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A STUDY ON WORKING CAPITAL MANAGEMENT AND FINANCIAL PERFORMANCE OF TRIPURA CONSTRUCTION COMPANY HYDERABAD

[1]Mr. Apuri Prabhu Kumar, II MBA Student, Department Of MBA, St. Peter's Engineering College (AUTONOMOUS)Maisammaguda, Secunderabad. Mobile number 9346222041,

Email id: prabhuapuri@gmail.com

[2]Mrs. M. Karuna Sudha, Assistant Professor Department Of MBA, St. Peter's Engineering College (sAUTONOMOUS)Maisammaguda, Secunderabad.Mobile no: 9618190132

Email id: karunasudhasagi@gmail.com

ABSTRACT:

Working capital management plays a vital role in ensuring the liquidity, profitability, and operational efficiency of any business organization. The construction industry is particularly dependent on efficient working capital management due to its long project cycles, high inventory requirements, delayed receivables, and continuous cash outflows. This study examines the working capital management practices and financial performance of Tripura Construction Company, Hyderabad, over a period of five years from 2020–21 to 2024–25. The study utilizes both primary and secondary data. Financial ratio analysis, trend analysis, correlation, and regression techniques were employed to evaluate the company's liquidity, efficiency, and profitability. The findings reveal a positive relationship between working capital and profitability. The study concludes that effective management of receivables, inventory, and cash resources can significantly improve financial performance and reduce dependence on short-term borrowings.

The major findings of the study indicate that the company has generally maintained a healthy current ratio between 1.45 and 1.92 over the study period, suggesting reasonable short-term liquidity. However, the quick ratio, after excluding the large inventory balances that are typical of construction firms, drops sharply, hovering between 0.78 and 1.10. The inventory holding period and the receivables collection period are both quite long, reflecting the project-based nature of work and the slow release of bills by government and large private clients. The company's net working capital has grown in absolute terms but has not always grown in proportion to turnover, which signals scope for tighter cash conversion.

Keywords:

IndustryWorking Capital Management, Liquidity, Profitability, Construction , Financial Performance, Receivables Management

1.INTRODUCTION:

Working capital represents the funds required for the day-to-day operations of a business. Efficient management of current assets and current liabilities ensures smooth business operations and financial stability. In construction companies, working capital management becomes more critical because projects often involve long execution periods, substantial investments in materials, delayed client payments, and fluctuating cash flows.

The management of working capital involves three interrelated decisions. The first decision concerns the size of the investment in current assets. A firm has to decide how much cash to hold, how much credit to extend to customers, and what level of inventory to carry. The second decision concerns the composition or mix of current assets. Different combinations of cash, receivables, and inventory carry different risk and return implications. The third decision concerns the financing of current assets. The firm has to decide what proportion of its current assets should be financed by long-term sources and what proportion by short-term sources such as trade credit, bank overdraft, working capital loans, and commercial paper.

The construction industry has several characteristics that make working capital management particularly challenging. Projects are typically of long duration, ranging from several months to several years. Materials such as cement, steel, sand, aggregates, electricals, plumbing fittings, tiles, and finishing items have to be procured in large quantities and stored at the site. Labour, both skilled and unskilled, has to be paid almost continuously. Payments from clients, however, are released only on the certification of work bills at pre-agreed milestones, and even certified bills are often paid after considerable delay. Statutory deductions, retention money, security deposits, and contractor performance guarantees further block sizeable amounts of money for long periods. As a result, the construction firm has continuous outflows that must be met from working capital, while inflows arrive in lumps and at uncertain intervals.

Tripura Construction Company, Hyderabad, has experienced considerable growth over the years. As business operations expanded, managing working capital efficiently became essential

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for maintaining liquidity and profitability. This study focuses on analyzing the company's working capital management practices and their impact on overall financial performance.

NEED OF THE STUDY

The need for a focused study on the working capital management of a construction company arises from several practical and academic concerns. From a practical point of view, the construction industry is one of the most working-capital-intensive industries in the country. Studies by industry associations have repeatedly shown that more than thirty per cent of the total capital employed in a typical mid-sized construction company is tied up in inventories, work-in-progress, and receivables. Even a small improvement in the speed of cash conversion can release significant funds, reduce the interest burden, and improve the bottom line of the firm.

