

Financial Performance Evaluation of Britannia Industries Limited with Reference to Liquidity, Solvency and Profitability Dimensions

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ABSTRACT

This study examines the liquidity, solvency, and profitability performance of Britannia Industries Limited over a period of five financial years. The primary objective of the research is to evaluate the company's short-term financial strength, long-term financial stability, and overall earning capacity through a systematic ratio analysis approach. The study is based entirely on secondary data collected from the company's annual reports, financial statements, and other reliable financial sources. To assess liquidity, ratios such as the Current Ratio and Quick Ratio were calculated to determine the company's ability to meet short-term obligations. Solvency was evaluated using the Debt-Equity Ratio, Proprietary Ratio, and Interest Coverage Ratio to measure long-term financial stability and capital structure efficiency. Profitability performance was analyzed through key indicators including Gross Profit Ratio, Operating Cost Ratio, Net Profit Ratio, and Operating Cost Ratio to understand the company's operational efficiency and margin management. The findings reveal that Britannia Industries Limited maintains a relatively strong solvency position with controlled leverages and prudent financial management. However, liquidity and profitability ratios show moderate fluctuating during the study period, primarily due to variations in operating costs, raw material prices, and market conditions within the FMCG sector. Despite these variations, the company demonstrates consistent operational performance and stable financial growth. The study highlights the importance of effective working capital management, cost control, and strategic financial stability. The results provide meaningful insights for investors, financial analysts, academicians, and other stakeholders in evaluating the financial health and competitive position of the company within the FMCG industry.

Keywords- *Liquidity, Solvency, Profitability, Financial Ratios, Current Ratios, Debt-Equity Ratio, Britannia Industries Limited.*

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I.INTRODUCTION

Financial analysis through liquidity, solvency and profitability ratios offers valuable understanding of a company's ability to meet its short-term liabilities while ensuring long-term financial soundness and earning capacity. In fast-moving consumer goods (FMCG) sectors such as food and bakery products, maintaining adequate liquidity is crucial due to continuous working capital needs, inventory management, and competitive market pressures. Britannia Industries Limited, one of the India's leading food companies, operates within this environment by balancing sales growth, operational efficiency and financial stability. Recent studies on the Indian FMCG sector indicate difference in liquidity, solvency, and profitability positions among major firms, with Britannia Industries Limited often exhibiting a comparatively strong financial performance and stable position within in the industry.

II.STATEMENT OF THE PROBLEM

Despite its strong brand presence and competitive position in the FMCG sector, Britannia Industries Limited requires a systematic evaluation of its financial performance, particularly with regard to liquidity, solvency and profitability. Changes in consumer demand, fluctuating in raw materials prices, intense market competition and economic uncertainty influence the companies ability to efficiently manage working capital, control debt levels and maintain consistent earnings. Therefore, this study emphasis the need for a detail analysis of Britannia Industries Limited's

short-term liquidity position, long-term financial stability and overall profitability through the application of standard financial ratios.

III. REVIEW OF LITERATURE

Kanagaraj and Vijay (2023) conducted a comprehensive financial performance study of Britannia covering 2016-2021 using liquidity, solvency, and profitability ratios. The study found consistent revenue growth, strong profitability, and efficient asset utilization. The authors concluded that the company maintained sound financial health with stable solvency and adequate liquidity, making it attractive for investors.

Sharif et al. (2022) analyzed ratio performance in the food industry by selecting Britannia as a sample firm. Their findings indicated a declining trend in liquidity and activity ratios but an improving trend in solvency and profitability ratios between 2017-2018 and 2022-2023. The study concluded that overall financial performance improved during the study period.

Priya and Sathya (2020) conducted a study in which they examined Britannia's financial performance over a ten year span (2009-2018). According to the study, the company's earnings per share (EPS), net profit, and revenue all increased considerably during that time. The authors credited Britannia's robust brand image, aggressive marketing tactics, and product innovation for this development.

Tannu and Gupta (2019) carried out a similar study in which they examined Britannia's financial performance over a five year span (2014-2018). According to the research, the company's net profit increased at a CGAR of 11.8% while its revenue increased at CAGR of 11.3%. Britannia's robust distribution network, effective supply chain management and emphasis on product quality, according to the authors, contributed to this development.

Sengupta and Das (2019) examined the financial performance of Britannia and its FMCG sector rivals in another study they performed. According to the research, Britannia had outperformed its rivals in terms of profitability and revenue growth. The company's strong strategies were cited by the writers as reasons for this.

