International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027

e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

# A Study on the Working Capital Management of Hindustan Unilever Limited

*Augustina Alphonse[1*], Sai Sri Lahari Chilakala[2*].*
*[1]Associate Professor, PGT Accountancy, Commerce, Meridian International School, Hyderabad, India.*
*[2]BMS Graduate, Management Studies, St. Francis College for Women, Hyderabad, India.*
**Email id:** *augustinaalphonse93@gmail.com[1], chilakala2005@gmail.com[2]*
**Orcid id:** *0009-0001-7890-5649[1], 0009-0001-2212-9847[2]*

## Abstract

*This paper aims to study the Working Capital Management of Hindustan Unilever Limited since working capital is one of the fundamental elements crucial for an organization's liquidity, profitability, solvency, and overall survival and Hindustan Unilever Limited is an FMCG company. The data collection included the financial statements of the organization. The research data was analyzed using Trend Analysis and Ratio Analysis. This research provided valuable insights into Hindustan Unilever Limited's Working Capital Management practices, affirming its consistent and effective management over the study period. Despite financial volatility, Hindustan Unilever Limited demonstrated proficiency ensuring its ability to meet short-term obligations, laying a foundation for further exploration into strategic aspects of working capital management in the broader context of corporate financial sustainability.*

**Keywords**: *Working Capital, Liquidity, Profitability, Trend Analysis, Ratio Analysis.*

## 1. Introduction

Finance is one of the most important functional aspects of a business concern because it is the lifeblood of a business. It is essential and one of the key factors for the establishment and to achieve the goals set by any business firm. Every business concern must maintain adequate amount of finance for its smooth running. The most effective utilization of capital requires the establishment of efficient management policies. Capital means the assets and cash in a business that gives value to its owners. Capital required is classified as: Fixed Capital and Working Capital. Fixed Capital are the assets of a business that are permanent in nature and are not intended to be disposed of by a business. Fixed Capital enables production capacity. Working Capital refers to the firm's investment in short term assets. The management of working capital is important to the financial health of business of all sizes. The Working Capital Management affects the liquidity and the profitability of a firm and consequently its net worth. Working Capital Management therefore aims at maintaining a balance between profitability and liquidity while conducting the daily operations of the business concern. Effective Working Capital Management leads to decline in Cash Conversion Cycle (CCC) which is the time span between disbursement and collection of cash, improvement in profitability and company valuation for shareholders as it is observed that longer cash conversion period has detrimental impact on a firm's profitability. Working Capital can also be defined as operational current assets minus current liabilities [1-4]. The proper estimation of Working Capital required, is a difficult task for the management because the amount of working capital varies across firms over the periods depending upon the nature of business, scale of operations, production cycle, availability of raw materials, credit policy etc. In case Working Capital Management is not given due consideration, firms can face bankruptcy. Efficient Working Capital Management is an important indicator of sound health of an organization which requires reduction of unnecessary blocking of capital to bring down the cost of financing. Adequate Working Capital creates the confidence, environment security and high morale and overall efficiency of the business. The study of Working Capital Management helps to understand the liquidity position of a firm.

## 2. Literature Review

**1. Santiago Hernandez, Davide Migliaro, Pablo Suarez, Arnaldo Arnaldi (2021):** The findings showed that the relationship between the individual determinants of working capital and profitability is not linear because until the optimal size is reached, the relationship between working capital and profitability is positive. However, once the optimal size has been exceeded, the relationship turns negative due to increased costs and the risk of financial distress.

**2. Harsh Pratap Singh, Satish Kumar and Sisira Colombage (2017):** The results of the meta-analysis confirm that Working Capital Management is negatively associated with profitability, which means an aggressive Working Capital Management policy leads to higher profitability.

**3. Thiago Alvarez, Luca Sensini, Maria Vazquez (2020):** To achieve the objectives of the study, a fixed effects regression model was used. This model is reliable in explaining the effect of working capital management on profitability. The results showed a positive relationship between all components of working capital and profitability.

**4. Malavika M (2022):** Data was analyzed using Ratio Analysis, Cash Flow Statement and Trend Analysis. Through analyzing the data, it was found that working capital position of the company was fluctuating [5]. Some ratios are up to the ideal ratio, and most of the ratios are fluctuating. Hence the company ITC needs to improve its working capital position.

**5. Kien Xuan PHAM, Quang Ngọc NGUYEN, Cong Van NGUYEN (2020):** From the research results, it is possible to find a significant difference in the effects of 8 different independent variables on profitability. The results of this study once again contribute to confirm the positive effect of Working Capital Management on the profitability of companies when Working Capital Management is done efficiently.

**6. Debabrata Jana (2018):** Using panel data analysis, the study finds a significantly positive and negative relationship between profitability and working capital management. The result was that efficient management of working capital for FMCG Companies not only has a positive relationship with profitability but significantly impacts on such firm's profitability.