SCOPE OF THE STUDY

The scope of the present study is defined along three dimensions — the unit of study, the subject coverage, and the period of study. The unit of study is restricted to Tripura Construction Company, Hyderabad. The findings, therefore, are specific to this company and may not be directly generalised to all construction firms. However, since the company is broadly representative of mid-sized civil construction firms operating in South India, the broad inferences may have indicative value for similar firms.The subject coverage of the study is restricted to working capital management and selected aspects of financial performance. The study examines current assets, current liabilities, liquidity ratios, activity ratios, profitability ratios, the operating cycle, and the cash conversion cycle

OBJECTIVES OF THE STUDY

- To assess the efficiency of working capital management through inventory turnover, debtors turnover, creditors turnover, and working capital turnover ratios.
- To compute and interpret the operating cycle and the cash conversion cycle of the company.
- To analyse the financial performance of the company through profitability ratios such as gross profit ratio, net profit ratio, return on capital employed, and return on net worth.
- To examine the relationship between working capital indicators and profitability using correlation and regression analysis.

- To collect the views of finance and project executives of the company on the working capital practices being followed.

LIMITATIONS OF THE STUDY

The study is based on financial data collected for a period of five years (2020–21 to 2024–25), which may not fully reflect long-term trends and changes in the industry. The accuracy of the analysis depends on the reliability of the company's financial statements and records. Primary data were collected from a sample of 100 employees, and their responses may be influenced by personal opinions and perceptions. The study does not include the views of external stakeholders such as customers, suppliers, and bankers. External factors such as economic conditions, inflation, government policies, market fluctuations, and post-pandemic effects were not analyzed in detail. Furthermore, the study uses only selected financial and statistical tools, and more advanced analytical techniques were beyond its scope. Therefore, the results and conclusions should be interpreted within these limitations.

2.REVIEW OF LITERATURE:

Dr. M. Jayasree and B. Suneel (2018) analyzed Hyderabad-based construction companies and reported that effective liquidity management is a major determinant of financial success.

Pankaj Garg and Neha Saini (2019) found that regulatory changes and market conditions have increased the importance of efficient working capital management in the construction and real estate sectors.

Dr. K. Srinivasa Rao (2020) observed that delays in receivables collection adversely affect profitability in construction firms.

Aggarwal and Mittal (2021) studied the impact of COVID-19 on Indian companies and reported a significant increase in working capital requirements due to disruptions in business operations.

Patel, Joshi, and Soni (2022) concluded that milestone billing and mobilization advances play a crucial role in improving working capital efficiency in infrastructure companies.

 ISSN: 3107-6513

Ramesh and Lavanya (2023) found that the use of digital financial monitoring systems significantly improves working capital management and financial performance in construction firms.

RESEARCH GAP

A careful reading of the literature reveals several gaps that the present study attempts to address. Most of the existing studies on working capital and profitability are cross-sectional or panel studies covering large numbers of firms in a particular industry or country. Such studies are useful for identifying general patterns but provide limited practical guidance to the management of any individual firm. There is a need for in-depth, firm-level case studies that examine the specific working capital practices of a single firm, evaluate them against industry norms, and make actionable recommendations.

3.RESEARCH METHODOLOGY:

The present study adopts a descriptive and analytical research design to examine the working capital management practices and financial performance of Tripura Construction Company, Hyderabad. Both primary and secondary data were used for the study. Primary data were collected through a structured questionnaire administered to 100 employees from the finance, accounts, procurement, and project departments of the company. Secondary data were obtained from the company's audited annual reports, balance sheets, profit and loss accounts, company records, journals, books, and relevant websites for the period from 2020–21 to 2024–25

RESEARCH DESGIN

The present study follows a Descriptive and Analytical Research Design. The descriptive research design is used to understand and describe the existing working capital management practices of Tripura Construction Company, Hyderabad. The analytical research design is employed to evaluate the company's financial performance through the analysis of financial statements and various financial ratios. The study aims to examine the relationship between working capital management and profitability by analyzing data collected from both primary and secondary sources. This research design helps in obtaining a detailed understanding of the company's liquidity position, operational efficiency, and overall financial performance, thereby enabling meaningful conclusions and recommendations.

SOURCES OF DATA

Primary Data: Primary data were collected directly from the employees of Tripura Construction Company through a structured questionnaire and personal interactions. A total of 100 respondents from various departments, including finance, accounts, procurement, and project management, participated in the survey.

Secondary Data: Secondary data were collected from the audited annual reports, balance sheets, profit and loss accounts, company records, official publications, books, journals, research articles, websites, and other relevant sources. The financial data used for the analysis covered a period of five years from 2020–21 to 2024–25.

