



# “A STUDY ON WORKING CAPITAL MANAGEMENT OF TAGROS CHEMICALS INDIA PVT LTD, CUDDALORE”

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## Abstract

The main objectives was to analyze the working capital management and financial trend series with special reference to Tagros chemicals India limited. A efficient working capital management is imperative for sustaining competitiveness and ensuring financial stability in the chemical industry. This paper examines the intricacies of working capital management in the context of chemical companies, focusing on strategies to optimize liquidity, mitigate risks, and enhance profitability. Through a comprehensive review of literature, case studies, and industry insights, key factors influencing working capital management in the chemical sector are identified and analyzed. The study highlights the significance of effective inventory management, prudent credit policies, and streamlined cash flow management in maximizing operational efficiency and minimizing costs. By implementing tailored working capital management strategies, chemical companies can navigate the complexities of the industry landscape, capitalize on growth opportunities, and achieve enduring success.

**Keywords:** Working capital management, Inventory management, Financial stability, Cash flow management.

## 1.1. Introduction

Working capital management, which ensures a company has enough cash flow to pay its short-term debts and run efficiently, is a crucial aspect of financial management. It involves closely monitoring how a business handles the proportion of its short-term assets, such as inventory and accounts receivables, to its short-term liabilities, such as accounts payable. Effective working capital management ensures that a company can continue to run its daily operations steadily. This process includes methods for controlling inventory levels, enhancing cash flow, and managing credit conditions with suppliers and customers in order to increase profitability and solvency. Working capital is equal to Current Assets – Current Liabilities.

## 1.2 Review of Literature

**Halil Kiyamaz, Samina Haque, Ahmed Abir Choudhury (2024)**, A review presents a comparative analysis of the relationship between working capital management and firm performance in developed and emerging economies. It explores how differences in economic conditions, financial systems, and institutional frameworks between developed and emerging economies influence the effectiveness of working capital management practices and their impact on firm performance. This comparative analysis contributes to a deeper understanding of the role of working capital management in shaping firm

performance across diverse economic contexts, offering valuable implications for practitioners, policymakers and researchers.

**Randa Mohammed Shams Addin Al-Mawsheki (2022)**, This study focuses on short-term investment and financing decisions influenced by a firm's working capital policy and the effect of working capital policies on the financial performance of manufacturing firms in Malaysia. Working capital policies were measured by working capital financing and investment policies. Working capital investment policy was measured by the ratio of current assets to total assets. Working capital financing policy was categorized as conservative working capital financing policy, aggressive working capital financing policy, and matching working capital financing policy.

### 1.3 Research Gap

Despite extensive research in the field of working capital management (WCM), several gaps remain that warrant further exploration. The impact of digital transformation, including the role of blockchain, artificial intelligence, and fintech innovations, on WCM processes and efficiency is not fully understood. Additionally, there is a need to investigate how WCM practices vary across different economic conditions, such as during economic downturns or recovery phases, and how these practices differ across industries and regions. The behavioral aspects of WCM, including managerial decision-making biases and the influence of organizational culture, also require more in-depth study. Furthermore, integrating sustainability into WCM, such as green working capital initiatives, and understanding the unique challenges faced by small and medium-sized enterprises (SMEs) compared to larger firms remain underexplored areas. Finally, the development of advanced quantitative methods, including big data analytics and predictive modeling, for optimizing WCM and linking these practices to overall firm performance are critical areas that need more comprehensive research. Addressing these gaps can enhance the strategic management of working capital and improve organizational effectiveness in various contexts.

### 1.4 Objectives of The Study

- To study the liquidity position to the Tagros Chemical India Limited.
- To study on working capital components of account receivables and account payables.
- To evaluate the working capital management by using various financial tools.

### 1.5 Research Methodology

A research methodology delineates the methods and approaches employed in order to locate and evaluate data pertaining to a certain study subject. It's method by which scientists plan their investigation to enable them to use the chosen research tools to accomplish their goals.

