Analysis of Working Capital Efficiency in AMREP (Amalgamation Repco) Limited, Madhavaram, Chennai, Tamilnadu - (A Financial Perspective)

Ms.S.SATHYA, Dr.P. KANAGARAJU

Abstract: *This study examines the working capital management efficiency of AMREP Limited over a six-year period from 2020 to 2025. The primary objective is to measure the working capital efficiency through the analysis of various liquidity and working capital ratios. For this study, secondary data collected from the company's audited annual reports. Key financial indicators such as working capital, current ratio, quick ratio, cash ratio, working capital turnover ratio, inventory turnover ratio, debtors' turnover ratio, creditors' turnover ratio, inventory holding period, receivables collection period, payables payment period, and cash conversion cycle were calculated and analyzed. The findings reveal that the company maintained positive working capital throughout the study period, indicating sound short-term financial stability. Significant improvements were observed in inventory management, receivables collection efficiency, working capital utilization, and cash conversion cycle performance. The inventory turnover ratio and debtors' turnover ratio increased steadily, while inventory holding and receivables collection periods declined, reflecting enhanced operational efficiency. The cash conversion cycle also improved, indicating effective management of cash flows and working capital resources. Overall, the study concludes that AMREP Limited has demonstrated effective working capital management practices that contributed to improved operational performance and financial efficiency. Further improvements in liquidity management and cash planning are recommended to ensure operational efficiency, long-term financial sustainability and profitability.*

Keywords: Working Capital Management, Liquidity Analysis, Current Ratio, Quick Ratio, Cash Ratio, Inventory Turnover Ratio, Debtors Turnover Ratio, Creditors Turnover Ratio, Cash Conversion Cycle (CCC), Working Capital Efficiency, Financial Performance, Operational Efficiency, Receivables Management, Inventory Management, AMREP Limited.

1. Ms.S. Sathya, Ph.D Research Scholar (Part Time), Ref.No.26317/Ph.D.K4/Commerce/Part -Time/ January 2018, PG and Research Department of Commerce, Bishop Heber College (Autonomous), Affiliated to Bahrathidasan University, Tiruchirappalli, Tamilnadu, India – 620 017

2. Dr.P.Kanagaraju,Assistant Professor and Research Advisor, PG and Research Department of Commerce, Bishop Heber College (Autonomous), Affiliated to Bahrathidasan University, Tiruchirappalli, Tamilnadu, India – 620 017

Introduction

The success of a nation or a business organization depends upon its efficient financial management and the effective procurement of fund to the various departments for the day to day operational and business activities. India is currently experiencing a segment of economic growth and significant emphasis is being placed on developing adequate infrastructure to support the country's growing developmental requirement. Financial management ensures efficient planning and control and procurement of funds for daily operations and growth of an organization. It is therefore, financial management as subject of great importance for both academicians and practicing managers as it plays a key role in enhancing organizations productivity and profitability and help the managers to make informed and effective financial decisions. Working capital is a crucial aspect of financial management that focuses on managing a company's short term assets and liabilities to ensure efficient business operations. Working management is essential because it ensures liquidity, increase profitability, supports smooth operations, reduces financial risk and contributes to the overall growth and success of a business. Therefore, the present study, entitled "Analysis of working capital efficiency in AMREP (Amalgamation Repco) Limited, Madhavaram, Chennai, Tamilndu India, has been undertaken to evaluate the efficiency and performance of the organization".

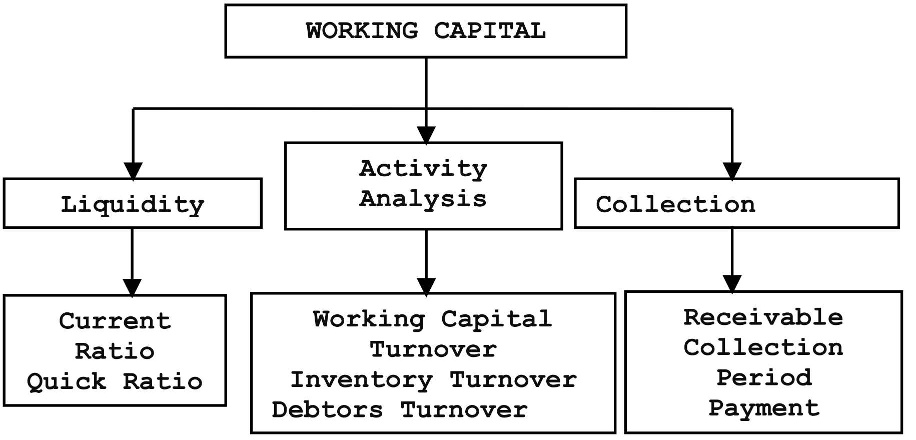
Concept of Working Capital

Working capital management involves maintaining an optimal balance between current assets, such as cash, inventory, accounts receivable and current liabilities such as account payable and short term debts. Effective working capital management helps businesses maintain liquidity, meet their financial obligations on time, improve profitability and support sustainable growth. By efficiently utilizing available resources, organizations can enhance operational efficiency and strengthen their overall financial positions.

