

Czech University of Life Sciences Prague

Faculty of Economics and Management Department of

Business Administration



Bachelor Thesis

**Analysis of Financial Position & Performance of Hindustan
Unilever Limited**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Jaimin Patel

Business Administration

Thesis title

Analysis of a chosen stocks – Hindustan Unilever Limited (HUL)

Objectives of thesis:

The aim of this bachelor thesis is to assess the financial position and performance of chosen Indian company by analyzing the company's financial statements with focus on the reported assets, liabilities, expenses and revenues for a chosen period and to identify the possible financial problems and the most significant factors influencing the profit.

To evaluate the financial performance of Hindustan Unilever Limited (HUL).

1.1.1 Methodology:

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen company.

Vertical and horizontal analysis of the financial statements will be used to assess the financial position and performance of the company and to prepare the practical part of the thesis. The methods of analysis, synthesis, comparison, and deduction will be used to formulate the conclusions of the thesis.

The Balance sheet of the company will be analyzed for the assessment of the financial position and the Income statement (Statement of profit and loss) for the assessment of the financial performance. The analysis covers the preceding two financial years i.e., 2019-20 and 2020-21 respectively. Data is obtained from the annual reports of the company. The results of the horizontal analysis will be in % and each item will be compared with the immediately preceding same item from the previous year (i.e., no base year). The definitions of the vertical analysis as well as horizontal analysis are included in the literary review of this thesis.

1.1.2 Recommended information sources:

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Declaration

I declare that I have worked on my diploma thesis titled "Analysis of Financial Position & Performance of Hindustan Unilever Limited" by myself, and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that it does not break the copyrights of any person.

In Prague on date of submission: 30.11.2022

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Analysis of Financial Position & Performance of Hindustan Unilever Limited

Abstract

The goal of this thesis is to assess Hindustan Unilever Limited, India's most successful consumer goods company, in terms of its current financial situation and performance. In the literature review, there is a general overview of the FMCG industry and the state of the FMCG industry in India. There is also information about various financial statements. The steps the government has taken to help the FMCG sector grow are also talked about. Both the balance sheet and the statement of income and expenses are analysed to determine the application's findings about the company's financial health and performance. To determine if there is a potential financial problem, this analysis looks at the representation and changes in the reported assets, liabilities, expenses, revenues, and profit for the selected periods (2020 and 2021). In addition, the thesis provides analytical results. In addition to the data, a conclusion is drawn that elucidates the state and performance of HUL's finances over the course of the designated time frame. This also accounts for a sizeable portion of the variables that influence Hindustan Unilever Limited's bottom line.

Keywords: Financial Statements, Financial Analysis, Financial Position, Financial Performance, FMCG Sector, HUL

Analýza finanční pozice a výkonnosti Hindustan Unilever Limited

1.1.6 Abstraktní

Tato práce se zabývá hodnocením finanční pozice a výkonnosti Hindustan Unilever Limited, největší indické společnosti se spotřebním zbožím. Přehled literatury poskytuje informace o různých finančních výkazech, přehled sektoru FMCG a aktuální scénář Indie pro sektor FMCG. Vysvětluje také opatření přijatá vládou pro růst sektoru FMCG.

Praktická část analyzuje finanční situaci, která je reprezentována rozvahou, a finanční výkonnost, která je reprezentována Výkazem zisku nebo ztráty společnosti pomocí vertikální a horizontální analýzy těchto výkazů pokrývajících finanční roky 2020-2021 s zaměřením na zobrazení a změny vykazovaných aktiv, pasiv, nákladů, výnosů a zisku za zvolené období pro identifikaci potenciálních finančních problémů a nejvýznamnějších faktorů ovlivňujících výnos. Dále práce popisuje poznatky vycházející z analýzy.

Kromě zjištění je formulován i závěr, který poskytuje náhled na celkovou finanční situaci a finanční výkonnost společnosti HUL za dané období. Představuje také významné faktory ovlivňující zisk Hindustan Unilever Limited.

Klíčová slova: Účetní závěrka, Finanční analýza, Finanční pozice, Finanční výkonnost, Sektor FMCG, HUL

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List of abbreviations

FMCG – Fast Moving Consumer Goods

MNCs- Multinational Companies

FDI - Foreign Direct Investment

PIB - Press Information Bureau

HUL - Hindustan Unilever Limited

ICAI- Institute of Chartered Accountants of India

ASB- Accounting Standards Board

Ind-AS- Indian Accounting Standard

ITC – India Tobacco Company

GST - Goods and Services Tax

PLI – Postal Life Insurance

HURC - Hindustan Unilever Research Centre

SHG – Self-help group

2 Introduction

The fast-moving consumer goods (FMCG) sector is a major economic driver in India. About 5% of India's total manufacturing capacity is located in this fourth-largest sector of the economy, which employs an estimated three million people. Everyone, regardless of socioeconomic status, demographics, or other demographic markers, regularly uses these products.

Dr. Pramod H. Patil (2016) says that the fast-moving consumer goods industry is profitable because it has low market penetration, an efficient distribution system, low operating costs, low per capita use, a large customer base, and simple, menu-based procedures that don't require a lot of initial capital. Due to the presence of both formal and informal players, competition is fierce in this market. Many offline businesses dominate the market because they sell products that have not been officially released or licenced for sale. Sales of items costing ten rupees or more per unit account for more than half of FMCG firms' total revenue. Over the past decade, local players have made a number of significant international applications, laying the groundwork for the expansion and expansion of many multinational corporations. Between 2005 and 2014, domestic firms saw a 24% increase in project size, while international firms saw a 14% increase (Dr. Pramod H. Patil, 2016). Overall FMCG consumption in India is divided between the country's urban and rural areas, with the former accounting for 66% and the latter for 34%. However, more than 40% of all FMCG consumption in India comes from rural areas. This includes items like personal care products, textile care products, and hot beverages. Businesses like Hindustan Unilever Ltd. and Dabur India, according to ASSOCHAM, get roughly 50% of their sales from rural India. Colgate-Palmolive India and Marico, both of which have headquarters in the country's commercial capital, Mumbai, each see roughly 37% of their total sales come from rural areas (Dr. Pramod H. Patil, 2016).

Forecasts place the size of the Indian retail market at \$1.1 trillion in 2020, up from \$840 billion in 2017. Today's trade is predicted to grow by 20–25 percent annually, which will likely boost FMCG companies' profits. In fiscal year 2018, the fast moving consumer goods (FMCG) industry brought in Rs. 3.4 lakh crore (about \$ 52.75 billion USD), with projections for that number to rise to \$ 103.7 billion USD by fiscal year 2020. Nielsen reports that the FMCG industry in India grew by 9.4% between January and March of 2021. ² This is according to data collected during that time period. Both expansionary fiscal policy and the

inflation caused by rising costs for basic commodities contributed to this expansion. After two quarters of data collection, domestic markets saw an increase of 14.6 percentage points in the same category, and municipal markets also showed positive movement. Increasing demand in rural areas will fuel the FMCG industry. About 36% of FMCG's overall value creation can be attributed to this factor. Fast-moving consumer goods in rural India saw double-digit growth of 10.6% in the third quarter of FY20 due to a number of government programmes (including integrated basic food and sanitation), high agricultural productivity, migration backlogs, and low unemployment rates.

The Indian food market is expected to grow from a projected total of \$263 billion in 2019–20 to a sizable \$470 billion by the year 2025. The government has approved a policy of allowing 100% FDI in the production, distribution, and consumption of food, but only 51% FDI in bulk goods. As a result, the hiring and procurement of fast-moving consumer goods (FMCG) products in the planned retail market will be strengthened, and the visibility of these goods will increase, which will increase consumer spending and lead to the introduction of more products. Foreign direct investment (FDI) totaled a respectable US\$18.19 billion in the sector between April 2000 and March 2021. (India Brand Equity Foundation, 2021). There has been a shift toward the use of rural areas as a result of rising incomes and interest rates. A growing number of people in rural India are buying name-brand products.

The FMCG market in rural India is expected to grow from \$23.6 billion in FY18 to \$220 billion in 2025. Conversely, as the informal sector's market share in the FMCG industry continues to shrink, the formal sector is projected to expand thanks to rising brand recognition and the proliferation of cutting-edge retail outlets. In contrast, the informal economy has seen its market share shrink. The rising number of young people settling in India's major cities is another important factor driving the demand for restaurants and other food services in the country. Most young Indian workers do not have time to prepare meals at home because of work obligations (Media Reports, Press Information Bureau (PIB), First Post, 2021).

India is home to a large youth population that represents the bulk of the country's consumers and workers. Websites are expected to play a significant role for companies looking to enter the market. The Internet has made it much simpler and cheaper to provide Internet service to businesses. By 2025, it's expected that 1 billion Indians will have access to the internet. By 2020, 40% of all fast-moving consumer goods (FMCG) in India will be purchased online.

The fast-moving consumer goods market is expected to grow from \$US20 billion in 2017 to \$US45 billion by 2020. The Goods and Services Tax is expected to bring in \$15 billion per year in revenue for India. It is predicted that the Goods and Services Tax (GST) and demonization will increase demand in both rural and urban areas, leading to sustained economic growth and better corporate performance in the sector ("Media Reports, Press Information Bureau (PIB), First Post, 2021").

