Analysis of Financial Performance of Selected Fmcg Stocks in National Stock Exchange

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Abstract

Fundamental analysis (FA) is a method of measuring a security's intrinsic value by examining related economic and financial factors. Fundamental analysts study anything that can affect the security's value, from macroeconomic factors such as the state of the economy and industry conditions to microeconomic factors like the effectiveness of the company's management. The end goal is to arrive at a number that an investor can compare with a security's current price in order to see whether the security is undervalued or overvalued. This study is based on analysis of six different stocks in NSE.

Key Words

National Stock Exchange, Stock, Financial position indicators

Introduction

Investing always involves a certain amount of risk. Stock investing requires careful analysis of financial data to find out the company's true worth. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Stock analysis is a method for investors and traders to make buying and selling decisions of stocks. By studying and evaluating past and current data, investors and traders attempts to gain an edge in the markets by making informed decisions. Stock analysis involves comparing a company’s current financial statement to its financial statements in previous years to give an investor a sense of whether the company is growing, stable, or deteriorating. The financial statement of a company can also be compared to that of one or more other companies within the same industry.

Fundamental analysis is a method of evaluating a security and it is an attempt to assess its intrinsic value, by examining related economic, financial, and other qualitative and quantitative factors. The end goal of fundamental analysis is to produce a quantitative value that an investor can compare with a security's current price, thus indicating whether the security is undervalued or overvalued.

Objectives of the study

To conduct an analysis of financial performance of selected FMCG companies in NSE.
To know about the FMCG industry and its performance in India.

Scope of the study

This study is conducted to provide information to investors regarding the FMCG industry and selected FMCG companies from NSE. This study will be useful to those who are interested in knowing the currentand future performance of these stocks. Study will guide investors in taking investment decisions. This study is limited to selected six FMCG companies traded in NSE.

Research design

The research design adapted in the study is descriptive and analytical in nature. For the company analysis of the selected companies in NSE, the yearly financial data's of the companies were taken for the latest 5 years, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18.

Tools used for analysis

For company analysis the tools used are Return On Equity (ROE), Dividend per Share (DPS), Earning Per Share (EPS), Price to Earnings Ratio (PER), Net profit margin, Dividend payout ratio, Book value per share.

Samples

1. ITC
2. HUL
3. P & G
4. MARICO
5. GODREJ
6. DABUR INDIA

Data analysis

Earnings Per Share

EPS is the amount of money each share of stock would receive if all of the profits were distributed to the outstanding shares at the end of the year. Earnings per share is a calculation that shows how profitable a company is on a shareholder basis. Higher earnings per share are always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders. A higher earnings per share ratio often makes the stock price of a company rise.

Table 1 : Earnings Per Share

YEAR	HUL	ITC	Godrej Consumer	Dabur India	Marico	P & G
2013-2014	17.88	11.05	16.59	3.85	8.95	92.93
2014-2015	19.94	11.99	19.23	4.34	8.45	106.5
2015-2016	19.12	12.23	21.72	5.34	5.44	130.2
2016-2017	20.75	8.4	24.89	5.67	6.53	133.2
2017-2018	24.2	9.2	14.67	6.09	5.56	115.3
Mean	20.37	10.57	19.42	5.06	6.98	115.62
CAGR %	6.23	-3.59	-2.43	9.57	-9.07	4.4
Standard Deviation	2.38	1.70	4.05	0.93	1.63	16.72

Table 1 shows the earning per share of six stocks during 2013-14 to 2017-18. Of these companies P & G is having a high EPS. And it has an average EPS of 115.62. And the next higher EPS providing company is HUL (20.37). Godrej has an average EPS of 19.42. These three companies have the highest EPS among the six companies. So investors can invest their fund in companies having high EPS. Here Dabur India has the highest CAGR %. Which means it’s better to investing in Dabur India. And HUL shows the second highest CAGR. Of 6.23. P & G has only a CAGR OF 4.4%.

Dividend Per Share

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. The company providing high DPS is favourable to investor.

Table 2: Dividend Per Share

YEAR	HUL	ITC	Godrej Consumer	Dabur India	Marico	P & G
2013-2014	13	6	5.25	1.75	4	27.47
2014-2015	15	6.25	5.5	2	2.5	30.21
2015-2016	15.5	8.5	5.75	2.25	3.37	35.96
2016-2017	16.5	5.63	5.75	2.25	3.94	397.5
2017-2018	18	4.73	9	2.71	4.93	26.97
Mean	15.6	6.22	6.25	2.19	3.74	103.6
CAGR %	6.72	-4.65	11.38	9.12	4.25	-0.37
Standard Deviation	1.85	1.39	1.55	0.35	0.89	164.33

