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NEW AGE COMPANIES A GROWTH CONNECTOR FROM INDUSTRY 4.0 TO INDUSTRY 5.0

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Abstract

The modern age is the age of technology. Every industry is greatly affected due to technological equipment's like artificial intelligence, machine learning, internet of things and likewise. the physical form of industries is now transforming to its virtual counterparts for fulfilling the needs of the customers. This has built multiple complications from the phase of formation to the growth. This research is an attempt to study the financial performances of such new age companies and their ability to satisfy the stakeholder showing trust in them.

Introduction

Industry: entities that supply goods and services to fulfil the needs of the customers are called industries. As per the traditional classification industries are categorised as primary, secondary or tertiary. [1]

- Primary industries: the industries that have agriculture as the prime occupation are called primary industries. They mainly deal with soil or land (natural resources) production of goods. The goods so manufactured are either consumed or become base for further processing by secondary industries.
- Secondary industries: these industries take the goods manufactured by primary industries and further process them. The goods so manufactured can either be directly consumed or form raw material for other complex industries. For example, automobile manufacturing,
- Tertiary or Service industries: unlike primary and secondary industries these industries have intangible bundles of utility that are provided to customers for their need satisfaction. For example: banking, aviation, hospitality, telecommunication etc.

Industry 4.0: in the current scenario when the majority of the things are getting digitalised. IT is the need of the hour. Industry 4.0 emphasises on the smart way of manufacturing. It is the use of technology in the production processes. These new technologically equipped methods majorly increase productivity, are more efficient and sustainable ways of doing the things.[2]

Industry 5.0: This concept of industry emphasises the usage of technology in collaboration with the humans for efficient working in the new competitive world. In the past machines have been destructive in performing their role however in the Modern era the idea is to use technology in such a way that people's performance is improved. [3]

New age companies: these companies have an innovative knowledge based; technology equipped model of working those focusses upon virtual means. Their operations are primarily based on the Internet bringing global connectivity. The idea behind this entity is to connect the products with the consumers by narrowing time and place utility. There are two main type of business models under these businesses:

1. **Subscription based model:** e.g., Gaana, Amazon Prime is a subsidiary of amazon etc. these entities provide their services to the customers for some monthly/ quarterly/ annual charges called as subscription amount.
2. **Transaction based model**: e.g., Swiggy, Zomato etc. under this business model revenue is generated from the customer on the bases of each transaction done by the client with the service provider.

Advantages of new age companies

- **Flexi working style**: new age companies work on the business models that adopt innovative working styles. They do not follow a nine to five work culture. Rather flexi working hours are offered to the employees.
- **Innovative working style :** the employees in such organisations are mainly youngsters and so the working style is fun loving and lucrative.
- **Better utilization of resources:** these entity tries to bring the best out of the available means hence optimum utilization of resources is possible in such entities

Disadvantages of new age companies

- **Lack of experience:** the biggest limit so such models are that they are primarily proposed by the youngsters who lack experience in understanding and predicting future scenarios.
- **Risk of failure:** lack of experience leads to higher risk of failure and the changes of low survival in the market.
- **Funding issue:** these entities are highly dependent on the bigger business houses for raising capital. Consequently, they lack sufficient financial resources that can lead to their smooth functioning.

Examples of new age companies

- **Zomato:** they are a connector for food items between the customers and restaurant.
- **Paytm:** they have created convenient payment options for the customers while purchasing the goods or services.

- **Amazon:** it is the biggest e-retailing site, providing all types of retail goods to customers through multiple producers
- **Policy bazaar:** the business model of this entity is to connect lucrative insurance policy offers form the service provider to the customers.

Review of literature:

Marcello M. Mariani, in the research article titled,' Exploring how consumer goods companies innovate in the digital age: The role of big data analytics companies,' the objective of the research was to conduct a qualitative analysis on how consumer good companies using are helped by big data companies to test and launch new products in the market. Conclusively it was found that there were many new innovative ways being developed for greater consumer satisfaction. Hence big data is a support instrument in the era of industry 4.0.

Objective:

1. To study the financial performance of new age companies.

2. To study the financial contribution of new age companies towards industry 4.0 and industry 5.0

3. To know their overall impact on the Indian economy.

Research methodology

Secondary data from money control and annual reports of Zomato and Amazon.

Analysis of data:

For the purpose of analysing the financial statements of Zomato and Amazon for the last two financial years will be taken.

