**. The company now has ₹0.95 of liquid assets for every ₹1 of liabilities — a positive sign of improved financial health.

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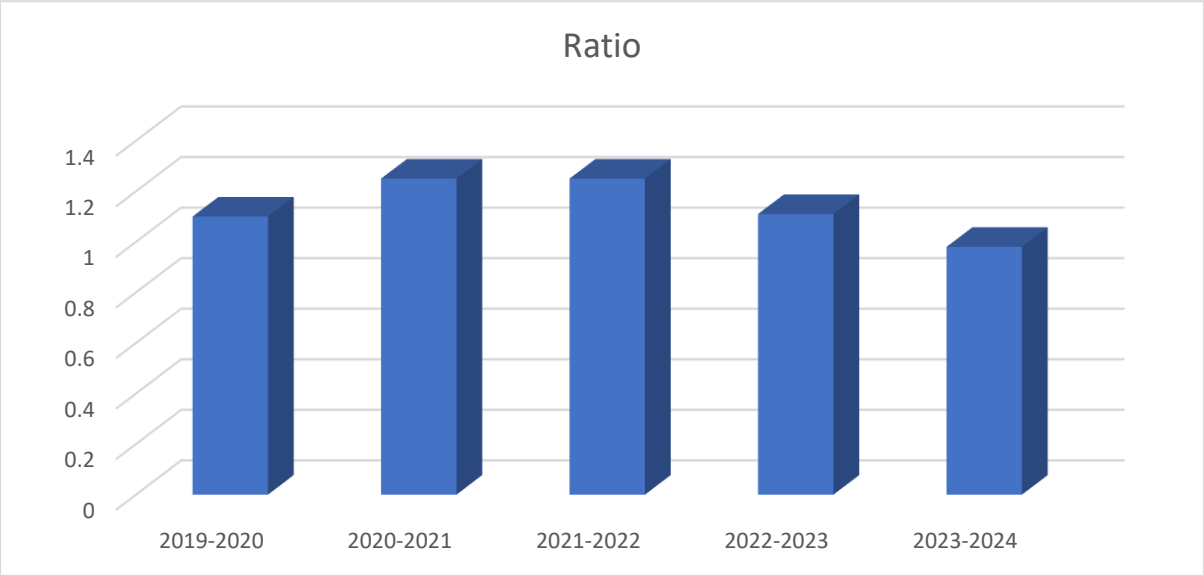
3.. ASSET TUROVER RATIO

= Sales / Total Asset

Table 3

Year	Sales	Total Assets	Ratio
2019-2020	544,793,834	493,240,773	1.10
2020-2021	581,073,026	464,697,491	1.25
2021-2022	553,928,675	441,523,339	1.25
2022-2023	565,264,246	510,239,954	1.11
2023-2024	547,972,262	558,406,138	0.98

Chart 3



Interpretation:

- **2019–2020 (1.10):**
  Indicates that the company generated ₹1.10 in sales for every ₹1 of total assets — a healthy utilization of assets, showing good operational efficiency.
- **2020–2021 & 2021–2022 (1.25):**
  The **peak performance** years — strong asset efficiency. CCM effectively utilized its

asset base to generate revenue, which may reflect optimal use of machinery, inventory, and fixed assets.

- **2022–2023 (1.11):**
  Slight decline, though still efficient. This could be due to an increase in asset base (perhaps due to capital investment) that did not yet yield proportional revenue growth.
- **2023–2024 (0.98):**
  For the first time in five years, the ratio fell **below 1**, meaning the company generated less than ₹1 of sales for every ₹1 of assets. This could signal **under-utilization** of new or existing assets, or possibly declining sales efficiency.

