



# STUDY ON THE OVERALL FINANCIAL PERFORMANCE OF HINDUSTAN UNILEVER LIMITED (from 2015- 2020)

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## INTRODUCTION

A business organization needs proper allocation of funds for their proper functioning of activities. A lack of proper management of this would result in financial crisis. So proper allocation and utilization of resources are very important. Therefore, analysis and better understanding of financial statements are crucial.

A financial statement is used for collecting data. Financial statements include balance sheet, profit and loss account and cash flow statement. This data helps to know the firm's current financial position and performance.

For calculating the financial stability of a firm it is very important to analyse the data in financial statements in detail. This would help in understanding the strength and weakness of a firm. This helps in calculating company's profitability, performance over a period of time, and efficiency. Financial statements also help investors to get a clear picture of the organization as it helps them to make appropriate decision regarding the firm.

This helps an organization to plan its future and aids in understanding the position of the firm in long run. Ratio analysis helps to find the overall performance of the firm. Correlation and regression helps to make out relation or association between variables.

## STATEMENT OF THE PROBLEM

The study was done to measure and analyse the overall financial performance of 'Hindustan Unilever Limited' for the years 2015-2020.

## OBJECTIVE

- To calculate the financial performance of the firm for the years 2015-2020.
- To analyse the financial ratios and their importance in a firm.
- To understand the liquidity position and long-term solvency.
- To know about operating efficiency and over-all profitability.
- To study the relation between advertisement and selling expenses in increasing sales.
- To interpret the Pearson correlation coefficient and test for significance using SPSS
- To study the relation between two variables using correlation. Regression was done to study the effect of various factors on financial costs.

## LIMITATIONS OF THE STUDY

- 5 years data was only analysed for conducting this study.
- Only secondary data was collected for the study.

## REVIEW OF LITERATURE

Zafar and Khalid (2012) studied how the financial ratios are calculated from financial statements. Result was that ratio is a comparison between numerator and denominator. This is used to produce a clear picture of business.

Ray sabapriya (2012) studied financial data of automobile companies to analyse financial performance. And found that industry was facing financial crisis and suggested to improve labour production and flexibility for the success of the firm.

Jyothi and Geethalakshmi (2016) studied the financial performance of automobile companies. Correlation, ratio analysis and regression were done to study .result showed a positive relation between profit and capital structure.

Saxena and Saini (2001) analysed EVA of Colgate Palmolive (India) Ltd., Hindustan Lever Ltd. and Nestle India Ltd. The study revealed that traditional measures do not reflect the real value of shareholders and EVA should be measured to have an idea about the shareholders' value.

Prasanta Paul (2011) stated on the Financial Performance Evaluation – Some of the selected NBFCs are taken for the comparative study. In the study, five of the listed NBFCs are considered for the analyzation of comparative financial performance. Different type of statistical tools like standard deviation, arithmetic mean, correlation etc. are used extensively.

Sheela Christina (2011) reported on Financial Performance of Wheels India Ltd. Secondary data collection method is used for the analytical type of research design. Before conducting the study, validity and reliability is checked for the past five years where the researcher used this for the purpose of study.

Ried Edwardj and Srinivasan Suraj (2010) made an investigation to check whether the special items presented by the managers' in the financial statements reflected in the economic performance or opportunism.

Ghosh Santanu Kumar and Mondal Amitava (2009) study on the relationship of intellectual capital and finance performances for a period of 10 years from 1999 to 2008 of 70 Indian banks. The measurement of financial performance used in this analysis were return on equity, return on assets and assets turnover ratio of Indian Banks.

Burange and Shruti Yamini (2008) analyzed the performance of Indian Cement Industry – The competitive landscape. The experience of the boom on the account of overall growth of Indian Economy by the cement industry is because of the expanding of investment and industrial activity in the cement sector.

Noel Capon et al (1994) published a meta-analysis on the impact of the strategic planning on financial performance which has omitted a major study on corporate planning in the fortune five hundred manufacturing firms. Finally, the conclusions were that there is a small but positive relationship between the strategic planning and the performance existed.

## RESEARCH METHODOLOGY

- **Nature of study:** The nature of study is quantitative and analytical in nature.
- **Data required for the study:** For this study financial statements of last 5 years is required. This was collected for conducting correlation and regression analysis.
- **Data Collected:** Secondary Data like Balance sheet and income statement of last 5 years of HUL were collected for this study.
- **Data analysis:** The data analysis and interpretation of the collected data were analysed by correlation, regression and ratio analysis using SPSS software.

