A COMPARATIVE STUDY ON WORKING CAPITAL MANAGEMENT PRACTICES OF SELECTED COMPANIES IN FMCG INDUSTRY

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Abstract: *This Research paper aims to examine working capital management practices of Indian Tobacco Company ltd and Dabur India ltd in the Fast Moving Consumer Goods (FMCG) sector. The variables considered are Current Ratio, Liquidity Ratio, Working Capital Turnover, Debtors Turnover, Inventory Turnover, Cash Turnover, Creditors Ratio, Debt to Current Assets, Inventory to Current Assets and Cash to Current Assets. The necessary data has been collected for period of five years from 2012 to 2016. Ratio analysis has been used to draw inferences. The study indicates that Indian Tobacco Company follows conservative policy for debtors but liberal policy for holding inventories while Dabur India Ltd appears to be following relatively liberal policy for debtors and inventory. Dabur India Ltd. also enjoys more trade credit for procurement of inputs as compared to Indian Tobacco Company Ltd. However as far as cash holdings are concerned, Indian Tobacco Company Ltd. leads Dabur India Ltd. Both the companies are found to be in comfortable position for their working capital requirements.*

Key Words: *Working Capital, Liquidity**, working capital ratios, Indian FMCG Industry.*

1. INTRODUCTION:

Finance is the life blood of any organisation. No organisation can sustain without finance. Right from evolution of the business to its expansion, development and survival, finance is required. Therefore any organisation required the best financial management practices. The financial management practices can be divided into two parts: long-term financial management and short-term financial management. Long-term financial management includes capital structure decision, capital budgeting, cost of capital etc. Whereas the short-term financial management includes decisions regarding working capital. Working capital management is regarding management of current assets and current liabilities. Current assets includes debtors, bills receivable, inventory, short term loan and advances etc. Current liabilities consists creditor, bills payable, bank overdraft, short provisions etc. A firm must have adequate working capital, i.e. as much as needed by the firm. It should neither be excessive nor inadequate. Both situations are dangerous. Excessive working capital means the firm has idle funds which earn no profit for the firm. Inadequate working capital means the firm does not have sufficient funds for running its operations which ultimately result in production interruptions and lowering down of the profitability. The basic objective of working capital management is to manage the firm's current assets and current liabilities in such a way that the satisfactory level of working capital is maintained, i.e. it is neither inadequate nor excessive. Hence working capital management has become all the more important in modern competitive environment.

2. RESEARCH METHODOLOGY:

The main objective of the study is to examine working capital management practices in the FMCG sector. For this two leading companies viz. Indian Tobacco Company Ltdand Dabur India Ltd. have been examined. The important variables considered are Current Ratio, Quick Ratio, Working Capital Turnover ratio, Debtors Turnover Ratio, Inventory Turnover Ratio, Cash Turnover Ratio, Creditors Ratio, Debtors to Current Assets Ratio, Inventory to Current Assets Ratio and Cash to Current Assets Ratio. The formula for each of them is depicted in Appendix-1. The data required has been collected from the database CAPITALINE and audited annual reports of the companies for a period of five years. The data so collected has been analysed using various ratios.

3. INDUSTRY PROFILE:

Fast Moving Consumer Goods are consumer goods/ products items such as milk, gum, fruit and vegetables, toilet paper, soda etc. which sold out speedily –At an investment point of view safe and predictable minimum return, steadyearnings and consistent dividends. It is having vast Market in the world and includes some of the largest companies in the world.The FMCG industry includes Coca-Cola Co., Unilever, Indian Tabocco Company Ltd.,

Godrej Consumer Products Ltd., Emami, Nirma. Here in this study two Indian companies i.e., Indian Tobacco Company Ltdand Dabur India Ltd are selected. The profile of the selected companies are as follows:

INDIAN TABOCCO COMPANY LTD was introduced on 1910 as **Imperial Tobacco Company of India Limited in** Kolkata. Gradually the name of the company changed to Indian Tobacco Company Ltd as time passes. The company is having wide range of product portfolio. Its FMCG business consists products regarding food, cigarettes and cigars, stationary products and personal care products.In 1985 it has started its subsidiary in Nepal viz. **Surya Nepal Private Limited**.In 2000, Indian Tobacco Company Ltdintroduced the greeting cards and the Wills Sport range of casual wear. In 2001, it has launched ready to eat gourmet of Indian recipes those are sold globally .In 2002 it entered in stationary product business by lunching classmate range of notebooks and school bags. It also introduced paperboards and safety matches company. In 2005 it entered into body care product. And in 2010 it launched its Handrolled Cigar – Armenteros. In 2014 it started online sales. Presently the revenue of the company is Rs.53748 crore. and total 25995 employees.

