

A Study on the Financial Performance Analysis of Britannia Industries Limited

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ABSTRACT - Analysis of Financial Performance, also known as "analysis of financial statement preparation," is the process of finding a company's financial strengths by connecting the items on the balance sheets and the profit and loss account. The study's main goal, which used secondary data from Britannia Industries Ltd. over a five-year period, was to determine the sector's financial performance in order to find growth opportunities. The current ratio, net profit ratio, inventory turnover ratio, and other success ratios were among the tools used in the study. According to the recommendations, the company should take the required steps to produce consistent income and, as a result, maintain consistent profitability. Finally, the study discovers that the company's development fluctuated gradually but satisfactorily during the study time.

KEYWORDS: Financial Analysis, Operating Efficiency, Growth Strategy, Profitability, Solvency, Fast Moving Consumer Goods (FMCG).

I. INTRODUCTION

Financial performance is an assessment of how well a business or organization manages its financial resources and achieves its financial objectives over time. Examining financial statements such as income statements, balance sheets, and cash flow statements to determine a company's profitability, liquidity, solvency, and efficiency is typically part of this assessment.

The FMCG (Fast-Moving Consumer Goods) industry is one of India's largest, contributing considerably to the country's economy. FMCG products include a diverse variety of consumer items such as food and beverages, personal care and household care products, and other packaged goods used on a daily basis. In recent years, the FMCG industry in India has grown significantly, owing to factors such as rising urbanization, rising disposable income, and shifting consumer preferences. The industry has also benefited from the rising prevalence of e-commerce, which has made it simpler for consumers to access and buy FMCG goods online. The FMCG sector in India is anticipated to expand further in the coming years, owing to rising consumer demand and disposable incomes. As companies look to increase their market share and attract new consumers, the industry is likely to see continued investment in research and development, advertising, and distribution.

Britannia Industries Limited is a significant player in the Fast-Moving Consumer Goods (FMCG) industry in India. The business produces a wide variety of products, including biscuits, cakes, bread, dairy products, and snacks, which are distributed throughout the nation and exported to over 70

countries. Britannia has dominated the Indian biscuit industry for over a century and is renowned for its high-quality products and innovative marketing strategies. The business has a strong brand presence in the Indian market, and its products are available at a variety of price points, making it appealing to a broad range of customers. Britannia's success in the FMCG sector can be attributed to its strong distribution network, efficient supply chain management, and investment in R&D to stay ahead of changing customer preferences. The business also prioritizes sustainability and social responsibility, which has contributed to its reputation as a good corporate citizen.

Britannia has made significant contributions to the FMCG industry in India, and it remains a major player in the market. Its dedication to quality, innovation, and sustainability has helped the company keep and expand its market share over the years.

STATEMENT OF THE PROBLEM

Finance is a scarce resource in India, so it must be used efficiently. The firm's efficient performance is dependent on careful planning of its financial structure, investment, and distribution. Any firm that fails to implement sound capital structure principles such as cost control, as well as any firm that fails to use scientific tools of investment and distribution in fund management, will not last in the long run. Furthermore, the company should use wealth maximization as a criterion when making financial decisions such as financing, investing, managing working capital, deciding on dividend policy, and so on. Because finance is the lifeblood and driving force of a business, timely evaluation of the

firm's success cannot be overstated. Based on the problems raised above, the following questions have been posed:

1. When and how was Britannia Industries Ltd founded?
2. What is Britannia Industries Limited's earnings position?
3. What is Britannia Industries Limited's financial situation?

II. REVIEW OF LITERATURE

One of the top food producers in India is Britannia Industries Limited, which makes a variety of goods like cookies, bread, cakes, and dairy products. Researchers and analysts have performed a large number of studies to assess Britannia's financial performance. Some of the most important conclusions from these investigations are summarised in this review of the literature.

[1] **Priya and Sathya (2020)** conducted a study in which they examined Britannia's financial performance over a ten-year span (2009-2018). According to the study, the company's earnings per share (EPS), net profit, and revenue all increased considerably during that time. The authors credited Britannia's robust brand image, aggressive marketing tactics, and product innovation for this development.

