

## **COMPARATIVE STUDY OF FINANCIAL ANALYSIS OF FOOD PROCESSING INDUSTRY**

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### **Abstract**

The term 'Food Processing' is mostly characterized as an interaction of significant worth expansion to the agrarian or agricultural produce by different strategies like reviewing, arranging and bundling. It is a method of assembling and saving food substances in a compelling way so as to upgrade their time span of usability; improve quality and make them practically more helpful. It covers range of items from sub-areas involving agribusiness, agriculture, estate, creature cultivation and fisheries.

### **Introduction**

Food Processing Industry has an extraordinary importance for India's advancement on account of the indispensable linkages and cooperative energies it advances between the two mainstays of our economy, industry and agribusiness. The quick development in the food preparing area and synchronous improvement in the advancement of significant worth chain are likewise vital to accomplish ideal terms of exchange for Indian horticulture both in the homegrown and the global business sectors.

### **Food Processing in a Nutshell:**

There are different stages of processing of food as depicted hereunder –

- Supply Chain in Food Processing Industries
- Inputs
- Production
- Procurement and Storage Primary
- Processing Secondary
- Processing Retailing

Primary Processing relates to conversion of raw agricultural produce, milk, meat and fish into a commodity that is fit for human consumption. It includes steps such as cleaning, grading, sorting, packing etc. Food Processing Industries usually deal with higher levels of processing where new or higher value food products are manufactured. From

an analytical perspective, food processing can be viewed as different levels of processing – primary, secondary and tertiary.

### **Hence processing includes –**

- a) **Manufactured Processes:** If any raw product of agriculture, animal husbandry or fishing is transformed through a process [involving employees, power, machines or money] in such a way that its original physical properties undergo a change and if the transformed product is edible and has commercial value, then it comes within the domain of Food Processing Industries.
- b) **Other Value-Added Processes:** If there is significant value addition (increased shelf life, shelled and ready for consumption etc.) such produce also comes under food processing, even if it does not undergo manufacturing processes.

- Primary Processing
- Secondary Processing
- Tertiary Processing

### **Company Analyses**

Parag Milk Foods Limited

- ✚ Parag Milk Foods is one of India's biggest dairy FMCG player with a variety of milk and milk-based items from 100% cow's milk. It drives the dairy FMCG space with a few imaginative and one of a kind worth added items that meet the shoppers changed necessities.
- ✚ Parag Milk Foods began as a dairy in Manchar with a 20,000-liter limit in 1992. It focused on a specialty fragment, creating skimmed milk powder and by 2004 turned into India's biggest exporter of the skimmed milk powder. Nonetheless, the organization confronted a test when the Government of India restricted fare of milk powder by virtue of neighborhood milk deficiency. From there on the organization started putting resources into cheddar creation in

2008. The organization put resources into another office to deliver 1200 metric huge loads of cheddar month to month when the nation just created 600 metric huge loads of cheddar a month. Subsequently, there was a gigantic expansion in cheddar utilization in India with the extension of snappy assistance eateries in the country.

- ✚ In 2016, the organization turned public with an Initial Public Offering posting on National Stock Exchange and Bombay Stock Exchange.
- ✚ The organization's brands incorporate Gowardhan, Go, Pride of Cows and Topp Up. The organization dispatched the Go

brand in 2009, Pride of Cows in 2012 and Topp Up in 2013. The organization sells milk, ghee, dahi and paneer under the Govardhan brand and cheddar, milk, chaas, lassi, yogurt under Go brand. The organization is India's second-biggest maker of cheddar under its image Go and the country's biggest maker of cow ghee under its image Govardhan.

- ✚ In 2019, the Parag Milk Foods presented Whey protein created from cow milk and marked under Go Protein Power and Avvatar. The organization likewise sells milk-based caffeinated drinks under the brand Topp Up.



