

A PROJECT REPORT ON Financial Modelling in HUL Ltd

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I. INTRODUCTION

Financial modeling is the process of creating a summary of a company's expenses and earnings in the form of a spreadsheet that can be used to calculate the impact of a future event or decision.

A financial model has many uses for company executives. Financial analysts most often use it to analyze and anticipate how a company's stock performance might be affected by future events or executive decisions.

Financial modelling is the task of building a model of a financial decision-making situation. This is a mathematical model designed to represent (a simplified version of) the performance of a financial asset or a portfolio, of a business, a project, or any other investment. Financial modelling is a general term that means different things to different users; the reference usually relates either to accounting applications or to quantitative finance applications.

II. LITERATURE REVIEW

Zoran Lukic (2017) elaborated corporate use of company financial models, as evident from previous research, supported by a survey conducted among several large Croatian companies. It continues with a description of the constructional concept of a model, including model assumptions and inherent statistical properties of standard model structures. Furthermore, the purpose of establishing models and its applications are also presented using the example of a company modelled for valuation purposes.

BHADRAPPA HARALAYYA,(JUL 2021) is based on the accounting information of the Mahindra Sindol motors, Bidar. It covers the period of 2015-2017 for analysing the financial statement such as profit and loss account and balance sheet with the scope of various factors that affect the financial efficiency of the company. To increase the profit and growth of the company. The data of the past three years are taken into account for the study. The performance is compared within those periods.

Ade Lesmana (2020),This paper discussed some regulations which are related to the economics of geothermal development project in Indonesia and a simple example of financial modelling with a probabilistic approach using Microsoft Excel Monte Carlo simulation and analysis tool. The input data were some technical assumptions such as installed capacity, steam fraction, steam specific consumption (SSC), well's capacity, well's success ratio, and financial assumptions such as well's price, power plant construction's cost, operation and maintenance cost, and others. The output of modelling was NPV (Net Present Value), IRR (Internal Rate of Return), and parameters that were sensitive to both values.

Ahmed. S. Wafi & Hassan Hassan (2015) The purpose of this paper is an attempt to reach a better stock valuation model of the Fundamental Analysis Approach, by reviewing the theoretical foundations and literature reviews.

By reviewing the theoretical foundations for each model of the fundamental analysis models, and sequentially beginning of the Discounted Dividend Model (DDM), Multiplier Models, and finally the Discounted Cash Flow Model (DCFM), we find that all these models have strengths, despite the lack of accuracy, because it is required financial efficiency market. Recently Ohlson (1995) stated the simulated benefit in the formulation of the Residual Income Model (RIM). The Ohlson Model identifies the relationship between stock values and accounting variables.

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Chnar Abdullah RASHID, (January 2021) This paper mainly focused on the net income figure alone is not very helpful in determining the efficiency and performance of the enterprise unless it is related to other figures, such as sales, cost of goods sold, operating expenses, investment capital, etc. Therefore, calculating the profit rate can inspire the result and the comparison of the company. This is the only criterion for the company to pay attention to overall efficiency.

Süleyman Serdar KARACA, (January 2012), analysed the relation between firm value and financial ratios using panel data analysis. 36 firms operating in -----these sectors between 2002 and 2009 have been analysed. The dependent variable of the study is firm value-; the independent variables are financial ratios. It has been found by panel data analysis that financial ratios influence the firm value. There is a significant and positive relation between receivables turnover and firm value; there is a significant and negative relation between inventory turnover and return on equity. No significant relation has been detected between the other ratios.

Ms. Shubhra Johri, (July 2019), This paper is an attempt to understand the efficacy of ratio analysis and the concept of ideal ratios. The attempt will help find how ideal ratios have been determined and if they were sector sensitive. A capital structure decision is expected by the common logic of fixed capital requirements and working capital requirements which is dependent on the nature of business

Petrit Hasanaj & Beke Kuqi (June 2019), The main purpose of this study is to determine, forecast, and evaluate the best of economic conditions and the company's performance in the future. The other purpose of this study is to analyze the financial statement and then give information for financial managers to make decisions about their business.

