



## **A Study on Working Capital Management of Hindustan Unilever Limited (HUL)**

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### **ABSTRACT:**

The objective of the project "A Study On Working Capital Management Of Hindustan Unilever Limited (HUL)" is to use a variety of financial ratios and techniques to assess the Hindustan Unilever Limited's (HUL) working capital management. To investigate the HUL's financial situation, profitability, liquidity, solvency and efficiency. The study makes use of secondary data. The data have been collected from annual reports published in Hindustan Unilever Limited company's website portal.

**KEYWORDS:** Financial situation, Hindustan Unilever Limited (HUL), Profitability, Liquidity, Solvency, Efficiency.

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### **INTRODUCTION:**

Finance is the study about the management of money, investments and other instruments. Working capital management represents the relationship between a firm's short term assets and its short term liabilities. It aims to ensure that a company can afford its day-to-day operating expenses while also investing the company's assets in the most successful direction possible. Therefore, working capital is a measure of business liquidity position, operational efficiency and short term financial soundness.

### **OBJECTIVES OF THE STUDY:**

- To ascertain the financial position of Hindustan Unilever Limited
- To know the Profitability position of Hindustan Unilever Limited.

### **SCOPE OR NEED OF THE STUDY:**

The study's main goal is to use practical information about how organizations manage working capital and the major sources of working capital.

### **STATEMENT OF PROBLEM:**

Despite being a leading FMCG Company with a strong brand presence and high profitability, Hindustan Unilever Limited is facing challenges in effectively managing its working capital, which is negatively impacting its cash flows and overall financial performance. This problem needs to be addressed to ensure sustained growth and profitability for the company in the long run.

### **LIMITATION OF THE STUDY:**

- The study is based on 5 years financial report only.
- Direct observation is literally impossible since it is collected from secondary source of data.

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### **REVIEW OF LITERATURE:**

- **Prasad,R S R & Lakshmi B H (2018)** focused on , "Working capital management efficiency :A study on selected Pharmaceutical companies in India" for assessing efficiency of working capital in selected 15 pharma companies and concluded that overall performance of these companies

was average but individual performance was fluctuating. ➤ **Dr.V.Bhuvaneshwari (2020)** examined working capital and liquidity position of the Hindustan Unilever Limited. Ratio analysis and statement of changes in working capital is the techniques used for analyzing. This study covers a period of five years from (2016-2020). The company is maintaining good profitability over the years. Based on the analysis they conclude that the overall working stability and soundness of Hindustan Unilever Limited, are improved over the years and this improvement in the overall financial performance in the forth coming years help the company to grow more and earn more profit in future.

- **Akoto Richard K., Vitor Dadson A and Angmor Peter L.,(2013)** closely studied the relationship between working capital management policies and profitability of the thirteen listed manufacturing firms in Ghana. A significantly negative relationship between profitability and accounts receivable days is found to exist at the end of the study.
- **Joseph Jisha (2014)** closely examined the study of working capital management in Ashok Leyland and pointed out that the liquidity and profitability position of the company was not satisfactory, and needed to be strengthened in order to be able to meet its obligations in time.
- **Madhavi K (2014)** made an empirical study of the co-relation between liquidity position and profitability of the papermills in Andra Pradesh. It was observed that inefficient working capital management had a negative impact on the profitability and liquidity position of the papermills in Andra Pradesh.

#### **COMPANY PROFILE:**

Hindustan Unilever Limited (HUL) is an Indian consumer goods company headquartered in Andheri, Mumbai. HUL was established in 1931 as Hindustan Vanaspati Manufacturing Co. Following a merger of constituent groups in 1956, it was renamed Hindustan Lever Limited. The company was renamed again in June 2007 as Hindustan Unilever Limited. Its various products include foods, beverages, cleaning agents, personal care products, water purifiers and other fast moving consumer goods. HUL is a subsidiary of the British company Unilever.

Unilever, one of the world's leading suppliers of Food, Home care, Personal care and Refreshment products with sales in over 190 countries.

#### **ANALYSIS AND INTERPRETATION OF DATA:**

##### **RATIO ANALYSIS:**

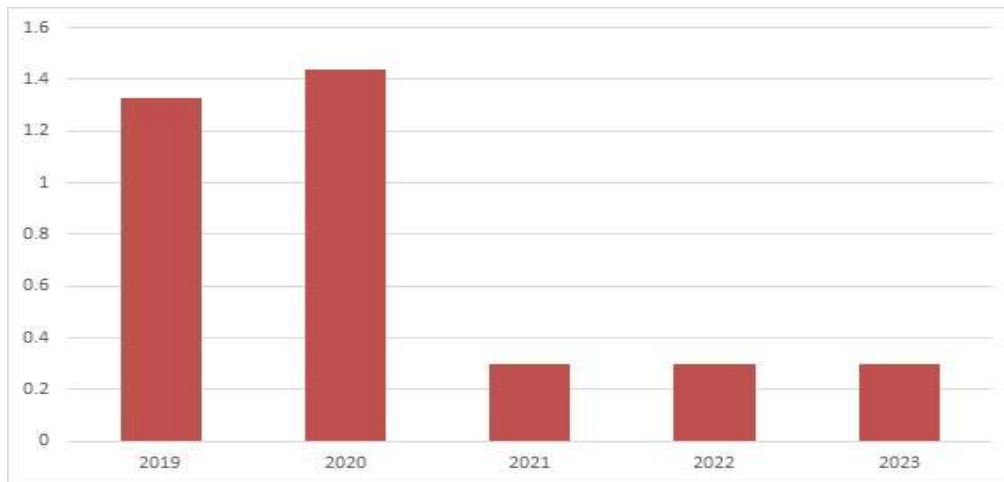
##### **TABLE SHOWING DEBT EQUITY RATIO**

