International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

A STUDY ON WORKING CAPITAL MANAGEMENTOF INDIAN FMCG COMPANIES

SAUMYA SINGH
Final year MBA Student, Faculty of Business Management & Commerce Usha Martin University, Ranchi - Purulia Road, Highway, Angara, Jharkhand

Dr. Meenakshi Kumari

Assistant Professor, Faculty of Business Management & Commerce Usha Martin University, Ranchi - Purulia Road, Highway, Angara, Jharkhand

ABSTRACT
Working Capital Management is a company's and its corporate finance department's most important function (WCM). WCM calls for the careful balancing of net working capital as well as the preservation of suitable levels of profitability and liquidity. The research also looks at the WCM of well- known companies in India's FMCG sector. Through the use of several indicators, including the current ratio, payable turnover, receivable turnover, inventory turnover, cash conversion cycle, and return on capital, the study compares, analyses, and evaluates working capital management. The profitability of the relevant firm is also examined in relation to the effect of negative working capital. The data used for the analysis was taken from the company's annual reports and associated schedules for the fiscal years FY 2017 through FY 2021. The companies that were looked at were Nestlé India, ITC Limited, Dabur India, Hindustan Unilever Limited (HUL), and Godrej Consumer Products Limited (GCPL). The investigation discovered that Nestle and HUL continued to perform well despite having a negative cash conversion cycle (CCC) and a negative working capital. Interestingly, companies with negative net working capital were shown to produce higher returns on capital employed, maximizing shareholder value, which translated returns on capital employed, maximizing shareholder value, which translated into higher EPS and market capitalization for them. Similarly, it was discovered that companies with negative CCC compared to revenue had higher profitability individuals who favor effective CCC. All of the companies' current ratios have consistently shown to be lower than the industry norms. The analysis, however, criticizes the corporations for maintaining a lower degree of liquidity. The research instead recommended a long-term balance between working capital requirements and liquidity.

Introduction

Working capital can be used to gauge a business's effectiveness and short-term financial stability. The difference between current assets and current liabilities is used to calculate working capital. The working capital ratio, which is calculated as Current Assets/Current Liabilities, represents the firm's situation in terms of having enough short-term assets to enable financing of its short- term debt, provided that there are enough short-term assets

available.
The businesses that have positive working capital exhibit enough liquidity to effectively finance their ongoing activities. These businesses are thought to be more successful because they have higher liquidity, which they may utilise to finance their own expansion and extend their operations. However, this also means that businesses, especially those with positive working capital needs, must maintain higher sales in order to maintain a healthy operating ratio. Negative working capital, on the other hand, denotes non-liquidity or a lack of liquidity inside the company, which is detrimental to businesses at every level of development. According to the research, a stronger credit management system can help the business provide a higher long-term return on invested capital. However, the unfavorable NWC condition in no circumstance is a lower degree of liquidity preferable. In the long run, the experts advise enterprises to strike an optimal balance between their needs for working capital and liquidity.

Working capital management is one of a company's corporate finance department's most crucial responsibilities (WCM). Even though WCM typically includes making short-term decisions, it is a crucial and challenging part since it entails sustaining specific NWC levels coupled with specific levels of liquidity and profitability. From its significant position in the firm's current operations, it is possible to comprehend the relevance of WCM in the activities, growth, and survival of the organization (production process, financial relations with customers and suppliers, etc.). The corporation understands the value of working capital when it plans the length of its operating cycle, the length of its cash conversion cycle, its current ratio, and its current liability ratio. This emphasizes how managing working capital and current ratio directly affects acompany's financial performance. As a result, by carefully considering value- based management, the company uses WCM to assist it achieve its core goal ofmaximizing shareholder wealth. As a result, the study makes an effort to assess the WCM of well-known companies that are part of India's FMCG sector. We compared, investigated, and evaluated the WCM of the Indian FMCG companies based on a number of criteria in the study's final stages. The study also evaluates the effect of low working capital on the profitability of the concerned businesses.

The introduction of the paper's structure included an explanation of the idea of working capital. The next section includes a review of the literature. The theoretical and conceptual framework, significance of the study, objectives, and methodology are all covered in the next section, which is followed by an analysis and interpretation section. The final section includes a conclusion and work-related ideas.

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

Negative Working Capital: Indian FMCG Companies

Many Indian and international businesses, including McDonald's and Amazon.com, have comparable negative working capital levels. For instance, the two FMCG businesses founded in India, HUL and Nestlé, have been operating profitably with negative working capital for the past ten years. The traditional wisdom, which favors positive working capital and enough of liquidity for the efficient daily functioning of any organization, is in direct opposition to this paradigm of negative working capital.

This discrepancy between expectations and reality prompts an investigation into the variables underlying the companies' efficient day-to-day operations despite their lack of liquidity. Nestlé India was able to gain an advantage over its rivals because to a strong brand identity, a reliable marketing network, and effective distribution networks.

As an alternative, some businesses in the same FMCG such as ITC, Dabur, HUL, Colgate, and Britannia, etc., maintain a positive working capital. The FMCG companies are known for having a negative working capital, which is a result of their effective supply chain management. A more effective supply chain enables businesses to have debtor levels that are more adequately financed by suppliers or creditors. Therefore, negative working capital essentially provides them with benefits rather than expenses. They can afford a negative working capital because, unlike other manufacturing companies, their turnover is not based on production. Instead, the ability to sell in a cutthroat market dictate and influences its turnover, diverting the most resources possible. Companies often forego investing in their production activities in favor of marketing and product promotion.

Through efficient management of their inventory and resources, FMCG firms were able to reduce the size of their existing assets thanks to the development of time and resource management techniques like SCM, ERP, and JIT, among others. In companies from other industries (like manufacturing), 50% of current assets are maintained in the form of inventory, but FMCG companies can significantly reduce their inventory levels thanks to efficient inventory holdings and supply chain management. Another factor for the reduced level of current assets is the company's cash flow, which dramatically lowers its level of debtors.

Additionally, the shifting attitudes of investors toward a detailed analysis of the company's working capital and a more strategic, rational evaluation of the company point to the evolving nature of investors. It's because investors increasingly value the fact that WCM directly affects the company's ability to produce money.

Problem statement

The company's working cash situation affects its overall success. Therefore, it needs to be handled carefully because it demonstrates a company's effectiveness and financial stability. Working capital management is crucial for businesses because it helps them produce additional profits for their stakeholders.

Because of these reasons, working capital management is a crucial aspect of financial management:

➤Current asset investments make up a large share of the entire investment.

➤Current asset investments and current liability levels must be swiftly adjusted to changing sales.

The lifeblood and nerve center of a business firm is its operating capital. In any industry, the value of working capital cannot be overstated. An adequate amount of working capital is necessary for every business to operate profitably.

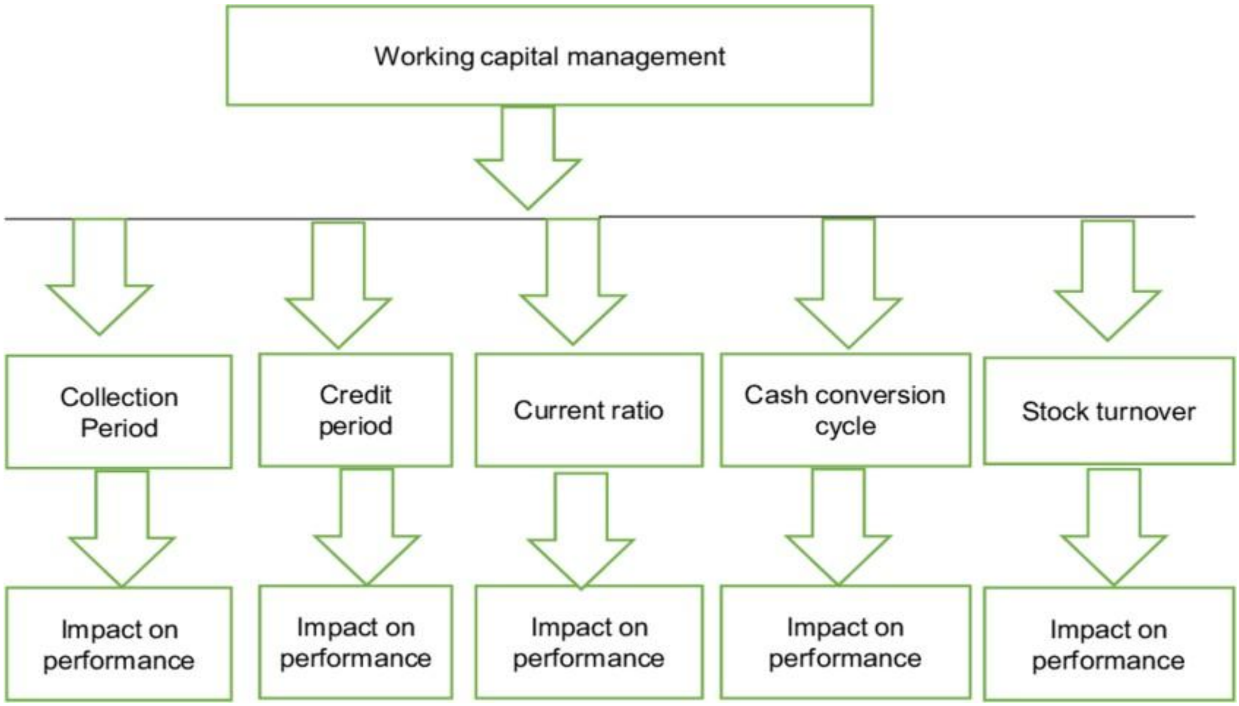
Maintaining the proper amount of working capital is essential. One of the most crucial aspects of business management is working capital management. A company with sufficient working cash is always able to take advantage of good opportunities, whether it be to purchase raw materials, carry out a specific order, or wait for improved market situation.