3 Objectives and Methodology

3.1 Objectives

The goal of this bachelor's thesis is to analyse the reported assets, liabilities, expenses, and revenues of a specific Indian company in order to assess the company's financial position and performance over a specified time period. This thesis will also make an effort to identify potential financial issues and the factors that have the greatest influence on the company's profit. This analysis has been conducted to evaluate Hindustan Unilever Limited's financial performance (HUL).

3.2 Methodology

The literature review's methodology is grounded in research gleaned from the relevant legal framework, specialised publications, and other printed or digital sources. The practical portion of the thesis will be based on data collected from the chosen company's publicly available annual reports. It is necessary to perform a vertical and horizontal analysis of the financial statements in order to assess the company's financial position and performance and to compile the practical portion of the thesis. Study, synthesis, comparison, and deduction are all methods of research that will be used to arrive at the thesis's conclusions.

The income statement (also called the "Statement of profit and loss") and the balance sheet (also called the "Statement of financial position") will be analysed to determine the company's financial health. The financial health of the business will be assessed using the balance sheet. The analysis considers both the 2019–20 and 2020–21 fiscal years in addition to the current year. The information is gathered by reviewing the company's annual reports. Horizontal analysis data will be presented as a percentage change from the previous year's corresponding value (i.e., no base year). In the literature review of this thesis, the terms "vertical analysis" and "horizontal analysis," which are important to the research presented here, are defined.

4 Literature Review

The literature review's overarching goal is to lay the theoretical groundwork for the thesis; its specific focus is on the features of the selected financial statements that conform to Indian accounting standards. The literature review sets the stage for the practical part of the thesis by describing the fast-moving consumer goods (FMCG) industry in India and introducing well-known methods for analysing financial data.

4.1 Definition of Financial Statement

One of the most fundamental and technical aspects of successful financial management is making good decisions at the right time. Taking a look at the financials is a smart move. Financial statement analysis, as described by Drake (2010), requires the selection, testing, and interpretation of financial data. He also noted that it presents data that can be used to inform prudent financial and investment choices. In addition, it's a way to figure out where a company stands financially. This is done by finding the right link between the entries on the balance sheet and the entries on the income statement.

An analysis of the financial statements can be thought of as a means by which a company employee moves closer to achieving the organization's ultimate goal. The many possible readings and perspectives are a testament to its flexibility. It is possible for the current economic climate to be reflected in a balance sheet or other financial statement (position statement). Multiple time-based activities, such as the profit-and-loss statement, can be indicated by the data as well (e.g., income statement). The performance outcomes over time are documented in the financial report. (Rao, 2011).

For John Hampton (1976), a financial statement is "a set of data following sound and consistent accounting procedures." There is a lack of citations for this section. The purpose of this exercise is to learn about a company's finances. The results can be a list of actions taken over a certain time frame (as in an income statement) or a snapshot of the present (as in a balance sheet) (Rao, 2011).

One can categorise the financial statements into four broad groups. In the first place, the balance sheet will reveal the financial standing of the company as of the specified date. The assets, liabilities, and owners' equity of a company are listed, along with other financial data and the balance sheet date. The second part of an income statement breaks down the cash flow for the time span between the first and second periods. The third part of the income

statement details the growth or decline in the company's cash flow as a result of the period's earnings. Money coming in and money going out are broken down in a cash flow report.

4.2 Accounting System in India

The Indian Accounting Standard, or Ind-AS, as it is commonly abbreviated, is the norm for accounting in India. The Accounting Standards Board (ASB), a nonprofit organisation founded in 1977, oversees the publication of these guidelines. Government agencies, academics, and other organisations make up the Association of Statutory Auditors of India (ASB), a committee of the Chartered Accountants Institute of India (ICAI). ICAI, along with participants from ASSOCHAM, CII, and FICCI. The ICAI was originally established by a legislative act. The "Central Government shall prescribe accounting standards," as stated in Section 133 of the Indian Companies Act of 2013, The Central Government of India will look at the recommendations of the Institute of Chartered Accountants of India, which was set up by section 3 of the Chartered Accountants Act of 1949, before making any decisions about accounting standards or changes to those standards.

4.3 Mandatory Financial Statements in India

When doing business in India, one will need to compile the following financial reports:

- Income statement
- Balance sheet
- Cash Flow statement
- Notice of changes in equity

Financial Performance Statement - The income statement details the income and costs incurred by the company as well as any gains or losses that were realised during a given accounting period (Dr. Rohit Bansal, Sanjay Kumar Kar, and Dr. Saroj Mishra). You have the option of writing this statement in either a multi-step or a single-step format. Also, investors often overlook the importance of the income statement. An investor looks into a business to gauge its profitability. Investors often use a time series analysis to compare and contrast the data as part of the process of evaluating the management of a company.

The income statement provides a comprehensive account of a company's financial health over a specified time frame, usually a year. Some income statements are further segmented into functional and non-functional categories to give investors a more complete

picture. Financial institutions will examine a company's income statement to gauge the likelihood that it will be able to meet its debt obligations as they mature. Once the tax is paid to the lenders, many benefits to the investors can be publicised. Because of this, investors will be compelled to fall in line.

Financial Position Statement - Financial statement analysis, as defined by Drake (2010), is the process of selecting, evaluating, and interpreting relevant financial data in addition to other relevant information for the purpose of assisting in the making of investment and financial decisions. Correctly establishing a relationship between the items on the balance sheet and the items on the profit and loss account is also a part of financial statement analysis. Generally Accepted Accounting Principles are followed (Dr. Rohit Bansal, Sanjay Kumar Kar, and Dr. Saroj Mishra). The balance sheet is a crucial financial statement that lists the assets and liabilities of a business and takes into account both current and future financial commitments. A company's goodwill, trademarks, and patents are intangible examples of fixed assets. Being a representation of the company's financial health as of a future date, it is often referred to as a "snapshot" of the entire business. The balance sheet is used by creditors to ascertain how much of the company's debts they hold. Creditors can also figure out if the company will be able to pay back the loans by looking at the liquidity ratios.

Cash Flow Statement - A company's cash inflows and outflows over a certain time period are outlined in a cash flow statement (Mr. Kalpesh U Suthar, 2018). The inflow and outflow of cash and other liquid assets is summarised in a company's cash flow statement, a type of financial statement. Operating cash, investing cash, and financing cash are the three main parts of a cash flow statement. There are two ways to determine cash flow: the direct and indirect methods.

Statement of Equity Changes - The statement of changes in equity provides a means of comparing the beginning and ending balances of a shareholder's equity. It is a type of financial statement that shows how shareholder equity changed over the course of an accounting period.

4.4 Methods of Financial Statement

Monetary policy, economic trends, long-term plans for business activity, and the identification of potential investment projects or companies are all determined by financial analysis. To reach this objective, it is necessary to examine financial data and numbers. The financial statements are a primary source for analysis, and ratios can be calculated from the information there. The ratios are then compared to those found in the financial statements of other companies or to the company's past performance.

Financial ratios consist of three subsets: liquidity ratios, leverage ratios, and profitability ratios (Dr. V. Sugumar and Mrs. N. Prema, 2019). Horizontal and vertical analysis of the company's financial information and the calculation of various financial ratios are the two primary methods for assessing the company's financial statements. Taking either of these stances is crucial (Kobyletskii and Sakevych, 2015). Vertical analysis is a method for assessing the significance of a given item in the financial statements by estimating its value based on the total amount. By comparing the current year to a prior year, one can gain insight into the balance as well as price changes (Kourtis, Kourtis and Curtis, 2019). Alternately known as "practise analysis," horizontal analysis is another name for the same concept.

Using this method, you can view comparative data on past deliveries and their timing. As such, it can serve as a baseline for the target year or it can be used as the previous crucial year and compared every two years to monitor the development of a specific trait over time (Kourtis, Kourtis, and Curtis, 2019).

Ratio Analysis - According to Manish and Shaban (2013), ratio analysis is a crucial method of financial analysis. It connects the dots and shows how various things are related to one another. Rates used in economic measurement are typically selected using the company's financial statements as a reference. There are a handful of standard metrics used to assess the health of a business or other organization's finances. Financial analysts use financial estimates to reevaluate the relative merits of various organisations. Research by Brigham and Houston (2009) found that through comparative analysis of those funds, two or more strong performances in the same industry were identified. Moreover, they looked into how the company's finances had changed over time. Financial ratios cannot be calculated or analysed without access to data from at least two financial statements. As a part of analysing financial ratios, this is possible (Woo & Baker, 2005).

Financial statements can be analysed using a variety of ratios, including:

- Liquidity Analysis Ratio
- Profitability Analysis Ratio
- Activity Analysis Ratio
- Capital Structure Analysis Ratio
- Capital Market Analysis Ratio

Most of these metrics can be computed using data from the company's financial statement archive. This means they can be put to use in various types of analysis, including making comparisons between the current financial state of a company and its historical performance or that of competing businesses. Predicting a company's demise or liquidation can also be done on the basis of financial projections.

4.5 Overview of FMCG Sector

The primary goals of the Fast Moving Consumer Goods (FMCG) or Consumer Packaged Goods (CPG) industry are the development, distribution, and promotion of goods designed for widespread consumption. The manufacturing of fast-moving consumer goods is the country's fourth-largest economic driver. Household and personal care items make up half of industry revenue, while health accounts bring in 32%, and food and beverage make up the remaining 18%.