- It is one of India's driving food organizations with a 100-year inheritance and yearly incomes in overabundance of ₹ 9000 Cr. Britannia is among the most believed food brands, and makes India's number one brands like Good Day, Tiger, NutriChoice, Milk Bikis and Marie Gold which are easily recognized names in India. Britannia's item portfolio incorporates Biscuits, Bread, Cakes, Rusk, and Dairy items including Cheese, Beverages, Milk and Yogurt.
- Britannia invests wholeheartedly in having remained consistent with its philosophy, 'Eat Healthy, Think Better'. Having eliminated more than 8500 tons of Trans Fats from items, Britannia turned into India's initial Zero Trans Fat Company. More than half of the Company's portfolio is enhanced with fundamental miniature supplements which support the body.
- The organization set up the Britannia Nutrition Foundation in 2009, and started chipping away at public private association to address unhealthiness among under-special youngsters and ladies.
- Brand Britannia is recorded among the most believed, important and famous brands in different studies directed by esteemed associations like Millward Brown, IMRB, WPP Group and Havas Media Group to give some examples.

**Britannia Industries Limited**

- Britannia Industries Limited is an Indian food-items partnership. Established in 1892 and settled in Kolkata, it is one of India's most seasoned existing organizations. It is presently important for the Wadia Group headed by Nusli Wadia. The organization sells its Britannia and Tiger brands of rolls, breads and dairy items all through India and in excess of 60 nations across the world.



Financial Analysis between Parag Milk Foods Limited & Britannia Industries

**Limited Net Worth:**

It is the measure of wealth of an entity, person, or corporation, as well as sectors and countries. It is defined as the difference between assets and liabilities and is an important metric to gauge a company's health and it provides a snapshot of the firm's current financial position.

The financial position and health of Parag Milk Foods Ltd is much better than that of Britannia Industries Ltd since the net worth of Parag Milk Foods Ltd (₹ 8271 mn) is more than Britannia Industries Ltd (₹ 4286 mn) as Parag Milk Foods Ltd had more assets and lesser liabilities than Britannia Industries Ltd.

**Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA):**

It is a measure of a company's overall financial performance and is used as an alternative to simple earnings or net income in some circumstances. It is a measure of profitability but, can be misleading because it strips out the cost of capital investments like property, plant, and equipment.

Parag Milk Foods Ltd was much more profitable than Britannia Industries Ltd since the EBITDA of Parag Milk Foods Ltd (₹ 2235 mn) was much higher than that of Britannia Industries Ltd (₹ 1802 mn) as Parag Milk Foods Ltd had more assets than which also increased their depreciation and amortisation amount and also, they paid higher taxes as compared to Britannia Industries Ltd.

**Revenue:**

The revenue of Parag Milk Foods Ltd (23957 mn) was higher than that of Britannia Industries Ltd (₹

10973 mn) as Parag Milk Foods Ltd had more done more sales and earned more income from other sources than Britannia Industries Ltd.

**Net Profit:**

It is the income generated from normal business operations and includes discounts and deductions for returned merchandise and it is the top line or gross income figure from which costs are subtracted to determine net income.

It is also called net earnings and is calculated as sales minus cost of goods sold, selling, general and administrative expenses, operating expenses, depreciation, interest, taxes, and other expenses and is a useful number for investors to assess how much revenue exceeds the expenses of an organization.

The net income of Parag Milk Foods Ltd (₹ 1207 mn) was higher than that of Britannia Industries Ltd (₹ 1155 mn) as Parag Milk Foods Ltd had lesser expenses and earned higher revenue than Britannia Industries Ltd.

**Earnings Per Share (EPS):**

It is the monetary value of earnings per outstanding share of common stock for a company and it is common for a company to report EPS that is adjusted for extraordinary items and potential share dilution. The higher a company's EPS, the more profitable it is considered.

The EPS of Parag Milk Foods Ltd (14.39) was lesser than that of Britannia Industries Ltd (48.25) which means that Britannia Industries Ltd is earning their income more of from shares of the company rather than sales of goods and from the investors point of view it is good to invest in Britannia Industries Ltd as one can expect higher returns from them.

