A Study on Performance Analysis of Fast Moving Consumer Goods (FMCG) Of Britannia Industries Limited


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Abstract: In this paper, an attempt has been made to examine the performance of FMCG Companies in India – Britannia Industries, over a period of five years (2011 to 2016). The objective of this study is to rank the product according to the market share and the growth rate of Britannia Industries using BCG Matrix and to find financial soundness of the company using Working Capital. It mainly focuses on Strategic and Financial performance of “Britannia Industries Limited”. The study was mainly based on secondary data. The results reveal that the Britannia Industries is enjoying its enhanced performance and continuous growth in the sector.

Keywords: FMCG, BCG Matrix & Working Capital.

Introduction

Fast Moving Customer Goods (FMCG) in India is the fourth largest sector in the economy and it is an important contributor to India’s GDP which creates employment for more than three million people in downstream activities. FMCG products are of relatively low cost than any other products and they offer a quick turnover to the manufacturer. FMCG is probably, a typical case of low margin and high volume business. FMCG generally includes a wide range of frequently purchased consumer products, its principal constituents are Household Care, Personal Care and Food & Beverages. The total F.M.C.G. market is in excess of Rs. 85,000 Crores. It is currently growing at double digit growth rate and is expected to maintain a high growth rate. FMCG Industry is characterized by a well-established distribution network, low penetration levels, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments. This sector will grow, though it may not be smooth growth path, due to the present world-wide economic slowdown, rising inflation and fall of the rupee. Thus this sector expected to grow to a USD (United States Dollar) 33 billion industries by 2015 and to a whooping USD 100 billion by the year 2025.

Statement of problem

The food processing industry in India has gained in popularity over last five years, mainly because of changing lifestyles and eating food processing habits of people. Most of the people’s lifestyle in food industry is trendily increasing. The present study is focusing on Britannia Industries growth rate and market share and also to find the financial soundness of the company using various required tools. They are many numbers of studies in this perspective but they are in different period and in different sectors.

Objectives of the Study

➢ To show how a product/BU (Business Unit) ranks according to market share and growth rate.
➢ To find out the schedule of changes in working capital.

Research Methodology

Data used for the Study

The study was mainly based on secondary data. The required data for the purpose of study were collected from books, magazines, journals and company’s websites.

Tools used for the Study

➢ BCG Matrix
➢ Schedule of changes in working capital.

Limitation of the Study

➢ The current research concentrated only on the secondary data collected from magazines and websites.
Limited information is accessible on company’s websites.

**Review of Literature**

- **Aartigarg (2015)**, “Profitability Analysis of FMCG Sector”, the study was based on the objective, to analyse the comparative profitability of companies selected through ratio analysis and ANOVA and also to reveal that profitability of Colgate Palmolive, Dabur and Marico was satisfactory in some aspects and of Britannia and Godrej not satisfactory in certain aspects. Therefore the companies should put more effort to strive for improved productivity and optimal utilization of available resources. Profitability in long run contributes to sustained growth of the company.

- **Dhanabhakyam and Saroja (2016)**, “Financial performance of select FMCG companies using ‘z’ score model”, the study was based on the objective, to analyse the performance of FMCG company in India and predict the solvency of model which is based on discriminate analysis. It also proposes to identify the company’s financial indicators like working capital management, retained earnings, BIT and total assets would be used. The trends will help the company and initiate steps to avoid financial distress and bankruptcy. Therefore the study of financial ratios and observing trends will help the management in evaluating the performance of the company.

**Data Analysis and Interpretation**

**BCG Matrix of Britannia Industries Limited**

The BCG growth share matrix is the simplest way to portray a corporation’s portfolio of investments; growth share matrix also known for its cow and dog metaphors is popularly used for resource allocation in a diversified company.

**Stars**

Stars are products that are growing rapidly which have high market growth rate and high market share. The Britannia products which are included in stars are MILK BIKIS, 50:50, TIGER, LITTLE HEART and BOURBON.

**Cash Cows**

Cash cows are low growth, high market share businesses or products. The products which are included are GOOD DAY, MARIE GOLD, and TREAT.

