Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

A Study on Risk and Return Analysis of Fmcg Companies in Indian Stock Market

Mr. S. Sathish MBA., M.Phil., SET.,(Ph.D)
Assistant Professor, KG College of Arts and Science
Ms. A.. Nagarathinam, DCP., M.Com.,M.Phil.M.A(Eco),MBA., SET., NET.,(Ph.D)
Assistant Professor, KG College of Arts and Science

Abstract :

The investor has an investment alternative and It has its strengths and weaknesses. Investment in the stock market always has a higher return but has a higher risk. Investment in PPF, Deposits are providing safety with no risk but the return is low. Most of the investors don't have a knowledge that where to invest. The stock market is one of the best investing platforms for Investors. They should know how much risk they are facing in their securities and also how much return they get from the risk. In these articles, I would like to find out the risk and return of the selected companies in the Indian stock market. This study limited to only analysing the NIFTY FMCG sectors. I have chosen the top ten companies in the Nifty FMCG Index. These are Hindustan Unilever Ltd, ITC Ltd.(L), Nestle India Ltd.(L), Dabur India Ltd., Britannia Industries Ltd., Godrej Consumer Products Ltd., Marico Ltd., Colgate-Palmolive (India) Ltd., Procter & Gamble Hygiene & Health Care Ltd., United Spirits Ltd. This study will find out the best security for the investors to invest to get high returns with low risk. If the investors will face high risk and will be getting a high return. This study finds out the best security for the investor to get a high return with low risk.

Keywords: ***India; Risk & Return; Securities; Stock; FMCG***

1. Introduction

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 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 ansy investment decision. Risk cannot be eliminated, investors estimate the risk for taking investment decisions.

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

2. Need for 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.

3. Statement of the problem

At present, investors have a lot of alternatives to investment. *They* are confused to invest in the one which gives them *a higher return* with lower risk. *Investors* can identify their risk in their investment decision using risk-return analysis. *These analyses* can help them to select the securities based on the risk and return. *We* are trying to give some knowledge to investors to choose their securities based on the risk and return.

4. Objectives of the study

1. To analyse the average returns of selected companies securities in the FMCG industry.
2. To analyse the risk associated with selected companies securities in the FMCG industry.
3. To analyse and compare the performance of Ten Indian FMCG Companies.
4. To suggest the investors' best security before investing in any FMCG stock.

5. Review Literature

- **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 for getting a higher return. There is 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 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.

- **Shrikumar HD (Mar 2015)**

The risk and return analysis help the investors for choosing securities. Stock with more systematic risk is not favourable for investment because it has the highest market risk. The investors have to avoid those higher risky stocks. Most investors expect a higher return with low risk. Investing in a stock market the investors should understand the trade-off between risk-return analysis for getting higher profit. The study is undertaken with the main objective of determining the risk-return profile of 30 listed stock of NSE. Only the top 30 companies share listed on NSE are considered.

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

- **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 has 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 volatile 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.

6. RESEARCH METHODOLOGY

6.1 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 10 companies of the NSE FMCG Industry.

6.2 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.

6.3 Population andSample

The risks and returns have been analysed using the monthly closing prices of 10 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 Ten companies is taken from FMCG sectors. These are

1. Hindustan Unilever Ltd.
2. ITC Ltd.
3. Nestle India Ltd.
4. Dabur India Ltd.
5. Britannia Industries Ltd.
6. Godrej Consumer Products Ltd.
7. Marico Ltd.
8. Colgate-Palmolive (India) Ltd.
9. Procter & Gamble Hygiene & Health Care Ltd.
10. United Spirits Ltd.

6.4 Period of theStudy

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

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

6.5 Data Collection

The study is based on secondary data. The data used for the study is extracted from the NSE India website.

6.6 Statistical tools

A. Return

Return measures the money made a profit or loss on an investment over a period of time. It describes the changes in the price of the securities. The return can be positive or negative. If the positive return represents a profit and negative return represents a loss. Return can be calculated as

$$\text{Return} = (P1 - P0)/P0$$

Where: P1 = Closing price of the share

P0 = Opening price of the share

B. Beta

Beta is one of the best tools for measuring systematic risk. The systematic risk cannot be avoided through diversification. It measures the risk level of an individual stock. If the stock Beta with more than one is represented high risky. If the beta of the stock is less than one represented low risk. Beta is calculated as

$$\text{Beta} = \frac{Covariance}{Variance}$$

where:Covariance=Measure of a stock's return relative to that of the market

Variance=Measure of how the market moves relative to its mean

C. Average

An average is the central tendency of a set of numbers. We are calculating the average for measures the central value. It can be calculated, to sum up, a given set of numbers by total numbers of the set.

