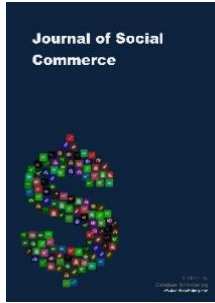

ISSN 2809-929X (Print)
ISSN 2809-9303(Online)

Journal of Social Commerce

Vol. 4 No. 2, 2024 (Page: 120-134)
DOI: https://doi.org/10.56209/jommerce.v4i2.66

Analyzing Profitability Dynamics among Leading Fast-Moving Consumer Goods Companies in India through Comparative Financial Metrics

Sanjana Atulbhai Joshi[1]

[1]Independent Researcher, Gujarat, India

Article History

Keywords

India Tobacco Company
Net Profit Margin Ratio
Return on Equity Ratio
Asset Turnover Ratio

Abstract

This work involves the comparative assessment of the selected profitability ratios of the four leading FMCG companies in India which are HUL, ITC, Britannia Industries, and Godrej Consumer Products Limited for the fiscal years 2017-18 to 2021-22. Net Profit Margin (NPM), Return on Equity (ROE), Return on Capital Employed (ROCE), and Asset Turnover (AT). The study discovers major differences in all the measured profitability ratios which show that these firms have very different approaches to management and how they run their businesses. Specifically, in average NPM ratios ITC was higher as its peer groups, which indicates the company's rather efficient operational performance and the effective cost control is based on. On the other hand, the analyses of Godrej showed significantly poor financial performance which has reflected low NPM and comparatively very low ROCE showing poor efficiency of cost structure and capital. The study also indicates that HUL has continually had changes in its ROE which may be a likelihood of the firm's weakness in supporting high returns in the face of increased market volatility, whereas Britannia has witnessed a gradual increase in ROE and ROCE indicating balanced and proper financial management. From an academic perspective, thus, this work adds to the existing body of knowledge by stressing not profitability but smart differentiation and profound operating and capital management as the keys to the success of the big retailer in the large market.

Introduction

Being a part of rapidly growing economy of India, Fast-Moving Consumer Goods (FMCG) are not only established in each and every part of the country but also contribute significantly in the growth of economy. The FMCG sector being the fourth largest sector with lot of product turnover, high demand and constantly evolving. It comprises a wide cross sectional category that encompasses food and beverage products, healthcare products, home and personal products that contribute towards the very high growth of the sector. This fundamentally established the fact that the market composition of the segment has 19% of the foods and

[1]Corresponding Author: Sanjana Atulbhai Joshi, Email: joshisanjana099@gmail.com

Copyright © 2024, Journal of Social Commerce is licensed under Creative Commons Attribution-ShareAlike 4.0 International License (http://creativecommons.org/licenses/by-sa/4.0/)

beverages while the healthcare has 31% and the home and personal care took 50% showing that the segment's diverse tap into the basic need system of the population.

This becomes even more significant when coupled with the fact that the sector currently attracts investments both local and global. As per the India Brand Equity Foundation the FMCG sector has witnessed good FDI with total FDI inflows of US $ 20. 11 billion from April 2000 through to March, 2022. Unfortunately, these investments represent some of the improvements in the status of the overall sector since organized food processor sector in India is viewed to double its size to US $ 70 billion by 2025. This is not only envisioned to be brought by market growth but also speaks much about the flexibility of the sector, as well as the demands of the market place or market consumers, with regards to product quality, accessibility, and uniqueness (Randhawa et al., 2021; Candelo, 2019; Liljenberg, 2022).

However, with this optimism, the other concern of interest is the overall profitability index of the various firms that operate in the FMCG sector. An analysis of key profitability ratios, which are used to determine the capacity of a company to generate earnings in relation to its revenues, operating expenses, assets and equity is a significant means of evaluating the financial stability of a business enterprise. These ratios give information not merely of a company today's financial health and its ability to continue to remain profitable in the future, but also its ability to manage risks and change and generate returns for shareholders. Hence, the analysis of profitability in the FMCG sector benefits investors, stakeholders, and policymakers who would want to grasp the various tendencies in this sector's industry in an environment of high competition.

The literature review shows that there is abundance of research focusing on numerous aspects of profitability in the context of the FMCG industries. For instance, Anupama et al. (2022) and Sisodia & Maheshwari (2023) discussed on the financial performance of Indian FMCG companies which includes an efficient capital productivity in the same sector. Their study proves that the sector has potential of yielding returns but their work also opens the floor for more detailed examinations of the changing structure of the markets and how forces like inflation, changes in laws, and maturing customer markets can affect the returns. Likewise, Anton & Afloarei Nucu (2020) and Amponsah-Kwatiah & Asiamah (2021) studied the impact of working capital management on the firm profitability, thus establishing that the efficiency in managing working capital has a significant positive relationship with profitability. However, their findings as highlighted earlier although are appreciable and a way significant primarily remain confined to internal management of financial resources therefore ignoring a medley of environmental factors external to the organisation that also affect profitability.

Other works including those by Bolouppremo & Ogege, (2019) and Renneboog & Vansteenkiste (2019) have explored certain events for instance mergers and acquisitions effect on profitability or effects of Liquidity management on financial performance. Such studies provide precious information, but they seldom encompass broader and more complex views on business performance and usually concentrate on specifics of financial results, or definite periods. There is a clear research opportunity for a study that fills the gap for a longitudinal comparison of multiple ratios of overall profitability for a set of leading FMCG businesses (Santos et al., 2020; Kang et al., 2023; Wu et al., 2023).

Filling this gap, the present study intends to undertake a comparative analysis of the selected company profitability ratios like Gross Profit Margin percentage, Operating Profit Margin percentage, Net Profit Margin percentage and Return on Equity in the context of four leading FMCG firms of India including Hindustan Unilever Ltd (HUL), India Tobacco Company Limited (ITC), Britannia Industries and Godrej Consumer Products Limited with a 5 year data for the period of. In an attempt to establish profitability perspective of FMCG sector more

coherently, with specific reference to 4 Wall Net Profit Margin (NPM), Total Shareholder Return (TSR), ROCE, and AT, this study will be conducted. All of these ratios provide another view of efficiency, operations, and the capacity to generate revenue from the use of assets, thereby placing these ratios as very significant in the overall evaluation of a firm's financial performance.

