Czech University of Life Sciences Prague

Faculty of Economics and Management

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Master's Thesis

Analysis of Working Capital Management of Selected FMCG Companies in India

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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Analysis of working capital management of Selected FMCG Companies in India

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Objectives of thesis

The primary objective of the thesis is to analyze and evaluate the financial performance of selected companies in terms of working capital management of FMCG companies in India. The secondary objective is to study the pattern of working capital management and compare it with the other companies in FMCG sector and also to access the effect of negative working capital on profitability of the companies. Lastly to give suggestions and comments about the functioning and development of FMCG sector in India.

Methodology

The study is quantitative in nature. First section will concentrate on the published literature which will be collected from the company's official website, annual reports of the selected companies, research publications, consultant's reports, other periodicals, journals, and other various documents of the companies to provide a comprehensive picture of the current level of understanding on the present topic.

Second section will concentrate on the secondary data obtained for top 10 FMCG companies from the published annual statements of the company. The present study covers the period of ten (10) years spanning from 2012-2021. Ratio Analysis will be used for analyzing and comparing the working capital management of selected FMCG companies. Various ratios that will be used for comparison purpose are Current Ratio, Receivable Turnover Ratio, Inventory Turnover Ratio, Return on Capital Employed, Cash Conversion Cycle

The proposed extent of the thesis

60 – 80

Keywords

Working Capital Management, FMCG Companies, Cash Conversion Cycle, Current Ratio

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Recommended information sources

Bagchi, B., & Khamrui, B. (2012). Relationship between working capital management and profitability: A study of selected FMCG companies in India. Business and Economics Journal.

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Declaration

I declare that I have worked on my master's thesis titled "Analysis of Working Capital Management of Selected FMCG Companies in India" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on ____30th March, 2023 _____

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Analysis of Working Capital Management of Selected FMCG Companies in India

Abstract

One of the most crucial aspects of business management is working capital management. No matter the size or the type of business, every organisation, regardless privately or publicly owned, profit-oriented or not, requires a sufficient level of working capital. The most important aspect in preserving the existence, liquidity, solvency, as well as profitability of any corporate organisation is effective working capital management. Working capital is calculated by subtracting current liabilities from current assets, therefore while calculating working capital, it's necessary to consider the quality of current assets, particularly the amount of the debtors and inventories. Working capital's importance rises as well since it directly affects the business entity's liquidity situation. How is it possible for a company to maintain its liquidity levels, though, when current assets are occasionally lower than current obligations referred to as negative working capital? Understanding the company efficiency, that raises earnings potential, necessitates an investigation of negative working capital. An attempt has been made to investigate working capital trends, specifically in the FMCGs industry in India, keeping in mind the relevance of managing working capital as a grey area of corporate financial function. For the study secondary data is collected, specifically the annual reports of the chosen firms. Ten years are covered by the research from 2012-2021, and to determine how effectively working capital is managed, the standard techniques for analyzing data and ratio analysis as instruments of analyzing financial statements have been used.

Keywords: Working Capital Management, FMCG Companies, Cash Conversion Cycle, Current Ratio, Profitability, Liquidity.

Analýza řízení pracovního kapitálu vybraných FMCG společností v Indii

Abstrakt

Jedním z nejdůležitějších aspektů řízení podniku je řízení pracovního kapitálu. Bez ohledu na velikost nebo typ podnikání vyžaduje každá organizace, bez ohledu na to, zda je v soukromém nebo veřejném vlastnictví, orientovaná na zisk či nikoli, dostatečnou úroveň provozního kapitálu. Nejdůležitějším aspektem pro zachování existence, likvidity, solventnosti a také ziskovosti každé podnikové organizace je efektivní řízení pracovního kapitálu. Pracovní kapitál se počítá odečtením krátkodobých závazků od oběžných aktiv, proto je při výpočtu pracovního kapitálu nutné vzít v úvahu kvalitu oběžných aktiv, zejména výši dlužníků a zásob. Roste i význam pracovního kapitálu, který přímo ovlivňuje likviditní situaci podnikatelského subjektu. Jak je však možné, aby si společnost udržela úroveň likvidity, když oběžná aktiva jsou občas nižší než běžné závazky označované jako záporný pracovní kapitál? Pochopení efektivity společnosti, která zvyšuje potenciál výdělků, vyžaduje prozkoumání záporného pracovního kapitálu. Byl učiněn pokus prozkoumat trendy pracovního kapitálu, konkrétně v odvětví FMCG v Indii, přičemž je třeba mít na paměti význam řízení pracovního kapitálu jako šedé zóny firemní finanční funkce. Pro studii jsou shromažďována sekundární data, konkrétně výroční zprávy vybraných firem. Deset let je pokryto výzkumem z let 2012-2021 a ke zjištění, jak efektivně je řízen pracovní kapitál, byly použity standardní techniky analýzy dat a poměrové analýzy jako nástroje analýzy finančních výkazů.

Klíčová slova: Řízení pracovního kapitálu, FMCG společnosti, Cyklus konverze hotovosti, Current Ratio, Ziskovost, Likvidita.

Table of content

1 Introduction

All corporate entities rely on working capital to survive. In absence of sufficient and proper working capital, a firm cannot exist. Both a lack or an oversupply of working capital are bad for a business since the latter results in higher expenses. As a result, the quantity of money that each firm needs shouldn't be greater than or even less compared to what's actually required. Management should be responsible for ensuring that the returns on investments made as operational income for their company are at least equal to the returns they would have received from other investments. The financial management context in which it works has added importance in light of the growing economic and financial shocks since it has a significant impact on the company's sales as well as profitability.

Working Capital Management is a business's primary role, according to its corporate finance department (WCM). Working Capital Management calls for the proper balance of net working capital as well as the preservation of suitable levels of liquidity as well as profitability. Spending is characterised prominently by its recurrent nature. The generation and usage of these money are well balanced under sound financial management. Inadequate finances will cause manufacturing to be disrupted, sales to decline, or overpayments to occur, which will cause the organization's nonprofit expenditures to rise significantly.

The best balance of current liabilities and assets, as well as the quantity of operational capital, must be determined by the finance manager. He or she is responsible for making sure that the right sources of money are utilised to pay for operating costs and that short-term company loans are repaid on schedule. Failure of a firm is caused by a lack of working cash. Successful corporate organisations handle their capital well. Managing current assets and liabilities is referred to as working capital management.

From its significant position in the firm's present operations, it is possible to comprehend the relevance of Working capital management in the activities, growth, as well as survival of the organisation. The corporation understands the value of working capital once it plans of its operating period, the period of its cash conversion cycle, the current ratio, and its current liability ratio. This emphasises how managing working capital as well as current ratio directly affects a company's financial performance.

With FMCG firms, items are delivered as well as sold to customers before the business ever makes a purchase. They focus their efforts on marketing as a result, outsourcing their manufacturing or investing only a small amount (according to their turnover) in plant and equipment. As a result, there isn't much room to obtain money through mortgaging the equipment. In contrast to most other businesses, the capacity of an FMCG firm to sell is what determines how much money it can make. Companies can make money so rapidly that their working capital is essentially negative. This occurs because when clients pay quickly and upfront, the company has little trouble raising funds.

Therefore, the objective of this research is to investigate as well as to evaluate working capital management as well as the financing methods employed by the selected FMCG organisations to meet their needs for working capital. Also, the study is going to examine the firms' liquidity situation. Top 10 FMCG companies have been selected on the basis of their market share in the year 2021. The duration for the study is from the year 2012-2021. Secondary data in the form of Annual reports of the companies have been taken into consideration from the websites and technique of ratio analysis is utilised for the achievement of the research objectives.

1.1 Background of the Study

The main aim of the thesis is to perform the financial analysis of the Top 10 Selected FMCG companies of 2021 in India. These companies have been selected on the basis of their market share in the year 2021. Financial performance of the companies will be assessed on the basis of ratio analysis as a tool were the Liquidity Ratios, Profitability ratios, Solvency Ratios, Turnover Ratios, Market Value Ratios, Cash Conversion Cycle will be calculated. As all of these companies fall under the same industry a comparison of different ratios will help in deciding which company is offering better returns and is better in financial performance than the other companies.

1.2 Significance of the Study

As the present study aims to perform the financial analysis utilising ratio analysis techniques the study is important for the company’s to make decision as to their financial wellbeing and in framing policies and strategies so as to improve their financial performance and growth. Also a comparison of ratios amongst the companies will give detailed insights about the operating efficiency as well as the financial performance of the top FMCG companies in India based on which the investors can make changes in their present investments and alter them for the better returns in the future.

1.3 Limitations of the Study

The present study has the following limitations:

- Only top 10 FMCG companies of 2021 in India have been taken into consideration. These companies have been selected on the basis of their Market Share.
- Financial Performance analysis is based on Ratio Analysis where few ratios relating to the Liquidity, Profitability, Solvency, Turnover & Market Value ratios have been taken into consideration.
- The Cash Conversion Cycle is calculated only for the year 2021 which may not reflect the exact scenario for the previous year's performance of the companies.
- The study is limited only to the duration of 2012-2021, which covers period of 10 years.
- The research offers only suggestions and not the solution to the company's problem faced by them.
- The research is purely based on secondary data which maybe prone to changes with time and may not reflect the true and fair position of the companies.

2 Objectives and Methodology

The current study's main purpose is to analyse and evaluate the financial performance of the selected top 10 FMCG companies in India in terms of working capital management. In order to fulfil the primary objectives of the study the following secondary objectives have been framed:

2.1 Objectives

Following are the secondary objectives framed to accomplish the primary goal of the research

- To evaluate the working capital management of FMCG Companies
- To compare the working capital management of FMCG Companies
- To access the effect of negative working capital on profitability of the companies

In order to fulfill the above mentioned primary and secondary objectives the research methodology chosen is as under:

2.2 Methodology

The present study is quantitative in nature. In order to accomplish the primary and secondary objective of the study the thesis is divided into two sections i.e. Theoretical and Practical Section. Where the first section of theoretical will focus on the published literature which will be collected from the company's official websites of the selected top 10 FMCG companies with respect to their market share in the year 2021. Along with the company's websites, annual reports of the selected companies, periodicals, conference proceedings, blogs, articles, research papers, consultant's reports and various other documents of the companies have been taken into consideration to provide a comprehensive view of the current level of understanding on the topic of the study.

The Second section will concentrate on the Practical Part comprising of the secondary data, collected of the top 10 FMCG companies in India during the year 2021. The data will be collected for the period of 10 years ranging from 2012-2021. The secondary data will be collected from the company's website, money control, business standard. Ratio analysis will be used where different ratios as to Liquidity, profitability, Solvency, Turnover, Market Value have been taken into consideration for the financial performance comparison of companies as well as to working capital management. Microsoft Office Excel is used for the preparation of Tables. The study will be helpful to the investors as it would provide a base of comparison of the financial performance of the Top 10 FMCG companies so the investors can take informed future investment decision.

2.3 Ratio Analysis Tool

For the financial performance analysis as well as the working capital management of the selected top 10 FMCG companies, following ratios have been considered so as to measure the liquidity position, solvency position, profitability position, Turnover position and market Value of the firms.

- **Liquidity Ratios:** Liquidity ratios reveals about the liquidity position of a company at a given period of time. For the present study Current Ratio and Quick Ratio have been taken into consideration. The formula for Current Ratio and Quick Ratio is given as under:

1. $$Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities} \quad \ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

2. $$Quick\ Ratio = \frac{Quick\ Assets}{Current\ Liabilities} \ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

- **Solvency Ratios:** Solvency ratios reveal about the potential of a company to fulfill its long-term debt obligations. It simply indicates the lenders as to financial stability of the company via assets to cover its debts. For the present study Debt-Equity Ratio and Interest Coverage Ratio is taken into consideration. The formula for calculation is given as below:

1. $$Debt - Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Shareholders\ Equity} \ldots\ldots\ldots \quad (3)$$

2. $$Interest\ Coverage\ Ratio = \frac{EBIT}{Interest\ Expense} \ldots\ldots\ldots \quad (4)$$

- **Profitability Ratios:** Profitability ratios reveal about the profit potential of a company at a given period of time. For the present study Operating Margin, Net

Profit Margin & Return on Capital Employed have been taken into consideration. The formula for calculation is given here underneath:

1. $Operating\ Margin\ = \frac{Operating\ Profit}{Sales} \times\ 100$…………… (5)

2. $Net\ Profit\ Margin\ = \frac{Net\ \ Profit}{Sales} \times\ 100$…………………. (6)

3. $Return\ on\ Capital\ Employed\ = \frac{EBIT}{Capital\ Employed}$……………. (7)

- **Turnover Ratios:** Turnover ratios reveals the efficiency of a company as to how a company replaces its assets or liabilities as against sales. It measures how efficiently company is managing against sales, how efficiently company is collecting revenue over sales. For the present study Asset Turnover Ratio, Inventory Turnover Ratio and Debtors Turnover Ratios have been taken into consideration. The formula for the calculation is given as under:

1. $Asset\ Turnover\ Ratio\ = \frac{Net\ Sales}{Avg.Total\ Assets}$……………………… (8)

2. $Inventory\ Turnover\ Ratio\ = \frac{Cost\ of\ Goods\ Sold}{Avg.Inventory}$………………. (9)

3. $Debtors\ Turnover\ Ratio\ = \frac{Credit\ Sales}{Avg.Account\ Receivables}$………..… (10)

- **Market Value Ratios:** Market Value Ratios of a company reveals the financial standing of the publicly traded companies. These ratios serve as a tool for investors in evaluating the current share price of a company as well as in knowing the profit making potential of the company on the amount invested by shareholder's into it. On the basis of which they can make their investment decisions. For the present study

Return on Net Worth and Earning Per Share have been taken into consideration. The formula for their calculation is as under:

1. $Return\ on\ Net\ Worth\ = \frac{Net\ Income}{Shareholder's\ Equity} \times\ 100$.......... (11)

2. $Earnings\ Per\ Share\ = \frac{Net\ Income - Preferred\ Dividend}{Avg.No.of\ Shares\ Outstanding}$...... (12)

3 Literature Review

The present study aims to perform the financial analysis of the top 10 selected FMCG companies in India. For comprehensive study of the above topic it is necessary to review articles, books, magazines, journals, blogs, conferences etc., for gaining better understanding of the topic selected as well as to summarize the previous studies conducted, its relativity with the present research and its implementation.

3.1 Working Capital

In every organisational environment, working capital is a crucial component that needs careful consideration, good planning, and administration. It is regarded as the lifeblood of a company, and managing it is one of the key responsibilities of corporate management. By examining the time and effort financial managers invested in locating, managing, and utilising the many aspects of working capital, it is possible to comprehend the importance of working capital and indeed the necessity for its efficient administration (Brealey et al., 2018).

Managing working capital is considered to be among the most critical responsibilities of company management. No regardless of magnitude or the sort of company, every organisation, either privately or publicly owned, profit-oriented or otherwise, requires a sufficient level of working capital. A managerial accounting method called working capital management focuses on preserving optimal levels of the two parts of working capital—current assets as well as current liabilities—relative to one another. It guarantees a business has enough cash flow to cover operational costs plus short-term debt commitments. Many businesses may increase their profits by putting in place an outstanding working capital management strategy. Ratio analysis as well as individual working capital component management are perhaps the two fundamental facets of managing working capital (Jana, 2018).

As per (Filbeck & Krueger, 2005) the discrepancy among resources that can be quickly converted into cash (current assets) versus organisational obligations at which cash would shortly be needed is known as working capital (Current Liabilities). No matter how much money a firm makes or how much it sells, it must nevertheless pay significant operating expenses. Revenues or sales may fluctuate sometimes. Yet a business must pay its overhead expenses. Working capital is defined as money allocated to ongoing projects.

Working capital includes things like the staff' monthly pay or other liabilities. Seasonal organizations tend to have higher overhead expenditures, and during leaner times, operating costs might be high. Working capital thereby has a direct bearing on the operational side of any industry (Varadaraj, 2022).

Working capital refers to the amount of money required to meet a company's running expenses. Working capital is the money (capital) that is readily available and put to use for a business enterprise's daily activities. It basically comprises of such a portion of an organization's assets that are utilised in or connected to present activities. It refers to money spent throughout an accounting period to produce current revenue of a kind consistent with the main reason for a company's existence (Singh, 2023).

