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Working capital management: An empirical study

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Abstract
When we try to understand the financial position of a firm, we seek to know its profitability over the years, its share price in the market and/or its credibility to pay off its long-term debts. The bigger picture might provide a good view but it may or may not present a fully accurate status of the firm's financial standing. When we look closer and get into the intricacies of the day-to-day financial management of a firm, one thing that discloses itself is how the short-term financial decisions and liquidity position of a firm can impact the long-term vision and strategies of the organization. Thus, Working Capital Management (abbreviated WCM) ensures a sustainable growth and smooth functioning through balancing current assets and current liabilities. Through the case study of Asian Paints Ltd., it has been evident that how the components of working capital and its effective and efficient administration can contribute to the overall profitability and better financial management. The study explores the liquidity, profitability and efficiency of the organization through various financial ratios and gives a comparative analysis of the working capital over the period of five years (2020-2024). The primary objective of this study is to understand working capital and its management, and how effective handling of working capital can significantly impact a firm's long-term financial health.

Keywords: Working capital, financial management, working capital management, financial analysis

Introduction
Financial management can be categorized into two broad aspects of management comprising long-term capital and the short-term funds, or working capital. It is the operational fund, or the funds being used to carry out the day-to-day operations describing the liquidity position of a firm. The importance of working capital management can be reflected in the role it plays to facilitate the smooth operation of business activities, maintaining sufficient cash flow to avoid liquidity crunch and enabling optimal short- and long-term investments decisions without leaving funds idle.

There are two concepts of working capital – gross working capital and net working capital. The aggregate of investments in current assets components comprise the gross working capital, reflecting the size and structure of current assets of a business. On the other hand, the aspect which focuses on evaluating the liquidity position, short term solvency and financial health of a business, is the difference between the current assets and current liabilities, known as net working capital.

The four key components of working capital namely – cash and cash equivalents, inventory, account receivables and account payables, form the core areas of working capital management, the first three being a part of current assets and the last one represents current liability. A business may need to employ different strategies for different core areas under a continuous flow of activities from acquisition of raw material, to finished goods, to sale of goods, to realisation of amount from debtors and finally back to cash, known as working capital cycle, or operating cycle, to ensure adequate working capital. The length of working capital cycle may vary from industry to industry and business to business.

A firm may not immediately pay for the raw material it purchases for the manufacturing of finished goods, this delay in payment is known as accounts payable period. The time taken by the firm to convert the raw material into actual sales is known as inventory period. Again, the firm may not receive the payment in lieu of sales instantly, so the period between actual sales and collection on its sales is termed as accounts receivables period. This working system creates a cycle which creates a time gap between the payment for purchases of raw material and collection of payment for the sales of finished goods, known as the firm's cash conversion cycle.

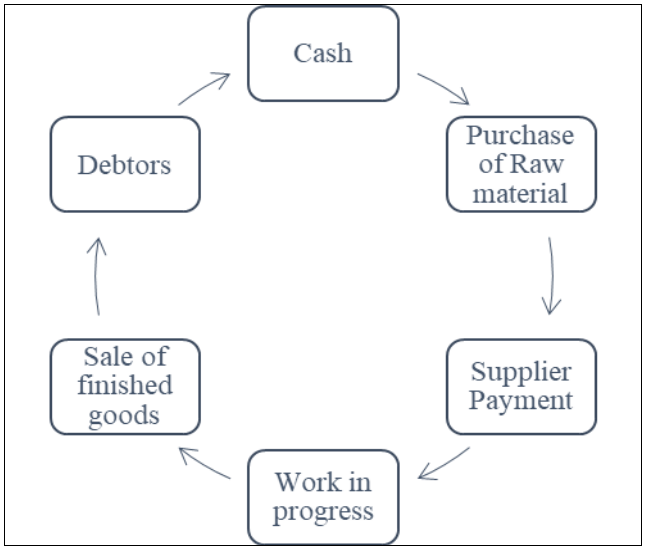

Fig 1: Working Capital Cycle.

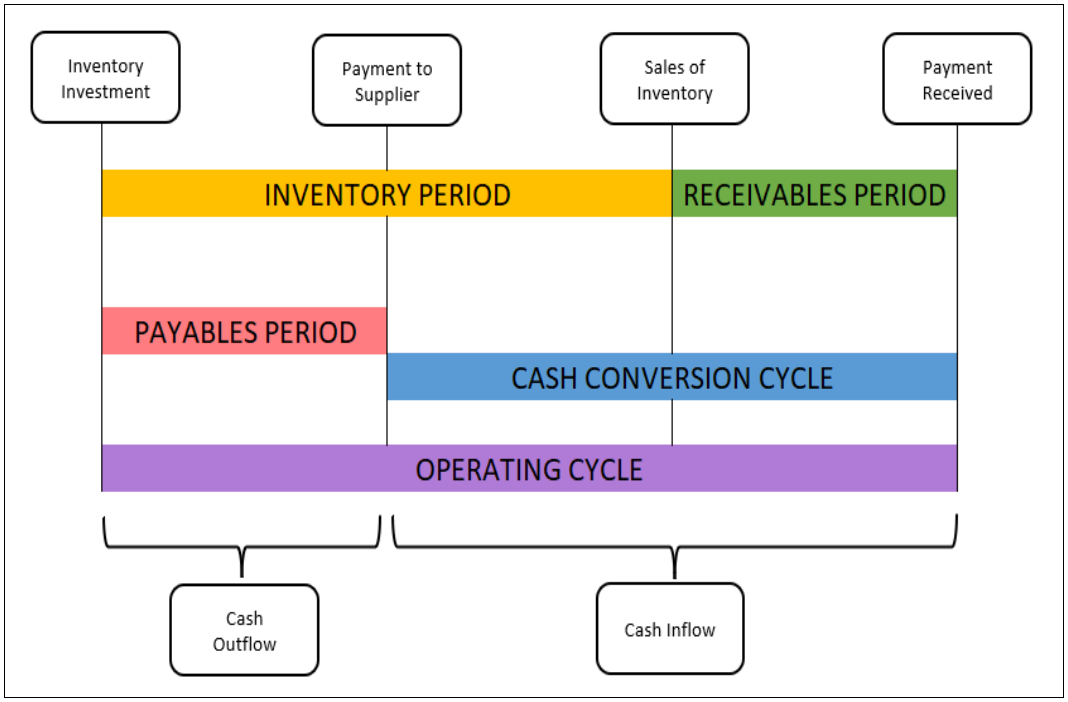

Fig 2: Cash Conversion Cycle.

Methodology

The financial attributes like liquidity, solvency and profitability can be improved through effective implementation of the working capital management. Empirical studies have shown ineffective management of working capital as one of the major causes of industrial sickness. To understand how important working capital is for the firms and how it is calculated and interpreted, the study takes up the data of 5 years (2024-2020) from Asian Paints Ltd. The study is based on secondary data which is collected from the annual reports and other proprietary reports of the organization. Ratio Analysis and Comparative Statement Analysis is used for analysis of the data. The data is presented using various graphs and charts. The objective of the study is to understand the working capital position and management of Asian Paints Ltd., it does not, in any manner, is reflective of the financial position or economic health of the organisation for current or the period taken up for the study.

Results and Discussion

A. Liquidity Ratios

Liquidity ratio reflects a firm's ability to pay off its debt as and when they arise. In other words, we can say this ratio tells how quickly a company can convert its current assets into cash so that it can pay off its liability on a timely basis.

1. Current Ratio: This ratio measures the financial strength of the company. Generally, 2:1 is treated as the ideal ratio, but it depends from industry to industry.