Methods

This research work uses quantitative method of research and specifically the descriptive-comparative type in order to assess, compare the selected profitability ratios of the Fast-Moving Consumer Goods (FMCG) companies in India. The main purpose of the research is to assess their capacity for generating earnings in proportion to revenues, operating expenses, balance sheet tangible and intangible assets, and share-holder funds in the year 2017-18 and 2021-22. The purpose of the study is to present and compare the calculations of the financial ratios that will help to understand the differences in profitability at the market level as well as within the framework of the selected sector FMCG.

Sample inclusion criteria Inclusion of all Fast-Moving Consumer Goods organisations in India has been considered as the population for this study. Due to the extensive size of the FMCG sector, a purposive non-probability sampling technique was employed to select four major companies: Some of the major consumer product companies in the United States are Hindustan Unilever Limited (HUL), India Tobacco Company Limited (ITC), Britannia Industries and Godrej Consumer Products Limited. The choice of these firms was done based on their size, market capitalization, and popularity up to the year 2023 thus ensuring that the firms chosen are excess of large players in the mechanical industry. All these firms have large market domain and are appreciated for their role in the growth of economy of India, facts that makes them suitable for use in this comparative study.

The research focuses solely on secondary research, and all the data were gathered from systematic sources with confirmed credibility, for example, the firm's financial statements, company annual reports, and Moneycontrol. com. The data cover 5 years of their financial year 2017-18 to 21-22, and it will help in understanding the profit position of the companies for the specific years. Based on the above discussion the financial ratios for analysis include Net Profit Margin (NPM), Return on Equity (ROE), Return on Capital Employed (ROCE), and Asset Turnover (AT). All these ratios were selected because they are useful in establishing various aspects of profitability and financial performance.

In order to dissect the findings, descriptive statistics were employed in a bid to develop summaries of the different companies profitability ratios. Also, a way Analysis of Variance ANOVA test was done to test the hypothesis that the mean of the profitability ratios in the selected firms is not significantly different. The ANOVA method was adopted for this reason because it is more appropriate when comparing the means of the groups of variables that are to be analyzed in order to determine whether there is a statistically significant difference in the level of financial performance among the companies. The null hypothesis was hypothesized to test the profitability ratios suggesting that there are no changes in the profitability ratios while the alternative hypothesis proposed that there are changes in the ratios. The outcome of the ANOVA which has F-values and P-values were used to assess the validity of the formulated hypotheses.

Results and Discussion

Hindustan Unilever Limited is a part of Unilever, a UK company, registered in India by Unilever to do business in India in 1931. Its headquarters are in London, England and head office is in India Mumbai. It 67% of its dividends go to England. It produces Indian consumer goods.15 different categories with 50+ brands like clothing solutions, home & hygiene, life essentials, skin cleansing, skin care, hair care, color cosmetics, oral care, deodorants, tea, coffee, ice cream and frozen sweets, foods and health food drinks, the company is part of the everyday lives of millions of people.

Table 1. Market cap of selected samples

Name of companies	Market cap in CR
HUL	5,90,029
ITC	4,79,484
Britannia industries	1,04,340
Godrej consumer	98,178

Source: www.moneycontrol.com

The company was established on 24 August 1910. Then its name was Imperial Tobacco Company of India Limited. Later, the Indian stake in this company gradually increased. Its name was changed for the first time in 1970 due to the change in the stake. ITC Limited (ITC Products) is a diversified conglomerate with businesses, including food, personal care, cigarettes and cigars, branded apparel, education and stationery products, incense sticks and safety matches, Hotels, Paperboard and Packaging, Agribusiness and Information Technology.

Britannia Industries Limited is an Indian company specializing in the food industry. It is part of the Wadia consumer headed by Nusli Wadia. Britannia was established in 1892 in Kolkata. and is best known for its biscuit products. The most popular brand names of Br Britannia's biscuits include Vitamarigold, Tiger, Nutrichoice, Good Day, 50 50, Treat, Pure Magic, Milk Biscuits, Bourbon, Nice Time and Little Hearts.Godrej consumer is a multinational conglomerate company. It is a manufacturing company in India, it was started in 1897 in Mumbai, Maharashtra. which has become a very big company today. It is present in more than 60 countries and more than 20% of its business is overseas. The product portfolio includes soap, hair colors, toiletries and liquid detergents

The accounting ratios that measure profitability are known as profitability ratios. We express these ratios in 'percentage'. Profitability Ratio, shows the profitability as well as financial performance of the business. It also shows that how well the company is running, how good is its management? The company's expansion plans run from profitability, the dividend is given to the shareholders, that is why profitability is the most important ratio for the shareholder. In this study Net Profit Margin ratio, Return on equity ratio, Return on capital employed ratio and Asset turnover ratio have been considered.

Table 2. Formula of selected liquidity ratio

Name of ratio	Formula
Net profit margin	Net income / Revenue
Return on equity	Net income/shareholders' equity
Return on capital employed	Operating profit/Capital employed
Asset turn over	Net sales/ Average total assets

Now, this is really important to discuss if you want to build long term wealth from stocks. For long term wealth creation, it is very important to understand the company you are going to

invest in. This whole process of refining a company is known as fundamental analysis and it is the best way to understand how investors value a company for long term investment.

Table 3. Net Profit Margin ratio

Year	HUL	ITC	Britannia	Godrej
2017-18	15.16	27.62	10.18	12.32
2018-19	15.79	27.70	10.70	-4.72
2019-20	17.37	33.17	13.50	1.56
2020-21	17.29	28.65	14.21	-5.79
2021-22	17.22	26.72	11.98	-1.32

Source: https://www.Money control.com

The above table shows the ratio of Net Profit Margin ratios of selected FMCG companies in India. Net profit margin ratio is a ratio of net profit into net sales. In the year 2017-2018, the NPM ratio of HUL is 15.16% and it increases up to 17.37% in the year 2019-20. Further, it shows a decreasing trend from 2020-2021 to 2021-22. The performance of ITC is very high. In the year 2019-20, company can achieve 33.17% NPM ratio.

