Major Research Project

EFFECT OF MERGER AND ACQUISITION ON CORPORATE PERFORMANCE IN FMCG INDUSTRY WITH REFERENCE TO BALAN NATURAL FOOD PRIVATE LIMITED'S BRAND B NATURAL ACQUIRED BY ITC LIMITED

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CERTIFICATE

This is to certify that **Nancy Chaurasia, 2K21/DMBA/74** has submitted the major research report titled **“Effect of Merger and Acquisition on Corporate Performance in FMCG Industry with reference to Balan Natural Food Private Limited’s Brand B Natural acquired by ITC Limited”** under the guidance of Mr. Dhiraj Kumar Pal as a part of Master of Business Administration (MBA) curriculum of Delhi School of Management, Delhi Technological University, New Delhi during the academic year 2022-2023.

Signature of the Guide	Signature of Head of Department
Mr. Dhiraj Kumar Pal	Dr. Archana Singh

DECLARATION

I, **Nancy Chaurasia** student of Delhi School of Management, Delhi Technological University hereby declare that **"Effect of Merger and Acquisition on Corporate Performance in FMCG Industry with reference to Balan Natural Food Private Limited's Brand B Natural acquired by ITC Limited"** submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) is the original work conducted by me. I also confirm that neither I nor any other person has submitted this project report to any other institution or university for any other degree or diploma. I further declare that the information collected from various sources has been duly acknowledged in this project.

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ACKNOWLEDGEMENT

Before we get into the crux of the matter, I’d want to express my gratitude to those who have been a part of this project since its start. This project’s writing has been one of the most major academic obstacles I have faced and it would not have been accomplished without the help, patience and advice of the people involved.

It gives me immense pleasure in presenting this project report on **“Effect of Merger and Acquisition on Corporate Performance in FMCG Industry with reference to Balan Natural Food Private Limited’s Brand B Natural acquired by ITC Limited”.** I want to express my gratitude to Mr. Dhiraj Kumar Pal, Assistant Professor, Delhi School of Management, Delhi Technological University who have aided me since the beginning of this project and for his valuable advice and timely ideas.

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EXECUTIVE SUMMARY

Over a million Merger &Acquisition cases have occurred globally over the years, but between 70 and 90 percent of them have failed. Even though they are efficient ways for organisations to grow in size, but mergers and acquisitions do carry some risk. It is essential to objectively evaluate both the positive and negative effects of merger and acquisition strategy on company performance in order to warn organisations away from making unreasonable merger and acquisition decisions.

FMCGs have a significant impact on the economy, due to their inelastic nature and ability to affect every element of the consumer's life. This encouraged me to do research work on the effect of merger and acquisition strategy on the performance of FMCG industry.

For this analysis, acquisition of ITC Limited is selected as one of the FMCG company who acquired Balan Natural Food Private Limited's Juice Brand B Natural for inorganic expansion. The performance of the acquiring company three years i.e. 2012 -2014 before and seven years after the acquisition is examined in the current study.

The whole research mainly collects secondary data from financial annual reports, websites, newspapers, articles, journals, magazines, text books. Ratio analysis will be used as a method to ascertain pre- and post-acquisition insights. The data is compiled and tabulated with the help of MS Excel.

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CHAPTER I

INTRODUCTION

This is the foremost section of the Major Research Project which is based on background of selected Company and consists of brief terminologies used in Merger and Acquisitions.

1.1 Background

Mergers and acquisitions are significant business strategy initiatives that help the company grow externally and provide it a competitive edge. It is one of the ways that a company can expand via which it can enhance its market share, tax benefits, synergies, and prospects. The choice to go for mergers and acquisitions has a significant effect on the economy as a whole as well as on shareholders, managers, and customers.

It is hazardous for organisations to be dormant and rest on their laurels in the current environment of highly competitive globalised markets. Compared to 25 years ago, organisations now need to be much more strategic in their choices. In order to meet the demands of the continually expanding market and the needs of a more influential group of stakeholders, organisations must constantly reinvent and rebuild themselves.

1.1.1 Few Merger and Acquisition Strategy

a) Firm Diversification

Generally, firms enter into mergers and acquisition with firms which normally are in the same connected line of business than to diversify it and enter into businesses in which the firm lacks experience.

Companies that merge with other diversified companies can benefit from a variety of advantages that undiversified organisations cannot. Businesses employ diversification as a tactic to spread the risk among the industries in which they compete. Second, the multiple operations that the company engaged in through diversification would be welcomed by the financial markets, leading to the firm's expansion and profitability. However, mergers and acquisitions are risky since they must first assess their own strengths and limitations before spreading their wings.

b) Cross-Border Merger and Acquisitions

Cross-border merger and acquisitions occur when a parent company with its headquarters in one country acquires and merges it with another business in a different nation. Because it takes time to enter and set up operations in another nation, businesses opt for cross-border mergers and acquisitions. It is very time and money efficient to develop one's own infrastructure and supply chain.

c) Tax Advantages

Mergers can benefit persons and corporations in several ways by cutting their tax burden. Large profitable companies frequently combine with specific loss-making ones to benefit from lower tax costs.

d) Managerial Hubris

Managers frequently fail as a result of their carelessness and overconfidence, which causes them to frequently choose the wrong companies.

Managers of larger companies are typically more susceptible to hubris than other people, however in an ideal world, it should affect everyone. This is also possible because huge businesses typically have access to more funding, which makes mergers easier for them. This probably happens because they are managers of large corporations who are more socially influential and who have probably been successful in growing the firm.

e) Increased Managerial Compensation and rewards

The person who bids and the acquirers receive generous rewards in the form of high managerial salaries and management dividends. In such situations, shareholders of the acquiring corporation frequently suffer losses. Typically, managers gain at the expense of shareholders. Therefore, only profitable mergers that provide genuine value must be recognised. The inequalities in control, authority, and influence between the CEOs of merging companies are another issue that needs to be handled in mergers.

f) Improved market standing

Due to the appeal of a higher income and additional benefits, especially those offered by companies with separate ownership and control, managers are more likely to join mergers. This typically happens in companies when employee performance is rewarded. Such objectives frequently have negative effects and result in failed mergers.

Managers usually prioritise their own interests over the success of the business. They frequently pursue business expansion and acquisitions solely for the status and influence that come with corporate size. Many managers' growth methods are also influenced by elements like leisure, personnel, and other types of on-the-job training.

Mergers are judged effective if they increase market dominance or reduce the possibility of increasing competition. Additionally, mergers safeguard dominating positions. It has also been noted that the merger itself does not offer much proof that profitability is increased by market dominance.

1.1.2 Trend of Merger and Acquisition

Building a conceptual framework for mergers and acquisitions is essential before exploring the Merger & Acquisition trend in India. First of all, it is important to comprehend that corporate restructuring, in its broadest sense, includes mergers and acquisitions. Corporate restructuring is the process of partially deconstructing or otherwise reorganizing a business to increase its productivity or profitability. This restructuring may take place internally or outside the company. Internal restructuring refers to adjusting within the company, such as changing the organizational structure, personnel policies, working conditions, and processes. In contrast, external restructuring includes takeovers, mergers and acquisitions, capital restructuring, creditor restructuring, etc.

The corporate Restructuring comprises four activities

a) Expansion
b) Contraction
c) Financial Restructuring
d) Organizational Restructuring

Motives for the Corporate Restructuring

Corporate business needs to have focus on core activities in order to gain synergy, maximize efficiency in operations, to reduce the operating cost and to take the benefit of senior management.

- A sick company can be effectively recovered, rehabilitated, and returned to profitable lines via restructuring.

- When a sick unit is incorporated into a prosperous unit, unabsorbed depreciation can be adjusted and cumulative losses can be written off, allowing the successful unit to strategically plan its taxes.

- Financial reorganisation as part of corporate restructuring helps the company reach the targeted level of debt to equity, lowering total capital costs and financial risks.

- The process of restructuring makes horizontal and vertical integration easier, which eliminates rivalry and allows the business to acquire regular raw resources, expand into new markets, and access scientific research and technical advancements.

- One of the primary reasons for a Merger & Acquisition is to achieve synergy, which means that the combined entity is more valuable than the sum of its parts. This can come in various forms, such as cost savings from combining operations, increased market power, or access to new technologies or distribution channels.
- Diversification: Companies may seek to diversify their portfolio of products, services, or geographic markets by acquiring or merging with another company that complements their existing business.
- Market consolidation: In some cases, M&A activity can be driven by a desire to consolidate a fragmented industry and gain a dominant market position.
- Financial reasons: M&A can also be motivated by financial considerations, such as a desire to increase revenue, reduce costs, or improve profitability.
- Access to resources: An acquiring company may seek to gain access to a target company's resources, such as technology, intellectual property, or talent.
- Growth: Finally, M&A can be a means for companies to achieve growth more quickly than they could through organic means, such as expanding their product lines or entering new market.

Over the past 25 years, the corporate sector in India has seen a profound upheaval. When India adopted the new industrialization policy in favor of Liberalization, Privatization, and Globalization, it transformed its closed economy into an open one, marking the beginning of this sea change. Many multinational corporations entered the country to set up business since MNCs from all over the world saw India as a sizable market. They brought the required standards, knowledge, technology, employment, and development. However, it also created competition for domestic businesses, forcing them to improve.

It was a simpler approach for global corporations to enter the market, and it was one of the most important survival and growth strategies for Indian businesses. The trend of Merger & Acquisitions began to pick up speed gradually. Indian businesses have even taken over several international multinational heavyweights. And currently, India sees hundreds of transactions each year.

1.1.3 Cross Border M&As in India

Cross-border mergers and acquisitions have become a popular technique for growth and snatching up foreign markets as a result of globalisation and advancements in transportation and communication technology. In terms of combining and purchasing overseas companies, Indian businesses have demonstrated credibility. Some of the years in the first decade of the twenty-first century even saw more cross-border transactions than domestic transactions. India's rise to the top spot among economically developed nations has been significantly aided by cross-border transactions by Indian corporations.

Different nations are being targeted by Indian businesses for various global sectors. Europe is a popular location for pharmaceuticals and automotive components. The Asian-Pacific region is targeting the metal and mining industries. Acquisitions in the IT and telecom sectors are more common in US markets. In general, IT, financial and banking services, and medicines dominate cross-border deals. Numerous mid-caps and small-cap firms in a variety of sectors, are taking part in more outbound transactions.

