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A STUDY ON "NO COST EFFECTIVENESS AND CREDIT ANALYSIS WITH SPECIAL REFERENCE TO VENKRAFT PAPER MILLS PVT.LTD" AT HOSUR

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ABSTRACT

This study investigates the cost inefficiencies and credit analysis practices at Venkraft Paper Mills Pvt. Ltd., Hosur, using five years of financial and operational data (2019–2024). The objective is to evaluate areas where the organization lacks cost-effectiveness and how credit practices impact overall financial health. Using secondary data and descriptive tools such as ratio analysis, trend analysis, and percentage analysis, the study identifies cost centres, working capital mismanagement, and credit policy gaps. Findings highlight the need for strategic financial controls, improved credit evaluation, and streamlined operations to ensure profitability and sustainability.

Key Words: Cost inefficiency, Working capital, Credit analysis, Financial ratios, Receivables management, Profitability, Operational cost.

INTRODUCTION

Paper manufacturing industries like Venkraft Paper Mills face increasing operational costs and rising credit risks in a competitive market. While efficient firms minimize costs and manage receivables effectively, companies lacking in these areas face financial stress. This study evaluates the no-cost effectiveness and credit management strategies in the organization and provides insights into improving financial performance and stability.

RESEARCH BACKGROUND

Venkraft Paper Mills Pvt. Ltd., located in Hosur, is a mid-sized manufacturer of industrial paper products. The study focuses on the internal inefficiencies that hinder cost optimization and how credit mismanagement affects liquidity. The background reveals that rising raw material prices, inconsistent supplier terms, and poor receivables control are key concerns affecting profitability.

GLOBAL TRADE DYANAMICS AND EXPORT OPPORTUNITIES

The Indian paper industry is capital-intensive and highly dependent on working capital management. High energy consumption, raw material cost volatility, and lenient credit policies with customers contribute to cash flow pressures. In this environment, companies like Venkraft need to streamline processes and enforce credit discipline to survive and grow.

IDENTIFIED PROBLEM

Venkraft Paper Mills faces financial stress due to ineffective cost controls and improper credit management. Key problems include: Excessive production costs. Delayed payments from customers. Limited analysis of debtor creditworthiness. Inadequate follow-up on receivables. Unoptimized procurement and inventory processes

OBJECTIVES OF THE STUDY

The primary objective of this study is to analyze the areas of cost inefficiencies within Venkraft Paper Mills Pvt. Ltd. by examining internal financial data, operational costs, and resource utilization patterns. It also aims to study the company's existing credit policy and evaluate its impact on cash flow and overall profitability. Furthermore, the study seeks to assess the creditworthiness of customers using key financial metrics such as receivables turnover, Days Sales Outstanding (DSO), and credit exposure ratios. Based on these analyses, the research intends to provide practical recommendations for improving cost optimization and establishing effective credit control mechanisms to strengthen the financial performance of the organization.

RESEARCH GAP

Venkraft Paper Mills Pvt. Ltd. faces cost inefficiencies due to poor cost classification and allocation. Credit risk assessment is weak, lacking proper scoring models and client analysis. There's no structured tracking of receivables or debtor follow-up. The company also misses out on benchmarking with peers and lacks alignment between credit policy and financial performance.

RESEARCH METHODOLOGY

the study follows a descriptive and applied research design, utilizing secondary data collected from financial records, cost sheets, and credit policy documents. Key analytical tools used include Ratio Analysis (such as Receivables Turnover, Current Ratio, and Days Sales Outstanding), Trend Analysis, and Percentage Analysis to evaluate financial and credit performance. The study period spans from FY 2019–2020 to FY 2023–2024. Data sources comprise the company's financial statements, credit reports, customer ledger books, and procurement and inventory records.

