

Cash Flow Quality and Financial Resilience of Selected Consumer Staples Companies in India: An Empirical Analysis

Ms. Tejaswini Laxane^{1*} | Dr. Rajesh Timane²

¹Research Scholar, Dr. Panjabrao Deshmukh Institute of Management Technology & Research, Dhanwate National College, Nagpur.

²Supervisor, Dr. Panjabrao Deshmukh Institute of Management Technology & Research, Dhanwate National College, Nagpur.

*Corresponding Author: laxanetejaswini@gmail.com

Citation: Laxane, T. & Timane, R. (2026). Cash Flow Quality and Financial Resilience of Selected Consumer Staples Companies in India: An Empirical Analysis. International Journal of Global Research Innovations & Technology, 04(03), 185–193.

ABSTRACT

Financial resilience of consumer staples firms depends not only on profitability but also on the quality of the operating cash flows as well as prudent management of liquidity, leverage, and debt-servicing ability. The objective of this paper is to conduct a study on the level of financial resilience of consumer staples firms in India based on four measures of financial resilience sourced from Screener.in, including the cash conversion cycle (CCC), the debt-to-equity ratio, the interest coverage ratio, and the CFO/OP ratio. Based on descriptive statistics, coefficient of variation, ranking analysis, and Pearson and Spearman correlation analysis, the study observes considerable variations in terms of the working-capital management and debt-servicing ability of the companies analyzed, although the leverage level remains fairly low among all companies. A negative correlation exists between the leverage and the interest coverage ratios, and there is also a correlation between cash conversion and a short cash conversion cycle. While companies like Dodla Dairy, Hindustan Unilever, and Avanti Feeds exhibit relatively balanced levels of working capital, leverage, and cash realization, the smaller companies that operate in the processed food industry have poor cash-flow generation ability despite having low levels of leverage.

Keywords: Cash Flow Quality, Financial Resilience, Cash Conversion Cycle, Interest Coverage Ratio, Leverage, Consumer Staples, India.

Introduction

Profitability in the traditional sense of reporting on the income statement is an accrual measure. Profitability shows earnings based on revenues that have been recognized and expenses that have been matched to these revenues; however, profitability by itself does not show the realization of economic value in terms of cash. In the case of a production or a heavy distributor company, the difference between operating profit and operating cash flows may increase significantly due to extended receivables, increased inventory levels or extended payables. The difference between reported profits and realized cash forms the crux of what is called in the accounting and finance literature as cash-flow quality and it is very significant for companies in the consumer staples industry, because they have significant volume sales with modest profit margins and efficient working capital cycles make all the difference in self-financing versus borrowing for growth.

This research examines the cash-flow quality and financial viability of twelve Indian consumer goods firms through the use of four financial measures – cash conversion cycle, debt to equity ratio, interest coverage ratio and cash flow from operations/operating profit ratio. The four financial ratios are not used in isolation but instead are used together to provide a combined perspective on the same underlying issue – how well is the firm positioned to finance itself internally through operating cash flow.

Background and Context

The Indian consumer staples and FMCG market is structurally diverse. There are large multinational-led companies with strong distribution capabilities and long-standing brand equity (Hindustan Unilever, Nestlé India, ITC, Britannia Industries); there are also mid-cap regional processors and newer players that are building up their scale within limited categories (Chamanlal Setia in branded rice, Gopal Snacks in ethnic snacks, Krishival Foods in processed foods, Dodla Dairy in dairy, and Avanti Feeds in aquaculture feed and processed shrimp). This diversity of scale, category, and even business model in this sector would make it an interesting testbed to find out whether financial resilience in this industry depends on a company's scale and brand strength or whether it is more about working capital management and efficient cash conversion that any firm, irrespective of scale, can adopt.

In the recent past, Indian consumer staples companies have had to contend with high variability in costs, uneven recovery in rural demand, and tightening of credit availability for smaller companies. In such a scenario, the ability of a company to generate cash from operating income and having low cash conversion cycle and comfortable debt servicing from operating profits becomes a more forward-looking indicator of resilience than simple accounting.

Problem Statement

It is possible for an organization to earn healthy profits but to have a much lower cash flow from its operations if the growth in profit goes hand-in-hand with growth in receivables and inventory but not actual conversion into cash. On the other hand, even though a business earns small profits, it may be very resilient because it manages to convert almost all of its profits into cash and has virtually no debts. The problem this study addresses is therefore an integrative one: how do liquidity-linked working-capital efficiency, leverage, debt-servicing capacity and cash-conversion quality move together or fail to move together across a cross-section of Indian consumer-staples companies, and what does the pattern reveal about the sector's financial resilience.