## DATA ANALYSIS AND INTERPRETATION

### TYPES OF RATIOS

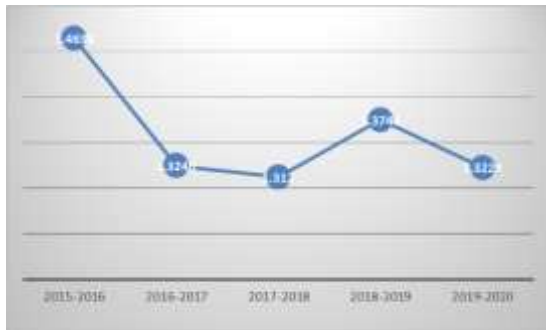
#### 1. Liquidity Ratios/Short Term Liquidity Ratios

##### (a) CURRENT RATIO

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

TABLE NO.1

| SI NO | PERIOD    | CURRENT ASSETS(IN CRORES) | CURRENT LIABILITY(IN CRORES) | RATIO  |
|-------|-----------|---------------------------|------------------------------|--------|
| 1     | 2015-2016 | 10345                     | 7067                         | 1.4638 |
| 2     | 2016-2017 | 10218                     | 7714                         | 1.3246 |
| 3     | 2017-2018 | 11660                     | 8887                         | 1.312  |
| 4     | 2018-2019 | 11914                     | 8667                         | 1.3746 |
| 5     | 2019-2020 | 12321                     | 9317                         | 1.3224 |

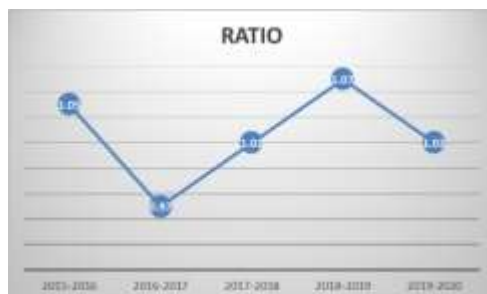
**GRAPH NO.1**

**INTERPRETATION:** Higher the current ratio higher will be the firm's capability to pay its obligations. From the graph it is evident that the firm's shows decline in current ratio for the period 2016-2017 followed by 2017-2018. It would have been difficult for the firm to pay off its obligations. Current Ratio is highest for the period 2018-2019 and lowest for the period 2016-2017. There was a slight increase in current ratio for the period 2018-2019. Ideal current ratio is 1.5.

**(b) QUICK RATIO**

**Quick Ratio = Quick Assets/Current Liability**

| SI NO | PERIOD    | QUICK ASSETS (IN CRORES) | CURRENT LIABILITY (IN CRORES) | RATIO |
|-------|-----------|--------------------------|-------------------------------|-------|
| 1     | 2015-2016 | 7420                     | 7067                          | 1.05  |
| 2     | 2016-2017 | 7414                     | 7714                          | 0.97  |
| 3     | 2017-2018 | 9064                     | 8887                          | 1.02  |
| 4     | 2018-2019 | 9274                     | 8667                          | 1.07  |
| 5     | 2019-2020 | 9503                     | 9317                          | 1.02  |

**GRAPH NO 2.**

**INTERPRETATION:** Ideal quick ratio for a business is 1:1. Higher the quick ratio higher is the liquidity for the business. Higher the quick ratio means quick assets components in current assets are more. From the graph it is clear that quick ratio is highest for the period 2018-2019 and lowest for the period 2016-2017 in relation to current assets.

## 2. LONGTERM FINANCIAL RATIO/ LEVERAGE RATIO

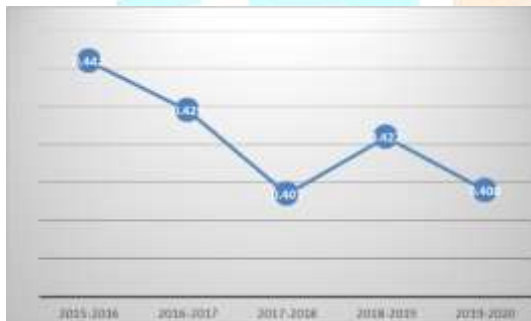
### (a) PROPRIETARY RATIO

**Proprietary Ratio=Shareholders Fund/Total Assets**

**TABLE NO 3**

| SI.NO | PERIOD    | SHAREHOLDER'S FUND (IN CRORES) | TOTAL ASSETS (IN CRORES) | RATIO |
|-------|-----------|--------------------------------|--------------------------|-------|
| 1     | 2015-2016 | 6544                           | 14794                    | 0.442 |
| 2     | 2016-2017 | 6744                           | 15706                    | 0.429 |
| 3     | 2017-2018 | 7281                           | 17862                    | 0.407 |
| 4     | 2018-2019 | 7867                           | 18629                    | 0.422 |
| 5     | 2019-2020 | 8229                           | 20153                    | 0.408 |

