

# **A Study of Risk Return Analysis of FMCG Sector With Special Reference to Selected Companies Listed on NSE India**

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## **CHAPTER I INTRODUCTION**

### **Fast-Moving Consumer Goods**

FMCGs have a short shelf life because of high consumer demand (e.g., soft drinks and confections) or because they are perishable (e.g., meat, dairy products, and baked goods). These goods are purchased frequently, are consumed rapidly, are priced low, and are sold in large quantities. They also have a high turnover when they're on the shelf at the store. Consumer goods are products purchased for consumption by the average consumer. They are divided into three different categories: durable goods, nondurable goods, and services. Durable goods have a shelf life of three years or more while nondurable goods have a shelf life of less than one year. Fast-moving consumer goods are the largest segment of consumer goods. They fall into the nondurable category, as they are consumed immediately and have a short shelf life.

### **Types of Fast-Moving Consumer Goods**

As mentioned above, fast-moving consumer goods are nondurable goods, or goods that have a short lifespan, and are consumed at a fast pace. FMCGs can be divided into several different categories, including:

- ⇒ Processed foods: Cheese products, cereals, and boxed pasta
- ⇒ Prepared meals: Ready-to-eat meals
- ⇒ Beverages: Bottled water, energy drinks, and juices
- ⇒ Baked goods: Cookies, croissants, and bagels
- ⇒ Fresh foods, frozen foods, and dry goods: Fruits, vegetables, frozen peas and carrots, and raisins and nuts
- ⇒ Medicines: Aspirin, pain relievers, and other medication that can be purchased without a prescription
- ⇒ Cleaning products: Baking soda, oven cleaner, and window and glass cleaner
- ⇒ Cosmetics and toiletries: Hair care products, concealers, toothpaste, and soap
- ⇒ Office supplies: Pens, pencils, and markers

### **Investment Return**

An investment return is characterized by two important factors that are risk and return. Risk involves future uncertainty and deviation from expected income. Investors expect to gain from their investment. To get a higher return involves higher risk. The risk measures uncertainty. Investors take a higher risk, get a higher return. The measures the return and there is a direct relationship between risk and return. There are two types of risk involved in the securities. These are systematic risk and unsystematic risk. Systematic risk is the risk that is unavoidable and cannot diversify. It includes economic growth, recessions, inflation, interest rates, currency fluctuations, etc. It is caused by a factor that is beyond the control of the company. E.g. Inflation rate, interest rate, and govt. policy. It is measured by the beta coefficient. Unsystematic risk is unique to a company or industry. It can be avoided, reduced through diversification. Unsystematic risk is within the control of the company such as management issues, operational issues and labour conditions. The Equity Markets across the world are volatile but India has a higher level of volatility. Banking and financial services sector funds have generated superior risk-adjusted returns until now, they suffer from the risk of portfolio concentration as a single stock accounts for an equity portfolio. Measurement of risk has been critical for any investment decision. Risk cannot be eliminated, investors estimate the risk for taking investment decisions.

### **Objectives of the study**

Investing in the stock market is always risky. The investors have to find out where the risk is low and high. So it has always been difficult to decide that risk level of securities. This study is to find out the risk and return of the selected stocks and find out the maximum return with minimum risk of the FMCG companies.

- ◆ To analyse the average returns of selected companies securities in the FMCG industry.
- ◆ To analyse the risk associated with selected companies securities in the FMCG industry.



To analyse and compare the performance of Ten Indian FMCG Companies.  
To suggest the investors' best security before investing in any FMCG stock.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

Dr. S Poornima and Swathiga P (2017) The author regarding this paper investigates the study on the relationship between risk and return of stocks from two different sectors on NSE by using the Capital Asset Pricing Model. The paper was done by analysing the selected stocks from the automobile sector and the IT sector. Five stocks in the individual sector have been considered for the sample. The objective was to compare the average return with the standard expected return using CAPM and to rank the companies based on risk and return. The tools used for this study are average return, standard Deviation, and Capital Asset Pricing Model. From the analysis, it shows that all the companies have positive beta value, i.e. Bosch and Maruti Suzuki Ltd. Bosch has high volatility in the market 7.36% and Hero Motocorp Ltd has less volatile in the market is 2.78%. Whereas Bosch and Tata Motors have 7.36 and 5.62 % of variation to expected return respectively. Investors can select Maruti Suzuki Ltd (5.31%), Bosch (3.48%). In the case of IT, they can select HCL Technologies (1.02) % respectively. We can conclude that the automobile sector has performed better than the IT sector.