A special note should be made of a few of the notable cross-border transactions over the years. Tata Tea, a division of the Tata Group, made the first notable cross-border transaction in 2001 when it paid $ 430 million to acquire the well-known Tetley tea brand in the UK. This essentially signalled the start of cross-border transactions in India. Significant acquisitions have also been undertaken by other Tata Group firms. In 2007, Tata Steel paid $12,2 billion to acquire Corus, the UK's largest steel company, while Tata Motors paid $2.3 billion to acquire Jaguar Land Rover. Recent transactions between Tata Tele Services and NTT DoCoMo totalled $ 2.7 billion. As a result, the Tata Group has consistently purchased sizable overseas corporations in a variety of sectors.

These mergers and acquisitions were motivated by a variety of strategic goals, such as market expansion, portfolio diversification, access to new brands and markets, and utilising synergies to increase competition in the FMCG industry.

- Rational managers may acquire poorly performing firms and create value by dismissing target management which ultimately enhance the operating performance of the target.

- The target and the bidders may have several financial synergies. If the market is inefficient and the target is undervalued, correctly valued bidders can purchase the target affordably and add value. If the market overvalues the bidder, the bidder may use the overvalued shares to fund the acquisition.

- Horizontal mergers may lead to the market power by combining entities and create a monopoly situation in the market.

- Instead of creating shareholder value, managers occasionally pursue merger or acquisition in order to maximise the size of the company. With these abilities, the management of the acquiring company's pay and recognition rise, which ultimately creates opportunity for lower- and middle-level managers and staff members at the bidding firm. Additionally, it prevents another company from acquiring the company.

1.1.4 Merger and Acquisition Theories

a) Efficiency Theory

As per this theory, few organizations operate below their potential, which results in less efficiency in the work. This situation gives rise to merger or acquisition and low efficiency firms are being acquired by those firms which are much more efficient firms in the same industry. The acquiring firm usually have better managerial ability to improve the latter's performance.

Operational, managerial, and financial synergy are the three types of synergy that efficiency theory distinguishes.

- According to the operating synergy theory, businesses can achieve synergistic benefits by merely pooling their resources because doing so results in economies of scale and complementary advantages.

- The combined debt capacity of two enterprises, according to the financial synergy theory, will be greater than the sum of the debt capacities of the two separate firms.

- Managerial synergies are attained when the bidder managers have better monitoring and planning skills that enhance the desired performance.

b) Monopoly Theory

According to the traditional idea of monopolisation in economics, businesses engage in horizontal agreements to gain market dominance, restrict the power of rivals, and make it more challenging for them to get access to the market.

This theory views mergers and acquisitions is planned and executed to achieve market power. Market leaders strive to consolidate their business in order to gain leadership in the industry.

c) Valuation Theory

According to this, managers who are making purchases have more knowledge than the stock market about the particular target's untapped potential value. As per this capital markets do not have complete knowledge about the assets they value through share prices.

The target firm will be overpaid as a result of this valuation theory, according to one of the most frequent criticisms (hubris hypothesis), which claims that it is impossible to obtain precise and concrete knowledge about the deal outcomes.

d) Empire-Building Theory

According to this theory, managers' greater focus on achieving their own goals than boosting shareholder value might also contribute to the agency problem that exists between shareholders and management, which can result in M&As.

e) Process Theory

This strategy relies on rationalisation and suggests that rather than being wholly irrational decisions, strategic choices are defined as the results of procedures guided by the central role of organisational routines or political power in the decision-making process. Complex decision-making processes lead to mergers and acquisitions.

g) Raider theory

Raider theories are centered on how an acquirer gains control of a target company in order to transfer wealth from the target company's stockholders to the acquirer stockholders without having any strategic intention of running those companies themselves. These acquirers are commonly referred to as private equity firms, and their only goal is to make money off of investments.

In order to take control of a company, raiders hunt for distressed businesses with undervalued assets.

h) Disturbance Theory

This theory contends that economic upheavals are the root cause of merger waves. Economic disruptions make the future less predictable, which has the effect of increasing the variance in a firm's value. Increased uncertainty in the economy is a result of macroeconomic shocks or disturbances that alter people's attitudes and expectations.

This forces a corporation to think about selling its ownership position in another company and further necessitates a company to consider the possibility of disposing its stake in another company.

1.1.5 Overview of Company selected for analysis

ITC Limited successfully acquired Balan Natural Food Private Limited' juice brand B Natural in 2014

ITC Limited intended to grow in an inorganic way in order to confront its competitors in the food industry and expand its non-cigarette FMCG sector. ITC continues to combine its unique competencies present in a variety of companies to boost the competitive power of the portfolio and position each business to achieve leadership on the foundation of international standards in quality and costs. Through acquisitions, the FMCG segment sought to diversify its product offering and considerably diversify its business across the nation.

ITC Limited has increased and bolstered its position in the packaged food industry over the past few years with the help of its renowned brands. Within the sector, many of the brands have developed into market leaders. ITC Limited want to target the underserved branded packaged fruit beverage market in the nation with the launch of the B Natural brand in the ready to drink juice market.

ITC's line of B Natural fruit juices & drinks is positioned to provide consumers a delightful, fresh substitute to the market's leading brands with the initial launch of seven types. In addition to completely redesigning the packaging, ITC has made major investments in re-formulating the varieties with the goal of creating richer, tastier fruit juices & beverages that are more reminiscent of the natural flavour of fruits. Additionally, there are no additional preservatives, artificial colours, or artificial flavours in the B Natural line.

ITC Limited entered the market with the goal of eclipsing two competitors: Tropicana, produced by PepsiCo, with a 30% market share, and Real and Real Activ, a product of Dabur, which holds a 55% market share.

For this, ITC Limited B Natural thus offers seven tastes to support its flavour claim. In January 2015, the revised product and packaging were introduced in the South; they are now available in other areas.

With the help of an increasing number of consumers who are health concerned, the market for juices as a whole is expanding at a rate of roughly 15-20% annually. ITC has gone all out with "desi" tastes to accomplish the task of expanding the market because there isn't a lot of competition there because only two companies control it. They are available in variety of flavours—clearly target the Indian palate in the area. Analysts are watching to see if ITC's first foray into branded juices proves to be a tactical choice to increase its position in the overall food and beverage industry.

1.2 Problem Statement

The FMCG sector has seen significant merger and acquisition in recent years, with an increase in the number of global participants as a result of successive merger and acquisition. Measuring the effect of Merger & Acquisition on the performance of the firm has been the subject of a significant amount of research. Many people are still curious about the effectiveness of mergers and acquisitions as a strategic strategy. Many people still have questions about whether these mergers and acquisitions improve company performance. This motivates me to conduct a research on the effect of Merger and Acquisition on the corporate performance in FMCG Industry with reference to the acquisition of the Balan Natural Food Private Limited's Brand B Natural by ITC Limited. This study would help in understanding the impact of merger and acquisition in FMCG industry

1.3 Objectives of the Study

To examine the corporate performance prior to and post-acquisition with reference to one of the FMCG Company i.e. Balan Natural Food Private Limited's juice brand B Natural acquired by ITC Limited by making use of ratio analysis.

1.4 Scope of the Study

- The focus of the research paper will be the FMCG sector, specifically in relation to mergers and acquisitions. It would investigate the variables affecting Merger & Acquisition activity in the FMCG industry as well as the effects of such transactions on business performance.
- The study has focused on the effects of merger and acquisition with reference to acquisition of Balan Natural Food Private Limited’s juice brand B Natural by ITC Limited to analyse the prior & post acquisition corporate performance through ratio analysis. This research helps companies to get to know the benefits and consequences involved in this strategy.
- The research report will evaluate how the acquisition will affect ITC Limited's business performance, concentrating on important financial metrics like profitability, solvency, activity, and liquidity.

CHAPTER II
LITERATURE REVIEW

2.1 Background

There is a wealth of information available regarding the background of mergers and acquisitions, including whether acquiring firms ultimately add value to shareholders. This section throws a light on all the studies and researches that have investigated the impact of merger and acquisition on performance of the business.

Joshi, Vyas, and Shukla conducted a study in 2013 on how merger and acquisition activity affects the efficiency of Indian banks' performance. Secondary data were acquired from various websites, annual reports, and other sources to represent a sample of four banks: HDFC, ICICI, IDBI, and Federal Bank. To assess the performance data before and after the merger, different financial metrics were used. The data were taken to indicate that HDFC & IDBI bank's profitability grew after their merger, leading to the payment of a larger dividend to shareholders, while ICICI bank's profitability performance marginally declined during the post-merger period.

Joash and Njangiru (2015) evaluated the effects of mergers and acquisitions on profitability and shareholders' value in the banking sectors by choosing a sample of 14 banks that underwent mergers or acquisitions during the period 2000-2014 for their research study, "The Effect of Mergers and Acquisitions on Financial Performance of Banks (A Survey of Commercial Banks in Kenya)". Primary data gathered using open-ended and closed-ended questionnaires were used to analyse the study. The study came to the conclusion that acquiring companies following a merger boosted shareholders' value used a statistical technique called the coefficient of correlation.

Seven corporations that had taken part in financial restructuring operations between 2000 and 2014 served as the sample size for **Yusuf's (2016)** investigation into the post-merger financial health of Jordanian industrial sectors. The study looked at secondary data acquired from a number of public yearly financial statements. Financial ratios and statistical techniques like the parametric t-test are used to assess the significance of pre and post financial performance of the selected firms. The writers came to the conclusion that there had been no discernible improvement during the post-merger era. The liquidity, profitability, and market share of the chosen manufacturing enterprises did not increase as a result of merger and acquisition transactions.

Nayar (2008) investigated the trend of Indian companies going global through mergers and acquisitions from 2000 to 2006. He learned that industrialised nations accounted for 3/5 of India's foreign investment. The same proportion for other developing nations was 1/8th. The manufacturing sector accounted for the majority of India's capital outflow. The study concluded that the reasons for internationalisation varied by sector or industry. Market access for exports, horizontal or vertical integration, service provision, snatching up worldwide brand names, access to technology, sourcing of raw materials, and aspirations for global leadership were some of the factors noted. The findings, however, were observation-based and lacked factual support.

In many Merger & Acquisition transactions, according to **Kumar & Bansal (2008)**, the acquiring firms were able to generate synergy over the long term. This synergy could take the shape of increased cash flow, additional business, diversification, cost savings, etc. Ratio analysis and correlation were employed.

