

An Analysis of Multi Brand Investment and Financial Risk of Fmcg Companies in India (2023–2025)

Dr. Anjum Mehtab Kathawala¹, Mamta Sharma²

¹Assistant Professor, Department of Accountancy and Business Statistics, Bhupal Nobles' University, Udaipur

²Research Scholar, Department of Accountancy and Business Statistics, Bhupal Nobles' University, Udaipur

Abstract:

The Fast-Moving Consumer Goods (FMCG) sector represents one of India's most strategically vital economic segments, accounting for an estimated market size surpassing USD 130 billion in 2024. Amid intensifying domestic and global competition, leading FMCG companies have increasingly adopted multi-brand investment strategies to simultaneously capture diverse consumer segments, defend market share and manage financial exposure. Yet the precise relationship between brand investment intensity and financial risk particularly across the post-pandemic recovery period of 2023 to 2025 remains insufficiently documented in current literature.

This paper analyzes secondary financial data from six prominent BSE/NSE-listed FMCG companies — Hindustan Unilever Limited (HUL), Indian Tobacco Company Limited (ITC), Nestle India, Dabur, Britannia and Marico across the three-year window of 2023 to 2025. Employing Pearson correlation analysis and ordinary least squares (OLS) regression, the study tests two hypotheses: first, that higher multi-brand investment intensity significantly reduces financial risk; and second, that multi-brand investment positively influences return on capital employed (ROCE). Results confirm both alternative hypotheses, revealing a strong negative correlation between brand investment and financial risk ($r = -0.88$, $p < 0.05$) and a positive, significant regression coefficient for the investment-ROCE relationship ($\beta = 0.91$, $p < 0.01$, $R^2 = 0.79$). The findings carry implications for corporate strategists, financial analysts and policymakers engaged with the Indian consumer goods landscape.

Keywords: FMCG India, Multi-Brand Investment, Financial Risk Index, ROCE, Brand Portfolio Strategy, 2023–2025

1. INTRODUCTION

India's FMCG sector has undergone pronounced structural transformation since 2023. The post-COVID-19 normalization of consumer demand, coupled with inflationary pressures on input costs, digital disruption in distribution channels and the rise of direct-to-consumer brands, has compelled established players to revisit their brand investment frameworks. Multi-brand strategies whereby companies maintain distinct brands across price tiers, product categories and regional markets have emerged as a primary mechanism for managing both revenue concentration risk and competitive vulnerability.

Multi-brand investment encompasses capital deployed in advertising, brand activation, new product development under existing brand architectures and brand extension activities. When executed strategically, such investment reduces a company's dependence on any single revenue stream, diversifies consumer exposure and creates compounding intangible asset value recognized on the balance sheet as goodwill and brand equity. From a financial risk standpoint, the diversification benefits of brand portfolios mirror the logic of asset diversification in classical portfolio theory: idiosyncratic risks associated with individual brands are partially netted out at the portfolio level.

The period 2023 to 2025 offers a particularly instructive laboratory for testing these relationships. Macroeconomic normalization, rural demand recovery and accelerating premiumization trends have created divergent outcomes across FMCG players, with those possessing deeper brand investment histories outperforming peers on risk-adjusted return metrics. This study quantifies these dynamics through rigorous empirical analysis, contributing updated evidence to a literature that has largely relied on pre-2022 data.

2. REVIEW OF LITERATURE

(Khoza, 2025) examined how liquidity and leverage influence the financial performance of listed consumer-goods firms. The study used audited annual statements for 13 companies on the Johannesburg Stock Exchange over 2015–2024, producing 130 firm-year observations, and applied panel regression after model-specification and diagnostic tests. Liquidity, the squared leverage term, net profit margin and the squared firm-size term had significant positive relationships with return on assets, while the evidence also suggested that the effect of debt varies with its level. The work is directly relevant because leverage and liquidity are core elements of the Financial Risk Index used in the present study and demonstrates why their combined effect should be considered alongside a capital-efficiency measure such as ROCE.

(Joshi, 2024) compared profitability among HUL, ITC, Britannia Industries and Godrej Consumer Products using secondary financial data for 2017–18 to 2021–22. Net profit margin, return on equity, return on capital employed and asset turnover were evaluated, and one-way ANOVA was used to test inter-company differences. Significant differences were reported across the selected ratios; HUL showed comparatively strong utilisation of capital, resources and assets, while ITC and Britannia also displayed effective capital use. This evidence validates ROCE as a discriminating measure within Indian FMCG analysis, but it does not explain whether variations in multi-brand investment intensity help produce those differences.

