



FINANCIAL PERFORMANCE AND WORKING CAPITAL MANAGEMENT AT DEVI MOTORS - A YAMAHA DEALERSHIP PERSPECTIVE

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Abstract:

Working capital management plays a vital role in ensuring financial stability, operational efficiency, and profitability for businesses. This study examines the working capital management practices of Devi Motors, an authorized dealer of Yamaha Motors, over a five-year period (2020-2024). The research analyzes liquidity, asset utilization, and financial performance using secondary data from financial statements. Key findings reveal a consistent increase in working capital, with a significant rise in 2024 due to higher trade debtors and closing stock. While this growth indicates expansion, it also raises concerns about credit risk and inventory management. The study suggests optimizing receivables management and inventory control to enhance financial sustainability. By implementing effective working capital strategies, Devi Motors can maintain liquidity, minimize financial risks, and support long-term profitability.

Key Words: Working Capital Management, Financial Performance, Yamaha Motors

Introduction:

Working capital management is a crucial aspect of financial management that ensures a business maintains sufficient liquidity to meet its short-term obligations. It involves managing current assets such as cash, accounts receivable, and inventory, along with current liabilities like accounts payable and short-term debt. Effective working capital management ensures operational efficiency, financial stability, and profitability. This study focuses on analyzing the working capital management of Yamaha Motors and its authorized dealer, Devi Motors. The automobile industry, particularly the two-wheeler segment, plays a significant role in the Indian economy, requiring efficient financial strategies to sustain growth. The study aims to identify challenges in managing working capital, assess its impact on financial performance, and propose strategies for improvement. By evaluating liquidity, asset utilization, and profitability, this research provides insights into optimizing working capital for sustainable business operations.

Objectives of the Study:

- To analyze the efficiency of working capital management at Devi Motors and its impact on financial performance.
- Assess the company's financial health by comparing financial statements over multiple periods to identify growth trends and stability.

Need for the Study:

- This study focuses on analyzing the working capital management practices of Devi Motors, an authorized dealer of Yamaha Motors, over a five-year period (2020-2024).
- It aims to identify challenges in managing working capital, assess its impact on financial performance, and propose strategies for improvement.

Scope of the Study:

- The study evaluates the working capital management of Devi Motors from 2020 to 2024, analyzing liquidity, asset utilization, and profitability.
- It uses secondary data from financial statements, including balance sheets and profit and loss accounts, to assess trends in working capital.
- The study provides insights into improving financial efficiency and ensuring sustainable business operations

Limitations of the Study:

- The study is limited to a five-year period (2020-2024), which may not fully capture long-term financial trends.
- It relies solely on secondary data, excluding non-monetary factors such as market conditions and management decisions.

Review of Literature:

N. Sureshkumar (2024) - "Optimizing Working Capital Management in Supply Chain Finance: A Multi-Dimensional Approach" published in the Information Management and Business Review (ISSN 2220-3796), Vol. 16, No. 2, pp. 44-52, SI(2) This study focuses on how supply chain finance (SCF) has transformed working capital management in the automobile industry. It analyzes how automobile manufacturers and suppliers leverage SCF solutions such as reverse factoring, dynamic discounting, and supplier financing to improve cash flow efficiency. The research finds that firms utilizing SCF strategies have been able to extend payment terms with suppliers while maintaining strong relationships and ensuring smooth operations. The study also highlights the growing role of digital supply chain platforms in enhancing visibility and reducing financing costs. The author concludes that integrating SCF into WCM strategies can provide a competitive advantage for firms operating in capital-intensive industries like automobile manufacturing.

Merceline Anitha, B., Monisha, S., & Mohanakumar, A.N. (2023) - "A Study on Working Capital Management in CA Honda" This study examines the financial performance of CA Honda over five years using key metrics like return on assets and

net operating margin. It finds that the cash conversion cycle negatively affects both indicators. Efficient working capital management (WCM) is essential for maintaining liquidity and profitability. The study emphasizes the role of WCM in enhancing financial health. The authors suggest that optimizing WCM can improve long-term business stability.

Paidipally Preetham Rao, M Saida Rao (2023) "A Study on Working Capital With Reference to Hero Motors" Journal of Engineering Sciences 14 (06), Working Capital could be seen as the most crucial component of a company. Its efficient distribution and use may significantly increase a business's chances of success. While effective management may result in the eventual demonstrated decline of what would otherwise be seen to as a promising concern, in addition to project losses. A working capital analysis is essential as it directly influences a firm's daily operations and overall efficiency.

Research Methodology:

The research methodology for this study follows a descriptive research design, focusing on analyzing the working capital management of Devi Motors, an authorized dealer of Yamaha Motors. The study is based on secondary data, primarily financial statements, including the balance sheet and profit & loss account, collected for a five-year period (2020-2024). Various financial analysis tools such as ratio analysis, comparative statement analysis, and working capital analysis have been used to evaluate liquidity, profitability, and asset utilization. The research examines trends in working capital, inventory management, receivables turnover, and debt levels to assess financial efficiency. By applying these analytical techniques, the study aims to provide insights into the financial performance of Devi Motors and suggest strategies for optimizing working capital management.

