Comparative study of financial statements of Britannia Industries, Parle Industries, ITC LTD., Hindustan Unilever Ltd. And Jubilant Food works and its implications on FMCG sector

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Abstract: This study compares the financial statements of five major fast-moving consumer goods (FMCG) companies: Britannia Industries, Parle Industries, ITC Ltd., Hindustan Unilever Ltd., and Jubilant Food Works. The analysis includes key financial ratios such as current ratio, quick ratio, gross profit and net profit ratios, asset turnover ratios, solvency and market capitalization, and free cash flows over a 10-year period from 2013-14 to 2022-23. The study's goal is to identify patterns, trends, and comparative performance indicators among these companies by meticulously examining and interpreting financial data.

The results of this study shed light on each company's financial health, competitive positioning, and strategic trajectories within the FMCG industry. Comparative analysis reveals varying levels of financial stability, growth momentum, and operational efficiency among the selected companies, with implications for market competitiveness and prospects. The study also looks at how external factors like market dynamics, the regulatory environment, and consumer preferences affect FMCG firms' financial performance and   strategic   decisions.

This study provides valuable insights for stakeholders, investors, policymakers, and industry analysts by shedding light on the financial dynamics and performance benchmarks of key players in the FMCG sector. Furthermore, the findings of the comparative analysis contribute to a better understanding of the FMCG landscape, allowing for more informed decision-making, strategic planning, and market positioning for both existing players and potential new entrants in this dynamic and evolving sector.

IndexTerms - **Component,formatting,style,styling,insert.**

INTRODUCTION
The Indian Fast-Moving Consumer Goods (FMCG) sector is a pillar of the Indian economy, with a diverse range of products that cater to both essential and non-essential needs. Given its widespread presence and significance, conducting a comparative analysis of the financial statements of key players such as Britannia Industries Ltd., Parle Industries, ITC Ltd., Jubilant Food works Ltd., and Hindustan Unilever Ltd. (HUL) presents an intriguing avenue for research and analysis.

To begin, such an analysis provides invaluable insights into the dynamics of the FMCG industry. Researchers can learn about growth patterns, profitability margins, and the competitive landscape by examining the financial performance of these prominent

companies. Understanding how these entities navigate common markets and consumer trends reveals the strategies used to maintain market Share and foster growth. Furthermore, a comparative analysis helps identify each company's financial strengths and weaknesses. Metrics such as revenue growth, profitability ratios, debt levels, and inventory turnover ratios provide an overall picture of financial health. This allows stakeholders to determine which companies are skilled at managing finances efficiently and generating strong returns, which informs investment decisions and risk assessments. Furthermore, such analysis is useful as a benchmarking tool for both FMCG companies and investors. Comparing financial ratios with industry leaders helps companies in the sector identify areas for improvement in operational efficiency, cost management, and product pricing strategies. Investors can use this data to identify potential investment opportunities and assess the relative risk of each company based on its financial performance. In addition to financial ratios, the comparative analysis reveals how these FMCG behemoths respond to changing consumer preferences. With consumers increasingly focused on health, wellness, and sustainability, understanding a company's agility in responding to these shifts through product innovation and brand positioning is critical for long-term relevance and growth.

Finally, by analyzing financial statements over time, researchers can gain insight into future market trends in the FMCG industry. Observing these companies' resource allocation and strategic decisions can foreshadow potential shifts to new product categories or market segments, which can help with forecasting and strategic planning.

In essence, a comparative analysis of the financial statements of India's FMCG giants provides a multifaceted lens through which to understand industry dynamics and assess financial health, Inform strategic decisions, benchmark performance, adjust to changing consumer preferences, and predict future market trends. Such type of research benefits not only investors and industry stakeholders, but it also helps to gain a better understanding of the overall economic landscape.

NEED OF THE STUDY.

This study aims to address this pressing research issue by delving into the underlying causes of churn in the FMCG industry and identifying potential solutions to mitigate its negative effects. Researchers can provide actionable insights and strategic recommendations to stakeholders across the industry by thoroughly analyzing both internal and external factors influencing FMCG company growth. Whether it's developing innovative marketing strategies, leveraging technology for operational efficiency, encouraging collaborations within the ecosystem, or advocating for policy reforms, there's a different type of approaches that can be investigated to promote growth and resilience in the FMCG sector.

Finally, by shedding light on the challenges faced by FMCG companies, particularly SMEs, and elucidating solutions to overcome them, this study aims to contribute to the long-term viability and vibrancy of India's FMCG ecosystem. By cultivating an environment conducive to growth, innovation, and inclusivity, stakeholders can collectively navigate the churn and emerge stronger, ensuring the continued prosperity of the FMCG sector in the years to come.

