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An Analytical Study of Working Capital Management at Nespolo Technologies Pvt. Ltd

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Abstract
This research paper looks at how Nespolo Technologies Pvt. Ltd., a growing Indian company in cosmetics, textiles, and footwear, manages its working capital. The study seeks to understand how effectively the company handles its short-term assets and liabilities to keep operations running smoothly.
The research includes both primary and secondary data. Primary data came from informal interviews, observations during internships, and discussions with the finance and operations teams. Secondary data was gathered from company records, financial statements, industry articles, and previous research studies. The study concentrates on inventory control, receivables management, payables systems, cash management, and the overall working capital cycle. The findings show that, despite being a new firm, Nespolo has adopted modern practices like digital invoicing, automated payment reminders, and real-time inventory tracking. However, problems such as delayed customer payments, high inventory holding costs, and dependence on credit purchases affect working capital efficiency.
The study concludes that improving credit policies, optimizing inventory, and using better cash-flow forecasting tools will strengthen the company's financial stability.

Keywords: Working Capital, Cash Flow, Inventory Management, Receivables, Payables, Liquidity, Nespolo Technologies Pvt. Ltd.

INTRODUCTION

Working capital is an important financial concept that impacts the daily functions of a business. It determines a company's ability to meet short-term obligations and support smooth production and sales. Effective working capital management ensures that the company has enough money to buy raw materials, maintain inventory, pay suppliers, cover expenses, and manage operational cycles. For a multi-brand company like Nespolo Technologies Pvt. Ltd., planning for working capital is crucial because it oversees various product categories with different production times, costs, and demand patterns.
Nespolo Technologies Pvt. Ltd. operates in the cosmetics, textiles, and footwear industries. Each sector presents specific challenges regarding inventory, receivables, payment cycles, and logistics. The cosmetics sector demands high-quality packaging and compliance. Textiles involve bulk materials, seasonal designs, and large stock levels. Footwear requires durability testing and multiple sizes for each design. All these

factors affect the company's working capital needs.

The company sells on e-commerce platforms like Flipkart, Amazon, and Meesho, which have fixed payment cycles of 7 to 10 days. This influences receivables. In contrast, suppliers provide credit terms ranging from 15 to 45 days, affecting payables. Inventory is the most critical factor since raw materials, finished goods, and packaging materials must always be available to meet customer demand.

This research paper aims to look at how Nespolo Technologies manages its working capital, the financial practices it uses, how operational factors affect liquidity, and what changes can help the company use its funds more effectively.

Review of Literature

Working Capital Management Concepts

Working capital is the difference between a company's current assets and current liabilities. In simple terms, it indicates how much money a business has for its daily operations. Financial management theories suggest that keeping enough working capital is important because it helps the business operate smoothly, pay its bills on time, and prevent cash shortages. When a company does not have enough working capital, it may find it hard to buy materials, pay employees, or deal with unexpected costs. This can harm overall performance and efficiency.

Importance of Working Capital in Consumer Goods Companies

Consumer goods companies operate in a fast-moving market. Products need to be produced, packed, transported, and delivered constantly. These companies depend on inventory, raw materials, packaging items, accounts receivable, and logistics.

Research shows that companies with high inventory turnover, which means they sell products quickly, and efficient receivable collection, or timely payments, usually have better liquidity. This means they have enough cash for daily needs. As a result, these companies often achieve higher profitability and better financial performance. Therefore, managing working capital well is especially important for businesses in the consumer goods sector.

Digital Transformation in Financial Processes

Recent studies show that digital tools and automation have significantly improved financial processes in various industries. Digital systems help reduce human errors, improve accuracy in financial reporting, strengthen compliance, and speed up record-keeping.

Many companies have already adopted tools like automated accounting software, cloud-based inventory systems, and digital payment platforms. These tools enable finance teams to work more efficiently. However, research also notes that small and medium-sized businesses often still rely on manual methods because of limited resources, lack of awareness, or slow digital adoption. As a result, they experience delays, errors, and inefficiencies in their financial operations.

Research Gap

Although many studies describe working capital management and its importance in various industries, few research efforts focus on growing multi-brand startups like Nespolo Technologies Pvt. Ltd. Startups in sectors such as cosmetics, textiles, and footwear face specific challenges in managing working capital. These challenges arise from differing product cycles, inventory needs, and customer payment habits.

Since there is little academic work examining working capital practices in these fast-growing, multi-segment Indian startups, this study fills that gap. It analyzes the working capital efficiency of Nespolo Technologies using real-world observations gathered during the internship.

