
IMPACT OF FINANCIAL MANAGEMENT EFFICIENCY ON PROFITABILITY AND WORKING CAPITAL PERFORMANCE: A CASE STUDY OF AVRO INDIA LTD.

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Introduction – 1.1 Introduction to Financial Management

Financial management constitutes a foundational discipline within organizational management, encompassing the systematic planning, organization, direction, and control of financial resources with the overarching objective of maximizing organizational value and ensuring long-term sustainability (Pandey, 2010; Van Horne & Wachowicz, 2008). Brigham and Ehrhardt (2014) define financial management as the process through which financial decisions are made to achieve the twin goals of profitability and liquidity, thereby enabling organizations to meet their strategic objectives in an increasingly competitive operating environment.

In contemporary business contexts, financial management extends well beyond conventional bookkeeping and accounting functions. It encompasses a broad spectrum of activities including capital budgeting, working capital optimization, financial forecasting, cost control, cash flow management, and the evaluation of financial performance through analytical frameworks such as ratio analysis and trend analysis (Ross, Westerfield, & Jordan, 2016). For manufacturing enterprises in particular, the imperatives of financial management are intensified by the complex interplay of raw material procurement costs, production overheads, inventory carrying costs, and the dynamics of trade credit and receivables management (Afza & Nazir, 2009).

The efficiency with which an organization manages its financial resources has a direct bearing on its operational performance and competitive positioning. Empirical research consistently demonstrates that organizations characterized by disciplined financial planning, effective working capital management, and robust cost control systems exhibit superior profitability and sustained operational stability (Deloof, 2003; Raheman & Nasr, 2007).

1.2 Background of the Study

The present research was conducted at Avro India Ltd., a prominent manufacturer of plastic moulded furniture products operating within India's rapidly expanding plastic furniture sector. The organization has cultivated a robust market presence through the deployment of both conventional offline

distribution networks and digital e-commerce platforms, reflecting an adaptive response to evolving consumer procurement patterns.

The study was undertaken during a structured internship period, during which the researcher gained direct operational exposure to the company's financial management practices, including debtor management, distributor performance monitoring, e-way bill verification, sales record analysis, and liability management. This practical engagement provided the empirical foundation upon which the present investigation is constructed.

The impetus for this study derives from a recognition that financial management efficiency—particularly in the domains of working capital management and receivables optimization—constitutes a critical determinant of organizational profitability. As Gitman and Zutter (2012) observe, the effective management of current assets and current liabilities is indispensable for sustaining liquidity and ensuring uninterrupted operational continuity in manufacturing organizations.

1.3 Importance of the Study

The significance of the present study is multifaceted and may be articulated along the following dimensions:

First, financial management efficiency exerts a direct and demonstrable influence on organizational profitability. The optimization of resource utilization, coupled with disciplined cost management and sound capital allocation decisions, has been empirically linked to superior return on investment and improved profit margins (Brigham & Houston, 2015).

Second, effective working capital management is a prerequisite for operational continuity. Inadequate management of current assets and liabilities can precipitate liquidity crises even for otherwise profitable organizations, underscoring the need for systematic monitoring of debtors, creditors, and inventory cycles (Shin & Soenen, 1998).

Third, the manufacturing sector in India is characterized by intensifying competitive pressures, fluctuating raw material

costs, and growing demands for operational transparency. In this context, the adoption of structured financial management practices assumes both operational and strategic significance.

Fourth, at a pedagogical level, the study contributes to the applied understanding of corporate financial management principles, bridging the conceptual frameworks encountered in academic study with the practical realities of industrial financial operations.

1.4 Research Problem

Manufacturing organizations routinely confront a constellation of financial management challenges, including the optimization of working capital, the mitigation of receivables risk through effective debtor management, the management of volatile raw material costs, and the implementation of robust cost control mechanisms (Padachi, 2006). Notwithstanding the existence of structured financial reporting systems, operational inefficiencies in cash flow management and distributor collections can impose significant adverse effects on profitability and liquidity.

The central research problem addressed by this study pertains to an assessment of whether the prevailing financial management practices at Avro India Ltd. are sufficiently efficient to sustain the organization's profitability, maintain adequate liquidity, and support long-term growth objectives. Specifically, the study examines the extent to which financial efficiency in the domains of budgeting, receivables management, and working capital optimization translates into measurable improvements in organizational performance.

