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PROFITABILITY ANALYSIS OF BIKAJI FOODS INTERNATIONAL LTD.

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Abstract: In Today's world success of any concern is seen in its ability to earn adequate return or profits. Profits are residual of selling price and cost. As in the competitive market situation of today, it is possible to increase the selling costs. In the present study entitled "Profitability Analysis of Bikaji Foods International LTD.", I have dealt with aspect of financial statements of the company taking the relevant data for the past five years, analyzing and interpreting them. Analysis and interpretation of financial statements is an attempt to determine the significance of financial statement and to forecast future earnings and its trend. It shows the ability to pay interest, debt maturities and profitability of the company.

Index Terms - Bikaji, Competitive landscape, Financial Analysis, Ratios.

1.1 BRIEF OVERVIEW OF BIKAJI AND ITS INDUSTRY

Bikaji Foods International Limited is a leading Indian Snack and Sweets manufacturer based in Bikaner, Rajasthan. The company was founded in 1986 as a co-partnership business and in 1993 the brand BIKAJI was launched. Since then, it expanded its operations to various parts of India and overseas markets. Bikaji offers a wide range of traditional Indian snacks, namkeen, sweets, and other food products. Some of its popular products include bhujia, papad, soan papdi, and rasgulla.

The snack food industry in India is highly competitive, with numerous players competing for market share. The market is divided into two segments: organized and unorganized. The organized sector includes large companies such as Haldiram's, ITC, and Pepsico, while the unorganized sector consists of small local players. The Indian snack food market has been growing rapidly in recent years, driven by factors such as changing consumer tastes, urbanization, and rising disposable income. The namkeen and ethnic snacks market is valued at Rs. 11,400 crore and is expected to witness a growth of 16% over the next four-five years, as per the draft red herring prospectus of Bikaji in Fiscal 2022. According to a report by 'Research and Markets', the Indian snack food market is projected to grow at a CAGR of 7.5% during the period 2021-2026.

Bikaji has positioned itself as a premium brand that offers high-quality traditional Indian snacks and sweets. The company has a strong presence in the Indian market and has been expanding its operations in overseas markets, including the US, UK, Canada, and the UAE. However, Bikaji faces stiff competition from other established players in the market and must continuously innovate and differentiate itself to maintain its market share and profitability.

1.2 STATEMENT OF THE PROBLEM

The statement of problem is based on finance and aims to analyze the financial performance of Bikaji Foods International Ltd. for the past 5 years (2021-22, 2020-21, 2019-20, 2018-19, and 2017-18). Financial performance analysis enables the outsiders and investors to evaluate the past and current performance and the financial position of a firm and to predict its future performance.

The study is conducted to know whether the financial performance of the organization is sound or not with the help of last five years' financial statements.

1.3 PURPOSE OF THE ANALYSIS

The purpose of the analysis is to demonstrate a deep understanding of the concepts, tools, and techniques used in analyzing the financial position and performance of a company. Generally, the analysis aims to provide insights into the company's financial position and performance, which can help the stakeholders to make informed decisions regarding investing, lending, or working with a company.

1.4 SCOPE OF THE ANALYSIS

This analysis is limited to:

- Five years' financial statement

- Comparative financial statements
- Common-size financial statements
- Ratio analysis

Generally, the analysis can cover a wide range of areas, including but not limited to:

- **Industry and Competitive Analysis**: Assessing the competitive landscape and the economic environment in which a company operates.
- **Financial Statements Analysis**: Examining a company's financial statements to assess its liquidity, profitability, efficiency, and solvency.
- **Ratio Analysis**: Calculating and interpreting financial ratios to gain insights into a company's financial health.
- **Valuation Analysis**: Estimating the value of a company based on its financial performance and market conditions.
- **Forecasting and Scenario Analysis**: Projecting a company's future financial performance based on different assumptions and scenarios.

1.5 METHODOLOGY OF THE ANALYSAIS

The steps to be taken to complete the study are as follows:

1.5.1 RESEARCH DESIGN

- **Nature of the Study**: Study is analytical in nature, meaning that it deals primarily with secondary data collected from Bikaji's financial statements over the last five years.
- **Nature of Data**: The data used is secondary in nature. Secondary data are those data which have already been collected and stored.
- **Sources of data**: Secondary data had been collected from annual report published by the firm. These annual reports had been downloaded from the official website of the company.
- **Period of Study**: The study on financial performance of Bikaji foods International Ltd. is confined to a period of five years (2021-22, 2020-21, 2019-20, 2018-19, and 2017-18). It took 4 weeks to collect the data and concluded on the study.

1.5.2 SAMPLE DESIGN

Sample used in this study is Bikaji's Food International Ltd. Company is randomly chosen.

1.5.3 TOOLS FOR THE ANALYSIS

- Comparative Balance Sheet
- Comparative Statement of Profit and Loss
- Comparative-Common-size Balance Sheet
- Comparative-Common-size Statement of Profit and Loss
- Ratio Analysis

1.5.4 LIMITATIONS OF THE STUDY

Following are the limitations of the study:

- The study considers only a limited period of five years (2021-22, 2020-21, 2019-20, 2018-19, and 2017-18).
- It considers only monetary aspects. Non-monetary aspects like human behaviour, their relationships, etc. are not considered.
- The study possesses the limitation of secondary data i.e., Annual reports of the company taken from its official website.

1.5.5 LITERATURE REVIEW

- Review of literature aims to summarize major studies that have been published on the topic. It provides theoretical knowledge on the selected topic.
- Empirical literature deals with past research studies which includes facts and figures identified through various experiments.
- Kennedy and Muller (2012), 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 matureness (both current and long term) and profitability and sound dividend policy."
- Peeler J. Patsula (2013), he defines that a sound business analysis tells others a lot about good sense and understanding of the difficulties that a company will face. We have to make sure that people know exactly how we arrived to the final financial positions. We have to show the calculation, but we have to avoid anything that is too mathematical. A business performance analysis indicates the further growth and the expansion. It gives a physiological advantage to the employees and a planning advantage.
- Chidambaram Rameshkumar & Dr. N. Anbumani (2013), he argues that Ratio Analysis enables the business owner/manager to spot trends in a business and to compare its performance and condition with the average performance of similar businesses in the same industry.

2.1 OVERVIEW OF THE INDUSTRY

India's Packaged Food Business is currently valued at INR 4240 billion. It has grown significantly in last five years on account of changing lifestyles, rising incomes, and urbanization. In FY 2015, the packaged food retail revenue was worth INR 2434 billion and has registered a CAGR of ~8.3% from FY 2015 to FY2022. It is estimated to grow at CAGR of 8% in next five years to reach at INR 5798 billion.

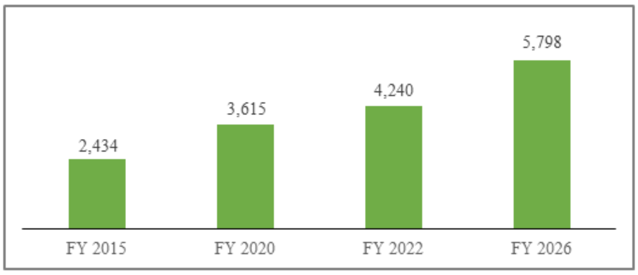

Figure 2.1 Packaged Food Market, India (in INR billion)

2.1.1 CATEGORY WISE PACKAGED FOOD MARKETS

In 2022, the packaged food industry was valued at INR 4.24 trillion approx. Dairy products contribute to 38.8% i.e., INR 1.64 trillion followed by Snacks & Sweet and biscuits segments at 32.3% and 14.5% respectively. Increasing product and packaging innovation, emphasis on healthy foods, and increasing demand for convenience foods will continue to drive the demand for packaged foods at over 31% over the next few years, as well.

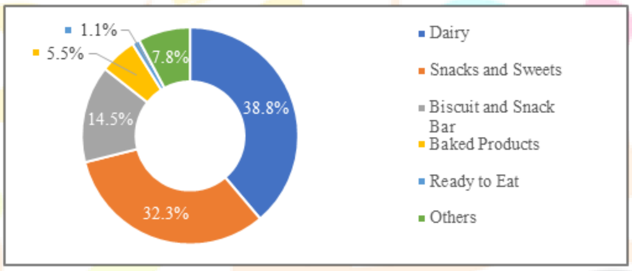

Figure 2.2 Category-wise Packaged Food Retail Market, India (FY 2022)

2.1.2 KEY DRIVERS OF PACKAGED FOOD INDUSTRY

Some of the key drivers for the Indian Packaged Food industry include:

- Convenience: As families have become more nuclear and the changing lifestyle has led to the working class to look out for more convenient and healthy options of food.
- Disposable Income: Increasing disposable income will drive the growth for this market.
- Safety and Hygiene: Packaged food is the ultimate solution for maintaining the hygiene of the food products and given the pandemic, consumers are more concerned about safety and hygiene than before.
- Shelf Life: Packaged food has ensured better storage by retaining their quality for longer period.

2.2 MARKET SIZE AND GROWTH POTENTIAL

Market Size means total accessible market while Growth Potential means the possible growth in total accessible market. Market Size and Growth Potential of Indian Savory Snacks Market, Indian Sweets Markets, and Indian Papad Market:

2.2.1 INDIAN SAVOURY SNACK MARKET

Indian Savory Snacks market is valued at INR 751 billion in FY 2022 and is expected to reach INR 1,227 billion by FY 2026 at CAGR 13%.

Indian savory snacks market can be broadly segmented into western snacks and traditional snacks. Traditional snacks market, which is valued at INR 366 billion, contributes around 48% to the total savory snacks market. Traditional snacks market comprises of namkeens, bhujia and ethnic snacks such as dry samosa, kachori, chakli, etc. Western snacks market is valued at INR 385 billion in FY 2022 and consists of chips, extruders, and a new variety of snacks called as "bridges" which has local taste but western look.

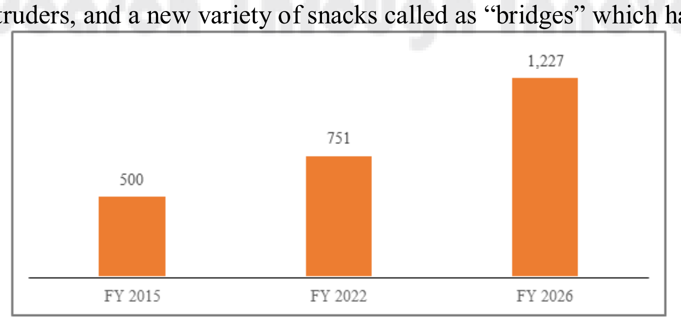

Figure 2.3 Indian Savory Snacks Market (in INR billion)

Snacking in between the meals has always been traditional in Indian culture. Covid- 19 forced lockdown has increased this habit of snacking multifold in FY 2021 and is driving the growth of this industry. Further in FY 2022, activity levels across all touchpoints (retail, institutional, etc.) have returned to pre Covid levels. This trend seems to continue in the Indian market. The Indian savoury snacks market is estimated to reach INR 1,227 billion by FY 2026 with the organized players capturing major market share due to increased concerns of hygiene and safety.

Despite 43.7% of packaged savory snacks market being unorganized, organized players such as Haldiram, PepsiCo Lays, Balaji, Bikaji have strong foothold across the country and major market share in regional pockets. Reverse migration has helped to move consumption trends to India's smaller cities helping in sale of packaged goods in these regions.

The organized segment has been strengthening its position in the market over the last few years, with new product launches and product innovations that have been largely targeted at the urban as well as rural consumer. The organized savory snacks market was valued at INR 196 billion in FY 2015 and is INR 423 billion in FY 2022. It is further expected to grow at CAGR 15% till FY 2026. Western snacks still dominate the organized market with 57.2% of market share. Ethnic namkeen and snacks contribute to 26.9% of the organized savory snacks market followed by ethnic bhujia which is at 15.9% in organized savory snacks market in FY 2022.

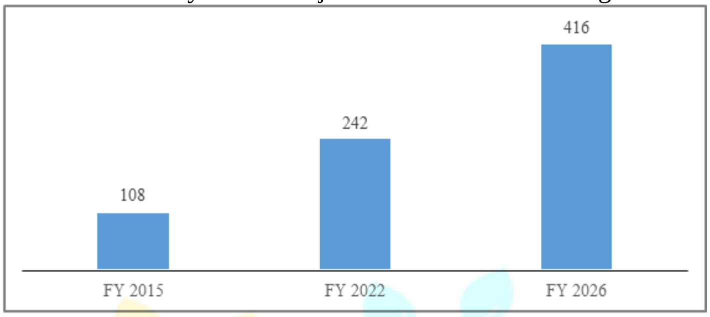

Figure 2.4 Growth of Organized Indian Western Snacks Market (in INR billion)

Organized western snacks with INR 242 billion market value, is expected to grow at 15% CAGR till FY 2026. Within western snacks we have chips, extruders, and bridges, which contribute to 52%, 33% and 15% respectively in FY2022. Companies such as PepsiCo with Lay's chips and Kurkure, ITC with Bingo, Prataap snack's Yellow Diamond and DFM food's Crax are the major players in this segment with a variety of snacks offering and easy accessibility. There are multiple medium-sized companies as well, such as Maiyas, Balaji Wafers, Laxmi snacks which are gaining popularity across India.

