

## A STUDY ON REVENUE POSITION AT UNITED BREWERIES COPMANY

ETHARI SHEKHAR, CH HIMA BINDU  
MBA STUDENT, ASSISTANT PROFESSOR  
DEPT OF MBA

DRK INSTITUTE OF SCIENCE AND TECHNOLOGY, HYDERABAD

### ABSTRACT:

This project deals with the topic "A STUDY ON REVENUE POSITION" Which is done in "UNITED BREWERIES COPMANY". This study will teach us the objectives, need, scope and limitations of The project. From this study we will learn about the definition, meaning, methods Benefits and importance of financial statements analysis in the organization.

The objectives of the project is to know the financial performance and financial strength of united breweries company limited. It enables the accounting department to take corrective decisions related to where to improve their financial strength and what are effective revenue generated head in the organization.

To conclude my report I would say that through a research methodology and study of theory and financial information I arrived at findings, suggestions, and conclusion.

### I. INTRODUCTION

*Earnings* typically refer to after-tax net income, sometimes known as the bottom line, or a company's profits. *Earnings* are the main determinant of a company's share price, because *earnings* and the circumstances relating to them can indicate whether the business will be profitable and successful in the long run.

**Accounting earnings** is another name for a company's stated **earnings**, or net income, which is calculated by taking total revenue and subtracting the costs of doing business such as cost of goods sold, general administrative expenses, depreciation, interest, taxes, etc.

The **earnings** of a business are the same as its net income or its profit. Either term means the same thing. **Earnings** are usually calculated as all revenues (sales) minus the cost of sales, operating expenses, and taxes, over a given period of time (usually a quarter or a year)

**Income** is the consumption and saving opportunity gained by an entity within a specified .... Throughout history, many have written about the impact of

*income* on morality and *society*. Saint Paul wrote 'For the love of money is a root of all kinds'

Economic **income** may be defined as the operating **earnings** plus the change in asset values during a time period. Economic **income** is measured in real terms and results from changes in the value of assets rather than from the matching of **revenue** and expenses. Like accounting **income**, it is not based on money values.

### NEED FOR THE STUDY

- Any organization always wants to earn a profits that profits get when the organization earn more than that investment.
- Earnings play more vital role to show the company performance whether the company stands in a healthier position or not.
- Firm goodwill depends on earnings of a company.
- Earnings gives boost to long survival of a company.
- The study of earnings gives the efficiency of the company i. e full utilization of resources.

### OBJECTIVES

- To evaluate the profitability position of the united breweries company.
- To find out the financial position of the united breweries company.
- To study the united breweries company performance in the market.
- To analyze the sales revenue of the united breweries company.
- To study the percentage change in growth of a company.

## SCOPE OF THE STUDY

The study has a scope in everywhere in a company. It is a major function to planning, forecasting, communicating, coordinating and controlling.

- The study has a scope in investor investment point of view that from the financial position the investor gets the information about the earnings. Whether that earnings getting sufficient revenues to their investment.
- Earning position depends future expansion and growth of a company.
- At employee point of view that employee work for their salaries and wages etc..if earnings of a company is good than the firm pay good pay scale to employees like bonus ,incentives etc..when the employees gives good performance.
- Sales of a company shows the revenue of the company .when the sales are more than the company gets more revenue to the organization.
- From the good financial position of a company the new investors will ready to invest their money in the company.
- The management has a confidence when the firm stands in a healthier earning position, which helps them to plan for expansion and acquisitions.

## RESEARCH METHODOLOGY

**Research Methodology** Defined. A **research** method is a systematic plan for conducting **research**. Sociologists draw on a variety of both qualitative and quantitative **research** methods, including experiments, survey **research**, participant observation, and secondary data.

Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge.

There are four main types of quantitative research designs: **descriptive**, correlational, quasi-experimental and experimental. The differences between the four types primarily relates to the degree the researcher designs for control of the variables in the experiment.

## DATA COLLECTION METHODS

The study is depends on secondary data from various form.

### Secondary data

The secondary data collected from annual reports and website and other statements provided by financial departments of the organization.

There is no primary data has been collected from annual reports.

### Statistical methods

The analysis purely based on secondary data that data analyzed on ratio analysis. The data collected from the annual reports of “united breweries”.