Market Size - Over the past decade, India's fast-moving consumer goods industry has seen a revenue increase of 21.4%. Revenue in the FMCG sector has undergone a significant shift, rising from \$31.6 billion in 2011 to \$52.8 billion in 2017-2018. As such, this is a major shift. The fast-moving consumer goods (FMCG) market in India is projected to increase at a CAGR (Compound Annual Growth Rate) of 27.9% between 2015 and 2020, reaching a value of US\$103.7 billion in that year. The rural market for fast-moving consumer goods (FMCG) is predicted to grow at a CAGR of 14.6%, reaching \$100 billion in value by 2020 and \$220 billion by 2025. Approximately 55% of the total budget in the FMCG industry comes from urban planning, while the remaining 45% comes from rural planning. More than two-thirds of the Indian population resides in rural areas, and this demographic accounts for roughly half of all retail sales of fast food and other consumer staples in the country (FMCG). By 2025, 850 million Indians are expected to have bought consumer goods online.

Investment and Development - When it comes to food consumption and sales of a single product, the government has approved a whopping 100% FDI, but when it comes to bulk products, it's only approved 51%. This will boost consumer spending and the

introduction of new products by increasing the hiring and procurement of FMCG goods in the planned retail market. The industry was able to bring in US\$18.19 billion in FDI between April 2000 and March 2021. Here are some of the newest trends in the fast-moving consumer goods industry:

- In June of 2021, Dabur India announced plans to build a new plant in the Indian state of Madhya Pradesh, where it would produce food items, ayurvedic medicines, and health supplements at a cost of Rs. 550 crore (approximately \$75.6 million).
- Nepal announced their intention to invest in May of 2021. CG Corp Global is a company based in China that makes the Wai Wai brand of instant noodles. Two new factories in the states of West Bengal and Uttar Pradesh are getting a combined investment of 200 crore, or about 27.42 million dollars.
- Vitamin E, Vitamin B12, Vitamin B6, Selenium, and Zinc were all introduced by Rasna in April 2021 as part of a new emphasis on affordable military defense.
- In March 2021, as part of a broader push into new product categories like chocolate and staple foods, ITC Ltd. introduced a selection of new cakes and pastries.
- An energy drink called RIDER was released in March of 2021 by the Sanjay Ghodawat Group. Today, one can get it from a number of different retail outlets, such as supermarkets, general merchandise stores, and even e-commerce websites.
- In February of 2021/22, Nestle India announced plans to expand their business to more than 1.2 lakh villages, each with a population of more than 5,000 people.
- In February 2021, food and drink manufacturer Haldiram partnered with Future Africa's Africa to distribute Future Africa's full line of nutritional products in India. The two companies have launched a line of four new products, including High Protein, Crunchy Granola, Smart Foods, and Smart Oats and Ancient Grains.
- In order to take over the urban internet market, Tata Consumer Products said in January 2021 that it would add more of its beverage products to its consumer-oriented platform.
- Tata Consumer Products released not one, but two new products in January of 2021: Tata Tea Tulsi Green and Tata Tea Gold Care. The company also reformulated the classic Tetley Green Tea by adding vitamin C.
- Dabur India made the decision to enter the "cow ghee" market in January 2021. 1 For this product, we'll be using milk from traditional cows raised in Rajasthan.

- The year 2021 began with Dabur India's decision to enter the "cow ghee" market. The milk used in the making of this product comes from native Rajasthani cows.
- Del Monte's new special bag package for olive oil in India made its way to stores in January 2021, making the product more widely available to Indian consumers. The bag of olive oil costs Rs. 250, which is approximately \$3.42 in the United States. It contained 1 litre.
- In January 2021, Indian fast-moving consumer goods (FMCG) companies planned to start selling oral sprays, ayurvedic mouthwash, and mouthwash to meet the growing demand for hygiene products and to add to their range of oral care products.
- Oil Extraction is an ayurvedic compound that has been marketed by a number of companies, including Colgate Palmolive (India) Ltd. and Dabur India. Oil extraction from this compound is part of a daily routine practised in accordance with the Ayurvedic ageing programme.

Government Measures - Some of the major steps the Indian government has taken to boost the fast-moving consumer goods industry are outlined below.

- On November 11, 2020, the Union Cabinet approved a PLI for Production (PLI) in 10 key sectors in an effort to boost India's manufacturing capacity exports and promote the "Atmanirbhar Bharat" programme (including electronics and white goods). The government did this to spread awareness about the Atmanirbhar Bharat programme.
- An expanding integrated food sector will help raise prices for farmers and cut down on the excessive amounts of food waste that currently exist. Unique product lines have been developed to back up the PLI initiative. This could result in the creation of 50-100 new jobs in the region as a whole.
- Up to 100% FDI in the form of part financing and carry on the sale of a single product, and up to 51% FDI on the sale of multiple products, has been approved by the government of India.
- When making a new bill to protect consumers, one of the government's main goals is to come up with an all-around plan to make delivery easy, quick, cheap, and on time. Products in the fast-moving consumer goods (FMCG) industry, such as soap, toothpaste, and hair oil, now fall into the 18% tax bracket, down from the 23-24% tax bracket that existed before the implementation of the Goods and Services Tax

(GST). There has also been a reduction in the GST rate, which now ranges from 0% to 5% on food products and from 12% to 18% on hygiene products.

- The Goods and Services Tax (GST) is expected to update and streamline the FMCG industry's infrastructure. All big companies eventually move their operations to a smaller number of larger, better-protected assets and storage facilities.

4.6 Major FMCG Companies

ITC - Successfully operating in India for over a century and a half, ITC Ltd. has developed a nuanced understanding of the Indian consumer. ITC has earned a stellar reputation for its ability to ensure a consistent quality of manufacture and presentation. They put forth considerable distribution efforts across the entirety of India. This has made it possible to travel to previously inaccessible areas by simply visiting a small number of stores. This firm produces and sells a wide variety of brands, including Bingo, Sunfeast, Aashirvaad, Fiama Di Wills, Vivel, Savlon soap and hand wash, Papercraft, and Classmate. There are many different cigarette brands available in India, but ITC controls 77% of the market thanks to its production of popular names like Wills Navy Cut, Gold Flake Kings, Silk Cut, India Kings, Bristol, Gold Flake Super Star, Gold Flake Premium Lights, Classic Menthol, and many more. ITC reported a net profit of \$ 15,300 after tax for FY2020.

Nestle - Nestle, headquartered in Switzerland, is a multinational food and beverage corporation. After more than 150 years in business, the company is still going strong on every continent. Originally called the Nestle Anglo-Swiss Cucumber Milk Company, the company's roots can be traced all the way back to India in 1912. They provide options that fit the nutritional and health needs of the Indian market. Nestle sells a huge selection of products, including beverages, bottled water, milk, cereals, fast food, performance and nutritional health care products, and much more. "One," "Milkmaid," "Nestea," etc. Nestle Cerelac, a competitor in the infant formula market, has a 96.5% share of the market for babies six months and older who are supplemented with formula.

Britannia Industries - Britannia Industries is one of the country's oldest continuously operating food manufacturing firms. It was founded in Kolkata in 1892 with an initial investment of only 295 rupees. Over 5 million stores around the world carry their products. Half or more Indian families take great satisfaction in preparing and eating their own food. FMCG is widely recognised as the first company in the country to completely phase out trans fat. In addition to networks in 60 other countries, they have a sizable presence in India

as a distribution hub. Britannia Industries produces a wide range of food items, including the well-known Good Day, Tiger, Milk Bikis, Bourbon, Marie Gold, cake, cheese, milk, and yoghurt. This company's product is the undisputed leader in the organised bread market.

Marico - In 1990, in the heart of Mumbai, Marico was born. After getting their start in producing coconut and refined edible oils, the company branched out into other product categories. Its success can be traced largely to the popularity of its two most well-known brands, Saffola and Parachute. The company has only been around for thirty years, but in that time it has already achieved remarkable growth and success. Despite competition from other premium edible crude oil producers, Savola has maintained its 73% market share. However, 59% of the market is owned by the Parachute brand. Furthermore, this accounts for 90% of their revenue. Its current reach spans 25 countries in Asia and Africa that are considered emerging markets. In order to maintain the "Make a Difference" brand identity, the company is keeping the innovative new product in use throughout all stages of manufacturing and product presentation. Some of Marico's private labels include Parachute, Saffola, Nihar, and Livon. Set Wet and Mediker are two of the other in-house labels available. It stocks international labels such as Parachute, Haircode, Civil, Black Chic, Isoplus, Code 10, and X-Men, among many others.

5 Practical Part

Using vertical and horizontal analysis of the chosen financial statements of the company and the calculation of selected ratios of economic analysis, the practical portion of this bachelor thesis analyses the financial position (represented by the balance sheet) and financial performance (represented by the statement of profit or loss) of a chosen Indian company, Hindustan Unilever Limited (HUL).

