

Fundamental Analysis of Selected FMCG Companies in India

Shubham Bansal¹, Gagandeep Singh²

^{1,2} Assistant Professor, Department of Commerce and Management Studies, Aryabhatta Group of Institutes, Barnala

Abstract: *The Present study is based on the secondary data, which is collected from annual reports of selected FMCG Companies from the period of 2011-12 to 2015-16. The main objective of this study is to examine the fundamental analysis of selected FMCG companies in India. In this study, we use variables such as Net Profit Margin, Return on Capital Employed, Earning per Share, Dividend per Share and Dividend Payout Ratio to achieve our objective of the study. The Descriptive Statistics and One-way ANOVA analysis have been used for analyzing the collected data. There is a significant difference between NPM, EPS, ROCE, DPS and DPO of Dabur, Emami, P&G, Colgate, and HUL because they all have significant value is less than 0.05 thus rejected the null hypothesis in all cases.*

Keywords: *Fundamental Analysis, FMCG, Descriptive Statistics, One-way ANOVA*

I. INTRODUCTION

Fundamental Analysis is the method of finding out the future price of a stock that investors wish to buy. Fundamental analysis uses two types of approaches i.e. Top-down approach and Bottom-up approach. In the top-down approach, some analysis follows a sequential top-down approach. First, they analyze the overall economy and securities markets. Secondly, they analyze the industry within which a company operates. Finally, the analysis of the company is done. The industry forecasts are based on the forecasts of the economy and in turn, the companies forecast are based on the forecasts of both its industry and the economy. They begin with the analysis of the prospects of the companies and then build the estimates of the prospects of the industry and ultimately for the economy. Whatever the sequence in which the analysis is made, fundamental analysis, comprises of economic analysis, industry analysis, and company analysis, all these are elaborated in detail as follows

A. Economic Analysis

It is very important for the investor to assess the state of the economy and its implications for the stock market. Investors are concerned with those forces in the economy, which affect the performance of organizations in which they wish to participate, through the purchase of shares. The Economic analysis involves a study of economic trends in the economy. Economic trends are indicated by the growth rates in Gross National Product, Employment, and Balance of Payments position. Industry Analysis The purpose of the industrial analysis is to seek industries that are expected to grow faster than the real rate of GNP. Industry Life Cycle-

B. Pioneering Stage

In the pioneering stage, innovations and technological development take place. Primary characteristics of this stage are a rapid increase in production and rapidly expanding demand for the product. At this stage, profits are also very high as the technology is new. At the end of the pioneering stage, only a few leading companies remain in the industry.

C. Expansion Stage

In the second stage of an industry's life cycle, the survivors from the pioneering stage are identifiable. They continue to grow and prosper but the rate of growth is less than in the pioneering stage. There is greater stability of prices and production during this phase.

D. Stabilization Stage

Industries in the stabilization stage continue to move along but without significant growth. It compels the industry to compete heavily on the price basis.

E. Declination Stage

Industries in the Declination Stage, the sales volume of the company declines and the profits become more of a challenge.



F. Company Analysis

In company analysis, all the factors affecting the earnings of a company are considered. It is a method of assessing the competitive position of a firm, its earning and profitability, the efficiency with which it operates its financial position and its future aspects with respect to the earnings of its shareholders.

II. BACKGROUND OF FMCG COMPANIES

A. Dabur

Type: Public

Traded as: BSE: 500096 NSE: DABUR

Industry: Consumer Goods

Founded: 1884

Headquarters: Ghaziabad, India

Founder: S.K Burman

Revenue: US\$ 1.3 billion

Website: www.dabur.com

B. Emami

Type: Public

Traded as: NSE: EMAMIINFRA BSE: 531162

Industry: FMCG

Founded: 1974

Headquarters: Kolkata, India

Founder: R S Aggarwal, R S Goenka

Revenue: US\$ 1.4 billion

Website: www.emamiltd.in

C. P&G

Type: Public

Traded as: BSE: 500459 NSE: PGHH NYSE: PG

Industry: Consumer Goods

Founded: 31 October 1837

Headquarters: OHIO, USA

Founder: William Procter, James Gamble

Revenue: US\$ 65.29 billion

Website: www.PG.com

D. Colgate

Type: Public

Traded as: BSE: 500830 NSE: COLPAL

Industry: Consumer Goods

Founded: 1806

Headquarters: New York, USA

Founder: William Colgate

Revenue: US\$ 16.03 billion

Website: www.colgatepalmolive.com

E. HUL

Type: Public

Traded as: BSE: 500696 NSE: HINDUNILVR

Industry: Consumer Goods



Founded: 17 October 1933

Headquarters: Mumbai, India

CEO: Sanjiv Mehta

Revenue: US\$ 4.9 billion

Website: www.hul.co.in

III. REVIEW OF LITERATURE

R. Amsaveni and S. Gomathi. (2013) found that through economic analysis the GNP, Interest Rate, Exchange rate, FER, Agriculture Production, Govt Receipts and Expenses has a growth rate during the study period. The co. analysis done with the help of ratio analysis indicates that Colgate and HUL Companies are financially in satisfactory position during the study period.

