

Optimizing Working Capital Management for BSS Secure Solutions Pvt Ltd

Dr.R. Dineshababu¹, Dr.M.R. Prakash²

¹Head of B.Com(Bank Management/Corporate Secretaryship), Mohamed Sathak College of Arts and Science, Chennai, TamilNadu, India.

²Head of PG Department of Commerce, School of Commerce, Mohamed Sathak College of Arts and Science, Chennai, TamilNadu, India. Email: prof.prakash2020@gmail.com

Received: 15-06-2025; Revised: 02-07-2025; Accepted: 20-07-2025; Published: 08-08-2025

Abstract

All firms require working capital management to be financially and operationally sound. This study is aimed at reviewing and enhancing the working capital processes of BSS Secure Solution Pvt Ltd. The organization deals with security services. In order to determine the manner in which the business is making good use of its short-term assets and liabilities, the study aims at determining key factors such as cash flow management, payables cycle management, inventory control, and receivables management. The research identifies the current practice bottlenecks and provides practical solutions to increase liquidity without compromising profitability via combined trend research, financial ratio analysis, and interview of the finance staff. The findings are indicative of areas that require enhancement, e.g. unused cash reserves, receivables outstanding. As the research results show, by incorporating an increasingly proactive and data-driven approach to working capital management, BSS Secure Solution Pvt Ltd can reduce financial stress significantly, improve its relations with vendors and customers, and contribute to long-term business success.

Keywords: *such elements as, sacrificing profitability.*

1. Introduction of the study

Working capital is one of the most important aspects of the sustainability and viability of any business. Lots of companies have to stop the trading because they cannot fulfill the short-term payments as soon as they appear. A firm must manage its working capital successfully in order to stay in business. Proper management of fluid capital helps improve liquidity position of a firm and financial health and reduces risk.

In this course, you will get to know about the working capital and working capital management. The course will discuss why working capital management is necessary and identify some of the factors that will be used to determine the size of the working capital requirement. The financial planning concepts will also be discussed during this course in order to estimate the working capital requirement. Lastly, this course will outline some of the major strategies which may be employed to fund working capital.(1)

2. Need for the articles

- To give a sound financial data on economic resources and responsibility of a business firm.
- To furnish other information necessary regarding charges in such economic resources and obligation.
- To give credible information regarding the change in net resources (recourses less obligation) that are not involved in business activities.
- To supply financial data to help estimate the learning capability of the business.
- To know the management of the working capital.

3. Objectives of the articles

Primary objective

- To research on through working capital management in BSS Secure Solution Pvt Ltd.

Secondary objectives:

- To study the sources and uses of the working capital.
- To analyse the liquidity position with a range of ratios related to working capital.
- To study the working capital elements including operational cycle, working capital flows and receivables ratio analysis.

Optimizing Working Capital Management for BSS Secure Solutions Pvt Ltd

- To provide recommendations based on the findings of the study.

Scope of the articles

- The information about the cash management was gathered in the finance department of the company.
- The obtained data are estimated and measured with the help of some nominal scales.
- On the basis of different analysis recommendations were provided.
- This is the learning device that the finance student will have in this project.
- The project will be a study of planning and financing working capital.
- To achieve the exposure in the working capital management.

Limitations of the articles

- The study duration is short.
- Financial analysis is limited to the five years of data analysis (between year 2014 and year 2018).
- Minimized communication with the heads involved because they are busy.
- The results of the research are founded upon the information that the selection retrieved.

4. Research methodology

Overall, the procedure followed in any study research undertaking is what is called research methodology. To reach a valid expression of the goal and the scope, methodology gives a clear image of the sequence and usability of the numerous stages of the study.(2)

Research design

A research design is a configuration of parameters to collect and analyse data aiming at a balance between economy and relevance to the objective of the study.

Method of data collection

Primary data

The first data is the data that is gathered new or original and in the first time original in nature. Personal Interaction with Finance manager and other staff members has been used as the Primary data.