When compared to pre-merger values, **Kumar (2009)** observed that the post-merger productivity, resource turnover, and dissolvability of the procuring organisations generally show no improvement. It would seem that, contrary to common belief and desire, mergers typically do not result in an improvement of the acquirer's financial performance.

Ramakrishnan (2010) concluded from his analysis that mergers had been found to improve the long-term performance of Indian corporations. In order to perform his research, he selected 87 companies from merger deals that occurred between January 1996 and March 2002 and calculated the pre-tax operating cash flows for the three years before to and following the merger.

Agnihotri (2013) conducted study to identify the firm-level factors that are significant in helping business firms decide whether to pursue acquisitions or not. She selected a sample of 360 businesses from the period 2004–2010, focusing on the FMCG, automotive, and pharmaceutical industries. She discovered that business group affiliation and earning volatility are the two key factors that determine whether or not corporations choose to engage in mergers and acquisitions.

In their empirical study titled "Post-Merger Performance of Acquiring Firms from Different Industries in India," **Pramod Mantravadi and A Vidyadhar Reddy (2008)** sought to determine the effects of mergers on the operating performance of acquiring corporates in various industries by comparing certain pre- and post-merger financial ratios. All mergers involving publicly traded companies in India between 1991 and 2003 were included in the sample of companies. The findings imply that there are slight variations in the effects of mergers on operating performance across various Indian industries.

In India between 1995 and 2000, **Beena (2008)** examined 115 acquiring businesses (MNCs). The study found that, when compared to the time prior to M&A, the profitability ratio for all acquiring firms in terms of rate of return, price-cost margin, and shareholders' profit either stayed unchanged or decreased. This finding is statistically significant at the 1% level. After the merger, the export intensity for each acquiring company slightly increased.

The study by **Mantravadi and Reddy (2008)** examined 118 merger cases spread across various industries (during 1991–2003) and examined the post-merger performance of each industry separately in terms of Operating Profit Margin, Gross Profit Margin, Net Profit Margin, RONW, ROCE, debt–equity ratio, and employed paired t-test to detect significant differences between the pre and post period. Additionally, they discovered that post-merger performance varied by industry. Despite the fact that almost all sectors were determined to be negatively impacted by M&A, the extent varied in several instances. If parameters that were tailored for the industry were utilised, the study would have been more thorough.

Beena (2006) also examined 64 mergers that took place in the post-liberalization pharmaceutical industry by contrasting the post-merger performance of the merging companies with that of the competing non-merging enterprises. Gross profit margin, net profit margin, return on capital employed, R&D intensity, advertising intensity, marketing intensity, cost intensity, export intensity, import intensity, and capacity utilisation were the variables studied between the pre-merger and post-merger periods of three years. There was a considerable difference between merging and non-merging businesses across all metrics, with the exception of advertising and marketing intensity. In the case of the majority of ratios, merging entities outperformed non-merging entities. All of the ratios indicated improvement when comparing the performance of the merging firms before and after the merger, with the exception of capacity.

Accounting ratios were employed by **Srinivasa et al. (2013)** to evaluate long-term financial performance, but they did it using the Cylinder Model - A Conceptual Framework, which frames sector-specific cylindrical models by converting them to natural logarithms. The proposed hypotheses were then tested using t-stat. It specifically carried out a later test on the means of financial ratios and variables for the manufacturing and service sectors using cylinder models and accounting ratios, respectively. The study discovered improved balance sheets after mergers as well as higher performance in the manufacturing and services sectors throughout the post-merger period. The study, however, was only able to look at a tiny sample of merger situations.

Even though it is a primary-based study, **the Tripathi and Lamba (2015)** study is noteworthy among the unorthodox studies. To gather information about the reasons for the merger and its benefits, the study employed a survey approach. The goal of the study was to ascertain the drivers behind Indian corporations' international mergers and acquisitions (M & A) from 1998 to 2009. The study also tried to determine the post-merger paybacks that the sample acquirer companies had experienced. A variety of statistical techniques were used, including the Likert scale, factor analysis, independent samples t-test, and binary logistic regression. According to the survey, there are five reasons for cross-border mergers and acquisitions: value generation, efficiency improvement, market leadership, marketing and strategic goals, and synergistic gains.

Yeh and Hoshino (2000) in Taiwan, and Limmack (2004) in Malaysia both investigated operating cash flows and returns following mergers and found a favourable effect of the combination. Cash flow adjusted outcomes, however, may not always be a reliable predictor of mergers and acquisitions.

Grigorieva and Petrunina (2015) compared the outcomes of M&A deals in emerging capital markets to those attained using the conventional approach of accounting studies. They did this by measuring the performance of M&A deals in terms of economic profit. The study included 80 transactions from developing economies that the IMF (International Monetary Fund) detected between 2003 and 2009, including 11 from India. The study's variables link cash flows to asset book values and sales. The study found that for assessing how M&A transactions impact a company's profitability, accounting performance measurements are just as relevant as economic profit measures. Following M&A transactions, both kinds of performance indicators for merged firms demonstrate a reduction in performance. Thus, the study finds that planned synergies between rising economies are not possible.

Some international studies have recently conducted surveys of M&A specialists in light of the conflicting findings about the influence of mergers on the operating performance of businesses. In order to develop a framework supporting the process of synergy management and the success of pre-deal planning, **Garzella and Fiorentino (2014)** conducted a survey of M&A specialists using questionnaires and interviews. The study identifies a number of discrepancies in the measurement of synergy valuation. It also recommends a synergy management model that might incorporate the evaluation of strategic elements, including the kind of synergy, its scale, when it will occur, and the possibility that it will succeed. The study also advises that in order to accurately predict how a merger will affect operating performance, the preplanning process should include individuals and tools from various backgrounds.

2.2 Impact of mergers and acquisitions on market price performance

Increasing shareholder wealth is a more important goal today than increasing earnings. Making wise investment choices that boost shareholders' net worth is so essential. It is appropriate to determine if mergers and acquisitions benefit shareholders in the situation. It is true what is said that an organization's actions and performance have an impact on the market share price of the company. Therefore, the research in this part attempt to assess how mergers affect market performance. In contrast to India, some other nations carry out these investigations more empirically.

The market performance of the target and acquiring companies around the merger announcement date has been the focus of many research conducted abroad. Such studies are more helpful in comprehending the semi-strong form of market efficiency in terms of merger announcements, rather than examining how a merger influences the creation of shareholder wealth. In terms of how much wealth has increased over a lengthy period of ownership, however, shareholder wealth improvement is more significant. As a result, numerous studies have evaluated how mergers affect long-term wealth development.

2.3 Impact of macro-economic factors on merger and acquisition activity

Although this relationship has not typically been the subject of research, it can provide useful information about whether the volume of M&A activity is affected by the overall state of the economy or whether it is solely dependent on the performance and preferences of the individual firms. Does the financial future of the firms depend on macro conditions in the post-merger stage? The studies that have attempted to link mergers and acquisitions with macroeconomic conditions are listed below.

The financial world observed China's strategic moves for massive expansion across continents throughout the global crisis. China was cash-rich. Asian investors are buying and holding for long-term financial gain, realising that even if short-term financial gains are not made, they can quickly enter new markets through existing businesses. Natural resource industries, for example, have led the way in Merger & Acquisition transaction innovation with their innovative deal structuring. However, nowhere in the report are the survey's results disclosed, which lessens the significance of the veracity of the claims made.

Sen (2012) tried to link Indian purchases to stock exchange activity. In various regression models, the study examined the effects of the Nifty, the currency rate, and inflation on the total number of acquisitions, the number of stock purchases, the number of cash acquisitions, the number of domestic acquisitions, and the number of overseas acquisitions. The NIFTY prices and exchange rate had a substantial impact on both the total number of acquisitions and stock-paid acquisitions. NIFTY had a big impact on foreign purchases, but not inflation or currency rates. There was no difference in the number of acquisitions carried due to inflation.

In order to project the impact of a macroeconomic factor on corporate performance, **Khaja (2013)** evaluated the impact of FDI on the performance indicators of a chosen group of FDI-based pharmaceutical enterprises in India. The study's sample consisted of 18 pharmaceutical companies with FDI bases. Regression models were utilised in the study, and for each company, FDI was treated as an independent variable, while selected financial indicators such as sales, PBIT, and capital employed were treated as dependent variables. Which implies that three different models are used for each organisation. Additionally, three aggregate models are used for each firm collectively. The pharmaceutical industry's profit was shown to be unaffected by FDI, while the same firms' sales and capital employed were affected.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Objective

An investigation about how mergers and acquisitions affect corporate performance in FMCG industry has been made. This involved a thorough investigation of the performance of merger and acquisition of one organization in FMCG Sector i.e. Balan Naturals food Private Limited's juice brand B Naturals acquired by ITC Limited has been selected to understand the impact of inorganic growth.

3.2 Significance of the study

The study is relevant and helpful as it has provided the experience and information regarding the merger and acquisition in FMCG sector and what are its effects on the financial performance of the Organisations.

3.3 Source of Data

All of the data used in this study was gathered from financial annual reports, magazines, articles, newspapers, research papers, journals and text books, making it secondary data.

3.4 Period of Study

Ten years of data is considered in this study which is further divided in two parts pre-acquisition i.e. 2012-2014 and post-acquisition i.e. 2015-2021 that means few years prior to acquisition and few years post-acquisition to get a better insight.

3.5 Selection of Sample

For an analysis purpose, organisations that are taken into consideration is Balan Natural Food Private Limited's juice brand B Natural acquired by ITC Limited.