Ms. J. Hema and V. Ariram. (2016) found that Indian Pharmaceutical industry has a high growth rate and its sales and net profit also shows increasing trend and the company analysis revealed that its financial performance through the financial ratio, which indicates that Lupin and Torrent Pharma are financially in satisfactory position during the study period.

Ranjit Kumar Paswan, (2013) found that ITC, Emami, Dabur, and Colgate has been able to repay its debt during the study period. DTR of Nestle and Colgate show the efficiency of debt management Debt to Total Asset Ratio of Emami and Dabur shows that more asset of the co. is financed through debt.

Amanjot Kaur Sodhi and Simran Waraich. (2016) found that SBI scores the highest Avg in terms of EPS also for SBI; the CAGR is negative in all the Parameters except for NPM. BOB has positive CAGR in P/E ratio and D/P ratio. PNB has performed the best in OPM along with positive CAGR only in D/P ratio. HDFC Bank scores higher Avg then others do in NPM, ROE and P/E ratio and highest CAGR in NPM. ICICI has highest CAGR in OPM and ROE stand the best performer in D/P ratio.

Nishit V. Davda (2012) found that HDFC performed better in terms of EPS than ICICI, Axis, Kotak, Indusind Bank and ING VVSYA during the last ten years i.e. 2002-2011. Kotak and HDFC Bank have performed better in terms of NPM than the remaining banks. ICICI has achieved the highest yield in terms of ROA as compared to remaining selected banks.

IV. DATA AND METHODOLOGY

The present study is based on secondary data, which has been collected from published annual reports from the period of 2011-12 to 2015-16 of Selected Indian FMCG Companies. The variables used in this study mainly are Net Profit Margin, Return on Capital Employed, Earning per Share, Dividend per Share and Dividend Payout Ratio. Some statistical tools like-Descriptive Statistics-Mean and Standard Deviation and One-way ANOVA are used for analysis. To analyze the fundamental of Top FMCG Companies such as Colgate, Dabur India, Emami, HUL and P&G have been taken as a sample. The 17 version of SPSS has been used to analyze the collected data.

A. Hypothesis of Study

Ho: There is no significant difference between the selected variables of selected companies

H1: There is significant difference between the selected variables of selected companies

V. DATA ANALYSIS AND INTERPRETATION

Net Profit Margin (NPM) It indicates that how much net income a company makes with total sales achieved. A higher net profit margin means that a company is more efficient in converting sales into actual profit. $NPM = \frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100$.

Net Profit Margin

Table: 1

	Dabur	HUL	Colgate	Emami	P&G
2015-16	16.36	12.99	13.95	13.72	17.05
2014-15	14.07	14.30	14.13	23.27	14.84
2013-14	13.83	14.11	15.22	23.35	14.75
2012-13	13.63	15.06	16.10	19.89	12.06
2011-12	12.37	12.38	17.01	18.47	13.93
Mean	14.05	13.76	15.28	19.74	14.52
S.D	1.44	1.07	1.30	3.98	1.79

ANOVA

NPM

	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	120.334	4	30.084	6.263	.002
Within Groups	96.070	20	4.803		
Total	216.404	24			

Table 1 Study reveals that Emami has earned the highest Avg NPM of Rs. 19.74 for every Rs. 100 among all five FMCG Companies. Emami has the highest degree of variability in NPM with a standard deviation of 3.98.

H01: There is a significant difference between the NPM of Dabur, HUL, Colgate, Emami, and P&G because P value is less than 0.05 thus rejected the null hypothesis.

Earnings per Share (EPS) The main objective of computing this ratio is to measure the profitability of the company on a per equity share basis. $EPS = \text{Net Income} / \text{No of equity shares}$.

Earnings per Share

Table: 2

	Dabur	HUL	Colgate	Emami	P&G
2015-16	5.3	18.8	21.2	14.4	130.4
2014-15	4.3	19.9	41.1	20.7	106.6
2013-14	3.8	17.8	39.7	17.5	93.0
2012-13	3.3	17.5	36.5	14.2	62.6
2011-12	2.6	12.4	32.8	16.9	57.3
Mean	3.86	17.28	34.26	16.74	89.97
S.D	1.02	2.88	7.97	2.65	30.55

ANOVA

EPS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	23033.020	4	5758.255	28.407	.000
Within Groups	4054.128	20	202.706		
Total	27087.148	24			

Table 2 Study reveals that P&G has the highest average EPS is 89.97 and the lowest average EPS is 3.86 of Dabur. P&G also has the highest degree of variability with the standard deviation of 30.55.

H02: There is a significant difference between the EPS of Dabur, HUL, Colgate, Emami, and P&G because P value is less than 0.05 thus rejected the null hypothesis.

