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Working Capital Management Analysis of Siyaram's Silk Mills ITD for Selected Years

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ABSTRACT

The working capital management of this company is both satisfactory and low in last three years (2022-25). The main objective of the paper is to analyse the working capital management of the company to identify the financial soundness of the company. This study is based on secondary data. The statistical and financial tools such as bar diagram, percentage, working capital turnover ratio, Inventory turnover ratio, Current Assets turnover ratio, Current ratio, Quick ratio, Cash position ratio, Debt equity ratio, Current assets to fixed assets ratio have been applied in the current paper. Secondary data was collected from the official website of the company from 2022-2025. The major findings of this paper is the cash position ratio is consistently below 0.1 in all the three years which signals very weak liquidity. The company has a major challenge of good cash flow plannings.

Keywords: *Working Capital Management, Siyaram's Silk Mills Ltd, Financial Analysis.*

1. Introduction

The global textile industry is one of the biggest sectors in international trade dealing in fabrics garments and raw materials it generates dollars in billions each year. India has a big and diverse industries of textiles with both large vertically integrated companies like Sixarams, limited Raymonds limited OCM limited Arvind linuted KPR mail etc. This industry sector places a major role in contributing the national economy and a significant global exporter ship. India is holding approximately 3.9% to 4.1% share of the global trade.

The first textiles mill was established near Kolkata at Fort Gilastot in 1818. After this a successful largest-scale textile production established in 1854 in the city of Mumbai as Bombay spinning and weaving company by 'Cowasjee Nanabbgy, Devarthe' he was a Parsi businessman and banker. Now after 171 years India comes under top 6 largest textile and apparels exporting countries in the world and second number of largest textile manufacturing industry in the global textile market of 2024-25 The textile industry contribute approx. 2.3% in the GDP of India 13% to 8.21% of the countries total export financial year 2023-24

Exports of Indian Textiles and apparels have shown resilience and growth with 7% improvement reported during the "April - October financial year 2024-25 compare to previous year. Textile industry is giving employment over 45 millions of people of India which is the second largest employment generation industry after agriculture sector.

As a big textile exporter India has gained a reputable position in the industry for its Textiles like silk cotton jute along with a new unique and modern competitive garments manufacturing industry. The US. And E.U. are the primary customers for more than 47% Indian textiles and apparels to exports. The Market of Indian textiles and apparels valued approximately 174 billions of dollars in FY 25

Meaning of Working Capital:

Working capital is that part of firm's capital which meets the short term needs of business for different working cycle in a accounting year. Hence, it is also known as revolving, circulating capital or short-term capital.

Definition of Working Capital:

According to Shubin, working capital is the amount of funds necessary to cover the cost of operating the enterprise."

According to Genestenberg. Circulating capital means current assets of a company that are changed in the ordinary course of business from one form to another. As for example. From cash to investors, investors to receivables, receivable into cash."

2. Literature Review

(Haralayya, B.2021) The study shows that TVS Motors, Bidar, had strong liquidity and a sound financial structure during the period analyzed. However, challenges remained in cash flow management and working capital efficiency, which required tighter policies on debtors, better utilization of funds, and more consistent sales growth.

Ahmed, S.U., Mahtab, N., & Islam, N. et al (2017) This paper shows how working capital management (WCM) affects profitability in Bangladeshi textile companies.

A. & Chowdhury T. (2014). Study consist a detailed empirical study on how working capital management (WCM) affects the profitability of textile firms in Bangladesh. According to this paper "An increase in the number of days inventory by one day is associated with an increase in profitability (measured by return on assets) by 0.002 per cent.

Ponsian. N., & Chrispina, K., & Tago, G., et al. (2014). This study is particularly valuable because it focuses on Tanzania's manufacturing sector, where capital markets and firm structures differ significantly from those in developed economies.

Agha, H., (Jan 2014). This study investigates how working capital management affects the profitability of GlaxoSmithKline Pakistan over the period 1996-2011.

Dong, H.P., (2010). It's a detailed empirical study on how working capital management (WCM) influences profitability in Vietnamese firms.