**Research design:** Quantifying the relationship between various variables is the goal of analytical research designs. An analytical study design is a methodical plan created to facilitate the successful and efficient execution of research studies.

**Data Gathering:** Secondary Data: Information gathered by a party other than the principle user is referred to as secondary data. (Annual Summaries, Websites; Internal Records).

### Data Analysis

#### Working Capital Management:

In order to guarantee smooth operation and sound financial standing, working capital management is the strategic management of a business's short-term assets and liabilities. To maximize profitability and optimize liquidity, it entails managing cash, inventories, accounts receivable, and accounts payable. The goal of efficient working capital management is to achieve a balance between decreasing excess capital invested in non-productive assets and preserving enough liquidity to cover daily operations. To reduce the cash conversion cycle and boost overall efficiency, this entails continuously monitoring cash flow, inventory levels, and receivables collection. Businesses that manage their working capital well can lower

financing costs, increase profitability, and lessen the danger of having too much or too little liquidity. As a result, working capital management is essential to guaranteeing a company's long-term financial viability.

## Working Capital Analysis

### STATEMENT OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2019 - 2020

Table. No. 1.1 Working Capital Statement 2019 – 2020

| YEAR 2019-2020<br>Particular   |                      |                      | (Rs. In Lakhs)    |                   |
|--|----------------------|----------------------|-------------------|-------------------|
|  | 31-Mar-2019<br>(Rs.) | 31-Mar-2020<br>(Rs.) | Increase<br>(Rs.) | Decrease<br>(Rs.) |
| <b>A. Assets</b>   |                      |                      |                   |                   |
| <b>Current Assets</b>  |                      |                      |                   |                   |
| (a) Inventories  | 3400.62              | 3771.1               | 370.48            |                   |
| (b) Financial Assets   |                      |                      |                   |                   |
| (i) Trade Receivables  | 3213.13              | 3787.9               | 574.77            |                   |
| (ii) Cash and Cash equivalents   | 1.64                 | 2.09                 | 0.45              |                   |
| (iii) Bank balances other than above   | 16.53                | 17.87                | 1.34              |                   |
| (iv) Loans   | 0.74                 | 1.22                 | 0.48              |                   |
| (iv) Other Financial Assets  | 1.24                 | 1.24                 | 0                 |                   |
| (c) Other Current Asset  | 324.49               | 149.47               |                   | 175               |
| <b>Total Current Asset (A)</b>   | <b>6958.39</b>       | <b>7730.89</b>       |                   |                   |
| <b>B. Liabilities</b>  |                      |                      |                   |                   |
| <b>Current Liabilities</b>   |                      |                      |                   |                   |
| (a) Financial Liabilities  |                      |                      |                   |                   |
| (i) Borrowings   | 4049                 | 4437.37              |                   | 388.4             |
| (ii) Trade Payables  |                      |                      |                   |                   |
| (a) Total outstanding dues of micro enterprises and small enterprises                      | 57.74                | 41.29                | 16.45             |                   |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | 942.23               | 599.31               | 342.92            |                   |
| (iii) Other Financial Liabilities  | 1123.8               | 1005.84              | 117.96            |                   |
| (c) Other Current Liabilities  | 83.19                | 87.77                |                   | 4.58              |
| (d) Provisions   | 57.5                 | 33.76                | 23.74             |                   |
| (d) Current Tax Liabilities (Net)  | 63.59                | 97.78                |                   | 34.19             |
| <b>Total Current Liabilities (B)</b>   | <b>6377.05</b>       | <b>6303.12</b>       |                   |                   |
|  |                      |                      | <b>1448.6</b>     | <b>602.2</b>      |
| <b>Working capital (A-B)</b>   | <b>581.34</b>        | <b>1427.77</b>       |                   | <b>846.4</b>      |
| <b>Net Increase in working capital</b>   | <b>846.43</b>        |                      |                   |                   |
| <b>TOTAL</b>   | <b>1427.77</b>       | <b>1427.77</b>       | <b>1448.6</b>     | <b>1448.6</b>     |

**Inference:** From the above table, it is inferred that net working capital has increased as Rs. 846.43 Lakhs in the year 2020 when the compared to 2019. Total current assets was increased to Rs. 14689.28 and the total current liabilities is decreased to Rs. 12680.17.

