



# Working Capital Management of Nestle India Limited

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**Abstract :** The study of the research entitled “WORKING CAPITAL MANAGEMENT OF NESTLE INDIA LIMITED”. Financial performance analysis means establishing relationship between the items in the balance sheet and profit and loss account for determining the financial strength and weakness of the firm. The study entitled to know the financial position of the company that helps in making sound decision by analysing the recent trend. In this study, an attempt is made to identify the financial strength and weakness of the firm by properly establishing relationship between the items in the balance sheet and profit and loss account of NESTLE LTD on the past five years. The study aims to analyse the liquidity, solvency position of the company. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period. The present study attempted to discuss the financial performance of the company. For this purpose, the relevant secondary data extracted from the annual report of NESTLE Ltd. The Financial statements of NESTLE Ltd have been collected over a period of 5 years from 2018-2022. Ratio analysis and Comparative Balance Sheet have been used to analyse the financial performance of NESTLE Ltd.

## INTRODUCTION

A study of working capital management is a major part of the external and internal analysis because of its close relationship with current day to day operation of the business. Working capital consists of broadly for that the asset of a business that are used at current operations and represented by raw materials, stores, work-in-progress, finished goods merchandise, bills receivable. Working capital is the amount of fund which a company has to financial its day-to-day operations it can be regard as the part of capitals which the capital in basically classified into fixed and working.

## NEED OF THE STUDY.

Despite being a leading FMCG Company with a strong brand presence and high profitability. Nestle India Limited is facing challenges in effectively managing its working capital , which is negatively impacting its cash flows and overall financial performance.

### 3.1 OBJECTIVES OF THE STUDY:

- To study the liquidity and solvency position.
- To assess the working capital position of the company.
- To analyze the level of current assets with relation to current liability.

### 3.2 REVIEW OF LITERATURE

**Mohamed shariq(2013)** Applying correlation and multiple regression analysis they found that the current asset to total asset ratio shows the positive significant relationship with Tobin Q,ROA and ROI. Cash conservation cycle current asset to current liability ratio and current liabilities to total assets ratio illustrate negative significant relations with Tobin Q,ROA and ROI.

Nithya (2015) pointed that flexible policy results in fewer production stoppages, ensure quick deliveries to stimulate sales due to liberal credit, which comes at a cost of higher investment in current assets. customer and

## RESEARCH METHODOLOGY

### Research Design

The present study covers over a period of 5 years from 2017-2018 to 2021-2022.

### DATA COLLECTION:

#### SECONDARY DATA

The assessment is based on the secondary data collected from the annual report published by NESTLE INDIA Ltd.

### TOOLS USED FOR ANALYSIS

1. Ratios  
Liquidity Ratio Solvency Ratio
2. Common size statement
3. Comparative statement

### ANALYSIS AND INTERPRETATION:

#### COMPARATIVE BALANCE SHEET OF 2019-2022

BALANCE SHEET OF NESTLE INDIA (in Rs. Cr.)	DEC 22	DEC 21	DEC 20	DEC 19
	12 mths	12 mths	12 mths	12 mths
<b>EQUITIES AND LIABILITIES</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Equity Share Capital	96.42	96.42	96.42	96.42
<b>TOTAL SHARE CAPITAL</b>	<b>96.42</b>	<b>96.42</b>	<b>96.42</b>	<b>96.42</b>
Reserves and Surplus	2362.75	1988.06	1922.92	1822.45
<b>TOTAL RESERVES AND SURPLUS</b>	<b>2362.75</b>	<b>1988.06</b>	<b>1922.92</b>	<b>1822.45</b>
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>2459.17</b>	<b>2084.48</b>	<b>2019.34</b>	<b>1918.87</b>
<b>NON-CURRENT LIABILITIES</b>				
Long Term Borrowings	26.66	27.47	31.72	53.14

