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Liquidity Management in Hindustan Unilever Limited: An Analytical Study

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Abstract

The ultimate objective of any firm is to maximize the profit but increasing the profit at the cost of liquidity can bring serious problems too. Liquidity implies conversion of current assets into cash during the normal course of business, and to have regular uninterrupted flow of cash to meet outside current liabilities as and when due and payable. It also ensures availability of money for day-to-day business operations. Effective liquidity management will enable organization to derive maximum benefits at minimum cost. This study contains the liquidity management of Hindustan Unilever (India) Ltd. Liquidity management is evaluated by using the Motaal's Comprehensive test. Statistical techniques like standard deviation, coefficient of variation, Spearman's correlation coefficients' test and Motaal's test have been employed in order to examine the liquidity position and test the relationship between liquidity and profitability. The study result shows that the company enjoyed sound liquidity during the study period 2007 - 2016 but relationship between liquidity and profitability are statistically not significant.

Key Words: *Liquidity, Profitability, Measurement, Hindustan Unilever Ltd.*

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1. INTRODUCTION

Liquidity management has been as an important tool to analyze the sustainability and liquidity position of any enterprise that may also help any organization to derive maximum profits at minimum cost. A company must maintain its ability to pay off its current obligations and have a sound base of working capital to stay for a long in the competitive market. The management of working capital is an important aspect to be considered for attaining sound liquidity position.

Profitability, in this reference may be the return earned on the total assets of the company. Every firm aims to dig up maximum profits out of the invested capital pool. The success of the company usually depends on its returns earned, keeping the liquidity prospects in view. Usually, it is a difficult task to trade-off between the liquidity and profitability, as the conservative policy of working capital may ensure sound liquidity but endangers the profitability. On the other hand, aggressive policy helps in making profits but the liquidity is not promised.

Efficient working capital management involves planning and controlling current assets and current liabilities in a manner that eliminates the risk of inability to meet due short-term obligations on one hand (Elley, 2004). Many surveys have indicated the managers spend considerable time on day to day problems that involve working capital decisions. One reason for this that current assets are short-lived investments that are continually being converted into other asset types (Rao, 1989).

Liquidity in general refers to the financial strength of an organization. The term financial relates to two major sources of finance. These sources are categorized as internal sources and external sources of an organization. 'Strength' reveals the ability to meet obligations when they become due. Liquidity management in general has three dimensions.

- Dimension I is concerned with the formulation of policies with regard to risk, liquidity and return, keeping in view the goals and responsibilities of the firm.
- Dimension II is concerned with the decisions about the level and the composition of current assets.
- Dimension III is concerned with the decisions about the level and the composition of current liabilities.

Liquidity is the stage where assets may be converted into cash without losses. There is a need to balance between earning adequate returns, and cover the financial and business risk. IT also enables a company to make a rapid shift in its direction. In accordance Liquidity in general refers to the financial strength of an organization. The term financial relates to two major sources of finance. These sources are categorized as internal sources and external sources of an organization. 'Strength' reveals the ability to meet obligations with the market demand. In order to measure the liquidity position of **HINDUSTAN UNILEVER LIMITED,** during the period 2006-07 to 2015 – 16 certain important ratios have been computed.

2. PROFILE OF THE COMPANY – HINDUSTAN UNILEVER LIMITED (HUL)

Hindustan Unilever Limited (HUL), a majority-owned subsidiary of Anglo-Dutch giant Unilever, has been working its way into India since 1888, when it started selling its products there. As India's largest consumer goods firm, HUL markets more than 400 brands that include beverages, food, home and personal care goods. Hindustan Unilever Limited is engaged in fast-moving consumer goods business comprising home and personal care, foods and refreshments. The

Company's segments are Soaps and Detergents, which includes soaps, detergent bars, detergent powders, detergent liquids and scourers; Personal Products, which includes products in categories of oral care, skin care (excluding soaps), hair care, deodorants, talcum powder, colour cosmetics and salon services; Beverages, which includes tea and coffee; Packaged Foods, which includes branded staples (atta, salt and bread), culinary products (tomato-based products, fruit-based products and soups) and frozen desserts, and Others that includes exports, chemicals, water business and infant care products. The others segment also includes export sale of marine and leather products.

