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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	INTERNATIONAL STUDENT COLLABORATION AND EXPERIENTIAL EXERCISE PROJECTS AS A PROFESSIONAL, INTER-PERSONAL AND INTER-INSTITUTIONAL NETWORKING PLATFORM <i>JOSE G. VARGAS-HERNANDEZ, DR. ADRIAN DE LEON-ARIAS, DR. ANDRES VALDES-ZEPEDA & DR. VICTOR MANUEL CASTILLO-GIRON</i>	1
2.	AN EMPIRICAL STUDY ON MARKETING OF GADWAL SARIS IN INDIA <i>DR. K.V. ACHALAPATHI, PREETI SHRIVASTAVA & SHAILAJA BANGARI</i>	10
3.	IDENTIFYING THE FACTORS EFFECTIVE ON ORGANIZATIONAL INNOVATION IN SERVICES <i>MOSTAFA ALIMIRI, MOHAMMAD HASSAN MOBARAKI & FATEMEH MOHEBBI FAR</i>	17
4.	THE EFFECT OF INDIVIDUALITY AND POWER DISTANCE ON INCOME SMOOTHING <i>SEYED HOSSEIN HOSSEINI & MOHAMADREZA ABDOLI</i>	22
5.	MANAGEMENT OF ELECTRICITY POWER SUPPLY IN DELTA AND EDO STATES OF NIGERIA: PROBLEMS AND PROSPECTS <i>ANTHONY A. IJEWERE</i>	26
6.	EMOTIONAL INTELLIGENCE AND ITS IMPACT ON TASK PERFORMANCE AND CONTEXTUAL PERFORMANCE <i>U.W.M.R. SAMPATH KAPPAGODA</i>	32
7.	THE RELATIONS BETWEEN CASH MANAGEMENT POLICIES AND PROFITABILITY OF SMEs IN KANO <i>DR. MUHAMMAD AMINU ISA</i>	37
8.	ACCELERATED LEARNING SOLUTIONS (ALS) – A MODEL FOR LEARNING ON THE JOB & PRODUCTIVITY ENHANCEMENT OF FRESH ENGINEERING GRADUATES THROUGH TITP (TELECOM INDUSTRY TRAINING AND PLACEMENT) <i>SREENIVASAN RAM, SUDHIR WARIER & LRK KRISHNAN</i>	40
9.	RURAL E-BANKING: A TECHNICAL FRAMEWORK USING MOBILE TERMINALS <i>DR. V. B. AGGARWAL, DEEPTI SHARMA & ARCHANA B. SAXENA</i>	47
10.	BIOMETRIC SECURITY IN MOBILE BANKING <i>S. T. BHOSALE & DR. B. S. SAWANT</i>	52
11.	SPIRITUAL INTELLIGENCE – A CHANGE MANAGEMENT STUDY <i>MADHUSUDAN.V & DR. NAGALINGAPPA.G</i>	56
12.	INTEGRATED RELIABILITY MODEL AND FAILURE MODES EFFECTS & CRITICALITY ANALYSIS FOR OPTIMUM RELIABILITY <i>K. S. LAKSHMINARAYANA & Y. VIJAYA KUMAR</i>	59
13.	FACTOR ANALYSIS OF DEFECTS IN SOFTWARE ENGINEERING <i>DR. SEETHARAM.K, LAXMI B RANANAVARE & CHANDRAKANTH G PUJARI</i>	65
14.	CONCERNS FOR SECURITY IN MIGRATING TO CLOUD COMPUTING <i>NITASHA HASTEER, DR. ABHAY BANSAL & TANYA SHARMA</i>	67
15.	PREDOMINANCE OF TRADITIONAL SECTOR IN UNORGANISED MANUFACTURING OF INDIA <i>DR. NEERU GARG</i>	70
16.	THE INSIGHT VIEW OF QUALITY OF WORK LIFE: A STUDY ON THE EMPLOYEES OF PUBLIC SECTOR AND PRIVATE SECTOR BANKS IN TIRUNELVELI DISTRICT <i>A. MADHU, T. RITA REBEKAH & DR. R. MOHAN KUMAR</i>	73
17.	DATA MINING FOR MOVING OBJECT DATA <i>VOORE SUBBA RAO & DR. VINAY CHAVAN</i>	78
18.	ECONOMIC TOURISM MANAGEMENT: AN APPLIED S.H.G. MODELING THROUGH CASE ANALYSIS OF ELLORA CAVES & DAULATABAD FORT – AN INDIAN APPROACH <i>DR. S. P. RATH, DR. BISWAJIT DAS, SATISH JAYARAM & MEENA SINHA</i>	81
19.	IMAGE RETRIEVAL USING CONTENT OF IMAGE <i>PREETI MISHRA & AVINASH DHOLE</i>	87
20.	FACTORS INFLUENCING COMPANY VALUATION: AN EMPIRICAL ASSESSMENT OF THE INDIAN CORPORATE SECTOR <i>DR. KAUSHIK CHAKRABORTY & NILANJAN RAY</i>	90
21.	CHRONOLOGICAL STUDY ON POSITIONING WITH EMPHASIS ON MALLS <i>SURESH SANNAPU & NRIPENDRA SINGH</i>	94
22.	CYBER ATTACK MODELING AND REPLICATION FOR NETWORK SECURITY <i>B.VENKATACHALAM & S. CHRISTY</i>	98
23.	WORKING CAPITAL MANAGEMENT OF HUL – A CASE STUDY <i>SOMNATH DAS</i>	102
24.	A STRATEGIC FRAMEWORK TOWARDS INDIAN RURAL RETAIL INDUSTRY IN THIS COMPETITIVE ERA <i>URVASHI GUPTA</i>	107
25.	EVALUATION OF THE PERFORMANCE OF TRAINING PROGRAM AT CARBORUNDUM UNIVESAL LIMITED, RANIPET <i>R. GEETHA & DR. A. DUNSTAN RAJKUMAR</i>	112
26.	QUALITY DATA REPRESENTATION IN WEB PORTAL – A CASE STUDY <i>S. CHRISTY, S. BRINTHA RAJAKUMARI & DR. M. SURYAKALA</i>	117
27.	PERFORMANCE ANALYSIS OF FIRE ALARM SYSTEM BASED ON WIRELESS SENSOR NETWORKS USING NS-2 <i>B. RAJESH, D. UPENDER & K. SRINIVAS</i>	120
28.	COMPARISON AND ANALYSIS OF WIRELESS NETWORKS FOR HEALTH CARE TELEMONITORING SYSTEM <i>KANTA JANGRA & KAVITA DUA</i>	125
29.	ECO-FRIENDLY MARKETING AND CONSUMER BUYING BEHAVIOR: AN EMPIRICAL STUDY <i>ADIL ZIA</i>	131
30.	A PROPOSED FRAMEWORK FOR AUTO REGULATED MIGRATING PARALLEL CRAWLER <i>VISHAL, SUBHASH CHANDER & NEELAM</i>	136
	REQUEST FOR FEEDBACK	140

