



COMPARATIVE STUDY ON NESTLE INDIA LIMITED AND BRITANNIA INDUSTRIES LIMITED

Dr. M. Yasodha	Assistant Professor, Department of Professional Accounting, PSGR Krishnammal College for Women,
P. Priyadarshini*	Department of Professional Accounting, PSGR Krishnammal College for Women, *Corresponding Author
R. Priyanka	Department of Professional Accounting, PSGR Krishnammal College for Women,
P. Rethanya	Department of Professional Accounting, PSGR Krishnammal College for Women.

ABSTRACT Ratios analysis is used for comparing a firm's financial performance with industry averages. The computation of ratios helps the comparison of firms which differ in size. This article has center focus on determining the efficiency and solvency position of Nestle India Limited and Britannia Industries Limited. The study conducted is based on secondary data and it cover two years period. The financial information used in this article is taken from the official website of the company. The study proves that as relating to turnover ratios Britannia Industries Limited is highly efficient and relating to solvency ratios Britannia Industries Limited has better solvency position as comparing to Nestle India Limited

KEYWORDS : Ratio analysis, Turnover ratios, Solvency ratios, Solvency position.

INTRODUCTION

Ratio Analysis as a tool that carries several important features. In addition, ratios can be used in a form of trend analysis to areas where performance has enhanced or reduced over time. Ratio Analysis should only be used as a first step in financial analysis, to gain a quick explanation of a firm's performance and to find areas which need to be checked further.

Ratios analysis helps investors in three ways. Ratio analysis commonly information given in companies financial statements. Investors can easily get data from a few ratios rather of trying to understand entire statements. Each type of ratio analyzed over a long period can point to a crack in the working of a business. The analysis can also anticipate the future achievement of a company in a particular aspect of business. Ratios not only help analyses the act of one company but also aid a contrast of the performances of two or more companies within an industry or a sector.

OBJECTIVES

- To determine how efficiently the entity has generated revenue by using its resources
- To determine the solvency position and the entity's ability to pay its long term debts.

RESEARCH METHODOLOGY

The information used is obtained from the financial statement of Nestle India Limited and Britannia Industries Limited. The financial data used in this paper is secondary data and it is collected from the official website of Nestle India Limited (www.nestle.in) and Britannia Industries Limited (www.britannia.co.in). The study is conducted for a 2 years period i.e. from January 2016 to December 2017 for Nestle India Limited and from April 2016 to March 2018 of Britannia Industries Limited. Ratio analysis is used for to analyze the efficiency and solvency position of the companies.

SIGNIFICANCE OF TURNOVER AND SOLVENCY RATIOS

Solvency ratios demonstrate a company's viability in the long term whether it can meet its long term agreement to creditors and continue itself. Solvency ratios help us for comparing the debt of a company with its equity, earnings, and assets. The Turnover Ratios part the ability of investments made by the firm in the form of revenues and the cost of sale created during a period of time. These ratios show the relationship between the revenues or cost of sales caused because of the investment activities undertaken.

LIMITATIONS OF THE STUDY

- Secondary data is used for the study.
- Financial information in the balance sheet and the statement of profit and loss is used.

REVIEW OF LITERATURE

1. Florenz C. Tugas (2012)¹ evaluated the financial ratio of listed education subsector or and the study evidenced that in terms of market value Centro Escolar University and Far Eastern University is superior in the terms of liquidity, activity and profitability Far Eastern University is more acceptable, in the terms of leverage Malayan college is preferable

2. Maryam Mohammadi & Afagh Malik (2013)² specified the overall KNM group's performances in the terms of profitability, liquidity and credit quality declined due to deterioration in the operating environment.

3. Anis Ali & Mohammad Indadul Haque (2014)³ the study identified the strength and the weakness of the companies, their position in the market and it is concluded that operational and financial position of Sahara Petrochemicals Co had shown the satisfactory position.

4. Ms. Padma (2016)⁴ analyzed the liquidity ratio, activity ratio and profitability ratio of selected steel sector industries and it is founded that the financial position of APL Apollo steel and Tata steel is performing better while compared to the other steel companies.

5. Sharmila .S (2016)⁵ the study suggested that too much of investment in current assets should not be made as it will lead to blockage of funds.

ANALYSIS AND INTERPRETATION

TURNOVER RATIOS

TABLE 1:

PARTICULARS	TURNOVER RATIOS			
	NESTLE INDIA LIMITED		BRITANNIA INDUSTRIES LIMITED	
	Dec-16	Dec-17	Mar-17	Mar-18
TOTAL ASSETS TURNOVER RATIO	1.395	1.377	2.32	2.005
FIXED ASSETS TURNOVER RATIO	3.253	3.739	9.869	7.532
CAPITAL TURNOVER RATIO	1.835	1.727	3.29	2.844
WORKING CAPITAL TURNOVER RATIO	5.766	4.146	9.369	6.619
INVENTORY TURNOVER RATIO	10.762	10.983	17.387	15.497

Total Assets Turnover Ratio

A measure of total assets utilization. This ratio will answer the question

“What sales are being generated by each rupee's worth of assets invested in the business?” This indicates that Britannia Industries Limited is better and there is a decreasing trend in the total assets turnover ratio as comparing to the previous year of the companies respectively.

While collating both the companies for the year 2016-17 Britannia Industries Limited shows high result the year 2017-18 Britannia Industries Limited shows high. This shows that Britannia Industries Limited has more sales as regarding to their investment in assets

Fixed Assets Turnover Ratio

This ratio is about fixed assets capacity. Reducing sales of profit being generated from each rupee invested in fixed assets may indicate overcapacity or poorer performing equipment. This proves that Britannia Industries Limited earns more for each rupees invested in the fixed assets of the company.