5.1 General Information about HUL

HUL has been around for more than 85 years, making it the longest continuously operating business in India. Our products are used daily by nine out of every ten Indian households, giving us a unique chance to shape the future in our favour. We have built a strong reputation for the integrity with which we conduct business, the positive social impact of our products, and the high quality of their designs. HUL's products and services are designed to make customers happy and help them improve their health, appearance, and overall quality of life. HUL sees this as contributing to its ongoing mission to improve the world. HUL, or Hindustan Unilever Limited, is a major player in the FMCG industry. The HUL headquarters are located in the Indian metropolis of Mumbai. HUL is a wholly owned subsidiary of Unilever. In 2007, HLL changed its name to HUL. HUL has a bigger share of the Indian FMCG market than any of its competitors. A total of 44 products, organised into 14 categories, are currently available to customers of the company in India. Some examples are drugs, tea, coffee, ice cream and ice desserts, food, and healthy beverages. Other examples are textile solutions for the home and personal hygiene products for oral care and skin cleansing. Lifebuoy, Surf Excel, Rin, Wheel, Glow & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Ax, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's, Horlicks, and Pureit are just some of the well-known brands it carries. It also produces the Closeup, Ax, and Brooke Bond lines of products. The company employs about 21,000 people and has a yearly revenue of INR 45,311 crores (2020–21 financial year). Unilever is a major global supplier with a wide range of food, home care, personal care, and rehabilitation products. The company's goal for 2020 is to achieve annual revenue of €51 billion, with sales of its products available in more than 190 countries. Unilever owns a piece of HUL. Forbes ranks HUL as the 8th most intelligent company in the world, making it the

most intelligent company in India. As the "Choice of Choice" in the industry for the past 12 years running, Aon Hewitt recognises HUL as one of the best places to work.

5.2 SWOT Analysis of HUL

To assess its strengths and weaknesses, as well as the strengths and weaknesses of its competitors, the HUL Company employs a SWOT analysis. The company will be better able to adapt to the ever-evolving market thanks to this.

Table 1: SWOT Analysis of HUL

Strengths	Weaknesses
High Demand and Preferred Brand Market Leader in FMCG Sector Creative FMCG Company The comprehensive and automated delivery chain Indirect spread Streamline Shakti Project High Brand Awareness Product line Financial position Market share Wallet Share Brand Extensions Dealer community Return on capital expenditure Automation Qualified Employees Entering new markets Social Media Relationships	Declining market share The extensive product range in different product categories No Ayurvedic Products
Opportunities	Threats

Market expansion	Market competition
Consumer goods use price awareness	Price of raw material
Income growth rates	Consumer control
Ayurvedic Products	Changing Government Practices and Regulations

Strengths

- With products like mineral water and soap and soap, HUL is the most popular and in-demand brand in the world, and they help 1.3 billion people every day. HUL's presence in the consumer goods market with its 20 or more consumer components (soap, detergent, tea, cars, etc.), each with a wide variety, has helped it gain sway over the space on a broad shelf of stores and stores, defining the acceptance and demand of their products in the market itself. Soap, detergent, tea, automobiles, etc., are all examples of consumer goods.
- According to Nielsen, the FMCG industry leader, 66 percent of Indian consumers buy HUL-made products. Targeting is a key part of HUL's plan to keep being the market leader in India.
- Bangalore is home to the Hindustan Unilever Research Center (HURC). They are well-known for their innovative fast-moving consumer goods (FMCG). The innovative research and development done at this facility is a big reason why HUL is still the leader in the consumer goods market.
- HUL's four-tiered distribution model is largely responsible for the success of the company's products. Only a fully integrated and automated supply chain makes this a reality.
- Within a city of fewer than 50,000 people, direct access by common stock is possible.
- As a result, the areas closest to the larger commercial markets were the ones that were directly targeted.
- The local grocery store is a time-saving shortcut for reaching off-road markets.
- The Shakti Project aims to empower rural Indian women who are already part of a self-help group (self-help groups).
- Different types of markets have formed because of things like how easy they are to get to and how much money they can make.

- Brand Recognition at Its Peak: HUL has successfully used celebrity endorsement deals to boost product awareness and sales over the years. With this plan in place, they have been able to market to a wide range of industry leaders and get a lot of people to like their well-thought-out products.
- Products in a Line Product groups such as "Oral Care," "Personal Care," "Home Environment," "Textile Care," "Animal Feed," and so on are included.
- HUL's position financially means HUL is in good shape. HUL is backed by Unilever, which makes up about 67% of HUL's population and has been in the FMCG industry for over 80 years.
- Even though there is a lot of competition, HUL has kept its market share in many product categories. When one buys surf, wheels, or Rin cleaners, a portion of your purchase price goes to HUL.
- To get a buyer's fund share, HUL used a strategy of selling different products to different customers (called "target selection") at different prices.
- Using product extensions, which are a part of the HUL brand, gives consumers a sense of pride in the company's newest offerings. Dove products, such as Dove bar soap, Dove shampoo, Dove moisturiser, etc.
- HUL has robust supplier relationships and promotes its products and training programmes actively within the dealer community.
- HUL has a solid track record of generating a healthy ROI across a wide range of business types.
- The increased efficiency of resource utilisation and the decreased total production costs at every stage of manufacturing are direct results of the widespread adoption of automation in this sector.
- It also lets its assets maintain a high level of quality and gives them the freedom to promote and improve the product based on what the market wants.
- Workers Who Have Proper Credentials HUL has a sizable team of educated, hardworking professionals, in part because of the company's commitment to their education. It has a very diverse staff in terms of race, ethnicity, culture, and education level, which has helped the company come up with new ideas and strategies.

- One has been able to break into new markets with the help of HUL's innovative teams, who also gave a hand when it came to creating new products. Many of its campaigns in untapped markets have been highly successful.
- HUL's social media channels boast millions of followers on Facebook, Twitter, and Instagram. A high level of customer engagement is not accompanied by a commensurate increase in customer response across those channels.
- The company's strategic positioning and proximity to its target market allow it to offer its services to them at a lower price than its competitors. HUL's robust IT infrastructure allows the company to efficiently manage both internal and external business.
- In the realm of intellectual property, HUL is the proud owner of numerous patents and trademarks. This calls for the prohibition of their wares, which prevents competitors from duplicating them or reclaiming them from their creators.
- HUL has been around for quite some time, and the company is finally starting to become well-known among consumers. This helped him become more knowledgeable about his offering. Their assets are considered to be fair value because they have maintained their value over time and customers continue to view them as worth the money they pay for them. Partnerships: HUL works to strengthen its ties with its suppliers, distributors, and retailers, as well as any other companies that show interest. Therefore, she will be better prepared to use them when the time comes.

Weaknesses

- Due to competitors focusing on one product and buying HUL stock to meet demand, HUL has seen a decline in market share.
- As a result of having so many options in so many different categories, it can be difficult to properly position such a wide range of products.
- The ongoing price dispute is made worse by the prices in some areas, like the part of the Kwaliti market that Amul now runs. The Hindustan Unilever Limited does not stock any Ayurvedic remedies or treatments.

Opportunities

- Market Growth The consumer goods market is anticipated to expand steadily as a result of the formalisation of the informal sector and the penetration of new domestic markets enabled by the Shakti system.

- Advertising, word of mouth, and medical professional recommendations all contribute to raising consumers' awareness of a product's existence and price, paving the way for its eventual adoption. It's possible that this will cause people to buy more stuff.
- Political unrest, improved education, and moderate price increases all contribute to higher discretionary incomes, which in turn fuels greater consumer spending and societal shifts. Increased rates of income growth are a direct result of this.
- The HUL brand name is now available for use in the production or sale of ayurvedic goods. The door is now open to you.

Threats

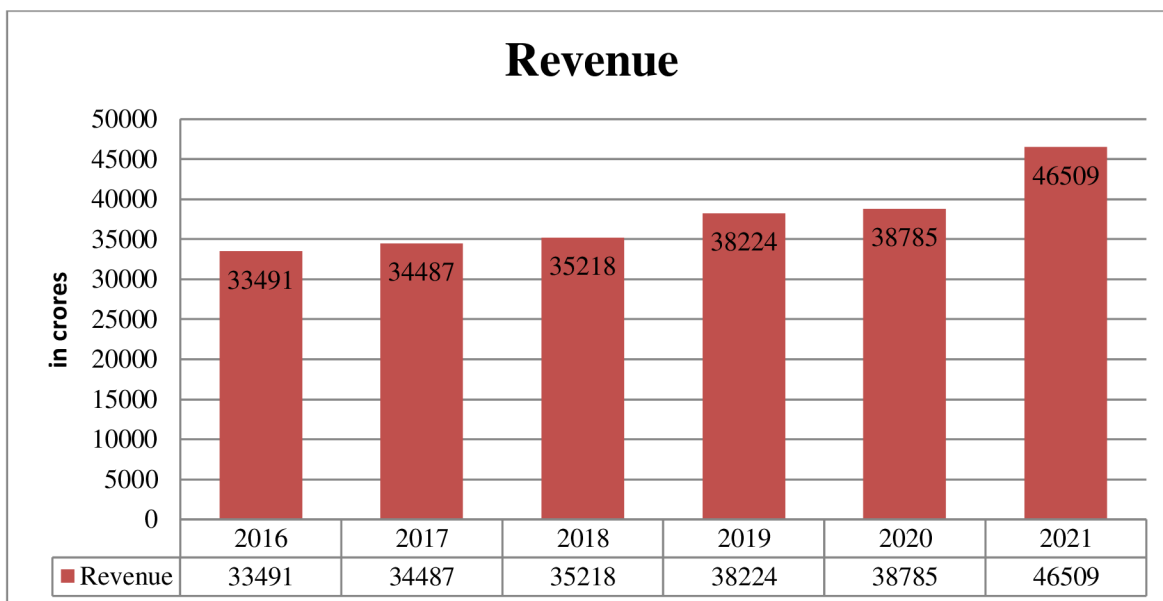
- Market competition: As the number of regional and national competitors increases, it becomes more difficult for businesses to carve out a unique niche for themselves.
- There is also a chance that consumers' ideas about the brand will be hurt by the availability of knockoffs. The cost of the primary commodity In an inflationary spiral, rising commodity prices feed on themselves.
- Managed by the consumer: Businesses that deal in consumer goods are growing at a rapid clip. As a customer, you can take advantage of the many discounts and special offers they have available. As a result, maintaining customer loyalty to a single product is challenging, necessitating periodic product revisions.
- A consumer's final choice is based on a number of things, like how easy it is to get to, how many options are available, and how much they cost. Changes in Governmental Policies and Procedures When the policies and practises of a business are altered as a result of changes in government policies and regulations, the effects can be dramatic.

