

Segment Analysis of Godrej Industries Limited

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Abstract— Segment analysis helps us to break out the financial data of the company into divisions and segments. This split up gives us the knowledge about the difference between each segment. This information is helpful for the company in making decisions regarding the investment. The study is to interpret the segment analysis of the Godrej Industries limited which specializes in various segments like Chemicals, Vegetable Oil Processing, Agri, Dairy, Estate & Property Development, Finance & Investments and Others. The scope of the study is to analyze the performance of each segment of Godrej Industries with reference to revenue, profit and growth. The data used in the study are collected from secondary sources like annual reports of the company, finance websites and other reliable sites. The Godrej group has existed for more than 100 years with a strong global presence in manufacturing and IT operations in 13 countries with 100 manufacturing locations. GIL exports its products to more than 60 countries. At Godrej Industries unit there has been a big reduction of wastage of all raw materials and compliance with international pollution control norms. From the study, it was found that Animal Feed, Agri and Veg Oil Segments are the best performing segments of the Godrej Industries Limited.

Index Terms— Godrej Industries, Inter-segment comparison, Performance, Return on Investment, Segment Analysis, Segment Contribution, Segment Reporting.

1. INTRODUCTION

Segment reporting refers to the reporting of the operating segments of a company in the disclosures accompanying their financial statements. It breaks down a company's financial data by company divisions, subsidiaries and other business segments. A business segment can be defined by either its products or services or its geographic location.

Segment Analysis helps in understanding the financial health of each performing segment of the company. In Godrej Industries, each segment is classified on the basis of its service operations. As per AS 17, it is mandatory to report the progress of each segment of a company. The Segments of Godrej Industries includes Chemicals, Animal Feed, Veg Oils, Estate and Property Development, Finance and Investment, Dairy, Agri and Others.

1.1 Objectives

- To analyze the performance of segment in Godrej Industries with reference to revenue, profit and growth.
- To compare the segment performance of Godrej Industries for two financial years and conclude the increase and decrease in segment contribution.
- To highlight the best segment with reference to Return on

Investment (ROI).

1.2 Data Collection Method

The required data for the study is collected from the secondary sources. These secondary data is collected from annual reports of the company from the company's website and other reliable sources.

1.3 Period of Study

The study covers the period of two financial years from 2018-2019 to 2019-2020.

1.4 Techniques Used

The following are the techniques used under the study:

- Common-size Statement
- Comparative Statement

1.5 Limitations of the Study

The data taken for the study is limited to two financial years.

2. REVIEW OF LITERATURE

Mahavir M Shetiya and Etal (2017) conducted 'A Study of segment reporting practices in India'. In their study, they expressed their AS-17 (segment reporting) is applicable in respect of enterprises whose equity or debt securities are listed in a registered stock exchange in India. Segment reporting helps to find out strong and weak segments of the company. It provides information about business as well as geographical segments. They concluded that segment reporting provides a more valuable data in the hands of stake holders for the appraisal of each unit of business and also indicates the segments

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which improve or negate overall value of the firm.

Gayathri Guha Roy and Etal (2019) published a paper titled 'Segment reporting practices in India: A case study of TCS'. The study developed an empirical proxy for the quality of segment reporting from the data in company's annual report. The objective of the study is to examine the segmental reporting practices of TCS and to find out whether the segmental reporting is useful to stakeholders. They concluded that TCS is improving from year to year in their segment reporting. The company has satisfactorily accomplished segment reporting by classifying their business and geographical segments.

