4.1 Introduction:

The term Cash Conversion Cycle can be considered a length of time between purchase of raw-materials and collection of cash from debtors. In liquidity management Cash Conversion Cycle is an important parameter for measuring its efficiency. Cash Conversion Cycle of a company indicates the efficiency of managing working capital. Such measure can be used in benchmarking competitors or comparing companies. Cash Conversion Cycle is constructed by deducting the payable deferral period from the addition of inventory conversion period and receivable collection period.

Accounting information of companies can be classified into two groups or fields. They are financial distress prediction and fundamental analysis. Financial distress prediction analysis can be done with the help of different statistical techniques. With the help of such statistical techniques’ firms are classified into one number of mutually exclusive groups. On the other hand, fundamental analysis tests those information which is important to the organization or key value driver which produces the growth in corporate securities. Both concepts are very useful for the organization using working capital frequently.

Due to increasing utility of empirical research different models have been developed with more theoretical content for better understanding the results of empirical research. To strengthen the work, theoretical interpretation can developed on the basis of different accounting ratios.

Therefore, accounting ratios are very important not only from academic point of view but also from the professional stand point. These ratios provide not only valuable information about the quality of working capital, efficiency of management, cash generating ability of operations and short-term liquidity risk of a firm (Backer and Goesman, 1980, Saccurato 1994, Stickney, 1993) but also about the operating efficiency level (Holstrom, 1994). From different ratios, turnover ratios are considered as the global financial performance index and turnover ratios are established in such a way so that it cab be useful in prediction of future financial problems. Cash conversion cycle also depend on such turnover ratios. These time variables integrate the working capital with the cash conversion cycle.
Liquidity management deals with management of current assets and liabilities. Its main objective is to meet current liabilities timely. Many firms take advantage of external financing due to the difficulty in paying its short-term debt. But it should be remembered that it is not easy to collect such external financing easily, particularly in case of small firms. The cost of such borrowing is another important factor in external financing. It is too expensive and it signifies the poor bottom line. Thus, efficient liquidity management of a company helps its long-term prosperity and healthy bottom lines, and more specifically to make it remain solvent.

Cash Conversion Cycle (CCC) (Moss & Stine, 1993) is a useful technique, which can easily and quickly assess firms’ liquidity. It measures the time lag between cash payments for purchase of inventories and collection of debts from customers. Traditionally, some static balance sheet values such as current ratio and quick ratio are useful indicators of liquidity (Moss & Stine, 1993). But in case of CCC, it is a dynamic measure of continuous liquidity management, which comprises both balance sheet and income statement data with time dimensions (Jose et. al, 1996).

An individual firm’s CCC is helpful but from standpoint of industry it is crucial for a company to evaluate its performance regarding CCC and assess opportunities for improvement because the length of CCC may differ from industry to industry. Therefore, selection of industry in which the company belongs is important. Cash Conversion Cycle is an important context of Working Capital Management (Keown et.al, 2003 and Bodie and Merton, 2000). The Term CCC is used as a comprehensive measure of working capital because it considers the time gap between expenditure for the purchases of raw-materials and collection from sale of finished goods (Padachi, 2006, p. 49). So firm’s short term assets and liabilities in a daily management plays an important role in the success of the firm.

Many authors defined CCC in many ways. Cash cycle time is regarded as the number of days between the date, the firm must start to pay cash to its suppliers and the date it begins to receive cash from its customer (Bodie and Merton, 2000, p. 89). More the time gap between payment to suppliers and received from customer, larger the cash conversion cycle. It can be minimized if money collected from debtors quickly but delay in payment to creditors.
Cash conversion cycle can also be calculated by the sum of days of sales outstanding (average collection period) and days of sales in inventory less days payables outstanding (Kewn et. al., 2003, p.109). We can easily find out the average collection periods, inventory turnover periods and days of payables outstanding from the accounting information or from the Balance Sheet.

Now we come to cash cycle. Like cash conversion cycle it is the number of days that pass before we collect the cash from sales, measured from when we actually pay for the inventory (Jordon, 2003, p. 643). It is more conceptual.

Another concept related to cash conversion cycle is Cash Gap. Cash Gap measures the length of time between actual cash expenditures on productive resources and actual cash receipts from the sale of products or services (Elijelly, 2004, p. 50). It is one of the easiest procedures to measure the cash movement of the company.

Therefore, with the help of the above definitions we can construct the following equation.

Cash Conversion Cycle = Days of Sales pending + Days of Sales in Inventory - Day of payables pending.

In the above equation the three variables on which CCC dependent are discussed below.

Days of sales pending = Accounts Receivables / Sales / 365
Days of sales in inventory = Inventories / cost of goods sold / 365
Days of payables pending = Accounts payables / Cost of goods sold / 365
For better understanding of Cash Conversion Cycle we can draw the following diagram

```
  Inventory  |  Inventory
Purchased   |  Sold

Inventory Period | Accounts Receivable Period

  Accounts Payable  |  Cash Conversion

Cash Received | Cash
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**Operating Cycle**

Cash Conversion Cycle can be positive or negative. A positive Cash Conversion Cycle indicates that the number of days a company is borrowing is less than the period awaiting payment from a customer. On the other hand, negative CCC implies the number of days a company received cash from sales before it must pay its suppliers (Hutchison et. al., 2007, p. 42). More impressive thing is that the goal of every company is to minimize its CCC, if possible negative. Because shorter the CCC, the more efficient the company in managing its cash flow.

Therefore, from the above equation or the diagram, it is seen that a firm can reduce its need for working capital by (Bodie and Merton, 2000, p. 90),

(a) Reducing the time included in inventory. This can be done by improving the inventory control process or suppliers deliver the goods when the company needed for production.

(b) Collecting accounts receivable as early as possible. This can also be done by improving the efficiency of the collection process, giving discounts to customers for faster collection and impose interest on accounts which are due for long period.

(c) Payment to creditors more slowly. This can be done by improving relationship with creditors or suppliers.
Richards and Laughlin (1980) also developed an equation comprising three policies, such as average receivables collection period (ARCP), average conversion inventory period (ACI) and average payment period (APP) which are discussed earlier. Richards and Laughlin focused on the length of time between firm’s cash inflow and outflow. Generally, a lower cash conversion cycle give freedom to the manager to minimize the holdings of unproductive but valuable assets like cash and marketable securities, maintains the firm’s debt capacity since less short term borrowings is required to provide liquidity and leads to greater present value of net cash flows from firms assets (Jose, Lancaster and Stevens, 1996). Cash Conversion Cycle used by the financial managers of firm to diagnose why and when the firm requires more Cash for smooth running of its activities and how it will repay the cash (O’Zbayrak and Akgiin, 2006). On the basis of such policy the firm tries to manage its policies by reducing the cash conversion cycle as much as possible without affecting its operation process and this will lead to increase the profits of the firm. In other words, when working capital is not managed properly, more funds is invested in it and the management is termed as non-efficient, which will reduce the benefit of short term investments(Chiou, Cheng and Wu, 2006).

4.2 Types of Cash Conversion Cycle:

Cash Conversion Cycle varies from organization to organization. The CCC of a manufacturing organization may not be same with the retail or wholesale organization even if for a service organization. Different Cash Conversion Cycles are shown in below.
4.3 Factors influencing Cash Conversion Cycle:

Investment decisions of the organization are independent of financial decisions in a perfect capital market. Therefore, the investment policy of the organization largely depends on the availability of the investment policy with positive net present value\(^1\).

Cash Management in Indian Corporate Sector: A Study of Select Companies

As per neoclassical model, organizations have unlimited sources of finance and investment. With this, the organization which has available cash flows are not invested in the funds to the profitable projects rather than firms with the same opportunities and higher cash flows. It is due to the fact that the external funds are the perfect substitute of internal funds. At this point, cash conversion cycle would not produce an opportunity cost because collection of external funds renders some problems and costs. Therefore, external finance is not the perfect substitutes of internal finance. External finance like issue of equity shares, debentures etc are more expensive than the internal finance due to imperfect market conditions. The organization must have a target cash conversion cycle and the decisions relating to investment and financing are remain independent and the objective is to balances cost and benefits and maximizes the value of the organization.

Large Cash Conversion Cycle means increased sales and increased sales implies greater profitability. This can be possible for the following reasons. Firstly, huge stock protects the interruption in the production process and loss of business due to scarcity of products whereas it reduces the cost of supply and fluctuations in prices. Secondly, the organization increase their sales for the greater trade, because it allows customers to check that the merchandise they receive is agreed in quantity and quality and ensure that the services contracted are carried out. Deloof and Jegers supported the above opinion. They also suggested that trade credit allows the customer to judge the product quality before paying off. Not only that, it also helps the organization to strengthen the relationships with their customers and it also helps the customers to acquire merchandise at the time of low demand. On the other hand, for getting the discounts the company may pay off the accounts payable early, which reduces the supplier finance.

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Long Cash Conversion Cycle is advantageous and consists of opportunity cost if the organization does not want to invest their funds in other productive investments. In this regard Soenen\(^9\) opined that long cash conversion cycle forces the organization to go for bankrupt. Larger cash conversion cycle means maximum blockages of working capital. Sometimes for it, the organization requires additional capital. Therefore, Cash Conversion Cycle of the organization is related with several factors like internal resources, cost of external financing, conditions in the capital market and the bargaining power of debtors and creditors.