Gill,A,, Bigger, N., Mathur, N., (July 2010) The study confirms a statistically significant relationship between CCC and profitability. A longer CCC can boost sales but may reduce profitability if costs rise faster than benefits. This study extends earlier work from Greece, Pakistan, Belgium, and other countries by focusing on U.S. firms. It validates the idea that efficient working capital management especially keeping receivables at an optimal level can enhance profitability

Yogendrarajah, R., (2010). The study concludes that Efficient working capital management is critical for profitability. Firms should optimize receivables, payables, and inventory turnover to balance liquidity and returns. Finance costs play a unique role in profitability compared to other costs, suggesting managers should pay close attention to debt financing and interest expenses

Lazaridis, I., & Tryfonidis, d., (2005). This paper investigates how working capital management specifically the cash conversion cycle (CCC) and its components-affects profitability for firms listed on the Athens Stock Exchange between 2001-2004.

Bintara, R., (Jan 2020). This research paper examines working capital turnover, liquidity, and leverage as determinants of profitability (ROA). Based on property, real estate, and construction companies listed in the Kompas 100 Index (Indonesia Stock Exchange), covering 2013-2018.

Kwatiah, K.A., & Asiamah.M., (July 2020), The study reveals that inventory management, account receivables, account payables, cash conversion cycle, current asset, current ratio and firm size have positive effects on return on assets (ROA) and return on equity (ROE) whilst leverage affects them negatively.

Mehak, G., Ali, A.Z., Afreen, A., & et al (Dec 2024) The findings reveal that a shorter cash conversion cycle and faster receivables collection significantly improve firm profitability.

Rukh, L., Ahmad, K., Khan, S., & et al (2024) This research study examines how working capital management (WCM) affects the profitability of textile firms in Pakistan

Shaneeb, P., & Sumanthy, M., (2021) This paper explores how intellectual capital (IC) affects the financial performance of Indian textile companies, using the VAICTM model (Value-Added Intellectual Capital Coefficient).

Aldubhani, M. A. Q., Wang, J., Gong, T., & et.al (2022) According to this study Companies with shorter receivables collection periods and cash conversion cycles are more profitable. Longer inventory turnover periods and accounts payable payment periods are related to higher profitability of the firms."

Sharma, D., & Tripathi, V., (April 2024) This study tells about how working capital management (WCM) affects the profitability of Indian firms listed on the NSE in 2023.

Statement of The Problem

Management of working capital is a significant function of finance department of a company. During managing C. A. the two important points are considered is liquidity and profitability. The positive working capital results in deterioration in profits and lesser working capital results in liquidity risk. So, this study is undertaken to "Analyze The management of working capital of Siyaram's silk mills limited.

Need of The Study

To maximize the shareholders wealth, firm has to earn good return from its operation, which requires a smooth sales activity. The firm has to invest sufficient funds in C. A. to succeed good sales, as so many times sales do not convert into cash instantly because of time duration between the sales of goods and receipt of cash. Here The working capital requirement arises for the following reasons;

- To purchasing of raw items, spare parts and components.
- For paying salaries and wages.
- To incur daily expenses and like office expenses, fuel and power etc.

3. Objectives of The Study

1. To know how investment in current assets effect the profitability of company
2. To decide the proportion of short-term funds and long-term funds to finance the current assets.
3. The different elements of C. A. and C.L. the extent of funds tied up in each.
4. To realize the financial weakness & strength of the company.
5. Evaluating performance of the company relating to financial statement analysis.
6. To identify the liquidity position of the company with the help of current ratio.

4. Research Methodology

This study is based on facts and figures of secondary sources of data.