Operating expenses that are engaged in the daily operations of the business might be covered by working capital. Even highly successful business owners occasionally require working capital financing due to unforeseen situations.

Working capital management is crucial for businesses because it helps them produce additional profits for their stakeholders. Allocating too much working capital will make management ineffective and lessen the advantages of short- term investments if it is managed improperly. However, if working capital is too low, the business may miss out on many lucrative investment possibilities or experience short-term liquidity problems, which would damage the company'scredit since it will be unable to meet sudden cash needs.

Theoretical and Conceptual Framework

As given in Figure, the objective of working capital management is to ensure optimal profit level through the minimization of the amount of capital tied up inthe firm’s current assets, liquidity management, controlling of the collection process and account receivables, and the management of the investment in inventory. Interestingly, a decision made on one of the working capital components has an impact on the other components and in order to maximize the performance of a business, the working capital management should beintegrated into the short-term financial decision-making process.



Conceptual framework of working capital management. Source: author's design

Theoretical Paradigm

Operating cycle theory and cash conversion cycle theory serve as the theoretical foundation for this investigation. Operating cycle theory, which was first proposed in 1980, rotates a company's working capital completely from the manufacturing process to the collection of sales proceeds. It provides income statement measurements for the manufacturing, distribution, and collecting aspects of a company's operations. For instance, the company's credit collection policy has an impact on cash receivables, and the procedures

that revolve around working capital management depend on how frequently these receivables are changed or converted into cash. Although a generous credit strategy that delays debtors' payments can encourage customers tomake purchases, sacrificing liquidity would also mean that profits will behigher overall. This hypothesis been harshly attacked on the grounds that current liabilities play a minor role in a company's daily operations, misrepresenting the importance of payables as a source of funding for contractual obligations. Given this, it is essential to consider present liabilitiesin the picture for the analysis to be improved.

Current assets and current liabilities, the two sides of working capital, are allincluded in this theory. To address the flaw in the operational cycle theory, it incorporates current liabilities into working capital.

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

Literature Review

Every business need working cash to cover ongoing operating costs and pressing obligations. Profitable working capital increases business revenue, and vice versa. Collection days should be lower, payment days should be higher, and the overall cash conversion cycle days should be very low or negative for effective working capital.

Many academics have investigated working capital from various angles and settings.

The following ones were excellent sources of information for my study:

Siddharth and Das (1994):

A study on "Working Capital Turnover in Pharmaceutical Companies" by Siddharth and Das sought to ascertain the effective utilisation of working capital in a sample of Indian pharmaceutical companies. According to 338 analyses of 10 years' worth of data, the overall turnover rate was 90.3 percent. The thorough analysis of the data reveals that the chosen businesses have performed well in terms of working capital employment. The study also found that between 1981 and 1990, the working capital turnover ratio fell off steadily.

Dr. Shankar Thappa (2007):

A case study on working capital management in the Indian company Sun Pharmaceutical Industries Ltd. was published in the TECNIA Journal of Management Studies 2 (1), 45–52. The research article focused on the concept of working capital, working capital policy, working capital components, and factors affecting the working capital of Sun Pharmaceutical Industries over the previous five years, and it also identified the factors that are primarily to blamefor the company's improved working capital.

Arindam Ghosh (2007):

Working Capital Management and its practices and impact on profitability were the focus of a research on the Indian cement industry. The primary goal of the study is to assess the effectiveness of working capital management at a few Indian cement companies from 1992 to 2001. The study focused on 20 major cement businesses that are present in India and account for a significant shareof the country's cement production.

Saswata Chatterjee (2010):

He emphasised the value of current and fixed assets in any organization's successful operation. It directly affects profitability and liquidity. The majority of businesses have been seen to expand their profit and loss margins because doing so reduces the amount of working capital they need in relation to sales. However, the enterprises must grow their working capital if they want to increase or improve their liquidity. The firm must reduce sales in order to comply with this policy, which will have an impact on profitability. 30 United Kingdom-based businesses that were listed on the London Stock Exchange were chosen for this purpose. Data were collected from 2006–2008, a three-year period. It examined how working capital affected profitability. These working capital management metrics—quick ratios, current ratios, C.C.C., average days of payment, inventory turnover, and A.C.P.—were examined in this study (average collection period). on UK corporations' net operating profits.

Mohamad and Saad (2010):

Used the Bloomberg database for five years, from 2003 to 2007, selecting 172 listed companies at random from the Bursa Malaysia main board. They discovered that the ratio of current assets to total assets had a substantial positive association with Tobin Q, ROA, and ROI using correlations and multiple regression analyses. Negative significant relationships with Tobin Q, ROA, and ROIC can be seen in the cash conversion cycle, a current asset to current liability ratio, and a current liability to total assets ratio.

Rahman Mohammad M. (2011):

The relationship between working capital and profitability has been the subject of research. to evaluate the chosen textile companies' working capital management performance. The study's findings revealed that most businesses are still operating profitably as a result of the selected textile companies' generally effective working capital management.

Osisioma (1997):

WCM is "the regulation, adjustment, and control of the balance of current assets and current liabilities of a corporation such that maturing obligations are satisfied and the fixed assets are appropriately serviced," according to the definition given in the research. For management purposes, this concept therefore encourages the preservation of optimal levels of each component of working capital.

Smith (1973):

He Presents a summary of many cutting-edge WCM techniques in its work.

Sarantis (1980):

In its empirical investigation, the demand sector in the UK showed how using models of connected demand equations could have a major negative impact on borrowing and fixed investment. Therefore, it made sense to talk about how to maximize working capital. Because idle working capital fails to cover even the cost of capital, while inadequate working capital jeopardizes the firm's reputation and solvency, a discussion of tactics that optimise working capital is required. On the other hand, optimal working capital unquestionably maximizes profit for shareholders.

Atseye, Ugwu and Takon (2015):

Analyze the viewpoints, recommendations, findings, and remarks made by various scholars regarding corporate financial management in an effort to determine the factors that influence working capital management. The study found that the WCM of a corporation is largely determined by a combination of endogenous and exogenous factors. The exogenous determinants were the GDP, interest rate, and tax rate, whereas the endogenous factors were firm- specific parameters including size, age, profitability, market share (power), etc.

Azeem and Marsap (2015)

For Pakistani non-financial enterprises studied from 2004 to 2009, it was discovered that the operating cycle, return on assets, leverage, size, and degree of economic activity had a negative influence on the amount of working capital needed. In contrast, the study indicated that operating cash flows and sales growth had a significantly favourable impact on the need for working capital. Chiou and Cheng (2006) and Nazir and Afza (2006) both proposed similarfindings (2009).

Sur (1997):

Colgate Palmolive (India) Ltd. was examined by evaluating its WCM using the following metrics: the acid test ratio, the current assets to sales ratio, the working capital ratio, the current assets to total assets ratio, the debtors' turnover ratio, and the inventory turnover ratio. The study revealed that WCM was ineffective during the study period, necessitating extra focus on inventory management.

Sharma and Kaur (2016):

The ratio study looking at the working capital performance of Bharti Airtel from 2007-08 to 2014-15 revealed a reasonable performance of working capital indicators. With the exception of the current ratio, they discovered that the operational profit ratio, gross profit ratio, quick ratio, debtor turnover ratio, and inventory ratio all performed satisfactorily. Interestingly, it was shown that there was a significant negative correlation between liquidity and profitability, showing that Bharti Airtel had successfully maintained surplus liquidity, or post-optimal levels of liquidity, over the research period.