3.1.1 Need for Working Capital

A corporation requires working capital to finance its ongoing activities, including paying bills, purchasing merchandise, and making wages. The majority of firms do not get paid for its products or services just at point of sale, which results in the requirement for working capital.

In order to fulfil the short-term financial obligations that a firm is anticipated to face while operating, the Working capital is required. It can be referred to as capital that is only utilised for trade and that cannot be kept in the company for more than a year. The way that money is invested is always changing throughout the everyday operation of a company. Similar to how blood must flow through the body to sustain life, working capitals are necessary. A company may become weak from a lack of working capital and may not last as long. The majority of enterprises fail because of working capital famine, and a company's success depends on how quickly it can generate cash (Rafuse, 1996).

- **Seasonal variations:** The cash flow of some companies may be impacted by the seasonal variations in its sales. As an illustration, a store may see a spike in sales throughout the holiday period followed by a decline during the initial half of the fiscal year. The company may require more working capital to pay expenditures during lean times.
- **Opportunities for growth**: Businesses that wish to develop or expand need working cash. This might entail making investments in fresh goods or services, adding staff, or establishing up new businesses. A firm may not be able to explore development possibilities without sufficient working cash. When a firm expands, it's possible that

it must make investments in more stock, machinery, or workers to meet demand. To pay for these costs, extra working capital is needed.

- **Lengthy Repayment Periods:** Settlement for products or services might take quite a while to arrive in some businesses due to slow repayment cycle. For instance, a construction business would need to wait many months before getting paid for a job. The firm's cash flow may be hampered by this delayed payment, which may necessitate the use of more working capital.
- **Accounting payable and receivable management:** The management of accounts receivable as well as accounts payable requires working capital. Payment delays brought on by a shortage of operating cash can harm relationships with consumers and vendors.
- **Maintaining Sufficient Inventory Levels:** Working capital is necessary for businesses that offer tangible items to ensure level of inventory. A company might not be able to buy the inventory it needs to satisfy client demand if it doesn't have enough operating capital.
- **Unexpected costs:** Even well-run businesses occasionally incur unforeseen costs such as repairs to equipment or legal bills. These costs may deplete a company's operating capital, necessitating the acquisition of more finance.
- **For funding operational expenses:** Working capital is required by a company to cover its continuous costs, including rent, utilities, and wages. Without enough working capital, a company would have a hard time keeping up with these costs, which could put it in financial trouble.

A business requires working cash to pay for ongoing expenditures and to seize expansion possibilities. Without sufficient operating capital, a company would find it difficult to fulfil its responsibilities and might pass up chances for growth.

3.1.2 Sources of Working Capital Finance

Working capital needs can be met by frequent, steady (fixed), continuous, or fluctuating sources of money. Variable working capital generally is funded by short-term finances, whereas permanent working capital is funded by long-term sources. The major sources of long-term funding include stocks, bonds, debt instruments, term loans, and retained earnings (Sharma & Sharma, 2014). The following are the sources of short-term financing or flexible working capital:

Bank Overdraft Facilities

A firm may find it challenging to fund its working capital if there is a delay among its investment and the realisation of income. In that instance, it could choose to employ the bank account's overdraft options. The borrower must completely comprehend and analyse its requirements before requesting for an overdraft facility by looking at the business operating cycle. The company owner should next ask the bank to raise the overdraft limit after completing those steps. On the other hand, the bank will assess the borrower's appeal after carefully reviewing the company' credit history, evaluating its operational cycle, overall performance, turnover in current years, existing loans, solvency history, etc (Varadaraj, 2022).

Customers may request an overdraft from the financial institutions for a short time, often a week or less. The term "cash credit limit" refers to the amount that commercial banks will lend to a borrower up to, based on the type of security provided. Where feasible, this money may be returned.

Inventory Financing

Finance that is backed by a company's inventory is known as inventory finance. It is frequently employed to cover the cost of purchasing inventory or the time lag between buying and selling goods.

Government initiatives

A number of government initiatives, comprising loans, subsidies, as well as loan guarantees, offer financing for working capital to small enterprises.

Asset-based lending

This type of financing includes utilising a corporate resource as the security for a loan, including such trade receivables, inventories, or equipment. It could provide companies access to operating cash, even if their credit record is weak.

Invoice Financing

Accounts receivable are used as a guarantee of loans in invoice finance, which is identical to factoring. Yet, the company utilises the receivables as a guarantee for a loan which is repaid when the invoices are settled rather than selling it altogether.

Supply Chain Financing

In order to maximise working capital, supply chain finance entails engaging with suppliers as well as other parties. Companies can strengthen their working capital position by giving suppliers longer payment periods or obtaining discounts for early payments.

Discounting of Bills of Exchange

A bill of exchange is discounted when it is sold to a bank or other financial institution for less money than it is worth. As a result, the seller can get paid for the exchange bill right away instead of waiting till the time it matures to get the entire amount. Whenever a bill of exchange is discounted, a sum representing the interest or fees for the advance payment is subtracted from the face value of the bill by the financial institution or bank. The time left before the bill's maturity date, how creditworthy the parties are viewed as being, and current market interest rates all play a role in determining how much of a discount is offered (Sharma & Sharma, 2014).

Bank Credit

Small-scale businesses (SSEs) can use banks to handle their finances. Banks often grant directors of a firm short-term loans in exchange for their personal security. Small businesses can borrow money from the bank at a reduced interest rate. It is now a more affordable source of funding (Sharma & Sharma, 2014).

Trade Credit

Trade credit is the practise of businesses selling items on credit. As sources of finance, sums paid to suppliers—commercial lenders—on credit purchases—are taken into account (Sharma & Sharma, 2014).

Customers can often get credit from suppliers for a period of three to six months. The supplier gives the acquiring firm short-term funding to help them start and grow their business. The amount of business determines how readily available this form of financing is (Sharma & Sharma, 2014).

Factoring Services

For the purpose of managing debt, financial services are available. A bank is provided loans and receipts, and this bank is referred to as a "factor." Banks get the funds up front and receive payment from them as a commission. It's called "factoring" and is a method for raising short-term financing (Sharma & Sharma, 2014).

Public Deposits

Companies can easily raise short-term money from a variety of sources, including share capital & public deposits. It is a method for a business to publicise and educate the general public about the rise in sales. Receiving public monies is permitted under the Companies Act of 1956, as amended by the Companies Act of 2013(Sharma & Sharma, 2014).

3.1.3 Determinants of Working Capital Finance

The determinants of working capital are as follows

Firms Size

The link between a company's size as well as its need for working capital is complex theoretically. Big businesses are anticipated to invest more in working capital because of their substantial ongoing operating demands (Agyei et al., 2013). Contrary to the aforementioned perspective as well as findings, big firms are predicted to possess a broader group of suppliers with better terms compared to smaller companies; thus, they will require less working capital because they've got the capacity to hold onto their creditors for a long time (Mongrut et al., 2014).

Sales Growth

One of the key factors affecting a company's need for working capital is sales growth. It has an impact on working capital since each company's amount of working capital is influenced by its sales volume (Kwenda, 2014). Companies with growth potential are thought of as having good investment opportunities, so they'll consequently make working capital accessible to seize such chances. By showing that businesses that expect growth would probably raise their inventory spending, it was shown that growth as well as working capital have a positive connection (Nunn, 1981).

Business Profitability

Profitability and the need for working capital should be inversely correlated. Higher profit-making companies are more inclined to invest those profits in long-term, NPV-positive initiatives (Myers & Majluf, 1984). However, (Abbadi & Abbadi, 2012) argues that businesses with higher profits give greater consideration to effective working capital management, which results in their having higher current assets. The majority of empirical research demonstrates a considerable positive relationship amongst profitability as well as working capital.

Financial Leverage

Gearing constitutes one of the elements that determine a company's working capital requirements. It is considered that previously geared businesses tend to be extremely cautious to not raise its gearing level therefore they attempt to the greatest extent possible to maintain investment on existing asset to lower bounds. Businesses prefer to have modest investments in current assets because they take additional effort to control their working capital so as not to raise their risk (Agyei et al., 2013).

Economic Activities

Because firms exist in economies rather than in a vacuum, the actions of the given economy undoubtedly affect how the business runs. So, the state of the economy, whether it be flourishing or slowing down, is a major factor in determining the amount of working capital needed. For instance, it is assumed that a company's liquidity will rise while business is flourishing and fall when business is weak. It is further suggested that businesses spend more on inventory and debts during economic booms since sales would inevitably grow, in addition to increasing their spending on fixed assets to boost productivity (Akinlo, 2012). Conversely, during a downturn in the economy, sales would decrease along with the amount of inventory and debtors. This further encourages businesses to cut back on short-term borrowing, which lowers the demand for working capital. This indicates that through prosperous economic periods, high working capital is anticipated, and low working capital is anticipated during difficult economic periods (Lamberson, 1995).

Business Operating Cycle

This gauges how long it requires for a business to sell its goods as well as recover its receivables. The more time it requires the company to settle its financial obligations or sell all of its inventory, the more working capital it will need (Abbadi & Abbadi, 2012).

Nature of Business

The amount of working capital that a company needs mostly depends on how well it runs its operations. As a result, the need for working capital is influenced by the type of the firm. Comparing manufacturing companies to trading companies, the former invest in both current and fixed assets. Trading companies must always keep enough cash, inventory, as well as accounts receivable on hand. Utility companies might be limited to cash sales and services, which means they don't really lock up any cash in inventories or on debtors, but retail establishments may need to hold a significant inventory of a range of items to suit their buyers' needs (Nyeadi et al., 2018).

3.1.4 Importance of Working Capital Management

Working capital management controls working capital as well as the direction it takes. It assures that current obligations need not surpass current assets so as to prevent liquidity issues and that concern for liquidity does not take precedence over a company's ultimate aim of producing a profit (Olaoye et al., 2019).

The task of managing working capital is another crucial aspect of financial management. It addresses the short-term financing of the company, which is a closely associated trade amongst liquidity as well as profitability. A company's operating performance will increase as a result of effective handling of working capital, and it will additionally assist the company maintain short-term liquidity (Singh, 2023).

There isn't a business in operation today that doesn't need some operating capital. Management of working cash is crucial to a company's long-term performance. If a firm cannot fulfil its daily duties, it will not exist. So, a company has to have precise regulations for the administration of each working capital component. Even a manufacturing company with all the necessary equipment is doomed to failure if it lacks sufficient raw materials to process, cash to pay employees' salaries, the ability to wait for the market to accept its final products, and the ability to extend credit to clients (Sharma & Sharma, 2014).

(Egbide & Enyi, 2008) highlighted that the task of managing working capital in an organisation is to guarantee the successful and effective synchronisation of current financial assets and current financial obligations, aiming only to improve operational, tactical, as well as strategic objectives. With the limited resources at firms' disposal, working capital management is thought to have a major beneficial impact on current assets. The effectiveness of each component's management has a significant bearing on the firm's existence as well as its financial success.

To solve day-to-day issues like the inflationary problem, the challenge of creditors as well as suppliers, the concern of stock outs, etc., management of working capital knowledge is essential. These issues include the constant rise in the cost of credit caused by the rise in interest rates being imposed by banks. All these related issues might have an impact on a company's liquidity as well as profitability, all of which are essential to an organization's existence. A company's performance may suffer from ineffective management of working capital. This is a scenario when the present assets cannot properly meet the current liabilities. Hence, in order to improve business performance and provide value to the organisation, the finance manager needs to handle working capital with efficiency and effectiveness (Ahmad, 2016).

For each organisation, financial management must include effective managing of working capital. It describes how a firm manages its short-term assets as well as obligations, such as its cash, inventory, and accounts payable and receivable. Since it enables firms to retain enough liquidity, fulfil its short-term financial commitments, and run profitably, efficient handling of working capital is essential. The following points out the importance of working capital management in the organisation:

Figure 3-1 Importance of Working Capital Management

Source: Researcher's own compilation

Accomplish Operational Requirements:

Having sufficient working capital is necessary for a business to cover daily expenditures like making payments to suppliers, payroll, as well as other operational charges. Effective working capital management makes ensuring a business has enough money to pay for these costs.

Cash flow management:

A business with adequate handling of working capital has enough cash flow to cover its immediate commitments. It makes it possible for the business to settle its vendors and other suppliers on time, which improves relations between the two parties. The business might benefit from early payment reductions, which can reduce costs.

Increases Liquidity:

Managing working capital greatly enhances the liquidity position by handling the firm's existing assets like stock as well as accounts receivables. In turn, this guarantees that the business has enough money to cover its immediate financial responsibilities.

Cuts down Financing Costs:

By reducing the requirement for short-term borrowing, effective handling of working capital may assist the firm in lowering its financing costs. This can assist the business in saving money on interest expenses and lowering its total capital expenditures.

Improves Profitability:

A company's profitability may rise as a result of effective handling of working capital. The business may lower costs while strengthening cash flow, that can raise profits, by controlling stock levels as well as accounts receivable.

Enables Growth:

By assuring that the firm has adequate funds to make investments in its processes, efficient handling of working capital may support business development. Increased sales and profitability may result from the firm being able to increase manufacturing capacity or offer new items.

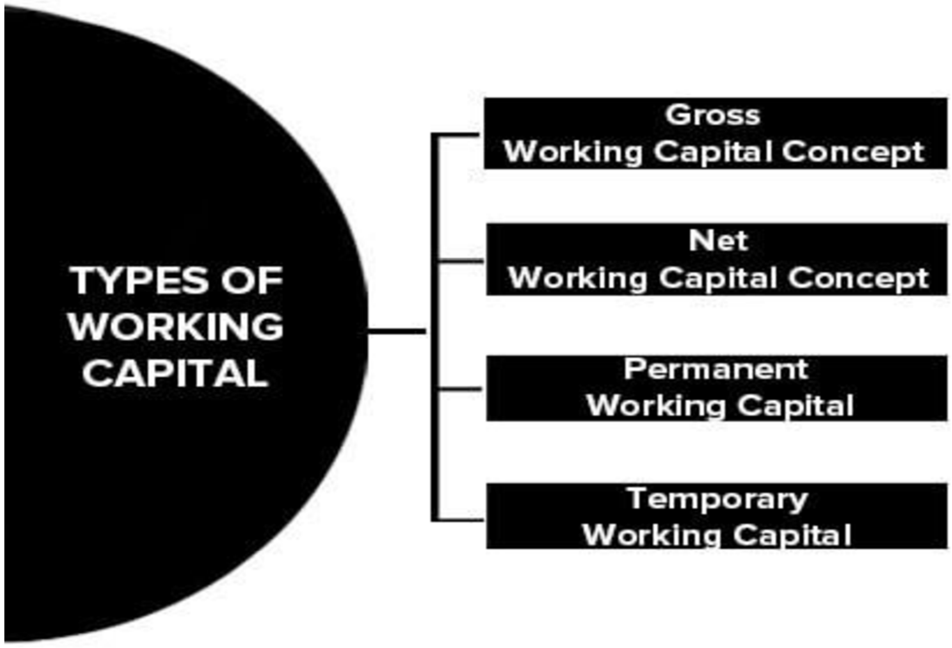
Improves Creditworthiness:

By guaranteeing that the firm can pay its debts on time, efficient handling of working capital may improve the company's trustworthiness. As a result, the business may have easier access to funding and more favourable credit conditions with suppliers as well as lenders.

3.1.5 Types of Working Capital

Working capital is classified into 4 categories which are Gross working capital, Net working capital, Permanent working capital, Temporary working capital. The figure given below shows each of them:

Figure 3-2 Types of Working Capital



(Singh, 2023)

Gross Working Capital

Gross working capital is the sum of all current asset investments. The present assets utilised in businesses offer the concept about the usage of working capital as well as notion about the financial status of the organisation. In the world of finance, the idea of gross working capital is well-liked and acknowledged (Singh, 2023).

Net Working Capital

Total current assets minus total current liabilities equals net working capital. It is used to assess a business's short-term liquidity as well as to gain broad sense of its management's propensity for making effective use of its resources. When the net working capital value is significantly positive, it means that there is an adequate amount of short-term cash available via current assets to cover existing obligations as soon as they arise. If the number is significantly negative, the company could lack sufficient cash on hand to cover its present obligations and might face bankruptcy. When plotted on a trend line, the net working capital number provides more useful information as it might demonstrate a long-term pattern of net working capital growth or fall (Bragg, 2022).