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WORKING CAPITAL MANAGEMENT OF HUL – A CASE STUDY

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CHAMPADANDA

ABSTRACT

Management of working capital is a very common phenomenon of every business firm and is of great importance for its overall growth and decline. Working capital management decisions are related with current assets and current liabilities and also the short-term financing. Such decisions involve the relationship between firm's short-term assets and its short-term liabilities. The main objective of working capital management is to assure the liquidity position of the company by proper controlling of adequate cash flow for meeting the short-term obligation and future operational costs. Excessive and inadequate working capital is harmful to the business. Therefore, for achieving the objective of the business, working capital should be managed in such a way that it controls liquidity and at the same time increases the profitability of the business. The present study is made to make a detailed analysis of working capital management of Hindustan Unilever Limited.

KEYWORDS

Working Capital Management, Working Capital Policy, Working Capital Leverage, Liquidity, Profitability.

INTRODUCTION

Management of working capital is a well-known subject not only from the academic point of view but also from the real world situation. The efficiency with which the working capital is managed in a business firm is of great importance for its overall growth or decline. The significance of working capital varies from industry to industry. A business firm in the capital goods industry may have relatively a lower percentage of the total investment in the current assets than what has to be blocked up in fixed assets. From that point of view working capital management may assume a greater importance in consumers' goods industry, trading firms etc. But, whatever may be the size of business it is important to maintain a desirable portion of working capital in the business. It is the 'life blood' of each and every business concern. Even a business which is fully equipped with all types of fixed assets required is bound to collapse without (1) adequate supply of raw materials for processing, (2) cash to pay for wages, power and other costs, (3) creating a stock of finished goods to feed the market demand regularly and (4) the ability to grant credit to its customers. For all these require working capital. The business will not be able to carry on its day to day activities without the availability of adequate working capital. More working capital signifies more liquidity. Liquidity plays a very vital role in a business for its prosperity or failure. But it is not desirable to maintain more cash for its liquidity. The liquidity of a firm may hurt its profitability.

