

# A STUDY ON PERFORMANCE ANALYSIS OF SELECTED FMCG – FAST MOVING CONSUMER GOODS COMPANIES IN INDIA: THROUGH TRADITIONAL AND MODERN PERFORMANCE TOOLS

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## Abstract

**Purpose of the study:** Purpose of the study: purpose for conducting this research is to check the relationship and impact of profitability ratios (return on capital employed, return on net worth and net profit on market value added) of selected sample companies for the study period of 5 years from 2018-19 to 2022-23.

**Research methodology:** In this study period is of 5 years from 2018-19 to 2022-23. in this research article researcher has used three sample such as nestle, Britannia & Dabur company in the FMCG industry on the basis on net sales. Sample has been selected based on convenience sampling of non-probability technique. In tools and techniques one has to used analysis of variance, correlation and linear regression of two variable independent and dependent in which MVA has been considered as dependent variable and profitability ratios are considered as independent variable of the study.

### Findings/conclusion of the study

**Findings based on regression analysis:** In the nestle company net profit ratio has significant impact on market value added because p-value of net profit ratio is lower than 0.05 significant level. In the Britannia and in Dabur there are no any ratio which has impact on market value added means in all the ratio of above to two company's p-value are higher than 0.05.

**Findings based on analysis of variance:** In analysis of variance F-calculated value is higher than F-tabulated value so null hypothesis has been rejected and alternate hypothesis has to be fail to rejected/ accepted in all the profitability ratios in the period of the study.

**Keywords:** RONW-, return on net worth ROCE- return on capital employed, MVA- market value added, NP- net profit, nestle, Britannia & Dabur company

## 1. INTRODUCTION

Market value added is the difference between book value of the firm and market value of the firm. Stewart defined that MVA is the excess of market value of the capital (he has consider both types of capital that is equity and debt) than its book value. One presumption in calculating MVA is that market value of the firm is the sum total of market value of the equity and debt. V-(current market value of the firm) while K-(capital contributed by the shareholders of the firm)

### Market value added= V-K

If the difference is positive then it says that business has created value/wealth for its owner and if the difference is negative then it tells about company has destroy the wealth of shareholders of the company.

## 2. LITERATURE REVIEW

Title of the study was "The Effects of Economic Value Added and Intellectual Capital on the Market Value of Firms: An Empirical Study" this study is based on enhancement of ohlson's model by Applying the Eva. Sample of the study have been fourteen firms which are listed in Taiwan stock exchange. After conducting this study researcher has find that EVA is not as much better than that which is based on present generally accepted accounting principles, and it also explain about intellectual property don't provide the good information for evaluation of stocks.

This paper “analysis economic value added (EVA) dan market value added (MVA) terhadap harga saham pada perusahaan sektor ritel di bursa efek indonesia (bei) 2014 – 2017” main objective of the research study is to check the influence of economic value added and market value added on share prices. Sample company of this paper is retail companies which are listed in Indonesia stock exchange for the study period of 5 year from 2014-2017. Researcher has used non-participate observation method. In tools and technique researcher has been used multiple regression, hypothesis testing with student t-test and F-test.

Paper on “economic value-added dan market value added terhadap return saham” purpose of this study was to check the relationship between EVA and MVA with stock return. In tools and technique researcher has used regression to check impact of independent variable on dependent variable. In this study secondary data has been used from Jakarta Stock Exchange from 2005 to 2006. Findings of the study was EVA and MVA have not been significantly influenced on market return.

Has explained that title of the study was “Profitability or Liquidity: Influencing the Market Value The Case of Poland” in this study sample years was 10 years from 2000-2009. In tools and technique researcher used correlatio of pearson, T-test @ 95% level of significance.

has done paper on “Impact of social responsibility disclosure on accounting, economic and market based Measures Of corporate performance evaluation”. Aim for conducting this study was is there any relationship of CSR on corporate performance evaluation such as ROA, EPS, and EVA & MVA. Researcher has conducted study with sample size of 104 companies which are listed in Tehran stock exchange for the time period of ten years from 2006- 2015. In this research CSR was considered as independent variable and corporate performance tools were considered as dependent variable of the study. In tools and techniques one has to use multivariate regression for testing of hypothesis.