TURCAS & DUMITER, (August 2019) The purpose of this paper is to make a quantitative and qualitative critical analyse regarding the three important aspects of stock market evolution. First, the forecasting problems are presented and analyse to establish the main problems and the potential solutions. Second, the valuation problems are tackled in order to observe different trends and directions for solving these issues. Third, the portfolio return forecasts are mandatory to establish the results of the titles/market evolutions.

III. RESEARCH METHODOLOGY

Objective:

- To examine the growth of HUL Ltd. during 2016-17 to 2020-21
- To measure the performance of HUL Ltd by using financial statements and analytical techniques for investment.

Sources of data:

The data for the research was taken from the company's financial statements. This research needs historical data for analysis, so this model analysed previous five-year data from 2016-17 to 2020-2021 and assumed for the period of 2021-22 to 2024-25.

This paper aims to construct a financial model using Ms. Excel on HUL Ltd. to examine the organization's financial statements and growth patterns toward investment decisions.

Period of Study:

The period of study is from 2016-17 to 2020-21 and the data forecasted is 2021-22 to 2024-25.

This research is limited to HUL Ltd. only for financial modelling and forecasting income statements.

The methodology used in this research is ratio analysis, vertical-horizontal analysis, risk analysis, forecasted income statement analysis, and sensitivity analysis based on historical data.

Techniques Used:-

1. Ratio Analysis:-

What Does Ratio Analysis Tell You?

Types of Ratio Analysis:

Financial ratios can be 'somewhat loosely' classified into different categories, namely –

1. Profitability Ratios

2. Leverage Ratios
3. Valuation Ratios
4. Operating Ratios

I. Profitability Ratios:

Profitability ratios help the analyst measure the profitability of the company. The ratios convey how well the company can perform in terms of generating profits. The profitability of a company also signals the competitiveness of the management. As the profits are needed for business expansion and to pay dividends to its shareholders, a company's profitability is an important consideration.

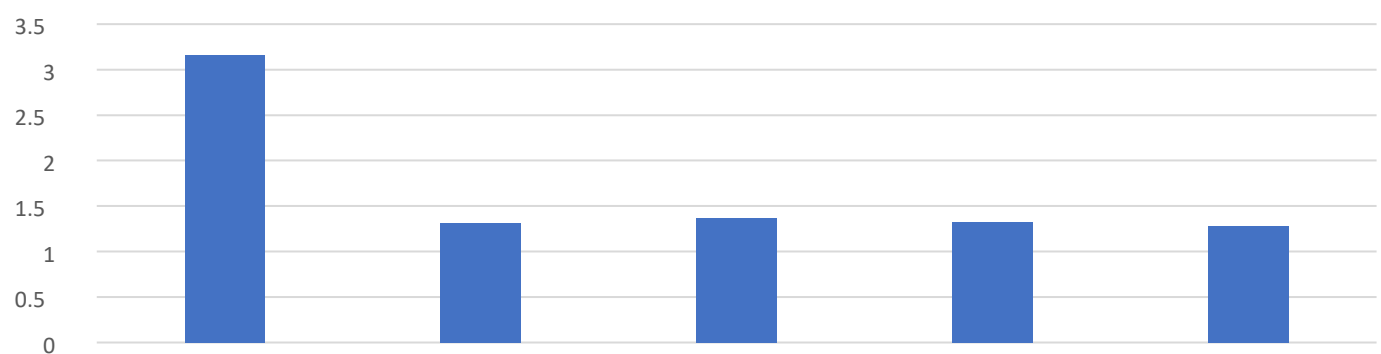
IV. DATA ANALYSIS AND INTERPREATION

Current Ratio:

In this case, its current ratio is good. in 2020 is 2.1 which means that it has 2.1 times of its liabilities in assets and can currently meet its financial obligations. Any current ratio over 2 is considered 'good' by most accounts.