Decisions relating to working capital involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivables and payables and also cash.

Short-term assets or current assets are essential to use fixed assets profitably. Short-term assets refer to those assets which in the ordinary course of business can be converted into cash within one year without undergoing diminish in value and without disrupting the operations of the firm. On the other hand, short-term liabilities are those which are to be paid within a year out of the current assets or earnings of business firm.

The principal objective of working capital management is to assure that the company is capable of carrying out its functions and it receives adequate cash flow for meeting the short-term obligations and future functional costs. Shortage of funds invested in working capital restricts the normal growth of the firm. Lack of efficient and effective utilization of working capital leads to earn low rate of return on capital employed or even compels to sustain losses. The need for efficient working capital management has thus become greater importance in recent years.

Working capital management is the art and increasingly the science of managing a company's short-term resources to sustain its ongoing activities mobilizes funds and optimizes liquidity. Working capital is a systematic process, plan and technique of managing the current assets and liabilities of the concern and establishing an effective link between current assets and current liabilities. It has the ultimate objectives of maintaining the liquidity and attaining the financial goal of increasing the net health of the business organization. Management of working capital is particularly important for new growing business. Inadequate and excessive working capital poses a threat to the business. Inadequate working capital may stop the operating activities of the organization whereas excessive working capital results in blocking of capital without any effective yield.

In the present study, an attempt has been made to analyze the working capital management of Hindustan Unilever Limited, a very well-known company in Indian FMCG industry.

LITERATURE REVIEW

Sur (1997) made a study on working capital management in Colgate Palmolive (India) Ltd. He attempted to assess the efficiency of working capital management in terms of working capital ratio, acid test ratio, current assets to total assets ratio, current assets to sales ratio, inventory turnover ratio and debtors' turnover ratio. His study revealed that the working capital management was inefficient during the study period. He also suggested special attention to the inventory management.

Shanmugam and Poornima (2001) conducted a study on 28 medium and large scale spinning mills in Coimbatore industrial area (Tamil Nadu). In this study they revealed that effective working capital management is very important in organization's success. Their study showed that most of the industries (10 mills) depended on production plans in working capital planning without considering all norms aside.

Swamy in 1997 made a study on primary agricultural societies (19) in the area of Dakshina karnada district in Karnataka. The study revealed that the balancing of liquidity and profitability was the major problem of working capital management in his sample units. In this study he stressed the importance to the effective working capital management in the societies.

In 1983 Ghosh conducted a study regarding the existing practices of working capital in crane manufacture industry in India. His study indicates that the management of individual components of working capital was erratic. He also recommended that the payments to the suppliers were equally delayed keeping highest portion of payables pending for more than allowed period.

Banerjee (1979) made a study to establish the relationship between liquid ratio, debtors' turnover ratio, creditors' turnover ratio and the movement of overdraft. He opined that when the liquid ratio was below the norm, debtors' turnover ratio and creditors' turnover ratios were high whereas the movement of overdraft showed declining capital was not satisfactory.

OBJECTIVE OF THE STUDY

The objective of the present study is to analyse the Working Capital Management (WCM) of the selected company. More specifically, the present study has the following objectives:

- (i) To analyse the liquidity and the efficiency of the WCM of the selected company by using a few important parameters.
- (ii) To make a componentwise analysis of working capital of the selected company.

- (iii) To analyse the variation of the working capital of the company under study.
- (iv) To evaluate the working capital financing pattern adopted by the selected company.
- (v) To estimate the working capital requirement of the selected company and to find out the deviation of the same from its actual working capital.
- (vi) To examine the working capital policy of the company under study.
- (vii) To measure the sensitivity of the overall profitability of the selected company to changes in its working capital size.

RESEARCH METHODOLOGY OF THE STUDY

(1) Sample Design: The study is based on Hindustan Unilever Limited, a first moving consumer goods company. While selecting this company in the present study purposive sampling procedure has been followed.

(2) Collection of Data: The study is based on secondary data only. For the purpose of the study, secondary data have been collected from Capitaline, Official data bank, Capital Market Publishers (I) Ltd.; Mumbai and Annual Published Reports. Editing, classification and tabulation of the data collected from the above mentioned sources have done as per the requirement of the study.