2. RESEARCH METHODOLOGY

OBJECTIVES OF RESEARCH

1) To study the financial position of selected FMCG companies through financial statement analysis, with a focus on profitability, liquidity, and comparative analysis over a 10-year period from 2013 to 2023.
2) To analyse specific areas of performance through ratio analysis, such as profitability and financial position, using statistical techniques like Ratio Analysis and other tools to assess the overall financial health of the businesses.
3) To identify trends, strengths, and areas for improvement of selected companies using financial ratios such as Net Profit ratio, Gross profit ratio, Return on investment, Total assets, and fixed assets turnover ratio.
4) To provide insights for investors to make informed decisions and identifies growth opportunities in the FMCG sector.
5) To identify the profit and turnover variables that would influence MVA (Market Value Added) on a long-term basis.

RESEARCH DESIGN

In this research, the data which is collected through secondary data pertaining to financial statements of these sample companies. Where the secondary data is obtained through different set of channels for the sample years lasting 10 years from 2013-14 to 2022-23 which are Market Capitalization has been taken of these sample companies through the websites of National Stock Exchange,

Bombay stock exchange using the historical dataset, Charts, and other tools. And for even to derive more information regarding this, finance related news portals such as Money control, Mint and Yahoo finance has been extracted. To extract financial statements, annual reports of these sample companies has been considered. In this study, it is contemplated that the average figures of net profit ratio, gross profit ratio, return on investment, Total assets turnover ratio and Fixed assets turnover ratio of each sample companies respectively has been taken from yearly basis lasting 10 years from 2013-14 to 2022-23.

While analyzing the data on regression and correlation analysis, the independent variables influence key dependent variables chosen. Wherein, Independent variable in this study is Market value added and dependent variable is these ratios from Net profit ratio to fixed assets turnover ratio.

FRAMING OF RESEARCH HYPOTHESIS

Alternate Hypothesis
H1: Market value added is having association with Gross profit ratio.
H2: Market value added is having association with Net profit ratio.
H3: Market value added is having association with Return on investment.
H4; Market value added is having association with Total assets turnover ratio.
H5: Market value added is having association with Free cash flow.
H6: Market value added is having association with Fixed assets turnover ratio.

Null Hypothesis
$H0_1$: Market value added is not associated with Gross profit ratio.
$H0_2$: Market value added is not associated with Net profit ratio.
$H0_3$: Market value added is not associated with Return on investment.
$H0_4$: Market value added is not associated with Total assets turnover ratio.
$H0_5$: Market value added is not associated with Free cash flow.
$H0_6$: Market value added is not associated with Fixed assets turnover ratio.

3. DATA ANALYSIS

Hypothesis testing and Methods.

While analyzing the five companies' financial data and using it to understand the dynamics and how it will create an impact in the market with these ratios, in this research, the technique which is used of is regression and correlation analysis.

- **Regression and correlation analysis of five companies using five ratios**.

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.99602591
R Square	0.992067613

Adjusted R Square	0.976202839
Standard Error	198.428619
Observations	10

ANOVA

	ds	SS
Regression	6	14772950.63
Residual	3	118121.7505
Total	9	14891072.38

MS	F	Significance F
2462158	62.53273	0.003061554
39373.92		

	Coefficients	Standard Error	t Stat	P-value
Intercept	1103.387524	1472.860381	0.749146	0.50816
Net profit ratio	-129.3885091	172.9028135	-0.74833	0.508585
Return on investment	117.6026116	37.16026568	3.164741	0.050686
Gross profit ratio	134.4512551	161.8786769	0.830568	0.46714
Fixed assets turnover ratio	-455.3484243	272.6859858	-1.66986	0.193539

Total assets turnover ratio	573.3556892	775.9017567	0.738954	0.5135
Free cash flow	0.043242588	0.032670202	1.323609	0.277459

Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
-3583.911554	5790.686601	-3583.911554	5790.686601
-679.642429	420.8654107	-679.642429	420.8654107
-0.65793866	235.8631618	-0.65793866	235.8631618
-380.7189421	649.6214523	-380.7189421	649.6214523
-1323.156932	412.4600839	-1323.156932	412.4600839
-1895.90999	3042.621368	-1895.90999	3042.621368
-0.060728576	0.147213753	-0.060728576	0.147213753

