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Financial Performance Measurement of Hindustan Unilever Limited: An Empirical Analysis

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ABSTRACT: Fast Moving Consumer Goods (FMCG) industry in India plays an important role in economic development of a country. The FMCG system of India is featured by a large group of FMCG companies, serving many kinds of consumer and durable for the people. Hindustan Unilever Limited is popularly known as HUL which is one of the leading FMCG Company in India. HUL is India touching the lives of two out of three Indians with over 20 distinct categories in house & personal care product and Food & Beverages. With the opening up of Indian economy, HUL has been exposed to greater competition among different company. In this backdrop, different studies have been conducted on the analysis of financial performance of HUL in the recent past. But virtually this paper measures the financial performance of HUL in India in the recent times considering all the major factors of financial performance. The present study has been conducted in which all the major dimensions of financial performance of HUL , one of the major FMCG sector in India have been analyzed during the period 2008-09 to 2017-18. While making this analysis, relevant statistical measures have been used.

Keywords: Financial performance, Working capital management, Liquidity, Profitability, Fixed assets management, Solvency.

I. INTRODUCTION:

There are vast differences between the economics of isolated, small, self-sufficient societies and large scale ones that are integrated into the modern system of global commerce. These differences are not only in terms of scale of economies. Their systems of production, distribution, and exchange as well as concepts of property, ownership are often radically different. Regardless of the type of subsistence base all societies need to have mechanisms of distribution and exchange. All the large scale societies of the world today have market economies. These are the very impersonal but highly efficient system of production, distribution and exchange that are principally characterized by 'The use of money as a means of exchange having the ability to accumulate vast amount of capital and having complex economic instruction that are ultimately international in scale.

Fast moving consumer goods (FMCG) industry in India is one of the fastest developing sectors in the Indian economy. At present the FMCG Industry is worth US $51.15 billion and it is the 4th largest in the Indian Economy. These products have very fast turnaround rate, i.e. the time from production to the revenue from sale of the product is very less. In the present economy scenario, time is regarded as money. So the FMCG companies have to be very fast in manufacturing and supplying these goods.

The Fast Moving Consumer Goods (FMCG) industry in India include segments like cosmetic,toiletries,glassware,batteries,bulbs,pharmaceuticals,packaged food Product, white goods, house care products, plastics' goods, consumer non-durables etc. The FMCG market is highly concentrated in the urban areas as the rise in the income of the middle income group is one of the major factors for the growth of the Indian FMCG market.

The penetration in the rural areas in India is not high as yet and the opportunity of growth in these areas is huge by means of enhanced penetration in to the rural market and conducting awareness programmed in these areas. The scope of the growth for FMCG industry is high as the per capita consumption of the FMCG products in India is low in comparison to the other developed countries. The manufacturing of the FMCG goods in concentrated in the western and southern belt of the country. There are other pockets of FMCG manufacturing hubs.

The market size of FMCG in India is estimated to grow from US $ 1.1 trillion by 2020 from US$ 840 billion in 2017, with modern trade expected t grow at 20-25 per cent per annum, which is likely to boost revenue of FMCG companies.

Food products are the leading segment, accounting for 43 per cent of the overall market. Personal care (24 per cent) and fabric care (12 per cent) come next in terms of market share. Growing awareness, cashier access and changing life style have been the key growth drivers for the sector.

The purpose of Hindustan Unilever Ltd (HUL) is to make sustainable living common place. They saw it at the best long term way for their business to grow. Their clear purpose helps them to remain distinct in the eyes of the consumers, retailers and suppliers.

It also means they can set an ambitions visions to double the size of business whilst reducing their environmental footprints and increasing their positive social impact.

Hindustan Unilever Limited (HUL) is the largest private sector company in India in the Fast Moving Consumer Goods (FMCG) business. One of the principal companies in the global giant Unilever's portfolio, HUL is the market leader in Indian consumer products having more than three billion dollars business, touching the lives of two out three Indians with over 20 distinct categories in Home & Personal care products, Foods & Beverages and other household product segment. It has 50 of its own operating sites besides about 100 indirect operations. It employs 15,200 employees across factories, sales, research and offices.