3.6 Tools of analysis

- In this study Excel Software is been used for analysing.
- This study is based on ratio analysis and interpretation is done through charts made by use of ratios ascertained.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Ratio Analysis

From 2012-2014 is considered as pre-acquisition time period and 2015 to 2021is considered to be post-acquisition period

Table 4.1: Ratio Analysis

	Time									
Ratio	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Liquidity Ratio										
Current Ratio	1.695	1.811	1.899	2.103	1.727	3.688	2.853	3.170	4.132	3.273
Solvency Ratios										
Total Assets to Debt Ratio	109.265	128.083	162.955	202.148	223.138	237.228	237.132	287.170	146.157	105.594
Activity Ratio										
Working Capital Turnover Ratio	4.086	3.703	3.302	2.895	3.628	3.065	2.781	2.294	1.716	2.187
Profitability Ratios										
Net Profit Ratio	23.877	24.359	25.486	25.179	25.539	17.847	24.099	25.742	30.340	25.177

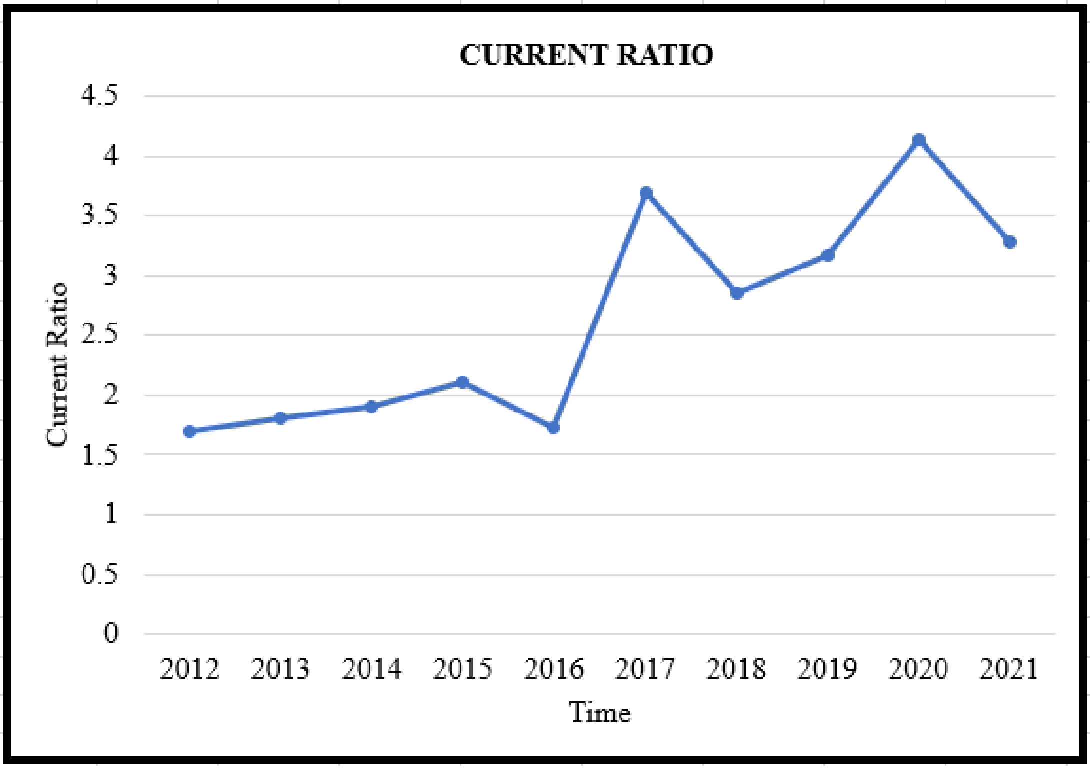
Source: Own Analysis

a) Current Ratio

This ratio is a liquidity ratio ascertained to know the capability of the enterprise to meet its short-term debt. Through this, we will ascertain the performance of pre and post-acquisition. Generally accepted standard of Current Ratio is 2:1. If the current ratio comes out to be less than 1, then it indicates that firm is not in a position to pay off its short-term liabilities on time.

Current Ratio = Current Assets/ Current Liabilities

Figure 4.1 - Current Ratio



Source: Own Analysis

From 2012-2014 is considered as pre-acquisition time period and 2015 to 2021 is considered to be post-acquisition period.

Before acquisition, ratio is increasing and approaching towards ideal ratio. But after acquisition i.e. 2015-2021, it is indicating a fluctuating trend from 2015 to 2018 but continuously for two years i.e.2019-2020, it is accelerating. There was a decline in 2021, due to the effect of pandemic which creates havoc in the world but they still successful to stabilize the business. This suggests that the corporation is in a situation to pay off its short-term obligations. It suggests a good financial health of the Company after acquisition of B Natural from Balan Natural Food Private Limited.

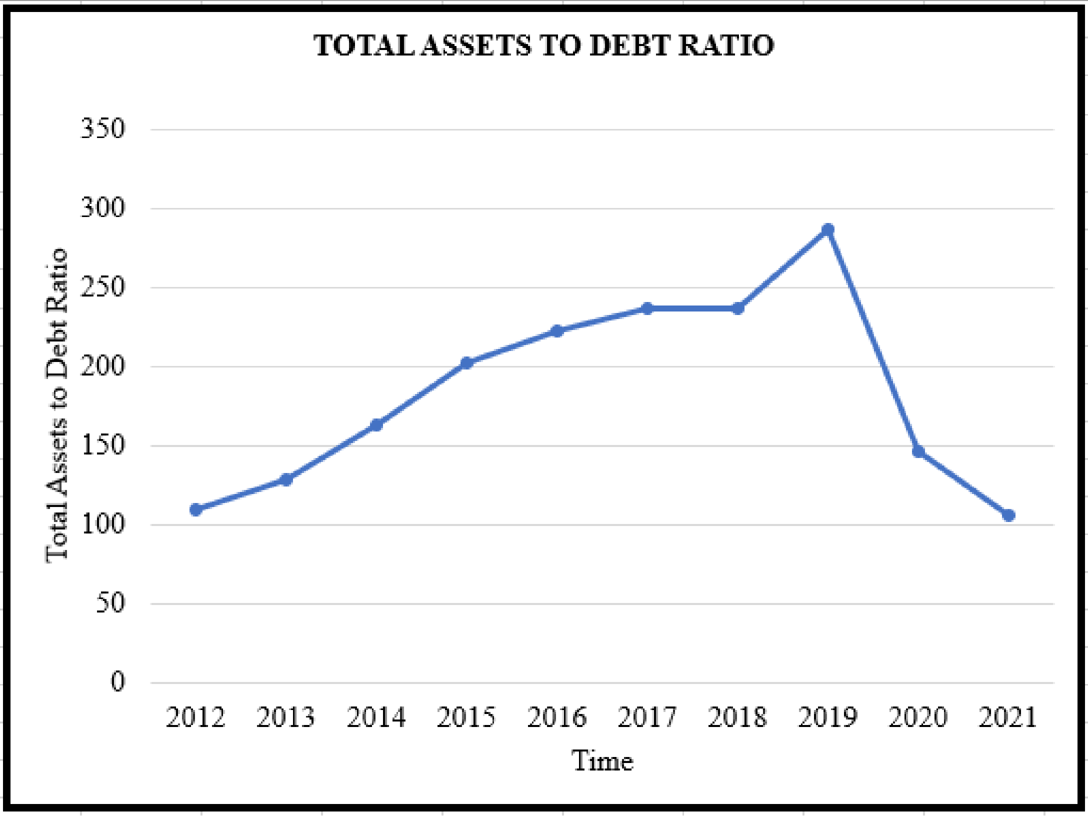
b) Total Assets to Debt Ratio

This ratio is a solvency ratio ascertained to know the long-term position of the entity. It represents the relationship between total assets to long term debt undertaken by the organisation.

This ratio assesses the safety margin available to long-term debt lenders. A higher ratio denotes better safety to lenders of the entity and vice versa.

Total Assets to Debt Ratio= Total Assets / Debt

Figure 4.2 – Total Assets to Debt Ratio



Source: Own Analysis

Low ratio indicates lenders have less safety because the business may be greatly dependent on outside loans for its survival.

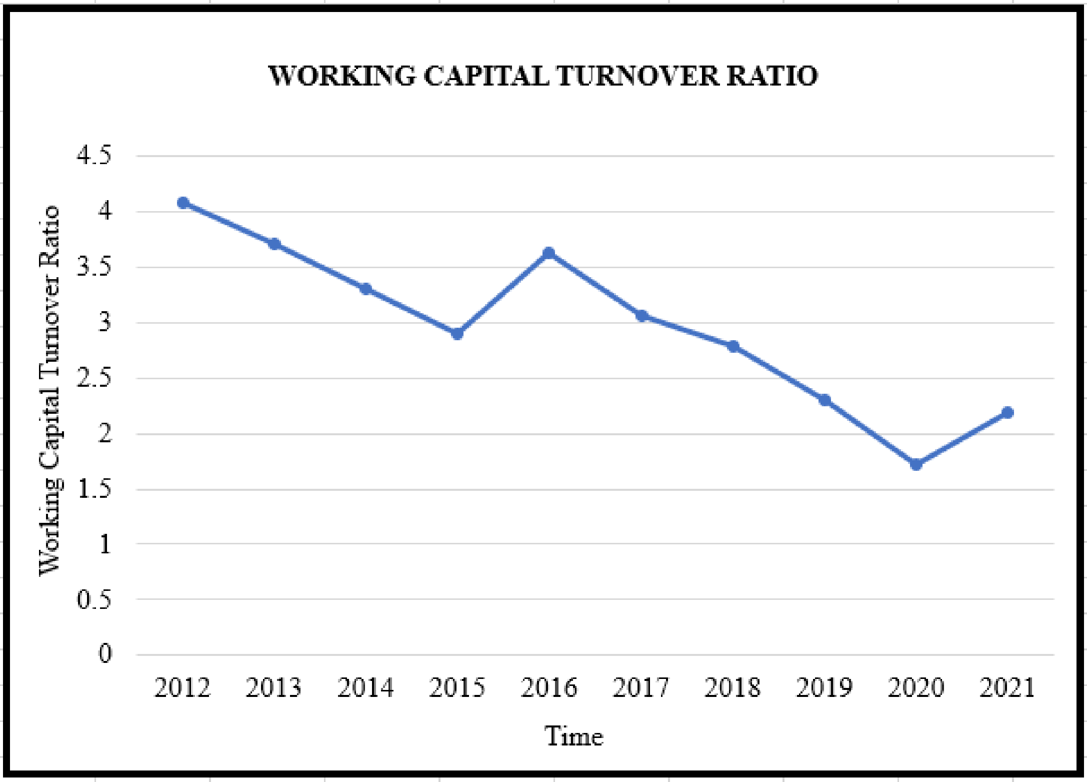
From 2012-2014 the ratio is increasing but after acquisition, i.e. from 2015-2017 it is increasing at a higher pace, showing a rising trend then in 2018, it slightly declined which is negligible then again increase in 2019 but falls for two years from 2020 to 2021. Effect of pandemic is the most obvious reason for this fall in ratio from 2020-2021.

c) Working Capital Turnover Ratio

This ratio is a turnover or activity ratios ascertain how well the resources being used in the business to get the work done effectively and efficiently. It shows how many times a rupee invested in working capital generates sales. It represents the relationship between revenue from operations and working capital.

