

Hero to Make Full Payments to Suppliers

NEXT CYCLE ONWARDS Pawan Munjhal tells around 300 suppliers at a digital Town Hall on Tuesday

Easing Liquidity Woes

Released payments to

LET US SEE HOW COMPANIES IN THE F&B AND CPG SPACE USUALLY MANAGE THEIR PAYMENT CYCLES.

Global Best-in-Class:

McDonald's Corp. U.S. and Domino's U.S. come out as the best and consistent performers.



India's Best-in-Class:

LT Foods, ITC Group, and Tata Consumer Products consistently maintain good supplier payment cycles.



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Criteria and Field-Insights

- Measure Applied: Payable to Receivable Ratio
- Ideally payables/receivables should be <1 given that value of payables is at cost, while receivables are at selling price (i.e. including gross/material margins)
- Companies have much better payables metrics globally when compared to India (e.g. McDonald's U.S. vs. WestLife-McDonald's SW India; Unilever vs. HUL, Domino's U.S. vs. Jubilant- Domino's India; Nestle Global vs. Nestle India etc.)
- F&B and Hospitality industries enjoy negative working capital cycle advantage but yet, their supplier payment track record is not anything to write home about.
- Small Suppliers with overall turnovers in the range of INR 5-15 cr. suffer the most; as per the survey of 106 small-medium suppliers conducted by HPMF and TagTaste, their average number of days of receivables are 115 days (overdue by 55 days); they have to often plead for their own money. Whereas, larger strategic suppliers because of the strategic nature of their products and key account management skills usually manage their cycles within 52 days.

Criteria and Field-Insights

- Most S-M suppliers are feeling let down by most of their brand partners and 82% of them reported that moratorium offered by FM Nirmala Sitharaman is so far the best support they have received from anywhere.
- HPMF appeals to all it's member Purchase Managers to go out of their way and get the payment of their small and medium suppliers processed on priority.

Remember to a small hardworking supplier:

EVERY ₹ MATTERS AND EVERY PAISA COUNTS



Payable-Receivable Ratios of some of the listed companies in the U.S. and India

Location	Company	Payables / Receivables*	Accounts Receivable-Days	Accounts Payable-Days
Global	McDonald's Corporation, USA	0.4	36	14
India	LT Foods Limited (Daawat Rice)	0.5	44	23
Global	Domino's Pizza, Inc., USA	0.5	19	9
India	ITC Limited	0.9	30	27
India	Tata Consumer Products Limited	0.9	42	37
Global	The Coca-Cola Company	1.0	54	137
Global	Restaurant Brands International Inc.	1.2	32	33
Global	PepsiCo, Inc.	1.3	47	90
Global	Nestlé S.A.	1.5	45	66
India	Marico Limited	1.5	37	57
India	Dabur India Limited	1.6	39	64
Global	Unilever PLC	2.2	47	104
India	Britannia	3.2	11	37
India	Hindustan Unilever Limited	4.2	17	70
India	Nestlé India Limited	12	5	38
India	Westlife Dev. (McDonald's West-South)	12.2	3	32
India	Jubilant FoodWorks (Domino's India)	16.5	3	45

*The Payable and Receivable Days are as per the year end reported numbers but the ratio of Payables to Receivables is a 12 month running average (LTM); that is why in certain cases the ratio of P/R may not numerical match in the above chart.

Source: S&P Capital IQ, Reuters, Thomson, Toyo Keizai, CRB, Barclay's, TMX, FFIEC

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Thanks