In the FY 2014-2015 HUL delivered a robust performance despite considerable headwinds. The business continued to focus on the delivery of consistent, competitive profitable and responsible growth. There was another year of exciting innovation, further improvement in execution and sustained focus on operational efficiencies. Their performance was anchored in the Unilever Sustainable Living Plan (USLP) and they made considerable progress on their sustainability agenda.

The urban segment (accounts for a revenue share of around 55 per cent) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared to urban India. Semi – urban and rural segments are growing at a rapid pace and FMCG products account for 50percent of the total rural spending.

The present study attempts to analyze the financial performance of HUL in the Indian FMCG economy during the period 2008-2009 to 2017-2018.

The remainder of this paper is organized as follows: section 2 represent a review of the related literature, section 3 contains the objective of the study. Section 4 narrates the methodology adopted in this study. Section 5 is concerned with a brief profile of HUL. Section 6 discusses the empirical result. Section 7 provides concluding remarks.

II. REVIEW OF RELATED LITERATURE:

Before setting the objective of the study it is necessary to review the existing literature on the issue connected with the study and to ascertain research gaps. The following paragraph in this section present a brief description of some of the notable studied carried out in the recent past in India on the topic addressed in the present study and the last paragraph in this section deals with the identification of the research gaps. Some notable studies in this area include-

Mallik and Sur (1999) examined the working capital management of HUL during the period of 1987-1996 using relevant statistical technique and test. The result reveals a very high degree of positive relationship between liquidity and profitability.

Sur et al (2007) in their study analysed the financial performance of Colgate Palmoline (India) ltd. a leading FMCG companies in the Indian health care industry for the period of 1980-2004 using simple statistical tools like AM, and using some statistical techniques like analysis of Kendall's coefficient of concordance, multiple regression analysis, multiple correlation analysis and statistical tests like t- test, F- test, and Chi-square test at appropriate places. The results reveal that the company failed to adopt itself to the challenging and competitive environment by lowering the efficiency of its assets management during the post liberalization era.

Bagchi and Khamrui (2012) evaluated the financial performance of two leading FMCG companies Britannia industries and Dabur India, over a period of ten years (200-01 to 2009-10).

Chakraborty Koushik & Sur D (2015) have defined the changing status of the overall financial performance of 16 selected companies in the Indian FMCG sector.

Objective of the study:

The present study makes an analysis of financial performance of HUL for the period 2008-09 to 2017-18.More specifically the objective are:

i) To measure the financial performance of the company considering some selected dimensions of its financial performance.
ii) To investigate whether there was any uniformity among the measures indicating the selected dimensions of financial performance of the company.
iii) To identify the factors making significant contribution towards enhancing the value generating capability of the company.
iv) To examine the companies efficiency of capital usage during the given time period.

Methodology of the study:

The data of HUL for the period 2008-09 to 2017-18 used in the study were collected from the secondary sources i.e. published financial statements of the company. In order to analyzing the financial performance of the company, four dimensions of financial performance such as liquidity, profitability, efficiency of assets management and value generating capability were taken into consideration. The current ratio (CR) was used in this study in measuring liquidity of the company, fixed assets turnover ratio(FATR), working capital turnover ratio (WCTR) were used in assessing the efficiency of the company in terms of its working capital management and fixed assets management respectively. In this study profitability measures, namely gross profit ratio (GPR), net profit ratio (NPR), return on net worth (RONW), return on capital employed (ROCE), earning per share (EPS), profit after tax margin (PATM), cash profit margin (CPM), were used when the profitability of a business firm analyzed using any one of these commotional yardsticks, the implied premise is that the firms exists, operates and grows only for its owners. Generally, a firm utilizes its funds in two ways- by making investment in fixed assets and by making investment in working capital.

So, in order to analyzing the Liquidity, profitability and efficiency of the company, the data used in the course of the study, simple statistical tools like AM, SD, Average and statistical techniques like analysis of Kendall's coefficient of concordance and statistical tests like t-test and F-test and Chi-square (χ2) test were applied at appropriate places.

