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Analysis Of Financial Statement Of Selected Fast Moving Consumer Goods Companies In India

Dr. Kailashben. P. Damor,
Professor
Department of Commerce And Business Administration, Saurashtra University, Rajkot,360005.-Gujarat. India

ABSTRACT:

PURPOSE OF THE STUDY: Purpose of the study: purpose for conducting this research is to know the financial position of selected FMCG companies through financial statement analysis. In this study the various ratio relating Profitability Ratio, Liquidity Ratio, Solvency Ratios, Efficiency Ratio, and Market Ratio are analyze by the research to know the financial situation of companies. (Current Ratio, Quick Ratio, Net Profit Ratio, Return On Capital Employed, Earning Per Share, Inventory Turnover Ratio, Assets Turnover Ratio and Interest Coverage Ratio) of selected sample companies for the study period of 5 years from 2018-19 to 2022-23.

RESEARCH METHODOLOGY: In this study period is of 5 years from 2018-19 to 2022-23. in this research article researcher has used three sample such as Hindustan Unilever limited (HUL), Indian Tabboco company (ITC), Brittania industries Limited ,Godrej consumer products limited and Dabor India limited companies in the base of market capitalization. The tools and techniques one has used ratio analysis, statistical technique like mean, analysis of variance-one way ANOVA test are considered in this study.

FINDINGS/CONCLUSION OF THE STUDY: Findings based on analysis of variance: In analysis of variance F-calculated value is higher than F-tabulated value so null hypothesis has been rejected and alternate hypothesis has to be fail to rejected/ accepted in all the selected ratios in the period of the study at 0.05level of significant.

KEY WORD: FINANCIAL STATEMENT, ANALYSIS, FMCG, **COMPANIES, INDIA.**

INTRODUCTION:

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector. Consumer-oriented growth and increased prices, particularly for essential products, fueled the growth of the Fast-Moving Consumer Goods (FMCG) industry in India. The FMCG sector achieved a milestone of US$ 56.8 billion by December 2022. Forecasts indicate that the total revenue of the FMCG market is expected to experience a Compound Annual Growth Rate (CAGR) of 27.9% from 2021 to 2027, eventually reaching a value of approximately US$ 615.87 billion. In 2022, the urban sector accounted for 65% of the overall annual FMCG sales, while rural India contributed over 35%.

LITERATURE REVIEW :

Liu Ziyi (2023) carried out the financial statement's analysis of FMCG company. Johnson & Johnson company is taken as sample. They used secondary data collection method for the research. The time duration covers five years 2017 to 2021.

J Shiva Prakash (2023), observed the financial statements analysis of FMCG company. Dabar India company selected as a sample. They used secondary data collection method. The motive of the research is to assess the financial performance, efficiency and profitability of select company. The time duration covers nine years 2013 to 2022.

Pirakatheeswari p. and Sabarish V. (2022), wants to know the financial statements of FMCG company. They used secondary data collection method for the research. The time period covered five years 2017 to 2022.

Chavda Viral (2017), observed the financial statements analysis of FMCG companies. They used secondary data collection method from the period of 2012-13 to 2016-17.

Sakshi Chhabra and J. N. Bhargava(2016) conducted a study on "Trend casting FMCG sector in India". This study was mainly based on secondary data.

Maliki Riduwan and Arvianto Dwi Agus (2023), The purpose of this study was to evaluate the financial performance of cement industry companies in Indonesia which includes four companies namely SMCB, SMGR, INTP, and SMBR for the 2018-2021 period using the Dupont system method considering the analysis of the Covid-19 pandemic.

Priyanka Khare and Syed Haider Ali (2016) written article titled "The Scenario of Marketing Innovation in FMCG Sector". The study based on secondary data.

Maheshwari D.and M Siva Shanmugapriya (2023), both study of financial statements analysis of oil industry. The data is collected from secondary data sources during the preparation of the analysis. The period of study covered between the financial year from 20218-2019 till 2022-2023.

