FINANCIAL PERFORMANCE OF SELECTED INDIAN FOOD PRODUCTS INDUSTRY DURING POST-REFORM PERIOD

Dr. D. Padma[1] & Mr. K. Prabhakaran[2]
[1]Associate Professor, Department of Commerce, Sree Saraswathi Thyagaraja College, Pollachi, Coimbatore, Tamil Nadu, India.
[2]Research Scholar, Department of Commerce, Sree Saraswathi Thyagaraja College, Pollachi, Coimbatore, Tamil Nadu, India

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ABSTRACT: *This study analysed the financial performance of selected Indian food products companies from 1991 to 2016. The industry maximum mean value was found in the interest coverage ratio at 1810.25 with a variation of 99.21, which implies that the industry's ability to honour its debt payment was satisfactory. All the ratios reported positive mean value in the Indian cement industry during the post-reform period. The growth rate was observed maximum in the operating leverage Ratio at 1.39 per cent, and the minimum growth rate was found in the fixed assets turnover ratio at 0.12 per cent. There are nine ratios growth rate was found to have a negative value in the Indian food products industry during the period under review.*

Key Words:

INTRODUCTION

India is the second leading food producer in the world after China. According to Government estimates for the financial year 2015-16, the country's total food market valued at $39.71 billion and it is projected to double in the next ten years. Having successfully attained self-sufficiency in food, India benefits from a marginal surplus in production and is among the leading global producers of fruits, vegetables, cereals, wheat, and milk. However, food products industry has strong agricultural production base, a significant amount of food product gets wasted in India due to insufficient infrastructures such as packaging storage, cold chain, facilities, transportation, and low levels of processing. According to the Ministry of Food Processing Industry (MoFPI), post-harvest losses account for 92,000 crores annually. Overall, less than 10 per cent of the total food production is processed into value-added products in India. When compared, the USA and China process 65 per cent and 23 per cent of their produce, respectively.

Similarly, other developing countries such as Thailand, Philippines, and Brazil process have as high as 30, 78, and 70 per cent of their produce. Recently, food processing accounts for one-third of the total food market in India. Food processing industry contributes 14 per cent of manufacturing into countries Gross Domestic Product (GDP) and 13 per cent to total food exports.

REVIEW OF EARLIER STUDIES

Amalendu et al. (2012) examined the impact of liquidity on the profitability of the FMCG companies in India. The FMCG industry has emerged as one of the largest sectors in the Indian economy by registering an astonishing double-digit growth rate in sales in the past couple of years. The study was based on secondary data collected from CMIE database from 2001 to 2010. For analysis, Normality test, descriptive statistics, correlation statistics and linear regressions were used. Results found that correlation and regression results are significantly positively associated with firm profitability.

Rais et al. (2013) analysed the food processing industry in India, its
S and T capability, skills, and employment opportunities. The factors used to study the food processing industry were S and T capability of the sector, its employment generation capacity and skills needed in the sector. The employment generation capacity of the sector is vast, but the industry is not working at its potential. The labour force is highly unskilled, with 80 per cent of them have low educational level i.e. 10th standard. The impact of a variety of policies and programmes undertaken by the government to develop food processing sector has not been encouraging. The state needs to strengthen its efforts in S&T capability, infrastructure support and skill set to develop the food processing industry.

Pasupathi (2013) found that the impact of the working capital on profitability. He examined by computing coefficient of correlation and regression between profitability ratio and working capital ratios.

He assessed the impact of working capital ratios on the profitability of Indian automobile industry from 1997-98 to 2011-12All the working capital ratios have shown a positive association with profitability. In the commercial vehicles sector CR and LR, in the passenger cars and multiutility vehicles sector CTR has shown a negative correlation, and in the two and three-wheelers sector, all the working capital ratios have shown a positive correlation with profitability ratio. To analyse the data simple statically tools such as 't' test and Karl Pearson's correlation coefficient were used to examine the interrelationship the variables and level of significance. The overall results of the model showed that the impact of working capital on the profitability of two and three-wheelers sector is encouraging.

Biswas et al. (2015) observed that there was an urgent need of substantially raising the technology levels of the Indian food manufacturing: processing, storage/ preserving, transporting, require primary upgradation of technology. This was required not only for exporting but also to serve the domestic market, prevent wastage, recovery of food nutrients, and serving the people around the year good quality food. Role of state in this process of technology development/up-gradation is more important; it must raise R&D activities and create various incentives for enterprises to adopt new or improved technology.