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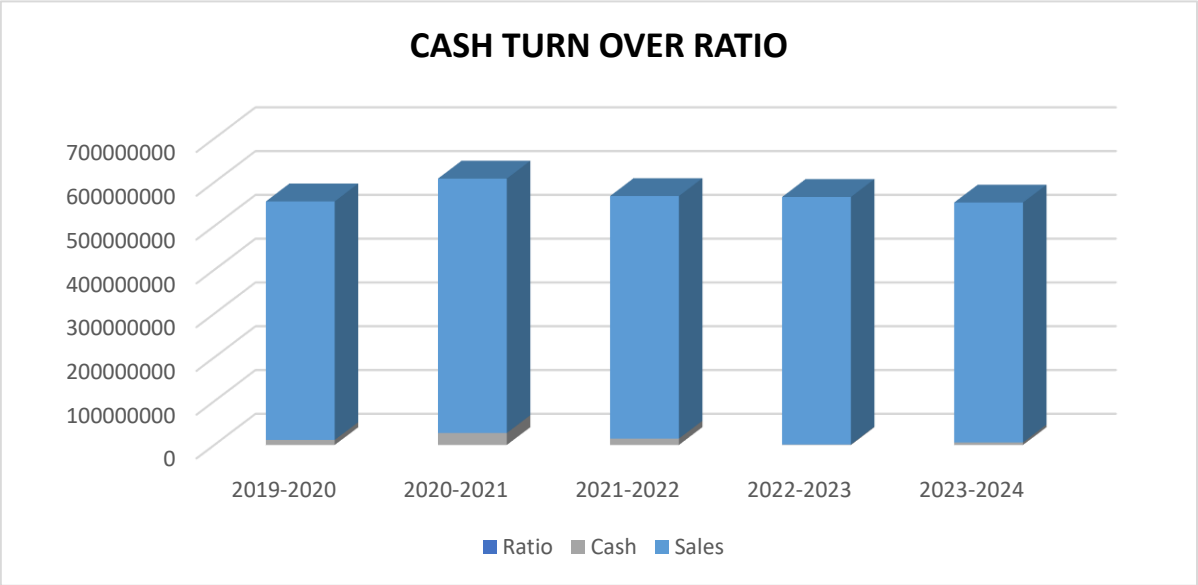
4.. CASH TURN OVER RATIO

= Sales / Cash

Table 4

Year	Sales	Cash	Ratio
2019-2020	544,793,834	11,539,199	47.21
2020-2021	581,073,026	27,316,610	21.27
2021-2022	553,928,675	14,560,740	38.04
2022-2023	565,264,264	1,208,696	46.8
2023-2024	547,972,262	5,708,727	96.0

Chart 4



Interpretation:

- **2019–2020 (47.21):**
  A **high turnover** indicates the company generated ₹47 in sales for every ₹1 of cash. This is generally efficient, but also suggests that **cash reserves may be tight**, potentially risky in case of sudden expenses.
- **2020–2021 (21.27):**
  A **drop** in the ratio due to an increase in cash holdings. This could indicate the firm

was **maintaining higher liquidity**, possibly due to caution or pandemic-related uncertainties.

- **2021–2022 (38.04):**
  Improvement again as the company **reduced idle cash** and improved cash utilization.
- **2022–2023 (46.80):**
  A huge spike caused by a **very low cash balance** (just over ₹1.2 million). While efficient on paper, this is **very risky** — a minor disruption in receivables could severely impact operations.
- **2023–2024 (96.00):**
  A very **high turnover ratio** — meaning **extremely efficient but dangerously low cash holdings**. For every ₹1 of cash, the company generated ₹96 in sales. While this shows excellent sales performance relative to cash, it also **raises red flags about liquidity risk**. The company may not have enough buffer to cover emergencies.

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5.. GROSS PROFIT RATIO

Gross Profit Ratio = Gross Profit / Net Sales x 100

Gross Profit = Sale – Cost of Goods Sold

Table 5

Year	Gross Profit	Sales	Ratio
2019-2020	13,307,937	544,793,834	-2.4
2020-2021	2,652,274	581,073,026	-1.46
2021-2022	35,481,092	553,928,675	6.41
2022-2023	26,153,551	565,264,246	4.63
2023-2024	39,984,484	547,972,262	7.30

Chart 5

Interpretation:

- **2019–2020 (–2.4%) and 2020–2021 (–1.46%):**
  Negative gross profit indicates that **the cost of goods sold (COGS) exceeded sales revenue**. This is highly unfavorable and could be due to:
  - ➢ High raw material or production costs
  - ➢ Poor pricing strategies

- Inefficiencies in manufacturing or excessive wastage

  These years reflect a **loss at the gross level**, meaning the company couldn't even recover its production costs.

- **2021–2022 (6.41%) and 2022–2023 (4.63%):**

  The company **recovered well in 2021**, turning its operations back to profitability. The gross profit margin remained modest but positive. A slight dip in 2022–23 suggests rising costs or more discounts given to push sales.

- **2023–2024 (7.30%):**

  The **highest gross profit ratio** in five years. Indicates improvement in cost control, procurement, or pricing strategy. While it's still **relatively low compared to industry standards**, it shows a **clear upward trend** in profitability.

CHAPTER-6

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

1. Efficient Inventory Management:

- CCM has a well-structured inventory system, ensuring raw materials (coir fiber) are available for continuous production.
- However, fluctuations in demand and seasonal availability of raw materials create challenges in maintaining an optimal inventory level.

