



# WORKING CAPITAL ANALYSIS ON SELECT FMCG COMPANIES IN INDIA

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## **Abstract**

The amount of money needed to fund a day-to-day business operation is known as working capital. The objective of the study was to evaluate the working capital of select FMCG companies in India. The duration of the study was 2019–2023. Six companies chosen for the study. The cash conversion cycle, payable days, inventory days, and receivable days are computed to evaluate the performance of the business. Descriptive statistics used for analysis. The study's findings demonstrated that HUL and Britannia were having negative working capital.

## **INTRODUCTION**

The fast-moving consumer goods (FMCG) market in India grew as a result of consumer demand, and by 2023 it was valued at 121.8 billion dollars. These days, quick commerce platforms even simplify the way of reaching the customer. Working capital is an amount of money needed to be funded a day-to-day business operation. It can be calculated by subtracting current liabilities from current assets. Positive working capital is attained when current assets exceed current liabilities, which makes it advantageous for the business's lenders. Negative working capital is attained when current liabilities exceed current assets, is advantageous to business owners. Negative working capital is common in business-to-consumer industries and low-bar gaining power of suppliers in business-to-business industries. Firms properly maintain their working capital requirements to improve their profitability.

## Objective

The Objective of the study was to evaluate the working capital of select FMCG companies in india.

## RESEARCH METHODOLOGY

The period of the study was from 2019 to 2023. Six companies were taken for the study. Data were collected from the annual reports. Receivable days, inventory days Payable days and cash conversion cycle were calculated. Descriptive statistics were used to analyse the working capital. Based on the sales performance companies were taken for the study. The List of the companies were:

1. Hindustan Unilever Limited – HUL
2. Britannia Industries Limited - Britannia
3. Varun Beverages Limited – VB
4. Dabur India Limited – Dabur
5. Godrej Consumer Product – GCP
6. Hatson Agro Product – HAP

The formula used for the study:

| Component             | Formula                                         |
|-----------------------|-------------------------------------------------|
| Inventory Days        | $(\text{Inventory} / \text{Sales}) * 365$       |
| Receivable Days       | $(\text{Receivable} / \text{Sales}) * 365$      |
| Payable Days          | $(\text{Payables} / \text{Sales}) * 365$        |
| Cash Conversion Cycle | Inventory days + Receivable days - Payable days |

## INTERPRETATION & ANALYSIS

**Table.No:1**

| Working Capital |        |          |          |         |         |
|-----------------|--------|----------|----------|---------|---------|
| Company name    | 2019   | 2020     | 2021     | 2022    | 2023    |
| HUL             | 3247   | 3004     | 3114     | 4242    | 4970    |
| Britannia       | 1674.9 | 1109.67  | 805.41   | -185.31 | 611.83  |
| VB              | -5484  | -6353.57 | -4741.23 | -5647.1 | 824.21  |
| Dabur           | 925.92 | 2416.38  | 1841.48  | 994     | 639.53  |
| GCP             | 796.63 | 261.78   | 336.72   | 1715.66 | 2514.66 |
| HAP             | -35773 | -45902.6 | -61945.3 | -61142  | -43326  |

From 2019 to 2023 HAP has negative working capital which indicates companies operates their business in suppliers and customers money. In VB working capital was negative till 2022 and suddenly changes to positive it shows that receivable of the company increased during the year. Throughout the study HUL

working capital requirements was increased. From 2020 to 2023 working capital of Dabur decreased it show that current assets increased than current liabilities during the study.

**Table.No:2**

| Non-Cash Working capital |        |        |        |        |        |
|--------------------------|--------|--------|--------|--------|--------|
| Company name             | 2019   | 2020   | 2021   | 2022   | 2023   |
| HUL                      | -3224  | -3362  | -4064  | -3123  | -2519  |
| Britannia                | 815    | -22    | -799   | -1204  | -1387  |
| VB                       | -7195  | -8253  | -8107  | -8500  | -3774  |
| Dabur                    | -128   | 214    | -234   | -431   | -423   |
| GCP                      | -579   | -1146  | -993   | -236   | -66    |
| HAP                      | -39414 | -50372 | -65870 | -65109 | -47519 |

Cash& cash equivalents is already liquid so no need to fund again, therefore we removed the cash from current asset. During the period of the study every company has a negative non- cash working capital it shows that cash play major role in current assets and companies maintain their inventories and receivable in appropriate level and it also should maintain the payables.