### 4.3.1 Internal Resources:

The higher cost of external funds and credit rationing leads a conflict between interests of shareholders and interests of creditors in the organization. This conflict leads problem of under investment. It is because giving the priority to the creditors for bankruptcy, the shareholders are not interested in the new project even if it has positive net present value is less than the amount of debt issued. Shareholders have incentives to issue new debt which increases the risk but lowers the value of the present debt. For this the creditors, who have less information about the organization than the insiders, require higher risk premium. As per Pecking Order Theory the organization must give priority to collect resources from internal sources of the organization due to lower cost or resources where information is available for insiders and outside potential outsider\(^10\). But internal sources of funds are limited. However, Fazzari and Petersen\(^11\), opined that working capital investment is sensitive to cash flow for US manufacturing firms. They found that working capital of the organization is positively related with the cash flow which suggests that firms with larger capacity to generate internal resources have higher current assets. It is because internal resources have lower costs. Chiou et al.\(^12\) also showed that cash flow influence the working capital management of the organization. They opined that cash flow is positively related with the liquid assets but negatively related with the working capital management of the organization.

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4.3.1.1 Leverage:

According to theories, the organizations which invested more funds in the cash conversion cycle have larger leverage due to higher risk premium. The empirical work states that when the organization increases leverage then the measures of working capital management reduces\textsuperscript{12}. So leverage ratio and cash conversion cycle is negatively related.

4.3.1.2 Growth Opportunities:

The Working Capital Management of the organization can be affected by the growth opportunities of itself. Several empirical studies proved it\textsuperscript{13,14}. Growth opportunities can also affect the trade credit and receivables, investment in stocks.

Kieschnick et al. opined that sales growth of the organization positively affect the cash conversion cycle. They also suggested that the organization keep more stocks for future purposes\textsuperscript{13}. Blazenco and Vandezande showed that stocks or inventories were positively related to the expected sales.

On the other hand, it is also seen that growth firm have a smaller cash conversion cycle. It is due to two reasons. Firstly, according to Cun‘at\textsuperscript{15} there is a tendency of the high growth firms to use more trade credit as a source of financing for their growth due to difficulty in assessing other forms of finance. Secondly, Emery\textsuperscript{7} suggested that companies extend more credit to their customers for increasing the sales at the time low demand. Petersen and Rajan\textsuperscript{3} argued that suppliers are willing to finance high sales growth firms by offering more credit and that firm with declining sales is forced to extend relatively more trade credit without getting any more support from suppliers. These two opposite conclusions can affect the growth opportunities of the organization regarding investment in working capital.

4.3.1.3 Size:

Size is another important variable which can affect the working capital management of the organization. Kieschnick et al.\textsuperscript{13} opined that size of the organization and cash conversion cycle is closely related. Chiou et al.\textsuperscript{12} also commented that working capital requirement increased as the size of the organization increases. It is because of the cost of the funds used to invest in the current assets and it decreases with the size of the organization. However, organizations with smaller in size have greater asymmetries of information\textsuperscript{16,17} and they have informational opacity\textsuperscript{18}. In addition to the above, as per trade-off theory, the smaller organization has a greater probability of bankruptcy but the larger organizations are more diversified and fail less often. It can indirectly affect the trade credit granted because, according to Petersen and Rajen\textsuperscript{3} and Niskanen and Niskanen\textsuperscript{19} organization are getting more trade credit if they bitterly access capital markets. They also showed that size of the organization have positive on trade credit extension.

According to Whited\textsuperscript{20} and Fazzari and Petersen\textsuperscript{11} smaller organization face the problem of financial problems which insist them to depend upon trade credit received because other forms were unavailable\textsuperscript{3} or they had already been expired\textsuperscript{21,22,15}. In other words, it can be said that the cost of funds invested in current assets is higher in case of smaller organization and for that the accounts receivable and inventories are tend to be lower. So it can be said that size will positively influence the cash conversion cycle of the organization.

\textsuperscript{17} Berger, A., Klapper, F. Udell, G. The ability of Banks to lend to Informationally Opaque Small Business. Journal Of Banking and Finance 2001; 25;2127-2167.
4.3.1.4 Age:

The age of the organization can also be treated as a proxy variable for the source of financing of the organization and trade credit. This variable can be used to know the customers and the quality and reputation of the organisation as well as the length of the relationship between the suppliers and customers and the firm’s creditworthiness to suppliers of debt and equity.

Chiou et al. argued that age of the organization positively influence the Working Capital Management of the organization. With this the older organization collects external financing very easily with no such special conditions and it reduces the cost of funds used as investment in current assets. Petersen and Rajan also comment that organization with better access to capital markets offer more trade credit and use less from their suppliers.

4.3.1.5 Tangible Fixed Assets:

Investment in tangible fixed assets also affects the working capital management of the organization. This factor affect in two ways. Firstly, according to Fazzari and Petersen, investment in fixed assets competes with the level of funds for working capital when the organization suffers from financial crisis. Kieschnick et al. also supported above condition and argued that fixed assets is negatively related with cash conversion cycle.

However, intangible fixed assets have more asymmetric information than tangible assets because intangible fixed assets is hard to controlled or assessed by the potential external investors and have a residual value. Therefore, organization having large tangible assets, getting lower cost for raising funds to invest in current assets and it increases the cash conversion cycle.
4.3.1.6 Return on Investment:

Chiou et al.\textsuperscript{12} and Wu\textsuperscript{23} pointed out that the return on investment influence the measures of working capital management of the organization. Wu\textsuperscript{23} in his study showed that requirement of working capital and performance of the organization interact with each other. Similarly, Chiou et al.\textsuperscript{12} argued that the return on assets had a negative impact on the measures of working capital management. It is because the organization with better performance gets external capital very easily and can invest in profitable investments. According to Shin and Soenen\textsuperscript{24}, organizations with higher return have better working capital management due to market dominance, large bargaining power with suppliers and customers. Petersen and Rajan\textsuperscript{3}, commented that organizations with higher return can significantly get more credit from their suppliers. So, it is expected that return on assets have a negative impact on cash conversion cycle.

4.3.1.7 Industry:

Working Capital Management of the organization can vary from industry to industry\textsuperscript{13,25,26, 27}. In these studies they showed that the working capital policies of the organization in an industry are depend upon the differences in trade credit, investment in inventories etc. Smith\textsuperscript{4} and Ng, Smith and Smith\textsuperscript{6} suggested large differences in credit terms in between industries but little dispersion within industries. After that Niskanen and Niskanen\textsuperscript{19} also showed differences in the levels of accounts receivable and accounts payable between industries.

4.4 Objectives of the study in this chapter:

The present study is prepared to make an in-depth analysis of the selected companies in IT sector, consumer durables sector, pharmaceuticals sector, FMCG sector and Retail sector in respect of their cash conversion cycle during the period of 2002-2011. Cash conversion cycle is one of the dynamic measures of liquidity of the organization.

Generally, the main indicators of liquidity are current ratio (CR) and quick ratio (QR). Higher current ratio and quick ratio indicated good liquidity position of the organization and vice-versa. High current ratio or quick ratio is the result of either high level of current assets (CA) or low level of current liabilities (CL). Cash conversion cycle (CCC) is another important indicator of liquidity. We developed the model of cash conversion cycle (CCC) on the basis of the model developed by Richards Laughlin (1980). According to him cash conversion cycle (CCC) is the sum of the receivables conversion period (RCP), plus the inventory conversion period (ICP) minus the payment of deferral period (PDP). How to calculate the RCP, ICP and PDP are discussed in the theoretical portion of this chapter.

Therefore, smaller cash conversion cycle is expected because it helps the organization to quickly recover its cash from the sales of its products. More cash in the hand of organization means more liquid the organization. Contrary, if the cash conversion cycle is high, it takes longer time to collect cash. Thus, a high cash conversion cycle is not desirable and it indicate liquidity problem. Hence, low cash conversion cycle is needed.

More specifically, the objectives of the study in this chapter are as follows.

(i) To measure the cash conversion cycle of the selected companies from five different sectors with the help of receivables conversion period (RCP), inventory conversion period (ICP) and payment of deferral period (PDP).
(ii) To measure the average cash conversion cycle (CCC), deviation from the average of each of the selected companies using relevant statistical tools.
(iii) To rank the companies on the basis of average cash conversion cycle. Secondly, to rank the companies on the basis of consistency and finally to rank the companies on the basis of both average and consistency jointly.

(iv) To measure the degree of relationship between the cash conversion cycle and inventory turnover ratio (ITR), current ratio (CR), debtors turnover ratio (DTR), debtors more than six months and creditors turnover ratio (CTR) in each of the companies under study by using Pearson’s simple correlation technique and to test such coefficients.

(v) To analyse the joint impact of earning capability (RONW), size of the organization and cumulative profitability (Shareholders’ Fund) on the cash conversion cycle of the companies with the help of appropriate statistical measure (i.e. multiple regression analysis) and to test the significance of such regression coefficients.

(vi) Finally, to examine whether the finding of the study conform to the theoretical argument or not.

