



PROFITABILITY EVALUATION OF KEY FMCG COMPANIES IN INDIA – A CASE STUDY OF BRITANNIA AND MARICO LIMITED

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ABSTRACT

F*MC* (Fast moving consumer goods) companies are becoming more and more popular in Indian market nowadays because of the fact that FMCG goods can be sold quickly and that too at a comparatively lower cost. Numerous types of FMCG goods are being sold in Indian market such as toothpaste, cold drinks, pickles, soaps, shampoos, shaving items, chocolates, bread, butter etc. Today, a number of companies are entering in the field of manufacturing FMCG products such as HUL, ITC, Godrej Consumer Products Limited, Britannia, Marico Limited, Parle Agro, Dabur India Limited and so on. The essence of present study is to analyse the profitability of two major FMCG companies in India i.e. Britannia and Marico Limited with the help of gross profit and net profit ratios from the year 2011-12 to 2015-16.

KEYWORDS: Gross Profit Ratio, Net Profit Ratio, Britannia, Marico Limited.

INTRODUCTION

Fast moving consumer goods (FMCG) are the goods which are basically non – durable in nature, sold instantly, bear a low price tag and offer low margin of profit to the manufacturer. There are several examples of FMCG products which can be seen in day to day life such as cold drinks, chocolates, sauce, cake, detergent powder, face wash, toothbrush, perfumes, potato chips, butter, bread, soap, shampoo, hair conditioner, edible oil, biscuits etc. These products are used daily and by everyone due to which they are sold in very large quantities. Huge sales with low profit margins thereby bring enormous profit for the manufactures of FMCG products. For example a family will not purchase a car daily but it will purchase a packet of bread every day. The imperative characteristics of FMCG products can be mentioned as below:

- ✧ Bears a low price tag and are purchased frequently through widespread distribution networks in high volumes.

- ✧ Have a short life span and are consumed daily.

Britannia industries limited, founded in 1892 is an Indian company engaged in manufacturing food – products with headquarters in Bangalore, Karnataka. The company's is engaged in manufacturing and selling of bakery products such as biscuits, cakes, rusk, bread along with dairy products like milk, ghee, butter, cheese etc. and its market share is estimated to be 38%.

Marico, another renowned FMCG company of India was founded in 1991 and is engaged in manufacturing and selling edible oil, fabric care products, skin care products etc. The company has 2402 employees in 2016 and it's headquarter is situated in Santacruz, Mumbai.

Gross profit ratio evaluates the margin of profit available on sales whereas net profit ratio is the ratio of net profit to net sales and is used to gauge the rate of net profit earned on sales. Higher gross profit and net

profit ratios are better for a firm as they represent that a business organisation is conducting its operations efficiently with good amount of profit.

OBJECTIVES OF THE STUDY

- To calculate gross profit and net profit ratios of Britannia from 2011-12 to 2015-16.
- To calculate gross profit and net profit ratios of Marico Limited from 2011-12 to 2015-16.
- To compare gross profit and net profit ratio of Britannia and Marico Limited from 2011-12 to 2015-16.

RESEARCH METHODOLOGY

Estimation of gross profit and net profit ratio of Britannia and Marico Limited is primary objective of this study for which secondary data has been used. The relevant information’s in this aspect have been assembled from annual reports of Britannia and Marico Limited, journals, websites, magazines etc. The collected data has been integrated in the form of tables and figures and statistical tools have been applied in order to give a meaningful conclusion.