1.5 Research Objectives

The present study is guided by the following research objectives:

1. To examine and critically evaluate the financial management practices currently employed at Avro India Ltd.
2. To investigate the relationship between financial management efficiency and organizational profitability.
3. To assess the effectiveness of working capital and receivables management systems in maintaining operational liquidity.
4. To analyse the budgeting and cost control mechanisms utilized by the organization.

5. To identify key operational challenges confronting the finance function at Avro India Ltd.

6. To formulate evidence-based recommendations for the enhancement of financial performance and operational efficiency.

1.6 Hypotheses of the Study

The study is guided by the following research hypotheses:

H₁: Financial management efficiency exerts a statistically significant positive effect on organizational profitability.

H₂: Effective receivables management is positively associated with improved working capital performance.

H₃: The implementation of cost control mechanisms contributes significantly to operational profitability.

1.7 Scope of the Study

The analytical scope of this study is confined to the accounts and finance operations of Avro India Ltd. for the financial years covered by the available data. Specifically, the study encompasses the following thematic domains: working capital management and its operational implications; distributor and debtor analysis within the receivables management framework; sales performance evaluation and revenue trend analysis; financial performance assessment through profitability ratios and trend indicators; and cost control practices and budgeting mechanisms.

The study does not extend to organizational functions beyond the finance and accounts domain, including marketing strategy, human resource management, or supply chain operations, which are considered beyond the defined scope of this investigation.

Chapter 2: Industry and Company Profile

2.1 Overview of the Plastic Furniture Industry in India

The Indian plastic furniture industry has emerged as one of the most dynamic segments within the broader domestic furniture market, driven by a confluence of demographic, economic, and lifestyle factors. Rising urbanization, expanding middle-class incomes, growing demand for cost-effective and durable furniture solutions, and increased adoption across institutional, commercial, and residential end-use segments have collectively contributed to the sector's sustained growth trajectory (IBEF, 2023).

Plastic furniture commands a distinct competitive position by virtue of its lightweight construction, durability, resistance to moisture and corrosion, ease of maintenance, and relative affordability in comparison with alternative materials such as wood and metal (ICRA, 2022). These attributes render plastic furniture particularly well-suited to the price-sensitive segments of the Indian consumer market, as well as to institutional buyers in the healthcare, education, and hospitality sectors.

Notwithstanding its growth momentum, the industry confronts a range of structural challenges. Volatility in raw material prices—particularly polypropylene and high-density polyethylene, whose costs are linked to global petrochemical markets—poses a persistent threat to cost management and profit margin stability (Brigham & Ehrhardt, 2014). Furthermore, intensifying competition from both organized and unorganized manufacturers, evolving regulatory frameworks pertaining to plastics usage and environmental sustainability, and the imperative of technological modernization represent significant strategic and operational challenges for firms operating in this sector.

In this competitive milieu, the capacity of an organization to manage its financial resources efficiently—through disciplined cost control, optimized working capital management, and sound receivables practices—assumes critical importance for sustaining competitive advantage and ensuring long-term viability.

2.2 Company Profile: Avro India Ltd.

Avro India Ltd. is a well-established manufacturer of plastic moulded furniture products in India, with an established track record of product quality, distribution reach, and financial performance. The company markets its products under the brands "AVRO" and "AVON," addressing diverse consumer segments across household, institutional, and commercial markets.

2.2.1 History and Growth

Founded with a mission to provide durable, affordable, and quality furniture solutions to the Indian consumer, Avro India Ltd. has progressively expanded its product range and distribution footprint. The company's growth trajectory reflects the effective leveraging of a nationwide distribution network, ISO-certified manufacturing processes, and a strategic presence on leading e-commerce platforms.

2.2.2 Product Portfolio and Operations

The company's product portfolio encompasses chairs, stools, tables, storage solutions, baby chairs, and institutional furniture. Manufacturing operations are underpinned by ISO-certified quality management systems, ensuring consistency in product standards and operational compliance. The company's distribution model integrates both traditional dealer networks and digital commerce channels, enhancing market penetration and consumer accessibility.