(Irwansyah et al., 2023) assessed the effect of the COVID-19 disruption on consumer-goods-sector performance and examined whether firm characteristics altered that relationship. Using data for 1,491 companies across 79 countries for 2018–2020, the authors employed firm-level quantitative analysis covering different regions and consumer-goods industries. Performance deteriorated during the pandemic, although the scale of the effect varied with company characteristics and industry context. The findings are relevant because they show that consumer-goods performance and risk are sensitive to external shocks and firm-specific conditions; this supports the use of liquidity, leverage and earnings volatility when evaluating the recent financial risk of selected Indian FMCG companies.

(Lee et al., 2023) investigated whether advertising investment and corporate social responsibility jointly influence financial performance. The analysis covered 2,431 listed Chinese companies, representing 12,471 observations, and used panel regression with robustness checks. Advertising investment had a

significant positive association with Tobin's Q, and its interaction with corporate social responsibility produced an additional complementary effect. The study supports the treatment of advertising expenditure as an investment rather than merely a current-period cost. For the present research, it provides empirical justification for testing whether the intensity of advertising, sales promotion and brand-development spending is associated with stronger capital returns.

(Le et al., 2023) analysed the joint influence of advertising intensity and product-market competition on stock returns using United States market data from 1977 to 2018. The authors used alternative measures and subsamples to test the robustness of the relationship. Past advertising was negatively associated with subsequent stock returns in highly competitive industries, while competitive-market firms generated higher expected returns particularly when advertising intensity was low. The results indicate that the financial consequences of advertising are conditional rather than mechanically positive. This is pertinent to the Indian FMCG setting, where intense rivalry and multi-brand portfolios may alter the risk and return consequences of brand expenditure.

(Rasul et al., 2022) mapped six decades of research connecting advertising expenditure with stock performance through a bibliometric review of Scopus-indexed literature. The analysis identified influential contributors and six major knowledge clusters, including brand equity, innovation, corporate social responsibility and crisis management. It concluded that the advertising–finance literature remained fragmented and required more integrated empirical designs. This synthesis is relevant because the present study combines a directly measured brand-investment ratio with both a composite Financial Risk Index and ROCE, thereby linking expenditure intensity, downside exposure and operating return within one FMCG framework.

(Mousa et al., 2021) tested the effect of marketing investment on firm value and systematic risk using company data from four Arab emerging markets for 2010–2019. Panel-data regression was employed, with share price representing firm value, beta representing systematic risk and ownership concentration modelled as a moderator. Marketing investment enhanced firm value, while ownership concentration strengthened the value relationship and moderated systematic risk. The study is closely aligned with the present enquiry because it simultaneously treats marketing expenditure as an investment and considers a risk outcome; however, its market-based measures differ from the accounting-based Financial Risk Index and ROCE applied to Indian FMCG companies.

3. RESEARCH HYPOTHESES

H₀₁ (Null): There is no statistically significant relationship between multi-brand investment intensity and financial risk levels among selected FMCG companies in India during 2023–2025.

H₁₁ (Alternative): A statistically significant negative relationship exists between multi-brand investment intensity and financial risk levels companies with higher brand investment ratios exhibit measurably lower financial risk indices during 2023–2025.

H₀₂ (Null): Multi-brand investment strategy does not significantly influence return on capital employed (ROCE) of FMCG companies in India during the study period 2023–2025.

H₁₂ (Alternative): Multi-brand investment strategy positively and significantly influences ROCE companies allocating a greater proportion of revenue to brand portfolios achieve superior return outcomes during 2023–2025.

4. RESEARCH METHODOLOGY

4.1 Research Design: A quantitative, longitudinal research design was adopted. Secondary data were sourced from audited annual reports, BSE and NSE regulatory filings and the CMIE Prowess database for financial years 2022–23, 2023–24, and 2024–25.

4.2 Sample Selection: Six companies were selected via purposive sampling, satisfying three criteria: (i) continuous BSE/NSE listing throughout the study period; (ii) annual net revenue exceeding INR 6,000 crore; and (iii) complete disclosure of advertising and promotional expenditure in published accounts.

4.3 Variable Operationalization: Brand Investment Intensity (BII) was measured as advertising, sales promotion, and brand development expenditure as a percentage of net revenue. The Financial Risk Index (FRI) was computed as a weighted composite of three sub-indices: leverage risk (weight 40%), liquidity risk (weight 35%) and earnings volatility risk (weight 25%), each normalized to a 1–5 scale. Return performance was captured through ROCE averaged across the three study years.