According to Gerstenberg the term working capital defined as "working capital is the excess of current assets over current liabilities" in other words, working capital refers to the funds invested in current assets such as cash, inventories, accounts receivable and other assets that expected to be converted into cash within one year. There are two types of working capital i.e. Gross working capital and net working capital. The gross working capital refers to total investment in current assets whereas; the excess of current assets over current liabilities is termed as 'net working capital', which means the difference between current assets and current liabilities is called the net working capital. It the net working capital is positive, business is able to meet its current liabilities. Net working capital concept provides the measurement for determining the creditworthiness of company.

Analysis of Working Capital Efficiency

The present study, is based on the concept that effective management of working capital components contributes significantly to the financial performance and operational efficiency of AMREP (Amalgamation Repco) Limited, Madhavaram, Chennai.



The conceptual framework illustrates that liquidity indicators, turnover indicators and collection/payment indicators collectively determine the efficiency of working capital management in AMREP Limited. Effective management of these factors helps the company maintain adequate liquidity, improve operational performance, optimize cash flow and enhance overall financial performance. The study evaluates the efficiency of working capital through appropriate ratio analyses to determine the effectiveness of the company's working management practices.

Profile of AMREP Limited

Amalgamation Repco Limited (AMREP), Chennai is a leading manufacturer of automotive clutch assemblies, clutch components, and flywheel starter ring gears. Established in 1967 through Indo-Australian collaboration with REPCO Limited, the company commenced commercial production in 1970 and has operated independently since 1980. Equipped with modern manufacturing facilities, advanced machinery, and strong in house design and development capabilities, AMREP produces clutch driven plates, clutch cover assemblies, and flywheel starter ring gears for passenger cars, commercial vehicles, tractors, jeeps and forklifts. AMREP is an unlisted public company operating with authorized share capital of approximately 1 crore and paid-up capital of about Rs.94.7 lakhs. The company generates annual revenues in the range of Rs.150-200 crores and sustains its operations through a balanced mix of internal accruals and institutional borrowings, its sound financial positions, supported by long-standing OEM relationships, a strong aftermarket brand, and growing export business, enables continued investment in technology, product development, and manufacturing capabilities, reinforcing its position as a reliable and competitive player in the automotive components industry. The company is known for its stringent quality standards and holds IATF 16949, ISO 9001 and ISO 14001 certifications. AMREP serves major OEMs including Ashok Leyland, TAFE, Force Motors, John Deere and Mahindra& Mahindra, while maintaining a strong aftermarket presence through an extensive nationwide distribution network and exporting to markets across Europe, Asia and North America.

Review of Literature

The concept of working capital management and the analysis of working capital efficiency have gained extensive attention in financial management research due to its direct influence on liquidity, profitability, and operational performance. In order to identify the research gap for this study, recent studies between the years 2020-2025 have examined the measurement of working capital efficiency across the various industrial sectors.

Hakim Lyngstadaas (2020), examined working capital management practice among the listed manufacturing firm in the United States. The study found that integrated management of receivables, inventory and payables significantly improves firm performance. The research emphasized that working capital should be managed as a system rather than as isolated components. Efficient coordination among the current assets and liabilities was associated with improved profitability and operational efficiency.

Nasrat Jahan (2020) investigated the cash conversion cycle of manufacturing companies and their relationship with profitability. The study reported a significant negative relationship between the cash conversion cycle and profitability, indicating that business organization with shorter cash conversion cycles tends to achieve higher returns. The findings suggested that reducing the duration of inventory holding and receivables collection enhances working capital efficiency.

Suman Talreja (2023) conducted a systematic literature review on working capital management and profitability, analyzing more than 50 empirical studies, the review concluded that efficient working capital management, particularly through an optima cash conversion cycle, positively influences profitability. The study highlighted the importance of effective receivables and payables management in maximizing shareholder wealth and minimizing financial risk.

Kamalesh, Sawarni and Narayanasamy (2024), analyzed more than 500 Indian listed firms from 2012-2022 to study the effect of working capital efficiency on overall firm performance. The findings revealed that efficient working capital management positively influences Return on Equity (ROE), profit margins, and asset turnover. Firms with longer working capital cycles tended to rely more heavily on debt financing, highlighting the importance of maintaining efficient working capital practices.

Raghavalu Ramella (2025) evaluated the relationship between working capital management strategies and profitability. The study found a significant association between working capital indictors such as inventory turnover period, receivables collection period, payable period, and cash conversion cycle with profitability. Efficient control of these components was found to enhance financial performance and resource utilization.

A financial review conducted during 2025 on Amalgamation Repco Limited examined the efficiency of working capital management using key liquidity, turnover, and profitability ratios. The study focused on the company's ability to manage current assets and current liabilities effectively to support operational performance and profitability. Based on the financial statements for the financial year 2024-2025, the company exhibited stable liquidity and moderate efficiency in utilizing capital resources.

