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A Study On Working Capital Management Of Thinknext Technologies Pvt. Ltd

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Abstract: This research paper presents a detailed study on the working capital management practices of Think NEXT Technologies Pvt. Ltd. for the year 2023–24. Working Capital Management (WCM) plays a vital role in ensuring operational liquidity, solvency, and financial efficiency. The objective of this study is to analyze the company's financial performance in terms of liquidity and profitability, to identify the challenges faced, and to suggest improvements. Secondary data has been collected from financial statements, internal records, and Tally ERP reports. The findings reveal that while the company enjoys high liquidity with cash and bank balances amounting to ₹65,00,000, it simultaneously reported a net loss of ₹1,75,000, indicating poor utilization of resources. The paper discusses in detail the ratios, comparative analysis, and implications for service-based companies. Recommendations include adopting a formal working capital policy, investing idle funds in income-generating instruments, and leveraging ERP features for real-time cash flow monitoring.

Introduction

Introduction To Company
ThinkNEXT Technologies Pvt. Ltd., established in 2009, is an ISO-certified software development company providing ERP solutions, mobile applications, web development, biometric systems, bulk messaging, and industrial training. With expertise in emerging technologies such as NFC, cloud computing, and smart campus automation, the company has expanded its presence across India and abroad. Its commitment to innovation, quality, and training has positioned it as a key player in IT solutions and placements.

Introduction To Topic
Working Capital Management (WCM) is one of the most critical areas of financial management, often referred to as the lifeblood of business operations. It focuses on managing a company's short-term assets and liabilities in such a way that the business maintains adequate liquidity to meet its day-to-day obligations, while also ensuring that resources are not locked in unproductive assets.

At its core, working capital is calculated as the difference between current assets (such as cash, receivables, and short-term investments) and current liabilities (such as accounts payable, short-term borrowings, and accrued expenses). Effective management of these components ensures that the company has the ability to sustain operations without financial stress.

Working Capital in Service-Sector Firms: Traditionally, WCM research has centered around manufacturing firms, where the focus is on inventory turnover, receivables, and supplier credit cycles. However, in service-based companies like Think NEXT Technologies Pvt. Ltd., the dynamics are different:

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1. Inventory is negligible or non-existent.
2. Cash and receivables dominate the balance sheet.
3. Working capital decisions revolve around cash management, fee collection cycles, and payment of recurring expenses (salaries, marketing, rent, software licenses, etc.).

This makes WCM in service firms more about liquidity planning and efficient cash utilization than about managing physical stock.

Literature Review:

Working Capital Management has been extensively researched in finance literature. **Brigham and Houston (2022)** argue that efficient WCM ensures solvency and profitability. **Pandey (2021)** emphasizes the balance between liquidity and profitability, noting that excess liquidity leads to idle funds and opportunity costs. **Ross et al. (2022)** suggest that firms with structured working capital policies outperform those without. **The Reserve Bank of India (2023)** highlights that mismanagement of working capital is a leading cause of SME failures. Empirical studies on service-sector firms show that unlike manufacturing firms, they rely less on inventory and more on liquidity planning and receivables management. These studies collectively reinforce the importance of aligning short-term financial strategies with long-term growth plans.

Objectives:

To study the working capital management practices at ThinkNEXT Technologies Pvt. Ltd.

Research methodology:

The study is based on secondary data collected from ThinkNEXT Technologies Pvt. Ltd. for the year 2023–2024. The data was obtained from internal financial statements, ledger accounts, and Tally ERP records. The methodology involves ratio analysis, comparative analysis with standard benchmarks, and graphical representation.

- Sample Size: One year (2023–2024)
- Sample Area: ThinkNEXT Technologies Pvt. Ltd.
- Tools Used: Ratio Analysis, Graphical Analysis.

Data analysis:

Data analysis is a critical part of any financial project as it provides factual insight into a company's financial health and efficiency. In this chapter, the working capital components of ThinkNEXT Technologies Pvt. Ltd. for the financial year 2023–2024 are analyzed and interpreted using financial tools and techniques. The data was collected from internal records and working capital summaries accessed during the internship period.