The secondary sources of data consists of,

A. Three years published Annual Reports of Siyaram's Silk mills Limited 2022-25.

B. Theoretical base related to working capital management in various books available in library.

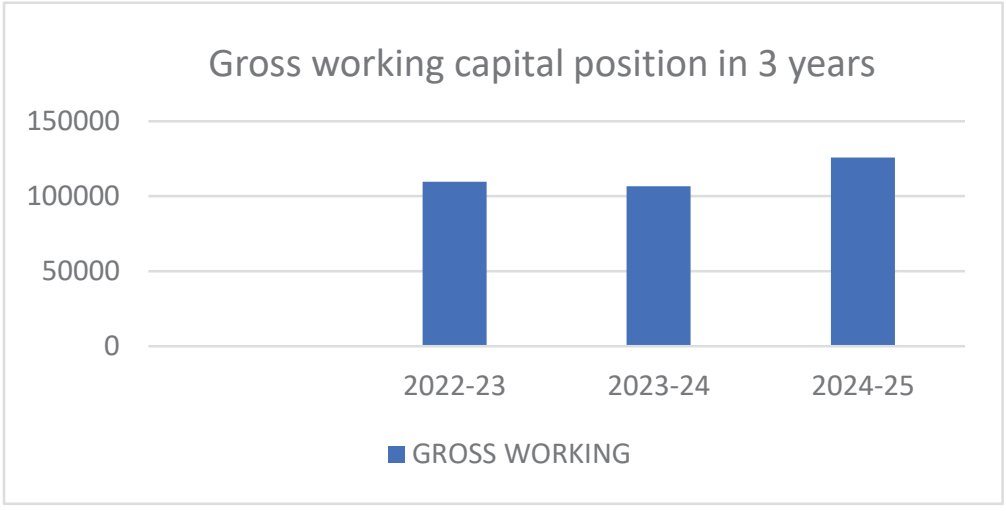
5. Data Analysis And Interpretation

A. Gross Working Capital Position of 3 Years

Current Assets = Gross working capital

YEAR	GROSS WORKING CAPITAL
2022-23	109761.82
2023-24	106648.12
2024-25	125895.11

Source: Annual report of the company (Rs.in lac)



Analysis:

As we can see in the table, The highest value of Gross working Capital is 125895.11 in the year 2024-25

Interpretation:

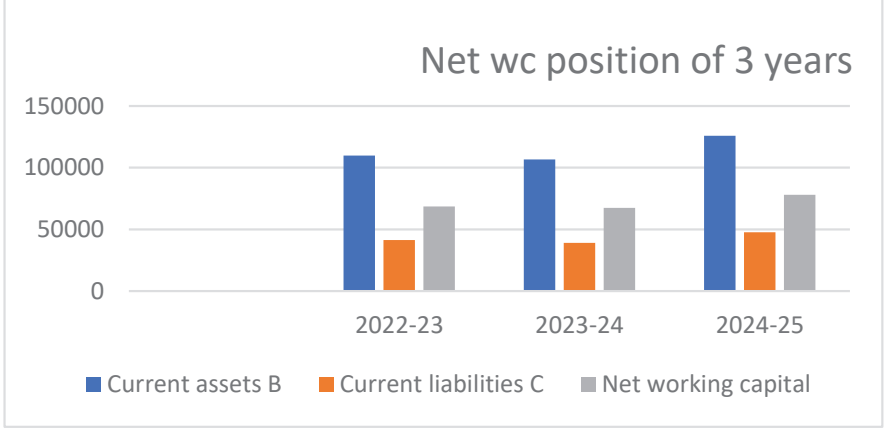
The above graph shows that the gross working capital position is last three years. The gross working capital position is high during the year 2024-25 i.e125895.11 And the lowest in the year 2023-24 i.e 106648.12.

B. Net Working Capital Position of 3 Years

Net Working Capital = Current Assets - Current Liabilities

Year A	Current assets B	Current liabilities C	Net working capital D=B-C
2022-23	109761.82	41308.01	68453.81
2023-24	106,648.12	39,204.53	67443.59
2024-25	125895.11	47,764.32	78130.79

(Source: Annual Report of the Company) (Rs. in Lacs)



Analysis:

The above table shows that the highest net working capital amount is 78130.79 during the year 2024-25 and the lowest in the year 2023-24 by 67443.59.

Interpretation:

Here the graph explains the company should have a sufficient net working capital in order to meet the claims of the creditors and day to day needs of business. The greater is the amount of net working capital the greater must be liquidity of the firm.

C. Working Capital Turnover Ratio in 3 Years

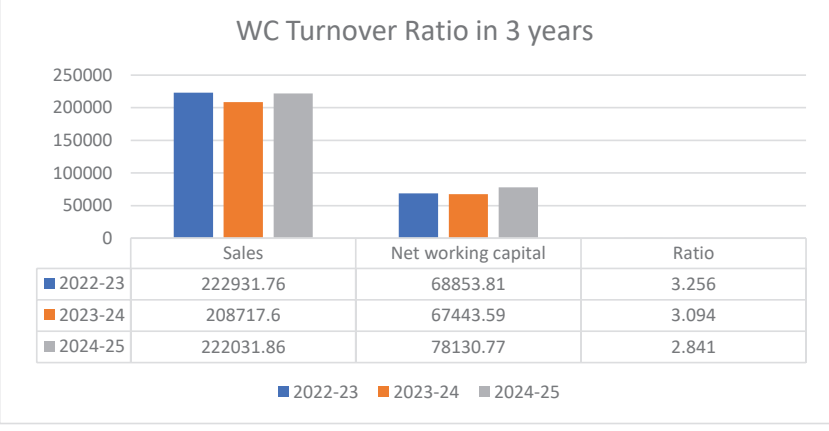
Working capital turnover ratio= Sales/Net working capital

