

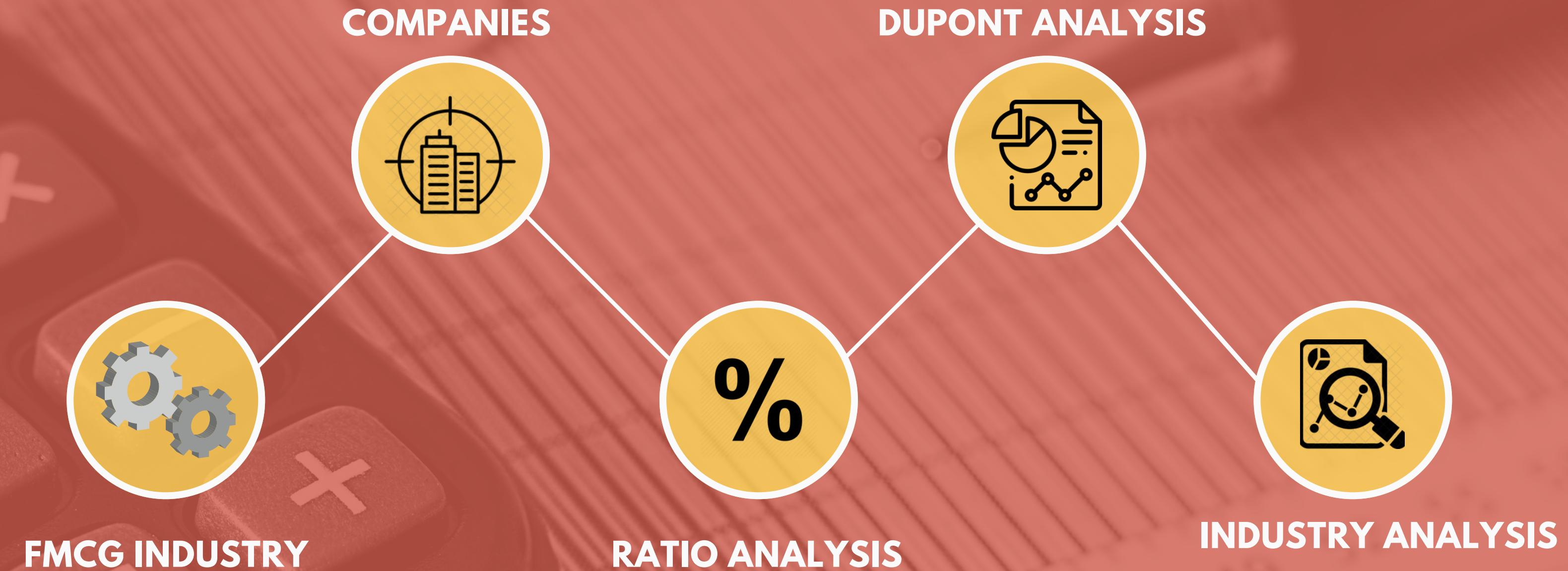


Analysis Of FMCG Industry

By Group 1



OUTLINE



FMCG Industry

Fast Moving Consumer Goods

Fast-moving consumer goods (FMCG), also known as consumer packaged goods (CPG), are products that are sold quickly and at a relatively low cost. Examples include non-durable household goods such as packaged foods, beverages, toiletries, candies, cosmetics, over-the-counter drugs, dry goods, and other consumables.

Fast moving consumer goods (FMCG) companies deliver products to customers at a high rate of turnover and with a high level of innovation. The market is exceptionally competitive and each company seeks to motivate, excite and encourage people into buying and using their products.



COMPANIES



GODREJ CONSUMER LTD.



HINDUSTAN UNILEVER LTD.



BRITANNIA



ITC



NESTLE INDIA



DABUR



%

RATIO ANALYSIS

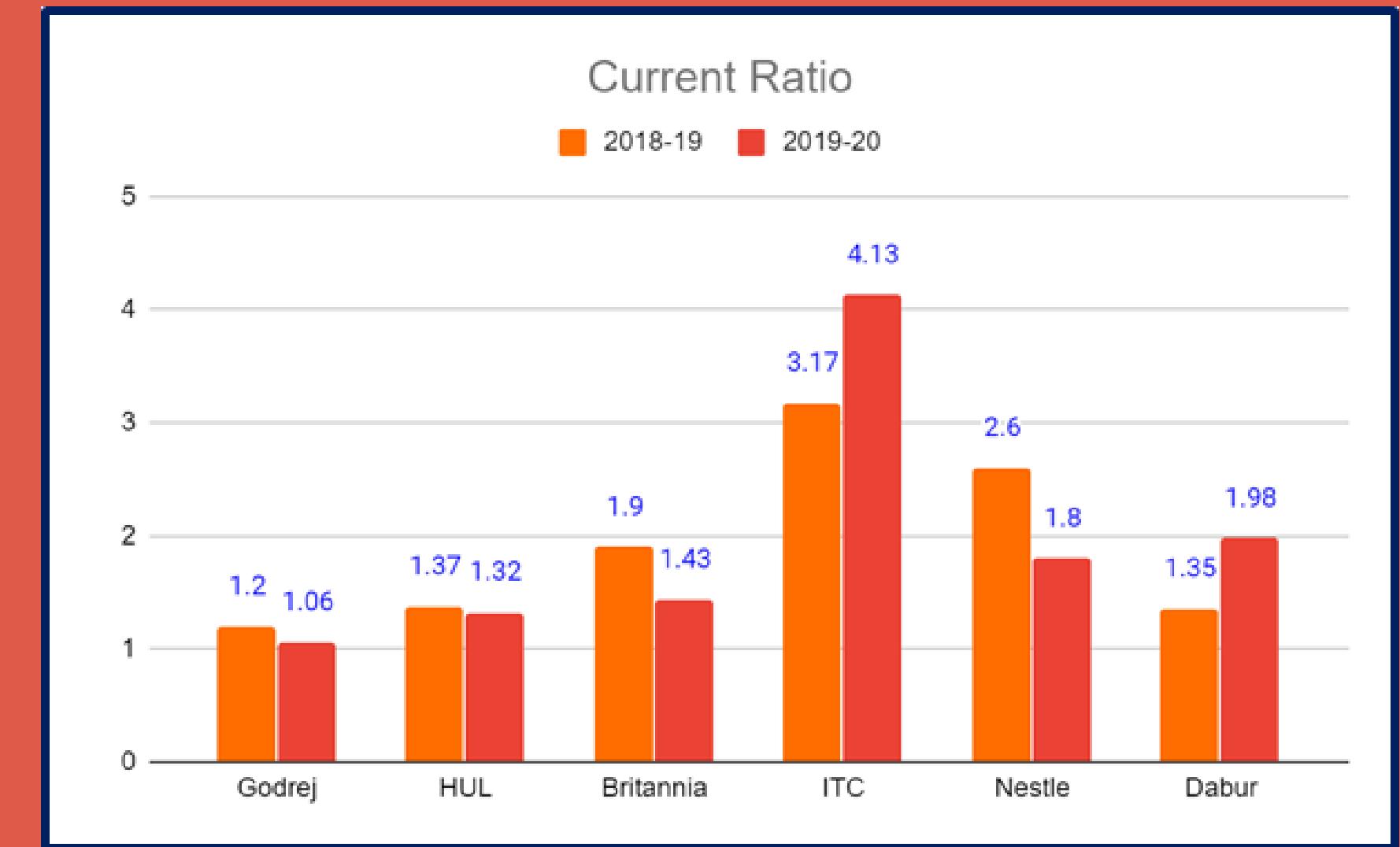
Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement

LIQUIDITY RATIOS

Current Ratio
Quick Ratio

CURRENT RATIO

- Except for ITC and Dabur, there was a decline seen in the current ratio mainly caused by more increase in current liabilities wrt current assets
- ITC and Dabur's increase is largely attributable to higher financial assets reflecting higher cash generation for the year