Bhaskar Bagchie, J. C. (2012):

They have examined 10 FMCG firms in its analysis. They looked into how working capital management affected an organization's profitability as indicated by return on total assets and return on investment. According to the study's findings, DTAit, ADit, ACit, and AIit are all associated negatively with a firm's profitability as measured by ROTAit. The study also showed that all explanatory variables, including CCCit, DTAit, and ACit, have a negative impact on ROIit when people have assets.

Kalsie and Arora (2015):

They looked into how different WCM components affected the stock prices of a panel of six Indian FMCG companies between 2000 and 2014. According to the study, the stock prices are substantially impacted by the current ratio, inventory turnover ratio, and EPS. The effect of receivable turnover ratio on stock prices was shown to be rather less significant. Interestingly, there was a negative correlation between the current ratio and stock prices, but the inventory turnover ratio, EPS, and other metrics showed a favorable correlation.

Kovelskiy (2015):

He examined the many ways that businesses might finance their working capital with the goal of suggesting strategies for making the most of their need for working capital. The survey approach was used to gather information from MSMEs based in Ludhiana, Punjab, that operate in India. The study stressed that WCM plays a crucial part in any firm's day-to-day operations, and as a result, shortening the operating cycle was advised.

Shanmwgam and Poornima (2001):

They conducted research on 28 large and medium-sized spinning mills in the industrial area of Coimbatore (Tamil Nadu). The importance of successful WCM to the success of any firm was highlighted in this study. Their research demonstrated that, in the majority of sectors (10 mills), working capital planning was sufficiently dependent on reduction strategies without taking intoaccount all regulations.

Nazir and Afza (2009):

They discovered a negative correlation between working capital requirements for Pakistani non-financial enterprises studied from 2005 to 2009 and operational cycle, return on assets, leverage, size, and degree of economic activity. In contrast, their research revealed that operating cash flows and sales growth had a considerable beneficial impact on the need for working capital.

Swamy (1997):

He conducted research on early agricultural societies (19) in the Karnataka region's Dakshinakamada district. The study found that the main problems with WCM were related to balancing liquidity and profitability. He emphasisedthe value of an effective WCM in society in this study.

Ghosh (1983):

He investigated how working capital is currently used in the Indian crane manufacturing business. His research points to the inconsistent approach to managing the various working capital components. In order to keep the largest percentage of payables unpaid for a longer period than permitted or agreed upon, the study recommended delaying payments to suppliers.

Banerjee (1979):

In the kits study, the correlation between the turnover ratios of creditors, borrowers, liquid ratio, and overdraft movement was examined. According to his opinion, when the liquid ratio was below the norm, the turnover ratios of the debtors and creditors were high, but the movement of the overdraft indicated diminishing capital, which was unsatisfactory.

Chakraborty (1976):

He evaluated the connection between working capital and profitability in the cement, fertiliser, and other industries in India. In the study, there was evidence of a favourable association between them.

Saha (1987):

He looked into the relationship between WCM and the Indian public sector's profitability crisis. In the study, it was discovered that the ineffective WCM had a negative impact on the profitability of a few chosen public enterprises.

Jain (1988):

In his study, he looked at 10 manufacturing, trading, and service industries from the state of Rajasthan. He made the suggestion that if larger profit margins were wanted, businesses should avoid under investing in workingcapital

Wang (2002):

He has conducted research for Japanese and Taiwanese companies to determine the link between operating success and liquidity management. He also looked into the connection between company value and liquidity management. According to the actual data for both nations, there is a badcorrelation between CCC and ROE and ROA.

Demirgunes (2008):

He has looked into how Turkey's businesses are affected by working capital management and profitability. They used data from manufacturing companies registered on the Istanbul Stock Exchange between 1998 and 2007 for this purpose. The results of the study showed a strong correlation between profitability and working capital metrics. Their research also shown that leverage, the amount of accounts receivable, and the amount of accounts payable have a big impact on profitability. According to their research, cutting the period for accounts payable and receivable can boost earnings.

M.A. Zariyawati (2009):

He has investigated the link between working capital management and business performance. CCC has been utilised by researchers as a working capital management indicator. In this study, panel data of 1628 firm years covering the years 1996 to 2006 were used. The pooled OLS regression analysis co-efficient results show a substantial negative significant association between CCC and business profitability. It is discovered that CCC reduction can boost business profitability.

Lazaridis (2006):

He studied the link between corporate profitability and working capital management for a sample of 131 listed companies on the Athens Stock Exchange. For the study, researchers used firm financials from 2001 to 2004. Regression analysis research results revealed a statistically significant association between gross operating profit, a profitability indicator, and the cash conversion cycle. He recommended that the managers may increase value for the shareholders by optimising the cash conversion cycle.

Goel (2012):

He has chosen five fast-moving consumer goods (FMCG) companies—HUL, Dabur India, Godrej Consumer, Marico, and Colgate Palmolive—for an analysis from 2006 to 2011 in order to gauge their respective liquidity and solvency levels. Utilizing correlation and regression analysis as well as an ANOVA test, the influence of liquidity and solvency

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

on one another has been determined. According to the study, there is no connection between solvency and liquidity. He also discovered that a firm's relatively low liquidity was crucial to raising profitability. Additionally, it has been discovered that increasing solvency can balance out greater profitability caused by decreasing solvency.

Tandel (2013):

He has carried out a study on the financial analysis of a few Gujarati industrial units that manufacture plastics from 2000–01 to 2009–10 The study focuses on a number of composite measures related to activity, profitability, liquidity, and solvency. Numerous statistical tools, including Trend Analysis, Average, Weighted Average, ANOVA, etc., have been applied by the researcher. The study shows that the Gujarat Plastics Manufacturing Unit's performance is satisfactory in terms of activity and solvency but unsatisfactory in terms of profitability and liquidity.

All the above studies provide me a solid base and give me an idea regarding working capital management and its components. They also give me the results and conclusions of those researches already conducted in the same area for different countries and the environment from different aspects. On the basis of these researches done in different countries, I have developed my own methodology for research.

Significance of the study

The working Capital management has significantly affected Every business because every business intends to maximize their shareholders worth through several financial management techniques, this objective of business enterprise will be achieved only when it earns reasonable profits from its operations.

As profits are depending upon the volume of sales, these sales may not result in immediate conversion of stock into cash. The business enterprises, therefore, should maintain reasonable working capital for smooth running of its day-to-day operations.

This short-term financing decision should be accurately match between profitability and liquidity. Any mismatch in effective management of current assets and current stabilities would not only result negative impact of profitability and firm's growth but also financial distress as well as bankrupt of business entity.

This study, considering the significance of above, shall make an attempt tostudy the management of working capital management of FMCG companies in FMCG INDEX and tries to investigate the relationship between working capital and profitability of the FMCG companies. This study expected to contribute to existing literature on working capital and FMCG companies in India.

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

Objectives of the study

The main objectives of the study are:

- To comparatively examine and evaluate the working capital managementof Indian FMCG companies based on the various parameters.

- To assess the effect of negative working capital on profitability of theIndian FMCG companies.

- To analyze the liquidity position of selected companies of Indian FMCGcompanies.

- To examine the effect of working capital on net worth.

Hypotheses

Hypothesis has definite utility and important place in social research. the formulation of hypothesis is pre-requisite of any successful research.

One of the most important areas in the day-to-day management of the firm is the management of working capital.

H1-There is a positive relationship between efficient working capitalmanagement and profitability of the company

H2- The different components of the working capital have a major effecton the management of the working capital in the company.

Scope of the study

The study is exclusively conducted for Indian FMCG Companies for five financial years i.e. (2017 to 2021). The trends indicated may differ from year to year as the pattern of investments, borrowings etc. The study becomes more meaningful only if it covers a longer period of ten or more years which isbeyond the scope of this dissertation work.

Research Methodology

Research Design

- Analytical research design has been used in this study.

- In order to achieve the main research objectives quantitative methods have been adopted. The purpose of using such approach is to gather data that help the researcher to investigate cause- effect relationships. In this particular case, the effect is the company's profitability and the research is targeted at identifying significant causes, i.e., determinants on profitability related to working capital. A brief explanation about the data collection and analysis method adopted is given below.

- To gather data on working capital component and profitability, it is apparent to use survey of structured documentary review. Accordingly, to achieve its objective companies audited financial statement especially balance sheet and income statement was reviewed. Annual reports were thoroughly seen for all the details and schedules detailing the various important components such as assets, liabilities, sales, profit etc. Once data were found acceptable, data entry and process were made using Microsoft EXCEL. Analysis of data was undertaken with the help of ratio calculations and plotting of graphs.