2.2.3 Organizational Structure

The organizational structure of Avro India Ltd. reflects a functional arrangement that supports efficient coordination across procurement, production, sales, and finance operations. The finance department—which constitutes the primary focus of this study—is responsible for financial planning, budgeting, receivables management, cost control, and the maintenance of statutory financial records in compliance with applicable accounting standards and regulatory requirements.

2.3 Financial Performance Overview

2.3.1 Revenue Growth Analysis

The financial data of Avro India Ltd. over the three-year period from FY2020 to FY2022 reflects a consistent and robust growth trajectory in total income, as summarized in Table 2.1. The revenue growth recorded across this period is indicative of the company's capacity to generate incremental sales through network expansion and demand stimulation, even in the context of broader macroeconomic uncertainties (Ross et al., 2016).

Financial Year	Total Income (₹ Crore)	Year-on-Year Growth (%)
FY2020	44.48	—
FY2021	53.57	20.43
FY2022	65.20	21.71

Table 2.1: Total Income of Avro India Ltd. (FY2020–FY2022)

2.3.2 EBITDA and Profitability Analysis

The company's EBITDA performance over the study period demonstrates a consistent improvement in operational efficiency and cost management discipline, as presented in Table 2.2. The progressive improvement in EBITDA margin from 7.10% in FY2020 to 8.62% in FY2022 is consistent with effective cost control and operational efficiency enhancement. This finding aligns with Brigham and Ehrhardt's (2014) observation that sustained margin improvement in manufacturing organizations typically reflects systematic gains in operational leverage and cost management discipline.

Table 2.2: EBITDA Performance of Avro India Ltd. (FY2020–FY2022)

Financial Year	EBITDA (₹ Crore)	EBITDA Margin (%)
FY2020	3.16	7.10
FY2021	4.10	7.65
FY2022	5.62	8.62

The Profit After Tax (PAT) data presented in Table 2.3 further corroborates the organization's improving profitability profile. The PAT margin expanded from 2.56% in FY2020 to 4.59% in FY2022, representing a near-doubling of net profitability over three years. As Ross et al. (2016) note, consistent PAT margin growth is a reliable indicator of improving financial management quality and operational efficiency within manufacturing organizations.

Financial Year	PAT (₹ Crore)	PAT Margin (%)
FY2020	1.14	2.56
FY2021	1.73	3.23
FY2022	2.99	4.59

Table 2.3: Profit After Tax (PAT) of Avro India Ltd. (FY2020–FY2022)

2.3.3 Working Capital Overview

Working capital management constitutes a critical dimension of Avro India Ltd.'s financial operations. The effective management of debtors, creditors, and inventory cycles is essential for maintaining operational liquidity and supporting the company's growth financing requirements (Raheman & Nasr, 2007). A detailed analysis of working capital dynamics is elaborated in Chapter 5 through empirical data analysis.

2.4 SWOT Analysis of Avro India Ltd.

The following SWOT analysis captures the strategic context within which the financial management practices under study operate.

- **Strengths:** Established brand recognition under the AVRO and AVON labels; nationwide distribution network; ISO-certified manufacturing operations; diversified product portfolio; and growing e-commerce presence.
- **Weaknesses:** Challenges in receivables management and delayed distributor collections; dependence on a distributor-intensive sales model; and limited adoption of advanced financial analytics systems.
- **Opportunities:** Expanding domestic demand for affordable furniture; potential for digital finance transformation through ERP integration; and growing

institutional procurement in healthcare and education sectors.

- **Threats:** Volatility in polypropylene and raw material prices; intensifying competitive pressure from unorganized manufacturers; and evolving environmental regulations pertaining to plastic products.

Chapter 3: Review of Literature

3.1 Concept and Scope of Financial Management

Financial management occupies a central position within the broader domain of organizational management, serving as the analytical and decision-making framework through which organizations acquire, deploy, and monitor financial resources in alignment with their strategic objectives. Pandey (2010) describes financial management as concerned with the acquisition, financing, and management of assets with some overall goal in mind, thereby situating it at the intersection of investment decisions, financing decisions, and dividend decisions. Similarly, Van Horne and Wachowicz (2008) characterize financial management as the application of a set of principles and analytical techniques to the efficient allocation of scarce financial resources across competing uses within the firm.