**GRAPH NO 3.**



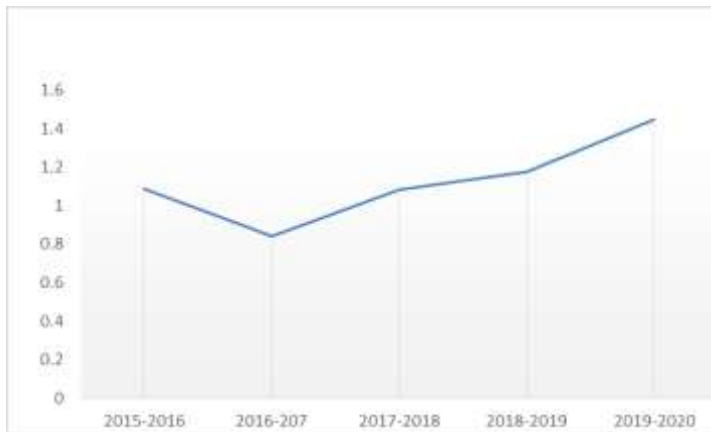
**INTERPRETATION:** The proprietary ratio depicts a firm's financial leverage capacity and strength. For the period 2016-2017 and 2017-2018 proprietary ratio shows decreasing trend and there was a slight increase in financial year 2018-2019 followed by slight decrease in period 2019-2020.

### (b) SOLVENCY RATIO

**Solvency Ratio=Outsiders Liability/Total Assets**

**TABLE NO 4**

| SI NO | PERIOD    | OUTSIDER'S LIABILITY(IN CRORES) | TOTAL ASSETS(IN CRORES) | RATIO  |
|-------|-----------|---------------------------------|-------------------------|--------|
| 1     | 2015-2016 | 1610                            | 14794                   | 1.088  |
| 2     | 2016-2017 | 1323                            | 15706                   | 0.8423 |
| 3     | 2017-2018 | 1936                            | 17862                   | 1.083  |
| 4     | 2018-2019 | 2196                            | 18629                   | 1.178  |
| 5     | 2019-2020 | 2923                            | 20153                   | 1.4482 |

**GRAPH NO 4.**

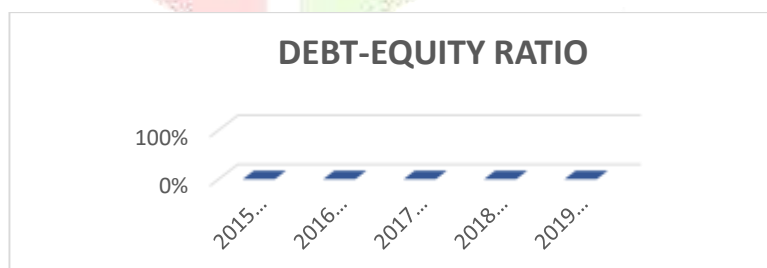
**INTERPRETATION:** Solvency ratio gives the firm's ability to meet its long term debts. From the chart it is evident that the firm's solvency ratio is increasing since 2016. Solvency ratio is lowest for the financial year 2015-2016 and it has been increasing for the last 4 financial years. Solvency ratio is highest for the financial year 2019-2020.

**(c) DEBT EQUITY RATIO**

**Debt Equity Ratio=Debt/Equity**

**TABLE NO.5**

| SI NO | PERIOD    | DEBT(IN CRORES) | EQUITY(IN CRORES) | RATIO |
|-------|-----------|-----------------|-------------------|-------|
| 1     | 2015-2016 | 0.00            | 6279.00           | 0.00  |
| 2     | 2016-2017 | 0.00            | 6490.00           | 0.00  |
| 3     | 2017-2018 | 0.00            | 7075.00           | 0.00  |
| 4     | 2018-2019 | 0.00            | 7659.00           | 0.00  |
| 5     | 2019-2020 | 0.00            | 8031.00           | 0.00  |

**GRAPH NO.5.**

**INTERPRETATION:** Since the company is debt free, the D/E Ratio for last 5 years is 0. Lower the debt-equity ratio company is on the safer side. If the firm's D/E ratio is more than 1 then the company's financial position is not safe. From the graph it is evident that HUL has strong financial stability as its debt equity ratio is very low for last 4 financial years. Debt is a short-term and long-term borrowings from banks and other financial institutions.

### 3. PROFITABILITY RATIOS

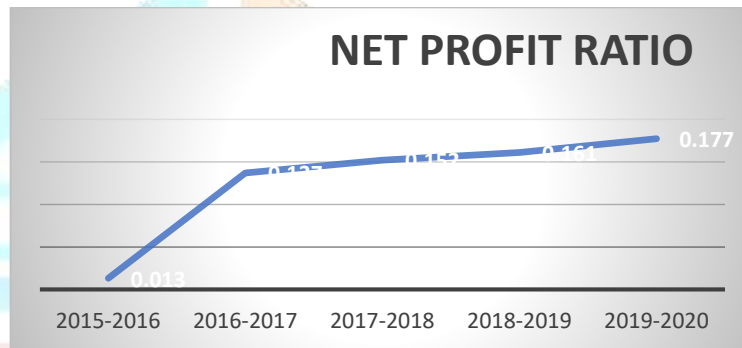
#### (a) NET PROFIT RATIO

$$\text{Net Profit Ratio} = (\text{Net Profit}/\text{Sales}) * 100$$

TABLE NO.6

| SI NO | PERIOD    | NET PROFIT(IN CRORES) | SALES(IN CRORES) | RATIO |
|-------|-----------|-----------------------|------------------|-------|
| 1     | 2015-2016 | 4158                  | 31061            | 0.013 |
| 2     | 2016-2017 | 4393                  | 31890            | 0.137 |
| 3     | 2017-2018 | 5279                  | 34525            | 0.152 |
| 4     | 2018-2019 | 6191                  | 38224            | 0.161 |
| 5     | 2019-2020 | 6880                  | 38785            | 0.177 |

GRAPH NO 6.



