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IN A YEAR OF UNCERTAINTY

India Inc’s working capital efficiency at 3-year high

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Mumbai, 17 June

India Inc has tightened its working capital cycle in 2025-26 (FY26), a year marked by heightened uncertainty over global trade and ongoing geopolitical tensions.

Tightening the working capital cycle, especially before or during periods of economic stress, can improve cash availability and increase resilience.

Companies cut their net working capital cycle to 35.02 days in FY26 from 42.86 days in FY25, shows provisional data from the Centre for Monitoring Indian Economy (CMIE).

This is close to the lowest in data going back to 2009-10.

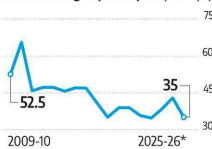
The previous lows were 34.63 days in 2022-23 (FY23) and 34.99 days in 2018-19 (FY19). In 2010-11, at its highest in the CMIE data, companies had a net working capital cycle of 65.60 days or a little over two months.

The analysis looked at the net working capital cycle for 2,380 non-financial sector companies in FY26 for which data was available. The FY26 sample includes firms with sales equivalent to more than 95 per cent seen for the full sample in the previous financial year.

The sample data captures all available listed companies in a given financial year in previous periods. While the number of companies may

Faster turnaround

Net working capital cycle (in days)



Note: *The number for 2025-26 covers 2,380 listed non-financial companies. It includes firms with sales equivalent to more than 95% of previous year sales

vary across these years, the data can be considered broadly indicative of the trend.

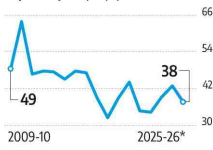
Net working capital indicates the short-term liquidity a company has at its disposal to run its daily operations and meet short-term obligations. This is the difference between a company's current assets and current liabilities.

The US and Israel attacked Iran at the end of February. The resultant war caused energy prices to spike, capital costs to increase and some supply chain disruptions. Details of a peace deal which ended the war emerged on Monday.

The March quarter earnings did not reflect the impact of the West Asia conflict since the government absorbed much of the fluctuations in energy prices during the quarter, said Nilesh Shetty, portfolio manager at

Decline for manufacturing

Manufacturing net working capital cycle (days)



Note: *2025-26 data as available. Source: CMIE

Quantum Advisors, a value-focused investment manager.

Earnings trended higher because of the September 2025 cut in goods and services tax (GST) which helped demand for the subsequent two quarters.

Managements have indicated that the March quarter momentum may not carry over to the new financial year.

Shetty suggested that demand faces the overhang of higher energy prices. And, companies potentially are more circumspect on salary hikes and possible weather disruption through El Nino, which can affect rainfall and hit agricultural production.

"In times of stress, larger companies tend to be a bit more lenient to vendors and even on the customer side... larger companies tend to absorb some of the impact by elongating their

working capital cycle," he said. However, there are also situations where larger companies squeeze their suppliers to showcase a healthier balance sheet and financials.

"It is very early," said Chandraprakash Padiyar, senior fund manager at Tata Mutual Fund in May, on disruptions due to the West Asia crisis.

Smaller companies can face working capital challenges during stressful times, he added. The government has provided relief through a credit guarantee for micro, small and medium enterprises (MSMEs) and others through measures similar to those during Covid.

Many companies had started keeping extra inventory during the pandemic to deal with the threat of supply chain disruptions, which can elongate the working capital cycle.

Commentary suggests that the management teams of some companies had begun to explore similar possibilities as the crisis drags on. Interestingly, much of the improvement in the manufacturing net working capital cycle since 2009-10 seems to have come from higher creditor days. This means that companies are stretching out their own payments to suppliers, resulting in a decrease in the overall net working capital cycle.

This also holds true for longer periods, not just 2009-10 and 2025-26.