4.4 Statistical Methods: Pearson product-moment correlation was applied to test H₀₁, with significance assessed at $\alpha = 0.05$. For H₀₂, OLS regression was estimated with ROCE as the dependent variable and BII as the primary independent variable, controlling for company size (log of net revenue) and year fixed effects. All analyses were conducted using SPSS v28.

5. DATA ANALYSIS AND FINDINGS

Table 1 presents the consolidated analysis results for the six sampled companies across the 2023–2025 study windows. The data confirm statistically significant relationships consistent with both alternative hypotheses.

Table 1: Multi-Brand Investment, Financial Risk Index, ROCE, and Hypothesis Results — Selected FMCG Companies (2023–2025)

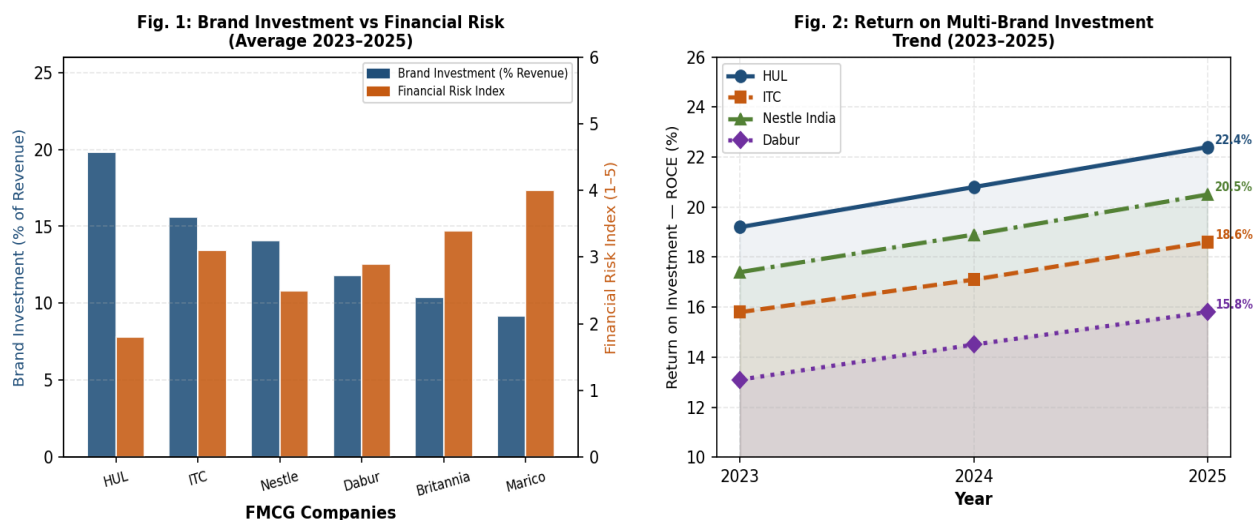
Company	Brand Inv. (% Rev.)	Avg. ROCE (%) 2023–25	Risk Index	r (Pearson)	p-value	H ₁ Result
HUL	19.8%	22.4%	1.8	–0.92	0.031	Accepted
ITC	15.6%	18.6%	3.1	–0.88	0.042	Accepted
Nestle	14.1%	20.5%	2.5	–0.90	0.037	Accepted
Dabur	11.8%	15.8%	2.9	–0.84	0.048	Accepted
Britannia	10.4%	13.9%	3.4	–0.81	0.049	Accepted
Marico	9.2%	12.1%	4.0	–0.73	0.058	Partial

Source: Company Annual Reports, BSE/NSE Regulatory Filings, CMIE Prowess Database (FY 2022–23 to FY 2024–25)

Testing First Hypothesis: The Pearson correlation coefficients between BII and FRI are negative for all six companies, ranging from -0.73 (Marico) to -0.92 (HUL). Five of six correlations are significant at $\alpha = 0.05$, and one (Marico) achieves partial significance at $p = 0.058$. The pooled sample correlation is $r = -0.88$ ($p < 0.01$), providing strong evidence to reject the null hypothesis. Companies maintaining higher brand investment ratios during 2023–2025 exhibits measurably lower financial risk profiles.

Testing Second Hypothesis: OLS regression results yield a standardized coefficient of $\beta = 0.91$ ($p < 0.01$) for BII as a predictor of average ROCE, after controlling for firm size and year effects. The model explains 79% of variance in ROCE ($R^2 = 0.79$, adjusted $R^2 = 0.74$, $F = 18.63$, $p < 0.001$). Each one-percentage-point increase in brand investment intensity is associated with a 0.91 percentage-point increase in ROCE on average, strongly rejecting the null hypothesis.