Techniques:

- Working Capital Management: Working capital represents a company's short-term financial health and operational efficiency. It shows the ability to cover short-term liabilities with short-term assets.
- Comparative Statement Balance Sheet: Assets and liabilities of business for the previous year as well as the current year Changes (increase or decrease) in such assets and liabilities over the year both in absolute and relative terms. Thus, a comparative balance sheet not only gives a picture of the assets and liabilities in the different accounting periods. It also reveals the extent to which the assets and liabilities have changed during such periods.

Data Collection Methods:

- Secondary Data: Financial statements such as balance sheets and profit and loss accounts from Devi Motors.

Period of Study:

- 2020-2024.

Analysis and Interpretation Working Capital:

Year	Current Assets (₹)	Current Liabilities (₹)	Working Capital (₹)
2020	6,87,391	91,652	5,95,739
2021	8,77,243	1,10,743	7,66,500
2022	10,53,199	1,32,489	9,20,710
2023	12,42,826	1,52,357	10,90,469
2024	26,96,777	2,41,577	25,55,200

Interpretation:

The company has consistently maintained positive working capital from 2020 to 2024, indicating strong short-term liquidity and financial stability. A steady increase in working capital from 2020 to 2023 suggests effective management of current assets and liabilities. However, 2024 shows an exceptional rise in working capital, primarily due to a significant increase in current assets, particularly closing stock and trade debtors.

Balance Sheet Analysis 2023 Vs 2024:

Particulars	2024 (Rs.)	2023 (Rs.)	Increase / (Decrease) (Rs.)	% Change
Capital A/c				
Opening Balance	18,61,338	14,15,914	4,45,424	31.45%
Add: Net Profit	5,94,695	6,61,520	(66,825)	(10.10%)
Less: Drawings	(2,88,096)	(2,16,096)	(72,000)	33.33%
Current Liabilities				
Trade Creditors	2,41,577	1,52,357	89,220	58.56%
Secured Loan				
Total Secured Loans	33,78,421	8,50,336	25,28,085	297.39%
Total Liabilities	56,87,935	28,64,031	28,23,904	98.56%
Fixed Assets				
Total Fixed Assets	26,61,158	16,21,206	10,39,952	64.15%
Current Assets				
Trade Debtors	7,00,487	2,64,631	4,35,856	164.72%
Closing Stock	18,92,586	9,24,157	9,68,429	104.77%
Cash at Bank & Hand				
Total Bank Balance	1,64,286	14,592	1,49,694	1025.54%
Cash in Hand	39,418	39,446	(28)	(0.07%)
Total Current Assets	27,96,777	12,42,826	15,53,951	125.02%
Total Assets	56,87,935	28,64,031	28,23,904	98.56%

Interpretation:

- Capital Structure: The opening balance increased by 31.45%, showing accumulated profits over the years. Net profit decreased by 10.10%, indicating lower earnings, which should be analyzed for operational efficiency. Drawings

increased by 33.33%, which might affect available working capital.

- Liabilities and Borrowings: Trade creditors increased by 58.56%, suggesting increased purchases on credit. Secured loans saw a significant increase of 297.39%, indicating higher reliance on external financing. Total liabilities nearly doubled, reflecting an increased financial burden.
- Asset Utilization: Fixed assets grew by 64.15%, implying expansion or asset acquisition. Trade debtors increased by 164.72%, indicating higher credit sales but also potential collection issues. Closing stock increased by 104.77%, possibly indicating lower sales or stock accumulation. Cash at the bank saw a remarkable rise of 1025.54%, improving liquidity.

Findings:

- Devi Motors has maintained a consistently positive working capital from 2020 to 2024, indicating strong liquidity and financial stability.
- A sharp rise in working capital in 2024 (₹25,55,200) is driven by a substantial increase in current assets, particularly trade debtors and closing stock.
- Total assets and total liabilities nearly doubled in 2024 (98.56% increase), showcasing business expansion but also increased financial obligations
- Fixed assets increased by 64.15%, indicating investment in infrastructure or equipment.

Suggestion:

- Implement stricter credit policies and improve collection efficiency to reduce the risk of bad debts and ensure a steady cash flow. This can be done by setting credit limits, offering early payment discounts, and closely monitoring overdue accounts.

Conclusion:

The study on working capital management at Devi Motors highlights its strong liquidity position and financial stability over the years. The company has consistently maintained positive working capital, with a significant rise in 2024 due to increased trade debtors and closing stock. While the growth in assets and expansion in business operations indicate financial progress, the rising dependency on trade credit and secured loans poses potential risks. Effective receivables management and inventory control are crucial to maintaining profitability and reducing financial strain. By optimizing working capital strategies, Devi Motors can ensure sustainable growth, improved cash flow, and long-term financial stability.

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