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“A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF THE SELECTED FOOD PROCESSING COMPANIES” (PARTICULARLY BRITANNIA INDUSTRIES LTD, VADILAL INDUSTRIES LTD, HERITAGE FOOD LTD, & KWALITY FOOD LIMITED)

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ABSTRACT

Financial is an (also referred to as financial statement analysis or accounting analysis or Analysis of finance) refers to an assessment of the viability, stability, and profitability of a business, sub-business or project. The main idea behind study is to analyze the financial operating position of the companies. This research is done with help of secondary data which is gathered from the annual report of the companies. The financial performance can be measured by using various financial tools such as profitability ratio, solvency ratio, correlation etc. Based on the analysis, findings have been arrived that the companies is suffering from enough funds to meet its debts & liabilities.

Keywords: Profitability ratio, Shareholders funds, Liabilities

I. INTRODUCTION

Financial performance analysis is a method used for finding out the financial strength of the companies. It is the process of making a study on the financial and operational data contained in the profit and loss account and balance sheet. These can give valuable information both to internal and external users of data. Financial analysis is the process of scientifically making a proper and comparative evaluation of the profitability and financial health of the given companies as a basis of summarized and analyzed data in the output of financial analysis. The management makes the results of such analysis in decision making process. Hence the researcher had made an attempt to analyze the financial performance of “Food Processing Companies”.

II. REVIEW OF LITERATURE

Dr. Prasanta Paul (2011)¹ in their paper, “financial performance evaluation – A Comparative study of some selected “NBFCs” found that selected companies differ significantly in terms of their financial performance indicators from one to another may be for some different services they provide.

Kennedy and Muller (2012)¹⁵, has explained that “The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of financial statements data so that the forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities (both current and long term) and profitability and sound dividend policy.”

III. STATEMENT OF THE PROBLEM

Financial analysis is the process of identifying the financial strength and weakness of the firm by establishing a relationship between the items of the balance and the profit and loss account. Financial statement is a mirror, which reflects the financial positions and operating strength or weakness of the “**The Selected Food Processing Companies**”. These statements are useful to management, investors, creditors, bankers, government and public. These people use the financial statements to judge the financial statements to judge the financial performance of the companies, including liquidity and profitability and projection of future profitability.

Financial performance analysis is a method used for finding out the financial strength of the companies. It is the process of making a study on the financial and operational data contained in the profit and loss account and balance sheet. These can give valuable information both to internal and external users of data. Financial analysis is the process of scientifically making a proper and comparative evaluation of the profitability and financial health of the given companies as a basis of summarized and analyzed data in the output of financial analysis. The management makes the results of such analysis in decision making process. Hence the researcher had made an attempt to analyze the financial performance of “**Food Processing Companies**”

IV. OBJECTIVES OF THE STUDY

- ❖ To study the Financial Indicators measuring the Liquidity and Profitability Position of Food Processing Companies.
- ❖ To evaluate the Financial growth of the Companies.
- ❖ To assess the factors influencing the Financial Performance of the Companies.

V. METHODOLOGY OF THE STUDY

Analytical research design is chosen for the study. This research is conducted to find out facts about given topic from the answers obtained develop new and useful ways during things.

Tools

- **Financial tools used in this project:**

Suitable financial tools shall be used to carry out analysis

- Ratios analysis
- Working Capital Analysis

- **Statistical Tools used in this project:**

Suitable statistical tools shall be used to carry out analysis and prepare graphs, pie- charts etc.

- Coefficient of Correlation

VI. ANALYSIS AND INTERPRETATION

A. For the purpose of analysis, the ratio can be classified into three categories namely:

- Solvency Ratios
- Profitability Ratios
- Activity Ratios
- Liquidity Ratios

TABLE 4.1.1 SHOWING CURRENT RATIO

Year	Britannia Industries Limited (Times)	Vadilal Industries Limited (Times)	Heritage Food Limited (Times)	Kwality Food Limited (Times)
2010-2011	1.54	0.82	0.66	1.34
2011-2012	0.88	0.90	0.68	1.33
2012-2013	0.82	0.74	0.73	1.31
2013-2014	0.90	0.77	0.78	1.30
2014-2015	1.19	0.71	0.87	1.42
2015-2016	1.06	0.73	0.97	1.45
2016-2017	1.84	0.77	0.76	1.63
2017-2018	2.03	0.97	0.73	1.57
2018-2019	1.94	0.98	0.82	0.04
2019-2020	1.45	0.94	0.83	0.01

Source: Secondary Data

INTERPRETATION:

From the above table 4.1.1 The Current Ratio of the Britannia Industries Limited is above the standard norms. The current ratio was highest (2.03 times) in the year 2017-2018 which is more than the ideal ratio of 2:1 and later on it starts decreasing in the year 2018-2019 and 2019-2020 but it does not go below the standard norms. So the company is in the position to meet its short term obligations. The current ratio was lowest (0.82 times) in the year 2012-2013. It indicates that company does not have enough liquid assets to cover its short term liabilities.

