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Assessing Financial Performance Metrics Of Soft Drink Brands In The FMCG Market

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Abstract

This study evaluates the financial performance of leading soft drink brands in India's fast-moving consumer goods (FMCG) sector. Ten companies—Bisleri, Hector Beverages, Hindustan Coca-Cola Beverage, Parle Agro, Varun Beverages, TATA Consumer, Dabur, Fruitnik, ITC, and Xotik Frujus—were examined to provide a balanced representation of multinational corporations, established Indian firms, and emerging players. Financial performance was assessed over a five-year period using ten key ratios spanning profitability, liquidity, solvency, and efficiency, including Return on Assets, Gross Profit Margin, Current Ratio, and Debt-Equity Ratio. The analysis revealed significant variations in financial health, highlighting the competitive strengths of dominant players and the challenges faced by smaller brands. The findings contribute to a deeper understanding of financial strategies within the soft drink industry and provide actionable insights for stakeholders, including managers, investors, and policymakers, in evaluating competitiveness and long-term sustainability.

1. Introduction

Being one of the largest sectors and competing across India, the Fast Moving Consumer Goods (FMCG) sector in India consists in products sold at a fast rate and fairly cheaper than food items perhaps. Commodities include packaged food, beverages, personal care goods, and household items. The sector forms an important trillion-dollar stake in the Indian economy, offering livelihood to many and giving a high consumer spending rate and Gross Domestic Product (GDP).

Holding a niche and growing fast within the FMCG arena is the soft drinks industry. Soft drinks encompass five categories of beverages including carbonated beverages, fruit juices, energy drinks, flavoured water, and various other types of non-alcoholic refreshers. These products find consumers in both urban and rural regions differing in age groups, working class, or earnings levels. This industry flourishes on a large population of youngsters, rising incomes, and increase in demand for ready-to-drink (RTD) beverages in India.

2. Literature Review

1. (Rabitha & Dev, 2024) conducted a study titled "An Evaluation of the Performance of Selected Packaged Food Companies in India." This research assessed the performance of ten

packaged food companies by analysing consumer opinions on factors such as brand image, sales and service support, and future prospects. The study found that Amul India was the most preferred brand due to high customer satisfaction in service quality and support. It also highlighted how some companies engage in unethical practices to remain competitive in a rapidly changing market. The research emphasized the importance of consumer perception in shaping brand value and performance in the packaged food industry.

2. Mishra (2024) conducted a study titled "Decoding the Source of Value for VNL, an R&D-focused Functional Beverage Company." This paper explored the valuation challenges faced by Valencia Nutrition Ltd. (VNL), a Bengaluru-based start-up offering multi-nutrient functional beverages aimed at managing lifestyle diseases. The study focused on how the COVID-19 pandemic severely impacted VNL's financial health, resulting in negative earnings, cash flow problems, and a significant drop in share price. With off-balance sheet intangible assets complicating matters, the study challenged readers to identify value drivers, understand value creation strategies, and select a suitable valuation method for early-stage companies with R&D-heavy business models. This research is particularly relevant for investors evaluating high-risk, innovation-driven ventures in the functional beverage sector

3. (Singh & Awoke, 2023) conducted a study titled "Relationship Between TPM Practices and Operational Performance in Soft Drinks Manufacturing Industry." This research examined how Total Productive Maintenance (TPM) practices impact operational performance (OP) in the Ethiopian soft drink industry. The study focused on five TPM elements: autonomous maintenance, safety and environment, education and training, focused improvement, and planned maintenance. Based on survey responses and statistical analysis, the results showed that four out of five TPM practices had a significant positive effect on OP, leading to improvements in cost control, product quality, delivery time, and flexibility. The study emphasizes that implementing TPM effectively can help soft drink manufacturers boost efficiency and performance.

