

## A Study On The Working Capital Management Of Colgate-Palmolive Company

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### **ABSTRACT:**

*Every business organisations whether big, medium or small, needs finance to carry on its operations and to achieve its target. Finance is more important to accomplish its objectives. The term working capital refers to part of firm's capital which is required for financing short term or current assets. The goal of working capital management is to have adequate cash flow for their business and most adequate usage of resources. Working capital management refers to, the way a company manages the assets and liabilities in the short term, and it is a strategy of business designed to ensure that a company operates efficiently by monitoring these two components or the short term liquidity of your firm. The study is on Working capital management of Colgate Palmolive Company. It is an American multinational company. Its main branch in India is situated in Mumbai. The products sold are FMCG. Fast-moving consumer goods are sold quickly and at a relatively low cost. The profit margin on FMCG products can be relatively small, but they are generally sold in large quantities while compared with the other products. Example of FMCG goods are meat, fruits, vegetables, dairy products, and baked goods are perishable. The objective of the study is to find the company's financial performance, efficiency of its short term finances and compare its financial statements. The percentage change between two or more periods of the company is analysed. The tools used are ratios and comparative statement analysis. It uses secondary data, so it is not reliable. The study helps the business to operate smoothly.*

**KEYWORDS:** Working Capital, Ratio Analysis, Profitability, Liquidity.

### **INTRODUCTION**

The term working capital refers to part of firm's capital which is required for financing short term or current assets. Working capital management is priority for finance manager. By using working capital management the company has to manage accounts

receivable, accounts payable, inventory and cash. Working capital efficiency is determined by calculating the capital ratio. To calculate working capital of the company would take current assets and subtract current liabilities. Capital ratio is a key indicator in the company's financial health. If the result of the calculation is less than 1.0, the company is having financial issues. If the result is greater than 1.0, but less than 2.0 then the company may not be making an effective use of its assets.

FMCG (Fast Moving Consumer Goods) may have less profit margin but are sold in large quantities compared to other goods. Example of FMCG goods are meat, fruits, vegetables, dairy products, and baked goods are perishable. Other Non-durable goods such as packed items, beverages, toiletries, over the counter drugs and other consumable goods. Colgate-Palmolive Company is one of the top FMCG Company.

Colgate-Palmolive is an American Multinational Company. The core business is focused on personal care, health care and household products. William Colgate is the founder of Colgate Palmolive. The Palmolive Company acquired Colgate Company in 1928.

## **OBJECTIVES OF THE STUDY**

- To analyse the company's liquidity and effectiveness of working capital management

## **RESEARCH METHODOLOGY**

In this only secondary data are used for analysing the working capital. Following by which secondary data were collected.

- Published annual reports comprising the profit and loss account and balance sheet the Colgate Palmolive company, from 2014-15 to 2018-19
- Magazines, journals, websites

Period of study

This period considered for the purpose of the study for five years, i.e. from 2014-15 to 2018-19

Tools used

- Ratio is used to find the efficiency

## REVIEW OF LITERATURE

Inna (2016) has done a study on “Comparative analysis of working capital management in automobile industry of India”. The study aimed at calculating the overall working capital management in selected top 5 two wheeler companies. The study used expressive or descriptive research design means to describe the feature or performance of the subject under study. The study was concluded as in spite of various benefits of negative working capital, a firm should check its inventories, accounts payables and free cash flow time to time for better interpretation and implantation

Asha Sharma (2013) has conducted a research on “A comparative analysis of working capital management between public and private sector steel companies in India”. The main purpose is to study the relationship between various terms and their impact on working capital on profit and sales in steel industries. For this they have used various ratios. The research has concluded that these results can be further strengthened if it manages its working capital in more effective ways. Through which efficiency and profitability can be achieved.

## ANALYSIS AND INTERPRETATION

### RATIO ANALYSIS

	MAR 19	MAR 18	MAR 17	MAR 16	MAR 15
CURRENT RATIO	0.96	1.08	0.87	0.92	0.79
LIQUIDITY RATIO	0.72	0.84	0.57	0.57	0.50
CURRENT ASSETS – FIXED ASSETS	0.72	0.81	0.67	0.71	0.74
CURRENT ASSETS – TOTAL ASSETS	0.38	0.41	0.37	0.39	0.40
WORKING CAPITAL TURNOVER RATIO	(108.99)	53.74	(31.3)	(66.89)	22.51
INVENTORY TURNOVER RATIO	17.95	18.47	13.61	14.22	15.79
GROSS PROFIT RATIO	39.03	39.07	38.36	43.23	69.61
NET PROFIT RATIO	17.37	16.07	14.50	13.85	14.03
FIXED ASSET TURNOVER RATIO	3.21	3.21	3.12	3.83	4.31
CURRENT ASSET TURNOVER RATIO	4.41	3.94	4.65	5.37	5.77

## **FINDINGS**

The table shows the ratio analysis of the company for the period of 5 years (2014-2015 to 2018-2019).

- The current ratio shows increasing trend from 0.79 times to 0.96 times. This is due to continuous increase of the asset.
- The average of five years of liquidity ratio of the company is 0.64 times.
- The average of current asset- fixed asset ratio of the company is 0.73 times.
- The acid test ratio shows increasing trend from 0.50 times to 0.72 times.
- Net profit ratio indicates the firms capacity to face adverse economic conditions such as price competition, low demand, etc. The average net profit ratio of Colgate-Palmolive Company is 15.164 times.
- The average current asset turnover ratio of the company is 4.828 times.
- The current asset turnover ratio shows increasing trend from 3.94 times to 4.41 times.
- The average of fixed asset turnover ratio remains constant for the current year March 2019.
- The working capital is positive in 2017-18 and 2014-15

## **CONCLUSION**

The study on working capital management conducted in Colgate – Palmolive Company to analyze the financial position of the company. The company's financial position is analysed by using the tool of annual reports from 2014-15 to 2018-19. The financial status of Colgate Palmolive is good. In the last year the current ratio and acid test ratio have been increased, this is good sign for the company. On the whole the company is moving forward with excellent management.