3. NEED FOR THE STUDY

Liquidity management has become a basic and broad aspect of judging the performance of a corporate entity. It is, therefore, essential to maintain an adequate degree of liquidity for smooth running of the business operation. The liquidity should be neither excessive nor inadequate. Excessive liquidity indicates accumulation of ideal funds which do not earn any profit for the business and inadequate liquidity not only adversely affects the credit worthiness of the firm but also interrupts the production process and hampers its earning capacity to a great extent.

4. REVIEW OF LITERATURE

The term 'Liquidity' refers to the ability of a firm to meet its obligations in the short run usually one year. The Liquidity resources of a firm may be kept in various forms: cash in hand and cash at bank in current assets, reserve drawing power under a cash credit or overdraft arrangement and short-term deposits. Cash balances in current account provide the highest degree of liquidity.

- **Barot, Mukti R.** (2016) explain working capital management is one of the most important financial decisions in business. The optimal management of working capital will raise the business value. In this study the researcher tried to carry out a comparative analysis on working capital management of Raymond and Vardhman Textile Limited. The aim of this study is to analyze which company's performance is better than other company. For this analysis researcher have used only of secondary data from companies' annual reports, financial reports, and websites of selected companies i.e., moneycontrol.com for ten years 2006-2015. Researcher has selected the technique of ratio analysis for data analysis.
- **Kumaraswamy, Sumathi** (2016) proved the relationship between working capital and firm performance, the present study aims to explore the impact of working capital on the firm performance of cement manufacturing Gulf Cooperation Council (GCC) firms for a period of 2008-2014. Four hypotheses pertaining to working capital components were investigated using linear regression models. The study identified positive relationship between inventory conversion period, average payment period with profitability and a negative relationship amid average collection period and firm profitability. The result of regression model indicates average collection period and inventory conversion period to be the most significant factors followed by average payment period. It shows that the profitability of the GCC cement manufacturing firms are greatly influenced by the average collection period and high inventory levels.
- **Patel, Kruti A.** (2015) studied impact of working capital management on profitability of Indian Oil Corporation. The study was based on secondary data and study period was 2009-

10 to 2013-14. Pearson correlation, descriptive statistic and INM SPSS were applied as research methodology. The results show that there is significant negative correlation between working capital management and net profit and it also indicates that there is negative relationship between liquidity and profitability.

- **Kumar, Srivastava and Sinha (2014)** described the vital role played for a successful working of a business organization by fixed and current assets. Management of working capital is essential as it has direct impact on efficiency and liquidity. An attempt has been made in this paper to study the financial efficiency and liquidity positions and its impact of Pharmaceuticals industry. The study is based on secondary data collected from annual reports, for this purpose here; we have taken a sample of ten Indian Pharmaceuticals firms (NSE listed) and the period of 2000-2014. Ratio analysis and descriptive statistics have been used to analyze the data. In this way the final analysis of the operational efficiency, liquidity and profitability of the Indian Pharmaceuticals firms have shown significant changes.
- **Chouksey and Hotwani (2013)** examined the Liquidity Position of Bajaj Auto Ltd. for the past ten years. It involved in-depth analysis of working capital of the company, calculation of liquidity ratios, discussion about results and conclusions. It is aimed at studying the different aspects of liquidity position of company in light of basic principles governing liquidity. Therefore, company has to initiate suitable measures to maintain sufficient liquidity to meet its working capital requirements and above measures would go a long way to improve the liquidity position of the company.
- **Panigrahi, Ashok Kumar (2012)** analysed the impact of working capital management on profitability of ACC Cement Company. The study is based on secondary data. Data are collected from the websites money control as well company websites and study periods are for 10 years i.e. 1999-2000 to 2009-2010. The research methodology used in this paper is correlations coefficient, multiple correlation analysis and multiple regression analysis. In this paper few variables show a strong and positive correlation with the profit whereas some others do not have. The results show that there is moderate relationship between the efficiency of working capital and the profitability.
- **Singh and Tandon (2012)** examines make it clear that Asset-Liability Management (ALM) is one of the important tools of risk management in commercial banks of India. Indian banking industry is exposed to number of risk prevailed in the market such as market risk, financial risk, interest rate risk etc. The net income of the banks is very sensitive to these factors or risk. For this purpose Reserve bank of India (RBI), regulator of Indian banking industry evolved the tool known as ALM. This paper discusses issues in asset liability management and elaborates on various categories of risk that require to be managed. It examines strategies for asset-liability management from the asset side as well as the liability side, particularly in the Indian context. It also discusses the specificity of financial institutions, in India and the new information technology initiatives that beneficially affect asset-liability management. The emerging contours of conglomerate financial services and their implications for asset-liability management are also described. The objective of the study is to describe the concept and application of ALM technique. The research article is descriptive in nature. The data had been

