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A STUDY ON WORKING CAPITAL MANAGEMENT AT BATA INDIA LTD., HYDERABAD.

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ABSTRACT

Working capital is the circulating lifeblood of every business, and its management — the planning and control of inventories, receivables, cash, and payables — determines, day by day, whether an enterprise remains liquid, efficient, and profitable. The significance of working capital management is greatest in inventory-intensive industries such as footwear retailing, where thousands of styles and sizes across hundreds of stores lock up substantial funds and fashion cycles threaten constant obsolescence. The present study, titled "A Study on Working Capital Management at Bata India Ltd., Hyderabad," applies the framework of working capital analysis to Bata India Limited, the largest footwear retailer in India and part of the global Bata Shoe Organization.

Keywords: Working Capital Management, Net Working Capital, Current Ratio, Inventory Turnover, Liquidity, Bata India, Footwear Industry.

INTRODUCTION

Finance has rightly been described as the lifeblood of business, and within the discipline of financial management no area touches the daily life of an enterprise more intimately than the management of its **working capital**. While decisions concerning fixed assets and capital structure are made occasionally, decisions concerning cash, inventories, receivables, and payables are made every single day, in every department, at every level. **Working Capital Management (WCM)** is the art and science of managing these short-term assets and liabilities so that the firm remains liquid enough to meet its obligations and yet lean enough to remain profitable. It is on this critical subject that the present study is focused.

Working capital refers to the funds invested in the current assets of a business — cash and bank balances, marketable securities, trade receivables, inventories of raw materials, work-in-progress and finished goods, and short-term loans and advances. The concept is understood in two senses. **Gross working capital** means the total investment in current assets, while **net working capital** means the excess of current assets over current liabilities. Net working capital indicates the margin of safety available to short-term creditors and the extent to which current assets are financed from long-term sources — making it the most widely used measure of a firm's short-term financial health.

LITERATURE REVIEW

1. "A Study on Working Capital Management of Hindustan Unilever Limited (HUL)" – published in the International Journal of Research Publication and Reviews (IJRPR), Volume 5, Issue 5 (2024).

Link: https://ijrpr.com/uploads/V5ISSUE5/IJRPR27266.pdf

This study assessed the working capital management of HUL for the period 2018-19 to 2022-23 using financial ratios, including the current ratio and the working capital turnover ratio. The analysis showed the current ratio fluctuating between 1.25 and 1.38, below the ideal standard, and the working capital turnover ratio ranging between 12 and 16 times. The study illustrates the ratio-based methodology of working capital evaluation that the present study adopts.

2. "A Study on Working Capital Management" – Kishore Kumar N. and Dr. Vinod Krishna M. U. (2024), published in the Journal of Emerging Technologies and Innovative Research (JETIR), Volume 11, Issue 5.

Link: https://www.jetir.org/papers/JETIR2405328.pdf

This study investigated the value of working capital management and its effect on business operations, examining how components such as inventory, receivables, and bank obligations impact an organisation's profit, liquidity, and overall performance. The review process incorporated careful examination of secondary data from financial summaries, annual reports, and analytical articles. The study concluded that working capital associations play a significant

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role in ensuring sufficient resources for routine operations and short-term obligations.

3. "The Study of Analysis of Working Capital" – published in the International Journal of Creative Research Thoughts (IJCRT), Volume 12, Issue 4 (2024).

Link: https://www.ijcrt.org/papers/IJCRT2404328.pdf

This study analysed the working capital position of a company over five years using financial data on sales, profits, and net worth, supported by a review of recent Indian and international literature on working capital efficiency. It cited evidence that inventory days, holding duration, and the cash conversion cycle vary significantly among small, medium, and large Indian firms. The study reinforces the need for company-specific working capital analysis of the kind undertaken in the present research.

4. "Working Capital Management and Firm Performance: A Comparative Analysis of Developed and Emerging Economies" – published in Borsa Istanbul Review (ScienceDirect), 2024.