Anju Bala (July 2013) Stock Market is one of the most important sectors in the International Journal of Multidisciplinary Research and Development 9 financial system, marking an important contribution to economic development. Stock Market is a place where buyers and sellers of securities can enter into transactions to purchase and sell shares, bonds, debentures, etc. Investors are ready to invest in the stock market to get a higher return. There are two large stock exchanges of India are Bombay Stock Exchange (BSE) and National Stock Exchange(NSE). The stock market is one of the best investment platforms for investors who are ready to take risks. The stock market provides a suitable investment for the common man. It also provides diversified, managed portfolios at a low cost.

## **CHAPTER III**

### **PROFILE OF THE STUDY AREA**

#### **Nature of Research**

The present research is exploratory and empirical in nature with descriptive statistics based on the monthly returns of the stock market index and 5 companies of the NSE FMCG Industry. ResearchDesign

Based on the objectives of the study, descriptive research has adopted. Descriptive research is one which largely used to draw inferences about the possible relationships between variables. It is designed to gather descriptive information and provides information for formulating more sophisticated studies.

#### **Population and Sample**

The risks and returns have been analysed using the monthly closing prices of 5 companies and the NSE FMCG Index. The return and risk based on FMCG Index have been taken as the measurement of market return and market risk, respectively. In this study, the Judgment sampling method is used for selecting the sample. Totally a sample of Five companies is taken from FMCG sectors. These are

- ◆ Hindustan Unilever Ltd.
- ◆ ITC Ltd.
- ◆ Nestle India Ltd.
- ◆ Dabur India Ltd.
- ◆ Britannia Industries Ltd.

The period of study is from April 1, 2019–March 31, 2020

## **CHAPTER IV**

### **DATA ANALYSIS AND INTERPRETATIONS**

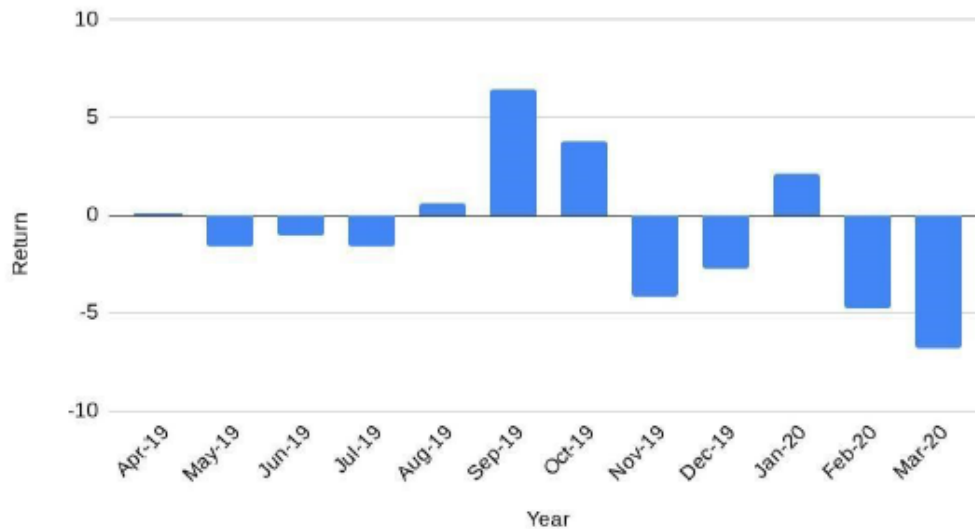
Various technical and charting tools were used to analyze the data. Give as follows: Nifty Bankex

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The table shows that the return of FMCG Industry

DATE	RETURN
Apr-19	0.051
May-19	-1.604
Jun-19	-1.02
Jul-19	-1.625
Aug-19	0.659
Sep-19	6.416
Oct-19	3.807
Nov-19	-4.159
Dec-19	-2.757
Jan-20	2.171
Feb-20	-4.76
Mar-20	-6.793