It is a high trend during the study period. Godrej reveals a decreasing trend during the study period in the years 2018-19 and 2020 to 2022 the ratio shows negative trend. That means Godrej was unprofitable during both years. Britannia Industries shows increasing trend during the study period in which 2017-18 it decreased to 10.18%, but overall performance of Britannia Industries is good.

Table 4. Return on Equity ratio

Year	HUL	ITC	Britannia	Godrej
2017-18	74.02	21.83	29.29	13.40
2018-19	78.80	21.50	27.78	-6.16
2019-20	83.89	23.63	34.72	1.88
2020-21	16.76	22.08	53.02	-7.04
2021-22	18.08	24.52	66.72	-2.98

Sources: https://www.moneycontrol.com

The above table indicates the ratio of Return on equity of selected FMCG companies in India. In the year 2019-20 the highest ROE ratio is 83.89% of HUL company, but next year in 2020-21 ROE ratio decrease at 16.76%. The performance of ITC company in the first two years is constant and the year 2020-2021, ROE ratio is decreases to 22.08%. During the study period, the higest ROE ratio of ITC company is 24.52%. The performance of Godrej company is not satisfying in 2018-19 and 2020 to 2022 the Ratio of ROE is negative. That means the company was unprofitable during specific three years. The performance of Britannia Industries is to be good from 2019 to 2022 ratio of ROE is increasing trend. It shows company effectively use the investor money.

Table 5. Return on capital employed

Year	HUL	ITC	Britannia	Godrej
2017-18	86.53	30.87	29.06	10.90
2018-19	92.27	30.70	42.19	16.77
2019-20	89.49	29.26	38.79	12.89
2020-21	18.90	28.02	60.59	3.64
2021-22	20.19	31.23	72.25	7.94

Sources: https://www.moneycontrol.com

Above table indicates the ratio of return on capital to employees of selected FMCG companies in India. The ratio of ROCE of the HUL in the first three years is very high, but the last two years are very low respectively, 18.90% and 20.19%.

The ROCE of ITC company is first two years are constant trend, but next year 2019-20 to 2020-21 ratio of ROCE shows a decreasing trend and year 2021-22 ratio of ROCE is again increasing to 31.23%. The performance of Godrej is a very poor to compare other three companies. In the last two years of study, the performance of Britannia Industries has not been constant trends, but overall performance of Britannia industries is good.

Table 6. Asset turnover ratio

Year	HUL	ITC	Britannia	Godrej
2017-18	201.32	65.12	201.06	39.40
2018-19	213.96	64.46	185.43	40.36
2019-20	197.86	60.63	151.47	39.20
2020-21	67.52	0.62	166.92	27.47
2021-22	0.74	0.77	1.85	0.43

Sources: https://www.moneycontrol.com

The above table indicates the asset turnover ratio of selected FMCG companies in India. In the first two years, the AT ratio of the HUL was very high, at 201.32% and 213.96%, but in the next three years, the it's continuously showing a decreasing trend. In 2021-22 it becomes 0.74%. ITC performance was stable during the first three years, but in 2020-22 to AT ratio is 0.62% and 0.77% respectively thus the last two years, performance of ITC is good.

In the first year of the study, a AT ratio of Godrej is 39.40% and next year it increases up to 40.36. Further it shows the decreasing trend. In the last two years of study period, it becomes 0.62% and 0.77%. The performance of Britannia Industries is high compared to ITC company and Godrej. The last years of study period, the performance of other three companies is respectively 0.74%, 0.77%and 0.43% are good, but Britannia Industries has 1.85% AT ratio.

Table 7. Hypothesis testing

Name of ratios	F calculated	F critical
Net Profit Margin ratio	43.4072	3.2388
Return on equity	7.5564	3.2388
Return on capital employee	5.5003	3.2388
Asset turnover ratio	4.2929	3.2388

The above table indicates oneway ANOVA test for hypothesis testing. F calculated values of all ratio are greater than F critical value. That's why result is all the H0 hypothesis is rejected and H1 hypothesis is accepted. This indicates there is a significant difference in all ratios of selected FMCG Companies during the study period.

The Net Profit Margin Ratio chart shows the following picture of the selected companies for the period of 2017-18 to 2021-22. Among all the companies, ITC has been performing better as evident with the highest NPM especially in the financial year 2019-20.

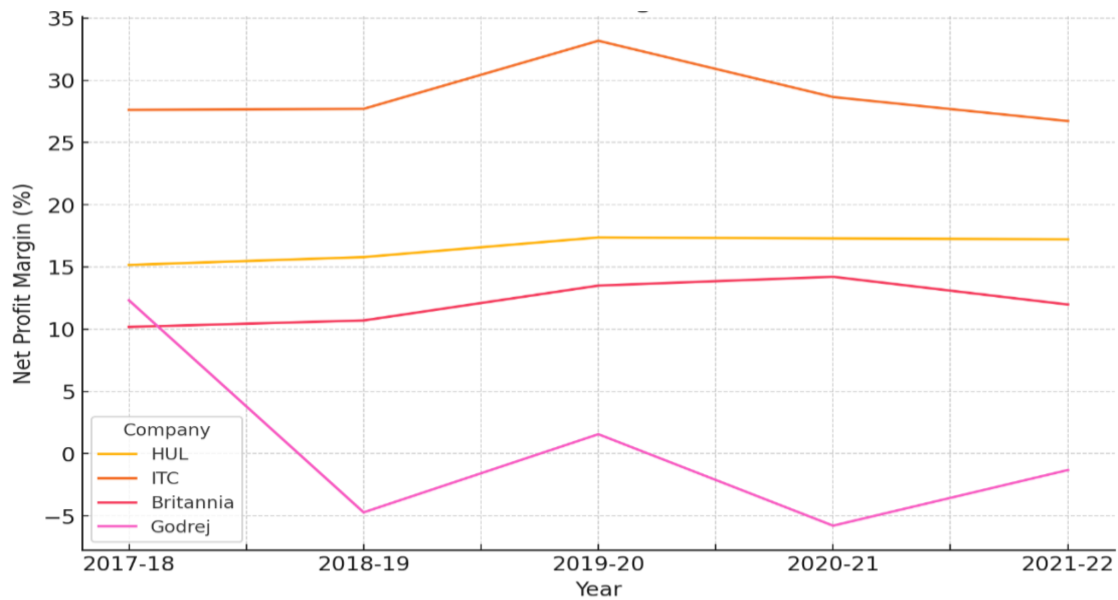

Figure 1. Net Profit Margin (NPM) Ratio

This indicated that from the sales made by the companies, ITC was the most effective in translating the sales into net profit. On the other hand, Godrej was operating at a relatively poor financial health as marked by negative NPM which meant it was in fact incurring a loss in the years shown.