Permanent Working Capital

Fixed working capital is the name given to this kind of working capital. Permanent working capital refers to the portion of working capital that is permanently restrained in current assets for the seamless operation of the firm. The term "permanent working capital" refers to the minimal level of current assets needed to operate the firm successfully throughout the year. For instance, investments are necessary to keep a minimum quantity of raw materials on hand as well as to sustain a cash balance. Both size as well as development of the firm affect the quantity of permanent working capital (Singh, 2023).

Temporary Working Capital

The temporary or variable working capital is the variation in net working capital that occurs in addition to the permanent working capital. It is the increased working capital required resulting from the product's seasonal demand or any other unforeseeable occurrence. It is the distinction across net working capital as well as permanent working capital (Borad, 2022).

3.1.6 Working Capital Management in FMCG Companies

Managing working capital is seen as a critical component of an organization's overall financial management. Managing working capital implies both liquidity as well as profitability. The finance manager of a company can accomplish effective working capital management by carefully balancing profitability and liquidity. It has been discovered that excellent working capital management favourably influences the value creation of businesses (Bagchi et al., 2012).

(Deloof & Jegers, 1996) opined that the most of the businesses had made significant financial investments in their working capital, and it is predicted that how these businesses manage their working capital would have a significant impact on their profitability. Using the use of regression and correlational data analysis, he discovered a notable negative link amongst gross operating income and the number of days' trade receivables, inventory, as well as payables in the instance of Belgian enterprises. The results of his analysis suggested that finance managers might increase shareholder value by reducing the amount of time that bills receivables & inventories remain outstanding. Contrarily, the theory that businesses with lower earnings take more time to pay their debtors is supported by the negative correlation amongst accounts payable and company profitability.

(Olaoye et al., 2019) advised that businesses must retain a shortened cash collection period because it is projected to boost shareholders' value; prevent unnecessary extending credit payment terms so that businesses can benefit from cash discounts that could boost profit levels; give careful consideration to store management as this was anticipated to resolve inventory-related issues; and be aggressive in managing raw materials so as to prevent idle resources.

(Chatterjee, 2012) has determined that effective working capital management is crucial since it directly affects cash flow as well as earnings. The business's working capital is typically lowered in relation to sales if it wishes to take on greater risk for significant gains and losses. If it wants to boost its liquidity, it has to raise the amount of working capital it possesses. Even if this approach would lead to a decline in sales volume and, consequently, earnings.

Working capital management also improves a company's capacity to optimise asset return as well as reduce liabilities payments. Current Asset plus Current Liability make the temporary capital that businesses utilise for daily operations. A firm's market position and liquidity are both enhanced by properly managed working capital, which also contributes to the increase of shareholder value (Samiloglu & Demirgunes, 2008).

Every company must manage its working capital effectively to survive. Successful handling of working capital helps businesses add value, whereas inadequate working capital management not only devalues the company but may also result in its eventual insolvency. So, finding the elements that affect the management of working capital has turned into a valuable endeavour both to managers as well as scholars (Nyeadi et al., 2018).

Managing working capital, according to (Padachi, 2006), can positively impact a firm's ability to create value. As per regression analyses, more investments in inventory and receivables are associated with poorer profitability. The major components as in analysis were inventory days, receivables days, payables days, as well as money transfer period. Profitability as well as managing working capital were previously being found to be strongly associated.

The concept "net working capital" really refers to the efficiency of measuring working capital, and it thus denotes the surplus of current assets compared to current liabilities. Parallel to this, managing working capital pertains to properly planning and overseeing current assets as well as liabilities so that businesses may remove their possibility of being unable to fulfil short-term obligations and, on the contrary hand, prevent overinvesting in these assets (Iqbal et al., 2014).

Hence, in order to maximise shareholder value, short-term liabilities must be properly managed, and investments in liquid assets must be decreased. Working capital is a significant predictor of the risk that creditors pose. Good working capital management is vital for businesses during times of economic boom as well as in helping them weather the effects of economic instability (Kesimli & Gunay, 2011).

The effectiveness of WCM is often assessed by looking at a company's cash conversion cycle. It is the amount of time that passes from the time when money is moved to commodities and offerings and back to money again. There is a lag between the money spent on raw material purchases as well as the money received from sales of completed goods. Longer cash conversion cycles (CCC) necessitate bigger working capital investments. An extended CCC boosts sales, which raises the company's profitability. Nevertheless, if the costs of working capital outweigh the benefits of storing greater inventories as well as providing longer customer credit due to increased working capital investment, a company's profitability may decline with a rise in CCC (Lamichhane, 2019).

(Narayanan & Valli, 2022) In all aspects, managing working capital is crucial. The basic financial stability as well as operational effectiveness of a firm depend on the management of its working capital. Working capital utilization by a company is a sign of sound business management.

3.1.7 Effect of Negative Working Capital on Profitability of Companies

The research analyzing the connection amongst managing working capital as well as business profitability has expanded over the past 20 years, despite the fact that the earlier results are conflicting, inconsistent, and unclear. Several studies have found a link between various other indications of a company's profitability and its handling of working capital to be unfavourable (Aregbeyen, 2013).

Understanding the company efficiency, which raises earning capacity, necessitates an investigation of negative working capital. The effective use of resources, excellent inventory management, and other factors allow negative working capital to develop in cash-based organisations, which ultimately has a negative influence on the amount of current assets. On the reverse side, companies are offering more liberal credit due to stronger contracts and discussions with the creditors as well as suppliers, which raises the amount of current liabilities (Panigrahi, 2014).

(Eljelly, 2004) analyzed the relationship amongst liquidity as well as profitability for Saudi Arabian stock businesses. The empirical findings demonstrate a negative correlation between organisations' profitability as well as their current plus cash ratios. He said that, in terms of the amount of liquidity that influences profitability at the sectoral level, cash conversion cycle has a greater impact than current ratio.

The end purpose of a managing working capital strategy is to help a company strike an equilibrium between its two main goals, namely profitability as well as liquidity. Therefore, boosting profitability will often diminish a company's liquidity, while focusing excessively on liquidity might typically have the opposite effect on profitability. Undoubtedly, every company strives to enhance profitability in order to generate maximum value for its shareholders, but doing so at the expense of liquidity could put the company in significant problems and sometimes even result in financial collapse (Panigrahi, 2014). Yet, inadequate liquidity could harm the company's reputation, weaken its credit scores, and perhaps even push the company into insolvency. Increased liquidity, on the other hand, denotes the buildup of idle cash which doesn't generate any earnings for the company. A corporation which can't turn a profit may be described as unwell, but one that lacks liquidity risked going out of business. This demonstrates unequivocally that every company has to keep enough working cash on hand to sustain its liquidity (Panigrahi, 2014).

It's possible to have positive net working capital. Current liabilities are debts that have not yet been repaid, which indicates that the company is essentially utilizing other people's money to fund daily activities. For instance, Walmart frequently exhibits negative net working capital since it requires a while to make payments to its suppliers (high accounts payable), yet the majority of its consumers pay at the moment of purchase (small accounts receivable). Not a poor situation at all (Lardbucket, 2012).

According to Baker, proper working capital management is of the utmost importance for the reasons listed below: Initially, a company's working capital makes up a larger share of its overall assets. Furthermore, managers' time is heavily consumed by working capital. This relates with managers' daily decisions that affect the efficient operation of the business. Furthermore, it has a direct influence on the company's long-term development as well as survival, and lastly, it has a significant impact on the company's liquidity as well as its profitability.

Businesses must successfully as well as effectively handle their working capital in order to provide a fair share value in the eyes of their shareholders. The activity of working capital management begins with the acquisition of raw materials and ends with the selling of commodities. It has a substantial influence on the businesses' liquidity as well as profitability.

(Deloof, 2003) asserted that a company's longer CCC allows it to finance additional working capital. In one way, CCC expansion may boost sales and boost a company's profitability. In contrast, the expansion of CCC has a negative impact on the company's profitability since it necessitates extra working capital funding in simultaneously.

(Raheman & Nasr, 2007) identified the impact that managing working capital has on the company's liquidity as well as profitability. They discovered a significant inverse link among the company's profitability as well as liquidity and various management of working capital factors.

Low current asset numbers might cause lesser liquidity as well as stock outs, which would make it harder to ensure smooth functioning. Conversely, high current asset levels could have a detrimental impact on a company's profitability (van & Wachowicz, 2009).

(Samiloglu & Demirgunes, 2008) conducted a similar study for Turkish manufacturing companies listed on the Istanbul Stock Exchange, and they discovered that the accounts receivables duration, leverage, as well as inventory period have a negative impact on company profitability.

(Chatterjee, 2012) found a strong negative correlation among the management of working capital elements as well as the profitability ratios of Indian companies, suggesting that as the CCC lengthens, the profitability of the business tends to decline. By keeping the CCC as short as possible, managers may be able to boost shareholder value. However, it has been noted that there is still a bad correlation between Indian enterprises' liquidity and profitability. The size of the business and its profitability, however, are positively correlated. This suggests that when a company's size grows, its profitability should follow suit.

3.2 Ratio Analysis

When it comes to financial reporting, financial ratios are crucial. The quantitative relationship between two quantities is expressed by a ratio (Kieso et al., 2022).

Ratio analysis is another technique used mostly by financial managers as well as investors alike to contrast a company's financial structure, circumstances, as well as accomplishments with industry norms in order to highlight improvements or declines in the pattern of the company performance (Adedeji, 2014).

In order to relate two financial numbers, a financial ratio needs a numerator as well as a denominator. The balance sheet, the income statement, or both the balance sheet as well as the income statement may include the corresponding financial figures (Faello, 2015).

(Lucey, 1996) Financial ratios serve as guideposts for strategies and procedures since they are used to indicate previous patterns, compare current results, and maybe offer an insight into the future trends, achievements, or functions of a firm. From the foregoing, it can be concluded that ratios are a useful tool for tracking and enhancing a company's performance.

Prior studies have shown that financial ratios, particularly stock returns as well as return on assets, may be used to forecast a company's performance (Nissim & Penman, 1999). Financial ratios are significant in modelling from an academic standpoint. In a linear regression model, important independent variables, which are typically financial ratios, predict a dependent variable. Financial ratios are a common component in models for predicting bankruptcy (Altman & Hotchkiss, 2010).

Financial ratios are widely utilised to set activity limits in loan agreements among a business (the borrower) as well as a banking institutions (the lender). The lender added accounting information to the debt contract to limit the borrower's value-reducing activities since the borrower seems to have an incentive to get involved in actions that advance his or her self-interests at the costs of the company's overall worth (Watts & Zimmerman, 1986).

3.2.1 Advantages of Ratio Analysis

Ratio analysis is an effective approach for assessing a company's financial performance. The following are a few benefits of employing ratio analysis:

Figure 3-3 Advanatages of Ratio Analysis

Source: Researcher's own compilation

Assessing Financial Performance

Ratio analysis offers significant information about the financial position of a firm by examining its financial performance over a certain span of time. This aids in analyzing financial performance. This makes it possible for analysts to pinpoint the financial situation of a company's strong and weak points. By evaluating an organization's financial performance in comparison to that of other entities that are in the same sector as it as well as the industry as a whole, ratios can offer a sound foundation for decisions relating to investments (Faello, 2015).

Facilitates Comparison

Ratios make it possible to compare financial data from various time periods, as well as between various businesses, industries, and sectors. This makes it easier to compare yourself to others and find areas where you can improve. Ratios can make it easier to compare results to other metrics, such standard deviations within an industry, and they can also Identify the assets and liabilities of an entity. Ratios make it easier to compare across time, for example, how long-term patterns in financial condition, business, and cash flow have changed (Faello, 2015).

Discovering Patterns

Ratio analysis aids in the recognition of patterns in financial results across time, which may be beneficial data for making projections and making plans (Faello, 2015).

Facilitates Decision Making

Ratio analysis offers useful information to decision-makers, including shareholders, creditors, as well as management, which may help them arrive at judgements about the financial status of the organisation. These perceptions might aid prospective creditors in predicting the future cash flows of potential borrowers as well as aid them in making more logical lending decisions (Faello, 2015).

Enables Communication

Communication is made simpler because ratio analysis gives multiple stakeholders, including investors, researchers, as well as management, a similar terminology to discuss financial performance.

Identifying Potential Problems

Ratio analysis can assist in recognising possible financial issues, such as deteriorating profitability, liquidity issues, or excessive debt, allowing management to take remedial measures before the situation deteriorates.

Insights to Efficiency

Ratio analysis may measure how well a firm uses its assets, maintains its inventories, as well as recovers its receivables in order to offer information into how efficient its operations are. This can assist pinpoint problem areas as well as boost profitability (Faello, 2015).

Simplifies complicated financial data

By breaking complicated financial statistics down into simple ratios, ratio analysis makes it simpler for non-finance specialists to comprehend and evaluate financial data.

Support for Extending Credit

Ratios may be utilized to demonstrate that issuing credit is financially viable. A small privately owned business may, for instance, request a lending institution or request a vendor for trade credit. When this occurs, credit managers as well as loan officers from banks may indeed be able to learn more about the past, current, as well as prospects for the future of the individual applicants by doing a financial ratio analysis on the financial records (Faello, 2015).

Assists Auditors

Ratios can help users, such as auditors, assess whether the numbers stated in the accounting records are fair. In order to organise the involvement, comprehend the client's company, find unanticipated links amongst some of the accounting information, as well as provide meaningful audit evidence, the auditor might benefit from analytical review techniques (Faello, 2015).

Helps in Managing Risk

Ratio analysis may be used to quantify and detect a variety of financial hazards, including operating, market, as well as credit risks, allowing the organization to take the proper precautions.

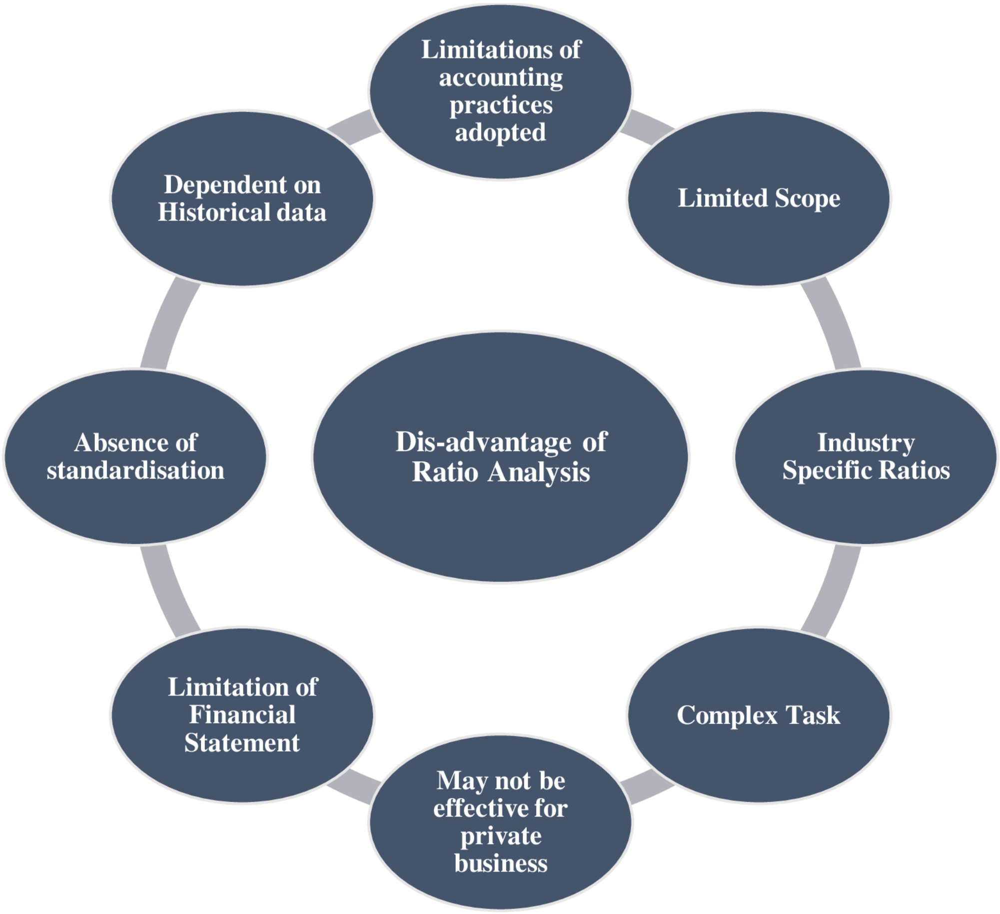
Monitoring Progress

Ratio analysis can be implemented to track the advancement of financial targets and goals, allowing management to make necessary strategy adjustments as well as appropriate action.