Ratio analysis

- **PE ratio**: **Price Earnings ratio:** $\dfrac{\textbf{Share Price}}{\textbf{Earnings per share}}$

  This ratio explains the relationship of price of the share in the market, compared to the earning on the share. The lower the ratio the better it is. As the lower value brings in higher financial utility of the share value.

- **ROI: Return on investment:** $\dfrac{\textbf{Earnings before interest and tax}}{\textbf{Capital employed}}$

  This ratio explains the relationship between the returns and the investments made in an entity.

- **Total assets: Fixed assets + Current Assets**

  Assets are the possessions of the company. There can be short term assets known as current assets and long-term assets known as fixed assets

- **Total liabilities: Long term liabilities + Current liabilities**

  Liabilities are the obligations of any entity. All those liabilities that are payable in the long run are called fixed liabilities and all the liabilities that need to be paid by the company in the current financial year are called short term liabilities.

Interpretation of data

Zomato:

- **Total assets:** Fixed assets + Current Assets

Year	**Total Assets** (INR million)	**Fixed assets** (INR million)	**Current assets** (INR million)
2022	1,73,270	97, 820	76,450
2023	2,15,987	1,07, 677	1,08,310

- **Total liabilities**: Long term liabilities + Current liabilities

Year	**Total Liability** (INR million)	**Fixed Liability** (Excluding shareholders fund) (INR million)	**Current Liability** (INR million)
2022	8,281	1,166	7,115
2023	21,455	7,045	14,410

- **PE ratio**: Price Earnings ratio: $\frac{\text{Share Price}}{\text{Earnings per share}}$

	2022	**2023**
PE ratio	-41.2	-130.08

- **ROI: Return on investment:** $\frac{\text{Earnings before interest and tax}}{\text{Capital employed}}$

	2022	2023
ROI ratio	-6.54%	0.56%

Amazon:

- **Total assets:** Fixed assets + Current Assets

Year	Total Assets ($ million)	Fixed assets ($ million)	Current assets ($ million)
2021	4,20,549	2,58,969	1,61,580
2022	4,62,675	3,15,884	1,46,791

- **Total liabilities**: Long term liabilities + Current liabilities

Year	Total Liability ($ million)	Fixed Liability (Excluding shareholders fund) ($ million)	Current Liability ($ million)
2021	4,20,549	2,78,283	1,42,266
2022	4,62,675	3,07,282	1,55,393

- **PE ratio**: Price Earnings ratio: $\frac{\text{Share Price}}{\text{Earnings per share}}$

	2022	2023
PE ratio	-313%	78.6071%

- **ROI: Return on investment:** Earnings before interest and tax

  Capital employed

	2022	2023
ROI ratio	6.88%	6.28%

Analysis of data:

The data was collected for Zomato from the year 2022 to 2023. the data was collected regarding the total assets, total liabilities, Price earning ratio and the return on investment for the two consecutive years

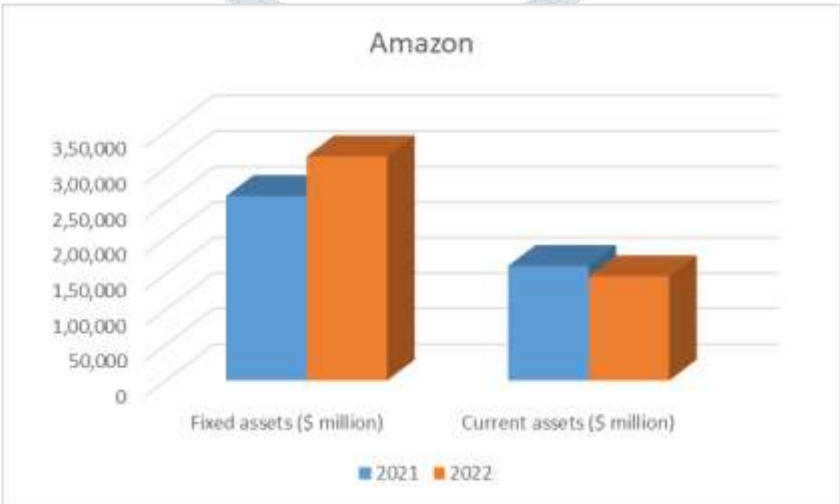
Both the fixed assets and the current assets of Zomato has increased in the last 2 years from 2022 to 2023

The current liabilities and the external liabilities of Zomato have increased from 2022 to 2023