Sampling Design

The sample Design is FMCG Companies and

- The following five companies have selected for the analysis:

1. Hindustan Unilever Limited
2. ITC Ltd
3. Nestlé India
4. Godrej Consumer Products Limited (GCPL)
5. Dabur India

The sample has been selected by two stage sampling method. For selecting thefirst stage sample, convenient sampling method is used, whereas for selecting the second stage sample proportional stratified sampling will used.

- I have taken these all five companies on the basis of Market Capitalization.

- The necessary Data will be collected for period of five years from 2017 to2021.

- The following parameters have chosen for the comparisons of WCM:

1. Current ratio
2. Receivable Turnover (in days)
3. Inventory Turnover (in days)
4. Return on capital employed (profitability measure)
5. Cash Conversion Cycle
6. Payable Turnover (in days)

Data Collection Method

- The present study is mainly based on secondary data.

- Secondary data has taken from money control.com, business standard.com, economic times. indiatimes.com

Analysis of Data: Tools & Techniques

For the purpose of Working Capital analysis of selected Indian companies of FMCG sector, following accounting and statistical tools and techniques are used.

Accounting Technique

- Ratio Analysis
- Trend Analysis

Statistical Technique

- Average (Mean X)

Profile of Hindustan Unilever Limited (HUL)

The largest consumer products firm in India, HUL, is headquartered in Mumbai, Maharashtra. Unilever, a British-Dutch corporation that owns a majority 52 percent ownership in HUL, is the owner of it. Foods, drinks, cleaning supplies, and personal care items are among its offerings.

Lever Brothers India Limited was founded in 1933, and it merged with Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd. to establish Hindustan Lever Limited in 1956. Its headquarters are in Mumbai, India, andit employs about 16,500 people directly and another over 65,000 people indirectly through its operations. In June 2007, the business changed its name to "Hindustan Unilever Limited."

The Company is a part of the daily lives of millions of people in India with over 35 brands that cover 20 different categories including soaps, detergents, shampoos, skin care, toothpaste, deodorants, cosmetics, tea, coffee, packaged goods, ice cream, and water purifiers. Leading household brands like Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sun silk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's, and Pureit are among the companiesin its portfolio.

Working Capital Analysis of Hindustan Unilever Limited (HUL)

The working capital of HUL is analyzed by component in the table below for the period of 2017 to 2021. The table demonstrates that from the study period of 2017 to 2018, the net working capital is negative. In any normal situation, a negative net working capital is a sign of company's probable bankruptcy or serious financial trouble. But the Return on Capital Employed (ROCE) shows good figures for all the years claiming that company has earned excellent returns even with negative working capital. Only the organization's managerial effectiveness makes this possible.

COMPONENTS OF WORKING CAPITAL OF HIDNUSTAN UNILEVER LIMITED (Rs. in Crores)

Year	Inventory	Sundry Debtors	Cash and Bank Balances	Total Current Assets	Loans and Advances	Total Current Liabilities	Net Working Capital
2017	2,362	928	1,671	5,846	885	7,202	-1,356
2018	2,359	1,147	3,373	8,284	1,405	8,636	-352
2019	2,422	1,673	3,688	8,681	898	8,353	328
2020	2,636	1,046	5,017	10,660	1,961	9,104	1,556
2021	3,383	1,648	4,321	10,957	1,605	10,577	380

FINANCIAL RATIOS OF HINDUSTAN UNILEVER LIMITED (in Rs. Cr.)

Year	Current Ratio	Receivable Days	Inventory Days	Payable Days	Cash Conversion Cycle	Return on Capital Employed (%)
2017	1.32	11.96	26.81	149.78	-111.01	94.42
2018	1.31	12.06	25.45	167.18	-129.67	102.53
2019	1.37	12.79	20.82	163.30	-129.69	113.29
2020	1.32	11.83	21.31	92.76	-59.62	114.67
2021	1.28	10.07	21.99	149.02	-116.96	38.36

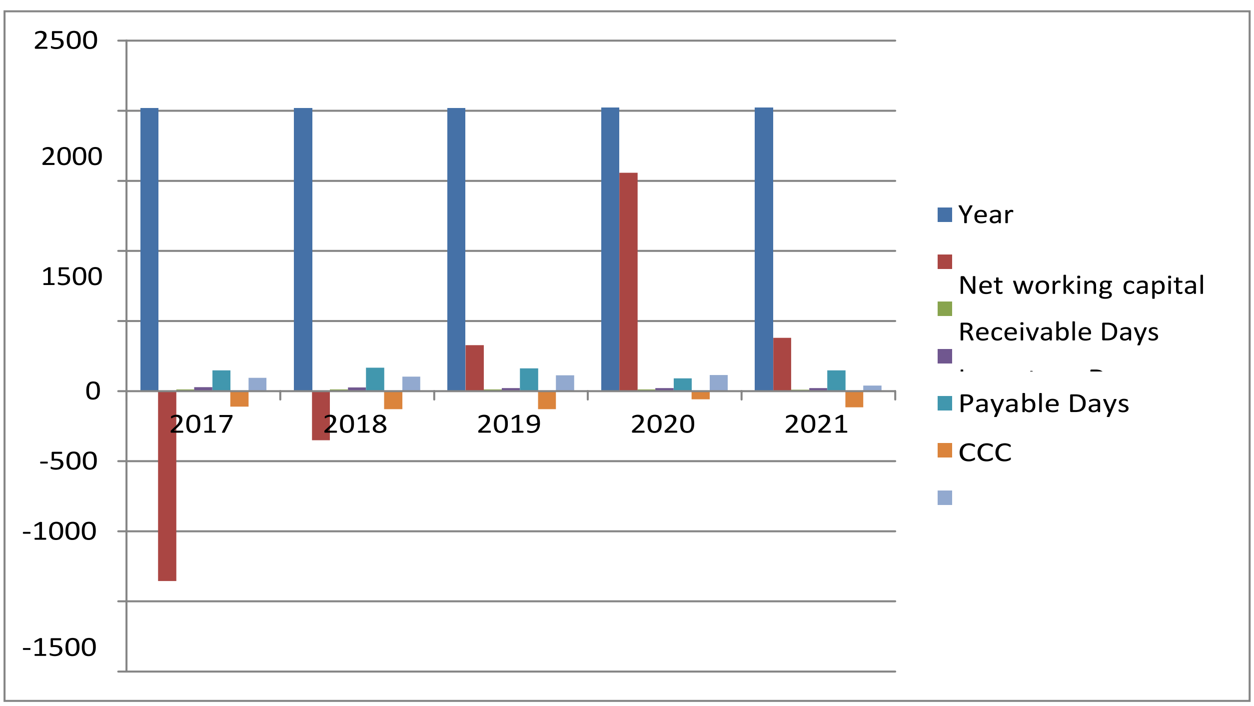
International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

It doesn't seem like the company has any difficulties getting the money. As a result, it can be argued that NWC is not necessarily correlated with a company's profitability. HUL shows that a negative NWC does not always indicate a poor financial situation. On the other hand, net negative working capital demonstrates the managerial effectiveness in running HUL's business while maintaining low inventories and accounts receivable. In essence, the business runs exclusively on a cash basis. It can also be claimed that the corporation managed the rise in working capital prudently by aiming for days cover for inventories, accounts receivable, and accounts payable rather than concentrating on the absolute value. Additionally, the majority of the business's daily operations have been discovered to be funded by customers rather than the business's own working capital.

The HUL Current Ratio decreased from 1.32 in 2017 to 1.31 in 2018, increased in 2019 before decreasing once more from 2020 to 2021, which is significantly less than the recommended ratio of 2:1. Additionally, it was discovered that HUL's cash conversion cycle was negative for the duration of the investigation. This suggests that HUL's brands and products are selling more quickly than the company is able to settle its debts. In other words, we can say that HUL is

able to collect money from clients far more quickly than it will take to pay offits debts.

▪ **Trend Analysis of HUL (Rs. in Crores)**



International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

Average (Mean) of HUL

Year	Net Working Capital	Receivable days	Inventorydays	Payabledays	CashConversion Cycle	Return OnCapital Employed (%)
2017	-1,356	11.96	26.81	149.78	-111.01	94.42
2018	-352	12.06	25.45	167.18	-129.67	102.53
2019	328	12.79	20.82	163.3	-129.69	113.29
2020	1,556	11.83	21.31	92.76	-59.62	114.67
2021	380	10.07	21.99	149.02	-116.96	38.36
Average	111	12	23	144	-109	93

Profile of Indian Tobacco Company Limited (ITC)

ITC Limited is a multinational with its main office in Kolkata. ITC is present ina variety of sectors, including FMCG, hotels, packaging, paperboards, specialty papers, and agro. 13 enterprises across 5 market areas make up the organization. It exports its goods to 90 different nations. Six million retail locations carry its products.