4.5 Methodology of the study:

Twenty five popular companies from five sectors (IT, Consumer Durables, Pharmaceuticals, FMCG and Retail) have been selected taking five companies from each sector. The data of the selected companies for the period 2002 to 2011 used in this study have been taken from the secondary sources i.e. Capitaline Corporate Database of Capital Market Publishers (I) Ltd. Mumbai. For the purpose of our study different companies from five sectors are selected following the purposive sampling procedure. Receivable conversion period, inventory conversion period and payment of deferral period are used to measure the cash conversion cycle. Shorter cash conversion cycle means better liquidity position of the organization. Here, we established the relationship between CCC and debtors more than six months, CCC and CR, CCC and inventory turnover ratio, CCC and debtors turnover ratio and CCC and creditors turnover ratio. Debtors more than six months mean debtors from whom money is collected after six months. It is riskier to the organization and also blocks cash for long period and reduces the liquidity position. Liquidity of the organization has been represented by the current ratio which is obtained by dividing the current assets to current liabilities.
Efficiency of the inventory management has been measured by inventory turnover ratio (ITR) which is the ratio between cost of goods sold and average stock. Debtors’ turnover ratio (DTR) is the ratio of credit sales to average receivables. Organization’s ability to avail credit facility from suppliers has been measured by creditors’ turnover ratio (CTR) which is the ratio of credit purchase to average payables.

Profitability, size of the organization and cumulative profitability can influence the cash conversion cycle of the organization. In this study profitability has been measured by return on net worth (RONW), size of the organization has been represented through the amount equal to the log value of total assets. Shareholders fund has been selected in this study as cumulative profitability which consists of equity share capital and reserve surpluses. The log value of shareholders’ fund represents the cumulative profitability. We used the log value for getting the continuously compounded relation or growth of companies’ assets and shareholders’ fund.

For analyzing the data statistical tools like arithmetic mean, standard deviation coefficient of variation etc. and statistical techniques like Pearson’s simple correlation analysis and multiple regression analysis and statistical test like ‘t’ test have been applied at appropriate places.

4.6 Limitations of the study:

(1) This study is based only on the data contained in published financial statements.

(2) Cash conversion cycle has only been considered in the study of this chapter

(3) The impacts of some common macroeconomic factors or general factors are not considered for the sake of simplicity of the study.

(4) The multicollinearity factors can exist in the multiple regression analysis.

(5) More companies can be selected from the selected industries/ sector but for simplicity, lack of time and unavailability of data it is not possible to select all companies for general comment.
4.7 Findings of the study in this chapter:

From Table-1 it is found that in IT sector the cash conversion cycle of Philips India Ltd. (Philips) is highest in the year 2006 (49.84 days) and lowest in the year 2003 (39.03 days). On an average it is 44.1 days. Philips followed a mixed trend during the study period. Therefore, we can say that the liquidity position of the company is sound in 2003 as compared to other years and worst in 2006.

In case of Asian Electronics Ltd. (Asian) the CCC is highest in the year 2010 (483.04 days) and lowest in the year 2002 (94.31 days). On an average it is 275 days. From the table it is clear that there has been a steady increase in CCC except in the year 2007 and 2011. Hence, the short term debt paying capacity of the organization deteriorated from year after year.

In case of Wipro Ltd. (Wipro) the picture is totally different. It comprises very small days in CCC. The highest CCC has been identified in the years 2006 (57.97 days) and 2008 (44.93 days). The CCC of Wipro followed a mixed trend. It started with 54.85 days and ended with 56.27 days. On an average it is 51.3 days. Thus the company registered a moderate CCC during the study period. It maintained a moderate liquidity position during the study period.

CMC Ltd. (CMC) maintained moderate CCC during the study period. It started with 39.66 days and ends with 18.65 days. The highest CCC is found in the year 2005 (78.23 days) and smallest CCC is depicted in the year 2010 (16.36 days). On an average it is 43 days. So the liquidity position of the company during study period, except, the years 2005, 2003 and 2006 is good.

From the table-1, it has been found that the CCC of the Videocon Group (Videocon) is highest in the year 2006 (109.63 days) and lowest in the year 2009 (52.70 days). It also registered a mixed trend of CCC during the study period. On an average it is 86.8 days. The company maintained a moderate CCC during the study period.

Therefore, among five companies from IT sector the liquidity position of CMC is good as compared to others. It also portrays that the liquidity management system of CMC is sound, than other five companies in that sector.
From Figure-1 it is clear that the CCC of Asian is increased during the first half of the study period and decreased in last few years whereas other companies of IT sector maintained low level of CCC throughout the study period. Figure-1 also portrays that CMC maintained lowest level of CCC in IT sector.

From table-1 it has been depicted that in Consumer Durables sector, the CCC of Hawkins Cooker Ltd. (Hawkins) is highest in the year 2002 (134 days) and smallest in the year 2010 (47.71 days). On an average it is 72.8 days. The company followed a moderate liquidity position during the study period. There is a decreasing trend in CCC is noticed throughout the study period except in the year 2011. The company increases its liquidity position throughout the study period.

Table-1 shows that the CCC of Havells India Ltd. (Havells) is highest in the year 2003 (100.91 days) and lowest in the year 2010 (16.22 days). On an average it is 56.6 days. The company improved its liquidity position during the second half of the study period.

From table-1 it is observed that the CCC of Khaitan Electricals Ltd. (Khaitan) fluctuated during the study period. The highest CCC is noticed in the year 2008 (126.45 days) and contrary the lowest CCC is noticed in the year 2003 (67.01 days). On an average it is 93.4 days. During the first half of the study period the company maintained a moderate CCC as compared to the second half of the study period. So the liquidity position of the company deteriorated in the second half of the study period.

In case of Voltas Ltd. (Voltas) the situation is quite volatile. From table-1 it is depicted that the CCC of the company is highest in the year 2009 (200.17 days) and smallest in the year 2002 (47.52 days). On an average it is 101.46 days. It registered an upward trend during the study period except in 2010 and 2011. It portrays that the liquidity position of the company highly deteriorated during the second half of the study period.

Table-1 depicts that the CCC of Siemens Ltd. (Siemens) is highest in the year 2011 (64.66 days) and lowest in 2002(-63.95 days). On an average it is 2.7 days. A mixed trend in CCC is noticed during the study period. Beginning of the study period the CCC is negative. It is due to high deferral period for payments. But at the end of the study period its liquidity position decreases as CCC increases.
Hence, the CCC of Siemens is good among other companies of consumer durable sector. The liquidity position of Siemens Ltd. is good as compared to other companies in that group. It emphasizes the efficient liquidity management system of Siemens. Figure-2 discloses the same picture at a glance. Figure-2 also states that Voltas maintained highest CCC whereas Siemens registered the lowest CCC.

Table-1 shows that in Pharmaceuticals Sector, the CCC of Alchemist Ltd. (Alchemist) is highest in 2002 (36.87 days) and lowest in the year 2004 (-88.47). On an average it is 6.95 days. It is due to negative CCC in 2005 and 2004 for probably high period for deferral payments. Negative CCC may be the result of large deferral period for payments. So, Alchemist maintained a moderate liquidity position during the study period.

In case of Cipla it is found from table-1 that the highest CCC is registered in the year 2010 (183.63 days) and lowest CCC is noticed in the year 2002 (101.96 days). On an average it is 154.39 days. It followed a mixed trend regarding its CCC. So from liquidity point of view the company fails to register its position.

Table-1 also depicts that the CCC of Dr. Reddys' Laboratories is highest in 2003 (119.51 days) and lowest in 2007 (72.5 days). On an average it is 95.7 days. It followed a mixed trend during the study period. Also the liquidity position of the company is not at all good.

In case of Lupin Ltd. (Lupin), table-1 reveals that the CCC is highest in 2003 (146.4 days) and lowest in 2006 (91.42 days). On an average it is 118 days. A mixed trend in CCC is noticed during the study period. Throughout the study period the liquidity position of the company is not sound enough as its CCC is larger than normal.

Table-1 also shows that in the year 2006 (128.6 days) Ranbaxy Laboratory Ltd. (Ranbaxy) registered the highest CCC and in the year 2010 (43.9 days) it registered the lowest CCC. On an average it is 105.24 days. It also shows a mixed trend during the study period. So, on the basis of CCC, the liquidity position of the company is not at all sound enough.

Therefore, among five companies of Pharmaceutical sector the short-term debt paying capacity of Alchemist is good as compared to other companies. From Figure-3 it is clear that except Alchemist all the Pharmaceuticals companies under study registered higher CCC.
Table-1 shows that the CCC of Britannia Industries Ltd. (Britannia) is highest in the year 2008 (30.62 days) and lowest in the year 2002 (11.56 days). On an average it is 21.1 days. During the first half of the study period it registered an upward rising trend whereas during the second half of the study period a mixed trend has been noticed. The liquidity position of the company is quite good during the study period.

In case of Dabur India Ltd. (Dabur), the CCC is highest in 2002 (73.97 days) and smallest in 2007 (20.16 days). On an average it is 39.9 days. During the first half of the study period it decreases significantly but during the second half of the study period it increases gradually. So from liquidity point of view middle years are best where CCC is below average. Hence the liquidity position of the company is sound enough.