By contrasting both the companies for the year 2016-17 Britannia Industries Limited has highest ratio, for the year 2017-18 Britannia Industries Limited has highest ratio. This proves that Britannia Industries Limited earns more for each rupees invested in the fixed assets of the company.

Capital Turnover Ratio

This indicates the firm's ability to earn sales per rupee of long term investment. This shows that Britannia Industries Limited has high sales generating capacity for each rupees of long term investment.

While comparing both the companies for the year ended 2016-2017. Britannia Industries Limited has highest ratio and for the year ended 2017-18 Britannia Industries Limited shows high ratio. This shows that Britannia Industries Limited has high sales generating capacity for each rupees of long term investment.

Working Capital Turnover Ratio

It measures the effectiveness of the firm to use working capital. This manifest that the Britannia Industries Limited is highly efficient to use its working capital.

While comparing both the companies for the year ended 2016-17 Britannia Industries Limited and for the year ended 2017-18 Britannia Industries Limited reveals highest ratio. This manifest that the Britannia Industries Limited is highly efficient to use its working capital.

Inventory Turnover Ratio

It measures the effectiveness of the firm to manage its inventory. This presents that the Britannia Industries Limited is highly efficient to manage its inventory.

As studying both the companies for the year ended 2016-17, Britannia Industries Limited and for the year ended 2017-18, Britannia Industries Limited showed highest ratio. This presents that the Britannia Industries Limited is highly efficient to manage its inventory.

SOLVENCY RATIOS

TABLE 2:

PARTICULARS	SOLVENCY RATIOS			
	NESTLE INDIA LIMITED		BRITANNIA INDUSTRIES LIMITED	
	Dec-16	Dec-17	Mar-17	Mar-18
EQUITY RATIO	1.864	1.642	0.921	0.736
DEBT RATIO	73.3	67.15	42.74	42.68
DEBT EQUITY RATIO	39.33	40.88	57.97	46.42
DEBT TO TOTAL ASSETS RATIO	55.71	53.54	30.14	30.08
PROPRIETARY RATIO	44.28	46.45	69.85	69.91

Equity Ratio

It indicates owner's fund in companies to total fund invested. This demonstrates that Nestle India Limited has more owners fund at company to that of total fund invested.

While correlating both the company for the year 2016-17 Nestle India Limited and for the year 2017-18 Nestle India Limited depicts high equity ratio. This demonstrates that Nestle India Limited has more owners fund at company to that of total fund invested.

Debt Ratio

It is an indicator of use of outside funds. This specifies that the Nestle India Limited has high usage of outside funds.

By comparing both the companies for the year 2016-17 Nestle India Limited and for the year 2017-18 Nestle India Limited designates high ratio. This specify that the Nestle India Limited has high usage of outside funds

Debt Equity Ratio

It indicates the composition of capital structure in terms of debt and equity. This indicates that Nestle India Limited has the best capital structure As correlating both the company for the year 2016-17 Nestle India Limited and for the year 2017-18 Nestle India Limited has the lowest debt equity ratio. This indicates that Nestle India Limited has the best capital structure.

Debt to Total Assets

It measures how much of total assets is financed by the debt. This proves that Nestle India Limited has financed its assets mostly with its debts.

While studying both the company for the year 2016-17 Nestle India Limited and for the year 2017-18 Nestle India Limited indicates highest debt to total assets ratio. This proves that Nestle India Limited has financed its assets mostly with its debts.

Proprietary Ratio

It measures the proportion of total assets financed by shareholders. This assures that most of the total assets of Britannia Industries Limited are financed by its shareholders.

While approaching both the companies for the year 2016-17 Britannia Industries Limited and for the year 2017-18 Britannia Industries Limited results highest ratio. This assures that most of the total assets of Britannia Industries Limited are financed by its shareholders.

CONCLUSION

As considering the entity's efficiency to use its resources to earn revenue Britannia Industries Limited has earned more revenue as comparing to Nestle India Limited. The solvency position of Britannia Industries Limited is better as comparing to Nestle India Limited. Nestle India Limited has to increase their operational level to generate more revenue. Nestle India Limited must reduce their outside liabilities or they must increase their share capital. The outside liabilities are more as compared to share capital which is not a good capital structure.

REFERENCES

1. Maryan Mohammadi and Afagh Malik (2012)1: An Empirical Study of Financial performance evaluation of a Malaysian Manufacturing Company, Academic Science journal, ISSN: 2285-8067, Volume: 1, Issue: 1, Pg.No.95-102.
2. Florenz C Tugas (2012)2: A Comparative analysis of the financial ratios of listed firms belonging to the Education subsector in the Philippines for the year 2009-2011, International journal of Business and Social Science, Volume: 3, Issue: 21, Pg.No.173-190.
3. Anis Ali and Mohammad Imdadul Haque (2014)3:A Comparative Study of National Petrochemicals Company and Sahara Petrochemicals Company of Saudi Arabia, International journal of management academy, Volume: 2, Issue: 4, Pg.No.53-61.
4. Ms. Padma (2016)4: A Comparative Study of selected Steel Sector Industries, KAAV International journal of economics, commerce & business management, ISSN: 2348-4969, Volume: 3, Issue: 2, Pg.No.1-10.
5. Sharmila .S (2016)5: An Empirical Study on Balance sheet analysis, proceedings of the Fifth European Academic Research Conference on Global Business, Economics, Finance and Banking, ISBN: 978-1-943579-44-0, Pg.No.1-15.

Books

6. Financial management, Dr. Anil Kumar Dagat, Dreamtech press
7. Cost accounting, R. Palaniappan & N. Hariharan, VK publication
8. Cost and management accounting, Anil Tandon, Pankaj publications

Websites

9. www.britannia.co.in
10. www.nestle.in
11. www.toppr.com
12. www.accountingcoach.com