Working Capital Turnover Ratio = Revenue from Operations/ Working Capital

Figure 4.3– Working Capital Turnover Ratio



Source: Own Analysis

This ratio is determined to assess an effective utilisation by comparing pre and post-acquisition in order to know whether working capital has been effectively used in producing revenue.

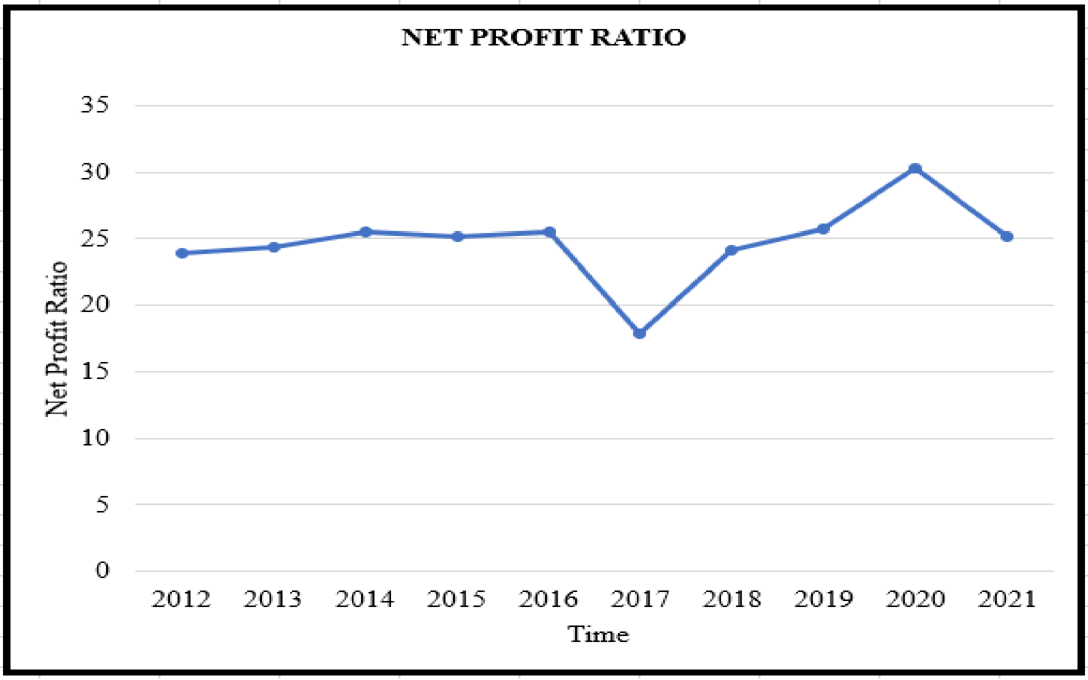
This ratio kept on reducing from year 2013 to 2020 which means enterprise is not effectively and efficiently making use of working capital but slightly improved in year 2016. In order to sustain its sales, a company may invest in too many accounts receivable and inventories, which could result in an excessive amount of bad debts or out-of-date inventory. In 2021 ratio improves which shows that company is putting efforts to use resources efficiently.

d) Net Profit Ratio

Net Profit Ratio is the profitability ratio used to measure overall efficiency present in the business. It represents the relationship between the net profit after tax and revenue from operations. It is evaluated in percentage. Higher ratio indicates better efficiency present in the business and vice versa.

Net Profit Ratio = Net Profit after tax*100 / Revenue from Operations

Figure 4.4– Net Profit Ratio



Source: Own Analysis

Before acquisition i.e. 2012-2014, ratio is rising but after acquisition it increased slightly for two years from 2015 to 2016 then it reduced deeply in year 2017 then from 2018 it started accelerating at a high pace till 2020 shows improvement in the operational efficiency of the business. This acquisition seems to be profitable for the business.

4.2 Findings

- Current ratio is rising and getting closer to optimal ratio prior to acquisition. But following purchase, from 2015 to 2021, it shows a variable tendency from one year to the next, but over the next two years, from 2019 to 2020, it has been accelerating. Due to the global pandemic, there was a downturn, but they were still able to stabilise the firm. But still after acquisition, ratio never goes below 2 which suggests that the company is in a position to fulfil its short-term debts. After purchasing B Natural from Balan Natural Food Private Limited, it shows that the Company is in solid financial standing.

- The Total Assets to Debt Ratio continued to increase after the acquisition, giving lenders a sense of security. Ratio decreased in 2020–2021 as a result of the effect of pandemic, but it was still strong enough to handle this uncertainty.

- This working capital turnover ratio continued to decline starting in 2013, which indicates that the firm is not using working capital effectively and efficiently. However, things started to recover a little in 2016 before declining once more until 2020. In order to maintain its sales, a business could invest excessive amounts of money in inventories and accounts receivable, which could lead to an excessive number of bad debts or outdated inventory. Ratio improves in 2021, indicating that the organisation is trying to use resources effectively.

- Net Profit Ratio is kept on rising after acquisition i.e. 2015-2020 except in the year 2017. This indicates that efficiency of the business increases with acquisition and this acquisition is proved to be fruitful for ITC Limited.

4.3 Recommendations

- This study recommends that merger and acquisition should be carried out if the intention of the company is diversification and growth. As loss from one segment is easily compensated by other segments in the business as happened in case of B Natural. Despite the unfavourable operating climate, ITC Limited retained its position as one of the nation's fastest growing branded packaged food and beverage industries by utilising a strong portfolio of brands and a variety of goods that are distinct from one another.

- According to the study, firms that are experiencing operational difficulties should combine their efforts by merging in order to improve their performance because this will benefit both the managers and the shareholders, who will benefit from the merger in a way that is not possible if the company runs independently and separately. In order to achieve higher performance, mergers should not be viewed as a plan for losing ownership or control over managers.

- With the help of renowned brands like Aashirvaad, Sunfeast, Dark Fantasy, Farmlite, Bingo, Yippee, Candyman, and others, ITC Limited. has boosted and reinforced its position in the packaged food industry over the past several years. Numerous of the brands have developed into industry leaders in the niche. But B Natural is still on the way to be a leader in the beverage segment as compared to its other brands which established themselves in the market. Its working Capital Turnover Ratio signifies that they are not properly making use of resources, they should make proper use of resources to take product to new heights.

- The present study would like to draw the following recommendation: mergers and acquisitions are a broad topic, and the present study is only focused on one acquisition in order to compare performance before and after acquisition. To the best of its ability, the study has been able to do honour to its goals. However, there are still opportunities to explore the large field of mergers and acquisitions activity from numerous perspectives. A study on more recent merger & acquisition agreements could present a fresh or different picture, despite the fact that a sizable span of time was covered in the study.

- In order to acquire a clear understanding of the positive and negative aspects of Merger and Acquisition in the FMCG business over a longer period of time, further study should be conducted. As the study only analyses financial data of the acquiring company before and after the acquisition, it is possible to include additional aspects like the impact on stock prices and inflation. Another study might be conducted which focusses on merger also.

4.4 Limitations of the Study

The coin has always had two sides, and everything has both advantages and disadvantages. This research project is subject to the same rule. The following are the study's main limitations:

- The research is made for studying analysis for only one industry i.e. FMCG industry with the help of one acquisition only.
- The findings and trustworthiness of this study are dependent on the data presented in annual reports because it is primarily based on secondary data taken from company annual reports.
- Accounting ratios has its own restrictions which is used in this study for better analysis.

CHAPTER -V

CONCLUSIONS

5.1 Conclusions

Mergers and acquisitions being a broad area of research, the present study restricted to FMCG industry with reference to Balan Natural Food Private Limited’s juice brand B Natural acquired by ITC Limited. So, with this study it could be concluded that this acquisition took place for growth and expansion as a strategy. The company's ability to produce sizable revenue, maintain robust profitability, and produce positive cash flows is demonstrated by the financial statements. ITC has overall great financial results and is in a strong position to continue growing. Net Profit Ratio is kept on rising after acquisition i.e. 2015-2020 except in the year 2017. This indicates that efficiency of the business increases with acquisition and this acquisition is proved to be fruitful for ITC Limited. The Total Assets to Debt Ratio continued to increase after the transaction, giving lenders a sense of security. Ratio decreased in 2020–2021 as a result of the pandemic, but it still strongly handled this uncertainty.

Company's well-known and successful food brands, such as "Aashirvaad," "Sunfeast," "Bingo!" "YiPPee!"," and "B Natural," among others, enable strong forward linkages for domestic agri-value chains, strengthening their competitiveness and notably raising farmer income.

Initially it captured a low market share in the market and faced lot of challenges with market leaders like Dabur’s Real and Pepsi’s Tropicana but ITC Limited did not give up and come up with a strategies to increase the demand for the brand. In order to compete with the market giants, challenger brand ITC has launched 100% "not from concentrate" pomegranate juice. Its aggressive marketing strategy exhorts customers to choose a "better" juice brand that, unlike the majority of items on the market, is not manufactured from concentrate.

ITC has invested significantly in re-formulating the variety in addition to revamping the packaging in an effort to produce fruit juices and beverages that are richer, sweeter, and more reminiscent of the flavour of actual fruits. The strategy works out and attracted the customers with a catchy line i.e. B Natural line of products contains no added preservatives, artificial colours, or artificial flavours.

The "B Natural" line of juices in the dairy and beverage industry, which is built on the promise of "100% Indian Fruit, 0% Concentrate," with the additional "goodness of Fibre," continues to strengthen consumer connections by offering a more nutritious and "natural" tasting experience. Ratnagiri Alphonso, Himalayan Mixed Fruit, and Dakshin Guava are just a few of the unique, region-specific fruits included in the premium line of juices with fruit inclusions, in an appealing clear container shape, that have received good customer reaction and are now offered in all target regions.

The FMCG-Others segment was on track to experience double-digit comparable revenue growth in the future prior to the start of the pandemic. Due to the pandemic, the 'B Natural' line of juices had to face a difficult time. Despite these difficult conditions, B Natural's juice line persisted in strengthening consumer connections by reiterating on the idea of "fruit and fibre goodness." In collaboration with Amway, two cutting-edge varieties of the B Natural juice line—Mixed Fruit+ and Orange+—were introduced to address immunity requirements. The reaction from discerning customers to the immunity range has been encouraging.

Overall it could be concluded that this acquisition proved to be beneficial for ITC Limited i.e. company's ability to produce sizable revenue, maintain robust profitability, and produce positive cash flows is demonstrated by the financial statements.