Research Gap

The empirical literature on working-capital management has largely examined the cash conversion cycle as a determinant of profitability, typically proxied by return on assets or return on equity (DeLoof, 2003; Padachi, 2006; Singhania & Mehta, 2017). A separate body of work on earnings and cash-flow quality has examined the informativeness of accruals relative to cash flows, largely in developed-market or cross-country settings (Dechow, 1994; Dechow, Ge, & Schrand, 2010). What is comparatively underexplored is the intersection of these two streams within a single sector-specific Indian setting that is, whether working-capital efficiency (via the cash conversion cycle) is empirically associated with the quality of profit-to-cash conversion (via CFO/OP), and whether this relationship holds jointly with a firm's leverage and debt-servicing position. Because Indian consumer-staples firms vary widely in scale and ownership structure within one sector, they provide a natural setting to examine this joint relationship without the confound of cross-industry differences in capital intensity. This particular research work bridges that particular gap through empirical testing of cash cycle effectiveness, leverage, debt-servicing ability and cash conversion ability in a specified number of listed consumer-staples companies in India.

Relevance and Significance of the Study

The results obtained will be useful to various stakeholders. To equity analysts and portfolio managers, the study provides an alternative cash flow-based screening approach to the existing profitability screening approach in order to differentiate firms with earnings that are cash supported from those with accrual-supported earnings. For lenders and credit-rating analysts, the joint reading of leverage and interest coverage offers a more complete view of debt-servicing safety margins than either ratio alone. For corporate finance and treasury functions within these firms, the cash conversion cycle comparison offers a benchmarking reference against sector peers of different scale. Finally, for academic researchers, the study contributes a sector-specific empirical account that can inform future panel-data extensions.

Objectives of the Study

- To assess and compare working-capital efficiency, measured through the cash conversion cycle, among the selected Indian consumer-staples companies.
- To examine the leverage position, measured through the debt-to-equity ratio, and the debt-servicing capacity, measured through the interest coverage ratio, of the sampled firms.

- To evaluate the quality of operating cash-flow conversion, measured through the CFO/OP ratio, across the sample.
- To examine the statistical association among cash-cycle efficiency, leverage, debt-servicing capacity and cash-conversion quality.
- To develop a comparative, rank-based reading of financial resilience across the sampled companies.

Research Questions

- RQ1: How much dispersion exists in the cash conversion cycle among the sampled consumer-staples firms, and what does this reveal about working-capital practice in the sector?
- RQ2: What is the prevailing leverage profile of the sector, and how is leverage statistically associated with interest coverage?
- RQ3: Do companies with strong operating profit also convert that profit into operating cash flow at a comparable rate?
- RQ4: Is there a statistically significant relationship between working-capital efficiency (CCC) and cash-flow conversion quality (CFO/OP)?

Hypotheses

Given the cross-sectional, twelve-company structure of the dataset, correlation-based hypotheses are the statistically appropriate form of hypothesis testing here, rather than regression models that would over-parameterise a sample of this size.

H01: There is no significant correlation between the cash conversion cycle and the CFO/OP ratio.

H02: There is no significant correlation between the debt-to-equity ratio and the interest coverage ratio.

H03: There is no significant correlation between the interest coverage ratio and the CFO/OP ratio.

Review of Literature

• Cash-Flow Quality and Earnings Quality

Dechow (1994) demonstrated that operating cash flow, on its own, is a noisier measure of firm performance over short intervals than accrual-based earnings, because cash flows are subject to timing and matching problems that accruals are designed to correct; the implication for this study is that CFO/OP should be read as a measure of how well profit converts into cash, not as a superior stand-alone performance measure. Building on this, Dechow, Ge and Schrand (2010) synthesised decades of earnings-quality research and argued that the “quality” of a performance measure is contingent on the decision context – an investor assessing default risk needs a different lens than one assessing growth potential. This framing supports treating CFO/OP as a resilience-oriented indicator specifically, distinct from profitability indicators such as margin or return ratios.