ANALYSIS AND INTERPRETATION

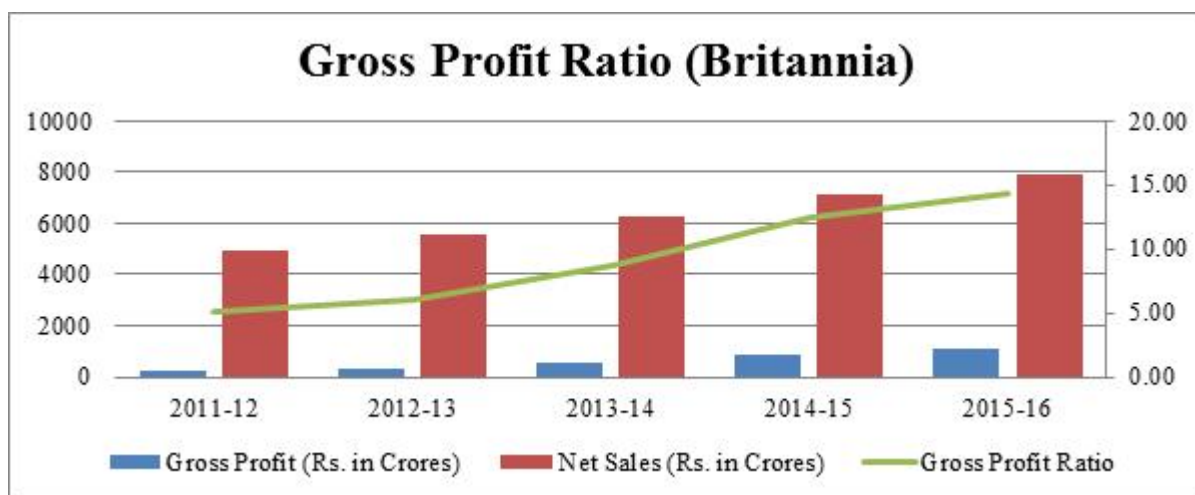
Gross profit and net profit ratio of Britannia and Marico Limited has been demonstrated with the help of tables and figures followed by a comparative study.

Table 1: Gross Profit Ratio (Britannia)

Year	Gross Profit (Rs. in Crores)	Net Sales (Rs. in Crores)	Gross Profit Ratio
2011-12	252.37	4,947.04	5.10%
2012-13	332.18	5,564.38	5.97%
2013-14	542.62	6,232.09	8.71%
2014-15	882.61	7,100.47	12.43%
2015-16	1,131.56	7,868.89	14.38%
Average	628.27	6342.57	9.32%

Source: Britannia Annual Reports

Figure 1: Gross Profit Ratio (Britannia)



Y Axis Primary: Rs. in Crores

Y Axis Secondary: Gross Profit Ratio in %

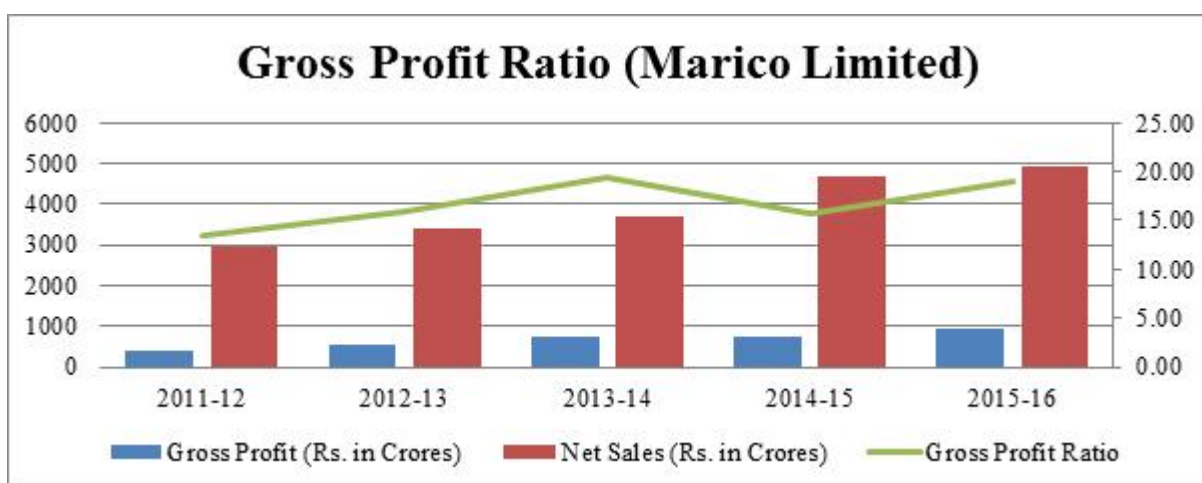
Table 1 and figure 1 represents gross profit ratio of Britannia from 2011-12 to 2015-16 which stood at an average of 9.32% during the study period. The above table and figure also shows a continuous increase

in gross profit and net sales figures due to which a continuous increase in gross profit ratio of the company has been registered.

