



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

PG Department of Commerce with Computer Applications, Mannar Thirumalai Naicker College, Madurai – March 2026

A STUDY ON WORKING CAPITAL MANAGEMENT OF AUTOMOBILE INDUSTRY WITH REFERENCE TO BAJAJ AUTO LTD.

Dr. G.Thenmozhi

Assistant Professor,

*PG Department of Commerce with Computer Applications,
Mannar Thirumalai Naicker College,
Madurai, Tamil Nadu, India.*

P. Balasubramanian

Student,

*PG Department of Commerce with Computer Applications,
Mannar Thirumalai Naicker College,
Madurai, Tamil Nadu, India.*

E.Dineshkumar

Student,

*PG Department of Commerce with Computer Applications,
Mannar Thirumalai Naicker College,
Madurai, Tamil Nadu, India.*

Abstract

Effective working capital management is a cornerstone of financial resilience, ensuring a firm maintains the liquidity necessary for daily operations while maximizing shareholder wealth. This research evaluates the working capital strategies of Bajaj Auto Ltd., a global leader in the capital-intensive automobile sector. Utilizing secondary data from annual reports spanning 2021 to 2026, the study employs ratio analysis, trend assessment, and an evaluation of the operating cycle to measure financial health. The analysis reveals that Bajaj Auto Ltd. maintains a highly efficient "Negative Working Capital Cycle," effectively utilizing supplier credit to fund operational requirements. Key metrics indicate a robust framework: the Current

Ratio stabilized at 1.5x by March 2025, complemented by an industry-leading Inventory Turnover Ratio. These findings suggest that the company's ability to minimize its cash conversion cycle while maintaining a significant cash reserve (over ₹16,000 crore) provides a distinct competitive advantage. The study concludes that Bajaj Auto's strategic balance between high liquidity and aggressive operational velocity is the primary driver of its sustained profitability amidst market fluctuations and the industry's transition toward Electric Vehicles (EVs).

Keywords: Working Capital Management, Bajaj Auto Ltd, Automobile Sector, Liquidity Analysis, Profitability, Ratio Analysis, Inventory Management, Financial Performance.



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

PG Department of Commerce with Computer Applications, Mannar Thirumalai Naicker College, Madurai – March 2026

Introduction

The term working capital is commonly used for the capital required for day-to-day working in a business concern, such as for purchasing raw material, for meeting day-to-day expenditure on salaries, wages, rents rates, advertising etc. Working capital is defined as, the excess of current assets over current liabilities and provisions Working capital management refers to a company's managerial accounting strategy designed to monitor and utilize the two components of working capital, current assets and current liabilities, to ensure the most financially efficient operation of the company. The primary purpose of working capital management is to make sure the company always maintains sufficient cash flow to meet its short-term operating costs and short-term debt obligations. Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationship that exists between them.

Statement of the Problem

The core challenge addressed in this study is the inherent tension between liquidity and profitability. While long-term strategic planning often dominates financial discourse, the mismanagement of short-term finance remains a critical risk. Inaccurate estimation of working capital leads to either a liquidity crisis or the accumulation of idle resources.

This research identifies a gap in existing literature regarding the optimization of day-to-day operational funds within the capital-intensive automobile sector, specifically focusing on how Bajaj Auto Ltd. maintains its financial equilibrium.

Objective of the Study

- This study seeks to analyze the composition and requirements of working capital at Bajaj Auto Ltd. to ensure optimal liquidity for daily operations.
- It examines the utilization of current assets and liabilities, evaluating how effectively these resources are managed to meet short-term obligations.
- By applying ratio analysis and turnover metrics, the study assesses the efficiency of the company's financial management, ultimately exploring how the strategic balance of these components sustains profitability in a competitive market.

Review of Literature

Suba and Rajalakshmi (2017) and Moolchandani (2023) specifically analyzed Bajaj Auto, finding that while effective WCM practices generally support profitability, there is often a negative correlation between the length of the cash conversion cycle and firm performance. Shorter cycles – achieved through faster inventory turnover and quick

Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

PG Department of Commerce with Computer Applications, Mannar Thirumalai Naicker College, Madurai – March 2026

debt collection—are consistently linked to higher returns on assets.

aggressive capital structure while maintaining its solvency.

Research Design

A research design is the arrangement of the condition for collection and analysis of data. Actually it is the blueprint of the research project. Research design is a statement or specification of procedure for collecting and analysis the information required for the solution of a specific problem. It provides a scientific find work for conducting some research investigation. The conception of research of the research design plan is a critical step in the research process.

The design of the study constitutes blue print for the collection, measurement, and analysis of the data.