collected from the secondary sources such as RBI guidelines, reports etc. It has been found in the study that ALM is a successful tool for risk management.

- **Pandey Shishir and Jaiswal Vikas Kumar (2008)** analyzed the effect of working capital management on profitability of manufacturing firms. The study period for paper was five years i.e. 2005 – 2010. The research methodology apply by author is correlation and regression analysis (two different method fixed effects model and ordinary least squares model). The result of correlation analysis show there is negative relationship between profitability and debtor's days, inventory days, and creditor's days. The results of regression analysis shows cash velocity, size of the firm, and net working capital leverage are significant both method.

5. OBJECTIVES OF THE STUDY

- To measure and evaluate the efficiency of liquidity management;
- To compare the liquidity position of the company from year to year by applying Motaal's comprehensive test;
- To assess the association between the liquidity and profitability, of the company; and
- To offer suggestions to improve the liquidity management of the company on this study.

6. HYPOTHESIS OF THE STUDY

H_0 = There is no significant relationship between Liquidity and Profitability; and
H_1 = There is a significant relationship between Liquidity and Profitability.

7. RESEARCH METHODOLOGY

The information required for this study has been collected from the annual reports of **Hindustan Unilever Limited,** from **2006-07 to 2015-2016**. For the purpose of analysis the efficiency of liquidity management of **HUL**, the technique of ratio analysis, Motaal's comprehensive rank test, statistical techniques like averages, standard deviation, co-efficient variations, Spearman's rank correlation etc, have been used in this study to test the significance of relationship between liquidity and profitability test has also been used.

8. DATA ANALYSIS

8.1 Measurement of Liquidity

The measure of liquidity helps to indicate the level of solvency and financial flexibility of the firm. In order to ensure a desire level of solvency and provide to enough financial flexibility to attain the strategic goals of the enterprise, the following important liquidity ratios are used to measure the liquidity of a concern.

8.2 Ratios

- Current Ratio
- Liquidity Ratio
- Cash Position Ratio
- Stock Ratio
- Debtor Velocity Ratio
- Current Assets to Total Assets Ratio

8.3 Liquidity Management at Hindustan Unilever Limited

For this study the researcher has collected the data regarding liquidity position maintained by the company during last ten years (2006-07 to 2015-16) and the relevant ratio's measuring the above have been given in the following paragraphs apart from interpretation of the concerned.

Table 1: Liquidity ratios of Hindustan Unilever Limited from 2006-07 to 2015-16

Year	CR	QR	CPR	CATAR	ITR	DTR
2006-07	0.67	0.34	0.09	0.42	8.42	29.60
2007-08	0.63	0.25	0.04	0.48	7.53	33.19
2008-09	0.90	0.50	0.29	0.66	8.56	40.32
2009-10	0.80	0.47	0.28	0.56	8.36	26.86
2010-11	1.05	0.63	0.25	0.69	7.22	21.51
2011-12	1.21	0.82	0.28	0.71	9.06	33.58
2012-13	0.99	0.66	0.22	0.66	10.56	32.01
2013-14	1.03	0.71	0.26	0.68	10.54	35.46
2014-15	1.05	0.76	0.29	0.68	12.33	40.98
2015-16	1.03	0.75	0.12	0.66	13.39	12.27
Average	**0.94**	**0.59**	**0.21**	**0.62**	**9.60**	**30.58**
S.D.	**0.18**	**0.19**	**0.09**	**0.10**	**2.05**	**8.67**
C.V. %	**19.15**	**32.20**	**42.86**	**16.13**	**21.35**	**28.35**

