

# A Study on Performance Evaluation of FMCG Sector Companies of India

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## ABSTRACT

*FMCG refers to consumer goods that move faster. This is the fourth largest sector in the Indian economy with home care and personal care accounting for 50% of total sales in India. As we all know that we spend most of our money on FMCG products or we can all say that we all buy local products daily. Fast-moving consumer goods are growing rapidly in India because now in India people are starting to spend money on the products of these companies because they are producing quality product. The FMCG industry is the fourth largest sector in the Indian economy. This paper attempts to understand the performance of this sector for growth and development of nation.*

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## 1. Introduction

Home and personal care products account for 50% of sales in the industry, 31–32% in healthcare and the remaining 18–19% in food and beverage sales. Some of the most popular products sold by these companies are:

- Toilets
- Cosmetics
- Domestic management
- Electronic goods
- Canned food

FMCG products are traded faster and faster because they are mostly everyday consumer products and available at lower prices. In 2018 India was the 7th largest consumer FMCG sector in the world and we now rank third on this list. The main reason behind this is our huge population and now people in India are starting to spend money for production. These products are usually consumed on a daily basis.

## 2. Growth of FMCG Sector in India

Market size of this sector is \$13.1billion 4<sup>th</sup> largest sector in the world and doing great job in India Expected market size by 18 (\$74 billion) Here some fastest growing segment (hair care, household, male grooming, female hygiene, chocolates, quick delivery restaurants chains, foot wears retailers). In India it approximately 12.2 % of the world population live in rural area of India. And now the people live in rural area they also start purchasing these products for themselves.

## 3. The market size of FMCG

As we all know that the retail market size of India is very large compared to so many other countries. And it estimated that India's FMCG market valued at 52.75 billion US Dollars in 2018. This sector witnessed growth of 16.5 percent in 2020 and pandemic affect the market but after august the growth will

be easily seen. Penetration level as well as per capita consumption in the most product and goods like skin care, toothpaste, cosmetics, hair wash. The retail market in India is estimated to reach US\$ 1.1 trillion by 2020 from US\$ 840 billion in 2017., which means it is likely to boost revenue of FMCG companies.

## 4. Investments and development in FMCG market

The Indian government has also allowed for 100% foreign direct investment in food processing and single brand retail and approx. 51% in multiple brand retail.

This step would boost employment, supply of goods and availability of goods and we can easily see the supply chain and highly visibility for FMCG brands across the nation.

## 5. Market size and growth rate of FMCG

- Over the past ten years the revenue of this sector has grown at a rate of 21.4%.
- Rural planning accounts for 45% of the revenue while urban planning dominates 55% of the total revenue of the FMCG sector.
- The number of people buying consumer goods online in India is projected to reach 850 million by 2025.

## 6. Literature Review

**Altman I. Edward (1968)**, In his paper explored the importance of monetary and monetary proportions for foreseeing insolvency of 66 assembling worries by utilizing various discriminant investigation. It had been tracked down that customary proportions are not a logical device, while when proportions are joined with discriminant investigation approach than apportions are significant instrument for separation organization's exhibition.

**Ayinla S. Alayande and Adekunle Kehinde Bashiru (2015)**, conducted study on the usefulness of discriminant analysis for investigating on various aspects of multivariate research problem. For this purpose, component analysis of the 30-ratio set used for the superior 17 and futile 13 firms in Nigeria considered both together and separately.

**TAFFLER (1983)**, Found that there are only four of every forty potential aspects in evaluating a company's profile.

## 7. Research Methodology

Research Methodology is a process through which one can systematically solve a problem. It is a specific group of procedures or techniques that is used to identify, select and analysis information based on a particular topic. Research Methodology plays a vital role in making a report. It can help the reader to evaluate the report's validity and makes it more reliable.

### Research Process

Research process is the technique through which the data is collected. It can be divided into four main categories, namely, Observational Data, Experimental Data, Simulation Data and Derived Data. Every process has its cons and pros. In the observational method, as suggested by the name, the data is collected through observing a particular activity, or behaviour of the people. In the experimental method, there is direct interaction between the researcher and the subjects of the study. In the Simulation method, computers are used to build simulations based on the real world. In the Derived method, data already existing is collected from various sources and it is analysed to conclude. This report has been made with the help of the Derived Data method.