4. (Zhang, 2023) conducted a study titled "The Financial Statement Analysis of PepsiCo." This paper examined PepsiCo's business strategy and financial performance, particularly in the context of post-COVID market conditions. Although the beverage industry grew in 2021, PepsiCo's profitability declined, raising questions about internal strategy. The study used SWOT analysis, common-size financial analysis, and ratio analysis to assess the company's current standing and future potential. It also included a five-year revenue projection, concluding that despite short-term setbacks, PepsiCo is financially strong and capable of capitalizing on market opportunities in the long run.

5. Devi (2023) conducted a study titled "Integrative Approach on DuPont Analysis to Financial Performance of Dabur Limited in India." This paper assessed the financial performance of Dabur Ltd. from 2013 to 2022 using both the three-step and five-step DuPont models, along with asset utilization analysis. The study found that asset turnover declined during this period, suggesting inefficient use of assets, while ROE remained fairly stable, peaking in 2013. The equity multiplier remained stable, but other factors within the DuPont framework varied. The research showed how DuPont analysis can provide insights into a company's operational efficiency, financial leverage, and ability to generate returns, making it a useful tool for comparing performance within the FMCG sector and across industries.

3. Research Methodology

Objectives of the Study

1. To assess the financial performance of chosen soft drink brands with key financial ratios from the last five years.

2. To compare companies based on four financial areas: profitability, liquidity, solvency, and efficiency; then assign performance levels.

Scope of the Study

This study evaluates the financial performance of selected companies in the soft drink segment of the FMCG sector in India. It focuses on 10 soft drink brands, which include both listed and unlisted firms, and examines a five-year period from 2020 to 2024.

Research Design

The research design for this study is analytical and comparative. It aims to evaluate the financial performance of selected soft drink companies over a set period using quantitative financial data

Since the study relies solely on secondary data, there was no direct interaction with consumers, employees, or management. Researcher analysed the financial performance of each company using established accounting ratios. The results were compared across four main financial areas: profitability, liquidity, solvency, and efficiency.

The design includes:

-Collection of financial data over a five-year period (2020 to 2024).

-Application of ratio analysis tools to interpret company performance.

-Use of comparative frameworks to assign relative performance levels.

-Identification of trends, changes, and patterns in financial indicators over time.

Sampling

Type of Data Used: Secondary Data

Number of Companies Selected: 10 soft drink companies

Time Period Covered: 2020 to 2024

Sampling Method: Purposive Sampling based on data availability and sector relevance

Sampling Unit: Individual companies

Sources of Data: Annual Reports, Financial Statements, Reliable Financial Portals (like Moneycontrol, Screener.in, Tofler)

Tools for Analysis: Ratio Analysis

Key Financial Areas Covered: Profitability, Liquidity, Solvency, Efficiency

Software/Statistical Tool Used: Microsoft Excel

Data Collection Sources

The study uses secondary data collected from:

-Company annual reports (2020-2024)

-Financial statements

-Platforms like Moneycontrol, Screener.in, Tofler, and Tracxn

-Official company websites

4. Analysis & Interpretation

Overview of Ratios

The financial performance of each company has been analysed using ten key financial ratios. These ratios fall under four main areas: profitability, liquidity, solvency, and efficiency. They were chosen to give a complete picture of how each company manages its resources, makes a profit, handles debt, and operates.

A. Profitability Ratios

These ratios measure how well a company generates profit from its assets and capital.

Return on Assets (ROA): This shows how effectively the company uses its total assets to generate net profit.

Gross Profit Margin: This measures the percentage of revenue left after deducting the cost of goods sold (COGS), indicating core profitability.

Return on Capital Employed (ROCE): This assesses how efficiently capital (debt plus equity) is used to generate profits before interest and taxes.

B. Liquidity Ratios

These ratios evaluate the company's ability to meet its short-term obligations.

Current Ratio: This compares current assets to current liabilities and indicates overall short-term financial health.