	Net profit ratio	Return on investment	Gross profit ratio
Net profit ratio	1		
Return on investment	0.015632404	1	
Gross profit ratio	0.795757557	-0.3133701	1
Fixed assets turnover ratio	0.130784669	-0.924445561	0.399251811
Total assets turnover ratio	0.008041827	-0.876899551	0.255042695
Free cash flow	0.611417004	0.06987261	0.228232063

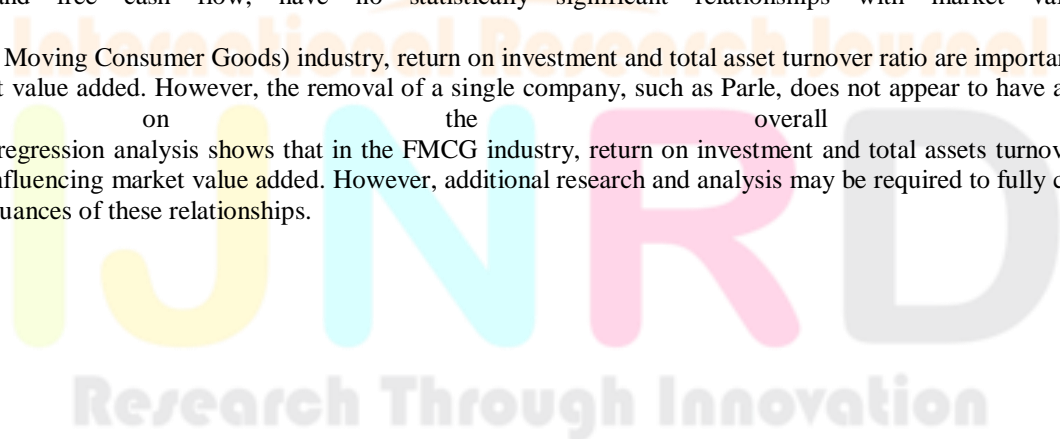| Fixed assets turnover ratio	Total assets turnover ratio	Free cash flow
1		
0.957075621	1	
0.057370113	-0.116605804	1

Based on the regression analysis conducted, it appears that there are several independent variables that may impact the dependent variable, which in this case is the market value added. The summary output of the regression analysis indicates that the independent variables have a high level of explanatory power on the dependent variable, with an adjusted R square of 0.976.

Among the independent variables examined, return on investment (ROI) has a statistically significant positive relationship with market value added, as evidenced by a low p-value of 0.051. This implies that as the rate of return-on-investment increases, so does the market value added.

Furthermore, the total assets turnover ratio shows a positive relationship with the market value added, but it does not reach statistical significance at the standard 0.05 level.

According to their respective p-values, the other independent variables, including the net profit ratio, gross profit ratio, fixed assets turnover ratio, and free cash flow, have no statistically significant relationships with market value added.

In the FMCG (Fast Moving Consumer Goods) industry, return on investment and total asset turnover ratio are important factors in determining market value added. However, the removal of a single company, such as Parle, does not appear to have a significant impact on the overall market.
In conclusion, the regression analysis shows that in the FMCG industry, return on investment and total assets turnover ratio are important factors influencing market value added. However, additional research and analysis may be required to fully comprehend the dynamics and nuances of these relationships.

- **Regression and correlation analysis of five companies using return on investment, total assets turnover ratio and free cash flow.**

Regression Statistics	
Multiple R	0.991532321
R Square	0.983136344
Adjusted R Square	0.974704516
Standard Error	204.580026
Observations	10

ANOVA

	df	SS	MS
Regression	3	14639954.46	4879984.819
Residual	6	251117.9223	41852.98704
Total	9	14891072.38	

	Coefficients	Standard Error	t Stat	P-value
Intercept	843.9202989	935.260056	0.902337583	0.401647774
Return on investment	164.298718	25.85332723	6.35503185	0.00071189
Total assets turnover ratio	-622.3444364	219.6558658	-2.833270279	0.029829353

Free cash flow	0.003370278	0.011280886	0.298760071	0.775200344

Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
-1444.578616	3132.419214	-1444.578616	3132.419
101.0379052	227.5595308	101.0379052	227.5595
-1159.822978	-84.86589507	-1159.822978	-84.8659
-0.024233056	0.030973613	-0.024233056	0.030974

	Return on investment	Total assets turnover ratio	Free cash flow
Return on investment	1		
Total assets turnover ratio	-0.889487786	1	
Free cash flow	0.287988668	-0.226891609	1

Based on the regression and correlation analysis conducted on data from five companies, it is observed that return on investment (ROI) has a statistically significant positive relationship with market value added, with a coefficient of 164.30 and p-value of 0.001. This indicates that as ROI increases, so does market value add.