• Cash Conversion Cycle and Working-Capital Efficiency

Richards & Laughlin (1980) pioneered the concept of cash conversion cycle as a dynamic measure of liquidity as opposed to static ratios like current ratios, proposing that a firm's liquidity be measured by the amount of time taken to convert resource commitments into cash. Jose, Lancaster & Stevens (1996) further validated this idea using empirical data, finding out shorter cash conversion cycles correlated strongly with better performance in large sample of firms in the United States. In the school of thought on working capital and profitability, Deloof (2003) established that profitability was improved by reduced cash conversion cycles among managers by a large sample of firms in Belgium, which is mainly due to better collection of receivables and inventory management. Padachi (2006) examined small manufacturing firms in Mauritius and found that composition and efficiency of working capital had an impact on the performance of firms. It was also warned that higher investments in current assets reduced profitability of firms despite high liquidity. More specifically for India, according to the research conducted by Sharma & Kumar (2011), working capital management decisions had a significant impact on company profitability. The findings of Singhania and Mehta (2017) in their investigation into companies in several emerging Asian countries, including India, showed that the connection between the working capital investment and profitability was non-linear in nature, which implies that both too long and too short cash conversion cycles have a cost associated with them – a notion pertinent to the analysis of negative CCCs in the current study.

- **Leverage, Capital Structure and Debt-Servicing Capacity**

The capital structure theory is fundamentally anchored on the Modigliani and Miller (1958) framework that asserts that, under perfect assumptions, the value of a company is irrelevant to its capital structure; later literature has centered on the distortions caused by taxes, bankruptcy costs, and informational asymmetry that make leverage decisions important in reality. Myers (1977) proposed that firms with good growth opportunities have an inclination towards under-leverage due to debt overhang, resulting in underinvestment and this makes perfect sense because branded consumer staples companies have a tendency to maintain a very low ratio of debt to equity due to the fact that they depend more on retained cash flows. Altman (1968) demonstrated that financial ratios such as leverage and coverage ratios provide predictive power about financial distress, which makes it possible to treat interest coverage as a forward-looking solvency ratio.

- **Cash Flow, Financing Constraints and Resilience**

Fazzari, Hubbard, and Petersen (1988) found that investments in financially constrained firms react more strongly to internal cash flows than unconstrained firms do, suggesting that the cash flow from operations is used strategically to cushion the firm, not as just an accounting statistic. Kaplan and Zingales (1997), however, provided a qualification, suggesting that the use of investment-cash flow sensitivity as a way of measuring financial constraints is not perfect, as the sensitivity does not provide a direct measure of liquidity or leverage a qualification that this study takes into consideration by using a combination of CFO/OP with leverage and coverage ratios rather than using one ratio alone. In a study of how firms behave in a global financial crisis, Campello, Graham and Harvey (2010) found that financially constrained firms which generate less cash and have weaker coverage reduce their spending and investments much more than their unconstrained counterparts.

- **Synthesis**

Taken together, the literature supports two complementary propositions relevant to this study. First, a shorter and better-managed cash conversion cycle is generally, though not universally, associated with stronger financial outcomes, and its relationship with performance can be non-linear rather than strictly monotonic. Second, leverage and debt-servicing capacity are best read jointly, since low leverage with weak coverage, or higher leverage with strong coverage, convey materially different resilience implications than either ratio suggests alone. No prior study identified in this review examines these constructs jointly, using CFO/OP as the cash-conversion-quality anchor, for a cross-section of listed Indian consumer-staples firms the specific gap this paper addresses.

Conceptual Framework

The study organises its four indicators into two conceptually distinct but interacting limbs of financial resilience. The first limb, balance-sheet resilience, is represented by the debt-to-equity ratio and the interest coverage ratio; together these describe how much financial leverage a firm carries and how comfortably its operating earnings cover the resulting interest obligation. The second limb, cash-flow and operational resilience, is represented by the cash conversion cycle and the CFO/OP ratio; together these describe how efficiently a firm's working-capital cycle operates and how faithfully its reported operating profit is realised in cash. The reasoning behind separating these limbs is that a firm can be resilient on one dimension while vulnerable on the other for instance, carrying negligible debt while still converting profit into cash poorly, or carrying moderate debt while comfortably covering it through strong and well-realised operating cash flow. Overall financial resilience, in this framework, is best understood as the joint, not additive, outcome of both limbs holding together rather than any single ratio taken in isolation.

