

WORKING CAPITAL ANALYSIS OF E.I.D. - (INDIA) LIMITED
A SUGAR INDUSTRY PERSPECTIVE

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ABSTRACT

Working capital is a critical financial resource in the sugar industry because production is seasonal, sugarcane procurement is concentrated around the crushing season, and substantial funds can remain tied up in inventories, receivables and operating assets. This study analyses the working capital position of E.I.D.-Parry (India) Limited using its audited standalone financial statements for FY 2023–24 and FY 2024–25. Current assets, current liabilities, net working capital, liquidity ratios, inventory, trade receivables, trade payables and selected turnover indicators are examined. Current assets increased from ₹1,822.41 crore to ₹2,169.66 crore, while current liabilities increased from ₹1,301.51 crore to ₹1,520.33 crore. Consequently, net working capital increased from ₹520.90 crore to ₹649.33 crore. However, the current ratio declined from 1.40 to 1.31, while the calculated quick ratio improved from approximately 0.49 to 0.66. Inventory declined slightly and published inventory turnover improved from 1.80 to 2.03 times. Trade receivables increased by 19.95% and receivables turnover declined from 12.55 to 11.96 times. Current borrowings increased by 28.13%, highlighting the importance of seasonal financing and liquidity planning. The study concludes that E.I.D.-Parry maintained positive working capital but should closely manage receivables, short-term borrowing and seasonal cash requirements.

KEYWORDS: Working Capital; Sugar Industry; Liquidity; Current Ratio; Inventory Management; Receivables; Payables; E.I.D.-Parry.

1. INTRODUCTION

Working capital represents the financial resources committed to current assets after considering short-term obligations. It is important in manufacturing because funds move continuously through raw-material procurement, production, inventory holding, sales and collection. In the sugar industry, this issue is particularly significant because sugarcane is a seasonal agricultural input. A sugar manufacturer must arrange funds for cane procurement,

processing, wages, energy, storage, transportation and other operating requirements before the corresponding sales proceeds are fully realised.

E.I.D.-Parry (India) Limited was selected because it is an established Indian company with significant sugar operations. Its FY 2024–25 Annual Report states that the company operates six sugar plants across South India with aggregate sugarcane crushing capacity of 40,800 TCD. Its integrated activities also include biofuel and cogeneration.

This study focuses on standalone financial statements rather than consolidated group figures. This distinction is important because consolidated statements include subsidiaries and other businesses, whereas standalone statements provide a consistent basis for examining the parent company's short-term financial position.

2. NEED FOR THE STUDY

Efficient working-capital management seeks to maintain adequate liquidity without unnecessarily locking funds into idle or slow-moving assets. Excessive working capital can reduce returns, whereas inadequate working capital may disrupt procurement, production and payment commitments. A comparative two-year analysis helps identify changes in the company's short-term financial position and the components responsible for those changes.

3. REVIEW OF LITERATURE

Deloof (2003) examined working-capital management and profitability using a large sample of Belgian non-financial firms. The study used receivable days, inventory days, payable days and the cash-conversion cycle as indicators of working-capital efficiency and reported that reducing receivables and inventories could improve profitability. This provides a theoretical basis for examining inventory and receivables in the present study.

Shin and Soenen (1998) treated the relationship between working-capital efficiency and corporate profitability as an important financial-management issue. Their work is widely associated with the idea that a shorter operating cycle can contribute to better corporate performance, although the appropriate level of working capital depends on the operating environment.

4. RESEARCH METHODOLOGY

Research Design: The study follows a descriptive and analytical research design. It describes the company's short-term financial position and interprets changes in selected working-capital indicators.

Source of data: The principal source is the audited Annual Report 2024–25 of E.I.D.-Parry (India) Limited, particularly the standalone Ind AS financial statements. Comparative FY 2023–24 figures are presented in the same statements. The company's published ratios are used to cross-check selected calculations. The official annual report is available through the company's investor disclosures.

