

A STUDY REPORT
ON
“TO STUDY RATIO ANALYSIS OF HINDUSTAN UNILEVER
LIMITED”

Submitted to
SAVITRIBAI PHULE UNIVERSITY PUNE

In Partial Fulfilment of the MASTER DEGREE Course of
“MASTER OF BUSINESS ADMINISTRATION”
MBA-2

Submitted by
YASH SONKAMBLE
MES, PUNE
M.E.S.Society's Institute of Management and Career Courses (IMCC)
2019-2020

CERTIFICATE OF DIRECTOR

This to certify that Mr.

**Mr.YASH SONKAMBLE has satisfactorily completed the project work
entitled.**

**A STUDY ON
“TO STUDY RATIO ANALYSIS OF HINDUSTAN UNILEVER
LIMITED”**

**In partial fulfilment of the
MASTER OF BUSINESS ADMINISTRATION
MBA 2**

**Affiliated to PUNE University, PUNE under the guidance of Mr. GIRISH
BODHANKAR and the same hereby approved for the year 2019-20 hereby**

PLACE: PUNE

DATE:

DIRECTOR

CERTIFICATE OF HOD

**This to certify that Mr. YASH SONKAMBLE has satisfactorily completed
the project work entitled.**

**A STUDY ON
“TO STUDY RATIO ANALYSIS OF HINDUSTAN UNILEVER
LIMITED”**

**In partial fulfilment of the
MASTER OF BUSINESS ADMINISTRATION
MBA 2**

**Under my guidance and direction to best of my knowledge and belief that
matter presented in this report has not been submitted earlier.**

PLACE: PUNE

DATE:

HOD

CERTIFICATE OF GUIDE

**This to certify that Mr. YASH SONKAMBLE has satisfactorily completed
the project work entitled.**

**A STUDY ON
“TO STUDY RATIO ANALYSIS OF HINDUSTAN UNILEVER
LIMITED”**

**In partial fulfilment of the
MASTER OF BUSINESS ADMINISTRATION
MBA 2**

**Affiliated to PUNE University, PUNE under the guidance of Mr. GIRISH
BODHANKAR and the same hereby approved for the year 2019-20**

PLACE: PUNE

DATE:

PROJECT GUIDE

DECLARATION

I undersigned hereby declare that project report entitled:

**A STUDY ON
“TO STUDY RATIO ANALYSIS OF HINDUSTAN UNILEVER
LIMITED”**

Written by me, is my original work and is done under the guidance of

Dr Mr. GIRISH BODHANKAR

The empirical findings in this report are based on data collected by us.

While preparing this we have not copied from any other report.

**I understand that any such copying is entitled to be punished in a way
that university authority deemed to be fit.**

Student signature:

Mr. YASH SONKAMBLE ()

PLACE : PUNE

DATE :

ACKNOWLEDGEMENT

A word thanks is much less for the word encouragement which we have received from people going out of the way to make us feel comfortable & to make the things simple.

I extend my profound thanks to our Director for giving me opportunity to undertake this project.

My special thanks & sincere gratitude goes to our guide for constant guidance & constructive criticism throughout the project.

My sincere thanks goes to Mrs. GIRISH BODHANKAR who has motivated us every time and shared her valuable time and provided me with all necessary information.

Chapter No.	Particulars	Page No
	Executive Summary	9
1	INTRODUCTION	10
2	SCOPE AND OBJECTIVES	20
3	LITERATURE REVIEW	24
4	RESEARCH METHODOLOGY	26
5	DATA ANALYSIS	31
6	FINDINGS	42
7	SUGGESTION	44
8	CONCLUSION	46
9	REFERNCES	48
10	ANNEXURE	50

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

This report is an analysis of the financial operations and performance of the company for the YEAR of 2017 2018 2019. This report will provide an assessment and analysis of the profitability, liquidity, performance and financial position of the HUL using figures from the financial statements for the year of 2017 2018 2019. In the analysis, financial ratios were used to gain a critical review of the specific areas of assessment of the company's performance. The ratios were able to provide a clear view of the overall performance of the company. From the ratios we can say that the year 2019 has been profitable mainly because of high expenditures mainly rates and insurance. Gross Profit margin is very good which implies that direct costs are properly monitored. The company has a healthy liquidity position which means that it can rely on its current assets to finance the current liabilities and does not have to commit to long term debts. However, it can be noticed that the future look bright, firstly because of recurring profit and secondly because healthy financing structure giving that it relies a low on debts.. The analysis is limited mainly due to the fact that it is based on transactions, and hence no comparative study has been made possible. Given the nature of the business, it would have been interesting to evaluate the business by comparing with past results and also with the industry benchmark.

1. INTRODUCTION

Ratio Analysis

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

Investors and analysts employ ratio analysis to evaluate the financial health of companies by scrutinizing past and current financial statements. Comparative data can demonstrate how a company is performing over time and can be used to estimate likely future performance. This data can also compare a company's financial standing with industry averages while measuring how a company stacks up against others within the same sector.

Investors can use ratio analysis easily, and every figure needed to calculate the ratios is found on a company's financial statements.

Ratios are comparison points for companies. They evaluate stocks within an industry. Likewise, they measure a company today against its historical numbers. In most cases, it is also important to understand the variables driving ratios as management has the flexibility to, at times, alter its strategy to make its stock and company ratios more attractive. Generally, ratios are typically not used in isolation but rather in combination with other ratios. Having a good idea of the ratios in each of the four previously mentioned categories will give you a comprehensive view of the company from different angles and help you spot potential red flags.

KEY TAKEAWAYS

Ratio analysis compares line-item data from a company's financial statements to reveal insights regarding profitability, liquidity, operational efficiency, and solvency.

Ratio analysis can mark how a company is performing over time, while comparing a company to another within the same industry or sector.

While ratios offer useful insight into a company, they should be paired with other metrics, to obtain a broader picture of a company's financial health.

Types of Ratio Analysis

1. Liquidity Ratios

This type of ratio helps in measuring the ability of a company to take care of its short-term debt obligations. A higher liquidity ratio represents that the company is highly rich in cash.

The types of liquidity ratios are: –

1. **Current Ratio:** The current ratio is the ratio between the current assets and current liabilities of a company. The current ratio is used to indicate the liquidity of an organization in being able to meet its debt obligations in the upcoming twelve months. A higher current ratio will indicate that the organization is highly capable of repaying its short-term debt obligations.

Current Ratio = Current Assets / Current Liabilities

2. **Quick Ratio:** The quick ratio is used to ascertain information pertaining to the capability of a company in paying off its current liabilities on an immediate basis.

The formula used for the calculation of a quick ratio is

Quick Ratio = (Cash and Cash Equivalents + Marketable Securities + Accounts Receivables) / Current Liabilities

2. Profitability Ratios

This type of ratio helps in measuring the ability of a company in earning sufficient profits.

The types of profitability ratios are: –

1. Gross Profit Ratios: Gross profit ratios are calculated in order to represent the operating profits of an organization after making necessary adjustments pertaining to the COGS or cost of goods sold.

The formula used for the calculation of gross profit ratio is-

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

2. Net Profit Ratio: Net profit ratios are calculated in order to determine the overall profitability of an organization after reducing both cash and non-cash expenditures.

The formula used for the calculation of net profit ratio is-

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

3. Operating Profit Ratio Operating profit ratio is used to determine the soundness of an organization and its financial ability to repay all the short term and long term debt obligations.