Result and Discussion

The analysis reveals that Bajaj Auto Ltd. experienced a significant surge in net working capital between 2020 and 2023, peaking at 6,178.79, driven by rising current assets and a steady reduction in short-term liabilities. However, 2024 saw a sharp 68% decline in net working capital to 1,944.26. This drop was not due to financial distress, but rather a strategic reduction in current assets (likely through massive dividend payouts or buybacks) combined with a disciplined downward trend in liabilities, which fell by 43% since 2021. Overall, the company has transitioned toward a much leaner and more

Table 1: Statement of Changes in Working Capital

YEAR	2020	2021	2022	2023	2024
A)Current assets	6596.96	7062.66	9235.63	9391.37	4725.25
B)Current liabilities	4253.21	4873.68	4111.29	3212.58	2780.99
Working capital(A-B)	2343.75	2188.98	5124.34	6178.79	1944.26

Source: Moneycontrol.com

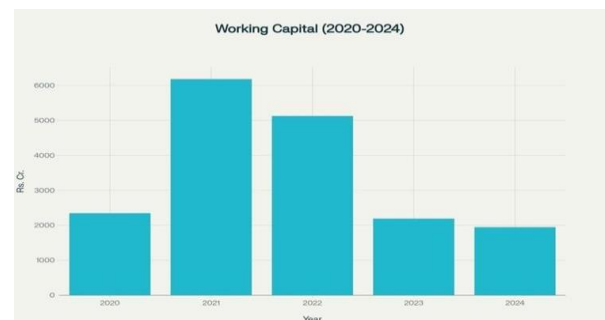


Table 2: Common Balance Sheet (2024-2025)

Particulars	Mar2024	Mar2025
Share Capital	289.37	289.37
Reserves & Surplus	26,379.43	24,912.89
Net Worth	26,668.80	25,202.26
Secured Loan	0.00	0.00
Unsecured Loan	0.00	0.00
Total Liabilities	26,668.80	25,202.26
Assets		
Gross Block	4,542.45	4,278.68
(-)Accumulated Depreciation	2,708.43	2,613.75
Net Block	1,834.02	1,664.93



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

PG Department of Commerce with Computer Applications, Mannar Thirumalai Naicker College, Madurai – March 2026

Capital Work in Progress	76.82	15.98
Investments	23,818.76	22,630.95
Inventories	1,230.51	1,493.89
Sundry Debtors	1,516.38	2,716.85
Cash and bank	588.34	527.36
Loans and Advances	2,857.11	2,480.24
Total Current Assets	6,192.34	7,218.34
Current Liabilities	5,098.09	6,173.59
Provisions	155.05	154.35
Total Current Liabilities	5,253.14	6,327.94
Net Current Assets	939.20	890.40
Total Assets	26,668.80	25,202.26

capital structure, it is backed by a substantial cash reserve of over ₹16,000 crore, ensuring that the firm remains resilient against market uncertainties. The transition from a peak working capital in 2023 to a more optimized level in 2024 demonstrates management's ability to efficiently deploy funds without compromising the company's ability to meet its short-term obligations. By maintaining an industry-standard current ratio (1.5 x in 2025) and an exceptionally fast collection cycle, Bajaj Auto has successfully synchronized its liquidity needs with its long-term growth objectives. Ultimately, the company serves as a benchmark in the automobile industry for its ability to sustain high productivity and profitability through disciplined and proactive short-term financial planning.

Findings and Suggestions

Bajaj Auto maintains a highly efficient operational model characterized by a consistent negative cash conversion cycle (averaging -21 days) and a robust current ratio of 1.5x to 1.7x as of March 2025. Supported by a massive ₹16,999 crore cash surplus and a rapid 2-day collection period, the company's declining net working capital reflects a strategic, lean approach rather than a liquidity constraint. Key recommendations include leveraging supplier bargaining power to sustain this cycle while re-investing surplus capital into electric vehicle (EV) transitions and export market growth.

Conclusion

The study of working capital management at Bajaj Auto Ltd. highlights a well-balanced approach that prioritizes both operational stability and financial discipline. While the company maintains a lean working

References

1. Bajaj Auto Ltd. (2025). Annual Report 2024-2025: Driving the Future. Investor Relations.
2. Garg, A., & Grover, S. (2026). Financial efficiency and liquidity trends in the Indian two-wheeler industry. Journal of Applied Finance & Accounting, 12(1), 45-58.
3. Moolchandani, R. (2023). Analysis of working capital and its impact on the profitability of Bajaj Auto Limited. Research Gate Publication.
4. Moneycontrol. (2024). Bajaj Auto Ltd: Financial Ratios and Balance Sheet



Special Issue - Innovative Commerce: Bridging Business and Computer Applications (ICBBCA-2026)

PG Department of Commerce with Computer Applications, Mannar Thirumalai Naicker College, Madurai – March 2026

Analysis. Retrieved from
moneycontrol.com.

5. Suba, M., & Rajalakshmi, K. (2017). A comparative study on working capital management of selected automobile companies. Indian Journal of Applied Research, 7(4).