A STUDY ON FINANCIAL ANALYSIS OF FAST MOVING CONSUMER GOODS IN HINDUSTAN UNILEVER LTD

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Abstract
In India, FMCG companies have privilege of having easy availability of raw materials, cheaper labour costs and presence across the entire value chain gives India a competitive advantage. Products which have a swift turnover and relatively low cost are known as Fast Moving Consumer Goods (FMCG).The present study is based on financial analyse whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. The main objective of financial analysis shows that the financial health of the company and enabling more effective decision making. Financial statement analysis is an evaluative method of determining the past, current and projected performance of a company.

Keywords: Consumer goods, Product, Liquid, Profitable, Monetary investment.

I.Introduction
Hindustan Unilever Limited (HUL) is India's largest Fast Moving Consumer Goods Company with a heritage of over 80 years in India and touches the lives of two out of three Indians. HUL works to create a better future every day and helps people feel good, look good and get more out of life with brands and services that are good for them and good for others.

II Review of Previous Studies
Some of the important studies on the related topics have been reviewed here, Hence the present study is also based on the following review. *"Dr. Pramod H. Patil (2016)* **FMCG** product touches every aspects of human life. These products are frequently consumed by all sections of the society and a considerable portion of their income is spent on these goods. Apart from this, the sector is one of the important contributors of the Indian economy. This sector has shown an extraordinary growth over past few years, in fact it has registered growth during recession period also. The future for FMCG sector is very promising due to its inherent capacity and favourable changes in the environment".

III.Objectives of the Study
- To overview the financial analysis of Hindustan Unilever Ltd.
- To observe the overall analysis of Hindustan Unilever Ltd (i.e.,)Analysis of Short Term, Long Term and Profitability Ratios

IV.Scope of Study
The study shows the role of FMCG sector in India which deals with financial analysis of Hindustan Unilever Ltd. Analysis of financial statements means to critically examine the composition of an item or amount appearing in the financial statements. Financial statement analysis is largely a study of the relationship among the various financial factors in a business as disclosed by a single set of statement. Financial statement analysis converts the mass of data into useful information which is always in scare supply.

V.Period of Study
The Study Covers A Period Of 5 Years from 2011-2012 to 2015-2016.

VI.Methodology
(6.1)Data Collection
The study is based on secondary data. Information required for the study is collected from the annual report of Hindustan Unilever Ltd and different books, journals, magazines and data collected from various websites.
(6.2)Statistical Tools
In this study statistical tools are used (i.e.,) Mean, Standard Deviation, Range, Largest, Smallest, Coefficient of Variation and Coefficient of Range. T-test has been used for data analysis.

- Mean $= \dfrac{X}{N}$

- Standard Deviation $\quad = \quad X^2/N-(\ X/N)^2$

- Range $\quad = \ L - S$

- Coefficient of Variation $= \dfrac{SD}{MEAN} \times 100$

- Coefficient of Range $= \dfrac{L - S}{L + S}$

(6.3)Hypotheses

The t-distribution is commonly known as Student's t- distribution or simply student's distribution. The t-distribution is used when sample size is less than 30. The two sample t- test simply tests whether or not two independent population have a different mean values on some measures. It can be used to determine if two sets of data are significantly different from each other.

$H_{0\,:}\ \mu_{1=}\mu_2$ (Mean are equal)

$H_{1\,:}\mu_1\ \mu_2$ (Mean are not equal)

The t-test statistics indicates that there is significant difference in the mean value of each sample. Here this computed value is compared with critical value of each sample. If T exceed the critical value for T at some significance level (usually 0.05) it means that there is evidence to reject the null hypothesis in favour of the alternative hypothesis.

(VII)Limitation of the Study
- The study is related to a period of 5 years.
- Data are only secondary, i.e., they are collected from the published annual reports.
- Time factor is one of the limiting factors of the proposed project.

(VIII) A Brief Account of Financial Analysis

Financial statement analysis is an important and integral part of business analysis. The goal of business analysis is to improve business decisions by evaluating available information about a company's financial situation, its management, its plans and strategies and its business environment. Financial analysis supports equity decisions by providing quantified evidence regarding the financial position and performance of the company.