Secondary data

The secondary data are those which have already been gathered and stored. The time, money, and efforts required to collect the data will be saved as the secondary data are readily obtained via records, annual reports of the company etc. Annual reports, profit and loss account of 5-year period of 2014 was the major source of data of this project.(3)

Ratio analysis

Financial ratios are effective means of determining the financial performance and financial situation of a firm. The financial statements provide most of the information necessary to compute most ratios. It can be used to analyse financial trends, and also compare firm financials with other firm financials using financial ratio. In other instances, ratio analysis may indicate future bankruptcy. The financial ratios can be grouped based on the information they give. The common types of ratios include the following.(4)

Current Ratio

Liquidity ratios give us data on how a firm is about to fulfill its imminent financial commitments. Those lending short-term credit to the firm are particularly interested in them. The current ratio (also known as working capital ratio) and the quick ratio are two commonly-used liquidity ratios.

Current ratio = current assets divided by current liabilities:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The high credit ratio is desirable to short-term creditors because it makes them less risky. The financiers (the shareholders) might want a lower current ratio to ensure that a larger percentage of the assets of the firm is employed to expand the business. Normal values of the current ratio in order to stay afloat when the economy is going down.

5. Data analysis

Current Ratio Analysis

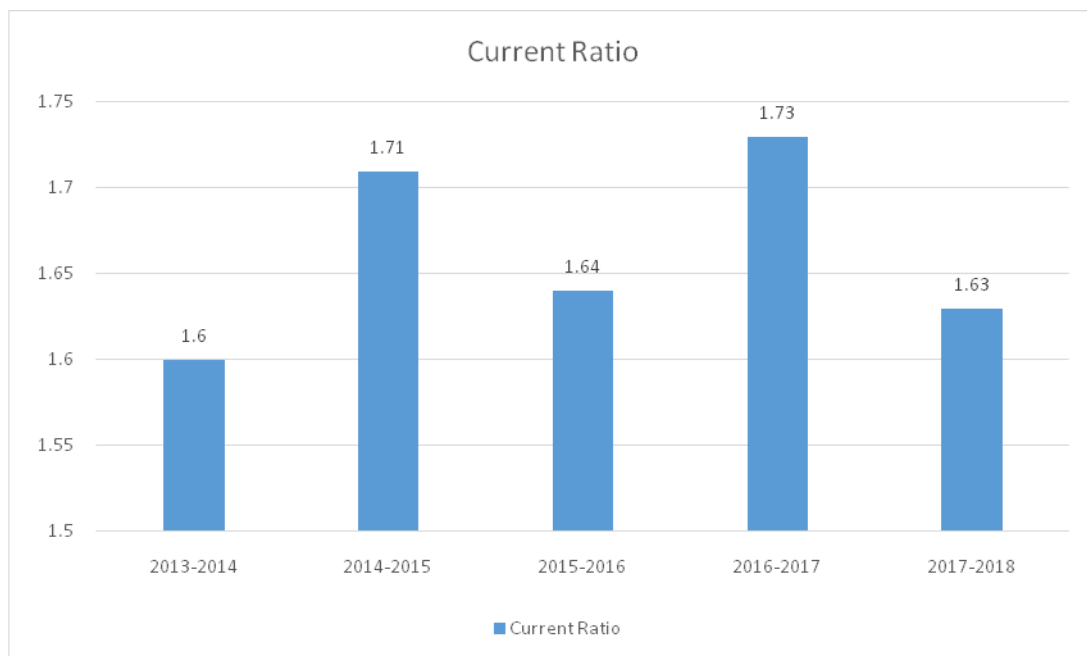
FORMULA:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

Source- annual report

Year	Current Assets	Current liabilities	Current Ratio
2013-2014	505.46	315.33	1.60
2014-2015	571.17	334.19	1.71
2015-2016	716.95	437.95	1.64
2016-2017	834.28	481.81	1.73
2017-2018	1,095.97	673.18	1.63

Chart: Current Ratio Analyses

**Interpretation**

Its current ratio seems to fluctuate between the years 2014 and 2018, which is not healthy. The current ratio decreased in 2018 after it was high in 2017 because of an increase in current liabilities.(5)

Trend analysis

The best thing about trend analysis is that it can also be applied to foresee what is going to happen. They can do this by predicting the future cash flow using the past available data. Trend analysis can help you to make a prediction of what the future holds and also monitor the variances to add performance. $Y=a+b(x)$

Trend analysis –working capital

Year	Networking Capital	x	X ²	xy	Y=a+b(x)
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Optimizing Working Capital Management for BSS Secure Solutions Pvt Ltd