Bhanawat (2017) examined the financial performance of Indian cement industry. Profit earning was considered essential for the survival of the business. Both long term and short-term solvency ratios proved the solvency position and efficiency of the selected companies. The financial positions of the selected cement companies are satisfactory. The study concluded that the efficiency of a firm depends upon the working operations of the concern.

DATA AND METHODOLOGY

DATA

This study is based on the secondary data collected from the electronic database "Prowess" compiled by the Centre for Monitoring Indian Economy (CMEI). The database consists of data on various aspects of Indian manufacturing and is compiled from the annual reports submitted by the firms. The sample consists of 58 Indian food products companies between 1991 and 2016 with a total of 1874 observations[1].

PERIOD OF THE STUDY

The required data were collected for 1991 to 2016; the latest year for which the complete set of data available, thus, this study covers 26 years.

METHODOLOGY

This study estimates that the financial performance used various ratios in the selected Indian food products companies.

RESULTS AND DISCUSSION

Financial Performance of Select Indian Food Products Companies

Table 1 presents a comparative analysis of the financial performance of selected Indian food products companies from 1991 to 2016. In the post-reform period, the maximum mean value was found in the interest coverage ratio at 1810.25 with a variation of 99.21 followed by fixed assets turnover ratio witnessed at 467.43 with the low variation of 12.96 and current assets turnover ratio observed to be 337.95 with the variation of 34.58. The minimum mean value was found in return on total assets ratio at 1.12 while there was a high variation of 969.75 during the study period. All the ratios reported positive mean value in the Indian food products industry.

Table 1
Financial Performance of Select Indian Food Products Companies during 1991-2016

Ratios	Mean	CV	CGR
Operating Profit Margin Ratio	13.65	26.99	-2.62
Gross Profit Margin Ratio	21.37	15.54	-2.30
Net Profit Margin Ratio	4.02	81.92	-3.21
Total Assets Turnover Ratio	128.01	7.96	-0.74

[1] Firms for which unacceptable values were recorded for certain variables, such as negative or zero values for fixed assets, and those for which a continuous time series was unavailable were subsequently excluded from the sample.

Fixed Assets Turnover Ratio	467.43	12.96	0.12
Current Assets Turnover Ratio	337.95	34.58	0.43
Interest Coverage Ratio	1810.25	99.21	-1.48
Return on Capital Employed Ratio	16.83	222.31	-3.27
Return on Total Assets Ratio	1.12	969.75	-3.02
Return on Share Holders Fund Ratio	5.64	829.98	-1.09
Inventory Turnover Ratio	204.12	131.22	-2.06
Operating Leverage Ratio	43.42	262.21	1.39

The growth rate was observed maximum in the operating leverage Ratio at 1.39 per cent followed by 0.43 per cent. The minimum growth rate was found in the fixed assets turnover ratio at 0.12 per cent. There are nine ratios growth rate was found to have negative and highest being a return on capital employed ratio at -3.27 per cent followed by Net Profit margin Ratio at -3.21 per cent. The minimum negative growth rate was reported in total assets turnover ratio at -0.74 in the Indian food products industry during the period under review.

CONCLUSION

This study concluded that the financial performance of selected Indian food products companies during 1991 to 2016 reported that the maximum mean value was found in interest coverage ratio at 1810.25 with variation of 99.21 it implies that the industry's ability to honour its debt payment was satisfactorily followed by fixed assets turnover ratio witnessed at 467.43 with the low variation of 12.96 it implies that the food production industry is efficient in utilizing its fixed assets in generating sales. The current assets turnover ratio observed to be 337.95 with a variation of 34.58. The minimum mean value was found in return on total assets ratio at 1.12 while there was a high variation of 969.75 and result implies that the industry is not effectively using its assets to generate earnings during the study period. All the ratios reported positive mean value in the Indian cement industry during the post-reform period. The growth rate was observed maximum in the operating leverage Ratio at 1.39 per cent, and the minimum growth rate was found in the fixed assets turnover ratio at 0.12 per cent. There are nine ratios growth rate was found to have negative and highest being return on the capital employed ratio at -3.27 per cent in the Indian food products industry during the period under review.

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