(8.1) Liquidity Ratio: This ratio is also called Acid Test Ratio or Quick Ratio. It is a measure of a company's ability to meet short term obligations using its most liquid assets like cash other than stock and prepaid expenses.

Liquidity Ratio = Quick Assets / Current Liabilities.

Table 8.1 Analysis of Mean, Standard deviation, Range, Largest, Smallest, coefficient of Variation, coefficient of Range

YEAR	QUICK ASSETS (in Crores)	CURRENT LIABILITIES (in Crores)	LIQUIDITY RATIO
2011-2012	9445.45	13068.77	0.722749731
2012-2013	10993.00	14707.42	0.747445847
2013-2014	12029.37	17074.15	0.704536975
2014-2015	12765.81	17301.36	0.737850088
2015-2016	13517.48	17919.97	0.754324924
MEAN			0.733381513
STANDARD DEVIATION			0.020009012
RANGE			0.049787948
LARGEST(L)			0.754324924
SMALLEST(S)			0.704536975
COEFFICIENT OF VARIATION			2.728322386
COEFFICIENT OF RANGE			0.03412793838

SOURCE:SECONDARY DATA

Table 8.1 exhibits that liquidity ratio of Hindustan Unilever Ltd has mean value of 0.7333. Standard deviation of

Quick Assets to Current Liabilities has 0.0200 with highest coefficient of variation of 2.7283. The range and the coefficient of range of liquidity ratio is 0.0497 and 0.0341 with the comparison of largest and smallest value. At the end of March 2016 liquidity ratio has highest value of 0.7543.

Hypothesis
H_0: $\mu_1 = \mu_2$ (There is no significant relationship between quick assets to current liabilities among Hindustan Unilever Ltd)
H_1: μ_1 μ_2 (There is a significant relationship between quick assets to current liabilities among Hindustan Unilever Ltd)

Table: 8.1(b) Analysis of T- Test

Short-Term	Degree Of Freedom	T (calculated value)	Table value (at 5 % level of significance)	H_0: ACCEPTED /REJECTED
Liquidity Ratio	V= 8	3.6758	2.3060	REJECTED

Since the calculated value of T (3.6758) is greater than the table value (2.3060) as shown in table 8.1(b), null hypothesis is rejected. It is therefore, concluded that there is a significant relationship between the quick assets to current liabilities among Hindustan Unilever Ltd.

(8.2) Absolute Liquidity Ratio: This ratio is calculated when liquidity is highly restricted in terms of cash and cash equivalents. This ratio measures liquidity in terms of cash and near cash items and short-term current liabilities.
Absolute Liquidity Ratio=Cash & Bank Balance + Marketable securities / Current Liabilities

Table 8.2 Analysis of Mean, Standard deviation, Range, Largest, Smallest, Coefficient of Variation, Coefficient of Range

YEAR	CASH AND BANK+MS (in crores)	CURRENT LIABILITIES (in crores)	ABSOLUTE LIQUIDITY RATIO
2011-2012	6850.50	13068.77	0.524188581
2012-2013	8006.07	14707.42	0.544355842
2013-2014	8731.71	17074.15	0.511399396
2014-2015	9840.30	17301.36	0.568758757
2015-2016	10217.72	17919.97	0.570186222
MEAN			0.54377776
STANDARD DEVIATION			0.026238739
RANGE			0.058786826
LARGEST(L)			0.570186222
SMALLEST(S)			0.511399396
COEFFICIENT OF VARIATION			4.825268874
COEFFICIENT OF RANGE			0.054352447

SOURCE: SECONDARY DATA

Table 8.2 reveals that Cash and Bank balances with Marketable Securities to Current Liabilities of Hindustan Unilever Ltd has mean value of 0.5437 .Standard deviation of cash position ratio has 0.0262 with highest coefficient of variation of 4.8252. The range and coefficient of range shows the value of 0.0587 and 0.0543 with the comparison of largest and smallest value. At the end of March 2016 absolute liquidity ratio has highest value of 0.5701.