2.2.2 INDIAN SWEETS MARKET

Sweets have been traditional and very popular cultural aspect in Indian households. Not only traditional sweets are indispensable part of religious and festive occasions, and family functions within the country, but also, they appeal Indians in foreign countries, which is a sort of emotional and cultural bonding with the motherland. Based on fruits, dairy, pulses, and cereals; or on the different combinations of different ingredients, the traditional Indian sweets have wide range. The Indian Sweets Market is valued at INR 593 billion with major share coming from the unorganized players. The market is predicted to reach INR 846 billion by FY 2026.

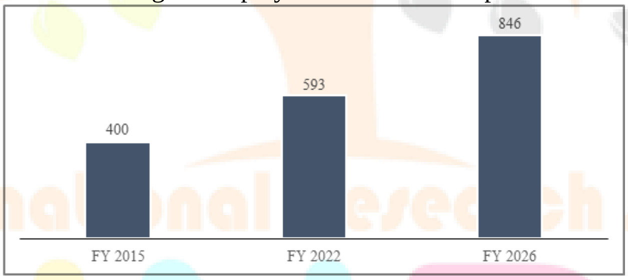

Figure 2.5 Growth of Indian Sweets Market (in INR billion)

Indian sweets market is largely unorganized with INR 535 billion market value (almost 90% of total Indian sweets market). Standalone mithai shops are present across the country which sells regional as well as traditional sweets such as Gulab-Jamun, Rasgulla and plethora of Barfi. Organized players in the Indian Sweets Market are offerings products such as tinned Gulab Jamun, Rasgulla, etc.

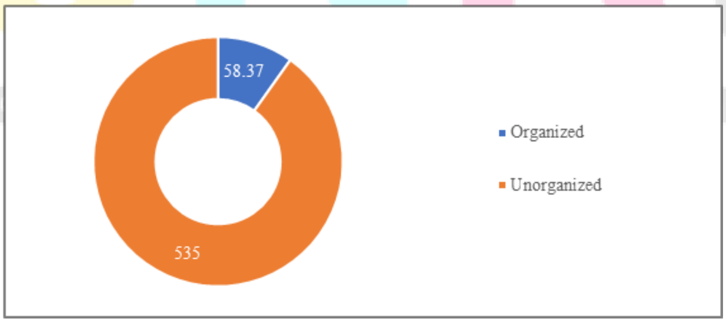

Figure 2.6 Indian Sweets Market, FY 2022 (in INR billion)

2.2.3 INDIAN PAPAD MARKET

Papad is ready to cook product which is consumed as snacks or during the meals by frying in oil or roasting it. Papad is generally made from cereal flour, pulses flours, potato, sabudana, etc. and can be handmade or machine made. Generally, papad are round, but triangle and square shaped papad are also available in market. Indian markets offer largest varieties of products in papad category which include, Surti papad, Chilli garlic papad, Bikaner papad, appalam papad, kali mirch papad, etc.

Papad is very popular in the Indian markets. It is available widely from mom-and-pop stores to e-commerce platforms. In some states of India, meal is incomplete without addition of papad to the serving. Papad is simple, cost- friendly and convenient, this led to the growth in its demand in the Indian as well as overseas market.
The major attraction for this industry is the increased demand from hotel/restaurants and institutional segment, internationally as well as domestically. Also, the variety, taste, and quality are the factors determining the growth of papad segment.
Papad segment has majority of the unorganized players, some of which are in form of women self-help groups, which gives a means of earning to the women across the geographies in India. There are some organized players as well such as Lijjat papad, Bikaji, Agarwal 420, Shree Ram Papad to name a few. Companies adapting to changing taste, technology and trends will grow in this segment. Bikaji continues to focus on handmade papad to retain the original authentic taste of the product along with automation to some extent.
The overall papad market is expected to reach INR 103 billion by FY 2026 with a CAGR of 7%. The organized market in papad segment is valued at INR 26 billion and is growing at CAGR of 10%.

2.3 KEY PLAYERS IN THE INDUSTRY

- **Key players in Ethnic Snacks Market:** Haldiram, Bikaji, Prataap Snacks, Balaji, Bikanervala
- **Key players in Western Snacks Market:** Haldiram, Bikaji, PepsiCo, ITC ,DFM Foods
- **Key players in Organized Indian Sweets Market:** Haldiram, Bikano, Bikaji, KC Das
- **Key players in Organized Papad Market:** Lijjat, Bikaji, Agarwal 420 Papad, Shree Ram Papad

2.4 COMPETITIVE LANDSCAPE AND MARKET SHARE

Bikaji is among the top three Indian ethnic snack manufacturers in India. Haldiram is the market leader in Indian Ethnic snacks market. It has always been associated with packaged traditional snacks and sweets in India and abroad. With a long heritage it is expected to dominate the market over the next 4-5 years. A large product portfolio, products to suit individual palettes, attractive price points, robust supply chain, and attractive margins are some of the key factors that attribute to this leading position. Bikaji and Bikanervala Foods are other companies that have always been associated with the namkeen market. Bikaji Foods have strong presence in North and Eastern Indian markets with a wide assortment of ethnic snacks and namkeens. Bikaji is the market leader in Bikaneri bhujia market. Balaji Wafers has also established itself in namkeen market and is competing for top position. Then there are other players such as Prataap snacks, DFM foods, PepsiCo, and ITC who have established themselves into ethnic namkeen and snacks market.

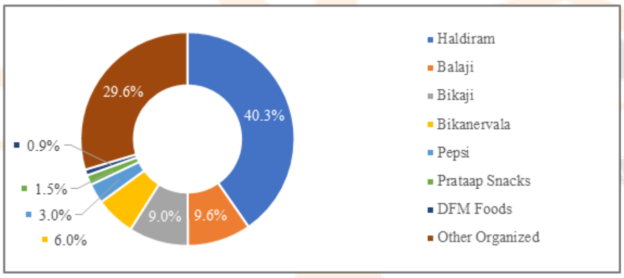

Figure 2.7 Indian Ethnic Snacks Market Share (FY 2022)

In western snacks category, PepsiCo, with its “Lay’s” and “Kurkure” brand, is the market leader with more than 22% share. A large product portfolio, strong distribution, products of Indian and international flavors available at various price points, and aggressive promotion has enabled the company to remain the dominant player. ITC with its “Bingo” brand holds close second place in western snacks market with about 13% market share. Market dominance of these top players has been eroded over the last few years with mid-sized companies such as Balaji Wafer and DFM chipping away the market share from PepsiCo. Aggressive pricing, more product for the same price, and increasing availability across various types of outlets have aided these companies challenge PepsiCo.

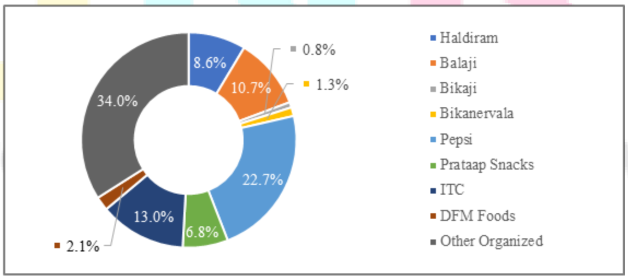

Figure 2.8 Indian Western Snacks Market Share (FY 2022)

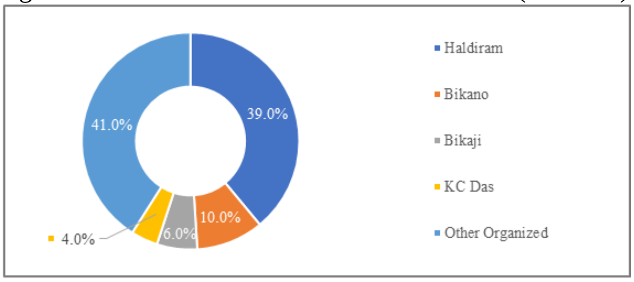

Figure 2.9 Organized Indian Sweets Market Share (FY 2022)

All the major food companies such as PepsiCo and ITC have pan-India presence in western snacks market. Their broader foods portfolio has ensured that their costs are optimized and, hence, they are capable of supplying pan India. They have presence in both rural as well as urban markets, stressing on the criticality of distribution to become a leading player in the market. The presence of multiple products in their portfolio, having synergy, further plays a role in distribution cost optimization. While DFM Foods also has presence across India, their market is mostly restricted to the urban regions with little penetration in the rural areas.

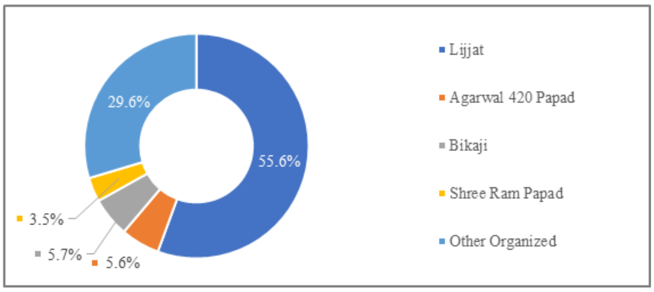

Figure 2.10 Organized Indian Papad Market Share (FY 2022)

2.5 INDUSTRY TRENDS AND CHALLENGES

The trends in the industry are:

- **Growing Young Working-age Population**: India enjoys a favourable demographic profile, as evidenced by increasing share of its overall working-age and young working-age population. The young working-age population's (20-34 years) share in the country's total population has steadily risen from 24.2% in 1990 to 25.6% in 2021. The share of the working-age population (15-64 years of age) is also on the rise, expecting to near 70.0% towards 2030.
- **Rising Middle-Class Population**: India's middle-class constitutes approximately 60.0% of the total households. As of 2016, more than 12 crore Indian households belonged to the middle-income class (earning a gross annual income between 5 lakhs to 10 lakh rupees). The number of households in this bracket is expected to increase to 14 Crores by 2025-26. The growing presence of a large middle-class population will be pivotal in driving the demand of packaged foods, savoury snacks, and sweets.
- **Rising Disposable Income**: Net national disposable income, a key determinant of consumer demand, is expected to rise from INR 185.3 trillion in 2019-20 to INR 319.2 trillion by 2025-26. An increase in disposable income levels, indicative of a higher standard of living, will help improve affordability and demand for packaged foods, savoury snacks, and sweets.
- **Increasing Nuclearization of Families**: Over 60.0% of the total households in India are said to be nuclear. Official data suggests that, over the last decade, there has been a considerable rise in the number of one-member and two-member households in India. Between 2001 and 2015, the share of persons living alone grew from 3.6% to 4.1% and the share of households with two members from 8.2% to 11.5% respectively. These numbers are expected to rise further as well. A pandemic-induced shift towards smaller, less-crowded living spaces will further support this trend. Intensifying nuclearization will drive changes in lifestyle patterns, with an increased inclination towards more convenient consumption.
- **Increasing Female Participation in the Workforce**: Growing trends of higher female educational qualification attainment and rising labour force participation, has given rise to two-income nuclear families. It is a key factor driving the demand for convenience and packaged food in India. Noteworthy, between 2017-18 and 2019-20, the share of urban working females among graduates and post-graduates have increased from 29.3% to 32.1%.
- **Growing E-commerce Sales**: The growth of the online grocery segment, which was already on an upward pre-pandemic growth trajectory, received a huge boost from the pandemic and the resultant changes in lifestyle and demand preferences. Strong growth of the online grocery segment is expected to continue, driving the demand for e-commerce for packaged, ready-to-eat foods.
- **Consumer Preference for Packaged food**: The pandemic caused changes in buying patterns of customer. Packaged food segments such as spices, salty snacks, noodles saw rise in the sales post pandemic. Many of these segments had gradual or stagnant penetration growth rate pre-covid, which was reversed as sudden demand for the products such as hygiene and packaged food took precedence during lockdown.

The challenges in the industry are:

- Increasing prices of raw materials
- Availability constraints for some raw material due to seasonal crops
- Lack of infrastructure
- High cost of packing
- Long and fragmented supply chain
- Long shelf-life of products

3.1 HISTORY AND BACKGROUND OF BIKAJI

Bikaji Foods International Limited is a leading Indian snacks and sweets manufacturer based in Bikaner, Rajasthan. In the late 1980s, Shri Shivratan Agarwal decided to walk his path and create a new identity for himself, this led to the birth of the brand Bikaji. At the time when technology to produce Bhujia on a large scale was unthought of, Shri Agarwal successfully laid the foundation of his dream venture. Not only, he ventured across the world to find and co-invent the right technology for producing bhujia; but also, he managed to find an easy to remember name for the brand that would easily connect with the consumers. The

name Bikaji is derived from Bika Rao, the founder of Bikaner, and Ji is used as a mark of respect in India. Shri Agarwal's vision was to give the world, a taste of Aslee Parampara. He desired to reach every consumer with authentic Indian taste, that reflects India's culture and values.
Over the years, Bikaji has managed to win hearts across the globe, with its power of ethnic snacking. Today, Bikaji stands for authentic Indian taste, with diverse products and innovative packaging, adding to its commitment of taking Aslee Indian taste to the world.
The company was founded in 1986 by Shri Shivratan Agarwal, who started a small retail sweet shop in Bikaner. The shop became popular for its high-quality sweets and snacks, and Shri Shivratan Agarwal soon decided to expand his business.
In 1989, the company started manufacturing bhujia, a popular Indian snack, and soon became known for its high-quality snacks. The company continued to expand its product portfolio, and in 1993, it launched its famous product "Bikaneri Bhujia". The product became an instant hit and helped establish Bikaji as a leading brand in the snack industry.
Over the years, Bikaji has continued to innovate and introduce new products, including papad, namkeens, sweets, and ready-to-eat meals. The company has a strong presence in the Indian market and has been expanding its operations in overseas markets, including the US, UK, Canada, and the UAE. Today, Bikaji is a well-known brand in the Indian snacks industry, offering a wide range of high-quality traditional Indian snacks and sweets. The company has also won numerous awards for its products.
Despite facing stiff competition from other established players in the market, Bikaji has continued to grow and expand its business, driven by its commitment to quality and innovation. Now it has also become a household name.