**7. Barot Haresh (2012):** The study observed a positive relationship between accounts payable and profitability and a negative relationship between accounts receivables and profitability. In addition, the negative relationship between accounts receivables and a firm's profitability suggest that profitable firms should pursue a decrease of their accounts receivables.

**8. Dr. Santanu Kr. Ghosh, Santi Gopal Maji (2004):** A study conducted to examine the efficiency of working capital management of the Indian cement companies during 1992-1993 to 2001-2002. Finding of the study indicates that the Indian Cement Industry did not perform remarkably well during this period.

## 3. Objectives

- To study the Working Capital performance of Hindustan Unilever Limited using Trend Analysis
- To understand the Liquidity position of Hindustan Unilever Limited using Ratio Analysis
- To study the structure of Working Capital

## 4. Research Methodology

For this research secondary data was obtained through an extensive review of academic sources, financial statements of the organization, articles, journals, and online research papers.

## 5. Experimental Methods or Methodology

### 5.1 Trend Analysis

Trend analysis is a technique used in financial analysis to identify patterns and changes in a company's financial statements over a period. It involves analyzing financial statements such as the income statement, balance sheet, and cash flow statement over multiple years to determine if there are any trends or patterns emerging [6]. The purpose of trend analysis is to help investors, managers, and stakeholders identify changes in a company's

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

financial position, as well as identify any areas of concern that may need further investigation. It is a valuable tool for evaluating a company's performance over time, and for identifying strengths and weaknesses in its financial management. For example, if a company's revenue has been consistently increasing over the past three years, it may be an indication of successful growth and management. On the other hand, if the company's expenses have been consistently increasing faster than its revenue, it may be an indication of financial stress or poor management. To perform trend analysis, financial data is usually presented in the form of a time-series, showing how a particular financial metric has changed over time. This data is then plotted on a graph to visually represent any trends or patterns that may be present. By analysing these trends, stakeholders can make informed decisions about investing in or managing a company. Additionally, trend analysis can also be used to forecast future financial performance based on historical data, allowing stakeholders to make more accurate financial projections. Industry experts use specialized tools for real-time trend analysis of financial data. Reuters Eikon is a platform providing real-time financial information and analysis. Trading View offers interactive charts and a social network for traders to discuss and analyze trends. Quant Connect and Quantlib are utilized for quantitative analysis and algorithmic trading strategies [7-9]. Data visualization tools like Tableau assist in creating dynamic dashboards for monitoring financial trends. Risk management tools such as Risk Watch aid in assessing and mitigating financial risks in real time.

**Trend percentage= (current year value/ base year value)*100**

### 5.2 Ratio Analysis

Ratio analysis is referred to as the study or analysis of the line items present in the financial statements of the company. It can be used to check various factors of a business such as profitability, liquidity, solvency and efficiency of the company or the business. Ratio analysis is mainly performed by external analysts as financial statements are the primary source of information for external analysts. The analysts very much rely on the current and past financial statements to obtain important data for analysing financial performance of the company. The data or information thus obtained during the analysis is helpful in determining whether the financial position of a company is improving or deteriorating.

- Current Ratio= Current Assets/ Current Liabilities
- Liquid ratio = Quick Assets/ Current Liabilities
- Liquid assets = Current assets - (stock + prepaid expenses)
- Absolute Liquid ratio = Absolute Liquid Assets/ Current Liabilities
- Gross Profit Ratio = (Gross profit/ Net Sales) *100
- Operating Ratio = (Operating Cost/ Net Sales) *100
- Operating Profit ratio = (Operating profit or EBIT/ Net Sales)*100 (or)
  Operating Profit ratio = 100 - Operating ratio
- Net profit ratio = (Net profit after tax/ Net sales)*100
- Working Capital Turnover Ratio = Net Sales/ Net Working Capital

## 6. Results and Discussion

### 6.1 Trend Analysis

**Table 1 Trend Analysis from 2017-18 to 2021-22**

*(Amount In Crores)*

| Year | Net Working Capital | Trend Percentage |
|---|---|---|
| 2017-2018 | 2,503 | 100 |
| 2018-2019 | 3,021 | 120.69 |
| 2019-2020 | 2,804 | 112.03 |
| 2020-2021 | 2,799 | 111.83 |
| 2021-2022 | 3,703 | 147.94 |

*Source: https://www.moneycontrol.com/*

**Interpretation:** The trend percentage is fluctuating from 2017-18 to 2021-22 shown in Figure 1. The challenges of the COVID-19 pandemic required strategic responses from HUL's working capital management. To address supply chain disruptions and shifting consumer demand, HUL diversified its suppliers and embraced digital tools. The working

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

capital position increased by 147.94% in 2021-2022. There is an overall increase in the trend but there have been fluctuations due to the changes in the working capital over the years, as shown in Table 1.