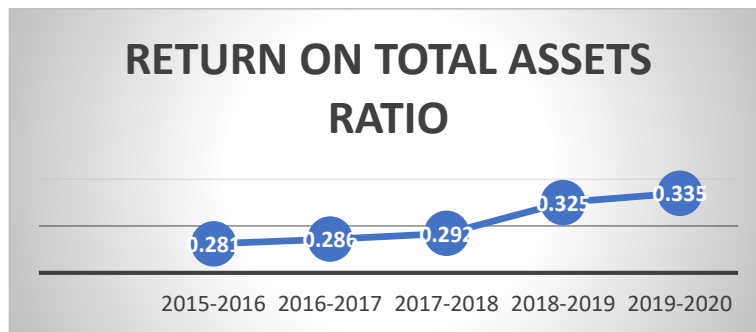
**INTERPRETATION:** Net profit ratio defines a company's overall profitability. If the profit of the firm is high then the net profit ratio will be high. From the chart it is clear that the net profit ratio has been increasing since 2015. Net profit ratio is highest for the financial period 2019-2020 and lowest for the year 2015-2016.

#### (b) RETURN ON TOTAL ASSETS

$$\text{Return on Total Assets} = (\text{Net Profit}/\text{Total Assets}) * 100$$

TABLE NO.7

| SI NO | PERIOD    | NET PROFIT(IN CRORES) | TOTAL ASSETS(IN CRORES) | RATIO |
|-------|-----------|-----------------------|-------------------------|-------|
| 1     | 2015-2016 | 4158                  | 14794                   | 0.281 |
| 2     | 2016-2017 | 4393                  | 15706                   | 0.286 |
| 3     | 2017-2018 | 5279                  | 17862                   | 0.292 |
| 4     | 2018-2019 | 6191                  | 18629                   | 0.325 |
| 5     | 2019-2020 | 6880                  | 20153                   | 0.335 |

**GRAPH NO 7.**

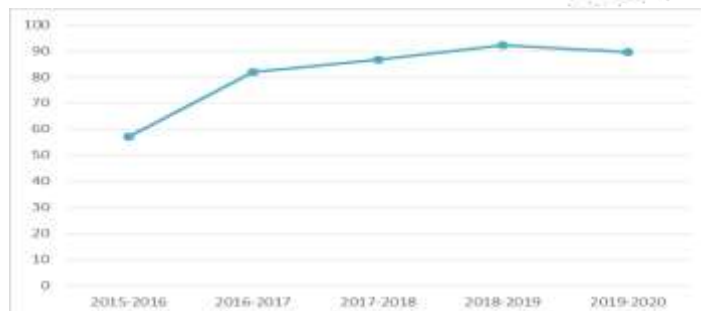
**INTERPRETATION:** This ratio defines a company's profitability based on assets it has. Here from the graph it is clear that return on total assets is showing an increasing trend since 2015. This shows the firm's strong financial performance and efficient use of assets. The lowest was recorded for the financial year 2015-2016 and highest for the financial period 2019-2020.

**(c) RETURN ON CAPITAL EMPLOYED**

**Return on Capital Employed = (Net Profit/Capital Employed)\*100**

**TABLE NO 8**

| SI NO | PERIOD    | NET PROFIT<br>(IN CRORES) | CAPITAL<br>EMPLOYED (IN<br>CRORES) | RATIO |
|-------|-----------|---------------------------|------------------------------------|-------|
| 1     | 2015-2016 | 4158                      | 73                                 | 56.92 |
| 2     | 2016-2017 | 4393                      | 54                                 | 81.82 |
| 3     | 2017-2018 | 5279                      | 61                                 | 86.53 |
| 4     | 2018-2019 | 6191                      | 67                                 | 92.27 |
| 5     | 2019-2020 | 6880                      | 77                                 | 89.49 |

**GRAPH NO 8.**

**INTERPRETATION:** Return on capital employed gives company's financial position and overall profitability of the company. If the ratio is high which depicts that the company has provided good returns to the shareholders. Here from the graph it is clear that ROCE has been increasing year by year. ROCE increased continuously until



2019-2020. Then in financial period 2019-2020 ROCE decreased slightly. Highest ROCE is recorded in financial year 2019-2020.

