

A Comparative Study On The Financial Performance Of Britannia And Parle

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ABSTRACT

Financial analysis helps in analysing the strengths and weakness of a firm. This study aims at comparing the financial performance of Britannia and Parle. The main objective of the study is to compare and analyse the profitability and liquidity position of Britannia and Parle. The tools used for this study are profitability and liquidity ratios. The secondary data like Profit and Loss account and Balance Sheet of the past five years are used for the analysis purpose. Therefore, we conclude this study with a note that the financial books of Parle has an upper hand over the financial books of Britannia.

KEY WORDS : Financial, Liquidity, Profitability, Analysis

INTRODUCTION

Financial analysis is the estimation of the viability, stability, and profitability of an organisation. It is an aspect of the overall financial function of the organisation's financial data. Also, financial analysis is the process of examining a company's performance in the areas of its industry and economic environment in order to arrive at a decision or financial plan.

Ratio analysis is the most commonly used tool for the analysis of financial performance. Ratio analysis is an important tool that serves for various purposes. It helps in determining the profitability and liquidity position of the firm. One of the most important features of ratio analysis is that it helps in simplifying the financial statements. It helps in understanding the strengths and weakness of the firm. With the use of ratio analysis financial data can be made more meaningful and easier. Ratio analysis is most importantly used by proponents of fundamental analysis.

REVIEW OF LITERATURE

S. Vijayalaksmi and et al (2017), made an attempt to analyse and study the financial performance of Bharti Airtel Ltd. The main objective of the study is to know the short-term and long-term financial position and profitability level of Bharti Airtel Ltd the study period was taken of five years from the year 2011 to 2016. Ratio analysis is the main tool used for this study. The study concluded that the company was maintaining good financial performance and this can be improved by concentration on its operating, distributive, administrative and selling expenses.

S. Saigeetha and DR. S.T. Surulivel (2017), The researcher conducted a study on “A study on financial performance using ratio analysis of BHEL, Trichy”. The objective of the study was to analyse the performance by primarily focusing on ratio analysis tool and to identify the feasibility level. The conclusion of the study was that there was increase in cost and decrease in sale resulting in decline of gross profit and net profit. Therefore, the company should increase the sales by reducing the cost which will gradually help in the profitability position.

STATEMENT OF PROBLEM

Financial analysis is the important essence of an organisation. Analysis of the financial performance helps to take various decisions regarding operations of the firm. The financial analysis shall be evaluated by using financial data. The financial performance of an organisation shall be measured periodically to analyse the performance of various departments. The present study aims at analysing and comparing the profitability and liquidity position of the firm.

OBJECTIVE OF THE STUDY

- To analyse and compare the profitability position of the company
- To analyse and compare the liquidity position of the company

RESEARCH METHODOLOGY

Research methodology is a systematic study that helps in collecting and analysing various information and data. Research methodology helps in understanding a problem and provides clarity about the problem. Under research methodology various tools shall be used

to analyse the need for the study. The significance of research methodology is that it helps in solving various operational and planning problems. The preparation of the project is with the help of secondary data. It includes annual reports, internal records, journals and magazines. The tools used are ratio analysis of five years from 2015-2019. The research methods used for the study are:

- Liquidity ratios
- Profitability ratios

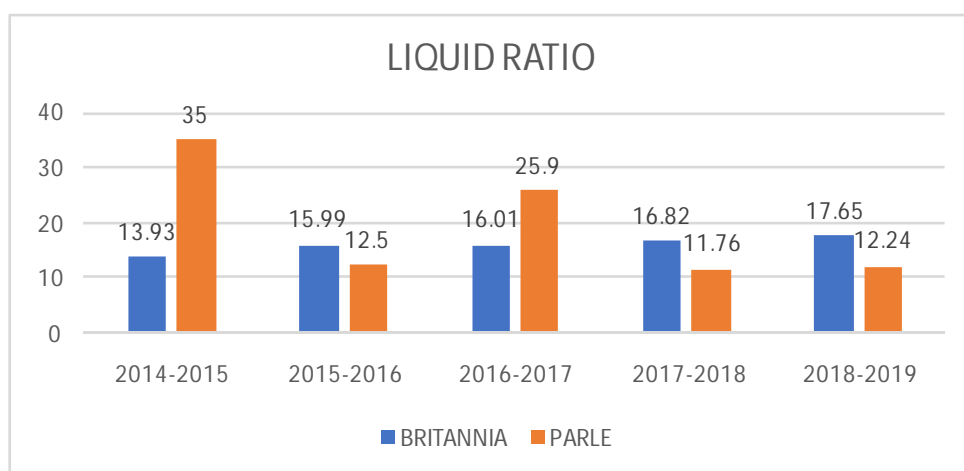
ANALYSIS AND INTERPRETATION

LIQUID RATIO

FORMULA: LIQUID RATIO=LIQUID ASSETS/LIQUID LIABILITIES

TABLE NO:2

YEAR	LIQUID ASSETS		LIQUID LIABILITIES		LIQUID RATIO	
	BRITANNIA	PARLE	BRITANNIA	PARLE	BRITANNIA	PARLE
2015	1083.56	1.75	1202.45	0.06	0.9	29.16
2016	1033.38	1.81	1342.7	0.07	0.76	2.38
2017	1402.27	1.9	1089.42	0.09	1.28	1.48
2018	2172.94	0.1	1366.03	0.13	1.59	0.76
2019	2351.38	0.54	1582.36	4.69	1.48	0.11



The above table indicates that the liquid ratio is highest with 29.16 times in the year 2015-2016 and lowest with 0.11 times in the year 2018-2019 for parle. The liquid ratio is

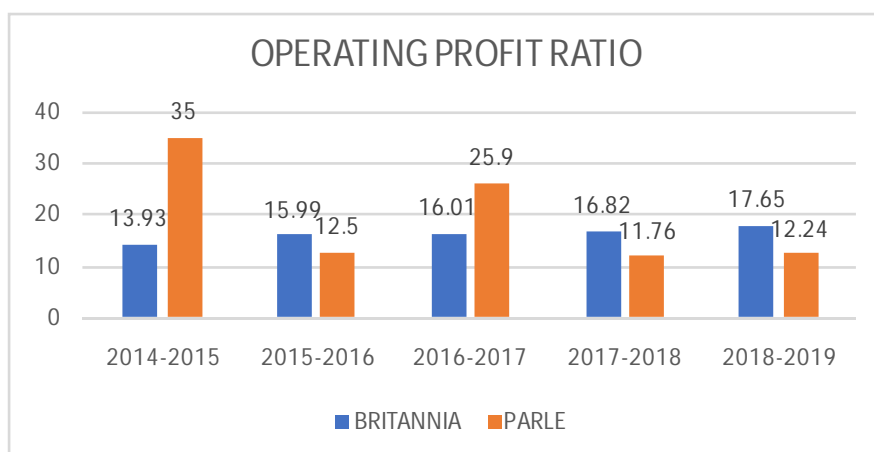
highest with 1.59 times in the year 2018-2019 and is lowest with 0.76 in the year 2016-2017 for Britannia. The ideal liquid ratio is 1:1. The average liquid ratio is 6.77 times which is above the normal standard. The liquid ratio comparing Britannia and parle company, Britannia has lower liquid ratio. It means that the Britannia company is having less chance of meeting its short-term obligations.

OPERATING PROFIT RATIO

FORMULA: OPERATING PROFIT/NET SALES *100

TABLE NO:3

YEAR	OPERATING PROFIT		NET SALES		OPERATING PROFIT RATIO	
	BRITANNIA	PARLE	BRITANNIA	PARLE	BRITANNIA	PARLE
2015	1001.09	0.07	7175.99	0.2	13.95	35
2016	1238.17	0.03	7731.7	0.24	16.01	12.5
2017	1348.93	0.07	8414.37	0.27	16.03	25.9
2018	1566.41	0.02	9304.06	0.17	16.83	11.76
2019	1852.65	1.78	10482.45	11.35	17.67	15.68



