

“IMPACT OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY IN FMCG COMPANIES: A CASE STUDY OF ITC LTD.”

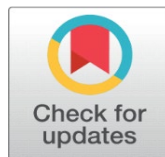
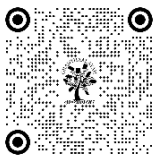
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ABSTRACT

Working capital management has very importance for sustaining profit and operating efficiency of industries like fast-moving consumer goods as well as agribusiness. The challenge being faced by the major conglomerate in India, ITC Limited, is actually balancing the liquidity need with growth momentum across its diversified business segments like FMCG, agribusiness, hospitality, and paperboards. It discusses the relationship of ITC WCM practices with profitability and explains how ITC manages crucial working capital items such as inventory, receivables, and payables to give liquidity support and long-term growth.

Using data from various liquidity and efficiency ratios, including Current Ratio, Acid test Ratio, Inventory Turnover Ratio, Receivables Turnover Ratio, Payables Turnover Ratio, Cash Ratio, and Cash Conversion Cycle (CCC), the study looked at the ITC's data. With information on the exact strategies pursued by ITC under WCM through supplementing data from ITC's financial reports with some custom calculations in Excel, the study explains the outcomes of such performance measures.

The results also indicate that WCM practices under ITC are vital to the financial solidity of the firm and contribute significantly to its responsiveness to economic shocks. The Current Ratio and Quick Ratio of ITC are ever depicting a high liquidity of the firm, facilitating the company to service short-term obligations and reduce uncertainty in the marketplace. ITC's Inventory Turnover Ratio seems to portray intelligent management of stock. Digital transformation helps make responsive adjustments in inventory levels based on demand. Better inventory management practices can reduce holding costs, improve cash flow, and streamline supply chain operations for better profitability.

In addition, the Receivables Turnover Ratio of ITC suggests that the company concentrates on faster collection cycles, which supports liquidity and therefore minimizes cash flow constraints. Making use of digital tools and defining credit management policies, ITC has been accelerating the collection cycle process, which enables it to reduce dependence on external funding avenues and provide agility in terms of a cash flow cycle. A Payables Turnover Ratio reflects the company's approach on cash outlays from a strategic and tactical point of view. ITC can manage timely payments to suppliers while looking for opportunities to extend periods of cash retention. The cash balance is hence strengthened without impacting supplier relations.

The Cash Conversion Cycle, another imperative variable of this study, is an expression of the efficiency with which the working capital of ITC can be converted into cash. The CCC captures to what extent ITC's strategy of managing inventory, receivables, and payables is translated in taking cash cycle ahead in accelerated ways that reduce time lapse, thus

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making cash coming from core operations. Optimized cash flow at ITC then enables it to channel cash returns to profitable activities toward growth and innovation.

In summary, the above research emphasizes how ITC's WCM strategies have constantly been a source of profitability by enhancing cash flows that facilitate healthy financial operations over long-term periods. Digital tool integration and adoption of the sustainable data-driven approach have helped ITC in gaining a competitive edge in its diversified business streams. This research highlights that agile WCM is important for resilience and profitability in the FMCG industry: such research clarifies value maximization through liquidity optimization from companies navigating market dynamics.

Keywords: Working Capital, Liquidity, Management, Ratios, Profitability, Cash Conversion Cycle

1. INTRODUCTION

WCM is essential for the provision of liquidity, operational efficiency, and profitability in industries that carry fast-moving consumer goods (FMCG) and agribusiness operations. The distinctive nature of ITC Limited, the top Indian conglomerate operating through FMCG, agribusiness, hospitality, and paperboards, requires working capital management with diversified products and large supply chains, characterized by a relationship short-term liquidity and long-term growth goal.

The paper shows the impact of WCM on the profitability of ITC by taking into account some of the key financial indicators such as liquidity ratios, turnover ratios, and Cash Conversion Cycle. This research is analyzing the way ITC managed its inventory, receivables, and payables extends insights about the nature of WCM that really helps in the pursuit of sustained profitability.