From the above table 4.1.1 The Current Ratio of the Vadilal Industries Limited is below the standard norms. It shows that the company does not have enough liquid assets to cover its short term liabilities. The current ratio was highest (0.98 times) in the year 2018-2019 which is below the ideal ratio of 2:1. The current ratio was lowest (0.71 times) in the year 2014-2015. It means that working capital is less than required. It shows that the company is in poor financial state.

From the above table 4.1.1 The Current Ratio of the Heritage Food Limited is below the standard norms. It shows that the company does not have enough liquid assets to cover its short term liabilities. The current ratio was highest (0.97 times) in the year 2015-2016 which is below the ideal ratio of 2:1. The current ratio was lowest (0.66 times) in the year 2010-2011. It means that working capital is less than required. It shows that the company is in poor financial state.

From the above table 4.1.1 The Current Ratio of the Kwality Food Limited is below the ideal standard norms. It shows that the company does not have enough liquid assets to cover its short term liabilities. The current ratio was highest (1.63 times) in the year 2016-2017 which is considered very healthy. The current ratio was lowest (0.01 times) in the year 2019-2020 which is below the ideal ratio of 2:1. It means that working capital is less than required. It shows that the company is in poor financial state.

CHART 4.1.1

EXIBHITS SHOWING OF CURRENT RATIO

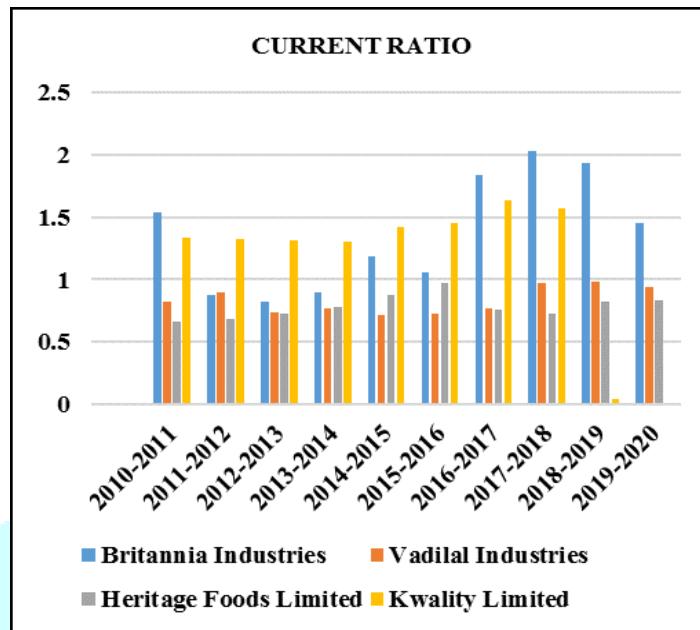


TABLE NO 4.1.2

4.1.2 PROPRIETARY RATIOS

Year	Britannia Industries Limited (Times)	Vadilal Industries Limited (Times)	Heritage Food Limited (Times)	Kwality Food Limited (Times)
2010-2011	1.51	0.45	0.39	2.17
2011-2012	1.40	0.57	0.41	2.81
2012-2013	1.45	0.56	0.61	3.82
2013-2014	1.61	0.51	0.67	4.07
2014-2015	2.41	0.52	0.69	10.01
2015-2016	2.72	0.59	0.77	12.11
2016-2017	3.18	0.65	2.13	2.32
2017-2018	3.21	0.69	1.98	2.43
2018-2019	3.15	0.78	1.83	-5.83
2019-2020	3.02	0.78	1.08	-7.06

Source: Secondary Data

INTERPRETATION:

From the table 4.1.2 The Proprietary ratio of the Britannia Industries Limited is above the standard norms. The proprietary ratio was highest (3.21 times) in the year 2017-2018 which is more than the ideal ratio of 0.5:1 and high proprietary ratios indicates strong financial position of company and greater security for creditors. The proprietary ratio was lowest (1.40 times) in the year 2011-2012 which is more than the ideal ratio of 0.5:1 and the financial position of the company are satisfactory.