3.2 PRODUCT PORTFOLIO

- Bikaji is a leading Indian snacks and sweets manufacturer that offers a wide range of products. The company's product portfolio includes:
- Namkeens: Bikaji offers a variety of namkeens, including bhujia, chana dal, moong dal, aloo bhujia, and many more.
- Papad: Bikaji's papad range includes different varieties such as moong dal papad, urad dal papad, and masala papad.
- Sweets: The company offers a wide range of sweets, including rasgulla, gulab jamun, laddu, and peda.
- Snacks: Bikaji's snack range includes products such as cornflakes mixtures, roasted peanuts, and chana, moong, and masala roasted nuts.
- Ready-to-eat meals: Bikaji offers a range of ready-to-eat meals, including poha, upma, and dal makhani.
- Gift packs: Bikaji offers a variety of gift packs for different occasions, including festivals, weddings, and corporate events.
- Beverages: Bikaji also offers a range of beverages, including thandai and sharbat.
- Bikaji is known for its high-quality and flavourful products, which are made using authentic Indian recipes and ingredients. The company has a strong focus on innovation and continuously introduces new products to cater to changing consumer tastes and preferences.

3.3 DISTRIBUTION CHANNELS

Bikaji distributes its products through various channels to reach customers across India and internationally. The company has a strong distribution network that includes:

- Retail Stores: Bikaji's products are sold through various retail stores across India, including small grocery stores, supermarkets, and hypermarkets.
- Online Channels: Bikaji sells its products through various online channels such as its own website, e-commerce platforms like Amazon, Flipkart, and Big Basket.
- Institutional Sales: The company also sells its products in bulk to institutions such as hotels, airlines, corporate offices, and schools.
- Export: Bikaji has a significant presence in international markets, with exports to over 30 countries, including the US, UK, Canada, and the UAE.
- Franchise Stores: The company also has a network of franchise stores across India and internationally.
- Bikaji has a well-established distribution network that helps the company to reach customers across different geographies and segments. The company also offers doorstep delivery services to customers through its online channels, making it easy for customers to purchase its products from the comfort of their homes.

3.4 BUSINESS MODEL AND STRATEGY

Bikaji's business model is centered around providing high-quality, flavorful snacks and sweets to customers at an affordable price. The company's strategy focuses on innovation, expansion, and cost-effectiveness.

- Innovation: Bikaji has a strong focus on innovation and continuously introduces new products to cater the changing consumer tastes and preferences. The company invests heavily in research & development to create new recipes and improve its existing product range.
- Expansion: Bikaji has a well-established distribution network that helps the company to reach customers across different geographies and segments. The company is expanding its distribution network in both domestic and international markets to increase its reach.
- Cost-effectiveness: Bikaji has a cost-effective manufacturing process that allows the company to produce high-quality products at an affordable price. The company also invests in technology to optimize its supply chain and reduce costs.
- Marketing and Branding: Bikaji invests in marketing and branding to create awareness and build brand recognition. The company has a strong brand identity.
- Customer-centric approach: Bikaji has a customer-centric approach and focus on providing products that meet customer needs and preferences. The company also offers doorstep delivery services to customers through its online channels, making it easy for customers to purchase its products from the comfort of their homes.

- Overall, Bikaji's business model and strategy have helped the company to become a leading player in the Indian snacks and sweets market.

3.4.1 VISION

Bikaji Foods International Ltd. aspires to be amongst the global leaders in the segment of snacks and savories as well as to reinvent and develop new products for the total satisfaction of its customers.
Bikaji's vision is to provide the best quality, hygiene, competitively priced food products to its customers.

3.4.2 MISSION

At Bikaji Foods International Ltd., the team dedicate themselves to meet all the challenges, present new growth opportunities, and continue to represent its products with best quality, thereby putting its partners in the best possible position within the FMCG market. Bikaji's mission is to:

- Implement the best in technology, research, and development,
- Make Bikaji a global brand,
- Sustain growth trajectory by fulfilling stakeholders' expectations,
- Attract and attain customer loyalty with high value products and services.

4.1 MEANING OF FINANCIAL ANALYSIS

Financial Statements are only means of providing general information regarding operational results and financial position of a business firm. These statements merely contain financial data about business events which do not reveal any significant conclusions such as efficiency of the management, strength and weakness of the firm, index of future progress, etc. Therefore, their meaning and significance are not known till their users (managers, lenders, investors, etc.) do not analyze and interpret them for their specific purposes.
Financial Analysis basically means study of the relationship among various financial facts and figures as given in these statements. The complex figures as given in the statements are broken into simple and valuable elements, and significant relationships are established between the elements of the same statement, or of different statements.
During the process of financial analysis, the following steps are required by a financial analyst:

- Selection of information: The first step is to select the information relevant to the decision under consideration from the total information contained in the financial statements. It is because a specific aspect of financial position or operation may be more significant for one group than other. For example, short term creditors are interested in the liquidity of current assets while prospective investors are interested in the future income of the firm. For the analysis standalone financial statements of Bikaji Foods International Ltd. for five years is used i.e., 2021-22, 2020-21, 2019-20, 2018-19, and 2017-18.
- Establishment of Relationship: The second step involved is the classification or grouping of the information in such a way that significant relationship is established. For example, to know the relationship between current assets and current liabilities both should be arranged in such a way that firm's capacity to pay its short-term obligations is known.
- Evaluation: The third and final step is interpretation and drawing of inferences and conclusions by studying these relationships with the help of ratios.

Thus, in brief, "**financial analysis is the process of selection, establishing relation, and evaluation**."

4.2 OBJECTIVES OF FINANCIAL ANALYSIS

Several stakeholders have interest in the financial statements of a business firm. So, the objectives of analysis of financial statements differs according to the purpose for which analysis is required by different stakeholders.
But there are certain common objectives, a few of them are:

- Measuring Financial Soundness: The business must know its financial soundness which can be measured by calculating different ratios like proprietary and fixed assets ratio. If it is found adverse, then corrective steps can be taken.
- Judging Solvency: Creditors are always interested in knowing the solvency i.e. The capacity of the business to repay their loans. This can be ascertained by looking into proportion of current assets to liquid assets, future prospects of business, managerial efficiency, cash flow analysis, etc.
- Judging Operational Efficiency: It is very significant to know the operational efficiency of the management. The operational efficiency of a business can be accessed by matching the amount of manufacturing, selling, distribution and financial expenses of the current year with the corresponding expenses of previous year.
- Indicating Trends: Financial statements of previous years can be compared and trends regarding various expenses, purchases, sales, gross profit, and net profit can be ascertained.
- Assessing the Growth Potential: The trend or dynamic analysis of the business provides sufficient information indicating the growth potential of the business. If the trend predicts gloomy picture, effective measures can be taken to correct it.
- Inter-firm and Intra-firm Comparison: Analysis of financial statements can be made with previous year's performance of the same firm and with the performance of other firms in the industry. Intra-firm analysis provides an opportunity of self-appraisal whereas inter-firm analysis presents the operational efficiency of the firm as compared to other firms. Comparison helps in detecting weakness and adopting corrective measures.
- According to Spicer and Pegler, the objective of financial analysis is to know and draw inferences about: Profitability, Solvency, Ownership, Financial Strength, and Trend.

4.3 IMPORTANCE OF FINANCIAL ANALYSIS

The analysis and interpretation of financial statements highlights upon the significant facts and relationships concerning various aspects of financial life of a business entity. The following factors have also enhanced the significance of the analysis and interpretation of financial statements:

- Disclosure of Facts: With the help of financial analysis, all facts relating to liquidity position, financing of fixed assets, quantum of working capital, solvency, valuation of assets are made available. Thus, by analysis, all undisclosed facts come to light for the benefit of all the concerned parties.
- Effective Decision-making: Analysis and interpretation is based on some logical and scientific methods, hence decisions taken on this basis prove to be correct and logical. Even to verify and examine the correctness and accuracy of the decisions based on intuition, analysis and interpretation is essential.
- Effective Planning and Control: The analysis and interpretation of financial statements provides adequate information for planning and controlling the affairs of a business. Future forecasts can be easily made by analyzing the past data. The management can take corrective actions by drawing inferences about routine activities. The analysis and interpretation have the same utility for direction and control of the business as the radars and compass to a ship.
- Measures Operational Efficiency: The management and the owners are interested in knowing about the operational efficiency of different activities of the concern. This can be judged by calculating different activity and profitability ratios.
- Comparative Study: With the help of financial analysis, business information and facts can be presented comparatively. Such presentation is made either in the form of last few years' positions of the business or comparison of operating activities with other business units engaged in the same industry. Thus, financial analysis is helpful in the comparative study of business efficiency.
- Serving the Needs of Interested Parties: Different parties (management, creditors, investors etc.) have varied interests in the performance of the business. They search for information relating to their interest in the financial statements. Financial analysis provides necessary information on timely basis to these various parties.

4.4 LIMITATIONS OF FINANCIAL ANALYSIS

Despite the significance of financial analysis, it has certain limitations which an analyst and the user should keep in view. These limitations are described below:

- Suffers from Limitations of Financial Statements: Financial statements suffer from variety of weaknesses. Assets are disclosed in the balance sheet at historical cost which is different from current cost. Similarly, financial statements are prepared according to certain conventions at a point of time, whereas investors are concerned with the present and future of the firm. Certain assets and liabilities are also not disclosed. Personal judgements affect the figures of balance sheet. Financial statements suffer from these weaknesses, hence the analysis based upon these statements cannot be said to be always reliable.
- Absence of Universally Accepted Standard Terminology: Accounting is not an exact science, so it does not comprise universally accepted terminology. Different meanings are assigned to a particular term. Depreciation is provided by different methods and interest is charged at varied rates. In this way, there are a lot of chances of manipulation. As a result, financial analysis proves to be defective.
- Ignores Qualitative Aspect: Financial analysis is the quantitative measurement of the performance of a firm. It does not disclose the skill, technical know-how and the efficiency of its employees and managers. It means that analysis of financial statements measures only the one-sided performance of the business. It also completely ignores human aspect like intellectual abilities.
- Ignores Price Level Changes: The results disclosed by financial statements may be misleading if the price level changes are not taken into consideration. The gross profit ratio may improve with the increase in prices, whereas actual efficiency may not improve. If prices of commodities differ, the ratios of two years will not be meaningful for comparison. Changes in price affect cost of production, sales, and values of assets, thereby the comparability of ratios suffers.
- It Detects the Symptoms but not Diagnose: Financial analysis shows the trends of the affairs of the business. It may spot symptoms of financial weakness and operational inefficiency. A final decision in this regard will require further investigation and thorough diagnosis.

4.5 TYPES OF FINANCIAL ANALYSIS

Financial Analysis can be classified into different categories based on modus operandi and materials used as shown in Figure 4.1 given below:

- **Horizontal or Dynamic Analysis:** When financial statements for a certain number of years, or of different firms are examined analytically, the analysis is called Horizontal or Dynamic Analysis. In such analysis, fluctuations in the various items of the balance sheet, and profit and loss account of different years or of different firms are studied.

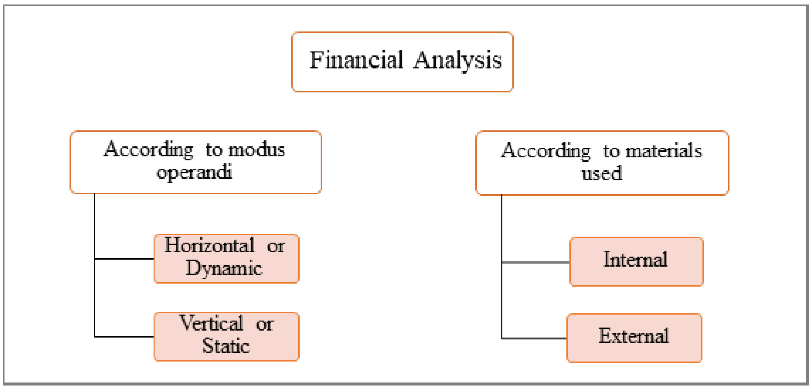

Figure 4.1 Types of Financial Analysis

For example, by examining the number of debtors shown in the balance sheets prepared at the end of 2014, 2015 and 2016 it can be ascertained whether number of debtors in 2016 has increased or decreased in comparison to 2014 and 2015. Thus, the horizontal analysis consists of a study of the behavior of each item in the statements. It is called Dynamic Analysis because it measures the changes in various items of one year as compared to previous year or years. This method is useful in measuring the progress of the business from year to year. The various techniques through which analysis is made under horizontal or dynamic analysis are comparative statements and trend analysis. In such type of analysis, the changes are expressed in the following way:

- Expressing increase or decrease in absolute amount,
- Expressing increase or decrease in percentage,
- Expressing the changes by index numbers,
- Expressing the changes by ratios.