Return on Capital Employed (ROCE) The main objective of computing this ratio is to find out how efficiently the long-term funds supplied by creditors and shareholders are being used. $ROCE = \text{NPBIT} / \text{Capital Employed} \times 100$

Return on Capital Employed

Table 3

	Dabur	HUL	Colgate	Emami	P&G
2015-16	41.00	116.71	74.80	25.71	42.28
2014-15	40.60	127.88	93.42	46.02	41.11
2013-14	44.36	115.24	116.38	46.65	46.30
2012-13	46.83	129.20	126.21	45.91	35.41
2011-12	34.09	76.95	126.53	40.17	31.88
Mean	41.37	113.19	107.46	40.89	39.39
S.D	4.80	21.22	22.68	8.88	5.72

ANOVA

ROCE

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	29305.937	4	7326.484	33.302	.000
Within Groups	4400.062	20	220.003		
Total	33705.998	24			

Table 3 Study reveals that HUL has the highest Avg value is 113.19 Which show that the firm ability to generate profit per 100 rupees of long-term investment in Capital Employed. Colgate has the highest degree of variability with the standard deviation of 22.68.

H03: There is a significant difference between ROCE of Dabur, HUL, Colgate, Emami, and P&G because P value is less than 0.05 thus rejected the null hypothesis.

Dividend per Share (DPS) The main objective of computing this ratio knows what equity shareholders by way of dividend exactly received. $DPS = \text{Total Dividend paid to equity shareholders} / \text{Total no. of equity shares}$.

Dividend per Share

Table 4

	Dabur	HUL	Colgate	Emami	P&G
2015-16	2.25	16.00	10.00	8.45	36.00
2014-15	2.00	15.00	24.00	8.29	30.25
2013-14	1.75	13.00	27.00	8.19	27.50
2012-13	1.50	18.50	28.00	9.36	25.00
2011-12	1.30	7.50	25.00	9.30	22.50
Mean	1.76	14.00	22.80	8.71	28.25
S.D	0.37	4.13	7.32	0.56	5.20

ANOVA

DPS

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2260.539	4	565.135	28.730	.000
Within Groups	393.412	20	19.671		
Total	2653.951	24			

Table 4 Study reveals that P&G has the highest Avg value is 28.25, which shows the rate of earning which the investors actually receive on their investments on a per share basis. Higher the ratio, correct is the investment decision. Colgate has the highest degree of variability with the standard deviation of 7.32.

H04: There is a significant difference between DPS of Dabur, HUL, Colgate, Emami, and P&G because P value is less than 0.05 thus rejected the null hypothesis.

Dividend Payout Ratio (DPO) The Dividend Payout Ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. $DPO = DPS/EPS$

Dividend payout Ratio

Table: 5

	Dabur	HUL	Colgate	Emami	P&G
2015-16	0.42	0.84	0.47	0.58	0.27
2014-15	0.46	0.75	0.58	0.39	0.28
2013-14	0.46	0.72	0.68	0.47	0.29
2012-13	0.45	1.05	0.76	0.65	0.39
2011-12	0.48	0.60	0.76	0.54	0.39
Mean	0.45	0.79	0.65	0.52	0.32
S.D	0.02	0.16	0.12	0.10	0.06

ANOVA

DPO

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.647	4	.162	13.957	.000
Within Groups	.232	20	.012		
Total	.879	24			

Table 5 Study reveals that HUL has the highest Avg ratio is 0.79, which indicates that the company is returning more money to its shareholders. HUL has the highest degree of variability with the standard deviation of 0.16.

H05: There is a significant difference between DPO of Dabur, HUL, Colgate, Emami, and P&G because P value is less than 0.05 thus rejected the null hypothesis.

VI. CONCLUSION

The Present study is based on secondary data, which has been collected from published annual reports from the period of 2011-12 to 2015-16 of Selected Indian FMCG Companies. Emami has earned the highest Avg NPM of Rs. 19.74 for every Rs. 100 among all five FMCG Companies. P&G has highest average EPS is 89.97 and the lowest average EPS is 3.86 of Dabur. HUL has highest Avg



ROCE value is 113.19 which show that the firm ability to generate profit per 100 rupees of long-term investment in Capital Employed. P&G has highest Avg

DPS value is 28.25, which means that the rate of earning which the investors actually receives on their investments on a per share basis. HUL has the highest Avg DPO ratio is 0.79, which indicates that the company is returning more money to its shareholders. There is a significant difference between NPM, EPS, ROCE, DPS and DPO of Dabur, Emami, P&G, Colgate, and HUL because they all have significant value is less than 0.05 thus rejected the null hypothesis in all cases. Dabur and P&G value is increasing after the year 2013 in NPM. Dabur and P&G value is again increasing after the year 2012 in EPS. Dabur and P&G value is increasing after the year 2015 in ROCE and remaining companies varying yearly. Dabur and P&G value is increasing after the year 2012 in DPS and remaining companies varying yearly. Only Emami company value is increasing after the year 2015 in DPO.

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