5.3 Revenue Growth Analysis of HUL

For this study on Hindustan Unilever Limited's revenue growth from 2016 to 2021, we analysed the company's financial data. As of the end of March, Hindustan Unilever Limited's fiscal year will have ended. Hindustan Unilever Limited's fiscal year runs from April to March, so the figures shown in the company's financial statements cover that entire time period. HUL's 2016 fiscal year revenue was 33491 crores. HUL's reported annual profit of 4490 crores in 2017 is nearly 9% higher than the reported profit of 4137 crores in 2016. The company's product net sales rose between the previous and current fiscal years. Total

net sales for 2017 of 33895 crores were up from 2016's total of 32929 crores, an increase of 3%. Total net sales in 2018 were 34169 crores, a 4% increase over 2016 and a continuation of the upward trend seen in the two previous years. The 2019 net sales of Rs. 3,76,00,000 are up 10.08 percent from last year's total of Rs. 3,419,000. There was an increase of 4731 crores, or 13%, in net sales volume from 2018 to 2019, with 2019's total coming in at 32929 crores.

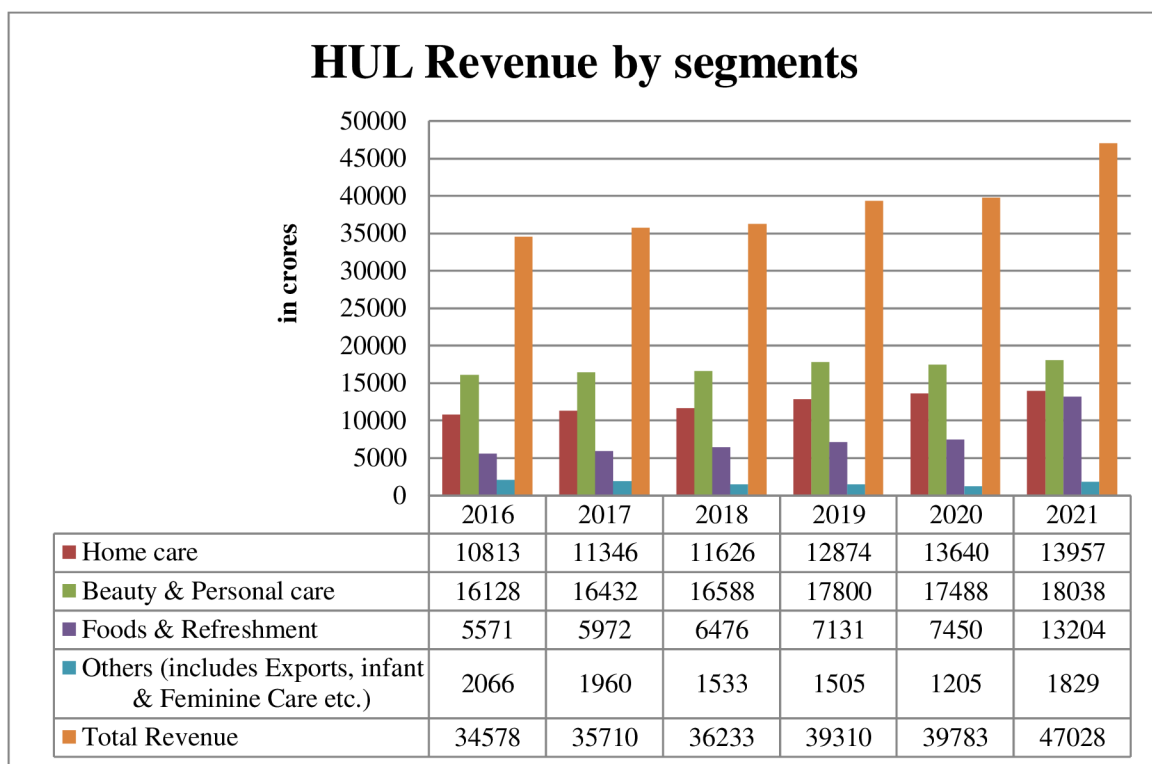
Figure 1: Revenue Chart by Years 2016-2021



Source: Own figure based on Summary data from Hindustan Unilever Limited

From 2016 through 2021, Figure 1 shows HUL's annual revenue. The above bar chart illustrates how the company's profit has grown each year since 2016. In 2021, returns hit a record high of 38.87%, or nearly 46509 crores. A rise in product net sales is largely responsible for this improvement. Following 2019, 2020 saw the second largest increase, of 1.54%, or 561 crores. The amount increased in 2020. So, one can conclude that the company's profit is going up, that its income is stable, and that it is likely to keep going up in the near future. Hindustan Unilever Limited: A Breakdown of Divisional Sales Each product type was analysed in order to learn more about them individually. The most up-to-date information from each year was used to do an analysis of the company's most important product lines and sources of income over the past five years.

Figure 2: Revenue of HUL Products by Years 2016-2021



Source: Own figure based on Summary data from Hindustan Unilever Limited

The annual sales for each department are shown in Figure 2. This number proves that the demand for cosmetics and personal care items is increasing at a rate higher than that of other product categories. It also compares each year from 2016 to 2021 and displays the results. Generally speaking, the category of beauty and personal care had the best results for the year, as represented by the highest point on the chart. The beauty and personal care industry generated over Rs 20,000 crores in revenue in 2016, but only Rs 304 crores the following year. This has never happened before, so this is the first year it has happened. The most recent year saw significantly higher levels of net sales for beauty and personal care products when compared to previous years.

The sales revenue of the beauty and personal care department hit a record low in 2016. When it comes to consumer goods, home care is the sector with the second-highest sales point. A total of Rs. 10813.0 million was earned in revenue from the home care business in 2016. There was a 5% increase in home care sales from 2016 to 2017. The company's homecare division and overall net sales fell in 2016 compared to 2017. Food and beverage sales increased dramatically in 2021, reaching a total of 13,204 crores. The demand for food and drink continued to show signs of slowing down in the ensuing years, resulting in declining sales. As of the end of 2016, the food and beverage industry brought in a total

of Rs 5,571 crore. The company's sales increased in 2017, bringing in a total of 5972.0 crores. The other divisions of Hindustan Unilever Limited generated the most income in 2016 (roughly 2,066 crore), indicating a positive outcome. Sales of feminine hygiene products, baby food, and exports are additional revenue generators.

Money allocated to "others" will decrease over the next four years. Other divisions brought in a total of \$20 in 2017, but this fell to 1533 and 1505 in 2018 and 2019, respectively. Furthermore, by 2020, it had fallen to 1,205 million. However, the previous figure will be increased to 1829 crores in 2021. Our findings suggest that Hindustan Unilever Limited had a prosperous 2021, and you can see an increasing trend in revenue across all of the divisions (barring a few others) for the entire year. Overall sales for HUL in its fiscal year 2021 amounted to 47028 crore, an increase of 11% from the previous year. Feel free to browse the cosmetics and toiletries aisle without any pressure to buy.

Even though demand is heavily influenced by macroeconomic factors, it is still a major source of revenue for the company, making up 38% of total revenue. Keeping its dominant position in the hair care and skincare markets is a top priority for HUL as it strives to strengthen its market position in the Beauty and Personal Care sector by expanding the reach of its flagship brands like Dove, Pond's, and Sunsilk. It is expected that the food and beverage industry will expand rapidly as a result of the latest investment by GlaxoSmithKline Consumer Healthcare (GSKCH). Other areas, such as care for infants and women, are seeing much slower rates of expansion. Hindustan Unilever Limited, which just bought Glenmark Pharmaceutical, has made it a top priority to increase its share of these niche markets by putting out new, innovative products in the sector.

