

A STUDY ON EQUITY ANALYSIS OF SELECTED FMCG COMPANIES LISTED ON NSE

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Abstract: *Fast moving consumer goods (FMCG) sector in India is the fourth largest in the economy. The middle class and the rural segments of the Indian population are the most promising market for FMCG and give brand makers the opportunity to convert them to branded products. India has low per capita consumption as well as low penetration level, but the potential for growth is huge. Many FMCG players have increased their investments in modern retail.*

FMCG is one of the sectors in the country which has successfully mitigated the rural-urban divide. The performance of leading players in FMCG sector was above par in the second half with almost all of them experiencing double digit growths. The outlook for Indian FMCG is positive because of growing sales, strong financials of leading players and ever increasing urbanization.

These companies are the leaders in their respective sectors.

The present study focus on relationship between selected FMCG companies share price and Nifty Index. The risk associated with those companies share price were measured with relevant tools. The study covers top five FMCG companies based on their equity analysis and its share price. The companies are glaxosmithkline.com, KRBL, Britannia, Kwality, and Nestle. Equity analysis is the most important measurement technique used to measure the movement of share market, which helps the investor to take decision either to buy or sell.

Key Words: *Equity Analysis, FMCG Companies, Share Price Fluctuations, Risk, Investors.*

1. INTRODUCTION:

Fast moving consumer goods (FMCG) sector in India is the fourth largest in the economy. The middle class and the rural segments of the Indian population are the most promising market for FMCG and give brand makers the opportunity to convert them to branded products. India has low per capita consumption as well as low penetration level, but the potential for growth is huge. The Indian economy is surging ahead by leaps and bounds, keeping pace with rapid urbanization, increased literacy levels, and rising per capita income. Many FMCG players have increased their investments in modern retail.

FMCG is one of the sectors in the country which has successfully mitigated the rural-urban divide. The performance of leading players in FMCG sector was above par in the second half with almost all of them experiencing double digit growths. The outlook for Indian FMCG is positive because of growing sales, strong financials of leading players and ever increasing urbanization.

This sector is characterized by strong MNC presence and a well-established distribution network. In India the easy availability of raw materials as well as cheap labour makes it an ideal destination for this sector. There is also intense competition between the organised and unorganised segments and the fight to keep operational costs low. This sector will continue to see growth as it depends on an ever-increasing internal market for consumption, and demand for these goods remains more or less constant, irrespective of recession or inflation. Hence this sector will grow, though it may not be a smooth growth path, due to the present world-wide economic slowdown, rising inflation and fall of the rupee. This sector will see good growth in the long run and hiring will continue to remain robust.

These companies are the leaders in their respective sectors. The equity analysis particularly selected five FMCG companies listed on NSE. The companies are glaxosmithkline.com, KRBL, Britannia, Kwality and Nestle.

NSE (National Stock Exchange)

The National Stock Exchange of India was set up by Government of India on the recommendation of Pherwani Committee in 1991. Promoted by leading financial institutions essentially led by IDBI at the behest of the

Government of India, it was incorporated in November 1992 as a tax-paying company. In April 1993, it was recognized as a stock exchange under the Securities Contracts (Regulation) Act, 1956. NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital market (Equities) segment of the NSE commenced operations in November 1994, while operations in the Derivatives segment commenced in June 2000.

Statement of the Problem

The food processing industry in India has gained in popularity over the last 10 years, mainly because of changing lifestyles and eating food processing habits of people. Most of the people lifestyle in food industry trendily increases from Oct 2015 to Aug 2016. The present study focus on relationship between selected FMCG companies share price and Nifty Index. The risk associated with those companies share price were measured with relevant tools. They are many no of studies in this perspective but they are in different periods and different sectors. The present study is only considering top five FMCG companies based on their equity analysis and its share price.

Scope of the Study

The study was mainly to the Equity Analysis of glaxosmithkline.con, KRBL, Britannia, Kwality and Nestle with the help of apt tools and risk and relationship involved in share price of those companies mentioned above. Further, this has covered a year time period. In general, the study is helping to identify equity analysis and share price of selected FMCG companies.

2. OBJECTIVES OF THE STUDY:

- To identify the share price fluctuations of FMCG corporations in NSE.
- To analyse the risk involved in the selected FMCG companies share price.
- To suggest better ways and means for the investors to enhance the knowledge about stock investment in the secondary market.

3. MATERIALS AND METHODS:

3.1 Research Methodology

The present study is an analytical one.

