A Study on Financial Performance of Hindustan Unilever Limited

Mrs.B.Kishori1  Mr.C.Santhosh2
1Assistant Professor 2Student
1,2Anna University (BIT campus) Trichy, Tamilnadu, India

Abstract— Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial performance helps to measure the overall performance of the company. This research paper examines the financial performance of Hindustan unilever limited (HUL) using ratio analyze such as Liquidity, Profitability, Activity and Solvency position. To analyze the financial performance of the company last five years data is collected for the study.

Key words: Hindustan Unilever Limited, HUL

I. INTRODUCTION

Hindustan unilever limited (HUL) is the India’s largest fast moving Consumer Goods Company with a heritage of over 80 years in India and touches the lives of two of three Indians.

With over 35 brands spanning 20 distinct categories such as soaps, deodorants, cosmetics, tea, coffee, packaged foods, ice cream and water purifiers, the company is a part of the everyday life of millions of consumers across India. Its portfolio includes leading household brands such as Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond’s, Vaseline, Lakme, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall’s and pure it.

The Company has over 18000 employees and has an annual turnover of INR 31,425 cores (financial year 2015-16).

II. LITERATURE REVIEW

Srinivas K T has said that the Karnataka Power Corporation Limited (KPCL) is mainly involved in the generation of power and is the sole administrator for the power generation in the state. The present study is conducted to analyze the financial performance of Karnataka Power Corporation Limited with the help of various ratios. From the present study it is found that company financial performance is seeing to be sound, because the company trying to increase its production and also net profit (T, 2012).

Chetan C. Patel and Kishorshinh N. Chavda To analyze financial Performance of District Central Co-Operative Banks (DCCBS) of Gujarat State based on Liquidity Ratio, Secondary data have been collected from the annual reports of these selected District Central Co-Operative banks. Those who use financial statement information include Company management teams, investors, creditors, government oversight agencies and the internal revenue services. (Chetan C. Patel & Kishorshinh N. Chavda, 2014)

Prof. Mr. D. Nidhyananth and Ms.C.Aarthi The present study of the research entitled “A STUDY ON FINANCIAL PERFORMANCE USING THE RATIO ANALYSIS AT KALEESWARAR MILLS B UNIT OF NATIONAL TEXTILE CORPORATION LTD”. (Prof. Mr.D. Nidhyananth & Ms.C.Aarthi, pp. 01-06)

S.Sathy and Dr.R. Umarani Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the Balance Sheet and the Profit and Loss Account. The project work is an outcome of “A study on financial performance analysis of spinning mills of Coimbatore city”. The research design of the study is descriptive research design and secondary data was collected from the published websites of organization for the research. The tools used for analysis is comparative ratio analysis of the balance sheet. (S.Sathy & Dr.R. Umarani, 2015)

Snehlata and G.C.W Bhodia Khera The automobile industry has continued its growth trajectory over the past few years The Indian automobile industry has vital role to play in the world’s automobile market. ‘Profit is the engine that drives the business enterprise’. There should be enough profits to every firm or business enterprise to survive and grow in the long run. In this research paper, ratio analysis has been done to compare the financial statements and balance sheets of Mahindra and Mahindra co. and offer suggestions for the improvement of efficiency in the company. (Snehlata & G.C.W Bhodia Khera, 2015)

(S. Gandhimathi & R. Ramasamy, 2015) According to John N. Myer, “Financial statement analysis is largely a study of relationship among the various financial factors in a business, as disclosed by a single set of statements and study of these factors as show in series of statements”. The term “Financial Analysis” is also known as analysis and interpretation of financial statements, refer to the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

VARIABLES: Profitability, Liquidity, Creditors trading, financial statements.

TOOLS: Ratio analysis

– Current ratio
– Cash ratio
– Debt-equity ratio
– Proprietary ratio
– Debtors turnover ratio

Comparative balance sheet:

– Current financial position and liquidity position.
– Long –term financial position.
– Profitability of the concern.

(S. Sathy & Dr.R. Umarani, 2015) Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the Balance Sheet and the Profit and Loss Account. The research design of the study is descriptive research design and secondary data was collected from the published websites of organization for the research. The tools used for analysis is comparative ratio analysis of the balance sheet. Suitable ratios were framed
and calculated to know the financial performance of the company.
VARIABLES: Profitability, liquidity, Activity.
TOOLS: Gross profit ratio, Net profit ratio, Current ratio, Quick ratio, Inventory turnover ratio, Debtors turnover ratio.

Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. Financial performance is not airily available from the records and files in any organization. It has to be derived by the usage of financial statement analysis techniques.