3.2.2 Dis-advantages of Ratio Analysis

Financial ratios have quite certain which, if not realised, might lead to inaccurate inferences from the data. Here, important constraints on the application of financial ratios are covered as below:

Figure 3-4 Dis-advantages of Ratio Analysis



Source: Researcher's own compilation

Limitation of Financial Statements

The numerator as well as the denominator of a financial ratio are two numbers. The financial ratio will be incorrect in the event the numerator or perhaps the denominator are inaccurate. Human mistake might lead to an incorrect numerator or denominator statement. One such inaccuracy would be in the data collection for the companies' financial statements. Instead, the companies may be using accrual manipulation strategies to control earnings, which would lead to inaccurate figures. Previous accounting research shows that managers of businesses alter accruals to present their financial performance in a more favourable light (Healy & Wahlen, 1999).

Limitation of Accounting Practices Adopted

Financial ratios depend on accounting standards, accounting practises, as well as accounting classifications selected by the company and generated from its financial statements. Comparability may be hampered if these decisions shift throughout the years either between different companies. The accessibility of accounting options under generally accepted accounting principles (GAAP) may give businesses more versatility in financial reporting, but it may additionally make it harder to compare a business ’s financial performance over the years as well as with those of other businesses. This is something that those who utilize financial statements and experts should be aware of (Faello, 2015).

Limited Scope

Ratio analysis offers a glimpse of a business's financial health at a certain time period but could not offer a complete picture of the firm ’s success overall. However, it doesn't offer information about non-financial elements that could affect a company's operations, such as modifications to the regulatory structure, alterations to the market, or adjustments to management. The success of a corporation can be significantly impacted by qualitative elements like brand reputation, managerial skill, and employee contentment, which are not taken into consideration.

Industry-specific ratios

Because every industry might utilize its own unique set of financial performance metrics or standards, ratio analysis might not be helpful when contrasting businesses across various markets or industries.

Complex Task

Ratio analysis may be challenging and complicated, requiring a deep grasp of both accounting and finance principles. This can make it more difficult for non-financial specialists to properly evaluate and apply the findings.

May Not Be Effective for Private Businesses

Ratio analysis may not be as effective for private enterprises as they are not compelled to submit financial information with regulatory bodies, which limits its applicability to them. As a result, it could be more challenging to find correct financial data for private enterprises, which would make ratio analysis less trustworthy.

Absence of standardisation

Ratio concepts and computations are not standardised, which may cause misunderstandings and inconsistent results interpretation. Assessments between sources may be inconsistent because different sources may employ various ratios or compute them in various ways.

Dependent on Historical Data

Ratio analysis is dependent on prior data, which means it's unlikely to be a reliable indicator of subsequent performance. The economy and market circumstances which might have had an impact on the performance of the company in the past won't necessarily continue in the years to come. The background or justification regarding why a certain ratio is either high or low, or what steps can be taken to rectify it, is not provided by ratios. The user will need to perform additional evaluation and interpretation upon it.

3.3 FMCG Sector

The Fast Moving Consumer Goods (FMCG) industry plays a significant role in the country's economy. Over 3 million workers, or about 5% of all industrial job opportunities in India, are employed in this nation's 4th largest industry. Every segment of the population, regardless of social class, financial level, age, etc., consumes these items on a regular basis. Due to low penetration rates, a well-established distribution infrastructure, cheap operational costs, less per capita consumption, a sizable consumer base, and easy manufacturing procedures for the majority of items, the FMCG sector seems to be more attractive and requires very little capital expenditure (Patil, 2016).

The FMCG industry is crucial to the Indian economy. Including both manufacturers as well as the consumers, which makes it one of the most attractive FMCG marketplaces throughout the globe (Jana, 2018).

The overall consumption of FMCG in the country is made up of 66% of consumption in urban areas and 34% in rural areas. Nonetheless, key FMCG categories including personal care, fabric care, and hot drinks contribute around more over 40% of consumption in rural areas of the country (Patil, 2016).

FMCG is one of the industries with the quickest growth. As a result, many people look for opportunities to participate in the stock market. Yet, due to market instability, making equity investments is not always simple. Investors may examine the financial data of the firm and do online company research, but they lack in-depth knowledge of the rapidly changing market environment (Dhingra et al., 2018).

(Panigrahi , 2014) known for their low working capital, FMCG companies excel in managing their supply chains. Due to the smaller number of debtors in this sector, who are typically backed by either creditors or vendors, they are likely to benefit from the negative working capital.

FMCG business pays their suppliers of raw materials after first selling their products. Only when the businesses are very large and represent the majority of their suppliers' turnover is this achievable. The FMCG industry benefits from strong brand loyalty since it enables them to sell products quickly and keep inventories low. They may always take additional credit in this circumstance to put the suppliers under further pressure. As a result, the corporation sells its goods to clients and makes money before paying its suppliers. The extra money made can be put to use in different ways (Panigrahi, 2014).

The FMCG businesses have had to negotiate with creditors as well as debtors to lengthen the payment cycle in their favour due to their extensive distribution networks and dominating positions in the FMCG sector. The FMCG companies have been capable of to maintain its debtors as well as inventory levels close to equivalent, which has allowed companies to generate a lot of cash that is then reinvested back into the company. These businesses are investing in call money plus short-term papers as well, which enables them to generate lucrative profits. The FMCG business has a reputation for keeping negative working capital, which is backed by efficient management of its supply chains (Panigrahi, 2014).

3.4 Selected FMCG Companies

In FMCG Sector there are large number of companies existing in India. For the study purpose top 10 companies have been selected on the basis of their market share in the year 2021.The details of them are as under:

Figure 3-5 Top 10 FMCG Companies of 2021 in India

Company's Name	Market Share (%)
ITC	14%
Hindustan Unilever (HUL)	12%
Marico	5%
Parle Agro	8%
Nestlé	3%
Britannia	3%
Dabur	2%
Godrej Group	2%
Procter & Gamble Co.	10.74 %
Colgate-Palmolive	7.06 %

Source: (KundkundTC, 2022)

These companies have occupied a majority of the share of the Indian FMCG market and have contributed greatly to the Indian FMCG sector by offering diversified products and captured a large market share. The profile of each company is here as under:

3.4.1 Profile of Britannia

Brand Britannia has consistently ranked among the most valuable, reputable, popular and highly brands in studies carried out by esteemed institutions. The company has received several important awards for its unwavering commitment to quality as well as freshness, such as the Golden Peacock National Quality Award as well as the Ramakrishna Bajaj National Quality Award. The honour that it values most, though, is one that comes from its customers. According to several credible polls, Britannia ranks as one of the most dependable, useful, and well-liked brands among Indian customers.

Britannia considers "Taste & Trust" to be its unique selling proposition, and it will continuously work to get a Billion Indians to reach for a delicious and nutritious Britannia product numerous times every day. The product line offered by Britannia consists of biscuits, breads, cakes, rusk, plus dairy items like cheese, beverages, milk, as well as yoghurt. Several families of Indians have grown older with the Britannia brand, as well as its brands are loved and adored in India as well as worldwide. Almost 50% of Indian homes are served by Britannia goods, which are sold at nearly 5 million retail locations around the nation. Britannia dairy goods are available in 100,000 stores directly, as well as the company's dairy division generates close to 5% of its total income.

Including an annual turnover of more than 1 lac tonnes in volume as well as Rs. 450 crores in value, Britannia Bread is the most recognized brand in the organised bread industry. The company employs 13 factories plus 4 franchisees, who collectively sell about 1 million units.

3.4.2 Profile of Colgate-Palmolive

A market leader in consumer goods, Colgate-Palmolive Corporation ("Colgate") works in two sectors: oral, personal, home care, as well as pet nutrition. Over 200 nations as well as territories promote its products. Selling of oral, personal, including home care goods account for 86% of global revenue, while pet food sales accounting for the remaining 24%. The four main objectives of Colgate's strategic initiatives are: improving consumer as well as professional relationships; fostering innovation; raising productivity and efficacy; and enhancing global leadership. Colgate has implemented integrated advertising and imaginative promotional campaigns in an effort to reach out to customers and convey important information about oral hygiene. Across the world, more than 250 clinical trials are conducted each year, giving researchers the chance to receive academic approval and publish their findings in scholarly publications. Publications & endorsements broaden brand awareness and enhance trust among customers and professionals. Colgate is committed to new products development, research, as well as innovation. Throughout the previous four years, the Business almost doubled the number of marketing experts devoted to new product development. Colgate has concluded a four-year reorganisation exercise, resulting in a 25% decrease in production facilities alongside five new Colgate-Palmolive Company locations, in an effort to boost productivity and efficiency across business groups.

The SAP-supported Colgate Business Planning system unifies commercial strategy via implementation and assesses performance in relation to objectives. Till date, the technology has demonstrated a substantial financial return in terms of work processes. Broadly speaking, the company is using a software program for enterprise resource planning to increase the effectiveness of its supply chain. Colgate anticipates making yearly savings after taxes of between $350 and $375 million as a result of ongoing restructuring activities.

3.4.3 Profile of Dabur

With revenues above Rs. 10,889 crore and a market cap over Rs. 100,000 crore, Dabur India Ltd. ranks among India's top FMCG companies. Dabur is now India's most reputable brand as well as the largest Ayurveda & Natural Health Care company worldwide, having built its reputation upon superior products and expertise over the course of more than 138 years.

With a range of more than 250 herbal/Ayurvedic products, Dabur India is a global pioneer in Ayurveda. The FMCG portfolio of Dabur currently consists of nine separate Power Brands: Dabur Pudin hara, Dabur Honey, Dabur Honitus, Dabur Chyawanprash, & Dabur Lal Tail in the Healthcare sector; Dabur Amla, Vatika, plus Dabur Red Paste with in personal care sector; and Real with in food and beverage industry.

The Burman family-sponsored Ayurveda firm, which has been in business for 138 years, began as an organisation selling Ayurvedic drugs. Dabur India Ltd. has gone a long way from its modest origins in the backstreets of Calcutta to become a multinational consumer products firm with that of the biggest herbal and natural product range throughout the world.

Dabur has been able to effectively transition from just a family-run business to a professionally run company. Dabur stands out for its capacity to integrate modern science with ancient Ayurvedic expertise to create effective solutions that are catered to the individual needs of customers throughout the world. Dabur has always raised the bar for corporate governance as well as innovation as a promoter-owned but professionally run business. Dabur's goods are currently sold in more than 120 countries throughout the world and have a significant presence in international markets. Throughout the Middle East, SAARC nations, Africa, the US, Europe, and Russia, its brands enjoy enormous popularity. Almost 27% of Dabur's overall revenue comes from abroad at the moment.

3.4.4 Profile of Godrej

The Godrej Group was established in 1897 by Ardeshir and Pirojsha Godrej and is a major multi-business organisation with its headquarters in Mumbai, India. More than 16 nations throughout the world are home to Godrej. Godrej has several subsidiaries. It offers goods in a variety of industries, including construction, motors, furniture, IT & software, real estate, FMCG, and appliances. The first business to use lock with lever technology in the country was Godrej. When Godrej produced the very first vegetable oil soap without any elements of animal fat around 1920, it had enormous commercial success.

The Godrej Group is a holding corporation with a variety of business interests. The company provides agricultural care items, consumer products, manufacturing engineering, electronics appliances, furnishings, as well as property management services by its subsidiaries.

The Godrej Group's aim is to increase the employability of its people, develop a greener India, and innovate for high-quality, environmentally friendly goods. The business aspires to be the best in the entire world. The Godrej Group is a global corporation based in India. The firm made 12,151 Crore Indian Rupees in sales in 2019. The business offers world-class goods and services at affordable costs. Godrej expanded its employable Indian workforce in 2010, made India greener, and innovated for "good" and "green" products. Godrej is honoured to have collaborated with the Indian Space Research Agency in 2014 on India's first Mars expedition. Globally, the Godrej Group offers its products and services.

3.4.5 Profile of HUL (Hindustan Unilever Limited)

One of India's fast-moving FMCG companies is HUL. Every day, the majority of Indian homes utilise products made by HUL, giving them a once-in-a-lifetime chance to create a brighter future. A retailer of consumer products, Hindustan Unilever Limited is based in Mumbai, India. It is a division of the British company Unilever. It offers a variety of fast-moving consumer goods, including food, drinks, cleaning supplies, toiletries, water purifiers, as well as other items (Narayanan & Valli, 2022)

The company employs roughly 21,000 people and generates revenues of more than INR 50,000 crores (2021-22). The mission of Hindustan Unilever Limited is to expand its business while reducing its negative social effect and growing its good social impact. The business prioritises client happiness and offers its goods globally. the business offering goods of the highest calibre. An Indian manufacturer of consumer goods is called Hindustan Unilever Limited. The firm expects to earn Rs. 38,785 crore ($5.4 billion) in 2019–20. Having sales in more than 190 nations, Unilever, one of the top providers of food, home care, personal care, and refreshment goods, owns HUL. The company was ranked eighth internationally by Forbes as well as the most innovative firm in India. HUL was named one of the greatest businesses to work for by Aon Hewitt, continuing to be the "Employer of Choice" across industries.

3.4.6 Profile of ITC

Among the top private sector firms in India is ITC, having gross sales of 90,104 crores as well as a net income of 15,058 crores (31.03.2022). ITC is present in a variety of industries, including FMCG, packaging, hotels, paperboards & specialty papers, & agribusiness. ITC is the only business worldwide of its magnitude and variety to be carbon, water, plus solid waste material recycling positive, demonstrating its desire to be an example of sustainable practises. In addition, over 6 million individuals, the bulk of whom are among the underprivileged in rural areas, have sustainable means of subsistence thanks to ITC's enterprises and value chains.

ITC Limited's aim is to continue to rank among India's most valued businesses by excelling internationally and fostering expansion for both the Indian economy as well as the business's stakeholders. "To strengthen the company's capacity for producing wealth in a globalising world, delivering exceptional and sustained stakeholder value," is ITC's stated objective (Rath, 2022). The name of ITC has undergone a few name changes. Imperial

Tobacco Company of India Limited was the name of the business while it was owned by the British. Subsequently, after forming partnerships, the business changed its name to the Indian Tobacco Development Company Ltd. The company's name was changed to I.T.C Limited upon Independence. Nowadays, the firm is referred to simply as ITC, not by any abbreviation. ITC's slogan is "Enduring Values" (Rath, 2022).

ITC Business is a multi-industry organisation, and being a global organisation, it as such has many goods and several target markets. ITC's business strategy is to provide goods that help its target market by providing them with a wide selection of goods. In addition to these industries, ITC also creates standards in packaging, information technology, paperboards as well as specialty boards, hotels, the fast-moving consumer goods industry, and agribusiness (Rath, 2022).

ITC ranks among India's top marketers inside the fast-moving consumer goods industry since it has roughly 25 brands within its FMCG market (FMCG). The company's strategy objective, as can be seen, is to secure long-term growth by merging and utilising the diverse range of competences available throughout each of its companies to seize new possibilities in the FMCG sector (Rath, 2022).

ITC mostly gets its money from the tobacco business. The third Covid wave didn't stop the tobacco industry from growing by 10.2%. EBITDA climbed by 22.0% with Rs. 18933.66 crores in FY2021-22, whereas the firm's Gross Revenue grow by 22.7% with Rs. 59101.09 crores. The after-tax profit was Rs. 15057.83 crores, an increase of 15.5% over through the prior year's Profit Before Tax of Rs. 19829.53 crores. For the year overall revenue was Rs. 15631.68 crores. The earnings per share during the period amounted at Rs. 12.22 (Rath, 2022).

3.4.7 Profile of Marico

The largest consumer products firm in India, Marico Limited provides a variety of health, beauty, and food-related products as well as services. Through its headquarters situated in Mumbai, Maharashtra, India, Marico operates offices spread throughout more than 25 nations in Asia and Africa. Each employee of the Marico family strives to have a beneficial effect on the whole company environment while also seeing long-term growth and profitability. They work together to enhance the quality of life for all of their interested parties, including customers, shareholders, employees, as well as society at large.