2013-2014	190.13	-2	4	-380.26	180.116
2014-2015	236.98	-1	1	-236.98	238.193
2015-2016	279	0	0	0	296.27
2016-2017	352.47	1	1	352.47	354.347
2017-2018	422.77	2	4	845.54	412.424
	$\Sigma y = 1481.35$		$\Sigma x^2 = 10$	580.77	180.116

Y=a +b (x)

$a = \Sigma y / n$

$b = \Sigma xy / \Sigma x^2$

$a = 296.27$

$b = 58.077$

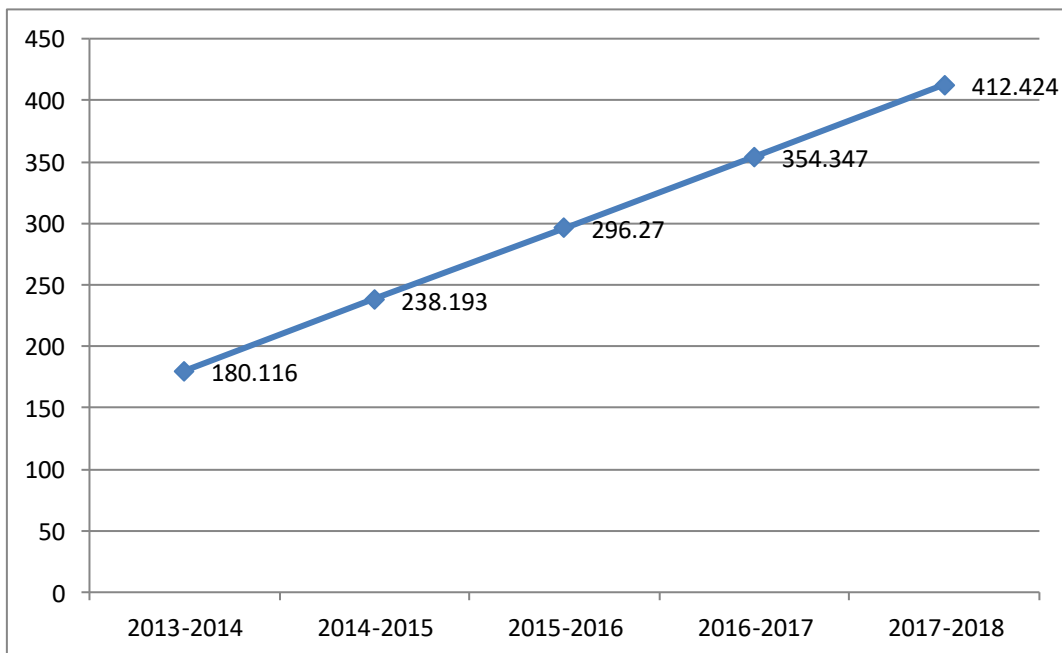
For: 2018-2019

Let us assume $x=3$

$Y = a + b(x)$

$Y = 296.27 + 58.077 * 3$

$Y = 470.501$



Interpretation

The Networking capital is rising at a growing rate in all the five years. The highest Net WC on 2018 is the company with 412.424. It is observed that the trend is growing rate because the costs of the initial 3 years are slowly reducing. As the year 2019 trend is analyzed, it was found that the trend was increasing to 470.501.

Major findings:

The BSS Secure Solution Pvt Ltd working capital was growing and was reporting a positive working capital per year. The holding period of inventory appears to vary more over the years. And the company was able to reduce

the inventory holding period by increasing the sales by transforming the raw materials to finished goods over a short period of time.

Suggestions

Working capital in the company is increasing each year. The profit is also increasing each year and that is positive to the business. In order to be able to control the firm in the long term, it has to be sustained. The business is better placed with regard to liquidity and sufficient working capital. The turnover should increase by the effective use of this short-term capital. The ability of the company to ensure that the ratio of current assets and current liabilities are maintained enables better management of working capital.

6. Conclusion

BSS Secure Solution Pvt Ltd is financially sound. Inventory turnover is greater after the previous year, which is good news to the business. The liquidity of the business is good. The investments in current assets have enough funds. The business must show restraint in investing in already existing assets since such investments would divert cash that would otherwise be better utilized in other more useful activities. In general, the company is moving in the right direction under the management of excellent management.

Acknowledgement: Nil

Conflicts of interest

The authors have no conflicts of interest to declare

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