## II. REVIEW OF LITERATURE

*United Breweries'* market share gains to continue unabated: Analysts on *Business Standard*. Expected debt-free *status* by FY19 provides further relief. ...information like date of birth, *income*, location amongst other fields. .... Access Exclusive content - *articles*, features & opinion pieces .

The latest earnings update United Breweries Limited (NSE:UBL) released in March 2018 confirmed that the business benefited from a strong tailwind, eventuating to a high double-digit earnings growth of 71.71%. Today I want to provide a brief commentary on how market analysts view United Breweries's earnings growth outlook over the next few years and whether the future looks even brighter than the past. Note that I will be looking at net income excluding extraordinary items to get a better understanding of the underlying drivers of earnings.

View our latest analysis for United Breweries

Market analysts' prospects for the coming year seems buoyant, with earnings rising by a robust 20.14%. This growth seems to continue into the following year with rates arriving at double digit 48.58% compared to today's earnings, and finally hitting 7.67b by 2021.

NSEI:UBL Future Profit August 8th 18

While it's helpful to understand the rate of growth year by year relative to today's value, it may be more insightful evaluating the rate at which the business is rising or falling on average every year. The pro of this method is that we can get a bigger picture of the direction of United Breweries's earnings trajectory over the long run, irrespective of

near term fluctuations, which may be more relevant for long term investors. To calculate this rate, I've appended a line of best fit through the forecasted earnings by market analysts. The slope of this line is the rate of earnings growth, which in this case is 20.08%. This means, we can anticipate United Breweries will grow its earnings by 20.08% every year for the next few years.

### Next Steps:

For United Breweries, there are three key factors you should further research:

1. **Financial Health:** Does it have a healthy balance sheet? Take a look at our free balance sheet analysis with six simple checks on key factors like leverage and risk.
2. **Valuation:** What is UBL worth today? Is the stock undervalued, even when its growth outlook is factored into its intrinsic value? The intrinsic value infographic in our free research report helps visualize whether UBL is currently mispriced by the market.
3. **Other High-Growth Alternatives:** Are there other high-growth stocks you could be holding instead of UBL? Explore our interactive list of stocks with large growth potential to get an idea of what else is out there you may be missing!

Stock market crashes are an opportune time to buy. High quality companies, such as United Breweries Limited, are impacted by general market panic and sell-off, but the fundamentals of these companies stay the same. In other words, now is the time to buy strong, well-proven stocks at an attractive discount.

See our latest analysis for United Breweries

United Breweries Limited manufactures and sells beer in India and internationally. The company was established in 1915 and with the company's market capitalisation at 285.09b, we can put it in the mid-cap stocks category. Volatility in the market is hardly detrimental to the financial health and business operations of a large, well-established company. Although some monetary and fiscal policy changes may impact some corporate financing decisions and strategy, what we've learnt over time is that these companies tend to adapt. And having a strong balance sheet and a history of proven success aids in this adaptability.

With 2.58b debt on its books, United Breweries has to pay interest periodically. This means it needs to have enough cash on hand to meet these upcoming expenses. United Breweries generates enough earnings to cover its interest payments, more specifically, its interest coverage ratio (EBIT/interest) is 13.48x, which is well-above the minimum requirement of 3x. Furthermore, its operating cash flows amply covers its total debt by over 2x, much higher than the safe minimum of 0.2x. Not to mention, it meets the basic liquidity requirement with current assets exceeding liabilities, which further builds on its financial strength in the face of a volatile market.

### III. LIMITATIONS OF THE STUDY

- The study base on the data given by the official reports of the company so the confidential of some facts and figures are also one limitation.
- This analysis based on balance sheet and P/L account prepared as per accounting practices .This in some cases may lead to window dressing to cover up bad financial practices.

### IV. DATA ANALYSIS AND &INTERPRETATION

#### GROSS PROFIT RATIO

**Gross profit ratio (GP ratio)** is a **profitability ratio** that shows the relationship between **gross profit** and total net sales revenue. It is a popular tool to evaluate the operational performance of the business . The **ratio** is computed by dividing the **gross profit** figure by net sales.

The gross profit margin is a metric used to assess a firm's financial health ... as a percentage of sales and may be called the *gross margin ratio*.