(3) Analysis of Data: In order to analyze these data the techniques of financial statement analysis like comparative statements, ratio analysis etc., simple mathematical tools like percentage, average, ratios etc., simple statistical techniques like mean, standard deviation, coefficient of variation etc. and statistical techniques like Karl Pearson's simple correlation analysis, simple regression analysis etc have been used.

HINDUSTAN UNILEVER LTD. (HUL)

Hindustan Unilever Limited (HUL) is India's largest fast moving consumer goods producing company, touching the lives of two out of three Indians with over 20 distinct categories in Home and Personal Care products and foods & beverages. Endow of the company with a scale of combined volumes of about 4 million tones and sales of Rs.10, 000 crores. HUL is also one of the countries largest exporters. It has been recognized as a golden super star Trading House by the Government of India. Out of 15,000 employees over 1300 managers are working in this organization. HUL meets everyday needs for nutrition; hygiene and personal care with brands that help people feel good, look good and get more out of life. HUL holds 51.55% of the equity and rest of the share holding distributed among 380000 individual shareholders and financial institutions.

HUL's brands are Lifebuoy, Lux, Surf Excel, Rin, Wheel, Fair & Lovely, Ponds, Sunslik, Clinic, Pepsodent, Close-up, Lakeme, Brooke Bond, Kissan, Knorr-Annapurna, Kwality, Wall's etc. Such products are manufactured over 40 factories across India. The operations involve over 2000 suppliers and associates. HUL's distribution stockiest, comprising about 4000 redistribution stockiest, covering 6.3 million retail outlets reaching the entire urban population and about 250 million rural consumers.

Hindustan Unilever Research Centre (HLRC) was set up in 1958 to incorporate latest technology in all its operations, now has facilities in Mumbai and Bangalore. HUL is focusing on health & hygiene education, women empowerment and water management. It is also involved in education and rehabilitation of special or underprivileged children, care for the destitute and HIV positive and rural development.

Hindustan Unilever Limited (HUL) supplies high quality goods and services to meet the daily needs of consumers and industry. In doing so the company is committed to exhibit the highest standards of corporate behaviour towards its consumers, employees, the societies and the world where we live. HUL recognizes its joint responsibility with the government and the public to protect environment and is committed to regulate all its activities so as to follow best practicable means for minimizing adverse environmental impact arising out of its operations.

The liberalization of Indian economy in 1991 and subsequent removal of the regulatory framework allowed HLL to explore every single product and opportunity segment, without any constraints on production capacity. In 1992 Brooke Bond acquired Kothari General Foods with significant interest in Instant coffee. In 1993, it acquired the kissan business from UB Group. The most talked about events of India's corporate history, the erstwhile Tata Oil Mills Company (TOMCO) merged with HLL in April 1993. In July, 1993 Brooke Bond India and Lipton India merged to form Brooke Bond Lipton India Limited (BBLTL). HLL has also set up a subsidiary in Nepal, Nepal Lever Limited (NLL). In January, 2000, as part of its divestment strategy, the government decided to acquire 74% equity in Modern Foods to HLL. In 2002, HLL acquire the government's remaining stake in Modern Foods. In February, 2007 the company has been renamed to "Hindustan Unilever Limited" to strike the optimum balance between maintaining the heritage of the company and the future benefits and synergies of global alignment with the corporate name of "Unilever".

FINDINGS OF THE STUDY

In Table I for analyzing the management of working capital of Hindustan Unilever Limited an attempt have been made to show the volume of working capital and its importance in relation to sales, debtors and inventory of the company.

(1) Current assets to total assets ratio (CATA): Current assets to total assets ratio explains the relationship between current assets and the total amount of fund invested in assets. The business firm should manage its current assets efficiently and effectively so that it can manage its liquidity as well as can accrue profit regularly. Table I shows that on an average 51.44 per cent of total assets were current assets. It signifies that during this period apparently equal portion of the total investment of the company was made for the working capital purpose. Table I shows that the share of current assets in total assets which was 42.72 per cent in 2005 rapidly increased to 66.28 per cent in 2008. During the period 1998 to 2005 the share of working capital to total in total assets decreased by 17.11 per cent, except the year 2001, showing low rate of investment in current assets than fixed assets. It is observed that although this ratio has increased in the last three years of the study period, except in the year 2009. The decline in CATA ratio during the study period mentioned above might have been due to expansion/modernization plan.

(2) Current assets to sales ratio (CASR): It indicates the efficiency of the management of working capital. The lower the ratio, the higher the efficiency of the WCM. From Table- I it is clear that the CASR of the company fluctuated during the period of the study. During the years 2000, 2004, 2005 and 2007 this ratio decreased. On an average it was 29.14 percent.