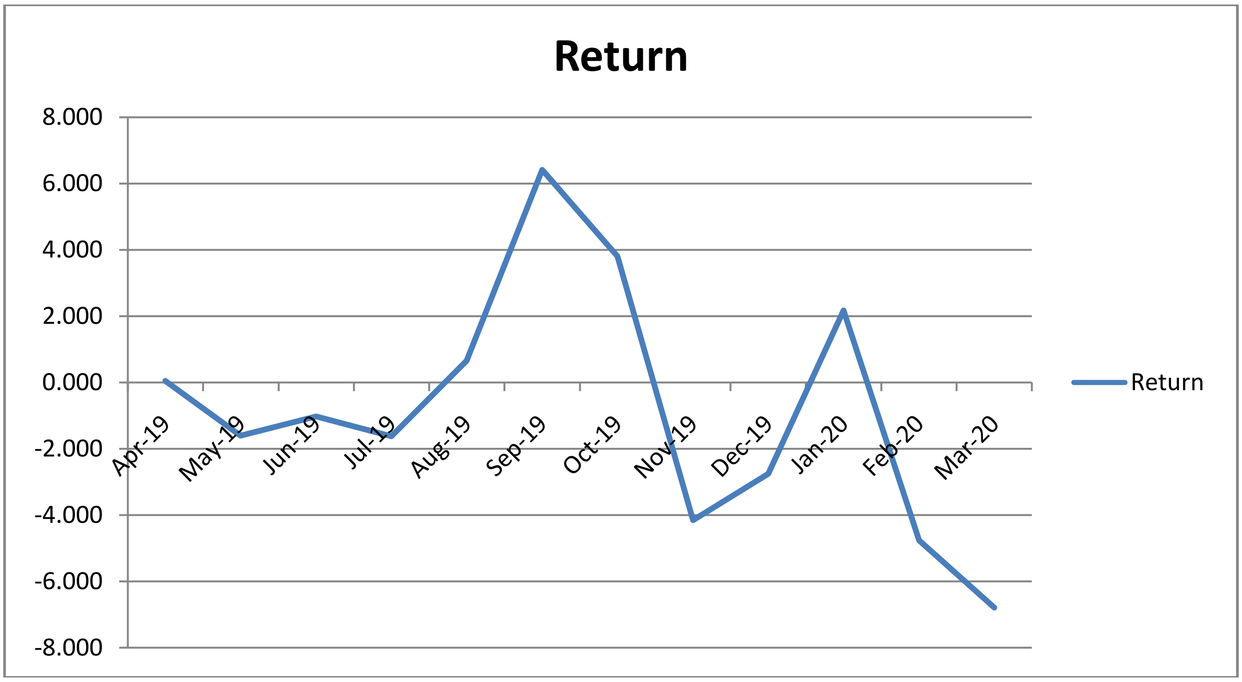
7. Data Analysis and Interpretation

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

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

Date	Return
Apr-19	0.051
May-19	-1.604
Jun-19	-1.020
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	-4.760
Mar-20	-6.793