If we see the CCC of Hindustan Unilever Ltd. (HUL), it portrays a different picture from other companies selected in this study. All the CCCs are negative here. It is exceptional among all companies regarding CCC. Probably it is due to large deferral period for payment. Table-1 shows that it is highest in the year 2005(-5.7 days) and smallest in the last year of the study period i.e. in the year 2011(-31.97 days). On an average it is (-) 18.2 days. Due to large deferral periods it signified an extra ordinary liquidity position of the company.

Table-1 also depicts that in case of Marico Industries Ltd. (Marico) the CCC is highest in the year 2011(56.34 days) and minimum in the year 2007(-0.57 days). On an average it is 25.2 days. A mixed trend of CCC is noticed in the study period. The company registered a steady liquidity position during the study period.

From table-1 it has been found that the CCC of Nestle India Ltd. (Nestle) is maximum in the year 2002(35.68 days) and minimum in the year 2011 (23.26 days). On an average it is 28 days. During the first half of the study period it decreases steadily but a mixed trend is noticed in the second half of the study period. So the liquidity position of the company is quite good considering the CCC.

Among five FMCG companies, HUL is exceptional. Though, all the companies registered steady liquidity position. It proves that in all the companies the liquidity management is efficient. Figure- 4 also portrays that from the point of view of CCC, HUL is exceptional. Figure- 4 discloses that the CCC of Dabur is higher than that of other companies in FMCG sector.
From table-1 it has been observed that in case of Bata India Ltd. (Bata) the CCC is highest in the year 2004 (118.56 days) and smallest in the year 2011 (61.352 days). On an average it is 98.5 days. A mixed trend in CCC is observed during the study period. The liquidity position of the company is not at all satisfactory.

In case of Siyaram Silk Mills (Siyaram), the CCC is highest in the year 2003(145.33 days) and lowest in the year 2011 (69 days). On an average it is 110 days. It follows a mixed trend of CCC during the study period. During the first half of the study period the CCC of the company is very high whereas the company improved its liquidity condition in the second half.

Gini Fabrics follows a moderate CCC during the study period. Table-1 shows that the CCC of Gini Fabrics is highest in the year 2008 (76.98 days) and lowest in the year 2004 (34.78 days). On an average it is 53.7 days. It followed a mixed trend during the study period. The liquidity position of the company is moderate.

From table-1 it has been found that the CCC of Raymond is highest in the year 2003 (176.42 days) and smallest in the year 2011. On an average it is 133 days. The CCC trend is fluctuated during the study period. The company’s liquidity position is not at all satisfactory throughout the study period. It may be due to lower debtors and inventory turnover.

Table-1 shows that the CCC of Titan Industries Ltd. (Titan) is highest in 2002 (127.15 days) and lowest in 2011 (27.52 days). On an average it is 66.5 days. A mixed trend in CCC is noticed during the study period but it decreases in the last part of the study period. The Titan Ltd followed a moderate liquidity position throughout the study period.

Therefore, among the five retail companies the average CCC of Gini Fabrics is lowest. It signifies that the short term liquidity position of Gini Fabrics is good. From Figure-5, it is clear that all the companies of Retail sector downward trends are noticed during the study period which probably increases the liquidity of the companies.

In table-2, the values of average Cash Conversion Cycle (CCC) of the companies under study have been ascertained by applying arithmetic mean and consistency of CCC have also been measured by using the coefficient of variation (CV) of their cash conversion cycle. The industry wise ranks have been assigned to the selected companies both in respect of average and consistency.
Among the companies of IT sector selected in this study the average CCC of CMC is the lowest, followed by Philips, Wipro, Videocon and Asian respectively in that order. The table also reveals that in respect of consistency of designing CCC, Philips captured the top position and followed by Wipro, Videocon, Asian and CMC respectively. Considering both average and consistency aspects together, Philips occupied the first rank whereas Wipro got the second position, it followed by CMC, Videocon and Asian.

In Consumer Durable sector the average CCC of Siemens is the lowest and followed by Havells, Hawkins, Khaitan and Voltas respectively in that order. Table-2 also reveals that in respect of consistency of designing CCC Khaitan occupied the first position, followed by Hawkins, Voltas, Havells and Siemens respectively. From both average and consistency point of view Hawkins and Khaitan captured the top most position, Havells and Siemens are in second place followed by Voltas.

Among the companies of pharmaceutical sector selected in this study the average CCC in Alchemist Ltd. is the lowest, followed by Dr. Reddys’ Laboratory, Ranbaxy, Lupin and Cipla respectively in that order. The table-2 also reveals that in respect consistency of constructing CCC Lupin captured the top most position and followed by Cipla, Dr. Reddys’ Laboratory, Ranbaxy and Alchemist respectively. Considering both average and consistency aspects together Dr. Reddys’s Laboratory and Lupin occupied the first rank jointly and it followed by Alchemist Ltd., Cipla and Ranbaxy in that order.

In the FMCG sector, companies selected in this study, HUL occupied the first position in respect of average CCC and it followed by Britannia, Marico, Nestle and Dabur respectively. In respect of consistency of constructing CCC, HUL ranked as first and it followed by Nestle, Britannia, Dabur and Marico respectively. Considering both average and consistency HUL captured the top most position and Britannia is in second position, followed by Nestle, Marico and Dabur respectively in that order.

Among the companies of Indian Retail sector selected in this study the average CCC of Gini Fabrics is the lowest, followed by Titan, Bata, Siyaram and Raymond respectively. The table also reveals that in respect of consistency of designing CCC, Bata captured the top position and followed by Raymond, Siyaram, Gini Fabrics and Titan. Considering both average and consistency aspects together Bata occupied the first position whereas Gini Fabrics is in second place and rest three companies i.e. Siyaram, Raymond and Titan are in same rank.
In table-3 the values of average Cash Conversion Cycle of all the companies from five different sectors under study have been ascertained by applying arithmetic mean and the consistency of cash conversion cycle of the companies have also been measured by using the coefficient of variation (CV).

The ranks have been assigned to the selected companies as a whole both in respect of average and consistency. The ultimate ranks have also been determined on the basis of composite score (sum total of ranks) which have been ascertained by taking ranks based on average and ranks based on consistency.

Table-3 shows that the average Cash Conversion Cycle of HUL is the lowest, so it is ranked as first, followed by Siemens Ltd., Alchemist Ltd., Britannia, Marico, Nestle, Dabur, CMC, Philips, Wipro, Gini Fabrics etc. respectively in that order. From Figure-6 same conclusion can be drawn that the average CCC of HUL is minimum and it portrays the overall picture very significantly.

Table-3 also reveals that in respect of consistency in designing Cash Conversion Cycle as a whole, HUL captured the top most position again and it is followed by Philips, Wipro, Lupin, Nestle, Cipla, Dr. Reddys’ Laboratories, Bata, Videocon, Raymond, Siyaram respectively. Considering both average and consistency aspects together again HUL occupied the best rank while second position is captured by Philips and Nestle and it followed by Wipro, Videocon, Gini Fabrics, Dr. Reddys’ Laboratories, Lupin, Bata, CMC, Siemens, Dabur respectively in that order. Therefore, the liquidity position of HUL is exceptional and in case of Philips, Nestle, Wipro, Videocon, Gini Fabrics, Dr. Reddys’ Laboratories, Lupin, Bata, CMC, Siemens, Dabur the liquidity condition is sound enough.

Coefficient of Correlation is the measurement of degree of association between two variables. A positive value of ‘r’ indicated high values of one variable are generally associated with the high values of other variables and low values with low values. In table- 4 an effort has been made to measure the degree of relationship between Cash Conversion Cycle (CCC) and each of the factors related with CCC such as inventory turnover ratio (ITR), current ratio (CR), debtors turnover ratio (DTR), debtors more than six months (Debt > 6 Months) and creditors turnover ratio(CTR). To test the significance of such coefficient, ‘t’ test has been applied.
According to Richards-Laughlin, CCC is the sum of receivables conversion period (RCP) plus the inventory conversion period (ICP) minus the payment deferral period (PDP) i.e. \( \text{CCC} = \text{RCP} + \text{ICP} - \text{PDP} \).

It is the indicator of liquidity. On the other hand, current ratio is also another indicator of liquidity. In this chapter we measure the closeness of CCC and CR. Generally, they are perfectly, positively correlated.

Inventory turnover ratio is calculated with the help of the following formula,
\[
\text{ITR} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}
\]

This ratio indicates the efficiency of the inventory management of the organization. Higher inventory turnover ratio indicates sound inventory management of the organization. On the other hand low inventory turnover ratio implies excess inventory level which ultimately block up the cash. Therefore, higher inventory turnover ratio means lower cash conversion cycle, which is desirable. So inventory turnover ratio is positively related with CCC.

Debtors’ turnover ratio is the ratio of credit sales to average receivables i.e.
\[
\text{DTR} = \frac{\text{Credit sales}}{\text{Average receivables}}
\]

Higher debtors’ turnover ratio means shorter average collection period. It indicates the efficiency in collection of debt. On the other hand, lower debtors’ turnover ratio portrays longer average collection period. Higher the collection period means longer Cash Conversion Cycle. It is not expected. So, higher debtors’ turnover ratio indicates lower Cash Conversion Cycle. Hence, Debtors turnover ratio is positively related with CCC.