This analysis bases itself on the annual reports of ITC to assess how developments in market conditions and economic pressures can determine the financial strategies that would pass muster for the company. Simultaneously embracing digital transformation and sustainability, this paper has undertaken an effort to highlight in what way these initiatives change the working capital efficiency of ITC. In that regard, therefore, this research is crucial as it derives light upon proactivity using a WCM for achieving competitive advantage and financial resilience in an increasingly transforming business landscape.

2. LITERATURE REVIEW

The basic thing in financial analysis are working capital and cash flow. While cash flow is connected to a business's financial statement, working capital is connected to the balance sheet. (FURHMANN & RYAN, 2023)

According to (Jayarathne & T.A.N.R., 2014), the timing of funding is the primary factor that distinguishes long-term and short-term financing. When a firm needs cash flows within a year, short-term finance takes care of its immediate working capital needs. All current assets are included in gross working capital, and a company's gross working capital is determined by the difference in its current assets and current liabilities. Effective inventory management, supervision of accounts payable and receivable, and cash arrangement coordination are all essential parts of net working capital management.

One management idea known as WCM focuses on determining the ideal level of cash, inventories, and debt. The objective is to finance this level at a cost that is as affordable as feasible through current liabilities, as stated by (Brigham & Houston, 2009)

Companies need to know how to handle their current liabilities and assets. These are crucial elements can be managed differently, and a company's profitability is impacted by how well each element is managed (Ehrhardt & Brigham, 2011).

2.1. ACCOUNTS RECEIVABLES (AR)

The initial step in managing the business's accounts receivable is to create a credit policy. Therefore, it is essential that the business set up a system to keep an eye on and control the satisfaction of credit obligations. According to

(Ehrhardt & Brigham, 2011) and (Enqvist, Graham, & Nikkinen, 2014), the profitability of the firm and AR were negatively correlated with the firm's profitability. Corrective actions are often necessary for specific credit policies, and the only way to determine whether the situation is appropriate and under control is to implement an effective receivables control system. This suggests that if the time needed to recover debt from debtors is shortened, profitability will increase. According to Álvarez-Gamboa's & Javier, 2021)

2.2. INVENTORY (INV)

The important part of production is the inventory management procedure. It is thought to be among the most important production-related factors. The companies' management is in charge of supplying the required funding. Maintaining inventory is crucial since the sale process is greatly impacted when there is a shortage of goods. This is a substantial revenue stream for FMCG companies, potentially influencing the organization's profitability. They include these businesses. Making sure there is enough is the aim of inventory management.

In order to maintain production continuity and lower the costs related to stock holding, stock is an essential component.

The goal is to cut stock as much as possible, according to Brigham & Houston (2009). INV and a company's financial performance have been shown to positively correlate (Enow & Brijlal, 2014; Olaoye, Oluwadare, & Adekanbi, 2019). A large amount of inventory prevents businesses from seeing a drop in sales. This lowers their production costs or the likelihood that they may experience breakage charges. (Baños-Caballero, García-Teruel, & Solano, 2014). INV and a company's profitability have been shown to be negatively correlated in a number of studies.

2.3. ACCOUNTS PAYABLES (AP)

The accounts payable include trade credit and accrued expenses in the balance sheet. As per (Ahangar, 2020), the continuous provision of financing is imperative for the seamless execution of business operations. Old studies have demonstrated that a positive correlation was observed between AP and profitability. (Panigrahi, Farsi, Kumaraswamy, Khan, & Rana, 2022). Consequently, the corporations can attain greater profits by adopting a proactive approach. It will require a considerable amount of time to settle the creditors' obligations as a consequence of utilizing this liquidity to finance investments in the short-term. (Deloof, Does Working Capital Management Affect Profitability of Belgian Firms?, 2003) and (Enqvist, Graham, & Nikkinen, 2014) found a positive correlation. There is a correlation between AP and profitability.