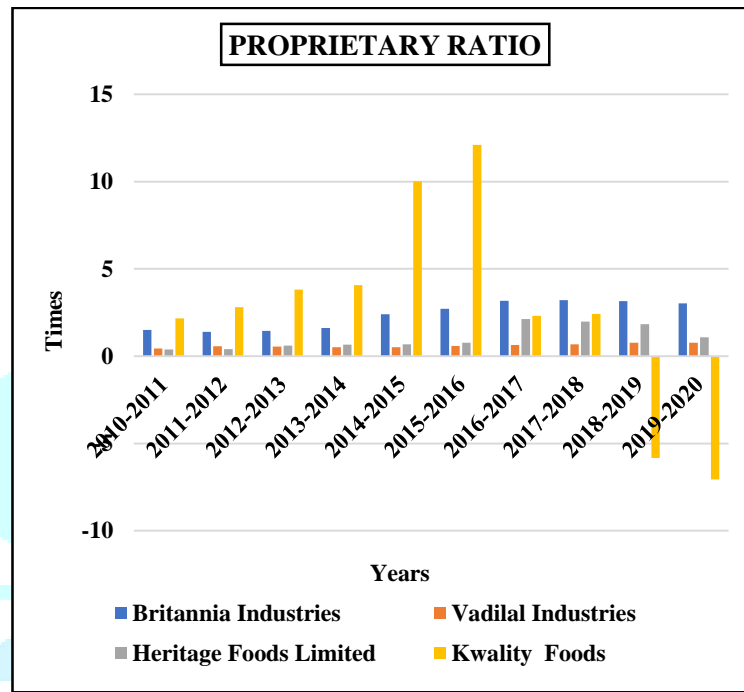
From the table 4.1.2 The Proprietary ratio of the Vadilal Industries Limited is above the standard norms. The proprietary ratio was highest (0.78 times) in the year 2019-2020 which is more than the ideal ratio of 0.5:1 and it indicates strong financial position of company and security for creditors. The Proprietary ratio was lowest (0.45 times) in the year 2010-2011 which is less than the ideal ratio of 0.5:1.

From the table 4.1.2 The Proprietary ratio of the Heritage Food Limited is above the standard norms. The proprietary ratio was highest (2.13 times) in the year 2016-2017 which is more than the ideal ratio of 0.5:1 and later on it starts decreasing in the year from 2017-2020. The High Proprietary Ratio indicates strong financial position of company and security for creditors. The proprietary ratio was lowest (0.39 times) in the year 2010-2011 which is less than the ideal ratio of 0.5:1.

From the table 4.1.2 The Proprietary ratio of the Kwaliti Food Limited is above the standard norms. The proprietary ratio was highest (12.11 times) in the year 2015-2016 which is more than the ideal ratio of 0.5:1 and later on it starts decreasing from positive value to negative value. The High Proprietary Ratio indicates strong financial position of company and security for creditors. The proprietary ratio was lowest (-7.06 times) in the year 2019-2020 which is less than the ideal ratio of 0.5:1 and a low ratio indicates that the company is already heavily depending on debts for its operations.

CHART 4.1.2

4.1.2 EXIBHITS SHOWING OF PROPRIETARY RATIO



4.2 WORKING CAPITAL ANALYSIS

Working capital measures a company's operation efficiency and short-term financial health. For example, positive **working capital** shows that a company has enough funds to meet its short-term liabilities. For investors, it helps them gauge the ability for a company to get through difficult financial periods. Working Capital (WC) is the difference between Current Assets versus Current Liabilities. Current Assets are those assets that will be turned into cash within one year, whereas Current Liabilities are those liabilities due within one year. This calculation represents the liquidity that a company has to meet its obligations coming due in the next 12 months. Though the amount should be positive, it can be a negative amount in times of distress. Often used as a management tool, track the change in WC on a weekly basis. A company that is generating profits is usually increasing their WC. In comparison, declining profits often consume WC.