3. ANALYSIS AND INTERPRETATION

COMMON SIZE STATEMENT OF SEGMENT WISE (REVENUE)

TABLE NO 1: Common size statement showing inter-segment comparison of revenues for the year ended 31st march, 2019 (In Crores)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Diary	Agri	Others	Total
Revenue(Rs)	1,665.52	3,046.47	1,123.79	3,254.60	104.84	1,160.83	987.54	367.93	11,711.52
Percentage of Total Revenue	14.22	26.01	9.60	27.79	0.90	9.91	8.43	3.14	100
Degree of diagram	51.20	93.65	34.54	100.04	3.22	35.68	30.36	11.31	360

Source: Annual Report of Godrej Industries Limited

In the year 2019,

- Estate & Property Development Segment has the highest revenue among all other segments contributing 27.79 % of the Total Revenue.
- Finance & Investment Segment has the lowest revenue, contributing 0.90 % of the Total Revenue.
- The Godrej Group primarily focuses on Estate & Property Development and Animal Feed over its other segments.

TABLE NO 2: Common size statement showing inter-segment comparison of revenues for the year ended 31st march, 2020 (In Crores)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Diary	Agri	Others	Total
Revenue (Rs)	1,594.71	3,717.72	1,093.84	3,079.70	26.06	1,065.72	1,096.38	188.22	11,862.35
Percentage of Total	13.44	31.34	9.22	25.96	0.22	8.98	9.24	1.59	100

Revenue									
Degree of diagram	48.40	112.83	33.20	93.46	0.79	32.34	33.27	5.71	360

Source: Annual Report of Godrej Industries Limited

In the year 2020,

- Animal Feed Segment has the highest revenue among all other segments contributing 31.34 % of the Total Revenue.
- Finance & Investment Segment has the lowest revenue, contributing 0.22 % of the Total Revenue.
- The Godrej Group primarily focuses on Animal Feed and Estate & Property Development over its other segments in this given year.

COMMON SIZE STATEMENT OF SEGMENT WISE (PROFIT)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Diary	Agri	Others	Total
Profit (Rs)	131.09	129.92	125.56	576.29	94.90	14.66	231.27	(61.09)	1,242.60
Percentage of Total Profit	10.55	10.46	10.10	46.38	7.64	1.18	18.61	(4.92)	100
Degree of diagram	37.98	37.64	36.38	166.96	27.49	4.25	67.00	(17.70)	360

TABLE NO 3: Common size statement showing inter-segment comparison of profit for the year ended 31st march, 2019 (In Crores)

Source: Annual Report of Godrej Industries Limited

In the year 2019,

- The Profit from Estate & Property Development Segment is the highest when compared to all other segments, contributing over 42% to the Total Profit.
- The Profit from Diary is the lowest when compared to all other segments contributing 1 % to the Total Profit.
- Whereas, Others Segment is generating loss over the year.
- The Godrej Group primarily focuses on Estate & Property Development, Agri Segment, Animal Feed and Chemicals than all other segments in this given year.

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Diary	Agri	Others	Total
Profit (Rs)	139.59	153.17	98.58	792.72	25.89	(0.18)	230.95	(80.14)	1,360.58
Percentage of Total Profit	10.26	11.26	7.25	58.26	1.90	(0.01)	16.97	(5.89)	100
Degree of diagram	36.93	40.53	26.08	209.75	6.85	(0.05)	61.11	(21.20)	360

TABLE NO 4: Common size statement showing inter-segment comparison of profit for the year ended 31st march, 2020 (In Crores)

Source: Annual Report of Godrej Industries Limited

In the year 2020,

- The Profit from Estate & Property Development Segment is the highest when compared to all other segments, contributing over 52% to the Total Profit.

- The Profit from Finance & Investment is the lowest when compared to all other segments contributing 2% to the Total Profit.

-Whereas, Others Segment and Dairy Segment is generating loss over the year.

The Godrej Group primarily focuses on Estate & Property Development and Agri Segment than all other segments in this given year.