Table 2 shows that P & G has declared the high dividend per share in the previous years. And it has an average DPS of 103.6. The DPS of P & G in 2016-17 was 397.5, and in 2017-18 it reduced into 26.97. HUL is the second highest DPS providing company. Dabur India has declared the lowest DPS among these companies. By analyzing these P & G has the highest DPS and investors can choose P&G to invest, and also P&G has the high EPS too. Of these companies HUL, Godrej, Dabur, and Marico are showing an increasing trend in Dividend declaration per share. And the ITC and P&G are showing a decreasing trend in dividend declaration.By looking into the CAGR, Godrej has the CAGR of 11.38. And Dabur has the second highest CAGR of 9.12. P&G and ITC showing a negative compound annual growth rate of 0.37 and 4.65 respectively. When considering CAGR its better not to invest in P&G and investor should prefer Godrej to invest.

Dividend Payout Ratio

The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. This ratio shows the portion of profits the company decides to keep funding operations and the portion of profits that is given to its shareholders. A consistent trend in this ratio is usually more important than a high or low ratio.

Table 3 : Dividend Payout Ratio

Year	HUL	ITC	Godrej Consumer	Dabur India	Marico	P & G
2013-2014	72.69	54.32	31.64	45.41	44.69	29.56
2014-2015	75.21	52.14	28.61	46.07	29.58	28.37
2015-2016	81.07	69.48	26.47	42.13	62.04	27.61
2016-2017	79.53	67.05	23.09	39.7	60.36	298.6
2017-2018	74.39	51.41	61.32	44.5	88.53	23.4
Mean	76.57	58.88	34.22	43.56	57.04	81.5
CAGR %	0.46	-1.09	14.15	-0.4	14.65	-4.57
Standard Deviation	3.56	8.67	15.46	2.62	21.98	121.36

Table 3 shows that P&G and HUL shows high average dividend payout ratio, 81.5 and 76.57 respectively. Dabur and HUL have a very low standard deviation of 2.62 and 3.56 respectively. Which means these two companies have a consistent trend in dividend payout ratio. P&G has very high deviation of 121.36. This implies that it's not favourable for investment. ITC also shows a consistent trend in payout ratio with a deviation of 8.67.Here Marico and Godrej have a very high CAGR of 14.65 and 14.15 respectively. The other four companies are showing a very low CAGR.

Net Profit Margin

It shows how much net income a business makes from sales. Net profit margin used to gauge how efficiently a company is managed and forecast future profitability based on management's sales forecasts. A higher margin is always better than a lower margin because it means that the company is able to translate more of its sales into profits at the end of the period. It tells us how much of the revenue generated by the company is left for various corporate activities.

Table 4 :Net Profit Margin

YEAR	HUL	ITC	Godrej Consumer	Dabur India	Marico	P & G
2013-2014	13.8	26.43	13.84	13.8	15.67	14.73
2014-2015	14.01	26.32	14.77	14.04	11.65	14.83
2015-2016	13.32	26.72	15.37	16.34	14.19	17.03
2016-2017	14.08	25.45	17.85	18.87	17.37	18.65
2017-2018	15.17	27.62	19.01	19.17	13.89	15.26
Mean	14.07	26.51	16.17	16.44	14.55	16.1
CAGR %	1.9	0.89	6.54	6.79	-2.39	0.71
Standard Deviation	0.67	0.78	2.17	2.55	2.13	1.70

Table 4 shows that ITC has the highest average net profit margin of 26.51. HUL shows the lowest average net profit margin of 14.07. HUL and ITC are showing high constant trend in net profit margin, which are favourable for investment. HUL and ITC have a standard deviation of 0.67 and 0.78 respectively. P&G has also a constant net profit margin with a standard deviation of 1.70. These six companies are consistent in net profit margin, of these HUL and ITC are highly consistent.Godrej and Dabur have the high CAGR in net profit margin, 6.54 and 6.79 respectively. Marico shows very low CAGR with a negative value of 2.39. By comparing the six company's net profit margin of previous years, ITC, Dabur and Godrej are the favourable stocks for investment. These three are showing a high net profit margin among the six companies (26.51, 16.44 and 16.17 respectively).

Return on Equity

The return on equity ratio or ROE is a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. Return on equity measures how efficiently a firm can use the money from shareholders to generate profits and grow the company. A high return on equity ratio means the company is using its investors' funds effectively. Higher ratios are almost always better than lower ratios.

