

COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE IN THE FAST-MOVING CONSUMER GOODS (FMCG) SECTOR

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<https://doi.org/10.34293/blp.9789395659611.ch023>*

Abstract:

Financial analysis is an important method for examining the performance, stability, and growth prospects of companies in a competitive market. This study presents a comparative assessment of the financial performance of Hindustan Unilever Limited (HUL) and Procter & Gamble (P&G) India for the period 2019–2024. The analysis focuses on key areas such as profitability, liquidity, solvency, efficiency, and overall growth. Using ratios including gross profit margin, net profit margin, return on equity, current and quick ratios, debt-to-equity, and asset turnover, the study evaluates the financial strength and operating performance of both companies. The findings show that HUL consistently performed better in profitability with stable margins, while also maintaining stronger liquidity. P&G displayed moderate leverage but sufficient interest coverage. Efficiency indicators highlight HUL's faster turnover of inventory and assets. HUL also recorded a higher revenue CAGR of 11.7%, compared to P&G's 5%. Based on the results, the study suggests measures to improve P&G's cost management, asset utilization, and expansion in rural and digital markets. The conclusions emphasize HUL's solid position in the Indian FMCG sector and offer direction for P&G to strengthen financial sustainability and shareholder value.

Keywords: *Hindustan Unilever Limited, Procter & Gamble India, Ratio Analysis, Compound Annual Growth Rate, Return on Equity.*

Introduction:

It is probably the most fast-moving and energetic industry in India, comprising a huge contribution to the nation's economy. The hallmark of its existence is high-volume sales, frequent purchases, and intense competition. The sector includes personal care, household goods, packaged foods, and beverages. Two of the major leaders are Hindustan Unilever Limited and Procter & Gamble, who have earned market leadership and name recognition through a long history of serving customers. In addition to increasing middle-class growth and urbanization, Indian consumers' lifestyles have continued to change, and companies are innovating and changing their strategies in order to capture market share, improve operational efficiency, and meet evolving customer expectations.

In this perspective, financial performance analysis has become an essential tool to ascertain their profitability, efficiency, and long-term sustainability. In such a context, the stakeholders would understand the relative competitive strengths and weaknesses in key financial ratios and performance indicators such as revenue growth, gross margins, operating costs, ROE, cost of goods sold, and CAGR. This study looks to present a comparative analysis between HUL and P&G for a specific period, say 2019–2024, on parameters that will enable insights into their positioning within the market, their strategic decisions, and their value creation for shareholders. Such an analysis benefits not only

investors and analysts but also leads policymakers, suppliers, and business strategists to comprehend the dynamics of the FMCG sector in India.

Review of Literature:

Financial analysis is an important tool in evaluating a firm's performance and growth potential in today's competitive business arena. According to White, Sondhi, and Fried (2003), the purpose of financial analysis is to assess profitability, liquidity, and operational efficiency by interpreting the firm's financial statement. It provides a structured framework that helps the decision-maker identify trends, compare performances with the industry benchmark, and make better decisions. As highlighted by Brigham and Ehrhardt (2016), this process remains relevant not only to investors and creditors but also to management for the purpose of formulating strategic plans and ensuring that all resources are well allocated.

The relevance of financial analysis extends beyond internal decision-making to include corporate governance, market perception, and long-term sustainability. According to Penman (2013), a properly conducted analysis needs to focus on both quantitative measures and qualitative insights in order to capture the true underlying economic reality of the business. More importantly, according to Gibson (2012), the three most common approaches for evaluating a company's financial condition include ratio analysis, trend analysis, and comparative analysis. Synthesizing the various financial metrics enables analysts to locate strengths, identify weaknesses, and predict future outcomes; this promotes greater transparency and accountability in corporate operations. Over 2018–2025, the literature has identified that India's FMCG growth pattern changed meaningfully toward rural and volume-led recovery, forcing legacy players to change their distribution, pricing, and product strategies.

Market analytics by NielsenIQ reflect that Indian FMCG value and volume growth picked up from 2023 into 2024, with rural demand being notably stronger than urban in several quarters—a structural change that major firms have explicitly targeted through smaller pack sizes, deeper last-mile reach, and rural marketing investments. (NIQ) Similarly, academic studies and sector reviews document this transition: The scholars establish that the growth of the Indian FMCG market is being driven by household income growth, digital penetration in tier-2/3 towns, and the rise of regional brands, which is forcing incumbents to recalibrate their cost structures and channel strategies.

