A Comparative Study on Financial Analysis with Special Reference to FMCG Sector

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Abstract
In India FMCG is the fourth largest sector and provides employment to around three million people accounting for approximately five per cent of the total factory employment in the country. India's market for fast moving consumer goods (FMCG) is expected to more than double to $104 billion by 2020 from the present level of $49 billion. The present study examines the financial performance of selected fast moving consumer goods (FMCG) companies in India. For the purpose of the study three leading FMCG companies, Indian Tobacco Company Ltd. (ITC), Hindustan Unilever Limited (HUL) and Dabur Ltd. have been selected. The study covers a time period from 2020 to 2021. The paper empirically examines and compares the financial performance of the selected companies in terms of liquidity and profitability. The ratio analysis which plays a very important role and is an essential part of the financial statements of any company, has been used to evaluate various aspects of the selected FMCG companies operating and financial performance such as its efficiency, liquidity, profitability.

Keywords: *Fast moving consumer goods (FMCG) sector, financial analysis, accounting ratios, Quantitative data, Growth prospects*

Introduction

This project focuses on the fast-moving consumer goods (FMCG), commonly referred to as consumer-packaged goods, which is one of the industries with the fastest growth rates. It is the fourth-largest sector of the Indian economy. The FMCG (fast-moving consumer goods) industry in India increased by 16 percent in value during 2021.These are the products whose prices are comparatively low from other goods and are also sold at relatively minimal cost. Their demand is very high, so they are sold very rapidly in the market.

FMCGs have a short life-span because of high consumer demand (e.g., soft drinks, sweetmeats etc.) or because they are perishable (e.g., meat, dairy products, and confection goods). The outright benefit made on FMCG items is moderately little, they for the most part is sold in huge amounts, so the total benefit on such items can be enormous.

The project also focuses on the financial analysis of some FMCG companies which are ITC, HUL and Dabur Ltd. In the project the focus will be more on fundamental type of financial analysis. Fundamental analysis uses ratios and financial statement data to determine the true value of a security. Ratios used for the analysis are net profit ratio, return on investment (ROI), current ratio, liquid ratio, earnings per share (EPS), assets turnover ratio and inventory turnover ratio. The present study is a descriptive study which tries to analyze financial position of the

FMCG companies. The research undertaken was quantitative research as it was concerned with numerical, applied statistics, and use of graphs and tables.

The ratios give us an overview about the financial standing of the 3 selected fast moving consumer goods companies and also helps us to analyze and compare the financial position of the selected FMCG companies (Subham Tebriwal, 2018).

Literature Review

- Soumya, P., Deepthi, L. N., (2019) told that financial analysis is a method of reviewing and analyzing a company’s accounting reports (financial statements) so as to urge a far better understanding of its past, present, and future performance. the method of reviewing financial statements helps to form better economic decisions. Around the world, it is legal for publicly traded companies to submit their financial statements to the appropriate authorities. Some companies within the United States must file reports with the Securities and Exchange Commission (SEC). Firms are obligated to produce their financial statements within the annual report they share with their stakeholders.
- PARMAR, S. S. (2017) researched that the entire F.M.C.G. Market is above Rs. 85,000. The company is growing rapidly and is expected to maintain this growth trajectory. The fast-moving consumer goods (FMCG) industry is projected to be worth Rs 4 trillion by 2020. The process of measuring a firm's financial performance in monetary terms is used to understand how well the company is doing overall, and can also be used to compare similar companies or sectors. In this study, ratio analysis is used to evaluate the overall financial efficiency of seven chosen FMCG companies in India. The study was conducted to suggest ways to improve the financial efficiency of the units selected for improvement.
- Abbasi, Habiba. (2017) researched that by 2020, the Indian FMCG market is expected to more than double to $104 billion from its current level of $49 billion. Ratio analysis, which plays a very important role and is an integral part of the financial statements of any company, was used to evaluate various aspects of FMCG's operating and financial activities, such as its efficiency, liquidity, profitability. The present study focuses on examining how HUL and ITC compare on various factors. HUL has over 16,000 employees and had an annual turnover of around Rs.19,400 in 2010-2011. ITC has a market capitalization of over $40 billion and annual turnover of $8 billion. The ITC group's contribution to foreign income during the last ten years amounted to almost US$ 6.6billion, of which agriculture exports constituted 57%.
- Patel, Harish., Patel, Dr. V. B. (2018) aimed to analyze fundamental position of major listed FMCG companies using ratios. The aim of study is P&G, NESTLE, ITC, DABUR, and HUL. Analysis was done using past three-year computed date of income Margin Ratio, profits margin, Price to Earnings, Debt to equity ratio, Dividend payout ratio, Earnings per share starting April 2016 to March 2018.This study provides a specific presentation of data and guidelines which can help a fresh investor likewise as a venture investor to understand vital aspects of investing. This study helps to the investors to make a decision on a secure investment and to identify the expansion opportunities within the long run.