The company has always worked to reduce its harmful effects on the environment while putting the needs of all stakeholders first. It motivates people to make as many contributions to society as they can. According to Marico, companies and nonprofits may enhance their economic and social values by being creative and innovative. Rather, it is one of the organization's guiding principles. The core of the Marico business strategy is targeted progress throughout each of its brands and geographic regions, which is supported by ongoing improvements to customer value offerings, market growth, as well as retail presence. The business approach guarantees Marico's presence into ethnic or specialized Indian goods or services categories that are underserved by typical MNCs.

Marico is a well-run business that has established a dynamic work atmosphere that empowers staff, promotes collaboration, and rewards original thinking. As a result, Marico has developed through the years and has grown into one of the few successful FMCG firms in India. Despite substantial costs of raw materials, Marico Ltd reported a 13 percent rise in earnings for the December quarter in comparison to that of the year prior.

Due to the company's robust portfolio-wide growth, its earnings exceeded analysts' predictions. The producer of Parachute coconut oil as well as Saffola edible oil reported a net profit of INR 307 crore for the three months that ended December 31, up over INR 272 crore the previous year. Throughout the quarter, the business adopted limited price increases in its flagship Parachute brand in response to rising costs. In India, Marico reported excellent sales over 95% of its portfolio, pointing to an uptick in consumer confidence.

3.4.8 Profile of Nestle

Since 1912, when Nestle first started doing business as The Nestle Anglo-Swiss Condensed Milk Company (Export) Ltd, it has been importing as well as exporting completed goods to the Indian market. Following India's independence in 1947, the Indian government's economic policies stressed the importance of domestic production. Nestle reacted to India's objectives by founding a corporation in India and built up its first facility in 1961 in Moga, Punjab, in which the Government wanted Nestle to grow the milk economy. The development of Moga prompted the establishment of Nestle's Agricultural Services to inform, counsel, and assist the farmer in a number of ways (Nestle).

In order to assure fast collection, pay fair rates, and foster community faith in the dairy industry, Nestle established milk collecting centres. Progress involves the ongoing and sustained creation of prosperity, which led to Moga's transition into today's prosperous as well as booming milk area in addition to a bustling centre of industrial activity. Throughout more than a century, Nestle, has supported the development of India and has forged a unique bond of devotion and trust with its citizens (Nestle).

A million people, comprising farmers and providers of packaging materials, services, as well as other items, now enjoy a living thanks to the Company's efforts in India. So as to deliver Taste, Nutrition, Health, & Wellness by its product lines, the company consistently concentrates their endeavors on better understanding the evolving needs of Indians as well as anticipating customer requirements. It has a particular edge in these endeavours due to the organization's growth of innovation and improvement, accessibility to the Nestle Group's patented technology/Brands expertise, and sizeable centralised R&D facilities. By providing customers with a huge selection of good quality, secure food products at reasonable rates, it aids the company in developing worth which can be maintained through the years (Nestle).

3.4.9 Profile of Parle Agro

An international Fast Moving Consumer Goods (FMCG) firm based in India is called Parle Agro Private Limited. The headquarters of the business are in Mumbai, Maharashtra, India. The biggest beverage firm in India is this one. Parle Agro is continually evolving to deliver new product innovations as well as novel beverage categories.

The firm offers its brand in more than 50 countries and operates in a number of industry sectors, including drinks and packaged drinking water. PET is produced by Parle Agro, which is also creating new operational models towards the reuse as well as recycling of plastics to ensure its continued usage.

Parle Agro, headed by Shri Prakash Jayantilal Chauhan, began conducting business in 1984. He serves as the company's chairman as well as its managing director. He is a really dedicated individual who never gives up. He has more than 20 years of experience. His goal is to elevate Parle Agro to the position of top beverage producer in India.

The business introduced beverages in 1984, followed by water bottles. The original brand, Frooti, rose to prominence as India's top-selling mango beverage. Drinks, Water, as well as Foods are the three main business divisions of the corporation. Parle Agro began producing PET products in 1996 as a diversification strategy. The business began with just one unit and is now among the top FMCG firms.

3.4.10 Profile of P&G

P&G seems to have a long history of using brands that improve people's lives on a daily basis to reach customers all around the world. Including its portfolio of reputable brands, the company impacts and enhances by over 4.4 billion people worldwide.

Being one of Merck's Asian subsidiaries, Procter & Gamble Health Ltd was established in India in 1967. In 1981, it became the initial Merck Group Business to go public. Up until 2018, the company operated throughout the whole spectrum of the nation's pharmaceutical as well as chemical industries. After receiving clearance from all necessary regulatory bodies and satisfying other standard closing conditions, P&G effectively finalised the purchase of Merck's Consumer Health division on December 1st, 2018. The share capital of Merck Limited is currently held by Procter & Gamble Overseas India B.V. at 51.81%, with the remaining 48.19% trading on the BSE and NSE.

Currently, one amongst India's biggest VMS Companies, Procter & Gamble Health Limited, manufactures and markets over-the-counter medicines, vitamin supplements, minerals, as well as other supplements for a higher standard of living.

Being one India's Fast Moving Consumer Goods (FMCG) companies, the firm has seen rapid growth. The firm works in the femcare as well as healthcare industries, producing and marketing brand packed consumer products that move quickly. The corporation is the owner of Old Spice, WHISPER, India's top feminine hygiene brand, as well as VICKS, India's top health care brand. Procter & Gamble Hygiene and Health Care Ltd became the business's new name in 1999, replacing Procter & Gamble India Limited.

Sales during the most recent fiscal year, which concluded on June 30, 2021, increased by 19% to 3,574 crores, while profit after tax increased by 51% to 652 crores. Its impressive achievement is a credit to the company's robust product lineup and strategic decisions that have led to real supremacy in terms of value, products, packaging, marketing, as well as retail implementation. The company's strategy is driven by increasing efficiency across all business operations and creating an organisation that is more empowered, flexible, and responsible.

4 Practical Part

The practical part of the research presents with the analysis and the interpretations of the data collected from Primary or Secondary sources. For the present study secondary data regarding financial ratios for the year ranging from 2012-2021 has been collected from the websites for analysis and interpretation purpose. The data collected is presented in the form of tables as follows:

4.1 Liquidity Ratio Analysis

The capacity of a corporation to satisfy its urgent financial commitments is demonstrated by its liquidity. The magnitude of the dividends given to stockholders will depends upon the liquidity of a business. The present study calculates the Current Ratio and Quick Ratios of the selected FMCG Companies to measure the liquidity position.

4.1.1 Current Ratio

In addition to looking at the quantity of the earnings, a company's current ratio may also be used to assess its performance in realising efficient business operations and creating profits. The current ratio depicts the ability of a company to pay-off the short term dues. Using Formula (1) the current ratio of the selected FMCG Companies for 10 years is given as below in the table:

Table 4-1 Showing Current Ratio of Selected FMCG Companies (in times)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	0.66	0.98	1	0.92	1.1	1.41	1.47	1.34	1.32	1.2
ITC	0.99	1.05	1.11	1.24	1.59	1.79	1.47	1.4	1.61	1.62
HUL	0.91	0.84	0.78	0.78	0.92	0.96	0.92	1.03	1.14	0.85
Marico	1.27	1.31	1.25	1.38	1.58	1.64	1.85	2.04	2.02	1.82
Parle Industries	12.2	10.16	37.64	36.49	27.89	131.28	158.78	8.27	3.96	5.84
Britannia	0.78	0.66	0.71	0.82	0.96	1.39	1.59	1.51	1.25	0.91
P&G	2	1.9	1.95	1.94	2.41	2.06	1.27	1.61	1.99	1.75
Colgate-Palmolive	1.12	1.07	0.92	0.81	0.81	0.83	0.94	0.99	1.03	0.96
Godrej	0.96	1.09	0.81	0.72	0.8	0.72	0.66	0.86	1.05	1.14
Dabur	1.06	0.99	1.01	1.01	0.91	0.85	0.87	0.93	1.1	1.22

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the current ratio of Nestle was the lowest in the year 2012 i.e. 0.66. While the highest current ratio was in the year 2018 i.e. 1.47. In the year 2021 the current ratio is 1.2. Generally, a ratio of 2:1 is considered to be an ideal current ratio, where the current assets are two times the current liabilities. Thus, from the above it can be concluded that Nestle is competent enough in paying off its short term debt obligations. While for ITC the lowest has been in the year 2012 i.e. 0.99 which increased to the highest in the year 2017 i.e. 1.79. While in the year 2021 it became 1.62. which shows that the company is more capable than nestle in handling its short term debt obligations. For HUL it can be observed that the highest current ratio was in the year 2020 i.e. 1.14 and the lowest was in the year 2014-15 i.e. 0.78. In the year 2021 it was 0.85. Which shows that the company is not having sufficient current assets to fund its short-term debt obligations. The lowest for Marico was 1.25 in the year 2014 and the highest was in the year 2019 i.e. 2.04. In the year 2021 it decreased to 1.82. It shows that the company has enough liquidity compared to the other companies except Parle. The lowest for Parle was in the year 2020 i.e. 3.96 while the highest was 158.78 in the year 2018. In the year 2021 it decreased to 5.84. Thus, it can be inferred that Parle is highly liquid company compared to others and can repay its current liabilities easily. The lowest current ratio for Britannia was in the year 2013 i.e. 0.66 while the highest was in the year 2018 i.e. 1.59. For the year 2021 the ratio was 0.91 which shows that the company does not have enough liquidity to finance its obligations. The current ratio of P&G was 2.41 in the year 2016 being the highest and lowest 1.27 in the year 2018. It increased to 1.75 in the year 2021 which shows that the company liquidity position has increased compared to 2018. For Colgate-Palmolive the ratio was highest in the year 2012 i.e.1.12 while the lowest was 0.81 in the year 2015-16. The current ratio for the year 2021 is 0.96 which shows company's inefficiency to finance its short term liabilities. Godrej current ratio highest being in the year 2021 i.e. 1.14 and the lowest being 0.66 in the year 2018. It shows that the company's liquidity position has increased compared to past years. While for Dabur the current ratio was 0.85 in the year 2017 being the lowest and 1.22 being the highest in the year 2021 making it efficient enough to cover its short-term debt obligations.

4.1.2 Quick Ratio

The Quick ratio depicts the ability of a company to pay-off the current liabilities utilizing its near cash or quick assets. Using Formula (2) the quick ratio of the selected FMCG Companies for 10 years is given as below in the table:

Table 4-2 Showing Quick Ratio of Selected FMCG Companies (in times)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	0.65	1.16	0.83	1.12	1.43	2.03	2.03	1.16	1.11	0.45
ITC	0.97	1.06	1.18	1.38	1.07	2.44	1.95	2.28	3.13	2.2
HUL	0.82	0.66	0.71	0.76	1.05	0.97	1.02	1.07	1.02	0.95
Marico	0.78	0.78	0.69	0.9	1.03	1.11	1.07	1.28	1.31	1.45
Parle Industries	24.64	35.57	39.88	30.53	26.31	20.01	0.72	0.98	0.89	1.68
Britannia	0.49	0.44	0.51	0.9	0.77	1.29	1.59	1.49	1.16	0.91
P&G	1.7	1.85	1.78	1.73	2.32	0.73	1.33	1.35	1.89	1.04
Colgate-Palmolive	0.76	0.78	0.52	0.5	0.58	0.57	0.85	0.72	0.82	0.64
Godrej	0.41	0.8	0.2	0.23	0.22	0.09	0.11	0.25	0.21	0.55
Dabur	0.99	1.07	1.16	0.81	0.91	0.98	1.02	0.92	1.7	0.84

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the quick ratio of Nestle was the lowest in the year 2021 i.e. 0.45. While the highest current ratio was in the year 2017-18 i.e. 2.03. Generally, a ratio of 1:1 is considered to be an ideal quick ratio, where there is same amount of liquid assets to finance its currents liabilities. Thus, from the above it can be concluded that Nestle is not having enough liquid assets to cover its short term debt obligations. While for ITC the lowest has been in the year 2012 i.e. 0.97 which increased to the highest in the year 2017 i.e. 2.44. While in the year 2021 it became 2.2. which shows that the company is more capable than nestle in quickly fulfilling its short term debt obligations from liquid assets. For HUL it can be observed that the highest quick ratio was in the year 2019 i.e. 1.07

and the lowest was in the year 2013 i.e. 0.66. In the year 2021 it was 0.95. It shows that the company is not having sufficient liquid assets to fund its short-term debt obligations. The lowest for Marico was 0.78 in the year 2012-13 and the highest is in the year 2021 i.e. 1.45. It shows that the company has enough liquid assets compared to the previous years. The quick ratio of Parle was highest 39.88 in the year 2014 while it was lowest in the year 2018 i.e. 0.72. In the year 2021 it increased to 1.68. The lowest current ratio for Britannia was in the year 2013 i.e. 0.44 while the highest was in the year 2018 i.e. 1.59. For the year 2021 the ratio was 0.91 which shows that the company does not have enough liquid assets to finance its current obligations. The quick ratio of P&G was 2.32 in the year 2016 being the highest and lowest 0.73 in the year 2017. It increased to 1.04 in the year 2021 which shows that the company has sufficient liquid assets for financing its debts compared to 2017. For Colgate-Palmolive the ratio was highest in the year 2018 i.e.0.85 while the lowest was 0.5 in the year 2015. The quick ratio for the year 2021 is 0.64 which shows company's inefficiency to finance its short term liabilities. Godrej quick ratio highest being in the year 2013 i.e. 0.8 and the lowest being 0.09 in the year 2017. In the year 2021 the ratio is 0.55. It shows that the company's liquid assets have not been sufficient enough to finance its current debt obligations for the past 10 years. While for Dabur the Quick ratio was 0.81 in the year 2015 being the lowest and 1.7 being the highest in the year 2020 while it decreased to 0.84 in the year 2021 making it inefficient enough to cover its short-term debt obligations through its liquid assets.

Thus from the above two liquidity ratios i.e. Current Ratio and Quick Ratio it can be inferred that Marico, Parle and P&G are the efficient companies enough in maintaining proper liquidity for the year 2021. Which shows that these companies will not face difficulty in financing its current debt obligations using their current assets which can be liquidated easily to make payments.

4.2 Solvency Ratio

The solvency ratio is calculated by the researcher so as to measure the financial health of the company. The solvency ratios help to determine whether the company is able to generate enough cashflow's to meet its long term debt obligations. The present study calculates the Debt-Equity Ratio and Interest Coverage Ratios of the selected FMCG Companies to measure the solvency position.

4.2.1 Debt-Equity Ratio

The Debt-Equity ratio indicates that how much debt or equity a company utilizes to fund its operations. Long-term debt, including loans with maturities longer than one year, is referred to as a company's debt. Equity is the ownership held by investors or by stockholders. It comprises about the capital structure of the firm, as to how it finances the operations (Carlson, 2022). Generally, a firm with less than 1 debt-equity ratio is considered to be less risky than the firm with more than 1. The ability to generate a complete return and distribute it to shareholders is constrained by a debt ratio of zero, which means the company does not support its increasing operations by means of borrowing. Using Formula (3) the table below shows the debt-equity ratio for 10 years of the FMCG Companies selected.