Particulars	Years		
	2022-23	2023-24	2024-25
Sales	222931.76	208717.60	222031.86

(Rs. in Lacs)

Net Working Capital	68853.81	67443.59	78130.77
Ratio	3.256	3.094	2.841

(Source: Annual Report of the Company)



Analysis:

The above the table shows that the working capital turnover ratio is high during the year 2022-23 (3.256) and low during the year 2024-25 (2.841).

Interpretation:

From the graph Higher working capital turnover indicates the efficiency of the management & Lower working capital turnover ratio indicates the inefficiency of the management.

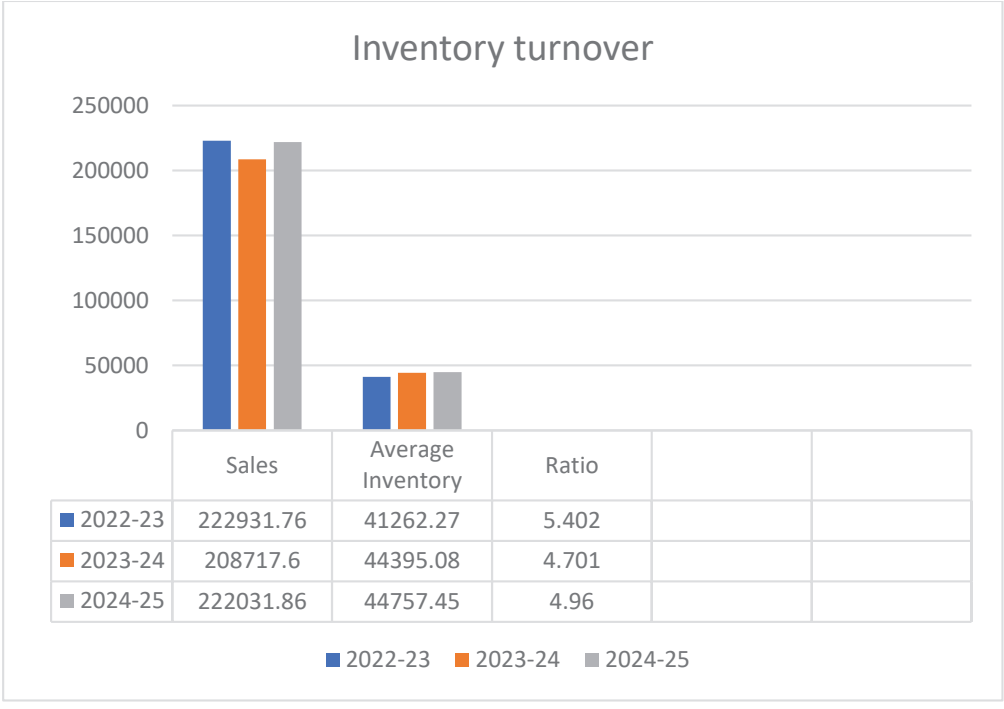
High working capital turnover ratio means over trading. And low working capital turnover ratio means under trading. Both are not good for organisation. So it should be not high or very low. It should be just normal.

D. Inventory Turnover Ratio of 3 Years

Inventory turnover ratio=Sales/Average Inventory

Particulars	Years		
	2022-23	2023-24	2024-25
Sales	222931.76	208717.60	222031.86
Average inventory	41262.27	44395.08	44757.45
Ratio	5.402	4.701	4.960

(Source: Annual Report of the Company) (Rs.in lac)



Analysis:

The table shows that inventory turnover ratio is high during the year 2022-23 (5.402) and low during the year 2023-24 (4.701).