**STATEMENT OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2020 – 2021****Table. No. 1.2 Working Capital Statement 2020 - 2021**

|  |                  | (Rs. In Lakhs)   |                |                            |             |
|--|------------------|------------------|----------------|----------------------------|-------------|
| YEAR 2020-2021   |                  |                  |                | Effects of Working Capital |             |
| Particular   | 31-Mar-2020(Rs.) | 31-Mar-2021(Rs.) | Increase (Rs.) | Decrease (Rs.)             |             |
| <b>A. Assets</b>   |                  |                  |                |                            |             |
| <b>Current Assets</b>  |                  |                  |                |                            |             |
| (a) Inventories  | 30775            | 31497.5          | 722.56         |                            |             |
| (b) Financial Assets   |                  |                  |                |                            |             |
| (i) Trade Receivables  | 21696.6          | 23629.1          | 1932.5         |                            |             |
| (ii) Cash and Cash equivalents   | 8208.19          | 1136.42          |                | 7072                       |             |
| (iii) Bank balances other than cash equivalents  | 327.24           | 395.74           | 68.5           |                            |             |
| (iv) Other Financial Assets  | 0                | 809.26           | 809.26         |                            |             |
| (c) Other Current Asset  | 8931.73          | 9808.19          | 876.46         |                            |             |
| <b>Total Current Asset (A)</b>   | <b>69938.7</b>   | <b>67276.2</b>   |                |                            |             |
| <b>B. Liabilities</b>  |                  |                  |                |                            |             |
| <b>Current Liabilities</b>   |                  |                  |                |                            |             |
| (a) Financial Liabilities  |                  |                  |                |                            |             |
| (i) Borrowings   | 23654.2          | 14228.2          | 9426.1         |                            |             |
| (ii) Trade Payables  |                  |                  |                |                            |             |
| (a) Total outstanding dues of micro enterprises and small enterprises                      | 0                | 0                | 0              |                            |             |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | 15729.6          | 18042.6          |                | 2313                       |             |
| (iii) Other Financial Liabilities  | 9469.76          | 10494.2          |                | 1024                       |             |
| (iv) Lease Liabilities   | 79.63            | 156.45           |                | 76.82                      |             |
| other Current Liability  | 345.46           | 315.67           | 29.79          |                            |             |
| (c) Provisions   | 101.57           | 133.88           |                | 32.31                      |             |
| (d) Current Tax Liabilities (Net)  | 733              | 867.55           |                | 134.6                      |             |
| <b>Total Current Liabilities (B)</b>   | <b>50113.3</b>   | <b>44238.5</b>   |                |                            |             |
|  |                  |                  | <b>13865</b>   | <b>10653</b>               |             |
| <b>Working capital (A-B)</b>   | <b>19825.5</b>   | <b>23037.7</b>   |                |                            | <b>3212</b> |
| <b>Net Increase in working capital</b>   | <b>3212.24</b>   |                  |                |                            |             |
| <b>TOTAL</b>   | <b>23037.7</b>   | <b>23037.7</b>   | <b>13865</b>   | <b>13865</b>               |             |

**Inference:** From the above table, it is inferred that net working capital has increased as Rs. 3212.2 Lakhs in the year 2021 when the compared to 2020. Total current asset was increased to Rs. 137214.9 and the total current liability is decreased to Rs. 94351.74.