Debtors more than six months means payments are not received from debtors for more than six months. It is riskier to the organisation to collect funds from them. More times for getting the money from debtors signify inefficient debt collection policy and it affects the Cash Conversion Cycle. Higher the period due from debtors larger is the Cash Conversion Cycle. Larger the Cash Conversion Cycle means in efficient Cash management system. CCC is negatively related with debtors, which is pending for more than six months.

Creditors’ turnover ratio is the ratio of credit purchase to average payables, i.e.
\[
\text{CTR} = \frac{\text{Credit purchase}}{\text{Average Payables}}
\]
The creditors turnover ratio indicates number of times average creditors turnover in relation to purchase for the year. It reflects firm’s ability to avail of credit facility from suppliers. A low creditors’ turnover ratio is apparently favorable as in that case firm enjoys lengthy credit period. It requires less working capital. Contrary, higher creditors’ turnover ratio indicates that the firm is to pay its suppliers immediately after purchase. For it, the firm has to invest more working capital. Low creditor turnover ratio means shorter Cash Conversion Cycle. Therefore, CCC is negatively related with the creditors’ turnover ratios.

In case of IT sector, table- 4 shows that the correlation coefficient between CCC and ITR in Philips, Asian, Wipro, CMC and Videocon are 0.387, 0.815, 0.2, 0.812 and (-) 0.011 respectively. Out of which the correlation coefficient between CCC and ITR in Philips, Asian, Wipro and CMC are positive and correlation coefficient in case of Asian and CMC are statistically significant both at 5% and 1% level of significance. It implies that the strength of positive association between CCC and ITR in Asian and CMC is highly significant. Higher ITR helps to minimize CCC. But the correlation coefficient between CCC and ITR in Videocon is negative and statistically insignificant both at 5% and 1% level of significance.

In Consumer Durable sector Table- 4 depicts that the correlation coefficients between CCC and ITR in Hawkins, Khaitan and Voltas are 0.993, 0.752 and 0.945 respectively such are statistically significant at 5% level. It shows that there is positive associations between CCC and ITR in these three companies are highly significant. Due to higher ITR, the CCC is the minimum in these three companies. On the other hand, the correlation coefficient between CCC and ITR in Havells and Siemens are negative and statistically insignificant both at 5% and 1% level of significance. In these cases ITR probably lower.

From table- 4 it has been found that in Pharmaceutical sector the correlation coefficients between CCC and ITR in Alchemist and Cipla are 0.601 and 0.207. But, the same in case of Dr. Reddys’ Laboratories, Lupin and Ranbaxy are (-) 0.096, (-) 0.234, and (-) 0.473, which are statistically insignificant. The correlation coefficient between CCC and ITR in Alchemist and Cipla is positive but statistically not significant. It implies no such impact of ITR has been found on CCC.
It has been depicted from table- 4 that in case of FMCG sector the correlation coefficient between CCC and ITR in Britannia, Dabur, HUL and Nestle are 0.979, 0.938, 0.313 and 0.986 respectively. It implies that the strength of positive association between CCC and ITR in Britannia, Dabur, and Nestle are highly significant. The correlation coefficient between CCC and ITR in Marico is negative. It implies that the ITR is influenced the CCC in case of Britannia, Dabur and Nestle.

In retail sector the companies selected under study, table- 4 shows that the correlation coefficient between CCC and ITR of Bata, Siyaram, Gini Fabrics, Raymond are 0.859, 0.979, 0.746 and 0.853 respectively, which are statistically significant both at 5% and 1% level of significance. But the same in case of Titan it is (-) 0.582, which is statistically insignificant. It implies that the sound inventory management in Bata, Siyaram, Gini Fabrics, Raymond helped to minimize CCC. But, in case Titan the inventory management system is not sound enough.

Table- 4 exhibits that in IT sector the correlation coefficient between CCC and CR in Philips, Asian and CMC are 0.102, 0.972 and 0.761. Out of which the correlation coefficient between CCC and CR of Asian and CMC are statistically significant at 5% level. It indicates that the degree of positive association between CCC and CR in Asian and CMC selected for our study is highly significant.

On the other hand, the correlation coefficient between CCC and CR in Wipro and Videocon are (-) 0.052 and (-) 0.654. Out of which the correlation coefficient between CCC and CR of Videocon is statistically significant at 5% level. It implies negative association between CCC and CR.

From table- 4 it is found that in Consumer Durable sector the correlation coefficient between CCC and CR in Hawkins, Voltas and Siemens are 0.722, 0.608 and 0.017 respectively. Out of which only in case of Hawkins, the correlation coefficient is significant at 5% level. It implies positive association between CCC and CR in these three companies. On the other hand, negative correlation between CCC and CR is noticed in case of Khaitan (-0.416) and Havells (-0.219). It indicates negative association between CCC and CR which is not matched with the theoretical proposition.
If we look at the Pharmaceutical sector, table-4 exhibits that, the correlation coefficient between CCC and CR in Alchemist, Cipla, Dr. Reddey’s Laboratory, Lupin and Ranbaxy are (-) 0.391, (-) 0.801, (-) 0.480 and (-) 0.211 respectively. Out of which the correlation coefficient between CCC and CR in case of Dr. Reddys’ Laboratory is statistically significant both at 5% and 1% level of significance. It indicates that the degree of negative association between CCC and CR in all the companies under Pharmaceuticals sector selected for this study. The liquidity condition regarding CCC is not sound enough.

In FMCG sector table- 4 shows that the correlation coefficient between CCC and CR in Britannia, Dabur, HUL and Nestle are (-) 0.696, (-) 0.805, (-) 0.342 and (-) 0.914 respectively. Out of which the correlation coefficient between CCC and CR in Britannia, Dabur and Nestle is statistically significant at 5% level of significance. It indicates negative association between CCC and CR which is not expected. Only in case of Marico Ltd. low positive correlation between CCC and CR is viewed which is 0.445.

Table- 4 exhibits that in case of Retail sector the low positive correlation coefficient between CCC and CR is noticed in case of Bata and Titan, which are 0.100 and 0.134 respectively. It implies positive association between CCC and CR in these companies. On the other hand, the correlation coefficients between CCC and CR in Siyaram, Gini Fabrics and Raymond are (-) 0.673, (-) 0.357 and (-) 0.047 respectively. Out of which the same in case of Siyaram is statistically significant at 5% level. It implies in efficient liquidity management.

Table- 4 depicts that in case of IT sector the correlation coefficients between CCC and DTR in Philips, Asian, Wipro and CMC are 0.677, 0.982, 0.034 and 0.449 respectively. Out of which the correlation coefficient between CCC and DTR in Philips and Asian are statistically significant at 5% level. It implies positive association between CCC and DTR in these four companies. On the other hand the correlation coefficient between CCC and DTR in Videocon is (-) 0.042 which is not at all significant. It implies negative relationship between CCC and DTR in Videocon.

In Consumer Durables sector, table- 4 exhibits that the correlation coefficients between CCC and DTR in Hawkins, Havells and Khaitan are 0.933, 0.846 and 0.533 respectively. Out of which the correlation coefficient between CCC and DTR of Hawkins and Havells are statistically significant both at 5% and 1% level of significance.
It indicates sound debtors management which helped the companies to minimize the CCC. On the other hand Voltas and Siemens registered a negative correlation between CCC and DTR which are (-) 0.359 and (-) 0.050 respectively. It implies negative association between CCC and DTR.

Table- 4 exhibits that in Pharmaceutical sector the correlation coefficients between CCC and DTR in Cipla, Dr. Reddys’ Laboratory and Lupin are 0.940, 0.524 and 0.888 respectively. Out of which the correlation coefficient between CCC and DTR in case of Cipla and Lupin is statistically significant both at 5% and 1% level of significance. It implies sound debtors management system is adopted by these three companies which indirectly reduced the CCC. On the other hand, the same in case of Alchemist and Ranbaxy are (-) 0.106 and (-) 0.458 respectively. It implies the negative relationship between CCC and DTR.

In FMCG sector, table- 4 exhibits that the correlation coefficients between CCC and DTR in Dabur, HUL and Nestle are 0.984, 0.322 and 0.576 respectively. Out of which the correlation coefficients between CCC and DTR of Dabur is statistically significant both at 5% and 1% level of significance. It indicates sound debtors management which helped the companies to minimize its CCC. On the other hand, Britannia and Marico registered a negative correlation between CCC and DTR which are (-) 0.390 and (-) 0.091 respectively. It implies negative association between CCC and DTR in these companies.

Table- 4 shows that in case of Retail sector the correlation coefficients between CCC and DTR are positive in all the companies selected under study. The correlation coefficients between CCC and DTR in Bata, Siyaram, Gini Fabrics, Raymond and Titan are 0.778, 0.965, 0.531, 0.759 and 0.866 respectively. Out of which the same in case of Bata, Siyaram, Raymond and Titan are statistically significant at 5% level of significance. It indicates the positive association between CCC and DTR in these five companies. Hence the sound debtors management of all the companies of retail sector selected under the study helped to minimizes the CCC.

In case of IT sector the correlation coefficient between CCC and Debtors more than six months’ time period in firms of Philips, Asian. and Wipro are (-) 0.140, (-) 0.659 and (-) 0.152 respectively. Out of which the same in case of Asian is statistically significant at 5% level.