5.1 The table shows that the return of FMCG Industry



5.1 The chart shows that the Return of FMCG Industry

Interpretation

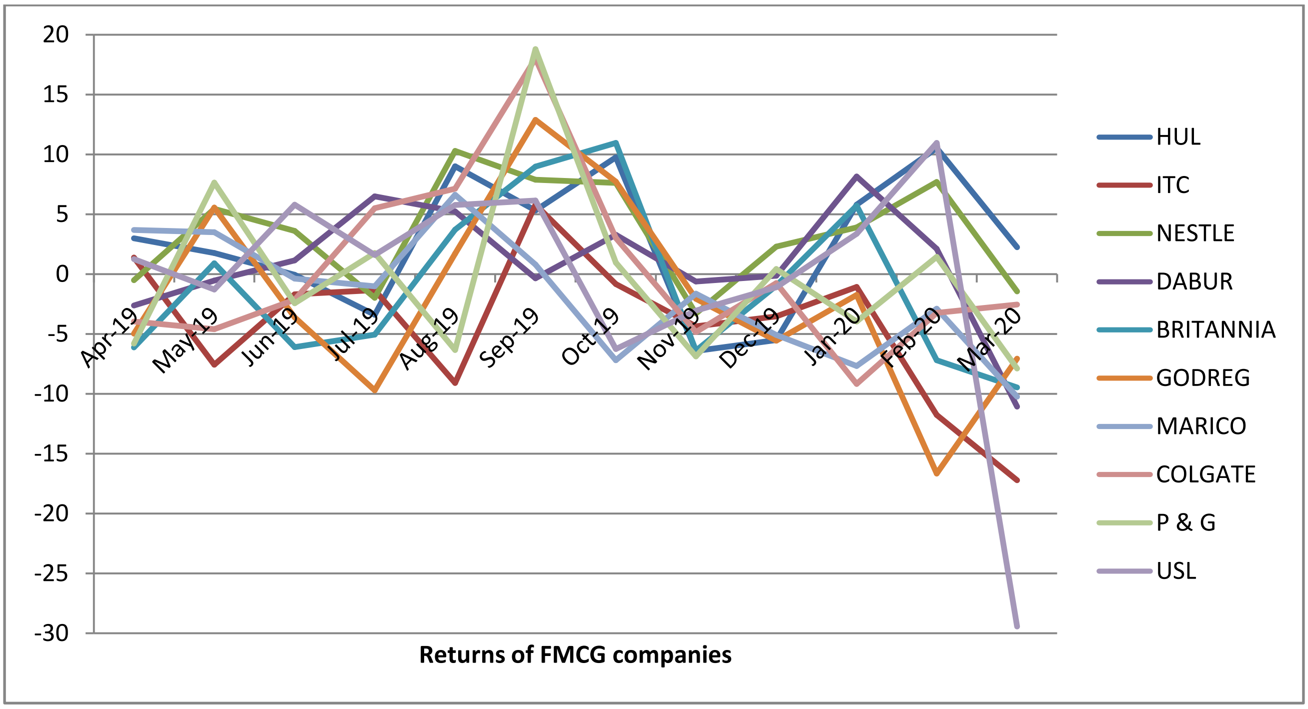
The chart shows that the return of the FMCG Industry. Comparing all the returns of the FMCG companies, in the months of May-19, June-19, July-19, Nov.-19, Dec.-19, Feb.-20, and Mar.-20 have a negative return. In the months of Apr.-19, Aug.-19, Sep.-19, Oct.-19, and Jan.-2020 have a positive return. In 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.

DATE	**HUL**	**ITC**	**NESTLE**	**DABUR**	**BRITANNIA**	**GODREG**	**MARICO**	**COLGATE**	**P & G**	**USL**
Apr-19	2.9822	1.3793	-0.5082	-2.6174	-6.1400	-4.9854	3.6781	-3.9741	-5.8134	1.2387
May-19	1.7523	-7.5660	5.4359	-0.5401	0.8943	5.5615	3.4919	-4.6186	7.6374	-1.2861
Jun-19	-0.0503	-	3.6049	1.1491	-6.1004	-3.6262	-0.3764	-2.1391	-2.4420	5.7993

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

		1.6873								
Jul-19	-3.4096	-1.3328	-1.9870	6.4794	-5.0552	-9.7044	-1.0120	5.5024	1.7499	1.6077
Aug-19	8.9914	-9.0859	10.2716	5.2409	3.7102	1.7036	6.6249	7.1276	-6.3555	5.7734
Sep-19	5.3164	5.7806	7.8795	-0.3454	8.9760	12.8664	0.8054	17.9985	18.7729	6.1426
Oct-19	9.7581	-0.8466	7.6121	3.2868	10.9522	7.7186	-7.2035	3.0087	0.9591	-6.2744
Nov-19	-6.4380	-4.3664	-3.2983	-0.6170	-6.3950	-2.0733	-1.6264	-4.8412	-6.8802	-3.0473
Dec-19	-5.5176	-3.5308	2.2921	-0.1525	-0.9779	-5.5793	-5.0847	-0.7665	0.4123	-1.1137
Jan-20	5.7852	-1.0728	3.8836	8.1479	5.7104	-1.7384	-7.6844	-9.1838	-3.9766	3.3703
Feb-20	10.5198	-11.779	7.6825	2.0978	-7.2015	-16.6729	-2.9015	-3.2479	1.4465	10.9515
Mar-20	2.2351	-17.233	-1.4444	-11.083	-9.4691	-7.0740	-10.2384	-2.5440	-7.9053	-29.437