Research Gap

Based on the above review of literature, most previous studies have examined the relationship between working capital management and profitability across large sample of firms, industries or countries. However, limited research has focused on company specific analysis of working capital efficiency in medium-sized manufacturing firms in Tamilnadu, particularly Amalgamation Repco (AMREP) limited, Madhavaram, Chennai. Furthermore, there is a lack of recent studies that evacuated the company’s working capital performance using updated financial data for the period 2024-2025. Therefore, this study attempts to fill the gap by providing a detailed financial perspective on the working capital efficiency of AMREP through the analysis of liquidity, turnover, and profitability indicators thereby offering insights into the effectiveness of its working capital management practices.

Need for the Study

The study on working capital efficiency in AMREP (Amalgamation Repco) Limited is important because working capital plays a crucial role in maintaining the liquidity, profitability, and overall financial stability of an organization. Efficient management of current assets and current liabilities ensures the smooth conduct of day-to-day business operations and helps the company meet its short-term obligations without financial strain. This study is attempts to evaluate the effectiveness of the company's working capital management practices by analyzing its liquidity position, operational efficiency, and utilization of financial resources. The findings can assist management in identifying areas requiring improvement, enhancing decision-making, reducing financial risks, and achieving better profitability. Furthermore, the study contributes to academic knowledge and provides practical insights into the relationship between working capital efficiency and the financial performance of the company. Thus, the study is significant in understanding the relationship between working capital efficiency and the overall financial health and performance of AMREP Limited.

The Research Problem

Working capital management is a significant aspect of financial management that directly influences a company’s liquidity, operational efficiency and profitability. Inefficient management of working capital may result inadequate cash flow, delays in meeting short-term obligations, excessive investment in current assets, or underutilization of available resources. In a competitive business scenario, it is essential for organizations to maintain an optimal level of working capital to ensure smooth business operations and financial stability. Therefore, it is an important to examine and evaluate the efficiency of working capital management in AMREP (Amalgamation Repco) limited. This study attempts to analyze the company’s working capital position, assess the effectiveness of its management of current assets and current liabilities. The study aims to determine whether the company has maintained an efficient working capital structure that supports its financial soundness and business growth. In this context this study is going to find the solutions for the following research questions.

Research Questions

- What is the trend in the liquidity and working capital position of AMREP Limited over the past six years from 2020-2025?
- What is the efficiency of cash, inventory, accounts receivables and account payable management in AMREP limited over the past six years from 2020-2025?
- What improvements can be recommended to enhance working capital efficiency?

Objectives of the Study

Primary Objectives

- To analyze the working capital efficiency of AMREP (Amalgamation Repco) Limited, Chennai, from a financial perspective.

Secondary Objectives

- To find out the net working capital and its trends of AMREP (Amalgamation Repco) Limited, Chennai.
- To evaluate the liquidity position of the AMREP (Amalgamation Repco) Limited, Chennai using relevant liquidity ratios.
- To analyze the efficiency of cash, inventory, accounts receivables and payable management in AMREP (Amalgamation Repco) Limited, Chennai.
- To study the working capital turnover and cash conversion cycle of the AMREP (Amalgamation Repco) Limited, Chennai.

In view of the above objectives, this study attempts to summarize the research findings to suggest measures for improving the effectiveness of working capital management and enhancing financial performance.

Research Methodology

Research Design

The present study adopts descriptive and analytical research design, the aspect of this design focuses on understanding the working capital structure and financial position of AMREP (Amalgamation Repco) Limited, while the analytical aspect evaluates the efficiency of working capital management through financial ratio analysis and trend analysis.

Sources of data

The study is primarily based on secondary data collected from various sources such as annual reports of AMREP limited, audited financial statements (Balance sheet, profit and loss account, cash flow statement) and company's official publications and financial disclosures extracted from company's website. In addition research articles published in journals, magazines and newspapers.

Data Collection

The data required for the study have been collected from the published annual reports of AMREP limited for a period of six years from 2020 to 2025.

Tools and Techniques for data analysis

In order to evaluate the working capital efficiency of AMREP limited, the following financial and accounting ratios have been employed as tools for the data analysis. Such as current ratio, quick ratio, cash ratio, working capital turnover ratio, inventory turnover ratio, debtors turnover ratio, creditors turnover ratio, receivables collection period and operating cycle analysis.

Data Analysis

The collected financial data are analyzed using the above mentioned tools and techniques to assess the working capital efficiency of AMREP limited.

Scope of the Study

The present study focuses on analyzing the working capital efficiency of Amalgamation Repco limited, Madhavaram, Chennai, from a financial perspective. It examines the management and utilization of current assets and current liabilities to assess the company's ability to maintain liquidity, operational efficiency and short-term financial stability.

Limitation of the Study

- The study is limited to the financial information available from the company's audited annual reports, financial statements and balance sheet.
- The analysis covers only working capital related aspects and does not include detailed analysis of long term financing or investment decisions.
- The study is confined to a specific periods from the year 2020 to 2025 (financial years) taken up for the analysis and to the operations of the company under consideration.