The Imperial Tobacco Company of India Limited, which was founded in 1910, changed its name to the Indian Tobacco Company Limited in 1970, and then to I.T.C. Limited in 1974. The business is now known as ITC Limited, with "ITC" no longer serving as an abbreviation. ITC has a market capitalization of US$35 billion and an annual turnover of US$10.74 billion as of 2019–20. It has more than 60 facilities across India and 36,500 employees.On October 27, 1954, the business became a public limited corporation. With 6% of the company's Indian shareholders, the first step toward Indianization was made in the same year. During this period, ITC also entered the consumer research market for the first time in India. In order to achieve self-sufficiency in the production of cigarettes, technology was more heavily focused on throughout the 1960s when establishing cigarette machines and filter-rod manufacturing facilities.

The establishment of the company's Indian management was greatly aided by Ajit Narain Haskar's appointment as the first Indian chairman in 1969. The name of the corporation was changed from "Imperial Tobacco Company of India Limited" to "India Tobacco Company Limited" in 1970 as Indian ownership of the company increasingly increased. ITC also became the first business in India to begin with the Scissor's Cup in 1971. The 1970s saw the beginning of cutting-edge marketing efforts and electronic data processing.

Working Capital Analysis of ITC Limited

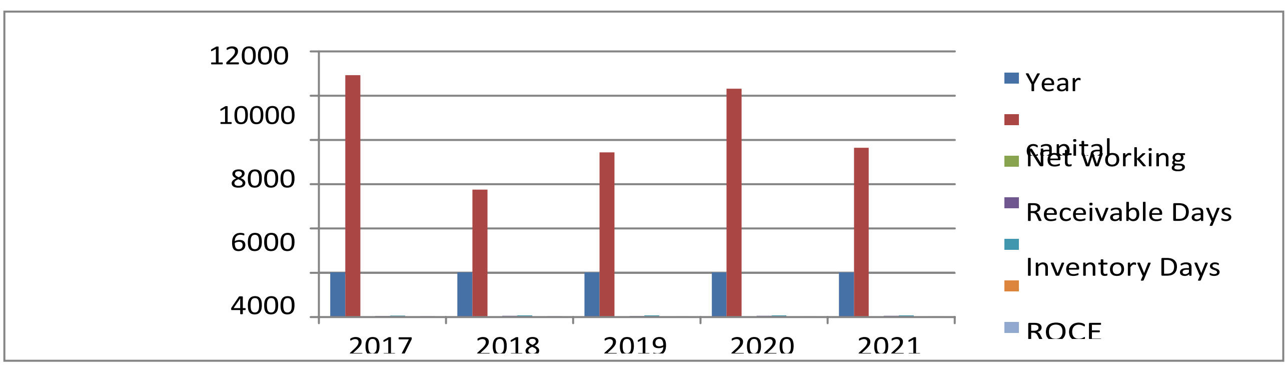
The working capital of ITC is analyzed by component in the table below for the period of 2017 to 2021. The table demonstrates that net working capital has been positive for the entire time of the study.

COMPONENTS OF WORKING CAPITAL OF ITC LIMITED (Rs. in Crores)							
Year	Inventory	Sundry Debtors	Cash and Bank Balances	Total Current Assets	Loans and Advances	Total Current Liabilities	Net Working Capital
2017	7,863.99	2,207.50	2,747.27	17,758.65	4,939.89	6,830.07	10,928.58
2018	7,237.15	2,357.01	2,594.88	14,599.55	2,410.51	8,849.74	5,749.81
2019	7,587.24	3,646.22	3,768.73	17,062.41	2,060.22	9,618.32	7,444.09
2020	8,038.07	2,092.00	6,843.27	19,331.89	2,358.55	9,022.28	10,309.61
2021	9,470.87	2,090.29	4,001.53	17,768.53	2,205.84	10,122.24	7,646.29

FINANCIAL RATIOS OF ITC LIMITED (in Rs. Cr.)						
Year	Current Ratio	Receivable Days	Inventory Days	Payable Days	Cash Conversion Cycle	Return on Capital Employed (%)
2017	3.69	13.65	53.40	56.84	10.21	36.02
2018	2.85	19.73	59.74	70.85	8.62	35.39
2019	3.17	24.59	56.20	73.39	7.4	34.39
2020	4.13	23.43	59.44	75.12	7.75	32.32
2021	3.27	17.39	66.18	72.06	11.51	28.66

The cash conversion cycle (CCC), which covered the entire trial period, was likewise discovered to be favorable for ITC. Although it decreased from 2017 to 2021 throughout the study period, the return on capital for this firm was also found to be positive for all the years under consideration. The ratio, which was observed to be decreasing from 3.69 in 2017 to 2.85 in 2018, climb in 2019 to 2020, and then decline once more in 2021, did not, however, confirm to the ideal ratio of 2:1.

Trend Analysis of ITC Limited (Rs. in Crores)



Average (Mean) of ITC

Year	NetWorking Capital	Receivable days	Inventorydays	Payabledays	CashConversion Cycle	Return OnCapital Employed (%)
2017	10,928.58	13.65	53.4	56.84	10.21	36.02
2018	5,749.81	19.73	59.74	70.85	8.62	35.39
2019	7,444.09	24.59	56.2	73.39	7.4	34.39
2020	10,309.61	23.43	59.44	75.12	7.75	32.32
2021	7,646.29	17.39	66.18	72.06	11.51	28.66
Average	8,416	20	59	70	9	33

Profile of Nestle India Limited

In 1956, Nestle India Ltd. was established. In 1961, the business established their first production facility in Punjab's Moga. They established their second factory in 1967 at Choladi in Tamil Nadu as a pilot facility to transform the locally cultivated tea into soluble tea. They established a facility in Karnataka's Nanjangud in 1989.

One of the major participants in the FMCG industry, Nestle India Ltd., is present in the chocolate and confectionery, prepared foods, drinks, milk and nutrition, and prepared meals and cooking aids areas. The company works in the food industry. The food industry includes product categories such beverages, prepared foods and cooking utensils, chocolates and confectionery, milk products and nutrition. Among the brands under which Nestle India produces goods include Nescafe, Maggi, Milkybar, Milo, Kit Kat, Bar-One, Milkmaid, and, Nestea.

Additionally, the business has launched goods for everyday use and consumption, including Nestle Milk, Nestle Slim Milk, Nestle Fresh 'n' Natural Dahi, and Nestle Jeera Raita. The company's brands include those for beverages, prepared foods and culinary tools, chocolates and confectionery, as well as milk products and nutrition. Nestle Everyday Dairy Whitener, Nestle Everyday Ghee, Nestle Milk, Nestle Slim Milk, and Nestle Dahi are among their milk products and nutritional offerings. Nescafe Classic, Nescafe Sunrise Premium, Nescafe Sunrise Special, and Nescafe Cappuccino are among the available beverages. A division of the Swiss company Nestle S.A. is Nestle India.

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

Working Capital Analysis of Nestle India Limited

The working capital of Nestle India Ltd. is analyzed by component in the table below for the period of 2017 to 2021. The table demonstrates that net working capital has been positive for the entire time of the study.

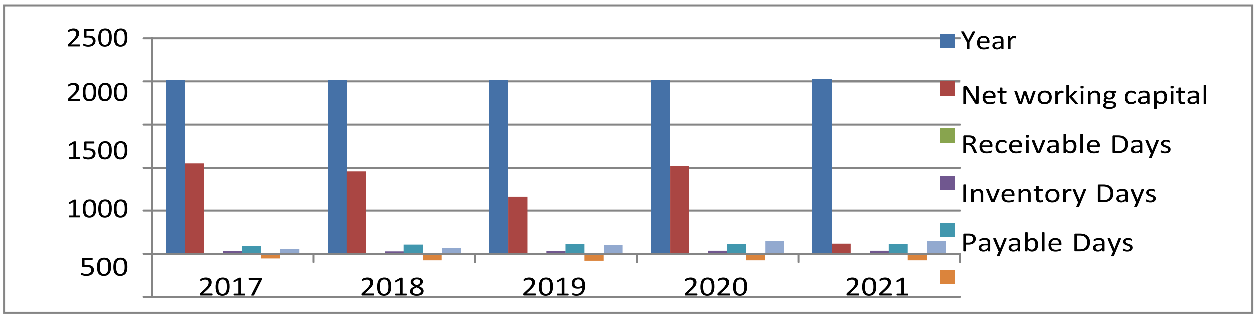
COMPONENTS OF WORKING CAPITAL OF NESTLE INDIA LIMITED (Rs. in Crores)