Table 2: Gross Profit Ratio (Marico Limited)

Year	Gross Profit (Rs. in Crores)	Net Sales (Rs. in Crores)	Gross Profit Ratio
2011-12	399.28	2,970.30	13.44%
2012-13	541.99	3,407.10	15.91%
2013-14	717.28	3,682.49	19.48%
2014-15	731.04	4,681.20	15.62%
2015-16	944.1	4,947.37	19.08%
Average	666.74	3937.69	16.71%

Source: Marico Limited Annual Reports

Figure 2: Gross Profit Ratio (Marico Limited)

Y Axis Primary: Rs. in Crores

Y Axis Secondary: Gross Profit Ratio in %

Table 2 and figure 2 represents gross profit ratio of Marico Limited from 2011-12 to 2015-16 which stood at an average of 16.71% from 2011-12 to 2015-16. The above table and figure also illustrate a continuous

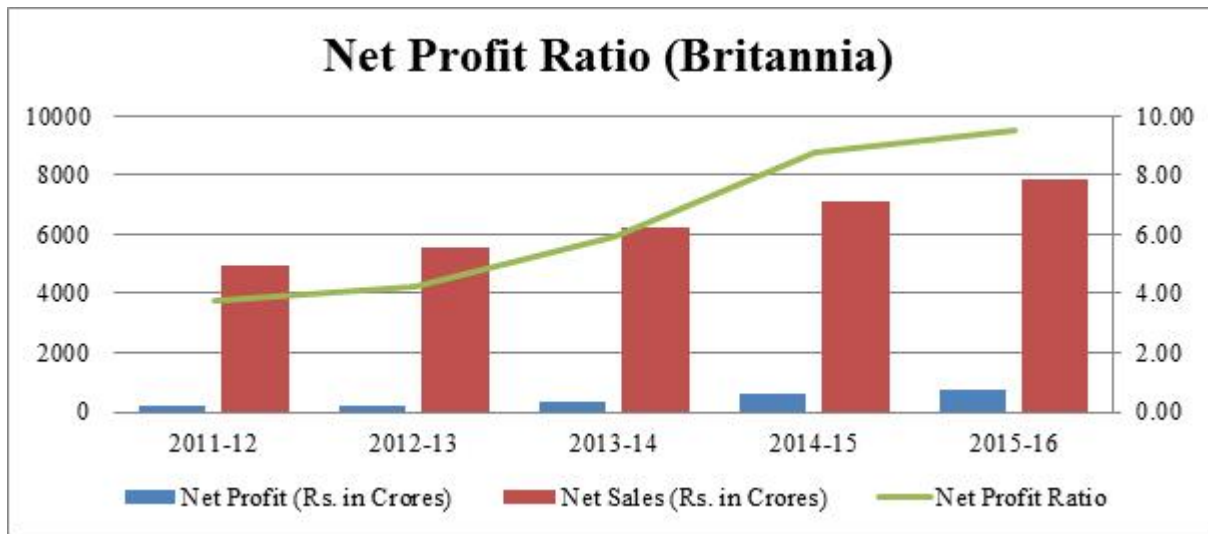
increase in gross profit and net sales figures due to which gross profit ratio of the company has also registered a continuous increase.

Table 3: Net Profit Ratio (Britannia)

Year	Net Profit (Rs. in Crores)	Net Sales (Rs. in Crores)	Net Profit Ratio
2011-12	186.74	4947.04	3.77%
2012-13	233.87	5564.38	4.20%
2013-14	369.83	6232.09	5.93%
2014-15	624.41	7100.47	8.79%
2015-16	749.09	7868.89	9.52%
Average	432.79	6342.57	6.45%

Source: Britannia Annual Reports

Figure 3: Net Profit Ratio (Britannia)



Y Axis Primary: Rs. in Crores

Y Axis Secondary: Net Profit Ratio in %

Table 3 and figure 3 demonstrates net profit ratio of Britannia from 2011-12 to 2015-16. Net profit ratio of company stood at an average of 6.45% during