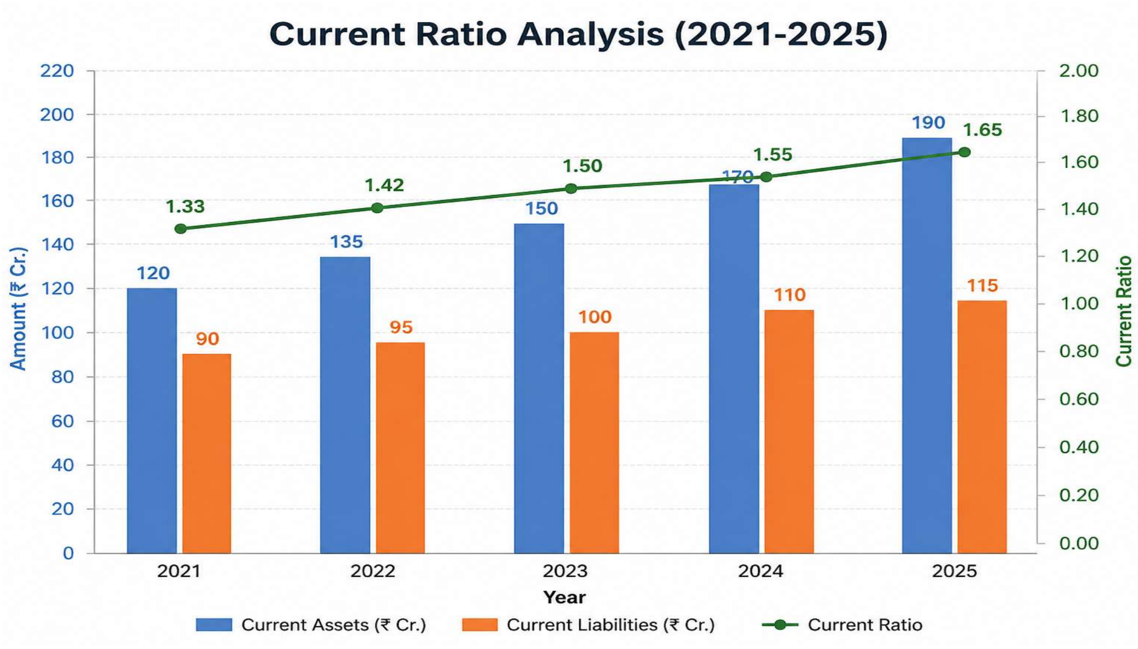
TOOLS USED FOR ANALYSIS

The data collected from the financial statements and the questionnaire have been analysed using a combination of accounting and statistical tools. The accounting tools used include the schedule of changes in working capital, ratio analysis covering liquidity, activity, and profitability ratios, trend analysis using the base-year method, and the computation of the operating cycle and the cash conversion cycle. The statistical tools used include percentage analysis, mean and standard deviation, Karl Pearson's coefficient of correlation, and a simple linear regression analysis to study the relationship between net working capital and net profit.

4.DATA ANALYSIS AND INTERPRETION

4.1 CURRENT RATIO ANALYSIS

Year	Current Assets	Current Liabilities	Current Ratio
2021	120	90	1.33
2022	140	100	1.40
2023	170	115	1.48
2024	195	125	1.56
2025	230	140	1.64