It should be noted explicitly that the Current Ratio, originally conceived as part of a five-indicator design for this study, could not be included because it was not present in the Screener data extract supplied for analysis. The conceptual framework and empirical analysis that follow are accordingly built on the four indicators for which verified data exists the cash conversion cycle, the debt-to-equity ratio, the interest coverage ratio, and CFO/OP and this adjustment is treated transparently as a data-driven scope decision rather than a substantive redefinition of financial resilience.

Research Methodology

- **Research Design**

The study follows a descriptive-analytical, cross-sectional research design based entirely on secondary data. It is ex-post facto in nature, since the financial indicators analysed reflect outcomes

already reported by the sampled companies rather than data generated through experimental manipulation.

- **Population and Sample**

The population comprises listed Indian companies classified under the consumer staples category. The sample consists of twelve companies Krishival Foods, Chamanlal Setia, Gopal Snacks, Dodla Dairy, Avanti Feeds, Godfrey Phillips, Varun Beverages, Marico, Britannia Industries, Nestlé India, ITC and Hindustan Unilever, selected purposively based on their classification and data availability on the Screener.in platform. The sample deliberately spans large multinational-anchored firms and smaller, more recently listed regional processors, allowing the analysis to capture heterogeneity in scale and business model within a single sector.

- **Data Source**

All data used in this study are drawn directly from the Screener.in extract supplied for this analysis. No figures have been estimated, interpolated or sourced from any other database. The data represent a single cross-sectional snapshot (trailing twelve-month cash-flow and operating-profit figures, with cash conversion cycle, debt-to-equity and interest coverage as reported on the platform at the time of extraction) rather than a multi-year panel.

- **Variables and Measurement**

Table 1: Variables, measurement and the construct each represents

Variable	Measurement	Construct Represented
Cash Conversion Cycle (CCC)	Days inventory outstanding + days receivables outstanding – days payables outstanding, as reported by Screener.in	Working-capital / operational efficiency
Debt-to-Equity Ratio (D/E)	Total debt ÷ shareholders' equity	Financial leverage
Interest Coverage Ratio	Operating earnings ÷ interest expense	Debt-servicing capacity
CFO/OP	Cash flow from operations (12M) ÷ operating profit (12M)	Cash-flow conversion quality

Data Analysis

Descriptive statistics (mean, median, standard deviation and coefficient of variation) were computed for each variable to assess central tendency and, importantly, the relative dispersion across firms of very different scale the coefficient of variation is particularly informative here because it standardises spread relative to the mean, allowing comparison across variables measured in different units (days, ratios). Company-wise ranking was carried out on each variable independently, and a simple average-rank heuristic was constructed across all four indicators to provide an illustrative, non-weighted comparative reading of resilience; this is presented as a descriptive ranking aid rather than a validated composite index. Both Pearson (parametric) and Spearman rank (non-parametric) correlation coefficients were computed between variable pairs, because several variables in this small sample contain extreme values (notably Avanti Feeds' interest coverage and Godfrey Phillips' cash conversion cycle) that can distort Pearson estimates; reporting both allows the Spearman result to be given greater consideration where the two measures diverge meaning they collect cash. Given the sample size of twelve, regression modelling was deliberately not employed, as it would risk overfitting; correlation-based hypothesis testing is judged the appropriate and sufficient technique for the structure of this dataset.

Results

Table 2: Company-wise values of the four indicators (source: Screener.in extract)

Company	CCC (days)	D/E	Interest Coverage	CFO/OP
Krishival Foods	94.19	0.19	8.49	-0.47
Chamanlal Setia	197.48	0.10	19.79	0.30
Gopal Snacks	66.37	0.32	10.41	0.40
Dodla Dairy	-2.74	0.03	72.15	1.01
Avanti Feeds	67.35	0.00	295.69	0.79
Godfrey Phillips	230.28	0.04	153.49	0.36
Varun Beverages	79.27	0.13	23.50	0.62
Marico	12.37	0.13	38.67	0.84

Britannia Inds.	-9.11	0.27	31.92	0.73
Nestle India	-18.91	0.08	33.02	0.88
ITC	163.75	0.03	246.69	0.72
Hind. Unilever	-89.32	0.03	40.56	0.72

Table 3: Descriptive statistics across the sample (n = 12)

Statistic	CCC (days)	D/E	Interest Coverage	CFO/OP
Mean	65.92	0.1125	81.20	0.574
Median	66.86	0.09	35.85	0.718
Std. Deviation	95.05	0.102	97.38	0.394
Coefficient of Variation (%)	144.2	90.5	119.9	68.7
Minimum	-89.32	0.00	8.49	-0.47
Maximum	230.28	0.32	295.69	1.01