## **TURNOVER RATIOS**

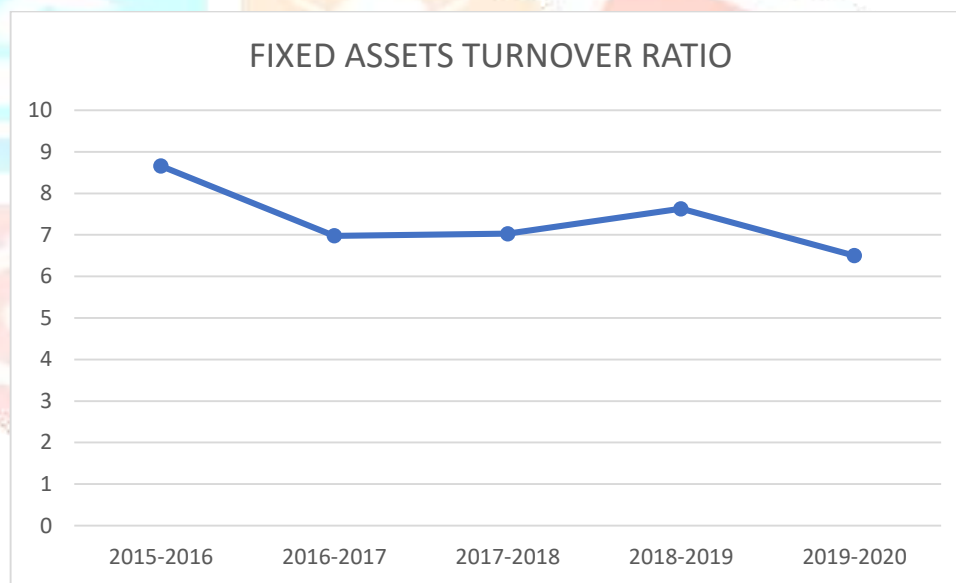
### **(a) FIXED ASSETS TURNOVER RATIO**

**Fixed Assets Turnover Ratio=Sales/Fixed Assets**

**TABLE NO 9**

| Sl.NO | PERIOD    | SALES(IN CRORES) | FIXED ASSETS(IN CRORES) | RATIO |
|-------|-----------|------------------|-------------------------|-------|
| 1     | 2015-2016 | 31061            | 3585                    | 8.66  |
| 2     | 2016-2017 | 31890            | 4567                    | 6.98  |
| 3     | 2017-2018 | 34525            | 4908                    | 7.03  |
| 4     | 2018-2019 | 38224            | 5004                    | 7.63  |
| 5     | 2019-2020 | 38785            | 5959                    | 6.50  |

**GRAPH NO 9.**



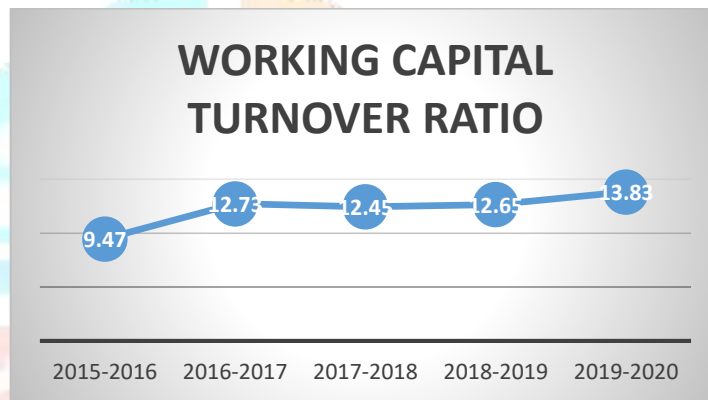
**INTERPRETATION:** Fixed asset turnover ratio helps to understand how much the investments in fixed assets contributes towards sales. Higher ratio means the firm is using it effectively. Here from the graph it is clear that fixed asset turnover ratio had been healthy till 2019 considering fresh investments in fixed assets. A slight decrease in ratio for the financial year 2019-2020 was recorded. This was on account of new investments. Highest ratio was recorded for the period 2015-2016 and lowest in 2019-20.

**(b) WORKING CAPITAL TURNOVER RATIO**

Working Capital Turnover Ratio=Sales/Working Capital

**TABLE NO 10**

| SI NO | PERIOD    | SALES(IN CRORES) | WORKING CAPITAL(IN CRORES) | RATIO |
|-------|-----------|------------------|----------------------------|-------|
| 1     | 2015-2016 | 31061            | 3278                       | 9.47  |
| 2     | 2016-2017 | 31890            | 2504                       | 12.73 |
| 3     | 2017-2018 | 34525            | 2773                       | 12.45 |
| 4     | 2018-2019 | 38224            | 3021                       | 12.65 |
| 5     | 2019-2020 | 38785            | 2804                       | 13.83 |

**GRAPH NO 10.**

**INTERPRETATION:** Higher ratio means higher performance of the firm. From the graph it is clear that working capital turnover ratio has been decreasing since 2015. It shows that firm is not using its working capital effectively. The highest data was recorded for the financial year 2015-16 and lowest in 2019-2020.

