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An Analysis of Treasury Manaagement at Renault Group, Oragadam, Chennai

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Abstract

This study focuses on analyzing the treasury management practices of Renault Group, Oragadam, Chennai. Treasury management plays a crucial role in ensuring efficient utilization of funds, maintaining liquidity, and managing financial risks within an organization. The study aims to evaluate the company's cash flow management, liquidity position, working capital efficiency, and overall financial performance. The research is based on secondary data collected from financial statements such as the balance sheet, income statement, and cash flow statement for a period of five years (2019–2024). Various financial tools and techniques including ratio analysis, trend analysis, cash conversion cycle are used for analysis. The findings reveal fluctuations in liquidity, and solvency positions of the company over the study period. While the company shows improvement in certain areas like liquidity management, it faces challenges in recent years. The study highlights the importance of effective treasury practices in maintaining financial stability and supporting business operations. Overall, the study concludes that efficient treasury management is essential for improving financial performance, minimizing risks, and ensuring sustainable growth. It also suggests the need for better cost control, improved cash management, and strategic financial planning for enhanced efficiency.

Introduction

Money is the lifeblood of any organization, and managing it effectively determines the success and stability of a business. In an increasingly competitive and uncertain economic environment, treasury management has become a critical function that ensures the proper planning, utilization, and control of financial resources. It helps organizations maintain liquidity, optimize cash flows, and manage financial risks while supporting both operational and strategic goals. The automotive industry, known for its capital-intensive nature and complex financial operations, demands strong treasury practices. Companies in this sector handle large volumes of transactions related to production, supply chains, investments, and global trade. Efficient treasury management enables these organizations to balance working capital needs, minimize financial risks, and improve overall performance in a rapidly evolving market. This report focuses on analyzing the treasury management practices of Renault Group, Oragadam, Chennai. It examines key areas such as cash flow management, liquidity position, and financial performance using various analytical tools. The study aims to provide insights into how effective treasury practices contribute to financial stability and support sustainable growth.

Review of Literature

- Allen Lin (2026) This study examines treasury management challenges such as liquidity issues and risk control. It proposes a framework to improve efficiency and regulatory compliance. The findings highlight the need for better financial strategies in treasury operations. It emphasizes risk mitigation and structured financial planning. Overall, the study supports strong treasury practices for improved performance.
- Atolagbe, L. A., et al., (2026) This study analyzes the impact of Treasury Single Account on fund management. It shows that TSA improves liquidity control and financial transparency. The research highlights better accountability in managing public funds. It emphasizes efficient cash management practices. The study concludes that proper fund control enhances financial stability.
- Edmund Kofi Yeboah, et al., (2026) This study focuses on the use of technology in treasury management systems. It explains how digital tools improve liquidity monitoring and risk management. The research highlights real-time cash visibility and operational efficiency. It also discusses challenges in implementation. The study concludes that technology strengthens treasury performance.
- Jennifer Olatunde-Thorpe, et al., (2025) This study explores the role of big data in treasury management. It shows that data analytics improves cash flow forecasting and decision-making. The research highlights better liquidity management and risk reduction. It also discusses advanced analytical techniques. The study concludes that big data enhances financial efficiency.
- Georgii Zanko (2025) This study examines digitalization in treasury management. It highlights how automation improves financial control and efficiency. The research focuses on real-time data and centralized operations. It identifies benefits in risk management and decision-making. The study concludes that digital tools improve treasury effectiveness

Research Methodology

Research methodology is the structured framework that guides the entire research process. It defines the methods and techniques adopted to collect, analyze, and interpret data systematically. The methodology ensures that the research is conducted in an organized and scientific manner. It includes the selection of research design, sources of data, sampling techniques, and tools of analysis. A well-defined research methodology helps in achieving the research objectives effectively. It also enhances the reliability and validity of the findings. By following a proper methodology, the researcher can draw accurate conclusions.

Objectives

- To understand the liquidity management strategies adopted by Renault Group.
- To evaluate the effectiveness of treasury controls and policies.

Liquidity Ratios

Liquidity analysis measures the ability of the organization to meet its short-term obligations and maintain smooth operations.

Current Ratio

The current ratio indicates the company's ability to pay its short-term liabilities using its current assets. A higher ratio shows a better liquidity position.

