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A financial performance analysis of food and beverages companies in India

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Abstract: Food and beverages industry is the fifth largest sector in manufacturing between April 2000 and June 2017. Stakeholders are willing to contribute in this sector. Financial performance of this industry is emerging in last decade. Researcher has tried something new in this article, for analyzing solvency, liquidity, management, earnings etc. this model is best, usually this model is applicable on the banking industries but for analyzing solvency of the firm liquidity of the firm this model is used. Researcher has selected 10 different companies which are engage in the food and beverages companies. Secondary data collection method has been used for data collection. Here, researcher has used one-way ANOVA test to test the variable, there are no such a differentiation between each other. Researcher has calculated 5 ratios 1 capital adequacy ratio, 2 assets ratio, 3 management ratio, 4 earnings ratios and liquidity ratio.

Key Words: Financial ratios, Food and beverages companies, performance evaluations

1. FOOD AND BEVERAGE INDUSTRY IN INDIA

Every country journey toward economic growth results in the improvement of its food supply, both quantitatively and qualitatively and India is no exception to the rule. Liberalized foreign direct investment (FDI) policy, strong macro – economic indicators and reforms have resulted in the development of the production, processing, distribution and marketing of food and beverages (F&B) in India.

The F&B industry is the fifth largest sector in manufacturing. Between April 2000 and June 2020, The Indian food processing sector received FDI worth $7.81 billion, making it the 13th largest sector receiving FDI in the country. In fact, 80 percent of the FDI in the food processing sector was received in the period since April 2012. India is rapidly becoming a production hub for processed foods, which are increasingly consumed in India as well as exported to countries in South Asia, The middle East and Africa. There are seven factors that have led to an increase in the consumption in India of these high growth F&B segments.

1. Affluence of working population with increase in disposable income.
2. Rising urbanization leading to changing lifestyles and less time to prepare food at home
3. Changes in taste and preference of the Indian consumers
4. Increase in tourism in India and international travel by Indians for example, increase in the use of ready-to-eat meals during travel
5. Innovative advertisements, rise in supermarkets and ecommerce boom creating increasing awareness among consumers and also making the products easily accessible to the consumers
6. Promised quality standards, health benefits of the products
7. Increase in consumption of fast growing F&B segments during special occasions and celebrations.

The progressive measures and bold reforms by the government, especially in the last three years, including the introduction of Goods and Services Tax (GST), replacement of the Foreign Investment Promotion Board with the online Foreign Investment Facilitation Portal, permitting 100 percent FDI for retail trading in the food processing sector for food products that have been manufactured or processed within India; increasing investment in infrastructure projects, Food Safety and Standards Authority of India (FSSAI) aligning itself with *Codex Alimentarius* (literally, food code) international food standards, and so on. This reflects the government's positive outlook, and a clear intent to develop the sector.

Recently, according to the World Bank's Ease of Doing Business Report 2018, India jumped 30 spots to the 100th rank (from 130th in 2017) among 190 countries on the basis of certain parameters (excluding reforms due to GST implementation). All the policy changes in the country resulted in the highest jump in a year by any country in the World Bank's Ease of Doing Business ranking.

India is one of the fastest growing economies in the world, therefore demonstrating a strong business case for the global F&B industry. They can establish presence or plan on expanding operations in India as various segments of the Indian F&B industry will continue to witness tremendous growth in the foreseeable future.

The selected food and beverages companies of India is taken for study as under:

1.Nestle

2. PepsiCo

3. Hindustan unlevere

4. Heritage foods limited

5. Coca cola

6. Tasty bite eatables ltd
7. TATA Global Beverages ltd
8. Vadilal
9. Britannia
10. Dabur foods limited

1. RESEARCH METHODOLOGY

Researcher has selected CAMEL model for analyzed the data of selected ten foods and beverages companies. In this article researcher has selected ratios based on selected model for analysis.

2. OBJECTIVES OF THE STUDY

Main objective of study is to measure financial performance of selected food and beverage companies in India.

3. RESEARCH DESIGN

Researcher has used empirical research design as researcher has selected 10 food and beverages companies. As there are historical events and ratios existed this research is empirical research and the data is also assumed as normally distributed.

4. TYPE OF RESEARCH

In this study researcher has used non probability sampling technique as all 10 companies based on its net worth. It was decided based on some measures.