It implies the negative association between CCC and debtors more than six months in Philips, Asian and Wipro. Debt collection policy which minimizes CCC of these three companies is good. On the other hand, the correlation coefficients between CCC and Debtors more than six month are positively low in CMC and Videocon which are 0.271 and 0.314 respectively. It implies positive association between them which are not desirable.

Table- 4 exhibits that in case of Consumer durables sector the correlation coefficients between CCC and debtors more than six months in Havells and Khaitan are (-) 0.858 and (-) 0.386 respectively. Out of which the same in case of Havells is statistically significant at 5% level of significance. It implies negative association between CCC and debtors more than six months in case of Havells and Khaitan. The sound debt collection policy helped to minimize the CCC in these companies. On the other hand the correlation coefficient between CCC and debtors more than six months in Hawkins, Voltas and Siemens are 0.533, 0.087 and 0.102 respectively. It denotes very low positive relationship between them which is not desirable.

In Pharmaceutical sector the correlation coefficient between CCC and debtors more than six months in Alchemist, Cipla and Lupin are (-) 0.546, (-) 0.632 and (-) 0.794 respectively. Out of which the same in case of Cipla and Lupin is statistically significant at 5% level. It implies negative association between CCC and debtors more than six months, which matched to the theoretical proposition.

The correlation coefficient of CCC and debtors more than six months in Dr. Reddey’s Laboratory and Ranbaxy are 0.259 and 0.655 respectively. Out of which the same in case of Ranbaxy is statistically significant at 5% level. It implies positive association between them which is not expected. It may be due to bad debt collection policy.

In FMCG sector, table- 4 depicts that correlation coefficient between CCC and debtors more than six months in Britannia and Dabur are (-) 0.458 and (-) 0.2 respectively. It indicates the negative association between them which is desirable in the organization. But, the correlation coefficient between CCC and debtors more than six months in HUL, Marico and Nestle are 0.072, 0.156 and 0.215 respectively. It indicates very low positive relationship between CCC and debtors more than six months which is also not desirable. It is due to inefficient debt collection policy which increases the CCC.
It has been found from table-4 that in Retail sector the correlation coefficient between CCC and debtors more than six months of all the companies are negative. The same in case of Bata, Siyaram, Gini Fabrics, Raymond and Titan are (-) 0.711, (-) 0.816, (-) 0.007, (-) 0.733 and (-) 0.204 respectively. Out of which the same in case of Bata, Siyaram and Raymond is statistically significant at 5% level of significance. The correlation coefficient of CCC and debtors more than six months is also statistically significant at 1% level. It implies the negative association between CCC and debtors more than six month of all the companies in retail sector selected under this study. It is due to the sound debtors’ management. More specifically quick debt collection policy helps the companies to shorten their cash conversion cycle. It helps to improve the liquidity position.

Table- 4 shows that in IT sector the correlation coefficient between CCC and CTR in Philips, Wipro, CMC Ltd and Videocon are (-) 0.266, (-) 0.519, (-)0.598 and (-) 0.276 respectively. It implies that the association between CCC and CTR is negative in Philips, Wipro, CMC and Videocon Ltd. It is due to low creditors’ turnover ratio which is desirable to shorten the CCC. On the other hand the correlation coefficient between CCC and CTR in Asian. is positive which does not portrayed the theoretical conception of lower CTR to shorter CCC.

It has been found from table- 4 that in consumer durables sector the correlation coefficient between CCC and CTR in Havells is (-) 0.669 which is statistically significant at 5% level. It indicates the negative association between CCC and CTR which help to reduce the CCC. The correlation coefficient between CCC and CTR in Hawkins, Khaitan, Voltas and Siemens are 0.710, 0.449, 0.670, and 0.276 respectively. Out of which the same in case of Hawkins, Havells and Voltas is statistically significant at 5% level. It implies positive association between CCC and CTR which does not conform to the theoretical perception.

It is found from table- 4 that in Pharmaceutical sector the correlation coefficient between CCC and CTR in Dr. Reddy’s Laboratories and Ranbaxy are (-) 0.635 and (-) 0.836, such are statistically significant at 5% level. It indicated negative relationship between CCC and CTR. It is due to sound creditors’ management by delaying payment which reduced the working capital requirement and indirectly minimizes CCC. But the correlation coefficient between CCC and CTR in Alchemist, Cipla and Lupin are 0.205, 0.704 and 0.145 respectively. Out of which the same in case of Cipla is statistically significant at 5% level. It indicates positive relationship between CCC and CTR which is not expected.
From table- 4 it is found that in case of FMCG sector the correlation coefficient of all the companies selected under study except Marico establishes high negative relationship. The correlation coefficient between CCC and CTR in Britannia, Dabur, HUL and Nestle are (-) 0.525, (-) 0.747, (-) 0.309 and (-) 0.767 respectively. Out of which the same incase of Dabur and Nestle is statistically significant at 5% level. It implies negative relationship between CCC and CTR. It portrays the sound creditors’ management of the companies in minimization of CCC. The correlation coefficient of CCC and CTR in Marico is 0.510. It establishes positive relationship between CCC and CTR.

It has been viewed from table- 4 that in case of Retail sector the correlation coefficient between CCC and CTR in Siyaram and Titan are (-) 0.623 and (-) 0.807. Out of which the correlation coefficient between CCC and CTR in Titan is statistically significant both at 5% and 1% level of significance. It implies the high negative relationship between CCC and CTR. It indirectly helps the above mentioned companies to shorten their CCC. On the other hand, the correlation coefficient between CCC and CTR in Bata, Gini Fabrics and Raymond registered a positive relationship and they are 0.040, 0.549 and 0.089 respectively and which are not statistically significant. It indicates positive relationship between CCC and CTR among the companies which is not desirable at all.

Table- 4 shows that out of twenty five correlation coefficients between CCC and ITR of the companies selected under study seventeen correlation coefficients are positive, out of which twelve coefficients are found to be statistically significant whereas the remaining eight correlation coefficients are negative, out of which none is found to be statistically significant. Therefore, we can say most of the companies under study have a positive relationship between CCC and ITR.

Table- 4 exhibits that out of twenty five correlation coefficients between CCC and CR of the selected companies from five different sectors, nine correlation coefficients are positive out of which three correlation coefficients are statistically significant while the remaining sixteen correlation coefficients are negative out of which six correlation coefficients are found to be statistically significant. So in general the study failed to provide any clear indication in favour of the basic accepted principle that better current ratio, shorter the Cash Conversion Cycle.
Cash Management in Indian Corporate Sector: A Study of Select Companies

Table- 4 reveals that out of twenty five correlation coefficients between CCC and DTR of the companies selected under study eighteen correlation coefficients are positive, out of which eleven correlation coefficients are statistically significant whereas remaining seven correlation coefficients are found to be negative, of which none is statistically significant. It is an accepted principle that higher the DTR, shorter the debtors collection period and also shorter the CCC. Thus, in the majority of companies under the study followed the accepted principle of higher the DTR, shorter the CCC.

Table- 4 depicts that out of twenty five correlation coefficients between CCC and debtors more than six months, fifteen correlation coefficients are negative, out of which seven correlation coefficients are statistically significant whereas remaining ten correlation coefficients are positive of which only one correlation coefficient is statistically significant. There is a generally accepted principle that higher the periods for collection of debt higher the CCC and vice-versa. Therefore, the study conform to the generally accepted principle of shorter debt collection period, shorter the CCC as most of the companies.

Table- 4 shows that out of twenty five correlation coefficients thirteen correlation coefficients are negative of which six correlation coefficients are statistically significant while other twelve correlation coefficients are positive of which only three correlation coefficients are statistically significant.

Theoretically, CCC is negatively related with CTR as higher CTR means higher need working capital which is not desirable. So most of the companies in our study have conform the principle.

In table- 5 an attempt has been made to assess the influence profitability, size of the organization and cumulative profitability on Cash Conversion Cycle. In this study, return on net-worth (RONW) has been taken as the measure of owners’ profitability, log value of total assets has been taken as the measure of size of the organisation and share holder’s fund has been taken as the measure of cumulative profitability. The linear regression equation has been fitted in this study is

\[ CCC = b_0 + b_1 \text{RONW} + b_2 \text{Size of Org.} + b_3 \text{Shareholders’ fund} \]

where \( b_0 \) is the value of intercept term (constant ) and \( b_1, b_2 \) and \( b_3 \) are the slopes of the line i.e. the regression coefficient of CCC on RONW, size of org. and Shareholders’ fund. This regression equation has been tested by ‘t’ test.