2.4. CASH CONVERSION CYCLE (CCC)

The time needed to make a purchase is connected to the cash conversion cycle. Raw materials are produced and stored as part of the process, and then the stock is sold. The type of debt will determine the outcome. Numerous studies are done on various topics, according to Brigham & Houston (2009). Based on our research, there is a negative relationship between WCM and profitability. It is clear that the cash conversion cycle is probably the cause of a decline in profitability (Eldomiaty, Eid, Taman, & Rashwan, 2023). Brijlal and Enow (2014) (Enqvist, Graham, & Nikkinen, 2014) and others have noted that CCC and profitability are positively correlated.. (Amponsah-Kwatiah & Asiamah, 2020) and (Kofi & Michael, 2020) Contrary to (Jakpar, Tinggi, TK, & Johari, 2017) stated that there was no logical relationship between cash conversion cycle and profitability.

There is a knowledge gap on how ITC's working capital management strategies impact financial measures including cash flow, liquidity, and profitability, which may have an impact on the company's overall performance.

2.5. OBJECTIVES

- Examine trends in ITC's liquidity and efficiency ratios, such as Current Ratio, Acid test Ratio, Inventory Turnover Ratio, Receivables Turnover Ratio, and Payables Turnover Ratio, over the study period.
- Analyze the Cash Conversion Cycle (CCC) as an indicator of ITC's ability to convert capital in inventory and receivables into cash flows.

- Explore the relationship between WCM and profitability, with particular attention to the alignment of ITC's financial strategies with its operational goals.

Research Hypothesis

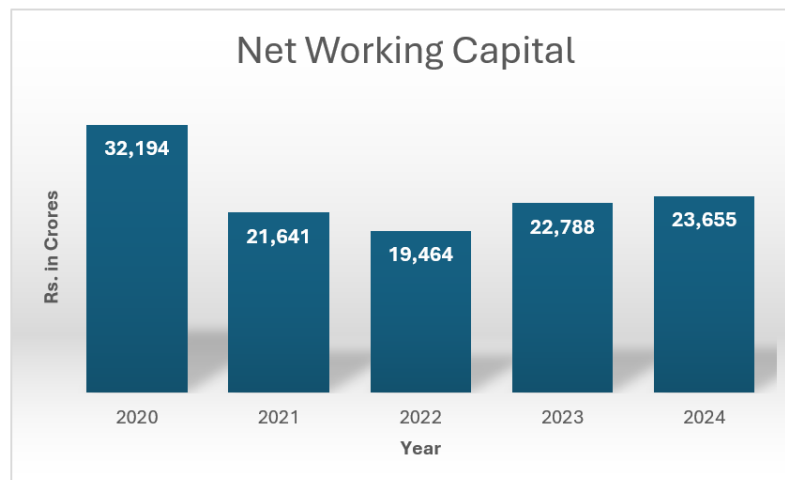
- **H01:** There is no relationship between net profit and sales.
- **H11:** There exists a relationship between profit and sales
- **H02:** There is no relationship between current assets and net working capital
- **H12:** There is relationship between current assets and net working capital

3. RESEARCH METHODOLOGY

This study shows the importance of working capital management (WCM) on ITC Limited's profitability using both quantitative and qualitative approaches. Financial data from ITC's annual reports for 2020, 2021, 2022, 2023 and 2024 were analysed alongside an Excel file containing key financial ratios. These sources provided a comprehensive view of ITC's WCM practices over time.

Analysis & Interpretation

Calculation of Net Working Capital (2020-2024)



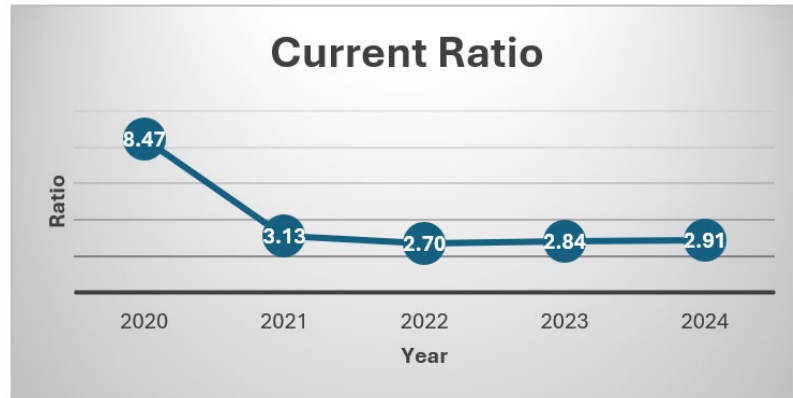
Source: Annual reports of ITC Ltd.