Year	Inventory	Sundry Debtors	Cash and Bank Balances	Total Current Assets	Loans and Advances	Total Current Liabilities	Net Working Capital
2017	902.47	88.97	1,457.42	2,543.80	94.94	1,492.71	1,051.09
2018	965.55	124.59	1,610.06	2,811.82	111.62	1,854.95	956.87
2019	1,283.07	124.33	1,308.05	2,809.72	94.27	2,144.35	665.37
2020	1,416.48	164.93	1,769.87	3,462.14	110.86	2,442.54	1,019.6
2021	1,580.22	165.27	735.41	2,675.48	194.58	2,555.12	120.36

FINANCIAL RATIOS OF NESTLE INDIA LIMITED (in Rs. Cr.)						
Year	Current Ratio	Receivable Days	Inventory Days	Payable Days	Cash Conversion Cycle	Return on Capital Employed (%)
2017	2.64	3.35	32.99	89.99	-53.65	57.04
2018	2.55	3.35	29.32	106.21	-73.54	70.93
2019	1.74	3.56	32.15	113.91	-78.2	98.67
2020	1.68	3.84	35.82	113.60	-73.94	147.88
2021	1.05	3.98	36.10	114.02	-73.94	147.86

The drop in Nestle India Ltd.'s current ratio over the course of the study, which is far below the recommended ratio of 2:1. Additionally, it was discovered that Nestle India Ltd.'s cash conversion cycle was negative for the duration of the study. This shows that Nestle India's brands and products are selling more quickly than the company is able to settle its debts. To put it another way, Nestle India is able to collect money from customers considerably more quickly than it can pay off its debts.

Trend Analysis of Nestle India LTD. (Rs. in Crores)



Average (Mean) of Nestle India LTD.

Year	NetWorking Capital	Receivable days	Inventorydays	Payabledays	CashConversion Cycle	Return OnCapital Employed (%)
2017	1,051.09	3.35	32.99	89.99	-53.65	57.04
2018	956.87	3.35	29.32	106.21	-73.54	70.93
2019	665.37	3.56	32.15	113.91	-78.2	98.67
2020	1,019.60	3.84	35.82	113.6	-73.94	147.88
2021	120.36	3.98	36.1	114.02	-73.94	147.86
Average	763	4	33	108	-71	104

Profile of Godrej Consumer Products Limited (GCPL)

Fast-moving consumer goods are produced, distributed, and marketed by Godrej Consumer Products Ltd (GCPL). Products from its portfolio include soaps, toiletries, cosmetics, hair care, air care, health and hygiene, home insecticides, and fabric care items. It also sells personal care items. The business sells household pesticides in the burning, electric, and aerosol categories. Cinthol, Saniter, Godrej No. 1, Ezee, Stella, Good Knight, TCB Naturals, Darling, Bblunt, HIT, Inecto, and Nupur are just a few of the brands that GCPL sells these goods under. The corporation has manufacturing plants in Africa, Latin America, India, Indonesia, and the US. Mumbai, Maharashtra, India serves as the headquarters of GCPL.

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

An Indian manufacturer of consumer goods with its headquarters in Mumbai is called Godrej Consumer Products Limited (GCPL). Soap, hair colourants, toiletries, and liquid detergents are among GCPL's offerings. Its brands include "Cinthol," "Godrej Fair Glow," "Godrej No. 1," and "Godrej Shikakai" in the soap category, "Godrej Powder Hair Dye," "Renew," and "ColourSoft" in the category of hair colourants, and "Ezee" in the category of liquid detergent. Four functioning clusters at Malanpur (Madhya Pradesh), Guwahati (Assam), Baddi- Thana (Himachal Pradesh), Baddi- Katha (Himachal Pradesh), Pondicherry, Chennai, and Sikkim are among the seven sites where GCPL operates multiple manufacturing plants in India.

Working Capital Analysis of GCPL

The working capital of GCPL is broken down per component in the table below from 2017 to 2021. The table demonstrates that from the study period of 2017 to 2019, net working capital was discovered to be negative. However, the Return on Capital Employed (ROCE), which claims that the company has achieved typical returns even with negative working capital, climbs from 2017 to 2019 and drops from 2019 to 2021. Only the organization's managerial effectiveness makes this possible.

COMPONENTS OF WORKING CAPITAL OF GODREJ CONSUMER PRODUCTS LIMITED (Rs. in Crores)

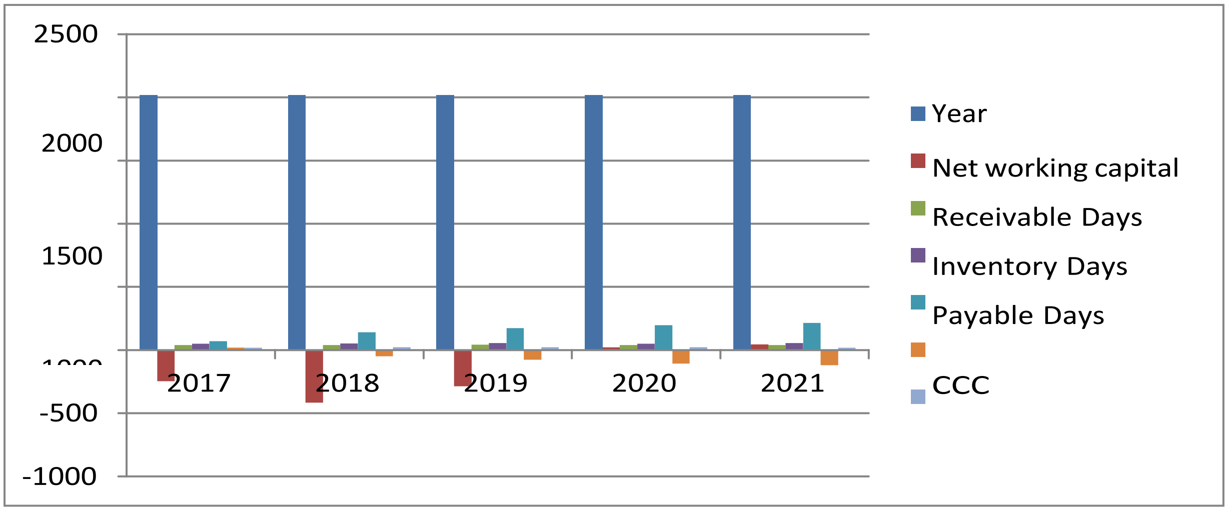
Year	Inventory	Sundry Debtors	Cash and Bank Balances	Total Current Assets	Loans and Advances	Total Current Liabilities	Net Working Capital
2017	561.92	209.33	98.45	1,100.35	230.65	1,347.02	-246.67
2018	576.25	248.58	98.11	1,268.92	345.98	1,684.62	-415.7
2019	615.12	353.18	97.24	1,367.01	301.47	1,653.98	-286.97
2020	657.72	305.52	85.68	1,425.96	377.04	1,403.45	22.51
2021	702.83	247.46	83.71	1,258.48	224.48	1,214.48	44

FINANCIAL RATIOS OF GODREJ CONSUMER PRODUCTS LIMITED (in Rs. Cr.)

Year	Current Ratio	Receivable Days	Inventory Days	Payable Days	Cash Conversion Cycle	Return on Capital Employed (%)
2017	1.29	40.09	49.60	71.30	18.39	18.25
2018	1.31	40.77	51.65	141.72	-49.3	22.36
2019	1.24	41.75	54.89	174.07	-77.43	23.19
2020	1.20	40.20	49.67	196.07	-106.2	22.76
2021	1.06	41.03	54.62	214.99	-119.34	18.02

The current ratio of GCPL increased from 1.29 in 2017 to 1.31 in 2018, then decreased in 2019 and again from 2020 to 2021, which is significantly below the recommended ratio of 2:1. Additionally, it was discovered that, with the exception of 2017, the cash conversion cycle for GCPL was negative during the study period. This suggests that GCPL's brands and products are selling more quickly than the company is able to settle its debts. In other terms, we may claim that GCPL is able to collect money from clients far more quickly than it needs to pay off its debts.