Link: https://www.sciencedirect.com/science/article/pii/S2214845024000462

This comparative study reviewed and extended the evidence on working capital management and firm performance across developed and emerging economies, including a substantial review of Indian studies. It documented that a shorter cash conversion cycle improves profitability of Indian companies, that a significant negative relationship exists between working capital components and profitability for BSE-listed firms, and that a shorter net working capital cycle creates higher market value. The study situates Indian working capital research in the global literature.

5."A Study on Funds Flow Statement Analysis" – Department of Management Studies, Aristotle PG College, Telangana (2024), published in the International Journal of Progressive Research in Engineering Management and Science (IJPREMS), Volume 4, Issue 6.

Link: https://www.ijprems.com/uploadedfiles/paper/issue_6_june_2024/35048/final/fin_ijprems1718460330.pdf

This study analysed the funds flow statements of Sponge Iron India Limited, finding that the company's working capital exhibited a fluctuating trend with a substantial proportion of funds applied towards fixed assets and working capital purposes. The authors concluded that flow analysis effectively reveals whether available sources were utilised up to expectation. The study demonstrates the Telangana-based academic tradition of working capital and fund flow research within which the present study is situated.

6. "Working Capital Management and Profitability in India's Cement Sector: Evidence and Sustainability Implications" – published in the Journal of Risk and Financial Management (MDPI), Volume 18, Issue 10 (2025).

Link: https://www.mdpi.com/1911-8074/18/10/541

Using a balanced panel of listed Indian cement firms over 2010–2024, this study employed pooled OLS, fixed effects, quantile regressions, and dynamic system GMM to examine the impact of working capital management on profitability. The results demonstrated that reductions in the cash conversion cycle, accelerated receivables collection, leaner inventories, and prudent use of payables significantly improve profitability. This recent econometric evidence underscores the profitability payoff of working capital efficiency in Indian industry

NEED OF THE STUDY

1. Working capital is the lifeblood of a retail-oriented footwear business, in which large inventories across stores and warehouses lock up substantial funds; hence there is a need to examine how efficiently this capital is managed.
2. The balance sheet alone does not reveal whether the levels of inventories, receivables, cash, and payables are adequate or excessive; a systematic working capital analysis is needed to make this judgement.
3. The post-pandemic years brought volatile demand, changing consumer preferences, and intense competition in the footwear industry, making it necessary to study how the company's working capital position has behaved during this period.
4. The study helps to assess whether the company maintains a sound balance between liquidity and profitability — the central trade-off of working capital management

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SCOPE OF THE STUDY

1. The study is confined to the analysis of the working capital management of Bata India Limited and does not cover other companies in the footwear industry except for contextual reference.
2. The study is based on secondary data drawn from the published annual reports of the company for a period of five years up to 2024-25.
3. The study covers the preparation of statements of changes in working capital, the computation of liquidity and efficiency ratios, and the trend analysis of working capital components.
4. The analysis is restricted to the working capital (short-term) dimension of financial management; long-term capital structure and investment decisions are referred to only incidentally.

OBJECTIVES OF THE STUDY

1. To study the structure and composition of the working capital of Bata India Limited during the study period.
2. To analyse the changes in the working capital position of Bata India Limited over the five-year period through statements of changes in working capital.
3. To evaluate the liquidity position of the company through working-capital-related ratios such as the current ratio and quick ratio.
4. To assess the efficiency of working capital utilisation through turnover ratios such as inventory turnover, and working capital turnover.

LIMITATIONS OF THE STUDY

1. The study is based entirely on secondary data drawn from the published annual reports of the company; hence the accuracy of the analysis depends on the reliability of the published figures.
2. The study covers a period of only five years, which may not capture long-term trends in the working capital management of the company.
3. The analysis is based on year-end balance sheet figures, which may not reflect intra-year and seasonal fluctuations in working capital, which are significant in the footwear retail business.
4. The study is confined to Bata India Limited, and the findings may not be generalised to other companies in the footwear industry.