Dabur India Ltd. The 132-year-old company, promoted by the Burman family1884in the bylanes of Calcutta.At present day it is having revenues over Rs. 8436 crores and market capitalisation of Rs.44000 crores. It one of the leading FMCG Companies having market across 120 countries in globe. The main consumer products are food, oral Care products, hair care, skin care and home care products. These products are highly popular in urban and rural market of the country and even outside the country especially in Middle East, Africa, SAARC countries, US, Europe and Russia.

4. LITERATURE REVIEW:

Numerous research papers on working capital all-round the globe were studied to get insight about the research work in this field. The brief of every research paper is given below:

Kesseven Padachi (2006) in his studies titled**, "**Trends in Working Capital Management and its Impact on Firms' Performance: An Analysis of Mauritian Small Manufacturing Firms" found out the movements in working capital to its effect on firm's recitation. The research is done for the period of 1998-99 to 2003-04 on the basis of secondary data. The sample size for the research is 58 small size manufacturing firms. The measure of profitability is return on total assets. Panel data analysis and regression analysis is used for the purpose of data analysis which shows that the firms trend to be low profitable if they are investing high in inventories and receivables. The researcher analysed cash conversion cycle, inventory days, receivables and payables day. Effect on profitability is also measured through Pearson correlation coefficient. It is also investigated that operating cycle will be stretched out if there is the positive relation for Cash Conversion Cycle which dependable with the view that resources are blocked at the different stage of the supply chain. A highly significant relation is found between Return on total assets and number of days accounts receivable (p-value = 0.032) through regression, which indicates that a rise in the number of days accounts receivable by 1 day is associated with a reduction in profitability by 0.04%. The coefficient for accounts payable days is adverse and confirms the negative correlation between profitability and the number of days accounts payable. Abdul Raheman and Mohamed Nasr(2007) in their study titled, "Working Capital Management And Profitability – Case Pakistani Firms" analysed the performance of 94 Pakistani firms for 6 years from 1998-99 to 2004-05. For this purpose the different variables like receivable collection period, stock Turnover ratio, cash conversion cycle, current ratio are analysed through Pearson's correlation, and regression analysis. The researcher found an adverse relation among variable of Working Capital and profitability. Further it is also observed that there an adverse relation among liquidity and profitability and positive relation among size of the firm and profitability. Kesseven Padachi, C. Howorth, M. S. Narasimhan and R. Durbarry(2010) in their studies, " Working Capital Structure and Financing Pattern of Mauritian SMEs"examines the working capital pattern and financing method of 101 small to medium-sized Mauritian manufacturing firms for the period six years i.e. 1998 to 2003. It investigated the short-term fund as a source of Working capital finance. The research revealed the inconsistent trend in current asset investment and sales. It also found that the major part of working capital is financed through payable and Short-term bank credit. It is observed that short term funds are first obtained through Working Capital Fund and still required then long-term funds are used. Equity is used the last option. It also found out the liquidity position of the selected sample through test based on liquidity ranks. Multivariate analysis and panel data methodology are used as statistical analysis tools. Ahmad Ahmadpour, Mohammad Javad Zare, Keramatollah Heydari Rostami (2012) in their study titled, "An Empirical Study of Association between Working Capital Management and Performance: Evidence from Tehran Stock Exchange" examined how the performance of firms effected by working capital management. The researcher selected 112 Iranian firms listed and analysed the secondary data for the period of 10 years from 2000-01 to 2009-10. The independent variables are cash conversion cycle, average collection period, average payment period and inventory turnover ratio and the dependent variable is financial performance. Combined cross-sectional regression analysis is used as a