- **Vertical or Static Analysis:** Vertical Analysis is the study of mutual relationship between different components of the financial statements or their totals for a definite period. For instance, to know the share of each asset in the total assets of a business at a specific date, the total assets will be assumed equal to 100 and for each asset percentage shall be calculated. This type of analysis expresses present relationship at a specific date; therefore, it is known as static analysis. This type of analysis is not of much use due to its inability to estimate changes occurred in the financial position of a firm. The techniques used in vertical analysis are common-size statements and ratios.
- **External Analysis:** An Analysis made by a person not internally related to the enterprise and meant for external users of financial statements, is called External Analysis. The analyst has no access to all the records and documents of the concern. So, he must depend on the printed and published statements only. Such analysis is made by banks, investing agency, creditors, research scholars and the government.
- **Internal Analysis:** When analysis of financial statements is made by somebody internally related to the enterprise, it is said to be Internal Analysis. Such person has access to all the documents and records of the concern. Hence, it is done on basis of information obtained from the internal and unpublished books and records. Such analysis is more reliable as every information is available to the analyst. It is useful for managerial decision making.

4.6 TECHNIQUES OF FINANCIAL ANALYSIS

The various analytical methods or devices used to study this horizontal or vertical relationship are known as Techniques of Financial Analysis. It can be defined as the methods employed to examine the vertical as well as horizontal relationship of different financial variables with a view to study profitability and financial position of a business.

Most popular techniques of financial analysis are:

- Comparative Financial Statements
- Common-Size Financial Statements
- Trend Analysis
- Ratio Analysis
- Cash Flow Analysis
- Fund Flow Analysis
- Break Even Analysis

4.6.1 COMPARATIVE FINANCIAL STATEMENTS

Those statements which summarize and present related accounting data for several years incorporating therein the changes (absolute or relative or both) in individual items are called Comparative Financial Statements. In these statements, the financial data for two or more years are placed and presented in adjacent columns so that it may provide a true perspective to facilitate periodic comparison. The preparation of comparative financial statements is based on this logic that a statement covering several years is more meaningful and significant than a statement covering single year only because financial data for one year represent only one phase of the long and continuous history of a firm. The comparative statements are designed to disclose absolute figures, increase, or decrease in absolute figures, absolute data in terms of percentage, and increase or decrease in terms of percentages.

The objective of comparative financial statements is to ascertain the changes occurring year by year in each item of assets, liabilities and net worth shown in the financial statements of a business firm and whether such changes are favorable or adverse. However, it should be noted that there should be uniformity in the application of accounting principles and methods followed in the period for which the analysis is being done. Any frequent change in principles, conventions, and policies of accounting will make the comparative statements worthless and misleading.

Advantages of Comparative Financial Statements:
Comparative Financial Statements provide necessary information for the study of financial and operational results over a period. Comparative financial statements also offer the following advantages:

- Easy Evaluation: Comparative financial statements disclose trends in sales, production, cost, and profits through which the financial position, efficiency, and performance of firm can be easily evaluated.
- Comparative Evaluation: In these statements, figures of two or more periods are placed side by side, therefore inter-period comparison of various items becomes easy. With these statements, financial position of the firm can be compared with the average of the industry or with other firms engaged in the industry.
- Identifies Weakness: With the help of comparative statements, weaknesses in the operating cycle, financial health etc. can be easily identified and suitable remedial steps may be taken.

Table 4.1 Comparative Balance Sheet (i)
Comparative Balance Sheet of Bikaji Foods International Ltd.
for the year ended 2020-21 and 2021-22

(Amount in Lakh Rupees)

Particulars	Note no.	2021-22	2020-21	Absolute change	% change
Assets					
Non-Current Assets					
Property, plant, and equipment		44864.27	39129.07	5735.2	15
Capital work-in-progress		4814.04	3314.53	1499.51	45
Investment property		370.84	370.84	0	0
Intangible assets		114.95	189.43	(74.48)	(39)
Right-of-use asset		2637.45	918.48	1718.97	187
Financial assets	1	18744.15	9954.31	8789.84	88
Other assets		1952.72	2825.39	(872.67)	(31)
Income tax assets (net)		644.58	301.17	343.41	114
Current Assets					
Inventories		6976.70	5619.93	1356.77	24
Financial assets	2	24618.92	15453.73	9165.19	59
Other assets		2362.86	2207.72	155.14	7
Total Assets		**108101.48**	**80284.60**	**27816.88**	**35**
Equity and Liabilities					
Equity					
Equity share capital		2495.10	2431.33	63.77	3
Other equity		79769.56	57997.36	21772.2	38
Non-Current Liabilities					
Financial liabilities	3	4188.05	1266.27	2921.78	231
Provisions		3.95	182.95	(179)	(98)
Deferred tax liabilities (net)		3274.53	2931.95	342.58	12
Current Liabilities					
Financial liabilities	4	16605.47	13154.60	3450.87	26
Other liabilities		1491.24	1042.04	449.2	43
Provisions		273.58	278.15	(4.57)	(2)
Current tax liabilities (net)		0	999.95	(999.95)	(100)
Total Equity and Liabilities		**108101.48**	**80284.60**	**27816.88**	**35**

Table 4.2 Comparative Balance Sheet (ii)

Comparative Balance Sheet of Bikaji Foods International Ltd.

for the year ended 2019-20 and 2020-21

(Amount in Lakh Rupees)

Particulars	Note no.	2020-21	2019-20	Absolute change	% change
Assets					
Non-Current Assets					
Property, plant, and equipment		39129.07	38922.45	206.62	1.53
Capital work-in-progress		3314.53	288.23	3026.3	1.96
Investment property		370.84	520.80	(149.96)	(28.79)
Intangible assets		189.43	149.33	40.1	1.85
Right-of-use asset		918.48	968.19	(49.71)	(5.13)
Financial assets	1	9954.31	4145.86	5808.45	1.10
Other assets		2825.39	1601.71	1223.68	1.40
Income tax assets (net)		301.17	685.42	(384.25)	(56.06)
Current Assets					
Inventories		5619.93	3648.57	1971.36	1.3
Financial assets	2	15453.73	15631.48	(177.75)	(1.14)
Other assets		2207.72	980.36	1227.36	125.19
Total Assets		**80284.60**	67542.40	12742.2	18.87
Equity and Liabilities					
Equity					
Equity share capital		2431.33	2431.33	0	0.0
Other equity		57997.36	50396.42	7600.94	15.08
Non-Current Liabilities					
Financial liabilities	3	1266.27	1736.31	(470.04)	(27.07)
Provisions		182.95	406.39	(223.44)	(54.98)
Deferred tax liabilities (net)		2931.95	3315.29	(383.34)	(11.56)
Current Liabilities					
Financial liabilities	4	13154.60	3737.40	9417.2	1.97
Other liabilities		1042.04	1119.12	(77.08)	(6.89)
Provisions		278.15	108.52	169.63	1.31
Current tax liabilities (net)		999.95	0	999.95	
Total Equity and Liabilities		**80284.60**	67542.40	12742.2	18.87

Table 4.3 Comparative Balance Sheet (iii)

Comparative Balance Sheet of Bikaji Foods International Ltd.

for the year ended 2018-19 and 2019-20

(Amount in Lakh Rupees)

Particulars	Note no.	2019-20	2018-19	Absolute change	% change
Assets					
Non-Current Assets					
Property, plant, and equipment		38922.45	39118.87	(196.42)	(0.50)
Capital work-in-progress		288.23	1313.07	(1024.84)	(78.05)
Investment property		520.80	282.74	238.06	1.20

Intangible assets		149.33	170.09	(20.76)	(12.21)
Right-of-use asset		968.19	0	1.19	
Financial assets	1	4145.86	1445.75	2700.11	1.76
Other assets		1601.71	894.49	707.22	1.6
Income tax assets (net)		685.42	386.41	299.01	77.38
Current Assets					
Inventories		3648.57	3832.69	(184.12)	(4.80)
Financial assets	2	15631.48	14758.06	873.42	1.92
Other assets		980.36	778.93	201.43	25.86
Total Assets		67542.40	62981.10	4561.30	7.24
Equity and Liabilities					
Equity					
Equity share capital		2431.33	2431.33	0.00	0.0
Other equity		50396.42	44554.16	5842.26	13.11
Non-Current Liabilities					
Financial liabilities	3	1736.31	3430.82	(1694.51)	(49.39)
Provisions		406.39	212.26	194.13	1.46
Deferred tax liabilities (net)		3315.29	3868.82	(553.53)	(14.31)
Current Liabilities					
Financial liabilities	4	3737.40	7832.52	(4095.12)	(52.28)
Other liabilities		1119.12	587.25	531.87	1.57
Provisions		108.52	63.94	44.58	1.72
Current tax liabilities (net)		0	0	0.00	
Total Equity and Liabilities		67542.40	62981.10	4561.30	7.24

Table 4.4 Comparative Balance Sheet (iv)

Comparative Balance Sheet of Bikaji Foods International Ltd.

for the year ended 2017-18 and 2018-19

(Amount in Lakh Rupees)

Particulars	Note no.	2018-19	2017-18	Absolute change	% change
Assets					
Non-Current Assets					
Property, plant, and equipment		39118.87	30769.59	8349.28	27.13
Capital work-in-progress		1313.07	4719.52	(3406.45)	(72.18)
Investment property		282.74	313.54	(30.80)	(9.82)
Intangible assets		170.09	191.92	(21.83)	(11.37)
Right-of-use asset		0	-	0.0	
Financial assets	1	1445.75	926.29	519.46	1.8
Other assets		894.49	925.43	(30.94)	(3.34)
Income tax assets (net)		386.41	58.23	328.18	563.59
Current Assets					
Inventories		3832.69	3147.60	685.09	1.77
Financial assets	2	14758.06	10700.08	4057.98	1.92
Other assets		778.93	498.82	280.11	56.15
Total Assets		62981.10	52251.02	10730.08	20.54
Equity and Liabilities					

Equity					
Equity share capital		2431.33	2334.14	97.19	1.16
Other equity		44554.16	28387.11	16167.05	56.95
Non-Current Liabilities					
Financial liabilities	3	3430.82	4582.30	(1151.48)	(25.13)
Provisions		212.26	139.89	72.37	1.73
Deferred tax liabilities (net)		3868.82	3230.33	638.49	19.77
Current Liabilities					
Financial liabilities	4	7832.52	12838.87	(5006.35)	(38.99)
Other liabilities		587.25	701.93	(114.68)	(16.34)
Provisions		63.94	36.40	27.54	1.66
Current tax liabilities (net)		0	-	0.00	
Total Equity and Liabilities		62981.10	52251.02	10730.08	20.54

Notes:

1. In financial assets of non-current assets, there are following three assets included:
    a. Investment: 14,551.23 (in 2022), 8,702.95 (in 2021), 3,650.14 (in 2020), 299.24 (in 2019), and 285.76 (in 2018).
    b. Other financial assets: 2,812.28 (in 2022), 1,251.36 (in 2021), 495.74 (in 2020), 1,146.51 (in 2019), and 640.53 (in 2018).
    c. Loans: 1,380.64 (in 2022).
2. In financial assets of current assets, there are following five assets included:
    a. Trade receivables: 7,658.28 (in 2022), 4,677.83 (in 2021), 4,171.26 (in 2020), 3,897.75 (in 2019), and 3,428.39 (in 2018).
    b. Cash and cash equivalents: 154.47(in 2022), 163.79(in 2021), 440.32 (in 2020), 1,724.22 (in 2019), and 146.43 (in 2018).
    c. Bank balances other than cash and cash equivalents: 8,768.48 (in 2022), 8,496.18 (in 2021), 9,804.87 (in 2020), 8,608.90 (in 2019) and 6,596.20 (in 2018).
    d. Loans: 131.85 (in 2022), 122.20 (in 2021), and 601.45 (in 2020)
    e. Other financial assets: 7,905.84 (in 2022), 1,993.73 (in 2021), 613.58 (in 2020), 527.19 (in 2019), and 345.18 (in 2018).
3. In financial liabilities of non-current liabilities, there are following two liabilities included:
    a. Borrowings: 2,601.30 (in 2022), 1,183.55 (in 2021), 1,712.54 (in 2020), 3,430.82 (in 2019), and 4,582.30 (in 2018).
    b. Lease liabilities: 1,586.75 (in 2022), 82.72 (in 2021), and 45.98 (in 2020)
4. In financial liabilities of current liabilities, there are following four liabilities included:
    a. Borrowings: 9,629.74 (in 2022), 7,027.05 (in 2021), 2,188.64 (in 2020), 2,756.49 (in 2019), and 7,565.02 (in 2018).
    b. Lease liabilities: 264.83 (in 2022), 45.37 (in 2021), and 118.79 (in 2020)
    c. Trade payables:
        i. Total outstanding dues of micro enterprises and small enterprises: 775.27 (in 2022), 451.48 (in 2021), 121.01 (in 2020), 378.25 (in 2019), and 160.99 (in 2018).
        ii. Total outstanding dues of creditors other than micro enterprises and small enterprises: 3,311.18 (in 2022), 3,453.44 (in 2021), 1,308.94 (in 2020), 2,547.31 (in 2019), and 2,020.54 (in 2018).
        iii. Other financial liabilities: 2,624.45 (in 2022), 2,177.26 (in 2021), 4,269.41 (in 2020), 2,150.47 (in 2019), and 3092.37(in 2018).

5.This data is taken from balance sheet provided at the end of this chapter.

Comparative Balance Sheet

Normally, any increase or decrease in the value of various assets, liabilities as well as in owners' equity or capital resulting from the operational activities of the business can be easily observed by comparing the balance sheets of two periods. In the comparative balance sheets, the items and figures are presented in such a way that the changes in each item between two dates are easily determined. According to Foulke, "comparative balance sheet is the study of the trend in the same item, group of items and computed items in two or more balance sheets of the same business enterprise." The study of comparative balance sheets helps in framing an opinion about the progress of an enterprise.