Hypothesis
H_0: $\mu_1 = \mu_2$ (There is no significant relationship between Cash and bank balance with marketable securities to current liabilities among Hindustan Unilever Ltd)
H_1: μ_1 μ_2 (There is a significant relationship between Cash and bank balance with marketable securities to current liabilities among Hindustan Unilever Ltd)

Table: 8.2(b) Analysis of T- Test

Short-Term	Degrees Of Freedom	T (calculated value)	Table value (at 5 % level of significance)	H_0: ACCEPTED /REJECTED
Absolute Liquidity Ratio	V=8	6.6094	2.3060	REJECTED

Since the calculated value of T (6.6094) is greater than the table value (2.3060) as shown in table 8.2(b), null hypothesis is rejected. It is therefore, concluded that there is a significant relationship between the cash and bank balance with marketable securities to current liabilities among Hindustan Unilever Ltd.

(8.3) Proprietary Ratio: This ratio shows the general soundness and long term solvency of business. It is of particular interest to the creditors of the company as it helps them to ascertain the shareholders funds in the total assets of the business. Proprietary Ratio = Shareholders' Funds / Total Tangible Assets

Table 8.3 Analysis of Mean, Standard deviation, Range, Largest, Smallest, Coefficient of Variation, Coefficient of Range

YEAR	SHAREHOLDERS' FUNDS (in crores)	TOTAL TANGIBLE ASSETS (in crores)	PROPRIETARY RATIO
2011-2012	6172.45	19023.98	0.324456291
2012-2013	6545.85	20994.57	0.311787762
2013-2014	6402.06	22711.43	0.281887138
2014-2015	7001.83	22949.46	0.305097811
2015-2016	7412.07	18855.71	0.393094187
MEAN			0.323264638
STANDARD DEVIATION			0.041986414
RANGE			0.111207049
LARGEST (L)			0.393094187
SMALLEST(S)			0.281887138
COEFFICIENT OF VARIATION			12.988248346
COEFFICIENT OF RANGE			0.1647557419
SOURCE:SECONDARY DATA			

As per table 8.3 shows that, proprietary ratio of Hindustan Unilever Ltd has mean value of 0.3232. Standard deviation of shareholders' funds to total tangible assets has 0.0419 with highest coefficient of variation of 12.9882. The range and coefficient of range shows the value of 0.1112 and 0.1647 with the comparison of largest and smallest value. At the end of March 2016 proprietary ratio has highest value of 0.3930 and the lowest value of 0.2818 at the end of March 2014.

Hypothesis
H_0: $\mu_1 = \mu_2$ (There is no significant relationship between shareholders' funds to total tangible assets among Hindustan Unilever Ltd)
H_1: μ_1 μ_2 (There is a significant relationship between shareholders' funds to total tangible assets among Hindustan Unilever Ltd)

Table: 8.3(b) Analysis of T- Test

Long-term	Degrees Of Freedom	T (calculated value)	Table value (at 5 % level of significance)	H0: ACCEPTED /REJECTED
Proprietary Ratio	V=8	15.7889	2.3060	REJECTED

Since the calculated value of T (15.7889) is greater than the table value (2.3060) as shown in table 8.3(b), null hypothesis is rejected. It is therefore, concluded that there is a significant relationship between the shareholders' funds to total tangible assets among Hindustan Unilever Ltd.

(8.4) Debt-Equity Ratio: The relationship between borrowed funds and owners capital is a popular measure of the long term financial solvency of a firm.

Debt-Equity Ratio = Shareholders' Funds / Total Long-Term Funds
Table 8.4 Analysis of Mean, Standard deviation, Range, Largest, Smallest, Coefficient of Variation, Coefficient of Range

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YEAR	SHAREHOLDERS' FUNDS (in crores)	TOTAL LONG-TERM FUNDS (in crores)	DEBT- EQUITY RATIO
2011-2012	6172.45	6721.34	0.918336225
2012-2013	6545.85	7368.08	0.888406478
2013-2014	6402.06	7188.52	0.890595004
2014-2015	7001.83	7450.76	0.939747086
2015-2016	7412.07	7800.38	0.950219092
MEAN			0.917460777
STANDARD DEVIATION			0.028002122
RANGE			0.061812614
LARGEST(L)			0.950219092
SMALLEST(S)			0.888406478
COEFFICIENT OF VARIATION			3.052132876
COEFFICIENT OF RANGE			0.033618924
SOURCE:SECONDARY DATA			