**Table.No:3**

| Inventories days |        |         |         |      |       |       |
|------------------|--------|---------|---------|------|-------|-------|
| Company name     | Median | Minimum | Maximum | SD   | Mean  | CV    |
| HUL              | 25.61  | 23.90   | 28.51   | 1.88 | 26.24 | 7.2%  |
| Britannia        | 27.25  | 23.63   | 35.79   | 4.75 | 28.72 | 16.6% |
| VB               | 51.71  | 44.39   | 59.00   | 5.63 | 51.51 | 10.9% |
| Dabur            | 64.07  | 55.63   | 66.20   | 4.56 | 61.57 | 7.4%  |
| GCP              | 56.80  | 42.13   | 63.32   | 8.55 | 56.03 | 15.3% |
| HAP              | 30.93  | 25.71   | 37.46   | 4.66 | 31.61 | 14.8% |

During the study Dabur maintain the highest number of inventory days it shows that inventory take more than two months to turnover. Standard deviation of GCP was high during the study it shows that company's inventory days was not stable. Coefficient of variation was high for Britannia industries it shows that among the companies Britannia was less consistent and HUL was more consistent in maintaining their inventory.

**Table.No:4**

| Receivable day |        |         |         |      |       |       |
|----------------|--------|---------|---------|------|-------|-------|
| Company name   | Median | Minimum | Maximum | SD   | Mean  | CV    |
| HUL            | 15.56  | 10.54   | 18.55   | 3.09 | 15.03 | 20.5% |
| Britannia      | 8.69   | 7.29    | 13.11   | 2.40 | 9.36  | 25.6% |
| VB             | 8.69   | 8.04    | 13.46   | 2.27 | 9.47  | 23.9% |
| Dabur          | 26.87  | 21.44   | 35.66   | 6.72 | 27.95 | 24.0% |
| GCP            | 34.13  | 33.19   | 45.75   | 5.96 | 37.79 | 15.8% |
| HAP            | 0.60   | 0.39    | 1.00    | 0.24 | 0.61  | 38.8% |

During the study GCP maintain highest receivable days its indicates that company take more than one month to recover a cash. Standard deviation of the Dabur was high it indicates that receivable days was fluctuate during the period of the study. Coefficient of variation was high in Britannia industries indicates that among the companies in study Britannia was more variable and GCP was less variable in maintaining their receivable.

**Table.No:5**

| Payable day  |        |         |         |       |       |       |
|--------------|--------|---------|---------|-------|-------|-------|
| Company name | Median | Minimum | Maximum | SD    | Mean  | CV    |
| HUL          | 66.91  | 57.68   | 69.13   | 4.71  | 65.03 | 7.2%  |
| Britannia    | 35.60  | 33.08   | 37.94   | 2.14  | 35.50 | 6.0%  |
| VB           | 24.05  | 16.96   | 29.00   | 4.92  | 24.19 | 20.3% |
| Dabur        | 67.64  | 62.16   | 73.11   | 4.71  | 66.88 | 7.0%  |
| GCP          | 71.47  | 49.97   | 91.35   | 17.53 | 73.40 | 23.9% |
| HAP          | 9.29   | 8.40    | 13.62   | 2.12  | 9.95  | 21.3% |

During the study GCP has highest number of payable days it indicates company take more than two months to pay the suppliers. Standard deviation of GCP was high it shows company not maintaining the payable days in stable. Coefficient of variation was high in GCP it shows that among the companies GCP was less consistent and Britannia was more consistent in maintaining their payables.

**Table.No:6**

| CCC          |        |         |         |      |        |        |
|--------------|--------|---------|---------|------|--------|--------|
| Company name | Median | Minimum | Maximum | SD   | Mean   | CV     |
| HUL          | -26.15 | -33.20  | -13.52  | 7.61 | -23.76 | -32.0% |
| Britannia    | 1.17   | -1.75   | 10.84   | 4.81 | 2.58   | 186.4% |
| VB           | 39.02  | 29.03   | 40.04   | 4.51 | 36.79  | 12.3%  |
| Dabur        | 21.73  | 14.53   | 29.83   | 6.71 | 22.64  | 29.6%  |
| GCP          | 18.57  | 11.03   | 32.20   | 8.75 | 20.42  | 42.9%  |
| HAP          | 20.12  | 16.95   | 29.37   | 5.57 | 22.27  | 25.0%  |

Cash conversion cycle of HUL was negative it shows that company pays to suppliers after collecting their payments from debtors. It shows bargaining power was high. For VB takes 39 days to convert cash. Standard deviation of GCP was high it shows company was not maintain their cash conversion stable. Coefficient of variation of HUL was negative it indicates that more consistently maintained their cash conversion days.

## CONCLUSION

During the period of the study companies take a maximum 40 days to convert cash from raw materials. HUL and Britannia were having negative cash conversion cycle which shows that they are having bargaining power by their large market share. Other Companies were struggling to capture the market share.

## Reference

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