Table 4-3 Showing Debt-Equity Ratio of Selected FMCG Companies (in times)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	0.66	0.54	0.23	0.01	0.01	0.01	0.01	0.04	0.09	0.1
ITC	0.01	0	0	0	0	0	0	0	0	0.01
HUL	0	0	0	0	0	0	0	0	0	0.02
Marico	0.56	0.42	0.32	0.19	0.1	0.06	0.04	0.04	0.04	0.06
Parle	0.02	0.01	0	0	0	0	0	0.07	0.07	0
Britannia	0.89	0.56	0.14	0	0	0	0	0	0.14	0.4
P&G	0	0	0	0	0	0	0	0	0	0
Colgate-Palmolive	0	0	0	0	0	0	0	0.03	0.06	0.07
Godrej	0.13	0.1	0.1	0.09	0.04	0.02	0.02	0	0.03	0.03
Dabur	0.22	0.18	0.08	0.04	0.04	0.05	0.07	0.07	0.05	0.03

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the debt-equity ratio of Nestle was the lowest from the year 2015-18 i.e. 0.01. While the highest debt-equity ratio was in the year 2012 i.e. 0.66. In the year 2021 it is 0.1. Thus, from the above it can be inferred that Nestle is not relying on debt financing for growth against the amount of equity holdings, which can limit the total returns generated by firms and shared with the shareholders. While for ITC the debt-equity ratio has been 0 from 2013-2020. It has been 0.01 for the year 2021 which shows that company has somewhat debt obligation against the equity holdings. For HUL it can be observed that the debt-equity ratio was 0 from the year 2012-2020 and it was 0.02 in the year 2021. The lowest for Marico was 0.04 in the year 2018-20 and the highest is in the year 2012 i.e. 0.56. In the year 2021 debt-equity ratio of Marico is 0.06. The debt-equity ratio of Parle was highest 0.07 in the year 2019 & 2020 while it was 0 in the year 2014-18 & for the year 2021 it again became 0. The debt-equity ratio for Britannia was highest in the year 2012 i.e. 0.89 while it was 0 in the year 2015-2019. For the year 2021 the ratio was 0.4 which shows that the company utilizes debt finance for funding and growth options. The debt-equity ratio of P&G remained constant 0 throughout the tenure of 10 years from 2012-2021. For Colgate-Palmolive the ratio was 0 from the year 2012-2018. While it is 0.07 in the year 2021 it shows that the company has started making use of debt finance. Debt-equity ratio of Godrej is 0 in the year 2019 and it was highest in the year 2012 i.e. 0.13 and it is 0.03 in the year 2021. While for Dabur the debt-equity ratio is 0.03 being the lowest in the year 2021 and 0.22 being the highest in the year 2012.Thus, from the above it can be inferred that the selected 10 FMCG companies rely on equity funding against debt funding. Only the smallest part of debt funding is found in some of these companies for the year 2021.

4.2.2 Interest Coverage Ratio

The capability of a business to manage its existing debt is gauged by the interest coverage ratio. It is one of many debt ratios that may be employed to assess a business's financial situation. As a firm cannot grow and it won’t be able to survive unless it could make interest payments upon its commitments to creditors, all market analysts as well as investors value a solid interest coverage ratio (Maverick, 2022). Generally, a high interest coverage ratio is considered to be good for the company, as it depicts that the company has earned sufficient profits to service its interest payments or dividend payments. While, a low interest coverage ratio indicates that company may not be able to service its interest payments and dividends. Using Formula (4) the interest coverage ratio of the selected top 10 major FMCG companies is given in the below table:

Table 4-4 Showing Interest Coverage Ratio of Selected FMCG Companies (in times)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	59.37	46.96	125.69	400.53	18	21.01	22.7	21.71	18.13	15.33
ITC	91.83	101.88	536.72	179.43	201.67	343	154.76	318.78	239.27	292.21
HUL	2798.6	166.45	140.56	311.7	397.4	291.73	365.25	305.36	86.77	98.13
Marico	15.09	13.41	24.57	44.08	62.68	91.68	120.25	50.29	39.21	60.59
Parle	-6	1.25	0	0	0	0	0	4.56	16	-4.5
Britannia	6.96	9.8	100.75	586.21	920.3	934.7	997.69	1115.36	30.28	25.33
P&G	7435	28621	86.4	88.55	102.36	65.47	110.36	111.83	98.84	143.37
Colgate-Palmolive	390.66	0	0	0	0	0	0	458.02	109.46	186.98
Godrej	34.78	36.32	18.74	22.4	18.34	31.7	25.84	23.71	25.14	65.25
Dabur	42.63	41.74	45.51	99.74	118.87	80.75	63.73	51.45	74.09	185.17

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the interest coverage ratio of Nestle is the lowest in the year 2021 i.e. 15.33. While the highest interest coverage ratio was in the year 2015 i.e. 400.53. Thus, from the above it can be inferred that the company has earned less profits in the year 2021 compared to the year 2015. While for ITC the lowest has been in the year 2012 i.e. 91.83 which increased to the highest in the year 2014 i.e. 536.72. While in the year 2021 it became 292.21. For HUL it can be observed that the highest interest coverage ratio was in the year 2012 i.e. 2798.6 and the lowest was in the year 2020 i.e. 86.77. In the year 2021 it is 98.13. It shows that the company is having sufficient profits to make payments of interest and dividends. The lowest for Marico was 15.09 in the year 2012 and the highest is in the year 2018 i.e. 120.25. The interest coverage ratio of Marico in the year 2021 is 60.59. The interest coverage ratio of Parle was highest 16 in the year 2020 while it was lowest in the year 2012 i.e. -6. In the year 2021 it is -4.5. It can be inferred that the revenues generated by the company are inadequate to repay its existing debts of interest payment or dividend. The lowest interest coverage ratio for Britannia was in the year 2012 i.e. 6.96 while the highest was in the year 2019 i.e. 1115.36 which shows that the company had enough revenues. For the year 2021 the ratio was 25.33. The interest coverage ratio of P&G was 65.47 in the year 2017 being the lowest and highest 7435 in the year 2012. It increased to 143.37 in the year 2021 which shows that the company has sufficient revenues to repay its debts compared to 2017. For Colgate-Palmolive the ratio was highest in the year 2019 i.e. 458.02 while the lowest was 0 from the year 2013-2018. The interest coverage ratio for the year 2021 is 186.98 which shows company's efficiency to generate revenue for financing its debt payments. Godrej interest coverage ratio highest being in the year 2021 i.e. 65.25 and the lowest being 18.34 in the year 2016. Thus it can be inferred that company's revenue increased compared to past years. While for Dabur the interest coverage ratio was 41.74 in the year 2013 being the lowest and 185.17 being the highest in the year 2021.

Thus, from the two solvency ratios i.e. debt-equity ratio and interest coverage ratio it can be inferred that P&G has performed well in the year 2021 compared to the remaining companies selected under study. It can be seen from debt-equity ratio that the debt obligation against equity holding of the company were 0 and the company had 143.37 interest coverage making it efficient to finance its interest payments or dividends.

4.3 Profitability Ratio

The capacity of the business to generate a respectable earnings plus investment return is demonstrated by profitability ratios. These ratios are a sign of a business's sound financial condition and how well it manages its assets (Lesáková, 2007). The present study calculates the Operating Margin, Net Profit Margin and Return on Capital Employed of the selected FMCG Companies to measure the profitability position.

4.3.1 Operating Margin

In order to determine the profits produced prior to defraying non-operating expenditures, the operational margin connects a business's operating income and sales. It is calculated by dividing an organization's operational income by its net sales. Higher ratios are often preferred since they demonstrate the company's operational effectiveness and prowess at turning revenues into profits. Because it is defined as a proportion of sales, operating margin is a useful metric for evaluating the performance of several companies operating in the same sector and observing changes in profit through times (Damini, 2022). Using Formula (5) the operating margin of the selected top 10 major FMCG companies is given in the below table:

Table 4-5 Showing Operating Margin of Selected FMCG Companies (in %)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	21.55	21.71	20.89	19.63	21	22.31	25.47	25.65	25.07	23.63
ITC	27.52	27.52	28.86	29.84	29.85	29.91	40.85	43.28	44.46	38.71
HUL	15.91	16.21	18.02	16.9	18.76	19.76	22.1	23.74	26.13	25.24
Marico	15.48	18.15	21.52	17.12	20.95	25.02	19.86	21.96	24.04	22.72
Parle	0	0	41.18	35	12.5	25.93	11.76	15.68	5.28	1100
Britannia	6.2	7.49	9.52	11.25	15.55	15.53	16.7	17.67	19.34	21.36
P&G	19.26	18.69	24.23	23.69	29.52	30.67	26.04	22.48	21.58	25.84
Colgate-Palmolive	22.43	21.26	20.54	20.18	21.77	21.78	26.33	29.23	27.64	31.81
Godrej	19.86	18.03	18.34	19.3	21.46	23.58	26.22	28.3	28.11	27.21
Dabur	17.57	18.57	18.97	19.11	23.83	25.81	26.7	26.17	24.69	25.55

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the operating margin of Nestle was lowest in the year 2015 i.e. 19.63%. While the highest operating margin was in the year 2019 i.e. 25.65%. For the year 2021 the operating margin is 23.63% which shows that the company has incurred more operating expenses compared to previous years which led to decrease in operating revenues. While for ITC the lowest has been in the year 2012-13 i.e. 27.52% which increased to the highest in the year 2020 i.e. 44.46% and is 38.71% in the year 2021 which shows that there is increase in revenues compared to the years 2012-2017. For HUL it can be observed that the highest operating margin was in the year 2020 i.e. 26.13% and the lowest was in the year 2012 i.e.15.91%. In the year 2021 it is 25.24%. It shows that the company is making sufficient operating revenues or have managed its operating expenses. The lowest for Marico was 15.48% in the year 2012 and the highest is in the year 2017 i.e. 25.02%. For the year 2021 it was 22.72%. The operating margin of Parle is highest 1100% in the year 2021 while it was lowest in the year 2012-13 i.e. 0%. The lowest operating margin for Britannia was in the year 2012 i.e. 6.2% while the highest was in the year 2021 i.e. 21.36%. The operating margin of P&G was 30.67% in the year 2017 being the highest and lowest 18.69% in the year 2013. It increased to 25.84% in the year 2021 which shows that the company's revenue increased compared to 2013. For Colgate-Palmolive the ratio is highest in the year 2021 i.e. 31.81% while the lowest was 20.18% in the year 2015. Godrej operating margin highest being in the year 2019 i.e. 28.3% and the lowest being 18.03% in the year 2013. In the year 2021 the ratio is 27.21%. It shows that the company's revenue increased or company has managed its expenses well compared to the year 2013. While for Dabur the operating margin was 17.57% in the year 2012 being the lowest and 26.7% being the highest in the year 2018 while it decreased to 25.55% in the year 2021.

4.3.2 Net Profit Margin

The net profit margin, sometimes referred as the net income margin or even the net margin, is the proportion of profits that a firm or business unit makes towards the entire revenue amount (net sales). A percentage is used to represent net profit margin. Net profit is the amount of money left over after all costs, such as taxes, interest, and operational costs, have been taken into consideration. Simply put, net margin is the portion of sales that a business retains as profit. Investors can assess the proportional amount of profit a firm generates from its sales by computing the net profit margin of that company. Net margin, a crucial sign of financial wellness as a whole, is a great measure to consider when contrasting one business with another (DiLallo, 2022). Using Formula (6) the net profit margin of the selected top 10 major FMCG companies is given in the below table:

Table 4-6 Showing Net Profit Margin of Selected FMCG Companies (in %)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	12.4	11.86	11.64	10.44	10.57	12.02	14.23	15.91	15.6	14.58
ITC	17.5	17.62	18.66	19.07	17.96	18.4	25.32	27.22	32.34	26.86
HUL	11.61	11.69	13.08	11.14	12.35	13.02	14.87	15.79	17.37	17.29
Marico	11.35	12.58	15.65	11.63	14.2	17.31	13.86	18.91	17.2	17.45
Parle	0	0	5.88	30	4.17	14.81	0	8.46	0.91	2000
Britannia	3.34	4.1	5.76	6.87	9.59	9.72	10.11	10.71	13.51	14.22
P&G	13.9	11.96	14.61	14.67	17.99	17.89	15.26	14.22	14.43	18.24
Colgate-Palmolive	15.91	14.94	14.24	13.19	13.36	12.77	15.56	17.38	18.04	21.39
Godrej	14.71	13.48	13.13	13.92	14.8	16.66	18.67	30.9	21.55	19.58
Dabur	12.2	13.43	13.64	13.85	17.28	18.59	19.11	20.15	18.55	19.23

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the net profit margin of Nestle was lowest in the year 2015 i.e. 10.44%. While the highest net profit margin was in the year 2019 i.e. 15.91%. For the year 2021 the net profit margin is 14.58% which shows that there is reduction in net profit compared to 2019-20. While for ITC the lowest has been in the year 2012 i.e. 17.5% which increased to the highest in the year 2020 i.e. 32.34% and is 26.86% in the year 2021 which shows that there is increase in net profit generated compared to the years 2012-2018. For HUL it can be observed that the highest net profit margin was in the year 2020 i.e. 17.37% and the lowest was in the year 2015 i.e.11.14%. In the year 2021 it is 17.29%. It shows that the company is generating net revenues which can help to have growth in their share price. The lowest for Marico was 11.35% in the year 2012 and the highest is in the year 2019 i.e. 18.91%. For the year 2021 it was 17.45%. The net profit margin of Parle is highest 2000% in the year 2021 while it was lowest in the year 2012-13 & 2018 i.e. 0%. The lowest net profit margin for Britannia was in the year 2012 i.e. 3.34% while the highest was in the year 2021 i.e. 14.22%. The net profit margin of P&G was 18.24% in the year 2021 being the highest and lowest 11.96% in the year 2013 which shows that the company's net revenue increased compared to previous years. For Colgate-Palmolive the ratio is highest in the year 2021 i.e. 21.39% while the lowest was 12.77% in the year 2017. Godrej net profit margin highest being in the year 2019 i.e. 30.9% and the lowest being 13.13% in the year 2014. In the year 2021 the ratio is 19.58%. It shows that the company's net revenue increased or company has managed its expenses well compared to the years 2012-2018. While for Dabur the net profit margin was 12.2% in the year 2012 being the lowest and 20.15% being the highest in the year 2019 while it decreased to 19.23% in the year 2021.

4.3.3 Return on Capital Employed

A financial term known as return on capital employed, or ROCE, gauges how well a corporation utilizes its capital to produce profits. In other terms, this ratio demonstrates the amount of revenue an organisation makes for every rupee employed. Analysis of a business's revenues and financial efficiency is therefore helpful. Among the most often used financial metrics is ROCE. This ratio is frequently used by financial managers, shareholders, as well as potential investors when evaluating a firm for investment. Also, this ratio measures long-term profitability since it shows how well the assets are doing in relation to long-term funding. Thus, assessing a company's lifespan might be useful (Jalan, 2022). Using Formula (7) the ROCE of the selected top 10 major FMCG companies is given in the below table:

Table 4-7 Showing Return on Capital Employed of Selected FMCG Companies (in %)

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	45.16	39.8	39.76	30.37	33.66	35	42.62	50.09	56.85	55.52
ITC	51.31	52.14	51.94	49.19	39.92	35.6	34.92	33.72	31.36	27.71
HUL	86.21	100.09	121.52	112.39	98.38	86.63	90.96	94.87	91.93	34.16
Marico	27.35	26.52	28.48	29.04	35.47	39.86	30.94	34.94	37.78	41.44
Parle	-0.3	0.5	0.1	0.3	0.05	0.25	0.05	8.18	0.72	-0.41
Britannia	25.08	37.57	62.45	66.39	69.73	53.91	49.23	46.82	41.22	46.43
P&G	34.25	37.97	51.35	45.27	44.45	61.1	81.99	67.02	54.34	86.14
Colgate-Palmolive	134.36	133.73	123.7	105.15	88.7	72.42	69.08	73.98	63.89	89.42
Godrej	25.67	22.23	23.54	24.86	26.89	27.22	28.83	31.64	27.64	26.94
Dabur	36.05	44.41	46	43.89	42.5	36.28	32.59	34.44	31.31	32.51

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the ROCE of Nestle was the lowest in the year 2015 i.e. 30.37%. While the highest ROCE was in the year 2020 i.e. 56.85. Generally, a ratio of 20% or above is considered to be an ideal ROCE, which implies that the company's capital employment strategies are efficient enough and company is generating better return on the capital employed. Thus, from the above it can be concluded that Nestle is having efficient capital employment strategies which helps the company to generate adequate returns. While for ITC the lowest has been in the year 2021 i.e. 27.71% whereas it was the highest in the year 2013 i.e. 52.14% which shows that the company's returns on capital employed have significantly reduced compared to previous years. For HUL it can be observed that the highest ROCE was in the year 2014 i.e. 121.52% and the lowest was in the year 2021 i.e.