[2] **Tannu and Gupta (2019)** carried out a similar study in which they examined Britannia's financial performance over a five-year span (2014-2018). According to the research, the company's net profit increased at a CAGR of 11.8% while its revenue increased at a CAGR of 11.3%. Britannia's robust distribution network, effective supply chain management, and emphasis on product quality, according to the authors, contributed to this development.

[3] **Sengupta and Das (2019)** examined the financial performance of Britannia and its FMCG sector rivals in another study they performed. According to the research, Britannia had outperformed its rivals in terms of profitability and revenue growth. The company's strong brand equity, diverse product offering, and aggressive growth strategies were cited by the writers as reasons for this.

[4] **Jana and Bandyopadhyay (2018)** examined the financial results of Britannia and its rivals in the biscuits market. According to the research, Britannia's robust brand equity, extensive distribution network, and aggressive marketing tactics have allowed it to retain its market leadership position. The company's emphasis on cost optimization, which served to increase its profitability, was also mentioned by the authors.

[5] **Chhikara and Arora (2017)** examined the FMCG industry's financial performance of Britannia and its rivals. Despite the fierce market competition, the research revealed that Britannia had maintained its growth trajectory. The company's strong brand reputation, product innovation, and emphasis on organizational efficiency, according to the authors, contributed to this.

According to the body of research, Britannia has largely kept its growth trajectory over the years thanks to its potent brand identity, cutting-edge product line, effective supply chain management, and aggressive expansion plans. The business has also put a lot of effort into expense reduction, which has increased its profitability. Britannia has kept market dominance thanks to its robust distribution network and aggressive marketing tactics, despite fierce competition in the FMCG industry.

OBJECTIVE OF THE STUDY

- Examine Britannia Industries Limited's financial situation over a five-year period in terms of profitability, liquidity, and activity turnover.
- Examine Britannia Industries Limited's background.
- Present important study findings and make appropriate recommendations for the company's continued successful survival.

III. RESEARCH METHODOLOGY

Source of Information	Supplementary data
Duration of Research	2017-2018 to 2021 – 2022
Basis of research	Statements of Financial Position
Methods and Tools	Analysis of ratios

Yearly Reports: A wealth of knowledge regarding Britannia's financial performance over the years may be found in its yearly reports. Financial statements including balance sheets, income statements, and cash flow statements are typically included in these reports.

Website of the firm: The website of the company can offer details on the company's goods, services, and operating strategy. Understanding the company's market position and competitive advantage can be aided by this information.

Economic databases: Business-specific information, including market trends, growth rates, and industry benchmarks, can be found in economic databases like Bloomberg, Factiva, and Reuters.

Interviews: Another effective way to learn more about a company's success is to speak with key stakeholders like its management, investors, and sector experts.

STATISTICAL TOOLS

The statistical tools listed below were used to analyze the statistical data gathered for the analysis of financial performance:

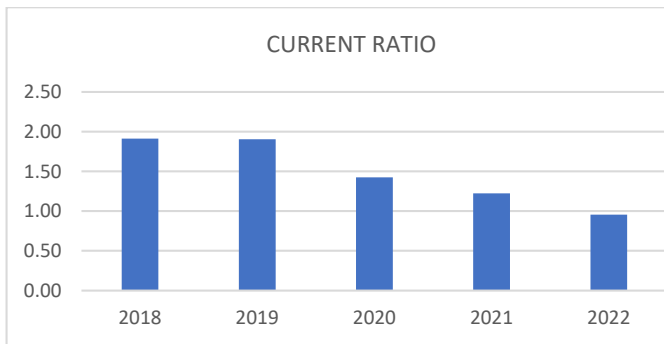
- Analysis of ratios
 - Ratios of Efficiency
 - Acid-test Ratios
 - Leverage Ratio

IV. RESULT & DISCUSSION

The financial performance of Britannia Industries can be analyzed using different financial ratios such as efficiency ratios, liquidity ratios, and leverage ratios. The ratios for the years 2018-2022 are presented in the tables below