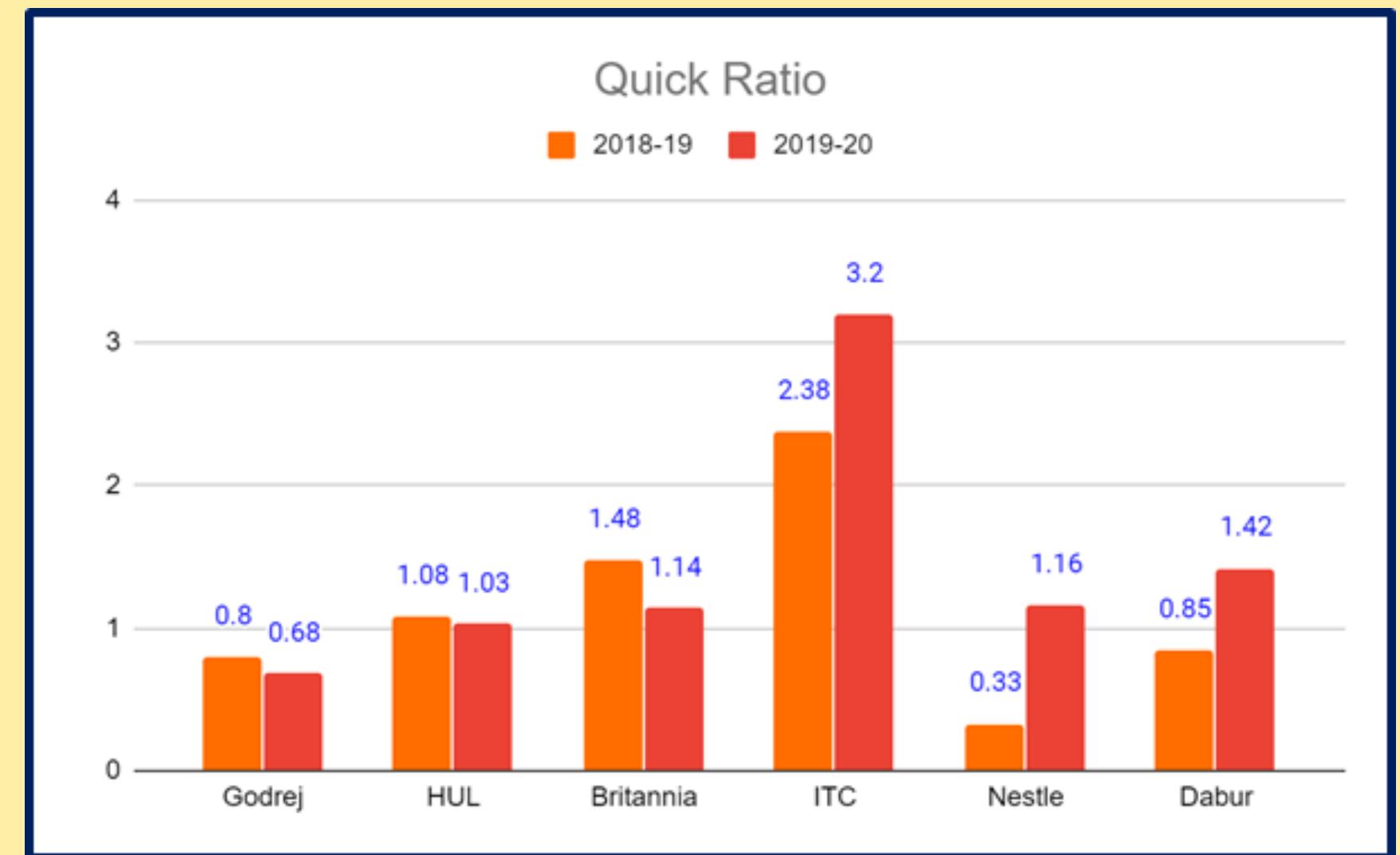


FORMULA

Current Assets / Current Liabilities

QUICK RATIO

- Decreasing quick assets lead to a general decline in quick ratio
- ITC and Dabur faced a slight increase in the quick ratio because of their better liquidity and financial health.



FORMULA

Quick Assets / Quick Liabilities

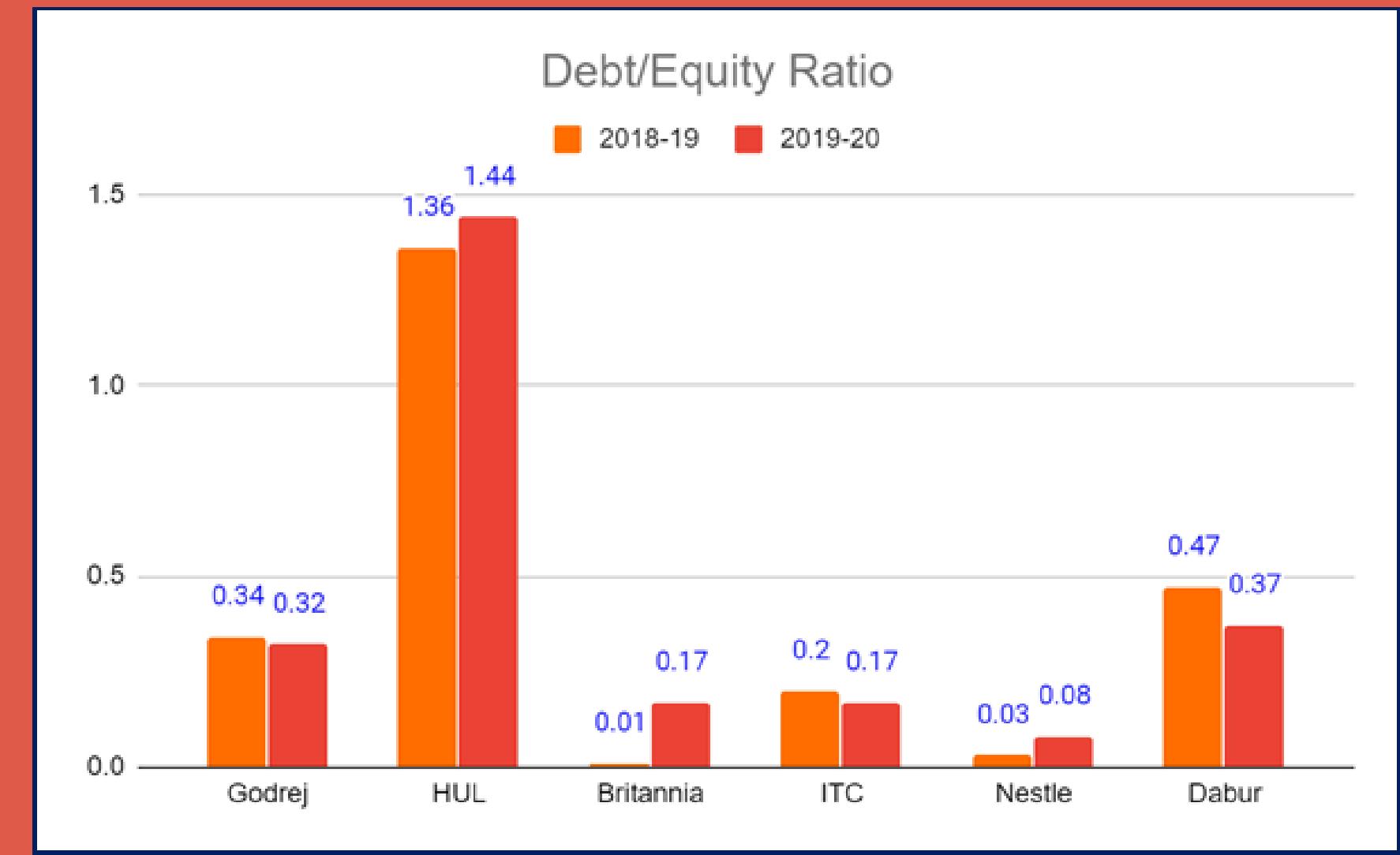
LEVERAGE RATIOS

Debt/Equity Ratio

Proprietary Ratio

DEBT/EQUITY RATIO

- HUL and Britannia faced significant increase in debt thereby facing an increase in Debt equity ratio.
- Nestle's low debt-equity ratio is mainly because the company is virtually debt free.

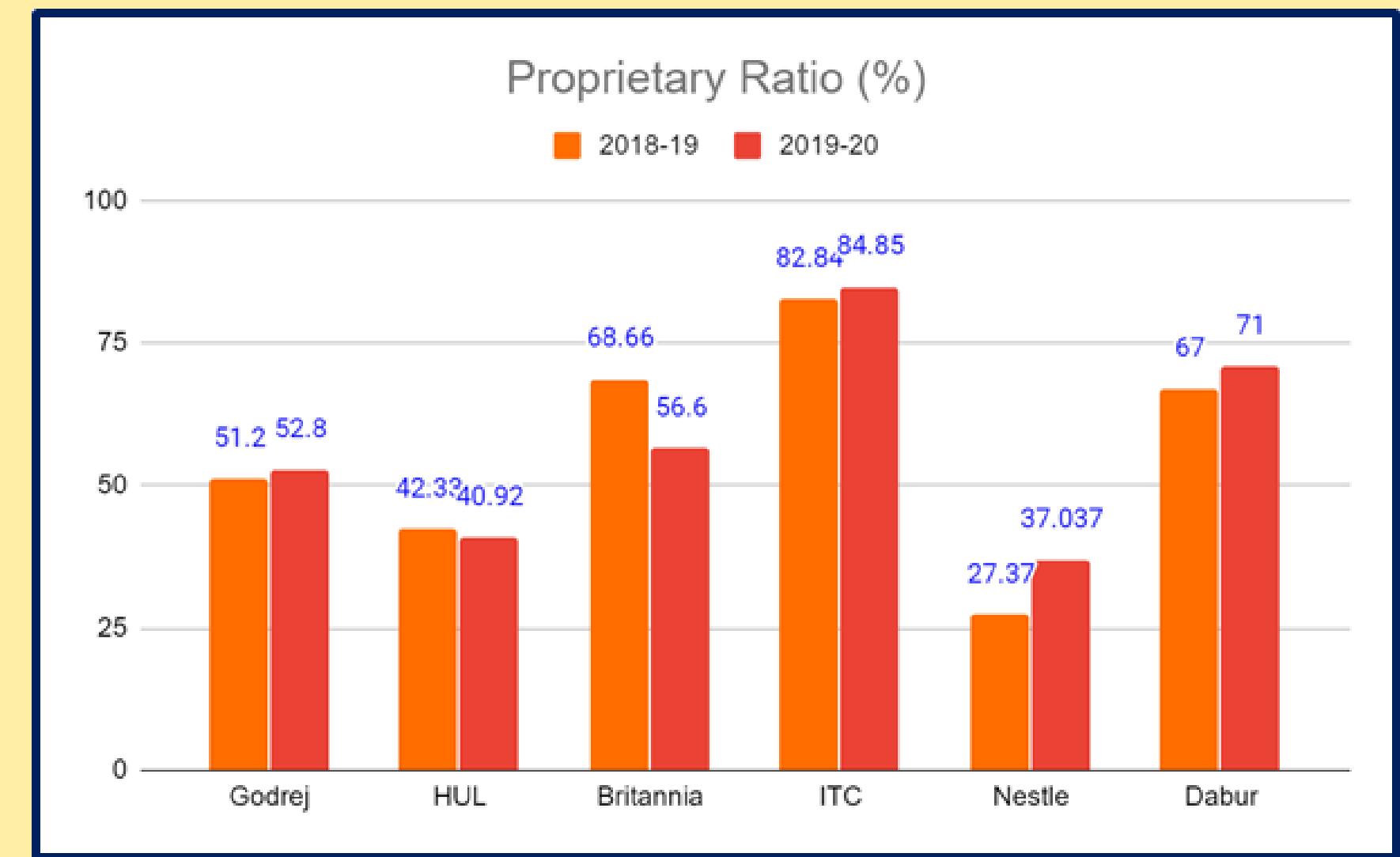


FORMULA

Long-term Debt / Shareholder's Equity

PROPRIETARY RATIO

- ITC has high proprietary ratio showcasing the strong financial position of the company and greater security for creditors.
- HUL and Britannia saw a decline in proprietary ratio because of significant increase in debt in FY 19-20.
- Nestle's low proprietary ratio shows the firm's dependency on debt to finance its operations



