

# "Sustaining Success: A Decade of Financial Resilience and Growth at HUL"

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## **Abstract:**

This paper aims to contemplate the financial performance of Hindustan Unilever Limited over the last ten years, 2015–2024, through quantitative analysis in terms of financial analysis and trends pertaining to profitability, liquidity, efficiency, solvency, and market valuation. The results have shown continuous revenue and profitability growth, strong operational management, and proper capital utilization. Financial strength and dominance of HUL in the market is revealed through net profit margin and return on capital employed. However, a falling trend of debt coverage ratio, inefficient inventory management, and ineffective use of assets indicate the areas that require strategic improvement. By overcoming such challenges, HUL will be able to sustain its leadership and be in tune with its long-term growth objectives.

## **I.Introduction**

### **About the Company**

Hindustan Unilever Limited (HUL) is one of India's leading FMCG companies and a part of the global Unilever group reaching 9 out of 10 households. Established in 1933 and formed in 1956 when three companies merged - Vanaspati Manufacturing Company, Lever Brothers India Limited, and United Traders Limited. HUL has played a vital role in shaping the Indian market with a wide range of products consisting of 50 brands across 16 FMCG categories that span categories like personal care, home care, food, and beverages with sales in over 190 countries. Some of its brands include Dove, Lifebuoy, Lux, Horlicks, and Surf Excel. As of 2024, Hindustan Unilever Limited (HUL) has approximately **27,764 employees**, including **19,109 workers** with an annual Turnover of **₹59,579 crores** for the fiscal year 2023-24, focusing on enhancing the consumer's quality of life by providing superior products, promoting well-being in society through sustainable initiatives and to create long-term value for its stakeholders.

- **Purpose:** HUL's purpose is to make sustainable living commonplace.
- **Sustainability:** HUL's sustainability ambitions include:
  - Net zero emissions across its value chain
  - Resilient and regenerative natural and agricultural ecosystems
  - End to plastic pollution

- Decent livelihood for people in its value chain
- **Research and development:** HUL's research and development (R&D) facilitates innovations.
- **Benefits:** HUL offers benefits such as competitive salary, flexi-time, wellbeing, medical benefits, maternity, paternity, and adoption leave.

## II.Importance of Study

- **Assessing Financial Health and Stability:** Utilizing financial analysis allows for the assessment of HUL's overall financial condition and assessing HUL's liquidity, solvency as well as profits. Revenue, profit margins, the level of debt and return on investment (ROI) are some of the critical indicators, which explain HUL in terms of financial leverage and performance as well as financial sustainability.
- **Identifying Growth Opportunities:** As the financial statements such as income statement, balance sheet, and cash flow statement are combined, HUL can pinpoint the potential growth areas. For example, growing trends in the sales and cost of funds and cash flows enable the firm to tap into developing markets or new classes of products.
- **Cost Control and Efficiency Improvement:** Performing financial analysis enables HUL to pinpoint weaknesses in its business practices, logistical system, and methods of production. Looking at the cost incurred, the money spent and the resources utilized, HUL is likely to propose ways of optimizing the process, decreasing costs and increasing profits.
- **Investment Decision-Making:** For the purpose of making decisions related to investments, capital allocation and funding, investors, stakeholders and management depend on the information which the financial analysis provides. With knowledge of financial results and forecasts, Dilmah is able to access investors, obtain funding and use resources in the right way.
- **Performance Comparison and Benchmarking:** HUL can evaluate its own financial performance in relation to its competitors and with its own historical performances and global standards. The analysis renders an understanding of HUL's market competitiveness and also assists in strategy formulation towards remaining competitive.
- **Risk Management and Strategic Planning:** Financial analysis provides HUL with the information for predicting market risk, risk emanating from supply chain management, and risk arising from changing rules and regulations. Analysing financial analyses and trends, HUL would be able to form strategies that will avoid risk and enable it to operate efficiently within the legal requirements for a long time.

## III.Objectives

1. Assessment of financial health and operational efficiency to know the performance position of the company.
2. Detecting trend patterns for forecasting, planning and decision making.
3. To ensure transparency for company's stakeholders.

## IV.Literature Review

### Introduction

This literature review displays the range of literature on the financial assessment of HINDUSTAN UNILEVER LIMITED (HUL) with regard to its performance, profitability, market, and strategy. It compiles perspectives on the economic stability and adaptability of the firm and notes the areas that require further research.

1. **Impact of mergers and acquisitions on financial performance of HUL:** Venugopal, Berly, and Pius (2023) investigate how mergers and acquisitions (M&A) have affected Hindustan Unilever Limited (HUL). Using both quantitative and qualitative methods, including financial ratio analysis and interviews, they find that M&A activities generally improve HUL's financial performance. The study highlights increased market share, better operational efficiency, and higher profitability as key benefits. The authors conclude that strategic M&A decisions have significantly contributed to HUL's financial success and growth.
2. **An Investigation of Indian Security Market: The Viewpoint of FMCG Companies Who Voyage from Good to Great:** Faisal, Khan, and Abdullah (2017) looked into the performance of FMCG companies in the Indian Security Market. According to their study, the main success factors are strategic management, efficient marketing, innovation, and customer satisfaction. They, therefore, maintain that FMCG companies on their way to great realize a clear strategic vision and attempt to apply best practices in all spheres.
3. **A Financial Ratio Analysis of HUL:** In his 2015 study from the Research Hub: International Multidisciplinary Research Journal series, Shah performs a complete financial ratio analysis of Hindustan Unilever Limited (HUL). This analysis targets profitability, liquidity, and solvency ratio analysis of HUL to check the financial health and operational efficiency. Shah's findings emphasize that HUL possesses consistently strong financial metrics, implying strong management efficacy and financial stability. The study explains that financial ratio analysis is an essential tool investors and other stakeholders may use to make informed decisions about a company's ability to generate profits, meet short-term obligations, and maintain long-term solvency.
4. **Financial Performance Measurement of Hindustan Unilever Limited: An Empirical Analysis:** In the empirical analysis, Basu (2020) evaluates the financial performance of Hindustan Unilever Limited (HUL) and reviews key financial metrics over the decade running from 2008-09 to 2017-18. Various statistical tools were employed to study aspects of profitability, liquidity, solvency, working capital management, and fixed asset management<sup>1</sup>. Basu concludes that HUL has good financial health, efficient management practices, and excellent financial stability. The study highlights the importance of measuring financial performance in all respects as a foundation to understand how a company works in its operations and competing in the market.
5. **Comparative Financial Performance Analysis and CSR Initiatives of ITC and HUL:** Vekariya's study goes into comparative financial performance and CSR initiative profiles of ITC and HUL. Using financial ratio analysis and a review of CSR reports, the study observes that both companies flourish financially but follow contrasting approaches in the design of their CSR. While HUL focuses on sustainability and community development, ITC lays emphasis on environmental conservation and rural

development. The study implies that, cumulating different financial and CSR strengths are what render each of ITC and HUL successful and impactful in society.

6. **A Comparative Financial Study: Evidence from Selected Indian Retail Companies:** Bansal's (2014) study examines the comparative financial performance of selected Indian retail companies, using key measures such as profitability, liquidity, and solvency metrics. This research assesses the financial condition and operational efficiency of these companies and points out some areas of strength and weakness. The findings of Bansal show that there are substantial variations in the financial performances of members of the organization, chiefly influenced by factors such as management practices, market positioning, and competitive strategy. The study hence emphasizes that stakeholders and investors must carry out strong financial analysis to make good investment decisions regarding the potentials and growth prospects of the retail sector.

7. **The Study of Working Capital Management of Hindustan Unilever Limited:** Alphonse and Chilakala (2024) examine working capital management practices of the Hindustan Unilever Limited (HUL) in order to analyze the firm's effectiveness in managing its current assets and current liabilities. It uses several financial parameters such as current ratio, quick ratio, and cash conversion cycle to measure HUL's operational liquidity and short-term financial health. The results affirm that HUL has efficiently maintained its working capital by keeping operational liquidity at an optimum level while minimizing the cost of capital. The study also concludes that strong working capital management practices must be in place in order to maintain HUL's operational efficiency and financial stability.

8. **Corporate Social Responsibility: An Empirical Study of HUL Company:** Sharma (2022) undertakes empirical research of some corporate social responsibility initiatives for Hindustan Unilever Limited. The research analyzes how HUL integrates CSR into its business strategy, particularly in the domains of sustainability, community development, and environmental conservation. Through a qualitative and quantitative approach, the study brings to the limelight the commitment of HUL towards social responsibility and its impacts on the corporate reputation and stakeholder engagement. Findings of Sharma have revealed that CSR activities of HUL are good for society and the firm's brand and customer loyalty as well. It concludes the view that sustainable CSR practices greatly rely on the operative business model of HUL and thus their overall performance.