Source: Computed from the annual reports of HINDUSTAN UNILEVER LIMITED, from 2006-07 to 2015-16

CR = Current Ratio; QR = Quick Ratio; CPR = Cash Position Ratio (Cash to C. Liabilities) CATAR = Current Assets to Total Assets Ratio; ITR=Inventory Turnover Ratio; DTR= Debtors Turnover Ratio.

A. The data in table 1 revels that current ratios in Hindustan Unilever Limited, registered a fluctuating trend during the period under the study. It varies from 0.63 to 1.21. On an average the CR of the company was 0.94 during the period under the study. Its shows the CR is well below the ideal CR of 2:1. It indicates it has not maintained good liquidity positions. From the above calculated CR I can say that the liquidity position of the company was not satisfactory. The higher is the current ratios the more liquid the firm. However, a higher CR indicates lower profitability of the firm. So it needs a further analysis of quality of short-term assets.

B. **Quick Ratio (QR):** This ratio is widely used parameter of judging the short-term repaying ability of a firm in the near future. Quick ratio is also called Acid-test ratio because it is the acid test of a concern`s financial soundness. It is the relationship between quick assets and quick liabilities. Quick assets are those assets which are readily converted into cash. They include cash and bank balances, bills receivable, debtors, short-term investments. Quick liabilities include creditors, bills payable, outstanding expenses. A quick ratio of 1:1 is considered satisfactory. The quick ratio supplements current ratio.

Quick ratio = Quick Assets/Quick Liabilities

Quick Assets = Current assets- (Stock +Prepaid expenses)

Quick Liabilities = Current Liabilities –Bank Overdraft.

It is evident from the table 1 that the quick ratio also marked fluctuating trend during the period under the study and ranged from 0.34 in 2006 – 07 and 0.75 in the year 2015 – 16. On an average the quick ratio in Hindustan Unilever Limited was 0.59 far away to the conventional norm of 1:1, but in the second half of the study Quick Ratio is just below the ideal norm. It clearly indicates that the absolute liquidity position of the company was almost satisfactory in the second half. So one can infer that throughout the period of study particularly since 2011-12, the liquid assets of Hindustan Unilever Limited were improved.

C. Cash Position Ratio (CPR): Cash is the most liquid asset. The relationship between cash including cash at bank and short-term marketable securities with current liabilities is examined to know the immediate solvency. Although receivables, debtors and bills receivable are generally more liquid than inventories, yet there may be doubts regarding their realization into cash immediately or in given time. The formula to calculate the cash ratio is as under.

Cash Ratio = Cash* + Marketable Securities / Current Liabilities.

* Cash means, cash in hand and cash at bank.

Table 1 depicts the fluctuating cash position ratio trend during the period under study ranging from 0.04 to 0.29 during the period of study. On an average the ratio was 0.21 during the period of the study. This ratio was almost nearing to the average ratio except in the year's 2006-07, 2007-08 and 2015-16 (3 years out of the total 10 years) the conventional norm is 50% or 0.5:1. The study indicates that the company never had the Cash position ratio 0.5:1. It indicates that the management of cash was poor in company as theses type of companies put their money in stock and debtors.

D. Current Assets to Total Assets Ratio (CATAR): This ratio explains the extent of total funds invested for working capital purpose. 1 presents current assets to total assets ratio (CTTR) recorded almost fluctuations during the period under the study. No conventional rule is given in anywhere about the value of this ratio to be considered satisfactory.

CATAR = Current Assets / Total Assets.

It was high as 0.71 in 2011-12 and as low as 0.42 in 2006-07. The ratio was mostly stable during the period of study. The average percentage of current assets in relation to total assets was 0.62 which should that nearly 62% of funds remind tied up in working capital and about 38% remind invested in permanent assets during the period under the study.