DATAANALYSISAND INTERPRETATIONS

TABLE 1 TREND ANALYSIS OF NET WORKING CAPITAL (2020-21 TO 2024-25) (Rs. in Crores)

Year	Current Assets	Current Liabilities	Net Working Capital	Trend (%) (Base 2020-21 = 100)
2020-21	1496.00	752.00	744.00	100.00
2021-22	1582.00	826.00	756.00	101.61
2022-23	1606.00	906.00	700.00	94.09
2023-24	1610.00	890.00	720.00	96.77
2024-25	1640.00	894.00	746.00	100.27

Source: Compiled and computed from the Annual Reports of Bata India Limited.

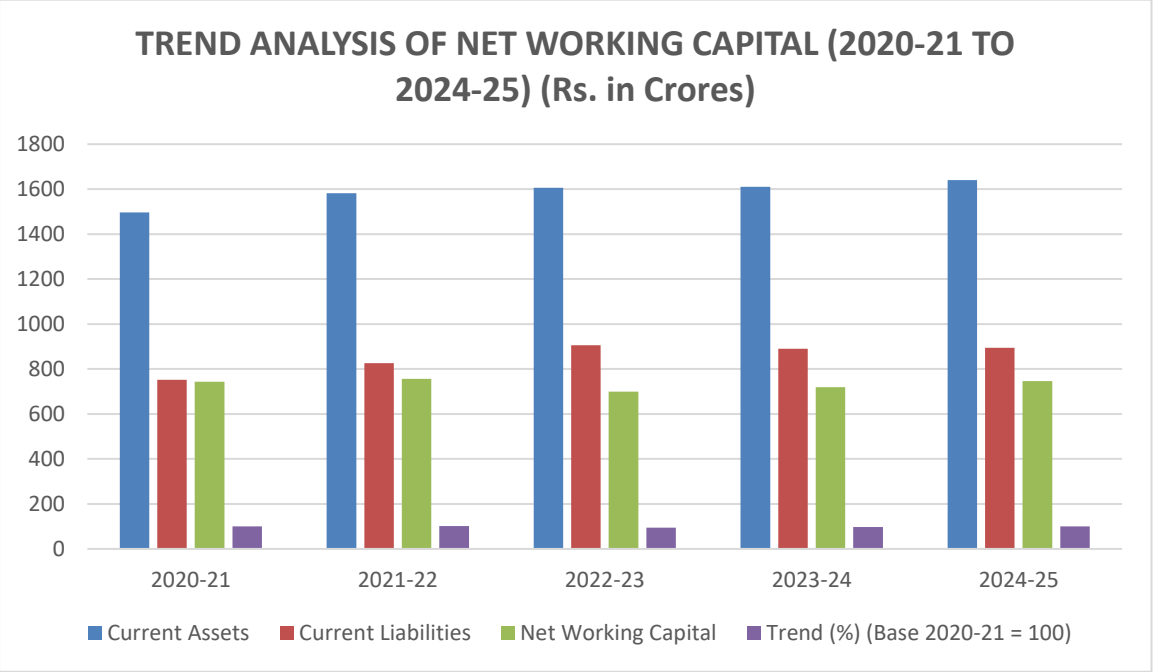
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Interpretation: The net working capital of the company remained positive and substantial throughout the study period, moving within a narrow band of Rs. 700 crores to Rs. 756 crores, with the trend index ranging between 94.09 and 101.61. The stability of working capital, even while revenues doubled from Rs. 1,708 crores to Rs. 3,489 crores, indicates that growth was achieved without a proportionate lock-up of additional funds — a sign of improving working capital efficiency.

TABLE 2 : LIQUIDITY POSITION – CURRENT RATIO AND QUICK RATIO (2020-21 TO 2024-25)

Year	Current Assets (Rs. Cr)	Current Liabilities (Rs. Cr)	Current Ratio	Quick Ratio
2020-21	1496.00	752.00	1.99	0.94
2021-22	1582.00	826.00	1.92	1.01
2022-23	1606.00	906.00	1.77	0.83
2023-24	1610.00	890.00	1.81	0.93
2024-25	1640.00	894.00	1.83	0.99

Source: Compiled and computed from the Annual Reports of Bata India Limited.