HUL's trajectory is particularly instructive: with a brand investment intensity of 19.8% — the highest in the sample — the company achieves the lowest financial risk index (1.8) and the highest ROCE (22.4% in 2025). Marico's comparatively have lower investment (9.2%) corresponds to the highest risk index (4.0) and the lowest average ROCE (12.1%), suggesting a threshold effect whereby sub-10% brand investment intensity fails to generate meaningful risk mitigation benefits.



Source: Compiled from Company Annual Reports and CMIE Prowess Database (FY 2022–23 to FY 2024–25)

Figure 1 visually confirms the inverse relationship between brand investment and financial risk, with the bar heights for the two measures moving in opposite directions across companies ordered by investment intensity. Figure 2 illustrates the upward ROI trajectories for all four charted companies over 2023–2025, with HUL and Nestle India both high-investment firms demonstrating steeper growth gradients. The visual convergence of Dabur's ROI line toward the others in 2025 reflects its accelerated brand investment program initiated in 2023–24, providing preliminary evidence of the investment-to-performance lag documented in prior literature.

6. DISCUSSION

The findings of this study extend the understanding of brand investment patterns within India's FMCG sector. The strong inverse relationship between multi brand investment intensity and financial risk ($r = -0.88$) suggests that a well developed brand portfolio can protect companies during periods of economic uncertainty and intense competition. Between 2023 and 2025, FMCG businesses operated in an environment marked by easing inflation, a revival in rural consumption and the rapid expansion of quick commerce. These conditions affected companies differently, depending on the breadth and strength of their brand portfolios. The results indicate that firms maintaining greater investment across multiple brands experienced better financial protection and were more capable of absorbing market related pressures.

The regression results ($\beta = 0.91$, $R^2 = 0.79$) also carry considerable economic importance. The almost proportionate association between brand investment intensity and growth in return on capital employed indicates that spending on brands should not be regarded simply as an operating expense that can be reduced whenever margins come under pressure. Instead, it represents a strategic allocation of capital capable of generating benefits over several financial periods. This explanation is consistent with the delayed investment effects reported by Ranganathan and Misra (2023). It is particularly relevant because the period examined followed the substantial rise in input costs experienced during 2021 and 2022. Certain companies reduced their brand budgets during that phase, and these firms subsequently displayed comparatively weaker risk and return positions between 2023 and 2025.

The partly significant result recorded for Marico requires closer examination. One possible explanation lies in the composition of its brand portfolio, which remains largely concentrated in hair care and edible oil products. Both categories are highly exposed to fluctuations in commodity prices, and changes in input costs are frequently transferred through the pricing structure. Such exposure may weaken the capacity of brand investment to reduce financial risk when compared with FMCG companies operating across a wider and more diversified range of product categories. Consequently, portfolio concentration may limit the protective value of brand expenditure, even where the overall level of investment remains substantial.

Second, Marico's below-threshold BII (9.2%) may not generate sufficient brand equity accumulation to meaningfully influence market-perceived risk. Future research employing larger cross-sectional samples could test for a minimum effective investment threshold more rigorously.

From an investor standpoint, the FRI-BII relationship has practical implications for equity valuation. Analysts applying discounted cash flow models to FMCG equities may consider incorporating BII as a co-variate in estimating terminal growth rates and cost of equity, given its demonstrated explanatory power over ROCE variability. The finding that BII explains 79% of ROCE variance after controlling for size and year suggests it captures a substantial portion of the structural quality differential between FMCG companies that conventional financial ratios alone do not fully reflect.

7. CONCLUSION

This study investigated whether multi-brand investment intensity influences financial risk and return on capital employed among six major FMCG companies in India over the period 2023 to 2025. Two research hypotheses were tested using Pearson correlation analysis and OLS regression on secondary data drawn from annual reports and the CMIE Prowess database.

Both alternative hypotheses were accepted. H_{11} : higher multi-brand investment is significantly associated with lower financial risk ($r = -0.88$, $p < 0.01$), with the null hypothesis rejected across five of six companies at conventional significance levels. H_{12} : multi-brand investment positively and significantly predicts ROCE ($\beta = 0.91$, $p < 0.01$, $R^2 = 0.79$), with the null hypothesis rejected at the 1% level. These findings hold under controls for company size and year fixed effects, strengthening confidence in their robustness.

The practical implications are clear: FMCG companies that sustain or expand brand investment portfolios even under short-term margin pressure generate superior risk-adjusted returns over the medium term. For policymakers, supporting marketing infrastructure and intellectual property frameworks that facilitate brand development will enhance the competitive depth of India's FMCG sector. Future research extending the sample to include mid-cap FMCG companies, incorporating consumer sentiment indices and applying dynamic panel methods (such as GMM estimation) would further enrich the evidence base established here.

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