5.2 The return of FMCG companies



5.2 Return of FMCG companies

Interpretation

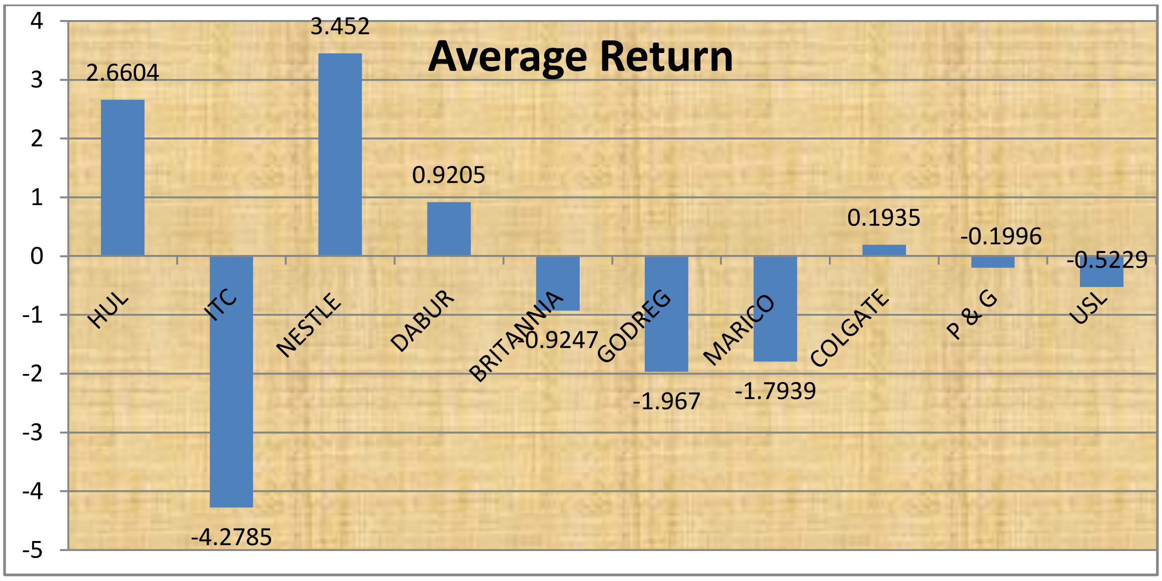
The above chart shows that the return of FMCG companies. In the month of Apr.-19, HUL, ITC, Marico and USL have a positive return and other companies have a negative return. In the month of May-19, Most of the companies have positive returns some companies like ITC, Dabur, Colgate, and USL have a negative return. In June Dabur, Colgate, P&G, and USL have positive returns other companies have a negative return. In Aug.-2019 all companies have positive returns except ITC and P&G. In Sep.-19 all the companies positive return except Dabur. In Oct.-19 ITC, Marico and USL 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 and P&G. In Jan.

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

and Feb.20 five companies have a positive return and five companies have a negative return. In the month of Mar-20, all the companies have negative returns except HUL.

COMPANIES	Average Return
HUL	2.6604
ITC	-4.2785
NESTLE	3.4520
DABUR	0.9205
BRITANNIA	-0.9247
GODREG	-1.9670
MARICO	-1.7939
COLGATE	0.1935
P & G	-0.1996
USL	-0.5229