9. **Comparative study on financial performance of FMCG companies in India:** The study by Paswan (2016) is a comparative study of financial performance of FMCG companies in India with reference to major financial variables such as profitability, liquidity, and efficiency. Using selected FMCG companies for his study, he attempted through the analysis of their financial statements to measure the operational efficiency and financial strength of the companies. Paswan (2016) further reveals the differences in financial performance between companies, influenced by aspects like market positioning, management practices, and competitors' policies. The study goes to suggest that for robust growth and competitiveness in the FMCG sector, robust financial performance is important, thus necessitating continuous financial analysis and strategic planning.

10. **A Study of Financial Performance of Five Selected FMCG Companies in India:** Anusree and Lorene (2024). The financial performance of five selected FMCG companies in India, (HUL, ITC, Britannia Industries, Godrej consumers and Dabur India) focusing on financial metrics over a five-year period was involved in this study. The study evaluates profitability, liquidity, and risk factors, providing insights into the companies' operational efficiency and financial stability. The results reflect the market dynamics, understanding from the COVID-19 situation based on the FMCG industry. The study is hoping

to help investors make informed choices by measuring the financial strength of each Horse, and their risk profiles.

11. **Green Metrics and Bright Prospects: Financial Rhythms of KPI Green Energy:** Vedula and Ali (2025) have spoken about the financial performance, key profitability metrics, and sustainability indicators of KPI Green Energy. It highlights how renewable energy initiatives align with long-term growth prospects, emphasizing the role of green finance and operational efficiency in driving the company's success.

## V. Research Methodology

- **Research Design:**

This study uses a quantitative approach, focusing on financial ratio analysis to evaluate HUL's performance over the past decade.

### Data Collection:

1. **Data Sources:** Secondary data obtained from HUL's financial statements (money control), which include the Income Statement, Cash Flow Statement, and Balance Sheet as the main source.

2. **Study Period:** Data covers the financial years beginning from 2015 till 2024.

3. **Key Metrics:** Revenue, operating expenses, net profit, EBIT, fixed assets, current assets, shareholder funds, debt, inventory, and dividends have been used to analyse the company position.

- **Tools and Techniques:**

1. **Financial Analysis:** Financial analysis was performed to assess profitability, liquidity, efficiency, and solvency.

2. **Trend Analysis:** Revenue, profits, and ratios were evaluated for growth patterns and areas needing improvement.

3. **Benchmark Comparison:** Ratios compared against industry standards and historical data to gauge HUL's performance.

- **Data Analysis Process:**

1. **Ratio Calculation:** Financial ratios were extracted from the financial statements for each year.

2. **Tabular and Graphical Representation:** Ratios and trends were formatted in tables and graphs for clarity and ease of interpretation.

3. **Insight Extraction:** Insights based on trends and variations in ratios were discussed, focusing on HUL's financial health and operational efficiency.

- **Limitations:**

1. **Reliance on Secondary Data:** Analysis depends on the accuracy of published financial data.

2. **Exclusion of Non-Financial Data:** Non-financial elements such as customer satisfaction and market conditions are not considered.

**3. Neglecting Macro-Economic Factors:** The effects of inflation, exchange rates, and global economic trends on performance are not separately analysed.

**Reasons for HUL to experience downfall from 2020-2024:**

2020: This year talks about the COVID-19 pandemic leading to supply chain and consumer demand disruptions. HUL had to adapt quickly to changing market conditions. There was a decline in sales due to lockdowns and reduced consumer spending.

2021: In this year restrictions eased, HUL saw a gradual recovery in demand. Products related to health and hygiene saw increased demand post pandemic.

2022: Rising inflation and ongoing supply chain challenges in this period affected costs and margins. HUL focused on cost management and efficiency improvements.

2023: This period dealt with market recovery, but consumption habits lagged behind. Reporting a turnover of ₹59,579 crores, with an underlying sales growth of 3% and an underlying volume growth of 2%.

2024: Challenges like uneven monsoons and subdued rural demand did not stop HUL from delivering a resilient performance of crossing net profit of ₹10,000 crores for the first time.

On the whole, HUL made it through a period of significant economic challenges by focusing on strategic initiatives, cost management, and efficiency improvements. The company managed to achieve a resilient performance and reach new financial milestones to sustain in the market.

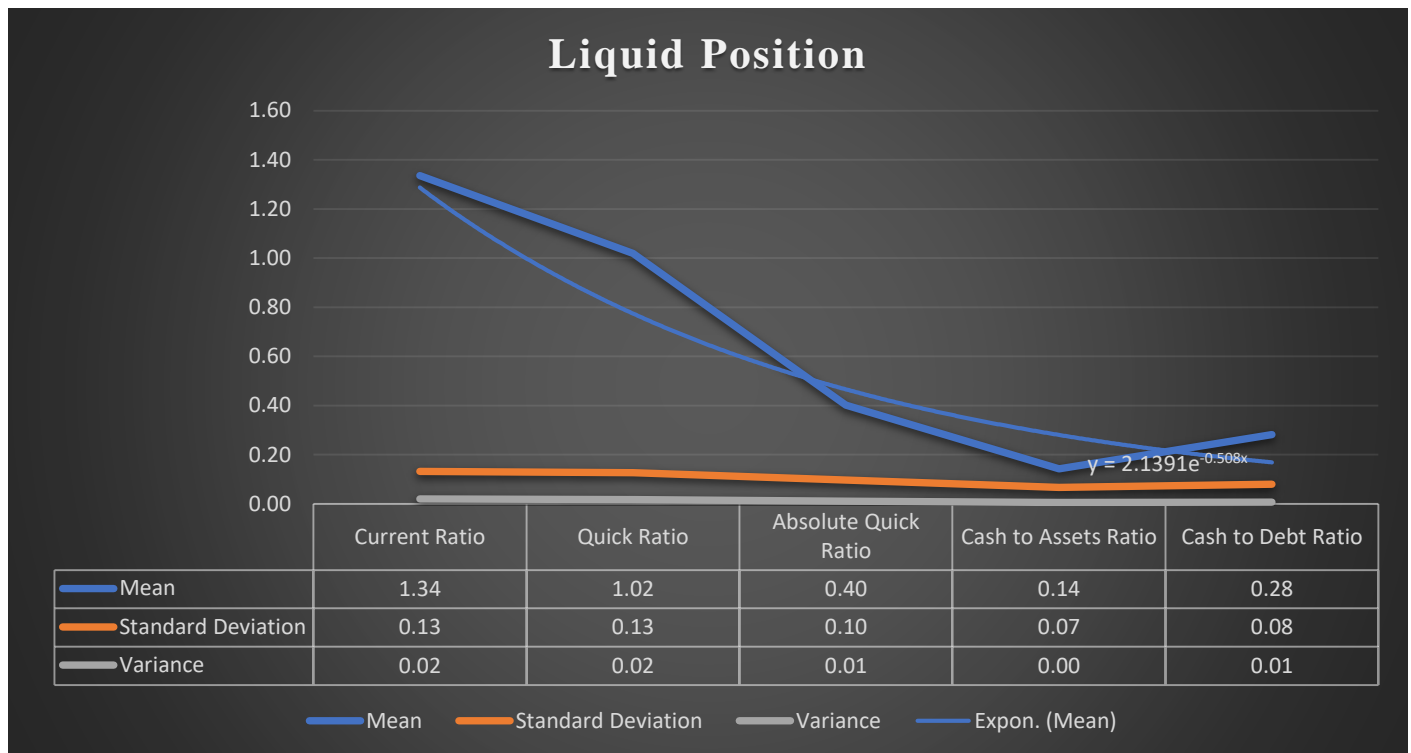
## **VI. Financial Analysis – A Complete Picture**

The above is the comprehensive analysis of HUL's financial Performance from 2015-2024 which gives an overall picture of the insights of the company:

### **1. Liquidity Analysis**

Liquidity Ratios of HUL such as the Current Ratio, Quick Ratio and Absolute Quick Ratio have been increasing consistently over the years. In 2024, it was 1.64, which is also above the 1.5 Current Ratio which says that the company has a healthy working capital to cover short-term obligations. The Quick Ratio also gets better as it can be seen in the liquidity of the assets. The increase in the Absolute Quick Ratio, although a volatile one, reflects better cash ratios in recent years.