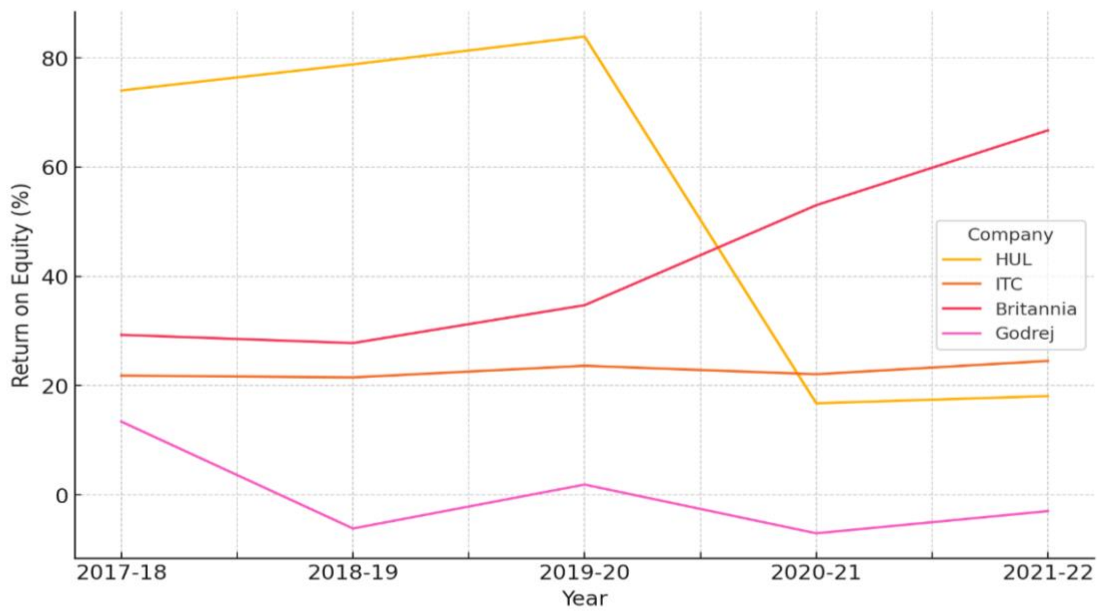

Figure 2. Return on Equity (ROE) Ratio

The Return on Equity Ratio graph emphasizes the best ROE in 2019-20 of HUL among all the firms analysed here symbolizing higher profitability in terms of equity. But, HUL has shown decline in the subsequent years and it may affect the profitability or might show changes in capital structure. Further, ratio of Britannia was more consistent and proved better utilization of equity as it revealed the positive figure for each year while Godrej was showing negative ROE in some point which proved its poor financial performance and inability to generate profit from its equity.

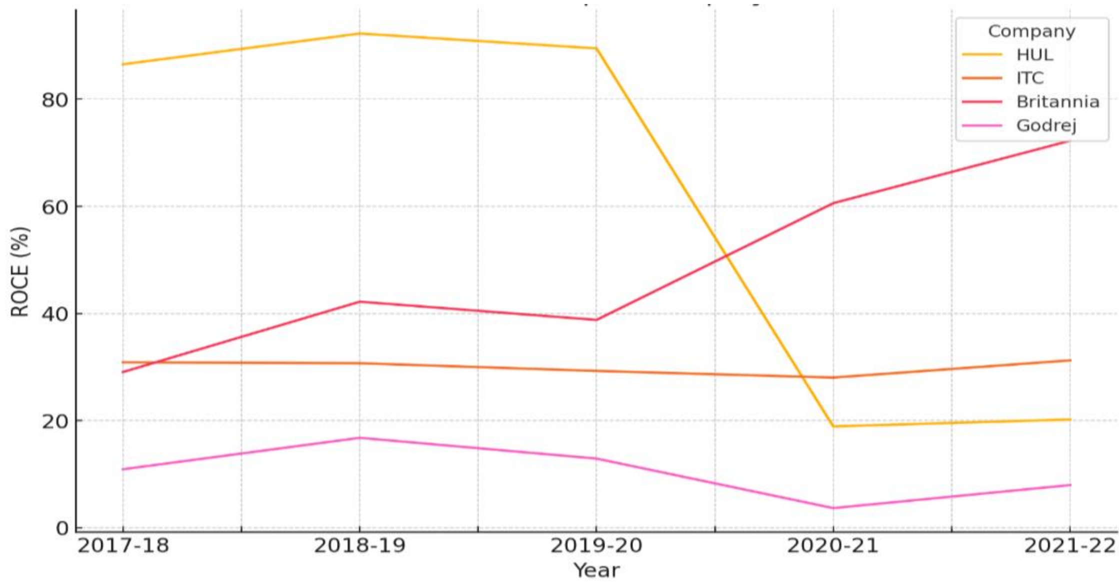

Figure 3. Return on Capital Employed (ROCE)

While looking at the ROCE in the chart of Return on Capital Employed, we can see that the HUL's ROCE was ahead during the initial period but in the year 2020-21 it drastically reduced which can indicate that in that period of time HUL is either incurraling inefficiencies or it has become a less profitable firm. What makes a better picture is that Britannia's ROCE is on an upward trend which shows effective capital utilization and bettering profitability. Once more, though, Godrej demonstrates a less competent performance for the same criteria, with much lower ROCE values suggesting poor management of capital, in terms of profit generation capabilities.