Trend Analysis of GCPL (Rs. in Crores)



Average (Mean) of GCPL

Year	NetWorking Capital	Receivable days	Inventorydays	Payabledays	CashConversion Cycle	Return OnCapital Employed (%)
2017	**-246.67**	**40.09**	**49.6**	**71.3**	**18.39**	**18.25**
2018	**-415.7**	**40.77**	**51.65**	**141.72**	**-49.3**	**22.36**
2019	**-286.97**	**41.75**	**54.89**	**174.07**	**-77.43**	**23.19**
2020	**22.51**	**40.2**	**49.67**	**196.07**	**-106.2**	**22.76**
2021	**44**	**41.03**	**54.62**	**214.99**	**-119.34**	**18.02**
Average	**-177**	**41**	**52**	**160**	**-67**	**21**

International Journal of Research in IT and Management (IJRIM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 9, September- 2022
ISSN(o): 2231-4334 | ISSN(p): 2349-6517 | Impact Factor: 8.106

Profile of Dabur Limited

S. K. Burman founded the global Indian consumer goods corporation Dabur Ltd, which has its headquarters in Ghaziabad. One of the biggest fast-moving consumer goods (FMCG) firms in India, it produces natural consumer goods and Ayurvedic medicines. A little over 60% of Dabur's revenue comes from its consumer products division, 11% from its food division, and the rest comes from its foreign business section.

Dr. S. K. Burman established Dabur in Kolkata in 1884. Burman's ancestors are Punjabi Khatris, and they moved from Punjab to Kolkata. He created Ayurvedic medications for conditions like cholera, constipation, and malaria around the middle of the 1880s while working as an Ayurvedic practitioner in Kolkata. He afterwards began to bicycle-sell his medications in Bengal as a licensed doctor. The term "Dabur," a combination of the words daktar (doctor) and Burman, began to be used by his patients to refer to him and his medications. Later on, he began to mass-produce his Ayurvedic remedies.

Products for ayurveda and natural healthcare are developed, marketed, and sold by Dabur India Ltd (Dabur), a division of Burman Family Holdings. Health supplements, digestive aids, cough and cold syrups and drops, energizers, women's health, and baby care products are among the company's product offerings. Additionally, it provides various ethical products like room fresheners, fruit juices, beverages, toothpaste, toothpowder, moisturizing creams and lotions, hair oils, shampoos, and shampoos. Dabur sells its goods under the brand names Vatika, Hajmola, Dabur Amla, Odonil, and Odomos. The business sells its goods through organised retail chains, online marketplaces, and niche distribution channels like beauty shops, chemists, and ayurvedic pharmacies. India, the Middle East, Africa, South Asia, the US, and Europe are among places where it conducts business. India's Uttar Pradesh state is home to Dabur's corporate headquarters.

Working Capital Analysis of Dabur Limited

The working capital of Dabur Ltd. is analyzed by component in the table below for the period of 2017 to 2021. The table demonstrates that in 2017, net

working capital was found to be negative. In contrast, the Return on Capital Employed (ROCE) declines over the course of the study.

COMPONENTS OF WORKING CAPITAL OF DABUR INDIA LIMITED (Rs. in Crores)

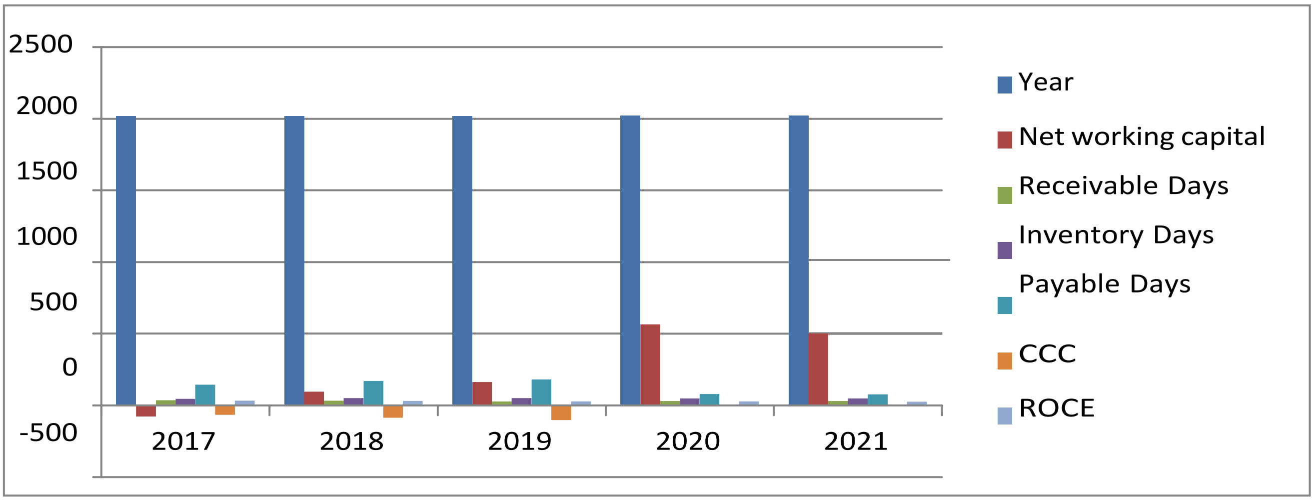
Year	Inventory	Sundry Debtors	Cash and Bank Balances	Total Current Assets	Loans and Advances	Total Current Liabilities	Net Working Capital
2017	599.27	333.25	26.16	1,050.49	91.81	1,125.88	-75.39
2018	704.79	321.34	87.02	1,245.45	132.30	1,148.91	96.54
2019	732.90	431.46	124.71	1,398.95	109.88	1,234.46	164.49
2020	809.14	379.63	525.60	1,882.52	168.15	1,315.88	566.64
2021	1,114.16	281.24	834.74	2,378.85	148.71	1,876.15	502.7

FINANCIAL RATIOS OF DABUR INDIA LIMITED (in Rs. Cr.)

Year	Current Ratio	Receivable Days	Inventory Days	Payable Days	Cash Conversion Cycle	Return on Capital Employed (%)
2017	1.35	35.25	48.00	147.39	-64.14	34.49
2018	1.40	34.59	52.21	172.46	-85.66	30.92
2019	1.41	29.32	51.07	183.24	-102.85	28.01
2020	1.35	30.05	49.90	80.72	-0.77	27.49
2021	1.98	31.08	50.56	79.55	2.09	26.41

The current ratio of Dabur Ltd. increased from 2017 to 2019, decreased in 2020, and then increased once again in 2021, which is far below the recommended ratio of 2:1. Additionally, the cash conversion cycle for Dabur Ltd. was discovered to be negative for the most of the study period with the exception of 2021. This shows that Dabur Ltd.'s brands and products are selling more quickly than the company is able to settle its debts. To put it another way, Dabur Ltd. is able to collect money from clients considerablymore quickly than it can pay off its debts.

Trend Analysis of Dabur LTD. (Rs. in Crores)



Average (Mean) of DABUR

Year	NetWorking Capital	Receivable days	Inventorydays	Payabledays	CashConversion Cycle	Return OnCapital Employed (%)
2017	-75.39	35.25	48	147.39	-64.14	34.49
2018	96.54	34.59	52.21	172.46	-85.66	30.92
2019	164.49	29.32	51.07	183.24	-102.85	28.01
2020	566.64	30.05	49.9	80.72	-0.77	27.49
2021	502.7	31.08	50.56	79.55	2.09	26.41
Average	251	32	50	133	-50	29

Limitations to the Study

- I have used secondary data. Thus, the limitations of secondary dataaffect the chosen study.

- Due to scarcity of time, I have taken only 5 Companies to do this study,if uploaded data or shared information on websites will unchanged Results will be unchanged, and if information will be manipulated theresult will also be changed.

- I have used ratio analysis for calculating ratios. Thus, the limitations ofratio analysis will also the limitations of this paper.

- This research work is done with sample size of 5 companies. So, the reason of rejecting null hypothesis may be the size of sample selected inthis study work. Thus, these selected companies may be less representative of whole Indian FMCG sector.

Results & Discussion

Findings of the Study

Comparative analysis of the 5 companies selected

Company	Average Net Working Capital	Average Receivable days	Average Inventorydays	Average Payabledays	Average Cash Conversion Cycle	Average Return On Capital Employed (%)
HUL	111	12	23	144	- 109	93
ITC	8,416	20	59	70	9	33
NESTLE	763	4	33	108	-71	104
GCPL	-177	41	52	160	-67	21
DABUR	251	32	50	133	-50	29

After the analysis of trend of negative working capital and various componentsof profitability it is clear that:

- FMCG companies are having trend to use negative working capital to minimize the cost of borrowing for working capital.

- Whenever they are having trends of negative working capital, profitabilityis always higher (because of lower cost of interest and borrowings).

- Nestle India as well as HUL are some of the leading FMCG companies in India, regularly using negative working capital for their day-to-day operations. But from 2017 to 2021 Nestle has positive working capital.

Discussion on findings of the study

Average Net working capital of ITC is highest among all five companies and net working capital of ITC is positive throughout the study period. Throughout the study period company is having sufficient liquidity and it is more successful due to liquidity.

Nestle has second highest average net working capital and net working capital of Nestle is positive throughout the study period. Company is more successful due to liquidity.

