Companies shrinking production cycles

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Mumbai, 21 July

Companies are taking the least time in years to turn raw materials into finished goods, with the work-in-progress (WIP) cycle shrinking to 14.2 days in 2024-25 (FY25), provisional data from the Centre for Monitoring Indian Economy (CMIE) shows.

The numbers cover 328 listed non-financial companies for FY25 and all available listed firms for earlier years. The WIP cycle has steadily shortened over the past decade, down from 23.4 days in FY15.

The changes have been less pronounced in raw material and finished goods cycles. The raw material cycle tracks the number of days the raw materials take to enter the production process after acquisition. The finished goods cycle shows the number of days taken for finished goods to be sold and dispatched. Both have seen more limited change compared to a decade ago. *(chart 1)*

Improved logistics and infrastructure have helped create an environment for increased efficiencies even as companies adopt more digital technologies to improve productivity, said Deven Choksey, managing director at DRChoksey FinServ.

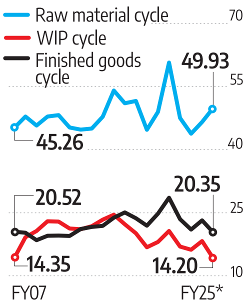
"Industry 4.0 is also a reality, at least in some industries," he said, referring to the adoption of technologies, such as connected devices, machine learning analytics, and automation in the production process.

Consumer companies, for example, are increasingly use predictive artificial intelligence (AI) for forecasting demand.

Some companies have moved to just-in-time manufacturing where raw materials are not stored for long periods, but this may not yet have shown up in the aggregate numbers for the raw material cycle, where many companies may still follow older methods. This is due to their insecurity about logistical timelines and vendor reliability, according to independent market expert Deepak Jasani. Turn to Page 6

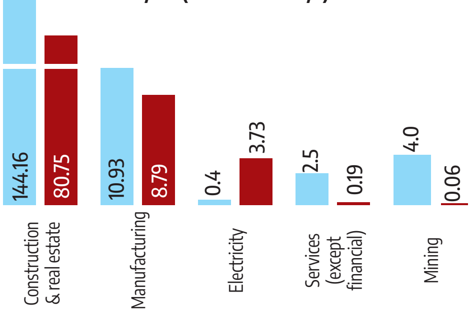
Greater efficiency

WIP cycle nears 19-year low (number of days)



Construction and realty among key gainers

WIP cycle (number of days) FY19 FY25*



*The data for 2024-25 is based on a limited sample of 328 listed non-financial companies, while the other years include all listed firms with available data. The number of days in the raw material, work-in-progress (WIP) and finished goods cycles refers respectively to the time taken after acquisition for the raw material to enter the production process, the time taken in the production process and finally the the number of days taken for sale and dispatch of finished goods

Source: CMIE

future-ready hiring engine. "Our focus was on optimising TA efficiency and cost, embedding intelligent selection methods through AI and, most importantly, investing in a sustainable talent pipeline," the bank said, adding that a key strategic priority was the expansion of job-ready models, designed to align fresh talent with business requirements from day one. HDFC Bank's employee strength stood at 214,521 at the end of FY25.

New branch addition by the bank also slowed down during the year. It added over 700 branches in FY25, down from 900 branches the year before. In FY23, it had added a record 1,479 branches — a majority of them in semi urban and rural locations.

Axis Bank, on the other hand, added 500 new branches in FY25, compared with 475 in FY24, and 145 in FY23. It said it hired over 10,000 people from campuses in FY25. "The bank entered into two new partnerships — one to meet emerging demand in rural and semi-urban locations, and a second to tap into new talent pools through a digital service provider," Axis Bank said in its annual report for FY25. Its total employee count stood at 104,543 at the end of year.

Meanwhile, attrition rates in the banking sector have come down, with large banks reporting a lower attrition level than earlier years, due to better employee-engagement programmes.

While HDFC Bank's attrition rate dropped to 22.6 per cent in FY25 from 26.9 per cent in FY24, Axis Bank's declined to 25.5 per cent from 28.8 per cent. In FY23, after the pandemic, their attrition levels had been 34.2 per cent and 34.8 per cent, respectively. The banks' efforts to contain attrition since seem to be yielding results.

According to SBI, it prioritises internal career growth, beyond recruitment, ensuring employees have opportunities to advance within the bank. "SBI has expanded its talent-acquisition strategy beyond traditional advertisements by leveraging social media, headhunters, consultants, and engaging video campaigns — particularly to attract Gen Z talent," the bank said in its annual report.

"The bank continues to focus on lateral hiring to bring specialised expertise in areas like information technology, information security, risk (including climate), wealth management, and economics. Additionally, the bank has initiated the recruitment of sportspersons to support Indian sports and blend athletic spirit with professional excellence at workplace," it further said. SBI's attrition rate is below 2 per cent and its total employee base stands at 236,226.

Companies shrinking their production cycles

But overall, there is increased awareness of the need for improved capital utilisation and the benefits of faster turnaround times. The younger generation of promoters is more open to adopting new manufacturing practices from abroad and India.

Companies that are dependent on exports may lead in introducing more efficient practices, as large export orders often have low per-unit profitability, suggested Jasani. "Exports will give you volumes, but maintaining margins needs efficient practices," he said.

Faster collection of outstanding amounts from customers and the reduction in work-in-progress cycles have helped reduce the overall working capital cycle by around 10 days.

This can translate into lower working capital requirements for day-to-day operations, which frees up capital for longer-term reinvestment requirements.

FASTER COLLECTION OF OUTSTANDING AMOUNTS FROM CUSTOMERS AND THE REDUCTION IN WIP CYCLES HAVE HELPED REDUCE THE OVERALL WORKING CAPITAL CYCLE BY AROUND 10 DAYS

Sustained improvements in the WIP cycles are seen in the construction and real estate sector in addition to services (other than financial). Numbers have fluctuated more widely for other sectors, including manufacturing, though the provisional FY25 numbers show a broad improvement over FY19. (*Chart 2*)

The outlook for increased efficiencies remains robust, according to Choksey, who feels current gains are only the beginning.

"This is going to go a long way," he said. "The pace of improvement may reduce after a certain point, but the awareness has spread and people are learning from their peers to improve manufacturing efficiencies... that will continue," added Jasani.

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