Table 4: Correlation between variable pairs (*p < .05, **p < .01)

Variable pair	Pearson r	Spearman ρ	Inference
CCC – D/E	-0.101	-0.004	Not significant (p > .05)
CCC – Interest Coverage	0.338	-0.007	Not significant (p > .05)
CCC – CFO/OP	-0.461	-0.683	Significant, negative (Spearman, p = .014)
D/E – Interest Coverage	-0.609*	-0.857**	Significant, negative (p = .035 / p < .001)
D/E – CFO/OP	-0.372	-0.384	Not significant (p > .05)
Interest Coverage – CFO/OP	0.269	0.515	Not significant at 5% (p = .087)

Table 5: Illustrative composite ranking (simple average of individual ranks on CCC, D/E, interest coverage and CFO/OP; not a validated index)

Company	Average rank across four indicators (lower = stronger)
Dodla Dairy	2.75
Avanti Feeds	3.25
Hind. Unilever	3.75
Nestle India	4.25
ITC	5.00
Marico	5.50
Britannia Inds.	6.75
Godfrey Phillips	7.50
Varun Beverages	8.25
Gopal Snacks	9.50
Chamanlal Setia	9.75
Krishival Foods	10.75

Interpretation

The Cash Conversion Cycle is the most dispersed measure in terms of coefficient of variation, which is 144 percent much greater than any other measure. It is not just that some companies are “better” with their working capital management – it is a case of different business models. Hindustan Unilever, Nestlé India, and Britannia Industries have negative cash conversion cycles – they are capable of collecting from customers before paying suppliers. It could well be due to efficient inventory management, accounts receivable management and favorable terms of payment from suppliers owing to established networks. Godfrey Phillips and Chamanlal Setia have cash conversion cycles exceeding 190–230 days and fit into the categories of tobacco leaf curing and aged/processed rice where it is more reasonable to have longer periods of inventory storage. Therefore, a high cash conversion cycle should be evaluated considering inventory economics of the category first.

Conservative leverage can be observed across all the samples, where debt/equity ratios range between 0.11 and 0.32 (Gopal Snacks). This reflects the general trend of financing expansion via internal accruals and equity in the branded consumer staples business, which implies that for most companies in the sample, leverage risk does not represent a limiting factor of resiliency. Much more informative is the

tremendous dispersion of interest coverage, ranging between 8.49 (Krishival Foods) and 295.69 (Avanti Feeds), as it takes into account not only debt, but also the comfort level of operating earnings in dealing with this debt. Negative statistically significant correlation between debt/equity and interest coverage (Spearman $\rho = -0.857$, $p < .001$) proves that higher leverage is associated with lower coverage levels in the sample, as it is expected and economically reasonable, but this association looks impressive due to extremely low levels of leverage in the sample.

CFO/OP is the direct indicator of cash quality in this analysis, and it exhibits significant variation, ranging from negative for Krishival Foods (-0.47 , indicating cash outflow due to operating activities while having positive operating profit) to slightly above unity for Dodla Dairy (1.01 , indicating generation of cash slightly more than the operating profit, usually a positive working capital performance during the period). A CFO/OP ratio lower than approximately 0.6 to 0.7 is not necessarily indicative of distress; it may be an indication of a growth period where the company is building up its accounts receivable and inventory for growth. However, a consistently low ratio of conversion, especially in conjunction with low interest coverage like in Krishival Foods, does reduce the cushion.

The negative correlation between the cash conversion cycle and CFO/OP (Spearman $\rho = -0.683$, $p = .014$) is statistically significant and economically intuitive: firms with shorter, more negative cash cycles tend to convert operating profit into cash more completely, because a compressed cycle by construction means less profit is trapped in receivables or inventory at any point in time. This finding lends empirical support to H01 being rejected working-capital efficiency and cash-conversion quality are not independent in this sample. By contrast, the correlation between interest coverage and CFO/OP, while positive, does not reach conventional significance (Spearman $\rho = 0.515$, $p = .087$), suggesting that strong debt-servicing capacity and strong cash-conversion quality, while plausibly related in principle, are not tightly coupled empirically across this particular sample largely because several low-leverage firms with very high coverage (such as Avanti Feeds and ITC) still show only moderate CFO/OP.