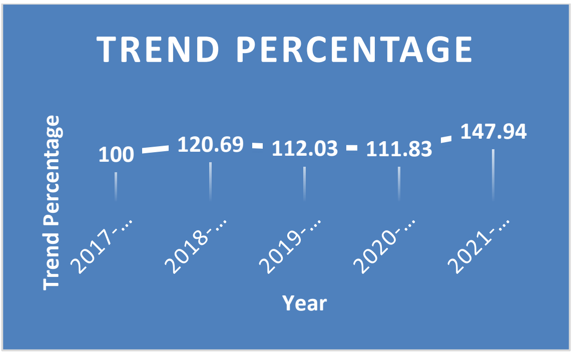


**Figure 1** Trend Percentage

## 6.2 Components of Current Assets

**Table 2** Components of Current Assets

| Particulars | 2022 | 2021 | 2020 | 2019 | 2018 | Average |
|---|---|---|---|---|---|---|
| Inventories | 3,890 | 3,383 | 2,636 | 2,422 | 2,359 | 2,938 |
| Investments | 3,510 | 2,683 | 1,248 | 2,693 | 2,855 | 2,598 |
| Trade receivables | 1,932 | 1,648 | 1,046 | 1,673 | 1,147 | 1,489 |
| Cash and cash equivalents | 988 | 1,740 | 3,130 | 575 | 573 | 1,401 |
| Other bank balances | 2,630 | 2,581 | 1,887 | 3,113 | 2,800 | 2,602 |
| Other Financial Assets | 1,070 | 1,116 | 1,410 | 542 | 829 | 993 |
| Other current Assets | 580 | 438 | 533 | 352 | 560 | 493 |
| Assets held for Sale | 13 | 17 | 18 | 4 | 16 | 14 |
| Total Current Assets | 14,647 | 13,640 | 11,908 | 11,374 | 11,139 | 12,542 |

*Source: https://www.moneycontrol.com*

**Interpretation**

This chart shows the major components of the current assets of the company with the major contributor being inventories (23%), as shown in Figure 2 and predicted in Table 2.

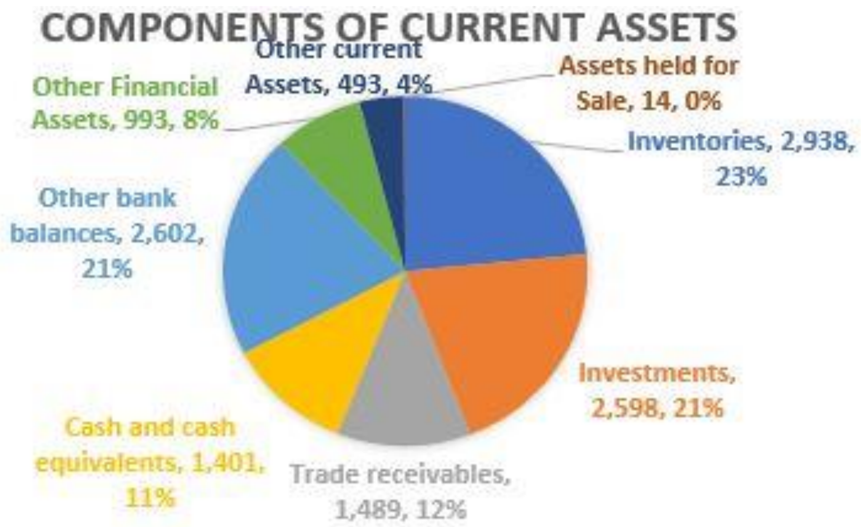


**Figure 2** Components of Current Assets

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

## 6.3 Components of Current Liabilities

**Table 3 Components of Current Liabilities**

| Year | Revenue From operations | Average Working Capital | Working Capital Turnover ratio |
|---|---|---|---|
| 2017-2018 | 33,926 | 2,333 | 14.54 |
| 2018-2019 | 37,660 | 2,762 | 13.64 |
| 2019-2020 | 38,273 | 2,913 | 13.13 |
| 2020-2021 | 45,311 | 2,802 | 16.17 |
| 2021-2022 | 50,336 | 3,251 | 15.48 |
| Average | 41,101 | 2,812 | 14.62 |

*Source: https://www.moneycontrol.com/*

This Figure 3 shows the major components of the current liabilities of the company with the major contributor being trade payables (81%). The above Table 3 Shows Components of Current Liabilities.