Sample Size

Many major FMCG companies are available in India. They are Nestle India Ltd, Britannia, Kwality, glaxosmithkline.con , KRBL, ITC, HUL, Nestle India Ltd, Dabour India Ltd, GCPL, P & G, Colgate-Palmolive (India) Limited, GSK, Marico and Emami Limited. For this study the five FMCG companies has been selected. They are glaxosmithkline.con, KRBL, Britannia , Kwality and Nestle.

These five companies enjoyed maximum market share in FMCG sector and ithas been selected by the following companies based on Equity Share Price and Nifty Index.

3.2 Data Sources

a) Secondary Data:

The study was mainly based on secondary data. The required data for the purpose of the study were collected form books, journals, magazines, news papers, company information's and websites.

b) Data Collection: The entire secondary data were collected from official website of National Stock Exchange (NSE). The data consist of daily closing share price of selected FMCG companies, daily closing of Nifty Index and share price.

3.3 Period of the Study:

The study covers five FMCG companies share price movement for a period of 10 months from Oct 2015 to Aug 2016

3.4 Hypothesis of the Study

To accomplish the above mentioned objectives, the following null hypothesis was framed for testing:

Null Hypothesis (H0):

- There is no significant correlation between systematic risk and unsystematic risk.
- There is no significant correlation between average return and unsystematic risk.
- There is no significant correlation between average return and systematic risk.

Tools Used for Analysis

- Correlation
- Standard deviation
- Beta
- Kurtosis

- Trend Analysis
- Average Return

4. REVIEW OF LITERATURE:

- Bennet, James A. et al (2001) have conducted a study on “**Can money flow predict is defined as the difference between up stick and down stick dollar trading volume**”. The study says that despite little published research regarding its usefulness, the measure has become an increasingly popular technical indicator because of its own means. The study summarizes its most important finding that money flow appears to predict across-sectional variation in future returns. Their predictive ability is sensitive, however, to the method of money flow measurement (e.g. exclusion or inclusion of block trades) and the Forecast horizon.
- Micko Tanaka Yamawakiet. Al., (2007) 7 have conducted a study on “**Adaptive use of Technical Indicators for predicting the Intra-Day price movements**”. The researcher has proposed a system to select the best combination of technical indicators and their parameter values adaptively by learning the patterns from the tick-wise financial data. In this paper, the researcher has shown that this system gives good predictions on the directors of motion with the hitting rate at 10 ticks ahead of the decision point as high as 70% for foreign exchange rates (FX) in five years from 1996 to 2000 and 8 different stock prices in NYSE market in 1993 The study concludes that the tick-wise price time series carry a long memory of the order of at least a few minutes, which is equivalent to 10 ticks.

5. FINDINGS AND ANALYSIS:

Table -1 Share price fluctuations

	Glaxo	KRBL	Britannia	Kwality	Nestle
Average return	0.564844	6.6317	-0.72018	5.69366	1.44779
Min	-8.85783	-25.8005	-9.5563	-21.7165	-8.74636
Max	9.223897	31.45288	6.554997	31.15093	14.96306

The above table reveals the average monthly share prices of the selected FMCG Companies in the sample. The average return ranges from -0.7201 to 6.6317. The maximum average return of 6.6317 was earned by KRBL, which is followed by Kwality with 5.69. The minimum average return of -0.72018 is earned by Britannia.

Table -2 Share price distribution

Share price distribution	Glaxo	KRBL	Britannia	Kwality	Nestle
Skewness	0.196233	-0.32013	-0.58887	-0.0678	0.476358
Kurtosis	-1.0105	-0.0322	-1.03009	-1.46513	-0.90199

The skewness and kurtosis values were represented for the five selected companies. The skewness values insist that except 2 companies i.e., Glaxo and Nestle, all other three companies share prices are negatively skewed in the distribution. The kurtosis values insist that all the five companies share prices have kurtosis value of less than 3 which reveals that it is platykurtic.

Table- 3 Risk

	Glaxo	KRBL	Britannia	Kwality	Nestle
Unsystematic risk	6.00344	17.23643	5.713587	19.46898	7.750174
Systematic Risk	0.844893	1.821737	0.16773	1.894695	1.405836

A higher standard deviation i.e., unsystematic risk characterize that the returns of the company have been more unstable and risky than fund having lower standard deviation. From the above table it is clear that highest standard deviation of 19.46 is found in Kwality which shows the instability of the share price in the market, which is followed by KRBL with 17.236. Lowest standard deviation of 5.7135 is found in Britannia.