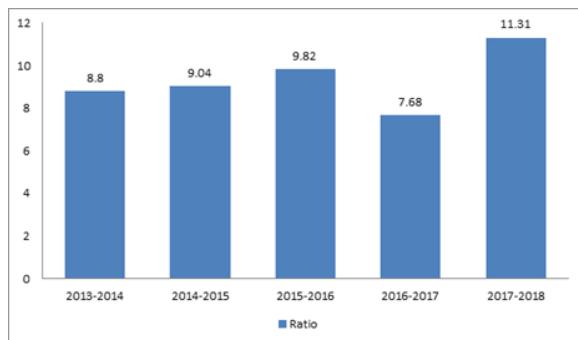
The ratio establishes a relationship between gross profit and sales.

The first probability ratio relation to sales is the gross profit margin or simply gross profit ratio.

It can be calculated by with help of the following formula.

$$\text{Gross profit margin} = \frac{\text{gross profit}}{\text{net sales}} * 100$$

Year	Gross profit(in cr's)	Net sales(in cr's)	Ratio
2013-2014	334.14	3793.14	8.80%
2014-2015	377.9	4179.9	9.04%
2015-2016	448.38	4569.76	9.82%
2016-2017	347.17	4517.73	7.68%
2017-2018	606.83	5361.32	11.31%



**INTERPRETATION:** The higher gross profit ratio indicates better performance and lower gross profit ratio is unfavorable. By seeing the above graph the company performance is high in the year 2017-2018 i.e. (11.31%) compared to all the remaining 4 years but it is lower in the year 2016-2017 i.e. (7.68%) compared to previous years.

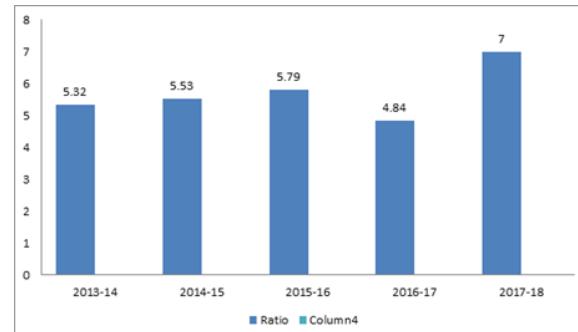
### NET PROFIT RATIO

Net profit is obtained when operating expences, interest and taxes are subtract from the gross profit .The ratio establishes a relationship between net profit and sales and indicates management efficiency in manufacturing, administrating and selling the products. The ratio is the overall measure of the firm ability to turn each rupee sales into net profit. If the net margin is inadequate, the firm will fail to achieve satisfactory return on owners equity.

THE NET PROFIT MARGIN RATIO IS MEASURED BY DIVIDING PROFIT AFTER TAX BY NET SALE

Net profit margin=profit after tax/net sale\*100.

Year	PAT(in cr's)	Net sales(in cr's)	Ratio
2013-2014	225.61	4235.50	5.32%
2014-2015	259.53	4692.29	5.53%
2015-2016	299.57	5081.48	5.79%
2016-2017	229.33	4734.12	4.84%
2017-2018	393.98	5617.03	7.0%



**INTERPRETATION:** The net profit ratiois 7.0 in the year 2017-2018 it is high compared to remaining years. Initially it increased year by year up to 3 consecutive years and it decreased in the year 2016-2017i.e(4.84%) and it is the low compared to all other previous years.

### RETURN ON NETWORTH

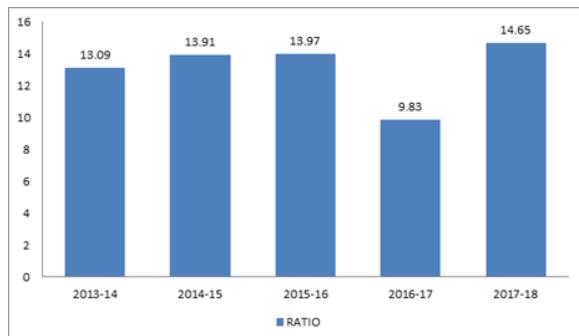
Return on Net Worth Formula Return on Net Worth (RONW) is a measure of profitability of a company expressed in percentage. It is calculated by dividing the net income of the firm in question by shareholders' equity. The net income used is for the past 12 months.

Calculate return on net worth by dividing earnings before interest depreciation and tax (EBIT) BY TOTAL ASSETS.

It can be calculated with the help of following formula.