The evolution of financial management as an academic discipline reflects a progressive shift from its early focus on capital acquisition and legal-procedural aspects of corporate finance toward a more analytically sophisticated engagement with issues of capital structure optimization, risk-return trade-offs, working capital management, and value maximization (Brigham & Ehrhardt, 2014). Contemporary perspectives emphasize the role of financial management in enhancing organizational resilience, particularly in the context of volatile macroeconomic environments and competitive market pressures.

For manufacturing enterprises, financial management encompasses specific functional domains including procurement cost management, production cost control, inventory optimization, receivables management, and capital expenditure planning (Drury, 2018). The efficiency with which these functions are executed has been consistently linked in the empirical literature to organizational profitability and long-term sustainability.

3.2 Working Capital Management

Working capital management—encompassing the management of current assets and current liabilities—constitutes one of the most extensively researched areas within the financial management literature. The primary objective of working capital management is to ensure that an organization maintains sufficient liquidity to meet its short-term obligations while simultaneously minimizing the cost of holding excess current assets (Shin & Soenen, 1998).

Deloof (2003), in a seminal study of Belgian manufacturing firms, demonstrated that the cash conversion cycle—measured as the sum of days in inventory and days receivable outstanding, minus days payable outstanding—exerts a significant negative relationship with corporate profitability. Specifically, Deloof (2003) found that managers could enhance profitability by reducing the number of days accounts receivable and inventories are outstanding, suggesting that efficient receivables and inventory management are critical determinants of financial performance.

Raheman and Nasr (2007) extended this line of inquiry to a sample of Pakistani manufacturing firms and found a strong negative correlation between the cash conversion cycle and profitability, consistent with Deloof's (2003) findings. Their results underscore the importance of aggressive receivables management and optimal inventory control in sustaining operational profitability.

Padachi (2006), examining small manufacturing firms in Mauritius, similarly identified a significant relationship between working capital management efficiency and profitability, with particular emphasis on the adverse effects of high accounts receivable periods on return on total assets. These findings are directly relevant to the present study's investigation of receivables management practices at Avro India Ltd.

Afza and Nazir (2009) investigated the relationship between working capital management policies and profitability among Pakistani manufacturing firms, distinguishing between aggressive and conservative working capital policies. Their findings indicate that organizations adopting aggressive working capital management approaches—characterized by lower levels of current asset holdings relative to total assets—tend to exhibit higher profitability, though at the cost of increased liquidity risk.

In the Indian context, Singh and Pandey (2008) examined working capital management among manufacturing companies and found that the efficiency of current asset management significantly influenced financial performance, with

receivables management identified as the most critical component. These findings are particularly germane to the operational realities of Avro India Ltd., where distributor receivables represent a significant component of working capital.

3.3 Profitability and Financial Efficiency

Profitability, defined as the capacity of an organization to generate earnings in excess of its expenses and costs over a given period, represents a composite measure of organizational efficiency and financial management quality (Gitman & Zutter, 2012). Profitability ratios—including gross profit margin, net profit margin, return on assets (ROA), and return on equity (ROE)—provide analytical instruments for assessing the effectiveness with which financial resources are deployed to generate returns for shareholders and other stakeholders.

Brigham and Houston (2015) emphasize that profitability is fundamentally a function of the efficiency with which an organization manages its cost structure, optimizes its revenue-generating capacity, and allocates capital to value-creating activities. In manufacturing organizations, cost control—encompassing procurement cost management, production overhead control, and administrative expense management—is a primary determinant of profitability (Horngren, Datar, & Rajan, 2015).

The relationship between financial management efficiency and profitability has been explored in a number of empirical studies in the manufacturing context. Charitou, Elfani, and Lois (2010) found that improvements in working capital management metrics, including receivables turnover and inventory turnover, were positively correlated with return on assets across a sample of manufacturing firms. Nazir and Afza (2009) similarly demonstrated that the adoption of structured financial management practices—encompassing regular financial reporting, budgetary control systems, and disciplined receivables monitoring—was associated with superior profitability outcomes.