Formula: Current Assets / Current Liability, where

a. Current Assets = Stock, debtors, cash and bank, receivables, loan and advances, and other current assets.
b. Current Liabilities = Creditors, short-term loan, bank overdraft, outstanding expenses, and other current liability.

A very high current ratio indicates that the assets of a company are not being utilized efficiently or there is a possibility of idle cash lying uninvested or unused. On the other hand, poor current ratio (of less than 1) is a warning signal of impending sickness.

Table 1: Current Ratio

Year	Current Assets (in Rs. Cr)	Current Liabilities (in Rs. Cr)	Current Ratio
2019-20	5,825.70	3,195.05	1.82
2020-21	9,956.54	4,575.33	2.18
2021-22	12,747.92	5,647.44	2.26
2022-23	13,875.73	5,831.46	2.38
2023-24	14,553.21	6,221.01	2.34

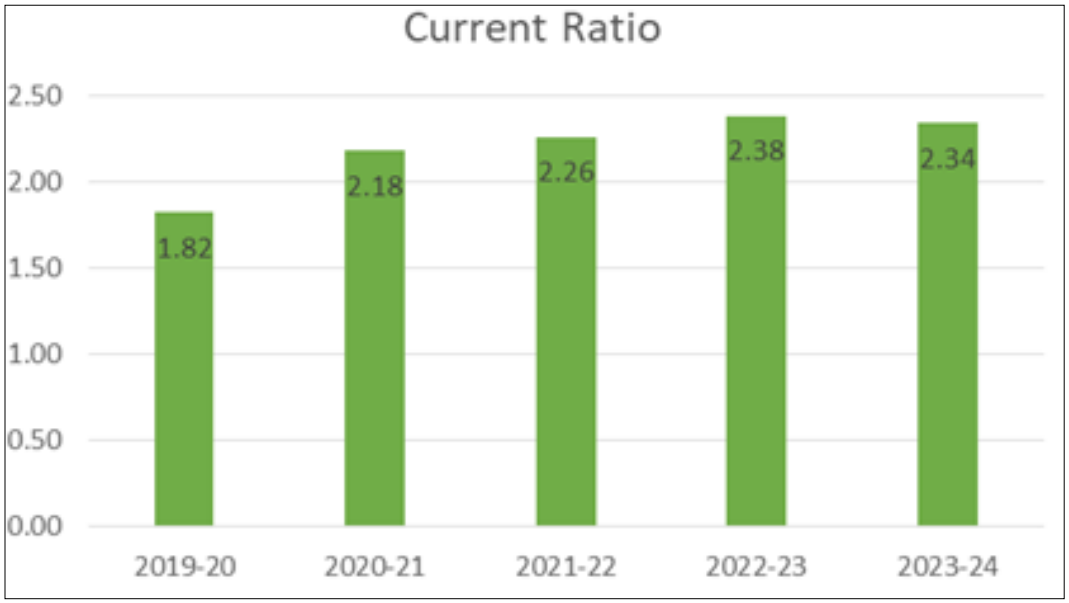

Fig 3: Current Ratio.

Interpretation:
It can be seen from the above graph that the company's liquidity position is good as per the standard ratio 2:1 which indicates the company's ability to pay off its current obligations. A higher ratio means the company can easily fund its day-to-day operations. The more working capital a company has, the less it's likely to have to take on debt to fund the growth of its business.

1. Quick Ratio. The ratio which takes quick assets to measure the capacity of the business to meet its short-term obligations. While calculating quick assets we exclude the inventories. The quick assets are defined as those assets which are quickly convertible into cash.

Quick Ratio = Quick Assets / Current Liabilities, where

a. Quick Assets = Debtors, cash and bank, receivables, loan and advances, and other current assets.
b. Current Liabilities = Creditors, short-term loan, bank overdraft, outstanding expenses, and other current liability.

Normally, it is advocated to be safe to have a ratio of 1:1.

Table 2: Quick Ratio

Year	Quick Assets (in Rs. Cr)	Current Liabilities (in Rs. Cr)	Quick Ratio
2019-20	2,998.23	3,195.05	0.94
2020-21	6,831.93	4,575.33	1.49
2021-22	7,470.31	5,647.44	1.32
2022-23	8,553.94	5,831.46	1.47
2023-24	9,478.45	6,221.01	1.52

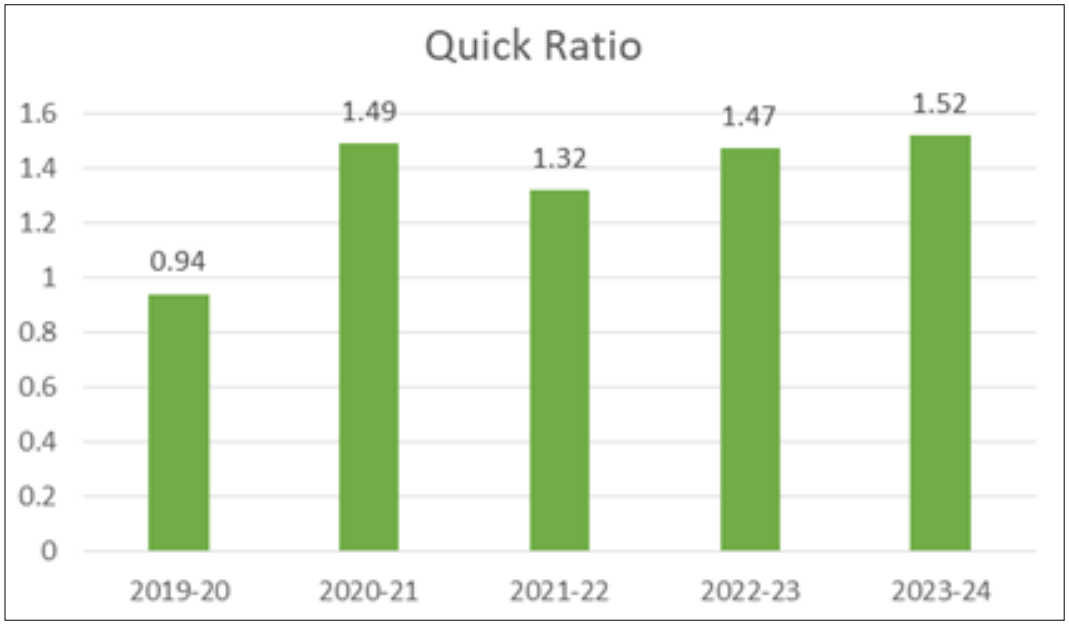

Fig 4: Quick Ratio.

Interpretation

In all the years except 2019-20, Asian Paints Ltd. has ratio more than 1, it is evident that the ratio has improved successively. A company which has a quick ratio of less than 1 may not be able to fully pay off its current liabilities in the short term.

