Evaluation of Recievables Management At V-Tork Controls, Coimbatore

Gopika. E[1], Ms.R. Suma[2]
[1, 2] Dept of Management Studies
[1, 2] Jawaharlal College of Engineering and Technology, Lakkidi

Abstract*- Effective receivable management are crucial for maintaining a company's financial stability and ensuring smooth cash flow. Extending credit to customers is a common practice that helps businesses expand their sales, but it also comes with risks such as delayed payments and bad debts. This project, "Evaluation of Credit Policies and Receivable Management at V Tork Controls, Coimbatore," aims to assess the efficiency of the company's receivables management. V Tork Controls, a manufacturer in the industrial automation sector, deals with various clients on a credit basis, making it essential to have strong credit control mechanisms in place. The study analyses key aspects of credit management, including the credit approval process, payment terms, collection policies, and bad debt management. It also compares the research methodology involves both primary and secondary data collection, with insights gathered from company financial reports, discussions with finance personnel, and market data.*

Keywords- Receivable management, Credit policies, Credit control, financial stability, Cash flow,Bad debts

I. INTRODUCTION

The study evaluates the receivable management practices of V Tork Controls, Coimbatore, a leading industrial automation manufacturer. As the company extends credit to clients, effective credit policies are crucial for maintaining cash flow and financial stability. The study analyses credit terms, collection efficiency, and external factors affecting receivables using both primary and secondary data. By assessing the impact of existing credit policies, this research aims to provide actionable recommendations to minimize financial risks, optimize cash flow, and enhance overall operational efficiency, ensuring a balance between sales growth and financial discipline**.**

INDUSTRY PROFILE

The global valve industry is crucial across sectors like oil and gas, water treatment, power generation, and industrial automation, with growing demand driven by industrialization, infrastructure expansion, and smart technology adoption. Projected to grow at a 4-5% CAGR, the market is led by North America, Europe, and Asia-Pacific, with India emerging as a key player due to its strong manufacturing sector and export capabilities. Major Indian valve manufacturers, including L&T Valves, Kirloskar Brothers, and V-Tork Controls, cater to domestic and global markets. While Kerala lacks large-scale valve manufacturing, its growing infrastructure in water management, marine, and industrial automation creates opportunities for local businesses. The industry is evolving with smart valves, IoT integration, and advanced materials, ensuring continued growth globally, nationally, and regionally with increased investment and innovation.

COMPANY PROFILE

V-TORK Controls, established in 2008 in Coimbatore, Tamil Nadu, is a leading manufacturer of industrial valves, specializing in Knife Gate Valves, Butterfly Valves, Ball Valves, and custom-engineered solutions. With a state-of-the-art manufacturing facility and ISO 9001:2015 certification, the company ensures high-quality standards for industries like oil and gas, power plants, water treatment, and mining. It exports to markets in Russia, Chile, the UAE, the Netherlands, Australia, South Africa, and Canada, serving major clients such as ONGC, ISRO, NTPC, and Vedanta. Committed to innovation, V-TORK invests in R&D, automation, and advanced materials to enhance product performance and durability. With a vision to be a global leader, the company focuses on expanding its market presence, strengthening manufacturing capabilities, and developing next-generation valve technologies for industrial automation and fluid control systems.

OBJECTIVES OF THE STUDY

Primary Objective

- To Analyse the evaluation of receivables management at V-Tork Controls.

Secondary Objective

- To identify the company's current receivables management strategies, including credit terms, collection period, and bad debt handling.

- To Analyse how credit policies and receivables management impact the company's cash flow.
- To suggest the best receivables management practices to determine areas for improvement.

II. REVIEW OF LITERATURE

- **Vanhorne (2021),** recognizing receivable management as an area largely lacking in theoretical perspective, attempted to develop a framework in terms of probabilistic cash budget for evaluating decisions concerning 51the level of liquid assets and the maturity composition of debt involving risk-return trade-off. He proposed calculation of different forecasted liquid asset requirements along with their subjective probabilities under different possible assumptions of sales, receivables, payables and other related receipts and disbursements.
- **Deloof (2021)** surveyed on Belgian Firms to find out whether the receivables management affects profitability. He found that most firms had a large amount of cash invested in receivables. It can be expected that the way in which working capital is managed, will have a significant impact on the profitability of those firms. Using correlation and regression tests he found a significant negative relationship between corporate profitability and number of days accounts receivable, inventories and accounts payable of Belgian firms. On the basis of these he suggested that manager could increase corporate profitability by reducing the number of days accounts receivable and inventories to a reasonable minimum. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills.
- **Beneda, Nancy; Zhang, Yili (2021),** studied impact of receivable management on the operating performance and growth of new public companies. The study also sheds light on the relationship of receivable with debt level, firm risk, and industry. Using a sample of initial public offerings (IPO's), the study finds a significant positive association between higher levels of accounts receivable and operating performance. The study further finds that maintaining control (i.e. lower amounts) over levels of cash and securities, inventory, fixed assets, and accounts.