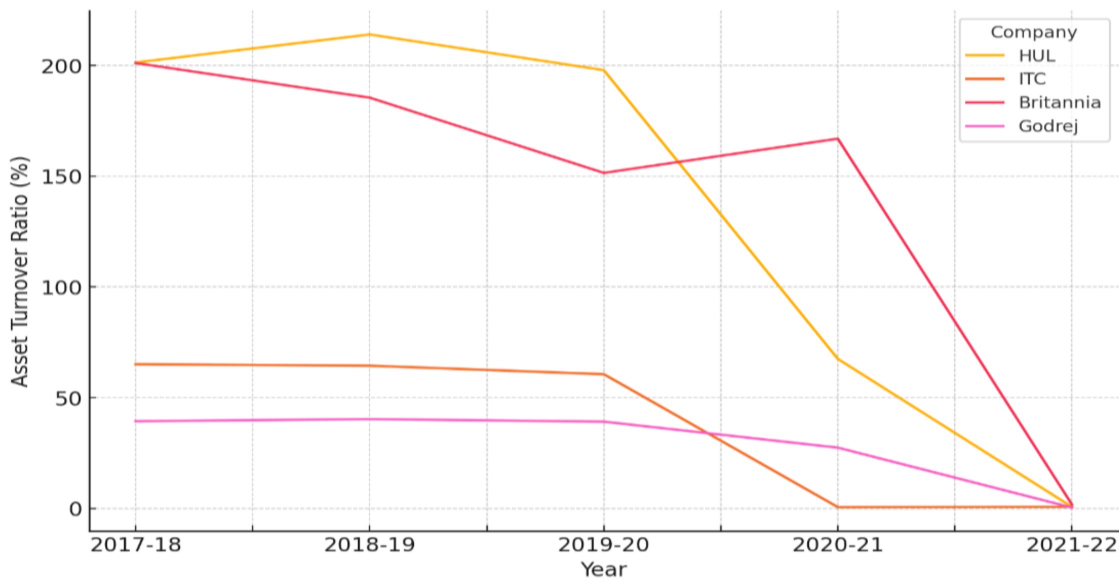

Figure 4. Asset Turnover (AT) Ratio

The data presented and highlighted in the Asset Turnover Ratio follows the future trend of the company and shows that HUL was performing much better in earlier years, which indicates that the company was using its assets much more efficiently and was able to generate much more sale. However, as the figure shows, the trend decreases significantly in the later years, thus may indicate inefficiencies or shifts in strategy focus. Britannia has a more or less consistent AT ratio demonstrating a fairly good efficiency of its assets and on the other hand

Godrej has a meager AT ratio that presents the company's continuous inefficiency in employing the relevant assets to generate more revenues.

The findings of this study provide a nuanced and critical perspective on the profitability dynamics within the Indian FMCG sector, especially through the comparative analysis of four major companies: Companies like Hindustan Unilever Ltd (HUL), India Tobacco Company Limited (ITC), Britannia Industries, Godrej Consumer Products Limited etc. Thus, the findings of the current study complement the literature by examining systematically NPM, ROE, ROCE, and AT as predictive measures of financial performance in rapidly growing and competitive sectors of the economy.

Comparative Performance and Strategic Implications

From the NPM, it is evident that there exists variance among the companies with ITC performing better in the performance metrics, more so during 2019-20. This is in line with the studies by Alam & Shah (2023) and Dhurkari (2023) where they point that effective cost control and strategic pricing are important factors that improve on the extent of profitability in FMCG sector. The fact that ITC's NPM ratio is fairly consistent even in the recent years prove that the company has been able to optimise its large scale and strategic positioning to achieve operational cost efficiency, which is critical for achieving profitability in an industry where margins can be thin. On the other hand, if its NPM is negative in some years that would mean that the company has internal issues such as inefficiencies in the cost structure, wrong pricing strategies or unfavourable external conditions that include competitions and arguably market saturation. The literature also reveals that all such matters oblige the companies to take stricter measures in cutting down costs, enhancing operational effectiveness and possibly readjusting their market strategies to achieve the profit goals (Kaleka & Morgan, 2019; Jana, 2018; Panigrahi & Vachhani, 2021).

The BOE analysis of HUL reveals that the ROE is a volatile measure of profitability, which is exemplified by the organisation's position in 2019-20 where it peaked after which there was a sharp decline. This pattern suggests that despite the fact that the company is able to produce high returns on equity, there are fundamental weaknesses that make it susceptible to either external events or organisational failures, a point made by Kücher et al. (2020) and Haider et al. (2019) in analyzing the financial performance of consumer goods industry. Instead, the gradual uptick in Britannia's ROE indicates how nicely the firm's steering has produced on its strategic plans to maximize shareholder worth and earnings by adhering to sound monetary coverage. This assertion is in harmony with the results of Singhania & Mehta (2017) and Saif-Alyousfi et al. (2020) who declare that achieving a stable and efficient capital structure is instrumental in maintaining the company's permanent profitability. The scenario experienced by both companies implies that while there are benefits of being aggressive in strategy formulation with the potential of generating high returns, it also comes with higher risks hence the need to adopt a middle way that would devoid any turns down risk.

In the ROCE analysis it is also evident that efficiency in the use of capital is again a key success factor for profitability. When focusing on HUL, one cannot ignore the fact that even though the company's ROCE was initially quite high, the trend shows the opposite which raises more concern regarding the firm's capability of maintaining this level of capital intensity. This could be explained by higher investments which did not translate into a similar increase in revenues, or productivity decline, as noted in the case outlined by Carlos Pinho et al. (2014) and Bianchi et al. (2019) of organizational commitment and performance. On the other hand, Britannia has shown rising trend of their ROCE which indicates higher and better utilization of capital might be because of better capital investments, cost controls, and operating efficiencies. The findings therefore support Enqvist et al. (2014) and Noronha et al. (2022) assertion that WC

management is vital in increasing firm profitability irrespective of business cycles. Godrej's substantially lower absolute ROCE, which shows lower smart capital deployment by the organisation, further highlights the issues faced by organisations that are unable to efficiently manage capital allometry. This result supports Knauer & Wöhrmann (2013) and Chatzoudes et al. (2022) who have underscored that any problems with capital management can be highly damaging to a company's generation of necessary returns especially in the contemporary fiercely competitive environments.