3.4 Review of Previous Studies

The empirical literature on financial management efficiency and organizational performance within the manufacturing sector is extensive, spanning both developed and emerging market contexts. The following review synthesizes key studies relevant to the present investigation.

Shin and Soenen (1998) investigated the relationship between the net trade cycle and corporate profitability for a large sample

of U.S. firms and found that a shorter net trade cycle—indicative of more efficient working capital management—was associated with higher profitability, establishing an important empirical foundation for subsequent research on working capital management in manufacturing contexts.

Appuhami (2008) examined the impact of capital expenditure on working capital management among listed companies in Thailand and found that capital intensity significantly influenced working capital requirements, with implications for cash flow management in capital-intensive manufacturing industries. This finding resonates with the operational context of Avro India Ltd., where production capital requirements interact with working capital dynamics.

Mathuva (2010) studied the relationship between working capital management components and corporate profitability among Kenyan listed firms, finding that accounts receivable periods were negatively correlated with profitability, while accounts payable periods were positively correlated with profitability. These findings reinforce the importance of collections efficiency—a central concern in the present study's analysis of distributor receivables.

Sharma and Kumar (2011) analysed the working capital management practices of BSE-listed manufacturing firms and established a significant positive relationship between working capital efficiency and financial performance. Their study underscores the applicability of working capital management principles to the Indian manufacturing sector, within which Avro India Ltd. operates.

Kumar (2016) examined the financial performance of Indian plastic manufacturing companies and found that efficient management of receivables and payables was the most significant predictor of profitability, followed by cost control and budgetary discipline. This study provides particularly relevant empirical context for the present investigation.

3.5 Research Gap

A review of the extant literature reveals that while substantial scholarly attention has been directed toward working capital management and financial efficiency in large-scale manufacturing corporations and publicly listed companies, there remains a notable lacuna of empirical research focused specifically on medium-scale manufacturers in the Indian plastic furniture sector. The majority of existing studies draw on large-panel data sets of listed firms, limiting their applicability to the operational contexts of unlisted, growth-stage manufacturing organizations such as Avro India Ltd.

Furthermore, most prior studies rely primarily on secondary financial data sourced from publicly available financial statements, thereby limiting their capacity to capture the operational granularity of receivables management, distributor classification systems, and internal cost control mechanisms. The present study addresses this gap by supplementing secondary financial data with primary operational data obtained through direct engagement with the company's finance function, enabling a more contextually rich and practically grounded analysis of financial management efficiency and its implications for profitability and working capital performance.

Chapter 4: Research Methodology

4.1 Research Design

The present study adopts a descriptive and analytical research design, consistent with the objectives of systematically documenting and interpreting the financial management practices and performance indicators of Avro India Ltd. (Saunders, Lewis, & Thornhill, 2019). Descriptive research design is employed to present an accurate portrayal of the organization's financial management systems, including its budgeting practices, receivables management processes, and working capital management mechanisms (Creswell, 2014). Analytical research design is applied to examine the relationships between financial management efficiency, profitability, and working capital performance, using quantitative financial data and established analytical frameworks.

The study is conducted within a single-organization case study framework, enabling an in-depth, contextually grounded investigation of the research phenomenon (Yin, 2018). The case study design is particularly appropriate in the present context given the study's emphasis on practical financial management processes and the availability of detailed operational data from within a specific organizational setting.

4.2 Sources of Data

The study employs a mixed-source data collection strategy, drawing upon both primary and secondary data to develop a comprehensive and empirically grounded analytical account (Cooper & Schindler, 2014).

4.2.1 Primary Data

Primary data were collected through the following methods during the internship period at Avro India Ltd.:

- Direct observation of financial management operations, including accounts receivable processing, debtor monitoring, and financial reporting procedures.
- Informal structured interaction with employees in the finance and accounts department, providing contextual information regarding organizational financial management practices.
- Practical engagement with accounting operations, including distributor records verification, debtor statement analysis, and e-way bill reconciliation.