The formula used for the calculation of operating profit ratio is-

$$\text{Operating Profit Ratio} = (\text{Earnings Before Interest and Taxes} / \text{Net Sales}) * 100$$

4. Return on Capital Employed (ROCE): Return on capital employed is used to determine the profitability of an organization with respect to the capital that is invested in the business.

The formula used for the calculation of ROCE is:

$$\text{ROCE} = \text{Earnings Before Interest and Taxes} / \text{Capital Employed}$$

3. Solvency Ratios

Solvency ratios can be defined as a type of ratio that is used to evaluate whether a company is solvent and well capable of paying off its debt obligations or not.

The types of solvency ratios are: –

1. Debt Equity Ratio: The debt-equity ratio can be defined as a ratio between total debt and shareholders fund. The debt-equity ratio is used to calculate the leverage of an organization. An ideal debt-equity ratio for an organization is 2:1.

The formula for debt-equity ratio is-

Debt Equity Ratio = Total Debts / Shareholders Fund

2. Interest Coverage Ratio: The interest coverage ratio is used to determine the solvency of an organization in the nearing time as well as how many times the profits earned by that very organization were capable of absorbing its interest-related expenses.

The formula used for the calculation of interest coverage ratio is-

Interest Coverage Ratio = Earnings Before Interest and Taxes / Interest Expense

4. Turnover Ratios

Turnover ratios are used to determine how efficiently the financial assets and liabilities of an organization have been used for the purpose of generating revenues.

The types of turnover ratios are: –

1. Fixed Assets Turnover Ratios: Fixed assets turnover ratio is used to determine the efficiency of an organization in utilizing its fixed assets for the purpose of generating revenues.

The formula used for the determination of fixed assets turnover ratio is-

Fixed Assets Turnover Ratio = Net Sales / Average Fixed Assets

2. Inventory Turnover Ratio: Inventory turnover ratio is used to determine the speed of a company in converting its inventories into sales.

The formula used for calculating inventory turnover ratio is-

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventories

3. Receivable Turnover Ratio: Receivable turnover ratio is used to determine the efficiency of an organization in collecting or realizing its account receivables.

The formula used for calculating the receivable turnover ratio is-

Receivables Turnover Ratio = Net Credit Sales / Average Receivables

5. Earnings Ratios

Earnings ratio is used for the purpose of determining the returns that an organization generates for its investors.

The types of earnings ratios are: –

1. Profit Earnings Ratio: P/E ratio indicates the profit earning capacity of the company.

The formula used for the calculation of profit earnings ratio is:

Profit Earnings Ratio = Market Price per Share / Earnings per Share

2. Earnings per Share (EPS): EPS signifies the earnings of an equity holder based on each share.

The formula used for EPS is:

EPS = (Net Income – Preferred Dividends) / (Weighted Average of Outstanding Shares)

Uses of Ratio Analysis

1. Comparisons

One of the uses of ratio analysis is to compare a company's financial performance to similar firms in the industry to understand the company's position in the market. Obtaining financial ratios, such as Price/Earnings, from known competitors and comparing it to the company's ratios can help management identify market gaps and examine its competitive advantages. Competitive advantage is an attribute that enables a company to outperform its competitors. Competitive advantages allow a company to achieve, strengths, and weaknesses. The management can then use the information to formulate decisions that aim to improve the company's position in the market.

2. Trend line

Companies can also use ratios to see if there is a trend in financial performance. Established companies collect data from the financial statements over a large number of reporting periods. The trend obtained can be used to predict the direction of future financial performance, and also identify any expected financial turbulence that would not be possible to predict using ratios for a single reporting period.

3. Operational efficiency

The management of a company can also use financial ratio analysis to determine the degree of efficiency in the management of assets and liabilities. Inefficient use of assets such as motor vehicles, land, and building results in unnecessary expenses that ought to be eliminated. Financial ratios
Financial Ratios
Financial ratios are created with the use of numerical values taken from financial statements to gain meaningful information about a company can also help to determine if the financial resources are over- or under-utilized.

COMPANY PROFILE

HINDUSTAN UNILEVER LIMITED (HUL)

Hindustan Unilever Limited (HUL) is an Indian consumer goods company headquartered in Mumbai, India. It is a subsidiary of Unilever, a British-Dutch company. Its products include foods, beverages, cleaning agents, personal care products, water purifier and others fast-moving consumer goods.

HUL was established in 1931 as Hindustan Vanaspati Manufacturing Co. and following a merger of constituent groups in 1956, it was renamed Hindustan Lever Limited. The company was renamed in June 2007 as Hindustan Unilever Limited.

As of 2019 Hindustan Unilever's portfolio had 35 product brands in 20 categories. The company has 18,000 employees and clocked sales of ₹34,619 crores in FY2017–18.

Headquarters

Hindustan Unilever's corporate headquarters are located at Andheri, Mumbai. The campus is spread over 12.5 acres of land and houses over 1,600 employees. Some of the facilities available for the employees include a convenience store, a food court, an occupational health centre, a gym, a sports & recreation centre and a day care centre. The Campus is designed by Mumbai-based architecture firm Kapadia Associates.

The campus received a certification from LEED (Leadership in Energy and Environmental Design) Gold in the 'New Construction' category, by Indian Green Building Council (IGBC), Hyderabad, under licence from the United States Green Building Council (USGBC).

The company's previous headquarters was located at Back bay Reclamation, Mumbai at the Lever House, where it was housed for more than 46 years.

Research facilities



Unilever R&D Centre in Bangalore

The Hindustan Unilever Research Centre (HURC) was set up in 1966 in Mumbai, and Unilever Research India in Bangalore in 1997. Staff at these centres developed many innovations in products and manufacturing processes. In 2006, the company's research facilities were brought together at a single site in Bangalore.

Sustainable living

Unilever launched sustainable living Plan in on 15 November 2010 at London, Rotterdam New York and New Delhi simultaneously.

Brands and products

HUL is the market leader in Indian consumer products with presence in over 20 consumer categories such as soaps, tea, detergents and shampoos amongst others with over 700 million Indian consumers using its products. Sixteen of HUL's brands featured in the Acnielsen Brand Equity list of 100 Most Trusted Brands Annual Survey (2014), carried out by Brand Equity, a supplement of the economic time

Unilever's Vision Statement

Unilever's corporate vision is *"to make sustainable living commonplace. We believe this is the best long-term way for our business to grow."* This vision statement puts emphasis on sustainability, especially among consumers. The following components are notable in Unilever's vision statement

1. Commonplace sustainable living
2. Best long-term way
3. Business growth

Unilever's Mission Statement

Unilever's corporate mission is *"to add vitality to life. We meet every day needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life."* This mission statement underscores how the company satisfies customers in various aspects of their lives. The following are the significant components in Unilever's mission statement:

1. Adding vitality to life
 2. Meeting everyday needs for nutrition, hygiene, and personal care
 3. Helping people feel good, look good, and get more out of life
-

2. IDENTIFY THE OBJECTIVES AND SCOPE

2. IDENTIFY THE OBJECTIVES AND SCOPE

OBJECTIVES OF STUDY

- 1) To study and analyze the financial position of the company through ratio analysis.
- 2) To suggest measures to improve the financial position of the company.
- 3) To analyze the profitability position of the company.
- 4) To assess the return on investment.
- 5) To analyze the asset turnover ratio.
- 6) To determine the solvency position of company.

Scope of the study

The scope of study is limited to collecting financial data published in the annual reports of the company every year.