FORMULA
(Shareholder's Funds / Total Assets) * 100



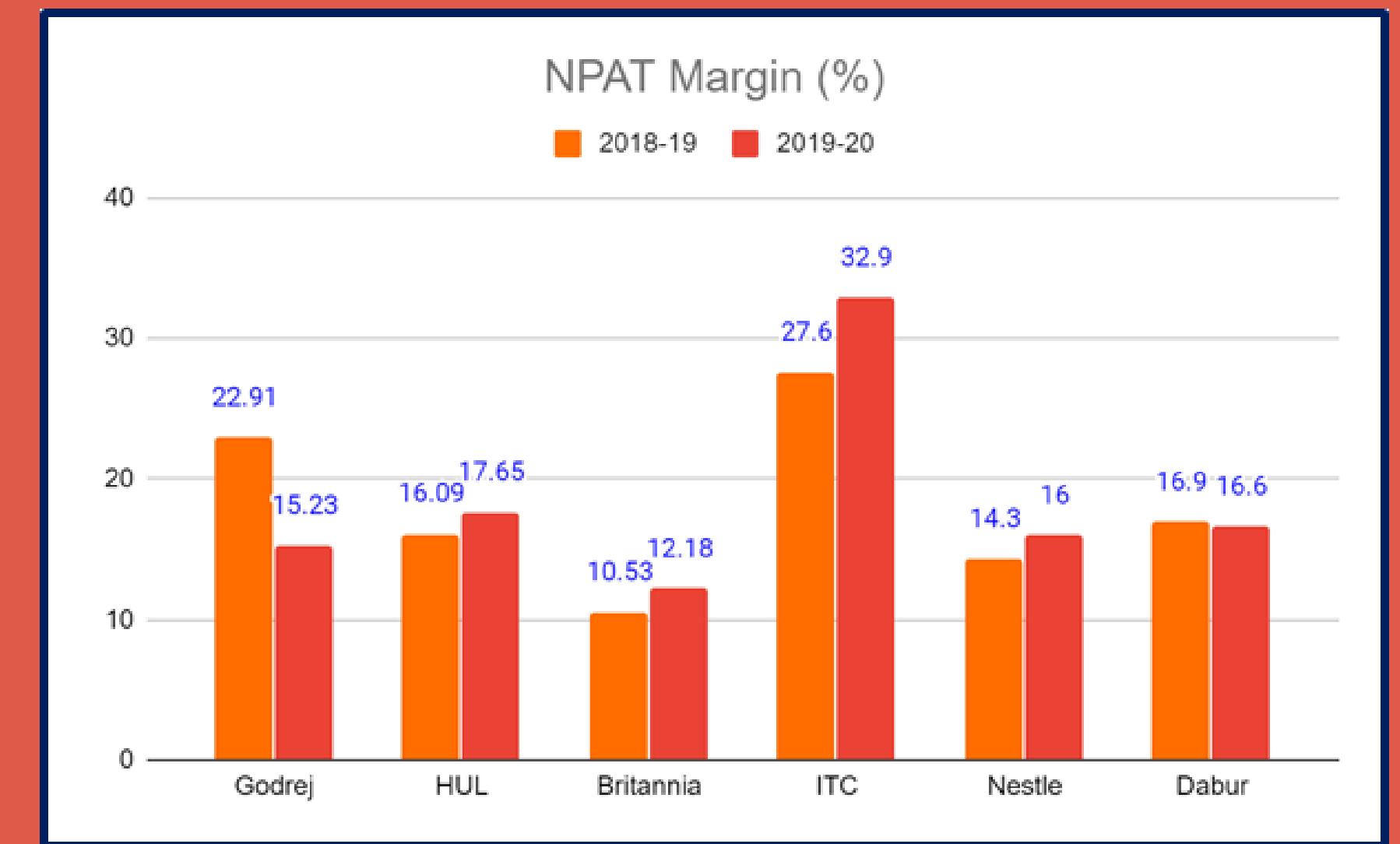
PROFITABILITY RATIOS (SALES)

NPAT Margin

Operating Profit Margin

NPAT MARGIN

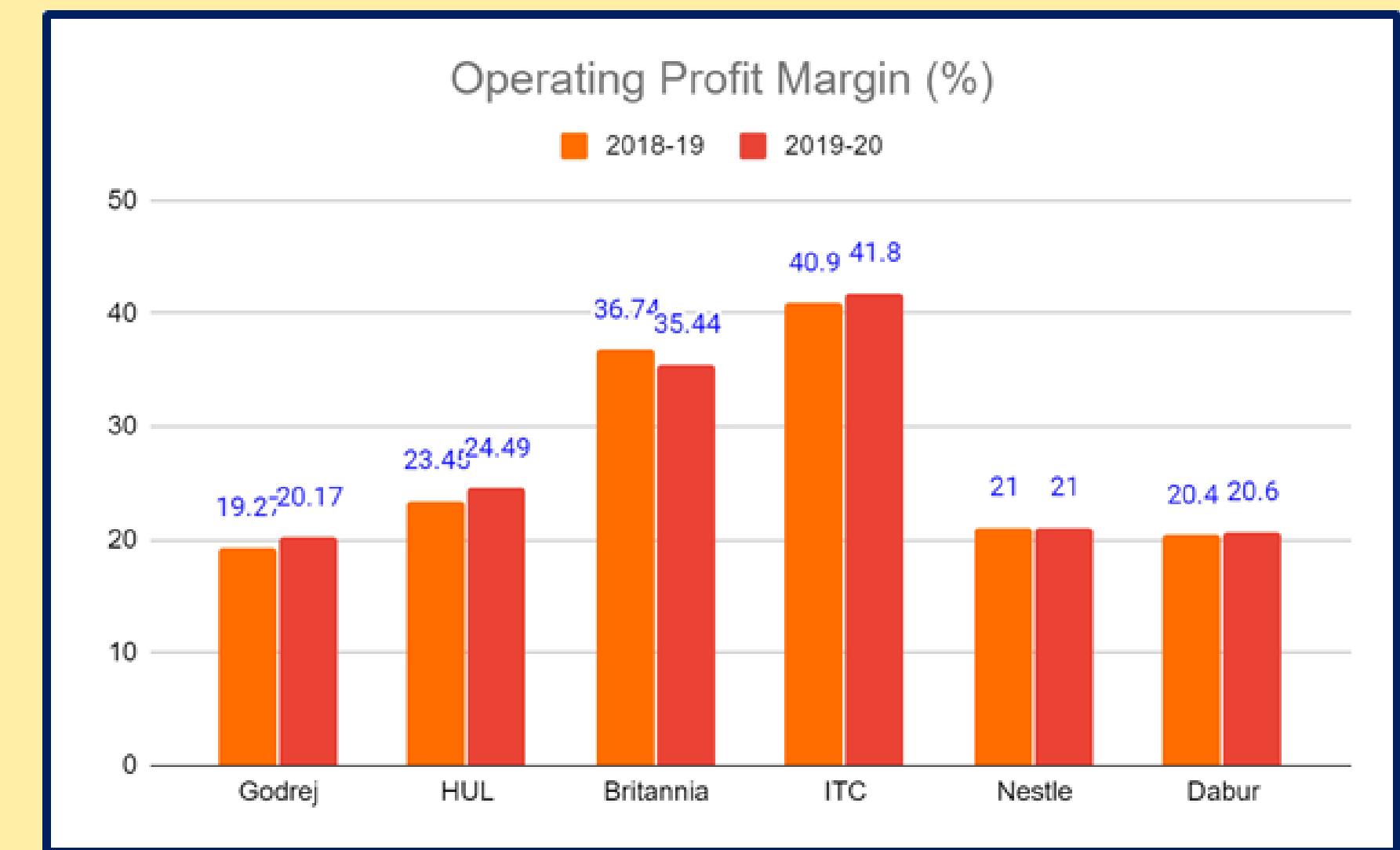
- ITC's high net profit margins show the firms effective management and strong pricing strategies.
- Reduction in corporate tax rates for FY 19-20 lead to a general increase in NPAT.
- Godrej's decline in Net profit margin was largely due to decline in sales in FY 19-20



FORMULA
 $(\text{NPAT} / \text{Net Sales}) * 100$

OPERATING PROFIT MARGIN

- There was a general increase in the operating profit margin from 2019 to 2020. This was mainly because of the increase in operating profits
- An 8.76% increase in operating costs led to a decline in Britannia's operating profit margin
- Nestle's stagnant operating profit margin shows its poor growth in FY 19-20