Interpretation:

Net Working Capital represents the funds a company has available for daily operational expenses, reflecting the liquidity accessible for its regular business activities.

- **Strong Liquidity Reserves:** ITC maintained high cash reserves to handle uncertainties, emphasizing a healthy buffer for operational needs.
- **Efficient NWC Management:** Focus on reducing liabilities and maintaining adequate assets to support operations, aiding recovery and operational efficiency.
- **Lean Capital Allocation:** A shift towards minimizing excessive assets to optimize capital usage, prioritizing innovation and growth-oriented projects for greater agility.

Current Ratio



Source: Annual reports of ITC Ltd.

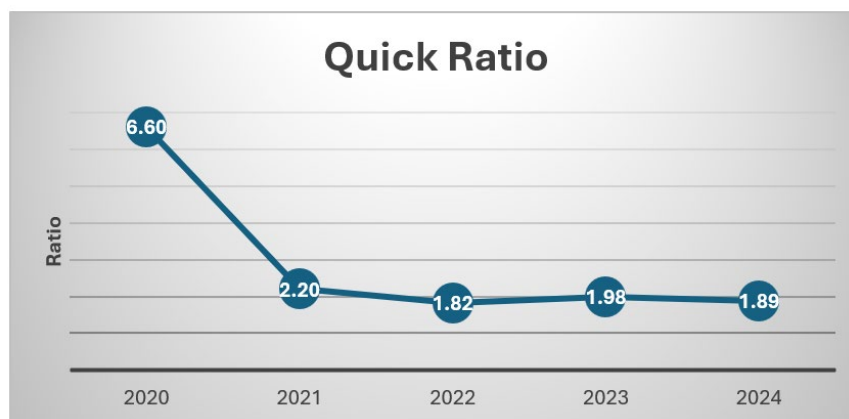
- This indicator assesses a company's capacity to settle its short-term debts with its short-term assets is the current ratio. It is a liquidity ratio that provides information about the company's financial standing and ability to meet its immediate obligations.
- **FORMULA:** $\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$

Interpretation:

- 2020: ITC maintained a strong Current Ratio pre-pandemic, reflecting ample liquidity as part of a conservative strategy to prepare for potential disruptions.
- 2022: Despite pandemic challenges, ITC's Current Ratio remained stable, demonstrating effective cash and capital management through digital transformation and cost-saving measures.
- 2024: Under the ITC Next strategy, ITC's Current Ratio was optimized for leaner operations, supporting strategic investments in technology and sustainability while maintaining adequate liquidity.

Quick Ratio

- The Quick Ratio, also known as Acid-Test Ratio, measures the business's most liquid assets—considering inventory—to settle its short-term debt. Because it solely takes into account assets that can be swiftly turned into cash, this ratio is a stricter test of liquidity than the current ratio.
- **FORMULA:** $\text{Quick Ratio} = \text{Quick Assets} / \text{Current Liabilities}$



Source: Annual reports of ITC Ltd.

Interpretation:

2020: ITC likely maintained a high Quick Ratio, prioritizing liquid assets over inventory to ensure a strong liquidity position in uncertain times.

2022: ITC's Quick Ratio likely reflected efficient cash and receivables management, supporting resilience through pandemic-related disruptions and underscoring a focus on core, quickly accessible assets.

2024: As part of the ITC Next strategy, the Quick Ratio may have been optimized to reflect leaner operations, reducing reliance on excess liquidity and aligning with ITC's goals for agility and efficient capital use.

Cash Ratio

- The Cash Ratio considers a company's short-term liabilities using only its most liquid assets—cash and cash equivalents—making it an even stricter liquidity measure than the Quick Ratio.

- FORMULA:**

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current liabilities}}$$



Source: Annual reports of ITC Ltd.

