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EQUITY ANALYSIS AND INVESTMENT DECISION IN THE FMCG INDUSTRY: A COMPARATIVE STUDY OF HINDUSTAN UNILEVER LIMITED AND BRITANNIA INDUSTRIES LIMITED

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ABSTRACT

Equity investment is an important tool for long-term wealth creation, and financial analysis helps investors make informed investment decisions. This study compares the financial performance and investment potential of Hindustan Unilever Limited (HUL) and Britannia Industries Limited in the Indian FMCG sector during the period FY2021 to FY2025. The research is based entirely on secondary data collected from annual reports and reliable financial sources. Financial Ratio Analysis and Compound Annual Growth Rate (CAGR) Analysis were used to evaluate profitability, liquidity, solvency, market performance, and growth. The findings reveal that HUL performed better in terms of profitability, liquidity, financial stability, and shareholder returns, while Britannia showed stronger revenue growth and higher earnings per share. Overall, the study concludes that Hindustan Unilever Limited is the more suitable long-term equity investment due to its consistent financial performance and lower financial risk.

1. INTRODUCTION

Equity investment is one of the most effective ways to create long-term wealth and achieve financial security. Before investing, it is essential to evaluate a company's financial performance to understand its profitability, liquidity, solvency, and growth potential. Financial analysis helps investors make informed decisions by identifying companies with strong financial fundamentals and sustainable business performance.

The Fast-Moving Consumer Goods (FMCG) industry is one of the largest and most stable sectors of the Indian economy. It includes products such as food, beverages, personal care, and household items that are used daily by consumers. Due to consistent demand, increasing disposable income, urbanization, and changing consumer preferences, the FMCG sector has experienced steady growth and is considered an attractive option for long-term equity investment. Among the leading companies in this sector, Hindustan Unilever Limited (HUL) and Britannia Industries Limited have established strong market positions through their well-known brands, extensive distribution networks, product innovation, and efficient business operations. Both companies have consistently delivered strong financial performance and created value for their shareholders.

The present study compares the financial performance and investment potential of HUL and Britannia Industries Limited for the period FY2021 to FY2025 using Financial Ratio Analysis and Compound Annual Growth Rate (CAGR) Analysis. The study evaluates key financial indicators such as Net Profit Margin, Return on Equity (ROE), Current Ratio, Debt–Equity Ratio, Earnings Per Share (EPS), Price Earnings (P/E) Ratio, and growth measures to identify the financially stronger company and recommend the better long-term equity investment option.

2. REVIEW OF LITERATURE

Sharma and Gupta (2020): concluded that financial ratio analysis is an effective technique for measuring profitability, liquidity, and solvency, enabling investors to identify financially sound companies for long-term investment.

Rao (2021): found that companies maintaining consistent profitability and strong liquidity positions generally provide greater financial stability and lower investment risk.

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Patel and Shah (2021): emphasized that profitability indicators such as Net Profit Margin, Return on Equity, Earnings Per Share, and Price Earnings Ratio significantly influence investors' stock selection decisions.

Kumar (2022): observed that combining financial ratio analysis with growth indicators provides a more comprehensive understanding of a company's long-term investment potential.

Singh and Verma (2022): reported that consistent earnings growth improves shareholder confidence and positively influences market valuation.

Reddy (2023): demonstrated that Compound Annual Growth Rate (CAGR) effectively measures long-term business growth and should be integrated with financial ratio analysis while evaluating investment opportunities.

Mehta and Jain (2023): concluded that combining profitability analysis with growth analysis offers a more reliable assessment of corporate financial strength than relying on a single analytical technique.

Gupta and Sharma (2024): identified profitability, financial stability, and sustainable earnings growth as the most important determinants influencing long-term equity investment decisions in the FMCG sector.

Agarwal and Mishra (2025): highlighted that companies with stable profitability, lower financial risk, and consistent earnings growth generally generate superior shareholder value.

Iyer and Rao (2025): concluded that integrating financial ratios with CAGR analysis provides investors with a comprehensive framework for evaluating investment opportunities and identifying fundamentally strong companies

3. RESEARCH GAP

The review of existing literature indicates that most previous studies focused on the financial performance of individual FMCG companies or examined only selected financial ratios. Limited research has compared Hindustan Unilever Limited and Britannia Industries Limited by integrating both Financial Ratio Analysis and Compound Annual Growth Rate (CAGR) Analysis using recent financial data from FY2021 to FY2025.