IV. OBJECTIVES OF THE STUDY

- To analyze the short-term financial strength of the Britannia Industries Limited by using liquidity ratios
- To examine the long-term financial stability of the Britannia Industries Limited through solvency ratios.
- To evaluate the earning performance of Britannia Industries Limited using profitability ratios
- To provide valuable financial analysis and strategic recommendations to investors and stakeholders concerning the company's financial strength and sustainability.

V. METHODOLOGY

The methodology adopted in the present study includes period of study, sources of data and framework of analysis that has been given below:

i. PERIOD OF STUDY

The present study covers a period of five years from 2020-2021 to 2024-2025. The financial year is from 1st April to 31st December.

ii. SOURCES OF DATA

The study is based on secondary data. Data obtained from the published annual reports of the Britannia Industries Limited during study period 2020-2021 to 2024-2025. The supplementary details have been collected from various published books, newspapers and websites of Britannia Industries Limited.

iii. TOOLS OF ANALYSIS - RATIO ANALYSIS

Ratio analysis is a financial tool used to evaluate a company's performance by examining relationship between different figures in its financial statements. It helps in assessing liquidity, profitability, solvency and efficiency.

The following financial ratios were calculated:

Category	Key Ratios
Liquidity	Current Ratio, Liquid Ratio, Absolute Liquid Ratio
Solvency	Debt-equity ratio, Proprietary ratio, Current assets to proprietary fund ratio, Fixed assets to Networth ratio, Funded debt to Total Capitalisation ratio
Profitability	Gross profit ratio, Net profit ratio, Operating ratio, Operating cost ratio

VI.LIMITATIONS OF THE STUDY

- The study is based on the published annual report of the company. Hence the study is subject to limitations of inherent to the secondary data.
- The limitations of the study cover a period of five years from 2020-2021 to 2024-2025. Therefore, the changes that had taken place before and after this period were not taken into consideration.
- The figures of credit sales and credit purchases were not available accurately. and hence all the sales and purchases were assumed as credit sales and credit purchases respectively during the period of study.

VII.DATA ANALYSIS AND INTERPRETATION

Table 1 : Liquidity Ratios – Current Ratio, Liquid Ratio and Absolute Liquid Ratio

YEAR	CURRENT RATIO	LIQUID RATIO	ABSOLUTE LIQUID RATIO
2020-2021	1.48	0.98	0.06
2021-2022	1.56	0.92	0.03
2022-2023	1.28	0.81	0.03
2023-2024	1.33	0.85	0.13
2024-2025	1.08	0.59	0.05

The standard norm for the Current Ratio is 2:1; however, the company's ratio remains consistently below this benchmark during the entire study period and shows a declining tendency, ultimately falling to 1.08 in 2024–25. This trend indicates that the company does not maintain sufficient current assets to comfortably cover its short-term liabilities, reflecting a weakening short-term financial position.

Similarly, the Liquid Ratio, with an ideal standard of 1:1, remains below the accepted level in all the years and declines sharply to 0.59 in the final year. This suggests that the company may face challenges in meeting immediate obligations without depending on the sale of inventory, pointing to limited quick asset availability.

Furthermore, the Absolute Liquid Ratio is significantly lower than the standard norm of 0.5:1 throughout the period, indicating inadequate cash and cash equivalents to settle urgent liabilities. The consistently low level of this ratio reflects a weak cash position and insufficient highly liquid resources. Overall, the liquidity analysis reveals that the company's short-term solvency position is not strong and requires improved working capital management, better cash flow planning, and enhanced control over current liabilities.