The Return of FMCG Industry



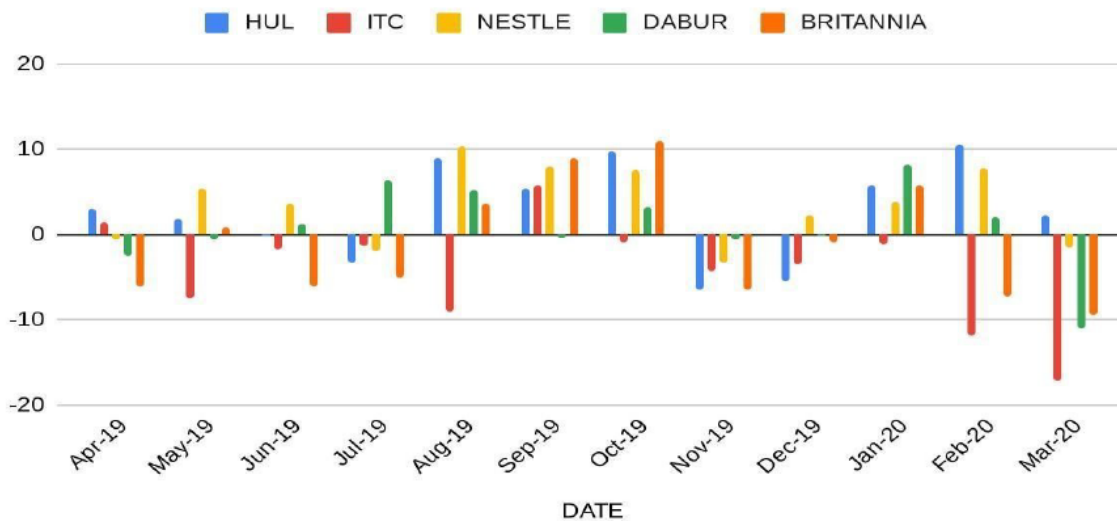
### Interpretation

The chart shows that the return of the FMCG Industry. Comparing all the returns of the FMCG companies, in the months of May-19, June-19, July-19, Nov.-19, Dec.-19, Feb.-20, and Mar.-20 have a negative return. In the months of Apr.-19, Aug.-19, Sep.-19, Oct.-19, and Jan.-2020 have a positive return. In the month of Sep.-19(6.416) have the highest return and In the month of March (6.793) has the highest negative return due to Covid-19.

**The return of FMCG companies**

DATE	HUL	ITC	NESTLE	DABUR	BRITANNIA
Apr-19	2.9822	1.3793	-0.5082	-2.6174	-6.14
May-19	1.7523	-7.566	5.4359	-0.5401	0.8943
Jun-19	-0.0503	-1.6873	3.6049	1.1491	-6.1004
Jul-19	-3.4096	-1.3328	-1.987	6.4794	-5.0552
Aug-19	8.9914	-9.0859	10.2716	5.2409	3.7102
Sep-19	5.3164	5.7806	7.8795	-0.3454	8.976
Oct-19	9.7581	-0.8466	7.6121	3.2868	10.9522
Nov-19	-6.438	-4.3664	-3.2983	-0.617	-6.395
Dec-19	-5.5176	-3.5308	2.2921	-0.1525	-0.9779
Jan-20	5.7852	-1.0728	3.8836	8.1479	5.7104
Feb-20	10.5198	-11.779	7.6825	2.0978	-7.2015
Mar-20	2.2351	-17.233	-1.4444	-11.083	-9.4691

Return of FMCG Companies



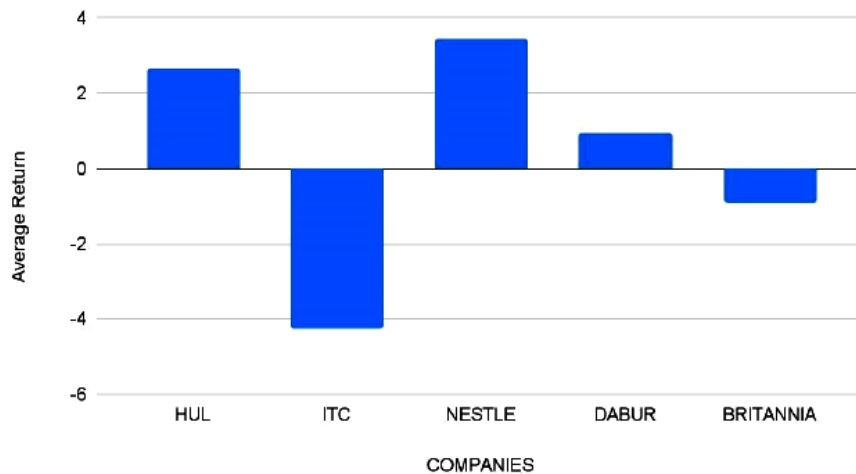
**Interpretation**

The above chart shows that the return of FMCG companies. In the month of Apr.-19, HUL and ITC have a positive return and other companies have a negative return. In the month of May-19, Most of the companies have positive returns some companies like ITC and Dabur have a negative return. In June Dabur have positive returns other companies have a negative return. In Aug.-2019 all companies have positive returns except ITC. In Sep.-19 all the companies had positive return except Dabur. In Oct.-19 ITC have a negative return. In the month of Nov.-19, all the companies have a negative return. In Dec.-19 all companies have negative returns except Nestle. In Jan ITC have a negative return and Feb.20 ITC and BRITANNIA have a negative return and other companies have a positive return. In the month of Mar-20, all the companies have negative returns except HUL.