Furthermore, previous studies have largely emphasized either profitability or market performance independently, without providing a comprehensive evaluation of profitability, liquidity, solvency, shareholder returns, market valuation, and growth performance together. Therefore, the present study attempts to bridge this gap by conducting a comprehensive comparative analysis of HUL and Britannia Industries Limited to identify the more suitable company for long-term equity investment.

4. SIGNIFICANCE OF THE STUDY

This study is significant as it compares the financial performance and investment potential of Hindustan Unilever Limited (HUL) and Britannia Industries Limited, two leading companies in the Indian FMCG sector. It uses Financial Ratio Analysis and Compound Annual Growth Rate (CAGR) Analysis to evaluate profitability, liquidity, solvency, market performance, and growth potential, providing a comprehensive assessment of both companies.

The findings of the study help investors identify the financially stronger company and make informed long-term investment decisions. It also enhances the understanding of financial statement analysis and demonstrates the practical application of ratio and growth analysis in equity investment. Furthermore, the study serves as a useful reference for students, researchers, academicians, and financial analysts interested in financial performance evaluation and investment analysis in the FMCG sector.

5. OBJECTIVES OF THE STUDY

- To analyze and compare the financial performance of Hindustan Unilever Limited and Britannia Industries Limited during the period FY2021 to FY2025.

- To evaluate the profitability, liquidity, solvency, shareholder returns, and market performance of both companies using financial ratio analysis.
- To examine the growth performance of HUL and Britannia through Revenue CAGR, Net Profit CAGR, and EPS CAGR.
- To identify the financially stronger company and recommend the better long-term equity investment opportunity based on comprehensive financial and growth analysis.
- To provide suitable suggestions for improving financial performance and sustaining long-term shareholder value.

6. SCOPE AND PERIOD OF THE STUDY

The present study focuses on the comparative financial analysis of Hindustan Unilever Limited (HUL) and Britannia Industries Limited, two leading companies operating in the Indian FMCG sector. The analysis covers a period of five financial years from FY2021 to FY2025.

The study evaluates key financial indicators such as Net Profit Margin, Return on Equity (ROE), Current Ratio, Debt–Equity Ratio, Earnings Per Share (EPS), Price Earnings (P/E) Ratio, Revenue CAGR, Net Profit CAGR, and EPS CAGR to assess the companies' financial performance and investment potential.

The research is based entirely on secondary data collected from annual reports, official company websites, stock exchange filings, and other reliable financial sources. The findings are specific to the selected companies and study period and may not necessarily be generalized to other industries or business sectors.

7. RESEARCH METHODOLOGY

Research methodology refers to the systematic process of collecting, analyzing, and interpreting data to achieve the objectives of a study. This research adopts a comparative and descriptive approach to evaluate the financial performance and investment potential of Hindustan Unilever Limited (HUL) and Britannia Industries Limited. The study is based entirely on secondary data collected from annual reports, official company websites, and reliable financial sources such as Moneycontrol, NSE, BSE, and Screener. The analysis covers a period of five financial years (FY2021–FY2025). Financial Ratio Analysis and Compound Annual Growth Rate (CAGR) Analysis were used to assess profitability, liquidity, solvency, market performance, and growth. The findings are presented through comparative tables and charts to identify the better long-term equity investment option.

Research Approach

The study adopts a descriptive and comparative research design to evaluate the financial performance of Hindustan Unilever Limited (HUL) and Britannia Industries Limited. It is based entirely on secondary data collected from annual reports, official company websites, and reliable financial sources such as NSE, BSE, Moneycontrol, and Screener. Financial Ratio Analysis and Compound Annual Growth Rate (CAGR) Analysis were used to compare the companies' financial performance, and the results are presented using tables and charts.

