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WORKING CAPITAL STRUCTURE AND LIQUIDITY ANALYSIS OF THE SELECT FMCG COMPANIES – A STUDY

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ABSTRACT

The Indian fast moving consumer goods (FMCG) sector, with a market size of US$ 25 billion (2007–08 retail sales), constitutes 2.15 per cent of India's gross domestic product (GDP). India is recognised as a cost-effective quality manufacturing base in the world market. Food products is the largest consumption category in India, accounting for nearly 21 per cent of the country's GDP. The industry is poised to grow between 10 and 12 per cent annually. The Indian retail market size is estimated at US$ 350.2 billion and is projected to grow at 13 per cent per annum to reach US$ 590 billion by 2011–12. The current share of organised retail is estimated to be 4 to 5 per cent and is expected to increase by 14 to18 per cent by 2015. A well-established distribution network spread across six million retail outlets (including two million in 5,160 towns and four million in 627,000 villages) low penetration levels, low operating costs and intense competition between the organised and unorganised segments are key characteristics of this sector. PepsiCo India's beverage business, Hindustan Unilever Limited, ITC and Dabur India are key players in India. The structure of Working Capital has been analyzed through the constitution of tables indicating the percentage composition of individual current assets and current liabilities during the years from 2001-2010. The study revealed that of all the current assets across the industry, inventories formed the highest percentage followed by Loans & Advances and Cash and Bank balances whereas trade receivables formed very negligible part. However, inventories formed the highest part in the case of GCMMF whereas in the case of Nestle India it was the second highest part of total current assets. The study also revealed that GCMMF was highly efficient in achieving the higher sales with lower investment in Current Assets.