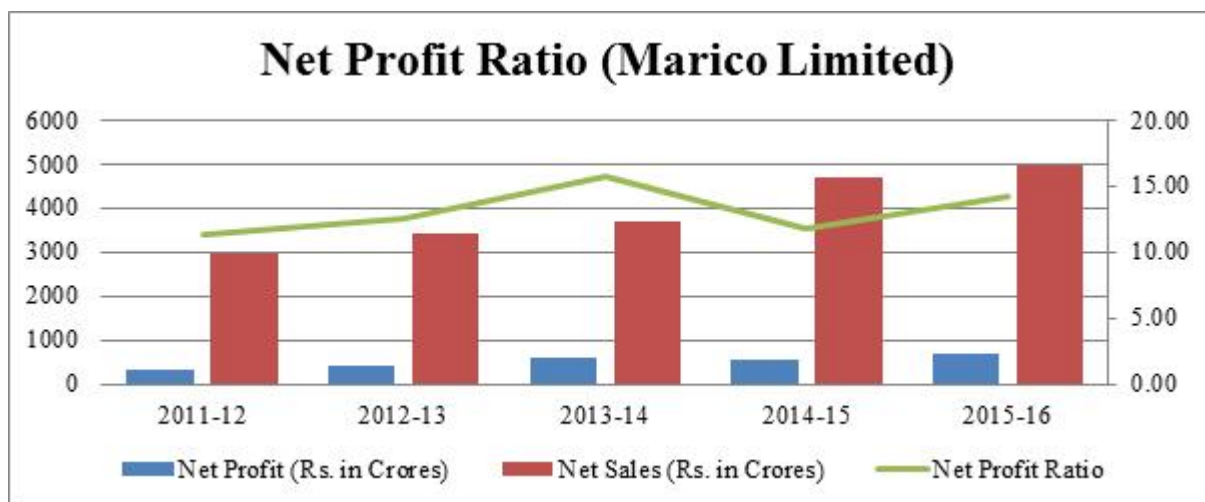
the study period. The above table and figure also shows a continuous increase in net profit ratio of Britannia from 2011-12 to 2015-16.

Table 4: Net Profit Ratio (Marico Limited)

Year	Net Profit (Rs. in Crores)	Net Sales (Rs. in Crores)	Net Profit Ratio
2011-12	336.59	2,970.30	11.33%
2012-13	429.09	3,407.10	12.59%
2013-14	577.22	3,682.49	15.67%
2014-15	554.17	4,681.20	11.84%
2015-16	701.86	4,947.37	14.19%
Average	519.79	3937.69	13.13%

Source: Marico Limited Annual Reports

Figure 4: Net Profit Ratio (Marico Limited)



Y Axis Primary: Rs. in Crores

Y Axis Secondary: Net Profit Ratio in %

Table 4 and figure 4 demonstrates net profit ratio of Marico Limited from 2011-12 to 2015-16. Net profit ratio of company stood at an average of 13.13%

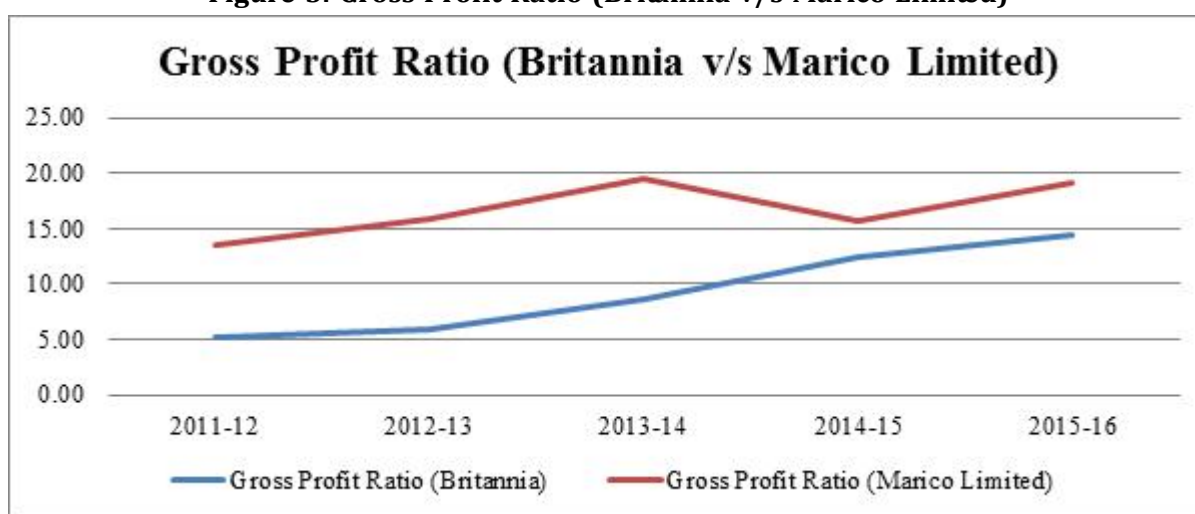
during the study period. The above table and figure shows a mixed trend of increase and decrease in net profit ratio of Marico Limited from 2011-12 to 2015-16.