This analysis is primarily focused on:

- Cash-in-hand and bank balances
- Net loss figures
- Key financial ratios (liquidity and efficiency-based)
- Visual interpretation through graphs

Statement of Working Capital (FY 2023–24)

Particulars	Amount (₹)
Cash-in-Hand	₹63,05,000
Bank Balance	₹1,95,000
Total Working Capital	₹65,00,000 Dr
Net Loss	₹1,75,000

The total current assets primarily consist of liquid funds (cash and bank). There is no data available for inventory or receivables, which are typically a part of working capital in trading or manufacturing firms. Being a service-based company, ThinkNEXT operates mainly on prepaid or up-front fee structures, which explains the minimal receivables.

Ratio Analysis:

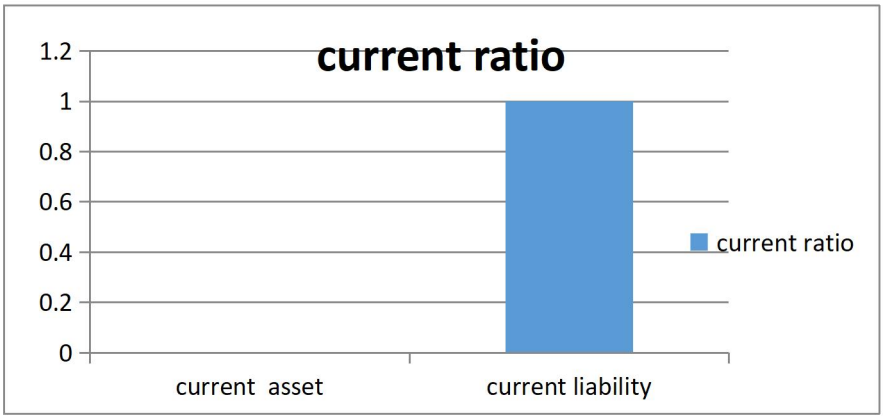
1. Current Ratio

Formula:

Current Ratio = Current Assets - Current Liabilities
Current Ratio = Current Liabilities - Current Assets

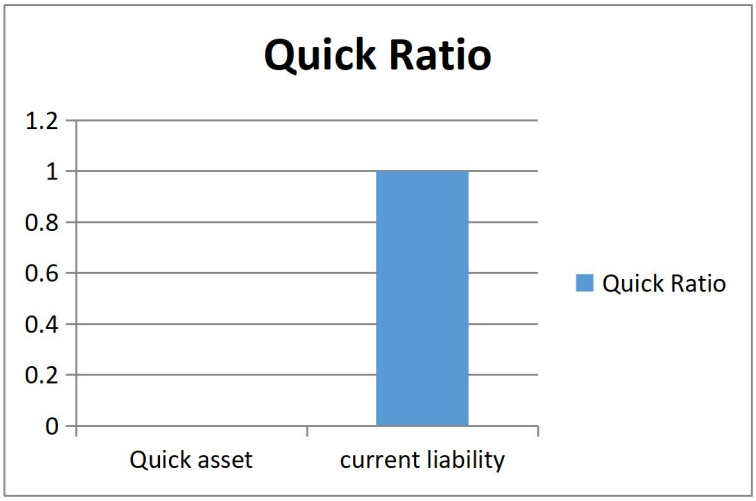
Result: 0.00 : 1

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Interpretation:
This indicates that either current liabilities are unrecorded or missing from the report, or that liabilities are significantly high compared to assets. In either case, this is a red flag for liquidity.

