

IMPACT OF WORKING CAPITAL MANAGEMENT ON STOCK PRICES OF FMCG COMPANIES IN INDIA

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ABSTRACT

The objective of the paper is to establish the relationship between various components of working capital management on the stock prices of six FMCG companies in India. Hence the objective of the paper is to analyse the impact of current ratio, inventory turnover ratio, receivable turnover ratio and EPS on stock prices of Nestle, HUL, Marico, Dabur, Gillette, P&G. The time period for analysis is from April 2000 to March 2014. The data on various components of working capital is collected from annual reports of the companies. The data on stock prices is from Bloomberg. The frequency of the data is annual. The Fixed effects panel model was applied to find the impact of various explanatory variables on stock prices. The paper concludes that current ratio, inventory turnover ratio and EPS impact the stock prices and that the impact of receivable turnover ratio is relatively less. There is a negative relationship between current ratio and stock prices. Inventory Turnover Ratio, and EPS has a positive relationship with Stock Price.

Key Words: *Working Capital Management, Current Ratio, Receivables Turnover, Inventory Turnover Ratio, Stock Prices, EPS, Fixed Effects Model.*

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