

# An Analytical Study On Working Capital Management Of Femtosoft Technologies

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**Abstract-** Working Capital Management (WCM) plays a significant role in maintaining the liquidity, profitability, and operational efficiency of an organization. This research paper analyzes the working capital management practices of Femtosoft Technologies, Chennai, a software development and IT solutions company specializing in logistics and ERP solutions. The study evaluates the company's liquidity position, profitability, solvency, and operational efficiency using financial ratio analysis, working capital turnover analysis, and trend analysis over the period from 2019–2020 to 2023–2024. The findings indicate that the company maintained a strong liquidity position in most years, with effective utilization of working capital resources despite temporary fluctuations during 2020–2021. The study concludes that efficient working capital management has positively influenced the company's financial stability and operational performance. Recommendations are also provided to further improve receivables management, liquidity planning, and profitability.

**Keywords:** Working Capital Management, Liquidity Ratio, Profitability Ratio, Cash Conversion Cycle, Financial Analysis, IT Industry, Femtosoft Technologies.

## I. INTRODUCTION

Working Capital Management refers to the management of current assets and current liabilities to ensure smooth business operations and financial stability. Efficient management of cash, receivables, inventory, and payables helps organizations maintain adequate liquidity while maximizing profitability. In the IT and software services industry, working capital management becomes highly important because companies often operate on project-based billing cycles and delayed customer payments.

Femtosoft Technologies, Chennai, is a software development company specializing in logistics ERP solutions, transport automation systems, and enterprise applications. The company serves both domestic and international markets and operates in a dynamic business environment where efficient

management of working capital is essential for sustainability and growth.

This study aims to analyze the working capital management practices of Femtosoft Technologies and evaluate their effectiveness in maintaining liquidity, profitability, and operational efficiency.

## INDUSTRY PROFILE

The Indian Information Technology (IT) and Software Services Industry is one of the major contributors to the Indian economy. The industry includes software development, IT consulting, cloud computing, enterprise solutions, and digital transformation services. India has emerged as a global hub for IT services due to the availability of skilled professionals and cost-effective solutions.

The logistics and ERP software sector has experienced rapid growth because of increasing digitalization, e-commerce expansion, and automation in supply chain operations. Companies in this sector require efficient financial and working capital management because of long billing cycles, recurring operational expenses, and continuous technological upgrades.

## COMPANY PROFILE

Femtosoft Technologies is a software development company headquartered in Pallavaram, Chennai, Tamil Nadu. Established in 2005, the company has over 19 years of experience in providing customized software solutions for logistics and transportation industries.

## Major Services

- ERP Solutions
- Logistics and Freight Management Software
- Web and Mobile Application Development
- Product Design and Prototyping
- Consultancy and Maintenance Services

## Company Details

- **Company Name:** Femtosoft Technologies
- **Year of Establishment:** 2005
- **Head Office:** Chennai, Tamil Nadu
- **Director:** Mr. A. Murugan
- **Website:** [Femtosoft Technologies](#)

## OBJECTIVES OF THE STUDY

### Primary Objective

To analyze the working capital management strategies adopted by Femtosoft Technologies and evaluate their effectiveness.

### Specific Objectives

1. To study the structure of working capital.
2. To evaluate liquidity and profitability.
3. To analyze receivables and payables management.
4. To assess operational efficiency through financial ratios.
5. To provide suggestions for improving working capital management.

## NEED FOR THE STUDY

The study of working capital management is necessary because it helps evaluate the company's short-term financial strength and operational efficiency. Efficient management of working capital ensures smooth business functioning and improves profitability.

The need for the study includes:

- To understand the liquidity position of the company
- To analyze the efficiency of current asset management
- To evaluate cash flow and profitability
- To identify strengths and weaknesses in working capital practices
- To provide suggestions for improving financial performance

## STATEMENT OF THE PROBLEM

Efficient management of working capital is essential for maintaining business stability and profitability. Improper management of cash, inventory, receivables, and payables may lead to liquidity problems and reduced operational performance.