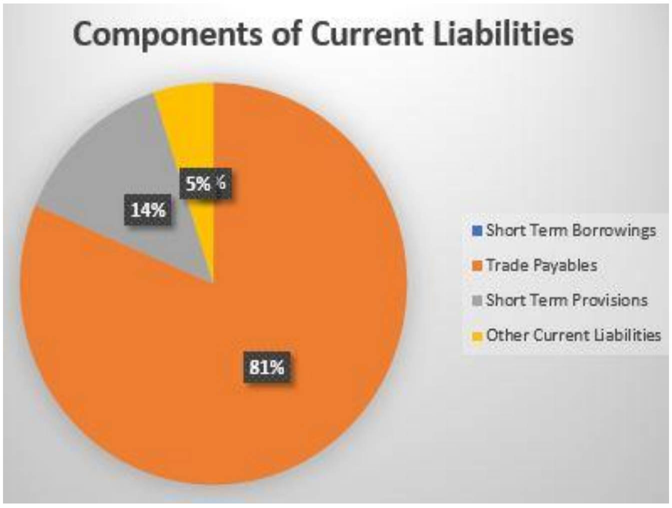


**Figure 3 Components of Current Liabilities**

## 6.4 Liquidity Ratios

### 6.4.1 Current Ratio

The ideal current ratio should be 2:1

**Interpretation**

The Table 4 shows the current ratio for the last five financial years. Current ratio for the financial year 2018-2019 is the highest, i.e., 1.36. The financial year 2020-2021 has the lowest current ratio which is 1.26. The average current ratio is 1.31. The current ratio of the company is below 2:1 because there is a gradual increase in the current liabilities of the company, as shown in Figure 4.

**Table 4 Liquidity Current Ratio**

*(Amount in Crores)*

| Year | Current Assets | Current Liabilities | Current Ratio |
|---|---|---|---|
| 2017-2018 | 11,139 | 8,636 | 1.29 |
| 2018-2019 | 11,374 | 8,353 | 1.36 |
| 2019-2020 | 11,908 | 9,104 | 1.31 |
| 2020-2021 | 13,640 | 10,841 | 1.26 |
| 2021-2022 | 14,647 | 10,944 | 1.34 |
| Average | 12,542 | 9,576 | 1.31 |

*Source: https://www.moneycontrol.com/*

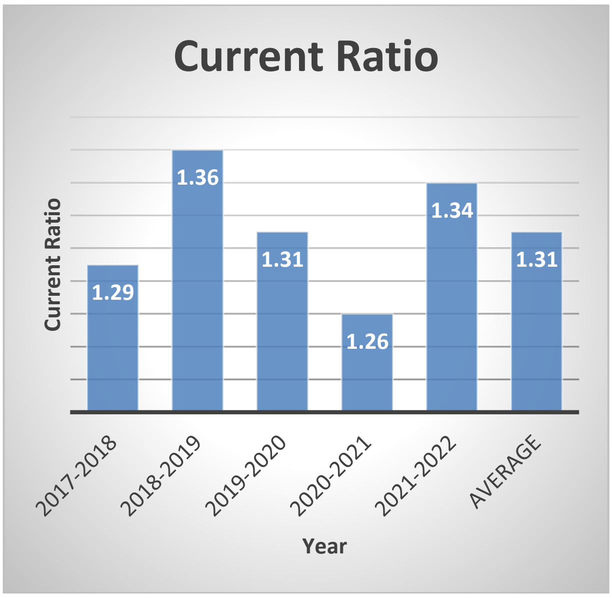


**Figure 4 Current Ratio**

### 6.4.2 Liquid Ratio

The Table 5 shows the liquid/ quick ratio for the past five financial years. Liquid ratio for the financial year 2018-2019 is the highest i.e., 1.07. The financial year 2020-2021 has the lowest liquid ratio which is 0.95. The average liquid ratio is 1.00. The

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

liquid ratio has been below 1:1 from financial year 2020 as there is a gradual increase in trade payables from the past five financial years, as shown in Figure 5.

**Table 5 Liquidity Liquid Ratio**
*(Amount in Crores)*

| Year | Liquid Assets | Current Liabilities | Liquid Ratio |
|---|---|---|---|
| 2017-2018 | 8,780 | 8,636 | 1.02 |
| 2018-2019 | 8,952 | 8,353 | 1.07 |
| 2019-2020 | 9,272 | 9,104 | 1.02 |
| 2020-2021 | 10,257 | 10,841 | 0.95 |
| 2021-2022 | 10,757 | 10,944 | 0.98 |
| Average | 9,604 | 9,576 | 1.00 |

