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**A STUDY OF FINANCIAL ANALYSIS ON FMCG COMPANIES  
OF INDIA**

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**ABSTRACT**

*The Present study is based on the totally secondary data, which is collected from annual reports of selected FMCG Companies from the period of 2012-13 to 2016-17. The main objective of this study is to examine the financial performance of selected FMCG companies in India. In this study, researcher use various ratio of profitability and liquidity to achieve our objective of the study. The Descriptive Statistics and One-way ANOVA analysis have been used for analyzing the collected data. There is a significant difference between profitability ratios as well as liquidity ratios of Goderj Ltd., Navneet Education, Colgate, Dabour Ltd. and Britannia Ind. Ltd.*

**Keywords:** FMCG, Liquidity Performance, Profitability Performance, Ratio analysis

**INTRODUCTION**

Fast Moving Consumer goods are generally known as FMCG. The products/items that are purchased and consumed frequently by consumers are known as FMCG. The FMCGs includes various items which we use in our routine life. FMCG are those product which get replaced within a year. Example of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, and chocolate bars. A sub set of FMCGs which involve innovative electronic products such as mobile phones, MP3 players, digital cameras, GPS Systems and Laptops.

FMCG sector of India is fourth largest sector of economy. It has grown from US\$ 31.6 billion in 2011 to US\$ 49 billion in 2016. FMCG Industry is characterized by a well-established distribution network, low penetration levels, low operating cost, lower per capital consumption and intense competition between the organized and unorganized segments.

**PROBLEM STATEMENT**

The statement of problem is “A study of financial analysis of selected FMCG companies.”

**OBJECTIVE OF THE STUDY**

FMCG companies hold great importance for economic as well as social development of the country. The present study is conducted to evaluate the financial performance of the five leading FMCG companies, over a period of 5 years (2012-2013 to 2016-17). The specific objectives of the study are:

1. To study the profitability and liquidity trend of the selected FMCG companies.
2. To make comparative analysis of the selected units based on the various ratios.

**SIGNIFICANCE OF THE STUDY**

This study is significant in the following ways:

1. This study performed with profitability and liquidity of FMCG companies.
2. The selected company can know the comparative performance of profitability and liquidity.
3. Society can know the financial performance of the selected companies.

**HYPOTHESIS OF THE STUDY**

To evaluate the performance following null hypothesis were framed:

**H<sub>01</sub>:** There is no significant difference in average profitability performance between selected companies.

**H<sub>02</sub>:** There is no significant difference in average liquidity performance between selected companies.

**LITERATURE REVIEW**

Ranjit Kumar Paswan<sup>i</sup>(2013) “Analysis of Solvency of Selected FMCG Companies in India”, he found that ITC, Emami, Dabur, and Colgate has been able to repay its debt during the study period. DTR of Nestle and Colgate show the efficiency of debt management Debt to Total Asset Ratio of Emami and Dabur shows that more asset of the co. is financed through debt.

Aartigarg<sup>ii</sup> (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 Dabur, Colgate Palmolive, 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.

Mohmad and Syed<sup>iii</sup> (2016), “Liquidity & profitability performance analysis of selected telecom companies” The study aims to analyze the liquidity and profitability performance of selected Indian telecom companies (Bharti Airtel, and Vodafone India). They used ratios and indicators to measure the performance and identify the financial health status of the companies. The profitability ratios show that return on assets was higher in Vodafone than that of Bharti Airtel which means former has higher rate of profits. And in terms of return on equity also Vodafone has performed far better than Bharti Airtel.

And found that there was a vast difference in the performance of selected Telecom companies in terms of liquidity and profitability performance.

**CONCEPTUAL FRAMEWORK**

There are various opinions to evaluate the financial performance. Financial performance can be evaluated by the ratio. The present study took two main ratios for evaluating performance. First one is profitability and liquidity ratios.

[1] **Profitability Ratio:** Profitability means the ability of unit to earn the profit. This can be measured through various ratios like Net Profit, Return on Net Worth and Return on Asset Ratio.