A. CURRENT RATIO

YEAR	CURRENT RATIO	Current Assets	Current Liabilities
2018	1.91	3151.28	1647.97
2019	1.90	3526.34	1851.41
2020	1.43	3674.97	2578.46
2021	1.22	4419.68	3614.27
2022	0.96	3970.42	4155.73



INTERPRETATION:

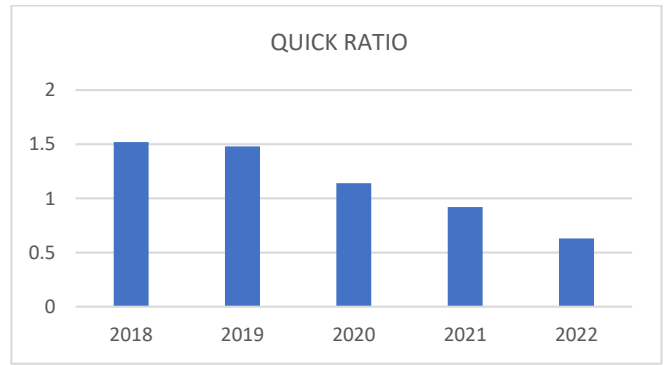
The given data illustrates the current ratio of a company for the period of five years, spanning from 2018 to 2022. The current ratio is a measure of a company's ability to pay off its short-term debts using its current assets.

As per the data, the current ratio has been declining gradually over time. In 2018 and 2019, the current ratio was above 1.9, indicating that the company had more than enough current assets to fulfill its short-term obligations. However, in 2020, the current ratio dropped to 1.43, which implies that the company's capability to cover its short-term debts reduced significantly.

The decline in the current ratio persisted, and in 2021 and 2022, it fell to 1.22 and 0.96, respectively, highlighting the company's challenges in fulfilling its short-term debts, which may indicate a financial struggle.

B. QUICK RATIO

YEAR	QUICK RATIO	Quick Assets	Current Liabilities
2018	1.52	2504.91	1647.97
2019	1.48	2740.09	1851.41
2020	1.14	2939.44	2578.46
2021	0.92	3325.13	3614.27
2022	0.63	2618.11	4155.73



INTERPRETATION:

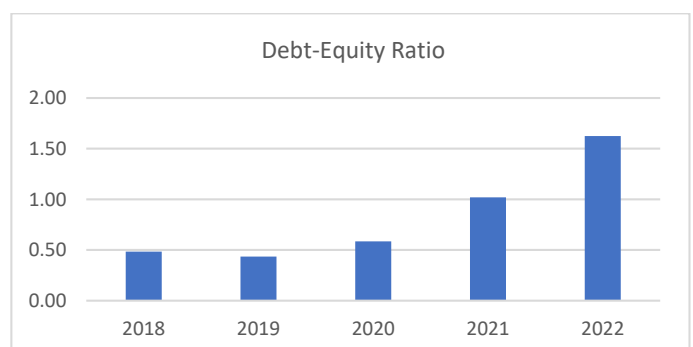
The quick ratio is a measure of a company's ability to meet its short-term obligations with its most liquid assets, such as cash and marketable securities. A higher quick ratio indicates that the company can use these assets to settle its current liabilities more easily. However, data shows that the company's quick ratio has been decreasing over time, dropping from 1.52 in 2018 to 0.63 in 2022. This suggests that the company's ability to use its quick assets to cover its short-term debts has deteriorated. With a quick ratio of 0.63 in 2022, the company may struggle to pay its current liabilities using its quick assets.

The company's quick assets have increased over time, rising from 2504.91 in 2018 to 2618.11 in 2022. However, its current obligations have increased more rapidly, growing from 1647.97 in 2018 to 4155.73 in 2022. This indicates that the quick ratio has declined due to the company's liabilities growing faster than its quick assets.

Given the declining quick ratio and increasing current liabilities, it seems likely that the company is facing financial difficulties and should take steps to improve its liquidity position.