HUL has significant and consistent liquidity, as reflected by an impressive Mean Current Ratio (1.34) and Mean Quick Ratio (1.02), which means it has enough cash to spend on its day-to-day activities and the ability to manage the long-term liabilities. The low Absolute Quick Ratio (0.40) and the not too high Cash to Assets (0.14) as well as Cash to Debt Ratios (0.28) recommend the management policies for proper utilization of resources in the business rather than holding too much in just short-term liquidity.

The steady improvement in liquidity can be the result of major economic events such as the 2017 GST rollout, streamlining tax processes and increasing distribution efficiency, making the company maintain good flow of its cash cycle and the saving post-2020 pandemic liquidity buffers by ensuring more current assets to manage supply chain disruptions. Temporary cash flow challenges such as post-2016 demonetization led to stronger working capital discipline.

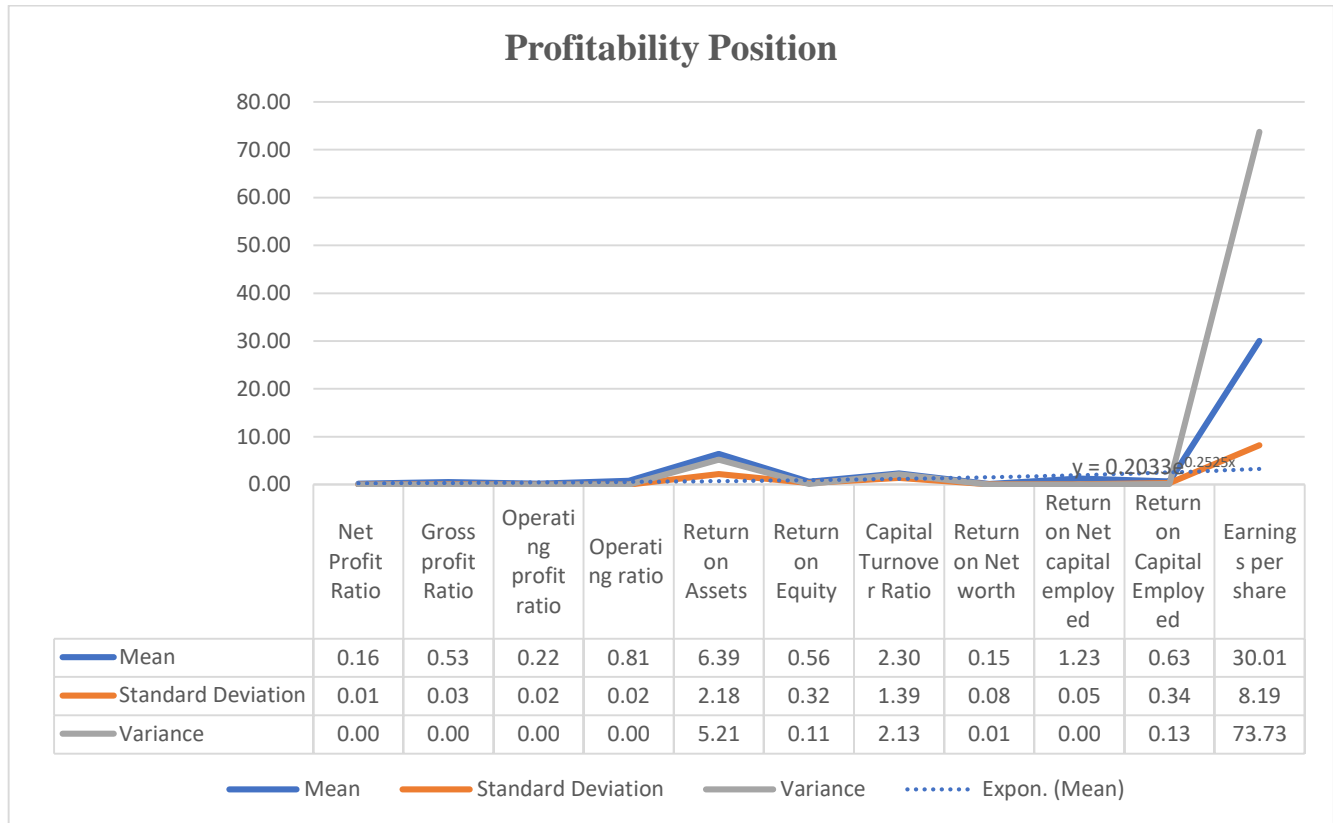
A low dispersion of ratios implies the consistent financial performance, the monotone decrease in ratios highlights a priority based on efficient use of assets. On the whole, the financial management measures of HUL appear to be strong to maintain stability while it can support growth that is needed.

HUL has good financial flexibility backed by a solid and consistent liquidity framework, indicating sound financial management. But the company could be thinking of trying to keep at least some room to manoeuvre, particularly in case of any possible short-term financial tight-ruler issues, since the cash it has on the books isn't a big cushion based on its expansive assets and liabilities. This strategy presumably fits into HUL's playbook of growing the business and optimizing usage of assets.

## 2. Profitability Analysis

HUL presumably had a stable Net Profit Ratios of 16%-17% and Gross Profit Ratios around the average of 50%, demonstrating the company's pricing power and cost optimization. Earnings Per Share (EPS) also grew strongly from ₹19.95 in 2015 to ₹43.04 in 2024, and this demonstrates that the company has

contributed to significant value creation for its shareholders. Return on Assets (ROA) and Return on Equity (ROE), however, were greatly declined after 2020, reflecting the pandemic effects and the operational strains that followed.



HUL's analysis on profitability speaks a story on the firm's finances and operational smoothness. Here are the numbers: their Net Profit Ratio (0.16), Gross Profit Ratio (0.53) and Operating Profit Ratio (0.22) tell us that turning revenue into good profits is something the company excels at. And with an Operating Ratio of 0.81 on the books, it is evident they have a grasp on their expenses.

High profitability throughout the decade was majorly a result of premium pricing power and the FMCG boom between 2016–2019, despite the cost fluctuation in crude oil and palm oil price during the period. The 2018–2019 rural slowdown i.e. rural consumption and demand had weakened topline growth slightly but premium segments helped shield the margins. The drop in ROA and ROE post-2020 directly implies the pandemic's impacts, where sales of discretionary products fell, while essentials still maintained volume. Post-2022, rising commodity prices and inflationary pressures compressed margins but were countered by price hikes and cost-cutting.

HUL once again emerges shining when it comes to optimizing resources. Their Return on Assets (6.39) and Return on Equity (0.56) are excellent. In addition, their Return on Capital Employed (RoCE) (0.63) and Return on Net-worth (RoNW) (0.15) portray their incessant tendency of being value creators for its shareholders.