B. Analysis of Working Capital Components

1. Inventory

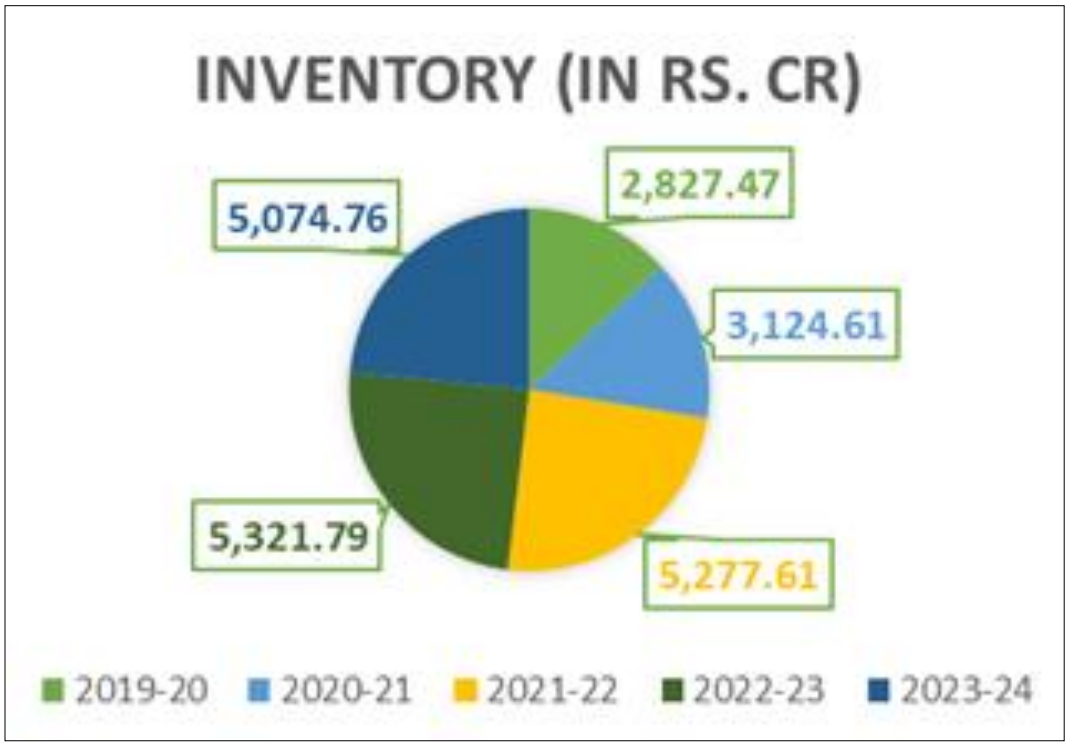

Fig 5: Analysis of Inventory.

Interpretation: High stocks of inventory ensure adequate stockholding and increases profitability. On the other hand, lower Inventory requires less capital but holding low stocks can be challenging in case of increasing demand of customers. The highest inventory was in 2022-23 at Rs. 5,321.79 Cr while the lowest inventory holding was in 2019-20 at Rs. 2,827.47 Cr.

2. Receivables

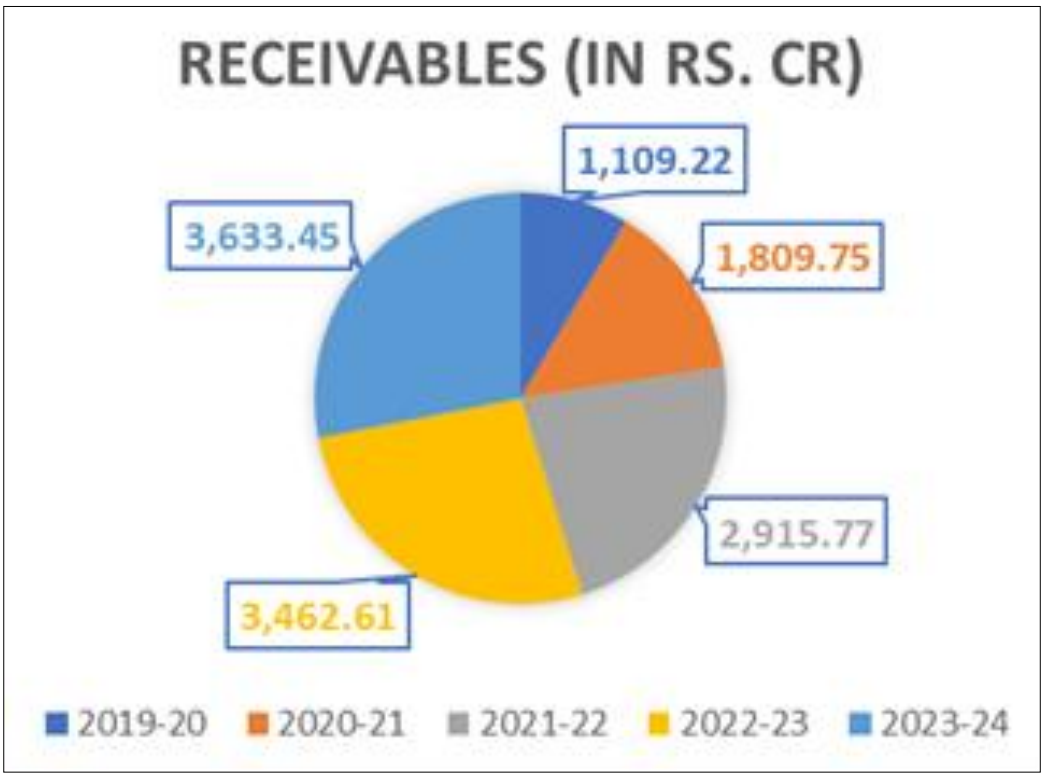

Fig 6: Analysis of Receivables.

Interpretation: High receivables imply more credit sales which may lead to cash blockage. Contrary to this, low receivables point towards more cash sales. Maximum receivables were in 2023-24 at Rs. 3,633.45 Cr. The lowest receivables were observed in 2019-20 at Rs. 1,109.22 Cr.

3. Payables

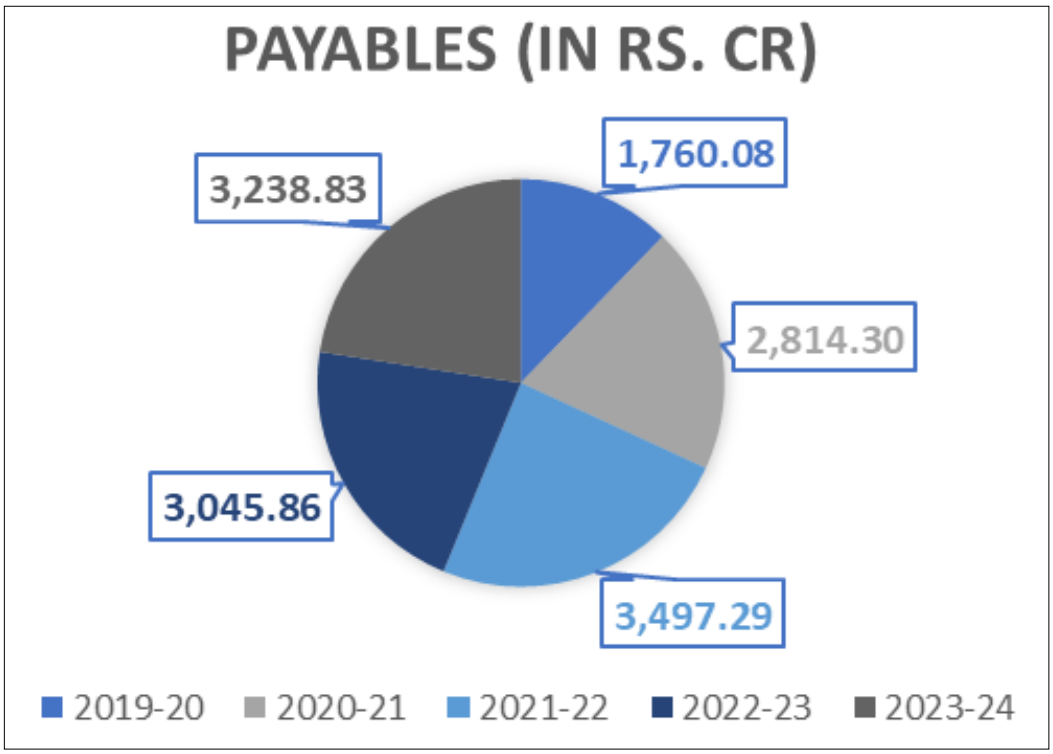

Fig 7: Analysis of Payables.