Discussion

The overall pattern that emerges is one in which sector-wide leverage discipline is largely a given, while the meaningful differentiator of financial resilience among these firms lies in the interaction between working-capital efficiency and cash-conversion quality. This, to a very large extent, conforms to Deloof (2003) and Padachi (2006), both of whom showed that working capital management is an important factor influencing corporate success even where the financing policy is not the main factor behind differential performances. This is also a qualification of the findings of Singhania & Mehta (2017) regarding the existence of non-linearities in the relation between working capital and corporate performance; in this case, the companies with the shortest (even negative) cash cycles (HUL, Nestlé India, Britannia) are also the most successful cash converters, meaning that the compression of the cash cycle beyond a certain point is not necessarily unproductive for these powerful firms.

It should be noted that the relatively weak relationship between the interest coverage ratio and the CFO/OP ratio represents a more novel finding in comparison with the examined literature and warns us about using the debt-servicing ability as the only measure of financial resilience, which reflects the idea expressed by Kaplan and Zingales (1997). For instance, a company like Avanti Feeds, having a very high interest coverage ratio, is obviously safe regarding its ability to service the debt, while a CFO/OP ratio equal to 0.79 is decent enough, although not the best among the sample companies.

Major Findings

- The cash conversion cycle stands out in relative dispersion ($CV = 144.2\%$) compared to the other three indicators due to inherent differences in category-level economic fundamentals of inventory and payables rather than overall efficiency or inefficiency of operations.
- Leverage ratio is consistently low for the entire sample group (average $D/E = 0.11$) implying that consumer staples companies have relatively smaller reliance on borrowing.
- There is a significant and negative relationship between debt-to-equity and interest coverage ratios ($\rho = -0.857$, $p < .001$), which implies that even in a low leveraged industry additional leverage results in decreased safety margin for debt service.
- There is a significant and negative relationship between cash conversion cycle and CFO/OP ($\rho = -0.683$, $p = .014$). Firms that have shorter or negative cash conversion cycles turn their operating profits into cash more effectively.

- There is a positive but insignificant relationship between interest coverage and CFO/OP ($p = 0.515$, $p = .087$) implying that high debt-servicing capacity cannot be used as a proxy for cash conversion effectiveness.
- Among the composite rankings provided as examples, Dodla Dairy, Avanti Feeds, and Hindustan Unilever are seen to be the best balanced firms in terms of all four attributes, whereas Krishival Foods, Chamanlal Setia, and Gopal Snacks that are mentioned as relatively newer firms are less balanced particularly in terms of their cash conversion efficiency and cash cycle.

Managerial Implications

For finance teams at smaller or recently listed consumer-staples firms, the results suggest that the most actionable lever for improving resilience is not necessarily deleveraging since leverage is already low across the sector but tightening the cash conversion cycle, particularly receivables and inventory management, given its demonstrated significant association with cash-conversion quality. For firms with already strong interest coverage but modest CFO/OP, such as some of the larger, better-capitalised players in this sample, management attention may be better directed at working-capital efficiency than at further balance-sheet conservatism, since debt safety is not the binding constraint. For credit assessors and lenders evaluating consumer-staples borrowers, the weak coupling between interest coverage and CFO/OP found here implies that coverage ratios should not be treated as a sufficient proxy for cash-flow reliability, and a supplementary reading of CFO/OP is warranted before extending or renewing credit facilities.

Research Implication

This study contributes an integrative, sector-specific empirical account that brings together working-capital efficiency, leverage, debt-servicing capacity and cash-conversion quality within a single analytical frame for Indian consumer-staples firms, addressing a gap left by literature that has largely treated working-capital-profitability and cash/earnings-quality as separate streams. Methodologically, it illustrates the value of reporting both Pearson and Spearman correlations when working with small, outlier-prone cross-sectional financial samples, since the two measures diverged meaningfully in this dataset (for example, on the CCC–CFO/OP relationship) and relying on Pearson alone would have understated a statistically real association. Future theory-building on financial resilience in emerging-market consumer-staples contexts could usefully extend this four-indicator frame into a formally weighted or validated composite index once panel data become available.

