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Comparative Analysis of Britannia Industries and Marico Limited in Fast Moving Goods Sector

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Abstract
Fast moving consumer goods industry is the 4th largest in the Indian economy and its projected to grow at CAGR of 27.9 % to reach US $103.7 billion by 2020 and US $220 billion by 2025 .This study provides a comparative analysis of Britannia Industries and Marico Limited by evaluating and analysing the company's financial statements , strengths and weaknesses to make proper economic decisions for the present and future . The analysis is done with the help of various accounting tools - comparative balance sheet , swot analysis and ratio analysis .The overall study is done with the analysis of secondary data. The findings of the study show the liquidity position of the companies and the article studies the financial position of both the companies.

Keywords: Financial Statement , Ratio Analysis

INTRODUCTION

Britannia Industries is one among India's leading food companies with a 100 year legacy and annualrevenues in excess of Rs. 9000 Cr. Britannia products are available across the country in on the brink of5 million retail outlets and reach over 50% of Indian homes. The company's Dairy businesscontributes close to 5 per cent of revenue and Britannia dairy products directly reach 100,000outlets. Marico Limited is one among India's leading fast moving consumer goods companies operating within the health,beauty and wellness space. With its headquarters in Mumbai, Marico is present in over 25countries across emerging markets of Asia and Africa. The study seeks evaluate the comparison of financial statements of IndiaBritannia industries and Marico in Fast Moving Consumer Goods Sector.

STATEMENT OF THE PROBLEM

The strive among the existing competitors in the fast moving consumer goods sector is utterly high with immense growth in large firms such as Britannia and Marico . Online selling has enlarged the reach for these firms allowing them to easily reach the global audience and increase sales but the threat of new entries has become alarming in the growing market as consumers get the choice of diversity of brands which is troublesome for fmcg sector . Through this study we analyse how these threats affects the financial performance of the companies with the help of past period statements.

OBJECTIVES

- To study the financial performance of the two thriving FMCG companies Britannia Company and Marico by using Comparative Balance sheet.
- To study the marketing strategy of selected companies through SWOT Analysis.
- To highlight the liquidity position of the firm through ratio analysis.

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SCOPE OF THESTUDY

FMCG Sector is one of the most important contributors to Indian economy and Studying such patterns, along with the financial tools like Ratio Analysis, SWOT Analysis, Product Life Cycle, etc has developed an objective . This study discuses an overview of the sector, its critical analysis and futureprospects.

RESEARCH METHODOLOGY

The information used is obtained from the financial statement of Britannia Industries Limited and Marico limited. The financial data used in this paper is secondary data and it is collected from the official website of Britannia Industries Limited (www.britannia.co.in) and Marico limited (www.marico.com). The study is conducted for a 5 years period I.e., from April 2016 to March 2020 of Britannia Industries Limited and April 2016 to March 2020 of Marico Limited. Ratio analysis is used for to analyze the efficiency and solvency position of the companies. Financial performance is studied by using comparative statements.

TOOLS

- Comparative Balance Sheet
- Ratio Analysis
- LIMITATION
- The sample used to generate the secondary data is small
- It affects the situation and thus validity of findings
- It consumes more time than the primary research.

REVIEW OF LITERATURE

1.Habiba Abbasi(2014)made Comparative Analysis of HUL and ITC. The Ratio analysis which plays a very important role and is an essential part of financial statements of any company, has been used to evaluate various aspects of an FMCG's operating and financial performance such as its efficiency, liquidity, profitability. The present study focuses on comparative analysis of HUL and ITC on various grounds. The overall comparison between ITC and HUL shows that HUL still remains to be the largest FMCG Company in India. ITC has diversified businesses but is highly dependent on its segment of cigarettes. The analysis also shows that ITC has managed to earn the most in cash because of its cash-generative business of cigarettes in comparison to HUL.

2.Harendra Singh and Dr.AnilVashisht(2017)14, through their article Comparative analysis of financial performance of nestle and Britannia by using financial ratiosused ratio-analysis to analyse the financial performance. After Extent examination it was found that the liquidity position of both the associations are decreasing whereas in solvency extent, we understand that the relationship to pay its long term debts is terrible as it exhibits fluctuating results in both the associations. So it is concluded that Britannia has a better turn-over compared to Nestle.