RESEARCH DESIGN

A descriptive research design is most suitable for studying receivable management, as it aims to analyse existing practices, identify challenges, and suggest improvements. It focuses on understanding the current credit policy framework and receivable management practices.

III. DATA ANALYSIS

data analysis focuses on evaluating the effectiveness of V Tork Controls' receivable and credit management practices. It involves examining financial reports, aging schedules, and payment records to assess key metrics like the receivable's turnover ratio, average collection period, and bad debt ratio. Insights from interviews with finance personnel complement this data to identify patterns in payment behaviour, delays, and the efficiency of the credit approval and collection process. The analysis helps determine the impact of current policies on cash flow and financial stability, ultimately guiding recommendations for improvement.

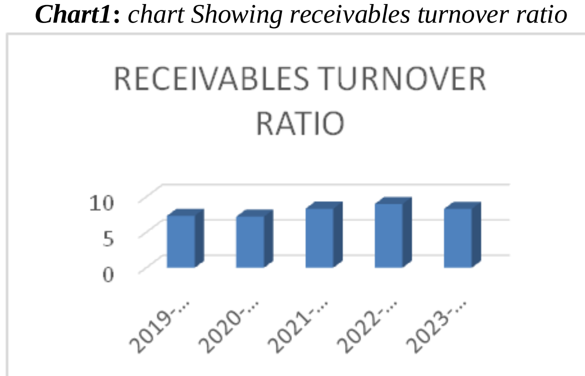
1.RECEIVABLES TURNOVER RATIO

Receivables Turnover Ratio=Net Credit Sales / Average Accounts Receivable

Table 1:*Table showing Receivables Turnover Ratio*

YEAR	NET CREDIT SALES (in lakhs)	AVERAGE ACCOUNT RECEIVABLES (in lakhs)	RECEIVABLESTURNOVER RATIO (in lakhs)
2019-2020	148338	20226	7.33
2020-2021	154629	21459	7.21
2021-2022	220643	26482	8.33
2022-2023	298024	33143	8.99
2023-2024	320779	38666	8.3

Chart1*: chart Showing receivables turnover ratio*



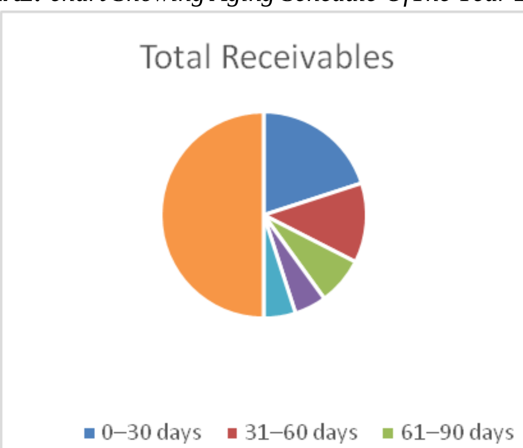
The receivables turnover ratio fluctuated over the years, reflecting changes in credit collection efficiency. A slight decline in 2019-2021 (7.33 to 7.21) indicated slower collections or relaxed credit policies, while a significant improvement in 2021-2023 (8.33 to 8.99) suggested better receivables management. The minor dip in 2023-2024 (8.3) shows a slight slowdown but maintains strong efficiency. Overall, the trend indicates improved receivables turnover with some fluctuations.

AGING SCHEDULE OF RECEIVABLES

Table 2: *Table Showing Aging Schedule OfThe Year 2020*

YEAR 2020		
Aging Bucket	% of Total Receivables	Amount (₹ in lakhs)
0–30 days	40%	7,748
31–60 days	25%	4,843
61–90 days	15%	2,906
91–120 days	10%	1,937
120+ days	10%	1,937
Total	**100%**	**19,370**