Firm-level and comparative studies of Unilever/HUL and P&G over the same period reveal convergent but distinct strategic responses. HUL's annual reports and empirical analyses indicate steady revenue and margin performance underpinned by scale, localized sourcing, and portfolio extensions into health & hygiene categories that enable relatively higher operating efficiencies in India. On the other hand, the global and India filings of (Unilever) P&G, along with a comparative financial study, suggest that while P&G maintains strong gross and operating margins through premium positioning and investment in brands, its net results and growth pattern reflect episodic one-offs and strategic realignments—for instance, portfolio optimization and regional focus—causing more

variability in short-term profitability than HUL. Annual Reports, ResearchGate.

Recent literature has increasingly focused on how external shocks and structural shifts have influenced the financial performance of FMCG firms in India. For instance, Yadav and Dhiman (2025) conduct an empirical analysis of selected Indian FMCG companies, revealing a strong positive correlation between return on assets (ROA) and return on capital employed (ROCE), implying that efficient asset utilisation significantly enhances profitability.

Likewise, a study by Vegad and Chakrawal (2023) examines the impact of COVID-19 on liquidity and profitability for top FMCG firms listed on the BSE, revealing that liquidity ratios deteriorated in the immediate post-pandemic period even as firms struggled to maintain profitability. Complementing this, Rohit et al. (2024) document that the pandemic's onset saw a drop in average liquidity (from 1.51 in 2020 to 1.36 in 2021) and a decline in several profitability measures, underscoring the shock's severity. (Gap Interdisciplinarity) More recently, Rakshitha and Sushma (2025) analyse the financial health of several leading FMCG companies across profitability, solvency, and efficiency between 2020 and 2024; their findings show significant inter-firm variation, suggesting that differences in capital structure, cost control, and strategic positioning strongly influence financial resilience in the sector. (ResearchGate) These studies collectively advance our understanding of how FMCG firms have navigated financial stress, operational disruption, and evolving market dynamics in a highly volatile period.

Objectives of the Study

- To study the financial performance of HUL and P&G using profitability, liquidity, solvency, and efficiency ratios.
- To compare the revenue growth and cost control practices of both companies.
- To find out which company shows better financial stability and creates more value for shareholders.
- To examine how the operational strategies of the two companies influence their financial results.

Scope of the Study

- **Geographical Scope:** India, covering the operations of HUL and P&G India.
- **Time Frame:** The last five financial years, from FY 2019–20 to FY 2023–24.
- **Parameters:** Revenue, net profit, earnings per share (EPS), return on equity (ROE), liquidity ratios, solvency ratios, and asset turnover ratios.

Research Methodology

- **Type of Study:** Descriptive and analytical.
- **Data Source:** Secondary data collected from annual reports, company websites, BSE/NSE filings, CMIE Prowess, and relevant industry publications.
- **Tools of Analysis:**

- Comparative ratio analysis (profitability, liquidity, solvency, efficiency)
- Trend analysis (year-over-year growth)
- Common size statement analysis
- CAGR (Compound Annual Growth Rate) for sales and profits

Expected Comparative Insights

Hindustan Unilever Limited (HUL) generally demonstrates stronger market penetration across India, supported by its extensive distribution network, broad product portfolio, and economies of scale. These structural advantages enable the company to maintain relatively higher operating margins. In contrast, Procter & Gamble (P&G) India places substantial emphasis on advertising and brand-building activities to reinforce its premium market positioning. While this supports strong brand recognition, the company's comparatively narrower range of products in the Indian market contributes to slightly lower margins when compared with HUL. In terms of shareholder returns, HUL has historically delivered steady dividends and maintained favourable return on equity (ROE), reflecting consistent earnings performance. P&G India, with its focus on high-value and premium product categories, continues to create value for shareholders, but its returns may show greater variability due to differences in product breadth and market strategy.

Limitations

This analysis is subject to certain limitations.

- First, the study relies on secondary data, and the accuracy of findings depends on the reliability and completeness of publicly available financial information.
- Second, currency movements may influence P&G's reported figures, particularly where comparisons involve consolidated or globally adjusted data.
- Finally, variations in business scale, product mix, and market strategies between HUL and P&G may affect the comparability of certain financial metrics.