Table 5: Gross Profit Ratio (Britannia v/s Marico Limited)

Year	Gross Profit Ratio (Britannia)	Gross Profit Ratio (Marico Limited)
2011-12	5.10	13.44%
2012-13	5.97	15.91%
2013-14	8.71	19.48%
2014-15	12.43	15.62%
2015-16	14.38	19.08%
Average	9.32	16.71%

Source: Britannia Annual Reports and Marico Limited Annual Reports

Figure 5: Gross Profit Ratio (Britannia v/s Marico Limited)



Y Axis: Gross Profit Ratio in %

Table 5 and figure 5 shows gross profit ratio of Britannia and Marico Limited. Above table and figure

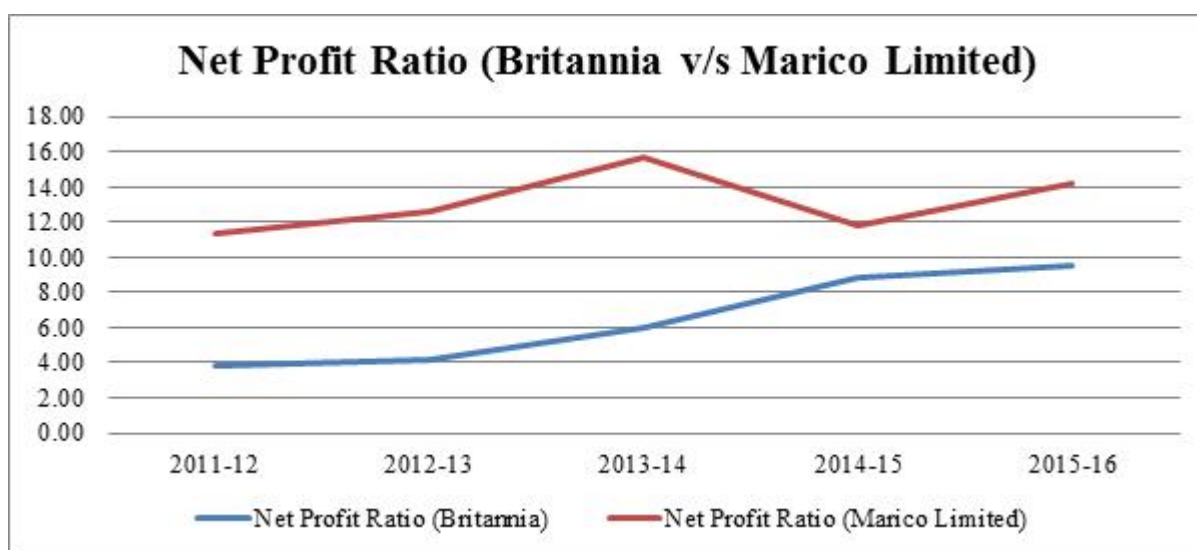
clearly represents that Marico Limited has an edge over Britannia in the context of gross profit ratio.

Table 6: Net Profit Ratio (Britannia v/s Marico Limited)

Year	Net Profit Ratio (Britannia)	Net Profit Ratio (Marico Limited)
2011-12	3.77	11.33%
2012-13	4.20	12.59%
2013-14	5.93	15.67%
2014-15	8.79	11.84%
2015-16	9.52	14.19%
Average	6.45	13.13%

Source: Britannia Annual Reports and Marico Limited Annual Reports

Figure 6: Net Profit Ratio (Britannia v/s Marico Limited)



Y Axis: Net Profit Ratio in %

Table 6 and figure 6 illustrate net profit ratio of Britannia and Marico Limited and reveals the fact that net profit ratio of Marico Limited is better in comparison to net profit ratio of Britannia.

CONCLUSION

Britannia and Marico Limited are major players in manufacturing and selling of FMCG products in India. Both the companies are able to generate good amount of gross profit and net profit. Gross profit and net profit of Britannia stood at an average of Rs. 628.27 crores and 432.79 crores respectively whereas gross profit and net profit of Marico Limited stood at an average of Rs. 666.74 crores and 519.79 respectively. Gross profit ratio and net profit ratio of both the companies are satisfactory but it can be said that Marico Limited is in a better position than Britannia as far as gross profit ratio and net profit ratio are concerned.

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