**CORRELATION ANALYSIS****1. ADMINISTRATIVE AND SELLING EXPENSE AND FIXED ASSETS****Correlations**

|                                     |                     | ADMINISTRATIVE AND SELLING EXPENSES | FIXED ASSETS |
|-------------------------------------|---------------------|-------------------------------------|--------------|
| ADMINISTRATIVE AND SELLING EXPENSES | Pearson Correlation | 1                                   | .817         |
|                                     | Sig. (2-tailed)     |                                     | .091         |
|                                     | N                   | 5                                   | 5            |
| FIXED ASSETS                        | Pearson Correlation | .817                                | 1            |
|                                     | Sig. (2-tailed)     | .091                                |              |
|                                     | N                   | 5                                   | 5            |

**INTERPRETATION:** Here the Pearson correlation coefficient value is 0.817 which shows high positive correlation. There is strong association between administrative selling expense and fixed assets.

### 1. NET SALES TURNOVER AND OTHER INCOMES

|                                |                     | <b>Correlations</b>      |                                |
|--------------------------------|---------------------|--------------------------|--------------------------------|
|                                |                     | OTHER INCOME (IN CRORES) | NET SALES TURNOVER (IN CRORES) |
| OTHER INCOME (IN CRORES)       | Pearson Correlation | 1                        | .916*                          |
|                                | Sig. (2-tailed)     |                          | .029                           |
|                                | N                   | 5                        | 5                              |
| NET SALES TURNOVER (IN CRORES) | Pearson Correlation | .916*                    | 1                              |
|                                | Sig. (2-tailed)     | .029                     |                                |
|                                | N                   | 5                        | 5                              |

\*. Correlation is significant at the 0.05 level (2-tailed).

**INTERPRETATION:** The Pearson correlation coefficient value is .916 which depicts strong positive correlation. So there is very strong relationship between net sales turnover and other incomes.

### 2. FIXED ASSET AND DEPRECIATION

|                          |                     | <b>Correlations</b>     |                          |
|--------------------------|---------------------|-------------------------|--------------------------|
|                          |                     | FIXED ASSET (IN CRORES) | DEPRECIATION (IN CRORES) |
| FIXED ASSET (IN CRORES)  | Pearson Correlation | 1                       | .914*                    |
|                          | Sig. (2-tailed)     |                         | .030                     |
|                          | N                   | 5                       | 5                        |
| DEPRECIATION (IN CRORES) | Pearson Correlation | .914*                   | 1                        |
|                          | Sig. (2-tailed)     | .030                    |                          |
|                          | N                   | 5                       | 5                        |

\*. Correlation is significant at the 0.05 level (2-tailed).

**INTERPRETATION:** Here the Pearson Coefficient value is 0.914 which is close to 1 and that shows very positive correlation. So fixed asset and depreciation is strongly associated to each other.

### 3. FIXED ASSETS AND INVENTORIES

|                          |                     | <b>Correlations</b>      |                         |
|--------------------------|---------------------|--------------------------|-------------------------|
|                          |                     | FIXED ASSETS (IN CRORES) | INVENTORIES (IN CRORES) |
| FIXED ASSETS (IN CRORES) | Pearson Correlation | 1                        | -.823                   |
|                          | Sig. (2-tailed)     |                          | .177                    |
|                          | N                   | 4                        | 4                       |
| INVENTORIES (IN CRORES)  | Pearson Correlation | -.823                    | 1                       |
|                          | Sig. (2-tailed)     | .177                     |                         |
|                          | N                   | 4                        | 4                       |

**INTERPRETATION:** Here the Pearson correlation coefficient value is negative (-.823) so there is no relation between fixed assets and inventories.

#### 4. REVENUE FROM OPERATIONS AND INVENTORIES

##### Correlations

|                                     |                     | INVENTORIES (IN CRORES) | REVENUE FROM OPERATIONS (IN CRORES) |
|-------------------------------------|---------------------|-------------------------|-------------------------------------|
| INVENTORIES (IN CRORES)             | Pearson Correlation | 1                       | .408                                |
|                                     | Sig. (2-tailed)     |                         | .496                                |
|                                     | N                   | 5                       | 5                                   |
| REVENUE FROM OPERATIONS (IN CRORES) | Pearson Correlation | .408                    | 1                                   |
|                                     | Sig. (2-tailed)     | .496                    |                                     |
|                                     | N                   | 5                       | 5                                   |

**INTERPRETATION:** Here the Pearson correlation coefficient is .408 which shows mild positive correlation. There is mild relation between revenue from operations and inventories.