Period of study: FY 2023–24 and FY 2024–25, with year-end dates of 31 March 2024 and 31 March 2025.

Methods used: Comparative analysis, percentage change, net working capital analysis, current ratio, quick ratio and published turnover ratios. Net working capital is calculated as Current Assets minus Current Liabilities. The quick ratio is calculated as $(\text{Current Assets} - \text{Inventories}) / \text{Current Liabilities}$.

Limitations: The study covers only two financial years; uses company-level standalone data; cannot isolate the

working capital of an individual sugar factory; and relies mainly on year-end balances, which may not capture monthly seasonal fluctuations. Ratio interpretation should also consider sugar prices, cane costs, government policy and financing conditions.

5. COMPANY PROFILE

E.I.D.-Parry (India) Limited is headquartered in Chennai and is part of the Murugappa Group. The company's history is closely associated with the Indian sugar industry. Its present operations include sugar, biofuel, cogeneration, consumer products and nutraceuticals. The company reported six sugar plants located in Tamil Nadu, Andhra Pradesh and Karnataka, with aggregate crushing capacity of 40,800 TCD. The integrated nature of sugar operations makes working capital important because sugarcane procurement, processing, inventory storage, by-products, power generation and sales are financially interconnected.

6. WORKING CAPITAL CONCEPT

Gross working capital refers to the total investment in current assets. Net working capital is the excess of current assets over current liabilities. In this study: Net Working Capital = Current Assets – Current Liabilities. Liquidity ratios help assess the company's ability to meet short-term obligations.

7. ANALYSIS AND INTERPRETATION

7.1 COMPONENTS OF CURRENT ASSETS

Current-asset component	FY24 ₹ crore	FY25 ₹ crore	Change %
Inventories	1,186.03	1,157.71	-2.39%
Other investments	0.00	192.68	New in FY25
Trade receivables	240.91	288.97	19.95%
Cash & cash equivalents	1.32	104.52	7,818.18%
Bank balances	3.35	3.53	5.37%
Loans	200.00	200.00	0.00%
Other financial assets	12.69	21.06	65.96%
Other current assets	171.16	200.97	17.42%
Assets held for sale	6.95	0.22	-96.83%
Total current assets	1,822.41	2,169.66	19.06%

Total current assets increased by 19.06%. Major movements included higher other investments, cash and cash equivalents, trade receivables and other current assets. Inventory declined by 2.39%, which may reduce funds tied up in stock, subject to operational requirements. The annual report reports standalone financial information supporting these comparative figures.

7.2 COMPONENTS OF CURRENT LIABILITIES

Current-liability component	FY24 ₹ crore	FY25 ₹ crore	Change %
Current borrowings	834.77	1,069.56	28.13%
Lease liabilities	6.18	6.63	7.28%
Trade payables	308.52	307.08	-0.47%
Other financial liabilities	108.53	75.51	-30.42%
Short-term provisions	11.88	22.35	88.13%
Other current liabilities	31.63	39.20	23.93%
Total current liabilities	1,301.51	1,520.33	16.81%

Current liabilities increased by 16.81%. Current borrowings recorded the largest absolute increase, rising by ₹234.79 crore or 28.13%. Trade payables remained broadly stable. The increased use of short-term borrowing indicates that seasonal financing is an important component of the company's working-capital structure.

7.3 NET WORKING CAPITAL

Particulars	FY24 ₹ crore	FY25 ₹ crore
Current Assets	1,822.41	2,169.66
Current Liabilities	1,301.51	1,520.33
Net Working Capital	520.90	649.33
Change in NWC	—	+128.43

Net working capital increased by ₹128.43 crore, approximately 24.66%. This indicates a larger year-end excess of current assets over current liabilities. However, the increase should not automatically be interpreted as improved efficiency because current borrowings also increased substantially.