CHART - 1

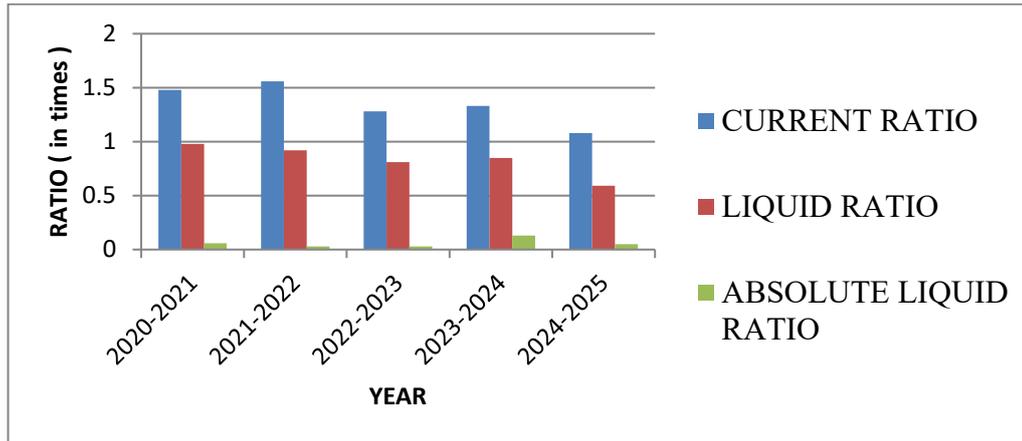


Table 2 : Solvency Ratio - Debt-Equity Ratio, Proprietary Ratio, Current Assets To Proprietary Fund Ratio, Fixed Assets To Networth Ratio and Funded Debt To Total Capitalisation Ratio

YEAR	DEBT-EQUITY RATIO	PROPRIETARY RATIO	CURRENT ASSETS TO PROPRIETARY FUND RATIO	FIXED ASSETS TO NETWORTH RATIO	FUNDED DEBT TO TOTAL CAPITALISATION RATIO
2020-2021	0.54	0.45	0.89	0.42	0.35
2021-2022	0.91	0.34	1.28	0.57	0.48
2022-2023	0.84	0.37	0.92	0.72	0.46
2023-2024	0.58	0.42	0.85	0.69	0.37
2024-2025	0.31	0.48	0.64	0.66	0.24

The Debt–Equity Ratio shows a fluctuating trend during the study period. It increases from 0.54 in 2020–21 to 0.91 in 2021–22, indicating higher reliance on borrowed funds in the initial years. Thereafter, it gradually declines to 0.31 in 2024–25, reflecting a significant reduction in debt and an improvement in long-term financial stability. This downward trend in the later years suggests better capital structure management and lower financial risk.

The Proprietary Ratio declines from 0.45 in 2020–21 to 0.34 in 2021–22, showing a reduced proportion of shareholders’ funds in total assets during that period. However, it steadily improves to 0.48 by 2024–25, indicating an increasing contribution of owners’ funds and strengthening of the company’s financial base.

The Current Assets to Proprietary Fund Ratio rises sharply to 1.28 in 2021–22 and then gradually decreases to 0.64 in 2024–25. The initial increase suggests that a larger portion of shareholders’ funds was invested in current assets, while the subsequent decline indicates a shift in fund allocation or improved working capital management.

The Fixed Assets to Net Worth Ratio shows an overall increasing trend from 0.42 in 2020–21 to 0.72 in 2022–23, before slightly decreasing to 0.66 in 2024–25. This indicates that a substantial portion of net worth is invested in fixed assets, reflecting long-term investment and expansion, though excessive investment may reduce liquidity.

The Funded Debt to Total Capitalisation Ratio increases to 0.48 in 2021–22 and then gradually declines to 0.24 in 2024–25. This declining trend in later years suggests reduced dependence on long-term debt and improved capital structure strength.