#### MULTIPLE REGRESSION ANALYSIS

##### Model Summary

| Model | R                  | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |          |     |     |               |
|-------|--------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|
|       |                    |          |                   |                            | R Square Change   | F Change | df1 | df2 | Sig. F Change |
| 1     | .973 <sup>a</sup>  | .946     | .928              | 10.242                     | .946              | 52.602   | 1   | 3   | .005          |
| 2     | 1.000 <sup>b</sup> | 1.000    | 1.000             | .183                       | .054              | 9440.448 | 1   | 2   | <.001         |
| 3     | 1.000 <sup>c</sup> | 1.000    | 1.000             | .117                       | .000              | 3.873    | 1   | 1   | .299          |
| 4     | 1.000 <sup>d</sup> | 1.000    | .                 | .                          | .000              | .        | 1   | 0   | .             |

a. Predictors: (Constant), DEPRECIATION(IN CRORES)

b. Predictors: (Constant), DEPRECIATION(IN CRORES), EMPLOYEE EXPENSE BENEFITS(IN CRORES)

c. Predictors: (Constant), DEPRECIATION(IN CRORES), EMPLOYEE EXPENSE BENEFITS(IN CRORES), REVENUE FROM OPERATIONS(IN CRORES)

d. Predictors: (Constant), DEPRECIATION(IN CRORES), EMPLOYEE EXPENSE BENEFITS(IN CRORES), REVENUE FROM OPERATIONS(IN CRORES), FIXED ASSET(IN CRORES)

**DATA INTERPRETATION:** We will take R square value for data interpretation. From the above table it is evident that,

1. 94.6% of variance of financial costs can be predicted when we compare this with depreciation.
2. 100% of variance of financial cost can be defined when we compare this with depreciation and employee expense benefits.
3. 100% of variance of financial costs can be assessed when we compare this with depreciation, employee expense benefits and revenue from operations.
4. 100% of variance of financial cost can be predicted when compared with depreciation, employee expense benefits, revenue from operations and fixed assets.

| ANOVA <sup>a</sup> |            |                |    |             |            |                    |
|--------------------|------------|----------------|----|-------------|------------|--------------------|
| Model              |            | Sum of Squares | df | Mean Square | F          | Sig.               |
| 1                  | Regression | 5518.091       | 1  | 5518.091    | 52.602     | .005 <sup>b</sup>  |
|                    | Residual   | 314.709        | 3  | 104.903     |            |                    |
|                    | Total      | 5832.800       | 4  |             |            |                    |
| 2                  | Regression | 5832.733       | 2  | 2916.367    | 87501.891  | <.001 <sup>c</sup> |
|                    | Residual   | .067           | 2  | .033        |            |                    |
|                    | Total      | 5832.800       | 4  |             |            |                    |
| 3                  | Regression | 5832.786       | 3  | 1944.262    | 142124.945 | .002 <sup>d</sup>  |
|                    | Residual   | .014           | 1  | .014        |            |                    |
|                    | Total      | 5832.800       | 4  |             |            |                    |
| 4                  | Regression | 5832.800       | 4  | 1458.200    |            | . <sup>e</sup>     |
|                    | Residual   | .000           | 0  |             |            |                    |
|                    | Total      | 5832.800       | 4  |             |            |                    |

a. Dependent Variable: FINANCIAL COSTS ( IN CRORES)

b. Predictors: (Constant), DEPRECIATION( IN CRORES)

c. Predictors: (Constant), DEPRECIATION( IN CRORES), EMPLOYEE EXPENSE BENEFITS( IN CRORES)

d. Predictors: (Constant), DEPRECIATION( IN CRORES), EMPLOYEE EXPENSE BENEFITS( IN CRORES), REVENUE FROM OPERATIONS( IN CRORES)

e. Predictors: (Constant), DEPRECIATION( IN CRORES), EMPLOYEE EXPENSE BENEFITS( IN CRORES), REVENUE FROM OPERATIONS( IN CRORES), FIXED ASSET ( IN CRORES)



|       |                                      | Coefficients <sup>a</sup>   |            |                           |          |       |                                 |             |
|-------|--------------------------------------|-----------------------------|------------|---------------------------|----------|-------|---------------------------------|-------------|
| Model |                                      | Unstandardized Coefficients |            | Standardized Coefficients | t        | Sig.  | 95.0% Confidence Interval for B |             |
|       |                                      | B                           | Std. Error | Beta                      |          |       | Lower Bound                     | Upper Bound |
| 1     | (Constant)                           | -43.962                     | 12.219     |                           | -3.598   | .037  | -82.849                         | -5.074      |
|       | DEPRECIATION(IN CRORES)              | .155                        | .021       | .973                      | 7.253    | .005  | .087                            | .222        |
| 2     | (Constant)                           | 159.375                     | 2.104      |                           | 75.746   | <.001 | 150.322                         | 168.428     |
|       | DEPRECIATION(IN CRORES)              | .172                        | .000       | 1.080                     | 410.035  | <.001 | .170                            | .174        |
|       | EMPLOYEE EXPENSE BENEFITS(IN CRORES) | -.127                       | .001       | -.256                     | -97.162  | <.001 | -.132                           | -.121       |
| 3     | (Constant)                           | 159.896                     | 1.374      |                           | 116.391  | .005  | 142.441                         | 177.352     |
|       | DEPRECIATION(IN CRORES)              | .171                        | .000       | 1.075                     | 352.370  | .002  | .165                            | .177        |
|       | EMPLOYEE EXPENSE BENEFITS(IN CRORES) | -.129                       | .001       | -.260                     | -104.529 | .006  | -.144                           | -.113       |
|       | REVENUE FROM OPERATIONS(IN CRORES)   | 8.401E-5                    | .000       | .008                      | 1.968    | .299  | .000                            | .001        |
| 4     | (Constant)                           | 160.877                     | .000       |                           |          |       | 160.877                         | 160.877     |
|       | DEPRECIATION(IN CRORES)              | .170                        | .000       | 1.070                     |          |       | .170                            | .170        |
|       | EMPLOYEE EXPENSE BENEFITS(IN CRORES) | -.130                       | .000       | -.262                     |          |       | -.130                           | -.130       |
|       | REVENUE FROM OPERATIONS(IN CRORES)   | 9.717E-5                    | .000       | .009                      |          |       | .000                            | .000        |
|       | FIXED ASSET(IN CRORES)               | .000                        | .000       | .006                      |          |       | .000                            | .000        |