Interpretation: Higher accounts payables imply that the firm is buying more on credit and a higher payable period may affect its creditworthiness. 2019-20 recorded lowest accounts payables at Rs. 1,760.08 Cr. The highest amount of payables were in 2021-22 at Rs. 3,497.29 Cr.

4. Cash & Cash Equivalents

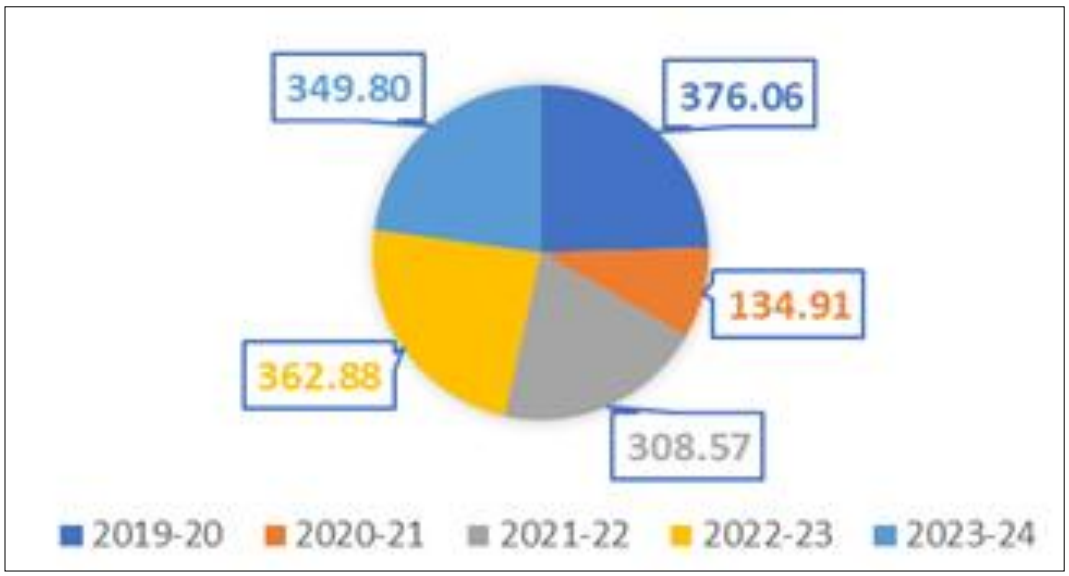

Fig 8: Analysis of Cash & Cash Equivalents (In Rs Cr).

Interpretation: Large amount of cash in hand reflects idle cash and potential for investment while low cash & cash equivalents may question the firm's credibility to meet its day-to-day operations. The company had Rs. 376.06 Cr in 2019-20 which was maximum while it was just Rs. 134.91 Cr. In 2020-21.

C. Efficiency Ratios

Efficiency ratios include the inventory turnover ratio, asset turnover ratio, and receivables turnover ratio. These ratios measure how efficiently a company uses its assets to generate revenues and its ability to manage those assets.

The following ratios are presented in this study:

1. Working Capital Turnover Ratio
2. Inventory Turnover Ratio
3. Trade Receivables Turnover Ratio
4. Trade Payables Turnover Ratio

1. Working Capital Turnover Ratio: Working capital turnover ratio establishes a relationship between the working capital and net sales generated by the business.

$$\text{Working Capital Turnover Ratio} = \frac{Net\ Sales}{Net\ Working\ Capital}$$

Table 3: Working Capital Turnover Ratio

Year	Net Sales	Net Working Capital	Ratio (in times)
2019-20	17,025.61	2,630.65	6.47
2020-21	18,280.06	5,381.21	3.40
2021-22	25,002.09	7,100.48	3.52
2022-23	29,953.12	8,044.27	3.72
2023-24	30,727.71	8,332.20	3.69

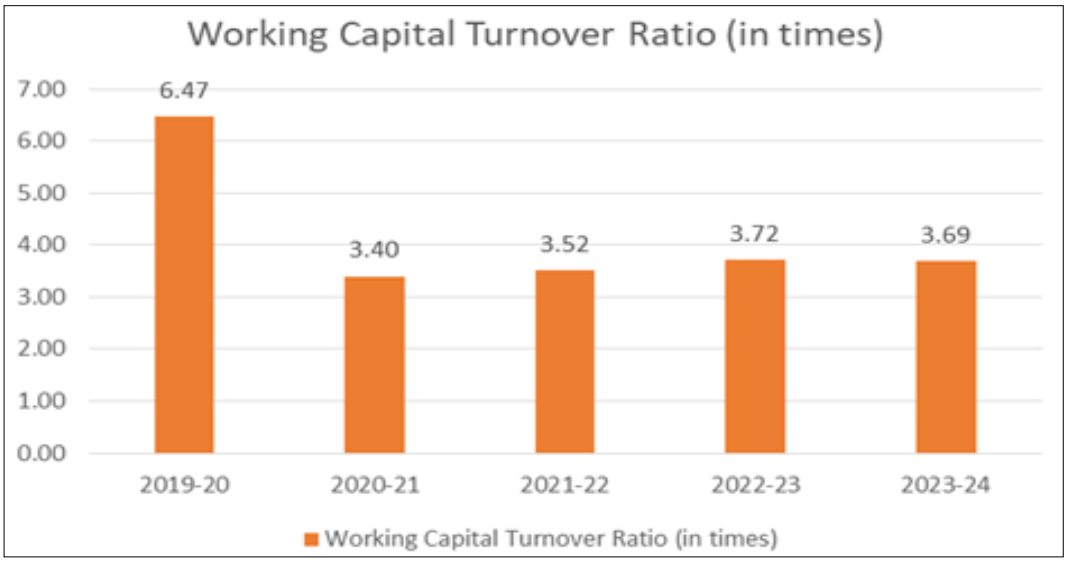

Fig 9: Working Capital Turnover Ratio.

Interpretation

It can be seen from the graph that the ratio except from the year 2019-20 has not changed drastically and has been stable. The year 2019-20 had the highest working capital turnover ratio amongst the other years. A high turnover ratio shows that management is being very efficient in using a

company's short-term assets and liabilities for supporting sales. Over the years, the ratio has come to 3.40 in 2020-21 which signifies a shortage of working capital in the company which is not favourable. A low ratio indicates that a business is investing in accounts receivable and inventory assets to support its sales, which could eventually lead to an excessive number of bad debts and obsolete inventory.