Kanagaraj Ganesan Alias and Raja S (2021), wants to know the financial statements analysis of insurance company. They used secondary data collection method form the period of five years starting from 2017 to 2021.

Rout Biswajit, Das Abinash and Das Baisali (2021), observed the financial statements analysis of automobile industry. They selected Maruti Suzuki as a sample company. In this paper, the profitability of Maruti Suzuki from 2009 to 2019 is stated.

Gandhimathi S. and Hemashree R. (2021), find out the financial analysis of automobile companies. The time duration covers ten years from 2010 to 2020. They conducted information based on secondary data collection method.

Goyal Sunil Kumar (2020), observed the financial statements analysis of paper company. South India Paper Mills Ltd, Rama Pulp and Papers Ltd, West Coast Paper Mills Ltd are taken as sample company. The time duration covers four years from 2015-16 to 2018-19. They used secondary data collection method for analysis.

RESEARCH GAP- After go through of related literature review researcher has find that there are some scope to do research on sample companies of FMCG INDUSTRY in the study period from 2018-19 to 2022-23 on financial statement analysis. In this research article researcher has been try to find out the current situation of selected FMCG companies in India though used both tools traditional and modern. Traditional tool- Ratios-(Current Ratio, Quick Ratio, Net Profit Ratio, Return On Capital Employed, Earning Per Share, Inventory Turnover Ratio, Assets Turnover Ratio and Interest Coverage Ratio)

PERIOD OF THE STUDY:

The data for a period of 5 years from 2018-19 to 2022-23, has been taken into Consideration to assess the financial strength and weaknesses of the company.

OBJECTIVE OF THE STUDY:

- ✔ To analyze the financial statement of selected FMCG industries.
- ✔ To identifying the financial strength and weakness of the company
- ✔ To analyze the profitability, liquidity, solvency, and efficiency position of the selected
- ✔ FMCG companies.

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- ✔ To know the present position of the select FMCG companies
- ✔ To know about FMCG industry

HYPOTHESIS OF THE STUDY :

- ❖ H_0= There is no significant difference in current ratio, quick ratio, net profit ratio, Return on capital employed, Earning per share, Inventory turnover ratio, Asset turnover ratio and Interest coverage ratio of selected FMCG companies in India during the study period.

SAMPLE OF THE STUDY :

In this study five FMCG companies are select based on their market capitalization (December ,2023) which are as follows:

- Hindustan Unilever limited (HUL)
- Indian Tabboco company (ITC)
- Brittania industries Limited
- Godrej consumer products limited
- Dabor India limited

DATA COLLECTION:

This study is based on secondary data. The data is collected from published annual report of selected paint companies of India. Other information related to selected paint companies of India will be collected from official website and net sources, annual report, various books, different publication, journals and relating paint industry etc. Opinions expressed in business standard, news paper, annual review accounting literature and different publications have been used in this study.

TOOLS AND TECHNIQUES:

The data has been analyzed and hypothesis has been tested by the researcher at 5% level of significance, by employing following various tools and techniques by researcher.

- Accounting Too:
- Ratio Analysis
- Statistical Technique:
- Mean
- One-way ANOVA test

THE BELOW RATIO ARE USED BY RESEARCH FOR THE PRESENT STUDY:

1. Current Ratio, 2. Quick Ratio, 3. Net Profit Ratio, 4. Return On Capital Employed, 5. Earning Per Share, 6.Inventory Turnover Ratio, 7. Assets Turnover Ratio and 8. Interest Coverage Ratio.

FINDING BASED ON RATIO:

Current Ratio: Compare to other companies ITC company Shows highest current ratio during the year 2019- 23 and lowest current ratio of GODREJ during the year 2019-23. It means ITC company shows better liquidity position to pay short term dues or obligation than GODREJ. According to the trend GODREJ Nearly and continuously increasing trend.