There is also a negative relationship between total asset turnover ratio and market value added, with a coefficient of -622.34 and a p-value of 0.030. This suggests that a higher total assets turnover ratio correlates with lower market value added.

However, free cash flow has no statistically significant relationship with market value added, as evidenced by its coefficient of 0.003 and p-value of 0.775.

Overall, the regression model has a high explanatory power, with an adjusted R square of 0.975, suggesting that the independent variables (ROI, total assets turnover ratio, and free cash flow) collectively explain 97.5% of the variation in market value added across the five companies.

Furthermore, the correlation analysis shows a strong positive relationship between ROI and total assets turnover ratio (correlation coefficient: -0.889), implying that these variables tend to move in tandem across companies. However, there is only a weak correlation between free cash flow and the other variables, implying a limited relationship. Parle industries is an outlier since there is little revenue and market value added and hence it is discarded in the regression and other four companies are considered as representative sample in the fourth coming regression.

- **Regression and correlation analysis of four companies using other ratios.**

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.99415608
R Square	0.988346311
Adjusted R Square	0.965038933
Standard Error	243.7324963
Observations	10

ANOVA

	Df	SS
Regression	6	15114502.19
Residual	3	178216.5893
Total	9	15292718.78

MS	F	Significance F
2519084	42.40487	0.005427
59405.53		

	Coefficients	Standard Error	t Stat
Intercept	253.528755	2156.764194	0.117551
Net profit ratio	-18.14119238	65.08763837	-0.27872
Return on investment	178.1870468	39.53083478	4.507546
Gross profit ratio	22.28260589	49.21122035	0.452795
Fixed assets turnover ratio	-4.404019621	102.805306	-0.04284
Total assets turnover ratio	-544.0078751	553.1889582	-0.9834
Free cash flow	-0.007619104	0.035222045	-0.21632

P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
0.913852	-6610.26	7117.315	-6610.26	7117.315
0.798568	-225.279	188.9967	-225.279	188.9967
0.020398	52.38229	303.9918	52.38229	303.9918
0.681437	-134.329	178.8947	-134.329	178.8947
0.968522	-331.576	322.7683	-331.576	322.7683
0.397922	-2304.5	1216.486	-2304.5	1216.486
0.842615	-0.11971	0.104473	-0.11971	0.104473

	Net profit ratio	Return on investment	Gross profit ratio
Net profit ratio	1		
Return on investment	0.447720916	1	

Gross profit ratio	0.892828253	0.400926587	1
Fixed assets turnover ratio	-0.559121165	-0.861001402	-0.434844276
Total assets turnover ratio	-0.560134136	-0.879361586	-0.495624423
Free cash flow	0.434992911	0.614860172	0.286948106

Fixed assets turnover ratio	*Total assets turnover ratio*	*Free cash flow*
1		
0.950787875	1	
-0.852094143	-0.8390512	1

According to the regression analysis conducted on a representative sample of companies, return on investment (ROI) has a statistically significant positive impact on market value added. Its p-value of 0.020 and coefficient of 178.19 make this clear. As a result, businesses that have greater ROIs typically have higher market value added.

Based on their individual coefficients and p-values, none of the other independent variables—net profit ratio, gross profit ratio, fixed assets turnover ratio, total assets turnover ratio, and free cash flow—show statistically significant effects on market value added.

Interesting relationships between these variables are revealed by the correlation analysis. ROI and gross profit ratio have a somewhat positive correlation (correlation coefficient: 0.40) suggesting that greater gross profit ratios are correlated with higher returns on investment. Furthermore, the ROI and net profit ratio exhibit a moderately negative correlation (correlation coefficient: 0.45), indicating that higher ROIs could potentially result in lower net profit ratios.

Nonetheless, no noteworthy associations are noted between market value added and other ratios, including free cash flow, total assets turnover ratio, and fixed assets turnover ratio.

In conclusion, return on investment is found to be the primary ratio influencing market value added among those analysed in this analysis, according to the representative sample thumb rule. This emphasizes how crucial it is to maximize ROI as a primary tactic for raising market value added in the businesses included in this sample.