FORMULA
(Operating Net Profit / Net Sales) * 100

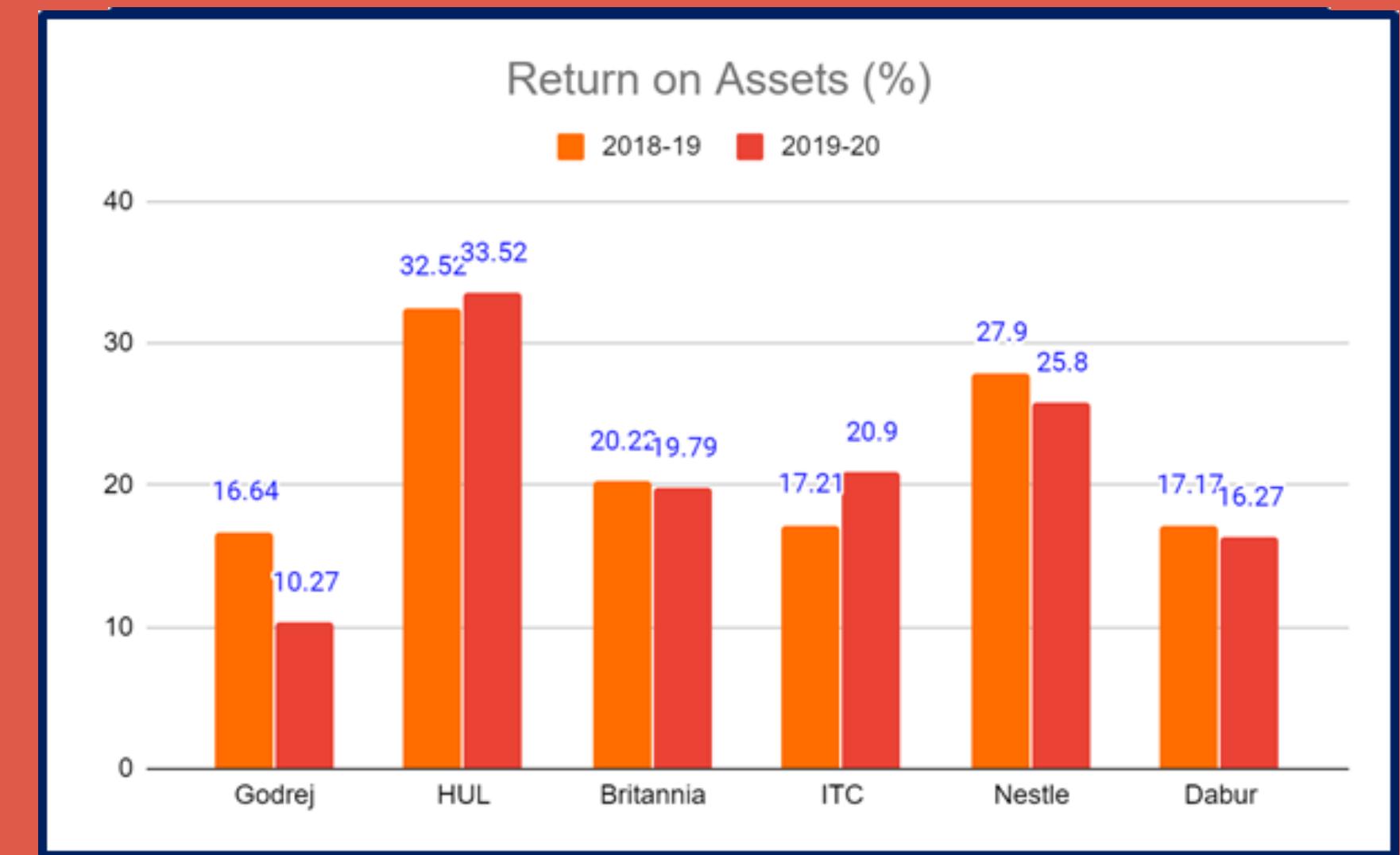
PROFITABILITY RATIOS (INVESTMENT)



Return on Assets (ROA)
Return on Equity (ROE)

RETURN ON ASSETS

- HUL's high ROA showcases the firm's ability to generate income from its investments and efficiently utilize its economic resources.
- Godrej's declining ROA was a result of its inability to generate income from a large increase in the investment on assets.

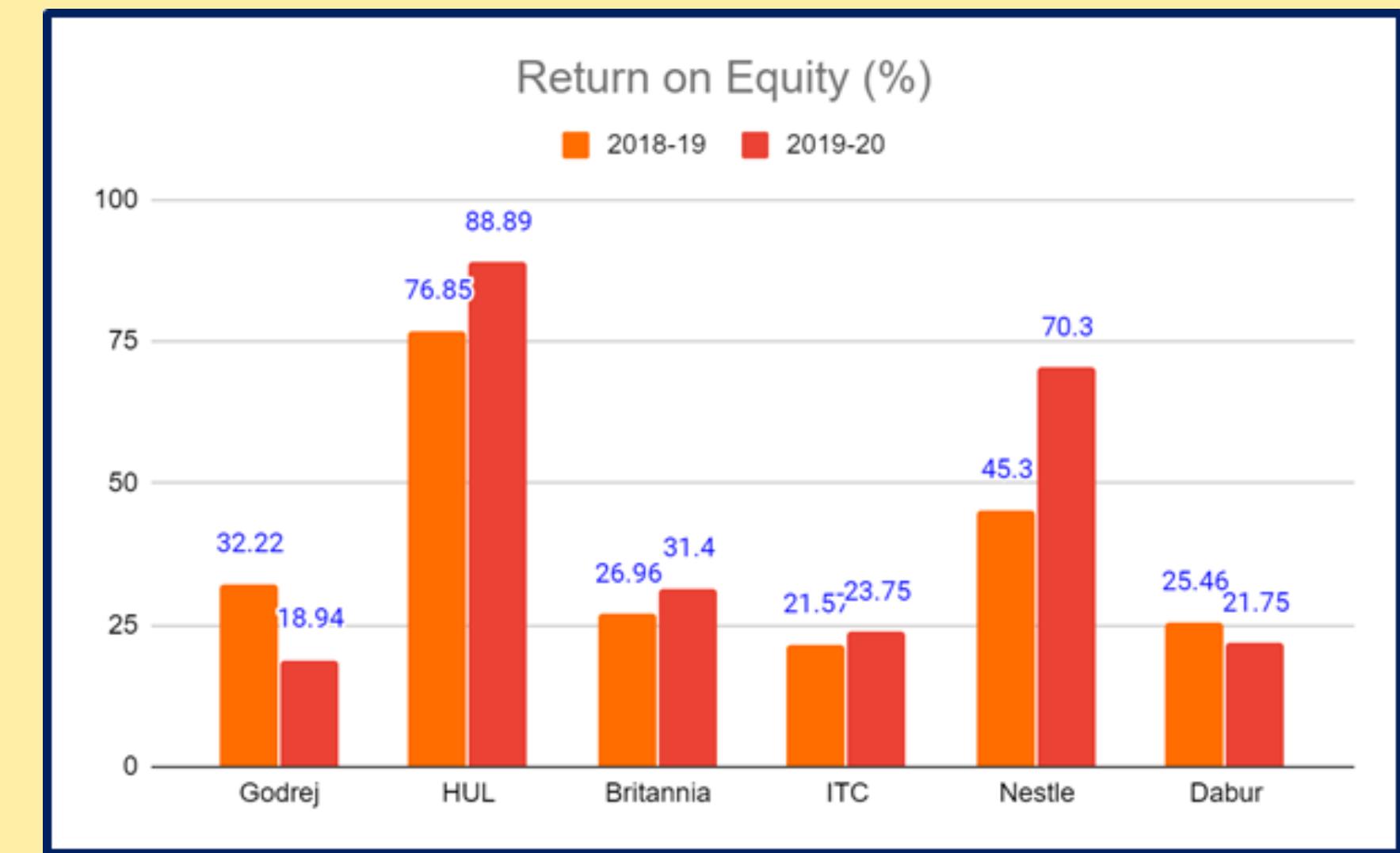


FORMULA

$$(\text{NPAT} / \text{Average Total Assets}) * 100$$

RETURN ON EQUITY

- HUL and Nestle's High ROE shows their company is increasing its profit generation without needing as much capital.
- A huge decline was seen in Godrej's ROE largely attributed to its increasing debts



FORMULA

$$(\text{NPAT} / \text{Shareholder's Funds}) * 100$$



VALUATION RATIOS

Earnings Per Share (EPS)

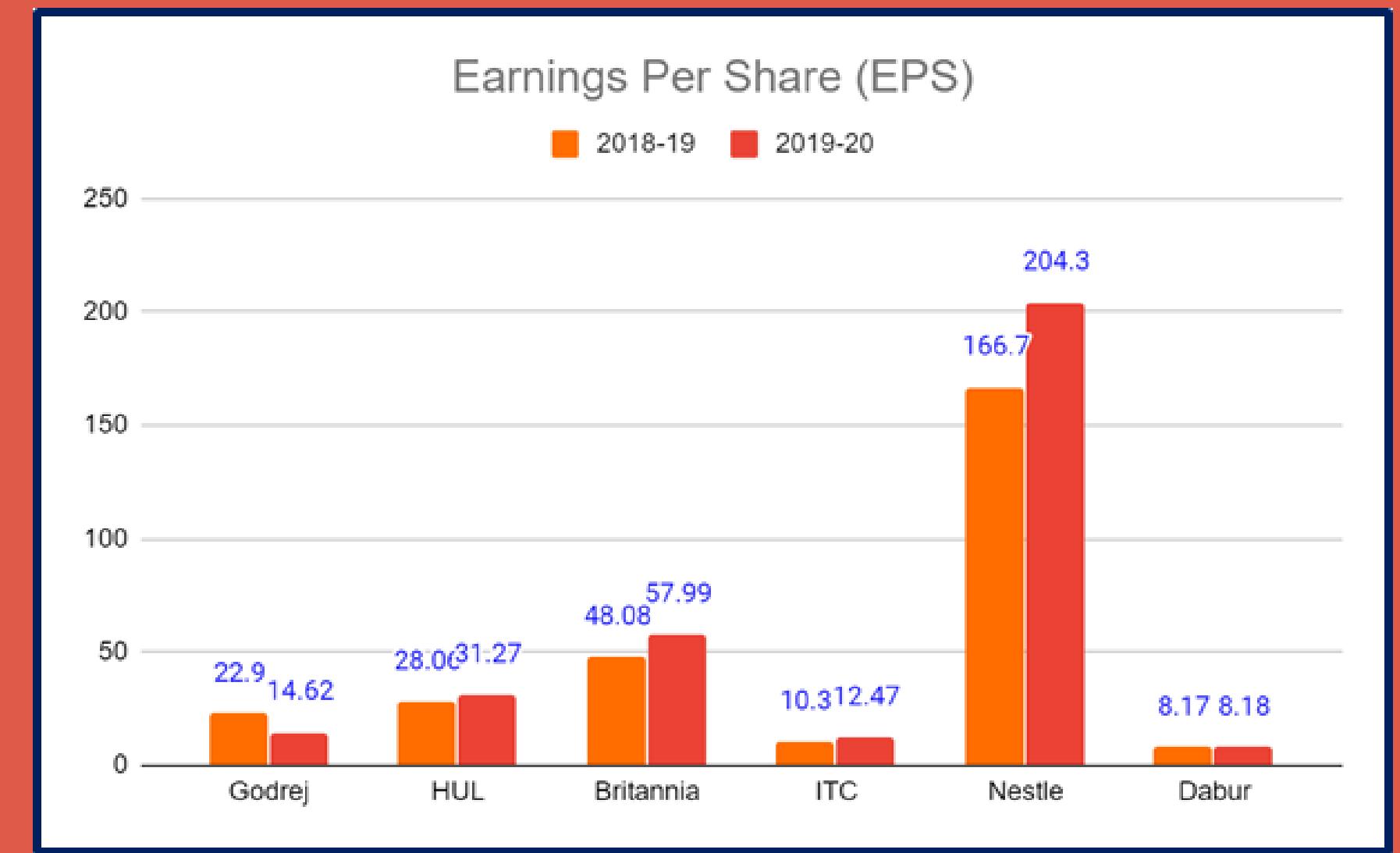
Dividend Per Share (DPS)