Tools of Analysis

- Net Profit Margin Ratio
- Return on Equity (ROE)
- Current Ratio
- Debt–Equity Ratio
- Earnings Per Share (EPS)
- Price Earnings (P/E) Ratio
- Revenue CAGR
- Net Profit CAGR
- EPS CAGR

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- Comparative Analysis
- Trend Analysis
- Bar Charts
- Line Charts

8. LIMITATIONS OF THE STUDY

The research is limited to only two companies, namely Hindustan Unilever Limited and Britannia Industries Limited, and covers a period of five financial years from FY2021 to FY2025. The analysis is based entirely on secondary data collected from annual reports and other published financial sources. The study focuses primarily on selected financial ratios and Compound Annual Growth Rate (CAGR)

analysis and does not consider other factors such as macroeconomic conditions, inflation, government policies, consumer behavior, stock market volatility, interest rate movements, or corporate governance practices. Therefore, the conclusions are specific to the selected companies and study period and may not necessarily predict future financial performance or investment returns.

9. INDUSTRY AND COMPANY PROFILE

Industry Profile

The Fast-Moving Consumer Goods (FMCG) industry is one of the largest and fastest-growing sectors of the Indian economy. It includes everyday products such as food, beverages, personal care, and household items. The industry has grown steadily due to rising income, urbanization, changing consumer preferences, and expanding retail networks. Its strong demand, brand loyalty, and stable growth make FMCG companies attractive long-term investment options. Major players in the sector include Hindustan Unilever Limited, Britannia Industries Limited, ITC, Nestlé India, Dabur, Marico, and Godrej Consumer Products Limited.

Company Profile

Hindustan Unilever Limited (HUL)

Hindustan Unilever Limited is India's largest Fast-Moving Consumer Goods company and a subsidiary of Unilever PLC. Established in 1933 and headquartered in Mumbai, Maharashtra, the company operates across multiple product categories, including Beauty & Wellbeing, Personal Care, Home Care, and Foods & Refreshments. The company owns several leading brands such as Surf Excel, Dove, Lux, Lifebuoy, Sunsilk, Ponds, Vaseline, Rin, Wheel, Horlicks, Boost, Bru, Kissan, and Kwality Wall's. HUL possesses one of India's largest distribution networks, enabling it to serve millions of consumers across urban and rural markets.

Financially, HUL has consistently maintained strong profitability, efficient resource utilization, robust cash flows, and a debt-free capital structure. Continuous innovation, operational excellence, and sustainability initiatives have enabled the company to maintain market leadership and deliver long-term shareholder value.

Britannia Industries Limited

Britannia Industries Limited is one of India's oldest and most respected FMCG companies, established in 1892 and headquartered in Bengaluru, Karnataka. The company specializes in biscuits, bakery products, dairy products, breads, cakes, rusks, cheese, milk beverages, and packaged foods. Its portfolio includes popular brands such as Good Day, Marie Gold, Tiger, Bourbon, NutriChoice, Milk Bikis, 50-50, Treat, Jim Jam, Pure Magic, Britannia Bread, Cheese, and Winkin' Cow.

Britannia has built a strong reputation through product quality, innovation, extensive distribution, operational efficiency, and sustainable business practices. The company has consistently generated stable revenue growth, healthy profitability, and strong shareholder returns, making it one of India's leading food companies and an attractive long-

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term investment opportunity.

10. RESULTS AND DISCUSSION

10.1 RATIO ANALYSIS BRITANNIA INDUSTRIES LTD (₹CR)

Year	Revenue (₹ Cr)	Net profit (₹ Cr)	Equity (₹ Cr)	Debt (₹ Cr)	Current Assets (₹ Cr)	Current Liabilities(₹ Cr)
2021	12,378.83	1,760.03	3,319.53	1,035.66	4,014.71	3,883.52
2022	13,371.62	1,603.19	2,402.54	1,537.25	3,593.06	4,219.38
2023	16,300.37	2,128.16	3,181.15	1,284.29	4,420.70	4,298.95
2024	16,769.57	2,134.22	3,527.52	1,088.80	4,519.71	4,293.37
2025	17,535.24	2,177.86	3,979.34	1,082.11	4,943.88	4,629.56

HINDUSTAN UNILEVER LTD (₹CR)

Year	Revenue (₹ Cr)	Net profit (₹ Cr)	Equity (₹ Cr)	Debt (₹ Cr)	Current Assets (₹ Cr)	Current Liabilities(₹ Cr)
2021	45,311.00	7,954.00	7,824.00	0.00	13,034.00	11,834.00
2022	51,193.00	8,892.00	8,667.00	0.00	15,110.00	13,432.00
2023	58,154.00	10,120.00	9,591.00	0.00	17,605.00	15,427.00
2024	59,579.00	10,282.00	10,239.00	0.00	18,694.00	16,168.00
2025	61,469.00	10,644.00	11,084.00	0.00	19,822.00	16,953.00