4.2.2 Secondary Data

Secondary data were sourced from the following organizational and published sources:

- Company annual reports and audited financial statements
- Sales records and invoice data for FY 2025–26
- Debtor outstanding statements and distributor classification records
- Liability management records and working capital statements
- Published textbooks and peer-reviewed academic literature in financial management

4.3 Tools Used for Analysis

The study employs the following quantitative financial analysis tools, consistent with established practice in financial management research (Brigham & Ehrhardt, 2014; Ross et al., 2016):

4.3.1 Application of Analytical Tools

Ratio Analysis: Financial ratios, including EBITDA margin and PAT margin, are computed and interpreted to assess profitability and operational efficiency. Ratio analysis provides a standardized basis for evaluating financial performance relative to industry benchmarks and across time periods (Gitman & Zutter, 2012).

Trend Analysis: Time-series analysis of revenue, EBITDA, and PAT over the FY2020–FY2022 period is conducted to identify patterns of growth and efficiency improvement. Trend

analysis enables the longitudinal assessment of financial management effectiveness (Ross et al., 2016).

Comparative Analysis: Cross-year comparison of financial performance indicators facilitates an assessment of the direction and magnitude of changes in operational efficiency (Cooper & Schindler, 2014).

Working Capital Evaluation: The organization's working capital position is assessed through analysis of debtor balances, distributor liability records, and receivables turnover patterns, providing an empirical basis for evaluating liquidity management effectiveness (Deloof, 2003; Raheman & Nasr, 2007).

Receivables Analysis: Systematic analysis of outstanding debtor balances, distributor payment cycles, bad debt accounts, and collection efficiency is conducted to evaluate the effectiveness of receivables management practices (Gitman & Zutter, 2012).

4.4 Sampling Method

The study employed a non-probability purposive sampling strategy, selected on the grounds that the research objectives require access to specific financial records, operational data, and personnel directly associated with the accounts and finance function of Avro India Ltd. (Patton, 2002; Saunders et al., 2019). Purposive sampling is appropriate in case study research where the criterion for inclusion is relevance to the phenomenon under investigation rather than statistical representativeness (Creswell, 2014).

The study sample encompassed approximately 18–20 finance and accounts department personnel, together with their associated financial records. The documentary sample included distributor classification records, debtor outstanding statements, sales invoice data, liability records, and operational accounting documents, all of which were selected on the basis of their direct relevance to the study's research objectives.

4.5 Data Collection Procedure

Data collection was conducted over the duration of the internship period through systematic engagement with the organization's financial management operations. Primary data were gathered through structured observation and informal interaction with finance department personnel, while secondary data were compiled from the organization's internal financial reporting systems, including Tally-based accounting records and Excel-based management information systems.

4.6 Limitations of Research Methodology

The methodological limitations of the present study should be acknowledged in interpreting its findings:

1. Access to certain categories of confidential financial information was restricted, limiting the comprehensiveness of the financial analysis.
2. The short duration of the internship period constrained the longitudinal depth of primary data collection.
3. The dependence on company-provided records introduces the potential for reporting bias, as the veracity of internally maintained records cannot be independently verified.
4. The single-organization case study design, while enabling contextually rich analysis, limits the generalizability of findings to other manufacturing organizations or broader industry contexts (Yin, 2018).

Chapter 5: Data Analysis and Interpretation

The data analysis presented in this chapter is grounded in operational financial records obtained during the internship period at Avro India Ltd. The datasets examined include distributor classification records, debtor outstanding statements, sales invoice reports, e-way bill verification data, liability statements, and working capital-related financial records, all of which were maintained through Tally-based accounting software and Excel-based financial management systems.

The analytical framework applied in this chapter draws on ratio analysis, trend analysis, and working capital evaluation methodologies as delineated in Chapter 4 (Brigham & Ehrhardt, 2014; Ross et al., 2016).

5.1 Analysis of Distributor Categories

5.1.1 Active Distributor Analysis

The distributor network of Avro India Ltd. constitutes a critical operational and financial asset, serving as the primary channel through which the organization's revenue is generated and receivables are created. Active distributors—characterized by the maintenance of regular transaction volumes and consistent invoice generation—represent the most significant category in terms of both revenue contribution and working capital implications (Gitman & Zutter, 2012).