Year	Current Ratio
Mar-17	3.164903547
Mar-18	1.312028806
Mar-19	1.374639437
Mar-20	1.32242138
Mar-21	1.280464739

Current Ratio



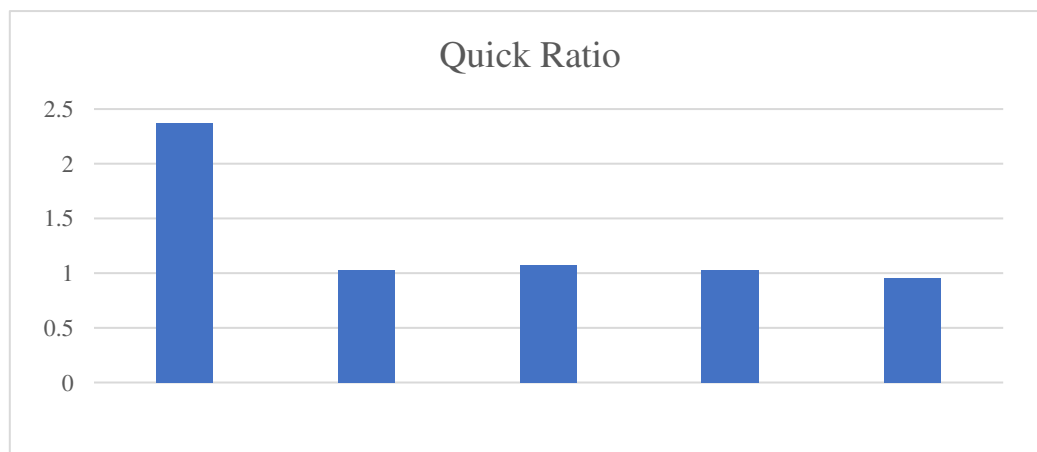
From the table it can be understood that current ratio of HUL ranging 3.164 in Mar. 2017 to 1.280 in Mar. 2021.

- Current Ratio of HUL is highest in 2017 and lowest in 2021.

Quick Ratio:

In this case, the quick ratio is increasing. They continuously increase the liquid assets to run their operations.

Year	Quick Ratio
Mar-17	2.374299938
Mar-18	1.029256217
Mar-19	1.07765086
Mar-20	1.025437373
Mar-21	0.958119427



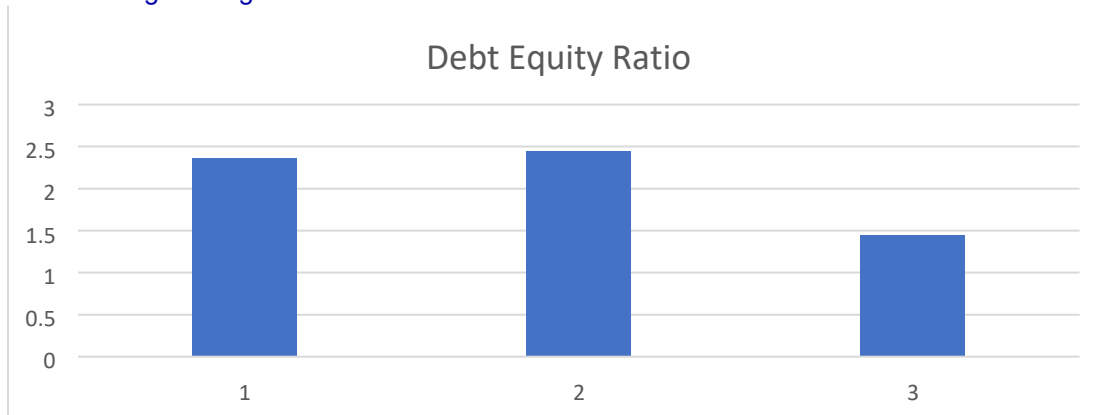
From the table it can be understood that Quick Ratio of HUL Ranking on 2.374 in March 2017 to 0.9581 in March 2021.

- Quick Ratio of HUL highest in 2017 and lowest 2021.

Debt-Equity Ratio:

The ideal debt to equity ratio is 2:1. This means that at no given point of time should the debt be more than twice the equity because it becomes riskier to pay back and hence there is a fear of bankruptcy.