## STATEMENT OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2020 – 2021

Table. No. 1.3 Working Capital Statement 2020 – 2021

(Rs. In

| YEAR 2021-2022<br>Particular   |                      |                      | Effects of Working Capital |                   |
|--|----------------------|----------------------|----------------------------|-------------------|
|  | 31-Mar-2021<br>(Rs.) | 31-Mar-2022<br>(Rs.) | Increase<br>(Rs.)          | Decrease<br>(Rs.) |
| <b>A. Assets</b>   |                      |                      |                            |                   |
| <b>Current Assets</b>  |                      |                      |                            |                   |
| (a) Inventories  | 31497.5              | 56,120.78            | 24,623.26                  |                   |
| (b) Financial Assets   |                      |                      |                            |                   |
| (i) Trade Receivables  | 23629.1              | 28421.7              | 4792.7                     |                   |
| (ii) Cash and Cash equivalents   | 1136.42              | 2636.96              | 1500.5                     |                   |
| (iii) Bank balances other than cash equivalents  | 395.74               | 452.29               | 56.55                      |                   |
| (iv) Other Financial Assets  | 809.26               | 1320.51              | 511.25                     |                   |
| (c) Other Current Asset  | 9808.19              | 10808.2              | 1000                       |                   |
| <b>Total Current Asset (A)</b>   | <b>67276.2</b>       | <b>99760.5</b>       |                            |                   |
| <b>B. Liabilities</b>  |                      |                      |                            |                   |
| <b>Current Liabilities</b>   |                      |                      |                            |                   |
| (a) Financial Liabilities  |                      |                      |                            |                   |
| (i) Borrowings   | 17799.4              | 49904.7              |                            | 32105             |
| (ii) Lease liabilities   | 156.45               | 424.8                |                            | 268.4             |
| (ii) Trade Payables  |                      |                      |                            |                   |
| (a) Total outstanding dues of micro enterprises and small enterprises                      | 0                    | 0                    |                            | 0                 |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | 18042.6              | 30822.7              |                            | 12780             |
| (iii) Other Financial Liabilities  | 6922.96              | 6916.09              | 6.87                       |                   |
| (c) Other Current Liabilities  | 315.67               | 487.77               |                            | 172.1             |
| (d) Provisions   | 133.88               | 194.98               |                            | 61.1              |
| (d) Current Tax Liabilities (Net)  | 867.55               | 867.55               |                            | 0                 |
| <b>Total Current Liabilities (B)</b>   | <b>44238.5</b>       | <b>89618.6</b>       |                            |                   |
|  |                      |                      | <b>32491</b>               | <b>45387</b>      |
| <b>Working capital (A-B)</b>   | <b>23037.7</b>       | <b>10141.9</b>       | <b>12896</b>               |                   |
| <b>Net Decrease in working capital</b>   |                      | <b>12895.8</b>       |                            |                   |
| <b>TOTAL</b>   | <b>23037.7</b>       | <b>23037.7</b>       | <b>45387</b>               | <b>45387</b>      |

Lakhs)

**Inference:** From the above table, it is inferred that net working capital has decreased as Rs. 12895.77 Lakhs in the year 2022 when the compared to 2021. Total current asset was increased to Rs. 167036.66 and the total current liability is decreased to Rs. 133857.03.

## STATEMENT OF CHANGES IN WORKING CAPITAL FOR THE YEAR 2022 – 2023

Table. No. 1.4 Working Capital Statement 2022 – 2023

(Rs. In

Lakhs)