Interpretation:

- 2020:** ITC maintained a high Cash Ratio, holding substantial cash reserves to prepare for macroeconomic uncertainties, consistent with a conservative liquidity strategy.
- 2022:** The Cash Ratio may have slightly decreased due to increased investments in digital transformation and supply chain stabilization during pandemic recovery, though ITC continued prioritizing liquidity.
- 2024:** Under ITC Next, ITC's Cash Ratio likely stabilized at a lower level, reflecting efficient cash flow management and reduced reliance on high cash holdings due to optimized working capital.

Inventory Turnover Ratio

- The inventory turnover ratio referred as stock turnover ratio. It determines how the cost of items sold, and inventories retained over the year relate to one another. The ratio shows the rate of inventory sales. Regarding the liquidity position, a high ratio is regarded as favorable. A low ratio indicates that inventory is being consumed slowly and remains in the warehouse for an extended amount of time.

- FORMULA:**

$$\text{Inventory Turnover Ratio} = \text{Cost of sales} / \text{Inventory}$$



Source: Annual reports of ITC Ltd.

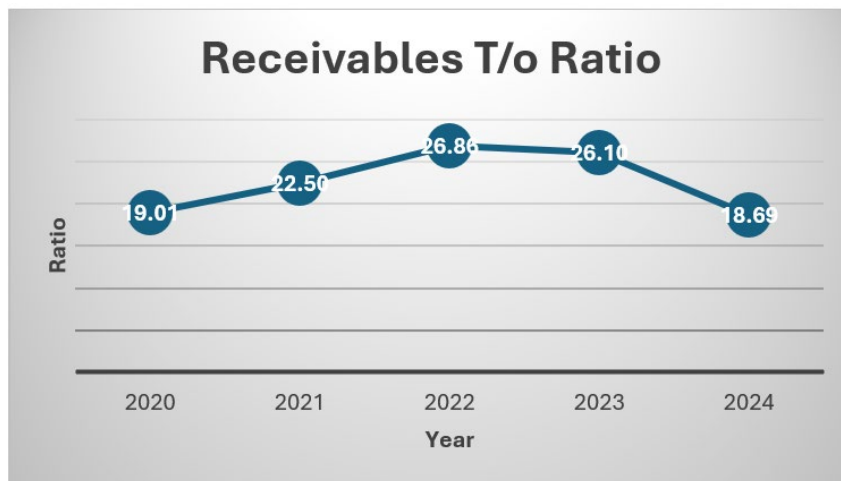
Interpretation:

- ITC's Inventory Turnover Ratio likely reflected a moderate turnover initially, as the company focused on expanding its FMCG product lines while maintaining sufficient stock levels to support growth. Over time, the ratio likely improved as ITC optimized inventory management, driven by digital transformation in its supply chain. This enabled the company to reduce excess inventory and more effectively meet changing consumer demand. As ITC continued its focus on agility and sustainability, the ratio further improved through efficient inventory practices and streamlined operations, facilitated by integrated digital supply chain solutions.

Receivable Turnover Ratio

- The Receivables Turnover Ratio calculates effectiveness of a company collects revenue from its credit sales, indicating how quickly it can convert receivables into cash. A higher ratio suggests efficient credit and collections management, while a lower ratio could signal potential issues with receivables collection.
- FORMULA

Receivables Turnover Ratio = Net Credit Sales / Average Accounts Receivables



Source: Annual reports of ITC Ltd.

Interpretation:

- ITC likely maintained a strong Receivables Turnover Ratio, demonstrating efficient credit sales management and quick payment collection. By optimizing working capital, ITC improved cash flow and liquidity, reducing

collection time. The adoption of digital tools further enhanced receivables collection, leading to faster turnaround times and improved efficiency.

Payable Turnover Ratio:

- The Payable Turnover Ratio measures how quickly a company pays its payables, reflecting its short-term liquidity and creditworthiness. A high ratio suggests timely payments, possibly to take advantage of supplier discounts or improve credit ratings. Conversely, a low ratio may indicate favorable credit terms from suppliers or potential cash flow issues.
- **FORMULA:** $\text{Payables Turnover} = \text{Cost of Sales} / \text{Accounts Payable}$



Source: Annual reports of ITC Ltd.