Table- 5 shows that in case of IT sector for one unit increase in RONW the CCC of Philips stepped up by 5.84 units, which is found to be statistically significant at 5% level. The above table also shows that for one unit increase in the size of the org. the CCC of Philips go up by 3.817 units which is found to be statistically insignificant at 5% level. It is found from the table- 5 that one unit increase in shareholders fund the CCC is increased by only 0.578 units which is also statistically insignificant at 5% level. It implies that the influence of RONW, size of org. and Shareholders’ fund on CCC is positive. The coefficient of determination ($R^2$) makes it clear that 65.5 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It has been found from table- 5 that for one unit increase in RONW the CCC of Asian increased by only 0.004 unit which is not statistically significant. Table- 5 shows that one unit increase in size of the organization the CCC of Asian is go down by 8.636 units which is also statistically insignificant at 10% level. Similarly, Table- 5 reveals that one unit increase in share holders’ fund the CCC of Asian stepped up by 6.503 units which is not at all significant at 5% level. The influence of RONW and Shareholders’ fund on CCC is positive but not significant whereas size of the organisation negatively influenced the CCC of the company. The coefficient of determination ($R^2$) makes it clear that 54.0 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It is found from table- 5 that for one unit increase of RONW the CCC of Wipro go up by 0.018 units which is not statistically significant at 5% level. The above table also shows that for one unit increase in size of the organization the CCC of Wipro stepped up by 8.036 units which is also not statistically significant at 5% level. Table- 5 shows that for one unit increase of Shareholders’ fund the CCC of Wipro rapidly go down by 8.401 units and it is also not statistically significant at 5% level. It implies that the influence of RONW and size of the organisation on CCC of the company is positive but insignificant where as the influence of share holders fund on CCC is negative in the company. The coefficient of determination ($R^2$) makes it clear that 28.5 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.
Table- 5 shows that for one unit increase in RONW the CCC of CMC stepped up by 0.219 units which is statistically insignificant at 5% level. Table- 5 also reveals that for one unit increase in size of the organization, the CCC of CMC go down by 21.359 units which is also statistically insignificant at 5% level. Table- 5 shows that for one unit increase in cumulative profitability the CCC of the company rapidly increased by 35.883 units which is also statistically not significant at 5% level. It indicates the influence of RONW and cumulative profitability on CCC of the company is positive but insignificant while the influence of size of the organization is negative on the CCC of the company. The coefficient of determination ($R^2$) makes it clear that 77.8 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org. and Shareholders’ fund.

It has been revealed from table- 5 that for one unit increase in RONW the CCC of Videocon Ltd is stepped down by 0.437 units which is statistically insignificant at 10% level. On the other hand, table- 5 also reveals that for one unit increase in size of the organization the CCC of Videocon is go down by 20.615 units which is not statistically significant at 5% level. Table-5 also shows that for one unit increases in size of the organisation the CCC of Videocon decrease by 24.704 units which are statistically insignificant at 5% level. It implies that the influence of size of the organization on CCC of the company is positive whereas the impact of profitability as well as cumulative profitability is negative on the CCC of the company. The coefficient of determination ($R^2$) makes it clear that 58.6 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

Therefore, from table- 5 it is found that only in case of Philips the influence of RONW, size of the organization and cumulative profitability on CCC is positive.

Now in case of Consumer Durable sector table- 5 shows that for once unit increase in RONW the CCC of Hawkins Ltd. stepped up by only 0.013 units which is also statistically insignificant at 5% level. Table- 5 also depicts that for one unit increase in size of the organization the CCC of Hawkins Ltd. go down by 8.399 units which is significant at 1% level. On the other hand, the table reveals that for one unit increase in cumulative profitability the CCC of go up by 7.104 units which is statistically significant at 5% level of significance.
It implies that the influence of RONW and cumulative profitability on CCC is positive and last one is statistically significant at 5% level while the influence of size of the organization on CCC of the company is negative. The coefficient of determination ($R^2$) makes it clear that 95.7% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

Table- 5 depicts that for one unit increase in RONW the CCC of Havells is decreased by 0.133 units which is statistically insignificant at 5% level while table- 5 shows that for one unit increase in the size of the organization the CCC of Havells stepped down by 4.993 units. Table- 5 also depicts that for one unit increase in shareholders’ fund the CCC of the organization rapidly increase by 12.795 units which is also statistically insignificant. It indicated that the influence of cumulative profitability on CCC of the Havells is positive whereas RONW and size of the organization negatively influenced the CCC of the company. The coefficient of determination ($R^2$) makes it clear that 91.4% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It has been found from table- 5 that for one unit increase in profitability the CCC of the Khaitan is increased by only 0.143 unit which statistically significant at increase in size of the organization the CCC of Khaitan is go up by 11.292 units which is statistically insignificant. From table- 5 it is found that for one unit increase in cumulative profitability the CCC of the company is highly decreased by 42.217 units which is statistically significant 10% level. It implies that the profitability and size of the orgsnisation positively influence the CCC of the Khaitan while cumulative profitability negatively influenced the CCC of the company. The coefficient of determination ($R^2$) makes it clear that 72.0% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

Table- 5 depicts that for one unit increase in RONW the CCC of Voltas Ltd decreased by only 0.216 units which is not statistically significant. Table- 5 also depicts that for one unit increase in size of the organization the CCC of Voltas Ltd. stepped up by 9.955 units which is statistically not significant. On the other hand, table- 5 shows that for one unit increase in cumulative profitability the CCC of Voltas Ltd. is decreased by only 2.694 units which is statistically not significant. It indicated that size of the organization is positively influenced the CCC of the Voltas whereas both Profitability and cumulative Profitability negatively influenced the CCC of Voltas. The coefficient of determination ($R^2$) makes it clear that 55.1% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org. and Shareholders’ fund.
Table- 5 reveals that for one unit increase in RONW the CCC of Siemens stepped up by 2.457 units which is statistically insignificant. Table- 5 also portrays that for one unit increase in size of the organization the CCC of Siemens is highly goes down by 76.328 units which is also statistically insignificant. From table- 5 it is found that for one unit increase in cumulative profitability the CCC of Siemens is go up by only 0.027 unit which is not significant at 5% level. It implies that the profitability and cumulative profitability is positively influenced the CCC of Siemens while size of the organisation is negatively influenced the CCC of Siemens. The coefficient of determination ($R^2$) makes it clear that only 8.1 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

Therefore, from table- 5 it is found that in case of Khaitan cumulative profitability is negatively influenced the CCC which is very high. On the other hand, in case of Siemens, the size of the organization is negatively influenced the CCC which is also very high.

Under Pharmaceutical sector, table- 5 depicts that for one unit increase in profitability the CCC of Alchemist is increased by only 0.086 units which is statistically not significant. Table- 5 also shows that for one unit increase size of the organization and cumulative profitability the CCC of Alchemist is increased by 4.179 units and 15.988 units respectively and they are not statistically significant at 5% level. It indicates that profitability, Size of the organisation and cumulative profitability, all are positively influenced the CCC of the organization. The coefficient of determination ($R^2$) makes it clear that only 7.5 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It is found from table- 5 that for one unit increase in profitability the CCC of Cipla reduced by only 0.011 unit which is statistically insignificant. Table- 5 also reveals that for one unit increase in size of the organization, the CCC of Cipla stepped down by 3.371 units which is also statistically insignificant. Table- 5 shows that for one unit increase in cumulative profitability the CCC of the Cipla increased by 2.113 units which is statistically insignificant. So it indicates that profitability and size of the organization is negatively influenced the CCC of the company while cumulative profitability positively influenced the CCC of Cipla. The coefficient of determination ($R^2$) makes it clear that 59.1 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.
It has been observed from table-5 that for one unit increase in RONW the CCC of Dr. Reddy’s Laboratories increased by only 0.026 units which is statistically not significant. It is also observed from table-5 that for one unit increase in size of the organization the CCC of Dr. Reddys’ Laboratory stepped up by 7.795 units which is not statistically significant. On the other hand, table-5 depicts that for one unit increase in cumulative profitability the CCC of Dr. Reddy’s Laboratories is go down by 6.19 units which is statistically insignificant. It implies that RONW and size of the organization influenced the CCC of Dr. Reddys’ Laboratory positively whereas the influence of Shareholders funds on CCC of the company is negative. The coefficient of determination ($R^2$) makes it clear that 60.9% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It has been depicted from table-5 that for one unit increase in RONW the CCC of Lupin stepped up only by 0.015 units which is not significant whereas table-5 shows that for one unit increase in the size of the organization the CCC of Lupin is decreased by 1.723 unit which is also not significant at 5% level. On the other hand, table shows that for one unit increase in cumulative profitability the CCC of Lupin go up by 1.021 units which is statistically insignificant. It implies that the profitability and cumulative profitability positively influence the CCC of Lupin whereas size of the organization is negatively influenced the CCC of Lupin. The coefficient of determination ($R^2$) makes it clear that only 8.5% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It is found from table-5 that for one unit increase in profitability the CCC of Ranbaxy is go down by 0.031 units which is not statistically significant. The table-5 also portrays that for one unit increase in size of the organization the CCC of Ranbaxy go down by 3.311 unit which is statistically insignificant. The table also reveals that for one unit increase cumulative profitability the CCC of Ranbaxy is increased by 11.9 units which is also statistically insignificant. It indicates that RONW and size of the organization is negatively influenced the CCC of the company. It also indicates that only profitability influenced the CCC of the company positively. The coefficient of determination ($R^2$) makes it clear that 52% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.
Hence, under Pharmaceutical sector, only in case of Alchemist all the influencing factors like RONW, size of the organization and cumulative profitability influenced the CCC of the company positively. But, in other cases one or two such factors influenced the CCC of the company negatively.

Under FMCG companies table- 5 shows that for one unit increase in RONW, the CCC of Britannia go down by 0.131 units which is statistically insignificant at 5% level. The table- 5 also shows that for one unit increase in size of the organization the CCC of Britannia is stepped up by 0.581 units only, which is also statistically insignificant.