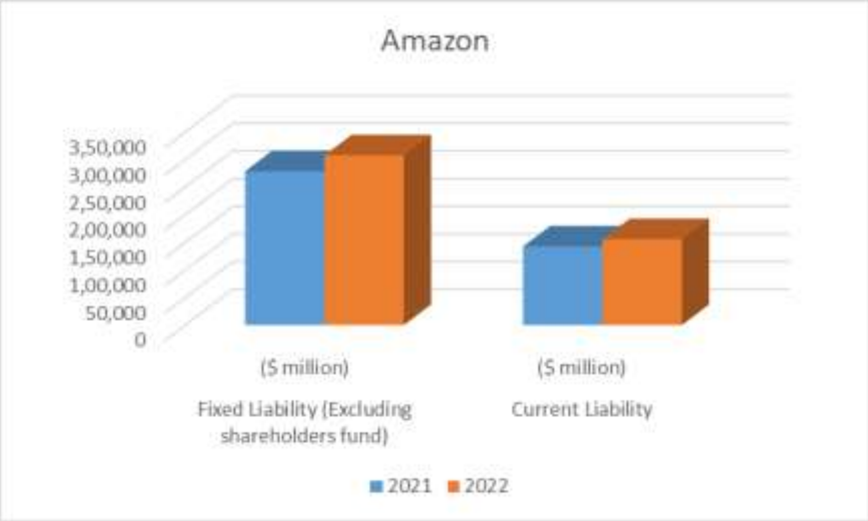
The Price earning ratio of Zomato has fallen from 2022 to 2023.

The Return on Investment of Zomato has increased from negative 6% to .54% from the year 2022 to 2023

The data was also collected for Amazon from the year 2021 to 2022. the data was collected regarding the total assets, total liabilities, Price earning ratio and the return on investment for the two consecutive years

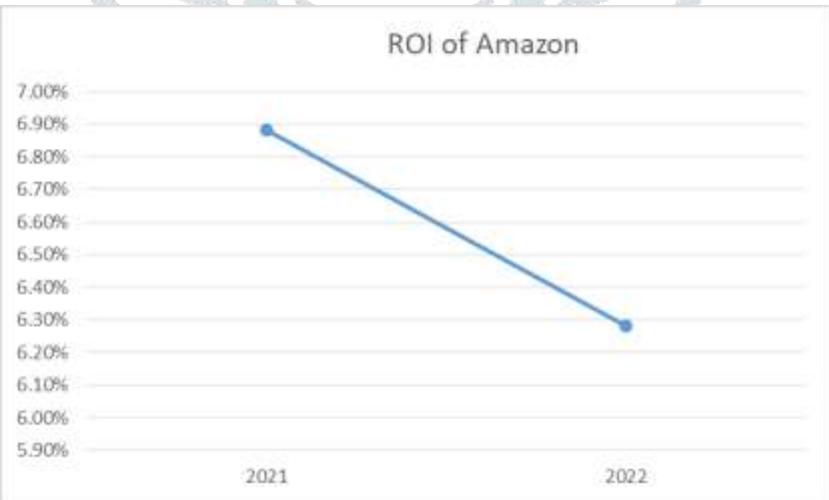


Fixed assets of Amazon have increased from 2021 to 2022 whereas the current assets of Amazon have decreased from 2021 to 2022.



The current liabilities and the external liabilities of amazon have increased from 2021 to 2022

The PE ratio has improved from a negative 313 to positive 68% from the year 2021 to 2022.



The return on investment for the company has fallen from 6.8% to 6.2%. from the year 2021 to 2022.

Conclusion:

Through the data collected and interpreted from the annual financial statements of Amazon limited and Zomato ltd for the two financial years it can be analysed that the financial performance of both the companies in terms of :

PE ratio:

There is a drastic improvement from negative PE Ratio to positive 78% in case of Amazon. Alternatively, the PE ratio of Zomato has further worsened from negative 41% to 130%. However, these variant figures of the entities reflect that the nature of entity (being a new age company) has no relation to the price earning capacity of the entity.

ROI Ratio:

There is a 0.6% fall in the return on investment of Amazon in the last two financial years on the other side the financial performance of Zomato shows a positive ROI.

Conclusively, through the research it can be found that the new age entities are doing wonders in the Industry 4.0 and are a great connector between 4.0 to 5.0

Limitation of the study:

1. For the purpose of study only the financial aspect is being considered. While there are many other factors that need to be studied to judge the success story on any business entity.

2. The data relates to the last two financial years; the study could be conducted to see the trend in the last 5 years.

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