A Brief Profile of HUL:

HUL is India's largest consumer goods company. It is owned by the British-Dutch company, Unilever which controls 52% majority stock in HUL. Its product Include foods, Leverages, cleaning agents and personnel care products. It portfolio includes Leading household brands such as Lucks, Life-boy, Surf-Excel, Rim, Wheel, Fare & Lovely, Ponds, Vaseline, Lakme, Dove, Clinic-Plus, Sun-silk, Pepsodent, Close-Up, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality, Mass and Pureit.

In 1931 Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufactu-ring company followed by Lever brothers India ltd.(1933) and United Traders Ltd. (1935) .These three companies merged to form HUL in November 1956;HUL offered 10% of its equity to the Indian public, being the first among the foreign to do so. Unilever now holds 67.25% equity in the company. The rest of the shareholding is distributed among three about three lacks individual shareholders and financial institution. In 1912 Brooke Bond & company India Ltd. was formed .Brooke Bond join the Unilever fold in 1984 through and international acquisition. Unilever acquired Lipton in 1972, and in 1977 Lipton tea (India Ltd.) was incorporated. Soon after followed Life-boy and other famous brands like pears, lucks and vim. Vanaspati was launched in 1980 and the famous Dalda brand came to market in 1937.

Table 1: Analysis of financial performance of HUL using selected performance indicators.

YEAR	CR (T)	FA TR (T)	WCT R (T)	GPR (%)	NPR (%)	RONW (%)	EPS (RS)	CPM (%)	ROCE (%)	PATM (%)
	A	B	C	D	E	F	G	H	I	J
2008-09	0.75	6.99	12.37	15.97	14.00	115.87	19.95	12.53	68.70	13.45
2009-10	0.74	6.77	10.95	15.04	13.80	118.04	17.88	13.61	67.00	13.36
2010-11	0.76	6.73	11.92	14.59	14.70	142.01	17.56	12.96	78.00	14.23

2011-12	0.83	6.26	17.17	13.89	12.01	76.62	12.45	12.46	107.50	11.80
2012-13	0.86	5.65	18.64	12.45	11.52	85.72	1068	11.59	103.80	11.37
2013-14	0.84	5.35	15.91	14.70	12.29	85.25	10.09	12.76	87.50	12.09
2014-15	0.92	7.81	284.82	13.50	12.09	121.34	11.47	12.29	96.80	14.44
2015-16	0.68	9.80	8.56	15.86	12.58	122.97	18.12	13.56	109.10	12.09
2016-17	0.73	9.30	9.90	15.82	14.94	68.14	18.41	15.99	130.20	14.23
2017-18	0.70	8.47	8.82	15.03	12.42	61.09	6.40	13.52	127.70	11.76

Note: T=Times, %=Per cent

Table 2: Shows the Max., Min, SD, Slope, CC (Consistency Coefficient), t value & P value.

Statistics	**CR (T)**	**FATR (T)**	**WCTR (T)**	**GPR (%)**	**NPR (%)**	**RONW (%)**	**EPS (RS)**	**CPM (%)**	**ROCE (%)**	**PATM (%)**
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**
Max	0.92	9.80	284.82	15.97	14.94	142.01	19.95	15.99	130.20	14.44
Min.	0.68	5.35	8.56	12.45	11.52	61.09	6.40	11.59	67.00	11.37
Avg.	0.78	7.31	39.91	14.68	13.04	99.71	12.30	13.13	97.63	12.88
S.D	0.08	1.50	86.12	1.13	1.22	27.53	4.63	1.19	22.35	1.19
CC	0.099	0.205	2.158	0.077	0.093	0.276	0.376	0.091	0.229	0.092
Slope	-0.004	0.307	4.510	0.026	-0.096	-4.872	-1.448	0.177	6.548	-0.070
t-value	-0.455	2.244	0.454	0.197	-0.696	-1.795	**-8.339***	1.424	**5.435***	-0.512
P value	0.661	0.055	0.662	0.849	0.506	0.110	3.24E-05	0.192	0.001	0.623

****Significant at 1 Per Cent level. Source: Complied and computed from the published financial statement of HUL.**

III. EMPIRICAL RESULTS AND DISCUSSION:

In table 1 and attempt was made to analyze the financial performance of HUL, using CR, FATR, WCTR, GPR, NPR, RONW, EPS, CPM, ROCE, and PATM. In table 2 for measuring the average values of this ratios AM was used. For identifying the nature of the trend in the selected ratios of the company under study linear trend equation were fitted and in order to test whether the slope of trend of trend line were significant or not, t test was used. The result obtained from the analysis of the selected ratio was discussed.