5.4 Financial Position Analysis of HUL

Both a vertical and horizontal analysis of the balance sheet's assets, liabilities, and equity are part of the analysis of the company's financial position. With vertical analysis, you figure out which parts of the balance sheet are the most important, while horizontal analysis looks at how these parts have changed over time. Examining the financial statements' line items horizontally (HUL) - Vertical analysis is a method for assessing the significance of an item by dividing the total financial statements into separate sections for each object. Seeing how the ratios work out and how they've changed from year to year is informative.

A rise or fall in a component's share of the whole can be seen clearly, along with the effect that has on the whole. However, reducing the speed at which some things are done may result in a more substantial change in terms of capacity for another item without reducing the monetary value in terms of the total.

Table 2: Vertical Analysis of HUL Assets

Standalone Statement of Financial Position (in Cr.)				
Particulars	2020	%	2021	%
ASSETS				
Non-current assets				
Property Plant and Equipment	4625	23.59%	5786	8.49%
Capital Work-in-Progress	513	2.62%	623	0.91%
Goodwill	36	0.18%	17316	25.42%
Other intangible Assets	395	2.02%	27925	41.00%
Financial assets				
Investments in subsidiaries, associates and joint venture	250	1.28%	310	0.46%
Investments	2	0.01%	2	0.00%
Loans	453	2.31%	520	0.76%
Other financial assets	3	0.02%	613	0.90%
Non-current tax assets (net)	1016	5.18%	1200	1.76%
Deferred tax assets (net)	261	1.33%	-	0.00%
Other non-current assets	140	0.71%	181	0.27%
Total Non-current assets	7694	39.25%	54476	79.98%
Current assets				
Inventories	2636	13.45%	3383	4.97%
Financial assets				
Investments	1248	6.37%	2683	3.94%
Trade Receivables	1046	5.34%	1648	2.42%
Cash and Cash Equivalents	3130	15.97%	1740	2.55%
Bank Balances other than cash and cash equivalents mentioned above	1887	9.63%	2581	3.79%
Other financial assets	1410	7.19%	1150	1.69%

Other current assets	533	2.72%	438	0.64%
Assets held for sale	18	0.09%	17	0.02%
Total current assets	119 08	60.75 %	136 40	20.02 %
Total assets	196 02	100.00 %	681 16	100.00 %

Source: Own processing based on the Standalone Statement of Financial Position of Hindustan Unilever FY 2020-2021.

Hindustan Unilever Limited's financials are shown in Table 2 below. The proportions of various items changed from one year to the next, and those changes are reflected in this statement. As part of the property, plant, and equipment, changes have been made to buildings, processing facilities, machinery, and other things like them.

The table shows that property, plant, and equipment account for the largest share of both non-current and total assets. In fact, the total value of all assets can be said in this statement as well.

In 2020, it was 23.59 percent of total assets, but only 8.49 percent the following year. The most bloated line item on the company's balance sheet is its other intangible assets, which are expected to be worth Rs 27,925 crores in the fiscal year 2020-21. Other intangible assets as a percentage of total assets were 2.2% in 2019–20, the lowest reported rate ever.

Funds on hand and other liquid assets make up a sizable portion of the total current assets. It made up 15.97% of all assets in 2020 but only 2.45% of all assets in 2021. In 2021, inventories constituted the largest segment (4.97%) of total current assets. However, considering it was 13.45% in 2020, we can see that it has decreased from the year before. Over the past three years, the amount of non-current assets as a share of total assets has been pretty stable.

Table 3: Vertical Analysis of HUL Equity and Liabilities

Standalone Statement of Financial Position (in Cr.)				
EQUITY AND LIABILITIES	2020	%	2021	%
EQUITY				
Equity share capital	216	1.10 %	235	0.34 %
Other equity	781 5	39.87 %	471 99	69.29 %
Total Equity	803 1	40.97 %	474 34	69.64 %

LIABILITIES				
Non-Current Liabilities				
Financial liabilities				
Other financial liabilities	853	4.35 %	945	1.39 %
Provisions	119 8	6.11 %	155 1	2.28 %
Non-current tax liabilities (net)	416	2.12 %	135 9	2.00 %
Deferred tax liabilities (net)	-	0.00 %	598 6	8.79 %
Total Non-Current Liabilities	246 7	12.59 %	984 1	14.45 %
Current Liabilities				
Financial Liabilities				
Trade Payables				
Total outstanding dues of micro-enterprises and small enterprises	-	0.00 %	64	0.09 %
Total outstanding dues of creditors other than micro-enterprises and small enterprises	739 9	37.75 %	856 3	12.57 %
Other financial liabilities	869	4.43 %	115 6	1.70 %
Other current liabilities	418	2.13 %	567	0.83 %
Provisions	418	2.13 %	491	0.72 %
Total Current Liabilities	910 4	46.44 %	108 41	15.92 %
Total Equity and Liabilities	196 02	100.0 0%	681 16	100.0 0%

Source: Own processing based on the Standalone Statement of Financial Position of Hindustan Unilever Limited FY 2020-2021.

With the help of vertical analysis, it is much easier to compare the financial statements of different companies and of different industries. In Table 3, we see a breakdown of the vertical relationships between equity and liabilities. Non-current liabilities include items like provisions, which make up the bulk of the total amount. Provisions totaling Rs. 1198 crore were necessary for Hindustan Unilever Limited during the 2019-20 fiscal year. This amount is equivalent to 6.11 percent of the company's total liabilities and equity. The proportion of deferred tax liabilities to total non-current liabilities was the highest in the 2020–21 fiscal

year, at 8.79%. Trade payables clearly account for a sizable portion of total current liabilities; in 2019-20, they accounted for 37.75%, or 7399 crores.

It had risen to 12.57 percent by 2021. HUL analysis, or horizontal analysis of the line items on the balance sheet, is another name for trend analysis. With this technique, past records can be viewed and compared with one another. Always compare two years to find out how something changes from one to the next. This method can be used as a base year for one of the selected years or as a base year for the year that came before it. Using this method, it's easy to explain how remarkable developments occurred over time and how they affected the development of the business, its operations, and its bottom line.

Table 4: Horizontal Analysis of HUL Assets

Standalone Statement of Financial Position (in Cr.)					
Particulars	2019	2020	%	2021	%
ASSETS					
Non-current assets					
Property Plant and Equipment	3907	4625	18.38%	5786	25.10%
Capital Work-in-Progress	373	513	37.53%	623	21.44%
Goodwill	36	36	0.00%	17316	48000.00%
Other intangible Assets	400	395	1.25%	27925	6969.62%
Financial assets					
Investments in subsidiaries, associates and JV	254	250	1.57%	310	24.00%
Investments	2	2	0.00%	2	0.00%
Loans	396	453	14.39%	520	14.79%
Other financial assets	11	3	72.73%	613	20333.33%
Non-current tax assets (net)	619	1016	64.14%	1200	18.11%
Deferred tax assets (net)	339	261	23.01%	-	0.00%

Other non-current assets	154	140	- 9.09 %	181	29.29%
Total Non-current assets	649 1	769 4	18.53 %	544 76	608.03 %
Current assets					
Inventories	242 2	263 6	8.84 %	338 3	28.34%
Financial assets					
Investments	269 3	124 8	- 53.66 %	268 3	114.98 %
Trade Receivables	167 3	104 6	- 37.48 %	164 8	57.55%
Cash and Cash Equivalents	575	313 0	444.3 5%	174 0	- 44.41%
Bank Balances other than cash and cash equivalents mentioned above	311 3	188 7	- 39.38 %	258 1	36.78%
Other financial assets	542	141 0	160.1 5%	115 0	- 18.44%
Other current assets	352	533	51.42 %	438	- 17.82%
Assets held for sale	4	18	350.0 0%	17	-5.56%
Total current assets	113 74	119 08	4.69 %	136 40	14.54%
Total assets	178 65	196 02	9.72 %	681 16	247.50 %

Source: Own processing based on the Standalone Statement of Financial Position of Hindustan Unilever Limited FY 2020-2021.

Table 4 displays the results of a horizontal analysis of the company's assets, including its property, plant, and equipment, along with their respective shares of the overall proportion and the significance of these items for the business. The table up top shows the shifts that have occurred during the past two years (2020 – 2021). Hindustan Unilever Limited's property, plant, and equipment increased by 25.10 percent between 2020 and 2021, indicating that the company will increase its machinery and facilities in 2021 while decreasing its investment spending. In 2021, the rate of increase in inventory was 8.84% higher than in 2020, when it had increased by 28.34% from the previous year. Over the past

two years, this expansion pattern has persisted. This means that Hindustan Unilever Limited did a good job of turning its inventory into cash compared to the year before.