NET PROFIT MARGIN RATIO

NET PROFIT MRGIN = NET PROFIT / REVENUE *100

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YEAR	HUL HINDUSTAN UNILEVER (%)	BRITANNIA (%)
2021	17.55	14.22
2022	17.37	11.99
2023	17.40	13.06
2024	17.26	12.73
2025	17.32	12.42

Interpretation : HUL's Net Profit Margin Ratio remained consistently above that of Britannia during the entire study period. HUL sustained an average margin of 17.38%, whereas Britannia noted 12.88%. This shows that HUL was better at turning sales into profits and handling its expenses. Consequently, HUL demonstrated superior profitability results in comparison to Britannia.

RETIURN ON EQUITY (ROE)

ROE = NET PROFIT / CLOSING EQUITY *100

YEAR	HUL HINDUSTAN UNILEVER (%)	BRITANNIA (%)
2021	101.66	53.02
2022	102.60	66.73
2023	105.52	66.90
2024	100.42	60.50
2025	96.03	54.73

Interpretation : HUL consistently had a much greater ROE compared to Britannia during the entire study period. HUL's average ROE stood at 101.25%, while Britannia's was 60.38%. This suggests that HUL made better use of shareholders' funds and produced greater returns for investors.

CURRENT RATIO

CURRENT RATION = CURRENT ASSETS / CURRRENT LIABILITIES

YEAR	HUL HINDUSTAN UNILEVER	BRITANNIA
2021	1.10	1.03

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2022	1.12	0.85
2023	1.14	1.03
2024	1.16	1.05
2025	1.17	1.07

Interpretation: The Current Ratio assesses a firm's capacity to fulfill its short-term liabilities with its current assets. HUL sustained a superior Current Ratio during the entire study period, averaging 1.14 times, whereas Britannia averaged 1.01 times. This suggests that HUL possessed a more robust liquidity stance and was more prepared to handle short-term obligations.

DEBT-EQUITY RATIO

DEBT – EQUITY RATIO = TOTAL DEBT / SHAREHOLDER'S EQUITY

YEAR	HUL HINDUSTAN UNILEVER (%)	BRITANNIA (%)
2021	0.00	0.31
2022	0.00	0.64
2023	0.00	0.40
2024	0.00	0.31
2025	0.00	0.27

Interpretation : The Debt-Equity Ratio assesses the amount of debt in comparison to the equity held by shareholders. A reduced ratio signifies decreased financial risk and improved financial stability. HUL sustained a debt-free status during the entire study duration, exhibiting a Debt-Equity Ratio of 0.00, while Britannia had an average ratio of 0.39 times.

EARNING PER SHARE (EPS)

EPS = NET PROFIT / NUMBER OF OUTSTANDING SHARES

YEAR	HUL HINDUSTAN UNILEVER (₹)	BRITANNIA (₹)
2021	33.86	73.08
2022	37.87	66.57
2023	43.09	88.33
2024	43.75	88.58

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2025	45.28	90.39

Interpretation : EPS indicates the profits attributable to each share of equity. An increased EPS signifies better profitability and larger earnings for shareholders. Britannia consistently showed a much higher EPS than HUL during the study period, averaging ₹81.39 compared to HUL's ₹40.77.

P/E RATIO

P/E RATIO = MARKET PRICE / EARNING PER SHARE

YEAR	HUL HINDUSTAN UNILEVER	BRITANNIA
2021	73.19	63.63
2022	65.46	72.86
2023	60.76	59.78
2024	53.19	61.64
2025	55.57	65.16

Interpretation : The P/E Ratio indicates how much investors are prepared to spend for every rupee of profit. Britannia posted a marginally elevated average P/E Ratio of 64.61 times in contrast to HUL's 61.63 times. This suggests that investors placed a slightly higher value on Britannia's earnings and had more optimistic growth expectations for the company throughout the study period.