CHART – 2

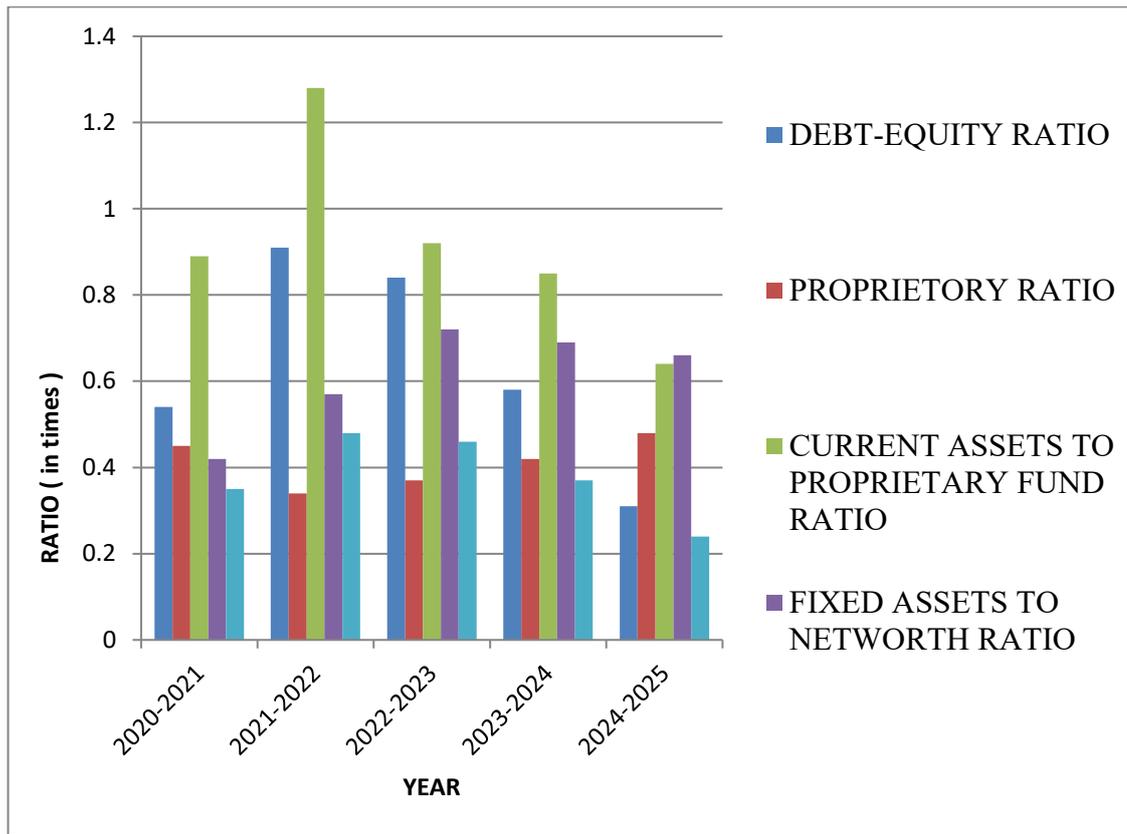


Table 3 : Profitability Ratio – Gross Profit Ratio, Net Profit Ratio, Operating Ratio, Operating Cost Ratio

YEAR	GROSS PROFIT RATIO	NET PROFIT RATIO	OPERATING PROFIT RATIO	OPERATING COST RATIO
2020-2021	40.16	14.22	18.99	81.01
2021-2022	36.37	11.99	15.62	84.38
2022-2023	39.20	13.67	17.55	82.45
2023-2024	41.46	12.85	18.97	81.03
2024-2025	38.76	12.31	17.71	82.29

The Gross Profit Ratio shows fluctuations over the five-year period. It decreases from 40.16% in 2020–21 to 36.37% in 2021–22, indicating higher cost of goods sold or reduced pricing margin during that year. The ratio improves to 39.20% in 2022–23 and further rises to 41.46% in 2023–24, reflecting better cost control and improved production efficiency. However, it slightly declines to 38.76% in 2024–25, suggesting some increase in production or purchase costs. Overall, the gross margin remains relatively stable with moderate variations.

The Net Profit Ratio also shows a fluctuating trend. It falls from 14.22% in 2020–21 to 11.99% in 2021–22, indicating increased operating or non-operating expenses. The ratio improves to 13.67% in 2022–23, but again declines to 12.85% in 2023–24 and 12.31% in 2024–25. This pattern suggests inconsistency in overall profitability and highlights the impact of administrative, selling, or financial expenses on net earnings.

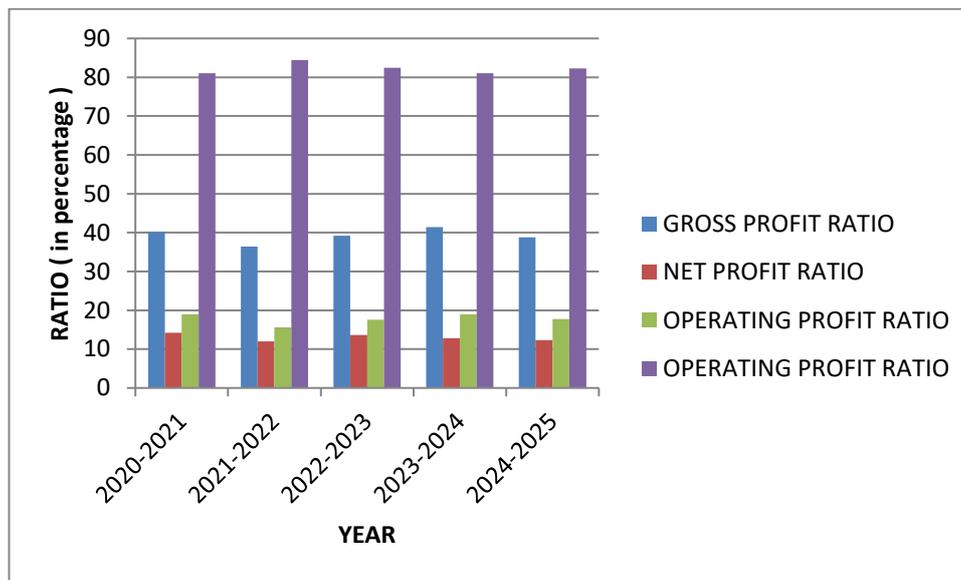
The Operating Profit Ratio declines from 18.99% in 2020–21 to 15.62% in 2021–22, showing reduced operating efficiency during that year. It recovers to 17.55% in 2022–23 and further improves to 18.97% in 2023–24, indicating

better management of operating costs. However, it slightly decreases to 17.71% in 2024–25, reflecting moderate pressure on operational performance.