(3) Debtors to sales ratio (DSR): This ratio measures the efficiency in managing the debtors of the company. A low value of DSR signifies prompt payment by debtors. On the other hand, a high value of DSR indicates very liberal, ineffective and inefficient credit and collection policy. Table- I reveals that a steady growth in the DSR of the company in the years 1998 to 2004 was noticed whereas in the years 2005 to 2009 a declining trend was observed. It implies that in the first half of the study period the efficiency of the credit management of the company reduced, it improved significantly in the second half of the study period.

(4) Inventory to sales ratio (ISR): This ratio shows the efficiency of the inventory management. The lower the ratio, the better is the inventory management of the company and vice-versa. Table I depicts that the ratio increased in one year then it decreased in next year and such trend continued throughout the study period. On an average, the ratio was 12.80 per cent. It varied between 11.17 per cent in 2000 and 14.89 per cent in 2004 during the study period. Definite conclusion can not be made unless the ratios are calculated product wise. But still larger fluctuation portrays the poor control of the company over its inventory.

COMPONENTS OF WORKING CAPITAL

In Table II a component wise analysis of working capital has been made in order to find out the factors responsible for significant changes in working capital during the period under study. Out of four components of gross working capital, debtors, cash & bank and other current assets including loans and advances contributed 12.02, 21.40 and 21.98 per cent respectively towards gross working capital. Inventories contributed the highest i.e. 44.60 per cent towards the gross working capital. During the study period a very remarkable change in the share of different components of working capital took place. The share of other current assets including loans & advances decreased from 23.39 per cent in 1998 to 12.54 per cent in 2009. The share of cash & bank balance increased from 25.30 per cent in 1998 to 33.45 per cent in 2009. The share of inventories stepped up from 43.91 per cent in 1998 to 61.87 per cent in 2009. Similarly, sundry debtors increased from 7.4 per cent in 1998 to 11.08 per cent in 2009. The most noticeable outcome of the analysis is that during the study period more than 20 per cent

of total investment in working capital was made for other current assets including loans and advances while, on an average, only 12.02 per cent was blocked up in sundry debtors.

FINANCING OF WORKING CAPITAL

In Table III an analysis regarding variation of working capital during the period of study has been shown whereas in Table IV an attempt has been made to explain the relative importance of long term and short-term debts in financing working capital. Table III shows that out of two sources of working capital, short-term debt dominated the over all picture. Table IV shows that the percentage of long term funds used for financing working capital occupied a very negligible portion during the period of study. Such trend reflects the decreasing dependence on long-term funds as a source of working capital than the short-term funds. The increasing dependence on short-term funds in financing working capital of HUL reveals the better performance of the company regarding working capital management. Although, no comparison between the respective costs of long-term and short-term debts has been made for the sake of simplicity, generally, we know that the long-term debts are more costly than the short-term debts.

ESTIMATION OF WORKING CAPITAL REQUIREMENT AND THE RESULTANT VARIATION

An estimation of working capital requirements of the company with the help of simple regression equation has been made in Table V. The difference between actual working capital and estimated working capital has been found out. The linear regression line used in this analysis is $Y = a + bx$, where, Y = working capital, x = sales, b = rate of growth in working capital and a = intercept of the line on the Y axis i.e. the amount of working capital required when sales are nil. Table V shows that in the years 2001, 2002, 2003, 2004, 2008 and 2009 the actual working capital was greater than the estimated working capital. It signifies the inefficient management of working capital due to under utilization of fund in these years whereas in the years 1998, 1999, 2000, 2005, 2006 and 2007 there was a shortage of working capital. These shortages indicate the over utilization of fund. Proper attention should, therefore, be given on the working capital management of the company under study due to the risk of over and under utilization of its working capital funds.