**Return on Capital Employed (RoCE):**

It is a financial ratio that measures a company's profitability and the efficiency with which its capital is used and is considered an important profitability ratio and is used often by investors when screening for suitable investment candidates.

The RoCE of Parag Milk Foods Ltd (17.2%) was lower than that of Britannia Industries Ltd (43.93%) as Britannia Industries Ltd is getting higher returns from the market and it also means that they are doing a better job of deploying their capital and efficiently using it.

**Debt/Equity Ratio:**

It is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds i.e. it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn.

The D/E ratio of Parag Milk Foods Ltd (0.29%) was lower than that of Britannia Industries Ltd (5%) because Parag Milk Foods Ltd is mostly relied on sales for their earnings rather than its equity shares and had lesser debts as compared to Britannia Industries Ltd and higher D/E ratio of Britannia Industries Ltd means that they are taking higher risk than Parag Milk Foods Ltd for their financial growth by taking more debt.

**Return on Equity (RoE):**

It is a measure of financial performance calculated by dividing net income by shareholders' equity and is considered a measure of how effectively management is using a company's assets to create profits.

The RoE of Parag Milk Foods Ltd (14.6%) was lower as compared to Britannia Industries Ltd (30.17%) because Britannia Industries Ltd had higher EPS and are making better use of their assets for making profits and also financially they are growing at a good rate.

**Net Profit Margin:**

It is the ratio of net profits to revenues for a company or business segment and is typically expressed as a percentage but can also be represented in decimal form. It illustrates how much of each dollar in revenue collected by a company translates into profit.

The Net Profit margin of Parag Milk Foods Ltd (4.45%) was lower as compared to Britannia Industries Ltd (10.45%) as the operating costs and overheads costs of Parag Milk Foods Ltd was much higher which lowered their net profit margin although they have earned higher revenue from sales and also the net income decreased because of increase in interest and tax.

**Price Earnings Ratio:**

It is the ratio for valuing a company that measures its current share price relative to its per-share earnings. It is used by investors and analysts to determine the relative value of a company's shares in an apples-to-apples comparison and can also be used to compare a company against its own historical record or to compare aggregate markets against one another or over time.

The P/E ratio of Parag Milk Foods Ltd (18.21%) was lower than that of Britannia Industries Ltd (64.1%) because the market value of shares of Britannia Industries Ltd is higher and also, they were giving higher returns to the investors of their company as compared to Parag Milk Foods Ltd.

**Dividend Payout Ratio:**

It is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It provides an indication of how much

money a company is returning to shareholders versus how much it is keeping on hand to reinvest in growth, pay off debt, or add to cash reserves (retained earnings).

The Dividend Payout ratio of Parag Milk Foods Ltd (50.19%) was comparatively low as compared to Britannia Industries Ltd (161.88%) as Britannia Industries Ltd were most relied on the shares of their company for their income for which they were paying higher returns to their shareholders in form of the dividends.

**Return on Investment:**

It is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. It tries to directly measure the amount of return on a particular investment, relative to the investment's cost.

The ROI of Parag Milk Foods Ltd (18.84%) was higher as compared to Britannia Industries Ltd (3.16%) as the net profit generated by Parag Milk Foods Ltd was higher as compared to Britannia Industries Ltd for which they could give higher returns to their investors and not to the shareholders of the company and attract more investors to invest in their company.

**Accounts Receivable Turnover:**

It is an accounting measure used to quantify a company's effectiveness in collecting its receivables or money owed by clients. This ratio shows how well a company uses and manages the credit it extends to customers and how quickly that short-term debt is collected or is paid.

The ART ratio of Parag Milk Foods Ltd (38 days) was comparatively higher than Britannia Industries Ltd (10 days) which means that Parag Milk Foods Ltd was efficient in forming their policies for receiving their money and extending credit to the customers and mostly Parag Milk Foods Ltd operated on the cash basis as they had higher cash in hand amount than Britannia Industries Ltd.