Table 8.4 reveals that debt-equity ratio of Hindustan Unilever Ltd has mean value of 0.9174. Standard deviation of Debt equity ratio has 0.0280 with highest coefficient of variation of 3.0521.The range and coefficient of range shows the value of 0.0618 and 0.0336 with the comparison of largest and smallest value. Debt-equity ratio has highest value of 0.9502 at the end of March 2016 and compared to remaining period, lowest value of 0.8884 at the end of March 2013.

Hypothesis
H_0: $\mu_1 = \mu_2$ (There is no significant relationship between Shareholders' funds to total long- term funds among Hindustan Unilever Ltd)
H_1: μ_1 μ_2 (There is a significant relationship between Shareholders' funds to total long-term funds among Hindustan Unilever Ltd)

Table: 8.4(b) Analysis of T- Test

Long-Term	Degrees Of Freedom	T (calculated value)	Table value (at 5 % level of significance)	H_0: ACCEPTED /REJECTED
Debt-Equity Ratio	V=8	2.1087	2.3060	ACCEPTED

Since the calculated value of T (2.1087) is less than the table value (2.3060) as shown in table 8.4(b), null hypothesis is accepted .It is therefore, concluded that there is no significant relationship between the shareholders' funds to total long-term funds among Hindustan Unilever Ltd.

(8.5)Return on Investment: This ratio indicates the return on capital employed in the business and it can be used to show the efficiency of the business as a whole. The basic components of this ratio are net profit and capital employed.
Return on Investment = Operating Profit(or)Net Profit / Capital Employed x 100

Table 8.5 Analysis of Mean, Standard deviation, Range, Largest, Smallest, Coefficient of Variation,   Coefficient of Range

YEAR	NET PROFIT (in crores)	NET CAPITAL EMPLOYED (in crores)	RETURN ON INVESTMENT
2011-2012	3350.16	6831.77	49.03795063
2012-2013	4349.48	8791.67	49.47273954
2013-2014	4799.71	6373.71	75.30480678
2014-2015	5523.12	6493.04	85.06215887
2015-2016	5909.62	6965.79	84.8377571
MEAN			68.74308258

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STANDARD DEVIATION	18.2211784
RANGE	36.02420823
LARGEST (L)	85.06215887
SMALLEST(S)	49.03795063
COEFFICIENT OF VARIATION	26.506199192
COEFFICIENT OF RANGE	0.2686366802
SOURCE:SECONDARY DATA	

Table 8.5 exhibits that return on investment ratio of Hindustan Unilever Ltd has mean value of 68.7430. Standard deviation of operating profit to net capital employed has 18.221 with highest coefficient of variation of 26.506. The range and coefficient of range shows the values of 36.0242 and 0.2686 with the comparison of largest and smallest value. At the end of March 2015 return on investment ratio has highest value of 85.0621.

Hypothesis
H_0: $\mu_1 = \mu_2$ (There is no significant relationship between net profit to capital employed among Hindustan Unilever Ltd)
H_1: μ_1 μ_2 (There is a significant relationship between net profit to capital employed among Hindustan Unilever Ltd)

Table: 8.5(b) Analysis of T- Test

Profitability Ratio	Degrees Of Freedom	T (calculated value)	Table value (at 5 % level of significance)	H_0: ACCEPTED /REJECTED
Return on Investment	V=8	3.6658	2.3060	REJECTED

Since the calculated value of T (3.6658) is greater than the table value (2.3060) as shown in table 8.5(b), null hypothesis is rejected .It is therefore, concluded that there is a significant relationship between the net profit to capital employed among Hindustan Unilever Ltd.