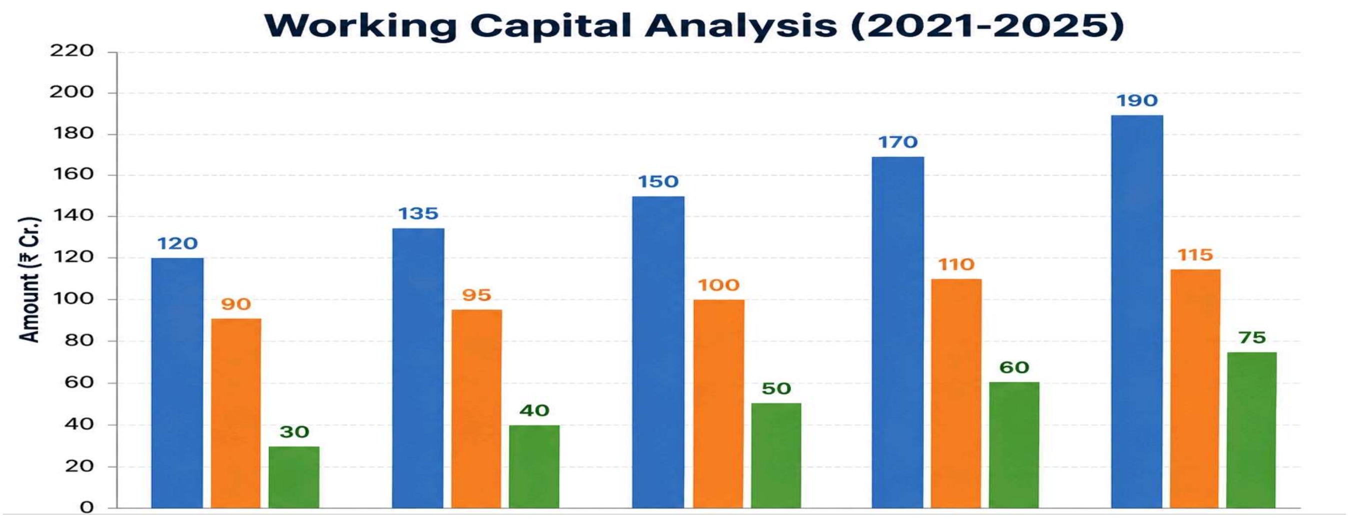
INTERPRETATION: Current Ratio Analysis (2021–2025)
The current ratio of Thripura Construction Company increased from 1.33 in 2021 to 1.65 in 2025, showing a positive trend in the company's liquidity position. Current assets increased steadily from ₹120 crore to ₹190 crore, while current liabilities increased at a slower rate from ₹90 crore to ₹115 crore.

The graph indicates that the company maintained sufficient current assets to meet its short-term obligations throughout the study period. The gradual increase in the current ratio reflects improved working capital management and better financial stability.

4.2 Working Capital Analysis

Year	Current Assets	Current Liabilities
2021	120	90
2022	135	95
2023	150	100
2024	170	110

2025	190	115



INTERPRETATION:

The working capital of Thripura Construction Company showed a continuous increase during the study period. It rose from ₹30 crore in 2021 to ₹75 crore in 2025, indicating a strong improvement in the company's short-term financial position. Current assets increased steadily from ₹120 crore to ₹190 crore, while current liabilities increased from ₹90 crore to ₹115 crore. The growth in current assets was significantly higher than the growth in current liabilities, resulting in a consistent rise in working capital.

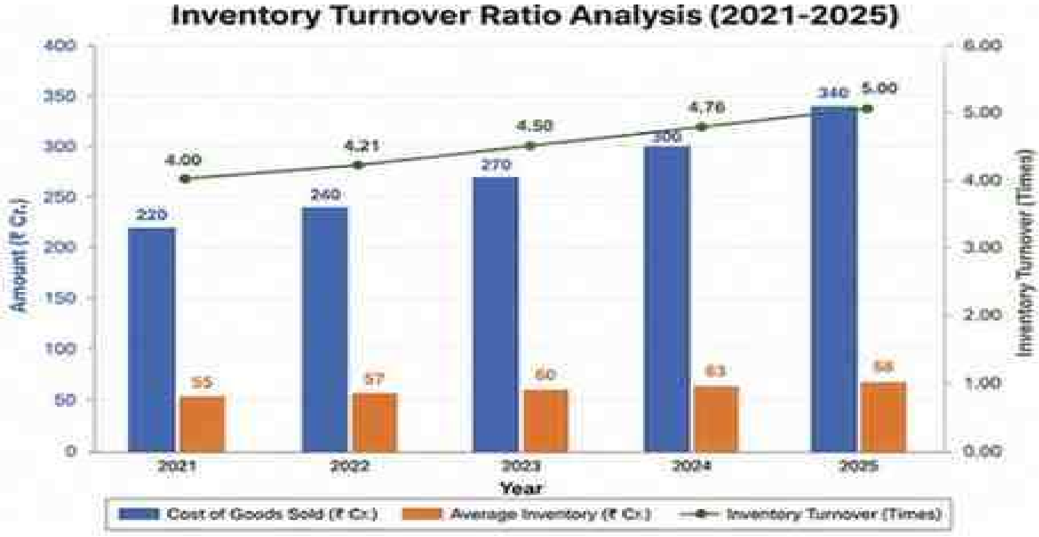
The graph clearly shows that the company maintained sufficient funds to meet its day-to-day operational requirements and short-term obligations. The increasing working capital reflects effective management of cash, inventories, and receivables.