*Source: https://www.moneycontrol.com/*

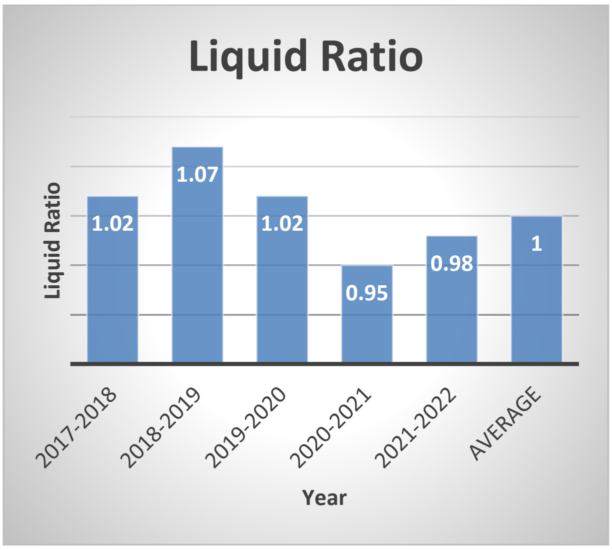


**Figure 5 Liquid Ratio**

### 6.4.3 Absolute Liquid Ratio

The Table 6 shows the absolute liquid ratio for the past five financial years. Absolute liquid ratio for the financial year 2019-2020 is the highest i.e., 0.55. The financial year 2021-2022 has the lowest absolute liquid ratio which is 0.33. The average absolute liquid ratio is 0.42. The absolute liquid ratio is below 0.5:1 and the reasons can be expenditure on new equipment or plant due to which cash may not be readily available, as shown in Figure 6.

**Table 6 Liquidity Absolute Liquid Ratio**
*(Amount in Crores)*

| Year | Absolute Liquid Assets | Current Liabilities | Absolute Liquid Ratio |
|---|---|---|---|
| 2017-2018 | 3,373 | 8,636 | 0.39 |
| 2018-2019 | 3,688 | 8,353 | 0.44 |
| 2019-2020 | 5,017 | 9,104 | 0.55 |
| 2020-2021 | 4,321 | 10,841 | 0.39 |
| 2021-2022 | 3,652 | 10,944 | 0.33 |
| Average | 4,010 | 9,576 | 0.42 |

*Source: https://www.moneycontrol.com/*

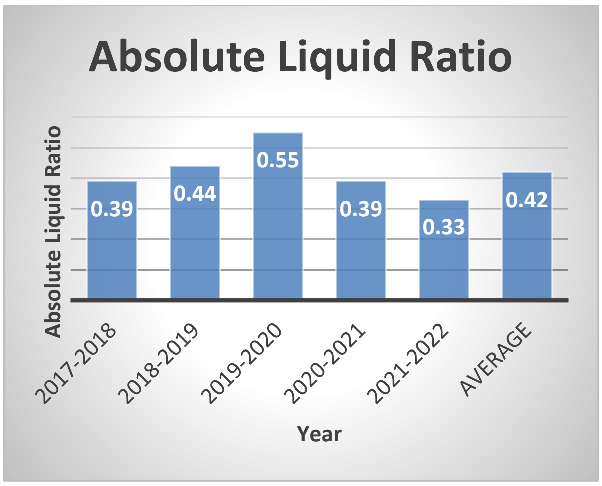


**Figure 6 Absolute Liquid Ratio**

## 6.5 Profitability Ratios

### 6.5.1 Gross Profit Ratio

The Table 7 shows the gross profit ratio for the past five financial years. Gross profit ratio for the financial year 2019-2020 is the highest i.e., 26.20. The financial year 2017-2018 has the lowest gross profit ratio which is 22.88. The average gross profit ratio is 24.87. The ideal range of gross profit ratio could not be determined as the industries with higher production costs, such as manufacturing, may have lower gross profit ratios compared to industries with lower production costs, like

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

technology and the products of the company may be sold at low prices than intended due to reasons like intense competition, lack of differentiation etc. as shown in Figure 7.

**Table 7 Gross Profit Ratio**
*(Amount in Crores)*

| Year | Gross Profit | Net Sales | Gross Profit Ratio |
|---|---|---|---|
| 2017-2018 | 7,763 | 33,926 | 22.88 |
| 2018-2019 | 9,046 | 37,660 | 24.02 |
| 2019-2020 | 10,030 | 38,273 | 26.20 |
| 2020-2021 | 11,502 | 45,311 | 25.38 |
| 2021-2022 | 12,764 | 50,336 | 25.36 |
| Average | 10,221 | 41,101 | 24.87 |

*Source: https://www.moneycontrol.com/*


**Figure 7** Gross Profit Ratio

### 6.5.2 Operating Ratio

The Table 8 shows the operating ratio for the past five financial years. Operating ratio for the financial year 2021-2022 is the highest i.e., 49.95. The financial year 2019-2020 has the lowest operating ratio which is 46.81. The average operating ratio is 48.36. It can be considered that the company is having a good ratio because the operating ratio should be high as the company is dealing mainly with manufacturing consumer goods, as shown in Figure 8.