E. Inventory Turnover Ratio (ITR): This ratio throws light on the inventory control policy adopted by a concern. This ratio shows the relationship between the cost of goods sold during a particular year and inventories kept by a concern during that year. Higher ITR shows a higher efficiency of the management and vice-versa.

ITR = Net sales/Ave. Stock or Closing Stock

It is evident from table 1 that inventory turnover ratio registered increasing trend during the period of study except in the year 2007-08 and 2010-11. The highest ratio was 13.39 registered in the year 2015-16 and lowest was 7.22 registered in the year 2010-11. The average ratio was 9.60 during the period under the study. It is observed from the table 1 that this ratio has improved through-out the period of study from 8.42 in 2006-07 to 13.39 in 2015-16. It is, thus clear that the management tried to control its inventory levels to a great extent during the period of the study. This is an indicator of dull business, accumulation of inventory, over investment in inventory, and unbalanced inventory, etc. Hence, it is clears from the table that inventory management of Hindustan Unilever Limited in general was satisfactory during the period of study.

F. Debtor's Turnover Ratio (DTR): This ratio throws light on the credit and collection policy pursued by a concern. DTR is an important tool of analyzing the efficiency of liquidity position of a company. The Liquidity position of a company depends on the quality position of a company depends on the quality of debtors to a great extent. It measures the rapidity or the slowness of their collectibles. Higher the ratio and shorter is the collection period the better is liquidity of debtors lower. The ratio and longer is the collection period, which implies that payments by debtors are delayed.

It can be seen from the table 1 that the debtor's turnover ratio was 12.27 in the year 2015-16 which is worst performance of the company compared to other year. In the years 2014-15, 2008-09 and 2013-14 the debtors took less than 10 days to pay their debts to the company. In other way this indicates the company followed the strict credit policy to collect the cash from debtors. Hence the performance of the company at this front is well above expectation.

8.4 ANALYSIS OF CO-EFFICIENT OF VARIATION (CV)

In table 1 an effort has been made to measure the consistency among all six parameters of liquidity management more precisely by applying the co-efficient of variation (C.V). The variable for which the C.V is greater is said to be fluctuating or conversely less consistent, less stable, and less uniform. On the other hand, the variable for which C.V is less it is regarded as less fluctuating or more consistent, more stable or more homogeneous.

Table 1 revels that out the six different parameters of liquidity management CV is lowest in case of Current Assets to Total Assets Ratio (CATAR). If the current assets to total assets ratio is variable it meets that it is more consistent and stable with 16.13. At the same time cash position ratio is the most variable and less consistent with 42.86. The remaining ratios trend has been followed lower to higher degree are that is 19.15 (Current Ratio), 21.28 (Inventory Turnover Ratio), 28.35 (Debtor's Turnover Ratio), and 32.20 (Quick Ratio) respectively. The cash position ratio (CPR) in Hindustan Unilever Limited is least consistent. It further supports Debtor's Turnover Ratio (DTR), Inventory Turnover Ratio (ITR), Current Ratio (C.R) and Quick Ratio (Q.R). The C.V is fluctuating ranges in between lowest 16.13 and highest 42.86 variations.

Table 2: Liquidity Test of Hindustan Unilever Limited with Motaal Ranking from 2006–07 to 2015-16

Year	Net Working Capital to CA		Inventory to CA		Liquid Assets to CA		Loans and Advances to CA		Total Ranks A+B+C+D	Total Ultimate
	Ratio	Rank A	Ratio	Rank B	Ratio	Rank C	Ratio	Rank D		
2006-07	-0.48	7	0.49	2	0.51	9	0.24	1	19	3
2007-08	-0.59	8	0.60	1	0.40	10	0.21	2	21	1
2008-09	-0.11	5	0.45	3	0.55	8	0.14	3	19	3
2009-10	-0.25	6	0.41	4	0.59	7	0.11	4	21	1
2010-11	0.05	2	0.40	5	0.60	6	0.06	7	20	2
2011-12	0.17	1	0.32	7	0.68	4	0.06	7	19	3
2012-13	-0.01	4	0.33	6	0.67	5	0.09	5	20	2
2013-14	0.03	3	0.31	8	0.69	3	0.06	7	21	1
2014-15	0.05	2	0.28	9	0.72	2	0.07	6	19	3
2015-16	0.03	3	0.27	10	0.73	1	0.07	6	20	2