In the context of systematic risk (beta) it is found that the beta value is less than 1 Glaxo and Britannia with 0.844 and 0.1677, indicating holding of less risky share than the market shares. The remaining three companies i.e., KRBL, Kwality and Nestle have beta values more than 1, indicating holding of high risky share than the market share. Highest

beta value of 1.894 is found in Kquality which has the highest volatility and lowest beta value of 0.1677 is found in Britannia which has low volatility.

Table -4 Relationship between systematic risk and unsystematic risk

Hypothesis” There exists no significant correlation between Systematic risk and unsystematic risk”

Correlations

		Systematic risk	Unsystematic Risk
Systematic risk	Pearson Correlation	1	.853
	Sig. (2-tailed)		.066
	N	5	5
Unsystematic Risk	Pearson Correlation	.853	1
	Sig. (2-tailed)	.066	
	N	5	5

From the above table it is clear that there exists no significant correlation between Systematic risk and unsystematic risk at 5% as well as 1% level of significance. Hence the hypothesis is accepted.

Table -5 Relationship between Average return and unsystematic risk

Correlations

		Average return	Unsystematic Risk
Average return	Pearson Correlation	1	.965**
	Sig. (2-tailed)		.008
	N	5	5
Unsystematic Risk	Pearson Correlation	.965**	1
	Sig. (2-tailed)	.008	
	N	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

From the above table it is clear that there exists no significant correlation between average return and unsystematic risk at 0.01% level of significance. Hence the hypothesis is rejected.

Table -6 Relationship between Average return and systematic risk

Correlations

		Average return	Systematic risk
Average return	Pearson Correlation	1	.908*
	Sig. (2-tailed)		.033
	N	5	5
Systematic risk	Pearson Correlation	.908*	1
	Sig. (2-tailed)	.033	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

From the above table it is clear that there exists no significant correlation between Average return and Systematic risk at 0.05% level of significance. Hence the hypothesis is rejected.

Table-7 Trend analysis- Glaxo

Year	Actual value	Trend value
Oct 2015	-0.62396	
Nov2015	-2.44665	
Dec2015	9.223897	

Jan 2016	-8.85783	
Feb2016	-4.73132	
Mar2016	8.525843	
Apr2016	-2.30505	
May2016	-2.56545	
Jun2016	2.950594	
Jul 2016	6.478359	
Aug2016		2.501894
Sep2016		3.742039
Oct2016		4.624751
Nov2016		4.767526
Dec2016		5.579894

The above table shows the share prices average return from Oct 2015 to July 2016 and trend value estimated from August 2016 to December 2016.

The average share price return in the oct 2015 was -.623 and it has been increased to 6.47 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 2.50 in Aug 2016, 3.74 in Sep 2016, 4.624 in Oct 2016, 4.767 in Nov 2016, 5.579 in Dec 2016.

The estimated trend value is represented in the chart below along with the trend line

Table -8 Trend analysis- KRBL

Year	Actual value	Trend value
Oct2015	31.45288	
Nov2015	12.03548	
Dec2015	-2.65354	
Jan2016	6.418993	
Feb2016	-25.8005	
Mar2016	24.44321	
Apr2016	1.543624	
May2016	24.27848	
Jun2016	2.854104	
Jul2016	-8.25577	
Aug2016		1.783673
Sep2016		-0.79999
Oct2016		-3.14271
Nov2016		-3.12917
Dec2016		-3.92379

Table 8 shows the share prices average return from Oct 2015 to July 2016 and trend value estimated from August 2016 to December 2016. The average share price return in the oct 2015 was 31.452 and it has been increased to -8.255 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 1.783 in Aug 2016, -0.799 in Sep 2016, -3.142 in Oct 2016, -3.129 in Nov 2016, -3.923 Dec 2016.

Table -9 Trend analysis- Britannia

Year	Actual value	Trend value
Oct2015	4.863725	
Nov2015	-9.5563	
Dec2015	1.479619	
Jan2016	-9.33318	
Feb2016	2.483779	
Mar2016	-2.53061	
Apr2016	6.554997	
May2016	-5.46356	
Jun2016	1.949228	
Jul2016	2.350532	

Aug2016		0.507359
Sep2016		1.427853
Oct2016		1.899942
Nov2016		2.345111
Dec2016		3.171335

The above table shows the share prices average return from Oct 2015 to July 2016 and trend value estimated from August 2016 to December 2016. The average share price return in the oct 2015 was 4.863 and it has been increased to 2.350 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 0.507 in Aug 2016, 1.427 in Sep 2016, 1.899 in Oct 2016, 2.345 in Nov 2016, 3.171 in Dec 2016.