Quick Ratio: The ideal quick ratio was 1:1 but in this study consider average quick ratio for comparison of the selected samples. The average quick ratio of ITC was the highest i.e. 2.358 and the average of GODREJ Was the lowest i.e.,0.87 as compared to other companies. The efficiency of ITC Was good as compared to other companies.

Net Profit Ratio: Compare to others, Highest net profit ratio is of ITC and lowest is of BRITTANIA is more efficient to generate profit into revenue in comparison with its ITC is constantly in increasing trend but in 2019-20 there is decreasing in Net Profit. BRITTANIA shows average fluctuating trend.

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Return on Capital Employee: This study considers average Return on capital employed ratio for comparison of the selected samples. The average Return on capital employed of BRITTANIA was the highest i.e.,51.559 and the average of GODREJ Was the lowest i.e.,19.452 as compared to other companies. Higher ROCE generally indicates better capital efficiency and profitability. GODREJ Continuously increasing trend.

Earning Per Share: To find the Earnings Per Share (EPS) for each selected FMCG companies. The Average Earning per share of BRITTANIA was the i.e.,68.746 and the average of DABOR Was lowest i.e., 9.082 as compared to other companies. According to the trend DABOR Nearly and continuously increasing trend.

Asset Turnover Ratio: This study considers average Asset turnover ratio for comparison of the selected samples. The average Asset turnover ratio of BRITTANIA was the highest i.e.,98.548 and the average of GODREJ Was the lowest i.e.,28.152 as compared to other companies. A higher ratio of BRITTANIA Generally indicates better efficiency in utilizing assets to generate revenue.

Inventory Turnover Ratio: The inventory turnover ratio is calculated by dividing the cost of goods sold (COGS) by the average inventory during a specific period. Compare to other companies BRITTANIA Shows highest inventory turnover ratio during the year 2019- 23 and lowest inventory turnover ratio of GODREJ during the year 2019-23. A higher ratio of BRITTANIA generally indicates better inventory management and faster product turnover.

Interest Coverage Ratio: To find the interest coverage ratio for each selected FMCG companies. Compare to other companies ITC shows highest interest coverage ratio during the year 2019-23 and lowest interest coverage ratio of GODREJ during the year 2019 – 23. A higher ratio of ITC generally indicates higher interest coverage ratio indicates stronger financial health. The company is more capable of meeting interest obligations.

FINDINGS BASED ON HYPOTHESIS:

Sr. No	Financial ratio	Calculated value	Table value	Accepted (H1)	Rejected (H_0)
1.	Current Ratio	29.9619	2.8660	Accepted	Rejected
2.	Quick Ratio	18.8461	2.8660	Accepted	Rejected
3.	Net Profit Ratio	32.9639	2.8660	Accepted	Rejected
4.	Return on Capital Employed	2.9884	2.8660	Accepted	Rejected
5.	Earnings per Share(Basic)	37.9259	2.8660	Accepted	Rejected
6.	Assets turnover Ratio	4.6583	2.8660	Accepted	Rejected
7.	Inventory Turnover Ratio	1.07955	2.8660	Rejected	Accepted
8.	Interest Coverage Ratio	35.4657	2.8660	Accepted	Rejected

SUGGESTIONS :

✔ A current ratio between 1.5 and 2 is generally considered healthy. GODREJ and BRITTANIA indicate potential liquidity issues. Company improves: Increase their Current Assets, Manage Liabilities, Optimize Working Capital, Review Operational Efficiency, And Invest Wisely.

✔ The quick ratio, also known as the acid-test ratio, measures a company’s ability to cover its short-term obligations with its most liquid assets. GODREJ and DABOR company improve the quick ratio: Increase Cash Reserves, Reduce Inventory Levels, Examine Prepaid Expenses. In this component ultra tech should improved their liquid assets.