❖ **Research gap-** After go through of related literature review researcher has find that there are some scope to do research on sample companies of FMCG INDUSTRY in the study period from 2018-19 to 2022-23 on MVA. In this research article researcher has been used both tools traditional and modern. Traditional tool- PROFITABILITY RATIOS-(ROCA-return on capital employed, RONW- return on net worth, & NP RATIO- net profit ratio.

### 3. RESEARCH METHODOLOGY

#### 3.1 OBJECTIVES OF THE STUDY:

To know the profitability of selected sample companies in India

To check relationship between market value added and selected profitability ratios

To analyse impact of profitability ratios on market value added of selected sample companies in India

#### 3.2 HYPOTHESIS OF THE STUDY:

H<sub>0</sub>. there is no significance difference in profitability ratios of selected sample companies in India.

H<sub>0</sub>. there is no significant relationship between profitability ratios and market value added of selected sample companies in India.

H<sub>0</sub>. there is no significance impact of profitability ratios on market value added of selected sample companies in India.

#### 3.3 PERIOD OF THE STUDY:

In this research study researcher has been selected 5 years. (2018-19 to 2022-23)

#### 3.4 SCOPE OF THE STUDY:

Mainly Scope of the study has been divided in to two parts, 1) functional scope and 2) geographical scope. Above two scope has been explain below;

- **Functional scope:** Functional scope of the study has been “A study on performance analysis of selected FMCG – fast moving consumer good companies in India: through traditional and modern performance tools”

- **Geographical scope:**

In this research article researcher has selected most popular three FMCG companies which are manufacturing its goods in whole India so for that India is considered as geographical scope of the present study.

#### 3.5 SAMPLE SELECTION:

All the national stock exchange listed FMCG companies are considered as population of the study and out of which based on net sales researcher has conveniently selected three FMCG companies.

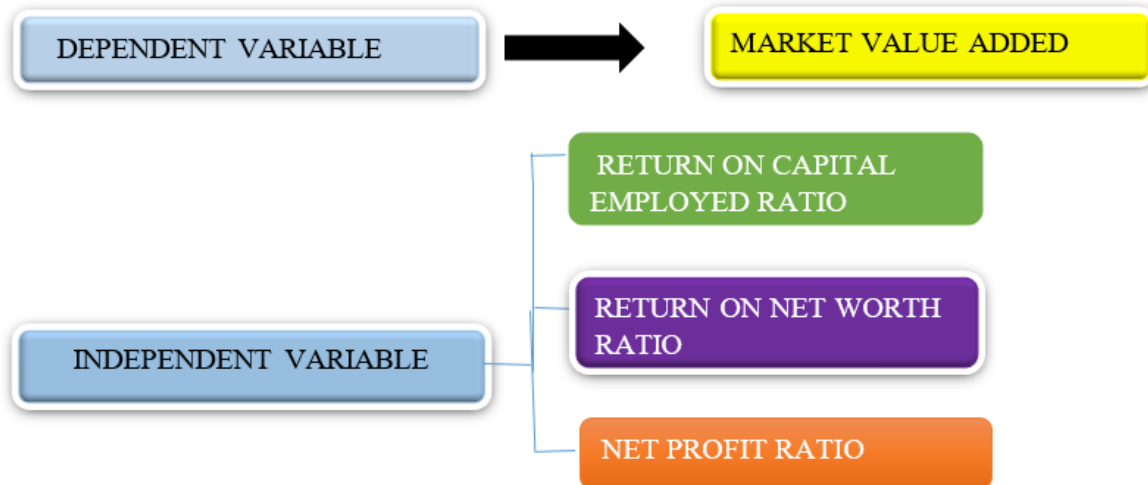
For sample selection, researcher had been used non- probability technique in specifically in that non-probability technique, one has used convenience sampling.

### 3.6 DATA COLLECTION:

In the research, data can be collected from two ways that is primary data collection and secondary data collection, out of which in this research paper researcher collected data from secondary data base that is from annual reports of the company, articles, website thesis.