<b>YEAR</b>	<b>LONG TERM DEBTS</b>	<b>SHAREHOLDERS FUNDS</b>	<b>DEBT EQUITY RATIO</b>
2018-2019	10206	7659.00	1.33
2019-2020	11571	8031.00	1.44
2020-2021	14696	47434.00	0.30
2021-2022	14836	48760.00	0.30
2022-2023	15279	50221.00	0.30

##### **INTERPRETATION:**

The debt equity ratio of HUL was 1.33 in the year 2018-19, in the year 2019-20 it increased to 1.44 and in the year 2020-21 it decreased to 0.30 and it became constant in the year 2021-2022 and 2022-2023.

##### **DEBT EQUITY RATIO**



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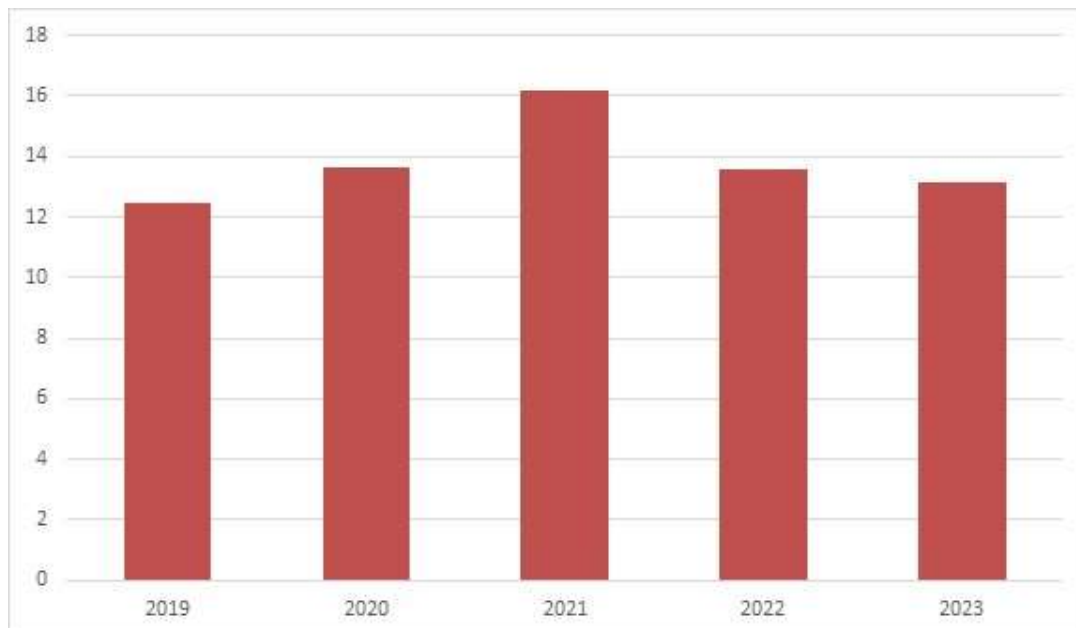
**TABLE SHOWING WORKING CAPITAL TURNOVER RATIO**

YEAR	NET SALES	WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2018-19	37660	3021	12.46
2019-20	38273	2804	13.64
2020-21	45311	2799	16.18
2021-22	50336	3703	13.59
2022-23	58154	4422	13.15

**INTERPRETATION:**

The Working capital turnover ratio of HUL was 12.46 in the year 2018-19. It increased to 13.64 in 2019-20. It further increased to 16.18 in 2020-21. It start to decrease to 13.59 and 13.15 in the year 2021-22 and 2022-23.

**WORKING CAPITAL TURNOVER RATIO**



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**FINDINGS:**

- The above table represent the level of current ratio from 2019 to 2023. In the year 2018-19 the current ratio is 1.36 then it decreased in the next year 2019-20 at 1.30, it decreased gradually in the year 2020-21 at 1.25. In the next year 2021-22, it increased to 1.33 and during 2022-23 it increased and reached to 1.38. The current ratio of HUL does not reached the ideal ratio.
- The Working capital turnover ratio of HUL was 12.46 in the year 2018-19. It increased to 13.64 in 2019-20. It further increased to 16.18 in 2020-21. It start to decrease to 13.59 and 13.15 in the year 2021-22 and 2022-23.

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**SUGGESTIONS:**

- HUL can improve its current ratio and quick ratio by increasing its short term assets or by reducing its short term liabilities. This can be done by improving inventory management, increasing sales or negotiating better credit terms with suppliers.
- HUL can strengthen its debt-to-equity ratio by reducing its debt and increasing its equity. This can be done by raising capital through equity issuance or by paying off existing debt.

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**CONCLUSION:**

This study highlights the statement showing the changes of working capital management and the ratio analysis of Hindustan Unilever Limited. Implementation of lean manufacturing principles, reducing waste and improving production efficiency can help reduce production costs and improve working capital. Increasing sales and improving marketing efforts can help generate revenue, which can then be used to improve working capital.

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