COMMON SIZE STATEMENT OF SEGMENT WISE (CAPITAL EMPLOYED)

TABLE NO 5: Common size statement showing inter-segment comparison of capital employed for the year ended 31st march, 2019 (In Crores)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Dairy	Agri	Others	Total
Capital Employed	978.08	86.39	471.05	2,925.45	3,084.25	473.29	737.07	427.86	9,183.44
Percentage of Total Profit	10.65	0.94	5.13	31.86	33.58	5.15	8.03	4.66	100
Degree of diagram	38.34	3.39	18.47	114.68	120.91	18.55	28.89	16.77	360

Source: Annual Report of Godrej Industries Limited

In the year 2019,

- The Finance & Investment Segment has earned the highest level of Capital Employed being 34 % of Total Capital Employed.

- Where, Estate & Property Development Segment has earned the second highest level of Capital Employed being 32 % of Total Capital Employed.

- It is so as the Segment Assets of both these segments are higher than their Segment Liabilities. While, Animal Feed Segment has lowest, contributing to 1.89 % of Total Capital Employed.

TABLE NO 6: Common size statement showing inter-segment comparison of capital employed for the year ended 31st march, 2020 (In Crores)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Dairy	Agri	Others	Total
Capital Employed (Rs)	730.87	335.81	488.93	5,297.08	3,355.00	471.63	877.17	285.79	11,842.28
Percentage of Total Profit	6.17	2.84	4.13	44.73	28.33	3.98	7.41	2.41	100
Degree of diagram	22.22	10.21	14.86	161.03	101.99	14.34	26.67	8.69	360

Source: Annual Report of Godrej Industries Limited

In the year 2020,

- The Estate & Property Development Segment has earned the highest level of Capital Employed being 45 % of Total Capital Employed.

- Where, Finance & Investment Segment has earned the second highest level of Capital Employed being 28 % of Total Capital Employed.

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Dairy	Agri	Others	Total
PBIT (Rs)	131.09	129.92	125.56	576.29	94.90	14.66	231.27	(61.09)	1,242.60
Capital Employed	978.08	86.39	471.05	2,925.45	3,084.25	473.29	737.07	427.86	9,183.44
ROI (PBIT/Capital Employed)	13.40	150.39	26.66	19.70	3.08	3.10	31.38	(14.28)	13.53

- It is so as the Segment Assets of both these segments are higher than their Segment Liabilities. While, Others Segment has lowest, contributing to 2.41 % of Total Capital Employed.

INTER SEGMENT COMPARISON OF SEGMENT RETURN ON INVESTMENT

TABLE NO 7: Inter-segment comparison of return on investment for the year ended 31st march, 2019 (In Crores)

Source: Annual Report of Godrej Industries Limited

In the year 2019,

- The Animal Feed Segment has earned the highest ROI 150.39 % for the given year, followed by Agri Segment with ROI 31.38 % with a huge gap.

- Whereas, Others Segment has earned negative return on investment and suffered a loss of 14.28 %.

TABLE NO 8: Inter-segment comparison of return on investment for the year ended 31st march, 2020 (In Crores)

Source: Annual Report of Godrej Industries Limited

In the year 2020,

- The Animal Feed Segment has earned the highest ROI 45.61% for the given year, followed by Agri Segment with ROI 26.33 %.
- Whereas, Others Segment has earned negative return on investment and suffered a loss of 28.04 %.
- Dairy Segment also earned a negative return on investment and suffered a mere loss of 0.04 %.

COMBINED COMPARATIVE STATEMENT

TABLE NO 9: Combined comparative statement for the year ended 2019 (In Crores)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Diary	Agri	Others	Total
Revenue (%) of Total	14.22	26.01	9.60	27.79	0.90	9.91	8.43	3.14	100.00
PBIT (%) of Total	10.55	10.46	10.1	46.38	7.64	1.18	18.61	(4.92)	100.00
Capital Employed (%) of Total	10.65	0.94	5.13	31.86	33.58	5.15	8.03	4.66	100
ROI (%)	13.4	150.39	26.66	19.7	3.08	3.1	31.38	(14.28)	13.53

Source: Annual Report of Godrej Industries Limited

- Animal Feed Segment has the highest ROI of 150.39 % with a capital share of just 0.94 %.
- Agri Segment has the second highest ROI of 31.38 %.
- Whereas, with a Revenue share of 8.43 % of the Total Revenue, Agri Segment is able to generate a PBIT of 18.61 % which is over a three-fold increase.
- Added to that, Veg Oils Segment has the third highest ROI of 26.66 %
- Therefore, Animal Feed Segment, Agri Segment and Veg Oils Segment are the best performing segments of Godrej Industries for the year 2019.