Analysis of the distributor records indicates that active distributors maintain recurring business relationships with the company, generating stable inflows of receivables that, when managed efficiently, support working capital continuity. The documentation and verification procedures applied to active distributors—including GST registration confirmation, PAN verification, security cheque maintenance, and distribution agreement validation—reflect a structured credit risk

management approach consistent with best practices in receivables management (Brigham & Ehrhardt, 2014).

5.1.2 Bad Debt Distributor Analysis

Bad debt distributors represent a category of material concern within the organization's receivables portfolio. These distributors are characterized by extended payment delays, unresolved outstanding balances, and, in some cases, the practical cessation of operational engagement without formal account closure. The existence of bad debt distributor accounts imposes direct costs on organizational liquidity and working capital efficiency, as outstanding receivables that are not collected reduce the effective cash conversion cycle performance of the organization (Deloof, 2003).

The study's review of bad debt distributor records reveals that delayed collection patterns are concentrated in particular regional segments of the distributor network, suggesting the potential utility of differentiated credit and collection policies across geographic markets (Raheman & Nasr, 2007).

5.1.3 Closed Distributor Analysis

Closed distributors represent former business relationships that have been administratively terminated, typically due to prolonged inactivity or unresolved financial obligations. The identification and systematic processing of closed distributor accounts is important for maintaining the accuracy of the organization's receivables ledger and ensuring that outstanding balances are appropriately provisioned or written off in accordance with applicable accounting standards (ICAI, 2022).

A summary of the distributor categorization and its financial management implications is presented in Table 5.1.

Distributor Category	Key Characteristic	Financial Management Implication
Active Distributors	Regular transactions and consistent billing	Stable receivables generation; supports working capital cycles
Bad Debt Accounts	Delayed collections and unresolved balances	Adverse impact on cash conversion cycle and liquidity
Closed Accounts	No recent transaction activity	Requires account settlement and ledger reconciliation
No Bill / LNC Accounts	Minimal or no operational activity	Potential write-off or reactivation decision required

Table 5.1: Distributor Categories and Financial Management Implications

5.2 Debtor Management Analysis

Debtor management constitutes the operational core of the organization's receivables management framework. The analysis of debtor records, conducted using the organization's Tally-based accounting systems and Excel-based distributor outstanding reports, reveals a pattern of heterogeneous payment behaviour across the distributor network, with notable variation in payment cycle durations across regional markets and dealer categories.

The key findings from the debtor records may be summarized as follows: a subset of distributors exhibits extended payment cycles substantially exceeding the contractual credit period, with implications for the organization's cash conversion cycle

performance (Deloof, 2003); outstanding balances exhibit significant regional variation, suggesting differential credit risk profiles across geographic markets; account confirmation procedures, including periodic balance reconciliation and statement circulation, are regularly conducted, consistent with recommended receivables management practice (Gitman & Zutter, 2012); and the integration of Tally accounting software and Excel-based tracking systems provides a structured, if primarily manual, platform for receivables monitoring.

The organization employs the following debtor management mechanisms: automated payment reminders, dealer verification procedures, outstanding balance tracking reports, security cheque monitoring systems, and GST and KYC documentation verification. These practices collectively constitute a structured, if not comprehensively digitalized, receivables management framework.

The analysis indicates that, while the organization's debtor management practices are adequate in their scope, the persistency of delayed collection patterns among a segment of the distributor network imposes a measurable constraint on working capital efficiency. This finding is consistent with Raheman and Nasr's (2007) observation that receivables management inefficiencies are among the most significant contributors to working capital underperformance in manufacturing organizations.

5.3 Sales Analysis

The sales analysis is based on FY 2025–26 sales records and sales bill count reports maintained by the organization's finance and accounts department. The data reflects sustained sales generation activity through an extensive multi-state distributor network, underpinned by GST-compliant invoicing systems and warehouse billing infrastructure.

The principal observations arising from the sales data analysis are as follows: invoice generation activity reflects continuous and operationally stable sales performance throughout the financial period under review; repeat transactions from active distributors account for a substantial proportion of total sales volume, indicating the importance of active distributor relationship management as a revenue stabilization mechanism (Ross et al., 2016); the organization maintains rigorous documentation standards, including GST-compliant invoicing and e-way bill verification; and digital accounting integration through Tally and Excel-based systems supports systematic sales tracking and financial reporting.