[2] **Liquidity Ratio:** Liquidity means the time required for conversion of asset into cash. Liquidity plays an important role for the success of the business. The profitability of the unit is affected by the Liquidity. Liquidity of the unit can be major through various ratios like Current ratio, Quick ratio, Inventory Turnover ratio.

### RESEARCH METHODOLOGY

#### Selection of sample

To evaluate the financial performance of FMCG companies, researcher has selected five leading FMCG companies in India- Godrej Consumer Product Ltd., Navneet Education Ltd., Colgate-Palmolive Ltd., Dabour India Ltd. and Britannia Ltd.

#### Source of data

The study is done on the secondary data. The data gathered from respective sites of the company.

#### Period of the study

Present study conducted to evaluate financial performance of five leading FMCG company .The study conducted for the period 2012-13 to 2016-17.

#### Tools of analysis

For the data analyses, liquidity ratios, profitability ratios and ANNOVA test have been used. Here in this study following ratios have been used.

Profitability Management Performance		
Performance Drivers		Performance Majors
1.	Net Profit Ratio	Net Profit ÷ Annual sales
2	Return on Net Worth Ratio	Net Profit ÷ Net Worth
3	Return on Assets Ratio	Net Profit ÷ Net Assets
Liquidity Management Performance		
1	Current Assets Ratio	Current Assets ÷ Current Liabilities
2	Quick Assets Ratio	Liquid Assets ÷ Liquid Liabilities
3	Inventory Turnover Ratio	Cost of Sales ÷ Average Inventory

### ANALYSIS AND INTERPRETAION

#### [1] Profitability Management performance

##### 1. Net Profit Ratio

year	Godrej Ltd.	Navneet Education	Colgate Palmolive	Dabour Ltd	Britannia Ind. Ltd
2016-17	17.86	14.71	14.5	18.86	10.02
2015-16	15.37	13.72	13.85	16.33	9.42
2014-15	14.77	13.47	14.03	14.04	8.67
2013-14	13.84	13.14	15.08	13.8	5.86
2012-13	14.26	14.04	15.7	13.58	4.16
	15.22	13.816	14.63	15.32	7.626

(Source: Computed from annual reports of the selected units)

#### Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	210.035	4	52.51	17.65	2.87
Within Groups	59.488	20	2.97		
Total	269.523	24			

**Analysis and interpretation**

From above ANOVA table it can be analyze that the table value of F is 2.866 and the calculated value for this ratio is 17.65 so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in net profit ratio of selected FMCG units during the study period.

**2. Return on Net Worth Ratio**

year	Godrej Ltd.	Navneet Education	Colgate Palmolive	Dabour Ltd	Britannia Ind. Ltd
2016-17	19.28	22.27	45.33	27.29	32.67
2015-16	19.34	20.33	56.55	32.71	44.05
2014-15	19.34	22.93	72.56	32.64	50.37
2013-14	18.67	22.64	89.99	35.33	43.33
2012-13	18.5	25.09	101.5	37.16	36.7
	19.03	22.652	73.18	33.03	41.42

(Source: Computed from annual reports of the selected units)

**Hypothesis testing**

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	9347.168	4	2336.792	19.24	2.87
Within Groups	2392.18	20	119.609		
Total	11739.35	24			

From above ANOVA table it can be analyze that the table value of F is 2.866 and the calculated value for this ratio is 19.24 so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in return on net worth ratio of selected FMCG units during the study period.

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### 3. Return on Assets

Year	Godrej Ltd.	Navneet Education	Colgate Palmolive	Dabour Ltd	Britannia Ind. Ltd
2016-17	13.71	16.33	24.85	19.14	22.82
2015-16	14.71	15.9	29.66	21.08	24.42
2014-15	13.29	15.9	32.64	20.67	25.28
2013-14	12.59	13.17	36.26	21.52	20.05
2012-13	12.49	15.19	38.01	20.89	13.89
	13.36	15.298	32.28	20.66	21.29

(Source: Computed from annual reports of the selected units)

### Hypothesis testing:

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	1087.77	4	271.9422	26.13	2.87
Within Groups	208.14	20	10.40683		
Total	1295.91	24			

From above ANOVA table it can be analyze that the table value of F is 2.866 and the calculated value for this ratio is 26.13 so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in return on net asset ratio of selected FMCG units during the study period.