The above table indicates that the operating profit ratio is the highest with 35% in the year 2015-2016 and lowest with 11.76% in the year 2018-2019 for parle. The operating profit ratio is highest with 17.67% in the year 2019-2020 and is lowest with 13.95% in the year 2015-2016 for britannia. Higher profitability percentage shows higher profitability position of the firm and lower profitability percentage shows lower profitability position of the firm. The

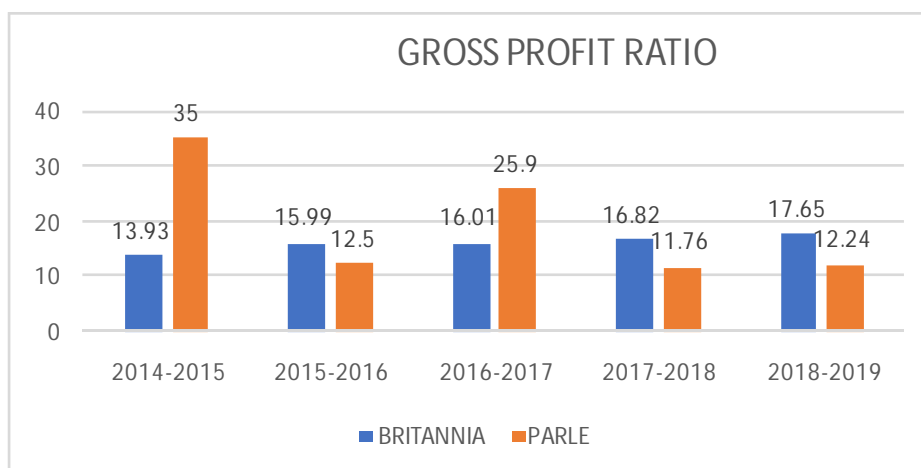
operating profit ratio comparing britannia and parle company, parle has higher operating profit ratio. It means that the parle company's profitability position is higher as compared to britannia.

GROSS PROFIT RATIO

FORMULA: GROSS PROFIT/NET SALES *100

TABLE NO:4

YEAR	GROSS PROFIT		NET SALES		GROSS PROFIT RATIO	
	BRITANNIA	PARLE	BRITANNIA	PARLE	BRITANNIA	PARLE
2015	999.88	0.07	7175.99	0.2	13.93	35
2016	1236.92	0.03	7731.7	0.24	15.99	12.5
2017	1347.59	0.07	8414.37	0.27	16.01	25.9
2018	1564.96	0.02	9304.06	0.17	16.82	11.76
2019	1851.11	1.39	10482.45	11.35	17.65	12.24



The above table indicates that the gross profit ratio is highest with 35% in the year 2015-2016 and lowest with 11.76% in the 2018-2019 for parle. The gross profit ratio is highest with 17.65% in the year 2019-2020 and is lowest with 13.93% in the year 2015-2016 for britannia. Higher gross profit indicates that there is reasonable profit and lower gross profit indicates unable to control the cost. The gross profit ratio comparing britannia and parle

company, britannia has lower gross profit ratio. It means that the britannia company's cost control is difficult compared to parle.

FINDINGS

- The liquid ratio comparing britannia and parle company, britannia has lower liquid ratio. It means that the britannia company is having less chance of meeting its short term obligations.
- The operating profit ratio comparing britannia and parle company, parle has higher operating profit ratio. It means that the parle company's profitability position is higher as compared to britannia.
- The gross profit ratio comparing britannia and parle company, britannia has lower gross profit ratio. It means that the britannia company's cost control is difficult as compared to parle.

SUGGESTIONS

- * To increase the liquidity position of britannia, the working capital management could be made more efficient.
- * The sales turnover of britannia and parle could be improved by implementing various promotional activities.
- * The cost structure of britannia could be improved by reducing the prices of products.

CONCLUSION

The study conducted on ratio analysis of britannia and parle has provided clarity on the liquidity and profitability position. Comparing the performance of britannia and parle, parle performs better and has higher liquidity and profitability position. The financial performance of britannia shall be increased using various methods.

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