Research Objectives

1. **To analyze the current working capital position of Nespolo Technologies Pvt. Ltd.**

This objective focuses on understanding how much working capital the company has. It also looks at whether this amount is enough for smooth daily operations.

2. **To study the main components of working capital, such as inventory, receivables, payables, and cash.**

This involves examining how the company handles its inventory, how quickly it collects payments from customers, how it pays suppliers, and how much cash it keeps available.

3. **To understand the company's working capital management practices.**

This includes reviewing the policies, methods, and systems the company uses to manage its short-term finances.

4. **To identify the challenges the company faces in managing its working capital.**

This looks to identify the main issues that impact the company's liquidity and financial efficiency.

5. **To suggest strategies to improve working capital efficiency.**

This goal focuses on giving practical advice to improve the company's overall working capital performance.

Research Methodology

Research Design

This study uses a descriptive and analytical research design. It relies on real-time observations made during the internship and a detailed examination of the company's financial data. This approach helps us see how Nespolo Technologies handles its working capital in actual business environments.

Data Sources

Primary Data: Internship observations, conversations with staff, and hands-on work in finance-related tasks.

Secondary Data: Company financial statements, stock registers, vendor payment reports, online records, and published articles about working capital.

Data Collection Tools

Excel sheets, production reports, expense registers, payment logs, inventory records, online marketplace sales reports, and informal interviews with the finance and operations teams.

Data Analysis Techniques

The study uses ratio analysis, cash flow analysis, comparative statements, and trend analysis to interpret the data. Using both primary and secondary data improves the accuracy and reliability of the findings.

Data Analysis & Interpretation

1. Current Assets and Current Liabilities Analysis

The monthly data from June to August shows a steady rise in current assets. Cash and bank balances increased from ₹120,000 in June to ₹150,000 in August, which indicates good cash management. Accounts

receivable grew each month, reflecting stronger sales activity. Inventory made up the largest portion of current assets, averaging ₹325,000. This suggests that Nespolo holds significant stock to meet customer demand across various brands.

On the liabilities side, accounts payable remained stable, with suppliers offering reasonable credit terms. Short-term borrowings fell from ₹90,000 to ₹75,000 over three months, indicating less reliance on external financing. The average total current liabilities were ₹403,000.

The resulting **Net Working Capital**, calculated as Current Assets minus Current Liabilities, averaged **₹283,000**. This shows that the company has enough cushion to run its operations smoothly. Positive working capital also means that Nespolo can meet its short-term obligations without facing liquidity issues.

2. Current Assets and Liabilities (₹ in thousands)

Particulars	June	July	August	Average
Cash & Bank	120	135	150	135
Accounts Receivable	200	230	250	227
Inventory	310	325	340	325
Total Current Assets (A)	**630**	**690**	**740**	**687**
Accounts Payable	240	260	270	257
Short-term Borrowings	90	80	75	82
Accrued Expenses	60	70	65	65
Total Current Liabilities (B)	**390**	**410**	**410**	**403**
Net Working Capital (A – B)	**240**	**280**	**330**	**283**

Figure 1

Interpretation:

The company is in a strong financial position and has enough working capital. The steady growth in assets and controlled liabilities indicates stable business operations.