### 3.7 VARIABLES OF THE STUDY:

Normally variables can be divided in to two parts that is dependent variable and independent variable. Researcher has consider MVA as dependent variable and others that are ROCE, and RONW & NET PROFIT RATIOS considered as independent variables, which are given below:



## 4. DATA ANALYSIS AND INTERPRETATION

**Table 4.1. Ratio Calculation**  
**NESTLE COMPANY LTD**

YEAR	MVA	ROCE RATIO	RONW RATIO	NP RATIO
2018-19	911035.47	40.76	43.74	14.23
2019-20	1177092.23	56.25	102.58	15.91
2020-21	1583731.30	55.05	103.12	15.59
2021-22	1748010.18	59.24	102.89	14.58
2022-23	1797302.72	57.81	97.20	14.14
<b><u>BRITAANIYA LTD</u></b>				
2018-19	1137962.39	40.49	27.25	10.46
2019-20	703024.73	36.81	31.85	12.01
2020-21	849783.34	59.71	52.53	14.08
2021-22	869074.49	66.18	59.60	10.72
2022-23	937109.64	54.05	65.69	14.23
<b><u>DABUR LTD</u></b>				
2018-19	726497.62	37.75	31.85	20.15
2019-20	777879.93	32.79	25.58	18.54
2020-21	879754.84	30.95	25.63	19.23
2021-22	1014435.87	30.47	24.43	17.51
2022-23	971293.4991	28.33	21.84	15.81

**Table 4.2 Correlation between MVA and profitability ratios**

Ratios	Nestle company		Britannia company		Dabur company	
	Correlation	Relationship	Correlation	Relationship	Correlation	Relationship

MVA with ROCE	0.829848	positive	-0.06286	Negative	0.86064	positive
MVA with RONW	0.741756	positive	-0.1567	Negative	0.80243	positive
MVA with NP RATIO	-0.14592	negative	-0.30789	Negative	0.7855	positive

Above table shows correlation between market value added and various profitability ratios. Market value added has positive relation with return on asset ratio in all the sample FMCG companies. MVA has positively related with return on capital employed in nestle and dabur sample company but in Britannia company MVA is negatively related with return on capital employed, this relationship is also present in correlation between MVA and return on net worth in selected above three sample. Net profit has negatively related with MVA in nestle and Britannia company and has positively related in dabur company.

**Table 4.3 REGRESSION OF ROCE WITH MVA**

Year	NESTLE COMPANY		BRITANNIA COMPANY		DABUR COMPANY	
	ROCE RATIO	MVA	ROCE RATIO	MVA	ROCE RATIO	MVA
2018-19	40.76	911035	40.49	1137962	37.75	726498
2019-20	56.25	1177092	36.81	703025	32.79	777880
2020-21	55.05	1583731	59.71	849783	30.95	879755
2021-22	59.24	1748010	66.18	869074	30.47	1014436
2022-23	57.81	1797303	54.05	937110	28.33	971293

**Table 4.4 REGRESSION OF RONW WITH MVA**

Year	NESTLE COMPANY		BRITANNIA COMPANY		DABUR COMPANY	
	RONW RATIO	MVA	RONW RATIO	MVA	RONW RATIO	MVA
2018-19	43.74	911035	27.25	1137962	31.85	726498
2019-20	102.58	1177092	31.85	703025	25.58	777880
2020-21	103.12	1583731	52.53	849783	25.63	879755
2021-22	102.89	1748010	59.6	869074	24.43	1014436
2022-23	97.2	1797303	65.69	937110	21.84	971293

**Table 4.5 REGRESSION OF NP WITH MVA**

Year	NESTLE COMPANY		BRITANNIA COMPANY		DABUR COMPANY	
	NP RATIO	MVA	NP RATIO	MVA	NP RATIO	MVA
2018-19	14.23	911035	10.46	1137962	20.15	726498
2019-20	15.91	1177092	12.01	703025	18.54	777880
2020-21	15.59	1583731	14.08	849783	19.23	879755
2021-22	14.58	1748010	10.72	869074	17.51	1014436
2022-23	14.14	1797303	14.23	937110	15.81	971293

**Table 4.6. Regression result of nestle company**

PARTICULARS	R <sup>2</sup>	P-Value	5% Significance level	Hypothesis (H0) accepted/ rejected)
ROCE with MVA	0.688647	0.08207	0.05	Accepted
RONW with MVA	0.550203	0.151285	0.05	Accepted
NP RATIO with MVA	0.021292	0.021292	0.05	Rejected

Above table show the regression model, from which research want to evaluate the cause and effect relationship between variables of the study. In this study profitability ratio such as ROCE, RONW and NP ratio is considered as cause and MVA is consider as effect. In nestle company net profit ratio has significant impact on MVA, because p-value (0.021292) is lower than 0.05.1. While ROCE and RONW has no significant impact on MVA during the study period.