TABLE 4.2.1 WORKING CAPITAL

YEAR	CURRENT ASSETS (Rs. in Crores)	CURRENT LIABILITIES (Rs. in Crores)	WORKING CAPITAL (Times)
2010-2011	703.90	455.71	248.19
2011-2012	857.98	979.26	-121.28
2012-2013	715.38	867.74	-152.36
2013-2014	860.06	958.43	-98.37

2014-2015	1429.30	1202.45	226.85
2015-2016	1417.39	1342.70	74.69
2016-2017	2004.88	1089.42	915.46
2017-2018	2767.52	1366.03	1401.49
2018-2019	3070.27	1582.36	1487.91
2019-2020	3205.15	2215.06	990.09

Source: Secondary Data

INTERPRETATION

The table shows that during the study period the working capital value goes downward comparing to previous year 2018-2019. And it increases during the year 2017-2018, 2018-2019. It decreases during the year 2011-2012, 2012-2013, 2013-2014. The increase in working capital indicates that current assets is higher than the current liability whereas decrease in working capital indicates current liability is higher than the current assets.

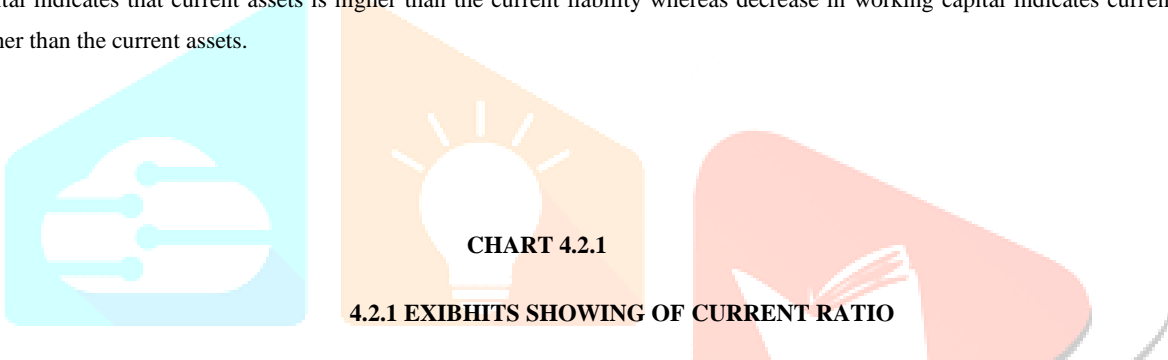
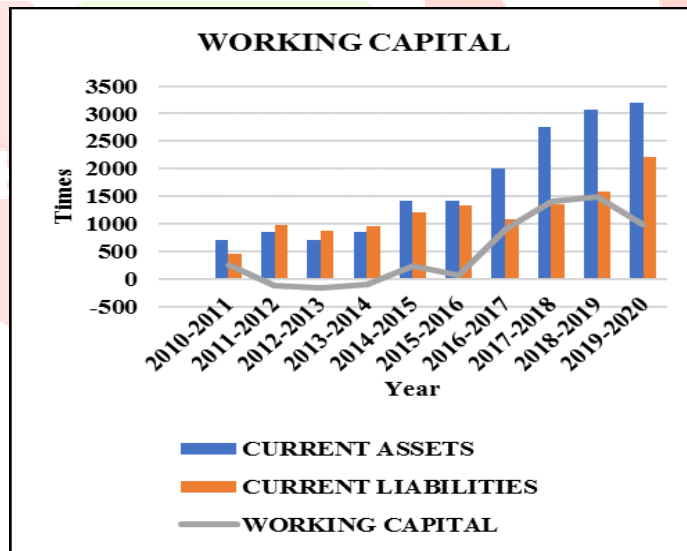


CHART 4.2.1

4.2.1 EXIBHITS SHOWING OF CURRENT RATIO



4.3 CORRELATION

COEFFICIENT OF CORRELATION CURRENT RATIO (BRITANNIA INDUSTRIES)

TABLE 4.3.1 CURRENT RATIO

YEAR	CURRENT ASSETS X (Rs. in Crores)	CURRENT LIABILITIES Y (Rs. in Crores)
2010-2011	703.90	455.71
2011-2012	857.98	979.26
2012-2013	715.38	867.74
2013-2014	860.06	958.43
2014-2015	1429.30	1202.45
2015-2016	1417.39	1342.70
2016-2017	2004.88	1089.42
2017-2018	2767.52	1366.03
2018-2019	3070.27	1582.36
2019-2020	3205.15	2215.06