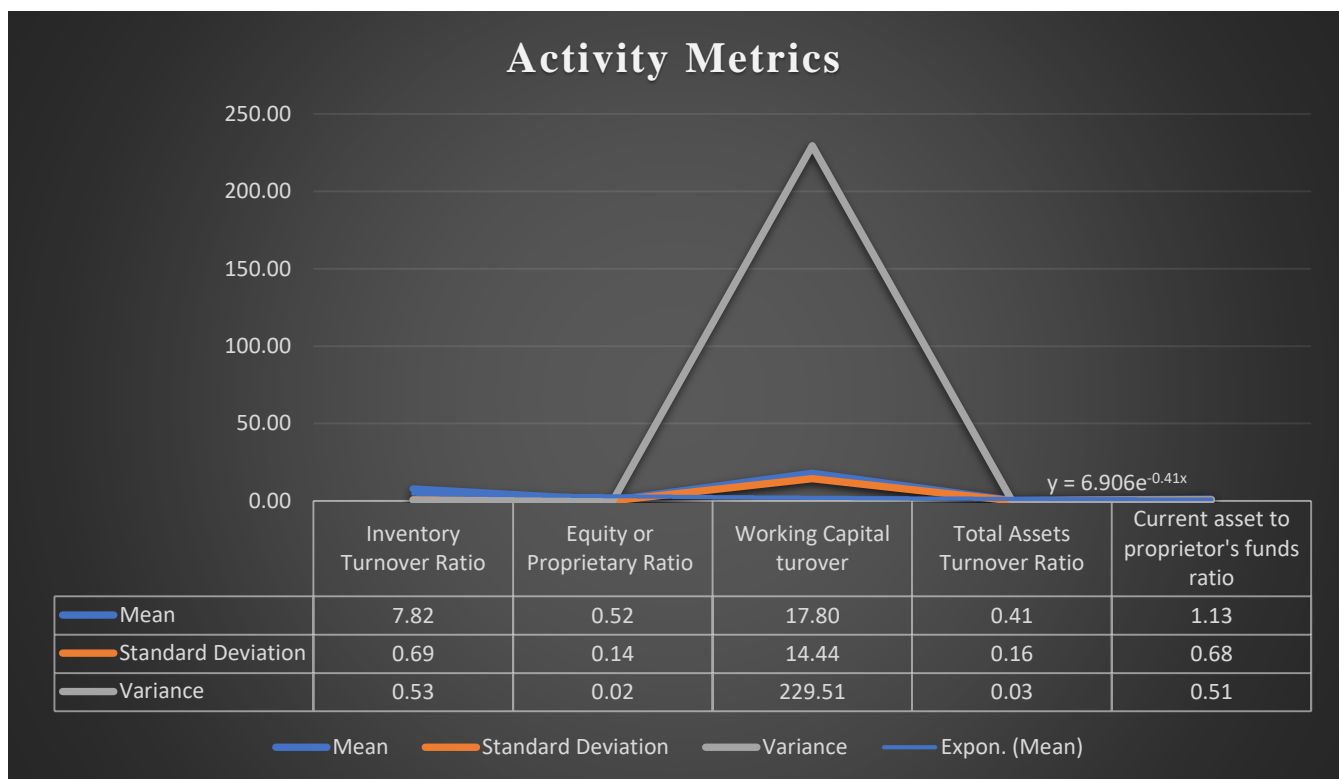
Their Earnings Per Share (30.01)—a firm indication of profitability and shareholder value. What's more, the low standard deviation and variance for each of these metrics really illustrate how consistent and reliable the company is, to stay in profitability.



Ultimately, it is HUL's efforts in balancing its efficiency, solvency and profitability keeping them in leading in the FMCG industry. HUL is a profit-making company; however, the efficiency in asset utilization and equity return are to be considered for the growth of the company in future.

### 3. Activity-wise Performance

Inventory Turnover has improved continuously with the highest turnover being in 2024 at 8.71 which indicates efficient application of inventory management practices. But the Working Capital Turnover Ratio dropped steeply after 2020, pointing out reduced operational efficiency in terms of working capital utilisation.



The turnover ratios of HUL suggest high efficiency with respect to operations and financial management of the firm. The mean inventory turnover is 7.82, this shows that the company is having good control and is getting efficient inventory turnover and a low variability result, indicating that the company is successfully keeping the required stock of goods available. The working capital turnover of 17.80 is very high indicating that HUL is deploying its short-term assets very efficiently in generation of revenue. But the very high Standard Deviation (229.51) indicating the seasonality of the fluctuations, or changes in the production efficiency. In fact, with an equity ratio of 0.52, financing appears to be balanced as a half of the company's assets are financed by equity.

Improvement in Inventory efficiency was the effect of GST implementation in 2017, which helped in reducing interstate stockholding and speed up supply chain management. Working capital cycles were temporarily affected with the introduction of new product lines (Horlicks, Boost) as a result of the GSK Consumer merger in 2020. COVID-19 supply chain disruptions forced HUL to increase safety stock,

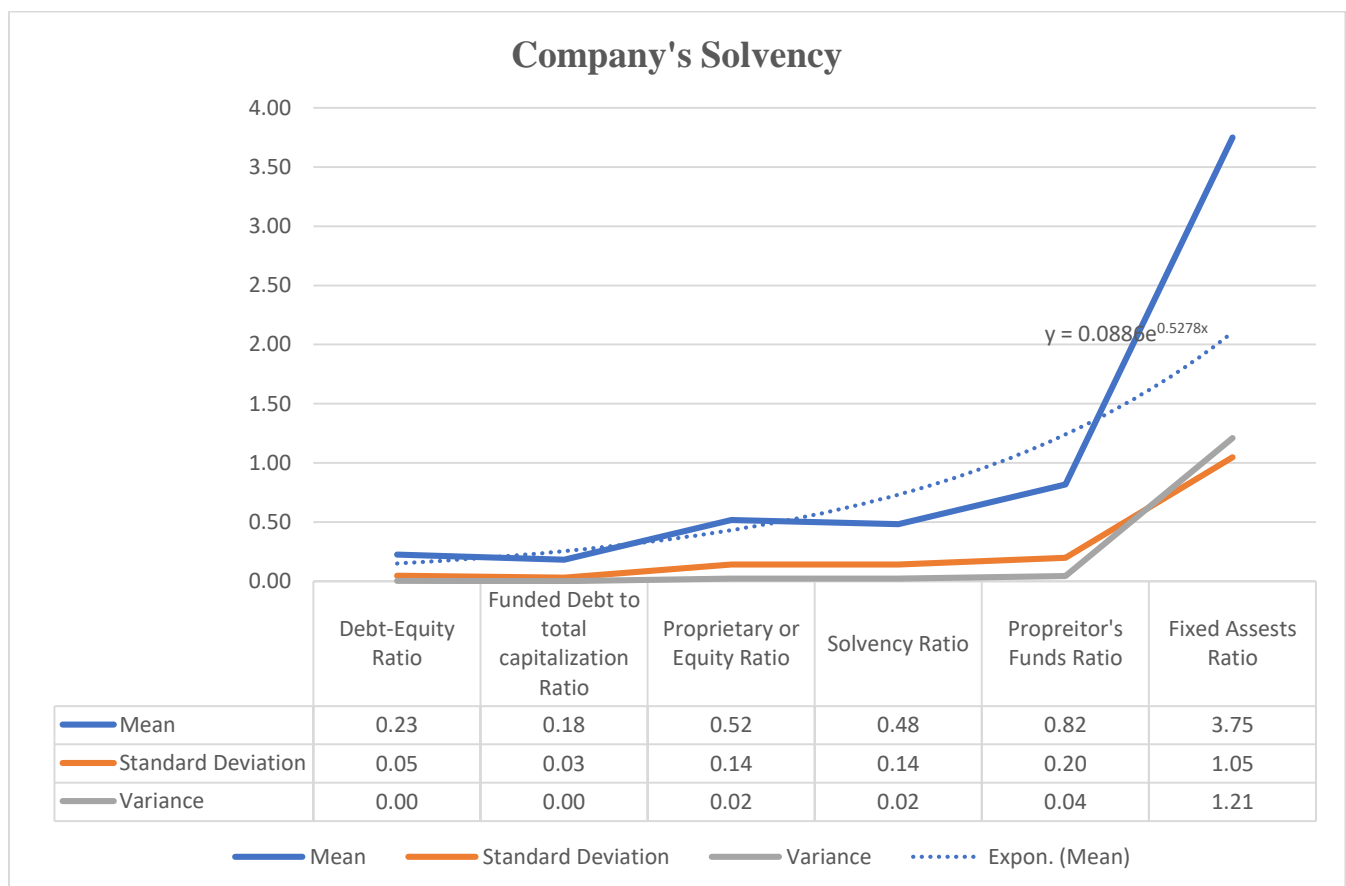
lowering inventory turnover efficiency, but was able to recover from it due to rural demand in 2023–2024 boosted sales velocity.

The current asset to proprietor's fund ratio of 1.13 reflects a good liquidity position, as the current assets are slightly above the proprietor's funds. However, moderate variability in this ratio might indicate possible adjustments in liquidity during different periods. Though stable, the total assets turnover ratio of 0.41 reflects that HUL might further improve the utilization of its overall assets to generate more revenue.

Overall, HUL has shown good efficiency in inventory and working capital management without compromising financial stability. Attention in some areas is required to address the variability in working capital and further optimize asset utilization for sustained growth.

#### 4. Solvency or Leverage of the company

HUL maintained a conservative Debt-Equity Ratio, staying within acceptable limits, though it showed slight increases in recent years. The Proprietary Ratio saw significant improvement after 2021, reflecting a stronger reliance on equity financing. However, the Fixed Assets Ratio fluctuated, pointing to varying efficiency in utilizing fixed assets.



Solvency values illustrate HUL's long-term financial stability and capability to meet obligations. With a low mean debt-equity ratio of 0.23, the company takes a somewhat conservative approach, relying more on equity financing than debt. Variability in these values is minimal, as seen through the standard deviation of 0.05, indicating that there are consistent financial practices here. Funded debt, as compared to total

capitalization, also enjoys a low mean of 0.18. Another instance showing HUL's conservative stance on debt, it aids in minimizing financial risk.