✔ The net profit ratio is a key financial metric that assesses a company’s profitability. BRITANNIA and GODREJ company improve the net profit ratio: Cost Control, Increase Sales, Efficient Operations, Pricing Strategy, Debt Management and Diversification. By focusing on these aspects, a company can work towards improving its net profit ratio.

✔ Return on Capital Employed (ROCE) is a financial metric that evaluates the efficiency of a company in generating profits from its capital. GODREJ, HUL, and BRITANNIA company improve it's ROCE: Operational Efficiency, Asset Utilization, Cost Management, investment decision and revenue growth. By addressing these factors, in GODREJ, HUL, BRITANNIA company can work towards maximizing its Return on Capital Employed and get high ROCE in the company.

✔ Earnings Per Share (EPS) is a key financial metric that measures a company's profitability on a per-share basis. DABOR, company improves EPS: Profitability Improvement, Share Buybacks, dividend policy, Efficient capital structure. By focusing on these strategies, DABOR company can work towards improving its Earnings Per Share. And should earn the profit towards company's EPS.

✔ The Asset Turnover Ratio assesses a company's efficiency in utilizing its assets to generate revenue. ITC and GODREJ Company improve the Asset Turnover Ratio: Inventory Management, Asset Utilization, Debt collection, Asset Replacement, sales growth. By focusing on these strategies, ITC and GODREJ Company can work towards improving its Asset Turnover Ratio, indicating better utilization of assets to generate revenue.

✔ The Inventory Turnover Ratio measures how efficiently a company manages its inventory by comparing the cost of goods sold to the average inventory. GODREJ and ITC company improve the Inventory Turnover Ratio: Regular Monitoring, Optimal Ordering, Demand Forecasting, Supplier Collaboration and efficient storage. By focusing on these strategies, GODREJ and ITC company can enhance its Inventory Turnover Ratio, indicating more efficient management of inventory and potentially freeing up capital for other purposes.

✔ The Interest coverage ratio is a measure of a company's ability to honor its debt payments. GODREJ company to manage and Improving the interest coverage ratio typically involves increasing a company's earnings before interest and taxes (EBIT) relative to its interest expenses. This can be achieved through strategies such as increasing revenue, reducing expenses, refinancing debt at lower interest rates, or a combination of these approaches.

✔ As per all general suggestions of selected FMCG companies like HUL, ITC, BRITTANIA, GODREJ, DABOR as per ratio analysis overall suggestions find out the all companies should improve their Market position and try to increase their profit, financial performance and efficiency.

SIGNIFICANT OF THE STUDY:

- The concept about financial statements and its analysis would be clear from this study.
- The financial position of the FMCG industry in india can be analysed through this study.
- The financial position can be analyzing with the help of present study for the selected FMCG companies.
- The knowledge about various Statistical tools, techniques, and statistical test will improve.

LIMITATION OF THE STUDY:

- The study carries all the limitations inherent with the secondary data and financial information.
- The result is applicable only to FMCG companies.
- The researcher made the analysis for five years only.
- The study main limitation as a researcher, company selected top 5 based on Market capitalization but Nestle India limited and Varun Beverage limited both companies can not provide this last year annual report, so that as a researcher considered next two companies based on Market capitalization.

FURTHER SCOPE:

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- ✔ There are many other ways to check the financial statements of FMCG companies in India like researcher taken more years.
- ✔ For the further research researcher can study on more companies.
- ✔ FMCG companies are updated daily latest product and goods. Hence this field is open of research.

CONCLUSION:

Enhance the performance of all companies is different to each other. The Findings are given as per ratios of the company and the result of ANOVA test. The suggestions are given to different companies on the basis of their performance. By analyzing the ratios and the result of ANOVA test, the study is found that there is a significant difference between financial statement analysis and ratio. Thus, financial statement analysis of selected FMCG companies is significantly influencing the profitability, liquidity, efficiency and solvency during the study period.

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