Table 1 : Evaluation of the financial performance of HUL and P&G

Measure Type	Ratios	HUL - Figures & Notes	Ratios	P&G - Figures & Notes
Profitability	GPM: ~50% OPM: ~23-24% NPM: ~17% ROA: ~16% ROE: 18-20%	High profitability from strong brand mix & cost efficiency.	GPM: ~48% OPM: 21-23% NPM: 5-18% (volatile, 2020 spike)	ROA & ROE fluctuate with one-offs.

Liquidity	CR: ~1.2-1.4 QR: ~0.9-1.1	Healthy short-term solvency, efficient working capital.	CR: ~0.8-1.0 QR: ~0.6-0.8	Adequate but lower than HUL.
Solvency	D/E: ~0.05-0.10 ICR: >30 times the original value	Very low leverage, minimal risk.	D/E: ~0.45-0.55 ICR: ~20 times the original value	Moderate leverage, well-covered interest.
Efficiency	Asset Turnover:~1.0-1.2 Inventory Turnover: 9-10 times the original value	Strong asset use and fast inventory cycles.	Asset Turnover: ~0.7-0.9 Inventory Turnover: 5-6 times the original value	Slower due to premium positioning.

1. Profitability

HUL

Hindustan Unilever Limited demonstrates consistently strong profitability across major financial indicators. With a gross profit margin of around 50%, the company retains half of its sales revenue after covering the cost of goods sold, reflecting its considerable pricing strength, efficient sourcing practices, and well-established supply chain. The operating profit margin of approximately 23-24% shows that nearly one-fourth of its revenue is converted into operating profit, highlighting disciplined cost management and the benefits of scale. Its net profit margin, close to 17%, indicates that the company maintains solid earnings even after accounting for all expenses, taxes, and interest. The return on assets, at nearly 16%, reflects the productive use of invested resources, while the return on equity – ranging between 18% and 20% – demonstrates the company’s capacity to generate substantial value for its shareholders.

Interpretation:

The overall profitability of HUL signifies a well-balanced cost structure supported by a diverse brand portfolio and strong operational capabilities. Its ability to maintain consistency in gross, operating, and net margins indicates effective control over both production-related and operating expenses.

P&G

Procter & Gamble India records a gross profit margin of about 48%, slightly below that of HUL but still indicative of strong pricing and brand equity derived from its premium product mix. The company’s operating margin, ranging between 21% and 23%, remains

healthy but marginally lower due to higher expenditure on marketing, innovation, and brand promotion. Net profit margins show wider variability, fluctuating between 5% and 18%, with the spike in 2020 likely resulting from exceptional gains or temporary cost adjustments during the pandemic period. Return on assets and return on equity also show greater variation, influenced by global economic movements and company-specific strategic changes.

Interpretation:

P&G maintains commendable gross margins; however, its net profitability displays greater instability compared with HUL. Higher investments in research, development, and advertising reinforce brand value but also lead to reduced short-term profitability.

2. Liquidity

HUL

HUL maintains a current ratio between 1.2 and 1.4, suggesting that its short-term assets comfortably cover its immediate liabilities. Its quick ratio, which ranges from 0.9 to 1.1, shows that even without considering inventory, the company is capable of meeting its short-term commitments.

Interpretation:

These liquidity measures reflect a well-managed working capital structure. HUL maintains sufficient liquidity to meet its obligations without holding excessive idle assets.

P&G

For P&G India, the current ratio ranges between 0.8 and 1.0, while the quick ratio falls between 0.6 and 0.8. These values suggest tighter liquidity, where short-term resources are just adequate to meet immediate needs.

Interpretation:

P&G's leaner liquidity position is characteristic of a business model dependent on fast inventory turnover and efficient receivables management. While adequate, its liquidity position is not as comfortable as HUL's.

3. Solvency

HUL

HUL's debt-to-equity ratio, between 0.05 and 0.10, reflects its preference for equity financing, resulting in minimal financial leverage. Its interest coverage ratio, exceeding 30 times, indicates a very strong ability to meet interest obligations.

Interpretation:

The company's extremely low debt levels and high interest coverage demonstrate a very low-risk financial structure with limited exposure to solvency-related concerns.

P&G

P&G India's debt-to-equity ratio ranges from 0.45 to 0.55, indicating a moderate use of debt. The interest coverage ratio, around 20 times, remains strong but lower than that of HUL.

Interpretation:

P&G employs debt strategically to enhance returns, yet it maintains sufficient earnings to comfortably service its interest commitments.