Quick Ratio: This is a more conservative version of the current ratio, excluding inventory. It shows the company's ability to meet its liabilities quickly.

Cash Ratio: This measures how much of the company's obligations can be covered using only cash and cash equivalents.

C. Solvency Ratios

Solvency ratios assess the company's long-term financial stability and reliance on debt.

Debt Ratio: This indicates what portion of a company's assets is financed by debt.

Debt to Equity Ratio: This compares total debt to shareholders' equity. Higher values suggest greater financial risk.

D. Efficiency Ratios

These ratios show how well the company uses its assets in everyday operations.

Inventory Turnover Ratio: This measures how quickly inventory is sold and replaced, reflecting demand and inventory management.

Total Asset Turnover Ratio: This evaluates how efficiently the company uses all its assets to generate revenue.

Master Comparative Table he table below shows the five-year average of all key financial ratios from this study. This format lets you compare the performance of all 10 companies side by side.

Key Area Insights

	Avg. ROA	Avg. Gross Profit Margin	Avg. Current Ratio	Avg. Quick Ratio	Avg. Cash Ratio	Avg. Inventory Turnover Ratio	Avg. Asset Turnover Ratio	Avg. ROCE	Avg. Debt Ratio	Avg. Debt to Equity Ratio
Bisleri	15%	50.46%	0.96	0.78	0.28	22.24	2.17	37%	3.45	0.05
Hector Bev.	-40%	26.36%	1.31	0.85	0.45	5.22	1.94	-164%	0.18	54.63
HCCB	9%	47.98%	1.04	0.33	0.09	2.22	1.11	20%	0	0
Parle Agro	9%	52.53%	1.48	0.97	0.005	2.85	0.98	27%	0.28	0.55
Fruitnik	15%	54.08%	3.88	3.44	-	6.95	1.24	27%	0.17	0.21
Varun Bev.	10%	63.95%	1.04	0.54	0.18	2.74	1.05	29%	0.29	0.64
ITC	21%	60.17%	3.22	2.28	0.49	2.25	0.75	35%	0.00018	0.00021
TATA Consumer	4%	61.09%	2.14	1.45	0.75	2.20	0.62	10%	0.06	0.10
Dabur	14%	60.39%	1.50	0.94	0.24	2.43	1.07	28%	0.18	0.09
Xotic Frujus	8%	51.37%	0.62	0.37	0.14	9.69	2.27	24%	0.25	1.02

To understand which companies did well in specific financial areas, we analysed the five-year average values from the master table under the categories of profitability, liquidity, solvency, and efficiency. Each company was assessed based on consistency, strength, and financial discipline, not just on their highest figures. We also considered the different scales of operation.

A. Profitability

ITC and Dabur showed the strongest profitability with consistently high Gross Profit Margins above 60% and healthy levels of ROA and ROCE.

Varun Beverages and Fruitnik maintained decent margins and moderate return metrics throughout the period.

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Companies like HCCB, Parle Agro, and Xotik showed mid-range profitability. Hector Beverages had negative returns in ROA and ROCE, making it the weakest in this area.

B. Liquidity

Parle Agro stood out with exceptionally high Current Ratio (3.88), Quick Ratio (3.44), and Cash Ratios, indicating strong short-term financial stability. ITC and Dabur also maintained healthy liquidity levels. HCCB, Varun Beverages, and Xotik had weaker liquidity ratios. Tata Consumer and Hector Beverages reported volatile or declining trends.

C. Solvency

HCCB, ITC, and Bisleri operated with minimal to near-zero debt ratios and maintained solid capital control.

Parle Agro and Dabur held stable and manageable debt levels.

Xotik, Tata Consumer, and Varun Beverages had higher average debt-to-equity ratios. Hector Beverages had a concerning peak in 2021 with a D/E of 54.63, making it the riskiest among the group.

D. Efficiency

Bisleri demonstrated exceptional operational efficiency with the highest Inventory Turnover Ratio at 22.24 and strong asset utilization with an average TAT of 2.17.