statistical tool of analysis. The researcher found linear relationship between dependent and independent variables by using regression coefficient test. Further T statistics, F test and p – value is analysed to test the hypothesis. With the help of this statistical tools it was concluded that there is a negative and significant relation among the average collection period, cash conversion cycle, inventory turnover ratio, average payment period and profit of the firm. It is suggested that if the company wants the optimum cash conversion cycle, then they should decrease accounts receivable, and should manage inventories and their payments at accurate way. J. Aloy Niresh (2012) in his studies titled, "Working Capital Management & Financial Performance of Manufacturing Sector in Sri Lanka" observed working capital management performance of 30 manufacturing firms (78% of total population) which is listed in Colombo Stock Exchange for the period of 4 years i.e. 2008-2011. Working capital management performance is analysed through Current assets to total assets and current liability to total assets and Cash Conversion Cycle to Return On Assets and Return On Equity. Negative relation is identified among Cash Conversion Cycle and financial performance with the help of Correlation and regression coefficient. Through this tool current assets to total assets and current liability to total assets is also analysed which show negative relation in the first case and positive relation in the next case. The study observed conservative working capital management policy in Sri Lanka and suggested to refine the inventory management process, improve receivables collection policy and delayed payment to suppliers to make Cash Conversion Cycle short which will increase profitability. Tom Jose V, Akhilesh Jayakumar, Sijo M T (2013), in their studies titled "Analysis of Inventory Control Techniques; A Comparative Study" analysed various inventory control techniques like economic order quantity, safety stock method, ABC analysis and FSN analysis. Here the total 40 items of inventory of a single company is analysed through various methods of inventory control. The researcher found that inventory management is not satisfactory in the company because there is a difference between EOQ and number of units bought. By using safety stock method it is suggested that what should be the standby stock for the company. Through ABC analysis it is found that 45% items of A category having value of more than Rs. 100, 35% items of B category having value between Rs.25 to 100 and 30% C category items having value less than Rs.25. In FSN analysis F items are fast moving components i.e. 43%, S Items are slow moving components i.e. 57% and N items are non-moving components i.e. nil. Richard Kofi Akoto, Dadson Awunyo-Vitor and Peter Lawer Angmor(2013) in their studies titled, "Working capital management and profitability: Evidence from Ghanaian listed manufacturing firms" observed the relation between working capital management practices and profitability with the help of study sample 13 listed manufacturing firms in Ghana for the period of 2005-06 to 2009-10. The researcher has used the secondary data. The researcher used the panel data methodology and found the adverse connection among profitability and accounts receivables. Whereas positive impact on profitability of the firms' cash conversion cycle, current asset ratio, size, and current asset turnover. The study recommends, value for shareholders generated by offering incentives to decrease accounts receivable to 30 days. The study also concluded that portrayals of indigenous laws that defend home-grown firms and control the actions of importers which intensify demand for home-grown goods. The study further investigated that, current asset is also positively affect profitability. Managers should retain sufficient current assets to deal with current liabilities. It is also found that sales also affect the profitability and therefore managers should improve their product quality and should also focus on advertising to increase sales. The study also suggested that the firms should increase their current asset holdings to increase sales. N.Suresh Babu and Prof. G.V.Chalam (2014) in their studies titled, "Study on the Working Capital Management Efficiency in Indian Leather Industry- An Empirical Analysis" observed relation among components of working capital like cash conversion cycle, receivable collection period, inventory conversion cycle, account payables period to the profitability i.e Return on Assets of the Indian leather Industry for the period of 1997-98 to 2010-11 (14 years). The regression result shows that profitability has insignificant positive relationship of inventory conversion period and significant positive relationship of average collection period. Even though, average payment period and cash conversion cycle were significant negatively related to profitability. The results show that for overall leather industry, working capital management has significant impact on profitability of the firms. Here the researcher done analysis with help of statistical tools like descriptive Statistics, Correlation Analysis, multiple regressions Analysis, "t" test, "f" test and Analysis of variance (ANOVA). It is found that there is positive relation of inventory conversion cycle to profitability, there is also positive relation among receivables collection period and leverage and finally the accounts payable period and Cash Conversion Cycle are having negative relation with profitability. It concluded working capital practices have significant impact on profitability of Indian leather industry. Priya Srivastava and Dr. M.S Lognathan (2016) in their studies titled, "Working Capital Management and Profitability of Commercial Banks in India" tried to analyse the working capital management practices of financial firms for the period of 2010 to 2015. They have selected Indian Commercial Banks for the study. By using descriptive and econometric model, effects of working capital on profitability is analysed. Mean, median, maximum, minimum, Ordinary Least Squares and panel data analysis techniques were used for analysis. The findings of the study is as same as the conventional working capital theory. The researcher found affirmative relation between working capital management and bank performance, profitability and leverage are negatively related, liquidity and creditors' payment period and leverage are also negatively related, and lastly, liquidity and debtors' collection period, cash conversion cycle and credit risk are positively related. The researcher also concluded that unlisted banks are performing better than listed banks. Syed