WORKING CAPITAL POLICY

In Table VI an attempt has been made to test the overall working capital policy adopted by the company and to assess the relationship between the policy of the company and its profitability. Generally, it is expected that the lower the current assets, the higher the sales to gross working capital ratio, the higher the risk and aggressiveness, the higher the profitability of the company and vice versa. The company adopted moderately aggressive working capital policy by applying lower level of gross working capital in relation to sales throughout the study period. The sales to gross working capital ratio of the company was 3.63 in 1998. It decreased to 3.37 in 1999. Then it increased to 3.83 in 2000. But it again decreased to 3.1 in 2001, to 2.9 in 2002, to 2.89 in 2003. Ultimately this ratio reached 3.44 in 2009 signifying investment in current assets as compared to investment in fixed assets. Adoption of aggressive working capital policy throughout the study period except in the year 2004, the profitability (i.e. EBIT / Total Assets of the concern) massively increased from 57.28 per cent in 1998 to 113.77 per cent in 2009. Therefore the company throughout the study period got the reward of taking higher risk. Only in the year 2004 the company converted its working capital policy from aggressive to conservative policy by increasing the level of current assets in relation to sales.

WORKING CAPITAL LEVERAGE

The working capital leverage of the company has been calculated in Table VII, in order to measure the sensitivity of return on investment (ROI) to changes in the level of current assets. It should be kept in mind that the changes in working capital in last year will be maintained in the next year in calculating the working capital leverage. In the year 2007 the working capital leverage of the concern was 2.00 which was the highest among all the years under study showing the maximum sensitivity of ROI changes in the level of current assets. On the other hand in 2001 the working capital leverage of the company was the lowest which was 0.90 which was the least, signifying the minimum sensitivity of ROI changes in the level of current assets. Therefore, changes in current assets were maximum sensitive in 2007 and minimum sensitive in 2001 in increasing the profitability of the concern.

CONCLUSIONS OF THE STUDY

The analysis done so far reveals that management of working capital is one of the important aspects of this company. During the study period gross working capital of the company has rapidly increased and heavily relied on current assets rather than fixed assets. The company's debtors as a percentage of sales were 2.04 per cent in 1998 and it sharply increased to 4.93 per cent in 2004. After that the company restricted its debtors and at the same time increased its turnovers. Analysis of variation of working capital of the company during our study period depicted a very interesting story. Most of the time of our study period, the short-term financing has dominated the picture. It speaks about the decreasing dependence on long-term fund as a source of working capital than short-term fund. Decreasing dependence on long-term sources means savings in cost. Therefore, from this point of view the company managed its working capital properly. Out of four components of working capital inventories were contributed the highest followed to other current assets including loans & advances, cash & bank and debtors. The company adopted moderately aggressive working capital policy by applying lower level of gross working capital in relation to sales throughout the study period. The adoption of aggressive working capital policy helped the company to increase its profitability (i.e. EBIT / Total Assets) except in the year 2004. It signified that the company gets the reward of taking higher risk throughout the study period. The sensitivity of return on investment (ROI) to changes in the level of current assets was measured through working capital leverage. The greater sensitivity of return on investment to changes in the level of current assets has shown in 2009 during the study period.

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TABLES

TABLE - I: SELECTED RATIOS RELATING TO WORKING CAPITAL MANAGEMENT (Rs. In crores)

Particulars	1998*	1999*	2000*	2001*	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*	Average for the period of study
Gross Working Capital (in crores)	2608.72	3011.15	2761.32	3426.78	3431.07	3501.79	3304.96	2773.01	3169.65	3277.41	4480.76	4875.00	3385.14
Current Assets To Sales (%)	27.57	29.71	26.09	32.22	34.47	34.64	33.28	25.03	26.25	23.68	27.67	29.05	29.14
Current Assets to Total Assets (%)	133.31	132.06	106.21	109.57	92.29	91.12	92.74	117.37	113.29	202.83	225.53	216.48	136.07
Debtors To Sales (%)	2.04	2.31	2.5	3.99	3.70	4.66	4.93	4.72	3.65	3.36	2.65	3.22	3.48
Inventory to Sales (%)	12.11	12.93	11.17	11.66	12.85	13.87	14.89	11.95	12.84	14.47	12.49	12.46	12.80

*Annualized.

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports.

TABLE - II: STATEMENT OF VARIATION OF WORKING CAPITAL OF HINDUSTAN UNILEVER LIMITED (Rs. In crores)