10.2 CAGR ANALYSIS OF REVENUE OF ITC AND DABUR

1/n CAGR = (ENDING VALUE / BEGINNING VALUE) – 1
Beginning valu = value in 2021 Ending value
= value in 2025 N = number of years

REVENUE CAGR (COMPOUND ANNUAL GROWTH RATE) HUL AND BRITANNIA

COMPANY	REVENUE 2021 (₹)CR	REVENUE 2025 (₹)CR	CAGR (%)
HUL	45,311	61,469	7.93
BRITANNIA	12,378.83	17,535.24	9.11

Interpretation : The Revenue CAGR represents the average yearly growth rate of revenue throughout the analysis period. HUL achieved a Revenue CAGR of 7.93%, while Britannia achieved 9.11%. This shows that Britannia attained a greater revenue growth rate than HUL. Consequently, Britannia showed greater sales increase and business development between 2021 and 2025.

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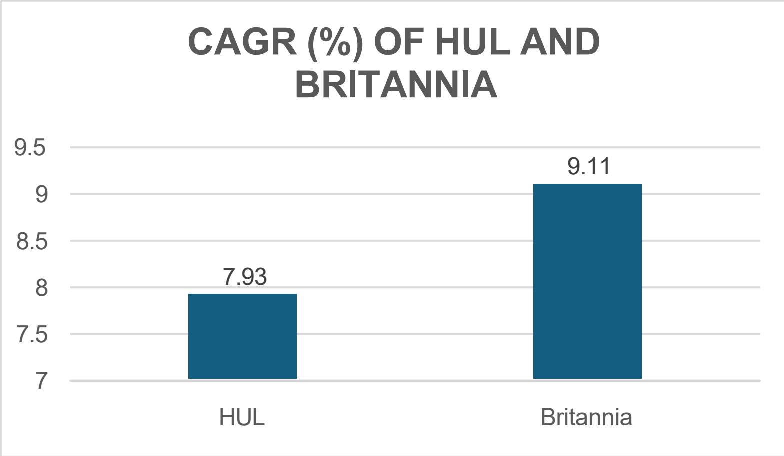
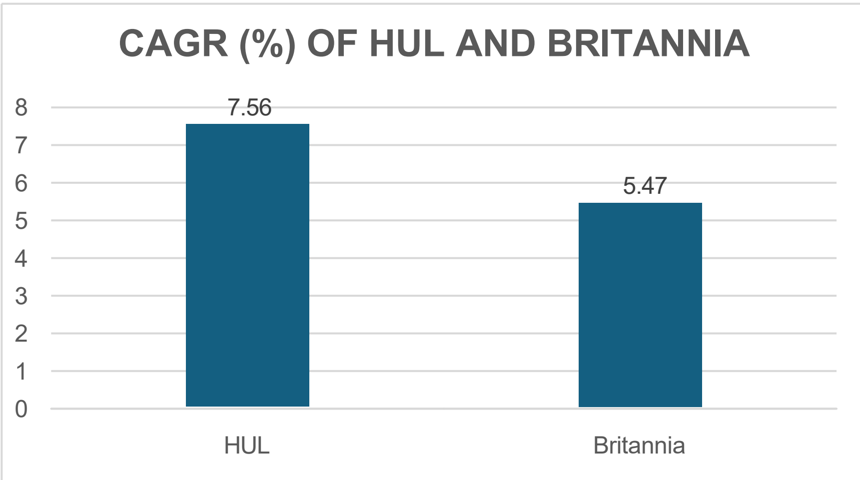


CAGR ANALYSIS OF NET PROFIT OF HUL AND BRITANNIA

COMPANY	NET PROFIT 2021 (₹)CR	NET PROFIT 2025 (₹)CR	CAGR (%)
HUL	7,594	10,644	7.56
BRITANNIA	1,760.03	2,177.86	5.47

Interpretation : The Net Profit CAGR reflects the average yearly increase in profit throughout the analysis period. HUL achieved a Net Profit CAGR of 7.56%, while Britannia reported 5.47%. This signifies that HUL attained a greater profitability growth rate than Britannia. Consequently, HUL exhibited more robust profit expansion and superior earnings results throughout the timeframe of 2021 to 2025.