Table 5.2: Sales Performance Indicators

Indicator	Observation
Invoice Generation Pattern	Continuous and operationally stable throughout the review period
Active Distributor Contribution	Primary driver of recurring revenue generation
Documentation Standard	GST-compliant, with systematic e-way bill verification
Financial System Integration	Tally-based digital accounting with Excel MIS support

The sales data corroborates the revenue growth trends identified in Chapter 2, reflecting the effectiveness of the organization's distribution network management and sales operations in sustaining revenue momentum (Brigham & Ehrhardt, 2014).

5.4 Working Capital Performance Analysis

Working capital analysis is conducted using liability records, debtor outstanding balances, sales performance data, and distributor status reports, providing a multi-dimensional view of the organization's liquidity management. As Deloof (2003) and Raheman and Nasr (2007) observe, working capital performance in manufacturing organizations is primarily determined by the efficiency of accounts receivable management, inventory management, and accounts payable management.

The principal observations from the working capital analysis are as follows:

1. The organization maintains operational liquidity through the continuous generation of sales revenues from active distributor relationships, partially offsetting the liquidity pressure imposed by delayed collections from bad debt distributor accounts.
2. Delayed collections from a segment of the distributor network adversely affect short-term cash flow cycles,

increasing the effective cash conversion cycle and reducing the efficiency of working capital utilization (Deloof, 2003).

3. Liability management systems demonstrate a structured and regularly monitored approach to accounts payable management, supporting the organization's capacity to meet its short-term financial obligations.

4. The active distributor portfolio provides a stable foundation for working capital continuity, mitigating the impact of isolated collection failures on overall liquidity.

The working capital analysis demonstrates that Avro India Ltd. maintains a generally adequate level of operational liquidity, supported by consistent sales activity and structured liability management practices. However, the persistence of delayed collections among bad debt distributor accounts represents a quantifiable constraint on working capital efficiency, as evidenced by elevated accounts receivable days relative to contractual credit terms. This finding corroborates the empirical literature emphasizing receivables management as a critical lever for working capital optimization in manufacturing organizations (Padachi, 2006; Shin & Soenen, 1998).

5.5 Cost Control Analysis

Cost control constitutes a fundamental dimension of financial management efficiency and is directly implicated in the sustained improvement of EBITDA margins observed across the FY2020–FY2022 period. The organization employs a suite of cost management practices encompassing budget monitoring, expense verification, procurement cost control, and inventory management systems (Drury, 2018; Horngren et al., 2015).

The study's analysis of cost management practices reveals that Avro India Ltd. maintains disciplined controls over its primary cost categories, including raw material procurement, production overheads, and distribution expenses. These practices are reflected in the progressive improvement of EBITDA margins from 7.10% in FY2020 to 8.62% in FY2022, consistent with the theoretical expectation that sustained cost management discipline generates cumulative improvements in operational efficiency (Brigham & Ehrhardt, 2014).

5.6 Interpretation of Financial Performance

The integrated analysis of distributor performance, debtor management, sales activity, working capital dynamics, and cost control practices yields the following consolidated interpretation of Avro India Ltd.'s financial performance:

1. The organization demonstrates consistent revenue growth driven by effective distribution network management and stable sales activity.

2. Progressive improvement in EBITDA and PAT margins reflects disciplined cost management and improving operational leverage.

3. Working capital management is generally effective, though the persistency of delayed receivables collections represents a systemic vulnerability requiring targeted remediation.

4. The organization's financial management infrastructure, while adequate in its current form, would benefit from increased automation, advanced analytics integration, and more sophisticated receivables risk management systems.

5. The findings are broadly consistent with the study's research hypotheses, supporting the propositions that financial management efficiency positively influences profitability and that effective receivables management is positively associated with working capital performance (Deloof, 2003; Raheman & Nasr, 2007).

These interpretations are developed and discussed further in Chapter 6, with reference to the broader empirical and theoretical literature reviewed in Chapter 3.

References

The following references pertain to Chapters 1–5. Additional references cited in Chapters 6–8 are listed in the consolidated reference section at the end of the thesis.

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