Particulars	1998*	1999*	Increase/Decrease	2000*	2001*	Increase/Decrease	2002*	2003*	Increase/Decrease	2004*	2005*	Increase/Decrease	2006*	2007*	Increase/Decrease	2008*	2009*	Increase/Decrease
Applications Inventories	1145.68	1310.01	164.33	1182.1	1240.04	57.94	1278.74	1402.45	123.71	1479.58	1324.97	(154.61)	1551.02	1953.6	402.58	2023.09	2092.8	69.71
Debtors	192.94	233.75	40.81	264.51	424.78	160.27	367.85	470.85	103	489.27	522.83	33.56	440.37	443.38	3.01	429.50	540.15	110.65
Cash & Bank	659.88	810.45	150.57	522.08	913.16	391.08	942.63	806.48	(136.15)	698.05	355.03	(343.02)	416.94	200.86	(216.08)	1421.88	1630.	209.04
Loans & Advances	610.22	656.94	46.72	792.63	848.8	56.17	841.85	822.01	(19.84)	638.06	570.18	(67.88)	761.32	679.57	(81.75)	606.29	611.13	4.84
Total Current Assets	2608.72	3011.15	402.43	2761.32	3426.78	665.46	3431.07	3501.79	70.72	3304.96	2773.01	(531.95)	3169.65	3277.41	107.76	4480.76	4875.00	394.24
Sources Long term Debt	264.31	177.27	(87.04)	111.61	83.74	(27.87)	58.3	1704.31	1646.01	1471.12	56.94	(1414.18)	72.6	88.53	15.93	115.72	28.93	(86.79)
Short-term Debt	1878.42	2143.74	265.32	2234.28	2410.42	204.01	2465.34	2559.49	94.15	2590.79	2969.45	378.66	3201.63	3837.09	635.46	221.84	55.46	(166.38)
Net Worth	1692.63	2102.77	410.14	2488.22	3043.69	555.47	3658.87	2138.72	(1520.15)	2092.71	2305.62	212.91	2723.49	1439.23	(1284.26)	1648.67	2063.86	415.19
	3835.36	4423.78	588.42	4834.11	5537.85	703.74	6182.51	6402.52	220.01	6154.62	5332.01	(822.61)	5997.72	5364.85	(632.87)	1986.23	2148.25	162.02
Net Fixed Assets	(122.64)	(1412.63)	(185.99)	(2072.79)	(2111.07)	(38.2844)	(2751.73)	(2900.73)	(149.29)	(2849.66)	(2559.66)	(290.66)	(2828.07)	(2087.3)	(740.63)	2494.53	2726.75	232.22
Total Current Assets	2608.72	3011.15	402.43	2761.32	3426.78	665.46	3431.07	3501.79	70.72	3304.96	2773.01	(531.95)	3169.65	3277.41	107.76	4480.76	4875.00	394.24

*Annualized.

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports

TABLE - III: FINANCING OF WORKING CAPITAL OF HINDUSTAN UNILEVER LIMITED (Rs. In Crores)

Particulars	1998*	1999*	2000*	2001*	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*
Working Capital (Gross)	2608.72	3011.15	2761.32	3426.78	3431.07	3501.79	3304.96	2773.01	3169.65	3277.41	4480.76	4875.00
Sources of Working Capital:												
a. Short-term funds	1878.42	2143.74	2234.28	2410.42	2465.34	2559.49	2590.79	2969.45	3201.63	3837.09	221.84	55.46
b. Long-term funds	730.30	867.41	527.04	1016.36	965.73	942.3	714.17	nil	nil	nil	4258.92	4819.54
Total Long-term funds (Net worth + Long-term debt)	1956.94	2280.04	2599.83	3127.43	3717.17	3843.03	3563.83	2362.56	2796.09	1610.31	1764.39	2092.79
Net fixed assets and other assets (Investments)	1226.64	1412.63	2072.79	2111.07	2751.44	2900.73	2849.66	2559.00	2828.07	3385.78	2494.53	2726.75
Percentage of long-term fund used for financing working capital (2b as % of 3)	37.32	38.04	20.27	32.50	25.98	24.52	20.04	nil	nil	nil	241.38	230.29
Percentage of long-term fund used for financing fixed assets and investments	62.68	61.96	79.7	67.5	74.02	75.48	79.96	nil	nil	nil	141.38	130.29

*Annualized.

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports.

TABLE - IV: COMPONENTS OF WORKING CAPITAL WITH RESPECTIVE PERCENTAGE OF HINDUSTAN UNILEVER LIMITED (Rs. In crores)