CAGR ANALYIS OF EARNING PER SHARE (EPS) OF HUL AND BRITANNIA

COMPANY	EPS 2021 (₹)	EPS 2025 (₹)	CAGR (%)
HUL	33.86	45.28	7.52

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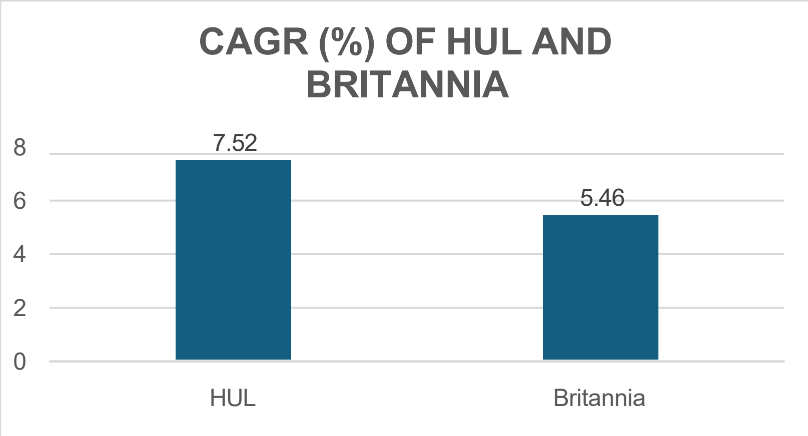
BRITANNIA	73.08	90.39	5.46

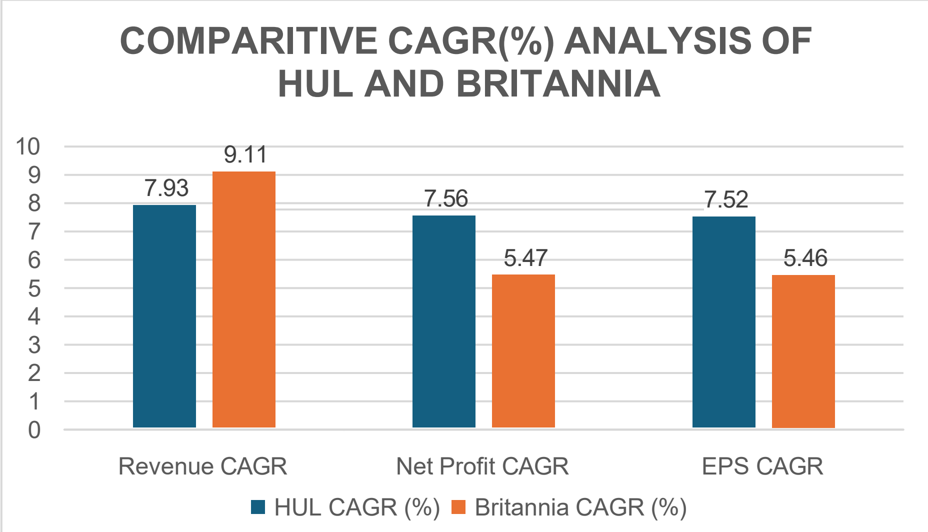
Interpretation: The EPS CAGR represents the yearly average growth rate of earnings per share throughout the analysis duration. HUL achieved an EPS CAGR of 7.52%, while Britannia reported 5.46%. This suggests that HUL realized a greater growth rate in earnings accessible to shareholders than Britannia. Consequently, HUL exhibited greater growth in shareholder profits during the timeframe from 2021 to 2025.



OVERALL COMPARITIVE CAGR ANALYSIS

PARTICULARS	HUL CAGR (%)	BRITANNIA (%)	BETTER PERFORMANCE
REVENUE CAGR	7.93	9.11	BRITANNIA
NET PROFIT CAGR	7.56	5.47	HUL
EPS CAGR	7.52	5.46	HUL

Overall Interpretation: The CAGR evaluation indicates that HUL and Britannia experienced consistent growth from FY 2021 to FY 2025. Britannia achieved a greater Revenue CAGR of 9.11% while HUL had 7.93%, demonstrating more robust sales expansion. Nonetheless, HUL surpassed Britannia in Net Profit CAGR (7.56% compared to 5.47%) and EPS CAGR (7.52% against 5.46%), indicating superior profitability growth and returns for shareholders. These findings suggest that although Britannia grew its revenue more quickly, HUL was better at transforming revenue into profits and boosting shareholder returns. Consequently, from an equity investment standpoint, HUL stands out as the more appropriate stock for long-term investment, attributed to its superior profitability growth, enhanced financial performance, and diminished financial risk.