Analyses and Interpretations

Analysis of working capital and its trends

Working capital refers to the funds available for a company's day-to-day running of the business. It is calculated as the difference between current assets and current liabilities. Adequate working capital helps a business meet short-term obligations, maintain smooth operations and support growth and working capital can be calculated by using the following formula.

$$\textit{Working Capital} = \textit{Current Assets} - \textit{Current Liabilities}$$

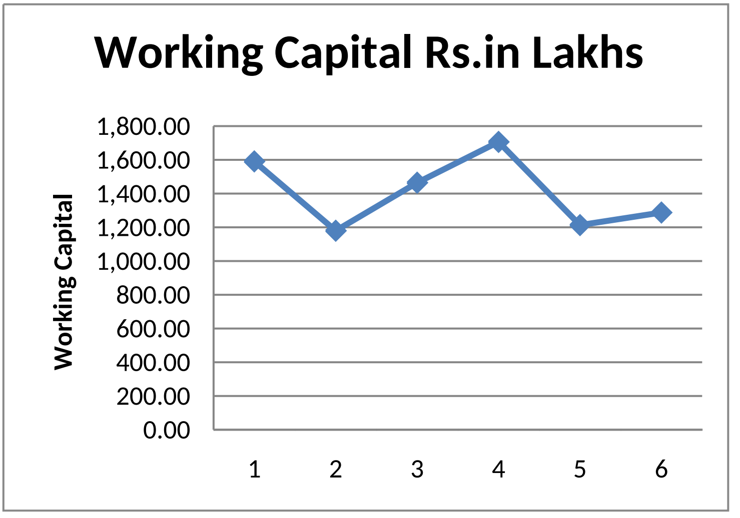
Table - 1

Statement Showing working capital and its trends of AMREP Limited

Secondary Data for the six years from 2020-2025

Financial Year	Current Assets Rs. Laksh	Current Liabilities Rs.in Lakhs	Working Capital Rs.Lakhs	Increase/ Decrease (Trend)
2020	6,552.71	4,961.90	1,590.81	***
2021	7,108.61	5,924.91	1,179.70	Increase
2022	6,584.60	5,120.15	1,464.45	Decrease
2023	7,789.75	6,083.43	1,706.32	Increase
2024	6,051.24	4,838.08	1,213.16	Decrease
2025	6,109.73	4,822.06	1,287.63	increase

Secondary data Source: Annual Reports of the AMREP Limited



The company's working capital exhibited fluctuations during the period 2020 -2025. The highest working capital was recorded in 2023 (Rs.1, 706.32 Lakhs), indicating the strongest liquidity position, while the lowest was in 2021 (Rs.1, 179.90 Lakhs). Despite periodic declines, the AMREP maintained positive working capital throughout the study period, indicating its ability to meet short-term financial management to ensure stable liquidity and operational efficiency. Therefore, the working capital position of AMREP during the six years shows fluctuating trend.

Analysis of Liquidity

Liquidity analysis evaluates a company's ability to meet its short-term financial obligations using its current assets. The analysis of liquidity is commonly carried out using measures such as working capital, current ratio, quick ratio and cash ratio.

Current Ratio

Current ratio is a key liquidity metric that measures a company's ability to pay its short-term obligations (debts and bills due within a year) using its short-term assets, the ideal ratio of a company is 2:1, this ratio is determined by dividing total current assets by total current liabilities, both the figures are pulled directly from the company's balance sheet.

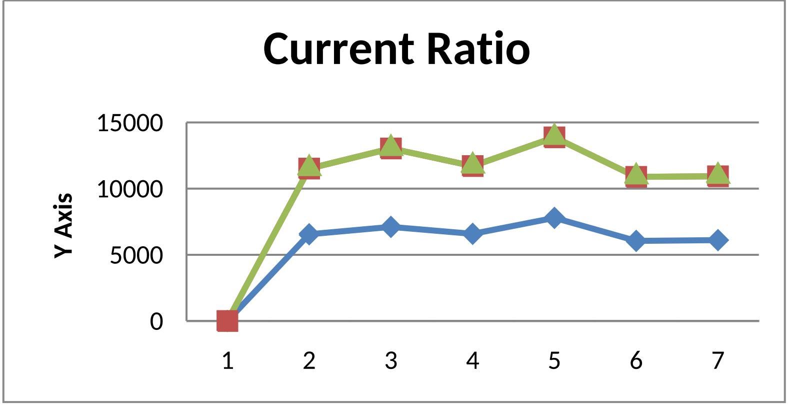
$$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

Table - 2
Statement Showing Current Ratio of AMREP Limited
Secondary Data for the six years from 2020-2025

Financial Year	Current Assets Rs. Laksh	Current Liabilities Rs.in Lakhs	Current Ratio
2020	6,552.71	4,961.90	1.32
2021	7,108.61	5,924.91	1.19

2022	6,633.54	5,120.15	1.30
2023	7,789.75	6,083.43	1.28
2024	6,051.24	4,838.08	1.25
2025	6,109.73	4,822.06	1.27

Secondary data Source: Annual Reports of the AMREP Limited



The above analysis revealed that, the current ratio fluctuated between 1.19 and 1.32 during the six financial years (2020-2025). Throughout these periods, the current ratio remained above 1:1, signifying that AMREP limited maintained sufficient current assets to cover its current liabilities. This shows a generally satisfactory liquidity position and an adequate capacity to meet short-term financial commitments, although the ratio remained below the ideal benchmark of 2:1, suggest scope for further improvement in liquidity management.