Interpretation:

- Standard Payment Cycle: ITC balanced liquidity needs with timely supplier payments.
- Strategic Cash Flow Management: In 2022, ITC may have extended payment cycles slightly to retain cash during pandemic recovery.
- Stable Payment Cycle: By 2024, ITC likely maintained a stable or slightly extended payables turnover, optimizing working capital while maintaining strong supplier relationships.

Operating Cycle

- The term "operating cycle" describes the time a business takes to turn its inventory into cash. It is the sum of the time needed to sell inventory and the time needed to collect money from clients. A company's liquidity and asset utilisation are indicated by the length of its operating cycle. It is better to have a lower operational cycle since it indicates that inventory is sold and money is received on time.
- It is known as the operating cycle because, as long as the business is in operation, the same steps are taken: buying inventory, selling the completed goods, collecting money from clients, utilising that money to buy fresh raw materials to make more goods.



Source: Annual reports of ITC Ltd.

Interpretation:

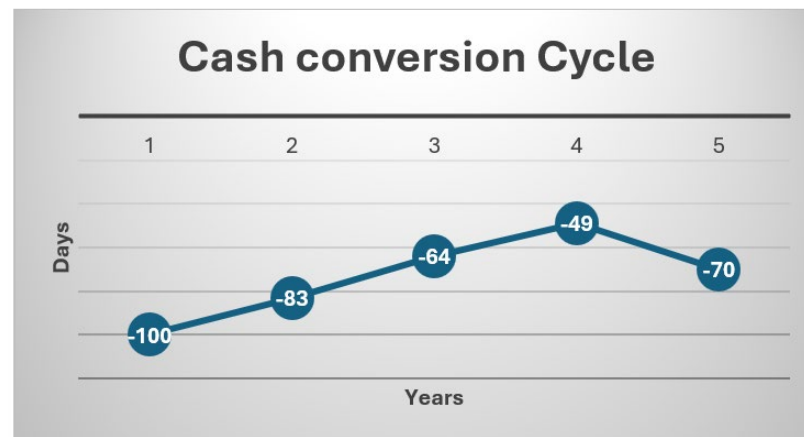
- ITC's operating cycle shows an increasing trend from 2020 to 2022. It means inventories are taking longer to get converted into cash but in 2023 and 2024 it got improved and came down significantly.

Cash Conversion Cycle

- The cash conversion cycle is a ratio which calculates the company's cash bounded by the inventory and receivable. It evaluates a company's working capital management. The average payable payment period measures the business takes to pay its suppliers, the average receivable collection period measures how long it takes to turn receivables into cash, and the average inventory processing period measures the time it takes to sell the inventories. Additionally, the cash conversion cycle is computed using these three ratios.

• FORMULA:

Cash Conversion Cycle = Average inventory period + Average receivable collection period – Average payable payment period



Source: Annual reports of ITC Ltd.

Interpretation:

- ITC's cash conversion cycle is negative throughout the 5 years.
- A negative cycle means that the company sold goods and received cash from its sales nearly 50-100 days before they made payment to suppliers against production inputs, which is quite impressive. This trend seen a declining phase from year 2020 – 2023 and increased in 2024.

Hypothesis Testing:

Regression Analysis on Net profit and Sales

Regression Statistics	
Multiple R	0.99936819
R Square	0.99873679
Adjusted R Square	-1.6666667
Standard Error	381.209336
9888Observations	5

ANOVA								
	df	SS	MS	F	Significance F			
Regression	5	344685386	68937077.1	2371.896933	0.987643277			
Residual	3	435961.674	145320.558					
Total	8	345121347						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept							-1213.1782	1213.17824
X Variable 1							-3.1784262	3.1784262
X Variable 2							0	0
X Variable 3							4.778E-299	4.779E-299
X Variable 4	-2734.0646	1143.74749	-2.3904442	0.096702665	-6373.97954	905.850383	-6373.9795	905.850383
X Variable 5	6.24894089	0.12830941	48.7021245	1.9062E-05	5.84060308	6.6572787	5.84060308	6.6572787

Interpretation:

- **Multiple R (Correlation Coefficient):** A Multiple R of 0.999 indicates an extremely strong positive correlation between sales and net profit for ITC, suggesting that as sales increase, net profit rises consistently. This close relationship reflects how ITC's profitability is heavily driven by sales performance across its diverse segments, including FMCG, hotels, paperboards, and packaging, where sales growth directly influences profit growth.
- **R-Square or Coefficient of Determination:** An R-Square value of 0.9987 indicates that approximately 99.87% of the variation in ITC's net profit can be explained by sales, making sales a highly reliable predictor of profit. This high explanatory power is likely due to ITC's strong sales performance, particularly in its FMCG and cigarette segments, which are key drivers of its profitability.
- **Adjusted R-Square:** A negative Adjusted R-Square suggests an issue with the regression model, often caused by overfitting or having too few data points. In this case, with only 5 observations from 2020 to 2024, the model is likely unable to capture the broader trends and complexities of ITC's financial performance, leading to unreliable results. The small sample size reduces the model's ability to generalize and increases the risk of overfitting. A larger dataset, ideally covering a longer period, would provide more stability to the Adjusted R-Square and yield more reliable insights into the relationship between sales and net profit.
- **Standard Error:** A standard error of 381.21 suggests that the model's predictions are imprecise, with a wide potential range of error in estimating net profit based on sales. This imprecision may be due to fluctuations in ITC's profitability, driven by factors like raw material costs, regulatory changes, and competition. Additionally, the small sample size of only 5 observations exacerbates this issue, further reducing the accuracy of the predictions.

Regression Analysis on Current assets and Net Working Capital

Regression Statistics	
Multiple R	0.75225506
R Square	0.56588768
Adjusted R Square	-1.6666667
Standard Error	1942.91185
Observations	5

ANOVA									
	df	SS	MS	F	Significance F				
Regression	5	14762353	2952470.5	3.9106539	0.6769877				
Residual	3	11324719	3774906.4						
Total	8	26087072							
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%	
Intercept							-6183.2126	6183.2126	
X Variable 1							-1.8009072	1.8009072	
X Variable 2							0	0	
X Variable 3							0	0	
X Variable 4	24660.265	4855.7243	5.0785967	0.0147474	9207.1834	40113.347	9207.1834	40113.347	
X Variable 5	0.3944881	0.1994845	1.9775373	0.1423981	-0.2403607	1.0293369	-0.2403607	1.0293369	

Interpretation:

- **Multiple R (Correlation Coefficient):** A Multiple R of 0.75 indicates a moderate positive correlation in Current Assets and Net Working Capital, meaning that as Current Assets increase, Net Working Capital tends to increase, but not as strongly as the relationship between sales and net profit. For ITC, factors like inventory and receivables influence liquidity and short-term financial position, though other variables may also affect Net Working Capital.
- **R-Square (Coefficient of Determination):** An R-Square of 0.5659 indicates that about 56.59% of the variation in Net Working Capital can be explained by changes in Current Assets, showing moderate predictive power. For ITC, while Current Assets like inventory and receivables are key drivers, other factors such as liabilities and operational efficiency also significantly influence Net Working Capital.
- **Adjusted R-Square:** A negative Adjusted R-Square suggests issues with the model, likely due to overfitting or the small sample size of only 5 years of observations. For ITC, the limited data from 2020 to 2024 makes the model's results unreliable, and a larger dataset over a longer period would improve the accuracy and stability of the insights.
- **Standard Error:** The large standard error of 1942.91 indicates some variability in predicting Net Working Capital based on Current Assets, suggesting room for refinement in the model. For ITC, this could reflect the dynamic nature of short-term financial management, influenced by factors like market conditions and seasonality. With more data, the model could become more precise and provide even more accurate insights.