**Question Marks**

Question marks are low market share business in high growth markets. The products included here are TIME PASS, PURE MAGIC and COOKIES.

**Dogs**

Dogs are low growth, low share businesses and products. The products included here are NUTRI – CHOICE.

![BCG Matrix Diagram](image)
Schedule of Changes in Working Capital

The excess of current assets over current liabilities is referred to as the company’s working capital. The difference between the working capital for two given reporting periods is called the change in working capital.

**TABLE 1**

<table>
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<tr>
<td>CURRENT ASSETS</td>
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<td>Current Investments</td>
<td>343.63</td>
<td>387.9</td>
<td>144.04</td>
<td>45.5</td>
<td>210.54</td>
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<td>Inventories</td>
<td>384.01</td>
<td>345.47</td>
<td>366.86</td>
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<td>382.28</td>
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<td>Trade Receivables</td>
<td>106.7</td>
<td>70.98</td>
<td>53.69</td>
<td>77.12</td>
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<td>Cash and Cash Equivalents</td>
<td>24.8</td>
<td>186.67</td>
<td>65.78</td>
<td>64.48</td>
<td>30.94</td>
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<td>Short Term Loans</td>
<td>558.25</td>
<td>438.01</td>
<td>229.69</td>
<td>196.79</td>
<td>182.08</td>
</tr>
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<td>Other Current Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>1417.39</td>
<td>1429.03</td>
<td>860.06</td>
<td>715.38</td>
<td>857.98</td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
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<tr>
<td>Short Term Borrowings</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>189.24</td>
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<td>Trade Payables</td>
<td>659.44</td>
<td>615.21</td>
<td>484.68</td>
<td>333.61</td>
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<td>Other Current Liabilities</td>
<td>191.18</td>
<td>176.33</td>
<td>148.37</td>
<td>210.49</td>
<td>518.26</td>
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<td>Short Term Provision</td>
<td>492.08</td>
<td>410.91</td>
<td>325.38</td>
<td>134.4</td>
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<td>Total</td>
<td>1342.7</td>
<td>1202.45</td>
<td>958.43</td>
<td>867.74</td>
<td>979.26</td>
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<tr>
<td>WORKING CAPITAL</td>
<td>74.69</td>
<td>226.58</td>
<td>-98.37</td>
<td>-152.36</td>
<td>-121.28</td>
</tr>
</tbody>
</table>

**SOURCE:** SECONDARY DATA

**Chart 1**

The above table shows that there is no steady trend in the changes of working capital during the period 2012, 2013, 2014 (i.e., -98.37, -152.36, -121.28). There is an increment in working capital during the period 2015 and 2016 with 266.58 & 74.69. The highest amount of working capital during the period is 2015 i.e., 266.58 and the least amount of working capital appeared during the period is 2013 i.e., -152.36.
Findings

- Schedule of changes in the working capital for the period 2012 showed a decrease in working capital with 121.28.
- Schedule of changes in the working capital for the period 2013 showed a decrease in working capital with 152.36.
- Schedule of changes in the working capital for the period 2014 showed a decrease in working capital with 98.37.
- Schedule of changes in the working capital for the period 2015 showed an increase in working capital with 266.58.
- Schedule of changes in the working capital for the period 2016 showed an increase in working capital with 74.69.
- During the period, the milk bikis, little hearts, bourbon, tiger and 50-50 had high relative market share and growth rate and Nutri-choice had a low relative market share and growth rate.

Suggestion

- The company’s working capital does not reflect any increasing trend, so the company has to properly manage its current assets and current liabilities to maintain an increasing trend of working capital.
- The company should improve the product which has low growth rate and low market shares.

Conclusion

The study is aimed to analyse the overall performance of “BRITANNIA INDUSTRIES LIMITED” for the period 2011 – 2016. This study gave the knowledge about the application of strategic and financial tools and its importance and usefulness in the real time business. The various tools comprised of BCG Matrix and schedule of changes in working capital of the company. Finally, the results reveal that the Britannia Industries is enjoying its enhanced performance and continuous growth in the sector.

Reference