**Return on investment=EBIDT/TOTAL ASSETS\*100.**

Year	EBIT-PSC DIVIDEND(in cr's)	SHAREHOLDERS FUND(in cr's)	RATIO
2013-14	223.39	1705.86	13.09%
2014-15	257.31	1849.63	13.91%
2015-16	294.57	2107.60	13.97%
2016-17	229.33	2332.52	9.83%
2017-18	393.99	2684.45	14.65%



**INTERPRETATION:** Return on net worth implies efficient use of assets, the company's return on investment is in a fluctuating stage. The above graph indicating a high return in 2017-2018 i.e (14.65%) and lowest return in 2016-2017 i.e (9.83).

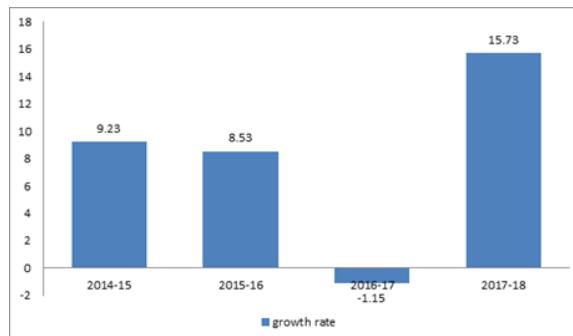
#### PERCENTAGE CHANGES IN GROWTH RATE OF A COMPANY

For investors, *growth rates* typically represent the compounded annualized *rate of growth* of a company's revenues, earnings, dividends or even macro concepts, such as gross domestic product (GDP) and retail sales. Expected forward-looking or trailing *growth rates* are two common kinds of *growth rates* used for analysis.

It can be calculated with the help of following formula.

**Percentage change=**current year value – previous year value / current year value\*100.

year	Percentage change
2014-2015	9.23%
2015-2016	8.53%
2016-2017	-1.15%
2017-2018	15.73%



**INYERPRETATION:** The growth rate of a companyit is increased in the year 2014-15 i.e 9.23% and in the year 2015-16 it is increased 8.53%. but in the year 2016-17 the growth rate of a company is decreased to 1.15% and the next year the company growth rate increased to 15.73%.

#### V. FINDINGS

- The gross profit ratio has been increased since last 3 years but it is decreased in the year 2016-2017 by effect of service tax. The service tax in this year is relatively high compared to past 3 years.
- The net profit ratio has decreased in the year 2016-2017 caused by effect of revenue from other income. In this year revenue from other income is relatively low compared to remaining years.
- The return on net worth is almost equal in the year 2014-15 to 2015-2016 but it is less in the year 2016-2017 because of inefficient use of asset in this financial year.
- Return on capital employed of the company almost equal in the year 2014-15 to 2015-16 but there is sudden down fall due to improper utilization of funds by the company.
- EBITD of the company increased since last 3 years but it is decreased in the year 2016-2017 by effect of depreciation on the assets. In the financial year depreciation of machinery is very high i.e 286.95cr compared to all the five years of depreciation.

- Operating revenue of the company been increased for all the five years but here slightly decreased in the year 2016-2017 due to high taxes paid i.e 5494.04 compared to past 3 years of service tax.
- Earnings per share fluctuating throughout 2013-2018 but it is less in the year 2016-2017 due to low performance of the company,i.e result in less income generated by the company in this year.
- Dividend per share initially has been increased in the year 2013-14 and 2014-15 and the company paid same portion of dividend 1.15 for next 3 years even though the revenue of the company is less or high.

## VI. SUGGESTIONS

- The company should focus on core operating activities of the company which has an effect on effect on gross profit.
- The company should efficiently utilize all the assets.
- The company has to properly utilize the capital funds.
- The company performing well so it is suggested to continue the same like proper utilization of capital funds and assets.
- The company should distribute the dividend as per the company performance (income).

## VII. CONCLUSION

By all the observations in the united breweries company it is concluded that the economic conditions of the company is very good. The overall performance of the financial department with regard to good .There is drastic increase in current financial year, compared with past 5 years in all the aspects like gross profit, net profit, EBITD of the company. The company has a scope of acquisitions and expansion of the business.

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## WEB SITES

- DION GLOBAL SOLUTIONS LTD.
- WWW. UNITED BREWERIES LIMITED OFFICIAL WEB SITE.COM.
- INVESTPEDIA.