11. FINDINGS

- The research revealed that Hindustan Unilever Limited (HUL) achieved a higher average Net Profit Margin (17.38%) compared to Britannia Industries Limited (12.88%), reflecting greater profitability and more effective cost control.
- HUL observed a greater average Return on Equity (ROE) of 101.25%, while Britannia's was 60.38%, indicating a more effective use of shareholders' capital.
- The Current Ratio evaluation showed that HUL had superior liquidity compared to Britannia, suggesting a greater capacity to fulfill short-term financial responsibilities.
- HUL upheld a debt-free capital framework during the entire study duration, while Britannia displayed an average Debt-Equity Ratio of 0.39, signifying comparatively greater financial leverage and risk.
- Britannia attained a greater average Earnings Per Share (EPS) of ₹81.39, whereas HUL recorded ₹40.77, indicating larger earnings tied to each equity share.
- Britannia posted a slightly elevated average Price Earnings (P/E) Ratio of 64.61 times, in contrast to HUL's 61.63 times, reflecting comparatively better market valuation and investor outlook.
- The Revenue CAGR analysis indicated that Britannia recorded a superior annual growth rate (9.11%) compared to HUL (7.93%), demonstrating more robust revenue growth throughout the analysis period.
- HUL surpassed Britannia in Net Profit CAGR (7.56% compared to 5.47%), signifying stronger growth in long-term profitability.
- HUL also showed a greater EPS CAGR (7.52% vs. 5.46%), indicating more robust growth in shareholder earnings during the analyzed period.
- Comparative analysis showed that HUL excelled in four of the six financial ratios examined, whereas Britannia outperformed in EPS and P/E Ratio.
- The overall findings from Ratio Analysis and CAGR Analysis suggest that HUL demonstrates greater financial stability, reliable profitability, effective financial management, and sustainable earnings growth. According to the comprehensive financial and growth evaluation, Hindustan Unilever Limited (HUL) appeared as the more appropriate choice for long-term equity investment in comparison to Britannia Industries Limited.

12. SUGGESTIONS

- Investors looking for stable, long-term returns might think about putting their money into Hindustan Unilever Limited (HUL) because of its solid profitability, lack of debt, and steady financial results.
- Britannia Industries Limited needs to concentrate on enhancing its profitability and operational efficiency to

ensure that its robust revenue growth results in increased net profits and improved returns for shareholders.

- HUL must keep investing in product innovation, digital transformation, sustainability efforts, and market growth to retain its leading role in the FMCG industry.
- Britannia ought to bolster its cost control techniques and resource allocation to boost profit margins and improve long-term financial results.
- Investors ought to avoid depending only on market-based metrics like EPS and P/E Ratio, and should also take into account profitability, liquidity, financial stability, and growth performance prior to making investment choices.
- Both firms must keep investing in research and development, brand enhancement, and expanding their distribution networks to maintain their competitive edge and adapt to evolving consumer tastes.
- Future researchers could enhance the study by incorporating more FMCG companies, sophisticated financial ratios, cash flow evaluations, valuation methods, and an extended study duration to gain a wider insight into the industry.
- According to the study's overall conclusions, Hindustan Unilever Limited (HUL) is suggested as the better choice for long-term equity investment because of its superior financial performance, sustainable profitability, reduced financial risk, and steady growth in shareholder value.

13. CONCLUSION

The present study compared the financial performance and investment potential of Hindustan Unilever Limited and Britannia Industries Limited using Financial Ratio Analysis and Compound Annual Growth Rate Analysis for the period FY2021–FY2025.

The findings indicate that both companies possess strong market positions and long-term growth potential within the Indian FMCG sector. However, HUL demonstrated superior profitability, liquidity, financial stability, and efficient utilization of shareholders' funds. Although Britannia achieved stronger revenue growth and higher earnings per share, HUL's debt-free capital structure, higher profit growth, and consistent financial performance provided a stronger foundation for sustainable value creation.

Therefore, based on the overall financial and growth analysis, Hindustan Unilever Limited is recommended as the more suitable long-term equity investment. The study highlights that investors should evaluate multiple financial indicators rather than relying on a single ratio when making investment decisions.

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