Price/Earnings Ratio

Dividend Payout Ratio

EARNINGS PER SHARE (EPS)

- EPS generally saw an upward trend in FY 19-20.
- Godrej's declining EPS is caused by decreased profitability in FY 19-20.
- Nestle's high EPS indicates that investors will be willing to invest more in the firm

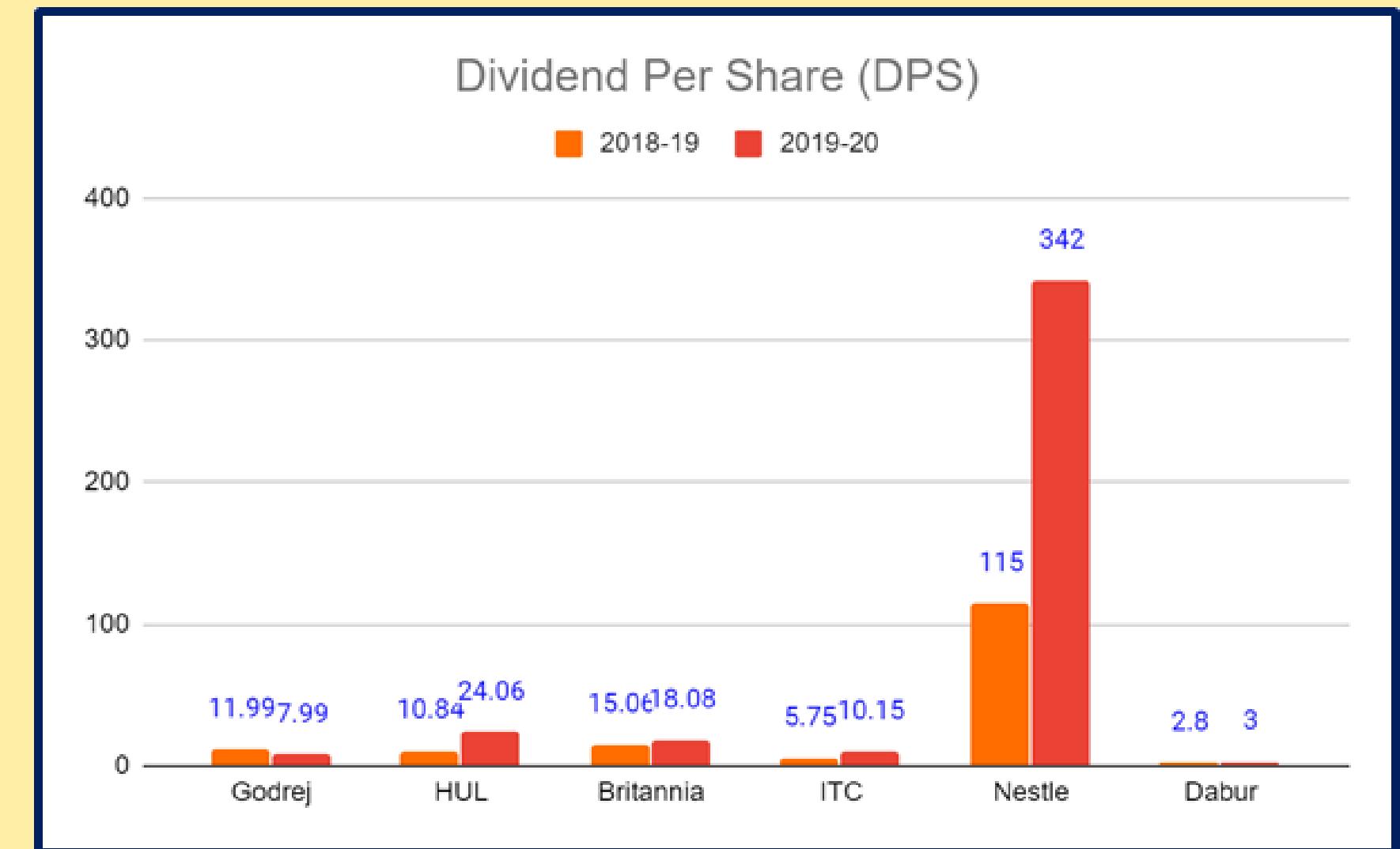


FORMULA

NPAT - Pref. Dividend / No. of Shares

DIVIDEND PER SHARE (DPS)

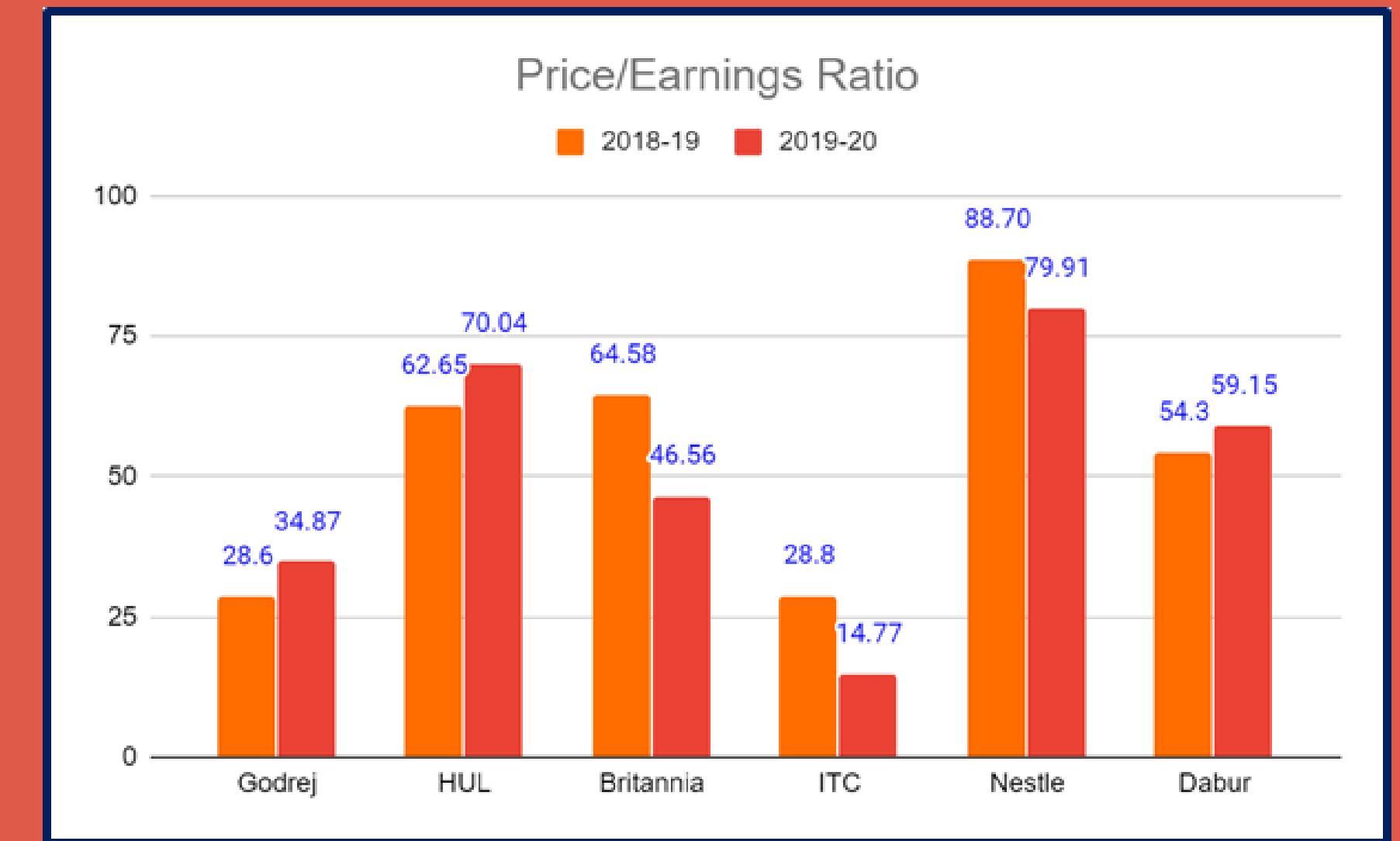
- An increasing trend was seen in DPS showcasing good performance and increased net profits.
- Nestle's High DPS shows that its earning growth is sustainable.
- ITC saw a sudden increase in its DPS because of a change in its Dividend policy.



FORMULA
Dividend Paid / No. of Shares

PRICE/EARNINGS RATIO

- Godrej , HUL and Dabur show a significant upward change in P/E ratio depicting investors will pay a higher share price due to the company's future growth potential.
- ITC, Nestle and Britannia show a decreasing trend in P/E ratio i.e these shares are cheaper and underpriced for this period and can be good investment in the longer run as the market corrects itself.