34.16%. It shows that the company is not having efficient capital employment strategies due to which there is reduction in the returns generated by it compared to previous years. The lowest for Marico was 26.52% in the year 2013 and the highest is in the year 2021 i.e. 41.44%. It shows that the company's returns have increased significantly compared to previous years. The ROCE of Parle was highest 8.18% in the year 2019 while it is lowest in the year 2021 i.e. -0.41% it shows the negative profitability generated by the company. The lowest ROCE for Britannia was in the year 2012 i.e. 25.08% while the highest was in the year 2016 i.e. 69.73%. For the year 2021 the ROCE was 46.43%. The ROCE of P&G was 86.14% in the year 2021 being the highest and lowest 34.25% in the year 2012. It shows that the company has generated sufficient returns in capital employed compared to previous years. For Colgate-Palmolive the ratio was highest in the year 2012 i.e. 134.36% while the lowest was 63.89% in the year 2020. The ROCE for the year 2021 is 89.42%. Godrej ROCE highest being in the year 2019 i.e. 31.64% and the lowest being 22.23% in the year 2013. In the year 2021 the ratio is 26.94%. While for Dabur the ROCE was 31.31 in the year 2020 being the lowest and 46% being the highest in the year 2014 while it decreased to 32.51% in the year 2021, it shows that the company's return's reduced on capital employed compared to 2014.

4.4 Turnover Ratio

The turnover ratio is the metric being used to determine how many units of any asset are utilised by a company to produce revenue from sales. It is the relationship between businesses assets as well as the income produced by them. To be more specific, it is an efficiency ratio that assesses the effectiveness with which the business utilises various assets to derive profits. A larger ratio is seen to be preferable since it would show that the business is making the best use of its resources to generate income. The resources are utilised the least, thus a better Return would be implied (Pritesh & Borad, 2022). Asset turnover ratio, Inventory turnover ratio and Debtors turnover ratio have been calculated as below:

4.4.1 Asset Turnover Ratio

It is a ratio that establishes the relationship between a company's total assets and revenues. It evaluates how effectively all of the company's resources are used to generate income. (Pritesh & Borad, 2022). Using Formula (8) the Asset Turnover Ratio of the selected top 10 major FMCG companies is given in the below table:

Table 4-8 Showing Asset Turnover Ratio of Selected FMCG Companies (in times)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	2.49	2.03	2.05	1.68	2.31	3.16	3.3	3.37	3.4	3.23
ITC	2.63	2.72	2.66	2.51	2.83	3.48	2.49	2.2	1.9	1.74
HUL	6.12	6.87	6.89	7.14	8.44	8.7	7.06	6.81	5.82	1.49
Marico	6.68	6.83	5.88	6.36	7.6	8.27	7.66	7.14	5.61	5.69
Parle	0	0	0.39	0.48	0.6	0.68	0.1	3.73	1.54	0
Britannia	7.92	7.8	7.45	7.57	9.24	9.96	7.97	6.79	5.79	5.92
P&G	3.96	4.7	5.13	4.96	5.31	6.56	6.33	7.08	6.81	7.76
Colgate	4.7	5.17	4.55	3.73	3.62	3.66	2.99	2.71	2.51	2.52
Godrej	2.11	2.52	2.78	2.96	3.32	3.76	3.74	3.73	3.38	3.63
Dabur	4.6	4.79	4.93	5.09	4.81	4.01	3.48	3.64	3.36	3.46

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the asset turnover ratio of Nestle was the lowest in the year 2015 i.e. 1.68. While the highest asset turnover ratio was in the year 2020 i.e. 3.23. The asset turnover ratio of Nestle in the year 2021 is 3.23. Generally, a ratio of 2.5 is considered to be an ideal asset turnover ratio, where it can be inferred that the company is efficient enough to make use of its assets for generating sales. Thus, from the above it can be concluded that Nestle is efficient enough to generate sales by making efficient use of its assets. While for ITC the lowest has been in the year 2021 i.e. 1.74 while the highest was in the year 2017 i.e. 3.48. For HUL it can be observed that the highest asset turnover ratio was in the year 2017 i.e. 8.7 and the lowest is in the year 2021 i.e. 1.49. It shows that the company's sales have reduced compared to previous years. The lowest for Marico was 5.61 in the year 2020 and the highest is in the year 2017 i.e. 8.27. For the year 2021 it is 5.69. The asset turnover ratio of Parle was highest 3.73 in the year 2019 while it was lowest in the year 2012-13 & 2021. It shows that company is not efficient enough in utilising its assets to generate sales. The lowest asset turnover ratio for Britannia was in the year 2019 i.e. 6.79

while the highest was in the year 2017 i.e. 9.96. For the year 2021 the ratio was 5.92 which shows that the company's efficiency has reduced in generating sales. The asset turnover ratio of P&G was 7.76 in the year 2021 being the highest and lowest 3.96 in the year 2012. It shows that the company is efficient in utilising its assets and have increased the number of sales compared to previous years. For Colgate-Palmolive the ratio was highest in the year 2013 i.e.5.17 while the lowest was 2.51 in the year 2020. The asset turnover ratio for the year 2021 is 2.52. Godrej asset turnover ratio highest being in the year 2017 i.e. 3.76 and the lowest being 2.11 in the year 2012. In the year 2021 the ratio is 3.63. It shows that the company's efficiency has increased in utilising its assets for generating sales. While for Dabur the asset turnover ratio was 3.48 in the year 2018 being the lowest and 5.09 being the highest in the year 2015 while it decreased to 3.46 in the year 2021 resulting in reduced efficiency.

4.4.2 Inventory Turnover Ratio

It is also known as the stock turnover ratio, and it gauges how well a firm uses its stocks by counting how many sales come from it (Pritesh & Borad, 2022). Using Formula (9) the Inventory Turnover Ratio of the selected top 10 major FMCG companies is given in the below table:

Table 4-9 Showing Inventory Turnover Ratio of Selected FMCG Companies (in times)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	11.64	12.72	12.88	10.19	10.76	11.06	12.09	11	9.89	9.82
ITC	6.46	6.88	6.74	6.63	6.35	6.77	5.87	6.18	5.99	5.54
HUL	8.7	10.82	11.21	12.23	13.06	14.11	14.92	15.99	15.34	15.28
Marico	6.03	5.5	5.37	6.44	6.24	5.26	4.32	4.69	4.88	6.22
Parle	0	0	0	0	0	0.03	0.01	0.64	0.3	0
Britannia	14.51	15.97	18.4	20.61	21.81	17.6	15.67	15.96	16.25	15.24
P&G	16.55	16.09	17.41	19.87	19.06	15.87	16.32	18.02	14.7	15.73
Colgate	15.11	16.5	18.45	17.73	16	15.48	16.67	18.78	16.59	15.3
Godrej	8.39	7.82	8.35	9.57	9.34	9.11	9.41	9.53	8.6	9.19
Dabur	7.68	8.55	9.31	9.93	9.3	8.84	8.6	8.73	8.18	7.47

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the inventory turnover ratio of Nestle was the lowest in the year 2021 i.e. 9.82 times. While the highest inventory turnover ratio was in the year 2014 i.e. 12.88 times. Generally, a ratio between 5 and 10 shows that the company is selling and restocking its inventory roughly around 1-2months.Thus, it can be inferred that the company is efficient enough in generating sales and replacing its inventory but its not as efficient as compared to the year 2014. While for ITC the lowest has been in the year 2021 i.e. 5.54 times while the highest was in the year 2013 i.e. 6.88 times. For HUL it can be observed that the highest inventory turnover ratio was in the year 2019 i.e. 15.99 times and the lowest is in the year 2012 i.e. 8.7 times. In the year 2021 it is 15.28 times, it shows that the company efficiency has increased in replacing its inventory and converting them to sales. The lowest for Marico was 4.32 times in the year 2018 and the highest is in the year 2015 i.e. 6.44 times. For the year 2021 it is 6.22. The inventory turnover ratio of Parle was highest 0.64 in the year 2019 while it was lowest in the year 2012-16 & 2021 i.e. 0 times. It shows that company is not efficient enough in converting inventory into sales. The lowest inventory turnover ratio for Britannia was in the year 2012 i.e. 14.51 times while the highest was in the year 2016 i.e. 21.81 times. For the year 2021 the ratio is 15.24 times which shows that the company's efficiency has reduced in converting inventory to sales. The inventory turnover ratio of P&G was 19.87 times in the year 2015 being the highest and lowest 14.7 times in the year 2020. For the year 2021 the inventory turnover ratio is 15.73 times, it shows that the company is efficient in replacing its inventories and converting them to sales. For Colgate-Palmolive the ratio was highest in the year 2019 i.e.18.78 times while the lowest was 15.11 times in the year 2012. The inventory turnover ratio for the year 2021 is 15.3 times. Godrej inventory turnover ratio highest being in the year 2015 i.e. 9.57 times and the lowest being 7.82 times in the year 2013. In the year 2021 the ratio is 9.19 times. It shows that the company's efficiency has increased in generating sales from its inventories and replacing them. While for Dabur the inventory turnover ratio was 7.47 times in the year 2021 being the lowest and 9.93 times being the highest in the year 2015 resulting in reduced efficiency.

4.4.3 Debtors Turnover Ratio

It is the ratio which measures how quickly the debtors' or credit sales' sum is converted to cash. As it compares credit sales with the typical debtors throughout the course of a year, it is often referred to as the receivables turnover ratio (Pritesh & Borad, 2022). Using Formula (10) the Debtors Turnover Ratio of the selected top 10 major FMCG companies is given in the below table:

Table 4-10 Showing Debtors Turnover Ratio of Selected FMCG Companies (in times)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	84.87	109.63	111.01	95.57	107.45	109.07	105.75	99.38	92.3	89.09
ITC	37.72	39.25	28.28	25.92	30.48	28.48	19.42	15.25	16.31	23.2
HUL	28.58	36.08	35.83	40.92	36.27	34.63	33.95	27.11	28.53	34.15
Marico	26.97	30.33	27.1	33.62	30.18	23.2	20.1	16.63	13.08	16.35
Parle	0	0	2.13	1.9	4.36	4.91	2.83	8.8	2.19	0
Britannia	92.01	88.21	98.21	117.83	89.52	74.45	52.59	36.07	37.04	56.19
P&G	32.94	26.33	24.77	23.6	17.83	17.13	17.46	17.87	17.27	23.16
Colgate	34.51	39.46	55.78	68.16	50.81	39.06	26.16	21.72	26.44	38.79
Godrej	31.39	35.02	32.9	33.33	23.26	20.93	23.39	18.88	16.62	22.62
Dabur	17.8	18.35	17.03	16.64	14.28	14.24	17.14	16.67	15.56	21.74

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the debtor's turnover ratio of Nestle was the lowest in the year 2012 i.e. 84.87 times. While the highest debtor's turnover ratio was in the year 2014 i.e. 111.01 times. The debtor's turnover ratio of Nestle in the year 2021 is 89.09 times. Generally, a ratio of 1 is able to recognise the full amount of average account receivables during the given period. Thus, from the above it can be concluded that Nestle is aggressive enough in collection of its debts or the company is too much conservative in extending credit to its customers. While for ITC the lowest has been in the year 2019 i.e. 15.25 times while the highest was in the year 2013 i.e. 39.25times. For HUL it can be observed that the highest debtor's turnover ratio was in the year 2015 i.e. 40.92 times and the lowest is in the year 2019 i.e. 27.11 times. It is 34.15 times in the year 2021 which shows that the company's ability to collect revenue from its debtors have increased compared to the year 2019. The lowest for Marico was 13.08 times in the year 2020 and the highest is in the year 2015 i.e. 33.62 times. For the year 2021 it is 16.35 times. The debtor's turnover ratio of Parle was highest 4.91 times in the year 2017 while it was lowest in the year 2012-13 & 2021 i.e. 0 times. It shows that company is having poor customers who are defaulting or maybe the company's collection policies or credit terms are not adequate. The lowest debtor's turnover ratio for Britannia was in the year 2019 i.e. 36.07 times while the highest was in the year 2015 i.e. 117.83 times. For the year 2021 the ratio was 56.19 times which shows that the company is able to convert its debtors into cash efficiently. The debtor's turnover ratio of P&G was 32.94 times in the year 2012 being the highest and lowest 17.13 times in the year 2017. For the year 2021 the debtor's turnover ratio is 23.16 times. For Colgate-Palmolive the ratio was highest in the year 2015 i.e. 68.16 times while the lowest was 21.72 times in the year 2019. The debtor's turnover ratio for the year 2021 is 38.79 times. It shows that the company is able to collect the account receivables on time from its customers. Godrej debtors turnover ratio highest being in the year 2013 i.e. 35.02 times and the lowest being 16.62 times in the year 2020. In the year 2021 the ratio is 22.62 times. It shows that the company's efficiency has increased in realising cash from its debtor compared to the year 2020. While for Dabur the debtors turnover ratio was 14.24 times in the year 2017 being the lowest and 21.74 being the highest in the year 2021 resulting in efficient collection policy.

4.5 Market Value Ratio

Market value ratios may be utilized to determine whether a share is reasonably priced, overpriced, or undervalued as well as to assess the financial health of publicly listed corporations. Market value ratios also provide management with insight into how investors see a company's performance and potential. The analysis of stock movements also makes use of market value ratios (Carlson, 2019). Following two Market value ratios have been calculated.

4.5.1 Return on Net Worth

A return on equity ratio (ROE) is also known as the return on net worth ratio (RoNW) . A growing RoNW indicates that a business is improving its capacity to make profits with less capital. It also denotes how successfully a company's management manages its shareholders' money. To put it another way, a business prospectus is better if the RoNW is greater. That is typically a concern when RoNW falls (Sarkar, 2021). Using Formula (11) the Return on Net Worth of the selected top 10 major FMCG companies is given in the below table:

Table 4-11 Showing Net Worth of Selected FMCG Companies (in %)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	69.52	53.62	45.51	31.32	32.83	36.56	45.3	70.39	105.76	104.53
ITC	35.58	36.21	36.27	33.77	25.79	23.45	23.2	22.8	24.82	21.18
HUL	87.23	103.11	130.01	104.12	82.71	70.33	77.21	81.93	85.89	28.68
Marico	33.71	27.55	29.12	25.26	28.32	30.85	24.07	34.58	31.58	37.35
Parle	-0.36	0.1	0.05	0.3	0.05	0.2	0	4.74	0.24	0.97
Britannia	34.56	40.2	49.27	48.11	46.9	36.7	32.59	30.85	35.71	46.35
P&G	27.94	27.05	33.41	31.02	29.34	39.74	56.26	48.89	41.91	69.63
Colgate	108.97	107.41	99.11	81.59	64.53	50.11	48.13	52.2	53.7	75.03
Godrej	22.48	19.34	19.53	20.43	20.17	20.78	22.18	36.69	23.47	21.32
Dabur	38.54	41.28	38.81	35.98	34.52	29.57	27.19	30.85	27.4	27.73

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the RoNW of Nestle was the lowest in the year 2015 i.e. 31.32%. While the highest RoNW was in the year 2020 i.e. 105.76%. In the year 2021 the RoNW is 104.53%. Generally, a ratio of less than 15% is considered to be bad, whereas the ratio of more than 20% is considered to be good for the companies as it shows that the companies are profitable enough to generate earnings on shareholder's equity. Thus, from the above it can be concluded that Nestle is financially profitable in generating earnings on its shareholder's equity. While for ITC the lowest has been in the year 2021 i.e. 21.18% which increased to the highest in the year 2014 i.e. 36.27% which shows that the company was generating more returns on its capital in the past years. For HUL it can be observed that the highest RoNW was in the year 2014 i.e. 130.01% and the lowest is in the year 2021 i.e. 28.68%. It shows that the profit earning capacity of the company has reduced on the amount invested by the shareholders. The lowest for Marico was 24.07% in the year 2018 and the highest is in the year 2021 i.e. 37.35%. It shows that the company's profitability has increased compared to the previous years. The RoNW of Parle was highest 4.74% in the year 2019 while it was lowest in the year 2012 i.e. -0.36%. In the year 2021 it increased to 0.97%. It shows that the company is not efficient in generating profits on shareholder's equity. The lowest RoNW for Britannia was in the year 2019 i.e. 30.85% while the highest was in the year 2014 i.e. 49.27%. For the year 2021 the RoNW is 46.35% which shows that the company has good profitability but it has reduced compared to the year 2014. The RoNW of P&G is 69.63% in the year 2021 being the highest and lowest 27.05% in the year 2013 which shows that the company has generated more profits on the amount invested as capital by shareholders in recent year compared to previous years where it was less profitable. For Colgate-Palmolive the RoNW was highest in the year 2012 i.e.108.97% while the lowest was 48.13% in the year 2018. The RoNW for the year 2021 is 75.03% which shows company is profitable to the shareholders on the amount invested by them. Godrej RoNW highest being in the year 2019 i.e. 36.69% and the lowest being 19.34% in the year 2013. In the year 2021 the ratio is 21.32%. It shows that the company is profitable enough in generating returns for the amount invested by the shareholders. While for Dabur the RoNW was 27.19% in the year 2018 being the lowest and 41.28% being the highest in the year 2013 while it decreased to 27.73% in the year 2021. As the ratio is more than 20% it can be inferred that company is profitable for shareholders but it has reduced compared to the year 2013.