HUL avoided the use of aggressive debt and preferred funding operations through strong internal accruals, despite low interest rates between the years 2015–2019. There was slight increase in leverage with the acquisition of GSK Consumer in the year 2020, but the company remained conservative. Post-2022 RBI rate hikes reinforced this approach, keeping long-term solvency stable.

The proprietary or equity ratio, averaging 0.52, signifies a strong equity base, with 52% of assets financed by shareholders, implying financial stability and investor confidence. A solvency ratio of 0.48, on the other hand, suggests that HUL has almost half of its total liabilities covered by its assets, which is good for a large corporation, also with a low standard deviation of variability of 0.14. The ratio of proprietor's fund of 0.82 indicates a much greater reliance on internal funds and hence points to HUL's strong financial position.

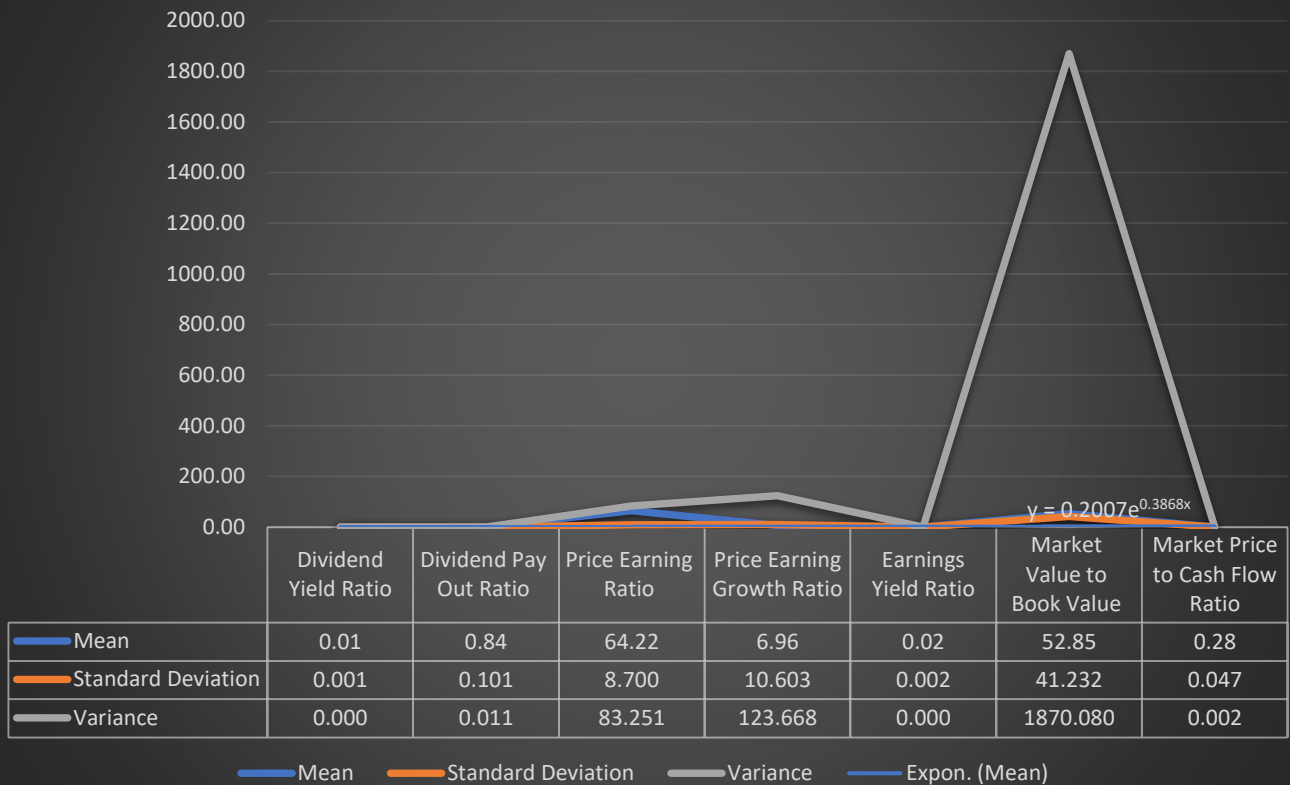
The fixed asset turnover ratio, with an average of 3.75, is a testimony to proficient utilization of fixed assets; however, this is analysed with the highest variability, with a standard deviation of 1.05 due to possible acquisition or revaluation of fixed assets. This trend may imply that strategic investments in fixed assets are being considered for long-term growth.

To recapitulate, HUL enjoys an excellent solvency position on account of the greater reliance on equity and judicious approach toward the use of debt. The trendline suggests a shift toward fixed assets, thereby leaving the company well-positioned for future growth and sustainable financial standing.

## **5. Market Test or Valuation of the company**

Considerable growth is witnessed in HUL valuation metrics, mainly the Price-Earnings Ratio and Market Value to Book Value. The Price-Earnings Ratio's descent from an all-time high of 76.79 in 2020 to 54.20 in 2024 insinuates market corrections and the normalizing of investor expectations. The Market Value to Book Value saw an overwhelming spike, which illuminates investor confidence in the long-term viability of the company.

## Company's Valuation



The company offers a good insight into its market performance and investor appeal through valuation metrics. The dividend yield ratio is too small; its average value is 0.01 dividend compared to the price of the stock, confirming that the company pays a low dividend relative to its stock price. This correlates well with growth-oriented companies that put emphasis on reinvestment rather than on high dividend yields. On the other hand, the dividend payout ratio, at an average of 0.84, shows HUL gives out a large part of its earnings as dividends, which makes the company attractive for investment. The low variability of these ratios from year to year reveals that HUL is consistent in its dividend policies.

Investor preference for defensive FMCG stocks during 2016–2019 resulted in high valuation levels, the COVID-19 flight to safety in 2020 (pushing P/E to record highs), and premium brand strength in uncertain markets. The fall from 2021–2024 reflects global inflation and interest rate hikes moderating valuations. Strong market-to-book value ratios also mirror brand equity and post-merger portfolio strength.

With the price-to-earnings (P/E) ratio averaging at 64.22, it is held to be quite high, indicating that investors are willing to pay heavily for its earnings, evidencing strong market confidence. However, a contrasting picture is painted by an average PEG ratio of 6.96, suggesting that the valuation of HUL may be moving much faster than its earnings growth. The earnings yield ratio at an average of 0.02 complements the very high P/E ratio indicating its inverse relationship and emphasizes investor premium on the stock.

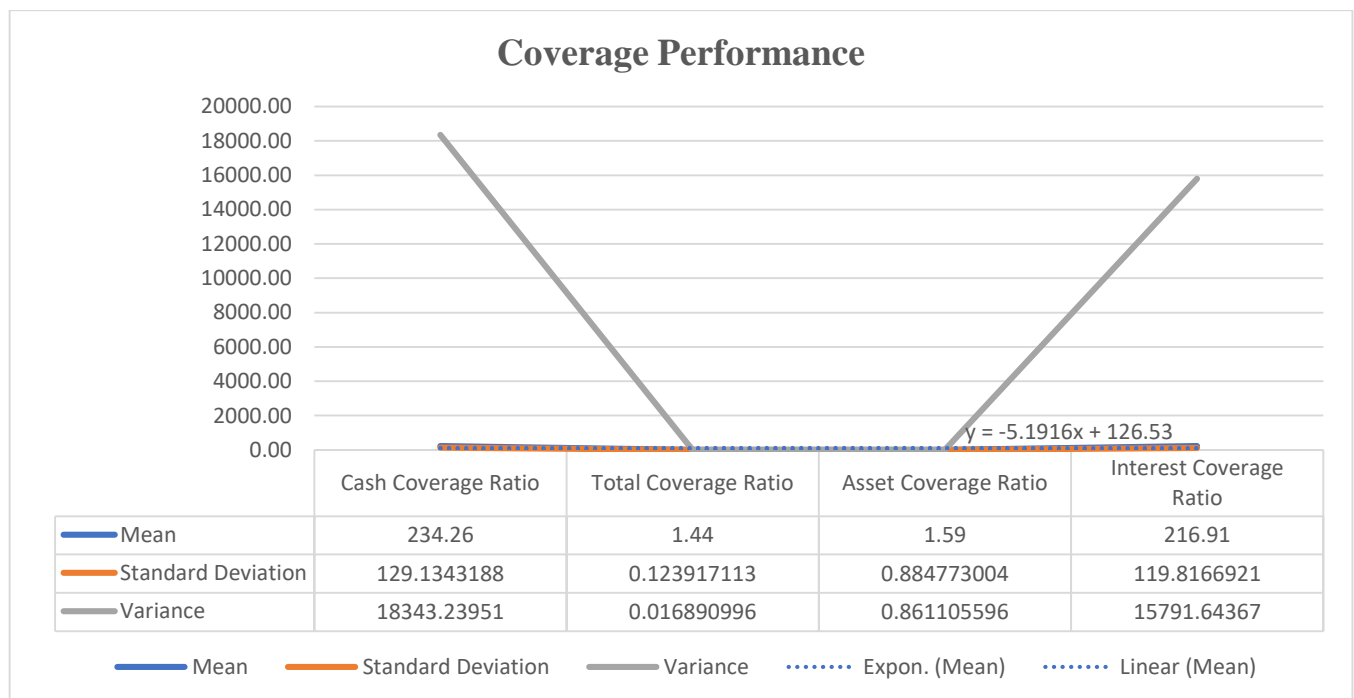
Similarly, a market-to-book value ratio at 52.85 showcases that the market valuation of HUL surpasses far beyond book value, confirming its brand equity and integrity in investor eyes. However, the high variance of 1870.08 should be noted, suggesting stark up and downs, probably due to various market evolutions or