Quick Ratio (Acid Test Ratio)

The quick ratio measures a company's ability to instantly cover its short-term debts using its most liquid assets. This ratio is determined by dividing total current assets by total current liabilities. Quick assets are those current assets that can be converted into cash immediately or within 90 days without significant loss in value.

$$Quick\ Ratio = \frac{Quick\ Assets}{Current\ Liabilities}$$

Quick Assets = Current Assets − Inventory – Other Current Assets

Table - 3

Quick (Acid Test) Ratio of AMREP Limited

Financial Year	Quick Assets Rs. Laksh	Current Liabilities Rs.in Lakhs	Quick Ratio
2020	4,578.22	4,961.90	0.92
2021	4,769.83	5,924.91	0.81
2022	4,096.71	5,120.15	0.80
2023	4,602.37	6,083.43	0.76
2024	3,817.97	4,838.08	0.79
2025	4,017.22	4,822.06	0.83

Secondary data Source: Annual Reports of the AMREP Limited

The quick ratio of AMREP limited remained below the ideal standard of 1:1 during the study period from 2020 to 2025, indicating that the company's liquid assets were insufficient to fully meet its current liabilities. The ratio declined from 0.92 in 2020 to 0.76 in 2023, reflecting a weakening liquidity position. However, it showed improvement in years 2024 and 2025, reaching 0.83, which suggests a gradual recovery in the company's short-term solvency. Overall, while liquidity management improved in the recent years, the company still needs strengthen its quick assets to achieve a more satisfactory liquidity positions.

Cash Ratio

The Cash Ratio is a strict financial metric that measures a company's liquidity. It calculates the ability of a business to instantly pay off all its short-term debts and immediate obligations using only its most liquid assets cash and cash equivalents.

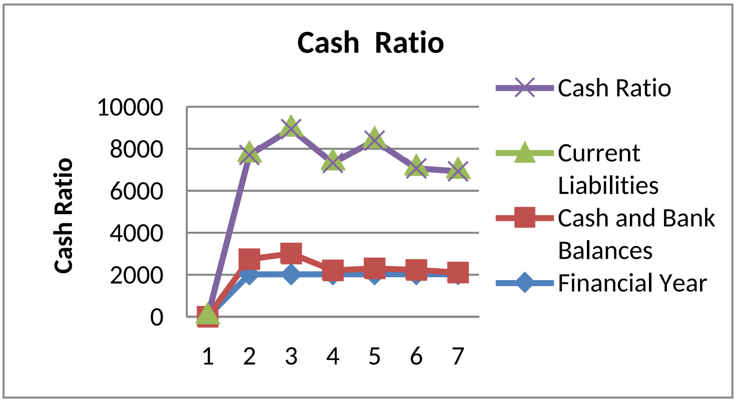
$$Cash\ Ratio = \frac{Cash + Bank\ Balances}{Current\ Liabilities}$$

Table - 4

Cash Ratio of AMREP Limited

Financial Year	Cash and Bank Balances Rs. Laksh	Current Liabilities Rs.in Lakhs	Cash Ratio
2020	720.84	4,961.90	0.15
2021	989.71	5,924.91	0.17
2022	184.88	5,120.15	0.04
2023	281.27	6,083.43	0.05
2024	203.67	4,838.08	0.04
2025	80.22	4,822.06	0.02

Secondary data Source: Annual Reports of the AMREP Limited



The cash ratio remained very low throughout the period from 2020 to 2025, indicating weak ability to meet current liabilities using only cash and bank balances. The ratio improved slightly from 0.15 in 2020 to 0.17 in 2021 but declined sharply to 0.40 in 2022 and remained low thereafter, reaching only 0.20 in 2025. This downward trend suggests a reduction in readily available cash resources and highlights the company's dependence on other current assets or external sources to meet its short-term obligations. Overall, the cash position of the company appears inadequate; however, based on the current ratio the company is efficient to meet the short term obligations during the study periods.

Activity Analysis

The Activity ratio (also known as efficiency or turnover ratios) is a financial metric; these ratios evaluate how quickly a business converts capital and assets into sales and efficiency of management in managing inventory, receivables, payables and total assets. A higher activity ratio generally indicates better operational efficiency and effective utilization of resources, while lower ratio may suggest inefficiencies in asset management. In order to measure the working capital efficiency, following four activity ratios are taken up in this study.

Working Capital Turnover Ratio

The working capital Turnover Ratio is an activity ratio that measures how efficiently a company utilizes its working capital to generate sales revenue. It indicates the relationship between net sales and working capital and helps in assessing the effectiveness of working capital management.