2. Inventory Turnover Ratio: It determines the number of times inventory is converted into revenue from operations during the accounting period. It expresses the relationship between the cost of revenue from operations and average inventory.

$$\text{Average Inventory} = \frac{Opening\ Inventory + Closing\ Inventory}{2}$$

$$\text{Inventory Turnover Ratio} = \frac{Net\ Sales}{Average\ Inventory}$$

$$\text{Inventory Holding Period} = \frac{Days\ in\ a\ year\ i.e.,\ 365}{Inventory\ Turnover\ ratio}$$

Table 4: Inventory Turnover Ratio

Year	Net Sales	Opening Inventory	Closing Inventory	Average Inventory	Ratio (in times)	Inventory Holding Period (Days)
2019-20	17,025.61	2,585.10	2827.47	2,706.29	6.29	58.02
2020-21	18,280.06	2,827.47	3124.61	2,976.04	6.14	59.42
2021-22	25,002.09	3,124.61	5277.61	4,201.11	5.95	61.33
2022-23	29,953.12	5,277.61	5321.79	5,299.70	5.65	64.58
2023-24	30,727.71	5,321.79	5074.76	5,198.28	5.91	61.75

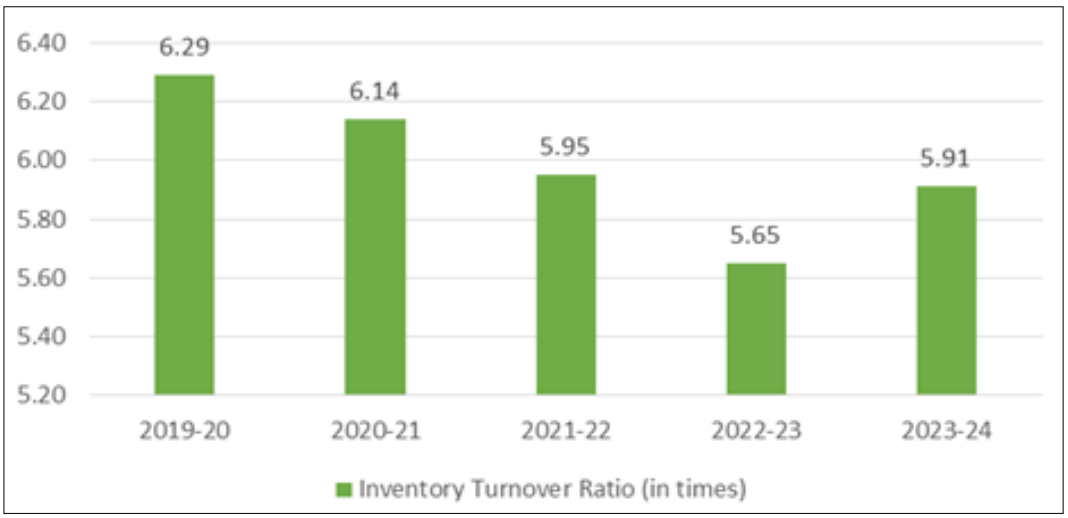

Fig 10: Inventory Turnover Ratio (In Time).

Interpretation

In the year 2019-20 the company had inventory ratio of 6.29 which was the highest compared to the other years. This signifies strong sales and that the company is able to sell its stocks. In 2021-22, the ratio is the lowest which is 5.65. Over the years, the ratio is declining, except for the year 2023-24, in which the ratio again rose. Declining ratio can be a sign of poor selling or inventory policy which can lead to working capital blockage, piling up of inventory and quality deterioration of inventory.

Inventory Holding Period

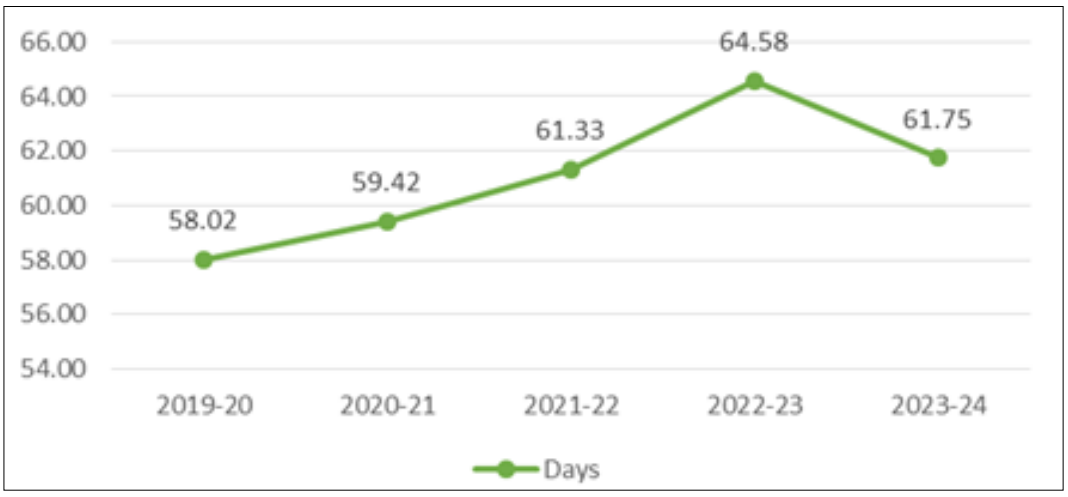

Fig 11: Inventory Holding Period.

Interpretation

In the year 2019-20, the company took approximately 58.02 days to clear its inventory. A shorter period means that the inventory is moving at a fast pace. It shows efficient inventory management. The days taken to clear the inventory has gradually increased over the years. In 2022-23, the company took 64.58 days to clear its inventory which means that the company holds the inventory for a long period of time and signifies poor management of inventory. But this period again fell in the year 2023-24.

3. Trade Receivables Turnover Ratio: The receivables turnover ratio is an accounting measure used to quantify a company's effectiveness in collecting its accounts receivable, or the money owed by customers or clients.

$$\text{Average Trade Receivables} = \frac{Opening\ Trade\ Receivables + Closing\ Trade\ Receivables}{2}$$

$$\text{Trade Receivables Turnover Ratio} = \frac{Net\ Sales}{Average\ Trade\ Receivables}$$

$$\text{Average Collection Period} = \frac{Days\ in\ a\ year\ i.e.,\ 365}{Trade\ Receivables\ Turnover\ ratio}$$

Table 5: Trade Receivables Turnover Ratio

Year	Net Sales	Opening Trade Receivables	Closing Trade Receivables	Average Receivables	Receivables Turnover Ratio (in times)	Average Collection Days
2019-20	17,025.61	1,244.95	1109.22	1,177.09	14.46	25.23
2020-21	18,280.06	1,109.22	1809.75	1,459.49	12.53	29.14
2021-22	25,002.09	1,809.75	2915.77	2,362.76	10.58	34.49
2022-23	29,953.12	2,915.77	3462.61	3,189.19	9.39	38.86
2023-24	30,727.71	3,462.61	3633.45	3,548.03	8.66	42.15

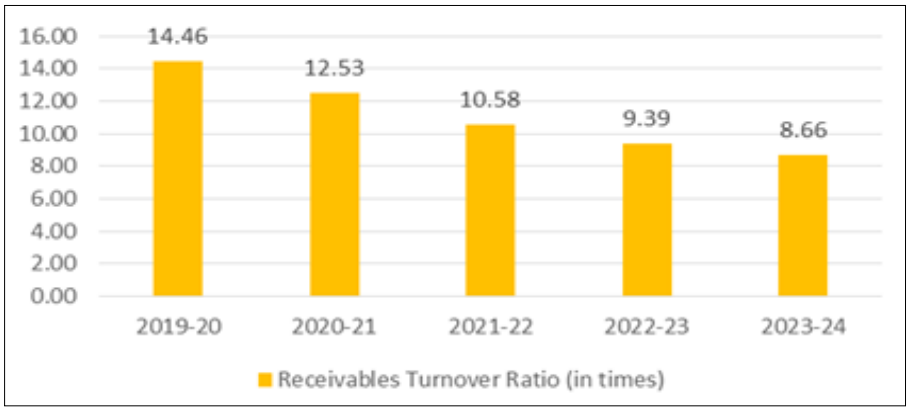

Fig 12: Trade Receivables Turnover Ratio.