Jamal Abdul Nasir bin Syed Mohamad, Nurul Nadia Suraidi, NabihahAmirahAbd. Rahman, and Raja Durratun Sakinah Raja Suhaimi(2016) in their studies titled, "A Study on Relationship between Inventory Management and Company Performance: A Case Study of Textile Chain Store", analysed inventory management practices and performance of a textile chain store situated in Malaysia. Qualitative and quantitative research methods were applied for research. A structured interview was conducted to recognize the problem and the researcher calculated various ratios on the basis of quantitative data available in annual reports of five years i.e. 2008 to 2012. Through ratio analysis it is evidenced that the company turnover result shows a longer period to meet their next turn over for the inventory which is around 300 days. This shows that took almost one year to meet their next order point which means that the previous season fashion is still in stock. Furthermore the performance in terms of return on assets is not showing the consistent trend. The researcher acknowledged the problems the company is facing are: 1. Company is failed to forecast right demand at right time. 2. Ineffectual management of the scattered inventory. 3. No accurate records. The researcher suggested the company to use sales force composite technique to forecast the demand, the second suggestion is to segregate inventory into high, medium and low price and the last suggestion is the company should maintain record of inventory by skilled worker. Poonam Gautam Sharma &Ms.RishamPreetKaur(2016), in their studies titled, "Working Capital Management and Its Impact on Profitability: A Case Study of Bharti Airtel Telecom Company" observed working capital practices with the help of ratio analysis of Bharti Airtel for the period of 2007 to 2014. Spearman's Rank Correlation is employed to check the relation between liquidity and profitability. Further various ratios like current ratio, quick ratio, inventory turnover ratio etc are analysed with the help of mean, standard deviation and coefficient of variance. The researcher also applied Motaal's Test to give liquidity ranking which shows improvement in liquidity position in the study duration. Profitability analysis is done for the study period by analysing net profit margin, net operating profit margin, gross profit margin and return on capital employed. Finally the researcher concluded some finding like current ratio of the company is not satisfactory during the study period, quick ratio, operating profit ratio, working capital turnover ratio are having satisfactory results. And lastly it is concluded that optimal liquidity has been upheld by Bharti Airtel during the study period. Bilas S. Kale and Dr. C. N. Chobe (2016) in their studies titled, " Working Capital Management – A Case Study of Devgiri Urban Co-operative Bank Ltd. Aurangabad" Studied the present-day picture of urban cooperative banking system in India, its existing arrangement among the cooperative credit society, up gradation in fiscal position of Urban cooperative banks, role of Urban cooperative banks towards economic development of the country. It also studied development of Devgiri Urban Co-operative Bank Ltd. Here various financial ratios are calculated to check the performance of the organisation for the study period of 5 years i.e. 2008 to 2012. It is found that the financial performance of Devgiri Urban Co-operative Bank Ltd. is satisfactory for the study period but current ratio is not satisfactory. It suggested that the organisation should increase their current ratio, should adopt technological up gradation, should develop customer friendly policies and finally the government should try to uplift the urban cooperative banks. E. Muthukumar and S. Sakeerthi (2016) in their studies titled, " Working Capital Management Based on The Study at Sakthi Sugars, Tamilnadu" explained the measures for effective and efficient management of working capital particularly in Sakthi Sugars, Tamil Nadu. The data for analysis is collected from audited annual reports for the period of 5 years i.e. 2009 to 2013. The whole research is conducted by analysing balance sheet of every two years in reference to working capital changes and by comparing various ratios like current ratio, liquidity ratio, working capital turnoverratio, debtors turnoverratio, creditors turnoverratio, gross profit ratio, net profit ratio etc. and made some valuable suggestions. The study is concluded by some suggestions like the firm should increase liquidity ratio to improve future liquidity position, company should follow efficient collection policy for debtors, inventory should be managed properly, return on shareholder investment is above satisfactory and must be maintained for the following future years and lastly all the managerial levels should be a cognisant regarding significance of working capital management. Habil.Grzegorz and Michalski (2016) in their studies titled, "Risk Pressure and Inventories Levels. Influence of Risk Sensitivity on Working Capital Levels" presented a working capital decision model and discussed on risk sensitivity and net working capital investment. It is explained here how the crisis situation affect working capital decision. The researcher found that before, during and after crisis, higher level of working capital was kept with the hedging motive. Total 4525 manufacturing companies from Romania are selected for the study for the period of 10 years i.e. 2004 to 2013. Inventory to total assets is measured during the study period.