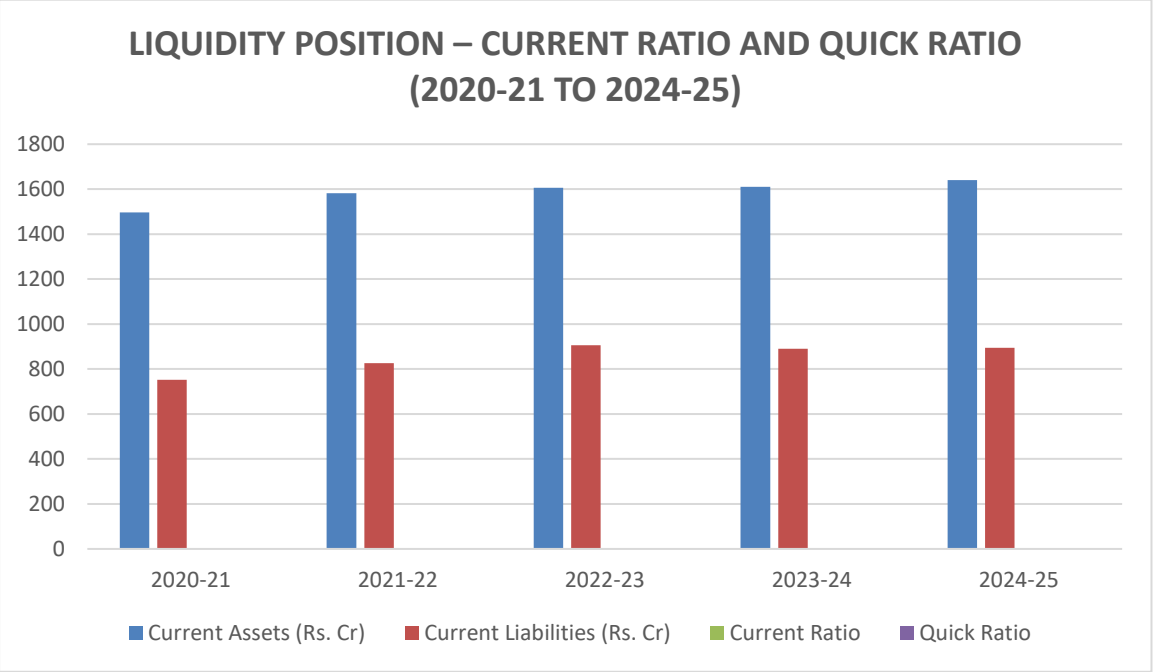
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Interpretation: The current ratio of the company ranged between 1.77 and 1.99 during the study period, remaining close to the conventional standard of 2:1, while the quick ratio ranged between 0.83 and 0.99 against the standard of 1:1. The ratios indicate a sound and stable liquidity position, with short-term assets comfortably exceeding short-term liabilities in every year of the study.

TABLE 3 : INVENTORY TURNOVER RATIO (2020-21 TO 2024-25)

Year	Revenue from Operations (Rs. Cr)	Inventories (Rs. Cr)	Inventory Turnover Ratio (Times)
2020-21	1708.36	786.00	2.17
2021-22	2388.16	744.00	3.21
2022-23	3451.86	858.00	4.02
2023-24	3478.61	786.00	4.43
2024-25	3488.79	758.00	4.60

Source: Compiled and computed from the Annual Reports of Bata India Limited.