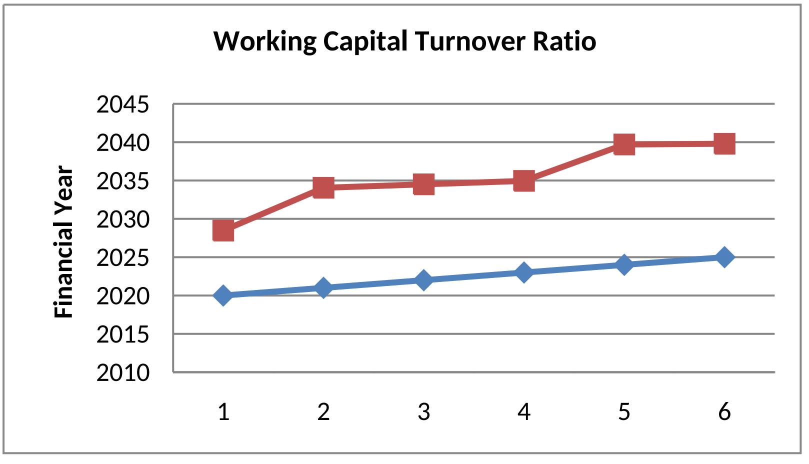
$$Working\ Capital\ Turnover\ Ratio = \frac{Net\ Annual\ Sales}{Working\ Capital}$$

Table -5

Working Capital Turnover Ratio of AMREP

Financial Year	Net Annual Sales	Working Capital	Working Capital Turnover Ratio
2020	13,475.56	1,590.81	8.47
2021	15,400.40	1,179.70	13.05
2022	18,309.32	1,464.45	12.50
2023	20,386.87	1,706.32	11.95
2024	19,044.60	1,213.16	15.70
2025	19,044.83	1,287.63	14.79

Secondary data Source: Annual Reports of the AMREP Limited



The above table shows that the working capital turnover ratio was calculated based on the data extracted from the annual reports of AMREP Limited. The calculation reveals that an overall improving efficiency trends with minor fluctuations observed during the year 2020-2025. In 2020, the ratio was low at 8.47, indicating under utilization of working capital. It improved significantly in 2021 to 13.05, reflecting better utilization of resources. a slight decline was observed in 2022 (12.50) and 2023 (11.95), suggesting marginal reduction in efficiency even though the performance remained stable. The working capital ratio peaked in 2024 at 15.70, showing the highest efficiency in generating sales from working capital. Meanwhile, in the 2025, it slightly decreased to 14.79 but still indicated strong operational efficiency. Overall, the company demonstrates effective working capital management over the six financial years i.e. from 2020 to 2025.

Inventory Turnover Ratio

The inventory turnover ratio measures how many times a company sells and replaces its inventory during a particular accounting period, reflects the effectiveness of inventory management. High inventory turnover ratio indicates efficient inventory management, strong sales performance and lower risk of inventory obsolescence.

$$Inventory\ Turnover\ Ratio = \frac{Costo\ of\ Goods\ Sold}{Average\ Inventory}$$

$$Average\ Inventory = \frac{Opening\ Stock\ of\ Inventory + Closing\ Stock\ of\ Inventroy}{2}$$

$$Inventory\ Holding\ Period\ = \frac{356\ or\ 366\ Days}{Inventory\ Turnover\ Ratio}$$

Table - 6

Inventory Turnover Ratio and Inventory Holding Period of AMREP Limited

Financial Year	Cost of Goods Sold	Average Inventory	Inventory Turnover Ratio	Inventory Holding Period
2020	13,475.56	1,719.67	7.84	46.68 (47 Days)
2021	15,400.40	1,840.55	8.37	43.60 (44 Days)
2022	18,309.32	2,048.45	8.94	40.82 (41 Days)
2023	20,386.87	2,396.57	8.51	42.89 (43 Days)
2024	19,044.60	2,301.45	8.28	44.20 (44 Days)
2025	19,044.83	1,948.54	9.77	37.36 (37 Days)

Secondary data Source: Annual Reports of the AMREP Limited

The inventory turnover ratio of AMREP limited exhibited a generally positive trend during the study period from 2020 to 2025. The ratio increased from 7.84 times in 2020 to 8.94 time in 2022, indicating improved efficiency in converting inventory into sales. Although the ratio declined slightly to 8.51 time in 2023 and 8.28 times in 2024, it rose significantly to 9.77 time in 2025, the inventory holding period decreased from 47 days in 2020 to 37 days in 2025, showing that inventory was sold more quickly. Overall, the company's inventory management improved over the years, reflecting better stock control, efficient utilization of inventory, and enhanced operational performance.

Debtors Turnover Ratio and Receivables Collections period

The debtors turnover ratio also known as the account receivable turnover ratio, measures how efficiently a company collects its outstanding credit sales. It indicates the number of time on average, a business collects it accounts receivables during the financial year.

$$Debtors/Receivables\ \ Turnover\ Ratio = \frac{Net\ Sales}{Average\ Accounts\ Recievables}$$

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

$$Debtors\ or\ Recivables\ Collection\ Period\ = \frac{356\ or\ 366\ Days}{Debtors/Receivables\ \ Turnover\ Ratio}$$

Table - 7
Debtors Turnover Ratio and Receivables Collection Period of AMREP Limited