2. Cash Flow and Liquidity:

- The company maintains a balanced cash flow through careful monitoring of receivables and payables.
- Delays in payments from clients occasionally impact short-term liquidity.

3. Credit Policy and Accounts Receivable:

- CCM extends credit to distributors and retailers, contributing to higher sales volume.
- However, extending long credit periods can lead to higher receivables and potential bad debts.

4. Short-Term Financing and Borrowing:

- The firm leverages short-term borrowing effectively to meet working capital gaps, particularly during peak demand periods.
- Interest costs are managed carefully, though a slight increase in working capital borrowing could improve operational efficiency.

5. Profitability and Return on Investment:

- CCM's profitability is directly linked to how efficiently it manages its working capital.
- Optimal management of current assets and liabilities positively impacts the return on capital employed (ROCE).

6. Liquidity Position:

- The current ratio showed a significant improvement from 0.84 in 2020-21 to 1.71 in 2023-24, reflecting better liquidity management. However, it remained below the ideal 2:1 ratio, indicating there is still room to strengthen short-term financial security.
- Similarly, the quick ratio improved from a low of 0.38 in 2020-21 to 0.95 in 2023-24, nearly reaching the industry benchmark of 1:1. This indicates that the company has enhanced its ability to meet immediate liabilities without depending on inventory.

7. Asset Utilization:

- The asset turnover ratio was at its peak (1.25) in 2020-21 and 2021-22 but dropped to 0.98 in 2023-24, suggesting under-utilization of assets or decreased efficiency in revenue generation from assets.

8. Cash Management:

- The cash turnover ratio reached 96.0 in 2023-24, showing extremely high efficiency in using cash for sales. However, it also highlights a critical liquidity risk — very low cash reserves could hamper operations during financial emergencies.

9. Profitability Trends:

- The company witnessed negative gross profit ratios in 2019-20 and 2020-21, indicating it was incurring losses on its core operations during those years. However, profitability improved steadily, reaching 7.30% in 2023-24, showing better control over production costs and pricing.

10. Trend Analysis:

- A positive trend is seen across most ratios in the recent two years, indicating improved financial discipline, better working capital deployment, and a more stable outlook. However, cash flow volatility and asset efficiency need continued monitoring and refinement.

SUGGESTIONS

1. Optimize Inventory Levels:

- Introduce Just-in-Time (JIT) techniques to reduce holding costs and prevent excess inventory.
- Analyze seasonal trends to predict demand fluctuations and adjust procurement strategies accordingly.

2. Strengthen Credit Policy:

- Implement stricter credit evaluation and shorter payment terms to minimize overdue receivables.
- Consider offering cash discounts to encourage faster payments and improve liquidity.

3. Enhance Cash Flow Monitoring:

- Introduce automated cash flow forecasting tools to predict and manage cash shortages in advance.
- Establish a contingency reserve to mitigate the risk of cash flow disruptions.

4. Negotiate Better Terms with Suppliers:

   Negotiate extended credit periods with suppliers to reduce immediate cash outflows. Explore supplier financing options to ease working capital pressure.

5. Leverage Technology for WCM:

   Implement ERP systems to automate inventory control, cash management, and supplier payments, ensuring smoother operations.

6. Implement Customer Credit Control Measures:

   Introduce strict customer credit limits, real-time credit monitoring, and automated follow-up systems to reduce days sales outstanding (DSO). This will ensure faster conversion of receivables to cash and reduce dependence on short-term borrowing

7. Rebalance the Asset Structure:

   Review the fixed asset base to ensure that each asset is generating value. Idle or underperforming assets should be either optimized, leased, or sold off to release capital and improve the asset turnover ratio.

8. Build Strategic Cash Reserves:

   While cash turnover is high, it indicates risky minimal reserves. Establishing a minimum buffer of liquid cash or a short-term investment portfolio can protect the company from unexpected shocks

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9. Strengthen Profitability Through Product-Mix Optimization:

   Reassess the contribution of different product lines (e.g., coir vs. jute vs. sea grass vs. rubber mats). Focus on high-margin products and phase out or improve the cost efficiency of underperforming ones.

10. Integrate Seasonal Forecasting Tools:

    Since raw material availability and demand are seasonal, use forecasting tools to align procurement and production with market demand. This can reduce unnecessary inventory holding and optimize working capital usage.

11. Establish an Internal Working Capital Review Committee:
    Form a small internal team or committee responsible for monthly review of liquidity, receivables, payables, and inventory metrics, enabling quicker decision-making.