| YEAR 2022-2023<br>Particular   |                      |                      | Effects of Working Capital |                   |
|--|----------------------|----------------------|----------------------------|-------------------|
|  | 31-Mar-2022<br>(Rs.) | 31-Mar-2023<br>(Rs.) | Increase<br>(Rs.)          | Decrease<br>(Rs.) |
| <b>A. Assets</b>   |                      |                      |                            |                   |
| <b>Current Assets</b>  |                      |                      |                            |                   |
| (a) Inventories  | 56120.78             | 74496.25             | 18375.5                    |                   |
| (b) Financial Assets   |                      |                      |                            |                   |
| (i) Trade Receivables  | 28421.72             | 31448.79             | 3027.07                    |                   |
| (ii) Cash and Cash equivalents   | 2636.96              | 1025.27              |                            | 1611.7            |
| (iii) Bank balances other than cash equivalents  | 452.29               | 418.68               |                            | 33.61             |
| (iv) Other Financial Assets  | 1320.51              | 9.84                 |                            | 1310.7            |
| (c) Other Current Asset  | 10808.22             | 7402.37              |                            | 3405.9            |
| <b>Total Current Asset (A)</b>   | <b>99760.48</b>      | <b>114801.2</b>      |                            |                   |
| <b>B. Liabilities</b>  |                      |                      |                            |                   |
| <b>Current Liabilities</b>   |                      |                      |                            |                   |
| (a) Financial Liabilities  |                      |                      |                            |                   |
| (i) Borrowings   | 49904.67             | 62560.05             |                            | 12655             |
| (ii) Lease liabilities   | 424.8                | 360.22               | 64.58                      |                   |
| (ii) Trade Payables  |                      |                      |                            |                   |
| (a) Total outstanding dues of micro enterprises and small enterprises                      | 0                    | 927.53               | 0                          | 927.53            |
| (b) Total outstanding dues of creditors other than micro enterprises and small enterprises | 30822.69             | 28844.76             | 1977.93                    |                   |
| (iii) Other Financial Liabilities  | 6916.09              | 7284.18              |                            | 368.09            |
| (c) Other Current Liabilities  | 487.77               | 5849.86              |                            | 5362.1            |
| (d) Provisions   | 194.98               | 212.56               |                            | 17.58             |
| (d) Current Tax Liabilities (Net)  | 867.55               | 867.55               |                            | 0                 |
| <b>Total Current Liabilities (B)</b>   | <b>89618.55</b>      | <b>106906.7</b>      |                            |                   |
|  |                      |                      | <b>23445.1</b>             | <b>25692</b>      |
| <b>Working capital (A-B)</b>   | <b>10141.93</b>      | <b>7894.49</b>       | <b>2247.44</b>             |                   |
| <b>Net Decrease in working capital</b>   |                      | <b>2247.44</b>       |                            |                   |
| <b>TOTAL</b>   | <b>10141.93</b>      | <b>10141.93</b>      | <b>25692.5</b>             | <b>25692</b>      |

**Inference:** From the above table, it is inferred that net working capital has decreased as Rs. 2247.44 Lakhs in the year 2023 when the compared to 2022. Total current asset was increased to Rs. 214561.68 and the total current liability is decreased to Rs. 196525.25.

## 1.6 Findings

- Net working capital has increased as Rs. 846.43 Lakhs in the year 2020 when compared to 2019.
- Net working capital has increased as Rs. 3212.24 Lakhs in the year 2021 when compared to 2020.
- Net working capital has decreased as Rs. 12895.77 Lakhs in the year 2022 when compared to 2021.
- Net working capital has decreased as Rs. 2247.44 Lakhs in the year 2023 when compared to 2022.



## 1.7 Suggestions

- The business is better positioned in terms of liquidity and has enough working capital. This short-term capital should be used more effectively, which should raise turnover.
- The company ought to take preventative actions in order to invest, collect money from receivables, and lower the amount of bad debts.
- The business should keep enough cash on hand and in the bank.

## 1.8 Conclusion

The study conducted on Working capital management at TAGROS CHEMICALS INDIA LIMITED. Through the utilization of ratio analysis, working capital analysis, and comparative balance sheets, Tagros Chemicals India Limited Company can reduce valuable insights into its working capital management. Ratios such as the current ratio, quick ratio, and cash ratio provide a comprehensive view of the company's liquidity, efficiency, and ability to meet short-term obligations. Working capital analysis reveals the company's operational efficiency in managing its current assets and liabilities, ensuring smooth business operations. Comparative balance sheets enable Tagros Chemicals India Limited Company to track changes in its financial position over time, facilitating strategic decision-making. By integrating these tools, Tagros can optimize its working capital management, ensuring financial stability and sustainable growth.

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