4.5.2 Earnings Per Share

Earnings per share, which demonstrate a firm 's profitability to stakeholders, measures a business's earnings per share of shares outstanding (Carlson, 2019). Using Formula (12) the Earning per share of the selected top 10 major FMCG companies is given in the below table:

Table 4-12 Showing EPS of Selected FMCG Companies (in Rs.)

Years	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Nestle	110.76	115.87	122.87	58.42	96.1	127.07	166.67	204.28	215.98	222.46
ITC	7.93	9.45	11.09	12.05	12.26	8.43	9.22	10.19	12.33	10.59
HUL	12.46	17.56	17.88	19.95	19.12	20.75	24.2	27.89	31.13	33.85
Marico	5.16	6.18	7.53	8.89	5.53	6.21	6.32	8.64	7.91	9.08
Parle	0.01	0.01	0.01	0.04	0.01	0.03	0	0.68	0.04	-0.35
Britannia	15.63	19.57	30.87	51.9	62.44	70.31	78.96	46.71	61.75	73.12
P&G	55.9	62.6	93	106.6	130.4	133.3	115.4	129.12	133.42	200.79
Colgate	32.83	36.53	39.7	41.1	21.2	21.23	24.76	28.52	30.02	38.07
Godrej	18.58	15.01	16.6	19.22	21.72	12.45	14.68	17.17	11.54	11.97
Dabur	2.66	3.39	3.85	4.35	5.34	5.67	6.09	7.16	6.62	7.82

Source: Researcher's own compilation from Business standard, 2012-2021

From the above table it can be seen that the EPS of Nestle is highest in the year 2021 and the lowest was in the year 2015 i.e. 58.42. For the year 2021 Nestle is giving the highest earnings per share compared to the rest of the companies under study. The minimum value of EPS for ITC is 7.93 in the year 2012 and the highest was in the year 2020, it was 12.33 which then reduced to 10.59 in the year 2021. For HUL the highest is in the year 2021 i.e. 33.85 and the lowest EPS was in the year 2012 i.e. 12.46. For Marico, the highest EPS is in the year 2021 i.e. 9.08 and the lowest EPS is in the year 2012 i.e. 5.16. For Parle, highest

EPS is in the year 2019 i.e. 0.68 and the lowest is in the year 2021 i.e. negative -0.35. For Britannia the highest EPS is in the year 2018 i.e. 78.96 and the lowest is in the year 15.63 in the year 2012 and for the year 2021 it is 73.12. For P&G, the highest EPS is in the year 2021 i.e. 200.79 and the lowest EPS was in the year 2012 i.e. 55.9. For Colgate the highest EPS was in the year 2015 i.e. 41.1 while the lowest was in the year 2016 i.e. 21.2 for the year 2021 it is 38.07. For Godrej, the highest EPS was in the year 2016 21.72 and the lowest was in the year 2020 i.e. 11.54 and in the year 2021 it is 11.97. For Dabur the highest is in the year 2021 i.e. 7.82 and the lowest was in the year 2012 i.e. 2.66.

Thus from the above it can be inferred that for majority of the selected MNC’s their earnings per share have increased compared to the previous years, and it can also be seen that Nestle and P&G is offering the maximum return on the amount invested by the shareholders.

4.6 Cash Conversion Cycle

The cash conversion cycle measures how long it requires a business to turn money spent on manufacturing and selling into cash. It is a gauge of how well a business uses its working capital. Businesses with low CCCs frequently have the finest management (Mueller, 2022). Inventory is traded prior to being able to make a payment for it when there is a negative cash conversion cycle. Or to put it another way, the suppliers are paying for the company's activities. For many organisations, a negative cash conversion cycle is ideal (Vasantharajah, 2020). The Cash Conversion Cycle of the Top 10 Selected FMCG companies is given here under:

Table 4-13 Showing CCC of the selected FMCG Companies (in days)

Years	2021
Nestle	-0.2809
ITC	134.72
HUL	-23.71
Marico	38.17
Britannia	-4.31
P&G	-47.4
Colgate	39.8
Godrej	-1.09
Dabur	15.66

Source: Researcher’s own compilation, 2021

From the above table the cash conversion cycle for Nestle is -0.2809 days. The Cash Conversion cycle for ITC is 134.72. While for HUL it is -23.71. For Marico it is 38.17 while that for Britannia it is -4.31. The CCC for P&G is -47.4 while that of Colgate is 39.8. For Godrej it is -1.09 and for Dabur it is 15.66. Generally, it is seen that low CCC is preferred by the companies so from the above table the lowest CCC is of P&G as well as HUL and the highest is of ITC. It shows that the working capital invested in ITC is stuck for 134.72 days to get converted into cash. While for HUL and P&G it shows that they are getting financed from their vendors which increase the cash available along with increase in sales

5 Results and Discussion

The aim of the research is to find answers and generate information regarding the research questions which are stated in the methodology section. The present research's results and discussions have been stated as under:

5.1 Results

From the study it is found that the current ratio of HUL is 0.85, Britannia is 0.91 and Colgate-Palmolive is 0.96 which is found to be reducing and below 1 which shows that in these companies the current assets are less than the current liabilities. While the rest of the companies have shown improvement in their current ratios. It is also found that ITC is 2.2, Marico is 1.45, Parle is 1.68, P&G 1.04, have their quick ratios above 1 (Ideal is 1). Thus it can be found that these companies will not face any difficulty in paying of their current debt obligations.

From debt-equity ratio it is found that the selected 10 FMCG companies rely on equity funding against debt funding. Only the smallest part of debt funding is found in some of these companies for the year 2021. From interest coverag ratio it can be found that majority of the companies except Parle (-4.5) have adequate revenue to repay its existing debt of interest payment or dividend. It is found that from the two solvency ratios i.e. debt-equity ratio and interest coverage ratio it can be inferred that P&G has performed well in the year 2021 compared to the remaining companies selected under study. It can be seen from debt-equity ratio that the debt obligation against equity holding of the company were 0 and the company had 143.37 interest coverage making it efficient to finance its interest payments or dividends.

It is found from the study that Parle has the highest operating margin 1100 and net profit margin 2000 along with ITC (38.71 & 26.86) and Colgate-Palmolive (31.81 & 21.39). For both the ratios it can be observed that there is improvement and the ratios have showed an upward moving trend compared to past years, through which it can be stated that the profits of the companies is in upward moving trend (Have Increased).

For return on capital employed it is found that all the companies except parle have ROCE above ideal level i.e.(20%). Which shows that majority of the companies are effciently utilising its capital to produce profits. The highest being of Colgate-Palmolive i.e. 89.42 and

P&G i.e.86.14. While Parle is -0.41 it shows the negative profitability generated by the company.

From the Asset Turnover ratio it is found that the lowest Turnover ratio is found in ITC (1.74), HUL (1.49) and Parle (0). The ideal ratio is 2.5. Thus it can be found that these companies are less efficient compared to other companies in making use of assets for generating sales. Whereas, P&G (7.76) is the most efficient amongst all in generating sales on assets. From the inventory turnover ratio, it can be found that the highest inventory turnover rate is of P&G i.e. 15.73 times along with Colgate (15.3), Britannia (15.24) and HUL (15.28). Parle seems to be lowest i.e. 0. From the debtors turnover ratio, it can be found that highest is of Nestle (89.09). As majority of the companies are having ratios higher than 1 which is ideal it shows that they are following aggressive collection of its debts or its too much conservative in extending credits to its customers.

From the Return on Net worth ratio it can be found that Nestle (104.53%) is generating maximum returns compared to all the other companies in FMCG sector followed by Colgate (75.03%) and P&G (69.63%). Though each and every company is able to generate more than ideal returns i.e more than 20% except Parle i.e. 0.97%. From the Earnings Per Share it is found that Nestle (Rs.222.46) is providing the highest EPS compared to rest of the companies selected followed by P&G (Rs.200.79) and Britannia (Rs.73.12).

From the Cash Conversion Cycle it is found that for majority companies selected the cash conversion cycle is negative which shows that these companies are selling their inventories before making payment of it to the vendors. It also shows that the companies need less time to sell its inventories. The maximum CCC is of ITC i.e. 134.72 days which is the longest time of all the company while the lowest time to generate cash is of P&G i.e. -47.4 days which is the shortest time of all the companies selected.

5.2 Discussions

- It is recommended to HUL, Britannia and Colgate-Palmolive to repay their debt obligations or to restructure its debt or should reduce their advertising expenses. So as to improve their current ratio.
- It is recommended to Godrej, Colgate-Palmolive, Dabur to discard unproductive assets, or convert inventory to debtors or cash or to pay off current liabilities to improve their quick ratios.
- It is recommended to Parle to increase their revenues by decreasing their expenses or by reducing their interest expense.
- It is also recommended to Parle that they should monitor their inefficient costs and lower them down as well as pay-off their liabilities as reducing debts will help the company to improve ROCE.
- From study it is recommended that Parle, ITC & HUL should make efficient use of assets so as to generate maximum returns from the, moreover for Parle it is suggested that they should implement efficient stock management, adopt effective marketing and improve their forecasting so as to achieve better inventory turnover rate. Also the company should try to implement better credit terms or collection policies to improve Debtors Turnover Ratio.
- It is also suggested to Parle to efficiently utilize shareholder's equity to generate more profits as well as improve its earning by spending less money and improving their EPS.
- It is suggested that ITC should try to encourage earlier payment or reduce average days receivables and increase average days payable to get a more better Cash Conversion Cycle.
- From the study it is recommended to investors that looking at the Liquidity Ratios, Profitability Ratios, Solvency Ratios, Turnover Ratios, and Market Value Ratios, they should invest their money in the companies like Nestle, ITC, Marico and P&G as these companies have continuously shown growth in their financial performance and seem to provide much more stable returns compared to the remaining companies.

6 Conclusion

Fast Moving Consumer Goods Sector which is also known as consumer packaged goods comprises of the products which are quickly sold and are relatively low in cost. The fourth largest sector of Indian Economy is FMCG sector. The products are bought by the consumers on day to day basis due to which these products are highly demanded and their turnover rate is also high. There is intense competition prevalent in this sector by the existing companies, offering wider range of products and services. As there is presence of major players in the FMCG market, these companies compete with each other for the same market share, fulfilling customers' needs and demands as per their requirements. Therefore, the main purpose of the study is to analyse and evaluate the financial performance of the top 10 FMCG companies in Indian FMCG market. These top 10 companies have been selected by their market share in the year 2021 in India. The financial performance analysis is performed with the help of financial ratios for the period ranging from 2012-2021 covering 10 years' period. For ratio analysis Liquidity Ratios, Profitability Ratios, Solvency Ratios, Turnover Ratios, Market Value Ratios have been taken into consideration of the selected companies. Moreover, Cash Conversion Cycle is also calculated for the current year 2021 so as to know the time taken by the companies to convert inventories to cash.

The primary objective of the research was to perform financial analysis of Selected FMCG companies for which the data is collected from the published literature which is available on websites of the companies, money control, business standard and reports, articles, blogs, conference proceedings, consultant reports published and it is concluded that compare to the past years, the majority of the company selected for study have shown upward trend in financial performance for the current years Thus it can be concluded that their financial performance have improved and shows an upward moving trend. Though there is slight decrease in the financial performance of some companies in between but the trend shows the upward moving trend which shows that these companies have been efficient enough in their management and have generated better returns and growth in recent years.

The second & third objective of the research is to evaluate and compare the working capital management of the selected FMCG companies. for which the liquidity ratios, profitability ratios, solvency ratios, turnover ratios and market value ratios have been taken into considerations, and from the liquidity ratios it is found that Marico, Parle and P&G are the efficient companies enough in maintaining proper liquidity for the year 2021. Which shows that these companies will not face difficulty in financing its current debt obligations using their current assets which can be liquidated easily to make payments. from the two solvency ratios i.e. debt-equity ratio and interest coverage ratio it can be inferred that P&G has performed well in the year 2021 compared to the remaining companies selected under study. It can be seen from debt-equity ratio that the debt obligation against equity holding of the company were 0 and the company had 143.37 interest coverage making it efficient to finance its interest payments or dividends. From the profitability ratios it is found that the companies are efficient enough in generating profits and well as generating returns on capital employed. It can be concluded that despite of having low current ratio (more current liabilities) companies like HUL, Britannia and Colgate have been efficient in their management and have been providing greater returns on capital employed. ITC, Parle and Colgate-Palmolive have outperformed in generating profits compared to the rest of the selected companies. From the turnover ratios it is concluded that Britannia, P&G, and Marico are making efficient utilisation of assets to generate maximum returns. While HUL, Britannia, P&G and Colgate are having maximum inventory turnover rate from this it can be concluded that these companies are generating faster sales and are converting inventory into sales at faster rate than compared to other companies. From the debtors turnover ratio it can be concluded that Nestle, Britannia, Colgate are aggressive enough in collection of its debt as they have the maximum debtors turnover ratio. Moreover, it is also concluded that except Parle the rest of the companies have a debtors ratios above the ideal ratio i.e. 1 for a company to be able to recognize its debts fully for a given period of time.

From the Market Value ratios of the companies it can be concluded that majority of the companies are having RoNW greater than the preferable ratio i.e. more than 20% except Parle. Thus, it can be concluded that the companies management are efficient enough and able to generate sufficient earnings on shareholders money. It is also concluded that Nestle, P&G and Colgate are able to make more efficient use of shareholder’s money compared to the rest of the companies selected. While from the Earnings Per Share it can be concluded that Nestle, P&G are providing maximum earnings to it shareholders per share followed by Britannia. Though, the remaining companies are sharing earnings with their investors except Parle which shows a negative earnings per share which can be due to company’s more spending compared to its earnings. From the cash conversion cycle, it is seen that low CCC is preferred by the companies so from the study it can be concluded that the lowest CCC is of P&G as well as HUL and the highest is of ITC. It shows that the working capital invested in ITC is stuck for 134.72 days to get converted into cash. While for HUL and P&G it shows that they are getting financed from their vendors which increase the cash available along with increase in sales.

While the fourth objective of the research is to access the effect of negative working capital on the profitability of the companies. In order to fulfil the fourth objective concerned literature review is taken into consideration where similar research have been conducted for accessing the effect of negative working capital on profitability of the companies. From the published literature which have been studied it has been found out that better returns are available by the companies having negative working capital which results in maximising the value of shareholders by giving them higher Earnings per share. Also it has been noted that the companies are found to be profitable even though they have negative cash conversion cycle. From the Cash Conversion Cycle calculated it is also concluded that majority of the FMCG companies first sell their products to the consumers and then they make payments to the suppliers thus reducing the number of days to convert their inventory to cash or having a negative cash conversion cycle.

Thus, from the study it can be concluded that the financial performance of the selected FMCG companies shows and upward moving trend as the profits made by the companies have increased compared to previous years. Moreover, it can also be concluded that the companies having negative cash conversion cycle are having good profitability and are able to generate more returns on the capital employed. It can also be concluded that these companies are found to be less liquid compared to other companies. Also the inventory turnover, asset turnover and debtor’s turnover are found to be efficient enough in these companies. Also they have been efficient enough in generating more earnings for shareholders.

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8 List of pictures, tables, graphs and abbreviations

8.1 List of pictures

8.2 List of tables

8.3 List of abbreviations

EPS- Earnings Per Share

ROCE- Return on Capital Employed

RONW- Return on Net Worth

FMCG- Fast Moving Consumer Goods

CCC- Cash Conversion Cycle