LIMITATION OF THE STUDY

The study faced several limitations, including the unavailability of customer credit ratings and confidential data, which restricted the depth of credit analysis. There were also issues with incomplete documentation within internal cost systems, limiting the accuracy of cost assessment. Additionally, unpredictable fluctuations in input costs posed challenges in identifying consistent cost trends. Furthermore, restricted access to competitor benchmarks hindered effective comparative analysis across the industry.

ASSUMPTIONS

The study assumes that inefficient cost control and poor credit practices directly reduce profitability and increase financial risk.

Conflict of Interest:

None declared.

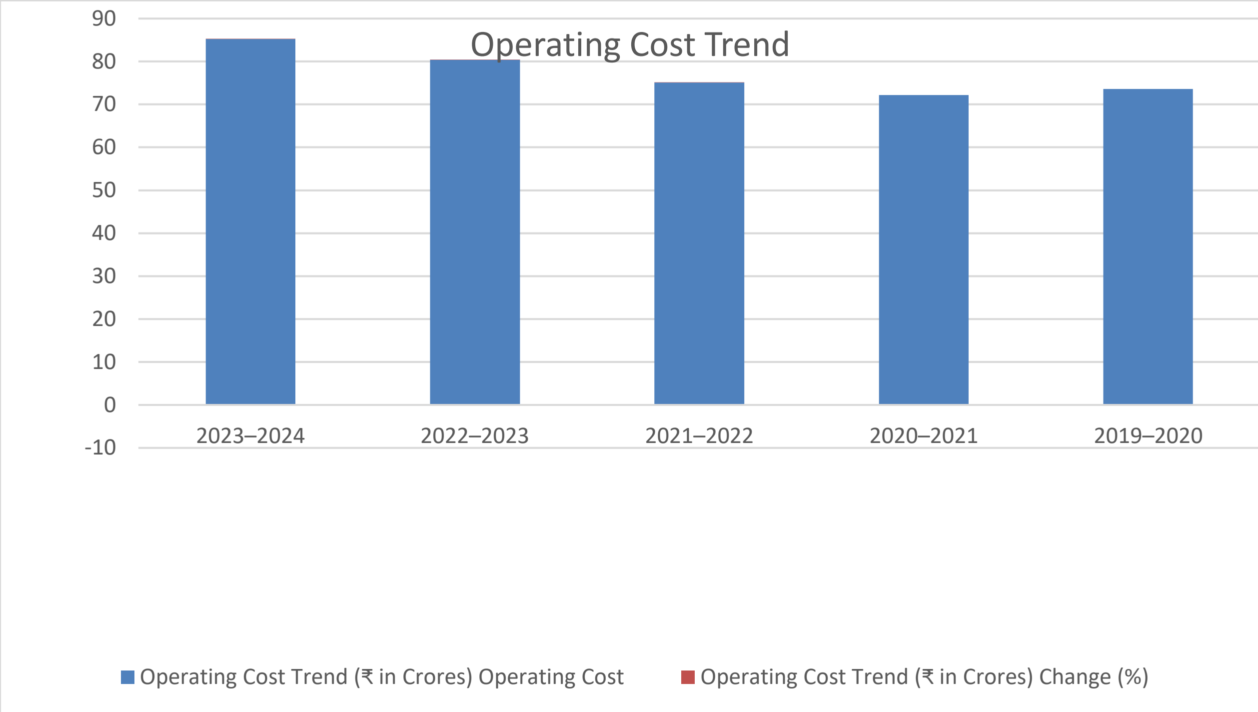
Funding:

No external funding was received for this Study.