Horizontal analysis of Equity and Liabilities (HUL)

Table 5: Horizontal Analysis of HUL Equity and Liabilities

Standalone Statement of Financial Position (in Cr.)					
EQUITY AND LIABILITIES	2019	2020	%	2021	%
EQUITY					
Equity share capital	216	216	0.00%	235	8.80%
Other equity	7443	7815	5.00%	47199	503.95%
Total Equity	7659	8031	4.86%	47434	490.64%
LIABILITIES					
Non-Current Liabilities					
Financial liabilities					
Other financial liabilities	173	853	393.06%	945	10.79%
Provisions	1049	1198	14.20%	1551	29.47%
Non-current tax liabilities (net)	444	416	-6.31%	1359	226.68%
Deferred tax liabilities (net)	187	-	0.00%	5986	0.00%
Total Non-Current Liabilities	1853	2467	33.14%	9841	298.91%
Current Liabilities					
Financial Liabilities					
Trade Payables					
Total outstanding dues of micro-enterprises and small enterprises	-	-	0.00%	64	0.00%
Total outstanding dues of creditors other than micro-enterprises and small enterprises	7070	7399	4.65%	8563	15.73%
Other financial liabilities	276	869	214.86%	1156	33.03%
Other current liabilities	506	418	-17.39%	567	35.65%

Provisions	501	418	- 16.57 %	491	17.46 %
Total Current Liabilities	835 3	910 4	8.99 %	108 41	19.08 %
Total Equity and Liabilities	178 65	196 02	9.72 %	681 16	247.5 0%

Source: Own processing based on the Standalone Statement of Financial Position of Hindustan Unilever Limited FY 2020-2021.

Table 5 displays the vertical and horizontal comparisons between liabilities and equity. The largest portion of the total amount of non-current liabilities is contained within the other financial liabilities category, which includes things like fines and penalties that have already been paid. Other financial liabilities amounted to 853 crores in the fiscal year 2019-20 for Hindustan Unilever Ltd., or 42.07% of the company's total proportion of liabilities and equity. Non-current tax liabilities have also undergone a dramatic shift, increasing to 226.68% in 2021 from a declining-6.31% in 2020. This shift has been noticed. To put it another way, in 2019-20, the other financial liabilities made up 869 crores, or 214.86% of the total current liabilities, while in 2021, that number dropped to 33.03%. There was a decline from the previous year's total in both cases. In 2021, other current liabilities accounted for about 35.65% of total current liabilities. This amounted to a significant portion of the company's total current liabilities. The provisions also increased by 17.46% in 2021, compared to a 16.57% decline the year before. Total noncurrent liabilities rose from 33.1 percent in 2020 to 298.91 percent in 2021, while total current penalties rose from 8.99 percent to 19.08 percent. The sum of all existing fines in 2020 amounted to 8.99%.

5.5 Financial Performance Analysis of HUL

Finance analysis can also be known as analysis of financial statements (Pawan Kumar, Dr. V. K. Gupta, and Dr. Anil Kumar Goyal, 2013). The expenses and revenues that make up the company's profit and loss statement have been broken down in both a vertical and horizontal fashion for analysis purposes. This lets us find the most important parts (using vertical analysis) and watch how they change over time (using horizontal analysis).

Vertical analysis of Income statement (HUL)

Table 6: Vertical Analysis of HUL Standalone Statement of Income

Standalone Statement of Income (in Cr.)				
Particulars	2020	%	2021	%
Income				
Revenue from operations	38,785.00	100.00%	45,996.00	100.00%
Other Income	733.00	1.89%	513.00	1.12%
Total Income	39,518.00	101.89%	46,509.00	101.12%
Expenses:				
Cost of Materials Consumed	11,572.00	29.84%	14,951.00	32.51%
Purchases of Stock-in-Trade	6,342.00	16.35%	7,117.00	15.47%
Changes in Inventories of Finished Goods (including Stock-in-trade) and Work-In Progress	-121.00	-0.31%	-391.00	-0.85%
Excise duty	-	0.00%	-	0.00%
Employee benefits expense	1,691.00	4.36%	2,229.00	4.85%
Finance costs	106.00	0.27%	108.00	0.23%
Depreciation and amortization expenses	938.00	2.42%	1,012.00	2.20%
Other expenses	9,701.00	25.01%	10,766.00	23.41%
Total Expenses	30,229.00	77.94%	35,792.00	77.82%
Profit before Exceptional Items and Tax	9,289.00	23.95%	10,717.00	23.30%
Exceptional Items (net)	-197	-0.51%	-227.00	-0.49%
Profit before Tax	9,092.00	23.44%	10,490.00	22.81%
Tax Expense:				
Current tax	-2,202.00	-5.68%	-2458	-5.34%
Deferred tax credit/(charge)	-152.00	-0.39%	-78.00	-0.17%
Profit For The Year	6,738.00	17.37%	7,954.00	17.29%

Source: Own processing based on the Standalone Statement of Income of Hindustan Unilever Limited FY 2020-2021.

In Table 6, we can see that Hindustan Unilever Limited receives only two distinct types of revenue. The income generated from business operations is the most crucial factor, and this was thoroughly discussed in the analysis of the income. Over the course of the study's two years, roughly 98 percent of income was derived from business operations. It entails amassing huge sums of money through the sale of goods and services. Most of the money will be made in the final year, 2020. Since other income is such a small part of total revenue, any changes in it won't make a big difference to the top line. Table 6 shows that in 2020, the cost of materials used will account for the largest percentage of total costs. A significant increase from 2020's rate of 29.84 percent to 2021's rate of 32.51% was

seen. Employee benefits expenses, which include things like salaries, wages, bonuses, contributions to provident and other funds, voluntary retirement compensation, and staff welfare costs, increased by 4.85% in the year 2021 compared to the previous year. From 2020 to 2021, this share increased marginally. Aside from this, the analysis shows that the cost of financing has remained relatively stable over the past two years, as there have been no major shifts in the proportion of the cost of financing. Supplies, replacement parts, consumables, electricity, fuel, freight, transportation, and demurrage are some of the other costs to consider. A decrease in other expenses is seen in 2021 with a figure of 23.41%, while the figure rises to 25.01% in 2020 compared to 2019. In 2019, it was 27.01%, so this is an increase over that. Equally consistent over that time frame has been the level of depreciation and amortisation expenditures. Additionally, depreciation for the firm's PPM is calculated using the straight-line method.

Horizontal analysis of Income statement (HUL)

Table 7: Horizontal Analysis of HUL Standalone Statement of Income

Standalone Statement of Income (in Cr.)					
Particulars	2019	2020	%	2021	%
Income					
Revenue from operations	38,224.0 0	38,785.0 0	1.47%	45,996.0 0	18.59%
Other Income	664.00	733.00	10.39%	513.00	- 30.01%
Total Income	38,888.0 0	39,518.0 0	1.62%	46,509.0 0	17.69%
Expenses:					
Cost of Materials Consumed	13,240.0 0	11,572.0 0	-12.60%	14,951.0 0	29.20%
Purchases of Stock-in-Trade	4,708.00	6,342.00	34.71%	7,117.00	12.22%
Changes in Inventories of Finished Goods (including Stock-in-trade) and Work-In Progress	12.00	-121.00	- 1108.33 %	-391.00	223.14 %
Excise duty	-	-	0.00%	-	0.00%
Employee benefits expense	1,747.00	1,691.00	-3.21%	2,229.00	31.82%
Finance costs	28.00	106.00	278.57%	108.00	1.89%
Depreciation and amortization expenses	524.00	938.00	79.01%	1,012.00	7.89%
Other expenses	9,880.00	9,701.00	-1.81%	10,766.0 0	10.98%
Total Expenses	30,139.0 0	30,229.0 0	0.30%	35,792.0 0	18.40%

Profit before Exceptional Items and Tax	8,749.00	9,289.00	6.17%	10,717.00	15.37%
Exceptional Items (net)	-227	-197	-13.22%	-227.00	15.23%
Profit before Tax	8,522.00	9,092.00	6.69%	10,490.00	15.38%
Tax Expense:					
Current tax	2,565.00	2,202.00	-14.15%	-2458	11.63%
Deferred tax credit/(charge)	79.00	-152.00	292.41%	-78.00	48.68%
Profit For The Year	6,036.00	6,738.00	11.63%	7,954.00	18.05%

Source: Own processing based on the Standalone Statement of Income of Hindustan Unilever Limited FY 2020-2021.

Horizontal analysis, sometimes referred to as trend analysis, is a technique for analysing financial statements that shows the evolution of related line items over time. It's a great tool for assessing where things stand in terms of a trend right now. The above comparison is made with 2020 as the reference year and with 2019 as the base year. Every line item on the 2020 balance sheet and income statement has been compared to every line item on the 2019 versions of those same statements. This is also how it will be for the next few years to come. Table 7 shows the breakdown, in graphical form, of the factors influencing the profit shift from 2020 to 2021. To determine if profits have increased or decreased, it is necessary to examine a subset of the income statement's totals. According to the data in the table, payments have increased over the past two years, contributing to a rise in total revenues of 18.59% in 2021 and a drop of 1.47% in 2020. In 2019, however, payments were reduced by 1.47%, so this is a change. You can see the results of our analysis of HUL's P&L in the table above; we've also pinpointed the root cause of the company's profit drop from the previous year.

6 Results and Discussion

The thesis's applied section provides the groundwork for a review of the firm's financial health and performance. Analysis of the company's financial situation relies on data from the balance sheet, while analysis of the company's performance relies on data from the income statement. Earnings can be affected by both internal (like the company's income and expenses) and external (like changes in the law or the exchange rate of the national currency) factors.