The analysis is done to suggest the possible solution through ratio analysis.

The study is carried out for last 3 year (2019 - 2018 - 2017).

The present study is confined only to HINDUSTAN UNILEVER LIMITED.

NEED OF THE STUDY

- 1) The study has great significance and provides benefits to various parties whom directly or indirectly with the company.
- 2) To express the relationship between different financial aspects in such a way that it allows the users to draw the conclusions about the performance, strength and weakness of the company .
- 3) To diagnose the information contained in financial statement so as to judge the profitability of the firm.
- 4) The study helps to know a liquidity, solvency, profitability and turnover position of the company.

3. LITERATURE REVIEW

3. LITERATURE REVIEW

Financial ratios are widely used for the purposes to calculate the profitability and financial condition of a bank or firm. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors and academics, each having their views in applying financial statement analysis in their evaluations. Practitioners use financial ratios, for instance, to forecast the future success of companies, while the researchers' main interest has been to develop models exploiting these ratios.

Barnes (1982) shows how the non-normality of financial ratios can result from the underlying relationships of the constituents of the financial ratios. He is thus able to tie in the ratio format aspects with the distributional properties of financial ratios (to be discussed later in this review). In the discussion on Barnes's paper (Horrigan, 1983, Barnes, 1983), Horrigan puts forward that financial ratio research should be more interested in the role of the financial ratios themselves than in "the nature of the ratios' components or to the ratios' incidental role as data size deflators".

Justin (1924) argued that the method of gathering industry data and calculates averages were called "Scientific ratio analysis". The word "scientific" in this title was not entirely correct because no evidence had been found that the hypothesis formulation and hypothesis testing actually carried out.

Horrigan (1968) says ratios analysis has come into existence since early ages and the main reason of the development of ratio analysis was its use in the analysis of the properties of ratios in 300 B.C. in recent time it is used as a standard tool for the analysis of financial statement. In nineteenth century main reasons of using ratio analysis are power of financial institutions and shifting of management to professional managers. Ratio analysis used for two purposes that are credit and managerial. In managerial approach profitability and in credit approach capacity of firm to pay debts is the main point of focus. Generally, ratio analysis is used credit analysis.

4. RESEARCH METHODOLOGY

4. RESEARCH METHODOLOGY

The most important methodological choice researchers make is based on the distinction between qualitative and quantitative data. As mentioned previously, qualitative data takes the form of descriptions based on language or images, while quantitative data takes the form of numbers.

Qualitative data is richer and is generally grounded in a subjective and interpretivist perspective. However, while this is generally the case, it is *not* always so. Qualitative research supports an in-depth understanding of the situation investigated and, due to time constraints, it generally involves a small sample of participants. For this reason the findings are limited to the sample studied and cannot be generalised to other contexts or to the wider population. Popular methods based on qualitative data include semi-structured or unstructured interviews, participant observations and document analysis. Qualitative analysis is generally more time-consuming than quantitative analysis.

Quantitative data, on the other hand, might be easier to collect and analyse and it is based on a large sample of participants. Quantitative methods are based on data that can be ‘objectively’ measured with numbers. The data is analysed through numerical comparisons and statistical analysis. For this reason it appears more ‘scientific’ and may appeal to people who seek clear answers to specific causal questions. Quantitative analysis is often quicker to carry out as it involves the use of software. Owing to the large number of respondents it allows generalisation to a wider group than the research sample. Popular methods based on quantitative data include questionnaires and organisational statistical records among others.

The choice of which methodology to use will depend on your research questions, the formulation of which is consequently informed by your research perspective. Generally, unstructured or semi-structured interviews produce qualitative data and questionnaires produce quantitative data, but such a distinction is not always applicable. In fact, language-based data can often be translated into numbers; for example, by reporting the frequency of certain key words. Questionnaires can

produce quantitative as well as qualitative data; for example, multiple choice questions produce quantitative data, while open questions produce qualitative data.

- **Research Design :**

Research design is the arrangement of the collection and the analyze of data in a systematic way that aims to combine relevance to research purpose with economy in procedure.

The research study applied here in pure descriptive.

- **Sampling Technique :**

The simple random sampling method was used for the primary data collection. Simple random sampling is the best sampling technique where we select a group of subjects for study from a larger group. Each individual is choose entirely by chance and each member of the population has an equal chance of being included in the sample.

- **Data collection :**

Collection of data is important to collect the information regarding the subject matter. There are two types of data collection that are given below.

- **PRIMARY DATA :**

Information obtained by the original source by research is known as the primary data.

They offer much greater accuracy and reliability. The data was collected from the respondents through the questionnaire.

- **Advantages of primary data :**

1. Targeted issues are been addressed.
2. Data interception is better.
3. Regency of the data.
4. Proprietary issues.

- **Disadvantages of primary data :**

1. High cost.
2. Time consuming.
3. Inaccurate feedback.
4. More number of resources is required

- **Secondary data :**

The data which is already available is known as secondary data. The data was collected from the websites, books, magazine, internet.

- **Advantages of secondary data :**

1. Time and cost effective.
2. Basis of primary research.
3. Extensiveness of data.

- **Disadvantages of secondary data :**

1. May be specific.
2. Inaccuracy in data.
3. Poor accessibility.

5. DATA ANALYSIS AND INTERPRETATION

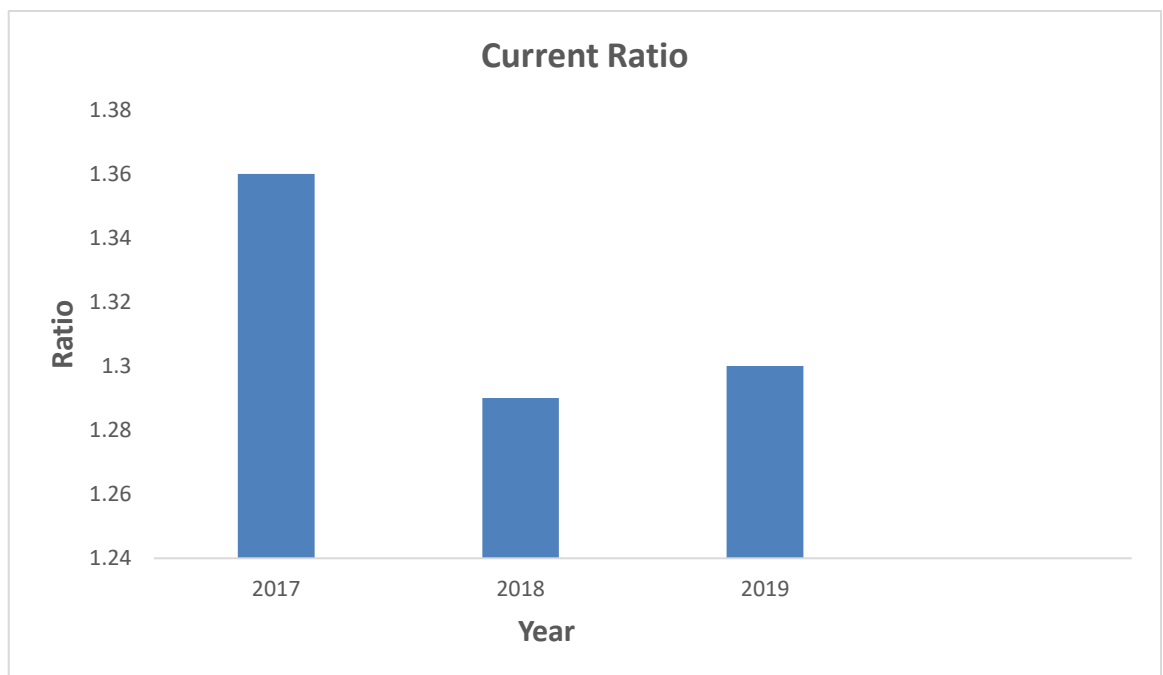
5. DATA ANALYSIS AND INTERPRETATION

1. CURRENT RATIO

To calculate the ratio, analysts compare a company's current assets to its current liabilities. Current assets listed on a company's balance sheet include cash, accounts receivable, inventory and other assets that are expected to be liquidated or turned into cash in less than one year. Current liabilities include accounts payable, wages, taxes payable, and the current portion of long-term debt.