Source: Computed from Annual Reports of HINDUSTAN UNILEVER LIMITED

8.5 MOTAAL's Comprehensive Test

Motaal's Comprehensive Test method of ranking has been applied to reach at a more comprehensive assessment of liquidity in which four different ratios wiz, Net Working Capital to Current Assets Ratio, Inventory to Current Assets Ratio, Liquid Assets to Current Assets Ratio and Loans and Advances to Current Assets Ratio have been computed and combined in a points score. A high value of net working capital to current assets ratio or liquid assets to current assets ratio shows greater liquidity and accordingly ranking has been done in that order. On the other hand, a low inventory to current assets ratio or loans and advances to current assets ratio indicates more favourable liquidity position and, therefore, ranking has been done accordingly in that order. Ultimate ranking has further being done on the basis that the lower the total of individual ranks, the more favourable is the liquidity positions of the concern and vice versa.

Table 2 furnishes that in Hindustan Unilever Limited the years 2007-08, 2009-10 and 2013-14 marked the most sound liquidity position and it was followed by the year 2010-11, 2012-13 and 2015-16 as moderate liquid years but rest 2006-07, 2008-09, 2011-12 and 2014-15 are worst performer in liquidity management as per Motaal test.

Table 3: Rank Correlation between Liquidity and Profitability (2006-07 to 2015-16)

Year	CATAR		ROCE			
	Ratio in %	Rank (R_1)	Ratio in %	Rank (R_2)	(R_1) – (R_2) = D	D^2
2006-07	42	10	67.0	10	0	0.00
2007-08	48	9	78.0	9	0	0.00
2008-09	66	6	107.5	5	1	1.00
2009-10	56	8	103.8	6	2	4.00
2010-11	69	2	87.5	8	-6	36.00
2011-12	71	1	96.8	7	-6	36.00
2012-13	66	6	109.1	4	2	4.00
2013-14	68	3.5	130.2	1	2.5	6.25
2014-15	68	3.5	127.7	3	0.5	0.25
2015-16	66	6	128.4	2	4	16.00
Total					ΣD^2 =	103.50

Source: Computed from Annual Reports of HINDUSTAN UNILEVER LIMITED

CATAR = Current Assets to Total Assets Ratio; and ROCE = Return on Capital Employed.

$$R = 1 - \frac{6\left[\Sigma D^2 + \frac{m^3 - m}{12} + \frac{m^3 - m}{12}\right]}{N(N^2 - 1)}$$

$$= 1 - \frac{6\left[103.5 + \frac{2^3 - 2}{12} + \frac{3^3 - 3}{12}\right]}{10(10^2 - 1)}$$

$$= 1 - \frac{6[103.5 + 0.5 + 2]}{990}$$

$$= \frac{990 - 636}{990}$$

$$= 0.35758$$

8.6 Co-Efficient of Rank Correlation and Testing the Significance

Table 3 reveals the extent of relationship between liquidity and profitability of Hindustan Unilever Limited by computing Spearman's Rank Correlation Coefficient. It is clear from the calculation that 0.35758 is low degree of positive correlation between liquidity and profitability of Hindustan Unilever Limited.

An attempt has also been made to test whether the computed value of Pearson correlation co-efficient is significant or not, student's t-test has further been applied for this purpose the ratio of current assets to total assets (CATAR) has been used as the liquidity indicator and the ratio of return on capital employed (ROCE) of the company was 0.70.

The Student's t-test proves that the correlation co-efficient between current assets to total assets (CATAR) and return on capital employed (ROCE) is statistically not significant. It is, therefore, concluded that the liquidity and the profitability move in the opposite direction.

9. TESTING THE SIGNIFICANCE OF CORRELATION CO-EFFICIENT

H_0 = Null hypothesis – There is no correlation between the data of Hindustan Unilever Limited; and

H_1 = Alternative hypothesis – There is correlation between the data of Hindustan Unilever Limited.