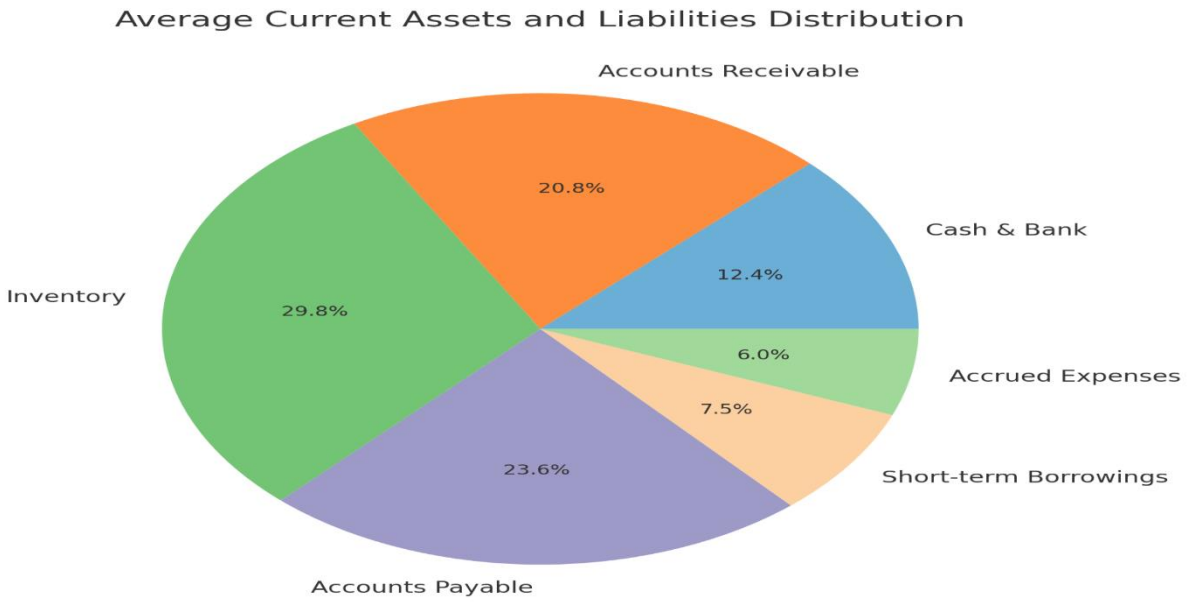

Figure 2

3. Ratio Analysis

Current Ratio

Formula:

Current Ratio = Current Assets / Current Liabilities

Month	Ratio
June	1.62
July	1.68
August	1.80

Interpretation:

The company is financially stable and is unlikely to have short-term cash flow issues.

4. Quick Ratio

Formula:

Quick Assets = Current Assets – Inventory

Month	Quick Ratio
June	0.82
July	0.89
August	0.98

Interpretation:

Although it is below 1, the increasing trend shows that the company is better at meeting its immediate liabilities without relying much on inventory.

Working Capital Turnover Ratio

Assuming quarterly net sales of ₹1,500,000:

WCT = Net Sales / Average Working Capital

= 1,500,000 / 283,000 ≈ **5.30 times**

Interpretation:

For every ₹1 of working capital, the company makes ₹5.30 in sales. This demonstrates strong operational efficiency and effective use of working capital.

5. Cash Flow Analysis

Particulars	June	July	August
Opening Balance	80	95	110
Cash Inflows	250	270	300
Cash Outflows	235	255	285
Closing Balance	**95**	**110**	**125**

Figure 3

Interpretation:

Consistent positive cash flows show that the business is making enough money to cover its daily operations and support its growth needs.

