IMPACT OF FINANCIAL REFORMS ON FAST MOVING CONSUMER INDUSTRIES – A CASE OF PROCTER & GAMBLE LTD.

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Abstract: The process of economic reforms initiated in 1991 had redefined the role of government in the economy-in coming times the economy will be dependent on the greater private participation for its development. Such a changed view to development required an overhauling in the investment structure of the economy. Now the private sector was going to demand high Investable capital out of the financial system. Thus, an emergent need was felt to restructure the whole financial system of India. Strong and powerful financial institutions are played a very important role for the progress and success of economic growth in modern economies. Need of approachable, low cost and correct fiscal organisation has always been a global issues. Therefore, importance of a comprehensive financial system is widely accepted all over the India. This paper outlines the various barriers that obstacle to financial reform in India. This study also aims to examining the impact on competitiveness has remained largely unexplored and to study the present and upcoming marketing trends in the study area. This paper is based on the secondary data collected from the different sources. It is concluded that financial reform shows positive and valuable changes because of change in strength and technological changes.

***Index Terms* - Financial Reforms, Investible Capital, Financial System, Modern Economies, Global Issues.**

I. INTRODUCTION

The financial sector reforms are one of the most important policy agenda of the authorities around the world. There are several reasons for the same. Firstly, the reforms are needed to increase the efficiency of financial resource mobilizations and generate higher levels of growth. Secondly, financial sector reforms are utmost necessary for the macro-economic stability. India saw its worst economic crisis in the decade of 1980s. In 1991, India embarked into an era of Economic Reforms which led to liberalization, privatization and globalization of the Indian Economy . The financial sector reforms were an integral part to these reforms. The financial sector reforms got momentum with the recommendations of various committees such as Chakravarty Committee (1985), Vaghul Committee (1987) and most notably by Narasimham Committee (1991), which is also known as first Narasimham Committee.

Importance of year 1991 :- Prior to 1991, India was more or less an isolated economy, loosely integrated with the economy of rest of the world.The public sector was born out of a planned economy model, which was underpinned by a Nehruvian-Fabian socialist philosophy. In 1991, India embarked on the path of liberalization, privatization and globalization. This injected new energy into the slow growing Indian Economy. With reference to Banking sector, it was in this year that the first Narasimham Committee gave a blueprint of banking sector reforms. On the basis of these recommendations, the government launched a comprehensive financial sector liberalization programme which included interest rates liberalization, reduction of reserved rations, reduced government control in banking operations and establishment of a market regulatory framework. Another outcome of liberalization was the dismantling of prohibitions against foreign direct investment. Some more outcomes of reforms that impacted the banking sector were.

Steps were taken to move to a market determined exchange rate system, and a unified exchange rate was achieved in the 1990s itself. The government also released a slew of norms pertaining to asset classification, income recognitions, capital adequacy etc which the banks had to comply with Current account convertibility was allowed for the Rupee in accordance with IMF conditions.

II. P&G – AN INTRODUCTION

P&G is a global leader in the fast-moving consumer goods industry, focused on providing branded consumer packaged goods of superior quality and value to our consumers around the world. Our products are sold in more than 180 countries and territories primarily through mass merchandisers, ecommerce, grocery stores, membership club stores, drug stores, department stores, distributors, baby stores, specialty beauty stores, high-frequency stores and pharmacies. We have on-the-ground operations in approximately 70 countries. Our market environment is highly competitive with global, regional and local competitors. In many of the markets and industry segments in which we sell our products, we compete against other branded products, as well as retailers' private label brands. Additionally, many of the product segments in which we compete are differentiated by price tiers (referred to as super-premium, premium, mid-tier and value-tier products). We are well positioned in the industry segments and markets in which we operate, often holding a leadership or significant market share position.