a. Dependent Variable: FINANCIAL COSTS ( IN CRORES)

## DATA INTERPRETATION:

From this regression analysis we can make this equation.

**EQUATION: Financial cost = (0.170) Depreciation + (-.130) Employee expense benefits + (9.7) Revenue from operations + (0.00) Fixed assets – 160.877.**

From the above equation it is clear that 'Revenue from operations' is the most important factor to understand the variance in financial cost because it has the highest value of 9.7.

## FINDINGS

- HUL'S financial position is stable as its proprietary ratio shows an increasing trend and firm's ability to meet long-term debts is satisfactory as its solvency ratio has been increasing since 2015.
- HUL's overall profitability and financial performance is satisfactory as their net profit margin is showing an increasing trend for the last 4 years. This depicts that HUL is making huge profit for the last 4 years.
- Quick ratio is high for HUL which depicts that it has liquidity for business. This is a positive sign for the firm because it has more quick assets in the current assets. Quick ratio was recorded highest (1.07) for the financial period 2017-2018.
- Current ratio of HUL has been decreasing for the last two years. This indicates the company is able to manage the accounts receivable efficiently. Current ratio was highest (1.46) for the financial period 2015-2016.
- HUL has strong financial leverage as their debt-equity ratio is very low (0.00) for the last 5 financial period on account of nil borrowings.

- Return on total assets and return on capital employed has been showing increasing trend since 2015 and this defines the firm's stable financial performance and effective capital utilization.
- There exists strong association between HUL's administrative selling expense & fixed assets, Net sales turnover & other income, fixed assets and depreciation.
- 94.6% of variance of financial costs can be predicted when we compare this with depreciation.
- 100% of variance of financial cost can be defined when we compare this with depreciation and employee expense benefits.
- 100% of variance of financial costs can be assessed when we compare this with depreciation, employee expense benefits and revenue from operations.
- 100% of variance of financial cost can be predicted when compared with depreciation, employee expense benefits, revenue from operations and fixed assets.
- Revenue from operations' is the most important factor to understand the variance in financial cost because it has the highest value of 9.7.

#### **SUGGESTIONS:**

- HUL should concentrate more on its working capital utilization. Proper allocation and utilization of working capital would help HUL to increase its net profit margin.
- It would be good if HUL correlates employee remuneration to performance. This would result in increasing employee loyalty and engenders trust thereby it would help in increasing the profitability.
- HUL is one of the largest FMCG Company in India. Most of its brands are getting this privilege when it comes to market. It would be wiser for HUL to channelize advertisement costs for introducing new products into the market. It would be easier for a firm like HUL to do cross selling and thereby firm can increase profitability.
- HUL should concentrate more on technology and innovation and new products to meet the customer's needs and desires.
- HUL's global networking team should increase their e-commerce channel in all parts of India including remote rural areas to increase their market share.

#### **CONCLUSION:**

HUL is one of the largest Indian consumer goods companies in India, headquartered in Mumbai. HUL is the leading consumer goods company in India having over 20 consumers categories. HUL's total share price is Rs.2313.45. HUL's overall profitability and financial performance over the last 5 years are satisfactory as their current market capitalization stands at Rs. 543560Cr. Net profit margin has been showing an increasing trend for the last 5 years. According to the data from financial express, HUL acquired gross sales of Rs. 38785 Cr and Income of Rs. 6880 Cr. Debt-Equity ratio is very low for the last 5 years so the firm is in safer side.

100% of variance of financial cost can be predicted when compared with depreciation, employee expense benefits, revenue from operations and fixed assets. Revenue from operations' is the most important factor to understand the variance in financial cost because it has the highest value of 9.7.

HUL should concentrate more on its working capital utilization. This would help HUL to increase its net profit margin. It would be good if HUL gives more focus to employee benefits expenses. This is a part of performance appraisal. This would result in increasing employee loyalty and engenders trust thereby it would help in increasing the profit margin. HUL is one of the largest FMCG Company in India. Most of its brands are getting this privilege when it comes to market. It would be wiser if HUL channelize advertisement costs for introducing new products into the market. It would be easier for a firm like HUL to do cross selling and thereby firm can increase the profitability.

## REFERENCE

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