Average Net working capital of Dabur is third highest among all five companies and net working capital of Dabur is positive throughout study period except in year 2017. It has also sufficient liquidity due to this company is successful.

HUL has 111 average net working capital which is less than ITC, Nestle and Dabur and net working capital of HUL is negative from 2017 to 2018. Company has less liquidity.

GCPL has lowest average net working capital and net working capital of GCPL is negative from 2017 to 2019 due to this company has less liquidity.

Conclusions

Negative working capital indicates non-liquidity or less liquidity within the firm which is not favorable at each and every stage of business. Companies operating in industry like FMCG are able to manage negative working capital efficiently, creating shareholder value by way of higher EPS and higher market capitalization. At the same time, companies with higher working capital are having sufficient liquidity, are more successful because of liquidity and they can expand business and grow up to maximum possible extent.

However, a company with higher working capital needs higher revenue to maintain their healthy operating ratio. A better credit management system will help these companies to generate higher ROCE in the long run. However, in each and every situation lower level of liquidity is not preferable; a proper tradeoff between liquidity and working capital requirement is needed in the long run.

Net Working capital of companies like **Nestle and ITC** is positive throughout the period of study. Nestle is the subsidiaries of the foreign parent company and both of them are performing consistently for the past many years. Also, if we see the products sold by Nestle company is very quickly of the shelves in the retail environment this makes the cash recovery faster.
While the other companies such as **HUL, GCPL and Dabur** have a negative working capital during the period of study, this shows that though they are managing their operations efficiently.

Cash Conversion Cycle

The companies like ITC, Nestle, GCPL and Dabur which reflected a negative CCC, efficiently managed to finance their operating cycle through customers, saving sufficient cost on short- term debt.

Suggestions

Negative working capital creates many financial gains but at the same time ithas some adverse impacts

- Lower or poor working capital (or negative working capital) creates artificial pressure on a company to increase borrowings for day-to-day operations. Due to delayed payments to the creditors, in some cases ranking of such companies are treated as poor, which will affect cost of borrowings or capital (in the way of higher rate of interest).

- In case of expansion and modification of business, negative working capital creates financial barriers (lower liquidity). It will create artificial hurdle for the growth of the organization.

- Due to poor liquidity, investors behave with caution; it will create financial unrest among the general investors. They are worried about their investment as well as future returns.

- Negative working capital position only works when the company isgrowing revenues (such as General Motors that used it for several yearsuntil revenues began declining). When the company's revenues are declining the positive effect of a negative working capital position reverses and it immediately starts needing annual working capital investment during a time when the company can least afford.

- At the time of business valuation, negative working capital creates hurdle for better valuation because of chances of bankruptcy risk in a shorttime.

The companies working on negative working capital should keep an eye on the above impacts of negative working capital. If the companies can overcome the over shortcomings, they can employ the advantages of negative working capital.

Directions for Future Research

- More techniques should be used for working capital management and comparative analysis as median and standard deviation.

- More companies should be considered.

- Data sources should be more in future research for accuracy

References

1. Arora, A. (2013): "Negative Working Capital and its Impact on Profitability" The Management Accountant, March 2013.

2. Banerjee, S. (2000): "Financial management". S.Chand and company, New Delhi .

3. Bhalla, V. (1997): "Financial management and policy", Anmol publications Ist edition, New Delhi .

4. Bagchi, B. and Khamrui, B. (2012), "Relationship between working capital management and profitability: A study of selected FMCG companies in India", Business and Economics Journal, Vol. 2012: BEJ-60

5. Bagchi, T, (2013), "Working Capital and Profitability—Establishing the Causality", Journal of Accounting and Management (JAM) Vol. 3, Issue -2, 2013.

6. Ghosh S K and Maji S G (2003), "Utilization of Current Assets and Operating Profitability: An Empirical Study on Cement and Tea Industries in India", Indian Journal of Accounting, IAA, pp. 81–91, Ujjain, December.

7. Khan and Jain(2004): "Financial Management", Tata Mcgraw Hill publishing company, New Delhi 4th edition .

8. Panigrahi A.K. and Sharma, A, " Working Capital Management and Firms' Performance: An Analysis of selected Indian Cement Companies", Asian Journal of Research in Business Economics and Management , published by Asian Research Consortium, Issue – 8, Volume – III, Sept. - 2013, Page 115 – 130. Available at SSRN: http://ssrn.com/abstract=2342085.

9. Panigrahi A.K., "Relationship between Inventory Management and Profitability – An Empirical Analysis of Indian Cement Companies", Asia Pacific Journal of Marketing and Management Review, published by Indian Research Journals, Issue – 7, Volume – II, July-2013,Page 107 – 120. Available at SSRN: http://ssrn.com/abstract=2342455.

10. Panigrahi A.K., "Cash Conversion Cycle and Firms' Profitability – A Study of Cement Manufacturing Companies of India", International Journal of Current Research, published by IJCR, Issue – 6, Volume – V, June - 2013, Page 1484 – 1488. Available at SSRN: http://ssrn.com/abstract=2342460.

11. Panigrahi A.K., "Negative Working Capital and Profitability – An Empirical Analysis of Indian Cement Companies", International Journal of Research in Commerce and Management, published by IJRCM, Issue – 6, Volume – IV, June - 2013, Page 41 –

12. 45. Available at SSRN: http://ssrn.com/abstract=2342457.

13. Panigrahi, Ashok Kumar, Liquidity Management of Indian Cement Companies – a Comparative Study (December 3, 2013). IOSR Journal of Business and Management (IOSR- JBM) e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 14, Issue 5 (Nov. - Dec. 2013), PP 49-61 www.iosrjournals.org. Available at SSRN: http://ssrn.com/abstract=2362751

14. Panigrahi A.K., "Impact of Working Capital Management on Profitability: A Case Study of ACC Ltd.", Asian Journal of Management, published by A and V Publications, Issue – 4, Volume – III, Oct. - Dec. 2012, Page 210 – 218. Available at SSRN: http://ssrn.com/abstract=2342485.

15. Paul Artika, "Everything Positive About Negative Working Capital – A Conceptual Analysis of
Indian FMCG Sector".

16. Rustagi, R. (2000): "Financial Management, theory, concept and problems", second edition pp860 Galgotia Publishing Company, New Delhi (2000).

17. Raheman A and Nasr M (2007), "Working Capital Management and Profitability: Case of Pakistani Firms", International Review of Business Research, Vol. 3, No. 2, pp. 275– 296.

18. Sur, D. (1997): "Working capital management in Colgate Palmolive (India) Ltd. -A case study", The Management Accountant, November.

19. Singh, P. 2012, "Negative Working Capital and Indian Corporates – A Conceptual Analysis"
The Chartered Accountant, Dec. 2012.

20. Singh, P. (2005): "Liquidity Management & Working Capital In Indian Farmers Fertilizer Cooperative Limited" in Research Bulletin Vol. XXVI No.2 JULY, published byInstitute of Cost and Works Accountant of India, (ICWAI) Kolkata, pp78-88.

21. Vijay Kumar, A. & Venkatachalam, A. (1996): "Responsiveness of working capital Management–A case study of Tamilnadu Sugar Corporation "-Finance India Vol. X No 3, page 647-655.

22. Bhaskar Bagchie, J. C. (2012). Influence of Working Capital Management on Profitability: A Study on Indian FMCG Companies. International Journal of Business & Management , 7 (22),1-10.

23. Demirgunes, S. F. (2008). The Effect of Working Capital Management on Firm Profitability: Evidence From Turkey. International Research Journal of Applied Economics and Finance , 2 (1), 44-50.

24. Goel, S. (2012). Modelling Correlated Liquidity & Solvency on a Balancing Equation in Indian Consumer Industry. Journal of Applied Research in Finance , 4 (2(8)), 75-97.

25. Lazaridis I, T. D. (2006). Relationship between Working Capital Management and Profitability of Listed Companies in Athens Stock Exchange. Journal of Financial Management and Analysis , 19.

26. M.A. Zariyawati, M. A. (2009). Working Capital Management and Corporate Performance: Case of Malaysian. Journal of Modern Accounting & Auditing, 5 (11).

27. Tandel, H. R. (April, 2013). Financial Analysis of Selected Plastics Manufacturing Industrial Units of Gujarat for the period 2000-01 to 2009-10. Ph.D. Thesis.

28. Wang. (2002). Liquidity Management, Operating Performance and Corporate Value: Evidence from Japan & Taiwan. Journal of Multinational Financial Management, 12, 159- 169.

29. https://www.hul.co.in

30. https://www.itcpoítal.com

31. https://www.godíejcp.com

32. https://www.nestle.in

33. https://www.dabur.com