## 8. Research objective

My objective is to study about the FMCG sector performance in India because this sector is now considering a good sector in Indian market economy and in fast few years this sector really done some good work.

## 9. Data Analysis and Findings

Discriminant analysis is used in social science research which helps in finding the variables that can discriminate two or more groups. (Altman, 1968) used discriminant analysis in finance and predict corporate bankruptcy. R. A. Fisher (1936) developed the technique of discriminant analysis. This technique is helpful in studying the differences between or among groups. The main purpose of discriminant analysis is to develop the linear combinations of predictor variable, which will discriminate between the categories of the dependent variable. With this researcher can easily examine whether significant

difference exist among the groups or not. This paper will analyse the performance of FMCG companies in India. With the help of discriminant analysis calculating discriminate score and cut-off rate. Procedure for using multiple discriminate analysis:

$$D = x + b_1x_1 + b_2x_2 + \dots + b_nx_n$$

$D$ =Discriminant Score 'x' is the constant term, which is in the following table viz 'Canonical Discriminant Function Coefficient'.  $b_1b_2$ = are the discriminant function coefficient  $v_1v_2$ =are the Predictor (independent variables)<sup>16</sup>. Discriminant variable is none, but Ratios are used and then by using ratios discriminant coefficients can also be derived. Ratios can be obtained from the financial statements of the sample companies for twelve years ranging from April 1, 2006 to March 31, 2017. Discriminant analysis is combined with financial ratios to construct a model, which can be used for analysing the performance of stocks of companies selected as a sample. A simple test is done for the classification of stock market performance of selected companies. Classification is done based on average stock market returns and for this unadjusted stock price is considered for calculating returns on stock. To invalidate the effect of uncontrollable market factors on the stock price, adjusted return is calculated more than stock specific return on BSE Sensex. Selected sample companies are classified in to three categorical Groups.

- For categorical group One, Market "Under Performers", Average market return must be below 10% of benchmark Index.
- For categorical group Two, Market "Average Performers", Average market return must be between 10% to 15% of benchmark Index.
- For categorical group Three, Market "Out Performers", Average market return must be above 15% of benchmark Index.

Which means, selected sample companies are divided in to three categorical groups, that is "One", "Two" and "Three", companies whose average stock market returns are below 10% are classified under category "One" and called them as "under" stock market performers, companies whose average stock market return is between 10% and 15% are classified under category "Two" and named as average-performers and companies whose average stock market return is above 10% to 15% are classified under this category Three and named as Out performers. With the help of this classification, weights in the form of 1, 2 and 3 based on average stock market returns are assigned to each company in the sample. The entire sample is classified in to three mutually exclusive categories:

S. No	Company's Name	Average Stock Market return	Performance Groups
1	ITC	0.036577	1
2	Nestle India	0.175634	3
3	Dabur	0.078561	1
4	Britannia	0.133007	2
5	Procter and Gamble	0.217445	3
6	Marico	-0.0469	1

7	Colgate Palmolive	0.094251	1
8	Godrej Consumer	0.172428	3
9	Pidilite	0.181853	2
10	Wipro	-0.05973	1
11	Future consumer	0.352787	3
12	United breweries	0.163702	2
13	GlaxoSmithKline	0.224093	1
14	Emami	0.147403	3
15	Tata Global Beverages	-0.075	3
16	United spirits	0.131517	2
17	Jubilant Food works	0.14816	1
18	Himalaya International	0.088413	1

## 10. Conclusion

After this study it is concluded that this sector is doing really great work in India and very soon this sector become the first economy sector in India because we all know that the population about our country and now people also starting investing on the product of these sector. This sector will become the one of the largest sectors in India. This sector also provide employment to the Indian economy. This sector

provides quality and quantity with reasonable price to the customer.

According to this sector consumer satisfaction is the main objective because now a days every customer wants the satisfaction from the product they purchase from the market. And the manufacturer also like to fulfil the demand and expectations of the customer at a very reasonable price because now the price factor is so important because there are so many manufacturers provide the same quality product at a lower price.

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