- Yasodha, Dr. M.; R, Aishvarrya; G, Anuraghavi; R, Krithika (2021) studied that the Fast-moving consumer goods industry is projected to grow at CAGR of 27.9 to reach US $103.7 billion by 2020 and US $220 billion by 2025. This study provides a comparative analysis of Britannia Industries and Marico Limited by evaluating and analyzing the company's financial statements, strengths and weaknesses to form proper economic decisions for this and future. The analysis is finished with the assistance of assorted accounting tools - comparative record, swot analysis and ratio analysis. The findings of the study show the liquidity position of the businesses and therefore the article studies the financial position of both the businesses.

Research Methodology

Research Objectives:

1. To know about the FMCG sector.
2. To analyze the financial position of the selected FMCG companies.
3. To compare the financial position of the selected FMCG companies.

Sampling Frame

Sample Size: The Sample population for the study is FMCG companies.
Sampling Unit: The sampling units consist of 3 companies –

1. India Tobacco Company Limited (ITC)
2. Hindustan Unilever Limited (HUL)
3. Dabur India Limited

Research Design

The present study is a descriptive study which tries to analyze financial position of the FMCG companies. The research undertaken was quantitative research as it was concerned with numerical, applied statistics, and use of graphs and tables.

Data Collection

The data for this project is collected with the help of only secondary data.

Source Of Data Collection

1. Companies annual balance sheet
2. Literature Review
3. Articles and Journals

Tools And Instrument

Financial tools like ratios will be used for analysis.

Time Period of The Study

2020-2021

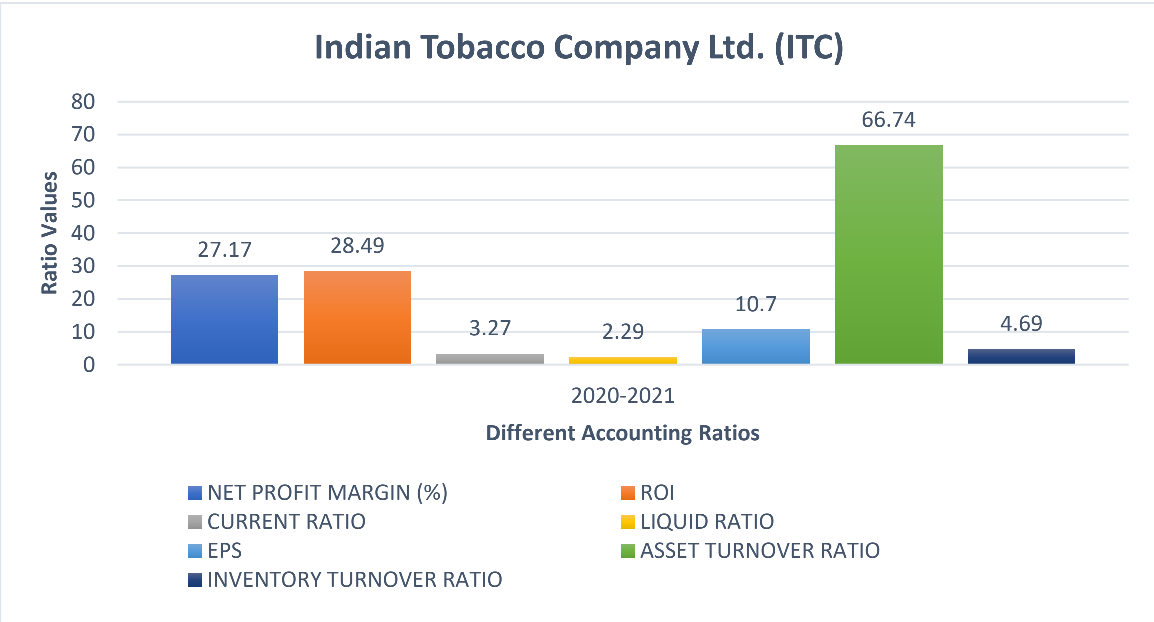
Data Analysis

Indian Tobacco Company Ltd. (ITC)

Table 1- Accounting Ratios of Indian Tobacco Company Ltd. (ITC)