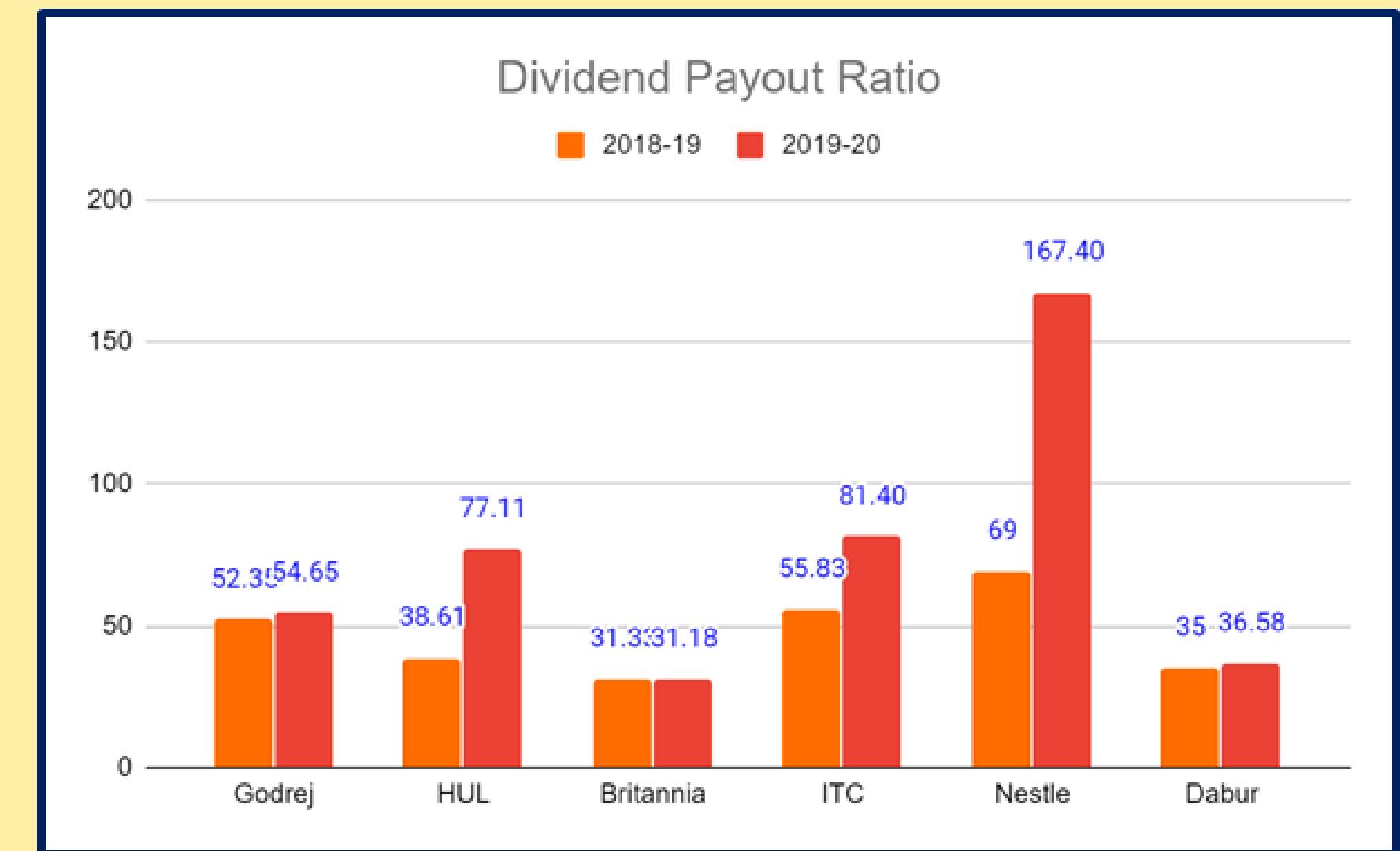
FORMULA
Market-Price Per Share / EPS

DIVIDEND PAYOUT RATIO

- HUL and ITC have shown a positive trend in DPR indicating their good performance and increased net profits.

- Nestle shows a drastic positive change(more than twice) in comparison to last year showing increase in net profit, cash flow as well as profit management.

- Godrej ,Dabur and Britannia have net change within +- 2 percent, meaning there is no considerable increase in dividend paid from previous year.



FORMULA
 $(\text{DPS} / \text{EPS}) * 100$

TURNOVER RATIOS

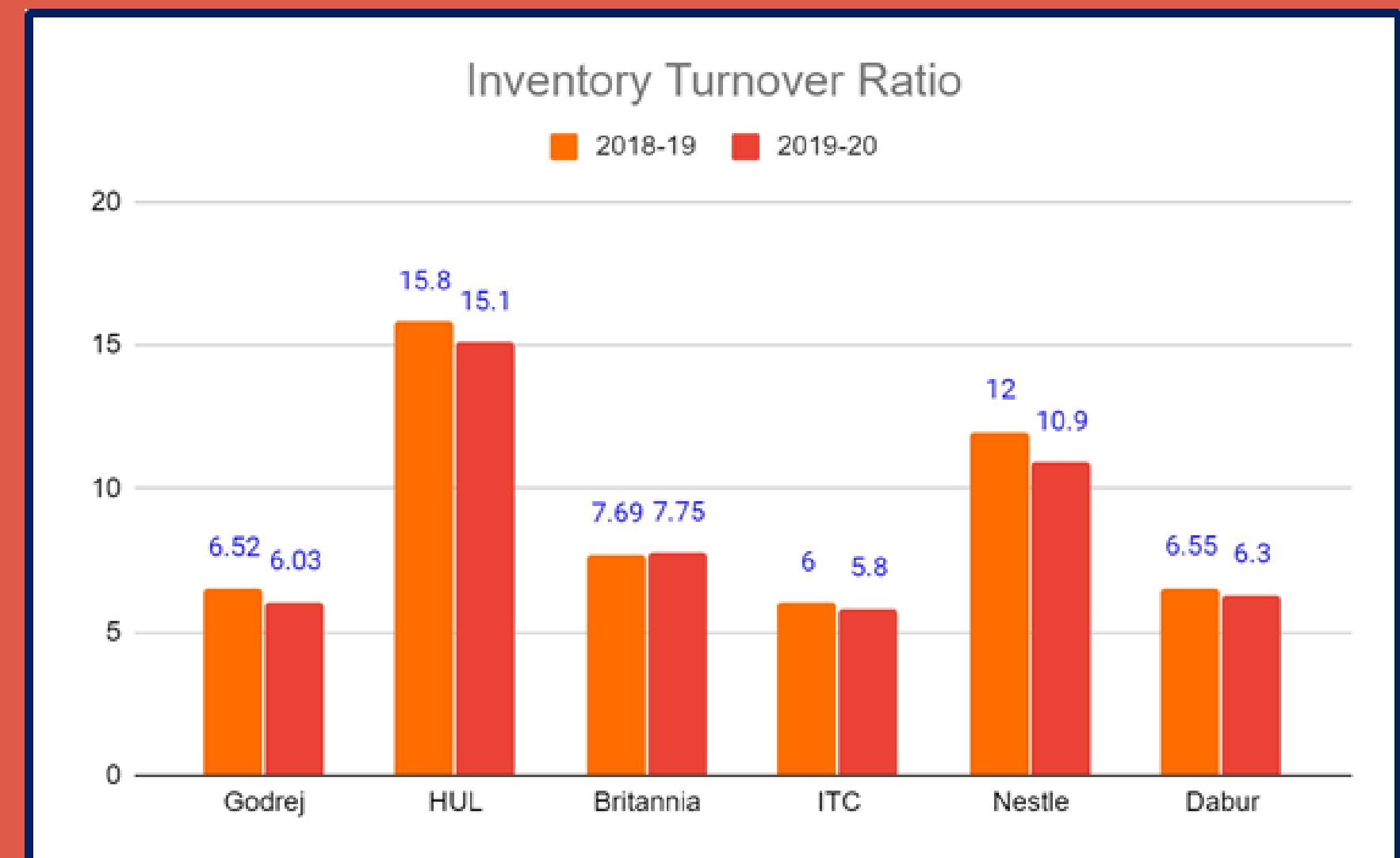
Inventory Turnover Ratio

Debtors Turnover Ratio

Fixed Assets Turnover Ratio

INVENTORY TURNOVER RATIO

- A decrease in inventory turnover ratio was seen which means companies are taking a longer period of time to clear out inventories as compared to previous year.
- This trend can be explained due the pandemic as companies stacked up their inventories for future unknown consequences.