CR: It is a basic yardstick of measuring the ability of a company to pay off his short term obligation. The higher the CR, the greater is the margin safety to short term creditors. In table 1 & 2, it is shows that the CR of HUL lies between 0.68 in 2015-16 and 0.92 in 2014-2015, which average value was 0.78. The trend line fitted to the CR series disclose that a downward trend of CR which was not found to be statistically significant during the period under study.

FATR: With the help of FATR it can measure the efficiency of the fixed assets management of the company. It always indicate that the higher of FATR, the higher of the efficiency of the company in terms of its fixed assets management. In the above table it shows that the FATR of HUL fluctuates between 5.35 in 2013-2014 and 9.80 in 2015-2016. On an average it was 7.31. The trend fitted to the FATR series was positive but not found statistically significant during the study period.

WCTR: It measures the efficiency of the company in managing its investment in working capital. The higher of the WCTR indicate the higher of the efficiency of working Capital management of the company. Table 1 & 2 depicts that, the WCTR of HUL ranged between 8.56 in 2015-16 and 282.82 in 2014-15. The mean of WCTR of the company for the period under study was 39.91. The trend line equation fitted to the WCTR series reveals that a upward trend was noticed but the trend line in WCTR was not found to be statistically significant during the period under study.

GPR: It reflects the gross earning capability of the company. With the help of GPR, it can measure the efficiency of the production operation. The higher of the GPR is a sign of higher efficiency of the production operation of the company. In the above table it discloses that the GPR of HUL ranged between 12.45 in 2012-13 and 15.97 in 2008-09. The mean of GPR of the company for the period under study was 14.68 per cent. The linear trend equation fitted to the GPR series reflects that an upward rising in the GPR of the particular company but the trend was not found to be statistically significant during the study period.

NPR: It displays the net earning capability of the company .A high NPR is always desirable as it usually ensure a higher return to or preference shareholders. Table 1 & 2 disclose that the NPR varied between 11.52 in 2012-13 and 14.94 in 2016-17, which was coming on average 13.04.The trend line fitted to the NPR series reveals that a downward slope but the trend was not found to be statistically significant during the period under study.

RONW: It depicts the earning capability of the company from the view point of its owners. A high RONW always reflects the efficient utilization of owner's fund. Similarly a low RONW definitely reflect and adverse signal for the owners of the company. Table 1 & 2 reflect that the RONW of the selected companies ranged between 61.09 in 2017-18 and 142.01 in 2010-11. The mean of RONW for the period under study was 99.71. The linear trend equation fitted to the RONW series discloses that a downward slope during the study period, which was not to be statistically significant, was found.

EPS: EPS is the basic rod for measuring the earnings available to the equity shareholders .From the above table it reveals that the EPS of HUL fluctuate between 6.40 in 2017-18 and 19.50 in 2008-09, while the mean value for the study period was 12.30. The linear trend equation fitted to EPS series included declining trend which was found to be statistically significant at 1% level during the period under study.

CPM: It measures the operating perform-once of the company. The higher of CPM the larger is the operating performance of the company. Table 1 & 2 reflects that the CPM of HUL varied between 11.59 in 2012-13 and 15.99 in 2016-17. On an average it was 13.13. The linear trend equation fitted to CPM series indicate that a positive trend in CPM of the company which was not found to be statistically significant.