2. Quick Ratio
Formula:
Quick Ratio=Quick Assets - Current Liabilities
Result:0.00 : 1



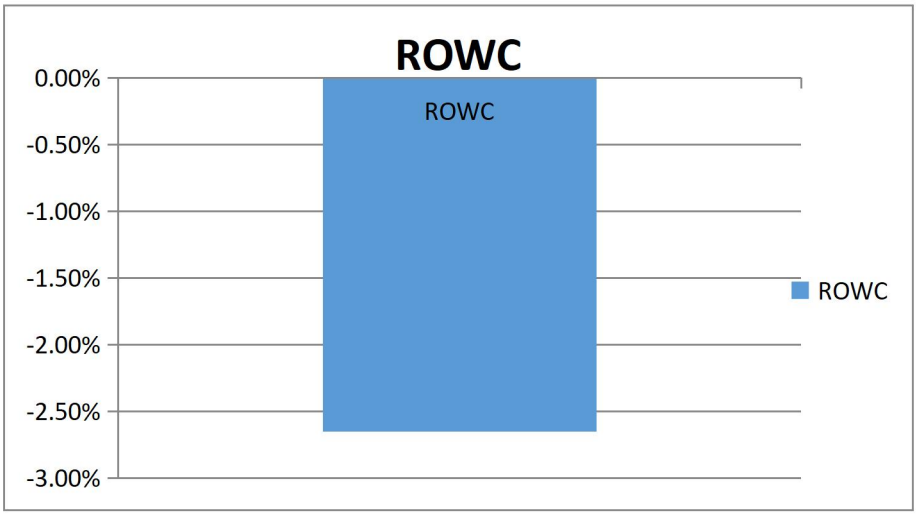
Interpretation:
Quick Ratio is identical to the Current Ratio here due to the absence of receivables/inventory. A ratio of 0 means the firm might be **dependent solely on cash**, or has **significant unrecorded liabilities**.

3. Return on Investment (ROI)
Formula:
ROI=Net Profit / Capital Employed×100

Particulars	Amount
Net Profit	-1,75,000
Capital Employed	6,603,773

ROI= -1,75,000/6,603,773 ×100 = (-)2.65%
Given Result: (-)2.65%

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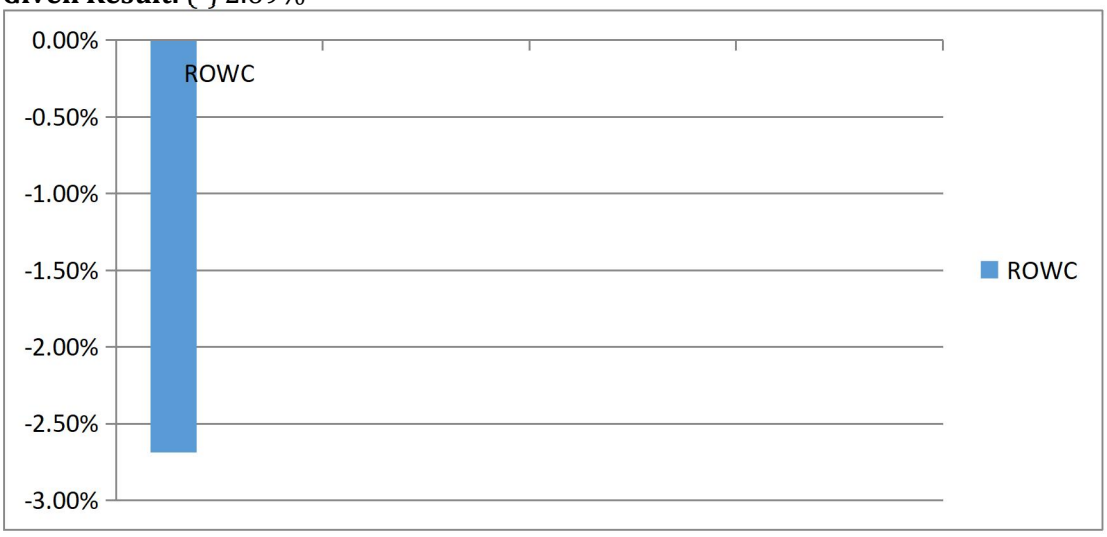


Interpretation:
The ROI is negative, which reflects a **loss on the funds invested** in the business. This suggests that capital was not used efficiently to generate profits.