Table 5 : Return on Equity

YEAR	HUL	ITC	Godrej Consumer	Dabur India	Marico	P & G
2013-2014	118	33.45	18.68	35.33	29.25	30.11
2014-2015	115.9	31.26	19.34	32.64	23.27	28.17
2015-2016	65.89	29.9	19.35	32.72	27.02	28
2016-2017	69.18	22.5	19.38	27.29	28.82	82.25
2017-2018	74.02	21.84	21.54	25.36	23.62	46.5
Mean	88.59	27.79	19.65	30.66	26.39	43.00
CAGR %	-8.91	-8.18	2.9	-6.41	-4.19	9.08
Standard Deviation	26.04	5.28	1.09	4.16	2.82	23.25

Table 5 shows that HUL has a higher return on equity with an average ROE of 88.59. This shows that HUL is using the shareholders fund very effectively. P&G and Dabur are showing a higher ROE comparing to other companies, 43.00 and 30.66 respectively. HUL has a highest standard deviation of 26.04 in return on equity of the previous five years. Companies having high return on equity are preferable for investors. Godrej shows an increasing trend in return on equity of previous five years with a low standard deviation of 1.09. The other five companies showing a decreasing trend in return on equity. HUL, Dabur and P&G are effectively utilizing the shareholders fund, but showing a decreasing trend of return on equity in the previous years. P&G has the highest CAGR of 9.08. HUL shows a negative CAGR of 8.91.

Price to Earnings Ratio

The price earnings ratio shows what the market is willing to pay for a stock based on its current earnings. Companies with higher future earnings are usually expected to issue higher dividends or have appreciating stock in the future. The PE ratio helps investors analyze how much they should pay for a stock based on its current earnings. The price to earnings ratio indicates the expected price of a share based on its earnings. Company with a high P/E ratio usually indicated positive future performance and investors are willing to pay more for this company’s shares. A company with a lower ratio, on the other hand, is usually an indication of poor current and future performance. This could prove to be a poor investment.

Table 6:Price to Earnings Ratio

YEAR	HUL	ITC	Godrej Consumer	Dabur India	Marico	P & G
2013-2014	33.76	31.95	51.33	46.59	23.72	45.78
2014-2015	43.76	27.15	54.14	61.14	22.9	63.52
2015-2016	45.4	18.87	32.5	46.76	45.26	48.24
2016-2017	43.77	33.4	33.55	48.9	45.08	60.36
2017-2018	55.1	27.83	74.45	53.73	58.61	85.8
Mean	44.35	27.84	49.19	51.42	39.11	60.74
CAGR %	10.29	-2.72	7.72	2.89	19.83	13.39
Standard Deviation	7.57	5.67	17.25	6.14	15.43	15.93

Table 6 shows that P&G shows high PE ratio in the previous years, and it has an average PE ratio of 60.74. Dabur India has the second highest average PE ratio of 51.42. Godrej is very near to the Dabur India, in average PE ratio. In 2017-18 year Godrej and P&G has the highest PE ratio, 74.45 and 85.8 respectively. Godrej and P&G have high standard deviation of 17.25 and 15.93. Company having a high PE ratio is highly preferable for investors. Here P&G, Dabur and Godrej are the most preferable stocks.When looking into the CAGR the Marico is the most favourable investment having 19.83 of CAGR. Comparatively it has a low PE ratio. CAGR indicates that P&G and HUL are also preferable stock.

Findings of the study

Out of six different parameters used to study the following findings canbe generalised:
Stocks of P & G show the highest score four times and once it has secured second position and fourth position respectively.
Stocks of HUL has secured first, fourth and sixth positions once and second position thrice.
Stocks of Godrej have secured the third position four times and sixth position twice.
Stocks of ITC have secured first, third and sixth positions once and secured fourth position thrice.
Stocks of Marico have secured third position once and fifth position five times.

Stocks of Dabur India have secured second position twice, third and fifth positions once and sixth position.

Suggestions

Out of the six stocks considered for this study, for a rational investor the first choice regarding the stock to invest is P & G.
HUL is the second best choice to make an investment.
Godrej would be the third best choice for a wise investor.
Dabur India can be considered as the fourth best choice of investment.
ITC can be treated as the fifth choice to invest.
Marico can be considered as the last choice to invest with respect to the six different stocks considered for this study

Conclusion

Fundamental analysis is a security analyzing method that uses financial and economic analysis to analyze the security. An investor can make safest as well as lucrative investment by analyzing the related Variables and ensure for optimum return. Fundamental analysis suggests that no investor should buy or sell a share without proper analyzing. The fundamental analysis calls upon the investor to make his buy or sell decisions based on the detailed analysis of the information available. This study focuses on fundamental analysis using various tools which help in trading strategies for risk reduction and maximization of return. In the case of FMCG stocks traded in the National Stock Exchange, the stocks of P & G, HUL, Godrej, Dabur India, ITC and Marico can be considered as the first , second, third, fourth, fifth and sixth options respectively, as ideal choice of investments.

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