### [2] Liquidity management performance

#### 1. Current Ratio:

year	Godrej Ltd.	Navneet Education	Colgate Palmolive	Dabour Ltd	Britannia Ind. Ltd
2016-17	1.04	2.58	0.86	1.48	1.84
2015-16	1.01	3.11	0.93	1.32	1.06
2014-15	0.89	2.13	0.8	1.25	1.19
2013-14	0.72	1.63	0.78	1.66	0.9
2012-13	1.14	1.71	1.01	1.5	0.82
	0.96	2.232	0.876	1.442	1.162

(Source: Computed from annual reports of the selected units)

### Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

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Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	5.986456	4	1.496614	12.28	2.87
Within Groups	2.43776	20	0.121888		
Total	8.424216	24			

From above ANOVA table it can be analyze that the table value of F is 2.866 and the calculated value for this ratio is 12.28 so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in current ratio of selected FMCG units during the study period.

**2. Quick Ratio:**

year	Godrej Ltd.	Navneet Education	Colgate Palmolive	Dabour Ltd	Britannia Ind. Ltd
2016-17	0.67	1.09	0.57	0.98	1.29
2015-16	0.55	1.27	0.58	0.91	0.77
2014-15	0.57	0.83	0.5	0.81	0.9
2013-14	0.38	0.69	0.52	1.16	0.51
2012-13	0.63	0.71	0.78	1.07	0.44
	0.56	0.918	0.59	0.986	0.782

(Source: Computed from annual reports of the selected units)

**Hypothesis testing**

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	0.725824	4	0.181456	4.06	2.87
Within Groups	0.89288	20	0.044644		
Total	1.618704	24			

From above ANOVA table it can be analyze that the table value of F is 2.866 and the calculated value for this ratio is 4.06 so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in quick ratio of selected FMCG units during the study period.

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### 3. Inventory Turnover Ratio

year	Godrej Ltd.	Navneet Education	Colgate Palmolive	Dabour Ltd	Britannia Ind. Ltd
2016-17	8.45	2.96	13.61	8.83	13.96
2015-16	8.66	3.06	14.22	9.34	20.7
2014-15	9.05	2.77	15.79	9.86	20.76
2013-14	8.27	2.61	15.85	8.72	17.19
2012-13	6.68	2.88	17.07	8.7	16.94
	8.222	2.856	15.31	9.09	17.91

(Source: Computed from annual reports of the selected units)

### Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	717.3804	4	179.3451	79.52	2.87
Within Groups	45.10848	20	2.255424		
Total	762.4889	24			

From above ANOVA table it can be analyze that the table value of F is 2.866 and the calculated value for this ratio is 79.52 so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in inventory turnover ratio of selected FMCG units during the study period.

### MAJOR FINDINGS

1. Net profit of Britannia Ind. Ltd shows increasing trend while net profit of Colgate Palmolive is less fluctuating.
2. Return on Net Worth Ratio of highly decreasing of Colgate Palmolive.
3. Return on Asset of Colgate Palmolive is highly decreasing while Britannia Ind. Ltd. is increasing up to 2016-17. Other companies shows less fluctuating trend.
4. Current Ratio trend of Colgate Palmolive shows vary less while Navneet Education have fluctuating trend.
5. Inventory Turnover Ratio of Colgate Palmolive is highly decreasing while Navneet Education trend shows very less as well as vary less fluctuating.

### LIMITATIONS OF THE STUDY

The major limitations of this study are as under:

1. This study is mainly based on secondary data derived from the annual reports of selected units. The reliability and the finding are contingent upon the data published in annual report.
2. The study is limited to five years only.

3. There are many approaches for evaluation of financial performance. There are no some common views among experts.
4. Accounting ratios have its own limitation, which also applied to the study.
5. As the study is purely based on five leading FMCG companies, so the results of the study are only indicative and not conclusive.

### **CONCLUSION**

It can be conclude that, there is significant difference in the Profitability as well as Liquidity of performance of the selected FMCG units during the study period. Means every company has different liquidity so they having different profitability among the selected companies.

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