Year	D/E Ratio
2019	2.362587
2020	2.443973
2021	1.441628

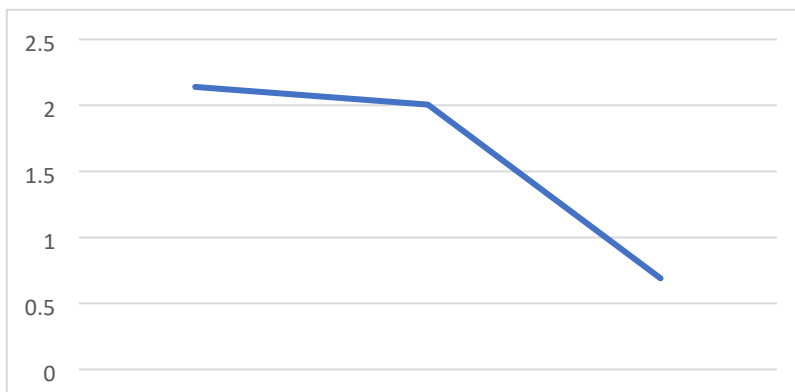


- From the table it can be understand that Debt to Equity ratio is ranging on 2.36 in March 2019 to 1.44 in march 2021.
- Debt to Equity ratio is highest in 2020 and lowest in 2021.

Assets Turnover Ratio:

It is an indicator of the efficiency with which a company is deploying its assets to produce the revenue. Thus, asset turnover ratio can be a determinant of a company's performance.

Year	Ratio
Mar-19	2.139675
Mar-20	2.005409
Mar-21	0.689937



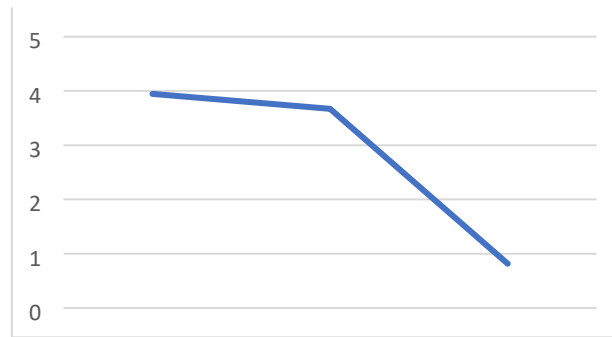
In table it can be understand that the Assets Turnover Ratio of HUL ranging on 2.139 in Mar 2019 to 0.689 in Mar 2021.

- Its reducing YOY.

Debtors Turnover Ratio:

This is also referred to as the efficiency ratio which measures the company's ability to collect revenue.

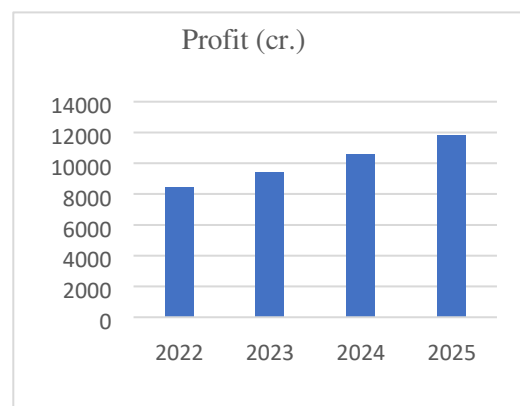
Mar-19	3.945995
Mar-20	3.671373
Mar-21	0.815694



V. FINDINGS:

The construction of financial modelling was preceded by analysing the financial statements of HUL Ltd. This study found that the PBT, PAT, and Net Profit of the company increased YOY bases.

- EPS is also growing and showing an average 12% growth rate.
- For forecasting income statements, the assumption was a 12% Growth rate.
- Sensitivity analysis revealed that all the attributes are showing positive for an investment de



VI. CONCLUSION:

The present study is done with the objective of examining the growth of the company and measuring its performance by using financial statements and analytical techniques for investment during the period of 2016-17 to 2020-21. The findings of the analysis concluded that continuous growth so an investor can hold the stocks or sell the stocks because its overvalued.

VII. REFERENCES:

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