Here in the nestle company R<sup>2</sup> that is coefficient of determination is equal to 0.688647 it shows that 68.86% of variation that has been arise in the MVA that can be explained by ROCE. Same as has 55.02% and 2.12% variation that has been arise in the MVA that can be explained by RONW and NP ratio respectively.

**Table 4.7 Regression result of Britannia Company**

PARTICULARS	R <sup>2</sup>	P-Value	5% Significance level	Hypothesis (H0) accepted/ rejected)
ROCE with MVA	0.003951	0.920019	0.05	Accepted

RONW with MVA	0.024553	0.801309	0.05	Accepted
NP RATIO with MVA	0.094795	0.614269	0.05	Accepted

Above table show the regression model, from which research want to evaluate the cause and effect relationship between variables of the study. In this study profitability ratios such as ROCE, RONW and NP ratio is considered as cause and MVA is consider as effect. In Britannia Company profitability ratios has not significantly impact on MVA, because p-value is of all the profitability ratios are higher than significant level. Here in the Britannia Company  $R^2$  that is coefficient of determination is equal to 0.39%, 2.4% and 9.4% of variation that has been arise in the MVA that can be explained by ROCE, RONW and NP ratio respectively.

**Table 4.8 Regression result of Dabur Company**

PARTICULARS	$R^2$	P-Value	5% Significance level	Hypothesis (H0) accepted/ rejected)
ROCE with MVA	0.740706	0.061127	0.05	Accepted
RONW with MVA	0.643899	0.643899	0.05	Accepted
NP RATIO with MVA	0.617015	0.115339	0.05	Accepted

Above table show the regression model, from which research want to evaluate the cause and effect relationship between variables of the study. In this study profitability ratios such as ROCE, RONW and NP ratio is considered as cause and MVA is consider as effect. In Britannia Company profitability ratios has not significantly impact on MVA, because p-value is of all the profitability ratios are higher than significant level. Here in the Britannia Company  $R^2$  that is coefficient of determination is equal to 0.74%, 64% and 61% of variation that has been arise in the MVA that can be explained by ROCE, RONW and NP ratio respectively.

#### ONE WAY ANOVA AS STATISTICAL TOOL

In this research article hypotheses testing has been done with way one-ANOVA test @ 5% level of significant.

**Table 4.9 one way Anova**

Ratios	F-value	F-Critical	H <sub>0</sub> Accept/ reject
ROCE RATIO	15.2641	4.256495	H <sub>0</sub> Rejected
ROA RATIO	6.78446	3.885294	H <sub>0</sub> Rejected
RONW RATIO	16.33895	3.885294	H <sub>0</sub> Rejected
NP RATIO	20.03138	3.885294	H <sub>0</sub> Rejected
MVA	8.250774	3.885294	H <sub>0</sub> Rejected

Above table shows one way analysis of variance of various profitability ratios of selected FMCG companies. In all the profitability ratios calculated value is higher than tabulated value @ 5 % level of significance, so it show that null hypothesis has been rejected in all the ratios of profitability and alternate hypothesis is accepted.

## 5. FINDINGS ON THE BASIS OF REGRESSION ANALYSIS AND ANOVA:

### 5.1 Findings based on regression analysis

In the nestle company net profit ratio has significant impact on market value added because p-value of net profit ratio is lower than 0.05 significant level. In the Britannia and in Dabur there are no any ratio which has impact on market value added means in all the ratio of above to two company's p-value are higher than 0.05.

### 5.1 Findings based on analysis of variance

In analysis of variance F-calculated value is higher than F-tabulated value so null hypothesis has been rejected and alternate hypothesis has to be fail to rejected/ accepted in all the profitability ratios in the period of the study.

## 6. CONCLUSION THE STUDY:

A wealth metric called market value added is used to calculate how much capital shareholders have invested over and above the company's present valuation. In short, it establishes whether the worth of the company has grown or declined since it was founded.

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