5. ANALYSIS AND INTERPRETATION:

The various ratios as stated in Research methodology section were computed. The ratio wise analysis is described in the ensuing lines:

5.1 Current Ratio:
This ratio indicates firm's ability to meet their short-term liabilities with the help of short term assets. Here the current assets are the assets which can be converted into cash within a year and the current liabilities are those liabilities payable within a year.

Table 1 Current Ratio of Indian Tobacco Company Ltdand Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd	Dabur India Ltd.
2012	1.59	1.48
2013	1.70	1.50
2014	1.82	1.66
2015	2.05	1.25
2016	1.65	1.32
Average	1.76	1.44

The standard current ratio is 2:1.The current ratio for five years from 2012 to 2016 are shown in the above Table - 1. From the above table it is evaluated that both the company's current ratio position is not up to the standard over the study period except 2015 in Indian Tobacco Company Ltdand in remaining years the current ratio is below the standard ratio. The average current ratio is 1.76 in Indian Tobacco Company Ltdand 1.44 inDaburIndia Ltd. So it can be said that the current ratio is better in Indian Tobacco Company Ltdcompare to Dabur India Ltd. but it is not up to the standard.

5.2 Quick ratio or acid test ratio:
This ratio is calculated by comparing the liquid assets (i.e. assets which are immediately convertible into cash without much loss) to current liabilities. Prepaid expenses and stock are not taken as liquid assets.

Table 2 Quick Ratio of Indian Tobacco Company Ltd and Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd	Dabur India Ltd.
2012	1.06	0.99
2013	1.18	1.07
2014	1.38	1.16
2015	1.07	0.81
2016	0.97	0.91
Average	1.13	0.99

The standard quick ratio is 1:1. It shows the immediate liquidity position of company to pay its short-term debts. The firm should immediate convertible assets to meet its current liability at any time. During the study period Indian Tabocco Company Ltdis above the standard except year 2016 but it is very near to standard in that year.DaburIndia Ltd. is also around the standard during the study period except 2013 and 1014. It was above the standard in 2013 and 2014 and in remaining years it is near to standard. The average quick ratio is satisfactoryfor both the companies.

5.3 Working Capital TurnoverRatio:
Working capital turnoverRatio is a measure to analyse the relation between sales and working capital. It shows how efficiently working capital is utilised to support given level of sales. A high turnover ratio reveals that current assets and current liabilities are efficiently used. In reverse a low ratio indicates inefficient use of current assets and liabilities. It may mean that the company is having excess of bills receivable or inventory for supporting sales which lead to bad debt or out-dated inventory.

Table 3 Working Capital TurnoverRatio of Indian Tobacco Company Ltd and Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tabocco Company Ltd (in times)	Dabur India Ltd. (in times)
2012	6.53	7.37
2013	5.76	7.57
2014	4.21	5.90
2015	3.60	17.53
2016	5.40	12.16
Average	5.10	10.11

From the above table it can be said that both the companies are efficiently utilising their Working capital. This ratio is better in Dabur India Ltd compare to Indian Tobacco Company Ltdas average of the ratio is higher. Initially in Dabur India Ltd. it is around 7 time then in 2013 it is decreased and in 2014 it showing very high increase to 17.53 and even for the remaining years also it is more than 10 time.

5.4 Debtors TurnoverRatio :

The debtorsturnover ratio shows how many times the amount of credit sales collected during the year.