ROCE: It is another tool measuring the earning capability of the company. The higher the ROCE the greater is the ability to generate efficiency of the company. Table1 & 2 depicts that the ROCE of HUL ranged between 67.00 in 2009-10 and 130.20 in 2016-17. The mean of ROCE is 115.57 for the period under study. The linear trend equation fitted to the ROCE series reveals that a increasing trend which was found to be statistically significant of 1 % level.

PATM: A company's profit after tax margin is important because it tells investors the percentage of money a company actually earns on sales. The higher the PATM, the greater is the company's ability to earn profit. Table 1 & 2 depicts that PATM of HUL ranged between 11.37 in 2012-13 and 14.44 in 2014-15. The mean of PATM is 11.37 during the study period. The linear trend equation fitted to PATM series reflects that down word slope which was not found to be statistically significant during the study period.

In table 3, for the purpose of ascertaining the financial performance of HUL more precisely in the different years under study, a comprehensive rank test was also carried out at a more comprehensive measure of financial performance in which the values of the entire selected financial performance indicator were combined in a composite score. The ultimate financial performance ranking, based on the Principal that the lower the composite score, the higher the financial performance and vice- versa.Table3 disclosed that the company reached the top-mast position in respect of financial performance in 2016-17 and it was followed by the years 2008-09,2010-11, 2014-15,2009-10,2015-16,2011-12,2017-18 and 2012-13 respectively in the order.

In table 3, it was also attempted to investigate that whether there was any uniformity among the selected financial performance indicate ors of HUL during the period under study using Kendall's coefficient of concordance (w). For testing the computed value of w, Chi-square (χ2) test was applied. In table 3 it reflects that the computed value of q was 0.1316 which was not found to be statistically significant, As a result, it indicates that there was no uniformity among the selected dimension of financial performance of the company during the period under study was noticed.

Table 3: Ranks of Financial performance indicators.

Analysis of Kendall's coefficient of concordance among the financial performance indicators.											
YEAR	**AR**	**BR**	**CR**	**DR**	**ER**	**FR**	**GR**	**HR**	**IR**	**JR**	**Sum of rank**	**Ultimate Financial Position**
2008-09	6	5	5	1	3	5	1	7	9	4	**46**	**2**
2009-10	7	6	7	4	4	4	2	2	10	5	**51**	**5**
2010-11	5	7	6	7	2	1	3	5	8	2.5	**46.5**	**3**
2011-12	4	8	3	8	9	8	4	8	4	8	**64**	**8**
2012-13	2	9	2	10	10	6	6	10	5	10	**70**	**10**
2013-14	3	10	4	6	7	7	7	6	7	6	**63**	**7**
2014-15	1	4	1	9	8	3	5	9	6	1	**47**	**4**
2015-16	10	1	10	2	5	2	9	3	3	7	**52**	**6**
2016-17	8	2	8	3	1	9	8	1	1	2.5	**43.5**	**1**
2017-18	9	3	9	5	6	10	10	4	2	9	**67**	**9**

Kendall's Coefficient of concordance among the selected financial performance indicators (W) is 0.1316 and chi- square (χ2) value is 11.844.

IV. CONCLUDING REMARKS:

I) Out of the ten financial performance indicators used in this study, only ROCE, EPS reflects on upward and downward trend respectively which was found to be statistically significant. It implies that a strong evidence of increasing trend only in the return on capital employed and the earning capability of HUL from the view point of its owners during the study period are noticed. However, out of the remaining eight financial performance measures, four measures namely FATR, WCTR, GPR, and CPM indicate positive trend while four measure such as CR, NPR, RONW, and PATM display negative trend during the period under study. But the slope of all these eight trend line was not found to be statistically significant. So, no specific trend in mast of the selected dimension of financial performance of the company during the period under study was established.

ii) The analysis of composite score based on the selected financial performance parameters reveals that HUL reached the top in respect of financial performance in the year 2016-17 while the company was placed in the worst position in the year 20012-13 during the period under study.

iii) There is no degree of uniformity among the liquidity, profitability; efficiency of working capital management, efficiency of fixed assets

management etc. of the company during the study period was observed.
iv) Another notable outcome of the study is that the company usage its capital efficiently, which helps to the company to increases its financial performance and to maximizing the firm value.

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