Financial Year	Net Annual Sales	Average Accounts Receivables	Debtors/ Receivables Turnover Ratio	Receivables Collection Period	
				No.of Days in a Year	Collection Period in Days
2020	13,475.56	3,779.79	3.57	366 Days (Leap)	102.52 (103 Days)
2021	15,400.40	3,787.41	4.07	365 Days	89.68 (90 Days)
2022	18,309.32	3,786.80	4.84	365 Days	75.41 (75 Days)
2023	20,386.87	4,035.74	5.05	365 Days	72.27 (72 Days)
2024	19,044.60	3,914.12	4.87	366 Days (Leap)	75.15 (75 Days)
2025	19,044.83	3,662.66	5.20	365 Days	68.46 (68 Days)

Secondary data Source: Annual Reports of the AMREP Limited

The debtors' turnover ratio shows a generally improving trend during the period 2020 - 2025. The ratio increased from 3.57 times in 202 to 5.20 times in 2025, indicating that the company became more efficient in collecting receivables from its customers. Likewise, the receivables collection period decreased from 103 days in 2020 to 68 days in 2025, reflecting faster conversion of credit sales into cash. Although there was a slight decline in performance during 2024, when the turnover ratio fell to 4.87 times and the collection period increased to 75 days, the company recovered in 2025. Overall, the rising turnover ratio and declining collection period suggest effective credit management, improved liquidity, and stronger working capital efficiency over the study periods from 2020 to 2025.

Creditors Turnover Ratio and Payables Payment Period

The creditors Turnover Ratio measures how many times a company pays off its average trade creditors and accounts payable during a financial year. A higher ratio indicates that the company is paying its suppliers more frequently and managing its obligations efficiently.

$$Creditor/Payables\ Turnover\ Ratio = \frac{Net\ Purchase}{Average\ Accounts\ Payables}$$

$$Average\ Accounts\ Receivables\ = \frac{Opening\ \ Payables + Closing\ \ Payables}{2}$$

The payables payment period represents the average number of days the company takes to pay its creditors. A shorter payment period indicates quicker settlement of dues, while a longer period suggests that the company is utilizing supplier credit for a longer duration. Together, these ratios help assess a company's efficiency in managing trade payables and short-term liquidity.

$$Creditors\ or\ Payables\ Payment\ Period\ = \frac{356\ or\ 366\ Days}{Creditors\ orPayables\ Turnover\ Ratio}$$

Table - 8
Creditors Turnover Ratio and Payables Payment Periods of AMREP Limited

Financial Year	Net Annual Purchase	Average Accounts Payables	Creditors Turnover Ratio	Payables Payment Period	
				No.of Days in a Year	Collection Period in Days
2020	10,333.59	3,441.48	3.00	366 Days (Leap)	122 Days
2021	12,495.16	4,363.51	2.86	365 Days	127.6 (128 Days)
2022	15,005.24	4,590.51	3.27	365 Days	111.62 (112 Days)
2023	17,584.02	4,447.83	3.95	365 Days	92.4 (92 Days)

2024	14,760.06	4,249.05	3.47	366 Days (Leap)	105.47 (105 Days)
2025	15,311.20	3,623.27	4.23	365 Days	86.29 (86 Days)

Secondary data Source: Annual Reports of the AMREP Limited

The creditors' turnover ratio shows an overall improving trend during the study period from 202-2025. The ratio increased from 3.00 times in 2020 to 4.23 times in 2025, indicating that the company became more efficient in settling its trade creditors and payables. At the same time, the payables payment period decreased from 122 days in 2020 to 86 days in 2025, reflecting a faster payment cycle to creditors. Although there was a slight decline in performance during 2024, the overall trend suggests improved liquidity management, stronger creditor relationship, and enhanced efficiency in managing short-term financial obligations.

Cash Conversion Cycle (CCC)

The cash conversion cycle (CCC) is a working capital efficiency measure that indicates the number of days a company takes to convert its investment in inventory and other operating activities into cash. A shorter CCC indicates better liquidity and efficient management of inventory, receivables and payables, while, a longer CCC suggests that cash is tied up in operations for a longer period before being recovered.

CCC =Inventory Holding Period+Receivable Collection Period−Payment Payable Period

D=A+B-C

Table - 9

Cash Conversion Cycle (CCC) of AMREP Limited

Financial Year	Inventory Holding Period (A)	Collection Period (B)	Payment Payable Period (C)	Cash Conversion Cycle (D= A+B –C)
2020	47 Days	103 Days	122 Days	28 Days
2021	44 Days	90 Days	128 Days	06 Days
2022	41 Days	75 Days	112 Days	04 Days
2023	43 Days	72 Days	92 Days	23 Days
2024	44 Days	75 Days	105 Days	14 Days
2025	37 Days	68 Days	86 Days	19 Days

Secondary data Source: Annual Reports of the AMREP Limited

The cash conversion cycle (CCC) of AMERP limited remained relatively low throughout the period from 2020 to 2025, indicating efficient working capital management. The CCC decreased significantly from 208 days in 2020 to 4 days in 2022, showing improved efficiency in converting inventory and receivables into cash while effectively utilizing credit from suppliers. Although the cycle increased to 23 days in 2023 and fluctuated thereafter, it remained at a manageable level, reaching 19 days in 2025. The declining inventory holding, collection and payment periods over the years reflect better operational efficiency and liquidity management. Overall, the company's ability to maintain a short cash conversion cycle suggests effective management of cash flows and working capital resources.