**Table 8 Operating Ratio**
*(Amount in Crores)*

| Year | Operating Cost | Net Sales | Operating Ratio |
|---|---|---|---|
| 2017-2018 | 16,303 | 33,926 | 48.05 |
| 2018-2019 | 17,948 | 37,660 | 47.68 |
| 2019-2020 | 17,914 | 38,273 | 46.81 |
| 2020-2021 | 22,068 | 45,311 | 48.70 |
| 2021-2022 | 25,143 | 50,336 | 49.95 |
| Average | 19,875.2 | 41,101 | 48.36 |

*Source: https://www.moneycontrol.com/*

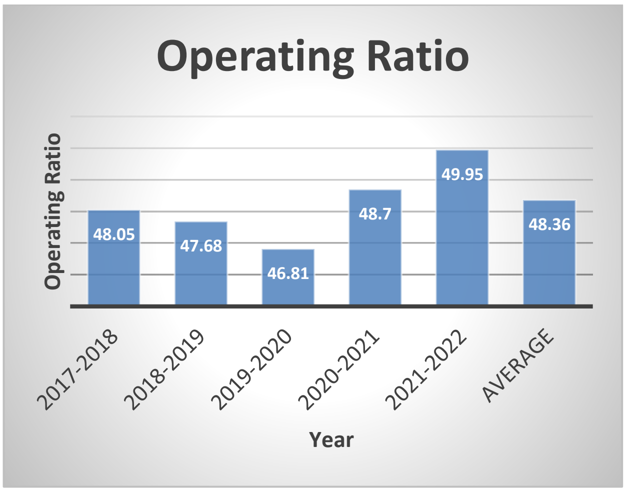


**Figure 8** Operating Ratio

### 6.5.3 Operating Profit Ratio

**Table 9 Operating Profit Ratio**
*(Amount in Crores)*

| Year | Operating Cost | Net Sales | Operating Profit Ratio |
|---|---|---|---|
| 2017-2018 | 16,303 | 33,926 | 51.95 |

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

| | | | |
|---|---|---|---|
| 2018-2019 | 17,948 | 37,660 | 52.32 |
| 2019-2020 | 17,914 | 38,273 | 53.19 |
| 2020-2021 | 22,068 | 45,311 | 51.3 |
| 2021-2022 | 25,143 | 50,336 | 50.05 |
| Average | 19,875.2 | 41,101 | 51.64 |

*Source: https://www.moneycontrol.com/*

The Table 9 shows the operating profit ratio for the past five financial years. Operating profit ratio can be calculated as the difference between 100 percent and the Operating ratio. Operating profit ratio for the financial year 2019-2020 is the highest i.e., 53.19. The financial year 2021-2022 has the lowest operating profit ratio which is 50.05. The average operating profit ratio is 51.64. The operating profit ratio is in the ideal range as the company might be generating a reasonable return on its investments while maintaining its competitiveness, as shown in Figure 9.

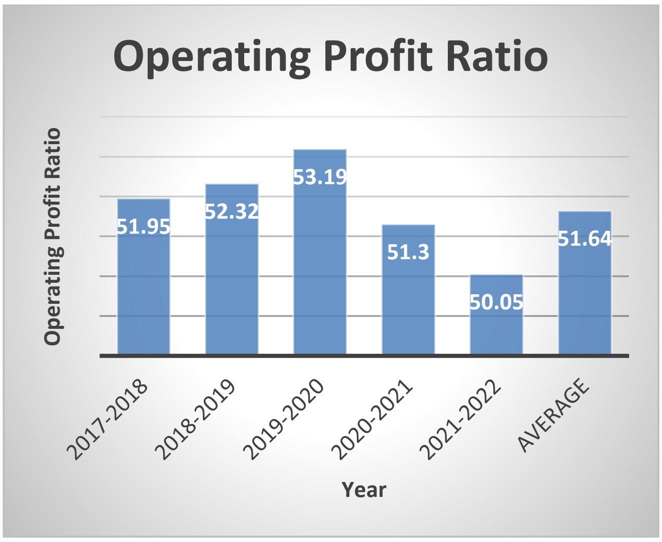


**Figure 9 Operating Profit Ratio**

### 6.5.4 Net Profit Ratio

**Table 10 Net Profit Ratio**

*(Amount in Crores)*

| Year | Net Profit | Net Sales | Net Profit Ratio |
|---|---|---|---|
| 2017-2018 | 5279.51 | 33,926 | 15.56 |
| 2018-2019 | 6191.45 | 37,660 | 16.44 |
| 2019-2020 | 6883.99 | 38,273 | 17.98 |
| 2020-2021 | 8126.12 | 45,311 | 17.93 |
| 2021-2022 | 8843.54 | 50,336 | 17.57 |
| Average | 7065 | 41,101 | 17.19 |

*Source: https://www.moneycontrol.com/*

The Table 10 shows the net profit ratio for the past five financial years. Net profit ratio for the financial year 2019-2020 is the highest i.e., 17.98. The financial year 2017-2018 has the lowest net profit ratio which is 15.56. The average net profit ratio is 17.19. The net profit ratio of the company can be considered as a good benchmark as FMCG companies deal with high volume of sales with low profit margins per unit, as shown in Figure 10.