This I will see by using the AT ratio analysis that shows the operational efficiency of these companies especially in sales to assets. The result in the years preceding 2008 indicates that HUL had high levels of operation efficiency but the decline afterwards may be attributed to inefficiency or changes in strategy that affected this efficiency. This is in parallel with the findings of Samiloglu & Akgün (2016) and Kwak (2019) who mentioned that high asset turnover should be sustained in capital intensive industries. Britannia's constant AT ratio signifies that its asset management practices are constant which further establishes the idea that operational efficiency can cause long term gains (Soni & Kumawat, 2022; Das & Uppal, 2021; Camm et al., 2020). For instance, the AT ratio is consistently low at Godrej, which points at poor efficiency in the use of assets and implies the need to examine working strategies or asset management procedures again. This is in line with the literature since effective asset management is known to be an influential mediating factor that defines a firm's revenue generation and sustainability of its profitability (Mangesti Rahayu, 2019; Liu et al., 2022; Gupta & Gupta, 2020).

Practical Implications

The present research comprises several significant findings to the extant literature of profitability analysis of FMCG sector. First, through longitudinal analysis, it presents a bigger picture on how the trend of the profitability ratios looks like, which is very useful compared to cross sectional analysis which only provides a comparative look at a specific time and often fail to consider changes over time. Such a temporal viewpoint is especially helpful in a sector as keen as the FMCG since business environments, consumer tastes, and competitors positioning can quickly shift (Noy, 2023; Nyitrai, 2019). The fact that concrete variations in the realized key profitability ratios were shown between the sampled organizations implies that strategic differentiation and proper reactive management practices are vital in sustaining competitive advantage.

Moreover, this research contradicts the existing positivistic research which assumes that big market players are always financially advantageous. The analysis done in the study shows that it is possible to achieve profitability in the micro multiples despite its regional location and small market base in the following ways: Operational effectiveness, strategic responsiveness and capital management are some of the factors that have the potentialities of impacting the overall profitability of the firms and not just the market size and brand image. This study helps to advance the understanding of the issue of the strategy for business in today and tomorrow's environment where competitive advantage in many industries is no longer a guarantee of long term profitability (Aljunaidi & Ankrak, 2014; Das & Uppal, 2021).

From a management and policy perspective the study contributes practical implications for corporate management, investors and policy makers. Therefore, for corporate managers, the results obtained from the analysis of the financial performance for the analysed companies indicate that practical application of the strategy, especially in critical areas such as cost management, capital ownership, and asset usage should always be undertaken critically and with frequent revision. This is as per the views of Knauer & Wöhrmann (2013) and Sony et al. (2023) who state that the idea of strategic flexibility and, operational efficiency is the key in

the contemporary dynamic environments. From the investor perspective, the study delivers insights about their financial performance, which will then allow for more sound investment decisions that would consider the near and longterm solvency of these corporations.

Also, this study has implications for policymakers that could be interested in nurturing a competitive and sustainable FMCG sector. As a result, knowledge on factors affecting profitability in this sector will enable policymakers to formulate policies that would enable support structures that improve the sector's competitiveness, and hence contribution to the economy (Alam & Shah 2023; Mamman et al., 2019; Chowdhury et al., 2022). It is in this regard that the formulation of the above hypothesis has particular significance within the emerging consumer market paradigm of India where the FMCG remains one of the key pivotal Sectors to the economy's growth and employment opportunities.

Limitations and Directions for Future Research

However, there are several limitations that should be noted as regards to this study. The major limitation of the secondary data is the fact that the analysis conducted may not fully capture the external and internal factors which make up the profitability of the firm. As for the future studies, primary data should be investigated in terms of additional management interviews, surveys or case studies to get more insights on the indepth of strategies and external environment that manifests financial performance (Kalubanga & Mbekeka, 2024; de Nadae et al., 2021). Also, the growth of the number of companies under consideration or the study of factors of the external environment that affect the changes in profitability could also offer more information on the nature of the behavior of the FMCG sector's profitability (Gaganis, 2019; Brulhart et al., 2019; Shabbir & Wisdom, 2020).

Conclusion

This research aimed at undertaking comparative analysis of the selected profitability ratios of four selected FMCG companies operating in India, namely Hind Unilever Ltd, ITC Limited, Britannia Industries Ltd and Godrej Consumer Products Ltd for the fiscal year 2017-18 to 2021-22. Having assessed the selected companies using four numbers namely; NPM, ROE, ROCE, and AT, this study has established that profitability performance varies across the selected companies that has explain some operations strengths and weaknesses within these companies. Another observation is the difference in the profitability ratios which are evident from the tables above and this shows the extent of the strategic models and operational performances differences among these companies. An evaluation of the NPM of ITC presents an impressive figure over the years, which testifies to the capability of the company to keep operations efficient and manage costs prudently to convert revenue to profit. On the other hand, the low figures in Gods NPM and the regularity of Gods low ROCE rate unveil the challenge in cost control and capital productivity which frustrated Gods profitability.

Looking at the movement of ROE not only speaks volumes about the company's high returns on equity, it also reveals the fact that HUL might indeed face some problem in maintaining the ROE rates in future due various pressures of market dynamics or due to lack of efficiency within the company. Britannia has also displayed a steady rise in its ROE and ROCE which clearly shows that it is much more careful on its approach to financial management with more emphasis being placed on stability, sound capital management as some of the means to achieving profitability. Hence, this study add value to the existing literature on profitability within the context of the FMCG industry, and the argument that larger market players are always profitable. The analysis of the determined coefficients indicates that the significant differences among the considered firms confirm that the concept of the market size and brand

recognition fails to provide the comprehensive explanation of the firm profitability since the latter is a result of proper management of resources, market adaptation, and successful implementation of strategic initiatives. This understanding is most helpful to the corporate managers who require to make new changes on the way they run the corporations to remain relevant and for the investors who need to understand the financial performance of the corporations to invest in them adequately.

Also, the study clearly shows that flexibility of strategy, operations, and capital are the key factors on which a company must focus to enhance the robustness of its business model and achieve consistent profitability at the same time. With growth, there are complexities that accompany the FMCG business based on consumers preferences, technology, and competition, and this must be managed by organizations with appropriate strategies. The lessons learnt from the findings of this study are not only quantitative but qualitative in a way that can benefit not only the companies under analysis but also the entire sector of Fast-Moving Consumer Goods (FMCG) on how to increase profitability in a highly competitive market environment.