3.A.Serma Saravana Pandian, M.Prabu, et.al(2013)5 inspected the strength and weakness of dairy sector development in Tamil Nadu to develop a strategic plan. On doing the SWOT analysis suggestions for improvement has been given. Central and state government has also took initiatives through implementation of various programs for the development of this sector over years.

ANALYSIS AND INTERPRETATION

COMPARATIVE BALANCE SHEET OF BRITANNIA INDUSTRIES

	ABSOLUTE CHANGEk (In Crores)					PERCENTAGECHANGE (In Crores)				
PARTICULARS	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
EQUITIES AND LIABILITIES										
Shareholders fund	846.6	604.88	720.35	866.56	152.55	67.86	28.88	26.69	25.34	3.56
Non-Current Liabilities	0.99	-5.55	56.2	-16.1	733.97	1.44	-7.97	87.29	-13.35	702.50
Current Liabilities	-147.03	15.56	302.57	203.44	713.89	-9.96	1.17	22.49	12.34	38.56
TOTAL	700.56	614.89	1079.12	1053.9	1600.41	25.08	17.60	26.26	20.31	25.64
ASSETS										

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Current assets	649.42	-0.23	267.08	678.84	1451.78	57.96	-0.01	15.09	33.33	53.46
Non-Current Assets	51.14	615.12	812.04	375.06	148.63	3.06	35.68	34.71	11.90	4.21
TOTAL	700.56	614.89	1079.12	1053.9	1600.41	25.08	17.60	26.26	20.31	25.64

COMPARATIVE BALANCE SHEET OF MARICO LIMITED

	ABSOLUTE CHANGE (In Crores)					PERCENTAGECHANGE (In Crores)				
PARTICULARS	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
EQUITIES AND LIABILITIES										
Shareholders' fund	193.25	307.34	216.32	431.66	49	10.51	15.13	9.25	16.89	1.64
Non-Current Liabilities	-149.62	8.88	23.94	129.53	-17	-80.76	24.91	53.76	189.18	-8.59
Current Liabilities	212.26	-64.64	208.48	266.32	61	19.27	-4.92	16.69	18.27	3.54
TOTAL	255.89	251.58	448.74	827.51	93	8.19	7.44	12.35	20.27	1.89
ASSETS										
Current assets	-21.88	-30.99	44.82	420.94	111	-1.69	-2.43	3.61	32.68	6.50
Non-Current Assets	277.77	282.57	403.92	406.57	-18	15.19	13.41	16.90	14.55	-0.56
TOTAL	255.89	251.58	448.74	827.52	93	8.19	7.44	12.35	20.27	1.89

The comparative balance sheet of Britannia and Marico for the year ending 2015 & 2016 indicates that the total liabilities and assets i.e. the position at the year ending 2015-2016 is increased to 25.08% for Britannia and 8.19% for Marico. For the year ending 2016 &2017 ,the total of assets and liabilities has increased for Britannia and Marico by 17.60% and 7.44% respectively but Britannia doing a very goodwork. The position at the end of the year 2017 & 2018 is increased to 26.26% for Britannia and increased to 12.35% for Marico. The total liabilities and assets stood with an increase of 20.31% for Britannia and 20.27% for Marico for the year ending 2018 & 2019 with tremendously improved performance of Marico. For the year ending 2019 & 2020 the total liabilities and assets increased to 25.64% for Britannia and is decreased again to 1.89% for Marico.

SWOT ANALYSIS OF BRITANNIA
STRENGTHS:
- Brand portfolio
- High Brand Recall
- penetration and distribution

WEAKNESS:
- Over dependency on the biscuit business
- Various brands got commoditized over time
- Struggling dairy business
- No overseas presence

OPPORTUNITY:
- Changing lifestyle & demand for healthier food
- products:Overseas Market

THREATS:
- Competition within the market
- Price of raw material

SWOT ANALYSIS OF MARICO
STRENGTHS:
- Strategy
- Targeting
- Specialise in unwanted categories

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WEAKNESS

- Failed Products
- Inability to create a premium image
- Too many products launch