TABLE NO 10: Combined comparative statement for the year ended 2020 (In Crores)

Segment	Chemicals	Animal Feed	Veg Oils	Estate & Property Development	Finance & Investment	Diary	Agri	Others	Total
Revenue (%) of Total	13.44	31.34	9.22	25.96	0.22	8.98	9.24	1.59	100.0
PBIT (%) of Total	10.26	11.26	7.25	58.26	1.90	(0.01)	16.97	(5.89)	100.0
Capital Employed (%) of Total	6.17	2.84	4.13	44.73	28.33	3.98	7.41	2.41	100.0
ROI (%)	19.10	45.61	20.16	14.97	0.77	(0.04)	26.33	(28.04)	11.49

Source: Annual Report of Godrej Industries Limited

- Animal Feed Segment has the highest ROI of 45.61 % with a capital share of just 2.84 %.
- Agri Segment has the second highest ROI of 26.33 with a capital share of only 7.41 %.
- Whereas, with a Revenue share of 9.24 % of the Total Revenue, Agri Segment is able to generate a PBIT of 16.97 %.
- Added to that, Veg Oils Segment has the third highest ROI of 20.16 %
- Therefore, Animal Feed Segment, Agri Segment and Veg Oils Segment are the best performing segments of Godrej Industries for the year 2020.

4. FINDINGS AND SUGGESTIONS

FINDINGS

In case of Segment Revenue,

- Estate & Property Development Segment has the highest revenue among all other segments contributing 27.79 % of the Total Revenue in the year 2019.
- Animal Feed Segment has the highest revenue among all other segments contributing 31.34 % of the Total Revenue in the year 2020.

In case of Segment Profit,

- The Profit from Estate & Property Development Segment is the highest when compared to all other segments, contributing over 42% to the Total Profit.
- The Profit from Estate & Property Development Segment is the highest when compared to all other segments, contributing over 52% to the Total Profit.

In case of Segment Capital Employed,

- The Finance & Investment Segment has earned the highest level of Capital Employed being 34 % of Total Capital Employed.
- The Estate & Property Development Segment has earned the highest level of Capital Employed being 45 % of Total Capital Employed.

In case of Segment Return on Investment,

- The Animal Feed Segment has earned the highest ROI 150.39% for the given year, followed by Agri Segment

with

ROI 31.38 % with a huge gap.

- The Animal Feed Segment has earned the highest ROI 45.61% for the given year, followed by Agri Segment with ROI 26.33 %.

SUGGESTIONS

- The company should divert more funds from the loss making segment, i.e., Others Segment of Godrej and Dairy Segment which has lost its shine to the performing segments of the company to unleash its future growth potential.
- In case of Godrej Industries, Animal Feed, Agri and Veg Oils segments are the best performing segments and emphasis on these areas could help in future advancement.
- Agriculture sector is India's primary sector and has future growth potential because of agricultural demand in India. The company should focus on Agri Segment to enhance its segment contribution.

5. CONCLUSION

Godrej Industries is India's largest household care brand with interest in diverse fields and holds a prominent market position in the country. This study was prepared to analyse the segment performance of Godrej Industries Limited for two financial years from 2018-2019 to 2019-2020. This study is solely based on secondary data and helps in understanding the financial health of the operating segments of the company.

Through the study, it was found that Animal Feed, Agri and Veg Oils are the significant segment contributors of the company. It was noted that, Others segment and Dairy has incurred losses over the years. Therefore, the company should consider disinvesting in these segments and provide more emphasis on better performing segments of the company.

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