periodic revaluation. Furthermore, the market price to cash flows ratio with an average value of 0.28 and low variability projects the firm handling of cash flows.

Strong investor confidence and market performance are displayed by HUL. Still, with its high valuation metrics, its expected growth must justify them, lest investor sentiments turn sour.

## 6. Coverage Analysis

The Interest Coverage Ratio and Cash Coverage Ratio shows a declining trend after 2020, raising concerns about the company's capability to meet fixed (long-term) obligations. While not critical, these trends need closer monitoring, particularly in the context of increasing leverage and fluctuating profitability metrics.



The coverage ratios of HUL indicate the firm's ability to meet financial obligations effectively. The cash coverage ratio shows a strikingly high mean value of 234.26, largely implying that HUL maintains enough liquidity in strength to cover its interest obligations. The standard deviation (129.13) and variance (18,343.24), however, suggest some fluctuations, probably due to changes in cash flow or interest expenses. The total coverage ratio, having a mean of 1.44, reveals that HUL comfortably meets total obligations with less variability (standard deviation: 0.12), signifying financial stability.

The asset coverage ratio, with a mean of 1.59, tells that HUL's assets sufficiently cover its debt obligations, hence ensuring its long-term solvency. But with a standard deviation of 0.88 and a variance of 0.86, there remains moderate variability, which could be due to asset revaluation or some erratic behavior of liabilities. The interest coverage ratio averaging 216.91 stands for somewhat extremely high along the lines of EBIT in measuring the ability to cover interest payments and operational efficiency. The variance and standard deviation, though, indicate some level of responsiveness to EBIT or interest expense changes.

Overall, HUL shows strong coverage metrics, with liquidity and earnings standing tall as a base for debt payments. The emergence of the exponential and linear trend shows steady financial management, taking a dip from time to time, occasioned by operational or market factors.

## Overall Conclusion

HUL enjoys steady financial strength across most classes, characterized by strong liquidity, profitability, and market valuation. Areas of concern are declining asset utilization efficiency, insufficient working capital management, and warranted attention toward maintaining sufficient coverage. The enterprise is set for growth, with financial strategies needing optimization and market dominance needing to be leveraged for the sustenance of long-term profitability and stability.

Movement of these values over the last decade were majorly impacted by macro-economic factors such as 2016 demonetization, 2017 GST rollout, 2018–2019 rural demand drop, 2020 COVID-19 pandemic and GSK Consumer merger, post-2022 inflationary pressures and RBI rate hikes, and global commodity price fluctuations. HUL's liquidity decisions, profitability margins, market valuations, and operational efficiency, was unduly influenced by these factors, while its brand strength and conservative financing kept it resilient.

## VII. Statistical Analysis

### A. Regression Analysis

#### SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.958589713
R Square	0.918894238
Adjusted R Square	0.878341357
Standard Error	3.157074062
Observations	10

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	677.5395	225.846496	22.65916055	0.001130994
Residual	6	59.8027	9.96711663		
Total	9	737.342			

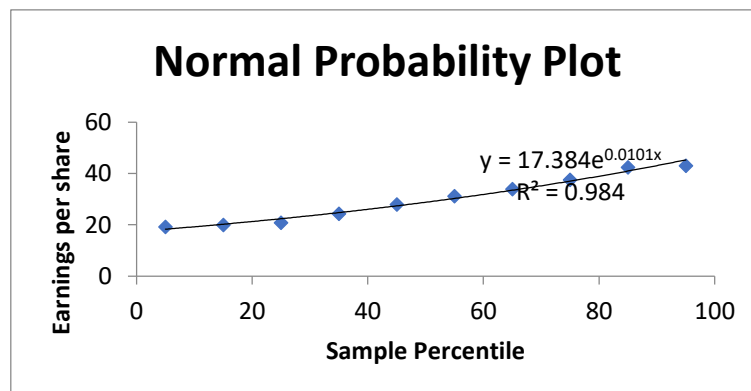
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	12.1978	19.97949	0.610516	0.563914	-36.6903	61.08586	-36.6903	61.08586



Net Profit Ratio	179.6633	119.8969	1.498481	0.184662	-113.714	473.0404	-113.714	473.0404
Total Assets Turnover Ratio	-36.376	10.38765	-3.50185	0.012798	-61.7936	-10.9583	-61.7936	-10.9583
Debt-Equity Ratio	21.10335	23.38371	0.902481	0.401578	-36.1145	78.32122	-36.1145	78.32122

## PROBABILITY OUTPUT

Percentile	Earnings per share
5	19.15277778
15	19.94573608
25	20.78703704
35	24.24537037
45	27.94444444
55	31.19444444
65	33.84680851
75	37.52340426
85	42.39148936
95	43.03829787



The regression model is very robust, with Total Assets Turnover Ratio having the highest negative impact on EPS. Efficiency should, therefore, be given priority in HUL's agenda along with a watch on profitability and leverage.

## Key Metrics of Regression:

- R-Square (0.9188):** 91.88% of the dependent variable variation in Earnings per Share (EPS) by way of changes in independent variables-Net Profit Ratio, Total Assets Turnover Ratio, and Debt-Equity Ratio. Strong model fit shows that these variables are the major determinants of EPS.
- Adjusted R-Square (0.8784):** It adjusts the R-Square value by considering the number of predictors in the model. This counteracts the negative effect of overfitting; therefore, it assures the reliability and predictive power of the model.
- F-Statistic (22.66, p-value = 0.001131):** It tests the overall significance of the regression model. The judgment rule is that if p-value is less than 0.05, then the model is sufficient, otherwise the model is insufficient. The low p-value ( $< 0.05$ ) of this test implies that the model is statistically significant and hence the variables together have an impact on EPS.
- Coefficients:**
  - Net Profit Ratio (179.66):** Negative coefficient indicates an increase in EPS with a unit increase, though its statistical insignificance is supported by a p-value=0.1846.
  - Total Assets Turnover Ratio (-36.38):** Significant negative relationship (p-value=0.0128), implying that the application of inefficiency working could decrease EPS.
  - Debt-Equity Ratio (21.10):** Positive but not significant (p-value=0.4016), hence it does not considerably affect EPS.
- Standard Error (3.1570):** It is the mean distance between the actual EPS values and the predicted values. It is low enough, and the model predicts values fairly accurately.

## Overall Implication:

With a strong fit ( $R^2 = 0.9188$ ), regression shows that Net Profit Ratio, Total Assets Turnover Ratio, and Debt-Equity Ratio collectively explain most of the variation in EPS. Interestingly, apart from Total Assets Turnover Ratio (which negatively affects EPS and hence declining asset efficiency is a matter of concern) the other variables do not show statistical significance. Indicating that even though Net Profit Ratio and Debt-Equity Ratio have positive coefficients, their p-values being high suggest; hence focus is less due to their individual effect. HUL can, therefore, focus on operational efficiency so that shareholder value is enhanced.