Interpretation:

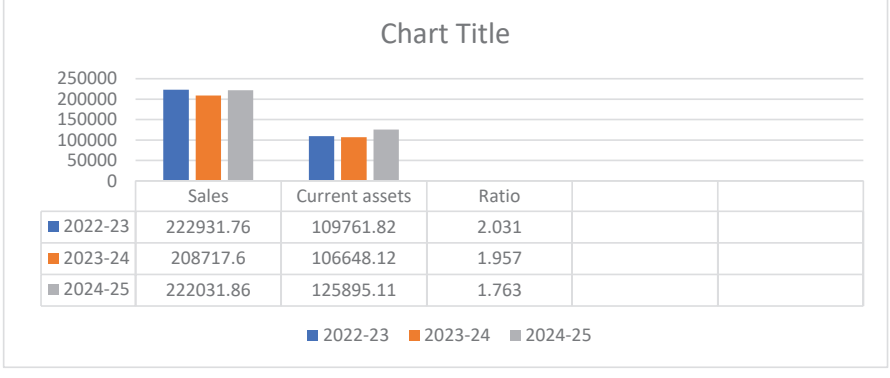
The above graph represents that, if the actual ratio is more than 4 times it indicates that more sales are effected and effective inventory management.

E. Current Assets Turnover Ratio of 3 Years

Current Assets turnover ratio= Sales/Current Assets

Particulars	**Years**		
	2022-23	2023-24	2024-25
Sales	222931.76	208717.60	222031.86
Current assets	109761.82	106648.12	125895.11
Ratio	2.031	1.957	1.763

Source: Annual report of the company (Rs.in lacs)



Analysis:

The above table shows that current assets turnover ratio is high during the year 2022-23 and low during the year 2024-25

Interpretation:

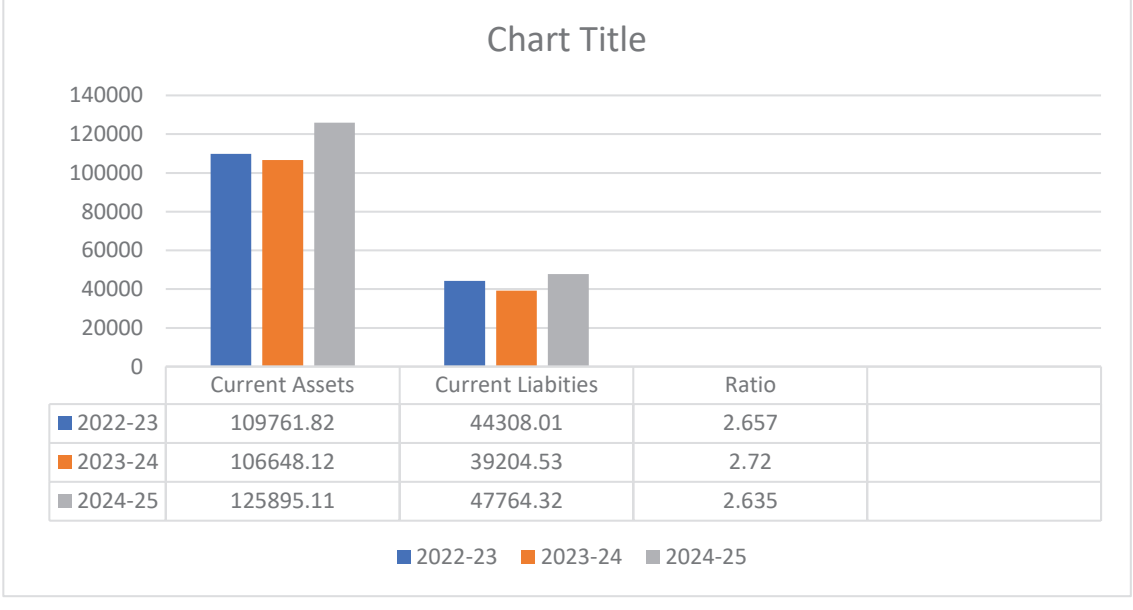
The above graph represents that the current assets turnover ratio indicates utilization of current assets increase in ratio speaks of proper investment in current assets. But decrease in ratio speaks that unwise or improper investment in current assets.

F. Current Ratio of 3 Years

Current ratio=Current assets/Current liabilities

Particulars	Years		
	2022-23	2023-24	2024-25
Current assets	109761.82	106648.12	125895.11
Current liabilities	44308.01	39204.53	47764.32
Ratio	2.657	2.720	2.635

Source: Annual report of the company (Rs. in Lacs)



Analysis:

Compare the ideal ratio i.e., 2:1 and actual current ratio. The above table shows that high ratio during the year 2023-24 (2.72) and low during the year 2024-25 (2.635).