7.4 LIQUIDITY RATIO ANALYSIS

Ratio	FY24	FY25	Interpretation
Current Ratio	1.40	1.31	Positive but lower liquidity margin
Quick Ratio*	0.49	0.66	Improved immediate liquidity
Net Working Capital (₹ crore)	520.90	649.33	Increased

Quick ratio is calculated in this study as (Current Assets – Inventories) / Current Liabilities and may differ from databases using other definitions. The company's annual report reports current ratios of 1.40 for FY24 and 1.31 for FY25. It also reports inventory turnover of 1.80 and 2.03 times, receivables turnover of 12.55 and 11.96 times, and payables turnover of 7.39 and 7.60 times respectively.

7.5 WORKING CAPITAL TURNOVER

Using revenue from operations divided by year-end net working capital as a simple analytical measure, approximate working-capital turnover is 6.06 times in FY24 and 4.88 times in FY25. The decline occurs because net working capital increased proportionately more than revenue from operations. The company's published net capital turnover ratios differ because published measures may use average capital or another formula; therefore, researchers should always disclose the exact formula used.

7.6 INVENTORY MANAGEMENT

Inventory is one of the most important current assets in a sugar business and may include raw materials, work-in-progress, finished sugar, by-products and traded goods. Standalone inventory declined from ₹1,186.03 crore to ₹1,157.71 crore, a reduction of approximately 2.39%. Published inventory turnover improved from 1.80 to 2.03 times. This suggests better inventory movement relative to the cost base, although the result should be interpreted with production seasonality and sugar-market conditions.

8. MAJOR FINDINGS

- Current assets increased by 19.06%, from ₹1,822.41 crore to ₹2,169.66 crore.
- Current liabilities increased by 16.81%, from ₹1,301.51 crore to ₹1,520.33 crore.
- Net working capital increased by ₹128.43 crore to ₹649.33 crore.
- The current ratio declined from 1.40 to 1.31, indicating a lower current-asset cushion relative to current liabilities.
- The calculated quick ratio improved from approximately 0.49 to 0.66 because liquid/current financial assets increased.
- Inventory declined slightly and published inventory turnover improved from 1.80 to 2.03 times.
- Trade receivables increased by nearly 20%, while receivables turnover declined from 12.55 to 11.96 times.
- Trade payables remained broadly stable and payables turnover improved from 7.39 to 7.60 times.
- Current borrowings increased by approximately 28%, making short-term financing an important management area.

9. SUGGESTIONS

- Strengthen receivables monitoring through ageing schedules and customer-wise collection targets.
- Maintain inventory at an optimum level by aligning procurement, production, storage and sales planning with market conditions.
- Use seasonal cash-flow forecasts so that short-term borrowing is arranged before peak procurement and production requirements arise.
- Monitor the cost of short-term finance and avoid unnecessary borrowing when internally generated cash is available.
- Maintain a prudent liquidity buffer because sugar prices, cane availability and government policy can create sudden cash-flow changes.

- Evaluate working-capital performance using monthly or quarterly data rather than relying only on year-end balances.
- Coordinate procurement, production, sales and treasury functions so that the operating cycle is managed as one integrated cash-conversion process.

10. CONCLUSION

The study concludes that E.I.D.-Parry (India) Limited maintained positive net working capital during both years and strengthened the absolute level of net working capital in FY2024–25. Nevertheless, the current ratio declined while current borrowings increased substantially. The calculated quick ratio improved, and inventory turnover also strengthened, but the increase in receivables and decline in receivables turnover require attention. Overall, the company appears to have adequate year-end short-term asset coverage, but liquidity should be managed carefully because sugar operations are seasonal and exposed to agricultural supply, commodity prices, financing conditions and government policy.

11. SCOPE FOR FURTHER RESEARCH

Future studies may extend the analysis to five or more years, incorporate quarterly or monthly data, compare E.I.D.-Parry with other listed Indian sugar companies, calculate the cash-conversion cycle using average balances, and examine the relationship between working-capital efficiency and profitability using statistical methods.

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