Interpretation of Comparative Balance Sheet:

After studying various business transaction of Bikaji, following are the interpretation from comparative balance sheet:

- Short-term Financial Position: To know the short-term financial position of the firm, one must study the working capital position of both the years. Working capital is that part of the total asset required in different forms at successive stages of operation during the net operating cycle of an enterprise. Working capital is current assets fewer current liabilities. The increase in current assets and relatively less increase in current liabilities leads to an increase in working capital indicating an improvement in short-term financial position of the company.
- Long-term Financial Position: It can be analysed by studying the changes in fixed assets, long term liabilities and capital. If the increase in fixed asset is more than the increase in long-term liabilities and capital fund, then part of fixed assets has been financed from working capital. On the contrary, if they increase in long term liabilities in capital fund is more than the increase in fixed assets, then fixed assets have not only been financed from long term sources but part of the working capital has too been financed from long term sources. The long-term financial position of Bikaji is sound as the increase in long term liabilities and capital funds is more than the increase in fixed assets.

Formation of Opinion: After studying the short-term financial position and long-term financial position of Bikaji, this can be concluded that both short-term and long-term financial positions are sound.

Table 4.5 Comparative Statement of Profit and Loss (i)

Comparative Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2020-21 and 2021-22

(Amount in Lakh Rupees)

Particulars	Note no.	2021-22	2020-21	Absolute change	% change
Revenue					
Revenue from operations		159870.24	130845.66	29024.58	22
Other income		993.66	1086.84	(93.18)	(9)
Total Revenue		**160863.90**	**131932.50**	**28931.4**	**22**
Expenses					
Cost of materials consumed		112398.40	90799.65	21598.75	24
Purchase of stock-in-trade		5143.27	3115.53	2027.74	65
Changes in inventories of finished goods		(889.96)	(336.70)	(553.26)	164
Employee benefits expense		8531.24	6914.42	1616.82	23
Depreciation, amortization, and impairment expenses		3666.76	3292.00	374.76	11
Finance costs		606.19	292.22	313.97	107
Other expenses		20512.76	15868.17	4644.59	29
Total Expenses		**149968.66**	**119945.29**	**30023.37**	**25**
Profit before tax		10895.24	11987.21	(1091.97)	(9)
Current tax		2757.29	3097.54	(340.25)	(11)
Deferred tax		141.61	(84.90)	226.51	267
Profit after tax		**7996.34**	**8974.57**	**(978.23)**	**(11)**
Other comprehensive income	1	8593.90	8087.21	506.69	6

Table 4.6 Comparative Statement of Profit and Loss (ii)

Comparative Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2019-20 and 2020-21

(Amount in Lakh Rupees)

Particulars	Note no.	2020-21	2019-20	Absolute change	% change
Revenue					
Revenue from operations		130845.66	107334.70	23510.96	1.90
Other income		1086.84	978.26	108.58	11.10
Total Revenue		131932.50	108312.96	23619.54	21.81
Expenses					
Cost of materials consumed		90799.65	72070.00	18729.65	25.99
Purchase of stock-in-trade		3115.53	2274.24	841.29	36.99
Changes in inventories of finished goods		(336.70)	133.76	(470.46)	(351.72)
Employee benefits expense		6914.42	6461.35	453.07	7.01
Depreciation, amortization, and impairment expenses		3292.00	3419.52	(127.52)	(3.73)
Finance costs		292.22	511.42	(219.20)	(42.86)
Other expenses		15868.17	17174.35	(1306.18)	(7.61)

Total Expenses		119945.29	102044.64	17900.65	17.54
Profit before tax		11987.21	6245.52	5741.69	91.93
Current tax		3097.54	1554.99	1542.55	99.20
Deferred tax		(84.90)	(857.80)	772.90	(90.10)
Profit after tax		8974.57	5548.33	3426.24	61.75
Other comprehensive income	1	8087.21	883.14	7204.07	815.73

Table 4.7 Comparative Statement of Profit and Loss (iii)

Comparative Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2018-19 and 2019-20

(Amount in Lakh Rupees)

Particulars	Note no.	2019-20	2018-19	Absolute change	% change
Revenue					
Revenue from operations		107334.70	90111.12	17223.58	1.11
Other income		978.26	963.48	14.78	1.53
Total Revenue		108312.96	91074.60	17238.36	18.93
Expenses					
Cost of materials consumed		72070.00	63656.13	8413.87	13.22
Purchase of stock-in-trade		2274.24	108.56	2165.68	1994.92
Changes in inventories of finished goods		133.76	(241.17)	374.93	(155.46)
Employee benefits expense		6461.35	6681.55	(220.20)	(3.30)
Depreciation, amortization, and impairment expenses		3419.52	2230.64	1188.88	53.30
Finance costs		511.42	380.00	131.42	34.58
Other expenses		17174.35	9750.54	7423.81	76.14
Total Expenses		102044.64	83476.25	18568.39	22.24
Profit before tax		6245.52	7598.35	(1352.83)	(17.80)
Current tax		1554.99	1808.61	(253.62)	(14.02)
Deferred tax		(857.80)	688.55	(1546.35)	(224.58)
Profit after tax		5548.33	5101.19	447.14	8.77
Other comprehensive income	1	883.14	(63.12)	946.26	(1499.14)

Table 4.8 Comparative Statement of Profit and Loss (iv)

Comparative Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2017-18 and 2018-19

(Amount in Lakh Rupees)

Particulars	Note no.	2018-19	2017-18	Absolute change	% change
Revenue					
Revenue from operations		90111.12	78101.41	12009.71	1.38
Other income		963.48	480.22	483.26	100.63
Total Revenue		91074.60	78581.63	12492.97	15.90
Expenses				0.0	
Cost of materials consumed		63656.13	54924.10	8732.03	1.90
Purchase of stock-in-trade		108.56	1130.07	(1021.51)	(90.39)

Changes in inventories of finished goods		(241.17)	(199.62)	(41.55)	20.81
Employee benefits expense		6681.55	3847.39	2834.16	73.66
Depreciation, amortization, and impairment expenses		2230.64	460.13	1770.51	384.78
Finance costs		380.00	1688.33	(1308.33)	(77.49)
Other expenses		9750.54	8395.98	1354.56	16.13
Total Expenses		83476.25	70246.38	13229.87	18.83
Profit before tax		7598.35	8335.25	(736.90)	(8.84)
Current tax		1808.61	1895.07	(86.46)	(4.56)
Deferred tax		688.55	1159.00	(470.45)	(40.59)
Profit after tax		5101.19	5281.18	(179.99)	(3.41)
Other comprehensive income	1	(63.12)	43.60	(106.72)	(244.77)

Notes:
1. In other comprehensive income, there are following incomes included:
   a. Items that will not be reclassified to profit and loss.
   b. Net gain/(loss) on equity instrument through other comprehensive income: 701.46 (in 2022), (1135.93) (in 2021), 1324.91 (in 2020), (1.52) (in 2019), and (2.60) (in 2018).
   c. Remeasurement gain/(loss) on defined benefit plans (net): 97.07 (in 2022), (49.87) (in 2021), (137.50) (in 2020), (95.50) (in 2019), and 69.28 (in 2018).
   d. Income (charge)/Tax benefit relating to items that will not be reclassified to profit or loss: (200.97) (in 2022), 298.44 (in 2021), (304.27) (in 2020), 33.90 (in 2019), and (23.08) (in 2018).
   e. Total other comprehensive income for the year (net of tax): 597.56 (in 2022), (887.36) (in 2021), 883.14 (in 2020), (63.12) (in 2019) and 43.60 (in 2018).
2. This data is taken from Statement of Profit and Loss provided at the end of this chapter.

Comparative Statement of Profit and Loss
The statement of profit and loss summarizes the operations of a business transacted during a definite period (normally one year) and conveys the profit earned or loss incurred by the firm during that period. But a single statement of profit and loss does not convey anything about the progress or downfall in the earnings of the business. Hence, it is not of much use for the purpose of analysis. On the other hand, comparative study of statement of profit and loss for more than one period may enable the analyst to have definite knowledge about the progress or downfall of the business. This comparative statement of profit and loss shows the operational results of the business for several accounting periods, so that changes in absolute figures from one period to another may be stated in terms of money value and percentages.
The comparative statement of profit and loss has the same number of columns as the comparative balance sheet and provide the same type of particulars as the account balances, increase, or decrease in such balances, and the percentage of increase or decrease. The first two columns are for amount, and third and fourth columns are for absolute change and percentage change from one year to another, respectively.

4.6.2 COMMON-SIZE FINANCIAL STATEMENTS
Financial statements that depict financial data in the shape of vertical percentages are known as common-size statements. In such statements, all figures are converted to a common unit by expressing them as a percentage of a key figure in this statement. The total of financial statement is reduced to 100 and each item is shown as the component of the whole. For example, in statement of profit and loss, the figure of each item is expressed as a percentage of net sales, while in balance sheet each item of assets, and equity and liabilities can be shown as percentage of total assets, and total equity and liabilities respectively. Thus, expressing each monetary item of financial statement as a percentage of some total of which that item is a part, transforms a financial statement into what is referred to as common-size statement. The common-size statements are also known as component percentage or 100% statements. Such statements show the relative significance of the items contained in the financial statements and facilitate comparison.
Common-size statements include common-size balance sheet and common-size statement of profit and loss. In order to prepare common-size statements, first, the total assets, total equity and liabilities, total net sales are assumed to be equal to 100, second, the ratio that each item bears to the total is ascertained by dividing the individual money amount by the total amount as contained in the statement and multiplying the quotient by 100. Thus, each percentage in the statement shows the relationship of individual item to its representative total. In vertical analysis, the common-size statements are used for inter-firm comparison of firms and relevant industry, while in horizontal analysis, financial statements of different years are converted into common-size statements and is analyzed. When several years' financial statements are presented in percentage form, then that statement is called comparative common-size financial statements.
Below, comparative common-size balance sheet and comparative common-size statement of profit and loss are presented:

Table 4.9 Comparative Common-Size Balance Sheet (i)
Comparative Common-Size Balance Sheet of Bikaji Foods International Ltd.
for the year ended 2020-21 and 2021-22

(Amount in Lakh Rupees)

Particulars	Note no.	2021-22	As a %	2020-21	As a %
Assets					
Non-Current Assets					
Property, plant, and equipment		44864.27	41.5%	39129.07	48.7%
Capital work-in-progress		4814.04	4.5%	3314.53	4.1%
Investment property		370.84	0.3%	370.84	0.5%
Intangible assets		114.95	0.1%	189.43	0.2%
Right-of-use asset		2637.45	2.4%	918.48	1.1%
Financial assets	1	18744.15	17.3%	9954.31	12.4%
Other assets		1952.72	1.8%	2825.39	3.5%
Income tax assets (net)		644.58	0.6%	301.17	0.4%
Current Assets					
Inventories		6976.70	6.5%	5619.93	7.0%
Financial assets	2	24618.92	22.8%	15453.73	19.2%
Other assets		2362.86	2.2%	2207.72	2.7%
Total Assets		**108101.48**	**100.0%**	**80284.60**	**100.0%**
Equity and Liabilities					
Equity					
Equity share capital		2495.10	2.3%	2431.33	3.0%
Other equity		79769.56	73.8%	57997.36	72.2%
Non-Current Liabilities					
Financial liabilities	3	4188.05	3.9%	1266.27	1.6%
Provisions		3.95	0.0%	182.95	0.2%
Deferred tax liabilities (net)		3274.53	3.0%	2931.95	3.7%
Current Liabilities					
Financial liabilities	4	16605.47	15.4%	13154.60	16.4%
Other liabilities		1491.24	1.4%	1042.04	1.3%
Provisions		273.58	0.3%	278.15	0.3%
Current tax liabilities (net)		0	0.0%	999.95	1.2%
Total Equity and Liabilities		**108101.48**	**100.0%**	**80284.60**	**100.0%**

Table 4.10 Comparative Common-Size Balance Sheet (ii)
Comparative Common-Size Balance Sheet of Bikaji Foods International Ltd.
for the year ended 2019-20 and 2020-21

(Amount in Lakh Rupees)

Particulars	Note no.	2020-21	As a %	2019-20	As a %
Assets					
Non-Current Assets					
Property, plant, and equipment		39129.07	48.7%	38922.5	57.63%
Capital work-in-progress		3314.53	4.1%	288.23	0.43%
Investment property		370.84	0.5%	520.8	0.77%
Intangible assets		189.43	0.2%	149.33	0.22%

Right-of-use asset		918.48	1.1%	968.19	1.43%
Financial assets	1	9954.31	12.4%	4145.86	6.14%
Other assets		2825.39	3.5%	1601.71	2.37%
Income tax assets (net)		301.17	0.4%	685.42	1.01%
Current Assets					0.00%
Inventories		5619.93	7.0%	3648.57	5.40%
Financial assets	2	15453.73	19.2%	15631.5	23.14%
Other assets		2207.72	2.7%	980.36	1.45%
Total Assets		**80284.60**	**100.0%**	67542.4	100.00%
Equity and Liabilities					
Equity					
Equity share capital		2431.33	3.0%	2431.33	3.60%
Other equity		57997.36	72.2%	50396.4	74.61%
Non-Current Liabilities					
Financial liabilities	3	1266.27	1.6%	1736.31	2.57%
Provisions		182.95	0.2%	406.39	0.60%
Deferred tax liabilities (net)		2931.95	3.7%	3315.29	4.91%
Current Liabilities					
Financial liabilities	4	13154.60	16.4%	3737.4	5.53%
Other liabilities		1042.04	1.3%	1119.12	1.66%
Provisions		278.15	0.3%	108.52	0.16%
Current tax liabilities (net)		999.95	1.2%	0	0.00%
Total Equity and Liabilities		**80284.60**	**100.0%**	67542.4	100.00%