Interpretation:

In the year 2023-24, the company collected its average receivables approximately 8.66 times in a year. This ratio has decreased successively which indicates the company's collection process is poor. A high ratio is desirable as it indicates that the company's collection of receivables is frequent and efficient. The company's trade receivables turnover ratio was the highest in 2019-20 at 14.46 times.

Average Collection Period

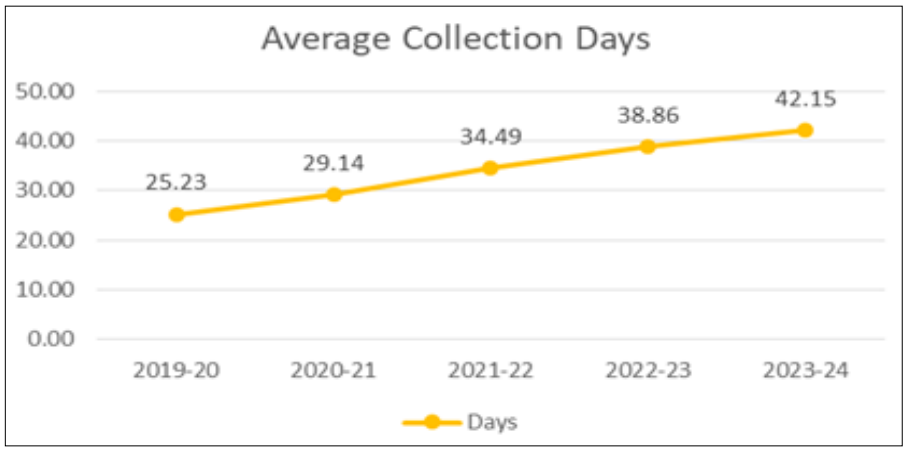

Fig 13: Average Collection Period (Days).

Interpretation

In the year 2023-24, the customer took approximately 42.15 days to repay their debt. This is the longest duration among the 5 years. A longer period of repayment is generally not favourable. It can be because of liberal credit policies. The year 2019-20 had the lowest collection period which indicates that the organization collects payments faster. The company may have imposed shorter payment terms on its customers.

4. Trade Payables Turnover Ratio: Trade payables turnover ratio indicates the pattern of payment of trade payable. As trade payable arise on account of credit purchases, it expresses relationship between credit purchases and trade payable. It is calculated as follows:

$$\text{Average Trade Payables} = \frac{Opening\ Trade\ Payables + Closing\ Trade\ Payables}{2}$$

$$\text{Trade Payables Turnover Ratio} = \frac{Net\ Purchases\ or\ COGS}{Average\ Trade\ Payables}$$

$$\text{Average Payment Period} = \frac{Days\ in\ a\ year\ i.e.,\ 365}{Trade\ Payables\ Turnover\ ratio}$$

Table 6: Trade Payables Turnover Ratio

Year	Net Purchases or COGS	Opening Trade Payables	Closing Trade Payables	Average Trade Payables	Trade Payables Turnover Ratio (in times)	Average Payment Period
2019-20	13,510.20	2,062.29	1760.08	1,911.19	7.07	51.63
2020-21	13,938.40	1,760.08	2814.30	2,287.19	6.09	59.89
2021-22	14,779.20	2,814.30	3497.29	3,155.80	4.68	77.94
2022-23	21,341.30	3,497.29	3045.86	3,271.58	6.52	55.95
2023-24	24,536.80	3,045.86	3238.83	3,142.35	7.81	46.74

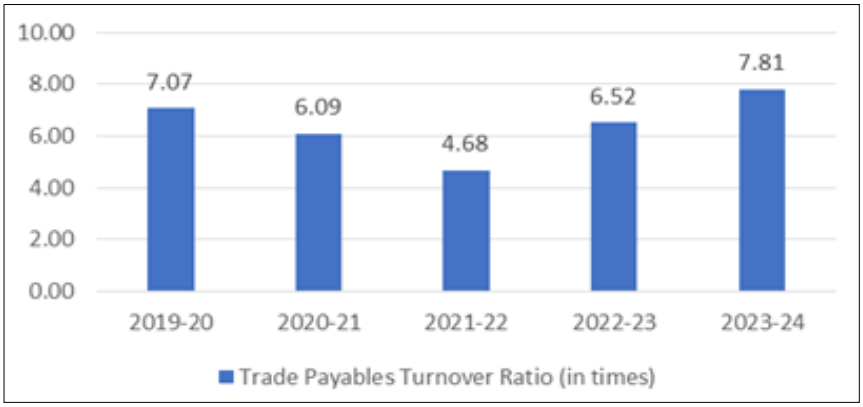

Fig 14: Trade Payables Turnover Ratio.

Interpretation:

In 2021-22, the ratio was the lowest at 4.68. From 2021-22 it showed an increasing trend. Increasing accounts payable turnover ratio could be an indication that the company managing its debts and cash flow effectively. In the year 2023-24, the ratio was at 7.81 which is the highest in the 5 years period. However, from 2019-20, there has been a decreasing trend till 2021-22. A decreasing turnover ratio indicates that a company is taking longer to pay off its suppliers than in previous periods.

Average Payment Period

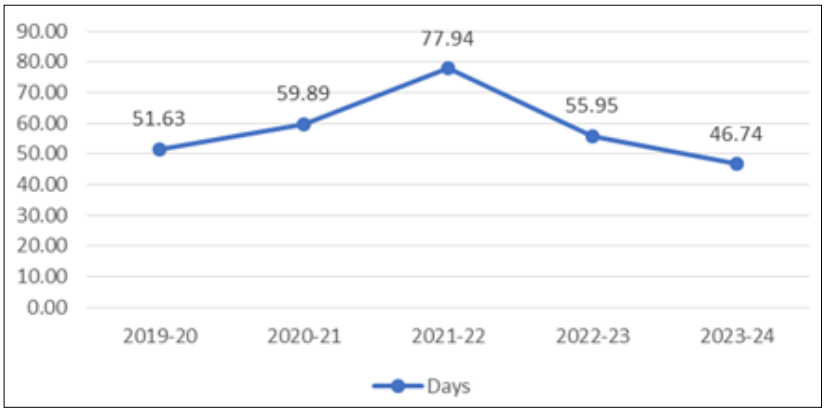

Fig 15: Average Payment Period (Days).

Interpretation
The year 2023-24 had the shortest payment period of 46.74 days. A shorter payment period indicates prompt payments to creditors. Like accounts payable turnover ratio, average payment period also indicates the creditworthiness of the company. In the 2021-22, it increased to reach 77.94 days. Companies having long payment period can use the available cash for short-term investments and to increase their working capital and cash flow.