Table 4 Debtors TurnoverRatio of Indian Tobacco Company Ltd and Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd	Dabur India Ltd.
2012	35.36	16.87
2013	35.92	17.17
2014	22.53	15.21
2015	29.01	16.22
2016	30.60	13.84
Average	30.69	15.86

From the above table we can see that Indian Tobacco Company Ltdis collecting their debts for on an average 31 times in a year and Dabur India Ltd is collecting their debts for 16 times in a year.

5.5 Inventory TurnoverRatio:

It is the number of times the stock is turned over during the year. Higher the turnover ratio, the more profitable the business would be. A low turnover ratio shows slow-moving and obsolete inventory which is risky situation for the organisation.

Table 5 Inventory TurnoverRatio of Indian Tobacco Company Ltd and Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd(in times)	Dabur India Ltd. (in times)
2012	6.18	7.15
2013	6.33	8.77
2014	6.34	8.80
2015	6.37	9.98
2016	6.05	9.45
Average	6.26	8.83

The above table displays inventory turnoverduring the study period. It is having increasing trend in both the companies. However it is higher in Dabur India Ltd.

5.6 Cash TurnoverRatio:

A Cash TurnoverRatio shoes how many times it replaces its cash balance with sales during the year. A high cash turnover ratio represents efficient moving of cash throughout the year. A high cash turnover ratio is better than low turnover ratio.

Table 6 Cash TurnoverRatio of Indian Tobacco Company Ltd and Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd(in times)	Dabur India Ltd. (in times)
2012	13.78	16.67
2013	13.00	15.09
2014	13.53	15.92
2015	9.18	27.23
2016	7.28	65.38
Average	11.35	28.06

From the above table it is concluded that the Dabur India Ltd is having higher Cash Turnover Ratio than Indian Tobacco Company Ltd. Indian Tobacco Company Ltd is also having diminishing Cash Turnover Ratio.

5.7 Creditors Ratio:

It represents the speed with which the payments to creditors are done. It is also termed as payables turnover ratio. The lowcreditors' turnover ratio indicates the company is taking longer to pay off its supplier.

Table 7 Creditors TurnoverRatio of Indian Tobacco Company Ltdand Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd	Dabur India Ltd. (in times)

	(in times)	
2012	6.88	3.36
2013	7.96	3.91
2014	7.27	3.93
2015	7.64	4.06
2016	6.54	4.1
Average	7.26	3.87

The above table depict that Dabur India Ltd is having low creditors turnover ratio which means it is paying less number of times to their creditors during the year by this way it can hold certain amount of cash on hand for some productive investment purposes.

5.8 Debtors to Current Assets Ratio:
This ratio will show the relative portion of Trade Receivables or debt in total current assets.
Table 8 Debtors to Current Assets Ratio of Indian Tobacco Company Ltd and Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd(in %)	Dabur India Ltd. (in %)
2012	6.83	17.22
2013	6.61	17.43
2014	10.35	24.24
2015	7.19	27.88
2016	6.99	32.00
Average	7.59	23.75

From the above table it can be said that Indian Tobacco Company Ltdis having lower percentage of Receivables in Total Current Assets compare to Dabur India Ltd.

5.9 Inventories to Current Assets Ratio:
This ratio will indicate the portion of inventories in total current assets. By this we know the excess, less or moderate level of investment of Inventories in total assets.
Table -9 Inventory to Current Assets Ratio of Indian Tobacco Company Ltdand Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd(in %)	Dabur India Ltd. (in %)
2012	39.03	40.60
2013	37. 51	34. 11
2014	35.16	41. 88
2015	32.71	45.30
2016	35.30	46.82
Average	35.55	44.24

From the above table it is clear that both the companies are investing heavily is inventories. It average 35.55% in Indian Tobacco Company Ltdand 44.24 % in Dabur India Ltd. Here Dabur India Ltd is on risk purview of inventory obsolesces and even more maintenance cost of inventories. However both the companies should pay attention on proper inventory management policy.