Table 4.11 Comparative Common-Size Balance Sheet (iii)

Comparative Common-Size Balance Sheet of Bikaji Foods International Ltd.

for the year ended 2018-19 and 2019-20

(Amount in Lakh Rupees)

Particulars	Note no.	2019-20	As a %	2018-19	As a %
Assets					
Non-Current Assets					
Property, plant, and equipment		38922.5	57.63%	39118.9	62.11%
Capital work-in-progress		288.23	0.43%	1313.07	2.08%
Investment property		520.8	0.77%	282.74	0.45%
Intangible assets		149.33	0.22%	170.09	0.27%
Right-of-use asset		968.19	1.43%	0	0.00%
Financial assets	1	4145.86	6.14%	1445.75	2.30%
Other assets		1601.71	2.37%	894.49	1.42%
Income tax assets (net)		685.42	1.01%	386.41	0.61%
Current Assets					
Inventories		3648.57	5.40%	3832.69	6.09%
Financial assets	2	15631.5	23.14%	14758.1	23.43%
Other assets		980.36	1.45%	778.93	1.24%
Total Assets		67542.4	100.00%	62981.1	100.00%
Equity and Liabilities					
Equity					
Equity share capital		2431.33	3.60%	2431.33	3.86%
Other equity		50396.4	74.61%	44554.2	70.74%

Non-Current Liabilities					0.00%
Financial liabilities	3	1736.31	2.57%	3430.82	5.45%
Provisions		406.39	0.60%	212.26	0.34%
Deferred tax liabilities (net)		3315.29	4.91%	3868.82	6.14%
Current Liabilities					
Financial liabilities	4	3737.4	5.53%	7832.52	12.44%
Other liabilities		1119.12	1.66%	587.25	0.93%
Provisions		108.52	0.16%	63.94	0.10%
Current tax liabilities (net)		0	0.00%	0	0.00%
Total Equity and Liabilities		67542.4	100.00%	62981.1	100.00%

Table 4.12 Comparative Common-Size Balance Sheet (iv)

Comparative Common-Size Balance Sheet of Bikaji Foods International Ltd.

for the year ended 2017-18 and 2018-19

(Amount in Lakh Rupees)

Particulars	Note no.	2018-19	As a %	2017-18	As a %
Assets					
Non-Current Assets					
Property, plant, and equipment		39118.9	62.11%	30769.6	58.89%
Capital work-in-progress		1313.07	2.08%	4719.52	9.03%
Investment property		282.74	0.45%	313.54	0.60%
Intangible assets		170.09	0.27%	191.92	0.37%
Right-of-use asset		0	0.00%	0	0.00%
Financial assets	1	1445.75	2.30%	926.29	1.77%
Other assets		894.49	1.42%	925.43	1.77%
Income tax assets (net)		386.41	0.61%	58.23	0.11%
Current Assets					
Inventories		3832.69	6.09%	3147.6	6.02%
Financial assets	2	14758.1	23.43%	10700.1	20.48%
Other assets		778.93	1.24%	498.82	0.95%
Total Assets		62981.1	100.00%	52251	100.00%
Equity and Liabilities					
Equity					
Equity share capital		2431.33	3.86%	2334.14	4.47%
Other equity		44554.2	70.74%	28387.1	54.33%
Non-Current Liabilities					
Financial liabilities	3	3430.82	5.45%	4582.3	8.77%
Provisions		212.26	0.34%	139.89	0.27%
Deferred tax liabilities (net)		3868.82	6.14%	3230.33	6.18%
Current Liabilities					
Financial liabilities	4	7832.52	12.44%	12838.9	24.57%
Other liabilities		587.25	0.93%	701.93	1.34%
Provisions		63.94	0.10%	36.4	0.07%
Current tax liabilities (net)		0	0.00%	0	0.00%
Total Equity and Liabilities		62981.1	100.00%	52251	100.00%

Notes:

1.In financial assets of non-current assets, there are following three assets included:

a. Investment: 14,551.23 (in 2022), 8,702.95 (in 2021), 3,650.14 (in 2020), 299.24 (in 2019), and 285.76 (in 2018).

b. Other financial assets: 2,812.28 (in 2022), 1,251.36 (in 2021), 495.74 (in 2020), 1,146.51 (in 2019), and 640.53 (in 2018).
c. Loans: 1,380.64 (in 2022).

2. In financial assets of current assets, there are following five assets included:
   a. Trade receivables: 7,658.28 (in 2022), 4,677.83 (in 2021), 4,171.26 (in 2020), 3,897.75 (in 2019), and 3,428.39 (in 2018).
   b. Cash and cash equivalents: 154.47 (in 2022), 163.79 (in 2021), 440.32 (in 2020), 1,724.22 (in 2019), and 146.43 (in 2018).
   c. Bank balances other than cash and cash equivalents: 8,768.48 (in 2022), 8,496.18 (in 2021), 9,804.87 (in 2020), 8,608.90 (in 2019), and 6,596.20 (in 2018).
   d. Loans: 131.85 (in 2022), 122.20 (in 2021), and 601.45 (in 2020)
   e. Other financial assets: 7,905.84 (in 2022), 1,993.73 (in 2021), 613.58 (in 2020), 527.19 (in 2019), and 345.18 (in 2018).

3.In financial liabilities of non-current liabilities, there are following two liabilities included:
   a. Borrowings: 2,601.30 (in 2022), 1,183.55 (in 2021), 1712.54 (in 2020), 3,430.82 (in 2019), and 4,582.30 (in 2018).
   b. Lease liabilities: 1,586.75 (in 2022), 82.72 (in 2021), and 45.98 (in 2020)

4.In financial liabilities of current liabilities, there are following four liabilities included:
   a. Borrowings: 9,629.74 (in 2022), 7,027.05 (in 2021), 2,188.64 (in 2020), 2,756.49 (in 2019), and 7,565.02 (in 2018).
   b. Lease liabilities: 264.83 (in 2022), 45.37 (in 2021), and 118.79 (in 2020)
   c. Trade payables:
      i. Total outstanding dues of micro enterprises and small enterprises: 775.27 (in 2022), 451.48 (in 2021), 121.01 (in 2020), 378.25 (in 2019), and 160.99 (in 2018).
      ii. Total outstanding dues of creditors other than micro enterprises and small enterprises: 3,311.18 (in 2022), 3,453.44 (in 2021), 1,308.94 (in 2020), 2,547.31 (in 2019), and 2,020.54 (in 2018).
   d. Other financial liabilities: 2,624.45 (in 2022), 2,177.26 (in 2021), 4,269.41 (in 2020), 2,150.47 (in 2019), and 3,092.37 (in 2018).

5.This data is taken from balance sheet provided at the end of this chapter.

Common-Size Balance Sheet

Balance sheet that depicts financial data in the shape of vertical percentages are known as common-size balance sheets. Common-size balance sheet represents the relation of each item to total assets, and each equity and liability item to total equity and liabilities. To prepare common-size balance sheet each item is converted into percentage of total balance sheet amount. For example, in balance sheet each item of assets, and equity and liabilities can be shown as percentage of total assets, and total equity and liabilities respectively. This converted balance sheet represents common-size balance sheet. This type of balance sheet is also known as percentage balance sheet. Also, when several years' balance sheets are presented in percentage form, then the statement that is presented is called comparative common-size balance sheet.

The objective of common-size balance sheet is to explain the changes in the items of the balance sheet; hence it is most useful in inter-firm comparisons. It facilitates a horizontal comparison from year to year and the study of trends among each item in relation to total balance sheet. But they do not provide information about the trends of individual items from year to year. For that problem, comparative common-size balance sheet will provide us with the solution.

Table 4.13 Comparative Common-Size Statement of Profit and Loss (i)

Comparative Common-Size Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2020-21 and 2021-22

(Amount in Lakh Rupees)

Particulars	Note no.	2021-22	As a %	2020-21	As a %
Revenue					
Revenue from operations		159870.24	100.0%	130845.66	100.0%
Other income		993.66	0.6%	1086.84	0.8%
Total Revenue		**160863.90**	**100.6%**	**131932.50**	**100.8%**
Expenses					
Cost of materials consumed		112398.40	70.3%	90799.65	69.4%
Purchase of stock-in-trade		5143.27	3.2%	3115.53	2.4%
Changes in inventories of finished goods		(889.96)	-0.6%	(336.70)	-0.3%
Employee benefits expense		8531.24	5.3%	6914.42	5.3%
Depreciation, amortization, and impairment expenses		3666.76	2.3%	3292.00	2.5%
Finance costs		606.19	0.4%	292.22	0.2%
Other expenses		20512.76	12.8%	15868.17	12.1%
Total Expenses		**149968.66**	**93.8%**	**119945.29**	**91.7%**
Profit before tax		10895.24	6.8%	11987.21	9.2%
Current tax		2757.29	1.7%	3097.54	2.4%

Deferred tax		141.61	0.1%	(84.90)	-0.1%
Profit after tax		**7996.34**	**5.0%**	**8974.57**	**6.9%**
Other comprehensive income	1	8593.90	5.4%	8087.21	6.2%

Table 4.14 Comparative Common-Size Statement of Profit and Loss (ii)

Comparative Common-Size Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2019-20 and 2020-21

(Amount in Lakh Rupees)

Particulars	Note no.	2020-21	As a %	2019-20	As a %
Revenue					
1. Revenue from operations		130845.66	100.0%	107334.70	100.00%
2. Other income		1086.84	0.8%	978.26	0.91%
Total Revenue		**131932.50**	**100.8%**	108312.96	100.91%
Expenses					
1. Cost of materials consumed		90799.65	69.4%	72070.00	67.15%
2. Purchase of stock-in-trade		3115.53	2.4%	2274.24	2.12%
3. Changes in inventories of finished goods		(336.70)	-0.3%	133.76	0.12%
4. Employee benefits expense		6914.42	5.3%	6461.35	6.02%
5. Depreciation, amortization, and impairment expenses		3292.00	2.5%	3419.52	3.19%
6. Finance costs		292.22	0.2%	511.42	0.48%
7. Other expenses		15868.17	12.1%	17174.35	16.00%
Total Expenses		**119945.29**	**91.7%**	102044.64	95.07%
Profit before tax		11987.21	9.2%	6245.52	5.82%
Current tax		3097.54	2.4%	1554.99	1.45%
Deferred tax		(84.90)	-0.1%	(857.80)	-0.80%
Profit after tax		**8974.57**	**6.9%**	5548.33	5.17%
Other comprehensive income	1	8087.21	6.2%	883.14	0.82%

Table 4.15 Comparative Common-Size Statement of Profit and Loss (iii)

Comparative Common-Size Statement of Profit and Loss of Bikaji Foods International Ltd.

for the year ended 2018-19 and 2019-20

(Amount in Lakh Rupees)

Particulars	Note no.	2019-20	As a %	2018-19	As a %
Revenue					
1. Revenue from operations		107334.70	100.00%	90111.12	100.00%
2. Other income		978.26	0.91%	963.48	1.07%
Total Revenue		108312.96	100.91%	91074.60	101.07%
Expenses					
1. Cost of materials consumed		72070.00	67.15%	63656.13	70.64%
2. Purchase of stock-in-trade		2274.24	2.12%	108.56	0.12%
3. Changes in inventories of finished goods		133.76	0.12%	(241.17)	-0.27%
4. Employee benefits expense		6461.35	6.02%	6681.55	7.41%
5. Depreciation, amortization, and impairment expenses		3419.52	3.19%	2230.64	2.48%
6. Finance costs		511.42	0.48%	380.00	0.42%
7. Other expenses		17174.35	16.00%	9750.54	10.82%

Total Expenses		102044.64	95.07%	83476.25	92.64%
Profit before tax		6245.52	5.82%	7598.35	8.43%
Current tax		1554.99	1.45%	1808.61	2.01%
Deferred tax		(857.80)	-0.80%	688.55	0.76%
Profit after tax		5548.33	5.17%	5101.19	5.66%
Other comprehensive income	1	883.14	0.82%	(63.12)	-0.07%

Table 4.16 Comparative Common-Size Statement of Profit and Loss (iv)
Comparative Common-Size Statement of Profit and Loss of Bikaji Foods International Ltd.
for the year ended 2017-18 and 2018-19

(Amount in Lakh Rupees)

Particulars	Note no.	2018-19	As a %	2017-18	As a %
Revenue					
1. Revenue from operations		90111.12	100.00%	78101.41	100.00%
2. Other income		963.48	1.07%	480.22	0.61%
Total Revenue		91074.60	101.07%	78581.63	100.61%
Expenses					
1. Cost of materials consumed		63656.13	70.64%	54924.10	70.32%
2. Purchase of stock-in-trade		108.56	0.12%	1130.07	1.45%
3. Changes in inventories of finished goods		(241.17)	-0.27%	(199.62)	-0.26%
4. Employee benefits expense		6681.55	7.41%	3847.39	4.93%
5. Depreciation, amortization, and impairment expenses		2230.64	2.48%	460.13	0.59%
6. Finance costs		380.00	0.42%	1688.33	2.16%
7. Other expenses		9750.54	10.82%	8395.98	10.75%
Total Expenses		83476.25	92.64%	70246.38	89.94%
Profit before tax		7598.35	8.43%	8335.25	10.67%
Current tax		1808.61	2.01%	1895.07	2.43%
Deferred tax		688.55	0.76%	1159.00	1.48%
Profit after tax		5101.19	5.66%	5281.18	6.76%
Other comprehensive income	1	(63.12)	-0.07%	43.60	0.06%

Notes:

1. In other comprehensive income, there are following incomes included:
   a. Items that will not be reclassified to profit and loss.
   b. Net gain/(loss) on equity instrument through other comprehensive income: 701.46 (in 2022), (1135.93) (in 2021), 1324.91 (in 2020), (1.52) (in 2019), and (2.60) (in 2018).
   c. Remeasurement gain/(loss) on defined benefit plans (net): 97.07 (in 2022), (49.87) (in 2021), (137.50) (in 2020), (95.50) (in 2019), and 69.28 (in 2018).
   d. Income (charge)/Tax benefit relating to items that will not be reclassified to profit or loss: (200.97) (in 2022), 298.44 (in 2021), (304.27) (in 2020), 33.90 (in 2019), and (23.08) (in 2018).
   e. Total other comprehensive income for the year (net of tax): 597.56 (in 2022), (887.36) (in 2021), 883.14 (in 2020), (63.12) (in 2019), and 43.60 (in 2018).
2. This data is taken from Statement of Profit and Loss provided at the end of this chapter.

