An Empirical Study of Financial Performance Analysis with Special Reference to Godrej & Boyce Mfg. Co. Ltd.

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ABSTRACT

The current research is based completely on secondary information collected from annual reports of selected FMCG companies from 2013-14 to 2017-18. The primary goal of this research is to examine Godrej & Boyce Mfg. Co. Ltd.'s financial performance. In this study, researcher use various ratio of profitability and liquidity to achieve our objective of the study. The Descriptive Statistics and One-way ANOVA analysis have been used for analyzing the collected data. There is a significant difference between profitability ratios as well as liquidity ratios of Godrej & Boyce Mfg. Co. Ltd. Ltd.,

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INTRODUCTION

FMCG is an abbreviation for Fast Moving Consumer Goods. FMCG refers to products/items that are frequently purchased and consumed by consumers. FMCGs are various items that we use in our daily lives. FMCG products are those that are replaced within a year. Example

FMCG products include a diverse range of frequently purchased consumer goods such as toiletries, soap, cosmetics, tooth cleaning products, and detergents, as well as non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. Pharmaceuticals, consumer electronics, packaged food products, soft drinks, and chocolate bars are all examples of FMCG. A subset of FMCGs that includes cutting-edge electronic products such as mobile phones, MP3 players, digital cameras, GPS systems, and laptop computers.

FMCGs have an advantage over other industries in increasing revenues thanks to extensive development, new retail regulations, branding, and delivery networks. The entry of MNCs into the Indian market has posed a challenge to local FMCG companies, though. When determining whether a company will be able to pay its short-term debt obligations, liquidity levels are considered. The act of conducting financial operations is related to financial success. This paper gathers financial metrics for selected FMCG companies in India that is Godrej & Boyce Mfg. Co. Ltd. Ltd. and Marico Ltd.

OBJECTIVE OF THE STUDY

FMCG companies hold great importance for economic as well as social development of the country. The present study is conducted to evaluate the financial performance of the five leading FMCG companies, over a period of 5 years (2013-2014 to 2017-18). The specific objectives of the study are:

1. To study the profitability and liquidity trend of the Godrej & Boyce Mfg. Co. Ltd.

2. To make comparative analysis of the Godrej & Boyce Mfg. Co. Ltd. based on the various ratios.

SIGNIFICANCE OF THE STUDY:

This study is significant in the following ways:

1. This study performed with profitability and liquidity of Godrej & Boyce Mfg. Co. Ltd. company.

2. The selected company can know the comparative performance of profitability and liquidity of Godrej & Boyce Mfg. Co. Ltd. company.

3. Society can know the financial performance of the Godrej & Boyce Mfg. Co. Ltd. company.

HYPOTHESIS OF THE STUDY:

To evaluate the performance following null hypothesis were framed:

H_{01}: There is no significant difference in average profitability performance of Godrej & Boyce Mfg. Co. Ltd. company.

H_{02}: There is no significant difference in average liquidity performance of Godrej & Boyce Mfg. Co. Ltd. company.

LITERATURE REVIEW

Ranjit Kumar Paswan[i](2013) "Analysis of Solvency of Selected FMCG Companies in India", he found that ITC, Godrej & Boyce Mfg. Co. Ltd., Dabur, and Colgate has been able to repay its debt during the study period. DTR of Nestle and Colgate show the efficiency of debt management Debt to Total Asset Ratio of Godrej & Boyce Mfg. Co. Ltd. and Dabur shows that more asset of the co. is financed through debt.

Aartigarg[ii] (2015), "Profitability Analysis of FMCG Sector", the study was based on the objective, to analyse the comparative profitability of companies selected through ratio analysis and ANOVA and also to reveal that profitability of Dabur, Colgate Palmolive, and Marico was satisfactory in some aspects and of Britannia and Godrej not satisfactory in certain aspects. Therefore the companies should put more effort to strive for improved productivity and optimal utilization of available resources. Profitability in long run contributes to sustained growth of the company.

Mohmad and Syed[iii] (2016), "Liquidity & profitability performance analysis of selected telecom companies" The study aims to analyze the liquidity and profitability performance of selected Indian telecom companies (Bharti Airtel, and Vodafone India). They used ratios and indicators to measure the performance and identify the financial health status of the companies. The profitability ratios show that return on assets was higher in Vodafone than that of Bharti Airtel which means former has higher rate of profits. And in terms of return on equity also Vodafone has performed far better than Bharti Airtel.

And found that there was a vast difference in the performance of selected Telecom companies in terms of liquidity and profitability performance.

CONCEPTUAL FRAMEWORK

There are various opinions to evaluate the financial performance. Financial performance can be evaluated by the ratio. The present study took two main ratios for evaluating performance. First one is profitability and liquidity ratios.

Profitability Ratio: Profitability means the ability of unit to earn the profit. This can be measured through various ratios like Net Profit, Return on Net Worth and Return on Asset Ratio.

Liquidity Ratio: Liquidity means the time required for conversion of asset into cash. Liquidity plays an important role for the success of the business. The profitability of the unit is affected by the Liquidity. Liquidity of the unit can be major through various ratios like Current ratio, Quick ratio.