C. DEBT-EQUITY RATIO

YEAR	Debt-Equity Ratio	Total Debt	Total Equity
2018	0.48	1647.97	3406.23
2019	0.44	1851.41	4253.25
2020	0.59	2578.46	4402.83
2021	1.02	3614.27	3547.66
2022	1.62	4155.73	2558.1



INTERPRETATION:

The table shows that the Debt-Equity Ratio has risen over time, indicating that the business has relied more on debt financing to fund its operations. The debt-equity ratio was 0.48 in 2018 and is expected to rise to 1.62 in 2022.

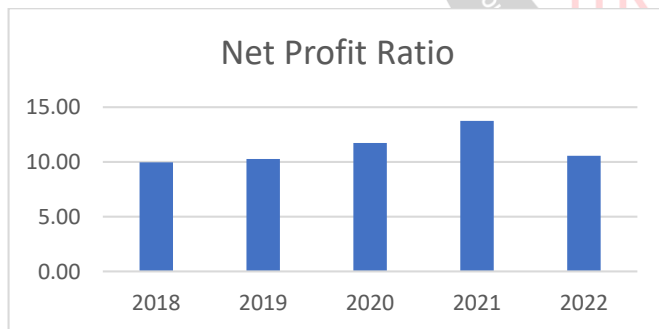
Over the years, the total amount of debt for the company has seen a surge, going up from 1647.97 in 2018 to 4155.73 in 2022. This indicates that the company has taken on more financial liabilities in order to support its activities.

The company's quick assets have grown over time, from 2504.91 in 2018 to 2618.11 in 2022, as can be seen. The company's current obligations have risen more quickly, from 1647.97 in 2018 to 4155.73 in 2022. As a consequence of the company's liabilities growing faster than its quick assets, the rapid ratio has decreased.

The business may be experiencing financial difficulties as a result of the declining quick ratio and rising current liabilities and should take action to improve its liquidity situation.

D. NET PROFIT RATIO

YEAR	Net Profit Ratio	Net Income	Revenue
2018	9.96	1004.14	10080.36
2019	10.27	1156.43	11261.12
2020	11.73	1393.16	11878.95
2021	13.75	1849.78	13449.01
2022	10.56	1516.18	14359.09



INTERPRETATION:

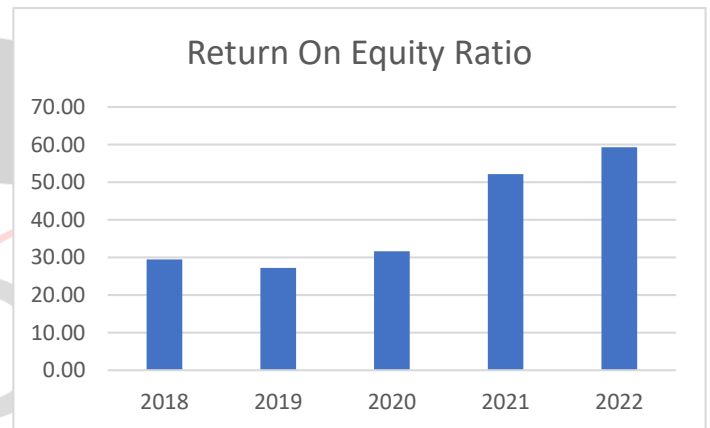
Based on the data presented, the company's financial performance from 2018 to 2022 has been analyzed. The statistics indicate that the net profit ratio of the business has varied over the last five years, with a low of 9.96% in 2018 and a high of 13.75% in 2021. Overall, the net profit ratio of the business has been on an upward trend, demonstrating that the company has been successful in generating more profit relative to its revenue.

Over the last five years, the company's net income has seen an increase from \$1004.14 million in 2018 to \$1516.18

million in 2022. This demonstrates that the company's earnings have been rising over time. Finally, the income of the company has increased over the last five years, going from \$10080.36 million in 2018 to \$14359.09 million in 2022. This indicates that the company has been able to improve its sales and extend its operations over time.