Net Operating Cycle
The Net Operating Cycle can be calculated as follows:
Net Operating Cycle = (Inventory Holding Days + Receivables Collection Days) – Payables Payment Days

Table 7: Net Operating Cycle

Year	Inventory Holding Days (A)	Receivables Collection Days (B)	Payables Payment Days (C)	Gross Operating Cycle (A+B)	Net Operating Cycle (A+B-C)
2019-20	58.02	25.23	51.63	83.25	31.62
2020-21	59.42	29.14	59.89	88.56	28.67
2021-22	61.33	34.49	77.94	95.82	17.88
2022-23	64.58	38.86	55.95	103.44	47.49
2023-24	61.75	42.15	46.74	103.90	57.16

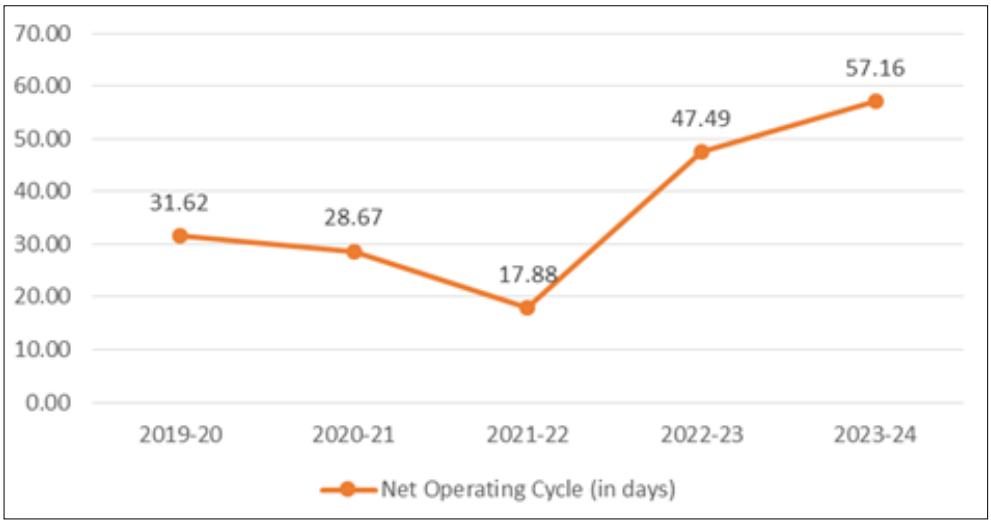

Fig 16: Net Operating Cycle (Days).

Interpretation
In the year 2019-20, the company takes 31.62 days to receive cash and to pay the creditors. This means that the cash is tied up for 31.62 days. In 2021-22, the company could generate cash in only 17.88 days. Having a shorter net operating cycle signifies an effective management of working capital. Having longer operating cycles means that the company takes a longer time for generating cash which can pose liquidity problems.

D. Profitability Ratios
Profitability ratio is used to evaluate the company's ability to generate income as compared to its expenses and other cost associated with the generation of income during a particular period.

1. Gross Profit Ratio: Gross profit ratio as a percentage of revenue from operations is computed to have an idea about gross margin. It is calculated using the following formula:

$$\text{Gross Profit Ratio} = \frac{\textit{Gross Profit i.e., Profit before tax}}{\textit{Revenue from Operations}} \times 100$$

Table 8: Gross Profit Ratio

Year	Gross Profit	Revenue from Operations	Ratio (%)
2019-20	3,413.03	17,025.61	0.20
2020-21	4,089.67	18,280.06	0.22
2021-22	4,194.14	25,002.09	0.17
2022-23	5,489.60	29,953.12	0.18
2023-24	7,005.04	30,727.71	0.23

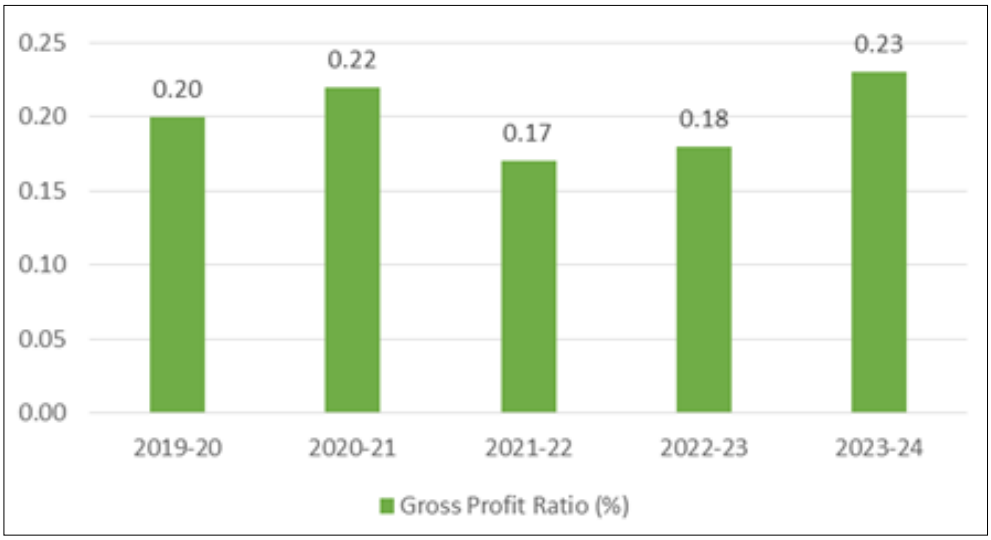

Fig 17: Gross Profit Ratio.

Interpretation

The Gross Profit Ratio graph shows volatility. In 2021-22, the ratio was lowest at 0.17. It steadily increased and was the highest in the year 2023-24 at 0.23. A higher Gross Profit Ratio is favourable as is means that the company can cover all expenses and provide for profit. A consistent improvement in gross profit ratio over the past years is the indication of efficient management.

2. Net Profit Ratio: This ratio measures the overall profitability of company considering all direct as well as indirect cost. Generally, net profit refers to profit after tax (PAT).

$$\text{Net Profit Ratio} = \frac{\textit{Net Profit i.e., Profit after tax}}{\textit{Revenue from Operations}} \times 100$$

Table 9: Net Profit Ratio

Year	Net Profit	Revenue from Operations	Ratio (%)
2019-20	2,653.95	17,025.61	0.16
2020-21	3,051.80	18,280.06	0.17
2021-22	3,134.71	25,002.09	0.13
2022-23	4,100.18	29,953.12	0.14
2023-24	5,321.55	30,727.71	0.17

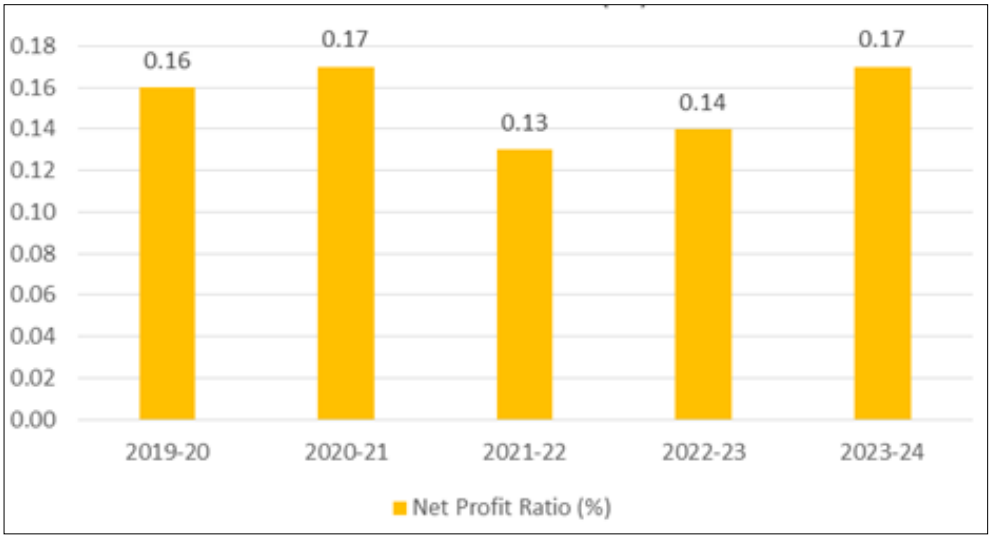

Fig 18: Net Profit Ratio.