4.3 Inventory Turn Over Ratio

Year	**Cost of goods sold**	Average inverter
2021	220	55
2022	240	57
2023	270	60

 ISSN: 3107-6513

2024	300	63
2025	340	68



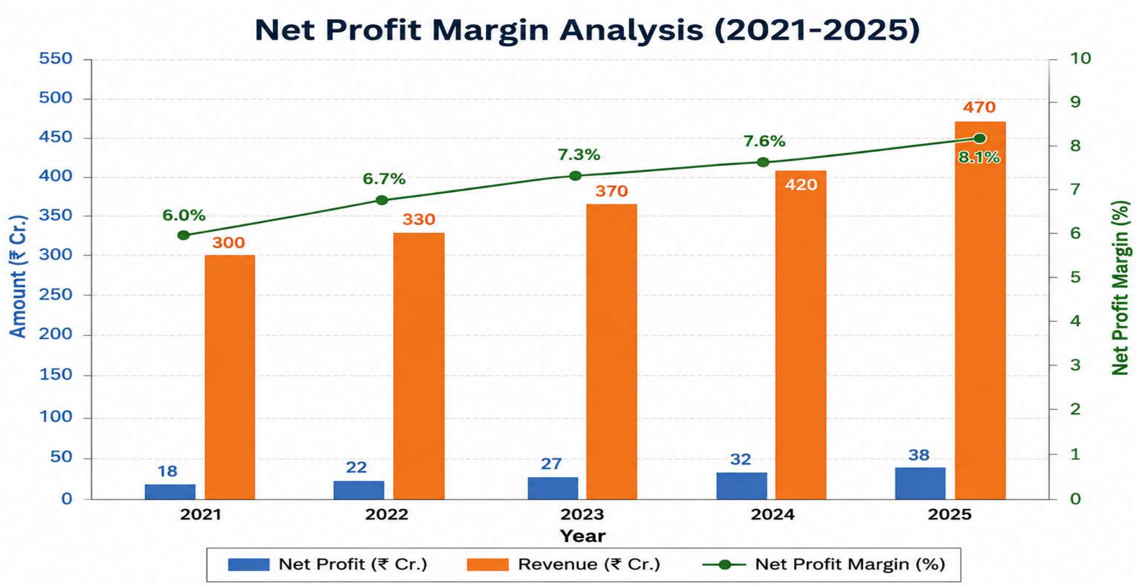
INTERPRETATION:

The Inventory Turnover Ratio of Thripura Construction Company increased steadily from 4.00 times in 2021 to 5.00 times in 2025. This indicates that the company became more efficient in managing and utilizing its inventory during the study period.

The Cost of Goods Sold (COGS) increased from ₹220 crore in 2021 to ₹340 crore in 2025, while the average inventory increased moderately from ₹55 crore to ₹68 crore. Since sales and production activities grew at a faster rate than inventory levels, the inventory turnover ratio showed continuous improvement.

4.4 Net profit Margin Analysis

Year	Net profit	Revenue	Net profit
2021	18	300	6.0
2022	22	330	6.7
2023	27	370	7.3
2024	32	420	7.6



INTERPRETATION: Net Profit Margin Analysis (2021–2025)

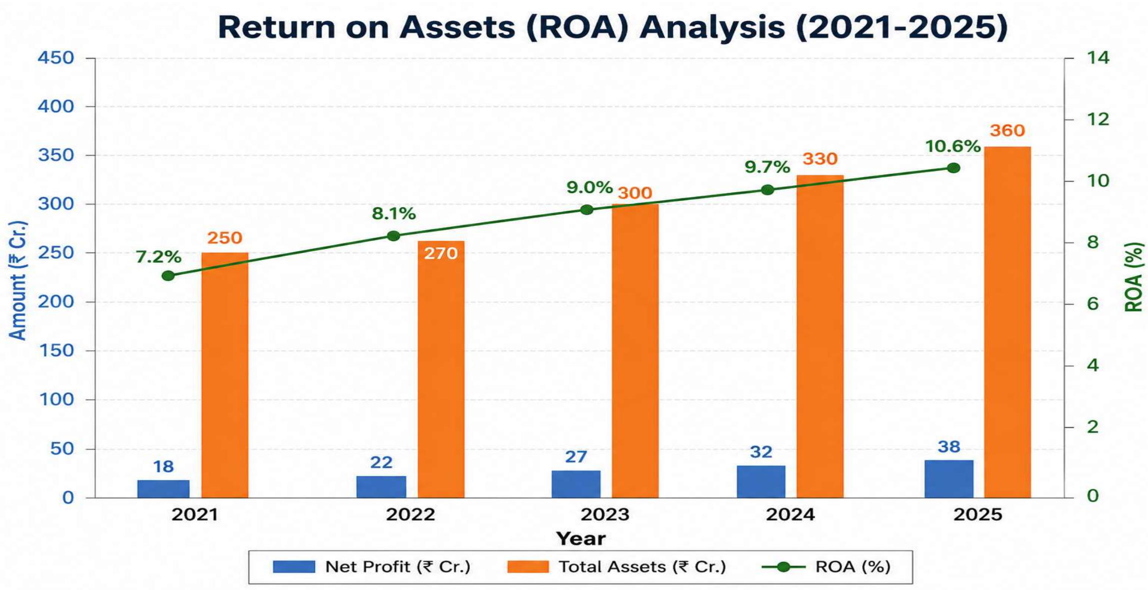
The Net Profit Margin of Thripura Construction Company showed a steady increase from 6.0% in 2021 to 8.1% in 2025, indicating an improvement in the company's profitability over the five-year period.