DATA ANALYSIS AND INTERPRETATION1

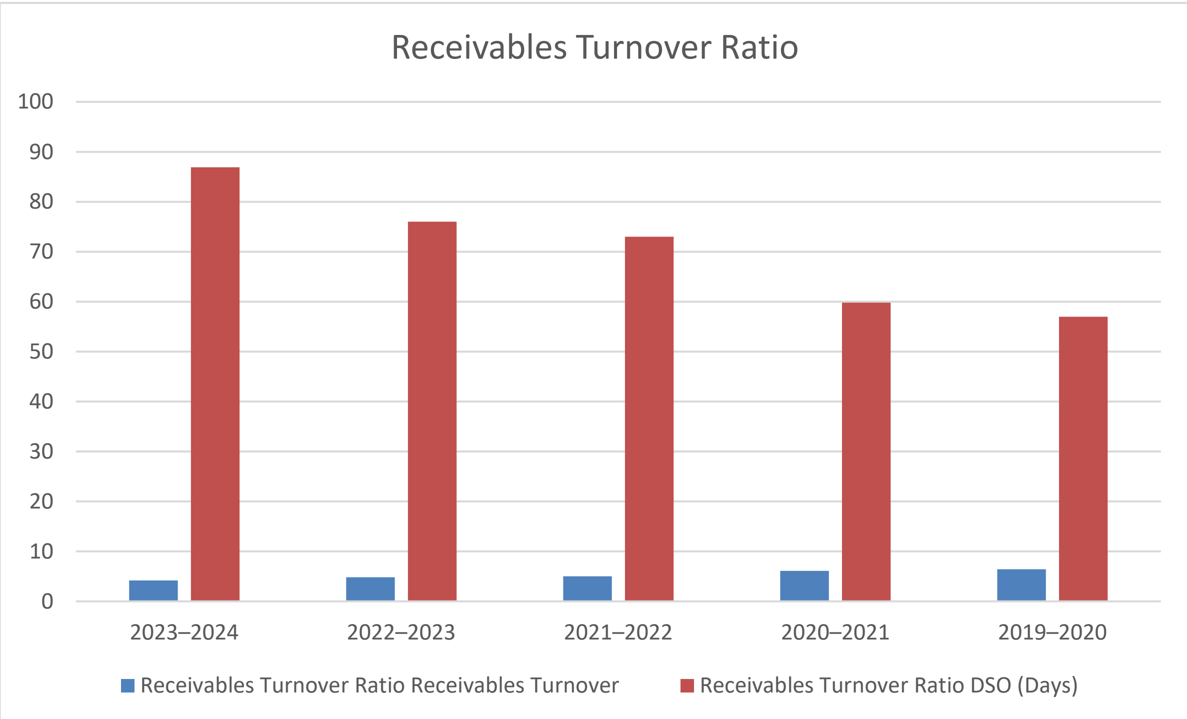
1. OPERATING COST TREND (₹ IN CRORES)

Year	Operating Cost	Change (%)
2023–2024	85.2	+6%
2022–2023	80.4	+7%
2021–2022	75.1	+4%
2020–2021	72.2	-2%
2019–2020	73.6	NA