World-class brands like Aashirvaad, Sunfeast, Dark Fantasy, Farmlite, Bingo, Yippee, Candyman, and others have helped ITC Limited over the past few years to strengthen and expand its position in the packaged food industry. Numerous of the brands have developed into industry leaders in the niche. With this harmony in the business, ITC Limited. enter the country's underserved market for branded packaged fruit beverages with the launch of the B Natural brand in the juices segment and too some extent it got successful. If pandemic had not come it would might become beat the competitors in beverage sector.

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ANNEXURE

Enduring Value

Consolidated Balance Sheet as at 31st March, 2013

	Note	As at 31st March, 2013 (₹ in Crores)		As at 31st March, 2012 (₹ in Crores)	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	790.18		781.84	
Reserves and surplus	2	22367.72	23157.90	18676.74	19458.58
Minority interests			179.89		157.09
Non-current liabilities					
Long-term borrowings	3	90.80		105.38	
Deferred tax liabilities (Net)	4A	1213.59		882.03	
Other Long term liabilities	5	40.47		50.48	
Long-term provisions	6	144.75	1489.61	119.63	1157.52
Current liabilities					
Short-term borrowings	7	–		1.89	
Trade payables [Includes share of Joint Ventures ₹ 23.94 Crores (2012 - ₹ 10.79 Crores)]		1771.56		1538.37	
Other current liabilities	8	3560.03		3429.02	
Short-term provisions	9	5194.39	10525.98	4359.10	9328.38
TOTAL			**35353.38**		**30101.57**
ASSETS					
Non-current assets					
Fixed assets	10				
Tangible assets		11728.45		9578.95	
Intangible assets		100.54		120.01	
Capital work-in-progress - Tangible assets		2041.37		2388.87	
Intangible assets under development		20.66		7.59	
		13891.02		12095.42	
Less: Provision for assets given on lease		5.67		5.67	
		13885.35		12089.75	
Goodwill on consolidation		316.51		314.13	
Non-current investments	11	814.17		765.02	
Deferred tax assets (Net)	4B	24.11		16.26	
Long-term loans and advances	12	1246.30		1096.13	
Other non-current assets	12A	1.24	16287.68	1.24	14282.53
Current assets					
Current investments	13	5167.11		4441.81	
Inventories	14	7522.09		6426.87	
Trade receivables	15	1395.76		1200.20	
Cash and bank balances	16	3828.30		3130.12	
Short-term loans and advances	17	529.61		484.17	
Other current assets	18	622.83	19065.70	135.87	15819.04
TOTAL			**35353.38**		**30101.57**

Consolidated Statement of Profit and Loss for the year ended 31st March, 2013

	Note	For the year ended 31st March, 2013 (₹ in Crores)	For the year ended 31st March, 2012 (₹ in Crores)
Gross Income	19	**45102.45**	**37747.71**
Gross Revenue from sale of products and services		43920.76	36617.45
Less: Excise Duty		12597.31	10437.93
Net Revenue from sale of products and services		31323.45	26179.52
Other operating revenue		304.09	345.91
Revenue from operations	20	31627.54	26525.43
Other income	21	877.60	784.35
Total Revenue		**32505.14**	**27309.78**
Expenses			
Cost of materials consumed [Includes share of Joint Ventures ₹ 83.62 Crores (2012 - ₹ 64.43 Crores)]		9069.82	7808.75
Purchases of Stock-in-Trade		3305.23	1921.18
Changes in inventories of finished goods, work-in-progress, Stock-in-Trade and Intermediates	22	(256.84)	(85.74)
Employee benefits expense	23	2145.63	1935.11
Finance costs	24	87.18	80.50
Depreciation and amortisation expense [Includes share of Joint Ventures ₹ 1.45 Crores (2012 - ₹ 1.32 Crores)]		859.11	745.48
Other expenses	25	6189.36	5736.35
Total Expenses		**21399.49**	**18141.63**
Profit before tax		**11105.65**	**9168.15**
Tax expense:			
Current tax	26	3088.05	2777.57
Deferred tax	27	324.02	68.19
Profit after tax before share of results of associates and minority interests		**7693.58**	**6322.39**
Less: Minority interests		96.38	75.53
Share of net profit of associates		10.87	11.28
Profit for the year		**7608.07**	**6258.14**
Earnings per share (Face Value ₹ 1.00 each)	28 (i)		
Basic		₹ 9.69	₹ 8.05
Diluted		₹ 9.56	₹ 7.96

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Balance Sheet as at 31st March, 2014

	Note	As at 31st March, 2014 (₹ in Crores)		As at 31st March, 2013 (₹ in Crores)	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	795.32		790.18	
Reserves and surplus	2	26441.64	27236.96	22367.72	23157.90
Minority interests			203.03		179.89
Non-current liabilities					
Long-term borrowings	3	76.40		90.80	
Deferred tax liabilities (Net)	4A	1306.99		1213.59	
Other Long term liabilities	5	42.74		40.47	
Long-term provisions	6	131.75	1557.88	144.75	1489.61
Current liabilities					
Short-term borrowings	7	150.24		–	
Trade payables [Includes share of Joint Ventures ₹ 30.36 Crores (2013 - ₹ 23.94 Crores)]		2106.25		1771.56	
Other current liabilities	8	3673.10		3560.03	
Short-term provisions	9	5956.47	11886.06	5194.39	10525.98
TOTAL			**40883.93**		**35353.38**
ASSETS					
Non-current assets					
Fixed assets	10				
Tangible assets		12556.00		11728.45	
Intangible assets		73.83		100.54	
Capital work-in-progress - Tangible assets		3081.29		2041.37	
Intangible assets under development		36.08		20.66	
		15747.20		13891.02	
Less: Provision for assets given on lease		5.67		5.67	
		15741.53		13885.35	
Goodwill on consolidation		297.14		316.51	
Non-current investments	11	798.52		814.17	
Deferred tax assets (Net)	4B	35.52		24.11	
Long-term loans and advances	12	1428.92		1246.30	
Other non-current assets	12A	1.24	18302.87	1.24	16287.68
Current assets					
Current investments	13	6485.50		5167.11	
Inventories	14	8255.24		7522.09	
Trade receivables	15	2439.21		1395.76	
Cash and bank balances	16	3490.19		3828.30	
Short-term loans and advances	17	816.20		529.61	
Other current assets	18	1094.72	22581.06	622.83	19065.70
TOTAL			**40883.93**		**35353.38**

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Consolidated Statement of Profit and Loss for the year ended 31st March, 2014

	Note	For the year ended 31st March, 2014 (₹ in Crores)	For the year ended 31st March, 2013 (₹ in Crores)
Gross Income	19	**50550.61**	**45102.45**
Gross Revenue from sale of products and services		49247.28	43920.76
Less: Excise Duty		14262.58	12597.31
Net Revenue from sale of products and services		34984.70	31323.45
Other operating revenue		332.38	304.09
Revenue from operations	20	35317.08	31627.54
Other income	21	970.95	877.60
Total Revenue		**36288.03**	**32505.14**
Expenses			
Cost of materials consumed [Includes share of Joint Ventures ₹ 108.30 Crores (2013 - ₹ 83.62 Crores)]		10376.05	9069.82
Purchases of Stock-in-Trade		2976.98	3305.23
Changes in inventories of finished goods, work-in-progress, Stock-in-Trade and Intermediates	22	(112.74)	(256.84)
Employee benefits expense	23	2504.24	2145.63
Finance costs	24	6.37	87.18
Depreciation and amortisation expense [Includes share of Joint Ventures ₹ 1.91 Crores (2013 - ₹ 1.45 Crores)]		964.92	859.11
Other expenses	25	6520.66	6189.36
Total Expenses		**23236.48**	**21399.49**
Profit before tax		**13051.55**	**11105.65**
Tax expense:			
Current tax	26	3988.87	3088.05
Deferred tax	27	72.06	324.02
Profit after tax before share of results of associates and minority interests		**8990.62**	**7693.58**
Less: Minority interests		109.81	96.38
Share of net profit of associates		10.57	10.87
Profit for the year		**8891.38**	**7608.07**
Earnings per share (Face Value ₹ 1.00 each)	28 (i)		
Basic		₹ 11.22	₹ 9.69
Diluted		₹ 11.09	₹ 9.56

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Balance Sheet as at 31st March, 2016

	Note	As at 31st March, 2016 (₹ in Crores)		As at 31st March, 2015 (₹ in Crores)	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	804.72		801.55	
Reserves and surplus	2	33159.69	33964.41	30933.94	31735.49
Minority interests			262.33		225.11
Non-current liabilities					
Long-term borrowings	3	42.81		60.68	
Deferred tax liabilities (Net)	4A	1862.21		1642.77	
Other Long term liabilities	5	50.92		42.67	
Long-term provisions	6	136.01	2091.95	124.16	1870.28
Current liabilities					
Short-term borrowings	7	43.95		195.39	
Trade payables [Includes share of Joint Ventures ₹ 31.08 Crores (2015 - ₹ 14.18 Crores)]					
Total outstanding dues of micro enterprises and small enterprises		33.48		22.37	
Total outstanding dues of creditors other than micro enterprises and small enterprises		2370.72 2404.20		1998.10 2020.47	
Other current liabilities	8	4108.09		3782.04	
Short-term provisions	9	8388.85	14945.09	6162.01	12159.91
TOTAL			**51263.78**		**45990.79**
ASSETS					
Non-current assets					
Fixed assets	10				
Tangible assets		14756.72		14648.38	
Intangible assets		413.51		423.98	
Capital work-in-progress - Tangible assets		3084.37		2671.55	
Intangible assets under development		30.75		28.65	
		18285.35		17772.56	
Less: Provision for assets given on lease		–		1.05	
		18285.35		17771.51	
Goodwill on consolidation		226.51		231.97	
Non-current investments	11	4556.45		807.68	
Deferred tax assets (Net)	4B	41.75		38.57	
Long-term loans and advances	12	2341.28		1565.47	
Other non-current assets	12A	1.24	25452.58	1.24	20416.44
Current assets					
Current investments	13	6605.66		6135.09	
Inventories	14	9156.41		8586.87	
Trade receivables	15	1919.84		1982.07	
Cash and bank balances	16	7012.92		7896.22	
Short-term loans and advances	17	557.46		568.67	
Other current assets	18	558.91	25811.20	405.43	25574.35
TOTAL			**51263.78**		**45990.79**

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Statement of Profit and Loss for the year ended 31st March, 2016