- **Regression and correlation analysis of four companies using return on investment, total assets turnover ratio and free cash flow.**

Regression Statistics

Multiple R	0.993631
R Square	0.987303
Adjusted R Square	0.980955
Standard Error	179.8924
Observations	10

ANOVA

	df	SS	MS	F	Significance F
Regression	3	15098551	5032850	155.5208	4.46E-06
Residual	6	194167.6	32361.27		
Total	9	15292719			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%
Intercept	785.6428	1283.978	0.611882	0.563068	-2356.14
Return on investment	173.8085	26.00942	6.682524	0.000544	110.1658
Total assets turnover ratio	-672.791	320.7911	-2.09729	0.08078	-1457.74
Free cash flow	-0.01479	0.021424	-0.69043	0.515728	-0.06722

Upper 95%	Lower 95.0%	Upper 95.0%
3927.424	-2356.14	3927.424
237.4513	110.1658	237.4513
112.1568	-1457.74	112.1568
0.037631	-0.06722	0.037631

	Return on investment	Total assets turnover ratio
Return on investment	1	
Total assets turnover ratio	-0.879361586	1
Free cash flow	0.614860172	-0.8390512

Free cash flow
1

Based on regression analysis of a representative sample of companies, return on investment (ROI) has a statistically significant positive impact on market value added. This is supported by the coefficient of 173.81 and the low p-value of 0.001, indicating that higher returns on investment tend to result in higher market value added.

In contrast, the total assets turnover ratio has no statistically significant impact on market value added, as evidenced by its coefficient of -672.79 and p-value of 0.081. While there is a negative relationship between total assets turnover ratio and market value added, it does not meet conventional statistical significance.

Similarly, free cash flow does not have a statistically significant effect on market value added with a coefficient of -0.015 and a p-value of 0.516. This suggests that variations in free cash flow have little influence on changes in market value added among the sample companies.

In conclusion, return on investment emerges as the primary ratio influencing market value added among those examined in this analysis. This highlights the significance of maximizing ROI as a key strategy for increasing market value added in companies in this sample. However, the total assets turnover ratio and free cash flow do not appear to have a significant impact on market value added in this scenario.

4. CONCLUSION

One of the primary findings of the analysis is the significant positive coefficient of Return on Investment (ROI) in the regression model. This suggests that higher returns on investment correlate with higher market value added, emphasizing the importance of profitability and efficient capital allocation in driving market valuation. Investors favour companies that can generate higher returns on their investments because they demonstrate their ability to effectively use resources to generate value.

In contrast, the analysis suggests that changes in the Total Assets Turnover Ratio and Free Cash Flow have no statistically significant impact on market value added. While these metrics are useful indicators of operational efficiency and financial health, their direct impact on market valuation may be limited. This finding emphasizes the complexities of market valuation dynamics and the need for a more nuanced understanding of the factors that influence investor perceptions.

The correlation analysis provides additional insights into the relationships between various financial ratios. The significant positive correlation between ROI and Total Assets Turnover Ratio suggests a link between profitability and operational efficiency. Companies with higher returns on investment have higher asset turnover, indicating that efficient asset utilization contributes to overall profitability. However, the weak correlations between Free Cash Flow and other variables indicate that cash flow dynamics may have limited direct associations with market valuation in the context under consideration.

These findings have significant implications for the company's strategy. It emphasizes the importance of prioritizing strategies that improve profitability and efficiency. and ROI to increase the market value added. To improve their financial performance and investor appeal, businesses should prioritize capital allocation optimization, operational streamlining, and maximizing returns on invested capital. While Total Asset Turnover Ratio and Free Cash Flow are still important metrics for evaluating financial health, their direct impact on market valuation may necessitate careful consideration and contextual analysis.

However, it is critical to acknowledge the analysis's limitations, which include the small sample size and the specific set of variables examined. Future research could investigate additional variables and conduct more extensive analyses on a larger and more diverse sample of companies to gain a better understanding of the determinants of market value added and their implications for company performance and valuation.

In conclusion, the analysis underscores the importance of profitability, efficiency, and strategic capital allocation in driving market value added. Understanding these factors and their implications allows businesses to make more informed decisions that improve their financial performance and market competitiveness.

Table 17: Hypothesis table on Null and Alternate hypothesis

	Accepted	Not	Basis	Degree of
Hypotheses (Alternate-1-7)		Accepted		Confidence
H1- MVA is positively related to Gross Profit ratio		√	page 55, p > 0.05	95%
H2-MVA is positively related to Net Profit ratio	√		page 55, p < 0.05	95%

H3-MVA is positively related to Return on investment		√	page 55, p > 0.05	95%
H4-MVA is positively related to Total assets turnover ratio	√		page 55, p < 0.10	90%
H5-MVA is positively related to Free cash flow		√	page 55, p > 0.05	95%
H6-MVA is positively related to Fixed assets turnover ratio		√	page 55, p > 0.05	95%

The above table indicates the Market value added is associated with Return on investment. The evidence is that of Regression and Correlation analysis, in which the P-value was less in the return on investment which indicates that the alternate hypothesis is accepted, and null hypothesis is rejected.

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