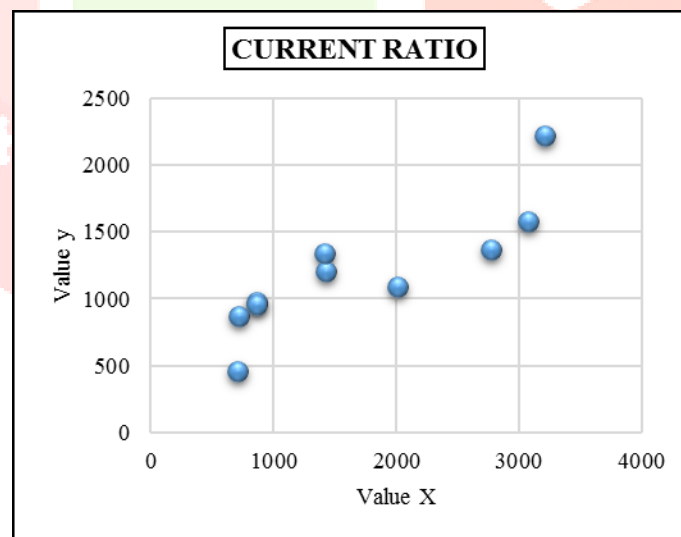
Source : Secondary Data

The Value of R= 0.85408

INTERPRETATION

There is a positive correlation between current assets and current liabilities for the period of past 10 years 2011-2020.

4.3.1 EXHIBITS SHOWING OF CURRENT RATIO



VII. FINDINGS

CURRENT RATIO:

- The Current Ratio of the Britannia Industries is below the standard norm 2:1. The current ratio was highest (2.03) in the year 2017-18 and lowest (0.82) in the year 2012-13. The company has to increase the current assets in order to improve the current ratio. There is a fluctuating trend regarding this ratio.
- The Current Ratio of the Vadilal Industries is below the standard norm 2:1. The current ratio was highest (0.98) in the year 2018-19 and lowest (0.71) in the year 2014-15. The company has to increase the current assets in order to improve the current ratio. There is a fluctuating trend regarding this ratio.

- The Current Ratio of the Heritage Foods Limited is below the standard norm 2:1. The current ratio was highest (0.97) in the year 2015-16 and lowest (0.66) in the year 2010-11. The company has to increase the current assets in order to improve the current ratio. There is a fluctuating trend regarding this ratio.
- The Current Ratio of the Kwaliti Limited is below the standard norm 2:1. The current ratio was highest (1.63) in the year 2016-17 and lowest (0.01) in the year 2019-20. The company has to increase the current assets in order to improve the current ratio. There is a fluctuating trend regarding this ratio.

7.2 CORRELATION ANALYSIS

BRITANNIA INDUSTRIES

- There is a positive correlation between current assets and current liabilities for the period of past 10 years 2011-2020.

VADILAL INDUSTRIES LIMITED

- There is a positive correlation between current assets and current liabilities for the period of past 10 years 2011-2020.

HERITAGE FOOD LIMITED

- There is a positive correlation between current assets and current liabilities for the period of past 10 years 2011-2020.

KWALITY FOOD LIMITED

- There is a NEGATIVE correlation between current assets and current liabilities for the period of past 10 years 2011-2020.

7.3 SUGGESTIONS

- The Companies should maintain adequate current assets and liquid assets to meet its short term obligation. It should holdup more funds in the current assets. The company should adhere the standard norms for maintaining short-term solvency.
- The Companies needs to ensure that there are no liquidity issues and have a close review of the companies.
- It can be known that the value of inventory is rising which needs to be taken care.
- The Companies must strive to ensure the optimum utilisation of the working capital to reap more profits.

7.4 CONCLUSION

This study was conducted to find out the financial position and profitability of Britannia Industries Limited, Vadilal Industries Limited, Heritage Food Limited, Kwaliti Food Limited. On studying the financial performance of Food Processing Companies for the period of 10 years the study reveals that the financial performance of Heritage Food Limited and Kwaliti Food Limited is not good and it is facing more loss in all aspects a lot. Heritage Food Limited and Kwaliti Food limited has not been able to maintain optimal cost positioning. It is evident from the study that the companies is not making as much profit as it expected over the years and hence the company's internal operations has to be improved to gain better net profit. The companies was unable to meet their entire requirements for capital expenditure and higher level of working capital commitments with higher volume of operations and from its operations cash flow. The company's is more dependable on the public investments than their own contribution to improve their financial position the companies must raise the capital to depend on the owner's fund.

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