



A STUDY ON FINANCIAL PERFORMANCE OF BRITANNIA INDUSTRIES LTD

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ABSTRACT

The term 'Analysis Of Financial Performance' also known as 'analysis of preparation of financial statements' refers to the process of determining financial strength and weakness of the firm by establishing relationship between the items of the balance sheets and the profit and loss account. The study used 5 years of Britannia Industries' secondary data and main objective is to find out the financial performance of the industry that can be helpful in finding the growth aspects. The various tools like current ratio, net profit ratio, inventory turnover ratio and other performance ratios were used for the study. The suggestions reveal the company should take necessary steps to earn regular income and thus maintain consistent profitability performance. Finally, the study reveals there was gradual rise and fall in the growth of the company during the study period and it is satisfactory.

KEYWORDS: *liquidity performance, rise and fall, growth aspects*

1. INTRODUCTION

Financial statement refers to formal and original statements prepared by a business to disclose its financial information. Financial statements are prepared to satisfy external reporting obligations and also for decision purposes. They play a vital role in setting the framework of managerial decisions. Financial performance analysis includes analysis and interpretation of monetary statements in such how that it undertakes full diagnosis of the profitability and financial soundness of the business. It deals with the financial strength and weakness of the business concern accurately establishing a relationship between the balance sheet and income statement. These statements are the result of summarized process of accounting and are therefore the sources of data the basis of which conclusions are drawn about the profitability and therefore the financial position of the concern.

2. STATEMENT OF THE PROBLEM

Finance is the exiguous resources in India and hence it need to be utilized optimally. The efficient

performance of the firm depends on the well planning of the capital structure, investment and distribution. Any firm that fails to apply the sound principles of capital structure like cost control and the firm that fails to adopt the scientific tool of investment and distribution in managing funds will not be lasting in the long run. Further, the firm should apply the wealth maximization as criteria in taking financial decisions like financing, investment, working capital managing decisions, dividend policy decision etc. Since finance is the life blood and essential driving force of an enterprise, the importance of the timely appraisal of the performance of the firm cannot be ignored. Based on the above issues the researcher has provided the following questions:

1. How and when was Britannia Industries Ltd originated?
2. What is the profitability position of Britannia Industries Ltd?
3. What is the liquidity position of Britannia Industries Ltd?



3. OBJECTIVE OF THE STUDY

- To study the financial position of Britannia Industries Ltd over a period of five years in terms of profitability, liquidity and activity turnover.
- To analyze the profile of Britannia Industries Ltd.
- To present key findings of the study and to make suitable suggestions for the further successful survival of the company.

4. RESEARCH METHODOLOGY

Source of Data	Secondary data
Period of Study	2015-2016 to 2019 – 2020
Framework of analysis	Financial Statements
Tools and Techniques	Ratio analysis

5. STATISTICAL TOOLS

The following statistical tools were applied to analyse the statistical data collected for calculation of financial performance analysis:

Ratio Analysis

- Profitability Ratios
- Liquidity Ratios
- Activity Turnover Ratios

6. REVIEW OF LITERATURE

Divya Tellakula, Dr. P. Jaya Rami Reddy (2020), the study has been undertaken to analyze the equity shares. The study conducted for a period of one year covered from Feb 2019 to Jan 2020 with 5 companies in NIFTY IT. The variables included to measure is net EPS ratio, P/E ratio, Sharpe ratio, intrinsic values. From the analysis, it is concluded that investors need to consider

the risk factors and return potential of various companies.

M. Yasodha, P. Priyadharshini (2019), examined the comparative financial position of Britannia industries limited and nestle India limited. This study used secondary data for a period of two years (Jan 2016 – Dec 2017). The researcher suggested that both the companies can reduce their expenses so that they can have an increasing trend in profit after tax.

Dr. R. Malini & Dr. A. Meharaj Banu (2019), constructed a study on financial performance analysis of Indian tobacco Corporation limited. The main objective of the study is to assess the overall financial performance, to find out the efficiency of financial operations using secondary data. This study reveals that the financial performance is better. The company has to minimize operating expenses to get high net profit.

7. TABLE

Year	Current Ratio	Liquid Ratio	Cash Position Ratio	Net Profit Ratio (%)	Return On Investment Ratio (%)	Total Asset Turnover Ratio (%)
2015-16	1.30	0.97	0.38	9.81	39.41	240.33
2016-17	1.74	1.25	0.22	9.76	32.80	220.35
2017-18	1.91	1.52	0.63	10.12	29.48	191.09
2018-19	1.90	1.48	0.46	10.46	27.25	177.10
2019-20	1.43	1.14	0.44	12.01	31.36	147.91

- The current ratio was higher during 2017-18 with the ratio of 1.91 and it decreased with the ratio of 1.43 during 2019-20. Current ratio of 2:1 is satisfactory and the current ratio is not satisfied.
- The liquid ratio is higher during 2017-18 with the ratio of 1.52 and decreased with the ratio of 1.14 during 2019-20. The liquid ratio satisfactory level 1:1 and it is clear that liquid ratio is satisfied.
- The cash position ratio is higher during 2017-18 with the ratio of 0.63 and lower during 2016-17 with 0.22. The satisfactory level is 0.75:1 and it is not satisfied.
- Net profit ratio is higher during 2019-20 with 12.01% and lower during 2016-17 with



9.76%. It is clear that company has maintaining sound net profit margin.

- The return on investment ratio was higher during 2015-16 with the ratio of 39.41% and lower during 2018-19 with the ratio of 27.25%
- Total asset turnover ratio is higher with the ratio of 240.33 during 2015-16 and gradually decreased and reached 147.91 during 2019-20. It indicates the assets have not been properly utilized to generate maximum net sales.

8. SUGGESTIONS

- As the current ratio is less than the ideal ratio, the effective measures are to be taken to retain the inventories and other receivables accounts for an extended time.
- As the cash position ratio is less than the ideal ratio, the company should take effective measures to create more cash reserves to pay off its debts. They should increase its short term liquidity of the company, its helps to pay off the current dues.
- The earning capacity of the company regarding the net profit is good but it is very normal due to the higher expenditures and the profitability of the company had been normally increasing the total income from year to year. So the company should take necessary steps to earn regular income and thus maintain consistent profitability performance.
- The company should probably consider the use of the fund to invest other opportunities to get a profit rather than over investing on assets that have failed to produce revenue growth and have to utilize its existing total assets to generate net sales.

9. CONCLUSION

The analysis of the company was undertaken with the help of ratios, which are important tools of financial analysis. After the study of financial performance of Britannia Industries Ltd from various financial aspects like profitability, liquidity and activity, it can be concluded that profitability position of the company is more or less depends upon better utilization of resources, decreased expenses etc. and its satisfactory. As in the case of liquidity ratios, current ratio and cash position ratio was unable to even touch the ideal ratio, thus it have to increase short term liquidity to pay off its current dues. Finally, the study reveals there was gradual rise and fall in the growth of the company during the study period.

10. REFERENCE

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