	Note	For the year ended 31st March, 2016 (₹ in Crores)	For the year ended 31st March, 2015 (₹ in Crores)
Gross Income	19	**56599.53**	**54417.09**
Gross Revenue from sale of products and services		54690.63	52759.08
Less: Excise Duty		15623.78	14325.77
Net Revenue from sale of products and services		39066.85	38433.31
Other operating revenue		360.17	401.50
Revenue from operations	20	39427.02	38834.81
Other income	21	1548.73	1256.51
Total Revenue		**40975.75**	**40091.32**
Expenses			
Cost of materials consumed [Includes share of Joint Ventures ₹ 152.51 Crores (2015 - ₹ 123.16 Crores)]		11160.78	11089.10
Purchases of Stock-in-Trade		2593.48	3918.80
Changes in inventories of finished goods, Work-in-progress, Stock-in-Trade and Intermediates	22	51.22	(235.72)
Employee benefits expense	23	2946.57	2772.28
Finance costs	24	58.47	68.12
Depreciation and amortisation expense [Includes share of Joint Ventures ₹ 2.20 Crores (2015 - ₹ 1.71 Crores)]		1113.43	1027.96
Other expenses	25	7618.62	7088.73
Total Expenses		**25542.57**	**25729.27**
Profit before tax		**15433.18**	**14362.05**
Tax expense:			
Current tax	26	5153.96	4228.21
Deferred tax	27	218.00	368.21
Profit after tax before share of results of associates and minority interests		**10061.22**	**9765.63**
Share of net profit of associates		8.23	12.89
Profit after tax before minority interests		**10069.45**	**9778.52**
Less: Minority interests		157.84	115.35
Profit for the year		**9911.61**	**9663.17**
Earnings per share (Face Value ₹ 1.00 each)	28 (i)		
Basic		₹ 12.35	₹ 12.11
Diluted		₹ 12.28	₹ 12.00

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Balance Sheet as at 31st March, 2018

	Note		As at 31st March, 2018 (₹ in Crores)			As at 31st March, 2017 (₹ in Crores)	
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	3A		15863.68			15262.27	
(b) Capital work-in-progress	3B		5499.60			3684.20	
(c) Goodwill on consolidation			202.53			202.53	
(d) Other Intangible assets	3C		457.75			428.68	
(e) Intangible assets under development	3D		8.73			45.69	
			22032.29			19623.37	
(f) Financial Assets							
(i) Investments	4						
(a) Investment in Associates		159.79			162.81		
(b) Investment in Joint Ventures		117.14			123.10		
(c) Others		11206.86			6408.08		
		11483.79			6693.99		
(ii) Loans	5	9.69			8.54		
(iii) Others	6	1747.38	13240.86		100.71	6803.24	
(g) Deferred tax assets (Net)	7		47.98			44.95	
(h) Income Tax Assets (Net)	21A		61.56			38.59	
(i) Other non-current assets	8		2512.55	37895.24		3164.02	29674.17
Current assets							
(a) Inventories	9		7495.09			8116.10	
(b) Biological assets other than bearer plants	10		89.44			70.05	
(c) Financial Assets							
(i) Investments	11	10569.07			10887.39		
(ii) Trade receivables	12	2682.29			2474.29		
(iii) Cash and cash equivalents	13	153.07			333.07		
(iv) Other Bank Balances	14	2746.53			2634.33		
(v) Loans	5	5.84			6.78		
(vi) Others	6	1352.84	17509.64		1090.02	17425.88	
(d) Other current assets	8		1299.45	26393.62		657.07	26269.10
TOTAL ASSETS				**64288.86**			**55943.27**
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	15		1220.43			1214.74	
(b) Other Equity			51289.68			45198.19	
Attributable to owners of the parent			52510.11			46412.93	
Non-controlling interests			334.47	52844.58		294.74	46707.67
Liabilities							
Non-current liabilities							
(a) Financial Liabilities							
(i) Borrowings	16	11.50			18.40		
(ii) Other financial liabilities	17	67.79	79.29		41.21	59.61	
(b) Provisions	18		149.63			158.42	
(c) Deferred tax liabilities (Net)	7		1923.02			1878.77	
(d) Other non-current liabilities	19		42.19	2194.13		17.79	2114.59
Current liabilities							
(a) Financial Liabilities							
(i) Borrowings	20	17.35			19.11		
(ii) Trade payables		3496.18			2659.33		
(iii) Other financial liabilities	17	993.87	4507.40		903.25	3581.69	
(b) Other current liabilities	19		4610.39			3327.46	
(c) Provisions	18		63.80			61.16	
(d) Current Tax Liabilities (Net)	21B		68.56	9250.15		150.70	7121.01
TOTAL EQUITY AND LIABILITIES				**64288.86**			**55943.27**

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Statement of Profit and Loss for the year ended 31st March, 2018

		Note	For the year ended 31st March, 2018 (₹ in Crores)	For the year ended 31st March, 2017 (₹ in Crores)
I	Revenue From Operations*	22A, 22B	47688.55	58704.52
II	Other Income	23	1831.86	1761.53
III	**Total Income (I+II)**		**49520.41**	**60466.05**
IV	**EXPENSES**			
	Cost of materials consumed		11943.75	11979.03
	Purchases of Stock-in-Trade		2883.97	3477.56
	Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		1027.76	592.57
	Excise duty		4239.61	15927.91
	Employee benefits expense	24	3760.90	3631.73
	Finance costs	25	89.91	24.30
	Depreciation and amortization expense		1236.28	1152.79
	Other expenses	26	7349.60	7659.81
	Total expenses (IV)		**32531.78**	**44445.70**
V	**Share of profit/(loss) of associates and joint ventures**		**7.58**	**5.97**
VI	**Profit before exceptional items and tax (III-IV+V)**		**16996.21**	**16026.32**
VII	Exceptional Items	28(i)	412.90	–
VIII	**Profit before tax (VI+VII)**		**17409.11**	**16026.32**
IX	**Tax expense:**			
	Current Tax	27	5893.19	5546.16
	Deferred Tax	27	23.24	2.93
X	**Profit for the year (VIII-IX)**		**11492.68**	**10477.23**
	Other Comprehensive Income			
	A (i) Items that will not be reclassified to profit or loss:			
	– Remeasurements of the defined benefit plans	28(viii)	86.17	(27.19)
	– Equity instruments through other comprehensive income		360.84	139.68
	– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		10.29	(61.19)
	– Share of OCI in Associates and Joint Ventures		(7.45)	10.71
	(ii) Income tax relating to items that will not be reclassified to profit or loss	27	(33.40)	23.91
	B (i) Items that will be reclassified to profit or loss:			
	– Exchange differences in translating the financial statements of foreign operations		(6.08)	(55.55)
	– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(18.69)	18.29
	(ii) Income tax relating to items that will be reclassified to profit or loss	27	6.42	(6.31)
XI	**Other Comprehensive Income [A (i+ii)+B (i+ii)]**		**398.10**	**42.35**
XII	**Total Comprehensive Income for the year (X+XI)**		**11890.78**	**10519.58**
	Profit for the year			
	Attributable to:			
	Owners of the parent		11271.20	10289.44
	Non-controlling interests		221.48	187.79
	Total comprehensive income for the year			
	Attributable to:			
	Owners of the parent		11669.47	10331.79
	Non-controlling interests		221.31	187.79
XIII	Earnings per equity share (Face Value ₹ 1.00 each):	28(ii)		
	(1) Basic (in ₹)		9.26	8.50
	(2) Diluted (in ₹)		9.20	8.45

* Consequent to the introduction of Goods and Services Tax (GST) with effect from 1st July, 2017, Central Excise [other than National Calamity Contingent Duty (NCCD) on cigarettes], Value Added Tax (VAT) etc. have been replaced by GST. In accordance with Indian Accounting Standard - 18 on Revenue and Schedule III of the Companies Act, 2013, GST, GST Compensation Cess, VAT, etc. are excluded and NCCD is not excluded from Gross Revenue from sale of products and services for applicable periods. In view of the aforesaid restructuring of indirect taxes, Gross Revenue from sale of products and services and Excise duty for the year ended 31st March, 2018 is not comparable with the previous year. Following additional information is being provided to facilitate such comparison:

Gross Sales Value (net of rebates and discounts) (A)	70852.18	67782.73
Taxes other than Excise Duty/NCCD (B)@	23489.67	9494.78
Gross Revenue from sale of products and services [C = (A-B)]	**47362.51**	**58287.95**
Other Operating Revenues (D)	326.04	416.57
Revenue From Operations [E = (C+D)]	**47688.55**	**58704.52**

@ Taxes include GST, GST Compensation Cess, Service Tax, VAT, Luxury Tax etc., as applicable for the reported periods.

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Balance Sheet as at 31st March, 2020

	Note	As at 31st March, 2020 (₹ in Crores)			As at 31st March, 2019 (₹ in Crores)		
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	3A		19632.92			18625.74	
(b) Capital work-in-progress	3B		3251.61			4126.18	
(c) Investment Property	3E		385.36			–	
(d) Goodwill on consolidation			202.53			202.53	
(e) Other Intangible assets	3C		525.37			545.92	
(f) Intangible assets under development	3D		4.85			10.24	
(g) Right of Use Assets	3F		967.16			–	
			24969.80			23510.61	
(h) Financial Assets							
(i) Investments	4						
(a) Investment in Associates		142.10			157.26		
(b) Investment in Joint Ventures		124.46			121.86		
(c) Others		10448.46			11416.87		
		10715.02			11695.99		
(ii) Loans	5	5.27			8.34		
(iii) Others	6	615.65	11335.94		2385.17	14089.50	
(i) Deferred tax assets (Net)	7		56.29			59.37	
(j) Income Tax Assets (Net)	21A		38.42			28.53	
(k) Other non-current assets	8		1461.24	37861.69		2363.13	40051.14
Current assets							
(a) Inventories	9		8879.33			7859.56	
(b) Biological assets other than bearer plants	10		86.20			84.41	
(c) Financial Assets							
(i) Investments	11	17948.33			13347.50		
(ii) Trade receivables	12	2562.48			4035.28		
(iii) Cash and cash equivalents	13	650.35			317.81		
(iv) Other Bank Balances	14	6626.99			3834.22		
(v) Loans	5	6.33			6.75		
(vi) Others	6	1818.54	29613.02		1499.68	23041.24	
(d) Other current assets	8		926.80	39505.35		762.06	31747.27
TOTAL ASSETS				**77367.04**			**71798.41**
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	15		1229.22			1225.86	
(b) Other Equity			64044.04			57915.01	
Attributable to owners of the parent			65273.26			59140.87	
Non-controlling interests			377.47	65650.73		343.47	59484.34
Liabilities							
Non-current liabilities							
(a) Financial Liabilities							
(i) Borrowings	16	5.90			8.15		
(ii) Lease Liabilities	17A	204.00			–		
(iii) Other financial liabilities	17B	127.87	337.77		73.41	81.56	
(b) Provisions	18		175.37			161.95	
(c) Deferred tax liabilities (Net)	7		1627.20			2052.06	
(d) Other non-current liabilities	19		16.20	2156.54		6.51	2302.08
Current liabilities							
(a) Financial Liabilities							
(i) Borrowings	20		1.42			1.86	
(ii) Trade payables							
Total outstanding dues of micro enterprises and small enterprises		37.93			55.41		
Total outstanding dues of creditors other than micro enterprises and small enterprises		3591.90	3629.83		3454.17	3509.58	
(iii) Lease Liabilities	17A		63.87			–	
(iv) Other financial liabilities	17B		1394.88			1187.16	
(b) Other current liabilities	19		4072.72			4838.32	
(c) Provisions	18		148.18			51.38	
(d) Current Tax Liabilities (Net)	21B		248.87	9559.77		423.69	10011.99
TOTAL EQUITY AND LIABILITIES				**77367.04**			**71798.41**

The accompanying notes 1 to 31 are an integral part of the Financial Statements.