$$\text{CURRENT RATIO} = \text{CURRENT ASSETS} / \text{CURRENT LIABILITIES}$$

YEAR	2019	2018	2017
CURRENT RATIO	1.30	1.29	1.36



INTERPRETATION

The **current ratio** computation results in an amount greater than 1, it means that the HUL has adequate **current** assets to settle its **current** liabilities.

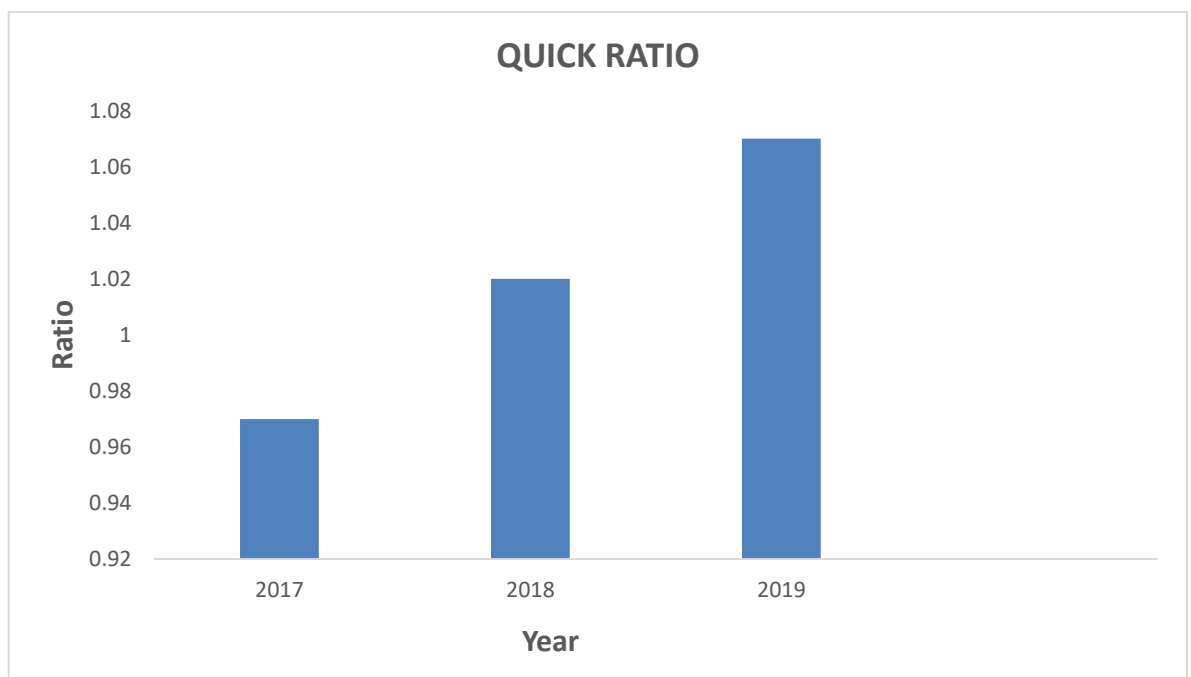
In the year 2017 company has the highest current ratio of 1.36 which indicates company has used its current assets more efficiently

2. QUICK RATIO / LIQUID RATIO

The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets and therefore excludes inventories from its current assets. It is also known as the "acid-test ratio"

$$\text{QUICK RATIO} = (\text{CURRENT ASSETS} - \text{INVENTORY} - \text{PREPAID EXPENSES}) / \text{CURRENT LIABILITIES}$$

YEAR	2019	2018	2017
QUICK RATIO	1.07	1.02	0.97



INTERPRETATION

As a rule of thumb or as a convention quick ratio of 1: 1 is considered satisfactory. The quick ratio of HUL has increased in past consecutive years and it is more than satisfactory which is 1. This indicates HUL is liquid and has the ability to meet its current or liquid liabilities in time.

3. EARNING PER SHARE (EPS)

The earnings per share value is calculated as the net income (also known as profits or earnings) divided by the available shares. A more refined calculation adjusts the numerator and denominator for shares that could be created through options, convertible debt, or warrants. The numerator of the equation is also more relevant if it is adjusted for continuing operations.

$$\text{Earnings per Share} = \text{NET PROFIT} / \text{NUMBER OF SHARES}$$

YEAR	2019	2018	2017
EPS	27.89	24.20	20.75



INTERPRETATION

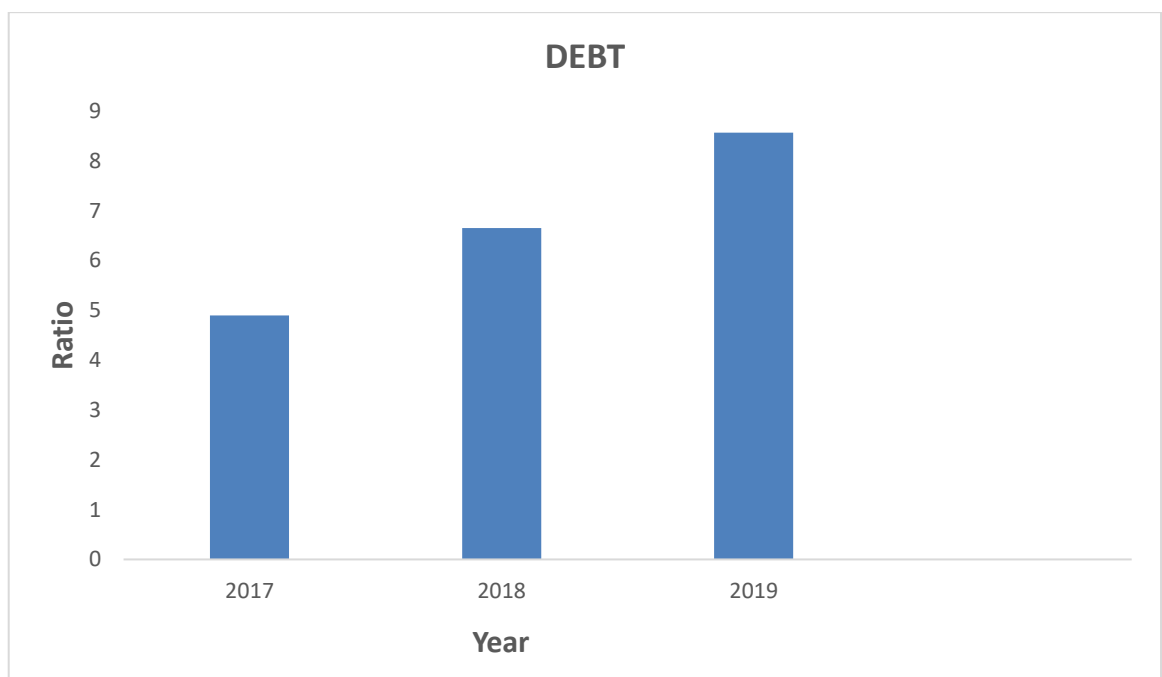
There is no rule of thumb to interpret earnings per share of a company. The higher the EPS figure, the better it is. The EPS of HUL is increasing consistently from since past few years which is sign of higher earnings, strong financial position and, therefore, a reliable company for investors to invest their money.