Particulars	1998*	1999*	2000*	2001*	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*	Average
Inventories	1145.68 (43.91)	1310.01 (43.51)	1182.1 (42.81)	1240.04 (36.19)	1278.74 (37.27)	1402.45 (40.05)	1479.58 (44.77)	1324.97 (47.78)	1551.02 (48.93)	2003.77 (61.87)	2003.09 (45.15)	2092.80 (42.93)	44.60
Sundry Debtors	192.94 (07.40)	233.75 (7.76)	264.51 (9.58)	424.78 (12.4)	367.85 (10.72)	470.85 (13.45)	489.27 (14.80)	522.83 (18.85)	440.37 (13.89)	464.93 (14.19)	429.5 (09.58)	540.15 (11.08)	12.02
Cash & Bank	659.88 (25.30)	810.45 (26.91)	522.08 (18.91)	913.16 (26.65)	942.63 (27.47)	806.48 (23.03)	698.05 (21.12)	355.03 (12.80)	416.94 (13.15)	200.86 (6.13)	1421.88 (31.73)	1630.92 (33.45)	21.40
Other current Assets including Loans & Advances	610.22 (23.39)	656.94 (21.82)	792.63 (28.70)	848.80 (24.77)	841.85 (24.54)	822.01 (23.47)	638.06 (19.31)	570.18 (20.56)	761.32 (24.02)	607.85 (18.55)	606.29 (13.53)	611.13 (12.54)	21.98
Working Capital	2608.72 (100.00)	3011.15 (100.00)	2761.32 (100.00)	3426.78 (100.00)	3431.07 (100.00)	3501.79 (100.00)	3304.96 (100.00)	2773.01 (100.00)	3169.65 (100.00)	3277.41 (100.00)	4480.76 (100.00)	4875.00 (100.00)	(100.00)

*Annualized.

Figures in parantheses indicate percentages.

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports.

TABLE - V: ESTIMATION OF WORKING CAPITAL REQUIREMENT OF HINDUSTAN UNILEVER LIMITED[With the help of Regression Equation $Y = a + bx$] (Rs. In crores)

Year	Actual Working Capital (O)	Estimated Working Capital (E)	Excess Working Capital	Shortage of working capital
1998	2608.72	2881.06		272.34
1999	3011.15	3029.50		18.35
2000	2761.321	3129.13		367.81
2001	3426.78	3140.05	286.73	
2002	3431.07	2989.43	441.64	
2003	3501.79	3023.95	477.83	
2004	3304.96	2984.86	320.09	
2005	2773.01	3238.75		465.73
2006	3169.65	3458.62		288.97
2007	3277.41	3849.31		571.90
2008*	4480.76	4368.31	112.45	
2009*	4875.00	4499.18	375.82	

*Annualised

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports

TABLE - VI: TEST OF WORKING CAPITAL POLICY (AGGRESSIVE / CONSERVATIVE) OF HINDUSTAN UNILEVER LIMITED (Rs. In Crores)

Particulars	1998*	1999*	2000*	2001*	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*	Average
Sales	9461.83	10133.5	10584.3	10633.7	9952.18	10108.4	9931.51	11080.3	12075.2	13843.02	16191.46	16783.61	--
EBIT	1120.99	1410.33	1678.24	1974.13	2200.37	2234.74	1614.98	1642.93	2198.24	2210.02	2440.35	2562.00	--
Total Assets	1956.94	2280.04	2599.83	3127.43	3717.17	3843.03	3563.83	2362.56	2796.09	1527.76	1986.76	2251.99	--
Gross Working Capital	2608.72	3011.15	2761.32	3426.78	3431.07	3501.79	3304.96	2773.01	3169.65	3277.41	4480.76	4875.00	3385.14
EBIT / Total Assets (%)	57.28	61.86	64.55	63.12	59.19	58.15	45.32	69.54	78.62	144.66	122.83	113.77	78.24
Sales / Gross working Capital (in times)	3.63	3.37	3.83	3.1	2.9	2.89	3.01	4.01	3.81	4.22	3.61	3.44	3.49

*Annualized.

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports.

TABLE - VII: WORKING CAPITAL LEVERAGE OF HINDUSTAN UNILEVER LIMITED (Rs. In crores)

Particulars	1998*	1999*	2000*	2001*	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*
Current Assets	2608.72	3011.15	2761.32	3426.78	3431.07	3501.79	3304.96	2773.01	3169.65	3277.41	4480.76	4875.00
Total Assets	1956.94	2280.04	2599.83	3127.43	3717.17	3843.03	3563.83	2362.56	2796.09	1527.76	1986.76	2251.99
Working Capital Leverage [Current Assets / Total Assets +/- ΔCurrent Assets]	--	1.12	1.18	0.90	0.92	0.90	0.98	1.51	0.99	2.00	1.41	1.84

*Annualized.

Source: Corporate Database Capitaline Publishers Ltd and Published Annual Reports.

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