**Average Return of FMCG Compa**

COMPANIES	Average Return
HUL	2.6604
ITC	-4.2785
NESTLE	3.452
DABUR	0.9205
BRITANNIA	-0.9247

**Average Return of FMCG Companies**



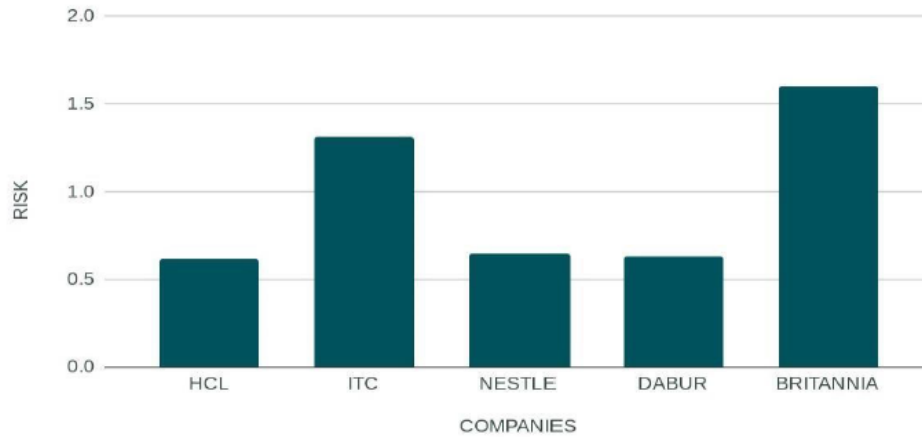
**Interpretation**

The above chart shows the average return of FMCG companies. Comparing the FMCG companies The HUL, Nestle and Dabur have a positive return and the other companies like ITC and Britannia have a negative average return. Among the companies, Nestle has a high return and ITC has a high negative return.

**The Beta value of FMCG Companies**

COMPANIES	RISK
HUL	0.62
ITC	1.316
NESTLE	0.649
DABUR	0.637
BRITANNIA	1.606

The Beta value of FMCG Companies



**Interpretation**

The above chart shows that the beta value of FMCG companies. If the stock beta is more than 1 it has a higher risk. If the stock beta is less than one has lower risk. In FMCG companies ITC, and Britannia these securities beta value is more than 1 hence these securities high risk to the investors. The securities like HUL, Nestle, Dabur beta values were less than 1 so it can be low risk to the investors.

**CHAPTER V**

**FINDINGS, SUGGESTIONS AND CONCLUSION**

**Findings**

The present project work has been undertaken to study Security Analysis for a period of one year. During this study, the following facts have been identified.

1. The return of FMCG companies was high in the month of Sep.-2019.
2. All the FMCG companies stock return were negative in the month of Nov.-19
3. The returns of FMCG companies were very low in the month of Mar.-2020 due to Covid- 19
4. All FMCG stock returns were positive in the month of Sep.-19 except Dabur.
5. The HUL return only has a positive return in the month of March-2020.
6. The average return of FMCG companies only four companies have given a positive return.
7. Nestle India Ltd. Has the highest return among the FMCG companies.



- 8 ITC Ltd. has the lowest return among FMCG companies.
9. Britannia has the highest risk among the FMCG companies hence these beta value is 1.60.
10. Two companies have the highest risk hence these beta values are more than one.
11. HUL is the lowest risk among the FMCG companies hence its beta value is 0.62. Suggestion

**The suggestions of the study are as follows:**

1. If the investor expects high returns then he has to face the high risk.
2. The investor wants to get high return then it suggested to invest in Nestle India Ltd. because its return was higher than the other companies
3. The investors who wanted normal risk then suggested Hindustan Unilever Ltd and Dabur India Ltd.
4. The investors are not recommended to invest in ITC and Britannia. These stocks have high risk hence its beta value was more than one but have a negative return.
5. The study suggests to the investor to invest in Nestle India Ltd. because it has a normal risk with high return.

**Conclusion**

This study is based on the analysis of FMCG nifty stocks. This provides an idea to the investors to decide whether to purchase stock on the basis of their expected return and risk. A stock with more beta value is not suggested hence it is subjected to high market risk which is not diversified. It is better to avoid such high beta value stocks. The stock rating is done on the basis of investment and type of investors. Investors suggested choosing the securities based on the return and risk of the securities. This study found that Nestle India Ltd. has a high return(3.45) with normal risk(0.64). Finally, from the study, it is seen that many times the market has collapsed which did not happen earlier, which creates a fear in the investors to enter into the et. By this analysis, the investors will get an idea that the script returns will definitely get recovered if the market bounces back.

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