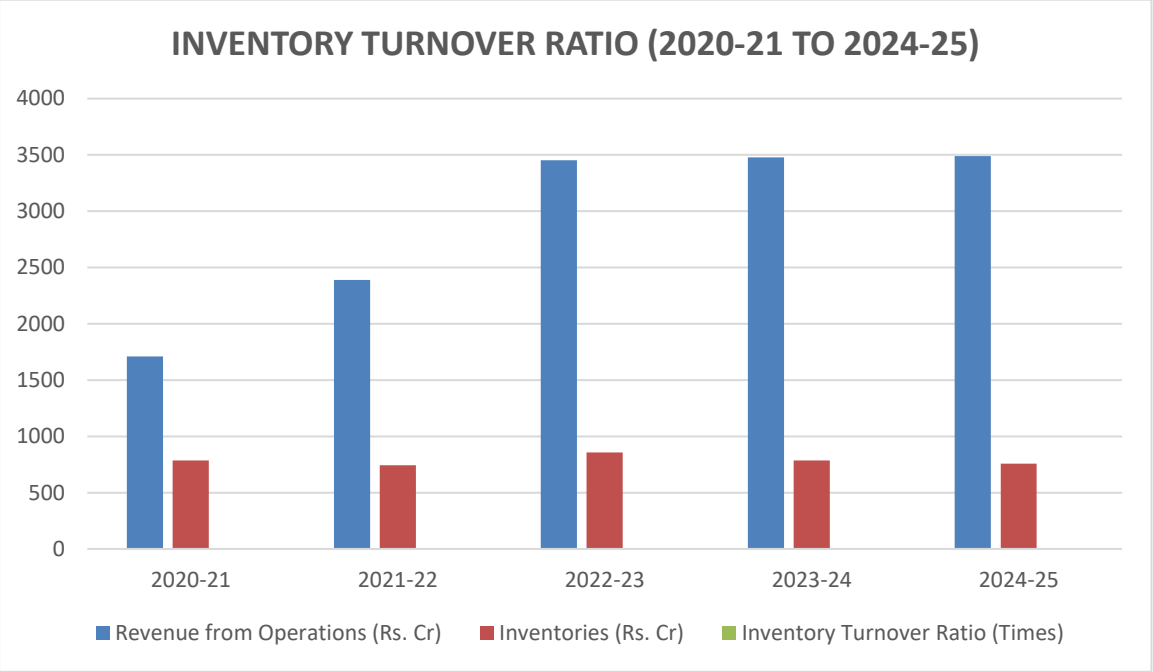
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Interpretation: The inventory turnover ratio improved consistently from 2.17 times in 2020-21 to 4.60 times in 2024-25, more than doubling over the study period. The improvement reflects the recovery of sales after the pandemic and the company's deliberate initiatives on inventory reduction, merchandising, and decluttering, which released substantial funds locked in stocks.

TABLE 4: WORKING CAPITAL TURNOVER RATIO (2020-21 TO 2024-25)

Year	Revenue from Operations (Rs. Cr)	Net Working Capital (Rs. Cr)	Working Capital Turnover Ratio (Times)
2020-21	1708.36	744.00	2.30
2021-22	2388.16	756.00	3.16
2022-23	3451.86	700.00	4.93
2023-24	3478.61	720.00	4.83
2024-25	3488.79	746.00	4.68

Source: Compiled and computed from the Annual Reports of Bata India Limited.