5.3 Average Return of FMCG Companies



5.3 The Average Return of FMCG Companies

Interpretation

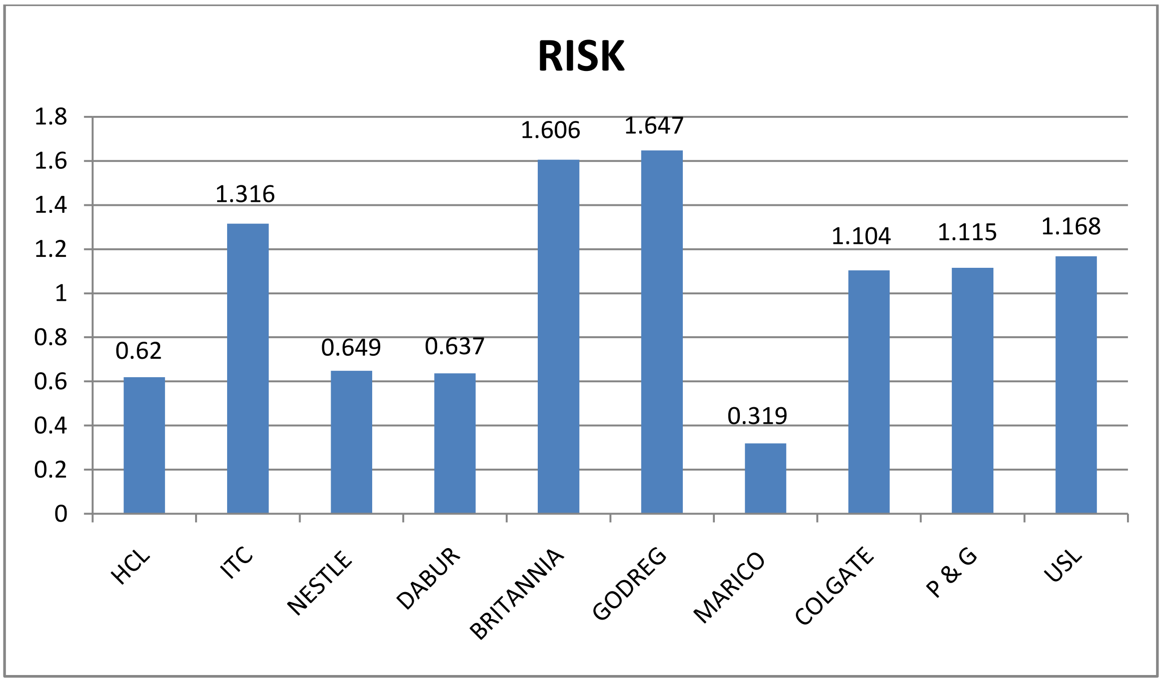
The above chart shows that the average return of FMCG companies. Comparing the FMCG companies The HUL, Nestle, Dabur, and Colgate have a positive return and the other companies like ITC, Britannia, Godrej, Marico, P&G, and USL have a negative average return. Among the companies, Nestle has a high return and ITC has a high negative return.

COMPANIES	RISK
HCL	0.620
ITC	1.316
NESTLE	0.649
DABUR	0.637
BRITANNIA	1.606

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

GODREG	1.647
MARICO	0.319
COLGATE	1.104
P & G	1.115
USL	1.168

5.4 The Beta value of FMCG Companies



5.4 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, Britannia, Godrej, Colgate, P&G, and USL these securities beta value is more than 1hence these securitizes high risk to the investors. The securities like HUL, Nestle, Dabur, Marico beta values were less than 1 so it can be low risk to the investors.

6. 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. Godrej and the Britannia have the highest risk among the FMCG companies hence these beta values are 1.64 and 1.60.
10. Six companies have the highest risk hence these beta values are more than one.
11. Marico is the lowest risk among the FMCG companies hence its beta value is 0.31.

7. 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 those who want normal risk then it suggested Hindustan Unilever Ltd and Dabur India Ltd.

4. The investors are not recommended to invest in ITC, Britannia, Godrej, P&G, and USL. These stock 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.

8. Conclusion

This study based on the analysis of FMCG nifty stock. 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 cannot 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 that choose 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 a time market has collapsed which was not happened earlier, which creates a fear in the investors to enter into the market. By this analysis, the investors will get an idea that the scrip returns will definitely get recovered if the market bounces back.

Reference

1. Pandian PP. Security Analysis and Portfolio Management. 2nd ed. New Delhi: VIKAS Publishing house Pvt. Ltd.; 2015.
2. Fama E, French K. The cross section of expected stock return. J Finance 1992;47:427-65.
3. Ishwarya, D. M. (2016). "A study on performance of risk and return on selected mutual funds. "ijirst -International Journal for Innovative Research in science & technology , 3 Dhankar RS, Kumar R. Relevance of CAPM to Indian Stock Market, ICFAI. 2007
4. Mythri B, Radhakrishna Nayak. Selection of Stock: A Practical Study on Selected Software Companies, Journal of Business and Management. 2016

Annals of R.S.C.B., ISSN:1583-6258, Vol. 24, Issue 1, 2020, Pages. 1103 - 1112
Received 15 April 2020; Accepted 23 June 2020.

5. Syndey C. Ludvigson, Serena Ng “The empirical risk return relation: a factor analysis approach” National bureau of economic research 1050 Massachusetts Avenue, Cambridge, MA 02138
6. Prasanna Chandra, financial management: Theory and Practice, Fourth edition, Tata McGraw- Hill Pp 198-215
7. Security analysis and portfolio management by Punithavathi Pandian
8. I M Pandey.,2010, “Financial Management 10th Edition” Vikas Publishing House
9. Varadharajan, D. P. (2009). "A study on risk & return analysis of automobile industry in india". Journal of Contemporary Research in Management, 6.