



PERFORMANCE OF FMCGS IN INDIA: A CASE STUDY ON HINDUSTAN UNILEVER LIMITED

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INTRODUCTION

The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organized retailing. A T Kearney, a US Based global management consulting firm has ranked India as the fourth most attractive nation for retail investment among 30 flourishing markets.

The Indian retail industry has emerged as one of the most dynamic and fast paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth largest global destination in the retail space. Market Size India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, driven by Income growth, urbanization and attitudinal shifts. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent

An Overview of Retail Sector in India

Retail industry can be broadly classified into two categories namely- organized and unorganized retail. Organized retail - Organised traders/retailers, who are licensed for trading activities and registered to pay taxes to the government. Unorganized retail – It consists of unauthorized small shops - conventional Kirana shops, general stores, corner shops among various other small retail outlets - but remain as the radiating force of Indian retail industry

The key drivers of Indian Retail sector are as follows

1. Emergence of nuclear families
2. An increase in the double-income households trend
3. Large working population
4. Reasonable Real estate prices
5. Increase in disposable income and customer aspiration
6. Demand as well as increase in expenditure for luxury items
7. Growing preference for branded products and higher aspirations
8. Growing liberalization of the FDI policy in the past decade
9. Increasing urbanization
10. Rising affluence amid consumers

The Indian retail sector is highly fragmented and the unorganized sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, going forward, the organized sector's growth potential is expected to increase due to globalization, high economic growth, and improved lifestyle. Although the growth potential in the sector is immense, there are obstacles too, that could slow the pace of growth for new entrants. Rigid regulations, high personnel costs, real estate costs, lack of basic infrastructure, and highly competitive domestic retailer groups are some such challenges.



An Overview of FMCG Industry

The fast moving consumer goods (FMCG) segment is the fourth largest sector in the Indian economy. The market size of FMCG in India is estimated to grow from US\$ 30 billion in 2011 to US\$ 74 billion in 2018. Food products are the leading segment, accounting for 43 per cent of the overall market. Personal care (22 per cent) and fabric care (12 per cent) come next in terms of market share. Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the sector.

FMCG goods are popularly known as consumer packaged goods. Items in this category include all consumables (other than groceries/pulses) people buy at regular intervals. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and extends to certain electronic goods. These items are meant for daily of frequent consumption and have a high return.

An overview of HUL

Hindustan Unilever Limited (HUL) is an Indian consumer goods company based in Mumbai, Maharashtra. It is owned by Anglo Dutch company Unilever which owns a 67% controlling share in HUL as of March 2015 and is the holding company of HUL.[2] HUL's products include foods, beverages, cleaning agents, personal care products and water purifiers. HUL was established in 1933 as Lever Brothers and, in 1956, became known as Hindustan Lever Limited, as a result of a merger between Lever Brothers, Hindustan Vanaspati Mfg. Co. Ltd. and United Traders Ltd. It is headquartered in Mumbai, India and employs over 16,000 workers,[2] whilst also indirectly helping to facilitate the employment of over 65,000 people.[3]The company was renamed in June 2007 as "Hindustan Unilever Limited". Hindustan Unilever's distribution covers over 2 million retail outlets across India directly and its products are available in over 6.4 million outlets in the country. As per Nielsen market research data, two out of three Indians use HUL products.

STATEMENT OF THE PROBLEM

Indian retail sector and fast moving consumer goods are very volatile in the market. The study tries to know growth and prospects of Hindustan unilver limited, a scope of the study has been limited to the select FMCG-a detail study on HUL. Hindustan Unilever Limited operates across the length and breadth of India. We have over 18,000 employees working across our factories and offices. Conducting our operations with integrity and with respect for the many people, organisations and environments, our business touches, has always been at the heart of our corporate responsibility.

OBJECTIVES OF THE STUDY

This research paper contains the following objectives.

1. To ascertain the risk and return of HUL with Sensex benchmark
2. To analyses of financial performance and position of Hindustan Unilever Limited
3. To examine the segment wise sales of HUL products in different years.
4. To explore the key ratios used by Hindustan Unilever Limited.

HYPOTHESES OF THE STUDY

1. H1: There is a significant difference between segment wise sales of HUL products
2. H2: There is a significant difference between risk and returns of HUL and Sensex index.
3. H3: There is a significant difference between growth rates of financial position of the HUL.
4. H4: There is a significant difference between the Key Ratios and EVA of HUL.

METHODOLOGY

The paper is totally depending upon purely secondary data. The data has been collected from the various books and journals, and annual Reports from HUL company. The researcher has collected 10 years of data from HUL relating to sales, finance, the products and risk and returns which the company faces.

Tools Used

To analyse the data the following tools to be used. They are Mean, Variance, Standard Deviations, One way ANOVA, T Test, and growth rate have been used for the analysis of the data.



ANALYSIS AND INTERPRETATION

Table 1: Statement showing segment wise sales of Different product of HUL

Groups	N	Sum	Average	Variance	Stand Dev	
Soaps and Detergents	10	479	47.9	1.211111	1.100505	
Personal Products	10	299	29.9	1.211111	1.100505	
Beverage and Packaged Foods	10	192	19.2	1.066667	1.032796	
Others	10	30	3	0.888889	0.942809	
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	10660.6	3	3553.533	3246.883	7.56E-44	2.866266
Within Groups	39.4	36	1.094444			
Total	10700	39				

Source: HUL Annual Report 2014-23

H1:- there is a significant difference between segment wise sales of HUL products

As the calculated value 3246.883 is too greater than the critical value 2.866266 at the 5% level of significance in the table 1, the null Hypothesis is rejected, and hence, it concludes that there is a significant difference between segment wise sales of HUL products

Table 1 states that standard deviation of Soaps and detergents and Personal products sales are more variable as compare to Beverage and Packaged foods and others , but others products sales is stable as compare to rest of the products in the study area. Mean is used for describing central tendency, median used to know the middle value of the set of values and mode also used to know the most frequency occurred value in the set of values.