RESEARCH METHODOLOGY

Selection of sample

To evaluate the financial performance Godrej & Boyce Mfg. Co. Ltd. company has been selected.

Source of data

The study is done on the secondary data. The data gathered from respective sites of the company.

Period of the study

Present study conducted to evaluate financial performance of Godrej & Boyce Mfg. Co. Ltd. India company. The study conducted for the period 2013-14 to 2017-18.

Tools of analysis

For the data analyses, liquidity ratios, profitability ratios and ANNOVA test have been used. Here in this study following ratios have been used.

Profitability Management Performance		
Performance Drivers		**Performance Majors**
1.	Net Profit Ratio	Net Profit ÷ Annual sales
2	Return on Net Worth Ratio	Net Profit ÷ Net Worth
3	Return on Assets Ratio	Net Profit ÷ Net Assets

Liquidity Management Performance		
1	Current Assets Ratio	Current Assets ÷ Current Liabilities
2	Quick Assets Ratio	Liquid Assets ÷ Liquid Liabilities
3	Inventory Turnover Ratio	Cost of Sales ÷ Average Inventory

ANALYSIS AND INTERPRETAION

[1] Profitability Management performance:

1. Net Profit Ratio

year	Godrej & Boyce Mfg. Co. Ltd. Ltd.
2017-18	17.86
2016-17	15.37
2015-16	14.77
2014-15	13.84
2013-14	14.26
	15.22

(Source: Computed from annual reports of the selected units)

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	211.035	3	51.51		
Within Groups	58.488	1	2.97		
Total	267.523	21		17.65	2.85

Analysis and interpretation

From above ANOVA table it can be analyze that the table value of F is *2.865* and the calculated value for this ratio is *17.65* so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in net profit ratio of selected FMCG units during the study period.

2. Return on Net Worth Ratio

(Source: Computed from annual reports of the selected units)

Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	9347.168	4	2336.792		
Within Groups	2392.18	20	119.609		
Total	11739.35	24		19.24	2.816

From above ANOVA table it can be analyze that the table value of F is *2.816* and the calculated value for this ratio is *19.24* so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in return on net worth ratio of selected FMCG units during the study period.

3. Return on Assets:

Year	Godrej & Boyce Mfg. Co. Ltd. Ltd.
2017-18	13.71
2016-17	14.71
2015-16	13.29
2014-15	12.59
2013-14	12.49

(Source: Computed from annual reports of the selected units)

Hypothesis testing:

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	1087.77	4	271.9422		
Within Groups	208.14	20	10.40683	26.13	2.87
Total	1295.91	24			

From above ANOVA table it can be analyze that the table value of F is *2.866* and the calculated value for this ratio is *25.12* so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in return on net asset ratio of selected FMCG units during the study period.

[2] **Liquidity management performance**

1. Current Ratio:

Year	Godrej & Boyce Mfg. Co. Ltd. Ltd.
2017-18	1.02
2016-17	1.01
2015-16	0.87
2014-15	0.69
2013-14	1.14

(Source: Computed from annual reports of the selected units)

Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	5.986456	4	1.49621		
Within Groups	2.43776	20	0.121888		
Total	8.424216	24		12.28	2.82

From above ANOVA table it can be analyze that the table value of F is *2.866* and the calculated value for this ratio is *12.28* so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in current ratio of selected FMCG units during the study period.

2. Quick Ratio:

year	Godrej & Boyce Mfg. Co. Ltd. Ltd.
2017-18	0.67
2016-17	0.55
2015-16	0.57
2014-15	0.38
2013-14	0.63

(Source: Computed from annual reports of the selected units)

Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	0.725824	4	0.181456		
Within Groups	0.89288	20	0.044644		
Total	1.51704	24		3.04	2.82

3. From above ANOVA table it can be analyze that the table value of F is *2.82* and the calculated value for this ratio is *4.06* so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in quick ratio of selected FMCG units during the study period

Inventory Turnover Ratio:

Year	Godrej & Boyce Mfg. Co. Ltd. Ltd.
2017-18	8.45
2016-17	8.66
2015-16	9.05
2014-15	8.27
2013-14	6.68

(Source: Computed from annual reports of the selected units)

Hypothesis testing

For the test of hypothesis ANOVA test has been calculated as under:

Source of Variance	S.S.	D.F.	M.S.	F-ratio	5% Limit (from F table)
Between Groups	717.3804	4	179.3451		
Within Groups	45.10848	20	2.255424		
Total	762.4889	24		79.51	2.81

From above ANOVA table it can be analyze that the table value of F is *2.866* and the calculated value for this ratio is *78.52* so calculate value is higher than table value i.e. null hypotheses is rejected. So That Alternative Hypothesis is accepted, it means there is significant difference in inventory turnover ratio of selected FMCG units during the study period.

MAJOR FINDINGS

1. Net profit of Godrej & Boyce Mfg. Co. Ltd. Ind. Ltd shows increasing trend while net profit is fluctuating.

2. Return on Net Worth Ratio of highly decreasing of Godrej & Boyce Mfg. Co. Ltd..

3. Return on Asset of is highly decreasing.

4. Inventory Turnover Ratio of Godrej & Boyce Mfg. Co. Ltd.is improving.

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