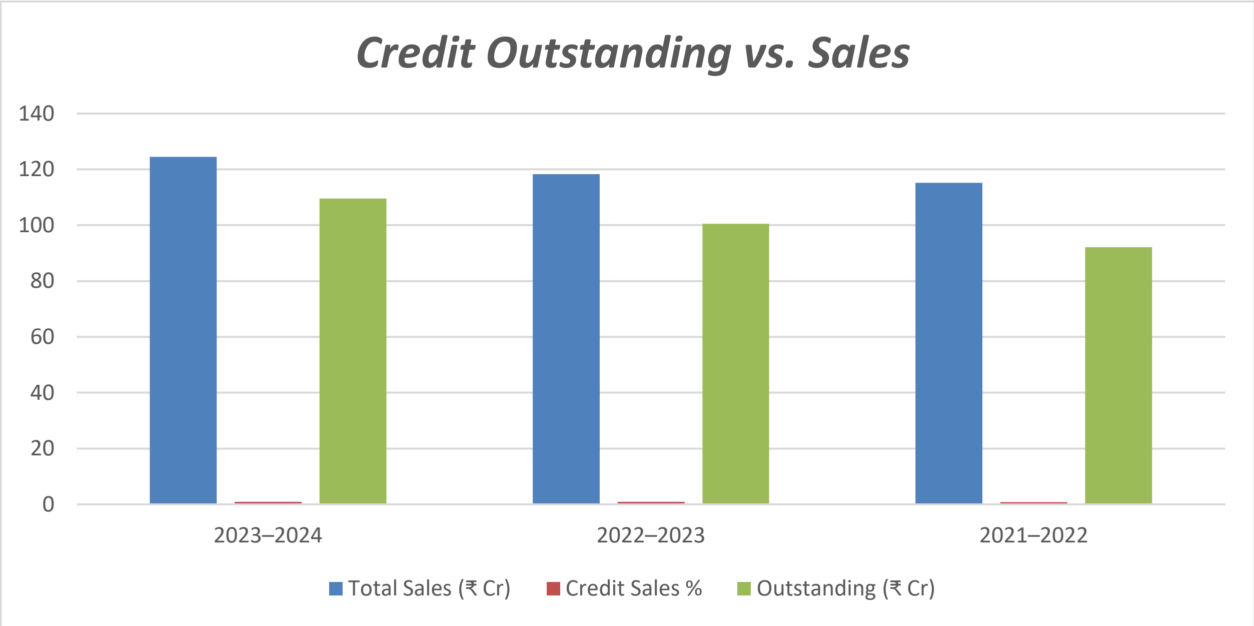
2. RECEIVABLES TURNOVER RATIO

Year	Receivables Turnover	DSO (Days)
2023–2024	4.2	86.9
2022–2023	4.8	76.0
2021–2022	5.0	73.0
2020–2021	6.1	59.8
2019–2020	6.4	57.0



3. CREDIT OUTSTANDING VS. SALES

Year	Total Sales (₹ Cr)	Credit Sales %	Outstanding (₹ Cr)
2023–2024	124.5	88%	109.6
2022–2023	118.3	85%	100.5
2021–2022	115.2	80%	92.1



SUMMARY OF FINDINGS

Over the five-year period, operating costs rose by 16%, largely attributed to inefficiencies in procurement and logistics. Additionally, a notable decline in receivables turnover indicates weak credit control and inadequate follow-up on collections. The widening gap between credit sales and actual collections has adversely affected the company's liquidity position. A major concern is the absence of a structured credit evaluation process, which increases the financial risk posed by customers. Furthermore, poor inventory management and untracked process losses have contributed significantly to the overall rise in operational costs.

SUGGESTION

To enhance financial efficiency and minimize risks, the company should adopt data-driven decision-making for investment planning and operational improvements. It is essential to implement a credit scoring system to assess customer risk and limit exposure to high-risk clients, thereby strengthening credit control. A revision of the cost structure and the automation of costing systems would improve cost accuracy and transparency. Monthly tracking of Days Sales Outstanding (DSO) and aging schedules should be institutionalized to monitor receivables effectively. Strengthening the internal audit function will ensure better compliance with cost and credit policies. The introduction of an ERP-based system for real-time tracking of inventory and receivables will boost control and efficiency. Additionally, the company should renegotiate supplier contracts to secure bulk procurement discounts and train finance staff in working capital and credit risk management to build long-term financial resilience.

CONCLUSION

On studying the financial rewards of export in This study concludes that Venkraft Paper Mills Pvt. Ltd. needs to improve cost effectiveness and credit practices to strengthen its financial position. The firm has the potential to increase profitability through efficient cost control, disciplined credit policies, and strategic decision-making. By addressing current inefficiencies and implementing performance-based financial monitoring, the company can ensure sustainable growth.

DIRECTIONS FOR FUTURE RESEARCH

Compare cost effectiveness across paper manufacturing firms. Study credit insurance models to mitigate receivable risks. Evaluate the impact of interest cost on working capital inefficiencies. Explore technology's role in automating credit decisions. Investigate supplier terms optimization and raw material substitution for cost saving.

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