Year	Net Profit Margin (%)	ROI	Current Ratio	Liquid Ratio	EPS	Asset Turnover Ratio	Inventory Turnover Ratio
2020-2021	27.17	28.49	3.27	2.29	10.70	66.74	4.69

Graph-1



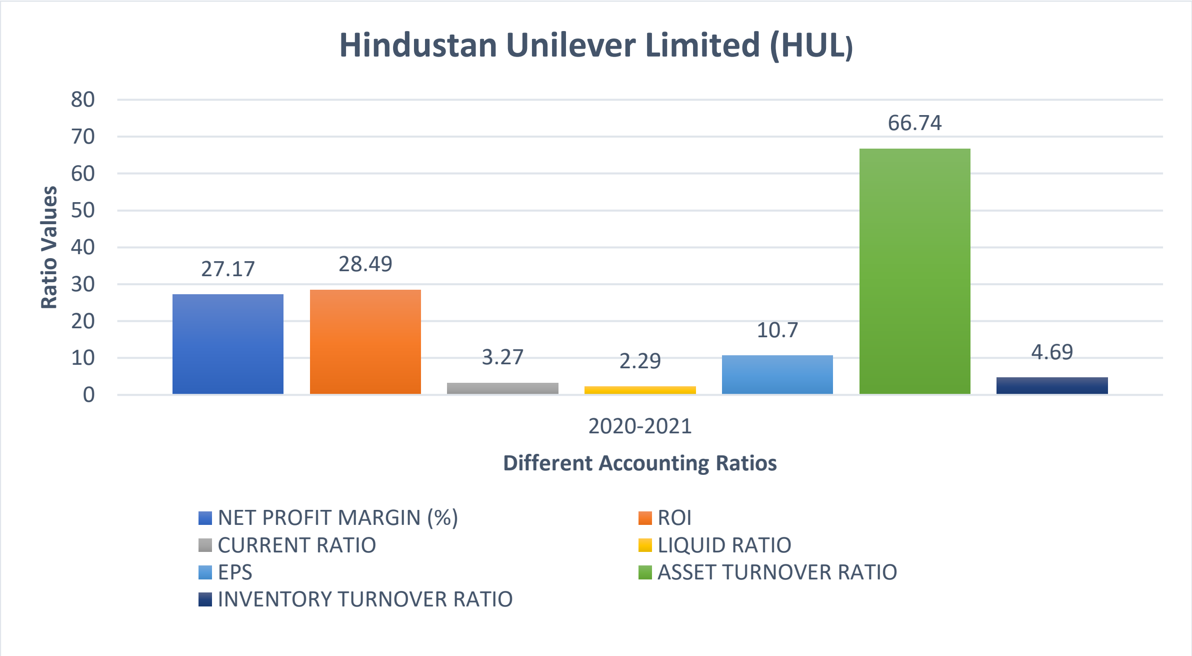
The graph shows values of 7 accounting ratios for Indian Tobacco Company Ltd. (ITC) and assets turnover ratio of ITC is the highest.

Hindustan Unilever Limited (HUL)

Table 2- Accounting Ratios of Hindustan Unilever Limited (HUL)

Year	Net Profit Margin (%)	ROI	Current Ratio	Liquid Ratio	EPS	Asset Turnover Ratio	Inventory Turnover Ratio
2020-2021	17.00	19.01	1.28	0.96	34.03	68.39	13.14