E. RETURN ON EQUITY RATIO

YEAR	Return On Equity Ratio	Net Income	Shareholder's Funds
2018	29.48	1004.14	3406.23
2019	27.19	1156.43	4253.25
2020	31.64	1393.16	4402.83
2021	52.14	1849.78	3547.66
2022	59.27	1516.18	2558.1



INTERPRETATION:

The information provided shows the company's Return on Equity (ROE), Net Income, and Shareholder's Funds over a five-year period from 2018 to 2022.

The ROE ratio is an efficiency metric that indicates how much profit a business makes for every rupee of shareholder equity. The greater the ROE ratio, the more efficient a business is at generating profits from the investments of its shareholders.

According to the data, the company's ROE ratio has fluctuated over the years but has usually been high, with the highest ratio being in 2022 at 59.27%. This suggests that the business is effective at generating profits from the investments of its shareholders.

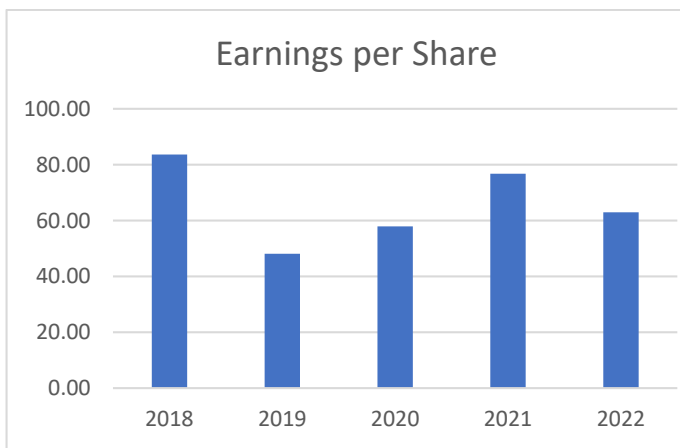
The company's net income has also gradually increased over the years, with the highest net income in 2021 at \$1849.78 million. This indicates that the business is profitable and that profits are increasing over time.

The company's Shareholder's Funds have also grown over time, showing that the company is making profits and retaining earnings, which is good for shareholders.

Overall, the company appears to be operating well and producing growing profits for its shareholders, with a consistently high ROE ratio and increasing Net Income and Shareholder Funds over time.

F. EARNINGS PER SHARE

YEAR	Earnings per Share	Net Income (in cr.)	No.of Shares (in cr.)	Face Value per share
2018	83.64	1004.14	12.01	2
2019	48.12	1156.43	24.03	1
2020	57.94	1393.16	24.05	1
2021	76.80	1849.78	24.09	1
2022	62.95	1516.18	24.09	1



INTERPRETATION:

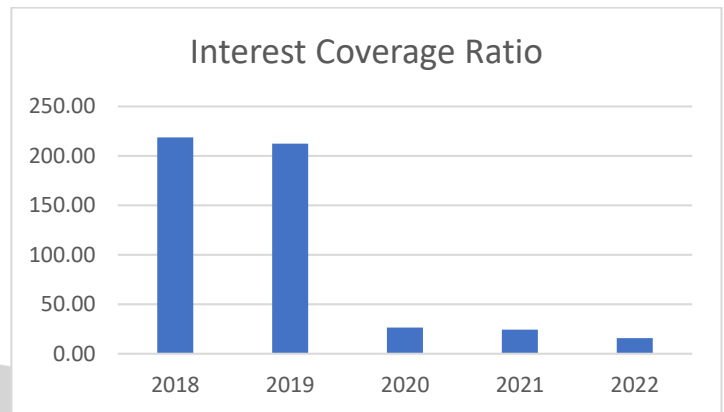
Earnings per share (EPS) is a financial metric that represents the quantity of profit allocated to each outstanding share of a company's common stock. The net income is the total profit earned by the business in a given year after deducting all expenses and taxes. The entire number of outstanding shares issued to the company's shareholders is indicated by the number of shares.