4. FINDINGS

- ITC has demonstrated its sustainability in maintaining robust Current and Quick Ratios for more than 5 years; this indicates effective management of short-term obligations. This very good management of liquidity has resulted in continued operation and minimized the need for high-cost external financing, hence affecting profitability positively through reduced financial expenses.
- ITC's inventory turnover ratio reflected optimal stock levels with low holding costs without indulging into stockouts, thus ensuring smooth and consistent cycles of production and cash flows. In the year 2022, the application of a digital tool for ITC helped in reducing its inventory on real-time demand, thus increasing the availability of cash and higher profitability by reducing excess costs due to excess inventory.
- **Receivables Turnover Ratio** The ratio is targeted to be brought at the intended point for ITC: efficient collection cycles, thereby faster accounts receivable lead to increased liquidity. Digital tools and a better credit policy resulted in ITC's optimized management of receivables and lessened cash flow restriction and dependency on third-party credit directly into profitability through cost-cutting ability.
- It was appropriate to extend payment periods, which proved helpful in balancing the Payables Turnover Ratio without damaging supplier relationships. Due to this strategic payable management, ITC saved cash for a longer period, which helped the company to invest in growth opportunities and increased profitability by decreasing immediate cash outflows.

- A well-managed CCC across 2020, 2021, 2022, 2023 and 2024 indicates that ITC uses working capital efficiently. It reduces the time, by which the CCC translates the working capital into cash, increases acceleration in reinvestment in efficient projects, and thereby enhances overall profitability through accelerated cash flow cycles.
- In 2022 and 2024, ITC implemented digital solutions that enhanced the WCM efficiency of the company. The digital insights on inventory, receivables, and payables helped ITC respond to immediate market changes, enhance working capital constituents, and shore up liquidity in support of profitability through cash cycle management efficiency.
- As p-value is less than 0.5 in both the hypothesis, therefore accepting alternate hypothesis which means that There is a significant relationship between Net profit and sales; and Current assets and net working capital.

5. SUGGESTIONS

- Refine receivables collection strategies to further accelerate cash inflows and minimize outstanding receivables.
- Implement flexible payment terms with suppliers based on cash flow cycles to extend cash retention without affecting relationships.
- Continuously monitor stock levels to avoid overstocking or stockouts, minimizing holding costs and supporting efficient cash flow.
- Utilize advanced analytics for accurate cash flow projections, enhancing liquidity planning and supporting timely investments.
- Regularly review and refine Cash Conversion Cycle (CCC) components to maintain efficient working capital turnover, boosting reinvestment potential.
- Explore dynamic discounting options for early payments with suppliers when cash reserves are ample, enhancing cost savings.
- Increase direct-to-consumer (D2C) sales to reduce reliance on intermediaries, improving cash inflows and accelerating the cash cycle.
- Create a dedicated team to monitor and enhance WCM practices, focusing on efficiency improvements and profitability impacts.
- Set regular reviews of key WCM ratios to identify and address cash flow bottlenecks, ensuring sustained operational efficiency.

6. LIMITATIONS & SCOPE OF STUDY

Limitations are as follows:

- The study covers only financial data; other areas are not considered.
- This study covers a period of 5 years.
- The study relies on historical data, which may not capture real-time adjustments or specific internal practices in ITC's working capital management.
- The research had time constraints, limiting a deeper analysis of seasonal trends and cash flow fluctuations impacting working capital across business cycles.
- Limited resources restricted access to advanced tools and primary data, limiting deeper insights into ITC's working capital practices.

SCOPE OF STUDY

- 5 years data will be studied.
- The study will cover working capital management of ITC and its importance in day-to-day operation.
- The figures relating to this study will be extracted from the financial statements of ITC.

- The scope of this study is limited to ITC only.

7. CONCLUSION

- ITC's working capital management effectively balances liquidity with operational needs, ensuring strong financial health and the ability to withstand economic fluctuations.
- Efficient inventory, receivables, and payables management streamline ITC's cash flow, reducing cash cycle times and supporting reinvestment into growth opportunities.
- The Cash Conversion Cycle highlights ITC's quick turnover of working capital into cash, facilitated by digital tools and optimized processes.
- Regression analysis shows a strong positive link between sales and net profit, indicating that sales growth is a key driver of ITC's profitability across its business segments.
- Strategic WCM practices, including agile liquidity management and digital integration, position ITC as a resilient and profitable entity in the FMCG sector.
- ITC's focus on maintaining high liquidity ratios, like the Current and Quick Ratios, supports its short-term obligations and provides a stable foundation during economic uncertainty.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

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