Interpretation:

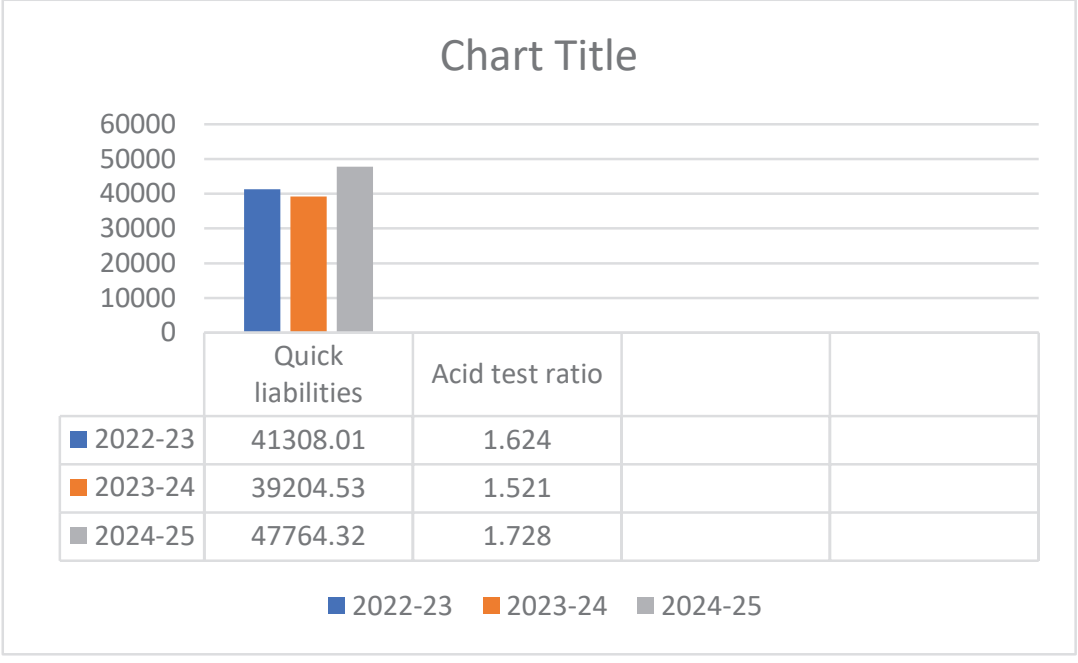
If current ratio is less than the standard ratio of 2:1, it indicates that the concern organization does not enjoy the sufficient liquidity and shortage of working capital. If current ratio is more than the ideal ratio it indicates the sufficient liquidity.

G. Acid Test Ratio or Quick Ratio of 3 Years

Acid test ratio = Quick assets/Quick liabilities

Particulars	Years		
	2022-23	2023-24	2024-25
Quick assets	67101.49	59655.32	8257.20
Quick liabilities	41308.01	39204.53	47764.32
Acid test ratio	1.624	1.521	1.728

Source: Annual report of the company (Rs.in lac)



Analysis:

The above table shows that acid test ratio is high during the year 2024-25 (1.728) and low during the year 2023-24(1.521).

Interpretation:

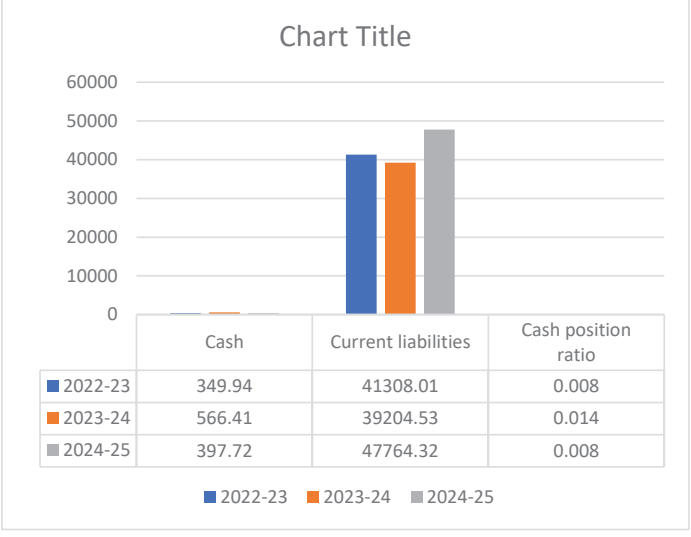
The ideal Quick ratio is 1:1. If the actual quick ratio is equal or more than the ideal ratio, it indicates the sufficient liquidity. And if the actual quick ratio is less than ideal quick ratio it indicates that concern is not liquid.