Femtosoft Technologies faces challenges in balancing liquidity and profitability while maintaining smooth operational activities. Therefore, it is necessary to analyze the company's working capital management practices to identify financial strengths and weaknesses and suggest corrective measures.

## II. REVIEW OF LITERATURE

### 1. Smith (1980)

Smith stated that working capital management directly affects the profitability and liquidity position of a company. Efficient management helps organizations maintain financial stability.

### 2. Pandey I.M. (2005)

According to Pandey, working capital management is important for maintaining operational efficiency and meeting short-term obligations effectively.

### 3. Weston and Brigham (2004)

The authors explained that proper management of current assets and liabilities improves the financial performance of an organization.

### 4. Rao and Sharma (2011)

Their study concluded that effective cash conversion cycle management increases organizational profitability and liquidity.

### 5. Kesseven (2006)

The research highlighted that poor working capital management negatively affects business growth and financial sustainability.

The literature review indicates that working capital management plays a major role in determining the financial success of a business organization.

## III. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design. Both primary and secondary data sources are used.

### Data Sources

#### Primary Data

- Interviews with finance managers and operational staff
- Questionnaires and discussions

### Secondary Data

- Financial statements
- Annual reports
- Industry reports and journals

### Tools Used

- Current Ratio
- Quick Ratio
- Gross Profit Ratio
- Operating Profit Ratio
- Working Capital Turnover Ratio
- Trend Analysis
- Comparative Analysis
- Cash Conversion Cycle Analysis

## IV. DATA ANALYSIS AND INTERPRETATION

### CURRENT RATIO ANALYSIS

The current ratio indicates the company's ability to meet short-term liabilities using current assets.

#### Interpretation

- The company maintained satisfactory liquidity during the study period.
- Current assets were sufficient to cover current liabilities.
- A stable current ratio reflects sound financial management.

### QUICK RATIO ANALYSIS

The quick ratio measures immediate liquidity excluding inventory.

#### Interpretation

- The company showed moderate quick liquidity.
- It indicates the firm can meet immediate obligations effectively.
- Improvement in liquid asset management was observed.

### INVENTORY TURNOVER RATIO

This ratio measures inventory management efficiency.

#### Interpretation

- Efficient inventory management reduces unnecessary holding costs.
- The company maintained effective inventory utilization.
- Proper stock control improved operational performance.

### DEBTORS TURNOVER RATIO

This ratio evaluates the collection efficiency from customers.

#### Interpretation

- The company maintained effective receivable management.
- Faster collection improved cash flow position.
- Credit policies were moderately efficient.

### WORKING CAPITAL TURNOVER RATIO

This ratio measures the efficiency of utilizing working capital.

#### Interpretation

- The company effectively utilized working capital for generating sales.
- Operational efficiency improved during the study period.
- Proper utilization enhanced profitability.

## V. FINDINGS

- The company maintained a satisfactory liquidity position.
- Working capital was managed efficiently during the study period.
- Cash management practices supported operational activities.
- Receivable collection efficiency improved cash flow.
- Profitability was positively influenced by proper working capital management.
- The company showed financial stability and operational efficiency.

## VI. SUGGESTIONS

- The company should improve cash reserve management.
- Credit policies may be strengthened to reduce bad debts.
- Inventory management techniques can be further optimized.
- Regular monitoring of current assets and liabilities is necessary.
- Advanced financial planning tools may improve operational efficiency.

## VII. CONCLUSION

Working Capital Management is essential for the financial success and operational stability of an organization. The study concludes that Femtosoft Technologies maintained a satisfactory working capital position during the study period. The company effectively managed current assets and liabilities to maintain liquidity and profitability.

Ratio analysis and financial statement evaluation indicate that the company's financial performance improved due to efficient working capital practices. Proper management of receivables, inventory, and cash flow contributed positively to business operations.

The study suggests that continuous monitoring and effective financial planning will further strengthen the company's working capital management and overall financial performance.

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