Interpretation

In the year 2021-22 it was 0.13, the lowest among the 5 years. From next year onwards it showed an increasing trend. In 2023-24, It was the highest at 0.17. A higher ratio shows the overall profitability of the business and efficient management of the business affairs. A high net profit margin means that a company is able to effectively control its costs and/or provide goods or services at a price significantly higher than its costs.

E. Comparative Analysis of Working Capital

1. Changes in working capital for the year 2023-24

Table 10: Changes in Working Capital for the year 2023-24 (Amount in Rs. Cr.)

Particulars	31st March 2024	31st march 2023	Increase/Decrease	% Change
Current assets:				
Inventories	5,074.76	5,321.79	-247.03	-4.64
Financial assets:				
1) Investments	3,095.47	2,597.37	498.10	19.18
2) Trade Receivables	3,633.45	3,462.61	170.84	4.93
3) Cash & Cash Equivalents	349.80	362.88	-13.08	-3.60
4) Loans & Advances	0.00	0.00	0.00	0.00
Other Current Assets	2,399.73	2,131.08	268.65	12.61
Total Current Assets	14,553.21	13,875.73	677.48	4.88
Gross Working Capital	14,553.21	13,875.73	677.48	4.88
(-) Current Liabilities:				
Financial Liabilities:				
1) Borrowings	17.86	0.00	17.86	17.86
2) Trade Payables	3,238.83	3,045.86	192.97	6.34
Other Current Liabilities	2,926.46	2,739.25	187.21	6.83
Provisions	37.86	46.35	-8.49	-18.32
Total Current Liabilities	6,221.01	5,831.46	389.55	6.68
Net Working Capital	8,332.20	8,044.27	287.93	3.58

Interpretation

We can see from the above table that there is an increase of 3.58% in the Net Working Capital. If the Net Working capital is increasing, we can conclude that the company's liquidity is increasing. It could indicate that the company is able to utilize its existing resources in a better way. This can be attributed to the major increase in the Investments and Other Current Assets by 19.18% and 12.61% respectively.

2. Changes in working capital for the year 2022-23

Table 11: Changes in Working Capital for the year 2022-23 (Amount in Rs. Cr.)

Particulars	31st March 2023	31st march 2022	Increase/Decrease	% Change
Current assets:				
Inventories	5,321.79	5,277.61	44.18	0.84
Financial assets:				
1) Investments	2,597.37	2,164.34	433.03	20.01
2) Trade Receivables	3,462.61	2,915.77	546.84	18.75
3) Cash & Cash Equivalents	362.88	308.57	54.31	17.60
4) Loans & Advances	0.00	0.00	0.00	0.00
Other Current Assets	2,131.08	2,081.63	49.45	2.38
Total Current Assets	13,875.73	12,747.92	1,127.81	8.85
Gross Working Capital	13,875.73	12,747.92	1,127.81	8.85
(-) Current Liabilities:				
Financial Liabilities:				
1) Borrowings	0.00	0.00	0.00	0.00
2) Trade Payables	3,045.86	3,497.29	-451.43	-12.91
Other Current Liabilities	2,739.25	2,112.07	627.18	29.70
Provisions	46.35	38.08	8.27	21.72
Total Current Liabilities	5,831.46	5,647.44	184.02	3.26
Net Working Capital	8,044.27	7,100.48	943.79	13.29

Interpretation

The Net working Capital has increased by 13.29%. There is an increase in all the components of Financial Assets. The Trade Payables have decreased by 12.91%. There has been a significant increase in Other Current Liabilities and Provisions by 29.70% and 21.72% respectively.

3. Changes in working capital for the year 2021-22

Table 12: Changes in Working Capital for the year 2021-22 (Amount in Rs. Cr.)

Particulars	31st March 2022	31st march 2021	Increase/Decrease	% Change
Current assets:				
Inventories	5,277.61	3,124.61	2,153.00	68.90
Financial assets:				
1) Investments	2,164.34	3,178.81	-1,014.47	-31.91
2) Trade Receivables	2,915.77	1,809.75	1,106.02	61.11
3) Cash & Cash Equivalents	308.57	134.91	173.66	128.72
4) Loans & Advances	0.00	0.00	0.00	0.00
Other Current Assets	2,081.63	1,708.46	373.17	21.84
Total Current Assets	12,747.92	9,956.54	2,791.38	28.04
Gross Working Capital	12,747.92	9,954.56	2,793.36	28.06
(-) Current Liabilities:				
Financial Liabilities:				
1) Borrowings	0.00	0.00	0.00	0.00
2) Trade Payables	3,497.29	2,814.30	682.99	24.27
Other Current Liabilities	2,112.07	1,703.12	408.95	24.01
Provisions	38.08	57.91	-19.83	-34.24
Total Current Liabilities	5,647.44	4,575.33	1,072.11	23.43
Net Working Capital	7,100.48	5,379.23	1,721.25	32.00

Interpretation

The Net working Capital has increased significantly by 32.00%. There is considerable increase in Cash & Cash Equivalents (C & CE) and Inventories, that is, by 128.72 and 68.90% respectively. On the other hand, Investments have fallen by 31.90%. The Provisions have decreased by 34.24%. There has been a significant increase in Other Current Liabilities and Trade Payables by 24.01% and 24.27% respectively.

4. Changes in working capital for the year 2020-21

Table 13: Changes in Working Capital for the year 2020-21 (Amount in Rs. Cr.)

Particulars	31st March 2021	31st march 2020	Increase/Decrease	% Change
Current assets:				
Inventories	3,124.61	2,827.47	297.14	10.51
Financial assets:				
1) Investments	3,178.81	432.35	2,746.46	635.24
2) Trade Receivables	1,809.75	1,109.22	700.53	63.16
3) Cash & Cash Equivalents	134.91	376.06	-241.15	-64.13
4) Loans & Advances	0.00	21.31	-21.31	-100.00
Other Current Assets	1,708.46	1,059.29	649.17	61.28
Total Current Assets	9,956.54	5,825.70	4,130.84	70.91
Gross Working Capital	9,954.54	5,825.70	4,128.84	70.91
(-) Current Liabilities:				
Financial Liabilities:				
1) Borrowings	0.00	0.00	0.00	0.00
2) Trade Payables	2,814.30	1,760.08	1,054.22	59.90
Other Current Liabilities	1,703.12	1,390.83	312.29	22.45
Provisions	57.91	44.14	13.77	31.20
Total Current Liabilities	4,575.33	3,195.05	1,380.28	43.20
Net Working Capital	5,379.23	2,630.65	2,748.58	104.48

Interpretation

The Net Working Capital has significantly increased from 2,630.65 Crore Rupees to 5,379.23 Crore Rupees in the year ended 31st March 2021.This can be attributed to the rise in Investments by 635.24%. All components of Current Assets except Cash & Cash Equivalents and Loans & Advances have increased significantly contributing to 70.91% increase in Total Current Assets. All the components of Current Liabilities have also increased attributing to 43.20% increase in Total Current Liabilities.

Findings

Conclusion

Working Capital is the life blood of every business concern. Business firm cannot make progress without adequate working capital. Inadequate working capital means shortage of inputs, whereas excess of it leads to extra cost. So, the quantum of working capital in every business firm should be neither more nor less than what is actually required. Working capital management is an essential part of financial planning so as to ensure sound decision making and consequently better performance, profitability and liquidity. At the time of increasing capital costs and scarce funds, the area of working capital management assumes added importance as it deeply influences a firm's cash and income position.

Asian Paints Ltd.'s working capital position has been fluctuating during the period of last five years, but there is

no doubt that Asian Paints is the leading business with an effective working capital management.

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