Current Ratio = Current Assets / Current Liabilities

Table 1 Current Ratio

Year	Ratio
2019-2020	1.14
2020-2021	1.16
2021-2022	1.11
2022-2023	1.32
2023-2024	1.40

Source: Annual Reports

The Current ratio of the company from 2019–2020 to 2023–2024. The ratio increased slightly from 1.14 to 1.16, then declined to 1.11 in 2021–2022. It later improved to 1.32 in 2022–2023 and 1.40 in 2023–2024. Overall, the trend indicates an improvement in the company's liquidity position, though it remains below the ideal level.

Quick Ratio

The quick ratio measures the immediate liquidity position by excluding inventory, which may not be easily convertible into cash.

Quick Ratio = (Current Assets – Inventory) / Current Liabilities

Table 2 Quick Ratio

Year	Ratio
2019-2020	1.01
2020-2021	1.05
2021-2022	1.00
2022-2023	1.20
2023-2024	1.26

Source: Annual Reports

The quick ratio of the company from 2019–2020 to 2023–2024. The ratio increased from 1.01 to 1.05, then declined to 1.00 in 2021–2022. It later improved to 1.20 in 2022–2023 and 1.26 in 2023–2024.

Overall, the trend indicates a strong improvement in immediate liquidity, consistently meeting the ideal standard.

Cash Ratio

The cash ratio shows the availability of cash and cash equivalents to meet current liabilities.

Cash Ratio = Cash & Cash Equivalents / Current Liabilities

Table 3 Current Ratio

Year	Ratio
2019-2020	0.55
2020-2021	0.10
2021-2022	0.01
2022-2023	0.38
2023-2024	0.16

Source: Annual Reports

The cash ratio of the company from 2019–2020 to 2023–2024. The ratio declined sharply from 0.55 to 0.01 by 2021–2022, indicating reduced immediate cash availability. It then recovered to 0.38 in 2022–2023 before falling to 0.16 in 2023–2024. The highest ratio was in 2019–2020, while the lowest was in 2021–2022. Overall, the trend reflects low cash reserves and reliance on other current assets for liquidity.

Efficiency Analysis

Efficiency ratios measure how effectively a company utilizes its assets and manages operations. Important ratios include inventory turnover, asset turnover, and receivables turnover.

Asset Turnover Ratio

This ratio shows how efficiently assets are used to generate revenue.

Asset Turnover Ratio = Net Sales / Total Assets

Table 4 Asset Turnover Ratio

Year	Ratio
2019-2020	0.67
2020-2021	0.52
2021-2022	0.78
2022-2023	1.08
2023-2024	0.92

Source: Annual Reports

The asset turnover ratio of the company from 2019–2020 to 2023–2024. The ratio varied over the years, improving from 0.67 to a peak of 1.08 in 2022–2023, before declining to 0.92 in 2023–2024. The highest ratio was recorded in 2022–2023, while the lowest was in 2020–2021. Overall, the trend indicates a fairly stable efficiency in utilizing assets to generate revenue.

Working Capital Turnover Ratio

This ratio indicates how effectively working capital is used to generate sales.

Working Capital Turnover = Net Sales / Working Capital

Table 5 Working Capital Turnover Ratio

Year	Ratio
2019-2020	10.00
2020-2021	6.45

2021-2022	13.85
2022-2023	8.53
2023-2024	4.87

Source: Annual Reports

The working capital turnover ratio of the company from 2019–2020 to 2023–2024. The ratio showed significant fluctuations, reaching a peak of 13.5 in 2021–2022, indicating efficient use of working capital. However, it declined to 4.87 in 2023–2024. Overall, the trend reflects varying efficiency in utilizing working capital to generate sales.

Cash Conversion Cycle

The Cash Conversion Cycle (CCC) measures the time taken by a company to convert its inventory and other resources into cash. A low or negative CCC indicates high efficiency and strong liquidity, as cash is quickly generated. A moderate CCC shows average performance with stable working capital management. A high CCC reflects inefficiency, leading to delayed cash inflows and higher working capital requirements.

Cash Conversion Cycle = Inventory Days + Receivable Days – Payable Days

Table 6 Cash Conversion Cycle

Year	Cash Conversion Cycle
2019 - 2020	-113.27
2020 - 2021	-139.13
2021 - 2022	-63.22
2022 - 2023	22.99
2023 - 2024	-139.47

Source: Annual Reports

The cash conversion cycle (CCC) of the company from 2019–2020 to 2023–2024. The cycle showed major fluctuations, turning highly negative and reaching - 139.47 days in 2023–2024, indicating strong working capital efficiency. A positive cycle of 22.99 days was observed in 2022–2023. Overall, the trend reflects effective cash management, with the company efficiently using trade credit to support operations.