References

Alam, S., & Shah, S. H. A. (2023). Knowledge Management as a Strategy for Sustainable Competitive Advantage: Study of FMCG Industry in Pakistan. *Bulletin of Business and Economics (BBE)*, *12*(3), 291-302. https://doi.org/10.61506/01.00035

Aljunaidi, A., & Ankrak, S. (2014). The application of lean principles in the fast moving consumer goods (FMCG). *Journal of Operations and Supply Chain Management*, *7*(2), 1-25. https://dx.doi.org/10.12660/joscmv7n2p1-25

Amponsah-Kwatiah, K., & Asiamah, M. (2021). Working capital management and profitability of listed manufacturing firms in Ghana. *International journal of productivity and performance management*, *70*(7), 1751-1771. https://doi.org/10.1108/IJPPM-02-2020-0043

Anton, S. G., & Afloarei Nucu, A. E. (2020). The impact of working capital management on firm profitability: Empirical evidence from the Polish listed firms. *Journal of risk and financial management*, *14*(1), 9. https://doi.org/10.3390/jrfm14010009

Anupama, S., Dharmajan, D., & Nair, R. (2022). Fast Moving Consumer Goods sector in India–Tending towards oligopoly?. *Arab Economic and Business Journal*, *14*(1), 17-30. https://doi.org/10.38039/2214-4625.1004

Bianchi, F., Kung, H., & Morales, G. (2019). Growth, slowdowns, and recoveries. *Journal of Monetary Economics*, *101*, 47-63. https://doi.org/10.1016/j.jmoneco.2018.07.001

Bolouprem o, T., & Ogege, S. (2019). Mergers, acquisitions and financial performance: A study of selected financial institutions. *EMAJ: Emerging Markets Journal*, *9*(1), 36-44. https://doi.org/10.5195/emaj.2019.162

Brulhart, F., Gherra, S., & Quelin, B. V. (2019). Do stakeholder orientation and environmental proactivity impact firm profitability?. *Journal of Business Ethics*, *158*, 25-46. https://doi.org/10.1007/s10551-017-3732-y

Camm, M., Armstrong, L. E., & Patel, A. (2020). The Britannia Field, Blocks 15/29, 15/30, 16/26 and 16/27, UK North Sea. *Geological Society, London, Memoirs*, *52*(1), 664-678. https://doi.org/10.1144/M52-2018-54

Candelo, E. (2019). *Marketing innovations in the automotive industry: Meeting the challenges of the digital age*. Springer. https://doi.org/10.1007/978-3-030-15999-3

Carlos Pinho, J., Paula Rodrigues, A., & Dibb, S. (2014). The role of corporate culture, market orientation and organisational commitment in organisational performance: The case of non-profit organisations. *Journal of management development*, *33*(4), 374-398. https://doi.org/10.1108/JMD-03-2013-0036

Chatzoudes, D., Chatzoglou, P., & Diamantidis, A. (2022). Examining the impact of firm-specific and environmental-specific factors on short and long-term firm survival during an economic crisis. *EuroMed Journal of Business*, *17*(4), 698-730. https://doi.org/10.1108/EMJB-02-2021-0026

Chowdhury, S., Dey, P. K., Rodríguez-Espíndola, O., Parkes, G., Tuyet, N. T. A., Long, D. D., & Ha, T. P. (2022). Impact of organisational factors on the circular economy practices and sustainable performance of small and medium-sized enterprises in Vietnam. *Journal of Business Research*, *147*, 362-378. https://doi.org/10.1016/j.jbusres.2022.03.077

Das, S. K., & Uppal, K. (2021). NPAs and profitability in Indian banks: an empirical analysis. *Future Business Journal*, *7*(1), 53. https://doi.org/10.1186/s43093-021-00096-3

de Nadae, J., Carvalho, M. M., & Vieira, D. R. (2021). Integrated management systems as a driver of sustainability performance: exploring evidence from multiple-case studies. *International Journal of Quality & Reliability Management*, *38*(3), 800-821. https://doi.org/10.1108/IJQRM-12-2019-0386

Dhurkari, R. K. (2023). Strategic pricing decision using the analytic hierarchy process. *Journal of Revenue and Pricing Management*, *22*(1), 85-100. https://doi.org/10.1057/s41272-022-00372-z

Enqvist, J., Graham, M., & Nikkinen, J. (2014). The impact of working capital management on firm profitability in different business cycles: Evidence from Finland. *Research in International Business and finance*, *32*, 36-49. https://doi.org/10.1016/j.ribaf.2014.03.005

Gaganis, C., Pasiouras, F., & Voulgari, F. (2019). Culture, business environment and SMEs' profitability: Evidence from European Countries. *Economic Modelling*, *78*, 275-292. https://doi.org/10.1016/j.econmod.2018.09.023

Gupta, A. K., & Gupta, N. (2020). Effect of corporate environmental sustainability on dimensions of firm performance–Towards sustainable development: Evidence from India. *Journal of cleaner production*, *253*, 119948. https://doi.org/10.1016/j.jclepro.2019.119948

Haider, J., Ou, Z., & Pettit, S. (2019). Predicting corporate failure for listed shipping companies. *Maritime Economics & Logistics*, *21*, 415-438. https://doi.org/10.1057/s41278-018-0101-4

Jana, D. (2018). Impact of Working Capital Management on Profitability of the Selected Listed FMCG Companies in India. *International Research Journal of Business Studies*, *11*(1). https://doi.org/10.21632/irjbs

Kaleka, A., & Morgan, N. A. (2019). How marketing capabilities and current performance drive strategic intentions in international markets. *Industrial Marketing Management*, *78*, 108-121. https://doi.org/10.1016/j.indmarman.2017.02.001

Kalubanga, M., & Mbekeka, W. (2024). Compliance with government and firm's own policy, reverse logistics practices and firm environmental performance. *International Journal of Productivity and Performance Management*, *73*(5), 1427-1478. https://doi.org/10.1108/IJPPM-09-2022-0463

Kang, J., Lee, S., & Choi, S. (2023). Asymmetric Vacillation in the FMCG Industry: A Case Comparison of Procter & Gamble and Unilever. *Administrative Sciences*, *13*(8), 187. https://doi.org/10.3390/admsci13080187