Changing political conditions could adversely impact the business and financial results. Changes in the political conditions in markets in which the company manufacture, sell or distribute the products may be difficult to predict and may adversely affect the business and financial results. For example, the United Kingdom's decision to leave the European Union has created uncertainty regarding, among other things, the U.K.'s future legal and economic framework and how the U.K. will interact with other countries, including with respect to the free movement of goods, services, capital and people. In addition, results of elections, referendums or other political processes in certain markets in which our products are manufactured, sold or distributed could create uncertainty regarding how existing governmental policies, laws and regulations may change, including with respect to sanctions, taxes, the movement of goods, services, capital and people between countries and other matters. The potential implications of such uncertainty, which include, among others, exchange rate fluctuations, trade barriers and market contraction, could adversely affect the Company's business and financial result.

III. Objectives of the Study

- To study the Revenues and Profitability of P&G COMPANY
- Examining the impact on competitiveness has remained largely unexplored
- To study the present and upcoming marketing trends in the study areas.

IV. Methodology Used

The objective of this research is to study the profitability of P&G and its present and upcoming marketing trends hence this study utilizes the secondary data. The idea is to generalize, extend, modify the recent results already existing in the literature. Review of the researches done previously by different authors in the field will be done which consists of published research papers and research work, published and unpublished dissertations and thesis, articles in newspapers and magazines and financial statement published by the company. The collected financial data is analyzed to get the desired results.

V. Data Analysis

The balance sheet and financial statement of Procter & Gamble of last four years has been acquired and presented below:

Table 1: Revenue & Operating expense statement

Revenue	2018	2017	2016	2015
Total Revenue	66,832,000	65,058,000	65,299,000	70,749,000
Cost of Revenue	33,449,000	31,942,000	32,909,000	37,056,000
Gross Profit	33,383,000	33,116,000	32,390,000	33,693,000
Operating Expenses				
Research Development	-	-	-	-
Selling General and Administrative	18,602,000	18,431,000	18,936,000	20,616,000
Non Recurring	-	-	-	-
Others	-	-	-	-
Total Operating Expenses	52,051,000	50,373,000	51,845,000	57,672,000
Operating Income or Loss	14,781,000	14,685,000	13,454,000	13,077,000
Income from Continuing Operations				
Total Other Income/Expenses Net	-1,455,000	-1,428,000	-85,000	-2,065,000
Earnings Before Interest and Taxes	14,781,000	14,685,000	13,454,000	13,077,000
Interest Expense	-506,000	-465,000	-579,000	-626,000
Income Before Tax	13,326,000	13,257,000	13,369,000	11,012,000
Income Tax Expense	3,465,000	3,063,000	3,342,000	2,725,000
Minority Interest	590,000	594,000	642,000	631,000
Net Income From Continuing Ops	9,861,000	10,194,000	10,027,000	8,287,000
Non-recurring Events				
Discontinued Operations	-	5,217,000	577,000	-1,143,000
Extraordinary Items	-	-	-	-
Effect Of Accounting Changes	-	-	-	-
Other Items	-	-	-	-
Net Income				
Net Income	9,750,000	15,326,000	10,508,000	7,036,000
Preferred Stock & Other Adjustments	-	-	-	-
Net Income Applicable to Common Shares	9,485,000	15,079,000	10,253,000	6,777,000

We look across the income statement at the year over change, from the above statement, total revenue of 2015 was 7,07,49,000 & G.P was 3,36,93,000. Selling general & Administrative expenses was deducted from Gross profit and the company was liable to pay discontinued operations in the year 2015 & get the total net income of 70,36,000 only but 2016 & 2017, apart from gross profit company earn some discontinued operative income which upgrade the net income & in the year 2018, again company fails to earn discontinued operative income which results in decrease in net income.