Trend Analysis

Trend analysis is a technique used to evaluate a company's performance over a period of time by analyzing historical data. It helps in identifying patterns, growth, or decline in financial figures such as sales, profit, and expenses.

Table 7 Net Profit Raio

Year	Net Profit	Trend %
2020	-446.00	100
2021	-160.75	36
2022	-777.27	174
2023	405.52	-91
2024	-25,686.68	5,759

Source: Annual Reports

The net profit trend of the company from 2020 to 2024. The trend indicates high volatility, with a sharp decline leading to a net loss in 2024. Although the company recorded profit in 2023, it was followed by a significant downturn. Overall, the trend reflects poor financial performance and highlights the need for corrective measures.

Net Sales

Table 8 Net Sales Raio

Year	Net Sales	Trend %
2020	90,838.83	100
2021	71,927.99	79
2022	1,00,445.84	111
2023	1,23,650.93	136
2024	74,259.11	82

Source: Annual Reports

The net sales trend of the company from 2020 to 2024. The trend fluctuated, peaking at 136% in 2023 before declining to 82% in 2024. The highest performance was in 2023, while the lowest was in 2021. Overall, the trend indicates unstable revenue growth and highlights the need for better sales stability.

Findings

- The Current ratio shows fluctuations from 1.11 to 1.40 during 2019–2020 to 2023–2024, indicating an overall improvement in liquidity position, though it remains slightly below the ideal level.
- The quick ratio consistently remained above the ideal 1:1 standard at 1.26, proving that the treasury can settle urgent debts without relying on the liquidation of inventory.
- The Cash Ratio exhibited significant fluctuations, declining from a high of 0.55 in 2019–2020 to a low of 0.01 in 2021–2022. This consistently low level indicates that the company relies more on non-cash current assets rather than maintaining adequate cash reserves to meet short-term obligations.
- The Asset Turnover Ratio reached a high of 1.08 in 2022–2023 and slightly decreased to 0.92 in 2023–2024. Despite the decline, the ratio indicates a relatively stable ability of the company to generate sales from its assets.
- The Working Capital Turnover Ratio showed a steady improvement, increasing from 0.67 to 0.92 during the study period. This suggests effective management of working capital in supporting operational activities.
- The company achieved a negative cash conversion cycle of -139.47 days, demonstrating strong liquidity management by effectively utilizing supplier credit to finance its operations. This reduces the need for external financing and improves cash flow efficiency.
- Net Profit Trend the Performance plummeted from a base of 100% to an extreme negative trend, signifying a severe erosion of the bottom line and a critical challenge for long-term sustainability.
- Net Sales Trend shows Revenue reached a peak of 136% in 2023 before dropping to 82% in 2024, reflecting volatile market demand and the need for more stable income-generating strategies.

Suggestions

- Liquidity position can be strengthened through efficient management of current assets by maintaining optimum cash balance, reduction of unnecessary short-term borrowings, and proper cash flow planning by forecasting cash inflows and outflows.
- To maintain the healthy 1.26 quick ratio, the treasury implement an Automated Receivables Management System to ensure the speed of collection remains high, preventing liquid assets from becoming stagnant or turning into bad debts.
- The cash ratio can be improved by increasing cash availability through faster collection of receivables, reduction of unnecessary short-term expenses, proper control over inventory levels, and effective utilization of short-term funds.
- The relatively stable asset turnover ratio reflects consistent sales generation, with scope for enhancing sales performance to maximize returns from existing assets.
- The improvement in working capital turnover indicates efficient management, with continued focus on optimizing inventory, receivables, and payables to sustain operational efficiency.
- Efficient cash conversion cycle management may be supported through reduction of slow-moving inventory, maintenance of inventory based on demand, avoidance of excess stock, and proper inventory planning to improve working capital efficiency.
- To address the severe bottom-line erosion, the management may initiate a Strategic Cost Reduction Program and re-examine non-operating expenses to ensure that the organization can return to a positive earning progress.
- Given the fluctuation in revenue, the firm adopt Dynamic Pricing Models and expand into secondary markets to stabilize the sales trend and reduce dependency on volatile primary industrial cycles.

Conclusion

The study on treasury management at Renault Group (RNAIPL) shows effective working capital management, reflected in improved turnover and a negative cash conversion cycle. The company also demonstrates better ability to meet financial obligations. However, weak cash ratio indicate financial concerns. The weak link between profit and cash flow further highlights inefficiencies. Overall, the company needs to improve cash reserves, profitability, and financial stability for sustainable growth.

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