Enduring Value

Consolidated Statement of Profit and Loss for the year ended 31st March, 2020

		Note	For the year ended 31st March, 2020 (₹ in Crores)	For the year ended 31st March, 2019 (₹ in Crores)
I	Revenue From Operations	22A, 22B	51393.47	49862.11
II	Other Income	23	2597.89	2173.79
III	**Total Income (I+II)**		**53991.36**	**52035.90**
IV	**EXPENSES**			
	Cost of materials consumed		13810.70	13403.01
	Purchases of Stock-in-Trade		4237.90	4220.51
	Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		(703.13)	(203.19)
	Excise duty		1989.42	1509.43
	Employee benefits expense	24	4295.79	4177.88
	Finance costs	25	54.68	45.42
	Depreciation and amortization expense		1644.91	1396.61
	Other expenses	26	8502.63	8348.11
	Total expenses (IV)		**33832.90**	**32897.78**
V	Share of profit/(loss) of Associates and Joint Ventures		8.22	11.70
VI	**Profit before exceptional items and tax (III-IV+V)**		**20166.68**	**19149.82**
VII	Exceptional Items	28(i)	(132.11)	–
VIII	**Profit before tax (VI+VII)**		**20034.57**	**19149.82**
IX	**Tax expense:**			
	Current Tax	27	4846.15	6191.62
	Deferred Tax	27	(404.36)	122.30
X	**Profit for the year (VIII-IX)**		**15592.78**	**12835.90**
	Other Comprehensive Income			
	A (i) Items that will not be reclassified to profit or loss:			
	– Remeasurements of the defined benefit plans	28(vii)	(127.57)	10.92
	– Equity instruments through other comprehensive income		(1349.52)	397.71
	– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(1.29)	(21.05)
	– Share of OCI in Associates and Joint Ventures		(12.60)	(4.54)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	27	10.14	3.04
	B (i) Items that will be reclassified to profit or loss:			
	– Exchange differences in translating the financial statements of foreign operations		36.98	(60.23)
	– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(36.24)	0.85
	(ii) Income tax relating to items that will be reclassified to profit or loss	27	10.13	(0.30)
XI	**Other Comprehensive Income [A(i+ii)+B(i+ii)]**		**(1469.97)**	**326.40**
XII	**Total Comprehensive Income for the year (X+XI)**		**14122.81**	**13162.30**
	Profit for the year			
	Attributable to:			
	Owners of the parent		15306.23	12592.33
	Non-controlling interests		286.55	243.57
	Total Comprehensive Income for the year			
	Attributable to:			
	Owners of the parent		13835.90	12919.28
	Non-controlling interests		286.91	243.02
XIII	Earnings per equity share (Face Value ₹ 1.00 each):	28(ii)		
	(1) Basic (in ₹)		12.47	10.30
	(2) Diluted (in ₹)		12.45	10.24

Enduring Value

Consolidated Balance Sheet as at 31st March, 2021

	Note	As at 31st March, 2021 (₹ in Crores)			As at 31st March, 2020 (₹ in Crores)		
ASSETS							
Non-current assets							
(a) Property, Plant and Equipment	3A		19153.94			19632.92	
(b) Capital work-in-progress	3B		4004.45			3251.61	
(c) Investment Property	3C		376.56			385.36	
(d) Goodwill	3D		779.73			202.53	
(e) Other Intangible assets	3E		2011.06			525.37	
(f) Intangible assets under development	3F		6.84			4.85	
(g) Right of Use Assets	3G		977.19			967.16	
(h) Investment accounted for using the equity method	4		262.55			266.56	
			27572.32			25236.36	
(i) Financial Assets							
(i) Investments	4	9761.99			10448.46		
(ii) Loans	5	4.07			5.27		
(iii) Others	6	101.87	9867.93		615.65	11069.38	
(j) Deferred tax assets (Net)	7		58.54			56.29	
(k) Income Tax Assets (Net)	21A		33.04			38.42	
(l) Other non-current assets	8		1295.48	38827.31		1461.24	37861.69
Current assets							
(a) Inventories	9		10397.16			8879.33	
(b) Biological assets other than bearer plants	10		110.06			86.20	
(c) Financial Assets							
(i) Investments	11	14846.33			17948.33		
(ii) Trade receivables	12	2501.70			2562.48		
(iii) Cash and cash equivalents	13	290.42			650.35		
(iv) Other Bank Balances	14	4368.60			6626.99		
(v) Loans	5	3.47			6.33		
(vi) Others	6	1379.02	23389.54		1818.54	29613.02	
(d) Other current assets	8		1095.23	34991.99		926.80	39505.35
TOTAL ASSETS				**73819.30**			**77367.04**
EQUITY AND LIABILITIES							
Equity							
(a) Equity Share capital	15		1230.88			1229.22	
(b) Other Equity			59116.46			64044.04	
Attributable to owners of the parent			60347.34			65273.26	
Non-controlling interests			346.81	60694.15		377.47	65650.73
Liabilities							
Non-current liabilities							
(a) Financial Liabilities							
(i) Borrowings	16	5.58			5.90		
(ii) Lease liabilities	17A	206.96			204.00		
(iii) Other financial liabilities	17B	283.50	496.04		127.87	337.77	
(b) Provisions	18		187.50			175.37	
(c) Deferred tax liabilities (Net)	7		1736.39			1627.20	
(d) Other non-current liabilities	19		15.54	2435.47		16.20	2156.54
Current liabilities							
(a) Financial Liabilities							
(i) Borrowings	20		3.88			1.42	
(ii) Trade payables							
Total outstanding dues of micro enterprises and small enterprises		61.15			37.93		
Total outstanding dues of creditors other than micro enterprises and small enterprises		4257.58	4318.73		3591.90	3629.83	
(iii) Lease liabilities	17A		54.06			63.87	
(iv) Other financial liabilities	17B		1491.85			1394.88	
(b) Other current liabilities	19		4294.40			4072.72	
(c) Provisions	18		194.01			148.18	
(d) Current Tax Liabilities (Net)	21B		332.75	10689.68		248.87	9559.77
TOTAL EQUITY AND LIABILITIES				**73819.30**			**77367.04**

Consolidated Statement of Profit and Loss for the year ended 31st March, 2021

		Note	For the year ended 31st March, 2021 (₹ in Crores)	For the year ended 31st March, 2020 (₹ in Crores)
I	Revenue From Operations	22A, 22B	53155.12	51393.47
II	Other Income	23	2632.56	2597.89
III	**Total Income (I+II)**		**55787.68**	**53991.36**
IV	**EXPENSES**			
	Cost of materials consumed		13939.84	13810.70
	Purchases of Stock-in-Trade		6836.87	4237.90
	Changes in inventories of finished goods, Stock-in-Trade, work-in-progress and intermediates		(645.27)	(703.13)
	Excise duty		3882.34	1989.42
	Employee benefits expense	24	4463.33	4295.79
	Finance costs	25	44.58	54.68
	Depreciation and amortization expense		1645.59	1644.91
	Other expenses	26	7675.31	8502.63
	Total expenses (IV)		**37842.59**	**33832.90**
V	Share of profit/(loss) of Associates and Joint Ventures		(6.92)	8.22
VI	**Profit before exceptional items and tax (III-IV+V)**		**17938.17**	**20166.68**
VII	Exceptional Items		–	(132.11)
VIII	**Profit before tax (VI+VII)**		**17938.17**	**20034.57**
IX	**Tax expense:**			
	Current Tax	27	4463.74	4846.15
	Deferred Tax	27	91.55	(404.36)
X	**Profit for the year (VIII-IX)**		**13382.88**	**15592.78**
	Other Comprehensive Income			
	A (i) Items that will not be reclassified to profit or loss:			
	– Remeasurements of the defined benefit plans	28(vi)	(22.44)	(127.57)
	– Equity instruments through other comprehensive income		288.90	(1349.52)
	– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		(6.64)	(1.29)
	– Share of OCI in Associates and Joint Ventures		1.69	(12.60)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	27	(1.38)	10.14
	B (i) Items that will be reclassified to profit or loss:			
	– Exchange differences in translating the financial statements of foreign operations		(83.72)	36.98
	– Effective portion of gains/(losses) on designated portion of hedging instruments in a cash flow hedge		40.76	(36.24)
	(ii) Income tax relating to items that will be reclassified to profit or loss	27	(10.26)	10.13
XI	**Other Comprehensive Income [A(i+ii)+B(i+ii)]**		**206.91**	**(1469.97)**
XII	**Total Comprehensive Income for the year (X+XI)**		**13589.79**	**14122.81**
	Profit for the year			
	Attributable to:			
	Owners of the parent		13161.19	15306.23
	Non-controlling interests		221.69	286.55
	Total Comprehensive Income for the year			
	Attributable to:			
	Owners of the parent		13368.35	13835.90
	Non-controlling interests		221.44	286.91
XIII	Earnings per equity share (Face Value ₹ 1.00 each):	28(i)		
	(1) Basic (in ₹)		10.70	12.47
	(2) Diluted (in ₹)		10.70	12.45

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