Knauer, T., & Wöhrmann, A. (2013). Working capital management and firm profitability. *Journal of Management Control*, *24*(1), 77-87. https://doi.org/10.1007/s00187-013-0173-3

Kücher, A., Mayr, S., Mitter, C., Duller, C., & Feldbauer-Durstmüller, B. (2020). Firm age dynamics and causes of corporate bankruptcy: age dependent explanations for business failure. *Review of Managerial Science*, *14*, 633-661. https://doi.org/10.1007/s11846-018-0303-2

Kwak, J. K. (2019). Analysis of inventory turnover as a performance measure in manufacturing industry. *Processes*, *7*(10), 760. https://doi.org/10.3390/pr7100760

Liljenberg, A. (2022). Contextual agility informing market shaping. *Industrial Marketing Management*, *102*, 229-239. https://doi.org/10.1016/j.indmarman.2022.01.013

Liu, Y., Kim, C. Y., Lee, E. H., & Yoo, J. W. (2022). Relationship between sustainable management activities and financial performance: Mediating effects of non-financial performance and moderating effects of institutional environment. *Sustainability*, *14*(3), 1168. https://doi.org/10.3390/su14031168

Mamman, A., Bawole, J., Agbebi, M., & Alhassan, A. R. (2019). SME policy formulation and implementation in Africa: Unpacking assumptions as opportunity for research direction. *Journal of business research*, *97*, 304-315. https://doi.org/10.1016/j.jbusres.2018.01.044

Mangesti Rahayu, S. (2019). Mediation effects financial performance toward influences of corporate growth and assets utilization. *International Journal of Productivity and Performance Management*, *68*(5), 981-996. https://doi.org/10.1108/IJPPM-05-2018-0199

Noronha, E., Jain, P., Puri, D., Misra, A., Shah, P., Patel, M., ... & Jain, D. (2022). Social Compact: Co-creating socially responsible businesses the Indian way. *Vikalpa*, *47*(2), 119-190. https://doi.org/10.1177/02560909221094379

Noy, I. (2023). The company's financial performance in terms of liquidity and profitability. *Advances in Management & Financial Reporting*, *1*(2), 71-82. https://doi.org/10.60079/amfr.v1i2.99

Nyitrai, T. (2019). Dynamization of bankruptcy models via indicator variables. *Benchmarking: An International Journal*, *26*(1), 317-332. https://doi.org/10.1108/BIJ-03-2017-0052

Panigrahi, C. M. A., & Vachhani, K. (2021). Financial analysis by return on equity (ROE) and return on asset (ROA)-A comparative study of HUL and ITC. *Panigrahi AK, Vachhani K, Financial analysis by return on equity (ROE) and return on asset (ROA)-A comparative study of HUL and ITC. J Manag Res Anal*, *8*(3), 131-138. https://doi.org/10.18231/j.jmra.2021.027

Randhawa, K., Wilden, R., & Gudergan, S. (2021). How to innovate toward an ambidextrous business model? The role of dynamic capabilities and market orientation. *Journal of Business Research*, *130*, 618-634. https://doi.org/10.1016/j.jbusres.2020.05.046

Renneboog, L., & Vansteenkiste, C. (2019). Failure and success in mergers and acquisitions. *Journal of Corporate Finance*, *58*, 650-699. https://doi.org/10.1016/j.jcorpfin.2019.07.010

Saif-Alyousfi, A. Y., Md-Rus, R., Taufil-Mohd, K. N., Mohd Taib, H., & Shahar, H. K. (2020). Determinants of capital structure: evidence from Malaysian firms. *Asia-Pacific Journal of Business Administration*, *12*(3/4), 283-326. https://doi.org/10.1108/APJBA-09-2019-0202

Samiloglu, F., & Akgün, A. İ. (2016). The relationship between working capital management and profitability: Evidence from Turkey. *Business and Economics Research Journal*, *7*(2), 1. https://doi.org/10.20409/berj.2016217492

Santos, V., Sampaio, M., & Alliprandini, D. H. (2020). The impact of product variety on fill rate, inventory and sales performance in the consumer goods industry. *Journal of Manufacturing Technology Management*, *31*(7), 1481-1505. https://doi.org/10.1108/JMTM-06-2019-0213

Shabbir, M. S., & Wisdom, O. (2020). The relationship between corporate social responsibility, environmental investments and financial performance: evidence from manufacturing companies. *Environmental Science and Pollution Research*, *27*(32), 39946-39957. https://doi.org/10.1007/s11356-020-10217-0

Singhania, M., & Mehta, P. (2017). Working capital management and firms' profitability: evidence from emerging Asian countries. *South Asian Journal of Business Studies*, *6*(1), 80-97. https://doi.org/10.1108/SAJBS-09-2015-0060

Sisodia, A., & Maheshwari, G. C. (2023). Effect of determinants on financial leverage in FMCG industry: An empirical study of capital structure prior to COVID-19. *Asia-Pacific Journal of Management Research and Innovation*, 2319510X231178408. https://doi.org/10.1177/2319510X231178408

Soni, R., & Kumawat, B. (2022). A CASE STUDY ANALYSING THE IMPACT OF VARIOUS WORKING CAPITAL CYCLE PATTERNS ON FIRM PROFITABILITY. *Sachetas*, *1*(3), 18-28. https://doi.org/10.55955/130003

Sony, M., Antony, J., & Mc Dermott, O. (2023). How do the technological capability and strategic flexibility of an organization impact its successful implementation of Industry 4.0? A qualitative viewpoint. *Benchmarking: An International Journal*, *30*(3), 924-949. https://doi.org/10.1108/BIJ-09-2021-0541

Wu, J., Wang, D., & Morschett, D. (2023). Light Touch Goes Where? A Longitudinal Study of the Post-Acquisition Integration Paths Adopted by Chinese Multinational Enterprises. *Journal of International Management*, *29*(5), 101063. https://doi.org/10.1016/j.intman.2023.101063

Copyright © 2024, Journal of Social Commerce is licensed under Creative Commons Attribution-ShareAlike 4.0 International License (http://creativecommons.org/licenses/by-sa/4.0/)