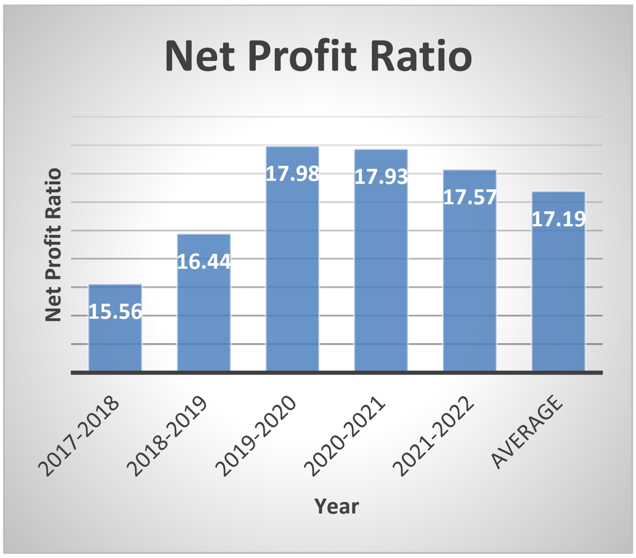


**Figure 10 Net Profit Ratio**

### 6.6 Working Capital Turnover Ratio

**Table 11 Working Capital Turnover Ratio**

*(Amount In Crores)*

| Year | Revenue from operations | Average Working Capital | Working capital turnover ratio |
|---|---|---|---|
| 2017-2018 | 33,926 | 2,333 | 14.54 |
| 2018-2019 | 37,660 | 2,762 | 13.64 |

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

| | | | |
|---|---|---|---|
| 2019-2020 | 38,273 | 2,913 | 13.13 |
| 2020-2021 | 45,311 | 2,802 | 16.17 |
| 2021-2022 | 50,336 | 3,251 | 15.48 |
| Average | 41,101 | 2,812 | 14.62 |

*Source: https://www.moneycontrol.com/*

The Table 11 shows the Working capital turnover ratio for the past five financial years. Working capital turnover ratio for the financial year 2020-2021 is the highest i.e., 16.17. The financial year 2019-2020 has the lowest Working capital turnover ratio which is 13.13. The average Working capital turnover ratio is 14.62. This can be considered a good ratio because there has been an optimum velocity of the utilization of the working capital, as shown in Figure 11.

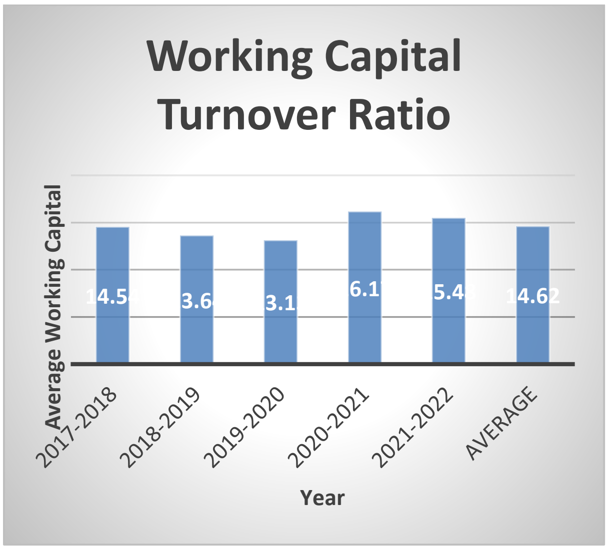


**Figure 11 Working Capital Turnover Ratio**

## 7. Findings

**Objective 1: To study the Working Capital performance of Hindustan Unilever Limited using Trend Analysis**

The working capital management of HUL over the past few years has been analyzed. The COVID-19 pandemic posed challenges for HUL's working capital management, necessitating strategic responses. Supply chain disruptions and changing consumer demand prompted HUL to diversify suppliers, adopt digital tools, and implement demand forecasting models. Accelerated digital transformation positively influenced operational efficiency and working capital dynamics. Operational agility was demonstrated through process restructuring, inventory optimization, and robust cost management. HUL's adaptability and commitment ensured sustained business continuity amid unprecedented challenges

10]. We can observe that there has been a consistent increase in HUL's working capital over the past five years. This indicates that the company has been able to manage its short-term obligations effectively. In conclusion, HUL's trend analysis shows that the company has been effectively managing its working capital for past five years. The company has been investing in its operations, financing its growth through debt, and has a higher level of current assets to meet its short-term obligations.

**Objective 2: To understand the Liquidity position of Hindustan Unilever Limited using Ratio Analysis**

The current ratio for the past five financial years has been below 2:1, the liquid ratio has been below 1:1 for a few years with an average of 1:1 of the past five financial years, the absolute liquid ratio has been below 0.5:1 from the past five financial years due to an increase in current liabilities, trade receivables, the company have purchased a new plant or equipment and various other reasons [11].