OPPORTUNITY

- Growth in new markets
-

THREATS

- Chemical based content
- Competition

RATIO ANALYSIS OF BRITANNIA LIMITED

	CURRENT RATIO	LIQUID RATIO	OPERATING	GROSS PROFIT	NET PROFIT	ASSET TURNOVER	RETURN ON CAPITAL
2015	1.18	0.9	13.95	53.32	8.66	2.81	79.4%
2016	1.05	0.76	16.01	54.19	9.67	2.40	71.7%
2017	1.84	1.28	16.03	51.87	9.60	2.2	51.7%
2018	2.02	1.59	16.83	55.61	9.96	1.91	48.03%
2019	1.94	1.48	17.67	54.83	10.26	1.77	45.5%
2020	2.80	1.16	19.16	54.40	11.72	1.48	41.80%

RATIO ANALYSIS OF MARICO LIMITED

	CURRENT RATIO	LIQUID RATIO	OPERATING	GROSS PROFIT	NET PROFIT	ASSET TURNOVER	RETURN ON CAPITAL
2015	2.02	0.9	19.89	57.24	12.49	1.77	45.9%
2016	1.90	1.04	19.02	44.20	13.28	1.72	55.37%
2017	2.439	1.11	21.23	46.73	14	1.57	52.71%
2018	2.454	1.07	19.33	37.52	12.91	1.56	46.58%
2019	2.353	1.28	19.48	38.30	15.22	1.53	44.86%
2020	2.32	1.29	21.77	54.83	14.02	1.52	49.51%

The above table indicates that the current ratio is highest with 2.454 times in the year of 2018 and lowest with 1.90 times in the year of 2016 for Marico . The current ratio is highest with 2.80 times in the year 2020 and is lowest with 1.05 in the year 2016-2017 for Britannia. The above table indicates that the liquid ratio is highest with 1.29 times in the year 2020 and lowest with 0.9 times in the year 2015-2016 for Marico. The liquid ratio is highest with 1.59 times in the year 2018-2019 and is lowest with 0.76 in the year 2016-2017 forBritannia. The above table indicates that the operating profit ratio is the highest with 21.77% in the year 2020 and lowest with 19.02% in the year 2016 for Marico. The operating profit ratioishighestwith19.16%intheyear2020andislowestwith13.95%intheyear2015- 2016 for Britannia. The above table indicates that the gross profit ratio is highest with 57.24% in the year 2015-2016 and lowest with 37.52 in the year 2018 for Marico. The gross profit ratio is highest with 54.83%in the year 2019 and is lowest with 51.87% in the year 2017 for Britannia. Theabovetableindicatesthatthereturnoncapitalemployedisthehighestwith 49.51% for the year 2019-2020 and lowest with 44.86% for the year 2019 for Marico. The returnon capital employed is highest with 79.4% for the year 2014-2015 and is lowest with 41.80% for the year 2020 for Britannia. Theabovetableindicatesthattheasset turnoveristhehighestwith 2.81 for the year 2015-2016 and lowest with 1.48 for the year 2012 for Britannia. The asset turnover is highest with 1.77 for the year 2014-2015 and is lowest with 1.52 for the year 2020 for Marico . The above table indicates that the net profit ratio is highest with 15.22 for the year 2019 and lowest with 12.49 for the year 2015 for Marico. The net profit ratio is highest with 11.72% for the year 2020 and lowest with 8.66% for the year 2015 for Britannia.

SUGGESTIONS

The company Britannia limited may improve its liquidity position by investing more in current assets. To bring the current ratio close to the ideal ratio of 2:1. The company has to maintain an adequate amount of working capital to keep a good amount of liquidity throughout the years. The company should exercise control over the variable cost and must find out the ways to reduce its cost of production. This will increase the profitability of the company.

CONCLUSION

As considering the entity's efficiency to use its resources to earn revenue Britannia Industries Limited has earned more revenue as comparing to Marico Limited. The solvency position of Britannia Industries Limited is better as comparing to Marico Limited. Marico Limited has to increase their operational level to generate more revenue. Marico Limited must reduce their outside liabilities or they must increase their share capital. The outside liabilities are more as comparedto share capital which is not a goodcapital structure.

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