4. DEBT TO EQUITY RATIO

The debt-to-equity (D/E) ratio is calculated by dividing a company's total liabilities by its shareholder equity. These numbers are available on the balance sheet of a company's financial statements.

$$\text{DEBT TO EQUITY RATIO} = \text{TOTAL LIABILITIES} / \text{TOTAL SHAREHOLDER EQUITY}$$

YEAR	2019	2018	2017
DEBT TO EQUITY RATIO	8.57	6.65	4.90



INTERPRETATION

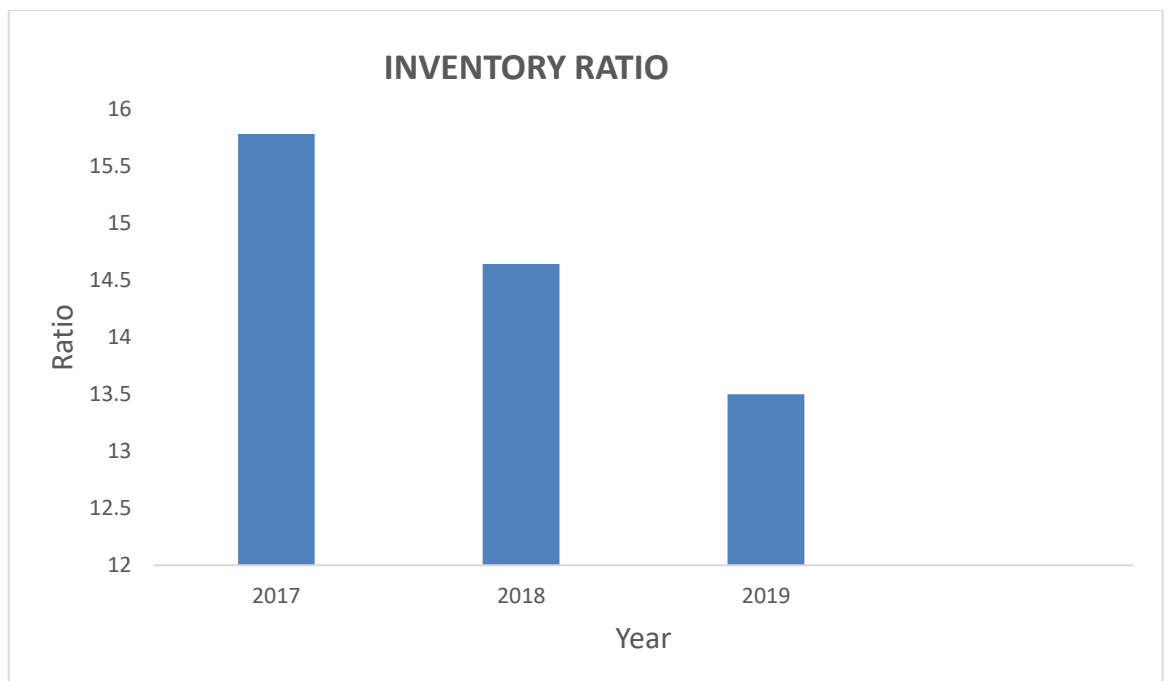
In the above table we can see that the financial year of 2019 the ratio of debt to equity is comparatively high as compared to other two years. If the ratio is higher, the lenders will have interference in the management as they have a higher stake in the business.

5. INVENTORY TURN-OVER RATIO

As with a typical turnover ratio, inventory turnover details how much inventory is sold over a period. To calculate the inventory turnover ratio, cost of goods (COGS) is divided by the average inventory for the same period.

$$\text{INVENTORY TURN-OVER RATIO} = \text{TOTAL REVENUE} / \text{INVENTORY}$$

YEAR	2019	2018	2017
INVENTORY TURN-OVER RATIO	13.50	14.64	15.78



INTERPRETATION

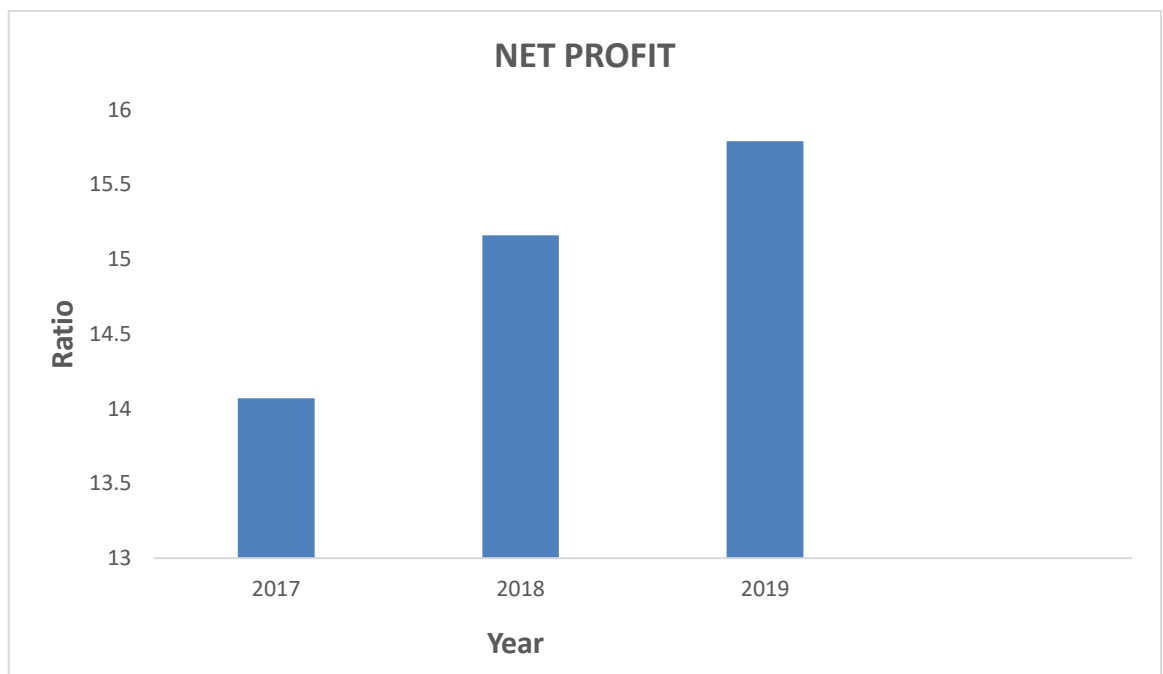
A low turnover implies weak sales and possibly excess inventory, while a high ratio implies either strong sales or insufficient inventory. The inventory turnover ratio of HUL has decreased in last few years which shows the HUL have strong sales.