H. Cash Position Ratio of 3 Years

Cash + Cash Equivalents/Current liabilities

Particulars	Years		
	2022-23	2023-24	2024-25
Cash	349.94	566.41	397.72
Current liabilities	41308.01	39204.53	47764.32
Cash position ratio	0.008	0.014	0.008

(Source: Annual Report of the Company) (Rs.in lac)



Analysis:

The above table shows that highest cash position ratio during the year 2023-24 (0.014) and the equal in the year 2022-23 & 2024-25 (0.)008, which is lower than the standard ratio.

Interpretation:

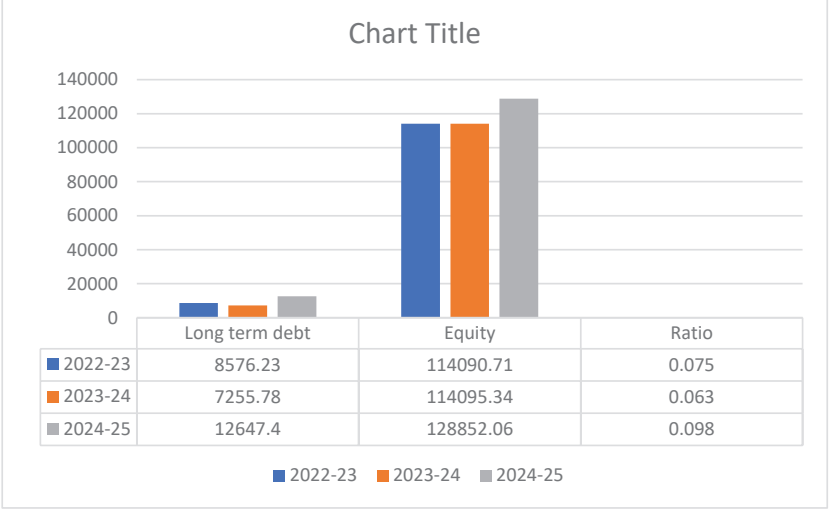
The above graph showing Cash position ratio with expressing relationship between cash and current liabilities. The standard ratio is 1:2. it is exhibits to be satisfactory, and if the ratio is smaller than 1 it means cash is to be not enough to cover short-term debt.

I. Debt to Equity Ratio of 3 Years

Debt equity ratio=Long term debt/Owners' equity (shareholders' funds)

Particulars	**Years**		
	2022-23	2023-24	2024-25
Long term debt	8576.23	7255.78	12647.40
Equity	114090.71	114095.34	128852.06
Ratio	0.075	0.063	0.098

Source: Annual report of the company *(Rs.in lac)*



Analysis:

The above table shows that debt to equity ratio is higher during the year 2024-25 (0.098) and low during the year 2023-24 (0.063).

Interpretation:

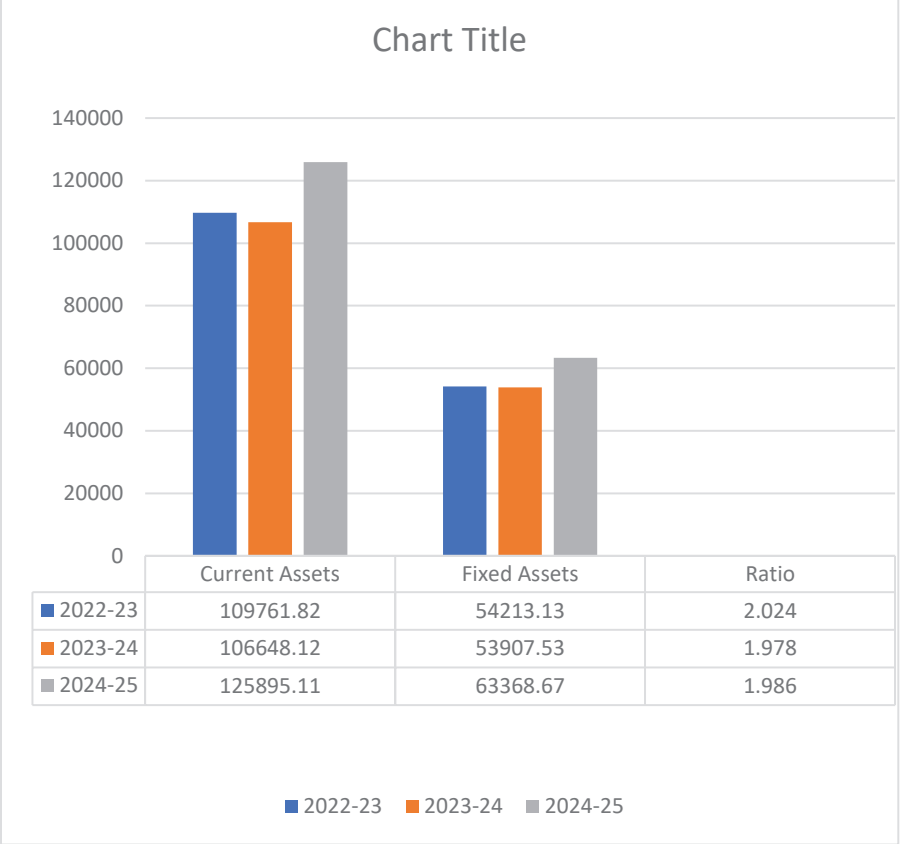
If the debt ratio is less than 2 times of equity or closer to 0 it indicates that the financial structure of the concern is sound. On other hand, if the debt is more than 2 times of the equity, it indicates that the financial structure is week.

J. Current Assets to Fixed Assets Ratio of 3 Years

Current Assets to fixed Assets=Current assets/Fixed Assets.

Particulars	Years		
	2022-23	2023-24	2024-25
Current assets	109761.82	106648.12	125895.11
Fixed assets	54213.13	53907.53	63368.67
Ratio	2.024	1.978	1.986

Source: Annual report of the company (Rs.in lacs)



Analysis:

The above table shows that the current assets to fixed assets ratio is high during the year 2022-23 (2.024) and low during the year 2023-24 (1.978).

Interpretation:

The Graph shows that the Current Assets to Fixed Assets Ratio of 3 years. The value of the assets which is increases in the year of 2022-23

6. Findings

- The company's current assets are higher than the current liabilities & the ratio is also above the standard position of 2:1. It indicate sufficient liquidity.
- This study identifies the company's Quick ratio is sound for all three years as it is equal to the ideal ratio i.e. 1:1. It indicates sufficient liquidity.
- It is found that company's debt equity ratio in all the three years is >1 i.e. lower than the ideal ratio 2:1. It indicates that the financial structure of the concern is sound.
- It is found that company's inventory turnover ratio is above than 4 times in all the three years, it is highly reflects faster movement of stock for all three years as it was always above the standard ratio of < 4 times.
- The cash position ratio is consistently below 0.1 in all the three years which signals very weak liquidity. Even at its peak (0.014), the firm has only 1.4% of current liabilities covered by cash. The drop in 2024–25 highlights instability in cash reserves, possibly due to rising liabilities or poor cash flow planning which finally do not supporting the net working capital
- It is observed from this study the working capital turnover ratio is high for all the three Years It Indicates Efficiency of The Management.

Further Research:

Further research may be carried out for the next subsequent years of Siyaram's silk mills ltd.

7. Conclusion

The study of Siyaram's Silk Mills Ltd (2022–25) highlights a mixed picture of working capital management:

Liquidity Ratios:

- The current ratio and quick ratio remained above the ideal benchmarks, indicating sufficient liquidity in terms of overall current assets and quick assets.
- However, the cash position ratio was consistently below 0.1, showing that the firm's immediate cash reserves were inadequate to cover short-term liabilities. Even at its peak (0.014 in 2023–24), cash covered only 1.4% of current liabilities, pointing to weak cash flow planning.

Efficiency Ratios:

- The inventory turnover ratio stayed above 4 times, reflecting efficient stock movement.
- The working capital turnover ratio was relatively high, suggesting management efficiency, though it declined in 2024–25, hinting at underutilization of working capital.

Capital Structure:

- The debt-to-equity ratio remained well below the 2:1 benchmark, confirming a sound financial structure with limited reliance on long-term debt.
- The current assets to fixed assets ratio hovered around 2, showing balanced investment between current and fixed assets.

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