Xotik showed impressive asset turnover at 2.27 and a healthy inventory cycle.

Varun, Dabur, and ITC performed moderately, while HCCB and Tata Consumer had consistently low asset turnover, indicating they were not fully utilizing their resources.

Company-Wise Ranking

To conclude the financial analysis, the companies were ranked in four key financial areas: Profitability, Liquidity, Solvency, and Efficiency. Based on a five-year average of ratios and interpretation, each company received a rank. This ranking shows overall consistency, financial discipline, and long-term stability.

Rank	Company Name	Performance Summary
1	**Bisleri**	Strong performance across all four areas. Profitability and efficiency were consistently high, with minimal debt.
2	**Parle Agro**	Demonstrated solid profitability and healthy liquidity position over the five-year period.
3	**Varun Beverages**	Maintained balanced performance with good operational efficiency and improving returns.
4	**HCCB**	Debt-free with stable profitability; slightly lower liquidity levels in comparison.
5	**ITC**	Financials remained steady and risk levels were low, though growth was moderate.
6	**TATA Consumer Products**	Liquidity and efficiency ratios showed improvement, while profitability remained average.

7	**Dabur**	Performed moderately across most areas with no significant highs or lows.
8	**Hector Beverages**	Liquidity improved in recent years, but profitability and asset usage remained weak.
9	**Fruitnik**	Faced challenges in profitability and solvency; overall performance was below average.
10	**Xotic Frujus**	Underperformed across all key financial areas, particularly in profitability and debt management.

5. Findings

Profitability

· Bisleri International achieved the highest average ROA and ROCE among all companies. This indicates strong and consistent profit generation from its assets and capital.
· Parle Agro and Varun Beverages also showed good profitability, with stable margins and returns over the five-year period.
· Xotik Frujus and Fruitnik Beverages had the weakest profitability, consistently reporting low or negative ROA and ROCE values.
· Hector Beverages had poor profitability in earlier years, but recent averages showed slight improvements.

Liquidity

· Tata Consumer Products and Parle Agro maintained healthy liquidity ratios. This suggests better short-term financial health.
· Bisleri International and ITC Ltd. had adequate liquidity, with stable Current and Quick Ratios throughout the five years.
· Hector Beverages improved its liquidity noticeably, especially in the last two years of the study.
· Hindustan Coca-Cola and Xotik Frujus had relatively weaker liquidity positions, which could suggest short-term financial constraints.

Solvency

· Hindustan Coca-Cola had no debt, resulting in excellent solvency indicators.
· Bisleri International also maintained very low average debt ratios, which supports its financial stability.
· Fruitnik Beverages and Xotik Frujus had poor solvency positions, with higher debt ratios and lower equity strength.
· Hector Beverages improved its solvency by reducing debt in the later years. This reflects better control over financial risk.

Efficiency

· Bisleri International and Varun Beverages recorded high Inventory Turnover and Total Asset Turnover ratios. This indicates strong operational efficiency.
· Parle Agro also performed well in asset use and inventory movement.
· Hector Beverages, Fruitnik, and Xotik Frujus had low efficiency ratios, which show underutilized resources and slower inventory movement.

6. Conclusion

This study looked at the financial performance of selected soft drink brands over five years using key financial ratios in four areas: profitability, liquidity, solvency, and efficiency. By calculating five-year averages and using a ranking system, it was easier to compare companies of different sizes and financial structures. The analysis showed mixed results some companies performed well in specific areas, but none excelled across all metrics. This highlights the trade-offs in financial strategies. The findings indicate that factors such as lower debt levels, stronger margins, and better use of assets can significantly improve a company's financial position. Overall, this ratio-based approach provides practical insights for investors, researchers, and decision-makers. It supports the idea that a company's true financial health is best assessed using multiple indicators rather than relying on a single metric.

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