Major Findings

- AMREP Limited maintained positive working capital throughout the study period, indicating sound short-term financial stability despite fluctuations. Meanwhile, the working capital turnover ratio increased from 8.47 to 14.79 times indicating improved efficiency in utilizing working capital to generate sales.

- The current ratio remained above 1:1 in all years, showing satisfactory liquidity, though it stayed below the ideal 2:1 standard. Whereas, Quick ratio indicating that quick assets were insufficient to fully cover the current liabilities and the cash ratio remained very low and declined over the years reflecting weak immediate cash liquidity.

- The Inventory turnover ratio improved from 7.84 to 9.77 times, reflecting better inventory management and faster stock movement. Correspondingly, the inventory holding period decreased from 47 days to 37 days showing quicker conversion of inventory into sales.

- Debtors Turnover Ratio increased from 3.57 to 5.20 times, indicating more efficient collection of receivables, likewise, the receivables collection period reduced from 103 days to 68 days, improving cash inflows and liquidity.

- Creditors Turnover Ratio increased from 3.00 to 4.23 times, demonstrating improved efficiency in settling trade payables, concurrently, payables payment period declined from 122 days to 86 days indicating faster payments to suppliers.

- The cash conversion cycle (CCC) remained low and improved from 28 days to 19 days, reflecting effective working capital and cash flow management over the financial years from 2020 to 2025.

- On the whole, AMREP Limited demonstrated improved operational and working capital efficiencies through the effective financial management, though its cash and quick liquidity positions require further strengthening.

Suggestions and Recommendations

- AMREP Limited should improve its quick and cash ratios by increasing cash reserves and highly liquid assets. It can achieve this through better cash budgeting and maintaining adequate cash balances. Surplus funds should be invested in short-term liquid instruments to ensure better immediate liquidity.

- The company should continue improving inventory turnover and receivables collection efficiency. Strict credit policies and regular monitoring of receivables should be maintained. Advanced inventory control will help to reduce holding and collection periods, improving cash flow and working capital efficiency.

- AMREP limited has to avoid overly fast payments to suppliers as it may strain cash resources and liquidity. It should negotiate better credit terms and optimize payment timing to balance liquidity and supplier relationships.

CONCLUSION

The present study has conducted in AMREP (Amalgamation Repco) Limited to measure the working capital efficiency over the six financial year from 2020 to 2025. The study concludes that the company has maintained a positive working capital position throughout the study periods, reflecting its ability to meet short-term financial obligations and sustain operational stability. The analyses of liquidity, activity and efficiency ratios indicate that the company has achieved significant improvements in inventory management, receivables collections, credit management and overall working capital utilizations. The working capital turnover ratio, inventory turnover ratio and cash conversion cycle demonstrates enhanced operational efficiency and effective management of current assets and liabilities. However, the quick ratio and cash ratio remained below the bench mark, indicating and need for strengthening immediate liquidity and cash reserves. On the whole, AMREP Limited has exhibited sound working capital management practices that have contributed to improved financial performance and operational effectiveness. By further improving its liquid asset position, optimizing cash management, and maintaining efficient control over inventory and receivables, the company can enhance its liquidity, profitability and long-term financial sustainability in the competitive business scenario.

Reference:

- Gerstenberg, C. W. (1959). *Financial organization and management* (4th ed.). Prentice-Hall.
- Jahan, N. (2020). Cash conversion cycle and profitability of manufacturing companies: An empirical analysis. *International Journal of Financial Studies, 8*(3), 1–15.
- Kamalesh, S., Sawarni, R., & Narayanasamy, K. (2024). Working capital efficiency and firm performance: Evidence from Indian listed companies. *Indian Journal of Finance, 18*(2), 45–61.

- Lyngstadaas, H. (2020). Working capital management and firm performance: Evidence from manufacturing firms in the United States. *Journal of Business Research, 112*, 1–12.
- Raghavalu, R. (2025). Working capital management strategies and profitability: An empirical study. *International Journal of Accounting and Finance Research, 13*(1), 22–38.
- Talreja, S. (2023). Working capital management and profitability: A systematic literature review. *Review of Financial Economics, 41*(4), 356–372.
- Amalgamation Repco Limited. (2020*).Six years' Annual report 2019–*2020 *to 2024-2025,* Chennai, Tamil Nadu: Author.
- Pandey, I. M. (2023). *Financial management* (13th ed.). Vikas Publishing House.
- Khan, M. Y., & Jain, P. K. (2022). *Financial management: Text, problems and cases* (9th ed.). McGraw Hill Education.
- Brigham, E. F., & Ehrhardt, M. C. (2022). *Financial management: Theory and practice* (17th ed.). Cengage Learning.
- Gitman, L. J., Juchau, R., & Flanagan, J. (2021). *Principles of managerial finance* (8th Asia-Pacific ed.). Pearson Education.