Limitations

- The Current Ratio, part of the study's original five-indicator design, was not present in the Screener data extract supplied and could therefore not be included; the analysis and conceptual framework were accordingly scoped to the four indicators for which verified data existed.
- The dataset is a single-period cross-section rather than a multi-year panel, so the findings describe a snapshot of relative positioning rather than trends, trajectories or causal dynamics over time.
- The sample size of twelve companies, while appropriate for descriptive and correlation-based analysis, is too small to support regression modelling or robust generalisation to the wider Indian consumer-staples universe.
- Sector classification follows Screener.in's categorisation; some sampled firms (for instance, Avanti Feeds, which operates in aquaculture feed and processed shrimp) sit at the boundary of a strict FMCG definition, and results should be read as pertaining to the "consumer staples" classification used rather than to FMCG in the narrowest sense.
- The study does not incorporate profitability, valuation or growth variables (such as ROCE, P/E, sales growth) by design, consistent with its cash-flow-and-resilience focus, and findings should not be read as a comprehensive investment or profitability assessment.

Scope for Future Research

Future research could extend this study along several lines: constructing a multi-year panel to examine whether the relationships identified here particularly the CCC–CFO/OP association hold over time and across business cycles; reincorporating the Current Ratio and Quick Ratio once complete data become available, to test whether static liquidity measures add explanatory power beyond the dynamic cash-cycle measure used here; expanding the sample to include a larger and more representative set of

listed Indian consumer-staples firms to permit regression or panel-data estimation; and developing a formally weighted composite financial-resilience index, validated against subsequent credit-rating actions or distress events, rather than the simple average-rank heuristic used descriptively in this study.

Conclusion

The objective of the current study was to analyze cash flow quality and financial resilience of twelve listed Indian consumer-staples companies using four measures: cash conversion cycle, debt to equity ratio, interest coverage ratio, and CFO/OP. It is shown that this sector consists of firms, which in terms of the chosen indicators, are almost universally conservatively financed, yet the resilience in question is distinctly affected by the efficiency of working capital management and cash flow conversion from operations, which are interconnected metrics and cannot be viewed in terms of financial leverage or ability to pay off debts alone. Thus, companies that have either short or negative cash conversion cycles coupled with high cash flow conversion quality, like Dodla Dairy and Hindustan Unilever, appear to be more resilient, while smaller and younger companies demonstrate that low leverage alone does not necessarily mean good cash flow-based financial resilience.

References

1. Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *Journal of Finance*, 23(4), 589–609.
2. Campello, M., Graham, J. R., & Harvey, C. R. (2010). The real effects of financial constraints: Evidence from a financial crisis. *Journal of Financial Economics*, 97(3), 470–487.
3. Dechow, P. M. (1994). Accounting earnings and cash flows as measures of firm performance: The role of accounting accruals. *Journal of Accounting and Economics*, 18(1), 3–42.
4. Dechow, P. M., Ge, W., & Schrand, C. (2010). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics*, 50(2–3), 344–401.
5. Deloof, M. (2003). Does working capital management affect profitability of Belgian firms? *Journal of Business Finance & Accounting*, 30(3–4), 573–588.
6. Fazzari, S. M., Hubbard, R. G., & Petersen, B. C. (1988). Financing constraints and corporate investment. *Brookings Papers on Economic Activity*, 1988(1), 141–206.
7. Jose, M. L., Lancaster, C., & Stevens, J. L. (1996). Corporate returns and cash conversion cycles. *Journal of Economics and Finance*, 20(1), 33–46.
8. Kaplan, S. N., & Zingales, L. (1997). Do investment-cash flow sensitivities provide useful measures of financing constraints? *Quarterly Journal of Economics*, 112(1), 169–215.
9. Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *American Economic Review*, 48(3), 261–297.
10. Myers, S. C. (1977). Determinants of corporate borrowing. *Journal of Financial Economics*, 5(2), 147–175.
11. Padachi, K. (2006). Trends in working capital management and its impact on firms' performance: An analysis of Mauritian small manufacturing firms. *International Review of Business Research Papers*, 2(2), 45–58.
12. Richards, V. D., & Laughlin, E. J. (1980). A cash conversion cycle approach to liquidity analysis. *Financial Management*, 9(1), 32–38.
13. Sharma, A. K., & Kumar, S. (2011). Effect of working capital management on firm profitability: Empirical evidence from India. *Global Business Review*, 12(1), 159–173.
14. Singhania, M., & Mehta, P. (2017). Working capital management and firms' profitability: Evidence from emerging Asian countries. *South Asian Journal of Business Studies*, 6(1), 80–97.