Common-Size Statement of Profit and Loss

Common-size statement of profit and loss shows the percentage of net sales that has been absorbed by individual item in statement of profit and loss. For example, administration expenses of Rs. 3500 is 10% of net sales if net sales are Rs. 35000. Similarly, all items are converted into percentage of net sales.

With the help of common-size statement of profit and loss, relative percentage of various items to net sales can be computed and conclusions can be drawn. Also, the percentage of each item to net sales can be compared to standard, if any, and opinion can be formed.

4.6.3 TREND ANALYSIS

The comparative statements are used to study changes which have occurred in each item within a period of two years or more, but they do not indicate the trend of progress during past several years. Therefore, financial statements for a series of years may be analyzed to determine trend of data contained therein. This involves the computation of percentage relationship that each item in the financial statement bears to the corresponding item contained in the base year. For this, the earliest year involved in comparison may be considered as base year. Thus, trend analysis is the method of analyzing financial position of a business, based on changes in the items of financial statements of successive years in comparison to a specific date or period of commencement of study.

The trend analysis may be done in any of the following ways:

- Trend Percentages
- Trend Ratios
- Graphic or Diagrammatic Presentation

a) Trend Percentages:

In this method, information contained in financial statements of several years is tabulated. Then, the percentage increase or decrease in each item for all other years is calculated by taking the earliest year or any one year as base year. The percentages are called trend percentages which give an idea about the rate of change in individual items, of financial statements, in comparison to the base year.

b) Trend ratios:

Trend percentages are not suitable for comparison because they contain (+), or (-), sign. So, use of Trend Ratios is regarded more appropriate. The calculation of trend ratios involves the ascertainment of arithmetical relationship which each item of several years bears to the same item of the base year. While calculating trend ratios, current year's value is divided by base year's value and is multiplied by 100.

c) Graphic or Diagrammatic Presentation:

The trend percentages or trend ratios can be depicted by graph or diagrams. The graphs and diagrams draw human attention immediately and the changes can be understood only immediately. That is why these are used more often these days.

Utility of Trend Analysis:

This method of analyzing financial statements is more important due to its following merits:

- Summary Presentation,
- Direction of Change Easily Identified,
- Simple Method, and
- No Possibility of Errors.

Limitations of Trend Analysis:

While using trend analysis, it is necessary to keep in view its limitations. Important limitations are:

- Limited Significance: The trend ratio of one item has no significance unless it is compared with trend ratio of other related item.
- Illogical and Misleading Conclusions: The inferences drawn, based on simply trend ratios without keeping in view the original absolute figures may be illogical and misleading.
- No Normal Base Year: The base year should be normal, and representative of the items shown in the financial statements. If the base year is abnormal year on account of some reasons such as year of war or natural calamities, the conclusions drawn from such analysis will be misleading and false.
- Inconsistency in Accounting Principles: The comparison of trend ratios may be unscientific and inconsistent if the accounting principles and practices followed are not uniform throughout the period of analysis.
- Under Weightage: If the value of an item in the base year is too small, then a small change in it will lead to more changes in trend percentages. In such situation, it is not proper to take decision or plan for future.

4.6.4 RATIO ANALYSIS

Ratio Analysis has emerged as the principal technique of analysis of financial statements. It is an attempt to present the information of the financial statements in simplified, systematic, and summarized form by establishing the quantitative relationship of the items or group of items of financial statements. The system of analysis of financial statements by means of ratios was first made in 1919 by Alexzander Wall. Several ratios are calculated in this technique.

Meaning of Ratio Analysis

Ratio means the relationship of one number to another and is obtained by dividing the former to later. Whereas Ratio Analysis means the process of determining and presenting the relationship of items or group of items in financial statements.

Expression of Ratios:

Normally, the ratios may be expressed in any of the following ways:

- Ratio as a proportion i.e., x: y
- Ratio as a turnover i.e., x times
- Ratio as a percentage i.e., x %
- In financial analysis, these ratios highlight financial position of the business, hence known as financial ratios.

Significance of Ratio Analysis

In accounting and financial management, ratios are regarded as the real test of earning capacity, financial soundness, and operating efficiency of a business.

- Simplifies Accounting Figures: Accounting figures in many cases fail to provide information in a desired way. Ratios simplify, summarize, and systemize accounting figures which can be easily understood by those who do not know the language of accounting.
- Measure Liquidity Position: Liquidity position of a firm is said to be satisfactory if it can meet its current obligations as and when they mature. A firm is set to be capable of meeting its current obligations only if it has sufficient liquid funds to pay its short-term obligations with interest within a period of year. Hence, liquidity ratios are used for the purpose of credit analysis by banks & other short-term lenders.
- Measures Long-Term Solvency: Ratio analysis is equally important in evaluating the long-term solvency of the firm. It is measured by capital structure or leverage ratios. These ratios are helpful to long-term trade payables, security analysts, and present and prospective investors, as they reveal the financial soundness or weakness of a firm.
- Measures Operational Efficiency: Ratios are useful tools in the hands of management to evaluate the firm's performance over a period by comparing the present ratios with the past ratios. Various activity or turnover ratios measure the operational efficiency of a firm. These ratios are used in general by bankers, investors, and other suppliers of credit.
- Measures Profitability: The management as well as owners of a firm are primarily concerned with the overall profitability of the firm. Statement of profit and loss reveals the profit earned or loss incurred during the period but fails to convey the capacity of the firm to earn in terms of per rupee invested or per rupee of sales. Profitability ratios help to measure the earning capacity of a firm. Return on investment, net profit ratio, etc. are the best measures of profitability.
- Facilitates Inter-firm and Intra-firm Comparisons: Ratio analysis is the basis for comparing the efficiency of various firms in the industry and various divisions of a business firm. Absolute figures are not suitable for this purpose, but accounting ratios are the best tools for inter-firm and intra-firm comparison.
- Trend Analysis: Trend analysis of ratios reveals whether financial position of the firm is improving or deteriorating over years because it enables a firm to take the time dimension into account. With the help of such analysis, one can ascertain whether the trend is favorable or adverse. For example, any particular ratio may be less than general ratio, but the trend may be increasing.

Limitations of Ratio Analysis

It should be kept in mind that ratios are only guide and not conclusive end in themselves. The important limitations are:

- Qualitative Analysis Ignored: Ratios are arithmetical expressions, so qualitative aspects cannot be presented through ratios. Normally, qualitative factors that may influence the conclusions drawn are ignored while computing ratios. For instance, a high current ratio may not necessarily mean sound liquidity position when current assets include large inventories consisting of obsolete items of major part of debtors is bad. Therefore, in making decisions with the help of ratios, utmost care should be taken.
- Possibility of Window Dressing: Window dressing is manipulation of accounts in a way to present a better picture than what it is. By doing so, it is possible to cover up bad financial position. For instance, better liquid position by postponing purchase of desired fixed asset for some time, acceptance of deposits by banks from their customers for a week at the end of the year to show better deposit position, etc. Therefore, ratios calculated based on such figures will tend to be unreliable.
- Inherent Limitations of Accounting: Ratios are calculated from accounting records which are subject to accounting principles, conventions, concepts, and personal judgments. Any ratio build on the facts and figures of such financial statements suffer from inherent limitations. For example, ratio based on under recorded purchase by directors will provide misleading information about the profit and financial soundness of the business.
- Difference in Accounting Methods and Systems: Comparability of financial statements is affected when various differences are traced out in accounting methods and systems followed by different firms. Lack of standard formula for calculating ratios makes it more difficult to compare, as ratio are worked out on the basis of different items in different industries.
- No Substitute for Sound Judgement: Ratio analysis is one of the methods of interpretation and drawing inferences. It only provides few information for decision-making. Conclusions drawn from ratio analysis are not sure indicators of bad or good management. They merely convey certain observations which need further investigations, otherwise wrong conclusions may be drawn.
- Personal bias: Ratios have to be interpreted, but different people may interpret the same ratio in different ways. Ratios are only means of financial analysis, but not an end result in themselves. It should be clearly noted that ratios are only tools and the personal judgment of the analyst is more important. If the analyst does not possess requisite qualification or is biased in interpreting the ratios, the conclusions drawn will prove misleading.
- Lack of Standard Ratios: In practice, there is no uniformity in the definition of various terms used in ratio analysis. For example, some companies treat net current assets as working capital, while others use current assets as working capital. In a dynamic financial and economic scenario, it is very difficult to evolve a standard ratio acceptable to all for all times.

Classification of Ratios:

Ratios can be classified as (see figure 4.2):

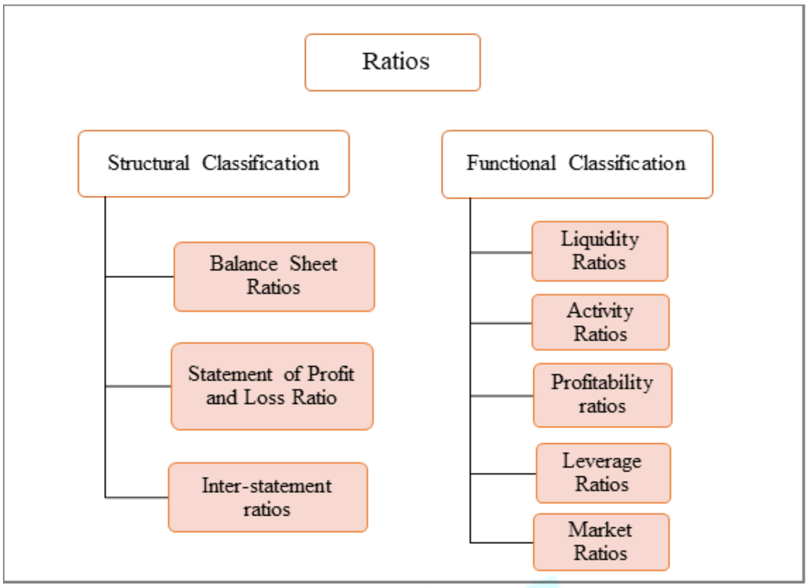

Figure 4.2 Types of Ratios

Liquidity Ratios: These ratios play a key role in analyzing the short-term financial position of a business. Liquidity refers to a firm's ability to pay its current financial obligations as they arise. Management can use these ratios to ascertain how efficiently working capital is employed.

- **Current Ratio:** It means the relationship between current assets and current liabilities. It is also known as Working Capital Ratio or 2:1 ratio.

Current Ratio = Current assets/Current Liabilities
current assets = convertible in cash within 1 year
current liabilities = obligations payable within 1 year

- **Quick Ratio:** The measure of instant debt paying ability of a business firm is known as Quick Ratio. It is also known as acid test ratio.

Quick Ratio = Quick assets/Current Liabilities
quick assets = current assets – (stock + prepaid expenses)

Table 4.17 Ratios of Bikaji Foods International Ltd.

Particulars	2021-22	2020-21	2019-20	2018-19	2017-18
Current Ratio	1.85	1.61	2.19	2.46	1.06
Quick Ratio	1.45	1.21	2.34	1.98	0.82

Activity Ratios: The funds of various stakeholders are invested in various assets to generate revenue. Better the management of these assets, larger the amount of revenue and hence, profits. Activity ratios enable firm to know how efficiently assets are being employed. These ratios are also known as turnover ratios and assets management ratios.

- **Inventory Turnover Ratio:** There is direct relationship between inventory and profit. Therefore, a firm must have reasonable inventory in comparison to revenue from operation. This ratio normally establishes relationship between sales or cost of sales, and average inventory.

Inventory Turnover Ratio = Cost of Sales/Average inventory
cost of sales = sales – gross profit
average inventory = (opening inventory + closing inventory) / 2

- **Debtors Turnover Ratio:** If a firm is not able to collect its' debtors within reasonable time, its funds are blocked unnecessarily. So, we calculate this ratio, as it establishes relationship between net credit sales and average trade receivables of the year.

Debtors Turnover Ratio = Net Credit Sales/Average Debtors
average debtors = (opening debtors + closing debtors) / 2

- **Creditors Turnover Ratio:** If creditors are outstanding for longer period, the firm may face difficulties in procuring further working capital. So, this ratio is calculated, as it shows the relationship between net credit purchases for the year and average trade payables.