Deferred Tax Liabilities [Net]	0.00	0.00	0.00	13.44
Other Long Term Liabilities	208.00	210.20	87.85	90.03
Long Term Provisions	3205.16	3284.54	3268.27	2906.91
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3439.82</b>	<b>3522.21</b>	<b>3387.84</b>	<b>3063.52</b>
<b>CURRENT LIABILITIES</b>				
Short Term Borrowings	3.37	6.59	3.12	0.00
Trade Payables	1933.81	1889.66	1809.01	1626.58
Other Current Liabilities	981.87	568.54	574.46	478.51
Short Term Provisions	160.70	138.54	105.96	85.46
<b>TOTAL CURRENT LIABILITIES</b>	<b>3079.75</b>	<b>2603.24</b>	<b>2492.55</b>	<b>2190.55</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>8978.74</b>	<b>8209.93</b>	<b>7899.73</b>	<b>7172.94</b>
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Tangible Assets	3402.06	2993.97	2179.41	2341.45
Intangible Assets	0.00	0.00	0.00	0.00
Capital Work-In-Progress	0.00	246.23	638.58	143.30
Other Assets	0.00	0.00	0.00	0.00
<b>FIXED ASSETS</b>	<b>3402.06</b>	<b>3240.20</b>	<b>2817.99</b>	<b>2484.75</b>
Non-Current Investments	560.19	710.70	740.83	743.60
Deferred Tax Assets [Net]	25.61	25.84	19.92	0.00
Long Term Loans And Advances	9.00	49.04	46.55	49.68
Other Non-Current Assets	1491.73	1445.34	89.36	80.44
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5488.59</b>	<b>5471.17</b>	<b>3714.65</b>	<b>3355.77</b>

<b>CURRENT ASSETS</b>				
Current Investments	217.35	63.28	722.94	1007.45
Inventories	1928.77	1580.22	1416.48	1283.07
Trade Receivables	191.89	165.27	164.93	124.33
Cash And Cash Equivalentents	945.55	735.41	1769.87	1308.05
Short Term Loans And Advances	10.26	11.85	13.22	12.46
OtherCurrentAssets	196.33	182.73	97.64	81.81
<b>TOTAL CURRENT ASSETS</b>	<b>3490.15</b>	<b>2738.76</b>	<b>4185.08</b>	<b>3817.17</b>
<b>TOTAL ASSETS</b>	<b>8978.74</b>	<b>8209.93</b>	<b>7899.73</b>	<b>7172.94</b>
<b>OTHER ADDITIONAL INFORMATION</b>				
<b>CONTINGENT LIABILITIES, COMMITMENTS</b>				
Contingent Liabilities	0.00	187.26	315.40	394.48
<b>CIF VALUE OF IMPORTS</b>				
Raw Materials	0.00	0.00	0.00	0.00
Stores, Spares And Loose Tools	0.00	0.00	0.00	0.00
Trade/Other Goods	0.00	0.00	0.00	0.00
Capital Goods	0.00	0.00	0.00	0.00
<b>EXPENDITURE IN FOREIGN EXCHANGE</b>				
Expenditure In Foreign Currency	0.00	2460.04	2791.46	2942.95
<b>REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS</b>				
Dividend Remittance In Foreign Currency	--	--	--	--

<b>EARNINGS IN FOREIGN EXCHANGE</b>				
FOB Value Of Goods	--	639.57	647.39	638.48
Other Earnings	--	--	--	--
<b>BONUS DETAILS</b>				
Bonus Equity Share Capital	--	73.41	73.41	73.41
<b>NON-CURRENT INVESTMENTS</b>				
Non-Current Investments Quoted Market Value	--	779.75	805.47	765.58
Non-Current Investments Unquoted Book Value	--	--	18.88	--
<b>CURRENT INVESTMENTS</b>				
Current Investments Quoted Market Value	--	63.39	722.94	1007.39
Current Investments Unquoted Book Value	--	--	--	--

## INTERPRETATION

The performance of the company during 2021-2022 is slightly favorable for the company as the company's assets have increased from 22259.58 to 22693.40. The company's liabilities are increased from 22259.58 to 22693.40 but the other current liabilities have been increased from 2039.81 to 2246.29. so, we may say that the company is balanced. When we see investments, they are decreased from 4725.83 to 2509.69 which is 46.89%. in the previous year their borrowings are 40.82% but in current year 58.26%. so, we may say that they hadn't reduced their borrowings.

## INTERPRETATION OF CURRENT RATIO

The above table shows the current ratio for the year 2017-2022. Current ratio for the year 2017-2018 is 1.69:1 and there is a decrease during the period. It has been decreased to 1.45:1 in 2021-2022. The decrease in the ratio indicates that it may be difficult for the company to pay current liabilities.