Chart2: *chart Showing Aging Schedule OfThe Year 2020*



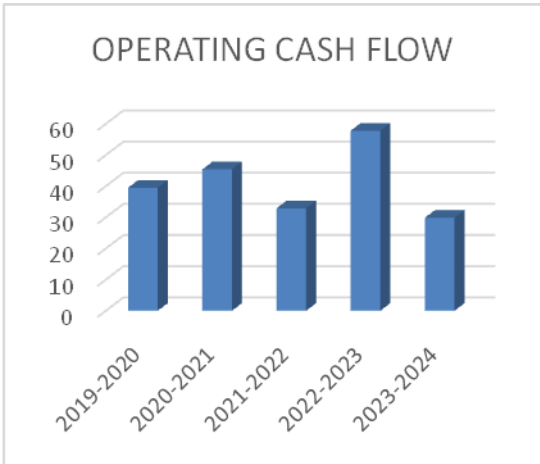
The aging schedule of receivables shows that 40% of the total ₹19,370 lakhs are recent dues (0-30 days), ensuring healthy cash flow. While 25% fall within 31-60 days and 15% within 61-90 days, indicating some delays, 20% are overdue beyond 90 days, posing potential collection risks. Regular follow-ups and strong credit management are essential to reduce overdue amounts and improve collections.

OPERATING CASHFLOW METHOD

Operating Cash Flow Ratio=Operating Cash Flow / Current Liabilities

YEAR	OPERATING CASH FLOW (in lakhs)	CURRENT LIABILITIES (in lakhs)	OPERATING CASH FLOW RATIO
2019-2020	30461	77103	39.51
2020-2021	35605	78442	45.39
2021-2022	32244	98061	32.88
2022-2023	56582	97881	57.81
2023-2024	39652	132820	29.85

Chart 3: *Table Showing Operating Cash Flow*



The liquidity ratio peaked in 2022-2023 (57.81), reflecting strong cash flow management, while 2019-2021 also showed good liquidity. However, declines in 2021-2022 (32.88) and 2023-2024 (29.85) suggest a weakening ability to meet short-term obligations, highlighting the need for better cash flow management to maintain financial stability.

IV. FINDINGS

- The receivables turnover ratio showed an increasing trend from 2020-2021 (7.21) to 2022-2023 (8.99), indicating better credit collection efficiency.
- A significant portion of receivables (35%–40%) falls within the 0-30 days category, indicating that a substantial

number of customers make payments within the stipulated credit period.

- The increasing proportion of overdue receivables affects the company's working capital and may lead to difficulties in maintaining smooth operations.
- The aging pattern indicates that while a significant portion of customers pay on time, stricter credit approval and monitoring processes are needed for those with extended delays.

V. SUGGESTIONS

Since the receivables turnover ratio increased from 7.21 (2020-2021) to 8.99 (2022-2023) but slightly declined to 8.3 (2023-2024), focus on accelerating collections by implementing stricter credit policies for slow-paying customers.Introduce real-time receivables monitoring to track overdue accounts.Reevaluate the creditworthiness of long-overdue customers before extending further credit. Regularly review and revise credit limits based on customer payment history is very much important.

VI. CONCLUSION

The study on Receivable Management at V Tork Controls, Coimbatore highlights the critical role of efficient receivables management in maintaining financial stability and liquidity. The analysis indicates improvements in receivables turnover and a reduction in the collection period over the years, reflecting better credit control measures. However, fluctuations in bad debt management and an increase in overdue accounts emphasize the need for continuous monitoring, stricter credit approvals, and proactive collection strategies. Implementing automated reminders, offering early payment incentives, and refining credit risk assessment can help minimize defaults and improve cash flow. By adopting a more structured and data-driven approach, V Tork Controls can enhance its credit management efficiency, reduce financial risks, and sustain long-term growth

REFERENCES

[1] Brigham, E. F., & Ehrhardt, M. C. (2019). Financial Management: Theory & Practice (16th ed.). Cengage Learning.
[2] Gitman, L. J., & Zutter, C. J. (2015).Principles of Managerial Finance (14th ed.). Pearson.
[3] Pandey, I. M. (2015).Financial Management (11th ed.). Vikas Publishing House.
[4] Van Horne, J. C., & Wachowicz, J. M. (2008).Fundamentals of Financial Management (13th ed.). Prentice Hall.
[5] Ross, S. A., Westerfield, R. W., & Jordan, B. D. (2021). Fundamentals of Corporate Finance (13th ed.). McGraw-Hill Education.
[6] Pike, R., & Cheng, N. S. (2001). "Credit management: An examination of policy choices, practices, and late payment in UK companies." Journal of Business Finance & Accounting, 28(7-8), 1013-1042.
[7] Smith, K. V. (1973). "State of the art of working capital management." Financial Management, 2(3), 50-55.
[8] Emery, G. W. (1987). "An optimal financial response to variable demand." Journal of Financial and Quantitative Analysis, 22(2), 209-225.
[9] https://www.investopedia.com
[10] https://hbr.org
[11] https://www.dnb.com
[12] https://www.crfonline.org