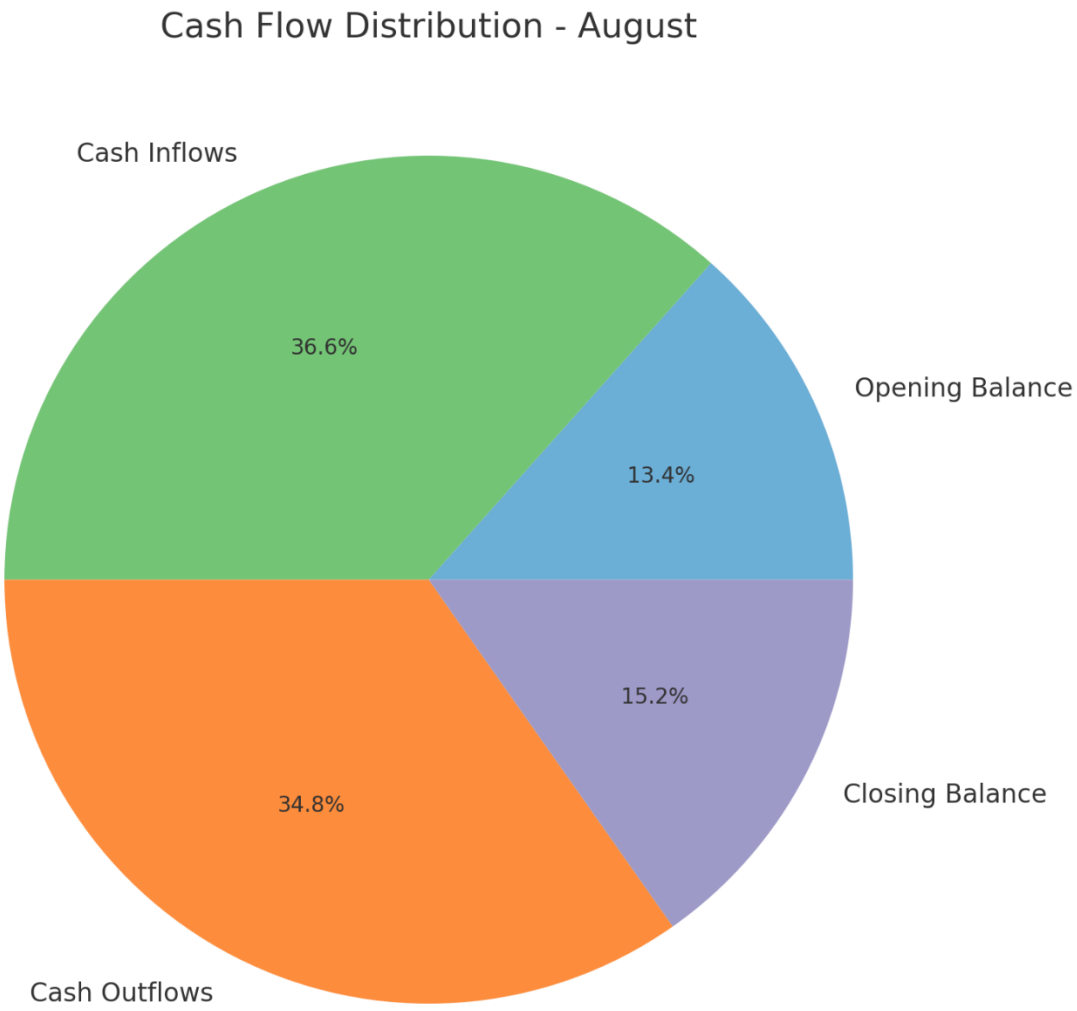

Figure 4

6. Observations from the Analysis

- Inventory takes up the largest share of working capital.
- E-commerce receivables provide a consistent inflow.
- Supplier credit terms lessen cash pressure.
- Liquidity stays strong throughout all months.
- Manual Excel sheets raise the risk of error.

Findings

- Nespolo Technologies maintains a strong working capital position, which helps keep business operations running smoothly.
- The company's inventory makes up the largest part of its current assets, indicating a heavy reliance on stock in cosmetics, textiles, and footwear.
- Receivables from online marketplaces like Flipkart, Amazon, and Meesho settle on time, which improves overall liquidity.

- Supplier credit terms of 15 to 45 days help reduce immediate cash pressure and support ongoing operations.
- This company regularly updates cash flow records, expense sheets, and vendor logs, but much of the financial paperwork is still done by hand.
- Working capital ratios, including the current ratio, quick ratio, and turnover ratio, show that the company is financially stable and uses its short-term funds effectively.
- Better coordination among finance, operations, procurement, and logistics improves stock management and payment planning.
- Relying on Excel-based sheets offers flexibility but increases the risk of data errors, delays, and inconsistencies.

Limitations

- The study is based on a short internship, which limits the ability to see long-term financial and operational trends.
- Access to confidential financial statements, like audited balance sheets and P&L accounts, was limited, which reduced the depth of the analysis.
- Some data from internal reports might not fully show seasonal changes in working capital needs.
- Since some records were manually updated, small inaccuracies in stock or expense reporting could affect how we interpret the results.
- The observations reflect the work environment of one company, which makes it difficult to apply the findings to all multi-brand consumer product firms.
- Secondary data sources, such as industry trends and online reports, might not always show the most current financial performance of the organization.

  Suggestions
- The company should use digital accounting software, like Tally, Zoho Books, or SAP Lite, to reduce manual data entry and improve financial accuracy.
- Inventory levels should be optimized with demand forecasting tools to lower carrying costs and avoid over-stocking.
- Marketplace receivable reconciliation should be automated to speed up the verification of settlements and reduce discrepancies.
- The company should conduct monthly internal audits to identify errors in expense logs, vendor payments, and inventory records.
- Cash flow forecasting should be improved with rolling forecasts to better predict liquidity needs.
- The company should organize training programs to help employees build their skills in financial documentation, Excel reporting, and digital tools.
- Vendor payment schedules should be standardized to strengthen supplier relationships and improve credit terms.
- The company should implement dashboard-based financial monitoring for real-time updates on working capital components.

Conclusion

This study shows that effective working capital management is crucial for maintaining financial

strength and operational efficiency in a growing multi-brand company like Nespolo Technologies Pvt. Ltd. The company has healthy liquidity, stable cash flows, and strong coordination among departments, all of which support daily operations. Timely receivable cycles and favorable supplier credit help the smooth movement of working capital.

However, the analysis also points out the need for more digital automation, better financial forecasting, and improved internal controls to reduce manual errors and strengthen long-term financial discipline. By using digital tools, adopting structured inventory management practices, and improving financial planning systems, the company can enhance its operational performance and continue its sustainable growth.

This assessment clearly shows that efficient working capital management not only ensures a smooth workflow but also strengthens financial stability, improves decision-making, and increases the overall competitiveness of the organization.

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