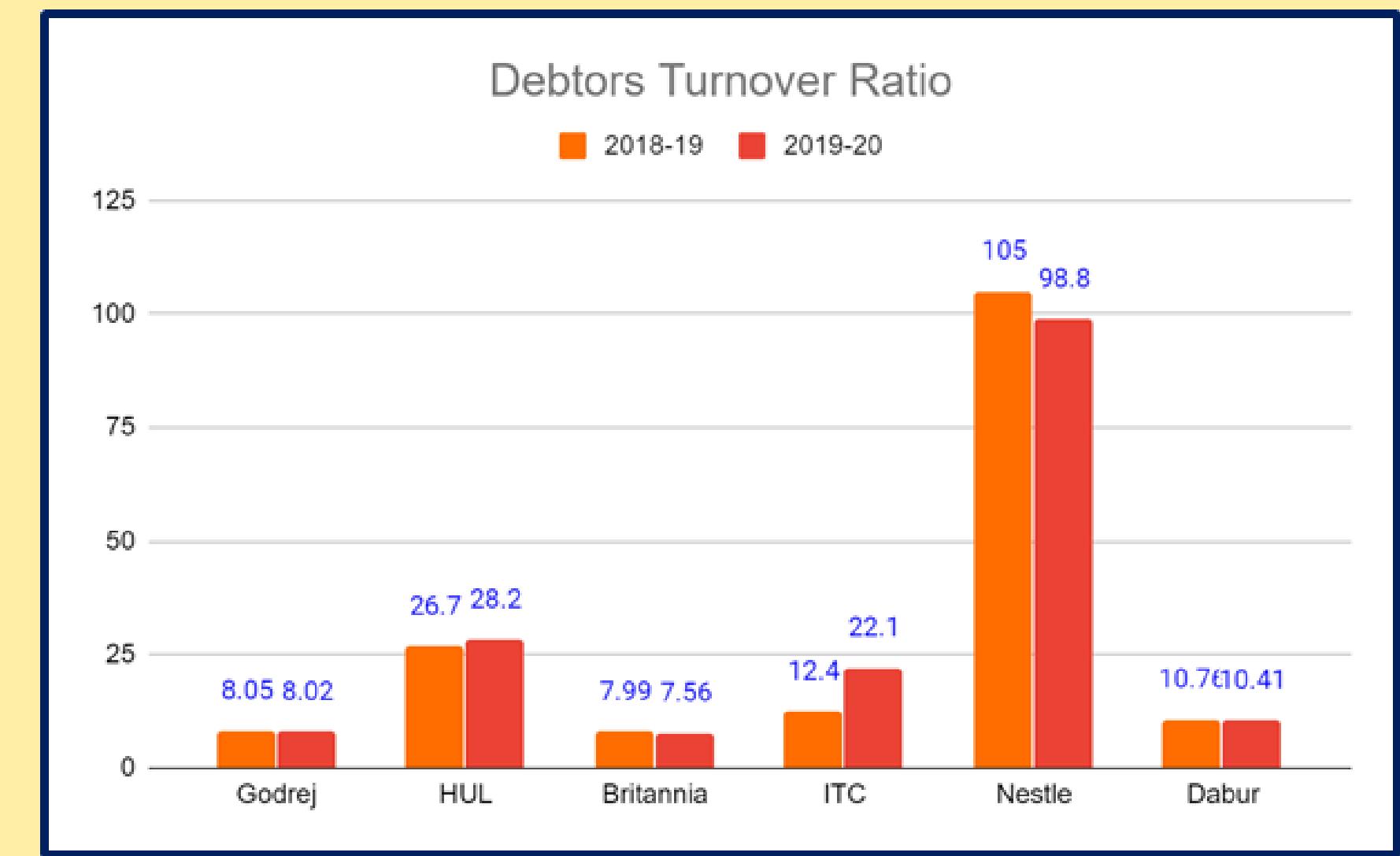


FORMULA

$$(\text{COGS} / \text{Average Inventory}) * 100$$

DEBTORS TURNOVER RATIO

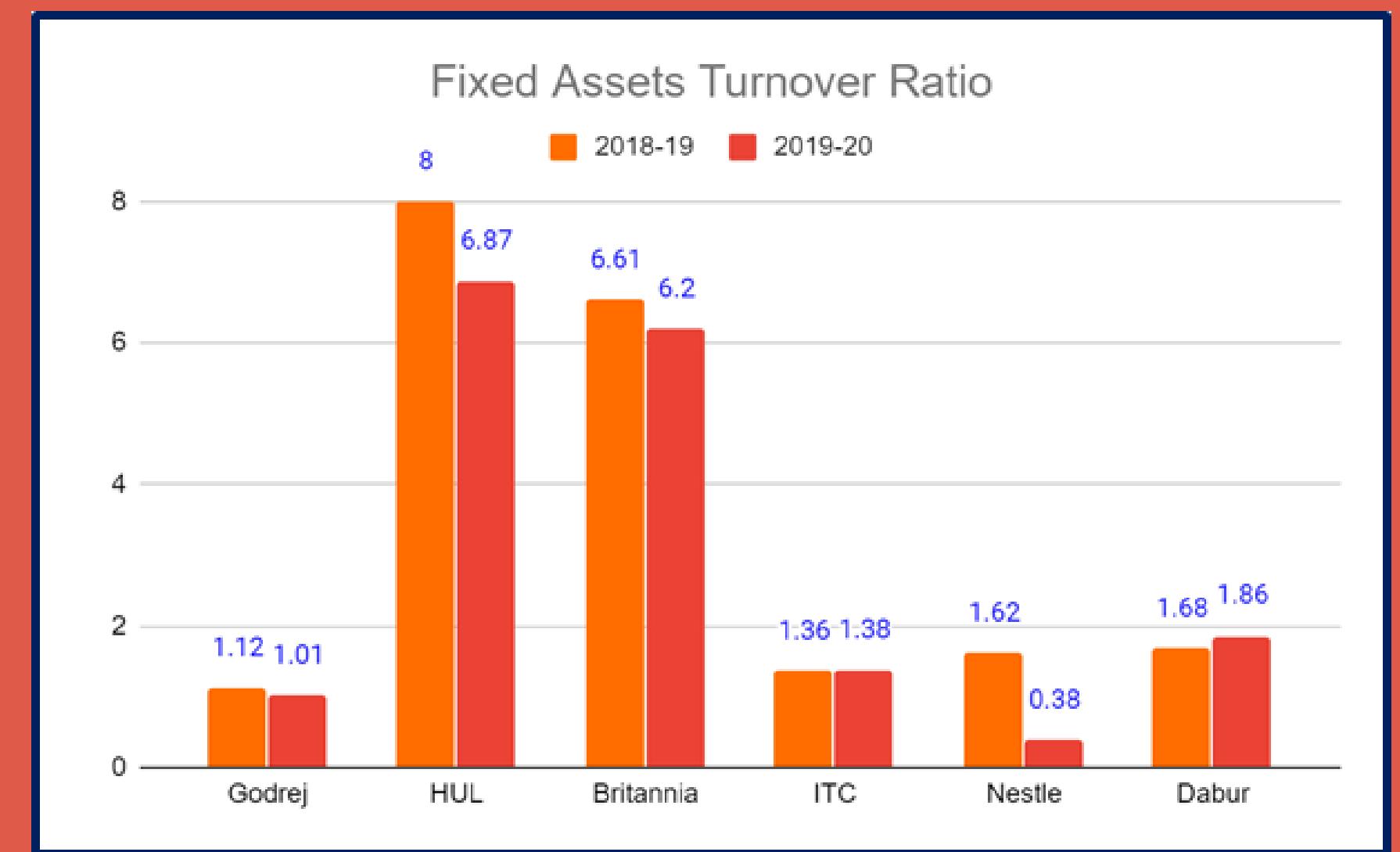
- Godrej,Britannia and Dabur show a minute negative change in the ratio, depicting a need for revaluation in company's credit as well as collection policies.
- ITC and Nestle India show a considerable positive trend in the ratio indicating company's efficient collection strategies and presence of high quality customers that pay their debts quickly.



FORMULA
 $(\text{Sales} / \text{Total Receivables}) * 100$

FIXED ASSETS TURNOVER RATIO

- Godrej, Hindustan Unilever, Britannia and Nestle have their assets tied in the form of fixed assets i.e. liquidity of the assets in the companies is reducing.
- Dabur and ITC show a positive change which means assets of these companies are more liquid and less tied up as fixed which is desirable by a company.



FORMULA

Net Sales / Average Fixed Assets



DU-PONT ANALYSIS

Du-Pont analysis is used to evaluate the component parts of a company's Return on Equity (ROE). This allows an investor to determine what financial activities are contributing the most to the changes in ROE.

DU-PONT ANALYSIS

NET PROFIT MARGIN (NPM)

Net Profit / Total Revenue

TOTAL ASSET TURNOVER (TAT)

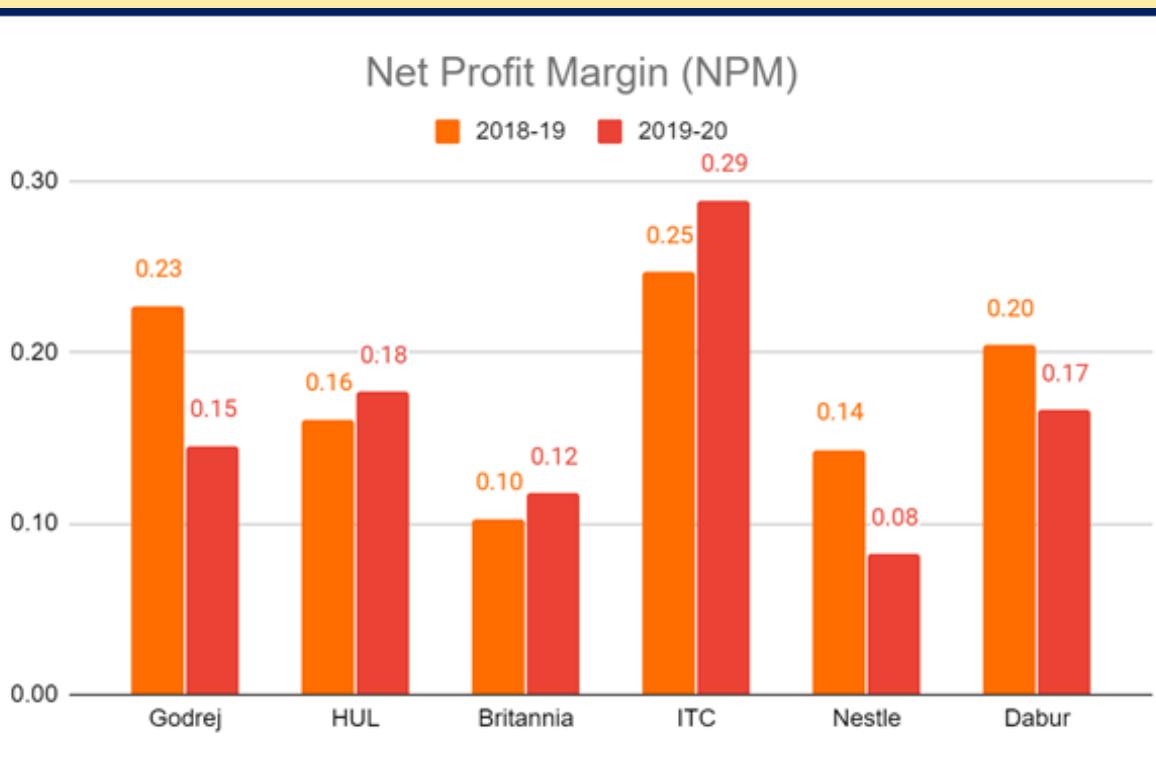
Total Revenue / Average Total Assets

EQUITY MULTIPLIER (EM)