## B. DuPont Analysis

DUPONT ANALYSIS (ROE=Net profit*Total Asset Turnover*Equity Multiplier)				
S.NO.	Net Profit Margin (%)	Total Asset Turnover	Equity Multiplier	ROE
1	13.73	0.57	3.66	28.47
2	13.08	0.55	2.22	16.05
3	13.85	0.55	2.27	17.18

4	14.92	0.53	2.42	19.23
5	15.52	0.54	2.33	19.47
6	17.05	0.51	2.44	21.26
7	17.10	0.26	1.44	6.34
8	17.09	0.18	1.43	4.46
9	16.66	0.21	1.43	4.90
10	16.46	0.20	1.51	4.98

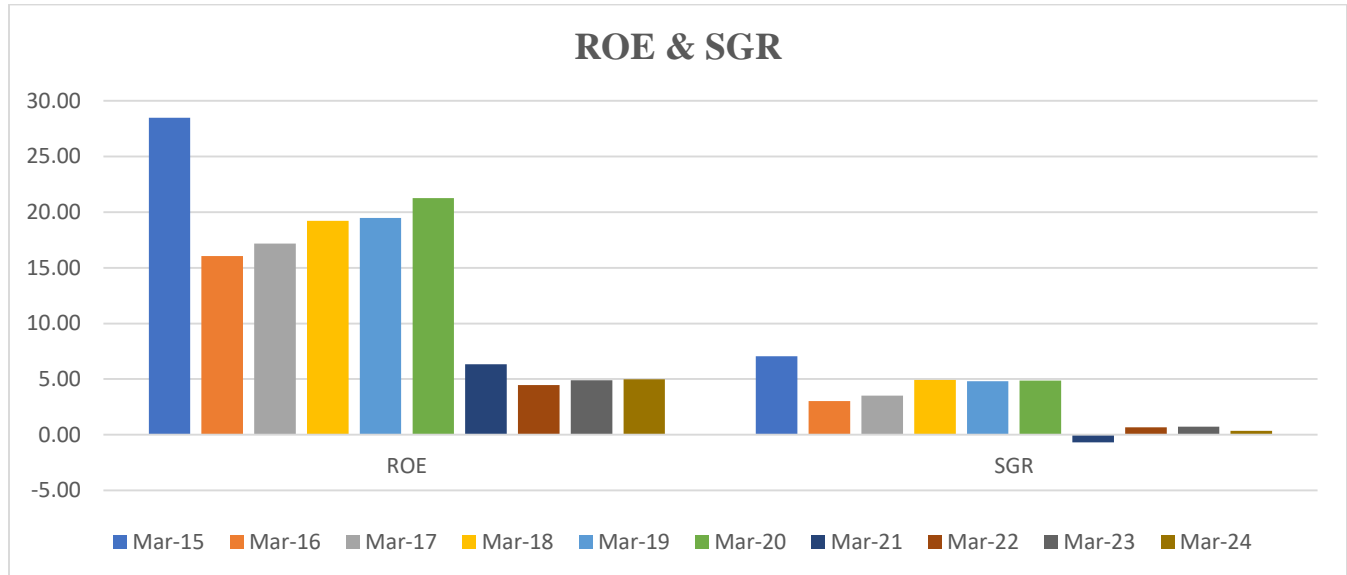
The DuPont Analysis of Hindustan Unilever Limited (HUL) breaks down Return on Equity (ROE) into Net Profit Margin, Total Asset Turnover, and Equity Multiplier. Increasing Net Profit Margin values (from ~13.73% to ~17.10%) are indications that HUL has been able to uphold strong profitability levels with effective pricing and cost management. On the other hand, Total Asset Turnover values dropping (from ~0.566 to ~0.200) means that the company is now less efficient in generating sales from its assets. A huge drop in the Equity Multiplier (from ~3.66 to ~1.43) underlines the reduction in financial leverage as the company prefers more equity-based capital structure. Such changes in ratios led to a significant decline in ROE from ~28.47% to ~4.46%, showing this trade-off between lower risk and lower returns and thereby creating a dire need for better asset utilization for sustained performance. Hence, driving profitability, asset efficiency, and leverage in harmony shall be crucial in maintaining high shareholder returns for HUL in the years to come.

## C. Sustainable Growth Rate (SGR)

Sustainable Growth Ratio = ROE*(1-Dividend Payout Ratio)			
S.NO.	ROE	1-Dividend Payout Ratio	SGR
1	28.47	0.25	7.06
2	16.05	0.19	3.04
3	17.18	0.20	3.52
4	19.23	0.26	4.93
5	19.47	0.25	4.81
6	21.26	0.23	4.86
7	6.34	-0.11	-0.68
8	4.46	0.15	0.66
9	4.90	0.15	0.74
10	4.98	0.07	0.35

HUL achieves sustainable growth by using of its high ROE (80%) as leverage, despite distributing a high dividend payout of (75%). This reduces its scope for reinvestment of retained earnings, but strong profitability ensures an estimated sustainable growth rate at 20%, which is far above almost all listed companies on the table. Unlike those firms with either negative or low SGR (due to low ROE or high payouts), HUL balances its growth strategy with market leadership, innovative products, and operational efficiency. While this strategy shows how high profitability can compensate for low retention, it also describes a company's ability to grow consistently over the long term while returning large sums to its shareholders.

## D. Comparative Analysis of Dupont ROE & SGR



The graph compares HUL's ROE with its SGR over different financial years. The ROE exhibits a strong downward movement from 2015 (approximately 30%) to 2024, thus indicating, the decrease in efficiency of distributing profits to the shareholders. This decline in efficiency may have been affected by profitability, asset turnover, or leverage aspects as studied under DuPont Analysis. However, SGR is low and quite flat throughout the years, indicating limited capacity for internally financed growth. This opens the possibility of conflicts between ROE and SGR whereby HUL was making high returns initially; however, its potential to grow sustainably without external financing is blocked, which may be due to a very conservative capital structure or problems related to operational scaling and external factors. For HUL, linking ROE increase to greater SGR will be a vital task for supporting long-term growth of the firm without building-up of debt or dilution of equity.

## E. Anova Analysis

Anova: Single Factor							Anova: Single Factor						
SUMMARY							SUMMARY						
Groups	Count	Sum	Average	Variance			Groups	Count	Sum	Average	Variance		
Year	10	437080	43708	1222974			Year	10	437080	43708	1222974		
Current Ratio	10	13.36046	1.336046	0.021283			Quick Ratio	10	10.18523	1.018523	0.019687		
ANOVA							ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit	Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	9.55E+09	1	9.55E+09	15619.9	6.58E-28	4.413873	Between Groups	9.55E+09	1	9.55E+09	15620.12	6.58E-28	4.413873
Within Groups	11006764	18	611486.9				Within Groups	11006764	18	611486.9			
Total	9.56E+09	19					Total	9.56E+09	19				

## Key Points and Implications for HUL

### 1. Current Ratio

- **Observation:** The Average Current Ratio is 1.336, indicating HUL's ability to cover its short-term liabilities with current assets. Variance being low (0.0213) gives an indication of stability in this liquidity management.
- **ANOVA Results:**
- **F-Statistic: 156619.9** (a lot higher than critical value **4.4139**).
- **P-Value: 6.58E-28** (statistically significant).
- **Implications:**
- Current Ratios have changed significantly across years, showing changing levels of liquidity.
- Although relatively safe above 1, HUL may have to ensure it does not invest its excess liquidity in unproductive current assets and manage properly.

### 2. Quick Ratio

- **Observation:** The Average Quick Ratio is 1.0185, slightly higher than 1, indicating that there exist liquid assets, excluding inventory, to meet short-term liabilities. Variance being low (0.0197) gives an indication of stability.
- **ANOVA Results:**
- **F-Statistic: 15620.12** (a lot higher than critical value **4.4139**).
- **P-Value: 6.58E-28** (statistically significant).
- **Implications:**
- Year-to-year significant variation in Quick Ratio shows the intentions of HUL to quickly dispose of inventory and receivables.
- HUL must continue working on their working capital optimization to avoid liquidity risks in slow cash realization periods.