On the other hand table- 5 shows that for one unit increase in cumulative profitability the CCC of Britannia go down by 40.371 units which is statistically significant at 5% level. It indicates that RONW and cumulative profitability negatively influenced the CCC of the company. It also indicates that only size of the organization influenced the CCC of the company positively. The coefficient of determination (R²) makes it clear that 55.5 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It is found from table- 5 that for one unit increase in CONW the CCC of Dabur increased by 0.195 units which is not statistically significant at 5% level. The table also depicts that for one unit increase in size of the organization the CCC of Dabur is highly decreased by 28.017 units which is also not significant. On the other hand the table shows that for one unit increase in cumulative profitability the CCC of the company is highly increase by 18.039 units. It implies that both profitability and cumulative profitability influenced the company positively while size of the organization influenced the CCC of the company negatively. The coefficient of determination (R²) makes it clear that 74.7 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It has been found from table-5 that for one unit increase in RONW the CCC of HUL increased by only 0.113 unit which is not statistically significant. But the table- 5 shows that due to one unit increase in size of the organization and cumulative profitability the CCC of HUL decreased by 116.547 units and 101.314 units respectively out of which earlier one is statistically significant at 5% level and the later one is statistically significant at 10% level. It may be due to negative CCC.
It indicates that size of the company and cumulative profitability negatively influenced the company, whereas the influence of RONW on CCC of the company is positive. The coefficient of determination ($R^2$) makes it clear that 59.8% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of the Org. and Shareholders’ fund.

Table- 5 shows that for one unit increase in RONW the CCC of Marico go down by 0.039 units, which is statistically insignificant at 5% level. The table also shows that for one unit increase in size of the organization the CCC of Marico stepped up by 29.968 units which is statistically significant at 10% level. On the other hand, for one unit increase in cumulative profitability the CCC of Marico heavily goes down by 46.880 units which is also statistically significant at 5% level. It implies that profitability and cumulative profitability negatively influenced the CCC of Marico Ltd. while size of the organization influenced the CCC positively during the study period. The coefficient of determination ($R^2$) makes it clear that 44.4% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It is found from table- 5 that for one unit increase in RONW and size of the organization the CCC of Nestle stepped down by 0.031 and 17.819 units respectively and the later one is statistically insignificant at 10% level. On the other hand table- 5 shows that for one unit increase in cumulative profitability the CCC of Nestle go up by 25.876 units which is statistically significant at 5% level. It implies that RONW and size of the organization negatively influenced the CCC of the company whereas the influence of cumulative profitability on CCC is positive. The coefficient of determination ($R^2$) makes it clear that 75.5% of the variation of the company’s CCC is accounted for by the variation in RONW, Size of the Org. and Shareholders’ fund.

Therefore, from table- 5 we can say that in case of HUL in the FMCG sector the negative influence of size of the organization and cumulative profitability is very much noticeable than the other companies selected in this study.
In case of Retail sector, the table- 5 shows that for one unit increase in RONW the CCC of Bata is increased by only 0.045 units but it is statistically significant at 1% level. From table- 5 it is clear that for one unit increase in size of the organization the CCC of Bata increased by 10.55 units which is statistically in significant. On the other hand, table- 5 shows that for one unit increase in cumulative profitability, the CCC of Bata decreased by 1.44 units which is also statistically insignificant.

It implies that both profitability and size of the organization positively influenced the CCC of Bata while cumulative profitability negatively influenced the CCC of the company. The coefficient of determination (R$^2$) makes it clear that 83.6 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It is found from table- 5 that for one unit increase in RONW the CCC of Siyaram go up only 0.032 units which is statistically insignificant. The table- 5 also shows that for one unit increase in size of the organization the CCC of Siyaram decreased by 3.184 units which is statistically insignificant. Table- 5 shows that for one unit increase in cumulative profitability the CCC of the company stepped up by 9.328 units which is statistically significant at 5% level. It implies that profitability and cumulative profitability positively influenced the CCC of the company while size of the organization negatively influenced the CCC of the company. The coefficient of determination (R$^2$) makes it clear that 95.5 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It has been observed from table- 5 that for one unit increase in RONW the CCC of the Gini Fabrics decreased by 0.032 units which is statistically insignificant. The table depicts that for one unit change in size of the organisation the CCC of the company decreased by 34.482 units which is statistically insignificant. Table- 5 also shows that for one unit increase in cumulative profitability, the CCC of Gini Fabrics increased by 28.635 units which is statistically significant at 5% level. It indicates that only cumulative profitability positively influenced the CCC of the company while RONW and size of the company negatively influenced the CCC of the company. The coefficient of determination (R$^2$) makes it clear that 55.0 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.
It is found from table- 5 that for one unit increase in RONW and size of the organization the CCC of Raymond increased by 0.023 units and 6.088 units respectively and they are statistically significant at 5% and 1% level of significance. On the other hand table- 5 shows that for one unit increase in cumulative profitability the CCC of the company decreased by 1.004 units which is statistically insignificant at 5% level. It indicates that both RONW and size of the organization influenced the CCC of the Raymond positively whereas the influence of cumulative profitability on CCC of the company is negative. The coefficient of determination ($R^2$) makes it clear that 96.1 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

It has been found from table- 5 that for one unit increase in RONW and size of the organization, the CCC of Titan go up by 0.162 unit and 27.892 units respectively, out of which previous one is statistically significant at 1% level and the later one is statistically significant at 5% level. On the other hand table- 5 shows that for one unit increase in cumulative profitability the CCC of the organization decreased by 5.195 units. It indicates that both RONW and size of the organization positively influenced the CCC of the company while cumulative profitability negatively influenced the CCC of the organization. The coefficient of determination ($R^2$) makes it clear that 92.4 % of the variation of the company’s CCC is accounted for by the variation in RONW, Size of Org and Shareholders’ fund.

Therefore, under Retail sector all the influencing factors such as RONW, size of the organization and cumulative profitability more or less, positively or negatively affect the CCC of each company selected under study. Out of which the effect of RONW in Bata, size of the organization in Raymond and Titan is significant than others.

The regression equation of CCC on RONW, Size of the Organisation and Cumulative Profitability fitted in this study shows that out of twenty five cases, sixteen cases the effect of RONW on CCC are positive out of which only in five cases the effect is statistically significant and in remaining nine cases the effect is negative, out of which only in one case the effect is statistically significant at 10% level.
Again, out of twenty five cases the impact of size of the organization on CCC are positive only in twelve cases out of which only three cases the effect is statistically significant and in remaining thirteen cases the effect is negative and in four cases the effect is significant. The equation fitted in this study shows that out of twenty five cases only fourteen cases the impact of shareholders’ fund (cumulative profitability) on CCC are positive out of which in four cases the effect is statistically significant and in remaining eleven cases the impacts are negative out of which in four cases the effect is statistically significant.
Conclusion:

Liquidity management deals with the management of current assets and current liabilities. Its main objective is to maintain current assets in such a way that it can meet the current liabilities timely. Many firms take the advantage of external financing due to the difficulty in paying its short-term debt. But the firm cannot collect such external financing easily, particularly in case of small firms. External financing is the costly. So, the efficient liquidity management of the company helps its long-term prosperity and healthy bottom lines and more specifically to make the company remain solvent.

Cash Conversion Cycle (CCC) is such a useful technique by which we can easily and quickly assess the liquidity of the firm. It invariably measures the time lag between cash payments for purchase of inventories and collection of receivables from customers. CCC is a dynamic measure of continuous liquidity management, which comprises both balance sheet and income statement data with time dimension.

An individual firm’s CCC is helpful but from industries stand point it is crucial for a company to evaluate its performance regarding CCC and assess opportunities for improvement because the length of CCC may differ from industry to industry.

The liquidity position of CMC in IT Sector, Siemens in Consumer Durable sector, Alchemist in Pharmaceuticals sector, HUL in FMCG sector and Gini Fabrics in Retail sector is best as compared to other companies selected under this study.

Considering both average and consistency aspects of CCC together, Philips in IT sector, Hawkins and Khaitan together in Consumer Durable sector, Dr. Reddy’s Laboratory in Pharmaceuticals sector, HUL in FMCG sector and Bata in Retail sector occupied the first place among other companies selected in this study. From overall point of view considering both average and consistency of CCC HUL is the best.
From correlation point of view, we can say that most of the companies under study followed a positive relationship between CCC and ITR. On the other hand, in general the study failed to provide any clear indication in favour of the basic accepted principle that better current ratio, shorter the Cash Conversion Cycle. It is an accepted principle that higher the DTR, shorter the debtors collection period and also shorter the CCC.

Thus, in the majority of companies under the study followed the accepted principle of higher the DTR, shorter the CCC. There is a generally accepted principle that higher the periods for collection of debt, higher the CCC and vice-versa. The study conform to the generally accepted principle of shorter debt collection period, shorter the CCC as most of the companies. Theoretically, CCC is negatively related with CTR as higher CTR means higher need working capital which is not desirable. So most of the companies in our study have conform that principle.

From the linear regression equation it is clear that the effect of RONW on CCC is positive. But the impact of size of the organization on CCC is negative in most of the cases. In most of the companies the impact of shareholders’ fund (cumulative profitability) on CCC is positive.
Figure-4
Cash Conversion Cycle of FMCG Sector

Figure-5
Cash Conversion Cycle of Retail Sector

Figure-6
Cash Conversion Cycle as a Whole
Cash Management in Indian Corporate Sector: A Study of Select Companies