Creditors Turnover Ratio = Net Credit Purchases/Average Creditors
average creditors = (opening creditors + closing creditors) / 2

- **Total Assets Turnover Ratio:** This ratio shows the relationship between total assets, and net sales or cost of sales. It is also called Investment Turnover Ratio.

Total Assets Turnover Ratio = Net Sales or Cost of Sales/Total Assets

- **Current Assets Turnover Ratio:** This ratio shows the relationship between current assets, and net sales or cost of sales. This ratio measures efficiency of firm.

Current Assets Turnover Ratio = Net Sales or Cost of Sales/Current assets

- **Working Capital Turnover Ratio:** This ratio shows the relationship between net working capital, and net sales or cost of sales. This ratio measures efficiency of firm.

Working Capital Turnover Ratio = Net Sales or Cost of Sales/Net Working Capital

net working capital = current assets – current liabilities

Table 4.18 Ratios of Bikaji Foods International Ltd.

Particulars	2021-22	2020-21	2019-20	2018-19	2017-18
Inventory Turnover Ratio	25.34	28.18	28.72	25.85	27.09
Debtors Turnover Ratio	25.87	29.51	26.64	24.63	25.70
Creditor Turnover Ratio	29.51	35.78	28.34	25.28	27.76
Total Assets Turnover Ratio	1.48	1.63	1.57	1.57	1.60
Working Capital Turnover Ratio	10.26	14.86	9.77	7.80	10.15

Profitability Ratios: Profitability ratios are a type of accounting ratio that helps in determining the financial performance of business at the end of an accounting period. Profitability ratios show how well a company can make profits from its operations.

- **Net Profit Ratio:** Net profit ratio is an important profitability ratio that shows the relationship between net sales and net profit after tax. When expressed as percentage, it is known as net profit margin.

Net Profit Ratio =Net Profit $(after\ tax)$/Net Sales X 100

net sales = sales – return inwards

- **Return on Capital Employed:** Return on capital employed (roce) is a profitability ratio that measures how well a company can generate profits from its capital.

ROCE =Profit before Inerest & Tax/Capital Employed X 100

- **Return on Equity:** It measures profitability from equity shareholders' point of view.

Return on Equity =Net Profit−Preference Dividend/Equity Shareholders′ Fund X 100

Table 4.19 Ratios of Bikaji Foods International Ltd.

Particulars	2021-22	2020-21	2019-20	2018-19	2017-2018
Net Profit Ratio	5.38	6.19	5.16	5.65	6.76
Return on Capital Employed	12.60	15.78	12.02	16.42	21.39
Return on Equity	0.12	0.14	0.11	0.13	0.19

Leverage Ratios: Leverage ratio is one of the most important of the financial ratios as it determines how much of the capital that is present in the company is in the form of debts.

- **Debt-Equity Ratio:** This ratio calculates the proportion of debt and equity that a company uses for funding its operations.

Debt Equity Ratio =Total Debt/Net Worth

- **Debt-Service Coverage Ratio:** This ratio measures debt-service capacity of firm.

Debt Service Coverage Ratio =Profit before Interest & Tax/Fixed Interest

Table 4.20 Ratios of Bikaji Foods International Ltd.

Particulars	2021-22	2020-21	2019-20	2018-19	2017-18
Debt-Equity Ratio	0.15	0.14	0.10	0.14	0.40
Debt-Service Coverage Ratio (%)	17.45	37.77	12.36	19.89	18.79

Market Ratios: Market ratios expresses the relationship between the market worth of company stock especially the public owned ones. The investors' reaction to changes in these is diverse. These ratios are used by both potential and current investors in an organization.

- E**arnings per Share:** It is a measure of profitability of the firm. Investors use this to gain understanding about the value of the business.

Earnings per Share = Net Profit−Preference Dividend/No. of Equity Shares

Table 4.21 Ratios of Bikaji Foods International Ltd.

Particulars	2021-22	2020-21	2019-20	2018-19	2017-18
Earnings per Share	3.23	3.69	2.28	2.09	2.26

4.6.5 CASH FLOW ANALYSIS

The statement of cash flows is one of the primary financial statements. It shows movement in cash and cash equivalents. An increase in cash and cash equivalents does not necessarily mean that the entity has performed well in the year. A situation could easily arise where an entity is struggling to generate cash in a period and is forced to sell its owned properties and lease them back to continue. This may mean that the entity's overall cash position increases in the period but is clearly not a sign that the entity has performed well. This would be a significant concern, as the entity cannot simply sell its properties again in the future. There will also be fewer assets owned by the entity in the future, meaning that its ability to secure future borrowing may be limited. A good analyst will examine the statement of cash flows in detail and look for the reasons behind the movement and then commenting on how the entity has performed.

The statement of cash flow contains three sections:

a) Operating Activities

The first key figure to address is likely to be cash generated from operations. This shows how much cash the business can generate from its core activities, before looking at one-off items such as asset purchases/sales and raising money through debt or equity. The cash generated from operations figure is effectively the cash profit from operations. The cash generated from operations figure should be compared to the profit from operations as per the statement of profit or loss to show the quality of the profit. The closer these two are together, the better the quality of profit. If the profit from operations is significantly larger than the cash generated from operations, it shows that the business is not able to turn that profit into cash, which could lead to problems with short-term liquidity.

When examining cash generated from operations, examine the movements in working capital which have led to this figure. Large increases in receivables and inventories could mean problems for the cash flow of the business and should be avoided if possible. The company may have potential irrecoverable debts or a large customer with increased payment terms may have been taken on. Either way, the company needs to have enough cash to pay the payables on time. Look for large increases in payables. If a company has positive cash generated from operations, but a significant increase in the payables balance compared to everything else, it may be that the company is delaying paying its suppliers to improve its cash flow position at the end of the year.

The cash generated from operations figure should be a positive figure. This ensures that the business generates enough cash to cover the day to day running of the company. The cash generated from operations should also be sufficient to cover the interest and tax payments, as the company should be able to cover these core payments without taking on extra debt, issuing shares or selling assets. Any cash left over after paying the tax and interest liabilities is thought of as 'free cash', and attention should be paid as to how this should be spent. Ideally, a dividend would be paid out of this free cash, so that a firm does not have to take out longer sources of finance to make regular payments to its shareholders. Other good ways of using this free cash would be to invest in non-current assets (as this should generate returns in the future) and paying back loans (as this will reduce further interest payments).

b) Investing Activities

This section of the statement of cash flow focuses on the cash flows relating to non-current assets. For example, sales of assets can be a good thing if those assets are being replaced. However, as stated earlier, if a company is simply selling off assets to manage short-term liquidity requirements, this makes the financial position significantly weaker, and banks will be less willing to lend as there are less assets to secure a loan against. The sale of assets should not be used to finance the operating side of the business or to pay dividends. This is poor cash management, as a company will not be able to continue selling assets to survive. This is an indication that a company is shrinking and not growing.

While transactions of non-current assets may be relatively irregular, interest or dividend received may be recurring cashflows from investments of a firm.

c) Financing Activities

Any increases in assets should also be considered. If this can be financed out of operations, then this is the best scenario as it shows the company is generating significant levels of surplus cash. Funding these out of long-term sources i.e., loans or shares is also fine, as long-term finances are appropriate to use for long term assets. However, when raising long-term finance, it is also useful to consider the future consequences. For example, taking out loans will lead to higher interest charges going forward. Higher levels of debt will also increase the level of gearing in the entity, meaning that finance providers may charge higher interest rates due to the increased risk. It may also mean that loan providers are reluctant to provide further finance if the entity already has significant levels of debt. Raising funds from issuing shares will not lead to interest payments and will not increase the level of risk associated with the entity. However, issuing shares will lead to more shareholders and possibly higher total dividend payments will be required in the future.

In summary, cash-flow should be analyzed in detail to have a much greater understanding of performance rather than simply commenting on whether the overall cash balance has gone up or down. This will help the firm to understand the causes of cash inflows and cash outflows, which will help in taking crucial decisions regarding sources and applications of cash and cash equivalents.

Objectives of Cash Flow Analysis:

The primary objective of cash flow statement is to provide information about cash payments and cash receipts. It also serves:

- Information about cash flows
- Prediction of future cash flows
- Evaluation of management decisions
- Knowledge of changes in cash

- Efficiency in cash management

Limitations of Cash Flow Analysis:

- Misleading Comparison: Cash flow statement does not measure the economic efficiency of one company in relation to another, because a company with heavy capital investment will have more cash flows. Similarly, the terms of purchases and sales will differ from firm to firm. Therefore, inter-industry and inter-firm comparison of cash flow statement may be misleading.
- Influenced by Changes in Management Polices: The cash balance as disclosed by the cash flow statement may not represent the real liquid position of the business. The cash can be easily influenced by purchases and sales policies, by making certain advance payments or by postponing certain payments.
- Incomplete Substitute: Cash flow statement is not a substitute of income statement. The net cash flows disclosed by it are not equal to net profit as disclosed by income statement.

4.6.6 FUND FLOW ANALYSIS

A fund flow statement is a statement prepared to analyze the reasons for changes in the financial position of a company between two balance sheets. It portrays the inflow and outflow of funds i.e., sources of funds and applications of funds for a particular period. It is also righteous to say that a fund flow statement is prepared to explain the changes in the working capital position of a company. A question arises as to why prepare fund flow Statement when we already prepare profit and loss and balance sheet. The need here arises because the profit and loss and balance sheet will not explain the reasons for a change in the financial position. Profit and loss a/c and balance sheet will give two years figures i.e., current years and previous years. But it will not explain as to why the movement has happened, let's say, the extent of use of long-term funds for a long-term need and the use of short-term funds for long term and short-term need. Here is why fund flow statement is prepared.

Components of Fund Flow Statement:

An increase in equities and decrease in assets is known as source of funds while decrease in equities and increase in assets is known as use of funds.

In this way a fund flow statement comprises of:

Sources of funds:

a. Owners
b. Outsiders

Application of funds: Funds used in,

a. Fixed assets
b. Current assets

Benefits of Fund Flow Statement:

It helps to explain the managers of the funds as to why the company is sitting in liquidity strain despite making profits as reflected in profit and loss statement.

On the contrary, it helps the managers to understand as to how a company is financially strong despite losses made by it in its operation front.

A fund flow statement helps us to analyze whether any short-term funds are being used for long term purposes. The grey area which can only be highlighted by preparation of fund flow Statement.

Users of Funds Flow Statement:

The most interested users of fund flow statements are the lenders of the capital. They pay more attention to the fund Flow Statements than the Profit and Loss and Balance sheet. For Example, Bankers who lend money to the company as Overdraft or Cash Credit in return for interest. The bankers use the information provided by the company in its profit and loss statement and balance sheet in preparing fund flow statements, which then enables them to take decisions as whether to provide its overdraft or cash credit facilities to its clients or not.

4.6.7 TREND ANALYSIS

Profit is a function and resultant of the interplay of costs, profits, and volume. For example, if production or sales volume declines and other factors (fixed and variable cost, selling price) remain unchanged, then profits will reduce on account of increase in per unit fixed cost. On the contrary, if per unit selling price is increased and other factors remain unchanged, the profit will increase. Adequate profit can be earned only when proper relation is maintained between costs, volume, and profit. Break-even analysis establishes relationship between revenue and costs with respect to volume. It indicates that level of sales at which costs and revenues are in equilibrium. The equilibrium point is known as break-even point. The break-even point is that point of activity (sales volume) where total revenues and total expenses are equal, it is the point of zero profit and zero loss. It guides the management to determine the optimum level of output where costs and prices frequently variates. It is an effective and efficient technique of planning and decision making.

5.1 KEY FINDINGS FROM ANALYSIS

Following are the key findings from the analysis.

- During the study period, the current ratio of firm is close to the ideal ratio 2:1 during all five financial years. The ratio was slightly low in last two years and slightly high in rest of the years.
- The ideal debt equity ratio is 1:1. During the five years of study the debt equity ratio is low. This indicates that the lower proportion of debt content in the capital structure and the company has higher equity.
- The Return on capital employed shows that the firm is having 12.6%, 15.78%, 12.02%, 16.42% and 21.39% in the year 2022, 2021, 2020, 2019 and 2018 respectively.
- During the period of study net profit ratio is 5.38, 6.19, 5.16, 5.65 and 6.76 in the year 2022, 2021, 2020, 2019 and 2018 respectively.
- Revenue From operations is increased by 22% in 2021-22, and Other Income is reduced by 9%.
- Profit before tax and Profit after tax is reduced by 9% and 11% respectively.

- In financial liabilities of non-current liabilities, there are two liabilities included that are Borrowings are Rs. 2,601.30(in 2022) and Rs. 1,183.55(in 2021) and Lease liabilities are Rs. 1,586.75(in 2022) and Rs. 82.72(in 2021)

5.2 SUGGESTIONS

Company should focus on increasing the current assets and decreasing the current liabilities to maintain satisfactory level of current ratio.

Company should control the expenses to improve its overall efficiency.

Company should improve Return on capital employed and equity to enhance its profitability.

5.3 SUMMARY OF THE ANAYSIS

The study focuses on the analysis of the financial performance and soundness of the company. It helps to understand the working or operations of the company.

From the study of financial or profitability analysis of BIKAJI FOODS INTERNATIONAL LTD, it can be concluded that long-term and short-term financial position of the company is satisfactory or sound. The company needs to improve its overall efficiency as if it continues to work more efficiently, it can have greater success soon.

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