Table 2: Statement showing Risk and Returns of HUL with BSE Sensex Benchmark

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HUL	872.9	869.5	822.78	1362.28	1810.32	1915.07	2393.55	2359.75	2559.75	2663.95
BSE	44.60	-0.40	-4.20	65.50	32.80	5.70	24.90	-1.50	8.40	4

Source: HUL Annual Report 2014-23

Table 4: Statement showing segment wise sales of Different product of HUL

ANOVA	df	SS	MS	F	Significance F
Regression	1	19498.77934	19498.77934	0.26553656	0.620274922
Residual	8	587452.9467	73431.61833		
Total	9	606951.726			
	Coefficients	Standard Error		t Stat	P-value
Intercept	462.5400	95.0649		4.8655	0.00124
BSE	-1.2136	2.3552		-0.5153	0.6202

Source: HUL Annual Report 2014-23

H2:- there is a significant difference between risk and returns of HUL and Sensex index.

As the F-calculated value 0.26553656 is lower than the table value 5.32 at the 5% level of significance, the null hypothesis (H02) is accepted and hence, it can be concluded that there is a significant difference between risk and returns of HUL and Sensex index.

The summary output would appear as shown in the table 2 is Alpha is 462.54, Beta is -1.2136, regression equation, HUL returns moves negatively with the sensex. 1% change in the Sensex is likely to be associated with a change of -1.2136% in the HUL stock.

The computed T stat value for X-Variable 1 is -0.5153. this is lesser than the standard T Value as per 5 % level of Significance table value is 2.306 at 95% level of significance and 8 degrees of freedom, since the computed t-stat value is negative, hence it conclude that the return on sensex is not a significant.



Table 3 Shows the growth rate of Financial Position of Hindustan Unilever Limited

<i>Groups</i>	<i>N</i>	<i>Sum</i>	<i>Mean</i>	<i>Variance</i>	<i>Std Dev</i>		
Sales	9	109.76	12.19556	261.2941	16.16459		
Fixed assets	9	83.92908	9.325453	62.27502	7.891452		
Investment	9	280.7336	31.19263	10893.47	104.3718		
Share capital	9	-1.94881	-0.21653	0.302604	0.550094		
EPS	9	94.64	10.51556	289.7794	17.02291		
DPS	9	174.37	19.37444	2811.349	53.02216		
<i>Source of Variation</i>		<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups		5070.565	5	1014.113	0.424953	0.829018	2.408514
Within Groups		114547.8	48	2386.412			
Total		119618.3	53				

H3:- there is a significant difference between growth rates of financial position of the HUL.

The above calculated value 0.424953 is lesser than the critical value 2.408514 at the 5% level of significance in the above table, since the null Hypothesis is accepted, and hence, it concludes that there is no significant difference between growth rates of financial position of the HUL.

Table 4 Table Shows the Key Ratios and EVA of Hindustan Unilever Limited

<i>Groups</i>	<i>N</i>	<i>Sum</i>	<i>Mean</i>	<i>Variance</i>	<i>Standard devia</i>		
EBIT (% of Gross Sales)	10	138.9	13.89	1.358778	1.165666		
Fixed Asset Turnover (No. of Times)	10	93.3	9.33	1.471222	1.212939		
PAT / Gross Sales (%)	10	117.4	11.74	0.264889	0.514674		
Return on Capital Employed (%)	10	1036	103.6	472.1422	21.72883		
Return on Net Worth (%)	10	878.7	87.87	160.0646	12.65166		
Economic Value Added (EVA)	10	23364	2336.4	744597.8	862.9008		
ANOVA							
<i>Source of Variation</i>		<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups		43829539	5	8765908	70.57583	1.92E-22	2.38607
Within Groups		6707098	54	124205.5			
Total		50536637	59				

H4:- there is a significant difference between the Key Ratios and EVA of HUL.

The above calculated value 70.57583 is greater than the critical value 2.38607 at the 5% level of significance in the above table, since the null Hypothesis is rejected, and hence, it concludes that there is a significant difference between the Key Ratios and EVA of HUL.

LIMITATIONS OF THE STUDY

1. The study is purely based on secondary data.
2. The considers only the financial items such as Fixed assets, investment, share capital sales and EPS and DPS.
3. The financial items have calculated on the bases of growth rate percentage.

CONCLUSION

Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the consumer market. The Government of India's policies and regulatory frameworks such as relaxation of license rules and approval of 51 per cent foreign direct investment (FDI) in multi-brand and 100 per cent in single-brand retail are some of the major growth drivers for the consumer market. FMCG brands would need to focus on R&D and innovation as a means of growth. Companies that continue to do well would be the ones that have a culture that promotes using customer insights to create either the next generation of products or in some cases, new product categories. One area that we see global and local FMCG brands investing more in is health and wellness. Health and wellness is a mega trend shaping consumer preferences and shopping habits and FMCG brands are listening. Leading global and Indian food and beverage brands have embraced this trend and are focused on creating new emerging brands in health and wellness



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