The Operating Cost Ratio moves inversely to the Operating Profit Ratio. It increases from 81.01% in 2020–21 to 84.38% in 2021–22, indicating higher operating expenses relative to sales. The ratio declines to 82.45% in 2022–23 and further to 81.03% in 2023–24, showing improved cost efficiency. In 2024–25, it rises again to 82.29%, suggesting a slight increase in operating costs.

Overall, the profitability analysis reveals that the company maintains a reasonable profit margin throughout the period, but profitability fluctuates due to variations in cost structure and expense management. Improved cost control and consistent operational efficiency would help in achieving stable and higher profitability in future years.

CHART-3



VIII.SUGGESTIONS

❖ **Improve Working Capital Management:**

Britannia Industries Limited should continuously monitor its current assets and current liabilities to maintain an optimal liquidity position. Efficient management of receivables, payables, and inventory will ensure smooth day-to-day operations without liquidity stress. Reducing the cash conversion cycle can further strengthen short-term financial stability.

❖ **Strengthen Cost Control Measures:**

The company should implement strict cost monitoring systems to control raw material, production, and administrative expenses. Since profitability ratios show fluctuations, adopting cost optimization strategies, bulk procurement, and waste reduction techniques can help stabilize margins and improve net profits.

❖ **Maintain an Optimal Capital Structure:**

Britannia should aim to maintain a balanced mix of debt and equity. Limited dependence on borrowed funds will reduce financial risk and interest burden, thereby improving solvency ratios. A conservative borrowing policy can enhance investor confidence and long-term financial strength.

❖ **Enhance Inventory Management:**

Efficient inventory control systems such as just-in-time practices and demand forecasting can reduce holding costs and minimize wastage. Proper inventory turnover management will improve both liquidity and profitability.

❖ Improve Asset Utilization:

The company should focus on maximizing returns from its fixed assets by improving production efficiency and capacity utilization. Better asset turnover will lead to higher revenue generation and improved return ratios.

❖ Invest in Technology and Supply Chain Efficiency:

Adopting advanced technology in manufacturing and logistics can reduce operational costs and improve productivity. Strengthening the supply chain network will help in faster distribution, reduced transportation costs, and improved customer satisfaction.

❖ Diversify Product Portfolio:

Introducing new products and expanding into emerging market segments can stabilize revenue streams and reduce dependence on a limited range of products. Product innovation can also enhance brand competitiveness in the FMCG sector.

❖ Regular Financial Monitoring and Benchmarking:

Continuous analysis of financial ratios and comparison with industry peers will help identify weaknesses at an early stage. This proactive approach will support better financial planning and risk management.

❖ Strengthen Cash Reserve Position:

Maintaining adequate cash reserves will help the company manage unforeseen financial challenges and economic uncertainties. A strong cash position enhances liquidity and ensures operational continuity.

❖ Focus on Sustainable Growth Strategies:

The company should emphasize sustainable practices, cost efficiency, and long-term strategic planning to ensure consistent growth in profitability and solvency. Environmental and social responsibility initiatives can also enhance corporate reputation and stakeholder trust

Overall, by improving cost efficiency, maintaining financial discipline, and adopting strategic growth measures, Britannia Industries Limited can achieve stable liquidity, stronger solvency, and consistent profitability in the long run.

IX.CONCLUSION

The overall analysis of liquidity, solvency and profitability ratios indicates that Britannia Industries Limited maintains a reasonably stable financial position during the study period, though certain fluctuations are observed. Liquidity ratios shows variations, suggesting changes in working capital management and short-term fund utilization. Solvency Ratio reflect a controlled capital structure with a gradual reduction in dependence on debt in the last years, indicating improved long-term financial stability. Profitability ratios reveal inconsistent but moderate performance, with profits affected by operating costs and expense management. In conclusion, while the company demonstrates financial strength and sustainability, greater consistency in liquidity management and cost control would further enhance its overall financial performance and growth prospects.

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