VARIABLES: Liquidity, leverage, profitability, activity.
TOOLS: Current ratio, Quick ratio, Debt equity ratio, Earning per share, Dividend pay-out ratio, Return on investment, Asset turnover ratio, Total assets turnover ratio.
(Srinivas K T, 2012)

Financial statements are the mirror which reflects the financial position, strength and weakness of the company. John N. Myers defines that "Financial statement analysis is largely a study of relationships among the various financial factors in a business, as disclosed by a single set of statements and a study of the trends of these factors as shown in a series of statements."

TOOLS: Current ratio, Quick ratio, Solvency ratio, Net profit ratio, Return on capital employed, Return on equity ratio, Earning per ratio.

III. FINANCIAL PERFORMANCE
Financial performance analysis is the process of identifying the financial strengths and weaknesses of the company. It also helps in short-term and long-term estimating and growth can be identified with the help of financial performance analysis.

IV. FINANCIAL STATEMENT ANALYSIS
‘Financial statements’ refers to formal and original statements prepared by a business concern to disclose its financial information. AIPCPA (American Institute of Certified Public Accountants) says “financial statements are prepared for the purpose of presenting a periodical review or report on the progress by the management and deal with (i) the status of Investments in the business and (ii) the results achieved during the period under review”. The statements disclosing status of investments is known as balance sheet and the statement showing the result is known as profit and loss account.

V. RATIO ANALYSIS
Analysis and interpretation of financial statements with the help of ‘ratios’ is termed as ‘ratio analysis’. Ratio analysis involves the process of computing, determining and presenting the relationships of items or group items of financial statements.

Ratio analysis was pioneered by Alexander Wall who presented a system of ratio analysis in the year 1909. Alexander’s contention was that interpretation of financial statements can be made easier by establishing quantitative relationships between various items of financial statements.

Ratio can be defined as “Relationships expressed in quantitative terms, between figures which have cause and effect relationships or which are connected with each other in some manner or other”.

VI. CLASSIFICATION OF RATIO

A. Profitability Ratios
Ability to make maximum profit from the optimum utilization of resources by a business concern is termed as “profitability”. Profit is an absolute measure of earning capacity. Profitability depends on sales, costs and utilization of resources. Profitability analysis consists of different elements such as study of sales, cost of goods sold, analysis of gross margin on sales, analysis of operating expenses, operating profit and analysis of profit in relation to capital employed.

1) Net Profit
This ratio is also called net profit to sales ratio. It is used to measure the management’s efficiency in operating the company successfully. It indicates the return on shareholder’s investments.

2) Gross Profit Ratio
Gross profit ratio indicates the difference between sales and direct costs. Gross profit ratio explains the relationships between gross profit and net sales.

3) Operating Profit Ratio
It is the ratio of profit made from the operating sources to the sales. It is shown as a percentage. It shows the operational efficiency of the company and it is a measure of
management’s efficiency in running regular operations of the company.

B. Activity Ratios

Activity ratios highlight the operational efficiency of the business concern. The term operational efficiency refers to effective, Profitable and rational use of resources available to the concern. The ratios comprising this category are calculated with reference to sales or cost of sales and expressed in number of times. The activity ratio indicates the briskness with which the business being carried on.

1) **Stock turnover ratio**

Inventory turnover is a ratio showing how many times a company’s inventory is sold and replaced over a period of time. It is calculated to ascertain the efficiency of inventory management in terms of capital investment. Stock turnover ratio is obtained by dividing the cost of sales by average stock.

2) **Debtor Turnover Ratio**

Debtor turnover ratio used to measure how efficiently a company uses its assets. Debtor turnover ratio can be calculated by dividing the net value of credit sales during a given period by the average accounts receivable during the period.

3) **Creditors Turnover Ratio**

This ratio is also known as accounts payable ratio. Creditor turnover ratio indicates the number of times the payables rotate in year. Creditor turnover ratio is a short-term liquidity measures used to quantify the rate at which a company pays off its supplier.

VII. **Solvency Ratios**

Solvency ratios include all ratios which express financial position of the concern. Therefore financial ratios are classified as:

1) Overall solvency
2) Short-term solvency (or) liquidity ratios
   - Current ratio
   - Liquid ratio
3) Long-term solvency ratios
   - Fixed assets ratio
   - Debt equity ratio
   - Proprietary ratio

VIII. **Conclusion**

Balance sheet is the main document to access the financial sound ability of the concern. The asset details in the balance sheet shall help the investor to decide the investment ideas. The ratio analysis is the necessary tools to the investors to necessarily select and built an effective portfolio. The data helps the investor in developing the strategy for effective investment management.

**REFERENCES**