6. NET PROFIT MARGIN

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. Net profit margin is the ratio of net profits to revenues for a company or business segment.

$$\text{NET PROFIT MARGIN} = \text{NET PROFIT} / \text{REVENUE}$$

YEAR	2019	2018	2017
NETPROFIT RATIO	15.79	15.16	14.07



INTERPRETATION

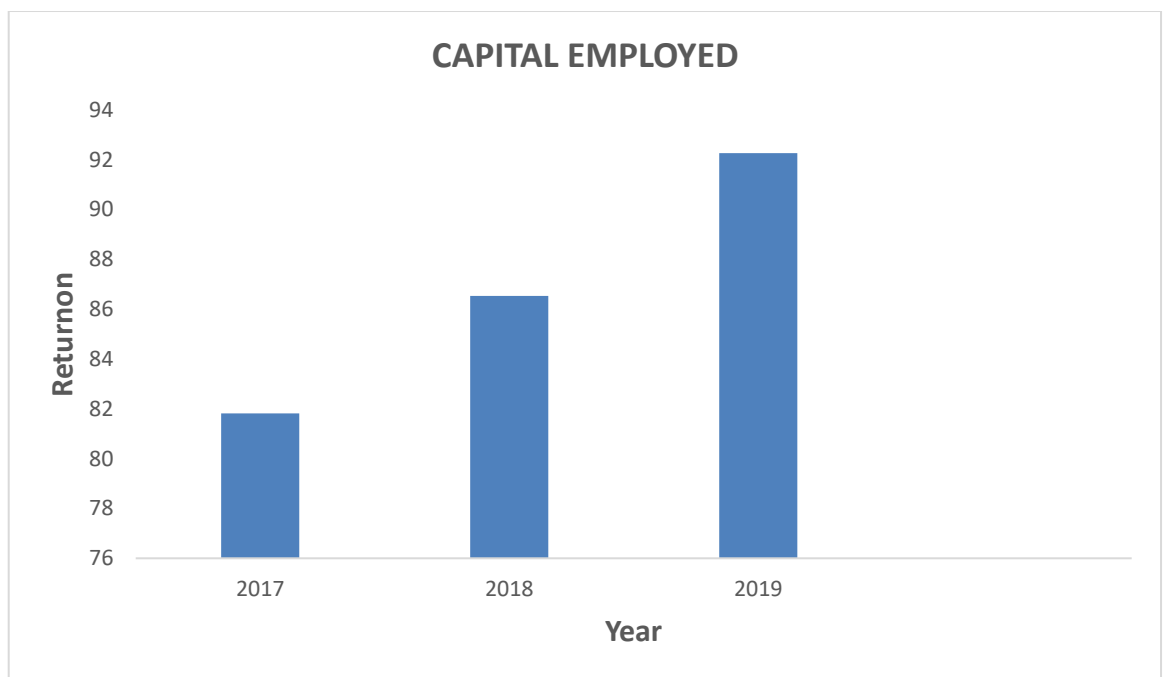
HUL has consistently net profit in consecutive years. Which shows that HUL is doing well with their product line and sales which is due to low direct and indirect costs.

7. RETURN ON CAPITAL EMPLOYED

ROCE is a metric for analyzing profitability, and potentially comparing profitability levels across companies in terms of capital. There are two components required to calculate return on capital employed: earnings before interest and tax and capital employed.

$$\text{RETURN ON CAPITAL EMPLOYED} = \text{PBIT} / \text{CAPITAL EMPLOYED}$$

YEAR	2019	2018	2017
RETURNON CAPITAL EMPLOYED	92.27	86.53	81.82



INTERPRETATION

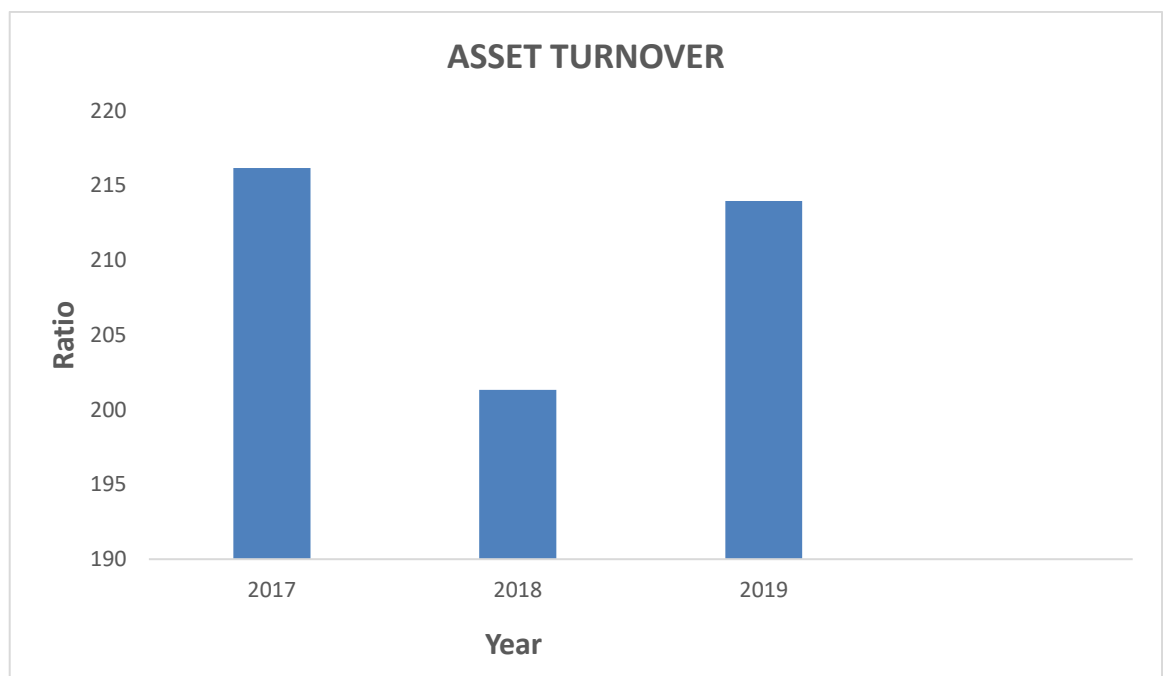
Ultimately, the calculation of ROCE tells you the amount of profit a company is generating per \$1 of capital employed. The HUL has higher return on capital employed which indicates stronger profitability across company comparisons. HUL has highest ROCE in the year 2019.

8. ASSET TURNOVER RATIO

The asset turnover ratio uses the value of a company's assets in the denominator of the formula. To determine the value of a company's assets, the average value of the assets for the year needs to first be calculated.