(8.6)Return on Shareholders' Funds: This ratio shows the rate of profit on shareholders' funds. It relates the profit available for the shareholders to their total investment. Return on Shareholders' funds = Net Profit after tax / Shareholders' Funds x 100

Table 8.6 Analysis of Mean, Standard deviation, Range, Largest, Smallest, Coefficient of Variation, Coefficient of Range

YEAR	NET PROFIT (AFTER TAX) (in crores)	SHAREHOLDERS' FUNDS (in crores)	RETURN ON SHAREHOLDERS' FUND
2011-2012	2599.23	6172.45	42.11018315
2012-2013	3314.35	6545.85	50.63284371
2013-2014	3555.32	6402.06	55.53399999
2014-2015	3842.86	7001.83	54.88365185
2015-2016	4077.84	7412.07	55.01621005
MEAN			51.63537775
STANDARD DEVIATION			5.677036499
RANGE			13.42381684
LARGEST(L)			55.53399999
SMALLEST(S)			42.11018315
COEFFICIENT OF VARIATION			10.994470741
COEFFICIENT OF RANGE			0.1374768717
SOURCE:SECONDARY DATA			

As per table 8.6, it has been found that net profit to shareholders' funds of Hindustan Unilever Ltd has mean value of 51.6353 .Standard deviation of return on shareholders' funds ratio has 5.6770 with highest coefficient of variation of 10.9944. The range and coefficient of range shows the value of 13.4238 and 0.1374 with the comparison of largest and smallest value. At the end of March 2014 return on shareholders' funds has highest value of 55.5339.

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Hypothesis

H_0: $\mu_1 = \mu_2$ (There is no significant relationship between net profit to shareholders' funds among Hindustan Unilever Ltd)

H_1: μ_1 μ_2 (There is a significant relationship between net profit to shareholders' funds among Hindustan Unilever Ltd)

Table: 8.6(b) Analysis of T- Test

Profitability Ratio	Degrees Of Freedom	T (calculated value)	Table value (at 5 % level of significance)	H₀: ACCEPTED /REJECTED
Return on Shareholders' Funds	V=8	9.5492	2.3060	REJECTED

Since the calculated value of T (9.5492) is greater than the table value (2.3060) as shown in table 8.6(b), null hypothesis is rejected. It is therefore, concluded that there is a significant relationship between the net profit to shareholders' funds among Hindustan Unilever Ltd.

(IX) Findings

- The range and the coefficient of range of liquidity ratio is 0.0497 and 0.0341 with the comparison of largest and smallest value. To conclude that there is a significant relationship between the quick assets to current liabilities among Hindustan Unilever Ltd.
- At the end of March 2016 absolute liquidity ratio of Hindustan Unilever Ltd has highest value of 0.5701. To concluded that there is a significant relationship between the cash and bank balance with marketable securities to current liabilities among Hindustan Unilever Ltd.
- The shareholders' fund and total tangible assets has highest value of 7412.07 and 22949.46 at the end of March 2016 and 2015. To conclude that there is a significant relationship between the shareholders' funds to total tangible assets among Hindustan Unilever Ltd.
- Standard deviation of debt-equity ratio has 0.0280 with highest coefficient of variation of 3.0521. To conclude that there is no significant relationship between the shareholders' funds to total long-term funds among Hindustan Unilever Ltd.
- The return on investment ratio of Hindustan Unilever Ltd has mean value of 68.7430. The net profit to capital employed has standard deviation of 18.2211. To conclude that there is a significant relationship between the net profit to capital employed among Hindustan Unilever Ltd.
- Hindustan Unilever Ltd shows that the net profit to shareholders' funds has highest value of 4077.84 and 7412.07 at the end of March 2016. To conclude that there is a significant relationship between the net profit to shareholders' funds among Hindustan Unilever Ltd.

(X) Conclusion

Fast moving consumer goods (FMCGs) constitute a large part of consumers' budget in all countries. Retail trade in these products, that is, their supply to households, has attracted considerable interest from consumers and policy-makers because a well-functioning retail sector is essential for daily provision of these essential products at high quality and low cost. As consumer tastes and preferences differ across states, companies can adopt a regional strategy in terms of product ingredients, channel of distribution, positioning, promotion and marketing campaign.

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