4. Return on Working Capital (ROWC)
Formula: ROWC=Net Profit / Working Capital×100

Particulars	Amount
Net Profit	-1,75,000
Working Capital	65,00,000

ROWC= -1,75,000/65,00,000 ×100 = -2.69%
Given Result: (-) 2.69%



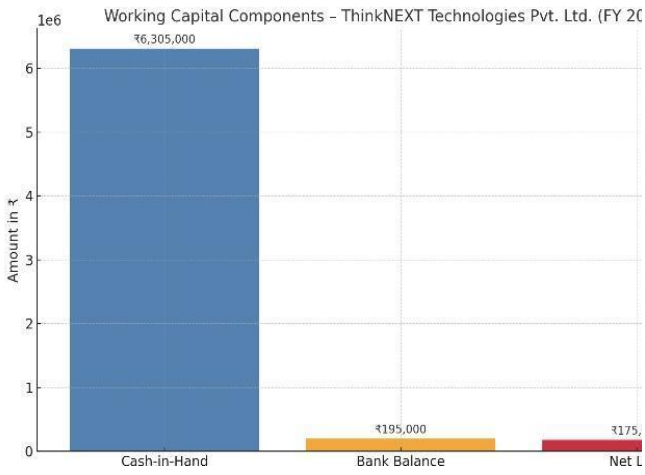
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Interpretation:
Despite holding a large amount of working capital, the company failed to produce a positive return. Idle funds not being invested or utilized effectively may be the cause.

Graphical Representation
Below is the **bar chart** based on the financial data:

Component	Amount (₹)
Cash-in-Hand	63,05,000
Bank Balance	1,95,000
Net Loss	1,75,000



Interpretation:
The company has a **very high liquidity position** (almost ₹65 lakhs).
However, this is **not translating into returns**, showing inefficient fund usage.

Findings:
• The company maintains excessively high cash reserves without deploying them into productive avenues, leading to opportunity costs.
• Despite holding ₹65,00,000 in liquidity, profitability remains negative with a net loss of ₹1,75,000, reflecting poor fund utilization.
• Both Current and Quick Ratios stand at 0:1, which is far below industry standards (2:1 and 1:1 respectively). This signals poor financial reporting or lack of liabilities tracking.
• The absence of diversified working capital components (such as receivables or short-term investments) indicates overdependence on cash holdings.
• Return on Investment (–2.65%) and Return on Working Capital (–2.69%) highlight the inability to convert liquidity into income-generating activities.
• The company does not follow a formal working capital policy, resulting in ad-hoc financial decisions rather than structured planning.
• ERP tools like Tally are underutilized; features for receivable management, vendor aging, and working capital forecasting are not being used effectively.
• The cost of capital is ignored. Excess liquidity left idle yields no return, whereas even risk-free investments like fixed deposits could have generated income.
• Limited financial planning restricts the company from reinvesting in expansion, marketing, or skill development, thereby reducing growth potential.

Suggestions:
• Invest idle funds into short-term, low-risk financial instruments such as fixed deposits, treasury bills, or liquid mutual funds to earn passive income.
• Formulate a comprehensive working capital policy defining liquidity thresholds, receivable timelines, and vendor payment cycles to ensure financial discipline.
• Diversify working capital by including receivables (through installment-based fee structures) and short-term investments for better fund engagement.
• Use Tally ERP or similar accounting software to monitor cash flows, track receivables/payables, and prepare monthly working capital forecasts.
• Reallocate part of the cash reserves towards strategic business expansion such as launching new training programs, hiring expert faculty, or enhancing infrastructure.
• Increase digital marketing and online presence by utilizing liquidity for campaigns that can attract new students and clients, thereby boosting revenue.
• Establish an internal audit mechanism to

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review financial performance quarterly, ensuring compliance with the working capital policy and identifying inefficiencies.

• Adopt an ROI-focused budgeting approach where every expenditure is evaluated based on its potential return to minimize wasteful spending.

• Develop financial awareness among staff through training, ensuring better use of ERP tools, improved record-keeping, and financial accountability.

• Consider partnerships or collaborations that can help diversify income streams and reduce dependence on a single source of revenue.

Conclusion:

This project was undertaken to study and analyze the working capital management practices followed at **ThinkNEXT Technologies Pvt. Ltd.**, a reputed IT and industrial training company located in Mohali. The primary objective of this study was to assess how efficiently the company is managing its short-term assets and liabilities, and to evaluate whether its liquidity position supports or hinders its operational success.

The study involved:

- Reviewing internal financial documents
- Analyzing working capital components such as **cash-in-hand, bank balance, and net loss**
- Calculating and interpreting key financial ratios
- Graphical representation of the capital structure
- Drawing insights through data-backed findings and SWOT analysis

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