Graph-2



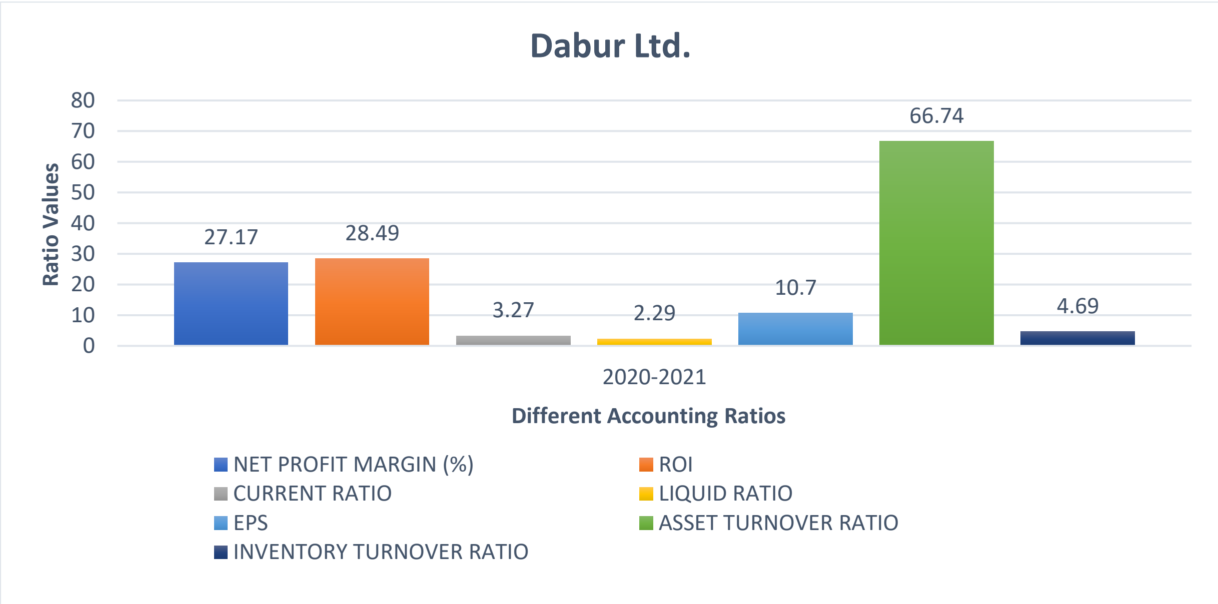
The graph shows values of 7 accounting ratios for Hindustan Unilever Limited (HUL) and assets turnover ratio of HUL is the highest.

Dabur Ltd.

Table 3- Accounting Ratios of Dabur Ltd.

Year	Net Profit Margin (%)	ROI	Current Ratio	Liquid Ratio	EPS	Asset Turnover Ratio	Inventory Turnover Ratio
2020-2021	17.76	26.38	1.63	1.04	9.58	88.01	5.50

Graph-3



The graph shows values of 7 accounting ratios for Dabur Ltd. and assets turnover ratio of Dabur Ltd. is the highest.

Findings

On comparing the ratios of the 3 companies we get to know that –

- The Net Profit Margin (%) of Indian Tobacco Company Ltd. (ITC) for the year 2020-2021 is higher than Hindustan Unilever Limited (HUL) and Dabur Ltd.
- The Return on Investment (ROI) of Indian Tobacco Company Ltd. (ITC) for the year 2020-2021 is higher than Hindustan Unilever Limited (HUL) and Dabur Ltd
- The Current Ratio of Indian Tobacco Company Ltd. (ITC) for the year 2020-2021 is higher than Hindustan Unilever Limited (HUL) and Dabur Ltd
- The Liquid Ratio of Indian Tobacco Company Ltd. (ITC) for the year 2020-2021 is higher than Hindustan Unilever Limited (HUL) and Dabur Ltd.
- The Earning per Share (EPS) of Hindustan Unilever Limited (HUL) for the year 2020-2021 is higher than Indian Tobacco Company Ltd. (ITC) and Dabur Ltd.
- The Asset Turnover Ratio of Dabur Ltd. for the year 2020-2021 is higher than Indian Tobacco Company Ltd. (ITC) and Hindustan Unilever Limited (HUL).
- The Inventory Turnover Ratio of Hindustan Unilever Limited (HUL) for the year 2020-2021 is higher than Indian Tobacco Company Ltd. (ITC) and Dabur Ltd.

Conclusion

From the project we can conclude that, the FMCG industry is booming due to all of the favorable reasons. It generated $68.4 billion in revenue in 2018 and is expected to generate $103 billion in revenue in 2020. According to estimates, India's retail industry would increase from US$840 billion in 2017 to US$1.1 trillion by 2020, with contemporary trade predicted to grow at a rate of 20% to 25% annually.

My analysis of the three FMCG companies led me to the conclusion that Indian Tobacco Company Ltd. (ITC) has a high profitability and it is generating enough profit from its sales and it is able to contain its operating costs and overhead costs, it gives more return on investment to its investors, its ability to pay its short-term obligations is better, its ability to pay off current debt obligations is also better than Hindustan Unilever Limited (HUL) and Dabur Ltd.

On calculating Earnings per Share (EPS) of Hindustan Unilever Limited (HUL) it indicates that the company is more profitable and has more profits to distribute to shareholders and on calculating Inventory Turnover Ratio we conclude that it has sold and replenished its inventory more than Indian Tobacco Company Ltd. (ITC) and Dabur Ltd.

On calculating Asset Turnover Ratio of Dabur Ltd., we conclude that it uses its assets very effectively to generate revenue or sales than Indian Tobacco Company Ltd. (ITC) and Hindustan Unilever Limited (HUL).

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