5.10 Cash to Current Assets Ratio:
This ratio is important to know the companies' immediate liquid position. The Cash to Current Assets Ratio is as follows:
Table 10 Cash to Current Assets Ratio of Indian Tobacco Company Ltdand Dabur India Ltd. for the Period of 2012 to 2016

Year	Indian Tobacco Company Ltd(in %)	Dabur India Ltd. (in %)
2012	19.52	20.07
2013	20.55	21.80
2014	15.72	22.32
2015	31.68	10.20
2016	27.19	4.12

Average	22.93	15.70

The above table shows that Indian Tobacco Company Ltd is having more cash and bank balance compare to Dabur India Ltd. It is average 22.93% in Indian Tobacco Company Ltd and 15.70% in Dabur India Ltd. In case of Dabur India Ltd., the beginning of the study period shows increase in cash but in 2015 and 2016 it is decreasing the reason behind it is the increase portion of Trade Receivable which is decreases the cash portion in total assets.

5.11 Overview of Working Capital Practices of Indian Tobacco Company Ltd and Dabur India Ltd.

Table 11 Cash to Working Capital Practicesof Indian Tobacco Company Ltdand Dabur India Ltd.

WC Ratios	Indian Tobacco Company Ltd	Dabur India Ltd.
Current Ratio	1.76 :1	1.44 :1
Quick Ratio	1.13 : 1	0.99 : 1
WC Turnover Ratio	5.10 times	10.11 times
Debtors Turnover Ratio	30.69 times	15.86 times
Inventory Turnover Ratio	6.26 times	8.83 times
Cash Turnover Ratio	11.35 times	28.06 times
Creditors Turnover Ratio	7.26 time	3.87 times
Debtors to Current Asset Ratio	7.59 %	23.75 %
Inventory to Current Asset Ratio	35.55 %	44.24 %
Cash to Current Asset Ratio	22.93 %	15.70 %

Table 11 indicates that Indian Tobacco Company Ltd follows conservative policy for debtors as compared to Dabur India Ltd. However in case of inventory, the practice is reverse. This might have been necessitated by market. Naturally cash holdings are less in Dabur India Ltd. as compared to Indian Tobacco Company Ltd. Both the companies are in comfortable liquidity position as indicated by Quick Ratio. Dabur India Ltd. appears to have invested relatively less resources in working capital management as compared to Indian Tobacco Company Ltd.

6. FINDINGS:

Both the companies seem to be in comfortable position as far as Working Capital is considered. However on comparative terms, Dabur India Ltd. appears to have invested relatively less funds in Working Capital. Indian Tobacco Company Ltd though follow conservative policy for debtors, they are following relatively liberal policy for holding inventories. However in both the companies, inventory form a large part of current assets. On the other end, Dabur India Ltd. appears to be enjoying more trade credit for procurement of inputs. It appears that both the companies have evolved their approaches pertinent to their specific market segment.

7. CONCLUSION:

Both the companies appear to be comfortably managing their working capital requirements. However it is worthwhile for Indian Tobacco Company Ltd to consider superior inventory management models. Dabur India Ltd. may consider proactive collection policy. Both of them need to reduce cash holding may be by moving to cash less transactions even for small and medium size receipts and payments. This will lead to unlocking of resources which can be deployed elsewhere to generate positive returns.

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Appendix I
Working Capital Ratios

Working Capital Ratios	Formula
Current Ratio	$\dfrac{\text{Current Assets}}{\text{Current Liability}}$
Quick Ratio	$\dfrac{\text{LiquidAssets}}{\text{Current Liability}}$
WC Turnover Ratio	$\dfrac{\text{Sales}}{\text{Net WC}}$
Debtors Turnover Ratio	$\dfrac{\text{Credit sales}}{\text{Average Debtors.}}$
Inventory Turnover Ratio	$\dfrac{\text{Sales}}{\text{Closing Stock}}$
Cash Turnover Ratio	$\dfrac{\text{Sales Revenue}}{\text{Average Cash.}}$
Creditors Turnover Ratio	$\dfrac{\text{Annual credit purchase}}{\text{Avg. account payables}}$
Debtors to Current Asset Ratio (%)	$\dfrac{\text{Debtors x 100}}{\text{Total Current Assets}}$
Inventory to Current Asset Ratio (%)	$\dfrac{\text{Inventories x 100}}{\text{Total Current Assets}}$
Cash to Current Asset Ratio (%)	$\dfrac{\text{Cash x 100}}{\text{Total Current Assets}}$