**Inventory Turnover:**

It is a ratio showing how many times a company has sold and replaced inventory during a given period. This ratio can help businesses make better decisions on pricing, manufacturing, marketing and purchasing new inventory.

The IT ratio of Parag Milk Foods Ltd (108 days) was comparatively higher than Britannia Industries Ltd (47 days) which means that Parag Milk Foods Ltd was fast in selling its inventory to the customers and didn't had overstocking at any point of time and also the amount of inventory of Parag Milk Foods Ltd was comparatively low than Britannia Industries Ltd.

**Degree of Financial Leverage:**

It is a leverage ratio that measures the sensitivity of a company's earnings per share (EPS) to fluctuations in its operating income, as a result of changes in its capital structure. It indicates that the higher the degree of financial leverage, the more volatile earnings will be.

The DFL of Parag Milk Foods Ltd (0.78) was lower than Britannia Industries Ltd (0.95) which indicates that the EPS of Britannia Industries Ltd was more fluctuating and also, they had opted for a higher amount of debt in their capital structure.

**Dividend Yield Ratio:**

It is the ratio of a company's annual dividend compared to its share price. Depending on the source, the annual dividend used in the calculation could be the total dividends paid during the most recent fiscal year, the total dividend paid over the past four quarters, or the most recent dividend multiplied by four.

The DY ratio of Parag Milk Foods Ltd (38%) was comparatively lower than Britannia Industries Ltd (48%) as Britannia Industries Ltd earned their income majorly from the shares of the company and hence gave higher returns to the shareholders in return of investments.

**Current ratio:**

It is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year and It tells the investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

The Current ratio of Parag Milk Foods Ltd (1.69) was lower as compared to Britannia Industries Ltd (1.9) which indicated that Parag Milk Foods Ltd had lesser debts i.e. they didn't higher risk by taking higher loans from banks and borrowing more money from other parties and since both the companies had the current ratio of greater than one which means that both the companies were had enough cash in hand for meeting their short term obligations.

**Interest Coverage Ratio:**

The interest coverage ratio is a debt ratio and profitability ratio used to determine how easily a company can pay interest on its outstanding debt and is also called "times interest earned." Lenders, investors, and creditors often use this formula to determine a company's riskiness relative to its current debt or for future borrowing.

The IC ratio of Parag Milk Foods Ltd (4.33%) was very much lower than Britannia Industries Ltd

(195.49%) because Britannia Industries Ltd earned higher returns from their shares by which they were able to pay their interest on outstanding debt on time and in full and from the creditors point of view, they could easily lend their capital to the company without having any risk as the company share market price s increasing every year and their IC ratio was far better than other companies.

**Findings & Conclusion**

The Food Processing area offers a gigantic potential to development, pay and work age in India. It is likewise the biggest portion of the Micro, Small and Medium Enterprises (MSME) area. With different activities in the general population and private area, food preparing area in India has been creating at a consistent speed, yet it needs more changes and backing from the public authority as far as improved framework, markets, credits, appropriate strategy climate, and so on

In its FTAs, India is cutting obligations on many prepared food items like bundled drinking water, Aerated Soft Drinks, Oil Seeds, Other Vegetables, and so on; which means regardless of whether Indian agrarian items are getting secured in light of the fact that farming wares are generally in the negative rundown, obligations in numerous food handling items should be cut eventually. Therefore, the public authority needs to direct its exchange progression strategy, with the goal that it leaves sufficient space for its homegrown food industry to develop. Given the popularity for prepared food with expanding per capita pay in India, the homegrown food industry needs to catch the developing chance of market, in this way boosting their profits from it. They need to evaluate their own circumstance in regards to FTAs and campaign with the public authority to guarantee that their advantages are ensured in the short, yet in addition over the long haul.

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