Total Assets / Average Equity

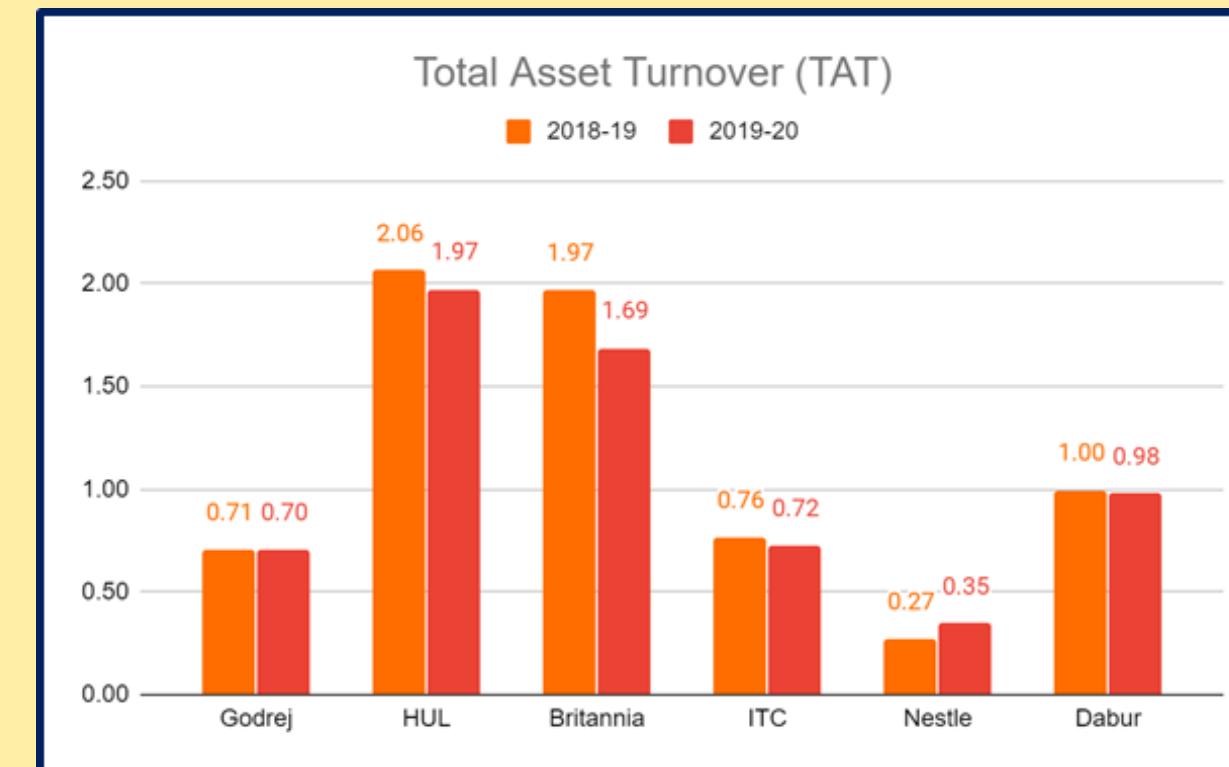
Net Profit Margin (NPM)

■ 2018-19 ■ 2019-20



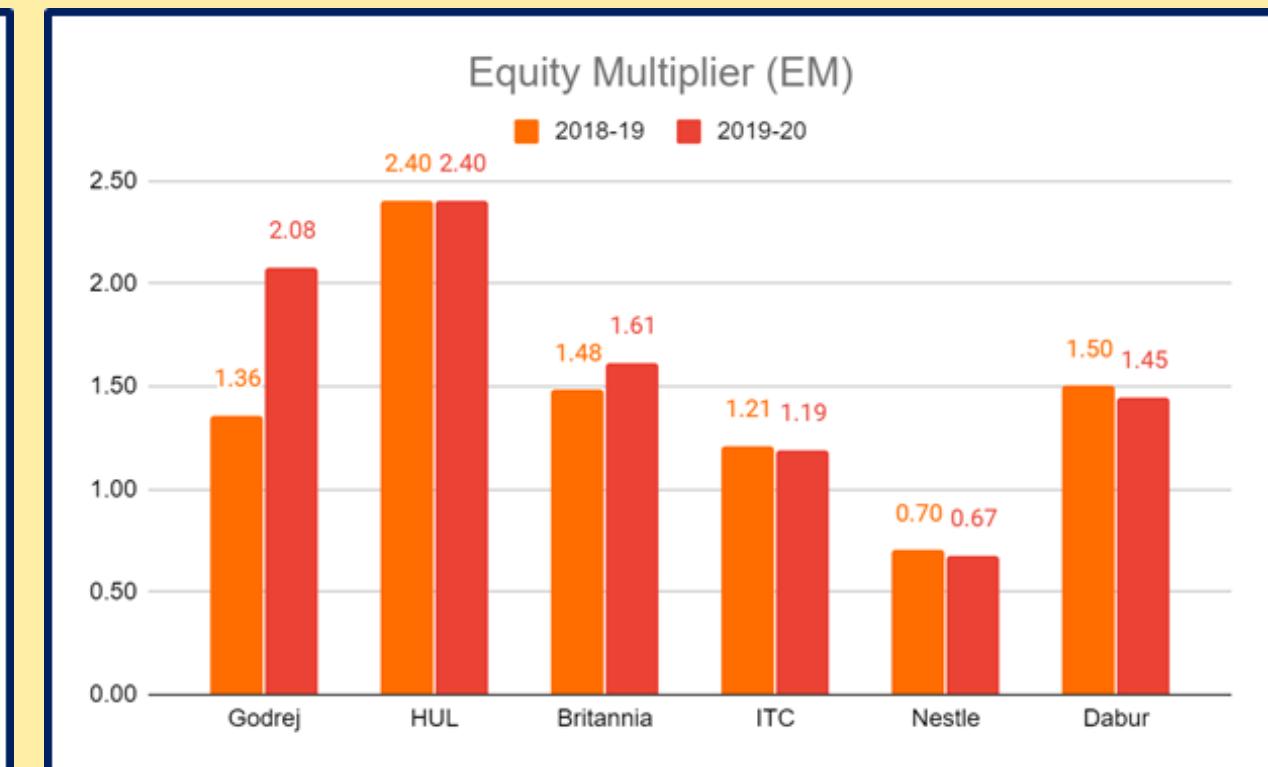
Total Asset Turnover (TAT)

■ 2018-19 ■ 2019-20



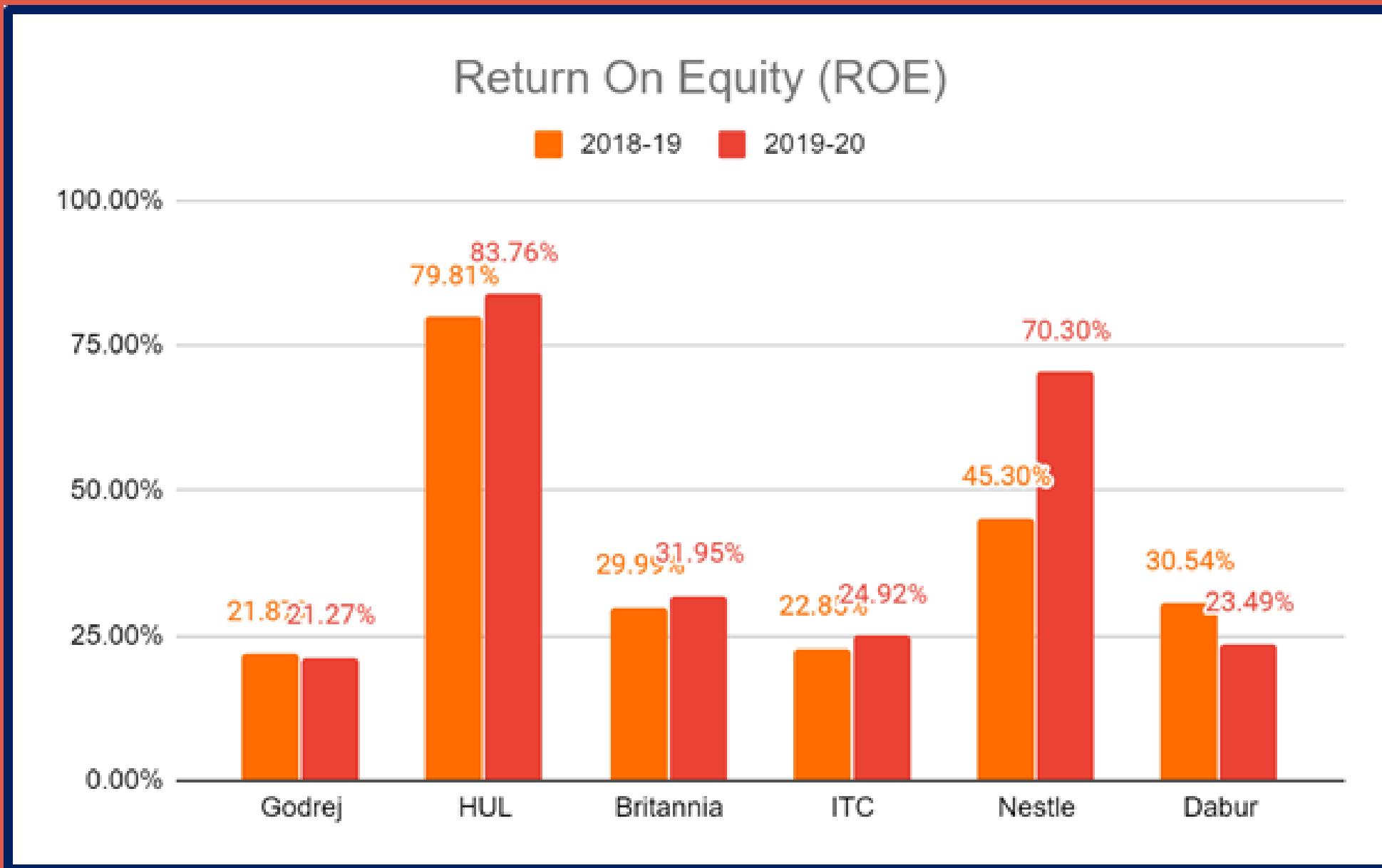
Equity Multiplier (EM)

■ 2018-19 ■ 2019-20



RETURN ON EQUITY (ROE)

NPM * TAT * EM





INDUSTRY ANALYSIS

Industry analysis is a tool that facilitates a company's understanding of its position relative to other companies that produce similar products or services. Understanding the forces at work in the overall industry is an important component of effective strategic planning

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- The FMCG industry saw a slight improvement in performance in FY 19-20.
 - ITC is the clear leader and owns 14% market share closely followed by HUL having 12% market share.
 - Godrej saw a decline in performance due less sales and increasing debt
 - Limited mobility and a demand and supply shock induced due to COVID-19 lead to a decline in sales in the 4th quarter of FY 19-20
 - This further lead to reduced growth in 4th quarter.



Thank You

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