Looking at the data, we can see that the company's EPS has fluctuated over the years, reaching a peak of 83.64 in 2018, a low of 48.12 in 2019, and then gradually increasing to 76.80 in 2021. Similarly, the company's net income has grown over the years, rising from 1156.43 crores in 2019 to 1393.16 crores in 2020, and then rising again to 1849.78 crores in 2021. However, the company's share count stayed constant at 24.09 crores throughout the period.

Overall, the data indicates that the company's earnings per share and net income have fluctuated over time, but have typically been on the rise, indicating growth and profitability.

G. INTEREST COVERAGE RATIO

YEAR	Interest Coverage Ratio	EBITDA	Interest Expenses
2018	218.77	1660.43	7.59
2019	212.41	1930.78	9.09
2020	26.60	2045.68	76.9
2021	24.45	2711.26	110.9
2022	15.80	2280.05	144.29



INTERPRETATION:

The interest coverage ratio is a financial metric that exhibits a company's ability to pay interest on its outstanding debt. A higher interest coverage ratio is indicative of the company's earnings being sufficiently capable of meeting its interest obligations. Conversely, a lower ratio implies that the business is encountering difficulties in making interest payments and may be at risk of default.

According to the data presented above, the interest coverage ratio has stayed consistently high in 2018 and 2019, indicating that the company's interest costs have been easily covered by profits. However, the interest coverage ratio fell considerably in 2020 and 2021, to 26.61 and 24.45, respectively. This indicates that either the company's earnings or interest costs have increased, or both.

Furthermore, EBITDA has raised over time, showing that the company's operating profits have improved. Interest expenses, on the other hand, have risen significantly, especially in 2021 and 2022, causing the interest coverage ratio to fall.

Overall, these figures indicate that the business may be experiencing financial difficulties and may need to reconsider its debt management strategies.

V. SUGGESTIONS

- Over the past five years, there has been a decline in both the current and fast ratios. Although the ratios remain above one, which shows that the company has enough current assets to pay off its current liabilities, the trend suggests that the company may be facing challenges in managing its short-term liquidity. It is important for the

company to keep a close eye on its working capital management and take necessary measures to enhance its cash flow.

- The debt-equity ratio has risen, indicating that the business is becoming more leveraged. While a debt-equity ratio of 1.02 in 2021 is still acceptable, the business should keep its debt levels under control to avoid a large debt burden in the future.
- The net profit ratio has steadily increased, demonstrating that the company is making more profits. The return on equity has also been increasing, indicating that the business is profitably utilizing shareholder equity. It is suggested that the business maintain its profitability focus by improving operational efficiency and exploring new growth possibilities.
- The EPS has fluctuated but stayed positive. A positive EPS indicates that the business is profitable and adding value to its shareholders. It is suggested that the business continue to focus on increasing profits and EPS over time.
- The declining interest coverage ratio suggests that the business may face difficulty in meeting its interest payments from its operating earnings. To enhance its interest coverage ratio, the business should ensure control of its debt levels and boost its operating earnings.

VI. CONCLUSION

The company's analysis was conducted using ratios, which are essential tools for financial analysis. Following an examination of Britannia Industries Limited's financial performance in terms of profitability, liquidity, and solvency, it is possible to infer that Britannia Industries Ltd. has been consistently profitable and generating higher returns for shareholders. However, there are some concerns with the ability of the business to meet its short-term obligations and its increasing debt-equity ratio. It would be important to monitor these trends to ensure the company's long-term sustainability.

Furthermore, it is noteworthy that Britannia Industries Limited operates in a highly competitive industry with both domestic and international players. Therefore, the company needs to focus on innovating and adapting to changing consumer preferences to remain relevant and competitive. This could include exploring new product lines, marketing strategies, and distribution channels. Additionally, the company must keep a close eye on raw material prices, government regulations, economic instability, and technological advancements, as these factors could significantly impact the company's financial performance.

Overall, Britannia Industries Limited has shown consistent profitability and growth over the years, and with the implementation of appropriate measures, it can maintain its financial performance and ensure long-term sustainability.

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