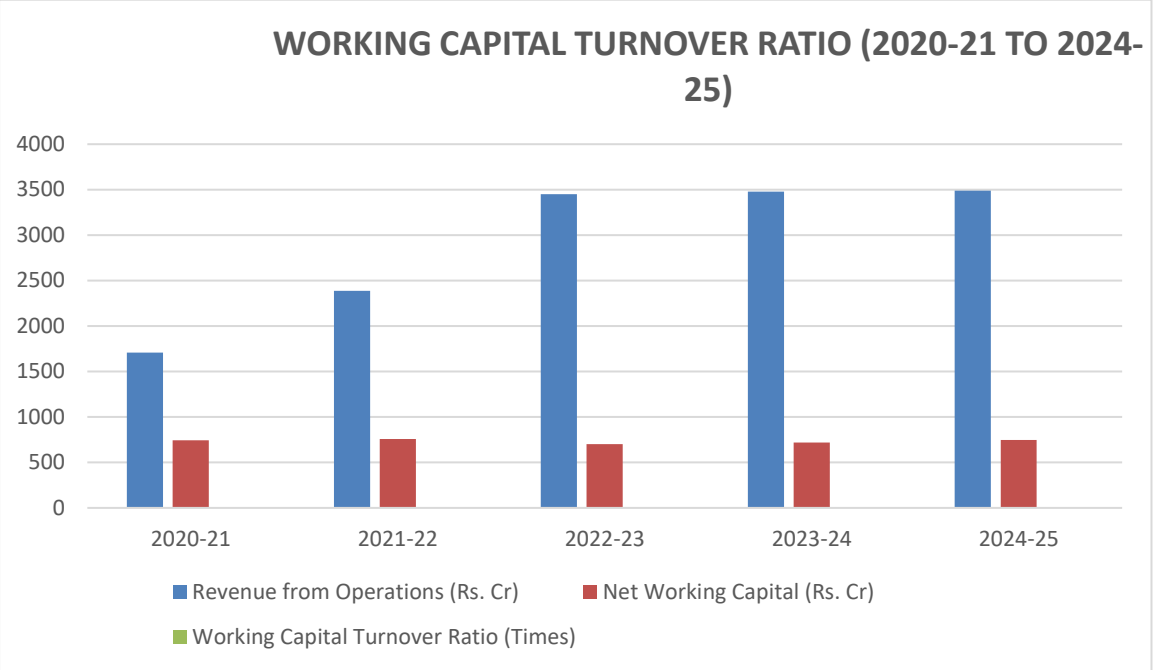
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Interpretation: The working capital turnover ratio rose from 2.30 times in 2020-21 to a peak of 4.93 times in 2022-23, and remained at a healthy 4.68 times in 2024-25. The rising ratio indicates that the company generated progressively higher sales from each rupee of working capital, confirming the increasing efficiency of working capital utilisation over the study period.

SUMMARY OF FINDINGS

1. The net working capital of the company remained positive and stable throughout the study period, moving between Rs. 700 crores and Rs. 756 crores.
2. The working capital increased in three of the four years studied, with the only decline of Rs. 56 crores occurring in 2022-23 on account of a sharp inventory build-up.
3. Inventories constitute the largest component of current assets, accounting for roughly half of the total in every year, confirming the inventory-intensive character of the footwear retail business.
4. Trade receivables remain very small relative to sales, since retail revenues are realised largely in cash — a structural strength of the company's working capital cycle.

SUGGESTIONS

1. The company should sustain its inventory discipline by extending demand-driven replenishment and analytics-based merchandising to all stores and franchise channels, so that the gains in inventory turnover are not reversed.
2. 2.Slow-moving and aged inventory should be monitored style-wise and liquidated promptly through end-of-season sales and factory outlets to prevent fashion obsolescence from locking up funds.
3. 3.The large surplus parked in current investments may be reviewed periodically to ensure an optimal balance between liquidity, returns, and deployment in growth initiatives such as franchise expansion.
4. 4.The company should continue to negotiate favourable credit terms with suppliers while protecting supplier relationships, since trade payables are its principal spontaneous source of finance.

CONCLUSION

The present study examined the working capital management of Bata India Limited for the five-year period from 2020-21 to 2024-25 by preparing statements of changes in working capital, analysing the composition and trend of current assets and liabilities, and evaluating liquidity and efficiency through ratio analysis. The analysis revealed a working capital structure characteristic of a strong footwear retailer: inventories dominate the current assets, receivables are minimal because sales are realised in cash, surplus funds are parked in current investments, and trade payables — not bank borrowings — finance a substantial part of the operating cycle. The company's net working capital remained positive and stable even as revenues doubled over the period, its current ratio stayed close to the conventional standard,

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and its inventory and working capital turnover ratios improved markedly, reflecting the success of management's initiatives on inventory reduction, merchandising, and decluttering.

The findings affirm the central lesson of working capital theory: efficiency, not size, is the true measure of working capital health. Bata India's ability to support a doubling of sales without enlarging its working capital demonstrates the value released by faster inventory rotation and disciplined liquidity management, and its debt-free, cash-rich short-term position provides a robust cushion against the demand volatility of the footwear market. If the suggestions offered in this study — sustained inventory analytics, channel-wise working capital budgeting, vigilant management of lease obligations, and peer benchmarking — are implemented, the company can further shorten its operating cycle, release additional funds for its franchise-led expansion, and reinforce its standing as the financially soundest name in Indian footwear.

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