Table 2: Ratio Analysis

	Jun '18	Jun '17	Jun '16	Jun '15
Investment Valuation Ratios				
Face Value	10.00	10.00	10.00	10.00
Dividend Per Share	40.00	389.0	36.00	30.25
Operating Profit Per Share (Rs)	193.46	204.75	186.27	149.23
Net Operating Profit Per Share (Rs)	756.39	714.83	765.33	718.96
Profitability Ratios				
Operating Profit Margin (%)	25.57	28.64	24.33	20.75
Profit Before Interest & Tax Margin (%)	22.7	25.22	21.49	17.93
Gross Profit Margin (%)	22.93	26.06	22.25	18.5
Cash Profit Margin (%)	17.72	20.53	18.46	16.55
Adjusted Cash Margin (%)	17.72	20.53	18.46	16.55
Net Profit Margin (%)	15.25	18.64	17.03	14.83
Adjusted Net Profit Margin (%)	15.1	18.04	16.45	14.37
Liquidity And Solvency Ratios				
Current Ratio	1.86	1.31	2.77	2.23
Quick Ratio	1.62	0.99	2.57	2.05
Debt Equity Ratio	--	--	--	--
Long Term Debt Equity Ratio	--	--	--	--
Management Efficiency Ratios				
Inventory Turnover Ratio	19.86	13.64	20.05	19.82
Debtors Turnover Ratio	17.46	16.43	18.85	23.34
Investments Turnover Ratio	19.86	13.64	20.05	19.82
Fixed Assets Turnover Ratio	6.14	6.17	4.31	4.46
Total Assets Turnover Ratio	3.05	4.41	1.68	1.9
Asset Turnover Ratio	3.69	2.28	1.81	2.09
Profit & Loss Account Ratios				
Material Cost Composition	36.4	41.99	37.55	39.85
Imported Composition of Raw Materials Consumed	-	-	35.89	33.5
Selling Distribution Cost Composition	9.87	8	7.34	-
Expenses as Composition of Total Sales	1.07	2.38	0.35	0.39
Cash Flow Indicator Ratios				
Dividend Payout Ratio Net Profit	23.39	298.55	27.61	28.36
Dividend Payout Ratio Cash Profit	19.93	262.33	24.6	24.62
Earning Retention Ratio	76.61	-198.55	72.39	71.64
Cash Earning Retention Ratio	80.07	-162.33	75.4	75.38

Ratio analysis indicates the ability of business to earn profit. Under profitability ration, Gross profit margin indicates 18.5%growth in 2015which was acquired by net sales from gross profit and sustains growth in 2016 & 2017 but decline in 2018. Net profit margins were varying from year to year its year performance was better than current year. Operating profit margin was satisfactory comparatively year to year where cost of goods sold and companies operating expenses was deducted by net sales and the data of past 3 years proved that the cost and expenses was declined which improves the profitability.

VI. Findings

According to the calculations we find out that proctor and gamble company having following findings:-

- From the above calculations we find out that the P&G Company had a healthy average operating margin of 20.06 over the last 4 quarters.
- From the Tabulations we find that Net margins of P&G Company came in at average 16.1% for the last twelve months.
- We also find out that P&G has an attractive ROIC (Return on Invested Capital) of 13
- From our calculations P&G Company has a good Return On Equity shares (ROE) of 20.
- Finally we find the P&G Company has a healthy FCF (Free Cash Flow) margin of 19 which is good for the company.

VII. CONCLUSION

The vast majority of research studies were undertaken on various aspects of the Industrial sector which include performance evaluation, expansion, customer services, priority sector lending and reforms. These studies both at micro and macro level have focused on constructive suggestions which are being implemented by the policy makers from time to time. The present study which attempted to present the impact of Industrial Sector Reforms on the profitability of P & G Company with reference to other companies will add to the above studies and may be of little use for policy makers in future.

The total assets of select public sector and private sector Industries have shown a tremendous increase during two phases of reform period but for the quality of assets the quantum increase in the assets is laudable. Earlier Indian Industrial system thrives on total government support in terms of capital provision and public deposits. A number of regulatory systems were in place to access the capital markets. Reforms have certainly influenced Industries positively to access capital markets. Some public sector Industries have gone for an Initial Public Officer (IPO) offered to secure more number of funds but the funds supplied are posed on the utmost faith in the Industrial regulatory system.

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