5. SELECTION OF SAMPLING POPULATION/SAMPLES

Researcher has selected 10 food and beverages companies in India based on its net worth and market capital. Non-probability sapling method has been used by researcher for selection of samples.

6. AREA OF THE SAMPLE

Samples are selected from food and beverages companies so the area is Indian market where these all companies are working in. area is sampling is India.

7. PERIOD OF STUDY:

Study is bounded for 10 years for financial performance of selected companies in india.

8. AREA OF THE SAMPLE

Samples are selected from food and beverages companies so the area is Indian market where these all companies are working in. area is sampling is India.

9. DATA ANALYSIS TOOLS AND TECHNIQUES

In this research, Researcher has used accounting tools and statistical tools for data analysis. Researcher has selected various ratios of selected companies.

The ratios are examined with one-way ANOVA.

Table no.1 ratio analysis of selected companies with camel model

Particulars	Capital Adequacy Ratio	Management Ratio	Assets Ratio	Earnings Ratio	Liquidity
NSTLE INDIA	1.16	0.83	1.12	1.16	1.11
BRITANNIA INDUSTRIES	0.44	0.51	0.9	1.12	1.16
TATA CONSUMERS PRODUCTION	2.38	3.06	2.61	0.49	2.61
JUBILIANT FOODS	0.78	0.58	0.38	0.38	1.06
VARUN BEVERAGES	0.28	0.55	0.21	0.19	0.31
HATSUN AGRO	0.35	0.22	0.18	0.12	0.13
KRBL	0.21	0.26	0.24	0.21	0.3
TASTY BITE	1.1	0.65	0.89	1.09	0.9
HINDUSTAN FOODS	1.15	0.84	0.48	1.92	0.73
GUJARAT AMBUJA EXPORTS	0.36	0.38	0.42	0.25	0.86

Above table shows different ratios of selected company, regarding above data researcher wants to show the soundness of the company, reliability of the company, solvency is entirely depended on the above ratios.

Table no.2 ANOVA of selected ratios of selected companies

SUMMARY				
Groups	*Count*	*Sum*	*Average*	*Variance*
Capital adequacy ratio	10	8.21	0.821	0.442077
Management ratio	10	7.88	0.788	0.681173
Assets ratio	10	7.43	0.743	0.537046
Earnings ratio	10	6.93	0.693	0.357068
Liquidity	10	9.17	0.917	0.487779

There are no much variances in the ratios of the selected companies of India, all the ratios are very close to each other. Above table shows all the ratios of selected companies. There are sound capital adequacy ratio, there are good management ratio, there are very good asset ratio in all the selected companies of India as well as earnings and liquidity is also very good and there are little variances in the selected ratios of selected companies.

Table no.3 ANOVA Testing Results

ANOVA						
Source of Variation	***SS***	***df***	***MS***	***F***	***P-value***	***F crit***
Between Groups	0.28683	4	0.07171	0.14312	0.96511	2.57874
Within Groups	22.5463	45	0.50103			
Total	22.8331	49				

Here, in the above table it can clearly see that p value is less than f critical value, so there is no differentiation between selected companies, selected ratios shows positive reflection of the all the companies. Camel model generally applied on the banking sector, but we have find out that in this research there are no much variances among selected companies.

10. SIGNIFICANCE OF THE STUDY

This research is useful in knowing position of food and beverages companies in India. This study is important to know profitability and liquidity of the different sectors including all other food section other than the selected companies. Here, in this research researcher has selected 10 companies and those companies are selected based on net worth and rank in Indian business.

For understanding profitability ratios like gross profit, net profit, return on equity, return net assets, return on capital employed, current ratio ad quick ratio of the company this research is very useful and significant in this section of food and beverages.

11. FINDINGS AND CONCLUSION

Researcher has selected 10 food and beverages companies. Researcher has decided to compute data with the help of camel model which is used in the banking sector mostly. Here, researcher has selected this model as researcher needs to calculate profitability and liquidity of selected food and beverages companies.

Here, researcher has find out that there is no difference in the profitability and the liquidity ratios of selected companies for the year 2021. That means all the companies carrying same trend in their profitability and the liquidity.

Furthermore, researcher has calculated other ratios to. Vis-à-vis capital adequacy ratio, management ratio, assets ratio, earning ratio. From the calculation of these ratio researcher comes to know about solvency, liquidity, profitability etc. all the companies have equal soundness, solvency ratio and profitability and liquidity ratios.

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