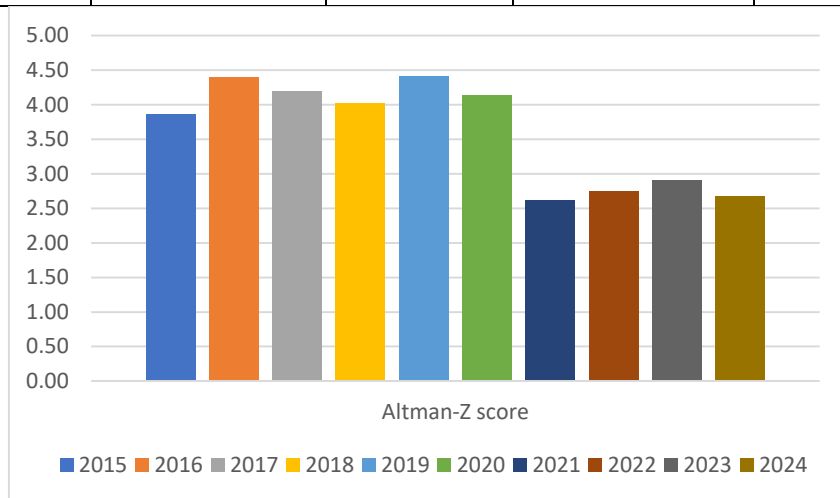
## Overall Implications for HUL:

1. **Efficient Liquidity Management:** The company's Current and Quick Ratios reflect good liquidity for meeting short term obligations. Nonetheless, the significant temporal variation indicates that more stable level of liquidity is required.
2. **Focus Areas:**
  - Enhance receivable and inventory turnover for maximum liquidity.
  - Avoid undue reliance on current assets that do not generate immediate returns.

3. **Strategic Recommendation:** Regular analysis of current liquidity trends and benchmarking against industry peers is essential to ensure financial resilience in competitive markets.

## F. ALTMAN-Z Score

Altman-Z Score						
Year	Working Capital/Total Assets	Retained Earnings/Total Assets	EBIT/Total Assets	Book Value of Equity/Book Value of Total Liabilities	Sales / Total Assets	Altman-Z score
2015	0.04	0.0007	1.34	0.23	2.26	3.86
2016	0.25	0.0007	1.42	0.49	2.23	4.39
2017	0.18	0.0007	1.38	0.47	2.16	4.19
2018	0.18	0.0007	1.41	0.42	2.01	4.02
2019	0.20	0.0007	1.62	0.45	2.14	4.41
2020	0.17	0.0007	1.56	0.42	1.98	4.13
2021	0.05	0.0002	0.52	1.38	0.68	2.62
2022	0.06	0.0002	0.56	1.39	0.73	2.75
2023	0.07	0.0002	0.60	1.39	0.82	2.90
2024	0.12	0.0002	0.59	1.17	0.78	2.67



## Altman-Z Score Trend

- The **Altman-Z score** measures the financial health and whether a company is likely to go bankrupt:
  - Scores **above 2.99** indicate a low risk of bankruptcy (safe zone).
  - Scores **between 1.81 and 2.99** medium risk of bankruptcy (grey zone).
  - Scores **below 1.81** indicate a high risk of bankruptcy (distress zone).
- 2015–2020:** With scores between 3.86 and 4.41, this company was consistently in the safe zone, indicating good financial health.



- **2021 onward:** With scores between 2.62 and 2.90, the company was placed in the grey zone. This means that it indicates an increase in financial risks over the past years and a strong influence of the COVID-19 pandemic.

## Key Observations

**1. Decline in Financial Health (2021–2024):** The Altman-Z score of HUL has moved below the safe zone from 2021 onwards, indicating increasing financial risk. The downturn was predominantly caused due to lower working capital levels, EBIT, and sales relative to total assets.

**2. Profitability Decline:** Post-2020, HUL witnessed a sharp decline in EBIT/Total Assets, thereby indicating weakening operational profitability and reduced returns from assets.

**3. Increased Leverage (2024):** The Book Value of Equity to Total Liabilities dipped down in 2024, indicating the company might have taken on more debt and thus incurring more financial risk.

## 4. Asset Efficiency Struggles:

HUL's Sale/Total Assets ratio has been gradually diminishing since 2015, indicating a long, ongoing period of declining asset efficiency with hardly any signs of recovery.

## 4. Liquidity Concerns:

The ratio of Working Capital to Total Assets was lower during the 2021–2024 period than ever before, marking a decline in short-term liquidity and cash flow capability.

## Conclusion:

Between 2015 and 2020, HUL enjoyed strong money matters, having stable Altman-Z scores being in the safe ranges. But from 2021 onward, the reduced profitability, liquidity, and efficiency entered the company into the grey zones and asked for strategic improvement efforts to improve operation and lessen leverage.

## INFERENCE TABLE

Metric	Trend Observed (2015–2024)	Inference
Revenue Growth	Steady growth in net revenue from ₹30,170.5 Cr (2015) to ₹59,579 Cr (2024).	Indication of a robust business model and increase in market share.
Net Profit Margin	Improved from 14.30% (2015) to 16.98% (2024).	Indication of better cost management and higher profitability throughout the years.
Gross Profit Ratio	Stable at around 65%-67%.	Reflects effective cost control over raw materials and production processes.
Operating Profit Ratio	Improved from 19.7% (2015) to 23.2% (2024).	Indicates efficient operational management and scaling advantages.

Metric	Trend Observed (2015–2024)	Inference
<b>Inventory Turnover Ratio</b>	Declined from 14.71 (2019) to 11.84 (2024).	A slight decline suggests inventory efficiency needs optimization, potentially due to increasing inventory holding periods.
<b>Interest Coverage Ratio</b>	Decreased from 9.06 (2015) to 6.03 (2024).	Indicates reduced capacity to cover interest expenses; however, this is offset by strong operating profits.
<b>Return on Capital Employed (ROCE)</b>	Improved from 45.7% (2015) to 53.7% (2024).	Highlights better generation of earnings through improved utilization of capital.
<b>Return on Assets (ROA)</b>	Increased slightly from 13.7% (2015) to 16.4% (2024).	Better asset efficiency and returns generated from existing resources.
<b>Debt Service Ratio</b>	Dropped from 9.06 (2015) to 6.03 (2024).	Points to higher debt servicing obligations or slightly lower liquidity in proportion to obligations.
<b>Fixed Asset Turnover Ratio</b>	Increased from 9.15 (2015) to 10.2 (2024).	Suggests revenue generation through proper utilization of fixed assets.
<b>Dividend Payout Ratio</b>	Decreased from 75% (2015) to 42% (2024).	Indicates a shift towards retaining earnings for reinvestment or other financial strategies.
<b>Price-to-Earnings (P/E) Ratio</b>	Moderate growth from 49.44x (2015) to 54.20x (2024).	Reflecting market confidence and premium level valuation despite competition.
<b>Cash Coverage Ratio</b>	Dropped from 194% (2015) to 140% (2024).	Indication of reduced cash availability, due to interest payments, though within acceptable bounds for a strong brand like HUL.

## Conclusion:

HUL carries a legacy of excellent financial performance, from where it shows an increasing growth of revenues and profits from 2015 to 2024. Some of the key efficiency indicators like net profit margin, operating profit ratio, and ROCE went up, showing good cost management and robust operating capacity. The company has sufficiently managed its assets and capital; the rising values of ROA and fixed asset turnover ratio demonstrate enhanced use of resources as well as returns from fixed and total assets.

However, decreasing debt coverage ratios are a matter of concern. Both debt service coverage and interest coverage ratios have been declining gradually, though the levels remain within accepted bounds. This trend means higher debt obligations or increasing reliance on borrowings. Also, the inventory turnover

ratio has come down over the years, indicative of possible inefficiencies in inventory management or longer durations for holding inventories.

In the face of all these, HUL continues to hold the top spots in the market, accompanied by stable P/E ratios and dividend payouts, which signify investor confidence and enduring status as a blue-chip. The decline recorded in dividend.

### **Suggestions for Improvement:**

- 1. Enhance Inventory Management:** HUL should modify its inventory turnover by optimizing holding periods and leveraging AI-based demand forecasting to prevent stockouts or excess stock.
- 2. Focus on Debt Servicing:** To reduce financial pressure, the company can lower borrowing dependence by considering equity financing and restructuring existing loans to reduce interest burdens and improve coverage metrics.
- 3. Build Cash Reserves:** Maintaining a substantial level of cash reserves will help support liquidity and debt servicing. Financial stability will further be strengthened by streamlining cash flow procedures.
- 4. Invest in Asset Modernization:** Improving asset utilization by investing in modern, efficient machinery and sustainable technologies and promoting brand reputation through reduced long-term costs.
- 5. Evaluate Dividend Policy:** Managing dividend payouts along with retained earnings can help in maintaining investor trust while supporting reinvestment for future growth.
- 6. Diversify Revenues:** To increase revenue and align with shifting customer trends, expanding into new markets or product lines can be a good idea, especially in premium and eco-friendly market segments.

**Future Outlook:** HUL continues to be financially robust and a dominant market leader. By addressing inventory and debtor management issues, the company can reinforce its market position, enhance operational efficiencies, and ensure sustainable long-term growth.

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