6.1 Financial Position Assessment of HUL

If we want to get a feel for where Hindustan Unilever Limited stands financially, we need to do some digging into the numbers. The results of the vertical analysis indicate that a company's current assets are its most valuable resources. Because cash and equivalents make up only 15.97% of a company's total assets, this is the case. Stocks come in second with nearly 13.5 percent of all capital expenditures. Additionally, Hindustan Unilever Limited's most valuable assets are its current ones. These assets will constitute 20.02 percent of the company's total assets by 2021, up from 6.75 percent in 2020. Refer to Table 2 for details. Trade payables, which include total outstanding dues to creditors other than a micro enterprise, are also a major source of financing under the liability heading. These accounts payable represent 37.75% of total equity and liabilities, followed by other financial penalties at 4.4%. With a total of 39.87% between equity and liabilities, the additional equity is a big part of HUL's financing.

Current assets like cash and cash equivalents, assets held for sale, and other financial assets were found to have undergone the most dramatic changes in the HUL horizontal analysis (see Table 4). The percentage of total assets that are made up of preexisting assets is 4.69%. Cash and equivalents account for 444.35 percent of total assets, assets held for sale account for 350 percent, and other financial assets account for 160.15 percent. However, the vertical analysis showed that these sums are insignificant when compared to total assets. Other financial liabilities, the largest subset of liabilities, will increase in both 2020 and 2021. In the year 2021, the provisions will increase to 29.47%, on top of any other financial penalties. The most notable change is in the nature of the current liabilities themselves, as well as the conditions, other financial liabilities, and other current liabilities that are included in this category. Since 2021, both the additional financial penalties and the accompanying

requirements have been rising gradually each year. Table 5 shows that there have been no significant changes in equity over the past two years, indicating that the amount of share capital has remained stable. A year ago, the most crucial component of equity saw a rise in value.

According to the horizontal analysis, Hindustan Unilever Limited is doing well because it has a large asset base and relatively few liabilities. This is a positive sign that the business is thriving. The horizontal analysis showed that there were significant modifications to some variables over the time span under consideration. In any case, these elements need not be counted as part of the asset, liability, or equity sums. The only material changes concerned provisions, other current liabilities, and other financial liabilities. Over the years that were looked at, the total amount of fines and other current debts kept going up.

6.2 Financial Performance Assessment of HUL

To assess the company's financial health, we conducted both a vertical and a horizontal analysis of the statement of profit or loss. According to the vertical analysis, the material consumption costs and other fees are the most significant. Connectivity and content fees, legal and professional fees, subcontract expenses, repairs, insurance, rates and taxes, transportation, banking fees, communication costs, rent, CSR expenses, currency fluctuations, and miscellaneous costs are all examples of additional expenses. Other expenses account for 25.01% of total costs. Similarly, the cost of the consumables accounts for 29.84% of the total. The financial costs showed the most noticeable changes, according to the horizontal analysis, but these changes were not statistically significant. The financing costs were 278.57% in 2020, but they will drop to 1.89% the following year.

As shown in Table 7, below Both the cost of employee benefits and the quantity of finished goods on hand have changed dramatically. Income, which includes both costs and revenue from operations, has been growing over the past two years. "Changes in the fair value of financial instruments" and "Foreign exchange gains (losses)" were both included in the statement, with "Changes in the fair value of financial instruments" experiencing the most significant changes. Even though the amounts are relatively small, the company has no control over how they evolve over time. The company's annual report says that the fluctuating exchange rate of the national currency could hurt the company's performance.

6.3 HUL Factors Influencing Profit

Its bottom line has always been in the black. The yield may be affected by both internal and external factors. To a great extent, it is crucial to think about the industry in question specifically. Rising revenues and costs will each have an impact on bottom line results. The most significant contributors to the cost of the venture are the cost of the raw materials, the cost of employee benefits, and the cost of financing. Because of depreciation and amortisation, the payments will change, but these costs have to be paid for in order to keep losses as low as possible and make as much money as possible.

6.4 Possible Problem Areas

We need to keep an eye on a few areas that could cause problems for the business. There is a risk associated with long-term debt incurred as a result of borrowing due to the possibility of an increase in interest rates and credit risk. The possibility of a decline in purchasing power due to a shift in the value of the home currency constitutes a form of exchange rate risk. There is a danger in relying solely on transportation monopolies.

7 Conclusion

This thesis sets out to assess the current and past financial health of a representative fast-moving consumer goods firm in India. To do this, an examination of the company's financial statements was performed, focusing on the accuracy and trends in the presentation of the various line items (assets, liabilities, expenses, and revenues). One of the other goals of the thesis was to find out what caused any money problems and what were the most important things that affected profits. Financial performance can be assessed through analysis of the balance sheet, and the income statement can be used to assess the company's current financial position. The balance sheet is a snapshot in time that lists the company's assets, equity, and liabilities.

The income statement, also called the statement of profit or loss, summarises the company's financial performance over a given time frame, including the costs incurred, income received, and net profit. The subject of this thesis is Hindustan Unilever Limited, one of the most significant and indispensable companies in the consumer goods industry. The published annual reports of the company were used to develop the practical portion of the thesis, as well as the conclusions drawn therefrom. The thesis provides an examination of the fiscal years 2020 and 2021. A review of the firm's financials has revealed that its most valuable assets are monetary in nature and thus fall under the category of "current assets," which includes cash and cash equivalents. Current receivables and payables are the most critical obligations. The sum owed to business creditors was steadily increasing. There are a number of factors that can affect a company's bottom line, including the rate of revenue and expense growth, as well as industry and country-specific regulations.

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9 Appendix

Appendix 1 - Standalone Statement of Financial Position of March 31, 2021, & March 31, 2020

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Hindustan Unilever Limited

Standalone Balance Sheet as at 31st March, 2021

(All amounts in ₹ crores, unless otherwise stated)

Particulars	Note	As at 31st March, 2021	As at 31st March, 2020
ASSETS			
Non-current assets			
Property, plant and equipment	3	5,786	4,625
Capital work-in-progress	3	623	513
Goodwill	4	17,316	36
Other intangible assets	4	27,925	395
Financial assets			
Investments in subsidiaries, associates and joint venture	5	310	250
Investments	6	2	2
Loans	7	520	453
Other financial assets	8	613	3
Non-current tax assets (net)	9D	1,200	1,016
Deferred tax assets (net)	9C	-	261
Other non-current assets	10	181	140
Current assets			
Inventories	11	3,383	2,636
Financial assets			
Investments	6	2,683	1,248
Trade receivables	12	1,648	1,046
Cash and cash equivalents	13	1,740	3,130
Bank balances other than cash and cash equivalents mentioned above	14	2,581	1,887
Other financial assets	8	1,150	1,410
Other current assets	15	438	533
Assets held for sale	16	17	18
Total assets		68,116	19,602



(All amounts in ₹ crores, unless otherwise stated)

Particulars	Note	As at 31st March, 2021	As at 31st March, 2020
EQUITY AND LIABILITIES			
Equity			
Equity share capital	17	235	216
Other equity	18A	47,199	7,815
Liabilities			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	19	945	853
Provisions	20	1,551	1,198
Non-current tax liabilities (net)	9D	1,359	416
Deferred tax liabilities (net)	9C	5,986	-
Current liabilities			
Financial liabilities			
Trade payables			
total outstanding dues of micro enterprises and small enterprises	21	64	-
total outstanding dues of creditors other than micro enterprises and small enterprises	21	8,563	7,399
Other financial liabilities	19	1,156	869
Other current liabilities	22	567	418
Provisions	20	491	418
Total equity and liabilities		68,116	19,602
Basis of preparation, measurement and significant accounting policies	2		
Contingent liabilities and commitments	23		

The accompanying notes 1 to 44 are an integral part of these standalone financial statements.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W/W-100022

Aniruddha Godbole
Partner
Membership No. 105149

Mumbai: 29th April, 2021

For and on behalf of Board of Directors

Sanjiv Mehta
Chairman and Managing Director
[DIN: 06699923]

Kalpna Morparia
Chairperson - Audit Committee
[DIN: 00046081]

Amit Sood
Group Controller

Mumbai: 29th April, 2021

Srinivas Phatak
Executive Director Finance & IT and CFO
[DIN: 02743340]

Dev Bajpai
Executive Director
Legal and Company Secretary
Membership No. FCS 3354
[DIN: 00050516]

Appendix 2 - Standalone Statement of Income of March 31, 2021, and March 31, 2020

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Hindustan Unilever Limited

Standalone Statement of Profit and Loss

for the year ended 31st March, 2021

(All amounts in ₹ crores, unless otherwise stated)

Particulars	Note	Year ended 31st March, 2021	Year ended 31st March, 2020
INCOME			
Revenue from operations	24	45,996	38,785
Other income	25	513	733
TOTAL INCOME		46,509	39,518
EXPENSES			
Cost of materials consumed	26	14,951	11,572
Purchases of stock-in-trade	27	7,117	6,342
Changes in inventories of finished goods (including stock-in-trade) and work-in-progress	28	(391)	(121)
Employee benefits expenses	29	2,229	1,691
Finance costs	30	108	106
Depreciation and amortisation expenses	31	1,012	938
Other expenses	32	10,766	9,701
TOTAL EXPENSES		35,792	30,229
Profit before exceptional items and tax		10,717	9,289
Exceptional items (net)	33	(227)	(197)
Profit before tax		10,490	9,092
Tax expenses			
Current tax	9A	(2,458)	(2,202)
Deferred tax charge	9A	(78)	(152)
PROFIT FOR THE YEAR (A)		7,954	6,738