Table -10 Trend analysis- Kwality

Year	Actual value	Trend value
Oct2015	31.15093	
Nov2015	28.74409	
Dec2015	16.97959	
Jan2016	-19.5045	
Feb2016	-21.7165	
Mar2016	25.08306	
Apr2016	7.968127	
May2016	-9.8811	
Jun2016	0.864422	
Jul2016	-2.75147	
Aug2016		-0.45062
Sep2016		-1.46843
Oct2016		-4.3022
Nov2016		-7.11322
Dec2016		-8.58033

Table 10 shows the share prices average return from Oct 2015 to July 2016 and trend value estimated from August 2016 to December 2016. The average share price return in the oct 2015 was 31.150 and it has been increased to -2.751 in July 2016. In case of future prediction, the estimated average return of share prices amounts to -0.450 in Aug 2016, -1.46 in Sep 2016, -4.30 in Oct 2016, -7.11 in Nov 2016, -8.580 in Dec 2016.

Table -11 Trend analysis- Nestle

Year	Actual value	Trend value
Oct2015	-3.04272	
Nov2015	-5.10374	
Dec2015	-0.5257	
Jan2016	-5.83391	
Feb2016	-8.74636	
Mar2016	14.96306	
Apr2016	-0.55407	
May2016	6.495559	
Jun2016	6.478224	
Jul2016	10.34756	
Aug2016		5.836398
Sep2016		7.600611
Oct2016		9.646513
Nov2016		11.2362
Dec2016		13.17709

The above table shows the share prices average return from Oct 2015 to July 2016 and trend value estimated from August 2016 to December 2016. The average share price return in the oct 2015 was -3.042 and it has been increased to 10.347 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 5.836 in Aug 2016, 7.60 in Sep 2016, 9.646 in Oct 2016, 11.236 in Nov 2016, 13.177 in Dec 2016.

Findings

- **Average Return** : a) if there is high return there will be more risk b) If there is less return there will be less risk.
- **Skewness**
 - a) when the share price is in positive the company is in developing process and earns profit.
 - b) when the share price is in negative the company has to develop process to set the target to earn profit.
- **Correlation**
 - a) There is no significant correlation between systematic risk and unsystematic risk.
 - b) There is no significant correlation between average return and unsystematic risk.
 - c) There is no significant correlation between average return and systematic risk.
 - d) The share price variance of HUL and ITC were more volatile for the study period.
- **Trend Analysis**

Glaxo : The average share price return in the oct 2015 was -.623 and it has been increased to 6.47 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 2.50 in Aug 2016, 3.74 in Sep 2016, 4.624 in Oct 2016, 4.767 in Nov 2016, 5.579 in Dec 2016.

KRBL: The average share price return in the oct 2015 was 31.452 and it has been increased to -8.255 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 1.783 in Aug 2016, -0.799 in Sep 2016, -3.142 in Oct 2016, -3.129 in Nov 2016, -3.923 Dec 2016.

Britannia: The average share price return in the oct 2015 was 4.863 and it has been increased to 2.350 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 0.507 in Aug 2016, 1.427 in Sep 2016, 1.899 in Oct 2016, 2.345 in Nov 2016, 3.171 in Dec 2016. **Kwality**: . The average share price return in the oct 2015 was 31.150 and it has been increased to -2.751 in July 2016. In case of future prediction, the estimated average return of share prices amounts to -0.450 in Aug 2016, -1.46 in Sep 2016, -4.30 in Oct 2016, -7.11 in Nov 2016, -8.580 in Dec 2016. **Nestle**: The average share price return in the oct 2015 was -3.042 and it has been increased to 10.347 in July 2016. In case of future prediction, the estimated average return of share prices amounts to 5.836 in Aug 2016, 7.60 in Sep 2016, 9.646 in Oct 2016, 11.236 in Nov 2016, 13.177 in Dec 2016.

6. RECOMMENDATIONS:

The investor may invest in KRBL in order to reduce the risk compared to other companies. Also investor should consider the Nifty Movement. Investor should analyze qualitatively the existing financial mix and assess the benefits and costs of debt and also know the quality of the firm's current projects and managers abilities before investing in equity. The government policy, foreign exchange fluctuations, particularly dollar rate and interest rate between countries should also be taken into consideration before investing in equity share of FMCG companies. Hence investors should look at the trend of FMCG companies' price movements before investing in equity shares.

7. CONCLUSION:

Equity analysis is the most important measurement technique used to measure the movement of share market, which helps the investor to take decision either to buy or sell. Form this analysis, it is found that KRBL Ltd has high share price compared with other FMCG companies taken for the study. In short selected FMCG companies share recorded moderate risk and a moderate gain or loss to the investors during the study period.

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