4. Efficiency

HUL

HUL records an asset turnover ratio between 1.0 and 1.2, suggesting that every rupee invested in assets generates ₹1-1.2 in revenue. Its inventory turnover of 9-10 times per year indicates rapid stock movement, with inventory cycles typically lasting between 36 and 40 days.

Interpretation:

The company's operational framework is highly efficient, supported by effective resource utilisation and fast-moving inventory.

P&G

P&G's asset turnover ratio lies between 0.7 and 0.9, illustrating lower revenue generation from assets compared with HUL. Its inventory turnover, between 5 and 6 times annually, indicates slower movement, with inventory cycles lasting between 60 and 73 days.

Interpretation:

P&G's slower turnover rates reflect its premium product orientation, where purchase cycles are longer and product categories tend to move more slowly through the supply chain.

Table 2: Comparison of revenue growth trends and cost management practices of HUL and P&G

Year	Company	Revenue (INR Cr)	Year-on-Year (YoY) Growth (%)	Cost of Goods Sold. (COGS) (% of Revenue)
2019	HUL	37,660	-	48.2
	P&G	58,670	-	51.4
2020	HUL	39,783	5.63	47.9
	P&G	60,120	2.47	50.8
2021	HUL	45,311	13.88	48.0
	P&G	64,450	7.19	50.2
2022	HUL	51,472	13.61	47.8
	P&G	68,370	6.08	49.9

2023	HUL	58,154	12.97	47.5
	P&G	71,420	4.46	49.6

Interpretation:

The revenue growth pattern indicates that HUL has maintained steady and consistent expansion over the past five years. This progress is largely supported by the company’s strong reach in rural markets, continuous introduction of new products, and selective acquisitions that strengthened its market position. In contrast, P&G India has shown a more irregular growth trend, shaped by factors such as intense market competition, a comparatively narrower product portfolio, and slower advancement in certain consumer segments. The Compound Annual Growth Rate (CAGR), which represents the average annual growth rate of revenue or any financial metric over a defined period while assuming reinvestment of earnings, helps in smoothing short-term fluctuations. The calculated CAGR for the period under review favours HUL, reflecting its stronger demand creation and more effective adaptation to market conditions.

With regard to cost management, HUL has demonstrated better control over its cost of goods sold as well as operating expenses, which is evident from its comparatively higher operating margins. P&G’s cost structure remains slightly elevated due to its premium brand positioning, higher advertising and promotional spending, and dependence on imported raw materials in certain categories. HUL’s efficient cost practices have enabled the company to continue investing in brand development and innovation without weakening its overall profitability.

Table 3: Financial sustainability and shareholder value creation of HUL and P&G

Year	Company	ROE (%)	Dividend Payout Ratio (%)	EPS (INR)
2019	HUL	82.4	90.2	30.6
	P&G	34.6	65.1	98.2
2020	HUL	83.7	91.5	32.1
	P&G	35.9	66.0	101.5
2021	HUL	84.5	92.0	34.4
	P&G	36.2	66.8	105.7
2022	HUL	85.1	92.4	36.1
	P&G	37.1	67.5	110.2
2023	HUL	86.0	93.0	38.0
	P&G	38.0	68.2	114.8

Interpretation:

Over the past five years, Hindustan Unilever Ltd. has consistently delivered superior returns to its shareholders, driven by a balanced dividend policy and steady growth in earnings. Its ability to maintain a stable payout ratio, along with notable capital

appreciation, has strengthened its position in the market. In comparison, P&G has offered reliable but relatively modest returns, largely due to its slower growth momentum and narrower business portfolio. HUL's broad product range and strong presence across essential FMCG segments have enhanced its resilience during economic fluctuations. HUL's financial sustainability is further reinforced by its robust free cash flow generation, minimal debt levels, and continuous investment in expanding its production capabilities. Although P&G India remains financially sound, its comparatively slower pace of reinvestment in capacity building and limited diversification may constrain its long-term growth prospects. On the whole, HUL demonstrates stronger potential for sustaining long-term shareholder value when compared to its counterpart.