$$\text{ASSET TURNOVER RATIO} = \text{TOTAL REVENUE} / \text{FIXED ASSET}$$

YEAR	2019	2018	2017
ASSETTURNOVER RATIO	213.96	201.32	216.18



INTERPRETATION

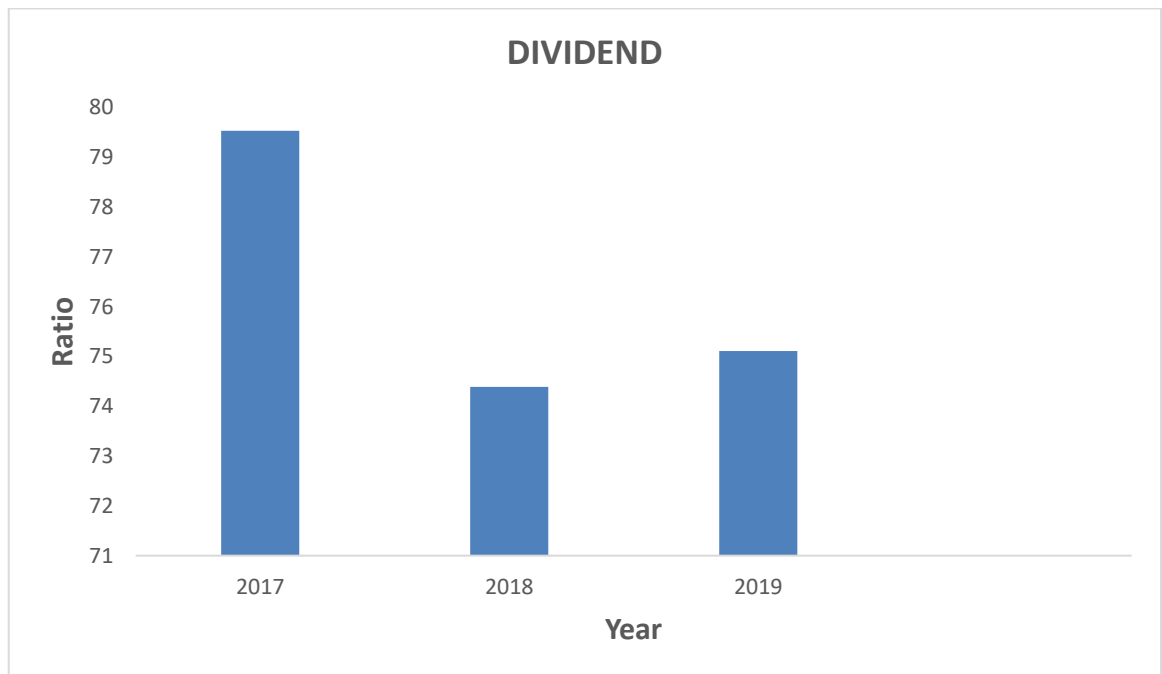
Generally, a low asset turnover ratio suggests problems with surplus production capacity, poor inventory management and bad tax collection methods. Low-margin industries always tend to have a higher asset turnover ratio. HUL have high asset turnover ratio .

9. DIVIDEND PAYOUT RATIO

The dividend payout ratio is the ratio between the total amount of dividends paid (preferred and normal dividend) in comparison to the net income of the company.

$$\text{DIVIDEND PAYOUT RATIO} = \text{DIVIDEND PAID} / \text{NET INCOME}$$

YEAR	2019	2018	2017
DIVIDENDPAYOUT RATIO	75.11	74.39	79.53



INTERPRETATION.

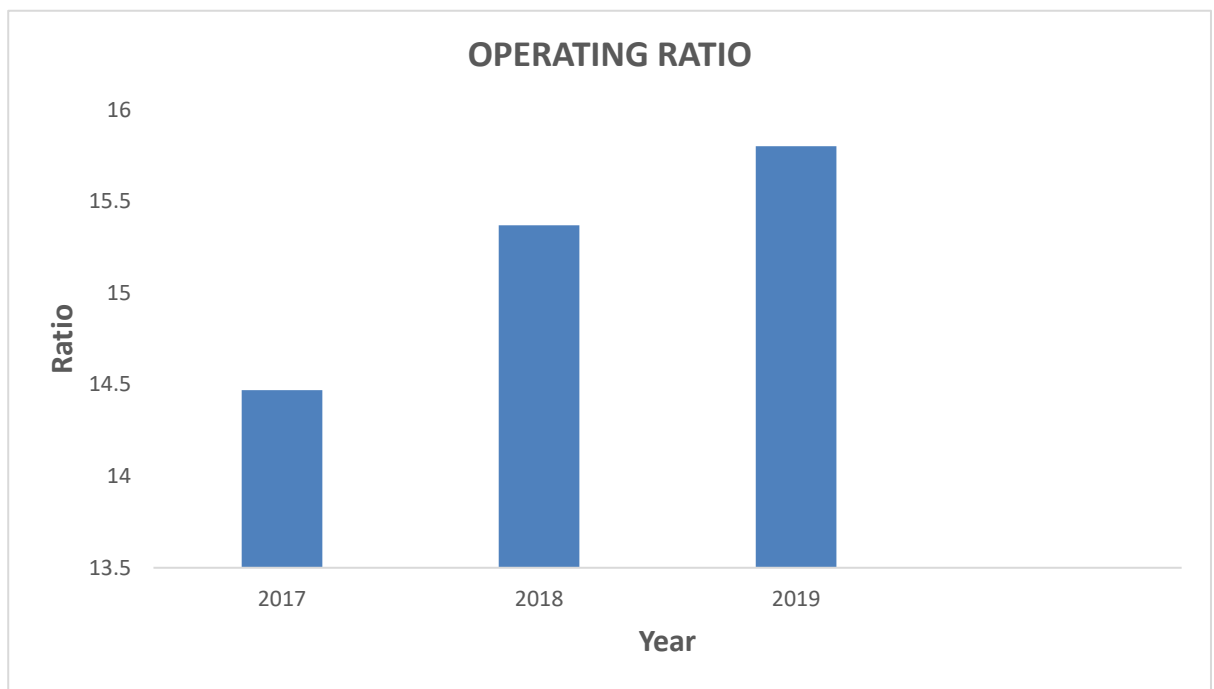
First of all, by dividend payout ratio, one can understand the level of maturity of an organization. The payout ratio of HUL is been fluctuating since from last few years.

10. OPERATING RATIO:

The operating ratio shows the efficiency of a company's management by comparing the total operating expense (OPEX) of a company to net sales. The operating ratio shows how efficient a company's management is at keeping costs low while generating revenue or sales. The smaller the ratio, the more efficient the company is at generating revenue vs. total expenses

$$\text{OPERATING RATIO} = \text{OPERATING COST} / \text{SALES}$$

YEAR	2019	2018	2017
OPERATING RATIO	15.8.	15.37	14.47



INTERPRETATION:

Lower the operating ratio, the better is the position because greater is the profitability and management efficiency of the concern.

Operating ratio is low of HUL which indicates HUL is working smoothly and efficiently from since last years.

6. FINDINGS

6. FINDINGS

Gross profit and net profits are increased during the period of 2018-19 which indicates that firm's efficient management in manufacturing and trading operations.

* Liquidity ratio of the firm is better liquidity position in over the 3 years. It shows that the firm had sufficient liquid assets.

* The inventory of the firm in the first year has been sold very fast. And there is an increase in the movement of the inventories. This may be a sign good to the firm.

* The fixed assets turnover ratio of the firm has in 2017 the ratio is 216.17 and it increase in the next 2 years continuously.

* The current assets turnover ratio is increasing during the period of 2017 and again increase in next two year slightly.

7. SUGGESTIONS

7. SUGGESTIONS

The profit Of the Company Is in a good Position .

It should enhance its employee's efficiency, more training needed to its employees in order to increase its production capacity and minimize mistakes while performing the tasks, also more safety precaution need to implement to the employees who directly working on production process.

The firm high inventory so I suggested that the firm must reduce the stock by increase sales.

8. CONCLUSION

8. CONCLUSION

This project of Ratio analysis in the production concern is not merely a work of the project. But a brief knowledge and experience of that how to analyze the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that HUL. Have been incurring profit during the period of study. So the firm should focus on getting of profits in the coming years by taking care internal as well as external factors. And with regard to resources, the firm is taking utilization of the assets properly. And also the firm has a maintained high inventory.

The shareholding capacity of HUL is much higher than other companies and its production capacity is tremendous with producing various types of products.