CONCLUSION

Effective Working Capital Management is crucial for Charankattu Coir Manufacturing to maintain financial stability and ensure smooth operations. The findings highlight CCM's strengths in inventory control and liquidity management while also identifying areas for improvement in credit policies and cash flow management.

By implementing strategic measures such as optimizing inventory, strengthening credit terms, and enhancing cash flow monitoring, CCM can reduce operational inefficiencies and increase profitability. With a proactive approach, the company can continue to thrive in a competitive market and mitigate potential financial risks.

This comprehensive analysis underscores the importance of aligning working capital strategies with business objectives to sustain growth and enhance financial performance.

In conclusion, the analysis of working capital management at Charankattu Coir Manufacturing reveals a steady and commendable improvement in key financial metrics over the last five years. The company has made significant progress in enhancing its liquidity position, as evidenced by rising current and quick ratios. While the current ratio has not reached the ideal standard of 2:1, the upward trend suggests strengthened internal financial control.

The asset turnover ratio, although high in previous years, witnessed a slight decline recently, indicating potential under-utilization or surplus investment in fixed assets. This calls for strategic asset review and optimization. Furthermore, while the cash turnover ratio is impressive, extremely high values also flag a warning regarding minimal cash reserves, which may not be sustainable in the long run.

Profitability has turned around since 2021–22, moving from gross losses to stable positive margins, reflecting improved cost management and pricing strategy. Overall, it can be concluded that the company is on a strong recovery path in terms of financial stability and operational efficiency. However, proactive measures are still required in areas like asset utilization and cash reserve planning to ensure consistent growth and resilience in the competitive coir industry.

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ANNEXURE

Annexure 1: Financial Data Used for Ratio Analysis (2019–2024)

Year	Current Assets	Current Liabilities	Quick Assets	Quick Liabilities	Sales	Total Assets	Cash	Gross Profit
2019-2020	₹318,467,981	₹322,429,814	₹161,899,163	₹322,429,814	₹544,793,834	₹493,240,773	₹11,539,199	₹13,307,937
2020-2021	₹292,643,818	₹348,738,351	₹133,269,450	₹348,738,351	₹581,073,026	₹464,697,491	₹27,316,610	₹2,652,274
2021-2022	₹286,315,774	₹339,282,763	₹152,889,594	₹339,282,763	₹553,928,675	₹441,523,339	₹14,560,740	₹35,481,092
2022-2023	₹356,991,462	₹263,728,832	₹233,493,211	₹263,728,832	₹565,264,246	₹510,239,954	₹1,208,696	₹26,153,551
2023-2024	₹372,847,766	₹218,132,315	₹206,344,011	₹218,132,315	₹547,972,262	₹558,406,138	₹5,708,727	₹39,984,484

Annexure 2: Ratio Summary Table

Ratio Name	2019–20	2020–21	2021–22	2022–23	2023–24
Current Ratio	0.99	0.84	0.84	1.35	1.71
Quick Ratio	0.50	0.38	0.45	0.89	0.95
Asset Turnover	1.10	1.25	1.25	1.11	0.98
Cash Turnover	47.21	21.27	38.04	46.80	96.00
Gross Profit Ratio (%)	-2.4	-1.46	6.41	4.63	7.30

Annexure 3: Questionnaire for Primary Data Collection

Section A: General Information

1. Name of the firm:
2. Year of Establishment:
3. Ownership Type: (☐ Proprietorship ☐ Partnership ☐ Private Ltd.)

Section B: Inventory and Production

4. Main product lines:
5. Average monthly/annual production capacity:
6. Inventory holding period (days):
7. Seasonal raw material issues faced: ☐ Yes ☐ No (If yes, specify)
8. Inventory control methods used:

Section C: Receivables and Payables

9. Average credit period to customers (in days):
10. Percentage of credit sales:
11. Credit risk assessment methods:
12. Payment terms received from suppliers:
13. Payment prioritization method:

Section D: Cash and Finance Management

14. Daily cash management practices:
15. Use of cash reserve for emergencies: ☐ Yes ☐ No
16. Frequency of cash flow review:
17. Main source of working capital finance:
18. Reliance on short-term borrowings: ☐ Yes ☐ No

Section E: Challenges & Suggestions

19. Major WCM challenges faced:

20. Suggestions for improving working capital efficiency:

Annexure 4: Graphical Charts

- Chart 1: Current Ratio Trend (2019–2024)
- Chart 2: Quick Ratio Trend (2019–2024)
- Chart 3: Asset Turnover Ratio Trend (2019–2024)
- Chart 4: Cash Turnover Ratio Trend (2019–2024)
- Chart 5: Gross Profit Ratio (%) Trend (2019–2024)