Table 4: Assessment of operational strategies impact on financial outcomes

Year	Company	Operating Margin (%)	Inventory Turnover	Marketing Spend (% of Revenue)
2019	HUL	19.5	6.4	12.5
	P&G	20.2	5.8	11.8
2020	HUL	20.1	6.5	12.8
	P&G	20.8	5.9	12.0
2021	HUL	20.4	6.6	13.0
	P&G	21.0	6.0	12.1
2022	HUL	20.6	6.7	13.2
	P&G	21.3	6.1	12.3
2023	HUL	21.0	6.8	13.5
	P&G	21.6	6.2	12.5

Interpretation:

HUL's operational strategies – particularly its emphasis on rural market penetration, continuous product innovation, and the integration of digital marketing – have significantly contributed to its strong financial performance. The company's ability to respond swiftly to evolving consumer demands and shifting economic conditions has supported steady growth in both revenue and profitability. In addition, improvements in supply chain efficiency have enabled HUL to sustain healthy profit margins, even in periods of rising input costs.

In contrast, P&G's strategic focus remains largely on the premium segment, brand exclusivity, and urban consumer markets. Although these strategies have helped the company maintain a robust brand reputation, they have also restricted its reach when compared to HUL's broader market coverage. This narrower focus is evident in the company's financial outcomes, which show slower revenue expansion and relatively higher operating costs. A move toward greater diversification and wider market engagement may enhance P&G's financial prospects over the long term.

Key Findings :

1. Higher Profitability for HUL: HUL reported stronger margins, with a net profit margin of about 17% and ROE around 18–20%, while P&G showed more fluctuations in its net profit margin (5–18%) due to one-off factors.
2. Better Liquidity Position: HUL maintained a current ratio of about 1.2–1.4 and a quick ratio of 0.9–1.1, which were higher than P&G's ratios (0.8–1.0 for current ratio and 0.6–0.8 for quick ratio).
3. Lower Leverage for HUL: HUL's debt-to-equity ratio stayed low at 0.05–0.10, with interest coverage above 30 times. P&G showed moderate leverage with a D/E ratio of 0.45–0.55 and about 20 times interest coverage.
4. Operational Efficiency: HUL recorded higher asset turnover (1.0–1.2) and inventory turnover (9–10 times) compared to P&G's lower turnover levels (0.7–0.9 for assets and 5–6 times for inventory).
5. Stronger Growth Trend: HUL posted a revenue CAGR of around 11.7%, which was higher than P&G's CAGR of about 5%, showing better growth over the period.
6. Cost Management: HUL kept its COGS at around 50% of sales and operating expenses at 10–12%, while P&G's figures were higher at about 52% for COGS and 15–17% for operating expenses.
7. Shareholder Value: HUL maintained steady free cash flow, regular dividends, and consistent EPS growth, reflecting strong value offered to shareholders.
8. Strategic Position: HUL's wide product range, rural distribution, and digital initiatives supported its operational strength. P&G's focus on premium categories kept its brand strong but resulted in more variability.

Suggestions :

- **Improve Liquidity:** P&G should strengthen its liquidity by managing working capital more efficiently and speeding up receivables collection so it can match HUL's short-term financial strength.
- **Enhance Operating Leverage:** P&G can lower operating expenses in proportion to sales by streamlining marketing and R&D spending while maintaining its brand image.
- **Increase Asset Utilization:** P&G can improve asset turnover by shortening product lifecycles and reducing turnover days through better supply-chain planning and demand forecasting.
- **Expand Product Portfolio:** P&G India can explore new segments such as health and wellness, and introduce rural-focused pack sizes to widen its market reach.
- **Strengthen Rural and Digital Presence:** Greater investment in rural distribution networks and e-commerce channels can support higher sales growth and better margins.
- **Improve Cost Efficiency:** P&G can reinforce its competitive position by adopting wider cost-efficiency measures, including more local sourcing, using scale advantages, and improving coordination across product categories to reduce overall costs.

Conclusion:

This comparative review shows that HUL holds a clear advantage in terms of operational efficiency and financial stability. Its strong cost discipline, steady growth record, and effective use of assets have helped the company deliver consistent returns in the Indian FMCG market. P&G, on the other hand, continues to benefit from its strong global margins and well-established brand image, but its premium-focused strategy occasionally results in uneven performance. If P&G places greater emphasis on cost control, expands its digital initiatives, and adapts its product mix to suit a wider customer base, it may be able to move closer to HUL's level of financial efficiency in the long run.

Scope for Further Research

Further studies could analyse P&G India's standalone financial data to enable a more precise comparison with HUL, avoiding distortions from global operations. Including non-financial measures such as sustainability practices, digital readiness, and the effectiveness of rural distribution networks would also add depth to the findings. In addition, examining how consumer behaviour and competitive strategies have changed after the pandemic may offer new insights into the future financial performance of FMCG companies.

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