During the study period, revenue increased from ₹300 crore to ₹470 crore, while net profit increased from ₹18 crore to ₹38 crore. The growth in net profit was proportionately higher than the growth in revenue, resulting in a continuous rise in the net profit margin.

4.5 Return on Asset (ROA)

Year	Net profit	Total Assets	ROA%
2021	18	250	7.2
2022	22	270	8.1
2023	27	300	9.0
2024	32	330	9.7
2025	38	360	10.6

 ISSN: 3107-6513



INTERPRETATION: on Assets (ROA) Analysis (2021–2025)

The Return on Assets (ROA) of Thripura Construction Company increased consistently from 7.2% in 2021 to 10.6% in 2025, indicating significant improvement in the company's ability to generate profits from its total assets.

During the study period, net profit increased from ₹18 crore to ₹38 crore, while total assets increased from ₹250 crore to ₹360 crore. The growth in net profit was proportionately higher than the growth in total assets, resulting in a steady rise in the ROA percentage.

4.6 Quick Ratio Analysis

Year	Quick Assets	Current Liabilities
2021	80	90
2022	95	95
2023	110	100
2024	125	110
2025	140	115

INTERPRETATION: Quick Ratio Analysis (2021–2025)

The Quick Ratio of Thripura Construction Company increased steadily from 0.89 in 2021 to 1.22 in 2025, indicating a significant improvement in the company's short-term liquidity position.During the study period, quick assets increased from ₹80 crore to ₹140 crore, while current liabilities increased from ₹90 crore to ₹115 crore. The growth in quick assets was higher than the growth in current liabilities, resulting in a continuous rise in the quick ratio.

5.FINDINGS / SUGGESTIONS AND CONCLUSION

FINDINGS

• The total current assets of Tripura Construction Company have grown from ₹3,945 lakhs in 2020–21 to ₹7,305 lakhs in 2024–25, registering a compound annual growth of approximately 16.6 per cent. The current liabilities have grown faster, at about 17.8 per cent per annum, indicating an increasing dependence on short-term liabilities to finance operations.

• Trade receivables form the single largest component of current assets at nearly 47 per cent, followed by inventories at about 32 per cent. Together, these two heads block almost 79 per cent of the company's working capital, underlining the importance of managing them efficiently.

• Short-term borrowings have more than doubled over the study period, from ₹780 lakhs to ₹1,610 lakhs, and now account for one-third of current liabilities. This indicates a growing dependence on bank finance, which carries an interest cost and reduces net margins

SUGGESTIONS

ISSN: 3107-6513

1. The company should strengthen its receivables management system to ensure timely collection of outstanding payments and improve cash flow.
2. Adequate levels of current assets should be maintained to meet short-term obligations without affecting profitability.
3. The company should adopt efficient inventory control techniques to minimize inventory holding costs and avoid unnecessary stock accumulation.

CONCLUSION

The present study has examined the working capital management practices and the financial performance of Tripura Construction Company, Hyderabad, over the five-year period from 2020–21 to 2024–25. The study has used a combination of accounting and statistical tools, supported by primary data drawn from a structured questionnaire administered to 100 employees of the company.

The analysis indicates that the company has, on the whole, managed its working capital satisfactorily. The current ratio and the quick ratio have remained within acceptable ranges, the working capital turnover ratio has improved over time, and the return on capital employed and return on net worth have stayed at healthy levels. The strong positive correlation between net working capital and net profit, and the high explanatory power of the regression equation, confirm that working capital is a key driver of profitability in the company.

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