9. REFERENCES

9. REFERENCES

1. careers.unilever.com
2. hul.co.in
3. <https://www.moneycontrol.com/financials/hindustanunilever>
4. <https://www.amazon.in/CEO-Factory-Management-Hindustan-Unilever-ebook>

10. ANNEXURE

10. ANNEXURE

BALANCE SHEET

BALANCE SHEET OF HINDUSTAN UNILEVER (in Rs. Cr.)	MAR 19	MAR 18	MAR 17
	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES			
SHAREHOLDER'S FUNDS			
Equity Share Capital	216.00	216.00	216.00
TOTAL SHARE CAPITAL	216.00	216.00	216.00
Reserves and Surplus	7,443.00	6,859.00	6,274.00
TOTAL RESERVES AND SURPLUS	7,443.00	6,859.00	6,274.00
TOTAL SHAREHOLDERS FUNDS	7,659.00	7,075.00	6,490.00
NON-CURRENT LIABILITIES			

Long Term Borrowings	0.00	0.00	0.00
Deferred Tax Liabilities [Net]	0.00	0.00	0.00
Other Long Term Liabilities	804.00	666.00	574.00
Long Term Provisions	1,049.00	772.00	485.00
TOTAL NON-CURRENT LIABILITIES	1,853.00	1,438.00	1,059.00
CURRENT LIABILITIES			
Short Term Borrowings	0.00	0.00	0.00
Trade Payables	7,070.00	7,013.00	6,006.00
Other Current Liabilities	782.00	972.00	809.00
Short Term Provisions	501.00	651.00	387.00
TOTAL CURRENT LIABILITIES	8,353.00	8,636.00	7,202.00
TOTAL CAPITAL AND LIABILITIES	17,865.00	17,149.00	14,751.00
ASSETS			
NON-CURRENT ASSETS			
Tangible Assets	3,907.00	3,776.00	3,654.00
Intangible Assets	436.00	366.00	370.00

Capital Work-In-Progress	373.00	430.00	203.00
Other Assets	0.00	0.00	0.00
FIXED ASSETS	4,716.00	4,572.00	4,227.00
Non-Current Investments	256.00	256.00	260.00
Deferred Tax Assets [Net]	339.00	255.00	160.00
Long Term Loans And Advances	396.00	404.00	352.00
Other Non-Current Assets	784.00	523.00	387.00
TOTAL NON-CURRENT ASSETS	6,491.00	6,010.00	5,386.00
CURRENT ASSETS			
Current Investments	2,693.00	2,855.00	3,519.00
Inventories	2,422.00	2,359.00	2,362.00
Trade Receivables	1,673.00	1,147.00	928.00
Cash And Cash Equivalents	3,688.00	3,373.00	1,671.00
Short Term Loans And Advances	0.00	0.00	0.00
OtherCurrentAssets	898.00	1,405.00	885.00
TOTAL CURRENT ASSETS	11,374.00	11,139.00	9,365.00
TOTAL ASSETS	17,865.00	17,149.00	14,751.00

OTHER ADDITIONAL INFORMATION			
CONTINGENT LIABILITIES, COMMITMENTS			
Contingent Liabilities	2,009.00	1,699.00	1,241.00
CIF VALUE OF IMPORTS			
Raw Materials	0.00	0.00	0.00
Stores, Spares And Loose Tools	0.00	0.00	0.00
Trade/Other Goods	0.00	0.00	0.00
Capital Goods	0.00	0.00	0.00
EXPENDITURE IN FOREIGN EXCHANGE			
Expenditure In Foreign Currency	1,382.00	1,285.00	1,214.00
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS			
Dividend Remittance In Foreign Currency	--	--	--
EARNINGS IN FOREIGN EXCHANGE			
FOB Value Of Goods	--	--	--

Other Earnings	324.00	387.00	541.00
BONUS DETAILS			
Bonus Equity Share Capital	131.69	131.69	131.69
NON-CURRENT INVESTMENTS			
Non-Current Investments Quoted Market Value	--	--	--
Non-Current Investments Unquoted Book Value	2.00	2.00	6.00
CURRENT INVESTMENTS			
Current Investments Quoted Market Value	2,693.00	2,855.00	3,519.00
Current Investments Unquoted Book Value	2.00	2.00	6.00

PROFIT AND LOSS ACCOUNT

PROFIT & LOSS ACCOUNT OF HINDUSTAN UNILEVER (in Rs. Cr.)	MAR 19	MAR 18	MAR 17
	12 mths	12 mths	12 mths
INCOME			
REVENUE FROM OPERATIONS [GROSS]	37,660.00	34,619.00	33,895.00
Less: Excise/Service Tax/Other Levies	0.00	693.00	2,597.00
REVENUE FROM OPERATIONS [NET]	37,660.00	33,926.00	31,298.00
TOTAL OPERATING REVENUES	38,224.00	34,525.00	31,890.00
Other Income	664.00	569.00	526.00
TOTAL REVENUE	38,888.00	35,094.00	32,416.00
EXPENSES			
Cost Of Materials Consumed	13,240.00	12,491.00	11,363.00
Operating And Direct Expenses	0.00	0.00	0.00
Changes In Inventories Of FG,WIP And Stock-In Trade	12.00	-71.00	156.00
Employee Benefit Expenses	1,747.00	1,745.00	1,620.00
Finance Costs	28.00	20.00	22.00

Depreciation And Amortisation Expenses	524.00	478.00	396.00
Other Expenses	9,880.00	9,272.00	8,538.00
TOTAL EXPENSES	30,139.00	27,747.00	26,261.00
PROFIT/LOSS BEFORE EXCEPTIONAL, EXTRAORDINARY ITEMS AND TAX	8,749.00	7,347.00	6,155.00
Exceptional Items	-227.00	-62.00	241.00
PROFIT/LOSS BEFORE TAX	8,522.00	7,285.00	6,396.00
TAX EXPENSES- CONTINUED OPERATIONS			
Current Tax	2,565.00	2,148.00	1,865.00
Less: MAT Credit Entitlement	0.00	0.00	0.00
Deferred Tax	-79.00	-100.00	41.00
Tax For Earlier Years	0.00	0.00	0.00
TOTAL TAX EXPENSES	2,486.00	2,048.00	1,906.00
PROFIT/LOSS AFTER TAX AND BEFORE EXTRAORDINARY ITEMS	6,036.00	5,237.00	4,490.00
PROFIT/LOSS FROM CONTINUING OPERATIONS	6,036.00	5,237.00	4,490.00
PROFIT/LOSS FOR THE PERIOD	6,036.00	5,237.00	4,490.00

OTHER ADDITIONAL INFORMATION			
EARNINGS PER SHARE			
Basic EPS (Rs.)	27.89	24.20	20.75
Diluted EPS (Rs.)	27.88	24.19	20.74
VALUE OF IMPORTED AND INDIGENIOUS RAW MATERIALS STORES, SPARES AND LOOSE TOOLS			
Imported Raw Materials	0.00	0.00	0.00
Indigenous Raw Materials	0.00	0.00	0.00
STORES, SPARES AND LOOSE TOOLS			
Imported Stores And Spares	0.00	0.00	0.00
Indigenous Stores And Spares	0.00	0.00	0.00
DIVIDEND AND DIVIDEND PERCENTAGE			
Equity Share Dividend	4,546.00	3,896.00	3,571.00
Tax On Dividend	913.00	755.00	693.00
Equity Dividend Rate (%)	2,200.00	2,000.00	1,700.00