**Objective 3: To study the structure of Working Capital**

Working capital refers to the funds that a company uses for its day-to-day operations, such as paying salaries, purchasing inventory, and covering expenses. The concise structure of working capital includes: Current Assets include the assets that can be easily converted into cash within a year, such as cash, inventory, accounts receivable, and short-term investments. Current Liabilities include the debts or obligations that a company owes and expects to pay within a year, such as accounts payable, short-term loans, and accrued expenses. Working capital is calculated by subtracting current liabilities from current assets, which is represented as: Working

International Research Journal on Advanced Engineering and Management
https://goldncloudpublications.com
https://doi.org/10.47392/IRJAEM.2024.0027
e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

Capital = Current Assets - Current Liabilities. Adequate working capital is essential for the smooth functioning of a business. It helps to ensure that a company can meet its short-term financial obligations and maintain liquidity. Effective management of working capital involves balancing the need for cash flow and the need for investment in the business. This requires careful monitoring and control of inventory, accounts receivable, and accounts payable to maintain the optimal level of working capital.

## Conclusion

This study named "A Study on the Working Capital Management of Hindustan Unilever Limited," was conducted with the goal of understanding working capital management, profitability, and liquidity situation using Ratio analysis and Trend Analysis from 2017-2018 to 2021-2022. The effectiveness of trend analysis is contingent upon the specific requirements and variables under consideration and researchers may explore alternative tools to derive comprehensive insights. This research found several points on Hindustan Unilever Limited's working capital management. The company has been profitable for the past five years, and it has also fared well in terms of liquidity. Working capital is termed as one of the most countable aspects of financial management. Improved working capital management can help industries address the issue of underutilized capacities by releasing funds [12-15]. To achieve this, it is important for organizations to finance permanent current assets with long-term sources of finance and temporary current assets with short-term sources of finance in a balanced manner. The study here, based on an examination of Hindustan Unilever Limited's financial statements, concluded that the company's overall operating stability and performance have improved over time, and that its overall financial performance will improve in the coming years.

## References

[1]. Financial Ratio Analysis: Definition, Types, Examples, and How to Use, Andrew Bloomenthal, (August 17,2022), retrieved from https://www.investopedia.com/terms/r/ratioanalysis.asp
[2]. Hindustan Unilever Limited Ratios, retrieved from https://www.moneycontrol.com/financials/hindustanunilever/ratiosVI/HU/1#HU
[3]. Hindustan Unilever Limited Balance Sheet, retrieved from https://www.moneycontrol.com/financials/hindustanunilever/balance-sheetVI/HU/1#HU
[4]. Hindustan Unilever Limited Profit and Loss Account, retrieved from https://www.moneycontrol.com/financials/hindustanunilever/profit-lossVI/HU#HU
[5]. Hindustan Unilever Limited Profit and Loss Account, retrieved from https://www.capitalmarket.com/Company-Information/Financials/Profit-and-Loss/Hind--Unilever/255
[6]. https://www.hul.co.in/
[7]. Shashi K. Gupta, R. K. Sharma, Neeti Gupta (2017). Financial Management Theory and Practice. Kalyani Publishers
[8]. Santiago Hernandez, D. M. (2021). Working Capital Determinants and Profitability: Empirical Evidence from an Emergent Economy. IAR Journal of Business Management, 2 (2), 40-46.
[9]. Dr. Santanu Kr. Ghosh, S. G. (2004). Working Capital Management Efficiency: A study on the Indian Cement Industry. ACADEMIA, 10.
[10]. Haresh, B. (2012). Working Capital Management and Profitability: Evidence from India: An Empirical Study. Ganpat University- Faculty of Management Studies Journal of Management and Research, 5, 79-88.
[11]. Harsh Pratap Singh, S. K. (2017). Working Capital Management and firm profitability: meta-analysis. Qualitative Research in Financial Markets, 9 (1), 34-47.
[12]. Jana, D. (2018). Impact of Working Capital Management on Profitability of the Selected Listed FMCG Companies in India. International Research Journal of Business Studies, 11 (1), 21-30.
[13]. Kien Xuan PHAM, Q. N. (2020). Effect of Working Capital Management on the Profitability of Steel Companies on Vietnam

e ISSN: 2584-2854
Volume: 02
Issue: 03 March 2024
Page No: 171-181

Stock Exchanges. Journal of Asian Finance, Economics and Business, 7, 741-750.
[14]. Malavika M. M. (2022). A study on Working Capital Management of ITC Ltd.
[15]. Thiago Alvarez, L. S. (2020). Working Capital Management and Profitability: Evidence from an Emergent Economy. International Journal of Advances in Management and Economics, 11 (1), 32-39.