Table 4: t-Test: Paired Two Sample for Means

	CATAR	ROCE
Mean	62	103.6
Variance	98	472.1422
Observations	10	10
Pearson Correlation	0.700589775	
Hypothesized Mean Difference	0	
df	9	
t Stat	-8.024636681	
P(T<=t) one-tail	1.07987E-05	
t Critical one-tail	1.833112923	
P(T<=t) two-tail	2.15975E-05	
t Critical two-tail	2.262157158	

The calculated value of "t "is higher than thetable value. The hypothesis is rejected that there is correlation between the ranked data of Hindustan Unilever Limited.

10 SUMMARY OF FINDINGS, SUGGESTIONS

10.1 Findings

- The data in table 1 reveals that current ratios in Hindustan Unilever Limited, registered a fluctuating trend during the period under the study it varies from 0.63 to 1.21. On an average the CR of the company was 0.94 during the period under the study. Its shows the CR is well below the ideal CR of 2:1. It indicates it has not maintained good liquidity positions.
- It is evident from the table 1 that the quick ratio also marked fluctuating trend during the period under the study and ranged from 0.34 in 2006 – 07 and 0.75 in the year 2015 – 16. On an average the quick ratio in Hindustan Unilever Limited was 0.59 far away to the conventional norm of 1:1, but in the second half of the study Quick Ratio is just below the ideal norm. It clearly indicates that the absolute liquidity position of the company was almost satisfactory in the second half of study.
- The Study indicates the cash management of the company is poor which is revealed by the cash position ratios of different years.
- The firm invested almost 62% of funds in current assets.
- It is evident from table 1 that inventory turnover ratio registered increasing trend during the period of study except in the year 2007-08 and 2010-11. The highest ratio was 13.39 registered in the year 2015-16 and lowest was 7.22 registered in the year 2010-11. The average ratio was 9.60 during the period under the study. It is observed from the table 1 that this ratio has improved through-out the period of study from 8.42 in 2006-07 to 13.39 in 2015-16. It is thus clear that the management tried to control its inventory levels to a great extent during the period of the study.
- It can be seen from the table 1 that the debtor's turnover ratio was 12.27 in the year 2015-16 which is worst performance of the company compared to other year. In the years 2014-15, 2008-09 and 2013-14 the debtors took less than 10 days to pay their debts to the company. In other way this indicates the company followed the strict credit policy to collect the cash from debtors. Hence the performance of company at this front is well above expectation.
- In Hindustan Unilever Limited the years 2007-08, 2009-10 and 2013-14 marked the most sound liquidity position and it was followed by the year 2010-11, 2012-13 and 2015-16 as moderate liquid years but rest 2006-07, 2008-09, 2011-12 and 2014-15 are worst performer in liquidity management as per Motaal test
- The calculated value of "t "is higher than the table value. The hypothesis is rejected that there is correlation between the ranked data of Hindustan Unilever Limited.

10.2 Suggestions

- The company should try to maintain stability with respect to current ratio.
- The company should have sufficient absolute liquid assets like cash, bank balances to meet its day to day expenses and payment of bills payable in time.

- The study shows that the cash management by company was poor. In the light of this situation, the company has to take care of cash management properly for which it needs to plan cash requirements for short-term properly.
- The company could spent some more portion of fixed capital as investment in fixed assets which are used for production purpose, that give good return on the investment.
- The company should have somewhat stringent credit policy compare to the existing credit policy to collect the dues from debtors without losing customer's loyalty.
- The company should see that inventory is not accumulated too much and ensure its fast conversion.

10.3 Conclusion

The Brands of Hindustan Unilever Limited is trying to compete with the other equally popular brands of Nestle, ITC, Patanjali, etc. in terms of sales and market shares. The company Hindustan Unilever Limited during the study period maintained sound liquidity positions. But in case of certain liquidity measurement ratios like cash position ratio, consistency in the above aspects and try to maintain good cash position and speed up the cash collection for which it needs to revamp its credit policy and cash planning in the future. On the whole the company's liquidity management was almost satisfactory.

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